

## OVERVIEW

This Report contains 15 audit paragraphs and three performance reviews apart from comments on the Finance Accounts and Appropriation Accounts. There is a separate chapter on Integrated Audit of the Irrigation and Flood Control Department. According to the existing arrangements, copies of the draft audit paragraphs and draft performance reviews were sent to the Commissioner and Secretary/Secretary of the Department concerned by the Accountant General (Audit) with a request to furnish replies within six weeks. Replies were not received from the Departments/Government concerned in respect of three paragraphs and one performance review.

### **1. *Finances of the State Government***

The fiscal health of the State as reflected in terms of trends in key fiscal parameters—revenue, fiscal and primary deficits exhibited nominal improvement during 2007-08 over the previous year. State finances are heavily dependent on Central transfers (91.63 *per cent* of total receipts) by way of grants-in-aid from the Government of India (78.29 *per cent*) and Central tax transfers (13.34 *per cent*) that helped the State Government to maintain the revenue surplus of Rs.423.75 crore during 2007-08. Expenditure pattern of the State reveals that the growth of Non-Plan revenue expenditure increased from 7.99 *per cent* in 2006-07 to 18.03 *per cent* in 2007-08 whereas, the plan revenue expenditure decreased from 7.29 *per cent* in 2006-07 to 6.88 *per cent* in 2007-08. Moreover, three components *viz.*, expenditure on salaries, pensions and interest payments constituted 80 *per cent* of NPPE during 2007-08.

The increasing fiscal liabilities accompanied by a 'nil' return on Government investments and inadequate interest cost recovery on loans and advances might lead to an unsustainable fiscal situation in medium to long term unless suitable measures are initiated to compress the non-plan revenue expenditure and to mobilise additional resources both through the tax and non tax sources in the ensuing years.

*(Paragraphs 1.1 to 1.10)*

### **2. *Allocative Priorities and Appropriation***

- The overall saving of Rs.546.07 crore was the net result of excess of Rs.88.46 crore in 25 cases of Grants/Appropriation and savings of Rs.634.53 crore in 63 cases of Grants/Appropriations.
- The excess expenditure of Rs.1879.60 crore (264 cases of Grants/Appropriations) reported during 1996-97 to 2006-07 had not been regularised as of November 2008.
- Supplementary provision of Rs.36.26 crore made in 17 Grants during the year 2007-08 proved unnecessary.

*(Paragraphs 2.3.1 to 2.3.4)*

### **3. Performance Reviews**

#### **3.1 Non Lapsable Central Pool of Resources**

The overall implementation of the NLCPR funded projects in the State was poor due to inadequate planning, as projects were selected without conducting detailed survey to identify the infrastructural gaps. Perspective plans were not prepared and Concept papers in respect of 37 out of 50 projects were also not prepared. Yet the projects were approved for funding from NLCPR. Financial management was deficient and the State Government had not released its matching share to the implementing agencies. While there was no cost overrun in any of the projects, there were delays in execution of the works due to paucity of funds, as the State Government delayed the release of GOI funds to the implementing agencies. Monitoring and evaluation mechanism remained grossly ineffective which had adversely affected the pace of implementation of the projects.

*(Paragraph 3.1)*

#### **3.2 National Rural Health Mission**

The implementation of the Mission activities as noticed in the mid-term review for the period 2005-08 was not encouraging due to non-completion of household and facility survey within the targeted date and non-identification of the gaps in rural healthcare. There was a shortfall in the creation of infrastructure and inadequate number of medical officers, medicines and equipment. This was further compounded by non-release of State share of funds and non-existence of monitoring mechanism in the Department which points to the possibility that the State may not achieve the objectives of the Mission by the target date.

*(Paragraph 3.2)*

#### **3.3 Information Technology Audit of IT systems meant for registration of vehicles and issue of national permits and driving licenses**

While appreciating that the Department started computerisation way back in 1993, it was observed that full objectives of computerisation are yet to be achieved. There were deficiencies in BOT arrangement and undue reliance on vendors which was not in the interest of the department. Operations of the computerised systems were marred by weak access controls and supervision leading to unauthorised deletion of data and short deposit of revenue in the Government account. The database relating to national permits, registration and driving licenses were not wholly reliable because of presence of invalid data.

