

EXECUTIVE SUMMARY

This Report contains 15 compliance audit paragraphs including Audit on 'Procurement and distribution of food stuff under Supplementary Nutrition Programme (SNP)' and 'Procurement and distribution of Ration in Police Department' and four Performance Audits – Implementation of 'Indira Awaas Yojana (IAY)', 'Rashtriya Krishi Vikas Yojana (RKVY)', 'Local Area Development Programme (LADP)' and 'Roads and Bridges projects funded through Non-Lapsable Central Pool of Resources and North Eastern Council (NLCPR/NEC)' in Nagaland'. According to the existing arrangements, copies of the draft audit paragraphs and draft performance audits were sent to the Secretary of the departments concerned by the Accountant General (Audit) with a request to furnish replies within six weeks. Replies were not received from the Secretaries of the Departments concerned in respect of five audit paragraphs.

Chapter-I Social Sector

Audit on Procurement and distribution of foodstuff under Supplementary Nutrition Programme (SNP)

The data on the number of beneficiaries were not reliable as there was marked difference in the report furnished to the Ministry vis-à-vis the monthly progress reports submitted by the Child Development Project Officers. Consequently the actual expenditure was inflated by ₹ 34.53 crore during 2010-13. The Department also paid ₹ 40.70 crore without actual receipt of material. The Department recorded excess receipt of 22255.92 quintals of two items of foodstuff rendering the transactions doubtful which needs further investigation. There were serious flaws in implementation of the scheme in the State as the quantity of foodstuff required to be provided were compromised due to short distribution of foodstuff valued at ₹ 32.33 crore. The beneficiaries in the test checked projects were deprived of nutrition by ₹ 1.48 per day during the last five years. Out of 62 AWCs in 14 test checked projects, 54 AWCs did not have kitchen sheds which defeated the objective of providing Hot Cooked Meals.

(Paragraph 1.3)

Compliance Audit Paragraph

The Executive Engineer, PWD (Housing) Youth Resources and Sports Division, Kohima paid an amount of ₹ 38.31 lakh against an un-executed item of work i.e. construction of Swimming Pool at Dimapur Club by recording false measurement.

(Paragraph 1.4)

Performance Audits

Implementation of Indira Awaas Yojana (IAY) in Nagaland

Strategic planning process in the Department was inadequate as periodical survey to identify the shelterless rural poor for updating permanent waitlist and preparation of annual plan was not conducted. Selection of beneficiaries without the knowledge of Village Development Boards was noticed. Selection of beneficiaries was not adhered to the IAY permanent waitlist. Actual status and impact of the implementation could not be assessed as the Department followed the waitlist prepared on the basis of BPL census of 2002-2007.

The Department failed to provide complete habitable dwelling unit to the beneficiaries as they were denied admissible due share under the scheme. The quality of IAY house was compromised to project higher achievement figures. Deprivation of beneficiaries was noticed as a result of pilferage of CGI sheets.

There was poor financial control mechanism in the Department which resulted in deduction of GoI share, non-accountal of funds, non-submission of utilisation certificates and avoidable expenditure on procurement of CGI sheets.

(Paragraph 2.3)

Implementation of Rashtriya Krishi Vikas Yojana in Nagaland

The RKVY was implemented initially by seven agriculture and allied departments and from 2012-13 two more departments (Irrigation and flood control and Co-operation) were included. The project implementation was practically started from 2008-09 though GOI had released funds during 2007-08 to the State. The State prepared C-SAP out of C-DAP of all the districts. There were many anomalies in C-DAP/SAP which needs to be addressed. Delay and inadequate SLSC meetings resulted in delay in release of funds from GOI. There was also delay in release of funds from the State to implementing Departments and nodal department which resulted in delay in project implementation. There was no competitive bidding system followed for procurements. Undue benefits were given to select few suppliers and contractors. During project implementation short/non-supply of materials, wasteful expenditure, non-achievement of target, irregularities in supply of benefits, excess payment to suppliers and abandonment of projects were noticed. Proper mechanism to monitor and evaluate the contribution of production at State level did not exist. Also at the department levels, proper mechanism for post monitoring and evaluation of the projects was absent which resulted in failure to assess the success of the projects.

