



This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

The Report deals with the findings of performance reviews and audit of transactions in various departments.

The Report also contains the observations arising out of audit of Statutory Corporations and Government Companies and revenue receipts.

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2009-10, as well as those which had come to notice in earlier years, but could not be dealt with in previous Audit Reports. Matters relating to the period subsequent to 2010-11 have also been included, wherever necessary.

Audit observations on matters arising from the examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2011 are included in a separate Report on State Finances.

The audits have been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

## OVERVIEW

This Report contains 15 audit paragraphs (including three general paragraphs) and two performance reviews – ‘Jawaharlal Nehru National Urban Renewal Mission Schemes in Nagaland’ and ‘Utilisation of declaration forms in Interstate Trade’. There is a separate chapter on Integrated Audit of the Public Works Department (Roads & Bridges). According to the existing arrangements, copies of the draft audit paragraphs and draft performance reviews were sent to the Secretary of the Department concerned by the Accountant General (Audit) with a request to furnish replies within six weeks. Replies were not received from the departments concerned in respect of two paragraphs.

### 1. Performance Audits

#### 1.1 Performance Audit of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) schemes in Nagaland.

Though the JNNURM guidelines provide for involvement of ULBs in the implementation, the activities under JNNURM had not been devolved to ULBs. The Department submitted the DPRs under BSUP and IHSDP projects without proper appraisal and approval of the SLNA and SLSC. The Department also did not conduct any survey to ensure availability of land and other resources before preparation of the DPRs. The State Government also did not release fully its share. As a result, the DPRs were revised, works relocated and items of works as per the DPRs were curtailed to the limit of available funds. Deficient contract management and lack of internal controls in the Department resulted in delays in award of contract, delay in execution of works, release of advance payments against rules and payment against unexecuted items of works. The prospect of successful implementation of JNNURM in the State of Nagaland is bleak as the Department had not identified the beneficiaries under BSUP and IHSDP and the dwelling units under construction were not constructed as per the approved specifications. Due to ineffective planning and inaction of the Department in taking remedial actions on the observations pointed out in the earlier audit report, there were instances of time overruns and cost overruns leading to non-achievement of the objectives of providing affordable housing facilities to the urban poor.

*(Paragraph 1.1)*

#### 1.2 Integrated Audit of Public Works Department (Roads & Bridges)

Planning process in the Department was inadequate as Long Term Plan, State Action Plan or District Action Plans were not prepared resulting in lopsided planning and execution of projects. Financial Management was deficient as provision under salary head was inflated and utilised for payment of wages, travelling allowance and maintenance of vehicles. DPRs/estimates for several major projects were not based on proper survey and investigation resulting in wide deviations in the scope and cost of the work on actual execution. Several works were not executed as per DPRs/Estimates and escalation/deviation was admitted without any basis. There were delays in transfer of funds to the executing divisions, unauthorised deduction from scheme funds at source and diversion of funds in violation of scheme guidelines. Provision of rules in realisation and deposit of government revenue were

not followed in several divisions resulting in non/short realisation and non deposit/delays in deposit. Norms were not followed in the process of awarding works resulting in collusive bidding and allotment of work to bidders other than the lowest. Joint physical verification of selected projects revealed major shortcomings in execution. The existence of effective monitoring and evaluation of projects could not be established in the absence of records. Internal control was lax as several vital records were either not maintained properly as per norms or not maintained at all. Human Resource management was deficient as excess staff above sanctioned strength was retained. Over and above this, a large number of work charged employees were deployed. The existing system for transfer of funds to the divisions was not transparent and was vulnerable to fraud and corruption.

*(Paragraph 3.1)*

### **1.3 Performance Audit on “Utilisation of declaration forms in Interstate Trade”**

In the absence of monitoring systems in the Department, there were lacunae in assessment of tax coupled with system deficiencies. The assessment of Central Sales Tax/Nagaland Value Added Tax in Nagaland is deficient as tax to the tune of ₹8.99 crore was evaded due to irregular import of goods and concealment of purchase and sale turnover valued at ₹85.69 crore. Besides, penalty of ₹8.10 crore were also leviable. The Department has not prescribed any procedures/instructions for safe custody and issue of declaration forms, as a result, there were instances of declaration forms being lost and misused by unregistered dealers. The Department declared all the declaration forms issued prior to June 2001 as obsolete and invalid rendering all the interstate transactions upto June 2001 irregular. The Department also did not call back the forms declared to be obsolete and invalid, as a result, the prospects of misutilisation of those forms for future transactions cannot be ruled out. As the assessing officers failed to cross check the utilisation statements furnished by the dealers/declaration forms and adhere to the provisions of the NVAT Act, instances of tax evasions and concealment of turnover were noticed. Out of 11 Districts, computers were installed only in seven districts under VCMS project and till date four districts are yet to be computerised.

*(Paragraph 4.3)*

## **2. Audit of Transactions**

### **2.1 Civil**

The Director General of Police, Nagaland, Kohima drew ₹4 crore for procurement of 1750 Fire Extinguishers on the basis of fictitious bill.

*(Paragraph 2.1)*

There was a fraudulent drawal of ₹21.58 lakh by 25 Drawing and Disbursing Officers (DDOs). Failure on the part of 8 Treasury Officers to exercise the statutory checks allowed these DDOs to draw two bills for the same employees for the period and inflating the total of the net drawals.

*(Paragraph 2.2)*

The Deputy Inspector of Schools, Longleng fraudulently drew ₹14 lakh by inflating the pay scales and the percentage of Additional Dearness Allowances in respect of 48 employees.

*(Paragraph 2.3)*

Deputy Inspector of Schools, Mongkolemba fraudulently drew ₹12.05 lakh by manipulating the pay bills of 92 employees.

*(Paragraph 2.4)*

The Executive Engineer (R&B), Tseminyu, drew ₹44.95 lakh in 18 pay bills against the admissible net salary of ₹33.43 lakh by inflating the gross total of the pay bills resulting in fraudulent drawal of ₹11.51 lakh.

*(Paragraph 2.5)*

The Director of Health and Family Welfare Department made an avoidable excess payment of ₹2.26 crore to a contractor by ignoring the recommendation of the Technical and Steering Committee coupled with faulty estimation of cost escalation.

*(Paragraph 2.8)*

## 2.2 Revenue Receipts

Due to selection of a bidder who had quoted a lesser price in respect of lease of Tourist Lodge Kohima, Government sustained revenue loss of ₹23.02 lakh. Revenue of ₹12.60 lakh remained unrealised as the Department failed to invoke specific clauses of the agreement. Besides security deposit of ₹4 lakh was also not forfeited.

*(Paragraph 4.2)*

## 3. Government Companies and Statutory Corporations

Audit of Government Companies is governed by Section 619 of Companies Act, 1956. The accounts of the State Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory Corporations is governed by their respective legislations. As on March 2011, the State of Nagaland had six PSUs (all Government companies), of which, one was non-working Company. Four out of five working Government companies employed 408 employees. The working PSUs registered a turnover of ₹18.06 crore for 2010-11 as per their latest finalised accounts. This turnover was a mere 0.15 *per cent* of State GDP.

*(Paragraph 5.1)*

### 3.1 Investments in PSUs

As on 31<sup>st</sup> March 2011, the Investment (Capital and Long term Loans) in six PSUs was ₹78.02 crore. It increased by over 20.57 *per cent* from ₹64.70 crore in 2006-07. Finance sector accounted for 66.45 *per cent* of the total investment in 2010-11. The Government contributed ₹99.79 crore towards Equity, Loans and Grants/Subsidies during 2010-11.

*(Paragraph 5.4, 5.5, 5.6 and 5.7)*

### 3.2 Performance of PSUs

The working PSUs incurred an overall Loss of ₹2.07 crore in 2010-11 and had Accumulated Losses amounting to ₹18.92 crore. Besides, the only one non-working PSU had the Accumulated Loss of ₹14.70 crore as per its latest finalised accounts which pertains to the year 1977-78.

*(Paragraph 5.11 and 5.12)*

### **3.3 Arrears in accounts**

All the working PSUs had arrears of 75 accounts as of September 2011. The Government need to monitor and ensure timely finalisation of Accounts with special focus on liquidation of arrears. Accounts of one non-working Company was in arrears for 33 years. As no purpose was served by keeping this non-working Company in existence, Government need to expeditiously review its functioning and viability.

*(Paragraph 5.13 and 5.15)*

## CHAPTER I

### PERFORMANCE AUDIT

#### Performance Audit of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) Schemes in Nagaland

During 2008-09, an integrated performance audit of the Urban Development Department, Government of Nagaland (GON) was taken up which was incorporated in the Report of the Comptroller and Auditor General of India (CAG) for the year ended 31 March 2009, inter-alia covering two components - Basic Services for Urban Poor (BSUP) in Kohima and Integrated Housing and Slum Development Projects (IHSDP) in Dimapur under JNNURM. The findings of audit were discussed by the Public Accounts Committee (PAC) of the State Legislature in February 2011. To assess the impact of implementation of JNNURM and to evaluate the action taken by the Department on the recommendations, performance audit of JNNURM scheme including two new components - Urban Infrastructure and Governance (UIG) and Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) which were not covered in the earlier report were also taken up in the current audit along with the follow up audit of BSUP and IHSDP. The performance audit revealed that the objectives of the projects largely remained unachieved due to lack of proper planning, deviation from the approved projects, vulnerability to frauds, time overrun etc., despite being pointed out in earlier audit. The major observations noticed are highlighted below:

#### Highlights

- *Except for Kohima, no City Development Plan (CDP) was prepared for any town and the Detailed Project Reports (DPR) of different projects were submitted to GOI for approval without any scrutiny by the State Level Nodal Agency/Engineering Division, Urban Development Department and approval by the State Level Steering Committee.*

*(Paragraph 1.8.1 and 1.8.2)*

- *Financial management and control of finances was poor at all levels which resulted in delayed releases of funds, non-release of ACA by State, non-release of matching State share, short release of State share, irregular deduction of departmental charges, incorrect reporting and submission of UCs, violation of prescribed financial procedures and delays in submission of claims for reimbursement.*

*(Paragraph 1.9)*

- *Against GOI release of ₹121.80 crore as Additional Central Assistance (ACA), the State Government in turn released only ₹8.60 crore resulting in short release of ₹23.20 crore.*

*(Paragraph 1.9.1)*

- ***The engineering division of the Department paid ₹16.35 crore interest free Mobilisation Advance in violation of Rules, out of which an amount of ₹7.25 crore remained with the contractor without valid Bank Guarantee.***

***(Paragraph 1.9.4)***

- ***Against the targeted construction of 3504 Dwelling Units (DU) under BSUP and 2496 DUs under IHSDP, construction of only 1360 DUs and 720 DUs respectively were taken up by the Department.***

***(Paragraph 1.11.3.1 and 1.11.4.1)***

- ***The Engineering Division, Urban Development Department irregularly paid ₹3.67 crore without actual execution of works under BSUP.***

***(Paragraph 1.11.3.4)***

- ***Vital Mandatory and Optional reforms such as transfer of 18 functions to ULBs, shifting to Accrual based Double Entry Accounting System, etc. were not implemented despite entering into Memorandum of Agreement with Government of India (GOI). As a result, GOI had withheld ₹13.27 crore<sup>1</sup> under UIG and UIDSSMT projects since October 2010.***

***(Paragraph 1.12)***

## **1.1 Introduction**

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched by the Ministry of Urban Development (MoUD), Government of India (GOI) as a Centrally Sponsored Scheme on 3 December 2005 for a period of seven years i.e. up to 2012 with the objective of reforms driven and fast track development of cities across the country with focus on sustainable development of physical infrastructure in cities including development of technical and management capacity for promoting holistic growth with improved governance. The Department implemented five sub-components of JNNURM involving ₹302.16 crore during 2006-11.

The main objectives of the JNNURM are:-

- i) Integrated development of infrastructural services in the cities covered under the Mission.
- ii) Ensure adequate investment of funds to fulfil deficiencies in the urban infrastructural services.
- iii) Planned development of identified cities so that urbanisation takes place in a dispersed manner.
- iv) Provision of basic services to the urban poor, including security of tenure at affordable prices, improved housing, water supply and sanitation.

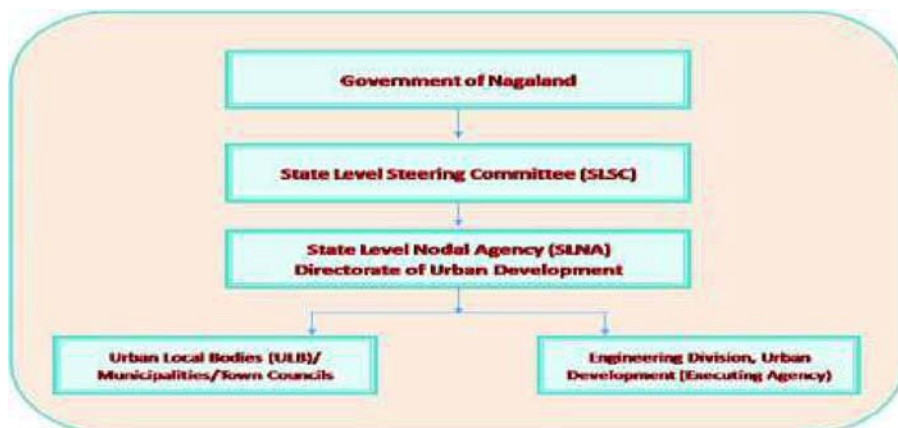
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<sup>1</sup> UIG-₹11.36 crore and UIDSSMT-₹1.91 crore

## 1.2 Organisational setup

The organisational setup for implementation of JNNURM in the State is given below:

**Chart 1.1**



## 1.3 Scope of Audit

The implementation of the JNNURM projects in the State of Nagaland from the period of sanction by GOI in the year 2006 to 2011 was reviewed as a follow up to the CAG report on Integrated Audit of Urban Development Department (UDD) for the year ended March 2009, through a test-check of the records in UDD and the Urban Local Bodies (ULBs) concerned.

The Department prepared City Development Plan (CDP) for Mission City, Kohima with a total investment plan of ₹999.94 crore which was approved by the GOI during 2006 for various projects to be implemented during the Mission period ending 2011-12. However, out of the projects envisaged in CDP only two projects were submitted by GON and GOI approved two projects - Roads and Transportation Projects and Integrated Road and Multi Level Parking project under UIG at a cost of ₹75.68 crore. Another three projects – Housing for Urban Poor in Kohima under BSUP, Housing and Slum Development under IHSDP and Upgradation of Roads at Chumukedima town under UIDSSMT were also approved by the GOI at a cost of ₹226.48 crore during 2006-11.

The present performance audit covered four projects<sup>2</sup> involving approved outlay of ₹251.74 crore with a reported expenditure of ₹113.29 crore (up to March 2011).

<sup>2</sup> 1. Roads and Transportation Project in Kohima under UIG, 2. Housing for Urban Poor in Kohima under BSUP, 3. Housing and Slum Development in Dimapur under IHSDP and 4. Upgradation of Roads at Chumukedima town under UIDSSMT. The remaining project Integrated Road and Multi-Level parking project under UIG was not selected as the expenditure incurred so far was only about 20 per cent.

## 1.4 Audit objectives

The objectives of the performance audit were to assess whether:

- I. comprehensive planning through City Development Plans (CDPs) were prepared outlining the vision and development strategy for sustainable future development of the city and had been appropriately documented;
- II. financial management control was adequately exercised;
- III. project management was efficient;
- IV. projects were executed efficiently and targets were achieved;
- V. the reform agenda visualised had been actually achieved;
- VI. there was a mechanism for adequate and effective monitoring and evaluation.

## 1.5 Audit criteria

The performance was assessed against the following criteria:

- Guidelines, instructions/circulars/orders issued by Ministry of Urban Development (MoUD), Ministry of Housing and Urban Poverty Alleviation (MoHUPA) and Ministry of Finance (MoF);
- Memorandum of Agreements (MoAs) and Detailed Project Reports (DPRs) of selected projects;
- City Development Plan (CDP);
- Toolkits issued by MoUD/MoHUPA for various issues under JNNURM;
- Guidance for Basic Services for Urban Poor (BSUP)/Integrated Housing and Slum Development Projects (IHSDP) - Minutes of the 26th Meeting of Central Sanctioning and Monitoring Committee (CSMC); and
- Recommendations of the PAC.

## 1.6 Audit Methodology

The performance audit commenced with an entry conference (April 2011) with the Secretary, Urban Development and other departmental officers to discuss the audit objectives. The audit findings were discussed in an exit conference held on 2 December 2011. The replies furnished by the Government have been appropriately incorporated in the report.

## 1.7 Acknowledgment

The office of the Accountant General (Audit), Nagaland places on record our sincere appreciation for the co-operation of the Urban Development Department especially the Engineering Wing, the Kohima Municipal Council, the Dimapur Municipal Council and the Chumukedima Town Council.

## Audit Findings

### 1.8 Planning

*Audit Objective I: To ascertain whether comprehensive planning through City Development Plans (CDPs) were prepared outlining the vision and development strategy for sustainable future development of the city and had been appropriately documented.*

#### 1.8.1 City Development Plan (CDP)

Preparation of CDP was a pre-requisite to obtain funding under JNNURM. The objective of the CDP was to identify infrastructure projects to be implemented under this scheme along with the proposed implementation mechanism including the Private Sector Participation (PSP) strategy.

***Further, the PAC also while discussing (February 2011) Paragraph 3.7 of the CAG Report for the year ended March 2009 observed that the Department had to streamline its monitoring system so that complete planning was practised which would ensure optimum utilisation of available resources and best possible accumulation of benefits within a logical time frame.***

The Department stated to the PAC (February 2011) that the CDP for all districts had been prepared and submitted to the Government. Scrutiny, however, revealed that except for Kohima, the DPRs prepared and submitted to the GOI by the Department for Dimapur Municipal Council and Chumukedima Town Council were not based on CDP.

Though CDP for Mission City, Kohima with a total investment plan of ₹999.94 crore was prepared and approved by the GOI during 2006 for various projects in different sectors such as water supply, sewerage & sanitation, solid waste management, tourism, drainage, road & transportation, etc. under UIG (₹974.11 crore) and BSUP (₹25.83 crore) to be implemented by different Departments during the Mission period ending 2011-12, the projected investment plan could not take off fully (July 2011) as envisaged in CDP.

Only two DPRs at a cost of ₹75.68 crore for road & transportation and integrated roads & multi level parking were submitted to the MoUD by the UDD. However, none of the other Departments prepared and submitted DPRs for taking up the projects as envisaged in the CDP. As the DPRs were not prepared by the Departments/ULBs in respect of water supply, sewerage & sanitation, solid waste management, tourism, drainage, etc., the State could not avail the funds of ₹898.43 crore from Government of India as envisaged in the CDP. The possibility of availing the funds under JNNURM appears to be remote now as the DPRs are yet to be prepared and the mission period will also expire by March 2012.

Instances of deficiencies in planning are given in subsequent paragraphs.

### 1.8.2 Deficiencies in processing of DPRs

JNNURM Guidelines stipulate that project proposals/DPRs for BSUP and IHSDP as prepared by the ULBs/Implementing Agencies are required to be submitted to the State Level Nodal Agency (SLNA) for obtaining sanction of State Level Steering Committee (SLSC). The DPRs approved by the SLSC are then sent to GOI/Sub-Mission Directorate/CSMC for seeking assistance from Central Government under JNNURM.

Audit scrutiny revealed that the DPRs for BSUP and IHSDP were submitted to the Ministry without any processing/appraisal by the Engineering Division, Urban Development Department/SLNA and also without the approval of the SLSC. Further, in reply to a specific query by audit, the Director, Urban Development and the Executive Engineer, Urban Development stated (June 2011) that the DPRs were not initially processed by their establishments. It was also noticed that neither SLNA nor the Executing Division were in possession of the original DPRs which indicates serious lapses in processing of DPRs and approval of projects. The impact of sanction of projects without any appraisal from the SLNA had resulted in delays and several other failures as highlighted in paragraphs 1.10 and 1.11.

The Department stated that (December 2011) the DPRs for BSUP and IHSDP were submitted to the Ministry during the nascent stage of the launch of JNNURM when the Department was not properly sensitised with the guidelines of the Mission. Thus, the DPRs may have been submitted directly to the Ministry.

### 1.8.3 Capacity Building

As per JNNURM guidelines, a provision of 5 per cent of the Central Grant or the actual requirement, whichever is less, may be kept for sanction to cities covered under the Mission for preparation of City Development Plan (CDP), Detailed Project Reports (DPRs), training and capacity building, community participation, information, education and communication (IEC). The ULBs and para-statal agencies in consultation with SLNA are authorised to engage consultants for capacity building and seek reimbursement from MoUD and MoHUPA.

However, it was noticed that no consultant was appointed by the Department for training and capacity building and no assessment was made in respect of personnel required to be trained. Further, no training programme was organised by SLNA for training and capacity building.

The Department in reply (December 2011) stated that under capacity building, a number of workshops and seminars have been held all over the country by the MoUD which officers of the Department have been attending. The reply of the Department is not tenable since adequate trainings have to be imparted for both UDD officials as well as ULBs for facilitating implementation of envisaged reforms and execution of projects in a time bound manner. The Department had also failed to seek the funds from GOI for

training and capacity building from 5 per cent<sup>3</sup> funds of the Central Grant earmarked for the purpose.

## 1.9 Financial Management

*Audit Objective II: To ascertain whether financial management control was adequately exercised.*

The projects under JNNURM are funded in the form of Additional Central Assistance (ACA). Cities in North Eastern States are eligible for 90 per cent of funds as central assistance and the remaining 10 per cent of the funds have to be borne by the State Government. Funds would be released as ACA<sup>4</sup> (100% Central Grant in respect of Central Share) to the State Government or its designated SLNA. The State Government would pass on the Central funds along with their matching share, to the implementing agencies, immediately.

The project cost, amount of ACA admissible and matching State Share are shown below:-

**Table 1.1**

(₹ in crore)

Sl No.	Name of Project	Project Cost	Central share/ ACA sanctioned	Matching share of ACA	State Share		Consolidated amount of State share (percentage to project cost)
					Own share	Contingencies, etc (not sponsored by JNNURM)	
(1)	(2)	(3)	(4)	(5)	A&OE and Consultancy (reimbursed as per eligibility)	(6)	(7)
1	BSUP, Kohima	134.50	105.60	11.73	11.51 <sup>5</sup>	5.66	28.90 (21.49%)
2	IHSDP, Dimapur	87.74	44.14	34.65	7.07 <sup>6</sup>	1.88	43.60 (49.69%)
3	Roads and Transportation, Kohima	25.26	22.73	2.53	-	-	2.53 (10%)
4	Upgradation of Town Roads in Chumukedima	4.24	3.82	0.42	-	-	0.42 (10%)

(Source:- CSMC minutes/approval and figures obtained from the Ministry)

<sup>3</sup> This amounts to ₹6.09 crore (5 per cent of ₹121.80 crore released by GOI to GON under JNNURM)

<sup>4</sup> Excluding the amount for Consultancy fee, Administrative & Office Expenses (A&OE) which are reimbursed on actual basis based on admissibility and Contingency which is to be met by the State.

<sup>5</sup> A&OE ₹7.04+ Consultancy ₹4.47

<sup>6</sup> A&OE ₹3.94 +Consultancy ₹3.13

The amount of funds released by Centre and State during 2006-11 are shown below:-

**Table 1.2**

(₹ in crore)

Name of Project	ACA Released by Centre & percentage	State matching share to be released	Total Amount to be released (excluding own share) (Col 2+3)	ACA Released by State	Matching share released by the State	Total Released (Col 5+6)	Total Short Release (Col 4-6)	Expenditure incurred upto March 2011	UCs Submitted (Including State share & Departmental charge)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
BSUP, Kohima	79.20 (75%)	8.80 (75%)	88.00	57.36	5.48	62.84	25.18	62.84	58.67
Roads, Kohima (UIG)	11.37 (50%)	1.26 (50%)	12.63	11.16	0.56	11.72	0.91	11.72	12.99
IHSDP, Dimapur	29.32 (66.43)	23.02 (66.43%)	52.34	28.17	8.46	36.63	15.71	36.63	38.64
Upgradation of Town Roads, Chumukedima	1.91 (50%)	0.21 (50%)	2.12	1.91	0.21	2.12	0	2.12	2.12
<b>Total</b>	<b>121.80</b>	<b>33.29</b>	<b>155.09</b>	<b>98.60</b>	<b>14.71</b>	<b>113.31</b>	<b>41.80</b>	<b>113.31</b>	<b>112.42</b>

(Source:- Departmental figures)

Analysis of the funds released by GOI and subsequent release by the State Government revealed the following:-

### 1.9.1 Short release of ACA by the State Government

Guidelines stipulate that ACA released by Centre should be released to the ULB/Implementing Agency immediately along with the State share. As shown in the above table, against the Central release of ₹121.80 crore (ACA), the State released only ₹98.60 crore. Thus, the Central share of ₹23.20 crore was short released by the State Government.

The Department accepted the facts (December 2011) and stated that they had taken up the issue of short release with the Finance Department.

### 1.9.2 Non-release of matching share

As per the CSMC, the State was required to release ₹26.12 crore (Table 1.1 : col 6+7) as administrative and office expenses (A&OE), consultancy charges and contingency. However, no funds were released by the State Government till date, though an amount of ₹7.43 crore<sup>7</sup> was spent by the Department from the Central release as discussed in paragraph 1.9.8.

The Department while accepting the facts (December 2011) stated that it was processing the release of State share commensurate with the Central releases. Non-release of State share had badly affected the progress of works at the sites since progress of work and funds released to works are intrinsically linked, as also admitted by the Department (December 2011).

<sup>7</sup> 1. ₹189.89 lakh towards A&OE and 2. ₹74.15 lakh (₹23.15 lakh for CDP and ₹51 lakh for DPR of UIG) and ₹5.09 crore (BSUP- ₹3.72 crore & IHSDP ₹1.37 crore), as mentioned in the Paragraph 1.9.8.

### 1.9.3 Short-release of State share

Against the GON share of ₹33.29 crore, a sum of only ₹14.71 crore was released to the Department, resulting in short-release of ₹18.58 crore by the State Government.

The Department while accepting the facts (December 2011) stated that the matter was being taken up with the State Government.

*The PAC while discussing the CAG report (February 2011) for the year ended March 2009 observed that the Department cannot justify the delayed release of funds with lame excuses. The loop holes of short releases and delayed funds show inability to control the administrative machinery. The Committee also noted the late release of most of the funds regularly and desired to eliminate this occurrence.*

The Department in reply assured the Committee that it was endeavouring to expedite the release of funds as per timelines. Despite PAC's recommendations (February 2011) and assurance given by the Department, the Government/Department had not taken any concrete action (December 2011), as detailed in Paragraphs 1.9.1, 1.9.2 and 1.9.3 above, which is likely to affect success of the entire scheme.

### 1.9.4 Payment of interest free mobilisation advance

As per Nagaland Public Works Department (NPWD) Code there is no provision for providing Mobilisation Advance. As per CPWD Works Manual 2003, in respect of certain specialised and capital intensive works with estimated cost put to tender of ₹2 crore and above, provision of mobilisation advance may be kept in the tender documents. Mobilisation advance limited to 10 per cent of tendered amount at 10 per cent simple interest can be sanctioned against a Bank Guarantee (BG) to the contractors on specific request as per the terms of contract. The Central Vigilance Commission (CVC) had also directed (June 2004) that if mobilisation advance is to be given, it is to be expressly stated in the NIT/Bid documents, indicating the amount, rate of interest and submission of BG of equivalent amount. Scrutiny revealed that the NIT/Bid documents contained a clause for providing mobilisation advance on the basis of BG without specifying the limit and requirement of payment of interest.

✶ **BSUP:** Department paid Mobilisation advance amounting to ₹5 crore (₹3 crore (36.80 per cent) and ₹2 crore (24.88 per cent)) to one contractor against BG in April 2008 and January 2009 in respect of two works (Group C package 1 & 2). The advance was recovered from the contractor from the Running Account bills paid in November 2009 without charging any interest. Thus, the failure of the Department to adhere to the above provisions resulted in a loss of interest of ₹61.67 lakh<sup>8</sup> and undue financial benefit to the contractor to that extent.

<sup>8</sup> ₹45 lakh (₹300 lakh x 10 per cent for 18 months)+₹16.67 lakh (₹200 lakh x 10 per cent for 10 months)

➤ **IHSDP:** The Department paid Mobilisation Advance of ₹4.10 crore (15.56 per cent) to one contractor against Bank Guarantee on 10 November 2008 in respect of Housing and Slum Development Project, Dimapur. The advance was recovered from the contractor from the 3<sup>rd</sup> Running Account bill paid in March 2009 without charging any interest in violation of the above rules and orders which resulted in a loss of interest of ₹15.37 lakh<sup>9</sup> and undue financial benefit to the contractor to that extent.

Similarly, an amount of ₹7.25 crore (55 per cent of remaining amount) was paid as mobilisation advance to the contractor on 18 January 2010 on the basis of two BGs. Scrutiny revealed that though the next bill was paid within a few days after payment of Mobilisation Advance, no recovery of the mobilisation advance was made. No measurement of work executed was taken since then and the recovery of the same was pending till the date of audit (July 2011). Scrutiny also revealed that the validity of the BGs expired in February 2010 and May 2010 respectively but the Department did not take any steps to renew the BGs as a result of which ₹7.25 crore remained with the contractor without any BG till the date of audit. Thus, the division extended undue financial benefit to the contractor without safeguarding the interest of the Government and without charging interest amounting to ₹1.02 crore payable upto June 2011 in violation of the existing guidelines.

The Department in reply (December 2011) stated that interest was not charged as it was not stipulated in the NIT/Bid documents. The Department however, stated that the audit observation had been noted which would be taken up with the State Government. But the fact remains that the Department had violated the directives of the Central Vigilance Commission (CVC) by not expressly stating in the NIT/Bid documents, indicating the amount, rate of interest and submission of BG of equivalent amount for the purpose of mobilisation advance.

***The PAC while discussing the CAG report (February 2011) for the year ended March 2009 also directed the Department to evolve interest rates in respect of mobilisation advances.***

In compliance, the Department assured the Committee that interest shall be charged on all mobilisation advances which extended for 2 years or more. However, it is clear from the above observations that the Department failed to honour its commitment given to the PAC as they were not able to streamline the system of mobilisation advances, causing financial loss to the Government on the one hand and undue financial benefit to the contractor on the other.

#### **1.9.5 Deduction of departmental charges**

As per JNNURM guidelines, no departmental charges are to be deducted from the funds released against the project. Further, the DPR also did not include any provision for

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<sup>9</sup> ₹410 lakh x 10 per cent for 4.5 months

departmental charges. Details of deduction as departmental charges as observed in audit are given below:-

Table 1.3

(₹ in crore)

Name of project	ACA released by Centre	State matching share to be released	Total amount to be released (excluding own share) (Col 2+3)	Deptl. charges deducted from ACA released by Centre	Deptl. charges deducted from State matching share to be released
(1)	(2)	(3)	(4)	(4)	(5)
BSUP, Kohima	79.20	8.80	88.00	1.63	0.67
Roads, Kohima (UIG)	11.37	1.26	12.63	0.21	0.07
IHSDP, Dimapur	29.32	23.02	52.34	0.83	1.11
Upgradation of Town Roads Chumukedima	1.91	0.21	2.12	0.00	Nil
<b>Total</b>	<b>121.80</b>	<b>33.29</b>	<b>155.09</b>	<b>2.67</b>	<b>1.85</b>

The Finance Department deducted ₹4.52 (₹2.67+₹1.85) crore as departmental charges, in contravention of the Scheme guidelines.

The Department in reply (December 2011) stated that since this was not permissible, they had proposed for restoration of the amount and an amount of ₹1.15 crore had already been restored (September 2011) and released by the Government, resulting in un-restored departmental charges to the tune of ₹3.37 crore, which is likely to affect successful execution of components of the Scheme.

#### 1.9.6 Submission of Utilisation Certificates

As per Scheme guidelines Utilisation Certificates (UC) indicating the actual utilisation of funds (including State Share) is to be submitted to the GOI in the prescribed form for release of subsequent instalment.

The SLNA submitted utilisation of ₹12.99 crore against the actual release/utilisation of ₹12 crore by inflating the release of State Share in the Utilisation Certificates/Quarterly Progress Reports to the Ministry in respect of 'Roads and Transportation Project, Kohima' under UIG. Thus, inflated expenditure figures were reported to GOI.

The Department while accepting the facts (December 2011) stated that the inflated figure shall be rectified in the next Quarterly Progress Report.

#### 1.9.7 Operation of Bank Accounts

The implementing agencies at the ULB/other implementing agencies were required to open and maintain separate bank account for each project in a scheduled commercial bank for receipt and expenditure of all funds in respect of each project. ULBs/implementing agencies should maintain registers for utilisation of funds separately for Central and State shares and loan from financial institutions.

Audit scrutiny, however, revealed that the Executing/Implementing agencies were operating combined current bank accounts for all State Plan funds, Centrally Sponsored schemes and JNNURM instead of operating separate bank accounts for each scheme and project under JNNURM. The Department had also not maintained separate registers for utilisation of funds for each project under JNNURM. This resulted in weak financial control and non-monitoring of project wise receipts and expenditure figures as well as the proportionate shares of GOI and GON leading to incorrect reporting of expenditure figures.

The Department while accepting the facts (December 2011) stated that they shall henceforth maintain separate accounts for each scheme.

#### **1.9.8 Delay in submission of claims for reimbursement of Charges for preparation of CDP/DPR**

As per JNNURM guidelines expenditure incurred for preparation of CDP and DPRs are reimbursed at the rate prescribed by the MoUD/HUPA on the basis of application submitted by the SLNA. In order to enable the reimbursement of the expenditure on the above a tool kit was also prescribed by the Ministry.

Scrutiny revealed that not only the Department utilised the Central Share from 2007-08 onwards for preparation of CDP/DPRs, but also did not claim for reimbursement from GOI till March 2010. The claims for reimbursement of ₹48.40 lakh<sup>10</sup> to MoUD and ₹115 lakh to MoHUPA were submitted only in March 2010 against the expenditure of ₹77.15 lakh (₹23.15 lakh for CDP and ₹54 lakh for DPR of UIG) and ₹5.09 crore (BSUP- ₹3.72 crore & IHSDP ₹1.37 crore).

The Department while accepting the facts (December 2011) stated that the claim for reimbursement had been submitted and the sanction by the Ministry was awaited.

Thus, as seen from the observations above there exists poor financial control and management of finances at all levels in implementation of JNNURM Scheme in the State of Nagaland resulting in delayed releases of funds and non-release of ACA by the State, non-release of matching share from GON, short release of State's share, irregular deduction of departmental charges, incorrect reporting and submission of UCs, violation of prescribed financial procedures and delays in submission of claims for reimbursement.

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<sup>10</sup> CDP-₹23.15 lakh and UIG - ₹25.25 lakh

## 1.10 Project management

*Audit Objective III: To ascertain whether project management was efficient.*

### 1.10.1 Project details

The projects sanctioned under JNNURM and their status are as follows:-

**Table 1.4**

Sl. No	Name of the project	Sector	Date of approval by CSMC	Approved Cost (₹ in crore)	Stipulated date of completion (As per DPR)	Present Status	Remarks
1	Roads and Transportation Project, Kohima	UIG	26/10/07	25.26	December 2010	Completed	Selected for test check
2	Housing for Urban Poor in Kohima	BSUP	14/12/06	134.50	April 2009	Ongoing	Selected for test check
3	Housing and Slum Development, Dimapur	IHSDP	29/12/06	87.74	August 2008	Ongoing	Selected for test check
4	Upgradation of Roads at Chumukedima Town	UIDSSMT	24/05/07	4.24	December 2011	Ongoing	Selected for test check
5	Integrated Road and Multi-level Parking Project, Kohima	UIG	30/10/10	50.42	March 2012	Ongoing	Not Selected
Total				302.16			

### 1.10.2 Delay in completion of the Projects

As per CSMC guidelines, the work may be divided into packages and allotted to different contractors in order to complete the work within the stipulated time of 12 to 18 months and to avoid any cost and time over runs. In order to avoid cost overruns, JNNURM guidelines also envisaged completion of projects within 12 to 18 months of approval of the DPR by the CSMC, suitably splitting the works in various phases/packages and engaging different contractors.

Though there exist directions from CSMC for timely completion of projects, there were huge delays in execution of projects due to non-adherence to the directions by the Department. Scrutiny of the four selected projects revealed that, so far only one project was completed (June 2011).

The CSMC sanctioned ₹87.74 crore for construction of 2496 Dwelling Units (DUs) under IHSDP which was stipulated for completion in August 2008. The work order was issued for construction of 912 DUs. However, the contractor took up construction of only 720 DUs, of which 240 DUs were fully completed and construction of 480 DUs were in progress (June 2011). Construction works in the remaining 1776 DUs had not yet commenced (June 2011). Thus, the Department failed to take up construction works of 1776 DUs. Besides, there was a time overrun of 34 months.

➤ Similarly out of 3504 DUs to be constructed under BSUP stipulated for completion in April 2009, work order was issued for construction of 1512 DUs. However, works were in progress only in 1360 DUs and works in 2144 DUs had not commenced (June 2011). Thus, there was a time overrun of 26 months.

➤ In respect of UIDSSMT projects which were scheduled for completion in December 2011, the Department reported (October 2010) that the work was stopped by the contractor after completion of 45 *per cent* of the works without citing any reason. The prospect of the UIDSSMT project works being completed on time also remained doubtful.

The Department while admitting the facts (December 2011) attributed the delay to late receipt of sanction orders, delay in approval by the Committees, delay in achievement of reforms, etc.

### 1.10.3 Delay in award of work order

Scrutiny revealed that, though the BSUP project in Kohima was sanctioned by the CSMC in December 2006 the NIT was called only during June to December 2007 and the work order for construction of DUs was issued after a delay of 6 to 11 months due to delay in identifying the location, revision of DPR and purchase of land. This was one of the factors for delay in completion of the project which was not completed till December 2011.

The Department stated that (December 2011) though there was some delay, the projects were in progress.

### 1.10.4 Engagement of Consultants

The GOI sanctioned two projects (one BSUP and one IHSDP) in December 2006 on the basis of the DPRs submitted by the Government of Nagaland. The Department paid ₹5.09 crore to two consultants<sup>11</sup> for preparation of DPRs during November 2007 to April 2008.

As per the Conditions of Agreement the firm shall be paid professional fee in three stages. The first stage payment of 80 *per cent* shall be released on submission and approval of drawings and designs, preparation of detailed working estimates, etc. The second stage payment of 20 *per cent* shall be paid in installments consistent with the value of work from time to time. The third stage payment of remaining amount if any, was to be released after completion of work. Further, as per clause 6 (5) of the terms and conditions of the agreement the work (cost of the building) included all items such as structural, sanitary, plumbing, electrical, lifts, landscaping, etc.

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<sup>11</sup> BSUP – M/s R&S Design (₹3.72 crore) & IHSDP – M/s Eji Architects (₹1.37 crore)

Scrutiny of records revealed that the Engineering Division released the full payment of ₹5.09 crore<sup>12</sup> to the consultants even before the actual commencement and completion of the works ignoring the above provisions and terms and conditions of the agreement compromising the interest of the Government.

The Department in reply (December 2011) stated that payments were made on the basis of all documents including working estimates submitted by the consultant. The reply is not tenable as the payments were made in full before actual commencement of work violating the terms and conditions of the agreement and canons of financial propriety as per the General Financial Rules.

#### 1.10.5 Setting up of Programme Management Unit & Programme Implementation Unit

JNNURM guidelines<sup>13</sup> provided for establishment of Programme Management Unit (PMU) to assist the SLNAs in discharging its roles and responsibilities such as assigned as per the JNNURM guidelines. PMU was designed to provide the requisite technical and managerial support to SLNA to ensure effective implementation of the programme at State level. The PMU would operate as a unit under the overall supervision and guidance of SLNA. Focus of the role was mainly on Programme Management and Monitoring. Similarly, Project Implementation Unit (PIU)<sup>14</sup> was also provided under JNNURM meant to be an operations unit supplementing and enhancing the existing skill mix of the ULB. PIU was expected to work in tandem with the existing staff with focus on strengthening implementation of JNNURM. The focus of PIU was to enhance the pace and quality of implementation of the Mission activities.

It was found in audit that though the action to set up PMU and PIU was initiated in November 2009, these had not been set up till the date of audit. Implementation of various projects under different components under the Scheme was being undertaken by the Engineering wing of Urban Development Department (UDD) and monitored by the Directorate of UDD which were also responsible for executing/monitoring of all other projects under State and Central Plan schemes implemented by the Department.

Thus, failure in timely setting up of PMU and PIU in the State had an impact on implementation of various projects under JNNURM in the State which could be seen from delayed execution of projects and compromising the quality of the works as discussed in Paragraph 1.11.

The Department in reply (December 2011) stated that PMU and PIU had been appointed in August 2011.

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<sup>12</sup> ₹3.72 crore to M/s R & S design (November 2007) and ₹1.37 crore to M/s Eji Architects in three instalments (January 2008- ₹82.35 lakh, April 2008- ₹52.64 lakh and March 2009- ₹2.01 lakh)

<sup>13</sup> JNNURM (2007) - Toolkit for Programme Management Unit

<sup>14</sup> JNNURM (2007) - Toolkit for Programme Implementation Unit

#### 1.10.6 Performance Security

As per Rule 158 of General Financial Rules, Performance Security was to be obtained from every successful bidder irrespective of his registration status @ five to ten *per cent* of the value of the contract in the form of an Account payee Demand Draft, Fixed Deposit Receipt from a Commercial bank, Bank Guarantee from a Commercial bank in an acceptable form safeguarding the purchasers interest to ensure due performance of the contract. Performance Security should remain valid for a period of sixty days beyond the date of completion of all contractual obligations of the supplier including warranty obligations. Bid security should be refunded to the successful bidder on receipt of Performance Security.

Audit observed that Performance Security had neither been prescribed in the bid document nor obtained from the contractors in any of the test checked projects, thus compromising the Government interest to ensure successful completion of the projects. The performance security works out to an amount of ₹6.36 crore<sup>15</sup> which if collected could have prevented the undue delay in execution of projects.

The Department in reply (December 2011) stated that performance security was not obtained as it was not stipulated in the NIT/Bid documents. The reply of the Department was untenable as it was trying to justify one mistake by another. The Department further stated that now two bid tender system had since been introduced for all major works and therefore performance security shall henceforth be deducted.

#### 1.10.7 Community Participation Fund

A Community Participation Fund (CPF) was to be established to engage the community in the process of JNNURM to encourage innovation at local level. A Community Development Network (CDN) aims at participation of poor through network of Community Development Security (CDS), Self Help Group (SHG) and other community level organisations for poverty reduction and livelihood development. Participatory techniques for achieving slum free and poverty free city agenda network could not take off as CPF and CDN had not been introduced till date (February 2012). It was observed in audit that non-establishment of CPF and CDN resulted in non-participation of stakeholders defeating the very objective of the Scheme guidelines.

The Department stated (December 2011) that CRF was yet to be introduced as it was not there in the original guidelines and the Department shall look into the matter.

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<sup>15</sup> BSUP (so far work orders issued to the tune of ₹65.59 crore) – the Performance Security not collected amounts to ₹3.28 crore. IHSDP (so far work orders issued to the tune of ₹33.33 crore) – the Performance Security not collected amounts to ₹1.67 crore. UIDSSMT (so far work orders issued to the tune of ₹4 crore) – the Performance Security not collected amounts to ₹0.2 crore. UIG (so far work orders issued to the tune of ₹24.22 crore) – the Performance Security not collected amounts to ₹1.21 crore

## 1.11 Execution of Projects

*Audit Objective IV: To ascertain whether projects were executed efficiently and targets were achieved.*

### 1.11.1 Selection of Beneficiaries

As per BSUP and IHSDP Scheme guidelines, selection of beneficiaries had to be made by SUDA/DUDA/ULBs/Government Nodal Agency authorised by the State Government. Identification of beneficiaries and their willingness to relocate is a must for any relocation project. Biometric identification of the beneficiaries should be done and uploaded in the website. The CSMC stressed (December 2007) the need for identification of beneficiaries by conducting a proper survey before taking up the projects.

It was seen in audit that out of 4713 applicants<sup>16</sup>, the Department identified 2784 probable beneficiaries<sup>17</sup> in 2010. The Department had not finalised the beneficiary list and therefore the biometric identification and uploading the list of beneficiaries was also not done.

Non-finalisation of beneficiaries indicates that the project was initiated without ascertaining the actual requirements and identifying the beneficiaries/stakeholders. Besides, this may also lead to selection of non-deserving beneficiaries at a later stage depriving eligible poor/economically weaker sections at the time of allotment of the DUs.

While accepting the facts (December 2011) the Department stated that the list of beneficiaries was being verified by the Sector Committees for authentication after which bio-metric identification shall be carried out.

### 1.11.2 Beneficiary Contribution

As per the Scheme Guidelines, DUs should not be allotted free of cost to the beneficiaries. At least 10 *per cent* of the cost of construction but not more than ₹40000 should be recovered as beneficiary contribution in four instalments. It was observed that;

☛ In respect of BSUP in Kohima, the Department arbitrarily raised the beneficiary contribution to ₹76,000 each against stipulated norm of ₹40000.

☛ In respect of IHSDP in Dimapur, the Department arbitrarily raised the beneficiary contribution to ₹1 lakh each against the original proposal of ₹0.21 lakh specified in the DPR.

<sup>16</sup> 2213 applicants in respect of BSUP in Kohima and 2500 in respect of IHSDP in Dimapur.

