

CHAPTER - V
GENERAL SECTOR

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GENERAL SECTOR

5.1 Introduction

This chapter of the Report for the year ended 31 March 2018 deals with the audit observations relating to the State Government departments/ authorities/ units under General Sector.

The departments and the total budget allocation *vis-a-vis* expenditure of the State Government under General Sector during 2017-18 are given in **Appendix 5.1.1**

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, Inspection Reports (IRs) containing audit findings were 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 were settled based on reply/action taken or further action for compliance is advised. Some of the important audit observations arising out of these IRs were 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, expenditure involving ₹ 3701.93 crore (including expenditure pertaining to previous years audited during the year) of the State Government under General Sector were test checked. This chapter contains the audit observations in respect of the New Pension Scheme in Nagaland, one compliance audit and one paragraph on recovery at the instance of Audit.

Compliance Audits

FINANCE DEPARTMENT (TREASURY AND ACCOUNTS)

5.3 Implementation of New Pension Scheme (NPS) in Nagaland

The Directorate of Treasuries and Accounts (DTA), Government of Nagaland (GoN) administers and enforces the financial rules and regulations in the functioning of all Government Departments. The DTA also functions as the Nodal Office for the implementation of NPS in Nagaland. An audit on the implementation of NPS for the period from January 2010 to March 2018 was conducted during July and August 2018.

Highlights

- 10,117 regular (43 per cent) Government servants appointed on or after 01 January 2010 in the state were yet to be registered with National Securities and Depository Limited (NSDL) and had not been allotted Permanent Retirement Account Number (PRAN).

(Paragraph 5.3.8.1)

- Delay in submission of challans by Drawing and Disbursing Officers (DDOs) to DTA delayed the remittance of the employees' contributions to NSDL. This resulted not only in liability to pay interest by the State Government on account of delay but also denied the benefit of returns from the investment to the subscribers.

(Paragraph 5.3.8.8)

- As of March 2018, the State Government had not remitted ₹211.40 crore to NSDL. This delay in remittance to NSDL would attract a penal interest amounting to ₹47.48 crore (March 2018).

(Paragraph 5.3.9)

- Death Gratuity and Family Pensions were not granted to 40 Government servants in the test checked DDOs as the DDOs and the stakeholders were unaware of such benefits available under the scheme.

(Paragraph 5.3.9.1)

5.3.1 Introduction

The NPS which is a compulsory defined contribution pension system administered and regulated by the Pension Fund Regulatory and Development Authority (PFRDA), was introduced by Government of India (GoI) for all the employees (except Armed Forces) who had joined the service on or after 01 January 2004. Under the NPS, 10 per cent of a Government Servant's Basic Pay plus Dearness Allowances (DA) are deducted every month as subscriber's contribution and the Government/employer contributes a matching share. The contributions of the employees and the State's matching share are deposited in a non-withdrawable pension account which is invested with the Pension Fund Managers for maximum return to the subscribers. The GoN adopted the NPS for all regular government employees appointed on or after 01 January 2010.

5.3.2 Organizational set-up

The Finance Department, GoN supervises and frames policies/guidelines for implementation of NPS in Nagaland and acts as an interface of the State Government with PFRDA and NSDL under the architecture of NPS. The DTA functions as the Nodal Office for NPS in the State and is assisted by the District and Sub-Treasuries.

5.3.3 Scope of Audit

The audit of NPS covered the period from January 2010 to March 2018. Three (Kohima, Dimapur and Mokokchung) out of 11 Districts were selected for test check to cover 5,783 out of 18,199 (March 2018) subscribers in the State.

5.3.4 Audit Objectives

The audit was conducted with the objectives to assess whether:

- All regular government servants appointed on or after 01 January 2010 were brought under the ambit of NPS.
- Subscribers' contributions and Government matching contributions were remitted timely.

5.3.5 Audit Criteria

The findings of audit were benchmarked against the following sources of criteria:

- Memorandum of Understanding (MOU) between Government of Nagaland and NPS Trust (established by PFRDA).
- Guidelines, Circulars, Notifications and various Orders issued by NSDL, PFRDA and Government of Nagaland from time to time.
- General Financial Rules and Receipt and Payment Rules.

5.3.6 Audit Methodology

The audit methodology comprised of an entry conference held on 20 July 2018 with officers from the Department of Treasuries and Accounts, issue of requisitions for records, questionnaires, audit queries/observations, examination of records furnished, issue of draft report to the Department followed by an exit conference held on 10 December 2018. The replies received and the views expressed by the Department during the exit conference have been appropriately incorporated in the report.

5.3.7 Acknowledgement

Audit acknowledges the cooperation and assistance extended by the Directorate of Treasuries and Accounts and the DDOs during the course of conduct of audit.

5.3.8 Audit Findings

The GoN adopted the NPS in respect of all the new entrants to the service of the State Government with effect from 01 January 2010. The audit findings are discussed in the following paragraphs:

5.3.8.1 Personal Information Management System

Personal Information Management System (PIMS) is a comprehensive web-enabled application introduced¹ by the Department of Personnel and Administrative Reforms (P&AR) for the management of human resources and administration. The implementation of NPS is closely linked with the PIMS as personal and service details of the State Government employees are captured in the system.

Examination of records revealed that the Finance Department, GoN issued an Office Memorandum² (OM) reiterating that all regular State Government employees appointed on or after 01 January 2010 will be covered by NPS. It was observed that State Government made appointments on “Adhoc, Casual, Contingency, Contract,

¹ vide No. PAR/PIMS-2/2015 dated 27 May 2016

² OM No.FIN/ESTT-3/04(Pt-) dated 16 September 2010

Fixed, Temporary, Permanent, Wages, Provisional or Work-charged” categories. The Finance Department stated (September 2018) that the Government servants who were appointed on ‘Temporary/Provisional and Permanent’ basis were eligible for NPS as applicable to Central Government employees.

An analysis of PIMS database of Government servants appointed between 01 January 2010 and 31 March 2018 in the state was carried out during audit. The details of appointments, eligible employees for issue of Permanent Retirement Account Number (PRAN) and ineligible employees under NPS who were issued PRAN *etc*, are given below:

Table 5.1
Abstract of state employees data from PIMS maintained by P&AR, GoN

SL. No.	Year	Total* appointment	Employees eligible ³ for PRAN	Eligible employees issued PRAN	Percentage of eligible employees issued PRAN	Eligible employees not issued PRAN	Percentage of eligible employees not issued PRAN	Employees not eligible ⁴ for PRAN	Ineligible employees issued PRAN
1	2009-10	1364	751	452	60.19	299	39.81	613	5
2	2010-11	4892	3244	2281	70.31	963	29.69	1648	14
3	2011-12	6725	4340	3097	71.36	1243	28.64	2385	53
4	2012-13	8137	6254	4688	74.96	1566	25.04	1883	33
5	2013-14	4939	2741	1463	53.37	1278	46.63	2198	26
6	2014-15	3864	1778	773	43.48	1005	56.52	2086	19
7	2015-16	4913	2860	560	19.58	2300	80.42	2053	12
8	2016-17	2513	1227	239	19.48	988	80.52	1286	5
9	2017-18	1699	501	26	5.19	475	94.81	1198	0
Total		39046	23696	13579	57.31	10117	42.69	15350	167

Source: Database of Personal Information Management System.

**includes all categories such as adhoc, casual, contingency, contract, fixed pay, wages, work charged.*

As seen from the above table, out of 39,046 Government servants appointed between January 2010 to March 2018 in the state, 23,696 employees were eligible under NPS. It was, however, observed that only 14,010 employees were allotted PRAN (including 264 employees appointed before January 2010 and 167 Adhoc, Casual, Contingency, Contract, Fixed and Work Charged employees not eligible under NPS) whereas 10,117 eligible employees were yet to be brought under NPS due to non-submission of registration forms, delay in scrutiny and forwarding of registration forms to NSDL *etc*.

