

CHAPTER – V
GENERAL SECTOR

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GENERAL SECTOR

5.1 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 General Sector.

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

Table-5.1.1

₹in crore

Sl.No	Name of the Departments	Total Budget Provision	Expenditure
1	State Legislature	24.08	22.85
2	Head of State	6.13	6.13
3	Council of Ministers	12.58	12.53
4	Law & Justice	61.74	39.38
5	Election	12.29	13.10
6	Public Service Commission	6.16	5.53
7	District Administration	141.23	140.46
8	CAWD	19.05	30.52
9	Treasuries and Accounts	37.18	33.82
10	Village Guards	32.96	32.57
11	Jails	36.99	36.73
12	Vigilance Commission	6.93	6.90
13	State Guest Houses	17.27	17.06
14	Rajya Sainik Board	3.40	3.13
15	Relief & Rehabilitaion	1.30	1.28
16	Civil Secretariat	160.02	133.70
17	Police	1119.54	1107.96
18	Stationery & Printing	23.84	23.39
19	Administrative Training Institute	4.93	4.43
20	Statistics	36.21	29.74
21	Legal Metrology and Consumer Protection	10.46	12.69
22	Home Guards	19.90	18.21
23	Fire and Emergency Services	23.46	23.37
24	Parliamentary Affairs	1.04	1.04
25	State Information Commission	1.68	1.38
Total		1820.37	1757.90

Source: Appropriation Accounts

5.2 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 stakeholders.

After completion of audit of each unit on a test check basis, Inspection Reports (IRs) 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 these Inspection Reports are processed for inclusion in the Audit reports, which are submitted to the Governor of State under Article 151 of the Constitution of India for being laid on the table of the Legislature.

During the year, an expenditure involving ₹ 1642.57 crore (including funds pertaining to previous years audited during the year) of the State Government under General sector were test checked. This chapter contains two compliance audit paragraphs.

FINANCE DEPARTMENT (Directorate of Treasuries & Accounts)

5.3 Fraudulent payment of pensions

An amount totalling to ₹ 5.58 crore was fraudulently withdrawn from Treasuries at Zunheboto and Dimapur by duplicating the pension payment authorisation letters and admitting multiple claims in respect of the same pension payment orders and same person for the same period.

As per sub rule 2 of Rule 85 of Central Civil Service (Pension) Rules, 1972 pension fixed at monthly rates shall be payable monthly on or after the last working day of the month to which the pension relates except for the month of March when it shall be payable on or after the first working day of April. Pension is payable against Pension Payment Orders (PPOs) bearing unique number for each pensioner issued by the Pension Branch of the office of the Accountant General (A&E), Nagaland, Kohima against individual pensioners.

As per the existing arrangement, the monthly checklist of pension authorities (PPO, GPO and CPO) prepared by the Office of the Accountant General (A&E), Nagaland are handed over personally to the Treasury Officers concerned. The specimen signatures of Senior Accounts Officers and Accounts Officers authorised to sign the pension authorities are also available with the Director of Treasuries and Accounts, Nagaland.

Examination of the appropriation accounts revealed that the expenditure on Pensions and Other Retirement benefits increased by ₹ 210.04 crore from ₹ 695.11 crore in 2013-14 to ₹ 905.15 crore in 2014-15. To ascertain the genuineness of the expenditure, 27,612 pension payment vouchers in respect of Zunheboto Treasury and 38,477 pension payment vouchers in respect of Dimapur Treasury received (November 2015 to January 2016) from the Accountant General (A&E), Nagaland were examined in audit which revealed the following instances of fraud as discussed in the succeeding paragraphs.

5.3.1 Fake gratuity and commutation of pension

During February 2013 to October 2015, the Accountant General (A&E), Nagaland authorised 367 new pension cases in respect of the Senior Treasury Officer (STO), Zunheboto. Examination of pension payment vouchers however revealed that the STO admitted and paid for 382 new cases. Cross examination of the pension authorization records maintained by the Accountant General (A&E) revealed that the authority on which the STO admitted 15 new cases (**Appendix-5.3.1**) were not authorized by the issuing authority. Thus, an amount of ₹ 1.53 crore was drawn on fake/fabricated authorization letters in respect of 15 cases.

5.3.2 Fraudulent Pension Arrear

Examination of the paid vouchers relating to the months of July 2014 to January 2016 revealed that pension arrears amounting to ₹ 16.63 lakh in respect of four pensioners was paid twice and one pensioner thrice on fake/fabricated authorisation. (**Appendix-5.3.2**).

