CHAPTER - III

ECONOMIC SECTOR

3.1 Introduction

This chapter of the Audit Report for the years ended 31 March 2021 and 31 March 2022 deals with audit observations on the working of the State Government departments under Economic Sector.

The names of departments and the total budget allocation *vis-à-vis* expenditure of the State Government under Economic Sector during 2020-22 are shown in **Table 3.1.1**.

Table 3.1.1: Details of Department-wise Budget allocation and Expenditure

(₹ in crore)

Sl. No.	Name of the Department	2020-21		2021-22	
		Total Budget Allocation	Expenditure	Total Budget Allocation	Expenditure
1.	Agriculture	319.99	227.90	373.76	187.43
2.	Civil Supplies	81.18	79.78	93.47	83.33
3.	Cooperation	36.81	32.22	28.19	26.91
4.	Department of Under Developed Areas	100.46	34.73	61.13	44.79
5.	Evaluation	12.29	9.13	11.98	11.37
6.	Fisheries	56.54	26.34	48.09	39.72
7.	Forest, Ecology, Environment & Wildlife	154.62	98.18	188.53	109.88
8.	Geology & Mining	39.83	39.46	40.05	39.03
9.	Horticulture	125.69	61.92	96.64	68.47
10.	Industries & Commerce	91.09	90.64	103.89	99.56
11.	Information Technology & Communication	13.04	12.83	14.00	14.00
12.	Water Resources	221.95	88.41	221.14	80.82
13.	Land Records & Survey	26.42	25.85	30.60	29.82
14.	Land Resources	136.07	20.83	88.38	20.97
15.	New & Renewable Energy	11.65	9.38	35.82	35.58
16.	Planning & Coordination	781.04	212.24	921.59	260.37
17.	Power	736.12	707.69	731.72	718.41
18.	Road Transport	97.08	91.62	109.95	107.64
19.	Roads & Bridges	924.81	741.94	1,083.71	701.03
20.	Rural Development	1,350.57	726.34	1,214.70	613.36
21.	Science & Technology	5.69	4.63	5.49	5.36
22.	Sericulture	23.48	23.58	23.46	23.36
23.	Soil & Water Conservation	69.29	59.60	70.16	65.85
24.	State Institute of Rural Development	9.93	9.48	9.52	7.43
25.	Tourism	40.10	28.56	29.95	20.59
26.	Veterinary & Animal Husbandry	129.50	125.36	119.83	111.78
Total		**5,595.24**	**3,588.64**	**5,755.75**	**3,526.86**

Source: Appropriation Accounts, 2020-22

It would be seen from the table above that:

- Only 64 *per cent* of the budgetary allocation in 2020-21 and 61 *per cent* of budgetary allocation in 2021-22 under the Economic Sector was utilised during the respective year.
- The departments incurred expenditure lesser than their respective budgetary allocation for the years 2020-22.

During 2020-22, out of an expenditure of ₹7,115.50 crore[40] on Economic Sector, Audit test checked expenditure of ₹16,214.71 crore[41] (including funds pertaining to previous years audited during the year). This chapter contains audit findings on one performance audit *viz.* 'Implementation of Pradhan Mantri-Kisan Samman Nidhi Scheme in Nagaland', one subject specific compliance audit *viz.* 'Ministry of Development of North Eastern Region (MDoNER) funded under Non-Lapsable Central Pool of Resources (NLCPR) and North East Special Infrastructure Development Schemes (NESIDS) in Nagaland and two compliance audit paragraphs.

Performance Audit

DEPARTMENT OF AGRICULTURE

3.2 Implementation of Pradhan Mantri-Kisan Samman Nidhi Scheme in Nagaland

Pradhan Mantri-Kisan Samman Nidhi (PM-KISAN) Scheme is a central sector scheme with 100 *per cent* funding by Government of India (GoI), being implemented under Direct Benefit Transfer (DBT) mode. The Scheme aimed to provide income support to farmers having cultivable land for meeting expenses related to agriculture and allied activities and domestic needs.

Highlights

Ownership of cultivable land of beneficiaries was not verified by the concerned Administrative Officers and countersigned by the Deputy Commissioner of the District. Land holding records were not maintained by the Village Councils or the State Government.

(Paragraph 3.2.7.4)

An amount of ₹2.36 crore was paid to 2,053 ineligible beneficiaries which was yet to be recovered. Instances of payment to 43 deceased beneficiaries were also noticed.

(Paragraphs 3.2.7.5, 3.2.8.4 and 3.2.8.5)

Inconsistencies in the farmer database were noticed as the Department failed to accurately capture the farmers' attributes in the PM-KISAN database.

(Paragraph 3.2.7.6)

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40 During 2020-21: ₹3,588.64 crore and during 2021-22: ₹3,526.86 crore

41 During 2020-21: ₹11,614.06 crore (including funds pertaining to previous year) and during 2021-22: ₹4,600.65 crore (including funds pertaining to previous year)

State and District Level Review/ Monitoring Committees were not constituted. 97 per cent of the complaints filed through grievances redressal portal remained unaddressed. Social Audit was not convened for PM-KISAN scheme in all the 24 test-checked villages.

(Paragraphs 3.2.9.1, 3.2.9.2 and 3.2.9.6)

3.2.1 Introduction

3.2.1.1 Overview of the Scheme

Under the PM-KISAN Scheme, all landholding farmers are provided with financial benefit of ₹6,000 per annum per farmer family payable in three equal instalments of ₹2,000 each in every four months. The Scheme was effective from December 2018 for transfer of benefit to eligible beneficiaries.

Initially the Scheme was admissible only to Small & Marginal Farmers (SMF) with combined landholding upto two hectares. The revised Scheme guidelines (June 2019) extended the benefits to all farmer families irrespective of the size of their landholdings.

Land holding (cultivable land) is the main criteria to avail the benefit. Agriculture land used for non-agriculture purposes are not covered under the Scheme. Similarly, farmers falling under certain specified categories of higher economic status are not covered under the Scheme. Validation of bank account of beneficiary is mandatory[42] for release of all instalments with effect from December 2019.

3.2.1.2 Organisational setup

The Department of Agriculture (DoA), Government of Nagaland (GoN) is the Nodal Department for implementation of PM-KISAN scheme in the State. The Agriculture Production Commissioner (APC) and Commissioner & Secretary to GoN, DoA is the Administrative Head, and the Director of Agriculture is the Head of the Department. A High Level Committee[43] (HLC) under the chairmanship of Minister of Agriculture and Farmers Welfare, GoI make necessary modifications in the Scheme guidelines.

As per Interim Guidelines approved (February 2019) by the State Government, eligible beneficiary list will be prepared by Jhum Resource Management Community (JRMC). The National e-Governance Plan in Agriculture (NeGPA) Division of the DoA will be the overall in-charge for compilation of farmer's data in the State under the supervision of the State Nodal Officer (SNO) of the Scheme. The SNO is to verify, de-duplicate, digitally sign, and upload Fund Transfer Orders (FTOs) on the Scheme portal.

3.2.1.3 Financial Management

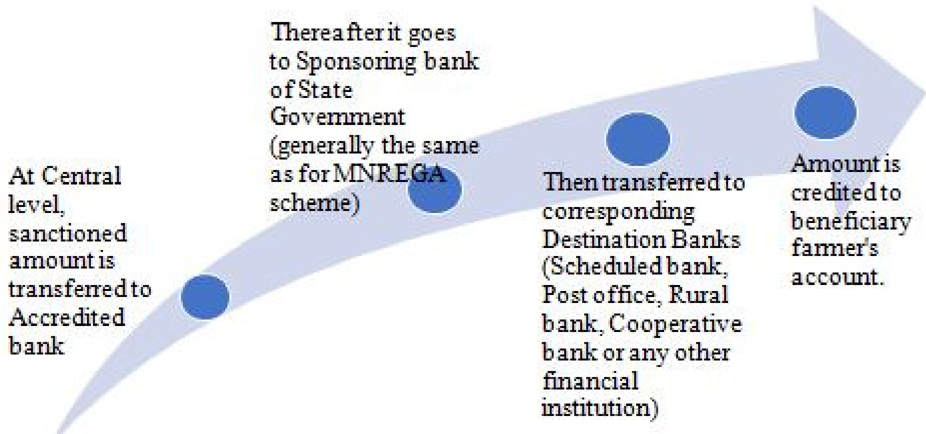
Financial assistance of the Scheme is transferred to the bank accounts of the beneficiaries, held in destination banks, through the accredited bank of the Department of Agriculture, Cooperation and Farmers Welfare (DAC&FW), GoI and the sponsoring

[42] In the case of Assam, Meghalaya, Jammu & Kashmir and Ladakh exempted till 31/03/2021

[43] Committee comprising of Union Ministers of Ministry of Development of North East Region (DoNER), the Ministry of Rural Development (Department of Land Resources), the Union Agriculture Minister and the concerned State Chief Ministers or their Ministerial representatives

bank of the State Government, using the Public Financial Management System (PFMS). The banking transaction is managed and monitored by National Payments Corporation of India (NPCI[44]). The transaction flow is given in **Chart 3.1**.

Chart 3.1: Process of fund flow after issue of sanction order and till destination



Source: PM-KISAN Operational guidelines

3.2.2 Audit Approach and Scope of Audit

The Performance Audit (PA) covered the period from December 2018 to March 2021. The PA commenced with an Entry Conference held on 15 April 2021 with the APC and Commissioner & Secretary, Deputy Secretary, Director and Joint Director, DoA wherein audit objectives, scope, methodology and criteria were discussed. The audit methodology includes issue of requisitions/ questionnaires, examination of records and issue of audit observations. Audit also checked the integrity of beneficiary database, adequacy of systems to ensure deduplication and correctness of the transactions for release of Scheme benefit.

The draft audit report was forwarded to the Government on 25 November 2021 and an Exit Conference was held on 17 December 2021 with the Additional Secretary, Director and Joint Director, DoA wherein the findings of the PA were discussed. The replies and comments of the State Government were duly incorporated in this Report.

3.2.3 Audit Sampling

The Scheme is implemented in all the eleven districts of the State. A sample comprising of four out of 11 districts, eight out of 30 blocks (two blocks in each selected district), 24 out of 177 villages (three villages in each selected block) and 360 out of 6,680 beneficiaries (15 beneficiaries from each selected village) were selected based on Stratified Random Sampling. The details of the sample selection are given in ***Appendix-3.2.1***.

[44] National Payments Corporation of India, an umbrella organisation for operating retail payments and settlement systems in India, is an initiative of Reserve Bank of India (RBI) and Indian Banks' Association (IBA) under the provisions of the Payment and Settlement Systems Act, 2007, for creating a robust Payment & Settlement Infrastructure in India

3.2.4 Audit Objectives

The audit objectives were to assess:

- Efficiency and effectiveness of the system put in place for identification and verification of beneficiaries, importantly the identification of beneficiaries by the State Government;
- Financial Management of the Scheme including processing of payments to beneficiaries, DBT, refunds and their accounting; and
- Efficiency and effectiveness of the monitoring mechanisms for the Scheme.

3.2.5 Audit Criteria

The audit findings were benchmarked against the following criteria.

- Operational Guidelines of the Scheme and User Manual of PM-KISAN web portal;
- Guidelines and Standard Operating Procedures (SOPs) on fund transfer, refund mechanism, reimbursement of expenses, *etc.* pertaining to the Scheme;
- Correspondence and instructions issued by the Ministry of Agriculture;
- Minutes of the Monitoring Committee meetings at District, State and Apex level;
- Instructions/decisions of Project Monitoring Unit (PMUs) at State and District level;
- RBI and Controller General of Accounts circulars on DBT and PFMS, *etc*;
- General Financial Rules and Receipts and Payments Rules;
- Management Information System (MIS) Reports available on PM-KISAN Portal and
- Nagaland's Agriculture Census 2015-16.

3.2.6 Acknowledgement

Audit acknowledges the assistance and co-operation extended by the Department of Agriculture, GoN, Village Councils (VCs) and other Departments during the conduct of audit.

Audit Findings

3.2.7 Identification and verification of beneficiaries

3.2.7.1 Preparation of beneficiaries list

As per Paragraph 6.1 of the Operational Guidelines of the Scheme, "the State shall prepare database of eligible beneficiary land holder farmer families in the villages capturing Name, Age, Gender, Category, Aadhaar Number (Unique Biometric Identity), Bank Account and Mobile Number of the beneficiaries".

As per Interim Guidelines approved (February 2019) by the State Government for implementation of PM-KISAN in Nagaland, eligible beneficiary list will be prepared by JRMC. The list prepared will be verified by the Administrative Officer and countersigned by Deputy Commissioner (DC) of the District. The NeGPA division of the DoA will be the overall in-charge for compilation of farmer's data in the State under the supervision of the State Nodal Officer (SNO) of the Scheme.

Due to the unique land holding system (community ownership) in the State, the High Level Committee (HLC) under the Chairmanship of Ministry of Agriculture and Farmers Welfare, GoI approved (July 2019) the following alternative procedure for identification of beneficiaries under PM-KISAN Scheme in Nagaland:

- In case of community owned cultivable land, the certificate issued by the VC/ Authority/Village Chieftain Due to the unique land holding system (community ownership) in the State, the HLC approved (July 2019) the following alternative procedure for identification of beneficiaries under PM-KISAN Scheme regarding land holding, verified by the Administrative Head of the Circle/Sub-division and countersigned by the DC of the District, shall suffice.
- In case of cultivable land categorised as Jhum land under Section 2(7) of the Nagaland Jhum Land Act, 1970, the identification of beneficiaries shall be based on certificates of land holding issued by the VC/Chief/Head of the village, verified by the Administrative Head of the Circle/Sub-division and countersigned by the DC, provided that the name of the beneficiary is included in the state of Nagaland's Agriculture Census of 2015-16.

Examination of records revealed that there was no system of submission of individual Farmer's Application/ Registration form in the State. It was observed that the DoA prescribed a data collection format "PM-KISAN Samman Nidhi-Farmer Attributes" for compilation of farmer details[45] at the village level. Following deficiencies were noticed:

- The State Government did not have any existing database of farmers nor did it create a new database of eligible beneficiaries identified in the State for PM-KISAN scheme. Eligibility of PM-KISAN beneficiary could not be correlated with Nagaland's Agriculture Census of 2015-16 as the names of operational holders/farmers were not available on record. Hence, the non-availability of proper database of farmers had resulted in selection of ineligible beneficiaries, as discussed subsequently in **Paragraph 3.2.7.5**.
- Out of 6,680 registered beneficiaries (March 2021) in four selected districts, 1,220 were not found in the eligible list prepared by the VCs. Further, farmers' attributes such as land holdings/farm size of 1,072 registered farmers and Father's/ Husband's name of 252 registered farmers were not entered in the records (***Appendix-3.2.2***).
- Information on the nature of landholding *i.e.*, whether community/ individual-owned permanent cultivable land or Jhum land were not collected.

[45] Farmer attributes collected are Name of State, District, Sub-Division, RD Block, Village, Name of Farmer, Father's Name/ Husband's Name, Age, Gender (M/F), Category (SC/ST), unique biometric identity/Voter ID No., Bank A/c No., Farm size (marginal/small), Mobile No.

- The quantum of agricultural landholding of farmers in the State could not be stratified or assessed as the beneficiaries' farm sizes were not uploaded in the Scheme portal.
- From June 2019, the Central Government extended the benefit of the Scheme to all farmers irrespective of the size of their landholdings. The change in eligibility was not communicated to District Administration and VCs involved in identification of eligible beneficiaries.
- Optional attributes[46] were not updated for each beneficiary in the Scheme portal. Availability of important optional attributes such as Father's/ Husband's name, date of birth, farm sizes, mobile number, *etc.,* would have facilitated the implementing Department in identifying red flags for detailed verification of eligibility.

The prescribed procedures for identification of genuine beneficiaries were not followed by the implementing Department. The beneficiary lists prepared without checks and balances in the system resulted in registration and payment of Scheme benefit to ineligible farmers, as discussed in **Paragraph 3.2.7.5**.

The Department accepted the facts in the exit conference (December 2021) and stated that due to the unique land holding system, there were no land records at the village level and the District Offices. The Government directed (December 2021) the implementing Department to update optional attributes for each beneficiary for detailed eligibility verification.

3.2.7.2 Application, Actual Registration and Validation of beneficiaries

Farmers' details are submitted by the VCs to the District Agriculture Officers (DAOs)/ Sub-Divisional Agriculture Officers (SDAOs) who verify and approve them for uploading to PM-KISAN portal. Farmers can also self-register online through Farmers' Corner in the portal or through Mobile App or *via* the Common Service Centers (CSCs). These self-registered applications will have to be approved by the District/State level users to be considered successfully registered under the scheme. The beneficiary information provided by the farmers are validated at the first stage by PM-KISAN portal by National Informatics Centre (NIC[47]) to eliminate any duplicate/incorrect/ incomplete records. The records after first level validation are sent to PFMS for second level validation. PFMS checks the records for bank account details and rejects data with incorrect bank account number, Indian Financial System Code (IFSC[48]) or bank

46 Optional attributes are not essential for purpose of transfer of money

47 The National Informatics Centre is an attached office under the Ministry of Electronics and Information Technology in the Indian Government. The NIC provides infrastructure to help support the delivery of Government IT services and the delivery of some of the initiatives of Digital India

48 The Indian Financial System Code (IFSC) of the beneficiary bank is essential information for effecting direct transfer of Scheme benefit to the beneficiary. It is an eleven-character code with first four being alphabetic characters representing the bank name, fifth being '0' and the last six characters indicating the bank branch

account type. The rejected records at each stage were shared with the State to enable them to correct the data for validation.

Examination of records revealed that 87,232 applications were submitted through self-registration mode and 2,57,751 applications were received from the VCs and uploaded on the portal by the District and Block level users as shown in **Table 3.2.1**.