Audit observed that these 10,117 eligible employees were denied the benefit of investment returns of their subscriptions from the date of deduction towards NPS. This had also led to the State Government incurring avoidable expenditure in the form of penal interest amounting to ₹ 47.48 crore against delayed remittance of NPS contributions to NSDL. The issues relating to avoidable expenditure towards interest

³ NPS eligible (appointed on Temporary, Provisional and Permanent basis)

⁴ NPS ineligible (appointed on Adhoc, Casual, Contingency, Contract, Fixed pay, Wages and Work-charged basis)

by the State Government has been discussed in detail under **Paragraph 5.3.9**. The allotment of PRAN to ineligible employees also indicated deficiencies in the implementation of NPS.

DTA in reply stated (December 2018) that enrolment of ineligible employees was due to oversight by DDOs and also discrepancies and data entry errors of employees' details in PIMS database.

The fact remains that 167 ineligible employees and 264 employees appointed before the implementation of NPS were allotted PRAN while 47 *per cent* of NPS eligible employees were denied the scheme benefit. In addition, all 10,117 eligible employees were denied the benefit of investment returns of their subscriptions.

Necessary steps should be taken immediately by the Department to expedite the process of allotment of PRANs to all eligible employees to extend the benefit under NPS and action taken to cancel the registration of all ineligible employees from the database.

5.3.8.2 Delay in deduction of subscriptions for NPS

As per the norms of the NPS, a monthly contribution of 10 *per cent* of the Basic Pay and DA is to be deducted from the employees as employee's share from the month following their joining the service. The contributions of the employees and the state's matching share will be invested by the Pension Fund Managers as approved by PFRDA under different categories of schemes which would be a mix of debt and equity. The entire amount lying in the pension account during retirement will be the pension wealth of the retiring government servant.

Further as per O.M. (September 2010) issued by the Finance Department, GoN, deduction shall be made on monthly basis from the salary of the concerned employees starting from the salary of September 2010. The arrear portion of contributions for the period from 01 January 2010 to 31 March 2010 shall be deducted in one instalment from the Revision of Pay (ROP) arrears if due; otherwise, the same should be deposited in five monthly instalments from the salary of subsequent months.

Examination of records of 21 DDOs in the selected three Districts revealed that, 15 DDOs did not deduct the employees' subscription in respect of 1,517 employees from the month following their joining the service. It was further observed that the delayed deductions occurred as basic operational training on NPS was not imparted by DTA to all stakeholders. Out of the 21 test checked DDOs, eight DDOs were not imparted any training on NPS.

The delay in deduction of 1,517 employee's contributions in 15 out of 21 DDOs are detailed in the Table:

Table 5.2
Delay in deduction of employees' subscription by the DDOs

Sl. No	Name of DDO	Employees under NPS	Delay in deduction (in Months)		
			Minimum	Maximum	No. of employees
1	IGP (INT), Kohima	270	1	48	202
2	SP, Mokokchung	287	1	46	116
3	Comm of Police, Dimapur	367	1	32	114
4	DGP, Kohima	133	1	94	101
5	CMO, Dimapur	140	1	24	26
6	4th NAP, Thizama	248	1	36	116
7	CMO, Mokokchung	179	1	83	62
8	1st NAP, Chumukedima	242	1	86	240
9	SDEO, Dimapur	1048	1	52	27
10	Fire and Emergency Services, Kohima	289	1	34	98
11	SDEO, Mokokchung	323	1	24	56
12	SDEO, Kohima	263	1	56	122
13	DEO, Dimapur	188	1	56	82
14	15th IR (Mahila), Chumukedima	165	1	44	126
15	Director, School Education	31	1	66	29
	Total	4173			1517

Source: Departmental figures.

As can be seen from above, Audit noticed that the deduction of 1,517 employee's contribution were delayed by one to 94 months in 15 test checked DDOs. This was one of the reasons which contributed to accumulation of unremitted employees' and employers' contributions (₹ 211.40 crore) as discussed in **Paragraph 5.3.9**. The delay in deduction and non-remittance to NSDL denied the subscribers the benefit of investment returns on their subscriptions.

DTA while accepting the facts stated in reply (December 2018) that delayed deduction was due to lack of awareness about NPS at the DDOs level and change of DDOs on account of retirement.

The reply was an admission to the fact that 1,517 employees were not allotted PRAN on time leading to denial of the benefits of investment returns from the month following their joining service.

Recommendation (49): Department should ensure that proper training is imparted to all DDOs and accountants/dealing assistants of NPS so that the scheme is implemented as per its guidelines.

5.3.8.3 Deduction of 10 per cent subscriptions from DA/Pay Arrears

As per Finance Department OM (September 2010), 10 per cent of the Basic Pay including DA as applicable should be deducted as employee's contribution towards NPS. The Ministry of Finance, Department of Expenditure also clarified⁵ that DA arrears should be taken into account for the purpose of working out contributions towards NPS.

Examination of records of 21 DDOs in the three selected districts out of 11 districts revealed that, all 21 DDOs had never deducted the NPS contributions from the subscribers' while drawing the DA/Pay arrears bills. This was in contravention of the Ministry of Finance, Department of Expenditure order and the employees were deprived of both their subscriptions and the Government's matching share.

DTA, while accepting the facts, stated (December 2018) that employee's subscriptions were not deducted from DA arrears as Finance Department, GoN had directed that such arrears should be directly paid to the employees. DTA further stated that the matter was brought to the notice of the Finance Department for clarification.

DTA's reply was not justified as Ministry of Finance, Department of Expenditure GOI had directed that NPS deductions should include deductions from DA or pay arrears of the subscribers. The arrear payment should, therefore, be made after deduction of 10 per cent towards NPS Subscription. Thus, failure of the DDOs to ensure deduction of the employees' share and the failure of the Government (Finance Department) to ensure contribution of employer's matching share ultimately resulted in denial of intended benefits as the same could not be transferred to NSDL.

5.3.8.4 Generation of multiple PRANs and maintenance of idle accounts

The PFRDA issues monthly status report of NPS for each State. Verification of the reports for the State of Nagaland revealed that 2,856 account holders had a zero credit even after five to six years of PRAN generation. Analysis of PRANs generated till March 2018 (18,199 PRANs) also revealed that 87 subscribers had two PRANs and one subscriber was allotted three PRAN accounts. It was observed that out of 2,856 zero credit PRANs, 88 were due to subscribers opening multiple accounts and 2,768 were due to delayed submission of challans by DDOs to the treasuries in respect of Centrally Sponsored Schemes (CSS) employees whose salaries were not released in a timely manner.

It was further observed that, as of March 2018, the State Government incurred wasteful expenditure of ₹ 5.28 lakh (₹ 40 for opening a new account and ₹ 95 for annual maintenance per PRAN from the year of its allotment) as account opening and annual maintenance charges for these idle and multiple accounts.

The Department while accepting the facts stated in reply (December 2018) that, 697 idle and 32 multiple PRANs were deactivated while the number of zero credit PRANs had reduced to 2199 in November 2018.

⁵ vide OM No. 1 (7) (2)/2003/TA/245 dated 21 April 2004

The reply was not acceptable as multiple PRANs were allotted and accounts with zero credit were allowed to be maintained by NSDL for which the Government had to incur avoidable expenditure of ₹ 5.28 lakh.

Recommendation (50): The Department should strengthen the monitoring mechanism and put in place an effective system for checking of submission of multiple application forms and deactivation of all the idle/multiple PRANs.

5.3.8.5 Non-adoption of Online PRAN Generation Module (OPGM)

Online PRAN Generation Module (OPGM) was introduced by NSDL for Nodal offices to expedite the process of PRAN registration and generation. Online generation of PRAN, unlike physical submission of forms, reduces time and efforts involved in PRAN generation. OPGM also help in reducing the problem of rejection of physical registration forms and assist in getting PRAN number immediately so that contributions are remitted to NSDL on time.

It was however, observed that Nagaland follows the offline system for registration of NPS eligible employees with NSDL where employees submit hard copy of registration forms to the DDOs who forward it to the District Treasury Officers (DTOs)/DTA for submission to NSDL.

