

OVERVIEW

This Report contains 19 audit paragraphs (including three general paragraphs) pertaining to Civil, Revenue and Commercial portion and one performance review. There is a separate chapter on Integrated Audit of the Agriculture Department. According to the existing arrangements, copies of the draft audit paragraphs and draft performance reviews were sent to the Secretary of the Department concerned by the Accountant General (Audit) with a request to furnish replies within six weeks. Replies were not received from the departments concerned in respect of four paragraphs.

1. Performance Reviews (Civil Departments)

1.1 Performance audit of Department of Under Developed Area

The objective of the Department to improve the economic condition through implementation of various developmental schemes for the under developed areas remained largely unachieved due to a significant shortfall in completion of projects coupled with lacunae in the planning process. There was also persistent savings as the Department was unable to absorb the funds provided by GOI. Besides, the State Government delayed release of Central funds to the Department. There were instances where payments were made without actual execution of works. Monitoring and evaluation of the projects was not carried out and as such, the impact of implementation of these programmes remained un-assessed.

(Paragraph 1)

2. Audit of Transactions

Director General of Police, Nagaland, Kohima drew an amount of ₹ 18 crore against fictitious bills.

(Paragraph 2.1)

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

(Paragraph 2.2)

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

(Paragraph 2.3)

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.

(Paragraph 2.4)

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

(Paragraph 2.6)

3. Integrated Audit of Agriculture Department

Planning process in the Department was flawed as Annual Work Plans of schemes/programmes were not integrated with State Agriculture Plan or District Agriculture Plans and the targets set in the State Agriculture Policy could not be met. The Department needs to gear up its activities to achieve its vision of 'Food for all by 2020'. Budgeting was unrealistic in view of persistent savings under Plan and huge excess expenditure under Non-plan. Financial management was deficient due to lack of coordination with the Finance Department and huge payments made to scheme/programme officers without proper accountability. Programme management was defective as the process of selection of beneficiaries/projects and implementation of schemes was not as per norms. Cash Book and records maintained for projects/schemes were inadequate and not reliable in view of large cash transactions and resultant lack of transparency especially in the devolution of scheme funds from the Directorate to the districts/sub-divisions.

(Paragraph 3)

4. Revenue Receipts

Audit of Transactions

Due to non adherence to the provision of the NVAT Act/rules regarding deduction of tax at source on works contract from the contractors' bill, there was non realisation of Government revenue amounting to ₹ 81.08 lakh.

(Paragraph 4.10)

Director SCERT allowed exemption of NVAT to a supplier resulting in loss of revenue of ₹ 15.64 lakh.

(Paragraph 4.11)

5. Overview of Government companies

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2010, the State of Nagaland had six PSUs (all Government companies) of which, one was non-working company. Three out of five working Government companies employed 245 employees. The working PSUs registered a turnover of ₹ 4.06 crore for 2009-10 as per their latest finalised accounts. This turnover was equal to 0.05 per cent of State GDP indicating an insignificant role played by State PSUs in the economy.

(Paragraph 5.1)

Investments in PSUs

As on 31 March 2010, the investment (Capital and long term loans) in six PSUs was ₹ 70.01 crore. It increased by over 5.36 per cent from ₹ 66.45 crore in 2005-06. Finance Sector accounted for 73.70 *per cent* of total investment in 2009-10. The Government contributed ₹ 14.74 crore towards equity, loans and grants/subsidies during 2009-10.

(Paragraph 5.4)

Performance of PSUs

The working PSUs incurred overall loss of ₹ 2.57 crore in 2009-10 and had accumulated losses of ₹ 19.32 crore. Besides, the only non-working PSU had the accumulated loss of Rs.14.70 crore as per its latest finalised accounts.

(Paragraph 4.12)

Arrears in accounts

All the five working PSUs had arrears of 85 accounts as of September 2010. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise. There was one non-working company. As no purpose was served by keeping this non-working company in existence, Government needs to expedite closing down of this company.

(Paragraph 5.13)

Quality of accounts

The quality of accounts of PSUs needs improvement. Out of the 12 accounts finalised by working companies during October 2009 to September 2010 only five accounts received qualified certificates.

(Paragraph 5.18)

Audit of Transactions

Non-observance of the laid down procedure for purchase of high value plant, machinery etc., for 'Modernisation and expansion of Mini Cement Plant, Wazeho led to cost overrun of ₹ 10.73 crore and the plant has not yielded any output even after lapse of seven years resulting in loss of potential revenue of ₹ 15.55 crore

(Paragraph 5.19)