

**CHAPTER – II**  
**ECONOMIC SECTOR**



## CHAPTER - II

## ECONOMIC SECTOR

## 2.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2016 deals with the findings on audit of the State Government units under Economic Sector.

The departments and the total budget allocation vis-a-vis expenditure of the State Government under Economic Sector during 2015-16 are given below:

Table No. 2.1.1

₹ in crore

Sl. No.	Name of the departments	Total Budget Provision	Expenditure
1	Agriculture	140.14	136.80
2	Horticulture	83.01	45.34
3	Soil and Water Conservation	47.65	45.64
4	Veterinary and Animal Husbandry	91.28	84.20
5	Fisheries	42.19	33.43
6	Land Resources	109.40	49.69
7	Cooperation	18.09	18.05
8	Civil Supplies	22.15	19.31
9	Rural Development	685.59	261.96
10	SIRD	8.91	4.59
11	Sericulture	26.84	20.89
12	Land Records and Survey	18.69	17.91
13	Irrigation and Flood Control	259.99	127.38
14	Power	419.33	433.28
15	New and Renewable Energy	9.92	9.72
16	Industries and Commerce	80.40	74.51
17	Geology and Mining	27.69	27.37
18	Roads and Bridges	573.37	669.87
19	Science & Technology	3.89	3.77
20	Tourism	35.87	23.31
21	Planning and Coordination Department	691.10	165.52
22	Evaluation	8.02	7.77
23	Department of Under Developed Areas	69.67	63.46
24	Information Technology & Communication	13.75	6.76
25	Forest, Ecology, Environment and Wildlife	76.49	67.18
26	Road Transport	77.61	77.83
<b>Total</b>		<b>3641.04</b>	<b>2495.54</b>

Source: Appropriation Accounts

## **2.2 Planning and Conduct of Audit**

Audit process starts with the assessment of risks faced by various departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stake holders.

After completion of audit of each unit on a test check basis, Inspection Reports containing audit findings are issued to the heads of the departments. The departments are to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled based on reply/action taken or further action for compliance is advised. Some of the important audit observations arising out of the Inspection Reports are processed for inclusion in the Audit reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the Legislature.

During the year, an expenditure involving ₹ 2027.57 crore (including funds pertaining to previous years audited during the year) of the State Government under Economic Sector were test checked. This chapter contains findings on two Performance Audit viz., ‘Creation, Maintenance and Management of Tourism Infrastructure in Nagaland’ and ‘Activities of Nagaland State Transport Department’. Besides, four compliance audit paragraphs also features in the Chapter.

## **Performances Audits**

### **DEPARTMENT OF TOURISM**

#### **2.3 Creation, Maintenance and Management of Tourism Infrastructure.**

The Department of Tourism (DoT), Government of Nagaland (GoN) in its pursuit to promote tourism industry in the State, took up infrastructure development activities and strengthening of the existing infrastructure including Tourist Rest Houses, Wayside Amenities, Tourist Lodges, Integrated Tourist Travel Destinations (ITTD), Integrated Tourist Travel Circuits (ITTC), Rural Tourism projects etc. A Performance Audit of “Creation, Maintenance and Management of Tourism Infrastructure in Nagaland” was conducted during June to September 2016. The number of tourist visiting Nagaland, both domestic and foreign, has witnessed increase during last five years. However, serious lapses in creation of tourist infrastructure and several instances of irregularities in the execution of the projects and also misappropriation of funds provided by Government of India (GoI) were noticed. Some of the major observations are given below:

#### **Highlights:**

*The State Government had not prepared Tourism Master Plan and Perspective plans as envisaged in Nagaland Tourism Policy 2001. In the absence of Tourism plan, the assets*

were created in an ad-hoc manner. There were numerous instances of irregularities in the execution of project.

(Paragraph 2.3.8.1 to 2.3.8.2)

The procedures for identification of tourist destinations and tourist circuits were not followed and therefore the infrastructure projects were randomly selected.

(Paragraph 2.3.8.3)

Two projects (viz., Mega Destination Dimapur and Tourist Destination at Chesezu) were abandoned after incurring a total expenditure of ₹15.95 crore.

(Paragraph 2.3.15)

In absence of proper safeguard, 16 infrastructure developed by the Tourism Department through funding from GoI were illegally occupied by private individuals without executing deed of agreement with the Department.

(Paragraph 2.3.21.3)

The monitoring and internal control mechanism were inadequate and needs to be strengthened.

(Paragraph 2.3.22)

### 2.3.1 Introduction

Tourism is fast emerging as an important sector in Nagaland. The striking natural beauty, history, distinct culture and the mysticism associated with the customs and ways of the tribes have been the source of great attraction and curiosity to people all over the world which entices thousands of domestic as well as international tourist every year. Each tribe that inhabits this exotic hill state has plethora of festivals which are famous for its music and traditional dances because of which the state of Nagaland is known as the “land of festivals”.



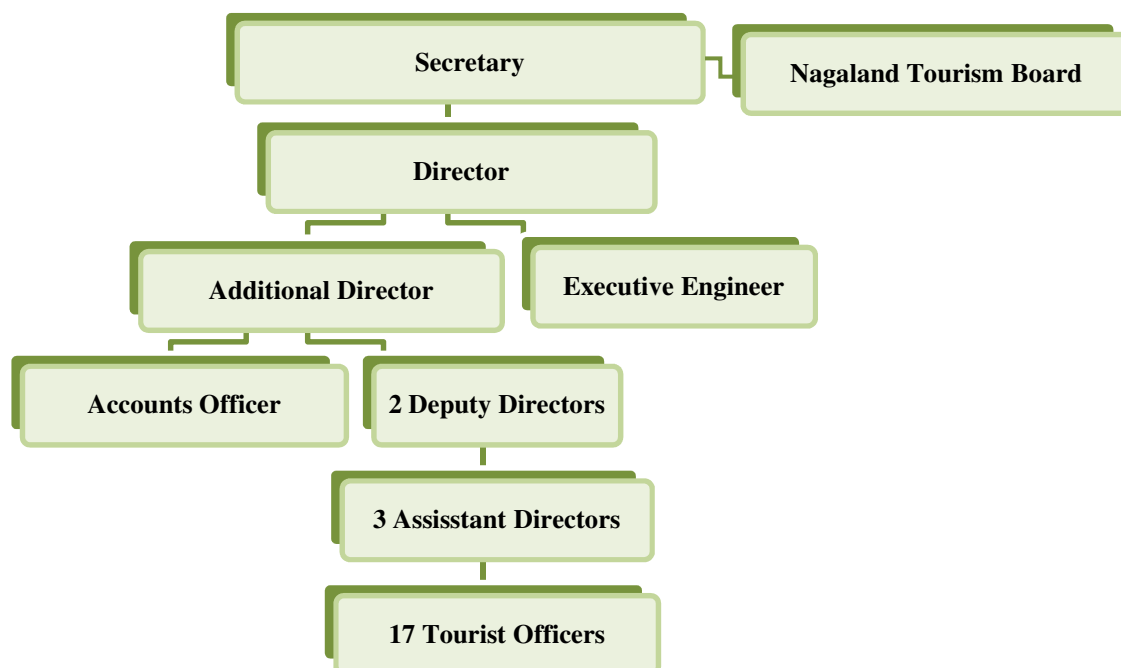
Tourism in North East India in general had suffered on account of years of insurgency and the resulting security concerns. However, considering the immense potential of tourism as an important industry, the Government of India (GoI) and the State Government have been funding several tourism projects for creation of infrastructure, promotion and marketing of tourism. This performance audit was conducted with the main focus

on creation, maintenance and management of tourism infrastructure in Nagaland.

### **2.3.2 Organisational set-up.**

DoT, GoN is the nodal agency responsible for development of tourism sector in the State. The Secretary, DoT, GoN is the Administrative Head of the Department. The Director of Tourism is the Head of the Department who is responsible for all tourism related activities. The Director is assisted by one Additional Director, two Deputy Directors, three Assistant Directors, 17 Tourist Officer and one Accounts Officer at the Directorate level. The Directorate has also an Engineering Wing which is headed by an Executive Engineer.

Organogram of the Department is depicted below:



### **2.3.3 Scope of audit**

The Performance Audit covered the period from 2011-16. The main focus of audit was on the efforts made by the DoT, GoN on Creation, Maintenance and Management of Tourism Infrastructure in Nagaland. The audit covered the offices of the Directorate of Tourism, Engineering wing of the Department, records maintained in the tourist lodges owned by the Government and the proprietors (private parties) to whom the facilities were leased out to run and maintain the infrastructures.

During the period covered in audit, the Department took up 62 projects, out of which 21 projects were selected for test-check. In addition to 21 projects selected two projects (out of nine spilled over projects taken up prior to 2011) were also selected for examination. Out of the 23 selected projects, four projects were selected from Integrated Tourist Travel Destination (ITTD); four projects from Integrated Tourist Travel Circuit (ITTC); four projects from Rural Tourism programme and 11 projects were drawn out from different other programmes.

### 2.3.4 Audit objective

The objectives of the Performance Audit were to assess whether:

- (i) there were adequate plans to address the requirement and management of infrastructure for tourism development in the state.
- (ii) the infrastructure projects for promotion of tourism were financed and executed in an economic, efficient and effective manner.
- (iii) the monitoring mechanisms were adequate and effective to assess and evaluate its desired performance.

### 2.3.5 Audit methodology

Audit methodology adopted were examination of records, issue of audit queries/observations, examination of responses to audit, joint physical verification, photographic evidences wherever relevant. The draft report was issued to the Government in October 2016.

The Performance Audit began with an Entry Conference held on 28 June 2016 with the officers of the Department wherein the audit objectives, methodology, criteria and scope of audit were discussed. The Exit conference was held on 18 October 2016 and the replies and views expressed by the Department during the exit conference were considered and appropriately incorporated in the Report.

### 2.3.6 Audit criteria

The findings were benchmarked against the following criteria:

- National Tourism Policy, Nagaland Registration of Tourist Trade Act.
- Guidelines, Circulars and various Orders issued by the Ministry of Tourism, Government of India/State Government.
- General Financial Rules.
- Receipt and Payment Rules.
- Nagaland Public Works Code and Manual.
- Prescribed monitoring mechanism.

### 2.3.7 Acknowledgement

Indian Audit and Accounts Department would like to place on record its appreciation for the co-operation and assistance accorded by the Department during audit.

### Audit Findings.

The audit findings are discussed in the paragraph that follows:

### 2.3.8 Planning.

#### 2.3.8.1 Nagaland Tourism Policy

The State Government introduced the Tourism Policy in 2001. The prime objectives of the policy were:

- provide a plan for development of domestic and international tourism,

- identification of tourism potential areas and development of these resources,
- strengthening of the existing and viable infrastructures on a selective and intensive basis for maximum benefit,
- prepare and implement master plans to integrate development and marketing of identified circuits,
- creation and providing necessary infrastructural facilities such as power, water, roads, transportation etc.

Examination of the implementation of the Tourism Policy revealed the following.

#### **2.3.8.2 Non-Preparation of Master Plan and Perspective Plans.**

One of the prime objective of the Tourism Policy of Nagaland 2001 was to prepare master plan to integrate developmental activities and marketing of identified tourism circuits. It was observed that the Department did not prepare a master plan, perspective plan, annual action plan and the road map for prioritising and identifying viable areas for development. In the absence of master plan the developmental activities were undertaken in an *ad-hoc* manner leading to creation of assets in a haphazard way and compromise in the quality of construction. As a result the assets created were not being put to use for the purposes for which they were created, assets created were occupied by the land owners in the absence of clear agreement regarding use of the assets created on private land, etc. Details of such cases noticed in sample selected are discussed in the subsequent paragraphs while discussing the relevant programme/project.

#### **2.3.8.3 Identification of Tourist Potential areas and selection of projects.**

A Tourist Travel Destination is a place which is identified considering the interest of the tourists. Being eligible for the scheme, the destination should be among the most tourist visited sites in the State or a recognized heritage monument whereas, a tourist circuit is defined as a route on which at least three major tourist destinations are located such that none of these are in the same town, village or city and at the same time are not separated by a long distance. It should have well defined entry and exit point. The main purpose of identifying these places is to attract and motivate the tourist who enters at the entry point to visit all the places identified on the circuit.

During 2011-16, DoT, GoN identified 14 Integrated Tourist Travel Destinations (ITTDs) and 13 Integrated Tourist Travel Circuits (ITTCs) for development.

Examination of records revealed that no procedures or guidelines for selection of the potential tourist areas were formulated. Out of four ITTDs (out of 14) and four ITTCs (out of 13) test-checked in detail, it was observed that they were randomly selected for development without any survey, feasibility study, analysis of the data of tourist inflow and relevance of the location before development of infrastructures in those areas.

The Department in reply (November 2016) stated that it is yet to come up with Tourism Policy related to civil asset creation management. It was further stated that the points raised by Audit shall be communicated to the Government while framing tourism guidelines and procedures in selection of projects.



#### 2.3.8.4 Nagaland Tourism Council and subsidiary bodies.

For effective co-ordination between various government departments and agencies for developing tourism industry and to make appropriate policy decisions to boost the tourism sector, Nagaland Tourism Policy envisaged constitution of Nagaland Tourism Council. It also envisaged constitution of Coordination Committee for inter departmental coordination and establishment of District Level Coordination Committee to coordinate and regulate tourism activities at the district/village level.

The State Government constituted Nagaland Tourism Board (October 2009) instead of Nagaland Tourism Council. However, no record relating to the functioning of the Board were made available to audit. The District Level Coordination Committee to coordinate and regulate tourism activities at the district/village level was not constituted. The State Government through a notification (January 2016) reconstituted Nagaland Tourism Board as Nagaland Tourism Council (Apex Body) with the Chief Minister as its Chairman and subsidiary committees at state and district level. However, records on the actual functioning of these councils and committees were not made available to audit.

#### 2.3.9 Execution of projects.

Examination of records revealed that the Department took up 62 projects during 2011-16 at a total cost of ₹ 299.34 crore. Further, there were nine spill-over project at approved cost of ₹ 41.66 crore. Detailed examination of 23 selected projects (including two spilled over project) and joint physical verification revealed the following:

- (i) As of September 2016, out of 62 projects sanctioned during 2011-16, 49 projects were scheduled for completion by March 2016. However, only 18 projects were actually completed. It was noticed that all nine projects (₹ 41.66 crore) sanctioned prior to 2011-12 had now been completed.
- (ii) 65 components of works in 14 projects of which payment of ₹ 8.85 crore was made were not actually executed. Thus, the Department paid an amount of ₹ 8.85 crore without execution of works.
- (iii) 16 components of work in eight projects at a cost of ₹ 1.83 crore was short executed by compromising the plinth area and the facilities of the approved items.
- (iv) 44 component of works in nine projects at a cost of ₹ 9.52 crore were executed in other locations/village than was originally approved.
- (v) 16 infrastructure created were illegally occupied by private individuals without executing deed of agreement.

#### 2.3.9.1 Technical sanction for the projects

Technical sanction is done to ensure that the proposals are technically sound and the estimates are accurate. As per the Central Public Works Department/ State Public Works Department norms, after administrative approval and expenditure sanctions, technical sanctions are to be obtained from a competent authority based on detailed

estimates which is a pre-condition to take up any work. It was observed that except in two<sup>1</sup> out of 23 selected projects, the projects were executed without observing the procedures of obtaining the technical estimates of the competent authority. As a result the projects were executed in disorganised way leading to irregularities in the execution of the work. Instances of irregularities noticed in the execution of the work are discussed in detail in the succeeding paragraphs against individual projects.

While accepting (November 2016) the audit observation, the Department stated that corrective measures will be taken and NPWD norms will be followed.

