



**State Finances Audit Report of the
Comptroller and Auditor General of India
for the year ended 31 March 2020**



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



GOVERNMENT OF NAGALAND
Report No. 1 of the year 2021

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PREFACE

PREFACE

1. The State Finances Audit Report has been prepared for submission to the Governor of Nagaland under Article 151(2) of the Constitution of India for being laid before the Legislative Assembly of the State of Nagaland.
2. Chapter I of this Report contains the basis and approach to State Finances Audit Report, structure of the Report, structure of Government Accounts, budgetary processes, snapshot of finances, assets and liabilities, and trends in key fiscal parameters like revenue surplus/ deficit, fiscal surplus/deficit, *etc.*
3. Chapter II of this Report deals with the State's Budget and Expenditure as per accounts of the State Government for the year ended 31 March 2020. Some information has also been obtained from Government of Nagaland for inclusion in this Report.
4. Chapter III of this Report contains audit observations on matters arising from the examination of Appropriation Accounts of the State Government for the year ended 31 March 2020.
5. Chapter IV on 'Quality of Accounts & Financial Reporting Practices' provides an overview and status of the State Government's compliance during the year 2019-20 with financial rules, procedures and directives.
6. Chapter V on 'Functioning of State Public Sector Enterprises' provides an overview and status of the working of State Public Sector Enterprises.
7. The Report containing audit findings of performance audit; compliance audit of transactions in various departments and audit findings arising out of the audit of Statutory Corporations, Boards and Government Companies and Revenue Sector are presented separately for 2019-20.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

The Report

This Report provides an analytical review of the finances of the State Government based on the audited accounts of the Government of Nagaland for the year ending 31 March 2020. The Report is structured in five Chapters.

Chapter I-Overview of State Finances

This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/surplus.

Chapter II-Finances of the State Government

This Chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the last five years, debt management of the State and key Public Account transactions, based on the Finance Accounts of the State.

Chapter III- Budgetary Management

This Chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.

Chapter IV- Quality of Accounts and Financial Reporting Practices

This Chapter provides an overview on the quality of accounts and compliance of the State Government in its financial reporting practices, with prescribed financial rules, procedures and directives with regard to completeness, transparency, measurement and disclosure.

Chapter V- Functioning of State Public Sector Enterprises

This Chapter provides a 'bird eye view' on the functioning of the State Public Sector Enterprises (SPSEs). The term State Public Sector Enterprises (SPSEs) encompasses the State Government owned/ controlled Government Companies set up under the Companies Act, 2013 and Statutory Corporations setup under the statutes enacted by the Parliament and State Legislature.

The Report has nine appendices containing additional data collated from several sources in support of the audit observations.

Audit Findings:

Overview

The State's GSDP increased by ₹ 3,227.79 crore (11.82 *per cent*) from ₹ 27,283 crore in 2018-19 to ₹ 30,508 crore in 2019-20. During the last five years, there was a steady increase in GSDP from ₹ 19,524 crore in 2015-16 to ₹ 30,508 crore in 2019-20.

The GSDP growth rate for Nagaland (11.82 *per cent*) was higher than the all India GDP growth rate (7.21 *per cent*) in 2019-20. Tertiary Sector was the major contributor of GSDP during the year with 56 *per cent*. Primary Sector was the second largest contributor with 30 *per cent* while Secondary Sector (12 *per cent*) and Subsidies and Taxes (two *per cent*) were third and fourth respectively.

The State's Revenue Receipts (₹ 11,423.29 crore) decreased by 0.12 *per cent* (₹ 14.12 crore) over the previous year (₹ 11,437.41 crore), mainly due to decrease in State's share in Union Taxes and Duties (13.85 *per cent*).

The State's Own Tax Revenue (₹ 958.23 crore) increased by 13.21 *per cent* over the previous year (₹ 846.43 crore). State's share of Union Taxes and Duties (₹ 3,267.08 crore) in comparison to the previous year (₹ 3,792.41 crore) decreased by ₹ 525.33 crore (13.85 *per cent*).

Revenue Expenditure was ₹ 11,637.02 crore and it increased by 6.57 *per cent* (₹ 717.04 crore) over the previous year (₹ 10,919.98 crore).

The State's Revenue Surplus during the last four years turned into Revenue Deficit, which was ₹ 213.73 crore for the year, mainly due to decrease in Revenue Receipts (0.12 *per cent*) and increase in Revenue Expenditure (6.57 *per cent*).

Capital Expenditure which was ₹ 1,206.32 crore for the year, decreased by 24.39 *per cent* (₹ 389.24 crore) over the previous year's expenditure (₹ 1,595.56 crore). It was mainly due to decrease in capital outlay under General Services (60.49 *per cent*) and Economic Services (31.04 *per cent*).

The State's Total Expenditure for the year was ₹ 12,852.60 crore, which increased by three *per cent* (₹ 331.79 crore) over the previous year (₹ 12,520.81 crore). It was mainly due to increase in Revenue Expenditure (₹ 717.04 crore) offset by decrease in Capital Expenditure (₹ 389.24 crore).

The State's Fiscal Deficit (₹ 1,428.22 crore) increased by 31.96 *per cent* (₹ 345.90 crore) as compared to previous year (₹ 1,082.32 crore). The Government failed to meet the projections made under Nagaland FRBM Act during the year as it could not achieve surplus on Revenue Account and the Fiscal Deficit-GSDP ratio and Outstanding Debt-GSDP ratio were above the ceilings prescribed under the Act.

Due to short contribution to the National Pension scheme (NPS) and misclassification of expenditure, the Revenue Deficit was understated by ₹ 33.80 crore and fiscal deficit by ₹ 30.51 crore.

(Chapter I)

Recommendations

The State Government needs to keep up the trend of Own Tax Revenue collection achieved during 2019-20 by focusing on other potential areas, apart from SGST to have a sustained increase in Own Tax Revenues.

The State Government needs to increase its Capital Expenditure and give more impetus to asset creation for sustained economic growth.

The State Government needs to make efforts to achieve the projections on major fiscal parameters, made in the Nagaland FRBM Act through prudent financial management.

Finances of the State Government

The fiscal position of the State is viewed in terms of three key fiscal parameters – Revenue Deficit/ Surplus, Fiscal Deficit/ Surplus and primary deficit/surplus.

During 2019-20, the State had a Revenue deficit of ₹ 213.73 crore which was 0.70 *per cent* of GSDP. Fiscal deficit was ₹ 1,428.22 crore during 2019-20 which was 4.68 *per cent* of GSDP and primary deficit was ₹ 614.48 crore, 2.01 *per cent* of GSDP.

Revenue Receipts were ₹ 11,423.29 crore during 2019-20, which decreased by ₹ 14.12 crore (0.12 *per cent*) compared to the previous year. During the current year, State's Own Tax and Non-Tax Revenue increased by ₹ 112 crore (13.24 *per cent*) and ₹ 84 crore (32.94 *per cent*) respectively over the previous year. Grants-in-Aid from GoI increased by ₹ 315.36 crore (4.82 *per cent*) while State's Share of Union Taxes and Duties decreased by ₹ 525.33 crore (13.85 *per cent*) as compared to the previous year.

Revenue Expenditure accounted for 90.54 *per cent* of total expenditure during the current year. Committed expenditure like salary and wages, pension, interest payments steadily increased during the last five-year period 2015-20. The Committed Expenditure during the year 2019-20 was 68.93 *per cent* of the Revenue Receipts and 67.66 *per cent* of the Revenue Expenditure.

Under National Pension System (NPS), the State Government short contributed ₹ 30.51 crore resulting in understatement of revenue and fiscal deficit to that extent. Further, as on 31 March 2020, ₹170.35 crore were outstanding under NPS, with the State Government and had not been transferred to NSDL, creating avoidable outstanding financial liabilities under the Scheme.

Capital Expenditure is the expenditure for creation of assets of permanent and material character. Capital Expenditure (₹ 1,206 crore) decreased by 24.44 *per cent* during 2019-20 compared to the previous year and stood at nine *per cent* of the total expenditure during the year. There were 399 projects lying incomplete as on 31 March 2020 for which ₹ 1,309.30 crore had been expended. There was cost over-run of ₹ 153.68 crore on these incomplete projects as on 31 March 2020.

The State's share of expenditure on Health (5.38 and 5.20 *per cent* during 2015-16 and 2019-20 respectively) was lower than the averages of North Eastern & Himalayan States (5.95 and 6.19 *per cent* during 2015-16 and 2019-20 respectively). Similarly, the State's share of expenditure on Education (14.79 and 12.92 *per cent* during 2015-16 and 2019-20 respectively) as proportion of Aggregate Expenditure was less

than that of the averages of North Eastern & Himalayan States (18.32 and 17.42 *per cent* during 2015-16 and 2019-20 respectively).

As per Finance Accounts 2019-20, the State Government invested ₹ One crore as equity in Government Company (Nagaland State Mineral Development Corporation, Limited). As on 31 March 2020, whereas the State Government made investment of ₹ 295.17 crore in Government Companies, Statutory Corporation, Co-operative Societies and Joint Stock Companies, the return on investments was a meagre ₹ 2.80 crore by way of dividends during the year.

The State had outstanding guarantees of ₹ 174.96 crore as on 31 March 2020.

The outstanding Public Debt rapidly increased from ₹ 6,736.24 crore (14.26 *per cent*) from 2015-16 to ₹ 9,118.09 crore (35.36 *per cent*) in 2019-20 whereas the Debt/GSDP ratio decreased from 34.50 *per cent* to 29.89 *per cent* during the same period. The outstanding Public Debt was ₹ 8,115.52 crore during 2018-19, which increased by ₹ 1,002.57 crore (12.35 *per cent*) compared to the previous year. About nine to ten *per cent* of the revenue receipts were used by the State for payment of interest on the outstanding Public Debt and the average rate of interest ranged between 6.15 *per cent* to 7.29 *per cent* during last five-years period from 2015-16 to 2019-20.

Maturity profile of outstanding stock of Public Debt as on 31 March 2020 indicates that out of Outstanding Public Debt of ₹ 9,118.09 crore, 47.25 *per cent* of debt needs to be repaid within seven years.

(Chapter 2)

Recommendations

The State Government needs to give greater focus on development expenditure by steadily increasing its Capital expenditure on identified infrastructure gaps in a planned manner with periodical review and monitoring mechanism at the highest level of administration.

The State Government would do well by increasing its expenditure on Health and Education to compare favourably with NE Region States.

To avoid possible future liabilities under NPS, the State Government needs to fulfil their obligation by releasing arrears of its contributions and transferring the outstanding funds already accumulated, to NSDL for management of the NPS.

The State Government may seriously review the functioning of the Corporations, Companies and Societies to ensure returns on their investments and consider either revival or closure of non-functional units, in a time bound manner.

The State Government may ensure that mobilised debt resources are used adequately for incurring capital expenditure for creation of assets. The increasing trends of Revenue Expenditure be corrected by identifying potential wasteful expenditure and adopting economy measures across departments. Own revenues need to be augmented to meet the interest on debt liabilities.

Budgetary Management

During 2019-20, against the total budget approved by the State Legislature of ₹ 22,496.42 crore (Original: ₹ 18,026.11 crore *plus* Supplementary: ₹ 4,470.31 crore), Departments incurred an expenditure of ₹ 19,733.64 crore, leaving a savings of ₹ 2,762.78 crore (12.28 *per cent* of the total budget). Moreover, Planning and Machinery Department (Grant No. 27) was not cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.

At the beginning of the year 2019-20, there was an outstanding excess expenditure of ₹ 723.70 crore under five Grants (pertaining to the year 2014-15 to 20118-19) which requires regularisation as per the Article 205 of the Constitution of India. Out of excess expenditure of ₹ 723.70 crore to be regularised, ₹ 204.64 crore was regularised, leaving a balance of ₹ 519.06 crore during 2019-20. Further, there was an excess expenditure of ₹ 197.95 crore during 2019-20 which also requires regularisation. During the year 2019-20, an expenditure of ₹ 37.26 crore was incurred without budget provision.

Supplementary Grants/ Appropriations were obtained without adequate justification, and funds were expended without budgetary provision. Despite flagging this issue every year over the last several years, the State Government had failed to take corrective measures in this regard.

(Chapter 3)

Recommendations

The State Government may identify Departments with persistent savings and closely monitor them, so that funds are reallocated based on priorities.

Departments, which had incurred excess expenditure persistently should be identified to closely monitor their progressive expenditure and advised to seek supplementary grants/re-appropriations in time.

The Finance Department may provide supplementary grants only after proper scrutiny and realistic assessment of requirements of the concerned Departments, to avoid under or over spending by them.

Excess expenditure pending regularisation, may be regularised by obtaining legislative approval.

Quality of Accounts & Financial Reporting Practices

During the year 2019-20, 91 grants involving ₹ 77.61 crore were provided to 20 Departments for which Utilisation Certificates (UCs) were due for submission during the year 2020-21. As on March 2020, there are 104 UCs worth ₹ 378.59 crore which are due for submission for periods pertaining up to 2018-19. Pending UCs violate prescribed financial rules and directives, and reflects poor monitoring mechanism of the State Government. Moreover, high pendency of UCs is fraught with risk of misappropriation of funds. The State would also lose out on central funds for want of UCs not submitted.

There were 379 Abstract Contingent (AC) Bills involving ₹ 548.69 crore pending for adjustment by submission of Detailed Countersigned Contingent (DCC) Bills, as of March 2020. Out of these, 125 AC bills amounting to ₹ 96.22 crore pertained to the year 2019-20. The non-adjustment of AC Bills is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of Detailed Countersigned Contingent (DCC) bills. Further, there is no assurance that the expenditure of the State Government reflected in the Finance Accounts is correct or final due to non-receipt of DCC bills to that extent.

During the year, expenditure of ₹ 519.36 crore under 60 Revenue and Capital Major Heads, constituting about 4.04 *per cent* of total expenditure of ₹ 12,843.34 crore was booked under Minor head 800-Other Expenditure. Similarly, receipts of ₹ 381.77 crore under 47 Revenue Major Heads, constituting about 3.34 *per cent* of the total Revenue receipts of ₹ 11,423.29 crore was booked under Minor Heads 800-Other Receipts under concerned Major Heads. Indiscriminate operation of omnibus Minor Head 800 – Other Expenditure affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.

The State Government notified (August 2011) the enforcement of Levy and Collection of Cess for the purpose of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. At the end of 2019-20, a total of 30,334 workers were registered with the Nagaland Building and Other Construction Workers' Welfare Board (NBOCWWB). The NBOCWWB received ₹ 23.46 crore during the year 2019-20 and expended ₹ 12.66 crore (Administrative expenses: ₹0.47 crore, Welfare schemes: ₹ 12.19 crore).

During the year 2019-20, Public Works Divisions were the major units that delayed the rendition of monthly accounts. Delayed rendering of accounts by the account rendering units/ authorities distorted the accurate depiction of monthly transactions of the State and impacted effective budgetary management.

A total of 165 Annual Accounts in respect of 22 Bodies/Authorities due up to 2019-20 had not been received as of December 2020 by the Principal Accountant General (Audit), although the Annual Accounts of these Bodies were due for submission every year.

(Chapter 4)

Recommendations

State Government may ensure timely submission of utilisation certificates by the recipients of grants and of DCC Bills within the prescribed timeline as required under the Rules.

The Finance Department should, in consultation with the Principal Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate detailed /object heads of account.

Finance Department should consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and

departmentally run undertakings in order to assess their financial position. Persistently defaulting bodies may be given further financial assistance by the State Government only on submission of final accounts.

The State Government should ensure that the Controlling Officers render the monthly accounts in time to the AG (A&E) in the interest of financial discipline and better budget management.

Functioning of State Public Sector Enterprises

As on 31 March 2020, the State of Nagaland had total six SPSEs (all Government companies), which included one non-working SPSE.

The investment of the State Government (capital and long-term loans) in SPSEs as per the State Finance Accounts, 2019-20 was ₹ 110.23 crore as against the investment of ₹ 35.15 crore as per the records of SPSEs. Thus, there was a difference of ₹ 75.74 crore (Equity: ₹ 75.41 crore and Loan: ₹ 0.33 crore) in the investment figures as per two sets of records. The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in a time-bound manner.

As per the SPSE records, the State Government has provided budgetary support of ₹ 27.90 crore to SPSEs during 2019-20, in the form of Loans (₹ 3.41 crore) and Grants/ subsidy (₹ 24.49 crore). The major recipients of budgetary support in 2019-20 were Nagaland Handloom and Handicrafts Development Corporation Limited (Grant: ₹ 9.74 crore), Nagaland State Mineral Development Corporation Limited (Grant: ₹ 9.29 crore) and Nagaland Industrial Development Corporation Limited (Loan: ₹ 3.41 crore and Grants: ₹ 0.80 crore).

During 2019-20, all the five working SPSEs incurred losses aggregating ₹ 6.03 crore. Further, the accumulated losses of four working SPSEs (₹ 67.41 crore) had completely eroded their paid-up capital (₹ 26.03 crore).

As on 30 September 2020, the five working SPSEs had an arrear of total 21 Accounts ranging from two to 10 years. The highest pendency of accounts pertained to Nagaland Handloom & Handicrafts Development Corporation Limited (10 Accounts).

(Chapter 5)

Recommendations

The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in the investment figures as per State Finance Accounts vis-à-vis the records of the SPSE in a time-bound manner.

Accumulation of huge losses by four out of five working SPSEs had eroded public wealth, which is a cause of concern and the State Government may review the working of these SPSEs to either improve their profitability or close their operations.

The Administrative Departments overseeing the SPSEs having backlog of Accounts may ensure that these SPSEs finalise and adopt their Accounts within the stipulated period, failing which financial support to them be reviewed.

CHAPTER I
OVERVIEW OF THE STATE
FINANCES

Chapter I: Overview of the State Finances

1.1 Profile of the State

Nagaland is situated in the North-Eastern region of India, bordering three States viz. Assam in North and West, Arunachal Pradesh in East and Manipur in the South. It has an international border with Myanmar in the East and runs parallel to the bank of Brahmaputra. With a geographical area of 16,579 sq. kms.*i.e.* about 0.50 *per cent* of country's total geographical area, Nagaland population in 2020 is 21.67 lakh which is 0.16 *per cent* population of the Country. Nagaland has a lower density of population, higher literacy rate and lower infant mortality rate as compared to the All India Average figures. At present, Nagaland has 12 districts. The per capita GSDP in respect of Nagaland for the year,2019-20 is ₹ 1,40,784 as compared to ₹ 1,51,677 for the nation.

General and financial data relating to the State are given in *Appendix 1.1*.

1.1.1 Gross State Domestic Product of the State

Gross State Domestic Product (GSDP) is the value of all the goods and services produced within the boundaries of the State in a given period of time. Growth of GSDP is an important indicator of the State's economy, as it denotes the extent of changes in the level of economic development of the State over a period of time. The growth rate for the period 2015-20 compared with India's GDP is presented in **Table 1.1**:

Table 1.1: Trends in GSDP compared to the national GDP

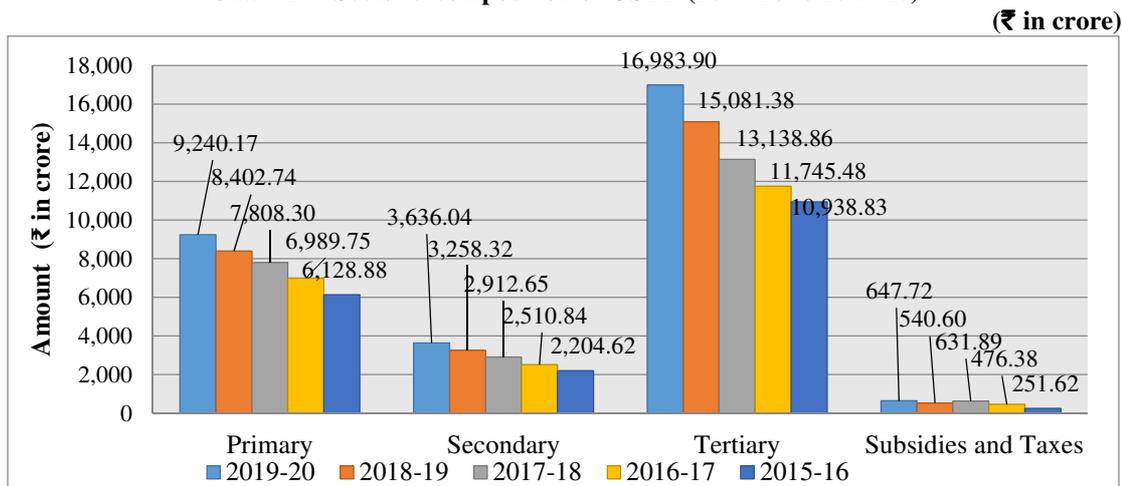
Year	2015-16	2016-17	2017-18	2018-19	2019-20
GDP (2011-12 Series)	1,37,71,874	1,53,91,669	1,70,98,304 (2 nd RE)	1,89,71,237 (1 st RE)	2,03,39,849 (PE)
Growth rate of GDP over previous year (in <i>per cent</i>)	10.46	11.76	11.09	10.95	7.21
State's GSDP (2011-12 Series)	19,524	21,722	24,492 (PE)	27,283 (QE)	30,508 (AE)
Growth rate of GSDP over previous year (in <i>per cent</i>)	6.10	11.26	12.75	11.40	11.82

Source of data: GDP-Ministry of Statistics and Programme Implementation, Press Release 29th May 2020 and Economic Survey, 2020-21. GSDP-Directorate of Economics and Statistics, Government of Nagaland
RE: Revised Estimates; PE: - Provisional Estimates; QE: - Quick Estimates; AE: - Advance Estimates

As can be seen from the details tabulated above, during the five-year period from 2015-16 to 2019-20, the GSDP of the State grew at a higher rate during 2017-18 to 2019-20 as compared to national GDP. However, the growth rate for 2015-16 to 2016-17 was lower compared to the national growth rate.

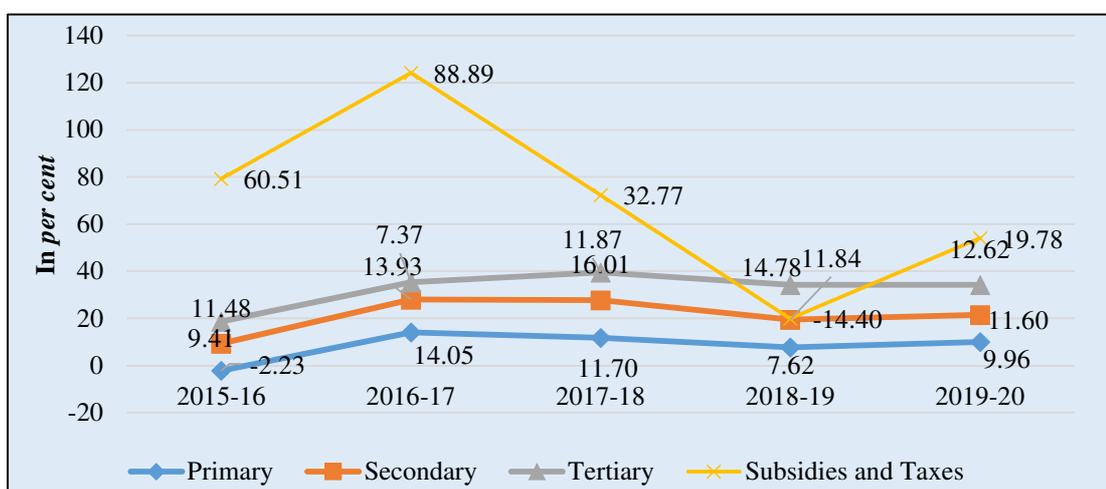
Charts 1.1 and **1.2** depict the details of the shift in sectoral contribution to GSDP from 2015-16 to 2019-20 and sectoral growth of the GSDP during the period 2015-20.

Chart 1.1: Sectoral composition of GSDP (2015-16 to 2019-20)



Source: Information furnished by the Directorate of Economics and Statistics, GoN

Chart 1.2: Sectoral growth in GSDP



Source: Information furnished by the Directorate of Economics and Statistics, GoN

The GSDP of the State increased by ₹ 10,983.88 crore during the period 2015-16 (₹ 19,524 crore) to 2019-20 (₹ 30,508 crore) at a Compound Annual Growth Rate (CAGR) of 11.80 per cent. During the current year, GSDP increased by ₹ 3,227.79 crore (11.82 per cent) over the previous year.

During the five-year period 2015-16 to 2019-20, the tertiary sector was the major contributor to the GSDP with 56 per cent followed by the primary sector with 30 per cent and secondary sector with 12 per cent. Subsidies and taxes formed two per cent of GSDP.

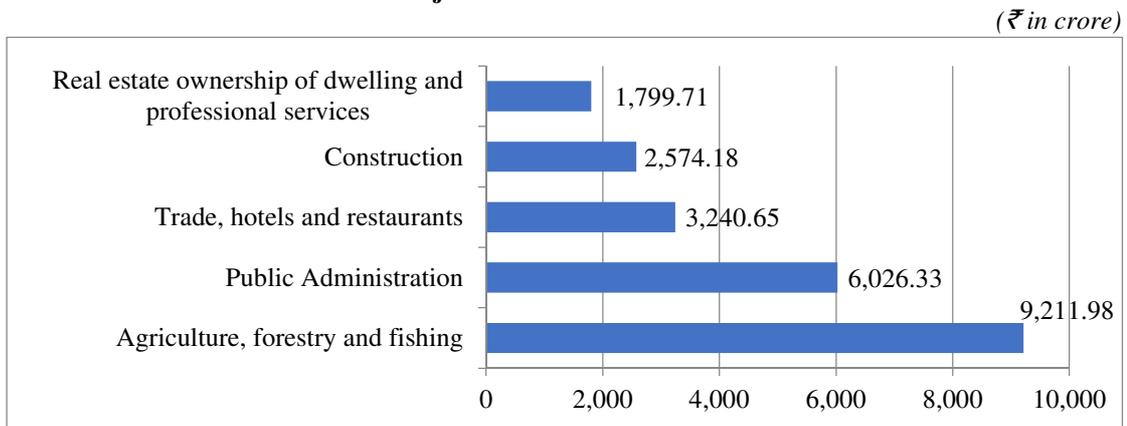
The sector-wise increase is discussed below:

- (i) Primary Sector increased by ₹ 3,111.29 crore during the period 2015-16 to 2019-20 at a CAGR of 10.81 per cent. The major contributor in this sector was Agriculture, Forestry and Fishing (54.31 per cent). The increase of ₹ 837.43 crore (9.97 per cent) over the previous year was primarily due to activities under 'forestry and logging' and 'crops' by 14.81 and 9.70 per cent respectively, over the previous year.

- (ii) Secondary Sector increased by ₹ 1,431.42 crore during the period 2015-16 to 2019-20 at a CAGR of 13.32 *per cent*. The major contributors to the increase were electricity, gas, water supply and other utility services (78.80 *per cent*) and construction (63.06 *per cent*). The increase of ₹ 377.72 crore (11.59 *per cent*) during 2019-20 over the previous year was due to the contribution of manufacturing by 13.46 *per cent* over the previous year.
- (iii) Tertiary Sector increased by ₹ 6,045.07 crore during the period 2015-16 to 2019-20 at a CAGR of 11.63 *per cent*. The major contributors to the increase were other services (54.47 *per cent*), public administration (70.71 *per cent*) and trade, repair, hotels and restaurants (84.12 *per cent*). The increase of ₹ 1,902.52 crore (12.62 *per cent*) during 2019-20 over the previous year was primarily due to increase under ‘Trade, Hotels and Restaurants’, ‘Public Administration’, and ‘Other Services’ by 15.16, 16.13, and 12.62 *per cent* respectively, over the previous year.
- (iv) Taxes/subsidies on products increased by ₹ 396.10 crore at a CAGR of 26.67 *per cent* during the period 2015-16 to 2019-20. During 2019-20, there was an increase of ₹ 107.12 crore (19.82 *per cent*) over the previous year due to an increase under ‘Taxes on products’ by 13.84 *per cent* and ‘subsidies on products’ by 5.82 *per cent* over the previous year.

Major contributors to GSDP (₹ 30,507.83 crore) during 2019-20 are depicted in **Chart 1.3**.

Chart 1.3: Major Contributors in GSDP in 2019-20



Source: GSDP figures furnished by the Directorate of Economics and Statistics, GoN

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) is prepared and submitted under Article 151 (2) of the Constitution of India.

Accountant General (Accounts & Entitlements) prepares the Finance Accounts and Appropriation Accounts of the State annually, from the vouchers, challans and

initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for keeping of such accounts functioning under the control of the State Government, and the statements received from the Reserve Bank of India. These accounts are audited independently by the Principal Accountant General (Audit), and certified by the CAG.

Finance Accounts and Appropriation Accounts of the State constitute the core data for this report. Other sources include the following:

- Budget of the State: for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;
- Results of audit carried out by the Office of the Principal Accountant General (Audit);
- Other data with Departmental Authorities and Treasuries (accounting as well as MIS);
- GSDP data and other State related statistics; and
- Various audit reports of the CAG of India.

The analysis is also carried out in the context of recommendations of the XIV Finance Commission (FC), State Fiscal Responsibility and Budget Management Act, best practices and guidelines of the Government of India.

1.3 Report Structure

The SFAR is structured into the following five Chapters:

Chapter - 1	Overview of State Finances This Chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/ surplus.
Chapter - 2	Finances of the State This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2015-16 to 2019-20, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.
Chapter - 3	Budgetary Management This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
Chapter - 4	Quality of Accounts and Financial Reporting Practices This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.
Chapter 5	Functioning of State Public Sector Enterprises This chapter comments on an overall picture of the financial performance of State Public Sector Undertakings (SPSUs).

1.4 Overview of Government Account Structure and Budgetary Processes

The Accounts of the State Government are kept in three parts:

Consolidated Fund of the State (Article 266(1) of the Constitution of India)

This Fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from Financial Institutions, Special Securities issued to National Small Savings Fund, etc.), Ways and Means Advances extended by the Reserve Bank of India and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this Fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (*e.g.*, salaries of Constitutional authorities, loan repayments, *etc.*), constitute a charge on the Consolidated Fund of the State (Charged expenditure) and are not subject to vote by the Legislature. All other expenditure (Voted expenditure) is voted by the Legislature.

Contingency Fund of the State (Article 267 (2) of the Constitution of India)

This Fund is in the nature of an imprest which is established by the State Legislature by law, and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

Public Accounts of the State (Article 266 (2) of the Constitution)

Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayable like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the Government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

Revenue Receipts consist of tax revenue, non-tax revenue, share of Union Taxes/Duties, and grants from Government of India.

Revenue Expenditure consists of all those expenditures of the government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the government departments and various

services, interest payments on debt incurred by the government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

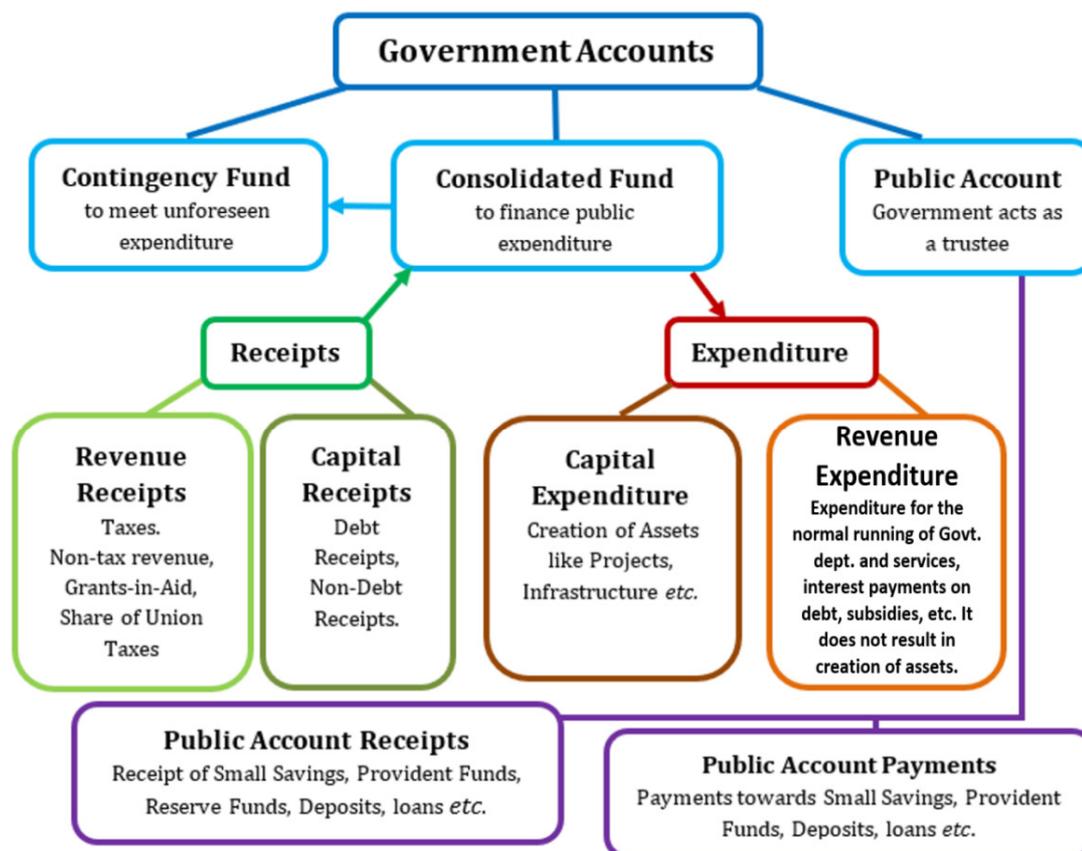
The capital receipts consist of:

Debt Receipts include Market Loans, Bonds, Loans from financial institutions, Net transaction under Ways and Means Advances, Loans and Advances from Central Government, *etc.*;

Non-debt Receipts include Proceeds from disinvestment, recoveries of loans and advances;

Capital Expenditure includes expenditure incurred with the objective of increasing concrete assets of a material and permanent character *viz.*, on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the government to PSUs and other parties.

Structure of Government Accounts



At present, we have an accounting classification system in government that is both functional and economic as shown below.

Table 1.2: Accounting classification system in Government

	Attribute of transaction	Classification
Standardised in LMMH by CGA	Function- Education, Health, <i>etc.</i> /Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Sub-scheme	Detailed Head (2-digit)
	Economic nature/Activity	Object Head-salary, minor works, <i>etc.</i> (2-digit)

The functional classification lets us know the department, function, scheme or programme, and object of the expenditure. Economic classification helps organise these payments as revenue, capital, debt, *etc.* Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, *etc.* Economic classification is also achieved by an inherent definition and distribution of some object heads. For instance, while “salary” object head is revenue expenditure, “construction” object head is capital expenditure. Object Head is the primary unit of appropriation in the budget documents.

Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of State causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the year, in the form of an **Annual Financial Statement**. In terms of Article 203, the statement is submitted to the State Legislature in the form of Demands for Grants/ Appropriations and after approval of these, the Appropriation Bill is passed by the Legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund. Some States have more than one consolidated Budget – there could be sub-budgets like Gender Budget, Agriculture Budget, Weaker sections (SCs/STs) Budget, Disability Budget, *etc.*

Government of Nagaland (GoN) had not prepared its Budget manual so far. While formulating its Budget for 2019-20, the State Government introduced several significant and proactive policiesto promote the overall development of the State and its people. However, no separate sub-budgets were prepared during 2019-20. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter 3** of this Report.

1.4.1 Summarised position of Finances

Details of actual financial results *vis-à-vis* Budget Estimates (BEs) for the year 2019-20 *vis-à-vis* actual of 2018-19 are shown in **Table 1.3**.

Table 1.3: Financial results vis-à-vis BEs

Sl. No.	Components	2018-19 Actuals	2019-20		Percentage of Actual to BEs	Percentage of Actuals to GSDP
			BEs	Actuals		
1.	Tax Revenue	846.43	937.20	958.23	102.24	3.14
2.	Non-Tax Revenue	255.24	373.03	339.29	90.96	1.11
3.	Share of Union taxes/duties	3,792.41	3,267.08	3,267.08	100.00	10.71
4.	Grants-in-aid and Contributions	6,543.33	7,464.12	6,858.69	91.89	22.48
5.	Revenue Receipts (1+2+3+4)	11,437.41	12,041.43	11,423.29	94.87	37.44
6.	Recovery of Loans and Advances	1.08	1.50	1.09	72.67	0.00
7.	Other Receipts	0.00	0.00	0.00	0.00	0.00
8.	Borrowings and other Liabilities (a)	1082.32	791.75	1417.43	179.02	4.65
9.	Capital Receipts (6+7+8)	1,083.40	793.25	1,418.52	178.82	4.65
10.	Total Receipts (5+9)	12,520.81	12,834.68	12,841.81	100.06	42.09
11.	Revenue Expenditure	10,919.98	12,615.30	11,637.02	92.25	38.14
12.	Interest payments	771.74	886.10	813.74	91.83	2.67
13.	Capital Expenditure (b)	1,600.83	1,875.10	1,215.58	64.83	3.98
14.	Capital outlay	1,595.56	1,865.62	1,206.32	64.66	3.95
15.	Loan and advances	5.27	9.48	9.26	97.68	0.03
16.	Total Expenditure (11+13)	12,520.81	14,490.40	12,852.60	88.70	42.13
17.	Revenue Deficit (5-11)	517.43	-573.87	-213.73	37.24	-0.70
18.	Fiscal Deficit { 16-(5+6+7) }	-1,082.32	-2,447.47	-1,428.22	58.35	-4.68
19.	Primary Deficit (18+12)	-310.58	-1,561.37	-614.48	39.36	-2.01

Source: Finance Accounts, 2019-20 and Annual Financial Statement, 2019-20

(a) Borrowings and other Liabilities: Net (Receipts-Disbursements) of Public Debt+Net of Contingency Fund+Net (Receipts-Disbursements) of Public Account+Net of Opening and Closing Cash Balance.

(b) Expenditure on Capital Account includes Capital Expenditure and Loans and Advances disbursed.

- The actual own tax revenue collections exceeded over the budget estimates, while the non-tax revenue and Grants-in-Aid (GIA) from the GoI fell short over the budget estimates. The overall Revenue Receipts of the State fell short of the BEs mainly due to overestimation of the GIA from the GoI at BEs stage.
- During 2019-20, the State moved from a Revenue Surplus to a Revenue Deficit State due to higher growth of Revenue expenditure over the previous year as compared to the Revenue Receipts. The Revenue Receipts decreased by ₹ 14.12 crore (0.12 per cent) from ₹ 11,437.41 crore in 2018-19 to ₹ 11,423.29 crore in 2019-20, while the Revenue Expenditure increased by ₹ 717.04 crore (6.57 per cent) from ₹ 10,919.98 crore in 2018-19 to ₹ 11,637.02 crore in 2019-20. The Revenue Receipts were insufficient to meet normal functioning of Government Departments and borrowed funds were expended to an extent to meet day to day expenditure of the Government instead of creation of assets.
- The Fiscal Deficit further increased over the previous year. It increased from ₹ 1,082.32 crore in 2018-19 to ₹ 1,428.22 crore (31.96 per cent) in 2019-20. The Government's Capital Expenditure decreased by ₹ 385.25 crore (24.07 per cent) from ₹ 1,600.83 crore in 2018-19 to ₹ 1,215.58 crore in 2019-20.

1.4.2 Summarised position of Assets and liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds, and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

The summarised position of Assets and Liabilities of the State for the year 2019-20 as compared to the previous year 2018-19 is shown in **Table 1.4**.

Table 1.4: Summarised position of Assets and Liabilities

(₹ in crore)

Liabilities				Assets					
	2018-19	2019-20	Increase (per cent)		2018-19	2019-20	Increase (per cent)		
Consolidated Fund									
A	Internal Debt	7,969.15	8,986.93	13	a	Gross Capital Outlay	18,095.74	19,302.06	7
B	Loans and Advances from GoI	146.37	131.15	-10	b	Loans and Advances	28.90	37.07	28
	Contingency Fund	0.35	0.35	0					
Public Account									
A	Small Savings, Provident Funds, etc.	1,569.34	2131.38	36	a	Advances	0.37	0.37	0
B	Deposits	891.58	960.38	8	b	Remittance	-	-	-
C	Reserve Funds	1,073.52	1,628.43	52	c	Suspense and Miscellaneous	99.34	89.02	-10
D	Remittances	-661.66	-661.18	0		Cash balance (including investment in Earmarked Fund)	1,856.93	2,627.83	42
						Total	20,081.28	22,056.35	10
						Deficit in Revenue Account	-9,092.64	-8,878.91	-2
	Total	10,988.64	13,177.44	20		Total	10,988.64	13,177.44	20

Source: Finance Accounts, 2019-20

As can be seen from the above table, the Assets and Liabilities of the State showed an increase of 20 per cent during 2019-20 over the previous year. The increase in Liabilities was mainly due to increase in Reserve Funds (52 per cent) and Small Savings Provident Funds, etc. (36 per cent), which was offset by Loans and Advances from GoI (10 per cent) over the previous year. Similarly, the increase in Assets was mainly due to increase in Cash balance (including investment in Earmarked Fund) (42 per cent) and disbursement of Loans and Advances (28 per cent), which was offset by Suspense and Miscellaneous (10 per cent) over the previous year.

1.5 Fiscal Balance: Achievement of deficit and total debt targets

When a government spends more than it collects by way of revenue, it incurs a deficit. There are various measures that capture government deficit.

Deficits must be financed by borrowing giving rise to government debt. The concepts of deficits and debt are closely related. Deficits can be thought of as a flow which adds to the stock of debt. If the government continues to borrow year after year, it leads to the accumulation of debt and the government has to pay more and more by way of interest. These interest payments themselves contribute to the debt.

By borrowing, the government transfers the burden of reduced consumption on future generations. This is because it borrows by issuing bonds to the people living at present but may decide to pay off the bonds some twenty years later by raising taxes or reducing expenditure. Also, government borrowing from the people reduces the savings available to the private sector. To the extent that this reduces capital formation and growth, debt acts as a 'burden' on future generations.

However, if government deficits succeed in their goal of raising production, there will be more income and, therefore, more saving. In this case, both government and industry can borrow more. Also, if the government invests in infrastructure, future generations may be better off, provided the return on such investments is greater than the rate of interest. The actual debt could be paid off by the growth in output. The debt should not then be considered burdensome. The growth in debt will have to be judged by the growth of the economy (State GDP) as a whole.

Government deficit can be reduced by an increase in taxes or reduction in expenditure. There has also been an attempt to raise receipts through the sale of shares in PSUs. However, the major thrust has been towards reduction in government expenditure. This could be achieved through making government activities more efficient through better planning of programmes and better administration.

The Central and individual State Governments have passed Fiscal Responsibility and Budget Management Act (FRBM) with the objective of ensuring prudence in fiscal management by eliminating revenue deficit, reducing fiscal deficit and overall/ outstanding debt to acceptable level, establishing improved debt management and improving transparency in a medium term framework. In this context the Act provides quantitative targets to be adhered by the state with regard to deficit measures and debt level.

State Government enacted the Nagaland Fiscal Responsibility and Budget Management (NFRBM) Act, 2005 in line with the Union FRBM Act, 2003, to ensure stability and sustainability, improve efficiency and transparency in management of public finances, enhance the availability of resources by achieving sufficient revenue surplus, reduce fiscal deficit and remove impediments to effective conduct of fiscal policy and prudent debt management.

In line with the recommendations of XIII Finance Commission (2010-15), the NFRBM Act was subsequently amended twice, with the latest amendment being in March 2011. However, the NFRBM Act was not amended in line with the XIV FC recommendations (Paragraph 2.6 of XIV FC Report).

In addition to the Fiscal Correction Path (FCP), the State Government is required to prepare every year, as per the provisions of the NFRBM Act, 2005, a Medium Term Fiscal Policy Statement (MTFPS) showing the rolling fiscal targets. The State Government had prepared MTFPS every year.

The status of achievement *vis-à-vis* projections set by the XIV FC during the period 2015-16 to 2019-20 is given in **Table 1.5**:

Table 1.5: Compliance with the projections of XIV FC

Fiscal Parameters	XIV FC projections	Achievement				
		2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Deficit (-)/ Surplus (+) (₹ in crore)	Revenue Surplus	461.65	790.34	827.86	517.43	(-)213.73
		✓	✓	✓	✓	X
Fiscal Deficit (-)/ Surplus (+)	Three <i>per cent</i> of GSDP	-597.27 (-3.06)	-284.86 (-1.31)	-446.09 (-1.82)	-1,082.32 (-3.97)	(-)1,428.22 (-4.68)
		X	✓	✓	X	X
Ratio of total outstanding debt to GSDP (<i>per cent</i>)	2015-16: 43.67 2016-17: 41.82 2017-18: 40.18 2018-19: 38.73 2019-20: 37.45	45.75	44.00	42.50	38.65	39.92
	X	X	X	✓	X	

Source: XIV FC Report and Finance Accounts of respective years

State Government was successful in maintaining Revenue Surplus as projected in XIV FC Report, in four out of the five years, during the five-year period from 2015-16 to 2018-19. However During 2019-20, the State had a Revenue Deficit of ₹ 213.73 crore.

The State was successful in containing the Fiscal Deficit below three *per cent* of GSDP in two out of the last five years. It was not successful in reining in the Fiscal Deficit below three *per cent* in 2019-20.

During the five-year period from 2015-16 to 2019-20, the State Government was successful in maintaining outstanding debt to GSDP ratio only in 2018-19 as per the projection made by the XIV FC Report.

The Finance Department, while accepting the fact attributed (March 2021) the Revenue Deficit to less receipt of State's share of Central Taxes during 2019-20. It was also stated that the huge ratio of total outstanding debt to GSDP was due to outstanding WMA during 2019-20.

The position of projections made by the State Government in its MTFPS *vis-à-vis* achievements during the year 2019-20 is depicted in **Table 1.6**.

