

EXECUTIVE SUMMARY

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The Report

This report provides an analysis of the finances of the State Government, based on the Audited Accounts of the Government of Nagaland for the year ended March 2019. The Report has three Chapters.

***Chapter I** is based on the Finance Accounts and makes an assessment of the State's fiscal position as on 31 March 2019. It presents and analyses the State Government's resources and their application.*

***Chapter II** is based on audit of the Appropriation Accounts and reviews the allocative priorities of the State Government and the manner in which the allocated resources were managed by various Departments.*

***Chapter III** gives an overview and status of the State Government's compliance with various financial rules, procedures and directives during 2018-19.*

The Report has 22 Appendices containing additional data collated from several sources in support of the audit observations.

Audit findings:

Analysis of Finances of the State Government (Chapter I)

- ❖ *State's Own Resources (Own Tax and Non-Tax Resources) were a meager 10 per cent or less, of the total Revenue Receipts, in last five years.*

(Paragraph 1.4.1)
- ❖ *The State registered Revenue Surplus of ₹ 517.43 crore during 2018-19 but recorded Fiscal Deficit (₹ 1082.32 crore) which was 4.06 per cent of GSDP and thus exceeded 3 per cent norms fixed by NFRBM Act and 3.25 per cent by XIV FC.*

(Paragraph 1.3)
- ❖ *Capital Expenditure (₹ 1595.56 crore) increased by 25.16 per cent. Its ratio to Total Expenditure stood at 12.74 per cent which was less than the combined average (15.69 per cent) of Special Category States.*

(Paragraph 1.4.1 & 1.8.5.1)
- ❖ *Under National Pension System, the Government failed to transfer ₹ 62.01 crore to the NSDL and, incorrectly used the Funds that belong to its employees and created uncertainty in respect of benefits due to the employees, and, thus leading to possible failure of the Scheme itself.*

(Paragraph 1.8.2.1)
- ❖ *Revenue Expenditure accounted for 87.22 per cent of the State's Aggregate Expenditure, leaving only 12.78 per cent for Capital Expenditure for investment in Infrastructure and Asset creation.*

(Paragraph 1.8.1)
- ❖ *The overall Development Expenditure of the State decreased by 3.44 per cent in respect of Total Expenditure as compared to previous year.*

(Paragraph 1.8.6)

- ❖ *Investments (₹ 294.17 crore) in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives yielded return just 0.22 per cent while Government paid 7.14 per cent on its borrowings.*

(Paragraph 1.8.7.2)

- ❖ *Accumulated losses in five working Government Companies had completely eroded their paid-up capital.*

(Paragraph 1.8.7.2)

Financial Management and Budgetary Control (Chapter II)

- ❖ *During the year, there was an overall Saving of ₹ 5311.78 crore only, of which 99.81 per cent was Surrendered (₹ 5301.53 crore).*

(Paragraph 2.2)

- ❖ *In 27 cases ₹ 5287.64 crore were Surrendered on the last two working days of March 2019 indicating inadequate financial control. In 116 Sub-heads, the Surrenders amounted to more than 50 per cent of the Provisions.*

(Paragraph 2.3.8 & 2.3.10)

- ❖ *Excess Expenditure over the allocations amounting to ₹ 723.69 crore pertaining to the years 2012-13 to 2017-18 was not regularised till December 2019.*

(Paragraph 2.3.4)

Financial Reporting (Chapter III)

- ❖ *Utilisation Certificates were not submitted in 187 cases involving ₹ 760.72 crore since the last one to eight years.*

(Paragraph 3.1)

- ❖ *Detailed Contingent (DC) Bills were not submitted for an amount of ₹ 526.77 crore drawn on 291 Abstract Contingent (AC) Bills by various Departments. Non-adjustment of AC Bills for long periods was fraught with the risk of embezzlement/misappropriation of funds.*

(Paragraph 3.2)

- ❖ *An amount of ₹ 44.75 crore was lying in Civil Deposits at the end of the year. Paying interest at higher rates on borrowings while keeping amounts in Civil Deposits which did not bear any interest showed poor cash and financial management.*

(Paragraph 3.4)

- ❖ *There were delays in submission of 143 Annual Accounts in respect of 22 Autonomous Bodies/Authorities and Commercial Undertakings. The non-submission/delay in submission of Annual Accounts dilutes accountability and also defeats the very purpose of preparation of Accounts.*

(Paragraph 3.6, 3.7 & 3.8)

- ❖ *As on 31 March 2019, 36 cases of misappropriation, defalcation etc., involving ₹ 215.89 crore were pending for final action by 18 Departments.*

(Paragraph 3.12)