5.3.3 Multiple drawal of pension on same Pension Payment Order

5.3.3.1 Fraudulent payment at Zunheboto Treasury

Audit of the pension payment vouchers of Senior Treasury Officer, Zunheboto for the period of April 2013 to March 2016 revealed that 1587 pension payments involving ₹ 2.76 crore was drawn twice against the same PPO, month and person. Similarly, 153 pension payments involving ₹ 0.53 crore was drawn thrice, 21 pension payments involving ₹ 0.11 crore was drawn four times, four pension involving ₹ 0.03 crore was drawn in five times and three pension involving ₹ 0.01 crore was drawn in six times against the same PPO, month and person (**Appendix-5.3.3**).

Thus, an amount of ₹ 3.44 crore was fraudulently drawn against the same PPO, person and month on multiple occasions.

5.3.3.2 Fraudulent payment at Dimapur Treasury

Audit of the pension payment vouchers of Senior Treasury Officer, Dimapur for the period of April 2013 to March 2016 revealed that 256 pension payments involving ₹ 44.04 lakh was drawn twice and in one case an amount of ₹ 0.22 lakh was drawn thrice against the same PPO, month and person (**Appendix-5.3.4**).

Thus, an amount of ₹ 44.26 lakh was fraudulently drawn at Dimapur Treasury.

An amount totalling to ₹ 5.58 crore was fraudulently withdrawn in Treasuries at Zunheboto and Dimapur by fabricating and duplicating the pension payment authorisation letters and admitting multiple claims in respect of the same pension payment orders and same person for the same period.

The Finance Commissioner, Government of Nagaland while acknowledging the laudable efforts made by Audit in this matter (August 2016); stated that the two Treasury Officers have been placed under suspension.

5.4 Fraudulent Drawal of Pay and allowances

Failure of the Drawing and Disbursing Officers (DDOs) and Treasury Officers in exercising the statutory checks prescribed under various rules resulted in fraudulent drawal of ₹ 1.96 crore.

Sub-clause 3 of Rule 66 of the Receipt and Payment Rules 1983 stipulates that entries in all money columns of the pay bills are to be totaled separately under each section and part, to arrive at the total entitlements as well as net payable after statutory deductions. Section wise totaling of the pay bills must be checked by the DDO's himself or by a responsible official other than the person who prepared the bill. Treasury Rules further prescribe the checks to be exercised by the Treasury Officer (TO) before accepting the claim and to record the omission or correction and to limit the payment admissible in respect of each bill presented by the DDO's of the establishment.

Audit of vouchers received from the Treasury Officers are carried out to examine whether the vouchers are as per the prescribed form, individual amounts detailed in the vouchers add up to the totals and the withdrawal of Government money are in accordance with the prescribed rules. 20 *per cent* of vouchers received from the Treasury Officers were selected on the basis of simple random sampling for test check in Audit.

Audit scrutiny of the paid vouchers of six departments for the period from January 2014 to October 2015 revealed irregularities as detailed in the succeeding paragraphs.

5.4.1 School Education Department

Fraudulent withdrawal of ₹ 96.74 lakh was done by the official of four DDOs of the School Education Department by presenting false bills, inflating the net total of the bill, double drawal etc. as discussed below:

5.4.1.1 Sub-Divisional Education Officer Mangkolemba

5.4.1.1.1 The pay scale and the grade pay of 23 teachers was inflated by ₹ 10,000 which resultantly increased the allowances payable to those teachers by ₹ 63.63 lakh (**Appendix-5.4.1 Item No. (i) Sub Total (A)**) in excess of the actual amount admissible to the teachers.

5.4.1.1.2 Cross examination of the employee list furnished by the Department with the paid vouchers revealed that the Sub-Divisional Education Officer (SDEO), Mangkolemba fraudulently drew an amount of ₹ 15.89 lakh for 73 non-existent employees (**Appendix-5.4.1 Item No. (i) Sub Total (B)**).

5.4.1.2 Sub-Divisional Education Officer Dimapur

An amount of ₹ 4.89 lakh was drawn twice for the same two months in respect of 10 teachers, ₹ 0.82 lakh in respect of one teacher was drawn twice for the same three months in December 2015 and ₹ 5.40 lakh in respect of six teachers was drawn twice for the same four months in September 2015 against the pay and allowances of Sarva Shiksha Abhiyan (SSA) teachers. Thus, an amount of ₹ 11.11 lakh (**Appendix-5.4.1 Item No. (ii)**) was drawn fraudulently by drawing pay and allowances twice to four times in respect of the same employee and for the same month.

