APPENDICES

PREFACE

1. This Report for the year ended March 2015 has been prepared for submission to the Governor of Nagaland under Article 151(2) of the Constitution of India.

2. The Report contains significant results of the performance audit and compliance audit of the Departments of the Government of Nagaland under the Social, Economic, Revenue and General Sectors including the Departments of Youth Resources and Sports, School Education, Labour and Employment, Social Welfare, Rural Development, Public Works, Forest, Ecology, Environment and Wildlife, Agriculture and Allied Departments and National Highways.

3. The cases mentioned in this Report are those which came to notice in the course of test audit during the year 2014-15 as well as those which came to notice in earlier years, but could not be reported in the previous Reports; instances relating to the period subsequent to 2014-15 have also been included, wherever necessary.

4. The audits have been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Executive Summary

EXECUTIVE SUMMARY

This Report is arranged in six chapters and contains three Performance Audits under Social Sector (Chapter I) viz., ***'Functioning of Youth Resource and Sports Department', 'Implementation of 'Mid-Day Meal Scheme', 'Functioning of Industrial Training Institute'*** and five Performance Audits under Economic Sector (Chapter II) ***'Implementation of Pradhan Mantri Gram Sadhak Yojana (PMGSY)', 'Functioning of State Pollution Control Board', 'Working of Nagaland Bamboo Development Agency', 'Special Accelerated Road Development Programme (SARDP)' and 'Backward Regions Grant Fund (BRGF)'***. There are eleven compliance audit paragraphs. 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 five audit paragraphs.

Chapter-I Social Sector

Performance Audits

Functioning of Department of Youth Resource and Sports

Promotion and development of sports are integral part of an all-round development of the human personality. It also promotes good health, camaraderie and a spirit of friendly competition which has a positive impact on the overall personality development. Several lapses in planning, financial management, construction and management of sport infrastructure were noticed. Only aspect worthy of appreciation noticed was there was no gender bias in selection of sportspersons for imparting training at two training establishments in the State.

Major points noticed were

- *Failure to prepare a developmental plan for sports and youth activities led to adhoc promotion of sports and culture in the State.*
- *Search programme for scouting for talents at sub-division level were not conducted resulting in lost opportunity of tapping into sports talents at the grass root level.*
- *GoN did not release funds under Panchayat Yuva Krida aur Khel Abhiyan (PYKKA) resulting in refund of ₹1.27 crore to the GoI including penal interest of ₹0.24 crore.*
- *The Department of Youth Resources and Sports (DYRS) diverted ₹5.71 crore from the approved developmental activities by violating the conditions of the sanction.*
- *Multi-disciplinary Sports Complex was not functional despite an expenditure of ₹58 crore incurred on its construction.*
- *Sports infrastructure created at ₹45.43 crore to develop the cricket stadium at Sovima failed to meet National/International standards.*
- *DYRS released ₹6.02 crore against unexecuted items of work by recording fraudulent measurement in the Measurement Book against seven projects.*
- *Coaches and sportspersons were not motivated due to inadequate practicing facilities and equipment, lack of job reservation policies for the sportspersons, inadequate provision of rewards and incentives.*
- *There was no quality assurance mechanism in purchase of sports goods/equipments*

(Paragraph 1.3)

Implementation of National Programme of Nutritional Support to Primary Education 'Mid-Day Meal Scheme' in Nagaland

The 'National Programme of Nutritional Support to Primary Education', a Centrally Sponsored Scheme, commonly known as 'Mid-Day Meal' (MDM) Scheme, was launched in August 1995 with the primary objective of boosting the universalisation of primary education by increasing enrolment, retention & attendance and simultaneously improving nutritional status of school children. There were inadequacies in all these three key aspects, viz., effective implementation of scheme, efficient financial management and effective monitoring as brought out in this Report.

Major audit findings in the implementation of the Scheme were:

