

CHAPTER - V

GENERAL SECTOR

5.1 Introduction

This chapter of the Report for the year ended 31 March 2017 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 2016-17 are given below:

Table-5.1.1

(₹ in crore)

| Sl.No | Name of the Departments | Total Budget Provision | Expenditure |
|--------------|---|------------------------|-----------------|
| 1 | State Legislature | 25.21 | 24.86 |
| 2 | Head of State | 6.23 | 6.07 |
| 3 | Council of Ministers | 16.79 | 16.69 |
| 4 | Law & Justice | 60.40 | 60.02 |
| 5 | Election | 14.26 | 14.15 |
| 6 | Public Service Commission | 5.88 | 5.41 |
| 7 | District Administration | 121.53 | 119.25 |
| 8 | CAWD | 23.13 | 23.07 |
| 9 | Mechanical Engineering | 40.69 | 39.94 |
| 10 | Public Works (Housing) | 162.36 | 160.28 |
| 11 | Treasuries and Accounts | 35.35 | 34.51 |
| 12 | Village Guards | 32.86 | 32.14 |
| 13 | Jails | 39.24 | 39.56 |
| 14 | Vigilance Commission | 7.07 | 6.80 |
| 15 | State Guest Houses | 14.57 | 14.36 |
| 16 | Rajya Sainik Board | 3.03 | 3.02 |
| 17 | Relief & Rehabilitaion | 1.50 | 1.50 |
| 18 | Civil Secretariat | 150.80 | 132.07 |
| 19 | Police | 1,182.77 | 1,211.18 |
| 20 | Police Engineering Project | 34.92 | 34.89 |
| 21 | Stationery & Printing | 21.27 | 19.85 |
| 22 | Administrative Training Institute | 6.14 | 6.04 |
| 23 | Statistics | 35.92 | 29.59 |
| 24 | Legal Metrology and Consumer Protection | 10.52 | 8.91 |
| 25 | Home Guards | 23.90 | 19.05 |
| 26 | Fire and Emergency Services | 28.88 | 28.33 |
| 27 | Parliamentary Affairs | 1.04 | 1.04 |
| 28 | State Information Commission | 2.54 | 2.28 |
| Total | | 2,108.80 | 2,094.86 |

(Source: Appropriation Accounts)

5.2 Planning and conduct of Audit

Audit process starts with the assessment of risks of the 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, IRs containing audit findings are issued to the heads of the departments. The departments are required to furnish replies to the audit findings within one month of receipt of the IRs. 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 IRs 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 ₹ 2,769.86 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.

PUBLIC WORKS (HOUSING) DEPARTMENT

5.3 Avoidable expenditure/ Undue financial benefit

The Department incurred an avoidable expenditure of ₹ 10.73 crore due to delay in handing over the project site. The Department also extended undue financial benefit of ₹ 7.37 crore to the contractor on enhancement of rate for newly incorporated items of works not approved by the Government.

Rule 248 of the NPWD code states that the site for building should be settled before the detailed designs and estimates are prepared and the local authorities must be consulted in all cases. The Chief Engineer, PWD (Housing) Division, Kohima issued (June 2007) a work order for construction of office building for Directorate of School Education at Kohima to a contractor⁷¹ on item rate basis at a amount of ₹ 16.46 crore⁷² with the stipulation to complete the work within 36 months from the date of issue of work order⁷³. Due to enhancement of rates, change in scope of work and inclusion of 38 new items, the contract value was revised (May 2012) to ₹ 47.46 crore⁷⁴. The stipulated period for completion of the work was also extended to August 2016.

Examination of records (March 2017) of the Executive Engineer (EE), PWD (Housing) Education Division, Kohima revealed the following:

⁷¹ Shri. Vilelie Khamo.

⁷² Excluding ₹ 2.83 crore as departmental charges, architectural fee, contingencies etc.

⁷³ Letter No. CE(II)/DIR-EDN/2006 dated 30-06-2010.

⁷⁴ Excluding 13 per cent Departmental charges ₹ 6.55 crore, 2 per cent work charge establishment- ₹ 0.69 crore, 3 per cent contingencies- ₹ 1.04 crore and 4 per cent architectural fee- ₹ 1.20 crore.

A. Avoidable expenditure

The Department handed over 20 *per cent* of project site to the contractor in November 2008 after a delay of 18 months and only in June 2012 handed over the whole project site to the contractor i.e., after a delay of 61 months. The contractor requested (June 2010) for enhancement of rates of the remaining works at 52 *per cent* above the approved rate on account of delay in handing over of project site by the Department. The Government approved (July 2010) enhancement of the rates @ 52 *per cent* on the items quoted in the tender documents of 2007. Even after allowing the cost escalation, only 93 *per cent* of the work had been completed (March 2017). The Department passed an amount of ₹ 41.37 crore upto the 13th RA Bill (December 2016) of the contractor which included cost escalation of ₹ 10.73 crore on account of the enhancement of the rate.