Table-3.2.1 Applications uploaded and actual registration of beneficiaries

Data uploaded by SDAOs/ DAOs			Data uploaded through self-registration						
Total uploaded	Rejected	Approved	Total uploaded	Portal	CSCs	Mobile App	Approved	Rejected	Pending
2,57,751	68,684	1,89,067	87,232	18,916	61,164	7,152	24,615	2,512	60,105

Source: MIS reports from PM-KISAN web portal (September 2021)

As seen from **Table 3.2.1**, only 2,13,682 out of 3,44,983 applications uploaded were accepted while 71,196 applicants were rejected as they were either ineligible (68,684) or had furnished incomplete details (2,512). Applications of 60,105 self-registered farmers were pending for approval by the implementing Department. New registration of beneficiaries had been temporarily suspended (March 2020) by the implementing Department as the State had achieved the overall saturation target[49].

It was further observed that 6,589 (3 *per cent*) out of 2,13,682 records accepted at the first level were rejected by PFMS as shown in **Table 3.2.2**.

Table-3.2.2 Number of records rejected by PFMS

Sl. No.	Reasons for Rejection	No. of records
1.	Rejected by Bank, Account status is closed	1,221
2.	Rejected by Bank, Account Number does not exist in Bank	2,469
3.	IFSC Code either not present or currently inactive in the Bank Branch	43
4.	UID is disabled for DBT	1
5.	Rejected by Bank, as Bank Account Number is invalid	2,831
6.	Duplicate Beneficiary Name, Bank Account No. and Bank Name not allowed for same scheme	24
	Total	**6,589**

Source: PFMS rejected data from PM-KISAN portal (Status as on September 2021)

As seen from **Table 3.2.2**, the Department did not initiate any action to rectify the records of 6,565 farmers excluding duplicate beneficiaries mentioned at Sl. No. 6, rejected by PFMS. The delay in correction of rejected records resulted in denial of benefits to 6,589 farmers registered under the Scheme.

3.2.7.3 Exploring and mobilising the beneficiaries

State Project Monitoring Unit (SPMU) was responsible for overall monitoring of the scheme and publicity campaign (Information, Education and Communication-IEC). Paragraph 4.4 of the Operational Guidelines stipulates that the lists of eligible beneficiaries would be published at the village level and farmers eligible but excluded should be provided an opportunity to represent their case.

49 Based on the Agriculture Census, 2015-16, the target beneficiaries for the PM-KISAN in the State was 1,95,874

DAC&FW had directed (February 2020) the State to carry out campaign for saturation of all PM-KISAN beneficiaries with KISAN Credit Cards (KCC)[50] in Mission Mode.

Examination of records revealed that the beneficiary list was not publicly displayed in 18 out of 24 selected villages. As per information furnished by the State Level Bankers Committee (SLBC), Nagaland, KCC were issued to 35,741 farmers (March 2021) by the Banks. The Department did not have the data of KCC facility issued to the beneficiaries of PM-KISAN. Further, no programmes/ campaigns were conducted by the Department to expand the outreach of PM-KISAN which resulted in low penetration of the Scheme in the four districts sampled by audit as discussed in **Paragraph 3.2.9.9**.

3.2.7.4 Process of validation/ verification of records

The Interim Guidelines of PM-KISAN scheme stipulate that eligible beneficiary list will be prepared by JRMC under the supervision of VC. The list prepared by the respective VC will be verified by the concerned Administrative Officer and countersigned by DC of the District.

Paragraph 2.4.2 of the Operational Guidelines stipulates that for the purpose of exclusion, Government can certify the eligibility of the beneficiaries based on self-declaration[51]. In case the beneficiary is not available/does not reside in the village, Government may consider certification based on the declaration by another adult member of the family. In case of incorrect self-declaration, the beneficiary shall be liable for recovery of the transferred financial benefit and other penal actions as per law. In the self-declaration, an undertaking should also be included wherein the consent of the beneficiary should be taken for using the unique biometric identity.

Examination of records revealed the following irregularities:

- The VCs[52] of all the 24 selected villages did not maintain records of all landholding farmers in the villages. In the absence of landholding records, the eligible beneficiary list submitted by the VCs and self-registered farmers could not be verified.
- The ownership of cultivable land of eligible beneficiaries identified by the VCs and self-registered farmers were not verified by the concerned Administrative Officers of the Circle/ Sub-division and countersigned by the DCs.

[50] The Kisan Credit Card (KCC) scheme was introduced in 1998 by Indian Banks for issue of Kisan Credit Cards to farmers on the basis of their holdings for uniform adoption by the banks so that farmers may use them to readily purchase agriculture inputs such as seeds, fertilizers, pesticides *etc.* and draw cash for their production needs

[51] The self-declaration should be clearly signed by the beneficiary and verified by the village level official who is getting the declaration signed so that there is no possibility of it being disowned by any of the two

[52] In Nagaland, land belongs to the people and its administration is by traditional system and customary law of each tribe. The Village Council constituted under the Nagaland Village Council Act undertakes all legal issues against the land within its jurisdiction

- Self-declaration and consent for use of Aadhaar[53] number were not obtained from the beneficiaries.
- In the eligible beneficiary list submitted by VCs, important records such as unique biometric identity and bank account details were collected from farmers only in Kohima District. The remaining three test-checked districts maintained only the eligible beneficiary list submitted by the VCs.

In reply, the Department stated (August 2021) that since self-declaration was not mentioned in the first Operational Guidelines, it was not included in the format for identification of beneficiaries. The Department added that DAOs/SDAOs have now been instructed to obtain self-declaration of beneficiaries.

The reply is factually incorrect as paragraph 2.4.2 of the first operational guidelines referred to by the Department provided for submission of self-declaration.

3.2.7.5 Selection of ineligible beneficiaries

A landholder farmer's family is defined as "a family comprising of husband, wife and minor children who own cultivable land as per land records of the concerned State". Only one person from the defined farmer family is entitled to the scheme benefits. All institutional landholders and farmer families in which one or more of its members, *inter alia*, belong to following categories shall not be eligible for the benefit under the Scheme:

- All serving or retired officers and employees of Central/State Government Ministries/Offices/Departments and its field units Central/State PSEs and Attached offices/Autonomous Institutions under Government as well as employees of Local Bodies (excluding Multi-Tasking Staff (MTS)/Class IV/Group D employees)
- All superannuated/retired pensioners whose monthly pension is ₹10,000 or more (excluding MTS/ Class IV/ Group D employees)
- All persons who paid Income Tax in the last assessment year.
- Professionals like Doctors, Engineers, Lawyers, Chartered Accountants, and Architects registered with Professional bodies.

Examination of records revealed that there were ineligible beneficiaries under PM-KISAN scheme in the State (September 2021) as discussed below:

(i) Ineligible beneficiaries detected by the implementing Department

As per reports submitted by the DAOs/SDAOs and MIS reports generated from the Scheme portal, 1,201 beneficiaries were detected as ineligible. The district-wise number of ineligible beneficiaries detected, total payments credited to their accounts and their status is given in ***Appendix-3.2.3***.

[53] Use of Aadhaar number for authentication purpose without the consent of Aadhaar number holder violated Section 8 (2) of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 and Regulation 5 of Aadhaar (Authentication) Regulations, 2016

It was observed that out of 1,201 ineligible beneficiaries, ₹1.20 crore was credited to 1,180 ineligible beneficiaries and the remaining 21 ineligible beneficiaries did not receive any instalment. Payments made to the ineligible beneficiaries were required to be recovered and refunded as per the SOP for refund of money issued (June 2020) by the Ministry.

It was further observed that 333 out of 1,201 ineligible beneficiaries were detected (October 2020) by banks in Wokha district. The list of these ineligible beneficiaries was submitted[54] to the SNO by the DAO. It was however observed that 176 (53 *per cent*) out of 333 ineligible beneficiaries were still "Active" (September 2021) as per "Beneficiary status" information available in the Scheme portal.

(ii) Ineligible income tax payee farmers

Examination of MIS reports (September 2021) of the Scheme portal revealed that 56 income tax payee farmers were detected on correlation of data of beneficiaries with income tax authorities. The district-wise number of income tax payee farmers and total payments credited (₹four lakh) to the accounts of 55 beneficiaries[55] are detailed in ***Appendix-3.2.4***. Names of these beneficiaries have since been removed from the portal.

(iii) Correlation of data of beneficiaries with PIMS data

Personnel and Administrative Reforms Department (P&AR), GoN introduced (April 2016) web-enabled Personal Information Management System (PIMS) for the State Government to address the administrative requirement for managing its employees capturing details from the date of their joining into service till they retire. Validation of unique biometric identity of State Government employees in the PIMS database was to be completed[56] by 31 August 2018. A total of 1,20,431 working and 24,018 retired employee details were extracted from PIMS database. Analysis of the data revealed that valid unique biometric identity was updated for 9,951 working and 1,854 retired Government employees.

On cross-verification of the PIMS data with the data of beneficiaries, it was observed that 662 out of 9,951 in-services and 82 out of 1,854 retired Government employees who were ineligible were registered as beneficiaries. As a result, an amount of ₹1.05 crore was paid (up to September 2021) to 742 (two beneficiaries did not receive any instalment) ineligible beneficiaries (***Appendix-3.2.5***).

(iv) Multiple beneficiaries from the same family

Examination of records revealed that the benefit of the Scheme was granted to more than one beneficiary from the same family as detailed in **Table 3.2.3**.

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54 Letter No. AGR/WKA/PM-KISAN/2020-21/24 dated 29/10/2020
55 Out of 56 beneficiaries, one beneficiary did not receive any instalment
56 *Vide* P&AR Office Memorandum No. PAR/PIMS-10/2017 dated 02/08/2018

Table 3.2.3 Multiple beneficiaries from the same family in selected villages

Name of the District	Total No. of		Total registered farmers	Multiple beneficiaries detected from the same family/ household		
	Villages	Households		No. of families with multiple beneficiaries "A"	Number of beneficiaries in "A"	Number of ineligible beneficiaries (col. 6-col.5)
1	*2*	*3*	*4*	*5*	*6*	*7*
Kohima	4	2,667	1,029	58	126	68
Dimapur	6	1,341	813	52	112	60
Mokokchung	3	1,260	635	30	74	44
Total	**13**	**5,268**	**2,477**	**140**	**312**	**172**

Source: Beneficiary records, Electoral Roll 2021 and reply to audit observation

As seen from the table above, there were 312 beneficiaries from 140 families in 13 out of 24 selected villages. As a result, 172 ineligible beneficiaries from 140 families were extended the benefit of the scheme.

It was further observed that the number of registered beneficiaries were more than the number of households in three selected villages under Mon district as detailed in **Table 3.2.4.**

Table 3.2.4 Number of registered farmers and households in a village

Sl. No.	Village Name	No. of registered farmers (March 2021)	Total Number of households	Difference
1.	Leangha	917	367	550
2.	Wangla	378	180	198
3.	Tang	973	550	423
Total		**2,268**	**1,097**	**1,171**

Source: PM-KISAN portal and reply to audit observation.

As seen from **Table 3.2.4**, out of 1,097 households in three villages of Mon District, 2,268 were registered as farmers resulting in excess registration of 1,171 farmers.

In reply (October 2021), DAO Mon accepted the facts and stated that multiple beneficiaries were registered as there was no directive to register only one beneficiary per family.

The reply is not acceptable as only one person from the defined farmer family is entitled to the scheme benefits as per the guidelines.

(v) Ineligible beneficiaries noticed out of the sampled beneficiaries

Examination of sampled beneficiary records revealed that benefit of ₹1.14 lakh was paid to eight[57] in-service Government employees and retired pensioners out of 360 beneficiaries who were ineligible (***Appendix-3.2.6***) but remained active. Further, seven VCs certified that 26 beneficiaries were not resident or did not own any cultivable land in the village (***Appendix-3.2.7***). Out of that 26 ineligible beneficiaries, 25 beneficiaries[58] were paid ₹3.52 lakh.

[57] Excluding one beneficiary (Thronghokiu Yimchunger of Showuba Old village, Dimapur beneficiary ID: NL252900416) inactivated (22/10/2020) by the SNO due to ineligibility

[58] One beneficiary did not receive a single instalment

It can be seen from the above sub-paragraphs that the DAOs/ SDAOs and VCs did not exercise due diligence to verify and identify the beneficiaries resulting in registration of ineligible beneficiaries and multiple payments. The Government was yet to take any action to identify the ineligible beneficiaries and recover the amount of ₹2.34 crore paid to these ineligible beneficiaries and remove their names from the list/system.

In reply, the Government stated (December 2021) that the Department is in the process of recovering the amount from 524 ineligible beneficiaries identified and assured that the rest shall be verified as per the observation of Audit and necessary recovery process shall be initiated.

Recommendation: The Government should initiate necessary steps to recover the amount unduly credited to accounts of ineligible beneficiaries for refund as per the SOP.

3.2.7.6 Denial of benefits to beneficiaries

The scheme was launched to provide income support to all landholding farmers' in procuring various inputs to ensure proper crop health and appropriate yields as well as for domestic needs. States are to ensure correctness of beneficiary details uploaded on the web portal and reconciliation should be made in case of wrong/ incomplete details. An integrated platform (PM-KISAN Portal) is available for the States, districts and blocks to correct the details of the farmers in case of any rejections, errors or discrepancies noticed at any point of time.

Examination of data/ reports from the portal revealed incorrect entries of unique biometric identity, bank account numbers, farmers' names, *etc.* in the beneficiary database indicating lack of appropriate input controls. Such invalid entries will compromise the authenticity and integrity of the database and further beneficiaries also will be unable to avail the Scheme benefits as discussed below:

- 107 beneficiaries were yet to receive any payment as gender value uploaded was 'Null' (it should be M/F/T).
- As unique biometric identity was rejected due to wrong data entry by the State Government officials, 401 farmers were yet to receive scheme benefits.
- Benefits were discontinued after November 2019 in respect of 9,039 farmers as their names did not match with unique biometric identity and 9,734 farmers unique biometric identity were not authenticated.
- Nine beneficiaries were yet to receive full payment as the names uploaded in the system were either numeric (six), alpha-numeric or special character (three).
- In respect of 2,469 farmers, the bank account number uploaded in the system did not exist. Also, invalid account numbers in respect of 2,831 farmers were rejected by PFMS during account validation (September 2021).
- Transactions in respect of 737 cases were rejected by banks with the remark 'No Such Account' even after account validation by PFMS.
- In respect of 15 beneficiaries, 32 transactions were pending for payment by the bank as the account holder was a minor.

The SNO, however, did not communicate these shortcomings to the stakeholders and share the list of the rejected data to enable them to submit or update the corrected data in the portal.

The Government accepted the facts and stated (December 2021) that more efforts will be put in to accurately capture the farmers' attributes in the PM-KISAN database. The Department was directed to incorporate appropriate input control/ validation to ensure correctness of data.

3.2.7.7 Non-authentication of beneficiaries' record with Unique Biometric Identity

Paragraph 10.2 of the Operational Guidelines stipulates that the Scheme is implemented through a Aadhaar-linked electronic database containing details of all members of the families whose names appear in the land records. For transfer of the financial benefits to the eligible farmers, Aadhaar number shall be collected for all beneficiaries, since payment shall be done only on the basis of Aadhaar-seeded database.

Examination of unique biometric identity Status Report (July 2021) revealed that 1,614 out of 10,653 records rejected during unique biometric identity authentication were corrected while 9,039 records were pending for correction. It was also observed that 401 out of 809 invalid unique biometric identities were corrected and 408 records were pending for correction.

The Department stated (December 2021) that the problems were mainly due to beneficiary's name mismatch during validation of bank details.

The reply is not acceptable as the Department needs to complete the authentication and validation of bank accounts of beneficiaries in a time-bound manner so that Scheme benefits are extended to the eligible farmers on time.

3.2.8 Fund Management

3.2.8.1 Preparation of Lots, generation of 'RFT', 'FTO' and credit in beneficiary account

DAC&FW, GoI letter (February 2019) regarding procedure for release of payment under PM-KISAN states that the verified data by PFMS, uploaded on PM-KISAN portal on a particular date (T), a Lot of these data shall be generated on the next day (T+1). The State, in turn, shall verify (for rejection, if any) the Lot on the same day (T+1). Thereafter, the State shall generate FTOs on the same day (T+1). Subsequently, the payment shall be processed on the next day (T+2).

Paragraph 2.4.2 of The Operational Guidelines stipulates that for the purpose of exclusion State Governments can certify the eligibility based on self-declaration by the beneficiaries.

Paragraphs 2.1 to 2.3 of the Fund Transfer Guidelines (February 2019) stipulates that the State Governments will designate an officer of the rank not below the Deputy Secretary to verify and upload FTOs on the Scheme portal. The lists of the beneficiaries from a District/ Block may be uploaded in one or many tranches, after ensuring the correctness of the lists.

After successful validation of beneficiary information by PFMS, the beneficiaries are combined in 'Lots[59]' by the PM-KISAN Central team. These Lots are then "opened" to States for verification and subsequent "closure" on the PM-KISAN portal. For every successful closure of one 'Lot', one "Request for Fund Transfer" (RFT) is generated by State authorities. The RFTs are processed as per the category of the beneficiary farmers *i.e.* under General, Scheduled Caste (SC) and Scheduled Tribe (ST) corresponding with budgetary allocations. States may exercise the 'Stop payment' option in respect of data belonging to dead or ineligible farmers, *etc.* Once, the RFTs are signed by State authorities, FTOs are generated through the PM-KISAN portal. Finally, DAC&FW issues sanction orders authorising payment and funds are transferred through DBT mode to the beneficiary account. The payment response against each record is then received by PFMS from banks/NPCI and the same is passed on to PM-KISAN portal.

