सत्यमेव जयते

The Report of
the Comptroller and Auditor General of India

on

Social, General and Economic Sectors
(Public Sector Undertakings)

for the year ended 31 March 2012

Government of Jammu and Kashmir

Report No. 2 of the year 2013

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PREFACE

1. This Report has been prepared for submission to the Government of Jammu and Kashmir under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971, as amended from time to time.

2. Government commercial concerns, the accounts of which are subject to audit by the Comptroller and Auditor General of India (the CAG), fall under three categories, i.e., Government companies, Statutory corporations, and Departmentally managed commercial undertakings. This Report deals with the audit of Government companies and Statutory corporations.

3. This Report contains two chapters. Chapter-1 deals with introduction of the State Public Sector Undertakings (PSUs), and Chapter-2 deals with the findings of the Performance Audit of Jammu and Kashmir Projects Construction Corporation Limited and Performance Audit of "Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) Scheme" in Jammu and Kashmir State and general issues relating to previous Audit Reports.

4. Audit of accounts of Government companies is conducted by the Comptroller and Auditor General of India under Section 19(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971and under the provisions of Section 619A of the Companies Act, 1956.

5. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2011-12 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2011-12 have also been included, wherever necessary.

6. The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Chapter-1

Introduction

CHAPTER-1
INTRODUCTION

1.1 About the State Public Sector Undertakings (PSUs)

1.1.1 The Economic Sector (Public Sector Undertakings) comprises of 10 departments, namely Power Development, Industries and Commerce, Planning and Development, Tourism, Transport, Irrigation and Flood Control, Animal Husbandry and Fisheries, Agriculture, Forest and Rural Development. The total number of the Companies and Statutory Corporations of the State are 22 and three respectively. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Jammu and Kashmir, the State PSUs occupy a moderate place in the State economy. The working State PSUs registered a turnover of ₹ 5552.37 crore for 2011-12 ***(Appendix 1.1)*** as per their latest finalised accounts as of September 2012. This turnover was equal to 8.90 *per cent* of State Gross Domestic Product (GDP) of ₹ 62,365 crore in 2011-12. Major activities of Jammu and Kashmir State PSUs are concentrated in power and finance sectors. The State PSUs earned a profit of ₹ 705.53 crore ***(Appendix 1.1)*** in the aggregate as *per* their latest finalised annual accounts as of September 2012. They had employed 25,148 employees[1] as of 31 March 2012. The State PSUs do not include two[2] prominent Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments.

1.1.2 As on 31 March 2012, there were 25 PSUs as *per* details given in **Table 1.1** below:

Table-1.1

Type of PSUs	Working PSUs	Non-working PSUs[3]	Total
Government Companies	19	3	22
Statutory Corporations	3	Nil	3
Total	**22**	**3**	**25**

One company, i.e., Jammu and Kashmir Bank Limited was listed on the stock exchange.

1.1.3 During the year 2011-12, one PSU viz. Chenab Valley Power Projects Private Limited (Deemed Government Company) was established, whereas three PSUs[4] were under liquidation.

1 Three non-working Companies did not furnish the details.
2 Consumer Affairs & Public Distribution Department and Government Press
3 Non-working PSUs are those which have ceased to carry on their operations.
4 Himalayan Wool Combers Limited, Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organization Limited, and Tawi Scooters Limited.

1.2 Audit Mandate

1.2.1 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government Company is one in which not less than 51 *per cent* of the paid up capital is held by the Government(s). A Government Company includes a subsidiary of a Government Company. Further, a Company in which 51 *per cent* of the paid up capital is held in any combination by the Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government Company (Deemed Government Company) as *per* Section 619-B of the Companies Act, 1956.

1.2.2 The accounts of the State Government Companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the CAG as *per* the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as *per* the provisions of Section 619(3)(b) of the Companies Act, 1956.

1.2.3 Audit of Statutory Corporations is governed by their respective legislations. Out of three Statutory Corporations, the CAG is the sole auditor for Jammu and Kashmir State Road Transport Corporation and Jammu and Kashmir State Forest Corporation[5]. In respect of Jammu and Kashmir State Financial Corporation, the audit is conducted by the Chartered Accountants and supplementary audit by the CAG.

1.3 Investment in State Public Sector Undertakings (PSUs)

1.3.1 As on 31 March 2012, the investment (capital and long-term loans) in 25 State PSUs was ₹ 4907.42 crore as *per* details given in **Table 1.2** below:

Table-1.2

(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	263.00	3997.83	4260.83	179.40	463.79	643.19	4904.02
Non-working PSUs	2.57	0.83	3.40	Nil	Nil	Nil	3.40
Total	**265.57**	**3998.66**	**4264.23**	**179.40**	**463.79**	**643.19**	**4907.42**

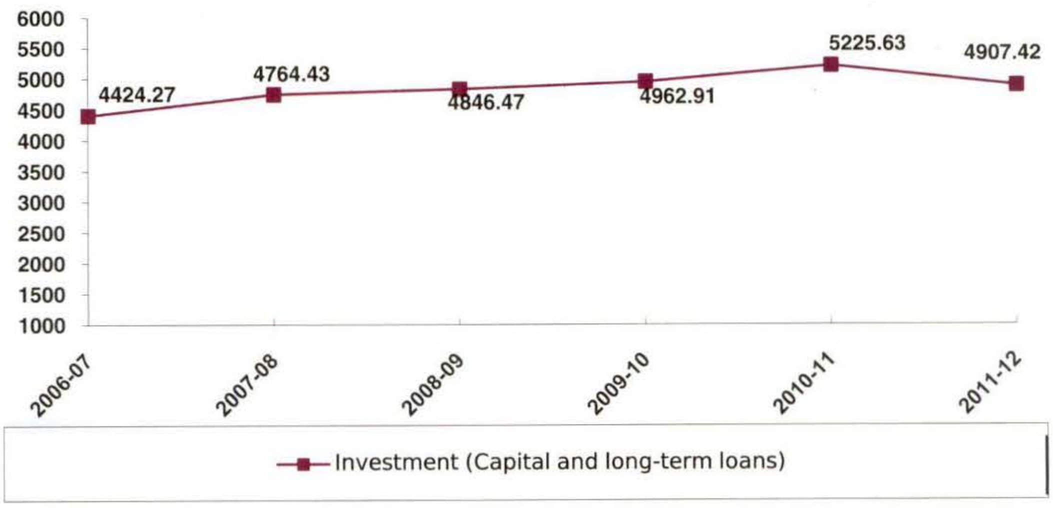
A summarised position of government investment in State PSUs is detailed in **Appendix 1.2.**

1.3.2 As on 31 March 2012, of the total investment in State PSUs, 99.93 *per cent* was in working PSUs and the remaining 0.07 *per cent* in non-working PSUs. The total investment consisted of 9.07 *percent* towards capital and

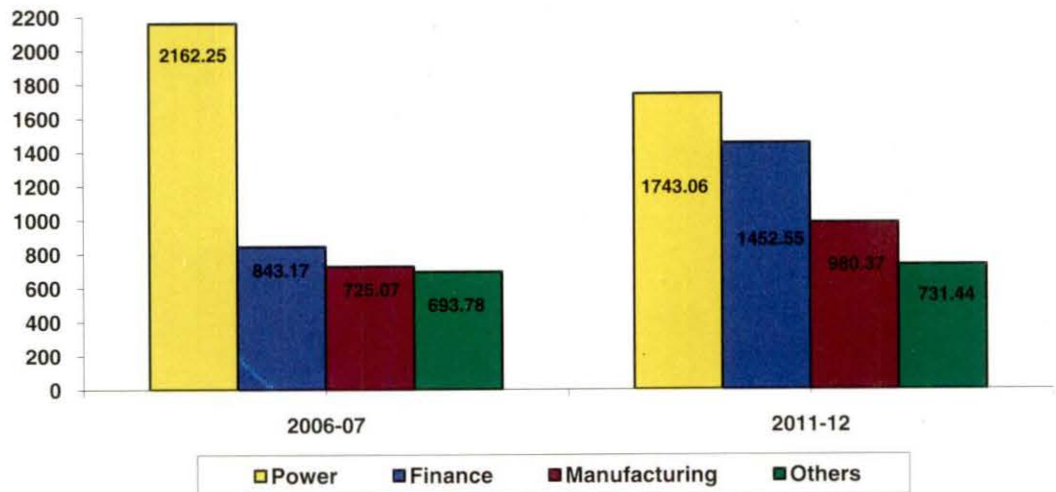
5 Jammu and Kashmir State Forest Corporation was incorporated in 1978-79 and its audit was entrusted to the CAG w.e.f. 1996-97. The Corporation, however, had never submitted its accounts to the CAG for audit for any of the years.

90.93 *per cent* in long-term loans. The investment has increased by 9.84 *per cent* from ₹ 4424.27 crore in 2006-07 to ₹ 4907.42 crore in 2011-12 as shown in the graph below:

(₹ in crore)



1.3.3 The investment in various important sectors and percentage thereof at the end of 31 March 2007 and 31 March 2012 are indicated below in the bar chart. Though the highest investment during 2011-12 was in power sector (35.52 *per cent*), the thrust of PSU investment was mainly in finance sector during the six years which has seen its percentage share rising from 19.06 *per cent* in 2006-07 to 29.60 *per cent* in 2011-12.



1.4 Budgetary outgo, grants/subsidies, guarantees and loans

1.4.1 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Appendix 1.3.** The summarized details for the last three years ended 31 March 2012 are given in **Table 1.3** below:

Table-1.3

(₹ in crore)

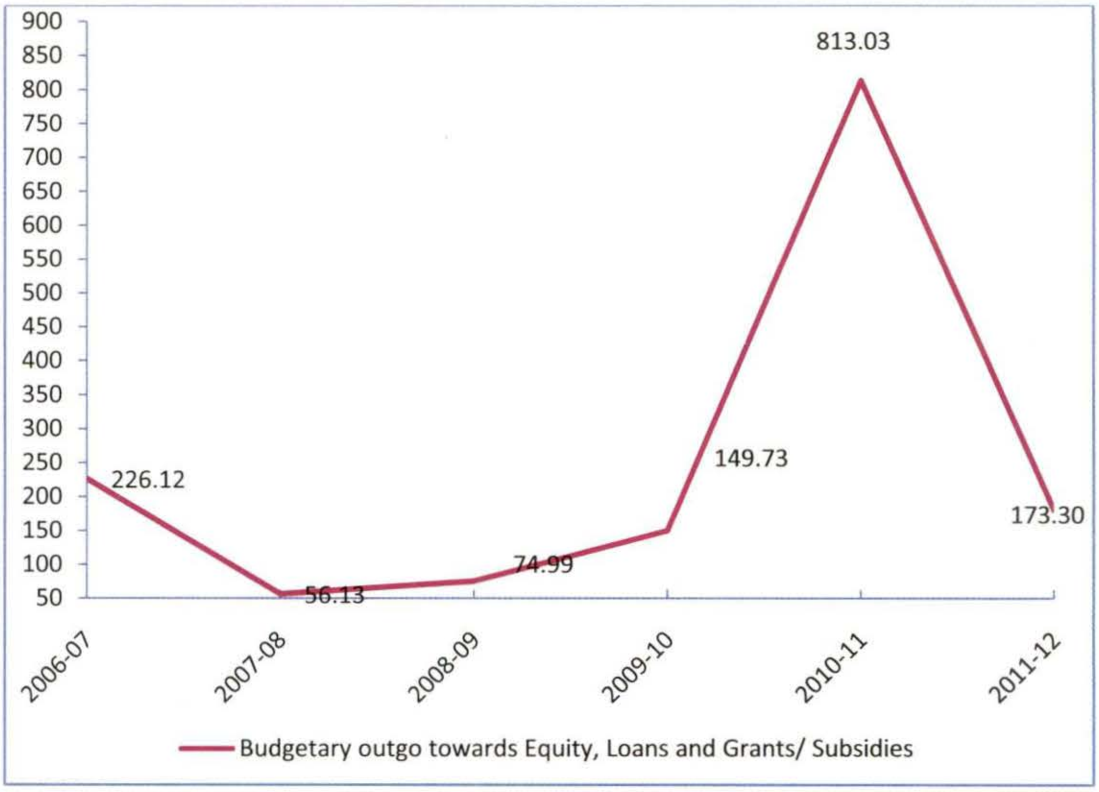
Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	4	17.09	3	7.00	3	06.09
2.	Loans given from budget	9	56.57	10	488.54	10	70.26
3.	Grants/Subsidy received from State Government.	4	76.07	6	317.49	8	96.95
4.	Total outgo (1+2+3)	11	149.73	14[6]	813.03	15	173.30
5.	Interest/Penal interest written off	1	4.04	1	3.69	1	38.62
6.	Loan repayment written off					1	12.04
7.	Total Waiver(5+6)	1	4.04	1	27.78*	1	50.66
8.	Guarantees issued	2	485.54	2	2.70	2	10.09
9.	Guarantee Commitment	8	2598.77	9	2411.39	9	1805.66

**Includes waiver of loan repayment of ₹24.09 crore.*

1.4.2 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past six years are given in a graph below:

6 Actual number of PSUs which received budgetary support.

(₹ in crore)



The budgetary outgo of the State Government towards equity contribution, loans, grants and subsidy was all time high in 2010-11 at ₹ 813.03 crore during the preceding six years. The downward trend of budgetary outgo can be seen during 2006-07 with marginal increase during 2008-09/2009-10 and stood at ₹ 813.03 crore in 2010-11 which decreased to ₹ 173.30 crore during 2011-12.

1.4.3 The guarantees received during the year 2011-12 was ₹ 10.09 crore and outstanding at the end of 31 March 2012 was ₹ 1805.66 crore. More than 95 *per cent* of these guarantees outstanding were on the loans raised by Jammu and Kashmir Power Development Corporation Limited from various Financial Institutions. The State Government has charged guarantee commission or fee of ₹ 0.45 crore from two PSUs[7] during 2011-12.

1.5 Reconciliation with Finance Accounts of the Government

1.5.1 The figures of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2012 is indicated in **Table 1.4** below:

[7] J&K Cements Ltd: ₹ 0.38 crore and J&K Womens Development Corporation Ltd: ₹ 0.07 crore.

Table-1.4

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	447.58	356.14	91.44
Loans	709.31	1407.10	(-) 697.79
Guarantees	1791.35	1791.35	-

1.5.2 Audit observed that the differences occurred were due to misclassification pending reconciliation. The reasons thereof, though called for, were not intimated (December 2012). The Government and the PSUs should take concrete steps to reconcile the differences in a time bound manner.

1.6 Performance of Public Sector Undertakings (PSUs)

1.6.1 The financial results of PSUs, financial position and working results of working Statutory Corporations are detailed in **Appendices 1.1, 1.5 and 1.6** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. The details of working PSU turnover and State GDP for the period 2006-07 to 2011-12 are given in **Table 1.5** below:

Table-1.5

(₹ in crore)

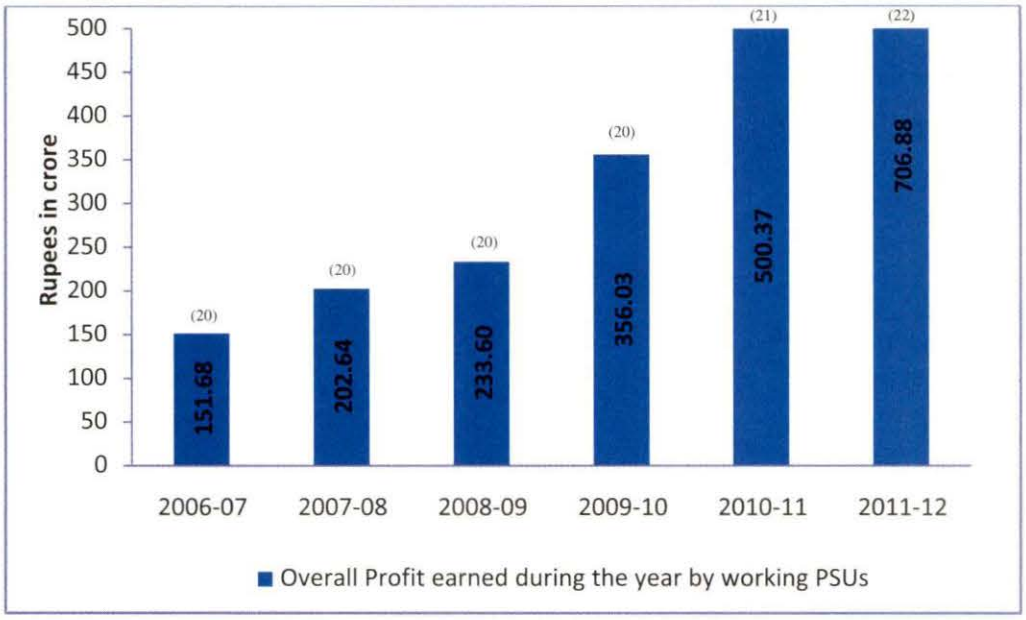
Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover[8]	2679.33	3595.92	3206.88	3700.38	4409.87	5552.37
State GDP	29030	31793	34805	38298	47709	62365
Percentage of Turnover to State GDP	9.23	11.31	9.21	9.66	9.24	8.90

The percentage of turnover to State Gross Domestic Product was 9.23 *per cent* during 2006-07 which was increased to 11.31 *per cent* in 2007-08 but decreased to 8.90 *per cent* during 2011-12. This was due to the huge increase in State Gross Domestic Product in 2011-12.

1.6.2 The details of profit earned by State working PSUs during 2006-07 to 2011-12 are given in the bar chart below:

[8] Turnover as per the latest finalized accounts as of 30 September 2012

(₹ in crore)



(Figures in brackets show the number of working PSUs in respective years)

During the year 2011-12 out of 22 working PSUs, five PSUs earned profit of ₹ 843.35 crore and 16 PSUs incurred loss of ₹ 136.47 crore. One PSU (Jammu & Kashmir State Forest Corporation Limited) had not submitted its accounts since 1996-97 when its audit was entrusted to the CAG. The major contributors to profit were Jammu and Kashmir Bank Ltd (₹ 803.25 crore) and Jammu and Kashmir State Power Development Corporation (₹ 37.17 crore). The heavy losses were incurred by Jammu and Kashmir State Road Transport Corporation (₹ 52.52 crore), Jammu and Kashmir Industries Limited (₹ 46.83 crore) and Jammu and Kashmir State Industrial Development Corporation (₹ 10.71 crore).

1.6.3 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of latest Audit Report of the CAG shows that the State PSUs incurred losses to the tune of ₹ 302.90 crore, which were controllable with better management. The year-wise details from Audit Reports are indicated in **Table 1.6** below:

Table-1.6

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	Total
Net Profit	233.60	356.03	500.37	706.88	1796.88
Controllable losses as per CAG's Audit Report	27.05	80.65	185.02	10.18	302.90

1.6.4 The above losses pointed out by Audit Reports of the CAG are based on test check of records of PSUs. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.6.5 Some other key parameters such as return on capital employed, debt, turnover, etc. pertaining to State PSUs are given in **Table 1.7** below:

Table-1.7

(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Return on Capital Employed (*Per cent*)	7.17	8.85	10.91	10.83	9.61	11.99
Debt	4023.13	4361.59	4435.99	4495.58	4734.93	4462.45
Turnover[9]	2679.33	3595.92	3206.88	3700.38	4409.87	5552.37
Debt/ Turnover Ratio	1.50:1	1.21:1	1.38:1	1.21:1	1.07:1	0.80:1
Interest Payments	1977.53	1697.43	2063.75	2000.65	2250.07	3081.46
Accumulated losses (-)	(-) 1230.70	(-) 1285.72	(-) 1338.05	(-) 1384.70	(-) 1529.98	(-)1651.07

(Above figures pertain to all PSUs except for turnover which is for working PSUs only)

The debt/turnover ratio improved in 2011-12 as compared to 2010-11. This was due to higher increase in turnover during 2011-12 with reference to the increase in debts.

1.6.6 The State Government did not formulate any dividend policy under which all PSUs were required to pay a minimum return on the paid up share capital contributed by the State Government. As per the latest finalised accounts, five PSUs earned an aggregate profit of ₹ 843.35 crore and only one PSU declared a dividend of ₹ 162.40 crore.

1.7 Arrears in finalization of accounts

1.7.1 Under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, the accounts of the companies for every financial year are required to be finalized within six months from the end of the relevant financial year. Similarly, in case of Statutory Corporations, their accounts are finalized, audited and presented to the Legislature as per the provisions of their respective Acts. The details of progress made by the working PSUs in finalization of accounts by September 2012 are given in **Table 1.8** below:

[9] Turnover of working PSUs as *per* the latest accounts (Position up to 30th September 2012).

Table-1.8

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Number of Working PSUs	20	20	20	20	21	22
2.	Number of accounts finalised during the year	12	12	15	10	34	36
3.	Number of accounts in arrears	211	219	224	234	223	208
4.	Average arrears *per* PSU (3/1)	10.55	10.95	11.20	11.70	10.62	9.45
5.	Number of Working PSUs with arrears in accounts	19	19	19	19	19	19
6.	Extent of arrears (years)	2 to 19	3 to 19	4 to 19	4 to 20	2 to 20	3 to 21

1.7.2 Five[10] working PSUs failed to finalise even one account in each year causing accumulation of the arrears. The main reasons for non-fianlisation of the accounts by the PSUs noticed during audit were non-constitution of the Boards, not holding of regular Board meetings, delay in finalisation of accounts by the Statutory Auditors and lack of trained staff.