- *Annual Work Plan and Budget was prepared without compiling the data from the reliable source which led to over projection of number of children. The State Government during 2010-15 inflated the number of children enrolled by a total of 3,50,858 over the figures of Sarva Sikkha Abhiyan to avail more funds under MDM scheme. In selected four districts, the inflated figure was 2,02,515.*
- *Implementation of scheme was not satisfactory and did not achieve its objective of providing nutritious cooked meals to eligible children aimed to improve their enrolment and retention in the schools. Reliable centralized data on retention/dropout rates of children of Primary/Upper Primary stages was not available.*
- *Non-lifting of food grains from nearest Food Corporation of India (FCI), Food Stores Depot (FSD) resulted in excess expenditure of ₹ 1.21 crore on transportation cost during 2010-15.*
- *Against the Central release of ₹ 153.05 crore for 2010-15, GoN released only ₹ 131.93 crore to the Nodal Department leading to short release of ₹ 21.12 crore. Besides, the State Government did not release its matching share to the extent of ₹ 7.95 crore during 2012-15.*
- *There were instances of short allocation and short delivery of food grains. Similarly, there was short receipt of food grains, cooking cost, transportation charges, etc. at various levels. There was short receipt of ₹ 3.42 crore by the selected Sub-divisional Education Officers (SDEOs) and Schools on account of cooking cost.*
- *The inspection and monitoring mechanism was very poor. 55 per cent schools were never inspected or even a single inspection report was submitted by the inspecting officers.*

(Paragraph 1.4)

Functioning of Industrial Training Institutes

Under Craftsmen Training Scheme introduced by Government of India, 8 ITIs were established in Nagaland with the objective to ensure a steady flow of skilled workers to the industry to meet the manpower requirements in different trades; to raise the quality of industrial production by systematic training of workers and to reduce unemployment among the educated youth by equipping them for suitable gainful industrial employment and to create the opportunity of self employment ventures.

Significant audit findings noticed in the functioning of ITIs were:

- *Planning process was inadequate which resulted in failure to identify the trades/occupations needed in the State and challenges faced by the ITIs. ITIs were* *upgraded without preparing Institute Development Plans (IDPs) and conducting survey and new sectors were taken up without identifying the need of the trades.*

- *There was lack of adequate infrastructure facilities and qualified human resources.*
- *Schemes were implemented without action plans resulting in procurement of machineries and equipment for discontinued trades*
- *Due to non-affiliation of the trades to National Council for Vocational Training (NCVT) the students who passed out from ITIs with State Council for Vocational Training (SCVT) certificates remained ineligible for recruitment to other than the posts and services under Nagaland State Government establishments and Public Sector Units.*
- *There was no placement cell in the ITIs to carryout follow up action of the successfully trained students.*
- *Drinking water and hostel facility with basic amenities were not available in any of the ITIs.*
- *There was no monitoring and supervision on the functioning of Institute Management Committees (IMCs).*

(Paragraph 1.5)

Compliance Audit Paragraphs

Director of Social Welfare extended an undue benefit of ₹ 1.25 crore to suppliers on procurement of ICDS materials by allowing VAT in addition to the tendered rate, though the tendered rate was inclusive of VAT.

(Paragraph 1.6)

An amount of ₹ 2.54 crore was fictitiously drawn by the Sub-Divisional Education Officer, Zunheboto on behalf of pseudo-anonymous employees during 2010-14.

(Paragraph 1.7)

Chapter-II ECONOMIC SECTOR

Performance Audits

Implementation of Pradhan Mantri Gram SadakYojana

The *Pradhan Mantri Gram Sadak Yojana* (PMGSY) programme was launched throughout the country by the Government of India to provide “all-weather road” to eligible unconnected habitations. 3629.63 Km was earmarked to be constructed under PMGSY since inception of the programme up to Phase VIII.

Important audit findings noticed in the implementation of the programme were:

- *13 unidentified habitations not incorporated in the Core Network were included in the Core Network Comprehensive Priority List (CNCPL)*
- *There were many instances of deviations and discrepancies between DPRs and actual execution of works indicating that Detailed Project Reports (DPRs) were prepared without obtaining inputs from the grass root levels.*

- *The prioritised Yezami village road was abandoned after formation cutting and widening works which deprived an all weather road to unconnected habitation. ₹5.56 crore spent on construction was wasteful.*
- *Out of 56 projects taken up in Phase VIII only five projects were completed in time. Of the remaining 51 projects, as of July 2015, 17 projects were completed after a delay ranging from 67 to 574 days and balance 34 projects remained incomplete*
- *An amount of ₹19.78 crore was paid against fraudulent depiction of completion of work. A total of 2460.50 metres length of retaining walls valued at ₹8.35 crore was not found constructed during physical verification.*
- *There were instances of compromise in specification and design and use of inferior quality of materials leading to damages.*
- *The Department did not initiate any action to rectify the workmanship and penalise the contractors on the adverse remarks made by National Quality Monitors (NQM) and State Quality Monitors (SQM) on the quality of the works.*

(Paragraph 2.3)

Functioning of Nagaland Pollution Control Board (NPCB)

The Nagaland Pollution Control Board (NPCB) is the main agency in the State for enforcement of environment law and responsible for formulation of policy for prevention, control and abatement of pollution in the State. The NPCB has been performing its functions enumerated under the Water (Prevention and Control of Pollution) Act, 1974 and the Air (Prevention and Control of Pollution) Act, 1981.

