

CHAPTER-I
INTRODUCTION

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1.1 About this Report

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

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

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

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

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

Under the directions of C&AG, the Office of the Principal Accountant General (Audit), Nagaland conducts audit of Government departments, Public Sector Undertakings, Autonomous Bodies and other Institutions¹ under Social, Economic, General and Revenue Sectors, which are spread all over the State. The Principal Accountant General (Audit) is assisted by one Senior Deputy Accountant General.

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

¹ Audit of World Bank assisted projects, Asian Development Bank assisted projects *etc.*

Act. The C&AG prescribes the principles and methodologies for various audits in the Auditing Standards and the Regulations on Audit and Accounts, 2020.

1.3 Planning and conduct of Audit

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

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

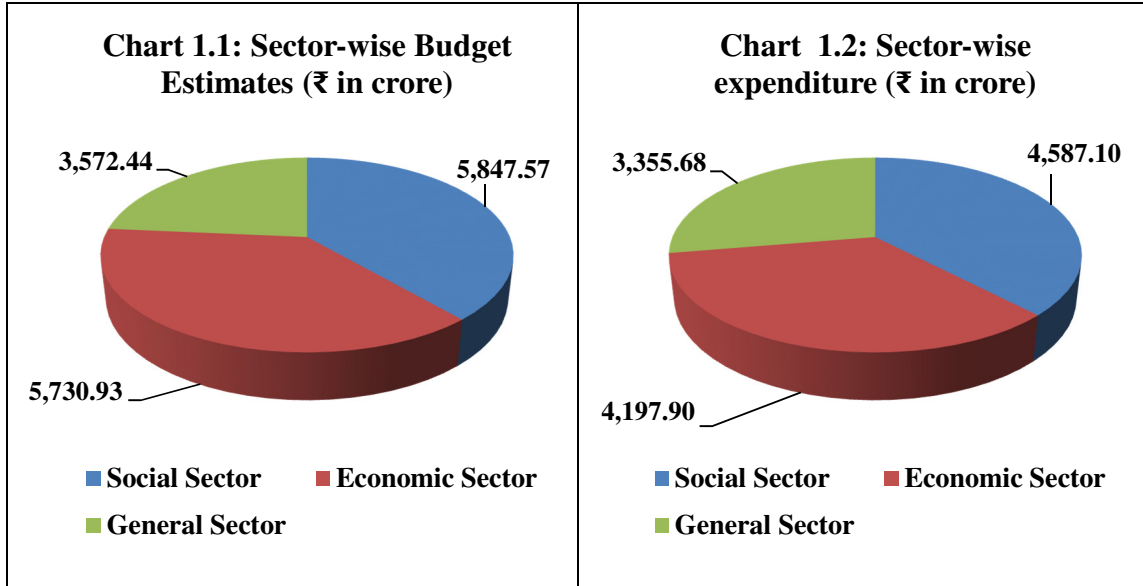
The Audit Plan is prepared in such a way that it fits into the long term and short term goals of audit in consonance with the overall “Vision and Mission” of the Supreme Audit Institution of India. It has been prepared after carrying out risk assessment and keeping in view the available manpower. Elements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

Considering the availability of resources, focus has been given on areas of high financial risk rather than thinly spreading out the available resources throughout the Government activities. This would have better socio-economic impact and add value to governance. Out of 1,204 units, 392 units were planned for audit during 2022-23 after carrying out risk assessment, of which 402 units² were actually audited during 2022-23.

² Including 16 Central Units

1.4 Significant Audit Observations

During the year 2022-23, the State Government incurred an expenditure of ₹12,140.68 crore³ against the budget provision of ₹15,150.94 crore⁴ under Social, Economic and General Sectors. Sector-wise budget estimates and expenditure are depicted in **Charts 1.1** and **1.2**.



Source: Appropriation Accounts, 2022-23

This Report, *inter alia*, contains three Performance Audits viz., “Welfare of Building and Other Construction Workers in Nagaland”, “Modernisation of Police Forces” and “Solid Waste Management in Nagaland”, three Subject Specific Compliance Audits viz. “Public Health Infrastructure and Management of Primary Health Services”, “Goods and Services Tax- Department’s Oversight on GST Payments and Returns Filing in Nagaland” and “Implementation of 74th Constitutional Amendment Act in Nagaland” and major findings of audit from test-check of the transactions of 385 units⁵ involving an expenditure of ₹21,117.69 crore⁶ under Social, Economic, and General Sectors. Significant audit findings are discussed in the respective chapters.

³ Social: ₹4,587.10 crore; Economic: ₹4,197.90 crore; General: ₹3,355.68 crore

⁴ Social: ₹5,847.57 crore; Economic: ₹5,730.93 crore; General: ₹3,572.44 crore

⁵ Social: 153 units; Economic: 174 units; General: 58 units

⁶ Social: ₹7,671.42 crore; Economic: ₹7,653.62 crore; General: ₹5,792.65 crore