1.7.3 In addition to above, there were also the arrears in finalisation of accounts by non-working PSUs. Out of three non-working PSUs (all companies), two PSUs[11] had gone into liquidation process. The remaining one non-working PSU[12] had arrear of accounts for 22 years.

1.7.4 The State Government had invested ₹ 1450.46 crore (equity: ₹ 55.22 crore, loans: ₹ 821.64 crore, grants: ₹ 565.64 crore and others: ₹ 7.96 crore) in 16 PSUs during the years for which accounts have not been finalised as detailed in **Appendix 1.4**. In the absence of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested had been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalization of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.7.5 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalized and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalization of accounts, no

[10] J&K Minerals Ltd., J&K State Handicrafts(S&E) Corporation Ltd., J&K Small Scale Industries Development Corporation Ltd., J&K Horticulture Produce Processing & Marketing Corporation Ltd. and J&K State Power Development Corporation Limited.

[11] Himalyan Wool Combers and J&K State Handloom Handicrafts Raw Material Supplies Organisation Limited.

[12] Tawi Scooters Limited.

remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up with the Finance Secretary in August 2012 to expedite the backlog of arrears in accounts in a time bound manner.

1.7.6 In view of above state of arrear of accounts, it is recommended that the Government may:

- set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.
- consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.

1.8 Winding up of non-working Public Sector Undertakings (PSUs)

1.8.1 The numbers of non-working companies at the end of each year during past six years are given in **Table 1.9** below:

Table-1.9

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
No. of non-working Companies	3	3	3	3	3	3

There were three non-working PSUs (all companies) as on 31 March 2012, of which two PSUs were under liquidation process.

1.8.2 The stages of closure in respect of non-working PSUs are given in **Table 1.10** below:

Table-1.10

S.No.	Particulars	Companies	Statutory Corporations	Total
1	Total No. of non-working PSUs	3	Nil	3
2	Of (1) above, the No. under			
(a)	Liquidation by Court (liquidator appointed)	2[13]	--	2
(b)	Voluntary winding up (liquidator appointed)	--	--	--
(c)	Closure, i.e. closing orders/instructions issued but liquidation process not yet started.	1[14]	--	1

1.8.3 During the year 2011-12, no company was finally wound up. The companies which had taken the route of winding up by court order were under liquidation for more than eight years. The process of voluntary winding up under the Companies Act, 1956 is much faster and needs to be pursued vigorously. The Government may consider for setting up a cell to expedite the procedure of closing down of non-working companies.

[13] Himalayan Wool Combers Limited and Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organization Limited.

[14] Tawi Scooters Limited.

1.9 Accounts Comments and Internal Audit

1.9.1 Accounts of the fourteen working companies were finalized between October 2011 and September 2012. Of these, 26 accounts of thirteen companies were selected for supplementary audit. The details of aggregate money value of comments of the Statutory Auditors and the CAG are given in **Table 1.11** below:

Table-1.11

(₹ in crore)

S.No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	--	--	6	18.17	5	5.78
2.	Increase in loss	1	0.86	12	43.76	7	2.23
3.	Non-disclosure of material facts	4	8.32	4	15.66	4	27.85
4.	Errors of classification	3	28.11	9	217.20	10	110.48

The audit reports of the Statutory Auditors appointed by the CAG and the supplementary audit of the CAG indicated that the quality of maintenance of accounts needed to be improved substantially.

1.9.2 During the year, the statutory auditors had given unqualified certificates for four accounts, qualified certificates for 29 accounts, and disclaimers (meaning the auditors are unable to form an opinion on accounts) for three accounts. The compliance of companies with the Accounting Standards remained poor as there were 39 instances of non-compliance.

1.9.3 Some of the important comments in respect of annual accounts of the companies during the period October 2011 to September 2012 are stated below:

Jammu & Kashmir Agro Industries Development Corporation Limited (1995-96)

- Unsecured Loans had been overstated by ₹ 1.58 crore due to inclusion of Share Capital Suspense.
- Unsecured Loans had been overstated by ₹ 0.65 crore due to inclusion of Government Grant which should be shown under Reserve and Surplus.

Jammu & Kashmir State Industrial Development Corporation Limited (2003-04)

- The fact regarding pending formal approval of increase in Share Capital which restricted the Company to increase the Share Capital by ₹ 3.17 crore which was shown as advance Share Capital, had not been disclosed.

Jammu & Kashmir Schedule Caste, Schedule Tribes & Other Backward Classes Development Corporation Limited (1996-97)

- Non provisioning of Bad Debts of ₹ 1.75 crore in respect of Margin Money Advance & Direct Financing under dairy sector resulted in overstatement of Assets (Loans & Advances) and understatement of Loss to the extent of ₹ 0.52 crore.

Jammu & Kashmir Handloom Development Corporation Limited (1998-99)

- The Company did not provide interest to the extent of ₹ 0.24 crore on Loan taken from State Government.

Jammu & Kashmir Cements Limited (2001-02)

- The Company did not provide depreciation to the extent of ₹ 0.47 crore on Pollution Control Equipments installed during 1998-99 resulted in overstatement of Fixed Assets to the same extent.

J&K State Cable Car Corporation Ltd (2007-08)

- Instead of charging of depreciation on Site Development @ 30 *per cent* the Company charged the same @ 5 *per cent*. This has resulted in overstatement of Accumulative Net Block by ₹ 146.05 lakh and understatement of Accumulated Depreciation as well as Accumulated Loss to the same extent. Moreover, the Depreciation was understated and Profit was overstated by ₹ 57.36 lakh during the year.
- Non-booking of the liabilities has resulted in overstatement of Profit for the year and understatement of Current Liabilities & Provisions to the tune of ₹ 15.50 lakh
- The Statutory Auditors Report does not disclose the fact that the annual accounts of the Company for the year 2006-07 are yet to be adopted in the Annual General Meeting (AGM) of the Company.

1.9.4 One Statutory Corporation (Jammu and Kashmir State Financial Corporation) forwarded two accounts during 2011-12. Jammu and Kashmir State Forest Corporation had never submitted its accounts to the CAG since 1996-97 when its audit was entrusted to the CAG. The details of aggregate money value of comments of the Statutory Auditors and the CAG for the last three years ended 31 March 2012 are given in **Table 1.12** below:

Table-1.12

(₹ in crore)

S.No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	-	-	-	-	-	-
2	Increase in loss	1	5.80	1	25.87	-	-
3	Non-disclosure of material facts	-	-	1	0.84	-	-
4	Errors of classification	-	-	1	1.00	2	1.60

An important comment in respect of accounts of a Statutory Corporation, i.e., Jammu and Kashmir State Financial Corporation for the year 2008-09 is given below:

"The Capital includes ₹ 0.80 crore contributed by the State Government towards share capital for which no shares have been allotted. The amount should have been reflected as Capital pending allotment."

1.10 Internal Control/Internal Audit

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement . The Statutory Auditors had stated that internal audit system in respect of twelve companies was either not in place or internal audit reports were not furnished as per details given in **Table 1.13** below:

Table-1.13

Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to Companies figuring at serial number of the Appendix-1.1
Absence of internal audit system commensurate with the nature and size of business of the Company.	9	A-1,6,7,10,11,13,14,17 and 18

1.11 Status of placement of Separate Audit Reports

The audit of Jammu and Kashmir State Financial Corporation is conducted under Section 37(6) of the State Financial Corporation Act 1951, whereas audit of Jammu and Kashmir State Forest Corporation is entrusted to the CAG on the request of the State Government. The status of placement of Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory Corporations in the Legislature by the Government is given in **Table 1.14** below:

Table-1.14

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Jammu and Kashmir State Financial Corporation	2007-08	2008-09	20.04.2012	-
2.	Jammu and Kashmir State Forest Corporation	The Corporation had never submitted its accounts to the CAG since 1996-97 when the audit was entrusted to the CAG.			

1.12 Disinvestment, Privatisation and Restructuring of PSUs

The State Government had no plans of disinvestment. However, the State Government has initiated the process of privatization with regard to development of hydel projects through Independent Power Producers and the process is yet to be completed.

Chapter-2

Performance Audit

CHAPTER-2

PERFORMANCE AUDIT

PUBLIC WORKS DEPARTMENT

2.1 Working of Jammu and Kashmir Projects Construction Corporation Limited

Executive Summary

The Jammu and Kashmir Projects Construction Corporation Limited is a wholly owned State Government Company established with the objectives laid down in the Memorandum of Association for execution of civil construction works for the State/Central Governments and Public Sector Undertakings by carrying on the business of builders, contractors, engineers, architecture, surveyors, estimators and designers in the State, and to curb monopoly of private contractors in construction works by providing healthy competition between private and public sectors. Performance Audit of the Company revealed non-preparation of accounts beyond 1994-95, non-fulfillment of the objectives, non-utilisation of available funds due to non-completion of projects on time leading to time and cost over-runs on the works, non-participation in the tendering process of works outside the State leading to dependence on State Government works, execution of works in anticipation of receipt of funds from project authorities and other regulatory and compliance deficiencies. Some of the significant audit findings were as follow:

Non-finalization of accounts

The Company finalized its accounts upto the year 1994-95 only and accounts thereafter were in arrears. Despite directions issued by the Committee on Public Undertakings (COPU), in September 1997 to the Company to finalize the accounts in a time bound manner, no effective action to ensure speedy finalization of accounts was taken.

(Paragraph: 2.1.7.1)

Non-achievement of objectives

The Company had no infrastructure in place to undertake the activities like architecture, designing, surveyors, estimators and various other activities provided in the Memorandum of Association of the Company. This resulted in the dependence of the Company on the sole activity of construction that too outsourced by the Government agencies to the Company without competitive tendering, thereby defeating the objective of creation of the Company as a specialized construction agency.

(Paragraph: 2.1.7.6)

Fund management

The Company was able to utilize only 53 to 68 *per cent* of funds available for execution of works and the unspent balances ranging between ₹ 91.93 crore and ₹ 313.51 crore during the period 2007-08 to 2011-12, were mainly due to delay in completion of the projects.

(Paragraph: 2.1.8)

Participation in tenders

The Company remained totally dependent upon State Government Departments for allotment of works. Out of 350 projects taken up by the Company during 2007-08 to 2011-12, only three projects were secured through competitive bidding and the remaining 347 projects were allotted by the Project authorities to the Company on cost plus basis. This implies that the price discovery for these works was not done on competitive basis with possible additional burden on the public exchequer. This is more so when the Company, in turn, did not usually follow competitive price discovery and allotted works on nomination basis.

(Paragraph: 2.1.9.3)

Delay in completion of works

192 works were completed against 318 works required to be completed by 31 March 2012 resulting in a shortfall of 40 *per cent* in completion of works. 80 completed works suffered time overrun ranging between one and 73 months and 17 works witnessed cost overrun of ₹ 21.22 crore. 30 ongoing/incomplete works suffered time overrun ranging between three and 172 months and cost overrun of ₹ 75.80 crore.

(Paragraph: 2.1.9.4)

Execution of works in anticipation of receipt of funds

An amount of ₹ 57.72 crore was outstanding against 51 project authorities in respect of the completed/handed over projects, indicating that the works were completed in anticipation of receipt of full value of work done from the project authorities.

(Paragraph: 2.1.10)

Execution of works without obtaining approval of the cost offers

The cost offers of only seven works out of 126 completed/handed over works were approved before commencement of work, indicating that the works were executed without ensuring acceptance of the cost offers by the project authorities. The value of work done in respect of 144 works exceeded the amount received from the project authorities by ₹ 95.22 crore as of 31 March 2012.

(Paragraph: 2.1.10)

2.1.1 Introduction

The Jammu & Kashmir Projects Construction Corporation Limited (the Company) was incorporated on 22nd May 1965 under the Jammu and Kashmir Companies Act, 1977 (Samvat) as a wholly owned State Government Company. The provisions of the Companies Act, 1956 were extended to the State with effect from 15th August 1968. As on 31 March 2012, the Company had 28 units in different districts of the State.

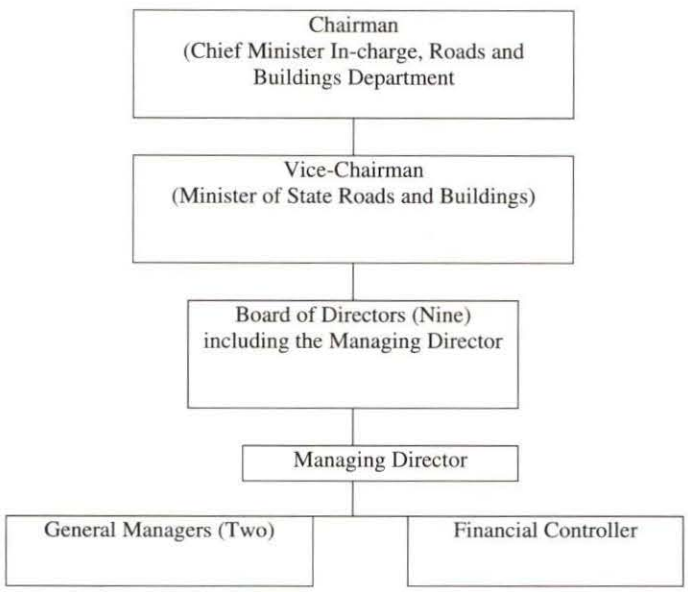
The main objectives of the Company are as follows:

- Execution of civil construction works for the State/Central Governments and Public Sector Undertakings;
- Carry on the business of builders, contractors, engineers, architecture, surveyors, estimators and designers in the State; and
- Curb monopoly of private contractors in construction works and provide healthy competition between private and public sectors.

2.1.2 Organisational structure

The Management of the Company is vested in a Board comprising of nine Directors including the Managing Director as on 31 March 2012 with the Hon'ble Chief Minister (Minister in-charge Roads and Buildings) as its Chairman and Hon'ble Minister of State (Roads and Buildings) as its Vice-Chairman. The Managing Director is the Chief Executive and is assisted by two General Managers and a Financial Controller in the day-to-day functioning of the Company.

Chart-I



2.1.3 Scope of Audit

A Performance Audit on the working of the Company was incorporated in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006. The report was partly discussed in the Committee on Public Undertakings (COPU) during May 2007, December 2009 and January 2010. The part recommendations on the Audit Report were brought out in the 42nd Report of the COPU.

The present Performance Audit, conducted between May 2012 and September 2012, covers the performance of the Company during the period of five years from 2007-08 to 2011-12. The audit examination involved test-check of records at the Head Office and 13[1] units out of 28 units (Civil: 22, Mechanical: 2, Electric: 2, and Procurement: 2) of the Company selected on the basis of simple random sampling method.

2.1.4 Audit objectives

The objectives of the Performance audit were to assess whether:

- the Company executed works through efficient planning, co-ordination and contract management;
- the Company took up execution of works after obtaining approval of its cost offers and signing a formal agreement with the project authorities;
- targets set for construction works were achieved within the estimated cost and specified time;
- the Company followed the prescribed system in the formation of cost offers and recovered the taxes/cess in full;
- financial and store/stock management was efficient and effective; and
- adequate monitoring and evaluation mechanism existed and whether management of manpower was effective in the Company.

2.1.5 Audit criteria

The audit criteria were derived from the following sources for assessing the achievement of audit objectives:

- Instructions and directions issued by the State/Central Government;
- Decisions of Board of Directors of the Company;
- Prescribed procedures and norms for execution of works;
- Financial rules and regulations besides, terms and conditions in the cost offers furnished to the project authorities; and
- Annual works programme and budget and targets fixed.

[1] Kashmir Division: Civil Units (Srinagar: 2nd and 3rd, Anantnag: 5th and Baramulla: 8th), Jammu Division: Civil (Jammu: 2nd, 3rd, 4th and 7th, Kathua: 5th, Reasi: and Rajouri: 8th), Mechanical Division, Jammu; Procurement Division, Jammu.

2.1.6 Audit methodology

The audit methodology adopted for attaining the audit objectives with reference to the audit criteria was as follow:

- Examination of records relating to the execution of works and analysis of data / information collected from the Company;
- Studying minutes of Board meetings, Government circulars and correspondence exchanged between the Company and the clients; and
- Meeting with the management and discussion of audit findings and issue of draft Performance Audit Report to the Management/Government.

The audit objective, criteria and methodology were discussed during an entry conference held on 22 May 2012 by the Principal Accountant General with the Managing Director of the Company. An exit conference was held on 04 January 2013 and the views and replies of the Management of the Company were considered and incorporated in the Performance Audit report.

AUDIT FINDINGS

2.1.7 Financial position and working results

2.1.7.1 Non finalization of accounts

The Company finalized its accounts upto 1994-95 only and accounts thereafter were in arrears (September 2012). The matter relating to arrears of accounts was highlighted in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006. The Committee on Public Undertakings (COPU) directed (September 1997) the company to ensure that accounts were finalized within a fixed time frame. It was, however, observed (May 2012) that no effective steps were taken in this regard, indicating lack of commitment on the part of the Company. Non-finalization of accounts by the Company is fraught with the risk of financial irregularities remaining undetected. On this being pointed out by Audit, the Management did not furnish (December 2012) any specific reason for non-finalization of accounts.

2.1.7.2 Capital structure

The Company was preparing its accounts on provisional basis from 1995-96 onwards pending finalization of its accounts. The authorized capital of the Company as on 31 March 2012 was ₹ 10 crore divided into one lakh shares of ₹ 1000 each against which paid-up capital was ₹ 1.52 crore, wholly subscribed by the State Government. Based on the provisional accounts, the summarized financial position of the Company for the five years from 2007-08 to 2011-12 is given in **Table 2.1.1** below:

Table-2.1.1

(₹ in crore)

S. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
I	**Liabilities**					
(a)	Paid up Capital	1.52	1.52	1.52	1.52	1.52
(b)	Reserve & Surplus	10.15	22.61	32.31	41.10	51.94
(c)	Borrowings Secured Loans	0.28	0.28	0.28	0.28	0.28
(d)	Current Liabilities & Provisions					
	(i) advance from project authorities	490.05	490.05	490.05	490.05	490.05
	(ii) other liabilities	242.93	275.85	284.47	288.83	326.69
	Total (d)	**732.98**	**765.90**	**774.52**	**778.88**	**816.74**
	Total Liabilities (a+b+c+d)	**744.93**	**790.31**	**808.63**	**821.78**	**870.48**
II	**Assets**					
(e)	Gross Block	24.25	30.06	16.08	17.94	19.00
(f)	Less Depreciation	15.98	17.03	1.77	2.06	2.12
(g)	Net Block	8.27	13.03	14.31	15.88	16.88
(h)	Current assets, loans & advances	736.66	777.28	794.32	805.90	853.60
	Total assets (g+h)	**744.93**	**790.31**	**808.63**	**821.78**	**870.48**
(i)	Capital employed	11.95	24.41	34.11	42.90	53.74
(j)	Net Worth	11.67	24.13	33.83	42.62	53.46
(k)	Percentage of current assets to current liabilities	100	101	102	103	104

From the above it would be seen that:

- Total Reserve and Surplus increased by 412 *per cent* from ₹ 10.15 crore as on March 2008 to ₹ 51.94 crore as on March 2012.
- Current liabilities had increased from ₹ 732.98 crore as on March 2008 to ₹ 816.74 crore as on March 2012.
- The percentage growth of net worth stood at 107 in 2008-09 and 25 in 2011-12 over the previous years, while capital employed decreased from 104 *per cent* in 2008-09 to 25 *per cent* during 2011-12 over the previous years.
- The percentage of current assets to current liabilities ranged between 100 and 104 during 2007-08 to 2011-12 against the norm of 200 *per cent.*

2.1.7.3 Working results

The working results of the Company arrived at on the basis of provisional accounts, for the five years from 2007-08 to 2011-12 are given in **Table 2.1.2** below:

Table-2.1.2

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
A. Income					
Value of work done	198.31	271.82	302.34	319.30	342.46
Interest received	01.76	02.57	05.51	11.40	13.59
Total 'A'	**200.07**	**274.39**	**307.85**	**330.70**	**356.05**
B. Expenditure					
(i) Consumption of material and labour	151.11	198.39	227.38	238.92	250.23
(ii) Works overheads	22.08	32.19	28.48	34.91	43.76
Cost of work done (i+ii)	173.19	230.58	255.86	273.83	293.99
(iii) Administrative overheads	24.96	24.91	30.43	41.59	49.62
Total Expenditure 'B' (i+ii+iii)	**198.15**	**255.49**	**286.29**	**315.42**	**343.61**
Operating profit (+) loss (-)	(+) 0.16	(+) 16.33	(+) 16.05	(+) 03.88	(-) 1.15
Net Profit (+) Loss (-) (before tax & adjustments)	(+) 1.92	(+) 18.90	(+) 21.56	(+) 15.28	(+) 12.44
Tax	0.72	06.49	07.33	05.17	4.70
Net Profit (+) loss (-) (after tax & other adjustments*)	(+) 1.20	(+) 12.46	(+) 9.70	(+) 8.79	(+) 10.84
Percentage of margin to cost of work done	**14.50**	**17.90**	**18.16**	**16.60**	**16.48**

*(*Other adjustments include elements like previous years expenditure, dividend paid, Income tax refund, etc.,)*

From the above it would be seen that:-

- The net profit after tax of ₹ 1.20 crore in 2007-08 and ₹ 10.84 crore during 2011-12, was mainly due to interest of ₹ 1.76 crore and ₹ 13.59 crore received on fixed deposits during 2007-08 and 2011-12 respectively.
- The operating profit of the Company steadily increased from 0.16 crore during 2007-08 to ₹ 16.05 crore in 2009-10 and thereafter drastically decreased to ₹ 3.88 crore during 2010-11 and finally the Company entered into an operation loss which stood at ₹ 1.15 crore during 2011-12. This was mainly due to steady increase in administrative overheads of the Company by 98 *per cent* from 2007-08 to 2011-12 against only 73 *per cent* increase in value of work done during the same period.