### **2.3.10 Integrated Tourist Travel Destinations (ITTDs)**

Examination of the implementation of four ITTDs projects in the State revealed the following:

#### **2.3.10.1 Integrated Tourist Travel Destination, Kewhira, Kohima**

MoT, GoI sanctioned (September 2011) an amount of ₹ 5.00 crore for development of 'ITTD, Kewhira, Kohima'. The sanction included development/construction of 14 components of work. ₹ 4.00 crore was released as first instalment (80 per cent).

It was noticed that the Department issued work orders for 20 components of works for execution by splitting the sanctioned amount and included six additional works which were not originally included in the approved sanction of the MoT. The following deficiencies were noticed:

##### **(i) Construction of Budget Accommodation:**

As per the sanction, an amount of ₹ 2.52 crore was meant for construction of budget accommodation. Instead of constructing one integrated budget accommodation at Kohima, the Department decided to construct six budget accommodations at different locations by splitting up the sanction into six parts. As per records, ₹ 1.27 crore has so far been incurred on construction of five budget accommodations as detailed below.

**Table No.2.3.1**

Particulars of work	Work order cost	₹ in lakh
		Expenditure so far
Construction of budget accommodation Part I	38.12	31.40
Construction of budget accommodation Part II	38.12	27.57
Construction of budget accommodation Part III	38.12	38.04
Construction of budget accommodation Part IV	38.12	30.04
Construction of budget accommodation Part V	38.12	Work had not commenced
Construction of budget accommodation Part VI	67.80	67.80

It was also observed that construction of budget accommodation Part I and II were clubbed as one component and construction was stated to be in progress.

A joint physical verification along with departmental official was conducted and following facts emerged:

<sup>1</sup> State Institute of Hotel Management and Catering Phase II and Development of Sungkotenem Lake at Mopunchuket in Mokokchung District

- A five storey building under construction as shown in the following photograph was shown as the building of budget accommodation Part I and II at New Secretariat, Kohima by the departmental official.



**Photograph of Under construction building at New Secretariat claimed as budget accommodation**

However, as per measurement book and paid bills, items of work such as brick work in super structure, flooring with ceramic tiles, CGI sheet roofing, wood work, steel windows, full panelled shutters, etc. have already been executed and payment have been made for them. However, the under construction building at New Secretariat shown as budget accommodation Part I and II was just super structure. During joint physical verification, the Junior Engineer stated that the building was constructed/upgraded in collaboration with other departments. However, no records/documents in support of the claim were made available to Audit.

The location of construction of budget accommodation Part IV (₹ 30.04 lakh) was changed to Christian Prayer Centre at Chathe, Dimapur. However, during joint physical verification, the Chairman of the Prayer Centre stated that no building was constructed in and around the Prayer Centre by the Department.

- Construction of budget accommodation Part VI at Kewhira, reported as completed at a cost of ₹ 67.80 lakh could not be located during joint verification.

Thus, the possibility of misappropriation of ₹ 97.84 lakh (₹ 30.04 lakh + ₹ 67.80 lakh) without actual execution of the above works could not be ruled out. The Government needs to investigate these expenditure and fix responsibility.

The Department stated (November 2016) that ₹ 67.80 lakh for budget accommodation Part I and II were utilised for the construction of the stated building and further work was in abeyance due non-release of final instalment from MoT, GoI. Further, the Department iterated that budget accommodation Part IV has been constructed at Christian Prayer Centre at Chathe, Dimapur. No reply was furnished regarding budget accommodation Part VI at Kewhira.

The reply of the Department establishes the fact that items of work such as brick work, flooring, roofing, wood work, etc. relating to budget accommodation Part I and II recorded as completed in the measurement book and accordingly payment made were not actually executed and were fictitious. The possibility of misappropriation of the expenditure claimed to have been incurred on construction of budget accommodation under Part I and II could not be ruled out.

As regards budget accommodation Part IV constructed at Christian Prayer Centre at Chathe, Dimapur nothing was physically available during joint physical verification carried out in the presence of departmental representative. Also, the Department's silence about budget accommodation Part VI at Kewhira confirms that actually no construction has taken place on which ₹ 67.80 lakh have been incurred. The Department should institute an enquiry and disciplinary action taken against official involved in siphoning off the funds.

***(ii) Construction of Open Air Theatre with dressing room facilities***

₹ 33.00 lakh was allocated for construction of Open Air Theatre with dressing room facilities and parking areas at Kewhira. It was, however, observed that the funds was utilised for construction of office building for the Tourist Officer at Kohima without approval of the competent authority and sanction from MoT, GoI.

The Department accepted (November 2016) the audit observation and stated that diversion was carried out as per the necessity.

***(iii) Construction of Tourist Reception Centre***

As per the sanction order, one Reception Centre at a cost of ₹ 36.00 lakh was to be constructed at Kewhira. It was seen that the work order was issued for construction of two Reception Centres at Pfuchama Village in Kohima district (₹ 12.00 lakh) and Chathe (₹ 13.00 lakh) in Dimapur.

It was noticed during joint physical verification that

- (i) Tourist Reception Centre at Chathe, Dimapur was not constructed.
- (ii) Tourist Reception Centre constructed at Pfuchama Village in Kohima district was located in an interior village and being used as hostel for school going children.

Thus, the Department deviated from the initial scope of the project without obtaining prior permission of MoT, GoI. The possibility of misappropriation of ₹ 13.00 lakh meant for construction of the Tourist Reception Centre at Chathe could not be ruled out.

The Department in reply stated (November 2016) that Tourist Reception Centre at Chathe has been constructed but did not provide any documentary evidence in support of its assertion. As regards Tourist Reception Centre Pfuchama it was stated that since the building was lying unutilised it was handed over to villagers for upkeep.

**(iv) Payment without actual execution:**

Seven components of works costing ₹ 60.00 lakh was reported to have been taken up and completed as detailed in the following table.

**Table No.2.3.2**

₹ in lakh

Sl. No.	Name of the Components	Approved cost	Expenditure
1	Furniture and Furnishing Part- I	8.18	6.56
2	Construction of Compound Wall	18.06	14.04
3	Internal Pavement	7.48	14.50
4	Construction of public toilet	19.44	14.72
5	Trekking Route Intermediate Rest Camp	3.64	2.92
6	Construction of Decomposed Yard	3.97	3.18
7	Construction of Retaining wall	5.83	4.68
<b>Total</b>		<b>66.60</b>	<b>60.60</b>

However, during joint physical verification, the above seven components of works as claimed by the Department as completed could not be located or found executed. Thus, the Department paid ₹ 60.00 lakh without actual execution of works and possibility of misappropriation cannot be ruled out.

The Department in reply stated (November 2016) that work related to the components at Sl. No. 1, 3, 4 and 5 of Table No.2.3.2 were yet to be taken up and iterated that work relating to components at Sl. No. 2, 6 and 7 has been executed. The reply is acceptance of fact that payment for four out of seven components was made despite no work was actually executed and no documentary evidence was furnished in respect of work claimed have been completed, which could not be located during joint physical verification in which representative of the Department was also involved.

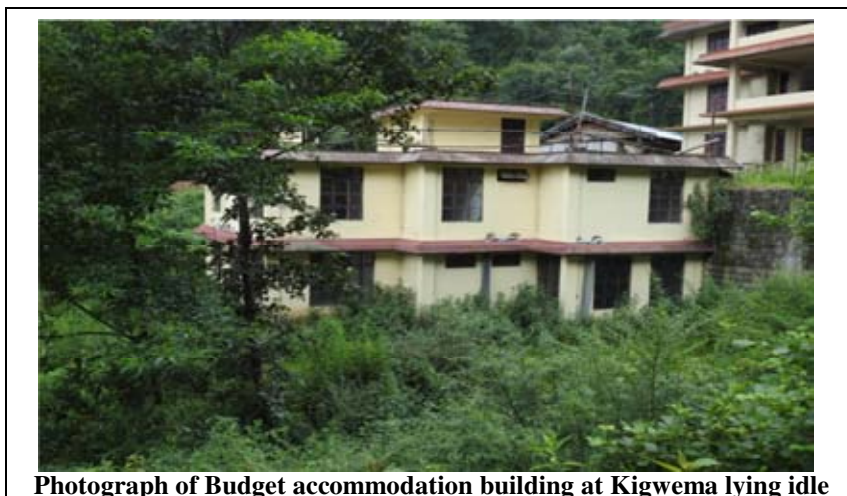
**2.3.10.2 Integrated Travel Tourism Destination, Tsiesema, Kohima**

MoT, GoI, sanctioned ₹ 4.92 crore (September 2012) for 16 components of works under '*ITTD Tsiesema, Kohima*', out of which an amount of ₹ 3.94 crore was released. The Department, however, issued work order for construction of 21 components by splitting up the amount sanctioned. As per records the physical progress was 80 per cent as of March 2016 and the work was yet to be completed. The following deficiencies were noticed.

**(i) Construction of Budget Accommodation**

As per MoT, GoI sanction (September 2012), ₹ 2.06 crore was meant for construction of one budget accommodation with a total plinth area of 705 sq.mt. However, the Department constructed three budget accommodations (located at Kigwema, Tsiesama and Kisa) at a total cost of ₹ 1.56 crore (at the rate of ₹ 52.00 lakh for each location). Examination of the running bills revealed that ₹ 1.47 crore was paid for construction of these three budget accommodations. One of the budget accommodations constructed at

Kigwema at a cost of ₹ 52.00 lakh including electrification was lying idle since April 2014 as shown in the following photograph.



The remaining two budget accommodations had not been completed even after four years and incurring cumulative expenditure of ₹ 95.00 lakh.

The Department in reply (November 2016), stated that final instalment is yet to be released by the MoT, GoI and hence work could not be completed.

The fact, however, remains that the funds were not released by MoT, GoI as the Department did not fulfil the terms and conditions of the sanction of submitting completion/commissioning certificate as per the original plan, drawing etc. approved by the MoT, GoI.

***(ii) Construction of Tourism Reception Centre at NH-29:***

Another component of ITTD, Construction of Tourism Reception Centre at Tsiesema, Kohima was completed at a cost of ₹ 28.00 lakh. It was noticed during joint physical verification (August 2016), that one room was being used as a grocery shop by a private party and the remaining portion of the building was lying idle.

The Department in reply (November 2016) stated that the contractor had engaged his labourers for up-keep of the building as the final payment was not made.

The reply of the Department is not acceptable as the final payment was released in August 2014 to the contractor and also part of the building is being utilised by a private individual for commercial purpose, which was irregular.

***(iii) Construction of Cafeteria:***

Construction of three cafeteria at a cost of ₹ 1.06 crore (Tsiesama: ₹ 63.00 lakh, Sepfuzou: ₹ 22.00 lakh and Kewhira: ₹ 22.00 lakh) was taken up by the Department in Kohima district. In the audit scrutiny following aspects emerged.

(i) For construction of cafeteria at Tsiesema an amount of ₹ 63.00 lakh was released. However, there was no record about the construction. Also, during joint physical verification the infrastructure created could not be located.

The Department in reply (November 2016) stated that it was constructed at Gariphema.

The reply of the Department is not acceptable as the departmental representative was part of joint physical verification and any change in the location would have been known to him and the departmental representative could have taken the team to changed location. As such, the possibilities of misappropriation of the entire amount of ₹ 63.00 lakh released for construction of cafeteria at Tsiesema could not be ruled out.

(ii) The construction of cafeteria at Sepfuzou was completed at a cost of ₹ 22.00 lakh but was illegally occupied by the land owner.

Accepting the fact the Department in its reply (November 2016), stated that cafeteria at Sepfuzou is occupied by the contractor for his labourers as final payment was not made. The fact, however, remains that the infrastructure is being used by the land owner as a residence. Further, the reply is silent as to why the final payment was not made to the contractor and the infrastructure put to use for the purpose of which it was created.

(iii) The construction of Cafeteria at Kewhira taken up (January 2013) under the project at a cost of ₹ 22.00 lakh was completed in June 2014. Joint physical verification however, revealed that the cafeteria was located at a far flung and un-inhabited area without an all-weather approach road to access the location. The condition of the buildings also indicated that the infrastructure had not been utilized for the purpose for which it was created as seen in the photographs.



The Department in reply (November 2016) stated that the cafeteria was constructed with an intention of developing the area into a picnic spot for the tourist as well as the locals. The fact remains that the infrastructure developed is not accessible and more over not being put to use.

### 2.3.10.3 Development of Tourist Destination-Naga Heritage Phesama

The project “*Development of Tourist Destination-Naga Heritage Phesama*” consisting of 19 components was sanctioned (November 2010) by the MoT, GoI at a cost of ₹ 4.79 crore and was completed in July 2013. It was noticed that one of the components of the project ‘*Construction of cafeteria with kitchen and toilet facilities*’ was taken up at a cost of ₹ 7.00 lakh and the project was shown as completed. However, during joint physical verification (August 2016), it was found that the infrastructure was constructed in a private farm house.

The Department in reply (November 2016) stated that the facilities were constructed on private land where it was feasible or in a potential area. The facts remains that no deed of agreement was entered into with the private land owner and the facilities constructed by the Department were actually used by land owner for his private purposes.

#### **2.3.10.4 Jotsoma-Pholami-Tutukenjan-Akhegwo-Losami-Lozaphuhu**

Under the project '*Jotsoma-Pholami-Tutukenjan-Akhegwo-Losami-Lozaphuhu*', construction of budget accommodation at Kire Farm was taken up (April 2012) at a cost of ₹ 22.00 lakh which was completed in August 2012. Joint physical verification (August 2016) revealed that the building was constructed on a private land where the owner runs a poultry cum hatchery unit in the constructed building as shown in the following photographs



The Department in reply (November 2016) stated that the facilities were constructed on private land where it was feasible or in a potential area and also stated that the department is in custody of the building developed. The fact remained that the facilities constructed by the Department were actually used by the private land owners and as evident from the photographs it was not used for the purpose for which it was built.

From the above instances it was apparent that there was lack of planning as many of the tourist infrastructure claimed to have been created could not be located during joint physical verification. In case, wherever located, these assets were not being put to use for the purpose for which they were created and in many cases they were either being utilised by the private individuals or not being utilised.

#### **2.3.11 Integrated Tourist Travel Circuit**

Examination of records in respect of four selected ITTCs projects revealed the following irregularity:

(i) MoT, GoI sanctioned (December 2009) ₹ 6.17 crore for *Integrated Tourist Travel Circuit Jalukie-Thilixu-Tuli*. The amount was released in two<sup>2</sup> instalments. The following deficiencies were observed.

- Construction of Tourist Reception Centre at Jalukie was completed in December 2011 at a cost of ₹ 44.00 lakh at New Peren instead of Jalukie. Thus, the

<sup>2</sup> First instalment of ₹ 4.93 crore (December 2009) and Second instalment of ₹ 1.24 crore (in turn released by State Government ₹ 0.60 crore in June 2013 and ₹ 0.64 crore in February 2014)



Department deviated from original location without obtaining prior approval of MoT, GoI. It was also seen that the infrastructure was lying idle since its completion.

- Construction of Japanese Bridge at Thilixu was done on private land<sup>3</sup> on a natural water body.
- Three components viz., Tourist Reception Centre (₹ 79.00 lakh), Tourist Accommodation Twin Cottage (₹ 59.00lakh) and Restaurant with kitchen and toilet facilities (₹ 30.00lakh) at Thilixu was to be constructed with approved plinth area of 850 sq. metre. Out of the funds sanctioned for the purpose an amount of ₹ 1.49 crore had already been spent on construction. It was, however, observed during joint physical verification that the building was constructed on private land<sup>4</sup> at Thilixu and it was being occupied by the land owner. The photograph of the tourist infrastructure is as below.



Photograph of Tourist building at Thilixu illegally occupied by land owner

It was further observed that the total plinth area of the building was only 460 sq. metre instead of 850 sq. metre. Thus, the plinth area of 390 sq. metre was compromised however, there was no proportional reduction in the cost of construction resulting in undue favour to the contractor.

