

# **EXECUTIVE SUMMARY**

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This Report contains eleven compliance audit paragraphs apart from the results of audit of Police Engineering Project and four Performance Audits–Implementation of ‘National Rural Health Mission’, ‘Total Sanitation Campaign/Nirmal Bharat Abhiyan’, ‘Activities of Department of Power’ and ‘Accelerated Irrigation Benefit Programme’. According to the existing arrangements, copies of the draft audit paragraphs and draft performance audits were sent to the Secretary of the departments concerned by the Accountant General (Audit) with a request to furnish replies within six weeks. Replies were not received from the Secretaries of the Departments concerned in respect of seven audit paragraphs.

### Chapter-I Social Sector

#### Performance Audits

##### Implementation of National Rural Health Mission

The inadequate conduct of various surveys to assess the requirements of healthcare facilities in the rural areas led to partial assessment of the quality of prevailing healthcare services in the State. The financial management was not streamlined and there were instances of financial commitments not being honoured and delays in release of funds which impacted the achievement of Mission objectives. It was noticed that there were various deficiencies in construction activities and purchase of quality medicines and equipment. The targets set in respect of various healthcare programmes were not achieved. Monitoring of the implementation of the mission activities was not carried out as envisaged in the Mission guidelines. This resulted in inadequate translation of the Mission’s objectives to tangible benefits in the State.

*(Paragraph 1.3)*

##### Implementation of Total Sanitation Campaign/Nirmal Bharat Abhiyan

The process of planning was devoid of comprehensive assessment of beneficiaries/requirement of the rural needs, non-availability of reliable baseline data and lack of community participation in the preparation of PIPs. Funds were not released in time and the sharing pattern between GOI and State for various components as envisaged in the scheme guidelines was not followed. There was short release in State’s matching contribution. There was lack of proper assessment for identification of IHHL beneficiaries and upkeep of the same by the beneficiaries. Open Defecation was practiced even in Nirmal Gram Puraskar awarded villages. Institutional toilets were dismantled or defunct due to land development, improper maintenance and lack of water facilities. The school toilets lack provision for children with special needs. The Anganwadi toilets were unhygienic and not “Baby friendly”. Deficient IEC activities at the lower levels led to lack of awareness and non-generation of demand. Therefore, the supply driven approach adopted in the State could not achieve the desired results. There was lack of regular meetings at all levels for preparing the implementing strategies, monitoring the progress and ensuring

quality of work. Specific Evaluation Study and Review of TSC/NBA by involving reputed organisations/institutions in the field of sanitation were not done. Social Audit was not conducted in any of the test checked villages.

*(Paragraph 1.4)*

#### **Compliance Audit Paragraphs**

The Technical Education Department incurred an unfruitful expenditure of ₹ 99.87 lakh due to non-incorporation of specific clause in the agreement for obtaining bank guarantee against advance payments and clauses on penal action for failure in execution of the works. Besides, the objective of setting up Pilot Training Academy in Nagaland could not be achieved.

*(Paragraph 1.5)*

Advisor in-charge of Revenue, Dimapur Municipal Council failed to remit toll amounting to ₹ 78.83 lakh collected from consignees against goods transported through Railway wagons during 2011-12.

*(Paragraph 1.6)*

### **Chapter-II ECONOMIC SECTOR**

#### **Performance Audits**

##### **Activities of Department of Power**

The State was highly dependent on purchase of energy from Central Generating Stations on account of limited own generation capacity. The Department did not have sufficient financial resources of its own for implementation of power projects. Therefore, the short term plans prepared by the Department for development of power infrastructure in the State were based solely on the anticipated availability of project funds under Centrally Sponsored Schemes and the grants/loans from North Eastern Council/Financial Institutions. As against 15 major projects proposed for execution under the 11<sup>th</sup> Five Year Plan, the Department could complete only 5 projects (1 Generation and 4 Transmission) as of September 2014.

The management and execution of projects by the Department was not efficient and economic. The Department allowed exorbitantly high margin of upto 763 per cent to the suppliers in respect of eight major works executed during 2009-14. Instances of incurring avoidable capital expenditure were also noticed on account of execution of work components beyond actual requirement.

