

## Chapter-I Introduction

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from the Performance Audits and test audit of transactions of various Departments of the Government of Nagaland pertaining to Social, Economic, General and Revenue Sectors. The primary purpose of this Report is to bring to the notice of the State Legislature the significant results of audit.

During 2020-22, the Principal Accountant General (Audit), Nagaland, planned for audit of 363 units<sup>1</sup> out of total 1,155 units, after carrying out risk assessment and keeping in view the available manpower, of which 438 units<sup>2</sup> were audited.

This Report contains three Performance Audits titled “**Performance Audit of Kohima Smart City Mission**”, “**Implementation of Pradhan Mantri-Kisan Samman Nidhi Scheme in Nagaland**” and “**Implementation of Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) and Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya)**” and 12 Compliance Audit Paragraphs which includes two Subject Specific Compliance Audits on “**Review of Ministry of Development of North Eastern Region funded under Non Lapsable Central Pool of Resources and North Eastern Special Infrastructure Development Schemes in Nagaland**” and “**Funds released under Special Assistance– Creation of Capital Assets**”.

The Report has 48 appendices, containing data collected from the departments as well as several sources in support of the audit observations.

## Chapter-II Social Sector

### Performance Audit

#### Municipal Affairs Department

##### Performance Audit of Kohima Smart City Mission

A Performance Audit of “Kohima Smart City Mission” was carried out covering the period from 2016-17 to 2020-21. The Performance Audit revealed several deficiencies in implementation of mission as highlighted below:

Out of 61 prioritised projects under Kohima Smart City Development, only 28 DPRs was completed. Out of completed DPRs, only eight projects were completed (October 2021). The delay in implementation of projects is attributable to delay in release of fund by the funding agencies and injudicious utilisation of available resources by the Management.

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<sup>1</sup> 129 units were planned for audit during 2020-21 and 234 units were planned for audit during 2021-22

<sup>2</sup> 159 units during 2020-21 and 279 units during 2021-22

Kohima Smart City Development Limited (KSCDL) did not prioritise the core infrastructure elements, prepare any feasibility report and revenue model in violation of the guiding principles. Non-preparation of feasibility and revenue model has resulted in failure to attract PPP and implementation of projects through convergence. Improper planning in implementation of project beyond the scope and objective of Smart City Mission had resulted in infructuous expenditure of ₹70.75 lakh on procurement of water ATM and water tanker. Non-assessment of feasibility of the project before its implementation resulted in infructuous expenditure of ₹85.57 lakh on Construction of Multi Utility Duct. The State Government did not release its share of funding, GoI did not release the subsequent instalments of ₹300 crore. Instance of non-deduction of TDS on income tax and non-adherence to Ministry's Advisory and orders to roll out the EAT module through PFMS indicated deficiencies in the financial management system. Non-preparation of accounts and non-maintenance of records indicated deficiency in internal control mechanism and absence of baseline accountability of the Management.

***Recommendations:***

***The State Government may-***

- (i) formulate plans for infrastructure development as per the prevailing Smart City Mission Guidelines.***
- (ii) ensure that the Detailed Project Reports are mandatorily prepared and got approved from the competent authority before taking up any project.***
- (iii) follow the tendering procedure as laid down in the General Financial Rules/ manual of the Central Vigilance Commission for awarding the works at the most competitive rates.***
- (iv) take initiative for convergence of the ongoing projects under the Smart City Mission with other similar Central/ State Government schemes to derive the maximum benefit in implementation of the Smart City Projects in the State.***
- (v) fix responsibility for non-preparation of revenue model, execution of work without tendering, excess/ extra expenditure and deviation from the scope of project.***
- (vi) take steps to recover the excess/extra expenditure incurred in execution of works.***
- (vii) strengthen monitoring by instituting a robust reporting mechanism and conducting prescribed review meetings at various levels.***
- (viii) identify measurable indices for assessing the performance of the contractors and conduct impact assessment of the Scheme.***

***(Paragraph 2.2)***

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## **Compliance Audit Paragraphs**

### **Municipal Affairs Department**

The State Government failed to execute fresh MoU for establishment of Modern Abattoir even after a lapse of more than one year from the date of cancellation of MoU

and the facility constructed at a cost of ₹17.15 crore is lying idle since the last four years.

**Recommendation:** *The State Government may take necessary steps to execute a fresh Memorandum of Agreement so that the objective of the project is fulfilled without further delay.*

*(Paragraph 2.3)*

### Urban Development Department

The proposed road of 18.85 Km to connect Peren District Road (Ngwalwa) and National Highway-39 (Chumukedima) remained incomplete even after a lapse of more than 10 years leading to unfruitful expenditure of ₹9.21 crore and non-fulfilment of the intended objective.