Audit observed that the delay of 61 months in handing over the project site to the contractor had resulted in avoidable cost escalation of ₹ 10.73 crore on civil works.

While accepting the facts, the Department stated (September 2017) that only 20 *per cent* of the site was handed over to the contractor in December 2007 as the order for demolition of the old building was obtained in December 2008. The remaining site was handed over in November 2008 (30 *per cent*) and June 2012 (50 *per cent*).

The reply confirms the fact that the cost escalation of ₹ 10.73 crore on civil works was entirely attributable to the failure of the Department to hand over the site to the contractor in time.

B. Undue financial benefit to the contractor ₹ 7.37 crore

The revised sanction (May 2012) for civil works of ₹ 47.46 crore⁷⁵ was accorded based on the revised estimate after incorporating 38 new items of work valued at ₹ 15.64 crore in addition to the 62 civil items of work in the original estimate. It was noticed that the Department allowed the contractor enhancement of 52 *per cent* on the revised estimates on 38 new items instead of allowing rates at par with the Nagaland PWD Schedule of Rates, 2013. Out of ₹ 41.37 crore paid to the contractor against 13 Running Account bills, ₹ 7.37 crore was on account of enhancement in rates of the 38 new items of work by 52 *per cent* above the schedule of rates/prevaling rates of 2013. The enhancement of rates 52 *per cent* above the schedule of rates/prevaling rates for 38 new items of work tantamounted to extension of undue financial benefit of ₹ 7.37 crore to the contractor.

The Department stated (September 2017) that the revised DPR was prepared as per the approved tender rate of 2007 and all the items are eligible were enhancement as per the order. The Department also enclosed an annexure of the 38 new items stating that although they were not included in the original DPR they are technically not new items of works.

⁷⁵ Including Miscellaneous Departmental charges ₹ 9.48 crore

The reply is not acceptable as the 38 new items of work were not included in the original DPR and these items of works were not put to tender and quoted in the tender of 2007. The contention that the revised DPR was prepared as per the approved tender rate of 2007 was also not correct as the rates applied for the 38 new were compatible with SOR 2013.

FINANCE DEPARTMENT (Directorate of Treasuries & Accounts)

5.4 Fraudulent/ Excess drawal of ₹ 1.72 crore

Failure of the Drawing and Disbursing Officers (DDOs) and Treasury Officers (TO) to exercise prescribed checks resulted in fraudulent drawal of ₹ 1.72 crore.

Sub-Clause 3, Rule 66 of the Receipts and Payment Rules 1983 prescribes that entries in all money columns of the pay bills are to be totalled separately under each section and parts, to arrive at the total entitlements as well as net payable after statutory deductions. Section wise totalling of the pay bills must be checked by the DDO himself or by some responsible official other than the person preparing the bill. Central Treasury Rules further prescribe the checks to be exercised by the 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.

A check of the paid pay bill vouchers received along with the monthly accounts submitted by DDOs to the Accountant General's office during 2016-17 revealed serious cases of fraudulent drawal and embezzlement in seven departments, the position of which is summarized in the table below:

Table-5.4.1

(₹ in lakh)

| Sl. No. | Department involved | Nature of irregularity noticed | No of cases | Amount involved |
|--------------|-------------------------------|---|-------------|-----------------|
| 1 | District Administration | Inadmissible drawal of arrears of house rent allowances | 1 | 1.89 |
| 2 | Jail | Inflated net total of pay and allowances | 1 | 6.53 |
| 3 | Nagaland State Transport | Inadmissible drawal of arrears of house rent allowances | 1 | 0.58 |
| 4 | Police | Inflated basic pay and grade pay | 1 | 39.28 |
| 5 | Rural Development | Inadmissible drawal of arrears of house rent allowances | 1 | 2.58 |
| 6 | School Education | Double drawal of pay and allowances | 1 | 2.25 |
| | | Inflated basic pay and grade pay | 4 | 61.96 |
| | | Inflated net total of pay and allowances | 3 | 14.98 |
| | | Inflated rate of dearness allowance | 1 | 2.17 |
| | | Multiple drawal of pay and allowances | 1 | 7.88 |
| | | Pay and allowances of non-existent staffs | 2 | 16.49 |
| | | Unauthorised drawal of MACP | 1 | 0.72 |
| 7 | Veterinary & Animal Husbandry | Inadmissible drawal of arrears of house rent allowances | 2 | 14.19 |
| TOTAL | | | | 171.50 |

Details are discussed in the succeeding paragraphs.

