

CHAPTER II

AUDIT OF TRANSACTIONS

HOME (POLICE) DEPARTMENT

2.1 Fraudulent drawal of funds

The Director General of Police, Nagaland, Kohima drew an amount of ₹ 18 crore against fictitious bills. The fraudulent drawal of ₹ 18 crore therefore, needs investigation.

A fully vouched contingent bill No. 111 dated 15 June 2009 pertaining to the Director General of Police (DGP), Kohima was received in the Accountant General's office through the treasury for compilation of Accounts. The sub-vouchers attached to the bill are detailed below:

Table No. 2.1

Sl. No	Name of the Entity	Entities Bill No. and date	Items procured	Amount (₹)
1.	Ordnance Factory Khamaria, Jabalpur (M.P.)	C/149 Nagaland dt. 5.5.2009	Arms/Ammunition	4,30,29,260
2.	-do-	C/150 Nagaland dt. 5.5.2009	-do-	1,48,24,440
3.	Bridggap Associates	BA/NL/P/11/2009 dt. 5.5.2009	Equipment	7,81,86,960
4.	Laggar Industries Limited	LIL/DD/18/2009 dt. 6.5.2009	Defence Vehicles	1,50,01,000
5.	Tata Motors Limited	AO-GUW/Bill/25/09 dt. 4.5.2009	22 Vehicles	2,02,09,996
6.	Sanchar Telesystems Limited	STL/NPHQ/2009/19 dt. 4.5.2009	Equipment	87,48,684
TOTAL				18,00,00,340

A review of the above sub-vouchers revealed that there were several inconsistencies such as totalling errors, abnormally low rates for certain items etc. which were prima-facie indicative of fraudulent payments. An attempt was therefore, made in audit to ascertain the genuineness of the bills and the following was observed:

- The Ordnance Factory Khamaria, Jabalpur, on enquiry, stated that both the bills at Sl. Nos. 1 and 2 of the table above have not been issued by them. They further stated that the items shown in the bills are not in their production range;
- The Entities mentioned at Sl. Nos. 3, 5 and 6 above also confirmed that they have neither supplied the materials to DGP, Kohima nor raised any bills on them;

- The Department of Trade and Taxes, New Delhi confirmed, after verification, that the entity mentioned at Sl. No. 4 above was neither registered nor was functioning in the address mentioned in the bill.

It is evident from the above that the amounts were not paid to the entities but were mis-appropriated by production of fictitious bills.

Thus, the DGP, Kohima drew an amount of ₹ 18 crore against fictitious bills. The fraudulent drawal of ₹ 18 crore therefore, needs investigation.

The Government stated (January 2011) that the amount was drawn through a AC bill and utilised for purchase of vehicles and other equipment except an amount of ₹ 5.79 crore which is set aside for purchase of arms and ammunitions awaiting allotment of arms and ammunitions from Union Ministry of Home Affairs and kept in the account of DGP. The Government further stated that a three member Committee headed by the Principal Secretary has been constituted to look into the genuineness of purchases made and submit its report to the Government for necessary action.

But the fact remains that a fully vouched contingent bill was received in the Accountant General's office through the treasury and all the purchases shown in the sub-vouchers attached to the bill have been found to be fictitious.

2.2 Fraudulent drawal

Project Engineer, Police Engineering Project Division, Chumukedima fraudulently drew an amount of ₹ 4.11 lakh on fictitious bills and ₹ 2.92 lakh by inflating the totals of salary bills.

Rule 34 of the Receipt and Payments Rules provides that a Bill Register should be maintained by all the Heads of Offices who are authorized to draw money on bills signed by them. To prevent presentation of fraudulent bills to the treasury, a Bill Transit Register is to be maintained by the DDO and crosschecked with the Bill Register. Further, the aforesaid registers should be reviewed by a gazetted officer and the result of review recorded thereon. Treasury Rules, in addition to prescribing various checks to be exercised by the Treasury Officer, also require that he shall obtain sufficient information as to the nature of each payment he is making and shall not accept a claim which does not formally present that information unless there are valid reasons which he shall record in writing for omitting to enquire it.