<sup>17</sup> 1872 beneficiaries in respect of BSUP and 912 beneficiaries in respect of IHSDP

However, no concrete initiative was taken so far to collect the beneficiary contributions<sup>18</sup> amounting to ₹8.32 crore for both the above projects.

The Department in reply (December 2011) stated that the beneficiary contribution shall be collected when the buildings are handed over to them and further stated that the beneficiaries were willing to pay even the enhanced amount of ₹1 lakh in case of project in Dimapur.

The reply was not convincing as the Scheme guidelines, specifically provided for a maximum limit of ₹40000 per DU based on the economic status of the beneficiaries. The reply of the Department also indicates that the DUs were being contemplated to be allotted to persons other than the BPL, Low Income Group and Economically Weaker Sections defeating the very purpose of the Scheme.

### 1.11.3 Basic Services for Urban Poor (BSUP)

BSUP, one of the four sub-missions of JNNURM, was administered by MoHUPA through the Directorate for BSUP to provide basic services to urban poor including security of tenure at affordable prices, improved housing, water supply, sanitation and ensuring delivery through convergence of other already existing universal services of the Government for education, health and social security.

The MoHUPA sanctioned (December 2006) a project at an estimated cost of ₹134.50 crore (Central Share ₹105.60 crore and State Share ₹28.90 crore) for construction of 3504 Dwelling Units at colonies in Kohima Mission City along with development of other infrastructural facilities.

Scrutiny of records relating to the implementation of the project revealed the following:-

#### 1.11.3.1 Arbitrary modification of DPR and reduction of Dwelling Units

The CSMC approved (December 2006) construction of 3504 dwelling units (DUs) in six colonies of Kohima (New Market, Daklane, Naga Bazar, Kezieke- Kenuozou & Pezielietisa, High School and Bayavu) at a total project cost of ₹134.50 crore (Central Share ₹105.60 and State share ₹28.90 crore).

The Department revised the DPR (by relocation to 4 locations<sup>19</sup>) for construction of 1872 DU at a revised project cost of ₹117.34 crore (Central Share ₹105.60, State share ₹11.73 crore), by reducing the amount of State share from ₹28.90 crore to ₹11.73 crore and three components<sup>20</sup> which were originally not sanctioned under Central share component by the CSMC but shifted from State share to Central share. Audit also observed that, though

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<sup>18</sup> Ongoing Number of DUs (BSUP and IHSDP): 2080. The beneficiary contribution should have been collected @ of ₹40000 amounts to ₹8.32 crore.

<sup>19</sup> K Badze – 720, Keyake – 360, Ruziezou- 360, Meriema-432

<sup>20</sup> Consultancy fee, contingency, A&OE, etc.

1872 DUs were to be constructed as per revised DPR which was put to tender (June to December 2007) at four locations, work started only in three locations where 1512 units were proposed to be constructed. However, construction works were in progress only in 1360 DUs. Thus, the Department arbitrarily revised the DPR by reducing the State share amount and number of DUs without obtaining prior approval of the Ministry.

It was also observed that the Department further submitted (April 2011) a revised DPR at an estimated cost of ₹130.05 crore wherein ₹82.58 crore was earmarked for construction of 1512 DUs in progress and ₹47.47 crore for in-situ up-gradation of 1992 DUs not yet taken up. This proposal was forwarded to the appraisal agency by the CSMC during April 2011 and the outcome had not been received.

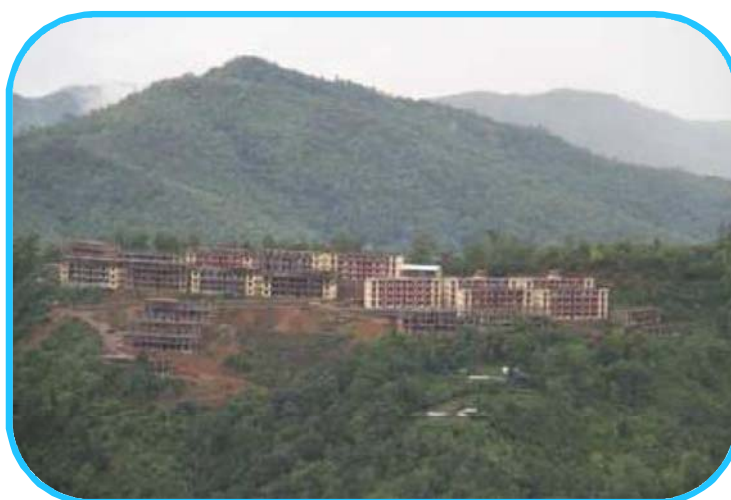
The Department in reply (December 2011) stated that there were lapses in the procedure of processing the DPRs initially. The CSMC in its 107<sup>th</sup> meeting (March 2011) had approved construction of 1512 DUs and 1992 DUs in-situ up-gradation. Even with modification of the DPR, the numbers of beneficiaries was not compromised.

The reply of the Department was not tenable as the BSUP guidelines and initial sanction from GOI have not envisaged in-situ up-gradation though the CSMC approved the GON proposals for in-situ up-gradation. The reply of the Department was also not acceptable as construction works was in progress only in 1360 DUs against 1512 DUs approved by the CSMC without corresponding reduction in cost and the Department had already incurred an expenditure of ₹62.84 crore for just 1360 DUs. Further, the in-situ upgradation had not commenced till December 2011.

Photographs showing the status of works in progress.

**Construction of DUs in progress at K Badze site**

(Package A - Photo taken on 03/06/2011)



**Construction of DUs in progress at Ruziezu site**  
(Package C - Photo taken on 3 June 2011)



**Construction of DUs in progress at Meriema site**  
(Package D - Photo taken on 3 June 2011)



**1.11.3.2 Purchase of land**

As per JNNURM guidelines, land free from all encumbrances must be owned by or purchased by the ULBs before the proposal for sanction of the project was brought to the SLSC.

As per the DPR submitted to the CSMC for approval, 43.37 acres of land was required for construction of 3504 DUs in six colonies.

✎ Audit scrutiny revealed that the Department did not conduct any feasibility study or assess the actual availability and requirement of land before preparation of the DPR. Thus, after the project was sanctioned by the CSMC, the Department purchased 31 acres of land in four locations at a total cost of ₹10.81 crore other than the locations specified in the DPR due to non-availability of land in the proposed colonies/locations. Deviation

from the original DPR resulted in delay in commencement and completion of the work. Though the work was stipulated to be completed by April 2009, the same was not completed (December 2011). Further, the objective of providing Basic Services to Urban Poor including security of tenure at affordable prices, improved housing, water supply and sanitation also remained unachieved.

➤ Out of the four plots of land purchased (August 2007), the land at Keyake purchased at a cost of ₹2.79 crore is located outside Kohima Municipal area having no public transport connectivity and human habitation. No construction works at Keyake had commenced yet (June 2011). Further, the Building Material and Technology Promotion Council (BMTPC), the appraisal agency, observed that the site was located very far from Kohima Town and directed the Department to relocate near to Kohima town. This corroborates that the land was randomly purchased without any foresight.



funds<sup>21</sup>, which remained unused.

The Department stated that (December 2011) due to non-availability of 4-5 acres of compact land, available land at the outskirts of Kohima town was purchased. Now with the CSMC approval to take up 1992 DUs on in-situ basis, the plot at Keyake would be used for some other suitable project by the State Government. However, the fact remains that the purchase of plot at Keyake was made out of JNNURM

### 1.11.3.3 Deviation in design of DUs

As per guidelines and subsequent directive issued (December 2007) by the CSMC each DU should have two rooms, balcony, kitchen and separate bathroom and latrine.



It was observed in audit that as per the DPR approved (December 2006) by the CSMC, every housing block proposed under BSUP in Kohima should have eight DUs each in all floors, each DU facing the other with open space in the middle. All the DUs should have one living room-cum-bedroom, one kitchen, one toilet and one store. As per the revised DPR which was put to tender there was no

provision for store room and eight DUs in a floor were built in one row.

However, during joint physical verification of the DUs it was noticed that two adjoining DUs were interconnected with an opening in the inner wall of the DUs.

<sup>21</sup> The cost of purchase of Keyake land was ₹2.79 crore (8 acres = 348480 sq ft x ₹80 per sq ft)

Though the reason for such an opening remained unexplained, in the present situation it clearly indicated that only 756 beneficiaries could be accommodated in 1512 DUs under construction as the adjoining DUs can be allotted to only one beneficiary.

Scrutiny of the MBs revealed that though the two adjoining DUs were interconnected with an opening in the inner walls, no deduction were made for the opening while calculating the value of work done leading to over payment of ₹7.02 lakh in respect of 112 DUs for which measurement was taken.

The Department stated that (December 2011) the contractor had already been instructed to close the opening between two adjacent DUs.

#### 1.11.3.4 Payment made before actual execution of work

Rule 350 of NPWD code provides that advance to contractors as a rule was prohibited. Further, the NPWD code prescribe that payment for all works done otherwise than by daily labourers and for all supplies shall be made on the basis of detailed measurements recorded in the MB. The Executive Engineer was also required to exercise 100 per cent check of the measurements recorded by his/her subordinates.

Mention was also made in paragraph 3.14 of the Report of the Comptroller and Auditor General of India for the year ended March 2009 that payments were made without recording detailed measurements and actual execution of work. Test check of Measurement Books of the works revealed that the payments were made before actual execution of works. The test-checked cases are given below:

Table 1.5

Sl. No.	Details of the work	Measurement Book	Amount paid without execution of works	Date of payment	Audit observation (Physical Verification)	Department's reply (December 2011)
1	Building Block No 11 and 12 (G+2 type) under package A-I.	MB No 382 (P/79 to 92)	₹1.21 crore	January 2010	No work was started in these building blocks as of June 2011.	Construction of work is now in good progress.
2	Cost of construction of five G+3 Building Blocks under package C-II.	MB No 384(a) (P/29 to 54)	₹4.58 crore (Excess paid out of this is 0.92 crore)	1 <sup>st</sup> RA Bill: November 2009 and February 2010	Out of five building blocks for which payment was made, only four building of type G+3 were in progress under Package II. Thus, there was an excess payment of ₹0.92 crore without actual execution of work in one building block.	Works are in progress.
3	Package D	MB No 380(a) (P/138-153)	₹1.30 crore	4 <sup>th</sup> RA Bill: February 2010	An amount of ₹1.30 crore was paid for other works which were not measured. It was also seen that against the actual execution of 6195.74m <sup>3</sup> of two items of work upto 5 <sup>th</sup> Running Bill, the Department paid for	The excess payment was adjusted in the 5 <sup>th</sup> RA bill.

Sl. No.	Details of the work	Measurement Book	Amount paid without execution of works	Date of payment	Audit observation (Physical Verification)	Department's reply (December 2011)
					7004.72m <sup>3</sup> of work in the 4 <sup>th</sup> RA bill by inflating the quantity of actual work executed.	
4	Approach road at Meriema – Package D.	3 <sup>rd</sup> RA Bill	₹0.24 crore	19 November 2009	Scrutiny of 3 <sup>rd</sup> RA bill however, revealed that the contractor was paid 19 per cent above SOR 2005 resulting in excess payment of ₹2.39 lakh.	Excess payment would be recovered in subsequent bills.
<b>Total</b>			<b>₹3.67 crore</b>			

Thus as seen from the above table, the Department in the four test checked projects had paid ₹3.67 crore against the provisions of NPWD code resulting in undue financial benefit to the contractors to that extent.

The Department in reply (December 2011) stated that the works were making good progress and excess payments made were adjusted/being adjusted in running account bills. The fact however, remains that payments were made without actual execution of work in violation of financial rules and NPWD code.

#### 1.11.4 Integrated Housing and Slum Development (IHSDP), Dimapur

The GOI launched IHSDP as a sub-component of JNNURM in December 2005. The basic objective of the scheme was to strive for holistic slum development with a healthy and enabling urban environment by providing adequate shelter and basic infrastructure facilities to the slum dwellers of identified urban areas. The GOI sanctioned (December 2006) a project under Dimapur Municipality at a cost of ₹87.74 crore for construction of 2496 DUs in four colonies.

Scrutiny of records relating to the implementation of the project revealed the following:-

##### 1.11.4.1 Allotment of work

As per CSMC guidelines, the work may be divided into packages and allotted to different contractors in order to complete the work within stipulated time and to avoid any cost and time over runs.

Scrutiny revealed that the Department divided the work into two packages and invited tenders for package 1 A and 1 B and awarded the work for construction of 912 DUs to a contractor in October 2007 and November 2008. In respect of package II, no tender had been called till February 2012.

Against the work order issued for construction of 912 DUs, construction works of only 720 units (G+2 30 Buildings) were in progress at two locations and no work had started in third location till February 2012.

It was further seen from the records that the Department was contemplating to construct third floor on all the buildings under construction in Netaji and Burma Camp. Scrutiny of records and joint physical verification however, revealed that finishing work of terrace (2<sup>nd</sup> floor) had already been completed and overhead water tanks (with RCC base and PVC tanks) were placed on top. Therefore, there was no prospect of constructing the third floor above those buildings as shown in the photograph.



It was also seen from the Quarterly Progress Reports submitted to the Ministry that against 720 DUs actually taken up, the SLNA reported to GoI stating that construction of 912 DUs were taken up.

Thus, it was evident that the Department had no plan to construct the remaining DUs as no work order was issued till date and buildings were being constructed without any provision for construction of proposed third floor at two locations. The action of the Department in furnishing incorrect reports to the Ministry was irregular and fraught with the risk of mismanagement of funds.

While accepting the facts (December 2011) the Department stated that the proposal to construct third floor was dropped and the works would be executed in two phases. However, the Department was silent on false reporting of 912 DUs to GoI, against 720 DUs actually taken up.

#### 1.11.4.2 Arbitrary revision of Approved DPR

The project was approved by the CSMC in December 2006 at a Project Cost of ₹87.74 crore for construction of 2496<sup>22</sup> DUs at four locations under Dimapur Municipality.

However, it was noticed that the DPR was revised by the Urban Development Department to construct 2496 DUs at three locations (Netaji<sup>23</sup>, Burma Camp<sup>24</sup> and Chekiye<sup>25</sup>) without obtaining prior approval of the CSMC.

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<sup>22</sup> Netaji Colony 480, Burma Camp 720, Walford 600, Chekiye 696

<sup>23</sup> G+3 – 15 Buildings-480 DUs (Phase I- 10 G+2, Phase II-5 G+3 and Third Floor on 10 Bldgs)

<sup>24</sup> G+3 – 30 Buildings-960 DUs (Phase I-20 G+2, Phase II- 10 G+3 and Third floor of 20 bldgs)

<sup>25</sup> G+3 -33 Buildings -1056 DUs (Phase I-8 G+2, Phase II-25 G+3 Bldgs and Third floor of 8 Bldgs)

As per the revised DPR, the project was divided into 3 packages viz. Package 1 A (₹28.07 crore), I-B (₹7.18 crore) and Package II (₹41.70 crore). The remaining amount of ₹10.79 crore was earmarked for purchase of land, consultancy and contingency.

Scrutiny revealed that Package 1 A consisting of construction of 720 DUs and other works was prepared as per SOR 2004 with a premium of 20 percent and Package I B (192 DUs) and Package II (1584 DUs) consisting of construction of 1776 DUs and other works was prepared as per SOR 2008.

Thus, the Department irregularly revised the DPR without obtaining prior approval of the CSMC as provided in the guidelines.

While accepting the facts (December 2011) the Department stated that since State share was almost 50 *per cent* which was too high for the State, the project was broken into Phase I and Phase II. Phase I was taken up with GOI funds for construction of 912 DUs and the remaining was planned to be taken up in Phase II with State Contribution and beneficiary contribution and hence approval of CSMC was not sought.

The reply was not convincing as the Department had obtained funds for construction of 2496 DUs but had taken up construction of only 720 DUs. Further, an amount of ₹36.63 crore had already been spent for construction of only 720 DUs which were not completed (proportionate expenditure for 720 DUs as per project cost amounts to only ₹25.30 crore<sup>26</sup>). Thus, the number of DUs were reduced without corresponding reduction of project cost.

#### 1.11.4.3 Purchase of land

As per JNNURM guidelines, land free from all encumbrances must be owned by or purchased by the ULBs before the proposal for sanction of the project was brought to the SLSC. Similar to the observation made at para 1.11.3.2 for BSUP, there was lack of planning in respect of IHSDP also.

As per the DPR submitted to the Central Sanctioning and Monitoring Committee (CSMC) for approval, 37 acres of land involving ₹16.11 crore was required for construction of 2496 DUs in 4 locations<sup>27</sup> for IHSDP projects in Dimapur.

Audit scrutiny however, revealed that the Department neither conducted any feasibility study nor assessed the actual availability and requirement of land before preparation of the DPR. Thus, against the requirement of 37 acres, the Department purchased only 21.43

<sup>26</sup> No of DUs planned: 2496. Project Cost: ₹87.74 crore. Cost per DU: ₹0.0351 crore. For 720 DUs: ₹0.0351 crore x 720 DUs = ₹25.30 crore.

<sup>27</sup> Netaji Colony- 8.5 acres, Burma Camp -10 acres, Walford-9 acres and Chekiye-9.5 acres.

acres of land at three locations at a cost of ₹8.81 crore after the project was sanctioned by the CSMC, as detailed below:-

**Table 1.6**

Sl. No.	Location	Area required	Area purchased	Difference
		(In acres)		
1	Netaji Colony	8.50	2.89	(-) 5.61
2	Burma Camp	10.00	6.44	(-) 3.56
3	Walford	9.00	0.00	(-) 9.00
4	Chekiye	9.50	12.10	(+) 2.60
<b>Total</b>		<b>37.00</b>	<b>21.43</b>	<b>(-) 15.57</b>

As shown above, the Department did not purchase any land at Walford due to non availability of land in that locality and therefore the project proposed at Walford was abandoned and the DPR was modified to accommodate more DUs in other two locations (Chekiye and Burma Camp) without obtaining prior approval of the CSMC.



➤ Scrutiny of records further revealed that the work at Burma Camp was delayed due to non clearance of a saw mill existing at the site despite several requests by the contractor. However, the Department had not taken any initiative to get the land cleared till February 2012 to speed up the work as shown in the photograph.



➤ Though, land measuring 12.10 acres valued at ₹4.74 crore was purchased at Chekiye where 1056 DUs were to be constructed (as per the revised DPR), till February 2012 no work had commenced. Besides, the present land purchased by the Department at Chekiye was not only situated outside Dimapur Municipality but was also originally not specified in the DPR.

The Department while accepting the audit observations stated (December 2011) that they had taken up the matter with DC, Dimapur.

The above instances indicate that the Department did not follow the guidelines of the Scheme for procurement of land primarily due to deficient planning and design, which has already resulted in time overrun of about 8 months (December 2006 to August 2007) though the project was sanctioned by GOI, leading to non-achievement of the objectives of providing affordable housing to the urban poor.

#### 1.11.4.4 Change in Design

As per the suggested design of IHSDP, the DUs should have two rooms, one kitchen and toilet. As per the original DPR, each DU should have one living-cum-dining room, one bed room, a toilet and utility room. However, the Department arbitrarily revised the DPR wherein it was proposed to construct two rooms, a toilet and verandah in each DU.



Joint physical verification revealed that eight DUs in one Building in Netaji Colony and 17 out of 20 Buildings under construction in Burma Camp were being constructed with one room, toilet and veranda without any deduction in floor area.

The action of the Department was not in order as this was done without the approval of the CSMC and in violation of the guidelines.

The Department in reply (December 2011) stated that the DPR for project under IHSDP was neither prepared nor vetted by the Department and the Department also did not have the copy of the DPR. The fact however, remains that the DPR was revised without the approval of the CSMC.

#### 1.11.4.5 Deficiencies in Measurement

Scrutiny of the 4<sup>th</sup> RA Bill (Bill Amount ₹516.14 lakh) revealed that an amount of ₹171.60 lakh was paid in March 2009 against security fencing, surface drain & storm water drain in Burma Camp and Netaji Colony after recording the measurement of work done as per DPR. However, scrutiny of the 5<sup>th</sup> RA Bill paid in January 2010 revealed that the actual value of work done for the same items of work up to the 5<sup>th</sup> RA bill was only ₹146.34 lakh. Thus, the Engineering Division paid an amount of ₹171.60 lakh in the 4<sup>th</sup> RA bill without actual execution of work.

Scrutiny of the MBs and RA bills further, revealed that the measurement of buildings were recorded in bulk for many building/blocks together without even specifying the location which indicates that bills were being prepared and paid without detailed measurement of actual works done.

The Department in reply (December 2011) stated that 2-3 building blocks having insignificant differences were clubbed together while recording in the MB. The reply was not acceptable as payment made before actual execution of work was irregular and fraught with the risk of mis-utilisation of funds.

#### 1.11.4.6 Quality of work/Social issues

IHSDP guidelines envisaged construction of quality housing in a vector-free<sup>28</sup> atmosphere and healthy environment.

- Joint physical verification revealed that the quality of the construction of dwelling units was not satisfactory as can be seen from the photographs shown below:-



The poor quality of works indicates deficient quality control and monitoring mechanism in the Department.

Department stated (December 2011) that the buildings were designed and constructed as per specifications but since, Netaji site was a low lying area, it led to the cracks. This indicates improper planning and design by the Department.

- As per the DPR, there was a provision of ₹2.99 lakh for construction of Water Harvesting Pond at Netaji Colony site. Physical verification revealed that the contractor



constructed an open pond, without any provision for collecting water from the buildings and having no outlet for clearing the water accumulated in the pond. It was also seen that the pond was not fenced. The expenditure incurred for construction of the pond was not only infructuous but also a potential health hazard due to risk of mosquitoes breeding in stagnant water and thus defeating the objective of providing healthy environment.

The Department in reply (December 2011) stated that the pond had now been fenced.

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<sup>28</sup> Atmosphere free from insects/germs so as to prevent communicable diseases.

### 1.11.5 Roads and Transportation Projects in Kohima under UIG

The Government of India launched (December 2005) Urban Infrastructure and Governance (UIG) as a sub-component of JNNURM with an aim to improve major urban infrastructure projects relating to water supply including sanitation, sewerage, solid waste management, road network, urban transport and redevelopment of inner (old) city areas with a view to upgrading infrastructure therein, shifting industrial/commercial establishments to conforming areas, etc in 65 Mission cities.

The GOI approved (October 2007) 'Roads and Transportation Project in Kohima' consisting of improvement of six town roads, development of two parking areas, construction of four foot paths and beautification of eight junctions in Kohima at an estimated cost of ₹25.26 crore. The work commenced in December 2008 and was completed in December 2010 against which, the Government released ₹11.93 crore (GOI 11.37 and State ₹0.56 crore) till March 2011.

Scrutiny of records relating to the implementation of the project revealed the following:-

#### 1.11.5.1 Deviation from approved DPR

As per the original DPR prepared by M/s Lea Associates and approved by the CSMC improvement of six roads, beautification of eight junctions, construction of footpath on four roads and parking at two locations were to be taken up at a total cost of ₹25.26 crore.

Audit observed that the division modified the DPR and took up the following works without obtaining prior approval of the CSMC.

**Table 1.7**

(₹ in lakh)						
Sl. No.	Name of work as per approved DPR	No. of works approved	No. of works executed	Estimated cost	Works actually taken up	Estimated cost of works taken up
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Roads						
1	Billy Graham Road	1	1	313.50	Same works as shown in column (2)	300.42
2	Midland Road	1	1	263.10		442.69
3	Ladies Mile Road	1	1	272.50		250.84
4	Tanquist Road	1	1	222.60		250.33
5	Thizama Road	1	1	720.60		470.68
6	Secretariat Road	1	1	373.90		473.59
Footpaths (as shown in the QPR)						
7	Thizama Road	1	0	25.70	Footpath not taken up at Thizama Road	63.45
8	Billy Graham Road	1	1	64.10	Same works as shown in column (2)	97.81
9	High school Jn to Secy Road	1	1	35.50		₹7.49 lakh included in Roads
10	TCP Gate to SP Point	1	1	65.50		66.09

Development of Parking						
11	Science College, Minister Hill	1	1	37.90	Parking at Ruliezou was constructed instead of approved two works in Column (2).	75.00
12	Vety. Hospital Complex	1		44.10		
Junction Beautification						
13	At 8 locations (8 works)	8	1	83.10	Covering of Centennial Plaza instead of approved eight works in Column (2).	30.36
Others						
Number of works		20	11			
Total project Cost				2525.60		2525.60

As could be seen from the table above, against 20 items of work, the Department took up only 11 items of work and diverted the earmarked funds to other items of work not specified in the DPR. However, the Department submitted Quarterly Progress Reports to the Ministry stating that all the items of work as per the original DPR were executed. Thus, the Department arbitrarily diverted the funds meant for other purpose not covered by the sanctions. As a result nine works projected in the DPR were left undone. The Department also misled the Ministry by furnishing incorrect report.

The Department in reply (December 2011) stated that the funds were utilised for much needed infrastructure with the approval of the State Government and that QPRs were being submitted as per the DPRs. The reply of the Department was not acceptable as the approval of the CSMC was not obtained and funds were diverted to other purpose not covered by the sanction. Besides, the Department furnished incorrect QPRs to the Ministry.

#### 1.11.5.2 Delay in commencement of work

Timely commencement is important for early completion of works within the estimated cost and to achieve the desired outcome of any project.

Though the CSMC approved the project in October 2007, audit scrutiny revealed that the tender for the project was called for and Work Orders issued only in July 2008-February 2009, after a gap of more than one year. Though the project was completed without any cost escalation, the public was deprived of the improved facilities by more than a year.

The Department while accepting the facts (December 2011) stated that delay occurred due to lack of clear directions from GOI regarding tendering, submission of reports, etc. But the fact remains that the Department had been executing works under JNNURM from the year 2007 and was therefore, fully aware of the procedures.

#### 1.11.5.3 Non execution of work



The work order for construction of Footpath at Thizama Road at a cost of ₹61.60 lakh was awarded to a contractor in November 2008.

Scrutiny of MB No.343 (P/187 to 193) revealed that the contractor commenced the work on 15/11/08 and completed on 21/11/09 and the contractor was paid ₹61.57 lakh (Gross) in February 2010.

However, joint physical verification of the site revealed that no footpath was constructed on the road as can be seen in the photograph below:

Thus, the Engineering Division of the Department fictitiously paid ₹61.57 lakh without execution of any work.

The Department stated (December 2011) that the footpath was constructed in another location.

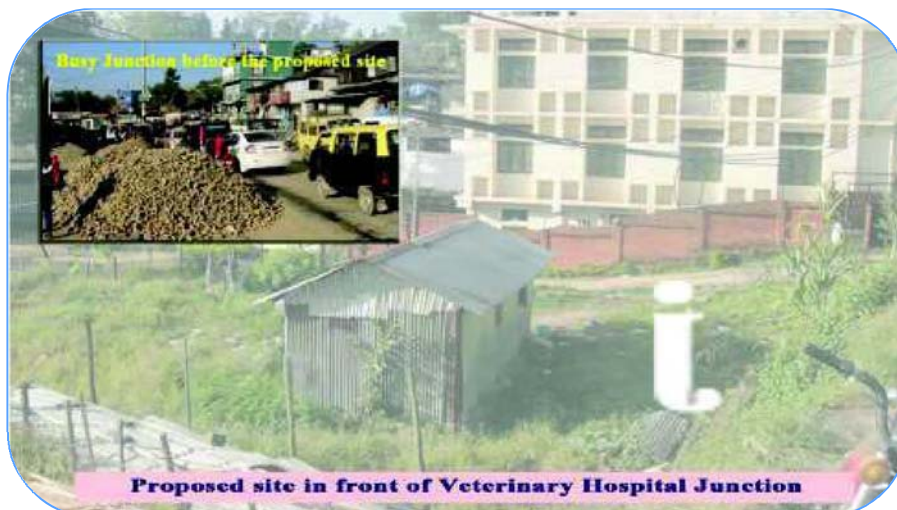
The reply of the Department was not tenable since, in case the footpath was constructed in another location the Department was silent why detailed measurements for construction of footpath at Thizama were recorded in MB.

Thus, an amount of ₹61.57 lakh was paid to the contractor for construction of footpath at Thizama while there existed no footpath at Thizama.

#### 1.11.5.4 Infertuous expenditure

GOI had approved two parking projects at Veterinary Hospital Complex and Science College Road as discussed in paragraph 1.11.5.1 to relieve the traffic congestion at these places.

a) Parking place at Veterinary Hospital Complex: GOI approved the proposal of GON for construction of parking place at Veterinary Hospital Complex at an estimated cost of ₹44.10 lakh with a primary purpose to ease out traffic congestion at that busy junction where vehicles were parked on both sides of the road obstructing the flow of traffic as shown in the photograph below:



The Department however, instead of taking up the approved project at Veterinary Hospital Complex to reduce traffic congestion, had diverted the funds sanctioned to construct parking place at Ruliezou.

b) Parking place at Science College Road: The second parking place which was proposed and got approved from GOI at an estimated cost of ₹37.90 lakh was at Science College Road. However, the parking lot at Science College Road was already constructed under 10 per cent lumpsum provision for North Eastern Areas during 2007-08, as incorporated in paragraph 3.9.5 of Audit Report for the year ended March 2009. The Department diverted these funds also to construct parking place at Ruliezou.

Further scrutiny in audit revealed that the parking place taken up at Ruliezou by diverting the funds sanctioned for Veterinary Hospital Complex and Science College Road, was located on the outskirts of Kohima town, serving no useful purpose towards improvement of urban infrastructure.

During joint physical verification of parking place at Ruliezou (June 2011), it was seen that the developed area was utilised by the Department for parking/storing of heavy machinery. However, a field visit conducted again in October 2011 revealed that a portion of the developed area was partially occupied by a company dealing in frozen foods.



As could be seen from the photograph, the site which was proposed for parking was not adequately developed and fit for parking purpose.

The Department stated (December 2011) that the company dealing with frozen foods had taken temporary permission only for six months and the material shall be removed and parking of vehicles would start soon.

The Department's reply was not convincing since the primary purpose for which the funds were sanctioned was to ease the traffic congestion at Veterinary Hospital Complex and Science College Road by constructing parking places. Further, the very Scheme of JNNURM was meant for providing better infrastructure for urban areas. Thus, diversion of funds for construction of parking place at Ruliezou located on the outskirts of the town had defeated the primary objective for which the funds were sanctioned and the intended objective of easing traffic congestion was also not achieved. As such it resulted in infructuous expenditure.

#### **1.11.6 Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT)**

To improve infrastructural facilities and to create durable public assets and quality services in towns, GOI launched (December 2005) Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) as a sub component of JNNURM. According to the scheme, GOI would contribute 90 *per cent* of the cost of each project and the remaining 10 *per cent* was to be contributed by the State Government. Assets created under the scheme were to be taken over by the respective ULBs.

The GOI sanctioned (September 2009) one project for 'Upgradation of Chumukedima Town Roads' with an estimated cost of ₹4.24 crore as per the proposal submitted by the Chumukedima Town Council (CTC) through Government of Nagaland. The Government released ₹2.12 crore (GOI ₹1.91 crore and State ₹0.21 crore) against the project till March 2011. Scrutiny of records relating to the implementation of the project revealed the following:-

#### 1.11.6.1 Discontinuation of work and quality of execution

The work was awarded to the contractor in November 2009 with a stipulation to complete the work within 24 months. The contractor commenced the work in November 2009 and was paid ₹211.25 lakh in four RA bills on the basis of measurement taken upto 6 July 2010 (paid on 19/8/2010).



As per report submitted by the Executive Engineer, the contractor had stopped the work since October 2010. Joint physical verification also revealed that work was

discontinued and that pot holes had already appeared on different stretches of roads within 11 months of the completion of the works, which raise doubt about the quality of execution of work.

The Department while accepting the facts (December 2011) stated that the contractor had been asked to complete the work.

#### 1.12. Implementation of Reforms

*Audit Objective V: To ascertain whether the reform agenda visualised had been actually achieved.*

The main objective of the reforms under JNNURM had been stated to provide an enabling environment for the growth of the cities by enhancing effective delivery of urban services and civic infrastructure through improvements in urban management, land management, financial management and stakeholder participation in local governance. To achieve this objective, State Governments, Urban Local Bodies and para-statal agencies were required to accept implementation of an agenda of reforms.

In the Audit Report of CAG for the year ended 31 March 2009, it was pointed out that effective steps had not been taken to implement the stated reforms.

***The PAC while discussing the report had observed (February 2011) that partial guidelines/reforms had just been approved by the Cabinet and proposal submitted to the Ministry and desired that action should be taken.***

Reforms to be implemented by the State/ULB/para-statals within the Mission period are broadly categorised as follows:

### 1.12.1 Mandatory Reforms

- State level reforms like ‘Implementation of 74th Constitution Amendment Act’, ‘Transfer of 18 functions under 12<sup>th</sup> Schedule’, ‘Amendments in Rent Control legislation’, ‘Rationalisation of Stamp Duty’ etc.
- ULB/Para-statal level reforms were mainly related to systems and process improvement which were time consuming and needed proactive involvement of the ULB like ‘Shift to Accrual based Double Entry Accounting System’, ‘Property Tax Reforms’, ‘Internal Earmarking of Funds for Poor’ and ‘e-Governance’.

### 1.12.2 Optional Reforms

The State and the ULBs/Parastatals were encouraged to adopt certain set of reforms such as ‘Introduction of Property Title Certification’, ‘Computerised registration of Land and Property’, ‘Revision of Building bye laws’ etc.

### 1.12.3 Non implementation of Reforms

The State Government and the ULBs including para-statal agencies were required to execute Memorandum of Agreement (MoA) with GOI indicating their commitment to implement identified reforms spelling out the specific milestones to be achieved for each item of reform. Signing of MoA was a necessary condition to access Central Assistance. Three ULBs viz., Kohima Municipal Council, Dimapur Municipal Council and Chumukedima Town Council and Government of Nagaland had signed MoA (February 2007) with the GOI assuring their commitment to implement various Mandatory and Optional reforms during the Mission period.

1. Though incorporated in MoA, the major reforms as per the 74<sup>th</sup> Constitution Amendment Act had not been implemented as detailed below:

- Elections had to be held mandatorily within six months of the end of the tenure of ULBs. Though the term of the Municipalities/Town Councils had expired in December 2009, no elections were held till date (February 2012) and Council members were being nominated by the State Government.
- State Finance Commission (SFC) was constituted in August 2008. However, the same was not made fully functional till February 2012.
- Though District Planning Committees (DPC) were claimed to be constituted for Kohima and Dimapur in 2008-09, they were not made functional as envisaged. DPCs for other districts had also not been constituted.
- Community Participation law and Public Disclosure law had been passed only in March 2011, i.e. after a delay of more than two years from the target date.

- Though agreed to transfer all 18 functions under 12<sup>th</sup> Schedule of the Constitution of India within the timeline period and before completion of the programme period, only public health, sanitation, water conservation and solid waste management functions had been transferred to ULBs.

2. Convergence of City Planning functions involving ULBs in City Planning and delivery of urban infrastructure development and management functions was also not achieved. For instance in Mission City, Kohima though CDP was prepared with huge outlay of ₹999.94 crore for different sectors such as water supply, sewerage & sanitation, solid waste management, tourism, drainage, etc., to be executed by various departments, only two projects costing ₹75.68 crore were executed by UDD. Thus the objectives of convergence could not take off as envisaged.

3. The Department had submitted a report to the GOI (March 2011) indicating achievement of ULB/Para-statal level reforms such as preparation of 'Municipal Accounting Manual' and 'shift to Accrual based Double Entry Accounting system', without any actual achievement, thus misleading the GOI.

4. Preparation of Building Bye-laws to make rainwater harvesting mandatory was in progress, as of December 2011.

Thus, though MoA was entered into by the respective ULBs and the Government of Nagaland with GOI, several mandatory reforms had not been taken up/ implemented by the State/ULBs.

The intended objectives of the Constitution of India to bring out reforms in the institutions and make the local bodies vibrant through devolution of powers, funds and functions to the ULBs could not be achieved fully in the State of Nagaland. Further, due to the non-implementation/slow progress in implementation of Mandatory/Optional reforms and lack of involvement of the ULBs, the GOI withheld ₹13.27 crore<sup>29</sup> under UIG and UIDSSMT projects since October 2010.

The Department in reply (December 2011) stated that altogether nine reforms had been achieved and two more reforms were under process of implementation. The Mandatory/agreed reforms at ULB level - internal earmarking of funds for the poor and provision of BSUP and State Level Reforms - Reform in rent control, Stamp duty rationalisation to five *per cent*, Repeal of ULCRA, Enactment of Community Participation law and Enactment of public disclosure law had been implemented. The Optional Reforms - earmarking of 25 *per cent* developed land in all housing projects for EWS/LIG and simplification of legal and procedural framework for conversion of agricultural land for non-agricultural purposes had been implemented.

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<sup>29</sup> UIG-₹11.36 crore and UIDSSMT-₹1.91 crore

### 1.13 Monitoring and Evaluation

*Audit Objective VI: To ascertain whether there was a mechanism for adequate and effective monitoring and evaluation.*

#### 1.13.1 Monitoring by Independent Review and Monitoring Agencies

With the intention to review and monitor the projects in the Mission cities and to keep track of the physical and financial progress of projects throughout the project development life-cycle (pre-construction, Construction, Commissioning and trial run and post construction), MoUD evolved a state level mechanism for third party monitoring and review of the projects sanctioned under JNNURM Sub-Mission-I (UIG). To enable SLNAs to set in motion the process of appointing Independent Review and Monitoring Agencies (IRMAs) for monitoring and review of all projects a tool kit was issued.

In compliance with the MoUD directive, the Department appointed M/s Tectra Tech as IRMA for monitoring and evaluation of projects being implemented under UIG during 2009-10. However, it was observed in audit that the IRMA did not visit any of the sites and did not prepare/ submit any reports till February 2012.

While accepting the facts the Department stated (December 2011) that reminder shall be issued to the firm.

#### 1.13.2 Monitoring by Third Party Inspection and Monitoring (TPIM) Agency

As per JNNURM guidelines, TPIM Agency was required to be appointed to bring transparency and quality in the implementation of BSUP and IHSDP projects. The duty of TPIM was to monitor the quality, physical and financial progress of the project.

Water and Power Consultancy Services (India) Limited was appointed as TPIM for Nagaland in September 2010 for monitoring of BSUP and IHSDP projects. TPIM made four visits to the State to review the projects. However, only two reports (second and third report) were available with the Department. It was stated that no report for the previous visits were submitted to the Department.

While accepting the facts the Department stated (December 2011) that the TPIM had made a visit recently and a Report had been submitted.

#### 1.13.3 Monitoring by State Agencies/departments

The State Government set up a Monitoring Cell under Planning and Co-ordination Department to monitor the Centrally Sponsored Schemes during 2008-09. The Monitoring team conducted review of JNNURM projects (BSUP, IHSDP and UIG) only once in 2009-10 along with review of other projects. The Cell commented on the slow progress of BSUP and IHSDP projects and directed the Department to speed up the work

in order to avoid further delay. Despite Committee's comments, the Department failed to complete the works.

The Department stated (December 2011) that it shall take cognisance of the recommendations of the Monitoring Cell for more effective implementation.

Thus, inadequate and poor monitoring of the projects at every stage of project development cycle resulted in inordinate delay in execution of projects besides leading to several deviations from financial rules, codes and approved DPRs such as diversion of funds, payments without execution of work, relocation of works, etc.

#### **1.14. Conclusion**

Though the JNNURM guidelines provide for involvement of ULBs in the implementation, the activities under JNNURM had not been devolved to ULBs. The Department submitted the DPRs under BSUP and IHSDP projects without proper appraisal and approval of the SLNA and SLSC. The Department also did not conduct any survey to ensure availability of land and other resources before preparation of the DPRs. The State Government also did not release its share. As a result, the DPRs were revised, works relocated and items of works as per the DPRs were curtailed to the limit of available funds. Deficient contract management and lack of internal controls in the Department resulted in delays in award of contract, delay in execution of works, release of advance payments and payment against unexecuted items of works. The prospect of successful implementation of JNNURM in the State of Nagaland is bleak as the Department had not identified the beneficiaries under BSUP and IHSDP and the dwelling units under construction were not constructed as per the approved specifications. Due to ineffective planning and inaction of the Department in taking remedial actions on the observations pointed out in the earlier audit report, there were instances of time overruns and cost overruns leading to non-achievement of the objectives of providing affordable housing facilities to the urban poor.

#### **1.15. Recommendations**

- *The State should strengthen the planning process and preparation of DPRs. CDPs should be prepared for all towns.*
- *Financial management should be strengthened at all levels for timely and adequate release of funds and to avoid instances of incorrect reporting and submission of UCs, violation of prescribed financial procedures, irregular payment of mobilisation advances, delays in submission of claims for reimbursement etc.*
- *Deviation from approved DPRs and curtailment of approved item of works should not be taken up unless unavoidable as it compromises the achievement of the stated objectives besides resulting in time and cost overruns.*

- *The Engineering Wing should ensure that payments are commensurate with the actual execution of the works and action should be taken to recover overpayments along with interest.*
- *The State/ULBs should speed up implementation of urban reforms to facilitate flow of funds from GOI as well as to achieve the objectives of implementation of mandatory and optional reforms.*

## CHAPTER-II

### AUDIT OF TRANSACTIONS

#### HOME (POLICE) DEPARTMENT

##### 2.1 Fraudulent drawal of funds

**The Director General of Police, Nagaland, Kohima drew ₹4 crore for procurement of 1750 Fire Extinguishers on the basis of fictitious bills.**

The Government accorded Expenditure Sanction and Drawal Authority (31 July 2007) for ₹4 crore under Major Head 2055-00-001(1) Arms and Ammunitions on the basis of the proposal submitted (June 2007) by the office of the Director General of Police (DGP) for procurement of 1750 numbers of fire extinguishers. Accordingly, the office of the DGP drew (31 July 2007) the entire amount on a fully vouched contingent bill<sup>1</sup> from Kohima Treasury (South) enclosing a bill submitted (29 July 2007) by M/s SDS Electronics Pvt. Ltd. Haryana.

A Line Committee constituted (28.11.2007) by the DGP physically verified the fire extinguishers supplied by M/s SDS Electronics Pvt. Ltd. and submitted a report stating that they had conducted physical verification of stock on 30 November 2007. The Committee had also certified that all the 1750 fire extinguishers were received from the supplier M/s SDS Electronics Pvt. Ltd.

Scrutiny of the Cash Book of the DGP's office revealed that payment of ₹4 crore was made to M/s SDS Electronics Pvt. Ltd. as detailed in the table below:

**Table No.2.1**

Name of the payee	Amount paid (₹ in crore)
M/s SDS Electronics Pvt. Ltd Haryana through MTO PHQ on 2.8.2007 against their bill No 327 dated 31.7.2007	0.63
M/s SDS Electronics Pvt. Ltd Haryana through MTO PHQ on 5.11.2007	0.30
M/s SDS Electronics Pvt. Ltd Haryana through MTO PHQ on 14.8.2008	0.35
M/s SDS Electronics Pvt. Ltd Haryana on 15.9.2008	2.72
<b>Total</b>	<b>4.00</b>

<sup>1</sup> Bill No 327 dated 31-7-2007

The above table reveals that an amount of ₹1.28 crore was paid to the firm through Departmental Officers.

To ascertain the genuineness of the payments a letter was issued (May 2011) by audit to M/s SDS Electronics Ltd, Haryana. In response, the firm stated (May 2011) that they have neither supplied the fire extinguishers nor had they ever dealt with fire fighting equipment since its inception in the year 1993.

On this being pointed out, the Government stated (August 2011) that Proforma bill of M/s SDS Electronics, Ltd., Haryana was obtained from a local dealer as the same was required for obtaining expenditure sanction from the Government. Though the amount was drawn in advance against the bill of M/s SDS Electronics, Ltd., Haryana, supply order was given to a local firm M/s International Trading Company, Dimapur as they were ready to supply materials as per Government approved rate. While furnishing the replies, the Department submitted Actual Payee Receipts (APRs) of the entire amount from M/s International Trading Company, a local firm based in Dimapur. It was further stated that the material was supplied in part by the firm and accordingly part payments were made for quantity actually supplied.

The reply of the Department is not acceptable as all the records including the Line Committee Report<sup>2</sup> indicated that the supply was made by M/s SDS Electronics and the entire payments were made to the firm. Therefore, the reply of the Department stating that the supply order was issued to M/s International Trading Company, Dimapur and submission of APRs from the same Company is misleading. Further, the contention of the Department that material was received in part and payments were also made in part is not convincing and contrary to the Line Committee Report which certified that material was received in full in November 2007 itself while ₹3.07 crore out of ₹4 crore was actually paid to the firm only in August/September 2008, as recorded in the Cash Book.

Thus, it is evident that office of the DGP, Nagaland drew an amount of ₹4 crore for procurement of 1750 fire extinguishers on the basis of fictitious bill.

## TREASURIES AND ACCOUNTS DEPARTMENT

### 2.2 Fraudulent drawal

**Failure to exercise statutory checks envisaged in Receipts & Payments Rules on the part of 8 Treasury Officers and 25 Drawing & Disbursing Officers resulted in fraudulent drawal of ₹21.58 lakh.**

Sub-clause 3 of Rule 66 of the Receipts and Payments Rules, 1983 stipulates that entries in all money columns of the pay bills are to be totaled separately under each section and part to

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<sup>2</sup> November 2007

arrive at the total entitlements as well as net payable after the statutory deductions in red ink. Section wise totalling of the pay bills must be checked by the Drawing Officer himself or by some responsible official other than the person preparing the bill. Treasury Rules further prescribe various checks to be exercised by the Treasury Officer before accepting the claim and to record the omission or correction and to limit the payment admissible in respect of each bill presented by the Drawing and Disbursing Officers of the establishments.

