

CHAPTER-IV

AUDIT OF TRANSACTIONS

Fraud/Misappropriation/Losses

FINANCE DEPARTMENT

4.1 Fraudulent drawal of gratuity

Rupees 47 lakh was paid by a sub-treasury by honouring Gratuity Payment Orders which were not authorised by the Accountant General.

Mention was made in Paragraphs 3.8 and 4.1 of the Audit Reports of the Comptroller & Auditor General of India, Government of Nagaland for the year ended 31 March 2001 and 2006 respectively, regarding fraudulent drawal of pension. The matter was brought to the notice of the State Government from time to time (October 2005 to July 2006).

During central audit of the vouchers for payment of pension, gratuity etc., for the month of June 2006, 17 cases of fraudulent drawal of gratuity involving Rs.47 lakh were noticed in Pfutsero Sub-treasury (Appendix-4.1). The modus operandi of the fraudulent drawal involved using identical forms as are used by the Accountant General's office, forging signatures, using fictitious names and false authority numbers.

Thus, the failure on the part of the Government to take effective and timely measures to prevent fraudulent drawals despite the matter being featured in previous Audit Reports, compounded by the failure of the treasury officer to exercise statutory checks/controls prescribed by rules resulted in fraudulent drawal of gratuity amounting to Rs.47 lakh.

The Department accepted (November 2007) the facts and stated that the case has been referred to the Government for taking disciplinary action. Reply from the Government is awaited (November 2007).

SCHOOL EDUCATION DEPARTMENT

4.2 Fraudulent drawal of pay and allowances

The Head Master, Government High School, Athibung had fraudulently drawn Rs.10 lakh on pay and allowances of teachers.

The State Government declared all Head Masters (HMs) of Government High Schools in the State as drawing and disbursing officers. During audit (February 2006)

of the accounts of Government High School, Athibung in Peren district, the HM provided a list showing a total of 27 employees working under his establishment during the academic year 2005, which included one Head Master, one Assistant Head Master, four Senior Graduate Teachers, four Graduate Teachers (ad hoc), two Hindi Teachers, one Assistant Teacher and fourteen administrative staff. The enrolment of students was 220 during 2005 as stated by the HM.

Test-check (May 2006) of the vouchers in central audit in respect of the HM, GHS, Athibung, revealed that against the actual deployment of 27 employees, the HM had drawn pay and allowances for his staff in excess of actual strength ranging from 8 to 46 whose names were not found in the list provided to audit during the months of May, July, September and December 2005. This resulted in fraudulent drawal of Rs.10 lakh (Appendix-4.2) during the above months.

The matter was reported to the Government/Department in June 2007; reply had not been received (November 2007).

PLANNING AND CO-ORDINATION DEPARTMENT

4.3 Loss of Government money

Local Area Development Programme fund of Rs.20.35 lakh was paid to unauthorised person.

For implementation of schemes under Local Area Development Programme (LADP), Deputy Commissioner (DC) of the respective districts has been designated as the Chief District Planning and Development Officer and delegated with all administrative, executive and financial powers.

Test check of records (July 2006) of the Development Commissioner, Planning and Co-ordination Department, Kohima for the period October 2004 to June 2006 revealed that the State Government sanctioned (December 2004) Rs.1.74 crore being the first installment under LADP for execution of various development works in seven Assembly Constituencies in Kohima district during 2004-05. The sanction clearly stipulated that payment is to be made directly to the beneficiaries/agencies executing the work only after verification by the implementing committee headed by the DC.

The Development Commissioner released an amount of Rs.20.35 lakh to the District Planning Officer (DPO) from the above sanctioned amount for implementation of 64 projects under 21 Tsemnyu Assembly Constituency. The DPO on authorisation by the Parliamentary Secretary, the elected member of 21 Tsemnyu Assembly Constituency, handed over the cheque for Rs.20.35 lakh to his Personal Assistant (PA) who encashed it on 21 December 2004. The Parliamentary Secretary filed FIR on the same day with the police that some armed miscreants looted the entire money from his PA while returning from the bank. Subsequently, two suspects were taken into judicial custody and later

acquitted (February 2006) by the Judicial Magistrate for want of sufficient evidence. Further development of the case is awaited (November 2007). Thus, the disbursement of LADP fund to an unauthorised person instead of to the actual individual beneficiaries/agencies in contravention of the Government directive facilitated the loss of Rs.20.35 lakh.

