

CHAPTER-III
ECONOMIC SECTOR

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ECONOMIC SECTOR

3.1 Introduction

This chapter of the Audit Report for the year ended 31 March 2023 deals with audit observations on the working of the State Government departments under Economic Sector.

During 2022-23, total budget allocation of the State Government in the Departments under Economic Sector was ₹5,730.93 crore against which actual expenditure incurred was ₹4,197.90 crore (73 per cent). The Department-wise details of Budget Allocations and Expenditure incurred 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	Budget Allocation			Expenditure			Percentage of expenditure
		Revenue	Capital	Total	Revenue	Capital	Total	
1.	Agriculture	418.80	26.04	444.84	283.17	18.57	301.74	68
2.	Civil Supplies	108.12	1.97	110.09	107.38	1.97	109.35	99
3.	Cooperation	23.56	0.15	23.71	22.46	0.15	22.61	95
4.	Department of Under Developed Areas	19.52	45.50	65.02	16.42	27.58	44.00	68
5.	Evaluation	11.63	2.64	14.27	11.43	2.64	14.07	99
6.	Fisheries	40.88	8.70	49.58	36.63	7.45	44.08	89
7.	Forest, Ecology, Environment & Wildlife	121.42	95.00	216.42	128.17	37.07	165.24	76
8.	Geology & Mining	39.83	4.00	43.83	39.10	4.00	43.10	98
9.	Horticulture	88.55	22.25	110.80	45.00	12.16	57.16	52
10.	Industries & Commerce	97.45	33.89	131.34	96.81	29.74	126.55	96
11.	Information Technology & Communication	11.40	2.68	14.08	11.15	2.68	13.83	98
12.	Land Records & Survey	29.77	3.41	33.18	26.18	3.41	29.59	89
13.	Land Resources	62.68	0	62.68	45.69	0	45.69	73
14.	New & Renewable Energy	6.12	6.77	12.89	5.95	6.76	12.71	99
15.	Planning & Coordination	155.71	644.98	800.69	41.30	196.79	238.09	30
16.	Power	769.11	81.33	850.44	759.48	53.28	812.76	96
17.	Road Transport	92.40	5.00	97.40	92.37	5.00	97.37	100
18.	Roads & Bridges	409.71	875.56	1285.27	370.42	814.78	1,185.20	92
19.	Rural Development	962.50	26.00	988.50	540.07	16.00	556.07	56
20.	Science & Technology	4.31	1.50	5.81	4.22	1.50	5.72	98
21.	Sericulture	23.52	1.00	24.52	21.58	1.00	22.58	92
22.	Soil & Water Conservation	80.51	3.62	84.13	55.89	3.62	59.51	71
23.	State Institute of Rural Development	8.15	2.00	10.15	8.03	1.00	9.03	89
24.	Tourism	25.09	5.09	30.18	24.59	4.24	28.83	96
25.	Veterinary & Animal Husbandry	122.91	3.16	126.07	101.52	1.87	103.39	82
26.	Water Resources	39.84	55.20	95.04	36.72	12.91	49.63	52
	Total	3773.49	1957.44	5,730.93	2931.73	1,266.17	4,197.90	73

Source: Appropriation Accounts, 2022-23

It can be seen from the table above that:

- The Departments incurred expenditure lesser than their respective budgetary allocation for the year.
- Out of 26 Departments in Economic Sector, 13 Departments incurred more than 90 *per cent* of total budget allocation *viz.* Road Transport (100 *per cent*), Civil Supplies (99 *per cent*), Evaluation (99 *per cent*), New & Renewable Energy (99 *per cent*), Geology & Mining (98 *per cent*), Information Technology & Communication (98 *per cent*), Science & Technology (98 *per cent*), Industries & Commerce (96 *per cent*), Power (96 *per cent*), Tourism (96 *per cent*), Cooperation (95 *per cent*), Roads & Bridges (92 *per cent*) and Sericulture (92 *per cent*) Departments during the year 2022-23.
- The Revenue expenditure in the Sector was ₹2,931.73 crore (70 *per cent*) of the total expenditure.
- The Capital expenditure in the Sector was ₹1,266.17 crore (30 *per cent*) of the total expenditure.

Audit was conducted in 174 units of 13 Departments involving an expenditure of ₹7,653.62 crore (including expenditure of previous years audited during the year) during 2022-23 under the Economic Sector.

This chapter contains audit observations in respect of six compliance audit paragraphs.

Compliance Audit Paragraphs

PUBLIC WORKS DEPARTMENT (ROADS & BRIDGES)

3.2 Irregular payment for short-executed works

The Executive Engineer, Public Works Department (Roads & Bridges), Phek Division made an irregular payment of ₹5.86 crore on short-executed works to the contractor based on fictitious entries in the Measurement Books and Running Account Bills.