Scrutiny (July 2010) of the paid vouchers in respect of 25 establishments (**Appendix-2.1**) for the period from October 2007 to June 2009 revealed that the Drawing and Disbursing Officers of these establishments drew ₹388.30 lakh in 150 pay bills against the admissible net salary of ₹366.72 lakh by drawing two bills for the same employees for the period (5 cases for ₹8.20 lakh ) and inflating the total of the net drawals (20 cases for ₹13.38 lakh ) resulting in fraudulent drawal of ₹21.58 lakh.

Thus, failure on the part of 8 Treasury Officers<sup>3</sup> and 25 DDOs to exercise the prescribed statutory checks to prevent double drawal and inflating the total of the net drawals of pay resulted in fraudulent drawal of ₹21.58 lakh.

In reply (July and August 2011) four DDOs intimated recovery of ₹8.67 lakh. However, an amount of ₹2.82 lakh stated to be recovered by the CDPO, Chozuba do not bear any stamp of the bank to justify the claim of remittance. No replies were received from the remaining 21 DDOs till finalisation of this report inspite of issuing reminders.

Thus, failure in exercise of internal controls/non-adherence to prescribed rules and procedures resulted in fraudulent drawal of ₹21.58 lakh out of which a sum of only ₹8.67 lakh<sup>4</sup> was stated to be recovered at the instance of audit.

The matter was reported to the Government (August 2011). Reply is yet to be received (February 2012).

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<sup>3</sup> Kohima, Dimapur, Mokokchung, Tuensang, Mon, Phek, Wokha and Zunheboto

<sup>4</sup> Out of ₹8.67 lakh recovered, an amount of ₹2.82 lakh stated to be recovered by the CDPO, Chozuba do not bear any stamp of the bank and hence the claim of remittance is doubtful.

## DEPARTMENT OF SCHOOL EDUCATION

### 2.3 Fraudulent drawal

**Failure of the Treasury officer in exercising prescribed checks before accepting the bill allowed the Deputy Inspector of Schools, Longleng to fraudulently draw ₹14 lakh by inflating the pay scales and the percentage of Additional Dearness Allowances in respect of 48 employees.**

Sub-clause 3 of Rule 66 of the Receipts and Payment Rule, 1983 stipulates that entries in all money columns of the pay bill are to be totalled separately, under each section and part to indicate the total entitlements as well as net payable after the statutory deductions, in red ink. Section wise totalling of the pay bill must be checked by the Drawing Officer himself or by some responsible official other than the person preparing the bill. Treasury Rules further prescribe various checks to be exercised by the Treasury Officer before accepting the claim and to record the omission or correction to limit the payment admissible in respect of each bill presented by the Drawing and Disbursing Officers of various establishments.

The Deputy Inspector of Schools (DIS), Longleng drew (March 2009 to March 2010) ₹1.16 crore as arrears of pay and additional dearness allowances (ADA) in eight bills.

Scrutiny of the paid vouchers (March 2011) revealed that a sum of ₹14 lakh out of ₹1.16 crore was drawn on the basis of false claims as detailed below:-

(i) One arrear pay bill in respect of 56 teachers for the period from March 2007 to February 2008 for ₹68.35 lakh was drawn (April 2009). Cross verification of these bills with the regular pay bills of the preceding and succeeding period revealed that the basic pay of 19 employees taken for calculation of arrears was inflated resulting in fraudulent drawal of ₹8.94 lakh (**Appendix-2.2**).

(ii) Government of Nagaland raised the rate of ADA from 195 *per cent* to 203 *per cent* from January 2006, 217 *per cent* in July 2006, 233 *per cent* in January 2007, 249 *per cent* in July 2007, 265 *per cent* in January 2008, 283 *per cent* in July 2008 and 308 *per cent* in January 2009. The DIS, Longleng drew (August 2009 to March 2010) ₹1.15 crore in seven bills being the ADA arrear bills for the period from July 2006 to November 2008 at the uniform rate of 308 *per cent* instead of the applicable rates in force in respect of 27 teachers and two sweepers resulting in excess drawal of ₹5.06 lakh.

Thus, failure of the DDO in checking the pay bills and failure on the part of the Treasury Officer in exercising the prescribed checks resulted in fraudulent drawal of ₹14 lakh by DIS, Longleng by inflating the pay scales and drawal of ADA in excess of applicable percentage.

The matter was reported to the Government and the Department (August 2011). Reply is yet to be received (February 2012).

## **2.4 Fraudulent drawal**

**Deputy Inspector of Schools, Mongkolemba fraudulently drew ₹12.05 lakh by manipulating the pay bills of 92 employees.**

According to Sub-section 5 of Rule 11 of Receipts and Payments Rules, 1983, an Accounts Officer or Cheque-drawing D.D.O. 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 specific orders of Government against disclosure of the nature, on any individual claim or type of claims in the public interest.

The Deputy Inspector of Schools (DIS), Mongkolemba, Mokokchung drew ₹418.49 lakh in 21 bills as pay and allowances of the teachers under his jurisdiction during February 2009 to February 2010.

Scrutiny of pay bill vouchers (March 2011) by audit revealed that the DIS had drawn the bills by fraudulently inserting separate amount under Dearness Allowance, House Rent Allowance, Special Pay Allowance and Special Compensatory Allowance etc. in addition to the normal entitlements in the pay bills of 92 employees. Thus, the DIS fraudulently drew ₹12.05 lakh (**Appendix -2.3**).

On being pointed out by audit the DIS in his reply (July 2011) stated that out of the amount of ₹12.05 lakh, an amount of ₹5.52 lakh had been deposited into Government account and the remaining amount of ₹6.53 lakh was paid as ACP arrear. The reply is not acceptable and the amount of ₹6.53 lakh stands recoverable as the amount was drawn in regular monthly pay bill in Form T.R.22 and not as an arrear payment. The Department subsequently, in August 2011 deposited ₹6.53 lakh also into Government account.

However, the fact remains that the DIS, Mongkolemba had drawn an amount of ₹12.05 lakh fraudulently against the provisions of Receipts and Payments Rules with an intention of misappropriation of Government money.

## PUBLIC WORKS DEPARTMENT

### 2.5. Fraudulent drawal

**Failure on the part of the Drawing & Disbursing Officer and the Treasury Officer in exercising the statutory checks as envisaged by Rules resulted in fraudulent drawal of ₹11.51 lakh by the Executive Engineer, Tseminyu for the period from April 2010 to August 2010.**

Sub-clause 3 of Rule 66 of the Receipts and Payments Rules, 1983 stipulates that entries in all money columns of the pay bill are to be totalled separately, under each section and part to indicate the total entitlements as well as net payable after the statutory deductions, in red ink. Section wise totalling of the pay bill must be checked by the Drawing Officer himself or by some responsible official other than the person preparing the bill. Treasury Rules further prescribe various checks to be exercised by the Treasury Officer before accepting the claim and to record the omission or correction to limit the payment admissible in respect of each bill presented by the Drawing and Disbursing Officers of various establishments.

Scrutiny (July 2011) of 8 paid vouchers in respect of the Executive Engineer, PWD (R&B), Tseminyu for the period from April 2010 to August 2010 revealed that the establishment drew ₹44.95 lakh in 18 pay bills against the admissible net salary of ₹33.43 lakh by inflating the gross total of the pay bills resulting in fraudulent drawal of ₹11.51 lakh as detailed in **Appendix-2.4.**

On being pointed out, the Department accepted the facts and stated (September 2011) that ₹11.49 lakh had been deposited to the Treasury (September 2011). However, the treasury deposit challan do not bear any stamp of the bank authority to justify the claim of remittance which needs further investigation.

Thus, failure of the DDO in checking the totals and failure of the Treasury Officer in limiting the claim to admissible amounts as envisaged by the Rules resulted in fraudulent withdrawal of ₹11.51 lakh.

## HOME DEPARTMENT

## 2.6 Double drawal of Ration Allowances

**Additional Deputy Commissioner (HQ), office of the Commissioner, Nagaland drew a double claim of ₹10.01 lakh towards Ration Allowance for the month of February 2010 in respect of Village Guards of Kiphire based on a Non-Drawal Certificate furnished by the Sub-Treasury Officer, Kiphire.**

Rule 22 of Central Treasury Rules (CTR) provides that the Treasury Officer shall be responsible to the Accountant General for acceptance of the validity of a claim against which he has permitted withdrawal and for evidence that the payee has actually received the sum withdrawn.

Besides, Rule 23 of the CTR provides that the Treasury Officer 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.

Scrutiny of vouchers (April - 2009 March 2010) revealed that the Additional Deputy Commissioner (HQ), office of the Commissioner, Home Department, Nagaland drew ₹10.01 lakh<sup>5</sup>, on 30.3.2010 on account of Ration Allowance (RA) for 1914 Village Guard (VG) personnel of 68 Villages (**Appendix-2.5**) under Deputy Commandant, Kiphire for performing duties in connection with VVIP/ VIP visits during the period from 2<sup>nd</sup> to 23<sup>rd</sup> of February 2010 from Kohima North Treasury based on a certificate furnished by the Sub-Treasury Officer, Kiphire that the bill had not been drawn from Kiphire Sub-Treasury due to non-availability of funds during 2009-10.

Further scrutiny however, revealed that the Deputy Commandant, Village Guard, Kiphire had drawn<sup>6</sup> ₹13.33 lakh on 11.3.2010 from Kiphire Sub Treasury towards ration allowance for 1915 VGs of the same villages (including the 1914 VGs) for the period from 1<sup>st</sup> February 2010 to 28<sup>th</sup> February 2010.

Thus, it is evident that the Sub-Treasury Officer, Kiphire furnished a false certificate of non-drawal of ration allowance in respect of VGs of Kiphire, for the month of February 2010

<sup>5</sup> Bill No. 611 dated 29 March 2010 (TV No. 26 dated 30/03/2010 of Kohima North Treasury) against sanction order No. VG/32/2004 (Pt), dated 29 March 2010

<sup>6</sup> Bill No. 121 dated Nil, from Kiphire Sub-Treasury on 9 March 2010

facilitating the Additional Deputy Commissioner (HQ) to draw an amount of ₹10.01 lakh<sup>7</sup> resulting in double drawal of ration allowance of ₹10.01 lakh.

While accepting the facts the Department stated (October 2011) that efforts will be made to ascertain the circumstances leading to the double drawal of ration allowance and to fix responsibility. It was also stated that appropriate action will be taken to deposit the double drawal of ₹10.01 lakh to Government account.

## PLANNING & CO-ORDINATION DEPARTMENT

### 2.7 Payments made for unexecuted work

Development Commissioner, Planning & Co-ordination paid an amount of ₹51.20 lakh to a society for unexecuted work based on fictitious completion certificates.

Government of Nagaland released ₹7.47 crore to Keviru Multipurpose Co-op Society Ltd.<sup>8</sup>, Kohima from the funds received (November 2007) from Government of India, Ministry of Tribal Affairs under Article 275 (1) of Constitution of India. The Department drew the entire grant and paid the amount to the Co-operative Society (April 2008-July 2008) based on the physical verification report submitted by the Executive Engineer of the Department (February 2008) and a claim for release of payment by the Society (April 2008) stating that all the projects are completed as per specifications.

Scrutiny of the records by Audit (September 2008) of the Development Commissioner, Planning & Co-ordination Department revealed that out of ₹7.47 crore paid to Keviru Multipurpose Co-op Society, an amount of ₹51.20 lakh was allocated for Electrification of Theza village. A joint physical verification (June 26.06.2009) of Electrification of Theza village was conducted by Audit along with representatives of the Department and the Society which revealed that the work of electrification had not commenced.

On being pointed out by Audit, the Government stated (August 2011) that the payments were made to the Society on the basis of report submitted by the Executive Engineer of the Department and completion certificate furnished by the said Society. To ascertain the replies of the Department another joint physical verification was conducted in February 2012 which revealed that the work of 'Electrification of Theza' is still to be taken up.

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<sup>7</sup> Period for which the amount drawn by Add. Deputy Commissioner(HQ) Kohima – 2/2/2010 to 21/2/2010  
Period for which the amount drawn by Deputy Commandant Village Guard, Kiphire.- 01/02/2010 to 28/02/10.

<sup>8</sup> Keviru Multipurpose Co-op Society whose objective is to improve economic conditions of its members through providing facilities for better farming, business, common economic interest, welfare, etc.

Government stated (February 2012) that on the representation made by the Society the Department approved Diesel Generator instead of transmission line and that the same would be intimated after completion.

It is clear from the above that the entire action of releasing funds to the Society against false certificate furnished by Society was in complete violation of established codal procedures. Thus it is evident that an amount of ₹51.20 lakh was paid (April-July 2008) to the Society for the work which was never executed.

## HEALTH AND FAMILY WELFARE DEPARTMENT

### 2.8 Avoidable excess payment

**The Director of Health and Family Welfare Department made an avoidable excess payment of ₹2.26 crore to a contractor by ignoring the recommendation of the Technical and Steering Committee coupled with faulty estimation of cost escalation.**

The work for setting up of two Regional Diagnostic Centres (RDCs) at Civil Hospital Mokokchung and Tuensang was awarded (February 2002) to M/s Sarkar Diagnostic and Research Centre, Kolkata on Turn Key Basis at the total cost of ₹6 crore to be released in three equal installments (from the first year following the Contract Deed Agreement). Both the RDCs were stipulated for completion during 2002-03. Out of the amount, the contractor was paid ₹4.65 crore (₹4.29 crore up to February 2004 and ₹4.65 crore up to March 2007) leaving a liability of ₹1.35 crore.

Further scrutiny of the records revealed that:

As per clause 5 of the Terms and Conditions of the Contract executed in February 2002, price escalation shall not be entertained during the period of contract and only in case full payment is not made to the Contractor within the time schedule, the Department shall be liable to pay escalation of prices as per RBI Index.

In accordance with the terms and conditions of the Contract, the contractor submitted a representation (March 2009) for release of the liability of ₹1.35 crore along with the escalated cost of ₹2.61 crore (Calculated at the uniform interest rate of 7.5 *per cent* on ₹6 crore effective from February 2002) which was accepted by the Government. On the strength of the expenditure sanction, the Director drew ₹3.96 crore in a Fully Vouched Contingent Bill<sup>9</sup> being the payment for construction of Regional Diagnostic Centres at Mokokchung and Tuensang and paid ₹3.80 crore to the contractor (March & April 2009) after deducting ₹15.85 lakh Work Contract Tax at source.

<sup>9</sup> Bill No.643 Dated 13-3-2009

Further scrutiny of the records revealed that the Government paid ₹2.61 crore being the escalated cost reckoned from February 2002 without deducting the amount of ₹4.65 crore already paid up to March 2007 (₹4.29 crore up to February 2004 and ₹4.65 crore up to March 2007). Further, the Technical and Steering Committee had explicitly stated in April 2005 that equipment worth ₹2.53 crore was yet to be supplied to RDC, Tuensang and therefore the contractor shall not have the right to claim escalation bills for RDC, Tuensang. The Department paid inadmissible cost escalation on the amount of ₹4.65 crore already paid to the contractor (of which ₹4.29 crore was paid up to February 2004) at the uniform rate of 7.5 per cent, which is irregular.

Thus, the Department paid an excess amount of ₹2.26 crore<sup>10</sup> to the contractor due to faulty estimation of cost escalation which needs to be recovered. The terms and condition of contract was also not specific as escalation if admissible should be based on predetermined payment schedule linked to the progress of the work as per specified timeframe.

The Department in reply (November 2011) stated that the firm claimed price escalation as per interest rate of RBI index and the amount was paid accordingly. The reply is not tenable as there was no need for cost escalation to be paid on the entire amount of ₹6 crore for the entire period as the works were not completed as stipulated. Besides, the Department also failed to invoke clause 14 of the Terms and Condition of the Contract for failure to complete the work as scheduled.

Thus, the Department made an avoidable excess payment of ₹2.26 crore<sup>11</sup> by ignoring the recommendation of the Technical and Steering Committee coupled with faulty estimation of cost escalation.

<sup>10</sup> Penal Interest paid: ₹2.61 crore. Penal interest, if any, leviable: ₹0.35 crore.  
Excess Paid = ₹2.61 crore - ₹0.35 crore = ₹2.26 crore (as given below):

Year	Supposed to be Paid	Actually paid	When paid	Calculation of Interest @ 7.5% Cumulative		
				Duration	Difference	Interest
2002-03	33000000	15,00,000	Jun-02	Four months	33000000	825000
2002-03		15,00,000	Dec-02	Six months	31500000	1181250
				Two months	30000000	375000
2003-04		5500000	Jun-03	Four months	30000000	750000
2003-04		13400000	Jun-03	Six months	11100000	416250
2003-04		21000000	Dec-03	Two months	<b>Paid in excess 99,00,000</b>	
Penalty, if any, leviable						3547500

<sup>11</sup> Cost escalation paid=₹2.61 crore. Cost escalation, if any, payable=₹0.35 crore. Therefore excess paid=₹2.61 crore *minus* ₹0.35 crore=₹2.26 crore.

## HOME (GENERAL ADMINISTRATION) DEPARTMENT

### 2.9 Extra avoidable expenditure of ₹ 1.08 crore

The Executive Engineer, Civil Administrative Works Division incurred extra expenditure of ₹1.08 crore due to award of work to the bidder other than the lowest bidder.

Notice Inviting Tender (NIT) for construction of Deputy Commissioner's Office Complex at Peren for an estimated cost of ₹294.89 lakh was floated (February 2007) by the Executive Engineer, Civil Administrative Works Division (CAWD) on the basis of technical approval accorded by the Chief Engineer (Housing). In response to the NIT, 4 (four) bidders submitted their tenders and the work was awarded to the lowest bidder<sup>12</sup> (March 2007), as per the comparative statement approved by the Chief Engineer, at the quoted rate of ₹296.19 lakh on item rate basis (SOR 2004) which was 0.44 *per cent* above the overall tendered amount.

The contractor commenced the work (July 2007) and 90 *per cent* of the work was completed till September 2010 for which an amount of ₹3.28 crore was paid (June 2010) up to 3<sup>rd</sup> Running Account Bill.

#### 1. Avoidable expenditure of ₹9.29 lakh

A scrutiny (December 2010) of records of the Executive Engineer, CAWD revealed that the bidder who was awarded treating him as L1 bidder, was in fact, not L1 but L2 bidder. This was due to taking wrong rate of ₹630.92 in respect of brick work instead of ₹5053.93 while preparing the comparative statement and computation based on incorrect rate as given below:-

**Table No.2.2**

Details	Quantity (in cum)	Total Amount (₹ in lakh)
Rate as per SOR 2004 (as per NIT) ₹5053.93	657.90	33.25
Rate Taken into consideration while preparing the comparative statement (for M/s East West Construction) 630.92	657.90	4.15
Difference of amount due to wrong rate and computation		29.10

The second lowest tenderer whose rate was 10.31 *per cent* above SOR 2004 was selected, instead of the lowest bidder whose rate was 7.16 *per cent* above SOR 2004 as detailed below:

<sup>12</sup> M/s East West Construction

**Table No.2.3**

Sl No	Name of tenderer	Amount as per Comparative Statement (₹ in lakh)	Difference in calculation (₹ in lakh)	Actual Amount (₹ in lakh)	Actual position
1	Pfuduolhou Kense	340.29	0.00	340.29	L4
2	Lija Constructions	296.29	33.46	329.75	L3
3	East West Construction	296.19	29.10	325.28	L2
4	Trident Enterprises	315.99	0.00	315.99	L1

Thus, award of work order to the inadmissible bidder resulted in avoidable expenditure of ₹9.29 lakh.

## **2. Excess payment of ₹98.76 lakh**

A scrutiny of MB and the Running Bills revealed that the contractor had executed works valued at ₹3.05 crore upto the 2<sup>nd</sup> running bill at the enhanced rate of 49 *per cent* above SOR 2004 as of July 2008, before submission of application for enhancement. Further scrutiny revealed that the contractor submitted an application (November 2008) requesting enhancement of rate to 84 *per cent* above SOR 2004. However, the Government approved the enhancement of rate<sup>13</sup> to 49 *per cent* above SOR 2004 to complete the remaining works. But, the Chief Engineer allowed<sup>14</sup> the enhanced rate of 49 *per cent* above SOR 2004 with effect from the date of issue of work order (23 March 2007).

The Department in its reply (September 2011) as forwarded by the Government stated (September 2011) that the building is almost complete and the delay in completion and enhancement of rate was attributable to delay in selection of the site and due to bad road condition leading to the site. The reply is not acceptable as these factors should have been considered during the planning stage. The Department further stated that technically the order for enhancement of rate might have been issued by the Chief Engineer (Housing) w.e.f. the date of issue of work order instead for the remaining work as the contractor applied for enhancement in November 2008 and the approval from the Government was obtained only in February 2009. The Department's reply is not tenable since enhancement of rate should be based only on the remaining works. Thus the reply of the Department as forwarded by the Government is incoherent and does not at all justify the retrospective enhancement of tender rates.

Thus, enhancement of tender rate without justifications and allowing enhancement from the date of commencement of work and irregular selection of contractor resulted in total extra

<sup>13</sup> Vide letter No GAB-1/COM/CAWD/130/09 dated 27.2.09

<sup>14</sup> Vide letter No CE/H/TB/CAWD/PEREN/2007 dated 31.03.09

avoidable expenditure of ₹1.08<sup>15</sup> crore and undue financial benefit to the contractor to that extent.

## VETERINARY AND ANIMAL HUSBANDRY DEPARTMENT

### 2.10 Avoidable excess expenditure

Arbitrary increase in quoted price by Government at the time of approval of tender resulted in avoidable excess expenditure of ₹59.34 lakh.

The Department of Animal Husbandry and Veterinary, Government of Nagaland sanctioned an amount of ₹5 crore in two installments<sup>16</sup> during 2008-10 for implementation of Cattle Induction Community Dairy Project and White Revolution Promotion through setting up of organised dairy farms at village level to produce quality and clean milk to feed the Dairy Processing Plants to be implemented through the Nagaland State Dairy Co-operative Federation (NSDCF) Ltd., a registered Society under Nagaland Co-operative Societies Act. Out of the funds sanctioned, ₹3.34 crore was earmarked for procurement of milching cows and pregnant heifers.

Accordingly, the Managing Director of NSDCF Ltd., called for tenders (July 2009) for supply of 80 milching cows and 828 pregnant heifers<sup>17</sup>. In response six firms submitted quotations. The Tender Board under the management of NSDCF Ltd. recommended M/s Ngulie Solo, Kohima and M/s Medo, Kohima being the lowest bidders as detailed below:

**Table 2.4**

S1.No	Name of livestock	Name of the firm	Quoted rate per cow (in ₹)
1	Milching cows	M/s Ngulie Solo, Kohima	35000
2	Pregnant heifers	M/s Medo, Kohima	29800

Scrutiny (March 2010) of records revealed that contrary to the Tender Board recommendations the Department approved higher rates for supply of milching cows and pregnant heifers, as detailed below:

<sup>15</sup> ₹0.99 crore + ₹0.09 crore

<sup>16</sup> 31 March 2009 for ₹ 2.00 crore, out of which ₹ 80 lakh was credited to 8443-Civil Deposit and withdrawn on 25 June 2009 and 31 March 2010 for ₹ 3.00 crore

<sup>17</sup> Milching cows and Pregnant Heifers have to be Holstein Friesian/Jersey Cross breeds

## 1. Milching cows

M/s Ngulie Solo, Kohima had quoted the lowest price of ₹35000 per cow as per the tender specifications. However, the supply order was issued for supply of 80 milching cows at the higher rate of ₹45000 to two suppliers (40 milching cows to M/s Ngulie Solo, Kohima and 40 milching cows to M/s Evergreen Trading Company, Dimapur). The reasons why M/s Ngulie Solo and M/s Evergreen Trading Company, Dimapur were given the supply order at rates higher than the lowest quoted rates is not on record. This action of giving part supply order to the lowest bidder at enhanced rates and to another bidder who was not the lowest bidder resulted in excess payment of ₹8 lakh.

## 2. Pregnant heifers

Similarly, M/s Medo, Kohima quoted the lowest price of ₹29800 for pregnant heifers. However, the supply order was issued for supply of 828 pregnant heifers at the higher rate of ₹36000 to two suppliers (414 each to M/s Ngulie Solo, Kohima and M/s Evergreen Trading Company, Dimapur). The reasons why the lowest bidder (M/s Medo) was not given the supply order and in place supply orders were issued to M/s Ngulie Solo, Kohima and M/s Evergreen Trading Company, Dimapur who had quoted rates higher than M/s Medo, is not on record. Thus, issue of supply orders at arbitrary rates to bidders other than the lowest bidder resulted in excess payment of ₹51.34 lakh.

As such the Department paid ₹3.34 crore (December 2009 and December 2010) being the cost for supply of 80 milching cows and 828 pregnant heifers at the rates approved by the GON instead of ₹2.75 crore as recommended by the Tender Board of the Management of Nagaland State Dairy Co-operative Federation Ltd., resulting in total excess expenditure of ₹59.34 lakh<sup>18</sup>.

On being pointed out, the Government stated (September 2011) that the rate was enhanced as the supplier at the time of delivery expressed its inability to supply the livestock at the approved rate due to hike in market price.

The reply of the Government is not factually correct and also not acceptable since the rates were enhanced at the time of approval of the tenders by the Government and not at the time of delivery of the cows and heifers. Besides, if the situation so warranted, fresh tenders should have been called and the supply awarded to the lowest bidder.

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<sup>18</sup> (₹45000x80+₹36000x828)-(₹35000x80+₹29800x828)= ₹59,33,600 say ₹59.34 lakh

## HORTICULTURE DEPARTMENT

### 2.11 Financial irregularities

**The Director of Horticulture paid ₹1.21 crore personal loan to three individuals by flouting financial rules and also without routing through the Cash Book.**

Sub rule (ii) of Rule 13 of Central Government Account Receipts and Payments (R&P) Rules 1983, which is being followed in the State of Nagaland, provides that all monetary transactions should be entered in the Cash Book as soon as they occur and should be attested by the Head of the Office as a token of check.

With a view to enhance horticulture production, improve nutritional security and income support to farming households, the Government of India approved (2001-02) implementation of the Integrated Development of Horticulture in North Eastern States. During 2008-2010, the Small Farmers Agri-Consortium (SFAC), Delhi released ₹64 crore to the Horticulture Department, Government of Nagaland for implementation of various components of Mini Mission II under Horticulture Technology Mission (HTM).

Scrutiny of records (May/June 2010) revealed that the funds released by the Central Government were credited into two bank accounts operated by the Department in Axis Bank, Kohima<sup>19</sup> and Vijaya Bank, Kohima<sup>20</sup> as shown below:

**Table 2.5**

Sl. No	Date of Transaction	Cheque No & date	Amount (in ₹)	Particulars
<b>Account No. 385010100036421 (Axis Bank)</b>				
1	12/06/2008	3791 of 12/06/2008	8000000	TRF to Ruslie Khing
2	02/03/2009	30707 of 02/03/2009	2000000	Gwarno / to Cash
<b>Account No. 16300 (Vijaya Bank)</b>				
3	18/02/2009	285795 dated Nil	140000	To Rongsentemjen
4	03/03/2009	285804 dated Nil	2000000	To Gwarno
<b>Total</b>			<b>12140000</b>	

Out of the funds received, the Department paid/transferred ₹1.21 crore to individual bank accounts without routing through the Cash Book. As these payments were not recorded in the Cash Book in violation of the financial rules, the system to track these transactions remained outside the purview of audit to vouch safe and authenticate the payments.

<sup>19</sup> Current Account No. 385010200000550 till June 2008 and Saving Bank Account No. 385010100036421 (opened during May 2008).

<sup>20</sup> Current Account No. 1630

On this being pointed out, the Department while accepting the facts stated (August 2011) that the funds of ₹80 lakh was paid to the Parliamentary Secretary, Horticulture Department, as temporary personal loan. The Department stated that the loan had been repaid by the Parliamentary Secretary in two installments in June 2008<sup>21</sup> and October 2008<sup>22</sup> and that the remaining funds of ₹41 lakh were refunded in three installments<sup>23</sup>.

It is observed that there are no provisions to advance personal loans from scheme funds. Diverting the Government of India Scheme funds towards temporary personal loan to an individual is highly irregular.

Further, it was observed that the funds transferred to the Parliamentary Secretary had not been credited back to the Government Account as stated by the Department which is evident from the Cash Book that ₹80 lakh was neither entered in the Cash Book of the Department nor credited in the Department bank account. The funds stated to have been refunded was drawn (March 2009) in fully vouched contingency bill being the maintenance cost for the year 2008-09 payable to six District Horticulture Officers and the funds were shown as paid through the Parliamentary Secretary in the Cash Book.

Thus, the Department of Horticulture by flouting the financial rules and the canons of financial propriety paid ₹1.21 crore without routing through the Cash Book and supporting documentary evidence. This also indicates complete absence of internal control mechanism in the Department. Needless to say that the procedure for sanction of personal loan was *prima facie* illegal/irregular and in blatant violation of the financial rules.

Based on audit observation, the Department issued Office Memorandum (August 2011) stopping such advances and loans, in future.

## General

### 2.12 Outstanding Inspection Reports and Audit Committee meetings

The results of audit on financial irregularities and defects in maintenance of initial accounts noticed during local audit and not settled on the spot are communicated to the audited entity and to the higher authorities of the departments through Inspection Reports (IRs). The more serious irregularities are reported to the Chief Controlling Officers of the Department semi-officially to furnish replies within six weeks from the date of receipt.

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<sup>21</sup> ₹55 lakh

<sup>22</sup> ₹25 lakh

<sup>23</sup> ₹20 lakh in July 2009, ₹1.4 lakh in August 2009 and ₹20 lakh in May 2010.

The position of outstanding Inspection Reports in respect of the Civil Departments (including Public Works Department) is discussed below.

Altogether 6233 paragraphs included in 1050 IRs issued upto 2010-11 were pending settlement as of March 2011. The year-wise break-up of the outstanding IRs and paragraphs is given below:

**Table 2.6**

Year	Number of outstanding	
	Inspection Reports	Paragraphs
Upto 2002-03	148	921
2003-04	98	632
2004-05	102	639
2005-06	193	1042
2006-07	143	715
2007-08	152	845
2008-09	89	592
2009-10	91	547
2010-11	34	300
<b>Total</b>	<b>1050</b>	<b>6233</b>

As the audited entity and the Departments failed to furnish replies to 1050 IRs, important irregularities commented upon in these IRs remained outstanding for settlement.

The position of major departments where a large number of IRs and paragraphs are outstanding are given in the table below:

**Table 2.7**

Name of the Department	Number of IRs	Number of paragraphs
Education	181	986
Police	178	945
Health & Family Welfare	110	661
Public Works (Roads & Bridges)	87	649
General Administration	68	487
Veterinary & Animal Husbandry	42	295
Horticulture	33	189
<b>Total</b>	<b>699</b>	<b>4212</b>

It is recommended that the Government look into the matter and streamline the system to ensure proper response to audit observations. Action may be taken against the officials who fail to send replies to IRs/paragraphs as per the prescribed time schedule and the losses/outstanding advances/overpayments may be recovered in a time bound manner.

No Audit Committee Meeting was held during the year 2010-11 to settle the outstanding IRs/paragraphs.

## CHAPTER III

### 3.1 Integrated Audit of Public Works Department (Roads & Bridges)

The mandate of the Public Works Department (Roads & Bridges) is to plan, construct and maintain roads and bridges in the State. Chief Controlling Officer based integrated audit of the Department revealed weakness in the planning process, financial management, works management, human resource management and internal control including vulnerabilities to fraud and corruption. The important audit findings are given below:

#### Highlights

- *Absence of Long term Perspective Plan, State Action Plan and District Action Plans in the State resulted in uneven planning and execution of projects. The overall increase in road length was only 14.60 per cent and conversion of un-surfaced roads to surfaced roads was 3.40 per cent during 2003 to 2009.*  
(Paragraph 3.1.6)
- *There was non/short realisation of Sales Tax on Works Contract amounting to ₹11.75 crore and delay in deposit of tax realised amounting to ₹1.48 crore in the ten test checked divisions.*  
(Paragraph 3.1.8.5 & 3.1.8.6)
- *Payments amounting to ₹10.10 crore were made on the basis of fictitious measurements recorded in the Measurement Books. Excess payments amounting to ₹3.73 crore were made due to duplication of entries in the Measurement Books and for work not actually executed.*  
(Paragraph 3.1.10 & 3.1.11)
- *Joint physical verification of selected projects revealed several deficiencies in execution of projects as well as payments made for work not actually executed.*  
(Paragraph 3.1.13)
- *Maintenance of records in most of the divisions test-checked was poor and several vital records like Register of Works, Works Abstract, Contractor's Ledger, Register of Measurement Books etc., were not maintained.*  
(Paragraph 3.1.15)
- *Grade III & IV staff were entertained in excess of sanctioned strength, especially in Dimapur (318), Zunheboto (204) and Kohima (South) Division (183). Over and above this, the Department has engaged 1534 work charged employees on scale of pay and 5151 on fixed pay.*  
(Paragraph 3.1.16)

- *There was no mechanism to watch transfer of funds to other divisions by Kohima (South) Division and funds amounting to ₹0.73 crore were not received in four divisions.*

(Paragraph 3.1.17)

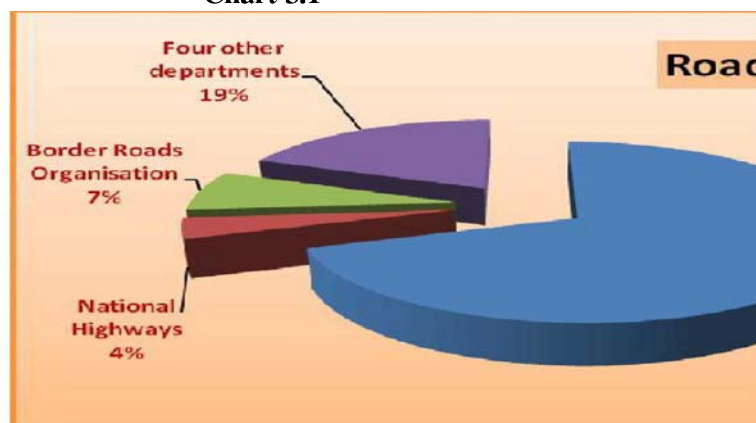
- *There were instances where payments were made either without entry in Cash Book or by recording higher/lower amounts than actually paid. ₹1.77 crore and ₹13.47 crore was drawn from Bank Account by Dimapur and Longleng divisions respectively, during 2010-11 without corresponding entries in the Cash Book.*

(Paragraph 3.1.17.2)

### 3.1.1 Introduction

Out of the total length of roads in Nagaland the share of roads under PWD (R&B) Department worked out to 70 per cent.

Chart 3.1



The Public Works Department (Roads & Bridges) is responsible for planning, construction and maintenance of roads and bridges under State Plan Schemes and Centrally Sponsored Schemes mainly under Non Lapsable Central Pool of Resources (NLCPR) North Eastern Council (NEC) and Pradhan Mantri Gram Sadak Yojana (PMGSY). Funds were also provided under Twelfth Finance Commission (TFC) Grant (Non-plan) for maintenance of roads.

### 3.1.2 Organisational set up

The Commissioner and Secretary (Works and Housing) is the administrative head of the Department at the Government level. The Engineer in Chief (Nagaland Public Works Department) is the head of the Department assisted by the Chief Engineer, PWD (R&B). The Department with headquarters at Kohima has 3 (three) zones headed by Addl. Chief Engineers with headquarters at Kohima, Mokokchung and Tuensang. The Department comprises 5 (five) circles under Superintending Engineers with headquarters at Mokokchung, Tuensang, Mon and two at Kohima. There are 22 (twenty two) Civil working divisions headed by Executive Engineers for construction and maintenance of

roads and bridges in the State. In addition there is a Research Laboratory Cell and a Traffic Engineering Cell headed by Executive Engineers functioning at Dimapur and Kohima respectively.

### 3.1.3 Audit objectives

The objectives of the integrated audit were to assess whether

- The Department had a proper system for planning;
- The budget estimates were reliable and the financial management was adequate and effective;
- There is a proper system of tendering contract works and project management in the Department;
- There existed a good quality control, monitoring and internal control mechanism in the Department;
- The vulnerability of the Department to fraud and corruption is controlled.

### 3.1.4 Audit criteria

The major criteria applied were as follows:

- Plan documents;
- Manuals and codes of the Government of Nagaland;
- Schedule of Rates;
- Scheme Guidelines;
- Detailed Project Reports;
- General Financial Rules/Central Treasury Rules;
- Departmental Codes and Manuals, Policies, Rules and Regulations.

### 3.1.5 Audit coverage and methodology

Integrated audit was conducted during May to October 2011 covering the period 2006-11. Eleven (11) units including the Chief Engineer, PWD (R&B) and 10<sup>1</sup> out of 22 Civil working divisions were taken up for audit. Major projects executed by the selected divisions were taken up for detailed work analysis and joint physical verification along with the departmental officers. The list of 21 projects selected for test check and the sites selected for joint inspection are shown in **Appendix-3.1**. The selection of divisions and projects was done by 'Stratified Monetary Unit' of sampling. An 'Entry Conference' was held (23 May 2011) with the Chief Engineer Roads and Bridges and a representative from the Government to discuss the audit objectives and the audit criteria. Records pertaining to the period from April 2006 to March 2011 were examined in the Government Secretariat office of the Engineer in Chief (R&B) and selected working divisions. The audit findings were discussed with the Commissioner and Secretary (Works & Housing) in an exit conference (21 February 2012) and his views along with the Department's replies have been incorporated in the report at appropriate places.

<sup>1</sup> (i) Kohima (South) (ii) Chiephobozou (iii) Dimapur (iv) Peren (v) Wokha (vi) Longleng (vii) Mokokchung (viii) Tuensang (ix) Zunheboto and (x) Phek Divisions.

## Audit findings

### 3.1.6 Planning

Proper planning is the key for successful execution of road projects. Though the PWD (R&B) with 70 *per cent* of roads under its control is the major player in the development of roads in Nagaland, the Department has no Long Term Perspective Plan, State Action Plan or District Action Plans for development of roads in the State. The lack of proper planning is reflected in the performance of the State as a whole in developing additional road length in the State. According to the latest statistics available, between the period from 2003 and 2009, the overall increase in road length was only 14.60 *per cent*. Conversion of unsurfaced roads to surfaced roads remained at 3.40 *per cent* as detailed below:

**Table 3.1: Length of roads under the Department (in km)**

Year	2003	2009	Percentage Increase
Surfaced	6225.62	6441.55	3.40
Unsurfaced	7145.83	8879.67	24.30
<b>Total Length</b>	<b>13373.45</b>	<b>15321.22</b>	<b>14.60</b>

(Source: Statistical Handbook of Nagaland 2009)

The planning activity of the Department is limited to Annual Works Programmes where the works to be taken up during a particular financial year are listed for submission to the Government for approval.

Despite requisition and constant reminders, the Department could not furnish the details of all the works taken up and completed by them during 2006-11. They could only furnish the works taken up and completed under Non Lapsable Central Pool of Resources and North Eastern Council. In the absence of complete data, audit could not make a comparative study of the road length completed during 2006-11 vis-a-vis the expenditure incurred.

During Exit Conference (21 February 2012), the Commissioner & Secretary while accepting the fact stated that planning needs to be improved and that an exercise to map all the roads in the State, now underway, will facilitate the process of planning.

### 3.1.7 Financial Management

The budget allocation for PWD (R&B) is made under 'Grant No.58-Roads and Bridges'. Projects are funded by the State Government through the State Budget (State Plan) and the Central Government (Centrally Sponsored Schemes) through Ministry of Shipping & Road Transport & Highways (MoRTH) Ministry of Development of North Eastern Region (MoDONER) Ministry of Rural Development (MoRD) and National Highway Authority of India (NHAI). Some projects have also been funded under negotiated loan from the National Bank for Agriculture and Rural Development (NABARD) and Life Insurance Corporation of India (LIC). Further funds for maintenance under TFC are provided under Non-Plan. Budget allocation expenditure there against and savings/excess during the period from 2006-07 to 2010-11 are given below:

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Table 3.2: Details of revenue and capital expenditure

(₹ in crore)

Year		Revenue		Capital		Total		
		Budget Provision	Expenditure	Budget Provision	Expenditure	Budget Provision	Expenditure	Savings (-)/ Excess (+)
2006-07	Plan	--	--	158.04	169.45	158.04	169.45	11.41
	Non-plan	77.77	63.44	2.87	2.87	80.64	66.30	(-)14.34
	<b>Total</b>	<b>77.77</b>	<b>63.44</b>	<b>160.91</b>	<b>172.32</b>	<b>238.68</b>	<b>235.75</b>	<b>(-)2.93</b>
2007-08	Plan	--	--	186.62	191.82	186.62	191.82	5.20
	Non-plan	84.27	83.13	3.46	0.00	87.73	83.13	(-)4.60
	<b>Total</b>	<b>84.27</b>	<b>83.13</b>	<b>190.08</b>	<b>191.82</b>	<b>274.35</b>	<b>274.95</b>	<b>0.60</b>
2008-09	Plan	--	--	90.25	90.09	90.25	90.09	(-)0.16
	Non-plan	94.60	96.59	30.39	25.25	124.99	121.84	(-)3.15
	<b>Total</b>	<b>94.60</b>	<b>96.59</b>	<b>120.64</b>	<b>115.34</b>	<b>215.24</b>	<b>211.93</b>	<b>(-)3.31</b>
2009-10	Plan	--	--	284.42	262.50	284.42	262.50	(-)21.92
	Non-plan	100.56	104.01	0.00	0.00	100.56	104.01	3.45
	<b>Total</b>	<b>100.56</b>	<b>104.01</b>	<b>284.42</b>	<b>262.50</b>	<b>384.98</b>	<b>366.51</b>	<b>(-)18.47</b>
2010-11	Plan	--	--	298.66	341.89	298.66	341.89	43.23
	Non-plan	104.94	106.58	0.00	0.00	104.94	106.58	1.64
	<b>Total</b>	<b>104.94</b>	<b>106.58</b>	<b>298.66</b>	<b>341.89</b>	<b>403.60</b>	<b>448.47</b>	<b>44.87</b>
<b>Total</b>	Plan	--	--	<b>1017.99</b>	<b>1055.75</b>	<b>1017.99</b>	<b>1055.75</b>	<b>37.76</b>
	Non-plan	<b>462.14</b>	<b>453.75</b>	<b>36.72</b>	<b>28.12</b>	<b>498.86</b>	<b>481.86</b>	<b>(-)17</b>
<b>Grand total</b>		<b>462.14</b>	<b>453.75</b>	<b>1054.71</b>	<b>1083.87</b>	<b>1516.85</b>	<b>1537.61</b>	<b>20.76</b>

(Source: Detailed Appropriation Accounts)

The total budget of the Department showed an increasing trend from ₹238.68 crore to ₹403.60 crore during the period from 2006-11 except for 2008-09 when it declined to ₹215.24 crore. Budget provision under Plan also showed an increasing trend and rose from ₹158.04 crore to ₹298.66 crore during the period except for 2008-09 when it declined to ₹90.25 crore. This steep decline was due to decrease of provision under State Plan and CSS. Budget under non-plan rose from ₹80.64 crore in 2006-07 to ₹124.99 crore in 2008-09 and declined to ₹104.94 crore in 2010-11. This sharp increase is attributable to increase in provision made under the head 'Execution'.

Total expenditure also showed a rising trend from ₹235.75 crore in 2006-07 to ₹448.47 crore in 2010-11 except during 2008-09 when it declined to ₹211.93 crore. Plan expenditure also showed a rising trend from ₹169.45 crore in 2006-07 to ₹341.89 crore in 2010-11 except for 2008-09 when it declined to ₹90.09 crore. This sharp decline was due to less expenditure under State Plan and CSS. Non-plan expenditure also rose from ₹66.30 in 2006-07 to ₹121.84 crore in 2008-09 and thereafter came down to ₹106.58 crore in 2010-11. This sharp increase is attributable to the increase in expenditure under the head 'Execution'.

There was excess expenditure over budget provision under 'Plan' in all the years except during 2008-09 in which there were savings of ₹0.16 crore. The more significant excess under Plan was ₹21.92 crore during 2009-10 and ₹43.23 crore during 2010-11 which was due to the Department incurring expenditure on works under CSS for which sanctions were received at the fag end of the year.

Under 'Non-plan' there were savings of ₹14.34 crore in 2006-07, ₹4.60 crore in 2007-08 and ₹3.15 crore in 2008-09 and excess of ₹3.45 crore in 2009-10 and ₹1.64 crore in 2010-11. These savings were despite the fact that expenditure was incurred for payment of wages, traveling allowances and maintenance of motor vehicles from the budget from

salary head without provision as detailed in paragraphs 3.1.8.1, 3.1.8.2 and 3.1.8.3. Thus it is evident that provisions made under salary in all the years were unrealistic and inflated.

The Department accepted the facts during exit conference (21 February 2012).

### 3.1.7.1 Re-appropriations

A review of the budget provisions made at the sub-head level showed that re-appropriations were made at the end of the year during 2006-11 as detailed below:

**Table 3.3: Details of re-appropriations made**

Year	Total units of appropriation (sub-heads)	Number of units in which re-appropriations were made
2006-07	15	14 (No provision under 1 head)
2007-08	16	14 (No provision under 2 heads)
2008-09	17	15 (No provision under 2 heads)
2009-10	16	13 (No provision under 3 heads)
2010-11	13	11 (No provision under 2 heads)

(Source: Detailed Appropriation Accounts)

It can be seen from the above that there were large scale re-appropriations in all the units which indicated that the preparation of budget was unrealistic.