Table 1.6: Actuals vis-à-vis projection in MTFPS for 2019-20

(₹ in crore)

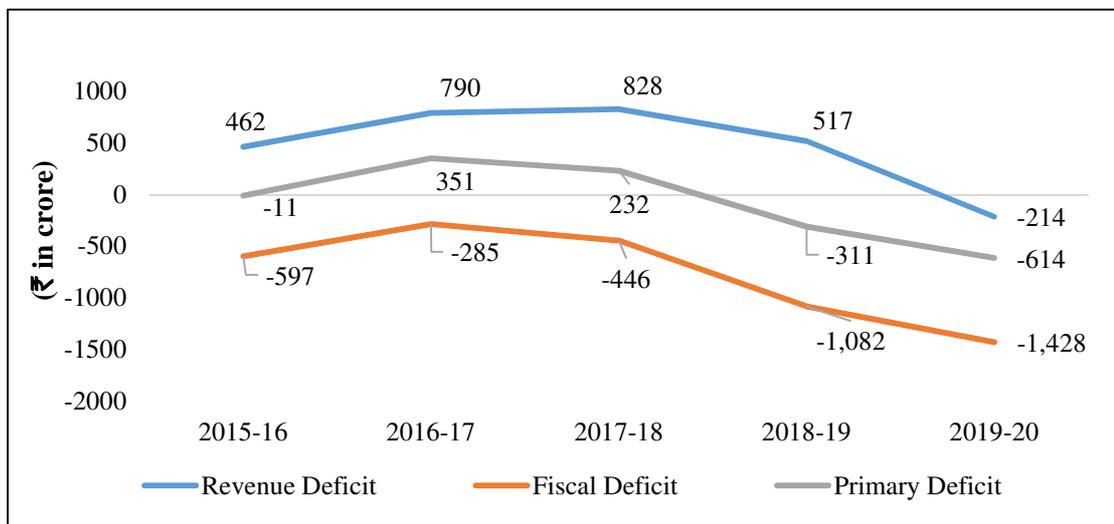
Sl. No.	Fiscal Variables	Projection as per MTFPS	Actuals (2019-20)	Variation (in per cent)
1.	Own Tax Revenue	937.20	958.23	21.03 (2.24)
2.	Non-Tax Revenue	373.03	339.29	-33.74 (-9.04)
3.	Share of Central Taxes	3,267.08	3,267.08	0.00 (0.00)
4.	Grants-in-aid from GoI	7,464.12	6,858.69	-605.43 (-8.11)
5.	Revenue Receipts (1 + 2 + 3 + 4)	12,041.43	11,423.29	-618.14 (-5.13)
6.	Revenue Expenditure	12,615.30	11,637.02	-978.28 (-7.75)
7.	Revenue Deficit (-)/ Surplus (+) (5 - 6)	-573.87	-213.73	360.14 (62.76)
8.	Fiscal Deficit (-)/ Surplus (+)	-2,465.87	-1,428.22	1,037.65 (42.08)
9.	Debt-GSDP ratio (per cent)	38.79	39.92	1.13 (2.91)
10.	GSDP growth rate at current prices (per cent)	4.45	11.82	7.37 (165.62)

Source: MTFP Statement and Finance Accounts, Vol. I, 2019-20.

As can be seen from the above table, the projections made in MTFPS relating to two key fiscal parameters *i.e.*, Revenue Deficit and Fiscal Deficit improved significantly during 2019-20 as compared to the projections. The projection relating to growth rate of GSDP was met with higher growth in GSDP than was projected in the MTFPS. However, projection relating to Debt-GSDP ratio was not met, with the year ending at a higher Debt to GSDP ratio.

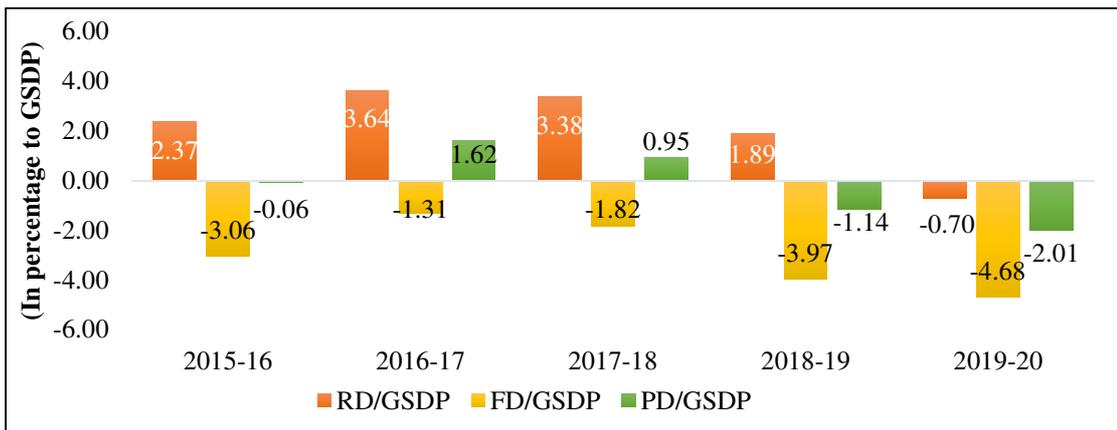
Charts 1.4 and 1.5 present the trends in deficit indicators and Chart 1.6 presents the trends in Fiscal Liabilities and GSDP vis-à-vis target set by the State Government in its MTFP statement over the period 2015-16 to 2019-20.

Chart 1.4: Trends in deficit parameters



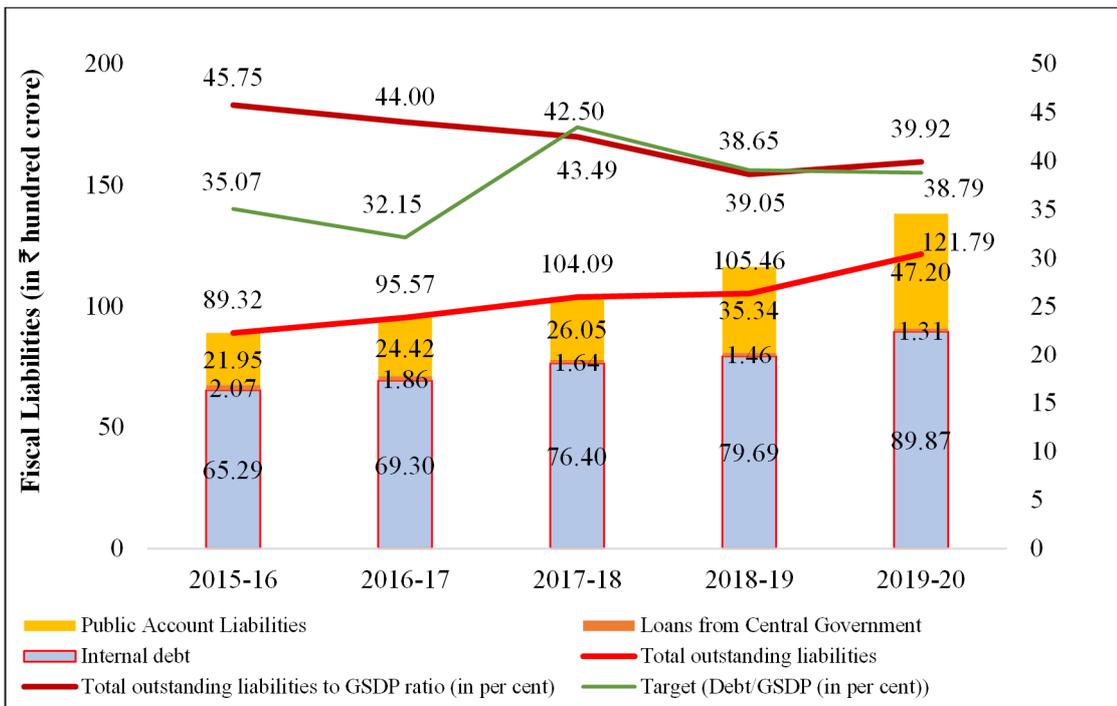
Source: Finance Accounts for respective years and GSDP-Directorate of Economics and Statistics, GoN

Chart 1.5: Trends in Surplus/Deficit relative to GDP



Source: Finance Accounts for respective years and GDP-Directorate of Economics and Statistics, GoN
RD: Revenue Deficit, FD: Fiscal Deficit; PD: Primary Deficit

Chart 1.6: Trends in Fiscal Liabilities and GDP



Source: Finance Accounts for respective years and GDP-Directorate of Economics and Statistics, GoN

As can be seen from the above charts, Deficit on Revenue Account was witnessed during 2019-20 and it was mainly due to the fact that the State witnessed decrease in Revenue Receipts whereas Revenue Expenditure increased during the year over the previous year. During 2019-20, Revenue Receipts decreased marginally by 0.12 per cent (₹ 14.12 crore) over the previous year, while Revenue Expenditure increased significantly by 6.57 per cent (₹ 717.07 crore) during the same period.

The total fiscal liabilities showed increasing trend during the five-year period 2015-20. The increasing trend was due to increase in Public Account liabilities and Internal Debt. During this period, the total outstanding liabilities to GDP ratio was above the norm set by the State Government in its MTFPS in three years.

1.6 Deficits and Total Debt after examination in audit

In order to present better picture of State Finances, there is a tendency to classify revenue expenditure as capital expenditure and to conduct off budget financial activities.

1.6.1 Post audit - Deficits

Misclassification of revenue expenditure as capital and off budget financial activities impacts deficit figures. Besides, deferment of clear cut liabilities, not depositing cess/royalty to Consolidated Fund, short contribution to National Pension Scheme, Sinking and Redemption funds, *etc.* also impacts the revenue and fiscal deficit figures.

During 2019-20, the following operations were noticed which impacted deficit figures of the State Government as detailed in **Table 1.7**.

Table 1.7: Revenue and Fiscal Deficit, post examination by Audit

Particulars	Impact on (₹ in crore) {Understated (+)/ overstated (-)}		Paragraph Reference
	Revenue Deficit	Fiscal Deficit	
Short contribution to National Pension Scheme	(+) 30.51	30.51	Para 2.4.2.3
Minor works budgeted/ booked under Capital Section instead of Revenue	(+) 3.29	0.00	Para 3.3.3
Total	(+) 33.80	30.51	

Source: Finance Accounts, 2019-20 and audit analysis

As can be seen from the above table, there was an understatement of Revenue Deficit by ₹ 33.80 crore during the year. The State would have an increased Revenue Deficit of ₹ 247.53 crore during 2019-20, after considering the items of misclassification, that have resulted in overstatement.

Further, the Fiscal Deficit was understated by ₹ 30.51 crore, which would increase the Fiscal Deficit of ₹ 1,428.22 crore to that extent as depicted in the accounts of the State.

1.7 Conclusion

The State's GSDP increased by ₹ 3,227.79 crore (11.82 *per cent*) from ₹ 27,283 crore in 2018-19 to ₹ 30,508 crore in 2019-20. During the last five years, there was a steady increase in GSDP from ₹ 19,524 crore in 2015-16 to ₹ 30,508 crore in 2019-20.

The GSDP growth rate for Nagaland (11.82 *per cent*) was higher than the all India GDP growth rate (7.21 *per cent*) in 2019-20. Tertiary Sector was the major contributor of GSDP during the year with 56 *per cent*. Primary Sector was the second largest contributor with 30 *per cent* while Secondary Sector (12 *per cent*) and Subsidies and Taxes (two *per cent*) were third and fourth respectively.

The State's Revenue Receipts (₹ 11,423.29 crore) decreased by 0.12 *per cent* (₹ 14.12 crore) over the previous year (₹ 11,437.41 crore), mainly due to decrease in State's share in Union Taxes and Duties (13.85 *per cent*).

The State's Own Tax Revenue (₹ 958.23 crore) increased by 13.21 *per cent* over the previous year (₹ 846.43 crore). State's share of Union Taxes and Duties (₹ 3,267.08 crore) in comparison to the previous year (₹ 3,792.41 crore) decreased by ₹ 525.33 crore (13.85 *per cent*).

Revenue Expenditure was ₹ 11,637.02 crore and it increased by 6.57 *per cent* (₹ 717.04 crore) over the previous year (₹ 10,919.98 crore).

The State's Revenue Surplus during the last four years turned into Revenue Deficit, which was ₹ 213.73 crore for the year, mainly due to decrease in Revenue Receipts (0.12 *per cent*) and increase in Revenue Expenditure (6.57 *per cent*).

Capital Expenditure which was ₹ 1,206.32 crore for the year, decreased by 24.39 *per cent* (₹ 389.24 crore) over the previous year's expenditure (₹ 1,595.56 crore). It was mainly due to decrease in capital outlay under General Services (60.49 *per cent*) and Economic Services (31.04 *per cent*).

The State's Total Expenditure for the year, which was ₹ 12,852.60 crore, increased by three *per cent* (₹ 331.79 crore) over the previous year (₹ 12,520.81 crore). It was mainly due to increase in Revenue Expenditure (₹ 717.04 crore) offset by decrease in Capital Expenditure (₹ 389.24 crore).

The State's Fiscal Deficit (₹ 1,428.22 crore) increased by 31.96 *per cent* (₹ 345.90 crore) as compared to previous year (₹ 1,082.32 crore). The Government failed to meet the projections made under Nagaland FRBM Act during the year as it could not achieve surplus on Revenue Account and the Fiscal Deficit-GSDP ratio and Outstanding Debt-GSDP ratio were above the ceilings prescribed under the Act.

Due to short contribution to the National Pension scheme (NPS) and misclassification of expenditure, the Revenue Deficit was understated by ₹ 33.80 crore and fiscal deficit by ₹ 30.51 crore.

1.8 Recommendations

- The State Government needs to keep up the trend of Own Tax Revenue collection achieved during 2019-20 by focusing on other potential areas, apart from SGST to have a sustained increase in Own Tax Revenues.
- The State Government needs to increase its Capital Expenditure and give more impetus to asset creation for sustained economic growth.
- The State Government needs to make efforts to achieve the projections on major fiscal parameters, made in the Nagaland FRBM Act through prudent financial management.

CHAPTER II
FINANCES OF THE STATE

Chapter II: Finances of the State

2.1 Major changes in Key fiscal aggregates during 2019-20 vis-à-vis 2018-19

This Section gives a bird's eye view of the major changes in key fiscal aggregates of the State during the financial year, compared to the previous year.

Table 2.1 gives a bird's eye view of the major changes in key fiscal aggregates of the State during 2019-20, compared to the previous year. Each of these indicators are analysed in the succeeding paragraphs.

Table 2.1: Changes in key fiscal aggregates in 2019-20 compared to 2018-19

Revenue Receipts	<ul style="list-style-type: none"> ➤ Revenue receipts of the State decreased by 0.12 per cent ➤ Own Tax receipts of the State increased by 13.21 per cent ➤ Own Non-tax receipts increased by 32.93 per cent ➤ State's Share of Union Taxes and Duties decreased by 13.85 per cent ➤ Grants-in-Aid from Government of India increased by 4.82 per cent
Revenue Expenditure	<ul style="list-style-type: none"> ➤ Revenue expenditure increased by 6.57 per cent ➤ Revenue expenditure on General Services increased by 8.18 per cent ➤ Revenue expenditure on Social Services decreased by 4.07 per cent ➤ Revenue expenditure on Economic Services increased by 15.85 per cent
Capital Expenditure	<ul style="list-style-type: none"> ➤ Capital expenditure decreased by 24.39 per cent ➤ Capital expenditure on General Services decreased by 60.49 per cent ➤ Capital expenditure on Social Services increased by 38.54 per cent ➤ Capital expenditure on Economic Services decreased by 31.04 per cent
Loans and Advances	<ul style="list-style-type: none"> ➤ Disbursement of Loans and Advances increased by 75.71 per cent ➤ Recoveries of Loans and Advances increased by 0.92 per cent
Public Debt	<ul style="list-style-type: none"> ➤ Public Debt Receipts increased by 170.70 per cent ➤ Repayment of Public Debt increased by 164.50 per cent
Public Account	<ul style="list-style-type: none"> ➤ Public Account Receipts decreased by 0.87 per cent ➤ Disbursement of Public Account decreased by 9.50 per cent
Cash Balance	<ul style="list-style-type: none"> ➤ Cash balance increased by ₹ 770.90 crore (41.51 per cent) during 2019-20 compared to previous year

2.2 Sources and Application of Funds

Table 2.2 compares the sources and application of funds of the State during 2019-20 with 2018-19 in figures, while **Charts 2.1** and **2.2** give the details of receipts into and expenditure from the Consolidated Fund during 2019-20 in terms of percentages.

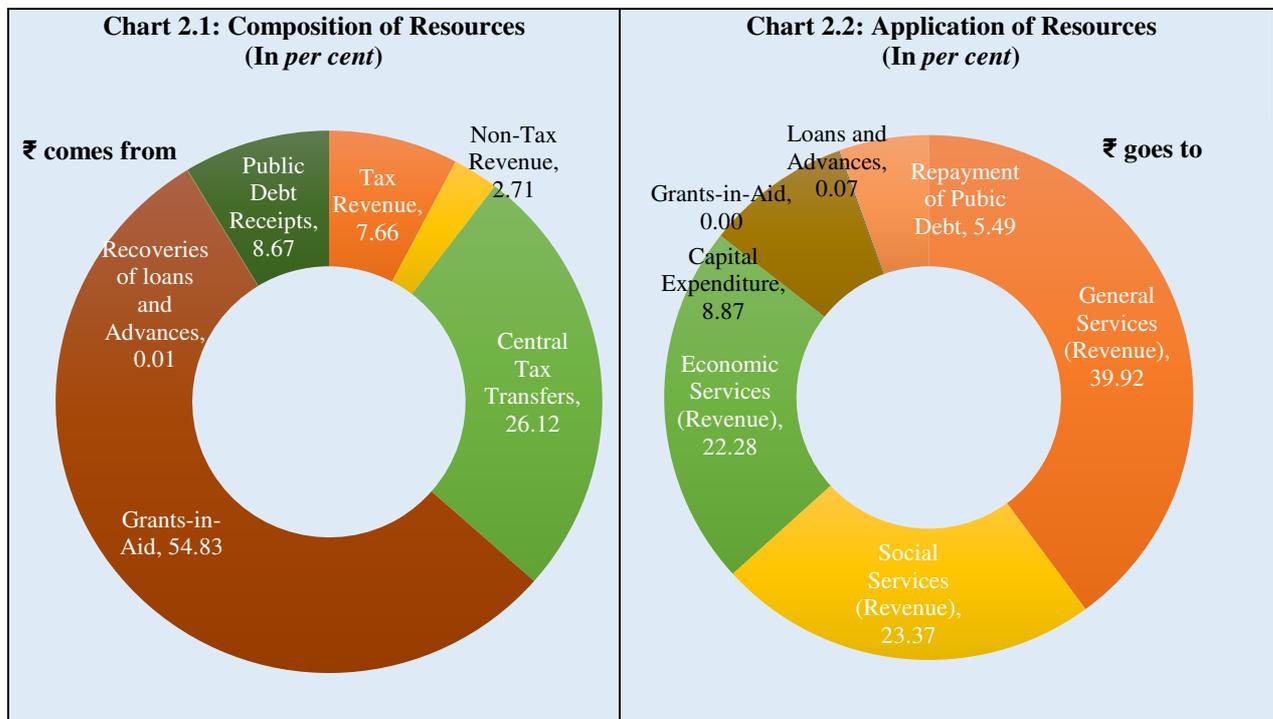
Table 2.2: Details of Sources and Application of funds during 2018-19 and 2019-20

(₹ in crore)

	Particulars	2018-19	2019-20	Increase/Decrease
Sources	Opening Cash Balance with RBI	1,698.18	1,856.93	158.75
	Revenue Receipts	11,437.41	11,423.29	(-)14.12
	Recoveries of Loans and Advances	1.08	1.09	0.01
	Public Debt Receipts (Net)	310.95	1,002.57	691.62
	Public Account Receipts (Net)	930.12	1,196.55	266.43
	Total	14,377.74	15,480.43	1,102.69

	Particulars	2018-19	2019-20	Increase/Decrease
Application	Revenue Expenditure	10,919.98	11,637.02	717.04
	Capital Expenditure	1,595.56	1,206.32	(-)389.24
	Disbursement of Loans and Advances	5.27	9.26	3.99
	Closing Cash Balance with RBI	1,856.93	2,627.83	770.90
	Total	14,377.74	15,480.43	1,102.69

Source: Finance Accounts, 2019-20



2.3 Resources of the State

The resources of the State are described below:

1. **Revenue receipts** consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Government of India (GoI).
2. **Capital receipts** comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI.

Both revenue and capital receipts form part of the Consolidated Fund of the State.

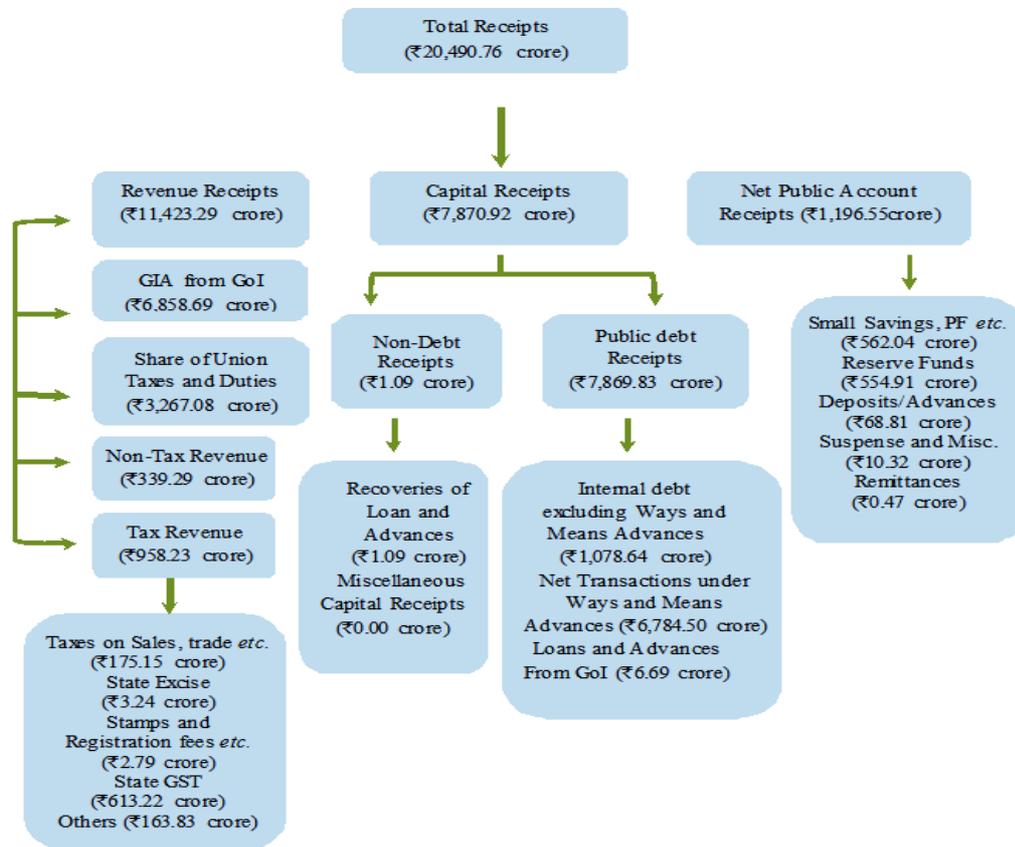
3. **Net Public Account receipts:** There are receipts and disbursements in respect of certain transactions such as small savings, provident fund, reserve funds, deposits, suspense, remittances, etc. which do not form part of the Consolidated Fund.

These are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. Here, the Government acts as a banker. The balance after disbursements is the fund available with the Government for use.

2.3.1 Receipts of the State

Composition of receipts of the State during 2019-20 is given in **Chart 2.3**.

Chart 2.3: Composition of receipts of the State during 2019-20



Source: Finance Accounts, 2019-20

2.3.2 State's Revenue Receipts

This paragraph gives the trends in total revenue receipts and its components. It is followed by trends in the receipts bifurcated into receipts from the Central Government and State's own receipts.

2.3.2.1 Trends and growth of Revenue Receipts

Table 2.3 provides the trends and growth of Revenue Receipts as well as revenue buoyancy with respect to GSDP over the five-year period 2015-20. Further, trends in Revenue Receipts relative to GSDP and composition of Revenue Receipts are given in **Charts 2.4** and **2.5** respectively.

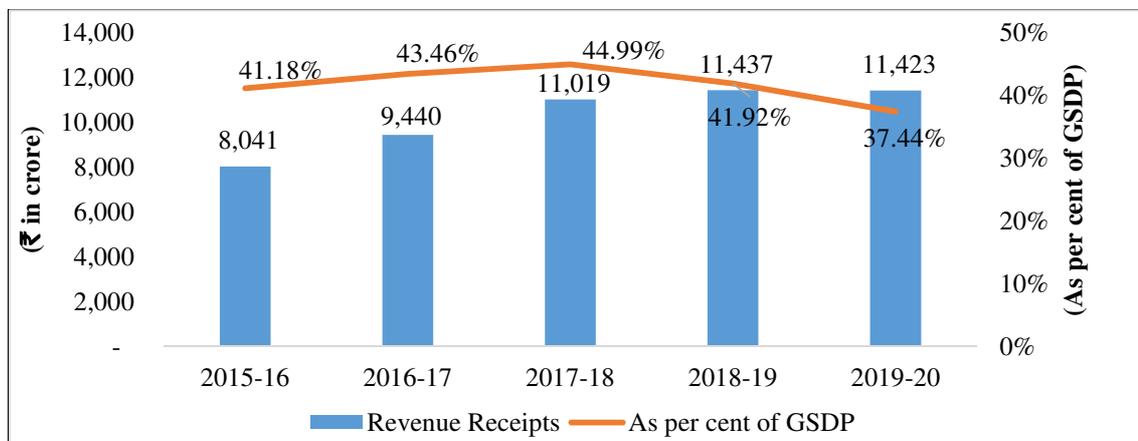
Table 2.3: Trend in Revenue Receipts

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Receipts (RR) (₹ in crore)	8,040.79	9,439.79	11,019.21	11,437.41	11,423.29
Rate of growth of RR (per cent)	5.13	17.40	16.73	3.80	-0.12
Own Tax Revenue (₹ in crore)	427.10	510.75	638.28	846.43	958.23
Non-Tax Revenue (₹ in crore)	253.61	343.03	388.53	255.24	339.29

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Rate of growth of Own Resources (Own Tax and Non-tax Revenue) (<i>per cent</i>)	3.62	25.42	20.27	7.29	17.78
Gross State Domestic Product (₹ in crore)	19,523.95	21,722.45	24,491.70	27,283.04	30,507.83
Rate of growth of GSDP (<i>per cent</i>)	6.10	11.26	12.75	11.40	11.82
RR/GSDP (<i>per cent</i>)	41.18	43.46	44.99	41.92	37.44
Buoyancy Ratios¹					
Revenue Buoyancy w.r.t. GSDP	0.84	1.55	1.31	0.33	-0.01
State's Own Revenue Buoyancy w.r.t. GSDP	0.59	2.26	1.59	0.64	1.50

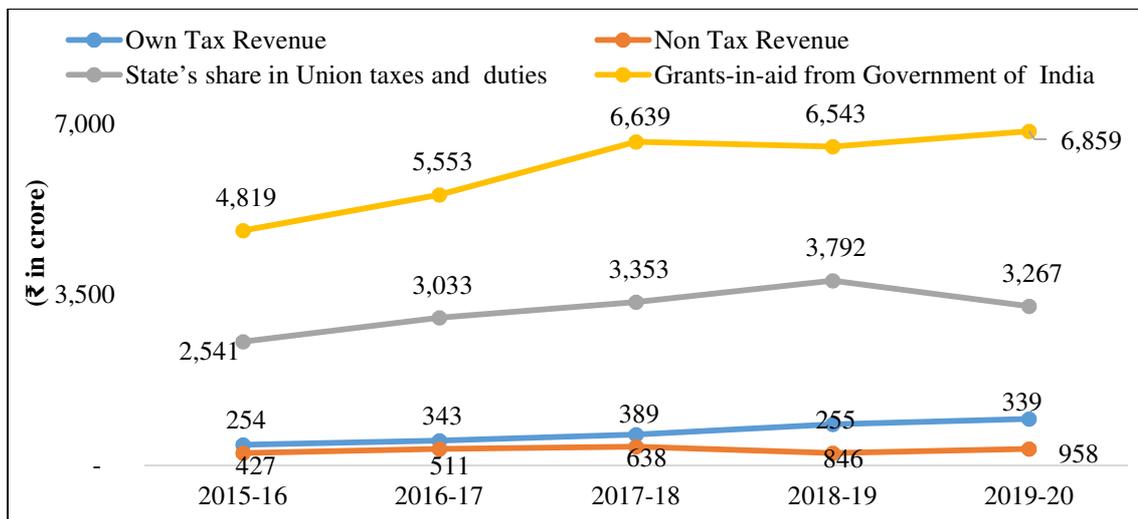
Source of GSDP figures: Directorate of Economics and Statistic, Government of Nagaland

Chart 2.4: Trend of Revenue Receipts



Source: Finance Accounts and GSDP-Directorate of Economics and Statistics, GoN

Chart 2.5: Trend of components of Revenue Receipts



Source: Finance Accounts of respective years

1 Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy with respect to GSDP at 1.85 implies that Revenue Receipts tend to increase by 1.85 percentage points, if the GSDP increases by one *per cent*.

General trends relating to Revenue Receipts of the State are as follows:

- Revenue Receipts increased by ₹ 3,382.50 crore (42.07 per cent) from ₹ 8,040.79 crore in 2015-16 to ₹ 11,423.29 crore in 2019-20 at a Compound Annual Growth Rate of 9.17 per cent. During 2019-20, Revenue Receipts decreased by ₹ 14.12 crore (0.12 per cent) over the previous year.
- Eleven per cent of the Revenue Receipts during 2019-20 came from the State's own resources, while Central Tax Transfers and Grants-in-Aid together contributed 88.64 per cent. This is indicative of the fact that Nagaland's fiscal position is largely dependent on the tax transfers and Grants-in-Aid from GoI.
- During the current year, there was decrease of 0.12 per cent (₹ 14.12 crore) in Revenue Receipts and increase of 6.57 per cent (₹ 717.04 crore) in Revenue Expenditure as compared to 2018-19, leading to a Revenue Deficit, as against a Revenue Surplus in the previous year.
- The Revenue Receipts buoyancy with respect to GSDP was 0.33 in 2018-19 which decreased to (-) 0.01 in 2019-20 mainly due to negative growth rate of Revenue Receipts. The State's Own Tax buoyancy with respect to GSDP was 0.64 in 2018-19 which increased to 1.50 in 2019-20, due to increase in rate of growth of Own Tax.

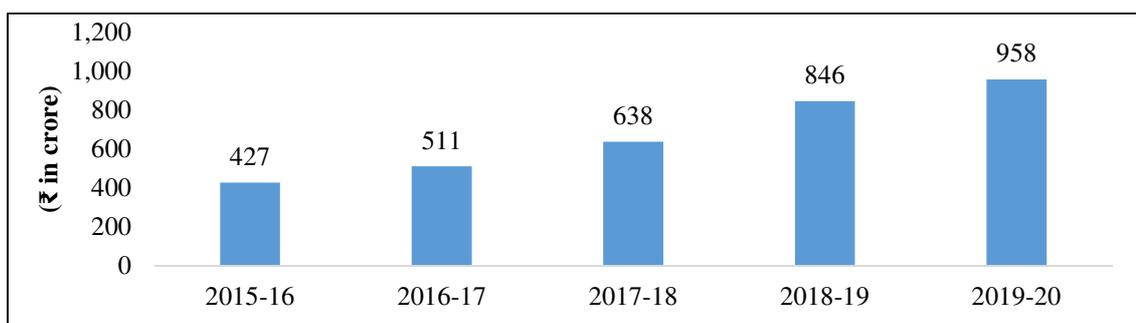
2.3.2.2 State's Own Resources

State's share in Central taxes is determined on the basis of recommendations of the Finance Commission. Grants-in-Aid from Central Government is determined by the quantum of collection of Central tax receipts and anticipated Central assistance for schemes. State's performance in mobilisation of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources.

Own Tax Revenue

Own tax revenues of the State consist of State GST, State excise, taxes on vehicles, Stamp duty and Registration fees, Land revenue, Taxes on goods and passengers, etc. The gross collection of Own Tax Revenue of the State during the five-year period 2015-20 is given below.

Chart 2.6: Growth of Own Tax Revenue during 2015-20



Source: Finance Accounts of respective years

The detail components of gross collections in respect of major Taxes and Duties collected during 2015-20 are given in **Table 2.4**.

Table 2.4: Components of State's own tax revenue

Revenue Head	₹ in crore					Sparkline
	2015-16	2016-17	2017-18	2018-19	2019-20	
Taxes on Sales, Trades etc.	328	400	287	187	175	
SGST	0	0	188	470	613	
State excise	5	5	4	5	3	
Taxes on vehicles	53	57	101	126	114	
Stamp duty and Registration fees	2	2	3	2	3	
Land revenue	1	1	1	1	1	
Taxes on goods and passengers	6	15	18	20	18	
Other taxes	32	31	36	35	31	
Total	427	511	638	846	958	

Source: Finance Accounts of respective years

State's Own Tax Revenue increased by ₹ 531 crore from ₹ 427 crore in 2015-16 to ₹ 958 crore in 2019-20 at Compound Annual Growth Rate (CAGR) of 22.39 per cent. During the current year, major contributors of Tax Revenue were Goods and Services Tax (63.99 per cent), Taxes on Sales, Trades etc., (18.27 per cent) and Taxes on vehicles (11.90 per cent).

The State Government should enforce adequate measures to increase own resources of revenue.

State Goods and Services Tax (SGST)

As per the GST Act, any shortfall in revenue by the State is required to be compensated by the Central Government. The Centre levies the Integrated GST (IGST) on inter-state supply of goods and services, and apportions the state's share of tax to the state where the goods or services are consumed.

The Nagaland Goods and Services Tax (GST) Act, 2017 was passed by the State Legislature in May 2017 and made effective from 01 July 2017 in the State. The Projected revenue² of the State for the year 2019-20 in accordance with Section 6 of GST (Compensation to States) Act, 2017, was fixed at ₹ 432.54 crore³.

The actual revenue received by the State under Goods and Services Tax (SGST) was ₹ 613.22 crore⁴. This excludes the revenue receipt of ₹ 175.15 crore under pre- GST arrear of Value Added Tax (VAT) collection.

² The GST (Compensation to state) Act, 2017 provides that Union shall compensate the states for loss of revenue due to implementation of GST. Base year for calculating the compensation shall be the revenue collection of the State for 2015-16. Protected revenue is calculated/ arrived at, by taking into consideration the revenue collection of base year plus 14 per cent increase for every following year.

³ Ministry of Finance, Office Memorandum No. S-31011/03/2014-SO (ST)-Pt-I dated 29 August 2017.

⁴ Apportionment of Integrated Goods and Services Tax (IGST): ₹457.98 crore plus Tax: ₹144.68 crore plus advance apportionment from IGST: ₹10.56 crore

Table 2.5: Details of SGST receipt of the State including apportionment of IGST and pre-GST arrears of VAT during 2019-20

(₹ in crore)		
Sl. No.	Components	Amount
1.	Protected Revenue of State for the year 2019-20	432.54 ⁵
2.	State Goods and Services Tax (SGST)	
	(a) Tax	144.68
	(b) Apportionment of Taxes from IGST	457.98
	(c) Advance apportionment of Taxes from IGST	10.56
3.	VAT collection (Arrear pre-GST)	175.15
Total GST Collection		788.37

Source: Finance Accounts, 2019-20 and GST (Compensation to States) Act, 2017

Thus, the revenue collection of the GoN was more than the protected revenue of the State during the period 2019-20. As such, the State Government did not receive any compensation from the GoI during 2019-20 under Section 6 of GST (Compensation to States) Act, 2017.

The GoI's decision to provide access to Pan-India data at GSTN premises to State Accountants General was conveyed on 22 June 2020. In line with implementation of the GoI's decision, the State Government has given access of the State data to the Principal Accountant General (Audit) on 17 November 2020 by providing user ID and passwords. The accounts for the year 2019-20 have therefore, been certified on the basis of test audit, as was being done when records were being maintained manually, pending full implementation of the GoI's decision to provide Audit access to GSTN data.

Analysis of arrears of revenue and arrears of assessment

The arrear of revenue indicates delayed realisation of revenue due to the Government. Similarly, arrear of assessment indicates potential revenue which is blocked due to delayed assessment. Both deprive the State of potential revenue receipts and affect ultimately the revenue deficit.

The arrears of revenue as on 31 March 2020 on some principal heads of revenue was outstanding for more than five years, as detailed in **Table 2.6**.

Table 2.6: Arrears of revenue

(₹ in lakh)			
Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2020	Amount outstanding for more than five years as on 31 March 2020
1.	Nagaland VAT	492.17	68.17
2.	Petroleum Tax	388.09	58.82
3.	Central Sales Tax	67.78	60.83
4.	Purchase Tax	0.45	0.45
5.	Professional Tax	9.40	1.81
6.	Nagaland Sales Tax	33.48	33.48
Total		991.37	223.56

Source: Departmental figures

⁵ Calculated at ₹256.10 crore X (1+14/100)² crore for subsequent year taking ₹256.10 crore as base year revenue of 2015-16

It can be seen from the table above that revenue arrear of ₹ 9.91 crore was outstanding as on 31 March 2020, of which ₹ 2.24 crore was pending for recovery for more than five years. Adequate efforts were not made to recover the arrears. Reasons for arrear and steps taken to recover the arrear were not intimated by the State Government (March 2021). Earnest efforts are required to be made to recover the arrears before expiry of the statutory period.

Further, the details of cases pending at the beginning of the year 2019-20, cases becoming due for assessment, cases disposed off during the year 2019-20 and number of cases pending for finalisation at the end of the year as furnished by the Sales Tax Department in respect of Sales Tax/VAT on Sales, Trades *etc.*, are shown in **Table 2.7**.

Table 2.7: Statement showing arrears in assessments

(₹ in crore)

Head of Revenue	Opening Balance of arrears in assessment as on 01 April 2019	New cases due for assessment during 2019-20	Total assessment due	Cases disposed-off during 2019-20	Balance at the end of the 31 March 2020	Percentage of cases disposed to the total assessment due
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7 (5 to 4)</i>
Nagaland VAT	503	206	709	291	418	41
Petroleum Tax	32	26	58	27	31	47
Central Sales Tax	468	52	520	118	402	23
Professional Tax	507	225	732	294	438	40
Amusement Tax	3	5	8	3	5	38
Total	1,513	514	2,027	733	1,294	36

Source: Departmental figures

The arrears in assessment decreased from 1,513 to 1,294 cases with the addition of 514 cases, which became due for assessment during 2019-20 and 733 cases were disposed off during the year. The cases disposed off during 2019-20 were only 36 *per cent* and the pace needs to be improved.

Thus, the outstanding arrears had deprived of potential revenue receipts and impacted upon the revenue deficit of the State to that extent.

Details of evasion of tax detected by Department, refund cases, etc.

The cases of evasion of tax detected by the Excise and Taxation Department, cases finalised and the demands for additional tax raised are important indicators of revenue collection efforts of the State Government. Promptness in disposal of refund cases is important indicator of performance of the Department. High pendency of refund cases may indicate red tape, vested interests, prevalence of speed money, *etc.*

The details of the cases of evasion of taxes detected by the Department, cases finalised and additional demand with penalty *etc.* and cases of refund were requisitioned (September 2020) from The Commissioner of Taxes, Dimapur. The Commissioner of Taxes, Dimapur replied (October 2020) that there was no case of evasion of tax detected and refund case during the year.

Non Tax Revenue

Non-Tax revenue consists of interest receipts, dividends and profits, mining receipts, departmental receipts, etc. The component-wise details of Non-Tax Revenue collected during the years 2015-20 were shown in **Table 2.8**.

Table 2.8: Components of State's non-tax revenue

Revenue Head	2015-16	2016-17	2017-18	2018-19	2019-20	(₹ in crore) Sparkline
Interest Receipts	5	7	7	12	5	
Dividends and Profits	5	0	0	1	3	
Other Non-Tax Receipts	244	336	382	242	331	
Misc. General Services	13	14	16	24	22	
Power	111	114	128	148	159	
Education, Sports, Arts and Culture	77	119	133	4	62	
Other Misc.	43	89	105	66	87	
Total	254	343	389	255	339	

Source: Finance Accounts of respective years

Non-Tax Revenue ranged between 2.23 and 3.63 *per cent* of Total Revenue Receipts of the State during the five-year period from 2015-20 to 2019-20. Non-Tax Revenue increased significantly by ₹ 85 crore from ₹ 254 crore in 2015-16 to ₹ 339 crore in 2019-20 at CAGR of 7.55 *per cent*. During the current year, major contributors for the increase in Non-Tax Revenue were Power (₹ 11 crore) and Education, Sports, Arts and Culture (₹ 58 crore).

State's performance in mobilisation of resources

State's performance in mobilisation of resources is assessed in terms of its own resources comprising own-tax and non-tax sources. The trends of State's Own Resources for the last five years are given in **Table 2.9**.

Table 2.9: State's Own Resources for 2015-20

	2015-16	2016-17	2017-18	2018-19	2019-20	(₹ in crore)
Tax Revenue	427.10	510.75	638.28	846.43	958.23	
Non-Tax Revenue	253.61	343.03	388.53	255.24	339.29	
State's Own Resources	680.71	853.78	1,026.81	1,101.67	1,297.52	

Source: Finance Accounts of respective years

The State's actual Tax and Non-Tax Receipts for the year 2019-20 *vis-à-vis* assessment made in the Budget and projection made by the Fourteenth Finance Commission (XIV FC) is given in **Table 2.10**.

Table 2.10: Tax and Non-Tax receipts *vis-à-vis* projections

	XIV FC projections (₹ in crore)	Budget Estimates (₹ in crore)	Actual (₹ in crore)	Percentage variation of actual over	
				Budget estimates	FFC projections
Own Tax Revenue	1,200.00	780.14	958.23	22.83	-20.15
Non-Tax Revenue	420.00	329.02	339.29	3.12	-19.22

Source: XIV FC report, Budget documents and Finance Accounts, 2019-20

Actual own Tax and Non-Tax Revenue realised were lower than the projections made by the XIV FC. The Revenue Deficit registered by the State was despite receipt

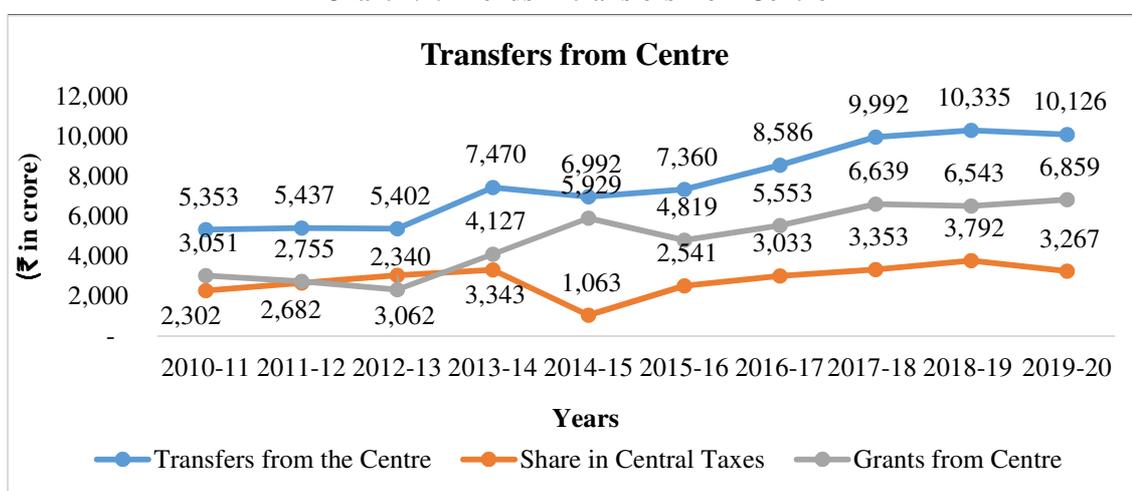
of Revenue Deficit Grant of ₹ 4,176.79 crore (from April 2020 to March 2021) from the GoI. The State Government should strive to improve its tax mobilisation resources in keeping with XIV FC projections.

2.3.2.3 Transfers from the Centre

The GoI accepted the recommendations of XIV FC to increase the States' share in the divisible pool of taxes from 32 to 42 *per cent* with effect from 2015-16 onwards. This significant increase in the State's share altered the composition of central transfers in favour of statutory transfers from discretionary transfers made earlier. It also led to greater predictability and certainty in the quantum of funds being transferred to States.

The trends in transfer from Centre for 10 years are given in **Chart 2.7**.

Chart 2.7: Trends in transfers from Centre



Source: Finance Accounts of respective years

Central tax transfer

The details of the State's actual tax devolution *vis-à-vis* Finance Commission projections and State Government's projection in Fiscal Consolidation Roadmap (FCR) for ten years are given in **Table 2.11**.

Table 2.11: State's share in Union taxes and duties - Actual devolution *vis-à-vis* Finance Commission projections

(₹ in crore)				
Year	Finance Commission projections	Projections in FCR	Actual tax devolution	Difference
1	2	3	4	5 (4-3)
2010-11	0.314 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 0.318 <i>per cent</i> of net proceeds of sharable service tax {As per recommendations of Thirteenth Finance Commission (TFC)}	689.46	689.46	0.00
2011-12		828.27	803.20	-25.07
2012-13		993.92	917.14	-76.78
2013-14		1,192.71	1,001.27	-191.44
2014-15		1,431.25	1,062.68	-368.57
2015-16	0.498 <i>per cent</i> of net proceeds of all shareable taxes excluding service tax and 0.503 <i>per cent</i> of net proceeds of sharable service tax (As per recommendations of FFC)	2,889.00	2,540.72	-348.28
2016-17		3,334.00	3,032.63	-301.37
2017-18		3,852.00	3,353.13	-498.87
2018-19		4,456.00	3,792.41	-663.59
2019-20		5,161.00	3,267.08	-1,893.92

Source: Reports of the TFC and FFC, Finance Accounts and Information furnished by the Finance Department, GoN.

The break-up of State's share of Union Taxes and Duties received during 2015-20 is given in **Table 2.12**.

Table 2.12: Central Tax Transfers

(₹ in crore)					
Head	2015-16	2016-17	2017-18	2018-19	2019-20
Central Goods and Services Tax	0.00	0.00	47.80	936.07	927.14
Integrated Goods and Services Tax	0.00	0.00	338.64	74.70	0.00
Corporation Tax	804.56	973.28	1,027.20	1,318.92	1,113.93
Taxes on Income other than Corporation Tax	564.00	676.44	867.42	971.32	872.84
Customs	405.10	418.66	338.5	268.83	207.09
Union Excise Duties	332.50	478.09	353.90	178.66	143.96
Service Tax	433.27	483.93	379.70	34.60	0.00
Other Taxes ⁶	1.29	2.23	-0.03	9.31	2.12
Central Tax transfers	2,540.72	3,032.63	3,353.13	3,792.41	3,267.08
Percentage of increase over previous year	139.09	19.36	10.57	13.10	-13.85
Percentage of Central tax transfers to Revenue Receipts	31.60	32.13	30.43	33.16	28.60

Source: Finance Accounts of respective years

Central Tax transfers during the year (₹ 3,267.08 crore) were less than the assessment made in Budget Estimates (₹ 4,192.50 crore) by ₹ 925.42 crore (22.07 per cent). State's share of Union Taxes and Duties decreased by ₹ 525.33 crore (13.85 per cent) from ₹ 3,792.41 crore in 2018-19 to ₹ 3,267.08 crore in 2019-20 contributing 28.60 per cent of the total Revenue Receipts during 2019-20. The State's share of Union Taxes and Duties decreased during the current year over the previous year by ₹ 525.33 crore (13.85 per cent) mainly due to decrease under Corporation Tax, Taxes on Income other than Corporation Tax, Union Excise Duties, IGST and Customs.

