

OVERVIEW

This Report includes two chapters containing the observations of Audit on the Finance and Appropriation Accounts of the State for the year 2003-04 and five other chapters with one audit review, two long paragraphs and 21 draft paragraphs dealing with the results of the audit of selected schemes, programmes and the financial transactions of the Government and its commercial and trading activities.

Copies of the audit paragraphs and audit reviews are sent to the concerned Secretary to the State Government by the Accountant General, with a request to furnish replies within six weeks. The Secretaries are also reminded by the Accountant General for replies. Despite these efforts, in respect of 15 audit paragraphs and one long paragraph included in this Report, no response was received from the concerned Secretary to the State Government.

1. Finances of the State Government

The revenue receipts of the State increased from Rs.1131.46 crore in 1999-2000 to Rs.2359.79 crore in 2003-04. While 6 *per cent* of the revenue receipts during 2003-04 came from State's own resources comprising taxes and non-taxes, central tax transfers and grants-in-aid together contributed 94 *per cent* of the total revenue.

(Paragraph 1.5.2)

As on 31 March 2004, Government had invested Rs.69.36 crore in its statutory corporations, Government companies, joint stock companies and co-operative societies. Government's return on this investment was less than one *per cent* in the last five years.

(Paragraph 1.8.1)

In addition to investments in co-operatives, corporations and companies, Government has also been providing support in terms of loans and advances to many of these parastatals. The total outstanding balance as on 31 March 2004 was Rs.45.22 crore. Interest received on such loans had varied from 1.46 *per cent* to 1.73 *per cent* during 1999-2004. Total implicit subsidy during 1999-2004 on such loans was Rs.25.41 crore.

(Paragraph 1.8.2)

Overall fiscal liabilities of the State increased from Rs.1146 crore in 1999-2000 to Rs.1924 crore in 2003-04 on an average rate of 15.44 *per cent* during 1999-2004. The ratio of these liabilities to GSDP also increased from 38.60 *per cent* in 1999-2000 to 43.20 *per cent* in 2003-04.

(Paragraph 1.8.5)

The ratio of revenue receipts to GSDP and its buoyancy, which were on a declining trend during 1999-2003 increased substantially during 2003-04 owing to increase in central tax transfers and Grants-in-aid from the Government of India. The ratio of own tax to GSDP, however, decreased during the last three years indicating deficient tax administration. The balance from current revenues (BCR) also continued to be negative indicating continued dependence on external resources for plan and development expenditure.

(Paragraph 1.10)

2. Allocative priorities and Appropriation

The overall saving of Rs.166.18 crore was the net result of excess of Rs.230.79 crore in 30 cases of grants and two cases of appropriations and saving of Rs.396.97 crore in 62 cases of grants and four cases of appropriations.

(Paragraph 2.2.1)

According to Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a Grant/Appropriation regularized by the State Legislature. However, it was noticed that excess expenditure of Rs.1780.48 crore reported during 1991-92 to 2002-03 except 1992-93 and 1993-94 had not been regularised. No action had been taken by the Government (Finance Department) for regularisation of the excess as of January 2005.

(Paragraph 2.3.2(ii))

According to rules, expenditure should not be incurred on a scheme/service without provision of funds. It was noticed that expenditure of Rs.120.03 crore was incurred in 23 cases without provision having been made in the original estimates/supplementary demands.

(Paragraph 2.3.7)

Financial rules require that the departmental controlling officers should reconcile periodically the departmental figures of expenditure with those booked by the Sr. Deputy Accountant General (A&E). Such reconciliation enables the departmental officers to monitor the progress of expenditure and ensure timely detection of misclassification, wrong bookings, fraud, defalcation, etc. Out of 79 controlling officers, nine involving Rs.294.71 crore pertaining to 2003-04 remained unreconciled.