The Department accepted (July 2007) the facts and stated that funds were released at the fag end of the financial year and that there was no time for proper identification of beneficiaries. The reply is not tenable as provision of funds in the budget of subsequent year had to be made. Also, objective of instituting the scheme was defeated since the actual beneficiaries were not identified. The payment was therefore made in violation of the scheme guidelines.

Government reply had not been received (November 2007).

4.4 Doubtful expenditure

Payment of Rs.1.29 crore to beneficiaries under Chief Minister's Special Development Programme Fund was irregular and doubtful.

The Chief Minister's Special Development Programme Fund was initiated in 2000-01 and envisaged strengthening infrastructure, generating employment and income, developing human resources and improving social and cultural life. As per the programme guidelines, individuals are eligible for funding under this programme, provided, the proposal of each individual scheme was supported by a Detailed Project Report (DPR) and technical estimate (TE) vetted by the Planning and Co-ordination Department. The Deputy Commissioner (DC) of the respective districts was to carry out spot verifications and issue completion certificate to ensure proper implementation of the scheme.

The Development Commissioner, Planning and Co-ordination Department paid (July 2005) Rs.1.29 crore in cash to 46 individuals/NGOs/social organisations approved by the Chief Minister (16 March 2005).

Audit scrutiny (July 2006) of the payment revealed the following:

(i) 43 out of 46 applicants did not submit DPR and TEs in support of their projects as envisaged in the programme guidelines. Further, 17 applicants out of 46 did not sign their application letters.

(ii) The Chief Minister approved the list of beneficiaries only on 16 March 2005 and the amount was drawn from the treasury on 13 July 2005. However, scrutiny of the Actual Payee Receipts revealed that 27 individual beneficiaries received the payment on 14 March 2005 i.e., before their applications were approved and the actual date of drawal of funds.

(iii) The Planning and Co-ordination Department did not vet any of the 46 applications.

(iv) In none of the cases completion certificate and spot verification report were found on record.

On this being pointed out in audit, the Department stated (July 2006) that since the financial assistance was given to community/villages/NGOs, the DPRs, TEs and completion certificates were not insisted upon. The reply is not tenable as the action of the Department is in contravention of the programme guidelines. Payments made to the beneficiaries before finalisation of the scheme and before drawal of funds from the treasury and incomplete project documents cast doubt about the payment. Thus, the veracity of the expenditure of Rs.1.29 crore could not be vouched in audit.

The Government accepted (August 2007) the facts and stated that in future the programme would be taken up carefully by adhering to all norms and codal formalities.

AGRICULTURE DEPARTMENT

4.5 Doubtful payment

Director of Agriculture paid Rs.34.39 lakh to 81 APMCs as transport assistance, without proof of transportation of agriculture produce by them.

Test-check (April 2007) of records of the Director of Agriculture (Director) revealed that against the sanction and drawal of Rs.1.50 crore under macro management of agriculture, the Director paid Rs.37.50 lakh in March 2006 (Rs.25.50 lakh) and March 2007 (Rs.12 lakh) to 85 Agriculture Produce Marketing Committees (APMCs) as transport assistance. Out of 85 APMCs, only four had submitted claims for Rs.3.11 lakh. The mandatory certificate to be given by the APMCs regarding the transport and/or receipt of the material was not obtained by the Director before releasing the payment to the 81 APMCs. There was also no evidence that the agriculture produce was ever transported to the marketing place at any time. In spite of audit requisition (April 2007), the Department could not furnish the records such as the claims received from the APMCs, varieties and quantities of agri-produce transported, receipts obtained from the owners of the vehicles, date of transportation, registration number of the vehicles, details of the driver, delivery challans etc. In the absence of these vital documents, the veracity of the payment of Rs.34.39 lakh to 81 APMCs could not be verified in audit and can only be termed as doubtful expenditure. Moreover, the possibility of misappropriation of Rs.34.39 lakh cannot be ruled out.

The matter was reported to the Department/Government in June 2007; reply had not been received (November 2007).

Excess payment/infructuous expenditure**SCHOOL EDUCATION DEPARTMENT****4.6 Excess/irregular appointment of teachers**

Rupees 4.53 crore was incurred due to appointment of teachers in excess over approved norms and on ad-hoc basis.

(A) The Department of Education stipulated (June 1985) the teacher/student ratio at 1:20 for Government Primary Schools (GPS) and 1:25 for Government Middle Schools (GMS). Further, the Department (April 1993) fixed the maximum limit of five and 11 teachers per GPS and GMS respectively.