Project Engineer, Police Engineering Project (PEP) Division, Chumukedima drew ₹ 7.03 lakh between October 2008 and March 2009 as pay and allowances of the Divisional staff in seven bills. Scrutiny of the bills revealed the following:

- An amount of ₹ 4.11 lakh was drawn on one bill in October 2008 (Voucher No.39) on account of pay and allowances against 36 Grade II and III regular employees without indicating the required particulars such as the Bill No, month for which salary was drawn, designation of the employees, scale of pay of each grade, GPF account number and the amount of monthly subscription of each employee etc. Scrutiny

revealed that the Division had been drawing the pay and allowances of all employees regularly. Hence, ₹ 4.11 lakh drawn on account of pay and allowances was on a fictitious bill.

(ii) Similarly, the Project Engineer, PEP drew ₹ 37.79 lakh in six bills against the actual admissible net total amount of ₹ 34.86 lakh by inflating the net totals (**Appendix-2.1**) resulting in fraudulent drawal of ₹ 2.92 lakh.

On this being pointed out, the Project Engineer admitted the fact and deposited ₹ 4.11 lakh into Government Account in October 2010 and further stated that the balance ₹ 2.92 lakh shall be deposited in the Government account shortly.

The matter was reported to the Government (October 2010); their reply was awaited (January 2011).

2.3 Fraudulent drawal

Superintendent of Police, Dimapur fraudulently drew an amount of ₹ 9.11 lakh by inflating the totals of salary bills.

Rule 66(3) of the Central Government Account (Receipts and Payments) Rule, 1983 provides that entries in all money columns of the paybill are to be totalled separately under each section and part and totals written in red ink. The totalling must be checked by the drawing officer himself or by some responsible person other than the person preparing the bill.

Scrutiny of pay bills (March 2009 to October 2009) of Superintendent of Police (SP), Dimapur showed that the SP drew ₹ 234.58 lakh as against the actual admissible net total of eight salary bills amounting to ₹ 225.47 lakh, by inflating the net totals (**Appendix-2.2**) resulting in fraudulent drawal of ₹ 9.11 lakh.

Thus, failure of the SP and the Treasury Officer in exercising the necessary statutory checks prescribed under rules resulted in fraudulent drawal of ₹ 9.11 lakh.

The matter was reported to the Government (October 2010); their reply was awaited (January 2011).

PUBLIC WORKS DEPARTMENT (ROADS AND BRIDGES)

2.4 Suspected misappropriation of Government funds

There was a suspected misappropriation of an amount of ₹ 3.73 crore during the period from December 2008 to June 2009 in the Public Works Department (Roads and Bridges) South Division, Kohima which was done by recording higher amounts in the Cash Book against issue of cheques for lesser amounts to other divisions.

The Public Works Department (Roads and Bridges) South Division, Kohima withdraws money from the Treasury through bills on behalf of all the 26 Public

Works (Roads and Bridges) Divisions in the State of Nagaland. The South Division deposits the funds withdrawn from the Treasury in a current account opened by them for the purpose with State Bank of India, Main branch, Kohima and transfers the funds to other divisions through cheque.

A scrutiny of relevant records in the South Division by Audit (March 2010) revealed that an amount of ₹ 37.67 crore was recorded as transferred to other divisions in the Cash Book of the South Division during the period from December 2008 to June 2009 in 58 instances. However, the bank statements and the counterfoils of the cheques showed that an amount of ₹ 33.94 crore only was transferred by the South Division to other divisions.

Hence, the actual issue of cheques by the South Division to other divisions was always less than the amount recorded in the Cash Book of the South Division which varied between 5 and 44 *per cent* but remained at 5 or 10 *per cent* on most of the occasions.

The South Division instead of remitting the treasury cheques directly to other divisions operates a bank account on its own which has facilitated retention of a portion of the funds being transferred to other divisions resulting in suspected pilferage of Government funds amounting to ₹ 3.73 crore during the six month period from December 2008 to June 2009.

