Report of the
Comptroller and Auditor General
Of India

for the year ended March 1999

Government of Jammu and Kashmir

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Preface

This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

Chapters I and II of this Report respectively contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 1999.

The remaining chapters deal with the findings of performance audit and audit of transactions in the various departments including the Public Works and Irrigation Departments and audit of Stores and Stock, Revenue Receipts, Government Companies and Statutory Corporations, Autonomous Bodies and departmentally run commercial undertakings.

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 1998-99 as well as those which had come to notice in earlier years but could not be dealt with the previous Reports; matters relating to the period subsequent to 1998-99 have also been included wherever necessary.

Overview

This Report includes two chapters containing the observations of Audit on the Finance and Appropriation Accounts of the State for the year 1998-99 and 6 other chapters comprise 12 audit reviews and 33 paragraphs dealing with the results of audit of selected schemes, programmes and of the financial transactions of the Government and its commercial and trading activities. A synopsis of the major findings is set out in this overview:

1. Financial position of the State Government

- The accounts of the State Government closed with a revenue deficit of Rs 400 crore during 1998-99 against revenue surplus of Rs 451 crore in the preceding year indicating deterioration in the financial condition of the State Government.

- During 1998-99, total revenue receipts and expenditure of the State Government were Rs 4509 crore and Rs 4909 crore respectively. The revenue receipts of the State Government decreased from Rs 4642 crore in 1997-98 to Rs 4509 crore in 1998-99 (decrease 3 *per cent*). The relative share of revenue receipts in total receipts also decreased from 90 *per cent* in 1997-98 to 80 *per cent* in 1998-99.

- While revenue raised by the State Government from its own resources viz. tax and non-tax revenue constituted only 16 *per cent* of the total revenue receipts of the State, State's share of union taxes and duties and grants-in-aid from the Central Government formed 84 *per cent* of the revenue receipts of the State Government.

- Tax revenue receipts increased by 81 *per cent* from Rs 242 crore to Rs 437 crore during the period 1994-99. Non-tax revenue also increased (80 *per cent*) from Rs 157 crore to Rs 283 crore during the corresponding period.

- Revenue expenditure of Rs 4909 crore during 1998-99 accounted for 89 *per cent* of the total expenditure of the State Government and increased by 17 *per cent* during 1998-99 over the level of 1997-98.

- Capital expenditure decreased from Rs 1000 crore in 1996-97 to Rs 596 crore in 1998-99 and represented only 11 *per cent* of the total expenditure during 1998-99 against 24 *per cent* in 1996-97. The capital expenditure was incurred mainly on Economic and Social Services.

- The quality of expenditure incurred by the State Government was not satisfactory as share of Plan expenditure in Revenue expenditure and Capital expenditure in total expenditure during 1998-99 was low (11 *per cent*). Besides, non-remunerative expenditure on incomplete projects and amount of wastages, diversion of funds and unspent balances under deposits amounted to Rs 138 crore and Rs 105 crore respectively.

- The State Government was resorting increasingly to borrowings to bridge the resource gap. The total liabilities of the State Government including public debt, small savings and provident funds, reserve funds and deposits increased from Rs 4602 crore at the end of 1994-95 to Rs 6835 crore at the end of 1998-99-an increase of 49 *per cent*. This was on account of 88 *per cent* growth in internal debt, 36 *per cent* growth in loans and advances from the Central Government and 42 *per cent* growth in other liabilities.

- Fiscal Deficit, representing net borrowings of the State Government, increased by 675 *per cent* from Rs 136 crore in 1994-95 to Rs 1054 crore in 1998-99. During 1998-99, 38 *per cent* of these borrowed funds were applied for meeting Revenue Deficit and 62 *per cent* for meeting capital expenditure and for giving loans for developmental and other purposes.

- Interest payments during 1998-99 amounted to Rs 665 crore and formed 14 *per cent* of the revenue expenditure. The interest payments, however, did not include interest on provident fund accounts of the State Government employees as the same had not been assessed by the Finance Department.

- Out of loans advanced to various bodies like Municipalities, Corporations and Government servants, etc., the details of which are kept by the Accountant General, recovery of Rs 35.76 crore was in arrears as on 31 March 1999.

- While the Government was raising high cost borrowings from the market, its investment in the Statutory Corporations, Government companies, etc. was unremunerative and fetched insignificant returns. 15 Government companies, in which Government had invested Rs 134 crore as on March 1999, were running under loss and their accumulated loss aggregated Rs 88 crore up to 31 March 1999.

- Arrears of revenue amounting to Rs 748 crore in respect of Sales Tax, State Excise receipts, passenger tax and forestry were pending collection at the end of March 1999. Arrears outstanding for more than five years constituted 72 *per cent* of total arrears. The arrears of revenue under Sales Tax and Excise had registered increase of 27 *per cent* during 1998-99 over the level of 1997-98.

- Temporary loans/overdrafts obtained by the Government from the Jammu and Kashmir Bank for meeting its ways and means requirements had increased by 110 *per cent* from Rs 1888 crore to Rs 3974 crore during 1994-99. At the end of March 1999, temporary loan of Rs 1108 crore was outstanding against Rs 1004 crore at the end of March 1998. This indicated that the State was increasingly dependent on overdrafts/temporary loans and consequently was paying considerable amounts towards interest. During 1998-99 interest paid on overdrafts amounted to Rs 148 crore.

- The Balance from Current Revenue (BCR) of the State Government was negative throughout the period 1994-99 indicating its dependency on Central assistance for meeting Plan expenditure. Increasing fiscal deficit with reduction in capital expenditure and adverse financial indicators point to decline in growth inducing planned expenditure. The Government had opted easier choice of borrowing to that of expanding its tax resource base, thereby increasing the liability of interest payments substantially.

(Paragraphs: 1.1 to 1.11)

2. Appropriation Audit and Control over expenditure

- Against the provision of Rs 7483 crore during 1998-99, the expenditure aggregated Rs was as a result of savings of Rs 1494 crore in 26 grants and 4 appropriations and excess of Rs 4185 crore in 6 grants and one appropriation. The excess 10174 crore resulting in excess expenditure of Rs 2691 crore. The excess expenditure was mainly due to clearance of overdrafts obtained by the State Government from Jammu and Kashmir Bank for meeting its ways and means requirements and for purchase of power. The excess expenditure requires regularisation by the State Legislature. Besides, excess expenditure of Rs 18582 crore incurred up to 1997-98 was not regularised by the State Government.

- In 5 grants, there was an excess expenditure of Rs 267 crore despite obtaining supplementary grants of Rs 72 crore, reflecting not only failure of the departments to assess realistically the requirement of additional funds even at the fag end of the year but also inadequacy of the system monitoring the trend of expenditure under various heads of account.

- In 26 cases relating to 18 grants and one appropriation, supplementary provision of Rs 335 crore remained wholly unutilised as the final expenditure of Rs 1871 crore was even less than the original grant of Rs 2264 crore. In 8 other cases relating to 4 grants and 3 appropriations, supplementary grant of Rs 291 crore exceeded the requirement of Rs 144 crore resulting in saving of Rs 147 crore. Large scale savings indicated over-estimation of requirement of funds.

- Persistent excesses of more than 10 *per cent* over the budget provision were noticed in case of 3 departments viz. Public Health Engineering (Capital voted), Fisheries and Finance.

- There were substantial persistent savings during the last 3 years in the departments of Food Supplies and Transport, Public Health Engineering

(Revenue voted), Planning and Development, Home, Ladakh Affairs, Education and Irrigation and Flood Control.

- During 1998-99, expenditure of Rs 520 crore was incurred under 43 major heads of account without provision for such expenditure having been made in the budget. Expenditure without provision reflected financial indiscipline and lax monitoring system of the concerned departments.

(Paragraphs: 2.1 to 2.10)

3. Performance review of schemes/departments

3.1 Rural Employment Generation Programme

With a view to combating unemployment and under-employment in rural and backward areas of the Country a number of rural employment generation programmes were launched by Government of India. Two such schemes viz., JRY and EAS were implemented in the State from June 1989 and October 1993 respectively. While the former was to generate gainful employment for people living below poverty line, the latter was to provide assured gainful employment for 100 days each year to two adult members in the age group 18-60 of each needy family. Test-check of records relating to the implementation of the schemes revealed following points:

- Failure of the State Government to ensure utilisation of available funds, release its share of funds in full, contain administrative expenses within prescribed ceiling and utilise fully funds meant for SCs and STs, resulted in short release of Central assistance of Rs 5.05 crore during 1995-96 to 1998-99.

- Rupees 2.91 crore were diverted for activities outside the purview of the programme during the period 1994-99.

- A proper system for ensuring that only people living below poverty line and registered persons were assisted under the wage employment programme had not been devised.

- The claim of providing wage employment of 781.16 lakh mandays during 1992-93 to 1998-99 was found to be fictitious as it was not based on muster rolls and had been arrived at notionally by dividing assumed wage component by the minimum wage rate.

- **The programmes were executed through *mates* (contractors) in violation of guidelines which resulted in payment of a part of funds (estimated: Rs 31.91 crore) as profits to them.**

- Rupees 6.25 crore meant for special innovative projects were spent on various rural development and poverty alleviation programmes which were not innovative but replication of works executed under various poverty alleviation programmes.

- The programmes were neither monitored properly nor was their impact on employment generation evaluated.

(Paragraph: 3.1)

3.2 Integrated audit of Horticulture Department

Horticulture is the core of the agricultural economy of the State. Horticulture Department was established with the basic objective of improving productivity and quality of fruit production by bringing more areas under horticultural crops in the State, diversification of fruit plantation, providing genetically improved plants through introduction of advanced technologies and plant protection machinery and equipment. Test-check of records of the Department revealed following points:

- The Department had failed to obtain adjustment accounts in respect of Rs 6.89 crore advanced to various departments, corporations, private agencies and district officers during the period 1980-99 for obtaining supplies, services and for payment of relief, up to June 1999.

- Despite ban imposed by the State Government in January 1994 on appointment of daily wagers, 114 such appointments were made by the Department. Besides, 115 officials were also promoted and allowed higher post/pay irregularly without being cleared by Departmental Promotion Committee.

- The horticulture development in the State was characterised by low productivity despite implementation of productivity improvement programmes. Average yield of apple crop per hectare declined from 11 tonnes in 1993-94 to 10 tonnes in 1996-97.

- Implementation of the scheme for expansion of areas in dry land and hilly areas had not been properly planned as no project reports were prepared nor were physical checks of works executed conducted. Absence of irrigation facilities resulted in high mortality rate of plants ranging between 42 and 100 *per cent* in 805 test-checked projects.

- Physical verification of 36525 polygreen houses reportedly set up during the period 1994-99 had not been conducted. Further, purchase of UVS film at higher rates resulted in avoidable extra expenditure of Rs 21.90 lakh during 1995-96 and 1996-97.

- Due to unplanned and haphazard execution of various irrigation works at Indo Bulgarian Farm, Zainpora, wasteful expenditure of Rs 57.44 lakh was incurred and the Department also suffered loss of Rs 40.13 lakh due to dryage of 5.50 lakh exotic plants.

- Purchase of cardboard boxes without assessing their requirement resulted in locking up of Rs 1.66 crore for over 2 years.

(Paragraph: 3.2)

3.3 Nutritional Support to Primary Education

Nutritional Support to Primary Education, a Centrally sponsored scheme, was launched by Government of India in August 1995 with the objective of universalisation of Primary Education and improving the nutritional status of students. The scheme was introduced (October 1995) initially in 48 blocks of the State and extended subsequently to all the 121 blocks by 1996-97. Test-check of records relating to implementation of the scheme for the period 1995-96 to 1998-99 revealed following points:

- Failure of the Department to plan properly and establish institutional arrangements for effective implementation of the Scheme, resulted in non-achievement of the envisaged objectives of universalisation of Primary Education and improvement in the nutritional level of students.

- Due to shortfall (Jammu Division: 22 to 100 *per cent*: Kashmir Division: 51 to 84 *per cent*) in lifting of foodgrains from FCI during 1995-96 to 1998-99, the State could not avail Central assistance in the shape of 3.74 lakh quintals of rice valued at Rs 31.76 crore.

- Cooked meals were served during 1995-96 and 1996-97 for 28 to 53 days and 29 to 117 days respectively against minimum available school days of 120 and 200, while foodgrains in lieu of cooked meals were provided for one to seven months during 1997-98. Neither any cooked meal nor the foodgrains in lieu thereof were provided during the year 1998-99.

- Targets for increasing enrolment, attendance and reducing dropout rate of students at primary level were not fixed.

- Implementation of the scheme was neither monitored nor was its performance evaluated by Government either through its own agencies or through an independent agency.

(Paragraph 3.3)

3.4 Public Distribution System

The Public Distribution System is a major instrument for providing essential commodities to the economically weaker sections of the society at affordable prices at their door steps. Revamped Public Distribution System was introduced by the Central Government in June 1992 for covering arid, hilly, drought prone, and remote areas, that had concentration of poor families. Targeted Public Distribution System was introduced in June 1997 with special focus on people living below poverty line. A test-check of the implementation of the programme in the State during 1992-93 to 1998-99 revealed the following points:

- Beneficiaries like pensioners, Government employees and businessmen with income above poverty line were also covered under TPDS.
- According to the study by the Evaluation and Statistics Department, 31 *per cent* of the identified BPL families covered in sample in Pulwama district had not received ration at subsidised rates at any stage. Further, 23 *per cent* and 5 *per cent* of the sample of families in Pulwama and Baramulla districts, had income above poverty line limits.
- The Food and Supplies Department had not prepared its *pro forma* accounts since 1973-74 and 1975-76 in respect of Jammu and Kashmir Divisions respectively with the result its financial position/working results were not ascertainable.
- Temporary advances of Rs 158.28 crore paid by the Department to various officials for meeting day to day expenses were outstanding against them as of March 1999 for want of adjustment accounts.
- There was shortfall in lifting of foodgrains against Central allotment with shortfall ranging between 10 and 70 *per cent* in case of rice and 33 and 71 *per cent* in case of wheat during 7 years ending 1998-99.
- The Department had failed to monitor the movement of foodgrains which facilitated mis-appropriation of 2904.21 quintals of foodgrains valued at Rs 27.36 lakh by the carriage contractors between April 1991 and September 1998.
- Avoidable expenditure of Rs 5.12 crore was incurred by the Food and Supplies Department during the period 1992-99 on transportation of foodgrains from Food Corporation of India godowns located in other locations/district Headquarters despite availability of stocks in the godowns of these districts.

- Improper management of stores led to foodgrains valued at Rs 3.29 crore becoming sub-standard due to prolonged storage.

(Paragraph: 3.4)

3.5 Working of District and Sub-District Hospitals

Jammu and Kashmir State had 14 district and 54 sub-district hospitals as of April 1999 for rendering preventive, curative and promotional health care services to the people. Test-check of the records relating to the working of these hospitals revealed following points:

- Norms for regulating expenditure on various components of health care had not been fixed. As a result the overall share of expenditure on drugs, diet, linen, machinery and equipment declined from 25 *per cent* in 1994-95 to 20 *per cent* in 1998-99 in spite of increase of 28 *per cent* in number of patients registered.

- Due to non-recovery of token admission charges from outdoor and indoor patients and irregular waiver of medical investigation charges, the Department suffered a revenue loss of Rs 2.08 crore during 1994-95 to 1998-99.

- Occupancy of the beds in hospitals ranged between 24 and 95 *per cent* in 7 district hospitals and between 2 and 87 *per cent* in 15 sub-district hospitals during the period 1994-99.

- As against 428 posts of doctors including specialists sanctioned for 22 test-checked hospitals, only 390 doctors were in position as of March 1999.

- 19 x-ray plants purchased (1993-94: 8; 1995-96: 11) at a cost of Rs 45.33 lakh had not been installed/commissioned as of May 1999. Further, German Aid Commodity Equipment valued at Rs 67.13 lakh was also lying idle in district hospitals since July 1995.

- Eighty one *per cent* of sub-standard drugs (cost: Rs 93.74 lakh) purchased during the period November 1993 to May 1998 were administered to patients due to belated receipt of test reports from the Drug Controller.

(Paragraph: 3.5)

3.6 Integrated Child Development Services

Integrated Child Development Services programme was taken up for implementation in the State in 1975 with the objective of improving nutritional and health status of children in the age group of 0-6 years and enhancing capability of mothers to look after normal health and nutritional needs of children. Test-check of records relating to implementation of the Scheme revealed following points

- Utilisation of Central assistance was poor with shortfall ranging between 19 and 52 *per cent*. This was mainly due to release of 30 to 61 *per cent* of the assistance at the fag end of financial years 1992-93 to 1996-97.

- Funds allotted by the State Government during the period 1992-99 were sufficient for providing nutrition for 180 to 220 days only against the requirement of 300 days per year. In 24 *per cent* of 7399 test-checked *Anganwari* centres nutrition was provided for less than 120 days per year.

- A proper system of assessing the nutritive value and fitness of food articles provided to the beneficiaries had not been established as a result of which adulterated and infected nutrition items were provided to children in *Anganwari* centres of Srinagar project in 1996-97.

- Irregular appointment of 166 *Anganwari* workers was made during 1998-99 on the recommendations of Minister/Minister of State for Social Welfare in contravention of the prescribed procedure. 37 *per cent* of the *Anganwari* workers in 16 test-checked project were non-locals.

- Against 54 vehicles supplied by the Central Government during the period 1992-98 only 27 vehicles were accounted for in the books of the Department.

(Paragraph: 3.6)

3.7 Flood Control Projects in Kashmir

Kashmir valley has an extensive network of streams and nallahs, which merge with river Jehlum, the only river in the valley. The towns and villages on its banks are prone to recurring floods which inundate vast tracts of land. Review of the flood control measures undertaken by the Irrigation and Flood Control Department revealed following points:

- Expenditure on establishment in the Department was high and ranged between 44 and 270 *per cent* of the expenditure on works during the period from 1992-93 to 1998-99 as against 7.5 *per cent* chargeable on execution of non-departmental works.

- Despite expenditure of Rs 98.32 crore on flood control measures during 1992-93 to 1998-99, the problem of recurring floods in the valley persisted.

This was mainly due to absence of an integrated and co-ordinated approach and piece meal approach to the problem.

- A comprehensive approach for tackling the problem of floods was not undertaken and Master Plan for flood control formulated in 1959 was implemented only partially. Works envisaged to be executed as per Master Plan in the reaches from Sangam to Padshahibagh and Padshahibagh to Wullar Lake were largely ignored. Instead sporadic, isolated, petty and spot works were mainly executed.

- Despite time over-run of 12 years, shortfall in achievement of physical targets in 4 projects ranged between 4 and 100 *per cent*. Delay in achievement of targets was mainly due to utilisation of funds meant for identified projects on spot works.

- Local purchase of store and stock material aggregating Rs 3.66 crore was made unauthorisedly by four divisions during 1993-94 to 1998-99 after splitting purchase orders to avoid tendering and approval of the competent authority.

(Paragraph: 4.1)

3.8 Management of Stores and Stock in Public Health Engineering Divisions

The main function of the Public Health Engineering Department is to provide drinking water facilities in the State. Stores like pipes, pumps, spares etc. required for execution, running and maintenance of various water supply schemes are procured centrally through two Mechanical and Procurement divisions of the Department on the basis of requirements of user PHE divisions. Cement, steel and explosives are, however, acquired from the stores and Procurement Department. Test-check of the records of the PHE divisions revealed following points:

- Stores valued at Rs 1.71 crore and procured between 1980 and 1993 were lying unutilised in 13 executing divisions at the end of March 1999. Further, out of stores purchased at a cost of Rs 40.24 crore during 1993-94 to 1998-99, material valued at Rs 16.14 crore was lying unutilised as of March 1999.

- Funds aggregating Rs 24.57 crore advanced by various user divisions for procurement of stores were locked up with the two procurement divisions under Deposits Accounts at the end of March 1999. Of these, advances aggregating Rs 1.04 crore made by 4 divisions were locked up for periods ranging between 5 to 11 years.

- Local purchase of stores for Rs 3.45 crore was made by 15 executing divisions (Kashmir: 9; Jammu: 6) out of 19 test-checked during 1993-94 to 1998-99 in violation of Government instructions and after splitting purchase orders to avoid tendering and approval of higher authorities.

- Shortage of stores valued at Rs 81.74 lakh detected in physical verification of stores during the years 1993-94 to 1998-99 had not been investigated/recovered.

- Material worth Rs 21.75 lakh lifted from procurement divisions between 1993-94 and 1997-98 had not been accounted for by 6 user divisions.

(Paragraph: 5.1)

3.9 Working of Computer Centre in Sales Tax Department

A review on the working of computer centre in Sales Tax Department revealed:

- There was no system of internal check at the centre to ensure reliability/correctness of the database generated. The import bills were short accounted for in the database during 1994-95 to 1997-98 to the extent of Rs 806.38 crore. The possibility of this amount having remained outside the ambit of assessment and taxation could not be ruled out.

- Due to lack of effective monitoring system, processed data was sent to assessing authorities after delay of 1 to 4 years. The delayed submission resulted in concealment of turnover of Rs 9.45 crore in 33 test-checked cases.

- 1677 doubtful cases for which data for the years 1990-91 to 1996-97 was requisitioned by the assessing authorities, information was not provided in 385 cases (23 *per cent*) with the result assessment in these doubtful cases was made without corroborative supporting information.

- Due to incorrect entry of data and its outflow from the centre, the credibility of data generated was doubtful. Incorrect flow of data resulted in turnover of Rs 90.99 lakh escaping assessment in two test-checked cases.

(Paragraph: 6.4)

3.10 Jammu and Kashmir State Financial Corporation (Disbursement of Loan and Recovery Performance)

The Jammu and Kashmir State Financial Corporation was established in December 1959 under the State Financial Corporations Act, 1951 with the main objective of providing financial assistance to industries, hotels, etc for acquiring capital assets for industrial development in the State. A review of disbursement of loans and recovery performance of the Corporation revealed the following points:

- The Corporation utilised its available funds for repayment/redemption of loans and bonds it had raised from IDBI/SIDBI and only 7 *per cent* of the available funds were utilised for disbursement of loan to entrepreneurs during 1994-95 to 1998-99.

- Defective project appraisals and financing of non-credit worthy units by the Corporation resulted in doubtful recovery of Rs 4.64 crore in five test-checked cases.

- The Corporation failed to obtain sufficient security from the assisted units to safeguard its financial interests with the result it suffered a loss of Rs 3.60 crore in 18 test-checked units which were taken over by it during 1993-99.

- Percentage of amounts recovered to amounts due for recovery during the years 1994-95 to 1998-99 was very poor and decreased from 10 in 1994-95 to 6 in 1998-99. Consequently, overdues increased from Rs 232.13 crore at the end of 1993-94 to Rs 452.80 crore at the end of 1998-99.

- The Corporation failed to effectively monitor and conduct post-disbursement inspections of the units assisted by it. This resulted in recovery of Rs 3.59 crore becoming doubtful.

- Delay in initiating action by the Corporation under Section 29 of the State Financial Corporations Act, resulted in non-recovery of Rs 2.29 crore in 5 test-checked cases.

(Paragraph: 7.11)

[illegible] State Road Transport Corporation (Material Management and Inventory Control)

With a view to promote an adequate, efficient, economical and co-ordinated system of road transport services in the State, the Jammu and

Kashmir State Road Transport Corporation was established in September 1976. As substantial portion of the expenditure of the Corporation is incurred on procurement of High Speed Diesel Oil, stores and spares etc, there is a need for proper control on their acquisition, inspection, accounting, storage, consumption, etc. A test-check of the records relating to material management and inventory control of the Corporation for the five-year period up to 1998-99 revealed the following points.

- The expenditure on material consumed per kilometer ranged between Rs 3.60 and Rs 4.49 during 1994-95 to 1997-98. This was higher than the All India average of Rs 3.03 per kilometer in 1995-96.

- The Corporation purchased spares from the local market in piecemeal which constituted. 69 to 74 *per cent* of total purchase of spares made during 1995-99. Purchases in piecemeal defeated the objective of purchase of material of good quality at economical/competitive rates.

- The average distance covered per litre of fuel ranged between 3.58 kilometre and 3.67 kilometre during 1995-99 against the prescribed consumption norm of 2.56 kilometre to 4.81 kilometre per litre. This resulted in excess consumption of 3.96 lakh litres of fuel valued at Rs 35.12 lakh.

- Change of engine oil before the standard run of 18000 kilometres resulted in excess consumption of 26 thousand litres of engine oil valued at Rs 11.23 lakh during the period 1994-99.

(Paragraph: 7.12)

3.12 Srinagar Development Authority

Srinagar Development Authority was constituted in 1971 with the objective of promoting and securing planned development of the local area of the Srinagar City. Test-check of records of the Authority revealed following points:

- Failure to finalise the Master Plan of the Srinagar City by the Authority resulted in unplanned development of the city, besides wasteful expenditure of Rs 14.65 lakh on preparation of draft plan and base maps. Preparation of Master Plan (1995-2011) entrusted to Town Planning Organisation in March 1997 had not been finalised.

- The Authority had not compiled its accounts beyond 1980-81 despite hiring the services of a firm of chartered accountants. As a result, the financial position of the body was not ascertainable.

- Utilisation of available funds ranged between 21 and 72 *per cent* only during the years from 1994-95 to 1998-99. As a result the unspent balances increased from Rs 1.65 crore to Rs 16 crore during the period.

- Shortfall in revenue realisation vis-a-vis budget estimates ranged between 38 and 85 *per cent* (revenue) and 23 and 59 *per cent* (capital) during the years from 1994-95 to 1998-99. This was mainly due to non-recovery of Rs 3.64 crore on account of arrears of rent, allotment of shops at reduced premium and non-allotment of shops/plots.

- Out of 842 plots developed at a cost of Rs 3.43 crore and 40 shops constructed up to March 1996, 534 plots and 6 shops only had been allotted to the beneficiaries resulting in locking up of capital of Rs 1.25 crore over 3 years.

- Unplanned execution and subsequent abandoning of the work on construction of a shopping complex at Doodganga in 1992 resulted in unfruitful expenditure of Rs 1.39 crore.

(Paragraph: 8.4)

4. Other points of interest

(a) Civil

- Failure of the Revenue Department to maintain properly its records and consequent irregular allotment of land to a co-operative society for construction of a State Level Co-operative Training College coupled with poor monitoring and supervisory control of the Agriculture Production Department resulted in wasteful expenditure of Rs 15.44 lakh and locking up of Rs 14.34 lakh for over 3 years.

(Paragraph: 3.7)

- Failure to verify from the Forest Department the genuineness of transit passes of timber utilised by a contractor on developmental works resulted in irregular payment of Rs 13.81 lakh and loss of revenue to the State by way of illicit felling of trees.

(Paragraph: 3.8)

- Incorrect estimation of the casting equipment and material required for upgradation of Dental College/Hospital laboratory resulted in idle investment of Rs 14.69 lakh for over 7 years.

(Paragraph: 3.12)

- Failure to ensure completion of the mechanical and electrical components of the Dabar Potha Lift Irrigation scheme resulted in unfruitful expenditure of Rs 81.03 lakh on the scheme, besides denial of the irrigation facilities to the people of the area.

(Paragraph: 4.2)

- Failure of the Department to install Automatic Voltage Regulators resulted in idle investment of Rs 64.40 lakh. Of this, expenditure of Rs 4.46 lakh incurred on the purchase of Regulators could have been avoided had contract been finalised within the validity period of the offer of the supplier.

(Paragraph: 4.3)

- Failure of the Department to procure cement from Jammu & Kashmir Cements as per standing instructions of the Government and as per requirements resulted in avoidable expenditure of Rs 6.08 lakh.

(Paragraph:4..4)

- Unplanned execution of water supply scheme for augmenting water supply to Kargil town, resulted in infructuous expenditure of Rs 17.85 lakh and avoidable expenditure of Rs 33.50 lakh on supply of water through tankers.

(Paragraph: 4.5)

- There was time over-run of 9 years and cost over run of Rs 25.94 crore in completion of stage II and III of the Chenani Hydel Project which was due to poor project planning/execution, poor rate of funding and changes in the scope of work.

(Paragraph: 4.6)

- Investment of Rs 23.70 lakh made by Power Development Department on purchase of computers and other accessories was rendered idle due to non-availability of trained staff. The envisaged objective of effective management through improved information system was also not realised.

(Paragraph: 4.7)

- Delay in finalisation of tenders resulted in extra avoidable expenditure of Rs 21 lakh on purchase/installation of equipment for Sewa Hydel Project Stages II and III, Basohli.

(Paragraph: 4.8)

- Expenditure of Rs 23.98 lakh incurred on Water Supply Scheme, Langrial during the period 1986-95 was rendered unfruitful as it failed within three years of its commissioning and subsequent inaction of the Department in reviving it.

(Paragraph: 4.9)

- Advance payment of Rs 14.66 lakh to a non-Governmental organisation without drawing up an agreement resulted in irregular retention of Rs 9.16 lakh by the organisation for over six years and delay in installation of hand pumps.

(Paragraph: 4.10)

- Failure of the Public Health Engineering Department to take concerted action as provided under rules resulted in non-recovery of cost of shortages of store and stock articles aggregating Rs 7.43 lakh for 11 years

(Paragraph:5.2)

- Purchase of reflective caution/sign boards and bitumen by the Roads and Buildings Department in excess of requirements resulted in blockage of Rs 8.85 lakh for over 8 years and loss of Rs 4.83 lakh.

(Paragraph:5.3)

(b) Financial assistance to Local Bodies and Others

- During the year 1998-99, grants aggregating Rs 121.85 crore were paid by Government to various local bodies/ authorities in the State. 7307 utilisation certificates in respect of grants aggregating Rs 611.50 crore paid up to the year 1997-98 were awaited as of 30 September 1999.

(Paragraph: 8.1)

- Accounts of 33 bodies were in arrears for periods ranging between one year and 27 years as on 30 September 1999. The main defaulters were Srinagar/Jammu Development Authorities, Board of Secondary Education, Srinagar, District Rural Development Agency Doda, Jammu and Kashmir State Council for Science and Technology, Sher-i-Kashmir Medical Institute Trust Soura and Institute of Management of Public Administration, etc.

(Paragraph: 8.1(b))

- Grants aggregating Rs 20.27 crore meant for developmental and beneficiary oriented schemes remained unutilised with 6 bodies/authorities whose accounts were audited during 1998-99. Further, advances aggregating Rs 0.95 crore paid during 1996-98 by 4 bodies/agencies to contractors/suppliers were outstanding as of March 1999.