Test-check (May 2006) of records of the Deputy Inspector of Schools (DIS), Zunheboto revealed that the DIS entertained 124 and 87 teachers in excess of norms in 16 GMS and 104 GPS respectively, during November 2004 to April 2006 resulting in extra avoidable expenditure of atleast Rs.3.33 crore as shown below:

Category of school	Total No. of Schools	Total No. of teachers deployed	Total requirement of teachers as per norms	Total excess teachers	Average minimum pay per month (Rs.)	Period from November 2004 to April 2006	Total amount paid (Rs. in crore)
GPS	104	607	520	87	7660	18 months	1.20
GMS	16	300	176	124	9550	18 months	2.13
Total							3.33

(B) As per Government notification (June 1987) and subsequent orders in August 1988 and in terms of Para 3 of the Office Memorandum (February 2001 and March 2001) of the Department of Personnel and Administrative Reforms, all ad-hoc/casual/temporary/work charged appointments were banned. It was also reiterated that no appointment on ad-hoc/casual/temporary/work charged should be made under any circumstances in any Department at any level. The above orders are still in force.

Test-check of records of one Government Higher Secondary School, Wokha and the Headmasters of six³⁷ Government High Schools in three districts revealed that the Principal/Headmasters entertained two to nine teachers, appointed on ad-hoc basis despite the existing ban during March 1993 to February 2006. Failure of the Department to arrest appointment of teachers on ad-hoc basis despite ban orders in force resulted in unauthorised expenditure of Rs.1.20 crore towards pay and allowances during the above period (**Appendix-4.3**).

³⁷ Government High Schools, Marengkong, Longchem, Kubolong (Mokokchung district), Zunheboto, Suruhoto (Zunheboto district) and Kuhoboto (Dimapur district).

The matter was reported to the Government/Department in June 2007; reply had not been received (November 2007).

PUBLIC WORKS (ROADS AND BRIDGES) DEPARTMENT

4.7 Irregular appointment

Executive Engineer irregularly appointed 35 employees between March 2001 and December 2006 leading to extra expenditure of Rs.84.34 lakh on salary.

The Finance Department issued orders from time to time imposing a ban on appointment of workcharged staff, substitute appointment, contingency paid staff and casual workers to reduce the non-plan expenditure due to financial crunch in the State. Further, the Department of Personnel and Administrative Reforms also instructed (February and March 2001) that no appointment on adhoc/casual/temporary/workcharged basis should be made under any circumstances in any department at any level.

Test check (February 2007) of records of the EE, PWD (Roads & Bridges) Division, Pftusero revealed, that, in violation of the Government orders, the Department made provisional appointment of 35³⁸ employees without sanctioned posts between March 2001 to December 2006 and incurred an expenditure of Rs.84.34 lakh³⁹ towards their salaries during the same period. Thus, irregular provisional appointment of 35 employees in excess of sanctioned posts resulted in extra expenditure of Rs.84.34 lakh.

The matter was reported to the Department/Government in June 2007; reply had not been received (November 2007).

Undue favour to contractor/avoidable expenditure

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.8 Blocking of funds and non-achievement of objectives

The CE, Public Health Engineering Department made an irregular advance payment of Rs.3.78 crore to a contractor who failed to supply materials valued at Rs.2.65 crore resulting in blocking of funds besides loss of interest of Rs.50.79 lakh.

³⁸ Sectional Officer-II:2, Sectional Assistant:17, Lower Division Clerk:10, Driver:2 and Typist/Steno./Tracer/Fitter:1 each= 35 Nos

³⁹ Calculated on the minimum of pay scales of the employees ranging from Rs.3050.00 to Rs.6555.00 per month.

As per Nagaland Public Works Accounts code, no advance is permissible to suppliers/contractors except secured advance @ 90 *per cent* of the value of materials brought to site. The Government may in exceptional circumstances, allow advances as may be deemed indispensable after taking necessary precautions for securing against Government loss.