Examination of the Lots Closure reports revealed that 10,98,169 RFTs were signed out of 10,98,184 Lots closed till March 2021 as shown in **Table 3.2.5.**

Table 3.2.5 Instalment-wise Lots Closure

Int. No.	Lots opened	Lots closed	RFT signed	No. of Farmers	Invalid RFT	Payment success	Payment failed	Payment pending
i	*ii*	*iii*	*iv*	*v*	*vi = (iv)-(v)*	*vii*	*viii*	*ix = (v)-(vii + viii)*
1.	2,06,242	2,06,242	2,06,242	2,06,217	25	2,00,002	2,027	4,188
2.	2,05,552	2,05,552	2,05,552	2,05,550	2	2,01,596	1,457	2,497
3.	1,96,721	1,96,721	1,96,721	1,96,717	4	1,95,338	1,303	76
4.	1,90,838	1,90,838	1,90,838	1,90,832	6	1,90,064	740	28
5.	1,64,440	1,64,440	1,64,440	1,64,352	88	1,63,858	326	168
6.	97,328	97,316	97,301	97,210	91	95,648	229	1,333
7.	37,075	37,075	37,075	37,033	42	36,906	125	2
Total	**10,98,196**	**10,98,184**	**10,98,169**	**10,97,911**	**258**	**10,83,412**	**6,207**	**8,292**

Source: Lots Closure Reports from PM-KISAN Portal

It can be seen from **Table 3.2.5** that:

(i) Lots were closed for 15 RFTs but were yet to be signed;
(ii) There were 258 invalid RFTs;
(iii) There were 6,207 failed transactions; and
(iv) Payment for 8,292 cases was pending (ranging from one to twelve months, as on March 2021) though RFTs were signed by the State.

It was further observed that:

- The SNO certified in every RFT that the details of beneficiaries included in this request were verified and the farmers included in this request do not fall under exclusion category and these farmers have given their consent for using their unique biometric identity for this purpose.

  It was observed that the ownership of cultivable land of beneficiaries registered under the Scheme were not verified. Self-declaration and consent for use of

59 Consisting of a variable number of beneficiaries, as per requirement

unique biometric identity were also not obtained from the beneficiaries. This may result in processing of transactions for farmers with incorrect details.

- Analysis of data further revealed that there were delays up to 619 days in approval of sanction after RFTs were signed and delays up to 86 days for credit of benefits to beneficiaries' account after sanction. This indicated that the DBT timeline prescribed by the DAC&FW was not met. Further, necessary checks to verify farmers' details were not conducted at the State/District levels before closure of the Lots and timely action was not taken for approval of FTOs and credit of amount to the beneficiaries' account.

The Department accepted the facts and stated (December 2021) that reason for the delays was due to problems in generation of OTP due to technical issues with the NIC.

Recommendation: The Department should ensure correctness of farmers' details before closure of the lots so as to ensure timely release of payments to beneficiaries.

3.2.8.2 Processing of DBT payments

Paragraphs 10.3 and 10.4 of the Operational Guidelines stipulate that the benefit shall be transferred electronically to the accounts of the beneficiaries held in destination banks, through the accredited bank of DAC&FW and sponsoring banks of the States, using PFMS portal.

Examination of bank account details revealed that accounts of 2,09,133 beneficiaries out of 2,13,551 beneficiaries were held in 27 destination banks (Schedule Bank, Post office, Rural Bank, Cooperative Bank or other Financial Institutions) located within Nagaland while bank accounts for 4,418 beneficiaries were located outside the State.

It was observed from the Portal that 752 out of 2,13,551 beneficiaries, whose payment was to be paid through unique biometric identity mode were yet to receive any instalment (October 2021) as their unique biometric identity was disabled (70 cases) or not enabled (682 cases) for DBT (***Appendix-3.2.8***). Non-enabling of unique biometric identity for DBT by the banks resulted in delayed payment of instalments to the beneficiaries.

Recommendation: The Department may consider issuing necessary instructions to all village councils/ beneficiaries for authentication/ linking of unique biometric identity for DBT so as to enable transfer of Scheme benefits to beneficiaries.

3.2.8.3 Follow-up of PFMS reports

Farmer records which are authenticated with unique biometric identity are sent to PFMS for validating bank account details provided by the farmer. PFMS checks the account number and IFSC code provided by the farmer against their master data and sends a response to PM-KISAN portal. PFMS accepted data is opened to the States in lots for approval of payment and the rejected records are available for correction in the Correction Module.

Examination of data from the Scheme portal revealed that out of 7,045 bank details rejected by PFMS, the Department updated bank details of 456 farmers and 6,589 cases were still pending (September 2021) for correction. The bank details correction request for 10 farmers were rejected due to no response from the bank. However, the status of these farmers was shown as active in the PM-KISAN portal (October 2021).

It was also observed from PFMS Instalment-wise Transaction Failure Reports that 2,227 records rejected were pending for correction by the State as detailed in **Table 3.2.6.**

Table 3.2.6 Instalment-wise pending records for correction

Int. No.	A/c holder expired	Amount exceeds limit set by bank	A/c blocked or frozen	A/c closed or transferred	No such a/c	KYC documents pending	Inactive unique biometric identity	Invalid a/c type (PPF/Loan/FD)	Misc. others
1.	2	3	72	90	137	3	1	5	2
2.	2	0	61	203	134	2	7	5	1
3.	2	1	28	390	100	2	10	5	0
4.	0	0	11	327	17	1	14	5	0
5.	0	1	18	220	2	0	20	2	0
6.	0	1	19	169	2	0	16	1	0
7.	0	0	11	93	2	0	6	0	1
Total	**6**	**6**	**220**	**1,492**	**394**	**8**	**74**	**23**	**4**

Source: MIS Report of the Scheme portal

The Department did not make any correspondence with the farmers/ VCs to notify or obtain their correct bank/ unique biometric identity details. Non-correction of these rejected records resulted in delayed transfer of scheme benefits to the farmers.

Recommendation: The Department may consider sharing details of rejected records with the VCs/ beneficiaries so as to enable transfer of Scheme benefits to beneficiaries.

3.2.8.4 Transfer to ineligible bank accounts

If a farmer dies or is identified as ineligible at any point of time, the portal is equipped with the functionality (Death/Ineligibility Cases window) to permanently stop the farmer from receiving any future payments. The farmer's record that is marked as death or ineligible case must be approved by the SNO to mark it for permanent deletion from the system.

Examination of MIS reports of the Scheme (September 2021) revealed that there were 108 inactive beneficiaries due to death. The dates of death of 86 out of the 108 cases were uploaded in the portal while the dates for remaining 22 beneficiaries were not available. Further analysis revealed that 132 instalments of ₹2.64 lakh were credited to bank accounts of 43 beneficiaries even after their death. The time taken by the DAOs/SDAOs to upload death cases in the Scheme portal ranged from 25 to 868 days from the date of death of the beneficiaries. This delay resulted in credit of instalments after the death of beneficiaries and transfer of Scheme benefits to ineligible beneficiaries.

In reply, the State Government stated (December 2021) that the matter will be verified as per the observation of Audit and necessary recovery process shall be initiated.

Recommendation: The Department may consider issuing necessary instructions to all village councils for timely reporting of deceased beneficiary farmers, beneficiaries becoming ineligible due to change of profession, etc. so as to avoid transfer of Scheme benefits to ineligible beneficiaries.

3.2.8.5 Refund of funds

SOP for refund of money (June 2020) which is credited to incorrect/ineligible beneficiaries under PM-KISAN Scheme, outlines the following procedure:

- In case wrong/ineligible recipient wants to return the money, they should repay to the concerned SNO by cash/cheque or other method accepted by the Government.
- In case wrong/ineligible recipient is identified by the State Government, it should be recovered from that individual and an acknowledgement given to the individual.
- The concerned officer of the State should make a list of all such returns, category-wise and once it sends the cheque/DD of refund money to PAO, Ministry of Agriculture & Farmers Welfare, DAC&FW, the details of all such beneficiaries must be filled in the Refund Module on the PM-KISAN portal.

As per records generated (September 2021) from the Refund Module of the PM-KISAN portal, no refunds were made from ineligible beneficiaries. An amount of ₹2.36 crore[60] was required to be refunded by 2,053 ineligible beneficiaries but the Department did not initiate any action to recover the money (September 2021).

In reply, the State Government stated (December 2021) that the Department is in the process of recovery from 524 ineligible beneficiaries identified earlier. The rest shall be verified as per the observation of Audit and necessary recovery process shall be initiated.

3.2.8.6 Failed transactions

A transaction is considered as failed when the transaction is returned or rejected by bank or NPCI. The payment response against each record is received from PFMS from Banks/NPCI and the same is passed on to PM-KISAN portal. A report is made available to the States where they can see the list of failed transactions with the reason of failure against each record.

As per the Scheme portal, opportunity would be opened to the States for correction of the bank account details on receipt of response from PFMS as “transaction failure”. The records which need no bank account correction will be processed by the system automatically.

[60] ₹2.36 crore = ₹2.34 crore (paragraph 3.2.7.5) + ₹2.64 lakh (paragraph 3.2.8.4)

Analysis of the Transaction Failure report generated from the Scheme portal revealed 5,930 failed transactions during 2018-21. The reasons for transaction failures are indicated in **Table 3.2.7**.

Table 3.2.7: Details of reasons for failed transactions as of March 2021

Sl. No.	Reasons	Number of cases	Percentage
1.	Account closed	2,014	34
2.	Account Blocked or Frozen	1,963	33
3.	No such Account	707	12
4.	Account inoperative	484	8
5.	Account Closed or Transferred	362	6
6.	Other reasons for failed transactions[61]	400	7
Total		**5,930**	**100**

Source: PM-KISAN portal: Instalment- wise Transaction Failure report

As seen from **Table 3.2.7**, 5,530 out of 5,930 failed transactions (93 *per cent*) were bank account related and 707 failed transactions (12 *per cent*) were due to inaccurate data entry by the Department. It was further observed that details of failed transactions were not shared with the VCs/ beneficiaries and no attempt was made to obtain their correct bank details.

Recommendation: The Department should ensure correctness of data through application of appropriate input control/validation checks and share details of failed transactions with the VCs/ beneficiaries to enable transfer of Scheme benefits to beneficiaries.

3.2.8.7 Payment of Administrative Expenses

Paragraph 6.3 of the Operational Guidelines stipulates that 0.25 *per cent* of the amount earmarked for the first instalment and 0.125 *per cent* for the subsequent instalments can be transferred by the Centre to the State Government to cover the expenditure on their PMUs and for meeting other related administrative expenses. States will furnish the details of the account to which administrative charges are to be credited by the Centre. The administrative charges payable to the States will be provided based on the volume of work and the number of beneficiaries.

Examination of records revealed that the DoA had identified a bank account[62] for transfer of Administrative Expenses (AEs) under the Scheme. Further it was observed that there was short release of AEs by GoI. As against the State's entitled amount of ₹32.08 lakh[63] during 2018-21, GoI released only ₹10.83 lakh[64] resulting in short release of ₹21.25 lakh. The State Government, however, did not take up the issue with GoI. Out

61 Account holder expired, inactive unique biometric identity, customer to refer to the branch, document pending for Account holder turning major, invalid account type -NRE/PPF/CC/Loan/FD, *etc.*

62 Current Bank Account No. XXXXXXX0329, Director of Agriculture (SBI Lerie Branch)

63 0.25 *per cent* of (₹2,00,002 x ₹2,000) = ₹10,00,010/- plus 0.125 *per cent* of (₹8,83,410 x ₹2,000) = ₹22,08,525/- (State's entitled amount calculated on the basis of the amount of instalments successfully transferred to beneficiaries during 2018-21)

64 ₹2.00 lakh (06/09/2019), ₹0.30 lakh (06/09/2019), ₹3.00 lakh (29/11/2019) and ₹5.53 lakh (21/01/2020)

of GoI release of ₹10.83 lakh, DoA utilised ₹4.19 lakh (39 *per cent*) and UCs for ₹2.00 lakh was submitted.

The Department stated (December 2021) that the short release of AEs by the Centre was highlighted during video conference with the DAC&FW, GoI and it had assured to look into the matter. However, after the COVID-19 pandemic, video conference was discontinued and no further information was received from the Ministry.

3.2.9 Monitoring and Evaluation

3.2.9.1 Monitoring Committee not constituted

Paragraph 5.1 of the Operational Guidelines stipulates that there will be stratified review/monitoring mechanism at National/State/District Level. At the National level, the Review Committee (NLRC) will be headed by Cabinet Secretary. The States shall notify the State and District Level Review/Monitoring Committee.

Examination of records revealed that State and District Level Review/Monitoring Committees were not constituted. This indicated that there was no monitoring mechanism at the State and District level for effective implementation of the Scheme. This aspect assumes greater importance, given the irregularities in identification of beneficiaries, payment to ineligible beneficiaries, denial of benefits to beneficiaries, *etc*., as discussed in **paragraphs 3.2.7.5, 3.2.8.4 and 3.2.8.5.**

In reply, the Department stated (November 2021) that directives and instructions were received from the NLRC. The Government stated (December 2021) that as per the Operational Guidelines of the Scheme, the Department has constituted Grievance Redressal Monitoring Committee at State and District levels and Project Monitoring Unit at State level. The Department will put in more efforts to strengthen the Committees.

The Department however did not furnish copies of the directions of the NLRC and the action taken reports.

3.2.9.2 Developing a system to obtain feedback from stakeholders

DAC&FW directed (February 2019) the State to issue instructions to the District/ Block and Village level functionaries, clearly defining their roles and responsibilities.

DAC&FW further directed (September 2020) the State to issue necessary instructions to all village panchayats for conduct of social audit of PM-KISAN scheme to achieve the goal that no eligible beneficiary remains left out and ineligible beneficiaries are removed.

Examination of records revealed that the DoA did not issue instructions to the field functionaries defining their roles and responsibilities and to obtain feedback. Also, there was lack of communication with other stakeholders (DCs/ADCs/SDOs, VCs, banks, *etc.*) at the State, District and Block level for effective implementation of the Scheme.

Social audit was not conducted in all the 24 selected villages as the directive of GoI was not circulated by the Department to the VCs. Non-conduct of Social Audit and lack of participation of other stakeholders in implementation of the Scheme impacted timely detection of deceased/ineligible beneficiaries, rectification of incorrect records, *etc.*

3.2.9.3 Inadequate monitoring by SPMU

Para 6 of the Operational Guidelines stipulates setting up of a PMU at the Central level in DAC&FW, tasked with the responsibility of overall monitoring of the Scheme and headed by a Chief Executive Officer (CEO). PMU shall also undertake Information, Education and Communication (IEC) campaign. On the lines of PMU at Central level, States may consider setting up dedicated PMUs at State level.

Examination of records revealed that the State Project Monitoring Unit (SPMU[65]) was notified (October 2020) after 20 months from launching (February 2019) of the Scheme due to delay in submission (June 2020) of proposal by the DoA to the State Government. It was observed that the SPMU did not hold review meetings to monitor implementation of the Scheme. MIS reports of portal were the Scheme not utilised for monitoring the Scheme. The results of the physical verification conducted by the field functionaries were not placed before the SPMU. Also, the SPMU did not conduct publicity campaign to raise awareness about the Scheme benefits.

In reply, the Department accepted the facts and stated (August 2021) that constitution of SPMU was delayed due to COVID-19 pandemic and frequent change of guard at the level of APC and SNO. The Department assured to put more efforts to strengthen the SPMU.

3.2.9.4 Physical verification of beneficiaries

Paragraph 10.5 of the Operational Guidelines stipulates that the State should undertake physical verification of five *per cent* of the beneficiaries for ascertaining the ineligibility during the year.

DAC&FW directed the States (August 2019 and October 2019) to undertake five *per cent* physical verification of beneficiaries and set up an appropriate mechanism at the District level for ensuring the process of verification under the leadership of DC/DM. SNOs were also directed to supervise the process of verification on a regular basis.

It was observed that 2,795 out of 2,826 beneficiaries (prescribed five *per cent* physical verification exercise) for the year 2019-20 was conducted (August-September 2019). The exercise was conducted to verify if farmers received their instalment benefits. The verification team, however, did not verify the criteria of eligibility/ineligibility of beneficiaries. Further, information such as date of verification, name/designation and signature of official who conducted the physical verification was not recorded in the report.

[65] The State PMU consists of CEO (Director of Agriculture), Dy. CEO (Jt. Director of Agriculture-Planning & Nodal Officer PM-KISAN), District Coordinator (District Agriculture Officers & Project Directors ATMA), Block Coordinator (Sub-Division Agriculture Officers) and Account & Financial Manager (Drawing & Disbursing Officer, DoA)

As per DAC&FW directives, five *per cent* physical verification exercise for the year 2020-21 was to be conducted for 9,883 beneficiaries. The State commenced verification exercise from March 2021 and 7,775 (79 *per cent*) out of 9,883 beneficiaries were verified (September 2021). A total of 105 ineligible beneficiaries were detected out of 7,775 beneficiaries verified. The Department was yet to initiate any action for recovery of ₹7.60 lakh[66] paid to these ineligible beneficiaries (September 2021).

Cross examination of the total number of farmers registered (March 2021) with the physical verification reports (2019-21) revealed variation across the Districts (***Appendix-3.2.9***). It was observed that in five districts, the percentage of verification exceeded the prescribed norms of five *per cent* of the beneficiaries whereas in six districts the percentage of coverage was lower than five *per cent*.

It was also observed that the Government did not have any structured mechanism for physical verification of beneficiaries. Physical verification was conducted by departmental officials without any representatives from the DC/DM. The purpose of undertaking physical verification exercises did not yield any positive impact as the criteria for eligibility/ineligibility of the beneficiaries were not cross-checked.

On five *per cent* physical verification of beneficiaries (August-September 2019), Department stated (December 2021) that the criteria for verification was based on the Ministry's format.