Major audit findings in the functioning of the NPCB were

- *During the period 2010-15, NPCB did not prepare Annual Action Plan and therefore the activities undertaken were adhoc in nature.*
- *The Laboratory at Dimapur did not have facilities and equipment to analyse necessary parameters of water and air quality. Available equipment was non-functional in some cases. The laboratory could analyse only 36 parameters out of 57 parameters given by Central Pollution Control Board (CPCB).*
- *Out of 752 industries in the State as per Board's record, 617 industries (82 per cent) were operating without renewal of their Consent for Operation (CFO) from the NPCB after its expiry.*
- *Out of 112 HCEs, 109 Health Care Establishments (HCE) did not have the Bio-medical Treatment facility.*
- *Majority of vehicles are plying without Pollution Under Control (PUC) Certificates. Out of 154020 registered vehicles in Kohima and Dimapur upto March 2015, PUCs were issued to 3833 vehicles only during the last five years.*
- *There was substantial shortfall in conducting inspections of even highest polluting 'Red' category industries.*
- *The Board did not efficiently take up the issue of non-construction of Sewage Treatment Plants (STPs) by Municipal bodies nor advised the Government to take remedial measures.*

(Paragraph 2.4)

Nagaland Bamboo Development Agency

Nagaland Bamboo Development Agency (NBDA) is a registered society set up with the objectives to protect and conserve bio-diversity associated with bamboo forest and bamboo grown areas in the State, sustainable development and utilisation of bamboo resources through scientific management, promotion of bamboo plantations for future economy of the State and promotion of bamboo based industries by utilising the available resources for generating income.

Significant audit findings noticed in the working of NBDA were:

- *NBDA has not prepared Bamboo Development Mission Document (BDMD). Annual Action Plan was prepared without conducting feasibility studies.*
- *Faulty classification of "Forest area" and "Non-Forest area" led to excess and inadmissible financial assistance of ₹47.10 crore.*
- *An expenditure of ₹59.30 lakh was incurred on items without approval of National Bamboo Mission (NBM).*
- *Funds of ₹ 1.86 crore sanctioned by NBM for plantation activities was diverted to other activities.*
- *The agency procured saplings in excess of norm resulting in avoidable expenditure of ₹7.09 crore.*
- *₹0.32 crore released by NBM for disease and pest control was not utilised by the Board for the purpose resulting in high mortality ranging from 33 per cent to 39 per cent.*
- *NBDA failed to set up 11 bamboo bazaars and 3 whole sale markets resulting in retention of unutilised funds amounting to ₹0.93 crore.*
- *Against the target to impart training to 130 field functionaries the agency trained only 63.*

(Paragraph 2.5)

Special Accelerated Road Development Programme-Two Laning of four roads

The Ministry of Road Transport & Highways (MoRTH) Government of India (GoI) initiated (April 2008) a mega road development programme in North East region as Special Accelerated Road Development Programme in North East (SARDP-NE). The Ministry approved (April 2010) for two-laning of the four roads in the State of Nagaland in one package for ₹ 1,296 crore including centage charges. Accordingly administrative approval, technical approval and financial sanction for the work were accorded in December 2010.

The preliminary activities taken up by the Department of Public Works was inadequate for timely implementation of the project. The DPRs prepared for four roads were not based on adequate surveys and investigation resulting in large deviation in the implementation of the works from the approved DPRs. A proportionate amount of ₹ 36.44 crore paid to the Consultant for preparation of DPRs for four roads was a waste. As a consequence, **not a single kilometre in any of the four roads was completed as per the objectives of the scheme despite an expenditure of ₹ 602.34 crore on execution of work so far.** No further progress of work has been achieved on any of the four roads since August 2012. The single-lane roads which previously existed had since degraded and have been rendered almost unusable causing hardship to the commuters.

(Paragraph 2.6)

Backward Regions Grant Fund (BRGF)

Even though the BRGF programme has been wound up, deficiencies and lapses in the implementation of the scheme as pointed out in the report should be kept in mind while implementing programmes of similar nature so that such deficiencies and lapses do not recur. In the implementation of BRGF scheme instances of deficiencies and lapses in several areas were noticed. In planning the participatory approach as envisaged in the guidelines were not followed. The scheme was implemented without identification of critical development gaps. Financial management was not satisfactory. The funds were not released to the implementing entities in a timely manner. Deviations from the approved annual action plan were noticed. The High Power Committee's (HPC) decision to implement rural housing defeated the core idea of a decentralised bottom up planning approach. Monitoring and evaluation of the programme did not exist and there were cases of non-execution of works, short execution of works and execution of inadmissible works. There was no convergence with other flagship programmes.