### 3.1.7.2 Non-reconciliation of figures of expenditure

According to the arrangement in place, it is the responsibility of the Chief Controlling Officer to reconcile the departmental figures of expenditure with the figures in the books of the Treasury and the Accountant General (Accounts & Entitlement) regularly so as to have proper control over the flow of expenditure as well as to detect any misclassification misappropriation or fraud and to incorporate necessary corrections wherever necessary before finalisation of annual accounts. It was however, observed that the Department had reported for reconciliation only once (2010-11) during the period from 2006-07 to 2010-11. As a consequence of non-reconciliation, there were wide variations in the expenditure figures reported in the Appropriation Accounts and the Departmental figures in all the years as shown below:

**Table 3.4: Variation between departmental figures and Appropriation Accounts**  
(₹ in crore)

Year	Departmental figures	Figures as per Appropriation Accounts	Difference
2006-07	239.78	235.75	4.03
2007-08	281.55	274.95	6.60
2008-09	220.56	211.93	8.63
2009-10	384.98	366.51	18.47
2010-11	413.98	448.47	(-) 34.49

In case of Finance Commission Grant for maintenance work, there was huge variation ranging up to 100 per cent between the appropriation accounts and departmental figures as shown below:

**Table 3.5: Variation between departmental figures of expenditure and Appropriation Accounts under TFC (Non-plan)**

(₹ in crore)

Year	Budget provision	Departmental figures	Figures as per Appropriation Accounts	Difference	Percentage
2006-07	30.22	30.22	11.53	(-) 18.69	-61.8
2007-08	30.22	30.22	3.94	(-) 26.28	-86.6
2008-09	30.22	30.22	31.26	(+) 1.04	+3.4
2009-10	30.22	30.22	0.13	(-) 30.08	-99.5
2010-11	--	--	--	--	--
<b>Total</b>	<b>120.88</b>	<b>120.88</b>	<b>46.86</b>		

**3.1.7.3 Rush of expenditure**

Expenditure should be incurred in a phased manner throughout the financial year and rush of expenditure at the end of the year should be avoided. Test check of records revealed that expenditure in the month of March ranged between 21.97 *per cent* and 54.45 *per cent* as indicated in the table below:

**Table 3.6: Expenditure during March**

(₹ in crore)

Year	Total expenditure for the year	Expenditure incurred in March	Percentage
2006-07	235.75	111.74	47.40
2007-08	274.95	60.42	21.97
2008-09	211.93	52.63	24.83
2009-10	366.51	199.57	54.45
2010-11	448.47	132.69	29.59

(Source: Detailed Appropriation Accounts)

The Commissioner & Secretary stated during exit conference (21 February 2012) that this was due to the entrenched system of sending proposals late or that it was held up in the Finance/Planning Departments.

**3.1.7.4 Delay in release of funds**

As per para 8.6 of NLCPR<sup>2</sup> Guidelines funds released from the Pool must be transmitted to the implementing agency/project authority by the State Government within 15 days from the date of release of funds from Government of India and a certificate to this effect should be sent to the Ministry of Development of North Eastern Region by the State Planning Department. However the sanction order of the Ministry states that the State Finance Department/Planning Department shall ensure transmission of the amount under release to the Department/Implementing Agency concerned within 30 days from the date of release by the Government of India. The State Government had not even adhered to the 30 days stipulated in the sanction orders. Delays noticed in release of funds to the concerned executing divisions in respect of major projects are shown below:

<sup>2</sup> Non Lapsable Central Pool of Resources-A Central pool of resources created by the Planning Commission out of the unspent balance amount of stipulated 10 *per cent* of Gross Budgetary Support of Ministries/departments to support infrastructure development projects in the North East.

**Table 3.7: Delay in release of funds to divisions**

Name of Division	Name of work	Installment	Date of release by GOI	Date of release by State Finance Department	Delay (No. of days)
Chiephobozou	Upgradation of road from Rusoma to Kijumetouma (36 km)	1 <sup>st</sup>	12.2007	29.02.2008	60
		2 <sup>nd</sup>	30.09.2008	11.11.2008	40
		3 <sup>rd</sup>	30.09.2009	26.11.2009	56
	Construction of T Beam Girder Double Lane Bridge of IRC Class 'A' over river Dzu-u on Rusoma to Kijumetouma road	1 <sup>st</sup>	19.12.2008	28.03.2009	89
		2 <sup>nd</sup>	15.10.2009	10.03.2010 & 23.03.2010	146
		3 <sup>rd</sup>	16.06.2010	07.09.2010	84

(Source: Departmental records)

### 3.1.7.5 Unauthorised deduction from NLCPR funds

As per Para 4.1 (viii) of NLCPR Guidelines, no staff component – either work charged or regular – shall be created by the project implementing authorities from NLCPR funds. All such requirement should be met from redeployment of surplus manpower in the department. It was however, seen that the Finance Department, Government of Nagaland had deducted ₹3.45 crore provided by GOI on account of Work Charged employees. Details of the deductions made from major NLCPR projects in the test-checked divisions are as shown below:

**Table 3.8: Deductions from sanctioned amount**

Sl No.	Name of division	Name of work	Total amount released	Amount deducted	Net amount released
(₹ in crore)					
1.	Chiephobozou	Upgradation of road from Rusoma to Kijumetouma (36 Km) under NLCPR	21.84	1.09	20.75
2.	Chiephobozou	Construction of T Beam Girder Double Lane Bridge of IRC Class 'A' over river Dzu-u on Rusoma to Kijumetouma road	5.44	0.21	5.23
3.	Dimapur	Upgradation of Dimapur-Niuland Road (28 km) under NLCPR	23.07	0.29	22.78
4.	Tuensang	Tuensang to Longleng (24 km) under NLCPR	4.29	0.21	4.08
5.	Phek	Upgradation of road from Phek to Chozuba	16.11	0.78	15.33
6.	Zunheboto	Construction and improvement of road from Zhekiye to Hokiye	12.45	0.33	12.12
7.	Chiephobozou	Construction and improvement of road from Toupheima to Kasha	4.31	0.22	4.09
8.	Tuensang	Construction of road from Noklak to Thonoknyu via Sanglao	6.33	0.32	6.01
<b>Total</b>			<b>93.84</b>	<b>3.45</b>	<b>90.39</b>

It was further seen that work orders for lesser amounts than that envisaged in the approved DPR/sanction for civil works were issued in several cases. Details of sample cases where work orders were issued for lesser amounts amounting to ₹10.59 crore are shown below:

**Table 3.9: Deductions from amount sanctioned for Civil Works**

Sl No.	Name of division	Name of work	Total amount sanctioned for civil works	Amount of work order	Difference
				(₹ in crore)	
1.	Chiephobozou	Upgradation of road from Rusoma to Kijumetouma (36 Km) under NLCPR	21.84	19.60	2.24
2.	Zunheboto	Construction and improvement of road from Zhekiye to Hokiye	16.60	15.65	0.95
3.	Chiephobozou	Construction and improvement of road from Touphema to Kasha	5.75	5.45	0.25
4.	Mokokchung	Improvement/upgradation of road for Longkhum to Alibi via Mangmetong	17.29	15.54	1.75
5.	Phek	Construction of road from Phek to Chozuba	17.47	15.78	1.69
6.	Zunheboto	Construction and upgradation of road from Old Phek to Satakha via Khuza	28.32	24.61	3.71
Total			107.27	96.63	10.59

On enquiry, it was stated by the Department that the deductions were made on account of percentage charges. However, their reply is not tenable as no provision had been made in the DPR for percentage charges and the amount sanctioned and released was based on the actual quantum of work to be executed. Thus, deductions have adversely impacted the execution of the works as this amount sanctioned for the civil work was not available for actual execution.

The Department accepted the facts during exit conference (21 February 2012) and stated that corrective action would be taken in respect of deductions made during issue of work orders.

### 3.1.8 Financial irregularities:

The financial irregularities noticed in audit are discussed in the paragraphs that follow:

#### 3.1.8.1 Expenditure on wages without budget provision

It was seen that two divisions had incurred expenditure on wages without budget provision from funds provided under Salary as detailed below:

**Table 3.10: Diversion of funds under salary for payment of wages**

Sl No.	Name of division	Year	Expenditure on wages without budget provision (₹ in lakh)
1.	Peren	2008-09	0.95
		2009-10	0.62
		2010-11	2.68
2.	Longleng	2008-09	10.80
		2009-10	4.60
		2010-11	51.08

It was seen that Longleng Division had drawn ₹10.80 lakh in August September and December 2008, ₹4.60 lakh in July 2009 and ₹51.08 lakh in March 2011 for payment of wages. No records of actual payment of wages (APRs etc), though, could be furnished to audit.

### 3.1.8.2 Travelling Expenditure drawn from budget under salary

Irregular drawal of travelling allowance amounting to ₹49.40 lakh from salary head was noticed in six divisions. The excess amount drawn ranged from ₹0.15 lakh to ₹10.13 lakh as detailed below:

**Table 3.11: Details of irregular drawal of travelling expenditure from salary head**  
(₹ in lakh)

Sl No.	Name of division	Year	Budget allocation under TE	Actual expenditure	Excess
1.	Dimapur	2010-11	1.20	2.35	1.15
2.	Peren	2008-09	0.70	1.53	0.83
		2009-10	1.30	11.43	10.13
		2010-11	0.75	1.85	1.10
3.	Wokha	2007-08	1.00	4.09	3.09
		2008-09	0.65	3.50	2.85
		2009-10	1.20	3.39	2.19
		2010-11	0.70	8.18	7.48
4.	Tuensang	2007-08	2.30	3.92	1.62
		2008-09	1.50	4.94	3.44
		2009-10	1.00	3.91	2.91
		2010-11	0.80	4.87	4.07
5.	Zunheboto	2008-09	0.70	4.73	4.03
		2009-10	0.75	1.78	1.03
		2010-11	0.70	2.70	2.00
6.	Phek	2008-09	0.80	2.13	1.33
		2009-10	1.80	1.95	0.15
	Total				49.40

EEs of the above mentioned divisions stated that the excess expenditure on TA was due to insufficient provision made in the budget.

### 3.1.8.3 Excess expenditure on Motor Vehicles

Scrutiny of records in two divisions revealed that excess expenditure amounting to ₹10.58 lakh was incurred under the head 'Maintenance of Motor Vehicles' as shown below:

**Table 3.12: Details of excess expenditure on Maintenance of Motor Vehicles**

Sl No.	Name of division	Year	Budget provision	Actual expenditure	Excess
(₹ in lakh)					
1.	Peren	2008-09	1.10	2.35	1.25
		2009-10	2.50	7.24	4.74
		2010-11	4.02	5.19	1.17
2.	Wokha	2007-08	0.85	1.68	0.83
		2008-09	0.80	2.69	1.89
		2009-10	0.70	1.40	0.70
Total					10.58

### 3.1.8.4 Pay arrears drawn without supporting records

Test check of records in Longleng Division revealed that an amount of ₹43.72 lakh was drawn from the treasury against pay arrears during the period from August 2007 to March 2011. However, no orders from the competent authority due and drawn statements or APRs could be furnished to audit.

On being pointed out during exit conference (21 February 2012) that these irregularities were facilitated due to inflated budget provision under salary, the Commissioner & Secretary stated that remedial action will be taken.

### 3.1.8.5 Diversion/non remittance of Sales Tax on Works Contract

Section 92(3) of Nagaland Value Added Tax (NVAT) Act, 2005 read with NVAT Rule 2005 as amended from time to time provided that tax on work contract should be deducted from the contractor's bill at source at the rate of four *per cent* on the value of total turn over of works contract. The NVAT Act further provides that the person making such deductions at source (Drawing and Disbursing Officer) shall deduct and deposit the whole amount within ten days from the expiry of each calendar month into Government Treasury or designated bank through challan. Further, according to provisions of the Act the divisions not remitting the sales tax recovered from works contract are liable to pay interest at two *per cent* per month and also penalties envisaged under Section 42 of the Act. During test check of records in divisions, the following diversions/non-remittances were noticed in audit:

(i) Test check of records in Longleng Division revealed that an amount of ₹48.12 lakh realised from various contractors on account of Sales Tax on works contract was utilised for departmental work 'Improvement of Cheng road Longleng-Aboi Longleng-Tuensang, Longleng-Changtongya' in March 2010. Further expenditure sanction estimates, Measurement Books etc. in respect of the work could not be furnished to audit. No evidence that this utilisation was temporary or that the amount was subsequently deposited into Government Account could be furnished.

(ii) During test-check of records in Longleng Division it was also seen that Government revenue collected (May 2008 to March 2011) on account of Sales Tax on works contract amounting to ₹72.08 lakh was deposited into the Head of Account-'8443-Civil Deposit' instead of '0040-Taxes on Sales, Trade etc.'.

The division could not furnish any reasons for this irregular practice.

(iii) Scrutiny of records in the following test-checked divisions revealed that Sales tax on works contract realised from contractors amounting to ₹147.63 lakh was not deposited into Government account. The delays ranged from 4 to 36 months as shown below:

**Table 3.13: Non-remittance of sales tax on works contracts recovered from contractors**

Sl. No.	Name of division	Amount (₹ in lakh)	Duration of delay	Remarks
1.	Dimapur	33.97	23 months	Not deposited till July 2011
2.	Peren	31.76	4 months	Not deposited till July 2011
3.	Wokha	17.54	36 months	Not deposited till August 2011.
4.	Longleng	14.59	17 months	Not deposited till August 2011.
5.	Phek	49.77	23 months	Not deposited till October 2011
	<b>Total</b>	<b>147.63</b>		

### 3.1.8.6 Non/short realisation of Sales Tax on Works Contract

Section 92 (3) of the Nagaland Value Added Tax Act, 2005 provides that any person responsible for paying any sum to any dealer for execution of a works contract referred to

in Section 8 wholly or partly in pursuance of a contract shall at the time of payment of such sum in cash or by issue of a cheque or draft or any other mode of payment deduct an amount towards tax equal to four *per cent* of such sum being paid in respect of such works contract. Further Government of Nagaland, Office of the Asstt. Commissioner of Taxes, Kohima vide their letter No.ACT/KZ/TAX/78 dated 14.02.2006 notified all Government departments that construction and contract work bills should be released or payments made after deduction of tax on works contract at four *per cent* with effect from 01.01.2005. Government of Nagaland Finance Department, through a notification (May 2009) had also fixed the responsibility on the Treasury Officers for ensuring that tax on works contract are deducted at the time of passing of the bills for payment and that bills not reflecting the amount of tax on works contract should be rejected.

Test-check of records furnished by the divisions revealed that deduction on this account was either not made at all or made at lower rates. A total amount of ₹11.75 crore was not realised/short realised in the test test-checked divisions as shown below:

**Table 3.14: Details of non-deduction/short deduction of Sales Tax**

Sl. No.	Name of division	Non/Short realisation of WCT (₹ in crore)
1.	Chiephobozou	0.35
2.	Dimapur	1.16
3.	Peren	4.43
4.	Wokha	1.82
5.	Longleng	1.00
6.	Mokokchung	1.21
7.	Tuensang	0.06
8.	Zunheboto	0.74
9.	Phek	0.98
	<b>Total</b>	<b>11.75</b>

The major cases of non/short realisation of sales tax on works contract on up to date payments made in respect of the selected projects are given in **Appendix-3.2**.

The Commissioner & Secretary stated during exit conference (21 February 2012) that instructions/orders would be issued to regulate the collection and deposit of Government revenue.

### 3.1.8.7 Diversion of funds

Para 2 (g) of administrative approval of the MoDONER stipulates that the funds sanctioned for NLCPR projects shall be utilised within specified time and strictly for the purpose for which they are being sanctioned and no diversion of funds is allowed.

Scrutiny of records in respect of ‘Dimapur to Niuland road (28 km)’ under NLCPR executed by Dimapur Division revealed that an amount of ₹69.20 lakh was deducted<sup>3</sup> from the contractor’s bill on account of contingency (6 *per cent*) and ₹10.00 lakh on account of departmental work on Niuland road. Of this, an amount of ₹19.36 lakh was spent on purchase of three vehicles and ₹10.00 lakh was paid to SDO Road-II against the work “Construction of Nihikhu Village church road (metalling and carpeting)”. The

<sup>3</sup> From Mobilisation advance paid to the contractor vide Vr. No.3 dated 18.10.2010.

expenditure or otherwise of the balance amount of ₹49.84 lakh<sup>4</sup> could not be verified in the absence of records.

It was however, noticed that except for consultancy charge of 2.50 per cent (₹71.73 lakh) no provision for contingency was included in the DPR prepared for a total amount of ₹29.41 crore. Work order had also been awarded (24 August 2010) to the contractor<sup>5</sup> for value of work amounting to ₹29.41 crore.

As the amount sanctioned and released was based on the actual quantum of work to be executed diversion of ₹79.20 lakh had adversely impacted the execution of the work and was in violation of NLCPR Guidelines.

### 3.1.9 Works/Project Management

#### 3.1.9.1 Lack of transparency and competitiveness in award of works

The award of public contract through open tender is to ensure transparency in public procurement to maximise economy and efficiency in public procurement, to promote healthy competition among tenderers to provide for fair and equal treatment to all the tenderers and to eliminate irregularities interference and corrupt practices by authorities concerned. Further as per NLCPR/NEC guidelines the State Government should ensure that tender has been called on competitive basis by giving wide publicity in print media and website.

It was seen that the process of awarding works especially for major projects, executed by the various divisions is centralised in the Office of the CE PWD (R&B).

Deficiencies noticed in the process of tendering and awarding of works are discussed in the paragraphs that follow:

- (i) Construction of T Beam Girder Double Lane Bridge of IRC Class 'A' over river Dzu-u on Rusoma to Kijumetouma road' under NLCPR (Chiephobozou Division) – (Estimated cost: ₹5.44 crore)

Notice inviting tender was not floated and the work was allotted to 'M/s Tachu & Co.' on the basis of a letter (15 January 2009) received from the Government of Nagaland Works & Housing Department. There was nothing on record to justify allotment of work without floating tender as required under NLCPR guidelines. Thus, sanctity of tendering process was violated.

- (ii) Up-gradation of Dimapur-Niuland road (28 km) under NLCPR (Dimapur Division) – (Estimated cost: ₹29.41 crore)

Notice inviting tender was issued (17 August 2010). Two bids<sup>6</sup> were received (21 August 2010) and the work was allotted (24 August 2010) to L-1 after just six days. There was no evidence that the NIT was given wide publicity as required under rules. The time given

<sup>4</sup> ₹69.20 lakh-₹19.36 lakh

<sup>5</sup> M/s National Constructions Dimapur

<sup>6</sup> (i) National Construction at par with SOR NPWD 2008 (L 1) and (ii) M/s M.S. Panesar and Sons at two per cent above SOR NPWD 2008 (L 2).

for submission of bids was only six days till 23 August 2010 which is a clear violation of Central Vigilance Commission (CVC) guidelines which stipulates that 4-6 weeks time should be given to ensure fair and adequate competition. It was further seen that the partners of the above two firms are one and the same as seen from their partnership deeds. Thus, it is evident that the bidding process was not transparent and against the basic principles of competitive bidding. This fraudulent practice was facilitated due to the Department's failure in enforcing Rule 12 of the 'Nagaland (PWD) Registration of Contractors Rules 1966' which requires contractors to certify that they will not get themselves registered under more than one name.

(iii) Improvement & upgradation of road from Longkhum via Mangmetong-Aliba (35 km) under NLCPR (Mokokchung Division)-(Estimated cost: ₹15.63 crore).

Notice inviting tender was floated (2 March 2006) for the work (approx cost: ₹15.63 crore). Two bids<sup>7</sup> were received and the work was awarded (20 March 2006) to the L1.

It was seen from records made available in the CE's office that the value of work order (CE/R&B/NLCPR/2005-06 dated 20 March 2006) issued was ₹15.54 crore. Further, it was seen that as per NIT, the approx. value of work was ₹15.63 crore. The contractor had also submitted tender for the estimated value of ₹15.54 crore. However, it was seen in the division that value of work was ₹16.88 crore on the work order of same No. and date. It could not be clarified as to how the value of work in the work order sent to Mokokchung Division was inflated by ₹1.34 crore<sup>8</sup>.

Thus, it is evident that the value of work order amounting to ₹15.54 crore, was inflated to ₹16.88 crore without any basis thereby leading to an additional expenditure of ₹1.34 crore.

The Department, in reply (24 February 2012) stated that the revised work order was issued for an amount of ₹16.88 crore. But, the fact remains that the order No. and dates were the same.

(iv) Upgradation of road from Construction of road from Phek to Chozuba (44.36 km) under NLCPR (Phek Division)-(Estimated cost: ₹17.46 crore).

Notice inviting tender for the work was issued (4 December 2007) inviting bids from registered Class I PWD/CPWD/MES contractors. It was seen from the comparative statement that three bids<sup>9</sup> were received and the work was awarded (15<sup>th</sup> December 2007) to the lowest bidder 'M/s K.K.Chire & Co.'. However, the registration numbers of the 2<sup>nd</sup> and 3<sup>rd</sup> bidder was not mentioned in the comparative statement furnished. The original tenders received were also not on record. Therefore, it seems doubtful if they were qualified to bid for the work.

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<sup>7</sup> (i) Prakash & Co. (L 1) @ three per cent above and (ii) M/s M.B. Panesar and Sons (L 2) @ par with SOR 2004 for NEC/NH roads.

<sup>8</sup> ₹1687.79 lakh - ₹1553.64 lakh.

<sup>9</sup> (i) M/s Chire & Co. at par with SOR 2005 for NEC/NH roads (ii) Thungjamo Lotha & Sons at 5% above the said SOR and (iii) M/s Zeliesshu at three per cent above the said SOR.

Further, no records that the NIT was given wide publicity in the print media and website as required under guidelines and financial rules could be furnished to audit.

The Department, in reply (24 February 2012) stated that the 2<sup>nd</sup> and 3<sup>rd</sup> parties were not qualified in the technical bid itself and that NIT was not published but placed only on the notice board due to time constraint. However, it was not clarified why these two firms were included in the financial bid if they had not qualified in the technical bid stage.

(v) Construction and upgradation of road from Old Phek via Khuza to Satakha (45 km under Phek Division and 24 km under Zunheboto Division) under NLCPR – (*Estimated Cost: ₹28.32 crore*).

Notice inviting tender was issued (March 2006) after splitting the work into two groups (45 km under Phek-Group 'A' and 24 km under Zunheboto-Group 'B'). Two bids<sup>10</sup> were received for work under Group A. The work was again split and work orders were issued to the two contractors<sup>11</sup>.

Reasons for splitting the work after issue of NIT and awarding the work to both the tenderers were not on record.

(vi) Upgradation of Construction and improvement of Medziphema-Jalukie-Athibung Road (58.67 km) under NEC (Dimapur and Peren divisions)-(*Estimated cost: ₹39.01 crore*).

Notice inviting tender for the work was issued (8 January 2006) {Group A (10.41 km) with estimated cost of ₹6.50 crore and Group B (48.26 km) with estimated cost of ₹32.51 crore}. Seven regular bids<sup>12</sup> were received for the work under Group 'A' and only one bid<sup>13</sup> was received for work under Group 'B'.

The comparative statements were forwarded to the Government and the Government approved (27 January 2006) M/s Pele Khezhe for Group 'A' and M/s M.S. Panesar & Sons for Group 'B'. No reasons were recorded in the comparative statement to justify award of work other than to the lowest bidder under Group 'A' as required under Rules.

Further, though the value of work as per work order issued (27 January 2006) by the CE PWD (R&B) under Group 'B' to M/s M.S. Panesar & Sons was ₹32.51 crore, the value of work was stated to be ₹42.51 crore on the work order of same No. & date furnished by Peren Division. The Department could not explain as to how the value of work in the work order sent to Peren Division was inflated by ₹10 crore from ₹32.51 crore to ₹42.51 crore.

<sup>10</sup> (i) M/s VASCON and (ii) M/s Tectonisco both at par with SOR 2004 for NEC/NH roads  
<sup>11</sup> M/s VASCON (0-23 km): ₹897.46 lakh and M/s Tectonisco (24-45 km): ₹853.42 lakh.

<sup>12</sup> (i) Kazeto Zhimomi (ii) M/s VASCON (iii) M/s TECTONICSCO (iv) M/s Nagaland Steel Engineering Works and (v) M/s Pele Khezhe quoting at par (vi) M/s K.Asha-o quoting at 0.5% below and (vii) M/s Trident Enterprise quoting at one per cent below SOR 2004 for NEC/NH roads.

<sup>13</sup> M/s M.S. Panesar and Sons at par with SOR 2004 for NEC/NH roads.

(vii) Construction and Upgradation of Longleng-Ladaigarh road (107.36 km) under NEC (Longleng Division)-(Estimated Cost: ₹45.44 crore).

Notice inviting tender was issued (11 September 2006) after splitting the work into three groups<sup>14</sup>. Five regular bids<sup>15</sup> were received for Group 'A' and work was allotted to N.R. Zeliang who had quoted at par with SOR 2004 for NEC/NH roads. Reasons for not allotting the work to L-1 was not recorded in the comparative statement as required under Rules.

Four regular bids<sup>16</sup> were received for Group 'B' and work was allotted to M/s L.Pukhato Shohe. Reasons for not allotting the work to the L-1 was not recorded in the comparative statement as required under Rules.

Five regular bids<sup>17</sup> were received for Group 'C' and work was awarded to M/s Chabou & Co. Reasons for allotting the work to M/s Chabou & Co. when all the bids were at par with SOR 2004 were not on record.

The Department, in reply (24 February 2012) stated that the work was allotted as per the evaluation of the technical and financial bids. However, it has been recorded in the comparative statement that all the tenderers have qualified in the technical bids.

### 3.1.9.2 Grant of improper escalations/deviations to contract amount

(i) Upgradation of Construction and improvement of Wokha-Merapani Road (60 km) under NEC (Wokha Division):

It was observed that the value of work as per work order issued (3 October 2006) to M/s M.S. Panesar & Sons was ₹38.82 crore as evident from the records in the Office of the Chief Engineer PWD (R&B).

A corrigendum was issued (15 June 2009) by the CE, PWD (R&B) stating that work order (3 October 2006) amounting to ₹38.82 crore awarded and executed by M/s M.S. Panesar & Sons has been enhanced to ₹69.95 crore as per the actual execution of work and considering the conditions during execution. No records/correspondence from the contractor or from Wokha Division on the basis of which this escalation was allowed was furnished to audit. It was further noticed that the total value of work done till 15 June 2009, as recorded in the Measurement Books was ₹25.33 crore and payment made there against was ₹24.21 crore. Thereafter entries were made in a separate Measurement Book for value of work done amounting to ₹32.41 crore and payment of ₹12.64 crore<sup>18</sup> was made. The balance amount of ₹19.88 crore has been shown as withheld. The work purported to be done was exclusively 'Excavation of soil in hilly area by mechanical

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<sup>14</sup> Group A (0-36 km): ₹1350 lakh, Group B (36-72 km): ₹1350 lakh and Group C (72 to 107.36 km): ₹1330 lakh.

<sup>15</sup> (i) Vilelie Khamo (ii) N.R. Zeliang (iii) K.C. Angami (iv) M/s VASCON at par and (v) M/s PABSCON (L-1) at 5 per cent below SOR 2004 for NEC/NH roads.

<sup>16</sup> (i) M/s Panesar and Sons (ii) M/s L.Pukhato Shohe (iii) M/s Nagaland Engineer & Steel Works at par and (iv) M/s VASCON at 2.1 per cent below SOR 2004 for NEC/NH roads.

<sup>17</sup> (i) M/s VASCON (ii) United Brothers (iii) L.Pukhato Shohe (iv) M/s Nagaland Steel Engineering and (v) M/s Chabou & Co. at par with SOR 2004 for NEC/NH roads.

<sup>18</sup> ₹6 crore and ₹6.54 crore vide Cheque Nos.652838 and 652839 dated 26.08.2009

means including cutting & trimming of slopes' all along the stretch of 60 km which was not envisaged in the DPR/working estimates. This major deviation in earthwork was also not anticipated till October 2008 when extension of time was allowed by another one year. It also indicates that DPR was not prepared based on all the inputs required for planning.

Work order (3 October 2006) stipulated that the work should be completed within 24 months from the 7<sup>th</sup> day of the issue of work order or from the date of actual commencement whichever is earlier. The work commenced on 7 October 2006 and as such the stipulated date of completion should have been 3 October 2008. Further the work order stipulated that extension of time will not be allowed. However time was extended (3 October 2008) for another year till 3 October 2009 with the stipulation that no further extension will be entertained without stating any reasons. Though it was stated in the work order that payment of escalation at the rate of 7.5 *per cent* per year will be allowed it was canceled through a corrigendum dated 1 November 2006.

It was seen from the Measurement Books that the work commenced on 27 December 2006. The date of completion as per records available in the office of the CE, PWD (R&B), Nagaland was 31 March 2011, 15 months after the extended stipulated date of completion.

Reasons for extension of time etc. could not be verified. Audit could also not authenticate the method of calculation of escalation or its genuineness in the absence of records/details. A total amount of ₹42.41 crore was also paid to the contractor as detailed in **Appendix-3.3**.

Thus not only was extension of time allowed, escalation/deviation of ₹31.13 crore was also granted. Further no records of the contractor seeking permission for deviation of work amounting to ₹31.13 crore was on record.

(ii) Improvement of road from Tuensang to Longleng (24 km) under NLCPR (Tuensang Division):

Work for the 1<sup>st</sup> 14 kms under Tuensang Division was awarded to M/s Vilelie Khamo at ₹2.81 crore. The total value of work done as per 3<sup>rd</sup> Running Account bill was ₹2.87 crore and full payment of ₹2.81 crore (limited to work order amount) was made (October 2009) to the contractor after certifying in the Measurement Book that the work had been completed as per specification. It was, however seen that a total amount of ₹3.36 crore (₹55.18 lakh above work order amount) had been paid to the contractor in 5 Running Account bills till March 2011 as detailed in **Appendix-3.4**. It was further noticed that date of completion (March 2010) was recorded in the 4<sup>th</sup> Running Account Bill though the work was certified to be in progress in the Measurement Book. In the 5<sup>th</sup> Running Account bill date of completion had been left blank and it was not mentioned whether the work was in progress or had been completed. On enquiry it was stated that the value of work order issued to the contractor had been enhanced by CE office and a copy of the original work order for ₹2.81 crore dated 24 March 2006 was furnished on the body of which the CE had recorded on 3 December 2010 that '*work order amount enhanced to*

₹410 lakhs'. Proposals/revised estimates or any other document/record sent by the EE, Tuensang to the CE on the basis of which this enhancement was allowed could not be furnished to audit.

Thus, there was little justification for the excess payment of ₹55.18 lakh to the contractor.

The Department, in reply (24 February 2012) stated that the enhancement of work value was as per actual execution at site and the proposal was approved by the competent authority. However, the fact remains that proper procedures were not followed for revision of estimates or for enhancement of the value of work.

### 3.1.9.3 Deviation from DPR/Estimates

(i) Upgradation of road from Rusoma to Kijumetouma (36 km) under NLCPR (Chiephobozou Division):

As per the DPR submitted to the Ministry of DoNER the work to be undertaken was upgradation of an already existing road of length 36 km at a cost of ₹22.28 crore. The proposal included strengthening of existing single lane Major District Road Rusoma to Kijumetouma covering a length of 36 km construction/reconstruction of 61 hume pipe culverts 1000 mm dia NP-3 11 slab culverts, extension of 24 hume pipe culverts retaining wall for a length of 1538 m, breast wall for a length of 368 m and pucca side drain of length 30000 m. The Ministry had issued administrative and financial approval based on the DPR/proposal at an approved cost of ₹21.85 crore along with a break-up of the project components and its approved cost. However, it was seen that a working estimate was subsequently framed wherein the road length was reduced to 26 km at a cost of ₹19.60 crore. Though the original DPR was framed for upgradation of an already existing road it was seen from the Measurement Book and during physical verification that a new road was constructed. Further, all utilisation certificates, progress reports completion certificates etc. were sent to Ministry stating the length of the road completed to be 36 km.

The deviation from items of work approved by the Ministry and the actual work executed was as shown in the **Appendix-3.5**.

As can be seen from the Appendix, excess work not envisaged in the DPR was executed. The items where excess work was executed were (i) earthwork in hill road (1.46 lakh cum=₹3.31 crore); (ii) construction of granular sub base (GSB) by close graded materials spreading in uniform thickness and rolling with Grade I metal (5862 cum=₹92.03 lakh) and (iii) providing filling behind the wall with granular materials including compacting etc (6563.94 cum=₹85.46 lakh). Similarly, some items of work were not executed fully as envisaged in the DPR. The items where works were not executed as per scope of approved DPR were (i) protection work (retaining wall and breast wall) (₹3.34 crore); (ii) hume pipe culverts (₹1.79 crore); (iii) water based macadam (Grading I & II) (₹1.36 crore) and (iv) surface dressing (PC & Seal coat) (₹1.02 crore).

(ii) Construction of T Beam Girder Double Lane Bridge of IRC Class 'A' over river Dzu-u on Rusoma to Kijumetouma road' under NLCPR (Chiephobozou Division):

There were wide variation between approved items of work and that actually executed by the division as evident from the Measurement Books as detailed in **Appendix-3.6**.

Even in the above work, excess work which was not envisaged in the DPR was executed. The items of work executed beyond the defined scope were (i) providing filter media with coarse sand and small size of gravel stones etc. (15256.91 cum=₹1.98 crore) (ii) providing staging including hire and labour charges etc. (2088 cum=₹26.10 lakh) and (iii) cement concrete in foundation with nominal mix (1:3:6) (127.75 cum=₹7.10 lakh). The items of work not fully executed as envisaged in the DPR were (i) supplying, bending, binding and laying in position of the steel reinforcement of different component in sub-structure etc. (158.60 MT =₹1.12 crore), (ii) pitching on slopes including cost & carriage of boulders with wire netting lining as per the drawing etc. (2294.92 cum=₹81.84 lakh) and (iii) M-25 grade controlled cement in rail posts, road kerbs deck slab approach slabs etc. (295.37 cum=₹23.19 lakh).

(iii) Improvement and upgradation of road from Longkhum via Mangmetong-Aliba (35 km) under NLCPR (Mokokchung Division):

It was seen that modifications were made in the working estimate after issue of the work order to the contractor. Among these, value of work for earthwork was increased by ₹60.10 lakh construction of embankment by ₹90.62 lakh and construction of hume pipe culverts by ₹27.90 lakh. Further, the estimate was modified to construct one Bailey Bridge (span) and three slab culverts at an estimated cost of ₹2.63 crore instead of RCC bridge (48 m span) with estimated cost of ₹3.10 crore.

Extra work (₹8.26 crore) was approved due to damage to the road caused by heavy rains during actual execution. The items of work where major deviations were necessitated during actual execution were stated to be excavation in soil (₹3.77 crore), construction of embankment (₹27.60 lakh), construction of granular sub base grade I (₹72.42 lakh) provision of water based macadam grade I & II (₹1.05 crore) construction of retaining walls (₹1.25 crore) and construction of hume pipe culverts (₹93 lakh).

Though the deviation estimate was stated to have been approved and work executed, no documents were made available to audit to show that approval was obtained from the competent authority. This major variation/deviation in the scope of work indicates that the original estimate/DPR was defective and not prepared based on actual work to be executed.

(iv) Upgradation of road from Construction of road from Phek to Chozuba (44.36 km) under NLCPR (Phek Division):

Scrutiny of the DPR sent to MoDONER, approved project components and approved cost (contained in the administrative and financial approval) and three Running Account bills revealed that work was not executed as per the DPR or the project components approved by the Ministry. The deviation from items of work approved by the Ministry and the actual work executed was as shown in the **Appendix-3.7**.

As can be seen from the Appendix, earthwork in excavation was done for an amount of ₹5.30 crore though this component was not included in the DPR approved by the Ministry. Likewise, construction of earthen shoulder with approved materials not envisaged in the DPR was executed for an amount of ₹49.74 lakh.

Further, there were major deviations (increase) amounting to ₹46.63 lakh in the protection works (retaining walls and breast walls) and ₹44.05 lakh in cross drainage works (hume pipe and slab culverts).

These major deviations, especially earthwork in excavation, resulted in a major portion of the project remaining incomplete after an expenditure of ₹14.93 crore<sup>19</sup>. The deviation in earthwork became necessary as the original DPR approved by the Ministry was erroneous as the existing width of the road was shown as 6 m while the actual width was only 3 to 4 m. MoDONER had also rejected a subsequent proposal of the State Government to revise the DPR on this ground. It is, thus evident that the original DPR of the work was prepared without proper survey and investigation.

(v) Construction and upgradation of road from Old Phek via Khuza to Satakha (24 km under Zunheboto Division) under NLCPR:

The deviation from items of work envisaged in the working estimate and the actual work executed as per the Measurement Books was as shown in the **Appendix-3.8**.

It could be seen that major deviations were in earthwork (excess quantity: 160568 cum and excess amount: ₹2.61 crore) furnishing and laying of live sods of perennial turf forming grass on embankment slopes (excess quantity: 83167.28 sqm and excess amount: ₹39.41 lakh) construction of granular sub base (excess quantity: 7595.48 cum and excess amount: ₹59.86 lakh) and providing and laying water based macadam grade II (excess quantity: 3799.43 cum and excess amount: ₹44.36 lakh).

The works not fully executed as envisaged in the estimate were construction of hume pipe culverts (less quantity: 32 Nos and less amount: ₹76.19 lakh) and construction of retaining walls (less amount: ₹2.50 crore). Further construction of embankment with approved materials (quantity: 45634.99 cum and amount: ₹58.49 lakh) contained in the estimate was not executed at all. Bituminous work for only around 12 km out of the 24 km was executed as per measurement recorded in the Measurement Book.

The item of work 'Furnishing and laying of live sods of perennial turf forming grass on embankment slopes' was shown as executed for 96000 sqm at a cost of ₹45.48 lakh. The division could not clarify why this work was necessary considering the fact that no embankments were constructed.

50 hume pipe culverts (900 mm) at a total cost of ₹1.03 crore (excluding cost of hume pipes to be supplied by the department) was to be constructed as per the Estimate. However, only 18 hume pipe culverts were shown as constructed at a cost of ₹26.87 lakh {including cost of 135 metres (54 hume pipes) amounting to ₹11.12 lakh}. A separate

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<sup>19</sup> 95 per cent of the value of work order i.e. ₹15.78 crore.

supply order was issued (24 March 2006) to a supplier<sup>20</sup> for an amount of ₹30.26 lakh for supply of 147 (367.5 metres) hume pipes (900 mm) at ₹8233.89 per metre. The materials were certified to have been received in full and directly issued to work. Payment of ₹30.26 lakh was also made (31 March 2007) to the supplier. Thus, it is evident that hume pipes procured against this work were not used. The division could also not clarify the as to how the hume pipes were utilised.

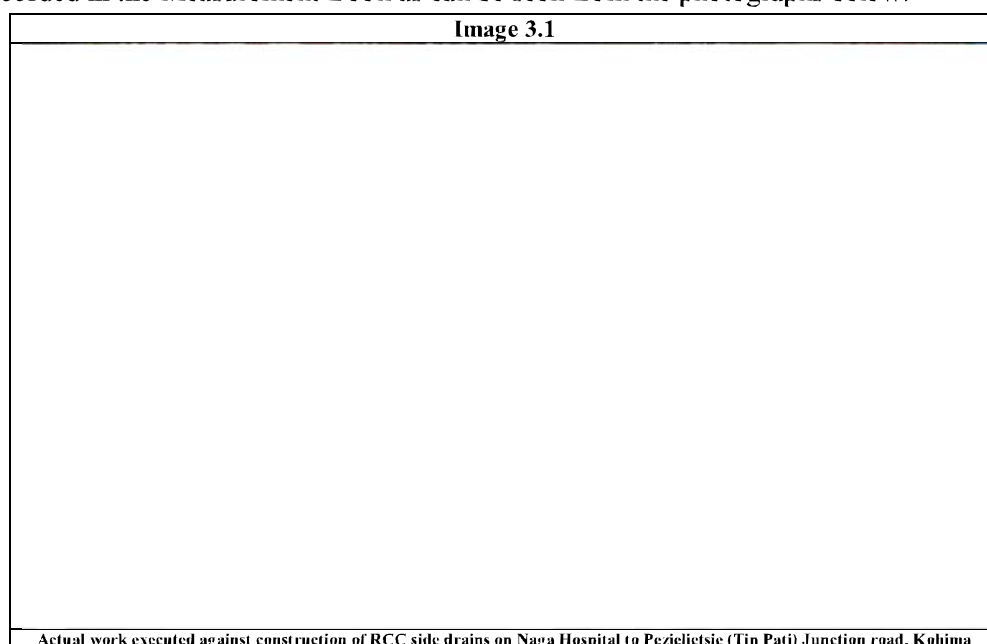
The Commissioner & Secretary stated during exit conference (21 February 2012) that grant of escalation/deviation from DPRs was due to inaccurate DPRs.

### 3.1.10 Payment made on fictitious measurements

- (i) Reconstruction of Old road from Naga Hospital to Pezielietsie (Tin Pati) Junction, Kohima (3 km) under State Plan

Scrutiny revealed that the work “RCC side drain for 2.200 km” was taken up under Phase II of the project. As per the Measurement Book, work commenced on 10.10.2009 and was completed on 09.02.2010. It was recorded in the Measurement Book that the work was carried out as per drawing and technical specification for 1500 m<sup>21</sup>. Accordingly, payment of ₹18.52 lakh was made to the contractor on first and final bill (27 April 2010).

However, during joint physical verification, side drains were not visible in a major portion of the road and wherever it was visible; it was not as per the measurements recorded in the Measurement Book as can be seen from the photographs below:



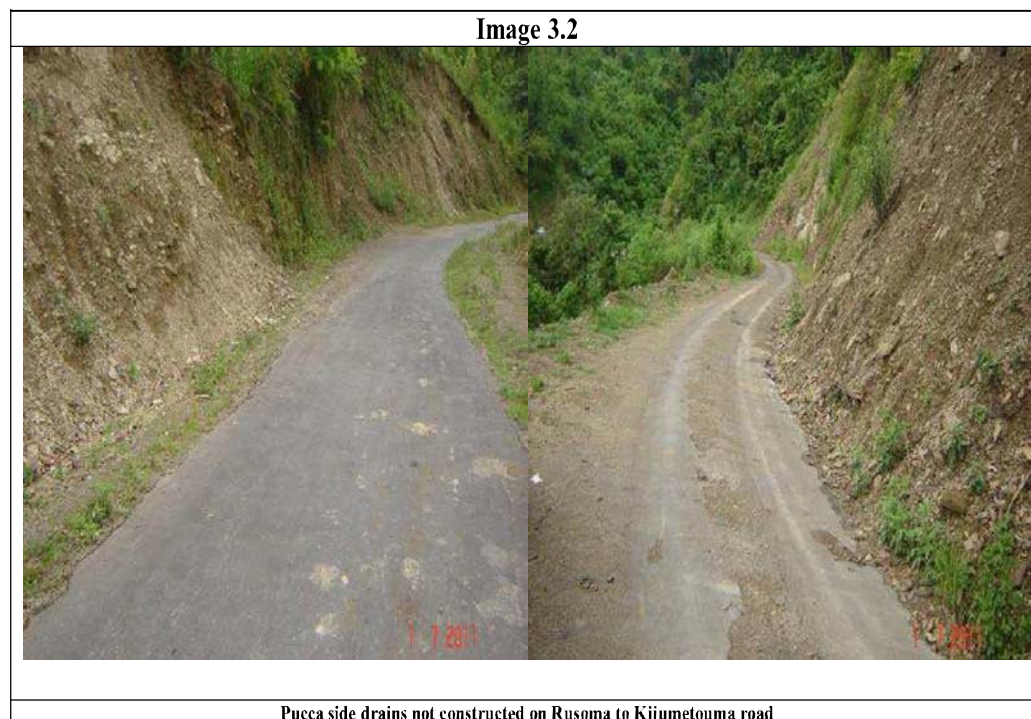
Payment was thus made to the contractor based on fictitious measurements as well as without proper verification of work.

<sup>20</sup> Hekhuvi Sema, Dimapur

<sup>21</sup> Earthwork –0.90 m (top) and 0.53 m (bottom); PCC 1:3:6 in foundation (1.45 x 0.15) and 100 mm stone soling (0.98 x 0.10)

(ii) Upgradation of road from Rusoma to Kijumetouma (36 km) under NLCPR (Chiephobozou Division):

Though measurement was recorded in the Measurement Book and payment of ₹4.74 crore made for construction of pucca side drains, no evidence of this being actually executed could be seen during joint physical verification as can be seen from the photographs given below. Further, though it was seen from the Measurement Book that payment of ₹2.67 lakh was made for retro reflectorised traffic signs, none was noticed during physical verification. It was also seen that the total length of the road is only around 25 kms whereas measurements had been recorded and payments made for 26 km.



Thus, ₹4.77 crore was paid to the contractor<sup>22</sup> on the basis of fictitious measurements recorded in the Measurement Book.

(iii) Construction and upgradation of road from Old Phek via Khuza to Satakha (24 km under Zunheboto Division) under NLCPR:

The components of work 'water based macadam grade III' (4055.62 cum at a cost of ₹53.32 lakh) and 'Furnishing and laying of live sods of turf forming grass' (96000 sqm at a cost of ₹45.48 lakh) recorded in the Measurement Book as executed was not evident during physical verification as can be seen from the photographs given below.