The reply is not acceptable as the exercise was conducted to verify whether the farmers received their instalment benefits and did not provide information on the eligibility/ineligibility of beneficiaries, as prescribed in the Ministry's format.

3.2.9.5 Audit verification of duplicate records

User Manual of PM-KISAN Portal stipulates that duplicate entries are filtered out by the portal at the back end. If there is an error in the application which was earlier rejected by the SNO, the farmer cannot register/submit a new application. The only available option for the users/farmers is to edit/update the earlier submitted application.

Fund transfer guidelines (February 2019) also stipulates that the States are to ensure correctness of beneficiary details including their unique biometric identity, bank account number and IFSC of the bank. One bank account is not to be accepted for more than one beneficiary.

As the de-duplication exercise was carried out by NIC and PFMS on a real time basis, the database of beneficiaries should not have any duplicate records. It was, however, observed that there were multiple beneficiaries having same data entry of unique biometric identity, bank account and IFSC and multiple beneficiaries with same registered mobile number as discussed in the succeeding paragraphs.

[66] Money value excluding 31 death cases (₹3,64,000) and two beneficiaries did not receive any payment

(i) Multiple beneficiaries with same IFSC and Bank Account Number

Audit noticed that 14 bank IFSC and Bank account numbers were linked with 28 beneficiaries of which 27 beneficiaries are "**Active**" indicating that all these multiple beneficiaries could avail the financial assistance. It was observed that 24 out of 28 received at least one instalment amounting to ₹2.78 lakh *(**Appendix-3.2.10**)*.

It was also noticed that 55 Bank account numbers with different IFSC were linked with 110 beneficiaries and 109 beneficiaries are "**Active**" indicating that all these multiple beneficiaries could avail the financial assistance. It was observed that 53 out of 110 beneficiaries received at least one instalment amounting to ₹5.90 lakh.

(ii) Multiple beneficiaries with the same registered mobile number

Analysis of beneficiary database revealed that multiple mobile numbers were provided by 8,191 beneficiaries as detailed in **Table 3.2.8**.

Table 3.2.8 District-wise multiple beneficiaries with the same registered mobile number

Sl. No.	Name of District	No. of registered farmers	No. of farmers with mobile no.	Multiple beneficiaries with the same registered mobile number	
				No. of beneficiaries	No. of unique mobile number
1.	Kohima	9,569	354	7	3
2.	Dimapur	16,348	6,947	972	444
3.	Kiphire	12,176	113	23	11
4.	Longleng	22,019	68	23	5
5.	Mon	44,464	11,014	5,524	1,466
6.	Mokokchung	15,908	82	0	0
7.	Peren	11,152	30	2	1
8.	Phek	15,384	1,248	71	32
9.	Tuensang	28,269	8,035	1,343	522
10.	Wokha	19,617	1,165	178	69
11.	Zunheboto	18,645	333	48	22
Total		**2,13,551**	**29,389**	**8,191**	**2,575**

Source: Beneficiary list furnished by Directorate of Agriculture and DAOs

Thus, multiple beneficiaries with the same mobile number is a red flag and requires further detailed verification of their eligibility by the Department.

3.2.9.6 Setting up of State Grievance Redressal Monitoring Committee

Paragraph 7.2 of the Operational Guidelines stipulates that the States shall notify State and District Level Grievance Redressal Monitoring Committees (GRMCs) for looking into all the grievances related to the Scheme and disposed of on merit within two weeks.

DAC&FW directed (March 2019) the States to set up grievance redressal mechanism in the State for redressing the grievances of farmers and also notify the name, designation, address, telephone number, e-mail ID, *etc.* of the concerned Grievance Officers prominently in respective State vernacular as well as Hindi and English newspapers and electronic media.

DAC&FW further directed (January 2020) the State to commence Interactive Voice Response System (IVRS) based call centre (toll free numbers 1800-11-5526 and

155261) and give wide publicity so that beneficiaries can get to know the status of their benefit transfer.

Examination of records revealed that the GRMCs at State and District level were notified (October 2020) after 20 months of launching (February 2019) of the Scheme. It was observed that the State and District GRMCs did not conduct any meeting. Complaint registers to record grievances received offline were not maintained both at the State and at the District level.

Examination of the Grievance Monitoring report (September 2021) from PM-KISAN portal revealed that 794 complaints were received online, out of which only 27 complaints were disposed of and 767 complaints (97 *per cent*) were pending for disposal (***Appendix-3.2.11***).

The Department did not publish details of Grievance Officers in print and electronic media and IVRS based call centre/toll free numbers were yet to be launched (September 2021).

In reply, the Department accepted the facts and stated (August 2021) that constitution of the State and District GRMCs were delayed primarily due to COVID-19 pandemic lockdown and frequent change of guard at the level of APC and SNO. The Government assured (December 2021) that the Department would put in more efforts to strengthen the Committees.

Grievance Monitoring report (November 2022) from PM-KISAN portal revealed that 1,940 complaints were received online, out of which only 75 complaints were resolved and 1,865 complaints (96 *per cent*) were pending for disposal.

3.2.9.7 Monitoring of Administrative Expenses

Rule 13 of the Receipts and Payments Rules stipulates that all monetary transactions should be entered in the Cash Book as soon as they occur and attested by the Head of the Office.

The funds provided under AEs of the Scheme should be utilised for meeting the expenditure of SPMU and other related expenses such as procurement of stationery, field verification, filling of prescribed formats, certification publicity, *etc.*

Paragraph 7 of the sanction order through which funds for AEs were released mandates the use of Expenditure Advance Transfer (EAT) Module of PFMS for use of Grants-in-Aid. The UC not supported by the EAT module data is to be rejected, expenditure not appearing in EAT module is not to be treated as regular and the Agency would be forced to refund the amount.

Examination of PFMS report of the bank[67] identified for transfer of AEs revealed that an amount of ₹10.83 lakh[68] (March 2021) was released to the State for AEs. It was, however, observed that Cash Book was not maintained to monitor AEs. Expenditure

[67] Bank Account No. XXXX329 of the Director of Agriculture (SBI Lerie Branch)

[68] ₹2.00 lakh (06/09/2019), ₹0.30 lakh (06/09/2019), ₹3.00 lakh (29/11/2019) and ₹5.53 lakh (21/01/2020)

filing[69] of AEs was also not carried out in the EAT Module of PFMS. Further, it was observed that the DoA utilised an amount of ₹4.19 lakh out of ₹10.83 lakh (March 2021) as detailed in **Table 3.2.9**.

Table 3.2.9: Statement of expenditure of Administrative Expenses

Sl. No.	Items of expenditure	Amount (in ₹)
1.	Administrative cost @ ₹five per SMF to districts	1,87,870
2.	HP Desktop & Epson Printer	1,30,000
3.	Launching of PM-KISAN	30,000
4.	EAT Module training related expenses	67,067
5.	Digital Certificate	4,499
Total		**4,19,436**

Source: Records of Nodal Department

As seen from **Table 3.2.9**, the DoA utilised ₹0.30 lakh for State level launching programme (February 2019) of the scheme, which was inadmissible as separate funds were provided to all the States by the GoI.

In reply, the Department accepted the facts and stated (August 2021) that the balance ₹6.64 lakh is lying in the Department bank account, which will be released to DAOs and SDAOs for the ongoing five *per cent* physical verification of beneficiaries.

3.2.9.8 Working of the related banks

Paragraph 10.4 of the Operational Guidelines stipulates that the amount due for the beneficiaries under the scheme is to be paid directly into their bank accounts through DBT using PFMS portal. The destination bank can be a Scheduled Bank, Post office, Rural Bank, Cooperative Bank or any other Financial Institution. State Governments shall authorise the sponsoring bank to directly transmit the amount received to the destination banks having beneficiary account.

The State Bank of India, which is the sponsoring bank for the scheme in Nagaland, was authorised to auto-debit the account (No. XXX816) by total amount of beneficiary details received from PFMS. The debited amount was transferred to NPCI for credit to the beneficiaries' accounts. There was a total of 27 such destination banks located in Nagaland registered with PFMS where 2,09,133 farmers bank accounts were opened. The number of transactions processed by these destination banks for credit into the farmers' accounts is shown in **Table 3.2.10**.

[69] The process of feeding the day to day transactions as recorded in the cash book on the PFMS portal by an agency registered on PFMS, is called expenditure filing and expenditure filing is done through EAT Module of PFMS

Table 3.2.10: Performance of Destination Banks

(in numbers)

Particulars	Total	Scheduled commercial banks	Cooperative banks	Payment banks	Regional Rural Banks	No bank details
No. of destination banks in the State	27	23	2	1	1	0
No. of successful transactions	11,97,969	10,13,035	1,35,568	3,406	16,614	29,346
No. of failed transactions	6,743	4,701	1,233	9	110	690

Source: Bank wise Transaction Status report and list of banks from PM-KISAN portal

As seen from **Table 3.2.10**, 97.55 *per cent*[70] of the successful transactions and 89.77 *per cent*[71] of the failed transactions were from Scheduled Commercial Banks, Co-operative Banks, Rural Banks and other banks. Bank details for 2.45 *per cent* of successful and 10.23 *per cent* of failed transactions were not available in the portal.

Analysis of data generated by the portal revealed that bank accounts for 4,418 registered farmers were opened outside Nagaland, located across 31 States/ UTs and the actual eligibility of these beneficiaries could not be ascertained in the absence of land records.

3.2.9.9 Achievement of targets and variation in coverage of beneficiaries

The number of beneficiaries for PM-KISAN scheme was projected on the basis of Agriculture Census 2015-16. DAC&FW informed (March 2019) the State that the last date for accepting applications from the eligible farmers under the Scheme was not notified.

Examination of records revealed that the DoA, Nagaland informed (June 2019) all the DAOs/ SDAOs that the PM-KISAN scheme target for the State was 1,95,874 farmers leaving out 658 institutional landholders who were not eligible for the Scheme as per the guidelines.

It was observed that District/ Block/ Village wise targets were not fixed by the DoA for registration of beneficiaries. The number of farmers as per the Agriculture Census 2015-16 and the actual registration of beneficiaries under the Scheme are as detailed in **Table 3.2.11**.

Table-3.2.11 Achievement of the Scheme target by the State as of March 2021

State	Potential Beneficiaries as per Agriculture Census, 2015-16	Actual registrations as of March 2021	Variation	Extent of coverage (in *per cent*)
	A	*B*	*C = A-B*	*D= B*100/A*
Nagaland	1,95,874	2,13,551	-17,677	109

Source: Nagaland Agriculture Census, 2015-16 and PM-KISAN scheme portal

As seen from **Table 3.2.11**, the State exceeded the target and the extent of coverage of the Scheme was 109 *per cent.* Comparative analysis of the district-wise potential

[70] 11,68,623/ 11,97,969 = 97.55 *per cent*
[71] 6,053/ 6,743 = 89.77 *per cent*

beneficiaries and the actual registration under the Scheme revealed variation of the saturation levels by 44 to 238 *per cent* (***Appendix-3.2.12***).

New registration of beneficiaries has been temporarily suspended (March 2020) by the implementing Department as the State had achieved the overall saturation target though 23,144 potential farmers in four districts were yet to be provided the benefit.

3.2.9.10 Discrepancies between Agriculture Census data and PM-KISAN scheme

Initially the Scheme was admissible only to SMF families, with combined landholding up to two hectares. The revised scheme guidelines (June 2019) extended the benefits to all farmer families irrespective of the size of landholdings. All institutional landholders and farmers falling in specified categories of higher economic status are not covered under the Scheme. The number of beneficiaries was estimated on the basis of Agriculture Census 2015-16.

Examination of Nagaland Agriculture Census 2015-16 revealed that the total number of operational holdings in the State was 1,96,532. The number of operational holdings according to the major size classes is detailed in **Table 3.2.12**.

Table 3.2.12: Number of operational holdings according to the major size classes

Sl. No.	Size Class	No. of individual holdings (Scheduled Tribes)				No of Institutional holdings	Total No. of holdings	Percentage
		Male	Female	Total	Operated area (in ha)			
(i)	*(ii)*	*(iii)*	*(iv)*	*(v)*	*(vi)*	*(vii)*	*(viii=v+vii)*	*(ix)*
1.	Marginal (< 1 ha)	5,122	2,990	8,112	4,554	99	8,211	4
2.	Small (≥ 1 ha < 2 ha)	23,990	5,695	29,685	36,646	105	29,790	15
Sub-total		**29,112**	**8,685**	**37,797**	**41,200**			
3.	Semi-medium (≥ 2 ha < 4 ha)	57,544	5,623	63,167	1,69,008	165	63,332	32
4.	Medium (≥ 4 ha < 10 ha)	68,793	4,754	73,547	4,29,914	222	73,769	38
5.	Large (≥ 10 ha)	21,066	297	21,363	3,13,338	67	21,430	11
Total		**1,76,515**	**19,359**	**1,95,874**	**9,53,460**	**658**	**1,96,532**	**100**

Source: Nagaland Agriculture Census of 2015-16

As per the Agriculture Census, there were 1,95,874 individual operational holdings with operating area of 9,53,460 hectares. However, the cultivable area of Agriculture Census could not be compared with PM-KISAN as beneficiaries' farm sizes were not uploaded in the Scheme portal.

Comparative analysis of Agriculture Census data with PM-KISAN scheme revealed the following discrepancies:

- As per Agriculture Census, there were only 37,797 SMFs in the State, however, 53,496 SMFs were registered before notification of the revised Scheme guidelines indicating that the State had already exceeded the targeted registration of SMF by 42 *per cent.* It was observed that the revised landholdings eligibility was not communicated to the District Administration and VCs. Thus, eligible beneficiaries from other categories namely semi-medium, medium and large, who constitute 81 *per cent* of the total individual operational holdings were not covered under the Scheme.

- As per the Agriculture Census, 90 *per cent* (1,76,515 out of 1,95,874) of the individual holdings were owned by male. It was, however, observed that 1,01,891 (47.71 *per cent)* out of 2,13,551 total registered farmers under the Scheme were men and the remaining 1,11,660 (52.29 *per cent)* were female.

The abnormal increase of SMF and female landholdings after the implementation of the Scheme were not analysed by the SPMU resulting in discrepancies between the Agriculture Census 2015-16 and the PM-KISAN scheme.

3.2.9.11 Best practices on weeding out of ineligible beneficiaries

Ineligible beneficiaries (657) were detected through the involvement of other stakeholders such as destination banks and the VCs. In Wokha district, banks were involved in detection of 333 ineligible beneficiaries (serving government employees, pensioners, professionals, *etc.*) while 324 ineligible beneficiaries were detected by the VCs under Dimapur district.

The practices followed by Wokha and Dimapur districts in verification of eligibility of beneficiaries may be adopted in the remaining districts to weed out ineligible beneficiaries.

3.2.10 Conclusion

Though the State Government achieved the target, the implementation of the Scheme was fraught with shortcomings. Beneficiary lists were prepared without any checks and balances in the system. The ownership of cultivable land of beneficiaries were not verified by the concerned Administrative officers and countersigned by the DC. The beneficiaries were not correlated with the Nagaland's Agriculture Census 2015-16 as the names of operational holders/ farmers were not available on records. No landholding records were maintained at the village level and documents to cross verify the land-ownership of PM-KISAN beneficiaries was also not available with the Government. Deficiencies in identification of beneficiaries and delay in reporting of death cases led to payment of Scheme benefits to ineligible beneficiaries, multiple beneficiaries from the same family, payments released after death of beneficiaries, *etc.* No action was taken by the Department to recover and refund the amount as per the SOP. Incorrect bank account numbers, names, gender, unique biometric identities, *etc.* were captured in the PM-KISAN database indicating lack of appropriate input controls. Inaccurate data entries resulted in rejection of records during validation, failed transactions and thus deprived genuine farmers from availing the Scheme benefits. Temporary suspension of new registrations deprived 23,144 beneficiaries of the scheme benefits in four test-checked districts.

There was short release of ₹21.25 lakh under AEs by the GoI. State and District Level Review/ Monitoring Committees were not constituted. There were delays in constitution of SPMU and State and District Level GRMCs. Non-conduct of Social Audit and lack of participation of other stakeholders in implementation of the Scheme impacted timely detection of deceased and ineligible beneficiaries, rectification of incorrect records, *etc*.

3.2.11 Recommendations

The State Government should -

(i) ***take steps to identify the eligible beneficiaries and accordingly sanitize the database as per the scheme guidelines.***

(ii) ***obtain self-declarations and ascertain the ownership of cultivable land of beneficiaries as envisaged in the Operational Guidelines.***

(iii) ***take steps for 100 per cent validation of bank accounts so as to transfer scheme benefits to beneficiaries.***

(iv) ***update the Optional Attributes such as Father's/ Husband's name, mobile number, date of birth, landholdings, etc. for each beneficiary to identify red flags for detailed eligibility verification.***

(v) ***conduct State-wide verification of beneficiaries by involving destination banks and VCs to weed out ineligible beneficiaries.***

(vi) ***take steps to fix responsibility for non-verification of applications submitted. Also, take necessary steps to recover the amounts unduly credited to accounts of ineligible beneficiaries for refund as per the SOP.***

(vii) ***strengthen the grievance redressal mechanism to ensure resolution of complaints as per the Scheme guidelines. Social Audit should also be conducted periodically to ensure transparency and raise awareness about the Scheme.***

Subject Specific Compliance Audit

PLANNING AND CO-ORDINATION DEPARTMENT

3.3 Review of Ministry of Development of North Eastern Region funded schemes under Non-Lapsable Central Pool of Resources and North East Special Infrastructure Development Schemes in Nagaland

Non-Lapsable Central Pool of Resources (NLCPR) Scheme was started in 1998 under the erstwhile Planning Commission. Subsequently, it was transferred to the Ministry of Development of North Eastern Region (MDoNER) in 2001. The objective of NLCPR Scheme was to bridge the gap in infrastructure sector of the North Eastern Region[72] (NER) and ensure speedy infrastructure development by increasing the financing for new projects/ schemes in the region.