Thus, there was a suspected misappropriation of an amount of ₹ 3.73 crore (as detailed in *Appendix-2.3*) in the South Division during the period from December 2008 to June 2009.

The Government while accepting (January 2011) the fact that the practice followed by the Department was irregular and was not in accordance with the existing rules and procedures stated that the Department was compelled to make such deductions centrally from releases to meet emergency expenditure on land slide clearances, emergency repair of roads, procurement of office machinery and stationery, procurement of vehicles for field officers etc. since there was no clear cut funds to meet such requirements above and also enclosed the relevant vouchers in this regard. They further stated that in order to ensure that such practices are not resorted to despite the many constraints faced by the Department, the Government has issued instructions banning such practices.

But the fact however, remains that the amounts had been withdrawn by the South Division from the treasury for onward transmission to specific divisions and the deductions from the bills deposited in a current bank account outside the Government accounts. Hence, the amounts stated to have been expended subsequently could not be vouchsafed in audit.

2.5 Payment for unexecuted items of work

Executive Engineer, Nagaland Public Works Department (Roads and Bridges), Dimapur made an excess payment of ₹ 62 lakh to a contractor for unexecuted items of work

The Chief Engineer, Nagaland Public Works Department (NPWD), Roads and Bridges (R&B) awarded (October 2007) the 'Construction of Link Road at Medziphema Valley' from Jharnapani NH-39 to Khaibong Junction (6 Km) under Additional Central Assistance (ACA) to a contractor¹ at an estimated cost of ₹ 2.80 crore at NPWD Schedule of Rate 2005. Besides providing compaction, construction of embankment and WBM works, the estimate envisaged construction of 45 Hume Pipe Culverts² and 3 RCC culverts at different locations. The work commenced in July 2007 and was completed in November 2008 and initial payment of ₹ 1.76 crore was released³ to the contractor.

A verification committee headed by the Additional C.E, PWD (R&B) constituted (April 2009) by the Government inspected the road and recommended release of payment as construction of the road including construction of 41 Hume pipe culverts⁴ was completed. On the basis of this recommendation, the EE, Dimapur passed the final bill for ₹ 2.80 crore and released ₹ 80 lakh to the contractor withholding an amount of ₹ 24 lakh.

Scrutiny (March 2010) of records of the EE, PWD (R&B), Dimapur followed by a joint physical verification conducted by audit along with the Divisional Officers revealed that only 20 Hume pipe culverts⁵ were constructed by the contractor along the entire stretch of link road. The remaining 25 Hume pipe culverts costing ₹ 62 lakh⁶ were not at all constructed though the other items of works were complete as per the DPR.

This has not only resulted in excess payment of ₹ 62 lakh on unexecuted items of works but also adversely affected the successful implementation of the project.

The matter was reported to the Department and the Government (September 2010); their reply was awaited (January 2011).

¹ Shri Hukato Naga

² 1000 mm dia H:5 M- 20 Nos and 1000 mm dia H:3M -25 nos

³ In two RA Bills (₹ 128 lakh in November 2007 and ₹ 48.15 lakh in December 2007).

⁴ H-3 24 Nos and H-5 17 Nos

⁵ H3- 11 Nos and H 5- 9 Nos

⁶ (H-3 M – ₹ 2478000 (₹ 177000 X 14.) and ₹ 3677905 (₹ 334355 x 11)

SCHOOL EDUCATION DEPARTMENT

2.6 Fraudulent drawal

Deputy Inspector of School, Aghunato drew ₹ 3.42 lakh, Deputy Inspector of School, Zunheboto drew ₹ 3.13 lakh and Head Master, Government High School, Aghunato drew ₹ 1.98 lakh by presenting fraudulent ACPS arrear claims.

Director, School Education Department granted (August 2008) financial upgradation to eligible teachers of Education Department under Assured Career Progression Scheme (ACPS). The Deputy Inspector of School (DIS), Aghunato, Deputy Inspector of School (DIS), Zunheboto and Head Master (HM), Government High School (GHS), Aghunato drew the ACPS arrears in respect of several employees from the effective date between November 2008 and March 2009.

