# OVERVIEW

## 1. An overview of the finances of the State Government

**Assets and liabilities:** Assets of the State Government increased by 12 *per cent* from Rs.1617.71 crore in 1998-99 to Rs.1804.59 crore in 1999-2000, while liabilities increased by 14 *per cent* from Rs.1437.95 crore to Rs.1634.17 crore indicating deterioration in the financial condition of the Government.

**Revenue receipts:** Revenue receipts of the State Government increased from Rs.989.38 crore in 1998-99 to Rs.1131.46 crore in 1999-2000 registering an increase of 14 *per cent*. The increase was mainly on account of increase in grants-in-aid from the Central Government (Rs.49.58 crore), and State's share of Union Taxes (Rs.88.85 crore), in addition to the increase of Rs.8.94 crore under State Tax Revenue, in relation to the year 1998-99. The total receipts from the Central Government (Rs.1053.10 crore) during the year represented 94 *per cent* of the total revenue receipts (Rs.1131.46 crore), and 92 *per cent* of the revenue expenditure (Rs.1140.80 crore). Non-Tax revenue raised by the State, however, decreased by 12 *per cent* from Rs.44.15 crore in 1998-99 to Rs.38.86 crore in 1999-2000.

**Revenue expenditure:** Revenue expenditure of the State grew by 13 *per cent* from Rs.1012.40 crore in 1998-99 to Rs.1140.80 crore in 1999-2000, and constituted 86 *per cent* of total expenditure in 1999-2000. The rate of growth in non-plan component of revenue expenditure during the last 5 years, was lower (30 *per cent*) than the plan expenditure (71 *per cent*).

**Capital expenditure:** Capital expenditure increased by 77 *per cent* from Rs.101.41 crore in 1995-96 to Rs.179.34 crore during 1999-2000, and constituted 14 *per cent* of the total expenditure during the year. The capital expenditure was mainly under "Plan", and on Economic and Social Services.

During 1999-2000, the State Government paid interest of Rs.152.28 crore on debt and other obligations and constituted 13 per cent of the Revenue expenditure. The interest burden also increased by 13 per cent over the previous year.

**Investments and returns:** The State Government invested Rs.1.35 crore during 1999-2000. Of this, Rs.0.33 crore was invested in Government Companies, and Rs.1.02 crore in Co-operative Institutions. With these fresh investments, the total investment of the Government as of March 2000 stood at Rs.48.05 crore. No dividend/interest was received by the Government on such investments.

**Fiscal deficit:** Fiscal deficit is the excess of revenue and capital expenditure (including net loans given), over revenue receipts (including grants-in-aid received). During 1999-2000, fiscal deficit was Rs.182.91 crore, and recorded a decrease of 10 per cent from the level of 1995-96.

**Public debt and other liabilities:** During the five years ending 1999-2000, there was 109 *per cent* growth in internal debt, 79 *per cent* growth in loans and advances from Central Government, and 72 *per cent* growth in other liabilities.

**Ways and Means Advances/Overdrafts:** The Ways and Means Advances/overdrafts obtained from Reserve Bank of India had increased (315 *per cent*) from Rs.13.24 crore in 1995-96 to Rs.55.01 crore in 1999-2000. Similarly, Overdraft availed by Government had increased by 1175 *per cent* over a period of 5 years ending March 2000. As of March 2000, Rs.10.75 crore on account of Ways and Means Advances, and Rs.34.50 crore towards overdrafts were to be repaid by the Government.

**Analysis of financial performance with indicators :** Some of the major findings that emerged from analysis of financial performance of the State Government with various indicators were : (i) the interest burden on the Government was substantial, and showed a rising trend; (ii) there was negative BCR in all the five years, during 1995-96 to 1999-2000, suggesting that Government had been depending heavily on borrowings for meeting its Plan and Non-plan expenditure; and (iii) the Government had not been earning any dividend/interest on investments.

***(Paragraph 1)***

## 2. Appropriation Audit and Control over Expenditure

**Excess expenditure over grants/appropriations not regularised for the past several years:** Though it was mandatory for the Government to get the excess expenditure over grants/appropriations regularised, such excess expenditure of Rs.1213.68 crore pertaining to the years from 1991-92 to 1998-99 was yet to be regularised.

**Overall savings/excess:** Against gross provision of Rs.1781.53 crore, gross expenditure during the year, was Rs.1781.22 crore. The overall saving of Rs.0.31 crore was the net effect of excess of Rs.167.14 crore in 25 cases of grants and 2 appropriations, and saving of Rs.167.45 crore in 61 cases of grants and 4 appropriations.

