

## CHAPTER I: INTRODUCTION

### 1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from the performance audits and test audit of transactions of various departments of the Government of Nagaland (GoN) pertaining to Social, Economic, General, and Revenue Sectors.

The primary purpose of this Report is to bring to the notice of the State Legislature, significant results of audit. Auditing standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective action, to frame appropriate policies as well as to issue directives that will lead to improved financial management and contribute to better governance.

This chapter, in addition to explaining the planning and coverage of audit, provides a synopsis of significant instances of non-compliance with applicable laws, rules, regulations, various orders and instructions issued by competent authorities.

### 1.2 Profile of the Office of the Principal Accountant General (Audit), Nagaland

This office was established on 17 December 1974. Following a restructuring of cadres in 1984, the audit functions were entrusted to the office of the Principal Accountant General (Audit), Nagaland and the Accounts and Entitlement functions were entrusted to the Principal Accountant General (A&E), Nagaland.

Under the directions of C&AG, the Office of the Principal Accountant General (Audit), Nagaland conducts audit of government departments, Public Sector Undertakings, Autonomous Bodies and other Institutions<sup>1</sup> under Social, Economic, General and Revenue Sectors, which are spread all over the State. The Accountant General (Audit) is assisted by one Deputy Accountant General.

The authority of audit is derived from Article 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (C&AG's (DPC) Act). Under Section 13 of the C&AG's (DPC) Act, the Office of the Accountant General (Audit) has been entrusted with the audit of all expenditure incurred from the Consolidated Fund of GoN. This office conducts audit of revenue receipts of GoN under Section 16 of the C&AG's (DPC) Act. This office conducts supplementary audit of the Balance Sheet of all State Government companies under Section 143 (6) (a) of the Companies Act, 2013. This office is responsible for audit of accounts of autonomous bodies and authorities falling under Section 14, 15, 19 (2), 19 (3) and 20 (1) of C&AG's (DPC) Act. The C&AG prescribes the principles and methodologies for various audits in the Auditing Standards and the Regulations on Audit and Accounts, 2007.

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<sup>1</sup> Audit of World Bank assisted projects, Asian Development Bank assisted projects *etc.*

### **1.3 Planning and conduct of Audit**

Audit process commences with the assessment of risk of the departments based on the expenditure incurred, criticality/ complexity of activities, priority accorded for the activity by the Government, level of delegated financial powers, assessment of internal controls, concerns of stakeholders, previous audit findings, *etc.* Based on this risk assessment, frequency and extent of audit are decided and an annual audit plan is formulated to conduct audit.

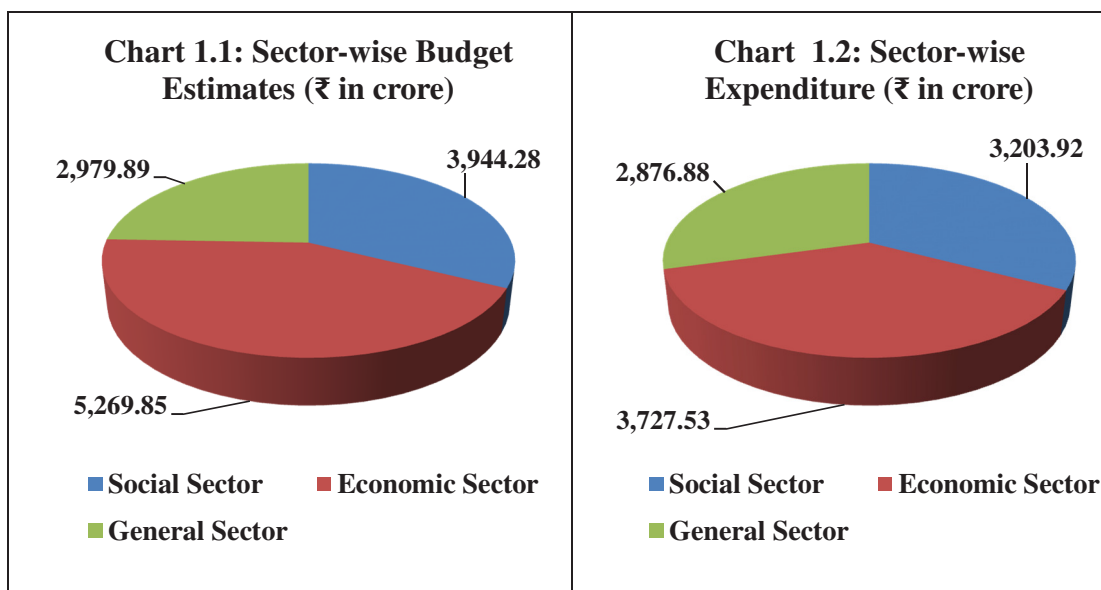
After completion of each audit, Inspection Report (IR) containing audit findings is issued to the Head of the unit with a request to furnish replies within one month of receipt of the IR. Wherever replies are received, audit findings are either settled or further action for compliance is advised. Significant audit observations pointed out in these IRs, which require attention at the highest level in the Government, are processed for inclusion in the Audit Report which are submitted to the Governor of Nagaland under Article 151 of the Constitution of India for causing them to be laid on the Table of the State Legislature.

Audit Plan is prepared in such a way that it fits into the long term and short term goals of audit in consonance with the overall “Vision and Mission” of the Indian Audit & Accounts Department. It has been prepared after carrying out risk assessment and keeping in view the available manpower. Elements of the Audit Quality Management Framework (AQMF) *viz.* materiality, inputs from Voucher Level Computerisation (VLC), financial size of the units, data from various e-governance initiatives taken by government, flagship programme undertaken by auditees, press criticism/ electronic media coverage, expected audit impact and continuous improvement based on past experience, *etc.* were taken into account to the extent possible while framing out the plan. A sector wise analysis of government spending, investment policy of the government in infrastructure development, industrialisation and socio-economic activities along with due consideration of possible audit impact were taken into account in prioritising auditee units for preparing the audit plan.

Considering the availability of resources, focus has been given in areas of high financial risk than to thinly spreading out the resources throughout the government activities. This would have better socio-economic impact and add value to governance. Out of 1,094 units, 367 units was planned for audit during 2019-20 after carrying out risk assessment and keeping in view the available manpower, of which 345 units were actually audited during 2019-20.

### **1.4 Significant Audit Observations**

During the year 2019-20, the State Government incurred an expenditure of ₹9,808.33 crore against the budget provision of ₹12,194.02 crore under Social, Economic and General Sectors. Sector-wise expenditure is depicted in **Charts 1.1** and **1.2**.



Source: Appropriation Accounts, 2019-20

This Report *inter alia* contains two Performance Audits viz. “Direct Benefit Transfer (DBT)” and “Mission for Integrated Development of Horticulture”, one Compliance Audit viz. “Ministry of Development of North Eastern Region (MDoNER) funded Non-Lapsable Central Pool of Resources (NLCPR) projects in Nagaland”, one Subject Specific Compliance Audit on Goods and Services Tax (GST) viz. “Refund cases under GST in Nagaland” and major findings of audit from test check of the transactions of 310 units<sup>2</sup> involving an expenditure of ₹12,691.17 crore<sup>3</sup> under Social, Economic, and General sectors. Significant audit findings are discussed in the respective chapters.

<sup>2</sup> Social: 102 units; Economic: 138 units; General: 70 units

<sup>3</sup> Social: ₹3,181.72 crore; Economic: ₹4,977.53 crore; General: ₹4,531.92 crore