Paragraph 325 of the Nagaland Public Works Department (NPWD) Code states that Measurement Book (MB) 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. Measurement of works done, or materials received should be recorded in the MBs at the site of work and every payment should be based on actual measurement recorded in MBs. While Paragraph 341 of NPWD Code states that before the bill of the contractor is prepared, entries in the MB relating to the description and quantities of work or supplies should be scrutinised by the Sub-Divisional Officer (SDO), Paragraph 101 of NPWD Code states that the Executive Engineer (EE) is overall responsible for the efficient execution and measurements of all works within his division.

The project “Upgradation of road from Satheri to Chepokita under Phek District, Nagaland (22 km)” was approved (February 2014) by the Ministry of Road Transport and Highways (MoRTH), Government of India (GoI) for ₹21.70 crore under the Central Road Fund (CRF¹). Examination of records (May 2023) of the EE, Public Works Department (Roads & Bridges) Phek Division revealed that GoI released ₹21.70 crore² in 11 instalments (March 2015 to June 2022) to the State. In turn, the Government of Nagaland (GoN) released ₹21.70 crore in 12 instalments (July 2015 to October 2022) to the Department for implementation of the project. The Chief Engineer, PWD (National Highways) Nagaland subsequently invited tender (June 2014) and the work, stipulated to be completed by July 2016, was awarded (August 2014) to M/s. Vertex Construction, Dimapur for ₹20.46 crore which was revised (April 2022) to ₹21.69 crore. Further examination of records revealed that the work which commenced in August 2014 was completed (April 2022) after a delay³ of six years and the contractor was paid ₹21.69 crore in 11 Running Account (RA) bills⁴.

To ascertain the actual execution of the works, a Joint Physical Verification (JPV) was conducted (May 2023) by Audit along with the Departmental officials which revealed that 15 items of works valued at ₹5.86 crore were short executed as shown in **Appendix 3.2.1**.

Audit observed that in all the cases provided in **Appendix 3.2.1**, the SDO recorded in the MBs that the works were executed. This indicates that the SDO had violated Paragraph 341 of the NPWD Code as entries in the MB relating to the description and quantities of work was not scrutinised to ensure the correctness of the bills submitted by the contractor. It was also observed that these fictitious measurements in the MBs were approved by the EE indicating lapse in monitoring on the part of the EE in checking the correctness of the quantities executed before passing the bills for payment. The excess payment of ₹5.86 crore was, therefore, made to the contractor based on presentation of false bills and fictitious measurements in the MBs by the SDO and the EE of the PWD (Roads & Bridges), Phek, Division in violation of the

¹ CRF was launched by GoI in 2007 to provide fund (Cent *per cent* Central funding) for construction and development of State roads including roads of inter-State connectivity and of economic importance.

²

Sl. No.	Date	Amount	Sl. No.	Date	Amount	Sl. No.	Date	Amount
1.	09/03/2015	₹297.50 lakh	5.	15/06/2018	₹360.00 lakh	9.	12/03/2021	₹40.00 lakh
2.	27/06/2016	₹300.54 lakh	6.	08/03/2019	₹50.00 lakh	10.	11/10/2021	₹100.00 lakh
3.	28/03/2017	₹150.00 lakh	7.	25/09/2019	₹50.00 lakh	11.	06/06/2022	₹281.47 lakh
4.	07/02/2018	₹480.00 lakh	8.	06/10/2020	₹60.00 lakh			

³ Major landslide, land disputes, bye election and COVID-19.

⁴

(₹in lakh)

RA bill	Date	Amount	RA Bill	Date	Amount	RA Bill	Date	Amount
1 st	17/07/2015	₹297.50	5 th	01/08/2019	₹360.00	9 th	08/07/2022	₹40.00
2 nd	08/08/2017	₹233.64	6 th	01/08/2019	₹116.90	10 th	21/07/2022	₹100.00
3 rd	06/09/2017	₹150.00	7 th	13/02/2020	₹50.00	11 th &	14/12/2022	₹281.45
4 th	20/06/2019	₹480.00	8 th	29/11/2021	₹60.00	final		

provisions of the NPWD Code. This shows that incorrect Utilisation Certificates were submitted to MoRTH to secure fund and claim in excess of the actual expenditure.

While accepting the facts, the Department stated (August 2023) that the contractor carried out additional widening of earthwork up to 11 kilometers⁵ outside the scope of work approved in the Detailed Project Report. However, the EE and SDO did not exercise due care over the claims made by the contractor and certified the short-executed works as completed.