2.1.7.4 Unrealistic margin

The value of work done booked is the expenditure incurred plus profit margin of the Company. Thus, the difference between the value of work done booked and the expenditure incurred in respect of work would be the margin of the Company. The Board of Directors of the Company directed (July 2007) to frame Detailed Project Report (DPR) of the works/projects on the basis of Bill of Quantities (BOQ) besides, a profit margin of 15 *per cent* was required to be loaded in the cost offer of the projects to be executed by the Company. Though the percentage of margin to cost of work done of the company ranged between 15 and 18 *per cent* during 2007-12, Audit analysis of records in eight[2] test-checked units revealed that the margin was higher and ranged between 23 and 95 *per cent* during the years 2007-08 to 2011-12. The higher margin is indicative of the fact that either value of work done booked was incorrect or some items of expenditure had not been included in the cost of work done. Audit noticed that elements of expenditure viz. service tax, labour cess, depreciation, etc. had not been accounted for while calculating cost of work done by the respective units. The DGM's of the respective units admitted (June to August 2012) that the higher margins were due to non-inclusion of some elements like service tax and administrative overheads in the cost of work done. It was also noticed that element of margin was not indicated in 75 cost offers and the profit margin ranging between 7.5 and 14 *per cent* below the prescribed limit of 15 *per cent* was found in 92 cost offers in 11 test-checked units. The Financial controller of the Company reported (December 2012) that the figures of work done and cost of work done was arrived by the respective units on tentative basis as large number of adjustments which include cost of depreciation, service tax payments, administrative overheads were to be loaded after reconciliation at Head Office level.

2.1.7.5 Non-preparation of Detailed Project Reports

The projects should be executed on the basis of a Preliminary Project Report (PPR) prepared on lump-sum basis followed by a Detailed Project Report (DPR) prepared on Bill of Quantities (BOQ) basis. This ensures execution of various works of the project on the actual cost basis and in an economical manner.

The Company was executing the projects relating to buildings on the basis of PPRs without preparation of DPRs. The BOD directed (July 2007) to purchase the construction material in a most economical manner and strictly on work need basis as per the BOQ of a particular project, and that no supply order of the material should be placed without BOQ. Audit observed that out of 215 works taken up by 11 test-checked units during 2007-08 to 2011-12, DPR in

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[2] Unit-II, Unit-III, Unit-IV, Unit-VII, Unit-Kathua, Unit-Rajouri (Jammu) Unit-III, Unit-Anantnag (Kashmir)

respect of only 23 works (11 *per cent*) had been framed on BOQ basis, ignoring its formulation in respect of remaining 192 works. As a result, the actual estimation of items of works of the Project could not be ensured. After being pointed out in Audit, the Deputy General Managers stated that due to non-availability of drawings and funds for making payment in advance to the consultants, DPR could not be framed on BOQ basis.

2.1.7.6 Non-achievement of objectives

The Company restricted its activities to construction of bridges, buildings, roads, etc. entrusted to it mainly by the State Government and in a few cases by the Central Government/Public Sector Undertakings. 350 works executed by the Company during the period 2007-12 were mainly the deposit works awarded by the State Government Departments (Project authorities) on cost plus basis and works secured through competitive bidding in three cases only. Audit noticed (September 2012) that the Company had no infrastructure in place to undertake the activities like architecture, designing, surveyors, estimators and various other activities provided in the Memorandum of Association of the Company but had limited its activities to construction works only. Thus, the objectives of the Company were not achieved in full, as discussed in succeeding Paragraphs 2.1.9.2, 2.1.9.3 and 2.1.17. The Financial Controller stated (December 2012) that expansion of scope of working of the Company in diverse fields as envisaged in the Memorandum of Association would be explored.

2.1.7.7 Budget projections

The Corporate office of the Company is responsible for preparation of annual budget estimates after considering actuals for the preceding year and the extent of operations to be taken up for the subsequent financial year. Audit observed (June 2012) that the company did not prepare perspective plan of the activities to be undertaken during the period 2007-12. The Budget estimates for the years 2007-08 to 2009-10 were approved by the Budget Sub-Committee of the Company after the commencement of each financial year. It was further noticed that the budget proposals for the years 2007-08 to 2011-12 were approved by the Board of Directors of the Company after delay ranging between one month and 11 months from the date of commencement of the financial year. In the absence of approval of budget proposals, the Company, however, continued to incur expenditure. It was further noticed in audit that there were huge variations between budget estimates and actuals in respect of both the direct and indirect expenditure as detailed in ***Appendix 2.1.1***. These variations persisted year after year and the Company did not analyze the reasons for variations. The variations between Budget proposals and actuals in respect of account heads 'value of work done', 'Direct expenditure' and 'Indirect expenditure' ranged between 36 and 53 *per cent*, 18 and 58 *per cent,* and 19 and 219 *per cent* respectively during the years 2007-08 to 2011-12. This indicated that the Budget projections were not realistic. After this was pointed out in audit, the Accounts officer stated (August 2012) that due to procedural delay, meetings of Budget Sub-Committee and the Board could not be convened in time.

2.1.8 Fund management

2.1.8.1 The position of funds received by the Company for execution of works, value of work done thereagainst and the funds remaining unutilised during the years from 2007-08 to 2011-12 are indicated in **Table 2.1.3** below:

Table-2.1.3

(₹ in crore)

Year	Opening balance of funds	Funds received during the year	Total funds available	Value of work done	Closing balance of funds	Percentage of value of work done to funds available
2007-08	59.65	230.59	290.24	198.31	91.93	68
2008-09	77.45	322.30	399.75	271.82	127.93	68
2009-10	128.73	325.36	454.09	302.34	151.75	67
2010-11	165.47	360.96	526.00	319.30	206.70	61
2011-12	219.92	428.00	647.92	342.45	313.51	53

(Source: Information furnished by the Company)

It would be seen from the above table that funds ranging between 53 and 68 *per cent* of total available funds were utilized for execution of works during the years from 2007-08 to 2011-12. The existence of unspent balances ranging between ₹ 91.93 crore and ₹ 313.51 crore during the said period was mainly due to delay in completion of projects by the Company. Further, there were variations in the opening balance and the closing balance of funds during the years 2007-08 to 2011-12. The Assistant Financial Advisor stated (June 2012) that the variations were due to various adjustments like increase/decrease in working capital, purchase of fixed assets etc. The reply was not tenable as these adjustments had no bearing in arriving at closing balance of funds at the end of the year. The Financial Controller further stated (December 2012) that due to some bottlenecks in the physical execution such as non-availability of land, compensations, procurement of key construction material some funds remained unspent towards end of the year.

2.1.8.2 Non-establishment of asset fund

As per the decision (May 2007) of the BOD of the Company one *per cent* of total funds released by the Project authority was to be appropriated towards creation of an Asset Fund Account to enable the Company to meet the expenditure on procurement of assets like machinery and equipment. Audit noticed (June 2012) that the Company did not implement the decision of the Board and instead purchased machinery and equipment valued at ₹ 8.92 crore during the years 2007-08 to 2011-12 out of its working capital. This action of the Company had further depleted its meager working Capital. The Financial Controller of the Company stated (December 2012) that the decision of the BOD would be implemented in near future subject to more and more projects were allotted to the Company.

2.1.9 Turnover of the Company

2.1.9.1 The position of value of work done (turnover) and year-over-year (YOY) growth of turnover of the Company during the years 2007-12 is given in **Table 2.1.4** below:

Table-2.1.4

(₹ in crore)

Year	Annual Turnover	YOY Growth	Growth *(per cent)*
2007-08	198.31	58.38[3]	42
2008-09	271.82	73.51	37
2009-10	302.34	30.52	11
2010-11	319.30	16.96	6
2011-12	342.46	23.16	7

(Source: Balance sheets of respective years)

The year-over-year (YoY) growth of turnover of the Company ranged between six and 42 *per cent* during the years 2007-08 to 2011-12. While the annual growth in turnover during 2007-08 was 42 *per cent,* it had gradually declined to seven *per cent* during 2011-12. Audit noticed (September 2012) that decline in growth of turnover was due to decline in the allotment of works to the Company by the project authorities as indicated in the succeeding paragraphs 2.1.9.2 and 2.1.9.3. The Financial Controller stated (December 2012) that year-over-year growth could not be sustained at a particular level as the same depend upon allotment of works by the Project Authorities. The Company was making every effort to secure more and more works for execution.

2.1.9.2 Decline in allotment of works

The main objective of the Company was to construct and manage works of all kinds related thereto. The State Government directed (July 2005) the Government Departments and Public Sector Undertakings to allot all the civil works costing ₹ one crore and above (also works costing below Rupees one crore in exceptional circumstances) to the Company. An audit analysis regarding allotment of works to the Company vis-a-vis capital outlay of the

3 Calculated on turnover of ₹ 139.93 crore during 2006-07

State Public Works Department responsible for execution of works showed decline in allotment of works to the Company as indicated in **Table 2.1.5** below:

Table-2.1.5

(₹ in crore)

Year	Budget capital outlay on works of the State Public Works Department	Value of works allotted by State Public Works Department	Percentage of value of works allotted to capital outlay
2007-08	1065.18	54.82	05
2008-09	1043.37	83.40	08
2009-10	1469.97	115.30	08
2010-11	1417.41	120.14	08
2011-12	1437.72	126.66	09

It would be seen from the above that allotment of works to the Company by the State Public Works Department ranged between five and nine *per cent* of their total capital outlay on works during the period 2007-08 to 2011-12. The Company did not take up the matter in this regard with the State Public Works Department and the State Government to secure more works. The Financial Controller stated (September 2012) that the matter would be taken up with the State Government to ensure allotment of all works costing ₹ one crore and above to the Company.

2.1.9.3 Participation in tenders

The Company was required to maintain database of works in which it participated through tenders and to take steps to identify a core group of experts to ensure participation in national and international contracts. Audit scrutiny (September 2012) revealed that the Company did not maintain the database to indicate the number of tenders in which it had participated through bidding for securing works despite being pointed out in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006. Besides, no core group of experts was identified to ensure participation in national and international contracts. However, the details of contracts/projects awarded to the Company on cost plus basis by various Project authorities and those secured on tender basis during the period 2007-08 to 2011-12 are given in **Table 2.1.6** below:

Table-2.1.6

Year	Total number of Projects taken up by the Company for execution	Number of Projects allotted on cost plus basis	Number of Projects secured on tender basis
2007-08	74	74	Nil
2008-09	36	34	02
2009-10	55	55	Nil
2010-11	112	112	Nil
2011-12	73	72	01
Total	**350**	**347**	**03**

From the above it would be seen that out of 350 projects taken up during the period 2007-12, only three projects were secured on tender basis and 347 projects were allotted on cost plus basis. This indicated lack of initiative on the part of the management of the Company to participate in tenders, making it dependent for allotment of works by the Government Departments. It was further noticed that the Company had confined its activities within the State and did not participate in national tenders to increase its turnover and profitability. The Company had, thus, remained totally dependent on the State Government Departments for allotment of works.

After this was pointed out in audit, the Financial Controller stated (September 2012) that the Company was participating in tendering process of the State Government and less number of works were secured due to higher cost rates tendered by the Company and that the efforts would be made to rationalize the rate structure of the Company for participation in tendering process to secure allotment of more works. Allotment of projects to the Company on nomination basis implies that the price discovery for these works was not done on competitive basis with possible additional burden on the public exchequer. This is more so when the Company, in turn, did not usually follow competitive price discovery and allotted works on nomination basis. That the Company lost out some projects when participating in competitive tendering and as many as 144 works suffered cost escalation corroborate the Audit contention about allotment of the projects to the Company on nomination basis not being in financial interest of the Government.

2.1.9.4 Delay in completion of works

The completion of works in a time bound manner and within the estimated cost is of vital importance in the performance of the entity. The position of number of works under execution and the works completed in the 11 test-checked units of the Company during the period 2007-08 to 2011-12 is indicated in **Table 2.1.7** below:

Table-2.1.7

No. of works under execution as of March 2007	No. of works taken up during the period 2007-12	Total number of works	No. of works to be completed by 31March 2012	No. of works completed as of 31 March 2012
(1)	(2)	(3)= (1+2)	(4)	(5)
238	215	453	318	192

It would be seen from the above that out of 453 works under execution during the period 2007-12, the Company was required to complete 318 works by 31 March 2012. However, only 192 works were completed resulting in non-completion of 126 works revealing shortfall of 40 *per cent* in completion of the works. Audit further observed that 80 works out of 192 completed works, had suffered time overrun ranging between one and 73 months and of these 17 works had witnessed cost overrun by ₹ 21.22 crore. Further, 30 works out of 126 incomplete works had already suffered time overrun ranging between three and 172 months and cost overrun by ₹ 75.80 crore. The failure of the Company to complete the works in time resulted in dismal performance of the Company and non-achievement of its objectives. The Financial Controller of the Company stated (December 2012) that delay in completion of the works was either due to non-availability of funds on time for those works or delay in finalization of drawings by indenting Departments or due to non-availability of clear site of work. The detailed audit analysis of some of the works is reproduced below:

- The Director Health Services Jammu allotted (2005) construction of Community Health Centre at Chenani, Udhampur at a cost of ₹ 12.16 crore to the Company for completion within 24 months from the date of allotment of work. Audit scrutiny (May 2012) of records showed that the Company could not take up the work immediately due to dispute regarding approach road which was, however, resolved in August 2007. The company took up (September 2007) the work and a revised cost offer of ₹ 13.10 crore[4] for the work was forwarded (February 2008) to the project authority for approval. However, the funds of ₹ 8.10 crore were released by the Project authority during February 2006 to February 2012. Test-check of records further revealed that the pace of work was slow due to engagement of inadequate men and machinery as observed during the inspection of Community Health Centre, Chenani by the Udhampur unit and the General Manager, Jammu branch, but the Company did not take concrete steps to speed up the work. Another revised cost offer of ₹ 13.41 crore due to escalation on account of revision of service tax was submitted (August 2010) by the Company to the project authority. The Company, however, executed work to the extent of ₹ 4.30 crore (52 *per cent*) as of May 2012 and the Project authority had not accorded approval to both the revised cost offers (May 2012). The slow execution of work resulted in non-completion of the Community Health Centre, thereby depriving the public of its intended benefits. The project witnessed time overrun of over

4 Includes provision of ₹ 50 lakh for furniture

seven years and cost overrun of ₹ 0.75 crore. After this was pointed out in audit, the Deputy General Manager Udhampur unit of the Company stated (May 2012) that slow pace of work was due to frequent transfer of staff looking after the work.

- The construction of 136.30 Mtrs. span Multi Barrel Box Culvert (MBBC) over Devak Nallah on Moutlain Road, Nagrota (Jammu) was awarded (February 2006) to the Company by Economic Reconstruction Agency (ERA) at a cost of ₹ 1.48 crore for completion in 24 months. The conditions for execution of work, inter-alia, provided for carrying out of necessary test-checks by ERA during construction of the work of the project. On the basis of change in the design proposed by ERA, a revised allotment for construction of 138.60 Mtrs. span MBBC at a cost of ₹ 2.99 crore was issued (April 2006) in favour of the Company. The project was targeted to be completed by November 2007. Audit scrutiny (July 2012) of the records showed that due to rejection of test samples of cement and sand by the ERA besides, non-availability of machinery and material with the Company and also non-settlement of land compensation, the work of the project could not be taken up. However, in pursuance of decision taken in the meeting (October 2007), the Company was advised (November 2007) by ERA to start the work. Audit noticed (July 2012) that due to slow progress of work on account of shortage of material and labour besides non-payment of land compensation, the construction of MBBC was delayed. The MBBC was, however, completed in December 2009 without completing its left side approach road. The Company requested (February 2010) for provisional extension to complete the work by March 2010 which was granted by the Project authority subject to levying of liquidated damages. The records further showed that the Company preferred (October 2010) the final claim for the work done of ₹ 2.35 crore to ERA against which the Company could realise ₹ 1.95 crore by December 2010. The balance ₹ 39.76 lakh was not released by the ERA (July 2012) resulting in locking up of funds invested by the Company in the project. Further, due to failure of the Company to complete the work in time because of rejection of test samples, shortage of material and labour, the project witnessed time overrun by more than two years.

2.1.10 Execution of works in anticipation of receipt of funds

2.1.10.1 The State Government instructed (January 1988) that a cost offer for a work should be prepared by the Company and forwarded to the Project authority for acceptance and release of funds and thereafter, the work is to be executed by the Company. Further, as per directions of the Board of Directors of the Company, the value of work done was to be restricted to funds released by the Project authority. Test-check (June 2012) of records showed that ₹ 57.72 crore was outstanding (January 2012) against 51 project authorities in respect of the completed/handed over projects, indicating that the works were completed in anticipation of receipt of full funds from the Project authorities. Of this, ₹ 32.54 crore were outstanding against 30 project authorities for a period of more than five years from the date of completion of the works. The

Company did not take effective steps towards recovery of the outstanding amounts. Audit noticed that in 11 test-checked units the cost offers of only seven works out of 126 completed works were approved by the Project authorities. This indicated that the works were executed by the Company without ensuring approval of the cost offers and release of funds by the project authorities in contravention of the Government and BOD instructions. Further, out of 533 works under execution as of 31 March 2012, the value of work done of 144 works had exceeded the amount of funds received by the Company from the project authorities by ₹ 95.22 crore. Of these, 27 works valued at ₹ 6.82 crore were taken up for execution without receipt of funds for these works from the Project authorities. Moreover, additional funds required in respect of 128 works had not been received from the project authorities for a period ranging between three and 98 months. The Financial Controller of the Company stated (December 2012) that on the intervention of Board meeting (August 2012), the Principal Secretary, Planning and Development Department assured to help the Company for early release of funds. The detailed audit analysis of some of the works in this regard is reproduced below:

2.1.10.2 The construction of 152 meter (Mtr) span double pre-stressed concrete Girder Bridge at Muradpur, Rajouri (Jammu) estimated to cost ₹ 6.11 crore was entrusted (March 2004) to the Company by the Chief Engineer, Public Works (R&B) Department, Jammu for completion in two years. The Company took up (April 2004) construction of sheds at site without submission of cost offer for the work but requested the Project authority for making available approach road for taking up construction work. The Company appointed (May 2004) a consultant for providing consultancy for the bridge and took up (January 2005) the work after approach road of the bridge was made available by the Project authority. The cost offer for ₹ 6.11 crore was forwarded (June 2005) to the Project Authority for approval. Funds of ₹ 65 lakh were released by the Project Authority under State Plan between March 2004 and March 2006. Audit scrutiny (September 2012) of records showed that construction work of the bridge suffered due to inadequate funding by the project authority and delay in clearance of the design because of non-payment of dues to the consultant by the Company. The Company completed construction of about 90 *per cent* of work of one abutment of the bridge and thereafter requested (March 2009) the Project authority for release of further funds to complete the work in the light of the decision taken in the public meeting convened (March 2009) by the local Hon'ble Member of Parliament and the Hon'ble Member of Legislative Assembly. The construction of the bridge including both the approach roads was subsequently sanctioned (March 2009) under Central Road Fund (CRF) for ₹ 8.28 crore. Thereafter, the Company submitted (June 2009) its cost offer of ₹ 9.11 crore to the Project Authority for approval which was revised to ₹ 9.30 crore due to revision in the rates of service tax and submitted (August 2010) to the Project authority by the Company. However, the company executed work valued at ₹ 9.30 crore as of March 2012 against funds of ₹ 5.45 crore[5]. Though the

[5] Includes ₹ 4.80 crore released under CRF between August 2009 and March 2011

bridge was completed in April 2011, the project authority intimated (May 2011) the Company that revised cost offer of ₹ 9.30 crore was not acceptable as the construction of bridge including approach roads had been sanctioned for ₹ 8.28 crore under CRF. Thus, execution of work to the extent of ₹ 9.30 crore in excess of funds received by the Company resulted in doubtful recovery of ₹ 1.02 crore and locking up of ₹ 3.85 crore invested by the Company in the project.