(Paragraph: 8.3.1 (i and ii))

(c) Revenue Receipts

Test-check of records of Sales Tax, State Excise, Stamps and Registration fees, Forest and other departments conducted during 1998-99 revealed under assessments, short levy, loss of revenue etc. of Rs 15.29 crore in 122 cases. The concerned departments accepted underassessments, etc. of Rs 56.37 lakh in 9 cases pertaining to 1998-99 and earlier years.

(Paragraph: 6.2)

- Departure from the established policy of determining minimum reserve licence fee for country liquor by adding 10 *per cent* to the licence fee realised in the earlier year, by the State Government during 1997-98, resulted in revenue loss of Rs 26.37 crore on notional basis to the State Government during the years 1997-98 and 1998-99.

(Paragraph: 6.4)

- Country liquor worth Rs 54.69 lakh was not accounted for in the records by the Department.

(Paragraph: 6.5)

- Inadmissible exemption granted to a dealer by the assessing authority from payment of tax resulted in non-recovery of Sales Tax and interest of Rs 8.88 lakh.

(Paragraph: 6.8)

- Failure of the Assessing Authority to detect the suppression of purchases by a dealer resulted in short levy of Sales Tax, interest and penalty of Rs 9.38 lakh.

(Paragraph: 6.11)

- Non-raising of bills by the Forest Department against State Forest Corporation resulted in non-recovery of royalty amounting to Rs 24.34 lakh.

(Paragraph: 6.14)

(d) Government companies and Statutory Corporations

The State had 19 Government companies (including 1 subsidiary) and 4 Statutory Corporations under its control as on 31 March 1999. Audit of two Statutory Corporations viz. Jammu and Kashmir State Forest Corporation and Jammu and Kashmir State Electricity Board set up under the respective Acts of the State Legislature had not been entrusted to the Comptroller and Auditor General of India.

- The total Government investment in 21 Public Sector Undertakings by way of equity and long term loans was Rs 1223 crore as on 31 March 1999 against Rs 878.56 crore as on 31 March 1998.

- In the total investment of Government companies, 26 *per cent* comprised equity capital and 74 *per cent* loans at the end of March 1999.

- The total investment in the two Statutory Corporations at the end of March 1999 was Rs 374.29 crore, against Rs 305.28 crore in the previous year.

(Paragraph: 7.2)

- Out of 19 Government companies and 2 Statutory corporations, only one company had finalised its accounts for the year 1998-99. The accounts of other companies and the two Statutory corporations was in arrears for the periods ranging between one to 16 years.

(Paragraph: 7.5)

- Only three companies had earned a profit of Rs 85.48 crore at the end of 1998-99, while 13 companies suffered an aggregate loss of Rs 19.35 crore as per their latest finalised accounts. Remaining three companies had not finalised their accounts as of October 1999. The two Statutory corporations had also incurred losses which accumulated to Rs 60.50 crore as per their latest accounts.

(Paragraph: 7.6)

Overview

- Failure of the Jammu and Kashmir Projects Construction Corporation to remit the sales tax dues on sale and consumption of goods/material in time resulted in avoidable payment of interest of Rs 11.22 lakh.

(Paragraph: 7.13)

- Failure of the Jammu and Kashmir Cable Car Corporation to purchase water storage tanks after observing required purchase formalities and assessing immediate requirement resulted in loss of R 2.08 lakh and locking up of Rs 1.64 lakh for over nine years.

(Paragraph: 7.14.1)

- Failure of the Jammu and Kashmir Cable Car Corporation to execute an agreement specifying terms of payment with the firm for supply of pre-fabricated huts resulted in unfruitful/avoidable expenditure of Rs 23.10 lakh.

(Paragraph: 7.14.3)

An Overview of the Finances of the State Government

1.1 Introduction

This Chapter discusses the financial position of the State Government, based on an analysis of the information contained in the Finance Accounts. The analysis is based on the trends in the receipts and expenditure, the quality of expenditure and the financial management of the State Government. In addition, the Chapter also contains a section on the indicators of financial performance of the State Government, based on certain ratios and indices developed on the basis of the information contained in the Finance Accounts and other information furnished by the State Government. Some of the terms used in this Chapter are described in *Appendix*-1 to the Report.

1.2 Financial position of the State

In the Government accounting system, comprehensive accounting of the fixed assets like land and buildings, owned by the Government is not done. However, the accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by it. The following table gives an abstract of such liabilities and assets as on 31 March 1999, compared with the corresponding position as on 31 March 1998.

(Rupees in crore)

As on 31 March 1998	Liabilities		As on 31 March 1999
1654.98	**Internal Debt**		**1857.28**
533.02	Market Loans bearing interest	576.58	
80.07	Loans from LIC	133.07	
38.17	Loans from other Institutions	39.40	
1003.72	Overdrafts from Jammu and Kashmir Bank	1108.23	
3231.08	**Loans and Advances from Central Government**		**3420.18**
959.51	Pre-1984-85 Loans	863.77	
828.53	Non-Plan Loans	903.00	
1386.64	Loans for State Plan Schemes	1570.28	
3.53	Loans for Central Plan Schemes	27.38	
49.86	Loans for Centrally Sponsored Plan Schemes	52.74	
3.01	Ways and Means Advances	3.01	
0.37	**Contingency Fund**		**0.38**
971.41	**Small Savings, Provident Funds, etc.**		**1080.08**
59.38	**Deposits**		**48.46**
353.51	**Reserve Funds**		**429.33**
495.29	**Remittance Balances**		**968.94**
2162.13	**Surplus on Government Account:**		**1762.01**
	Revenue Surplus as on 31 March 1998	2162.13	
	Revenue Deficit for 1998-99	400.12	
8928.15	**Total**		**9566.66**

(Rupees in crore)

As on 31 March 1998	Assets		As on 31 March 1999
8064.46	**Gross Capital Outlay on Fixed Assets**		**8660.90**
324.76	Investments in shares of Companies, Corporations, etc.	341.53	
7739.70	Other Capital Outlay	8319.37	
411.35	**Loans and Advances-**		**469.07**
	Industry and Minerals	214.74	
	Transport	135.81	
	Agriculture and Allied Activity	30.95	
	Other Development Loans	56.56	
	Loans to Government servants and Miscellaneous loans	31.01	
4.17	**Advances**		4.57
285.46	**Suspense and Miscellaneous Balances**		208.64
162.71	**Cash-**		223.48
19.56	Cash in Treasuries and Local Remittances	19.90	
20.19	Deposits with Bank	66.26	
4.03	Departmental Cash Balance	(-) 3.78[√]	
0.12	Permanent Advances	0.12	
37.39	Cash Balance Investments	37.39	
81.42	Reserve fund investments	103.59	
8928.15	**Total**		9566.66

While the liabilities consist mainly of external and internal borrowings, loans and advances from Government of India, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances. It would be seen from the table that while the liabilities grew by 15 *per cent*, the assets grew by only 7 *per cent* during 1998-99, mainly as a result of revenue deficit of Rs 400 crore during 1998-99 against revenue surplus of Rs 451 crore during 1997-98 on the Government account. This shows an overall deterioration in the financial condition of the Government.

1.3 Sources and application of funds

1.3.1 The following table depicts the sources and applications of funds during the current and the preceding year.

[√] **Minus balance is due to more adjustment/receipts than disbursements**

(Rupees in crore)

1997-98	S.No.	Sources	1998-99
4641.79	1.	Revenue receipts	4509.14
3.82	2.	Recoveries of Loans and Advances	4.29
338.15	3.	Increase in Public Debt other than Overdraft	286.89
253.61	4.	Increase in overdraft	104.51
	5.	Net receipts from Public Accounts:	
123.91		Increase in Small Savings, Provident funds, etc.	108.67
(-) 58.07		Net effect of Deposits and Advances	(-) 11.32
58.61		Increase in Reserve funds	75.82
(-) 128.81		Net effect of Suspense and Miscellaneous transactions	76.81
(-) 84.21		Net effect of Remittance transactions	473.65
(-) 0.03	6.	Net effect of contingency fund transactions	0.01
5148.77		**Total**	**5628.47**
		Application:	
4190.52	1.	Revenue expenditure	4909.26
67.22	2.	Lending for development and other purposes	62.00
889.47	3.	Capital expenditure	596.44
1.56	4.	Increase in closing cash balance	60.77
5148.77		**Total**	**5628.47**

The main sources of funds include the revenue receipts of the Government, public debt and the receipts in the Public Account. These are applied mainly on revenue and capital expenditure and lending for developmental purposes. It would be seen that the revenue receipts constitute the most significant source of funds for the State Government. The relative share of revenue receipts decreased from 90 *per cent* in 1997-98 to 80 *per cent* during 1998-99. The share of receipts from the public debt (excluding overdraft obtained from Jammu and Kashmir Bank) also went down from 7 *per cent* to 5 *per cent.* On the other hand receipts from Public Account increased significantly as their share went up by 13 *per cent* in 1998-99 over the corresponding share in 1997-98. This was mainly due to increase in remittance transactions and small savings. The outstanding on account of overdrafts obtained from Jammu and Kashmir Bank increased from Rs 1004 crore at the end of 31 March 1998 to Rs 1108 crore at the end of 31 March 1999.

1.3.2 The application of funds was mainly on revenue expenditure, share of which not only went up from 81 *per cent* in 1997-98 to 88 *per cent* in 1998-99, but also remained higher than the share of the revenue receipts (80 *per cent*) in the total receipts of the State Government. This led to the Revenue Deficit. The increase in revenue expenditure and consequent Revenue Deficit was attributable mainly to Rs 510 crore spent on the award of Vth Pay Commission. A notable feature during the year was that the share of capital expenditure and that of lending for developmental purposes decreased from 17 *per cent* and 1.31 *per cent* in 1997-98 to 11 *per cent* and 1.11 *per cent* in 1998-99 respectively.

1.4 *Financial operations of the State Government*

1.4.1 Exhibit-I gives the details of the receipts and disbursements made by the State Government. The revenue expenditure (Rs 4909 crore) during the year exceeded the revenue receipts (Rs 4509 crore) resulting in a revenue deficit of Rs 400 crore. The revenue receipts comprised tax revenue (Rs 437 crore), non-tax revenue (Rs 283 crore), State's share of Union taxes and duties (Rs 1212 crore) and grants-in-aid from the Central Government (Rs 2577 crore). The main sources of tax revenue were state excise (47 *per cent)*, sales tax (41 *per cent)* and taxes on vehicles (4 *per cent)*. Non-tax revenue came mainly from sale of power (37 *per cent*), forestry and wild life (16 *per cent*) and interest receipts (31 *per cent*).

1.4.2 The capital receipts comprised Rs 4 crore from recoveries of loans and advances and Rs 4542* crore from public debt. Against this, the expenditure was Rs 596 crore on capital outlay, Rs 62 crore on disbursement of loans and advances and Rs 4150• crore on repayment of public debt. The receipts (exclusive of remittance transactions) in the Public Account amounted to Rs 947 crore, against which disbursements of Rs 697 crore were made. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was an increase of Rs 61 crore in the cash balance from Rs 162 crore at the beginning of 1998-99 to Rs 223 crore at the end of the year.

1.4.3 The financial operations of the State Government, pertaining to its receipts and expenditure are discussed in the succeeding paragraphs with reference to the information contained in Exhibit-I and the time series data for the five year period from 1994-95 to 1998-99, presented in the following table.

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* Includes receipts of Rs 3974 crore on account of overdraft/temporary loans.

• Includes repayment of overdraft/temporary loans of Rs 3869 crore.

Time series data on State Government Finances

(Rupees in crore)

	1994-95	1995-96	1996-97	1997-98	1998-99
Part A. Receipts					
1. Revenue Receipts	3088	3319	3223	4642	4509
(a)Tax Revenue	242 (8)	292 (9)	294 (9)	368 (8)	437 (10)
Sales Tax	93 (38)	113 (39)	119 (41)	145 (40)	180 (41)
State Excise	123 (51)	146 (50)	135 (46)	162 (44)	206 (47)
Taxes on vehicles	9 (4)	12 (4)	12 (4)	15 (4)	18 (4)
Stamps and Registration fees	6 (2)	6 (2)	8 (3)	11 (3)	12 (3)
Land Revenue	2 (1)	1 (*)	1 (*)	*	3 (1)
Taxes on goods and passengers	5 (2)	8 (3)	12 (4)	24 (6)	5 (1)
Other Taxes	4 (2)	6 (2)	7 (2)	11 (3)	12 (3)
(b)Non Tax Revenue	157 (5)	204 (6)	183 (6)	248 (5)	283 (6)
(c)State's share in Union taxes and duties	563 (18)	644 (19)	626 (19)	834 (18)	1212 (27)
(d)Grants in aid from GOI	2126 (69)	2179 (66)	2120 (66)	3192 (69)	2577 (57)
II. Capital Receipts	2659	3455	4495	5174	5195
Market Borrowings	1952 (74)	2864 (83)	3520 (78)	4001 (77)	4095 (79)
Loans and advances from GOI	275 (10)	219 (6)	448 (10)	514 (10)	446 (9)
Other Receipts (Public Account)	432 (16)	372 (11)	527 (12)	659 (13)	654 (12)
Part B. Expenditure (Revenue and Capital)	3189	3544	4129	5080	5505
I. Revenue Expenditure	2526 (79)	2815 (79)	3129 (76)	4191 (82)	4909 (89)
Plan	261 (10)	296 (11)	348 (11)	445 (11)	526 (11)
Non Plan	2265 (90)	2519 (89)	2781 (89)	3746 (89)	4383 (89)
General Services	1071 (42)	1007 (36)	994 (32)	1717 (41)	1907 (39)
Economic Services	742 (30)	1009 (36)	1206 (38)	1426 (34)	1761 (36)
Social Services	713 (28)	799 (28)	929 (30)	1048 (25)	1241 (25)
Interest Payments	629 (24)	367 (13)	211 (7)	815 (19)	665" (14)
Arrears of Revenue** (% Tax & Non Tax rev. receipt)	NA	NA	295 (62)	359 (58)	748 (104)
Fin. Assistance to local bodies etc.	57	61	74	88	122
Loans and advances given	37	45	51	67	62
II. Capital Expenditure	663 (21)	729 (21)	1000 (24)	889 (18)	596 (11)
Plan	604 (91)	708 (97)	924 (92)	908 (102)	608 (102)
Non Plan	59 (9)	21 (3)	76 (8)	(-) 19 (-2)	(-) 12 (-2)^
General Services	13 (2)	21 (3)	25 (3)	39 (4)	35 (6)
Economic Services	478 (72)	526 (72)	734 (73)	614 (69)	351 (59)
Social Services	172 (26)	182 (25)	241 (24)	236 (27)	210 (35)
Part C. Deficits					
Revenue deficit (-)/Surplus (+)	(+) 562	(+) 505	(+) 94	(+) 451	(-) 400
Fiscal Deficit	136	267	953	502	1054
Budgetary Deficit (-)/Surplus (+)	(-) 139	(+) 18	(+) 92	(-) 252	(-) 44
Part D. Other data					
Ways and Means Advances (days)	365	365	365	365	365
Interest on Ways and Means advances	104	74	91	117	148
GSDP	5543	6758	7293	8371	9609
Outstanding Debt (year end)	3503	3687	4294	4886	5277
• Outstanding guarantees (year end)	275	599	583	602	573
Number of incomplete projects (Rs 50 lakh and above)	NA	NA	24	27	33
Capital blocked in incomplete projects	NA	NA	149	132	138

(Percentage in brackets)

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* Negligible

" Does not include interest on State provident fund accounts for the year 1998-99.

** Figures of arrears of revenue available under Sales Tax, and State Excise, Passenger Tax and Forestry and Wild Life only.

^ Minus expenditure, is due to more receipts and the recoveries of Rs 29 crore.

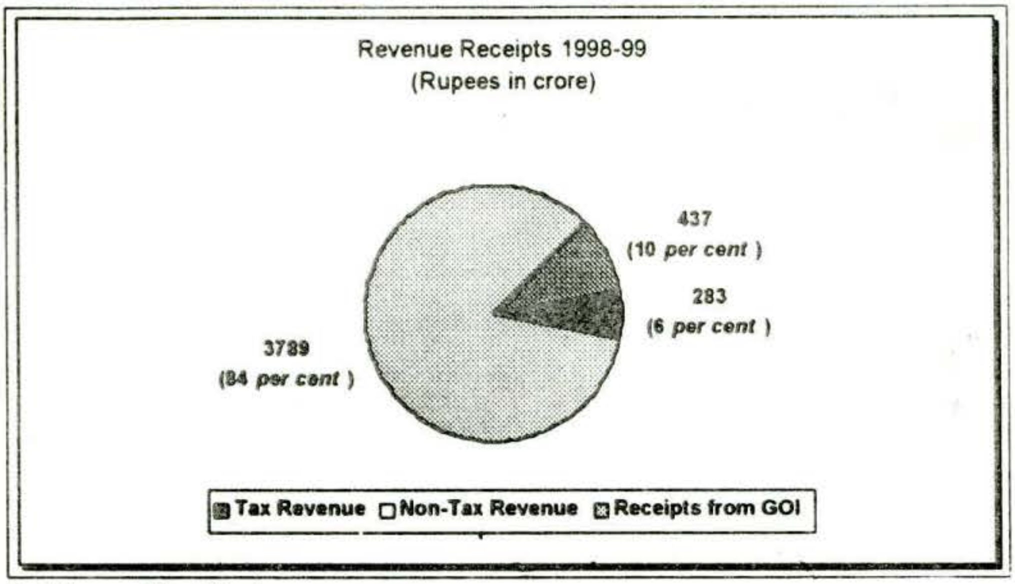
ø Minus expenditure, is due to more receipts and the recoveries of Rs 26 crore.

• Excludes information in respect of private firms and 7 co-operative societies.

1.5 *Revenue receipts*

1.5.1 The revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India (GOI). Their relative shares are shown in Figure-I. The revenue receipts grew at an average annual rate of 9 *per cent* during 1994-95 to 1998-99.

Figure-I



1.5.2 *Tax Revenue*

These constituted 10 *per cent* of the revenue receipts. Their share increased from 8 *per cent* in 1997-98 due to healthy growth in Sales Tax (24 *per cent)* and State Excise receipts (27 *per cent)*. The relative contribution of Sales Tax has gone up from 38 *per cent* in 1994-95 to 41 *per cent* in 1998-99, while that of State Excise has come down from 51 *per cent* to 47 *per cent* during the corresponding period. The contribution of other constituents of the tax revenue viz., Taxes on Vehicles, Stamps and Registration Fees, Land Revenue and Taxes on Goods and Passengers was insignificant at 12 *per cent* and their relative shares remained more or less stagnant during 1994-95 to 1998-99.

1.5.3 *Non-tax revenue*

Non-tax revenue constituted 6 *per cent* of the revenue receipts of the Government and its share in the revenue receipts increased by 1 *per cent* from 5 *per cent* in 1997-98.

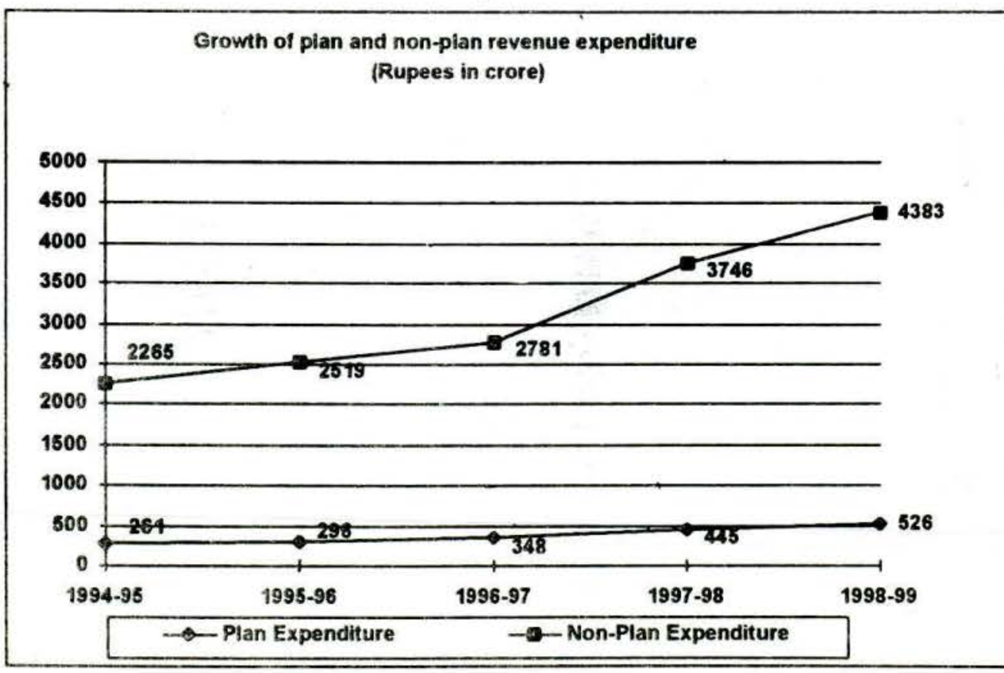
1.5.4 State's share of Union taxes and duties and grants-in-aid from the Central Government

The State's share of Union taxes (excise duties and income and corporation taxes) increased by 45 *per cent* during the year, while grants-in-aid from the Central Government decreased by 19 *per cent*. As a percentage of revenue receipts (both taken together) these declined from 87 *per cent* in 1994-95 to 84 *per cent* during 1998-99. This was mainly due to decrease (from 69 *per cent* to 57 *per cent)* in the share of grants-in-aid which offset increase in the State's share of Union taxes and duties (from 18 to 27 *per cent*).

1.6 Revenue expenditure

1.6.1 Revenue expenditure accounted for most (89 *per cent)* of the expenditure of the State Government and increased by 17 *per cent* during 1998-99. A major constituent (61 *per cent)* of the revenue expenditure was salary which amounted approximately to Rs 3000 crore during 1998-99. Figure 2 shows the trend of growth of plan and non-plan expenditure during the period 1994-99. Trend analysis shows that the Government has made no effort to arrest the growth in the revenue expenditure, which has risen from 79 *per cent* in 1994-95 to 89 *per cent* of expenditure in 1998-99.

Figure-2



1.6.2 Sector-wise analysis shows that the expenditure on Economic Services increased by 137 *per cent* (from Rs 742 crore in 1994-95 to Rs 1761 crore in 1998-99). The expenditure on General Services and Social Services increased by 78 and 74 *per cent* respectively. As a proportion of total expenditure, while the share of Economic Services increased from 30 *per cent* in 1994-95 to 36 *per cent* in 1998-99, those of General Services correspondingly decreased from 42 *per cent* to 39 *per cent* and Social Services from 28 *per cent* to 25 *per cent*.

1.6.3 Interest payments

Interest payments ranged between Rs 211 crore and 815 crore during the period from 1994-95 to 1998-99. During 1998-99, total interest payments amounted to Rs 665 crore. This did not, however, include interest on State provident fund accounts. Maintenance of State provident fund accounts was taken over by the State Government in April 1986. Accordingly, the State Finance Department was to consolidate every month the figures of debits and credits and payment of interest on provident fund accounts during the year. The State Government failed to intimate liability on this account either on actual or adhoc basis. Thus, the liability of the Government with regard to interest payable on provident fund accounts could not be reflected in the accounts. This affected the transparency of the accounts of the Government. Further details about interest payments are discussed in the section on financial indicators.

1.6.4 Financial assistance to local bodies and other institutions

The quantum of assistance provided in the shape of grants to different local bodies etc., during the period of four years ending 1998-99 was as follows:

(Rupees in crore)

	1995-96	1996-97	1997-98	1998-99
Universities and educational institutions	27.11	35.54	40.89	29.38
Housing and Urban Development	24.43	27.40	34.26	77.46
Agriculture and Allied Activities	4.87	6.28	6.19	6.64
Art and Culture	2.21	2.60	4.02	3.11
Health and Medical Education	0.37	1.26	0.66	0.44
General Administration	0.64	0.03	1.25	1.53
Other Institutions	1.33	0.96	1.03	3.29
Total	**60.96**	**74.07**	**88.30**	**121.85**
Percentage of growth over previous year	**8**	**22**	19	**38**
Assistance as a percentage of revenue expenditure	**2**	**2**	2	**2**

While financial assistance to universities and educational institutions decreased by 28 *per cent*, there was a pronounced increase of 126 *per cent* in the assistance provided to urban development bodies.

1.6.5 Loans and Advances by the State Government

The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, co-operatives, non-governmental institutions, etc., for developmental and non-developmental activities. The position for the last five years as given below shows that during 1994-99 repayments were insignificant as a result of which the closing balance increased steadily by 82 *per cent*.

(Rupees in crore)

	1994-95	1995-96	1996-97	1997-98	1998-99
Opening balance	223.67	258.26	300.52	347.96	411.36
Amount advanced during the year	36.91	45.01	50.79	67.22	62.00
Amount repaid during the year	2.32	2.75	3.35	3.82	4.29
Closing balance	258.26	300.52	347.96	411.36	469.07
Net addition	34.59	42.26	47.44	63.40	57.71
Interest received	0.46	0.28	0.22	0.51	0.44

Out of loans advanced to various bodies like Municipalities, Corporations as also to Government servants etc., the detailed accounts of which were kept by the Accountant General, recovery of Rs 35.76 crore (principal: Rs 30.77 crore and interest: Rs 4.99 crore) was in arrears as on 31 March 1999. In respect of loans etc., the detailed accounts of which are maintained by the departmental officers, Rs 418.60 crore were outstanding as on 31 March 1999. Information regarding overdue amounts in arrears had not been furnished by any of the controlling officers, though called for repeatedly.

1.7 Capital expenditure

1.7.1 Capital expenditure leads to asset creation. In addition, financial assets arise from investments made by Government in institutions or undertakings outside Government i.e. public sector undertakings, corporations, etc. and from loans and advances. While the capital expenditure increased from Rs 663 crore in 1994-95 to Rs 1000 crore in 1996-97, it decreased to Rs 889 crore in 1997-98 and further to Rs 596 crore in 1998-99. As a result, its share in the total expenditure decreased from 24 *per cent* in 1996-97 to 11 *per cent* in 1998-99. Time series data (Paragraph: 1.4.3) shows that most of the capital expenditure has been on Economic and Social Services under the Plan sector. The share of expenditure on these services, however, declined from 98 *per cent* in 1994-95 to 94 *per cent* in 1998-99, with corresponding increase in expenditure on General Services.

1.8 Quality of Expenditure

1.8.1 Government spends money for different activities ranging from maintenance of law and order and regulatory functions to various developmental activities. Government expenditure is broadly classified into Plan and non-Plan and Revenue and Capital. While Plan and Capital expenditures are usually associated with asset creation, the non-Plan and Revenue expenditures are identified with expenditure on establishment, maintenance and services. By definition, therefore, in general, the Plan and Capital expenditure can be viewed as contributing to the quality of expenditure.

1.8.2 Wastage in public expenditure, diversion of funds and funds blocked in incomplete projects would also impinge negatively on the quality of expenditure. Similarly, funds transferred to Deposit heads in the Public Account, after booking them as expenditure, can also to be considered as a negative factor in judging the quality of expenditure; when expenditure is not actually incurred in the concerned year it should be excluded from the figures of expenditure for that year. Another possible indicator is the increase in the expenditure on General Services, to the detriment of Economic and Social Services.

1.8.3 The following table lists out the trend in these indicators:

S. No.		1994-95	1995-96	1996-97	1997-98	1998-99
1.	Plan expenditure as a percentage of					
	-Revenue expenditure	10	11	11	11	11
	-Capital expenditure	91	97	92	102	102
2.	Capital expenditure (*per cent*)	21	21	24	18	11
3.	Expenditure on General Service (*per cent*)					
	-Revenue	42	36	32	41	39
	-Capital	2	3	3	4	6
4.	Amount* of wastage and diversion of funds detected during test audit (Rupees in crore)	22.00	70.64	51.52	47.84	103
5.	Non-remunerative expenditure on incomplete projects (Rupees in crore).	NA	NA	149	132	138
6.	Unspent balances under deposit heads, booked as expenditure at the time of their transfer to the deposit head* (Rupees in crore).	NA	0.10	27.42	7.21	2.28

It would be seen that the share of Plan expenditure on the revenue side did not register any increase and remained stagnant at 11 *per cent* during

* **Based on Audit Reports**
* **On the basis of test-audit.**

1995-96 to 1998-99. The share of capital expenditure, however, declined from 21 to 11 *per cent* during the period 1994-99. The expenditure on General Services, at the same time, declined on the revenue side though it increased on capital side.

1.9 Financial Management

The issue of financial management in the Government should relate to efficiency, economy and effectiveness of its revenue and expenditure operations. Subsequent chapters of this Report deal extensively with these issues especially as they relate to the expenditure management in the Government, based on the findings of the test audit. Some other parameters, which can be segregated from the accounts and other related financial information of the Government, are discussed in this Section.

1.9.1 Investments and returns

Investments are made out of the capital outlay by the Government to promote developmental, manufacturing, marketing and social activities. The sector-wise details of investments made and the number of concerns involved were as under:

(Rupees in crore)

S.No	Sector	Number of concerns	Amount invested	
			As on 31 March 1999	During 1998-99
1.	Statutory Corporations	3	132.82	5.25
2.	Government Companies	19	185.58	2.91
3.	Joint Stock Companies	1	0.29	Nil
4.	Co-operative Institutions	10	22.84	5.49
	Total	**33**	**341.53**	**13.65**

The details of investments made and returns thereon during the last five years by way of dividend were as follows:

Year	Investments	Returns	Percentage of returns on investment	Rate of interest on Government borrowings (*per cent*)
	(Rupees in crore)			
1994-95	259.67	Nil	-	19.75 and 20.75
1995-96	272.25	Nil	-	16
1996-97	287.47	Nil	-	14 to 20.75
1997-98	324.76°	Nil	-	12.30 to 20.75
1998-99	341.53	1.23‡	0.36	12.30 to 21.42

° Excludes Rs 3.12 crore invested in Jammu and Kashmir State Tourism Development Corporation in 1997-98 but adjusted in 1998-99.

‡ Pertaining to year 1997-98 and credited to Government account in 1998-99.

Thus, while the Government was raising high cost borrowings from the market, its investments in Government companies, etc. fetched insignificant returns. As on 31 March 1999, 15 of the Government companies in which Government had invested Rs 133.64 crore, were incurring losses and the accumulated loss was Rs 88.39 crore up to March 1999.

1.9.2 Financial results of Irrigation works

The financial results of 6 irrigation projects with a capital outlay of Rs 75.43 crore at the end of March 1999 showed that revenue realised during 1998-99 (Rs 8.57 lakh) from these projects was only 0.11 *per cent* of their capital outlay which was not sufficient even to cover the direct working expenses (Rs 2.04 crore). After meeting the working expenses (direct and indirect) of Rs 2.51 crore, these schemes suffered a loss of Rs 2.42 crore. The loss was substantial (Rs 1.60 crore) in the Ranbir Canal Project.