5.4.1 SCHOOL EDUCATION DEPARTMENT

Five DDOs of the School Education Department fraudulently withdrew ₹ 106.45 lakh 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

- a) The pay scale and the grade pay of Grade III employees was inflated ranging from ₹ 1,380 to ₹ 6,550 for five months (August 2015 to January 2016) which increased the allowances payable to those employees by ₹ 22.33 lakh in excess of the amount admissible to the employees as detailed in *Appendix -5.4.1 Item No. (i)*.
- b) The pay scale and the grade pay of 35 Grade III employees was inflated by amounts ranging between ₹ 5290/- and ₹ 13970/- for three months (November 2015 to January 2016) which increased the allowances payable to those employees by ₹ 24.33 lakh in excess of the amount admissible to the employees (*Appendix- 5.4.1 Item No. (ii)*).
- c) An amount of ₹ 2.17 lakh was drawn fraudulently by preparing the Dearness Allowance (DA) at inflated basic pay and grade pay for 291 employees during December 2015 (*Appendix-5.4.1 Item No. (iii)*).

5.4.1.2 Headmaster, Government High School, Merangkong

- a) An amount of ₹ 7.88 lakh was drawn as pay and allowances thrice for nine employees and six adhoc employees during September 2016 which resulted in fraudulent drawal of pay and allowances of ₹ 7.88 lakh (*Appendix-5.4.2*). Further, an amount of ₹ 2.36 lakh was drawn in respect of non-existent staff as pay and allowances during March 2016 to August 2016 resulting in fraudulent drawal of ₹ 2.36 lakh (*Appendix-5.4.3*).
- b) An amount of ₹ 2.71 lakh was drawn by inflating net total of pay and allowances of 29 employees during the period from February 2016 to September 2016 which resulted in fraudulent drawal of ₹ 2.71 lakh (*Appendix-5.4.4*).
- c) An amount of ₹ 14.13 lakh was drawn as pay and allowances in respect of non-existent employees during May 2016 to August 2016 which resulted in fraudulent drawal of pay and allowances of ₹ 14.13 lakh (*Appendix-5.4.5*).
- d) An amount of ₹ 4.59 lakh was drawn fraudulently as increment arrear by inflating pay scale & grade pay and admissible daily allowance (DA) rate in respect of two employees during June 2016, September 2016 and October 2016. Further, increment arrears were drawn twice for the same period in respect one employee and an amount of ₹ 0.72 lakh was drawn fraudulently as MACP arrear during February 2016 without authority (*Appendix-5.4.6*).

The Headmaster, Government High School, Merangkong while accepting (November 2017) the facts stated that an amount ₹ 37.74 lakh under objection had been recovered in four instalments through challan.

The reply is not acceptable as the treasury challan did not bear the signature of the bank authority to authenticate the actual receipt of the money by the bank.

5.4.1.3 Government High School, Akuhaito

An amount of ₹ 10.13 lakh was drawn fraudulently by inflating the net total of 12 bills withdrawn as pay and allowances in during the period from May 2015 to December 2015 (*Appendix 5.4.7*).

Further, an amount of ₹ 2.25 lakh was drawn as pay and allowances of four employees twice in two different bills during March 2016 which resulted in fraudulent drawal of pay and allowances of ₹ 2.25 lakh (*Appendix-5.4.8*).

5.4.1.4 Sub-Divisional Education Officer, Kohima

An amount of ₹ 2.14 lakh was drawn by inflating the net total of pay and allowances during the month of December-2014, January, March, April, May and September 2015 which resulted in fraudulent drawal of pay and allowances of ₹ 2.14 lakh (*Appendix-5.4.9*).

The Sub-Divisional Education Officer while accepting the facts (October 2017) stated that the entire amount of ₹ 2.14 lakh had been recovered in two instalments.

5.4.1.5 Sub-Divisional Education Officer: Aboi

The Sub-Divisional Education Officer, Aboi, Mon had drawn an amount of ₹ 1.57 crore in 18 pay bills of Grade III employees during the period from February 2015 to November 2015. Examination of the paid vouchers revealed that the basic pay of 74 grade III employees was inflated which resulted in excess drawal of pay and allowances. As a result, the Sub-Divisional Education Officer withdrew ₹ 1.57 crore whereas the actual amount to be drawn during the aforementioned period was only ₹ 1.46 crore. This resulted in excess drawal of ₹ 10.71 lakh (*Appendix- 5.4.10*).

The Department stated (October 2017) that the bills in some months were prepared showing pay band and grade pay separately. In some months, the bills were prepared by adding them together and also the bills were authenticated in the Directorate of School Education. Hence, there was no excess drawal.

The reply was not acceptable as the basic pay of the year 2015 was more than the basic pay of the year 2016 even after awarding 3 *per cent* annual increment in the month of December.