Examination of records further revealed that PFRDA had directed⁶ DTA for early adoption of OPGM for effective implementation of NPS in the State. PFRDA had further stated that the pre-requisites for adoption of OPGM are system connectivity and basic hardware infrastructure for scanning and uploading of subscribers' personal details. NSDL had also suggested that a single login ID and password can be issued for OPGM, if NPS is centrally controlled. The DTA stated (August 2017) that OPGM was not feasible, as Treasuries/Sub Treasuries responsible for data entry, capturing of signatures, photographs and other personal details of subscribers on adoption of OPGM which could be an area of concern due to internet connectivity problem. The Directorate further stated that no major lapses had occurred in the physical submission of forms being followed by the State and suggested deferment of OPGM till system connectivity improves. The reply was not acceptable since Nagaland follows the centralized model where the DTA is the sole Nodal office and had the required pre-requisites for adoption of OPGM.

Thus, non-adoption of OPGM resulted in rejection of 295 NPS registration forms, delay in generation of PRANs from one to 98 months and accumulation of penal interest amounting to ₹ 47.48 crore as discussed in the succeeding paragraphs.

Recommendation (51): The Department should migrate from offline system of registration to Online PRAN Generation Module (OPGM) as recommended by the Pension Fund Regulatory and Development Authority at the earliest to expedite the entire process.

⁶ vide No.-PFRDA/20/SG/20/I dated 22 May 2017

5.3.8.6 Delay in registration

The Finance Department issued datelines⁷ for smooth implementation of NPS so that the subscribers' registration forms were filled and submitted to the DDOs concerned within 15 days of their joining the service.

Examination of records of 21 DDOs in three test checked districts revealed that, out of 5,783 eligible employees under NPS, 4,281 PRANs were generated after a delay ranging from one to 98 months and 1,502 PRANs were yet to be generated due to delay in submission of registration forms and submission of incompletely filled forms by the employees, DDOs, DTOs as well as DTA to NSDL. It was also observed that 114 eligible employees in the selected DDOs were yet to apply for PRAN registration (August 2018) due to incomplete mandatory documents like PAN card, Bank Account Number and Aadhaar card of the newly appointed Government Servants. The details of delay in generation, non-generation and non-submission of registration forms are detailed below:

Table 5.3
Delayed registration of employees with NSDL for generation of PRAN

Sl. No.	Name of DDO	Employees under NPS	Applied but PRAN yet to be generated	Eligible employees who were yet to apply for PRAN	Delay in registration (in Months)		
					Minimum	Maximum	No. of employees
1	IGP(INT), Kohima	270	134	5	1	98	136
2	SP, Mokokchung	287	103	32	1	98	184
3	Commissioner of Police, Dimapur	367	188	0	1	98	179
4	Civil Secretariate, Kohima	319	97	0	1	96	222
5	DGP, Kohima	133	67	0	1	94	66
6	CMO, Dimapur	140	36	0	1	93	104
7	4th NAP, Thizama	248	122	3	1	88	126
8	CMO, Mokokchung	179	12	3	1	86	167
9	1st NAP, Chumukedima	242	127	70	1	85	115
10	SDEO, Dimapur	1048	79	0	1	84	969
11	SDEO, Niuland	370	79	0	1	84	291
12	SP, Kohima	523	206	0	1	81	317
13	Dir. H& FW, Kohima	102	7	0	1	72	95
14	Fire& Emergency Service	289	173	0	1	69	116
15	SDEO, Mokokchung	323	2	0	1	68	321
16	SDEO, Kohima	263	0	0	1	61	263
17	Geology& Mining, Dimapur.	169	54	0	1	58	115
18	DEO, Dimapur	188	4	0	1	56	184
19	CMO, Kohima	127	2	0	1	39	125

⁷ vide No.FIN/TA/1-101/11 dated 17 November 2016.

Sl. No.	Name of DDO	Employees under NPS	Applied but PRAN yet to be generated	Eligible employees who were yet to apply for PRAN	Delay in registration (in Months)		
					Minimum	Maximum	No. of employees
20	15 IR(Mahila), Chumukedima	165	10	1	1	21	155
21	Director, School Education. Kohima	31	0	0	1	2	31
	TOTAL	5783	1502	114			4281

Source: Departmental figures.

Thus, the delay in generation of PRANs ranging from one to 98 months after joining Government service resulted in denial of benefits to the subscribers and attracted payment of penal interest by the State Government to the subscribers.

The DDOs, while accepting the facts stated in reply that pay of employees who had not applied for PRAN are now being withheld and the salaries of employees who failed to submit registration form after 30 days of joining their service are not being released by the concerned District Treasuries and Sub-Treasuries till submission of the registration forms.

The reply of the Department was not acceptable as the Government had not generated PRAN in respect of 1,502 eligible employees. In addition, PRAN in respect of 4,281 employees were generated after a long delay thus, leading to accumulation of the employees' contribution which would attract penal interest for delay in remittance to NSDL.

5.3.8.7 Rejection of subscribers' registration forms

Nagaland follows the centralised model of NPS where the DTA is the sole nodal office for registration of new subscribers and remitting contributions to NSDL. Under the centralized model, the new Government employees are required to submit duly filled in registration forms in hard copy to their respective DDOs who in turn forward it to the DTOs for verification. These forms are then forwarded to the Nodal Office for further verification and submission to NSDL.

Examination of records revealed that 295 application forms submitted by DTA to NSDL were rejected due to incomplete mandatory employees' details (Date of joining, nominee, signature of employee, pin code *etc.*). These rejected forms were resubmitted to NSDL after verification by the employees and DDOs concerned, thereby delaying the process of PRAN generation. Rejection of application forms resulted in delayed PRAN generation thereby depriving employees of their subscriptions' investment returns besides increasing the liability of the State Government in the form of penal interest for delayed remittance of contributions to NSDL.

Rejection of these registration forms despite verification and authentication by the DDOs, DTOs and the DTA reflects deficient supervision and checks before their submission to NSDL by the DTA.

Recommendation (52): *Department needs to ensure that the DDOs and DTOs scrutinize application forms meticulously at their level to avoid rejections by NSDL.*

5.3.8.8 Delay in submission of Challans and Annexures

As per Finance Department OM (September 2010), every DDOs shall deduct employee's contribution at the rate of 10 per cent of Basic Pay plus DA and deposit into the Treasury by way of deduction from the monthly salary bill. The name and designation of the employee, amount and month for which deduction was made were to be indicated in the statement in prescribed Annexure-I attached with the treasury challan. The DDO shall maintain a register to record all such deductions on a monthly basis and record the number and date of the challan in prescribed Annexure-II and send it to the Head of the Department (HOD) in duplicate. HODs shall prepare an abstract statement in prescribed Annexure-III incorporating all the statements from the DDOs under his/her charge for each month and submit it to the DTA on monthly basis. The DTA shall upload the statements to NPS Contribution Accounting Network (NPSCAN). These statements from DDOs and HODs were required to reach the DTA latest by 15 of every following month.

Examination of records revealed that the selected DDOs/HODs did not adhere to the timeline for submission of Challans along with the prescribed Annexures to the DTA, thereby causing a delay in uploading and remittance of the Pension fund to NSDL. It was also noticed that the details of the employees' subscriptions were not submitted regularly as per prescribed norms by the DDOs. It was observed that 17 out of 21 selected DDOs could not submit the annexures and challans to the HODs in time as the treasury voucher numbers and challans were not issued by the District/Sub-Treasury offices timely. Five DDOs could not submit the annexures and challans monthly due to delay in release of salaries in respect of Centrally Sponsored Schemes (CSS) employees.

This delay in submission of challans by DDOs to DTA further delayed the remittance of the employees' contributions to NSDL. This resulted not only in State Government paying penal interest to the subscribers but also denied the benefit of returns from the investment.

While accepting facts, the DTA stated in reply (December 2018) that the instructions had since been issued to all DTOs/STOs for submission of *challans* timely.

The fact, however, remains that delay in issue of challans by District and Sub-Treasuries resulted in delay of remittance to NSDL which could have been avoided had DTA closely monitored its functioning in this regard as per prescribed procedure.