Recommendations:

The State Government may-

- (i) ***fix responsibility on the SDO and the EE for false entries and releasing of money without actual execution of works.***
- (ii) ***initiate action against the contractor for claiming false bills without execution of works and take steps to recover the excess amount paid to the contractor.***

WATER RESOURCES DEPARTMENT

3.3 Irregular payment for short-executed works

The Executive Engineer, Water Resources Department, Kohima Division made an irregular payment of ₹0.58 crore on short-executed works to the contractor based on fictitious entries in the Measurement Books and Running Account Bills.

Paragraph 325 of Nagaland Public Works Department (NPWD) Code states that Measurement Book (MB) 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. Measurement of works done, or materials received should be recorded in MBs at the site of work and every payment should be based on actual measurement recorded in MBs. Paragraph 341 of NPWD Code states that before the bill of the contractor is prepared, entries in the MB relating to the description and quantities of work or supplies should be scrutinised by the Sub-Divisional Officer (SDO). Paragraph 101 of NPWD Code states that the Executive Engineer (EE) is responsible for the efficient execution and measurements of all works within his Division. Paragraph 155 of NPWD Code states that the EE is the responsible disbursement officer of a Public Works Division.

The project “**Integrated Nzu Valley Irrigation Project at Phenshonyu Village, Kohima district, Nagaland**” was approved (June 2017) by the North Eastern Council (NEC) at an estimated cost of ₹4.01 crore on 90:10 sharing pattern between Central (₹3.61 crore) and State (₹0.40 crore) Governments. The scope of works of the Minor irrigation project included construction of headwork, cross drainages, earthen and lined canals. Examination of records (November 2022) of the EE, Water Resources

⁵ Chepokita to Kivikhu village.

Department⁶ (WRD), Kohima Division revealed that NEC released ₹3.61 crore⁷ in four instalments (June 2017 to May 2021) to the State. In turn, the Government of Nagaland (GoN) released (March 2018 to December 2021) ₹4.01 crore (NEC share ₹3.61 crore and GoN share ₹0.40 crore) to the Department for implementation of the project. The Chief Engineer, WRD, Nagaland, Kohima invited tender (October 2017) and the work stipulated to be completed by November 2019, was awarded (November 2017) to M/s Benjamin J Lorin Construction & Co, Kohima for ₹3.86 crore. Further examination of records revealed that the work which commenced in November 2017 was completed in December 2021 and the contractor was paid ₹3.84 crore in seven Running Account (RA) bills⁸ as per measurement recorded in the MB.

To ascertain the actual execution of the works, a Joint Physical Verification (JPV) was conducted (November 2022) by Audit along with the Departmental officials which revealed that four items of works valued at ₹0.58 crore were short-executed as shown in **Table-3.3.1**.

Table 3.3.1: Details of short executed works

(Amount in ₹)

Sl. No.	Items of works	Unit	As per approved Detailed Project Report/ MB	As per JPV	Difference	Rate/unit	Excess payment
	<i>i</i>	<i>ii</i>	<i>iii</i>	<i>iv</i>	<i>v</i> (<i>iii-iv</i>)	<i>vi</i>	<i>vii</i> (<i>v x vi</i>)
1.	Construction of cross drainage (RCC pipe NP3 of 600 mm dia, double barrel) span= 10.00 m	No.	1	0	1	5,02,145.00	5,02,145.00
2.	Construction of earthen canal both bank (Right Bank-500 m and Left Bank-1200 m)	Metre (m)	1700	1200 (Left Bank)	500	1,897.74	9,48,870.29
3.	Construction of lined canal on the left bank (main canal)		250	27	223	11,975.30	26,70,491.90
4.	Construction of lined canal on the right bank (main canal)		257	132	125	13,312.59	16,64,073.44
Total							57,85,580.63

Source: Departmental records and JPV report

⁶ The erstwhile Irrigation & Flood Control Department was renamed as Water Resources Department in July 2018.

⁷ 1st instalment ₹0.36 crore dated 23/06/2017, 2nd instalment ₹1.00 crore dated 14/03/2019, 3rd instalment ₹1.53 crore dated 20/12/2019 and 4th instalment ₹0.72 crore dated 12/05/2021.

⁸ 1st RA Bill for ₹0.40 crore dated 14/03/2018, 2nd RA Bill for ₹0.98 crore dated 23/09/2019, 3rd RA Bill for ₹0.11 crore dated 05/11/2019, 4th RA Bill for ₹1.53 crore dated 15/09/2020, 5th RA Bill for ₹0.17 crore dated 18/12/2020, 6th RA bill for ₹0.08 crore dated 19/03/2021 and final RA bill for ₹0.57 dated 15/12/2021.

