

EXECUTIVE SUMMARY

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This Report is arranged in six chapters. **Chapter I** deals with Social Sector contains Performance Audit of *Implementation of Right to Education Act, 2009* and three Compliance Audit paragraphs. While **Chapter II** deals with Economic Sector (other than Public Sector Undertakings) besides two Performance Audits viz., *Creation, Maintenance and Management of Tourism Infrastructure* and *Activities of Nagaland State Transport Department* and also contains four Compliance Audit paragraphs; **Chapter III** deals with Economic Sector (Public Sector Undertakings). **Chapter IV** dealing with Revenue Sector contains two Performance Audits viz., *Nagaland State Lotteries* and *Computerisation of Motor Vehicles Department* and three Compliance Audit paragraphs. **Chapter V** deals with General Sector features two Compliance Audit paragraphs, whereas **Chapter VI** deals Follow-up on audit observations.

According to the existing arrangements, copies of the draft audit paragraphs and draft performance audits were sent to the Secretary of the departments concerned by the Accountant General (Audit) with a request to furnish replies within six weeks. Replies were not received from the Secretaries of the Departments concerned in respect of six audit paragraphs.

CHAPTER-I: SOCIAL SECTOR

Performance Audits

Implementation of Right to Education Act, 2009

To make elementary education a fundamental right to all children, Article 21-A was inserted through the 86th Constitutional Amendment Act 2002, and subsequently the Right of Children to Free and Compulsory Education Act or Right to Education Act (RTE) Act 2009 was enacted by Parliament. The Right of Children to Free and Compulsory Education (RTE) Act came into operation with effect from 01 April 2010. In Nagaland, the Right to Education (RTE) Rules were notified on 21 March 2011 and implementation of the Right to Education Act commenced from 2011-12. The Performance Audit of Right to Education Act (RTE) Act 2009 covering the period from 2011-12 to 2015-16 was taken up during May 2016 to September 2016. The major points noticed were:

Highlights

- *One of the setback faced by the State in implementation of Right to Education was the lack of accuracy of child population since household survey to ascertain the actual elementary school going child population was not conducted by the concerned authority*

(Paragraph 1.3.8.1)

- *In contravention to the Act, collection of fees of ₹ 30.03 lakh from the children in the three test checked districts occurred as School Grant was not released.*

(Paragraph 1.3.8.11)

- *A total of 10,690 teachers (65 per cent) in Government schools were yet to be trained thus compromising the quality of education in the State.*

(Paragraph 1.3.8.15 (ii))

- *Avoidable expenditure of ₹ 11.96 crore was incurred due to excess procurement of school uniforms.*

(Paragraph 1.3.8.17.2)

Compliance Audit Paragraphs

The Additional Director, Department of Municipal Affairs Cell arbitrarily altered the specification of the Roto Crates and extended undue benefit to the Supplier. Further, the Additional Director also paid the full amount of ₹ 1.11 crore to the supplier without actual receipt of the material.

(Paragraph 1.4)

An amount of ₹ 5.08 crore received as compensation from National Institute of Technology for the standing building and land was not deposited into Government Account and was irregularly diverted bypassing the legislative financial control and accountability.

(Paragraph 1.5)

The Director, Health and Family Welfare, paid ₹ 36.66 lakh without actual supply/ procurement of seven medical equipment. Besides, the Department paid ₹ 17.19 lakh for two items not sanctioned by the Competent Authority.

(Paragraph 1.6)

CHAPTER-II: ECONOMIC SECTOR

Performance Audits

Creation, Maintenance and Management of Tourism Infrastructure.

The Department of Tourism, Government of Nagaland 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, Integrated Tourist Travel Circuits, Rural Tourism projects etc. A performance audit of Creation, Maintenance and Management of Tourism Infrastructure in Nagaland covering the period 2011-16 was conducted during June 2016 to September 2016. Some of the major observations are as follows:

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)

Activities of Nagaland State Transport Department

The Nagaland State Transport was set up in 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 terrains, road transport is the main means of transport providing both passenger and goods services. Therefore, the role of Nagaland State Transport Department is of paramount importance as the socio-economic development of Nagaland mainly depends on road transport. This performance audit on the activities of Nagaland State Transport Department was carried out from May 2016 to September 2016. Highlights of the Performance Audit 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 2.4.9.7)

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)

Compliance Audit Paragraphs

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.

(Paragraph 2.5)

The Block Development Officer, 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.

(Paragraph 2.6)

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.

(Paragraph 2.7)

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.

(Paragraph 2.8)

CHAPTER-III: ECONOMIC SECTOR (Public Sector Undertakings)

Investment in State Public Sector Undertakings

As on 31 March 2016, the investment (Capital and long term loans) in six State Public Sector Undertakings (SPSUs) was ₹ 111.96 crore. As on 31 March, 2016, 91.89 per cent of the total investment in SPSUs was in five working SPSUs and remaining 8.11 per cent was in one non-working SPSU.

(Paragraph 3.1.6 and 3.1.7)

Arrears in finalisation of Accounts

The Backlog of accounts of working SPSUs had reduced from 46 accounts (2011-12) to 20 accounts (2015-16). None of the SPSUs, however, had made their accounts up-to-date as on 30 November 2016.