**Supplementary grants** Supplementary grants of Rs.15.60 crore obtained in 13 cases proved unnecessary in view of aggregate savings of Rs.31.52 crore. In other 15 cases, supplementary provision of Rs.84.02 crore proved insufficient, leaving an aggregate uncovered excess expenditure of Rs.158.03 crore.

In 31 cases, against additional requirement of Rs.53.56 crore, supplementary provisions of Rs.155.82 crore were obtained resulting in savings exceeding Rs.10 lakh in each case, aggregating Rs.102.26 crore.

**Surrender of savings:** Against the total excess of Rs.167.14 crore available under 25 grants and 2 appropriations during the year, savings aggregating Rs.32.85 crore available under 6 cases of grants (savings exceeded Rs.1 crore in each case) were not surrendered; though, as per the financial rules, spending departments were required to surrender unutilised grants/appropriations to the Finance Department, as and when any saving was anticipated. In 17 grants, against the available savings of Rs.18.25 crore, the amount surrendered was Rs.24.34 crore, indicating injudicious surrender of Rs.6.09 crore in excess of available savings.

**Expenditure incurred without budget provision:** Expenditure of Rs.3.07 crore was incurred in 7 cases under 6 grants/appropriations, although no budget provision was available for this during the year.

**Reconciliation of departmental expenditure:** Controlling Officers were required to reconcile the departmental figures of expenditure, with those booked by the Senior Deputy Accountant General (Accounts and Entitlement), before closure of the accounts for the year. But, such reconciliation in respect of expenditure of Rs.174 crore, had not been carried out by 6 Controlling Officers. Two other Controlling Officers persistently failed to reconcile a total expenditure of Rs.210.99 crore, during the last three years ending March 2000.

**Rush of expenditure:** The financial rules require that, Government expenditure should be evenly distributed throughout the year, to avoid rush of expenditure at the end of the year. Contrary to this, under 47 grants/appropriations, expenditure of Rs.340.91 crore was incurred in March 2000. This constituted 30.32 *per cent* of the total expenditure (Rs.1124.34 crore) under these grants/appropriations during the year 1999-2000.

**Abstract contingent bills:** Eight Drawing and Disbursing Officers of 3 Departments did not submit, as of December 2000, detailed countersigned contingent (DCC) bills for Rs.4.98 crore, drawn in 39 abstract contingent (AC) bills during the period April 1999 to November 1999. As per the Treasury Rules, DCC bills are required to be submitted to the Accountant General duly countersigned by the Controlling Officer, within 2 months of the drawal of AC bills.

***(Paragraph 2)***

## 3. Audit Reviews

### 3.1 Integrated Audit of Primary Education including manpower management

Government of India (GOI) launched a programme of Universalisation of Elementary Education (UEE) to achieve total literacy, and to impart free and compulsory education to all children in the age group 6 to 14. Integrated Audit of the Primary Education Programme, including manpower management, revealed large scale diversion of funds, irregularities in procurement of teaching/learning materials and textbooks. These are highlighted below:-

Central assistance of Rs.6.03 crore was diverted for unnecessary procurement of materials. Receipt of teaching and learning materials worth Rs.5.26 crore was not available on record, rendering the expenditure doubtful.

The Directorate procured books worth Rs.3.96 crore from private booksellers, who were neither publishers nor authorised vendors and thereby failed to avail discount of Rs.19.78 lakh. Further, there was no evidence of receipt of books worth Rs.3.63 crore.

Due to delay in setting up of DIETs at Mokokchung and Tuensang by two years, the expenditure of Rs.1.34 crore remained idle. Materials worth Rs.25.22 lakh procured during 1996-97 by the Directorate for these DIETs, were either misused or pilfered.

The Department incurred extra expenditure of Rs.17.48 crore per annum, on salaries of 2477 teachers appointed, in Government Primary Schools in excess of sanctioned strength. This included, 837 teachers appointed on adhoc basis, on the recommendation of the Minister, School Education.

The Department incurred infructuous expenditure of Rs.8.60 crore per annum, due to manning of 1262 posts by unqualified teachers. The Department also incurred infructuous expenditure of Rs.7.60 crore on vocational and agri-based education.

The Department incurred unauthorised and excess expenditure of Rs.1.07 crore per annum, by allowing higher pay scales to Graduate/ Post Graduate Primary School Teachers.

There was no evidence of receipt and utilisation of colour televisions, carpentry tools, sewing-knitting machines and raw materials worth Rs.92.98 lakh.

