

OVERVIEW

This Report includes two chapters on Finance Accounts and Appropriation Accounts of the Government of Nagaland for the year 2002-03, one chapter on Internal Control and Internal Audit arrangement and six other chapters with five audit reviews and 22 paragraphs dealing with the results of the audit of selected schemes, programmes and of the financial transactions of the Government and its commercial and trading activities. A synopsis of the major findings is set out in this overview.

1. An overview of the finances of the State Government

Assets of the State Government increased by 19.55 *per cent* from Rs.2287.82 crore in 2001-02 to Rs.2735.16 crore in 2002-03, while liabilities increased by 26.89 *per cent* from Rs.2256.11 crore in 2001-02 to Rs.2862.82 crore in 2002-03 indicating deterioration in the financial condition of the Government.

(Paragraph-1.2)

The share of revenue receipts in total receipts decreased from 77.23 *per cent* in 2001-02 to 63.14 *per cent* in 2002-03, even though there was increase in total gross receipts by 24.38 *per cent*. The share of public debt receipts increased from 10.94 *per cent* in 2001-02 to 27.13 *per cent* in 2002-03.

The revenue expenditure accounted for 70.61 *per cent* of total funds and was higher than the share of the revenue receipts in the total receipts of the State Government leading to revenue deficit.

(Paragraph-1.3)

Revenue receipts of the State Government increased from Rs.989.38 crore in 1998-99 to Rs.1346.90 crore in 2002-03 at an average trend rate of 9.62 *per cent* per annum. The rate of growth of revenue receipts increased to 1.69 *per cent* during 2002-03 with reference to 2001-02.

(Paragraph-1.4)

Overall fiscal liabilities of the State increased from Rs.1419 crore in 1998-99 to Rs.2719 crore in 2002-03 at an average annual rate of 17.21 *per cent*. The net funds available towards the internal debt, loans and advances from Government of India and other liabilities after providing for interest and repayments stood at a level of 54.17 *per cent* of total fresh liabilities in 2002-03.

(Paragraph-1.7)

2. Appropriation Audit and Control over expenditure

Through it was mandatory for the Government to get the excess expenditure over grants/appropriations regularised, such excess expenditure of Rs.1056.73 crore pertaining to the years from 1991-92 to 2001-02 except 1992-93 and 1993-94 was yet to be regularised.

(Paragraph-2.3.2)

Against gross provision of Rs.2781.99 crore, gross expenditure during the year was Rs.3142.24 crore. The overall excess of Rs.360.25 crore was the result of excess of Rs.723.75 crore in 19 cases of grants/appropriations and saving of Rs.363.50 crore in 67 cases of grants/appropriations.

(Paragraph-2.2)

Supplementary grants of Rs.21.94 crore obtained in 18 cases proved unnecessary in view of aggregate savings of Rs.55.34 crore. In 14 cases, supplementary provision of Rs.87.25 crore proved insufficient, leaving an aggregate uncovered excess expenditure of Rs.697.19 crore.

(Paragraphs-2.3.3)

Expenditure of Rs.5.40 crore was incurred in 26 cases under 17 grants/appropriations, although no budget provision was available for this during the year.

(Paragraph-2.3.6)

3. Internal Control and Internal Audit arrangement

Lack of internal control in the departments led to the unrealistic budgetary provisions indicating serious deficiencies in control over expenditure. Internal audit wing too, with its nominal strength, failed to cover all the departments, local bodies and PSUs which reflected the inadequacy and ineffectiveness of the internal audit system in the state.

(Paragraph-9.1)

4. Audit Reviews on development and Welfare activities, etc.

(i). Welfare of Handicapped

The scheme "Welfare of Handicapped" was launched to help disabled persons. The scheme was not successful as there was little educational infrastructure nor job reservation for the handicapped.

Central assistance of Rs.1.02 crore provided for National Programme for Rehabilitation of Persons with Disability Scheme was utilised for procurement of items not covered under the scheme.

(Paragraph-3.1)**(ii). Working of the Police Central Workshop**

To carry out repairs of all vehicles of the Police Department a Police Central Workshop (PCW) was established at Chumukedima in November 1971. The workshop was not equipped with machineries, equipment and trained technicians for major repair of all types of vehicles.