(i)Scrutiny of vouchers showed that DIS Aghunato prepared the claim and drew ACPS arrears twice in respect of 19 employees amounting to ₹ 3.42 lakh against different bills (*Appendix-2.4*).

(ii)Scrutiny of vouchers of ACPS Arrears claims of employees of DIS Zunheboto showed that the names of 29 employees have appeared in two different bills and two names in three bills (*Appendix-2.5*). Thus, ₹ 3.13 lakh was also fraudulently drawn by the DIS Zunheboto against ACP arrear claims.

(iii)Similarly, the HM, GHS, Aghunato drew the ACPS arrears amounting to ₹ 1.75 lakh in respect of 6 employees twice, while ₹ 0.23 lakh was drawn against an employee whose name did not appeared in the list approved by the Director (*Appendix-2.6*). Thus, ₹ 1.98 lakh was fraudulently drawn by the HM, GHS, Aghunato against ACP arrear Claims.

On this being pointed out (February 2010) the DIS Zunheboto admitted the fact (March 2010) and stated that the excess amount would be deposited into the Government account in three equal installment and produced a treasury challan (March 2010) in support of deposit of ₹ 96,083 being the first instalment of the recovery from the employees in to the account of the Directorate of School Education.

The matter was reported to the Government (October 2010); their reply was awaited (January 2011)

2.7 Unadjusted medical advances

Laxity of the Education Department resulted in non-adjustment of medical advances of ₹ 1.69 crore.

Advances under Medical Attendance rules are granted to Government servants for their treatment or the treatment of members of their family. Applications for such advances must be accompanied by necessary certificates from the Medical

Officers/Specialists indicating duration and anticipated cost of such treatment. Advances paid to the Government servants are to be adjusted against the claims to be preferred by the Government servant within one month from the date of discharge from the hospital (in case of in patients) or 3 months from the date of drawal of advances or completion of treatment, and balance, if any, be recovered from his pay and allowances in a maximum of four instalments.

During Audit (October 2009) of the records of the Director, School Education, Kohima it was noticed that final bills in adjustment of advances of ₹ 1.69 crore paid to 396 officials during the period from March 2001 to May 2009 had not been received even after a lapse of one to 8 years. As a result, the entire advance of ₹ 1.69 crore stands recoverable.

Further, the Department could neither produce any application from the employees requesting for advance nor the necessary certificates from the medical authorities indicating the duration of treatment and anticipated cost thereof as required to be furnished for payment of medical advances to the employees. Consequently, the genuineness of the advances paid remained questionable.

Thus, due to failure of the Drawing and Disbursing Officers (DDO's) to discharge their statutory responsibilities, the aforesaid 396 employees were allowed to reap undue financial benefits.

The matter was reported to the Government and Department (September 2010), their reply was awaited (January 2011.)

PUBLIC HEALTH ENGINEERING DEPARTMENT

2.8 Excess payment to suppliers

Two Executive Engineers⁷ under Public Health Engineering Department made excess payment of ₹ 1.13 crore to suppliers by applying higher rate of Central Sales Tax.

Government of India, Ministry of Finance (Department of Revenue) had reduced the rate of tax as specified in sub-section (1) of section 8 of the Central Sales Tax Act, 1956 from 4 to 3 *per cent* w.e.f. 01.04.2007 and from 3 to 2 *per cent* w.e.f. 01.06.2008 through notification dated 29.3.2007 and 30.05.2008 respectively.

During scrutiny (February—March 2010) of records of the Executive Engineer, Public Health Engineering (Urban) Division, Dimapur and Executive Engineer, Public Health Engineering (Store) Division, Dimapur, it was noticed that the Department had procured Galvanised Mild Steel Pipes from various suppliers at a cost of ₹ 79.82 crore (excluding taxes) during the period from June 2007 to January 2010. Further scrutiny revealed that the EEs also paid Central Sales Tax at 4 *per cent* to the

⁷ Public Health Engineering (Urban) Division, Dimapur and Public Health Engineering (Store) Division, Dimapur.

suppliers instead of the applicable rate of 3 per cent/2 per cent (*Appendix-2.7*) resulting in excess payment of ₹ 1.13 crore.