The Department while accepting (November 2016) the construction of the facilities on private land stated that MoU with the owner of the land is under process.

### **2.3.12 Development of Sungkotenem Lake at Mopungchuket, Mokokchung.**

Mopungchuket village in Mokokchung was recognized as one of the Tourist Village by the State Government. The NEC sanctioned (February, 2012) the project for Development of Sungkotenem Lake at Mopungchuket at a cost of ₹ 3.51 crore to be shared in the ratio of 90:10 between GoI (₹ 3.16 crore) and State Government (₹ 0.35 crore). Accordingly, NEC released the funds of ₹ 2.84 crore in three instalments and the State share of ₹ 0.27 crore was also released in two instalment.

Examination of records revealed that the work consisting of 13 components was awarded (June, 2012) to M/s A.N.K Construction, Kohima at a cost of ₹ 3.19 crore with

<sup>3</sup> Teak Plantation of the contractor M/s K.Y. Chishi

<sup>4</sup> Residential compound of a senior bureaucrat of Government of Nagaland

a stipulation to complete the work within 18 months. An amount of ₹ 3.11 crore was drawn for execution of eight components of works and the contractor was paid ₹ 2.99 crore.

Joint physical verification of the eight executed components of works revealed the following deficiencies:

**(i) Approach road**

As per records, the construction of approach road measuring 5075 sq. metre including earth excavation, granular sub-base and black topping inclusive of cost of providing and laying prime coat, tack coat with bitumen, bituminous Macadam and surfaces dressing etc. was executed. ₹ 30.00 lakh was paid to the contractor for execution of this component of the work. However, the work has not been actually executed.

This fact was also confirmed by the Junior Engineer stating that the amount was diverted for construction of RCC footpaths/footsteps inside and around the lake. It was, however, observed during the joint physical verification that the foot paths already existed before the commencement of this project. Thus, an amount of ₹ 30.00 lakh was paid to the contractor without actual execution of work.

While furnishing reply, the Department submitted a certificate (November 2016) from the Mopungchuket Village Council stating that construction of approach road and footpath had been carried out by the Department. However, the certificate obtained from the Village Council is not acceptable as the officer in-charge (Section Officer-II) confirmed during physical verification and certified that the sanctioned amount for black topping of the approach road was diverted for construction of RCC footpath and footsteps. State Government needs to verify actual utilisation of the money.

**(ii) Tree guards.**

An amount of ₹ 16.00 lakh was paid to the contractor for landscaping and horticulture, out of which an amount of ₹12.00 lakh was paid for providing and fixing tree guards (MS flat iron guard 60 cm diameter and 2 metre height). However, during joint physical verification no tree guards were found erected. Thus, the Department paid ₹ 12.00 lakh against unexecuted work.

The Department accepted (November 2016) non-erection of tree guards and stated that the work will be carried out after the final instalment is released by the NEC.

The reply is not acceptable as the bill had been drawn and paid to the contractor showing the work has been actually executed.

**(iii) Construction of Main Building.**

The Department took up construction of main building including Ethnic food kiosk/cafeteria/conference hall at Sungkotenem (₹ 1.11 crore) with the approved plinth area of 6300 sq. ft. and the contractor was paid ₹ 0.97 crore. However, during joint physical verification, it was noticed that the plinth area of the building was only

4102 sq. ft. Thus, the contractor was paid ₹ 31.00 lakh for short execution of 2198 sq. ft. of plinth area.

While accepting (November 2016) the short execution, the Department stated that site levelling work was not incorporated in the work order and hence, plinth area was compromised. The reply is not acceptable as no record regarding to preparation of estimates for this work was produced to audit, hence the requirement/cost could not be verified in audit. Even this work as well as reduction in plinth area was not approved by the competent authorities.

### **2.3.13 Construction of Institute of Hotel Management and Catering, Dimapur**

The Institute of Hotel Management and Catering at Dimapur, Nagaland aimed at establishing one of the premier institutes in the country offering education, training, research and consultancy in the field of hospitality, tourism, travel, catering and allied sectors. The main objective of setting up the institute was to strive hard towards the human resource development in hotel management and hospitality in tourism sectors. The intake capacity of the proposed institute was 150 student each year for the three year Diploma/Degree course and intake of 30 student each for any of four short course *i.e.*, food production, food and beverage services, accommodation, operation, bakery and confectionary, front office operation, Housekeeping etc. Total strength of student would be 450 student in three year diploma and 120 students in craft level course. Projected strength of faculty was 32 including Principal and part time faculties.

In the Detail Project Report, the works was proposed to be taken up in phases and in Phase-I; Boys Hostel, Girls Hostel, Principal Quarter, Teaching Staff Quarter, Engineering Staff Quarter were proposed. The Detail Project Report proposed a built up area of 41,280.94 sq. ft. during the year 2004-05.

MoT, GoI accorded administrative and financial sanction for setting up Institute of Hotel Management and Catering at Dimapur (December 2007) at a total cost of ₹ 12.69 crore, out of which ₹ 10 crore was central financial assistance and the remaining ₹ 2.69 crore was State share.

Examination of records revealed that GoI released ₹ 8.00 crore for construction of civil works in three instalments<sup>5</sup> during 2007-12. The State Government also released its share (September 2012). The project was stipulated to be completed within 18 months. Since the project could not take off in time due to non-availability of land and there was escalation in cost, it was felt that the project could not be completed within the initial sanctioned amount. Therefore, the Department proposed to NEC for additional fund of ₹ 5.00 crore to complete the project. Accordingly, the NEC sanctioned (March 2013) ₹ 4.98 crore for the purpose. 90 *per cent* was share of NEC and balance 10 *per cent* was to be borne by the State Government. While ₹ 3.64 crore<sup>6</sup> had been released by NEC as of March 2016, the State Government has not released its share.

<sup>5</sup> First instalment of ₹ 4.00 crore dated 24/12/2007, second instalment of ₹ 3.00 crore dated 13/3/2010, third instalment for ₹ 1.00 crore on 6/6/2012 = ₹ 8.00 crore.

<sup>6</sup> ₹ 0.85 crore on 26/03/2013, ₹ 1.79 crore on 27/02/2014 and ₹ 1.00 crore on 17/03/2015

As per the Utilisation Certificate furnished to NEC (November 2015), the construction of the main building had not been fully completed. It was also observed that the building for official accommodation of the Principal had started to rot even before the infrastructures are taken over by the Government indicating poor quality of works.



Following irregularities were also noticed.

**(i) External Electrification**

The Department incurred an expenditure of ₹ 27.00 lakh for erecting 500 KVA transformer (₹ 20.00 crore) and 11 KVA Low Tension (LT) line (₹ 7.00 lakh). However, the LT lines were not erected in the premises of the institute which was confirmed during the joint physical verification (August 2016).

**(ii) Approach road and security fencing**

For construction of approach road and security fencing, DoT, GoN received ₹ 3.17 crore for execution of six<sup>7</sup> items of work (June 2012). All the works were stated to have been completed as per records. However, joint physical verification of the site revealed that the following works were either incomplete or not executed.

- The work for construction of two gates (Entry and Exit) valued at ₹ 31.00 lakh was not executed.
- As per the entries recorded in the Measurement Book, 1380 metres road with a carriage way of 5 to 5.6 metre width was to be constructed. Joint physical verification, however, revealed that only 600 metre with an the average width of 3.5 metre was constructed, out of which 260 metre only was black topped and the

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<sup>7</sup> Construction of two gates for entry & exit (₹ 0.31 crore), Construction of side drain + One Hume pipe culvert (₹ 0.38 crore), Construction of security fencing (₹ 0.94 crore), filling of low lying areas (₹ 0.24 crore), Metalling & carpeting of Approach Road Part- I (₹ 0.57 crore), Metalling & carpeting of Approach Road Part- II (₹ 0.57 crore),

remaining length of road of 340 metre was left with Water Bound Macadam (WBM). Thus, ₹ 85.00 lakh<sup>8</sup> was paid without completion of works.

The Department accepted (November 2016) the delay in completion of the project. Regarding non-erection of transformers and LT lines, it was stated that the external electrification work of the Institute is a deposit work and matter will be followed up with the Power Department for early installation. Department also accepted the non-construction of security gate and short execution of approach road and assured that the works will be carried out in due course.

### **2.3.14 Construction of Wayside Amenities.**

The objective for construction of wayside amenities were to provide a safe and comfortable road travel by providing hygienic food, safe drinking water, proper sanitation facilities to have an ambience of relaxation and to promote Nagaland as a tourist friendly destination. It also aims at generating employment and enhancement of entrepreneurship skills among the people living in the region.

MoT, GoI sanctioned ₹ 7.70 crore (September 2011) for construction of 10 Wayside Amenities along NH 29 from Dimapur to Khuzama (four in Dimapur District and six in Kohima District). As per the approved DPRs, these Wayside Amenities should have plinth area of 220 sq. metre in respect of Dimapur district and 200 sq. metre for Kohima district and included 17 items of work<sup>9</sup>.

The Department stated that 11 Wayside Amenity Centres between Dimapur to Khuzama along NH.29 was constructed from the funds sanctioned by MoT, GoI and the full amount was paid.

Joint physical verification of nine Wayside Amenity Centres out of ten, (one Centre was demolished during National Highway construction), however, revealed that the Department had compromised the plinth areas of nine amenity buildings and some of the facilities such as providing Water Supply & Sanitary, electrification, Naga aesthetic finish, Tiles floor, Water tank, Motor pump, Over Head Tank, Parking, Fitting and fixing of glow sign, Parking and drive way, Waste bin and Compound wall etc., to be provided were not executed at these Amenity Centres. The value of plinth areas compromised and non-execution of some of the items of work was ₹ 3.00 crore.

The Department in reply (November 2016) stated that the consultant did not incorporate the site development and retaining wall with stone boulder filling while preparing the DPR. This prompted the Department to compromise the plinth area and non-execution of minor components.

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<sup>8</sup> Cost of unexecuted work of Construction of 2 gates for entry & exit (₹ 0.31 crore) and Metalling & carpeting of Approach Road Part- II (₹ 0.57 crore),

<sup>9</sup> Facilities items of works such as basic civil cost, providing Water Supply & Sanitary, Electrification, Ramp for physically challenge person, Naga aesthetic finish, Tiles floor, Water tank, Motor pump, Over Head Tank, Parking, Fitting and fixing of glow sign, Aquaguard water purifier, Hand blower, Parking and drive way, Waste bin, Compound wall and Cattle trap.

Further, scrutiny of records revealed that Amenity Centre at Kohima was claimed to have been constructed at a cost of ₹ 1.07 crore out of the fund received in September 2011. However, the Amenity Centre was already funded under the project 'Tourist Destination at Kigwema - Mt. Suro Eco-Adventure 2009-10'. Thus, the claim of the Department that the Amenity Centre at Kohima was constructed at a cost of ₹ 1.07 crore through the funds received in September 2011 was not correct.

The Department in reply (November 2016) stated that work order for ₹ 18.00 lakh under the project 'Tourist Destination at Kigwema - Mt. Suro Eco-Adventure 2009-10' for the Amenity Centre at Kohima was incorporated with construction of Wayside Amenity Centres funded in September 2011. The reply is not acceptable as the corresponding amount received under 'Tourist Destination at Kigwema - Mt. Suro Eco-Adventure 2009-10' was not surrendered.

### **2.3.15 Abandonment of work.**

#### **2.3.15.1 Mega Destination, Dimapur.**

The project Mega Destination, Dimapur was taken up with an objective to cater to the needs of the tourists so that visitors get hygienic and comfortable stay at Dimapur. The project included 43 double bed rooms, 8 family rooms, dormitory, saloons, banquet hall, conference hall etc. The MoT, GoI accorded sanction of ₹ 23.70 crore (January 2012) for the project and released ₹ 11.85 crore as of March 2016 out of which an expenditure of ₹ 11.85 crore was incurred. As per the terms and conditions of the sanction, the project was to be completed within 36 months from the date of sanction (December 2014). However as per the UCs submitted by the Department to GoI, the physical progress reported was 80 *per cent*. It was further observed during the joint physical verification that the construction works had stopped since April 2013. The present status of the project is as shown in the following photographs.



**Photograph of abandoned construction of the Mega Destination Dimapur**



**Photograph of Artificial thatch lying idle in the store room**

It can also be seen that the artificial thatch procured at a cost of ₹ 40.00 lakh for use in Mega destination Dimapur (January 2013) could not be utilised and dumped in the store room of the Tourist Lodge Dimapur.

The Department while accepting the facts (November 2016) also stated that only 50 *per cent* of the sanctioned amount was released and the same was utilised. The fact

however, remains that the funds were not released by GoI as the Department did not fulfil the terms and conditions of the sanction of submitting completion/commissioning certificate as per the original plan, drawing etc., approved by the Central Government.

### 2.3.15.2 Tourist destination at Chesezu

The Department submitted a proposal for a tourist destination project (₹ 5.00 crore) at Chesezu village in Phek district in memory of Netaji Subhash Chandra Bose. Accordingly, the proposal was approved (September 2011) which included 16 components of works such as budget accommodation, ethnic food hut, tourist interpretation centre, public toilets, etc. GoI had released 4.00 crore (September 2011) and an expenditure of ₹ 4.10 crore had been incurred. It was, however, observed during joint physical verification that the work had since been abandoned after completion of 80 per cent physical progress (July 2013).

The Department in reply (November 2016) stated that 20 per cent of the project cost is yet to be received and hence work has been kept in abeyance. The fact is that the work has been abandoned making expenditure of ₹ 4.10 crore unfruitful.

### 2.3.16 Development of Pfutsero Lake

NEC accorded sanction for the project “*Development of Pfutsero lake*” at a cost of ₹ 3.89 crore including construction of buildings, cottages, sanitation and waste bin and protection works. Examination of the records revealed that as per the utilization certificate an amount of ₹ 2.78 crore was released against the project including the state share and the entire funds of ₹ 2.78 crore was spent. It was, however, observed that the work had stopped after a physical progress of around 70 per cent (July 2013). It was found during joint physical verification (September 2016) that only the main building was constructed and the lake was not maintained.



Photograph showing the main building and the lake

It was further seen that excessive sediments and sewage were flowing to the water body from the catchment area. It was also noticed that the project was developed on a private land and therefore the interest of the Government was not served.

The Department did not furnish specific reply on the issue.

### **2.3.17 Idle assets**

The Convention Centre Dimapur was constructed at a cost of ₹ 4.57 crore (September 2012) with the funds sanctioned by MoT, GoI to provide a platform for organizing conferences, seminars and training sessions to disseminate knowledge and technical skills. The components of the Convention Centre consisted of reception, office, lounge, restaurant, kitchen, pantry, store, business centre, conference hall, executive rooms, etc.

Examination of records revealed that construction of convention centre was completed in January 2014 but was lying idle.



**Photograph of the Convention Centre, Dimapur lying idle.**

It was also observed during physical verification (September 2016) that the Convention Centre was completed without adequate facilities such as, reception centre, lounge, business centre, conference room.

The Department in reply (November 2016), stated that though the size of the facilities were compromised, all the facilities were provided to the Convention Centre. The fact remains that some facilities were not provided which was also confirmed in writing by the departmental officers during joint physical verification.

### **2.3.18 Implementation of Rural Tourism**

Rural tourism is a type of tourism that showcases the rural life, art and culture, and heritage at rural location and to support the local community economically and socially as well as to enable them to interact with the tourists. Rural tourism project gives an opportunity to the tourists to experience people, events, culture, cuisines and crafts that are not available in urban areas. The process of community participation in rural tourism assets bring about awareness of the benefits of tourism for socio economic uplift of the villages.