Test check (June 2007) of records of the Executive Engineer (EE), Public Health Engineering Sanitation Division revealed that the Chief Engineer (CE) placed (January 2006) a supply order on M/s H. N. Company, Dimapur for supply of 22,100 metres Ductile Iron (DI) pipes of 150 mm to 250 mm dia at a total cost of Rs.3.78 crore (excluding excise duty, inspection charges) against the work 'Pollution Abatement of rivers Diphu and Dhansiri at Dimapur'. The entire amount was paid (February 2006) as advance against security bond of Rs.5 crore executed in the Court by the supplier of his movable properties⁴⁰. This was against the condition of supply order which clearly stipulated that advance can only be given against a bank guarantee of immovable property so that in case of default by the supplier, the penalty clause can be invoked and the loss to the Department can be made good by the Bank.

Scrutiny revealed that the supplier could supply (April 2006) only 6022.50 metres pipes of 150 mm to 250 mm dia worth Rs.1.13 crore. The supplier requested (September 2006) for two months extension of time for delivery of balance materials on the ground of non-availability of railway wagons and extension was granted in the same month by the CE with the condition to complete the supply within 15 November 2006. However, the supplier failed to supply the balance quantity of 15,077.50 metres pipes valued at Rs.2.65 crore as of June 2007. Except for issuing reminders to the supplier (September and November 2006), the Department did not initiate any action to take possession of the movable property mortgaged by the supplier as per provisions of the Security Bond. Non-completion of supply even after extension of time not only resulted in blocking of Rs.2.65 crore for 20 months but also loss of interest of Rs.50.79 lakh⁴¹ at 11.50 *per cent* per annum on average Government borrowing rate. Further, the project also remained incomplete (November 2007).

The Department stated (July 2007) that the amount has been adjusted (October 2007) against payment of bills of civil works executed by the same contractor/supplier. However, the fact remains that the amount of Rs.2.65 crore was blocked up for 20 months resulting in loss of interest of Rs.50.79 lakh considering that the Government has been borrowing fund at 11.50 *per cent* interest on average per annum apart from delay in completion of the works. Reply from the Government is awaited (November 2007).

⁴⁰ Excavators, bulldozers, trucks, medium vehicles, hot mix plant etc.

⁴¹ Rs.2.65,00,000 x 11.50% interest per annum/12 x 20 months = Rs.50.79 lakh.

PUBLIC WORKS (HOUSING) DEPARTMENT

4.9 Undue benefit to contractor

Undue benefit was given to the contractor due to excess payment of Rs.33.89 lakh on account of labour charges.

The work “Construction of Indira Gandhi Stadium (Phase-I)” was awarded (August 2002) to a local contractor at an estimated cost of Rs.4.44 crore on item rate basis, for completion within eight months from the date of issue of work order i.e., by 19 May 2003. A revised estimate for Rs.10.86 crore was subsequently approved in February 2004.

The technical sanction and total number of bids received from the tenderers, comparative statement, recommendation of the Chief Engineer (Housing), agreement and approval of the Government etc., were not made available to audit.

Test-check (April 2007) of records of the EE, PWD (Housing), Education Division revealed that the contractor commenced work (September 2002) and completed (October 2003) the same after a delay of six months. The EE paid Rs.9.52 crore (between February 2003 and May 2005) against the value of works done for Rs.9.63 crore. The balance amount of Rs.11 lakh was yet to be paid (July 2007). Scrutiny of bills showed that the work was awarded to the contractor on item rate basis as mentioned in the notice inviting tender (NIT) which included cost of both labour and materials. As such, no separate provision for labour charges was made in the detailed estimates/schedule of quantities appended to the NIT. Despite this, the EE paid Rs.33.89 lakh to the contractor as labour charges against three items of work over the approved item rates (**Appendix-4.4**). The reason for allowing excess labour charges over the approved item rates was not on record. Thus, payment of labour charges on the item rates by the EE in violation of the condition of the work order led to extra avoidable expenditure of Rs.33.89 lakh and undue benefit to that extent to the contractor.

The matter was reported to the Government in July 2007; reply had not been received (November 2007).

4.10 Extra avoidable expenditure and undue financial benefit

Enhancement of rate above approved rate without rationale and applying it with retrospective effect resulted in extra avoidable expenditure of Rs.80.28 lakh and undue financial benefit to the contractor to that extent.

The work “construction of High Court (Annexe) building for Gauhati High Court, Kohima bench, Kohima” was awarded to a local joint venture firm (May 2003) at 149 *per cent* above Nagaland PWD schedule of rates (Building) 1995 at a total cost of Rs.1.68 crore against the estimated cost of Rs.67.42 lakh. The work commenced in May 2003 and was scheduled to be completed by May 2004. As per the terms and

conditions of the work order, no enhancement of rate was to be entertained within 18 months from the date of issue of work order. Records relating to detailed working estimates, approved drawing and design, agreement, survey report etc., and the actual date of handing over the site were not made available to audit.