**Recommendations:**

*The State Government may-*

- (i) ensure that DPR is prepared after detailed survey and all requisite clearances obtained before award of work. Besides, responsibility may be fixed on the Departmental Officers for the faulty planning and survey.*
- (ii) earmark resources to complete the balance portion of the incomplete work so that the objective of the project is fulfilled without further delay.*

*(Paragraph 2.4)*

## Chapter-III Economic Sector

### Performance Audit

#### Agriculture Department

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

A Performance Audit on “Implementation of Pradhan Mantri-Kisan Samman Nidhi Scheme in Nagaland” was carried out covering the period from 2018-19 to 2020-21. The Performance Audit revealed several deficiencies in implementation of the scheme as highlighted below:

Out of 3,44,983 applications uploaded, 2,13,682 applications 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.

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 Pradhan Mantri-Kisan Samman Nidhi (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 State Project Monitoring Unit and State & District Level Grievance Redressal Monitoring Committees. 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.*

**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.*

(Paragraph 3.2)

## Subject Specific Compliance Audit

### Planning and Coordination Department

#### 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

A Subject Specific Compliance Audit (SSCA) on “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” was carried out covering the projects sanctioned during 2016-17 to 2020-21. The SSCA revealed several deficiencies in implementation of the scheme as highlighted below:

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 by the implementing department to the date of release by Finance Department which impacted the timely completion of projects. Delay in completion of transmission line 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 on the projects funded under NESIDS.

#### 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.*

*(Paragraph 3.3)*

### **Compliance Audit Paragraphs**

#### **Food and Civil Supplies Department**

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.

**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.*

*(Paragraph 3.4)*

#### **Agriculture Department**

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.

**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.*

*(Paragraph 3.5)*

## Chapter-IV General Sector

### Subject Specific Compliance Audit

#### Finance Department

#### Funds released under Special Assistance– Creation of Capital Assets

A Subject Specific Compliance Audit (SSCA) on “Funds released under Special Assistance– Creation of Capital Assets” was carried out covering the Special Assistance (SA) funds sanctioned by the GoI during 2018-19 to 2020-21. The SSCA revealed several deficiencies in creation of capital assets out of the SA Funds released as highlighted below:

Audit examined 6 projects in 6 Departments out of 14 projects in 14 Departments. Total consolidated amount released by GoN against the earmarked projects in the six selected Departments was ₹960.65 crore<sup>3</sup> since inception of the projects.

Nine out of 14 projects remained incomplete but were shown as complete as per the progress report. Non/short release of funds (₹57.38 crore out of ₹76.72 crore) to seven out of 14 Departments by the State Government for which fund were allocated to complete the earmarked projects. Funds of ₹38.58 crore were diverted to meet liabilities of the Departments on unapproved projects other than the earmarked projects. An amount of ₹5.29 crore out of ₹70.01 crore was utilised to meet revenue expenditure instead of capital expenditure. Release of fund to two implementing Departments were delayed by 7 to 11 months after the financial year for which it was sanctioned.

#### **Recommendations:**

- *SA fund released by GoI to complete the earmarked works should be released in accordance with the terms and conditions of GoI sanction and funds received for completed projects should be returned back to GoI.*
- *Funds provided by GoI for the intended purpose should be released as earmarked and all incomplete projects should be expeditiously completed.*
- *Submission of UCs as envisaged in the terms and conditions of the sanction order should be mandatorily followed to give a reasonable assurance that the target of creating Capital Assets is met.*
- *The State Government should ensure that the departments do not utilise funds meant for Capital Expenditure for expenditure of Revenue nature.*

*(Paragraph 4.2)*

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<sup>3</sup> ₹524.33 crore (since 2006) + ₹366.32 crore + ₹70 crore (State Development fund released to two Battalions for clearing liabilities)

## **Compliance Audit Paragraphs**

### **Finance (Treasuries & Accounts) Department**

Failure of the Drawing and Disbursing Officers and Treasury Officers to exercise prescribed checks resulted in fraudulent/ double/ excess drawals of ₹2.26 crore.