Recommendation (53): *The Department should streamline its monitoring mechanism of the District Treasuries and initiate follow-up actions to avoid delay in issue of challans by DTOs to arrest the situation of delayed remittances to NSDL.*

5.3.9 Deficiencies in remittance of pension funds to NSDL

The subscribers' contributions are deposited into the Government account under Major Head "8342-Other Deposits-117- Defined Contribution Pension Scheme (Employees contribution under NPS)" through treasury challans. Remittances to NSDL were made only for the employees with PRAN and contributions of employees without PRAN were lying in the Government Account. As per OM⁸ (August 2012), State Government should pay interest to the subscribers (at existing GPF rate) on the accumulated subscribers' contributions already made by the employees and lying in the Government account.

The Government's matching contribution along with interest accumulated due to delayed remittance to the Trustee Bank are debited from the Head of Account "2071-01-117-Government Contribution for Defined Contribution Scheme".

The details of employee's share, Government contribution, interest accrued thereon and transfer to the trustee Bank/NSDL is given in the table below:

Table 5.4

Details of contribution and transfers to NSDL under NPS

Year	Opening Balance	Details of contribution by			Transfer to NSDL	Less Transfer	Rate of interest applicable	Interest due on Opening Balance
		Employees	Government	Total				
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)
2013-14	30.00	21.76	21.76	43.52	1.28	72.24	8.80	2.64
2014-15	72.24	34.83	34.83	69.66	21.55	120.35	8.80	6.36
2015-16	120.35	38.92	38.92	77.84	40.01	158.18	8.80	10.59
2016-17	158.18	47.28	47.28	94.56	52.21	200.53	8.00	12.65
2017-18	200.53	65.00	65.00	130.00	119.13	211.40	7.60	15.24
Total		207.79	207.79	415.58	234.18*			47.48

* ₹ 234.18 crore remitted to NSDL includes an amount of ₹ 13.91 crore as penal interest already paid to the employees and ₹ 1.33 crore paid to NSDL as service charges for opening and maintaining subscribers' PRAN accounts.

During the year 2017-18, there was an opening balance of ₹ 200.53 crore and ₹ 130.00 crore (Employees' + Employer's share) was contributed to the fund. Out of this, an amount of ₹ 119.13 crore (Employee's contribution- ₹ 56.69 crore; and Employer's contribution- ₹ 62.44 crore) was transferred to the NSDL/Trustee Bank leaving a balance of ₹ 211.40 crore (Employees' contribution ₹ 103.68 crore and Employers' contribution ₹ 107.72 crore) un-transferred as on 31 March 2018. The accumulated balance was due to persistent short transfer of funds to NSDL/Trustee Bank over the years. Over the last five years, the State Government acquired the interest liability amounting to ₹ 47.48 crore on the amount not transferred to NSDL.

⁸ Vide OM No. FIN/ESTT-3/04(Pt-II) Dated 27 August 2012.

While accepting (December 2018) the facts, the Government stated that the Employees' and Employers' contribution by the Government to NSDL/Trustee Bank could not be remitted due to non-generation of Permanent Retirement Account Number (PRAN) in respect of employees who had either submitted the Registration forms with delay or not submitted the same due to not having Permanent Account Number (PAN), Aadhaar and Bank Account, *etc.* However, online *e-NPS* has been introduced and the process to regularize the outstanding amounts had been started.

Failure of the State Government to transfer the entire amount of pension contributions to NSDL/Trustee Bank would not only eventually deplete the NPS Corpus but also increase the liability of the Government and risk failure of the scheme.

Recommendation (54): The State Government should ensure that employees recruited on or after 01 January 2010 are fully covered under the New Pension Scheme and both the contributions are deducted and fully transferred to NSDL/Trustee Bank in a timely manner to avoid interest liability.

5.3.9.1 Denial of death/retirement/invalidation pension benefits to the subscribers

The Finance Department, GoN issued (September 2012) an interim order⁹ for grant of relief on death/disability of State Government servants covered by NPS, in line with the directives¹⁰ of the PFRDA and Ministry of Personnel, Public Grievances and Pensions, Department of Pension and Pensioners Welfare. As per the order, Invalid Pension/Disability Pension/Family Pension and Death/Retirement Gratuity as per Central Civil Services (Pension) Rules, 1972 would be extended to NPS employees on provisional basis. Similarly, the Finance Department, Government of Nagaland issued an order (November 2017) regarding permanent extension of Retirement and Death Gratuity to the subscribers in compliance of PFRDA and Ministry of Personnel, Public Grievances and Pensions, Department of Pension and Pensioners Welfare order¹¹.

Examination of records of 21 test checked DDOs revealed that there were 42 cases of death in service, however, only two DDOs had processed the matter for grant of death gratuity and family pension benefits in respect of two expired government servants under their administrative control whereas 19 DDOs stated that they were not aware of the extension of such benefits to the subscribers of NPS.

This indicated that the DDOs were not sensitised and trained for creating awareness among the stake holders on the rules and regulations relating to the implementation of NPS. As a result, invalid pension/disability pension or family pension and death gratuity benefits available under the scheme could not be fully extended to the NPS subscribers.

⁹ vide NO.FIN/ESTT-3/04 (Pt-II) dated 19 September 2012

¹⁰ OM No. 38/41/06/P&PW(A) Dated 05 May 2009

¹¹ OM No.7/5/12-P&PW (F)/B dated 26 August 2016.

Recommendation (55): *The Department should conduct awareness programmes to sensitise the DDOs for creating awareness on the rules and regulations relating to the implementation of NPS. Besides, the Department should review all such cases and take appropriate action where retirement benefits available under the Scheme were not extended.*

5.3.10 Conclusion

Data analysis of PIMS revealed that 10,117 regular employees eligible under NPS were not registered with NSDL. Out of 23,696 eligible employees, 43 *per cent* were yet to be allotted PRAN under NPS. Audit also noticed allotment of 431 PRANs to non-eligible employees. The selected DDOs did not deduct 10 *per cent* amount from Dearness Allowance and Pay Arrears towards NPS subscription contrary to the provisions of the Scheme. There were delay in registration for period up to 98 months and also delay in deduction of subscriptions from employees for period up to 94 months.

There were 2,856 inactive PRAN accounts (March 2018) having zero credit and 88 employees were allotted multiple accounts. The State Government was yet to remit ₹ 211.40 crore (March 2018) on account of employees' contribution and Government matching share. The State Government was further liable to pay penal interest amounting to ₹ 47.48 crore (March 2018) towards delay in remittance of employees' subscription and State's matching contribution to NSDL.

The NPS was not smoothly implemented in Nagaland as envisaged in the guidelines and orders issued by the Government from time to time due to lapses noticed from the stage of subscribers' registration till remittance of pension contributions to NSDL. Stakeholders were not sensitized about NPS through proper training thereby denying the extension of full benefit to the subscribers available under the scheme.

FINANCE DEPARTMENT (Directorate of Treasuries & Accounts)

5.4 Fraudulent drawal of money

Failure of the Drawing and Disbursing Officers and Treasury Officers to exercise prescribed checks resulted in fraudulent/double/excess drawal of ₹ 7.36 crore out of which ₹ 5.73 crore was yet to be deposited.

Rule 66, sub-clause 3, of the Central Government Account 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 Drawing and Disbursing Officer (DDO) himself or by some responsible official other than the person preparing the bill.

Rule 22 of the Central Treasury Rules states that the Treasury Officer shall be responsible to the Accountant General for acceptance of the validity of a claim against which he has permitted withdrawal and for evidence that the payee has actually received the sum withdrawn. And according to Rule 23 of the Central Treasury Rules, the Treasury Officer shall obtain sufficient information as to the nature of every payment he is making and shall not accept a claim which does not formally present that information unless there are valid reasons which he shall record in writing for omitting to enquire it. Rule 24 of the Central Treasury Rules further states that the Treasury Officer may correct an arithmetical inaccuracy or an obvious mistake in any bill presented to him for payment.

Further, according to Rule 276 of the Central Treasury Rules, while drawing any arrear bill, the Drawing Officer shall record the certificates on the arrear bill under his dated signature to the effect that (i) no part of the amount claimed has been drawn previously; and (ii) a note of the arrear claim has been made in the office copy of the bill or the pay bill register for the period to which the claim pertains.