Grants-in-Aid from GoI

The break-up of Grants-in-Aid (GIA) received from Government of India during 2015-20 is given in **Table 2.13**.

Table 2.13: Grants-in-Aid from GoI

(₹ in crore)					
Head	2015-16	2016-17	2017-18	2018-19	2019-20
Non-Plan Grants/Grants for State/ Union Territory Schemes	193.05	214.71	290.01	601.16	312.57
Non Development Grants/Grants for State Plan Schemes (excluding Finance Commission Grants)	107.43	94.73	276.63	341.98	401.81
Finance Commission Grants	3,203.00	3,451.00	3,700.00	3,945.00	4,176.79
Grants for Central Plan Schemes	18.41	26.84	25.92	170.43	106.85
Grants for Centrally Sponsored Schemes	1,203.85	1,660.65	2,224.45	1,439.73	1,823.15
Grants for Special Plan Schemes	93.62	105.45	122.26	45.03	37.52
Total	4,819.36	5,553.38	6,639.27	6,543.33	6,858.69
Percentage of increase over the previous year	-18.72	15.23	19.55	-1.45	4.82
Percentage of GIA to Revenue Receipts	59.94	58.83	60.25	57.21	60.04

Source: Finance Accounts of respective years

⁶ Include Taxes on Wealth, Other Taxes on Income and Expenditure, Other Taxes and Duties on commodities and Services

The total GIA from GoI showed fluctuating trend during the five-year period from 2015-16 to 2019-20. During 2019-20, it increased by ₹ 315.36 crore (4.82 per cent) as compared with the previous year mainly due to increase in Finance Commission Grants (₹ 231.79 crore) and grants for CSS. The GIA from GoI constituted 60.04 per cent of the total Revenue Receipts of the State during 2019-20.

Fourteenth Finance Commission Grants

As per recommendation of the XIV FC, the GoI had released grants for Local Bodies and towards State Disaster Response Fund (SDRF) during FC Award period from 2015-16 to 2019-20. The details of release of funds to the State on the basis of recommendations of the XIV FC during the Award period 2015-20 and transfer by the State Government have been shown in **Table 2.14**.

Table 2.14: Recommended amount, actual release and transfers of Grants-in-aid
(₹ in crore)

Transfers	Recommendation of the XIV-FC 2015-20	Recommendation of the XIV-FC			Actual release by GoI			Release by State Government		
		2015-19	2019-20	Total	2015-19	2019-20	Total	2015-19	2019-20	Total (percentage of column 8)
1	2	3	4	5	6	7	8	9	10	11
(A) Local Bodies:										
(i) Grants to PRIs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(a) General Basic Grant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(b) General Performance Grants	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(ii) Grants to ULBs	127.48	88.48	39.00	127.48	0.00	95.86	95.86	0.00	0.00	0.00
(a) General Basic Grant	101.98	71.39	30.59	101.98	0.00	95.86	95.86	0.00	0.00	0.00
(b) General Performance Grants	25.50	17.09	8.41	25.50	0.00	0.00	0.00	0.00	0.00	0.00
Total for Local Bodies	127.48	88.48	39.00	127.48	0.00	95.86	95.86	0.00	0.00	0.00
(B) State Disaster Response Fund*	54.00	42.00	12.00	54.00	42.00	12.00	54.00	42.00	12.00	100
Grand Total (A+B)	181.48	130.48	51.00	181.48	42.00	107.86	149.86	42.00	12.00	

* Including State share of 10 per cent of total grant

Source: XIV-FC Report and Information furnished by Finance Department, GoN

As can be from the above table, out of the total XIV-FC recommended amount of ₹ 127.48 crore for grants to Local bodies for the State, the actual release from GoI was only ₹ 95.86 crore (75.20 per cent), which was released only in 2019-20. However, the same amount had not been released by the State Government to the implementing departments.

The Finance Department, GoN stated (December 2020) that the grants could not be released during 2019-20 due to the fact that the funds were received at the fag end of the financial year 2019-20 from the GoI. However, reasons for short release by the GoI were not furnished by the Department.

The Finance Department in its reply stated (March 2021) that GoI does not assign reason for short releases. The reply is an admission to the fact that the State had not taken up corrective measure on the issue of short release of fund by the GoI.

2.3.3 Capital Receipts

Capital Receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks) and loans and advances from GoI.

Table 2.15 shows the trends in growth and composition of Capital Receipts and net Public Debt Receipt.

Table 2.15: Trends in growth and composition of capital receipts

Sources of State's Receipts	2015-16	2016-17	2017-18	2018-19	2019-20
Capital Receipts	1,068.90	1,183.53	1,236.11	948.92	1,086.41
Miscellaneous Capital Receipts	1,068.40	1,182.44	1,235.02	947.84	1,085.32
Recovery of Loans and Advances	0.50	1.09	1.09	1.08	1.09
Net Public Debt Receipts	840.49	379.32	689.01	310.95	1,002.57
<i>Internal Debt*</i>	<i>862.13</i>	<i>400.60</i>	<i>710.40</i>	<i>328.69</i>	<i>1,017.78</i>
<i>Growth rate</i>	<i>561.14</i>	<i>-53.50</i>	<i>77.33</i>	<i>-53.73</i>	<i>209.65</i>
<i>Loans and advances from GoI</i>	<i>-21.54</i>	<i>-21.54</i>	<i>-21.39</i>	<i>-17.74</i>	<i>-15.21</i>
<i>Growth rate</i>	<i>-0.32</i>	<i>0.00</i>	<i>-0.70</i>	<i>-17.06</i>	<i>-14.26</i>
Rate of growth of debt Capital Receipts	672.67	-54.87	81.64	-54.87	222.42
Rate of growth of non-debt capital receipts	-29.58	118	0.00	-0.92	0.93
Rate of growth of GSDP	6.10	11.26	12.75	11.40	11.82
Rate of growth of Capital Receipts (<i>per cent</i>)	47.29	10.72	4.44	-23.23	14.49

Source: Finance Accounts and for GSDP– Source: Directorate of Economics and Statistics, GoN.

* Including gross figure under Ways and Means Advances of ₹663.33 crore for the current year 2019-20.

Capital Receipts increased by 1.64 *per cent* from ₹ 1,068.90 crore in 2015-16 to ₹ 1,086.41 crore in 2019-20. Public debt receipts create future repayment obligation and these are taken from Market, Financial Institutions and Central Government. During 2019-20, the net Public Debt Receipts increased by ₹ 691.62 crore (including an outstanding amount of ₹ 663.33 crore under Ways and Means Advances from the Reserve Bank of India) from ₹ 310.95 crore in 2018-19 to ₹ 1,002.57 crore in 2019-20.

2.4 Application of Resources

The State Government is vested with the responsibility of incurring expenditure within the framework of fiscal responsibility legislations, while at the same time ensuring that the ongoing fiscal correction and consolidation process of the State is not at the cost of expenditure directed towards development of capital infrastructure and social sector. This paragraph along with sub-paragraphs gives the analysis of allocation of expenditure in the State.

2.4.1 Growth and composition of expenditure

The Total Expenditure, its composition and relative share in GSDP during the years 2015-16 to 2019-20 is presented in **Table 2.16**.

Table 2.16: Total expenditure and its composition

(₹ in crore)					
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	8,638.56	9,725.74	11,466.39	12,520.81	12,852.60
Revenue Expenditure (RE)	7,579.14	8,649.45	10,191.35	10,919.98	11,637.02
Capital Expenditure (CE)	1,059.23	1,076.10	1,274.85	1,595.56	1,206.32
Loans and Advances	0.19	0.19	0.19	5.27	9.26
As a percentage of GSDP					
TE/GSDP	44.25	44.77	46.82	45.89	42.13
RE/GSDP	38.82	39.82	41.61	40.02	38.14
CE/GSDP	5.43	4.95	5.21	5.85	3.95
Loans and Advances/GSDP	0.00	0.00	0.00	0.02	0.03

Source: Finance Accounts of respective years

The above table shows that Total Expenditure of the State increased by 49 per cent from ₹ 8,638.56 crore in 2015-16 to ₹ 12,852.60 crore in 2019-20. During the year, it increased by three per cent over the previous year. As a percentage of GSDP, the Total Expenditure remained in the range between 42.13 and 46.82 per cent during 2015-20.

In terms of activities, the Total Expenditure is composed of expenditure on General Services including Interest Payments, Social Services, Economic Services and others. Relative share of these components in the Total Expenditure of ₹ 12,852.60 crore during 2019-20 (**Appendix 1.1 Part C**) is given in **Table 2.17**.

Table 2.17: Relative share of various sectors of expenditure

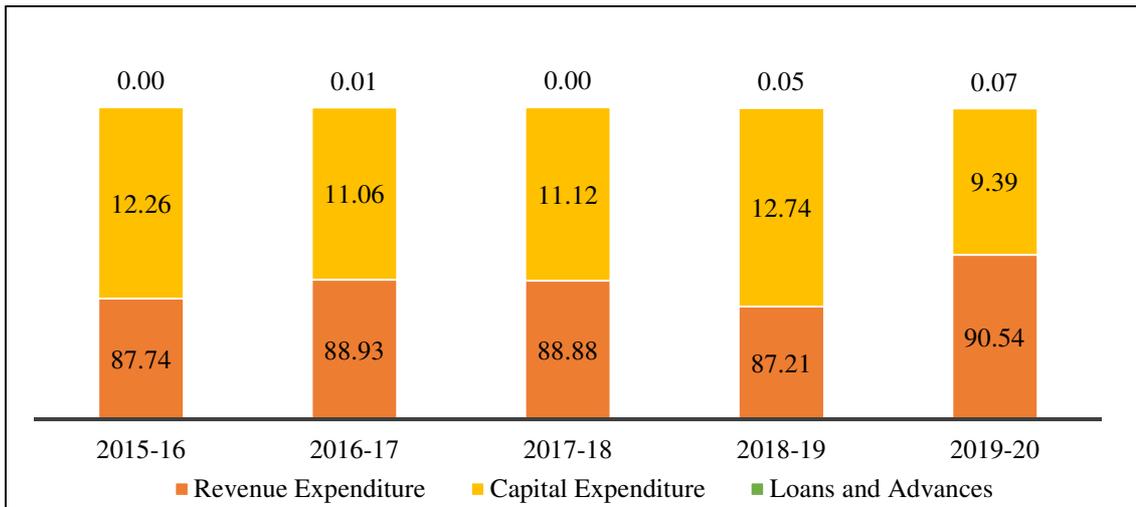
(In per cent)					
Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
General Services	43.14	41.40	40.00	43.43	43.53
Social Services	27.56	28.04	26.55	27.86	27.13
Economic Services	29.30	30.56	33.45	28.67	29.27
Others (Grants to Local Bodies and Loans and Advances)	0.00	0.00	0.00	0.04	0.07

Source: Finance Accounts of respective years

The relative share of the above components of expenditure indicates that the share of General Services, Economic Services and others in the Total Expenditure increased by 3.69 per cent during 2019-20 over the previous year. These increases were, however, offset by slight decrease in the share of Social Services.

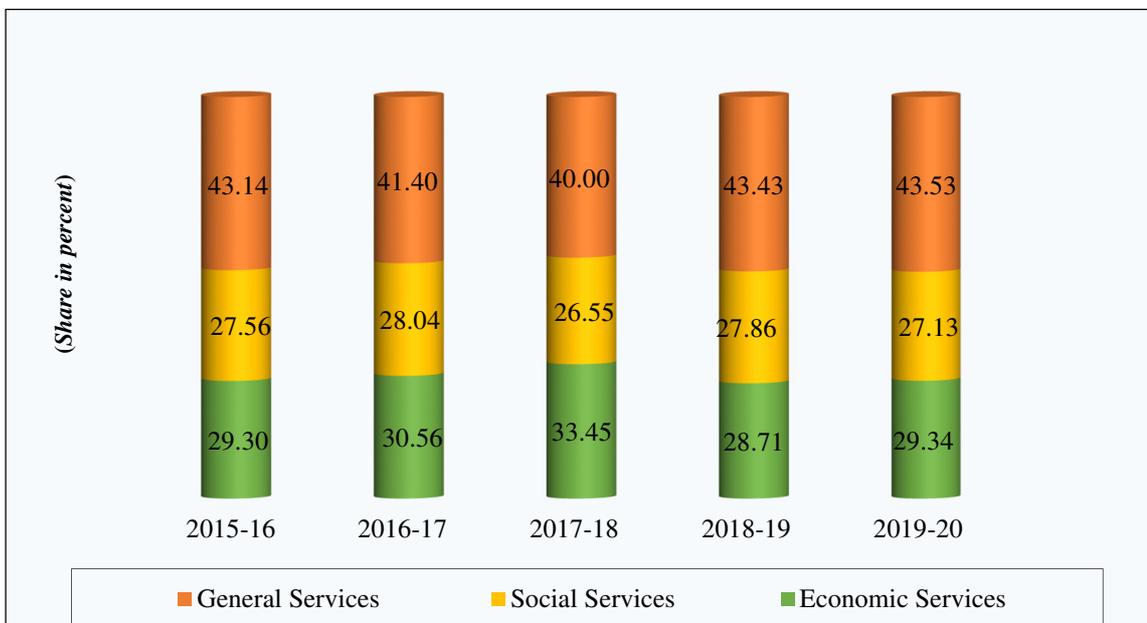
Charts 2.8 and **2.9** present the trends in share of its components and expenditure by activities of Total Expenditure a period of five years (2015-20) whereas **Chart 2.10** depicts the composition of Total Expenditure out of the Consolidated Fund of the State during the year.

Chart 2.8: Total Expenditure: Trends in share of its components



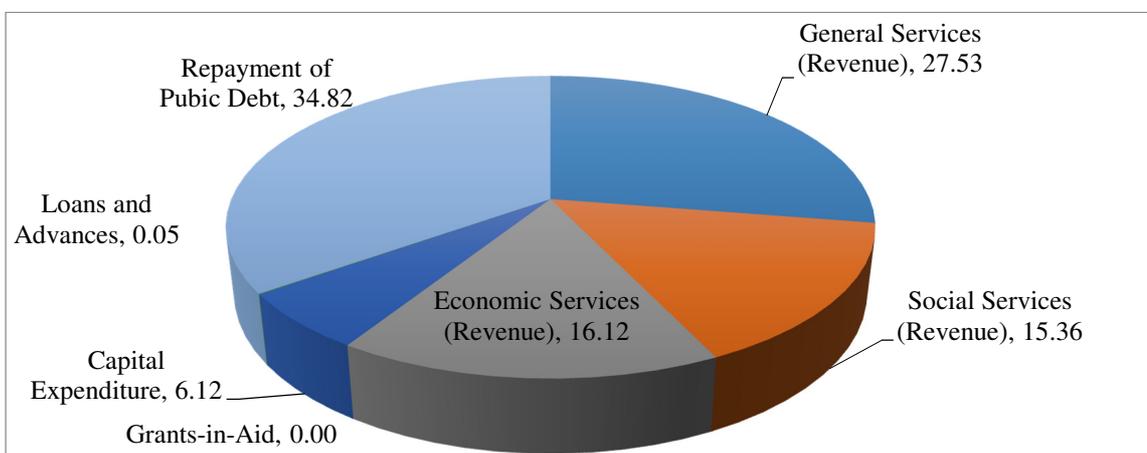
Source: Finance Accounts of respective years

Chart 2.9: Total expenditure - Expenditure by activities



Source: Finance Accounts of respective years

Chart 2.10: Pie Chart for the composition of expenditure during 2019-20 (in per cent)



Source: Finance Accounts, 2019-20

It could be seen that Capital Expenditure has shown a significant increase in the last four years from 2015-16 to 2018-19. However, it decreased during 2019-20 as compared to the previous year. The share of Capital Expenditure as a percentage of GSDP decreased from 5.43 *per cent* in 2015-16 to 3.95 *per cent* in 2019-20.

The shares (in percentage of total expenditure) in General, Social and Economic services remained stable during the five-year period 2015-20. Repayment of Public Debt constituted around 35 *per cent* of the total expenditure during the year.

2.4.2 Revenue Expenditure

Revenue expenditure is incurred to maintain the current level of services and payment for past obligations. As such, it does not result in any addition to the State's infrastructure and service network.

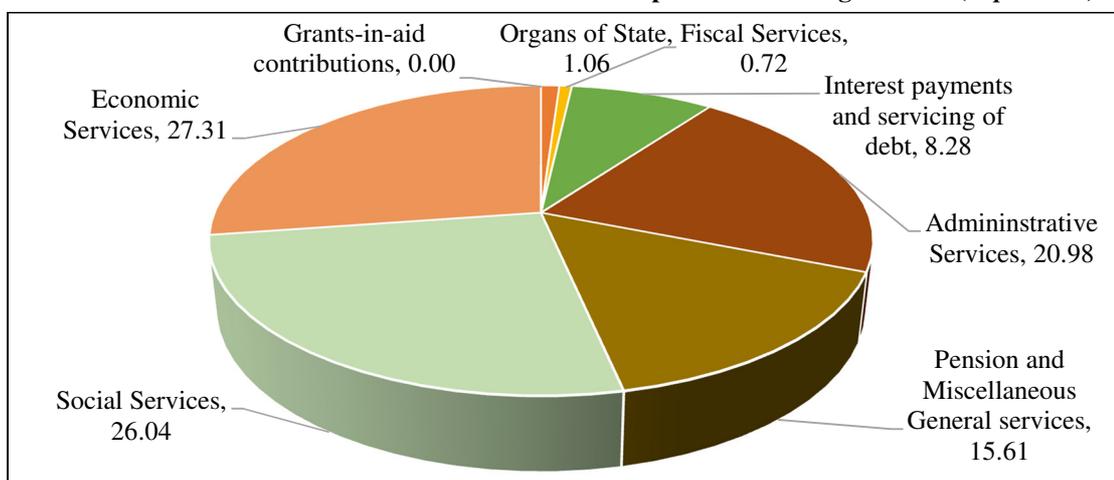
Revenue Expenditure constituted on an average 89 *per cent* (ranging from 87.21 *per cent* in 2018-19 to 90.54 *per cent* in 2019-20) of the total expenditure during the period 2015-20. Rate of growth of Revenue Expenditure has displayed wide fluctuation during the five-year period 2015-20. The overall Revenue Expenditure, its rate of growth, its ratio to Total Expenditure and buoyancy *vis-à-vis* GSDP and Revenue Receipts is indicated in **Table 2.18** and the sectoral distribution of Revenue Expenditure pertaining to 2019-20 is given in **Chart 2.11**.

Table 2.18: Revenue Expenditure – Basic Parameters

Parameters	2015-16	2016-17	2017-18	2018-19	2019-20
Total Expenditure (TE)	8,638.56	9,725.74	11,466.39	12,520.81	12,852.60
Revenue Expenditure (RE)	7,579.14	8,649.45	10,191.35	10,919.98	11,637.02
Rate of Growth of RE (<i>per cent</i>)	12.12	14.12	17.83	7.15	6.57
Revenue Expenditure as percentage of TE	87.74	88.93	88.88	87.21	90.54
RE/GSDP (<i>per cent</i>)	38.82	39.82	41.61	40.02	38.14
RE as percentage of RR	94.26	91.63	92.49	95.48	101.87
Buoyancy of Revenue Expenditure with:					
GSDP (ratio)	1.99	1.25	1.40	0.63	0.56
Revenue Receipts (ratio)	2.36	0.81	1.07	1.88	-54.75

Source: Finance Accounts of respective years

Chart 2.11: Sector-wise distribution of Revenue Expenditure during 2019-20 (in *per cent*)



Source: Finance Accounts, 2019-20

During the five-year period of 2015-20, both Revenue Expenditure as a percentage of GSDP and growth rate of RE showed an increasing trend from 2015-16 to 2017-18 and thereafter a decreasing trend towards 2019-20.

2.4.2.1 Major changes in Revenue Expenditure

Table 2.19 details significant variations under various Heads of Account with regard to Revenue Expenditure of the State during the current year and the previous year.

Table 2.19: Variation in Revenue Expenditure during 2019-20 compared to 2018-19

(₹ in crore)

Major Heads of Account	2018-19	2019-20	Increase (+)/ Decrease (-)
2015 - Elections	96.45	16.27	(-) 80.18
2048 - Appropriation for reduction or avoidance of debt	225.00	150.00	(-) 75.00
2049 - Interest Payment	771.74	813.74	(+) 42.00
2052 - Secretariat General Services	120.97	150.97	(+) 30.00
2055 - Police	1,522.06	1,696.82	(+) 174.76
2071 - Pension and other retirement benefits	1,552.79	1,810.91	(+) 258.12
2202 - General Education	1,730.63	1,512.32	(-) 218.31
2210 - Medical and Public Health	580.80	624.31	(+) 43.51
2225 - Welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and Minorities	49.6	23.58	(-) 26.02
2236 - Nutrition	71.07	103.99	(+) 32.92
2406 - Forestry and Wildlife	102.07	143.09	(+) 41.02
2408 - Food Storage and Warehousing	54.64	101.73	(+) 47.09
2501 - Special Programmes for Rural Development	137.66	274.86	(+) 137.20
2515 - Other Rural Development Programmes	136.25	168.16	(+) 31.91
2801 - Power	485.41	580.17	(+) 94.76

Source: Finance Accounts, 2019-20

Table 2.19 indicates that Revenue Expenditure increased during 2019-20 over the previous year which was mainly due to increase under Pension and other retirement benefits, Police, Special Programmes for Rural Development and Power, which was offset mainly by decrease under General Education, Elections and Appropriation for reduction or avoidance of debt.

2.4.2.2 Committed expenditure

The committed expenditure of the State Government on revenue account consists of interest payments; expenditure on salaries and wages; and pensions. It has first charge on Government resources. Upward trend on committed expenditure leaves the Government with lesser flexibility for development sector.

Table 2.20 presents the trends in the components of committed expenditure during 2015-20. Percentage of committed expenditure to Revenue Receipts and Revenue Expenditure during 2015-20 is given in **Chart 2.12**.

Table 2.20: Components of Committed Expenditure

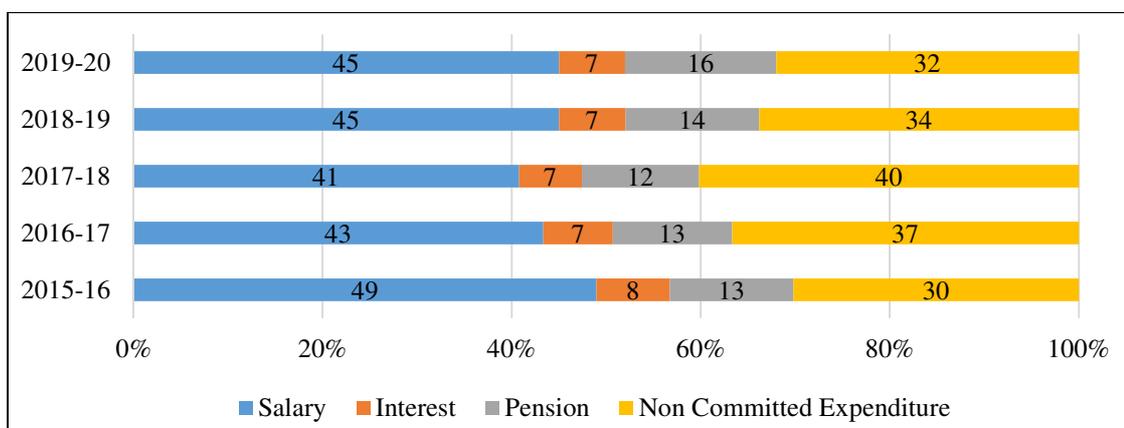
(₹ in crore)

Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Salaries and Wages	3,688.50	3,750.05	4,155.72	4,944.95	5,249.81
Expenditure on Pensions	1,028.80	1,093.47	1,264.10	1,552.79	1,810.91
Interest Payments	586.45	635.50	677.75	771.74	813.74

Components of Committed Expenditure	2015-16	2016-17	2017-18	2018-19	2019-20
Total	5,303.75	5,479.02	6,097.57	7,269.48	7,874.46
As a percentage of Revenue Receipts (RR)					
Salaries and Wages	45.87	39.73	37.71	43.23	45.96
Expenditure on Pensions	12.79	11.58	11.47	13.58	15.85
Interest Payments	7.29	6.73	6.15	6.75	7.12
Total	65.95	58.04	55.33	63.56	68.93
As a percentage of Revenue Expenditure (RE)					
Salaries and Wages	48.67	43.36	40.78	45.28	45.11
Expenditure on Pensions	13.57	12.64	12.40	14.22	15.56
Interest Payments	7.74	7.35	6.65	7.07	6.99
Total	69.98	63.35	59.83	66.57	67.66

Source: Finance Accounts of respective years

Chart 2.12: Share of Committed expenditure in total Revenue Expenditure



Source: Finance Accounts of respective years

As can be seen from the details tabulated above, the committed expenditure constituted 60 per cent or more of Revenue Expenditure during the five-year period from 2015-16 to 2019-20. It accounted for over 60 per cent of the receipts of the State during 2015-16, 2018-19 and 2019-20 as the committed liabilities fell below 60 per cent of Revenue Receipts during 2016-17 and 2017-18.

2.4.2.3 Undischarged liabilities in National Pension System

The expenditure during the year on “Pension and other Retirement Benefits” to State Government employees recruited on or before 31 December 2009 was ₹ 1,764.17 crore which was 15.16 per cent of total revenue expenditure ₹ 11,637.02 crore. State Government employees appointed on or after 01 January 2010 are covered under the National Pension System (NPS), which is a defined contributory pension scheme. All India Service officers are covered under the scheme *w.e.f.* 01 January 2004. In terms of the Scheme, employees contribute 10 per cent of their basic pay plus dearness allowances which the State Government is required to match. Both the employees and government contributions are transferred to the designated fund manager through the National Securities Depository Limited (NSDL)/Trustee Bank. The subscription received from employees is credited to MH-8342-117 ‘Defined Contributory Pension Scheme (DCPS)’ for Government servants. The State Government follows the accounting procedure while providing the employer’s matching contribution towards

the fund (MH-8342-117 employer contribution) by debiting to MH-2071 Pensions and Other Retirement Benefits.

As of 31 March 2020, total number of employees under NPS was 26,395, out of which 24,099 employees have been allotted Permanent Retirement Account Number (PRAN). Thus, 2,836 employees were yet to be allotted PRAN as of 31 March 2020.

During the year 2019-20, the State Government credited ₹ 127.25 crore (Employees' contribution ₹ 77.25 crore and Government contribution ₹ 46.74 crore and interest of ₹ 3.26 crore) to MH-8342-117 DCPS. Thus, short contribution by the State Government of ₹ 30.51 crore towards DCPS has understated revenue and fiscal deficit. State Government transferred only ₹ 94.03 crore to NSDL/Trustee Bank resulting in shortfall of ₹ 63.73 crore (short Government contribution of ₹ 30.51 crore and less transfer of ₹ 33.22 crore of deposit already collected). As on 31 March 2020, ₹ 170.35 crore are outstanding under the MH 8342-117 DCPS which had not been transferred to NSDL. Thus, uncollected, unmatched and un-transferred amounts, with accrued interest represent outstanding liabilities under the Scheme.

The Finance Department, GoN in its reply stated (March 2021) that the State matching share is being provided at the time of uploading to NSDL along with the applicable interests.

2.4.2.4 Subsidies

During the period from 2015-16 to 2019-20, no amount was booked under subsidy.

2.4.2.5 Financial assistance by the State Government to Local Bodies and Other Institutions

Financial assistance is provided by the State Government to Local bodies and other institutions by way of grants and loans.

The quantum of assistance provided by way of grants and loans to Local bodies and others during the period 2015-20 is presented in **Table 2.21**.

Table 2.21: Financial Assistance to Local Bodies etc.

	(₹ in crore)				
Financial Assistance to Institutions	2015-16	2016-17	2017-18	2018-19	2019-20
(A) Local Bodies					
Municipal Corporations and Municipalities	1.62	1.82	1.62	1.62	1.62
Panchayati Raj Institutions	0.00	0.00	0.00	0.00	0.00
Total (A)	1.62	1.82	1.62	1.62	1.62
(B) Others					
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	5.73	4.16	5.85	3.00	2.65
Development Authorities	33.83	32.22	51.55	53.92	56.72
Hospitals and Other Charitable Institutions	17.28	17.68	19.37	21.77	25.84
Other Institutions	62.17	114.99	250.00	86.75	73.87
Total (B)	119.01	169.05	326.77	165.44	159.08
Total (A + B)	120.63	170.87	328.39	167.06	160.70
Revenue Expenditure	7,579.14	8,649.45	10,191.35	10,919.98	11,637.02
Assistance as percentage of Revenue Expenditure	1.59	1.98	3.22	1.53	1.38

Source: Finance Accounts of respective years

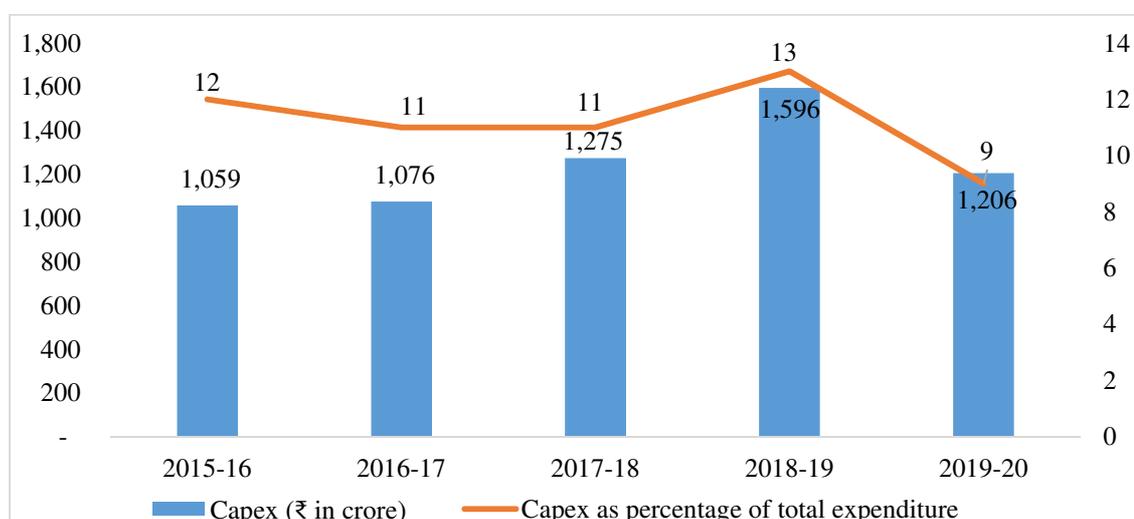
The total financial assistance to Local Bodies and Other Institutes, showed a fluctuating trend during 2015-16 to 2019-20. The decrease in financial assistance from ₹ 167.06 crore in 2018-19 to ₹ 160.70 crore was ₹ 6.36 crore (3.81 per cent). During 2019-20, financial assistance was 1.38 per cent of Revenue Expenditure.

The Finance Department, GoN while accepting the fact stated (March 2021) that this is due to the fluctuating amount received from GoI for grants to local bodies.

2.4.3 Capital Expenditure

Capital Expenditure (capex) is primarily expenditure on creation of fixed infrastructure assets such as roads, buildings, etc. The details of the capex and its percentage of total expenditure for the period from 2015-16 to 2019-20 are given in Chart 2.13.

Chart 2.13: Capital expenditure in the State



Source: Finance Accounts of respective years

Capital Expenditure (₹ 1,206 crore) during the current year (2019-20) decreased by ₹ 390 crore (24.44 per cent) over the previous year (₹ 1,596 crore) and was ₹ 660 crore (35.37 per cent) less than the Budget Estimates (₹ 1,866 crore). As compared to the total expenditure, the capital outlay showed a fluctuating trend (between nine and thirteen per cent) over the period 2015-16 to 2019-20.

2.4.3.1 Major changes in Capital Expenditure

Table 2.22 highlights the cases of significant increase or decrease in various Heads of Account in Capital Expenditure during 2019-20 vis-à-vis the previous year.

Table 2.22: Capital expenditure during 2019-20 compared to 2018-19

Major Heads of Accounts	(₹ in crore)		
	2018-19	2019-20	Increase (+)/ Decrease (-)
4055-Capital Outlay on Police	294.75	60.64	(-) 234.11
4059-Capital Outlay on Public Works	123.73	104.21	(-) 19.52
4202-Capital Outlay on Education, Sports, Art and Culture	40.36	66.14	(+) 25.78
4215-Capital Outlay on Water Supply and Sanitation	106.01	76.69	(-) 29.32
4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes and Minorities	0.00	41.87	(+) 41.87

Major Heads of Accounts	2018-19	2019-20	Increase (+)/ Decrease (-)
4235-Capital Outlay on Social Security and Welfare	0.00	24.47	(+)24.47
4575-Capital Outlay on Other Special Area Programme	161.21	136.00	(-) 25.21
4801-Capital Outlay on Power Projects	90.62	49.96	(-)40.66
5054-Capital Outlay on Roads and Bridges	473.53	264.62	(-)208.91

Source: Finance Accounts of respective years

The above table reveals that the decrease in Capital expenditure during 2019-20 over the previous year was mainly due to decrease under Roads and Bridges, Police and Power Projects, which was offset mainly by increase under Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes and Minorities.

2.4.3.2 Quality of capital expenditure

If the State Government keeps on making investments in loss making government companies, whose net worth is completely eroded, there are no chances of return on investment. Similarly, experience has shown the inevitability of write off of the loans given to loss making corporations and other bodies such as sugar mills, financial corporations, etc. Requisite steps have to be taken to infuse transparency in such financial operations. This section presents an analysis of investments and other capital expenditure undertaken by the Government during the current year.

Quality of investments in the companies, corporations and other bodies

Capital expenditure in the companies, corporations, and other bodies, which are loss making or where net worth is completely eroded is not sustainable.

Investments made and loan given to companies (e.g. Discoms), Corporations (e.g. SC and ST Financial Corporations), and Co-operatives (e.g. sugar mills), which are loss making and those where net worth is completely eroded, affect quality of capital expenditure. Return on investment in share capital invested in PSUs and history of repayment of loans given to various bodies are important determinants of quality of capital expenditure.

The Government had invested ₹ 295.17 crore in Government Companies, Statutory Corporations, Joint Stock Companies and Co-operatives (**Table 2.23**), as on 31 March 2020. During the current year, an amount of ₹ One crore was invested in Nagaland State Mineral Development Corporation Limited during the current year.

Table 2.23: Return on Investment

Investment/return/ cost of borrowings	2015-16	2016-17	2017-18	2018-19	2019-20
Investment at the end of the year (₹ in crore)	290.60	291.75	293.20	294.17	295.17
Return (₹ in crore)	4.94	0.00	0.00	0.66	2.80
Return (per cent)	1.70	0.00	0.00	0.22	0.95
Average rate of interest on Government Borrowings (per cent)	6.95	6.87	6.79	7.37	7.14
Difference between interest rate and return (per cent)	5.25	6.87	6.79	7.15	6.19
Difference between interest on Government borrowings and return on investment (₹ in crore)#	118.86	576.78	613.63	667.92	688.20

Source: Finance Accounts of respective years # Investment at the end of the year *Difference between interest rate and return

During the five-year period of 2015-20, the State Government's investments had increased by ₹ 4.57 crore. The average return on this investment was 'Nil' during the years 2016-17 and 2017-18, while the return in the remaining years of 2015-20 ranged between ₹ 0.66 crore and ₹ 4.94 crore. The Government paid an average interest rate ranging between 6.79 and 7.37 per cent on its borrowings during the same period.

Out of six Government companies in the State, one company viz., Nagaland Sugar Mills Ltd., along with Distillery Project (₹ 7.29 crore investment up to 2001-02) was non-working, whose accounts were in arrears for 18 years. As per the Finance Accounts, 2019-20, the five working companies with investment upto 2019-20 in parenthesis bracket include Nagaland Industrial Development Corporation Limited, Dimapur (₹ 8.39 crore), Nagaland Industrial Raw Materials and Supply Corporation, Dimapur, (₹ 4.05 crore), Nagaland State Mineral Development Corporation Limited (₹ 87.20 crore), Nagaland Handloom and Handicrafts Development Corporation, Dimapur (₹ 2.82 crore) and Nagaland Hotels Limited, Dimapur (₹ 86.11 crore). The accounts of the five working Government Companies were in arrears for periods ranging between two and 10 years as discussed in **Paragraph 4.12**. Hence, the actual financial status of the companies as of March 2020 could not be assessed by Audit.

The details of the investment made and loss incurred during the previous year as per the latest finalised accounts of the PSUs are detailed in **Table 2.24**:

Table 2.24: Investments made in loss making companies (as per latest finalised accounts)

(₹ in crore)

Sl. No.	Company/ Corporation	Latest finalised Accounts	Net Loss	Investment made during the year	Cumulative investment as on 31 March 2020
1.	Nagaland Industrial Development Corporation Ltd. Dimapur	2017-18	(-)1.69	0.00	18.47
2.	Nagaland Hotel Ltd. Dimapur	2014-15	(-)1.92	0.00	1.95
3.	Nagaland Handloom and Handicrafts Development Corporation Ltd. Dimapur	2009-10	(-)0.14	0.00	7.58
4.	Nagaland Industrial Raw Materials and Supply Corporation Ltd. Dimapur	2017-18	(-)0.03	0.00	1.23
5.	Nagaland State Mineral Development Corporation Limited, Kohima	2017-18	(-) 2.25	0.00	1.60
Total					30.83

Source: Finalised accounts of the companies

As per their latest finalised accounts, accumulated losses (₹ 67.41 crore) of four out of these five working Government companies, had exceeded their aggregate paid-up capital (₹ 26.03 crore), meaning thereby, their net worth has been completely eroded (**Table 2.25**).

Table 2.25: Investments made in companies, whose net worth is completely eroded (as per latest finalised accounts)

(₹ in crore)					
Sl. No.	Company/Corporation	Latest finalised accounts	Net worth	Investment made during the year	Cumulative investment as on 31 March 2020
1.	Nagaland Industrial Development Corporation Ltd., Dimapur	2017-18	(-) 16.07	0.00	18.47
2.	Nagaland State Mineral Development Corporation Ltd., Kohima	2017-18	(-)8.73	0.00	1.60
3.	Nagaland Hotel Ltd., Dimapur	2014-15	(-)13.25	0.00	1.95
4.	Nagaland Handloom and Handicrafts Development Corporations Ltd., Dimapur	2009-10	(-) 3.33	0.00	7.58

Source: Finalised Accounts of the companies

In addition to investments in Co-operative Societies, Corporations and Companies, Government has also been providing Loans and Advances to many Institutions/Organisations. **Table 2.26** presents the outstanding Loans and Advances as on 31 March 2020 and interest receipts *vis-à-vis* interest payments during the last five years.

Table 2.26: Quantum of loans disbursed and recovered during five years

(₹ in crore)					
Quantum of loans disbursed and recovered	2015-16	2016-17	2017-18	2018-19	2019-20
Opening Balance of loans outstanding	26.81	26.50	25.60	24.70	28.89
Amount advanced during the year	0.19	0.19	0.19	5.27	9.26
Amount recovered during the year	0.50	1.09	1.09	1.08	1.09
Closing Balance of the loans outstanding	26.50	25.60	24.70	28.89	37.06
Net addition	-0.31	-0.90	-0.90	4.19	8.17
Interest received	1.81	3.11	2.18	2.23	3.59
Interest rate on Loans and Advances given by the Government.	6.79	11.94	8.67	8.32	10.89
Rate of Interest paid on the outstanding borrowings of the Government	6.95	6.87	6.79	7.37	7.14
Difference between the rate of interest paid and interest received (<i>per cent</i>)	-0.16	5.07	1.88	0.95	3.75

Source: Finance Accounts of respective years

At the end of March 2020, the Government had outstanding Loans and Advances of ₹ 37.06 crore. The amount of loans outstanding during the year increased to ₹ 8.17 crore from ₹ 4.19 crore in 2018-19. Out of the total amount of ₹ 37.06 crore as on 31 March 2020, the break-up of Loans and Advances were ₹ 34.48 crore (93.01 *per cent*) for Agriculture and Allied Activities, ₹ 0.42 crore (1.13 *per cent*) to Government Servants and ₹ 2.17 crore (5.86 *per cent*) for Industry and Minerals.

The interest rate on Loans and Advances given by the Government increased from 8.32 *per cent* in 2018-19 to 10.89 *per cent* in 2019-20.

Capital locked in incomplete projects

An assessment of trends in capital blocked in incomplete capital works would also indicate quality of capital expenditure. Blocking of funds on incomplete projects/

works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods.

As per the Finance Accounts of the State for the year 2019-20, there were 399 incomplete/ongoing projects in the State as on 31 March 2020. These were being executed by 36 Departments. Age profile of incomplete projects based on the year of sanction/year of start of these projects as on 31 March 2020 is given in **Tables 2.27** and **2.28**.

Table 2.27: Age profile of incomplete projects as on 31 March 2020

(₹ in crore)

Year	No of incomplete projects	Estimated cost	Cost over-run	Expenditure (as on 31 March 2020)
2003-11	60	1395.83	126.60	655.51
2011-12	20	175.20	0.01	116.05
2012-13	39	214.36	25.84	133.75
2013-14	132	121.84	0.00	41.34
2014-15	59	71.76	0.00	22.98
2015-16	21	199.88	0.00	109.16
2016-17	8	24.95	0.00	5.65
2017-18	30	132.66	1.23	63.93
2018-19	5	10.05	0.00	5.55
2019-20	1	1.20	0.00	0.00
Others*	24	215.02	0.00	155.38
Total	399	2,562.75	153.68	1,309.30

Source: Appendix-IX, Finance Accounts, 2019-20

* Those projects without information on year of commencement

Table 2.28: Department-wise profile of incomplete projects as on 31 March 2020

(₹ in crore)

Department	No. of incomplete projects	Estimated cost	Cost over-run	Expenditure (as on 31 March 2020)
Veterinary and Animal Husbandry	62	49.78	13.65	19.30
Police Engineering Project	48	697.04	0.00	177.75
Civil Administration Works	47	56.91	0.00	15.33
PWD (Housing)	30	309.07	13.37	219.85
PWD (Roads and Bridges)	14	309.74	60.50	278.75
Urban Development	26	217.70	0.00	96.77
Geology and Mining	4	53.08	27.41	49.95
Other 29 Departments	168	869.43	38.75	451.60
Total	399	2,562.75	153.68	1,309.30

Source: Appendix-IX, Finance Accounts, 2019-20

Analysis of the above 399 incomplete projects revealed the following:

- In 62 out of 399 projects, target year of completion was not furnished by the Departments (March 2021);
- Works in respect two projects (estimated cost ₹ 10.93 crore) had been suspended after incurring an expenditure of ₹ 10.46 crore;
- In 168 projects, there was no financial progress during 2019-20;
- There was 100 per cent financial achievement in four projects; however, 100 per cent physical progress was not achieved, in one project physical progress was Nil;

- No expenditure was incurred in 63 projects which had an estimated cost of ₹ 33.46 crore;
- Despite expenditure of ₹ 1.85 crore incurred on 35 projects up to March 2020; there was no physical progress and
- Project cost in respect of 18 incomplete projects was revised from ₹ 237.38 crore to ₹ 391.06 crore. Increase of ₹ 153.68 crore in cost was related to projects under PWD (Roads and Bridges) - (₹ 60.50 crore), PWD (Housing) - (₹ 13.37 crore), Public Health Engineering Department (₹ 0.49 crore), Geology and Mining (₹ 27.41 crore), State Council of Educational Research and Training (₹ 0.69 crore), Transport (₹ 5.09 crore), Veterinary and Animal Husbandry (₹ 0.14 crore), Youth Resources and Sports (₹ 12.02 crore), Agriculture (₹ 0.01 crore), Social Welfare (₹ 9.25 crore) and Forest (₹ 24.71 crore).
- Out of 375 projects, sanctioned prior to 2013-14, 119 projects remained incomplete and reason for non-completion though called for had not been received (March 2021).

Thus, the Capital Expenditure of ₹ 1,309.20 crore incurred on these 399 incomplete projects remained blocked. Blocking of funds on incomplete projects/ works impinges negatively on the quality of expenditure and deprives the State of the intended benefits for prolonged periods. Further, delay in completion of the projects was fraught with the risk of cost overrun, which was evident in 60 projects which were pending since 2003-11. Therefore, effective steps need to be taken to complete all these projects without further delay to avoid time and cost inefficiencies.

2.4.4 Expenditure priorities

Enhancing human development levels requires the States to step up their expenditure on key social services like education, health *etc.* Low fiscal priority (ratio of expenditure under a category to aggregate expenditure) is attached to a particular sector, if the allocation is below the respective national average. The higher the ratio of these components to total expenditure, the quality of expenditure is considered to be better.

Table 2.29 analyses the fiscal priority of the State Government in 2015-16 and 2019-20 with regard to Social Sector Expenditure (Health and Education) and Capital Expenditure.

Table 2.29: Priority of the State with regards to Health, Education and Capital expenditure

(In per cent)

Fiscal priority of the State	AE/ GSDP	CE/ AE	Education/ AE	Health/ AE
North Eastern & Himalayan States Average (2015-16)	24.58	13.96	18.32	5.95
State	44.25	12.26	14.79	5.38
North Eastern & Himalayan States Average (2019-20)	23.02	14.08	17.42	6.19
State	42.13	9.39	12.92	5.20

Source: Fiscal Priority of State (circulated by the Economic Advisor) and Finance Accounts, 2019-20
AE: Aggregate Expenditure; CE: Capital Expenditure

A comparison of the data related to Nagaland with that of North Eastern & Himalayan States (NE&H) showed the following:

- Aggregate Expenditure (AE) as a proportion of GSDP was almost twice the NE&H average in 2015-16 and 2019-20. However, the ratio of AE as a proportion of GSDP decreased from 44.25 *per cent* in 2015-16 to 42.13 *per cent* in 2019-20.
- The share of Capital Expenditure (CE) as a proportion of AE of the State was less than the NE&H average in 2015-16 and 2019-20. The proportion of CE to AE decreased during 2019-20 in comparison to 2015-16. It indicates that the State Government did not accord appropriate fiscal priorities to enhance the productive capacity of the State.
- The share of expenditure on Education as a proportion of AE was lower than the NE&H average in 2015-16 and 2019-20. The ratio decreased in 2019-20 as compared to 2015-16.
- The share of expenditure on Health Sector as a proportion of AE was lower than the with the NE&H average in 2015-16 and 2019-20. The ratio decreased during 2019-20 as compared to 2015-16.