The Government stated (December 2010) that 4 per cent of CST was paid due to non receipt of orders regarding revision of CST from the concerned department and the CST will be deducted at the prescribed rates in future.

The fact however, remains that an amount of ₹ 1.13 crore has been overpaid which need to be recovered.

2.9 Excess Expenditure

Chief Engineer, Public Health Engineering Department allowed higher rate for GMS pipes to a supplier resulting in an excess expenditure of ₹ 42.87 lakh.

The Chief Engineer (CE), Public Health Engineering Department invited tenders (January 2007) for supply of Galvanised Mild Steel Pipes⁸ (GMS) of various size from Manufacturers/Registered dealers. Amongst 8 bidders who participated in the bid M/S Indus Tubes, New Delhi quoted the lowest rate of ₹ 589 per metre (inclusive of duties, taxes, etc) for 40 mm⁹ GMS pipe and the Department approved (February 2007) the rate quoted by the above firm and decided to procure from local authorised suppliers at the approved rate. Subsequently, the Department revised (September 2008) the rates of all size of pipes due to increase in steel prices and fixed the rate of 40 mm pipes at ₹ 665.75 per metre (inclusive duties, taxes, etc).

The Executive Engineer (EE), PHED Store Division, Dimapur procured GMS pipes of various sizes valued at ₹ 38.28 crore from six local suppliers based on the supply orders issued by the C.E between March 2007 and August 2008. Scrutiny (March 2010) of records of PHED Store Division revealed that the C.E allowed the enhanced rate of ₹ 665.75 per metre to one supplier¹⁰ against one supply order (May 2008) for supply of 55865 metres of 40 mm pipes instead of the applicable rate of ₹ 589 per metre and paid ₹ 371.93 lakh (March 2009), resulting in an excess expenditure of ₹ 42.87 lakh.

Thus, arbitrary award of supply order at higher rate by the C.E resulted in an avoidable excess expenditure of ₹ 42.87 lakh¹¹.

The Government stated (December 2010) that the proposal for revision of rate was submitted in March 2008 and the Department in anticipation of the approval issued the supply order at enhanced rate.

The reply is not tenable as the proposal for the revision of rate was based on the analysis of the escalation of steel price (SAIL) and other components as of September

⁸ IS:1239 – 1979 (Pt-1)

⁹ Heavy quality

¹⁰ M/S Paul Mehta & Bros

¹¹ ₹ 32904485 (55865 mtrs X ₹ 589)– ₹ 37192123 (55865 mtrs X ₹ 665.75)

2008. Besides, the Department procured the same specification GMS pipe at old rate from a different supplier against a supply order issued by the CE in July 2008.

EMPLOYMENT & CRAFTSMEN TRAINING DEPARTMENT

2.10 Irregular payment and Blockade of funds

The Director, Employment and Craftsmen Training paid an advance of ₹ 219.33 lakh to a supplier who failed to supply material worth ₹ 21.06 lakh. Further, material worth ₹ 60.16 lakh was lying idle in the store even after 30 months of the targeted date of completion of the project.

The Ministry of Development of North Eastern Region (DONER) approved (December 2006) the project, 'Upgradation and Modernisation of 3 ITIs (Kohima, Mon and Dimapur) at a cost of ₹ 219.33 lakh. The project included modernisation and upgradation of the Vocational Training infrastructure in these ITIs through modernization, replacement of outdated tools and equipment, making up the shortage of equipment and introduction of advanced and high-tech facilities to ensure qualitative training delivery. The project cost was to be shared in the ratio of 90:10 by the Central and the State Governments and was to be completed by May 2008. Both the Centre and the State released the fund between March 2007 and March 2008.