5.4.1.3 Sub-Divisional Education Officer Peren

An amount of ₹ 1.33 crore (including deduction of ₹ 6.00 lakh towards GPF, professional tax etc.) was withdrawn in four bills as pay & allowances in respect of 358 staffs for the month of April 2015 and July 2015. On examination it was noticed that the gross amount of these bills worked out to ₹ 1.30 crore and the actual net admissible amount after deduction should be ₹ 1.24 crore resulting in excess amount of ₹ 3.17 lakh (**Appendix-5.4.1 Item No. (iii)**)

5.4.1.4 Sub-Divisional Education Officer Niuland

An amount of ₹ 26.88 lakh was drawn in six bills in respect of 23 SSA teachers appointed during January 2015 to November 2015. Cross verification of the appointment orders with the paid vouchers revealed that the pay and allowances were paid for the full month without considering the actual date of appointment or joining which resulted in excess payment of ₹ 2.94 lakh (**Appendix-5.4.1 Item No. (iv)**).

Thus, misappropriation of ₹ 96.74 lakh took place in the Education Department under four DDOs by inflating the net amount, double drawal and fraudulent drawal against non-existent employees.

The matter was referred to the Department and the Government (August 2016); no reply had been received (December 2016).

5.4.2 Department of Veterinary and Animal Husbandry

According to Rule 194 A (read with clause 4) of the Fundamental Rules and Supplementary Rules, the right of a Government Servant to travelling allowances including daily allowance is forfeited or deemed to have been relinquished if the claim for it is not preferred within one year from the date on which it became due.

It was also observed that two DDOs¹ of the Department of Veterinary and Animal Husbandry had drawn an amount of ₹ 49.57 lakh as Travelling Expenses (TE) through 23 bills during the financial years 2013-14 and 2014-15. Examination of records revealed that the sub-allocation of budget under Travel Expenses head during 2013-14 and 2014-15 in respect of the two DDOs were ₹ 1 lakh each. However, the District Veterinary and Animal Husbandry Officer, Zunheboto had drawn an amount of ₹ 22.77 lakh by presenting eight TA bills in March 2015 on behalf of 185 staffs for the years January 2011 to February 2015. Similarly, the District Veterinary and Animal Husbandry Officer, Phek drew ₹ 8.25 lakh (six bills for 34 staffs) in March 2014 and ₹ 18.54 lakh (nine bills for 88 staffs) in March 2015 for journey which were performed during May 2012 to March 2015. An amount of ₹ 46.57 lakh spent towards travelling allowances was without budgetary provisions and therefore the fund was diverted from other head of accounts where there was a saving.

Thus two DDOs of the Veterinary and Animal Husbandry Department irregularly incurred an amount of ₹ 49.57 lakh towards travelling allowances without budgetary provisions.

The two District Veterinary and Animal Husbandry Officer in reply (August 2016) stated that the annual funds allocated under Travelling Allowances were too less to cover the expenses. Therefore, Travelling Expenses claims were kept pending for many years which were settled only during the financial year 2014 and 2015.

The fact remains that Government did not provide additional fund under Travelling Expenses to cover the backlog as claimed by the two DDOs.

5.4.3 Department of District Administration

5.4.3.1 Additional Deputy Commissioner (ADC), Niuland had drawn an amount of ₹ 37.99 lakh as pay and allowances of 95 Grade III employees for the month of January 2014 to June 2014. Detailed scrutiny of the pay bills revealed that the pay and allowances of the above employees was already paid as their regular pay

¹ District Vety. & A.H Officer Zunheboto & Phek

and allowances for those months. Thus, an amount of ₹ 37.99 lakh was fraudulently drawn by presenting 12 false bills.

Deputy Commissioner, Dimapur in reply (Sept 2015) stated that an Enquiry Committee was set up by the ADC, Niuland which disclosed the fact that an excess amount of ₹ 31,34,453 were drawn under the head 'Salaries & Wages' for the period from January to June 2014. The Head Assistant-cum-Cashier of the establishment admitted the wrongdoing and stated that it was done with the knowledge and understanding of the then ADC, Niuland and the Sr. Treasury Officer, Dimapur.

The reply of the Department confirms the collusion between the DDO and the Treasury Officers in committing the fraud. However, the Department was silent on initiating punitive action against the offenders.

It is therefore recommended that appropriate action be initiated against the officials and the excess amount recovered and deposited into Government account.