2.5 Public Account

Receipts and Disbursements in respect of certain transactions such as Small Savings, Provident Funds, Reserve Funds, Deposits, Suspense, Remittances *etc.*, which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266 (2) of the Constitution and are not subject to vote by the State Legislature. The Government acts as a banker in respect of these. The balance after disbursements during the year is the fund available with the Government for use for various purposes.

2.5.1 Net Public Account Balances

The component-wise net balances in Public Account of the State is given as follows.

Table 2.30: Component-wise net balances in Public Account as of 31 March of the year

		(₹ in crore)				
Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
I. Small Savings, Provident Funds, <i>etc.</i>	Small Savings, Provident Funds, <i>etc.</i>	850.33	862.08	952.72	1569.34	2131.38
J. Reserve Funds	(a) Reserve Funds bearing Interest	-14.58	-14.58	-14.58	-14.58	-14.58
	(b) Reserve Funds not bearing Interest	-16.10	-16.10	-16.10	-16.10	-16.17
K. Deposits and Advances	(a) Deposits bearing Interest	59.05	79.66	103.68	137.13	170.35
	(b) Deposits not bearing Interest	950.86	855.14	699.66	754.45	790.03
	(c) Advances	-0.35	-0.33	-0.32	-0.37	-0.37
L. Suspense and Miscellaneous	(b) Suspense	-94.34	-91.36	-97.55	-99.34	-89.02
	(c) Other Accounts	-457.59	-307.83	-479.99	-589.26	-744.77

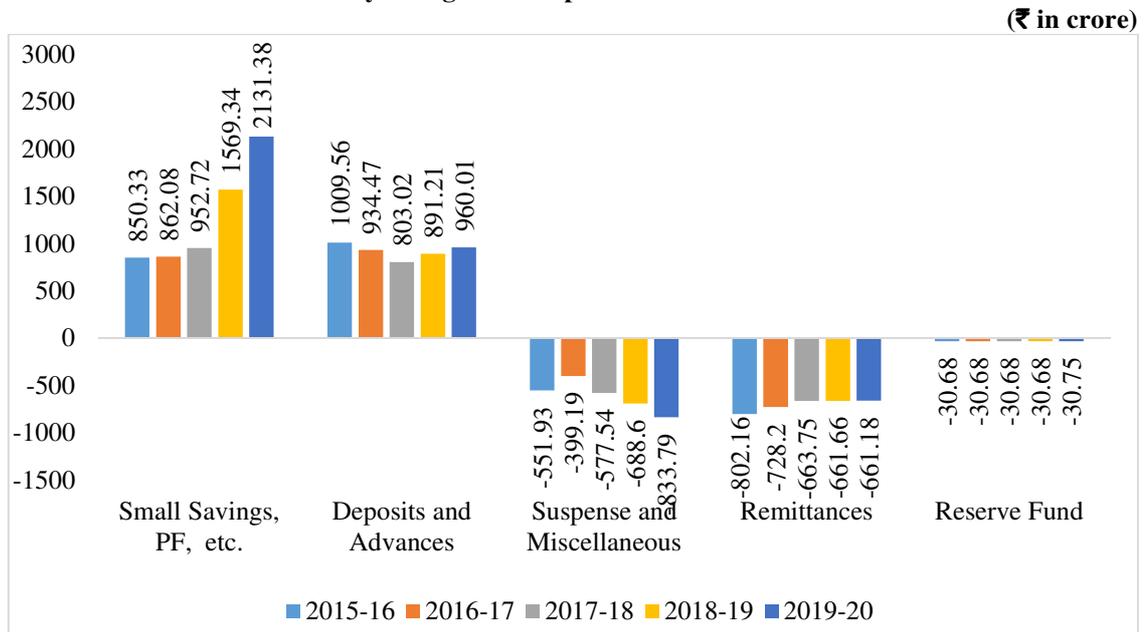
Sector	Sub Sector	2015-16	2016-17	2017-18	2018-19	2019-20
	(d) Accounts with Governments of Foreign Countries	0.00	0.00	0.00	0.00	0.00
	(e) Miscellaneous	0.00	0.00	0.00	0.00	0.00
M. Remittances	(a) Money Orders, and other Remittances	-801.23	-727.31	-663.10	-661.23	-660.82
	(b) Inter-Governmental Adjustment Account	-0.93	-0.89	-0.65	-0.43	-0.36
Total		475.12	638.48	483.77	1,079.61	1,565.67

Source: Finance Accounts of respective years

Note: +ve denotes debit balance and -ve denotes credit balances

The yearly changes in composition of balances in Public Account over the five-year period 2015-20 are given in **Chart 2.15**.

Chart 2.15: Yearly changes in composition of Public Account balances



Source: Finance Accounts of respective years

2.5.2 Reserve Funds

Reserve Funds are created for specific and defined purposes under the Public Account of the State Government. These funds are met from contributions or grants from the Consolidated Fund of the State.

There are three Reserve funds operated by the State Government. The total accumulated balance at the end of 31 March 2020 in the Reserve Funds was ₹ 3,287.62 crore, of which ₹ 1,659.18 crore (50.47 per cent) had been invested.

Details of significant Reserve Funds of the GoN are given below:

2.5.2.1 Consolidated Sinking Fund

In terms of the recommendations of the Tenth Finance Commission, the State Government created (2006-07) Consolidated Sinking Fund to be administered by the Reserve Bank of India for the amortisation of all loans. In terms of the revised

guidelines of the Reserve Bank of India, States are required to contribute to the Fund a minimum of 0.50 *per cent* of their outstanding liabilities (Internal Debt + Public Account liabilities) as at the end of the previous year.

During the year, the State Government transferred ₹ 149 crore to the Fund from Revenue Account which works out to 2.07 *per cent* of total outstanding (Open Market Loans) of ₹ 7,204.80 crore as on 31 March 2019 and 1.28 *per cent* of total outstanding liability of ₹ 11,649.96 crore (Internal debt + Public Account liabilities) as on 31 March 2020. The balance in the Consolidated Sinking Fund as on 31 March 2020 was ₹ 16.17 crore.

2.5.2.2 State Disaster Response Fund

The State Government replaced the Calamity Relief Fund, with the “State Disaster Response Fund” (SDRF) as recommended by the Thirteenth Finance Commission. In terms of the guidelines, the Central and State Governments are required to contribute to the Fund in the ratio of 90:10.

As per guidelines on Constitution and Administration of SDRF (September 2010), the SDRF Fund would be constituted in the Public Account under Reserve Fund bearing interest, under MH 8121 in the accounts of the State Government. The State government shall take the amount as receipts in its budget and account under MH 1601-01-109. In order to enable transfer of the total amount of the contribution to the fund, including the State share, the State government would make suitable budget provision on the expenditure side of the budget under MH 2245-05-101 (Relief on account of natural calamities). Immediately upon receipt of GoI share, the State would transfer the amount, along with its share to the Public Account head (MH 8121-122). The actual expenditure on relief works will be booked only under respective minor head under MH 2245 and the expenditure to be charged to the SDRF will be shown as a negative entry under 2245-05-901. Direct expenditure should not be made from the Public Account. The balance in the Fund would be invested as per provisions stipulated in the guidelines in Central Government dated securities, auctioned treasury bills and interest bearing deposits and certificates of deposit with scheduled commercial banks.

During 2019-20, the State Government received ₹ 10.80 crore from the Central Government as its share towards SDRF. The State Government transferred ₹ 12 crore to the SDRF (Central share: ₹ 10.80 crore and State share: ₹ 1.20 crore). The entire fund of ₹ 12 crore was spent by the State Government on natural calamities, leaving a balance of ₹ 0.86 crore.

It is also observed that the credit balance in the Fund of ₹ 0.86 crore as on 31 March 2019, was not invested, in violation of the fund guidelines.

The Finance Department, in its reply stated (March 2021) that the credit balance of ₹ 0.86 crore has been shown in accounts for many years and may be written off. It was also stated that the Nagaland State Disaster Management Authority (NSDMA) officials would furnish documents for necessary write off.

The State Government should initiate steps to transfer the balance fund of ₹ 0.86 crore in the accounts of NSDMA.

Government of India may provide fund from the National Disaster Response Fund (NDRF) to make good the shortfall in the State Disaster Response Fund to meet expenditure on natural calamities. During the year, Central Government has provided ₹ 176.52 crore from National Disaster Response Fund to the State Government. Following Government of India's release of ₹ 176.52 crore, the State Government transferred ₹ 176.52 crore to NDRF and the same was spent during the year without leaving any balance at the end of the year.

2.5.2.3 Guarantee Redemption Fund

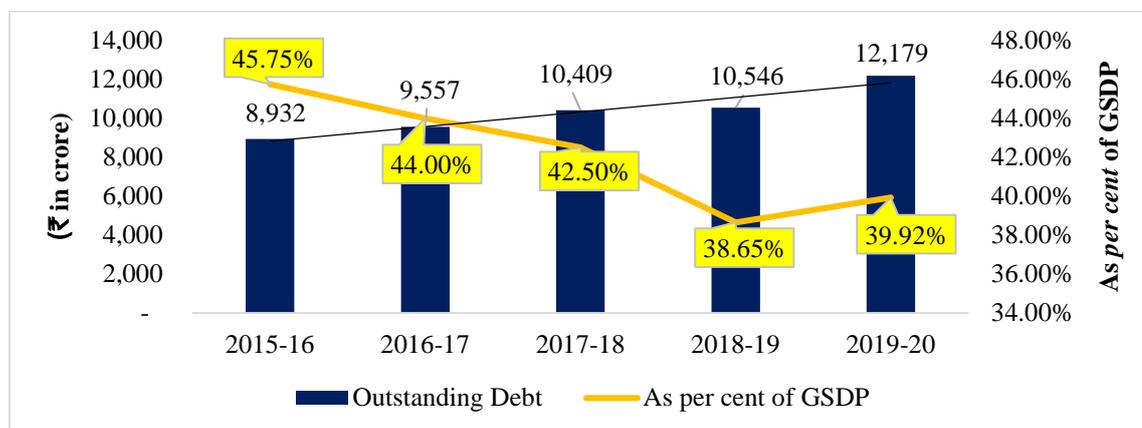
The State Government constituted a Guarantee Redemption Fund in 2006-07 with an initial corpus of ₹four crore determined on the basis of guarantees invoked during the preceding five years. In terms of the Guarantee Redemption Fund Scheme of the Government of Nagaland, contributions shall be made to the Fund annually or at lesser intervals so as to reach the levels deemed sufficient to meet the amount of anticipated guarantees devolving on the Government as a result of possible invocation of outstanding guarantees in the succeeding five years. No guarantees of the State Government were invoked since inception of the Scheme. During 2019-20, ₹ One crore was transferred by the State Government and the entire corpus of ₹ 32.20 crore as on 31 March 2020 was invested by the Reserve Bank of India in Government of India Securities.

2.6 Debt management

Debt management is the process of establishing and executing a strategy for managing the Government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals that the Government may have set through enactment or any other annual budget announcements.

The details relating to outstanding debt and ratio of debt to GSDP during the five-year period 2015-20 are given in **Chart 2.16**.

Chart 2.16: Trend of overall Debt



Source:-Finance Accounts of respective years and GSDP-Directorate of Economics and Statistics, GoN

2.6.1 Debt profile: Components

Total debt of the State Government constitutes of Internal debt of the State (market loans, ways and means advances from RBI, special securities issued to National Small Savings Fund and loans from financial institutions, etc.), and loans and advances from the Central Government.

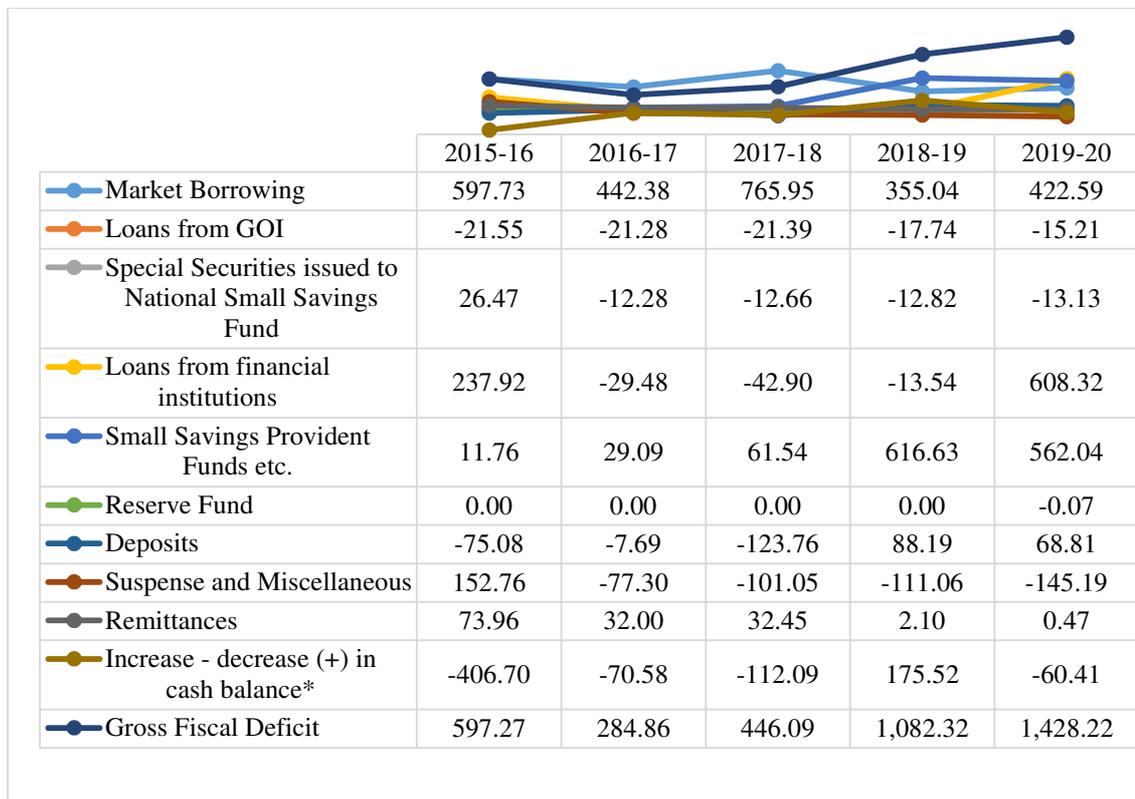
The details relating to total debt received, repayment of debt, ratio of debt to GSDP and the actual quantum of debt available to the State during the five-year period 2015-20 are given in **Table 2.31**, as is **Chart 2.17**.

Table 2.31: Component wise debt trends

		(₹ in crore)				
		2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Debt		8,931.65	9,557.35	10,409.15	10,545.76	12,179.10
Public Debt	Internal Debt	6,529.46	6,930.06	7,640.46	7,969.15	8,986.93
	Loans from GoI	206.78	185.50	164.11	146.37	131.16
Public Account Liabilities		2,195.41	2,441.79	2,604.58	2,430.24	3,061.01
Rate of growth of outstanding debt (percent)		12.30	7.01	8.91	1.31	15.49
Gross State Domestic Product (GSDP)		19,523.95	21,722.45	24,491.70	27,283.04	30,507.83
Debt/GSDP (per cent)		45.75	44.00	42.50	38.65	39.92
Total Debt Receipts		4,705.37	6,514.27	6,217.03	4,758.32	10,059.01
Total Debt Repayments		4,313.90	6,524.07	6,042.98	4,289.24	8,681.42
Total Debt Available		391.47	-9.80	174.05	469.08	1,377.59
Debt Repayments/Debt Receipts (In per cent)		91.68	100.15	97.20	90.14	86.30

Source: Finance Accounts of respective years and GSDP- Directorate of Economics and Statistics, GoN

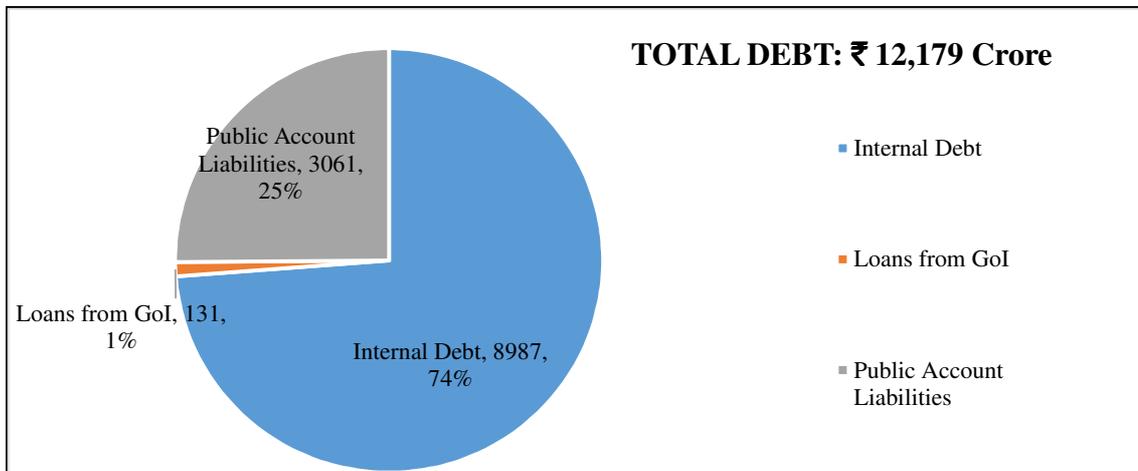
Chart 2.17: Component-wise debt trends



Source: Finance Accounts of respective years

The total outstanding debt of the State Government at the end of 2019-20 was ₹ 12,179.10 crore. Component-wise break-up of debt is shown below in **Chart 2.18**.

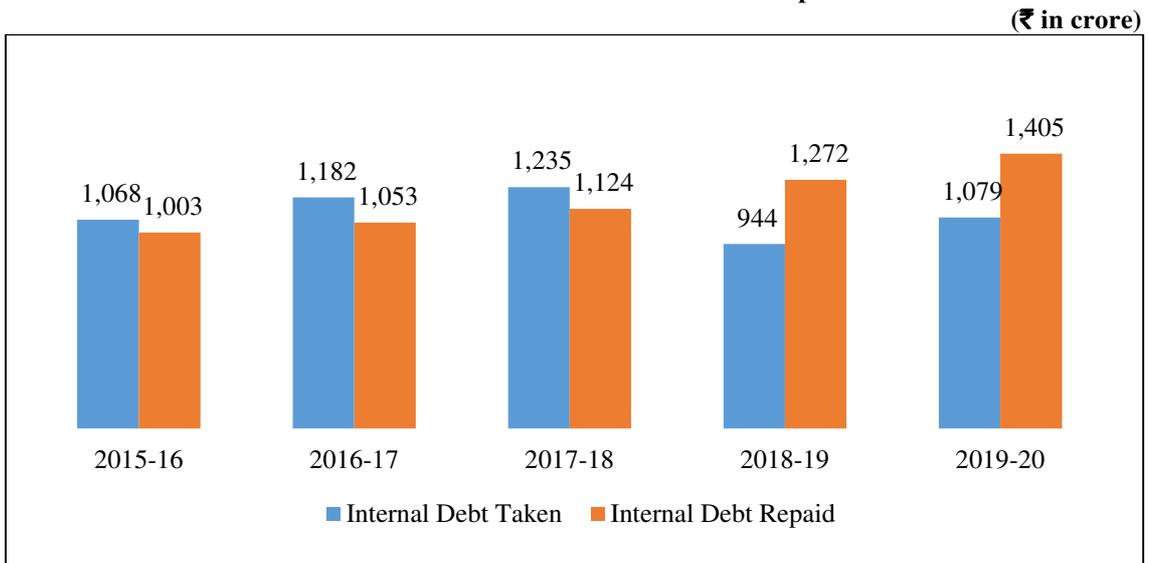
Chart 2.18: Break up of Outstanding Debt at the end of 2019-20



Source: Finance Accounts, 2019-20

The trend of internal debt taken *vis-à-vis* repaid during each year for the period of five-years from 2015-16 to 2019-20 is given in **Chart 2.19**.

Chart 2.19: Internal debt taken *vis-a-vis* repaid



Source: Finance Accounts of respective years

The financing pattern of the Fiscal Deficit has undergone a compositional shift during 2015-20 as reflected in **Table 2.32** and the details of receipt and disbursement of the components used for financing the Fiscal Deficit for the year 2019-20 are given in **Table 2.33**.

Table 2.32: Components of fiscal deficit and its financing pattern

(₹ in crore)

Particulars		2015-16	2016-17	2017-18	2018-19	2019-20
Composition of Fiscal Deficit (-)		(-)597.27	(-)284.86	(-)446.09	(-)1082.32	(-)1428.22
1.	Revenue Deficit (-)/ Surplus (+)	461.65	790.34	827.86	517.43	(-)213.73
2.	Net Capital Expenditure	(-)1,059.23	(-)1,076.10	(-)1,274.85	(-)1,595.56	(-)1,206.32
3.	Net Loans and Advances	0.31	0.90	0.90	(-)4.19	(-)8.17

Particulars		2015-16	2016-17	2017-18	2018-19	2019-20
Financing Pattern of Fiscal Deficit:						
1.	Market Borrowings	597.73	442.38	765.95	355.04	422.59
2.	Loans from GoI	-21.55	-21.28	-21.39	-17.74	-15.21
3.	Special Securities issued to NSSF	26.47	-12.28	-12.66	-12.82	-13.13
4.	Loans from Financial Institutions	237.92	-29.48	-42.90	-13.54	608.32
5.	Small Savings, PF, etc.	11.76	29.09	61.54	616.63	562.04
6.	Deposits	-75.08	-7.69	-123.76	88.19	68.81
7.	Suspense and Miscellaneous	152.76	-77.30	-101.05	-111.06	-145.19
8.	Remittances	73.96	32.00	32.45	2.10	0.47
9.	Reserve Fund	0.00	0.00	0.00	0.00	-0.07
10.	Overall Deficit	1,003.97	355.44	558.18	906.8	1,488.63
11.	Increase/Decrease in cash balance	-406.70	-70.58	-112.09	175.52	-60.41
12.	Gross Fiscal Deficit	597.27	284.86	446.09	1,082.32	1,428.22

Source: Finance Accounts of respective years

Table 2.33: Receipts and Disbursements under components financing the fiscal deficit

(₹ in crore)

Particulars		Receipt	Disbursement	Net
1.	Market Borrowings	1,000.00	577.41	422.59
2.	Loans from GOI	6.69	21.90	-15.21
3.	Special Securities issued to NSSF	0.00	13.13	-13.13
4.	Loans from Financial Institutions	6,863.13	6,254.81	608.32
5.	Small Savings, PF, etc.	907.26	345.22	562.04
6.	Deposits and Advances	538.50	469.69	68.81
7.	Suspense and Miscellaneous	3,609.56	3,754.75	-145.19
8.	Remittances	1,839.31	1,838.84	0.47
9.	Reserve Fund	743.43	743.50	-0.07
10.	Overall Deficit	15,507.88	14,019.25	1,488.63
11.	Increase/Decrease in cash balance	163.49	223.90	-60.41
12.	Gross Fiscal Deficit	15,671.37	14,243.15	1,428.22

Source: Finance Accounts of respective years

Fiscal deficits during the five-year period from 2015-16 to 2019-20, peaked at ₹ 1,428.22 crore during the current financial year.

During 2019-20, fiscal deficit was primarily financed by small savings, provident funds, etc. (₹ 562.04 crore), market borrowings (net) (₹ 422.59 crore), deposits (₹ 68.81 crore) and Loans from Financial Institutions including WMA (₹ 608.32 crore).

The decrease in net capital outlay during the year indicated that borrowed funds were being less utilised for productive uses than in previous year. The Government should try to improve this trend as the solution to the Government debt problem lies in the productive application of borrowed funds. This would either provide returns directly or result in increased productivity of the economy. It may also result in increase in government revenue in future, making debt payments more manageable.

2.6.2 Debt profile: Maturity and Repayment

Debt maturity and repayment profile indicates commitment on the part of the Government for debt repayment or debt servicing.

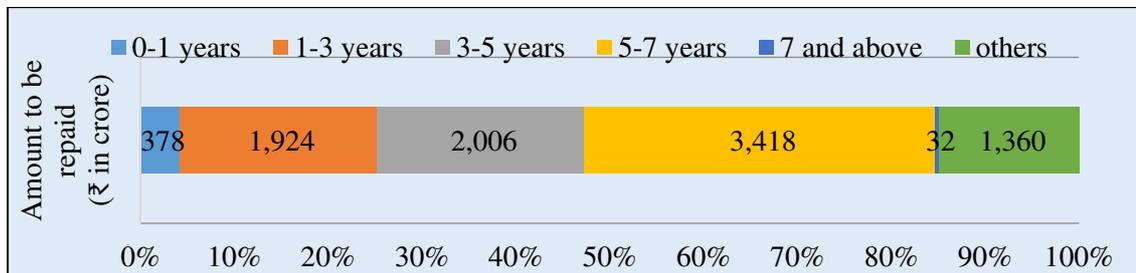
As per Annexure to Statement 17 of the Finance Accounts for the year 2019-20, the outstanding debt of the State was ₹ 9,118.09 crore as on 31 March 2020. The maturity profile of the State debt is as indicated in **Table 2.34** and **Chart 2.20**.

Table 2.34: Debt Maturity profile of repayment of State debt

Period of repayment (Years)	Amount (₹ in crore)	Percentage (w.r.t. Public debt)
0 – 1	377.82	4.14
1 – 3	1,352.14	14.83
3 – 5	1,140.32	12.51
5 – 7	1,437.83	15.77
7 and above	3,450.41	37.84
Others ⁷	1,359.57	14.91
Total	9,118.09	100.00

Source: Finance Accounts, 2019-20

Chart 2.20: Debt Maturity Profile

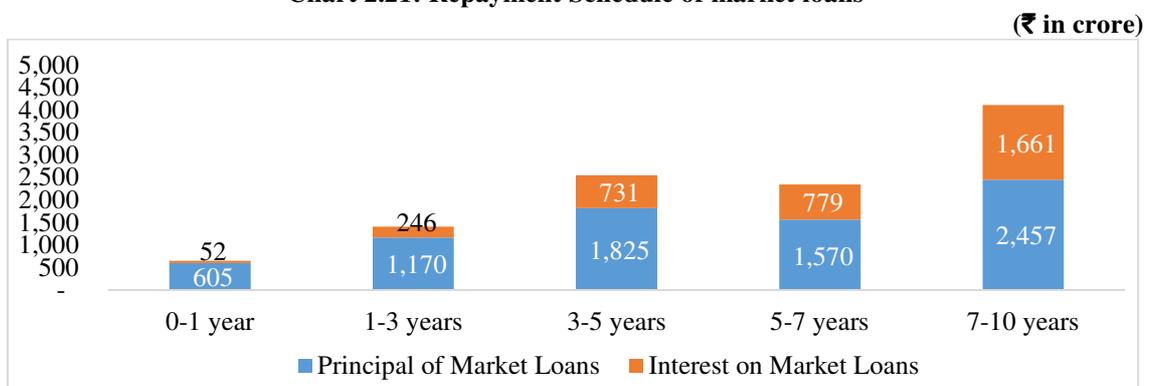


Source: Finance Accounts, 2019-20

From the above, it could be seen that Maturity profile of outstanding stock of Public Debt as on 31 March 2020 indicates that out of Outstanding Public Debt of ₹ 9,118.09 crore, 47.25 per cent of debt needs to be repaid within seven years. Of the total outstanding public debt, internal debt consisting of market borrowings, loans from LIC, GIC, NABARD, etc. constituted 98.56 per cent (₹ 8,986.93 crore).

Out of ₹ 9,118 crore, ₹ 7,627 crore was the principal amount of market loan taken by the State. The State is liable to pay an interest of ₹ 3,468 crore at the end of repayment of these loans, if the loans are repaid as per the maturity profile. **Chart 2.21** represents the repayment schedule of both the principal of market loan and interest thereof.

Chart 2.21: Repayment Schedule of market loans



Source: Finance Accounts, 2019-20

⁷ Payment schedule of this amount is not being maintained by the Accountant General (A&E).

2.7 Debt Sustainability Analysis (DSA)

This section assesses the sustainability of debt of the State Government in terms of debt/ GSDP ratio, Fiscal Deficit, burden of interest payments (measured by ratio of Interest Payments to Revenue Receipts) and maturity profile of the State Government debt.

Table 2.35 shows the debt sustainability of the State according to these indicators for the five-year period beginning from 2015-16 and **Chart 2.22** predicts the trends of debt sustainability indicators for the five years.

Table 2.35: Trends in debt Sustainability indicators

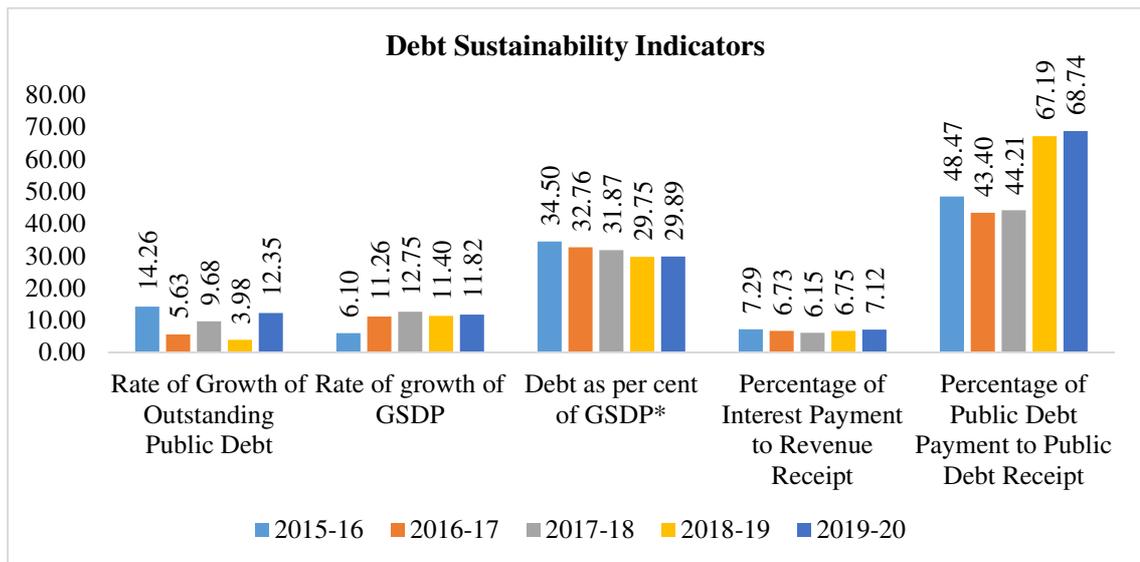
Debt Sustainability Indicators	2015-16	2016-17	2017-18	2018-19	2019-20
Outstanding Public Debt* (₹ in crore)	6,736.24	7,115.56	7,804.57	8,115.52	9,118.09
Rate of Growth of Outstanding Public Debt	14.26	5.63	9.68	3.98	12.35
GSDP (₹ in crore)	19,523.95	21,722.45	24,491.70	27,283.04	30,507.83
Rate of Growth of GSDP	6.10	11.26	12.75	11.40	11.82
Debt/GSDP	34.50	32.76	31.87	29.75	29.89
Debt Maturity profile of repayment of State debt – including default history, if any (₹ in crore)	517.84	513.35	546.01	636.89	746.08
Average interest Rate of Outstanding Public Debt (<i>per cent</i>)	8.29	8.33	8.23	8.40	8.02
Percentage of Interest payment to Revenue Receipt	7.29	6.73	6.15	6.75	7.12
Percentage of Debt Repayment to Debt Receipt	48.47	43.4	44.21	67.19	68.74
Net Debt available to the State# (₹ in crore)	550.56	669.35	689.01	310.95	339.24
Net Debt available as <i>per cent</i> to Debt Receipts	4.54	3.67	3.58	7.09	6.33
Debt Stabilisation (Quantum spread + Primary Deficit)	-86.74	770.21	852.05	114.41	-44.51

Source Finance Accounts of respective years

*Outstanding Public Debt is the sum of outstanding balances under the heads 6003-Internal Debt and 6004- Loans and Advances from the Central Government.

#Net debt available to the State Government is calculated as excess of Public debt receipts over Public debt repayment and interest payment on Public Debt.

Chart 2.22: Trends of Debt Sustainability indicators



Source Finance Accounts of respective years

*excluding Public Account Liabilities

2.7.1 Utilisation of borrowed funds

Borrowed funds should ideally be used to fund capital creation and developmental activities. Using borrowed funds for meeting current consumption and repayment of interest on outstanding loans is not sustainable.

The trends of the total borrowing, repayment of earlier borrowings and utilisation during the five years from 2015-16 to 2019-20 are given in **Table 2.36**.

Table 2.36: Utilisation of borrowed funds

	(₹ in crore)				
1. Year	2015-16	2016-17	2017-18	2018-19	2019-20
2. Total Borrowings	3,545.94	5,444.35	5,141.02	2,907.22	7,869.82
3. Repayment of earlier borrowings (Principal) (In per cent)	2,705.35 (76.29)	5,056.03 (92.87)	4,452.01 (86.60)	2,596.27 (89.30)	6,867.25 (87.26)
4. Net capital expenditure (Percent)	1,059.23 (29.87)	1,076.10 (19.77)	1,274.85 (24.80)	1,595.56 (54.88)	1,206.32 (15.33)
5. Net loans and advances	-0.31	-0.90	-0.90	4.19	8.18
6. Portion of Revenue expenditure met out of net available borrowings (2 – 3 – 4 – 5)	-218.33	-686.88	-584.94	-1,288.8	-211.93

Source: Finance Accounts of respective years

As can be seen from the above table, the borrowings were utilised for repayment of earlier borrowings which ranged between 76.29 (2015-16) and 89.30 per cent (2018-19), during the five-year period of 2015-20.

2.7.2 Status of Guarantees – Contingent Liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. The State Governments have come out with legislations or instructions with regard to cap on the guarantees. As per NFRBM Act 2005, the State Government decided to charge guarantee fee at the rate of one per cent to cover the risk in the guarantees.

The details of outstanding guarantees given by the State Government including interest liability during the five-year period from 2015-16 to 2019-20 are shown in **Table 2.37**:

Table 2.37: Guarantees given by the State Government

(₹ in crore)					
Guarantees	2015-16	2016-17	2017-18	2018-19	2019-20
Ceiling applicable to the outstanding amount of guarantees including interest	No law has been passed by the State Legislature under Article 293 of the Constitution laying down the limit within which the Government may give guarantee on the security of the Consolidated Fund of the State.				
Outstanding amount of guarantees including interest	70.22	81.19	110.46	120.96	174.96

Source: Finance Accounts of respective years

Government had guaranteed loans raised by various Corporations and Others which at the end of 2019-20 stood at ₹ 174.96 crore. The Outstanding Guarantees was obtained for repayment of principal and payment of interest on loan pertained to Nagaland Industrial Development Corporation (₹ 44.24 crore). It was 1.06 per cent of the Revenue Receipts of the State as on 31 March 2020.

2.7.3 Management of Cash Balances

As per an agreement with the Reserve Bank of India, State Governments have to maintain a minimum daily cash balance with the Bank. The State Government was required to maintain a daily minimum cash balance of ₹ 0.25 crore with the RBI. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking ordinary Ways and Means Advances (WMAs)/Special Ways and Means Advances (SWMAs)/Overdrafts (ODs) from time to time. The limit for ordinary WMA to the State Government is revised by the RBI from time to time.

State Government invests its surplus cash balance in short and long-term GoI Securities and Treasury Bills. The profits derived from such investments are credited as receipts under the head '0049-Interest Receipts'. The cash balances are invested in the Consolidated Sinking Fund and Guarantee Redemption Fund as well.

It is not desirable that State Government take recourse to market loans despite having large cash balances leading to further accretion to cash balances without putting it to productive use.

The Finance Department, in its reply stated (March 2021) that market loans are availed as per consent of the Ministry of Finance, GoI for financing the State activities.

Table 2.38 depicts the cash balances and investments made by the State Government out of cash balances during the year.

Table 2.38: Cash Balances and their investment

(₹ in crore)		
	Opening balance on 1 April 2019	Closing balance on 31 March 2020
A. General Cash Balance		
Cash in treasuries	0.00	0.00
Deposits with Reserve Bank of India	163.49	223.90
Total	163.49	223.90
Investments held in Cash Balance investment account	134.96	0.00
Total (A)	298.45	223.90
B. Other Cash Balances and Investments		
Cash with departmental officers viz., Public Works, Forest Officers	454.28	744.75
Permanent advances for contingent expenditure with department officers	0.00	0.00
Investment in earmarked funds	1,104.20	1,659.18
Total (B)	1,558.48	2,403.93
Total (A + B)	1,856.93	2,627.83
Interest realised	9.57	1.78

Source: Finance Accounts, 2019-20

It was noticed that State Government's opening general Cash Balance as on 01 April 2019 was ₹ 298.45 crore. The closing general Cash Balance (31 March 2020) showed a decrease of 24.98 per cent (₹ 74.55 crore) and stood at ₹ 223.90 crore. The State Government had earned ₹ 1.78 crore from the Cash Balance Investments during 2019-20.

However, the State Government could maintain the minimum daily cash balance with the RBI for 226 days during 2019-20 and as such WMAs/ SWMAs/ ODs was availed for 139 days during the year, for which an interest of ₹ 5.16 crore (*Appendix 1.1 Part C*) was paid.

The Cash Balance Investments of the State of Nagaland for last five years (2015-16 to 2019-20) are given in **Table 2.39**:

Table 2.39: Cash Balance Investment Account (Major Head-8673)

(₹ in crore)				
Year	Opening Balance	Closing Balance	Increase (+)/decrease (-)	Interest earned
2015-16	141.48	0.00	(-)141.48	3.19
2016-17	0.00	35.41	35.41	3.01
2017-18	35.41	63.16	27.75	3.67
2018-19	63.16	134.96	71.80	9.57
2019-20	134.96	0.00	(-)134.96	1.78

Source: Finance Accounts of respective years

The trend analysis of the cash balance investment of the State Government revealed that during the five year-period of 2015-20, there has been large fluctuation in cash balance at the end of each year of the State.

2.8 Conclusion

The fiscal position of the State is viewed in terms of three key fiscal parameters – Revenue Deficit/ Surplus, Fiscal Deficit/ Surplus and primary deficit/surplus.

During 2019-20, the State had a Revenue deficit of ₹ 213.73 crore which was 0.70 per cent of GSDP. Fiscal deficit was ₹ 1,428.22 crore during 2019-20 which was 4.68 per cent of GSDP and primary deficit was ₹ 614.48 crore, 2.01 per cent of GSDP.

Revenue Receipts were ₹ 11,423.29 crore during 2019-20, which decreased by ₹ 14.12 crore (0.12 per cent) compared to the previous year. During the current year, State's Own Tax and Non-Tax Revenue increased by ₹ 112 crore (13.24 per cent) and ₹ 84 crore (32.94 per cent) respectively over the previous year. Grants-in-Aid from GoI increased by ₹ 315.36 crore (4.82 per cent) while State's Share of Union Taxes and Duties decreased by ₹ 525.33 crore (13.85 per cent) as compared to the previous year.

Revenue Expenditure accounted for 90.54 per cent of total expenditure during the current year. Committed expenditure like salary and wages, pension, interest payments steadily increased during the last five-year period 2015-20. The Committed Expenditure during the year 2019-20 was 68.93 per cent of the Revenue Receipts and 67.66 per cent of the Revenue Expenditure.

Under National Pension System (NPS), the State Government short contributed ₹ 30.51 crore resulting in understatement of revenue and fiscal deficit to that extent. Further, as on 31 March 2020, ₹ 170.35 crore were outstanding under NPS, with the State Government and had not been transferred to NSDL, creating avoidable outstanding financial liabilities under the Scheme.

Capital Expenditure is the expenditure for creation of assets of permanent and material character. Capital Expenditure (₹ 1,206.32 crore) decreased by 24.39 per cent during 2019-20 compared to the previous year and stood at nine per cent of total expenditure during the year. There were 399 projects lying incomplete as on 31 March 2020 for which ₹ 1,309.30 crore had been expended. There was cost over-run of ₹ 153.68 crore on these incomplete projects as on 31 March 2020.

The State's share of expenditure on Health (5.38 and 5.20 per cent during 2015-16 and 2019-20 respectively) was lower than the averages of North Eastern & Himalayan States (5.95 and 6.19 per cent during 2015-16 and 2019-20 respectively). Similarly, the State's share of expenditure on Education (14.79 and 12.92 per cent during 2015-16 and 2019-20 respectively) as proportion of Aggregate Expenditure was less than that of the averages of North Eastern & Himalayan States (18.32 and 17.42 per cent during 2015-16 and 2019-20 respectively).

As per Finance Accounts 2019-20, the State Government invested ₹ One crore in Government Company (Nagaland State Mineral Development Corporation, limited). As on 31 March 2020, whereas the State Government made investment of ₹ 295.17 crore in Government Companies, Statutory Corporation, Co-operative Societies and Joint Stock Companies, the return on investments was a meagre ₹ 2.80 crore by way of dividends during the year.

The State had outstanding guarantees of ₹ 174.96 crore as on 31 March 2020.

The outstanding Public Debt rapidly increased from ₹ 6,736.24 crore (14.26 per cent) from 2015-16 to ₹ 9,118.09 crore (35.36 per cent) in 2019-20 whereas the Debt/GSDP ratio decreased from 34.50 per cent to 29.89 per cent during the same

period. The outstanding Public Debt was ₹ 8,115.52 crore during 2018-19, which increased by ₹ 1,002.57 crore (12.35 *per cent*) compared to the previous year. About nine to ten *per cent* of the revenue receipts were used by the State for payment of interest on the outstanding Public Debt and the average rate of interest ranged between 6.15 *per cent* to 7.29 *per cent* during last five-years period from 2015-16 to 2019-20.

Maturity profile of outstanding stock of Public Debt as on 31 March 2020 indicates that out of Outstanding Public Debt of ₹ 9,118.09 crore, 47.25 *per cent* of debt needs to be repaid within seven years.

2.9 Recommendations

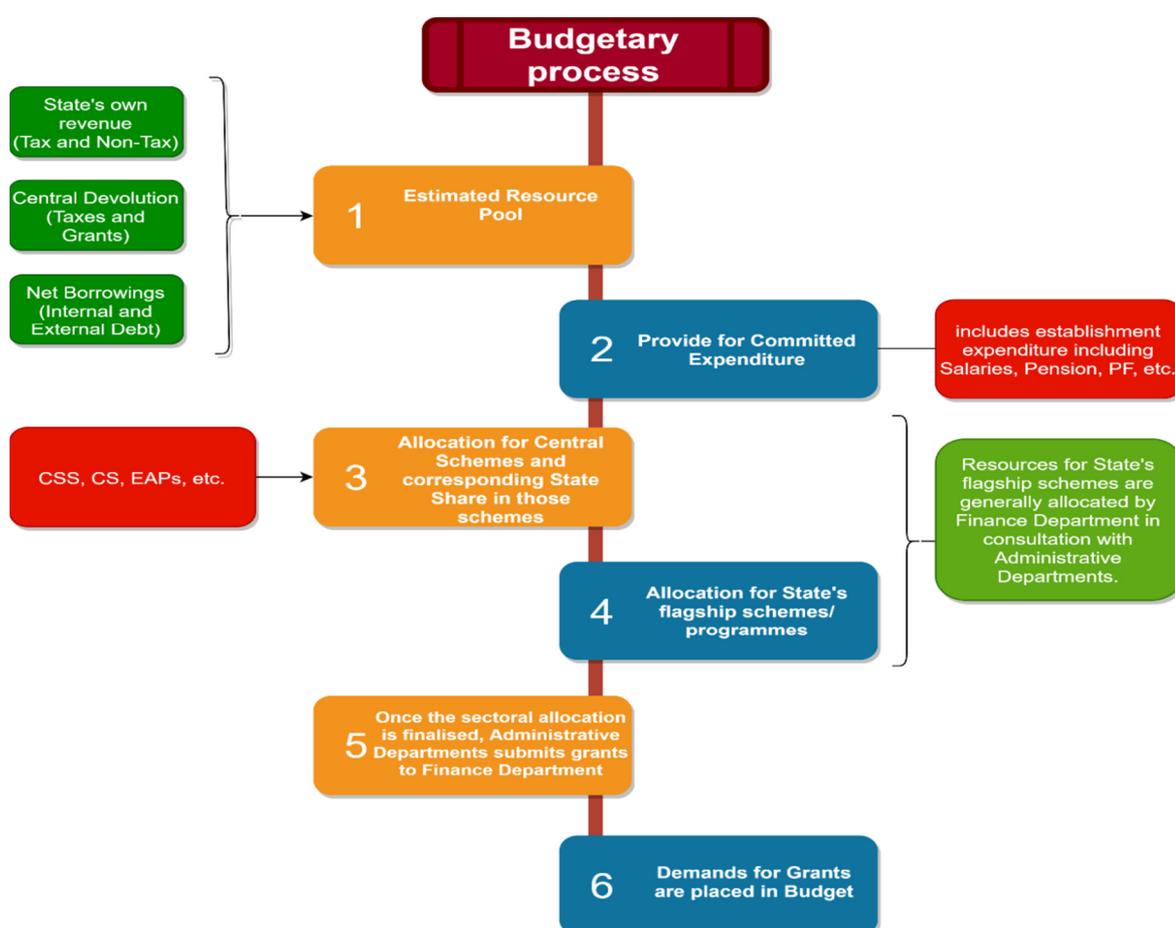
- The State Government needs to give greater focus on development expenditure by steadily increasing its Capital expenditure on identified infrastructure gaps in a planned manner with periodical review and monitoring mechanism at the highest level of administration.
- The State Government would do well by increasing its expenditure on Health and Education to compare favourably with NE Region States.
- To avoid possible future liabilities under NPS, the State Government needs to fulfil their obligation by releasing arrears of its contributions and transferring the outstanding funds already accumulated, to NSDL for management of the NPS.
- The State Government may seriously review the functioning of the Corporations, Companies and Societies to ensure returns on their investments and consider either revival or closure of non-functional units in a time bound manner.
- The State Government may ensure that mobilised debt resources are used adequately for incurring capital expenditure for creation of assets. The increasing trends of Revenue Expenditure be corrected by identifying potential wasteful expenditure and adopting economy measures across departments. Own revenues need to be augmented to meet the interest on debt liabilities.