Test-check (February 2007) of records of the EE, Central Division (Housing), revealed that although the EE paid Rs.1.40 crore to the contractor between May 2003 and November 2006, the work is yet to be completed (November 2007). The contractor requested (May 2005) for extension of time upto March 2006 due to non receipt of payment in time and obtained extension upto November 2005. The contractor also sought (May 2005) enhancement of tender rate from 149 *per cent* to 250 *per cent* of SOR on account of rise in price of building materials and increase in scope of works (height of 1st floor) of the proposed building. The Department of Law and Justice enhanced (July 2005) the tender rate from 149 *per cent* to 250 *per cent* of SOR without indicating the date from which such enhancement was to be effective. Audit scrutiny revealed that a similar work⁴² was awarded to a local contractor at 140 *per cent* above SOR 1995 in June 2003 and completed in March 2006 without any enhancement of rate, which indicated that there was no rise in cost of building materials during this period and that the rate 149 *per cent* above SOR was workable.

Further, although the EE recommended (July 2005) enhancement of tender rate with effect from 01 February 2004, the enhancement was allowed from the date of commencement of works i.e., 19 May 2003 in violation of the terms and conditions of the work order.

Thus, enhancement of tender rate without any rationale and allowing enhancement from the date of commencement resulted in extra avoidable expenditure of Rs.80.28 lakh⁴³ and undue financial benefit to the contractor to that extent.

The matter was reported to the Department/Government in June 2007; reply had not been received (November 2007).

TOURISM DEPARTMENT

4.11 Undue financial aid to contractor

Payment of mobilisation advance of Rs.84.96 lakh by the Director of Tourism in violation of codal provision resulted in undue financial benefit to the contractor.

As per NPWD code, in respect of certain specialised and capital intensive works costing not less than Rs.1 crore, mobilisation advance (MA) limited to a maximum of 10 *per cent* of the estimated cost put to tender or Rs.1 crore, whichever is less, may be

⁴² Construction of four storied office building for vigilance commission at Kohima

⁴³ Value of works done in 1st and 2nd RA bill: Rs.25.83 + Rs. 53.66 lakh = Rs. 79.49 lakh .
Enhancement of rate allowed from 149 to 250 *per cent*. Avoidable expenditure: 101 *per cent* on Rs.79.49 lakh=Rs.80.28 lakh.

granted on the security of machinery brought to site and only on the production of non-revocable bank guarantee. Further, simple interest, at the rate approved by the Ministry from time to time is to be recovered from such advance.

The Government of India accorded (October 2004) sanction for Rs.4.39 crore to the Director of Tourism for destination development of Pftusero and released Rs.3.51 crore as first installment. The Director drew (January 2005) the entire money and deposited it in Civil Deposit in the same month. The work order for construction of tourist complex (double storey lodge building, conference hall and chowkidar's quarters, approach road, fencing and parking etc.) at Pftusero in Phek district was awarded (February 2005) to a local contractor at an estimated cost of Rs.2.20 crore after inviting tenders with a stipulation to complete the work within 18 months from the issue of work order i.e., by 31 August 2006. The work commenced in March 2005 and was completed in August 2007 except approach road, fencing and parking etc.

Test-check (August 2006) of records of the Director, Tourism revealed that Rs.84.96 lakh (39 *per cent* of the total value of work) was paid (March 2005) to the contractor as interest free MA without sanction from the Government and without obtaining the bank guarantee. No records in support of precautions for securing Government interest against loss were made available to audit. Of this advance, Rs.64.96 lakh was recovered between November 2005 and August 2007, leaving a balance of Rs.20 lakh which was yet to be recovered (September 2007).

Payment of advance to the contractor was in violation of codal provisions and resulted in undue financial aid of Rs.84.96 lakh to the contractor besides loss of interest of Rs.10.20 lakh⁴⁴ to the Government calculated @ 11.50 *per cent* (average Government's borrowing rate) interest rate per annum for the period from 3 to 10 months.

The matter was reported to Government/Department in September 2007; reply had not been received (November 2007).

Idle establishment/diversion of funds

HOME (GENERAL ADMINISTRATION) DEPARTMENT

4.12 Diversion of funds

Additional Central Assistance of Rs.5 crore relating to 'Bamboo Flowering' was diverted for other purposes resulting in non achievement of the objective of providing relief to bamboo growers in the State.