Examination of records revealed that during 2011-16 an amount of ₹ 26.25 crore was sanctioned under Thirteenth Finance Commission (Rural Tourism) for development of Rural Tourism in Nagaland. Out of the amount sanctioned the Department received ₹ 24.04 crore after deduction of an amount of ₹ 2.21 crore as Departmental charges. Accordingly, the Department took up construction of 54 Tourist Reception Centres at various places in Nagaland and 50 Tourist Reception Centres were reported to have been completed and four were under progress.



14 components of work (₹ 6.31 crore) were selected for examination and physical verification. It was observed that the plinth area of the infrastructure were compromised resulting in short execution of components to the tune of ₹ 0.86 crore. The Department also did not provide funds for furnishing of the Tourist Reception Centres. As a result all Tourist Reception Centres remained non-operational.

It was also noticed that five<sup>10</sup> Tourist Reception Centres were occupied by the land owners as private residence and the Tourist Reception Centre at Tesophenyu was being used as Guest house by the Church Council without payment of rent to the Department. Besides, two<sup>11</sup> selected Tourist Reception Centres were also found to be constructed on private land without executing any Deed of Agreement.

The Department in reply (November 2016) stated that the amount of ₹ 0.86 crore was earmarked for electrification of 14 projects. It also added that the issue of furnishing and illegal occupation of the Tourist Centre would be taken up with the Government to resolve the matter. The claim of the Department that the amount of ₹ 0.86 crore was earmarked for electrification was not acceptable as the projects were found to be electrified during joint physical verification and also expenditure on electrification had already been made.

### 2.3.19 Utilisation of Tourist assets for non-tourism purposes.

As per clause 6 and 7 of the terms and condition of the sanction, the State Government was required to provide an undertaking that the facility and the land on which the assets were created shall not be transferred/sold/alienated without the approval of GoI and the assets should be used only for tourism purposes.

It was observed during joint physical verification that 32 infrastructure at a cost of ₹ 11.77 crore were either leased out or occupied by private individuals in contravention of the terms and condition of the sanction. The photographs of the assets under illegal occupation are shown in below.

	
<p>Photograph of the building occupied by North-East India Academy of Performing Arts at Dimapur.</p>	<p>Photograph of a restaurant at Jakahama (Kohima district) occupied by the land owner.</p>

<sup>10</sup> Viyito, Pugaboto, Pushito, Phiro, Dhansiripar

<sup>11</sup> Tourism Reception Centres at Dhansiripar and Tesophenyu.

### **2.3.20 Tourist Lodge, Dimapur.**

The Tourist Lodge, Dimapur located adjacent to old Nagaland State Transport bus station, taxi stand and railway station established during 1980's is the only commercial establishment run by the Department. The management of the Tourist Lodge is under the administrative control of the District Tourism Officer, Dimapur and assisted by 13 regular departmental staffs. The Tourist Lodge consisting of 21 rooms of different categories was closed down for renovation and restarted its business from December 2015.



**Photograph of Tourist Lodge, Dimapur**

Examination of records revealed that the occupancy rate of the tourist lodge was very low ranging from 16 *per cent* to 37 *per cent* of its capacity in a month. The tourist lodge incurs monthly loss ranging from ₹ 0.82 lakh to ₹ 2.17 lakh.

It was further observed that the catering service of the Lodge was leased out (December 2015) to a private party without inviting open tender. The permit for catering was also issued without executing formal deed of agreement and without a fixed monthly rent to be paid by the lessee. The Department did not furnish any reply on the issue.

### **2.3.21 Financial Management**

For a successful execution and timely completion of any project, adequate funds should be provided and released to ensure smooth progress of work. The main source of funding for the development of tourism in the State was from GoI (100 *per cent*), NEC assistance (90:10) and from State Plans. The funds position in respect of projects undertaken by the Department during 2011-16 is shown in the table below:

**Table No.2.3.3**

(₹ in crore)

Year	Opening Balance	Receipt	Total fund available	Total expenditure	Closing balance
2011-12	60.77	50.68	111.45	55.15	56.30
2012-13	56.30	57.18	113.48	64.81	48.67
2013-14	48.67	44.66	93.33	44.74	48.59
2014-15	48.59	19.59	68.18	52.64	15.54
2015-16	15.54	26.35	41.90	21.32	20.58

(Source .Departmental figure)

As can be seen from the table above, out of the available fund of ₹ 259.23 crore<sup>12</sup> the actual expenditure was ₹ 238.66 crore (92 per cent).

#### **2.3.21.1 Short release of state share:**

Examination of records revealed that during the period 2011-16, the NEC sanctioned an amount of ₹ 33.37 crore for implementation of nine projects out of which an amount of ₹ 23.40 crore (70 per cent) was released by the State Government. It was noticed that against the State share of ₹ 2.34 crore, the State Government released only ₹ 1.58 crore as matching share resulting in short release of ₹ 0.76 crore.

The Department in reply stated (November 2016) that the matter has been taken up with the Government.

#### **2.3.21.2 Outstanding Rent**

Deed of Agreement (DoA) between the Department and the lessee are entered into in respect of assets like wayside amenities, cafeteria, budget accommodation, lodges, etc. given out on rent for running these facilities. As per DoA, if the lessee failed to pay monthly rent for a period of three months consecutively, the Government will recover the amount of rent from the Security Deposit Receipt (SDR) automatically and there would be no further requirement to give three months' notice for termination of the lease license, as the licensee had breached the conditions of the License.

Examination of records revealed that 52 assets (13 private and 39 community assets) created by the Department were leased out on rent. However, 36 lessee (three assets under private and 33 assets under community management) had not paid the agreed rent totalling to ₹ 4.00 lakh for periods ranging from four to 144 months. Though a reminder was served to the lessee, the Department had not taken action either to recover the rent or for terminating the license as per the DoA.

The Department did not offer any comment on the issue.

#### **2.3.21.3 Un-authorized occupation and loss of rent.**

During joint physical verification of the infrastructure created by the Tourism Department, it was seen that 16 infrastructure were illegally occupied by private individuals without executing DoA with the Department. Out of the 16 illegal occupants, 15 of them were occupied by the land owners and one occupant obtained temporary permit from the Department.

The Department did not offer any comment on the issue.

#### **2.3.21.4 Injudicious fixation of Rent**

Examination of records revealed that Tourist Lodges/Resorts constructed through funding by GoI were rented out to private individuals on rent for running them. It was noticed that the Department had rented out only six infrastructures by inviting open

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<sup>12</sup> Total available fund includes the opening balance of ₹ 60.77 crore plus the receipts during the last five years of ₹ 198.46 crore.

tender and the remaining Tourist Lodge/Rest House/Resort/Cafeteria/Amenity Centres, were allotted to individuals without observing any formalities and arbitrarily fixed the monthly rent/fee at the nominal rate.

It was also observed that the Mid-way Resort, Tsiepama and Tourist Resort, Chedema were leased out to private parties through 'Short Open Tender'. The Tender document did not specify any clause to allow 'Rent Holiday'. However, the DoT, GoN allowed 'Rent Holiday' to the two resorts for a period of two years each from the date of signing the Agreement on the ground that the operation of the resort would involve heavy investment and neither of the resorts would be commercially viable immediately. The lessee of the Mid-way Resort, Tsiepama was allowed three years additional Rent Holiday at the request of the Lessee. Thus, a total revenue of ₹ 24.86 as rent was waived-off due to allowing Rent Holiday.

The Department did not offer any comment on the issue.

#### **2.3.21.5 Subletting of Tourism Infrastructure by the Lessee**

Examination of records revealed that the Wayside Amenity Patkai Bridge, Dimapur and Wayside Amenity, Pherima were leased out on a monthly rent of ₹ 600/- and ₹ 400/- respectively without inviting tender. However, in both cases, it was observed that a Deed of Agreement was executed with the Department. It was, further, observed that both the infrastructure were sub-let by the lessee to other persons at a higher monthly rent of ₹ 2000/- and ₹ 8000/- per month respectively in violation of the Deed of Agreement. This indicated that the locations were commercially viable and had potential of earning higher rent. Had the Department resorted to leasing of the infrastructure after inviting tender, it would have fetched more revenue to the Department.

The Department did not offer any comment on the issue.

#### **2.3.21.6 Engagement of consultants.**

An important activity before implementation of any project is to prepare a Detailed Project Reports (DPRs) after conducting feasibility study consisting of survey, technical specifications, plans and drawings and detailed estimate of each item of work.

Examination of records revealed that M/s Luit Valley Engineering Pvt Ltd, Guwahati, Assam was appointed as consultant against 57 works for a total value of ₹ 218.40 crore for consultancy and architectural services. It was noticed that the procedures such as inviting of tender/quotation, selection from the empanelled architects by the GoI etc., were not followed by the Department.

Further, as per the scope of work, the preparation of detailed project report (DPR) of a project would include site visits, collecting information on socio-economic activities, interaction with various government departments to get the feedback on the project, preparation of preliminary concept note, working drawing and technical specification including the non-scheduled of items, electrical design and site coordination of works. However, DPRs were not prepared properly resulting in deviation from the approved

DPRs during actual implementation as brought in the previous paragraphs such as change of location, change in quantity in various items of work, etc.

It was also observed that an amount of ₹ 10.92 crore was paid to the consultant which constitute 5 *per cent* of the project cost as against the GoI prescribed rate of 2 *per cent*. Thus, the consultant was paid an excess amount of ₹ 6.55 crore.

The Department in reply (November 2016) stated that consultants were engaged with the approval of the Government and fee structures of the consultants were decided and approved by the Government.

However, the fact remains that the consultant was paid 5 *per cent* of the project cost as against the GoI prescribed rate of 2 *per cent* resulting in excess payment of ₹ 6.55 crore. Despite shortcomings in the preparation of DPRs, entire consultancy fee was paid to the consultant.

### **2.3.22 Internal control, Monitoring and Evaluation.**

Internal controls and monitoring mechanisms provide reasonable assurance to the management whether financial interests and assets of the organization were safeguarded, and whether reliable information on the functioning of the organization were available to facilitate necessary interventions when called for.

Examination of records revealed the following.

#### **2.3.22.1 Nagaland Tourism Board**

As per the Nagaland Tourism Board rules and regulation framed by the Government, the Governing Body were required to meet at least once in every year. However, there were no records regarding the meetings/activities of the Board.

#### **2.3.22.2 State/District Level Monitoring Committee**

The general terms and conditions of the MoT, GoI sanction orders envisaged that a monitoring committee should be constituted to provide regular feedback to GoI on the progress of implementation. Further, as per NTP committees both at the State and the district level to regulate the operation and management of all tourist infrastructures should be constituted. No such committees at any level was constituted.

#### **2.3.22.3 Monitoring by Ministry of Tourism**

It was also noticed that MoT inspected some projects, however the actual number of such visits, reports of the monitoring team and action taken by the DoT, GoN on such monitoring reports were not maintained.

#### **2.3.22.4 Inspection of Hotels**

The Tourist Officers were required to inspect the hotel and other infrastructures periodically to oversee that adequate facilities are being provided to the tourists. However, there was no documentary evidence to show that such inspections were carried out.

#### **2.3.22.5 Monitoring of Expenditure**

DoT also did not monitor the expenditure, the physical and financial progress of the projects. It was also observed that there were delays in submission of quarterly progress reports on implementation of the projects to the Ministry. Due to lack of monitoring of expenditure, large instances of payments made without of execution work, deviation from the approved scope of work, etc. were noticed as brought out in the earlier paragraphs (*Paragraph Nos. 2.3.9.1, 2.3.11, 2.3.13, 2.4.16 and 2.3.18*).

#### **2.3.22.6 Asset Management**

Asset management is a systematic process of deploying, operating, maintaining, upgrading and disposing of assets cost effectively. An asset register is a way to track details of assets of the Department. It includes the value, date of construction or acquisition, location and present status.

It was noticed that the Department did not maintain any records/register. In the absence of these records, the detailed information of the assets created/owned by the Department could not be ascertained. Several such instances wherein the assets created could not be located or stated to have been shifted as highlighted in earlier paragraphs (*Paragraph Nos 2.3.9.2 to 2.3.9.4, 2.3.10, 2.3.12 and 2.3.19*).

Department in reply (November 2016) stated that asset register would be maintained henceforth.

#### **2.3.23 Nagaland Registration of Tourist Trade Act.**

Nagaland Registration of Tourist Trade Act and Rules was intended for regulation and promotion of tourism in the State by way of registration of persons/firms/agencies dealing with tourism activities to ensure coordinated and regulated development of tourism in the State. DoT, GoN had introduced (September 2000) Nagaland Registration of Tourist Trade Act (NRTTA) and Nagaland Registration of Tourist Trade Rules (NRTTR) in May 2001. As per NRTT Act, registration of dealers, hotel keepers, and travel agents were necessary to carry out their business in the notified area on a payment of prescribed fee.

Examination of records revealed that the Department did not notify any area as tourist area and also did not register any dealer/hotel/travel agent and did not realize any fee. However, it was observed that the Department publicised a list of hotels, homestays and tour operators in the brochures and tourist literatures.

#### **2.3.24 Nagaland as a Tourist Destination**

Effective marketing of tourism of an area is essential in order to inform prospective tourists what the area has to offer as well as to persuade them to visit it.

Examination of records revealed that the Department resorted to marketing of Tourism by way of producing publicity materials such as brochures, tourist literatures, hand-outs, audio visual materials, periodicals, hoardings internet etc. It can be seen that except internet all other modes of marketing had its limitations as the information will be available to the people only when they reach Nagaland. It was noticed that the

#### **2.3.22.5 Monitoring of Expenditure**

DoT also did not monitor the expenditure, the physical and financial progress of the projects. It was also observed that there were delays in submission of quarterly progress reports on implementation of the projects to the Ministry. Due to lack of monitoring of expenditure, large instances of payments made without execution of work, deviation from the approved scope of work, etc. were noticed as brought out in the earlier paragraphs (*Paragraph Nos. 2.3.9.1, 2.3.11, 2.3.13, 2.4.16 and 2.3.18*).

#### **2.3.22.6 Asset Management**

Asset management is a systematic process of deploying, operating, maintaining, upgrading and disposing of assets cost effectively. An asset register is a way to track details of assets of the Department. It includes the value, date of construction or acquisition, location and present status.

It was noticed that the Department did not maintain any records/register. In the absence of these records, the detailed information of the assets created/owned by the Department could not be ascertained. Several such instances wherein the assets created could not be located or stated to have been shifted as highlighted in earlier paragraphs (*Paragraph Nos 2.3.9.2 to 2.3.9.4, 2.3.10, 2.3.12 and 2.3.19*).

Department in reply (November 2016) stated that asset register would be maintained henceforth.

#### **2.3.23 Nagaland Registration of Tourist Trade Act.**

Nagaland Registration of Tourist Trade Act and Rules was intended for regulation and promotion of tourism in the State by way of registration of persons/firms/agencies dealing with tourism activities to ensure coordinated and regulated development of tourism in the State. DoT, GoN had introduced (September 2000) Nagaland Registration of Tourist Trade Act (NRTTA) and Nagaland Registration of Tourist Trade Rules (NRTTR) in May 2001. As per NRTT Act, registration of dealers, hotel keepers, and travel agents were necessary to carry out their business in the notified area on a payment of prescribed fee.

Examination of records revealed that the Department did not notify any area as tourist area and also did not register any dealer/hotel/travel agent and did not realize any fee. However, it was observed that the Department publicised a list of hotels, homestays and tour operators in the brochures and tourist literatures.

#### **2.3.24 Nagaland as a Tourist Destination**

Effective marketing of tourism of an area is essential in order to inform prospective tourists what the area has to offer as well as to persuade them to visit it.