Audit observed that in all the above cases, the SDO recorded in the MBs that the works were executed. This indicates that the SDO had violated Paragraph 341 of the NPWD Code as entries in the MB relating to the description and quantities of work were not scrutinised to ensure the correctness of the bills submitted by the contractor. It was also observed that these fictitious measurements in the MBs were approved by the EE indicating lapse in monitoring on the part of the EE regarding checking the correctness of the quantities executed before passing the bills for payment. Excess payment of ₹0.58 crore was, therefore, made to the contractor based on presentation of false bills and fictitious measurements in the MBs, which was highly irregular.

The photographic evidences for non-execution of works as shown below:



Thus, violation of the provisions of NPWD Code by the SDO and EE of the WRD, Kohima Division resulted in certification of fictitious measurements in the MBs leading to irregular payment of ₹0.58 crore.

While accepting the facts, the Department stated (August 2023) that the contractor was directed (August 2023) to complete the short-executed works within 60 days. However, the works were certified as completed by the SDO and countersigned by the EE.

Recommendations:**The State Government may-**

- (i) *fix responsibility on the erring officers for false entries and releasing of money without actual execution of works.*
- (ii) *initiate action against the contractor for submitting bills without execution of works and take steps to recover the excess amount paid to the contractor.*

3.4 Inadmissible expenditure

Water Resources Department, Government of Nagaland utilised an amount of ₹2.48 crore towards procurement of vehicles in violation of Pradhan Mantri Krishi Sinchai Yojana Operational Guidelines.

Pradhan Mantri Krishi Sinchai Yojana (PMKSY) was launched (2015-16) by the Central Government with an aim to enhance physical access of water on farm and expand cultivable area under assured irrigation, improve on-farm water use efficiency and introduce sustainable water conservation practices. Paragraph 17 of PMKSY Operational Guidelines states that Administrative Expenses may be met on *pro-rata* basis from the programme, not exceeding five *per cent* at each level to strengthen coordination, scientific planning and technical support for effective implementation of PMKSY at the field level. Administrative expenditure for functioning of Coordinating agency/institutions responsible for implementing PMKSY, payments to consultants, outsourcing of specific activities, recurring expenses of various kinds and staff costs are admissible. However, no permanent employment can be created, nor can vehicles be purchased. As per Government of Nagaland (GoN) notification⁹ (July 2004), decision of the High Power Committee (HPC) is required for purchase of vehicles under Centrally Sponsored Schemes.

Examination of records (October 2022) of the Chief Engineer, Water Resources Department (WRD), Nagaland, Kohima revealed that the Ministry of Water Resources, Government of India (GoI) sanctioned (February 2014, July 2018 and October 2019) an amount of ₹231.17 crore¹⁰ on 90:10 sharing pattern between Central (₹208.06 crore) and State (₹23.11 crore) Governments for implementation of the Scheme component - 'Har Khet Ko Pani' (HKKP) in the State. GoI thereafter released (December 2014 to February 2020) its share of ₹190.92 crore to the State. In turn, GoN released (August 2015 to March 2021) ₹212.13 crore (GoI share ₹190.92 crore¹¹ and GoN share ₹21.21 crore¹²) to WRD.

⁹ Letter No. BUD/1-1/2004-05(PT)-(1) dated 31 July 2004.

¹⁰ ₹109.60 crore for Cluster of Minor Irrigation (159 Numbers) sanctioned on 03 February 2014.
₹103.42 crore for Cluster of Minor Irrigation (270 Numbers) sanctioned on 27 July 2018.
₹18.15 crore for Ground Water Irrigation (262 tube wells) sanctioned on 17 October 2019.

¹¹ ₹98.64 crore for Cluster of Minor Irrigation (159 Numbers), ₹82.53 crore for Cluster of Minor Irrigation (270 Numbers) and ₹9.75 crore for Ground Water Irrigation (262 tube wells).

¹² ₹10.96 crore for Cluster of Minor Irrigation (159 Numbers), ₹9.17 crore for Cluster of Minor Irrigation (270 Numbers) and ₹1.08 crore for Ground Water Irrigation (262 tube wells).

Audit observed that out of the total expenditure of ₹212.13 crore, the Department utilised ₹6.35 crore¹³ (2.99 per cent) towards administrative expenses which is within the limit of five per cent prescribed by the Operational Guidelines of the Scheme. Audit, however, observed that out of the administrative expenses of ₹6.35 crore, an amount of ₹2.48 crore was expended on procurement of 20 vehicles which is in contravention to the Operational Guidelines of the Scheme and GoN notification. Details of the 20 vehicles purchased are shown in **Appendix 3.4.1**. The irregular diversion of funds towards procurement of vehicles deprived funds totalling ₹2.48 crore for execution of activities as envisaged in the Scheme guidelines.

Thus, utilisation of ₹2.48 crore towards procurement of vehicles was done in clear violation of PMKSY Operational Guidelines which categorically forbids purchase of vehicle out of the Scheme fund and also without clearance from HPC.