2.1.10.3 The cost offer of ₹ 5.94 crore for construction of 242 Mtr span Single Lane pre-stressed concrete Motorable Bridge over Bani Nallah, Billawar, Jammu under Central Road Fund (CRF) was submitted (May 2002) by the Company to the Chief Engineer, Public works (R&B) Department, Jammu to be completed in 30 months. Audit scrutiny (August 2012) of records showed that the work was taken up by the Company in March 2003 which was suspended (July 2003) due to damages caused to approach road and the work was resumed in December 2003. While the work was in progress, the Project authority desired (July 2004) to reduce deck level of the bridge from level of 112.50 Mtr to 106 Mtr. The revised cost offer of ₹ 6.90 crore was accordingly submitted (June 2005) by the Company to the Project authority. The Project authority restricted the amount and approved (June 2005) the cost offer of ₹ 6.26 crore. It was also noticed that the Company, without submission of cost offer of approach roads, took up (July 2008) construction of both the approach roads of the bridge. The cost offer of ₹ 1.99 crore for the work was, however, forwarded (October 2008) to the Project authority for acceptance and release of funds, which was not approved. The work of construction of bridge was completed in July 2009. Against funds of ₹ 6.25 crore received from the project authority between October 2002 and November 2008, the company executed work to the extent of ₹ 6.67 crore (March 2012) which included ₹ 37.50 lakh for construction of approach roads. Thus, execution of work beyond the cost offer accepted by the Project authority in violation of BOD directions resulted in doubtful recovery of ₹ 42 lakh. After being pointed out in audit, Deputy General Manager Unit-Vth Kathua stated (August 2012) that project authority was requested to release the balance funds.

2.1.10.4 To provide road connectivity to villages with population of about 60000, the State Government decided (November 1998) to entrust the work of construction of Jetty bridge under the State Plan sector at Baramulla (Kashmir) over river Jehlum to the Company. The cost offer of ₹ 15.65 crore for construction of 334 Mtr double lane pre-stressed cement concrete bridge with approaches for completion within a period of three years was submitted (September 2001) by the Company to the Chief Engineer, PW (R&B) Department Kashmir, Srinagar. Audit observed (June 2012) that the Company without approval of the cost offer took up (March 2002) the work of construction of bridge which was, however, suspended (June 2003) due to non release of funds in full by the Project authority. The Company executed work valued at ₹ 3.34 crore against ₹ 85 lakh released between March 2001 and March 2003. Further ₹ 1.10 crore were released by the Project Authority between August 2004 and March 2008. While the work of the bridge remained suspended due to non-release of funds, the Company submitted (July 2009) the

Detailed Project Report (DPR) of the bridge to the State Government for completion under NABARD funds at the revised cost of ₹ 25.10 crore. The State Government neither approved the DPR nor released funds to complete the work. The records showed that the Project authority requested (January 2010) the Company to clarify whether 344 meter span for the bridge is required in comparison to 110 meter span of Azadgang bridge over the same river. The Company thereafter took up (October 2010) the matter relating to length of the bridge with the consultant on the request of the Project authority. The consultant proposed (December 2010), 262 meter span for the bridge instead of 344 meter span. While no progress was made to complete the bridge, the District Development Commissioner, Baramulla conveyed (April 2012) to the Managing Director of the Company that the Hon'ble Chief Minister desired that construction of the bridge be completed in three years and requested to prepare cost offer for submission to the Project Authority. The Company, accordingly, submitted (April 2012) cost offer for ₹ 21.37 crore for construction of 262 meter span bridge to the Project Authority for approval and subsequent release of funds.

Thus, taking up the work of the bridge without approval of cost offer and exceeding value of work done of ₹ 3.34 crore against funds of ₹ 1.95 crore released for the work resulted in non-recovery of ₹ 1.39 crore. Moreover, inaction on the part of the Project authority to get the bridge completed resulted in idle expenditure of ₹ 3.34 crore and cost overrun of ₹ 5.72 crore besides time overrun of over seven years. On this being pointed out in Audit, the Deputy General Manager of the Baramulla unit of the Company stated (June 2012) that expenditure incurred in excess of release of funds were met from overall allocation of the unit in order to achieve the target fixed for completion of bridge.

2.1.10.5 The Chief Engineer Public Works (R&B) Department, Jammu asked (November 2005) the Company to take up construction work of 100 meter span double lane RCC voided slab motorable bridge over Balole Nallah, R.S.Pura Jammu subject to approval of cost offer by the contract committee of the Department. The cost offer of ₹ 5.30 crore for the work under Central Road Fund (CRF) was forwarded (November 2005) by the Company to the State Government for approval. An amount of ₹ 4.75 crore was released (2005-07) by the Project authority for execution of work. Audit scrutiny (July 2012) of records revealed that the Company took up (December 2005) the work of construction of bridge in anticipation of approval of cost offer which was completed (August 2006) at a cost of ₹ 5.30 crore. The balance amount of ₹ 0.55 crore was not released (July 2012) by the Project authority. In view of the fact that the Company took up the work under CRF without approval of the contract committee of the Department and that balance funds of the project were not realised despite completion of work in August 2006, the recovery of the balance amount of ₹ 0.55 crore was doubtful. The Deputy General Manager Unit-IV Jammu stated (July 2012) that work in excess of funds received was executed to complete the project on time. The reply was not acceptable as the work was taken up without approval by the contract committee and in disregard of the directions of the BOD of the Company.

2.1.10.6 The Chief Engineer Public Works (R&B) Department Kashmir requested (September 2002) the Company to submit a cost offer for construction of 276 Mtr long RCC Girder bridge over river Lidder on Aung Matipora road, Anantnag (Kashmir). The Company accordingly submitted (January 2003) cost offer of ₹ 5.19 crore for the work to the Project authority for approval to be completed in one year. The Company, however, took up the work in November 2003 in anticipation of approval of cost offer. Audit scrutiny of records revealed (July 2012) that while construction work of the bridge was in progress, the Company took up (April 2004) construction of foot bridge at Aung Matipora road on the recommendations of Hon'ble Minister of State for Home in anticipation of framing of cost offer. The Company, however, forwarded (March 2006) cost offer of ₹ 0.17 crore for the work for approval to the Project authority. It was noticed that due to flash floods of September 2006, the footbridge was partly washed away and the concerned Hon'ble Member of Legislative Assembly recommended for its restoration. The Company took up restoration work without approval of cost offer and release of funds for the work and requested (February 2007) the Project authority to release ₹ nine lakh for purpose of completion of the work. The Company, subsequently, revised the cost of the work twice to ₹ 6.16 crore (December 2006) and to ₹ 10.90 crore (July 2009) due to escalation of rates of material and labour and inclusion of cost of foot bridge. Audit noticed that the bridge including its approach roads was completed (July 2010) at a cost of ₹ 10.07 crore against an amount of ₹ 7.81 crore received from the Project authority. The balance of ₹ 2.26 crore was not released (July 2012) by the Project authority. Thus, due to taking up the work of the bridge without submission of cost offer and without release of sufficient funds by the Project authority, the Company had to bear the excess expenditure of ₹ 2.26 crore. The Deputy General Manager Unit-V, Anantnag stated (July 2012) that the expenditure in excess of the funds received for the project was booked as liability (Bills payable) of the Company. The reply was not acceptable as the fact remained that the excess expenditure of ₹ 2.26 crore incurred remained unrecovered (July 2012).

2.1.10.7 The Company allotted (May 1996) architectural consultancy for construction of Government College of Engineering and Technology (GCET), Jammu to a firm without acceptance of cost offer for the work by the Project authority viz. Principal GCET, Jammu. Audit noticed (June 2012) that the project did not take off due to land dispute and non-release of funds by the Project authority to the Company. The firm requested (May 1998) the Company for release of payment on account of consultancy services provided and when it failed to release the payment, the firm approached (November 1998) the Hon'ble High court for appointment of an Arbitrator to resolve the issue. The Hon'ble High court appointed an Arbitrator who issued (July 2001) an award for ₹ 30 lakh to be paid by the Company to the firm. The award was, however, challenged (July 2001) by the Company in the Hon'ble High court which upheld (July 2010) the decision of the Arbitrator. The Company, however, through settlement (December 2010) paid ₹ 22 lakh to the firm in full and final settlement of the claim. Thus, allotment of architectural consultancy to the firm by the Company without obtaining prior approval to the cost offer of the work from the Project authority resulted in avoidable expenditure of ₹ 22 lakh.

2.1.10.8 The Company allotted (January 1999) fabrication, execution and launching of steel girder bridge at Budshah Chowk Srinagar to two local firms without inviting tenders and without executing agreements with these firms. Audit scrutiny (September 2012) of records revealed that the firms started (March 2002) execution of work belatedly. The Company after intimating (October 2002) the firms about the slow progress of work got the balance work executed (May 2005) through other agency at the risk and cost of the original firms. The request (November 2003) of these firms for issuance of a decree for maintenance of status quo ante was rejected by the Hon'ble court. To resolve the issue an Arbitrator appointed on the request of the firms made (April 2008) an award providing for payment of ₹ 30 lakh to the firms. The Company paid ₹ 30 lakh between December 2008 and February 2010 to the firms and also paid ₹ 0.35 lakh on account of arbitration fee. Thus, allotment of work without execution of an agreement with the firms resulted in avoidable expenditure of ₹ 30.35 lakh.

2.1.11 Non-approval/non-submission of revised cost offers

2.1.11.1 The Company adds up an element of service tax at the existing rate to the cost offers of works to be executed by it. The rates of service tax were revised (April 2010) from 8.4 to 10.5 *per cent* by the State Government. Audit noticed that 249 works under execution in 11 test-checked units as of April 2010 required revision in view of increase in the rates of service tax. The Company submitted revised cost offer of only 34 works (14 *per cent*) which was not approved by the concerned Project authorities (July 2012). Moreover, the service tax element was remitted at the enhanced rates by the Company without actual recovery from the Project authorities. As a result, the Company incurred extra expenditure of ₹ 6.59 crore in respect of such works in 11 test-checked units which had been met by the Company out of its own resources. In view of the fact that the revised cost offers in respect of 215 works (86 *per cent*) were never submitted by the Company to the Project authorities which resulted in doubtful recovery of ₹ 6.59 crore from the Project authorities.

2.1.12 Short remittance of cess

2.1.12.1 The Government of India (GOI) enacted Building and Other Construction Workers Welfare Cess Act, 1996 to provide for safety, health and welfare measures of building and other construction workers. As per the Act, Cess is payable by the employer, which includes owner of an establishment, specified authority of any Department of the Government carrying on construction work or the head of the Department at the rate not exceeding two *per cent* but not less than one *per cent* of the cost of construction incurred by the employer. The cess collected as such is to be paid by the employer to the Cess Collector appointed by the State Government within 30 days of completion of construction or within 30 days of the date on which assessment of cess payable is finalized, whichever is earlier. However, where the duration of the construction work exceeds one year, cess is to be paid within 30 days on completion of one year from the date of commencement of work and thereafter every year till the completion of the construction work. The employer may also pay in advance cess calculated on the basis of estimated cost of construction and if the duration of the project is likely to exceed one year the amount of cess payable may be on estimated cost of construction to be incurred during that one year. Besides, if an employer failed to pay cess within specified period, the Assessing officer may impose a penalty not exceeding the amount of such cess and also charge interest of two *per cent* for every month of delay or part thereof.

Audit scrutiny of records of 11 test-checked units revealed that the Company was depositing cess based on actual value of work done during the years 2010-11 and 2011-12. However, the Company failed to deposit cess of ₹ 33.27 lakh under the Act during the years 2010-11 and 2011-12 in respect of eight out of 11 test-checked units. Audit further noticed that against cess amount due which worked out to ₹ 96.53 lakh, the Company deposited cess of ₹ 192.01 lakh resulting in excess deposition of cess of ₹ 95.48 lakh during the years 2010-11and 2011-12 in respect of eight units out of 11 test checked units. This resulted in locking up of funds of the Company to that extent. The Financial Controller of the Company stated (December 2012) that the system was being streamlined and circular instructions being issued to all the field units responsible for deduction and deposition of Cess to follow the procedure strictly as laid down under the Act.

2.1.13 Adhocism in allotment of works

2.1.13.1 The Board of Directors (BOD) desired (July 2007) that the Company should define pre-qualification criteria for labour oriented piece workers so that works could be assigned to them on approved labour rate schedules in a transparent manner. The Board also directed that the labour oriented piece workers should not be limited to those working in the Company but should include all those possessing the requisite pre-qualifications to be determined by the management of the Company. Audit observed in test-checked units that the Company neither evolved any criteria of pre-qualifications for engagement of piece workers nor empanelled persons other than those working in the Company as piece workers. The Company did not invite willingness from interested parties possessing requisite qualifications to be empanelled as piece workers. Audit further observed in test-checked units that the job/work orders were not issued to piece workers and their acceptance were not obtained to the terms and conditions for execution of the works. The Financial Controller of the Company stated (December 2012) that the decision of the Board was being implemented in phased manner as in most of the units where works were to be executed in far flung areas the piece workers were not readily available and that every efforts were being made to streamline the engagement of piece workers as per the directions of the Board.

2.1.14 Store management

2.1.14.1 The Procurement unit in the Company was established (November 2002) for procurement of key construction material (cement and steel) and further supply to the civil units of the Company. Audit noticed (May 2012) that the Company lifted cement from various agencies through Supply Officer and dispatched it directly to the units as per their requirement. The Company procured key construction material (cement and steel) through its Procurement units. The position of annual requirement of cement and procurement thereagainst during 2007-08 to 2011-12 by Procurement unit, Jammu is given in **Table 2.1.8** below:

Table-2.1.8

(Quantity in lakh bags)

Year	Requirement of cement	Procurement of cement	Excess (+)/Short (-) procurement	Percentage excess(+) /short(-) of procurement to requirement of cement
2007-08	1.50	3.79	(+) 2.29	(+) 153
2008-09	2.00	4.07	(+) 2.07	(+) 104
2009-10	8.00	3.36	(-) 4.64	(-) 58
2010-11	5.50	3.19	(-) 2.31	(-) 42
2011-12	4.50	1.72	(-) 2.78	(-) 62

The above position revealed that procurement of cement was not made as per the requirement. During the years 2007-08 and 2008-09 the procurement of cement had been made in excess of the requirement ranging between 104 and 153 *per cent* whereas during the years 2009-10 to 2011-12 the procurement of cement was made far below the requirement for these years and ranged between 42 and 62 *per cent* of the requirements. The Management stated (July 2012) that the tendered quantity was tentative and purchases were made as per demand from the units and that the cement was issued to Kashmir division and rates of cements were belatedly finalized resulting in excess/short lifting. The reply of the Management was not tenable as the efficient store management required the fixation of maximum/minimum and re-ordering levels of the stocks. The Company did not fix overall maximum, minimum and re-ordering levels of different construction materials for better inventory control to prevent imbalanced holding of construction material. The records of 11 test-checked units showed that the stock held for consumption in these units ranged between 25 and 935 days during the years 2007-08 to 2011-12. In the absence of any norms of stock holding limit, over-stocking of stores in some units and under-stocking in some other units of the Company could not be ruled out.

Audit further observed that cement requisitioned by the units of the Company was not issued in time and delay ranged between two and 54 days from the date of requisition during the period 2007-12. The cement was also issued directly to the sites of work in advance of the requisitions made by the concerned units and the issue of cement in advance of requisition had ranged between three and 57 days. This indicated lack of planning in issue of stores for the works executed by the Company.

As per the system in vogue, Supply Officer in each unit of the Company was lifting the construction material viz. cement and steel from various agencies for dispatch to different working sites as per the requirement. It was also observed in test-checked units that supply officers did not maintain the records indicating receipt/issue and closing stock of material and had, instead, submitted adjustment accounts against imprest advance granted in their favour and supported by acknowledgement of site incharge for material received by them. It was also noticed that price store ledger depicting receipt, issue/consumption and closing balances both in numerical and value terms was not maintained and the closing balances were adopted on the basis of information furnished by site incharge of various works in the units without any verification. Thus, in the absence of maintenance of price store ledger and other related records, better inventory control could not be ensured and also possibilities of non-accountal of stocks could not be ruled out.

2.1.14.2 The Company was in possession of six *kanals* of land at Bantalab (Jammu) for construction of store building for which no work was executed (July 2012). As a result, the Company could not develop facilities for storage of material and the better management of store could not be ensured.

2.1.15 Under-utilisation of machinery

2.1.15.1 The two Mechanical units of the Company are responsible for providing necessary machinery and equipment to its civil units on the basis of hire charges besides execution of electro-mechanical works. The Company purchased machinery and equipment at a cost of ₹ 8.54 crore during the years 2007-08 to 2010-11. A test-check of records (October 2012) of Mechanical unit, Jammu showed that machinery and equipment of the unit was not put to optimal use and had generally remained idle. Against expected 1300[6] working hours in a year, the performance of machinery/equipment during the years 2010-11 and 2011-12 is indicated in **Table 2.1.9** below:

Table-2.1.9

S. No.	Particulars	Hydraulic excavators (three)	Tower crane (two)	Batching plant (four)	Compactor (one)	Concrete Pump (five)
1.	Available hours	7800	5200	10400	2600	13000
2.	Actual utilization	2392	465	366	628	1157
3.	Under-utilization (1-2)	5408	4735	10034	1972	11843
4.	Percentage of under utilization to available hours	69	91	96	76	91

6 Hours worked out after taking 250 days per year @ six hours per day and also allowing 30 days for maintenance/breakdown

From the above it would be seen that under-utilization of machinery ranged between 69 and 96 *per cent* in respect of hydraulic excavators, tower cranes, batching plants, compactors and concrete pumps which resulted in potential revenue loss of ₹ 2.51 crore to the Company during the years 2010-11 and 2011-12. The unit earned ₹ 5.62 crore against total revenue expenditure of ₹ 11.90 crore and thus, sustained a loss of ₹ 6.28 crore during the period 2007-12. No steps were taken by the Company for taking remedial action to improve the performance of the unit. The Management stated (October 2012) that the performance of the unit had improved. The reply is not tenable as the earnings of the unit did not commensurate with its revenue expenditure.

2.1.16 Manpower Management

2.1.16.1 The position of manpower strength of the Company as of 31 March 2012 is given in **Table 2.1.10** below:

Table-2.1.10

S. No	Cadre	Sanctioned strength	Men-in-position	Percentage shortage
1.	Managing Director	01	01	-
2.	Executive Director	01	-	100
3.	General Manager/ Deputy General Managers	32	24	25
4.	Manager/Deputy Manager/ Assistant Managers	217	190	12
5.	Others	1136	865	24
	Total	**1387**	**1080**	**22**

The overall shortage of manpower of the Company as of 31 March 2012 was 22 *per cent*. The shortage of 12 *per cent* in the cadre of Managers/Deputy Managers/Assistant Managers which were directly associated with the execution of the works had a direct bearing on the working of the Company. The deployment of manpower is to be done in a manner aimed at carrying out the activities in an economical and efficient way. The Company did not fix any norm of the employee cost.

Audit observed (September 2012) that the percentage of employee cost to the value of work done ranged between eight and 12 *per cent* during 2007-08 to 2011-12 as indicated in **Table 2.1.11** below:

Table-2.1.11

S. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Value of work done (₹ in crore)	198.31	271.82	302.34	319.30	342.46
2.	Men in position (Number)	1134	1120	1112	1114	1080
3.	Employees cost (₹ in crore)	19.41	21.90	26.53	38.32	45.28
4.	Value of work done per employee (₹ in crore)	0.17	0.24	0.27	0.28	0.31
5.	Cost per employee (₹ in crore)	0.017	0.019	0.023	0.034	0.042
6.	Percentage of employees cost to turnover	9.79	8.05	8.77	12.00	13.22

From the above position it would be seen that though the earning per employee of the Company increased from ₹ 17 lakh in 2007-08 to ₹ 31 lakh in 2011-12 (82 *per cent*), the cost per employee increased from ₹ 1.70 lakh in 2007-08 to ₹ 4.20 lakh in 2011-12 showing an increase of 147 *per cent*. This indicated that increase in earning per employee was not commensurate with the increase in cost per employee.

Audit further noticed that the average productivity per employee in respect of 11 test-checked units ranged between ₹ 10.95 crore and ₹ 38.30 crore during the period 2007-12 as indicated in **Table 2.1.12** below:

Table-2.1.12

(₹ in crore)

Name of Unit of the Company	Average productivity per employee	Average manpower (No.)
Unit-II, Jammu	11.19	53
Unit-III Jammu	10.95	39
Unit-IV Jammu	23.25	31
Unit-VII Jammu	13.27	24
Unit-V Jammu	13.14	52
Unit-VIII Jammu	19.35	25
Unit-Reasi Jammu	11.36	17
Unit-II, Kashmir	38.30	52
Unit-III, Kashmir	18.34	52
Unit-V Kashmir	14.60	41
Unit-VIII Kashmir	24.75	41

The deployment of manpower was not done in an economical and efficient manner as the units with low average productivity had more manpower vis-a-vis those units which had more average productivity during 2007-08 to 2011-12. Audit further noticed that seven [7] units could not recover administrative overheads ranging between ₹ 0.04 crore and ₹ 1.70 crore during 2008-09 to 2010-11 mainly due to unplanned deployment of manpower.