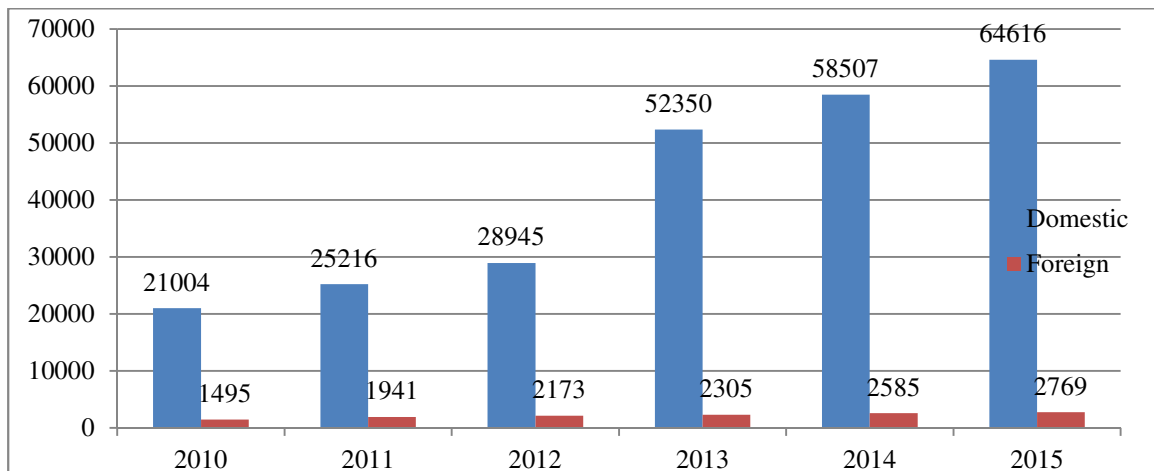
Examination of records revealed that the Department resorted to marketing of Tourism by way of producing publicity materials such as brochures, tourist literatures, hand-outs, audio visual materials, periodicals, hoardings internet etc. It can be seen that except internet all other modes of marketing had its limitations as the information will be available to the people only when they reach Nagaland. It was noticed that the

official portal of the Tourism Department Nagaland contains the information of how to reach Nagaland, information on hotels in Dimapur and Kohima, details of hornbill festival of Nagaland and tour operators. However, it did not disclose any of the tourist destinations or Integrated Tourist Travel Circuit constructed by the Department and travel tips to reach there.

The Department did not offer any comment on the issue.

### 2.3.25 Impact of Tourism policy and Tourist inflow

The inflow of tourists both domestic & foreign showed a steady increase during the last five years as given below:



(Source. Departmental figure)

The inflow of domestic tourist increased from 25216 in 2011 to 64616 in 2015 representing 156 per cent increase, the inflow of foreign tourist also increased from 1941 in 2011 to 2769 in 2015 (42.66 per cent).

### 2.3.26 Conclusion

The State Government is yet to formulate the Tourism Master Plan or Perspective Plan of prioritizing action and the vision for holistic development of tourism. The procedures for identification of tourist destinations and tourist circuits were not followed. The infrastructure projects were randomly selected. As a consequence, the assets were created in an ad-hoc manner. There were numerous instances of irregularities in the execution of project. 15 infrastructures developed by the Tourism Department through funding from GoI were illegally occupied by private individuals without executing Deed of Agreement with the Department. The Department also paid ₹ 19.63 crore for un-executed items of works. Two projects taken up under Integrated Tourist Travel Destination were abandoned after incurring an expenditure of ₹ 15.95 crore. The State Institute of Hotel Management, Dimapur was yet to be functional even after nine years and investment of ₹ 17.69 crore. The Convention Centre at Dimapur constructed at a cost of ₹ 4.57 crore and reported to be completed in March 2013 was lying idle as all the facilities as approved were not provided. The Department did not maintain any records/register and therefore the detailed information of the assets created/owned by the Department could not be ascertained.



### **2.3.27 Recommendation**

It is recommended that:

- The Department should give emphasis to planning and prepare the short and long term action plans for prioritizing activities for a holistic development and growth of tourism sector in the State.
- The Department should make effort to review all completed projects lying idle and take necessary steps to utilise the tourist infrastructure for the purpose it was created.
- The Department should put in place robust financial controls in order to prevent persistent financial irregularities such as diversion of funds, excess payments, payment without execution of works etc.
- Monitoring mechanism for various infrastructure projects taken up for tourism development should be strengthened for timely completion and utilisation of the completed projects.

## **NAGALAND STATE TRANSPORT DEPARTMENT**

### **2.4 Activities of Nagaland State Transport Department**

The Nagaland State Transport (NST) Department was set up on 18 December 1964 as a utility service Department with the objective to provide well-coordinated, reliable and affordable transport facility to the people of Nagaland. The State of Nagaland being land-locked with hilly terrain, road transport is the main means of transport for providing both passenger and goods services, notwithstanding introduction of helicopter services in the State. Therefore, the role of NST Department is of paramount importance as the socio-economic development of the State mainly depends on road transport. This performance audit on the activities of NST was carried out from May 2016 to September 2016. Highlights of the Performance Audit Report are:

#### ***Highlights***

*Planning process of the Department was inadequate as comprehensive study to assess the operational requirements to cater to the growing demands of public transport was not carried out.*

***(Paragraph 2.4.8.1)***

*The Department diverted funds from the revenue receipts to meet Departmental expenditure, which was irregular.*

***(Paragraph 2.4.9.4)***

*The Department claimed subsidy from Government of India for 703 chartered services used by VIPs and Government officials on subsidized rates.*

***(Paragraph 2.4.9.8)***

*Helipad constructed at Alichen could not be put to use due to obstruction by Hydro-Electric Tower.*

**(Paragraph 2.4.9.9)**

*Construction of Inter State Bus Terminal at Kohima at a cost of ₹ 8.92 crore could not be completed due to non-settlement of land dispute.*

**(Paragraph 2.4.9.10)**

### **2.4.1 Introduction**

The NST Department provides passenger bus services as a public utility, connecting the State capital with the district headquarters and rural areas where the private operators do not operate. NST also provides subsidized helicopter services from Dimapur to nine district headquarters. During audit period, the contract for operation of Helicopter service was given to three private operators<sup>13</sup>. The concomitant activities of the Department include infrastructure development and development of railway and civil aviation (for small aircraft services) network within the State of Nagaland.

As on 31<sup>st</sup> March 2016, the NST Department had a fleet strength of 214 buses (including super deluxe, deluxe and mini buses), one Recovery Van and one Truck and it operated buses on 76 routes with 96 scheduled services. The Department has one Central Workshop located in Dimapur, two Divisional Workshops at Kohima and Mokokchung and nine station workshops. The State helicopter service undertaken in collaboration with aviation companies operates weekly helicopter services at a subsidized rate<sup>14</sup> (75 per cent) to the nine<sup>15</sup> district headquarters of Nagaland.

### **2.4.2 Organisational set-up.**

The Commissioner and Secretary, Department of Transport is the administrative head of the Department. The General Manager (GM) NST is the head of the Department who is responsible for all public transport related activities. He is assisted by one Additional General Manager and two Joint GMs.

The Engineering wing of the Department is headed by Additional Chief Engineer assisted by one Executive Engineer.

### **2.4.3 Scope of audit and sample**

The Performance Audit covered the activities of NST from the period from 2010-11 to 2015-16. The audit covered the offices of the General Manager NST, Enforcement Cell, Engineering wing of the Department, Central Workshop, Drivers Training Institute, Dimapur, two Divisional Offices, two Divisional workshops and five Operating Stations in selected division through Simple Random Sampling Without Replacement (SRSWOR) method.

<sup>13</sup> M/s King Rotors (February 2010 to September 2013), M/s Thumbby Aviation (September 2013 to April 2015) and M/s Pawan Hans Ltd (June 2015 to March 2016).

<sup>14</sup> Provided by the Ministry of Home Affairs

<sup>15</sup> Kohima, Dimapur, Mokokchung, Wokha, Tuensang, Zunheboto, Mon, Kiphire and Phek

#### **2.4.4 Audit objective**

The objectives of the Performance Audit were to assess whether -

- the Department has a system to provide well-coordinated, affordable and reliable transport services in the State.
- the funds allocated were sufficient and utilized economically, efficiently and effectively to achieve its goals and the revenue/fares were fixed/collected at prescribed rates.
- the Monitoring mechanisms were adequate and effective.

#### **2.4.5 Audit methodology**

Audit methodology adopted were examination of records, issue of audit queries/ observations, examination of responses to audit, joint physical verification, photographic evidences wherever relevant. The draft report was issued to the Government in October 2016.

The Performance Audit began with an Entry Conference held on 18 May 2016 with the officers of the Department wherein the audit objectives, methodology, criteria and scope of audit were discussed. Audit also interviewed 112 commuters randomly at selected stations for their feedback on adequacy of facilities provided by the Department. The Exit conference was held on 10 November 2016 and the replies and views expressed by the Department during the exit conference were considered and appropriately incorporated in the Report.

#### **2.4.6 Audit criteria**

The findings were benchmarked against the following criteria:

- Motor Vehicle Act 1988 and Central Motor Vehicle Rules 1988 and Amendment Rules 2015.
- The State specific Acts and Rules as amended from time to time.
- Notification/orders and guidelines issued by the Government from time to time.
- Perspective Plan and Annual Action Plan.
- Training calendar.
- Data/information collected from the State Transport Authority, Directorate and subordinate offices.

#### **2.4.7 Acknowledgement**

Indian Audit and Accounts Department express our appreciation for the co-operation and assistance accorded to us by the Department at all levels during audit.

## **Audit Findings.**

The Audit findings are discussed in the succeeding paragraphs:-

### **2.4.8 Providing well-coordinated, affordable and reliable transport services**

#### **2.4.8.1 Planning.**

Planning is an important tool for any organization to understand and organize various activities required to achieve a desired goal. The planning process involves assessment of the existing and additional requirements collected through various methods like survey and assessment of the available resources/funds in order to prepare a comprehensive perspective/annual plans to achieve the desired goals.

General Manager, NST prepares annual action plan, for entire state, outlining operation of its fleet during the ensuing year. Audit however observed that while preparing these annual action plans, planning processes such as survey, feasibility study and assessment of requirements were not undertaken. The following deficiencies were noticed in these action plans:

#### **(i) Assessment of operational requirement.**

The adequacy of the fleet is key to achieving the Department's objective of providing optimum passenger bus services to the people. To meet the growing demand for public transport services, it is imperative that the Department maintains an adequate fleet to provide service on all the established routes.

Examination of records revealed that the Department had not carried out comprehensive survey or assessment to ascertain the operational requirements, total number of operational routes and the fleet strength available with the Department. However, case to case surveys on specific routes were being undertaken in response to a particular public demand. It was also seen that the Department did not maintain the database of the routes being operated and asset register including fleets, buildings, land etc. and therefore the information provided by the Department about fleet position and other assets owned by the Department varied from time to time e.g. the Department initially furnished details of operating 76 routes and 96 scheduled services as on March 2016 but in November 2016, the Department stated the position of routes as 155 notified routes out of which routes in operation were stated as 91. Fleet position also varied from 214 buses, recovery van and one truck to 217 buses, one recovery van, one truck and one ambulance. In this report fleet position (furnished in November 2016) of 214 buses, one recovery van and one truck has been taken.

Thus, in absence of the comprehensive surveys or assessments at the planning stages for requirement of operations of the Department, the adequacy or otherwise of the annual action plans could not be examined in audit.

The Department in its reply (November 2016) stated that route surveys were carried out only on receipt of demand from the public for bus services.

The reply of the Department confirms that the Department had not carried out comprehensive survey or assessment to ascertain the operational requirements within the State.

### **(ii) Planning for safety standards**

The difficult terrain, abysmal road condition of the state and also the conditions of buses operated by the Department makes it necessary that all stations and substations are prepared for any emergency arising due to breakdown of bus and accidents and other exigencies.

Examination of records revealed that except the central workshop in Dimapur which has one functioning breakdown vehicle, none of the divisional workshops and station workshops had breakdown vehicle, ambulances or mobile workshops. Although the rate of accidents of NST buses was not very high, yet the Department should be prepared for emergency situations.

The Department in its reply (November 2016) accepted the fact and stated that due to shortage of funds the Department was unable to provide breakdown vehicles to the divisional workshops and stations.

### **(iii) Supply chain management**

The Department has one central workshop, two divisional workshops and nine stations workshops for maintenance and servicing of its fleets. The minor repairs were carried out in the station workshop and major repairs were required to be carried out in the divisional workshop to which it was attached and only when the work was beyond the capability of the division workshop, it was required to be taken to the central workshop at Dimapur.

It was observed that, although there were sufficient number of technical personnel in the divisional workshops and station workshops, almost all the vehicles were sent to the central workshop, Dimapur for repairs and maintenance instead of getting the repairs done at respective divisions/stations due to poor supply chain management of spares resulted in insufficient spare parts at the station and divisional workshops.

Joint physical verification (August 2016) of the divisional workshops (Kohima and Mokokchung), revealed that none of the buses attached to the divisions were brought to the divisional workshops for repairs. All repair works which could not be done in the station workshops were directly taken to the central workshop, Dimapur. It was also seen that, in the two divisional workshops, only 30 to 77 *per cent* of the indented items were provided.

It was observed that the system followed for placing indents was not streamlined. The divisional and the station workshops place the indents for spares parts on the central workshop on need basis and the central workshop on receipt of the indents places the supply order on the authorised agents and then issues to the workshops. This system not only delays the repair and maintenance work at the divisional and station workshops but also results in disruption of service and addition of burden at central workshop.

The Department stated (November 2016) that breakdown vehicles enroute were towed to workshops and there were no serious accidents during the last few years.

The fact is that the division workshops are not being properly utilized leading to overburdening of the Central workshop for repairs and maintenance.

#### **2.4.8.2 Fleet position**

The fleet size of the Department consisted of 214<sup>16</sup> buses, one recovery van and one truck as on March 2016, out of which only 117 buses and one recovery van were in operation. Remaining 97 buses and one truck were either proposed for condemnation/uneconomical for running or were lying in central workshop for repairs.

In November 2016, the Department stated that the State had 155 notified routes out of which 91 routes were in operation and 64 routes were under suspension due to shortage of fleet, bad road condition and also due to non-availability of passengers. Further, 23 routes out of 64 routes were withdrawn due to route overlapping. The shortfall in services was attributed to insufficient operational buses by the Department.

It is pertinent to mention here that the Department did not maintain proper record of fleet and number of notified routes/routes operated as was clear from the above fact that the Department furnished different position of fleet size and routes. The different figures mentioned in the Department's reply were also without any supporting documents.

#### **2.4.8.3 Demand for NST Services**

Roadways are the main mode of public transport system in the State. However, the abysmally poor road conditions within the state and poor economic viability has resulted in non-participation of private mass transportation systems and therefore there was minimum to no connectivity of private transport services in remote villages. This has resulted in greater demand for public mass transportation through NST bus services.

An analysis of the records produced to audit showed that the demands made by the public for NST buses and provision of services during the last five years is shown in the following table.

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<sup>16</sup> Excluding three staff buses attached to DTI

**Table No.2.4.1**

Year	Demands made by public	Routes surveyed	Routes approved	Routes operated
2011-12	12	8	5	5
2012-13	10	1	1	1
2013-14	18	4	3	1
2014-15	9	4	2	0
2015-16	5	1	0	0
	<b>54</b>	<b>18</b>	<b>11</b>	<b>7</b>

*Source: Compiled from records furnished by the Department*

It can be seen from above, that out of 54 demands for operation of routes, 11 routes were approved and notified by the Government but only seven routes were put to operation. Further, as on March 2016, there was only one out of the seven which was in operation. Thus, the routes operated were far less than the demands made by the public.

The Department stated (November 2016) that out of 54 demands received, 35 routes were surveyed of which 17 were approved and 13 routes were operational. 4 routes were suspended due to bad road condition and shortage of fleet.