5.4.2 VETERINARY AND ANIMAL HUSBANDRY DEPARTMENT

An amount of ₹ 14.19 lakh was fraudulent drawn by two DDOs of the Veterinary and Animal Husbandry Department by presenting false bills and double drawal as discussed below:

5.4.2.1 Chief Veterinary Officer, Dimapur

An amount of ₹ 7.97 lakh was drawn as arrears of house rent allowance for the period from January 2009 to February 2016 in respect of 12 employees who were regularly

drawing HRA in their monthly pay and allowances. This resulted in fraudulent drawal of arrears of house rent allowance amounting to ₹ 7.97 lakh (*Appendix-5.4.11*).

The Chief Veterinary Officer while accepting (April 2017) the facts stated that the amount of ₹ 7.97 lakh was recovered in four instalments (April to July 2017) and deposited into government account through the treasury.

5.4.2.2 Chief Veterinary Officer, Peren

An amount of ₹ 6.22 lakh was drawn as arrears of house rent allowance in respect of 17 employees in three bills during March 2016.

Scrutiny of the pay bills revealed that these 17 employees were regularly drawing their pay and allowances for those months and the GPF account number and amount of deduction did not match with the names of employee/monthly subscription as detailed in *Appendix-5.4.12*.

The Chief Veterinary Officer accepted (August 2017) the facts and deposited the full amount of ₹ 6.22 lakh into government account through the treasury in two instalments.

5.4.3 Superintendent of Jail, District Jail: Zunheboto

An amount of ₹ 6.53 lakh was drawn by inflating the monthly net total amount of pay and allowances on 20 bills drawn during the period from February 2014 to October 2015 which resulted in fraudulent drawal of pay and allowances amounting to ₹ 6.53 lakh (*Appendix 5.4.13*).

5.4.4 Block Development Officer (BDO), Sangsangyu

An amount of ₹ 2.58 lakh was drawn fraudulently as arrears of house rent allowance for ten employees during March 2016 (*Appendix-5.4.14*). While accepting the facts, the Block Development Officer stated (May 2017) that the said amount had been recovered and deposited to government account.

5.4.5 Additional Deputy Commissioner, Pungro

An amount of ₹ 1.89 lakh⁷⁶ was drawn as arrears of house rent allowance for 15 employees during March 2016 which resulted in fraudulent drawal of arrears of house rent allowance amounting to ₹ 1.89 lakh. While accepting the facts, the Additional Deputy Commissioner stated (March 2017) that entire amount had been recovered the said amount and deposited to government account.

5.4.6 Assistant General Manager, NST, Zunheboto

An amount of ₹ 0.58 lakh⁷⁷ was drawn as arrears of house rent allowance for the period from May 2015 to January 2016 in respect of seven employees who were regularly drawing HRA in their monthly pay and allowances. This resulted in fraudulent drawal of arrears of house rent allowance amounting to ₹ 0.58 lakh.

⁷⁶ Vide bill No. 179 dated 'Nil' and TV No. 50 of 29-03-2016 for the period from 01-03-2014 to 29-02-2016

⁷⁷ Vide. Bill no. 101 of 29-02-2016

While accepting the facts, the Assistant General Manager, NST stated that the amount had been recovered (April 2017) and deposited to government account.

5.4.7 Commandant, 7th NAP, Bhandari, Wokha

The Commandant, 7th NAP Battalion, Bhandari, Wokha had drawn an amount of ₹ 34.53 crore being pay and allowances of Grade IV employees of the battalion during the period from October 2015 to February 2017. Detailed examination of the paid vouchers revealed that the basic pay of 114 employees was manipulated thereby inflating the gross pay and allowances of the employees. Against the actual pay and allowances entitlement of ₹ 34.13 crore, during the aforementioned period, ₹ 34.53 crore was drawn resulting in excess drawal of ₹ 39.28 lakh (*Appendix-5.4.15*).

The Commandant while accepting (September 2017) the facts stated that excess amount had been recovered and deposited to government account through the treasury.

The above instances of fraudulent/excess drawals by 12 DDOs of seven departments indicated failure on the part of the DDOs and TOs to exercise internal control/non-adherence to prescribed rules and procedures. It is also pertinent to mention that over the years, misappropriations of similar nature by the DDOs in collusion with the TOs were highlighted in the Audit Reports of the Comptroller and Auditor General of India, Government of Nagaland. (Details of last five years are given in *Appendix 5.4.16*). However, these malpractices continue to persist which indicates the seriousness of the problem. It is therefore, recommended that Government should take immediate steps to tackle this recurring wrongdoing.

In the instant cases pointed out by Audit, it is recommended that FIRs be lodged, disciplinary action initiated against the concerned officers and the cases handed over to the State Vigilance Commission for prosecutorial action.