The Board of Directors directed (May 1985) the management of the Company to build up its own technical and non-technical cadre. Audit observed (August 2012) that against 269 posts of engineering staff as of 31 March 2012, the Company had staff strength of 68 (25 *per cent*) and the remaining staff were deputationists from the State Government Departments.

After being pointed out in audit, the Management stated (September 2012) that norm for employee cost would be fixed and that the recruitment rules and promotion policy in the Company was being framed for building its own cadre.

2.1.17 Engagement of consultants

2.1.17.1 The Company closed (August 2003) its consultancy wing as the infrastructure for providing architectural drawings and other services for the

7 Kashmir Division: Unit-III, Jammu Division: Unit-II, Unit-III, Unit-IV, Unit-V, Unit-VII and Unit-VIII

projects undertaken by the Company was not developed. The Company as such hired consultants for preparation of architectural plans, etc. in respect of projects undertaken by it. The Board of Directors of the Company directed (May 2007) that engagement of consultants for the projects and consultancy fee to be paid to them should be approved by the Hon'ble Chairman. Audit observed (August 2012) that the Company made payment of ₹ 14.84 crore during the period 2007-12, to private architects/designers for design/consultancy charges of various projects/works. The manner of appointment of consultants by the Company for various projects/works was not on record and as a result it could not be ensured that appointment was made in a transparent manner and at competitive rates. The Company did also not follow the directions of the BOD for getting approval of the Chairman for engagement of consultant and consultancy fees, while appointing the consultants. After being pointed out, the Financial Controller of the Company stated (September 2012) that some mechanism would be worked out.

2.1.17.2 The Chief Engineer, Public Works (R&B) Department, Jammu allotted (November 2005) work of construction of 1509 Mtr. long vented causeway Utterbani- Mandal (Jammu) road to the Company under Central Road Fund (CRF). The cost offer of ₹ 4.23 crore for the work was submitted (February 2006) to the Project authority for approval and the Company took up (March 2006) the work in anticipation of approval of cost offer. The Project authority released ₹ 4.22 crore between April 2006 and March 2008 in favour of the Company. Audit scrutiny (July 2012) of records showed that the Company allotted (2006) consultancy work of the project to a firm without ascertaining its resourcefulness for the project. Against ₹ 4.22 crore received by the Company, the value of work done was ₹ 3.90 crore. The project was, however, commissioned in March 2007. The records further showed that the causeway collapsed during monsoon in the year 2011 and the State Government ordered (September 2011) an enquiry for the collapse. Further, the enquiry officer reported (April 2012) that the consultant appointed was not amongst the approved panel of designers and the drawings and design submitted by the firm were not approved by the competent authority. Thus, action of the Company to allot consultancy work of the project to a firm without following the mechanism of proper selection of consultants and subsequent failure to obtain approval of the design from the competent authority nominated by the State Government resulted in loss of ₹ 3.90 crore to the State exchequer. Consequently, intended benefit did not accrue to public due to collapse of causeway. The Company did not fix the responsibility for the lapse (July 2012).

2.1.18 Monitoring and Internal control mechanism

2.1.18.1 Internal Control mechanism within an organization is meant to ensure that its activities are carried out in an economical, effective and efficient manner. Audit noticed that the company did not devise any mechanism for ensuring continuous monitoring of its units.

2.1.18.2 Non-fixation of capacity utilization levels

The Company did not fix annual optimum level of its capacity for execution of works. As a result, it was not possible for the Company to ascertain whether value of work was done commensurate with its capacity for execution of works. Audit observed (June 2012) that achievement was more than targets fixed for the turnover during the period 2007 - 08 and there was shortfall of 47 and 62 *per cent* during the years 2009-10 and 2011-12 respectively as detailed in ***Appendix 2.1.2***. The targets were not fixed in 11 test-checked civil units; as a result the Company could not monitor the working and analyze the reasons for under utilization of the capacity of the units. After this was pointed out in audit, it was stated (August 2012) that progress of works got hampered due to non-release of funds by the Project authorities. The reply is not acceptable as sufficient funds ranging between 32 and 47 *per cent* during the period 2007-08 to 2011-12 were available with the Company. The Financial Controller further stated (December 2012) that the Company was making every effort for optimum utilization of its capacity for execution of works.

2.1.18.3 Construction of Roads

According to the guidelines of Central Road Fund (CRF), a road is to be completed within a time period of three years. Further, the Jammu and Kashmir Forest Conservation Act, 1977 provide that the works on Projects involving forest land should not be started till the State Government has accorded the approval for use of such land.

Audit scrutiny (November 2012) of the records showed that construction of six roads[8] involving length of 82 Kms sanctioned at an estimated cost of ₹ 118.45 crore under CRF was allotted by the Chief Engineer, Public Works (R&B) Department Jammu to the Company, out of which 53 Kms of road was required to be completed by the year 2011-12 and remaining length was required to be completed by 2012-13. Further, construction of two roads[9] under *Pradhan Mantari Gramin Sadak Yojna* (PMGSY) involving length of nine kilometers at an estimated cost of ₹ 8.17 crore was allotted by the Chief Engineer, PMGSY Jammu to the Company on tender basis and these roads were to be completed by February 2011 and April 2011 respectively. Against ₹ 40.42 crore received by the Company, expenditure of ₹ 26.34 crore was incurred as of March 2012 in respect of said eight roads.

Audit observed (November 2012) that the Company failed to complete the construction work of road under CRF and completed only 1.5 Kms of road out of nine Kms under PMGSY due to non-clearance of forest land, non-mobilization of machinery, backing out of the piece worker[10], acceptance of construction work on defective Detailed Project Report (DPR[11]) prepared after inadequate survey by the Project authority, non-payment of house/land

8 Changa Kahal Jugsar road, Gandoh Jai road, Batyas Manu road, Dundki bunjawah road, Singhpora to Singhpora Tunnel point and Kunja Keswan road

9 Gandoh Dhadki road and Parna Bunda road

10 Gandoh Dhadki road

11 Changa Kahal Jugsar road

compensation etc., resulting in time overrun ranging between 15 and 40 months in completion of roads. After being pointed out in audit, it was stated (November 2012) that the progress of work was hampered due to non-clearance from Forest/Social Forestry Departments and non-settlement of compensation for land/structures to the owners.

The reply was not acceptable as the delay in completion of roads was mainly due to acceptance of defective DPR by the Company and non-availability of men and machinery besides, non-obtaining of statutory clearance.

2.1.18.4 Non-monitoring of recovery of advances

The advances granted are to be adjusted as and when supplies/services are received or rendered. Audit observed that ₹ 4.73 crore was outstanding as of March 2012 against various Government Departments, Public sector undertakings and suppliers in the 11 test-checked civil units. The funds ranging between ₹ 1.30 crore and ₹ 1.62 crore remained unadjusted for a period that ranged between one and 60 months. Failure to adjust the outstanding advances indicated that there was no system in the Company to review and monitor recovery of these advances. Test-check in three[12] units revealed that ₹ 28.87 lakh had been advanced to 46 piece workers without obtaining any security from them. Out of this only ₹ 0.14 lakh had been recovered as of 31 March 2012 leaving ₹ 28.73 lakh outstanding. Further, out of this ₹ 27.33 lakh had been outstanding for more than five years. No concrete action to recover the advance was initiated by the Company, with the result, recovery of ₹ 28.73 lakh became doubtful.

Financial rules provide that adjustment account is required to be rendered against the imprest advance within a month of grant of such advance. Audit observed in the 11 test-checked civil units that advances of ₹ 86.00 lakh was outstanding as on 31 March 2012 and that the advance granted was not adjusted within a month and delay in adjustment of advances ranged between one and 60 months. Further, the amount remaining outstanding ranged between ₹ 0.01 lakh to ₹ 26.74 lakh. Non-adjustment of imprest advances in time is fraught with the risk of misutilisation of funds.

2.1.18.5 Non-adjustment of inter-unit transactions

Inter-unit transactions like transfer of stores and stocks, payments to officers/staff and piece-workers by one unit on behalf of another are routed through Inter-Unit Transfer Account (IUT) to ensure eventual adjustment of these transactions. Audit observed in 11-test-checked civil units that the net debit balance under IUT increased from ₹ 11 lakh in 2007-08 to ₹ 7.56 crore in 2010-11 indicating that effective steps were not taken by the Company to adjust the amount under the relevant heads. The presence of unadjusted transactions for a long time makes the Company vulnerable to fraud/embezzlement remaining undetected. Audit further observed that the balances under IUTs had not been reconciled and the un-reconciled debit balances ranging between ₹ three lakh and ₹ 7.98 crore and credit balances

[12] Unit-III, Unit-V and Unit-VIII (Kashmir Division)

ranging between ₹ eight lakh and ₹ 7.22 crore during the years 2007-08 to 2011-12. The Financial Controller stated (December 2012) that steps had been taken to adjust the IUT accounts and that all units of the Company had been directed to reconcile the figures with each other and prepare written reconciliation statements.

2.1.18.6 Execution of works without technical sanction

Technical sanction/Job estimates of a work/project ensure that the estimates indicating details of drawings, specifications, quantities etc. are technically sound and most economical. The works of a project are to be taken up for execution after the technical sanction/approval to job estimate is accorded in respect of these works. Audit observed between May and September 2012 in 11 test-checked civil units that the works had been executed at a cost of ₹ 799.96 crore during 2007-08 to 2011-12 without accord of technical sanction/Job estimates of the competent authority. The execution of works without accord of technical sanction was irregular and at the cost of structural soundness of the works. The Financial Controller stated (December 2012) that the concerned executive units would be instructed to follow the system prescribed for job estimates and accord of technical sanction.

2.1.18.7 Inadequate Board meetings

The Section 285 of the Companies Act, 1956 provide that meeting of Board of Directors of every Company shall be held at least one in every three months and at least four such meetings shall be held in every year. During the period from 2007-08 to 2011-12, the Board of Directors (BOD) of the Company had met only on seven occasions against minimum requirement of 20 meetings. Non-holding of regular BOD meetings indicated lack of seriousness on the part of the management of the Company to ensure Board level participation in the affairs of the Company. The Company Secretary stated (May 2012) that due to disturbances and pre-occupations of the Chairman the required number of meetings could not be held. The reply was not acceptable as minimum four meetings were required to be held in a year and the disturbances remained for a brief period during these years.

2.1.18.8 Handing over of completed projects

The Company is required to hand over the completed Project to the Project authority and obtain handing/taking over note from them. Besides, the contract has to be closed formally to ensure that all the liabilities are settled, receivable are recovered and unspent balances of stocks are shifted to stores/other sites of works. Audit observed (June 2012) that only one[13] out of 11 test-checked units obtained handing/taking over notes in respect of all the projects completed and nine units either handed over the projects without ensuring preparation of such notes or had done so partially. However, no records relating to handing/taking

[13] Unit 2nd (Jammu Division)

over had been maintained by one[14] entity. Audit further observed that 120 projects out of 167 projects completed during the period 2007-12 by these units had been handed over to the Project authorities without obtaining handing/taking over note. The contracts in respect of completed works were not closed formally and as a result the possibility of losses due to non-recovery of receivables, short/non-accountal of left over stocks could not be ruled out. The records also showed that four[15] units had incurred an expenditure of ₹ 4.53 lakh on watch and ward of the completed projects during the period 2007-12 which was avoidable had the company handed over the projects on time. The Financial Controller stated (December 2012) that it would be ensured in future that projects were handed over to Project Authority after completion of project pending which wages paid as watch and ward would be charged against the Project Authority.

2.1.18.9 Internal Audit

Internal Audit Wing is established within an entity primarily with a view to examine, evaluate and monitor the adequacy and effectiveness of accounting and internal control systems. Effective Internal Audit ensures greater efficiency, provides concurrent feed back to the management for bringing improvement in system and procedures and detection of errors, fraud, etc., for timely rectification. Audit noticed (August 2012) that no Internal audit arrangement existed in the Company. The Company did not prepare Internal Audit Manual and Accounts Manual laying down functions, scope and periodicity of audit. The Accounts Officer attributed (August 2012) non existence of the Internal Audit arrangement to non-availability of sufficient staff with the Company.

2.1.18.10 Management Information System

There has to be a Management Information System (MIS) in place to report on achievement of targets and norms and to provide feedback to the management of the Company. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years. Audit observed (August 2012) that the company did not have proper MIS to monitor the adherence to performance parameters and targets. There was no standard format for recording information on various operational activities at the unit level and its monitoring at the Head office level. As a result, the benefit of effective MIS to analyse business activities including delay in completion of projects, non-achievement of targets, recovery of outstandings etc. could not be achieved.

2.1.18.11 Quality control

The site officials in charge of the work are required to ensure best workmanship and use of quality materials in execution of various works by the

14 Unit 8th (Kashmir Division)

15 Unit 3rd, Unit 4th, Unit 7th, Unit 8th (Jammu Division)

Company. Audit observed (August 2012) that there was no testing laboratory and trained manpower to ensure quality control of various works executed by the Company. In the absence of testing laboratories, instances wherein material of requisite standards were not being used in the construction of works going unnoticed could not be ruled out. The Company had sanctioned staff strength of one post of quality control officer, which had remained vacant during the years 2010-11 and 2011-12. Though the BOD had approved (February 2012) establishment of site laboratory on all major projects, reasons for not establishing testing laboratory and keeping the post of quality control officer vacant were not on record. After being pointed out, it was stated (August 2012) that field laboratories were being established in different units of the Company during the year 2012-13.

2.1.18.12 Vigilance

The Vigilance wing responsible for conducting regular and surprise inspection of working sites, reviewing and streamlining of procedures for execution of works had not been created by the Company. Audit observed (August 2012) that Vigilance Manual defining role and responsibilities of various functionaries was not framed. Further, separate vigilance squads were not constituted for conducting surprise field inspections during the years 2007-08 to 2011-12. The Company did not maintain records indicating details of receipt of complaints, enquiries conducted, cases referred to higher authorities for disciplinary/departmental action. Further, the records indicating number of vigilance cases registered, number of vigilance cases disposed off and number of vigilance cases pending for disposal were not maintained by the Company.

2.1.19 Conclusion

The Company failed to achieve its objectives in their entirety and is dependent upon the State Government for allotment of works on cost plus basis. The Company did not maintain transparent system in the appointment of consultants and allotment of works to the piece workers. The performance of the Company to complete many of the works despite availability of funds, to obtain prior approval of cost offers, to submit revised cost offers and restrict expenditure on works to funds received was poor. The internal control system of the Company was inadequate leading to non-fixation of targets for its units, non-adjustment of advances, non-closure of contracts on completion of works, casual approach for management of stores and non-maintenance of records. The casual approach of the Company to reduce mounting arrears in finalization of accounts, deficient quality control measures due to non-establishment of material testing laboratories at work sites and also deployment of manpower in unplanned manner, was noticed in audit.

2.1.20 Recommendations

The Company may ensure

- speedy finalization of the pending accounts;
- adequate infrastructure existed to undertake the activities like architecture, designing, surveyors, estimators and various other activities provided in the Memorandum of Association of the Company;
- speedy completion of the projects to avoid time and cost-overruns;
- recovery of outstanding dues from project authorities in respect of the completed/handed over projects and to avoid execution of works in anticipation of receipt of funds from the Project authorities;
- increase in turnover by participating in tenders and secure cost plus works as per Government directions;
- transparent system for appointment of consultants and piece workers;
- improving the inventory management system by fixing maximum/ minimum, buffer-stock, re-order level, etc;
- deployment of manpower in economical and efficient manner; and
- strengthening its monitoring mechanism and internal control systems.

INDUSTRIES AND COMMERCE DEPARTMENT

(Jammu & Kashmir State Industrial Development Corporation Limited)

2.2 Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE) Scheme

Executive Summary

The Government of India introduced (March 2002) the scheme 'Assistance to States for Developing Export Infrastructure and Allied Activities' (ASIDE). The objective of the scheme was to involve the States in the export effort by providing assistance to the State Governments (linked to export performance) for creating appropriate infrastructure for the development and growth of exports. The Performance Audit of the ASIDE scheme revealed that its objective was not achieved as out of 12 projects approved under the scheme, only five projects were completed and not even a single project delivered the envisaged development and growth of exports rendering the expenditure incurred on the projects grossly unfruitful. The Jammu and Kashmir State Industrial Development Corporation Limited (SIDCO) could not utilise the funds available under the scheme in full, resulting in accumulation of huge unspent balance at the close of each year during the period 2007-12. The Inland Container Depot and Software Technology Park at Bari Brahmana, Jammu; Common Facility Center at Nowshera, Srinagar; Export Development Centre, Srinagar and Export Oriented Handloom Development Project at Samba, Jammu did not contribute to any exports in the State. The State Level Export Promotion Committee (SLEPC) failed to monitor the implementation of projects under the scheme. Some of the significant audit findings were as follow:

Planning

The five year/annual export plans were not formulated by the Export Commissioner of the State as envisaged under the ASIDE scheme guidelines. Neither any Agro-based project nor private partnership project was implemented under the scheme in the State.

(Paragraph: 2.2.8.1)

Utilization of scheme funds

The utilization of funds under the scheme was poor and ranged between zero and 60 *per cent* during the period 2007-08 to 2011-12. As a result, the unspent balances accumulated to ₹ 13.51 crore at the close of March 2012. An amount of ₹ 3.21 crore was incurred irregularly on ineligible items outside the purview of the scheme by the Nodal Agency and various implementing agencies.

(Paragraphs: 2.2.9.1 and 2.2.9.3)

Execution of projects under the scheme

Seven projects, out of 12 projects identified for execution under the ASIDE scheme could not be completed. An expenditure of ₹ 8.72 crore incurred on development of Inland Container Depot and Export Promotion Industrial Park, Kartholi, Jammu for facilitating exporters/importers in the State was rendered unproductive as the infrastructure developed therein could not be utilized by the Nodal Agency. Further, failure of the SIDCO authorities to assess the demand of software exporters and to ensure viability of setting up of Software Technology Park at Bari-Brahmana, resulted in unfruitful expenditure of ₹ 3.14 crore.

(Paragraphs: 2.2.10.1, 2.2.10.2 & 2.2.10.3)

Utilization of common facility centers established under the scheme

The Common Facility Centre at Nowshera, Srinagar which included setting up of three plants for providing pre and post-production facilities to the artisans could not be set up, rendering expenditure of ₹ 2.13 crore incurred thereon as unproductive.

(Paragraph: 2.2.10.6)

Monitoring

The implementation of projects under the scheme was not monitored properly as the State Level Export Promotion Committee (SLEPC) which was to oversee the implementation of the scheme did not meet regularly during the period 2007-08 to 2011-12.

(Paragraph: 2.2.11)

2.2.1 Introduction

To encourage participation of States for creating appropriate infrastructure for the development and growth of exports, the Government of India (GOI) introduced (March 2002) the scheme 'Assistance to States for Developing Export Infrastructure and Allied Activities' (ASIDE). The objective of the Scheme was to involve the States in the export effort by providing assistance to the State Governments (linked to export performance) for creating appropriate infrastructure for the development and growth of exports. Three existing schemes for export promotion viz., Export Promotion Industrial Parks (EPIP), Export Promotion Zones (EPZ) and Critical Infrastructure Balancing Scheme (CIB) were merged with the ASIDE scheme. After the merger of these schemes, the ongoing projects under the older schemes were to be funded by the States from the resources provided under ASIDE. The State Government was to provide infrastructure facilities such as land, power, water, roads and conducive regulatory environment for production of goods and services meant for export.

2.2.2 Allocation of funds for the scheme

The outlay of the schemes has two components:

Firstly, 80 *per cent* of the funds are to be earmarked for allocation to the States on the basis of approved criteria; this is called the State component. The State component is allocated to the States in two tranches of 50 *per cent* each. The inter-se allocation of the first tranche of 50 *per cent* to the States is made on the basis of export performance. This is calculated on the basis of the share of the State in the total exports. The second tranche of the remaining 50 *per cent* is allocated inter-se on the basis of share of the States in the average of the growth rate of exports over the previous year. The allocation is based on the data of exports of goods alone and the export of services is not taken into account.

Secondly, the balance 20 *per cent* amount equivalent to un-utilised portion of the funds allocated to the States in the past year(s), if any, was to be retained at the Central level, to be known as Central components, for meeting the requirements of inter-state projects, Capital outlays of Economic processing zones, etc.

2.2.3 Organisational arrangements

The State Government in accordance with guidelines of the ASIDE scheme, constituted (July 2002) the State Level Export Promotion Committee (SLEPC) headed by the Chief Secretary of the State and comprising of the Secretaries of concerned Departments at the State level, representative from the Department of Commerce, GOI and the Joint Director General of Foreign Trade in the State as members of the committee. The SLEPC scrutinizes and approves the specific State sector projects and oversees the implementation of the ASIDE scheme in the State. The Central sector projects are approved by an Empowered Committee of the Department of Commerce (DOC) headed by the Commerce Secretary (Government of India). The Jammu and Kashmir State Industrial Development Corporation Limited (SIDCO) is the Nodal Agency (NA) for implementation of both Central as well as State sector projects through six implementing agencies in the State.