While accepting the facts, the Department stated (August 2023) that though there is restriction on purchases of vehicles under PMKSY Operational Guidelines, 20 vehicles were procured due to shortage of vehicles in the Department.

However the purchase of vehicles violated Paragraph 17 of PMKSY Operational Guidelines and the State Government notification.

Recommendations:

The State Government may-

- (i) *ensure that the Scheme fund is expended as per the Operational Guidelines.*
- (ii) *fix responsibility on the officials concerned for procurement of vehicles in violation of the Scheme guidelines.*

TOURISM DEPARTMENT

3.5 Payment for short/un-executed works

The Sub-Divisional Officer, Directorate of Tourism, Nagaland, Kohima recorded fictitious execution of works in the measurement books resulting in suspected fraudulent payment of ₹1.36 crore to the contractors

Paragraph 325 of Nagaland Public Works Department (NPWD) Code states that Measurement Book (MB) 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. Measurement of works done or materials received should be recorded in MBs at the site of work and every payment should be based on actual measurement recorded in MBs. While Paragraph 341 of NPWD Code states that before the bill of the contractor

¹³ IT consumables (₹31.25 lakh), TA/DA (₹57.16 lakh), POL (₹1.63 lakh), Special Repair of Vehicles (₹13.49 lakh), Purchase of vehicles (₹248.44 lakh), Consultancy services (₹253.43 lakh) and Other Miscellaneous expenses (₹11.70 lakh).

is prepared, entries in the MB relating to the description and quantities of work or supplies should be scrutinised by the Sub-Divisional Officer (SDO) and Paragraph 101 of NPWD Code states that the Executive Engineer (EE) is overall responsible for the efficient execution and measurements of all works within his division.

As per the Delegation of Financial and Cognate Power Rules, 1964, the powers to accord technical sanction to original works and special repairs and to accept tenders under Public Works Department are:

- Chief Engineer: Full power;
- Superintending Engineer: up to ₹20.00 lakh; and
- Executive Engineer: up to ₹5.00 lakh.

Further, as per the Office Memorandum issued (October 2011) by the Works and Housing Department, Government of Nagaland (GoN), all Technical Estimates/ Detailed Project Reports which are beyond the power of the Engineer-in-Charge of the Department having separate Engineering Wing of their own, shall be submitted to the Office of the Chief Engineer (Housing) for technical approval.

The project “**Development of Tribal Circuit Peren-Kohima-Wokha, Nagaland**” under Swadesh Darshan Scheme¹⁴ was approved (November 2015) by the Ministry of Tourism (MoT), Government of India (GoI) for ₹97.36 crore. GoI thereafter released ₹92.49 crore in four instalments¹⁵ to Tourism Department, GoN, for implementation of 104 components of the project relating to development of Tourism Infrastructure and Services. The Department invited tenders in April 2016 and awarded the works in June 2016 to 20 contractors for ₹90.45 crore, to be completed within 18 months. The execution of the works was to be overseen by the EE, Directorate of Tourism, Nagaland, Kohima.

Examination of records (January 2022) of the Directorate of Tourism, Nagaland, Kohima showed that all the 104 components of the project were completed (December 2021) and the contractors were paid ₹80.97 crore¹⁶. The district-wise number of project components, sanctioned cost and expenditure incurred is shown in **Table 3.5.1** below:

Table 3.5.1: District-wise status of the project (as of December 2021)

(₹ in crore)

Sl. No	Name of District	No. of project components	Sanctioned cost	No. of contractors	Value of Work orders	Expenditure
1.	Peren	43	39.89	6	39.23	30.76
2.	Kohima	21	17.29	5	15.67	15.30
3.	Wokha	40	35.55	9	35.55	30.28
Sub-total		104	92.73	20	90.45	76.34

¹⁴ Cent per cent Central Financial Assistance.

¹⁵ 1st instalment (₹19.47 crore on 16 November 2015), 2nd instalment (₹20.62 crore and ₹8.59 crore on 12 September 2016), 3rd instalment (₹23.37 crore on 14 September 2017 and ₹5.84 crore on 28 September 2018) and 4th instalment (₹9.73 crore on 29 September 2020 and ₹4.87 crore on 16 December 2021).

¹⁶ including Contingencies charges ₹2.78 crore and Architecture fees ₹1.85 crore.

