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CAG detects major anomalies in various govt. departments

Correspondent KOHIMA, MAR 18 (NPN) : Published on 19 Mar. 2015 12:48 AM IST

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Accountant General (Audit) Nagaland A. P. Chophy briefed media persons in his office chamber Wednesday on the CAG reports tabled in the house Tuesday that pointed to major anomalies in various government departments.

Chophy informed that the report of the CAG was in accordance with Article 151 of the Constitution of India, submitted to the Governor in respect of matters arising out of the Audit of transactions of the State Government.

CAG report relating to the government of Nagaland involved the year ended March 31, 2014 (Report on State Finances & Report on Social, Economic, Revenue and General Sectors) prepared on the basis of Finance and Appropriation Accounts and audit of the State Government Departments and State owned Companies and Corporations.

He said the AG office disclaims any responsibility for any misinformation or non-information on the part of audit.

The Reports placed in the legislature was referred to the Public Accounts Committee (PAC) in respect of civil and revenue activities and Committee on Public Undertakings (CoPU) in respect of Commercial activities. He said the government departments have to submit suo moto Action Taken Notes (ATN) on all audit paragraphs and performance audits to the Committee duly vetted by Audit.

The Committees select some of the paragraphs/performance audits for detailed examination after which a report containing their (PAC/CoPU) observations and recommendations were presented to the Legislative Assembly which serve as a mechanism for ensuring financial accountability of the Government.

The Report comprises of six chapters containing 11 compliance audit paragraphs apart from the results of audit of Police Engineering Project and four Performance Audits - Implementation of National Rural Health Mission (NRHM), Total Sanitation Campaign or Nirmal Bharat Abhiyan (TSC/NBA), Accelerated Irrigation Benefit Programme (AIBP) and Activities of Department of Power.

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 two Accountant General (Audit) with a request to furnish replies within six weeks.

Chophy said replies were not received from the secretaries of the departments concerned in respect of seven audit paragraphs.

He also said the major anomalies were found in health, PHED, technical education, urban development, power, irrigation, PWD, home (police) department, finance (taxation) department, transport department and rural development, in the government public sector undertakings in Nagaland state mineral development corporation limited (corporation).

Health: According to the CAG report as per population criteria, the State should have 99 PHCs, whereas there were 126 PHCs resulting in excess of 28 PHCs.

The report revealed that out of the 28 excess PHCs, 16 (57 %) were created in Phek district alone without observing population criteria. Further Chophy informed that after joint physical verification of PHC at Thetsumi, it was revealed that the PHC was constructed at the cost of Rs. 0.70 crore covering a population of 1910, was defunct since up-gradation (during 2009-10) due to non-posting of MO.

The department stated (October 2014) that the excess PHCs were constructed in Phek district as per the notifications issued by the Government of Nagaland.

The Department also provided an undue benefit of Rs. 10.25 crore to a local contractor for setting up of MRI at Naga Hospital Authority, Kohima.

SHS diverted Rs. 8.76 crore for salary components of RCH/vertical programmes and Rs. 2.30 crore for furniture and fixing, deep bore well etc. against the up-gradation of two DHs at Phek and Kiphire without any supporting vouchers.



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Urban development: Advisor in-charge of Revenue, Dimapur Municipal Council failed to remit toll amounting to Rs. 78.83

lakh collected from consignees against goods transported through Railway wagons during 2011-12.

DMC Advisory Committee while deciding (March 2011) the modalities for collection of various taxes and fees to be levied under Section 120 of the Municipal Act 2001, entrusted the revenue wing of the DMC to collect the toll on items such as cement, edible oil, etc. transported by Rail.

Accordingly, instructions were also issued to the Station Master NF Railway by the Chief Executive Officer (CEO), DMC not to clear any goods brought by rail without the clearance from the DMC.

Meanwhile examination (July 2014) of records of the DMC, revealed that the Advisor In-charge of Revenue (ACR) deposited an amount of Rs. 17 lakh during 2011-12 on account of toll from goods transported through Rail. In the absence of receipt books, etc. for audit in support of the collection and remittance of toll in respect of goods transported through rail for scrutiny, he said audit collected details of goods (cement, rice, etc) transported through wagons during 2011-12 from commercial wing, NF Railway, Dimapur. The examination revealed that 4831 wagons were unloaded at Dimapur and the toll there against worked out to Rs. 95.82 lakh which was to be collected from the consignees before releasing the material/items.

Thereby there was a short remittance of toll tax amounting to Rs. 78.82 lakh to the DMC by the Advisor-in-charge of revenue wing during 2011-12. The matter was reported to the DMC (July 2013) and the Government in August 2014.

Replies have not been received until December 2014.

Technical Education

Technical Education Department incurred an unfruitful expenditure of Rs. 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 was also a failure.