**Recommendations:**

*The State Government may-*

- (i) investigate the matter and take appropriate action against the delinquent officers for the criminal offense of fraudulent withdrawal/ theft of public money.*
- (ii) take steps to recover the amount misappropriated immediately from the concerned employees/ DDOs/ TOs with penal interest.*
- (iii) investigate all such matters for all the Departments of the State.*
- (iv) initiate steps to strengthen the internal control mechanism in all departments to prevent recurrence of fraudulent drawals and ensure that appropriate checks and balances are in place.*
- (v) refer the cases to State Vigilance Commission for further investigation.*

*(Paragraph 4.3)*

### **Public Works (Mechanical) Department**

Failure of the Treasury Officer in exercising the prescribed checks while passing Work-Charged salary cheques/ bills facilitated unauthorised diversion of funds of ₹83.50 lakh from the Salary head by the Mechanical Engineer, Public Works Department, Mechanical Division-I, Kohima.

**Recommendations:**

*The State Government may-*

- (i) strengthen the internal control mechanism to ensure that such diversions do not occur in future.*
- (ii) fix responsibility on the officials concerned for such violations of the budgetary norms.*

*(Paragraph 4.4)*

### **Home (Village Guards) Department**

Failure of the Treasury Officers in exercising the prescribed checks while passing the additional Ration Allowance bills presented by three Drawing and Disbursing Officers of the Village Guards Organisation resulted in unauthorised drawal of ₹2.40 crore.



**Recommendations:**

*The State Government may-*

- (i) *initiate appropriate action against the erring officers responsible for the fraudulent drawals and recover the amount from the concerned employees/ DDOs/ TOs.*
- (ii) *take steps to strengthen the internal control mechanism in VG organisation to prevent recurrence of fraudulent drawals and ensure that the checks and balances are in place.*

*(Paragraph 4.5)*

## Chapter-V

### Revenue Sector

#### Compliance Audit Paragraphs

#### Finance (Taxation) Department

Non-assessment of returns of 11 dealers within the stipulated time limit by the Assessing Authority led to loss of revenue of ₹15.60 crore as the assessment had now become time barred.

**Recommendations:**

*The State Government may-*

- (i) *take necessary steps to fix responsibility on the officers concerned for causing loss of revenue to Government. Immediate action may be taken to assess the six dealers before the cases become time barred.*
- (ii) *take appropriate action against the dealers as per the Act/ Rules for wilful pilferage of Government revenue.*
- (iii) *put in place effective monitoring mechanism and controls to prevent such occurrences in future.*

*(Paragraph 5.2)*

Allowance of concessional rate of tax on inter-State sales turnover not supported by statutory 'C' forms and acceptance of fake 'C' form by the Superintendent of Taxes resulted in evasion of tax of ₹1.14 crore on which an interest of ₹1.40 crore was also leviable.

**Recommendations:**

*The State Government may-*

- (i) *fix responsibility on the officials for wilful negligence, failure to exercise due diligence and non-compliance of acts and rules leading to loss of revenue besides recovery of the pending dues from the assesssee.*
- (ii) *take appropriate action against the dealer for wilful pilferage of Government revenue.*
- (iii) *introduce internal controls to check the leakage of Government revenue.*

*(Paragraph 5.3)*

Failure to undertake reconciliation of challans submitted by two dealers with Treasury receipts in Government Account resulted in loss of Government revenue of ₹1.36 crore due to forged challans. Besides, the two dealers defaulted in payment of tax of ₹3.85 crore and were also liable to pay interest of ₹2.26 crore.

***Recommendations:***

***The State Government may-***

- (i) establish an institutional mechanism for verification of challans submitted by dealers with Treasury advice list/Treasury records and ensure that only verified payment of taxes is taken into consideration while making assessment.***
- (ii) fix responsibility on the officials concerned for their negligence to exercise due diligence while making assessments and ensure that the amount of tax due from the dealers is recovered with penal interest.***
- (iii) take appropriate legal action against the dealers as per the Act/ Rules for wilful pilferage of Government revenue.***

***(Paragraph 5.4)***

## **Chapter-VI**

### **Economic Sector (Public Sector Undertakings)**

As on 31 March 2022, the State of Nagaland had seven PSUs (five working companies and two non-working companies), wherein the investment of the State Government (capital and long-term loans) in six PSUs was ₹118.59 crore consisting of ₹42.26 crore (35.64 per cent) towards capital and ₹76.33 crore (64.36 per cent) towards long-term loans. The combined investment of State and Other Stakeholders as on 31 March 2022 in PSUs under various important sectors stood at ₹118.59 crore. The combined investment was highest in the Finance Sector PSUs (₹81.99 crore) followed by Miscellaneous Sector PSUs (₹20.31 crore).

***(Paragraphs 6.1.1, 6.1.2 and 6.1.2.1)***

As per the information available as on 30 September 2022, five working PSUs had arrears of total 15 accounts ranging from one to five years. During 2021-22, three working PSUs finalised total three accounts, while remaining two PSUs namely Nagaland State Mineral Development Corporation and Nagaland Hotels Limited did not submit any account during the year 2021-22.