1.9.3 Incomplete Projects

As of 31 March 1999, there were 33 incomplete projects costing Rs 50 lakh and above in which Government investment of Rs 138 crore were blocked. The position had deteriorated as compared to the position on 31 March 1998. This showed that the Government was spreading its resources thinly, which failed to yield any return.

1.9.4 Arrears of revenue

The arrears of revenue in respect of Sales Tax, State Excise, Passenger Tax and Forestry and Wild Life pending collection increased by 108 *per cent* during the year. The outstanding arrears registered an increase during the preceding three years and their percentage increased from 62 *per cent* of the revenue raised during 1996-97 to 104 *per cent* during 1998-99. Of the arrears of Rs 748 crore as of March 1999, Rs 536 crore (72 *per cent*) were pending for more than five years, and pertained mainly to Forestry and Wild Life (Rs 293 crore) and Sales Tax (Rs 226.17 crore). The overall deterioration in the position of arrears of revenue showed a slackening of the revenue efforts of the State Government.

1.9.5 Ways and means advances and overdraft

The State Government obtains temporary loans from Jammu and Kashmir Bank Limited for its ways and means requirements. The maximum limit up to which temporary loans can be obtained at any time, as approved by the Government of India, is Rs 3 crore. Interest at 15.81 *per cent* was charged on temporary loans up to Rs 550 crore and beyond that at 21.42 *per cent* during 1998-99.

The position of temporary loans taken by the State Government and interest paid thereon during the period from 1994-95 to 1998-99 was as under:

(Rupees in crore)

Year	Temporary loans/overdrafts		Interest paid
	Taken during the year	Outstanding at the end of the year	
1994-95	1887.84	608.52	104.29
1995-96	2737.94	608.01	74.39
1996-97	3454.74	750.11	90.65
1997-98	3861.84	1003.72	117.48
1998-99	3973.61	1108.23	148.22

The temporary loans (gross) obtained had increased from Rs 1887.84 crore in 1994-95 to Rs 3973.61 crore in 1998-99 constituting an increase of 110 *per cent*. The Government is increasingly depending on overdraft/temporary loans for meeting its ways and means requirements and is consequently paying considerable amounts towards interest.

1.9.6 Deficit

1.9.6.1 Deficits in Government account represent gaps between the receipts and expenditure. The nature of deficit is an important indicator of financial management in the Government. Further, the ways of financing the deficit and the application of the funds raised in this manner are important pointers to the fiscal prudence of the Government. The discussion in this Section relates to three concepts of deficits viz., revenue deficit, fiscal deficit and primary deficit.

1.9.6.2 The revenue deficit is the excess of revenue expenditure over revenue receipts. The fiscal deficit is the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid and certain non-debt capital receipts). The State had a revenue deficit of Rs 400 crore during 1998-99. Fiscal deficit of the State increased from Rs 136 crore in 1994-95 to Rs 1054 crore in 1998-99. The following table gives a break-up of the deficits in Government account.

(Rupees in crore)

Consolidated Fund				
Receipt	Amount		**Disbursement**	Amount
Revenue	4509	**Revenue deficit: 400**	Revenue	4909
Misc. capital receipt			Capital	596
Recovery of loans and advances	4		Loans and advances disbursement	62
Sub-Total	4513	**Gross fiscal deficit: 1054**	Sub-Total	5567
Public debt	4542		Public debt repayments	4150
Total	**9055**	**A: Deficit in Consolidated fund: 662**		**9717**
Public Account				
Small savings, Provident Funds etc.	241		Small savings, Provident Fund etc.	132
Deposits and advances	453		Deposits and advances	464
Reserve funds	77		Reserve funds	2
Suspense and Misc.	176		Suspense and Misc.	99
Remittances	12073		Remittances	11600
Total Public Account	**13020**	**B: Deficit in CF financed by Public Account: 723**		**12297**
Increase in cash balance (B-A): 61				

The table shows that the revenue deficit of Rs 400 crore was met by borrowings. The fiscal deficit of Rs 1054 crore was financed by net proceeds of the public debt (Rs 392 crore) and partly by the surplus (Rs 723 crore) from Public Account. The fiscal deficit of the State has shown an increasing trend over the last 5 years ending 1998-99.

1.9.6.3 Application of the borrowed funds (Fiscal Deficit)

The fiscal deficit represents total net borrowings of the Government. These borrowings are applied for meeting the revenue deficit, for incurring Capital expenditure and for giving loans to various bodies for developmental and other purposes. The relative proportions of these applications would indicate the financial prudence of the State Government and also the sustainability of its operations because continued borrowing for revenue expenditure would not be sustainable in the long run. The following table shows the position in respect of the Government of Jammu and Kashmir for the year 1998-99.

Ratio of	1998-99
Revenue Deficit to Fiscal Deficit	0.38
Capital Expenditure to Fiscal Deficit	0.57
Net loans to Fiscal Deficit	0.05
Total	1.00

It would be seen that borrowed funds have been utilised for meeting the revenue expenditure. Therefore, if the revenue expenditure is not controlled capital formation would be adversely affected.

1.9.7 Guarantees given by the State Government

Guarantees are given by the State Government for due discharge of certain liabilities like repayment of loans, share capital, etc., raised by the statutory corporations, Government companies and co-operative institutions, etc., and payment of interest and dividend by them. These constitute contingent liabilities of the State. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limits within which Government may give guarantees on the security of the Consolidated Fund of the State. The guaranteed sums outstanding at the end of each year during 1994-99 are indicated in the time series data (Paragraph: 1.4.3). No amount was received as guarantee commission during 1998-99 and Rs 2.01 crore was outstanding for recovery from 9 Government Companies and 4 Statutory Corporations as on 31 March 1999.

1.10 Public debt

1.10.1 The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of Legislature of the State. No law had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government as at the end of the last five years are given in the following table.

(Rupees in crore)

Year	Internal debt	Loans and advances from Central Government	Total public debt	Other liabilities*	Total liabilities	Ratio of debt to GSDP♦
1994-95	985.55	2517.58	3503.13	1099.10	4602.23	0.63
1995-96	1102.44	2584.41	3686.85	1142.08	4828.93	0.55
1996-97	1265.70	3028.61	4294.31	1259.77	5554.08	0.59
1997-98	1654.98	3231.09	4886.07	1384.30	6270.37	0.58
1998-99	1857.28	3420.18	5277.46	1557.87	6835.33	0.55

During the five-year period, the total liabilities of the Government had grown by 49 *per cent*. This was on account of 88 *per cent* growth in internal debt, 36 *per cent* growth in loans and advances from Government of India and 42 *per cent* growth in other liabilities. During 1998-99, Government

* These comprise small savings, provident funds, reserve funds and deposits.

♦ Figure of GSDP for 1998-99 is provisional and based on average growth for earlier years 1994-98.

borrowed Rs 62.50 crore in the open market at interest rates of 12.15 to 14 *per cent* per annum.

1.10.2 The amount of funds raised through Public debt, repayments there against and net funds available are given in the following table:

(Rupees in crore)

		1994-95	1995-96	1996-97	1997-98	1998-99
1.	**Internal debt**					
	Receipts during the year	1952	2864	3520	4001	4095
	Repayments (principal and interest	2152	2863	3472	3768	4244
	Net funds available (*per cent*)	(-) 200	1	48 (1)	233 (6)	(-) 149
2.	**Loans and advances from GOI**					
	Receipt during the year	275	219	448	514	446
	Repayment (principal and interest)	669	404	4	880	556
	Net funds available (*per cent*)	(-) 394	(-) 185	444 (99)	(-) 366	(-) 110
3.	**Other liabilities**					
	Receipt during the year	492	448	609	753	772
	Repayment	363	405	491	628	598
	Net funds available (*per cent*)	129 (26)	43 (10)	118 (19)	125 (17)	174 (23)

It would be seen that the outstanding debt has been increasing year after year, the outgo of funds is likely to increase.

1.11 Indicators of financial performance

1.11.1 A Government may either wish to maintain its existing level of activity or increase its level of activity. For maintaining its current level of activity, it would be necessary to know how far the means of financing are sustainable. Similarly, if Government wishes to increase its level of activity it would be pertinent to examine the flexibility of the means of financing. Finally, Government's vulnerability increases in the process. State Governments increase the level of their activity principally through Five-Year Plans which translate to Annual Development Plans provided for in the State Budget. Broadly, it can be stated that non-plan expenditure represents Government maintaining the existing level of activity, while plan expenditure entails expansion of activity. Both these activities require resource mobilisation for increasing Government's vulnerability. In short, financial health of a Government can be described in terms of sustainability, flexibility and vulnerability. These terms are defined as follows:

(i) Sustainability

Sustainability is the degree to which Government can maintain existing programmes and meet existing creditor requirements without increasing the debt burden.

(ii) Flexibility

Flexibility is the degree to which a Government can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt burden.

(iii) Vulnerability

Vulnerability is the degree to which a Government becomes dependent on and therefore vulnerable to sources of funding outside its control or influence, both domestic and international.

(iv) Transparency

There is also the issue of financial information provided by the Government. This consists of annual Financial Statement (Budget) and the Accounts. As regards the budget the important parameters are timely presentation indicating the efficiency of the budgetary process and accuracy of the estimates. As regards accounts, timeliness in submission, for which milestones exist and completeness of accounts would be the principal criteria.

1.11.2 Information available in Finance Accounts can be used to work out Sustainability, Flexibility and Vulnerability that can be expressed in terms of certain indices/ratios. The list of such indices/ratios is given in the *Appendix*-1. Exhibit II indicates the behaviour of these indices/ratios over the period from 1994-95 to 1998-99. The implications of these indices/ratios for the state of the financial health of the State Government are discussed in the following paragraphs.

1.11.3 The behaviour of the indices/ratios is discussed below:

(i) Balance from current revenues (BCR)

BCR is defined as revenue receipts minus plan assistance grants and non-plan revenue expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting plan expenditure. Exhibit-II shows that the State Government has had negative BCRs in all the five years up to 1998-99 suggesting that Government had to depend entirely on borrowings for meeting its plan expenditure.

(ii) Interest ratio

The higher the interest ratio the lower would be the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts. In case of Jammu and Kashmir, the ratio has moved in the range of 0.04 to 0.18. The high ratio also indicates constraint on the development expenditure of the Government due to increase in the expenditure on account of interest payments. The ratio increased substantially during 1997-98 and declined marginally in 1998-99. A rising interest ratio has adverse implications on sustainability since it indicates a rising interest burden.

(iii) Capital outlay/capital receipts

This ratio would indicate the extent to which the capital receipts are utilised for capital formation. A ratio of less than one would not be sustainable in the long term in as much as it indicates that a part of the capital receipt is being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments are being made from revenue surplus as well. The trend analysis of this ratio would throw light on the fiscal performance of the State Government. A rising trend would mean an improvement in the performance. In the case of Jammu and Kashmir, the ratio was more than one, during the years 1994-95 to 1997-98 which was mainly due to revenue surplus during these years. During 1998-99 the ratio was below one due to revenue deficit indicating deterioration in the financial health of the State Government.

(iv) Tax receipts vs Gross State Domestic Product (GSDP)

Tax receipts consist of State taxes and State's share of Central taxes. The latter can also be viewed as Central taxes paid by people living in the State. Tax receipts suggest sustainability. But the ratio of tax receipts to GSDP would have implications for flexibility as well. While a low ratio would imply that the Government can tax more, and hence it possessed flexibility, a high ratio would indicate that the limits of this source had been reached. Time series analysis shows that in case of Jammu and Kashmir the ratio of total tax and State tax receipts to GSDP remained constant during the period 1994-95 to 1998-99 on an average of 0.14 and 0.04 respectively. This ratio suggests that while the State Government had the option to raise more resources through taxation, it chose the easier option of borrowing to meet its increasing revenue and fiscal deficits.

(v) Return on Investment (ROI)

The ROI is the ratio of the earnings to the capital employed. A high ROI suggests sustainability. The table (Exhibit-II) presents the return on Government's investments in statutory corporations, Government companies, joint stock companies and co-operative institutions. It shows that no returns have accrued to Government during the period 1994-95 to 1997-98 while in 1998-99 these were negligible (0.36 *per cent*) indicating investments in these Public Sector Undertakings were used to finance their loss rather than generate revenue.

(vi) Capital repayments vs Capital borrowings

The ratio would indicate the extent to which the capital borrowings are available for investment. The lower the ratio, the higher would be the availability of capital for investment. In case of Jammu and Kashmir Government this ratio has been in the range of 0.14 to 1.06 during the last 5 years. The availability of borrowed funds for capital investment, compared to 1996-97 decreased significantly in 1997-98 and 1998-99.

(vii) Debt vs Gross State Domestic Product (GSDP)

The GSDP is the total internal resource base of the State Government, which can be used to service debt. An increasing ratio of Debt/GSDP would signify a reduction in the Government's ability to meet its debt obligations and therefore increasing risk for the lender. In case of Jammu and Kashmir, this ratio has moved in the range of 0.55 and 0.63 during the last 5 years which was a negative trend, suggesting greater vulnerability.

(viii) Revenue deficit/Fiscal deficit

Revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. Evidently, the higher the revenue deficit, the more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings, the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure. Thus, a higher ratio would imply that the debt burden is increasing without adding to the repayment capacity of the State. During 1998-99, 38 *per cent* of the borrowings were applied to revenue expenditure which reflected an unfavourable trend.

(ix) Primary deficit vs Fiscal deficit

Primary deficit is the fiscal deficit minus interest payments. In other words, the lower the ratio the lower would be the availability of funds for capital investment. During 1998-99, the position deteriorated since interest payments accounted for 63 *per cent* of the fiscal deficit (net proceeds from the borrowings). This was despite the fact that interest payments did not include amount of interest payable on State Provident Fund as these were not assessed/intimated by the Finance Department for adjustment in accounts. Evidently, this was not a sustainable position.

(x) Guarantees vs Revenue receipts

Outstanding guarantees, including the letters of comfort issued by the Government, indicate the risk exposure of a State Government and should therefore be compared with the ability of the Government to pay viz., from its revenue receipts. Thus, the ratio of the total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. In case of Jammu and Kashmir this ratio increased from 0.09 during 1994-95 to 0.18 in 1996-97 and came down to 0.13 in subsequent two years.

(xi) Assets vs Liabilities

This ratio indicates the solvency of the Government. A ratio of more than one would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than one would be a contra indicator. This ratio has all along been around one and has moved in the narrow range of 1.23 to 1.32.

(xii) Budget

Chapter-II of this Report carries a detailed analysis of variations in the budget estimates and the actual expenditure as also of the quality of the budgetary process and control over expenditure. It indicates defective budgeting and inadequate control over expenditure, as evidenced by persistent significant variations (excess/saving) between the final modified grant and actual expenditure.

1.11.4 Conclusion

The increasing fiscal deficit of the State Government over the years and adverse financial indicators point to improper fiscal management. While the revenue expenditure of the State Government increased from Rs 3129 crore in 1996-97 to Rs 4909 crore in 1998-99, Capital expenditure decreased from Rs 1000 crore to Rs 596 crore during the same period which revealed a decline in growth-inducing planned development expenditure rather than curtailing unnecessary consumption expenditure. The investment already made were unremunerative, as the returns therefrom were negligible. The net outflow of funds under public debt and increasing liability of interest payments also indicate deterioration in the financial position of the Government restricting its asset creating activities. Further a static tax to GSDP ratio shows that the State Government has preferred the easier option of borrowing to that of improving its tax revenues, which is the least costly means of financing Government expenditure. There is, thus, a need for sustained fiscal adjustments including cuts in unproductive expenditure for bringing down deficits.

State Government's expenditure increased by Rs 719 crore, all on revenue account. Since increase in receipt was Rs 480 crore, the balance was secured by reduction in capital expenditure. The entire increase in revenue expenditure was to meet higher pay and allowances of Government staff. There seemed to be no increase in services especially because the increase in expenditure was mainly on non-Plan. Its exact impact being concealed by mis-statement of interest payments.

Exhibit -I

Abstract of Receipts and Disbursements for the year 1998-99

(Rupees in crore)

Receipts				Disbursements					
1997-98			1998-99	1997-98					1998-99
	Section-A: Revenue					Non-Plan	Plan	Total	
4641.79	I. Revenue receipts		4509.14	4190.52	I. Revenue expenditure				4909.26
368.28	Tax revenue	436.61		1716.90	**General Services**	**1884.24**	**22.59**	**1906.83**	
				1047.86	**Social Services**	**998.22**	**243.07**	**1241.29**	
247.92	Non-tax revenue	283.25		516.03	Education, Sports, Art and Culture	523.44	100.27	623.71	
				229.21	Health and Family Welfare	193.54	88.82	282.36	
833.57	State's share of Union taxes and duties	1212.05		164.55	Water Supply, Sanitation, Housing and Urban Development	180.11	23.35	203.46	
				7.36	Information and Broadcasting	7.90	0.71	8.61	
670.08	Non-Plan grants	330.56		14.82	Welfare of Scheduled Castes, Scheduled tribes and Other Backward Classes	9.93	0.99	10.92	
				7.69	Labour and Labour Welfare	4.65	4.46	9.11	
2398.16	Grants for State Plan Schemes	2121.83		103.91	Social Welfare and Nutrition	73.13	24.47	97.60	
				4.29	Others	5.52	–	5.52	
123.78	Grants for Central and Centrally Sponsored Plan Schemes	124.84							
				1425.76	**Economic Services**	**1500.46**	**260.68**	**1761.14**	
				284.05	Agriculture and Allied Activities	213.51	126.82	340.33	
				68.86	Rural Development	39.32	25.60	64.92	
				72.32	Special Areas Programmes	80.70	29.63	110.33	
				90.38	Irrigation and Flood Control	72.62	38.96	111.58	
				736.24	Energy	983.24	–	983.24	

Receipts				Disbursements					
1997-98			1998-99	1997-98		Non-Plan	Plan	Total	1998-99
				72.83	Industry and Minerals	46.27	28.36	74.63	
				29.65	Transport	24.97	0.02	24.99	
				8.31	Science, Technology and Environ-ment	0.68	3.94	4.62	
	II.Revenue deficit carried over to Section -B		**400.12**	63.12	General Economic Services	39.15	7.35	46.50	
				451.27	II. Revenue Surplus Carried over to Section-B				
4641.79	**Total**		4909.26	4641.79	**Total**				**4909.26**
	Section-B								
161.15	**III.Open-ing Cash balance including Perman-ent Advances and Cash Balance Invest-ment**		162.71						
3.82	**IV. Capi-tal receipts**		4.29	**889.47**	**III. Capital Outlay**				**596.44**
				38.98	**General Services**	**35.03**		**35.03**	
				236.54	**Social Services**	**10.55**	**199.95**	**210.50**	
				24.92	Education, Sports, Art and Culture	1.17	12.58	13.75	
				23.79	Health and Family Welfare	0.36	16.73	17.09	
				204.79	Housing & Urban Development	1.42	169.78	171.20	
				0.61	Welfare of Scheduled Castes Scheduled tribes and Backward classes		0.53	0.53	
				(-) 17.57	Social Welfare and Nutrition	7.60	0.33	7.93	
				613.95	**Economic Services**	**(-)22.47**	**373.38**	**350.91**	
				36.08	Agriculture and Allied Activities	(-)23.06	33.41	10.35	
				22.84	Rural Deve-lopment	0.02	1.99	2.01	
				19.40	Special Areas Prog-rammes	0.56	24.30	24.86	

Receipts				Disbursements					
1997-98			1998-99	1997-98		Non-Plan	Plan	Total	1998-99
				37.15	Irrigation and Flood Control		36.01	36.01	
				252.20	Energy		142.75	142.75	
				20.64	Industry and Minerals		15.97	15.97	
				204.97	Transport		103.38	103.38	
				20.67	General Economic Services	0.01	15.57	15.58	
3.82	**V. Recoveries of Loans and Advances**	**4.29**		**67.22**	**IV.Loans and Advances**				**62.00**
	Industry and Minerals	0.50		38.25	Industry and Minerals			36.61	
				20.19	Road Transport			20.13	
3.17	Government servants	3.07		7.82	Government servants			3.63	
0.65	Others	0.72		0.96	Others			1.63	
451.27	**VI. Revenue surplus brought down**				**V. Revenue deficit**				**400.12**
4515.11	**VII. Public debt receipts-**		**4541.61**	**3923.35**	**VI. Repayment of Public Debt**				**4150.21**
138.98	Internal debt other than Ways and Means Advances and overdraft	121.64		3.31	Internal debt other than ways and means and overdraft			23.84	
514.29	Loans and Advances from GOI	446.36		311.81	Repayment of loans and advances from GOI.			257.27	
3861.84	Overdraft from J&K Bank	3973.61		3608.23	Repayments of overdraft			3869.10	
0.30	**VIII.Appropriation to Contingency Fund**		**0.09**		**VI. Appropriation to Contingency Fund**				
				0.33	**Expenditure from Contingency Fund**				**0.08**
12794.86	**IX. Public Account receipts**		**13020.31**	**12883.43**	**VIII. Public Account disbursements**				**12296.68**
243.95	Small Savings and Provident funds	241.11		120.04	Small Savings and Provident funds			132.44	
58.61	Reserve funds	77.55			Reserve funds			1.73	

Receipts				Disbursements					
1997-98			1998-99	1997-98					1998-99
40.39	Suspense and Miscella-neous	175.61		169.20	Suspense and Miscella-neous			98.80	
12001.74	Remitt-ances	12073.17		12085.95	Remittances			11599.52	
450.17	Deposits and Advances	452.87		508.24	Deposits and Advances			464.19	
				162.71	**IX. Cash Balance at end**				**223.48**
				19.56	Cash in Treasuries and Local Remittances			19.90	
				20.19	Deposits with Banks			66.26	
				4.15	Department Cash Balance Including permanent Advances			(-)3.66	
				37.39	Cash Balance Investment			37.39	
				81.42	Reserve fund investment			103.59	
17926.51	Total		17729.81	17926.51					17729.81

Explanatory Notes :

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.

2. Government accounts being mainly on cash basis, the deficit on Government account indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation on stock figures etc., do not figure in the accounts.

3. Suspense and Miscellaneous balances include cheques issued but not paid and payments made on behalf of the State and other pending settlement etc.

4. There was a difference of Rs 1 lakh between the figures reflected in the accounts under cash in Banks and the figures conveyed by the Finance Department. The difference was under reconciliation (August 1999).

Exhibit-II

Financial indicators for Government of Jammu and Kashmir

	1994-95	1995-96	1996-97	1997-98	1998-99
Sustainability					
BCR (Rs in crore)	(-) 955	(-) 620	(-) 1256	(-) 1626	(-) 2120
Primary Deficit (PD) (Rs in crore)	(-) 493	(-) 100	742	(-) 313	389
Interest Ratio	0.18	0.08	0.04	0.16	0.13
Capital outlay/Capital receipts	1.62	2.22	1.77	1.25	0.96
Total Tax receipts/GSDP	0.15	0.14	0.13	0.14	0.17
State Tax receipts/GSDP	0.04	0.04	0.04	0.04	0.05
Return on Investment ratio	-	-	-	-	0.36
Flexibility					
BCR (Rs in crore)	(-) 955	(-) 620	(-) 1256	(-) 1626	(-) 2120
Capital repayments/Capital borrowings	1.06	0.51	0.14	0.52	0.46
State Tax receipts/GSDP	0.04	0.04	0.04	0.04	0.05
Debt/GSDP	0.63	0.55	0.59	0.58	0.55
Vulnerability					
Revenue Deficit (RD) (Rs in crore)		-	-	-	400
Fiscal Deficit (FD) (Rs in crore)	136	267	953	502	1054
Primary Deficit(-)/Surplus (+) (PD) (Rs in crore)	(-) 493	(-) 100	(+) 742	(-) 313	(+) 389
PD/FD	(-) 3.62	(-) 0.37	(+) 0.78	(-) 0.62	(+) 0.37
RD/FD	-	-	-	-	(+) 0.38
Outstanding Guarantees/revenue receipts	0.09	0.18	0.18	0.13	0.13
Assets/Liabilities	1.23	1.31	1.28	1.32	1.23

1. The interest payment in 1994-95, 1995-96 and 1997-98 were more than the fiscal deficit, hence the negative figure for primary deficit in these years.

2. Fiscal deficit has been calculated as: sum total of Revenue and Capital expenditure including net loans and advances disbursed, less revenue receipts.

3. In the ratio Capital outlay vs. Capital receipts, the denominator has been worked out by adding Internal loans (excluding overdrafts), Loans and Advances from Government of India, net receipts from small savings, Provident Funds etc. less by net loans advanced by State Government.

4. Capital repayments include disbursements under Major Head 6003/6004 less repayment on account of ways and means advances/overdraft under both the Major Heads and repayment of non-plan loans under Major Head 6004.

5. Capital borrowings include additions under Major Head 6003/6004 less by addition on account of ways and means advances/overdraft under both the heads and receipts of non-Plan loans under Major Head 6004.

Appropriation Audit and Control over Expenditure

2. *Introduction*

In accordance with the provisions of Section 81 of the Constitution of Jammu and Kashmir, soon after the grants under Sections 79 and 80 are made by the State Legislature, an Appropriation Bill is introduced for appropriation out of the Consolidated Fund of the State. The Appropriation Act passed by the State Legislature contains authority to appropriate sums of money from the Consolidated Fund of the State for the specified services. Subsequently, supplementary or additional grants can also be sanctioned by subsequent Appropriation Acts in terms of Section 82 of the Constitution of the Jammu and Kashmir.

The Appropriation Act indicates the expenditure which has been voted by the Legislature on various grants and also the expenditure which is required to be charged on the Consolidated Fund of the State. The Appropriation Accounts are prepared every year indicating the details of amounts on various specified services actually spent by Government vis-a-vis those authorised by the Appropriation Acts.

The objective of Appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Acts and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.1 The summarised position of Original and supplementary grants and expenditure there against in respect of 27 grants and appropriations is as follows.

Summary of Appropriation Accounts 1998-99

Appropriation Accounts **1998-99**

Total number of grants **27**

Total provision and actual expenditure:

Provision	Amount (Rupees in crore)	Expenditure	Amount (Rupees in crore)
Original: **Supplementary:**	**6786.05** **696.66**		**10173.48**
Total gross provision:	**7482.71**	**Total gross expenditure:**	**10173.48**
Deduct-Estimated recoveries in reduction of expenditure	**1329.48**		**455.56**
Total net provision	**6153.23**	**Total net expenditure**	**9717.92**

Voted and Charged provision and expenditure

	Provision (Rupees in crore)		**Expenditure** (Rupees in crore)	
	Voted	**Charged**	**Voted**	**Charged**
Revenue	**4584.14**	**709.58**	**4294.12**	**673.28**
Capital	**1956.49**	**232.50**	**1055.87**	**4150.21**
Total Gross:	**6540.63**	**942.08**	**5349.99**	**4823.49**
Deduct-recoveries in reduction of expenditure	**1329.48**	--	**455.56**	--
Total: Net	**5211.15**	**942.08**	**4894.43**	**4823.49**

2.2 The summarised position of the actual expenditure during 1998-99 against 27 grants/appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grant/Appropriation	Supplementary grant/ Appropriation	Total	Actual expenditure[#]	Saving (-)/ Excess (+)
Voted						
	Revenue	4176.62	407.52	4584.14	4294.12	(-) 290.02
	Capital	1713.55	183.82	1897.37	993.87	(-) 903.50
	Loans and Advances	59.12	–	59.12	62.00	(+) 2.88
Total voted:		5949.29	591.34	6540.63	5349.99	(-) 1190.64
Charged						
	Revenue	604.26	105.32	709.58	673.28	(-) 36.30
	Capital	–	–	–	–	–
	Public Debt	232.50	–	232.50	4150.21	(+) 3917.71
Total Charged		836.76	105.32	942.08	4823.49	(+) 3881.41
Grand Total:		6786.05	696.66	7482.71	10173.48[&]	(+) 2690.77

The overall excess of Rs 2690.77 crore was due to net effect of saving of Rs 1494.48 crore (Revenue: Rs 576.05 crore; Capital: Rs 918.43 crore) and excess of Rs 4185.25 crore (Revenue: Rs 249.72 crore; Capital: Rs 3935.53 crore) in respect of 26 grants and 4 appropriations and 6 grants and 1 appropriation respectively.

2.3 Results of Appropriation Audit

2.3.1 Excess expenditure requiring regularisation

In the Revenue section there was an excess expenditure of Rs 249.72 crore in 4 grants while in the Capital section excess amounted to Rs 3935.53 crore in 3 grants and one appropriation as detailed below:

These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue : Rs 58.13 crore and capital ; Rs 397.43 crore

& The total expenditure stands inflated at least to the extent of following:

(i) At the end of March 1999 Detailed Contingent Bills were not received, as required under Rules from 41 Drawing and Disbursing Officers in support of Rs 54.66 crore drawn on Abstract Contingent Bills. In absence of Detailed Contingent Bills, the genuineness of the expenditure could not be vouchsafed.

(ii) Rupees 2.28 crore drawn in March 1999 by credit to civil deposits (Rs 1.78 crore) and bank account (Rs 50 lakh).

The expenditure was also understated at least to the extent of:

(i) Rs 2.70 crore for which vouchers were not received from the treasuries during the year and remained unaccounted for in the books of Accountant General (A&E).

(ii) Interest on Small Saving Provident Funds, etc. not adjusted in accounts due to non-supply of information by the Finance Department.

(iii) Expenditure of Rs 8.68 crore booked under Suspense (Departmental Adjusting Account) for want of vouchers/supporting details.

(iv) Expenditure of Rs 1 lakh met out of contingency fund during 1998-99 was not recouped.

S.No	Name of grant/appropriation	Total grant or appropriation	Expenditure	Excess (Percentage of excess)
		(Rupees in crore)		
I. Revenue Voted				
1.	4-Information	8.32	8.61	0.29 (3)
2.	5-Ladakh Affairs	105.03	112.81	7.78 (7)
3.	6-Power Development	865.53	993.80	128.27 (15)
4.	8-Finance	320.91	434.29	113.38 (35)
	Total:	1299.79	1549.51	249.72
II. Capital Voted				
5.	8-Finance	4.00	4.60	0.60 (15)
6.	23-Public Health Engineering	96.65	113.15	16.50 (17)
7.	27-Fisheries	2.70	3.42	0.72 (27)
	Total	103.35	121.17	17.82
III. Capital Charged				
8.	8-Finance	232.50	4150.21	3917.71 (1685)
	Grand Total:	1635.64	5820.89	4185.25

The excess expenditure of Rs 4185.25 crore over the provision in these 8 cases, mainly due to clearance of overdraft obtained by the Jammu and Kashmir Government from Jammu and Kashmir Bank Limited for meeting its ways and means requirements, and for purchase of power by the Power Development Department, requires regularisation under Section 82 of the Constitution of Jammu and Kashmir.