Though the State of Nagaland achieved an overall average annual growth of 5.19 *per cent* (an excess of 1.19 *per cent*) above national target during 11th plan under Agriculture and allied sectors. The schemes under RKVY were being implemented by 9 departments and the expenditure was thinly spread over the State. Thus, audit could

not determine whether the implementation of RKVY projects had contributed to increase of agricultural growth rate in the State.

(Paragraph 2.4)

Implementation of Local Area Development Programme in Nagaland

Village profile was not created to identify the critical areas wherein developments were required. Decentralised policy in selection of projects was not adopted which resulted in random selection of projects by elected members. Inadequate technical estimates approved by DPDB resulted in short execution, diversion of projects and overlapping of projects. Several instances of un-executed projects were noticed and execution of non-permissible projects outside the purview of scheme guidelines had defeated the purpose for which the scheme was designed. Verification committee certified works without recording measurement to support the nature of assets created. During the period 2008-13 an amount of ₹ 270.42 crore was spent on four categorised LADP programmes in the State. Test-check revealed 146 non-existent projects worth ₹ 5.18 crore indicating possible misappropriation to that extent. Neither nodal officer nor the technical expert group at districts monitored the projects during the execution to assess the quality of LADP funded works.

(Paragraph 2.5)

Audit on Roads & Bridges projects funded by Non-Lapsable Central Pool of Resources (NLCPR) and North Eastern Council (NEC) in Nagaland

Planning process adopted by the Department of Public Works was inadequate for long term perspective plan. DPRs and technical estimates prepared were not based on adequate survey and investigation reports resulting in deviation from the approved DPRs and many items of works remained un-executed. Due to delay in transfer of funds to executing divisions as well as un-authorized deduction of funds by Finance Department, many projects remained incomplete. Undue benefit to the contractors was provided through revisions of approved DPRs and payment for un-executed items of work. Due to lack of adequate monitoring mechanism and sub-standard workmanship, quality of works executed remained poor.

(Paragraph 2.6)

Compliance Audit Paragraphs

The Controller of Legal Metrology and Consumer Protection Department spent ₹ 136.84 lakh against two unexecuted items of work on the basis of fabricated records. The Controller also paid an excess amount of ₹ 64.12 lakh to contractors against five other works

(Paragraph 2.7)

Incorrect inclusion of Central Excise duty on cost of Galvanized Iron Pipes of 250 mm outer diameter resulted in excess expenditure of ₹ 105.49 lakh.

(Paragraph 2.8)

The Executive Engineer, PWD (R&B) South Division spent ₹ 36.95 lakh provided under Thirteenth Finance Commission Grants on the basis of fabricated records against an un-executed item of work i.e. Upgradation of laboratory attached to Chief Engineer's office.

(Paragraph 2.9)

The Department diverted ₹ five crore sanctioned for construction of 0-11 Km of Botsa to Zeizou road for earth-cutting of remaining 18 Km without completing the sanctioned work after the road was decided to be taken over by BRO to be developed as General Staff Road. Further, the Department's failure to handover the road led to construction of road in a different alignment by BRO resulting in further financial burden to the Department on account of maintenance.

(Paragraph 2.10)

Director, State Institute of Rural Development, Nagaland diverted ₹ 0.83 crore from the Backward Region Grant Fund for other purposes contrary to the provisions of scheme guidelines

(Paragraph 2.11)

Chapter-III Economic Sector (Public Sector Undertakings)

Investment in State PSUs

As on 31 March 2013, the investment of State and Central Government (Capital and long term loans) in six SPSUs was ₹ 98.04 crore. As on 31 March 2013, of the total investment in SPSUs, 95 per cent was in five working SPSUs and remaining 5 per cent was in one non-working SPSU. The total investment consisted of 37 per cent towards capital and 63 per cent in long term loans.