CHAPTER III
BUDGETARY MANAGEMENT

Chapter III: Budgetary Management

3.1 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. Budget glossary is given in *Appendix 1.1 Part A*. The Budget process commences with the issue of the Budget Circular, normally in August each year, providing guidance to the Departments in framing their estimates, for the next financial year. A typical budget preparation process in a State is given in the figure below:



CSS: Centrally Sponsored Schemes; CS: Central Schemes, EAP: Externally Aided Projects.

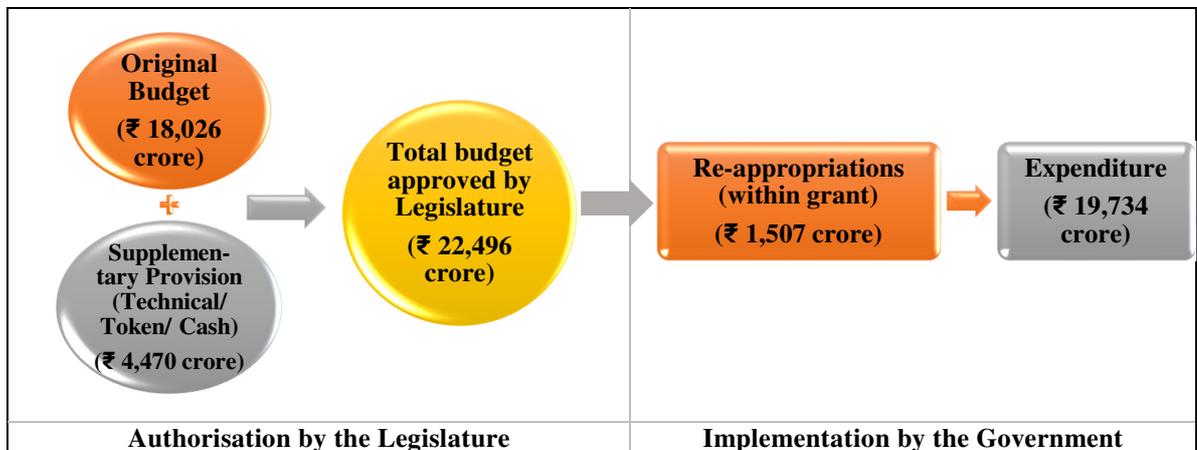
The Government of Nagaland has not yet prepared a Budget Manual, detailing the processes involved in budget formulation exercise, roles and responsibilities of the persons entrusted with the preparation and implementation of budget, timelines for preparation and submission of budgetary estimates, requirements of supplementary budget, mode of seeking re-appropriations within Grants, assessment of savings, surrenders *etc.* and monitoring and controls to be exercised by the Controlling Officers at all stages of budget preparation and implementation.

In the absence of a Budget Manual, the Government has been following the General Financial Rules, various provisions of the Constitution of India and guidelines issued by the Central and State Governments.

Legislative authorisation is the *sine quanon* for incurrence of all expenditure by the State Government. To guide individual Government Departments, the State Government framed financial rules and provided for delegation of financial powers. These delegations establish the limits for incurrence of expenditure and the levels authorised to sanction such expenditure together with restrictions on appropriation and re-appropriations.

The State Government secures legislative approval for expenditure out of the Consolidated Fund of the State by presenting its annual Budget and 82 Demands for Grants. Normally, every Department has one Demand for Grant, to ensure that the Head of the Department takes responsibility for implementing the policy decisions and expending public funds for the intended purposes.

Apart from supplementary grant, re-appropriation can also be used to re-allocate funds within a Grant. Re-appropriation is the transfer, by competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same section (Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged) of the Grant or Charged Appropriation. The various components of budget are depicted in the chart below:



Source: Appropriation Accounts, 2019-20

3.1.1 Summary of total provisions, actual disbursements and savings during 2019-20

A summarised position of total budget provision, disbursement and saving/excess with its further bifurcation into voted/charged may be included as under:

Table 3.1: Budget provision, disbursement and savings/excess during 2019-20

Total Budget provision		Disbursements		Saving (-)/ Excess (+)	
Voted	Charged	Voted	Charged	Voted	Charged
14,596.24	7,900.18	11,869.85	7,863.79	(-) 2,726.39	(-) 36.39

Source: Appropriation Accounts, 2019-20

3.1.2 Charged and voted disbursements

The break-up of total disbursement into charged and voted during the last five-year (2015-20) is given below.

Table 3.2: Break-up of total disbursement into charged and voted during 2015-19

Year	Disbursements		Saving (-)/Excess(+)	
	Voted	Charged	Voted	Charged
2015-16	7,873.49	3,512.23	(-) 2,181.68	(+) 102.65
2016-17	8,864.71	5,946.14	(-) 2,094.01	(-) 157.77
2017-18	10,563.94	5,378.33	(-) 1,742.90	(-) 764.74
2018-19	11,538.47	3,619.72	(-) 2,992.08	(-) 2,319.70
2019-20	11,869.85	7,863.79	(-) 2,726.39	(-) 36.39

Source: Appropriation Accounts of respective years

As can be seen from the above table, there were savings under voted head in all the years during the five-year period of 2015-20, whereas there was excess under charged head in 2015-16 during the five-year period of 2015-20.

3.2 Appropriation Accounts

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution (Article 202) is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.3 Comments on integrity of budgetary and accounting process

3.3.1 Expenditure incurred without authority of law

No money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of this Article 204 of the constitution. Expenditure on new scheme should not be incurred on a scheme/ service without provision of funds except after obtaining additional funds by re-appropriation, supplementary grant or appropriation or an advance from the Contingency Fund of the State.

As appearing in Article 115 (1) (a) and 205 (1) (a) of the Constitution, New Service means expenditure arising out of a new policy decision, not brought to the notice of Parliament/ State assembly earlier, including a new activity or a new form of investment.

‘New Instrument of Service’ means relatively large expenditure arising out of important expansion of an existing activity.

Audit scrutiny revealed that in seven Grants (nine cases), expenditure of ₹ 10 lakh and above was incurred (total expenditure was ₹ 37.26 crore), without budget provision as detailed in **Appendix 3.1**. Grant-wise summary of the cases where expenditure was incurred without budget provision is given in **Table 3.3**.

Table 3.3: Summary of Expenditure without Budget Provision

Grant No.	Description	Expenditure (₹ in crore)	Number of Schemes/ Sub-Heads
27	Planning Machinery	0.30	1
28	Civil Police	8.94	1
48	Agriculture	0.81	1
51	Fisheries	23.85	3
55	Power	0.10	1
59	Irrigation and Flood Control	0.40	1
72	Land Resources Development	2.86	2
Total		37.26	10

Source: Appropriation Accounts, 2019-20

The Finance Department, while accepting the fact, stated (March 2021) that all the cases have been scrutinised and found that issues were mainly due to mis-classification. Departments could not be directed for reconciliation due to the pandemic.

Expenditure without budget is violative of financial regulations as well as the will of the Legislature. This is also indicative of lack of financial discipline in Government Departments. Immediate steps require to be taken for carrying out reconciliation to rectify the misclassification issues.

In case of Grant No. 51 (Fisheries), it was stated that there was no such excess as necessary supplementary provision was voted by the Legislature. However, the fact remained that there were no budgetary provision (original/supplementary) in two out of three sub-heads and in the third sub-head, there was supplementary provision of ₹ 0.22 crore which was re-appropriated resulting in 'Nil' provision as per the Detailed Appropriation Accounts.

3.3.2 Transfers not mandated by the Appropriation Act/Detailed Demands for Grants (into Public Account/ Bank Accounts)

The Appropriation Act authorises incurrence of expenditure under specified Grants, during the financial year. Hence transfer of amounts from the Consolidated Fund of the State into Public Account heads or into bank accounts is not authorised through the Appropriation Act.

During 2019-20, ₹ 152.55 crore was sanctioned in favour of 15 Departments/Agencies during the year 2019-20 for implementation of different schemes. Out of ₹ 152.55 crore, the Departments/Agencies incurred an expenditure of ₹ 17.72 crore. The balance funds of ₹ 134.83 crore was kept in Civil Deposits. Details of funds drawn and kept in Civil Deposits in respect of 15 Departments/Agencies are presented in the **Table 3.4**.

Table 3.4: Non-utilisation of Funds during the year 2019-20

Sl. No.	Name of the Department/Directorate	Amount drawn	Expenditure incurred	Amount kept in Civil Deposit	Percentage of amount kept in Civil Deposit over total sanction
1.	Higher Education Department	26.51	8.26	18.25	69
2.	Election Department	0.84	0.00	0.84	100

Sl. No.	Name of the Department/Directorate	Amount drawn	Expenditure incurred	Amount kept in Civil Deposit	Percentage of amount kept in Civil Deposit over total sanction
3.	Nagaland Lokayukta	0.88	0.00	0.88	100
4.	Directorate of Treasuries and Accounts	0.75	0.00	0.75	100
5.	Commissioner of State Taxes	1.77	0.50	1.27	72
6.	Nagaland State Transport	5.74	0.00	5.74	100
7.	Directorate of Horticulture	23.80	0.00	23.80	100
8.	Directorate of Fisheries and Aquatic Resources	10.90	0.00	10.90	100
9.	Water Resources Department	1.53	0.00	1.53	100
10.	Land Records and Survey	1.00	0.50	0.50	50
11.	Directorate of Printing and Stationery	2.57	1.28	1.29	50
12.	Directorate of Health and Family Welfare	6.00	0.00	6.00	100
13.	Directorate of Social Welfare	66.23	7.18	59.05	89
14.	Directorate of Youth Resources and Sports	2.00	0.00	2.00	100
15.	Directorate of Soil and Water Conservation	2.03	0.00	2.03	100
Grand Total		152.55	17.72	134.83	

Source: Departmental Figures

It can be seen from the Table 3.4 above that the implementing Departments/Agencies kept the funds in the Civil Deposits which ranged between 50 and 100 *per cent* over the total funds drawn. In 10 out of 15 Departments/ Directorates, 100 *per cent* amounts were kept in Civil Deposits.

Further, scrutiny of six bank accounts revealed that an amount of ₹ 50.32 crore was lying in the respective bank accounts of 17 Drawing and Disbursing Officers (DDOs) as on 31 March 2020 to avoid lapse of grant, which was not authorised as per the Appropriation Act.

The funds drawn and kept in Civil Deposits and in bank accounts were shown as utilised by the respective DDOs and thus, the expenditure was artificially inflated to that extent, without actual expenditure having been incurred under the programme/scheme, in contravention of the financial rules.

The Finance Department, in its reply stated (March 2021) that transfer of fund to Civil Deposit (8443) was made as per financial rules and the fund was not outside of Government account. However, the reply was silent on inflated expenditure without actual expenditure *etc.*, pointed out by Audit.

3.3.3 Misclassification of capital expenditure as revenue expenditure and *vice versa*

Misclassification of expenditure of revenue nature as capital expenditure or *vice-versa*, results in overstatement/understatement of revenue expenditure and revenue deficit/surplus.

Examination of the accounts and Voucher Level Computerisation (VLC) data revealed that -

1. During the year, an expenditure of ₹ 1.18 crore booked under 800 – other expenditure (Minor works/ Repairs) though revenue in nature was kept under Major Head 4216 (Capital Outlay on Housing), which was capital Head. This ultimately leads to overstatement of Capital Expenditure.
2. During the year, an expenditure of ₹ 2.11 crore booked under 202 – Secondary Education Repairs and Renovation though revenue in nature was kept under Major Head 4202 (Capital Outlay on Education, Sports, Art and Culture), which was capital Head. This ultimately also leads to overstatement of Capital expenditure.

3.3.4 Unnecessary or excessive supplementary grants

The existence of likely or actual savings in the budget should never be seized upon as an opportunity to introduce fresh items of expenditure which ought to wait till next year. Known savings in the budget should not be left un-surrendered for fear of the next year's budget allotment being reduced.

Considerable Re-Appropriation from one Sub Head to another must always be avoided. That fresh expenditure is unavoidable or imperatively necessary or that it will produce consequential economics or that it is essential for preserving the revenue or the public safety are reasonable justifications for introducing fresh expenditure during the course of the year, but in such circumstances, it must be shown that the requirements could not have been foreseen and provided for in the budget. The process of Re-Appropriation is not designed merely to rectify omissions and lack of foresight.

Supplementary Provision of ₹ 34.63 crore obtained by 11 Departments during the year proved unnecessary as the expenditure either did not come up to the level of Original Provision or the subsequent Supplementary Provision was not utilised by the Departments concerned as detailed in **Appendix 3.2**. Cases where supplementary provision (₹ 50 lakh or more in each case) proved unnecessary are given in **Table 3.5**.

Table 3.5: Details of cases where supplementary provision (₹ 50 lakh or more in each case) proved unnecessary

(₹ in crore)					
Sl. No.	Name of the Grant	Original	Supplementary	Actual Expenditure	Saving out of Original Provisions
(A) Revenue (Voted)					
1.	35- Medical, Public Health and Family Welfare	724.99	3.55	660.32	64.67
2.	37-Municipal Administration	44.26	1.83	12.72	31.54
3.	46-Statistics	37.68	0.95	36.99	0.69
4.	47-Legal Metrology and Consumers Protection	11.62	1.23	9.98	1.64
Sub-Total		818.55	7.56	720.01	98.54

(B) Revenue (Charged)					
5.	75- Servicing of Debt	1,106.15	4.95	963.74	142.41
Sub-Total		1,106.15	4.95	963.74	142.41
Total (Revenue)		1,924.70	12.51	1,683.75	240.95
Capital (Voted)					
6.	31-School Education	5.01	1.40	2.63	2.38
7.	36- Urban Development	106.63	9.28	88.06	18.57
8.	77- Development of Under Developed Areas	65.01	14.17	50.46	14.55
Total (Capital)		176.65	24.85	141.15	35.50
Grand Total (Revenue + Capital)		2,101.35	37.36	1,824.90	276.45

Source: Appropriation Accounts, 2019-20

The Finance Department, while accepting the fact, stated (March 2021) that maximum supplementary obtained was under GoI schemes. Estimates were made based on the PAB's (Project Approval Board) recommendation and the receipts were short of the PAB recommendation. However, the reply was silent on the reason for short receipts than PAB recommendation.

3.3.5 Unnecessary or excessive Re-appropriation

According to Financial Rules, reasons for additional expenditure and savings should be explained in the Re-appropriation statement and specific reasons should be given and expressions such as "based on actual requirements", "based on trend of expenditure", etc., should be avoided. However, scrutiny of Re-appropriation orders issued by the Finance Department revealed that out of a total of 82 grants, Re-appropriation was done in 80 grants (98 per cent) on the last day without stating specific reasons for withdrawal of provision or additional provision by way of Re-appropriation of funds. This Re-appropriation on last day of the financial year resulted in savings in 11 Grants, which was avoidable, as discussed in *Paragraph 3.3.4* above.

Injudicious re-appropriation of Funds made during the year 2019-20 proved either excessive or insufficient (by 10 lakh or more and less than or equal to savings/excess) resulting in savings of ₹ 26.72 crore in five Sub-heads and excess of ₹ 181.49 crore in six Sub-heads as detailed in **Table 3.6** below.

Table 3.6: Excess/unnecessary/insufficient re-appropriation

Sl. No.	Grant	Head of Account	Original	Supplementary	Re-appropriation	Final	
						Savings	Excess
1.	9	2041-00-800-01 Road Safety Scheme	0.00	0.00	100.00	100.00	-
2.	22	2408-01-001-01 Direction	1,465.39	2,273.40	36.44	2,516.93	-
3.	27	2225-04-001-01 Minority Affairs Cell	0.00	0.00	30.00	30.00	-
4.	51	2552-51-101-01 Fish Seed Multiplication Farm	0.00	0.00	15.46	15.46	-

Sl. No.	Grant	Head of Account	Original	Supplementary	Re-appropriation	Final	
						Savings	Excess
5.	55	2801-04-800-02 Machinery and Equipment	15.51	0.00	9.69	10.00	-
6.	25	2029-00-102-01 Subordinate Establishment	1,571.21	43.07	37.35	-	100.00
7.	27	3451-00-091-01 Nagaland Bamboo Development Agency	12.00	0.00	94.92	-	97.00
8.	28	2055-00-001-01 Police Headquarters	16,820.37	3,633.40	1,886.11	-	5,407.09
9.	28	2055-00-104-02 Indian Reserve Battalion	30,190.27	1,002.15	139.66	-	335.47
10.	72	2501-05-101-03 Integrated Watershed Management Programme	0.00	442.78	20.88	-	1,065.34
11.	75	6003-00-110-01 Normal Ways and Means Advance	0.00	2,76,738.19	4,234.36	-	11,144.19
Total						2,672.39	18,149.09

Source: Detailed Appropriation Accounts, 2019-20

The Finance Department, while accepting the fact stated (March 2021) that the Department was in the process of rectification of such issues.

3.3.6 Unspent amount and surrendered appropriations and/or Large Savings/Surrenders

Complete accuracy of estimates may not always be possible; but where the omission or inaccuracy is the result of lack of forethought, neglect of the obvious or slipshod estimating, it is not readily excusable. The golden rule for all Estimating Officers should be to provide in the budget for everything that can be foreseen and to provide only as much as is necessary. The Administrative and Finance Departments should, in checking the estimates, apply unrelentingly the proven and well-tried check of average of previous actuals with known or reasonably foreseeable facts which may modify that average.

No object is served by keeping back savings which should ideally be surrendered in time. For this reason, appropriations which are likely to remain unspent must be reported for surrender as early as possible. If this is not done, other spending Departments are deprived of the funds which they could have utilised and thus avoidable demands for Supplementary Grants are preferred. Surrenders are being made generally in the month of March, and a careful study of figures of expenditure incurred and watch over the progress of last month's expenditure should enable a

Controlling Officer to fix upon his final requirements with a reasonable degree of exactness.

When the need for surrender manifests itself, the Controlling Officers should carefully estimate the amounts that they can surrender. The aim should be to surrender as much as they can so as to keep the expenditure just within the modified Grant.

Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls promote release of funds towards the end of the financial year, and increase the propensity of the Departments to retain huge balances outside the Government account in Bank Accounts. Excessive savings also deprives other Departments of the funds which they could have utilised.

The audit of Grants revealed that there was a total Savings of ₹ 2,960.73 crore, out of which Savings of ₹ 2,952.30 crore occurred in 55 cases (*Appendix 3.3*) which exceeded rupees one crore in each case or by more than 20 *per cent*. Further, there were savings of ₹ 2,491.97 crore which occurred in 12 Grants of the total provisions (savings were ₹ 50 crore and above) are shown in **Table 3.7**.

Table 3.7: List of Grants having large savings (savings above ₹ 50 crore) during the year

(₹ in crore)

Sl. No.	Number and name of the Grant	Original	Supplementary	Total	Actual expenditure	Saving/ Excess	Surrender
Revenue (Voted)							
1.	18-Pensions and Other Retirement Benefits	2,007.83	0.00	2,007.83	1,810.91	196.93	196.93
2.	27-Planning Machinery	501.71	0.00	501.71	197.00	304.71	305.36
3.	31-School Education	1,685.24	0.00	1,685.24	1,383.50	301.74	305.13
4.	32-Higher Education	202.81	0.00	202.81	128.77	74.04	74.04
5.	35-Medical, Public Health and Family Welfare	724.99	3.55	728.4	660.32	68.22	68.22
6.	42-Rural Development	1,184.58	0.00	1,184.58	637.96	546.62	546.62
7.	48-Agriculture	296.41	0.13	296.54	223.60	72.94	72.94
8.	70-Horticulture	64.01	101.51	165.52	101.54	63.98	63.98
Capital (Voted)							
1.	26-Civil Secretariat	0.00	200.95	200.95	13.57	187.38	187.37
2.	27-Planning Machinery	377.82	0.00	377.82	131.65	246.17	246.17
3.	35-Medical, Public Health	90.70	0.00	90.70	8.62	82.08	81.91

Sl. No.	Number and name of the Grant	Original	Supplementary	Total	Actual expenditure	Saving/ Excess	Surrender
	and Family Welfare						
4.	58-Road and Bridges	233.30	158.43	391.73	262.78	128.95	128.95
5.	60-Water Supply	148.50	0.00	148.50	77.66	70.84	70.84
Revenue (Charged)							
1.	75-Servicing of Debt	1,106.15	4.95	1,111.10	963.74	147.36	147.36
Grand Total		8,624.05	469.52	9,093.57	6,601.62	2,491.95	2,495.80

Source: Appropriation Accounts. 2019-20

It was observed that out of the above 12 Grants, in three Grants, there was persistent low utilisation (less than 50 per cent) in the last five years from 2015-16 to 2019-20. Details of utilisation of budgetary allocation in these three Grants are shown in **Table 3.8**.

Table 3.8: Budget utilisation less than 50 per cent (in 2019-20)

Sl. No.	Grant	2015-16	2016-17	2017-18	2018-19	2019-20	Number of years*	Budget 2019-20	Total Budget for five years
		(In per cent)						(₹ in crore)	
1.	27-Planning Machinery	23.95	25.02	28.72	27.89	37.37	5	879.53	4143.11
2.	57-Housing Loans	0.00	0.00	0.00	99.95	0.00	4	0.22	1.08
3.	59-Irrigation and Flood Control	49.00	27.24	33.82	30.45	58.39	4	114.14	1015.74

* Number of years with utilisation below 50 per cent

Source: Appropriation Accounts of respective years

It can be seen from the table above, in two Grants, low utilisation was in four years, out of five years. While in one Grant low utilisation was in all the five years. This is indicative of systemic issues that warrant a close review by the Government to enable initiation of corrective measures.

Substantial surrenders (more than 50 per cent of Total Provision) were made in respect of 143 Sub Heads. Out of the Total Provision amounting to ₹ 4,435.70 crore in those Sub Heads, ₹ 3,390.24 crore (76.43 per cent) was surrendered, which included 100 per cent surrender under 69 Sub-Head (₹ 874.81 crore). The details of such cases are given in **Appendix 3.4**. In 14 cases, the surrender was more than ₹ 50 crore at the end of March 2020 as given in **Table 3.9**.

Table 3.9: Details of surrender of funds in excess (more than ₹ 50 crore)

Sl. No.	Grant Number	Original	Supplementary	Total provisions	Actual	Saving (-)/ Excess(+)	Amount Surrendered
Revenue (Charged)							
1.	75- Servicing of Debt	1,106.15	4.95	1,111.10	963.74	147.36	147.36

Sl. No.	Grant Number	Original	Supplementary	Total provisions	Actual	Saving (-)/ Excess(+)	Amount Surrendered
Revenue (Voted)							
2.	18-Pensions and other Retirement benefits	2,007.83	0.00	2,007.83	1,810.91	196.92	196.92
3.	27-Planning Machinery	501.71	0.00	501.71	197.00	304.71	305.36
4.	31- School Education	1,685.24	0.00	1,685.24	1,383.50	301.74	305.13
5.	32- Higher Education	202.81	0.00	202.81	128.77	74.04	74.04
6.	35-Medical, Public health and Family welfare	724.99	3.55	728.54	660.32	68.22	68.22
7.	42-Rural Development	1,184.58	0.00	1,184.58	637.96	546.62	546.62
8.	48-Agriculture	296.41	0.13	296.54	223.60	72.94	72.94
9.	70-Horticulture	64.01	101.51	165.52	101.55	63.97	63.98
Capital (Voted)							
10.	26-Civil Secretariat	0.00	200.95	200.95	13.57	187.38	187.37
11.	27-Planning Machinery	377.82	0.00	377.82	131.65	246.17	246.17
12.	35-Medical, Public health and Family welfare	90.70	0.00	90.70	8.62	82.08	81.91
13.	58-Road and Bridges	233.30	158.43	391.73	262.78	128.95	128.95
14.	60-Water supply	148.50	0.00	148.50	77.66	70.84	70.84
Total		8,624.05	469.52	9,093.57	6,601.63	2,491.94	2,495.81

Source: Appropriation Accounts, 2019-20

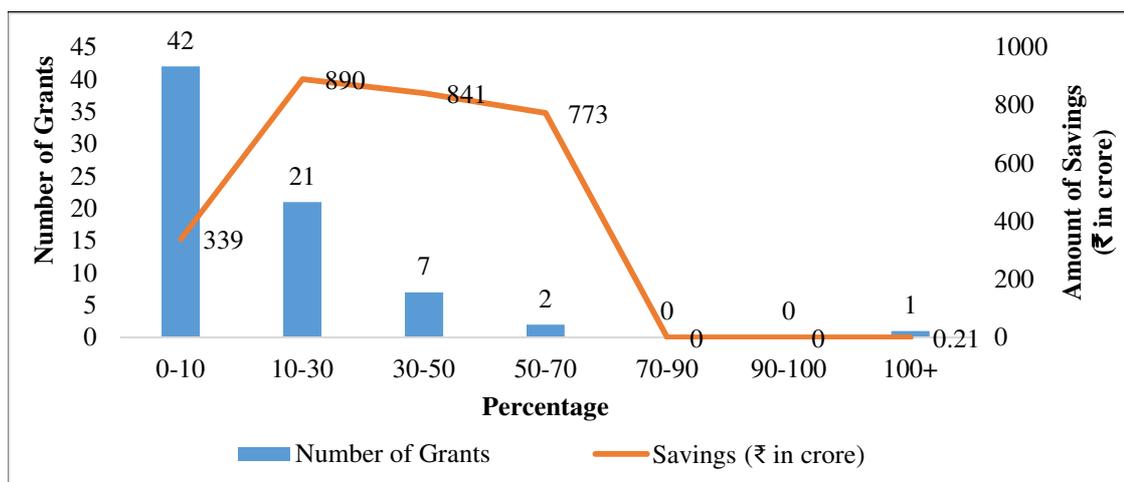
The reasons for surrender of funds in respect of the above 12 Grants are detailed below:

- **Grant no. 18:** proper estimation on account of Revision of Pension Rule 2017 could not be done due to non-availability of pensioners' data. Full backlog amount of Employers' contribution under NPS could not be uploaded due to technical reasons.
- **Other Grants:** non-receipt of funds from Ministry/ Sponsoring Agency, non-release of funds from GoI etc.

However, reasons for surrender in Grant No. 58 were not stated.

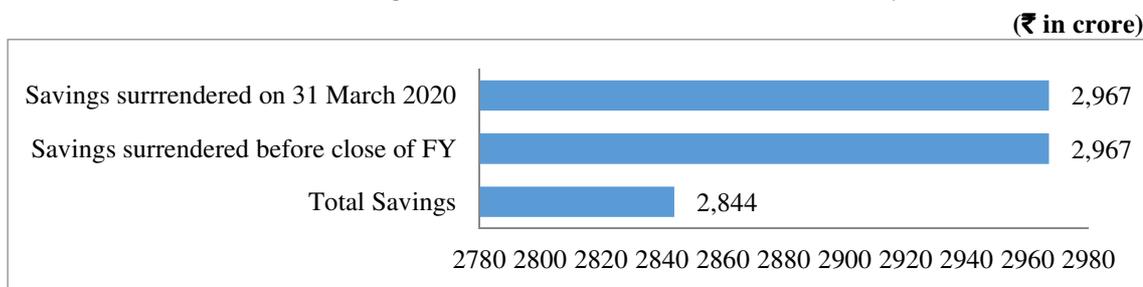
The distribution of number of Grants grouped by the percentage of savings for 2019-20 and the overall savings and surrenders before close of the financial year 2019-20, are depicted in **Chart 3.1** and **Chart 3.2**.

Chart 3.1: The distribution of the number of Grants grouped by the percentage of savings along with total savings in ₹ one crore in each group



Source: Appropriation Accounts, 2019-20

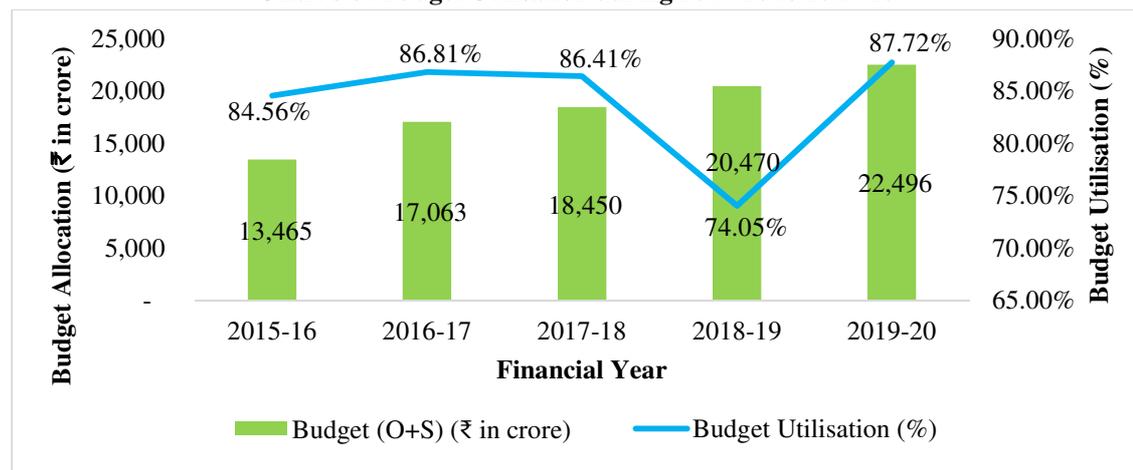
Chart 3.2: Chart: Savings and surrenders before close of financial year 2019-20



Source: Appropriation Accounts, 2019-20 and Surrender/Re-appropriation orders for 2019-20

Utilisation of budgeted funds by the State has been optimal every year during the past few years. The extent of utilisation of budget during the five-year period from 2015-16 to 2019-20 is given below.

Chart 3.3: Budget Utilisation during 2015-16 to 2019-20



Source: Appropriation Accounts of the respective years

As can be seen from the Chart above, utilisation of budget has been around 85 per cent during four of the last five years and has shown further increase, though it was minimum at around 74 per cent in 2018-19. Large amount of savings in allocated funds

indicate both inaccurate assessment of requirement as well as inadequate capacity to utilise the funds for intended purposes.

Budget provision sought and obtained by some Departments far in excess of actual requirement and inability to utilise, deprives allocation of resources to priority sectors and also leads to poor legislative control over public finances.

3.3.7 Excess expenditure and its regularisation

Article 205(1) (b) of the Constitution provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause to be presented to the Legislative Assembly of the State, a demand for such excess. This implies that, it is mandatory for a State Government to get excesses over grants/appropriations regularised by the State Legislature for the Financial Year.

Although no time limit for regularisation of excess expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee. Failure to do so is in contravention of Constitutional provisions and defeats the objective of ensuring accountability by the Legislature over the executive, over utilisation of public money.

3.3.7.1 Excess expenditure relating to 2019-20

Excess expenditure over the provision for the year is not only in contravention of the provisions requiring Legislative sanction but is also indicative of bad planning, which could be avoided by keeping track of expenditure progression with budget made for the purpose.

It was observed that during 2019-20, there was an excess disbursement over grants of ₹ 197.95 crore under 10 Departments. The summary of excess disbursements over grants during the financial year 2019-20 is given below:

Table 3.10: Summary of excess disbursements over grants during the financial year

(₹ in crore)

	Name of Department		Number of Grants
	Public Work/ Irrigation/ Forest	Other	
Revenue (Voted)	0.00	56.76	07
Revenue (Charged)	0.00	0.00	00
(A) Total Excess (Revenue)	0.00	56.76	07
Capital (Voted)	0.00	29.75	02
Capital (Charged)	0.00	111.44	01
(B) Total Excess (Capital)	0.00	141.19	03
Grand Total (A + B)	0.00	197.95	10

Source: Appropriation Accounts, 2019-20

The details of the Major Head wise excess disbursement over the budget during the year 2019-20 requiring regularisation is shown in **Table 3.11**.

Table 3.11: Major Head wise excess disbursement over the authorisation from the Consolidated Fund of State during 2019-20

(₹ in crore)									
Sl. No.	Grant No.	Major Head	Major Head Description	Total Provision	Re-appropriation	Total	Expenditure	Excess	Reason for excess stated by the Department
Revenue (Voted)									
1.	20	2235	Social Security and Welfare	1.11	0.20	1.31	1.41	0.10	Excess was due to shortfall in assessment for demand for grants
2.	25	2029	Land Revenue	22.86	0.80	23.66	24.59	0.93	Reasons for excess have not been intimated (March 2021)
3.	28	2055	Police	1,395.39	146.25	1,541.64	1,605.79	64.15	
4.	39	3452	Tourism	17.73	11.47	29.20	34.08	4.88	
5.	51	2405	Fisheries	1.75	(-) 0.67	1.08	1.16	0.08	
		2552	North Eastern Areas	0.22	(-) 0.22	0.00	1.15	1.15	
6.	72	2501	Special programmes for Rural Development	141.98	0.21	142.19	152.59	10.40	
		2552	North Eastern Areas	0.36	(-) 0.36	0.00	2.86	2.86	
7.	77	2575	Others Special Areas Programmes	6.02	0.52	6.54	8.20	1.66	
Capital (Charged)									
8.	75	6003	Internal Debt of the State Government	5,967.38	42.35	6,009.73	6,121.17	111.44	Reasons for excess have not been intimated (March 2021)
Capital (Voted)									
9.	44	4059	Capital Outlay on public Works	1.33	0.00	1.33	1.41	0.08	Reasons for excess have not been intimated (March 2021)
10.	66	4851	Capital Outlay on Village and Small industries	1.00	0.00	1.00	1.22	0.22	
Total								197.95	

Source: Appropriation Accounts, 2019-20

This excess disbursement is in violation of Article 204 of the Constitution which provides that no money shall be withdrawn from the Consolidated Fund, except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

The Finance Department, while accepting the fact requested (March 2021) for all vouchers relating especially to repairs and maintenance pertaining to (MH 2055) under Grant No. 28 (Civil Police).

3.3.7.2 Persistent excesses in certain Grants

A number of grants witness excess expenditure year after year. Despite Public Accounts Committee's recommendations to minimise the cases of excesses, persistent excesses are noticed in the grants. The persistent excess expenditure indicates that the budgetary control in the department was ineffective and budget estimates were not prepared on realistic basis. Such repeated excess expenditure is in violation of the will of the State Legislature. Persistent excesses may be due to improper estimation at the time of preparation of budget.

Examination of records revealed that there was no grant having persistent excesses during four out of five years during the five-year period of 2015-20, though excess during three years (2016-17, 2017-18 and 2019-20) was noticed in Grant no. 28 (Civil Police).

3.3.7.3 Regularisation of excess expenditure of previous financial years

Article 205 of the Constitution of India mandates the State Government to get the excess expenditure over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation was prescribed under this Article, excess expenditure was to be regularised after discussion of the Appropriation Accounts by the PAC. Administrative departments concerned are required to submit Explanatory Notes for excess expenditure to PAC through Finance Department.

Excess expenditure remaining un-regularised for extended periods dilutes legislative control over the executive. The details of the grant-wise excess expenditure relating to previous years requiring regularisation are given below:

Table 3.12: Excess expenditure relating to previous years (2012-19) requiring regularisation
(₹ in crore)

Year	Total Number of Grants	Amount of excess required to be regularised
2012-13	23	166.13
2013-14	21	38.51
2014-15	09	38.78
2015-16	16	373.60
2016-17	09	92.16
2017-18	09	14.51
2018-19	01	0.01
Total		723.70

Source: Appropriation Accounts of respective years

During the period 2012-19, there was an excess expenditure of ₹ 723.70 crore under five Grants. Further, there was an excess expenditure of ₹ 197.95 crore during 2019-20. This is in violation of Article 204 (3) of the Constitution, which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

The PAC intimated in March 2021 that an amount of ₹ 204.64 crore was regularised for the period 2012-14. However, ₹ 519.06 crore pertaining to the period 2014-19 was yet to be regularised in accordance with Article 205 of the Constitution.

3.4 Comments on effectiveness of budgetary and accounting process

3.4.1 Budget projection and gap between expectation and actual

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/ weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprives other departments of the funds which they could have utilised.

The summarised position of actual expenditure during 2019-20 against 82 Grants is given in **Table 3.13**.

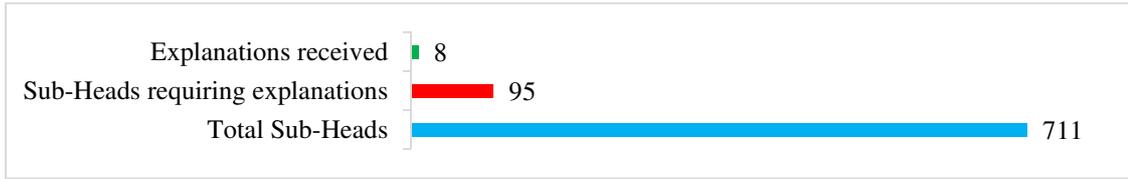
Table 3.13: Summarised position of Actual Expenditure vis-à-vis Budget (Original/Supplementary) provisions during the financial year

	Nature of expenditure	Original Grant	Supplementary Grant	Total	Actual expenditure	Net of Savings (-)	Surrender during March	
							Amount	per cent
Voted	I. Revenue	11,549.33	877.96	12,427.29	10,654.27	(-) 1,773.02	1,865.80	105
	II. Capital	1,357.91	794.52	2,152.43	1,199.30	(-) 953.13	953.35	100
	III. Loans and Advances	0.60	15.92	16.52	16.28	(-) 0.24	0.22	92
	Total	12,907.84	1,688.40	14,596.24	11,869.85	(-) 2,726.39	2,819.37	103
Charged	IV. Revenue	1,131.28	13.09	1,144.37	996.54	(-) 147.83	147.83	100
	V. Capital	0.00	0.00	0.00	0.00	0.00	0.00	0
	VI. Public Debt- Repayment	3,986.99	2,768.82	6,755.81	6,867.25	(+) 111.44	0.00	0
	Total	5,118.27	2,781.91	7,900.18	7,863.79	(-) 36.39	147.83	406
Appropriation to Contingency Fund (if any)		--	--	--	--	--	--	--
Grand Total		18,026.11	4,470.31	22,496.42	19,733.64	(-) 2,762.78	2,967.20	107

Source: Appropriation Accounts, 2019-20

Overall Saving of ₹ 2,762.78 crore (12.28 per cent of Total Allocation) was the result of Savings in 70 Grants Revenue Section and 36 Grants under Capital Section offset by Excess of ₹ 197.95 crore in seven Grants under Revenue Section and three Grants under Capital Section. During the year, the amount surrendered was 107 per cent of overall Savings.

The Savings/ Excess (Detailed Appropriation Accounts for the year 2019-20) were intimated to all the 82 Controlling Officers requesting them to explain the significant variations. The Controlling Officers of eight Departments of the State furnished their replies before finalisation of the Appropriation Accounts 2019-20. However, no valid reasons for the Savings were explained or explicitly stated by any of the Departments. The status is given in **Chart 3.5**.

Chart 3.5: Summary of Explanation for Variation in Appropriation Accounts

Source: VLC data of AG (A&E)

The trend in percentage of overall saving/excess against overall provision in the budget for the last five years from 2015-16 to 2019-20 is detailed in **Table 3.14** below:

Table 3.14: Original Budget, Revised Estimates and Actual Expenditure during 2015-20

	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Original Budget	12,592.70	13,658.74	16,375.43	18,315.76	18,026.11
Supplementary Budget	872.05	3,403.89	2,074.48	2,154.21	4,470.31
Revised Estimates	13,464.75	17,062.63	18,849.91	20,469.97	22,496.42
Actual Expenditure	11,385.72	14,810.85	15,942.27	15,158.19	19,733.64
Saving /excess	(-)2,079.03	(-)2,251.78	(-)2,507.64	(-)5,311.78	(-)2,762.78
Percentage of Savings	15.44	13.20	13.30	25.95	12.28

Source: Appropriation Accounts of respective years

It could be seen from the table above that there was overall savings in all the years during the five-year period of 2015-20. The percentage of savings with respect to the revised estimates ranged between 12.28 and 25.95 during the period. The percentage of savings has come down drastically from 2018-19 and it was the lowest in 2019-20 during the last five years.

3.4.2 Supplementary budget and opportunity cost

At times, while obtaining supplementary provision, the Departments report to legislature large additional requirement for different purposes under various schemes/activities; but finally they are unable to spend not only the entire supplementary provision or parts thereof but also the original budget provision. As a result, the un-utilised funds could not be made use of. At the same time, some of the schemes remained incomplete due to want of funds. Thus, the intended benefit of the unfinished schemes could not be extended to the public at a large in such cases. Further, this leads to escalation of project cost.

The Government also announces several new policies/schemes for implementation through the Finance Minister (FM) Budget Speech and other budget documents which is either for that Financial Year *i.e.* one-time activity or is of recurring nature. Broadly, all the schemes, budget allocation thereon, timeframe of their completion and intended benefit announced by Government can be gathered from the Budget Speech of the FM. Actual figures related to expenditure with funding pattern *i.e.* from the State's own resources or from Central Government assistance or through debt may be gathered from the Finance Accounts of the State. Of these, several schemes/programmes declared by the Government do not typically get operationalised due to lack of preparatory work and/or lack of adequate allocation of budget.

During the year, it was noticed that in 25 major grants (savings of more than one crore or more than 20 per cent of the total provisions), the total budget provisions of ₹ 1,952.69 crore (Capital/voted) proved unnecessary/excessive as the actual expenditure of ₹ 1,002.43 crore did not come up to the total budget provisions resulting in ₹ 950.26 crore un-utilised funds under these grants as detailed below:

Table 3.15: List of grants with un-utilised fund during 2019-20

(₹ in crore)						
Sl. No.	Name of the Grant	Original allocation	Supplementary	Total	Actual expenditure	Un-utilised funds
Capital (Voted)						
1.	4-Administration of Justice	25.00	0.00	25.00	22.75	2.25
2.	8-Sales Tax	3.09	0.00	3.09	1.86	1.23
3.	22-Civil Supplies	9.00	0.00	9.00	1.00	8.00
4.	26-Civil Secretariat	0.00	200.95	200.95	13.58	187.37
5.	27-Planning Machinery	377.82	0.00	377.82	131.65	246.17
6.	31-School Education	5.01	1.40	6.41	2.63	3.78
7.	32-Higher Education	43.05	0.00	43.05	29.00	14.05
8.	33-Youth Resources and Sports	1.00	51.36	52.36	45.14	7.22
9.	34-Art and Culture and Gazetteers	2.00	7.58	9.58	4.98	4.60
10.	35-Medical, Public Health and Family Welfare	90.70	0.00	90.70	8.62	82.08
11.	36-Urban Development	106.63	9.28	115.91	88.05	27.86
12.	37-Municipal Administration	44.35	86.23	130.58	108.77	21.81
13.	39-Tourism	0.00	6.35	6.35	3.28	3.07
14.	50-Animal Husbandry and Dairy Development	4.00	0.00	4.00	0.00	4.00
15.	55-Power	19.58	85.10	104.68	61.65	43.03
16.	58-Road and Bridges	233.30	158.43	391.73	262.78	128.95
17.	59-Irrigation and Flood Control	26.00	48.33	74.33	35.49	38.84
18.	60-Water Supply	148.50	0.00	148.50	77.66	70.84
19.	64-Housing	20.62	36.35	56.97	50.28	6.69
20.	65-State Council of Educational Research and Training	6.00	0.00	6.00	1.00	5.00
21.	67-Home Guards	2.56	0.00	2.56	0.89	1.67
22.	73-State Institute of Rural Development	2.29	0.00	2.29	0.00	2.29
23.	76-Women Welfare	0.65	0.00	0.65	0.00	0.65
24.	77-Development of Under Developed Areas	65.01	14.17	79.18	50.45	28.73
25.	78-Technical Education	11.00	0.00	11.00	0.92	10.08
Total		1,247.16	705.53	1,952.69	1,002.43	950.26

Source: Appropriation Accounts, 2019-20

Further, as per Finance Accounts, there were 11 incomplete scheme/ projects which require further allocation of funds for their completion. The details of such schemes/projects having estimated cost more than ₹ 50 crore are shown in **Table 3.16**.

Table 3.16: List of incomplete scheme/projects at the end of 2019-20

(₹ in crore)							
Sl. No.	Name of Scheme/ Project (having estimated cost of ₹50 crore or more)	Estimated cost of scheme/ project	Year wise funds allocated up to 2020	Scheduled date of completion	Expenditure as of 31 March 2020	Physical progress of the work	Funds required for completion of remaining work (as per revised estimates)
1.	Integrated Roads and Multilevel Parking Project in Kohima	50.42	10.20	2011-12	10.20	NA	40.22
2.	Housing for Urban Poor in Dimapur under IHSDP	87.74	36.63	2011-12	36.63	NA	51.11
3.	DDUGJY-XII Plan	92.31	52.38	2017-18	52.38	65	39.93
4.	Construction of permanent Headquarters for 9 th NAP (IR) Bn at Saijang under HUDCO	72.99	68.43	NA	68.43	NA	4.56
5.	Construction of permanent Headquarters for 10 th NAP (IR) Bn at Zhadima under HUDCO	68.63	38.76	2009-10	38.76	98	29.87
6.	Construction of permanent Headquarters for 11 th NAP (IR) Bn at Aboi under HUDCO	93.88	8.00	2014-15	8.00	26	85.88
7.	Construction of permanent Headquarters for 12 th NAP (IR) Bn at Chingtok under HUDCO	97.88	8.00	2014-15	8.00	85	89.88
8.	Construction of permanent Headquarters for 13 th NAP (IR) Bn at Yachang under HUDCO	98.43	14.00	2014-15	14.00	70	84.43
9.	Construction of permanent Headquarters for 14 th NAP (IR) Bn at Okhezong under HUDCO	121.19	8.00	2014-15	8.00	85	113.19
10.	Construction of permanent Headquarters for 15 th NAP (IR) MahilaBn at Mpetsa	109.31	21.51	NA	21.51	22	87.80
11.	Construction of Multi-Disciplinary Sports Complex, Dimapur	134.99	53.00	2011-12	53.00	60	81.99
Total		1,027.77	318.91	--	318.91	--	708.86

Source: Appendix IX, Finance Accounts – Vol. II, 2019-20

As can be seen from the above table, out of the total estimated cost of ₹ 1,027.77 crore in respect 11 projects/schemes, an amount of ₹ 708.86 crore (69 per cent) was required for completion of these projects/schemes. The State Government may devise a mechanism to avoid savings in certain grants which could be utilised for completion of these incomplete projects/schemes on time.