Sl. No	Name of District	No. of project components	Sanctioned cost	No. of contractors	Value of Work orders	Expenditure
4.	Contingencies charges 3 per cent of sanctioned cost					2.78
5.	Architecture fees 2 per cent of sanctioned cost					1.85
Grand Total (1 to 5)						80.97

Source: Departmental records

Audit observed that in violation of the Delegation of Financial and Cognate Power Rules, 1964 and the Office Memorandum (October 2011) issued by the Works and Housing Department, GoN, tenders were approved at the Government level without technical sanction of the Chief Engineer (Housing). Further, Joint Physical Verification (JPV) conducted (January 2022) by Audit along with the Departmental officials in Peren district revealed that three works viz., (1) Plantation of biological fencing around campus and road side; (2) Solid Waste Management system and (3) Campus illumination with solar energy at a total estimated cost of ₹1.21 crore were not executed. JPV further revealed that 35 out of 60 Directional Signages valued at ₹15.34 lakh were not installed. Details of short-executed and unexecuted works as per the test checked cases (23 out of 43 components) are shown in **Table 3.5.2** below:

Table 3.5.2: Details of short/unexecuted works in Peren district

(₹ in lakh)

Sl. No.	Name of component	Name of contractor	Date of issue of work order	Work order amount	Date of completion	Value of work done	Amount paid	Amount paid for unexecuted works
1.	Plantation of biological fencing around campus and road side	M/s Hi-Tech Construction & Co, Dimapur	15/06/2016	30.50	01/08/2019	30.50	30.50	30.50
2.	Solid Waste Management system			75.06	15/05/2020	75.06	75.06	75.06
3.	Directional signage	M/s Innovative Constriction, Kohima		26.31	31/12/2021	23.93	23.93	15.34
4.	Campus illumination with solar energy			15.13	20/01/2020	15.08	15.08	15.08
Total				147.00	-	144.57	144.57	135.98

Source: Departmental records and JPV. The amount paid to contractors were inclusive of Security Deposit

Audit further observed that in all the above cases, the SDO recorded in the MBs that the works were executed. This indicates that the SDO had violated Paragraph 341 of the NPWD Code as entries in the MB relating to the description and quantities of work were not scrutinised to ensure the correctness of the bills submitted by the contractors. It was also observed that these fictitious measurements in the MBs were approved by the EE indicating lapse in monitoring on the part of the EE regarding checking the correctness of the quantities executed before passing the bills for payment. The excess payment of ₹1.36 crore was, therefore, made to the contractors based on presentation of false bills and MBs, which was highly irregular.

Thus, violation of the provisions of NPWD Code by the SDO and EE of the Directorate of Tourism Nagaland, Kohima resulted in certification of fictitious measurements in the MBs leading to suspected fraudulent payment of ₹1.36 crore.

In reply, the Department stated (January 2024) that these four components were not completed during conduct of audit in January 2022. The fund for the component “Plantation of biological fencing around campus and road side” was utilised for “Construction of joint footpath and retaining wall”. The contractors were directed to complete the remaining three components/works at the earliest.

The reply of the Department is not acceptable as the project was reported as completed in December 2021. Further, “Construction of joint footpath and retaining wall” instead of “Plantation of biological fencing around campus and road side” as claimed by the Department was not reported or shown to Audit during JPV and no photographic evidence was furnished in the reply. Hence, excess payment of ₹1.36 crore was made to the contractors based on presentation of false bills and MBs.

Recommendations:

The State Government may-

- (i) *ensure that technical sanction is as per the Delegation of Financial and Cognate Power Rules, 1964 (amendment w.e.f. July 2006).*
- (ii) *fix responsibility on the erring officers for false entries and releasing of money without actual execution of works.*
- (iii) *take steps to fix responsibility on the contractors for fraudulent claims and to recover the excess amount paid to the contractors.*
- (iv) *look into similar issues in other components/districts to see whether such fraudulent claims had taken place.*
- (v) *refer the case to the State Lokayukta for further investigation and suitable action against criminal misconduct by a public servant.*

3.6 Non-renewal of MoUs and non-realisation of rental charges on Government assets

Inability of the Department to enforce provisions of MoU with local authorities/private entrepreneurs resulted in non-recovery of rent on Government assets amounting to ₹27.53 lakh.

Rule 11 (1) of the General Financial Rules (GFR), 2017 states that detailed rules and procedure regarding assessment, collection, allocation, remission and abandonment of revenue and other receipts shall be laid down in the regulations of the Department responsible for the same. Further, Rule 12 of the GFR, 2017 states that amounts due to Government shall not be left outstanding without sufficient reasons. Where such amounts appear to be irrecoverable, the orders of the competent authority shall be obtained for their adjustment.

As per Section 5 of the Nagaland Communitisation of Public Institution and Services Act, 2002, the Department of Tourism (DoT) Nagaland, Kohima can execute Memorandum of Understanding (MoU) with local authorities/communities and private entrepreneurs for leasing out of Government assets like tourist lodge, tourist resort, tourist rest house, wayside amenities, cafeteria and budget accommodation on rental charge for running these tourist facilities. The lessee shall in turn deposit the monthly rent by Treasury challans into Government account. The laid down terms and conditions of the MoU provide that if the lessee fails to pay monthly rent for a period of three months consecutively, the Government will automatically recover the rent amount from the security deposit and there would be no further requirement to give three months' notice for termination of the lease license, as the licensee had breached the conditions of the license. The license shall then stand terminated on the date of expiry of the agreement, unless extended.