Despite existence of PCW the department spent Rs.64 lakh towards payment of job charges for carrying out major repair of vehicles in private garages. Non provision of tyre retreading plant in PCW led to avoidable expenditure of Rs.40.44 lakh.

(Paragraph-3.2)**(iii). Integrated Audit on Irrigation and Flood Control Department including manpower management**

There was infructuous expenditure of Rs.5.29 crore and unfruitful expenditure of Rs.3.67 crore on payment of pay and allowances to the idle workcharged/casual employees and to the idle staff of defunct workshop unit respectively.

Scheme funds of Rs.1.41 crore was diverted towards purchase of vehicles, computer and accessories, furniture, stationery, muster roll etc. not covered in approved estimates.

(Paragraph-4.1)**(iv). Working of the Development Authority Nagaland**

DAN engaged 47 workcharged staff and incurred Rs.68.98 lakh towards their salary during 1998-99 to 2002-03 when it did not have any work/project to execute.

DAN irregularly spent Rs.80.49 lakh on repair/maintenance of the market complex out of the revenue collected by it from the occupants of the stalls/rooms during 1998-99 to 2002-03.

(Paragraph-7.5)**(v). Working of the Nagaland Industrial Raw Materials and Supply Corporation Limited**

Injudicious appointment of handling agents on payments of handling and incidental charges ranging between three and nine *per cent* caused not only extra payment of Rs.22.92 lakh but also wiped out the Company as market leader.

The company made payment of Rs.54.46 lakh towards pay and allowances on idle staff.

(Paragraph-8.9)

5. Transaction audit observations

(A). Civil

(i). Fraudulent drawal

Failure on the part of both the Superintendent of Police, Kiphire and the Treasury Officer, Kiphire to exercise necessary statutory checks resulted in fraudulent drawal of arrears of sterilisation increment of Rs.47.37 lakh.

(Paragraph-3.4)

(ii). Excess/irregular/unauthorised expenditure

The Biologist, Urban Malaria Scheme, Dimapur deployed excess staff against sanctioned strength prescribed by the Government of India and incurred extra expenditure of Rs.1.78 crore towards pay and allowances.

(Paragraph-3.6)

The Executive Engineers, Medical Engineering Division, Kohima and Public Works Division (Housing), Kohima engaged nine and 90 workcharged staff in violation of Government orders and incurred unauthorised expenditure of Rs.9.33 lakh and Rs.51.37 lakh respectively on their pay and allowances.

(Paragraph-4.2)

(iii). Blocking/Locking up of funds

The Director of Veterinary and Animal Husbandry Department, Kohima procured a liquid nitrogen plant without calling for tenders and its non-commissioning resulted in blocking of Government funds of Rs.1.11 crore.

(Paragraph-3.10)

The Project Engineer, Police Engineering Project, Chumukedima injudiciously procured spare parts which resulted in locking up of Government funds of Rs.32.45 lakh.

(Paragraph-5.5)

(iv). Other points of interest

Unit Commanders failed to enforce recovery of Rs.5.83 crore towards cost of police guards against banks/agencies.

(Paragraph-3.3)

The Director of Industries and Commerce, Kohima drew Rs.66 lakh in excess of requirement for payment under Voluntary Retirement Scheme to the employees of the Nagaland Sugar Mill Company Ltd. and did not remit Rs.1.76 crore to Government accounts.

(Paragraph-3.8)

Non-observance of codal provisions by the Development Commissioner, Planning and Co-ordination Department, Kohima resulted in non-accountal of stores to the tune of Rs.19.76 lakh.

(Paragraph-5.6)

(B). Revenue receipts

Government suffered loss of revenue of Rs.1.12 crore due to non-deduction of tax on works contract at source.

(Paragraph-6.5)

(C). Commercial and Trading activities

General

There were six Government companies including one subsidiary and one non working and nine departmentally managed Government commercial and quasi-commercial undertakings in the State as on 31 March 2003. The total investment in the five working Government companies was Rs.60.56 crore (equity : Rs.19.31 crore, long term loans: Rs.30.82 crore and share application money:Rs.10.43 crore).

(Paragraphs-8.1 & 8.2)

Non-realisation of accumulated lease rent and interest thereon amounted to Rs.84.63 lakh.

(Paragraph-8.10)