Audit received a total of 45519 Vouchers from PAG (A&E), Nagaland submitted by the DDOs to the office during the year 2017-18. Out of the total vouchers received, 28360 vouchers audited during 2017-18 revealed that, 40 DDOs of 12 Departments had fraudulently drawn ₹ 7.36 crore on account of Pay and Allowances, Pay arrears, House Rent Allowance arrears, Dearness Allowances arrears, Repair and Replacement bills and by inflating the total of the Pay bills as detailed below:

Table 5.7

Sl. No.	Nature of Objection	Number of cases	Amount involved (₹ in lakh)
1	Pay and allowances	16	144.25
2	Arrears of pay and allowances	4	26.59
3	Pay arrears	13	378.55
4	Inflating the totals	1	0.99
5	House Rent Allowance arrears	5	11.41
6	Dearness Allowance arrears	8	50.12

Sl. No.	Nature of Objection	Number of cases	Amount involved (₹ in lakh)
7	Wages/fixed pay arrear	2	2.58
8	Repair and replacement bills	1	122.00
Total		50	736.49

The funds were drawn by 40 DDOs fraudulently while drawing the Pay and allowances and arrears of aforesaid allowances etc., violating the prescribed rules.

On the basis of the draft paragraph issued to the Government, 12 DDOs deposited the entire amount of ₹ 1.54 crore and six DDOs partially deposited ₹ 9.41 lakh. The remaining amount of ₹ 5.73 crore was yet to be deposited by the DDOs concerned.

The details of the cases where recoveries were yet to be made are discussed below.

5.4.1 EDUCATION DEPARTMENT

5.4.1.1 Sub-Divisional Education Officer, Niuland

(i) The Sub-Divisional Education Officer (SDEO) Niuland had drawn ₹ 57.79 lakh as dearness allowance arrear for 10 months (January to October 2016) in respect of 605 employees. It was observed in audit of vouchers that the basic pay of 549 out of 605 employees was inflated in the due and drawn statement. This resulted in fraudulent drawal of ₹ 19.32 lakh (*Appendix 5.4.1*) by the Sub-Divisional Education Officer (SDEO) Niuland.

The SDEO in reply stated that an amount of ₹ 1.95 lakh was deposited (April 2018 and March 2019) into Government Account, and ₹ 17.37 lakh was yet to be deposited (May 2019) into Government account.

(ii) Further, the SDEO, Niuland had drawn ₹ 4.81 crore on account of pay and allowances in respect of 1567 employees for four months¹². It was observed that the basic pay of 28 employees drawn in the month of August 2015, September 2015 and November 2015 respectively were inflated in the pay bills. This had resulted in fraudulent drawal of ₹ 16.10 lakh by the SDEO, Niuland.

The SDEO in reply stated that an amount of ₹ 1.72 lakh was deposited (April 2018 and March 2019) into Government account, while ₹ 14.28 lakh was yet to be deposited (May 2019).

5.4.1.2 Headmistress Government High School, VK Town, Zunheboto

(i) The Headmistress Government High School, VK Town had drawn (March and April 2017) two bills for ₹ 9.76 lakh as arrears of pay and allowances for December 2016 to March 2017 in respect of six employees. It was observed that all the six employees had already drawn their pay and allowances in the regular monthly pay bills. This resulted in fraudulent drawal of ₹ 9.76 lakh by the Headmistress Government High School, VK Town.

¹² August 2015, September 2015, October 2015 and November 2015.

(ii) It was further observed from the pay bills for the month of March 2017 that ₹ 2.80 lakh was also drawn by the Headmistress of the School as pay and allowances arrears for the period from October 2016 to February 2017 in respect of one employee. Cross verification of the preceding pay bills, however, revealed that the employee had already drawn the pay and allowances for the aforementioned period. This had resulted in fraudulent payment of ₹ 2.80 lakh.

The Department stated in reply that an amount of ₹ 0.27 lakh had been deposited (December 2018) into Government account. However, the remaining amount of ₹ 2.53 lakh was yet to be deposited (May 2019) by the DDO.

The DDO should immediately deposit the amount of fraudulent drawal and furnish the original copy of the treasury deposit challan to Audit as a proof of deposit so made.

5.4.1.3 District Education Officer, Wokha

The District Education Officer (DEO), Wokha had drawn ₹ 5.38 lakh (February 2017) in four bills as less drawn pay arrears in respect of 24 employees. It was observed that all the 24 employees had already drawn their pay as per entitlement in the regular monthly pay bills. Therefore, the pay arrears drawn in respect of 24 employees drawn in four bills were not admissible. This resulted in fraudulent drawal of ₹ 5.38 lakh which was yet to be deposited (May 2019) into Government account.

5.4.1.4 Headmaster, Government High School, Saptiqa

The Headmaster, Government High School Saptiqa had drawn ₹ 5.21 lakh on account of Dearness Allowance (DA) arrears in respect of 24 employees for eight months (July 2016 to February 2017). It was observed in Audit that applicable DA rate of 132 *per cent* for the aforementioned period was already drawn for all 24 employees. Therefore, the dearness allowance arrears in respect of the 24 employees for eight months were not admissible. This had resulted in fraudulent drawal of ₹ 5.21 lakh which was yet to be deposited (May 2019) into Government account.

5.4.1.5 Sub-Divisional Education Officer, Chozuba

The SDEO, Chozuba had drawn ₹ 28.62 lakh on account of pay and allowances for 50 employees for the month of April 2017 in two¹³ bills. It was observed that the names of the employees were not in the regular pay rolls of the SDEO of the preceding and subsequent months. This resulted in fraudulent drawal of ₹ 28.62 lakh against non-existent employees, which was yet to be deposited (May 2019) into Government account.

5.4.1.6 Sub-Divisional Educational Officer, Zunheboto

(i) The SDEO, Zunheboto had drawn ₹ 14.40 lakh (March 2017) as pay arrears for 59 employees in 59 bills¹⁴. It was observed in Audit that the basic pay was inflated in respect of 36 employees. Further, the names of the remaining 23 officials were also

¹³ Bill No. 65 dated 24/04/17 - ₹ 11.80 lakh and bill No. 66 dated 24/04/17 - ₹ 16.82 lakh

¹⁴ Bill No. 441 to 499 dated 20/03/2017

not found in the regular pay bills drawn by the SDEO in the preceding or the subsequent months. This resulted in fraudulent drawal of pay and allowance arrears of ₹ 14.40 lakh by the SDEO which was yet to be deposited (May 2019) into Government account.

(ii) SDEO Zunheboto had also drawn ₹ 8.13 lakh (February 2017)¹⁵ as pay and allowances in respect of 15 employees. It was, however, observed that the names of the 15 employees were not found in the regular pay bills of the preceding and subsequent months. This resulted in fraudulent drawal of ₹ 8.13 lakh which was yet to be deposited (May 2019) into Government account by the SDEO, Zunheboto.

(iii) It was also observed that SDEO Zunheboto had drawn ₹ 1.93 lakh (March 2017)¹⁶ as pay and allowances in respect of five employees for the month of February 2017. Cross verification of the regular pay bills revealed that all the employees had already drawn their pay for the month of February 2017. This resulted in fraudulent drawal of ₹ 1.93 lakh as pay and allowances which was yet to be deposited (May 2019) into Government account.

5.4.1.7 Sub-Divisional Educational Officer, Mon

The SDEO Mon had drawn ₹ 15.45 lakh in four bills¹⁷ as less drawn pay increment arrears in respect of 95 employees during the period from August 2016 to April 2017. Cross verification of pay drawn by the employees in the preceding and subsequent months revealed that the basic pay for all 95 employees were inflated for calculating the arrears. This had resulted in fraudulent drawal of ₹ 15.45 lakh which was yet to be deposited (May 2019) into Government account.

5.4.1.8 Sub-Divisional Educational Officer, Aboi

(i) SDEO Aboi had drawn ₹ 9.15 lakh in two bills¹⁸ as less drawn pay of 59 employees for the period from July 2016 to August 2016. Cross verification of the arrear bills with the regular pay bills revealed that that the basic pay for calculating the arrears was inflated. This had resulted in fraudulent drawal of pay and allowances of ₹ 9.15 lakh which was yet to be deposited (May 2019) into Government account.