It is noteworthy that in case of 5 grants there was excess expenditure of Rs 266.64 crore despite obtaining supplementary grants of Rs 71.65 crore. This reflected the failure of the departments not only to assess the requirement of additional funds even at the fag end of the year but also inadequacy of the system of monitoring the trend of expenditure under various heads of account.

2.3.2 Excess over grants in previous years not regularised

As per section 82 of the Constitution of the Jammu and Kashmir it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, excess expenditure of Rs 18582.11 crore for the years 1980-81 to 1997-98 as per details given below was pending with the Finance Department for regularisation.

Year	No. of Grants/ Appropriation	Grant/Appropriation No.	Amount (Rupees in crore)
1980-81	16	1,5,6,7,8,9,12,13,14,16,18, 19,20,21,22,23.	227.90
1981-82	13	1,3,5,6,8,13,14,16,18,19, 20,21,23	41.99
1982-83	10	6,8,9,12,14,18,19,21,22,23	119.74
1983-84	12	1,5,6,7,8,14,18,19,20,21, 22,23	176.75
1984-85	10	1,6,8,10,14,16,18,19,21,23	65.42
1985-86	10	1,4,6,10,17,18,19,22,23,26	19.64
1986-87	15	1,2,4,6,7,8,10,13,18,19,20,22,23,25,26	104.22
1987-88	17	1,2,3,5,6,8,10,12,13,18,19,21,22,23,24,26, 27	177.32
1988-89	14	1,2,8,9,10,12,13,15,17,18, 22,23,26,27	438.42
1989-90	9	1,7,8,11,12,20,21,23,24	205.23
1990-91	11	1,2,5,8,12,17,19,21,23,25,26	427.72
1991-92	13	1,2,5,7,8,11,12,14,21,22, 23,26,27	1152.23
1992-93	14	1,4,5,8,10,11,12,14,16,20, 21,23,24,26	1029.71
1993-94	17	2,3,5,8,10,12,13,14,17,18, 20,21,22,23,24,26,27	1730.03
1994-95	14	5,6,8,9,10,12,13,14,20,21, 23,24,26,27	2057.49
1995-96	19	2,5,6,8,9,10,11,12,13,16, 17,18,20,21,23,24,25,26,27	2936.89
1996-97	18	2,4,5,6,8,10,11,12,13,14, 16,18,20,21,23,24,26,27	3482.20
1997-98	16	1,2,4,6,8,9,12,13,16,18,21,22,23,24,26,27	4189.21
Total			**18582.11**

2.4 Savings under various grants/appropriations

2.4.1 Unnecessary/excessive supplementary provisions

Savings in a grant or appropriation, indicate that the expenditure could not be incurred as estimated and planned. It points to poor budgeting or shortfall in performance depending upon the circumstances under and the purpose for which the original grant or appropriation was provided.

In 26 cases, relating to 18 grants and 1 appropriation (*Appendix*-2), supplementary provisions of Rs 335.32 crore were obtained in anticipation of higher expenditure. However, the final expenditure of Rs 1870.86 crore was even less than the original grant of Rs 2263.64 crore. The savings of Rs 728.10 crore thus, exceeded the entire supplementary provision amounting to Rs 335.32 crore indicating unnecessary allotment of additional funds in these cases.

In 8 other cases, relating to 4 grants and 3 appropriations, supplementary grants aggregating Rs 291.02 crore were obtained against the requirement of Rs 144.19 crore resulting in saving of Rs 146.83 crore *(Appendix-3)*.

Apart from these cases, savings in 9 grants exceeded 10 *per cent* of the budget provision and were more than Rs 50 lakh in each case as detailed in *Appendix-4*. Large-scale savings indicated over estimation of requirement of funds.

2.5 Flow of expenditure

Financial rules require that expenditure should evenly be distributed throughout the year. Rush of expenditure particularly in the last quarter and also in the closing month is to be regarded as breach of financial rules. Quarter-wise expenditure (net) during 1998-99 as also expenditure in the month of March 1999 under revenue and capital sections incurred by the State Government is detailed below:

(Rupees in crore)

	Total expenditure (Revenue and Capital) (Rupees in crore)	Percentage of total expenditure
First quarter	726.18	13
Second quarter	1069.53	19
Third quarter	1185.22	22
Fourth quarter	2524.77 (525.35)	46 (10)
Total	5505.70	

(Figures in brackets represent expenditure in the month of March)

As can be seen from above, that the flow of expenditure was not evenly distributed throughout the year, in spite of issue of warning slips by the Accountant General (A&E) from time to time.

2.6 Persistent excesses/savings

2.6.1 Persistent excesses

Persistent excesses of more than 10 *per cent* over the budget provisions were noticed during the years 1996-97, 1997-98 and 1998-99 in the following grants/appropriations:

S.No	Name of grant/appropriation	Amount of excess (Rupees in crore)		
		1996-97	1997-98	1998-99
I. Capital- Voted				
1.	23-Public Health Engineering	16.74	13.10	16.50
2.	26-Fisheries	1.01	1.38	0.71
II. Capital- Charged				
3.	8-Finance	3112.39	3695.78	3917.71

2.6.2 Persistent savings

Persistent savings of more than 10 *per cent* were noticed during the years 1996-97, 1997-98 and 1998-99 in the grants/appropriations detailed in *Appendix*-5

2.7 Budgetary Control

2.7.1 Expenditure without budget provision

No expenditure is to be incurred, unless it has been provided in the budget estimates. However, during the year 1998-99, expenditure of Rs 519.76 crore was incurred under 43 major heads of account (18 grants) without provision for such expenditure having been made in the budget for which reasons were not intimated by the concerned departments (September 1999). Expenditure in absence of budget provision reflects financial indiscipline and lax monitoring system of the concerned departments/controlling officers. Details of cases covered under this category are given in *Appendix*-6.

2.8 Unutilised provisions and surrender thereof

Rules require that all savings should be surrendered as soon as the possibility of savings is foreseen given the trend of expenditure. Savings should also not be held in reserve for possible future excess.

In the accounts for the year 1998-99, it was noticed that against final savings of Rs 1494.48 crore relating to 26 grants and 4 appropriations no amount was surrendered during the year though the savings in 22 grants and 3 appropriations had exceeded more than Rs one crore in each case. Non-surrender of funds deprived the Government of the opportunity to transfer these funds to other needy sectors.

2.9 Recoveries as reduction of expenditure

The demands for grants and appropriations, presented to the Legislature are framed for gross amount of expenditure without taking into account the recoveries arising from the use of stores procured in the past or transfer of expenditure to other concerning departments. These anticipated recoveries and credits are separately shown in budget estimates and actuals adjusted in the accounts as reduction of expenditure. Appropriation Audit, however, is done by comparing gross expenditure with gross amount of grant.

In the Revenue Section against the estimated recoveries of Rs 689.24 crore, actual recoveries were Rs 58.13 crore only. Similarly, in the Capital Section, against the estimated recoveries of Rs 640.24 crore, actual recoveries were Rs 397.43 crore. The shortfall occurred mainly under Grants No 6-Power Development Department (Rs 610.14 crore), 16-Public Works Department (Rs 11.73 crore), 22-Irrigation and Flood Control Department (Rs 2 crore) and 23-Public Health Engineering Department (Rs 5 crore) in Revenue Section and Grants No. 12-Agriculture Rural Development and Co-operative Department (Rs 10.56 crore) and 15-Food Supplies and Transport Department (Rs 23.21 crore) under Capital Section. Grant-wise details of deviations from the original estimates are given in the *Appendix*-2 to the Appropriation Accounts 1998-99.

2.10 Non-reconciliation of departmental figures of expenditure

Standing instructions of the Government require that expenditure booked by the departmental controlling officers should be reconciled periodically with the expenditure figures booked by the Accountant General (Accounts and Entitlement). Such reconciliation enables the departmental officers to exercise proper control over the expenditure. As of 31 August 1999, 180 controlling officers, out of 221 had not completed the reconciliation in respect of expenditure of Rs 3331 crore, which constituted 34 *per cent* of the total revenue and capital expenditure.

Section A

Agriculture production and Rural Development Department

3.1 Rural Employment Generation Programme

Highlights

Rural employment generation programmes aiming at alleviating rural poverty and providing employment to under and unemployed rural poor have been under implementation in the State for about two decades. The overall achievement under these programmes has, however, been far from satisfactory. The programmes had little impact due to inadequate provision of funds, lack of planning and monitoring in providing wage employment to the target group and creating durable and productive assets for ensuring sustained employment. Carrying out of a large number of petty and sporadic works without identifying the basic need structures of each area, non-prioritization of activities, diversion of funds, execution of works through contractors and lack of holistic approach contributed to the tardy implementation of the programme. There was a need for reassessing the relevance of the implementation of wage employment programme in such areas of the State which attracted migrant labour from outside the State and ensure its implementation in hilly and backward areas strictly in accordance with the prescribed guidelines.

- **The State was deprived of Central assistance of Rs 5.05 crore during 1995-96 to 1998-99, due to the failure of State Government to ensure utilisation of available funds, short release of State's share of funds, expenditure on administrative expenses in excess of prescribed ceiling and underutilisation of funds meant for SCs and STs, etc.**

(Paragraph: 3.1.4.2)

- **State's share of funds fell short by Rs 1.93 crore during 1993-99.**

(Paragraph: 3.1.4.2 (b))

- **Programme funds aggregating Rs 2.91 crore were diverted during 1994-99 for activities which were outside the purview of wage employment programmes.**

(Paragraph: 3.1.4.2 (d))

- **Proper system for ensuring that only people living below poverty line and registered persons were engaged on wage employment programmes had not been devised.**

(Paragraph: 3.1.5.1)

- **The reported claim of providing wage employment of 781.16 lakh mandays during 1992-93 to 1998-99 was fictitious as it was not based on muster rolls and was instead arrived at notionally by dividing assumed wage component by the minimum wage rates.**

  (Paragraph: 3.1.6)

- **The programmes were executed through contractors in violation of the guidelines resulting in payment of a part of funds, estimated at Rs 31.91 crore as profit to contractors/*mates*.**

  (Paragraph: 3.1.7.3)

- **Funds amounting to Rs 6.25 crore meant for special innovative projects, were instead spent on various rural development and poverty alleviation programmes which were not innovative.**

  (Paragraph: 3.1.11)

- **The programmes were neither properly monitored nor was their impact on combating unemployment/underemployment assessed.**

  (Paragraph: 3.1.12)

3.1.1 Introduction

With a view to combat unemployment and underemployment in rural and backward areas of the Country, a number of Rural Development and Employment Generation Programmes were launched by Government of India during successive Five Year Plans. JRY[•] and EAS[@] were two such wage employment programmes which were launched in the State from June 1989 and October 1993 respectively. While the primary objective of the JRY was to generate additional gainful employment in rural areas for the unemployed and underemployed people living below poverty line, the objective of EAS was to provide assured gainful wage employment for 100 days each year during the lean agricultural season to two adults in the age group of 18-60 of each needy family. The secondary objective of the JRY and EAS was the creation of durable and productive community assets for sustained employment and economic development. The envisaged objectives were to be achieved by taking up of works for water and soil conservation, land protection, afforestation, minor irrigation, watershed development besides construction of link roads, buildings for schools, etc.

3.1.2 Organisational set-up

Rural Development Department was the nodal agency for implementing the schemes at the State level. At the block/district level the

[•] JRY- Jawahar Rozgar Yojna

[@] EAS-Employment Assurance Scheme

programmes were implemented by BDOs* and Assistant Commissioners (Development). Directorates of Rural Development (Jammu/Kashmir) monitored the programme at the Divisional level.

3.1.3 Audit coverage

The implementation of the JRY for the period from 1989-90 to 1993-94 and EAS from 1993-94 to 1995-96 was reviewed in audit and comments included at paragraph 3.2 of the Audit Reports of the Comptroller and Auditor General of India for the years 1993-94 and 1995-96. The implementation of the programmes for the period from 1992-93 to 1998-99 was test-checked in audit during December 1998 to May 1999 in 5[&] (expenditure: Rs 135.95 crore-31 *per cent)* out of 14 districts (expenditure: Rs 440.88 crore). The results thereof, supplemented by information obtained from Rural Development Department, Directors of Rural Development (Kashmir and Jammu) and 11 blocks, are brought out in the succeeding paragraphs.

The services of ORG-MARG were commissioned by the Comptroller and Auditor General of India with a view to gauge *inter-alia,* beneficiary perception of the programme and related matters. The ORG-MARG carried out survey over a sample of 3 districts. Significant findings of the survey on matters discussed in the Report have also been included in this review at appropriate places.

3.1.4 Financial outlay and expenditure

3.1.4.1 Funding pattern

Funds provided were inadequate to achieve the objective of providing 100 days assured wage employment to all registered persons

The expenditure under both the schemes was to be shared between the Central and State Governments in the ratio of 80:20. The Central and State shares for each district are released by bank drafts to Assistant Commissioners (Development) through District Development Commissioners for further release to BDOs. The funds provided (Central and State share) were inadequate for providing 100 days assured wage employment in each year to all the registered workers. Against Rs 397.25 crore required for providing 100 days assured wage employment to 6.81 lakh registered workers, each year, during 1997-98 and 1998-99, Rs 132.67 crore (33 *per cent)* and Rs 91.31 crore (23 *per cent)* only were available during these years under the two wage employment schemes. Thus, due to inadequacy of resources, implementation of the programme was resource driven instead of being target oriented.

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* BDO- Block Development Officer

& Srinagar, Pulwama, Jammu, Kathua, and Udhampur

3.1.4.2 *Provision of funds and expenditure*

Funds released by Central and State Governments and expenditure incurred there against during 1992-93 to 1998-99 was as under:

(Rupees in crore)

Year	Unspent opening balance	Central share released	State share released	Other receipts	Total funds available	Expenditure	Closing balance (Percentage of closing balance to total funds available)
1992-93*	7.40	17.12	4.87	0.13	29.52	21.19	8.33 (28)
1993-94*	8.33	29.60	6.97	-	44.90	15.41	29.49 (66)
1994-95*	29.49	52.04	4.71	0.22	86.46	61.52	24.94 (29)
1995-96*	24.94	87.83	20.31	0.44	133.52	92.49	41.03 (31)
1996-97	41.03	52.96	22.71	-	116.70	65.72	50.98 (44)
1997-98	50.98	59.28	21.87	0.54	132.67	110.50	22.17 (17)
1998-99	22.17	60.27	6.40	2.47	91.31	74.05	17.26 (19)
Total:		359.10	87.84	3.80♠		440.88	

Utilisation of funds ranged between 34 and 83 *per cent*

The unspent closing balance at the end of each year from 1992-93 to 1998-99, ranged between Rs 8.33 crore and Rs 50.98 crore which constituted 17 to 66 *per cent* of the total funds available during these years. The guidelines of JRY stipulated that in cases where unspent opening balance in a district exceeded 15 *per cent* of the district allocation during the previous year, Central share of the excess over 15 *per cent* was to be deducted at the time of release of second instalment. The guidelines further provided deduction from Central assistance for failure of the State Government to release its share fully, shortfall in expenditure on SC/ST sector and incurring expenditure on administration in excess of the prescribed limit, etc. It was noticed that the shortfall in expenditure resulted in carry forward of unspent balances in excess of 15 *per cent* entailing a deduction of Rs 1.47 crore in 7 Ψ districts during 1995-96 to 1998-99. A further deduction of Rs 3.58 crore was made from the Central share during this period due to late receipt of proposals from the State Government (Rs 1.42 crore), short release of State's share (Rs 0.99 crore), expenditure on administration in excess of prescribed ceiling (Rs 0.45 crore) and shortfall in expenditure on SCs/STs (Rs 0.72 crore). Test-check revealed that, besides excess expenditure on administration for which deductions were made by Central Government, administrative expenses of Rs 0.94 crore (JRY: Rs 0.55 crore; EAS: Rs 0.39 crore) over and above the ceiling limit of 2 *per cent* were also incurred in 5 test checked districts during 1995-96 to 1998-99 (January 1999) of which Rs 0.36 crore was reported as expenditure on works in 9 test-checked blocks. Following further points were noticed:

Deduction of Rs 5.05 crore made from the Central assistance

* Includes funds released under Indira Awas Yojna

♠ Represents interest on bank deposits.

Ψ Budgam, Srinagar, Kathua, Pulwama, Anantnag, Kupwara and Poonch.

Figures of unspent balances as per progress reports understated

(a) The unspent balances at the end of each year from 1993-94 to 1998-99 as per progress reports, sent to Central Government, were understated and were at variance with the actual balances. Further, expenditure reported to Central Government as per progress reports, expenditure as per certified accounts and figures of expenditure for which utilisation certificates were sent, were at variance. The variations/discrepancies had not been reconciled (April 1999). The details of variations in the unspent balances and the expenditure figures are indicated in *Appendix*-7.

The State's share of funds released short by Rs 1.93 crore

(b) The matching share released by the State Government fell short by Rs 1.93 crore (EAS: Rs 1.68 crore; JRY: Rs 0.25 crore) during 1993-99. Reasons for short release of funds were awaited (October 1999). The State Government had to release Central assistance including its matching share to the implementing agencies within two weeks. There were, however, delays ranging from one to nine months in release of State's share of funds to the implementing agencies during 1992-99.

Avoidable expenditure of Rs 22.80 lakh

(c) The State Government was required to make provision in the Budget for releasing the State's share. It was, however, observed in audit that while provision was made in the Budget during 1992-93 and 1993-94, the State's share of funds was released through bank drafts from 1994-95. This resulted in avoidable expenditure of Rs. 22.80[$] lakh on payment of bank commission during 1994-95 to 1998-99.

Programme funds aggregating Rs 2.91 crore diverted on activities outside the purview of the programme

(d) The guidelines of JRY and EAS prohibit diversion of funds from one scheme to another, nor were the funds to be utilised as a substitute for State Plan or non-Plan funds. While 10 *per cent* JRY funds could be spent on maintenance of assets, such expenditure was not permissible under EAS. Test-check, however, revealed that funds aggregating Rs 2.91 crore (EAS: Rs 2.37 crore; JRY: Rs 0.54 crore, sufficient for generating 6.21[Φ] lakh mandays approximately), were utilised during 1994-99 (January 1999) on items/activities which were outside the purview of the Programme as detailed below:-

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$ At the rate of Rs. 3 per thousand

Φ Estimated on the basis of assumed expenditure on wages at minimum of 60 *per cent* and minimum wage rate of Rs 28.

S.No.	Purpose for which diverted	Amount (Rs in crore)
1.	Repair and improvement works	1.72
2.	Construction of buildings under State/Central schemes	0.53
3.	Desiltting of *Khulls*	0.05
4.	Purchase of colour TV sets, Refrigerator, Geyser, furniture, serving of departmental lunch, hiring of taxis, etc.	0.11
5.	Indira Awas Yojna	0.10
6.	Engagement of daily wagers for watch and ward of nurseries/closures	0.40
	Total	2.91

3.1.5 Planning

3.1.5.1 Identification and registration of persons seeking employment

2.99 lakh family cards issued against 2.04 lakh persons registered in Kathua, Udhampur and Jammu district

Identification and registration of persons seeking employment was a pre-requisite for effective implementation of the Rural Employment Generation Programme. Under EAS, persons in need of employment had to apply to Village Panchayats and eligible persons had to be registered. Every registered person was to receive a family card indicating the details of his family and total employment provided to each worker from year to year under various wage employment schemes. Test-check of records revealed that in Jammu Division, against 1.58 lakh registered persons in Kathua and Udhampur districts, 2.74 lakh family cards were issued to Block Offices while in Jammu district only 0.25 lakh cards were issued against 0.46 lakh registered persons. Records indicating as to whether these cards were issued to registered persons had not been maintained at any level. Test-check further revealed that family cards purchased at the rates ranging between Rs 3.75 and Rs 4.60 and issued in 3 test-checked districts were unsuitable for the purpose of recording details of employment, due to their small size and insufficient space. The expenditure of Rs 11.78 lakh incurred on purchase of family cards thus, did not fully serve the intended purpose.

BPL lists prepared by District Rural Development Agencies, not utilised for providing employment

Lists of persons living below poverty line had been prepared by District Rural Development Agencies (on 1991-92 price index with annual income below Rs. 11000). Test-check, however, revealed that these lists were not used for providing employment under the JRY. While 6.81 lakh persons were reportedly registered under EAS in the State, test-check of records in 11 blocks (five districts) disclosed that the figures of registered persons reported by Block Development Officers and Assistant Commissioners (Development) were not based on any tabulated village/panchayat-wise data. In Srinagar and Pulwama districts of Kashmir Division no person had actually been registered. In the test-checked blocks of Jammu Division, authenticated records of

Registered persons enlisted in Jammu Division included persons below 18 and above 60 years of age, retired Government employees, skilled labour and businessmen, etc.

registration indicating age, date of registration, land holding, etc. had not been maintained. The beneficiaries registered included persons below 18 years and above 60 years of age and persons who were retired Government servants, skilled labour or running their own business and persons belonging either to other States or to other blocks/districts which was in contravention of EAS guidelines. The ORG-MARG survey revealed wrong selection of beneficiaries as one-third of total sample beneficiaries under JRY and one-half of EAS beneficiaries had annual income above poverty line. Besides, the survey brought out that no women beneficiary had been assisted under the programme and that programme benefits did not reach the poorest of poor households. In light of this as also in view of the fact that the State attracts migrant labour from other States (Bihar, Uttar Pradesh, Madhya Pradesh and Orissa), the relevance and efficacy of the employment generation programmes in the State except for some backward and hilly areas, was doubtful.

3.1.5.2 Formulation of works programme

Shelf of projects not prepared

Annual action plans represented conglomeration of sporadic works without identifying the basic need of each area

The guidelines of the JRY envisaged preparation of a shelf of projects indicating economic viability and financial feasibility of each project. These shelf of projects were to be prepared by the State Government/district administration and got approved by State Level Sanctioning Committee. Under EAS, the implementing authority had to prepare shelf of projects of durable and productive works after a detailed survey. Based on the shelf of projects and priortisation of activities, annual action plans were to be prepared according to availability of funds and on the basis of potential for sustained employment and development. No such shelf of projects was however, prepared at district/block level in the test-checked districts. Only annual action plans were prepared as a conglomeration of sporadic works without identifying the basic need structure of each area and preparing spatial plans thereof. Test-check, further, revealed that in Udhampur District, 357 works not included in annual action plan had been unauthorisedly executed during 1994-95 at an estimated cost of Rs 1.16 crore.

Prescribed sectoral weightage in execution of works not observed

The guidelines issued (June 1996) by the State Government provided for Sector-wise weightage in allocation of Programme funds. Allocation was to be utilised for construction of link roads (30 *per cent*), public community buildings as per felt needs (30 *per cent*), village level local demand works (15 *per cent*), minor irrigation works (10 *per cent*), beneficiaries-oriented works (10 *per cent*) and field protection works (5 *per cent*). It was seen that none of the test-checked implementing agencies had adhered to the prescribed weightage. Emphasis was given more on village level local demand works and the expenditure of Rs 6 crore on these works during 1995-96 to 1998-99 ranged between 26 and 61 *per cent* and exceeded the prescribed weightage of 15 *per cent* by Rs 3.38 crore with the result other sectors constituting 85 *per cent* were not covered to the desired extent. Reasons for non-adhering to the prescribed sectoral weightage were not intimated. No beneficiary-oriented works had been implemented except in Srinagar block during 1997-98.

3.1.6 Generation of employment

Average employment of 24 and 15 days in 1997-98 and 1998-99 provided against envisaged 100 days

The main objective of EAS scheme was to provide assured wage employment of 100 days during lean agricultural season in manual work to the needy persons up to a maximum of two members per family. While no targets for employment generation were fixed, 781.16 lakh mandays (JRY*: 289.69 lakh; EAS: 491.47 lakh) were reportedly generated during the period 1992-93 to 1998-99. The average cost for generating each manday during 1994-95 to 1998-99 ranged between Rs 42 and Rs 74. For 6.81 lakh registered workers during 1997-98 and 1998-99, 161.35 lakh mandays were reportedly generated during 1997-98 and 99.50 lakh mandays during 1998-99. Thus, on an average, employment of 24 days and 15 days only was generated in these years against envisaged minimum of 100 days. Further the figures of mandays generated were fictitious as these were not based on the data worked out from muster sheets and were notional figures arrived at by dividing assumed expenditure on wages by minimum wage rates. Details of the number of registered persons including SC/ST people who were provided employment each month had not been maintained and monitored. Though guidelines provided wage employment to 30 *per cent* women workers, no woman worker was engaged except in stray cases in Srinagar, Barnoti and Udhampur blocks.

Figures of employment generated arrived at notionally by dividing assumed expenditure on wage by minimum wage rates

According to survey of ORG-MARG, the average number of days for which employment was provided under EAS was 16 only. Thus, the preliminary objective of the EAS to provide 100 days assured employment to the needy persons was, thus, not planned, executed and monitored due to which "Assurance" was not realised.

3.1.7 Payment of wages

3.1.7.1 Lower expenditure on wage component

Percentage expenditure on wage component in 509 works was 40 against the prescribed 60

According to the guidelines, all works to be executed under the wage employment programmes should be labour intensive and at least 60 *per cent* of the Programme funds were to be utilised for payment as wages to unskilled workers and the remaining 40 *per cent* was to cover the material cost and wages of skilled labour. Test-check of 509 works (JRY: 164; EAS: 345) executed at a cost of Rs 2.19 crore for which muster rolls were available, revealed that expenditure on wage component was Rs 0.87 crore which worked out to 40 *per cent* against the prescribed percentage of 60. ORG-MARG survey had also observed a shift, with emphasis on creation of permanent capital intensive assets rather than required provision for wage

* Includes MWS

employment. The basic objective of generating employment and utilising minimum of 60 *per cent* of programme funds for payment of wages was not thus, fulfilled.

3.1.7.2 Improper/non-maintenance of muster rolls

Payment of wages to the registered workers had to be ensured by maintaining muster rolls duly authenticated and countersigned by Block Development Officers. A copy of the authenticated muster sheet was to be kept by the village level worker for his own record. The muster sheets were, *inter alia*, to indicate wages paid and volume of work done for ensuring that wages paid were commensurate with the work done.

Muster rolls for 1058 works costing Rs 3.56 crore not prepared

Muster rolls wherever maintained were without acquittances of persons and also did not indicate the volume of work done

Out of 1532 test-checked works (JRY: 736; EAS: 796) in eleven blocks, muster rolls were not prepared for 1058 works (cost: Rs 3.56 crore), as a result of which proof of payments made to the persons was not on record. Muster sheets, wherever available, were either without acquittance of persons or did not indicate the volume of work done by each person nor were these countersigned/ authenticated by BDOs in any case. The genuineness of these muster sheets was thus, doubtful. Test-check further revealed that in eight[@] cases payments to persons were purportedly made on 31 September 1995, 29 February 1997, 31 April 1997, 31 June 1997, 29 February 1998 and 31 September 1998. The wages had been paid at the rate of Rs 50 per day to unskilled labour in Srinagar/Pampore blocks which was more than the prescribed minimum wage rate of Rs 28/Rs 35 per day. The survey of the ORG-MARG also found muster rolls carrying false names and most of these rolls not updated. Besides, no acquittance was obtained on muster rolls from two-third of the persons paid.

3.1.7.3 Appointment of contractors/middlemen

Works under the programme executed through contractors/mates

The guidelines of the wage employment programme envisaged execution of works departmentally and prohibited engagement of contractors or middlemen for ensuring that full component of wages reached the workers directly and programme funds were not diverted for payment as profit to contractors/middlemen. However, except in case of EAS works, which were taken up departmentally in Jammu Division from 1996-97, works had been executed through contractors called '*mates*' without ensuring that only persons among the target group were engaged on these works. ORG-MARG survey also revealed that more than 90 *per cent* of the beneficiaries had worked under contractors, middlemen and more than 70 *per cent* were even paid by them. In EAS, middlemen/contractors were found to be playing a major role not only in execution of projects but also in sourcing of labour.

@ One each of Bhalwal, Dansal and Chenani blocks , two of Srinagar block and three of Paimpore block

Funds of Rs 31.91 crore utilised as profit to contractors/mates

Thus, the objective of the two schemes to provide direct employment to the target group was not achieved and part of the funds aggregating Rs 31.91 crore was used as profits* to contractors/*mates* during 1992-93 to 1998-99.

3.1.8 Execution of works

JRY and EAS funds were required to be utilised for creation of economic infrastructure and durable productive assets for sustained employment and continued benefits to the rural poor. 1.22 lakh works (JRY: 0.52 lakh, EAS: 0.70 lakh) involving expenditure of Rs 396.12 crore were taken up during the period from 1994-95 to 1998-99 against which 1.11 lakh works (JRY: 0.48 lakh; EAS: 0.63 lakh) had reportedly been completed. The position of the spill over works at the start of year, new works taken up, number of works completed and the spill over works at the end of each year from 1995-96 to 1998-99 in the test-checked blocks emerging from records was as under:

Year	Number of works taken up			No. of works completed	No. of spill over works at the close of the year	Percentage of spill over works to total works
	Spill over	New	Total			
1995-96	NA	NA	21314	14755	6559	31
1996-97	7700	21081	28781	18358	10423	36
1997-98	12450	24538	36988	28550	8438	23
1998-99	13937	19248	33185	21904	11281	34

Percentage of incomplete works ranged between 23 and 36

The percentage of incomplete works to total works during the period 1995-99 ranged between 23 and 36. The spill over works at the end of each year were at variance with the figures of spill over works carried forward in the next year. Reasons for the same were not intimated, nor had the discrepancies been investigated. The ORG-MARG survey had also noticed that a large proportion of works remained incomplete at the end of the year.

Wasteful/unfruitful expenditure of Rs 25 lakh on 31 abandoned works

In the test-checked blocks, out of 1532 works (JRY: 736; EAS: 796) examined in audit, 593 works had been executed during 1995-99 without obtaining Administrative Approval or Technical Sanction. 31 works taken up during 1994-95 to 1997-98 had been abandoned resulting in wasteful/unfruitful expenditure of Rs 0.25 crore thereon. It was also observed that prescribed check certificates recorded on the work bills by engineering staff and pass orders recorded by the BDOs were undated in all the cases despite orders of

* At assumed 10 *per cent* profit margin.

the Government (June 1996) to record dated check certificates. Taking up of the works without obtaining Administrative Approval/Technical Sanction and abandoning of works indicated poor control mechanism and inadequate exercise of supervisory control.