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<sup>22</sup> M/s T. Tachu & Co.



Thus, ₹0.99 crore was paid to the contractor on the basis of fictitious measurements recorded in the Measurement Book.

(iv) Upgradation of road from Phek to Chozuba (44.36 km) under NLCPR (Phek Division):

During physical verification (24 October 2011), it was noticed that unlined surface drains were constructed instead of pucca side drains shown as executed in the Measurement Book as can be seen from the photographs below. Payment of ₹4.15 crore was also made to the contractor against construction of pucca side drains.



Thus, ₹4.15 crore was paid (17 March 2008) to the contractor<sup>23</sup> for work not executed but on the basis of measurements recorded in the Measurement Book.

<sup>23</sup> M/s K.K. Chire & Co.

The Chief Engineer, PWD (R&B) while accepting the facts during exit conference (21 February 2012) stated that these adjustments became necessary during actual execution due to practical difficulties. However, the fact remains that fabricated/false entries were made in the Measurement Books and payments made on that basis.

### 3.1.11 Excess payment to contractor

(i) Reconstruction of Old road from Naga Hospital to Pezielietsie (Tin Pati) Junction, Kohima (3 km) under State Plan

The work “Construction of water based macadam & bituminous work-0 to 3.00 km” was taken up under Phase III of the project at an estimated cost of ₹1.42 crore. The work was split into three and allotted to two different contractors<sup>24</sup>.

(a) 0 to 1 km: As per the Measurement Book, the work commenced on 18.10.2010 and was completed on 15.12.2010. It was seen from the measurements that the width of the road ranged between 7.20 m to 7.50 m. Payment of ₹40.23 lakh was also made (16 December 2010) to the contractor on first and final bill on the basis of measurements recorded in the Measurement Book.

(b) 1 to 2 km: As per the Measurement Book, work commenced on 18.10.2010 and was completed on 16.12.2010. It was seen from the measurements that the width of the road ranged between 7.45 m to 8.40 m. Payment of ₹40.23 lakh was also made to the contractor (16 December 2010) on first and final bill on the basis of measurements recorded in the Measurement Book.

(c) 2 to 3 km: As per the Measurement Book, work commenced on 18.10.2010 and was completed on 15.12.2010. It was seen from the measurements that the width of the road ranged between 7.30 m to 7.70 m. Payment of ₹41.01 lakh was also made (16 December 2010) to the contractor on first and final bill on the basis of measurements recorded in the Measurement Book.

It was, however, seen during joint physical verification that the width of the road (carriage way) in a major portion of the road was between 5m to 6m and in some portion 4 m to 5 m (especially between 1.40 km and 2.00 km where even the formation width was not more than 5.5m to 6 m). Further, the said work was not completed in several sections of the road as can be seen from the photographs below.

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<sup>24</sup> 0 to 1 km & 1 to 2 km—M/s Mhalelie Dzuvichu and 2 to 3 km—M/s N.D. & Co.



Thus, excess payment was made to the contractor on the basis of fictitious measurements recorded in the Measurement Book.

The Department, in reply (24 February 2012) stated that the width of the whole stretch of the road was variable (5 m to 10 m) and average width was taken for preparing estimates, executing works and payment made as per work done and hence no excess payment was made. Laid down procedures were not followed however, for measurement of actual work done. As a result, excess measurements were recorded in the Measurement Books and payments made accordingly.

(ii) Upgradation of Construction and improvement of Medziphema-Jalukie-Athibung Road (58.67 km) under NEC (Peren Division).

Scrutiny of Measurement Book in respect of the work revealed that 3283.75 m<sup>3</sup> being quantity of work in respect of the work 'providing, laying, spreading & compacting stone aggregates of specifications grade III 1<sup>st</sup> layer' from 22 to 31 km was brought forward to the next page and added twice to the total quantity of work which inflated the quantity of work executed on this item of work by 3283.75 cu.m<sup>25</sup>. This resulted in excess payment of ₹43.18 lakh<sup>26</sup>. Further, the same quantity has been repeated for the item of work 'providing, laying, spreading & compacting stone aggregates of specifications grade III 2<sup>nd</sup> layer' thereby inflating the quantity of work executed by 3283.75 m<sup>3</sup>. This resulted in excess payment of ₹43.18 lakh. Consequently, there was excess payment on the item of work 'Extra carriage of broken stone aggregate 63 mm' amounting to ₹50.32 lakh<sup>27</sup>.

<sup>25</sup> 7330.14 m<sup>3</sup> – 4046.39 m<sup>3</sup>

<sup>26</sup> 3283.75 m<sup>3</sup> (excess quantity) x ₹1314.96 (rate)

<sup>27</sup> 3283.75 m<sup>3</sup> (excess quantity) x 2 (two layers) x ₹766.17 (rate)

Thus, the total excess payment on this account made to the contractor<sup>28</sup> was ₹1.37 crore<sup>29</sup>.

(iii) Construction of new approach road for Tuensang town (9.350 km) under Urban Development (Tuensang Division)

Scrutiny revealed that excess payment of ₹0.50 crore was made to the contractor<sup>30</sup> against earthwork for an already existing portion of the road (2.60 km from NH upto Ngangpong Village). Though payment of ₹1.55 crore was made to the contractor against water based macadam (grade I, II and III) works for the whole stretch of the road (9.350 km), it was seen during physical verification that water based macadam (grade III) had been provided for only around 3.60 km of the road resulting in excess payment of ₹0.24 crore for 5.75 km. Further, though payment of ₹0.24 crore was made against bituminous work for 4 km, the said work was completed for only 1.60 km resulting in excess payment of ₹0.14 lakh. Though payment of ₹0.41 crore was made for 7 slab culverts, it was seen that only 5 culverts were constructed resulting in excess payment of ₹0.12 lakh. Thus, a total amount of ₹1 crore (approximately) was paid to the contractor for work not executed. The condition of the road (16 September 2011) and the quality of work executed by the contractor can be seen from the following photographs.



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<sup>28</sup> M/s M.S. Panesar & Sons.

<sup>29</sup> ₹43,18,000 + ₹43,18,000 + ₹ 50,31,821

<sup>30</sup> P.Apong Chang

(iv) Construction of road from Noklak to Thonoknyu via Sanglao (14.54 km) under NLCPR (Tuensang Division):

Scrutiny of Measurement Book revealed that payment of ₹2.44 crore was made to the contractor<sup>31</sup> against water based macadam (grade I, II & III) works for the whole stretch of the road i.e., 14.54 km. It was, however, seen during physical verification (17 September 2011) that this item of work was completed only for the first 6 km as can be seen from the following photographs.



Thus, an excess payment of ₹1.36 crore<sup>32</sup> (approx.) was made to the contractor on the basis of fictitious measurements recorded in the Measurement Book.

The Department, in reply (24 February 2012) stated that the specification of the road was changed from Other District Roads (ODR) to Major District Roads (MDR) due to pressure from the public. However, this does not justify recording of work not executed in the Measurement Books and making payment on that basis.

The Commissioner & Secretary stated during exit conference (21 February 2012) that excess payment made, if any, will be recovered.

### 3.1.12 Doubtful execution/duplication of work

Scrutiny of records related to the work '*Upgradation of Dimapur-Niuland road (28 km)*' under NLCPR executed by Dimapur Division revealed that work order was awarded (August 2010) to a contractor<sup>33</sup> with the stipulation to complete the work within 18 months. As such the due date of completion of work was February 2012.

It was, however, seen that work valued at ₹22.53 crore (more than 75 per cent of the total work) was stated to have been completed in March 2011 and payment of ₹11.00 crore

<sup>31</sup> T. Tachu & Co.

<sup>32</sup> 8.54 km x ₹ 0.16 crore.

<sup>33</sup> M/s National Constructions, Dimapur

(Total payment: ₹21.74 crore including mobilisation advance of ₹10.74 crore paid in October 2010) was released (31 March 2011) to the contractor. It was seen during joint physical verification (19 June 2011) that the remaining works had also been completed.

Further scrutiny revealed that same works envisaged in the DPR had been taken up and completed during December 2000 to April 2005 under NLCPR for 11 km (7<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup>, 10<sup>th</sup>, 11<sup>th</sup>, 12<sup>th</sup>, 18<sup>th</sup>, 19<sup>th</sup>, 20<sup>th</sup>, 21<sup>st</sup> and 22<sup>nd</sup> Km) at a total cost of ₹14.21 crore. and a completion certificate was issued (22 April 2009) by the EE, Dimapur Division stating that “Upgradation of Dimapur-Nuiland Road’ under NLCPR had been completed during April 2005.

The division could not clarify as to how works taken up and completed during 2000-2005 was again included in the project sanctioned in 2010.

The Commissioner & Secretary stated during exit conference (21 February 2012) that the road was taken up in 2005 to be executed as per ODR norms, but the actual execution was as per MDR norms at a higher cost. He further stated that MoDONER had not agreed to additional funds at that stage and that a new DPR was submitted in 2010 to meet the liabilities incurred for the previous work.

### 3.1.13 Results of Joint verification of projects

Joint verification of selected major projects executed under NLCPR and NEC was carried out by the Audit Party along with the departmental officers. The results of joint verification are summarised in the following paragraphs.

(i) Upgradation and improvement of Medziphema-Jalukie-Athibung Road (10.41 km) under NEC (Dimapur Division):

The road from Medziphema junction to Peren District gate (11 km approx) was jointly verified by the audit party alongwith the SDO and JE, Medziphema Sub-Division. The physical verification was carried out with reference to the DPR/Working Estimate produced to audit as only one Measurement Book out of two was furnished. Though all the 53 hume pipe culverts as envisaged in the DPR/working estimate were physically present, 49 of them were below specifications (750 mm instead of 1000 mm) provided in the DPR. It could, therefore, not be confirmed whether all these culverts were pre-existent or were constructed under the project.

The RCC slab culvert at 5.700 km near the entry point at Socunoma Village (Span-4.10 m and height-3.20 m) had been left incomplete and the earlier 1000 mm hume pipes (2 Nos.) were still in place as can be seen from the photograph. However, it was seen that measurements in the Measurement Book had been recorded as per specifications in the DPR and payment of ₹6.63 lakh against this item of work was made to the contractor<sup>34</sup>.

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<sup>34</sup> M/s Pele Khezhe

Image 3.8



Incomplete RCC slab culvert at Socunoma village on Medziphema-Jalukie-Athibung road

It was further seen that the condition of the road completed in 2008 was deplorable, especially in stretches passing through villages as can be seen from the photographs below.

Image 3.9



Condition of Medziphema-Jalukie-Athibung road

(ii) Construction and Upgradation of Longleng-Ladaigarh road (107.36 km) under NEC (Longleng Division):

On joint physical verification of a portion of the project alongwith the SDO, Longleng Division, it was observed that the portion from zero point to the police check gate (approximately 6 km) was part of the already existing Longleng-Changtongya road (taken up for widening under Special Accelerated Road Development Programme-North East). It was seen that formation cutting had not been completed in several places especially in rocky portions though it was seen from the Measurement Books that around 3.34 lakh cubic metres of formation cutting had been shown as done and payment of ₹3.63 crore had been made in 7 Running Account bills to the contractor. It was also seen that the road surface in the verified portion was poor, slushy and hardly motorable at several places. Further, water based macadam (grade II and III) work valued at ₹1.68 crore was recorded

as done and payment made to the contractor. However, the same was not visible in most stretches. Further, even water based macadam grade I was not seen in several stretches. The condition of the road (9 September 2011) can be seen from the photographs below:



The Department accepted the facts during exit conference (21 February 2012) and stated that corrective action will be initiated.

#### 3.1.14 Monitoring

As per NLCPR/NEC Guidelines, the State Government/Department was to submit quarterly progress reports in respect of each project. The Chief Secretary of the State was to hold quarterly meetings to review the progress of implementation of the ongoing projects under NLCPR and make available summary record of such meetings to the Ministry of DoNER. The State was to carry out project inspections periodically and their findings incorporated in the quarterly review report. The State was also required to nominate a 'nodal officer' for each project who would be responsible for project implementation and monitoring. Further, monitoring and evaluation of implementation of the project was to be undertaken through field inspections by officers of the Ministry of DONER, as well as through impact studies, social audits and evaluations conducted by Government or through independent agencies at the request of the Ministry (DONER). The State Government was also required to ensure that the data entry of the progress of the project starting from the submission of the priority list by the State Government upto the completion of the project shall be made by the designated officials of the State

Government on the online data entry Management Information System (MIS) already in vogue.

Most of the quarterly progress reports in respect of the selected works were either not available in the divisions or where available not maintained properly and in chronological order. The same were also not available in the respective files of the projects in the office of the Chief Engineer. There were no records to show that the Chief Secretary had conducted quarterly meetings to review the implementation of projects. There was also no evidence that nodal officers were nominated for each project. Further, records of field inspections by officers of the Ministry of DoNER, impact studies, social audits or evaluations conducted by the State Government or independent agencies could not be furnished to audit.

Thus, audit could not verify the existence of effective monitoring and evaluation mechanism in the Department.

The Department in reply (24 February 2012) stated that the Executive Engineers of the concerned divisions were nominated as nodal officers for NLCPR projects under them.

The Commissioner & Secretary stated during exit conference (21 February 2012) that though meetings were not conducted in every quarter, regular meetings were taken by the Chief Secretary.

### 3.1.15 Internal control

Internal controls in a department are intended to give reasonable assurance that its operations are carried out according to laid down rules and regulations in an economic, efficient and effective manner. A built-in internal control system and adherence to codes and manuals minimise the risk of errors and irregularities and help the department to achieve its objects with optimum use of its resources.

#### 3.1.15.1 Non maintenance/production of records

Maintenance of various control registers in accordance with regulations is an important element of internal control structure. The registers including subsidiary registers are to be maintained in prescribed format. Maintenance of records in most of the divisions test-checked, especially Dimapur Division was poor. The divisions were not maintaining separate files for various works under various schemes/projects. The files furnished to audit contained loose papers kept in a disorganised manner without notes. Analysis of the selected major works could not be carried out completely due to non-production of necessary records/information despite requisition and several subsequent reminders. Further, several vital records, essential for efficient functioning of a working division, are not being maintained at all. The deficiencies in maintenance of records noticed in the divisions are discussed below:

- (i) **Cash Book:** As per rules, an entry once made in the Cash Book can, in no circumstances, be erased. If a mistake is discovered before Cash Book is closed, it should be corrected by drawing the pen through the incorrect entry and inserting the correct entry in red ink between the lines. The disbursing officer should initial every such correction

and invariably date his initials. If the accounts of the month have been closed, no corrections of errors in amount, classification or name of work, should be made in that book but a transfer entry should be prepared for the necessary correction, a suitable remark in red ink being recorded against the original entry in Cash Book. It was, however, seen in most of the divisions test-checked that many entries in the Cash Book maintained by the division had been erased using correction fluid and several cases of overwriting were noticed.

Further, the actual balance of cash in each chest should be counted on the last working day of each month i.e., immediately after closing the cash account of the month. The details of actual balance should be recorded and a certificate of the count of cash, specifying both in words and figures should be recorded below the closing entries of the month. It was noticed that monthly closing or analysis of cash balance was not being done regularly in any of the divisions test-checked.

(ii) **Register of Works:** Register of works which indicates the permanent and collective record of expenditure incurred in the division during a year on each work is not being maintained in any of the divisions test-checked. Thus, audit could not ascertain the actual number of works carried out and expenditure incurred thereon.

(iii) **Works Abstract:** Work Abstract is to be maintained wherein the details of cash, stock and other charges on each work should be recorded and payments to contractors, payments to labourers and issue of material from stock should be posted separately for every work. It was, however, seen that Works Abstract is not being prepared in any of the divisions test-checked, except in Tuensang Division, where an abstract is prepared in rudimentary form and attached to the Monthly Accounts.

(iv) **Contractor's Ledger:** Contractor's Ledger containing running account with each contractor showing payment and recovery of advances paid, materials issued and amounts due for the value of work done is not being maintained. Therefore, payments made to each contractor, deductions and balance, if any, could not be verified by audit.

(v) **Register of sale of tender forms:** None of the divisions test-checked are maintaining Register of sale of tender forms. Sale proceeds, if any, was neither accounted for in the Cash Book nor deposited into Government Account as stipulated by Rules.

(vi) **Register of revenue:** As per rules, all revenue receipts of the division should be classified and abstracted in a Register of Revenue (Form 46) maintained in the divisional office. However, it was seen that none of the divisions test-checked were maintaining Register of Revenue in the proper format. Audit could, therefore, not make an accurate assessment of the revenue collected by the divisions or their timely deposit into Government Account.

(vii) **Issue and Movement Register of Measurement Books:** As per NPWD Code, all the Measurement Books belonging to a division should be numbered serially and a Register of Measurement Books should be maintained. A separate Movement Register of Measurement Books should also be maintained to watch the receipt and issue of Measurement Books. Further, on completion of measurements Measurement Books

should be returned to the divisional office and Measurement Books no longer in use should be promptly withdrawn even though not completely written up.

Register of Measurement Books and Movement Register of Measurement Books was not being maintained in most of the test-checked divisions. In the divisions where they are maintained, they were not updated and several Measurement Books were not entered. Further, it was seen that several Measurement Books relating to completed works were kept in the custody of sub-divisions or JE's/SO's in violation of codal provision.

### 3.1.15.2 Writing up of Measurement Books

According to NPWD (Para 325) no entry in the measurement book shall be erased or overwritten. If a mistake is made, it should be corrected by crossing out the incorrect words or figures and inserting the correction, the correction thus made shall be initialed and dated by the officer recording/checking measurements. Scrutiny of Measurement Books in respect of selected works in the divisions revealed several deficiencies. Major deficiencies noticed are detailed below.

(i) Upgradation of Construction and improvement of Medziphema-Jalukie-Athibung Road (58.67 km) under NEC (Peren Division):

It was seen that corrections have been done in Measurement Books (No.PRN/758, PRN/759 and PRN/828) on several occasions by overwriting and using correction fluid. In Measurement Book No.PRN/758--for location, 46-47, 47-48 and 56.57, the work executed for the item of work 'excavation in soil in hilly area by mechanical means including cutting & trimming of slopes' had been changed from hilly soil/ordinary rock to hard rock by overwriting in the Measurement Book. As the rate for hard rock is ₹1044.50 against the rate of ₹105.57 for hilly soil and ₹159.54 for ordinary rock, excess payment on this account cannot be ruled out.

(ii) Construction and Upgradation of Longleng-Ladaigarh road (107.36 km) under NEC (Longleng Division): Scrutiny of Measurement Books pertaining to work executed under Group 'A', 'B' and 'C' revealed that work orders were issued to the three contractors as per SOR 2004, without clearly stating whether SOR 2004 of NPWD or SOR 2004 (NH & NEC Road Work in Nagaland). It was noticed that the rates followed for the same items of work were different for different groups and in some instances within the group as well. This had resulted in excess and less payment. Reasons for fluctuations in the rates applied across groups and even between different Running Account bills of the same group could not be clarified.

Further, 'Abstract of measurements' as required had not been prepared after each and every Running Account Bill in respect of work executed under Groups 'B' and 'C'. The value of each individual work had been recorded against the original measurement itself and totaled to work out the value of work as per each bill. The value of work executed in the previous bills had also not been brought forward and recorded in the subsequent Running Account bills. All the Running Account Bills of Group 'B' and 'C' had been entered as in the case of 'First and Final Bills'. A lot of errors had crept in while working

out the value of work and payment to be made which had not been subsequently corrected resulting in excess payment of ₹17.93 lakh as shown below:

- a) An amount of ₹1,50,000 was paid in excess to the contractor due to error in calculation of amount already paid. This was due to ₹1,50,000/- paid on 15 May 2008 not being included in working out previous payment.
- b) An amount of ₹9,50,000 was paid in excess to the contractor due to error in calculation of amount already paid. This was due to ₹9,50,000/- paid on 19 May 2011 not being included in working out previous payment in the 10<sup>th</sup> RA bill.
- c) An amount of ₹5,43,195 was paid in excess to the contractor due to error in calculation of amount already paid. This was due to ₹5,43,195/- paid on 19 May 2011 not being included in working out previous payment in the 10<sup>th</sup> RA bill.
- d) An amount of ₹1,50,000 was paid in excess to the contractor due to error in calculation of amount already paid. This was due to ₹1,50,000/- paid on 15 May 2008 not being included in working out previous payment in the 8<sup>th</sup> RA bill.

Several instances of duplicate entries and errors in calculation of quantity and value of work were also noticed for works executed under Group 'A'. As a result of these duplicate entries and arithmetical errors, an excess amount of ₹3.20 lakh had been paid to the contractor.

The Commissioner & Secretary stated during exit conference (21 February 2012) that orders will be issued to all the divisions to the effect that they shall mandatorily maintain all the vital records as suggested by audit.

### **3.1.16 Human Resource Management**

#### **3.1.16.1 Entertainment of staff in excess of sanctioned strength and injudicious distribution of staff among the divisions.**

Scrutiny of records showing men-in-position against the sanctioned strength revealed that nine out of ten divisions selected for test check have been entertaining huge number of staff in excess over sanctioned posts in Grade III and IV categories. Appointment and posting of staff were made by the Engineer in Chief, PWD, Nagaland. The number of excess staff over sanctioned post was considerably high in the divisions located in Kohima (the capital city) and Dimapur (a commercial centre), indicating that the Department had not prescribed/formulated any mechanism for appointment and posting of staff in the divisions and that appointment of staff is not made on the basis of actual requirement at the field offices. This has resulted in injudicious distribution of staff (work force) among the divisions besides causing avoidable expenditure of ₹15.49 crore during 2010-11 on account of pay and allowances of excess staff.

The position of excess staff as on 31 March 2011, in nine out of ten divisions selected for test check was as shown below:

Table 3.15

Sl. No.	Name of the division	Period	No. of Excess staff over sanctioned strength	Expenditure on Salary of excess staff <sup>35</sup> (₹ in crore)
1.	Wokha	4/2010 to 3/2011	70	1.18
2.	Chiephobozou	4/2010 to 3/2011	45	0.74
3.	Dimapur	4/2010 to 3/2011	318	5.14
4.	South Division, Kohima	4/2010 to 3/2011	183	2.71
5.	Mokokchung	4/2010 to 3/2011	85	1.40
6.	Zunheboto	4/2010 to 3/2011	204	3.00
7.	Phek	4/2010 to 3/2011	33	0.52
8.	Tuensang	4/2010 to 3/2011	27	0.40
9.	Longleng	4/2010 to 3/2011	25	0.40
Total:			990	15.49

### 3.1.16.2 Work charge establishment

According to Nagaland Public Works Department (NPWD) Code, the work-charged establishment consists of staff employed on actual execution of a specific work or of sub-work of a specific project or upon the subordinate supervision of departmental labour, store and machinery in connection with such work or sub-works. Such employees borne on cadre of fixed charges or on time scale of pay had to be discharged or redeployed on other work as soon as the concerned work gets completed.

Scrutiny of records of Chief Engineer revealed that the Department had engaged a large number of work charged employees on scale pay and on fixed pay basis, even though, construction works including repair of existing road and bridges were being taken up through contractors. The salary of WC employees were met by charging 2 *per cent* to 5 *per cent* in the estimated project cost of different Central and State schemes and deducted at source while releasing funds for the projects by the Finance Department.

The expenditure incurred on salary of WC employees for last three years is as detailed below:

Table 3.16

Year	Number of work charged employees		Expenditure on WC salary (₹ in Crore)
	Scale Pay	Fixed Pay	
2008-09	1534	5326	10.32.
2009-10	1534	5326	16.67
2010-11	1485	5151	17.99
Total			44.98

<sup>35</sup> Calculation made on the basis of Minimum of Basic Pay for one year (1-4-2010 to 31-3-2011)

Thus, engagement of a large number of work charged employees in scale pay and fixed pay basis had resulted in avoidable expenditure of ₹44.98 crore during 2008-09 to 2010-11.

The Commissioner & Secretary accepted the facts during exit conference (21 February 2012) and stated that the matter is being looked into for corrective action.

### **3.1.17 Vulnerability to fraud and corruption**

#### **3.1.17.1 Transfer of funds to divisions**

A major portion of the funds for projects under all schemes/projects (NEC, NLCPR, State Plan, Special Plan Assistance, TFC grants for maintenance, NABARD loan etc.) are being drawn by South Division, Kohima. The funds so drawn are kept in a current bank account (CA No.10530522804 at SBI Main Branch, Kohima) operated by the division. Funds meant for other divisions are then released to the concerned divisions by cheque. CE, PWD (R&B) while authorising (December 2005) the EE, Kohima (South) division to operate the current account had instructed that a subsidiary Cash Book should be maintained for checking outflow of cash.

Mention was made regarding suspected misappropriation of ₹3.73 crore during the period from December 2008 to June 2009 in para 2.4 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2010 (Report 2). The Government had accepted the facts and stated that instructions had been issued banning such practice. It was, however, seen that funds meant for other divisions are still being drawn by Kohima (South) Division and transferred through cheque. Further, it was seen that there was no system to watch/monitor the transfer of funds to divisions and subsidiary Cash Book, if any, maintained for this purpose was not furnished. Some instances where funds drawn by Kohima (South) division were either not remitted or shown as remitted but not received by the concerned divisions are detailed below:

(i) Improvement & upgradation of road from Longkhum via Mangmetong-Aliba (35 km) under NLCPR (Mokokchung Division):

Out of the total amount of ₹15.86 crore released against this work, ₹15.56 crore was drawn by EE, South Division, Kohima and remitted to EE, Mokokchung. However, ₹30.61 lakh drawn by EE, South Division, Kohima against the project during 2007-08 was not remitted to EE, Mokokchung.

(ii) State Plan Funds (Zunheboto Division):

It was seen in Kohima (South) Division that an amount of ₹1.49 crore was remitted<sup>36</sup> to Zunheboto Division. However, only an amount of ₹1.19 crore was shown as received in the Cash Book, a short receipt of ₹0.30 crore. Further, an amount of ₹3 crore shown as remitted<sup>37</sup> by Kohima (South) Division to Zunheboto Division was shown as received in the Cash Book only on 31.03.2011, a gap of more than three months.

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<sup>36</sup> Vr. No 79 dated 31.03.2010

<sup>37</sup> Vr. No.20 dated 13.12.2010

## (iii) Funds under TFC and CMRDF (Longleng Division):

It was seen in Kohima (South) Division that a total amount of ₹1.77 crore was shown as remitted to Longleng Division (₹77.50 lakh under TFC in December 2008 and ₹99.75 lakh under CMRDF in March 2009). However, only an amount of ₹1.65 crore was shown as received in the Cash Book of Longleng Division (₹69.75 lakh under TFC and ₹94.76 lakh under CMRDF), a short receipt of ₹12.74 lakh.

**3.1.17.2 Payments made without entry in Cash Book**

All the divisions are operating one or more current bank accounts. It was seen, in most divisions, that the entries in the payment side of Cash Book and the debits in the bank accounts, as seen from the bank account statement furnished, do not match. Further, most of the transactions in the Cash Book could not be traced in the bank account statement as cheque numbers were not recorded against payments in most cases. Peren, Tuensang, Zunheboto and Phek divisions did not furnish their bank account statements despite requisition and several reminders. Cross-check of bank account statements and Cash Book in three other divisions revealed the following irregularities.

## (i) Dimapur Division:

Cross check of Cash Book with bank account statement (A/c No.10810514455 (SBI, Dimapur, Branch Code: 72)), revealed that higher amounts than the actual debits in the bank account were shown as paid in the Cash Book (Total difference during 2010-11: ₹1.08 crore). Further, several drawals from the bank account were not entered in the Cash Book (total amount during 2010-11: ₹1.77 crore).

## (ii) Longleng Division:

Cross check of Cash Book with bank account statement (A/c No. 10530526127, SBI, Kohima, Main Branch Code: 214) revealed several cases where the entries in the Cash Book did not match with the debits in the bank account. In one instance, it was seen that payment of ₹9.35 crore was shown as made in the Cash Book to four contractors against the work '*Construction and Upgradation of Longleng-Ladaigarh road (107.36 km)*' through four cheques (No.63222 dated 30.12.2009 and Nos.63223, 63224 and 63225 dated 31.12.2009). However, it was seen from the bank statement that only ₹8.82 crore had been drawn by the four contractors against these cheques. It was also seen that the balance amount of ₹0.53 crore was drawn through self cheque (No.63221 dated 19 December 2009) which was not entered in the Cash Book. Further, several drawals from the bank account were not entered in the Cash Book (Total amount during 2010-11: ₹13.47 crore).

It was further seen that a total amount of ₹5.13 crore had been credited (15.03.2011) to the account being the proceeds of fixed deposits from six different bank accounts. Thus, it is evident that funds meant for implementation of projects were diverted and parked in Fixed Deposits or other bank accounts.

(iii) Mokokchung Division:

Though most of the transactions in the Cash Book could not be traced in the bank account statement (A/c No.11361011250, SBI, Mokokchung) as cheque numbers were not recorded against payments in most cases, cross check revealed several instances where the entries in the Cash Book did not match with the debits in the bank account. It was seen that higher amounts than the actual debits in the bank account were shown as paid in the Cash Book (total difference during 2009-10: ₹1.01 crore).

(iv) Chiephobozou Division:

Cross-check of Cash Book with bank account statement (Account No.10530522791, SBI, Main Branch, Kohima) revealed that though an amount of ₹2.97 lakh was paid to a contractor through cheque (No.374272 dated 15.04.2010), an amount of ₹11.40 lakh was drawn against the cheque. Further, a total amount of ₹10.96 lakh was withdrawn from the bank account without corresponding entry in the Cash Book.

The Commissioner and Secretary stated during exit conference (21 February 2012) that orders will be issued to regulate transfer of funds as well as operation of bank accounts by the divisional officers.

### **3.1.18 Conclusion**

Planning process in the Department was inadequate as Long Term Plan, State Action Plan or District Action Plans were not prepared resulting in lopsided planning and execution of projects. Financial Management was deficient as provision under salary head was inflated and utilised for payment of wages, traveling allowance and maintenance of vehicles. DPRs/estimates for several major projects were not based on proper survey and investigation resulting in wide deviations in the scope and cost of the work on actual execution. Several works were not executed as per DPR's/Estimates and escalation/deviation was admitted without any basis. There were delays in transfer of funds to the executing divisions, unauthorised deduction from scheme funds at source and diversion of funds in violation of scheme guidelines. Provision of rules in realisation and deposit of Government revenue were not followed in several divisions resulting in non/short realisation and non deposit/delays in deposit. Norms were not followed in the process of awarding works resulting in collusive bidding and allotment of work to bidders other than the lowest. Joint physical verification of selected projects revealed major shortcomings in execution. The existence of effective monitoring and evaluation of projects could not be established in the absence of records. Internal control was lax as several vital records were either not maintained properly as per norms or not maintained at all. Human Resource management was deficient as excess staff above sanctioned strength was entertained. Over and above this, a large number of work charged employees were deployed. The existing system for transfer of funds to the divisions was not transparent and was vulnerable to fraud and corruption.

### 3.1.19 Recommendations

- *Planning needs to be streamlined and DPRs/Estimates prepared after proper survey and investigation;*
- *Financial management needs to be strengthened;*
- *The procedure for awarding works needs to be streamlined and made transparent;*
- *Maintenance of records needs to be improved and standardised across divisions and vital records like Register of Works, Works Abstract, Contractor's Ledger etc., has to be introduced;*
- *The present system of transfer of funds to divisions needs to be reviewed.*

## CHAPTER-IV

### REVENUE RECEIPTS

#### 4.1 GENERAL

##### 4.1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Nagaland during the year 2010-11, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in the following table:

**Table 4.1.1**

(₹ in crore)

SL No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
<b>I.</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue <sup>1</sup>	119.02	131.37	156.02	180.51	227.32
	• Non-tax revenue	91.14	119.48	180.55	126.35	183.14
	<b>Total I</b>	<b>210.16</b>	<b>250.85</b>	<b>336.57</b>	<b>306.86</b>	<b>410.46</b>
<b>II.</b>	<b>Receipts from the Government of India</b>					
	• State's share of divisible Union taxes	316.93	399.77	421.84	434.03	689.46
	• Grants-in-aid	2,245.42	2,345.40	2,642.48	2978.87	3900.07
	<b>Total II</b>	<b>2,562.35</b>	<b>2,745.17</b>	<b>3,064.32</b>	<b>3412.90</b>	<b>4589.53</b>
<b>III.</b>	<b>Total receipts of the State Government (I plus II)</b>	<b>2,772.51</b>	<b>2,996.02</b>	<b>3,400.89</b>	<b>3719.76</b>	<b>4999.99</b>
<b>IV.</b>	<b>Percentage of I to III</b>	<b>8</b>	<b>8</b>	<b>10</b>	<b>8</b>	<b>8</b>

The above table indicates that during the year 2010-11 the revenue raised by the State Government remained stagnant at eight *per cent* of the total revenue receipts (₹ 4999.99 crore). The balance ninety two *per cent* of receipts during 2010-11 was from the Government of India.

**4.1.2** The details of tax revenue raised during the period 2010-11 along with the figures for the preceding four years are mentioned in the following table.

<sup>1</sup> For details see Statement No. 11 - Detailed accounts of revenue by minor heads of the Finance Accounts of the Government of Nagaland for the year 2010-11. Figures under Major heads 0020, 0021, 0032, 0037, 0038, 0044 and 0045 - showing the State's share of divisible Union taxes booked in the Finance Accounts under A - Tax revenue have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes in this table.

**Table No.4.1.2**

(₹ in crore)

Sl. No.	Head of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+)/ decrease (-) in 2010-11 over 2009-10
1.	Taxes on sales, trade etc.,	85.02	94.79	114.70	132.22	167.22	(+) 26
2.	Taxes on Vehicles	12.26	12.30	14.14	16.73	23.92	(+) 43
3.	Other Taxes on Income and Expenditure	16.35	17.72	19.86	22.54	24.57	(+) 9
4.	State Excise	2.13	2.83	3.34	3.13	3.00	(-) 4
5.	Stamps and Registration fees	1.05	1.02	1.01	1.19	1.35	(+) 13
6.	Other Taxes and duties	0.00	0.00	0.00	0.00	0.00	0
7.	Land Revenue	0.50	0.50	0.60	0.63	0.59	(-) 6
8.	Taxes and Duties on Electricity	0.02	0.02	0.03	0.11	0.05	(-) 55
9.	Taxes on Goods and Passengers	1.69	2.19	2.34	3.96	6.62	(+) 67
<b>Total</b>		<b>119.02</b>	<b>131.37</b>	<b>156.02</b>	<b>180.51</b>	<b>227.32</b>	<b>(+) 26</b>

The concerned Departments did not inform (January 2012) the reasons for variation despite being requested (December 2011).

**4.1.3** The details of the major non-tax revenue raised during 2010-11 along with the figures for the preceding four years are mentioned in the following table.

**Table 4.1.3**

(₹ in crore)

Sl. No.	Head of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+)/ decrease (-) in 2010-11 over 2009-10
1.	Interest receipts	5.22	5.66	11.57	10.02	14.35	(+) 43
2.	Public Service Commission	0.00	0.00	0.80	0.09	0.33	(+) 267
3.	Police	2.15	2.73	0.61	0.44	34.21	(+) 7675
4.	Stationery and printing	0.08	0.07	0.01	0.01	0.01	0
5.	Public works	0.31	0.10	0.10	0.54	0.72	(+) 33
6.	Other administrative services	1.46	1.93	1.21	1.42	2.90	(+) 104
7.	Contribution and recoveries towards Pension & Other Retirement Benefits	0.23	0.21	1.05	0.21	0.30	(+) 43
8.	Miscellaneous general services	14.59	19.44	28.05	7.04	12.43	(+) 77
9.	Education, sports, art and culture	1.64	0.48	0.55	0.43	8.74	(+) 1933
10.	Medical and Public Health	0.13	0.16	0.17	0.09	0.09	0
11.	Water supply and sanitation	2.26	1.07	0.98	0.94	1.29	(+) 37
12.	Housing	2.21	2.11	2.97	3.43	3.63	(+) 6
13.	Social security and welfare	0.16	0.31	0.25	0.17	3.19	(+) 1776

14.	Crop husbandry	0.15	0.12	0.11	0.13	0.16	(+) 23
15.	Animal husbandry	0.35	0.39	0.43	0.47	0.57	(+) 21
16.	Forestry and wildlife	5.95	4.81	4.78	7.70	10.18	(+)32
17.	Food storage and warehousing	0.03	0.03	0.02	0.02	0.01	(-) 50
18.	Co-Operation	0.92	0.17	0.79	3.15	0.34	(-) 89
19.	Other agricultural programmes	0.05	0.01	0.01	0.03	0.03	0
20.	Minor irrigation	0.00	0.01	0.02	0.01	0	(-) 100
21.	Power	41.63	69.47	111.49	75.17	74.01	(-) 2
22.	Village and small industries	0.21	0.26	0.67	0.31	0.35	(+) 13
23.	Non-ferrous mining and metallurgical industries	1.91	0.30	0.89	0.59	0.72	(+) 22
24.	Road transport	8.03	8.37	9.38	10.81	11.55	(+) 7
25.	Tourism	0.30	0.21	0.13	0.30	0.16	(-) 47
26.	Other general economic services	0.07	0.08	0.08	0.12	0.12	0
27.	Miscellaneous	1.10	0.98	3.43	2.71	2.75 <sup>23</sup>	(+) 1
<b>Total</b>		<b>91.14</b>	<b>119.48</b>	<b>180.55</b>	<b>126.35</b>	<b>183.14</b>	<b>(+) 45</b>

The concerned Departments did not inform (January 2012) the reasons for variation despite being requested (December 2011).

#### 4.1.4 Variation between the budget estimates and actuals

The variation between the budget estimates and actuals of revenue receipts for the year 2010-11 in respect of the principal heads of tax and non-tax revenue are mentioned in the following table.

**Table 4.1.4**

(₹ in crore)					
Sl. No.	Head of revenue	Budget estimates	Actuals receipts	Variation excess (+) shortfall (-)	Percentage of variation
1.	Other taxes on Income and expenditure	20.20	24.57	(+) 4.37	22
2.	State excise	3.62	3.00	(-) 0.62	17
3.	Taxes on sales, Trade etc.	124.89	167.22	(+) 42.33	34
4.	Taxes on vehicles	15.12	23.92	(+) 8.80	58
5.	Interest receipts	4.50	14.35	(+) 9.85	219
6.	Police	3.08	34.21	(+) 31.13	1011
7.	Stationery and printing	0.32	0.01	(-) 0.31	97
8.	Public works	1.62	0.72	(-) 0.90	56
9.	Other administrative services	4.10	2.90	(-) 1.20	29
10.	Contribution and recoveries and other retirement benefits	0.26	0.30	(+) 0.04	15
11.	Miscellaneous general services	4.75	12.43	(+) 7.68	162
12.	Social security and welfare	0.29	3.19	(+) 2.90	1000
13.	Forestry & wildlife	8.09	10.18	(+) 2.09	26
14.	Co-operation	0.07	0.34	(+) 0.27	386
15.	Power	107.37	74.01	(-) 33.36	31
16.	Village and small industries	0.76	0.35	(-) 0.41	54

<sup>2</sup> This includes Other Non-tax Revenue receipt under Social Services-0515-other Rural Development Programmes (₹0.37 crore), 0217-Urban Development (₹0.04 crore), 0230-Labour & Employment (₹0.03 crore), 0552-Northeastern Areas (₹0.03 crore) and 1054-Roads and Bridges (₹2.28 crore).

17.	Road transport	14.01	11.55	(-) 2.46	18
18.	Other general economic services	0.11	0.12	(+) 0.01	9
19.	Land revenue	0.81	0.59	(-) 0.22	27
20.	Stamps & registration fee	1.17	1.35	(+) 0.18	15
21.	Taxes and duties on electricity	0.03	0.05	(+) 0.02	67
22.	Public service commission	0.22	0.33	(+) 0.11	50
23.	Education, sports, art & culture	0.32	8.74	(+) 8.42	2631
24.	Medical & public health	0.20	0.09	(-) 0.11	55
25.	Taxes on goods and passenger	2.54	6.62	(+) 4.08	161
26.	Housing	3.44	3.63	(+) 0.19	6
27.	Water supply and sanitation	1.29	1.29	0	0
28.	Crop husbandry	0.15	0.16	(+) 0.01	7
29.	Animal husbandry	0.65	0.57	(-) 0.08	12
30.	Food storage and warehousing	0.09	0.01	(-) 0.08	89
31.	Other agricultural programmes	0.05	0.03	(-) 0.02	40
32.	Minor irrigation	0.02	0.00	(-) 0.02	100
33.	Non-ferrous mining & metallurgical industries	1.03	0.72	(-) 0.31	30
34.	Tourism	0.32	0.16	(-) 0.16	50
35.	Other Rural Development Programmes	0.13	0.37	(+) 0.24	185
36.	Roads & bridges	0.16	2.28	(+) 2.12	1325
<b>Total</b>		<b>325.78</b>	<b>410.36</b>	<b>(+) 84.58</b>	<b>26</b>

The concerned Departments did not inform (January 2012) the reasons for variation despite being requested (December 2011).

#### 4.1.5 Cost of collection

The gross collection in respect of the major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2008-09, 2009-10 and 2010-11 along with the relevant all India average percentage of expenditure on collection to gross collection for the year 2009-10, are as mentioned in the following table.

**Table 4.1.5**

(₹ in crore)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the previous year
1.	Taxes on sales, trade etc.	2008-09	114.70	3.41	2.97	0.83
		2009-10	132.22	4.18	3.16	0.88
		2010-11	167.22	5.59	3.34	0.96
2.	Taxes on vehicles	2008-09	14.14	1.97	13.93	2.53
		2009-10	16.73	2.24	13.39	2.93
		2010-11	23.92	3.20	13.38	3.07
3.	Stamps and registration fees	2008-09	1.01	0.38	37.62	2.09
		2009-10	1.19	0.16	13.45	2.77
		2010-11	1.35	0.25	18.52	2.47

The above table indicates that the percentage of expenditure on collection during 2010-11 as compared to the All India Average percentage of expenditure on collection for 2009-10 was substantially higher in respect of all the above taxes. The percentage of

expenditure on collection of revenue in respect of taxes on vehicles has followed a downward trend whereas it had gone up in 2009-10 for Stamps and registration fee and Taxes on sales, trade etc.

**The Government needs to improve the cost of collection in respect of all the three types of revenue.**

#### 4.1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2010 have been furnished by the concerned Government Departments (May 2011). The consolidated arrears in revenue under various Acts from 1977-78 to 2009-10 are mentioned in the following table.

**Table 4.1.6**

(₹ in crore)				
Sl. No.	Name of Acts	Period of arrears	Amount in arrears	Arrears outstanding for more than 5 years
1.	Nagaland Sales Tax	1977-2008	3.70	3.33
2	Value Added Tax	2005-2010	8.33	00
3	Central Sales Tax	1988-2010	3.18	2.60
4	Petroleum Tax	2001-2010	1.33	1.19
5	Purchase Tax	1996-2006	1.27	1.27
6	Professional Tax	1988-2010	0.15	0.04
<b>Total</b>			<b>17.96</b>	<b>8.43</b>

(Source:-Departmental records)

Out of the total revenue arrears of ₹17.96 crore, ₹8.43 crore remained outstanding for more than five years. In cases of Nagaland Sales Tax, Petroleum Tax and Purchase Tax, most of the arrears were outstanding for more than five years.

**It is recommended that the Government may institute a mechanism to pursue and monitor prompt recovery of arrears.**

#### 4.1.7 Write-off and waiver of revenue

The Department of Taxes furnished (September 2011) a nil report on the position of amounts written off as of March 2011, on being requested (May 2011).

#### 4.1.8 Failure to enforce accountability and protect interest of the Government

The Accountant General (AG), Nagaland, Kohima conducts periodical inspection of the various offices of the Government Departments to test check the correctness of assessments, levy and collection of taxes/duties/fees etc., and verify the maintenance of accounts and records as per the Acts, Rules and procedures prescribed by the Government. These inspections are followed by the Inspection Reports (IR) issued to the heads of offices inspected with copies to the higher authorities. Serious irregularities noticed during audit are also brought to the notice of Government/Heads of the Departments by the AG. A half yearly report regarding the pending IRs is sent to the

Secretaries of the concerned Government Departments to facilitate monitoring and settlement of the audit observations raised in these IRs through the intervention of the Government.

A review of the IRs issued up to March 2011 pertaining to the offices under the following Departments disclosed that 82 IRs involving money values of ₹52.01 crore were pending at the end of October 2011 as shown in the following table:-

**Table 4.1.7**

(₹ in crore)				
Sl. No.	Name of the Department	No. of IRs	Number of paragraphs	Amount
1	State Excise	04	06	0
2	Forest	29	85	5.95
3	Sales Tax	22	134	32.46
4	Transport	13	36	11.42
5	Motor Vehicle	12	38	1.84
6	State Lotteries	02	09	0.34
Total		82	308	52.01

**It is recommended that the Government may take suitable step to install an effective procedure for prompt and appropriate response to audit observation as well as taking action against officers/official who do not send replies to the IRs/paragraphs as per the prescribed time schedule and also fail to take action to recover loss/outstanding demands in a time bound manner.**

#### **4.1.9 Audit Committee Meetings**

In order to expedite the settlement of the outstanding audit observations contained in the IRs, departmental audit committees have been constituted by the Government. These committees are chaired by the Secretaries of the concerned administrative departments and their meetings are attended by the concerned officers of the State Government and officers from the office of the AG.