*(Paragraph 6.2)*

#### **4. Integrated Audit of Irrigation and Flood Control Department**

The achievement in the creation of irrigation potential against the target was only 41 *per cent* and utilisation was only 56 *per cent* of the potential created during the period 2003-08. There were enormous delays in release of funds to the implementing agencies. Execution of the irrigation projects was beset with various irregularities *viz.*, false entries in the measurement books to extend undue financial aid to the contractors, lack of co-ordination with other departments resulting in extra expenditure etc. The Department has also not encouraged user participation in the completed projects. Overall, financial management, programme management, internal control and monitoring including manpower management had inherent deficiencies.

*(Paragraph 5.1)*

#### **5. Audit of Transactions**

##### **(a) Civil**

Rupees 21.43 crore under Technology Mission for Integrated Development of Horticulture in North Eastern States was misappropriated/unaccounted for.

*(Paragraph 4.1)*

Suspected misappropriation of Rs.2.17 crore released by the Director of Agriculture to the District Agricultural Officer, Tuensang for implementation of schemes.

*(Paragraph 4.2)*

NABARD loan amounting to Rs.44.17 lakh meant for implementation of Minor Irrigation Projects in Wokha District is suspected to have been misappropriated.

*(Paragraph 4.4)*

Deputy Inspector of Schools, Mon fraudulently drew HRA arrears amounting to Rs.19.92 lakh.

*(Paragraph 4.6)*

The Government took up the construction of infrastructure for District Headquarters at Dimapur at a new site though infrastructure created for the same purpose at a cost of Rs.11.90 crore was lying idle since September 2006. Besides, the Government incurred an avoidable interest payment of Rs.7.09 crore.

*(Paragraph 4.7)*

Director of Industries and Commerce paid Rs.12.63 lakh to four societies as a one time rebate of 10 *per cent* on sale of handloom products on the basis of false claims.

*(Paragraph 4.10)*

##### **(b) Revenue**

The total revenue receipts of the State Government for the year 2007-08 amounted to Rs.2,996.02 crore against Rs.2,772.51 crore for the previous year. Eight *per cent* of this

was raised by the State through tax revenue (Rs.131.37 crore) and non tax revenue (Rs.119.48 crore). The balance 92 *per cent* was receipts from Government of India as State's share of divisible Union taxes (Rs.399.77 crore) and Grants-in-aid (Rs.2,345.40 crore).

***(Paragraph 6.1.1)***

Altogether 72 paragraphs involving Rs.288.55 crore remained outstanding for settlement at the end of June 2008.

***(Paragraph 6.1.9)***

Execution of a supplementary agreement favouring the sole selling agent of State Lottery resulted in loss of revenue of Rs.3.51 crore.

***(Paragraph 6.3)***

Failure of the department to detect misuse of invalid form 'C' by a dealer led to non-levy of tax of Rs.16.44 lakh, besides interest of Rs.19.40 lakh.

***(Paragraph 6.4)***

Non-application of revised rates of excise duty resulted in short levy of excise duty of Rs.8.48 lakh.

***(Paragraph 6.5)***

## **(c) Commercial**

As on 31 March 2008, the State had six Government companies and nine departmentally managed Government commercial and Quasi-commercial undertakings. The number of the PSUs and departmentally managed Government Commercial/Quasi-commercial undertakings as on 31 March 2007 was the same. Of six Government companies, five companies were working companies.

***(Paragraphs 7.1.1)***

The total investment in working PSUs increased from Rs.59.74 crore as on 31 March 2007 to Rs.65.19 crore as on 31 March 2008.

***(Paragraphs 7.1.2)***

The budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs.5.79 crore in 2006-07 to Rs.17.42 crore in 2007-08.

***(Paragraph 7.1.4)***

None of the five working PSUs finalised their accounts for the year 2007-08 within the stipulated period and their accounts were in arrears for periods ranging from nine to 26 years as on 30 September 2008.

***(Paragraphs 7.1.5)***

According to latest finalised accounts, four working PSUs incurred an aggregate loss of Rs.1.33 crore.

***(Paragraphs 7.1.6)***