(Paragraph 3.3)

Performance of State PSUs

The losses of working SPSUs during 2008-09 to 2012-13 showed a mixed trend. The overall losses incurred by five working SPSUs increased from ₹ 1.36 crore (2008-09) to ₹ 2.57 crore (2009-10) and again from ₹ 2.07 crore (2010-11) to ₹ 2.50 crore (2011-12). During the five year period 2008-13, the losses were lowest in 2012-13 at ₹ 1.01 crore.

(Paragraph 3.6)

Arrears in finalisation of Accounts

None of the working SPSUs had finalised up to date accounts and as of September 2013 total 30 accounts relating to 5 working SPSUs were still in arrears. Thus, concrete steps should be taken by the SPSUs for preparation of accounts as per the statutory requirements with special focus on clearance of arrears in a time bound manner.

(Paragraph 3.7)

Compliance Audit Paragraph

Infrastructure created at a cost of ₹ 19.91 crore under EPIP and SEZ remained unutilised due to unrealistic assessment of users requirement and potential number of interested entrepreneurs for the schemes.

(Paragraph 3.9)

Chapter-IV Revenue Sector

Laxity on the part of the Assessing Authority to ensure the correctness of the information contained in the Return from other relevant records of the dealer led to evasion of tax amounting to ₹ 20.45 lakh. Besides, an amount of ₹ 8.57 lakh was also not levied as interest.

(Paragraph 4.2)

Laxity on the part of the Assessing Authority to ensure the correctness of the information contained in the Annual Return from other relevant records of the dealer led to evasion of tax amounting to ₹ 15.51 lakh. Besides, an amount of ₹ 8.53 lakh was also not levied as interest.

(Paragraph 4.3)

The Department's failure to revise the rate of royalty on coal in time resulted in a loss of revenue of ₹ 0.67 crore.

(Paragraph 4.4)

Chapter-V General Sector

Performance Audit

Audit on Procurement and distribution of Ration in Police Department

Audit observed that the estimation and provisioning were not commensurate with the actual feeding strength which had resulted in injudicious excess expenditure of ₹ 29.20 crore without corresponding benefits to the personnel. There were instances of payments without actual receipt of materials by the PCS and in the selected units. Budgeting was unrealistic as the actual expenditure incurred exceeded the original budget ranging from 19 per cent to 91 *per cent* during 2008-09 to 2012-13. The Department not only incurred an amount of ₹ 4.29 crore on clearance of fictitious liability but also created an additional committed liability of ₹ 4.45 crore for the future.

The bidding process was not transparent and biased as the lowest bidders were not awarded the supply works resulting in avoidable excess expenditure of ₹ 1.72 crore. The contracts were awarded based on limited tender involving very few contractors. Hence, competitive rates were not obtained which indicate possibility of cartelization. The Department did not devise any system for evaluation of the quality and quantity of ration supplied to the personnel. Audit survey indicated that the personnel were not fully satisfied with the quality of ration issued and the frequency of issue was also

found to be erratic. The samples of dry rations were never sent to the laboratory for testing. The storage facilities in all the selected units were found to be in dilapidated condition.

(Paragraph 5.3)

Compliance Audit Paragraphs

The Director General of Prisons procured 5658.02 quintals of rice valued at ₹ 1.21 crore in excess of the actual requirement during 2009-10 to 2012-13 and distributed to various prisons in Nagaland

(Paragraph 5.4)

The Project Engineer, Police Engineering Project, Chumukedima fictitiously paid ₹ 1.76 crore to a contractor against three items of work which were not executed. In addition to this, ₹ 0.10 crore was also paid to the contractor in excess of the bill amount

(Paragraph 5.5)

The Project Engineer, Police Engineering Project Chumukedima extended undue benefit of ₹ 3.82 crore to a contractor on account of additional cost escalation, short deduction of Works contract Tax and non deduction of Income tax at source.

(Paragraph 5.6)