2.2.4 Scope of Audit

The performance audit of ASIDE scheme covering the period of five years from 2007-08 to 2011-12, was conducted during June to July 2012, by test-check of records of SIDCO. Under the Scheme, 12 projects were identified for execution in the State (Central component: Four projects [16] and State component: Eight projects[17]).

2.2.5 Audit objectives

The performance audit was conducted with a view to ascertain whether the:

- SLEPC followed the scheme guidelines in selection of the projects, the appropriateness and relevance of projects undertaken to boost exports;
- project proposals were scrutinised and approved in an efficient manner;
- execution of projects was managed efficiently and effectively;
- proper accounting of the grants received from GOI was done;
- cost/benefits of the projects as anticipated in the project reports were achieved;
- establishment of projects resulted in boosting exports; and
- monitoring mechanism was adequate and implementation of projects monitored.

2.2.6 Audit criteria

The audit criteria were derived from the following sources for assessing the achievement of audit objectives:

- Guidelines of GOI for ASIDE scheme;
- Project reports for individual ASIDE projects; and
- Benefits projected in Detailed Project Reports (DPRs) of the projects.

2.2.7 Audit methodology

The audit methodology adopted for attaining the audit objectives with reference to audit criteria was as follows:

- Examination of minutes of SLEPC meetings;
- Scrutiny of tender documents, contracts/agreements and related correspondence of the projects;
- Examination of DPRs of the projects; and
- Issue of audit queries and interaction with the Management of SIDCO.

An entry conference was held with Managing Director, SIDCO on 3 July 2012. Audit objectives, criteria and methodology were explained and discussed in detail during the entry conference. An exit conference was also

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16 Common Effluent Treatment Plant, Lassipora (Pulwama), International Trade Centre, Pampore, Kashmir, Trade Facilitation Centre, Poonch and Trade Facilitation Centre, Salamabad, Uri.

17 Common Facility centre, Srinagar; Inland container Depot, Bari Brahmana; Software Technology park, Bari Brahmana; Export Development Centre, Srinagar; Inland Container Depot, Rangreth Srinagar; Export Oriented Handloom Development Project, Samba; Information Technology Tower, Rangreth Srinagar and Testing and Quality Certification Centre, Srinagar.

held on 5 January 2013 wherein the audit findings were discussed and the views and replies of the Management of the SIDCO were considered and incorporated in the Performance Audit report.

AUDIT FINDINGS

2.2.8 Planning

2.2.8.1 Proper planning is essential for effective implementation of the programme. According to the ASIDE scheme guidelines, infrastructure bottlenecks study was to be conducted by the dedicated agencies. The Export Commissioner of the State (Secretary Industries and Commerce Department being the convener of SLEPC) was to draw up a five year/annual export plan in consultation with Trade and Industry, Export Promotion Council and Department of Commerce (DOC). Audit scrutiny of records (July/November 2012) showed that no annual/five year export plans were prepared and instead the SIDCO/Implementing agencies itself entered into various agreements with the consultants for preparation of project reports separately and thereafter got the projects approved from the SLEPC. Further, as per scheme guidelines, at least 15 to 20 *per cent* of funds were to be earmarked for Agro Export Zones (AEZs). Audit observed (July 2012) that not even a single Agro based project was approved/implemented under ASIDE scheme during the period 2002-12 thereby, depriving intended stakeholders for promoting Agro based exports. The Managing Director, SIDCO stated (December 2012) that the Agro based projects were set up under various schemes of Ministry of Food Processing Industries and hence the promoters did not opt for ASIDE funding.

As per the scheme guidelines, it was mandatory for the States/implementing agencies to spend at least 50 *per cent* of their allocation on the implementing projects with private sector partnership with effect from 2003-04 and the States utilising full allocation on such projects would be given additional allocation subject to a maximum of ten *per cent* of the allocation of the State. Test-check of records revealed (July 2012) that the NA/SLEPC failed to approve/implement any project under private partnership mode resulted in non-availing of additional allocation of ₹ 4.46 crore[18] under the scheme. The Managing Director SIDCO stated (September /December 2012) that no project proposal was received from private sector for any export project despite efforts made by the Corporation. The reply is to be seen in the light of the fact that the nodal agency was to pursue the matter vigorously in consultation with the Export Commissioner/Trade bodies as part of a broader strategic planning.

18 Worked out @ 10 *per cent* of ₹44.67 crore received during the period 2003-12

2.2.9 Fund management

2.2.9.1 The year-wise allocation/release of ASIDE funds and expenditure incurred thereon during 2007-08 to 2011-12 is given in **Table 2.2.1** below:

Table-2.2.1

(₹ in crore)

	State Component					Central Component				
Year	Opening Balance	Funds released	Total funds available	Expenditure booked	Closing balance	Opening balance	Funds released	Total funds available	Expenditure booked	Closing balance
2007-08	16.05	5.80	21.85	10.25	11.60	Nil	Nil	Nil	Nil	Nil
2008-09	11.60	5.80	17.40	5.80	11.60	Nil	8.93	8.93	Nil	8.93
2009-10	11.60	5.51	17.11	8.70	8.41	8.93	1.27	10.20	1.93	8.27
2010-11	8.41	5.51	13.92	8.41	5.51	8.27	3.00	11.27	3.27	8.00
2011-12	5.51	Nil	5.51	Nil	5.51	8.00	Nil	8.00	Nil	8.00[19]

(Source: Information furnished by SIDCO)

It could be seen from the above table that there was unspent balance of ₹ 16.05 crore at the end of 2006-07 and further ₹ 22.62 crore was released by the Government of India (GOI), during the period 2007-12 under State component of the scheme. Against this, an expenditure of ₹ 33.16 crore was incurred by the nodal agency/implementing agencies leaving unspent balance of ₹ 5.51 crore at the end of the year 2011-12. Similarly, under Central component, an amount of ₹ 13.20 crore was released by the GOI against which an expenditure of ₹ 5.20 crore was incurred during the period 2007-12, leaving an unspent balance of ₹ 8 crore at the close of the year 2011-12. The utilization of funds was poor and the percentage of expenditure during the period 2007-08 to 2011-12 under State component ranged between zero and 60 *per cent* and under the Central component ranged between zero and 29 *per cent* of the total available funds under the scheme. The Managing Director SIDCO stated (December 2012) that poor utilization of funds was not to be seen in isolation of the inherent problems faced during implementation stage of the project in the industrially backward State like Jammu and Kashmir.

According to the scheme guidelines, the Nodal agency was required to keep funds in a separate account. Test-check of records revealed (July 2012) that the SIDCO did not maintain any separate bank account and the funds were scattered in different bank accounts alongwith the Company's own funds. After this was pointed out in Audit, the management stated (December 2012) that the Company had opened a separate bank account for ASIDE funds.

2.2.9.2 Reporting of expenditure

As per scheme guidelines, annual utilization certificates (UCs) were required to be submitted to the Government of India by the Nodal Agency (SIDCO)

19 ₹ Five crore with Director Handicraft and ₹ three crore with SIDCO

and the un-utilised funds, if any, were to be counted against allocation for the next year. Audit observed (July 2012) that the expenditure booked by the SIDCO did not reflect the correct picture as it had treated the entire amount released to various implementing agencies as expenditure. Though the SIDCO furnished utilization certificates to the GOI for the entire funds released to implementing agencies under State component, an amount of ₹ 11.14 crore was lying unutilized in respect of five projects with the implementing agencies at the close of March 2012.

2.2.9.3 Utilization of scheme funds

ASIDE guidelines provided that all administrative expenses for implementation of the scheme should be met by the concerned State Government out of their budget. Audit noticed (July 2012) that Nodal agency/implementing agencies irregularly incurred expenditure of ₹ 3.21 crore out of the scheme funds released in favour of six projects on ineligible items not falling under the purview of the scheme as per the details given in **Table 2.2.2** below:

Table-2.2.2

S.No.	Name of the Project	Implementing agency	Ineligible items	Expenditure incurred on ineligible items (₹in lakh)
1.	Software Technology Park (STP), Bari-Brahmana, Jammu	Software Technology Parks of India	Administrative expenses	31.93
2.	Upgradation of Export Oriented Handloom Development Project, Samba.	Jammu and Kashmir Handloom Development Corporation Limited	Salary, wages, etc.	70.00
3.	Export Development Centre, Srinagar	Directorate of Handicraft	Land development, Gateway structures, Renovation of old toilet blocks, External lighting etc.	170.49
4.	Common Facility Centre for Artisans at Nowshera, Srinagar	J&K, Handicrafts (S&E) Corporation Limited	Administrative charges and Other miscellaneous charges	15.84
5.	Inland Container Depot, Rangreth Srinagar	J&K SIDCO	Purchase of vehicle, Office automation, Furniture and fixtures	20.00
6.	Testing and Quality Certification Centre, Nowshera, Srinagar.	Craft Development Institute, Srinagar	Administrative expenses etc.	13.07
	Total			**321.33**

The irregular utilisation of scheme funds on ineligible items had affected implementation of the projects of the scheme.

2.2.10 Project implementation

2.2.10.1 Under the ASIDE scheme, 12 projects were identified for execution in the State (Central component: Four projects and State component: Eight projects). After introduction of ASIDE scheme in March 2002 by the

Government of India (GOI), the SIDCO (Nodal Agency) received ₹ 50.67 crore under the ASIDE Scheme, out of which ₹ 45.80 crore were disbursed (March 2012).The details of projects taken up for execution under the scheme are detailed in ***Appendix 2.2.3***. Out of 12 projects, seven projects (four projects under State sector component and three projects under Central sector component) could not be completed despite incurring an expenditure of ₹ 20.69 crore (June 2012). Audit findings of the following individual projects noticed during test-check in audit are brought out in the subsequent paragraphs:

2.2.10.2 Inland Container Depot

To facilitate exporters/importers, SIDCO approached (November 2000) the Central Warehousing Corporation (CWC), a Government of India Undertaking for setting up of an Inland Container Depot (ICD) at Bari-Brahmana, Jammu. The project was approved by Government of India in December 2001 under the Critical Infrastructure Balancing Scheme (subsumed with ASIDE scheme). The Company incurred expenditure of ₹ 8.22 crore as against total project cost of ₹ 8.39 crore. The SIDCO in the light of Memorandum of Understanding (MOU) with CWC (March 2004) hired out (September 2004) the depot for export-import operation to CWC for a period of three years at the rate of ₹ 0.82 lakh per month. The CWC, however, handed back (January 2006) the depot due to non-availing of facility by importers/exporters as only two containers were handled in respect of non-metal import and export activities up to March 2005 against the projection of 5684 containers[20] for export as well as import activities per annum envisaged from the Depot, thereby forcing the CWC to abandon the depot. The Director, Industries and Commerce Jammu had noted (January 2006) that the facilities at ICD, Bari Brahmana could not be utilised by the exporters/importers due to non-availability of phyto-sanitary inspector, non-connectivity to rail slidings and inadequate imports leading to insufficient incoming containers. The facility remained un-utilised for five years between January 2006 and January 2011 resulting in non-realisation of potential revenue ₹ 0.50 crore[21] by the SIDCO. The Depot was hired to a private firm for godown purposes in January 2011. The SIDCO had also created another bonded warehouse for exports at Export Promotion Industrial Park (EPIP), Kartholi, Bari Brahmana, Jammu during the year 2005-06 at a cost of ₹ 0.50 crore. The warehouse also remained unutilized upto May 2011 when it was hired to a private concern for manufacturing activities.

[20] 3000 containers for import of ferrous metals M.S. Scraps, 2684 containers in respect of non-metal import and export activities,

[21] Calculated on the basis of rates of ₹ 82,346 per month charged from CWC

Thus, the infrastructure created at a cost of ₹ 8.72 crore to facilitate the exporters/importers of the State could not be gainfully utilized and the entire expenditure was rendered unfruitful.

2.2.10.3 Software Technology Park

To provide basic infrastructure facilities including built up space and technical infrastructure like high speed data communication to Software Export Companies, the Ministry of Communication and Information Technology, Government of India approved (March 2003) setting up of a Software Technology Park (STP) under Critical Infrastructure Balancing Scheme at Bari-Brahmana, Jammu with the assistance of Software Technology Parks of India (STPI[22]). Audit scrutiny of records revealed that the SIDCO released (March/July-2004) ₹ 3.30 crore to STPI for creating internal infrastructure at STP, under ASIDE scheme. The STPI had utilized ₹ 1.06 crore and a balance of ₹ 2.74 crore[23] was lying with the STPI (September 2012) which was not refunded and instead retained irregularly by the STPI. Further, physical inspection of STP at Bari Brahmana, Jammu conducted by the audit revealed (July 2012) that assets and other peripherals[24] valuing ₹ 0.72 crore installed were non-operational and lying idle in stores. An expenditure of ₹ 3.14 crore was incurred for creating the infrastructure for STP at Bari Brahmana Jammu.

The scheme guidelines envisaged that the implementing agency of the project was to ensure that users of the infrastructure would pay a service charge to meet the expenditure on operation and maintenance of the infrastructure so created. Further, the State Government vide notification dated August 2004 ordered that the SIDCO must ensure that the open land as well as built up area of STP when leased out should fetch premium/rent. Test-check of records revealed (July 2012) that the SIDCO leased out (August 2004) 24 *kanals* of land along with 7,371 sq.ft of built up space on first floor of the building to STPI at rate of ₹ 1 per *kanal* per annum instead of charging normal commercial rate operative in the area despite the fact that ₹ 3.14 crore was incurred for creating the infrastructure for STP at Bari Brahmana, Jammu. The Managing Director of SIDCO stated (September 2012) that the infrastructure was provided to STPI with a view to boost software industry in the State and not for commercial gains. The reply was in contravention of scheme guidelines and the Government instructions to lease out the built up area on premium. Audit further noticed that no software export was generated since inception of the STP project.

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22 An autonomous Body in Ministry of Information Technology, Government of India

23 Includes: ₹ 50 lakh received (2002-03) as Grant from Ministry of Telecommunication, GOI.

24 DG set: ₹ 6.95 lakh; UPS: ₹ 6.85 lakh; IBM Servers: ₹ 3.70 lakh; Computers: ₹ 4.01 lakh; Furniture: ₹ 7.36 lakh and HSDC:₹43.47 lakh

Thus, failure of the SIDCO authorities to assess the demand of software exporters and to ensure viability of the project resulted in unproductive expenditure of ₹ 3.14 crore.

2.2.10.4 Up-gradation of Export Oriented Handloom Development Project

The up-gradation work of Export Oriented Handloom Development Project (EOHDP) Samba, Jammu was taken up (June 2005) by the Jammu and Kashmir Handloom Development Corporation Limited (J&KHDC) on the approval (October 2004) of the SLEPC at an estimated cost of ₹ 6.10 crore under ASIDE scheme for completion by June 2009. The project was to produce export quality cotton and cotton blended products and envisaged creation of fabric production capacity of 28.30 lakh meters during the period 2007-12 by way of installation of 135 improvised looms with a projected sale of ₹ 54.85 crore. Audit scrutiny of records revealed (July 2012) that despite spending ₹ 6.10 crore, the project could not deliver the envisaged results as the J&KHDC could set up only 37 looms and produced 5.18 lakh meters of fabric valued at ₹ 5.17 crore during the period 2007-12. Audit scrutiny further revealed that the J&KHDC had diverted ₹ 0.87 crore on the activities viz. payment of salary/wages, training, etc. not falling within the purview of ASIDE scheme. To meet the production costs, the Corporation could not arrange the working Capital of ₹ 4.50 crore (September 2012). Audit also observed that the project formulation was deficient as it had not provided for electrification component in the Detailed Project Report which had been executed at a cost of ₹ 0.80 crore while the Water Effluent Treatment Plant estimated to cost ₹ one crore was projected at ₹ 0.10 crore only in the Detailed Project Report.

Thus, the project which was conceived with a view to boosting exports could not deliver the desired result due to deficient project planning, diversion of funds, etc. rendering the expenditure of ₹ 6.10 crore incurred largely unfruitful. The management stated (September 2012) that the diverted amount would be recouped from the funds of the Corporation. The fact remained that the completion of project suffered in the absence of working capital of ₹ 4.50 crore and non-installation of all the projected looms along with Water Effluent Treatment Plant.

2.2.10.5 Export Development Centre

To provide the facility of introducing the new innovative products to the buyers and to arrange buyer/seller meetings for promotion of export of handicrafts/handloom products, the SLEPC approved (October 2004) the project of setting up of Export Development Centre (EDC) at Exhibition Ground, Srinagar at an estimated cost of ₹ 4.52 crore which was revised

(February 2007) to ₹ 7.28 crore. The Directorate, Handicrafts was the implementing agency for setting up the centre which entrusted (January 2005) the work for construction of building to Executive Engineer, Public Works (R&B), Construction Division-II, Srinagar for completion by July 2005. Audit scrutiny of records revealed (July 2012) that an amount of ₹ 0.43 crore over and above the approved cost of ₹ 7.28 crore was incurred on the Centre. Further, the works[25] costing ₹ 1.70 crore were executed and met out of ASIDE funds.

2.2.10.6 Common Facility Centre for Artisans

To provide pre and post-production facilities to the artisans in the State, a project for setting up of Common Facility Centre at Nowshera, Srinagar under Critical Infrastructure Balancing Scheme (merged with ASIDE Scheme) was approved (October 2000) by the Government of India at an estimated cost of ₹ 1.36 crore, which was revised (July 2004) to ₹ 2.13 crore (GOI Share: ₹ 1.72 crore and State Share: ₹ 0.41 crore, including cost of land: ₹ 0.14 crore). The Centre *inter alia* included setting up of three plants valuing ₹ 0.67 crore[26]. The Project was implemented by the Jammu and Kashmir Handicrafts (Sales & Exports) Corporation Limited. Audit scrutiny of records revealed (July 2012) that all the three plants could not be put to use due to various deficiencies as discussed below:

- **Carpet Washing and Drying Plant**

The Carpet Washing and Drying Plant which was to provide the modern technology to overcome the difficulties experienced during manual process was completed at a cost of ₹ 28.91 lakh and was handed over to the Director, Indian Institute of Carpet Technology (IICT), Srinagar in November 2004. The Plant was run (December 2004) on a preliminary trial basis for a short period of time in the production of woolen carpets and the trial on silk carpets was not run (July 2012). During trial run of the plant, the performance of one of the drying chambers was found not up to the mark. Even the final and full capacity trail of the unit could not be arranged by the Director IICT, Srinagar due to poor arrangement of water and power, besides paucity of funds. Thus, the plant could not be made functional and remained in dilapidated condition.

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[25] Tile pavement, Gateway structures, walling, renovation of old toilet blocks, external lighting, contingencies etc.

[26] Carpet washing and drying Plant: ₹ 28.91 lakh; Wood seasoning plant: ₹ 25 lakh and Paper Pulp Plant: ₹ 12.65 lakh

Non-operational Carpet Washing and Drying Plant

- **Wood Seasoning Plant**

The wood seasoning plant at Nowshera, Srinagar which was to provide seasoned wood to the artisans to avoid warp or crack of the products in different climatic conditions was completed at a cost of ₹ 25 lakh and handed over to the Director, IICT, Srinagar in November 2004. The Plant was not at all operated due to paucity of working capital with the Director IICT, Srinagar.

Non-operational Wood Seasoning Plant

- **Paper Pulp Plant**

The Paper Pulp Plant which was established (November 2004) at a cost of ₹ 12.65 lakh with a view to mechanize the process of making paper pulp to save time and toil, was taken over by the Crafts Development Institute (CDI) in November 2004 and was not found to be in a suitable working condition. The CDI, Srinagar had spent ₹ 0.53 lakh to make the unit operational but it produced paper pulp for period of two months between July and August 2005 only when the unit was closed down due to non-availability of power and financial resources.

Non-operational Paper Pulp Plant

The management admitted (September 2012) that all the above three plants remained non-operational. Thus, defective planning and lack of provision for financial/production resources resulted in non-setting up of these units with consequent denial of socio-economic benefits to the skilled artisans. Resultantly, the investment of ₹ 2.13 crore[27] made in the project remained unproductive.

2.2.10.7 Inland Container Depot

With an aim to provide containerised facility to importers/exporters in Kashmir valley, the setting up of Inland Container Depot at Rangreth, Srinagar was approved (July 2004) by the SLEPC at an estimated cost of ₹ 14.60 crore (ASIDE Scheme: ₹ 13.28 crore and cost of land: ₹ 1.32 crore to be borne by the State Government). The project was to be completed within 18 months. Due to procedural delays in obtaining administrative approval and engagement of consultants, besides non-availability of land for approach road, the work of the project was taken up belatedly in October 2008. The SIDCO incurred an expenditure of ₹ 9.83 crore on the project which had not been completed (June 2012). Thus, the project which was to be completed within 18 months could not be set up (June 2012), as a result, the intended benefits of the project to provide containised facility to the importers/exporters of the area could not be realized.

[27] Cost of land & Civil Works: ₹ 119.80 lakh; Establishment of 3 Plants: ₹ 66.56 lakh; Electrical & Miscellaneous Expenses: ₹ 26.94 lakh.