Scrutiny of records (June 2023 and August 2023) of the Director, DoT, Nagaland, Kohima revealed that DoT signed MoUs with 30 local authorities/communities and private entrepreneurs for lease of 30 Government assets created by the Department. Scrutiny of records also revealed that out of the total 30 MoUs signed, 15 MoUs had expired with period of expiry ranging from one month to 16 years, but the lessees had been continuing their business in the same premises without renewal of MoUs as shown in **Appendix 3.6.1**. However, the Department did not take steps to renew the MoUs. It was further revealed that in violation of the MoUs which stipulated that monthly rent is to be deposited into Government Account every subsequent month, 23 lessees had not paid the monthly rent¹⁷ for periods ranging from one month to 160 months totalling ₹27.53 lakh as shown in **Appendix 3.6.2**. Audit observed that the reason for the accumulation of unpaid rent was because apart from serving reminders to the lessees to clear the outstanding rent, the Department took no action against the defaulters to recover rents from the Security Deposit as stipulated in the terms and conditions of the MoUs or to terminate the lease. As a result, the defaulting lessees continued to run the tourist facilities without paying the rent.

While accepting the audit findings, the DoT stated (September 2023) that it has done away with the old practice of signing MoU with every new permit extension and that MoU once signed will stand valid as long as the lessee desires to continue managing the leased asset by extending the permit. It also stated that steps will be taken to recover the outstanding rent. However, the permits of the 15 expired MoUs were yet to be extended and the outstanding rent of ₹27.53 lakh is yet to be recovered.

Thus, inability of the DoT to strictly enforce the MoU and provisions of General Financial Rules resulted in non-realisation of rental charges of ₹27.53 lakh.

¹⁷ As per MoUs, there are no criteria for fixing the rental charges on the leased Government assets. The rates are based on demand and location of the assets.

Recommendations:

The Department may-

- (i) *consider taking action to recover the outstanding rent from the defaulting lessees.*
- (ii) *ensure that in future, it complies with the terms and conditions of the MoU and terminates the license of lessees who fail to pay agreed amount of rent.*

RURAL DEVELOPMENT DEPARTMENT

3.7 Suspected fraudulent payment on non and short-executed inadmissible works

The Rural Development Department, Government of Nagaland sanctioned inadmissible expenditure of ₹one crore to Rural Development Block, Chare, Tuensang, of which ₹0.84 crore was mis-utilised.

Paragraph 325 of Nagaland Public Works Department (NPWD) Code states that Measurement Book (MB) 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. Measurement of works done, or materials received should be recorded in the MBs at the site of work and every payment should be based on actual measurement recorded in the MBs. Further, as per the Delegation of Financial and Cognate Power Rules, 1964, (Amendment 2006), Government of Nagaland (GoN), the powers to accord technical sanction to original works and special repairs and to accept tenders under Public Works Department are:

- Chief Engineer (CE): Full power;
- Superintending Engineer: up to ₹20.00 lakh; and
- Executive Engineer: up to ₹5.00 lakh.

The Rural Local Body (RLB) grant is recommended by the Fifteenth Finance Commission (XV FC) to supplement the resources of Local Bodies. As per the Operational Guidelines for implementation of the RLB grant, 50 *per cent* of the recommended grant is Basic Grant (Untied) to be used by Local Bodies for location specific felt needs. The remaining 50 *per cent* is Tied Grant which can be used for basic services of (a) sanitation and maintenance of open-defecation (ODF) status and (b) supply of drinking water, rainwater harvesting and water recycling. The local bodies shall, as far as possible earmark one half of these Tied Grants each to these two critical services. However, if any local body has fully saturated the needs of one category, it can utilise the funds for the other category.

Examination of records (May 2023) of the Director, Rural Development (RD) Department, Nagaland, revealed that during 2020-21 and 2021-22, the Ministry of Finance (MoF), Government of India (GoI) released RLB grant of ₹125.00 crore in

two instalments¹⁸ (June 2020 to September 2021) @ ₹62.50 lakh for each Grant to GoN. In turn, the GoN released (October 2020 to September 2021) the total RLB grant of ₹125.00 crore¹⁹ to the RD Department for implementation of the scheme. The Director, RD sanctioned (October 2021) ₹1.25 crore under Tied Grant to RD Block, Chare, Tuensang of which ₹one crore was allocated for construction of two fishery ponds @ ₹50 lakh per fishery pond and ₹0.25 crore for purchase of sintex²⁰ for distribution to each household of Tsaru Village. As per the sanction order, the works were to be executed by the RLB of Chare Block with the direction to observe all codal formalities. The sanction order also specified that the works were to be executed by Shri Panger Sangtam and party and work order issued (October 2021) accordingly. The works were recorded as completed (November 2021) and ₹1.25 crore was paid to the party.