The NLCPR Scheme was replaced by a new Central Sector Scheme in December 2017 namely, 'North East Special Infrastructure Development Scheme' (NESIDS), however,

[72] NER comprises of eight States *viz.* Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura

funding for ongoing projects under the existing Scheme continued till March 2020 for their completion. The objectives of NESIDS are to ensure focused development of NER by providing financial assistance for projects relating to water supply, power, connectivity, promotion of tourism and creation of infrastructure in primary and secondary sectors of education and health. NESIDS is 100 *per cent* Central funded for projects not supported by other Government schemes.

3.3.1 Scope of Audit

Compliance Audit (CA) on projects sanctioned by MDoNER under NLCPR and NESIDS in Nagaland was taken up covering projects sanctioned during 2016-21. Out of 19 projects (₹422.68 crore) sanctioned by MDoNER under these Schemes, which were implemented by seven State Government Departments, five projects[73] (₹188.51 crore) were selected based on the percentage of physical and financial progress. The details of the 19 projects are shown in **Table 3.3.1**.

Table-3.3.1: Details of the 19 projects

(₹ in crore)

Scheme	No. of Projects	Approved Cost	Expenditure	Status as on 31/03/2021	
				Ongoing	Completed
NLCPR	6	184.45	134.28	6	0
NESIDS	13	238.23	77.53	12	1
Total	**19**	**422.68**	**211.81**	**18**	**1**
Sampled	**5**	**188.51**	**76.61**	**5**	**0**

Source: Records of the projects implementing departments

Details of the five selected projects are shown in ***Appendix -3.3.1***.

The Report was issued to the Government in September 2022 and the replies have suitably been incorporated in the Report.

Audit Findings

3.3.2 NLCPR

The Schemes were sanctioned as per the priority list prepared by the State Government. Six NLCPR projects were sanctioned (₹184.45 crore) during 2017-18 stipulated to be completed during 2019-21. However, none of the six projects has been completed.

3.3.2.1 Deficiencies in planning and preparation of DPRs

As per Paragraph 4 of the Guidelines for Administration of NLCPR Scheme, 2016, to eliminate duplication, the projects taken up under other schemes of Central Ministries/ State Plan should not be included in the Priority List. The scope of the project in the concept paper should not have major change in scope of project in the DPR.

Paragraph 2 (n) of the terms and condition of the administrative and financial approval of MDoNER envisaged that funds will be utilised strictly for the purpose for which it is sanctioned and no diversion of funds would be allowed.

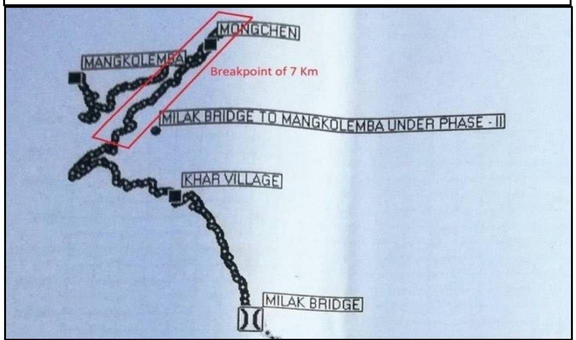
[73] Three projects under NLCPR and two projects under NESIDS

Audit of three selected projects out of six projects sanctioned under NLCPR (2016-21) revealed deviation from approved Detailed Project Reports (DPRs), non-execution of work, overlapping and revision of Bill of Quantities (BoQ), *etc.* which are discussed in the succeeding paragraphs.

a) Non-execution of approved work

The project **Up-gradation of road from Alongchen to Mangkolemba *via* Impur, Mopungchuket, Mongchen- Other District Road (ODR) to Major District Road (MDR)- 19 Km Phase-II** was sanctioned by MDoNER (February 2014) at an estimated cost of ₹22.33 crore (May 2017). DPR was prepared by the implementing Department (Nagaland Public Work Department (NPWD), Roads & Bridges (R&B)) for road length of 19 Km from Milak river to Mangkolemba passing through Khar and Mongchen villages under Mokokchung District. The Department floated a Notice Inviting Tender (NIT) (June 2017) and awarded the work (August 2017) to M/s ANK Construction, Kohima to be completed within 24 months. As on September 2022, only 84 *per cent* of physical and 81 *per cent* of financial progress was achieved.

Photograph 3.3.1



Photograph showing stretch of road constructed beyond the approved length of road.

Examination of the DPRs, Measurement Books (MBs) and Joint Physical Verification (JPV) (June 2022) revealed that the Department constructed the road from "0" point to 9.5 Km towards Mangkolemba. The Department however did not construct seven Km stretch of Jangpetkong range road for ₹5.04 crore between Khar village to Mongchen village, as shown in the **photograph 3.3.1** placed alongside, which was in the middle of the approved stretch of road as the same was already constructed from some other source of funding. The Department constructed seven Km stretch of road beyond the approved length of road not incorporated in the DPR.

Thus, the Department not only proposed a project which had already been taken up under some other scheme[74] but also executed unapproved portion of the road, which was in contravention of the Guidelines for Administration of NLCPR Scheme, 2016.

b) Unauthorised revision of cost

MDoNER approved (November 2017) construction of **"220 KV D/C Transmission line from Dimapur to Zhadima"** at an estimated cost of ₹108.16 crore. The Chief Engineer (CE), Transmission & Generation (T&G) awarded the contract (December 2017) to a Joint Venture (JV) of M/s Techno Power Enterprises Pvt. Ltd. & M/s Rausheena Udyog Ltd. Kolkata at the approved cost. Examination of the work

[74] The Department did not provide information of name of the scheme, though called for (September 2022)

order for supply of materials and erection revealed that the cost for "supply" was enhanced whereas the cost for "erection" was reduced, as shown in **Table 3.3.2**.

Table 3.3.2: Abstract cost approved by MDoNER

(₹ in lakh)

Sl. No.	Name of work	Approved cost	Amount awarded to the contractor	(+) Increased (-) Decreased
A	Supply of materials	3,528.58		
	Add: Variation from 2013 to 2016 as per WPI @1.55 *per cent*	54.69		
	Sub-total A	**3,583.27**	**5,531.98**	**(+)1,948.71**
B	Erection	6,270.15		
	Add: Variation from 2013 to 2016 as per WPI @15.35 *per cent*	962.46		
	Sub-total B	**7,232.62**	**5,283.17**	**(-)1,949.45**
Grand total (A+B)		**10,815.89**	**10,815.15**	

Source: Departmental records

The revision of the cost for supply and erection approved by the State Purchase Board was arbitrary and without obtaining prior approval of GoI. The need for revision was indicative of the fact that the Department prepared the DPR without assessing the actual BoQ required for the project.

c) Unauthorised revision of Bill of Quantity (BoQ)

The project **"Providing water supply to Samziuram Village, Peren District, Nagaland"** was administratively approved (October 2015) by MDoNER with the stipulation that the contract for the project should be on turnkey basis. The Ministry accorded (November 2017) final approval to the project for ₹18.93 crore, to be completed by November 2019.

Examination of records revealed that the project was not implemented on turnkey basis as envisaged. Instead, the Department awarded ten work orders (March and April 2018), based on working estimates prepared in March 2018, *viz.* two work orders to two contractors (₹11.65 crore) and eight work orders to the EE (PHED), Peren (₹3.26 crore) to execute the works departmentally. When the work orders were furnished (July 2018) to MDoNER, the Ministry called for clarification (August 2018) for not tendering through competitive bidding and issuing ten work orders.

As a result, the CE, Public Health Engineering Department (PHED) cancelled the ten work orders issued and issued (January 2019) a single work order to M/s Solo Engineering, Kohima after a delay of 14 months from the date of approval without competitive bidding.

Further scrutiny showed that the Department revised (March 2020) the working estimates during the course of execution by increasing or decreasing the BoQ and the rates contrary to the approved DPR, as shown in **Table 3.3.3**.

Table 3.3.3: Statement showing revision of BoQ

(₹ in lakh)

Item	Approved DPR 2017				Revised Estimates March 2020				Difference (-) Less (+) Excess
	Qty.	Unit	Rate	Amount	Qty.	Unit	Rate	Amount	
Construction of Slow Sand Filter	1	No.	46.49	46.49	1	No	79.68	79.68	(+)33.19
Construction of Balancing Reservoir	8	No.	91.82	734.56	1	No	33.84	33.84	(-)700.72
Construction of Elevated Balancing Reservoir	0	No.	0	0	3	No	64.27	192.82	(+)192.82
Construction of Sub-Reservoir	7	No.	2.01	14.08	8	No	47.25	378.06	(+)363.98
Construction of Distribution- Reservoir	30	No.	0.82	24.60	15	No	2.87	43.05	(+)18.45
Construction of Service Road	345.55	M	0.11	37.74	1164	M	0.11	127.14	(+)89.40
Fitting, fixing and laying of GMS pipe	-	-	-	8.35	-	-	-	16.50	(+)8.06

Source: Departmental figure

The above observations indicate that the Department did not exercise due diligence while preparing the DPR and determining the rates.

3.3.2.2 Financial Management

Funding of projects under NLCPR scheme was 90:10 between Central and State. The funds were released in three instalments in the ratio of 40:40:20 for projects sanctioned up to 2016 which was revised to two instalments *i.e.* 40 and 60 *per cent*.

Examination of records revealed that against six NLCPR projects approved for ₹184.45 crore, MDoNER released ₹127.01 crore during 2016-21. The financial progress of six projects taken up under NLCPR as of March 2021 is shown in **Table 3.3.4.**

Table 3.3.4: Detail of funds received and expenditure under NLCPR

(₹ in crore)

Year	Total projects	Total cost	Funds released by Centre	Funds to be released by GoN including State Share	Funds actually released by GoN			Expenditure incurred
					MDoNER share	GoN share	Total	
2016-17	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2017-18	6	184.45	8.54	9.49	8.54	0.95	9.49	9.39
2018-19	0	0.00	43.23	48.03	43.23	4.80	48.03	48.03
2019-20	0	0.00	16.84	18.71	16.84	1.87	18.71	11.96
2020-21	0	0.00	58.40	64.89	58.40	6.49	64.89	64.89
Total	**6**	**184.45**	**127.01**	**141.12**	**127.01**	**14.11**	**141.12**	**134.27**

Source: Compiled from information furnished by the Planning Department (GoI share limited to 90 per cent of tendered cost. Figures are inclusive of departmental charges by Finance Department (GoN))

(i) Delay in release of funds to implementing departments

As per Paragraph 5 of the NLCPR Guidelines, 2016, funds must be transferred to the implementing agency within one month from the date of release by MDoNER. If the fund is not transferred within one month, the projects were liable to be cancelled and the released funds would be utilised for completion of other ongoing projects.

Examination of records of the three sampled NLCPR projects revealed that delays in transfer of GoI funds to implementing departments ranged between 34 and 1,196 days, as shown in **Table 3.3.5**.

Table 3.3.5: Details of delays in release of funds to implementing departments

(₹ in crore)

Sl. No.	Name of Project	Release of fund by MDoNER to GoN		Fund released by GoN to implementing departments		Delay in transfer of funds (in days)
		Date	Amount	Date	Amount	
1.	Up-gradation of road from Alongchen to Mangkolemba *via* Impur, Mopungchuket, Mongchen (ODR to MDR)-19 Km Phase-II	25/05/2017	0.10	30/03/2018	0.10	279
		18/09/2017	7.94	29/03/2018	7.94	162
2.	Providing water supply to Samziuram Village, Peren District, Nagaland	21/11/2017	0.10	24/01/2018	0.10	34
		26/06/2019	6.72	08/10/2019	6.72	74
3.	Construction of 220 KV D/C Transmission Line from Dimapur to Zhadima	21/11/2017	0.10*	--	0.00	1,196
		12/07/2018	38.83	28/09/2018	38.83	48
		06/11/2020	31.00	08/03/2021	31.00	92
		08/12/2020	27.40	31/03/2021	27.40	83
Grand Total		**--**	**112.19**	**--**	**112.09**	**--**

Source: Records of the projects implementing departments (amount is exclusive of State share).

* *State Government had not released token money of ₹10 lakh to the implementing Department as of March 2021.*

Audit examined the delays in the project mentioned at Sl. No. 1 as a sample and noticed that the inordinate delay in release of funds were attributable to various reasons *viz.*, Implementing Department not submitting the proposal in time, delay from the Planning and Coordination Department (PCD), the Nodal Department, and State Finance Department as shown in **Table 3.3.6**.

Table 3.3.6: Delay in processing at various levels for release of funds

Sl. No.	Particulars	Date	Delay in days from date of release	
			₹0.10 crore	**₹7.94 crore**
1.	Release of funds by MDoNER			
	₹0.10 crore	25/05/2017		
	₹7.94 crore	18/09/2017		
2.	Submission of proposal by Implementing Department for placement of funds	08/11/2017	137	21
3.	Clearance by Planning Department	29/03/2018	278	162
4.	Placement of funds by State Finance Department	30/03/2018	279	163
5.	Date of submission of proposal by Implementing Department for expenditure sanction and drawal authority	30/03/2018/ 29/03/2018	279	162
6.	Expenditure sanction by State Finance Department	30/03/2018/ 29/03/2018	279	162

Source: Departmental records

Thus, the Finance Department issued expenditure sanction with a delay of 141 and 142 days from the date of submission of proposal for placement of fund by the Implementing Department, in contravention to NLCPR Guidelines.

The delays in release of funds to the implementing departments impacted the overall progress of work and timely completion of projects thereby resulting in delays in delivery of the intended benefits of the projects to the targeted beneficiaries.

(ii) Inadmissible Departmental Charges

GoN issued an Office Memorandum (November 2005) that recovery of 13 *per cent* Departmental Charges (from works of capital nature) can be waived/reduced if there are justified reasons and if such condition is imposed by Sponsoring Authority such as GoI (CSS) or any International Agency sponsored works.

NLCPR Guidelines (2009 and 2016) stipulated that no staff component shall be created from NLCPR funds. No maintenance work and land acquisition cost will be funded from NLCPR funds. It was further reiterated that funds should be utilised strictly for the purpose for which they were sanctioned, and no diversion of fund would be allowed.

Examination of records relating to "Construction of 220 KV D/C Transmission Line from Dimapur to Zhadima" revealed that deduction of Departmental Charges of ₹2.85 crore was made at source by the State Government as shown in **Table 3.3.7**.

Table 3.3.7: Details of inadmissible Departmental Charges

(₹ in lakh)

Year	GoI released	GoN released	Departmental charges	Net amount
2018-19	3,883.45	0.00	125.35	3758.10
2019-20	0.00	432.61	9.95	422.66
	0.00	30.70	0.35	30.35
	0.00	648.98	14.93	634.05
2020-21	3100	0.00	71.33	3,028.67
	2,740.18	0.00	63.05	2,677.13
Total	**9,723.63**	**1,112.29**	**284.96**	**10,550.96**

Source: Records of the projects implementing departments

Irregular deduction of fund resulted in reduction of the earmarked fund which will impact timely completion of the project.

(iii) Excess payment of mobilisation advance

As per paragraph 10 B (ii) of CPWD, Mobilisation Advance[75] (MA) not exceeding 10 *per cent* of the tendered value may be given. Before advance is released, the contractor shall execute a Bank Guarantee (BG) Bond from Scheduled Bank for an amount equal to 110 *per cent* of the amount of advance and valid for the period till recovery of advance. The mobilisation advance would bear simple interest at the rate of 10 *per cent* per annum. Recovery should be deducted from the contractor's bills commencing after first ten *per cent* of the gross value of work is executed and paid so that the entire advance is recovered by the time eighty *per cent* is executed and paid.

[75] There is no specific provision in Nagaland Public Works Department (NPWD) Code for providing mobilisation advance.

For the project "220 KV D/C transmission line from Dimapur to Zhadima", the CE, (T&G), DoPN awarded (December 2017) the contract to M/s Techno Power Enterprises Pvt. Ltd. & Rausheena Udyog Ltd. Kolkata (JV).

Examination of records revealed that the contractor requested mobilisation advance (March 2019) and submitted seven BGs of ₹18.06 crore. It was observed that against the admissible mobilisation advance of ₹10.81 crore (10 *per cent)*, the contractor was paid ₹17.94 crore (March 2019) resulting in excess payment of ₹7.13 crore out of which only ₹15.58 crore was recovered (October 2022), however, interest was not charged from the contractor. Details of outstanding MA and interest payable are shown in **Table 3.3.8**.

Table 3.3.8: Showing the outstanding amount of advance and interest recoverable

(₹ in lakh)

Period		Outstanding Amount	No. of days	Simple interest @ 10 *per cent* from the outstanding amount
From	To			
31/03/2019	27/09/2019	**1,638.53**	**180**	**80.80**
28/09/2019	18/06/2020	**1,607.16**	**263**	**115.80**
19/06/2020	14/06/2021	**1,343.34**	**361**	**132.86**
15/06/2021	06/08/2021	**546.44**	**53**	**7.93**
07/08/2021	06/08/2022	**479.70**	**365**	**47.97**
07/08/2022	31/10/2022	**236.48**	**86**	**5.57**
Total				**390.93**

Source: Departmental records

Thus, the Department extended undue financial benefit of ₹3.91 crore to the contractors by not recovering the prescribed simple interest at a rate of 10 *per cent* per annum from the outstanding mobilisation advance (October 2022).

(iv) Submission of incorrect Utilisation Certificate

NLCPR Guidelines (2009 and 2016) stipulated that funds released by GoI must be utilised within 12 months from the date of release. Utilisation Certificates (UCs) shall be submitted only when expenditure has been incurred by the implementing agency.

