

## EXECUTIVE SUMMARY

### **The Report**

*This report provides an analysis of the finances of the State Government, based on the audited accounts of the Government of Nagaland for the year ended March 2018. The Report has three Chapters.*

*Chapter I is based on the Finance Accounts and makes an assessment of the State's fiscal position as on 31 March 2018. It presents and analyses the State Government's resources and their application.*

*Chapter II is based on audit of the Appropriation Accounts and reviews the allocative priorities of the State Government and the manner in which the allocated resources were managed by various Departments.*

*Chapter III gives an overview and status of the State Government's compliance with various financial rules, procedures and directives during 2017-18.*

*The Report has 22 appendices containing additional data collated from several sources in support of the audit observations.*

### **Audit findings:**

#### **Analysis of Finances of the State Government (Chapter I)**

- ❖ *State's Own Resources (Own Tax and Non-Tax Resources) were a meagre nine per cent of the total Receipts of the State.*

**(Paragraph 1.1.1)**

- ❖ *The State registered revenue surplus of ₹827.86 crore during 2017-18. Fiscal deficit (₹446.09 crore) stood at 1.89 per cent of Gross State Domestic Product (GSDP).*

**(Paragraph 1.1.3)**

- ❖ *Capital expenditure (₹1274.85 crore) was more than the Budget Estimates (₹1149.20 crore). Its ratio to total expenditure stood at 11.12 per cent which was less than the combined average (15.50 per cent) of Special Category States.*

**(Paragraphs 1.1.2 & 1.7.1)**

- ❖ *The Capital Expenditure of the State (₹1274.85 crore) increased by ₹198.75 crore during 2017-18 as compared to previous year.*

**(Paragraph 1.6.1)**

- ❖ *In view of opening General Cash Balance (2017-18) (₹ 262.33 crore), the State could have considered restricting to need-based borrowings by utilizing the existing cash balances before resorting to market borrowings (₹1235.02 crore) at higher rates of interest.*

**(Paragraph 1.8.4)**

- ❖ *The State paid an interest of ₹677.75 crore towards the outstanding liabilities during the year 2017-18.*

**(Paragraph 1.6.3)**

- ❖ *During the year, revenue expenditure accounted for 89 per cent of the State's aggregate expenditure, which was in the nature of current consumption, leaving only 11 per cent capital expenditure for investment in infrastructure and asset creation.*

**(Paragraph 1.6.1)**

- ❖ *The overall Development Expenditure of the State did not change much in terms of percentages, even as the total receipt of the State had seen a substantial increase with enhanced devolution during the year (2017-18) as per the recommendations of the XIV Finance Commission.*

**(Paragraphs 1.3, 1.3.2 & 1.7.2)**

- ❖ *During 2017-18, the return of the Government on its investments (₹ 293.19 crore) in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives was NIL. Accumulated losses in all the five working Government Companies had exceeded their paid-up capital.*

**(Paragraph 1.8.2)**

- ❖ *The maturity profile of Debt as on 31 March 2018 indicated that State has to repay 50 per cent of debt amounting to ₹3,919.38 crore within the next seven years which might put strain on the Government budgets during that period.*

**(Paragraphs 1.10.2 & 1.10.3)**

### **Financial Management and Budgetary Control (Chapter II)**

*Sound financial management requires advance planning and accurate estimation of revenues and expenditure. There were instances of excess expenditure or substantial savings with reference to provisions made during the year, exhibiting weakness in expenditure monitoring and control:*

- ❖ *The overall saving of ₹2,507.64 crore (13.59 per cent of total allocation) was the result of savings of ₹2522.15 crore offset by an excess of ₹14.51 crore under various Grants/ Appropriations. During the year, though there was an overall savings of ₹2507.64 crore only, the amount surrendered was ₹2571.60 crore (102.55 per cent).*

**(Paragraph 2.2)**

- ❖ *In 174 sub-heads, the surrender of funds amounted to more than 50 per cent of the provisions. At the close of the year 2017-18, savings in six grants (amounting to ₹ 27.54 crore) occurred, which were not surrendered by the departments concerned. Besides, in 24 cases (surrender of funds amounting to ₹ 10.00 crore and above), ₹2315.32 crore were surrendered on the last two*

*working days of March 2018 indicating inadequate financial control. As such, these funds could not be utilised for other developmental purposes.*

**(Paragraphs 2.3.9 & 2.3.11)**

- ❖ *Excess expenditure over the allocations amounting to ₹ 709.18 crore pertaining to the years 2012-13 to 2016-17 was not regularised till December 2018. The cases of excess expenditure over grants were serious violations of the will of the Legislature. It is, thus, important to fix the responsibility of erring officials in this regard.*

**(Paragraph 2.3.4)**

- ❖ *Detailed Contingent (DC) bills were not submitted (December 2018) for an amount of ₹359.16 crore drawn on 219 Abstract Contingent (AC) bills by various departments. In the absence of DC bills, it was not possible to ascertain whether expenditure had actually taken place or not. Non-adjustment of AC Bills for long periods in violation of prescribed rules and regulations was fraught with the risk of embezzlement/ misappropriation of funds.*

**(Paragraph 2.4)**

### **Financial Reporting (Chapter III)**

*Audit observed various instances of non-observance of financial rules and procedures and absence of financial controls.*

- ❖ *An amount of ₹11.71 crore was lying in Civil Deposits at the end of the year. In addition, an amount of ₹19.44 crore was lying in the Bank accounts of 70 Drawing & Disbursing Officers. Paying interest at higher rates on borrowings while keeping amounts in Civil Deposits and Bank Accounts which did not bear any interest showed poor cash and financial management by the State Government.*

**(Paragraph 3.5)**

- ❖ *Utilisation Certificates were not furnished in 255 cases involving ₹ 865.30 crore since the last one to seven years. There were delays in submission of annual accounts by 22 Autonomous Bodies/Authorities, which diluted accountability and defeated the very purpose of preparation of accounts.*

**(Paragraphs 3.1 & 3.2)**

- ❖ *As on 31 March 2018, 29 cases of misappropriation, defalcation etc., involving ₹ 178.96 crore were pending for final action by 13 departments.*

**(Paragraph 3.7)**