Inconsistencies were noticed in maintenance of basic data relating to actual quantum of own generation and energy purchased indicating lack of transparency and non-existence of a proper system of Energy Audit in the Department. The Department also failed to maintain effective discipline in drawal of energy as per the approved schedule resulting in avoidable payment of Unscheduled Interchange (UI) charges of ₹ 101.46 crore during 2009-14. The quantum of Aggregate Technical & Commercial (AT&C) Losses incurred by the Department exceeded the Central Electricity Authority (CEA) norms in all five years. The outsourced operations of the Likhimro

Hydro Electric Project (LHEP) were also not satisfactory which necessitated import of additional energy at higher costs.

The Department of Power did not also utilise an amount of ₹ 151.62 crore out of the budget allocations made by the State Government for capital works under the Plan head during 2009-14.

The billing and collection efficiency of the Department was dismal as bills were not raised against 42 *per cent* of the energy injected into the system and 33 *per cent* of the energy bills raised remained unrealised.

The monitoring mechanism of the Department was not effective in the absence of proper systems for taking remedial measures to address the inconsistencies in maintenance of various data and shortfall in achieving the targets.

*(Paragraph 2.3)*

### **Implementation of Accelerated Irrigation Benefit Programme**

Projects were selected without conducting preliminary survey for arriving at the Irrigation Potential. Detailed surveys were also not undertaken before preparation of DPRs resulting in unviable schemes being taken up. There was no coordination between the Agriculture and allied Departments and I&FCD for successful implementation of the irrigation projects. There were delays in release of funds by the State Government and the funds released were also parked in Civil Deposit for periods ranging between 48 and 252 days. Utilisation Certificates were not based on the actual funds expended and there was no system in the State for submission of audited Statements of Expenditure, an important requirement under AIBP.

The execution of the projects were not properly supervised and monitored. Hence, there were cases of non/short execution of works, deviation from DPRs etc. The detailed specifications of works as mentioned in the DPRs were recorded verbatim in the MBs without verifying the actual execution of works at the project site. Therefore, incomplete, abandoned and un-executed works were reported as complete and full payments were released. Execution of projects without cultivable command areas and water sources as well as payment of money on fictitious measurements indicated that the construction works were executed primarily to show utilisation of the scheme funds.

There was no community participation in the implementation of AIBP in Nagaland. Water Users' Associations (WUAs) were formed only to observe formality at the time of sending proposals to facilitate issue of work orders. The beneficiaries were not made aware about the benefits of the irrigation projects and their responsibility to maintain the completed and handed over projects. The Department neither had information on actual creation of CCA, gross irrigated area, cropping intensity etc. nor assessed the impact of implementation of AIBP in the State. As a result, the farmers continued to adopt the traditional way of mono cropping- paddy cultivation rather than shifting to multi cropping pattern. The crop yields declined in the four sampled districts during the period of Audit in some years.

*(Paragraph 2.4)*

### **Compliance Audit Paragraphs**

The Executive Engineer, Public Works Department (R&B) Atoizu Division drew pay and allowances of ₹ 78.51 lakh in 15 bills against non-existent employees.

*(Paragraph 2.5)*

Director, Land Records and Survey Department drew ₹ 1.24 crore meant for implementation of National Land Records Modernisation Programme on the basis of forged Actual Payee Receipts in the name of three District Land Records and Survey Officers.

*(Paragraph 2.6)*

The Block Development Officer cum Programme Officer MGNREGA, Phomching Block mis-utilised ₹ 5.49 crore meant for procurement of stone boulder and chips by producing fabricated records showing non-existent stone industries.

*(Paragraph 2.7)*

Prolonged delay in execution and commissioning of Lang Hydro Electric Project with 1 MW capacity not only led to increase in cost of production but also resulted in escalation of project cost besides depriving the State the intended benefit of 7.44 MU of power per year for ten years forcing the State to resort to purchase of power from other sources to fill the gap.