***(Paragraph 6.1.5)***

As per the information furnished by the PSUs, during 2021-22 the State Government has provided budgetary support of ₹32.58 crore in the form of long-term loans (₹4.28 crore) and grants/subsidy (₹28.30 crore).

***(Paragraph 6.1.7)***

As per the latest finalised accounts of PSUs as on 30 September 2022, the turnover of four working PSUs stood at ₹6.05 crore. The accumulated losses (₹73.33 crore) of three out of four working PSUs had completely eroded their paid-up capital (₹24.85 crore)

as per their latest finalised accounts. During 2021-22, four working PSUs incurred overall losses of ₹5.84 crore as per their latest finalised accounts.

*(Paragraphs 6.1.8.1 and 6.1.8.2)*

## Performance Audit

### Department of Power

#### Implementation of Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) and Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya)

A Performance Audit on “Implementation Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) and Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya)” was carried out covering the period from 2014-15 to 2020-21. The Performance Audit revealed several deficiencies in implementation of the scheme(s) as highlighted below:

GoI approved 63 DPRs (₹315.35 crore) for implementation of DDUGJY and Saubhagya schemes in all the 11 districts of Nagaland (2014-20). Out of 11 districts, 30 DPRs in six districts<sup>4</sup> (₹213.52 crore) were selected for audit.

Department of Power, Nagaland (DoPN) completed electrification works in 793 villages (88 *per cent*) under the scheme as on 31 March 2021 against the envisaged target of 900 villages (UE: 82 + PE: 818).

The Department could not achieve the objectives of DDUGJY/ Saubhagya schemes to provide 24x7 power supply and reduction of Aggregate Technical & Commercial (AT&C) losses. There was cost-overrun of ₹4.66 crore on re-tendering, forfeiture of ₹11.45 crore additional GoI grant due to delay in completion of works and extra expenditure of ₹2.46 crore on procurement of consumer meters. The Department incurred idle expenditure of ₹25.74 crore on metering of rural BPL households, ₹9.85 crore on metering of Distribution Transformers and free electricity connections provided to ineligible beneficiaries. The Quality Assurance Inspections and Monitoring was ineffective.

#### **Recommendations:**

##### ***The Department of Power should-***

- (i) ensure conduct of detailed field study prior to preparation of DPRs.***
- (ii) devise effective systems to ensure efficient billing based on actual meter reading and collection of revenue to reduce AT&C losses.***
- (iii) institute a system for conduct of periodic Energy Accounting and Audit.***

*(Paragraph 6.2)*

<sup>4</sup> Dimapur, Wokha, Peren, Mon, Phek and Tuensang

## **Chapter-VII**

### **Follow-up of Audit observations**

As of March 2022, out of 1,739 recommendations of the PAC made during the period from 1990-91 to 2021-22, 1,217 ATNs on the recommendations had been submitted to the PAC and discussed.

*(Paragraph 7.1)*

As of March 2022, 1,751 IRs containing major paragraphs issued from 1997-98 onwards were pending for settlement. The large pendency of IRs was indicative of absence of adequate action to rectify the defects, omissions and irregularities pointed out through IRs by the Heads of Offices and Heads of the Departments.

***Recommendation:***

***The Government may look into the matter and consider streamlining the system to ensure timely response to audit observations. Action may be taken against the officials who fail to send replies to IRs/paragraphs as per prescribed time schedule and the losses/ outstanding advances/overpayments may be recovered in a time bound manner.***

*(Paragraph 7.3)*

During 2020-21, three Audit Committee Meetings (ACM) were convened to clear the outstanding audit observations. In the ACM, 06 IRs consisting of 30 paragraphs pertaining to SCERT Department, 06 IRs consisting of 29 paragraphs pertaining to Technical Education Department and 03 IRs consisting of 18 paragraphs pertaining to Fire & Emergency Services Department had been discussed. Out of which 2 IRs and 18 paragraphs in respect of SCERT, 4 IRs and 22 paragraphs in respect of Technical Education and 2 IRs and 12 paragraphs in respect of Fire & Emergency Services Departments respectively had been settled.

Similarly, during 2021-22, two Audit Committee Meetings were convened to clear the outstanding audit observations. 20 IRs consisting of 72 paragraphs pertaining to Horticulture Department and 21 IRs consisting of 73 paragraphs pertaining to Water Resources Department respectively had been discussed, out of which 11 IRs and 50 paragraphs in respect of Horticulture Department and 5 IRs and 38 paragraphs in respect of Water Resources Department respectively had been settled.

*(Paragraph 7.4)*