2.2.10.8 Testing and Quality Certification Centre

For standardization and hallmarking of genuine Kashmir Pashmina, the SLEPC approved (January 2010) the proposal for setting up of Testing and Quality Certification Centre at Nowshera, Srinagar at an estimated cost of ₹ 4.44 crore to be met out of ASIDE Scheme funds. The State Government contributed two *kanals* of available land for the project which was to be completed by March 2011. The Craft Development Institute, Srinagar (CDI) a society sponsored by Ministry of Textile, (Government of India) was the implementing agency for the project. The civil construction work of the project was allotted (September 2010) to SIDCO at an estimated cost of ₹ 0.71 crore. Test-check of records (July 2012) revealed that the SIDCO could not complete the work after spending ₹ 0.60 crore on civil/electric works (September 2012). The remaining work of electrification could not be taken up due to delay in procurement and installation of machinery at the centre. The CDI had also incurred expenditure of ₹ 1.09 crore on machinery equipment, administrative and other miscellaneous cost of the project (June 2012). Thus, the project which was projected to be completed by March 2011 could not be completed (September 2012), as a result, the intended benefits of the project could not be realized by the Government. The Director CDI, Srinagar stated (July 2012) that most of the equipments purchased were in transportation and were expected shortly. Further progress in the matter was awaited (December 2012).

2.2.11 Monitoring

The Secretary Industries and Commerce Department of the State Government designated as Export Commissioner was to convene the SLEPC meetings for scrutinizing and approving the specific projects and also to oversee the implementation of the scheme. Audit observed (July 2012) that no meeting of SLEPC was convened during the years 2007-08, 2008-09 and 2010-11 as a result the implementation of the projects in the State were not monitored properly. The members of Jammu and Kashmir Chambers of Commerce absented themselves from four meetings out of eight meetings. The Joint Director General of Foreign Trade in the State attended only single meeting (seventh meeting) of the Committee held in March 2007. The SIDCO management stated (September 2012) that SLEPC meetings could not be held regularly because of lack of projects to be funded under ASIDE scheme and also due to turmoil in Kashmir valley.

2.2.12 Conclusion

The objective of ASIDE scheme for developing infrastructure for export promotion was not achieved in the State. Out of twelve projects approved under the scheme, five projects were completed, of which only two were completed in time and not even a single project had delivered envisaged development of exports under the scheme, thereby, rendering the expenditure incurred on the project unfruitful. The SIDCO could not utilize the funds in full which continued to remain unspent at the close of each year. The project reports prepared by the consultants were deficient and the export data/information included therein was not based on proper and authentic study. The Inland Container Depot and Software Technology Park at Bari Brahman, Jammu; Common Facility Center at Nowhsera, Srinagar; Export Development Centre, Srinagar and Export Oriented Handloom Development Project at Samba, Jammu did not contribute to any exports. The State Level Export Promotion Committee failed to monitor the implementation of projects.

2.2.13 Recommendations

The Government may consider to

- formulate annual/five year export plans under ASIDE scheme on realistic basis;
- intimate the Government of India about the actual expenditure incurred by the implementing agencies on various projects under the scheme;
- take effective steps to implement the projects efficiently so that the intended benefits percolate to the beneficiaries under the scheme;
- strengthen monitoring mechanism for effective implementation of the scheme; and
- conduct a Cost Benefit analysis of the projects implemented under ASIDE scheme.

2.3 General

Follow-up action on Audit Reports

2.3.1 Non-submission of suo-motu Action Taken Notes

The Audit Reports of the Comptroller and Auditor General of India represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in various offices and departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executives. The State Finance Department issued (June 1997) instructions to all Administrative Departments to submit *suo-motu* Action Taken Notes (ATNs) indicating corrective/remedial action taken or proposed to be taken on paragraphs and performance audits included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

It was, however, noticed that out of 51 audit paragraphs featuring in the Commercial Activities chapters of Audit Reports 2000-01 to 2010-11, *suo-motu* ATNs in respect of 24 audit paragraphs had not been received upto 30 September 2012.

Though, the Audit Reports for the year 2010-11 were presented to the State Legislature in April 2012, none of the departments had submitted *suo-motu* ATNs on five paragraphs and one performance audit as of 30 September 2012, as indicated in ***Table 2.3.1*** below:

Table 2.3.1

Year of Audit Report (Commercial)	Date of presentation	Total paragraphs/ performance audits in Audit Report	Number of paragraphs/ performance audits for which *suo-motu* ATNs were not received
2010-11	April 2012	6	6
Total		**6**	**6**

Department wise analysis is also given in ***Table 2.3.2 below***:

Table 2.3.2

Name of department	Audit Report 2010-11
Finance	1
Social Welfare	1
Public Works Department (R&B)	2
Tourism	1
Consumer Affairs and Public Distribution	1
Total	**6**

2.3.2 Compliance to Reports of Committee on Public Undertakings (COPU)

The Action Taken Notes duly vetted by the Principal Accountant General (PAG) on the observations/recommendations made by the COPU in respect of the audit paragraphs discussed by them are to be furnished to the Committee within six months from the date of presentation of the COPU Reports. Out of 45 audit paragraphs featuring in the Commercial Activities chapters of the Audit Reports for the years 2000-01 to 2009-10 (excluding Audit Reports presented in the Jammu and Kashmir State Legislature on 04 April 2012), recommendations had been made in respect of 31 audit paragraphs, which were discussed by the COPU. However, Action Taken Notes on the recommendations is pending in respect of 21 audit paragraphs (September 2012).

2.3.3 Response to draft paragraphs and performance audits

The draft paragraphs and performance audit reports on the working of Public Sector Undertakings, proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Principal Accountant General to the Secretary of the Administrative department concerned seeking confirmation of facts and figures and their comments thereon within a period of six weeks. However, two performance audit reports forwarded to two departments in the month of November 2012 had not been replied so far (January 2013).

It is recommended that the Government may ensure (a) sending of replies to draft paragraphs/Action Taken Notes on the recommendations of COPU as *per* the prescribed time schedule, and (b) revamping of the system of responding to audit observations.

(Subhash Chandra Pandey)
Principal Accountant General (Audit)
Jammu and Kashmir

Srinagar/Jammu
The 22 FEB 2013

Countersigned

(Vinod Rai)
Comptroller and Auditor General of India

New Delhi
The 25 FEB 2013

APPENDICES

Appendix 1.1

Updated summarised financial results of Government Companies and Statutory Corporations for which accounts were finalised

(Referred to in paragraphs 1.1.1 and 1.6.1)

(₹ in crore)

Sl. No	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments #	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
-1	-2	-3	-4	5 (a)	5 (b)	5 (c)	5 (d)	-6	-7	-8	-9	-10	-11	-12
A. Working Government Companies														
AGRICULTURE & ALLIED														
1	Jammu and Kashmir State Agro Industries Development Corporation Limited	1996-97	2012-13	-0.87	0.03	0.05	-0.95	26.14	-0.01	1.96	-13.12	-0.32	-0.92	Nil
2	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	1993-94	2008-09	-0.61	6.16	0.47	-7.24	1.96	0.00	9.20	-44.11	10.89	-1.08	Nil
Sector wise total				**-1.48**	**6.19**	**0.52**	**-8.19**	**28.10**	**-0.01**	**11.16**	**-57.23**	**10.57**	-2.00	**Nil**
FINANCE														
3	Jammu and Kashmir Bank Limited	2011-12	2012-13	3844.42	2997.22	43.95	803.25	5169.70	0.00	48.48	0.00	25603.62	3800.47	14.84
4	Jammu and Kashmir Bank Financial Services Limited	2011-12	2012-13	-0.18	0.00	0.00	-0.18	1.39	0.00	5.00	0.11	5.20	-0.18	Nil
5	Jammu and Kashmir Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	1996-97	2012-13	0.23	0.23	0.02	-0.02	0.82	-1.75	9.28	0.33	17.88	0.21	1.17
6	Jammu and Kashmir State Women's Development Corporation Limited	2002-03	2012-13	-0.25	0.15	0.01	-0.41	0.19	-0.04	1.91	-1.52	3.58	-0.26	Nil
Sector wise total				**3844.22**	**2997.60**	**43.98**	**802.64**	**5172.10**	**-1.79**	**64.67**	**-1.08**	**25630.28**	3800.24	14.83

INFRASTRUCTURE														
7	Jammu and Kashmir Projects Construction Corporation Limited	1995-96	2012-13	-0.23	0.05	0.23	-0.51	39.97	0.00	1.52	-36.35	-1.02	-0.46	Nil
8	Jammu and Kashmir Police Housing Corporation Limited	2002-03	2012-13	-0.02	0.00	0.10	-0.12	0.93	-0.03	2.00	1.22	3.25	-0.12	Nil
9	Jammu and Kashmir Small Scale Industries Development Corporation Limited	1990-91	2011-12	0.53	0.52	0.36	-0.35	22.56	0.00	3.12	0.00	7.99	0.17	2.13
10	Jammu and Kashmir State Industrial Development Corporation Limited	2003-04	2012-13	-6.18	2.83	1.70	-10.71	1.89	0.00	17.65	-74.92	52.82	-7.88	Nil
	Sector wise total			**-5.90**	**3.40**	**2.39**	**-11.69**	**65.35**	**-0.03**	**24.29**	**-110.05**	**63.04**	-8.29	Nil
11	Jammu and Kashmir Industries Limited	2005-06	2012-13	-17.91	28.24	0.68	-46.83	6.44	0.00	16.27	-447.47	-49.28	-18.59	Nil
12	Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited	1997-98	2008-09	-4.28	1.99	0.04	-6.31	4.02	0.00	4.40	-25.21	1.05	-4.32	Nil
13	Jammu and Kashmir State Handloom Development Corporation Limited	1999-00	2012-13	-2.12	1.35	0.07	-3.54	5.36	-0.03	3.00	-13.59	11.07	-2.19	Nil
14	Jammu and Kashmir Cements Limited	2001-02	2011-12	1.75	0.43	0.61	0.71	43.20	-0.76	15.50	2.62	25.45	1.14	4.48
15	Jammu and Kashmir Minerals Limited	1994-95	2011-12	-3.91	0.75	0.10	-4.76	3.20	0.00	8.00	-32.73	1.90	-4.01	Nil
Sector wise total				**-26.47**	**32.76**	**1.50**	**-60.73**	**62.22**	**-0.79**	**47.17**	**-516.38**	**-9.81**	-27.97	Nil
POWER														
16	Jammu and Kashmir State Power Development Corporation Limited	2008-09	2011-12	65.10	10.77	17.16	37.17	120.68	0.00	5.00	-109.99	5815.48	47.94	0.82
17	Chenab Valley Power Projects Pvt. Ltd. (Deemed Government Company)	2011-12	2012-13	0.10	0.00	0.10	0.00	0.00	0.00	5.00	0.00	5.00	0.00	Nil
Sector wise total				**65.20**	**10.77**	**17.26**	**37.17**	**120.68**	**0.00**	**10.00**	**-109.99**	**5820.48**	**47.94**	**0.82**
SERVICES														
18	Jammu and Kashmir State Tourism Development Corporation Limited	2004-05	2012-13	2.22	0.01	1.49	0.72	16.42	-0.09	15.96	-7.57	34.70	0.73	2.10
19	Jammu and Kashmir State Cable Car Corporation Limited	2007-08	2012-13	4.78	0.00	3.28	1.50	8.00	-4.79	23.57	-9.03	39.39	1.50	3.81
Sector wise total				**7.00**	**0.01**	**4.77**	**2.22**	**24.42**	**-4.88**	**39.53**	**-16.60**	**74.09**	2.23	3.01

Total A (All sector wise working Government companies				**3882.57**	**3050.73**	**70.42**	**761.42**	**5472.87**	**-7.50**	**196.82**	**-811.33**	**31588.65**	3812.15	12.07
B. Working Statutory corporations														
FINANCE														
1	Jammu and Kashmir State Financial Corporation	2008-09	2012-13	-1.74	0.18	0.10	-2.02	5.15	0.00	64.60	-176.77	199.91	-1.84	Nil
Sector wise total				**-1.74**	**0.18**	**0.10**	**-2.02**	**5.15**	**0.00**	**64.60**	**-176.77**	**199.91**	-1.84	Nil
AGRICULTURE & ALLIED														
2	Jammu and Kashmir State Forest Corporation Limited	Accounts for the years 1996-97 and onwards not received. (The Corporation was incorporated in 1978-79, however, its audit was entrusted to the CAG from 1996-97)												
Sector wise total		**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
SERVICES														
3	Jammu and Kashmir State Road Transport Corporation	2005-06	2011-12	-17.20	30.55	4.77	-52.52	74.35	-25.87	111.51	-651.44	-193.27	-21.97	Nil
Sector wise total				**-17.20**	**30.55**	**4.77**	**-52.52**	**74.35**	**-25.87**	**111.51**	**-651.44**	**-193.27**	-21.97	Nil
Total B (All sector wise working Statutory corporations)				**-18.94**	**30.73**	**4.87**	**-54.54**	**79.50**	**-25.87**	**176.11**	**-828.21**	**6.64**	-23.81	Nil
Grand Total (A + B)				**3863.63**	**3081.46**	**75.29**	**706.88**	**5552.37**	**-33.37**	**372.93**	**-1639.54**	**31595.29**	3788.34	11.99
C. Non working Government companies														
MANUFACTURING														
1	Tawi Scooters Limited	1989-90	1991-92	-0.06	0.00	0.00	-0.06	0.00	0.00	0.80	-1.04	0.59	-0.06	Nil
2	Himalyan Wool Combers Limited	1999-2000	2000-01	-1.29	0.00	0.00	-1.29	0.00	0.00	1.36	-10.49	-1.71	-1.29	Nil
Sector wise total				**-1.35**	**0.00**	**0.00**	**-1.35**	**0.00**	**0.00**	**2.16**	**-11.53**	**-1.12**	-1.35	Nil
MISCELLENEOUS														
3	Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalyan Wool Combers Limited)	1991-92	1999-2000	NA	NA	NA	0	NA	0	0	0	0	-	-
Sector wise total				**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total C (All sector wise non working Government companies)				**-1.35**	**0**	**0**	**-1.35**	**0**	**0**	**2.16**	**-11.53**	**-1.12**	-1.35	Nil

D. Non working Statutory corporations	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total D (All sector wise non working Statutory corporations)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total (A + B + C + D)			3862.28	3081.46	75.29	705.53	5552.37	-33.37	375.09	-1651.07	31594.17	3786.99	11.99

Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/ increase in losses.

@ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

$ For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the Profit and loss account.

Appendix 1.2

Statement showing particulars of up to date paid-up capital, loans outstanding and manpower as on 31 March 2012 in respect of Government Companies and Statutory Corporations)

(Referred to in paragraph 1.3.1)

(Figures in column 5 (a) to 6 (c) are ₹. in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital$				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.3.2012)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
-1	-2	-3	-4	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	-7	-8
A.	**Working Government Companies**												
AGRICULTURE & ALLIED													
1	Jammu and Kashmir State Agro Industries Development Corporation Limited	Agriculture Production	30-Jan-70	2.60	0.94	0.00	3.54	25.00	0.00	2.00	27.00	7.63:1 (9.92:1)	96
2	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	Agriculture Production	10-Apr-78	6.00	3.20	0.00	9.20	17.63	0.00	0.00	17.63	1.92:1 (1.78:1)	303
Sector wise total				**8.60**	**4.14**	**0.00**	**12.74**	**42.63**	**0.00**	**2.00**	**44.63**	**3.5:1**	**399**
FINANCE													
3	Jammu and Kashmir Bank Limited	Finance	10-Oct-38	25.78	0.00	22.70	48.48	0.00	0.00	1240.96	1240.96	25.6:1 (22.79:1)	9258
4	Jammu and Kashmir Bank Financial Services Limited	Finance	27-Aug-09	0.00	0.00	5.00	5.00	0.00	0.00	0.00	0.00	0	2
5	Jammu and Kashmir Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	Social Welfare	Apr-86	13.37	10.88	0.00	24.25	0.00	0.00	34.00	34.00	1.4:1 (1.21:1)	110
6	Jammu and Kashmir State Women's Development Corporation Limited	Social Welfare	10-May-91	8.09	0.00	0.00	8.09	0.00	0.00	27.03	27.03	3.34:1 (4.51:1)	33
Sector wise total				**47.24**	**10.88**	**27.70**	**85.82**	**0.00**	**0.00**	**1301.99**	**1301.99**	**15.17:1**	**9403**
INFRASTRUCTURE													
7	Jammu and Kashmir Projects Construction Corporation Limited	Public Works	22-May-65	1.53	0.00	0.00	1.53	0.00	0.00	0.00	0.00	0	
8	Jammu and Kashmir Police Housing Corporation Limited	Home	26-Dec-97	2.00	0.00	0.00	2.00	0.00	0.00	0.00	0.00	0	71
9	Jammu and Kashmir Small Scale Industries Development Corporation Limited	Industry & Commerce	28-Nov-75	3.12	0.00	0.00	3.12	8.53	0.00	0.00	8.53	2.73:1 (2.63:1)	325
10	Jammu and Kashmir State Industrial Development Corporation Limited	Industry & Commerce	17-Mar-69	17.65	0.00	0.00	17.65	8.05	0.00	0.00	8.05	0.46:1 (0.46:1)	545

Sector wise total				**24.30**	**0.00**	**0.00**	**24.30**	**16.58**	**0.00**	**0.00**	**16.58**	**0.68:1**	**941**
MANUFACTURING													
11	Jammu and Kashmir Industries Limited	Industry & Commerce	4-Oct-60	16.27	0.00	0.00	16.27	355.47	0.00	0.00	355.47	21.85:1 (22.85:1)	846
12	Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited	Industry & Commerce	6-Jun-70	7.13	0.89	-	8.02	84.95	0.00	1.40	86.35	10.77:1 (9.87:1)	303
13	Jammu and Kashmir State Handloom Development Corporation Limited	Industry & Commerce	29-Jun-81	3.50	1.50	0.00	5.00	90.02	0.00	0.00	90.02	18:1 (16.46:1)	198
14	Jammu and Kashmir Cements Limited	Industry & Commerce	24-Dec-74	45.77	0.00	0.00	45.77	4.83	0.00	16.90	21.73	0.47:1 (0.93:1)	789
15	Jammu and Kashmir Minerals Limited	Industry	5-Feb-60	8.00	0.00	0.00	8.00	343.74	0.00	0.00	343.74	42.97:1 (40.59:1)	1000
Sector wise total				**80.67**	**2.39**	**0.00**	**83.06**	**879.01**	**0.00**	**18.30**	**897.31**	**10.8:1**	**3136**
POWER													
16	Jammu and Kashmir State Power Development Corporation Limited	Power Development	16-Feb-95	5.00	0.00	0.00	5.00	0.00	0.00	1733.06	1733.06	346.61:1 (412.50:1)	3393
17	Chenab Valley Power Projects Pvt. Ltd. (Deemed Government Company)	Power Development		0.00	0.00	5.00	5.00	0.00	0.00	0.00	0.00	0:1	38
Sector wise total				**5.00**	**0.00**	**5.00**	**10.00**	**0.00**	**0.00**	**1733.06**	**1733.06**	**173.31:1**	**3431**
SERVICES													
18	Jammu and Kashmir State Tourism Development Corporation Limited	Tourism	13-Feb-70	23.51	0.00	0.00	23.51	4.26	0.00	0.00	4.26	0.18:1 (0.18:1)	1016
19	Jammu and Kashmir State Cable Car Corporation Limited	Tourism	28-Nov-88	23.57	0.00	0.00	23.57	0.00	0.00	0.00	0.00	0	104
Sector wise total				**47.08**	**0.00**	**0.00**	**47.08**	**4.26**	**0.00**	**0.00**	**4.26**	**0.09:1**	**1120**
Total A (All sector wise working Government companies)				**212.89**	**17.41**	**32.70**	**263.00**	**942.48**	**0.00**	**3055.35**	**3997.83**	**15.2:1**	**18430**
B. Working Statutory corporations													
FINANCE													
1	Jammu and Kashmir State Financial Corporation	Finance	2-Dec-59	43.47	0.00	21.07	64.54	0.17	0.00	0.00	0.17	0:1 (1.99:1)	214

Sector wise total				**43.47**	**0.00**	**21.07**	**64.54**	**0.17**	**0.00**	**0.00**	**0.17**	**0:1**	**214**
AGRICULTURE & ALLIED													
2	Jammu and Kashmir State Forest Corporation Limited	Forest	1-Jul-79	9.03	0.00	0.00	9.03	40.33	0.00	0.00	40.33	4.47:1 (2:1)	3594
Sector wise total				**9.03**	**0.00**	**0.00**	**9.03**	**40.33**	**0.00**	**0.00**	**40.33**	**4.47:1**	**3594**
SERVICES													
3	Jammu and Kashmir State Road Transport Corporation	Transport	1-Sep-76	90.82	15.01	0.00	105.83	423.29	0.00	0.00	423.29	4:1 (2.40:1)	2910
Sector wise total				**90.82**	**15.01**	**0.00**	**105.83**	**423.29**	**0.00**	**0.00**	**423.29**	**4:1**	**2910**
Total B (All sector wise working Statutory corporations)				**143.32**	**15.01**	**21.07**	**179.40**	**463.79**	**0.00**	**0.00**	**463.79**	**2.59:1**	**6718**
Grand Total (A + B)				**356.21**	**32.42**	**53.77**	**442.40**	**1406.27**	**0.00**	**3055.35**	**4461.62**	**10.09:1**	**25148**
C. Non working Government companies													
MANUFACTURING													
1	Tawi Scooters Limited	Industries and Commerce	15-Dec-76	0.80	0.00	0.00	0.80	0.83	0.00	0.00	0.83	1.04:1	NA
2	Himalyan Wool Combers Limited	Industries and Commerce	24-Jan-78	1.37	0.00	0.00	1.37	Information not available.					
Sector wise Total				**2.17**	**0.00**	**0.00**	**2.17**	**0.83**			**0.83**		
MISCELLENEOUS													
3	Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalyan Wool Combers Limited)	Industries and Commerce	29-Nov-91	0.40	0.00	0.00	0.40	Information not available.					
Sector wise total				**0.40**	**0.00**	**0.00**	**0.40**						
Total C (All sector wise non working Government companies)				**2.57**	**0.00**	**0.00**	**2.57**	**0.83**	**0.00**	**0.00**	**0.83**	0.32:1	**NA**
D. Non working Statutory corporations		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total D (All sector wise non working Statutory corporations)		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total (A + B + C + D)				**358.78**	**32.42**	**53.77**	**444.97**	**1407.10**	**0.00**	**3055.35**	**4462.45**	**10.03:1**	**25148**

$ Paid-up capital includes share application money.