Audit observed that construction of fishery pond was outside the purview of works to be taken under Tied Grant of RLB and therefore violative of Paragraph 7 of the Operational Guidelines for implementation of RLB grants. Audit further observed that in violation of the Delegation of Financial and Cognate Power Rules, 1964 (Amendment 2006), GoN, the detailed estimate prepared by the Junior Engineer (JE), RD Block Chare was not technically sanctioned by the CE.

To ascertain the actual execution of the works, a Joint Physical Verification (JPV) was conducted (May 2023) by Audit along with the Departmental officials. JPV revealed that out of two fishery ponds, only one was constructed. JPV further revealed that the constructed fishery pond was also short-executed by ₹34.27 lakh. Details of the non/short-executed fishery ponds are shown in **Table-3.7.1** below:

Table 3.7.1: Details of non/short-executed works on construction of two fishery ponds at Tsaru village

(Amount in ₹)

Sl. No	Items of works	Unit	As per DPR/MB	As per JPV	Rate/unit	Amount as per DPR/MB	Amount as per JPV	Excess payment
	<i>i</i>	<i>ii</i>	<i>iii</i>	<i>iv</i>	<i>v</i>	<i>vi</i>	<i>vii</i>	<i>viii(vi-vii)</i>
1.	Excavation	cum	4,725.00	720.00	700.00	33,07,500.00	5,04,000.00	28,03,500.00
2.	Foundation	cum	20.85	6.00	12,664.40	2,64,052.74	75,986.40	1,88,066.34
3.	Stone Masonry works	cum	88.92	43.20	9,531.40	8,47,532.09	4,11,756.48	4,35,775.61
Total (a) Short execution of one fishery pond								34,27,341.95
Total (b) Non-execution of another fishery pond								50,00,132.74
Total excess payment (a+b)								84,27,474.69

Source: Detailed estimate and JPV

¹⁸ Basic Grant: 1st instalment ₹31.25 crore (17/06/2020) and 2nd instalment ₹31.25 crore (01/09/2021). Tied Grant: 1st instalment ₹31.25 crore (15/07/2020) and 2nd instalment ₹31.25 crore (01/09/2021).

¹⁹ 1st instalment of Basic Grant ₹31.25 crore on 27/10/2020 and Tied Grant ₹31.25 crore on 03/11/2020 and 2nd instalment of Basic Grant ₹31.25 crore on 23/09/2021 and Tied Grant ₹31.25 crore on 23/09/2021.

²⁰ Originally sanctioned for construction of rain water harvesting, however, the Tsaru Village Council resolved to purchase sintex instead and accordingly work order was issued.

Audit further observed that in all the above cases, the JE, RD Block Chare fictitiously recorded in the MBs that the works were executed. The JE had, thus, violated Paragraph 325 of the NPWD Code as entries in the MBs relating to the quantities of work were not properly scrutinised to ensure the correctness of the actual measurement of the work done. It was also observed that these fictitious measurements in the MBs were approved by the BDO, Chare indicating lapse in monitoring on the part of the BDO before passing the bills for payment. The excess payment of ₹0.84 crore was therefore made based on presentation of fictitious measurements in MBs, which was highly irregular.

Thus, besides violation of XV FC Operational Guidelines by taking up inadmissible category of work for ₹one crore towards construction of fishery pond at Tsaru Village, there was violation of the provisions of NPWD Code on the part of JE and BDO, RD Block Chare resulting in certification of fictitious measurements in the MBs leading to suspected fraudulent payment of ₹0.84 crore.

In reply, the Department stated (September 2023) that sanction of fishery pond was due to ignorance of the XV FC guidelines. The Department further stated that besides the approved sanctioned works, it also constructed three community fishery ponds, three numbers of roads, one community Eco carp hatchery, repaired one drainage and carried out sanitation campaign and mass social works in the Block.

The reply of the Department is not acceptable as the executed works were inadmissible under the Operational Guidelines for implementation of the RLB grant. Moreover, the audit findings were based on the measurement done during JPV with the Departmental officials and MB/completion certificate submitted to Audit wherein the full payment on short-executed works for ₹0.84 crore was made to the contractor.

Recommendations:

The State Government may-

- (i) ensure that the Tied Grants be utilised for the purposes stipulated in the Operational Guidelines.***
- (ii) fix responsibility on the BDO and JE for fictitious entries and for payment without actual execution of works.***
- (iii) initiate action against the contractor for claiming bills without execution of works and take steps to recover the excess amount paid to the contractor.***