The supply of machineries, equipment and training material and installation work was awarded (March 2007) to a local supplier for ₹ 219.33 lakh and was to be completed by March 2008. As per terms of agreement, articles were to be inspected by a Board of Inspection in the respective ITIs before releasing the payment to the supplier.

Scrutiny (February 2010) of records of the Director, Employment and Craftsmen Training, Kohima showed that the Department drew the entire amount of ₹ 219.33 lakh¹² and paid to the supplier between March 2007 and March 2008 on the basis of bills submitted by the supplier and receipt of material certified by the Director. The Department submitted Utilisation Certificate (UC) for Central share in July 2007 (₹ 69.09 lakh) and March 2008 (₹ 128.31 lakh) to the State Government. The completion certificate of the project was also submitted to the State Government in March 2009.

Further scrutiny of Stock Register, delivery challans, etc., however, revealed that against the payment of ₹ 206.57 lakh¹³ the supplier delivered machineries and equipment worth ₹ 138.94 lakh only which resulted in short receipt of material worth ₹ 67.63 lakh. Further, articles costing ₹ 74.90 lakh out of the above supply were retained in the Directorate without issuing them to the respective ITIs.

¹² ₹ 69.09 lakh vide Bill No 236 dated 30/3/07 (Central Share), ₹ 128.31 lakh vide Bill No 174 dated 3/1/08 (Central Share) and ₹ 21.93 lakh vide Bill No 222 dated 29/3/08 (State Share)

¹³ Excluding installation charges of ₹ 12.76 lakh

After this was pointed out, the Government replied (October 2010) that supply of remaining materials were completed and the same were issued to respective ITIs.

However, a joint physical verification by the Audit team along with the departmental officials (December 2010), revealed that the machineries valued at ₹ 21.06 lakh are yet to be supplied by the supplier. Besides, machineries and equipment valued at ₹ 45.50 lakh and ₹ 14.66 lakh respectively were lying in the store of ITI, Kohima and the Directorate unpacked.

DEPARTMENT OF HIGHER EDUCATION

2.11 Avoidable Expenditure

Department spent ₹ 88 lakh for purchase of a land that was donated free of cost for Zunheboto College in 1985.

Land measuring 795850 sq. ft was donated free of cost to the Department for setting up of Zunheboto College by five land owners¹⁴ in 1985.

The Land Revenue Department issued a Notification (July 2005), prohibiting acceptance of land free of cost by Government Departments henceforth, to avoid any future claim by the land owners.

Scrutiny of records (February 2010) in Directorate of Higher Education showed that on the basis of the above notification, the Deputy Commissioner (DC), Zunheboto being the Chairman of Standing Committee proposed for purchase of 878756 Sq.ft of land, including 795850 Sq. ft of land at the rate of ₹ 12 per Sq. ft as agreed by the land owners. The Department accorded administrative approval (January 2008) for ₹ 122.41 lakh and expenditure sanction (March 2008) for ₹ 88 lakh. On the basis of this sanction, the Director drew ₹ 88 lakh and remitted to the DC for payment to the land owners. However, the Department could not produce sale deed etc except the actual payee receipts (APRs) purportedly received from the land owners submitted by the DC. No further expenditure was made in this connection till the date of audit (February 2010).

Thus, purchase of land by the Department of Higher Education in contravention of Notification (July 2005) of the Land Revenue Department resulted in avoidable expenditure to the tune of ₹ 99.50 lakh.

The matter was reported to the Department and the Government (August 2010); their reply was awaited (January 2011).

¹⁴ Shri Viheto Aye - 45000 Sqft, Ikuto Sema -165850 Sqft, Khakhu Sema – 260000 Sqft, Aghoto Yepto – 162500 Sqft, Ghokishe Sema -162500 Sqft

VETERINARY AND ANIMAL HUSBANDRY DEPARTMENT

2.12 Excess/ Fictitious Expenditure

The Director of Veterinary and Animal Husbandry paid ₹ 23.68 lakh towards honorarium to Enumerators/Supervisors and data entry fee over the norms fixed by the Ministry. Besides, the Department incurred a fictitious expenditure of ₹ 25.82 lakh on development of software and printing of the census report.