Verification of UCs submitted by DoPN to MDoNER for the project "Construction of 220 KV D/C transmission line from Dimapur to Zhadima" revealed that the actual expenditure was ₹31.43 crore (March 2019) whereas the Government submitted UCs for ₹38.93 crore by over-stating the amount by ₹7.50 crore. The details of expenditure, UCs submitted, and actual expenditure incurred are shown in **Table 3.3.9**.

Table 3.3.9: Details of expenditure, UC submitted and actual expenditure

(₹ in lakh)

Sl. No.	Item	UC as March 2019		Expenditure as per payment voucher	Overstate-ment
		Physical Progress (*per cent*)	Total Expenditure		
1.	Design, Manufacturing and commissioning, supply and testing	17	1,792.06	1,794.25	(-) 2.19
2.	Erection and civil works	29	2,101.39	1,348.86	752.53
Overall Physical progress/ Total Expenditure		**23**	**3,893.45**	**3,143.11**	**750.34**

Source: Departmental records

Similarly, for the project "Providing water supply to Samziuram village, Peren" the Department utilised only ₹0.91 crore (December 2019) and the balance of ₹5.92 crore was retained in the bank account. UCs for ₹6.83 crore was however, submitted, thereby overstating the UCs by ₹5.92 crore. Details of expenditure, UCs submitted, and actual expenditure are shown in **Table 3.3.10**.

Table 3.3.10: Details of expenditure, UC submitted and actual expenditure

(₹ in lakh)

Sl. No.	Item	Physical Progress (in *per cent*) as on December 2019	Total Expenditure	Actual expenditure	Overstatement
1.	Site Development (Service Road)	65	25.87	11.11	14.76
2.	Const, of D/Weir	100	7.56	0	7.56
3.	Const of Desilting Tank	100	2.99	0	2.99
4.	Const of Slow Sand Filter	100	51.68	79.68	-28.00
5.	Procurement of GMS pipe	70	521.1	0	521.1
6.	PCC Anchor block	65	24.53	0	24.53
7.	Pipe appurtenances	75	16.39	0	16.39
8.	Transportation	55	15.92	0	15.92
9.	Head load	60	13.3	0	13.3
10.	Fitting & fixing	40	**3.29**	0	3.29
Overall Physical progress/ Total Expenditure		**45**	**682.65**	**90.79**	**591.84**

Source: Departmental records

Submission of incorrect UCs by overstating the expenditure by ₹13.42 crore in the two projects (***Appendix-3.3.2***) was in contravention to NLCPR guidelines only to secure subsequent instalments from MDoNER.

From the above observation, it can be seen that the financial management in the three NLCPR projects were mismanaged by delaying the release of fund to the two implementing Departments ranging from 34 days to 1,196 days. For the project "Construction of 220 KV D/C transmission line from Dimapur to Zhadima", there was inadmissible deduction of departmental charges, excess payment of mobilisation advances and submission of incorrect UC.

3.3.2.3 Project Implementation

(i) Delay in completion of projects

None of the six projects sanctioned by MDoNER during 2016-21, was completed. Four projects[76] due for completion by December 2021 and March 2022 were still ongoing

[76]

Sl. No.	Name of project	Targeted date of completion
1.	Providing water supply by gravity to Aboi HQ and Longching EAC HQ in Mon District	December 2019
2.	Construction of 220 KV D/C Transmission Line from Dimapur to Zhadima	November 2020
3.	Providing water supply to Samziuram Village, Peren	November 2019
4.	Upgradation of road from Alongchen to Mangkolemba *via* Impur, Mopungchuket, Mongchen (ODR to MDR)-19 Km Phase-II	August 2019

even after extension of 486 to 881 days from the original scheduled date of completion, one project[77] was allowed extension of 1,035 days and for another project *viz.* "Construction of New High Court Complex at Kohima Phase-I", sanctioned in December 2017, even the work order has not been issued (March 2022) (***Appendix 3.3.3***). The details of delays in the three selected projects are discussed in the succeeding paragraphs:

(a) The project "**Up-gradation of road from Alongchen to Mangkolemba *via* Impur, Mopungchuket, Mongchen (ODR to MDR) - 19 Km Phase-II"** approved in May 2017 for ₹22.33 crore was scheduled to be completed by August 2019. It was observed that the project remained incomplete even after lapse of 32 months (March 2022) and an expenditure of ₹14.99 crore was incurred.

The Department attributed the delay in completion of the project to encountering of hard rocks during the execution of work and overall impact of COVID-19 lockdown.

b) The project **"Construction of 220 KV D/C Transmission line from Dimapur to Zhadima",** approved (December 2010) for procurement of tower materials for first 27 Km (₹14.23 crore) and remaining portion (November 2017) of the project for ₹108.16 crore. The project which was stipulated to be completed by November 2020 was still on-going (July 2022).

The Department attributed the delay in completion of the project to the issue of Right of Way (ROW) along with land compensation issues and overall impact of COVID-19 lockdown.

(ii) Idle expenditure

The North East Council (NEC) sanctioned (August 2012) ₹68.58 crore for "Construction of 220 KV Sub-station at Zhadima" for charging the transmission line of 220 KV D/C from Dimapur to Zhadima. The work was completed (March 2019) by incurring an expenditure of ₹68.58 crore. It was observed that the sub-station had not been operationalised/ charged even after 40 months (July 2022) as "Construction of 220 KV D/C transmission line from Dimapur to Zhadima", sanctioned at a cost of ₹108.16 crore under NLCPR, was not completed (July 2022). **Photograph** of the completed SS is placed alongside.

Photograph 3.3.2

Photograph showing construction of Sub Station.

77 Development of Ziekezou Sports Complex, Kohima

Thus, the sub-station at Zhadima constructed at a cost of ₹68.58 crore remained idle due to delay in completion of the transmission line, thereby denying the end users[78] of the intended benefit of uninterrupted power supply.

3.3.2.4 Award of works without open/ advertised tenders

Paragraph 291 of NPWD code stipulates that open sealed tender should be invited before awarding the works. In terms of Central Vigilance Commission (CVC) Order No. 23/7/07 tendering process or public auction is a basic requirement for the award of contract by any Government agency. The order reiterated that equal right should be provided to all interested parties and no contract work should be awarded on nomination basis as it is tantamount to breach of Article 14 of the Constitution guaranteeing right to equality.

The terms and conditions of sanctions and NLCPR Guidelines also stipulated that once the project is approved by MDoNER, it shall be mandatory to award contract after following a transparent tender procedure by giving wide publicity in print media, website, *etc.* Tender notices issued by the State Government are necessarily to be linked to MDoNER website.

Examination of records showed the following:

(a) Scrutiny of tender documents for the project "Construction of 220 KV D/C Transmission line from Dimapur to Zhadima" revealed that the CE, T&G floated Invitation For Bids (IFB) through e-tendering (November 2017) and the State Purchase Board (SPB) selected M/s Techno Power Enterprises, Pvt. Ltd. & Rausheena Udyog Ltd., Kolkata.

It was however observed that e-tendering was uploaded only on the Nagaland tendering website without advertising it in any local or national newspaper or linking the tender notices to MDoNER/NEC website.

(b) For the project "Up-gradation of road from Alongchen to Mangkolemba *via* Impur, Mopungchuket, Mongchen (ODR to MDR) - 19 Km Phase-II", NIT was circulated only to the departmental officials and a copy issued to the Contractor and Supplier Union, Kohima. It was not advertised in local or national newspaper and was not linked to MDoNER/NEC website.

3.3.2.5 Execution of projects

As per Paragraph 325 of NPWD Code, the measurement book (MB) is a most important record, since it is the basis of all accounts of quantities whether of work done by the daily labour or by piece or by contract, or of materials received. It must be an original record of actual measurements and should be recorded in MBs at the site of work.

Paragraph 341 of NPWD Code stipulates that before the bill is prepared, entries in the MB relating to the description and quantities of work or supplies should be scrutinised

[78] Kohima, Phek, Wokha and Kiphire Districts

by the Sub-Divisional Officer (SDO) and the calculation of and "contents or area" should be checked under his supervision.

NLCPR Guidelines, 2016 envisage that the scope of the project indicated in the concept paper should be what is intended to be reflected in the DPR. There should not be any major change in the scope of the project in the DPR against what was proposed in the Concept Paper.

Examination of records and JPV of the three selected projects revealed instances of payment without execution of works, change of location, procurements of materials at exorbitant rates, deviation from the DPR and extension of undue financial benefit to the contractors as discussed below:

(i) Deviation from the DPR and allowing higher rate

On the project "Construction of 220 KV D/C transmission line from Dimapur to Zhadima", Central Electricity Authority (CEA) directed (April 2017) the State to revise the rates as per SOR 2016 prepared by the North Eastern Region Power System Improvement of Project (NERPSIP) and Power Grid Corporation of India Limited (PGCIL).

NLCPR Committee also conveyed to the State Level Empowered Committee (SLEC) (May 2017) that in order to develop a composite power grid, MDoNER would retain the present project proposal based on PGCIL rate. NLCPR Committee directed the State to re-work the cost at par with PGCIL rate for the remaining portion of the transmission line as shown in **Table 3.3.11**.

Table 3.3.11: Detail of re-work cost at par with PGCIL

Sl. No.	Items	Nagaland DPR (in ₹)	Revised as per PGCIL SOR 2016 (in ₹)
1.	ACSR Zebra conductor	2,52,162	2,02,944
2.	Tower steel	71,540	58,216
3.	Hexa bolts and Nuts	96,619	70,814

Source: Departmental records

It was observed that the CE, T&G forwarded (September 2017) compliance note to CEA indicating the revised rates. However, in contravention to the note, DoPN issued Letter of Award (LOA) to the contractor by allowing exorbitant rate for supply of items as shown in **Table 3.3.12**.

Table 3.3.12: Detail of exorbitant rate for supply of items

Sl. No.	Items	PGCIL SOR 2016 (in ₹)	Rates allowed by DoPN	Difference in rate (in ₹)	Quantity procured	Excess (₹ in lakh)
(1)	(2)	(3)	(4)	(5) (4-3)	(6)	(7) (5 x 6)
1.	ACSR Zebra conductor	2,02,944	3,25,000	1,22,056	212 CKm*	258.75
2.	Tower steel	58,216	1,22,560	64,344	2,633 MT	1,694.17
3.	Hexa bolts and Nuts	70,814	1,22,560	51,746	108 MT	55.88
Total						**2,008.80**

Source: Departmental records

* *circuit kilometres (CKm): **The route kilometers of revenue producing circuits in service**, determined by measuring the length in terms of kilometers, of the actual path followed by the transmission medium*

As can be seen from the **Table 3.3.12**, the rates were enhanced without the approval of the CEA/ NLCPR committee resulting in excess payment of ₹20.09 crore and creating an additional charge on the project.

(ii) Excess and avoidable expenditure on Tower material

As per the DPR submitted to MDoNER, the transmission line from Dimapur to Zhadima required 245 towers (3,410.81 MT) covering a distance of 69 Km for ₹18.81 crore and MDoNER sanctioned the full amount as per DPR.

Scrutiny of DPR, progress report submitted to MDoNER and payment vouchers (August 2021) revealed that for 245 approved towers, 3,443.81 MT of Tower High Tensile Steel (THTS) was sanctioned. It was noticed that only 229 towers were required from the tapping point from Dimapur to Zhadima. As a result, the Department procured THTS in excess of requirement having a financial implication of ₹2.73 crore as detailed in **Table 3.3.13**.

Table 3.3.13: Details of approved BoQ and excess procurement

Sl. No.	Number of towers approved	Total Weight (in MT)	Weight per tower (3/2)	Actual towers required	Excess material procured (2-5)	Rate per MT (in ₹)	Excess procured (₹ in lakh) (4 x 6 x 7)
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
1.	245	3,410.81	13.92	229	16	1,22,560	272.97

Source: Departmental records

It was further noticed that the Department procured 3,517 MT of THTS for the project leading to excess procurement of 106.19 MT THTS worth ₹1.30 crore.

The above instance clearly indicates that proper survey and assessment and analysis of actual tower material required was not done resulting in excess and avoidable expenditure of ₹4.03 crore on tower materials.

(iii) Deviation from the approved DPR

As per the approved DPR for the project "Water supply to Samzuiram village", the water treatment reservoir was to be constructed on a hillock between the water source and Samziuram village. It was observed that the Department changed (March 2018) the location of the reservoir to a hillock two Km away from the proposed site due to land ownership dispute. This entailed laying of extra six Km of 100 mm GMS pipe resulting in extra expenditure of ₹1.13 crore[79].

3.3.2.6 Short/ unexecuted items of work

Scrutiny of records relating to the project "Water supply to Samzuiram village" revealed that the Department recorded construction of service road (black topping), retaining wall and overhead GPS tanks in the MB and paid ₹49 lakh to the contractor. JPV (June 2022), however, revealed that no black topping was done and retaining wall and GPS tanks were not constructed. This resulted in excess payment of ₹49 lakh without actual execution of the works (**Details are provided in *Appendix-3.3.4***).

[79] 100 mm per meter ₹1,880 x 6,000 meter = ₹1,12,80,000

Photographs of non-execution of service road, GPS tank and retaining wall are appended below:

		
Photograph 3.3.3: Non-execution of black topping	Photograph 3.3.4: Non-execution of GPS tanks	Photograph 3.3.5: Non-execution of retaining wall

3.3.3 NESIDS

NESIDS Scheme Guidelines stipulate that in order to give a quick start to NESIDS, all NER States were to submit a Concept Note on State Infrastructure Strategy and indicative list of projects proposed to be funded under NESIDS as a part of their initial proposal.

The shelf of projects and designated agency of the State Governments for execution of projects will be identified jointly by the Secretary, MDoNER and the Chief Secretary (CS) of the concerned State. The identified list of projects will be placed before the NESIDS Committee chaired by the Secretary, MDoNER and co-chaired by the CS of the concerned State. The other members of the Committee will be as follows:

i. Chief Executive Officer NITI Aayog or representative not below Joint Secretary.
ii. Expenditure Secretary or representative not below the rank of Joint Secretary.
iii. Home Secretary or representative not below the rank of Joint Secretary.
iv. Foreign Secretary or representative not below the rank of Joint Secretary.
v. Financial Advisor, MDoNER.
vi. Joint Secretary in-charge of NESIDS in the MDoNER.

The recommendations of NESIDS Committee would be submitted to the Minister in-charge of DoNER for in-principle approval before communicating them to the State Government.

The State Government would prepare DPRs of the identified projects based on the in-principle approval communicated by MDoNER. No change in the scope of the project in the DPR against what was proposed in the Concept Paper would be admissible. The SLEC shall authorise institutes of national repute like Indian Institutes of Technology (IIT)/National Institutes of Technology (NIT)/Engineering Colleges for technical and economic appraisal of DPRs for projects recommended by Inter-Ministerial Committee (IMC) and the cost of DPR appraisal by these institutes shall be an admissible component to be included in the project cost.

Out of 13 projects sanctioned by MDoNER, only one project[80] was completed as per schedule and the other three projects[81] were completed with time overrun of 139 to 304 days. Seven projects remained incomplete even after allowing extension for 139 to 630 days from the revised scheduled date of completion *(**Appendix 3.3.3**)*. The remaining two projects were revised to be completed in May and September 2023.

3.3.3.1 Deficiencies in planning and preparation of DPRs

(i) Identification of Priority List, recommendation, retention and sanction of projects

Planning and Co-ordination Department (PCD) received 128 projects for ₹2,758 crore, out of which 80 projects (₹1,975 crore) originated from the concerned line Department and 48 projects (₹782.83 crore) were recommended by elected representatives, Civil Society, NGOs, *etc.* The details of 128 projects received by PCD, sectorial-wise and projects approved with cost by MDoNER are shown in **Table 3.3.14**.

Table 3.3.14: Projects received by PCD and approved by MDoNER

(₹in crore)

Sl. No.	Sector	No of projects received by PCD (2017-2021)	Details of projects approved and sanctioned under NESIDS (2017-21)	
			No. of projects	Amount
1.	Water Supply	5	1	3.14
2.	Power	4	1	20.96
3.	Road & Bridge	44	7	153.71
4.	Tourism	10	0	0
5.	Education	6	2	21.46
6.	Health	4	2	38.96
7.	Others	55	0	0
Total		**128**	**13**	**238.23**

Source: Compiled from information furnished by the Planning and Coordination Department, GoN

The Secretary, MDoNER and State CS identified 29 projects for inclusion in the "State Priority List". It was observed that:

- Out of 29 identified projects (₹648.99 crore) submitted to NESIDS Committee only one project[82] (₹20 crore) originated from the 80 projects received from the line departments.
- 28 projects (₹628.22 crore) were from the 48 projects recommended by the elected representatives, NGOs, *etc.* which were not part of the 128 projects received by PCD.