(Paragraph 2.7)

Compliance Audit Paragraphs

Out of ₹ 10.19 crore received under MGNREGS by BDO, Tokiye during 2011-12, the BDO transferred ₹ 1.37 crore to his personal account, ₹ 0.43 crore to another officer's account and ₹ 0.93 crore was transferred back to the account of the PD, DRDA.

(Paragraph 2.8)

MGNREGS funds of ₹ 118.40 lakh claimed to have been paid by the BDO, Aghunaqa was not received by 12 VDBs and is suspected to have been misappropriated.

(Paragraph 2.9)

The Director of Industries and Commerce paid ₹ 2.32 crore to 48 ineligible and seven non-functional societies on the basis of false sales details and ₹ 65.71 lakh as Marketing Incentive to 16 Co-operative societies above the prescribed rate.

(Paragraph 2.10)

Due to lack of proper planning and consultation with stakeholders, the Inter State Bus Terminus constructed at a cost of ₹ 7.50 crore at Mokokchung Town remained idle for the last four years.

(Paragraph 2.11)

Chapter-III Economic Sector (Public Sector Undertakings)

Investment in State PSUs

As on 31 March 2015, the investment (Capital and long term loans) in six SPSUs was ₹ 106.17 crore. As on 31 March, 2015, 95.33 *per cent* of the total investment in SPSUs was in five working SPSUs and remaining 4.67 *per cent* was in one non-working SPSU. Investment in 2014-15 has increased in Finance Sector by ₹ 15.70 crore (30.29 *per cent)* while the investment in Other Sectors had increased by ₹ 12.46 crore (47.61 *per cent).*

(Paragraph 3.3)

Performance of State PSUs

Overall losses incurred by the working SPSUs had decreased from ₹ 2.07 crore in 2010-11 to ₹ 1.01 crore in 2012-13. During 2013-14 the working SPSUs had registered an overall profit of ₹ 0.50 crore but again incurred an over-all loss of ₹ 3.35 crore during 2014-15 mainly due to loss (₹ 3.18 crore) sustained by one SPSU. As per the latest finalised accounts of five working SPSUs as of November 2015, four SPSUs incurred loss of ₹ 3.97 crore, while the remaining one SPSU (Nagaland Industrial Raw Material Supply Corporation Limited) earned profit of ₹ 0.62 crore.

(Paragraph 3.6)

Arrears in finalisation of Accounts

The backlog of accounts of working SPSUs had reduced significantly from 46 accounts (2011-12) to 10 accounts (2014-15) with corresponding reduction in average arrear per SPSU. None of the SPSUs, however, had made their accounts up-to-date as on 30 November, 2015. Further, one out of five SPSUs (Nagaland Handloom & Handicrafts Development Corporation Limited) did not finalise any accounts during 2013-14 and 2014-15.

(Paragraph 3.7)

Chapter-IV Revenue Sector

Compliance Audit Paragraphs

One motor vehicle dealer based in Dimapur district concealed taxable turnover amounting to ₹ 602.99 lakh leading to evasion of tax of ₹ 79.90 lakh during 2011-14. Interest amounting to ₹ 47.15 lakh was also leviable on the amount of tax evaded by the dealer.

(Paragraph 4.2)

Failure of the Assessing Authority to exercise the mandatory checks resulted in concealment of purchase turnover of ₹ 195.44 lakh and evasion of tax to the extent of ₹ 25.23 lakh by a dealer.

(Paragraph 4.3)

One dealer irregularly claimed Input Tax Credit amounting to ₹ 11.82 lakh against interstate sales which is taxable at concessional rates.

(Paragraph 4.4)

Chapter-V General Sector

Compliance Audit Paragraphs

Failure of Drawing and Disbursing Officers and Treasury Officers to exercise checks as prescribed under various rules resulted in fraudulent drawal of ₹ 2.81 crore by 41 DDOs. Out of the fraudulent/excess amount drawn by the DDOs, a sum of ₹ 91.34 lakh was recovered by 27 DDOs at the instance of audit.

(Paragraph 5.3)

The Department of Treasuries and Accounts, Planning & Co-ordination and the Civil Secretariat fictitiously drew ₹ 9.40 lakh by presenting duplicate hotel bills and the Department of Treasuries and Accounts drew ₹ 18.05 lakh twice for computer hardware and peripherals.

(Paragraph 5.4)