(Paragraph 2.3.12)

3. Performance Review (Civil)

Receipt, issue and accounting of stores in Power Department

The stores procured by the Power Department are mainly conductors, transformers, steel tubular poles, cables, street light material, high tension/low tension line material, metering equipment etc. Significant points noticed during test check of receipts, issue and accounting of stores in Power Department were as under:

- No specific allocation of funds for procurement of stores was made in the annual budget of the Power Department. Procurements were made against the budget allocations made for different schemes. Most of the expenditure on procurement of stores was charged to works concerned and the procurement against the Suspense Head stock was meagre.
- None of the divisions test checked maintained value accounts of stores and as such value of stores available with the Department could not be ascertained in audit.
- Outstanding inter-divisional stock transactions remained unadjusted resulting in minus balance of Rs.5.07 crore in stock account of seven divisions at the end of March 2004.
- Stock valuing Rs.59.52 lakh was lying idle for a period ranging between four and seven years. There was also a large stock of slow moving items valuing Rs.1.54 crore.
- Internal Control mechanism was virtually non-existent in the material and stores management of Power Department.

(Paragraph 3.1)

4. Audit of Transactions (Civil)

- Deputy Commissioner, Zunheboto, incurred infructuous expenditure of Rs.71.79 lakh towards payment of salaries to idle staff.

(Paragraph 4.2)

- Avoidable interest burden to the tune of Rs.1.24 crore on account of delay in release of loan money.

(Paragraph 4.4)

- Irregular expenditure of Rs.1.80 crore incurred on unauthorized appointments

(Paragraph 4.6)

- Extra avoidable expenditure of Rs.5.03 crore due to deployment of teachers in excess of norms in Government Primary and Middle Schools and excess staff in the Civil Hospital, Dimapur.

(Paragraph 4.7)

- Purchase of bridge components in advance of requirement led to blocking of Government funds of Rs.86.11 lakh.

(Paragraph 4.9)

- Medical advances of Rs.40.06 lakh were disbursed by the Chief Engineer, Public Works Department (R&B) without supporting documents and remained unadjusted.

(Paragraph 4.12)

5. Internal Control Mechanism in Government Department

Director of Treasury and Accounts is entrusted with the internal audit of all Government departments, local bodies, Government undertakings, etc. Auditing Standards and Audit Manual were not in place. Response to audit was poor.

- In the absence of annual audit planning and non fixing of targets against 852 auditee units only 97 units were inspected during the period 1999-2004, leaving a large number of Government organizations uncovered.

(Paragraph 5.1.5)

- There were no Audit manuals/Audit standards which rendered the functioning of the Internal Audit Wing ineffective.

(Paragraph 5.1.6)

- Out of 98 Inspection Reports (IRs) containing 456 paras issued during 1999-2004 only 50 paras were settled and no Inspection Report was settled in full, thus vitiating the purpose for which the Internal Audit Wing was set up.

(Paragraph 5.1.8)

6. Revenue Receipts

General

- The total revenue receipts of the State Government for the year 2003-04 amounted to Rs.2,359.79 crore against Rs.1,346.90 crore for the previous

year. Five *per cent* of this was raised by the State through tax revenue (Rs.68.55 crore) and non-tax revenue (Rs.60.91 crore). The balance 95 *per cent* was receipts from the Government of India as State's share of divisible Union Taxes (Rs.256.97 crore) and as grants-in-aid (Rs.1,973.36 crore).

(Paragraph 6.1.1)

- The Director, Treasury and Accounts, Kohima had procured Share Transfer, Insurance, Foreign Bills and Broker's Note Stamps worth Rs.70.62 crore from CSD, Nasik during 1995-96 to 2000-01, out of which stamps for Rs.58.74 crore were issued to the agents and the balance stamps valued at Rs.11.88 crore were lying in Kohima North Treasury as no vendor/agent was willing to purchase the stamps.

(Paragraph 6.2.3)

- Due to non-realisation of sales tax from the mill owners by the Divisional Forest Officer (DFO), Mon Government suffered a loss of Rs.14.45 lakh.