3.4.3 Re-appropriation of Grants

The various provisions related to the re-appropriation are given in *Paragraph 3.3.5*. Scrutiny of re-appropriation orders revealed that:

- i. Out of 82 grants, re-appropriation was done in 57 grants during 2019-20. The re-appropriation orders were issued (March 2020) by the Finance Department, GoN, without specifying the reasons for re-appropriations.
- ii. In 22 Grants, no budget provision (both original grant and supplementary) was there in 48 Sub Heads and the final provision/grant was due to re-appropriations within the respective grants only. However, out of 48 Sub Heads, expenditure was incurred in 47 Sub Heads.
- iii. All the re-appropriation orders were issued on the last working day of the year (31 March 2020).
- iv. In six Grants, re-appropriations were made from Supplementary Grants in one Sub-Head each in grant as there was no original provisions in these Sub-Heads. In five cases, the entire fund under supplementary grants was re-appropriated. This ultimately resulted in defeating the objective of supplementary grant which was voted for a definite purpose.
- v. Out of 79 Grants where savings/excesses have occurred during 2019-20, reasons of savings/excesses have been intimated by four Departments only.

3.4.4 Rush of expenditure

Government funds should be evenly spent throughout the year. The rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety. Instructions regarding this are available in Budget Manual, Finance Department OMs, *etc.* Maintaining a steady pace of expenditure is a crucial component of sound public financial management, as it obviates fiscal imbalance and temporary cash crunches due to mismatch of revenue expenditure during a particular month arising out of unanticipated heavy expenditure in that particular month.

During the year, it was noticed that entire expenditure was booked in March in case of 11 sub-heads as detailed below.

Table 3.17: Sub-Head (Schemes), where entire expenditure (or above particular percentage) was incurred in March 2020

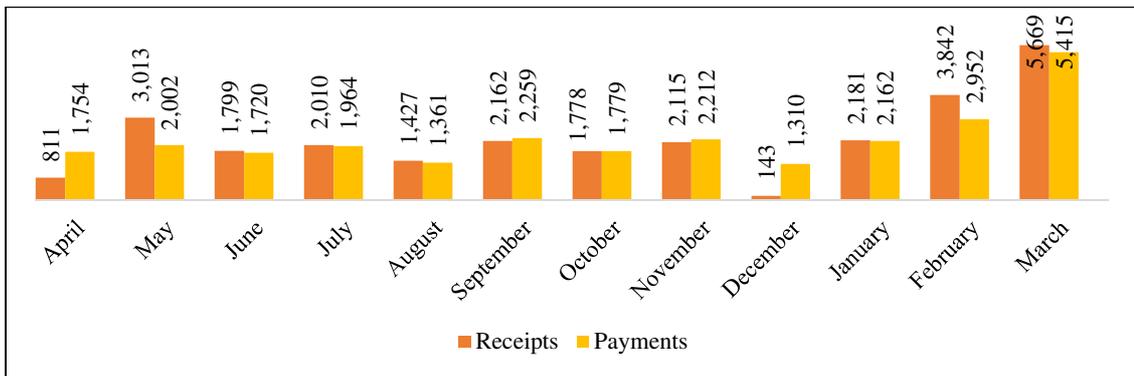
Sl. No.	Grant No.	Head of Account (up to Sub-Head)	100 per cent expenditure during March only (₹ in crore)
1.	13	4055-00-211-01 Works under Village Guards	1.77
2.	14	4059-60-051-01 Works under Jails	1.77
3.	70	4401-00-800-02 Horticulture Link Road	1.35
4.	65	4202-01-201-01 Works under SCERT	1.00
5.	42	4515-00-103-01 Buildings	1.00
6.	60	4059-60-051-01 Works under Water Supply	0.96
7.	38	4552-00-800-01 NEC Schemes	0.57
8.	12	4059-01-051-01 Works under Treasuries	0.54
9.	45	2552-45-190-01 NSCB	0.39
10.	45	4216-80-800-01 Works under Co-operation	0.18
11.	52	2415-06-004-01 Silvi-culture Research	0.05
Total			9.58

Further, it was noticed that there were 26 Grants under which more than 50 per cent expenditure of the total expenditure was incurred in March alone during the financial

year, as detailed in **Appendix 3.5**. Out of these 26 Grants, eight Departments (Grants) had reported parking of funds in Civil Deposits as on 31 March 2020 (**Paragraph 3.3.2**). Thus, it could be concluded that these Departments reported expenditure in March and parked the funds outside the Consolidated Fund to avoid lapse

Chart 3.6 presents month-wise trend of expenditure and receipts for the State during the financial year.

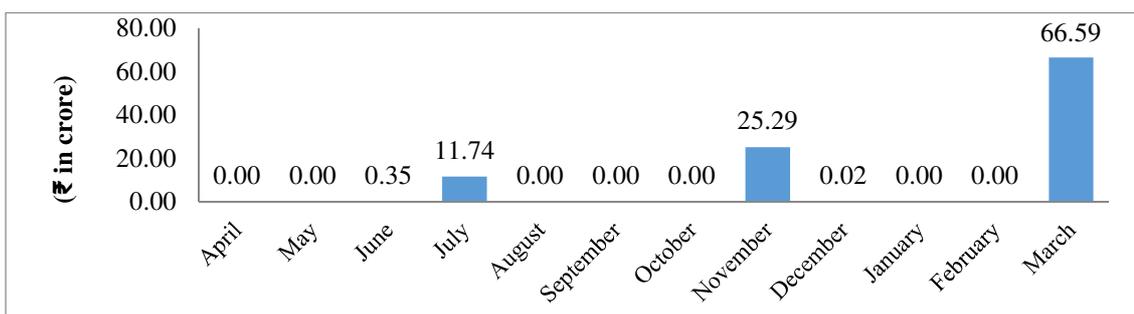
Chart 3.6: Monthly receipts and expenditure (₹ in crore) for the State during 2019-20



During 2019-20, out of the total receipt of ₹ 26,951 crore for the State, ₹ 5,669 crore (21 per cent) was received on the last month of the financial year. Further, out of the total expenditure of ₹ 26,890 crore, ₹ 5,415 crore (20 per cent) was incurred in the last month of the financial year.

Out of the 26 Departments/Grants having more than 50 per cent of expenditure in March, the Social Security & Welfare Department (having expenditure more than ₹ 100 crore) had 64 per cent of expenditure in March. The month-wise expenditure (Major Head 2236) of this Department during the financial year 2019-20 is shown in **Chart 3.7**.

Chart 3.7: Month-wise expenditure of Social Security and Welfare Department



3.4.5 Review of selected Grant

Review of a selected Grant (Grant No. 27 - Planning Machinery) was done to ascertain compliance with budgeting processes, monitoring of funds, control mechanisms and implementation of the schemes within the grant, persistent diversion of funds for other purposes *etc.*

The summarised position of Budget Provision and Actual Expenditure during 2019-20 in respect of the Grants given in **Table 3.18**.

Table 3.18: Summarised position of Budget Provision and Actual Expenditure

Nature of Expenditure	Budget Provision			Actual Expenditure	Saving(-) / Excess(+)
	Original	Supplementary	Total		
Revenue	501.71	0.00	501.71	197.00	(-) 304.71
Capital	377.82	0.00	377.82	131.65	(-) 246.17
Total	879.53	0.00	879.53	328.65	(-) 550.88

Source: Appropriation Accounts of respective years

The above table shows that during the year 2019-20, there was overall savings of ₹ 550.88 crore representing 62.63 per cent of the total Budget Provision as a result of savings under both Revenue (₹ 304.71 crore) and Capital (₹ 246.17 crore) heads.

3.4.5.1 Persistent Savings

Persistent savings over a period of five years or more indicated that the basic assumptions behind the overall budget formulation process were not realistic and there was lack of proper assessment as well as prudent utilisation of the allocated budgetary provision.

There was persistent Savings of more than ₹ 50 lakh and also 50 per cent or more of the total Grant during the last five years (Table 3.19):

Table 3.19: Details of Savings during 2015-20

No. and Name of the Grant	Amount of Savings					
	2015-16	2016-17	2017-18	2018-19	2019-20	
27-Planning Machinery						
Revenue-Voted	Amount	206.90	275.55	391.85	283.81	304.72
	Percentage	69.00	74.29	75.85	63.53	60.74
Capital-Voted	Amount	318.68	300.65	156.21	462.59	246.17
	Percentage	81.45	75.64	61.91	78.62	65.16

Source: Appropriation Accounts of respective years

During the five-year period 2015-20, there were persistent Savings in the reviewed Grant, which indicates poor budgeting, shortfall in performance or both, as funds could not be utilised as estimated on activities planned by the Department concerned.

Reason for persistent Savings had not been intimated (March 2021) by the Department.

3.4.5.2 Excessive/Insufficient Re-Appropriation of Funds

Re-appropriation is transfer of funds within a Grant from one unit of Appropriation, where savings are anticipated to another unit where additional funds are needed. Injudicious re-appropriation of Funds made during the year 2019-20 proved either excessive or insufficient (by ₹ 10 lakh or more) resulting in Savings of ₹ 0.94 crore in two Sub-heads and Excess of ₹ 1.59 crore in four Sub-Heads as detailed in Table 3.20.

Table 3.20: List of Sub Heads with excess/savings during 2019-20

Sl. No.	Head of Account	Re-appropriation	Final	
			Excess	Savings
1.	2552-27-101-01 (Pool for Scheme under North Eastern council)	(-) 200.00	0.30	--
2.	2225-04-001-01 (Minority Affairs cell)	(+) 0.30	--	0.30

Sl. No.	Head of Account	Re-appropriation	Final	
			Excess	Savings
3.	3451-00-091-01 (Nagaland Bamboo Development Agency)	(+) 0.95	0.97	--
4.	3451-00-101-01 (Direction)	(+) 1.84	--	0.64
5.	3451-00-102-01 (Subordinate Establishment)	(-) 1.76	0.05	--
6.	3451-00-101-01 (Direction)	(+) 1.00	0.27	--
Total		--	1.59	0.94

Source: Appropriation Accounts, 2019-20

3.4.5.3 Unexplained Re-Appropriations

According to Financial Rules, reasons for additional expenditure and savings should be explained in the re-appropriation statement and specific reasons should be given and expressions such as “based on actual requirements”, “based on trend of expenditure”, etc., should be avoided.

However, scrutiny of re-appropriation order issued by the Finance Department revealed that re-appropriation of ₹ 44.16 crore under Revenue head and ₹ 41.87 crore under Capital head was done on the last day of the financial year without stating specific reasons for withdrawal of provision or additional provision by way of re-appropriation of funds. This re-appropriation on last day of the financial year resulted in unnecessary Savings in two Sub Heads on the one hand and excess in one Sub-Head on the other hand which was avoidable, as discussed in *Paragraph 3.5.6.2*.

3.4.5.4 Substantial Surrenders

Substantial surrenders (more than 50 per cent of total provision was surrendered) were made in respect of five Sub-Heads. Out of the total provision amounting to ₹ 767.87 crore in those Sub-Heads, ₹ 551.52 crore (71.82 per cent) was surrendered, which included 100 per cent surrender under three Sub Heads (₹ 425 crore) as detailed in **Table 3.21**.

Table 3.21: Details of Sub Heads with substantial surrenders during 2019-20

(₹ in crore)

Sl. No.	Head of Account	Total Grant/ Appropriation	Amount Surrendered	Percentage of surrender
1.	2225-27-101-01 (Pool for schemes under North Eastern council)	200.00	200.00	100
2.	3451-00-101-02 (Pool for state share)	207.87	105.36	50.69
3.	4059-80-800-01 (Externally Aided project)	85.00	85.00	100
4.	4059-80-800-02 (NLCPR)	140.00	140.00	100
5.	4575-03-800-01 (Provision to Article 275(1))	135.00	21.16	15.67
Total		767.87	551.52	71.82

Source: Detailed Appropriation Accounts, 2019-20

The circumstances prompting the Department to surrender the funds were neither stated nor on record.

3.4.5.5 Rush of Expenditure

According to Rule 62 (3) of GFR 2017, rush of expenditure, particularly in the closing months of the financial year shall be regarded as breach of financial propriety and should be avoided. However, more than 50 per cent of the total expenditure was

incurred in the last month of the financial year in respect of the Major Head (3451) under the Grant. The details of quarter-wise expenditure of the Major Head during the year are given below:

Table 3.22: Expenditure pattern of Grant No. 27 during 2019-20

Expenditure incurred in each quarter					Expenditure in March 2020	Expenditure in March as percentage of TE
1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Total Expenditure		
4.00	11.07	64.80	116.83	196.70	109.77	55.81

Source: Summary of Appropriation Accounts and VLC data

As can be seen from above, out of the Total Expenditure of ₹ 196.70 crore during the year, Departments incurred an expenditure of ₹ 109.77 crore (55.81 per cent) in the last month of the year, which indicated lack of effective financial control and violation of Financial Rules, besides poor budgeting on part of the State Government.

3.5 Conclusion

During 2019-20, against the total budget approved by the State Legislature of ₹ 22,496.42 crore (Original: ₹ 18,026.11 crore plus Supplementary: ₹ 4,470.31 crore), Departments incurred an expenditure of ₹ 19,733.64 crore, leaving a savings of ₹ 2,762.78 crore (12.28 per cent of the total budget). Moreover, Planning and Machinery Department (Grant No. 27) was not cautioned against persistent savings; nor were their budgets varied in accordance with their ability to absorb the allocations.

At the beginning of the year 2019-20, there was an outstanding excess expenditure of ₹ 723.70 crore under five Grants (pertaining to the year 2014-15 to 2018-19) which requires regularisation as per the Article 205 of the Constitution of India. Out of excess expenditure of ₹ 723.70 crore to be regularised, ₹ 204.64 crore was regularised, leaving a balance of ₹ 519.06 crore during 2019-20. Further, there was an excess expenditure of ₹ 197.95 crore during 2019-20 which also requires regularisation. During the year 2019-20, an expenditure of ₹ 37.26 crore was incurred without budget provision.

Supplementary Grants/Appropriations were obtained without adequate justification, and funds were expended without budgetary provision. Despite flagging this issue every year over the last several years, the State Government had not only failed to take corrective measures in this regard.

3.6 Recommendations

- The State Government may identify Departments with persistent savings and closely monitor them, so that funds are reallocated based on priorities.
- Departments, which had incurred excess expenditure persistently should be identified to closely monitor their progressive expenditure and advised to seek supplementary grants/re-appropriations in time.
- The Finance Department may provide supplementary grants only after proper scrutiny and realistic assessment of requirements of the concerned Departments, to avoid under or over spending by them.
- Excess expenditure pending regularisation, may be regularised by obtaining legislative approval.

CHAPTER IV
QUALITY OF ACCOUNTS AND
FINANCIAL REPORTING
PRACTICES

Chapter IV: Quality of Accounts and Financial Reporting Practices

A sound internal financial reporting system with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

Issues related to completeness of accounts

4.1 Funds transferred directly to State implementing agencies

The GoI transfers substantial funds directly to State Implementing Agencies/ Non-Governmental Organisations for implementation of various schemes and Programmes. Since these funds are not routed through the State Budget, these are not reflected in the Accounts of the State Government. These transfers are exhibited in Appendix VI of Volume II of the Finance Accounts.

During the year 2019-20, GoI funds amounting to ₹ 497.07 crore were directly transferred to the Implementing Agencies. Details of major amount of funds transferred directly to Implementing Agencies are shown in **Table 4.1**.

Table 4.1: Funds transferred by GoI directly to State implementing agencies

(₹ in crore)

Name of the Schemes/Programmes of GoI	Name of the Implementing Agencies	GoI releases during 2019-20
North East Road Sector Development Scheme	Chief Engineer PWD (R&B) Nagaland	191.71
Pradhan Mantri Kishan Samman Nidhi	Department of Agriculture, Nagaland	91.92
Support to National Institute of Technology (NITs) and IEST	National Institute of Technology Nagaland	37.00
National AIDS and STD Control Programme (NACO)	Nagaland State AIDS Control Society	28.40
Organic Value Chain Development of North East Region	Nagaland Organic Mission	20.15
Solar Power-off grid	Nagaland Renewable Energy Development Agency (NREDA)	13.45
Scheme of North Eastern Council Special Development Projects	Nagaland University	8.08
Support to Academies	North East Zone Cultural Centre	7.94
Pilgrimage Rejuvenation and Spiritual Heritage Augmentation Drive (PRASHAD)	Nagaland Tourism Board	7.53
Research Training and Studies and Other Road Safety Schemes	Motor Vehicles Department	7.09
Development of Museums (Culture)	Directorate of Art and Culture Kohima Nagaland	6.05

Name of the Schemes/Programmes of GoI	Name of the Implementing Agencies	GoI releases during 2019-20
Khelo India National Programme	Nagaland State Sports Council	5.70
Others	Other 220 implementing Agencies against 92 schemes	72.05
Total		497.07

Source: Public Financial Management System (PFMS) portal of Controller General of Accounts for the State Accounts (2019-20).

It can be seen from the table above that out of ₹ 497.07 crore transferred directly by GoI during 2019-20, ₹ 425.02 crore (85.51 per cent) was given for implementation of 12 major Schemes during the year.

There is no single agency in the State to monitor the funds directly transferred by the GoI to the Implementing Agencies and no data readily available as to how much money has actually been spent in a particular year on major schemes which are being implemented by Implementing Agencies and funded directly by the GoI.

The Finance Department, in its reply stated (March 2021) that PFMS cell established as per GoI guidelines was functioning under it and was actively working to get Departments on board to the PFMS portal. However, the reply was silent on existence of monitoring mechanism like involvement of any agency/authority to monitor these funds.

Issues related to transparency

4.2 Delay in submission of Utilisation Certificates

The General Financial Rules provide that every order sanctioning a grant would specify its objective clearly and time limit within which the grant is to be spent. The departmental officers drawing the grants-in-aid would be primarily responsible for certifying to the Accountant General, where necessary, the fulfillment of the conditions attached to the grant and submission of certificate (Utilisation Certificate) in such form and at such interval as may be agreed between the Accountant General (Accounts and Entitlement) and the Head of the Department concerned.

Rule 238 (1) of General Financial Rules, 2017 stipulates that a grantee Organisation or Institution getting non-recurring grants is required to submit a certificate of actual utilisation of the grants received for the purpose for which it was sanctioned in Form **GFR 12-A** within twelve months.

Non-submission of the Utilisation Certificates (UCs) means that the authorities have not explained as to how funds were spent over the years. There is also no assurance that the intended objectives of providing these funds have been achieved. This assumes greater importance if such UCs are pending against Grants-in-Aid meant for capital expenditure. Since non-submission of UCs is fraught with the risk of misappropriation, it is imperative that the State Government should monitor this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner.

During the year 2019-20, 91 grants involving ₹ 77.61 crore were provided to 20 departments for which UCs are due for submission during the year 2020-21. As on March 2020, there were 104 UCs worth ₹ 378.59 crore which were due for submission for periods pertaining up to 2018-19. High pendency of UCs is fraught with risk of misappropriation of fund.

Tables 4.2 and 4.3 represent the age-wise arrears and department-wise break-up of outstanding UCs. Outstanding UCs in respect of ten major Departments is also given in **Chart 4.1**. Details of department-wise outstanding UCs up to 2019-20 is shown in **Appendix 4.1**.

Table 4.2: Age-wise arrears in submission of UCs

Year	Opening Balance		Addition		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2017-18	286	909.61	55	328.40	86	372.71	255	865.30
2018-19	255	865.30	70	167.06	138	271.64	187	760.72
2019-20	187	760.72	91	77.61	83	382.13	195	456.20

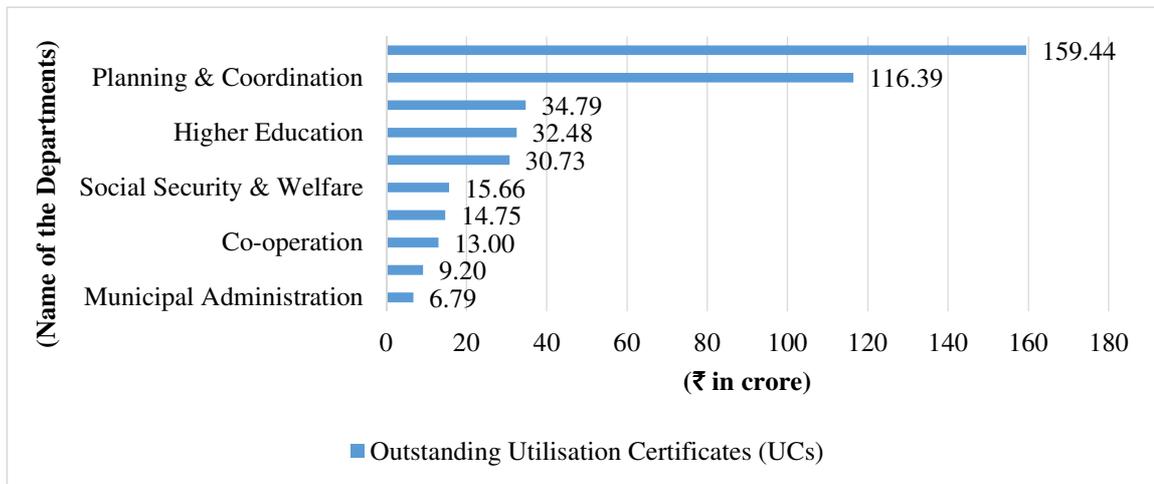
*UCs for the GIA disbursed during 2019-20 become due only during 2020-21.
Source: Finance Accounts, 2019-20

Table 4.3: Year-wise break up of outstanding UCs

Year	Number of UCs	Amount
2011-12	4	29.95
2012-13	7	55.94
2013-14	8	126.95
2014-15	16	85.65
2015-16	14	30.92
2016-17	12	9.74
2017-18	18	13.26
2018-19	25	26.18
2019-20	91	77.61
Total	195	456.20

Source: Information furnished by PAG (A&E)

Chart 4.1: Outstanding UCs in respect of 10 major Departments for the grants paid up to 2019-20



Source: Information furnished by the Office of the PAG (A&E), Nagaland

As can be seen from the chart above, major defaulting departments, which had not submitted the UCs, were Rural Development, Planning and Co-ordination, Industries and Commerce, Higher Education and School Education.

4.2.1 Grants to Other Grantee Institutions

There is a mechanism in some States of giving institute code to various bodies and authorities receiving Grants-in-Aid (GIA) from Government. These grants are also recorded in VLC system of Accountant General (A&E) office and submission of UCs is monitored against outstanding amount against each institute. Needless to say, for this system to work, grantee institute should be recorded properly. In absence of proper code, outstanding amounts against all institutes cannot be worked out.

If GIA constitutes a significant portion of the total expenditure of the State, it is essential that the Government provides the details and nature of the Grantee Institution to which it is providing funds, in the interests of transparency of accounts.

Out of the total GIA of ₹ 160.71 crore during the financial year, an amount of ₹ 67.76 crore (42.16 per cent) was shown as disbursed to Grantee Institutions of type “Others”. The trend of such disbursement during 2015-20 is given in **Table 4.4**.

Table 4.4: Trend of GIA/assistance to Grantee Institutions of type “Others” during 2015-20

	(₹ in crore)				
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Total GIA during the year	120.63	170.87	328.40	167.06	160.71
Grant to the type “Others”	108.53	152.39	250.00	86.74	67.76
Percentage to the Total GIA	89.97	89.18	76.13	51.92	42.16

Source: Finance Accounts of respective years

As can be seen from the above table, the percentage of Grants to Grantee Institutions of type “Others” showed a decreasing trend from ₹ 89.97 crore in 2015-16 to ₹ 42.16 crore in 2019-20.

4.3 Abstract Contingent Bills

The drawal of contingent charges on items of expenditure by a State Government, for which final classification and supporting vouchers is not available at the time of drawal are made on ‘Abstract Contingent’ (AC) Bills. Initially made as advance, its subsequent adjustments are ensured through submission of Detailed Countersigned Contingent (DCC) bills within a stipulated period of drawal of AC bill. DCC bill consists of abstract of expenditure along with sub-vouchers for amount drawn through AC bill. DDOs are required to present DCC bills duly countersigned by the Controlling Officer in all these cases within period prescribed in the State Treasury Rules.

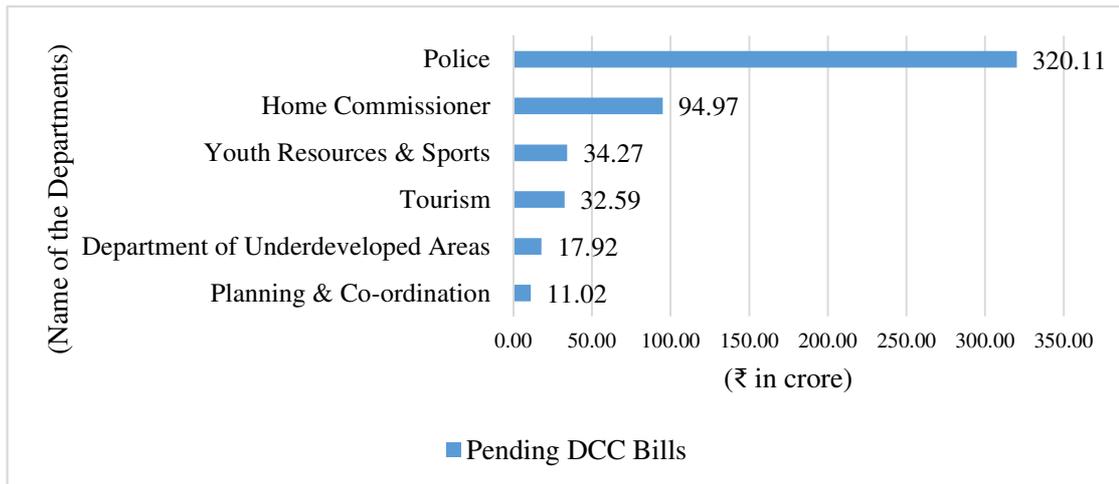
Expenditure against AC bills at the end of the year indicates poor public expenditure management and may point to the drawal being done primarily to exhaust the budget provision. Non-adjustment of advances for long periods is fraught with the risk of

misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of DCC bills. Further, to the extent of non-receipt of DCC bills, the expenditure shown in the Finance Accounts cannot be asserted as correct or final.

Sixteen Government Departments did not submit DCC bills against the drawal of 125 AC bills amounting to ₹ 96.22 crore before the closing of the accounts for the financial year 2019-20 and, therefore, there is no assurance that the expenditure of ₹ 96.22 crore has actually been incurred during the financial year for the purpose for which it was authorised by the Legislature. In addition to this, 254 AC bills amounting to ₹ 452.47 crore drawn up to 2018-19 were also outstanding as on 31 March 2020. Thus, 379 AC bills involving ₹ 548.69 crore were outstanding as of March 2020. Advances drawn and not accounted for increases the possibility of wastage/ misappropriation/ malfeasance, etc.

Department-wise pending DCC bills for the years up to 2019-20 is detailed in **Appendix 4.2**. Status of pending DCC bills (amount above ₹ 10 crore) in respect of six major departments is given in **Chart 4.2**.

Chart 4.2: Pending DCC Bills in respect of major Departments



Source: Information furnished by PAG (A&E)

Year-wise details of pendency of DCC bills for the years up to 2019-20 are given in **Table 4.5**.

Table 4.5: Year wise progress in submission of DCC bills against the AC bills
(₹ in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2017-18	107	194.85	103	166.26	43	40.17	167	320.94
2018-19	167	320.94	144	225.13	20	19.30	291	526.77
2019-20	291	526.77	125	96.22	37	74.30	379	548.69

Source: Finance Accounts, 2019-20 and information furnished by PAG (A&E)

Table 4.6 reveals that during 2019-20, 125 AC bills were drawn for an amount of ₹ 96.22 crore. It was observed that out of 125 AC bills, 70 AC bills for an amount of

₹ 17.47 crore (18.16 *per cent*) were drawn in March 2020. Out of the drawal in March 2020, four AC bills for ₹ 0.48 crore were drawn on the last two days of the financial year.

The above details clearly indicate that the Drawing and Disbursing Officers and Treasury Officers concerned failed to ensure compliance with the extant Central Treasury Rules and that AC Bills were drawn without adjustment of previously drawn AC Bills. Thus, there was an environment of financial indiscipline, which calls for action against the officers responsible for the lapse in this regard.

4.4 Personal Deposit Accounts

4.4.1 Inoperative and non-reconciled PD Accounts

If there is no transaction in any PD accounts for three-five years, the treasury officer would make written request to the competent authority for closure of such account, and if no reply is received within three months, PD Accounts would be closed after transfer of the balance, if any, to the corresponding head of account on the advice of Accountant General.

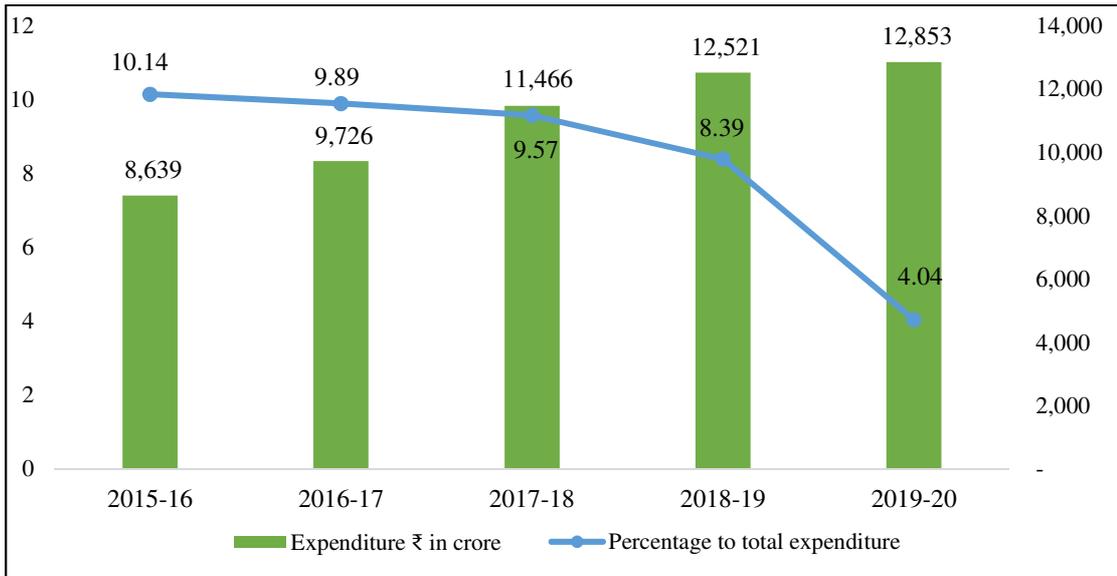
During 2019-20, there was a PD account with a balance of ₹ 0.02 crore, which remained inoperative prior to 1974-75. The State Government had closed (June 2020) the PD account transferring the balance amount of ₹ 0.02 crore to Major Head 8226-102.

4.5 Indiscriminate use of Minor Head 800

Minor Head 800- Other Expenditure/Other Receipts is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of Minor Head-800 is to be discouraged, since it renders the accounts opaque. During the year, expenditure of ₹ 519.36 crore under 60 Revenue and Capital Major Heads, constituting about 4.04 *per cent* of total expenditure of ₹ 12,843.34 crore was booked under Minor head 800-Other Expenditure. Similarly, receipts of ₹ 381.77 crore under 47 Revenue Major Heads, constituting about 3.34 *per cent* of the total Revenue receipts of ₹ 11,423.29 crore was booked under Minor Heads 800-Other Receipts under concerned Major Heads.

Minor Head 800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate minor head has not been provided in the accounts. Routine operation of Minor Head 800 is to be discouraged, since it renders the accounts opaque.

Government of Nagaland has operated Minor Head 800 extensively during the five-year period 2015-20. The quantum of expenditure booked under this Minor Head showed a mixed trend over the years. The extent of operation of Minor Head 800 for Other Expenditure, as a percentage of Total Expenditure during 2015-20 is given in **Chart 4.3**.

Chart 4.3: Operation of Minor Head 800 - Other Expenditure during 2015-20

Source: Finance Accounts of the respective years

Chart 4.3 shows that there has been large scale operation of 800 for Other Expenditure, with its share in total expenditure ranging from 4.04 to 10.14 per cent during the five-year period. Instances of substantial proportion (50 per cent or more) of the expenditure within a given Major Head, classified under the Minor Head 800 – ‘Other Expenditure’, are given in **Table 4.6**.

Table 4.6: Significant expenditure booked under Minor Head 800 – Other Expenditure during financial year

(₹ in crore)				
Major Head	Description	Expenditure under Minor Head 800	Total Expenditure	Percentage
2013	Council of Ministers	13.90	18.43	75.42
2216	Housing	11.16	11.16	100.00
2552	North Eastern Areas	12.77	20.85	61.25
2575	Other Special Areas Programmes	8.26	16.46	50.18
3055	Road Transport	57.57	68.52	84.02
4215	Capital Outlay on Water Supply and Sanitation	43.79	76.69	57.10
4220	Capital Outlay on Information and Publicity	1.59	1.59	100.00
4235	Capital Outlay on Social Security and Welfare	24.47	24.47	100.00
4401	Capital Outlay on Crop Husbandry	12.16	12.16	100.00
4408	Capital Outlay on Food, Storage and Warehousing	1.89	1.89	100.00
4552	Capital Outlay on North East Areas	45.13	45.13	100.00
4575	Capital Outlay on Other Special Areas Programmes	136.00	136.00	100.00
4702	Capital Outlay on Minor Irrigation	30.67	30.67	100.00
4801	Capital Outlay on Power Projects	48.46	49.96	97.00
5053	Capital Outlay on Civil Aviation	2.73	2.73	100.00
5425	Capital Outlay on Other Scientific and Environment Research	2.66	2.66	100.00
Total		453.21	519.37	87.26

Source: Finance Accounts, 2019-20

In the case of receipts, the operation of Minor Head 800 has been higher compared to expenditure, and ranged between 3.05 *per cent* of total receipts in 2018-19 to a high of 59.49 *per cent* of total receipts during 2015-16. Instances of substantial proportion (50 *per cent* or more) of the expenditure within a given Major Head, classified under the Minor Head 800 – ‘Other Receipts, are given in **Table 4.7**.

Table 4.7: Significant receipts booked under Minor Head 800 – Other Receipts during financial year

(₹ in crore)

Sl. No.	Major Head	Receipt under Minor Head- 800	Total Receipt under Major Head concerned	Percentage
1.	0029- Land Revenue	0.93	1.04	89.42
2.	0030- Stamps and Registration Fees	2.20	2.79	78.85
3.	0039- State Excise	3.23	3.24	99.69
4.	0041- Taxes on Vehicles	104.07	113.93	91.35
5.	0042- Taxes on Goods and Passengers	17.94	18.09	99.17
6.	0043- Taxes and Duties on Electricity	0.08	0.08	100.00
7.	0049- Interest Receipts	3.59	5.73	62.65
8.	0055- Police	36.56	36.56	100.00
9.	0058- Stationery and Printing	0.04	0.04	100.00
10.	0070- Other Administrative Services	2.11	2.86	73.78
11.	0071- Contributions and Recoveries towards Pension and Other Retirement Benefits	0.77	0.83	92.77
12.	0210- Medical and Public Health	0.31	0.31	100.00
13.	0217- Urban Development	0.01	0.01	100.00
14.	0230- Labour and Employment	0.24	0.24	100.00
15.	0401- Crop Husbandry	0.10	0.10	100.00
16.	0403- Animal Husbandry	0.59	0.63	93.65
17.	0405- Fisheries	0.03	0.03	100.00
18.	0406- Forestry and Wildlife	13.36	13.72	97.38
19.	0425- Co-operation	1.41	1.41	100.00
20.	0515- Other Special Areas programmes	1.05	1.06	99.06
21.	0552- North Eastern Areas	0.02	0.02	100.00
22.	0801- Power	159.31	159.31	100.00
23.	0851- Village and Small Industries	0.08	0.08	100.00
24.	0853- Non-ferrous Mining and Metallurgical Industries	0.90	0.90	100.00
25.	1053- Civil Aviation	8.79	8.79	100.00
26.	1055- Road Transport	8.43	8.43	100.00
27.	1425- Other Scientific Research	0.04	0.04	100.00
28.	1452- Tourism	0.45	0.45	100.00
29.	1475- Other General Economic Services	0.27	0.27	100.00
Total		366.91	380.99	96.30

Source: Finance Accounts, 2019-20

Classification of large amounts under the omnibus Minor Head 800 affects transparency in financial reporting and distorts proper analysis of allocative priorities and quality of expenditure.

4.6 Collection of Labour Cess

As per Rule 5 of “The Building and Other Construction Workers’ Welfare Cess Rules, 1998”, the proceeds of the cess collected under Rule 4 shall be transferred by such government office, public sector undertakings, local authority, or cess collector, to the Board along with the form of challan prescribed (and in the head of account of the Board) under the accountings procedures of the State, by whatever name they are known.

The State Government notified (August 2011) the enforcement of Levy and Collection of cess for the purpose of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. The levy and collection of such cess is at the rate of one *per cent* of the cost of construction incurred by an employer. In compliance with this notification, Finance Department instructed (February 2012) the DDOs to ensure that deduction of the cess as prescribed is made against all civil construction works involving employment of labour and to deposit the same into the account of the Nagaland Building and Other Construction Workers’ Welfare Board (NBOCWWB) by Demand Draft/Cheque. As such, the board had been receiving the cess from 2011-12 onwards.

During the year 2019-20, Public Works Department had collected the Labour Cess amounting to ₹ 23.46 crore and booked the collected Cess amount under MH 8443 Civil Deposit-108-Public Works and did not remit the money to the Board before close of the financial year, thereby violating the accounting procedure for the Cess and the instructions of the Finance Department of the State Government.

As of end of 2019-20, a total of 30,334 workers were registered with the Board. Details of amount collected and actual expenditure incurred during the period from 2015-16 to 2019-20 are shown in **Table 4.8**.

Table 4.8: Statement of Cess Collection and Expenditure incurred (2015-16 to 2019-20)

(₹ in crore)

Year	Opening Balance	Receipt during the year	Available Fund	Expenditure	Balance at the end of the year
2015-16	12.88	7.22	20.10	2.00	18.10
2016-17	18.10	9.23	27.33	1.40	25.93
2017-18	25.93	9.45	35.38	7.56	27.82
2018-19	27.82	18.30	46.12	9.84	36.28
2019-20	36.28	23.46	59.74	12.66	47.08

Source: Information furnished by NBOCW Welfare Board.

As is evident from the table above, the NBOCWWB received ₹ 23.46 crore during the year 2019-20 and expended ₹ 12.66 crore (Administrative expenses: ₹ 0.47 crore, Welfare schemes: ₹ 12.19 crore).

4.6.1 Non-preparation of Accounts and non-submission of audited statement in the State Legislature

As per Section 27 of the Building and Other Construction Workers’ (Regulation of Employment and Conditions of Service) Act, 1996, the Board has to maintain proper

accounts and other relevant records and prepare an Annual Statement of Accounts. Further, the Board has to furnish the audited copy of accounts together with the auditor's report to the State Government, who shall cause it to be laid before the State Legislature. The Board, however, has not prepared the accounts, which were in arrears since 2019-20.

On this being pointed out, the Secretary, NBOCWBB replied (March 2021) that the accounts were never been laid in the State Legislature Assembly. However, the preparation of accounts for 2019-20 was under process.

In the absence of annual accounts, a true and fair view of the financial position and performance and the veracity of the expenditure incurred under various heads during 2019-20 could not be ascertained.

Further, due to non-submission of audited copy of the accounts (annual report) and Annual statement, the state of affairs and activities of the Board remained out of the scrutiny of the State Legislature.

4.7 Outstanding balance under major Suspense and DDR heads

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads.

Clearance of suspense and remittance items depends on the details furnished by the State Treasuries/ Works and Forest Divisions, *etc.* The position of gross figures under major suspense and remittance heads for the last three years is given in **Table 4.9**.

Table 4.9: Balances under Suspense and Remittance Heads

(₹ in crore)

Minor Head	2017-18		2018-19		2019-20	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Major Head 8658 - Suspense						
101 - PAO suspense	111.97	85.44	135.29	109.48	156.44	141.10
Net	Dr. 26.53		Dr. 25.81		Dr. 15.34	
102 - Suspense Account-Civil	18.79	1.57	18.94	1.69	18.94	1.69
Net	Dr. 17.36		Dr. 17.25		Dr. 17.25	
107 - Cash Settlement Suspense Account	34.87	0.00	34.87	0.00	34.87	0.00
Net	Dr. 34.87		Dr. 34.87		Dr. 34.87	
109 - Reserve Bank Suspense -Headquarters	12.14	14.16	12.14	14.16	12.14	14.16
Net	Cr. 2.02		Cr. 2.02		Dr. 2.02	
110 - Reserve Bank Suspense - CAO	50.94	10.01	50.94	10.01	50.63	10.01
Net	Cr. 40.93		Cr. 40.93		Cr. 40.62	
129 - Material Purchase Settlement Suspense Account	194.41	210.71	209.30	223.15	209.30	223.15
Net	Cr. 16.30		Cr. 13.85		Cr. 13.85	
Major Head 8782-Cash Remittances						
102 - P.W. Remittances	12645.14	12559.76	14634.53	14550.75	16253.73	16170.20
Net	Dr. 85.38		Dr. 83.78		Dr. 83.53	

Minor Head	2017-18		2018-19		2019-20	
103 - Forest Remittances	1746.34	1370.45	1884.24	1508.49	2084.33	1708.73
Net	Dr. 375.89		Dr. 375.75		Dr. 375.60	
105 – R.B.I Remittances	6.26	0.00	6.26	0.00	6.26	0.00
Net	Dr. 6.26		Dr. 6.26		Dr. 6.26	
112 – Nagaland and Manipur Remittances	0.00	0.70	0.00	0.70	0.00	0.70
Net	Cr. 0.70		Cr. 0.70		Cr. 0.70	

Source: Finance Accounts of respective years

As can be seen from the table above, there was significant decrease in closing balance under 101 - PAO suspense. These balances impacted on cash balance of the State. On clearance of these balances, cash balance of the State would increase.

4.8 Reconciliation of Departmental figures

To enable Controlling Officers (COs) of the Departments to exercise effective control over spending to keep it within the budget grants and to ensure accuracy of their accounts, the State Financial Rules stipulate that receipts and expenditure during the financial year recorded in their books be reconciled by them every month with that recorded in the books of the Accountant General (A&E).

Reconciliation and verification of figures is an important tool of financial management. Failure to exercise/adhere to the codal provisions and executive instructions in this regard not only results in misclassification and incorrect booking of receipts and expenditure in the accounts, but also defeats the very objective of budgetary process.

The details of receipts and expenditure for the State during the last three years are shown in **Table 4.10**.

Table 4.10: Status of Reconciliation of Receipts and Expenditure figures

(₹ in crore)

Year	No. of COs	Receipts	Expenditure	Remarks
2017-18	82	25381.77	25269.68	Fully Reconciled
2018-19		26894.56	27070.08	
2019-20		25501.48	25654.57	

Source: Finance Accounts, 2019-20

During the past three years, all the 82 COs had reconciled their figures (both Receipts and Expenditure) in full with the books of Principal Accountant General (A&E) of the State.

4.9 Reconciliation of Cash Balances

There should be no difference between the Cash Balance of the State as per the books of Accounts of the Accountant General (A&E), and the Cash Balance as reported by the Reserve Bank of India.

The difference in cash balances for the previous five years from 2015-16 to 2019-20 is shown in **Table 4.11**.

Table 4.11: Difference in cash balances from 2014-15 to 2018-19

Year	Cash Balance		Adjustment by RBI	Difference in cash balance
	RBI figures	AG figures		
2015-16	98.45(Dr)	156.34 (Cr)	7.03 (Dr)	50.86 (Cr)
2016-17	67.82(Dr)	226.92 (Cr)	6.61 (Dr)	152.49 (Cr)
2017-18	5.96(Dr)	339.01 (Cr)	2.06 (Dr)	330.99 (Cr)
2018-19	93.36(Dr)	163.49 (Cr)	18.99 (Dr)	51.14 (Cr)
2019-20	115.13(Dr)	223.90(Cr)	1.49 (Dr)	107.28 (Cr)

Source: Information furnished by the Office of PAG (A&E), Nagaland

It can be seen from the table above that there was a net difference of ₹ 108.77 crore (Credit) between the Cash Balance of ₹ 223.90 crore as determined by the Principal Accountant General (A&E) and the figures of ₹ 115.13 crore reported by the Reserve Bank of India as on 31 March 2020. This was mainly due to incorrect reporting by Agency Banks to the RBI and misclassification by Banks/Treasuries. After reconciliation, the difference is reduced and stands at ₹ 107.28 crore (Credit) due to adjustment of ₹ 1.49 crore (net debit) from previous year balance.

Issues related to disclosure

4.10 Compliance with Accounting Standards

As per article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. Further, the Comptroller and Auditor General of India set up a Government Accounting Standards Advisory Board (GASAB) in 2002, for formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. On the advice of the Comptroller and Auditor General of India, the President of India has so far notified three Indian Government Accounting Standards (IGAS).

The details of three standards and the extent of compliance with these by the Government of Nagaland in its financial statements for the year 2019-20 are given in **Table 4.12**.

Table 4.12: Compliance to Accounting Standards

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
1.	IGAS-1: Guarantees Given by the Government – Disclosure requirements	This standard requires the government to disclose the maximum amount of guarantees given during the year in its financial statements along with additions, deletions, invoked, discharged and outstanding at the end of the year.	Not complied	While The Government has disclosed the maximum amount of guarantees given during the year along with additions, deletions, invoked, discharged and outstanding at the end of the year, however, information concerning class or sector of Guarantees on other materials details was not furnished.

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
2.	IGAS-2: Accounting and Classification of Grants-in-Aid	Grants-in-Aid are to be classified as revenue expenditure in the accounts of the grantor and as revenue receipts in the accounts of the grantee, irrespective of the end use.	Complied	
3.	IGAS-3: Loans and Advances made by Government	This Standard relates to recognition, measurement, valuation and reporting in respect of loans and advances made by the Government in its Financial Statements to ensure complete, accurate and uniform accounting practices.	Not complied While the State government complied with the format prescribed by the Standard, the details of recoveries in arrears, interest received, written off loans etc., in respect of loans and advances have not been provided to the Accountant General (A&E).	Due to absence of information on interest received, the Revenue receipt may be understated.

4.11 Submission of Accounts/Separate Audit Reports of Autonomous Bodies

Fourteen Autonomous Bodies have been set up by the State Government, of which, only the audit of accounts of the Nagaland Khadi and Village Industries Board (NKVIB) up to 2018-19 was entrusted to the Comptroller and Auditor General of India under Section 19 (3) of the DPC Act. The entrustment had not been given for 2019-20 onwards. However, the annual accounts of the Board since 2015-16 were not furnished to Audit (December 2019). The status of entrustment of audit, issuance of Separate Audit Report (SAR) and its placement in respect of NKVIB in the Legislature is indicated in **Table 4.13**.