The fact remained that the number of routes operated by the Department against the public demand remained very low. The reply of the Department was also not supported by documentary evidence hence could not be verified in audit.

#### **2.4.8.4 Facilities at Stations**

The basic facilities should be made available to the passengers in all the stations providing public services. Joint physical verification of the 12 stations/sub-stations revealed that that none of the stations provided basic facilities such as display of scheduled departure/ arrival/delay, public announcement system, waiting rooms, basic amenities like toilets, drinking water etc. We also interviewed 112 commuters at the selected stations and found that despite the limited facilities provided by the Department, 99 passengers stated that they prefer travel by NST buses due to cheap fares and safety. However 34 passengers expressed their dissatisfaction regarding timings, notifications, cancellations etc.

In reply (November 2016), the Department stated that fare chart along with destination and daily derailment chart were displayed in all the stations and basic amenities like toilets, waiting hall were provided.

The reply of the Department, however, was not corroborated during joint physical verification conducted in the selected stations.

## 2.4.9 Financial Management

### 2.4.9.1 Budget Provision and Utilisation

The position of Budget and Expenditure for the last five years are shown below:

**Table No.2.4.2**

(₹ in lakh)

Years	Plan	Non-Plan	Total	Utilisation	Excess/saving
2011-12	885.45	5,506.46	6,391.91	6,386.48	(-) 5.43
2012-13	2,148.44	5,607.60	7,756.04	7,395.22	(-) 360.82
2013-14	247.16	6,312.47	6,559.63	6,559.14	(-) 0.49
2014-15	1,300.65	6,701.46	8,002.11	7,837.25	(-) 164.86
2015-16	475.46	5,684.80	6,160.26	5,959.96	(-) 200.30
<b>Total</b>	<b>5,057.16</b>	<b>29,812.79</b>	<b>34,869.95</b>	<b>34,138.05</b>	<b>(-) 731.90</b>

From the above table it can be seen that the Department could not fully utilise the funds in all the years. The savings of the Department ranged between ₹ 0.49 lakh (2013-14) to ₹ 360.82 lakh (2012-13). The savings for the years 2012-13, 2014-15 and 2015-16 were mainly due to retention of plan fund in civil deposit which was released in subsequent months.

### 2.4.9.2 Revenue target and achievement

**Table No.2.4.3**

Year	Target	Achievements				Percentage of achievement
		Bus (passengers)	Helicopter Services	Rent, lease, etc.	Total	
2011-12	1634.59	1130.07	153.60	12.37	1296.04	79
2012-13	1737.46	1032.65	642.51	12.95	1688.11	97
2013-14	1693.46	1090.91	109.33	12.17	1212.41	72
2014-15	2151.73	1184.23	102.37	12.47	1299.07	60
2015-16	2067.36	1066.70	169.52	17.76	1253.98	61
<b>Total</b>	<b>9284.60</b>	<b>5504.55</b>	<b>1177.33</b>	<b>67.71</b>	<b>6749.59</b>	<b>73</b>

*Source: Compiled from the records of the Department*

From the table it can be seen that the revenue targets were not achieved during the last five years.

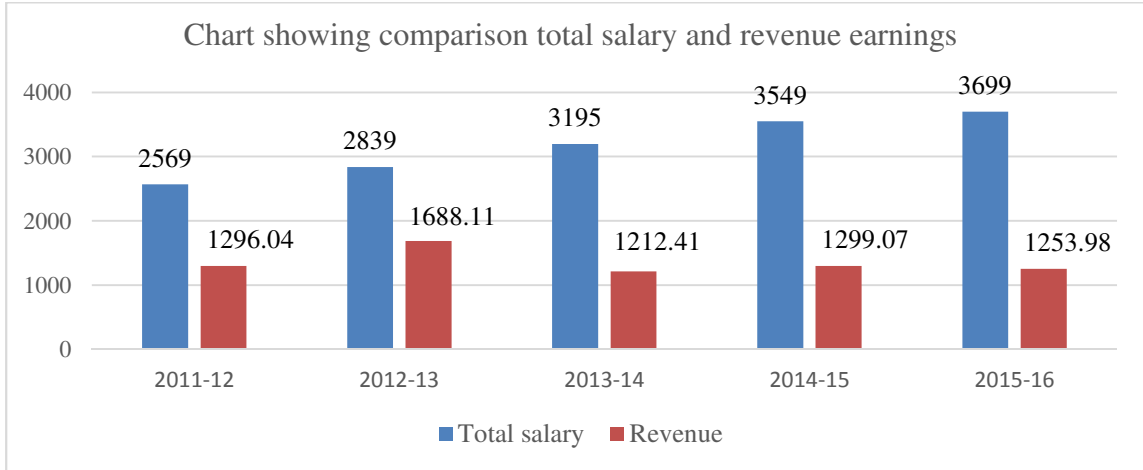
The Department accepted (November 2016) the facts that the revenue targets could not be achieved and stated that it was due to cancelation of schedules of various reasons such as landslides, *bandhs* and certain unavoidable circumstances which were beyond control.

The Departments reply is not fully correct as the revenue loss is not exclusively due to landslides and bandhs but other reasons within its control which was pointed out in paragraph number 2.4.9.5.



### 2.4.9.3 Comparison of Salary and Revenue Earnings

An analysis on the revenue earnings of the Department and total salary expenses in the last five years revealed that the revenue earning was decreasing whereas the expenditure on salary was increasing as depicted in the chart below :-



It can be seen from the above that the expenditure on salary and allowances of the employees far exceeded the revenue of the Department in all the five years. The expenditure on salary had increased from ₹ 25.69 crore in 2011-12 to ₹ 36.99 crore in 2015-16 whereas the revenue receipts from operation of the services decreased from ₹ 12.96 crore in 2011-12 to ₹ 12.54 crore in 2015-16. This indicated that the Department had not been able to improve its operating efficiency during the last five years commensurate with the increased salary over the same period.

Accepting the fact, Department stated (November 2016) that decline in revenue is due to depleted fleet strength and over-aged buses. However, the Department's reply was silent on substantial increase on salary expenditure thereby widening the gap between operational cost and revenue from operations.

### 2.4.9.4 Revenue from operations

As per Rule 6 of Receipt and Payment rules, all money received by or tendered to Government officers on account of revenues or receipts or dues of the Government shall, without undue delay, be paid in full into the accredited bank for inclusion in Government Account. Further, moneys received as aforesaid shall not be utilised to meet departmental expenditure nor otherwise kept apart from the accounts of the Government.

Examination of records of the five selected stations revealed that the revenue realized from operations of the Department were utilized for meeting departmental expenditure such as fuel for operation of bus services and workshop, payment of electric bills and for other petty expenditure. It was seen that diversion of revenue for meeting other expenditure terming it as "Emergency local purchase", was in practice. Audit observed that the Department had instructed the station-in-charges to procure HSD on loan

locally on emergency situations. The revenue so utilised were recouped by the Department after several months by submitting the bills to GM by the stations.

Analysis of five selected Stations on diversion of revenue for expenditure is shown below:

**Table No.2.4.4**

₹ in lakh

Expenditure met from Revenue during 2011-16 in 5 station								
Name of station	Year	HSD	Electric charges	Spare part	Others	Total	Amount Recouped	Balance
Kohima	2011-16	142.73	2.46	0.84	2.02	148.06	148.06	0.00
Dimapur	2011-16	199.06	11.48	0.00	4.69	215.24	213.71	1.53
Mokokchung	2011-16	82.97	2.65	0.00	0.98	86.60	57.80	28.80
Zunheboto	2011-16	14.68	0.00	0.00	0.00	14.68	14.68	0.00
Phek	2011-16	0.00	0.12	0.00	0.00	0.12	0.00	0.12
<b>Total</b>		<b>439.45</b>	<b>16.71</b>	<b>0.84</b>	<b>7.70</b>	<b>464.69</b>	<b>434.25</b>	<b>30.45</b>

It can be seen from the table that out of ₹ 4.64 crore diverted from revenue for various purpose, an amount of ₹ 0.30 crore is yet to be recouped by the Department to Government accounts. Further, it was observed that the local purchases of 6470 litres of Diesel made by the SS, Zunheboto during May 2014 and June 2014, amounting to ₹ 3.6 lakh, were not supported by any bills or Actual Payment Receipts (APR).

The Department accepted (November 2016) the audit finding and stated that it had to resort to such situation due to compelling circumstances in order to avoid suspension of services.

The fact remained that diversion of revenue for meeting administrative expenditure violated the provisions of Rules.

#### 2.4.9.5 Loss of revenue due to cancellation of services

An analysis of the loss incurred by the selected five stations in the last five years due to suspension/cancellation of bus service is tabulated below:

**Table No.2.4.5**

Name of Station	Loss due to suspension of service (in km)					Total km (To & fro)*2	Rate per passenger /km for semi deluxe	Revenue Loss (₹ in lakh)	Average occupancy in a semi deluxe bus (at 40 %)	Total revenue loss (₹ in lakh)
	2011-12	2012-13	2013-14	2014-15	2015-16					
Dimapur	348,454	311,086	264,983	377,110	*	26,03,266	0.941	24.50	14	342.95
Mokokchung	13,660	13,141	25,746	37,756	39,038	2,58,682	0.941	2.43	14	34.08
Phek	*	27,423	18,683	21,598	11,740	1,58,888	0.941	1.50	14	20.93
Kohima	135,218	*	157,115	143,997	198,202	12,69,064	0.941	11.94	14	167.19
Zunheboto	155,713	143,420	93,030	71,715	15,569	9,58,894	0.941	9.02	14	126.32
<b>Total</b>								<b>49.39</b>		<b>691.48</b>

\* Data for 2011-12 (Phek), 2012-13 (Kohima) and 2015-16 (Dimapur) not available/provided.  
Source: Compiled from records furnished by Department

From the table above it can be seen that the Department incurred a revenue loss of ₹ 6.92 crore by way of cancellation of schedules and trips in the five selected stations (excluding cancellations due to bandhs, landslide, roadblocks etc.) during the period from 2011-12 to 2015-16. The reasons for cancellation was not on record

While accepting (November 2016) the facts, the Department stated that services were suspended or cancelled mainly due to shortage of vehicles, bad road condition, bandhs, low traffic flow, natural occurrence like landslide/roadblock which was beyond the control of the Department causing revenue loss.

The fact remained that the cancellations due to reasons like shortage of vehicles, bad road conditions; bandhs etc., was ignored while calculating the revenue loss. The reasons for cancellations were not on record.

#### **2.4.9.6 Diversion of fund**

The Department received an amount of ₹ 0.50 crore<sup>17</sup> for renovation and up gradation of the fleet during 2014-15 and 2015-16 under a negotiated loan from the Housing and Urban Development Corporation (HUDCO). Examination of records revealed that the Department utilised only ₹ 0.30 crore for up-gradation of the fleet and diverted ₹ 0.20 crore for purchase of three Boleros which are being used by the Department.

In reply (November 2016), the Department stated that they did not receive sanction under normal Plan Fund though ₹ 0.30 crore was earmarked under fleet acquisition for renovation of buses and purchase of one Bolero during 2014-15. Renovation of buses and purchase of one Bolero carried out during 2015-16 was out of normal Plan Fund, spilled-over in 2014-15 amounting to ₹ 0.20 crore. The reply was silent about purchase of the other two Boleros.

The reply of the Department is not acceptable as the drawal authority issued by the Government for ₹ 0.20 crore was for renovation of buses only which were to be utilised for passenger traffic rather than purchase of Boleros not utilised for passenger traffic. Moreover, the Government was liable to pay interest on the loan which was diverted for purchase of vehicles not meant for passenger traffic.

#### **2.4.9.7 Acquisition of fleet**

To provide smooth and sustained operation of public transport system, it is important to maintain as well as acquire new fleets. Examination of records revealed that the Department proposed to avail a negotiated loan<sup>18</sup> of ₹ 3.89 crore (₹ 3.00 crore as loan and ₹ 88.80 lakh as State's share) and ₹ 5.24 crore (₹ 4.50 crore as loan and ₹ 74.09 lakh as State's share) from HUDCO for acquisition of fleet during 2011-12 and 2012-13 respectively. Accordingly, HUDCO sanctioned ₹ 3.00 crore (March 2012) for purchase

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<sup>17</sup> During 2014-15 (₹ 30.00 lakh) and 2015-16 (₹ 20.00 Lakh)

<sup>18</sup> Under provisions of Article 293(3) of the Constitution of India; a State may not without consent of Government of India raise any loan if there is still outstanding any part of a loan which has been made to the State by the Government of India or in respect of which a guarantee has been given by the Government of India.

of 16 buses and ₹ 4.50 crore (March 2013) for purchase of 22 new buses. However, the State Government did not release its matching share.

Audit observed that the Department purchased only 14 buses<sup>19</sup> during 2011-12 and 20 buses<sup>20</sup> during 2012-13. It was also seen that the Department did not follow the procedure of floating tender for the purchases, but resorted to open quotation submitted by dealers of TATA motors. When HUDCO objected to the reduction in procurement of the number of buses, the Department stated that the reduction in the procurement of buses was due to deduction of frontend fee and service tax by HUDCO amounting to ₹ 1.65 lakh and ₹ 2.53 lakh respectively from both the loans.

Audit, however, observed that the reduction in procurement of buses was not due to frontend fee and service tax by HUDCO, but due to non-release of state share (₹ 88.80 lakh during 2011-12 and ₹ 74.09 lakh during 2012-13) as per the agreement with HUDCO and non-observance of competitive bids to optimise procurement rates of chassis which led to increase of cost per unit, than what was actually projected.

The Department stated (November 2016) that tenders are floated at national level for procurement of bus body and the chassis are procured directly from M/s. Tata Motors Pvt. Ltd.

The reply of the Department was, however, silent on reasons for reducing the number of buses procured during 2011-12 and 2012-13.

#### 2.4.9.8 State Helicopter services

The State Helicopter Service in collaboration with aviation companies operates weekly helicopter services at subsidized rate (75 per cent) in nine<sup>21</sup> District Headquarters of Nagaland. The subsidized cost is borne by the Ministry of Home Affairs (MHA), Government of India (GoI). During the last five years, the Department earned a revenue of ₹ 11.77 crore from Helicopter services, which included revenue from both scheduled services and chartered services.

MHA had reiterated (March 2012) that the subsidy scheme for operation of Helicopter services is primarily meant for carrying common passengers and only in cases of absolute necessity, not more than 25 per cent of the flying hours are to be used for VIP movements. Further, the usage of helicopter services by VIPs and/or officials from the Central Government, the expenditure is to be borne by the Ministry/Department concerned.

Audit observed that, apart from the scheduled services for which flying hours were allotted, the Department also operated chartered services on the same subsidized rates. On further examination, it was observed that 39 to 60 per cent of the chartered services were used by VIPs and Government officials on subsidized rates and these were included in the claim for subsidy from GoI. Analysis of the claims for

<sup>19</sup> Vide drawal authority No.71 dated 22-3-2012

<sup>20</sup> Vide drawal authority No.Bud/8-56/2012-13/GF/456 dated 23-3-2013

<sup>21</sup> Kohima, Dimapur, Mokokchung, Wokha, Tuensang, Zunheboto, Mon, Kiphire and Phek

reimbursement made by the Department from GoI during the period of audit revealed that chartered services operated for VIPs and other ineligible Government officials were also included in the claims for reimbursements as shown below:

**Table No.2.4.6**

Period	VIP and other Govt officials			Hired by Public			Total hired	
	Number of trips	Amount	Per-centage	Number of trips	Amount	Per-centage	Number of trips	Amount
2011-12	170	53,50,000	59.65	115	29,95,000	40.35	285	83,45,000
2012-13	101	49,11,315	39.45	155	46,54,875	60.55	256	95,66,190
2013-14	141	52,69,084	59.00	98	29,20,381	41.00	239	81,89,465
2014-15	154	62,35,470	57.46	114	33,80,270	42.54	268	96,15,740
2015-16	137	48,50,800	56.38	106	26,14,025	43.62	243	74,64,825
<b>Total</b>	<b>703</b>	<b>2,66,16,669</b>	<b>54.45</b>	<b>588</b>	<b>1,65,64,551</b>	<b>45.55</b>	<b>1,291</b>	<b>4,31,81,220</b>

Source: Compiled from data furnished by Department

As can be seen from the table above, the chartered services for VIPs and other Government officials ranged between 39.45 *per cent* to 59.65 *per cent* of the total hired services during the period from 2011-12 to 2015-16 instead of the stipulated ceiling of 25 *per cent* put by the MHA for reimbursement of subsidy. Thus, subsidy which was primarily meant for carrying common passengers was extended to VIPs and other Government officials in excess of the stipulations as detailed above.