5.4.3.2 Sub-Divisional Officer (Civil) Akuluto had drawn an amount of ₹ 4.93 lakh as travelling allowances during 2014-15. Examination of the revised sub-allocation of budget by the Department of District Administration revealed that the establishment was provided ₹ 1.20 lakh under travel expenses head. However, the SDO (Civil) incurred ₹ 4.93 lakh which resulted in excess expenditure of ₹ 3.73 lakh over the budget provision.

5.4.4 Public Works Department (R&B)

5.4.4.1 Executive Engineer (EE), PWD (R&B) division Longleng drew an amount of ₹ 8.21 lakh pertaining to 25 employees for the month of October 2014 which was not included in the incumbency list of the division. Detailed examination of the pay bills of the preceding and succeeding months also revealed that the names of these 25 employees were not included. Thus, the EE, Longleng presented a fraudulent pay bill which resulted in misappropriation of Government money of ₹ 8.21 lakh.

The Department in reply (November 2016) stated that the process of recovery of the amount from the Executive Engineer and the cashier had been initiated. An amount of ₹ 5.50 lakh had already been recovered and deposited into Government account through two treasury challan and the balance amount shall be recovered at the earliest.

The reply that an amount of ₹ 5.50 lakh is deposited into Government account is not accepted as the treasury challan do not bear the signature and seal of the bank authority to authenticate the actual receipt of the money by the bank. Therefore the full amount of ₹ 8.21 lakh needs to be recovered from the defaulting official(s) and deposited into Government account.

5.4.4.2 Executive Engineer, PWD (R&B) division Naginimora drew an amount of ₹ 8.45 lakh in two bills as dearness allowances arrear for 45 employees. Cross examination of the names of employees revealed that an amount of ₹ 0.91 lakh was drawn twice in favour of five person for the same month. Thus, the EE, Naginimora fraudulently drew an amount of ₹ 0.91 lakh.

The Department in reply (August 2016) stated that necessary steps are being taken to recover the amount.

5.4.5 Department of Sericulture

An amount of ₹ 0.99 lakh was drawn (March 2015) by the Assistant Sericulture Officer (ASO), Zunheboto being house rent arrear in respect of nine employees pertaining to various period between June 2012 and February 2015. Cross examination of the pay bills drawn earlier revealed that all the nine employees were paid their entitled house rent allowances and therefore the question of arrear did not arise. Thus, the ASO fraudulently drew an amount of ₹ 0.99 lakh as house rent arrear.

The Department accepted (October 2016) the facts and deposited the full amount of ₹ 0.99 lakh into Government account through the treasury. However, the Department was silent about initiating disciplinary action against the defaulting officials for the misuse of Government money.

5.4.6 Nagaland State Transport (NST) Department

Assistant General Manager (AGM), NST, Zunheboto drew an amount of ₹ 27.64 lakh (including deduction of ₹ 2.52 lakh towards GPF, professional tax etc.) in nine bills as pay & allowances in respect of 114 staffs for the month of March 2015 to May 2015. On examination it was noticed that the gross amount of these bills worked out to ₹ 26.40 lakh and the actual net admissible amount after deduction was ₹ 23.88 crore. Thus, the AGM inflated the total of the pay and allowances and drawn an excess amount of ₹ 1.24 lakh.

In reply (November 2016) the AGM stated that the amount had been deposited to the treasury through challan.

The reply is not accepted as the treasury challan do not bear the signature and seal of the bank authority to authenticate the actual receipt of the money by the bank. Therefore the amount of ₹ 1.24 lakh needs to be recovered from the defaulting official and deposited into Government account. The action of the DDO to misguide and manipulate the misappropriation by submission of fabricated challan is furthermore an act unbecoming of an officer which needs stringent action.

The above instances of fraudulent drawals and excess expenditure over the budget provisions by 12 DDOs indicated failure on the part of the DDOs and Treasury

Officers to exercise internal controls/non-adherence to prescribed rules and procedures. It is also pertinent to mention that over the years, similar nature of misappropriation by the DDOs in collusion with the Treasury Officers were highlighted in the Audit Reports of the Comptroller and Auditor General of India, Government of Nagaland. However, these malpractices continue to exist which indicated that no tangible action had been initiated by the Government.

Therefore, considering the seriousness of the matter and the identical modus operandi being adopted by the DDOs and the Treasury Officers it is recommended that recovery of the amount involved along with disciplinary action may be initiated against the defaulting officers.