3.1.8.1 Selection of works

The type and nature of works taken up in the test-checked blocks during 1995-96 to 1998-99 (January 1999) is indicated in the *Appendix-8*.

Works which did not result in creation of durable assets executed

It would be seen from the *Appendix* that out of 6885 works, 1449 works (21 *per cent*) were taken up at a cost of Rs 3.33 crore for providing civic amenities viz. bathrooms, toilets, lanes/drains, playgrounds, passenger sheds, etc. which did not result in creation of economic infrastructure and productive assets as envisaged. Activities of watershed development, water and soil conservation, reclamation of waste lands, pasture development and development of pisiculture which would generate sustained employment were generally ignored. Compact area approach was missing and instead disjointed works were taken up without any integrated plans.

3.1.8.2 Rural link roads

Rs 2.63 crore incurred on non-utilitarian works

Government of India guidelines envisaged taking up construction of rural link roads as per the master plans of each district. No such master plans for linking unconnected villages in a phased manner had, however, been prepared. Instead isolated road works which included improvement works were taken up in each block without monitoring the overall road length constructed and villages connected during each year. The physical status of the roads and the extent to which these roads were upgraded under other schemes/State Plan funds and the number of villages yet to be connected was also not monitored. In the test-checked blocks, out of a total expenditure of Rs 7.56 crore (JRY: Rs 1.22 crore; EAS: Rs 6.34 crore) incurred under communication sector during 1995-96 to 1998-99 (January 1999), Rs 2.63 crore (35 *per cent*) was utilised on construction of bridle paths, tractor roads and steps, despite orders of the State Government (June 1996) that non-utilitarian works of bridle paths, etc. should be discouraged.

3.1.8.3 Minor irrigation

Expenditure of Rs 2.82 crore under minor irrigation failed to serve the intended purpose

The guidelines envisaged execution of minor irrigation works so as to create additional irrigation potential. An expenditure of Rs 2.82 crore (JRY: Rs 0.70 crore; EAS Rs 2.12 crore) was incurred in the test-checked blocks during 1995-96 to 1998-99 (January 1999) on 1240 irrigation works. Out of Rs 2.82 crore, Rs 1.41 crore (50 *per cent*) were spent on 765 works of construction of ponds/*bowlies* which could not be construed as irrigation works, as these did not create any additional irrigation potential. It was also observed that most of the *Khulls* reportedly constructed were only improvement works of already existing *Khulls* which too did not generate any additional irrigation potential. Records indicating additional irrigation potential created and utilised during each year were also not maintained in any block. Thus, the expenditure of Rs 2.82 crore largely spent on irrigation works did not serve the intended purpose of creating additional irrigation potential.

3.1.8.4 Water and Soil Conservation

Under this component, 1025 works (JRY: 210, EAS: 815) involving an expenditure of Rs 2.10 crore were taken up in test-checked blocks during the years 1995-96 to 1998-99 (January 1999). Out of this Rs 1.84 crore (79 *per cent*) was spent on protection works and activities relating to land development such as bench terracing, bunding, contour development, gully plugging, etc. were not taken up so as to check run-off of water and conserve soil except for 35 hectares (expenditure: Rs 8 lakh) in Srinagar district during 1997-98. Area covered under water and soil conservation works and additional land, if any, brought under agriculture activities had also not been monitored in any of the blocks. The basic objectives of developing land, checking soil/land erosion and increasing agricultural production was not, thus achieved.

3.1.8.5 Afforestation

Records indicating location-wise area covered under afforestation programme, number of plants planted and their survival rate not maintained

For undertaking afforestation, programme funds were advanced by Assistant Commissioners (Development) to District Panchayat Officers/Divisional Forest Officers (Social Forestry) for afforestation. Against Rs 1.10 crore (EAS: Rs 0.60 crore; JRY: Rs 0.50 crore) advanced during 1995-96 to 1998-99 (January 1999), adjustment accounts for Rs 0.31 crore only were received. No records had been maintained at block, district or Directorate level indicating location-wise areas covered, number of plants planted and their survival rate. As such the correctness of expenditure of Rs 1.10 crore for the intended purpose could not be verified. As per orders of the Government (June 1996) quality plants were to be procured from Social Forestry Department/Forest Department and registered nurseries at approved rates for distribution to desirous poor rural families on 50 *per cent* subsidy. It was, however, observed that 5.89 lakh and 5.13 lakh plants (Cost: Rs 15.53 lakh) were purchased by District Panchayat Officer, Udhampur and Block Development Officer, Srinagar respectively during July 1996 from private nurseries. The plants were distributed free of cost resulting in extra burden of Rs 7.76 lakh to the Government exchequer.

Extra burden of Rs 7.76 lakh on Government exchequer

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* Minor irrigation canal.

3.1.9 Asset registers

Asset registers not maintained due to which existence of assets rendered doubtful

Asset created not transferred to respective line departments

The Department is obliged to maintain an asset register at each block and district headquarter indicating details of cost and other particulars of the assets created under each scheme and benefits obtained therefrom. The assets created were to be handed over to respective line departments and local bodies. Neither asset registers were maintained nor assets transferred to departments/local bodies except in cases of school buildings. In absence of asset registers existence of the assets was doubtful, as these were not subject to physical verification. Further, in absence of inventory of assets, their maintenance could not also be ensured.

3.1.10 Million Wells Scheme (MWS)

Survey for identifying unirrigated land of the target groups not conducted

The objective of MWS was to provide open irrigation wells free of cost to small and marginal farmers living below poverty line and having no irrigation facilities. Funds under MWS had to be allocated amongst the districts/blocks on the basis of unirrigated land holdings of target group having potential for minor irrigation facilities. However, no survey identifying such unirrigated land of the target group had been done at any level. Consequently, the funds were allocated to the districts/blocks without following any norms/rationale. During 1994-95 to 1998-99, 10068 works were executed in the State at a cost of Rs 17.05 crore. Following points were noticed in test-check.

(a) Each constructed well was to benefit a cluster of at least six beneficiaries of the target group. The works were to be undertaken by the beneficiaries themselves to whom payments were to be released in four instalments comprising two instalments each of 20 *per cent* and 30 *per cent* corresponding to various stages of construction.

In two blocks (Srinagar and Pampore) of Kashmir Division, the works had been executed through *mates* without enlisting the beneficiaries identified under each work. No uniform system was adopted for making payments for construction of wells in different blocks in Jammu region. Whereas in three blocks of Dansal, Chenani and Udhampur, payments for construction of wells had been made in lump sum on the basis of work bills recording measured work done, payment in other four blocks of Purmandal, Bhalwal, Samba and Barnoti was made in instalments at the unit rate of Rs 30,000 per well on the basis of reports furnished by VLWs/JEs/AEEs. Location of the wells constructed with *khasra* number of the land on which the wells were constructed was not recorded in any case in any of the test-checked blocks. Thus, neither physical existence of wells constructed at a cost of Rs17.05 crore was verifiable nor was flow of benefits to the target group ensured.

36 ineligible beneficiaries assisted to the extent of Rs 6.58 lakh

(b) The basis adopted for identifying the beneficiaries was not on record. In 61 test-checked cases (Dansal, Udhampur and Barnoti blocks), 36* beneficiaries, who were not included in the BPL lists prepared by DRDAs, had been assisted to the extent of Rs 6.58 lakh under MWS during 1994-95 to 1998-99. Further, in 16* cases (expenditure: Rs 4.21 lakh) out of 72 test-checked cases in Samba and Dansal blocks, irrigation wells had been constructed for individuals in violation of the guidelines. In 98 test-checked cases (expenditure: Rs 21.21 lakh) in Bhalwal, Dansal, Barnoti, Chenani and Udhampur, the reports of striking water in wells was available only in 8 cases (expenditure: Rs 1.98 lakh) of Barnoti block. The physical status of the wells in other cases had not been verified in any of the blocks. It was, however, noticed that works on 10 wells taken up in Barnoti block during 1994-98 had not been completed (March 1999) and were abandoned after making payments of Rs 1.11 lakh.

Thus, despite incurring of an expenditure of Rs 30.02 lakh, the objective of MWS of providing open irrigation wells to target group of small and marginal farmers living below poverty line and having no irrigation facilities was not achieved.

(c) Assets created under the MWS were not registered with the Revenue Department, in absence of which the possibility of subsidy being allowed on the wells already constructed in earlier years could not be ruled out and their maintenance also could not be ensured. The irrigation potential created under MWS and the extent to which it was utilised was not monitored nor was its impact on the agricultural productivity verified at any stage.

3.1.11 Special and innovative projects

With a view to prevent migration of labour, enhance employment of women and develop core infrastructure for providing long-term employment opportunities, special and innovative projects were to be formulated and implemented under JRY. Projects benefiting individual beneficiaries were not to be considered.

Administrative approval for implementation of two special innovative projects one each in Kashmir (cost: Rs 6 crore) and Jammu (cost: Rs 1.84 crore) divisions was accorded by State Government in April 1994. The project for four* districts of Kashmir division contemplated construction of a dwelling unit and providing income generating unit to each of 2106 identified beneficiaries. The Jammu project envisaged providing household and institutional latrines, development of village roads, land development works,

* Udhampur- 4; Dansal: 11; and Barnoti: 21
* Samba- 5 and Dansal: 11
* Pulwama, Kupwara, Anantnag and Baramulla.

Special innovative projects taken up were mere replication of works executed under various poverty alleviation progammes

lanes/drains etc. in 13 villages of Jammu and Kathua districts. Both the projects were not innovative for providing long-term sustainable employment and were instead mere replication of the works executed under various poverty alleviation programmes. The project for Kashmir Division (cost: Rs 6 crore) was conceived for individual beneficiaries in violation of Central guidelines. Following points also emerged during test-check:

Against target of 4347 works, 1814 sanitation works were executed

Expenditure on construction of lanes/drains exceeded the normative cost by Rs 17.83 lakh

(a) Out of Rs 1.53 crore received by Director Rural Sanitation, Jammu during 1994-96, for implementation of the innovative programme, expenditure of Rs 1.38 crore only was incurred by the implementing agencies up to March 1999 and 1814 rural sanitation works were executed against targets of 4347 works. The expenditure incurred representing 75 *per cent* of the project cost was not commensurate with the physical achievements. The mis-match between the physical and financial achievements was due to incurring of expenditure in excess of normative cost. The expenditure exceeded the normative cost on construction of lanes/drains by Rs 17.83 lakh and training, etc. by Rs 4.05 lakh.

(b) Against 2106 dwelling/income generating units to be provided to beneficiaries in four districts of Kashmir Division at a cost of Rs 6 crore, 1883 houses and 2463 units were taken up for execution of which 1700 houses and 2463 units were completed by the end of March 1998 at a cost of Rs 4.87 crore. Reasons for shortfall in construction of dwelling units and that for setting up of 357 additional income generating units were not intimated.

3.1.12 Monitoring and Evaluation

State and District Level Committees constituted for monitoring the programme never met

The supervision, guidance and monitoring of the wage employment programmes were the responsibility of SLC*. District and Block level EAS Committees were also to supervise and co-ordinate the implementation of the programme at district and block level. The SLC and the District Level Committees constituted in January 1994/August 1994 have not so far met even once (March 1999).

Vigilance Committees not formulated nor was any schedule of inspections drawn

The effective implementation and physical execution of works in accordance with the prescribed procedures and specifications was to be monitored closely through vigilance committees to be constituted at various levels and visits to work sites in interior areas for which schedules of inspections were to be drawn and followed. Neither any vigilance committees were formed nor were the schedules of inspection drawn in any of the test-checked districts. While 2196 field visits were made by ACDs Jammu (859), Udhampur (929), Kathua (304) and Srinagar (104) during 1994-95 to 1998-99 (January 1999), neither were any inspection notes issued nor was any record of

* State Level Coordination Committee.

works inspected kept. No inspection notes were issued by Block Development Officers in any of the test-checked blocks.

Evaluation for assessing the impact of the programme not conducted except in Marh block

Evaluation studies by a private agency indicated that only 25 *per cent* workers engaged were below poverty line

Evaluation studies for assessing the impact of the programmes had not been conducted except in Marh block in Jammu division. The Evaluation study conducted (April 1998) by a private firm *inter-alia*, brought out that only 25 *per cent* workers engaged on works were below poverty line, 92 *per cent* workers were engaged through *mates* and on an average employment was provided for only 22 days in a year. The report also brought out that in 85 *per cent* cases, wages paid ranged between Rs 51 to Rs 70 per day against the approved wage rate of Rs 35 per day. The Government, while accepting (March 1999) the report asked Directors Rural Development Jammu/Kashmir to circulate the findings among the ACDs/BDOs for improving the implementation of the scheme. Further developments were awaited.

3.1.13 Recommendations

The focus of the programmes has shifted to asset creation rather than generation of employment for unemployed and underemployed rural poor. The relevance of the implementation of the programmes in the State, except for certain backward and hilly pockets therefore, needs to be re-examined for better utilisation of the programme funds and ensuring fulfillment of the assurance of 100 days employment to the needy. Works which would result in creation of durable and productive community assets should only be taken up for strengthening of rural infrastructure. Engagement of middlemen for execution of works requires to be stopped and adequate coverage of SCs, STs and women beneficiaries ensured besides, ensuring maintenance of assets created under the scheme.

3.1.14 Above points were referred to Government in July 1999; reply had not been received (October 1999).

3.2 Integrated Audit of Horticulture Department

Highlights

Horticulture is the core of agricultural economy of the State. The basic objective of the Horticulture Department is to increase the area under horticultural crops in the State. Though the area under horticulture crops reportedly increased by 10 per cent, during the period 1993-97, its impact on increase in the fruit production was poor. The horticulture development was charactarised by low productivity despite implementation of productivity improvement programmes. The functioning of departmental nurseries/farms which had been set up for providing genetically improved plant material to the farmers was not satisfactory as these suffered from infrastructural deficiencies, low productivity, etc. Cases of excessive/irregular purchase of stores, etc. were also noticed in test-check.

- **Adjustment accounts for Rs 6.89 crore advanced to various departments, corporations, private agencies and district officers during the period 1980-99 for obtaining supplies, services and for payment of relief had not been obtained up to June 1999.**

(Paragraph: 3.2.4.3)

- **114 daily wagers were appointed by the Department after March 1994 despite ban imposed by the State Government in January 1994 on such appointments. Further, 115 officials had been promoted and allowed higher post/pay irregularly without being cleared by Departmental Promotion Committees.**

(Paragraphs: 3.2.5.2 and 3.2.5.3)

- **The average yield per hectare of apple crop declined from 11 tonnes in 1993-94 to 10 tonnes during 1996-97. The horticulture development in the State was thus, characterised by low productivity despite implementation of productivity improvement programmes.**

(Paragraph: 3.2.6)

- **The implementation of projects for expansion of areas in dry land and hilly areas without first ensuring availability of irrigation facilities, resulted in high mortality rate of plants which varied between 42 and 100 *per cent* in 805 test-checked projects.**

(Paragraph: 3.2.6.1)

- **The performance of the departmental nurseries was poor and production of fruit plants had declined from 4.91 lakh plants in 1994-95 to 3 lakh plants in 1998-99.**

(Paragraph: 3.2.6.2 (a))

- **Polygreen houses set up during 1994-99 had not been physically verified. Further, purchase of Ultra Violet Stablised film at higher rates resulted in avoidable extra expenditure of Rs 21.90 lakh during 1995-96 and 1996-97.**

(Paragraphs: 3.2.8.1 and 3.2.8.2)

- **Unplanned and haphazard execution of various irrigation works at Indo Bulgarian Farm Zainpora had resulted in wasteful expenditure of Rs 57.44 lakh thereon and loss of Rs 40.13 lakh due to dryage of 5.50 lakh exotic plants.**

(Paragraph: 3.2.9)

- **Purchase of card board boxes without assessing their requirement resulted in locking up of Rs 1.66 crore for over 2 years.**

(Paragraph: 3.2.10)

3.2.1 Introduction

The economy of the State is agriculture based and horticulture forms the core of the agricultural economy of the State. The agroclimatic conditions of the State are ideal for production of horticultural crops. The area under orchards in the State was estimated (March 1998) at 2.11 lakh hectares (29 *per cent* of the total area of 7.33 lakh hectares under agriculture) and 49 *per cent* of total 10 lakh farming families of the State i.e about 4.85 lakh families earn their livelihood from this sector. The major thrust areas of the Department, *inter alia,* are (a) to expand the area under orchards and encourage diversification of fruit plantation; (b) production and supply of genetically improved plant material through departmental and private nurseries; (c) improve productivity and quality through introduction and import of advanced technologies; and (d) ensure availability of plant protection machinery and equipment to orchardists, at subsidised cost, for better pest and disease management.

3.2.2 Organisational set-up

The Department is headed by the Director of Horticulture who is assisted by a Joint Director, Divisional Manager Plant Protection Workshop and Store, Nursery Registration Officer, Chief Canning and Processing Officer and Horticulture Information and Publicity Officer, one each at divisional level (Srinagar; Jammu). At the district level the programmes of the Department are executed by Chief Horticulture Officer. Three departmental farms at Srinagar, Zainpora and Ramban are headed by Farm Managers. The Department is under the overall administrative control of Principal Secretary, Agriculture Production Department.

3.2.3 Audit coverage

The functioning of the Department was reviewed between January and April 1999 by test-check of records of the Directorate, 6 district offices (Jammu, Kathua, Udhampur, Anantnag, Pulwama and Budgam) out of a total 14 Districts and the offices of Joint Director Horticulture, Farm Manager, Zainpora, Divisional Manager, Plant Protection Workshop and Horticulture Information and Publicity Officer. The review covers the period from 1994-95 to 1998-99. The results are mentioned in the succeeding paragraphs.

3.2.4 Financial Management

3.2.4.1 Budget and expenditure

The position of funds provided to the Department and expenditure incurred there against during the years from 1994-95 to 1998-99 was as under:

Year	Budget provision*	Expenditure	Percentage shortfall in utilisation of funds
	(Rupees in crore)		
1994-95	15.65	14.71	6
1995-96	17.35	15.98	8
1996-97	18.55	18.60	-
1997-98	21.76	20.16	7
1998-99	32.06	21.82	32

The shortfall in utilisation of funds during 1998-99 was 32 *per cent* which was reportedly due to cash crunch in treasuries.

Delay of 2 to 9 months in release of Central funds to implementing agencies

Assistance of Rs 24.32 crore received from Central Government during the years 1994-95 to 1998-99 for implementation of various Centrally sponsored schemes had been released by the State Government in all these years after delays ranging from 2 to 9 months. The belated release of funds resulted in their poor utilisation ranging from 39 *per cent* to 74 *per cent* and unspent balance of Rs 2.90 crore at the end of March 1999.

* Includes funds released by Government of India.

3.2.4.2 *Budgetary control*

(a) Control over expenditure

The State Budget Manual lays down that head of the department shall maintain a register of grants and appropriations in Form 18 to record original grants, their distribution amongst sub-ordinate officers and modifications made from time to time. Disbursing/controlling officers and head of the department are also to maintain a separate register in Form B-12 for each minor or sub-head of account for recording transactions. Progress of expenditure is to be watched by the controlling officer on a monthly basis.

Savings of Rs 8.93 crore not surrendered

Test-check revealed that no such records were maintained at Directorate level to monitor the progress of expenditure on monthly basis except in case of non-plan expenditure which had been monitored by Director Horticulture for a brief period of 7 months during 1998-99. The monthly statements to be submitted by the subordinate officers on 3rd of each month had been sent after delays of two to three months. Due to the failure of the Director Horticulture to monitor expenditure of the subordinate offices and non-maintenance of control records, savings of Rs 8.93 crore during the period 1994-99 could not be surrendered in time for utilisation in other needy departments and were allowed to lapse.

(b) Rush of expenditure

Expenditure in last quarter ranged between 26 and 70 *per cent*

Financial Rules of the Government provide that progress of expenditure should be even throughout the year and rush of expenditure towards fag end of the year should be avoided. Contrary to these rules/instructions, it was noticed in 7 out of 11 test-checked offices that percentage of expenditure during the last quarter of the financial year ranged between 26 and 70 with expenditure in March alone being 14 to 50 *per cent* of total expenditure during the years from 1994-95 to 1998-99. The rush of expenditure towards the fag end of the year was attributed by departmental officers to late release of funds by the State Government. It was, however, seen in audit that rush of expenditure was also due to delays in finalisation of rate contracts.

(c) Drawal of funds to avoid their lapsing

Director Horticulture released Rs 2.14 crore to six district officers during 1997-98 for payment of subsidy to orchardists for establishing polygreen houses. Test-check of records revealed that the district officers utilised only Rs 1.24 crore during the year and instead of surrendering the balance amount of Rs 0.90 crore, retained this amount in saving bank accounts. Funds were thus drawn and kept outside the Government accounts in violation of Financial Rules to avoid their lapsing. The details of subsequent expenditure incurred out of the unspent balances were awaited (June 1999).

3.2.4.3 Awaited detailed accounts/supplies

Detailed accounts for Rs 6.89 crore not obtained

The Department advances amounts, on the basis of Government sanctions or in pursuance of terms and conditions of the supply orders, to various Government departments/ corporations/private agencies for obtaining supplies and services, etc. Test-check revealed that:

(i) Detailed accounts for an amount of Rs 96.85 lakh advanced between March 1994 and March 1999, in eight cases (details in *Appendix-9*) had not been obtained as of June 1999.

(ii) Out of Rs 5.76 crore sanctioned by Government of India, Rs 5.60 crore were released to 7 district[ϒ] officers between April 1991 and June 1992 for disbursement to orchardists as relief for snow damages and for control of apple scab. As of November 1999, the concerned officers had not rendered detailed accounts of the amounts paid to them. Consequently, the correctness of the payments made and utilisation of the unpaid amounts, if any, could not be vouchsafed in audit. It was however, seen in test-check that in Pulwama district, Rs 7.45 lakh out of Rs 1.66 crore advanced up to 1991-92 were retained in a bank account up to 1997 after which the amount was remitted into the treasury.

(iii) Out of Rs 21.65 crore advanced to Jammu and Kashmir Agro-Industries Corporation Limited (a Government Company) by the Horticulture Department up to May 1994, for supply of plant protection machinery and equipment, Rs 32.48 lakh were outstanding with the Corporation as of March 1999. Of this, Rs 16.90 lakh and Rs 11.36 lakh pertained to the periods 1980-88 and 1984-91 respectively.

Failure to obtain detailed accounts in the above cases indicates an inadequate system of monitoring the advances paid from time to time and receipt of supplies, etc. there against.

3.2.4.4 Maintenance of cash book and drawal register

Physical verification of cash balances not conducted

Cash books/drawal registers of test-checked offices revealed that entries in the cash book had not been attested by Drawing and Disbursing Officers. Drawals made from the treasury had either not been verified from the treasury after the close of transactions of a particular month, as required under rules or had been done belatedly after delays ranging up to 15 months. Test-check further revealed that receipts on Government account were remitted into

[ϒ] Anantnag, Budgam, Baramulla, Doda, Kupwara, Pulwama, and Srinagar.

the treasury after delays ranging from 3 to 25 months from the date of realisation and physical verification of cash balances had not been conducted.

Salaries of field staff and contingent charges including incentive and subsidy was drawn by the CHOs[↔] and passed on to HDOs[▾] for disbursement. These payments were charged off from the cash book without receipt of acquittance rolls or ascertaining whether payments had actually been made by HDOs. The acquittance rolls, if and when received, were also not countersigned by the CHO in token of his check. The practice followed was fraught with the risk of payments made to the HDOs lying undisbursed for prolonged periods outside the Government account or their misappropriation. Horticulture Development Officer Arnas/Mahore Block (Udhampur District) had not submitted acquittance rolls/payees receipt for an amount of Rs 9.62 lakh paid to him between October 1996 and April 1998. An enquiry conducted (1998) by Director Horticulture revealed that the HDO had not disbursed the amounts received by him in some cases or had disbursed lesser amounts and in some cases forged the payees signature/thumb impression. The officer had been placed under suspension by the Government in June 1998. The officer without being reinstated or getting himself relieved from his office was, however, sponsored by Government for undergoing a post-graduate course.

3.2.4.5 Outstanding on account of sale proceeds

Sale proceeds of Rs 1.34 crore recoverable from officials

The Department provides planting material, etc. and plant protection machinery to small and marginal fruit growers at subsidised cost. Test-check revealed that cost realised from farmers by the field offices on account of sale of plant protection machinery was being remitted to Director Horticulture for being credited into the accounts. The Directorate, however, instead of crediting the sales proceeds into the treasury, retained these in two bank accounts and then remitted the proceeds into the treasury subsequently by cheques, in piece-meal, resulting in unnecessary retention of monies outside Government account. The transactions under this account were not susceptible to audit checks/scrutiny as neither any cash book was maintained nor was any bank pass book produced to Audit. The expenditure and realisation of sale proceeds of plant protection machinery ending 1999 were, however, as under:

(Rupees in crore)

S.NO	Particulars	Ending March 1994	1994-95	1995-96	1996-97	1997-98	1998-99	Total
1.	Expenditure on purchases	1.74	0.70	1.00	1.50	1.70	0.58	7.22
2.	Sale proceeds including subsidy.	1.53	0.35	0.92	1.06	1.37	0.65	5.88

[↔] CHO- Chief Horticulture Officer.

[▾] HDO- Horticulture Development Officer.

An amount of Rs 1.34 crore, for which details were not available, was recoverable as on 31 March 1999. This included an amount of Rs 32.70 lakh representing value of machinery lost in various fire incidents (Rs 25 lakh) and shortages against various officials (Rs 7.70 lakh). The correctness of recoverable amount could not be vouchsafed in absence of any consolidated record at any level.

Sale proceeds of plant material aggregating Rs 6.50 lakh made during the period 1994-95 to 1997-98 in Kathua (Rs 3.88 lakh) and Udhampur districts (Rs 2.62 lakh) were outstanding as of February 1999 against various Horticulture Development Officers (Rs 2.21 lakh) and other departments (Rs 4.29 lakh). Action for recovery of the outstanding amounts had not been initiated by the district officers nor were reasons for such outstandings furnished.

3.2.5 Manpower management

The Department has not adopted any system for efficient control over its manpower management including monitoring cadre-wise position of sanctioned and effective strength in various subordinate offices at appropriate intervals for proper management of manpower resources. Norms for assessment of manpower requirements had also not been determined and requirement of staff strength continued to be assessed on adhoc basis. Following further points were noticed:

3.2.5.1 Irregular appointments

Recruitments to non-gazetted posts in the State are made on the recommendations of SSRB* with the exception of class IV and other specified posts. Recruitment to divisional level posts falling outside the purview of SSRB was to be made by the appointing authority on the recommendations of a committee constituted for the purpose. From January 1997, recruitment to class IV posts was to be made exclusively through a committee comprising head of the department concerned and three additional members nominated by respective administrative departments.

Irregular appointment of 152 persons

It was noticed in test-check that 152 persons were appointed in violation of the Government orders during the period from April 1994 to October 1997 to different categories of posts directly by various officers. Further, appointment of 177 persons to class IV posts was made by Director of Horticulture during November 1997 to December 1998, without observing Government instructions or advertising these posts. Reasons for the same were not intimated.

* SSRB- State Subordinate Service Recruitment Board

3.2.5.2 *Engagement of daily wagers*

The State Government had banned (January 1994) appointment of daily rated staff in all departments. However, 114 daily wagers had been engaged in test-checked offices for different spells, after March 1994 involving an expenditure of Rs 5.43 lakh. These daily wagers were working as drivers, sweepers and chowkidars, etc. despite availability of regular incumbents against these posts.

3.2.5.3 *Promotions without clearance by departmental promotion committees*

115 officials promoted without clearance of DPC

Government instruction I below Article 85 of Jammu and Kashmir Civil Service Regulations stipulate that appointment of a Government servant to a higher post in his cadre/line of promotions should be made only after clearance from the DPC[ϒ]. A Government servant can, however, be promoted in public interest and for recorded reasons without clearance by the DPC. The officials in such cases shall be promoted in their own pay and grade and will not be entitled to pay of higher post/scale until cleared by the DPC. However, 115 officials had been promoted in the Department during September 1991 to January 1999 and allowed regular scale of higher post without obtaining clearance from DPC.

3.2.6 *Programme management*

The Department had not conducted any census or survey of the fruit cultivation after 1981 for determining the actual area under fruit plantations, number of trees planted and production per unit area of land, etc. The area under fruit cultivation was, however, estimated at 1.88 lakh hectares and fruit production at 9.34 lakh tonnes during 1993-94. According to the revised estimates for 1997-98 the area under fruit cultivation had increased to 2.11 lakh hectares and fruit production to 10.40 lakh tonnes. Year-wise details of area under fruit cultivation, production and average yield of fruit per hectare in the State during the period 1993-97 were as detailed below:

[ϒ] Departmental Promotion Committee.

Year		Particulars	Apple	Other fruits	Total
1993-94	(i)	Area under fruit cultivation (in lakh hectares)	0.73	1.15	1.88
	(ii)	Production (in lakh Mts.)	7.93	1.41	9.34
	(iii)	Average yield (per hectare)	(11)	(1)	
1994-95	(i)	Area under fruit cultivation (in lakh hectares)	0.75	1.16	1.91
	(ii)	Production (in lakh Mts.)	6.74	1.46	8.20
	(iii)	Average yield (per hectare)	(9)	(1)	
1995-96	(i)	Area under fruit cultivation (in lakh hectares)	0.78	1.20	1.98
	(ii)	Production (in lakh Mts.)	7.15	1.45	8.60
	(iii)	Average yield (per hectare)	(9)	(1)	
1996-97	(i)	Area under fruit cultivation (in lakh hectares)	0.80	1.25	2.05
	(ii)	Production (in lakh Mts.)	8.16	1.52	9.68
	(iii)	Average yield (per hectare)	(10)	(1)	

Objective of diversification and zonalisation of fruit growing not achieved

The draft Eighth Plan had envisaged diversification and zonalisation of fruit cultivation in the State and cultivation of most suited fruit crop in a particular agroclimatic zone was to be encouraged. However, production of apple continued to occupy predominant position in horticultural crops with its share of 85 *per cent* of the total production of fruit crop. The production of other fruits was stagnant between 1.41 lakh tonnes and 1.52 lakh tonnes during 1993-94 to 1996-97. The objectives of diversification and zonalisation of fruit growing were thus, not achieved despite substantial investments including subsidies for expansion of area under various kinds of fruits other than apple. According to economic analysis and justification for incentives in horticulture sector as per Eighth Plan document, the package of incentives and the strategy adopted was expected to result in increase in fruit production to 14 lakh tonnes in 1996-97 and average productivity for apple was expected to go up to 15 tonnes per hectare. As against this, the estimated fruit production at the end of 1996-97 was 9.68 lakh tonnes only. It would be seen that there was an increase of 18041 hectares (10 *per cent*) in area under fruit cultivation, while production increased by 34914 tonnes (4 *per cent*) during the period 1993-97.