Rural Development: CAG report stated that there was fictitious procurement by the Block Development Officer (BDO) cum Programme Officer MGNREGA, Phomching Block who mis-utilised Rs. 5.49 crore meant for procurement of stone boulder and chips by producing fabricated records showing non-existent stone industries

As per the financing pattern prescribed by government of India, MGNREGA, the Centre bore the cost of wages for unskilled manual labor and also 75 % of the cost of material, wages for skilled and semi-skilled workers. The state government has to bear 25 % of the cost of material, wages for skilled and semi-skilled labor. The BDO cum MGNREGA, Phomching received an amount of Rs. 16.23 crore during 2011-12 and 2012-13 for implementation of the scheme. Out of this, Rs. 6.15 crore was for material component and the remaining amount of Rs. 10.08 crore was wage component.

Examination in July 2013 records of the BDO revealed that out of the material component of Rs. 6.15 crore, the BDO utilized Rs. 5.49 crore for procurement of stone boulders and chips through 13 Village Development Boards (VDBs) from three Stone

To ascertain the genuineness of the procurement, audit collected the details of the Stone Crushers existing in Phomching and Tapi villages from the District Industries Centre (DIC), Mon and the Directorate of Industries (DoI), Nagaland, where all the stone crushers were to be registered. Information received from the DIC and DoI also revealed that the above three stone crusher industries were not registered at any point of time.

He said the reply of the department was not acceptable as the joint physical verification conducted in September 2014 by audit along with Sub-Divisional Officer (administration) revealed that the above three stone crushing units were non-existent. Moreover, it was also seen from the bank statement that in most of the cases the funds for material component (stone boulders, etc) were drawn from the BDO's account during the period on cash cheques issued in the name of VDB Secretaries and the funds were not transferred to the accounts as claimed by the Department.

PHED: Total Sanitation Campaign (TSC) launched by the government of India in 1999 aimed at providing sanitation to all rural communities by 2012 (now extended to 2017) and renamed as Nirmal Bharat Abhiyan (NBA) in 2012. The audit report stated that there was short fall in release of matching share amounting to Rs. 9.12 crore during 2009-14 from the state government.

Joint physical verification revealed that there was short receipt of IHHL construction materials valued at Rs. 0.58 crore by 27 villages. Another joint physical verification of three Community Sanitary Complexes (CSC) also revealed that one CSC constructed under Kohima district was physically not available and two CSCs constructed at Dimapur District deviated from approved drawing.

Further the joint physical verification of 29 schools revealed that only 8 schools had functional toilets, five were dismantled for land development, six toilets were not in use and 10 schools did not have water facility. None of the school toilets had provision for children with special needs.

Also another joint physical verification of 34 Anganwadi toilets revealed that only 11 Anganwadis had functional toilets, 10 were dismantled due to land development, four were defunct toilets and nine did not have toilet facilities. All the toilets provided are "normal toilets" and not "baby friendly toilets".

Power: Department of Power, a deemed licensee under section 14 of the Electricity Act, 2003, were carrying on the activities of generation, transmission, distribution and retail supply of electricity in the State.

CAG report stated that the department could complete only five projects out of 15 major proposed for execution under the 11th Five Year Plan (2007-12) as of September 2014.

The department allowed exorbitantly high margin of upto 763 % to the suppliers in respect of eight works executed during

2009-14 which led to unjustified escalation of project costs by Rs. 21.02 crore.

The report revealed that the department failed to maintain effective discipline in drawal of energy as per the approved schedule causing avoidable financial burden of Rs. 101.46 crore in five years on account of Unscheduled Interchange (UI) charges.

The Department had also sustained energy loss of 1257.30 MUs (valuing Rs. 502.12 crore) during five years due to its failure in restricting the Aggregate Technical & Commercial (AT&C) Losses within the CEA norms.

During 2009-14, there was significant generation shortfall (103.28 MUs) under Likhimro Hydro Electric Project (LHEP) compared with the minimum generation assured by the lessee necessitating the state to import additional energy at higher costs involving financial implications of Rs. 16.63 crore in five years' period.

During 2009-14, the billing and collection efficiency of the Department was dismal as bills were not raised against 42 % of the energy injected into the system (1149.19 MUs valuing Rs. 393.16 crore) and 33 % of the energy bills raised (520.05 MUs valuing ` 165.67 crore) remained unrealized.

Irrigation & Flood Control: Since inception of the programme till 2008-09, 1133 minor irrigation projects had been implemented with the target of creating 40,680 hectares of Culturable Command Areas (CCA) at a cost of Rs. 235.74 crore. During 2009-14 a total of 548 projects to irrigate 29847 Ha potential land were taken up at a cost of Rs. 361.75 crore out of which, 393 were completed till the end of March 2014 and 155 are ongoing. The audit findings stated that projects were selected without conducting surveys as a result 14 projects for Rs. 1.70 crore were constructed in areas without water sources and 8 projects for Rs. 3.64 crore beyond the vicinity of CCA.

An amount of Rs. 0.73 crore was paid based on fictitious measurements though the projects were either incomplete or abandoned, while three projects were abandoned due to non-maintenance/poor workmanship which resulted in unfruitful expenditure of Rs. 4.62 crore.