(ii) SDEO Aboi had drawn ₹ 8.31 lakh in two bills¹⁹ as DA arrears in respect of 91 employees for January 2016 to October 2016. It was observed that, ₹ 7.94 lakh out of ₹ 8.31 lakh was drawn in respect of 40 fixed pay employees who were not eligible for grant of DA. This had resulted in fraudulent drawal of ₹ 7.94 lakh which was yet to be deposited (May 2019) into Government account.

¹⁵ Bill No. 437 dated 20/02/2017

¹⁶ Bill No. 206 dated 31/03/2017

¹⁷ Bill No. 86 & 87 dated 31/08/16, 93 dated 15/5/2017 & 285 dated 6/04/2017

¹⁸ Bill No. 39 dated nil - ₹ 5.28 lakh and bill No. 40 dated nil - ₹ 3.87 lakh.

¹⁹ Bill No.102 dated nil (TV No. 177 dated 17/09/2015) - ₹ 6.04 lakh and bill No 180 dated 08/12/16 - ₹ 2.27 lakh.

(iii) The SDEO Aboi had also drawn ₹ 7.92 lakh²⁰ as less drawn (June 2017) increment arrears in respect of 35 employees for the period from March 2013 to June 2015. Cross verification of the regular pay bills revealed that the basic pay for calculating the arrears was inflated. This had resulted in fraudulent drawal of ₹ 7.92 lakh which was yet to be deposited (May 2019) into Government account.

5.4.1.9 Sub-Divisional Educational Officer, Bhandari

SDEO Bhandari had drawn ₹ 6.59 lakh as pay and allowances in respect of 13 teachers for the month of February 2017. Cross examination of the pay bills revealed that the names of the teachers were not in the preceding and subsequent months' pay bills. This resulted in fraudulent drawal of ₹ 6.59 lakh against 13 non-existent teachers which was yet to be deposited (May 2019) into Government account.

5.4.1.10 Sub-Divisional Education Officer, Pughoboto

The SDEO, Pughoboto had drawn (March 2017) ₹ 8.14 lakh in respect of 37 employees as increment arrear for the period from December 2015 to February 2017. Cross verification with the regular pay bills revealed that the basic pay for calculating the increment arrears in respect of 20 employees was inflated. This had resulted in fraudulent drawal of ₹ 4.21 lakh which was yet to be deposited (May 2019) into Government account.

5.4.1.11 Sub-Divisional Education Officer, Tseminyu

The SDEO, Tseminyu had drawn ₹ 8.86 lakh for 119 employees as increment arrear for the period from June 2016 to January 2017. It was observed that all 119 employees had already drawn their entitled pay and allowances for the same period. This resulted in fraudulent drawal of ₹ 8.86 lakh which was yet to be deposited (May 2019) into Government account.

5.4.1.12 Sub-Divisional Education Officer, Kiphire

The SDEO, Kiphire had drawn ₹ 11.36 lakh in two bills²¹ as less drawn pay arrears in respect of 70 employees for the period from December 2015 to November 2016. It was observed that the basic pay for calculation of the arrear bills was inflated. It was also observed that the names of 20 out of 70 employees were not in the pay roll of the preceding and subsequent months pay bills. This had resulted in fraudulent drawal of ₹ 11.36 lakh which was yet to be deposited (May 2019) into Government account.

5.4.1.13 District Education Officer, (DEO), Phek

The DEO, Phek had drawn ₹ 5.42 lakh (March 2017) as less drawn pay arrears in respect of 11 employees for the period from January 2015 to December 2016. It was observed that pay and allowances for the same period was already drawn in the regular monthly pay bills. This had resulted in the fraudulent drawal of ₹ 5.42 lakh which was yet to be deposited (May 2019) into Government account.

²⁰ Bill No. 68 dated nil TV No. 168 dated 29/06/2017

²¹ Bill No. 375 dt 15/03/2017 & 376 dt 15/3/2017

5.4.1.14 Principal, Government High School, Satakha

The Principal, Government Higher Secondary School, Sataka drew ₹ 5.07 lakh as pay and allowances in respect of eight employees for the month of February 2017²². It was observed that the names of the employees were not in the preceding and subsequent months' pay bills. This had resulted in fraudulent drawal of pay allowances for ₹ 5.07 lakh which was yet to be deposited (May 2019) into Government account.

5.4.1.15 Headmaster, Government High School, Merangkong

The Headmaster, Government High School Merangkong had drawn (April 2017) ₹ 3.13 lakh as pay and allowances for six employees for the month of February 2016²³. It was, however, observed that the pay and allowances for the same period in respect of six employees were already drawn in the regular monthly pay bills. This had resulted in fraudulent drawal of ₹ 3.13 lakh which was yet to be deposited (May 2019) into Government account.

5.4.1.16 Assistant Headmistress, Government High School, Alongkima

The Assistant Headmistress, Government High School, Alongkima had drawn (March 2017) ₹ 5.95 lakh as pay and allowance in respect of 13 employees for the month of February 2017. It was observed that all 13 employees had already drawn their pay and allowances for the month of February 2017 in another bill. This had resulted in fraudulent drawal of ₹ 5.95 lakh as pay and allowances which was yet to be deposited (May 2019) into Government account.

5.4.2 TREASURIES AND ACCOUNTS DEPARTMENT

5.4.2.1 Senior Treasury Officer, Wokha

The Senior Treasury Officer (STO), Wokha had drawn (February 2017) an amount of ₹ 5.40 lakh as less pay arrear in respect of 14 employees (for the period January 2016 to November 2016). However, on cross verification with the regular pay bills, it was observed that the STO had already drawn the pay and allowances for all the 14 staff as per entitlement in the regular pay bills for the aforementioned period. Therefore, the arrear bill in respect of 14 employees was not due and admissible. This had resulted in fraudulent drawal of ₹ 5.40 lakh which was yet to be deposited (May 2019) into Government account.

5.4.2.2 Sub-Treasury Officer, Pfutsero

The STO, Pfutsero had drawn (March 2016) an amount of ₹ 1.35 lakh as less drawn Dearness Allowances in respect of 15 employees for the period from July 2015 to February 2016 in four bills. It was observed that the STO had already drawn the DAs for the same period at the applicable rate of 119 *per cent* for all 15 employees. Therefore, the less drawn dearness allowance in respect of 15 employees was not due

²² Bill No. 81 dated 16/03/2017 and TV No. 61 dated 16/03/2017

²³ TV No. 8 dated 03/04/17

and admissible. This had resulted in fraudulent drawal of ₹ 1.35 lakh which was yet to be deposited (May 2019) into Government account.

5.4.3 AGRICULTURE DEPARTMENT

5.4.3.1 District Agriculture Officer, Mon

(i) The District Agriculture Officer (DAO), Mon had drawn (March 2017) ₹ 3.09 lakh as less drawn pay for seven employees for the period from January 2013 to February 2015. It was, however, observed that, all seven employees had already drawn the pay and allowances in regular monthly bills as per their entitlements. Therefore, the less drawn pay in respect of seven employees was not due and admissible. This had resulted in fraudulent drawal of ₹ 3.09 lakh which was yet to be deposited (May 2019) into Government account.

(ii) The DAO, Mon had also drawn (March 2017) ₹ 2.93 lakh as House Rent Allowance (HRA) arrear for 12 employees. It was observed that those employees had already drawn the HRA in their regular pay and allowances bills. Therefore, the HRA arrear in respect of 12 employees was not due and admissible. This had resulted in fraudulent drawal of ₹ 2.93 lakh which was yet to be deposited (May 2019) into Government account.

(iii) The DAO, Mon had drawn (March 2017) ₹ 0.92 lakh as less drawn Disturbed Area Allowances (DAA) arrear for four employees. It was observed that, the employees had already drawn DAA as per entitlement in their regular monthly pay bills. Therefore, the DAA arrear in respect of four employees was not due and admissible. This had resulted in fraudulent drawal of ₹ 0.92 lakh which was yet to be deposited (May 2019) into Government account.