Further examination of the claims submitted by the Department to the GoI for reimbursement of subsidy revealed that the Department had submitted claims of ₹ 44.25 crore<sup>22</sup> (includes scheduled services) during the last five years to the MHA, where as it was entitled to a claim of only ₹ 20.87 crore. GoI has not reimbursed the subsidy claim from January 2010 till 31 March 2016.

The Department stated (November 2016) that the *percentage* of occupancy of seats by VIPs was 8 *per cent* and not as observed by Audit. The Department further stated that GoI had released subsidy amounting to ₹ 8.02 crore for the period from February 2010 to August 2011 and the same has been deposited to the treasury.

The reply of the Department is not acceptable as the average number of chartered services operated for VIPs during last five years was 54.45 *per cent* and not 8 *per cent* as claimed by the Department.

#### **2.4.9.9 Construction of Helipad at Alichen**



The Department constructed (May 2012) a helipad at Alichen at a cost of ₹ 0.66 crore which was certified as complete (May 2012) and was ready to put for use.

It was observed that while selection of plot for construction of the helipad the Department of Land Records and Survey in its report stated that the plot is obstructed by Hydro-electric transmission tower and unless it is removed the landing and take-off from the helipad cannot take place. As a result, even after certificate of completion was

<sup>22</sup> From April 2011 to March 2016

issued (May 2012) for operation of the helipad, it has not been put to use so far. A joint physical verification<sup>23</sup> of the helipad revealed the following.

- The services from the helipad are yet to commence (March 2016) even after a lapse of 46 months from the issue of certificate of completion. The pavement, approach road and waiting shed has been covered by overgrowth.

	
<p><b>Helipad unused and covered with grass and weeds. HT Electric tower adjacent to it</b></p>	<p><b>Approach road covered by overgrowth</b></p>

- The waiting shed is not accessible as no approach road was constructed.
- The Divisional Manager, Mokokochung stated that the helipad could not be cleared for passenger air traffic as 132 KV High Tension Transmission line situated near to the helipad was not relocated.

Supply order amounting to ₹ 1.5 lakh was issued (January 2012) to M/s R. J Associates for supply of furniture and fittings for furnishing the waiting hall at Helipad at Alichen. It was observed that none of the items were supplied so far (March 2016).

Thus, the project was executed in arbitrary manner without prior clearances, survey of site which resulted in blockade of the funds spent on its construction. Moreover, the helipad could not be put into use even after 46 months of its completion, thereby depriving the common people access to the helicopter services.

The Department replied (November 2016) that maintenance works such as jungle clearance would be carried out before it is put in use. Shifting of the 132 KV Hydroelectric Tower has been initiated with the concerned Department for which an amount of ₹ 0.25 crore would be required. Regarding supply of furniture and fittings, the Department stated that the materials were not delivered since the helipad was not operational.

The reply of the Department confirms the observation of audit that, due to negligence of the Department the helipad could not be put to use. Further, additional expenditure would be required to put it into operational condition.

**2.4.9.10 Construction of Inter State Bus Terminal, Kohima**

The project Construction of Inter State Bus Terminus (ISBT) at Kohima funded by NEC at the cost of ₹ 9.12 crore was taken up the NST Department in December 2006.

<sup>23</sup>on 5-9-2016

The major component of work viz., construction of main terminus building, internal electrification, parking yard and approach road, supply of furniture etc. at the cost of ₹ 8.92 crore was completed in May 2015.

However, some minor items of work valued at ₹ 0.20 crore, like maintenance of approach road and restoration of water supply construction were yet (November 2016) to be completed due to land dispute on the construction site and hence the Bus Terminus could not be commissioned even after 18 months from the completion of construction of the major works of the Bus Terminus.

Thus, due to land dispute the very purpose of constructed ISBT at Kohima remained unutilized and hence the benefit from it could not be extended to the stakeholders.

The Department accepted (November 2016) the fact that due to land dispute the work could not be completed.

#### **2.4.9.11 Construction of Inter-State Bus and Truck Terminus (ISBTT) at Peren.**

Ministry of DoNER sanctioned an amount of ₹ 8.74 crore for construction of ISBTT at Peren and released<sup>24</sup> an amount of ₹ 4.94 crore for the same. The work was to be completed within 18 months from the commencement of work (April 2014). The Finance Department Government of Nagaland also released its matching share<sup>25</sup> of ₹ 0.55 crore. Out of the total amount released an amount of ₹ 2.50 crore was kept in civil deposit.

The work was awarded to M/s S. Solo Engineering, Dimapur being the lowest bidder. An examination of the Running Account Bills and Measurement Book (MB) revealed that an amount of ₹ 1.20 crore was paid to the contractor<sup>26</sup> against execution of 28 items of work on the basis of measurements in MBs which was certified by Junior Engineer, Executive Engineer and General Manager NST. It was however observed during joint physical verification that 28 items of work against which the payments were made on Running Accounts bills had not been executed at all. Thus, the Department had apparently made fictitious entries in the MB and made the payments on these fictitious entries without actual execution of works. There was nothing on record to indicate that the Department had ordered an enquiry which indicated failure of Internal Controls.

In reply (November 2016), the Department while accepting the fact stated that the contractor has been instructed to accelerate the execution of the works and complete the project within the revised target date of completion (March 2017). No reply was received regarding initiating any enquiry.

#### **2.4.9.13 Operation of Indigo Airlines service in Nagaland:**

Government of Nagaland entered into a Memorandum of Understanding (MOU) with M/s Interglobal Aviation Ltd (IndiGo) for operating its services in Nagaland by providing certain “incentives” including:

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<sup>24</sup> vide No. F.No 135/2011-NLP(NL) dated 02/11/2012 and NLCPR/ sanction No. 108/Year 2014-15 dt. 18.12.14

<sup>25</sup> vide bud/2-56/2012-13 dt. 5.2.13 (being 1<sup>st</sup> instalment) and TPT/NST-119/2012(Pt) dt. 15.2.15 (State Share),

<sup>26</sup> Against RC bills (i) 62 of 13-2-2014 (ii) 72 of 25-3-2015 (iii) 45 of 17-12-2015

- refund by GoN to IndiGo, the full value of VAT payable by IndiGo to the oil marketing companies on the Aviation Turbine Fuel purchased in the State of Nagaland,
- if on any flight to and/or from Dimapur, the occupancy is less than 100 seats, the GoN shall pay Indigo a total amount of ₹ 4000 per unutilised seat, and
- GoN shall deposit an amount of ₹ 50 lakh by opening of the escrow account, which will be adjusted against the amount to be paid by GoN to Indigo towards the incentives.

Examination of records revealed the following:

a. Indigo passenger tickets include fuel charges, taxes etc. whereas GoN is reimbursing the VAT on fuel supplied to Indigo which was an undue benefit to the company as the tax amount was already levied on the passengers. The Department had incurred an expenditure of ₹2.57 crore towards reimbursement of VAT on fuel charges during the period from December 2014 to June 2016 which was not proper.

b. Indigo operates its services from/to Dimapur and Kolkata and also to other sectors in India. It was seen that the Company refuels about 12,000 to 15,000 litres of Aviation Turbine Fuel from Dimapur whereas, it requires only 4,000 litre (for A320) to cover 55 minutes of air time (i.e. air time distance between Dimapur and Kolkata) and claims reimbursement on taxes on fuel on any quantity of fuel uplifted from Dimapur.

It was also observed that an amount of ₹ 7.95 lakh was sanctioned for the purchase of a vehicle (July 2015) for transporting IndiGo Staff Members, although such a provision was not incorporated in the MoU. Further, the guaranteed tax of ₹ 0.50 crore deposited in the escrow account also had not been adjusted.

The Department while accepting the facts stated (November 2016) that the Government had to offer certain relaxations and incentives to attract the Indigo Airlines. Nevertheless, the matter raised by audit has been taken up with the Government and the Indigo Airlines Authorities and necessary clarifications would be intimated on receipt of decision from the Government.

#### **2.4.9.14 Misappropriation of Government Revenue:**

It was observed that revenue received from activities of NST of Zunheboto Division were utilised for meeting expenditure and also misappropriated by persons handling cash of the Government. Analysis of revenue deposits in the last five years (2011-15) indicated that an amount ranging between ₹ 1365 and ₹ 48, 065 was retained by the staff handling the cash (43 instances) for a period ranging between nine months and 46 months. Further, it was noticed that in eight instances, station superintendents retained amounts (ranging between ₹ 20,000 and ₹ 3,14,000) out of revenue receipts on the plea of giving it as loans to the staff on different occasions during the last five years. Audit could not ascertain the position of repayment of these loans as no such record was made available to audit.



Moreover, an official, who was performing the duty of cashier upto February 2015, had retained an amount of ₹ 9.53 lakh of which an amount of ₹ 0.20 lakh was recovered and the balance ₹ 8.91 lakh remained unadjusted so far (August 2016).

Further, it was observed that the opening balance of the cash book in August 2014 was understated by ₹ 11,140 and in December 2014 by ₹ 95,153. Thus, an amount of ₹ 1,06,293 remained outside the Government account and the possibility of the amount being misappropriated cannot be ruled out.

The Department stated (November 2016) that actions have been initiated to deduct such loans from the monthly salary of the defaulting individuals.

The Department was silent on action initiated to prevent such misappropriation of revenue by officials.

#### **2.4.10 Monitoring and Internal Control mechanism**

##### **2.4.10.2 Performance Analysis:**

In order to fulfil the Department's objective to provide passenger bus services, to accelerate the process of socio-economic development of the State, the Department should have provided a well-connected network of services in the rural sector of the State apart from connection the district headquarters to the State Capital and its commercial district of Dimapur.

Audit analysed the services offered by the Department in the rural areas of the State, especially the services operated within the selected districts. Analysis of services operated per day is shown in table below:

**Table No.2.4.7**

Sl. No.	Name of station	No of interstate Service	No of Inter-District Service	No of Rural Service	Total	Percentages	
						Rural	Inter-district
1	Mokokchung	0	4	4	8	50	50
2	Kohima	1	12	12	25	48	48
3	Zunheboto	0	2	3	5	60	40
4	Dimapur	1	15	10	26	38	58
5	Phek	0	2	0	2	0	100
<b>Total</b>		<b>2</b>	<b>35</b>	<b>29</b>	<b>66</b>	<b>44</b>	<b>53</b>

*Source: Compiled from records of the Department*

It can be seen from the above table that 44 per cent of services were operated within the district, whereas 53 per cent of services were concentrated on inter district connectivity. Most of the services were operated between Dimapur to Kohima and Mokokchung. Further, it was seen that services operated in rural areas were mostly concentrated in Kohima (18 per cent) and Dimapur (15 per cent), whereas services in remaining three selected remote districts were lower (11 per cent).

Thus, the achievement of the objective of Department of providing a well-coordinated and reliable transport facility to the people of the state, especially the remote areas was not adequately addressed.

The Department stated (November 2016) that bad road conditions along with short intra-district services and sparse traffic resulted in loss of revenue.

Though the Departmental reply regarding bad road conditions was a fact, yet non-provision or poor connectivity of the rural areas was defeating one of the main objectives of the Department i.e. providing of bus services to the rural /inter-district sectors.

#### **2.4.10.3 Operation of service without Conductors:**

Under Chapter III of Section 29 of Motor Vehicles Act 1988 “No person shall act as a conductor of a stage carriage unless he holds an effective conductor’s license issued to him authorising him to act as such conductor, and no person shall employ or permit any person who is not so licensed to act as a conductor of a stage carriage.” and Section 29(2) “A State Government may prescribe the conditions subject to which sub-section (1) shall not apply to a driver of a stage carriage performing the functions of a conductor or to a person employed to act a conductor for a period not exceeding one month.”

Audit verification of the four selected Stations revealed that buses were operated without conductors and the drivers of the buses functioned as conductors also. Table below shows percentage of services that were operated without conductors.

**Table No.2.4.8**

Sl. No.	Name of station	Percentage of Services operated without conductors in five years				
		2011-12	2012-13	2013-14	2014-15	2015-16
1	<b>Mokokchung</b>	9.67	6.53	6.21	5.71	4.13
2	<b>Phek</b>	NA	59.50	53.72	50.34	54.07
3	<b>Kohima</b>	37.71	NA	44.24	45.19	38.67
4	<b>Zunheboto</b>	8.68	18.84	26.50	7.12	6.05

*Source: Compiled from records of the Department*

From the table above it can be observed that the percentage of services operated in the four stations without conductors during the last five years ranged between 4.13 *per cent* and 59.50 *per cent*.

The Department in reply stated (November 2016) that disciplinary action would be taken under relevant Service Rules against the absentee conductors.

#### **2.4.10.4 Operation of buses with irregular registration number**

Under Chapter IV Section 39 of Motor Vehicles Act 1988 “No person shall drive any motor vehicle and no owner of a motor vehicle shall cause or permit the vehicle to be driven in any public place or in any other place unless the vehicle is registered in accordance with provision in the Act and the certificate of registration of the vehicle

has not been suspended or cancelled and the vehicle carries a registration mark displayed in the prescribed manner”.

During 31 March 2011, the Department received sanction for ₹ 2.00 crore for procurement of buses under negotiated loan during 2010-11. Accordingly, the Department received 12 buses from Tata Motors during 2011 out of which registration certificate of two buses Reg. No. of NL-11 2228 and NL-11 2229 was not furnished to Audit. Physical verification revealed that these two buses were being operated from Kohima and Dimapur stations of the Department.

Further verification of the database of vehicle registration of Transport Department, revealed that the buses operated by the Department under Numbers NL-11 2228 and NL 11 2229 were actually registered under the ownership of Directorate of Higher & Technical Education and Directorate of Health & Family Welfare Department. This indicated that, the Department was operating the two buses with irregular registration which was a violation of the Motor Vehicles Act.

The Department stated (November 2016) that the registration of the vehicles would be regularised at the earliest.

#### **2.4.11 Conclusion**

The planning process in the Department was inadequate as comprehensive surveys and feasibility studies were not carried out while preparing five year plans or annual operation plans for efficient assessment of operational requirements, preparedness for emergencies, fleet management, facilities at stations and supply chain management for spares in the workshops. The Department did not follow the established canons of financial propriety while entering in to MOUs with civil aviation companies for air transportation and entitlement of helicopter subsidy. There were delays in completion of projects, non-settlement of land disputes, etc.

#### **2.4.12 Recommendation**

The recommendation of the audit are:

- The Department should lay emphasis on planning with adequate focus on surveys and feasibility studies to assess operational and infrastructure requirements realistically.
- The Department should resolve outstanding disputes and other bottlenecks for optimal utilisation of the infrastructures created.
- The Department should put in place effective controls and monitoring mechanisms to prevent leakage, diversion and wilful misappropriation of revenue.