** Loans outstanding at the close of 2011-12 represent long-term loans only and includes Interest.

Figures based on data furnished by the PSUs.

Appendix 1.3

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2012

(Referred to in paragraph 1.4.1)

(Figures in column 3 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[@]		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
-1	-2	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1	Jammu and Kashmir State Agro Industries Development Corporation Limited	0	0.72	0	0	0	0	0	0	0	0	0	0
2	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	0	1.10	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**1.82**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
FINANCE													
3	Jammu and Kashmir Bank Limited	0	0	0	0	0	0	0	0	0	0	0	0
4	Jammu and Kashmir Bank Financial Services Limited	0	0	0	0	0	0	0	0	0	0	0	0
5	Jammu and Kashmir Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	1	1.10	0	0.54 (Subsidy)	0	0.54 (Subsidy)	5.59	32.67	0	0	0	0

6	Jammu and Kashmir State Women's Development Corporation Limited	1.09	1.42	0	0	0	0	4.50	14.32	0	0	0	0
Sector wise total		**2.09**	**2.52**	**0**	**0.54**	**0**	**0.54**	**10.09**	**46.99**	**0**	**0**	**0**	**0**
INFRASTRUCTURE													
7	Jammu and Kashmir Projects Construction Corporation Limited	0	0	0	0	0	0	0	0	0	0	0	0
8	Jammu and Kashmir Police Housing Corporation Limited	0	0	0	0	0	0	0	0	0	0	0	0
9	Jammu and Kashmir Small Scale Industries Development Corporation Limited	0	0	0	1.00 (Grants)	0	1.00 (Grants)	0	0	0	0	0	0
10	Jammu and Kashmir State Industrial Development Corporation Limited	0	0	1.28 (Grants)	24.46 (Grants)	0	25.74 (Grants)	0	0	0	0	0	0
Sector wise total		**0**	**0**	**1.28 (Grants)**	**25.46 (Grants)**	**0**	**26.74 (Grants)**	**0**	**0**	**0**	**0**	**0**	**0**
MANUFACTURING													
11	Jammu and Kashmir Industries Limited	0	4.46	0	6.14 (Grants)	0	6.14 (Grants)	0	0	0	0	0	0
12	Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited	0	2.00	0	0	0	0	0	1.40	0	0	0	0
13	Jammu and Kashmir State Handloom Development Corporation Limited	0	2.00	0	3.88 (Grants/Subsidy)	0	3.88 (Grants/Subsidy)	0	0.42	0	0	0	0
14	Jammu and Kashmir Cements Limited	4	0	0	0	0	0	0	0	0	0	0	0
15	Jammu and Kashmir Minerals Limited	0	1.46	0	0	0	0	0	0	0	0	0	0
Sector wise total		**4**	**9.92**	**0**	**10.02**	**0**	**10.02**	**0**	**1.82**	**0**	**0**	**0**	**0**

POWER													
16	Jammu and Kashmir State Power Development Corporation Limited	0	0	3.09 (Subsidy)	4.17 (Grants)	0	7.26	0	1726.82	0	0	0	0
17	Chenab Valley Power Projects Pvt. Ltd. (Deemed Government Company)	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**3.09**	**4.17 (Grants)**	**0**	**7.26**	**0**	**1726.82**	**0**	**0**	**0**	**0**
SERVICES													
18	Jammu and Kashmir State Tourism Development Corporation Limited	0	0	0	0	0	0	0	0	0	0	0	0
19	Jammu and Kashmir State Cable Car Corporation Limited	0	0	0	12.76 (Grants)	0	12.76 (Grants)	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**12.76 (Grants)**	**0**	**12.76 (Grants)**	**0**	**0**	**0**	**0**	**0**	**0**
Total A (All sector wise working Government companies)		**6.09**	**14.26**	**4.37**	**52.95**	**0**	**57.32**	**10.09**	**1775.63**	**0**	**0**	**0**	**0**
B. Working Statutory corporations													
FINANCE													
1	Jammu and Kashmir State Financial Corporation	0	26.00	0	44.00 (Grants)	0	44.00 (Grants)	0	20.80	12.04	0	38.62	50.66
Sector wise total		**0**	**26**	**0**	**44**	**0**	**44**	**0**	**20.8**	**12.04**	**0**	**38.62**	**50.66**
AGRICULTURE & ALLIED													
2	Jammu and Kashmir State Forest Corporation Limited	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

SERVICES													
3	Jammu and Kashmir State Road Transport Corporation		30.00	0	0	0	0	0	6	0	0	0	0
Sector wise total		**0.00**	**30.00**	**0**	**0**	**0**	**0**	**0**	**6**	**0**	**0**	**0**	**0**
Total B (All sector wise working Statutory corporations)		**0.00**	**56.00**	**0**	**44.00**	**0**	**44.00**	**0**	**26.80**	**12.04**	**0**	**38.62**	**50.66**
Grand Total (A + B)		**6.09**	**70.26**	**4.37**	**96.95**	**0**	**101.32**	**10.09**	**1802.43**	**12.04**	**0**	**38.62**	**50.66**
C. Non working Government companies													
MANUFACTURING													
1	Tawi Scooters Limited	Information not available		0	0	0	0	0	0	0	0	0	0
2	Himalyan Wool Combers Limited	Information not available		0	0	0	0	0	2.83	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2.83**	**0**	**0**	**0**	**0**
MISCELLENEOUS													
3	Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalyan Wool Combers Limited)	Information not available		0	0	0	0	0	0.40	0	0	0	0
Sector wise total		**0**		**0**	**0**	**0**	**0**	**0**	**0.40**	**0**	**0**	**0**	**0**
Total C (All sector wise non working Government companies		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**3.23**	**0**	**0**	**0**	**0**
D. Non working Statutory corporations		0	0	0	0	0	0	0	0	0	0	0	0
Total D (All sector wise non working Statutory corporations)		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Grand Total (A + B + C + D)		**6.09**	**70.26**	**4.37**	**96.95**	**0.00**	**101.32**	**10.09**	**1805.66**	**12.04**	**0.00**	**38.62**	**50.66**

[@] Figures indicate total guarantees outstanding at the end of the year.

Note: 1. Except in respect of Companies which fianlised their accounts for the current year, figures are provisional and as given by the Companies/Corporations.

2 Non-Working Companies/Corporations include Companies under Merger/Liquidation/Closure/Abolition.

3 PSU at serial no : 5 also received equity of ₹. 0.97 crore from Central Govt.

4 PSU at serial no : 13 received ₹.. 3.60 crore as Grant and ₹.. 0.28 crore as subsidy in coloumn 4(b)

Appendix 1.4

Statement showing investment made by the State Government in PSUs, whose accounts are in arrears

(Referred to in paragraph 1.7.4)

(₹ in crore)

S.No	Name of the Company/ Corporation	Year up to which accounts finalized	Paid-up capital as per the latest finalized account	Investment made by the State Government during the years (up to 2011-12) for which accounts are in arrears				Total
(A)	**Working Government Companies**							
				Equity	**Loans**	**Grants**	**Subsidy**	**Total**
1	J&K State Agro Industries Development Corporation Limited	1996-97	1.96	Nil	8.70	3.22	3.82	15.74
2	J&K State Horticultural Produce Marketing and Processing Corporation Limited	1993-94	9.20	Nil	10.29	2.86	Nil	13.15
3	J&K State Handloom Development Corporation Limited	1999-00	3.00	2.21	23.79	10.28	0.28	36.56
4	J&K Handicrafts (Sale and Export) Development Corporation Limited	1997-98	4.40	2.38	21.52	1.66	Nil	25.56
5	J&K Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	1996-97	9.28	9.68	3.65	4.13	3.54	21.00
6	J&K State Women's Development Corporation Limited	2002-03	1.91	6.15	10.97	5.07	Nil	22.19
7	J&K Industries Limited	2005-06	16.27	Nil	60.48	6.14	Nil	66.62

8	J&K Small Scale Industries Development Corporation Limited	1990-91	3.12	Nil	1.41	10.90	0.32	12.63
9	J&K State Industrial Development Corporation Limited	2003-04	17.65	Nil	9.05	91.39	Nil	100.44
10	J& K Minerals Limited	1994-95	8.00	Nil	66.61	8.25	Nil	74.86
11	J&K Cements Limited	2001-02	15.00	16.27	Nil	Nil	Nil	16.27
12	J&K State power Development Corporation Limited	2008-09	5.00	Nil	470.00	346.03	Nil	816.03
13	J&K State Tourism Development Corporation Limited	2004-05	15.96	Nil	Nil	6.95	Nil	6.95
14	J&K State Cable Car Corporation Limited	2007-08	23.52	Nil	Nil	12.76	Nil	12.76
Total (A):				**36.69**	**686.47**	**509.64**	**7.96**	**1240.76**
(B)	**Working Statutory Corporations**							
15	J&K State Road Transport Corporation	2005-06	112.51	18.53	104.17	7.00	Nil	129.70
16	J&K State Financial Corporation Limited	2008-09	64.60	Nil	31.00	49.00	Nil	80.00
Total (B)				**18.53**	**135.17**	**56.00**	**0.00**	**209.70**
Total (A)+(B)				**55.22**	**821.64**	**565.64**	**7.96**	**1450.46**

(Figures based on the data furnished by the PSUs from time to time subject to reconciliation and as incorporated in the Audit Reports of the respective years).

Figures of the PSU at Sr. No. 8 excludes the figures for the years 1991-92 to 1993-94 as the same were not available in the Audit reports of the respective years.

Appendix 1.5
Statement showing financial position of the Statutory Corporations for the latest three years for which accounts were finalised

(Referred to in paragraph 1.6.1)

(₹ in crore)

	Particulars	2003-04	2004-05	2005-06
1	**Jammu and Kashmir State Road Transport Corporation Limited**			
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	108.51	109.51	111.51
	Borrowings:	275.57	304.86	329.13
	Trade dues and other liabilities (including provisions)	221.17	254.99	282.42
	Total-A	**605.25**	**669.36**	**723.06**
B.	**Assets**			
	Gross block	50.51	49.59	55.00
	Less depreciation	4.49	4.36	4.77
	Net fixed assets	46.02	45.23	50.23
	Current assets, loans and advances	14.98	25.21	21.39
	Accumulated loss	544.25	598.92	651.44
	Total-B	**605.25**	**669.36**	**723.06**
C	**Capital employed[1]**	**-160.17**	**-184.55**	**-193.27**
2	**Jammu and Kashmir State Financial Corporation**			
	Particulars	**2006-07**	**2007-08**	**2008-09**
A.	**Liabilities**			
	Paid-up capital	64.60	64.60	64.60
	Reserve funds and surplus	7.59	7.59	7.59
	Borrowings			
	Bonds and debentures	56.50	52.50	52.00
	Others (including State Government)	102.18	109.15	56.96
	Other liabilities and provisions	24.93	25.31	27.32
	Total-A	**255.8**	**259.15**	**208.47**
B	**Assets**			
	Cash and bank balances	3.25	1.25	4.84
	Loans and advances	32.23	29.19	25.51
	Net fixed assets	0.92	0.81	0.72
	Investments and other assets	0.29	0.41	0.63
	Accumulated loss	219.11	227.49	176.77
	Total-B	**255.80**	**259.15**	**208.47**
C	**Capital employed**	**231.30**	**232.36**	**207.50**

[1] *Capital employed represents net fixed assets including capital works in progress and assets not in use plus working capital. In the case of Jammu and Kashmir State Financial Corporation, capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans in lieu of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).*

Appendix 1.6

Statement showing working results of the Statutory Corporations for the latest three years for which accounts were finalized

(Reference: paragraph 1.6.1)

(₹ in crore)

	Particulars	2003-04	2004-05	2005-06
1	**Jammu and Kashmir State Road Transport Corporation**			
	Operating and non-operating			
	(a) Revenue	43.76	60.88	74.35
	(b) Expenditure	97.65	115.56	126.87
	(c) Surplus (+)/Deficit (-)	-53.89	-54.68	-52.52
	Interest on capital and loans	24.97	28.21	30.55
	Return on capital employed	-28.92	-26.47	-21.97
2	**Jammu and Kashmir State Financial Corporation**	**2006-07**	**2007-08**	**2008-09**
A	**Income**			
	(a) Interest on loans and advances	5.71	4.26	5.15
	(b) Other income	0.11	0.34	0.60
	Total-A	**5.82**	**4.60**	**5.75**
B	**Expenditure**			
	(a) Interest on long-term loans	1.88	3.52	0.18
	(b) Other expenditure	30.16	9.45	7.59
	Total-B	**32.04**	**12.97**	**7.77**
C	**Profit (+)/Loss (-)**	**-26.22**	**-8.37**	**-2.02**
D	**Total return on capital employed**	**-24.34**	**-4.85**	**-1.84**
E	**Percentage of return on capital employed**	**Nil**	**Nil**	**Nil**

Appendix 2.1.1

Statement showing details of variations in annual budget of the Jammu and Kashmir Projects Construction Corporation

(Referred to in paragraph 2.1.7.7)

(₹in crore)

S. No.	Particulars	2007-08			2008-09			2009-10			2010-11			2011-12		
		Budget estimates	Actuals	Percentage increase (+)/decrease (-)	Budget estimates	Actuals	Percentage increase (+)/decrease (-)	Budget estimates	Actuals	Percentage increase (+)/ decrease (-)	Budget estimates	Actuals	Percentage increase (+)/ decrease (-)	Budget estimates	Actuals	Percentage increase (+)/ decrease (-)
1.	Turnover/value of work done	145.82	198.31	(+) 36	271.86	271.82	-	484.99	302.34	(-) 38	541.16	319.30	(-) 41	732.94	342.46	(-)53
2.	Direct Expenditure	114.75	151.11	(+) 32	242.63	198.39	(-) 18	409.54	227.38	(-) 44	469.57	238.92	(-) 49	589.02	250.23	(-)58
3.	Indirect Expenditure	29.57	47.04	(+) 59	17.91	57.10	(+) 219	72.43	58.91	(-) 19	24.54	76.5	(+) 212	29.73	93.39	(+)214
4.	Profit (+)/Loss (-)	1.50	1.92	(+) 28	21.09	18.90	(-) 10	3.01	21.56	(+) 616	44.99	15.28	(-) 66	110.77	12.44	(-)89

Appendix 2.1.2

Statement showing non-fixation of targets

(Referred to in Paragraph 2.1.18.2)

(₹ in crore)

Year	Targets fixed	Value of work done during the year	Percentage of value of work done to targets
2007-08	145.82	198.31	136
2008-09	271.86	271.82	100
2009-10	484.99	302.34	62
2010-11	541.16	319.30	59
2011-12	732.94	342.46	47

Appendix 2.2.3

Statement showing details of projects executed in the State under ASIDE Scheme

(Referred to in paragraph 2.2.10.1)

(₹ in lakh)

S. No.	Name of the project	Objective of the project	Implementing Agency	Estimated cost of the project	Revised estimated cost of the project	Funds released by the State Government	Funds released by the Government of India	Expenditure incurred on the project	Targeted date of completion of the project	Actual date of completion of the project
State component projects										
1.	Common Facility Centre at Nowshera, Srinagar	To provide facility of carpet washing, wood seasoning and pulp making	J&K Handicrafts (S&E) Corporation Ltd.	136.00	213.30 (including cost of land valuing ₹ 14.10 lakh)	40.80 (including cost of land valuing ₹ 14.10 lakh)	172.50	213.30	2004-05	2004-05
2.	Inland Container Depot, Bari Brahmana, Jammu	To provide facility for containerized cargo for importers/exporters	J&K SIDCO Ltd.	706.60	838.88 (including cost of existing infrastructure valuing ₹ 325.98 lakh)	458.26 (including cost of existing infrastructure valuing ₹ 325.98 lakh)	380.62	821.79	2002-03	2003-04
3.	Software Technology Park, Bari Brahmana, Jammu	To provide plug and play facility to IT entrepreneurs for exporting software	J&K SIDCO Ltd.	588.50	588.50	45.00 (in form of existing infrastructure)	493.50 (ASIDE) 50.00 (DIT,GOI)	314.36	2004-05	2004-05
4.	Export Development Centre, Srinagar	To provide the facility of introducing new innovative products to the buyers and to arrange buyer/seller meetings for handicrafts products	Directorate of Handicrafts	451.94	727.97	-	727.97	770.61	2006-07	July 2009

5.	Inland Container Depot, Rangreth, Srinagar	To provide facility for containerized cargo for importers/exporters	J&K SIDCO Ltd.	1460.00	1460.00 (including cost of land valuing ₹ 132.00 lakh)	132.00 (including cost of land valuing ₹ 132.00 lakh)	1328.00	983.05	2010-11	Under progress
6.	Export Oriented Handloom Development Project, Samba, Jammu		J&K Handloom Development Corporation Ltd.	610.00	610.00	-	610.00	610.00	2008-09	Project shown as completed but actually under progress
7.	IT Tower, Rangreth, Srinagar	To provide plug and play facility to IT entrepreneurs for exporting software	JK SIDCO Ltd.	532.72	532.72	12.00 (cost of land)	520.72	95.53	January 2013	Under progress
8.	Testing and Quality Certification Centre, Nowshera, Srinagar	To provide for standardization and hallmarking of genuine Kashmir Pashmina	Crafts Development Institute	444.25	444.25 (excluding 2 *kanals* of land provided by State Government	Cost of land	444.25	180.04	2011-12	Under progress
Central component projects										
1.	Common Effluent Treatment Plant, Lassipora, Pulwama	Effluent treatment plant at Lassipora	J&K SIDCO Ltd.	642.00	642.00	322.00	320.00	642.00	2011-12	Project completed
2.	International Trade Centre, Pampore, Kashmir	Trade facilitation	Directorate of Handicrafts	4000.00	4000.00	1000.00	3000.00	-	-	Project not taken up.
3.	Trade Facilitation Centre, Poonch	Development of TFC	D.C. Poonch	200.00	200.00	-	200.00	200.00	-	Project now being funded by MHA, GOI.
4.	Trade Facilitation Centre, Salamabad, Uri.	Development of TFC	J&K SIDCO Ltd.	300.00	300.00	-	300.00	-	-	Project now being funded by MHA, GOI.

GLOSSARY

Glossary of abbreviations

Abbreviation	Expanded form
ASIDE	Assistance to States for Developing Export Infrastructure and Allied Activities
ATN	Action Taken Note
BOD	Board of Directors
BOQ	Bill of Quantities
CAG	The Comptroller and Auditor General of India
CDI	Crafts Development Institute
CIB	Critical Infrastructure Balancing
COPU	Committee on Public Undertakings
CRF	Central Road Fund
CWC	Central Warehousing Corporation
DOC	Department of Commerce
DPR	Detailed Project Report
EDC	Export Development Centre
EOHDP	Export Oriented Handloom Development Project
EPIP	Export Promotion Industrial Park
EPZ	Export Promotion Zone
GCET	Government College of Engineering and Technology
GDP	Gross Domestic Product
GOI	Government of India
ICD	Inland Container Deport
IICT	Indian Institute of Carpet Technology
IUT	Inter Unit Transfer
J&KHDC	Jammu and Kashmir Handloom Development Corporation Limited
J&KPCC	Jammu and Kashmir Projects Construction Corporation Limited
MBBC	Multi Barrel Box Culvert
MIS	Management Information System
MOU	Memorandum of Understanding
NA	Nodal Agency

PAG	Principal Accountant General
PSUs	Public Sector Undertakings
PTR	Power Transformer
R&B	Roads and Buildings
SIDCO	State Industrial Development Corporation Limited
SLEPC	State Level Export Promotion Committee
STP	Software Technology Park
UC	Utilization Certificate
VAT	Value Added Tax
YOY	Year-over-Year