***(Paragraph 3.1)***

### 3.2 Upgradation grants recommended by the Tenth Finance Commission (including Calamity Relief Fund)

On the recommendation of the Tenth Finance Commission (TFC), the State Government received Central assistance for upgradation of standards of District Administration, solving problems relating to internal security, Primary Education, and for providing relief to the victims of natural calamities. The purposes for which the grants were released were impeded, due to non-release and diversion of funds, defective action plans, cost overruns, excessive overheads, misappropriations, and interference of Ministers in programme implementation. Audit Review revealed that:-

Although funds were received from the Central Government in time, there were delays, ranging from 30 to 359 days, on the part of the State Government to release these funds to the implementing agencies.

Despite receipt of excess funds of Rs.8.63 crore from the Government of Nagaland, the implementing agencies lagged behind in programme implementation. Rs.7.18 crore was lying unutilised with the implementing agencies in the form of cash/deposit at call/bankers' cheques/current account etc.

While Rs.7.93 crore was diverted/misutilised for purposes not envisaged in the Scheme. Rs.5.24 crore was spent on components not approved by the Inter Ministerial Empowered Committee (IMEC).

The Police Engineering Project (PEP) Divisions of Alichen and Chumukedima, incurred extra expenditure of Rs.7.53 crore on construction of 406 housing units, by over ruling the approved ceiling cost, and awarding the works to contractors at higher rates.

The Department made an unauthorised expenditure of Rs.3.15 crore on procurement and installation of machines and materials which were not envisaged in the Scheme.

At the instance of the Chief Minister, Nagaland, the Home Department procured arms and ammunitions worth Rs.2 crore without the approval of IMEC. Materials worth Rs.21.03 lakh had not been received, although payment had already been made to the supplier.

The Director General of Police, Nagaland, procured bomb detection and disposal equipment worth Rs.1.86 crore without assessing requirement, which resulted in idle outlay. Equipment and protective gear worth Rs.74.11 lakh had also not been received.

Although upgradation of Forensic Science Laboratory was not part of the recommendations of the Tenth Finance Commission, the Department purchased equipment worth Rs.90.82 lakh by diverting funds from other components of the Scheme.

Despite 63 Prefabricated huts costing Rs.5.38 crore lying unutilised in the store, the Director General of Police, Nagaland issued an additional supply order in March 2000 for structures worth Rs.2.53 crore.

The Police Engineering Project Divisions, Alichen and Chumukedima, made an over payment of Rs.51.29 lakh on supervision and erection charges of pre-fabricated steel structures.

***(Paragraph 3.2)***

## 3.3 Members of Parliament Local Area Development Scheme

The Scheme aimed at creation of durable community assets in the constituencies of Members of Parliament (MPs). Under the Scheme, each MP could suggest works in his Constituency, limited to an annual ceiling of Rs.2 crore for the whole constituency, and Rs.10 lakh for each work. Nagaland has 2 MPs, one each for the Lok Sabha and the Rajya Sabha. The Deputy Commissioners were the implementing authorities in the concerned districts. Audit review of implementation of the Scheme during the years 1997-98 to 1999-2000 revealed that:-

There was no evidence that the benefits of the programme percolated down to the lowest levels of the society. Since 87 *per cent* of the grants remained unutilised, the objectives of the programme of creating durable community assets remained unachieved. This was compounded by unauthorised diversion of scheme funds.

The Department reported utilisation of Rs.7.08 crore against actual expenditure of Rs.2.18 crore. Inflated expenditure was reported to Government of India for the sole purpose of obtaining more funds.

Central assistance of Rs.4.90 crore, representing 65 *per cent* of the total assistance (Rs.7.55 crore), remained unutilised with 8 Deputy Commissioners, for periods ranging from 1 to 3 years.

In violation of the Scheme guidelines, Rs.1.90 crore was incurred unauthorisedly by the Deputy Commissioners, Dimapur and Kohima for execution of 175 works, which were not permissible under the Scheme.

Basic records like bills, vouchers, measurement books, completion reports, asset register etc., were not maintained. As a result, genuineness of the expenditure of Rs.2.18 crore could not be verified. All these factors facilitated frauds, and pilferage in execution of works. There was also no supervisory check exercised on the construction of works/assets created.

Non-inventory of assets, rendered the genuineness of creation, and continued retention, of assets doubtful.

***(Paragraph 3.3)***

## 3.4 National Family Welfare Programme

The National Family Welfare Programme was launched by the Government of India, as a demographic and welfare programme, to bring down the birth rate, and stabilise population, by encouraging eligible couples within the reproductive age group, to adopt various Family Welfare measures, by creating social awareness, imparting health education through propagation, and mass media activities. The implementation of the programme in the State was reviewed in audit, and the following were noticed:-

The total amount spent on salaries (Rs.23.90 crore) during 1995-96 to 1999-2000 accounted for 75 *per cent* of the total expenditure (Rs.31.99 crore).