Per hectare yield of apple crop in the State declined by one tonne during the period 1993-97

Low productivity level

Similarly, the average yield per hectare of apple crop declined from 11 tonnes during 1993-94 to 10 tonnes during 1996-97 and it remained stagnant at 1 tonne per hectare in respect of other fruits. The horticulture development, thus, continued to be characterised by low productivity despite implementation of productivity improvement programmes and incurring expenditure aggregating Rs 91.27 crore on these development and incentive schemes during 1994-99 and implementation of two foreign aided projects i.e. Indo-Italian project in Ramban and Indo-Bulgarian project for apple production since January 1985 and 1989 respectively. The Department attributed (November 1999) non-achievement of targeted production to delay in import of root stocks under high density Apple Plantation Programme, lack of infrastructural facilities in the departmental nurseries/farms and vagaries of weather. Steps contemplated to remove infrastructural deficiencies, etc. were, however, not intimated (November 1999). Implementation of some of the schemes is discussed below:

3.2.6.1 Expansion of area under orchards in dry land and hilly areas

The Scheme under implementation since 1990-91 aims at coverage of additional area under fruit plantation in compact/continuous belts for achieving increase in production, better land management in these areas and ensuring remunerative returns to farmers. Subsidy of 75 *per cent* on plant material, tools and kits and pesticides, 33 *per cent* on "Farm Development Works," free carriage of plant material and other inputs and grant-in-aid of Rs 3000 and Rs 2000 per hectare for fencing of vulnerable areas and providing irrigation facilities respectively was provided to the farmers for taking up this activity. An area of 19483 hectares was covered under the Scheme during the period 1994-99 at a cost of Rs 13.09 crore. Test-check of records revealed the following points:

(i) Project reports indicating, *inter alia,* profile of the village, present land use pattern, irrigation source, title of land, encumberances if any, estimated benefits, etc., technically and administratively approved by Director Horticulture and DDC,* had not been formulated by district officers for ensuring intensive coverage and providing back up of infrastructural facilities at economic costs. Annual shelf of projects had also not been prepared in any of the test-checked districts.

(ii) Beneficiary committees were to be constituted for each compact plantation/project area who were to be involved at all stages of development from planning to execution. The committees had not, however, been constituted. (May 1999).

Physical checks of works not conducted

(iii) Records did not indicate if the envisaged physical checks (2 *per cent* by Director; 5 to 10 *per cent* by Joint Director; 50 *per cent* by CHOs) of the works undertaken had been conducted in any of the districts. In a few cases, where physical verification of projects was conducted by a team of officers of the Department, cases of non-execution of works for which subsidy (Rs 1.23 lakh) had been released, short/fictitious issue of fencing material (barbed wire, PCC poles etc. value: Rs 2.34 lakh) and misappropriation/fictitious payments (Rs 3.80 lakh) had come to light. No action had been initiated against the defaulting officers except in case of Arnas/Mahore projects where the concerned HDO was placed under suspension.

* DDC- District Development Commissioner

Mortality in compact plantation projects between 42 and 100 *per cent*

(iv) In 805 test-checked projects of compact plantation executed up to 1997-98 and covering an area of 6607.06 hectares, the overall mortality rate of plants was between 42 and 100 *per cent*. Department did not furnish any reasons for high mortality nor had these been investigated. It was however, seen in audit that high mortality rate was mainly due to the selection/execution of projects without first ensuring availability of irrigation facilities at the project sites.

3.2.6.2 Production of quality plant material

(a) According to the Eighth Plan document shortage of quality plants was one of the major constraints in enhancing the pace of horticulture development. Accordingly, with a view to meet the increasing demand of such material, targets were fixed for production of fruit plants in the departmental nurseries. The targets fixed and achievements there against during the years 1994-95 to 1998-99 were as under:

Year	Targets	Achievements	Percentage shortfall
	(Number of plants in lakh)		
1994-95	6	4.91	18
1995-96	6	4.79	20
1996-97	6	4.66	22
1997-98	6	3.31	45
1998-99	6.5	3.00	54

Shortfall of 18 to 54 *per cent* in production of quality plant material

It would be seen that the production of plant material in departmental nurseries declined from 4.91 lakh plants in 1994-95 to 3 lakh plants in 1998-99 and shortfall ranged between 18 and 54 *per cent* during the period. While the reasons for poor performance of the nurseries were not intimated, it was seen in audit that low germination of seeds (zero to 65 *per cent*), high mortality rate of seedlings/plants (9 to 100 *per cent*) and infrastructural deficiencies viz. absence of assured irrigation, water logging and poor soil conditions in the nurseries were the main reasons for the poor performance of nurseries. Out of 103 horticulture nurseries in the State (area; 367 acres), 68 nurseries (area; 187 acres) were unviable and had been proposed for closure by the departmental functionaries from time to time due to lack of irrigation facilities (31), water logging (9) and other reasons. The Department purchased 7.69♣ lakh plants (cost: Rs 35.36 lakh) from private nurseries in 3 test-checked districts of Udhampur, Kathua and Jammu, during 1994-95 to 1998-99, for meeting the demand of farmers.

Measures for providing assured irrigation facility in the nurseries, analysing reasons for fertility depletion, etc. had not been taken, reasons for

♣ Does not include the number of plants purchased in Kathua district during 1998-99 which were not intimated. Eighth Plan document contemplated privatisation of production of quality plant material and the role of the Department was proposed to be limited to quality control agency only. Action for achieving these objectives and closing down unviable nurseries had not been taken, reasons for which were not intimated (October 1999).

(b) Establishment of fruit plant nursery at Asham Baramulla

Idle investment of Rs 29.64 lakh on setting up of plant nursery

With a view to increase the production of imported clonal root stock of apple on large scale to cater to the needs of orchardists for high density plantation in valley in general and Baramulla and Kupwara districts in particular, the Department identified a piece of land measuring about 100 *kanals* for acquisition through Revenue Department at Asham, Baramulla. Although possession of land measuring 98 *kanals* and 1 *marla* along with two structures and 1173 fruit trees (cost: Rs 29.64 lakh) was taken over by Horticulture Department in March 1992, the land had not been put to any use or even got fenced till December 1998 which resulted in idle investment of the amount and non-accrual of intended benefits.

3.2.7 Assistance to small and marginal farmers for purchase of mini tractors/power tillers

With a view to assist small and medium orchardists and mechanise and modernise the pre-harvest management, a scheme envisaging "supply of mini tractors to small and marginal farmers/orchardists" at subsidised rates (67 *per cent* of the cost) was approved by the Government in March-April 1996. Mini tractors were to be provided to farmers with a minimum holding of 6 acres of irrigated land through AIDCL*, a Government company.

Adjustment accounts for Rs 12.70 lakh not rendered

An amount of Rs 10 lakh provided under the scheme during 1995-96 was withdrawn by Director Horticulture on 30 March 1996 and deposited (20 January 1997) with AIDCL after retaining it irregularly for over 9 months outside the Government accounts. The State Government extended (March 1998) the scheme further to purchase of power tillers by orchardists with a land holding of 3 hectares (reduced to 2 hectares in October 1998) who were eligible for subsidy of 30 *per cent* or Rs 0.30 lakh whichever was less. The scheme was to remain in operation till March 1999 when subsidy structure was to be reviewed. Accordingly, further amount of Rs 10 lakh was advanced to AIDCL in March 1998. Test-check revealed that out of 71 beneficiaries identified under the scheme, 20 orchardists only had availed of the benefits of the scheme (subsidy: Rs 7.30 lakh) up to March 1999. The AIDCL had not rendered any adjustment accounts and Rs 12.70 lakh continued to remain locked up with the company.

* AIDCL-Agro Industries Development Corporation Limited.

3.2.8 *Centrally sponsored schemes*

3.2.8.1 *Construction of polygreen houses*

Polygreen houses were to be established under the scheme for raising off-season crops, high quality fruit plants, seedlings, etc. and 50 *per cent* subsidy was to be paid to the identified beneficiaries for setting up of these units.

Shortfall in setting up of polygreen houses

As against target of setting up of 46846 units during 1994-99, 36525 units only were set up showing shortfall ranging between 26 and 67 *per cent* during this period. Reasons for shortfall were not intimated. Based on the norms of consumption determined by the Central Government, Director Horticulture had fixed (October 94) the requirement of UVS* film for one green house of approved area (80 Sq. metre) at 15 Kg which was to be issued to the identified beneficiaries departmentally and its cost adjusted out of subsidy payable to the beneficiary. Test-check of records revealed that in 373 units, polyfilm was issued between 1994-95 and 1996-97 in excess of prescribed norms resulting in avoidable expenditure of Rs 3.82 lakh.

Director Horticulture had ordered (October 1994) that polygreen houses after their construction by the beneficiary be inspected by the District Horticulture Officer and after satisfying himself, take photographs of the houses and beneficiaries. These photographs along with the certificate of CHO were to form part of records. No such records had been maintained, reasons for which were not intimated. Further, Director and Joint Director Horticulture were to physically verify 5 and 10 *per cent* of the green houses set up. Records available did, however, not indicate that any such verification was done. Absence of physical verification of the units, indicated that the genuineness of setting up of green houses was not ensured by the Department.

3.2.8.2 *Avoidable extra expenditure*

The State Level Purchase Committee of the Agriculture Production Department approved (October 1995) purchase of 200-micron thick UVS polyfilm from a Rajasthan based firm at a rate of Rs 122.50 per kg. However, in response to the request from AIDCL (a Government company) and instructions of the Advisor to State Government, it was decided to give preference for supply of the material to the AIDCL who were authorised distributors of IPCL*. In the event of failure of AIDCL to supply the films at the approved rate of Rs 122.50 per kg, the purchase was to be made from the lowest tenderer. During 1995-96 the Department however, purchased in addition to 84 tonnes of the film from the Rajasthan based firm, 17.70 tonnes

* Ultra Violet Stablised
* IPCL-Indian Petro Chemicals Corporation Limited.

of polyfilm from SICOP[ℵ] who had meanwhile replaced AIDCL as distributors of IPCL, at a higher rate of Rs 131 per kg in violation of the Government instructions.

Avoidable extra expenditure of Rs 21.90 lakh on purchase of UVS films

For the year 1996-97, the Government had ordered that purchase of the film be made from SICOP. However, SLPC[∞] in its meeting (October 1996) decided that adherence to the Government instructions was not feasible in the interest of economy as the rate of Rs 141 per kg quoted by SICOP was 40 *per cent* higher than the lowest rate of Rs 105 per kg offered by the Rajasthan based firm and approved purchase of material from the lowest tenderer. The Department, however, purchased 51.357 tonnes of polyfilm from SICOP during 1996-97 at Rs 131 per kg and 18.393 tonnes in June 1997 at Rs 137.50 per kg. This resulted in an avoidable extra expenditure of Rs 21.90 lakh. Director Horticulture stated (November 1997 and June 1999) that the case for regularisation of purchase at higher rates had been taken up with the Government, approval for which was awaited (October 1999).

The records regarding purchase of UVS polyfilm for the years 1994-95 and 1995-96 were seized by State Vigilance Organisation. Further developments were awaited (October 1999).

3.2.8.3 Idle investment on purchase of anti-hail and shading nets

The scheme for free issue of anti-hail nets for first two years where after subsidy was to be reduced on yearly basis, was introduced under the State Plan in 1992-93, in identified hail prone areas. From 1996-97 when the scheme was taken up as a Centrally sponsored scheme, the subsidy component was fixed at 50 *per cent* or Rs 500 per tree with a ceiling of 20 trees per beneficiary. During the period 1992-98, 2.17 lakh sq metres of net was purchased at a cost of Rs 37.79 lakh.

Rupees 7.69 lakh locked up due to purchase of excess material

Test-check of records revealed that subsidy on anti-hail nets was not reduced after 1993-94 as envisaged and nets were issued free of cost to the identified beneficiaries up to 1995-96. No targets had been fixed for coverage of area, etc. under the scheme and anti-hail nets were purchased on the basis of available funds, without assessing the actual requirement/demand. As a result, 45230 sq metres of the net (value: Rs 7.69 lakh) were lying unutilised in various stores of the Department at the end of years 1993-94 to 1998-99. Records relating to purchase of anti-hail nets pertaining to years 1992-93 to 1995-96 had also been seized (July 1996) by State Vigilance Organisation. Further developments in the case were awaited (November 1999).

[ℵ] SICOP-Small Scale Industries Development Corporation.

[∞] SLPC-State Level Purchase Committee.

Centrally sponsored scheme of "Use of Plastics" introduced in 1996-97 envisaged issue of shading nets to small and marginal fruit growers/orchardists at 50 *per cent* subsidy or Rs 14 per square metre, whichever was less, with an area ceiling of 500 sq metres. The Department without assessing the demand/requirement purchased shading nets on the basis of funds earmarked for the scheme. 87627 square metres of shading nets were purchased during the years 1996-97 to 1998-99 at a cost of Rs 22.43 lakh. Of this, 34955 sq. metres valued at Rs 9.29 lakh had not been issued to any beneficiary up to March 1999. Failure to assess the requirement of nets realistically, thus, resulted in idle investment of Rs 9.29 lakh.

Idle investment of Rs 9.29 lakh

3.2.9 Special programmes-Indo-Bulgarian Horticulture Farm Zainpora

Wasteful expenditure of Rs 57.44 lakh

Government Horticulture Farm Zainpora, with an orchard area of 1375 *kanals* and nursery area of 1200 *kanals*, was set up (1989) in Pulwama District (Kashmir) as a pilot demonstration farm for plantation of new high yielding varieties of fruits imported from Bulgaria and introduction of modern technology in high density plantation. The farm with a requirement of 1.5 cusecs of water per day was to be irrigated by *Tongri nallah*. The *nallah*, after meeting the irrigation requirements of the farm for about 2-3 years developed breaches, thus affecting irrigation to the farm. To ensure continuous irrigation, the Department sunk 3 tube wells (cost: Rs 5.36 lakh) and installed three submersible pumps (cost: Rs 3.70 lakh) during the year 1993-94 which also did not function properly as the water table in the farm had gone down. Efforts to repair the canal, despite incurring an expenditure of Rs 6.20 lakh through the Irrigation Department during 1994 to 1995, also did not succeed. Apprehending loss of exotic imported plants and other plant material, the Department installed a lift irrigation system through Public Health Engineering Department during 1995-96 at a cost of Rs 37.18 lakh. This system also failed to achieve the intended objectives as the pumps installed were found (October 1996) substandard and did not function properly. During 1997-98, the Department dug a channel in the farm for laying of pipes at an estimated cost of Rs 5 lakh (including cost of pipes) for tapping water available in the vicinity of the farm. The work completed through the length of the farm was to be extended through the canal bund which was not allowed by the Irrigation Department. The work was therefore, abandoned.

Loss of plants material valued at Rs 40.13 lakh

Thus, unplanned and haphazard execution of various irrigation works led to wasteful expenditure of Rs 57.44 lakh. Lack of proper irrigation facility affected adversely the working of the farm and resulted in mortality of 1.86 lakh unbudded and 3.64 lakh budded precious exotic plants valued at Rs 40.13 lakh during 1990-91 to 1998-99.

3.2.10 Popularising use of cardboard boxes

Locking up of Rs 1.66 crore due to unrealistic assessment of requirement

In order to introduce an alternative eco-friendly packaging material in place of conventional wooden boxes and inculcate better grading and packing habits amongst traders, it was proposed (August 1995) to subsidise the cost of card board boxes by 50 *per cent* for a period of three years. Accordingly, it was decided to provide 30 lakh card board boxes to the orchardists at a cost of Rs 6 crores during the years 1996-97 (5 lakh boxes; cost: Rs 1 crore), 1997-98 (10 lakh boxes; cost: Rs 2 crore) and 1998-99 (15 lakh boxes; cost: Rs 3 crore). On the basis of proposal submitted (August 1996), the National Horticulture Board, Government of India also agreed (October 1996) to subsidise 50 *per cent* of actual cost or Rs 20 per cardboard box whichever was less. In January 1997, the Government without any firm demand sanctioned purchase of 5 lakh boxes through Jammu and Kashmir Horticulture Produce and Marketing Corporation Limited (a Government company) from a Himachal Pradesh Government undertaking at Rs 52 per box including handling charges of Rs 2 per box with provision of Rs 20 and Rs 12 as subsidy per box which was to be borne by the Board and State Government respectively. Accordingly, 5 lakh boxes and 29.31 lakh matching trays (value: Rs 2.50 crore) were purchased during March and April 1997 and a payment of Rs 2.37 crore made to the firm up to June 1999. The scheme, however failed to take off as boxes valued at Rs 84 lakh only could be sold by the Corporation up to June 1999, resulting in blockage of Rs 1.66 crore for over two years. The possibility of cardboard boxes deteriorating due to prolonged storage and weather conditions could not be ruled out.

3.2.11 Plant Protection Workshops

The Department had established two plant protection workshops one each at Srinagar and Jammu for repair of tools, implements and plant protection machinery and manufacturing of hand tools, like shovels, spades, prunners, sickles, *khropas*, etc. The workshop at Jammu, established in 1974, did not undertake any major manufacturing activity for last over ten years. The details of minor repairs, etc. undertaken by the workshop and the expenditure incurred on salary of staff were as under:

Year	No. of days for which workshop functioned*	Value of repairs conducted	Notional value of tools and equipment manufactured including cost of raw material (Rupees in lakh)	Expenditure on pay and allowances
1994-95	94	0.13	0.16	6.70
1995-96	232	0.02	2.57	7.06
1996-97	5	0.01	0.04	8.29
1997-98	30	-	0.19	7.95
1998-99	4	0.01	0.12	11.28
Total	**365**	**0.17**	**3.08**	**41.28**

* As per job register of workshop

Non-functional workshop and resultant idle wages

During the years from 1994-95 to 1998-99, Director Horticulture purchased tools and equipment valued at Rs 57.99 lakh from the open market, which could otherwise have been manufactured at the workshop. Divisional Manager, Plant Protection Workshop Jammu attributed (January 1999) non-functioning of the workshop to non-provision of adequate funds and full complement of staff. The workshop at Srinagar was also non-functional. Deputy Director (Central), Horticulture Department during his inspection (July 1997) of the workshop observed that the workshop was of no utility mainly because of lack of adequate qualified staff. Details of expenditure being incurred annually on the existing idle staff of the workshop were not intimated.

The Department had not made any efforts to improve the functioning of workshops or explore the possibility of their closure, which resulted in continued payment of idle wages to the staff.

3.2.12 Store management

Accumulation of stores/stock items valued at Rs 47.43 lakh

Scientific stores management requires that a maximum order level and reorder level is fixed by a department before effecting purchase of stores. No such levels had been fixed for proper management of stores. Test-check of store/stock accounts of Horticulture Department further revealed that purchase of stores was being made on the basis of availability of funds, without proper assessment of requirement. This had resulted in unnecessary accumulation of store/stock items worth Rs 47.43 lakh for a period of 1-5 years in various stores of the Department.

3.2.13 Monitoring and Evaluation

Department had not evolved any mechanism for ensuring continuous monitoring of the programme implementation nor had the results of implementation of various schemes been got evaluated either through its own agency or through any outside agency. Consequently, the Department was not in a position to assess from time to time the shortcomings in implementation of the schemes or carry out any mid-course corrections.

3.2.14 Recommendations

The Department should put in place a mechanism for continuous and effective monitoring of the schemes/programmes taken up for improving the yield of fruit crops as also the area thereunder. The working of departmental nurseries/farms also needs to be improved and supervisory controls effectively exercised to prevent excessive purchase of stores, etc.

3.2.15 The above points were referred to Government in September 1999; reply had not been received (October 1999).

Education Department

3.3 Nutritional Support to Primary Education

Highlights

'Nutritional Support to Primary Education' a Centrally sponsored scheme was introduced initially in 48 blocks of the State in October 1995 and extended subsequently to all the 121 blocks by 1996-97. The Scheme failed to achieve the objectives of universalisation of primary education and improvement in the nutritional level of school going children. This situation arose mainly due to inadequate planning including failure to establish institutional arrangements, non-fixation of targets for increasing enrolment and attendance and absence of any proper system for monitoring the implementation of the Scheme.

- **Due to failure of the State Government to properly plan and establish institutional arrangements for effective implementation of the Scheme, the objective of universalisation of primary education and improving nutrition level of students was not achieved.**

(Paragraph: 3.3.4)

- **There was shortfall ranging from 22 to 100 *per cent* in Jammu Division and 51 to 84 *per cent* in Kashmir Division in lifting of allotted quantity of foodgrains from FCI during 1995-96 to 1998-99. The State could not, thus, avail the assistance of Rs. 31.76 crore in the form of 3.74 lakh quintals of rice.**

(Paragraph: 3.3.5.1)

- **Cooked meals were served during 1995-96 and 1996-97 for 28 to 53 days and 29 to 117 days against a minimum of 120 and 200 available school days respectively. While foodgrains were issued for one to seven months only during 1997-98, no foodgrains were provided to the school children during 1998-99.**

(Paragraph: 3.3.5.3)

- **Liability of Rs. 69.25 lakh had been created on engagement of cooks in four test-checked districts of Kupwara, Jammu, Anantnag and Udhampur.**

(Paragraph: 3.3.5.4 (b) (iii))

- **Targets for increasing enrolment, attendance and reducing dropout rate of students at primary level had not been fixed.**

(Paragraph: 3.3.6)

- **The implementation of the Scheme was neither monitored nor was its performance evaluated by Government either through its own agencies or through any independent agency.**

(Paragraph: 3.3.7)

3.3.1 Introduction

Nutritional Support to Primary Education, a Centrally sponsored scheme, was launched by Government of India in August 1995. The objective of the Scheme was to boost universalisation of primary education by increasing enrolment, retention and attendance, simultaneously improving the nutrition level of students. The objective was to be achieved by providing free nutritious and wholesome cooked meal/processed food, having a calorific value equivalent to 100 gms of wheat and rice, to all students of class I to V in all Government, Government aided and Local Body schools on each school day for ten academic months in a year. Institutional arrangements for providing pre-cooked/cooked food were to be developed in all States within a period of two years from the date of launching the Scheme. Till then, foodgrains at the rate of 3 kgs per student/month were to be issued to each student having a minimum attendance of 80 *per cent*. While cost of foodgrains and expenditure on its transportation up to villages/ schools was to be borne by the Central Government, labour charges for conversion of foodgrains into cooked food and cost of construction of kitchen sheds wherever necessary was to be met from poverty alleviation programmes implemented by the Rural Development Department.

The Scheme was introduced in 48 blocks in October 1995 and was extended to all the 121 blocks of the State by 1996-97.

3.3.2 Organisational set-up

The Scheme was implemented in the State at block level through ZEOs[*] under the supervision of CEOs[@] at district level. DDCs[~] were responsible for allotment, transportation of foodgrains within the district and provision of funds for conversion of foodgrains into cooked food. Directors of Education at Srinagar and Jammu were responsible for overseeing and monitoring the progress of the Scheme at Divisional level under the overall

[*] ZEO- Zonal Education Officer
[@] CEO- Chief Education Officer
[~] DDC- District Development Commissioner

control of Education Department. A Committee under the Chairmanship of the Chief Secretary was to monitor the Scheme at the State level.

3.3.3 Audit coverage

Implementation of the Scheme was reviewed in 228 schools out of 1382 schools falling in 20[Ψ] zones in five (Jammu, Udhampur, Kathua, Anantnag and Kupwara) out of 14 Districts of the State during the period from January 1999 to April 1999. Records relating to the implementation of the Scheme were also test-checked in the offices of Commissioner-cum-Secretary to Government, Education Department/Planning and Rural Development Department, Directorates of Education, Food and Supplies and Rural Development Department, FCI[#^] and Assistant Commissioners of Development Jammu, Kathua and Udhampur. Important points noticed as a result of test-check are summarised in succeeding paragraphs.

3.3.4 Planning

Database indicating number of Primary schools to be covered, enrolment figures and requirement of foodgrains, etc. not maintained

For ensuring effective implementation of the programme, a database indicating the number of Primary schools in the State, enrolment figures at periodical intervals, school days in a year, requirement of foodgrains, foodgrains lifted from FCI and its utilisation, etc. was a pre-requisite. The records did not reveal that the State Government had maintained the requisite data or furnished this information to the Central Government. As a result, allocation of foodgrains by the Central Government during the years 1995-96 and 1996-97 was made on the basis of enrolment figures of 1993-94 as given in the Sixth All India Educational Survey.

As against issue of foodgrains during interim period cooked food was served

Scheme failed to take off and made serious inroads in the teaching time of teachers

The State Government had to develop, within a period of two years, institutional arrangements for serving cooked food after establishing a well defined system of linkages between various agencies for timely supply of foodgrains, and ensuring participation of village based voluntary groups. During the interim period foodgrains at the prescribed scale were to be issued to each eligible student. The State Government, however, without establishing institutional arrangements ordered (September 1995) serving of cooked food to the students. The Government order (September 1995) did not specifically indicate methodology for transportation of foodgrains, engagement of cooks, procurement of utensils etc., and for establishing proper linkage with poverty alleviation programmes. The Commissioner-Secretary Education Department informed (December 1996) the Government that the Scheme had failed to take off or have any impact on enrolment/ nutrition level of the students and had made serious inroads in the teaching time of teachers. Consequently, the

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Ψ Bhalwal, R.S.Pora, Purmandal, Satwari, Gandhi Nagar, Jammu, Dansal, Tikri, Udhampur, Chenani, Hiranagar, Kathua, Barnoti, Ghagwal, Kupwara, Drugmulla, Khumriyal, Achabal, Anantnag and Bijbehara.

#^ FCI- Food Corporation of India

Scheme was modified (January 1997) and it was decided to issue 3 Kilograms of rice per month/child as envisaged initially in the Scheme. Thus, lack of proper planning delayed the consolidation and strengthening of the effective implementation of the Scheme in the State. Besides, the practice of providing 3 kilograms of foodgrains per month/child for consumption at home even almost four years after the introduction of the Scheme defeated the primary objective of increasing enrolment/attendance in schools and improving nutrition level of students.

3.3.5 Implementation

3.3.5.1 Allocation and lifting of foodgrains

The position of foodgrains allocated by GOI, quantities lifted by the Food and Supplies Department from Food Corporation of India and issued to Education Department during the period from 1995-96 to 1998-99 was as under:

Year	Allotment by GOI*		Lifted by Food and Supplies Department from FCI		Issues to Education Department as per records of			
					Food and Supplies Department		Education Department	
	Quantity in quintals							
	J	K	J	K	J	K	J	K
1995-96	41110	28630	32110 (22)*	6453 (67)	16337	6453	18237	2617
1996-97	77652	65736	43753 (44)	15586 (76)	21706	15586	26804	21611
1997-98	97065	82171	46013 (53)	40517 (51)	23320	40517	26954	46313
1998-99	97065	82171	Nil (100)	13116 (84)	Nil	13116	199	5511
Total	312892	258708	121876	75672	61363	75672	72194	76052

(J= Jammu, K=Kashmir)

Central assistance of Rs 31.76 crore not availed of due to non-lifting of 3.74 quintals of foodgrains

It would be seen that there was significant shortfall in lifting of allotted quantity of foodgrains from Food Corporation of India. The shortfall ranged from 22 to 100 *per cent* in Jammu Division and 51 to 84 *per cent* in Kashmir Division during the years from 1995-96 to 1998-99. Reasons for not lifting the allocated quantities of foodgrains were not intimated. Consequently, the State Government failed to avail of the Central assistance of 3.74 lakh quintals of rice (value: Rs. 31.76 crore computed at minimum rate for relevant years). Further, against 1.22 lakh quintals of rice lifted by Food and Supplies Department in Jammu Division during 1995-96 to 1997-98, only 0.61 lakh quintals were issued to the Education Department ending March 1998. Disposal of the remaining quantity valued at Rs 5.07 crore though called for

* Does not include foodgrains allocated for Ladakh and Kargil Districts

* Figures in parenthesis indicate *percent*age shortfall

from the Director Food and Supplies Department, Jammu, was not intimated. Following further points were also noticed:

Quantity of foodgrains issued by the Food and Supplies Department and that accounted for by Education Department at variance

(i) Government had directed (September 1995) Food and Supplies Department to maintain the accounts of rice supplied to Education Department as per releases ordered by DDCs on monthly basis and submit the accounts to Commissioner/Secretary Education Department. As of April 1999, these accounts had not been compiled by the Directors of Food and Supplies Department Srinagar/Jammu for submission to Education Department. There were variations in quantity of foodgrains issued by the Food and Supplies Department and those received by Education Department. Some instances of zone-wise variations are given in *Appendix*-10. Reasons for variations had not been investigated nor had any reconciliation been conducted at any level despite instructions of the Government (March 1997) directing Zonal Education Officers to undertake periodic/quarterly reconciliation of foodgrains with Food and Supplies Department.

Monthly consumption of foodgrains in school/zones not monitored

(ii) Monthly consumption of foodgrains in each zone was not monitored at any level as a result of which actual consumption of foodgrains and position of leftover stocks vis-a-vis quantities received were not ascertainable. It was, however, observed that in 39 test-checked schools of 7 zones, 1791.22 quintals, 262.50 quintals and 630 quintals of foodgrains lifted during the years 1995-96 to 1997-98 respectively were shown fully consumed even though 24.03 quintals, 0.50 quintal and 86.82 quintals respectively remained unutilised at the close of the respective years. Further, in Udhampur zone 118.68 quintals of rice lifted in April 1998 was shown consumed during 1997-98.

(iii) The Education Department lifted 38895 quintals of fine and superfine varieties of rice in Kashmir Division during the period from 1995-96 to 1998-99 against prescribed IR-8 variety resulting in extra burden of Rs. 18.15 lakh.

(iv) Stock account of empty gunny bags was not maintained in any of the test-checked schools and ZEOs. While CEOs/ZEOs of District Anantnag, Udhampur and Kathua stated that the bags were returned to Food and Supplies Department, CEO Jammu stated (May 1999) that the bags were retained by the schools and were damaged in stores. CEO, Kupwara stated (April 1999) that the empty bags were lying in the respective zones/schools. On the basis of 9482.57 quintals and 4759.48 quintals of rice lifted by Jammu and Kupwara districts and sale rate of gunny bags fixed by Food and Supplies Department, non-disposal of a minimum of 14242 empty bags resulted in loss of Rs 1.71 lakh.

(v) Despite complaints from public regarding issue of inferior quality of foodgrains under the Scheme, mechanism/procedures for ensuring supply of foodgrains of proper quality had not been established.