5.4.3.2 District Agricultural Officer, Mokokchung

The District Agriculture Officer (DAO), Mokokchung had drawn (March 2017) ₹ 5.16 lakh as less drawn pay arrears in respect of 29 employees for the period from December 2015 to February 2017 in eight bills. It was observed that all the employees had drawn their pay as per entitlements in the regular monthly bills. Therefore, the less drawn arrear in respect of 29 employees was not due and admissible. This had resulted in fraudulent drawal of ₹ 5.16 lakh which was yet to be deposited (May 2019) into Government account.

The Department in reply (September 2018) stated to have deposited an amount of ₹ 0.60 lakh as first instalment. The remaining amount of ₹ 4.56 lakh was, however, yet to be deposited into Government account.

5.4.3.3 District Agriculture Officer, Longleng

The District Agriculture Officer (DAO), Longleng had drawn ₹ 2.34 lakh as pay and allowances in respect of five employees for the month of December 2016 and January 2017. It was observed that the pay and allowances of the five employees for the

month of December 2016 amounting to ₹ 1.17 lakh had already been drawn²⁴. This had resulted in fraudulent drawal of pay and allowance of ₹ 1.17 lakh which was yet to be deposited (May 2019) into Government account.

5.4.4 HEALTH AND FAMILY WELFARE DEPARTMENT

5.4.4.1 Chief Medical Officer, Tuensang

(i) Chief Medical Officer (CMO), Tuensang had drawn ₹ 6.56 crore as pay and allowances in respect of 857 employees for the months of July 2016, October 2016, November 2016 and for the period from March 2017 to December 2017 in 46 bills. It was observed that the pay and allowances in respect of 122 out of 857 employees were drawn twice for the same months. This had resulted in fraudulent drawal of ₹ 3.08 crore.

The Department stated in reply (April 2019) that ₹ 2.08 lakh had been deposited and the remaining amount of ₹ 3.06 crore would be deposited in due course.

(ii) Further, the CMO, Tuensang had drawn (February 2017) ₹ 26.12 lakh as pay and allowances for the month of February 2017 in respect of 114 employees in two bills²⁵. Cross verification of the two bills revealed that the pay and allowances in respect of 49 out of 114 employees were drawn twice. This had resulted in fraudulent drawal of ₹ 10.36 lakh which was yet to be deposited (May 2019) into Government account.

5.4.4.2 Chief Medical Officer, Mokokchung

The CMO, Mokokchung had drawn ₹ 19.37 lakh in October 2017 as pay and allowances (month not mentioned) in respect of 37 employees. Cross examination of the pay bills of the preceding and subsequent months revealed that, the names of the employees were not in the pay roll of the establishment. This had resulted in fraudulent drawal of pay and allowances of ₹ 19.37 lakh which was yet to be deposited (May 2019) into Government account.

5.4.4.3 Medical Superintendent, Dr. Imkongliba Memorial District Hospital (IMDH), Mokokchung

The Medical Superintendent, IMDH Mokokchung had drawn ₹ 5.28 lakh (March 2017)²⁶ as DA arrears for 23 officials. Cross verification with the regular pay bills revealed that the names of all the employees were not in the preceding and subsequent regular monthly pay bills. This had resulted in fraudulent drawal of DA arrears for ₹ 5.28 lakh which was yet to be deposited (May 2019) into Government account.

²⁴ Vide bill No. 21 in January 2017

²⁵ Vide bill No. 387 dated 20/02/2017 (₹ 11.44 lakh) and bill No. 376 dated 20/02/2017 (₹ 14.68 lakh)

²⁶ vide bill No. 178 dated nil (TV No. 58 dated 11/03/17)

5.4.5 FISHERIES DEPARTMENT

5.4.5.1 District Fishery Officer, Wokha

District Fishery Officer, Wokha had drawn (March 2017) ₹ 5.56 lakh as less drawn DA arrears in respect of eight employees for the months of December 2013 to February 2017 in eight bills. It was observed that DA arrears as per entitlement was already drawn by all the employees in November 2016. Therefore, DA arrears in respect of eight employees was not due and admissible. This had resulted in fraudulent drawal of ₹ 5.56 lakh, which was yet to be deposited (May 2019) into Government account.

5.4.6 EMPLOYMENT & CRAFTSMAN TRAINING DEPARTMENT

5.4.6.1 Principal, Women Industrial Training Institute, Dimapur

The Principal Women Industrial Training Institute (ITI) Dimapur had drawn two wages bills²⁷ for ₹ 1.74 lakh in respect of 10 casual labourers for four months (November 2016 to February 2017). It was however observed that the wages bills of the casual labours had already been drawn in March 2017. Therefore, the wages bills in respect of 10 casual labourers for the aforementioned period was not due and admissible. This had resulted in fraudulent drawal of wages amounting to ₹ 1.74 lakh which was yet to be deposited (May 2019) into Government account.

5.4.6.2 District Employment Officer, Phek

The District Employment Officer, Phek had drawn an amount of ₹ 2.91 lakh as HRA arrears in respect of nine employees for the period from January 2015 to December 2016. It was, however, observed that these employees had already drawn the HRA as per entitlement in the monthly regular pay bills. Therefore, the HRA arrear in respect of nine employees for the aforementioned period was not due and admissible. This had resulted in the double drawal of ₹ 2.91 lakh which was yet to be deposited (May 2019) into Government account.

5.4.7 COOPERATION DEPARTMENT

5.4.7.1 Assistant Register Co-operative Society, Peren

Assistant Register Co-operative Societies, Peren had drawn ₹ 6.29 lakh (March 2017) as pay and allowances in respect of five employees for 11 months in two bills²⁸. Cross examination of the bills with the incumbency list revealed that the names of the employees mentioned in the two bills were not in the payroll of the establishment. This had resulted in the fraudulent drawal of ₹ 6.29 lakh as pay and allowances which was yet to be deposited (May 2019) into Government account.

²⁷ No. 66 and No. 70 dated 16-3-2017

²⁸ Bill No. 61 dated Nil & Bill No. 62 dated Nil

The matter on the above irregularities was reported to the Government in August 2018 and reminder issued in December 2018, their reply was awaited (May 2019).

In all the above cases, the DDOs concerned did not record the certificates on the arrear bills under his dated signature after ensuring to the effect that (i) no part of the amount claimed in the bill had been drawn previously; and (ii) a note of the arrear claim has been made in the office copy of the bill or the pay bill register for the period to which the claim pertains while drawing the arrear bills. Similarly, the Treasury Officers also did not obtain sufficient information as to the nature of every payment as per the bills presented to him for payment.

The instances of fraudulent drawals by 28 DDOs of seven departments indicated failure by the DDOs and TOs to exercise control and checks as prescribed by rules and procedures and lack of internal control persisting in the departments. It was also pertinent to mention that the instances of fraudulent cases of similar nature by the DDOs in collusion with the TOs were highlighted in the previous years' Audit Reports of the Comptroller and Auditor General of India, Government of Nagaland. Details of cases for the last five years are given in **Appendix 5.4.2**.

As discussed in the above cases, it was evident that, despite being pointed out in the past Audit Reports, these malpractices continued to persist, which was a matter of concern.

Thus, the Government should ensure recovery of the balance amount fraudulently drawn by the 28 DDOs. The Government should not only initiate disciplinary action to fix responsibility on the officers/officials involved but also put in place an effective system to ensure that these cases do not recur.

Recommendation (56): The Government should initiate action to recover the outstanding amount of ₹5.73 crore which was yet to be deposited into Government account by 28 DDOs. The Government should also initiate disciplinary proceedings against the officers/officials involved in the fraudulent drawals of Government money.

5.5 Recovery at the instance of Audit

On the basis of audit observations issued to the Government and the departments, 12 DDOs²⁹ of nine departments deposited an amount of ₹ 1.54 crore as per details given below:

²⁹ Headmaster, Government High School, Baghty: ₹ 3.67 lakh, Sub-Divisional Agriculture Officer, Tizit: ₹ 2.23 lakh, SDAO Shamator: ₹ 2.72 lakh, Chief Medical Officer, Longleng: ₹ 0.99 lakh, District Employment Officer, Mokokchung: ₹ 1.93 lakh, District Cultural Officer, Zunheboto: ₹1.22 lakh, District Veterinary & Animal Husbandry Officer, Longleng: ₹ 2.96 lakh, BDO Zunheboto: ₹ 1.74 lakh, BDO, Chukitong Wokha: ₹ 2.79 lakh, Director General of Police, Nagaland: ₹ 122 lakh, Commandant 7th NAP Battalion Bhandari: ₹ 3.37 lakh and District Soil Conservation Officer, Zunheboto: ₹ 8.66 lakh.