The Department incurred excess expenditure of Rs.1.43 crore on pay and allowances and honorarium annually paid to staff employed in 182 sub centres.

The Department had no information about the number of children, and expectant mothers, requiring health and family welfare support. As a result, it could not fix any specific targets for bringing down the birth and death rates, and for improving maternal and child health.

The entire reporting process was unreliable, inasmuch as, the achievements reported by the Department to the Government of India, on population coverage, procurement, and application of vaccines were inflated/incorrect. Exaggerated reports were sent, merely to obtain more funds from the Government of India.

Despite incurring excess expenditure of Rs.18.31 crore over sanctions, there were shortfalls ranging between 42 and 67 *per cent* in creation of health infrastructure (Sub-centres, Primary Health Centres and Community Health Centres).

90 *per cent* of the villages (1225) in the State had no Dais, and expectant mothers of at least 1002 villages, were left at the mercy of quacks and untrained persons.

Lapses on the part of the Department in utilising immunisation vaccines during their potency period, deprived 4400 children of the benefits under the Scheme.

***(Paragraph 3.4)***

## 3.5 Urban Employment Generation Programme

The Urban Employment Generation Programme launched by the Government of India between October 1989 and November 1995, and comprising Swarna Jayanti Sahari Rozgar Yojana, Nehru Rozgar Yojana, Urban Basic Services for the Poor, Prime Minister's Integrated Urban Poverty Eradication Programme and Prime Minister's Rozgar Yojana, aimed at providing wage employment in order to alleviate urban poverty, and to simultaneously create economic infrastructure and community assets for sustained employment and development. Lack of proper linkage and co-ordination between the different implementing agencies, together with slackness in inspection of works, impeded the achievement of the schemes. Besides, the following important points were also noticed in a review conducted by Audit of the programme, covering the period 1995-96 to 1999-2000.

Though funds were received from the Government of India in time, the State Government released the same after 1 to 10 years. Central assistance of Rs.1.94 crore received during the aforesaid years, remained unspent with the Department.

Unnecessary drawal and retention of funds by the Chief Town Planner, resulted in potential loss of interest of Rs.30.32 lakh and also facilitated robbery of Rs.50 lakh.

While the Department could generate 21.71 lakh mandays with the available funds, it generated only 0.90 lakh mandays representing 4 *per cent* achievement because of delay in release/non-release of funds by the State Government, and faulty implementation of the schemes.

Because of the failure of the Department to conduct surveys, and identify targeted beneficiaries in urban areas, the programme failed to effectively address the crucial issue of providing sustained employment benefit to the urban poor; Rs.1.83 crore spent on creating assets, merely generated one-time employment.

The actual creation and existence of the assets, and accrual of benefits to the urban poor, is suspect, in the absence of Register of Assets.

***(Paragraph 3.5)***

## 3.6 Implementation of North Eastern Council Schemes

North Eastern Council (NEC), Shillong, was set up by the Ministry of Home Affairs, Government of India, in August 1972. The primary objective of the NEC was to finance development of infrastructure, by construction of roads and bridges, power transmission lines etc., in the State. NEC also acts as an advisory body, for discussing common problems of the region in the fields of planning and economic development. Implementation of several schemes sponsored by the NEC in the State of Nagaland was reviewed in audit. Delay in release of funds by the State Government, despite timely and sufficient receipt from the NEC, resulted in huge cost and time overrun. Works for roads and communication systems, were initiated late. A large portion of the funds were unauthorisedly diverted towards purchase of supplies, and on works outside the purview of the NEC Schemes.

Out of Rs.36.02 crore released by the NEC during 1992-93 to 1999-2000, the State Government released only Rs.32.62 crore to the implementing agencies, resulting in short release of Rs.3.41 crore.

Difference of Rs.2.94 crore between the expenditure reported by the Government, and expenditure as per Finance Accounts, was not reconciled by the Government.

The Department incurred an extra expenditure of Rs.2.39 crore on NEC works, which resulted in undue financial aid to the contractors.

Department unauthorisedly diverted Rs.1.31 crore, on projects not related to NEC Schemes.

Due to delay in finalisation of tenders, there was time overrun of 3 t 9 years and cost overrun of Rs.4.91 crore, in completion of a hydel project and construction of a transmission line.

The Department improperly issued work orders for Rs.3.60 crore at the instance of Minister, Works and Housing.