Table 4.13: Delay in Submission of Accounts and Tabling of Separate Audit Reports

Year of SAR	Period of entrustment	Date of issue of SAR	Date of placement in the Legislature	Delay in placement in the Legislature (Years)
2011-12	2009-14	09-06-2015	18.08.2017	2
2012-13	2009-14	09-06-2015	18.08.2017	2
2013-14	2009-14	09-06-2015	18.08.2017	2
2014-15	2014-19	18-07-2016	18.08.2017	1
2015-16	2014-19	Accounts not yet received	Not applicable	Not applicable
2016-17	2014-19	Accounts not yet received	Not applicable	Not applicable
2017-18	2014-19	Accounts not yet received	Not applicable	Not applicable
2018-19	2014-19	Accounts not yet received	Not applicable	Not applicable
2019-20	Yet to be entrusted	Accounts not yet received	Not applicable	Not applicable

Source: Information furnished by the O/o the PAG (Audit), Commercial Wing, Nagaland

However, the Comptroller and Auditor General of India has not given a qualified or adverse opinion on financial statements of NKVIB so far.

Four out of 14 Autonomous Bodies, established under the State Legislative Act. As per the Acts, the audit of the accounts of the following four ABs is to be audited by the CAG of India.

Table 4.14: Details showing the Section of Entrustment of audit of Autonomous Bodies

Sl. No.	Name of the Autonomous Bodies	Provision for Audit under Section
1.	Nagaland Electricity Regularity Commission	Section 104 and 105 of Central Electricity Act 2003
2.	Nagaland State Legal Services Authority	Section 18 of National Legal Services Authority Act.
3.	Nagaland Pollution Control Board	Section 40 of Water (Prevention and Control of Pollution) Act 1974
4.	Nagaland Building and Other Construction Worker's Welfare Board	Section 27 of Building and Other Construction Workers Act 1996.

Source: Relevant Acts

Although the Annual Accounts of these Bodies were due for submission to the Accountant General (Audit) every year, yet the Accounts were not furnished by those authorities since their inception due to which CAG could not conduct the audit and submit Separate Audit Report to the State Legislature.

A total of 165 Annual Accounts in respect of 22 Bodies/Authorities due up to 2019-20 had not been received as of December 2020 by the Principal Accountant General (Audit). The details of those accounts are given in **Table 4.15**.

Table 4.15: Arrears of accounts of bodies or authorities

Sl. No.	Name of the Body/Authority	Accounts pending since	No. of Accounts pending up to 2019-20
1.	DRDA, Tuensang.	2013-14	7
2.	DRDA, Mon.	2013-14	7
3.	DRDA, Kohima.	2013-14	7
4.	DRDA, Wokha	2012-13	8
5.	DRDA, Longleng.	2013-14	7
6.	DRDA, Peren	2010-11	10
7.	DRDA, Kiphire	2013-14	7
8.	DRDA, Zunheboto	2013-14	7
9.	DRDA, Dimapur	2013-14	7
10.	DRDA, Mokokchung	2013-14	7
11.	DRDA, Phek	2013-14	7
12.	NSLS Authourity Kohima	2013-14	7
13.	NBSE, Kohima	2013-14	7
14..	SIRD, Kohima	2012-13	8
15.	DAN, Dimapur	2012-13	8

Sl. No.	Name of the Body/Authority	Accounts pending since	No. of Accounts pending up to 2019-20
16.	KVIC, Dimapur	2012-13	8
17.	NPCB, Dimapur	2010-11	10
18.	NB & OCWWB, Kohima	2014-15	6
19.	NSAMB, Dimapur	2011-12	9
20.	NHK, Kohima	2013-14	7
21.	KMC, Kohima	2013-14	7
22.	MMC, Mokokchung	2013-14	7
Total			165

Note: cut-off date of the pendency of any previous Financial Year (FY) is to be taken on 30 September of succeeding FY

Further, the age-wise pendency is presented in **Table 4.16**.

Table 4.16: Age-wise Arrears of Annual Accounts due from Government Bodies/Authorities

Sl. No.	Delay in number of years	No. of the Bodies/ Authorities	Grants received (₹in Lakhs)
1.	5 – 6	1	Details not Available
2.	>7 – 9	21	Details not Available

It may be seen from the table above that delay in submission of Accounts ranged between five and nine years in respect of the Autonomous Bodies/Authorities.

Thus, proper utilisation of Grants and Loans disbursed to these Bodies/Authorities and their accounting remained unverified in audit. The non-submission/delay in submission of Annual Accounts dilutes accountability. The reasons for non-preparation of the Accounts were not intimated. Such inaction was also indicative of the failures of the management at the level of such Bodies/ Authorities and proper monitoring at Government's level, which is a matter of concern.

4.12 Departmental Commercial Undertakings/Corporations/Companies

According to Section 394 and 395 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM). As soon as may be after such preparation, the Annual Report should be laid before the Houses or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations (including Departmental undertakings). Departmental undertakings perform activities of commercial/quasi-commercial nature. They are required to prepare proforma accounts in the prescribed format annually, showing the working results of operations so that the Government can assess their working.

The above mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies and corporations from the Consolidated Fund of the State.

Further, Section 96 of the Companies Act, 2013, requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Section 129 of the Act stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129(7) of the Act provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Act.

The Heads of Departments in the Government are to ensure that the departmental undertakings prepare such accounts and submit the same to the Principal Accountant General (Audit) within a period of six months from the date of closing of the financial year *i.e.* within 30 September.

The status of the working Public Sector Undertakings on the submission/pendency of accounts as on 31 March 2020 is given below:

Table 4.17: Arrears of Annual Accounts due from working Public Sector Undertakings

Sl. No.	Name of PSU	Accounts received upto	Arrears in finalisation	Remarks
1.	Nagaland Industrial Development Corporation Ltd. Dimapur	2017-18	2	Certified upto 2017-18
2.	Nagaland Industrial Raw materials & Supply Corporation Ltd. Dimapur	2017-18	2	Certified upto 2017-18
3.	Nagaland Handloom & Handicrafts Development Corporations Ltd. Dimapur	2009-10	10	Certified upto 2009-10
4.	Nagaland Hotel Ltd. Dimapur	2014-15	5	Certified upto 2014-15
5.	Nagaland State Mineral Development Corporation Ltd. Kohima	2017-18	2	Certified upto 2017-18
Total			21	--

Source: Information furnished by the Office of the PAG (Audit), Commercial Wing, Nagaland

As can be seen from the above table, two PSUs had highest arrears of ten and five accounts as these PSUs submitted their accounts upto the accounting year 2009-10 and 2014-15 respectively. Due to non-preparation/ finalisation of Accounts upto 2019-20, details of receipt and utilisation of grant/loans from State Government was not available.

Further, as on 31 March 2020, there were 27 departmentally managed Government Commercial Undertakings under eight Departments. The department-wise position of the year up to which Proforma Accounts were not finalised in those undertakings are given in **Appendix 4.3**.

A mention was made in the Report of the Comptroller and Auditor General of India on State Finances for the year 2012-13 about delay in preparation of Proforma Accounts of those undertakings. Despite this, Accounts were in arrears for periods ranging between three and 39 years as of March 2020.

The finalised Accounts of departmentally managed Commercial Undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of Accounts, Government's investment remains outside the scrutiny of the Audit/State Legislature. Consequently, corrective measures required, if any, could not be taken in time. Besides, delay in preparation and submission of Proforma Accounts also exposes the system to risk of fraud and leakage of public money.

4.13 Grants / loans given to bodies and authorities

In order to identify institutions/organisations which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971 (CAG's DPC Act), the Government/ Head of the Departments(HoDs) are required to furnish to Audit every year

- detailed information about the financial assistance given to various institutions;
- the purpose for which the assistance is granted; and
- total expenditure of the institutions.

Further, Regulation on Audit and Accounts, 2007 (Regulation 84) provides that Governments and HODs, who sanction grants and/or loans to bodies or authorities, shall furnish to Audit by the end of July every year, a statement of such bodies and authorities to which grants and / or loans aggregating ₹ 10 lakh or more were paid during the preceding year indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned and (c) the total expenditure of the body or authority.

As per Finance Account, grants/assurances were given to Urban bodies, Public Sector Undertakings, Autonomous Bodies, Non-Government Organisations every year. The details of such grants/assistance (₹ 10 lakh or more in each case) given during 2018-19 and 2019-20 are shown in **Table 4.19**.

Table 4.19.: List of Recipient of grants/assistance from the State Government during 2018-19 and 2019-20

Recipient	2018-19		2019-20	
	No of Recipients	Amount	No of Recipients	Amount
Urban Local Bodies	Not specified	1.62	Not specified	1.62
	Not specified	0.00	Not specified	6.11
Public Sector Undertakings	7	23.81	7	24.22
Autonomous Bodies	6	51.38	6	58.04
Non-Government Organisations	3	3.50	2	2.95
Others	21	86.23	29	67.20
Total		166.54		160.14

Source: Finance Accounts of respective years

As can be seen from the **Table 4.19** above that an amount of ₹ 166.54 crore and ₹ 160.14 crore were given as grants/assistance during the years 2018-19 and 2019-20 respectively by the State Government to various bodies and authorities. However,

the name of the bodies and authorities to whom grants and/ or loans aggregating ₹ 10 lakh or more were paid during the years, indicating (a) the amount of assistance, (b) the purpose for which the assistances was sanctioned and (c) the total expenditure incurred by the body or authority, who receive the grants/assistances during the years 2018-20 was not disclosed by the State Government.

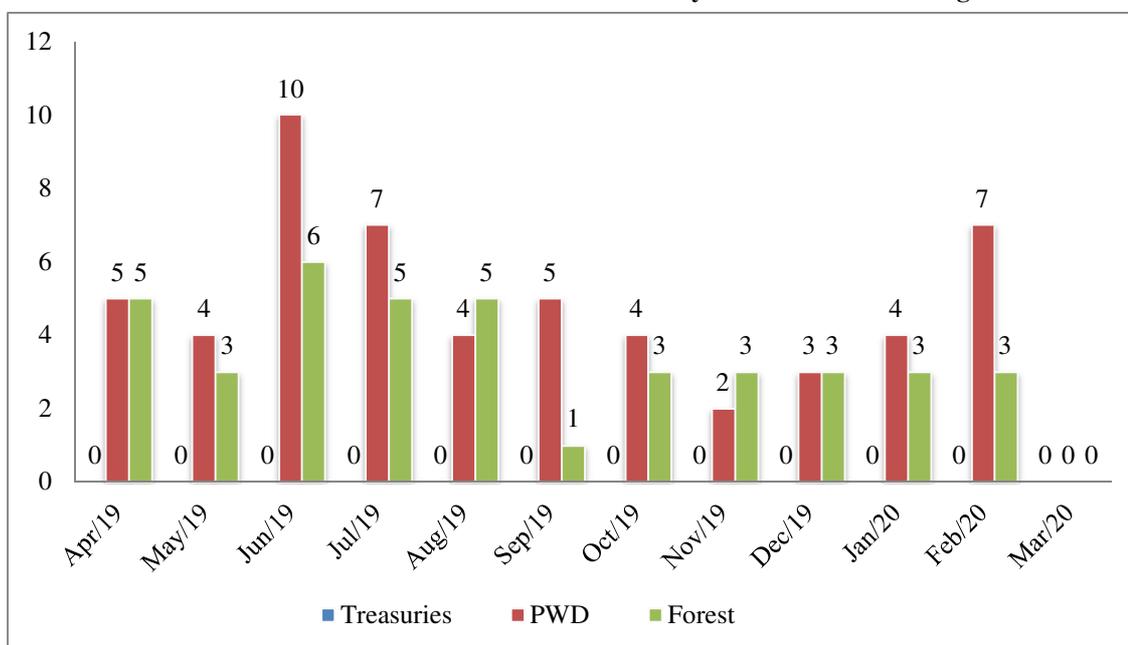
4.14 Timeliness and Quality of Accounts

The accounts of the State Government are compiled by the Accountant General (A&E) from the initial accounts rendered by district treasuries, sub-treasuries, Resident Commissioner, cyber treasury, public works divisions and forest divisions, apart from the RBI advices. There are often delays in rendition of monthly accounts. Due to the failure of the account rendering units to furnish accounts on time, some accounts are excluded from the monthly Civil Accounts by the Accountant General (A&E).

In Nagaland, the Principal Accountant General (A&E) is required to compiled the accounts of the State Government, from the initial accounts rendered by the 11 District Treasuries, nine Sub-Treasuries, Principal Resident Commissioner (New Delhi), Deputy Resident Commissioners (Guwahati, Shillong and Kolkata), 88 Public Works Divisions and 26 Forest Divisions, apart from the RBI advices.

During the financial year 2019-20, there were delays in rendition of monthly accounts that resulted in accounts excluded from the monthly Civil accounts. Details of accounts excluded from the monthly Civil Accounts works divisions are given below:

Chart 4.4: Number of accounts excluded from monthly Civil Accounts during 2019-20



Source: Information furnished by the Office of the PAG (A&E), Nagaland

As can be seen from the **Chart 4.4** above, during the year 2019-20, Public Works Divisions were the major units that delayed the rendition of monthly accounts. Consequently, receipts and expenditure relating to these divisions/units could not be incorporated in the Civil Accounts in the month of their occurrence of the transaction.

Due to the failure of the accounts rendering units to furnish accounts on time, these accounts were excluded from the Monthly Civil Accounts by the Principal Accountant General (A&E) throughout the year 2019-20, except for March 2020. Therefore, the monthly accounts indicating the receipts and disbursements of the State during the month, rendered by the PAG (A&E) to the State Government were incomplete in all the months, except for the month of March 2020.

Exclusion of accounts not only distorts the budgetary position of the Government, but also impacts its monitoring of fund flow to the last mile of implementation, its planned pacing of expenditure on developmental programmes, providing intended benefits to the targeted beneficiaries, functioning of departments *etc.* during the year. In short, the State Government needs to monitor closely and ensure the rendition of accounts by all the account rendering authorities to the Accountant General (A&E) on a timely basis, to manage its own budget more effectively.

4.15 Misappropriations, losses, thefts, *etc.*

State Financial Rules lay down detailed instructions regarding responsibility for losses sustained through fraud or negligence of individuals, loss or destruction of Government property and report thereof to the Police/Accountant General.

There were 26 cases of misappropriation, losses *etc.*, involving Government money of ₹ 207.25 crore up to the period ending 31 March 2020 on which final action was pending. Out of these 26 cases, 5 cases involving ₹ 22.87 crore were reportedly pending in the court of law. The Department-wise break up of pending cases and the reasons for delay in final disposal are summarised in **Table 4.20**.

Table 4.20: Pending cases of misappropriation, losses, theft, *etc.*

Sl. No.	Name of the Department	Cases of Misappropriation/ Losses/ Theft of Government materials#		Reasons for delay in final disposal of pending cases of misappropriation, loss theft, <i>etc.</i>					
				Awaiting departmental and criminal investigation		Departmental action initiated but not finalised		Criminal Proceedings finalised but recovery of the amount pending	
		No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)
1.	School Education	2	82.79	1	70.00	0	0.00	0	0.00
2.	Power	1	25.48	1	25.48	0	0.00	0	0.00
3.	Rural Development	3	3.07	2	2.76	0	0.00	0	0.00
4.	Public Works Department (R&B)	3	23.79	3	23.79	0	0.00	0	0.00
5.	Health & Family Welfare	4	13.70	4	13.70	0	0.00	0	0.00
6.	Tourism	2	14.20	2	14.20	0	0.00	0	0.00
7.	Public Health Engineering	2	5.05	2	5.05	0	0.00	0	0.00
8.	Municipal Affairs	2	4.11	0	0.00	0	0.00	0	0.00
9.	Taxes	2	6.45	1	0.80	0	0.00	0	0.00
10.	Planning and Co-ordination	1	20.23	1	20.23	0	0.00	0	0.00
11.	Land Records and Survey	1	1.24	1	1.24	0	0.00	0	0.00

Sl. No.	Name of the Department	Cases of Misappropriation/ Losses/ Theft of Government materials#		Reasons for delay in final disposal of pending cases of misappropriation, loss theft, etc.					
				Awaiting departmental and criminal investigation		Departmental action initiated but not finalised		Criminal Proceedings finalised but recovery of the amount pending	
		No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)
12.	Technical Education	1	1.08	1	1.08	0	0.00	0	0.00
13.	Various Departments	2	6.06	1	1.72	1	4.34	0	0.00
Total		26	207.25	20	180.05	1	4.34	0	0.00

Source: Nagaland Lokayukta, Directorate of Investigation, Nagaland) # including 5 cases involving ₹22.87 crore

Further, as per the information furnished by Nagaland Lokayukta, Directorate of Investigation, Nagaland, there are four cases of loss to Government due to theft, misappropriations, loss of Government materials etc. involving ₹ 2.77 crore, out of which an amount of ₹ 2.54 crore has been recovered.

4.16 Follow up action on State Finances Audit Report

In Nagaland, the Departments concerned are required to furnish a *suo motu* Explanatory Note (EN) on the paragraphs featuring in the Audit Reports within one month of placing the Reports in the Legislature. The Government should without waiting for any notice or call from the Public Accounts Committee submit a *suo motu* Explanatory Note (EN) on the paragraphs featuring in the Audit Reports indicating the action taken or proposed to be taken within a period of three months from the date of laying of the Audit Reports.

The Government Departments shall invariably submit action taken notes (ATNs) on the recommendation of the PAC within a period of six months from the date of receipt of the PAC's report from the Secretary/ Commissioner Secretary, Assembly. This timeframe was further reduced by the PAC to two months.

The Audit Reports on State Finances for the years from 2008-09 to 2018-19 were placed before the State Legislature are shown in **Table 4.21**.

Table 4.21: Follow up status of State Finances Audit Reports for 2008-09 to 2018-19

Year of State Finances Audit Report	Date of placement in State Legislature	Remarks
2008-09	27.03.2010	The ATNs, on the recommendations of the Public Accounts Committee on the Report of State Finances, for the year 2011-12 have been received and ATNs for the years from 2012-13 to 2018-19 were yet to be received (March 2021).
2009-10	28.03.2011	
2010-11	22.03.2012	
2011-12	18.03.2013	
2012-13	25.07.2014	
2013-14	17.03.2015	
2014-15	19.03.2016	
2015-16	28.03.2017	
2016-17	20.09.2018	
2017-18	15.02.2020	
2018-19	19.02.2021	

Source: Information furnished by the Nagaland State Legislative Assembly Secretariat

4.17 Conclusion

During the year 2019-20, 91 grants involving ₹ 77.61 crore were provided to 20 Departments for which Utilisation Certificates (UCs) were due for submission during the year 2020-21. As on March 2020, there are 104 UCs worth ₹ 378.59 crore which are due for submission for periods pertaining up to 2018-19. Pending UCs violate prescribed financial rules and directives, and reflects poor monitoring mechanism of the State Government. Moreover, high pendency of UCs is fraught with risk of misappropriation of funds. The State would also lose out on central funds for want of UCs not submitted.

There were 379 Abstract Contingent (AC) Bills involving ₹ 548.69 crore pending for adjustment by submission of Detailed Countersigned Contingent (DCC) Bills, as of March 2020. Out of these, 125 AC bills amounting to ₹ 96.22 crore pertained to the year 2019-20. The non-adjustment of AC Bills is fraught with the risk of misappropriation and therefore, requires close monitoring by the respective DDOs for ensuring submission of Detailed Countersigned Contingent (DCC) bills. Further, there is no assurance that the expenditure of the State Government reflected in the Finance Accounts is correct or final due to non-receipt of DCC bills to that extent.

During the year, expenditure of ₹ 519.36 crore under 60 Revenue and Capital Major Heads, constituting about 4.04 *per cent* of total expenditure of ₹ 12,843.34 crore was booked under Minor head 800-Other Expenditure. Similarly, receipts of ₹ 381.77 crore under 47 Revenue Major Heads, constituting about 3.34 *per cent* of the total Revenue receipts of ₹ 11,423.29 crore was booked under Minor Heads 800-Other Receipts under concerned Major Heads. Indiscriminate operation of omnibus Minor Head 800 – Other Expenditure affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure.

The State Government notified (August 2011) the enforcement of Levy and Collection of Cess for the purpose of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. At the end of 2019-20, a total of 30,334 workers were registered with the Nagaland Building and Other Construction Workers' Welfare Board (NBOCW WB). The NBOCW WB received ₹ 23.46 crore during the year 2019-20 and expended ₹ 12.66 crore (Administrative expenses: ₹ 0.47 crore, Welfare schemes: ₹ 12.19 crore).

During the year 2019-20, Public Works Divisions were the major units that delayed the rendition of monthly accounts. Delayed rendering of accounts by the account rendering units/ authorities distorted the accurate depiction of monthly transactions of the State and impacted effective budgetary management.

A total of 165 Annual Accounts in respect of 22 Bodies/Authorities due up to 2019-20 had not been received as of December 2020 by the Principal Accountant General (Audit), although the Annual Accounts of these Bodies were due for submission every year.

4.18 Recommendations

- State Government may ensure timely submission of all utilisation certificates due by the recipients of grants and of DCC Bills within the prescribed timeline as required under the Rules.
- The Finance Department should, in consultation with the Principal Accountant General (A&E), conduct a comprehensive review of all items presently appearing under minor head 800 and ensure that all such receipts and expenditure are in future booked under the appropriate detailed /object heads of account.
- Finance Department should consider evolving a system to expedite the process of compilation and submission of annual accounts by autonomous bodies and departmentally run undertakings in order to assess their financial position. Persistently defaulting bodies may be given further financial assistance by the State Government only on submission of final accounts.
- The State Government should ensure that the Controlling Officers render the monthly accounts in time to the AG (A&E) in the interest of financial discipline and better budget management.

CHAPTER V
FUNCTIONING OF STATE PUBLIC
SECTOR ENTERPRISES

Chapter V: Functioning of State Public Sector Enterprises

SUMMARY OF FINANCIAL PERFORMANCE OF STATE PUBLIC ENTERPRISES

5.1 Introduction

This Chapter presents the financial performance of ‘Government Companies’, ‘Statutory Corporations’ and ‘Government Controlled Other Companies’. The term State Public Sector Enterprises (SPSEs) encompasses the State Government owned companies set up under the Companies Act, 2013 and Statutory Corporations setup under the statutes enacted by the Parliament and State legislature.

A Government Company is defined in Section 2 (45) of the Companies Act, 2013 as a company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company, which is a subsidiary of a Government Company.

Besides, any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government controlled other Companies.

5.2 Mandate

Audit of ‘Government companies’ and ‘Government Controlled Other Companies’ is conducted by the CAG under the provisions of Section 143 (5) to 143 (7) of the Companies Act, 2013 read with Section 19 of the CAG’s (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made there under. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has right to conduct a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by CAG.

5.3 Working and non-working SPSEs

As on 31 March 2020, there were six SPSEs (five working and one non-working) under the audit jurisdiction of the CAG in Nagaland as shown in **Table 5.1**.

Table 5.1: List of SPSEs in the State

Working SPSEs	1. Nagaland Industrial Development Corporation Limited (NIDC)
	2. Nagaland State Mineral Development Corporation Limited (NSMDC)
	3. Nagaland Hotels Limited (NHL)
	4. Nagaland Handloom and Handicrafts Development Corporation Limited (NHHDC)
	5. Nagaland Industrial Raw Materials and Supply Corporation Limited (NIRMSC)
Non-working SPSEs	1. Nagaland Sugar Mills Company Limited (NSMC)

Table 5.2 below provides the comparative details of working SPSEs turnover and State Gross Domestic Product (GSDP) for a period of three years ending 2019-20.

Table 5.2: Contribution of SPSEs-turnover to GSDP

(₹ in crore)			
Particulars	2017-18	2018-19	2019-20
SPSEs-Turnover ⁸	6.48	6.70	6.78
GSDP	24492	27283	30508
Percentage of Turnover to GSDP	0.03	0.02	0.02

Source: As per latest finalised accounts of SPSEs

It could be noticed from the **Table** above that during last three years (2017-18 to 2019-20), the contribution of SPSEs-turnover to GSDP was meagre ranging between 0.03 and 0.02 *per cent*. The percentage of SPSEs-turnover to GSDP over the past three years has decreased from 0.03 *per cent* (2017-18) to 0.02 *per cent* (2019-20).

5.4 Investment in SPSEs

State Government's investment in SPSEs

The State's investment in its SPSEs was by way of Equity Share Capital and Long Term Loans. The figures in respect of Equity Capital and Loans provided by the State Government as per the records of the SPSEs should agree with the corresponding figures appearing in the Finance Accounts of the State. In case of differences in the figures, the SPSEs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard for last three years is given in **Table 5.3**.

Table 5.3: Equity and Loans⁹ outstanding as per the State Finance Accounts *vis-à-vis* records of SPSEs for last three years

Year	2017-18			2018-19			2019-20		
	Amount as per Finance Accounts	Amount as per records of SPSEs	Difference	Amount as per Finance Accounts	Amount as per records of SPSEs	Difference	Amount as per Finance Accounts	Amount as per records of SPSEs	Difference
Equity	107.78	34.34	73.44	108.75	34.34	74.41	109.75	34.34	75.41
Loans	0.48	0.73	0.25	0.48	0.81	0.33	0.48 ¹⁰	0.81	0.33

Source: As per State Finance Accounts and as per records of SPSEs.

It can be noticed from the **Table** above that, during last three years (2017-18 to 2019-20), as per records of SPSEs, the Equity investment by the State Government remained unchanged at ₹ 34.34 crore while the Loans had increased marginally by ₹ 0.08 crore (11 *per cent*) from ₹ 0.73 crore (2017-18) to ₹ 0.81 crore (2019-20). During 2019-20, however, there were differences in the figures of Equity (₹ 75.41 crore) and Loans (₹ 0.33 crore) as per two sets of records. The difference in

⁸ As per the latest finalised accounts of working SPSEs as on 30th September of respective years.

⁹ Figures as per the records of SPSEs are provisional and as provided by the SPSEs as none of the SPSEs had finalised their current accounts (2019-20).

¹⁰ This represents the Loans provided by the State Government to 'Public Sector and other Undertakings' and booked under the heading 'Industry & Mineral-Loans to Consumer Industries-Sugar in the State Finance Accounts without giving the SPSE-wise details.

Equity investment occurred in respect of all six SPSEs where State Government had made direct investment. As regards Loan figures, SPSE-wise figures of State Government Loans not available in the State Finance Accounts and hence, the SPSEs having difference in the figures of State Government Loans as per two sets of records could not be ascertained.

The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in a time-bound manner. The Government should correct the system of financing the SPSEs and the Finance Accounts may be updated.

5.5 Budgetary assistance to SPSEs

The State Government provides financial support to SPSEs in various forms through annual budgetary allocations. The summarised details of budgetary support towards Equity, Loans and Grants/subsidies in respect of SPSEs during past three years are given in **Table 5.4**.

Table 5.4: Details regarding annual budgetary support to SPSEs

(₹ in crore)

Particulars	2017-18		2018-19		2019-20	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
Equity capital outgo from budget	1	0.42	0	0	0	0
Loans given from budget	1	2.08	1	3.85	1	3.41
Grants/subsidy from budget	5	24.41	5	25.04	5	24.49
Total		26.91		28.89		27.90

Source: Figures as provided by the SPSEs

It can be noticed from the **Table** above that during last three years ending 2019-20, the budgetary support provided by State Government to SPSEs ranged between ₹ 26.91 crore (2017-18) and ₹ 28.89 crore (2018-19). During 2019-20, the major recipients of budgetary support were Nagaland Handloom and Handicrafts Development Corporation Limited (Grant: ₹ 9.74 crore), Nagaland State Mineral Development Corporation Limited (Grant: ₹ 9.29 crore) and Nagaland Industrial Development Corporation Limited (Loan: ₹ 3.41 crore and Grants: ₹ 0.80 crore). Further, in last three years, the State Government provided Equity support (₹ 0.42 crore) to only one SPSEs (Nagaland Hotels Limited) during 2017-18.

5.6 Return on investment in Government Companies and Corporations

Profit earned and Dividend paid by SPSEs

The position of aggregate profit earned and dividend paid by profit earning SPSEs during the past three years as per the latest finalised accounts as on 30 September of respective year is given in **Table 5.5**.

Table 5.5: Details of profits earned and dividend paid by working SPSEs

Year	2017-18	2018-19	2019-20
Number of profit earning working SPSEs	1	1	Nil
Aggregate profit earned(₹ in crore)	0.06	1.18	-
Dividend paid	-	-	-

As can be noticed from **Table** above that in past three years, only one working SPSE¹¹ during each of the first two years (2017-18 and 2018-19) earned profits. However, none of these SPSEs had declared any dividend. During 2019-20, all the five working SPSEs incurred losses aggregating ₹ 6.03 crore.

5.7 Long Term Debt of SPSEs

The position of outstanding Long Term Debts of the SPSEs during the last three years as per their latest finalised accounts is given in **Table 5.6**.

Table 5.6: Position of outstanding Long Term Loans of the SPSEs

Particulars	(₹ in crore)		
	2017-18	2018-19	2019-20
Total Loans outstanding (State Government and Others)	70.39	73.72	73.72
State Government Loans outstanding	0.81	0.81	0.81
Interest on Total Loans ¹²	2.06	2.08	2.06

Source: As per latest finalised accounts of SPSEs

It can be noticed from the **Table** above that during the three years ending 2019-20, the total long term borrowings of the SPSEs from all sources registered a marginal increase of ₹ 3.33 crore (4.73 per cent) from ₹ 70.39 crore (2017-18) to ₹ 73.72 crore (2019-20). However, the State Government Loans remained constant at ₹ 0.81 crore during the last three years. Further, one out of six SPSEs in Nagaland (Nagaland State Mineral Development Corporation Limited) did not have any outstanding long term borrowings during 2019-20 as per their latest finalised accounts.

¹¹ **2017-18:** Nagaland Industrial Raw Materials and Supply Corporation Limited (profit: ₹ 0.06 crore); and **2018-19:** Nagaland State Mineral Development Corporation Limited (profit: ₹ 1.18 crore)

¹² Interest figures as available in the latest finalised accounts of respective SPSEs

5.8 Operating Efficiency of SPSEs

Key parameters

Some of the key parameters of the operational efficiency of working SPSEs for last three years as per their latest finalised accounts as on 30 September of the respective year are given in **Table 5.7**.

Table 5.7: Key parameters of operational efficiency of working SPSEs

(₹ in crore)						
Year	No. of working SPSEs	Paid up capital	Net overall Accumulated profits (+)/ losses(-)	Net overall profits (+)/ losses(-)	EBIT	Capital Employed ¹³
2017-18	5	26.13	-63.40	-4.50	-2.44	(+) 27.04
2018-19	5	27.26	-66.38	-2.62	-0.54	(+) 28.52
2019-20	5	27.26	-68.62	-6.03	-3.97	(+) 26.28

Source: As per latest finalised accounts of SPSEs

From the **Table** above, it can be seen that, the position of the Net overall losses and 'Earnings before Interest and Tax' (EBIT) has deteriorated in 2019-20 as compared to 2017-18. The Capital Employed in SPSEs has also decreased in three years by ₹ 0.76 crore (2.81 per cent) from ₹ 27.04 crore (2017-18) to ₹ 26.28 crore (2019-20). None of the SPSEs in Nagaland had earned profits during 2019-20 as per their latest finalised accounts.

The net overall accumulated losses of SPSEs have increased by ₹ 5.22 crore (8.23 per cent) over the period from ₹ 63.40 crore (2017-18) to ₹ 68.62 crore (2019-20). Further, more than 77 per cent (₹ 52.92 crore) of the accumulated losses of SPSEs (₹ 68.62 crore) during 2019-20 were contributed by Nagaland Industrial Development Corporation Limited (₹ 39.27 crore) and Nagaland Hotels Limited (₹ 13.65 crore).

5.9 Return on Capital Employed

Return on Capital Employed (ROCE) is a profitability metric that measures the long term profitability and efficiency of the total capital employed by a company. Companies create value when they generate returns on the capital employed in excess of the cost of capital. ROCE is an important metric for long term lenders. ROCE is calculated by dividing a company's Earnings before Interest and Taxes (EBIT) by the Capital Employed.

During 2019-20, the overall capital employed in respect of five working SPSEs as per their latest finalised accounts was ₹ 26.28 crore. Further, out of five working SPSEs, only two SPSEs¹⁴ had positive ROCE.

¹³ **Capital Employed**= Paid up share capital plus Free reserves and Surplus plus Long term loans minus Accumulated losses minus Deferred revenue expenditure.

¹⁴ Nagaland Industrial Development Corporation Limited (ROCE: (+) 0.65 per cent), and Nagaland Handloom & Handicrafts Development Corporation Limited (ROCE: (+) 0.27 per cent).

5.10 Return on Equity (ROE)

Return on equity¹⁵ (ROE) is a measure of financial performance of companies calculated by dividing the 'net income earned' by the Equity. During 2019-20, none of the working SPSEs earned profits as per their latest finalised accounts as on 30 September 2020. Hence, none of the working SPSEs had positive ROE during 2019-20.

5.11 SPSEs incurring Losses

As mentioned earlier, all five working SPSEs in Nagaland had incurred losses during 2019-20. The position of aggregate losses incurred by loss making working SPSEs during the past three years as per their latest finalised accounts is given **Table 5.8**.

Table 5.8: Details of loss making working SPSEs

Year	2017-18	2018-19	2019-20
Total No. of working SPSEs	5	5	5
Number of loss making working SPSEs	4	4	5
Aggregate losses (<i>₹ in crore</i>)	4.56	3.80	6.03

The details of major contributors to losses of working SPSEs (*₹ 5.86 crore*) incurred during 2019-20 are given in **Table 5.9** below:

Table 5.9: Major contributors to losses of working SPSEs during 2019-20

<i>(₹ in crore)</i>			
Sl. No.	Name of the SPSE	Latest finalised accounts	Net Loss
1	Nagaland State Mineral Development Corporation Limited	2017-18	2.25
2.	Nagaland Hotels Limited	2014-15	1.92
3.	Nagaland Industrial Development Corporation Limited	2017-18	1.69
	Total		5.86

From the **Table** above, it can be noticed that more than 97 *per cent* of the losses incurred by working SPSEs during 2019-20 were contributed by the above mentioned three SPSEs.

5.12 Erosion of capital in Government Companies

The aggregate paid-up capital and accumulated losses of five working SPSEs as per their latest finalised accounts as on 30 September 2020 were *₹ 27.26 crore* and (-) *₹ 68.62 crore* respectively. Analysis of investment and accumulated losses of these SPSEs revealed that the accumulated losses of four working SPSEs (*₹ 67.41 crore*) had completely eroded their paid-up capital (*₹ 26.03 crore*) as detailed in **Table 5.10**.

¹⁵ **Return on Equity** = (Net Profit after Tax and preference Dividend ÷ Equity) x 100, where **Equity** = Paid up Capital *plus* Free Reserves *minus* Accumulated Loss *minus* Deferred Revenue Expenditure.

Table 5.10: Erosion of Capital of SPSEs

Name of SPSE	Latest finalised accounts	₹ in crore)	
		Paid up capital	Accumulated losses
Nagaland Industrial Development Corporation Limited	2017-18	23.20	39.27
Nagaland Hotels Limited	2014-15	0.40	13.65
Nagaland State Mineral Development Corporation Limited	2017-18	1.60	10.33
Nagaland Handloom and Handicrafts Development Corporation Limited	2009-10	0.83	4.16
Total		26.03	(-) 67.41

Accumulation of huge losses by these SPSEs had eroded public wealth, which is a cause of serious concern and the State Government needs to review the working of these SPSEs to either improve their profitability or close their operations.

OVERSIGHT ROLE OF COMPTROLLER & AUDITOR GENERAL OF INDIA

5.13 Audit of State Public Sector Enterprises (SPSEs)

Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and supplement or comment upon the Audit Report of the statutory auditor. Statutes governing some corporations require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

5.14 Appointment of Statutory auditors of Public Sector Enterprises by CAG

Sections 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. The statutory auditors of all the five working SPSEs and one non-working SPSE are appointed by the CAG.

5.15 Submission of Accounts by SPSEs

Need for timely submission

According to Section 394 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. This mechanism provides the necessary Legislative control over the utilization of public funds invested in the companies from the State budget.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further,

Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Despite above, annual accounts of various SPSEs were pending as on 30 September 2020, as discussed below.

5.16 Timeliness in preparation of Accounts by SPSEs

The details relating to finalisation of accounts by 5 working SPSEs during the last three years as of 30 September of respective year are given **Table 5.11**.

Table 5.11: Position relating to finalisation of Accounts of working SPSEs

Sl. No.	Particulars	2017-18	2018-19	2019-20
1.	Number of working SPSEs	5	5	5
2.	Number of Accounts finalised during the year	6	8	2
3.	Number of Accounts in arrears	21	18	21
4.	Number of Working SPSEs with arrears in Accounts	5	5	5
5.	Extent of arrears (number in years)	1 to 8	1 to 9	2 to 10

As could be seen from **Table 5.9**, none of the SPSEs had its account finalised upto date and the five working SPSEs had an arrear of total 21 Accounts ranging from two to 10 years. The highest pendency of accounts pertained to Nagaland Handloom & Handicrafts Development Corporation Limited (10 Accounts). Remaining one non-working SPSE namely Nagaland Sugar Mill Limited had a backlog of 18 years' accounts.

The Administrative Departments concerned have the responsibility to oversee the activities of these entities and to ensure that the accounts of SPSEs under their control are finalised and adopted by the SPSEs within the stipulated period.

The Principal Accountant General (Audit), Nagaland had been regularly pursuing with the administrative departments and concerned SPSEs for liquidating the arrears of accounts of SPSEs. However, the State Government and the SPSEs concerned could not address the issue to clear pendency of accounts of the SPSEs in a time bound manner.

5.17 CAG's oversight - Audit of Accounts and Supplementary Audit

Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The statutory corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such corporations.

5.18 Audit of Accounts of Government Companies by Statutory Auditors

The statutory auditors appointed by the CAG under Section 139 of the Companies Act 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of public sector enterprises with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power:

- to issue directions to the Statutory auditors under Section 143 (5) of the Companies Act, 2013; and
- to supplement or comment upon the Statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

5.19 Supplementary Audit of Accounts of Government Companies

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity.

The statutory auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under section 143 of the Companies Act, 2013 based on independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the Annual General Meeting.

5.20 Non-Compliance with provisions of Accounting Standards/IND AS

In exercise of the powers conferred by Section 469 of the Companies Act, 2013, read with Section 129 (1), Section 132 and Section 133 of the said Act, the Central Government prescribed Accounting Standards 1 to 7 and 9 to 29. Besides these, the Central Government notified 41 Indian Accounting Standards (Ind AS) through Companies (Ind AS) Rules, 2015 and Companies (Ind AS) (Amendment) Rules, 2016.

The Statutory Auditors reported that one company namely Nagaland State Mineral Development Corporation Limited did not comply with mandatory Accounting Standards. The deviation is shown in **Table 5.12**.

Table 5.12 Deviations reported by statutory auditors

Accounting Standard		Name of the Company	Deviation
AS-1	Disclosure of Accounting Policies	Nagaland State Mineral Development Corporation Limited	Accounts are being prepared in hybrid system of accounting in contravention of fundamental accounting assumption.
AS-15	Employees Benefit		Non-provision of gratuity on mercantile system.
AS-9	Revenue recognition		Accounting for sales and hire charges income has not been made as per AS-9

Source: Statutory Audit Reports

5.21 Result of CAG's oversight role

Audit of accounts of SPSEs

Government Companies

During 2019-20, two working companies namely Nagaland Industrial Raw Materials & Supply Corporation Limited (2017-18) and Nagaland State Mineral Development Corporation Limited (2017-18) forwarded one accounts each to the Principal Accountant General (Audit), both accounts were issued Non-Review Certificates.

5.22 Conclusion

As on 31 March 2020, the State of Nagaland had total six SPSEs (all Government companies), which included one non-working SPSE. As on 31 March 2020, there were differences in the figures of State's investment in Equity (₹ 75.41 crore) and Loan (₹ 0.33 crore) of SPSEs as per State Finance Accounts vis-à-vis records of SPSEs.

During 2019-20 the State Government has provided budgetary support of ₹ 27.90 crore to SPSEs in the form of Loans (₹ 3.41 crore) and Grants/subsidy (₹ 24.49 crore). The major recipients of budgetary support were Nagaland Handloom and Handicrafts Development Corporation Limited (Grant: ₹ 9.74 crore), Nagaland State Mineral Development Corporation Limited (Grant: ₹ 9.29 crore) and Nagaland Industrial Development Corporation Limited (Loan: ₹ 3.41 crore and Grants: ₹ 0.80 crore).

During 2019-20, all the five working SPSEs incurred losses aggregating ₹ 6.03 crore. Further, the accumulated losses of four working SPSEs (₹ 67.41 crore) had completely eroded their paid-up capital (₹ 26.03 crore).

As on 30 September 2020, the five working SPSEs had an arrear of total 21 Accounts ranging from two to ten Accounts. The highest pendency of accounts pertained to Nagaland Handloom & Handicrafts Development Corporation Limited (10 Accounts).

5.23 Recommendations

- The State Government and the SPSEs concerned should take concrete steps to reconcile the differences in the investment figures (Equity and Long term Loans) of the State Government as appearing in the State Finance Accounts vis-à-vis SPSE records in a time-bound manner.

- Accumulation of huge losses by four out of five working SPSEs had eroded public wealth, which is a cause of concern and the State Government may review the working of these SPSEs to either improve their profitability or close their operations.
- The Administrative Departments overseeing the SPSEs having backlog of Accounts may ensure that these SPSEs finalise and adopt their Accounts within the stipulated period, failing which financial support to them be reviewed.

Kohima
The 21 September 2021


(E. MHONBEMO PATTON)
Principal Accountant General (Audit)

Countersigned

New Delhi
The 05 October 2021


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

APPENDICES

Appendix 1.1

Part A: Glossary of important Budget related terms

(Reference: Paragraph-1.1 and 3.1)

1. **'Accounts' or 'actuals' of a year.** - are the amounts of receipts and disbursements for the financial year beginning on *April 1st* and ending on *March 31st* following, as finally recorded in the Accounting authority's books (as audited by C&AG). Provisional Accounts refers to the unaudited accounts.
2. **'Administrative approval' of a scheme, proposal or work.** - is the formal acceptance thereof by the competent authority for the purpose of incurring expenditure. Taken with the provision of funds in the budget, it operates as a financial sanction to the work during that particular year in which the Administrative Approval is issued.
3. **'Annual financial statement'** – Also referred to as Budget means the statement of estimated receipts and expenditure of the Central/State Government for each financial year, laid before the Parliament/State Legislature.
4. **'Appropriation'** - means the amount authorized by the Parliament/State Legislature for expenditure under different primary unit of appropriation or part thereof placed at the disposal of a disbursing officer.
5. **'Charged Expenditure'** - means such expenditure as is not to be submitted to the vote of the Legislature under the provisions of the Constitution.
6. **'Consolidated Fund of India/ State'**- All revenues of the Union/State Government, loans raised by it and all moneys received in repayment of loans form the Consolidated Fund of India/ State. No moneys out of this Fund can be appropriated except in accordance with the law and for the purposes and in the manner provided in the Constitution.
7. **'Contingency Fund'** is in the nature of an imprest. The Contingency Fund is intended to provide advances to the executive/Government to meet unforeseen expenditure arising in the course of a year pending its authorization by the Parliament/State Legislature. The amounts drawn from the Contingency Fund are recouped after the Parliament/State Legislature approves it through the Supplementary Demands.
8. **'Controlling Officer (budget)'** - means an officer entrusted by a Department with the responsibility of controlling the incurring of expenditure and/or the collection of revenue. The term includes the Heads of Department and also the Administrators.
9. **'Drawing and Disbursing Officer' (DDO)** – means a Head of Office and also any other Officer so designated by the Finance Department of the State Government, to draw bills and make payments on behalf of the State Government. The term shall also include a Head of Department where he himself discharges such function

10. **'Excess Grant'** – Excess grant means the amount of expenditure over and above the provision allowed through the original/supplementary grant, that requires regularisation by obtaining excess grant from the Parliament/State Legislature under Article 115/205 of the Constitution.
11. **'New Service'** – As appearing in Article 115(1)(a)/205(1)(a) of the Constitution, New Service means expenditure arising out of a new policy decision, not brought to the notice of Parliament/State Legislature earlier, including a new activity or a new form of investment.
12. **'New Instrument of Service'**- means relatively large expenditure arising out of important expansion of an existing activity.
13. **'Public Accounts'**- means the Public Account referred to in Article 266(2) of the Constitution. The receipts and disbursements such as deposits, reserve funds, remittances, etc. which do not form part of the Consolidated Fund are included in the Public Account. Disbursements from the Public Account are not subject to vote by the Parliament/State Legislature, as they are not moneys issued out of the Consolidated Fund of India/State.
14. **'Reappropriation'** - means the transfer, by a competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same grant or charged appropriation.
15. **'Revised Estimates'** - is an estimate of the probable receipts or expenditure for a financial year, framed in the course of that year, with reference to the transactions already recorded and anticipation for the remainder of the year in the light of the orders already issued.
16. **'Supplementary Demands for Grants'**- means the statement of supplementary demands laid before the legislature, showing the estimated amount of further expenditure necessary in respect of a financial year over and above the expenditure authorized in the Annual Financial Statement for that year. The demand for supplementary may be token, technical or substantive/cash.
 - a) **Cash Supplementary** is over and above the original budget provisions and results in enhancement of the allocation for the Demand/Grant. It should be obtained as a last resort and after proper due diligence. Presently, this method is followed by the State.
 - b) There are four Sections in each Demand *i.e.*, Revenue Voted, Revenue Charged, Capital Voted and Capital Charged. **Technical Supplementary**, after obtaining the approval of the State Legislature, allows to utilize the savings of one of the Sections for any other Section.
 - c) **Token Supplementary** allows to utilise the savings within the same section of the grant.
17. **'Major Head'** - means a Major Head of account for the purpose of recording and classifying the receipts and disbursements of the State. A Major Head, particularly

the one falling within the Consolidated Fund, generally corresponds to a ‘function’ of Government such as Agriculture, Education, Health, etc.