During 2010-11, no audit committee meeting was convened to clear the outstanding audit observations.

**It is recommended that the Government may ensure that departmental audit committee meetings are held on regular basis to clear the outstanding audit observations.**

#### **4.1.10 Compliance with the earlier Audit Reports**

During the period from 2003-04 to 2009-10, the Department/Government accepted audit observations involving ₹12.74 crore, of which ₹0.46 crore only had been recovered till September 2010 as mentioned in the following table:-

Table No.4.1.8

(₹ in crore)				
Sl. No.	Year	Money value of Audit Report	Amount accepted by the Departments	Amount recovered
1.	2003-04	2.78	0.02	Nil
2.	2004-05	1.50	1.37	0.22
3.	2005-06	0.02	0.02	Nil
4.	2006-07	1.17	0.24	0.24
5.	2007-08	6.51	1.35	Nil
6.	2008-09	11.78	8.77	Nil
7.	2009-10	0.97	0.97	Nil
Total		24.73	12.74	0.46

The amount recovered by the Department was only 3.61 *per cent* of the amount which was accepted by them.

**It is recommended that the Government may institute a mechanism to pursue and monitor prompt recovery of dues involved in the accepted cases.**

#### 4.1.11 Results of Audit

This chapter contains one paragraph relating to loss of Government revenue involving ₹23.02 lakh and unrealised revenue of ₹15.90 lakh and a performance audit on “Utilisation of declaration forms in Interstate Trade”.

### PARAGRAPHS

#### DEPARTMENT OF TOURISM

#### 4.2 Loss of Government Revenue

Due to selection of a bidder who had quoted a lesser price in respect of lease of Tourist Lodge Kohima, Government sustained revenue loss of ₹23.02 lakh. Failure to invoke specific clauses of the agreement resulted in revenue amounting to ₹15.90 lakh remaining unrealised. Besides security deposit of ₹four lakh was also not forfeited.

The Tourist Lodge Kohima, with floor area of 17802 sqft under the control of the Department of Tourism, Nagaland was privatised on 11 July 2007 for a period of 10 years (upto 12 July 2017) on the basis of a Deed of Agreement executed between the Government and the lessee<sup>4</sup>. As per the terms of agreement, the lessee was to pay a monthly rent of ₹30,000 per month commencing from December 2007 which was required to be paid on or before the 15<sup>th</sup> of every month.

Scrutiny of records revealed that a short tender notice was issued (October 2006) for privatisation of Tourist Lodge, Kohima and the highest bidder<sup>5</sup> who quoted ₹49,845/- per

<sup>4</sup> M/s V.A. Metha

<sup>5</sup> Ekobe Mechui

month was recommended by the Director of Tourism. However, the tender was cancelled (February 2007) on the grounds of certain shortcomings in the terms and conditions of the tender and the Tender Evaluation Committee directed to float a fresh tender. The Cabinet approved the proposal (March 2007) for privatisation and directed the Tourism Department to finalise the process of privatisation of Tourist Lodge, Kohima as per tenders floated after observing all necessary formalities. The following are the audit observations:

- Contrary to the directions of the Tender Evaluation Committee and Cabinet approval, the Department of Tourism represented by Commissioner and Secretary to Government of Nagaland executed the Deed of Agreement between the Government and M/s V.A. Metha (the second bidder who quoted only ₹30,015 per month) without inviting fresh tender. It was observed that selection of the lessee was faulty as the bidder who quoted a lower price of ₹30,000 per month was selected thereby foregoing revenue to the tune of ₹23.02 lakh<sup>6</sup>.

The Department stated (January 2012) that M/s V. A. Metha was the only party capable and willing to undertake major renovation of the tourist lodge, Kohima for making it functional. However, the Department did not state any reason for rejecting the highest bidder.

- As per the original terms and conditions of the Short Tender Notice, the selected bidder was required to provide security deposit in the form of fixed deposit receipts of ₹15 lakh. However, the deed agreement was entered into with the lessee for only ₹four lakh as security deposit. No reasons for relaxation were found on record.
- The agreement did not provide any provision for periodical review/revision of the rate of rent and monthly rent was fixed for 10 years at the same rate.
- Clause 14 of the Lease Deed states that in the event of failure to pay the monthly rent for a period of three consecutive months by the lessee, the Government will recover the amount of rent from the security deposit/interest accrued automatically, and in which case there will be no further requirement for giving three months notice for termination of the license, as the lessee has committed breach of conditions of the license.

However, the lessee had not paid any rent which was due from December 2007 i.e. after the commencement of Lease Agreement. The Department had not recovered the dues amounting to ₹15.90 lakh (December 2007 to February 2012) from the lessee and also not realised the outstanding rent from the security deposit. Although the fact that demand notices were served to the lessee on four occasions<sup>7</sup> by the Director of Tourism was brought to the notice of the Government, no action on the matter was initiated by the Government which indirectly encouraged the lessee to default in payment of lease rents.

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<sup>6</sup> ₹49,845 x 116 (w.e.f Dec 2007 to 11 July 2017) = ₹57,82,020.

₹30000 x 116 = ₹34,80,000. Therefore ₹57,82,020 minus ₹34,80,000 = ₹23,02,020.

<sup>7</sup> October and December 2008, March 2009 and July 2010.

Thus, due to award of lease to the lowest bidder, Government sustained revenue loss of ₹23.02 lakh. The Department also defaulted by arbitrarily reducing the security deposit by ₹11 lakh. Revenue amounting to ₹15.90 lakh as per deed agreement also remained unrealised (February 2012).

The Department stated (February 2012) that the lessee was being requested to deposit the rent and the entire amount is expected to be paid shortly.

The fact however remains that undue favour was extended to the lessee resulting in loss of Government revenue to the tune of ₹23.02 lakh. Outstanding revenue of ₹15.90 lakh is also yet to be realised till date (March 2012). The license was not terminated as per the terms of agreement nor was the security deposit forfeited.

## FINANCE AND TAXATION DEPARTMENT

### 4.3 Performance Audit on “Utilisation of declaration forms in Interstate Trade

#### Highlights

✎ *The Department failed to conduct timely verification of stock register which led to short receipt and probable misuse of 1375 “C” forms.*

*(Paragraph 4.3.8)*

✎ *Three dealers concealed purchase turnover of ₹10.84 crore by utilising invalid/fake “C” forms which led to non-levy of tax and corresponding evasion of tax of ₹ 1.36 crore. Besides, penalty of ₹4.08 crore was also leviable.*

*(Paragraph 4.3.11.2 and 4.3.11.3)*

✎ *Five dealers imported goods worth ₹9.16 crore by utilising 11 “F” forms (₹8.29 crore) and three “C” forms (₹0.87 crore) which were not disclosed in their accounts. The assessing officers also accepted the returns filed by the dealers without cross verifying the utilisation of the declaration forms which resulted in concealment of turnover of ₹9.16 crore and evaded tax payment of ₹1.17 crore. Besides, penalty of ₹3.51 crore was also leviable.*

*(Paragraph 4.3.11.4)*

✎ *Exemption of tax on sales worth ₹2.02 crore was allowed by the assessing officers without documentary evidence which resulted in undue exemption of tax to the tune of ₹4.13 crore.*

*(Paragraph 4.3.11.6)*

✎ *Three unregistered dealers utilised 18 “F” forms and irregularly imported goods worth ₹3.82 crore from three selling dealers registered in other states.*

*(Paragraph 4.3.11.7)*

➤ *Against the import of goods worth ₹3.10 crore by seven dealers of Nagaland, the purchasing dealers submitted utilisation statements for ₹0.48 crore resulting in concealment of purchase turnover of ₹2.62 crore and possible evasion of tax amounting to ₹31.56 lakh.*

*(Paragraph 4.3.11.9)*

➤ *A dealer concealed import of goods valued at ₹10.17 crore from Meghalaya being stock transfer against “F” forms during 2005-07 which led to evasion of tax to the tune of ₹1.27 crore.*

*(Paragraph 4.3.11.11)*

#### 4.3.1 Introduction

The Central Sales Tax (CST) Act, 1956 and the Rules framed thereunder provide for concessional rate of tax in respect of inter-state sales of goods and exemption from tax in respect of branch transfers and export sales. The State Government grants these incentives to dealers for furtherance of trade and commerce, on production of prescribed declaration forms viz. 'C' and 'F'. Failure to furnish the declarations or submission of defective or incomplete declaration forms will make the transactions liable to tax as applicable to sale in the appropriate State. It is the responsibility of the Commercial Tax Department to ensure proper accountal of declaration forms and to take adequate safeguards against misutilisation of declaration forms/certificates on which tax relief is allowed involving large amount of revenue to the state exchequer.

##### **Form “C”**

Under the provisions of the CST Act, every dealer, who in the course of inter-state trade or commerce, sells to a registered dealer, goods of the classes, specified in the certificate of registration of the purchasing dealer, shall be liable to pay tax at the concessional rate of four *per cent* (two *per cent* w.e.f. 01.04.2010) of such turnover provided such sales are supported by declarations in form “C” obtained from the purchasing dealer.

##### **Form “F”**

Under section 6A of CST (Amendment) Act 1972, transfer of goods not by reason of sales by a registered dealer to any other place of his business outside the state or to his agent or principal in other States is exempt from tax on production of declaration in form “F”, duly filled in and signed by the principal officer of the other place of business or his agent or principal as the case may be, along with evidence of dispatch of such goods. Filing of declaration in form “F” was not mandatory up to May 2002. However, the Act provided for the Assessing Authority to make such enquiries as he deemed necessary to

satisfy himself about bonafides of the transfer such as sale patties, dispatch particulars, way bills etc.

A Performance Audit on “Utilisation of declaration forms in inter-state trade” was conducted to check correctness of the exemptions/concessions granted on the basis of these declarations. The audit revealed various irregularities which are mentioned in subsequent paragraphs.

#### 4.3.2 Organisational set up

The Finance Commissioner is the administrative head of the Department. The Commissioner of Taxes, assisted by two Additional Commissioners of Taxes and two Deputy Commissioners of Taxes, is responsible for the administration of the CST Act and Rules including printing, receipt and distribution of declaration forms to each zone. The entire State is divided into three Zones namely Dimapur Zone, Kohima Zone and Mokokchung Zone each headed by an Assistant Commissioner of Taxes (ACT). These zones are further sub-divided into 11 districts<sup>8</sup> and the districts of Dimapur, Kohima and Mokokchung are divided into eight wards. Each district and ward is under the jurisdiction of one Superintendent of Taxes (ST). The ACT and ST are responsible for receipt and issue of declaration forms, registration of dealers and CST assessments.

The Mobile Squad is the intelligence wing of the Department attached to the Commissioner of Taxes and is headed by an ACT. The Mobile Squad conducts search and seizure and investigates cases of tax evasion. It functions under the direct control of the Commissioner of Taxes.

#### 4.3.3 Audit Objectives

The performance audit attempted to ascertain whether:

- There exists a foolproof system for custody and issue of the declaration forms.
- Exemption/concession of tax granted by the assessing authorities was supported by the original declaration forms.
- There is a system for ascertaining genuineness of the forms for preventing evasion of tax.
- There is a system of uploading the particulars on the TINXSYS website and the data available there is utilised for verifying the correctness of the forms.
- Appropriate steps are taken on detection of utilisation of fake, invalid and defective forms; and
- There exists an effective and adequate internal control mechanism for preventing leakage of revenue.

<sup>8</sup> Dimapur zone-Dimapur district, Mon district and Peren district.  
Kohima zone-Kohima district, Phek district and Wokha district.  
Mokokchung zone-Mokokchung district, Kiphire district, Tuensang district, Longleng district and Zunheboto district.

#### 4.3.4 Scope and methodology of audit

The audit was conducted between December 2010 and June 2011. Out of 11 districts, four districts viz., Kohima, Dimapur, Mokokchung and Mon including records of the Commissioner of Taxes (CoT), Dimapur for the period from 2007-10 were selected for review. The four districts were selected considering the higher number of declaration forms issued to them by the CoT.

Details of 200 declaration forms (66 “C” forms & 134 “F” forms) pertaining to 14 States were received from other field offices for cross verification in the State, of which 123 declaration forms (51 “C” forms & 72 “F” forms) with transaction value of ₹48.31 crore were cross verified with the records of 31 dealers. For these interstate transactions, tax concession of ₹2.46 crore was allowed against “C” forms and tax amounting to ₹5.50 crore was exempted against “F” forms.

#### 4.3.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Taxation Department for providing the information and records for Audit. An entry conference was held with the Commissioner of Taxes in December 2010 in which the scope of audit, methodology and audit objectives were discussed with the Department. The draft performance audit report was forwarded to the Government and the Department in October 2011 followed by an exit conference held with the OSD, Finance Department and Commissioner of Taxes in November 2011 to discuss the results of audit and recommendations. The report was finalised after incorporating the replies of the Department.

#### 4.3.6 Trend of revenue under CST

The Department did not set any revenue target for CST. The revenue collection for the last five years is shown below:-

**Table No.4.3.1**

Year	Collection (₹ in crore)	Total tax on sales, trade etc. (₹ in crore)	Percentage to total tax on sales, trade etc.
2006-07	3.52	85.02	4.14
2007-08	3.27	94.79	3.45
2008-09	4.37	114.70	3.81
2009-10	5.36	132.22	4.05
2010-11	5.43	167.22	3.24

(Source: Finance accounts)

As would be seen from above, the revenue from CST has shown an increasing trend except in 2007-08 which was due to reduction of the CST rate from four *per cent* to three *per cent*.

**Audit findings****4.3.7 Printing and custody of declaration forms**

The forms are got printed by the Commissioner of Taxes (CoT) from the State Government press and supplied to the divisions for distribution amongst the circle offices under their jurisdiction. The Government of Nagaland printed 5,58,500 “C” forms from the Deputy Controller of Stamp, Central Stamp Stores, Security Press Nasik Road during the period from 1973-93. Out of the “C” forms printed, the Department had issued 3,95,783 forms till 11 June 2001. The Department through a notification dated 16 June, 2001 declared all the 3,95,783 “C” forms printed and issued upto 11 June 2001 obsolete and invalid citing the reason “to prevent misuse”.

Similarly, the Department got 82,500 “F” forms printed during April 1973 to April 1988 from the Deputy Controller of Stamp Nasik, of which 19,195 forms were issued till 11 June 2001. All these forms issued were also declared obsolete and invalid through a notification on 11 June 2001.

Audit scrutiny of the departmental records revealed that no specific reasons were recorded for cancelling the forms and the notification was issued on the verbal instructions of the CoT stating that this was in the interest of government revenues.

The Department’s action of declaring all the forms issued prior to the date of notification obsolete and invalid was not justified as those forms were not called back from the dealers. Instances of misuse of these forms were noticed in audit and have been pointed out in subsequent paragraphs.

**4.3.8 Issue and accounting of declaration forms**

According to clause 2 of Rule 192 of General Financial Rules, physical verification of all the consumable goods and materials should be undertaken at least once in a year and discrepancies, if any, should be recorded in the stock register for appropriate action by the competent authority.

Audit scrutiny revealed that though the stock registers were maintained at each level no regular physical verification was conducted by any authority either from the Commissioner’s Office or the district offices since 1979 in respect of “F” forms and since 1994 in respect of “C” forms.

Cross check of the stock register of “C” forms maintained in the Commissioner’s Office with that of the districts revealed short receipt of 1375 “C” forms by the Assistant Commissioner of Taxes, Dimapur during 2007-08 to 2009-10 as detailed hereinafter:-

**Table No.4.3.2**

Date of issue by the CoT	To whom issued	Leaflet nos. & quantity issued as per the stock Register of the Commissioner	Leaflet nos. & quantity received as per the stock register of the ACT Dimapur	Less receipt by ACT, Dimapur (Leaflet No.)	Numbers of forms short received
<b>14.09.07</b>	ACT Dimapur. Ward-C	NL.075626-076225 =600	NL.075626-076125 =500	076126 to 076225	100
<b>29.01.08</b>	ACT Dimapur. Ward-B	NL.078401-079675 =1275	NL.078401-079650 =1250	079651 to 079675	25
<b>18.02.09</b>	ACT Dimapur. Ward-D	NL.094001-095250 =1250	NL.094001-95000 =1000	95001 to 095250	250
<b>23.07.09</b>	ACT Dimapur. Ward-C	NL.098251-099250 =1000	NIL	098251 to 099250	1000
<b>Total</b>					<b>1375</b>

(Source:-Departmental records)

Failure of the Department to comply with the financial rules for timely verification of stock register by higher authority led to short receipt of 1375 “C” forms. The misuse of these forms cannot be ruled out.

On being pointed out (September 2011) the Department stated (November 2011) that the “C” forms were declared obsolete and invalid in October 2011 as they were lost. The Department stated during the exit conference (November 2011) that physical verification would henceforth be conducted periodically.

The fact however remains that the action of the Department was belated and timely conducting of physical verification would have prevented misuse of the forms.

#### **4.3.9 System deficiencies to detect utilisation of lost, invalid/fake declaration forms**

The CoT circulates to all the districts and other States, the report of declaration forms lost, declared obsolete as per information received from the districts from time to time. However, till date (March 2012), the short receipt of 1375 “C” forms as pointed out in paragraph 4.3.8 had not been reported to the competent authority by the ACT, Dimapur. It also came to the notice of audit that there is no system in the Department for blacklisting the dealers who are found utilising invalid/fake declaration forms and no data bank is being maintained for forms declared invalid or dealers found to be fictitious or whose registration certificate were cancelled.

Further, a sample of colour, design and format of the forms of other states submitted by the dealers with the returns are not available with the Department in order to enable them to identify fake or forged declaration forms while doing the assessments. Thus, the Department failed to detect any cases of fake and invalid forms till date.

The intelligence wing of the Department known as the Mobile Squad headed by an ACT, attached to the Directorate whose jurisdiction covers the entire State, is entrusted with the

task of maintaining vigil over the business activities of the traders to prevent tax evasion. Besides, the ACT is authorised to conduct search and seizures and also investigate cases of tax evasion and report to the Commissioner. However, no case of search, seizure and investigation was ever reported to the Commissioner by the Mobile Squad during the period 2007 to 2010.

#### 4.3.10 Non-maintenance of records of receipts and issue of declaration forms by the dealers

The Department did not make any provision/issue any guidelines on the following issues to prevent possible misuse of declaration forms and subsequent evasion of tax by the dealers:-

- Prescribing a check list of points to be seen prior to acceptance of the declaration forms.
- Picking up a sample of declaration forms for cross verification with the concerned issuing States.
- Verifying the declaration forms submitted by the dealers with the database available in the TINXSYS website before allowing exemption/concession of tax.
- System for uploading the details of the dealers, issue and utilisation of declaration forms in the TINXSYS website.

#### 4.3.11 Utilisation of declaration forms

##### 4.3.11.1 Irregular import of goods by using 25 obsolete “F” forms

Cross check of the declaration forms submitted to the assessing officers of Sikkim by a dealer registered in NE Charge circle, Sikkim revealed that two dealers M/s Kyong Hardware registered under ST, Wokha and M/s Zhimomi Enterprise registered under ACT, Dimapur, imported goods worth ₹2.62 crore by utilising 25 “F” forms (**Appendix-4.1**) during 2007-09. On cross verification it was revealed that the forms used were declared obsolete by the Department in June 2001. The Department also stated (November 2011) that the forms were not issued to these dealers. Thus, use of obsolete forms resulted in irregular import of goods worth ₹2.62 crore by two dealers. The dealers had not accounted for these imports in their records. Hence, an amount of ₹32.81 lakh towards NVAT was also evaded.

In reply the Department stated (November 2011) that the use of obsolete form is under investigation and the outcome shall be intimated.

#### 4.3.11.2 Concealment of turnover by utilising fake “C” forms by a dealer led to non-levy of tax

The CoT Nagaland vide notification<sup>9</sup> declared the under mentioned 3,95,783 “C” forms as obsolete and invalid effective from 11.06.2001, and the notification was endorsed to the Taxation Departments in other states for compliance.

1. Sl. No. BB000001 to BB278500
2. Sl. No.1BB000001 to 1BB080000
3. Sl.No.NI.000001 to NI.037283

Cross verification of declaration forms with other States revealed that a registered dealer based in Nagaland utilised the following four “C” forms for importing goods valued ₹10.80 crore from Jharkhand during the period 2007-08 as detailed below:-

**Table 4.3.3**

Sl No	C form no. & Date	Name of purchasing dealer	Circle	Name of Goods	Value of Goods (₹ in lakh)	Name of Seller	Assessment year	State
1	NL 036760 12/9/2007	Krishna Trading Company	ACT Dimapur	Cement	367.16	ACC Limited	2007-08	Jharkhand
2	NL 036761 12/9/2007	Krishna Trading Company	ACT Dimapur	Cement	220.55	ACC Limited	2007-08	Jharkhand
3	NL 036763 12/9/2007	Krishna Trading Company	ACT Dimapur	Cement	139.53	ACC Limited	2007-08	Jharkhand
4	NL 036764 12/9/2007	Krishna Trading Company	ACT Dimapur	Cement	352.27	ACC Limited	2007-08	Jharkhand
<b>Total</b>					<b>1079.51</b>			

(Source:-Departmental records)

Audit scrutiny further revealed that the above stated four “C” forms utilised by M/s Krishna Trading Co. were fake as the original forms were not issued to any dealer and were instead surrendered by ST, Wokha to the Commissioner of Taxes, Nagaland (December 2000). Thus, the dealer concealed purchase turnover of ₹10.80 crore by utilising four fake “C” forms and evaded tax payment of ₹1.35 crore<sup>10</sup>. Besides, according to sub-section (7) of Section 36 of NVAT, Act 2005, penalty of ₹4.05 crore (₹ 1.35 x 3 = ₹4.05 crore) was also leviable on the dealer.

The Department in reply (November 2011) stated that audit assessment under section 36 of NVAT Act, 2005 in respect of M/s Krishna Trading Company has been completed by the revision authority and that re-opening of the case may not be appropriate.

The fact however remains that the revision authority had re-assessed the tax on assumed concealed turnover of ₹1.10 lakh against the actual turnover of ₹10.80 crore during 2007-08. The action of the revision authority was not in order as the re-assessment was not

<sup>9</sup> No. CT/STS/1/01 dated 16.07.2001

<sup>10</sup> At the rate of 12.5 per cent on ₹ 10.80 crore

based on the actual turnover of the dealer. Thus, the dealer was allowed to evade tax payment of ₹1.35 crore by concealing the actual turnover of ₹10.80 crore.

#### 4.3.11.3 Concealment of turnover by utilising invalid “C” forms by two dealers led to non-levy of tax

Cross verification of the declaration forms revealed that goods valued at ₹27.91 lakh was imported from Assam and Rajasthan by utilising two “C” forms as detailed in the table:-

**Table 4.3.4**

Sl No	C form No. & Date	Name of purchasing dealer	Circle	Name of Goods	Value of Goods (₹. in lakh)	Name of Seller	Assessment year	State
1	NL 036261 4/7/06	Sumedan Warehousing, Mokokchung	ACT Mokokchung	Cosmetics, napkin etc	4.29	Johnson & Johnson Ltd	2005-06	Assam
2	BB 192603	Purwanchal Traders	ACT Dimapur	Mustard oil	23.62	Bhardwaj Oil India	2008-09	Rajasthan
<b>Total</b>					<b>27.91</b>			

Audit found that the dealers did not disclose in their accounts the import of goods by utilising these two “C” forms which were declared invalid by the Department in June 2001, resulting in concealment of purchase turnover of ₹27.91 lakh and evasion of tax of ₹3.49 lakh. Besides, according to sub-section (7) of Section 36 of NVAT, Act 2005, penalty of ₹10.47 lakh ( $₹3.49 \times 3 = ₹10.47$  lakh) was also leviable on these two dealers.

The Department in reply (November 2011) stated that utilisation of invalid forms by M/s Sumedan Warehousing, Mokokchung is under investigation and in respect of M/s Purwanchal Traders, Dimapur, the registration certificate of the dealer was cancelled (2007) and the dealer had already left Nagaland.

The fact however remains that the tax payable by the dealer is still outstanding.

#### 4.3.11.4 Concealment of transactions

During cross check of declaration forms it was seen that 11 “F” forms by two dealers and three “C” forms by three dealers registered in Nagaland were utilised for importing goods worth ₹9.16 crore<sup>11</sup>. Scrutiny of the assessment records and returns of these five dealers revealed that an amount of ₹9.16 crore was not shown in the accounts of the dealers. The assessing officers assessed the tax payable as per the returns filed by the dealers during 2004-05 to 2008-09 without cross verifying the utilisation statements and declaration forms.

Failure of the Assessing Officer to cross verify the utilisation of the declaration forms while accepting the dealers returns resulted in concealment of turnover of ₹9.16 crore by

<sup>11</sup> “F” form=₹8.29 crore and “C” form=₹0.87 crore

these five dealers resulting in evasion of tax of ₹1.17 crore. Besides, penalty of ₹3.51 crore was also leviable (**Appendix-4.2**).

On being pointed out (September 2011), the Department accepted the facts in respect of three dealers<sup>12</sup> and issued notices under Section 39 of NVAT Act 2005. The Department's reply in respect of one dealer (M/s Sungyu dealer, Mokokchung) was awaited. However, in respect of M/s. Kim Hyundai, Kohima the Department stated that the forms were not utilised by the dealer and therefore the Department declared the forms obsolete on 31.10.2011. The reply of the Department is not correct as the original copies of the declaration forms obtained during cross verification by audit showed that the forms were issued by M/s Kim Hyundai. Further, during the course of audit of the records of M/s Kim Hyundai, Kohima it was observed that the Commercial Tax Department of Meghalaya had intimated in January 2008 that during the year 2004-05, goods valued at ₹8.10 crore were transferred by M/s. Kim Hyundai from Meghalaya as stock transfer. Audit pointed out that these transactions were not accounted for in the accounts of 2004-05 (June 2011), in response to which, the Department issued demand notice of ₹97.27 lakh to the dealer in July 2011.

While responding to the same issue in exit the conference (November 2011), the Department in contradiction of its earlier action, produced a copy of the notification issued in October 2011 vide which all the 51 "F" forms issued to M/s Kim Hyundai, Kohima since its registration in April 2004 till May 2009 were declared obsolete and invalid from the date of their issuance on the ground of preventing their misuse.

The Department's action of raising demand on the one hand and declaring the "F" forms already issued to and utilised by the dealer obsolete and invalid on the other, was nothing but an effort to cover up the misconduct of the dealer. The Department neither called for the utilisation certificates nor asked the dealer to return the forms.

#### 4.3.11.5 Concealment of sales

Section 10A of the CST Act, 1956 provides that a dealer who is guilty of an offence shall be given a reasonable opportunity of being heard, by order in writing, impose upon him by way of penalty a sum not exceeding one and a half times the tax which will have been levied under sub-section (2) of Section 8 in respect of the sale to him of the goods, if the sale had been a sale falling within that sub-section.

During scrutiny of records, it was seen that a selling dealer registered under ACT, Dimapur sold goods valued at ₹5.65 crore to two dealers in Manipur against 6 "C" forms.

Cross verification of the amount shown in the counterfoils of the purchasing dealers in Manipur with the amount in the declaration forms furnished by the selling dealer revealed that against the actual export of goods of ₹5.65 crore only ₹2.60 crore (**Appendix-4.3**) was shown in the returns of the selling dealer. Thus, the dealer concealed an amount of

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<sup>12</sup> M/s North East Traders, M/s Apex Paramilitary Bonded Warehouse and M/s Symbios Creations.

₹3.05 crore in its sale turnover during 2008-09 to 2009-10 which escaped the notice of the Assessing Officer while assessing the returns thereby resulting in evasion of tax of ₹3.05 lakh. Further, penalty of ₹4.57 lakh was also leviable on the selling dealer.

#### 4.3.11.6 Concealment of turn over

Section 6(A) (1) of the CST Act 1956 provides that if any dealer claims that he is not liable to pay tax on the ground that the movement of goods was by way of transfer by him to other place of his business or to his agent or principal, as the case may be and not by reason of sale, then the dealer must furnish the declaration duly filled in and signed by the principal officer of the other place of business or his agent as the case may be in the prescribed form obtained from the competent authority. Rule 25 & 26 of the Nagaland Sales Tax Rules 1970 also stipulates submission of documents in support of any claim for deduction from gross turn over under section 14 of Nagaland Sales Tax Act. If the dealer fails to furnish such declaration forms/documents, then the movement of goods shall be deemed for all purposes to have been occasioned as a result of sale.

Scrutiny of records of a dealer, M/s Ravi Timber and Allied Products (P) Limited, under the jurisdiction of the Superintendent of Taxes, Mon dealing in wholesale of timber, veneer, black board and sawn timber revealed that in response to an enquiry of the Commissioner of Taxes, Commercial Tax, West Bengal (December 2007), the Department informed that 25 “F” forms were issued to the dealer for which no utilisation details were submitted by the dealer. The trading accounts submitted by the dealer for assessment also showed that during the years 2002-03, 2003-04, 2004-05 and 2005-06, the dealer had imported by branch transfer goods worth ₹10.77 crore, ₹6.77 crore, ₹7.49 crore and ₹17.55 crore respectively. The dealer was assessed to tax for the period 2002-03 to 2005-06 as under:-

**Table 4.3.5**

(in ₹)						
Year	Gross Turn Over	Amount Exempted including local sale of firewood	Taxable turn over as considered by the Assessing Officer	Tax assessed by Assessing Officer	Fine imposed	Tax payable
2002-03	48491651	47243299	1248352	124835	500	125335
2003-04	133912360	132580219	1332141	133214	500	133714
2004-05	74885240	73966676	918564	91856	0	91856
2005-06	175517928	174709284	808644	89849	0	89849
<b>Total</b>	<b>432807179</b>	<b>428499478</b>	<b>4307701</b>	<b>439754</b>	<b>1000</b>	<b>440754</b>

Scrutiny of records (February 2011) further revealed that the AO while assessing the tax liability of the dealer for the period from 2002-03 to 2005-06, assessed the tax payable as ₹4.41 lakh after allowing exemption of tax on sales worth ₹42.02 crore<sup>13</sup> being goods transferred to local factories without documentary evidence or mentioning the applicable

<sup>13</sup> Excluding ₹ 83.05 lakh on sale of non taxable items such as firewood.

section under which the exemption was provided. Thus, the dealer was allowed undue exemption of tax to the tune of ₹4.13 crore<sup>14</sup> payable under Nagaland Sales Tax Act.

The dealer had also not paid the assessed tax of ₹4.41 lakh for which no action was initiated against the defaulting dealer.

In their reply (August 2011) the Department stated that ₹89,849 (tax assessed for the year 2005-06) was realised. The Department, in contradiction to the information provided to Commissioner of Taxes, West Bengal, Kolkata, intimated that no statutory forms were issued to the dealer. The matter needs extensive investigation.

#### 4.3.11.7 Misutilisation of declaration forms by three unregistered dealers

During cross check of the declaration forms it was observed that 18 “F” forms were issued by the Commissioner of Taxes to the ST, Mon and ACT, Dimapur, which were utilised by three unregistered dealers and goods worth ₹3.82 crore imported from Goa, Sikkim and Tamil Nadu during the period 2007-09 (**Appendix-4.4**). The ST, Mon and ACT, Dimapur did not produce the issue registers to audit and hence, it could not be verified to whom these forms were actually issued.

Irregular utilisation of “F” forms by unregistered dealers facilitated irregular transfer of goods valued at ₹3.82 crore and evasion of tax of ₹23.30 lakh.

The Department in reply stated that all the forms were declared obsolete. However, the matter was under investigation, the outcome of which would be intimated to audit.

The Department’s reply is not tenable as all the “F” forms declared obsolete and invalid were to be recalled which was not done by the Department.

#### 4.3.11.8 Misutilisation of declaration forms by the dealers

During scrutiny of records it was seen that the ACT, Dimapur issued 5 “F” forms to two dealers which were however utilised by dealers other than by those to whom they were actually issued. One of the dealers utilising these forms was registered under VAT and CST in Nagaland. The details are shown in the following table:

**Table 4.3.6**

(in ₹)

Sl. No	Name of the dealer to whom Form issued	Name of the dealer who utilised the forms	Number of F forms	Value of goods	Amount exempted	Name of the seller	Assessment circle	Year of assessment
1	M/s K.P & Co.	Vinay Enterprises	1	1494672	59786	Seahath Canning	Margao	2007-08
2	M/s DK Enterprise	M/s Zhimomi Enterprises	4	9962758	1245345	CG foods	NE Charge	2008-09
		<b>Total</b>	<b>5</b>	<b>11457430</b>	<b>1305131</b>			

(Source: Departmental records)

<sup>14</sup> 8 per cent on taxable turnover of the year 2002-03 to 2004-05 and 12.5 per cent on taxable turnover of 2005-06

As would be seen from the above table, the two dealers imported goods valued at ₹1.15 crore (**Appendix-4.5**) by utilising five declaration forms originally issued to other dealers by ACT, Dimapur.

Cross verification of the registered dealer's assessment records also revealed that the value of goods imported by utilising four declaration forms was not disclosed in the returns.

Laxity on the part of the Department to adequately safeguard against misutilisation of declaration forms resulted in evasion of tax of ₹ 13.05 lakh by the two purchasing dealers. Besides, penalty of ₹ 39.15 lakh was also leviable as per sub-section (7) of Section 36 of NVAT, Act 2005. Action against the registered dealers to whom the forms were issued was also called for under CST Rules.

The Department accepted the facts (November 2011) and stated that enquiry is being conducted.

#### **4.3.11.9 Non-furnishing of utilisation statement of forms and non-surrender of unused forms after cancellation of registration certificate**

Rule 4 (12) of the CST (Nagaland) Rules 1972 provides that no new declaration forms shall be issued to a dealer until he has rendered a satisfactory account of the old forms issued earlier and return the unused ones if any, to the said authority.

Rule 4 (7) of the CST (Nagaland) Rules 1972 provides that any unused declaration form remaining in stock with a registered dealer on the cancellation of his Registration Certificate shall be surrendered to the assessing authority within 15 days of such cancellation.

Test check of records in ACT, Dimapur revealed that the registration certificate of a dealer<sup>15</sup> was cancelled w.e.f 27.06.2007. However, the dealer did not submit the utilisation statement of the four "C" forms issued to him on 19.4.2007 and three "F" forms issued on 31.5.2007. The ACT, Dimapur also did not initiate any steps to take back the seven declaration forms issued to the dealer.

A dealer<sup>16</sup> registered under ACT, Dimapur was issued 48 "F" forms by ST, Dimapur (24 on 29.09.06 and 24 on 19.10.2006) without furnishing the utilisation statement of the forms issued to him earlier. Again 36 "F" forms were issued to the dealer on 29.10.2010 without obtaining the utilisation statement of the previous 48 numbers of "F" forms issued.

This indicated that there is no monitoring mechanism in the Department to watch the utilisation of the forms and hence their misutilisation cannot be ruled out.

<sup>15</sup> M/s Anita Enterprise bearing TIN CST-13010099132

<sup>16</sup> M/s Gen Next bearing TIN CST-13010203105

After the lapses of the Department were pointed out (September 2011), copies of the counterfoils of the used forms were obtained from the dealer and furnished during the exit conference (November 2011). The facts however remains that the action of the Department was in violation of the CST Rules. Besides, registration certificate in respect of M/s Anita Enterprise has been already cancelled and therefore there is no prospect of re-opening the case.

#### **4.3.11.10 Variation between the figures in the declaration forms and the utilisation statements**

Cross check of the figures in the details of the declaration forms obtained from the assessing officers of Assam and the utilisation statement submitted by the dealers to the Department under ACT, Dimapur revealed that seven purchasing dealers of Nagaland imported goods valuing ₹3.10 crore during 2004-05 to 2009-10 as shown in the declaration forms. However, the purchasing dealers in Nagaland submitted utilisation statements for only ₹0.48 crore (**Appendix-4.6**). Thus, either the purchasing dealers concealed purchase turnover of ₹2.62 crore or the selling dealers in the respective states inflated their sales.

Failure on the part of the assessing officers to cross check the amount shown in the declaration forms with that of the utilisation statements while assessing the returns of the dealers resulted in probable concealment of purchase turnover and possible evasion of tax of ₹31.56 lakh.

The Department in reply (November 2011) accepted the facts.

#### **4.3.11.11 Value Added Tax evasion of ₹1.27 crore causing revenue loss of ₹44.06 lakh**

According to Section 28 of the Nagaland Value Added Tax (NVAT) Rules 2005, Annual Return (in Form VAT-5) should be submitted by every registered dealer giving detailed information in respect of gross purchases including exempt and non-creditable purchases separately, gross sales including export sales, inter-State sales and consignment transfers separately, total tax due, including interest and penalty less tax credit during the year and tax payable and tax payment showing treasury voucher numbers. The annual return shall be furnished within two months of the close of the year to which it relates. Section 32 of the NVAT Act 2005, stipulates the scrutiny of such returns by the Assessing Officer.

Audit scrutiny (February 2011) of the case records of a dealer<sup>17</sup> registered in Kohima, Nagaland dealing in medium motor vehicles, chassis of motor vehicles, spare parts and accessories etc., revealed that the dealer imported goods valued at ₹18.28 crore from M/s Kim Hyundai, Shillong, Meghalaya being stock transfer during 2004-07. As per the records of ACT, Kohima 51 numbers of "F" Form were issued during June 2004 to May

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<sup>17</sup> M/s Kim Hyundai bearing NVAT TIN 13070225085 and CST TIN 13070077161

2009. As per the enquiry report of the ACT, Kohima (November 2006), the firm neither paid any taxes nor submitted the utilisation statement of the 12 forms issued till then. 39 more “F” forms were issued in February 2008 and May 2009 without insisting for the utilisation statement of forms issued earlier.

ACT, Meghalaya, Shillong confirmed (January 2008) the transfer of stock from Meghalaya to Nagaland as detailed in the following table:-

**Table No.4.3.7**

(in ₹)

Quarter ending	Value of stock transferred from Meghalaya	Tax evaded @ 12.5 per cent
30.06.2005	3096988	387124
30.09.2005	13343657	1667957
31.12.2005	18805322	2350665
<b>Sub-Total</b>	<b>35245967</b>	<b>4405746</b>
30.06.2006	34068128	4258516
30.09.2006	16912922	2114115
31.12.2006	15516870	1939609
<b>Sub-Total</b>	<b>66497920</b>	<b>8312240</b>
<b>Total</b>	<b>101743887</b>	<b>12717986</b>

The Superintendent of Taxes, Kohima sought a clarification (April 2008) from the dealer on the details of transaction for the period from May 2004<sup>18</sup> to December 2006 confirmed by the ACT, Meghalaya, as the dealer had not declared the transactions in the quarterly returns. Neither did the dealer respond to that notice nor was further scrutiny under Section 32 of the NVAT Act done by the ACT, Kohima.

Failure of the assessing officer in exercising the statutory checks encouraged the dealer to conceal the taxable turnover of ₹10.17 crore which led to evasion of tax to the tune of ₹1.27 crore for the assessment year 2005-06 and 2006-07 which includes revenue loss of ₹44.06 lakh for the period from April 2005 to March 2006 as the revision of the assessment became time barred due to expiry of a period of five years from the end of the assessment year.

On being pointed out (June 2011), the Department in reply (July 2011) stated that demand notice for realisation of tax had been served to the dealer. However, the fact remains that out of ₹1.27 crore, ₹44.06 lakh has already become time barred. Out of the remaining amount of ₹83.12 lakh which is yet to be realised, the Department served notice for ₹7.96 lakh only, for reasons not on record.

#### 4.3.12 Deficient computerisation and ineffective use of TINXSYS

Tax Information Exchange System (TINXSYS) is a centralised exchange of all interstate dealers spread across the various States and Union Territories of India. It is an exchange authored by the Empowered Committee (EC) of State Finance Ministers as a repository

<sup>18</sup> Transactions of 2004-05 have been commented upon under paragraph 4.3.11.4

of interstate transactions taking place among various States and Union Territories. The website was designed to help the Commercial Tax Departments of various States and Union Territories to effectively monitor the interstate trade. TINXSYS can be used by any dealer to verify registration details and status of the counter party interstate dealer in any other State. Apart from dealer verification, Commercial Tax Department can use the TINXSYS for verification of central Statutory Forms (declaration in form “C” and “F”) issued by other State Commercial Tax Departments and submitted to them by the dealers in support of claim for concessions. TINXSYS also provides Management Information System (MIS) and Business Intelligence Reports to the Commercial Tax Departments to monitor interstate trade movements and to enable the EC to monitor the interstate trade trends.

In the Commercial Tax Department in Nagaland, a computer cell is functioning under the supervision of the Commissioner of Taxes. The Department adopted the NE VAT project in February 2005 under which the VAT & CST Management System (VCMS) is being implemented. The Department has also adopted and implemented TINXSYS since April 2007.

As per the administrative report of the Department, out of 11 districts, computers were installed only in seven districts and the remaining four districts<sup>19</sup> are yet to be computerised till date. The system for verification of declaration forms submitted by the dealers with the database available in the TINXSYS website before allowing exemption and concession of tax has not been prescribed by the Department thus defeating the purpose of computerisation.

As can be seen from the table below, the Department issued 51,225 “C” forms and 4,400 “F” forms during the period from 2006-07 to 2009-10. A system generated report on data availability on TINXSYS revealed that till date (March 2012) issue details of only 54,203 “C” forms and 1,110 “F” forms were uploaded. The report further revealed that the utilisation details of only 671 “C” forms were uploaded, whereas utilisation details of “F” forms were not uploaded at all till date (March 2012).

**Table 4.3.8**

Year	“C” Forms issued	“F” Forms issued	Progressive number of forms issued and uploaded in TINXSYS		Progressive number of utilisation of forms uploaded	
			“C” Forms	“F” Forms	“C” Forms	“F” Forms
2006-07	14800	2900	0	0	0	0
2007-08	13725	50	0	0	0	0
2008-09	12825	1325	38468	0	0	0
2009-10	9875	125	51461	13	671	0
2010-11	Not available		54203	1110	671	0
Total	51225	4400	54203	1110	671	0

Non-uploading of details of the declaration forms issued and utilised defeated the purpose of existence of TINXSYS.

<sup>19</sup> Peren, Longleng, Mon and Kiphire

In the exit conference (November 2011), the Department intimated that the system of online issuance of all statutory forms w.e.f. October 2011 was launched, however, physical issuance of statutory forms will also continue upto February 2012. Further, the Department stated in February 2012 that issuance of declaration forms in the present portal is build where the issuance can be made against specific purchase invoices as requested by the dealer, as such data under manual operation cannot be uploaded into the portal.

The deficient implementation of computerisation scheme and ineffective use of TINXSYS were one of the primary reasons for the cases of tax evasion not being detected by the Department.

#### 4.3.13 Conclusion

In the absence of monitoring systems, lacunae in assessment of tax coupled with system deficiencies which existed in the Department, the assessment of tax in Nagaland is deficient. The Department had not prescribed any procedures/instructions for safe custody and issue of declaration forms and as a result, there were instances of declaration forms being lost and misused by unregistered dealers. The Department declared all the declaration forms issued prior to June 2001 as obsolete and invalid rendering all the interstate transactions upto June 2001 being irregular. The Department also did not call back the forms declared to be obsolete and invalid causing prospects of misutilisation of those forms for future transactions also. Tax evasions due to misutilisation of declaration forms, non-furnishing of utilisation statements by the dealers and subsequent concealment of turnover were noticed.

Out of 11 districts, computers were installed only in seven districts under VCMS project and till date four districts are yet to be computerised. The available facilities under computerisation were also not properly utilised as the data of the declaration forms issued and utilised was not uploaded nor any provisions were made for cross verification of declaration forms from TINXSYS website before allowing concessions/exemptions.

#### 4.3.14 Recommendations

- ✎ *Physical verification of stocks of declaration forms should be conducted periodically both at the Directorate and the District level.*
- ✎ *Instructions/guidelines should be issued for safe custody and issue of declaration forms.*
- ✎ *Submission of utilisation statements by the dealers should be strictly enforced when any new declaration forms are to be issued.*
- ✎ *Provisions for cross verification of the declaration forms during assessment of tax should be made.*
- ✎ *The facilities of the TINXSYS website should be availed and the particulars of declaration forms issued, received and utilised by the dealers should be uploaded in the system.*

## CHAPTER-V

### GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

#### Overview of State Public Sector Undertakings

##### Introduction

**5.1** The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people. In Nagaland there were six State PSUs (all Government companies) of which, one Government company was non-working. The State working PSUs registered a Turnover of ₹18.06 crore only as per their latest annual accounts finalized as on 30 September 2011. The Turnover was equal to 0.15 *per cent* of State Gross Domestic Product. The State working PSUs incurred an overall loss of ₹2.07 crore in the aggregate for 2010-11 as per their latest finalised accounts, thereby indicating a relatively minor role in the economy of the State. Out of five working PSUs, four PSUs have employed 408 personnel during 2010-11 and remaining one PSU did not furnish the details. During 2010-11, neither any new PSU was established nor was any existing PSU closed down.

##### Audit Mandate

**5.2** Audit of Government companies is governed by Section 619 of Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of paid up capital is held by Government. A Government Company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act. However, there was no 619-B company in Nagaland.