3.3.5.2 Transportation of foodgrains

Transportation of foodgrains not done by DRDAs

Transportation by teachers resulted in loss of teaching time

The Scheme envisaged transportation of foodgrains from FCI godowns to schools by DRDAs to whom cost of transportation at the rate of Rs 25 per quintal was reimbursable from Central Government. However, DRDAs were not entrusted with the work of transportation of foodgrains in any of the test-checked districts. Instead foodgrains were lifted by school teachers and pending reimbursement, carriage charges were met from funds allotted for cooking of foodgrains or from local funds of the schools. This resulted in loss of teaching time and diversion of school funds meant for promotion and popularisation of games, etc.

The overall position of expenditure incurred/liabilities created on carriage of foodgrains had not been monitored at State or Divisional level. Accordingly, reimbursement of estimated carriage charges of Rs 34.25 lakh[♦] had not been claimed from Government of India as of April 1999. CEOs Udhampur, Jammu and Budgam, however, projected (April/August 1998) liabilities of Rs. 4.32 lakh, Rs 0.69 lakh and Rs 2.87 lakh respectively on this account.

3.3.5.3 Coverage

The Scheme was to cover all the school going children of primary classes of Government, Government-aided and local body run schools and cooked food was to be provided during school days for 10 months in a year. The Scheme was, however, implemented only in Government schools. Test-check further revealed that even Government schools were not fully covered in the test-checked districts during 1995-96 to 1997-98 for various spells. The number of months for which cooked food/foodgrains was provided in five test-checked districts during the period from 1995-96 to 1997-98 was as under:

Districts	1995-96	1996-97	1997-98
Anantnag	Nil	2-5	7
Kupwara	Nil	3	1
Jammu	1-3	1-3	1-3
Kathua	5	4-8	2-3
Udhampur	5	5-8	4-7

Scheme implemented for periods ranging from nil to eight months

While the Scheme was implemented for periods ranging from nil to eight months only during the years 1995-96 to 1997-98, it was not implemented in Jammu Division and the two test-checked districts of Kashmir division during 1998-99. This was reportedly due to non -release of foodgrains by FCI, reasons for which were not intimated (October 1999). Further, cooked

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♦ Based on transportation cost at the rate of Rs 25 per quintal for 1.37 lakh quintals issued by Food and Supplies Department.

Cooked food/foodgrains served to children for 28 to 117 days against a minimum of 120 and 200 available school days

meals were served to children only for 28 to 53 days and 29 to 117 days during 1995-96 and 1996-97 in the test-checked schools against a minimum of 120 and 200 available days except in Udhampur District where meals were served for 38 to 69 days during 1995-96 and 90 to 149 days during 1996-97.

3.3.5.4 Conversion of foodgrains into cooked meals

(a) Cooking of meals

For converting rice into hot cooked meals for being served to children, State Government ordered (September 1995) that cost of cooking rice, vegetables, dal and other material, per kg would be reckoned at Rs 8 (equivalent to the cost of one kg of rice). The funds for the purpose were to be released by DDCs by debit to overall savings of district plan of each district till formal allotment was made by Planning Department. Consolidated records indicating details of funds released and expenditure incurred were not maintained either at State or Divisional levels. Scrutiny of records in test-checked districts, however, revealed as under:

Excess expenditure of Rs 8.22 lakh incurred on cooking of meals

(i) In Anantnag District, cost of preparation of cooked meals ranged from 89 paise to Rs 2.10 per 100 gms of rice in 12 zones resulting in an excess expenditure of Rs. 6.30 lakh during 1996-97. In Shangus Block of the same District, expenditure of Rs. 3.10 lakh was incurred on cooking of 147.23 quintals of rice against Rs 1.18 lakh admissible as per norms, leading to excess expenditure of Rs. 1.92 lakh.

(ii) In Kupwara District expenditure of Rs. 13.23 lakh was incurred (March 1996) by the CEO on centralised purchase of cooking/dietary items and on carriage, handling, rent, etc. Based on 3964.96 quintals of rice reportedly consumed in the District during the period ending June 1996, the average expenditure on cooking 100 gms of rice worked out to 26 paise which was unreasonably low. The genuineness of the expenditure was, therefore, doubtful.

Expenditure of Rs 12.47 lakh incurred on purchase of pulses, spices, edible oil, etc. even after serving cooked food was dispensed with

(iii) Out of funds of Rs 17.07 lakh placed at the disposal of CEO Kupwara by the DDC, expenditure of Rs. 12.47 lakh was incurred (March 1997) on purchase of turmeric powder (62.84 quintals), pulses (133.05 quintals), salt (65.93 quintals), edible oil (15350 litres) and Rs. 4.60 lakh were paid to 13 zones as incidental charges despite the fact that serving of cooked food was dispensed with effect from January 1997. The material received between November 1996 to March 1997 was stated (April 1999) to have been distributed among students eventhough no foodgrains were issued to the students during this period. The details of utilisation of Rs. 4.60 lakh (incidental charges) were not intimated by the CEO or ZEOs as the records relating to the Scheme had been confiscated by the Police (Crime Branch). Further developments were awaited (May 1999).

(iv) Entire amount of Rs. 14.74 lakh (Rs. 6.12 lakh in 1995-96 and Rs. 8.62 lakh in 1996-97) drawn by ZEO, Udhampur had been reported as expenditure eventhough expenditure of only Rs. 11.46 lakh (Rs. 4.26 lakh in 1995-96 and Rs. 7.20 lakh in 1996-97) was actually incurred and unutilised amount (Rs 3.28 lakh) was refunded subsequently in November 1996 and May 1997 by him. Further, ZEO, Tikri had retained (April 1999) the unutilised amount of Rs. 1.17 lakh, out of Rs. 4.51 lakh drawn in March 1997, in the bank account and ZEO, Chenani had not maintained any separate account for the Scheme as a result of which the utilisation of funds released could not be verified in audit.

(b) Appointment of cooks

Expenditure on engagement of cooks/helpers was to be met from the Centrally sponsored wage employment schemes such as JRY[$]/EAS[*]. The State Government while launching the Scheme (September 1995) did not prescribe any methodology/norms for engagement of cooks. Rural Development Department, however, entrusted (December 1995) cooking to *Anganwari* centres under ICDS at locations where these centres functioned and at other locations, the cooks were to be engaged by DDCs in consultation with CEOs. A test-check of records in audit, however, revealed the following:

(i) *Anganwari* workers were not involved in cooking in any of the blocks except in 39 schools of Srinagar district where honorarium at the rate of Rs. 200 per month was paid to them.

Uniform procedure for engagement of cooks not prescribed

(ii) Procedure for engagement of cooks was not uniform in all districts. In Srinagar and Anantnag districts contingent paid/part-time employees such as safaiwalas were engaged on consolidated wages rate of Rs. 200 per month while in other test-checked districts of Udhampur and Kathua, the cooks were engaged on daily wage rate of Rs. 28. In Kupwara District, part time employees were engaged on daily wage basis of Rs. 28 per day.

Expenditure incurred on engagement of cooks not monitored nor muster sheets maintained

(iii) Consolidated records of expenditure incurred on engagement of cooks at State or District level had not been maintained. However, in test-checked district of Kathua, expenditure of Rs 12.56 lakh had been incurred on engagement of cooks. Besides, unpaid liability of Rs. 69.25 lakh had been projected in 4 other test-checked districts. Payments made to cooks was not monitored and verified by respective ZEOs/BDOs or Assistant Commissioners (Development) nor were any muster sheets maintained.

[$] Jawahar Rozgar Yojna

[*] Employment Assurance Scheme

3.3.6 Targets and achievements

Targets for increasing enrolment/attendance not fixed

Scheme failed to have any significant impact on increasing enrolment

State Government had not fixed any targets under the Scheme for increasing enrolment, attendance and retention rate of students. Test-check revealed that enrolment at primary level had increased from 3.33 lakh in 1995-96 to 3.71 lakh in 1997-98. in Kashmir Division but declined from 3.03 lakh to 2.79 lakh in Jammu Division during the same period. The overall increase of 2 *per cent* in the enrolment figures in the State from 6.36 lakh during 1995-96 to 6.50 lakh in 1997-98 following introduction of the Scheme was much less than the increase of 24 and 33 *per cent* registered during 1993-94 and 1994-95 respectively over the enrolment in 1992-93 when the Scheme had not been introduced. Reasons for decrease in enrolment figures had not been investigated (April 1999). The position of enrolment in test-checked districts was as under:

District	Enrolment*			
	1995-96	1996-97	1997-98	1998-99
Jammu	74316	63708	67923	64399
Kathua	43000	44467	42705	42032
Udhampur	60917	67169	66918	64153
Kupwara	38362	42875	NA*	46487
Anantnag	NA*	74772	83006	NA*

Dropout position rate not monitored

As would be seen that, the Scheme failed to have any significant impact on increasing the enrolment rate. Year-wise and school-wise data on dropouts had not been monitored/maintained by the Chief Education Officers, despite specific orders of the Government to report dropout rates twice a month to the respective DDCs. Education Department had, however, observed (December 1996) that the impact of the Scheme in curbing dropouts was not significant. Corrective measures, if any, taken were not on record. The impact of implementation of the scheme if any on the nutritional standards of the school children had also not been assessed.

3.3.7 Monitoring and Evaluation

Implementation of the Scheme neither monitored nor evaluated

District Development Commissioner of each district was responsible for monitoring the Scheme in the district and reporting block-wise progress to the Education Department. Chief Education Officers were also to report dropout rates, twice in a month to the DDCs. District Level Committees, comprising MPs, MLAs, panchayat leaders and officials of the Department and headed by DDC and Village Education Committees were envisaged to be set up for monitoring the programme, creating awareness and generating community support. These Committees had not been set up in the test-checked

* As on September each year
* Not available

districts of Jammu, Udhampur, Anantnag and Kupwara, nor was the implementation of the Scheme monitored at any level.

3.3.8 Recommendations

Implementation of the Scheme, which has virtually stopped in 1998-99 needs to be taken up only after ensuring adequate ground work and proper planning by way of obtaining reliable data relating to number of schools to be covered and enrolment thereof, outlining specific methodology to be adopted for cooking and transportation of foodgrains, etc. The monitoring mechanism also needs to be strengthened/improved so that benefits of the Scheme reach the target group and the impact of the programme is evaluated.

3.3.9 The above points were referred to Government in July 1999; reply had not been received (October 1999).

Food and Supplies Department

3.4 Public Distribution System including Revamped and Targeted Public Distribution System

Highlights

Public Distribution System aims to provide food security to economically weaker sections of society. Due to lack of an adequate system of identification of beneficiaries, the basic objective of resource transfer to the poor and nutritionally vulnerable has not been achieved satisfactorily. The financial position and working results of the Department was not ascertainable as pro forma accounts had not been prepared. Instances of non-utilisation of central assistance, misappropriation of foodgrains, avoidable expenditure and losses due to prolonged storage were also noticed.

- **5.09 lakh BPL families had been identified under TPDS which included ineligible beneficiaries like pensioners, Government employees and businessmen with income above poverty line limits.**

(Paragraph: 3.4.4)

- **Evaluation study of TPDS conducted by Evaluation and Statistics Department in Pulwama and Baramulla districts revealed that out of 242 and 623 families selected for field study, 23 and 5 *per cent* families were above poverty line. Further, in 31 *per cent* cases in Pulwama district, subsidised rations had not been issued at any stage to the beneficiaries and in 18 and 10 *per cent* cases in the two districts, beneficiaries were engaged in other gainful employment/business. Issue of subsidised ration to them resulted in irregular payment of subsidy aggregating Rs 2.53 lakh.**

(Paragraph: 3.4.4 (a) (b) and (c))

- **The *pro forma* accounts of the Department had not been prepared since 1973-74 and 1975-76 in respect of Jammu and Kashmir divisions respectively, in the absence of which neither the financial position nor working results of the Department was ascertainable.**

(Paragraph: 3.4.5)

- **Temporary advances of Rs 158.28 crore paid by the Department to various officials for meeting day to day expenses were outstanding**

against them at the end of March 1999 for want of adjustment accounts. Some of the outstanding advances were as old as 1962-63.

(Paragraph: 3.4.5)

- **Percentage of shortfall in lifting of foodgrains against the Central allotment during last 7 years ending 1998-99 varied between 10 and 70 in case of rice and 33 and 71 in case of wheat.**

(Paragraph: 3.4.6)

- **Due to the failure of the State Government to release Rs 2 crore available under Central Assistance during 1997-98, 25 mobile vans needed for providing essential commodities to sale centres at their door step could not be procured.**

(Paragraph: 3.4.8.1)

- **Failure of the department to closely monitor the movement of foodgrains and initiate timely action facilitated mis-appropriation of 2904.21 quintal of foodgrains, valued at Rs 27.36 lakh, between April 1991 and September 1998 by carriage contractors in Jammu and Doda districts.**

(Paragraph: 3.4.9 (iii))

- **The Department had to incur avoidable expenditure of Rs 5.12 crore during 1992-93 to 1998-99 on transportation of foodgrains from FCI godowns located in other locations/district Headquarters despite availability of stocks in the relevant godowns in these districts.**

(Paragraph: 3.4.9 (iv))

- **Due to improper management of stores, foodgrains valued at Rs 3.29 crore lying at various sale outlets/godowns at the end of March 1999 were declared sub-standard due to prolonged storage.**

(Paragraph: 3.4.11 (b))

- The implementation **and impact of PDS/TPDS had neither been monitored nor evaluated.**

(Paragraph: 3.4.14)

3.4.1 Introduction

Area of the State		2.22 lakh square kilometres
Population		77.19 lakh (as per 1991 estimates)
Districts		14
Blocks/ village panchayats		119/1462
Scheduled Caste/ Scheduled Tribe population		
	Scheduled Caste	8.33 *Per cent*
	Scheduled Tribe	11 *Per cent*
Agriculture Production of main cereals during 1992-98 (average)		
	Rice	5.13 lakh MTs
	Wheat	3.95 lakh MTs
	Other cereals	5.09 lakh MTs
Food-deficit/surplus		Jammu and Kashmir is a food-deficit State and imports foodgrains through Food Corporation of India. During 1992-93 to 1997-98, it imported 22.58 lakh MTs of foodgrains (rice: 14.88 lakh MTs; wheat: 7.70 lakh MTs).
Number of households		13.45 lakh
Ration cards issued		Not available
Number of fair price shops/sale centres		3421

The Public Distribution System (PDS) is a major instrument for providing essential commodities to the economically weaker sections of the society at affordable prices at their door step. RPDS* was launched by the Central Government from June 1992 with a view to cover people living in tribal, arid, hilly, drought prone, desert and remote areas that had concentration of poor families and for strengthening of infrastructural requirements. The issue rates of foodgrains under this scheme were fixed lower by Rs 50 per quintal than the CIP• of foodgrains released for PDS. Fifty-seven blocks in eight districts of the State were brought under RPDS. The Central Government introduced a fresh scheme of TPDS♠ in June 1997 with special focus on population living below the poverty line. Under this scheme a minimum 10 kilograms of foodgrains (Wheat/Atta/Rice) per family, per month is to be provided to identified families living below poverty line at specially subsidised rates.

* RPDS- Revamped Public Distribution System

• CIP- Central Issue Price

♠ TPDS- Targeted Public Distribution System

3.4.2 Organisational set-up

The Public Distribution System was implemented by Directors of Food and Supplies at Divisional level, Deputy Director and Assistant Directors at the District level and Tehsil Supply Officers at the Tehsil Level under the administrative control of Commissioner-cum-Secretary, Food and Supplies Department at the State level.

3.4.3 Audit coverage

The working of the PDS for the period 1984-85 to 1990-91 and RPDS for the period from 1992-93 to 1994-95 was reviewed in audit and comments thereon included at paras 7.6 of the Audit Report of the Comptroller and Auditor General of India for the years 1990-91 and 1994-95 respectively. The implementation of the programme in the State during 1992-93 to 1998-99 was test-checked in audit during February 1999 to May 1999 with reference to records of the Administrative Department, Directorate of Food and Supplies Jammu and Srinagar and Assistant Directors of 12 districts*. The points noticed in audit are discussed in the succeeding paragraphs.

The services of the ORG-MARG were commissioned by the Comptroller and Auditor General of India with a view to obtaining the beneficiary perception of the programme and related matters. The ORG-MARG carried out survey in Kathua and Jammu districts. Findings of the survey on matters discussed in the Report have also been included in this review.

3.4.4 Identification of Target Group

45 *per cent* of the beneficiaries were ineligible

The identification of the population below poverty line and issue of foodgrains, at specially subsidised rates, to the poor and nutritionally vulnerable was the most important feature of the TPDS. Pending identification of the BPL* families in the State at micro level, provisional estimates arrived at by the Planning Commission during 1993-94, were to be adopted. Test-check revealed that against 6.18 lakh BPL families (Kashmir: 3.39 lakh; Jammu 2.79 lakh), as per the estimates of Planning Commission, the Department identified 5.09 lakh BPL families (Kashmir: 2.70 lakh; Jammu: 2.39 lakh) in the State up to March 1999. Test-check of the records of 339 identified beneficiaries in Jammu revealed that 151 beneficiaries (45 *per cent*) were ineligible as they were Government servants, pensioners, self employed people and businessmen with income above poverty line limits. An amount of Rs 1.42 lakh was involved on issue of rations at subsidised rates to these ineligible beneficiaries during the period from June 1997 to September 1999. Test-check of records further

* Anantnag, Pulwama, Budgam, Baramulla, Kupwara, Srinagar (Rural), Srinagar (City), Jammu, Kathua, Rajouri, Poonch, Udhampur, Doda and Jammu (Rationing).

* Below Poverty Line

revealed that though ration cards had been issued to the identified beneficiaries in Jammu division and urban areas of Kashmir division, photographs of the beneficiaries had not been pasted on the ration cards as envisaged. Further, no ration cards were issued to identified beneficiaries in the rural areas of Kashmir division and rations at subsidised rates were issued on the basis of BPL lists prepared by the Revenue authorities.

It was also seen in audit that despite village/panchayat level lists of BPL families available with DRDAs[Ψ] for implementation of various poverty alleviation programmes, a de-novo identification of the target group under PDS was got done from Revenue Department and village level workers of Rural Development Department. Reasons for the same were not intimated. While DRDA lists in Kashmir division were not provided to audit as these were stated to be under revision, cross verification of the two lists in three[♠] districts of Jammu division revealed that 499 (18 *per cent*) out of 2805 test-checked beneficiaries identified by Food and Supplies Department did not figure in the BPL lists prepared by the DRDAs of these districts. Reasons for variation were not intimated. Subsidy on issue of rations to these beneficiaries during the period June 1997 to September 1999 amounted to Rs 4.69 lakh.

The distribution of rations under TPDS to BPL families during 1997-98 was evaluated (November 1998) by Evaluation and Statistics Department in Pulwama and Baramulla districts. The study revealed that:

(a) Out of 865 families (Pulwama: 242; Baramulla: 623), selected for field study, 55 families (23 *per cent*) and 32 families (5 *per cent*) had irregularly been identified under BPL category in Pulwama and Baramulla districts respectively despite having an annual income of Rs 20 thousand and above. No action had been taken on these reports till March 1999 and 19.14 MTs of foodgrains involving subsidy of Rs 0.86 lakh was irregularly released to these families during the period June 1997 to March 1999.

(b) 76 families (31 *per cent*) of the 242 families covered in sample study in Pulwama district had not received ration at subsidised rates at any stage during June 1997 to November 1998 under TPDS. Obviously, foodgrains (quantity: 1.37 MTs; subsidy: Rs 0.62 lakh) meant for these targeted families did not actually reach them and the possibility of its misutilisation by way of its diversion to open/black market cannot be ruled out.

(c) 10 *per cent* and 18 *per cent* of the families selected as sample in Baramulla and Pulwama districts respectively were engaged in other subsidiary occupations including Government service and ineligible for benefits under TPDS. This resulted in flow of irregular subsidy of Rs 1.05 lakh on foodgrains

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Ψ District Rural Development Agencies.

♠ Rajouri, Udhampur and Jammu

(quantity: 23.32 MTs) issued to 106 ineligible families (Pulwama: 44; Baramulla: 62) during the period from June 1997 to March 1999.

1055 ineligible families included in BPL lists

With a view to prevent misuse of the Scheme, the State Government directed (April 1999) framing of committees at tehsil level with public/elected representatives of the area as its members. These committees had to re-verify the correctness of BPL families, already identified under TPDS and submit a report by 31 May 1999. The envisaged action had not, however, been taken (October 1999) reasons for which were not available. Re-verification was, however, done by the functionaries of the Department during May-September 1999. In the two test-checked districts 1055 families (Pulwama: 620; Budgam: 435) were identified who had been irregularly included in the BPL lists. This had resulted in irregular issue of rations involving subsidy of Rs 10.44 lakh to these families during June 1997 to March 1999. The re-verification further revealed that 3067 fictitious beneficiaries had been included under normal PDS in Budgam district. As would be, thus, seen the identification of beneficiaries under the programme was not done properly and the benefits of the schemes were being extended to all irrespective of their financial status. The survey conducted by ORG-MARG also revealed that only 3 *per cent* of sample households (having annual income less than Rs 20000) were living 'below poverty line'.

3.4.5 Compilation of accounts

Pro forma accounts in respect of Jammu and Kashmir Divisions in arrears since 1973-74 and 1975-76 respectively

In its second Report (1962), the Public Accounts Committee had recommended that *pro forma* accounts of all Government commercial undertakings (including Food and Supplies Department) should be prepared immediately after the close of the financial year but not later than 1 June and got certified by Audit before 30 September. Subsequently, in its 15th Report (1975-76), the Committee had taken a serious note of the delay caused in the finalisation of *pro forma* accounts, recommending that the time bound programme chalked out for the purpose be adhered to strictly. The State Cabinet also directed (March 1998) the Department to compile *pro forma* accounts from 1 April 1998 in consultation with the State Finance Department and also to compile *pro forma* accounts for earlier years on the basis of model *pro forma* accounts for 1997-98. The preparation of *pro forma* accounts was, however, in arrears since 1973-74 and 1975-76 in respect of Jammu and Kashmir divisions respectively (May 1999). In absence of these accounts neither the financial position nor the working results of the Department were ascertainable. The records relating to budget allotment made, expenditure on procurement of foodgrains, sugar/kerosene oil etc and remittances made against sale of foodgrains for the years 1992-93 to 1998-99 were also not available.

Temporary advances of Rs 158.28 crore outstanding

The Department paid temporary advances to its officers/officials for meeting day to day handling and other expenses. During test-check in Jammu division it was noticed that the Department had been making advance payments without adjusting previous advances, as a result of which the outstanding temporary advances had accumulated to Rs 158.28 crore[Ψ] against various departmental officers at the end of March 1999. Action taken for recovery/adjustment of outstanding was not intimated (May 1999).

3.4.6 *Procurement and distribution of foodgrains*

The year-wise position of foodgrains allocated by the Central Government, quantities lifted and distributed in the State during 1992-93 to 1998-99 was as under:

(Lakh tonnes)

Year	Allocation by Central Government		Lifting		Distribution		Shortfall in lifting of foodgrains	
	Rice	Wheat	Rice	Wheat	Rice	Wheat	Rice	Wheat
1992-93	4.32	2.40	2.14	1.15	1.75	0.93	2.18 (50)*	1.25 (52)
1993-94	4.34	2.40	1.61	1.26	1.78	1.49	2.73 (63)	1.14 (48)
1994-95	5.20	3.50	1.54	1.12	1.50	1.20	3.66 (70)	2.38 (68)
1995-96	5.28	3.60	2.67	1.05	2.36	1.01	2.61 (49)	2.55 (71)
1996-97	4.08	3.60	3.63	1.48	3.56	1.46	0.45 (11)	2.12 (59)
1997-98	4.08	2.73	3.13	1.82	3.10	1.81	0.95 (23)	0.91 (33)
1998-99	3.90	3.64	3.52	1.48	3.47	1.45	0.38 (10)	2.16 (59)

Shortfall in lifting of rice and wheat ranged between 10 and 70 *per cent* and 33 and 71 *per cent* respectively

The shortfall in the lifting of foodgrains over Central allotment varied between 10 *per cent* and 70 *per cent* and 33 *per cent* and 71 *per cent* in respect of Rice and Wheat respectively. Out of 18.24 lakh MTs of Rice lifted during 1992-93 to 1998-99, 17.52 lakh MTs only were distributed. The shortfall in lifting of the allotted quantities and also in the distribution of Rice was attributed (April 1999) by the Administrative Department to poor quality of foodgrains, increase in CIP and low price differential in market and PDS rates. A survey conducted by ORG-MARG in two districts (Jammu and Kathua) revealed that PDS accounted for a negligible portion of household purchases of rice, wheat and edible oil.

Extra subsidy of Rs 29.56 lakh

According to instructions of the Central Government only common variety of Rice (IR-8) was to be distributed among population living below poverty line. It was, however, seen in test-check that 2294.31 MTs of fine/superior (A grade) variety of Rice was issued to such beneficiaries in Pulwama (1102.53 MT), Budgam (1179.37 MT) and Rajouri (12.41 MT)

[Ψ] Over 30 years old: Rs 6.97 lakh; 20 to 30 years old: Rs 4.49 crore; 10 to 20 years old: Rs 21.76 crore; 5 to 10 years old: Rs 4.66 crore and less than 5 years old: Rs 127.30 crore.

* Figures in parenthesis indicate percentage

districts from June 1997 to May 1999 which involved extra subsidy component of Rs 29.56 lakh.

3.4.7 Sale outlets/fair price shops

Inadequate number of fair price shops

According to the instructions (March 1995) of the Administrative department, the average number of consumers to be catered to by a fair price shop was not to exceed 2000. The number of fair price shops actually set up was inadequate and the shortfall ranged between 3 *per cent* and 36 *per cent* 'vis-a-vis' norms fixed. The details of estimated population in each district, as per 1991 projections, requirement of sale centres/fair price shops as per prescribed norms and shortfall in setting up of centres are indicated in *Appendix*-11.

The number of Sale Centres actually set up was at variance as per the records of Administrative Department (3269 Centres), Directorate of Food and Supplies (3111 Centres) and District Offices (3421 Centres). The discrepancy had not been reconciled (May 1999).

According to the ORG-MARG survey conducted in 3 towns and 20 villages of Kathua and Jammu districts, ration shops opened irregularly and infrequently. The frequency of opening these shops was less than once in a week in 70 *per cent* cases in rural areas. The availability of commodities at ration shops was also far less than the monthly entitlements of the ration ticket holders. Nearly one-fifth of the consumers felt that the commodities were not weighed correctly. The survey also brought out that, while, wheat was rarely available in the sale outlets, quality of rice supplied at these outlets was generally poor. It was also seen in the survey that, though the dependence on the PDS was more in rural areas, there was a perceptible bias towards urban areas so far as availability of commodities and opening of ration shops was concerned.

3.4.8 Strengthening of infrastructural facilities

3.4.8.1 Purchase of mobile vans

Under RPDS, essential commodities were to be supplied to the Sale Centres at their doorstep. For this purpose, Central Government provided assistance in the form of loan and subsidy in the ratio of 50:50 for purchase of vans. During 1992-93 to 1998-99 funds aggregating Rs 4.60 crore were released by the Central Government for purchase of 70 mobile vans for distribution of essential commodities in far flung and hilly areas. The State Government in turn released Rs 2.33 crore to Managing Director, Jammu and Kashmir State Road Transport Corporation (SRTC) who procured 39 vans/trucks at a cost of Rs 2.23 crore. The vehicles purchased were, however, registered in the name of SRTC which also provided the services of drivers and cleaners. The arrangement for meeting the operational cost of the vehicles viz. cost of repairs, maintenance and wages of drivers/cleaners, etc was not worked out with the corporation up to January 1999. Accordingly, the vehicles were taken over by the SRTC and were let out to the Department on payment of normal hire charges. Reasons for not drawing any terms and conditions with the Corporation for the operation of 39 vans/trucks were not intimated nor had the refund of Rs 10 lakh been obtained.

Central Assistance of Rs 2 crore not released

Truck chassis procured at a cost of Rs 27.45 lakh not utilised

Out of the balance amount of Rs 2.27 crore, while Rs 2 crore were not released by the State Government up to May 1999, Rs 26.27 lakh were released (March 1998) to State Motor Garages for purchase of 6 truck chassis. However, these vehicles procured at a cost of Rs 27.45 lakh had not been lifted by the Department due to non-availability of drivers and non-payment of balance amount of Rs 1.18 lakh. The objective of strengthening the infrastructure of PDS for improving mobility was thus, largely not achieved.

3.4.8.2 Construction of godowns

Wide variation in construction cost of godowns

Assistance on 50:50 basis in the shape of subsidy/loan was provided by the Central Government for construction of godowns for maintaining adequate stocks of foodgrains. During 1993-94 to 1997-98, the Central Government released Rs 5.29 crore to the State Government for construction of 52 godowns (Jammu: 18; Kashmir: 34). The State Government, however, utilised Rs 4.07 crore on construction of 46 godowns (Jammu: 16; Kashmir: 30) up to March 1999. As of March 1998 the Department had taken over the possession of only 16 godowns (Jammu: 6; Kashmir: 10). The progress of the construction of remaining 30 godowns was not intimated. According to the records maintained, 201 godowns (owned: 111; hired: 90) with available storage capacity of 1.26 lakh MTs of foodgrains were available at the end of March 1999 against about 5 lakh MTs of foodgrains lifted from Food Corporation of India annually. Appropriate records regarding total capacity utilisation of the godowns vis-a-vis the available capacity on annual basis had not been maintained and analysed for determining additional requirement, if any, of storage capacity. Test-check also revealed that there were wide variations in cost of construction per tonne capacity within the same district and between different districts. The cost per tonne capacity varied between Rs 3183 and Rs 6873 in Jammu and between Rs 3447 and Rs 5286 in Kashmir divisions. Reasons for such wide variations were not intimated (June 1999).

3.4.9 Transportation

For movement of foodgrains, the Department hired vehicles from State Road Transport Corporation (SRTC) without entering into any agreement with them. The Department was hiring trucks from SRTC for carriage of foodgrains and essential commodities on flat rates which were much higher than the rates charged by the State Transport Authority. The rates charged by SRTC were also allowed to private operators who were engaged by the Department. The reasons for not inviting tenders/rates from carriage contractors for obtaining competitive rates were not available from records. Following points were also observed:-

Avoidable expenditure of Rs 1.18 crore

(i) In Jammu Province, the Department received wheat between April 1995 and March 1999 from Food Corporation of India and instead of despatching it direct to mills for grinding, who were required to keep fixed storage capacity available for storing as per agreement, was first dumped in departmental stores and subsequently transferred to mills. This inefficient management system resulted into avoidable expenditure of Rs 1.18[Φ] crore on transportation and handling charges.