18. **“Sub-Major Head”** - means an intermediate head of account introduced between a Major Head and the Minor Heads under it, when the Minor Heads are numerous and can conveniently be grouped together under such intermediate Head.
19. **‘Minor Head’** - means a head subordinate to a Major Head or a Sub-Major Head. A Minor Head subordinate to a Major Head identifies a “programme” undertaken to achieve the objectives of the function represented by the Major Head.
20. **“Sub-Head”** - means a unit of account next subordinate to a Minor Head which normally denotes the scheme or organisation under that Minor Head or programme.
21. **‘Major Work’** - means an original work, the estimated cost of which exclusive of departmental charges exceeds the amount as notified by the Government from time to time.
22. **‘Minor Work’** - means an original work, the estimated cost of which exclusive of departmental charges does not exceed the amount as notified by the Government from time to time.
23. **“Modified Grant or Appropriation”** - means the sum allotted to any Sub-Head of Appropriation as it stands after Re-Appropriation or the sanction of an Additional or Supplementary Grant by competent authority.
24. **“Supplementary or Additional Grant or Appropriation”** - means a provision included in an Appropriation Act, during the course of a financial year, to meet expenditure in excess of the amount previously included in an Appropriation Act for that year.
25. **“Schedule of New Expenditure”** - means a statement of items of new expenditure proposed for inclusion in the Budget for the ensuing year.
26. **“Token demand”** - means a demand made to the Assembly for a nominal or token sum when, for example, it is proposed to meet the entire expenditure on a new service from savings out of the sanctioned budget grant.

The definition of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given below:

Term	Basis of calculation
Buoyancy of a parameter	Rate of Growth of the parameter/GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of parameter (X)/ Rate of Growth of parameter (Y)
Rate of Growth (ROG)	$[(\text{Current year Amount}/\text{Previous year Amount})-1]*100$
Development Expenditure	Social Services + Economic Services

Term	Basis of calculation
Average interest paid by the State	Interest Payment/[(Amount of previous year's Fiscal liabilities + Current year's Fiscal Liabilities)/2]*100
Interest received as <i>per cent</i> to Loans Outstanding	Interest Received/[(Opening balance + Closing balance of Loans and Advances)/2]*100
Average interest rate of Outstanding Debt	Interest Paid/[(Opening Balance of Public Debt + Closing Balance of Public Debt)/2]
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts.
Primary Deficit	Fiscal Deficit – Interest Payments
Compound Annual Growth Rate (CAGR)	The Compound Annual Growth Rate is calculated by taking the n th root of the total percentage growth rate, where n is the number of years in the period being considered. CAGR= [ending value /beginning value] ^{1/no of years} -1
GSDP	GSDP is defined as the total income of the State or the Market Value of Goods and Services produced using Labour and all other factors of production at Current Prices.
Buoyancy Ratio	Buoyancy Ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, Revenue Buoyancy at 0.70 implies that Revenue Receipts tend to increase by 0.70 percentage points, if the GSDP increases by one per cent.
Core Public and Merit Goods	Core public goods are which all citizens enjoy in common in the sense that each individual's consumption of such goods lead to no subtractions from any other individual's consumption of the goods, <i>e.g.</i> enforcement of law and order, security and protection of our rights; pollution free air, other environmental good, road infrastructure <i>etc.</i> Merit goods are commodities that the public sector provides free or at subsidised rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the Government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidised food for the poor to support nutrition, delivery of health services to improve quality of life

Term	Basis of calculation
	and reduce morbidity, providing basic education to all, drinking water and sanitation, <i>etc.</i>
Debt Sustainability	Debt Sustainability is defined as the ability of the State to maintain a constant Debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its Debt. Sustainability of Debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in Fiscal Deficit should match with the increase in capacity to service the Debt.
Non-debt receipts	Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.
Net Availability of Borrowed Funds	Defined as the ratio of the debt redemption (Principal + Interest payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the Net Availability of Borrowed Funds.
Misappropriation	Dishonestly misappropriating or converting to own use any property, or dishonestly using or disposing of that property in violation of any direction of law prescribing the mode in which such trust is to be discharged, or of any legal contract, express or implied.
Defalcation	Defalcation is misappropriation of funds by a person trusted with its charge; also, the act of misappropriation, or an instance thereof.

Appendix 1.1

Part B: State Profile

(Reference: Paragraph-1.1)

A. General information pertaining to the State for the year 2019-20					
Sl. No.	Particulars		Unit	India	Nagaland
1.	Area		Sq. km	32,87,263	16,579
2.	Population (in lakhs)	(a) 2009*	In lakh	11,608	19.32
		(b) 2010 *	In lakh	11,767	19.52
		(c) 2020*	In lakh	13,554	21.67
3.	Density of population persons (projected)		Per square km	382	131
4.	Population below Poverty line (2011-12)		Per cent	21.90	18.88#
5.	Literacy rate (2011 census)		Per cent	73	79.55
6.	Infant mortality rate (National Family Health Survey 2015-16)		Per 1000 live births	33	30
7.	Life expectancy at birth in years		Year	69.4	NA
8.	Decadal population growth (2010 to 2020)*		Per cent	11.09	11.01
9.	GDP/GSDP (2019-20) at current prices (2011-12 Series)		(₹ in crore)	2,03,39,849	30,507.83
10.	Per Capita GSDP		(in ₹)	1,51,677	1,40,784
11.	Per Capita Income		(in ₹)	1,35,050	1,29,516
12.	Growth rate of GSDP for 2019-20 from the previous year		Per cent	6.99	11.82
Sources: Census data 2001 and 2011(Population projection for India 2001-2036), MOSPI website and press release (29 May 2020 and 7 January 2020), For state figures: Directorate of Economics and Statistics Department, Nagaland * Projected figures # Tendulkar Methodology					

B. Financial Data						
Particulars	Figures (in per cent)					
	2010-11 to 2018-19		2014-15 to 2018-19		2018-19 to 2019-20	
	NE&H*	Nagaland	NE&H	Nagaland	NE&H	Nagaland
Revenue Receipts	12.26	10.90	12.85	10.58	-9.88	-0.12
Tax Revenue	13.29	17.86	11.80	21.48	-8.10	13.21
Non Tax Revenue	13.92	4.35	22.55	-1.24	-19.72	32.93
Total Expenditure	12.56	11.31	12.45	12.62	-6.05	2.65
Capital Expenditure	11.41	4.49	14.74	11.75	-15.60	-24.40
Revenue Expenditure on Education	12.75	13.44	12.41	14.17	-8.16	-11.76
Revenue Expenditure on:						
(i) Health	15.50	14.96	17.07	11.77	-4.96	7.27
(ii) Salary and Wages	12.05	11.75	12.45	10.86	-7.07	6.17
(iii) Pension	16.56	21.09	16.52	14.45	3.05	16.62

* NE&H: North Eastern and Himalayan States

Appendix 1.1

Part C: Time Series Data on the State Government Finances

(Reference: Paragraphs-1.1; 2.4.1; 2.7.3 and 4.5)

(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
Part A. Receipts					
1. Revenue Receipts	8,040.79	9,439.79	11,019.21	11,437.41	11,423.29
(i) Tax Revenue	427.10(5)	510.75(5)	638.28(6)	846.43(8)	958.23(8)
Taxes on Agricultural Income	-	-	-	-	-
Goods and Service Tax	0.00	0.00	187.57(29)	469.64(55)	613.22(64)
Taxes on Sales, Trade, etc.	328.58(77)	400.12(78)	287.55(45)	186.69(22)	175.15(18)
State Excise	5.12(1)	4.62(1)	4.20(1)	4.65(1)	3.24(1)
Taxes on Vehicles	53.09(13)	57.39(11)	101.53(16)	126.22(15)	113.93(12)
Stamps and Registration Fees	2.04(1)	2.05(0)	2.62(0)	2.53(1)	2.79(0)
Land Revenue	0.75(0)	0.82(0)	0.90(0)	1.13(0)	1.04(0)
Taxes on Goods and Passengers	5.88(1)	14.76(3)	17.59(3)	20.16(2)	18.09(2)
Other Taxes	31.64(7)	30.99(6)	36.32(6)	35.41(4)	30.77(3)
(ii) Non Tax Revenue	253.61(3)	343.03(4)	388.53(4)	255.24(2)	339.29(3)
(iii) State's share of Union taxes and Duties	2,540.72 (32)	3,032.63 (32)	3,353.13 (30)	3,792.41 (33)	3,267.08 (29)
(iv) Grants in Aid from Government of India	4,819.36 (60)	5,553.38 (59)	6,639.27 (60)	6,543.33 (57)	6,858.69 (60)
2. Miscellaneous Capital Receipts	0.00	0.00	0.00	0.00	0.00
3. Recoveries of Loans and Advances	0.50	1.09	1.09	1.08	1.09
4. Total Revenue and Non Debt Capital Receipts (1+2+3)	8,041.29	9,440.88	11,020.30	11,438.49	11,424.38
5. Public Debt Receipts	3,545.94	5,444.35	5,141.02	2,907.22	7,869.83
Internal Debt (excluding Ways and Means Advances and Overdrafts)	1,068.40	1,182.44	1,234.69	943.86	1,078.64
Net transactions under Ways and Means Advances and Overdrafts	2,477.54	4,261.91	3,906.00	1,959.38	6,784.50
Loans and Advances from Government of India	0.00	0.00	0.33	3.98	6.69
6. Total Receipts in the Consolidated Fund (4+5)	11,587.23	14,885.23	16,161.32	14,345.71	19,294.21
7. Contingency Fund Receipts	0.00	0.00	0.00	0.00	0.00
8. Public Account Receipts	3,226.12	2,933.99	3,319.54	4,114.23	4,078.25
9. Total Receipts of the State (6+7+8)	14,813.35	17,819.22	19,480.86	18,459.94	23,372.46
Part B. Expenditure/ Disbursement					
10 Revenue Expenditure	7,579.14	8,649.45	10,191.35	10,919.98	11,637.02
General Services (including interest payments)	3,620.47 (48)	3,893.96 (45)	4,319.41 (42)	5,018.12 (46)	5,428.80 (47)
Social Services	2,093.61 (28)	2,295.21 (27)	2,558.56 (25)	3,158.58 (29)	3,030.05 (26)
Economic Services	1,865.06 (25)	2,460.28 (28)	3,313.38 (33)	2,743.28 (25)	3,178.17 (27)
Grants-in-Aid and contributions	0.00	0.00	0.00	0.00	0.00
11. Capital Expenditure	1,059.23	1,076.10	1,274.85	1,595.56	1,206.32

	2015-16	2016-17	2017-18	2018-19	2019-20
General Services	105.78(10)	132.55(12)	267.10(21)	419.49(26)	165.73(14)
Social Services	287.49(27)	431.73(40)	485.68(38)	329.89(21)	457.02(38)
Economic Services	665.96(63)	511.82(48)	522.07(41)	846.18(53)	583.57(48)
12. Disbursement of Loans and Advances	0.19	0.19	0.19	5.27	9.26
13. Total Expenditure (10+11+12)	8,638.56	9,725.74	11,466.39	12,520.81	12,852.60
14. Repayments of Public Debt	2,705.35	5,065.03	4,452.01	2,596.27	6,867.25
Internal Debt (excluding Ways and Means Advances and Overdrafts)	496.30	491.81	524.29	615.17	724.18
Net transactions under Ways and Means Advances and Overdraft	2,187.51	4,551.68	3,906.00	1,959.38	6,121.17
Loans and Advances from Government of India	21.54	21.54	21.72	21.72	21.90
15. Appropriation to Contingency Fund	0.00	0.00	0.00	0.00	0.00
16. Total disbursement out of Consolidated Fund (13+14+15)	11,343.91	14,790.77	15,918.40	15,117.08	19,719.85
17. Contingency Fund disbursements	0.00	0.00	0.00	0.00	0.00
18. Public Account disbursements	3,011.82	2,661.41	3,124.67	3,184.11	2,881.70
19. Total disbursement by the State (16+17+18)	14,355.73	17,452.18	19,043.07	18,301.19	22,601.55
Part C. Deficits					
20. Revenue Deficit(-)/ Revenue Surplus(+)[*] (1-10)	461.65	790.34	827.86	517.43	-213.73
21. Fiscal Deficit(-)/ Fiscal Surplus (+) (4-13)	-597.27	-284.86	-446.09	-1082.32	-1428.22
22. Primary Deficit (-)/ Surplus(+)[*] (21+23)	-10.82	350.64	231.66	-310.58	-614.48
Part D. Other Data					
23. Interest Payments (included in Revenue Expenditure)	586.45	635.50	677.75	771.74	813.74
24. Financial Assistance to Local Bodies etc.	120.63	170.87	328.40	167.06	160.70
25. Ways and Means Advances/ Overdraft Aailed (days)	2,477.54 (110)	4,261.65 (145)	3,906.00 (104)	1,959.38 (100)	6,940.67 (139)
Ways and Means Advances Aailed (days)	2,290.72 (101)	4,103.85 (138)	3,646.77 (95)	1,910.85 (98)	6,784.50 (113)
Overdraft Aailed (days)	186.82 (9)	157.80 (7)	259.23 (9)	48.53 (2)	156.17 (6)
26. Interest on Ways and Means Advances/ Overdraft	3.11	6.87	6.17	0.92	5.16
27. Gross State Domestic Product (GSDP)	19,523.95	21,722.45	24,491.70	27,283.04	30,507.83
28. Outstanding Fiscal Liabilities (year-end)	8,931.64	9,557.35	104,09.15	10,545.76	12,179.10
29. Outstanding Guarantees (year-end) (including Interest)	70.22	81.19	110.46	120.96	174.96
30. Maximum Amount Guaranteed (year-end)	0.00	26.50	51.50	0.00	0.00

	2015-16	2016-17	2017-18	2018-19	2019-20
31. Number of Incomplete Projects	373	340	311	390	399
32. Capital Blocked in Incomplete Projects	2,100.61	2,030.18	1,737.68	1,252.87	1,309.30
Part E. Fiscal Health Indicators					
I Resource Mobilization					
Own Tax Revenue/GSDP	2.19	2.35	2.61	3.10	3.14
Own Non-Tax Revenue/GSDP	1.30	1.58	1.59	0.94	1.11
Central Transfer/GSDP	13.01	13.96	13.69	13.90	10.71
II Expenditure Management					
Total Expenditure/GSDP	44.25	44.77	46.82	45.89	42.13
Total Expenditure/Revenue Receipts	107.43	103.03	104.06	109.47	112.51
Revenue Expenditure/Total Expenditure	87.74	88.93	88.88	87.21	90.54
Expenditure on Social Services/ Total Expenditure	27.56	28.04	26.55	27.86	27.13
Expenditure on Economic Services/ Total Expenditure	29.30	30.56	33.45	28.67	29.27
Capital Expenditure/Total Expenditure	12.26	11.06	11.12	12.74	9.39
Capital Expenditure on Social and Economic Services/Total Expenditure.	11.04	9.70	8.79	9.39	8.10
III Management of Fiscal Imbalances					
Revenue Deficit (Surplus)/GSDP	2.36	3.64	3.38	1.90	-0.70
Fiscal Deficit/GSDP	(-) 3.06	(-) 1.31	(-) 1.82	(-) 3.97	(-)4.68
Primary Deficit (Surplus)/GSDP	(-) 0.06	1.61	0.95	(-) 1.14	(-)2.01
Revenue Deficit/Fiscal Deficit	*	*	*	*	0.15
Primary Revenue Balance/GSDP	3.46	3.90	4.16	3.99	4.23
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	45.75	44.00	42.87	38.65	39.92
Fiscal Liabilities/RR	111.08	101.25	94.49	92.20	106.62
Debt Redemption (Principal + Interest)/ Total Debt Receipts	97.50	92.17	93.90	137.73	132.56
V Other Fiscal Health Indicators					
Return on Investment	4.94	0.00	0.00	0.66	2.80
Balance from Current Revenue (₹ in crore)	276.05	739.32	979.34	744.63	(-)84.40
Financial Assets/Liabilities	1.70	1.74	1.76	1.90	1.81

Figures in brackets represent percentages (rounded) to total of each sub-heading

*The State experienced Revenue Surplus during these years

Appendix 3.1

Expenditure in Excess of ₹10 lakh Without Provision at Sub-Head Level

(Reference: Paragraph-3.3.1)

(₹ in lakh)

Sl. No.	Grant No.	Head of Account	Description	Expenditure
Revenue				
1.	27	2552-27-101-01	Pool for Scheme under NEC	30.00
2.	28	2055-00-003-02	Armed Police Training Centre	894.43
3.	48	2401-00-108-02	Mission Mode Project on Agriculture-National e-Governance Plan	80.93
4.	51	2405-00-120-01	National Welfare Scheme for Fishermen	2,169.18
5.	51	2552-51-101-02	Integrated Fishery Development Programme	15.46
6.	51	2552-51-101-02	Integrated Fishery Development Programme	200.00
7.	55	2801-05-052-01	New Supplies	10.00
8.	59	2702-80-001-02	Subordinate Establishment	40.00
9.	72	2552-72-800-01	Rubber Development	100.00
10.	72	2552-72-800-02	Rubber Development	186.36
Total				3,726.36

Source: Appropriation Accounts, 2019-20

Appendix 3.2

Cases where Supplementary Provision Proved Unnecessary

(Reference: Paragraph-3.3.4)

(₹ in lakh)

Sl. No.	Number and Name of the Grant	Original Provision	Actual Expenditure	Savings out of Original provision	Supplementary provision
(A) Revenue (Voted)					
1.	30-Administrative Training Institute	681.66	617.72	63.94	19.64
2.	35-Medical, Public Health and Family Welfare	72,499.10	66,032.33	6,466.77	355.43
3.	37-Municipal Administration	4,426.29	1,272.10	3,154.19	182.88
4.	46-Statistics	3,767.91	3,699.26	68.65	95.26
5.	47-Legal Metrology and Consumer Protection	1,161.94	997.72	164.22	123.06
6.	48-Agriculture	29,641.34	22,360.26	7,281.08	13.27
7.	82-New and Renewable Energy	519.55	519.45	0.10	46.01
Sub-Total Revenue (Voted)		1,12,697.79	95,498.84	17,198.95	835.55
(B) Revenue (Charged)					
5.	75- Servicing of Debt	1,106.15	4.95	963.74	142.41
Sub-Total Revenue (Charged)		1,106.15	4.95	963.74	142.41
Total (Revenue)		1,13,803.94	95,503.79	18,162.69	977.96
Capital (Voted)					
1.	31-School Education	500.85	262.91	237.94	140.04
2.	36-Urban Development	10,663.00	8,805.52	1,857.48	928.21
3.	77-Development of Underdeveloped Areas	6,501.00	5,045.87	1,455.13	1,417.45
Total (Capital)		17,664.85	14,114.30	3,550.55	2,485.70
Grand Total (Revenue + Capital)		1,31,468.79	1,09,618.09	21,713.24	3,463.66

Source: Appropriation Accounts, 2019-20

Appendix 3.3

Statement of various Grants/Appropriations where Savings were more than ₹One crore each or more than 20 per cent of the Total Provision

(Reference: Paragraph-3.3.6)

(₹ in crore)

Sl. No.	Grant No.	Name of the Grant/ Appropriation	Total Grant/ Appropriation	Savings	Percentage
Revenue (Charged)					
1.	75	Servicing of Debt	1,111.10	147.36	13.26
Revenue (Voted)					
2.	11	District Administration and Special Welfare Schemes	165.98	8.35	5.03
3.	12	Treasury and Accounts Administration	56.87	13.13	23.09
4.	18	Pensions and Other Retirement Benefits	2,007.83	196.93	9.81
5.	21	Relief of Distress caused by Natural Calamities	247.90	41.97	16.93
6.	23	Loans to Government Servants	0.01	0.01	100.00
7.	26	Civil Secretariat	236.60	34.43	14.55
8.	27	Planning Machinery	501.71	304.72	60.74
9.	31	School Education	1,685.24	310.73	18.44
10.	32	Higher Education	202.81	74.04	36.51
11.	35	Medical, Public Health and Family Welfare	728.55	68.22	9.36
12.	37	Municipal Administration	46.09	33.37	72.40
13.	40	Employment and Craftsmen Training	46.38	7.34	15.83
14.	42	Rural Development	1,184.59	546.62	46.14
15.	43	Social Security and Welfare	283.05	1.02	0.36
16.	44	Evaluation Unit	10.24	1.44	14.06
17.	45	Co-operation	40.15	14.53	36.19
18.	46	Statistics	38.63	1.64	4.25
19.	47	Legal Metrology and Consumer Protection	12.85	2.87	22.33
20.	48	Agriculture	296.55	72.94	24.60
21.	49	Soil and Water Conservation	69.35	7.45	10.74
22.	50	Animal Husbandry and Dairy Development	114.45	19.70	17.21
23.	52	Forest, Ecology, Environment and Wild Life	152.89	9.76	6.38
24.	55	Power	585.36	3.53	0.60
25.	59	Irrigation and Flood Control	39.82	8.66	21.75
26.	64	Housing	141.79	2.24	1.58
27.	65	State Council of Educational Research and Training	38.91	1.37	3.52
28.	70	Horticulture	165.52	63.98	38.65
29.	76	Women Welfare	12.21	1.10	9.01
30.	78	Technical Education	25.29	2.59	10.24
Capital (Voted)					
31.	4	Administration of Justice	25.00	2.25	9.00
32.	8	Sales Tax	3.09	1.23	39.81
33.	22	Civil Supplies	9.00	8.00	88.89

Sl. No.	Grant No.	Name of the Grant/ Appropriation	Total Grant/ Appropriation	Savings	Percentage
34.	26	Civil Secretariat	200.95	187.37	93.24
35.	27	Planning Machinery	377.82	246.17	65.16
36.	31	School Education	6.41	3.78	58.97
37.	32	Higher Education	43.05	14.05	32.64
38.	33	Youth Resources and Sports	52.36	7.22	13.79
39.	34	Art and Culture and Gazetteers	9.58	4.60	48.02
40.	35	Medical, Public Health and Family Welfare	90.70	82.08	90.50
41.	36	Urban Development	115.91	27.86	24.04
42.	37	Municipal Administration	130.58	21.81	16.70
43.	39	Tourism	6.35	3.07	48.35
44.	50	Animal Husbandry and Dairy Development	4.00	4.00	100.00
45.	55	Power	104.68	43.03	41.11
46.	58	Road and Bridges	391.73	128.95	32.92
47.	59	Irrigation and Flood Control	74.33	38.84	52.25
48.	60	Water Supply	148.50	70.84	47.70
49.	64	Housing	56.97	6.69	11.74
50.	65	State Council of Educational Research and Training	6.00	5.00	83.33
51.	67	Home Guards	2.56	1.67	65.23
52.	73	State Institute of Rural Development	2.29	2.29	100.00
53.	76	Women Welfare	0.65	0.65	100.00
54.	77	Development of Under Developed Areas	79.18	28.73	36.28
55.	78	Technical Education	11.00	10.08	91.64
Total			12,201.42	2,952.30	24.20

Source: Appropriation Accounts, 2019-20

Appendix 3.4

Results of Review of Substantial Surrenders made during the year 2019-20

(Reference: Paragraph-3.3.6)

(₹ in crore)

Sl. No.	Number and title of Grant	Name of the Scheme (Head of Account)	Total Grant	Surrender	Percentage of Surrender
Revenue (Voted)					
1.	9-Tax on Vehicles	2552-09-800-01 (Scheme under NEC)	1.00	1.00	100
2.	18-Pensions and Other Retirement Benefits	2071-01-117-01 (National Pension System)	130.00	83.26	64.05
3.	21-Relief of Distress caused by Natural Calamities	2245-01-101-01 (Gratuitous Relief)	1.25	1.25	100
4.		2245-01-101-01 (Gratuitous Relief)	111.00	111.00	100
5.		2245-80-102-01 (Contingency Plans in Disaster Prone Areas)	18.15	17.07	94.05
6.		2245-80-103-01 (NDRF)	100.00	100.00	100
7.	26-Civil Secretariat	2052-00-090-05 (Assistance to Indian Red cross Society)	0.18	0.18	100
8.		2052-00-090-07 (Assistance to National Institute of Public Finance & Policy)	0.05	0.05	100
9.		2052-00-090-09 (State Management Management)	1.00	1.00	100
10.		2052-00-090-16 (PFMS Cell)	0.05	0.03	60
11.		2251-00-090-01 (Civil secretariat)	32.98	20.25	61.40
12.		3451-00-090-01 (Secretariat Economic Services Establishment)	32.73	21.53	65.78
13.	27-Planning Machinery	2552-27-101-01 (Pool for Scheme under NEC)	200.00	200.00	100
14.		3451-00-101-03 (Geographical Information System)	0.92	0.92	100
15.		3451-00-102-04 (Monitoring Cell)	0.36	0.36	100
16.		3451-00-102-02 (Pool for State Share)	207.87	146.49	70.47
17.	28-Civil Police	2055-00-001-03 (Security Related Expenses)	0.45	0.45	100
18.		2055-00-003-01 (Police Training School)	35.40	21.20	59.89
19.	31-School Education	2202-01-101-03 (Agriculture Based Education)	3.72	2.27	61.02
20.		2202-01-102-01 (Non-Government Primary School)	0.35	0.35	100

Sl. No.	Number and title of Grant	Name of the Scheme (Head of Account)	Total Grant	Surrender	Percentage of Surrender
21.		2202-02-101-01 (Inspectorates - DEO)	109.96	59.57	54.17
22.		2202-02-101-02 (Subordinate Establishment -SDEO)	226.97	139.81	61.60
23.		2202-02-109-03 (Education Technological Cell)	1.03	1.03	100
24.		2202-02-110-01 (Non-Government High and Higher Secondary Schools)	0.35	0.35	100
25.		2202-01-111-01 (Sarva Shiksha Abhiyan)	325.00	235.68	72.52
26.	32-Higher Education	2202-03-800-01-01 (Strategic Assistance for State Higher Education-RUSA)	40.00	39.49	98.73
27.		2225-02-277-01-01 (Post Matric Scholarships)	47.15	27.64	58.62
28.	34-Art and Culture and Gazetteers	2205-00-001-03 (Promotion of Cultural Activities)	1.00	1.00	100
29.	35-Medical, Public Health and Family Welfare	2210-01-110-04 (Drug De-Addiction Clinic)	2.17	1.45	66.82
30.		2210-01-110-05 (Artificial Limb Centre)	1.15	0.87	75.65
31.		2210-01-200-01 (Goitres and Nutrition Programme)	0.42	0.42	100
32.		2210-02-102-01 (Homeopathy Establishment)	1.36	1.28	94.12
33.		2210-03-102-01 (Rural Subsidy Health Centre)	11.26	7.31	64.92
34.		2210-06-104-01 (Drug Control Establishment)	0.19	0.19	100
35.		2210-06-800-01-05 (National Programme for Control of Blindness)	0.80	0.67	83.75
36.		2210-06-800-06 (National Iodine Deficiency Disease Control Programme)	0.32	0.32	100
37.		2210-06-800-01-01 (Reproductive Child Health)	90.00	73.69	81.88
38.		2210-06-800-01-04 (Mission Flesi Pool)	45.00	40.38	89.73
39.		2210-06-800-01-11 (National Urban Health Mission)	15.08	11.58	76.79
40.		2211-00-001-01 (Direction -CSS)	1.33	1.33	100
41.		2211-00-001-01 (Direction -CSS)	35.22	33.90	96.25
42.		37-Municipal Administration	2217-80-191-01-01 (Basic Grants)	30.59	24.48

Sl. No.	Number and title of Grant	Name of the Scheme (Head of Account)	Total Grant	Surrender	Percentage of Surrender
43.		2217-80-191-01-02 (Performance Grants)	8.41	8.41	100
44.	40-Employment and Craftsmen Training	2230-03-001-01 (Direction)	1.43	0.74	51.75
45.		2230-02-101-02 (Pradhan Mantri Kaushal Vikash Yojana)	19.10	12.41	64.97
46.	41-Labour	2230-01-101-02 (Enforcement of Factories Act & Boilers)	0.24	0.24	100
47.	42-Rural Development	2505-02-101-01 (Employment Scheme)	1,075.00	743.87	69.20
48.	43-Social Security and Welfare	2235-02-103-03 (Mission for Empowerment of Women)	1.66	1.42	85.54
49.		2235-02-103-07 (Swadhar Greh)	0.42	0.29	69.05
50.	45-Co-operation	2425-00-108-02 (Integrated Co-operative Development)	20.66	15.75	76.23
51.	47-Legal Metrology and Consumer Protection	2552-47-800-01 (Modernisation)	0.29	0.29	100
52.		3475-00-800-03 (State Consumer Dispute Redressal Commission and District Consumer Fora)	2.20	2.20	100
53.	48-Agriculture	2401-00-104-02 (Demonstration Farms)	0.66	0.66	100
54.		2401-00-108-02 (Agriculture Information and Publicity)	0.47	0.47	100
55.		2401-00-108-09-01 (National Mission for Sustainable Agriculture)	25.55	17.83	69.78
56.		2401-00-108-09-02 (Mission mode Project on Agriculture National e-Governance Plan)	1.20	1.20	100
57.		2401-00-111-02 (Agriculture Census)	1.00	0.95	95.00
58.		2401-00-114-01-01 (National Mission on Oil Seeds and Oil Palm Mission)	8.31	8.31	100
59.		2401-00-800-08 (Pradhan Mantri Sinchai Yojana)	43.75	22.55	51.54
60.		2415-01-004-03 (Plant Protection Laboratory)	0.75	0.75	100
61.		49-Soil and Water Conservation	2402-00-101-01 (Survey and Testing)	0.25	0.15
62.	2402-00-103-11 (Mitigation of Flood and River Bank Erosion)		23.50	23.50	100
63.	50-Animal Husbandry and Dairy Development	2403-00-102-01 (Cattle Development)	7.19	5.96	82.89
64.		2403-00-104-01 (Sheep and Goat Farm)	2.09	2.03	97.00
65.		2403-00-107-01 (Feed Manufacturing Centres)	5.50	4.97	90.36

Sl. No.	Number and title of Grant	Name of the Scheme (Head of Account)	Total Grant	Surrender	Percentage of Surrender
66.		2403-00-101-04-01 (Livestock Health & Disease Control)	5.60	4.77	85.18
67.		2403-00-106-01-01 (Livestock Mission)	15.00	13.06	87.07
68.		2404-00-102-01 (Rural Dairy Centre)	3.38	3.38	100
69.	51-Fisheries	2405-00-101-01 (Riverine Fisheries)	0.05	0.05	100
70.		2552-51-101-02 (Integrated Fishery Development Programme)	0.22	0.22	100
71.	52-Forest, Ecology, Environment and Wildlife	2406-01-101-02 (Nagaland Forest Management Project - JICA)	10.07	10.07	100
72.		2406-02-112-01 (Botanical Garden)	0.50	0.45	90.00
73.		2406-04-101-01 (National Afforestation Programme)	6.00	3.65	60.83
74.		2415-06-004-01 (Silvi-culture Research)	0.50	0.45	90.00
75.	53-Industries	2851-00-001-04 (Work Charge Establishment)	0.40	0.40	100
76.		2851-00-101-01 (Industrial Estate)	0.54	0.54	100
77.		2851-00-103-01 (Training)	2.01	1.94	96.41
78.		2851-00-104-01 (Training Centre)	1.33	1.31	98.50
79.		2851-00-200-01 (Beekeeping Farm)	0.98	0.98	100
80.		2851-00-200-02 (Economic Plant and Demonstration Farm)	4.88	3.97	81.35
81.		2851-00-800-01 (Exhibition)	0.80	0.80	100
82.		2851-00-800-04 (Nagaland Tool Room and Training Centre)	0.10	0.10	100
83.	55-Power	2801-05-001-02 (Direction Distribution & Revenue)	12.62	11.00	87.16
84.		2801-05-052-01 (New Supplies)	0.10	0.10	100
85.		2801-80-003-01 (Lineman Training Centre)	1.48	0.87	58.78
86.	58-Roads and Bridges	3054-04-105-02 (Research Laboratory Cell)	5.86	3.67	62.63
87.	59-Irrigation and Flood Control	2702-80-800-05 (Statistical Cell)	1.00	0.64	64

Sl. No.	Number and title of Grant	Name of the Scheme (Head of Account)	Total Grant	Surrender	Percentage of Surrender
88.	62-Civil Administration Works	2059-80-001-02 (Accommodation for CPMF)	0.25	0.25	100
89.	64-Housing	2059-80-001-01 (Direction)	24.50	13.27	54.16
90.		2216-05-800-01 (Estate Management)	25.75	14.60	56.70
91.	70-Horticulture	2401-00-104-01 (Farms and Nurseries)	0.25	0.25	100
92.		2401-00-119-10-01 (National Horticulture Mission)	98.00	57.40	58.57
93.	72-Land Resources Development	2501-05-101-07 (Tea Plantation)	2.00	2.00	100
94.		2552-72-800-01 (Rubber Development)	0.36	0.36	100
95.	78-Technical Education	2203-00-107-01 (Technical Scholarships)	1.65	1.05	63.64
Capital (Charged)					
96.	75-Servicing of Debt	6003-00-108-01 (National Cooperative Development Corporation)	2.50	.129	51.60
97.		6004-03-800-01 (Central Plan Loans)	0.74	0.74	100
Capital (Voted)					
98.	4-Councils of Minister	4059-01-051-01 (Court Building)	3.00	3.00	100
99.	12-Treasuries and Accounts Administration	4059-01-051-01 (Works under Treasuries)	2.00	1.46	73.00
100.	14-Jails	4216-01-106-01 (Works under Jails)	1.00	1.00	100
101.	22-Civil Supplies	4408-02-800-01 (Construction of Godowns in Different Districts-CSS)	8.00	8.00	100
102.	26-Civil Secretariat	4575-03-800-01 (Proviso to Article 275 (1))	194.87	182.50	93.65
103.		4575-03-800-02 (Tribal Research Institute)	5.87	4.88	83.13
104.	27-Planning Machinery	4059-80-800-02 (Non Lapsable Central Pool Resources)	140.00	140.00	100
105.		4059-80-800-01 (Externally Aided Projects)	85.00	85.00	100
106.	31-School Education	4202-01-202-01 (Repairs and Renovation)	5.01	2.90	57.88
107.		4202-01-800-01 (Direction and Administration)	0.96	0.48	50

Sl. No.	Number and title of Grant	Name of the Scheme (Head of Account)	Total Grant	Surrender	Percentage of Surrender
108.		4552-00-800-01 (Works under School Education)	0.40	0.40	100
109.	33-Youth Resources and Sports	4202-03-102-03 (Multi Discipline Indoor Sports Stadium)	11.25	6.75	60
110.	34-Art and Culture and Gazetteers	4202-04-106-01 (State Museums)	3.01	3.01	100
111.		4552-34-800-01 (NEC Schemes)	3.31	3.31	100
112.	35-Medical, Public Health and Family Welfare	4210-01-110-02 (Trauma Care Centre)	7.70	7.38	95.84
113.		4210-03-105-01 (Medical College)	77.00	77.00	100
114.	36-Urban Development	4217-60-051-01 (Special Development Fund)	17.57	9.96	56.69
115.		4217-01-051-01-01 (North Eastern Region Urban development Project -EAP:ADB)	35.00	17.36	50
116.	37-Municipal Administration	4217-60-051-01 (Urban Development Schemes)	1.06	1.06	100
117.		4217-60-051-02 (Special Development Fund)	20.22	14.68	72.60
118.		4217-60-051-06 (Pradhan Mantri Awas Yojana)	16.12	11.25	69.79
119.	39-Tourism	4552-39-800-01 (Promotion of Tourism in NER-SR)	0.40	0.40	100
120.		4552-39-800-01 (Promotion of Tourism in NER-NEC)	3.94	2.96	75.13
121.	43-Social Security and Welfare	4235-02-800-02 (Construction of Anganwadi Centre)	12.10	12.10	100
122.	50-Animal Husbandry and Dairy Development	4403-00-001-01 (Maintenance of Assets)	4.00	4.00	100
123.	51-Fisheries	4059-01-051-01 (Building under Fishery)	3.00	2.65	88.33
124.	55-Power	4801-01-800-02 (Other Micro Hydel Scheme)	5.46	5.46	100
125.		4801-05-001-01 (Building and Housing)	2.71	2.71	100
126.		4801-05-800-01 (Transmission Scheme)	6.80	5.44	80
127.		4801-05-800-01 (Transmission Scheme-NLCPR)	41.06	23.48	57.18
128.	56-Road Transport	4552-56-800-02 (Infrastructure Development for Helicopter Services)	2.00	2.00	100
129.		5055-00-800-02 (Inter State Bus Terminus)	5.77	5.77	100

Sl. No.	Number and title of Grant	Name of the Scheme (Head of Account)	Total Grant	Surrender	Percentage of Surrender
130.	57-Housing Loans	7610-00-201-01 (HBA to AIS Officers)	0.22	0.22	100
131.	58-Roads and Bridges	4552-58-800-01 (Road & Bridges)	14.57	14.57	100
132.		5054-04-337-01 (PMGSY-CSS)	160.00	130.00	81.25
133.	59-Irrigation and Flood Control	4552-59-800-01 (Water Sector)	12.05	7.72	64.07
134.	60-Water Supply	4059-01-051-01 (Works under Water Supply)	3.50	2.54	72.57
135.		4215-01-800-06 (National Lake Conservation Plan)	10.00	8.00	80
136.		4215-02-102-01 (Swachh Bharat)	95.00	72.10	75.89
137.	64-Housing	4552-64-800-01 (NEC Schemes)	0.11	0.11	100
138.	65-State Council of Educational Research and Training	4202-01-201-01 (Works under SCERT)	5.00	5.00	100
139.	73-State Institute of Rural Development	4059-01-051-01 (Functional Building)	2.29	2.29	100
140.	76-Women Development	4235-02-103-02 (Women Development Complex)	0.65	0.65	100
141.	77-Development of Underdeveloped Areas	4575-03-800-01 (Border Area Development Programme)	53.57	28.73	53.63
142.	78-Technical Education	4202-02-104-01-01 (Setting up of New Polytechnics)	10.00	10.00	100
143.	82-New and Renewable Energy	4810-00-600-02 (Energy Efficiency and Energy Conservation)	0.28	0.28	100
Total			4,435.70	3,390.24	76.43

Source: Appropriation Accounts, 2019-20

Appendix 3.5

List of Grants with more than 50 per cent of expenditure in March alone

(Reference: Paragraph-3.4.4)

(₹ in crore)

Sl. No	Grant Description	Major Head	Ist Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total	Expenditure in March as percentage of total expenditure
1.	12-Treasuries and Accounts Administration	2030	0.62	0.00	0.00	1.18	1.80	66
		4059	0.00	0.00	0.00	0.54	0.54	100
2.	13-Village Guards	4055	0.00	0.00	0.00	1.77	1.77	100
3.	14-Jails	4059	0.00	0.00	0.00	1.77	1.77	100
4.	25-Land Records and Survey	4059	0.00	0.00	0.00	1.00	1.00	88
5.	27-Planning Machinery	3451	4.00	11.07	64.80	116.83	196.70	56
6.	30-Administrative Training Institute	4059	0.00	0.00	0.00	0.50	0.50	88
7.	33-Youth Resources and Sports	4552	0.00	4.24	0.00	9.99	14.23	50
8.	35-Medical, Public Health and Family Welfare	4210	0.32	0.00	1.30	6.00	7.62	70
9.	37-Municipal Administration	2217	0.70	1.04	1.35	9.31	12.40	71
10.	38-Information and Public Relations	4552	0.00	0.00	0.00	0.57	0.57	100
11.	39-Tourism	4552	0.00	0.36	0.00	0.62	0.98	79
12.	42-Rural Development	4515	0.00	0.00	0.00	1.00	1.00	100
13.	43-Social Security and Welfare	2236	0.35	11.74	25.31	66.59	103.99	64
		4235	0.00	0.50	0.00	23.97	24.47	98
14.	45-Co-operation	2552	0.00	0.00	0.00	0.39	0.39	100
		4216	0.00	0.00	0.00	0.18	0.18	100
15.	49-Soil and Water Conservation	2552	0.32	0.04	0.00	3.60	3.96	91
16.	4-Administration of Justice	4216	0.00	0.00	0.00	2.00	2.00	89
17.	51-Fisheries	2405	3.61	3.68	6.32	30.97	44.58	61
18.	52-Forest, Ecology, Environment and Wildlife	2415	0.00	0.00	0.00	0.05	0.05	100
		4406	0.00	0.00	0.00	1.00	1.00	89
19.	60-Water Supply	4059	0.00	0.00	0.00	0.96	0.96	100
		4215	0.00	0.48	2.38	73.83	76.69	53
20.	65- State Council of Educational Research and Training	4202	0.00	0.00	0.00	1.00	1.00	100
21.	66-Sericulture	2552	0.00	0.35	0.00	0.90	1.25	72
22.	68-Police Engineering Project	4055	0.00	41.95	0.56	16.36	58.87	82
23.	70-Horticulture	4401	0.00	0.00	0.00	1.35	1.35	100
24.	79-Border Affairs	5054	0.00	0.00	0.00	1.00	1.00	89
25.	82-New and Renewable Energy	4059	0.00	0.00	0.00	3.00	3.00	88
		4552	0.00	0.00	0.00	0.96	0.96	77
26.	9-Tax on Vehicles	4059	0.00	0.44	0.00	1.81	2.25	88
Total			9.92	75.89	102.02	381.00	568.83	

Source: Appropriation Accounts, 2019-20

Appendix 4.1

Department-wise List of Outstanding Utilisation Certificates (UCs) for the Grants provided up to the year 2019-20

(Reference: Paragraph-4.2)

(₹ in crore)

Sl. No.	Name of the Department	No. of UCs	Amount
1.	Rural Development	7	159.44
2.	Planning and Co-ordination	15	116.39
3.	Industries and Commerce	36	34.79
4.	Higher Education	10	32.48
5.	School Education	19	30.73
6.	Social Security and Welfare	21	15.66
7.	Youth Resource	14	14.75
8.	Co-operation	1	13.00
9.	Geology and Mining	7	9.20
10.	Municipal Administration	2	6.79
11.	Panchayati Raj	2	6.28
12.	Women Resource Development	8	4.37
13.	Urban Development	1	3.43
14.	Home Commissioner	25	1.76
15.	Agriculture	2	1.53
16.	Information and Public Relation	4	1.38
17.	Power	4	1.26
18.	Administration of Justice	3	0.89
19.	Legal Metrology and Consumer Protection	4	0.73
20.	Housing	1	0.40
21.	Fisheries	1	0.25
22.	Nagaland Legislative Assembly	1	0.19
23.	Horticulture	2	0.18
24.	Art and Culture	1	0.15
25.	Health and Family Welfare	2	0.13
26.	Information Technology and Communication	1	0.03
27.	Rajya Sainik Board	1	0.02
Total		195	456.21

Source: Appropriation Accounts, 2019-20 and VLC data

Appendix 4.2

Outstanding DCC Bills against the Drawal of AC Bills up to the year 2019-20

(Reference: Paragraph-4.3)

Sl. No.	Name of Department	No. of AC bills for which DCC Bills were outstanding	Amount (in ₹)
1.	Police	104	3,20,11,06,771
2.	Special Officer(Accounts) DDO for Home Commissioner	126	94,96,68,771
3.	Youth Resources and Sports	44	34,26,72,380
4.	Tourism	18	32,59,26,000
5.	Department of Under Developed Areas	5	17,91,96,000
6.	Planning and Coordination	3	11,01,71,360
7.	Chief Minister Secretariat	18	9,55,97,000
8.	Social Security and Welfare	8	6,87,17,000
9.	Veterinary and Animal Husbandry	8	4,31,81,090
10.	Border Affairs	8	3,88,29,000
11.	State Council of Education Research and Training	6	3,36,47,000
12.	Technical Education	2	2,30,00,000
13.	Industry and Commerce	4	2,06,75,000
14.	Election	1	1,52,91,000
15.	Administrative Training Institute	5	1,09,88,632
16.	Health and Family Welfare	1	1,00,00,000
17.	Higher Education	7	74,88,000
18.	Anti-corruption	3	32,08,000
19.	Information Technology and Communication	1	31,11,000
20.	School Department	1	22,62,000
21.	Special Officer (Accounts) (Sectt)	2	8,21,000
22.	Lokayukta Police	3	7,96,973
23.	Information and Public Relations	1	5,00,000
Total		379	5,48,68,53,977

Source: Appropriation Accounts, 2019-20 and VLC data

Appendix 4.3

Department-wise Position of Proforma Accounts not prepared by the Departmentally Managed Commercial Undertakings

(Reference: Paragrph-4.12)

Sl. No.	Name of the Undertakings	Period of Accounts
1.	Nagaland State Transport Department	2013-14 to 2019-20
2.	Nagaland Power Department	2017-18 to 2019-20
3.	Farm Under Agriculture Department:	
	(a) Potato seed Farm, Kuthur	1999-01 to 2019-20
	(b) Medium Size Seed Farm, Merapani	2001-02 to 2019-20
	(c) Seed Farm, Tizit	2000-01 to 2019-20
4.	Changki Valley Fruit Preservation Factory	2006-07 to 2019-20
5.	Timber Treatment and Seasoning Plant, Dimapur	1998-99 to 2019-20
6.	Government Cottage industries Emporia, Kohima	1998-99 to 2019-20
7.	Farms under Veterinary and Animal Husbandry Department:	
	(a) Cattle Breeding Farm, Medziphema	1998-99 to 2019-20
	(b) Cattle Breeding Farm, Tuensang	1998-99 to 2019-20
	(c) Cattle Breeding Farm, Aliba	1998-99 to 2019-20
	(d) Chick Rearing Centre, (with Hatchery unit), Mokokchung	1998-99 to 2019-20
	(e) Chick Rearing Centre (with Hatchery unit), Dimapur	1998-99 to 2019-20
	(f) Chick Rearing Centre, Tuensang	1985-86 to 2019-20
	(g) Chick Rearing Centre, Medziphema	1985-86 to 2019-20
	(h) Pig Breeding Centre, Medziphema	1997-98 to 2019-20
	(i) Pig Breeding Centre, Tizit	1997-98 to 2019-20
	(j) Pig Breeding Centre, Tuensang	1985-86 to 2019-20
	(k) Pig Breeding Centre, Tuli	1980-81 to 2019-20
	(l) Regional Rabbit Breeding Farm, Jharnapani	1998-99 to 2019-20
	(m) Pig Breeding Centre, Merangkong	1998-99 to 2019-20
	(n) Chick Rearing Centre, Kohima	1998-99 to 2019-20
	(o) Pig Breeding Centre, Sathuja	1998-99 to 2019-20
	(p) Cattle Breeding Farm, Baghty	1998-99 to 2019-20
	(q) Sheep Farm, Poilwa	1998-99 to 2019-20
	(r) Buffalo Farm, Jalukie	1998-99 to 2019-20
8.	Farm under Horticulture Department:	
	(a) Regional Progeny Orchard, Lonnak	1987-88 to 2019-20

Source: Information furnished by the Office of the PAG(Audit), Commercial Wing, Nagaland

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