(Paragraph 6.3)

- Against payable amount of Rs.20.87 lakh towards forest royalty by the Border Road Task Force, the DFOs, Zunheboto and Tuensang realized only Rs.6.16 lakh resulting in short realization of revenue of Rs.14.71 lakh.

(Paragraph 6.4)

- Due to delay in conveying the approval by the Government towards settlement of five Stone Mahals, the DFO, Mon sustained loss of Rs.23.30 lakh.

(Paragraph 6.5)

- Forest revenue of Rs.10.79 lakh collected by the Deputy Range Officer, Melluri was not remitted into Government account.

(Paragraph 6.6)

- Director General of Police, Nagaland, Kohima failed to enforce recovery of Rs.1.64 crore towards cost of police guards from Airport Authority of India, Dimapur.

(Paragraph 6.8)

- Due to non-realisation of hire charges of bulldozers/road roller by the Executive Engineer, Mechanical Division No.I, Kohima, the Government sustained loss of revenue of Rs.14.85 lakh.

(Paragraph 6.10)

7. Commercial and Trading activities

- There were five working Government companies, one non-working company and nine departmentally managed Government commercial and quasi-commercial undertakings in the State as on 31 March 2004. The total investment in the five working Government companies was Rs.61.90 crore (equity:Rs.19.31 crore, share application money:Rs.10.43 crore and long term loans:Rs.32.16 crore)

(Paragraphs 7.1.1 and 7.1.2)

- None of the five working Government companies had finalised their accounts for the year 2003-04. The accounts of all the companies were in arrears for periods ranging from eight to 23 years as on 30 September 2004.

(Paragraph 7.1.5)

- According to the latest finalised accounts of five Government companies, three companies had incurred an aggregate loss of Rs.2.06 crore; of the three loss incurring companies, one company had accumulated loss of Rs.0.49 crore which exceeded its paid up capital of Rs.0.10 crore. The capital employed worked out to Rs.18.59 crore in three companies and total return thereon amounted to Rs.(-) 2.12 crore as compared to total return of Rs.(-)1.93 crore in the previous year.

(Paragraph 7.1.6,7.1.7 and 7.1.8)

- The accounts of one non-working company viz Nagaland Sugar Mills Company Limited were in arrears for a period of 26 years as on 31 March 2004.

(Paragraph 7.1.12)

- The proforma accounts of nine departmentally managed Government commercial and quasi-commercial undertakings were in arrears from five to 33 years.

(Paragraph 7.1.18)

Review on the Working of the Nagaland State Mineral Development Corporation Limited

- Nagaland State Mineral Development Corporation Limited was incorporated in May 1981 with the main objective to exploit various mineral deposits available in the State on a commercial basis and to promote, establish and develop mines and mineral based industries in the State. The company took up modernization and expansion of Mini Cement Plant without first addressing the problems relating to under utilization of the capacity of the existing plant. The company diverted funds received for

modernization and expansion of mini plant for civil construction at the plant site and for construction of housing facilities for limestone workers. The company also established two Decorative and Dimensional Stone Plants which were also incurring losses right from inception.

Some of the important points noticed in the review were as under:

- There was an excess expenditure of Rs.1.51 crore in production cost of cement due to non-adherence to norms of consumption.

(Paragraph 7.2.11)

- The State Government provided pricing support of Rs.3.05 crore against actual expenditure of Rs.1.11 crore.

(Paragraph 7.2.13)

- The company incurred an expenditure of Rs.26.70 lakh for People Development Programme before making arrangement of funds for the entrepreneurs for Self Employment Generation Scheme.

(Paragraph 7.2.23)

Miscellaneous topics of interest relating to Government companies and Statutory corporations

Nagaland Industrial Development Corporation Limited

- Due to injudicious investment in joint venture collaboration Nagaland Industrial Development Corporation Limited sustained loss of Rs.48.43 lakh.

(Paragraph 7.3)