Under cent per cent Centrally Sponsored Scheme for conducting of 18th Live Stock Census in India, Government of India, Ministry of Agriculture, Department of Animal Husbandry, Dairying and Fisheries released ₹ 1.80 crore to the State Government in 5 instalments during 2007-09.

According to the norms of expenditure fixed by the Ministry (March 2008) the rate of honorarium for Enumerators, Supervisors and computerisation of data are to be paid at the following rates:-

- i. Enumerators:-₹ 9 per household for Special Category States
- ii. Supervisors:-₹ 0.90 per household for Special Category States
- iii. Computerisation of data:- ₹ 2.50 per household

Besides, it was also seen that the software for data entry was provided to all the States by the Ministry.

Scrutiny of records (April 2010) of Director of Veterinary and Animal Husbandry (DVAH) revealed that the Department had utilised the entire amount of ₹ 1.80 crore for covering 379500 households in the State during 2007-09. Out of the funds spent, Department incurred ₹ 96.57 lakh on account of data entry, printing of reports, honorarium to Enumerators, etc.

Analysis of records however, revealed that:-

- I. Against the actual admissible expenditure of ₹ 34.16 lakh for payment of honorarium to Enumerators, the Department paid ₹ 48.75 lakh resulting in excess expenditure of ₹ 14.59 lakh.
- II. Against the actual admissible expenditure of ₹ 3.42 lakh for payment of honorarium to supervisors, the Department paid ₹ 12 lakh resulting in excess expenditure of ₹ 9.58 lakh.
- III. Against the actual admissible expenditure of ₹ 9.49 lakh for payment of honorarium for data entry, the Department paid ₹ 10 lakh resulting in excess expenditure of ₹ 0.51 lakh.
- IV. The Department also incurred an expenditure of ₹ 10 lakh (March 2009) purportedly for development of software by M/S Net Link Communication though the software was already provided by the Ministry prior to May 2008.

V. It was seen that the Department prepared two bills for printing of the Census report in January and March 2009 for ₹ 15.82 lakh in favour of Vision Press though the actual work order was issued only in April 2009 to United Printers for printing of 5000 copies of the census report. Accordingly, the firm submitted the printed report and the bill for ₹ 8 lakh in September 2009. Thus, the Department fictitiously paid ₹ 15.82 lakh without actual execution of the work.

Thus, the Department incurred an excess expenditure of ₹ 23.68 lakh¹⁵ above the norms fixed by the Ministry and fictitious expenditure of ₹ 25.82 lakh¹⁶ on developing software and printing of Census Report.

The Department in reply stated (October 2010) that:-

(I&II) the Department had to pay higher rates to enumerators and supervisors considering the difficult terrain of the State.

The reply is not acceptable as the rate of honorarium were fixed by the Ministry considering the difficult and hilly areas of the Special category States.

(III) the Department accepted the facts.

(IV) as the Software provided by the Ministry was found defective the Department engaged the firm for modification.

The reply is not acceptable as the software was developed by the Ministry which is applicable for all the States and modified versions were also provided by the Ministry from time to time.

(V) while admitting the facts, the Department stated that ₹ 5.82 lakh was paid for printing of 'Schedules'.

The reply of the Government was awaited (January 2011).

RURAL DEVELOPMENT DEPARTMENT

2.13 Money kept outside Government Account

The Director, Rural Development Department kept ₹ 4.52 crore outside the Government Account in violation of Rules

According to Rule 75 of the General Financial Rules, every officer responsible for collection of Government dues or expenditure of Government money shall see that proper accounts of the receipts and expenditure are maintained in such form as may be prescribed for the financial transaction of Government with which he is concerned and tender accurately and promptly all such accounts and returns relating to them as may be required by Government, Controlling Officer or Accounts Officer as the case may be.