Table 5.8
Amount deposited at the instance of Audit

(₹ in lakh)

Sl. No.	Name of the DDOs	Nature of objection	Amount objected in audit	Amount deposited at the instance of audit
1	Headmaster, Government High School, Baghty	The Headmaster, GHS, Baghty had drawn (March 2017) an amount of ₹ 3.67 lakh as less drawn arrears for 15 staffs. It was however observed that all the 15 staffs had already drawn the dearness allowances at the applicable rate. This resulted in fraudulent drawal of ₹ 3.67 lakh. On being pointed out, the DDO deposited (May 2018) the entire amount into Government account which was fraudulently drawn.	3.67	3.67
2	Sub-Divisional Agriculture Officer, Tizit	An amount of ₹ 2.23 lakh was drawn (March 2017) as HRA arrear in respect of fourteen staff during the period 2015-16. It was, however, observed that the HRA in respect of fourteen staff had already been drawn as per entitlement in the regular monthly bills and therefore, the amount was drawn fraudulently by the Sub Divisional Agriculture Officer, Tizit (DDO) which was not admissible. On being pointed out, the DDO deposited (May 2018) the entire amount so drawn fraudulently, into Government Account through treasury challan.	2.23	2.23
3	Sub-Divisional Agriculture Officer, Shamator	The Sub- Divisional Agriculture Officer, Shamator had drawn an amount of ₹ 2.72 lakh as MACP arrear in respect of four staffs for the period from April 2010 to August 2015. It was however observed that the employees were not entitled for grant of MACP. This resulted in fraudulent drawal of ₹ 2.72 lakh. On being pointed out, the DDO deposited (August 2017) the entire amount into Government Account which was fraudulently drawn.	2.72	2.72
4	Chief Medical Officer, Longleng	An amount of ₹ 8.54 lakh was drawn by the Chief Medical Officer, Longleng as pay and allowances for the month of June 2016. Cross examination of the pay bills revealed that the actual amount admissible was only ₹ 7.55 lakh whereas the DDO had drawn ₹ 8.54 lakh. This resulted in excess drawal of ₹ 0.99 lakh. On being pointed out, the DDO deposited (September 2017) the entire amount into Government Account which was fraudulently drawn.	0.99	0.99
5	District Employment Officer, Mokokchung	An amount of ₹ 1.93 lakh was drawn as less drawn pay arrear in respect of seven officials by the District Employment Officer, Mokokchung for the period from April to December 2016 which was not admissible. On being pointed out, the DDO deposited (May 2018) the entire amount into Government Account which was fraudulently drawn.	1.93	1.93
6	District Cultural Officer, Zunheboto	An amount of ₹ 1.22 lakh was drawn (March 16) by the District Cultural Officer, Zunheboto (DCO), as House Rent Allowance arrear in respect of nine employees for period April 2015 to March 2016. Cross-examination of the pay bills revealed that all nine employees had already drawn HRA as per entitlement. This resulted in fraudulent drawal of ₹ 1.22 lakh.	1.22	1.22

Sl. No.	Name of the DDOs	Nature of objection	Amount objected in audit	Amount deposited at the instance of audit
		On being pointed out, the DDO deposited (October 2017) the entire amount into Government Account which was fraudulently drawn.		
7	District Veterinary & Animal Husbandry Officer, Longleng	<p>(i) An amount of ₹ 2.12 lakh was drawn (March 2016) by the District Veterinary & Animal Husbandry Officer, Longleng, as House Rent Allowance arrears in respect of eight employees for the period April 2015 to January 2016. Cross-examination of the pay bills revealed that all the eight employees had already drawn HRA as per entitlement. This resulted in fraudulent drawal of ₹ 2.12 lakh.</p> <p>On being pointed out, the DDO deposited (May 2017) the entire amount into Government Account which was fraudulently drawn.</p> <p>(ii) It was also observed that the District Veterinary & A.H Officer, Longleng had drawn an amount of ₹ 0.84 lakh as fixed pay for three non-existent employees. This resulted in fraudulent drawal of ₹ 0.84 lakh.</p> <p>On being pointed out, the DDO deposited the entire amount into Government Account which was fraudulently drawn.</p>	2.96	2.96
8	Block Development Officer, RD Block, Zunheboto	<p>The Block Development Officer, RD Block, Zunheboto had drawn pay and allowances including the applicable rate of Dearness Allowance (DA) for 13 staffs for the period from February 2016 to November 2016.</p> <p>It was however observed that instead of applicable DA rate of 119 per cent, the BDO, Zunheboto allowed higher DA (125 per cent). This resulted in excess payment of ₹ 1.79 lakh.</p> <p>On being pointed out, the DDO deposited (July 2017) the entire amount into Government account which was fraudulently drawn.</p>	1.74	1.74
9	Block Development Officer, Chukitong	<p>The Block Development Officer, Chukitong had drawn an amount of ₹ 2.61 lakh as pay and allowance in respect of 11 employees for the month of January 2017 in three bills³⁰. It was however observed that the BDO, Chukitong had drawn another three bills³¹ of ₹ 2.79 lakh for the same employees for the month of January 2017. This resulted in fraudulent drawal of ₹ 2.79 lakh.</p> <p>On being pointed out, the DDO deposited the entire amount into Government account which was fraudulently drawn.</p>	2.79	2.79
10	Director General of Police, Nagaland	<p>The Director General of Police, Nagaland had drawn an amount of ₹ 8.03 crore in four bills for procurement of tyres, tubes and flaps. It was observed that ₹ 2.44 crore (42 invoices) was drawn by duplicating 21 original invoices. This resulted in fraudulent drawal of ₹ 1.22 crore.</p> <p>On being pointed out, the DDO deposited the entire amount into Government account which was fraudulently drawn.</p>	122.00	122.00

³⁰ vide bill No. 36, 37 and 38 dated 21/02/2017

³¹ Vide bill No. 42, 43 and 44 dated 7/3/2017

Sl. No.	Name of the DDOs	Nature of objection	Amount objected in audit	Amount deposited at the instance of audit
11	Commandant 7 th NAP Battalion Bhandari	The Commandant 7 NAP Battalion, Bhandari had drawn (March 2107) a supplementary bill for ₹ 3.37 lakh in respect of 13 Recruit Constables (RC). Cross verification of the preceding pay bills revealed that all the 13 RCs had already drawn their monthly pay and allowances. This resulted in fraudulent drawal of ₹ 3.37 lakh. On being pointed out, the DDO deposited (June 2018) the entire amount into Government Account. Which was fraudulently drawn.	3.37	3.37
12	District Soil Conservation Officer, Zunheboto	The District Soil Conservation Officer, Zunheboto had drawn (February 2017) ₹ 8.66 lakh as pay and allowances for 19 employees. It was however observed that all 19 employees were not in the payroll of the establishment. This resulted in fraudulent drawal of ₹ 8.66 lakh. On being pointed out, the DDO deposited (September 2018, November 2018 and February 2019) the entire amount into Government account which was fraudulently drawn.	8.66	8.66
	Total		154.28	154.28

Thus, 12 DDOs recovered an amount of ₹ 1.54 crore at the instance of Audit, however, details of investigation, if any, carried out were not furnished while forwarding the details of recovery challans.

The above instances of fraudulent drawals by 12 DDOs of nine departments indicated failure by both the DDOs and TOs to exercise control and checks as prescribed by rules and procedures.

Recommendation (57): In above cases, FIRs be lodged, disciplinary action initiated against the officers concerned besides handing over the cases to the Investigative Agencies. The Government should also initiate steps to strengthen the internal control mechanism in all departments to prevent recurrence of fraudulent drawals.