***(Paragraph 4.1)***

## 4. Paragraphs

### I. Blocking / locking up of funds

(i) The Director of Agriculture spent Rs.28.26 lakh on fictitious Civil works for establishment of a Seed Processing Plant at Merapani. A Mobile Seed Processing Unit purchased at a cost of Rs.8.34 lakh remained idle for more than two years.

***(Paragraph 3.6)***

(ii) The Project Engineer, Police Engineering Project Division, Chumukedima unauthorisedly paid Rs.200 lakh as mobilisation advance, which resulted in locking up of funds, and loss of interest of Rs.36.71 lakh.

***(Paragraph 4.2)***

(iii) The Estate Officer, Public Works Department, paid Rs.262.40 lakh without obtaining Legislative sanction, for construction of a State Guest House at New Mumbai. This resulted in locking up of funds, and interest burden of Rs.95.28 lakh.

***(Paragraph 4.4)***

### II Avoidable / irregular / excess / doubtful / infructuous / unauthorised expenditure

(i) The Home (General Administration Branch) incurred irregular expenditure of Rs.79.32 lakh on contingency paid/casual employees appointed in violation of Government orders.

***(Paragraph 3.9)***

(ii) The DIG, Fire Services failed to take possession of land and a building, after making an irregular payment of Rs.13 lakh to an individual, without ascertaining the title of the property.

***(Paragraph 3.12)***

(iii) The Director of Medical Services made an excess payment of Rs.33.60 lakh due to procurement of medicines and nursing sundries at higher rates.

***(Paragraph 3.14)***

(iv) Procurement and utilisation of spare parts worth Rs.148.88 lakh for 7 bulldozers could not be vouchsafed, rendering the expenditure doubtful.

***(Paragraph 3.20)***

(v) The Director, Soil and Water Conservation Department, incurred infructuous expenditure of Rs.73.35 lakh, on salaries and wages of excess and idle officers and staff.

***(Paragraph 3.22)***

(vi) The Executive Engineer, Public Works Department, unauthorisedly engaged 172 work charged employees, and spent Rs.52.35 lakh on their pay and allowances.

***(Paragraph 4.5)***

## III. Misappropriation

(i) By flouting the Financial Rules, the Deputy Inspector of Schools, Dimapur and Mokokchung, fraudulently drew and misappropriated Rs.10.87 lakh, by overstating/understating entries in the cash books.

***(Paragraph 3.17)***

(ii) The Director, Soil and Water Conservation misappropriated Rs.39.96 lakh towards clearance of fictitious past liabilities.

***(Paragraph 3.19)***

(iii) The District Soil Conservation Officers, Kohima and Mokokchung had not recorded drawal and disbursement of Rs.173.09 lakh and Rs.169 lakh respectively in the cash book, indicating possible misappropriation of the amounts.

***(Paragraph 3.23)***

## IV. Loss of Revenue

(i) Non-realisation of sales tax from local suppliers resulted in loss of revenue of Rs.4.10 lakh.

***(Paragraph 6.5)***

(ii) Non-levy of turnover tax resulted in loss of revenue of Rs.8.45 lakh.

***(Paragraph 6.6)***

## V. Other points of interest

(i) The Director of Soil and Water Conservation, Nagaland, did not submit Detailed Countersigned Contingent bills in support of expenditure of Rs.4.22 crore drawn in 8 Abstract Contingent bills, even after a lapse of 4 to 10 years.

***(Paragraph 2.6)***

(ii) The Chief Engineer, Public Works Department (Roads and Bridges), Kohima, projected a fictitious liability of Rs.4.34 crore, merely to draw funds from the Treasury.

***(Paragraph 2.7)***

(iii) The Director General of Police failed to enforce recovery of Rs.56.73 lakh, against the cost of Police Guards, from banks and other offices.

***(Paragraph 3.8)***

(iv) Director of Medical Services incurred expenditure of Rs.36.25 lakh towards clearance of fictitious past liabilities.

***(Paragraph 3.13)***

## VI. General

(i) There were six Government Companies and nine departmentally managed Government Commercial and quasi-commercial undertakings, in the State, as on 31 March 2000. The total investment in six Government companies (including one subsidiary) was Rs.53.24 crore (equity: Rs.18.19 crore; long term loans: Rs.25.74 crore and share application money; Rs.9.31 crore).

***(Paragraphs 8.1.1, 8.1.2 and 8.1.10)***

(ii) None of the Government Companies had finalised their accounts for the year 1999-2000. The extent of arrears ranged from nine to twenty four years. Proforma account of all the departmentally managed Government Commercial and quasi commercial undertakings were in arrears ranging from one year to twenty eight years.

***(Paragraphs 8.1.5.1 and 8.1.10)***