*(Paragraph 2.8)*

### **Chapter-III Economic Sector (Public Sector Undertakings)**

#### **Investment in State PSUs**

As on 31 March 2014, the investment (Capital and long term loans) in six SPSUs was ₹ 102.49 crore. As on 31 March, 2014, 95 per cent of the total investment in SPSUs was in five working SPSUs and remaining 5 per cent was in one non-working SPSU. The investment in 2013-14 has increased in Finance Sector by ₹ 11.74 crore (22.75 per cent) while the investment in Other Sectors has increased by ₹ 20.74 crore (112.66 per cent).

*(Paragraph 3.3)*

#### **Performance of State PSUs**

The overall losses incurred by the working SPSUs had decreased from ₹ 2.57 crore in 2009-10 to ₹ 1.01 crore in 2012-13. During 2013-14 the working SPSUs had registered an overall profit of ₹ 0.50 crore on account of profits (₹ 2.18 crore) earned by three SPSUs and loss (₹ 1.68 crore) incurred by two SPSUs.

*(Paragraph 3.6)*

#### **Arrears in finalisation of Accounts**

The backlog of accounts of the working SPSUs during 2010-14 had reduced significantly from 75 accounts (2010-11) to 18 accounts (2013-14) with corresponding reduction in average arrear per SPSU. None of the SPSUs, however, had made their accounts up-to-date as on 30 September 2014. Further, one out of five SPSUs (Nagaland Handloom & Handicrafts Development Corporation Limited) did not finalise any accounts during 2013-14.

*(Paragraph 3.7)*

### **Compliance Audit Paragraph**

Nagaland State Mineral Development Corporation Limited (Corporation) incurred an expenditure of ₹ 22.75 crore on execution of works not included in the approved DPR. In addition to this, the Corporation also paid ₹ 6.14 crore against unexecuted items of work

*(Paragraph 3.9)*

### **Chapter-IV Revenue Sector**

#### **Compliance Audit Paragraphs**

Two Motor vehicle dealers of Nagaland concealed taxable turnover amounting to ₹ 35.24 crore and evaded tax of ₹ 4.58 crore during 2010-13. Interest amounting to ₹ 2.65 crore was also leviable on the amount of tax evaded by them.

*(Paragraph 4.2)*

The Assessing Authority did not consider the records of the Check Posts/Mobile Squad while scrutinising the Returns and passing the assessment order which led to an evasion of tax amounting to ₹ 63.53 lakh by one dealer. In addition, interest amount of ₹ 59.26 lakh was also leviable.

*(Paragraph 4.3)*

### **Chapter-V General Sector**

#### **Compliance Audit Paragraphs**

#### **Activities of Police Engineering Project**

Works were not prioritised and work orders were issued for all the works envisaged in the DPR without identifying source of funds and ensuring uninterrupted flow of funds for their completion resulting in creation of huge committed liabilities for the Department. Consultants were appointed without inviting tenders on the recommendation of VVIP despite availability of technical expertise in the Department resulting in avoidable/wasteful expenditure on consultancy charges. Works were awarded in contravention of SLTC recommendations without inviting tenders and cases of collusive bidding were noticed. Works were awarded in October 2009 for four projects at exorbitant item rates without inviting tender and terms and conditions contained in the work orders/agreements with contractors were found to be ambiguous and defective. Further, several cases of excess payments, payments for unexecuted works and doubtful expenditure were noticed.

*(Paragraph 5.3)*

The Department incurred an avoidable expenditure of ₹ 9.51 crore due to delay in handing over the project site. The Department also made excess payment of ₹ 3.88 crore to the contractor towards enhancement of rate for newly incorporated items of works not approved by the Government.

*(Paragraph 5.4)*

Transport Commissioner, Nagaland and Executive Engineer CAWD failed to deduct Cess amounting to ₹ 73.26 lakh against the provision of the Building and other Construction workers Welfare Cess Act. In addition, ₹ 10.44 lakh deducted as cess was also not remitted to the Board.

*(Paragraph 5.5)*