MDoNER sanctioned 13 out of the 29 identified projects, all of which were those recommended by elected representatives. Year-wise projects proposal, Priority Lists and sanction of projects are shown in **Table 3.3.15.**

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[80] Construction of 92 numbers of separate girls' toilet in Government schools, Nagaland

[81] 1. Construction and widening of road from NH-29 to Sovima village gate-Sovima cricket ground up to Thahekhu village, 2. Development of tourist related infrastructure (road with Heliport) at Touphema tourist village and 3. Scheme of providing stable power supply to Mon district

[82] Setting up of pre-paid power metering system at Dimapur - ₹20 crore

Table 3.3.15: Details of year-wise project proposals, State Priority List and sanctions

(₹ in crore)

<table>
<tr><th rowspan="2">Year</th><th colspan="2">Project proposal from line department</th><th colspan="2">Priority list submitted to MDoNER</th><th colspan="2">Projects sanctioned by MDoNER</th><th rowspan="2">Project approved and sanctioned from shelf of project</th></tr>
<tr><th>No.</th><th>Estimated cost</th><th>No.</th><th>Estimated cost</th><th>No.</th><th>Approved cost</th></tr>
<tr><td>2017-18</td><td rowspan="3">120</td><td rowspan="3">2,523.95</td><td rowspan="3">25</td><td rowspan="3">544.07</td><td rowspan="3">10</td><td rowspan="3">179.28</td><td rowspan="3">0</td></tr>
<tr><td>2018-19</td></tr>
<tr><td>2019-20</td></tr>
<tr><td>2020-21</td><td>8</td><td>234.03</td><td>4</td><td>104.92</td><td>3</td><td>58.95</td><td>0</td></tr>
<tr><td>Total</td><td>128</td><td>2,757.98</td><td>29</td><td>648.99</td><td>13</td><td>238.23</td><td>-</td></tr>
</table>

Source: Compiled from information furnished by the Planning and Coordination Department, GoN

The above fact indicated that the selection process of the projects was originated from the elected representatives instead of the projects originating from the line Department. Further, the objectives of equitable distribution amongst different sectors also defeated due to the fact that the emphasis was given for the creation of infrastructure under Road and Bridge.

(ii) Technical and economic appraisal of project

SLEC meeting (January 2019) authorised the NIT, Nagaland, Dimapur for technical and economic appraisal of DPRs. Accordingly, PCD intimated the selection (January 2019) to the Director, NIT, for vetting of all DPRs. The NIT (February 2019) placed before the PCD, the terms of references and vetting fee of 0.26 *per cent* of the total cost of the project, which was accepted by the PCD (February 2019). It was observed that the NIT vetted and recommended (May 2019) six DPRs without conducting feasibility study at the project sites and financial appraisal as stipulated in the Guidelines. SLEC (May 2019) directed the NIT to visit the site of all the projects vetted by them. The NIT visited the project sites only in June 2019 but no value addition was offered based on the project site visit. SLEC accepted the NIT reports which was vetted before visiting the project site and recommended the projects to MDoNER for sanction.

(iii) Deviation from the Concept Note/ DPR

The project "Development of tourist related infrastructure (road with Heliport) at Touphema tourist village" for ₹17.13 crore was approved by MDoNER (October 2019). As per the Concept Note, the scope of the work was to widen the existing road of other district road category having single lane (3.75 m) to major district road having intermediate lane (5.50 m).

Scrutiny of records of the EE, NPWD (R&B), Chiephobozou Division revealed that the DPR of the carriage way width of the road was prepared as a single lane rather than intermediate lane as projected in the Concept Note. It was also observed that the cost of protection works was enhanced by ₹3.42 crore and new items of works not included in the Concept Note were added.

The EE revised the working estimates, approved by the CE NPWD (R&B) by increasing BoQ for the breast wall (2m height), construction of lounge and addition of new item on construction of RCC protection works and reduced the BoQ on earthwork, retaining walls and number of hume pipe culverts and executed the project as per the revised working estimates as shown in **Table 3.3.16.**

Table 3.3.16: Details of the working estimate

(₹ in lakh)

Sl. No.	Items of works	Unit	DPR	Revised	Difference	
					Reduced quantity (-) Escalated quantity (+)	Reduced amount (-) Escalated amount (+)
1.	Earthworks	m^3	61,410	27,538	(-) 33,872	(-) 7.70
2.	Retaining wall	m	825	469	(-) 356	(-) 17.18
3.	Hume pipe culverts	Nos.	29	20 + 3	(-) 6	(-) 38.84
4.	Retaining Wall at the Periphery of the Heliport	m	395	0	(-) 395	(-) 159.56
5.	Breast wall (2 metre)	m	730	1,718	(+) 988	(+) 161.43
6.	Construction of lounge	m^2	160	160	0	(+) 22.42
7.	Construction of RCC protection works	Nos.	0	30	(+) 30	(+) 39.47

Source: Departmental records

It was observed that no approval was obtained from the State Government or MDoNER by the CE, NPWD (R&B) for the deviations.

Deviations from the Concept Note, approved DPR and variations during actual execution of work points towards defective planning and faulty survey and financial appraisal.

3.3.3.2 Fund Position

Out of 13 NESIDS projects approved for ₹238.24 crore, MDoNER released ₹77.47 crore to GoN during 2016-21. The financial progress of the projects under NESIDS is shown in **Table 3.3.17**.

Table 3.3.17: Details of funds received and expenditure under NESIDS

(₹ in crore)

Year	Projects approved	Total cost	Released by MDoNER	Released by GoN	Funds released by GoN			Expenditure incurred
					MDoNER	GoN Share	Total	
2018-19 2019-20	10	179.28	55.30	55.36	55.30	0.06	55.36	55.36
2020-21	3	58.96	22.17	22.17	22.17	0	22.17	22.17
Total	**13**	**238.24**	**77.47**	**77.53**	**77.47**	**0.06**	**77.53**	**77.53**

Source: Compiled from information furnished by the Planning Department

(i) Delay in release of fund

As per the terms and conditions of sanction orders, it shall be incumbent on the State Government to release the funds for the project to the Implementing Agency immediately after receipt of funds from MDoNER.

Scrutiny of records showed that the the State Government released funds to the implementing departments with delays ranging from 57 to 166 days from the date of release by MDoNER to the State Government in two selected projects, as shown in **Table 3.3.18**.

Table 3.3.18: Details of delays in release of funds

(₹ in crore)

Sl. No.	Name of Project	Release of fund by MDoNER		Fund released by GoN to departments		Delays (in days)
		Date	Amount	Date	Amount	
1.	Development of tourist related infrastructure (road with Heliport) at Touphema tourist village	09/10/2019	0.10	17/03/2020	0.10	158
		30/12/2019	6.73	15/06/2020	6.73	166
2.	Construction and Widening of road from NH-29 Sovima Village Gate-Sovima Cricket Ground up to Thahekhu Village	02/09/2019	0.10	30/10/2019	0.10	57
		30/12/2019	8.66	15/06/2020	8.66	166
Grand Total		**--**	**15.59**	**--**	**15.59**	**--**

Source: Departmental figures and sanction letter of GoI and GoN

Audit analysed the reasons for the delayed release of funds in the project mentioned at Sl. No. 1 above and noticed that the delays were attributable to various reasons *viz.*, Implementing Department not submitting the proposal in time, delay from the Planning and Coordination Department (PCD), the Nodal Department, and State Finance Department as shown in **Table 3.3.19**.

Table 3.3.19: Delay in processing at various levels for release of funds

Sl. No.	Particular	₹0.10 crore		₹6.73 crore	
		Dated	Delays (in days)	Dated	Delays (in days)
1.	Release of funds by MDoNER	09/10/2019	-	30/12/2019	-
2.	Submission of proposal by Implementing Department for placement of funds	24/10/2019	15	18/02/2020	50
3.	Clearance by Planning Department	05/03/2020	148	02/03/2020	63
4.	Placement of funds by State Finance Department (SFD)	29/02/2020	143	15/06/2020	168
5.	Date of submission of proposal by Implementing Department for expenditure sanction and drawal authority	17/03/2020	160	15/06/2020	168
6.	Expenditure Sanction by SFD	17/03/2020	160	15/06/2020	168

Source: Departmental records

Thus, the Finance Department issued expenditure sanction with a delay of 119 and 145 days from the date of submission of proposal for placement of fund by the Implementing Department, in contravention to NESIDS Guidelines.

The delays in release of funds to the implementing departments impacted the overall progress of work and timely completion of projects thereby resulting in delays in delivery of the intended benefits of the projects to the targeted beneficiaries.

3.3.3.3 Execution of project

(i) Avoidable excess expenditure

Scrutiny of Concept Note and DPRs revealed that EE, PWD (R&B), Dimapur Division submitted two Concept Notes (3 May 2018 and 14 May 2018) for the project

"**Construction and Widening of road from NH-29 Sovima Village Gate-Sovima Cricket Ground up to Thahekhu Village gate"** projecting 5.5 Km and 9.2 Km respectively with the same project cost of ₹20 crore. The SLEC proposed (May 2018) the second Concept Note for 9.2 Km to MDoNER for retention. The Department submitted the DPR to MDoNER by reducing the length of the road to 8.5 Km and added extra items of works for ₹2.80 crore which was originally not included in the Concept Notes to cover the minimum project cost of ₹20 crore fixed under NESIDS. MDoNER approved (August 2019) the project for ₹21.97 crore.

JPV revealed that out of the approved road length of 8.5 Km, a stretch of 2.7 Km for ₹5.90 crore fell under NH 229 which was constructed and maintained by National Highway Authority. Besides, there already existed a two-lane road (BRO road) 100 metres away from the proposed road running parallel to each other which conjoined at 5.5 Km.

The above instances indicated that SLEC did not exercise due diligence while accepting the second Concept Note.

The Department also projected in the DPR to replace existing 14 Hume Pipe (HP) culvert 600 mm (₹0.82 crore) with 1,200 mm of HP culvert along the stretch of the road. JPV, however, revealed that 14 HP culvert 600 mm as projected in the DPR was not replaced. Instead, 14 new 1,200 mm HP culvert were constructed at different locations contrary to what was projected in the DPR.

The Department prepared defective and unfeasible Concept Note and DPR which led to deviation and change in scope of works in contravention to NESIDS Guidelines. Construction of 2.7 Km. road falling within the jurisdiction of NH 229 proved unnecessary and resulted in avoidable excess expenditure of ₹5.90 crore.

3.3.3.4 Short/ unexecuted items of work

(a) Examination of records relating to the project **"Construction and widening of road from NH-29 Sovima village gate – Sovima cricket ground up to Thahekhu village"** revealed that the DPR did not have any provision for construction of crash barrier above the toe wall. The contractor was however paid ₹0.18 crore for construction of 320 metres length of crash barrier above the toe wall. Construction of crash barrier was unnecessary as the toe wall already existed which was sufficient to act as a preventive measure and the same was also not incorporated in the DPR. This resulted in an avoidable expenditure of ₹0.18 crore. The construction of crash barrier above the toe wall at 3.2 km (NH 29) is shown in **photograph 3.3.6**.

Photograph 3.3.6

Photograph showing construction of crash barrier above the toe wall at 3.2 km (NH 29)

It was also observed that construction of unlined side drain, earthen shoulders, metal crash barrier, protection wall (toe wall of 1.5 metre height) covering 200 metre length was recorded in the MB and the contractor was paid ₹3.24 crore[83]. JPV (June 2022) however, revealed short execution of unlined side drain, earthen shoulders, metal crash barrier and protection wall as detailed in ***Appendix-3.3.4***. EE, PWD (R&B), Dimapur recorded fictitious entries in the MB and fraudulently paid ₹1.12 crore to the contractor without actual execution of the work as per BoQ.

(b) The EE, Construction Division (R&B) Chiephobozou recorded in the MB, prepared RA bills and paid ₹1.11 crore to the contractor for construction of unlined side drain, earthen shoulders and metal crash barrier against the project **"Development of tourist related infrastructure (road with Heliport) at Touphema"**. JPV (June 2022), however, revealed short execution of unlined side drain, earthen shoulders and metal crash barrier as detailed in ***Appendix-3.3.4***. As a result, the contractor was fraudulently paid ₹0.12 crore without execution of the work as per BoQ.

3.3.4 Monitoring and Evaluation of projects

NLCPR

NLCPR Guidelines (2009 and 2016) stipulated that the monitoring and evaluation of implementation of the projects shall also be undertaken through field inspection by officers of MDoNER as well as through impact studies, social audits and evaluations conducted by Government or through independent agencies. The Ministry should also review the implementation of projects with the State Governments.

3.3.4.1 Monitoring by MDoNER and compliance by the State

The members from Technical Wing of MDoNER along with the members of the implementing Department inspected (April 2018) the project "**Up-gradation of road from Alongchen to Mangkolemba *via* Impur, Mopungchuket, Mongchen- Other District Road (ODR) to Major District Road (MDR) - 19 Km Phase-II**". The inspecting team directed the Department to expedite completion of the remaining works keeping in view the rainy season ahead as per scheduled date of completion (August 2019).

Photograph 3.3.7

Photograph showing multiples potholes on the stretch of completed 9.5 Km

It was observed that the project was inspected (January 2021) by a Board of Officers consisting of representative of PCD and technical officials on the direction of MDoNER. The Board recommended for rectifying the potholes in the completed portion of the road. JPV

[83] (i) Unlined surface drain- ₹12.16 lakh, (ii) Construction of Earthen shoulders- ₹117.52 lakh, (iii) Steel Crash Barrier- ₹93.19 lakh, (iv) Protection wall (Toe wall) 1.5 m- ₹68.61 lakh and 200 metre of road- ₹32.15 lakh

(June 2022), however, revealed multiples potholes on the stretch of completed 9.5 Km as shown in **photograph 3.3.7**.

3.3.4.2 Appointment of Nodal Officer for Monitoring

NLCPR Guidelines (2009 and 2016) envisage that the State shall nominate a 'nodal officer' for each project who would be responsible for project implementation and monitoring.

Out of three projects implemented by three departments[84], two departments (PHED and DoPN) appointed nodal officers for project implementation and monitoring. In projects implemented by NPWD, nodal officer was not appointed.

NESIDS

NESIDS Guidelines (2018) stipulated that IMC shall meet at least once in three months. The IMC would review the progress of implementation of the projects under NESIDS. The State Government shall also install PFMS portal at the State level and link their treasuries to the PFMS portal of MDoNER for tracking of funds released under the scheme.

The State Government shall put in place a robust monitoring mechanism preferably consisting of officials not directly concerned with execution of a particular project for proper execution of the projects sanctioned under the scheme.

The designated agency of the State Government will nominate a nodal officer for each project to complete them as per schedule. The designated agency will publicise the project in the local area. The State Government will encourage the use of modern technical tools of Information Technology (IT) and space technology for monitoring the projects.

Monitoring and evaluation of the project will be undertaken through field inspections by officers of MDoNER as well as through impact studies, social audit and evaluations concerned by Government or through independent agencies on the request of the MDoNER.

3.3.4.3 Monitoring by the Ministry and compliance by the State

Scrutiny of records revealed that though PFMS portal was installed, NESIDS funds were not released to the implementing Departments and Divisions through the PFMS portal. While approving four projects under NESIDS (November 2018), IMC laid down the conditions that the State shall take all measures to develop other infrastructure *inter alia* power, water supply *etc.* in those areas which can facilitate tourism. The Committee also observed that most of the project proposals submitted to the Ministry for funding under NESIDS were in the road sector and directed to propose projects in other sectors mentioned in the NESIDS guidelines.

[84] Public Works Department (Roads & Bridges), Public Health Engineering Department (PHED) and Power Department (DoPN).

It was also observed that out of nine projects sanctioned after November 2018, three projects for ₹72.92 crore (46 *per cent*) were under road sector and six projects for ₹84.52 crore (54 *per cent)* were in other sectors such as Health, Water Supply, Education and Power.

During the IMC meeting held in June 2020, the Committee agreed to give various relaxation on regulation of NESIDS guidelines on proposals of health infrastructures required for fighting COVID-19 which can be undertaken/ completed in short duration and the approved activities must be completed within six months. The State Government assured that fund sanctioned under the proposal would be solely used for COVID-19 related activities and would be utilised as early as possible, but not later than six months from the date of sanction.

However, one project[85] (₹17.96 crore) related to COVID-19 sanctioned in June 2020 required to be completed by January 2021, remained incomplete (March 2022).

It was also observed that except one project[86] which was inaugurated by the Union Minister for DONER in September 2021, no project funded under NESIDS was inspected by officials from MDoNER. IMC also did not monitor, inspect and evaluate the implementation of the projects.

3.3.4.4 Monitoring by the State Level Empowered Committee

Scrutiny of records revealed that out of the 12 SLEC meetings (2018-21) to be conducted by the Chief Secretary (CS), only eight SLEC meetings[87] (67 *per cent*) were held. Out of these eight SLEC (NESIDS) meetings, review of incomplete projects under NLCPR and authorisation of NIT, Nagaland for technical and economic appraisal of DPRs were discussed (January 2019) in the first two meetings[88] and the remaining six meetings were mainly for techno-economic appraisal and recommendation of vetted DPRs.

It was observed that issues like monitoring, review and quality control relating to ongoing NESIDS projects were not discussed in any of the SLEC meetings. Impact studies, social audit and evaluations by State Government or through independent agencies were not conducted.

3.3.4.5 Appointment of Nodal Officer for Monitoring

The nodal officer who was required to be directly involved in the execution of a project was not appointed in NESIDS projects implemented by PWD (R&B). It was also observed that the Department did not engage the State Quality Control Board for periodic inspection and quality check. It was also observed that the State did not encourage the use of modern technical tools of IT/ Space technology for monitoring the projects.

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85 Strengthening health infrastructure for comprehensive response to possible outbreak of COVID-19 in Nagaland

86 Construction and widening of road from NH 229 Sovima village gate-Sovima Cricket ground up to Thahekhu village gate

87 24/04/2018, 30/01/2019, 16/04/2019, 23/05/2019, 07/06/2019, 14/08/2019, 16/03/2020 and 08/02/2021

88 24/04/2018 and 30/01/2019.

3.3.4.6 Transparency and Publicity of Information for NLCPR and NESIDS

Under NLCPR, the State Government, immediately after project approval, was required to put up display boards at the project site indicating the date of sanction, likely date of completion, estimated cost of the project, source of funding *i.e.* NLCPR (GoI), contractor(s) name and the physical target.

JPV (June 2021-July 2022) of the three selected NLCPR projects revealed that only one project[89] adhered to the guidelines while in the case of other two projects[90], the information was not publicised even after four years of sanction of the projects.