Ineffective participatory irrigation management system led to non-maintenance of 87 projects valued at Rs. 35.30 crore.

Besides, a completed project (Rs. 2.30 crore) remained un-utilised due to non-provision of CC channel.

Monitoring cell did not carry out proper monitoring during implementation of minor irrigation projects.

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

PWD (Housing): The department incurred an avoidable expenditure of Rs. 9.51 crore due to delay in handing over the project site. The department also made excess payment of Rs. 3.88 crore to the contractor towards enhancement of rate for newly incorporated items of works not approved by the government.

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

NSMDC: Nagaland State Mineral Development Corporation Limited (Corporation) incurred an expenditure of Rs. 22.75 crore on execution of works not included in the approved DPR. Besides, the Corporation also paid Rs. 6.14 crore against unexecuted items of work.

Finance (Taxation) department: Two motor vehicle dealers of Nagaland concealed taxable turnover amounting to Rs. 35.24 crore and evaded tax of Rs. 4.58 crore during 2010-13. Interest amounting to Rs. 2.65 crore was also leviable on the amount of tax evaded by them.

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

Home (Police) department: Police Engineering Project was the executive wing for all construction/maintenance works (Office buildings and functional units for the 11 District Executive Forces (DEF), 8 units of Nagaland Armed Police (NAP), 7 units of India Reserve Battalion (IRB) and housing for the Police force) in the Police Department.

The major activity (74 % of capital expenditure) of the Department during 2009-14 was execution of works for creation of permanent infrastructure for seven NAP (IR) battalions sanctioned by the Ministry of Home Affairs (MHA).

Audit findings stated that work orders valued at Rs. 315.04 crore were issued in October 2009 for the works without prioritizing and ensuring uninterrupted flow of funds for its completion resulting in creation of huge committed liabilities for the department.

Consultants were also appointed without inviting tenders and avoidable consultancy charges of Rs. 18.80 crore were paid. In respect of four projects valued at Rs. 315.04 crore, works were awarded at exorbitant item rates without inviting tenders and the terms and conditions in the work orders/agreements with contractors were ambiguous and defective.

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

Audit Report on State Finances

Report on the Finances was to provide the State Government with timely inputs based on actual data so that there could be a better insight into both well performing as well as ill performing schemes/programmes of the Government. Based on the audited accounts of the Government of Nagaland for the year ending March 2014, the Report provided an analytical review of the Annual Accounts of the State Government.

During the current year, the fiscal deficit decreased due to the combined effect of decrease in capital expenditure and increase in revenue surplus. As a result, the primary deficit also changed into primary surplus. Besides, during the last five years the fiscal deficit continued with a fluctuating trend.

The Report said 91 % of the total revenue i.e, Rs. 5947.94 crore came from the Government of India as Central transfers Rs. 1001.27 crore (15 %) and grants-in-aid Rs. 4946.67 crore (76 %). The State however, achieved the total revenue collection target fixed by the 13th FC during 2013-14.

The overall revenue expenditure of the State increased by Rs. 148.68 crore (2.66 %) over the previous year. The revenue expenditure constituted 82.64 % of total expenditure while the expenditure incurred under capital head constituted 17.35 % and loans and advances constituted 0.01 %.

CAG also stated that there were 214 incomplete projects (estimated cost Rs. 2268.64 crore and actual expenditure incurred Rs. 1202.70 crore as on March 31, 2014) pertaining to 24 departments. Out of 214 incomplete projects, 77 projects (estimated cost Rs. 1126.20 crore and actual expenditure Rs. 702.97 crore) were due to be completed by March 2014 but remained incomplete as of October 2014.

During 2013-14, an approximate amount of Rs. 1022.93 crore was directly transferred by government of India to the state implementing agencies. As long as these funds remain outside the state budget, there are no single agency monitoring its use and there were no readily available data on how much was actually spent in any particular year on major flagship schemes and other important schemes which are being implemented by State implementing agencies but are funded directly by the GoI.

Zero return on govt investment: As on 31 March 2014, Government had invested Rs. 270.01 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives and the average return on this investment was 'Nil' during the last five years.

A rush of expenditure was noticed in respect of 6 Major Heads in which expenditure exceeding Rs. 10 crore or more than 50 % of the total expenditure was incurred during the last quarter or during the last month of the financial year.

The report added that there were 179 unadjusted AC bills involving Rs. 171.87 crore awaiting adjustment due to non-submission of DCC bills for long periods and therefore was fraught with the risk of misappropriation. Timely submission of utilization certificates was a major area of concern as at by end of March 2014, 163 UCs involving an aggregate amount of Rs. 262.99 crore were pending for submission even after a lapse of one to five years from various departments. As on March 31, 2014, there are 30 cases of misappropriation, loss etc. involving Rs. 105.97 crore pertaining to 13 departments were pending finalization.

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