**5.3** The accounts of the State Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditor, who is appointed by CAG as per provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

##### Investment in State PSUs

**5.4** As on 31<sup>st</sup> March 2011, the investment (capital and long term loans) in six PSUs was ₹78.01 crore as per details given below:

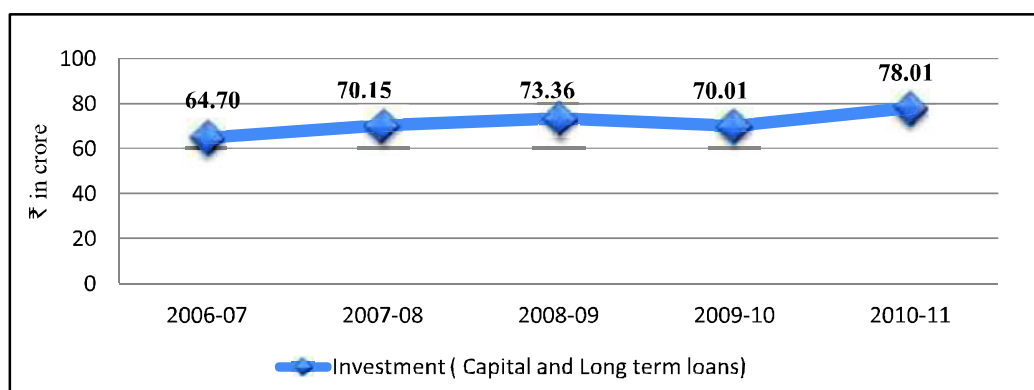
**Table 5.1** (₹ in crore)

Type of PSUs	Government Companies		
	Capital	Long term loans	Total
Working PSUs	27.41	45.64	73.05
Non-working PSUs	4.96	0.00	4.96
<b>Total</b>	<b>32.37</b>	<b>45.64</b>	<b>78.01</b>

A summarised position of Government investment in State PSUs is detailed in **Appendix-5.1**.

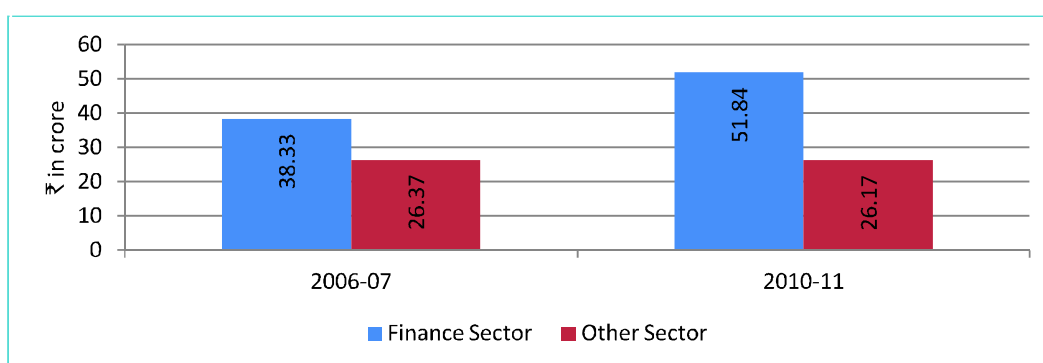
**5.5** As on 31 March 2011 of the total investment in State PSUs, 93.64 per cent was in working PSUs and remaining 6.36 per cent was in a non-working PSUs. The total investment consisted of 41.49 per cent towards capital and 58.51 per cent in Long Term Loans. The investment has grown by 20.57 per cent from ₹64.70 crore in 2006-07 to ₹78.01 crore in 2010-11 as shown in graph below:-

**Chart 5.1**



**5.6** The investments in various sectors at the end of 31 March 2007 and 31 March 2011 are indicated below in the bar chart.

**Chart 5.2**



### Budgetary outgo, grants/subsidies, guarantees and loans

**5.7** The details regarding budgetary outgo towards equity, loans grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in

respect of State PSUs are given in **Appendix-5.2**. The summarized details for three years ended 2010-11 are given below:

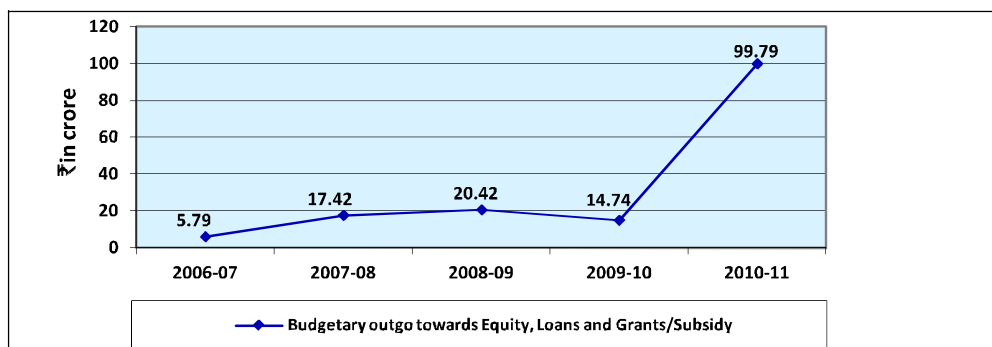
Table 5.2

(₹ in crore)

Sl. No	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity capital outgo from budget	03	4.11	02	1.75	03	1.45
2	Loans outgo from Budget	02	7.40	--	--	Nil	Nil
3	Grants/subsidy outgo	04	8.91	04	12.99	04	98.34
4	Total outgo (1+2+3)	--	20.42	--	14.74	07	99.79
5	Loans written off	--	--	--	--	Nil	Nil
6	<b>Total waiver (5 above)</b>	--	--	--	--	Nil	Nil
7	<b>Guarantees issued</b>	02	39.40	--	--	2	46.24

**5.8** The details regarding budgetary outgo towards equity, loans and grants/subsidies for past five years are given in graph below:

Chart 5.3



### Reconciliation with Finance Accounts

**5.9** The figures in respect of Equity, Loans and Guarantees outstanding as per records of State PSUs should agree with that of figures appearing in the Finance Accounts of the State. However, reconciliation of figures with the Finance Accounts was not conducted by PSUs and the Finance Department. Since the accounts of the companies are in arrears from 5 to 21 years, actual amount invested by Government is not known. Hence the difference, if any, between the figures invested by Government as per Finance Accounts and the figures as per accounts of PSUs could not be worked out.

### Performance of PSUs

**5.10** The financial results of PSUs, are detailed in **Appendix-5.3**. A ratio of PSUs turnover to State GDP shows the extent of PSUs activities in the State economy. Table below provides the details of working PSUs turnover and State GDP for the period 2006-07 to 2010-11.

Table 5.3

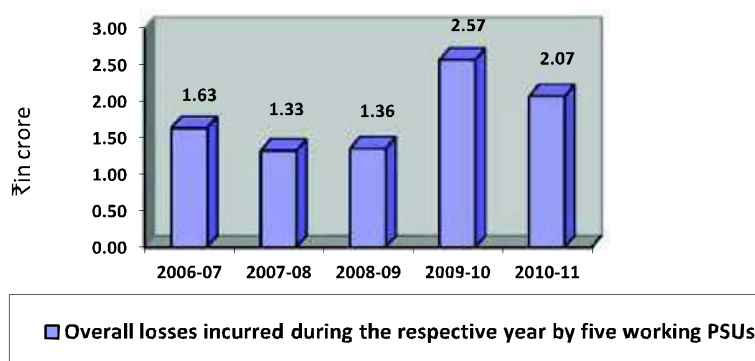
(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover	1.89	3.70	3.51	4.06	18.06
State GDP	7257.09	8075.27	9066.59	10337.83	11823.45
Percentage of turnover to State GDP	0.03	0.05	0.04	0.04	0.15

(Source: Audit reports for the years 2006-07 to 2009-10 and statements furnished by the PSUs)

**5.11** Losses incurred by State working PSUs during 2006-07 to 2010-11 are given below in a bar chart.

**Chart 5.4**



**5.12** Some key parameters pertaining to State PSUs are given below:

**Table 5.4**

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Return on capital employed (per cent)	4.50	3.65	--	--	--
Debt	36.35	40.29	44.11	39.09	45.64
Turnover	1.89	3.70	3.51	4.06	18.06
Debt/Turnover ratio	19.23:1	10.89:1	12.57:1	9.63:1	2.53:1
Accumulated losses	26.96	26.95	28.63	34.02	33.62

#### Arrears in finalisation of Accounts

**5.13** The accounts of the companies for every financial year are required to be finalised within six months from the close of the relevant financial year under section 166, 210, 240, 619 and 619-B of Companies Act, 1956. The table below provides details of progress made by working PSUs in finalisation of accounts by September, 2011.

**Table 5.5**

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11
1	No. of working PSUs	5	5	5	5
2	No. of accounts finalized	3	3	12	15
3	No. of accounts in arrears	90	92	85	75
4	Average arrear per PSU (3/1)	18	18.4	17	15
5	No. of working PSUs with arrears in accounts	5	5	5	5
6	Extent of arrears (in years)	9 to 26	9 to 26	6 to 26	5 to 21

**5.14** The average number of accounts in arrears per working PSU has decreased from 17 in 2009-10 to 15 in 2010-11. Effective measures for early finalisation of accounts need to be taken. The PSUs should ensure that the accounts of each year are finalised by 30 September of next year so as to restrict further accumulation of arrears. In the absence of accounts and their subsequent audit, the proper accounting of the Investment and Expenditure incurred cannot be ensured. Further, the achievement of the purpose for which the amount was invested by the State Government also cannot be ensured. As a

result, the State Government Investment in such PSUs remains outside the scrutiny of the State Legislature.

**5.15** The accounts of the only non-working PSU in the State were also in arrears for 33 years. As no purpose is served by keeping this non-working Company in existence, the Government may suitably review its functioning.

**5.16** The Administrative departments have the responsibility to oversee the activities of these entities to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. The concerned administrative departments and officials of the Government were informed of the arrears in finalisation of accounts every quarter by the Accountant General (AG). However, no remedial measure was taken.

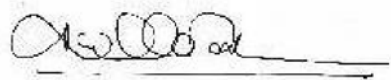
**5.17** In view of the above state of arrears, it is recommended that – the Government should monitor and ensure timely finalisation of Accounts with special focus on liquidation of arrears and comply with the provisions of the Companies Act, 1956.

#### Accounts Comments and Internal Audit

**5.18** Five working companies forwarded 15 audited accounts to the Accountant General during the period October 2010 to September 2011. Of these, seven accounts were finalised as on 30 September 2011, while the finalisation of remaining eight accounts were in progress.


**5.19** Out of 15 accounts received during the year, the Statutory Auditor had given qualified certificates for one account and unqualified certificates for 14 accounts.

Kohima  
The

  
(V.K. Girijavallabhan)  
Accountant General (Audit), Nagaland

Countersigned

New Delhi  
The

  
(Vinod Rai)  
Comptroller and Auditor General of India

**Appendix-2.1**  
**(Reference to paragraph 2.2; page 43)**  
**Statement showing the excess drawal of pay and allowances by way of double drawal/inflating the net totals**

Sl. No.	Name of the Establishment	Name of the Treasury	No. of employees	No of bills	Total drawal against the bills (₹) (Col-4)	Admissible amount against the bills (₹) (Col-4)	Inflated amount (₹)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Child Development Officer (CDPO), Ongpangkong	Mokokchung	70-77	2	329470	0	329470	Anganwadi Workers honorarium drawn twice
2	CDPO, Chozuba	Phek	49	1	282000	0	282000	Anganwadi Workers honorarium drawn twice
3	CDPO, Chare	Tuensang	14	1	78347	62659	15688	Anganwadi Workers honorarium drawn twice
4	Deputy Inspector of School, Mon	Mon	27	2	267200	184000	83200	Additional Dearness Allowance arrears drawn twice
5	Head Master Govt. High School, Atoizu	Zunheboto	5	5	512689	403341	109348	Pay and allowances drawn twice
<b>TOTAL (A)</b>				<b>11</b>	<b>1469706</b>	<b>650000</b>	<b>819706</b>	
6	Addl Deputy Commissioner, Shamatore	Tuensang	8-16	8	472298	451128	21170	Totals inflated
7	Addl Deputy Commissioner, Tobu, MON	Mon	8	1	73430	66552	6878	Totals inflated
8	Addl Deputy Commissioner, Abot, MON	Tue	13	1	168774	130558	38216	Totals inflated
9	Deputy Commissioner, Longleng	Tuensang	17-22	50	7090381	6817559	272822	Totals inflated
10	Sub Divisional Officer (C ) Chozuba, Phek	Phek	5-12	6	515416	465410	50006	Totals inflated
11	Deputy Commissioner (J) Dimapur	Dimapur	1	1	38230	12730	25500	Totals inflated
12	CDPO, Kuhuoto	Dimapur	43-65	11	586766	521935	64831	Totals inflated
13	CDPO, Nuiland	Dimapur	25	1	77415	74415	3000	Totals inflated
14	CDPO, Chessore	Tuensang	6	2	99464	77464	22000	Totals inflated
15	Commandant 10th NAP (IR) Chumukedima	Dimapur	811	2	8792445	8692105	100340	Totals inflated
16	Commandant 10th NAP (IR) Chumukedima	Dimapur	15-131	6	14310921	13961197	349724	Totals inflated
17	General Manager, DIC Kohima	Kohima	19	3	496546	472081	24465	Totals inflated
18	General Manager, DIC Chozuba	Phek	8	3	171898	141898	30000	Totals inflated
19	General Manager, DIC Wokha	Wokha	9	6	469003	427003	42000	Totals inflated

Sl. No.	Name of the Establishment	Name of the Treasury	No. of employees	No of bills	Total drawal against the bills (₹) (Col-4)	Admissible amount against the bills (₹) (Col-4)	Inflated amount (₹)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
20	Dist Soil Conservation Officer, Mokochung	Mokochung	26	9	1274829	1181189	93640	Totals inflated
21	Head Master ,Govt. High School, Pughoboto	Kohima	13	3	323098	315566	7532	Totals inflated
22	Sub Divisional Agriculture Officer, Longleng	Tuensang	17	2	393816	375110	18706	Totals inflated
23	Sub Divisional Agriculture Officer, Niuland	Dimapur	6-10	10	803938	702053	101885	Totals inflated
24	District Horticulture Officer, Zunheboto	Zunheboto	10-17	2	248562	224490	24072	Totals inflated
25	Asst Commissioner Of Taxes, Dimapur	Dimapur	10	12	953003	911503	41500	Totals inflated
<b>TOTAL (B)</b>				<b>139</b>	<b>37360233</b>	<b>36021946</b>	<b>1338287</b>	
<b>GRAND TOTAL (A+B)</b>				<b>150</b>	<b>38829939</b>	<b>36671946</b>	<b>2157993</b>	

**Appendix-2.2**  
(Reference to paragraph 2.3; page 44)  
**Statement showing the details of excess drawal of Pay and Allowance (Vr. No. 22 of 2<sup>nd</sup> April 2009)**  
(in ₹)

Sl. No.	Name of the employees	Actual basic Pay to be drawn during the period	Basic Pay drawn in the Bill	Total amount drawn during March 2007 to February 2008	Actual admissible amount			Total Excess amount drawn (Col.5-7-8)
					Amount admissible for March-June 2007	Amount admissible for July-December 2007	Amount admissible for January-February 2008	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	H Ngaipang, PT, GPS, Orangkong	1400	4900	151056	29380	45414	15586	60676
2	Paukup, PT, GPS, Orangkong	1340	4900	151056	28138	43493	14927	64498
3	Eshau, PT, GPS, Block	1460	4900	151056	30622	47334	16245	56855
4	L. Meilung, PT, GPS, Tamlu	1460	4900	151056	30622	47335	16245	56855
5.	W Manla, SWP, GMS, Yotan	1340	2900	94320	28138	43494	14927	7761
6.	N Shajiang, PT, GPS, Yongyah C	1580	4800	148080	33106	51176	17564	46234
7.	H Yenmei, PT, GPS, Tangha A	1785	4900	151056	37350	57738	19817	36151
8.	M Achong., PT, GPS, Shetap	1640	4700	145104	34348	53096	18224	39436
9.	M Pongnyei, PT, GPS, Yonghshei B	1480	4900	151056	31036	47975	16465	55580
10.	H Inato, PT, GPS, Bhumnyu	1250	4800	148080	26275	40613	13938	67254
11.	A Bonshi, PT, GPS, Block LLG	1250	4900	151056	26275	40613	13938	70230
12.	Nganshi, GT, GHS, B/Namsang	1560	5600	171840	32692	50536	17344	71268
13.	Imukala, AT, GHS, B/Namsang	1610	4900	151056	33727	52136	17894	47299
14.	H Metche, SWP, GHS, B Namsang	980	2990	94320	20686	31970	10970	30694
15.	N Tau-Iy, PT, GMS, Yotan	1785	4600	142140	37350	57738	19817	27235

Sl. No.	Name of the employees	Actual basic Pay to be drawn during the period	Basic Pay drawn in the Bill	Total amount drawn during March 2007 to February 2008	Actual admissible amount			Total Excess amount drawn (Col.5-6-7-8)
					Amount admissible for March-June 2007	Amount admissible for July-December 2007	Amount admissible for January-February 2008	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
16.	N Denmei, PT, GPS, Yongshei A	1785	4800	148080	37350	57738	19817	33175
17.	L. Chingngam, PT, GPS, Yongshei A	1785	4800	148080	37350	57738	19817	33175
18.	Henlen, PT, GPS, Nyetchongching	1785	4800	148080	37350	57738	19817	33175
19.	Chumnyu, PT, GPS, Tamlu Village	1370	4500	145116	28759	44454	15256	56647
Total								894198

**Appendix-2.3**  
(Reference to paragraph 2.4; page 45)  
**Statement showing the fraudulent drawal by way of inflating the figures in Pay Bills**

Sl. No.	Month & Year	Bill No. and TV No	Name of the Employee	Sl. No. in the pay bill	Inflated net pay drawn (₹)	Pay admissible (₹)	Inflated Amount (₹)	Inflated area
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Feb'09	4 of 18/5/09 379 of 25 May'09	Purkunuzuk	104	17436	15471	1965	DA
2	-do-	-do-	Molungnenbe	110	19527	14517	5010	DA
3	-do-	-do-	Intimongla	131	15655	14578	1077	DA
4	-do-	-do-	Supongmeren	139	18402	15174	3228	DA
5	Mar'09	14 of 18/5/09 377 of 25 May'09	Achangpong	67	16536	9297	7239	HRA
6	-do-	-do-	Talirenlā	159	17321	16267	1054	DA
7	-do-	-do-	Purchilu	176	17440	14815	2625	DA
8	-do-	-do-	Longrilila	218	19203	15203	4000	DA
9	-do-	15 of 18/5/09 378 of 25 May'09	Imnaongshi	74	24182	13682	10500	DA
10	-do-	-do-	M. Jalumeren	85	24375	15375	9000	DA
11	-do-	-do-	Karimeto	99	23162	15017	8145	DA
12	-do-	-do-	Rongsentoshi	123	20547	14547	6000	DA
13	-do-	-do-	L.P. Yapang	143	18528	16563	1965	DA
14	-do-	-do-	Chubatamsu	150	20687	11187	9500	DA
15	-do-	19 of 18/5/09 370 of 25 May'09	Medemtsungba	4	15235	13983	1252	SCA
16	April'09	29 of 18/5/09 364 of 25 May'09	Insureru	11	12322	9215	3107	DA
17	May'09	41 of 26/5/09 28 of 01 Jun'09	Orentemjo	9	9878	8438	1440	DA

18	-do-	34 of 26/5/09 27 of 01 Jun '09	Yangermongla	166	18476	8976	9500	DA
19	-do-	-do-	M.K. Johnson	177	36403	21403	15000	DA
20	-do-	-do-	Lanumeren	191	31333	16833	14500	DA
21	Aug'09	65 of 25/8/09 55 of 1 Sep'09	T.Y. Angersenla	37	13830	7742	6088	DA
22	-do-	-do-	Toshimenlu	43	24467	14044	10423	DA
23	-do-	-do-	Purmungsang	51	13690	12978	712	DA
24	-do-	71 of 25/8/09 56 of 1 Sep'09	K. Bedangtemsu	44	24709	12622	12087	DA
25	-do-	67 of 25/8/09 62 of 1 Sep'09	Bendangsangla	43	20994	15215	5779	DA
26	-do-	-do-	Lanutekala	132	18113	16518	1595	DA
27	-do-	-do-	Akangwati	133	15211	14579	632	DA
28	-do-	-do-	Temsusangla	137	16426	14836	1590	DA
29	-do-	66 of 25/8/09 63 of 1 Sep'09	Kalbir Aley	3	17402	15787	1615	Spl-Pay
30	-do-	-do-	Hoito	21	16956	15366	1590	Spl-Pay
31	-do-	-do-	Watimenla	44	16792	16540	252	DA
32	-do-	-do-	Bendangtoshi	61	17593	17403	190	Spl-Pay
33	-do-	-do-	Tiayanger	69	18405	16740	1665	DA
34	-do-	-do-	Rongsensowa	157	10908	9476	1432	Spl-Pay
35	Nov'09	102 of 25/11/09 226 of 04 Dec'09	Suchayangla	28	31034	13034	18000	DA
36	-do-	-do-	Lanusang	38	36469	15469	21000	DA
37	-do-	-do-	Rongsenlemba	51	30075	14075	16000	DA
38	-do-	-do-	T. Medem	59	33168	13668	19500	DA
39	-do-	-do-	Tekapongba	61	16867	14966	1901	DA
40	-do-	-do-	Meyibenla	77	29801	12301	17500	DA
41	-do-	-do-	Inonenla	85	31351	13351	18000	DA
42	-do-	-do-	Lipoktemsu	90	16864	13064	3800	DA
43	-do-	-do-	Lanulemla	99	26387	11387	15000	DA
44	-do-	-do-	Ngangnenchuba	108	33936	14936	19000	DA

45	-do-	101 of 25/11/09 233 of 04 Dec'09	Temjenhaba	67	20797	17935	2862	Spl-pay
46	-do-	-do-	Imshitsula	69	35594	13986	21608	Spl-pay
47	-do-	-do-	Lanulemba	80	33580	13161	20419	DA
48	-do-	-do-	Zhekiho	96	36061	14653	21408	SCA
49	-do-	-do-	Longrikala	134	37888	17277	20611	DA
50	-do-	-do-	Tajen	146	24430	8790	15640	SCA
51	-do-	103 of 25/11/09 229 of 04 Dec'09	Tiakala	18	13935	11525	2410	HRA
52	Dec'09	116 of 28/12/09 84 of 08 Jan'10	Bedangsashi	78	44587	23570	21017	Spl-Pay
53	-do-	-do-	Pangutobu	97	21487	18927	2560	SCA
54	-do-	-do-	Benjongsangla	100	35640	15126	20514	SCA
55	-do-	-do-	Meduntsungba	121	37244	15827	21417	Spl-Pay
56	-do-	117 of 28/12/09 83 of 08 Jan'10	Bendangmeren	32	39611	20111	19500	DA
57	-do-	-do-	B.P.Meren	58	33160	17160	16000	DA
58	-do-	-do-	Atenjenba	83	37808	16808	21000	DA
59	-do-	-do-	Imlikumba	103	31356	16356	15000	DA
60	-do-	-do-	Sakutemju	123	29490	12990	16500	DA
61	-do-	119 of 28/12/09 87 of 08 Jan'10	Alangtula	26	12000	8180	3820	DA
62	-do-	-do-	N.Tenyen	53	12804	10804	2000	SCA
63	Jan'10	127 of 28/01/10 234 of 15 Mar'10	Rongsennangba	79	39203	17729	21474	SCA
64	-do-	-do-	Imkongyala	89	38030	15760	22270	DA
65	-do-	-do-	Zhekiho	96	36444	15494	20950	DA
66	-do-	-do-	Chubalemila	111	33338	13356	19982	DA
67	-do-	-do-	Moasnep	124	38201	18901	19300	SCA
68	-do-	-do-	Imsubenla	132	32166	11216	20950	DA
69	-do-	-do-	Imlikumla	140	31747	13090	18657	DA
70	-do-	-do-	Kiniho	153	31454	8467	22987	SCA
71	-do-	128 of 28/01/10 233 of 15 Mar'10	Sentinaro	35	32056	12556	19500	DA

72	-do-	-do-	Tiniwati	53	27288	12288	15000	DA
73	-do-	-do-	Yangernongla	98	30813	10313	20500	DA
74	-do-	-do-	Nganenchuba	108	36592	16092	20500	DA
75	-do-	-do-	Sakutenju	123	33990	12990	21000	DA
76	-do-	-do-	Tarepiongl	132	34825	15325	19500	DA
77	-do-	-do-	Bendangmongla	144	35592	14092	21500	DA
78	-do-	-do-	Sentissashi	155	31142	9142	22000	DA
79	Feb'10	135 of 26/02/10 306 of 30 Mar'10	J.N.Kalita	75	45119	23619	21500	DA
80	-do-	-do-	Pumukshi	84	36110	15597	20513	DA
81	-do-	-do-	Yangernongla	98	35453	10313	25140	DA
82	-do-	-do-	Nganenchuba	108	42372	16092	26280	DA
83	-do-	-do-	Lanumeren	121	38968	19448	19520	DA
84	-do-	-do-	Bendanglemla	131	39261	16661	22600	DA
85	-do-	-do-	Imkongmeren	148	31448	10948	20500	DA
86	-do-	134 of 26/2/10 305 of 30 Mar'10	Pukhato	17	38038	16258	21780	SCA
87	-do-	-do-	Limanungsang	27	37590	18432	19158	SCA
88	-do-	-do-	Insenmongla	53	34841	14224	20617	Sp-pay
89	-do-	-do-	Tsukjemyla	87	38679	18062	20617	Sp-pay
90	-do-	-do-	Pangutobu	97	41677	18927	22750	Sp-Pay
91	-do-	-do-	Imtionen	123	40048	17298	22750	SCA
92	-do-	-do-	Limolum	146	42920	23620	19300	Sp-pay
Grand Total					2550973	1346134	1204839	

**Appendix 2.4**  
**(Reference to paragraph 2.5; page 46)**  
**Statement showing the details of fraudulent drawal of pay and allowances**  
**(in ₹)**

Sl. No.	Month	Bill No/date	TV No. & date	Gross amount drawn	Actual Gross amount to be drawn	Excess drawn
1	April	18 of 30/4/10	8 of 4/5/10	298062	182924	115138
2	April	12 of 30/4/10	2 of Nil	292067	176934	115133
3	May	33 of 31/5/10	10 of Nil	259227	201658	57569
4	May	35 of 31/5/10	12 of Nil	240765	183197	57568
5	May	40 of 31/5/10	17 of Nil	250551	193042	57509
6	May	42 of 31/5/10	19 of Nil	234522	176953	57569
7	June	54 of 30/6/10	6 of Nil	240765	183196	57569
8	June	52 of 30/6/10	5 of Nil	250551	193042	57509
9	June	46 of 30/6/10	2 of nil	234522	176853	57669
10	June	57 of 30/6/10	7 of Nil	259227	201658	57569
11	July	71 of 30/7/10	11 of Nil	250551	193042	57509
12	July	70 of 30/7/10	10 of Nil	234522	176853	57669
13	July	66 of 30/7/10	6 of nil	240765	183196	57569
14	July	65 of 30/7/10	5 of nil	259227	201658	57569
15	August	95 of 30/8/10	13 of nil	163815	144693	19122
16	August	89 of 30/8/10	7 of nil	255085	178294	76791
17	August	87 of 30/8/10	5 of nil	270699	193901	76798
18	August	83 of 30/8/10	1 of 7/9/10	259653	201984	57669
<b>Total</b>				<b>4494576</b>	<b>3343078</b>	<b>1151498</b>

**Appendix 2.5**  
**(Reference to paragraph 2.6; page 47)**  
**Statement showing Drawal of R/A by Commissioner Nagaland and Dy. Commandant Village Guard, Kiphire, in respect of VGs in Kiphire for the month of February 2010**

Name of village	Total no. of VGs for whom pay was drawn during 02/10	R/A of VG Kiphire drawn by Commissioner Nagaland			R/A drawn by Commandant Village Guard Kiphire			
		Total no. of VGs for which R/A drawn by Commissioner Nagaland	Period	No. of days	Amount @ ₹25 person per day	No. of persons for which RA drawn by Dy. Comdt. VG Kiphire	Period	No. of days
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Yangzidong 'A' village	30	30	02/02/10 to 21/02/10	20	15000	30	01/02/2010 to 28/02/2010	28
Yangzidong 'B' village	20	20	02/02/10 to 21/02/10	20	10000	20	01/02/2010 to 28/02/2010	28
New Monger	30	30	02/02/10 to 21/02/10	20	15000	30	01/02/2010 to 28/02/2010	28
Old Monger	30	30	02/02/10 to 21/02/10	20	15000	30	01/02/2010 to 28/02/2010	28
Tangthur	35	35	02/02/10 to 21/02/10	20	17500	35	01/02/2010 to 28/02/2010	28
Yimphere	35	35	02/02/10 to 21/02/10	20	17500	35	01/02/2010 to 28/02/2010	28
Thsinger	30	30	02/02/10 to 21/02/10	20	15000	30	01/02/2010 to 28/02/2010	28
Shothumi 'A'	20	20	02/02/10 to 21/02/10	20	10000	20	01/02/2010 to 28/02/2010	28
Shothumi 'B'	20	20	02/02/10 to 21/02/10	20	10000	20	01/02/2010 to 28/02/2010	28
Lukhami	20	20	02/02/10 to 21/02/10	20	10000	20	01/02/2010 to 28/02/2010	28
Phesami	30	30	02/02/10 to 21/02/10	20	15000	30	01/02/2010 to 28/02/2010	28
Seyochung	50	50	02/02/10 to 21/02/10	20	25000	50	01/02/2010 to 28/02/2010	28
Chomi	49	44	03/02/10 to 25/02/10	23	25300	44	01/02/2010 to 28/02/10	28
Zimkiur	48	44	03/02/10 to 25/02/10	23	25300	45	01/02/2010 to 28/02/10	28

Name of village	Total no. of VGs for whom pay was drawn during 02/10	R/A of VG Kiphire drawn by Commissioner Nagaland				R/A drawn by Commandant Village Guard Kiphire			
		Total no. of VGs for which R/A drawn by Commissioner Nagaland	Period	No. of days	Amount @ ₹25 person per day	No. of persons for which R/A drawn by Dy. Comdt. VG Kiphire	Period	No. of days	Amount @ ₹ 25 person per day
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Pungro	35	30	03/02/10 to 25/02/10	23	17250	30	01/02/2010 to 28/02/10	28	21000
Vongti	20	20	03/02/10 to 25/02/10	23	11500	20	01/02/2010 to 28/02/10	28	14000
Luthur	24	22	03/02/10 to 25/02/10	23	12650	22	01/02/2010 to 28/02/10	28	15400
Solomi	50	50	03/02/10 to 25/02/10	23	28750	50	01/02/2010 to 28/02/10	28	35000
Zanger	42	42	03/02/10 to 25/02/10	23	24150	42	01/02/2010 to 28/02/10	28	29400
Fakim	28	28	03/02/10 to 25/02/10	23	16100	28	01/02/2010 to 28/02/10	28	19600
Thanamir	41	41	03/02/10 to 25/02/10	23	23575	41	01/02/2010 to 28/02/10	28	28700
Penkim	30	30	03/02/10 to 25/02/10	23	17250	30	01/02/2010 to 28/02/10	28	21000
Moya	50	50	03/02/10 to 25/02/10	23	28750	50	01/02/2010 to 28/02/10	28	35000
Tikhevong	20	20	03/02/10 to 25/02/10	23	11500	20	01/02/2010 to 28/02/10	28	14000
Iponger	25	25	03/02/10 to 25/02/10	23	14375	25	01/02/2010 to 28/02/10	28	17500
Longkhimong	24	24	03/02/10 to 25/02/10	23	13800	24	01/02/2010 to 28/02/10	28	16800
Khongjiri	20	20	03/02/10 to 25/02/10	23	11500	20	01/02/2010 to 28/02/10	28	14000
Mimi	35	35	03/02/10 to 25/02/10	23	20125	35	01/02/2010 to 28/02/10	28	24500
Lofukhong	20	20	03/02/10 to 25/02/10	23	11500	20	01/02/2010 to 28/02/10	28	14000
Khongka	20	20	03/02/10 to 25/02/10	23	11500	20	01/02/2010 to 28/02/10	28	14000
Sangtsunger	20	20	03/02/10 to 25/02/10	23	11500	20	01/02/2010 to 28/02/10	28	14000
Anahator	35	35	03/02/10 to 22/02/10	20	17500	35	01/02/2010 to 28/02/10	28	24500

Name of village	Total no. of VGs for whom pay was drawn during 02/10	R/A of VG Kiphire drawn by Commissioner Nagaland				R/A drawn by Commandant Village Guard Kiphire			
		Total no. of VGs for which R/A drawn by Commissioner Nagaland	Period	No. of days	Amount @ ₹25 person per day	No. of persons for which R/A drawn by Dy. Comdt. VG Kiphire	Period	No. of days	Amount @ ₹25 person per day
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Changchor	30	30	03/02/10 to 22/02/10	20	15000	30	01/02/2010 to 28/02/10	28	21000
Kisetong	35	35	03/02/10 to 22/02/10	20	17500	35	01/02/2010 to 28/02/10	28	24500
Huronger	30	30	03/02/10 to 22/02/10	20	15000	30	01/02/2010 to 28/02/10	28	21000
Purror	30	30	03/02/10 to 22/02/10	20	15000	30	01/02/2010 to 28/02/10	28	21000
Old Resethsi	30	30	03/02/10 to 22/02/10	20	15000	30	01/02/2010 to 28/02/10	28	21000
New resethsi	25	25	03/02/10 to 22/02/10	20	12500	25	01/02/2010 to 28/02/10	28	17500
Hutanger	25	25	03/02/10 to 22/02/10	20	12500	25	01/02/2010 to 28/02/10	28	17500
Kior	24	25	03/02/10 to 22/02/10	20	12500	25	01/02/2010 to 28/02/10	28	17500
Insukir	30	30	03/02/10 to 22/02/10	20	15000	30	01/02/2010 to 28/02/10	28	21000
Kiphere	35	35	01/02/10 to 20/02/10	20	17500	35	01/02/2010 to 28/02/2010	28	24500
Langkok	25	25	01/02/10 to 20/02/10	20	12500	25	01/02/2010 to 28/02/2010	28	17500
Singrep	50	50	01/02/10 to 20/02/10	20	25000	50	01/02/2010 to 28/02/2010	28	35000
Phelonger	44	44	01/02/10 to 20/02/10	20	22000	44	01/02/2010 to 28/02/2010	28	30800
Anadanger	35	35	01/02/10 to 20/02/10	20	17500	35	01/02/2010 to 28/02/2010	28	24500
Longthonger	25	25	01/02/10 to 20/02/10	20	12500	25	01/02/2010 to 28/02/2010	28	17500
Natsami	20	20	02/02/10 to 21/02/10	20	10000	20	02/02/2010 to 28/02/2010	27	13500
Shishimi	20	20	02/02/10 to 21/02/10	20	10000	20	02/02/2010 to 28/02/2010	27	13500
Thazuvi	20	20	02/02/10 to 21/02/10	20	10000	20	02/02/2010 to 28/02/2010	27	13500

Name of village	Total no. of VGs for whom pay was drawn during 02/10	R/A of VG Kiphire drawn by Commissioner Nagaland				R/A drawn by Commandant Village Guard Kiphire			
		Total no. of VGs for which R/A drawn by Commissioner Nagaland	Period	No. of days	Amount @ ₹25 person per day	No. of persons for which R/A drawn by Dy. Comdt. VG Kiphire	Period	No. of days	Amount @ ₹25 person per day
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Langsanger	20	20	02/02/10 to 21/02/10	20	10000	20	02/02/2010 to 28/02/2010	27	13500
Sitimi	30	30	02/02/10 to 21/02/10	20	15000	30	02/02/2010 to 28/02/2010	27	20250
Yangsekyu	20	20	02/02/10 to 21/02/10	20	10000	20	02/02/2010 to 28/02/2010	27	13500
Nitoi	20	20	02/02/10 to 21/02/10	20	10000	20	02/02/2010 to 28/02/2010	27	13500
Honito	20	20	02/02/10 to 21/02/10	20	10000	20	02/02/2010 to 28/02/2010	27	13500
Ngoromi	20	20	03/02/10 to 22/02/10	20	10000	20	01/02/2010 to 28/02/2010	28	14000
Thethese	25	25	03/02/10 to 22/02/10	20	12500	25	01/02/2010 to 28/02/2010	28	17500
Thetheyo	20	20	03/02/10 to 22/02/10	20	10000	20	01/02/2010 to 28/02/2010	28	14000
Pongren	20	20	03/02/10 to 22/02/10	20	10000	20	01/02/2010 to 28/02/2010	28	14000
Sangphure	30	30	03/02/10 to 22/02/10	20	15000	30	01/02/2010 to 28/02/2010	28	21000
Longmatra	30	30	03/02/10 to 22/02/10	20	15000	30	01/02/2010 to 28/02/2010	28	21000
New longmatra	20	20	03/02/10 to 22/02/10	20	10000	20	01/02/2010 to 28/02/2010	28	14000
Mothonger	25	25	02/02/10 to 21/02/10	20	12500	25	02/02/2010 to 28/02/2010	27	16875
Chikiponger	20	20	02/02/10 to 21/02/10	20	10000	20	02/02/2010 to 28/02/2010	27	13500
Pukphure	30	30	02/02/10 to 21/02/10	20	15000	30	02/02/2010 to 28/02/2010	27	20250
Sangkumti	35	35	02/02/10 to 21/02/10	20	17500	35	02/02/2010 to 28/02/2010	27	23625
Longsunger	25	25	02/02/10 to 21/02/10	20	12500	25	02/02/2010 to 28/02/2010	27	16875
<b>Total</b>	<b>1929</b>	<b>1914</b>			<b>1000875</b>	<b>1915</b>			<b>1332875</b>

### Appendix 3.1

(Reference to paragraph 3.1.5; page 61)

**Statement showing Estimated Cost as per DPR and actual upto date expenditure of projects selected for detailed analysis and joint physical verification**

Sl. No.	Name of scheme	Name of executing division	Name of work	Total sanctioned amount (₹ in crore)	Estimated Cost for civil work (₹ in crore)
(1)	(2)	(3)	(4)	(5)	(6)
1.	State Plan	Kohima (South)	Reconstruction of Old road from Naga Hospital to Pezielietie (Tin Pati) Junction (3 km)-Phase I, II and III	15.18	NA
2.	NLCPR	Chiephobozou	Construction of T Beam Girder double lane bridge of IRC Class-A over river Dzu-u on Rusoma to Kijumetuma road.	5.44	5.44
3.	NLCPR	Chiephobozou	Construction of road from Rusoma to Kijumetuma (36 km)	21.84	21.84
4.	NLCPR	Chiephobozou	Construction and improvement of road from Touphema to Kasha (8.5 km)	5.87	5.75
5.	NLCPR	Peren	Upgradation of Dimapur-Khopanala-Jalukie-Peren road from ODR to MDR (52.4 km)	36.73	NA
6.	NLCPR	Dimapur	Upgradation of Dimapur-Nuiland Road from ODR to MDR (28 km)	29.41	29.41
7.	NLCPR	Longleng	Construction of road from Tamu Administrative HQ to Shemnyuching (17 km)	11.43	11.43
8.	NLCPR	Mokokchung	Improvement/upgradation of road from Longkhum to Aliba via Mangmetong (35 km)	17.81	17.29
9.	NLCPR	Phek	Construction of road from Phek to Chozuba (44.36 km)	17.47	17.47
10.	NLCPR	Zunheboto & Phek	Construction and Upgradation of road from Old Phek to Satakha via Khuza (69.07 km)	29.17	28.32
11.	NLCPR	Zunheboto	Construction and improvement of road from Zhekiye to Hokiye via Satoi (Zhekiye to Ghokhuvi) 26 km	16.94	16.6
12.	NLCPR (PM's Package)	Tuensang	Improvement of roads in Tuensang District-Tuensang to Longleng (24 km)	5.23	5.23
13.	NLCPR	Tuensang	Construction of road from Noklak to Thonoknyu via Sanglao (14.54 km)	8.44	7.85
14.	NLCPR	Longleng	Construction of road from Tamu Administrative Headquarter to Shemnyuching (17 km)	11.43	11.43

Sl. No.	Name of scheme	Name of executing division	Name of work	Total sanctioned amount (₹ in crore)	Estimated Cost for civil work (₹ in crore)
(1)	(2)	(3)	(4)	(5)	(6)
15.	NEC	Dimapur & Peren	Construction and improvement of Medziphema-Jalukie-Athibung Road (58.67 km)	44.66	39.01
16.	NEC	Longleng	Construction and Upgradation of Longleng-Ladaigarh road (107.36 km)	51.53	45.44
17.	NEC	Wokha	Construction and improvement of Wokha-Merapani Road (60 km)	44.45	38.82
18.	SPA	Chiephobozou	Upgradation of road from Peducha NH 39 to NH 61 upto New Secretariat Complex (SPA)	NA	NA
19.	Urban Development	Mokokchung	Widening and improvement of road from Mokokchung town to Noksen town (30 km)	6.8	6.6
20.	CRF	Peren	Construction of Nkialwa-Nreng via Baupungchi (Ph-I Azoilong to Baupungchi) (10 Km)	3.4	3.28
21.	Urban Development	Tuensang	Construction of New approach road to Tuensang Town		
Total				383.23	311.21

**Appendix 3.2**  
**(Reference to paragraph 3.1.8.6; page 70)**  
**Statement showing major cases of non/short deduction of Sales Tax on Work Contract**

Sl No.	Name of Division	Name of project	Name of contractor	Work contract tax to be realised	Work contract tax realised	Non/short realisation
				(₹in crore)		
1.	Peren	Upgradation and improvement of Medziphema-Jalukie-Athibung road	M/s M.S. Panesar & Sons	2.26	0.11	2.15
2.	Wokha	Upgradation and construction of Wokha-Merapani road	M/s M.S. Panesar and Sons	1.70	--	1.70
3.	Dimapur	Upgradation of Dimapur-Niuland Road (28 km)	M/s National Constructions	0.90	--	0.90
4.	Mokokchung	Improvement and upgradation of road from Longkhum to Aliba via Mangmetong	M/s M.B. Panesar & Sons	0.59	--	0.59
5.	Peren	Upgradation of Dimapur-Khopanallah-Jalukie-Peren road	M/s M.S. Panesar & Sons (Group 'C')	0.53	--	0.53
		Upgradation of Dimapur-Khopanallah-Jalukie-Peren road	Charlie Sekhose (Group 'D')	0.18	0.01	0.17
6.	Chiephobozou	Upgradation of road from Rusoma to Kijumetouma (36 Km)	M/s T. Tachu & Co.	0.78	0.47	0.31
7.	Phek	Construction and upgradation of road from Old Phek to Satakha via Khuza	M/s VASCON	0.31	0.07	0.24
			M/s Tectonisco	0.31	--	0.31
8.	Phek	Upgradation of road from Phek to Chozuba	M/s K.K. Chire & Co.	0.60	0.37	0.23
9.	Zunheboto	Construction and upgradation of road from Old Phek to Satakha via Khuza	M/s Built Tech	0.28	0.12	0.16
10.	Dimapur	Upgradation and improvement of Medziphema-Jalukie-Athibung road	M/s Pele Khezehie	0.26	0.10	0.16
11.	Longleng	Construction and upgradation of Longleng-Ladiagarh road	M/s N.R. Zeliang (Group 'A')	0.23	0.16	0.08
			M/s L. Pukhato Shohie (Group 'B')	0.36	0.21	0.14
			M/s Chabou & Co.	0.22	0.16	0.06
Total:				7.73		

**Appendix 3.3**  
(Reference to paragraph 3.1.9.2(i); page 75)  
**Details of work done and payment made in respect of Wokha-Merapani Road--60 km**

Sl No.	Bill No. & date	Vr.No. & date/Cheque No. & date	MB No. & Page/ (Cash Book Page No.)	Upto date value of work done as per MB	Amount already paid	Deduction (FR, WCT & Bank charges)	Amount withheld	Amount to be paid	Amount paid (in ₹)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	1st RA bill	12 dt nil/ 605450 dt nil	WKA/02, p/5	54321274	0	0	2678274	51643000	51643000
2	2nd RA bill	---/652832 dt 14.08.2007	WKA/02, p/11	106524558	51643000	0	3238558	51643000	51643000
3.	3rd RA bill	---/652838 dt 13.05.2008	WKA/02, p/28	134906113	103286000	0	420113	31200000	31200000
4.	4th RA bill	3 dt .../652836 dt 27.08.2008	WKA/02, p/54	175014972	134486000	0	28972	40500000	40500000
5.	5th RA bill	---/652837 dt 04.04.2009	WKA/02, p/66	196317490	174986000	0	10881490	10450000	10450000
6.	6th RA Bill	---/652840 dt 01.04.2010	WKA/02, p/84	239366862	185436000	0	45042862	8888000	8888000
7.	7th RA Bill	---/652841 dt 02.04.2010	WKA/02, p/96	240678095	194324000	0	7404095	38950000	38950000
8.	8th RA Bill	---/652844 dt 12.04.2011	WKA/02, p/119	263542978	233274000	0	21503978	8765000	8765000
9.	Extra Bill after escalation	---/652838 dt 26.06.2009	WKA/05, p/121	324153820	0	0	264153820	60000000	60000000
10.	Payment from withheld amount above	---/652839 dt 26.08.09	WKA/05, p/122	264153820	0	0	198753820	65400000	65400000
11.	1st RA bill (for portion under Wokha Division)	32 dt 23.02.2007/NA	WKA/18, p/41	12323900	0	0	2500900	9823000	9823000
12.	2nd RA bill (for portion under Wokha Division)	1 dt .../542504 dt 30.01.2008	WKA/18, p/61	22323228	9823000	0	5200228	7300000	7300000