⁴⁴ Rs.84.96 lakh @ 11.50% for 4 months = Rs.3.25 lakh
Rs.43.00 lakh @ 11.50% for 10 months = Rs.4.12 lakh
Rs.25.20 lakh @ 11.50% for 9 months = Rs.2.17 lakh
Rs.20.00 lakh @ 11.50% for 3 month = Rs. 0.58 lakh
Total: Rs.10.12 lakh

Test-check (April 2007) of records of the Special Officer (Accounts), Nagaland Civil Secretariat revealed that the Special Officer drew Rs.9 crore on abstract contingent bill (March 2006) for implementation of scheme relating to 'Bamboo flowering' during 2005-06 and deposited it in the current bank account (Account No.CA 989 of Vijaya Bank, Kohima) of the Nagaland Bamboo Development Agency (NBDA) in the same month. Of this, the NBDA retained Rs.4 crore for the intended purpose and gave Rs.4 crore as loan to Youth Resource and Sports (YRS) Department (April 2006) in terms of a decision taken in the meeting chaired by the Chief Secretary of the State (March 2006). A further amount of Rs.1 crore was given as loan to the Director of Agriculture (DOA) (March 2006) to defray expenditure of 'NE AGRI EXPO-2006' in pursuance of a decision (March 2006) taken in the meeting chaired by the Chief Minister with the condition that the loan would be repaid by the Director during 2006-07.

The NBDA stated (May 2007) that YRS refunded the entire loan amount during 2006-07 but the actual date of refund was not intimated. The Agriculture Department had not refunded the loan to NBDA as of September 2007.

There was nothing on record to justify the sanctioning of loans to YRS and DOA considering that both YRS and NE-Expo 2006 had nothing to do with bamboo development. Also the diversion of scheme funds of Rs.5 crore not only violated the directives of the GOI but also frustrated the objective of providing relief to bamboo growers in the State.

The Government stated (July 2007) that the loans were given to Youth Resources and Sports Department and Agriculture Department for hosting NE Sports Meet and NE Agri-Expo respectively in terms of the decision of the State Government. The reply is not tenable as approval of the GOI was not obtained before granting such loans.

4.13 Irregular expenditure

Sanction and release of Rs.3.36 crore from CRF by the State Government after a delay of two years after occurrence of floods and their non-utilisation resulted in non-achievement of the objectives for which the funds were sanctioned.

The GOI had approved (November 2004) a financial assistance of Rs.3.36 crore for providing relief to the victims of floods in 2004. Out of this assistance, Rs.1.55 crore was to be met from the Calamity Relief Fund (CRF) and the remaining Rs.1.81 crore was to be given from the National Calamity Contingency Fund (NCCF). There was a delay of almost two years by the State Government in sanctioning/releasing funds from the CRF. The Special Officer (Accounts) drew (September 2006) Rs.3.36 crore against the State Government sanction/order authority of the same month and disbursed (October 2006) the entire money to eight⁴⁵ Deputy Commissioners (DCs) in the State on the recommendations of the State Level Committee (April 2006) for

⁴⁵ Deputy Commissioners, Kohima (Rs.3.41 lakh), Dimapur (Rs.31.87 lakh), Mokokchung (Rs.18.64 lakh), Phek (Rs.11.16 lakh), Tuensang (Rs.40.98 lakh), Mon (Rs.14.50 lakh), Wokha (Rs.66.52 lakh) and Peren (Rs.148.92 lakh).

providing relief to the victims and restoration of infrastructure damaged during floods in 2004.

Audit scrutiny revealed that, in violation of NCCF/CRF norms of spending the funds on providing immediate relief to the victims, the amount was earmarked for agriculture (Rs.6.60 lakh), land loss (Rs.67.09 lakh), irrigation (Rs.7.46 lakh), houses (Rs.13.48 lakh) and roads and bridges (Rs.241.37 lakh). The actual expenditure in this regard could also not be vouchsafed in audit, as only four DCs out of eight had furnished utilisation certificates for Rs.2.58 crore (77 *per cent*) without the associated statement of expenditure. UCs for the balance amount of Rs.78 lakh had not been received from the other four DCs.

Thus, sanction and release of funds after a delay of about two years by the State Government after occurrence of the calamity, and their non-utilisation resulted in non-achievement of the objective for which the funds were sanctioned i.e., for providing immediate relief to the victims. Besides, the expenditure could also not be vouchsafed in audit due to non-receipt of statement of expenditure/UCs.