## COMPLIANCE AUDITS

## PUBLIC WORKS (ROADS &amp; BRIDGES) DEPARTMENT

## 2.5 Excess payment to contractor

**The Executive Engineer, Public Works (Roads and Bridges) Division, Dimapur made excess and inadmissible payment of ₹ 8.01 crore to a contractor by arbitrarily increasing the rates of three items of work.**

The Ministry of Development of North Eastern Region (DONER) sanctioned (August 2010) an amount of ₹ 29.41 crore for the Up-gradation of the Dimapur-Nuiland Road to a Major District Road, covering a distance of 28 Km under the Non Lapsable Central Pool of Resources (NLCPR). Accordingly, the Public Works Department (PWD) awarded (August 2010) the work to M/s National Construction at ₹ 29.41 crore at par with Nagaland Public Works Department (NPWD) Schedule of Rates (SOR) 2008. As per clause 12 of the terms and condition of the contract, no price escalation/enhancement of rate was to be allowed.

Examination of records (November 2015) of the Executive Engineer, PWD (R&B) revealed that the Executive Engineer, PWD, (R&B) Dimapur Division submitted (14 July 2011) a proposal for revision of the estimate of the project cost to ₹ 39.90 crore only nine days before actual completion of the work (23 July 2011) on grounds of variation in quantities of work during execution. Accordingly, the value of the work order was enhanced, through a corrigendum issued (21 July 2011) by the Chief Engineer, PWD (R&B). The contractor was paid ₹ 39.90 crore in four instalments as indicated below:

Table: 2.5.1

(i)	Mobilisation Advance vide Vr. No 3 of 18 October 2010	₹ 11,53,37,000/-
(ii)	1 <sup>st</sup> Running Account Bill vide Vr. No 10 of 31 March 2011	₹ 11,00,00,000/-
(iii)	2 <sup>nd</sup> Running Account Bill vide Vr. No 6 of 22 December 2011	₹ 5,59,38,000
(iv)	Final bill vide Vr. No. 3 of 25 March 2015	₹ 11,77,60,000/-

On detail examination of revised Bill of Quantity (BOQ), it was observed that the quantities in respect of three items of work were increased while the quantities of six items of work were reduced. The revised project cost for the revised quantity of work as per original approved rates works out to ₹ 31.89 crore (**Appendix-2.5.1**). However, it was noticed that in the revised BOQ the rates of three items (Granular Sub Base (GSB), Water Bound Macadam (WBM) Gr. II and III) was arbitrarily increased by ₹ 960 each over and above the approved SOR. As a result, the project cost was increased to ₹ 39.90 crore and the amount was accordingly paid to the contractor. The excess amount of ₹ 8.01 crore was paid to the contractor on account of enhancement in the rates are as shown in the following table.

**Table: 2.5.2**

Sl. No.	Item of work	Rate as per (in ₹)		Difference (in ₹)	Quantity as per revised BOQ	Amount paid	Amount payable	Excess payment
		original BOQ	revised BOQ					
1	Granular Sub Base	1464	2424	960	64,941.13	1574.17	950.74	623.43
2	WBM Gr. II	1659	2619	960	7,999.85	209.52	132.72	76.80
3	WBM GSB Gr. III	1797	2757	960	10,533.10	290.40	189.28	101.12
<b>Total</b>						<b>2074.09</b>	<b>1272.74</b>	<b>801.35</b>

Source: Departmental figure

Thus, the Department flouted the terms and conditions of the contract by enhancing the rates of three items of works above SOR, which resulted in excess and inadmissible payment of ₹ 8.01 crore to the contractor.

The Government in reply (August 2016) stated that the project cost was revised as per the revised BOQ and measurement as well as the bills were prepared taking those aspects into account. However, the Government was silent on how the rate of three items of works was enhanced arbitrarily.

## RURAL DEVELOPMENT DEPARTMENT

### 2.6 Suspected misappropriation of MGNREGS fund

**The Block Development Officer (BDO), Ghatashi transferred an amount of ₹ 2.53 crore to two private bank accounts out of the fund of ₹ 8.69 crore received under MGNREGS during 2013-14 and possibility of misappropriation of ₹ 2.53 crore could not be ruled out.**

As per Operational Guidelines of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), separate bank accounts are to be opened for managing funds under the Scheme at the State, District, Block and Panchayat (village) levels. The funds received from Government of India or the State Government by the District Rural Development Agency (DRDA) are to be transferred to the Blocks/Panchayats by bank transfer.

Examination (August 2014) of records in the office of the Block Development Officer (BDO), Ghatashi revealed that the Project Director (PD)-cum-District Programme Coordinator (DPC), MGNREGS, Zunheboto sanctioned and remitted an amount of ₹ 8.69 crore between July 2013 and March 2014 for implementation of various works under the scheme to BDO, Ghatashi Block. As per entries made in the cash book the entire amount was shown as paid to all the 22 Village Development Boards (VDBs). However, examination of the bank statement revealed that only an amount of ₹ 5.14 crore was credited to the VDBs account. Out of the remaining amount, ₹ 1.02 crore was drawn in cash and balance ₹ 2.53 crore was transferred to two private bank accounts.

In order to authenticate the transfer of funds to individual accounts, the details of transactions were obtained from the State Bank of India, Zunheboto Branch which revealed that the BDO transferred ₹ 1.07 crore to his personal account and ₹ 1.45 crore was transferred to an account of Shri. Vika Swu as detailed below.

**Table No. 2.6.1**

Sl. No	Date	Cheque no	Name of the Bank and Account No	Name of the A/C holder	Amount
1	29-03-2014	123160	SBI Zunheboto 30722825724,	Vikheto Kits	25,00,000
2	29-03-2014	123161			25,00,000
3	29-03-2014	123162			25,00,000
4	29-03-2014	123163			25,00,000
5	29-03-2014	123164			7,48,790
<b>Sub-Total</b>					<b>1,07,48,790</b>
1	20-01-2014	123153	Bank of Baroda, Dimapur Branch 10170100036558	VikaSwu	41,66,490
2	20-01-2014	123155			80,70,480
3	20-01-2014	123157			22,99,860
<b>Sub-Total</b>					<b>1,45,36,830</b>
<b>Grand Total</b>					<b>2,52,85,620</b>

Thus, in violation of the guidelines and contrary to the recordings made in the cash book, an amount of ₹ 2.53 crore was transferred to two private bank accounts.

In reply (May 2016) the Government stated that the fund was temporarily parked in two individual accounts due to unavoidable circumstances as explained by the BDO. It enclosed copies of reply of District Rural Development Authority, Zunheboto forwarding the explanation of BDO, Ghathashi for transfer of funds into individual accounts. As per explanation provided by BDO, Ghathashi the funds were temporarily transferred to facilitate purchase of materials required for work which were not available at the local market and were required to be arranged from Dimapur/Zunheboto. BDO, Ghathashi also stated that amount temporarily transferred was paid in full to the respective VDBs in cash and attached Actual Payment Receipts (APRs) in support of his claim.

The explanation of the BDO, Ghathashi as well as the Government is not acceptable as the APRs provided in support of the claim that the amount temporarily transferred was paid in full to respective VDBs in cash in fact pertained to ₹ 1.02 crore drawn in cash by the BDO and not in respect of the amounts transferred to individual accounts. Further, to corroborate the replies of the Government, the actual transaction of the two bank accounts and the accounts of the VDBs were obtained from the bank authorities which revealed that an amount of ₹ 2.53 crore transferred to these two accounts were never credited to the accounts of the VDBs nor reverted back to Government account. Rather, it was observed that ₹ 1.07 crore parked in the bank account of Shri. Vikheto Kits was transferred to the accounts of Shri. Vika Swu (Bank of Baroda, Dimapur) on 02 April 2014 through Real Time Gross Settlement (RTGS).

Thus, an amount of 2.53 crore meant for implementation of MGNREGS was kept out of government account and its utilisation for the scheme seems doubtful. The

possibility of misappropriation cannot be ruled out. The Government needs to investigate these transactions.

## DEPARTMENT OF FISHERIES

### 2.7 Fraudulent payment

**The Department of Fisheries obtained the fund of ₹ 4.99 crore from Government of India on the basis of doubtful beneficiaries list and the full amount was paid to an individual who was not among the eligible beneficiary. Out of which ₹ 1.77 crore was paid without actual execution of civil works.**

The Department of Fisheries, Government of Nagaland submitted a proposal to the Ministry of Development of North Eastern Region (DoNER), Government of India (GoI) (September 2012) for construction of community based fishery ponds at Beiswampui, Peren District at an estimated cost ₹ 5.00 crore, The project was to be executed by the villagers themselves. The proposal had a list of 51 beneficiaries submitted by the Village Chairman which was counter signed by the Deputy Commissioner, Peren, as genuine. The beneficiary list also included the Electoral Photo Identity Card (EPIC) number of each beneficiary assigned by the Election Commission of India. The proposal *inter-alia* included construction of 47 fishery ponds covering an area of 142,500 sq.mt costing ₹ 4.65 crore.

Accordingly, the Ministry of DoNER accorded administrative approval (December 2012) for 'Construction of community based fishery ponds at Beiswampui, Peren District' at an estimated cost of ₹ 4.99 crore to be shared in the ratio of 90:10 between the Centre and the State.

Examination of records (February 2016) of the Director, Fisheries revealed that the Ministry as well as the State Government released the funds in three instalments as given below:

**Table No.2.7.1**

*₹ in crore*

Sl. No	Instalment No.	NEC Share	State Share
1	1st Instalment	1.50	0.17
2	2nd Instalment	1.50	0.17
3	3rd Instalment	1.49	0.16
	<b>Total</b>	<b>4.49</b>	<b>0.50</b>

It was also noticed that the Department submitted Utilisation Certificate, Quarterly Progress Report and Completion Certificate to the Government certifying that the works were fully completed. Further scrutiny of the records revealed the following irregularities.

#### **(A) Incorrect beneficiary list**

To establish the genuineness of the beneficiary list submitted to the Ministry, the EPIC numbers and the electoral roll of 2013 were obtained from the Chief Electoral Officer,

Nagaland and the District Election Officer, Peren. Cross examination of the electoral roll of 2013, New Beiswampui Village under 6<sup>th</sup> Assembly Constituency-Tenning revealed that:

- Out of 51 beneficiaries, the names of 14 beneficiaries did not feature in the electoral roll.
- EPIC numbers of 37 other beneficiaries submitted to the Ministry also did not match with the actual EPIC numbers allotted by the Election Commission of India.

Thus, the Department submitted a project proposal to the Ministry containing the names of beneficiaries which was incorrect and inflated.

### **(B) Payment to an ineligible beneficiary**

The Department paid the entire amount of ₹ 4.99 crore to one Shri. K. Francis Zeliang, in cash against three undated Actual Payee Receipt. However, it was noticed that the name of Shri. Francis Zeliang did not appear in the beneficiary list approved by the Ministry.

Thus, an amount of ₹ 4.99 crore was paid to a person who was not among the intended beneficiaries. The prospect of the fund being utilised for benefit of an influential individual rather than the community cannot be ruled out.

### **(C) Fictitious payment**

Examination of the Detailed Project Report (DPR) revealed that altogether 47 fishery ponds covering an area of 142,500 sq.mt was to be constructed at a total cost of ₹ 4.65 crore. However, Joint physical verification of the project (June 2016) revealed that only 36 fishery ponds of different sizes covering total area of 91,631 sq.mt existed on the project sites. Out of the 36 fishery ponds existed on the project sites, three ponds measuring approximately 3240.02 sq.mt were natural water bodies. As such, ₹ 0.11 crore stated to have been spent on construction of these three ponds were actually not incurred as no civil work was involved for construction of these ponds.



**Photographs showing the natural water bodies**

Thus, total quantum of civil works actually executed in respect of 33 fishery ponds, therefore, works out to 88,391 sq.mt which would likely to cost ₹ 2.88 crore for civil work. Thus, the Department paid ₹ 1.77 crore without actual execution of civil works in respect of 11 fishery ponds yet to be constructed and three natural water bodies on



which no money was required to be spent on civil works. During physical verification the Project in-charge stated that the work was still in progress and more fishery ponds would be constructed.

Thus, the Department of Fisheries obtained funds of ₹ 4.99 crore on fictitious beneficiaries which was paid to an individual who was not among the eligible beneficiary. Out of which an amount of ₹ 1.77 crore was paid without actual execution of the complete items of civil works.

While accepting the facts, the Department as well as the Government stated (July 2016) that the villagers authorised the individual to receive the payment. In regard with the mismatch of the EPIC number, it was stated that it may be due to updation of the EPIC numbers.

The reply is not acceptable as there was nothing on record to show that the beneficiaries authorised the individual to receive funds on their behalf. Also, the mismatch in EPIC numbers could not have been due to updation as both the old and the new EPIC numbers obtained by audit from the Chief Election Office did not tally with the beneficiary list submitted to the Ministry.

## **TOURISM DEPARTMENT**

### **2.8 Misutilisation/misappropriation of Government revenue**

**An amount of ₹ 50.74 lakh received as compensation from National Highway Authority of India through the Deputy Commissioner, Dimapur was not deposited into Government account and thus the possibility of the amount being misutilised/misappropriated could not be ruled out.**

As per Appendix-11 read with Rule 278 of the General Financial Rules, all property and assets, which include land and buildings, and which vests in the State Government under Articles 294 and 295 of the Constitution or otherwise shall be at the disposal of the respective State Government, who will be at liability to dispose them by sale, mortgage etc. and the proceeds thereof shall be credited to the revenues of the respective State Governments.

Rule 6(1) of the Receipt and Payment Rules, 1983 also stipulated that all money received by or tendered to Government officers on account of revenues or receipts or dues of the Government shall, without undue delay, be paid in full into the accredited bank for inclusion in Government Accounts. Money received as aforesaid shall not be utilized to meet departmental expenses. Rule 9 of the Central Treasury Rules further stipulated that a Government officer may not, except with the special permission of the Government, deposit in a bank, other than the Reserve Bank or its agent for the purpose of Government transactions.

Examination of records (July 2015) of the Director, Tourism revealed that two amenity centres (located at Kukidolong and Piphema village), constructed through the funds received from GoI on land acquired by the Department of Tourism (DoT), Government

of Nagaland (GoN) was within the demarcated area for expansion of four lane National Highway 39. Accordingly, the DC, Dimapur through Public Notification No.REV-13/93-D Dated 28 September 2014 notified the affected land owners to be physically present to collect the compensation.

Evidence collected from the office of the Deputy Commissioner (DC), Dimapur revealed that compensation totalling to ₹ 50.74 lakh was paid (October and November 2014) by the DC through two cheque<sup>27</sup> for two amenity centres. However, ₹ 50.74 lakh received as compensation was neither accounted for nor deposited into Government account by the DoT, GoN. While cheque for ₹ 25.66 lakh in respect of Amenity Centre, Kukidolong was drawn in favour of DoT, GoN, another cheque for ₹ 25.08 lakh in respect of Amenity Centre, Piphema was drawn in favour of Emanity House Piphema Council. Though both amenity centres were constructed on the land belonging to the DoT, GoN reasons as to why the compensation cheque in respect of Amenity Centre, Piphema was allowed to be collected by Chairman of Piphema village was not on record.

The possibility of misutilisation/misappropriation of the compensation received could not be ruled out.

In reply, the Department stated (June 2016) that the amount of ₹ 25 lakh was utilised during departmental trip to China for attending International Travel Mart and the whereabouts of the balance amount remain unknown to the department and the case is under investigation by the State Vigilance Commission.

The reply is not acceptable as Government revenue should be deposited into the account of the Government and its appropriation should pass through the regular process of budgeting and appropriation by the Legislature which was not done resulting in misutilisation and probable misappropriation.

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<sup>27</sup> Cheque No.792101 for ₹ 25,66,457 and cheque 792091 for ₹ 25,07,925