**Appendix 3.4**  
(Reference to paragraph 3.1.9.2(ii); page 75)  
**Details of work done and payment made in respect of Tuensang Longleng road (0-14 km)**

Sl No.	Bill No. & date	Vr.No. & date/Cheque No. & date	MB No. & Page/ (Cash Book Page No.)	Date of measurement	Upto date value of work done as per MB	Amount already paid (₹)	Deduction (FR, WCT & SD) (₹)	Amount withheld (₹)	Amount to be paid (₹)	Amount paid (₹)
1	1st RA bill	Vr.No.1 dt 10.10.06/NA	TSG/2888 P/73	20.07.2006 to 03.10.2006	5022890.08	0	552518	0	4470372	4470372
2	2nd RA bill	Vr. No.2 dt 20.03.07/1058 04 dt 20.03.07	TSG/2888 P/140	20.07.2006 to 23.03.2007	7015306	5022890	183366	379050	1430000	1430000
3.	3rd RA bill	Vr. No.9 dt 10.2009/NA	TSG/2925 P/61	09/06 to 03/09	28131000	6636256	1182565	13692744	6619435	6619435
4.	Payment of withheld amount in 3rd RA bill	Vr. No.12 dt 31.03.2010/NA	--do--	--do--	13692744	0	1318800	2702744	9671200	9671200
5.	4th RA bill	Vr. No.19 dt 11.2010/NA	TSG/2925 P/87	10.04.2010	31000000	25428256	2171630	0	3400114	3400114
6.	5th RA bill	Vr No... dt 03.11/NA"	TSG/2925 P/106	12.2011	33709574	31000000	325923	60318	2323333	2323333
							5734802			27914454
							Total payment made			33649256
							Total value of work done			33709574
							Work tax to be deducted			1345970
							Work tax deducted			823870
							Short realisation			522100

## Appendix 3.5

(Reference to paragraph:3.1.9.3(i); page 76)  
 Statement showing deviation from items of works approved by Ministry of DoNER and actual work executed (as per MB) in the work  
 “Upgradation of Road from Rusoma to Kijumetouma (36 km)”

Sl. No.	Item of work	Approved by Ministry of DoNER		Actual work executed (as per MB)		Difference	
		Physical	Financial (₹ in lakh)	Physical	Financial (₹ in lakh)	Physical	Financial (₹ in lakh)
1.	Clearing and grubbing of road land (In hectare)	51.45	17.65	15.13	5.19	-36.32	-12.46
2.	Earth work in hill road (in Cum)	265318.38	442.04	411086.75	773.32	145768.37	331.28
3.	Pucca side drain (in m)	36000	444.13	19335.05	473.93	-16664.95	29.80
4.	WBM (Grading II and III) Cum	20250	417.08	14299.18	281.38	-5950.82	-135.70
5.	Primer coat and tack coat (in Sqm)	270000	38.88	189299.50	27.26	-80700.50	-11.62
6.	Surface dressing (PC & Seal Coat)	270000	255.15	189299.50	153.33	-80700.50	-101.82
7.	Flume Pipe Culvert (in Nos)	92	231.09	475	51.77	383	-179.32
8.	Protection work (Retaining wall and Breast wall)	1906	334.09	0	0	-1906	-334.09
9.	Retro Reflectorised Traffic Sign (in Nos.)	36 & 112	3.73	25 & 50	3.23	73	-0.50
10.	Remuneration for STA		0.66		0	0	-0.66
	<b>Extra work executed</b>						
1.	Unlined surface drain of average cross section area 0.40 m2 etc.(in Sqm)	0	0	6830	3.42	6830	3.42
2.	Unlined surface drain of average cross section area 0.40 m2 (in ordinary rock)(in Sqm)	0	0	9580	9.68	9580	9.68
3	Providing filling behind the wall with granular materials including compacting etc (Cum)	0	0	6563.94	85.46	6563.94	85.46
4.	Construction of Granular sub base (GSB) by close graded materials, spreading in uniform thickness and rolling with Grade I metal (by mix in place) (Cum)	0	0	5862	92.03	5862	92.03
	<b>Total</b>		2184.50		1960.01		-224.49

## Appendix 3.6

(Reference to paragraph 3.1.9.3(ii); page 77)

**Statement showing deviation from DPR, sanction and actual (as per MB) in construction of Bridge on Rusoma-Kijumetuma road**

No.	Short description of probable item	As per DPR/Approved items of work by Ministry				Actual (MB)			Difference	
		Quantity	Unit	Rate (₹)	Amount (₹)	Quantity	Rate (₹)	Amount (₹)	Quantity	Amount (₹)
1.	Earth work in excavation of foundation trenches and protection works etc	2958.56	Cum	169.56	501653.43	2147.94	169.56	364204.71	-810.62	-137448.73
2.	Earth work in filling in foundation trenches and protection works etc	14521.60	Cum	54.83	796219.33	8647.00	54.83	474115.01	-5874.60	-322104.32
3.	Sand filling at the back of abutment with earth free local sand	1879	Cum	1304.00	2450216	431.27	1304.00	562376.08	-1447.73	-1887839.92
4.	Cement concrete in foundation with nominal mix (1:3:6)	216.12	Cum	5556.00	1200762.72	343.87	5556.00	1910541.72	127.75	709779
5.	M-25 Grade controlled cement in rail posts, road kerbs, deck slab, approach slabs etc	1075.91	Cum	7852.00	8448045.32	780.54	7852.00	6128800.08	-295.37	-2319245.24
6.	Providing side shuttering with necessary etc	2400.15	Sqm	1135.65	2725730.35	1612.85	1135.65	1831633.10	-787.30	-894097.25
7.	Providing bottom shuttering without staging	251.37	Sqm	614.85	154554.84	417.64	614.85	256785.95	166.27	102231.11
8.	Providing staging i/c hire and labour charges etc	2112.00	Cum	1250.00	2640000.00	4200.00	1250.00	5250000.00	2088.00	2610000
9.	Supplying, bending, binding and laying in position of the steel reinforcement of different component in sub-structure etc	241.21	MT	70633.00	17037668.46	82.61	70633.00	5835133.39	-158.60	-11202535.07
10.	Supplying, fitting and fixing in position true to line and levels approved reinforced Elastomeric Bearings including labour etc	231000.00	Cum	5.00	1155000.00	252000.00	5.00	1260000.00	21000.00	105000.00
11.	Providing a coat of mastic Asphalt 6 mm. thick with a planning coat over the top of the decks slab etc.	234.00	Sqm	303.00	70902.00		303.00	0	-234.00	-70902.00
12.	Providing 50 mm thick Asphaltic concrete wearing coat in 2 layers	234.00	Sqm	1212.00	283608.00		1212.00	0	-234.00	-283608.00

No.	Short description of probable item	As per DPR/Approved items of work by Ministry					Actual (MB)			Difference	
		Quantity	Unit	Rate (₹)	Amount (₹)		Quantity	Rate (₹)	Amount (₹)	Quantity	Amount (₹)
13.	Supplying, fitting and fixing precast neat cement finished RCC hand rails in M-25 grade etc	124.80	Mtr	2052.00	256089.60		129.60	2052.00	265939.20	4.80	9849.60
14.	Providing drainage spout as per the drawing complete in super structure	5.00	Nos	2921.00	14605.00		8.00	2921.00	23368.00	3.00	8763.00
15.	Providing expansion joints in deck slab and also in wearing course	25.50	Mtr	13371.00	340960.50		34.00	13371.00	454614.00	8.50	113653.50
16.	Providing filter media with coarse sand and small size of gravel stones etc.	5293.24	Cum	1298.00	6870625.52		20550.15	1298.00	26674094.70	15256.91	19803469.18
17.	Pitching on slopes including cost & carriage of boulders with wire netting lining as per the drawing etc.	2510.92	Cum	3566.00	8953940.72		216.00	3566.00	770256.00	-2294.92	-8183684.72
18.	Painting bridge super structure with exterior paint etc.	919.65	Sqm	121.00	111277.65		936.80	121.00	113352.80	17.15	2075.15
19.	Providing weep holes in brick masonry etc.	300.00	Nos	460.00	138000.00		219.00	460.00	100740.00	-81	-37260
19 (i)	100 mm thick boulder soling below foundation with approved size boulder	2161.20	Sqm	134.75	291221.70		463.50	134.75	62456.62	-1697.70	-228765.08
	<b>Extra work done</b>				54441081.15						
6.	Providing coarse rubble stone masonry in hammer dressed stone with C:M 1:3 (Work done at the instruction of Addl CE)	0		0	0		246.20	4304.00	1059644.80	246.20	1059644.80
15.	Providing Boulder filling with granular materials behind the wall in compacting etc.	0		0	0		189.75	1304.00	247434.00	189.75	247434.00
17.	Providing wearing coarse with cement concrete with m-30 grade	0		0	0		15.18	12946.00	196520.28	15.18	196520.28
14	Providing and laying boulder sausage wall with wire crates	0		0	0		168.00	3566.00	599088.00	168.00	599088.00
	<b>Total</b>				54441081.15				54441098.45		17.30

### Appendix 3.7

(Reference to paragraph 3.1.9.3(iv); page 77)  
Statement showing deviation from items of works approved by Ministry of DoNER and actual work executed (as per RA Bills) in the work  
Construction of Road from Phek to Chozuba (44.36 km)

Sl. No.	Item of work	Approved by Ministry of DoNER		Actual work executed (as per RA Bills)		Difference	
		Physical	Financial (₹ in lakh)	Physical	Financial (₹ in lakh)	Physical	Financial (₹ in lakh)
1.	WBM grading		502.67	6177.51	234.25	6177.51	-268.42
2.	Pucca side drain		688.18		417.51	0	-270.67
3.	Primer and Tack coat		52.73		0	0	-52.73
4.	Prenix carpet		249.53		0	0	-249.53
5.	Seal coat		83.18		0	0	-83.18
6.	Cross drainage works (HP and slab culvert)		97.58	42	141.63	42	44.05
7.	Protection works (Retaining and breast wall)		72.74	443	119.37	443	46.63
	<b>Sub- total</b>		<b>1746.61</b>		<b>912.76</b>	<b>0</b>	<b>-833.85</b>
9.	Remuneration to STA (0.03%)		0.52			0	-0.52
	<b>Grand total</b>		<b>1747.13</b>		<b>912.76</b>	<b>0</b>	<b>-834.37</b>
	<b>Extra work executed</b>						
1.	Clearing grass and rubbish	0	0	11418	1.29	11418	1.29
2.	Earthwork in excavation in hilly soil (Ordinary soil, ordinary rock and hard rock)	0	0	268591	529.52	268591	529.52
3	Construction of earthen shoulder with approved materials	0	0	9126.42	49.74	9126.42	49.74
	<b>Total</b>		<b>1747.13</b>		<b>1493.32</b>		<b>-253.81</b>

**Appendix 3.8**  
**(Reference to paragraph 3.1.9.3(v); page 78)**  
**Statement showing deviation from items of works in Working Estimate and actual work executed (as per MB) in the work - Construction and Upgradation of Road from Old Phek to Satakha via Khuza (24 km)**

Sl. No.	Item of work	As per Working Estimate		Actual work executed (as per MB)		Difference	
		Physical	Financial (₹)	Physical	Financial (₹)	Physical	Financial (₹)
1.	Clearing and grubbing of road land including uprooting of trees etc	9.73	230483	9.60	227411.04	-0.13	-3071.96
2.	Earthwork in excavation for roadway etc	75735.50	6106553	236303.96	32251317.59	160568.46	26144764.59
3.	Construction of embankment with approved material etc	45634.99	5849493	0	0	-45634.99	-5849493
4.	Construction of sub-grade and earthen shoulder ect	6136.32	1265369	13500	2783835	7363.69	1518466
5.	Furnishing and laying of live sods of perennial turf forming grass on embankment slopes etc	12832.72	607062	96000	4548480	83167.28	3941418
6.	Construction of unlined surface drain	12039.15	491077	24000	978960	11960.85	487883
7.	Construction of GSB etc	5904.52	4648274	13500	10633815	7595.48	5985541
8.	Providing and laying WBM Grade II	2950.57	3445208	6750	7881570	3799.43	4436362
9.	Providing and laying WBM Grade III	3400.08	4470969	4055.62	5332896.96	655.54	861927.96
10.	Providing and applying primer coat with bitumen emulsion	45334.41	673216	22500	334125	-22834.41	-339091
11.	Providing and applying tack coat with bitumen emulsion	45334.41	250246	22500	124200	-22834.41	-126046
12.	Providing, laying and rolling of open graded premix	45334.41	3196530	22500	1586475	-22834.41	-1610055
13.	Providing and laying seal coat	45334.41	1350512	22500	670275	-22834.41	-680237
14.	Painting lines, dashes arrows on new road	604.45	39332	0	0	-604.45	-39332
15.	5th km stone	5	13400	0	0	-5	-13400
16.	Ordinary km stone	20	33241	0	0	-20	-33241
17.	Construction of culverts	50	10306182	18	2686700	-32	-7619482
18.	Construction of retaining walls Type I	930	22360846	0	285904	-930	-22074942
19.	Construction of retaining walls Type II	90	2907218	0	0	-90	-2907218
	<b>Total</b>		<b>68245211</b>		<b>70325964.60</b>		

**Appendix 4.1**  
(Reference to paragraph 4.3.11.1; page 113)  
**Statement showing the declaration forms issued to dealers in other circles** (in ₹)

Sl No	Name of the circle receiving form	Date of receipt	Name of the dealer utilising the form	Name of the Circle	"P" form serial no.	Value of Goods	Exemption amount	Rate of VAT	Tax amount	Penalty 3 times the tax amount	Name of the selling dealer from Sikkim	Year of Assessment
1	ACT-DIMAPUR	31.07.97	Kyong Hardware	ST Wokha	V 017117	989696	123712	12.5%	123712	371136	CG Foods	2007-08
2	ACT-DIMAPUR	31.07.97	Kyong Hardware	ST Wokha	V 017116	1208816	151102	12.5%	151102	453306	CG Foods	2007-08
3	ACT-DIMAPUR	31.07.97	Kyong Hardware	ST Wokha	V 017111	693630	86704	12.5%	86704	260112	CG Foods	2007-08
4	ACT-DIMAPUR	31.7.97	Kyong Hardware	ST Wokha	V 017108	281752	35219	12.5%	35219	105657	CG Foods	2007-08
5	ACT-DIMAPUR	31.07.97	Kyong Hardware	ST Wokha	V 017109	988266	123533	12.5%	123533	370599	CG Foods	2007-08
6	ACT-DIMAPUR	31.07.97	Kyong Hardware	ST Wokha	V 017110	694166	86771	12.5%	86771	260313	CG Foods	2007-08
7	ACT-DIMAPUR	31.07.97	Kyong Hardware	ST Wokha	V 017106	441146	55143	12.5%	55143	165429	CG Foods	2007-08
8	ACT-DIMAPUR	31.07.97	Kyong Hardware	ST Wokha	V 017107	533650	66706	12.5%	66706	200118	CG Foods	2007-08
9	ACT-DIMAPUR	12.02.92	Kyong Hardware	ST Wokha	V 017322	1651978	206497	12.5%	206497	619491	CG Foods	2008-09
10	ACT-DIMAPUR	12.02.92	Kyong Hardware	ST Wokha	V 017323	1215542	151943	12.5%	151943	455829	CG Foods	2008-09
11	ACT-DIMAPUR	10.11.98	Kyong Hardware	ST Wokha	V 017320	929642	116205	12.5%	116205	348615	CG Foods	2008-09
12	ACT-DIMAPUR	10.11.98	Kyong Hardware	ST Wokha	V 017321	1180229	147529	12.5%	147529	442587	CG Foods	2008-09
13	ACT-DIMAPUR	10.11.98	Kyong Hardware	ST Wokha	V 017318	1688628	211079	12.5%	211079	633237	CG Foods	2008-09
14	ACT-DIMAPUR	10.11.98	Kyong Hardware	ST Wokha	V 017319	915112	114389	12.5%	114389	343167	CG Foods	2008-09
15	ACT-DIMAPUR	10.11.98	Kyong Hardware	ST Wokha	V 017316	1896135	237017	12.5%	237017	711051	CG Foods	2008-09
16	ACT-DIMAPUR	10.11.98	Kyong Hardware	ST Wokha	V 017317	983844	122981	12.5%	122981	368943	CG Foods	2008-09
17	ACT-DIMAPUR	10.11.98	Kyong Hardware	ST Wokha	V 017314	495792	61974	12.5%	61974	185922	CG Foods	2008-09
18	ST, Mon	12.02.92	Zhimomi Enterprises	ACT-Dimapur	V 011396	1107995	138499	12.5%	138499	415497	CG Foods	2007-08
19	ST, Mon	12.02.92	Zhimomi Enterprises	ACT-Dimapur	V 011393	1130314	141289	12.5%	141289	423867	CG Foods	2007-08
20	ST, Mon	12.02.92	Zhimomi Enterprises	ACT-Dimapur	V 011394	771071	96384	12.5%	96384	289152	CG Foods	2007-08
21	ST, Mon	12.02.92	Zhimomi Enterprises	ACT-Dimapur	V 011395	1554905	194363	12.5%	194363	583089	CG Foods	2007-08
22	ST, Mon	12.02.92	Zhimomi Enterprises	ACT-Dimapur	V 011389	874760	109345	12.5%	109345	328035	CG Foods	2007-08
23	ST, Mon	12.02.92	Zhimomi Enterprises	ACT-Dimapur	V 011390	1221252	152657	12.5%	152657	457971	CG Foods	2007-08
24	ST, Mon	12.02.92	Zhimomi Enterprises	ACT-Dimapur	V 011391	1566498	195812	12.5%	195812	587436	CG Foods	2007-08
25	ST, Mon	12.02.92	Kyong hardware	ST Wokha	V 011299	1235152	154394	12.5%	154394	463182	CG Foods	2008-09
<b>Total</b>						<b>26249971</b>	<b>3281247</b>		<b>3281247</b>	<b>9843741</b>		

## Appendix-4.2

(Reference to paragraph 4.3.11.4; page 116)

## Statement showing concealment of turnover

(in ₹)

Sl. No.	From AG office	Assessment Circle	Name of Selling Dealer	Assessment year	Type of goods	F Form & C Form Sl. No.	Name of office issuing declaration form	Name of purchasing dealer	Value of the goods	Rate of Tax (Per cent)	Amount of Tax	Penalty = 3 times of the tax payable
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(1)	(2)	(3)	(4)
1	Meghalaya	Circle-II, Shillong	Kim Hyundai	2004-05	Vehicles	V 020520	ACT, Kohima	Kim Hyundai, Kohima	15653061	12.5	1956633	5869898
2	Meghalaya	Circle-II, Shillong	Kim Hyundai	2004-05	Vehicles	V 020521	ACT, Kohima	Kim Hyundai, Kohima	3964524	12.5	495566	1486697
3	Meghalaya	Circle-II, Shillong	Kim Hyundai	2004-05	Vehicles	V 020522	ACT, Kohima	Kim Hyundai, Kohima	4657408	12.5	582176	1746528
4	Meghalaya	Circle-II, Shillong	Kim Hyundai	2004-05	Vehicles	V 020523	ACT, Kohima	Kim Hyundai, Kohima	7120476	12.5	890060	2670180
5	Meghalaya	Circle-II, Shillong	Kim Hyundai	2004-05	Vehicles	V 020524	ACT, Kohima	Kim Hyundai, Kohima	24673132	12.5	3084142	9252425
6	Meghalaya	Circle-II, Shillong	Kim Hyundai	2004-05	Vehicles	V 020525	ACT, Kohima	Kim Hyundai, Kohima	5150851	12.5	643856	1931569
7	Meghalaya	Circle-II, Shillong	Kim Hyundai	2004-05	Vehicles	V 020526	ACT, Kohima	Kim Hyundai, Kohima	7114076	12.5	889260	2667779
8	Meghalaya	Circle-II, Shillong	Kim Hyundai	2004-05	Vehicles	V 020527	ACT, Kohima	Kim Hyundai, Kohima	7058821	12.5	882353	2647058
9	Meghalaya	Circle-II, Shillong	Kim Hyundai	2004-05	Vehicles	V 020528	ACT, Kohima	Kim Hyundai, Kohima	787317	12.5	98415	295244
10	Meghalaya	Circle-II, Shillong	Kim Hyundai	2004-05	Vehicles	V 020529	ACT, Kohima	Kim Hyundai, Kohima	4880244	12.5	610031	1830092
11	Goa	Margao	Seabath Canning	2007-08	Canned fish	V 022489	ACT, Dimapur	North East Traders	1874400	4	74976	224928
Sub-Total ("F" forms)									82934310		10207468	30622398
1	Assam	ACT, Unit-C, Guwahati	Centenary Distilleries Pvt. Ltd.	2007-08	IMFL	NL No.066523	ACT, Dimapur	Apex Paramilitary Bonded Warehouse	6411389	20	1282278	3846833

Sl. No.	From AG office	Assessment Circle	Name of Selling Dealer	Assessment year	Type of goods	F Form & C Form Sl. No.	Name of office issuing declaration form	Name of purchasing dealer	Value of the goods	Rate of Tax	Amount of Tax	Penalty = 3 times of the tax payable
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(1)	(2)	(3)	(4)
2	Assam	ACT, Jorhat	Everest Agency House	2008-09	Food products	NL No.055509	ACT, Mokokchung	Sungyu Dealers, Mokokchung	1367730	12.5	170966	512899
3	Goa	Ponda	Teracon Limited	2007-08	Mfg. Optical fibres cables, etc.	72303	ACT, Dimapur	M/s. Symbios Creations (P)	924443	4	36978	110933
Sub-Total ("C" forms)											1490222	4470666
Grand Total											11697690	35093070

Appendix – 4.3

(Reference to paragraph 4.3.11.5; page 116)

Statement showing the variation amount between purchasing and selling dealers (Difference between the amount as per 'C' Form and UC)  
(in ₹)

Sl. No.	'C' Form Issuing State	Assessing Authority	Dealer to whom issued	Type of goods	'C' Form No.	UC submitted by the Purchasing Dealer to the assessing officers	Amount as per 'C' Form	Concealment of Sale	Rate of CST (concessional rate)	Tax amount	Penalty= 1.5 times the amount of tax payable	Name of the Seller	Year of Assessment
1	Manipur	Deptt. of Taxes	36, Assam Rifles, C/O 99APO	IMFL/MILK	95C 235001	9164187	2754143	6410044	1%	64100	96151	CSD Dimapur	2008-09
2	Manipur	Deptt. of Taxes	36, Assam Rifles, C/O 99APO	IMFL/MILK	95C 239249	10921625	4453819	6467806	1%	64678	97017	CSD Dimapur	2009-10
3	Manipur	Deptt. of Taxes	36, Assam Rifles, C/O 99APO	IMFL/MILK	95C 239609	10555599	6124807	4430792	1%	44308	66462	CSD Dimapur	2009-10
4	Manipur	Deptt. of Taxes	36, Assam Rifles, C/O 99APO	IMFL/MILK	95C 239610	10878131	1944963	8933168	1%	89332	133998	CSD Dimapur	2009-10
5	Manipur	Deptt. of Taxes	17 Assam Rifles	IMFL/MILK	95C 236362	7780420	5951449	1828971	1%	18290	27435	CSD Dimapur	2009-10
6	Manipur	Deptt. of Taxes	17 Assam Rifles	IMFL/MILK	95C 236363	7233729	4837374	2396355	1%	23964	35945	CSD Dimapur	2009-10
Total										304671	457008		

**Appendix -4.4**  
**(Reference to paragraph 4.3.11.7; page 118)**  
**Statement showing misutilisation of declaration forms by three unregistered dealers**

(in ₹)

Sl No.	From AG	Assessment circle	Dealer name	Assessment year	Type of goods	Value of goods	Amount of exemption allowed	Rate of VAT	Amount of Tax	Penalty three times of the tax payable	F form Sl. No.	Office of issue	Name of issuing State	Issued to
1	Goa	Margao	Seabath Canning	2007-08	Canned fish	3973920	158957	4%	158957	476870	V 017670	ACT, Dimapur	Nagaland	Vinay Enterprises
2	Goa	Margao	Seabath Canning	2007-08	Canned fish	4949688	197988	4%	197988	593963	V 011287	ST, Mon	Nagaland	Vinay Enterprises
3	Goa	Margao	Seabath Canning	2007-08	Canned fish	2610192	104408	4%	104408	313223	V 017121	ACT, Dimapur	Nagaland	Vinay Enterprises
4	Goa	Margao	Seabath Canning	2007-08	Canned fish	3038136	121525	4%	121525	364576	V 017124	ACT, Dimapur	Nagaland	Vinay Enterprises
5	Goa	Margao	Seabath Canning	2007-08	Canned fish	5094000	203760	4%	203760	611280	V 011285	ST, Mon	Nagaland	Vinay Enterprises
6	Goa	Margao	Seabath Canning	2007-08	Canned fish	4638432	185537	4%	185537	556612	V 011286	ST, Mon	Nagaland	Vinay Enterprises
7	Goa	Margao	Seabath Canning	2007-08	Canned fish	2016000	80640	4%	80640	241920	V 011331	ST, Mon	Nagaland	Agarwal Brothers
8	Goa	Margao	Seabath Canning	2007-08	Canned fish	1280256	51210	4%	51210	153631	V 011332	ST, Mon	Nagaland	Agarwal Brothers
9	Sikkim	NE Charge	CG Foods	2007-08	Ready to Eat Food	1399616	174952	12.5%	174952	524856	V 011334	ST, Mon	Nagaland	Agarwal Brothers
10	Sikkim	NE Charge	CG Foods	2007-08	Ready to Eat Food	481118	60140	12.5%	60140	180419	V 011335	ST, Mon	Nagaland	Agarwal Brothers
11	Sikkim	NE Charge	CG Foods	2007-08	Ready to Eat Food	437380	54673	12.5%	54673	164018	V 011329	ST, Mon	Nagaland	Agarwal Brothers
12	Sikkim	NE Charge	CG Foods	2007-08	Ready to Eat Food	437380	54673	12.5%	54673	164018	V 011333	ST, Mon	Nagaland	Agarwal Brothers
13	Sikkim	NE Charge	CG Foods	2007-08	Ready to Eat Food	874760	109345	12.5%	109345	328035	V 011327	ST, Mon	Nagaland	Agarwal Brothers
14	Sikkim	NE Charge	CG Foods	2008-09	Ready to Eat Food	918498	114812	12.5%	114812	344437	V 011336	ST, Mon	Nagaland	Agarwal Brothers
15	Sikkim	NE Charge	CG Foods	2008-09	Ready to Eat Food	1458516	182315	12.5%	182315	546944	V 023761	ACT, Dimapur	Nagaland	Agarwal Brothers
16	Sikkim	NE Charge	CG Foods	2008-09	Ready to Eat Food	1225713	153214	12.5%	153214	459642	V 023762	ACT, Dimapur	Nagaland	Agarwal Brothers

Sl No.	From AG	Assessment circle	Dealer name	Assessment year	Type of goods	Value of goods	Amount of exemption allowed	Rate of VAT	Amount of Tax	Penalty three times of the tax payable	F form Sl. No.	Office of issue	Name of issuing State	Issued to
17	Sikkim	NE Charge	CG Foods	2008-09	Ready to Eat Food	2222543	277818	12.5%	277818	833454	V 023763	ACT, Dimapur	Nagaland	Agarwal Brothers
18	Tamil Nadu	AC(CT)-Royapuram Circle, Chennai	Ruchi World Wide Ltd.	2008-09	Edible Oil	1103550	110355	4%	44142	132426	V 011270	ST, Mon	Nagaland	Tia Sales Agency
Total						38159698	2396322		2330109	6990324	18			

**Appendix 4.5**  
**(Reference to paragraph 4.3.11.8; page 119)**  
**Statement showing utilisation of “F” forms other than the dealers to whom it was actually issued**

Sl No	From AG	Assessment circle	Dealer name	RC No.	Assessment year	Type of goods	Value of goods	Amount of exemption allowed	Rate of VAT	Amount of Tax	Penalty = 3 times of the tax payable	F form Sl. No.	Office of issue	Issued to	RC No.
1	Goa	Margao	Seahath Canning	30331101637	2007-08	Canned fish	1494672	59786	4%	59786	179358	V 024713	ACT, Dimapur	Vinay Enterprises	Not visible
2	Sikkim	NE Charge	CG Foods	211/05-06/CT/RPO	2008-09	Ready to Eat Food	1708921	213615	12.5%	213615	640845	V 023476	ACT- Dimapur zone	Zhimomi Enterprises	DMR/D/CST -0602
3	Sikkim	NE Charge	CG Foods	211/05-06/CT/RPO	2008-09	Ready to Eat Food	1798244	224781	12.5%	224781	674342	V 023477	ACT- Dimapur zone	Zhimomi Enterprises	DMR/D/CST -0602
4	Sikkim	NE Charge	CG Foods	211/05-06/CT/RPO	2008-09	Ready to Eat Food	2865123	358140	12.5%	358140	1074421	V 023478	ACT- Dimapur zone	Zhimomi Enterprises	DMR/D/CST -0602
5	Sikkim	NE Charge	CG Foods	211/05-06/CT/RPO	2008-09	Ready to Eat Food	3590470	448809	12.5%	448809	1346426	V 023479	ACT- Dimapur zone	Zhimomi Enterprises	DMR/D/CST -0602
<b>Total</b>							<b>11457430</b>	<b>1305131</b>		<b>1305131</b>	<b>3915393</b>				

## Appendix-4.6

(Reference to paragraph. 4.3.11.10; page 120)

## Statement showing variation between the figure in the declaration form and utilisation statement

(in ₹)

Sl. No.	From AG office	Assessment Circle	Dealer name	Assessment year	Type of goods	C & F Form Sl. No.	Office of Issue	Name of purchasing dealer to whom issued	Declaration form amount	UC amount	Variation amount (less)	Rate of VAT	Taxable amount	Penalty=3 times the amount of tax payable
1	Assam	ACT, Unit-C, Guwahati	Lucas India Service Ltd	2004-05	Papers, office stationery etc.	NL No.065312	ST, Dimapur	Lodha Motors	817434	87434	730000	4%	29200	87600
2	Assam	ACT, Unit-C, Guwahati	Centenary Distilleries Pvt Ltd.	2007-08	IMFL	NL No.066071	ST, Dimapur	Apex Paramilitary Bonded Warehouse	1907500	312812	1594688	20%	318938	956814
3	Assam	ACT, Unit-B, Guwahati	M/s Golf Oil Corporation Ltd.	2006-07	Grease, Filters & CCP	NL No.057669	ST, Dimapur	PJ Enterprises	1101404	23241	1078163	8%	86293	129379 (1.5 times of 86293)
4	Assam	ACT, Unit-B, Guwahati	M/s Golf Oil Corporation Ltd.	2006-07	Grease, Filters & CCP	NL No.067840	ST, Dimapur	PJ Enterprises	2124363	14146	2110217	8%	168817	253225 (1.5 times of 168817)
5	Assam	ACT, Unit-C, Guwahati	Jay Bee Energy(P) Ltd	2006-07	Honda Two Wheeler, spare parts & accessories	NL No.053448	ACT, Dimapur	Kikon Automobiles	4163574	14783	4148791	12.5%	518599	1555797
6	Assam	ACT, Unit-C, Guwahati	Jay Bee Energy(P) Ltd	2006-07	Honda Two Wheeler, spare parts & accessories	NL No.053449	ACT, Dimapur	Kikon Automobiles	1299789	13854	1285935	12.5%	160742	482226

7	Assam	ACT, Unit-C, Guwahati	Kirloskar Oil Engine Ltd	2005-06	Diesel Engine, Pump, pump sets, spare	NL No.085074	ST, Dimapur	Modern Machinery Store	426904	155328	271576	12.5%	33947	101841
8	Assam	ACT Unit-A, Guwahati	Surendra Steel (P) Ltd	2008-09	GC/GP sheet, ridging	NL No.099704	ST, Ward-D, Dimapur Zone	Kamex Trading Co	2316850	175476	2141374	12.5%	267671	803013
9	Assam	ACT Unit-A, Guwahati	Surendra Steel (P) Ltd	2008-09	GC/GP sheet, ridging	NL No.099705	ST, Ward-D, Dimapur Zone	Kamex Trading Co	1683140	110095	1573045	12.5%	196631	589893
10	Assam	ACT Unit-A, Guwahati	Surendra Steel (P) Ltd	2008-09	GC/GP sheet, ridging	NL No.099689	ST, Ward-D, Dimapur Zone	Kamex Trading Co	2000000	121656	1878344	12.5%	234793	704379
11	Assam	ACT Unit-A, Guwahati	Centaur Pharmaceutical Pvt. Ltd	2006-07	Medicine	NL No.066226	ST, Dimapur	Manta Medical	457849	132308	325541	4%	13022	39066
12	Sikkim	NE Charge	CG Foods	2008-09	Ready to Eat Food	V 023826	ACT-Dimapur Zone	Navin Agencies	1145854	363267	782587	12.5%	97823	293470
13	Sikkim	NE Charge	CG Foods	2007-08	Ready to Eat Food	V 023436	ACT-Dimapur Zone	Zhimomi Enterprises	1209358	437380	771978	12.5%	96497	289492
14	Sikkim	NE Charge	CG Foods	2007-08	Ready to Eat Food	V 023437	ACT-DIMAPUR Zone	Zhimomi Enterprises	698577	437380	261197	12.5%	32650	97949
15	Sikkim	NE Charge	CG Foods	2008-09	Ready to Eat Food	V 024587	ACT-Dimapur Zone	Zhimomi Enterprises	1535750	268554	1267196	12.5%	158400	475199

16	Sikkim	NE Charge	CG Foods	2008-09	Ready to Eat Food	V 024588	ACT-Dimapur Zone	Zhimomi Enterprises	1166394	459243	707151	12.5%	88394	265182
17	Sikkim	NE Charge	CG Foods	2008-09	Ready to Eat Food	V 024589	ACT-Dimapur Zone	Zhimomi Enterprises	1414290	459243	955047	12.5%	119381	358143
18	Sikkim	NE Charge	CG Foods	2008-09	Ready to Eat Food	V 024590	ACT-Dimapur Zone	Zhimomi Enterprises	1873539	247896	1625643	12.5%	203205	609616
19	Sikkim	NE Charge	CG Foods	2008-09	Ready to Eat Food	V 024591	ACT-Dimapur Zone	Zhimomi Enterprises	1708315	270094	1438221	12.5%	179778	539333
20	Sikkim	NE Charge	CG Foods	2008-09	Ready to Eat Food	V 024592	ACT-Dimapur Zone	Zhimomi Enterprises	714690	459249	255441	12.5%	31930	95790
21	Sikkim	NE Charge	CG Foods	2008-09	Ready to Eat Food	V 024593	ACT-Dimapur Zone	Zhimomi Enterprises	1202937	247896	955041	12.5%	119380	358140
Total									30968511	4811335	26157176		3156091	9085547

**Appendix-5.1**  
(Reference to paragraph 5.4; page 126)  
**(Statement showing particulars of up to date Paid-up Capital, Loans outstanding and Manpower as on 31 March 2011 in respect of Government Companies)**

(Figures in column 5(a) to 6(c) are ₹ in crore)

Sl. No.	Sector & name of Company	Name of the Department	Month and year of incorporation	Paid up Capital*				Loans outstanding at the close of 2010-11**				Debt equity ratio	Manpower (No. of Employees as on 31.03.2011)
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
<b>A. Working Government Companies</b>													
<b>FINANCE</b>													
1.	Nagaland Industrial Development Corporation Ltd, Dimapur	Industries & Commerce	26.03.70	10.87	--	4.73	15.60	--	--	36.24	36.24		93
	<b>Sector wise total</b>			<b>10.87</b>	<b>--</b>	<b>4.73</b>	<b>15.60</b>	<b>--</b>	<b>--</b>	<b>36.24</b>	<b>36.24</b>		<b>93</b>
<b>MANUFACTURING</b>													
2	Nagaland State Mineral Development Corporation Ltd., Kohima	Geology & Mining	21.05.81	2.40	--	--	2.40	--	--	--	--	--	120
	<b>Sector wise total</b>			<b>2.40</b>	<b>--</b>	<b>--</b>	<b>2.40</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>120</b>
<b>SERVICES</b>													
3	Nagaland Hotels Ltd, Dimapur	Industries & Commerce	17.03.82	0.52	--	0.40	0.92	8.62	--	--	8.62	--	163
	<b>Sector wise total</b>			<b>0.52</b>	<b>--</b>	<b>0.40</b>	<b>0.92</b>	<b>8.62</b>	<b>--</b>	<b>--</b>	<b>8.62</b>		<b>163</b>
<b>MISCELLANEOUS</b>													
4	Nagaland Handloom & Handicrafts Development Corporation., Ltd	Industries & Commerce	27.02.79	6.12	1.14	--	7.26	0.73	--	--	0.73	--	--
5	Nagaland Industrial Raw Materials Supply Corporation Ltd., Dimapur	Industries & Commerce	28.03.73	1.23	--	--	1.23	--	--	0.05	0.05		32

Sl. No.	Sector & name of Company	Name of the Department	Month and year of incorporation	Paid up Capital*				Loans outstanding at the close of 2010-11**				Debt equity ratio	Manpower (No. of Employees as on 31.03.2011)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
	<b>Sector wise total</b>			<b>7.35</b>	<b>1.14</b>	<b>--</b>	<b>8.49</b>	<b>0.73</b>	<b>--</b>	<b>0.05</b>	<b>0.78</b>		<b>32</b>
	<b>Total A (All sector wise working Government Companies)</b>			<b>21.14</b>	<b>1.14</b>	<b>5.13</b>	<b>27.41</b>	<b>9.35</b>	<b>--</b>	<b>36.29</b>	<b>45.64</b>		<b>408</b>
<b>B.</b>	<b>Non-working Companies</b>												
	<b>MANUFACTURING</b>												
6	***Nagaland Sugar Mills Company Ltd., Dimapur	Industries & Commerce	22.03.73	4.96	-	-	4.96	--	--	--	--	--	--
	<b>Sector wise total</b>			<b>4.96</b>	<b>-</b>	<b>-</b>	<b>4.96</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
	<b>Total B (All sector wise non-working Government Companies)</b>			<b>4.96</b>	<b>-</b>	<b>-</b>	<b>4.96</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
	<b>Grand Total (A+B)</b>			<b>26.10</b>	<b>1.14</b>	<b>5.13</b>	<b>32.37</b>	<b>9.35</b>	<b>--</b>	<b>36.29</b>	<b>45.64</b>	<b>--</b>	<b>408</b>

\* Paid-up Capital includes Share Application Money.

\*\* Loan outstanding at the close of 2010-11 represents Long-term Loans only.

\*\*\* Figures of 1995-96 have been incorporated as the Company has not furnished information since 1996-97.

**Appendix-5.2**  
**(Reference to paragraph 5.7; page 127)**  
**Statement showing Equity, Loans, Grants and Subsidy received/receivables, Guarantees received, waiver of dues, Loans written off**  
**and Loans converted into Equity during the year and guarantee commitment at the end of March, 2011.**  
**(Figures in column 3(a) to 6 are ₹ in crore)**

Sl. No	Sector & Name of the Company	Equity/Loans received out of budget during the year		Grants and Subsidy received during the year				Guarantees received during the year and Commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	others	Total	Received	Commitment \$	Loans Repayment Written off	Loans converted into Equity	Interest / Penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
A. WORKING GOVERNMENT COMPANIES													
FINANCE													
1	Nagaland Industrial Development Corporation ltd, Dimapur	--	--	5.20	2	0.01	7.21	36.24	--	--	--	--	--
Sector wise Total		--	--	5.20	2	0.01	7.21	36.24	--	--	--	--	--
MANUFACTURING													
2	Nagaland State Mineral Development Corporation Ltd., Kohima	0.80	--	--	4.22	--	4.22	--	--	--	--	--	--
Sector wise Total		0.80	--	--	4.22		4.22	--	--	--	--	-	--
SERVICES													
3	Nagaland Hotels Limited	0.45	-	--	--	--	--	-	--	--	--	--	--
Sector wise Total		0.45	--	--	--	--	--						

<b>MISCELLANEOUS</b>											
4	Nagaland Handloom & Handicrafts development Corporation. Ltd	0.20	--	--	5	5	10	--	--	--	--
5	Nagaland Industrial Raw material supply Corporation	--	--	81.91	--	81.91	--	--	--	--	--
<b>Sector wise Total</b>		<b>--</b>	<b>--</b>	<b>81.91</b>	<b>5</b>	<b>86.91</b>	<b>10</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total (A) All Sector wise working Government Companies</b>		<b>1.45</b>	<b>--</b>	<b>88.13</b>	<b>5.01</b>	<b>98.34</b>	<b>46.24</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>B. NON-WORKING COMPANIES</b>											
<b>MANUFACTURING</b>											
	Nagaland Sugar Mills Company Ltd	--	--	--	--	--	--	--	--	--	--
<b>Total</b>		<b>1.45</b>	<b>5.20</b>	<b>88.13</b>	<b>5.01</b>	<b>98.34</b>	<b>46.24</b>				

\$ Figures indicate Guarantees outstanding at the end of the year.

**Appendix-5.3**  
**(Reference to paragraph 5.10; page 127)**  
**Summarized financial results of Government Companies for the latest year for which accounts are finalised**  
**(Figures in column 5(a) to (6) and (8) to (10) are ₹ in crore)**

Sl No	Sector & Name of the Company	Period of accounts	Year in which finalised	Net Profit (+)/Loss (-)				Turn over	Impact of Accounts Comments	Paid up Capital	Accumulated Profit(+) Loss(-)	Capital Employed @	Return on Capital Employed #	Percentage of return on Capital Employed
(1)	(2)	(3)	(4)	Net Profit/ Loss before interest & depreciation	Interest	Depreciation	Net Profit/ Loss	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b>A. WORKING GOVERNMENT COMPANIES</b>														
<b>FINANCE</b>														
1	Nagaland Industrial Development Corporation Ltd	2005-06	2010-11	(-) 0.31	0.54	0.15	(-) 1	2.65	-	13.30	(-) 10.79	46.36	(-) 0.46	--
<b>Sector wise Total</b>				(-) 0.31	0.54	0.15	(-) 1	2.65	-	13.30	(-) 10.79	46.36	(-) 0.46	--
<b>MANUFACTURING</b>														
2	Nagaland State Mineral Development Corporation Ltd., Kohima	1999-2000	2010-11	0.46	0	0.67	(-) 0.21	0.59	-	0.80	(-) 2.09	8.17	(-) 0.21	--
<b>Sector wise Total</b>				(+) 0.46	0	0.67	(-) 0.21	0.59	-	0.80	(-) 2.09	8.17	(-) 0.21	--
<b>SERVICES</b>														
3	Nagaland Hotels Limited	1990-91	2010-11	0.08	0.54	0.41	(-) 0.87	0.34	--	0.40	(-) 2.85	4.89	(-) 0.33	--
<b>Sector wise Total</b>				0.08	0.54	0.41	(-) 0.87	0.34	--	0.40	(-) 2.85	4.89	(-) 0.33	--

Sl No	Sector & Name of the Company	Period of accounts	Year in which finalised	Net Profit (+)/Loss (-)				Turn over	Impact of Accounts Comments	Paid up Capital	Accumulated Profit(+) Loss(-)	Capital Employed @	Return on Capital Employed #	Percentage of return on Capital Employed
(1)	(2)	(3)	(4)	Net Profit/ Loss before interest & depreciation 5(a)	Interest 5(b)	Depreciation 5(c)	Net Profit/ Loss 5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b>MISCELLANEOUS</b>														
4.	Nagaland Handloom & Handicrafts Development Corporation. Ltd.,	1989-90	2010-11	0.02	0	0.02	0	2.29	--	3.01 <sup>§</sup>	(-)2.80	1.54	03	--
5	Nagaland Industrial Raw Materials Supply Corporation Ltd., Dimapur	1992-93	2010-11	0.02	0	0.01	0.01	12.09	--	0.57	(-)0.39	1	0.01	1
Sector wise Total				0.04	0	0.03	0.01	14.48	--	3.58	(-) 3.19	2.54	0.01	1
Total (A) All Sector wise working Government Companies				0.27	1.08	1.26	(-)2.07	18.06	--	18.08	(-) 18.92	61.96	(-)1.01	--
<b>B. NON-WORKING GOVERNMENT COMPANIES</b>														
<b>MANUFACTURING</b>														
1	Nagaland Sugar Mills Company Ltd., Dimapur	1977-78	1992-93	--	--	--	--	--	--	4.96	(-)14.70	(-)0.69	--	--
Sector wise Total				--	--	--	--	--	--	4.96	(-)14.70	(-)0.69	--	--
Total (B) All Sector wise working Government Companies				--	--	--	--	--	--	4.96	(-)14.70	(-)0.69	--	--
Grand Total (A+B)				0.27	1.08	1.26	(-)2.07	18.06	--	23.04	(-)33.62	61.27		

<sup>§</sup>Paid up Capital as on 31 March 1989 was ₹2000 only. Share Application Money of ₹3.01 crore was not allotted as on 31 March 1990.

#Return on Capital Employed has been worked out by adding Profit and Interest charged to Profit and Loss account.

@ Capital Employed represents net Fixed Assets (including Capital Work-in-Progress) plus Working Capital except in case of finance companies/corporations where the Capital Employed is worked out as a mean of aggregate of the opening and closing balances of Paid up Capital, Free Reserves, Bonds, Deposits and Borrowings.