¹⁵ ₹ 14.59 lakh + ₹ 0.51 lakh + ₹ 8.58 lak (para 3-5)

¹⁶ ₹ 10 lakh (para 1) + ₹ 7.82 (para-2)

Clause 3 and 4 of the Guidelines for Development and Maintenance of Infrastructure for Rural Development Programme in Nagaland further provides that the Director shall deposit the funds in a Nationalized Bank account to be jointly operated by the Secretary of the Department and the Director.

During Audit (November 2009) it was noticed that the State Government accorded expenditure Sanction and Drawal Authority for ₹ 73.42 crore during 2007-2010¹⁷ under State Plan Scheme “Grant-in-Aid to Village Development Blocks” which was drawn by the Director Rural Development during October 2007, March 2009 and March 2010. Out of the amount drawn, ₹ 4.52 crore¹⁸ was transferred in favour of the Registrar being service charge deduction towards administrative expenses. However, the mode of transaction either by cash or cheque was not indicated in the main Cash Book.

A requisition (29 October 2009) followed by a reminder (3 November 2009) was issued to the Department to furnish the Subsidiary Cash Book, Bank Pass Book, Bank Reconciliation Statement, DPRs, Estimates, Annual Work Plans and Stock Registers etc in connection with the expenditure of ₹ 4.52 crore. Despite audit requisitions and reminders (October and November 2009) the Department expressed their inability without assigning any reason to furnish the records relating to the expenditure of ₹ 4.52 crore.

Thus, ₹ 4.52 crore was kept outside Government account in violation of Financial Rules which also entailed the prospect of the funds being misused for other purposes.

The matter was reported to the Government (August 2010); their reply was awaited (January 2011).

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Sl. No.	Year	Drawal Authority No. & Date	Sanction Order No. & date	Amount (₹.)
1.	2007-08	No.FIN/EXPDR-B/03/2007-08/TK/299 dt 8 th Oct 2007	No.RD/VDB-HOUSEHOLD-1/2007 dt 17 th Oct 2007	238300000
2.	2008-09	No.FIN/EXPDR-B/03/2008-09/JY/014 dt 15 th Oct 2008	No.RD/GIA-1/2003 dt 17 th Dec 2008	238300000
3.	2008-09	No.FIN/EXPDR-B/03/2008-09/RT/275 dt 13 th March 2009	No.RD/ADDL.Grant-in-Aid/2003 dt 16 th March 2009	5000000
4.	2009-10	No.FIN/EXPDR-B/03/2009-10/LY/USS dt 30 th March 2010	No.RD/GIA-1/2003 dt 31 st March 2010	252600000
Total				734200000

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Date of payment	To Whom paid	Amount	Page reference of cash book
03-07-08	Registrar Account	10000000	P/25
23-07-08	-do-	5500000	P/26
30-01-09	-do-	13949000	P/38
12-05-09	-do-	10000000	P/46
28-07-09	-do-	3734880	P/49

General

2.14 Outstanding Inspection Reports and Audit Committee meetings

The results of audit on financial irregularities and defects in maintenance of initial accounts noticed during local audit and not settled on the spot are communicated to the auditee departments and to the higher authorities through Inspection Reports (IRs). The more serious irregularities are reported to the Department and to the Government.

The position of outstanding reports in respect of the Civil Departments is discussed below.

As of March 2009, 5980 paragraphs included in 1,028 IRs issued upto 2009-10 were pending settlement. The year-wise break up of the outstanding IRs and paragraphs is given below:

Table No.2.2

Year	Number of outstanding	
	Inspection Reports	Paragraphs
Upto 2002-03	153	943
2003-04	102	650
2004-05	108	653
2005-06	193	1042
2006-07	168	921
2007-08	152	845
2008-09	93	605
2009-10	59	321
Total	1028	5980

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

Table No.2.3

Name of the Department	Number of IRs	Number of paragraphs
School Education	187	1052
Police	149	818
Rural Development	80	453
Health & Family Welfare	65	416
Forest	89	386
Industries and Commerce	35	103
Agriculture	46	248
Total	651	3476

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

No Audit Committee Meeting was held during the year 2009-10.