The matter was reported to the Government/Department in June 2007; reply had not been received (November 2007).

AGRICULTURE DEPARTMENT

4.14 Delay in completion of works and diversion of funds

There was a delay of over six months in completion of road works due to non-release of matching share by the State Government and irregular diversion of Rs.18 lakh for purchase of three vehicles in contravention of the programme guidelines, resulting in denial of benefits of the programme to the rural people.

The Department of Agriculture took up construction of 50 Rural Road Projects (agricultural link roads) in the State under Rural Infrastructure Development Fund (RIDF) programme financed by the National Bank for Agriculture and Rural Development (NABARD). The estimated cost of the project was Rs.28.02 crore (NABARD share: Rs.22.42 crore @ 6.50 *per cent* interest per annum and State matching share: Rs.5.60 crore). The amount was sanctioned by NABARD (December 2004) to cover 405 km road to be constructed by the Village Councils (VCs) under the supervision of the Agriculture Department.

The objective of the programme was to provide programme connectivity from the villages to agricultural potential areas and with the major district roads and highways and to provide access for agricultural produce of the area to reach the market centres and also facilitate easy availability of modern inputs like high yield variety seeds, fertilizers, pesticides etc.

Test-check (April 2007) of records of the Director of Agriculture (DOA), revealed the following:

- The Director issued 50 work orders in favour of the Chairmen of different VCs in March 2005 with the stipulation to complete the works by 31 March 2007. All the works commenced in 2004-05, but only 27 roads were completed as of March 2007. The NABARD released Rs.12.97 crore between March 2005 and September 2006 to the Department against the upto date value of works done for Rs.16.31 crore during 2004-05 to 2006-07. The State Government did not provide funds for the purpose in the budget or release any matching share. Due to non-release of matching share by the State Government, the remaining 23 works could not be completed. There was thus a time overrun of six months as of September 2007 and the possibility of further time overrun and consequently cost overrun, cannot be ruled out. Also, the State is liable to pay interest on the amount loaned by the latter, in view of its own delay in releasing matching share of funds for the completion of the works.
- Of Rs.12.97 crore released by the NABARD, the DOA spent Rs.11.79 crore towards construction of roads and Rs.18 lakh on procurement of three vehicles between December 2005 and December 2006. The balance Rs.1 crore was retained in hand for future payments in respect of ongoing works.

As there was no specific provision in the approved programme for purchase of vehicles out of the funds provided thereunder, the purchase of three vehicles by diverting the project funds was irregular and deprived the local population of the intended benefits of the programme. Moreover, these vehicles were allotted to Departmental offices for use in works other than the programme related works.

The matter was reported to the Department/Government in June 2007; reply had not been received (November 2007).

Regularity issues/others

PUBLIC WORKS (HOUSING) DEPARTMENT

4.15 Fictitious works

The EE made a fictitious payment of Rs.62.47 lakh to the contractor for work shown to have been executed between 16 November 2003 and 10 February 2004, while the work actually commenced on 20 February 2004.

The work “construction of four storied office building for Vigilance Commission at Kohima” was awarded to a contractor (June 2003) at Rs.2.06 crore, which was at 140 *per cent* above Nagaland PWD Schedule of Rates (Building) 1995. The contractor started the work on 16 November 2003 and completed it on 28 March 2006 as per the entries in the measurement book. Against the value of works done for Rs.4.01 crore (upto 6th RA and final bill), the contractor was paid Rs.3.61 crore between February 2004 and December 2006 in 5th RA bill. The administrative approval, technical sanction, expenditure sanction, detailed estimates, approved design, notice inviting

tender, tender documents, agreement etc., were not made available to audit despite requisitions.

Test-check (February 2007) of records of the EE, Central Division (Housing), Kohima revealed that the contractor actually started the work on 20 February 2004, as the proposed site was under unauthorised occupation. It was seen from the 1st RA bill (May 2004) that an amount of Rs.79.46 lakh was paid to the contractor in May 2004 out of which, Rs.62.47 lakh was paid for works executed between 16 November 2003 and 10 February 2004, although the work actually commenced only on 20 February 2004. This is indicative of the fact that an amount of Rs.62.47 lakh was paid to the contractor for fictitious works.

The matter was reported to the Department/Government in June 2007; reply had not been received (November 2007).