(Paragraph 3.1.10)

Performance of State PSUs

As per the latest finalised accounts of five working SPSUs as of November 2016, overall loss of SPSUs was ₹ 4.50 crore.

(Paragraph 3.1.15)

CHAPTER-II: REVENUE SECTOR

Performance Audits

Nagaland State Lotteries

Lottery means a scheme for raising money for Government, Charity etc., in which tickets are sold and draw is held for distribution of prizes by lot or chance to those persons who participated by purchasing tickets. In order to regulate the scheme of lottery the Government of India enacted the Lotteries (Regulation) Act, 1998. The Government of India has enacted the Lotteries (Regulation) Rules 2010, which provides for matters relating to organisation of lottery, appointment of Distributor or Selling agent and procedure to prohibit the sale of lottery tickets; the Government of Nagaland notified the rules framed by the Central Government in its official Gazette on 2 June 2010 outlining the purpose, scope, limitation and methods. Performance audit of Nagaland State Lotteries covering the period from April 2010 to March 2016 was conducted. Some of the major audit findings noticed are as follows.

Highlights

The selection of distributor for conducting of lotteries was not transparent which led to a court case. Further, instead of sale proceeds as per the Rules the distributor had to pay Minimum Guaranteed Revenue (MGR).

(Paragraph 4.2.10)

Against the total sale proceeds of ₹ 17,653.76 crore the share of the State Government in the form of MGR was only ₹ 56.93 crore (1.24 per cent) of the total sale proceeds whereas the distributor's share was ₹ 4522.24 crore (98.67 per cent) during 2010-11 to 2015-16.

(Paragraph 4.2.11)

As unsold tickets were not identified and segregated, the possibility of an unsold ticket (lying with the distributor) winning a draw was high. This was especially true of Online lotteries.

(Paragraph 4.2.13.1)

Location of central server outside the state was against the Rule and agreement with the distributor.

(Paragraph 4.2.13.2)

Profit and Loss Accounts of the distributor revealed that there was a receipt of ₹ 10.73 crore (from 2010-11 to 2014-15) as income from the unsold tickets.

(Paragraph 4.2.14)

Computerisation of Motor Vehicles Department

The Government of India implemented the ‘Vahan’ and ‘Sarathi’ software systems developed by the National Informatics Centre (NIC) in all the States in order to have a national database of registered vehicles and driving licences issued and for providing valuable data to the Central Government security agencies. The ‘Vahan’ and ‘Sarathi’ software introduced by the Government of India on an Oracle platform was implemented in the State in phased manner with support from NIC Nagaland. Online issue of National Permit System (NPS) was implemented on September 2010 at the Office of the Transport Commissioner (State Transport Authority), Nagaland, Kohima. Performance audit of Computerisation of Motor Vehicle Department covering the period 2011-16 was conducted between May 2016 and July 2016. Some of the major audit findings are as follows.

Highlights

The Department did not formulate and adopt any Information Technology policy and therefore the risk involved in record keeping of personal data, statutory documents, revenue collection and data security, were not ensured.

(Paragraphs 4.3.8.1)

The Department had not completely migrated to the more advanced system of Vahan and Sarathi from the old legacy system to provide smooth interface with the data of Regional Transport Officers and District Transport Officers while issuing authorisation for national permits and collection of taxes/fees by State Transport Authorities. The Department also did not incorporate provision for validation checks in the software to compulsorily capture statutory fields at the time of data entry.

(Paragraphs 4.3.8.2)

Non-utilisation of complete permit module resulted in irregular issue of permits for goods and passenger vehicles and also resulted in underutilisation of the Vahan database for integration with databases across India.

(Paragraphs 4.3.10)

Instances of short remittance of revenue to Government account ranging from ₹ 1.06 lakh to ₹ 2.55 crore in the selected districts were noticed. As of March 2016, a revenue of ₹ 8.37 crore was retained in the bank account of Axis bank in contravention of the terms of agreement.

(Paragraphs 4.3.14.2 and 4.3.14.3)

Compliance Audit Paragraphs

Acceptance of returns filed by the dealers and assessment of tax without proper verification by the Assessing Authority resulted in evasion of tax amount of ₹ 5.65 crore.

(Paragraph 4.4)

Five dealers submitted incorrect tax returns and evaded tax payment of ₹ 2.71 crore. The Assessing Authority also assessed the tax returns without cross verifying with the utilisation certificate of “C” forms and the applicable rate of taxes.

(Paragraph 4.5)

Failure of the Department of Taxes to cross verify the utilisation of “C” Forms from the selling States and initiate re-assessment resulted in loss of revenue of ₹ 1.30 crore to the Government. The Assessing Authority also did not scrutinise the returns filed by the dealer and invoke relevant provisions of the Nagaland VAT Act and Rules which resulted in evasion of tax of ₹ 0.82 crore.

(Paragraph 4.6)

CHAPTER-V: GENERAL SECTOR

Compliance Audit Paragraphs

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

(Paragraph 5.3)

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

(Paragraph 5.4)