Under NESIDS, the scheme guidelines envisaged that to ensure that the information about development schemes being financed through NESIDS reaches the ultimate beneficiaries, there is need to ensure greater transparency and publicity of information. For this purpose, the following should be ensured:

i) All projects being supported from the scheme shall be given wide publicity in local media.

ii) Notice Board, including social audit aspects and QR code, should be made available at the project implementation site. The Board should indicate the date of sanction of the project, likely date of completion, cost of the project, source of funding, name of the designated agency for execution of the project, contractor's name and physical target. After completion of projects, the State Government will put a permanent display on site like plaque on the wall, *etc.* after the asset is created displaying details of NESIDS funding.

JPV (May 2022-July 2022) revealed that permanent display on site like plaque on the wall displaying details of NESIDS funding were not found in the completed project sites[91]. In one project, only the inauguration stone without details of NESIDS funding was erected and semi-permanent structure displaying details of NESIDS funding was erected in the other project.

Thus, the objective to disseminate information to the public at large in both the NLCPR and NESIDS was not achieved.

3.3.5 Conclusion

DPR and Concept Note were prepared without field visits to assess the actual requirements and without analysing the actual BoQ required for the project. The estimates in the DPR were unrealistic indicating lack of proper planning, survey and economic appraisal before preparing the DPRs. In all the five projects of NLCPR and NESIDS, there was delay in release of fund at various levels, from the date of proposal

[89] Up-gradation of road from Alongchen to Mangkolemba *via* Impur, Mopungchuket, Mongchen-Other District Road (ODR) to Major District Road (MDR)- 19 km Phase-II

[90] Construction of 220 K/V D/C Transmission Line from Dimapur to Zhadima and Providing water supply to Samziuram Village, Peren

[91] (1) Construction and widening of road from NH-29 to Sovima village gate-Sovima cricket ground up to Thahekhu village gate and (2) Development of tourist related infrastructure (road with Heliport) at Touphema tourist village

by the implementing department to the date of release by Finance Department, which impacted the timely completion of projects. Delay in completion of transmission lines resulted in idle expenditure of sub-station constructed at ₹68.58 crore. The State Government irregularly deducted Departmental Charges of ₹2.85 crore. Incorrect UCs was submitted against the scheme guidelines. Non-inclusion of contract clause on interest bearing mobilisation advance in the terms and condition of the contract agreement led to loss of ₹3.91 crore to the State Government. Rates of certain items were enhanced over the approved rates of DPR without obtaining approval from the competent authority resulting in excess payment of ₹20.09 crore to contractor. There were instances of excess payment of ₹1.73 crore by recording incorrect entries in the MB without actual execution. The SLEC meetings were not held as mandated and even in the meetings held during the period, no issues related to on-going NESIDS projects were discussed. Except for one project, no inspection was conducted in the projects funded under NESIDS.

3.3.6 Recommendations

The State Government may-

(i) ***ensure preparation of realistic Concept Note and DPRs based on survey and gap analysis and feasibility study at the project site.***

(ii) ***take appropriate measures to complete the time overrun projects with timely release of funds to avoid delay in completion.***

(iii) ***initiate departmental enquiry and fix responsibility against officers/ officials responsible for passing bills based on fictitious measurements, submission of false utilisation certificates, rate enhancement and excess payments.***

Compliance Audit Paragraphs

FOOD AND CIVIL SUPPLIES DEPARTMENT

3.4 Diversion of Superior Kerosene Oil

The State Government violated Government of India directives and diverted Superior Kerosene Oil worth ₹19.56 crore (6,113.19 KL) to other than the targeted beneficiaries under Public Distribution System.

Ministry of Petroleum & Natural Gas (MoPNG), Government of India (GoI), allocates Superior Kerosene Oil (SKO) for distribution under the Public Distribution System[92] (PDS) to States on quarterly basis. The entire allocation is to be lifted within the quarter itself and carry forward of un-lifted quantity is not allowed, except in case of exigencies, such as natural calamities. SKO for distribution under PDS is allocated to States/ Union Territories (UTs) based on electricity and/ or Liquefied Petroleum Gas (LPG)

[92] Public Distribution System means the system for distribution of essential commodities to the ration cardholders through fair price shops, such as rice, wheat, sugar, edible oils, kerosene and such other commodities as are notified by the Central Government under clause (a) of section 2 of the Essential Commodities Act, 1955

penetration and their historical allocations. Further distribution of SKO within States/ UTs through their PDS network is the responsibility of the concerned States/ UTs.

Paragraph 3 of the allotment orders of GoI requires the State to ensure availability of subsidised Kerosene for distribution under PDS to the targeted beneficiaries, for the purposes of cooking and illumination only and not to be diverted for adulteration of petrol/diesel or for any other unintended use.

Further, sub-allocation orders issued by Government of Nagaland (GoN) required the District Food and Civil Supplies (F&CS) offices to furnish monthly Utilisation Certificates (UCs) to the Director, F&CS.

Government of Nagaland (GoN) through 19 SKO authorised dealers and 1,621 Fair Price Shops[93] (FPSs) under PDS, distributed subsidised SKO to 2,84,934 ration cardholders (Priority Household[94]- 2,37,434 and Antyodaya Anna Yojana- 47,500) in the State (March 2021). The State SKO quota was lifted from Indian Oil Corporation Limited (IOCL) whose depots are located at Assam and Nagaland.

Examination of records (August 2021) of the Directorate of F&CS, Nagaland, Dimapur showed that MoPNG allocated 17,892 KL[95] SKO to the State for distribution under PDS during 2019-21. Against the allocation by MoPNG, the Department reported (August 2022) lifting of 13,752 KL SKO from IOCL during 2019-21. Audit cross verified the total lifting as reported by the Department, with that of Indian Petroleum & Natural Gas Statistics (2019-21), MoPNG and data furnished (July 2022) by IOCL. The verification showed that the State Government lifted (through the SKO authorised dealers) 17,367 KL (97.07 *per cent*) resulting in short lifting of 525 KL SKO during 2019-21, which ultimately lapsed. The Department, therefore, understated SKO lifted from IOCL by 3,615 KL (17,367 KL - 13,752 KL). Year-wise SKO lifted by the 19 authorised dealers is detailed in ***Appendix-3.4.1.***

GoN had issued (April 2019-January 2021) district-wise sub-allocation orders for 12,276 KL out of 17,892 KL SKO allocated by MoPNG, for distribution to ration cardholders through FPSs in coordination with the concerned District Administration. It was observed that against 12,276 KL SKO allocated to the Districts for distribution under PDS, the concerned District F&CS offices reported actual receipt of 11,253.81 KL from the SKO dealers and utilisation of 11,233.79 KL SKO (99.82 *per cent*) (***Appendix-3.4.2***). The year-wise SKO allocated by MoPNG, lifted by the State, quantity received for PDS distribution and diverted by the State is shown in **Table 3.4.1**.

[93] 1,323 Rural and 298 Urban FPSs

[94] Under the National Food Security Act (NFSA), 2013 (implemented in the State with effect from July 2016), the erstwhile Below Poverty Line (BPL) and Above Poverty Line (APL) were amalgamated and termed as Priority Household (PHH)

[95] Kilo Liter

Table 3.4.1: Details of SKO utilised by the State

(Figures in KL)

Sl. No.	Year	Allocation by MoPNG	Lifted by State	Quantity of SKO allocated by GoN to Districts for distribution under PDS	Actual quantity of SKO received under PDS	Quantity of SKO diverted by GoN
i	*ii*	*iii*	*iv*	*v*	*vi*	*vii=(iv-vi)*
1.	2019-20	9,300.00	8,928.00	6,831.00	6,174.31	2,753.69
2.	2020-21	8,592.00	8,439.00	5,445.00	5,079.50	3,359.50
Total		**17,892.00**	**17,367.00**	**12,276.00**	**11,253.81**	**6,113.19**

Source: Departmental records, MoPNG and IOCL

As can be seen from above table, 6,113.19 KL SKO lifted from IOCL were diverted by the State for distribution/ utilisation outside the PDS in contravention of Paragraph 3 of the allotment orders issued by GoI. The diverted quantity of 6,113.19 KL of SKO involved subsidy worth ₹19.56 crore[96]. Further scrutiny of records showed that GoN had allotted 4,974 KL SKO to 51 individuals/ distributors while no records was available for the remaining quantity of 1139.19 KL of SKO.

With regard to submission of UCs, Audit noticed that the District F&CS offices submitted UCs only for the quantity distributed through the PDS. In absence of UCs and distribution records, the possibility of diversion of 6,113.19 KL of SKO involving subsidy of ₹19.56 crore to open market or adulteration of petrol/diesel cannot be ruled out.

On this being pointed out, the Government accepted (September 2022) that 17,367 KL of SKO was lifted by the State. Out of 12,276 KL allotted for ration cardholders, 11,253.81 KL was lifted; UCs for 11,233.79 KL was furnished and UCs for 20.02 KL of SKO are pending. It was further added that a quantity of 4,974 KL was allocated to individuals.

Thus, the State Government violated GoI directives and diverted SKO to open market other than the targeted beneficiaries under PDS.

Recommendations:

The State Government may-

(i) ***strengthen and enforce monitoring mechanism effectively at various levels to ensure accountability in implementation of the Scheme.***

(ii) ***fix responsibility on the officials concerned for diversion of the SKO meant only for distribution to beneficiaries covered under PDS.***

[96] 6,113,190 liters x subsidised rate of ₹32 per liter

AGRICULTURE DEPARTMENT

3.5 Excess payment

The Agriculture Department arbitrarily reduced/ increased procurement of Tractors, Power Tillers and Brush Cutters and deviated from the physical and financial targets approved by GoI. The financial assistance/ cost norms of ₹1.25 lakh per beneficiary was not followed and expenditure of ₹3.41 crore was incurred on five items which was not approved by GoI. The Department also made excess payment of ₹7.20 crore to the supplier without actual receipt of the full items

Rule 208 of General Financial Rules (GFR), 2017 states that all materials shall be counted, measured or weighed and subjected to visual inspection at the time of receipt to ensure that the quantities are correct, the quality is according to the required specifications and there is no damage or deficiency in the materials. Details of the material so received should thereafter be entered in the appropriate stock register. The officer-in charge of stores should certify that he has actually received the material and recorded it in the appropriate stock registers.

As per the Sub-Mission on Agricultural Mechanisation (SMAM) operational guidelines, the cost norms for financial assistance for procurement of machinery/ implements under 'Promotion of Farm Machinery and Equipment in North Eastern Region' sub- component, the maximum financial assistance was limited to ₹1.25 lakh or 100 *per cent* cost of machinery/ implement/ equipment per beneficiary.

Examination of records (April 2022) revealed that Government of Nagaland (GoN) submitted (September 2018) a proposal to the Department of Agriculture, Cooperation and Farmers Welfare (DAC&FW), Government of India (GoI) for 'Promotion of Farm Machinery and Equipment in North Eastern Region' under SMAM amounting to ₹33.33 crore for the year 2018-19. GoI approved (October 2018) the proposal for ₹24.40 crore on 90:10 sharing pattern between Central (₹21.96 crore) and State (₹2.44 crore) Governments.

GoI released (November 2018) the entire share of ₹21.96 crore (in two instalments of ₹10.98 crore each) to the State and GoN in turn released (February-October 2019) ₹24.40 crore[97] to the implementing Department. The physical and financial targets approved by GoI and implemented by the State is shown in **Table 3.5.1**.

Table 3.5.1: Physical and financial targets approved by GoI and implemented by GoN

(₹ in crore)

Sl. No.	Particular	Approved by GoI		Implemented by State	
		Physical (nos.)	Financial	Physical (nos.)	Expenditure
1.	Tractor	400	5.00	49	4.90
2.	Power Tiller	800	10.00	350	7.63
3.	Brush Cutter	752	9.40	1692	8.46
4.	Falcon Premium Garden Tools	0	0.00	400	0.80

[97] GoI share ₹21.96 crore in February 2019 and GoN share ₹2.44 crore in October 2019

Sl. No.	Particular	Approved by GoI		Implemented by State	
		Physical (nos.)	Financial	Physical (nos.)	Expenditure
5.	Transportation of farm machinery to districts	0	0.00	-	0.17
6.	Training & Demonstration @ ₹4,000/ hectare (Ha)	0	0.00	4,820 Ha	1.93
7.	Honorarium for resource persons	0	0.00	-	0.39
8.	Documentation of Success Stories	0	0.00	-	0.12
Total		**--**	**24.40**	**--**	**24.40**

Source: Departmental records

Further examination of records revealed that instead of providing financial assistance[98] to the beneficiary, the Department issued (November 2018) five supply orders for ₹21.79 crore (inclusive of GST and transportation charges) to three suppliers empanelled by GoN for supply of machineries/ equipment during 2018-19 as detailed in ***Appendix-3.5.1***. In this connection, Audit observed the following:

A. Instead of providing the maximum admissible financial assistance of ₹1.25 lakh per tractor to each beneficiary, the Department procured 49 tractors at a cost of ₹4.90 crore in violation of the Scheme operational guidelines and distributed the tractors for free to 49 beneficiaries. This not only resulted in denial of intended benefits to 351 beneficiaries but also led to allowance of financial assistance in excess of the maximum limit of ₹1.25 lakh to 49 beneficiaries. The excess financial assistance amounted to ₹4.29 crore.

B. Similarly, the Department procured 350 Power Tillers at a cost of ₹7.63 crore in violation of the Scheme operational guidelines and distributed the tillers for free to 350 beneficiaries. This also resulted in denial of intended benefits to 450 beneficiaries and led to allowance of financial assistance in excess of the maximum limit of ₹1.25 lakh to 350 beneficiaries. The excess financial assistance amounted to ₹4.19 crore.

C. In the case of Brush Cutter, the Department reportedly procured 1,652 units, against the approved target of 752 units, at a cost of ₹8.46 crore in violation of the Scheme operational guidelines and distributed the same to 1,652 beneficiaries.

It was seen from records that the supplier M/s H.T Enterprises[99], Dimapur (registered as M/s Hyusinlo Thong) was paid ₹8.46 crore[100] (including GST of ₹1.29 crore) by the Department for supply of 1,692 Brush Cutters on the certificate given by the Officer in-charge of Departmental Central Store, Dimapur, Nagaland that the materials were received (December 2018 to February 2019) in full and in good condition and accounted for in the stock register. The copies of the manufacturer invoices, e-way bills and consignment note/ lorry receipts of transporters were however not available on record. Further, the Department could not furnish the copies of the manufacturer's

[98] Para 6.4.2 of the SMAM Operational Guidelines (2018-19) states that the District Level Executive Committee (DLEC) is responsible for identification/ selection of beneficiaries and disbursement of financial assistance to the beneficiaries after ensuring the proof of procurement of equipment/ inputs as per provisions and norms of the Scheme

[99] GSTIN 13AIYPT7481Q1ZW

[100] ₹3.50 crore on 15/03/2019 and ₹4.96 crore on 10/05/2019

price, departmental analysis of rates and Government approved rates of farm machineries/ equipment.

To authenticate the actual supply of the machineries, Audit took up (August 2022) the matter with the Commissioner of Goods and Services Tax (CGST), Dimapur, Nagaland with the request to furnish e-way bills[101] and GSTR-2A returns. As per the e-way bills and GSTR-2A provided (September 2022) by the CGST, the supplier had actually purchased Brush Cutters worth ₹1.26 crore (including GST of ₹19.22 lakh) from a Guwahati based dealer[102] during 2018-19 (***Appendix-3.5.2***). The CGST, Dimapur, Nagaland also stated (March 2022) that M/s H.T Enterprises, Dimapur had paid tax of ₹12,676 only (CGST ₹6,338 and SGST ₹6,338). The above information from the Tax Authorities clearly indicated that the supplier had not supplied the full quantity of 1,692 Brush Cutters but the Department made the payment in full.

D. In addition to the farm implements, the Department also procured 400 Falcon Premium Garden Tools at a cost of ₹0.80 crore and executed four more components at a cost of ₹2.61 crore (details are given in **Table 3.5.1**), which was not approved by GoI and was thus irregular.

Thus, the financial assistance norms of ₹1.25 lakh per beneficiary was also not followed leading to deprival of benefits to 801 beneficiaries. Further, expenditure of ₹3.41 crore (₹0.80 crore *plus* ₹2.61 crore) was incurred on five items which was not approved by GoI.

In reply, the Government stated (October 2022) that the Directorate of Agriculture has awarded supply orders to empanelled dealers with procurement rates as per the cost norms given in the Operational guidelines for smooth services and timely completion of targeted operations. As for the Department Analysis of rates and Government approved rates of farm machineries/ equipment, the Department followed cost norms given in the SMAM Operational Guidelines, 2018-19.

The Department further added that they do not maintain manufacturer invoices, e-way bills, *etc.* and that the Department has no mechanism to check GST payment by the supplier. The Department's only concern is whether all materials were received in full and in good condition as per the supplied terms and conditions.

The justifications provided by the Department are indicative of the fact that the proposal was submitted to GoI only to obtain the funds whereas the actual implementation of the scheme deviated from the Scheme guidelines.

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[101] e-way bill is a document required to be carried by a person in charge of the conveyance carrying any consignment of goods of value exceeding fifty thousand rupees as mandated by the Government in terms of Section 68 of the Goods and Services Tax Act read with Rule 138 of the rules framed thereunder. It is generated from the GST Common Portal for e-Way bill system by the registered persons or transporters who cause movement of goods of consignment before commencement of such movement

[102] M/s Trihasti Trade Co (GSTIN 18BHUPS0713E1Z5)

Recommendations:

The State Government may-

(i) ***investigate the matter and fix responsibility on the officers/ officials involved in the procurement process for making excess payment to the supplier.***

(ii) ***ensure that the Scheme is implemented as per the physical and financial targets approved by GoI.***