Avoidable payment of Rs 6.92 lakh

(ii) In Rajouri District, the Department hired SRTC trucks for inter-district movement of foodgrains. The vehicles, however, remained idle for 909[•] days during 1993-94 to 1996-97 due to delay in loading/unloading of foodgrains, belated issue of release orders etc. Private trucks were hired simultaneously for supply movement. There existed no vehicle management system in the Department whereby vehicles requisitioned from SRTC on daily rate hire charges could be put to optimum use. Unplanned hiring of trucks resulted in payment of Rs 6.92 lakh on account of hire charges of idle trucks.

Foodgrains valued at Rs 27.36 lakh mis-appropriated

(iii) Carriage contractors engaged for movement of foodgrains to in-accessible and far flung areas, had not delivered 2515.31 quintal of foodgrains between April 1991 and February 1995 at their respective destinations in Jammu province. Tehsil Supply Officers were required to reconcile despatches every fortnight. However, failure of the Department to closely monitor the movement of foodgrains and initiate timely action facilitated mis-appropriation of foodgrains valued at Rs 20 lakh (at double the landed cost) by carriage contractors. The recovery of misappropriated foodgrains had not been effected from the carriage contractors. Similarly, in Doda District a carriage contractor had mis-appropriated 388.90 quintal of foodgrains in August-September 1998. Action to recover Rs 7.36 lakh as cost of foodgrains (at double the landed cost) and forfeiting security deposit of Rs 0.50 lakh had not been taken (June 1999).

Avoidable expenditure of Rs 5.12 crore

(iv) Under an understanding reached with FCI, the Department was required to lift foodgrains from the FCI godown of the concerned district and not from any other FCI godown. However, in contravention of the agreed arrangements, the Department lifted stocks for Srinagar, Baramulla, Pulwama and Budgam districts during 1992-93 to 1998-99 from other godowns despite

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Φ Number of trips: 19331; Quantity: 1701998 quintals. Rate per trip: Rs 375 Loading/unloading per quintal: Rs 2.66

• 1993-94: 447 days: Rs 3.44 lakh; 1994-95: 264 days: Rs 1.95 lakh; 1995-96: 77 days: 0.56 lakh; 1996-97: 121 days: 0.97 lakh.

availability of stocks in the relevant godowns. This resulted in avoidable expenditure of Rs 5.12 crore on account of avoidable transportation charges incurred by the Department.

Avoidable expenditure of Rs 20 lakh on transportation of stocks in excess of requirements

(v) Director Food and Supplies, Kashmir is responsible for providing foodgrains, sugar, kerosene oil, LPG Gas etc. at various stop-overs falling en-route *Amar Nath Yatra*. These items are carried by ponies and the carriage rate is fixed by the Tourism Department. During audit it was observed that the foodgrains and other articles were dumped much in excess of the actual requirements at Camp sites[Ψ] during 1996-98 with the result balance quantity of essential commodities had to be shifted back to departmental stores. This resulted in avoidable expenditure of Rs 20 lakh on account of carriage charges of surplus stocks[€]. Had proper estimation of the requirements been worked out in consultation with the Tourism Department after collecting the estimated/expected number of *Yatris*, the expenditure could have been avoided.

3.4.10 Subsidy on commodities

Transport subsidy claim of Rs 22.42 crore not recovered

Under RPDS, the FCI supplied foodgrains at the subsidised price which was less by Rs 50 per quintal as compared to the price of these commodities supplied under normal PDS. Out of Rs 50 per quintal, an amount of Rs 25 per quintal was passed on to the consumer directly and the remaining Rs 25 absorbed in transportation and handling charges. Where, in exceptional cases, overheads could not be met within Rs 25 per quintal, the State Government had to bear the additional expenditure from its own sources. The transport subsidy was to be claimed from the Food Corporation of India on the basis of utilisation certificates furnished by the concerned Deputy Commissioners. It was observed that transport subsidy claims of Rs 22.42 crore (Kashmir: Rs 13.32 crore; Jammu: Rs 9.10 core) recoverable as of March 1999 from FCI had not been paid by the organisation, reasons for which were not available on record.

3.4.11 Storage losses

(a) Shortages/misappropriation

The Department did not conduct physical verification of stocks of foodgrains regularly in contravention of Food Manual provisions which resulted in lack of accountability at store/sale shop level and consequent losses due to mis-appropriation of cash/ foodgrains. During review of records of Jammu province, it was observed that out of 59 Food stores and 208 Sale shops (Jammu division) physical verification of stocks had not been conducted in 38 Food stores and 90 Sale shops during the period from 1993-94 to 1997-

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[Ψ] Chandanwari, Sheshnag, Panjtarni and Holy cave.

[€] Foodgrains: 161.05 MTs; Kerosene oil: 11301 litres; LPG: 296 cylinders.

Shortage of foodgrains worth Rs 3.57 crore

98. Physical verification in respect of other food stores/sale shops in Jammu region was not encouraging and there was average shortfall of 95 *per cent*. Due to lax control mechanism, shortages of Rs 3.57 crore in 181 cases (Jammu: 59 cases: Rs 1.53 crore; Kashmir: 122 cases: Rs 2.04 crore) ending 31 March 1999 were detected. Out of 59 cases in Jammu division, 32 officials, (involving Rs 1.13 crore) had preferred appeals in various courts and in other 27 cases, (involving Rs 0.40 crore), an amount of Rs 0.18 crore had been recovered leaving Rs 0.22 crore still recoverable.

Further, it was observed that in most of the shortage cases the employees involved were either daily wagers or Group-D employee who were posted as store keepers/salesmen in contravention of Rules. Two Group-D employee who were involved in shortages of Rs 3.16 lakh were acquitted by the Courts on the ground of incapacity and inability of the concerned to maintain proper accounts. Despite court verdict, steps to rationalise the working in depots had not been taken and 121 stores/sale depots were still being manned in Jammu division by Group-D/ daily wage staff.

(b) Deteriorated/sub-standard foodgrains

Foodgrains valued at Rs 3.29 crore declared sub-standard due to prolonged storage

The Department has to follow 'first-in-first -out principle' in order to save foodgrains from deterioration caused by prolonged storage. It was observed that foodgrains valued at Rs 3.29 crore (Jammu: Rs 0.17 crore; Kashmir 3.12 crore) lying at various sale outlets/ godowns were declared sub-standard due to prolonged storage by the committee constituted in pursuance of Government order of March 1997. The deteriorated stocks were required to be destroyed after obtaining analytical reports and weighment conducted to vouchsafe the ground balance. It was, however, observed in audit that neither had any analytical report been obtained (except Pulwama) nor was any weighment done before destroying these stocks during 1997-98 for which no reasons were placed on record. Deteriorated stocks valuing Rs 19.98 lakh (Kashmir: Rs 4.90; Jammu: Rs 15.08 lakh) were yet to be destroyed as of April 1999 for which no reasons were intimated. Responsibility for improper management of stores resulting in loss had not been fixed in any case.

(c) Disputed shortages

1033.71 quintal of foodgrains valued at Rs 5.57 lakh were despatched (June 1995/ September 1995/ October 1996) from district stores Jammu to Marwah and Warwan which had not been accounted for by the concerned storekeepers on the ground that these supplies were not received by them. The Department had not, however, taken any steps to investigate the matter and book the delinquent officials and make good the loss caused by non-delivery/pilferage.

(d) Non disposal of empty bags

82.69 lakh empty gunny bags valued at Rs 8.65 crore not disposed of

Test-check revealed that 82.69 lakh empty gunny bags valued at Rs 8.65 crore were lying in various stores as on 31 March 1999. A Committee of departmental officers was constituted (March 1997) for disposal of these bags through open auction. Despite lapse of over two years the gunny bags had not been disposed of. Delay in auction resulted in blockage of funds and possible deterioration in the quality with the passage of time leading to avoidable loss.

3.4.12 Quality inspection

Payment of idle wages of Rs 9.28 lakh to a Chemical Engineer

As a part of efficient food management it is essential that the foodgrains distributed to consumers are of good quality and fit for human consumption. Adequate mechanism for exercising quality control had not been established by the Department. The foodgrains lifted from Food Corporation of India were inspected on visual assessment basis by the departmental officers/officials. The system was fraught with the risk of supplying contaminated/sub-standard foodgrains to the public. One Chemical Engineer was posted for quality inspection to Directorate Food and Supplies Srinagar from 1988 till October 1996 where after his services were transferred to Directorate Office at Jammu for utilisation in a testing laboratory proposed for being set up during 1996. The testing laboratory had, however, not been set up as of March 1999. Posting of Chemical Engineer without first creating testing facilities either in Kashmir or Jammu divisions resulted in payment of idle salary of Rs 9.28 lakh from April 1988 to March 1999.

3.4.13 Manpower training

The scheme envisaged providing of training to junior and middle level officials engaged in the supply and management and holding of seminars, workshops for senior level officers on various aspects of PDS/TPDS. Except for organising annual consumers day, the Department had not undertaken any training programme for improving the skills and awareness of the staff for ensuring effective launching of Public Distribution System in the State.

3.4.14 Monitoring and inspection

Performance of the scheme not evaluated

The scheme envisaged the constitution of vigilance committees at fair price shop /tehsil /district and State level for ensuring that benefit go to people living below poverty line and correct allotted quantities of foodgrains are issued to consumers. Though vigilance committees had been constituted, except in Srinagar and Kargil districts, the records did not reveal if these committees had met regularly and whether any complaints were received and follow up action taken thereon.

The scheme as a whole was to be evaluated from time to time and its impact on meeting the needs of most vulnerable section of the society assessed. The envisaged action had not, however, been taken (March 1999).

3.4.15 Recommendations

The system of identification of beneficiaries needs to be rationalised for providing benefits of the scheme to economically weaker and nutritionally vulnerable sections of the society. This objective can be achieved by improving systems viz issue of ration cards bearing photographs of the identified beneficiaries etc and greater transparency. There is also a need for ensuring greater accountability through maintenance of proper accounts, fixing norms for wastages/losses/dryage and handling/transportation charges of foodgrains and ensuring quality control of foodgrains. The problems of urban bias, inadequate/irregular availability and poor quality of foodgrains and poor performance of ration shops under PDS also need to be addressed.

3.4.16 The above points were referred to Government in August 1999; reply had not been received (October 1999).

Health and Family Welfare Department

3.5 Working of District and Sub-District Hospitals

Highlights

A chain of hospitals at District and Sub-District level have been set up in the State for providing medical facilities to the people. Preventive, curative and promotional health care services rendered by these hospitals were, however, not adequate, mainly due to low expenditure on drugs, equipment, diet etc., deficient infrastructure in general and in particular in operation theatres and laboratories, shortage of doctors and specialists and non-installation/commissioning of available diagnostic equipment. Administration of sub-standard drugs to patients, misuse of ambulances, misappropriation of public money etc., was also noticed in test-check.

- **Norms for regulating expenditure under various components of health care, had not been fixed. Consequently, while expenditure on establishment and office expenses rose from 56 to 71 *per cent* there was decline in expenditure on drugs, machinery and equipment, diet and linen from 25 *per cent* during 1994-95 to 20 *per cent* in 1998-99.**

(Paragraph: 3.5.4 (a))

- **There was loss of revenue aggregating Rs 2.08 crore due to non-recovery of token admission charges from outdoor/indoor patients (Rs 32 lakh) and waiver of medical investigation charges (Rs 1.76 crore) irregularly during 1994-95 to 1998-99.**

(Paragraph: 3.5.4(b))

- **Linen articles were issued disproportionately to the hospitals and in excess of the requirement as per available beds. Consequently, the number of available blankets and bed sheets in the hospital stores varied between 1 and 46, and 0 and 75 per bed, respectively during 1998-99.**

(Paragraph: 3.5.5.7)

- **Against 428 posts of doctors including specialists sanctioned for 22 test-checked hospitals, only 390 doctors were available as of March 1999.**

(Paragraph: 3.5.6)

- **19 X-ray plants (8 purchased in 1993-94 and 11 during 1995-96) acquired at a cost of Rs 45.33 lakh had not been installed/commissioned as of May 1999. Similarly, German Aid Commodity Equipment valued at Rs 67.13 lakh was lying idle in district hospitals Udhampur and Anantnag since July 1995.**

(Paragraph: 3.5.7)

- **Failure to have the drugs purchased at a cost of Rs 93.74 lakh during November 1993 to May 1998, tested in time resulted in consumption of sub-standard drugs to the extent of 81 *per cent* by the patients.**

(Paragraphs: 3.5.11 (b))

3.5.1 Introduction

There are 14 district and 54 sub-district hospitals functioning in the State as of April 1999, with bed strength of 2940,[♠] for rendering preventive, curative and promotional health care services to the people under the allopàthic system of medicine. These hospitals serve as referral hospitals for 322 Primary Health Centres.

3.5.2 Organisational set-up

Each district and sub-district hospital is headed by a Medical Superintendent and Block Medical Officer respectively under the supervision of Chief Medical Officer at district level and Director of Health Services Jammu/Kashmir at the divisional level. The Department functions under the overall administrative control of Commissioner/Secretary to Government of Jammu and Kashmir Health and Family Welfare Department.

3.5.3 Audit coverage

The working of 7 out of 14 district hospitals and 15 out of 54 sub-district hospitals was reviewed between November 1998 and May 1999 supplemented by a test-check of records of the Directors of Health Services Srinagar and Jammu. The review covers the period from 1994-95 to 1998-99. Important points noticed during the review are mentioned in the succeeding paragraphs.

[♠] Excludes Leh and Kargil districts (district hospital: 2; sub-district hospitals: 2)

3.5.4 *Financial performance*

(a) *Expenditure*

The expenditure on district and sub-district hospitals was not identifiable separately in the accounts. However, on the basis of information provided by the Directorate of Health Services, expenditure incurred during the period 1994-95 to 1998-99, aggregated Rs 134.19 crore against an allocation of Rs 141.28 crore indicating an overall utilisation of 95 *per cent*. The utilisation of the available funds in Jammu division during 1997-98 and 1998-99 was 89 and 86 *per cent* only. While poor utilisation of funds during 1997-98 was attributed by Director Health Services to non-execution of works, reasons for savings during 1998-99 were not intimated. Details of expenditure incurred in the 2 divisions (Kashmir; Jammu) under various components i.e. direction and administration, drugs and instruments, diet, linen, machinery and equipment and works, etc. are indicated in *Appendix* 12.

Despite 28 *per cent* increase in patients registered, expenditure on drugs, equipment diet and linen declined

An analysis of expenditure during 1994-95 to 1998-99 under different heads revealed that share of expenditure on drugs, machinery and equipment, diet and linen, declined from 20 *per cent*, 2.44 *per cent*, 1.34 *per cent* and 1.5 *per cent* during 1994-95 to 16.5 *per cent*, 1.3 *per cent*, 0.88 *per cent* and 1 *per cent* respectively during 1998-99. This was despite an increase of about 28 *per cent* in the number of patients registered in these hospitals during 1994-95 to 1998-99. Expenditure on establishment and office expenses, however, rose from 56 *per cent* to 71 *per cent* of the total expenditure during this period. The increase in expenditure under establishment was indicative of a shift in focus to provide employment rather than consolidating the existing health infrastructure as emphasized in the Eighth Five Year Plan. The Department had neither fixed any norms for regulating expenditure under various components nor intimated any reasons thereof (May 1999).

Expenditure on establishment, etc. rose from 56 *per cent* to 71 *per cent*

Between 27 and 100 *per cent* of expenditure on health care facilities rushed through in March

The financial rules require that expenditure should be evenly distributed throughout the year. Rush of expenditure particularly in closing months of the financial year has to be avoided. Contrary to the above provisions, it was observed that expenditure during March on health care facilities (drugs, machinery & equipment, clothing & bedding) ranged between 27 *per cent* and 100 *per cent* during the years 1994-95 to 1998-99 which indicated that there was tendency to utilize the budget provisions at the close of the financial year to avoid lapsing of grants.

(b) *Receipts*

The Budget estimates and actuals on account of charges recovered for different services rendered by the hospitals during the years 1994-95 to 1998-99 in Jammu & Kashmir divisions were as under:-

(Rupees in lakh)

Year	Kashmir		Jammu	
	Budget estimates	Actual receipts	Budget estimates	Actual receipts
1994-95	Not fixed	7.50	11.71	13.43
1995-96	Not fixed	8.55	14.45	17.33
1996-97	Not fixed	11.40	19.53	20.39
1997-98	Not fixed	12.20	25.00	21.13
1998-99	Not fixed	14.17	27.83	20.72
	Total	**53.82**	**98.52**	**93.00**

While budget estimates for revenue receipts had not been fixed in Kashmir division, the actual receipts indicated an increasing trend. In Jammu division, budget estimates were not framed on realistic basis as actual receipts exceeded the budget estimates during 1994-95 to 1996-97 and fell short of estimates during 1997-98 by 15 *per cent* and during 1998-99 by 26 *per cent*.

Revenue of Rs 31.72 lakh not recovered

Test-check revealed that revenue of Rs 31.72 lakh (Jammu: Rs 22.19 lakh; Kashmir: Rs 9.53 lakh) on account of token admission charges from out door/in door patients at the rate of Rupee one and Rupee five per patient respectively had not been realised during the period 1994-95 to 1998-99. One of the reasons for non-recovery of fee, as stated by the Department was non-availability of printed OPD[♣] and IPD[•] tickets. However, non-availability of printed tickets should not have come in the way of recovery of the token fees.

Revenue of Rs 1.76 crore was foregone due to irregular waiver of investigation charges

The charges for various medical services were last revised upwards by the State Government in September 1993. The charges so fixed were not normally to be waived. However, Government had authorised the Medical Superintendents of the respective district hospitals to waive prescribed charges for medical investigation in indigent cases of extreme nature. During test-check these charges were found to have been waived in a larger number of cases as a matter of routine without indicating the reasons therefor. As a result, revenue of Rs 1.76 crore (Jammu: Rs 95.72 lakh; Kashmir: Rs 80.42 lakh) was foregone due to routine waiver of investigation charges (X-ray; Ultra-sound; ECG and laboratory tests) during the same period. Of this, recovery of Rs 54.86 lakh was waived by the Medical Officers of sub-district hospitals who were not empowered to do so. This was inconsistent with the need and the general policy of the State Government to recover reasonable user charges from the beneficiaries for generating internal resources.

Rupees 3.27 lakh on account of admission and x-ray charges misappropriated

Test-check further revealed misappropriation of Rs 3.27 lakh in District Hospital Baramulla during the period November 1993 to December 1997 due to short remittance of admission and X-ray charges in the treasury. This indicated non-adherence to internal controls prescribed in the financial

[♣] Out patient department

[•] In patient department

rules. On this being pointed out, Medical Superintendent stated (April 1999) that recoveries would be effected from the concerned. Responsibility for misappropriation had however, not been fixed (May 1999).

3.5.5 Hospital services

The hospitals provided medical care to the patients either through OPD or by admitting them to indoor patient wards.

3.5.5.1 Outpatients care

The number of out-patients registered at 7 district (Jammu: 3; Kashmir: 4) and 15 sub-district (Jammu: 13; Kashmir :2) test-checked hospitals and doctors available during the period 1994-95 to 1998-99 was as under:-

	1994-95	1995-96	1996-97	1997-98	1998-99
Jammu					
District hospitals	2,14,176	2,55,243	2,78,211	2,37,287	1,35,974*
Sub-district hospitals	3,62,662	5,01,963	4,83,473	4,91,981	4,27,185▲
Kashmir.					
District Hospitals	2,67,645	2,48,438	2,62,590	3,47,524	3,97,591
Sub-district hospitals	43,105	41,050	47,080	61,355	65,205
Total	**8,87,588**	**10,46,694**	**10,71,354**	**11,38,147**	**10,25,955**
No of doctors available	246	240	279	396	394
Patient-doctor ratio/day	10	12	11	8	7

Norms for deployment of doctors, specialists and paramedical staff for out-patient care not fixed

Norms for deployment of doctors, specialists and para medical staff for medical attendance, on the basis of patients registered in OPD, had not been fixed by the Government either at the district level or at the sub-district level. In the absence of any norms, the adequacy or otherwise of deployment of medical staff in OPD was not ascertainable.

3.5.5.2 In-patients care

The position of sanctioned bed strength and beds actually available in test-checked district and sub-district hospitals as on 31 March 1999 was as under:-

	Sanctioned Beds	Beds actually available
Jammu		
District hospitals	460	255
Sub-district hospitals	390	263
Kashmir		
District hospitals	400	277
Sub-district hospitals	60	40
Total	**1310**	**835**

* Position up to November 1998 only.

▲ Position up to December 1998 in respect of 4 sub-district hospitals and up to February 1999 in respect of 7 sub-district hospitals.

The basis for sanctioning bed strength of each district/sub-district hospital was not available on records. It was, however, observed that the sanctioned bed strength in the hospitals was far in excess of the actual requirement as despite shortage of 328 and 147 beds in seven district and 15 sub-district test-checked hospitals, vis-à-vis sanctioned bed strength, the average occupancy during 1994-99 was low and ranged between 24 and 95 *per cent* in district hospitals and between 2 and 87 *per cent* in sub-district test-checked hospitals. The hospital-wise details of bed occupancy are indicated in *Appendix*-13. Block Medical Officer, sub-district hospital Sohanjana attributed low bed occupancy to patient's preference for nearest district hospital where specialised services were available.

Infrastructure deficiencies in sub-district hospitals at Katra, Reasi, Bishnah and Hiranagar

Audit scrutiny revealed that there were no indoor facilities available in sub-district hospital Katra and patients were referred to Medical College Hospital Jammu. The buildings of sub-district hospitals at Bishnah and Hiranagar were located in water logged areas and the wards in Reasi and Bishnah sub-district hospitals were functioning in open space (Verandah). The indoor medical facilities at Ramgarh and Chenani sub-district hospitals continued to be of Primary Health Centre level. Absence of proper facilities in the district and sub-district hospitals overburdened the hospitals in urban areas/cities affecting delivery of medical services in those areas also.

3.5.5.3 Operation theatres (OTs)

The number of major and minor operations conducted in the test-checked hospitals during 1994-95 to 1998-99 was as under:

Jammu	Major operations	Minor operations
District hospitals	7825*	20291
Sub-district hospitals	9913**	30967
Kashmir		
District hospitals	2906	19146
Sub-district hospitals	Nil	3201

Operation theatres had not been provided in the hospitals on the basis of sanctioned available bed strength or any other rational basis. The number of OTs in district hospitals varied between four in District hospital Pulwama (available bed strength: 42) and one each in district hospitals Rainawari and Budgam (bed strength 100 and 20). The OTs were not, however, properly equipped and following deficiencies were noticed:

* Mainly on account of laproligation, cataract, etc

** Major operations in SDH Samba, Ramnagar, Akhnoor, Hiranagar, Basholi, Chenani, Ramgarh and Billawar conducted under spinal anaesthesia.

Operation theatres in district/sub-district hospitals not properly equipped

(i) None of the OTs had proper heating and cooling arrangements and gas analysers. District hospital Anantnag and Pulwama did not have essential surgical instruments, diathermy stabilizer and high pressure oxygen supply. High pressure autoclave meant for sterilisation of equipment was not available in district/sub-district hospitals Anantnag, Udhampur, Bishnah, Akhnoor, Reasi and Billawar. District/sub-district hospitals Anantnag, Pulwama, Chenani, and Reasi had not been provided with generator sets for alternative power supply in the event of power failure and as a result, operations were either deferred or conducted under petromax. The generators available in Akhnoor, Reasi, Katra and Ramnagar hospitals were, however, lying idle due to non-availability of operator (Ramnagar since 1994-95), mechanical defects (Katra: April 1996; Reasi: August 1998) and non-provision of funds for POL expenses (Akhnoor). Despite inadequate infrastructure the major and minor operations were being conducted in these hospitals which could affect the safety of patients. The impact of the inadequate infrastructure in OTs on the safety of patients could not be ascertained due to non-maintenance of records relating to cases of deaths, failures, etc. in the test-checked hospitals.

Boyle's Apparatus valuing Rs 37.44 lakh lying idle in 8 sub-district hospitals

Major operations not conducted in any of the 12 sub-district hospitals due to non-availability of Boyle's Apparatus/ anaesthetists

(ii) Despite availability of an anaesthetist in Sub-district hospital Sohanjana since March 1996, no major operation was conducted for want of Boyle's Apparatus that is used for administering anaesthesia to patients admitted for major operations. Three other sub-district hospitals (Pampore, Ramgarh and Billawar) were neither provided with Boyle's Apparatus nor anaesthetist. On the other hand, Boyle's Apparatus acquired at a cost of Rs 37.44 lakh for eight[®] sub-district hospitals was lying idle as no anaesthetists were posted in these sub-district hospitals since 1994-95. Non-availability of Boyle's Apparatus in four[•] sub-district hospitals and non-posting of anaesthetist in 8 sub-district hospitals deprived the patients of surgical facilities besides rendering the expenditure of Rs 4.24 lakh (March 1996 to January 1999) on pay and allowances of an anaesthetist in Sub-district hospital Sohanjana, unfruitful. Swab testing and culture for pathogens, etc. was also not done in any OT.

(iii) Even though fumigation machines were available in all the district and sub-district hospitals fumigation was done only once in a week and not after each operation day as required. No records relating to the number of days on which fumigation was done was ever maintained in any of the district/sub-district hospitals.

[®] Bijbehara, Katra, Chenani, Samba, Ramnagar, Akhnoor, Hiranagar and Basohli.

[•] Sohanjana, Pampore, Ramgarh and Billawar.

3.5.5.4 Blood banks

Blood bank facilities available in only one sub-district and 4 test-checked district hospitals

Blood bank facilities were not available in any of the 14 test-checked sub-district hospitals except Kupwara. At the district level, blood banks were available only in 4 (Udhampur: Kathua: Baramulla: Budgam) out of 7 test-checked district hospitals. These blood banks were operating as unlicensed units in violation of the provisions of Drugs and Cosmetics Rules, 1945. The licences had not been granted to these blood banks by the Drug Controller as they lacked infrastructure facilities like equipment, space and technical manpower.

4595 blood units collected from voluntary and replacement donors not tested for HIV

Test-check also revealed that 4595 blood units collected from voluntary and replacement donors in District Hospital Udhampur (3225 units) and Kathua (1370 units) had not been tested against presence of HIV[@] as required under Drugs and Cosmetic Act and Rules framed thereunder. This was attributed (February 1999) by Medical Superintendents concerned to non-availability of testing kits. Failure to test the samples of blood units for HIV, besides being in violation of the provisions of the Act, ibid, endangered safety of the patients.

3.5.5.5 Laboratory services

Norms for deployment of para medical staff in laboratories had not been fixed by the Department as audit scrutiny revealed that the average number of tests conducted per technician per day varied between 6 and 70 in 7 test-checked district hospitals and between 1 and 62 in 15 test-checked sub district hospitals. There was, thus, a need to rationalise the deployment of para medical staff in the hospitals on the basis of actual/assessed work load.

Microbiological, bacteriological and sensitivity tests not conducted due to lack of laboratory facilities

The laboratories in all the district/sub-district hospitals were conducting only routine clinical, pathological tests and other tests like microbiological, bacteriological or sensitivity tests, viz. culture tests for urine, blood, etc. were not conducted because of lack of requisite laboratory material and equipment. In the absence of proper laboratory facilities, the patients were either referred to other hospitals or advised to carry out such tests at private laboratories.

3.5.5.6 Diet

Norms for providing diet to in-patients not fixed

A proper system based on a scale of diet and cost ceiling, etc. for providing diet to each indoor patient in district/sub-district hospitals had not been prescribed as a result of which there was no uniformity in providing diet to in-patients. In 3[*] district hospitals, diet was supplied to indoor patients

[@] HIV- Human immuno-deficiency virus

[*] Gandhinagar, Udhampur and Anantnag

through contract system while in another (Kathua) district hospital only milk, bread and eggs were provided. No diet was supplied in J.L.N.M[♣] Hospital Kashmir and funds(Rs 0.90 lakh) provided during 1994-95 (Rs 0.70 lakh) and 1998-99 (Rs 0.20 lakh) were allowed to lapse. No funds were allotted to the hospital for providing diet to in-patients during 1995-96 to 1997-98. Half diet was provided to in-patients in three[•] out of 15 test-checked sub-district hospitals. In the remaining hospitals the patients had to make their own arrangement and funds (Rs 2.84 lakh) provided to 7 such district hospitals during the period 1994-99 were surrendered. None of the district/sub-district hospitals had kitchen facilities though 19 cooks had been provided to 5 district and 9 sub-district hospitals. The services of the cooks were being utilised as nursing orderlies over and above the sanctioned posts. This resulted in payment of avoidable wages of Rs 30.06 lakh to these cooks during the period from 1994-95 to 1998-99.

Services of 19 cooks utilised as nursing orderlies in absence of kitchen facilities

3.5.5.7 Linen

Absence of norms for procurement/issue of linen material to in-patients led to excessive accumulation of linen articles in stores

Norms for procurement, stocking linen articles (clothing, bed sheets, blanket, pillow cover, etc.) with reference to sanctioned/provided bed strength or for periodical replacement of old and damaged items had not been prescribed by the Government. Scales for providing linen articles to each patient had also not been established. Consequently, there was no uniformity in issuing linen articles to hospitals by Director Health Services, Jammu and linen items had been issued to district/sub-district hospitals in excess of the actual requirement which resulted in accumulation of stores in 10 district/sub-district hospitals test-checked. The availability of blankets and bedsheets in the stores ranged between 1 and 46 and zero and 75 per available bed respectively during 1998-99. Wide variations in the availability of linen items in hospitals indicated poor inventory management and unnecessary procurement of these items.

Purchase of linen made without assessing actual requirement

It was, further, observed that linen articles valuing Rs 42.98 lakh were lying (November 1998) with Controller of Stores, Directorate Health services, Jammu in addition to the stocks lying in district and sub-district hospitals. On this being pointed out, Controller of Stores, Directorate Health Services, Jammu stated (December 1998) that linen items were procured as per funds available with the Department. Obviously funds were being allotted without ascertaining existing stocks of linen in the stores for determining actual requirements.

3.5.5.8 Ambulance services

Shortage of ambulances

According to the norms fixed by the Department, 3 and 2 ambulances were to be provided for each district and sub district hospital respectively. On

[♣] JLNM- Jawahar Lal Nehru Memorial

[•] Ramnagar, Basohli and Samba

the basis of these norms, there was deficiency of 9 and 47 ambulances in district and sub-district hospitals (March 1999). It was seen in audit that ambulances of three• PHCs[Φ] were attached with district hospital at Udhampur and sub-district hospitals Billawar and Basohli respectively leaving the PHCs without ambulance services.

Ambulances utilised to the extent of 33 to 73 *per cent* for activities other than patient care

It was further noticed that ambulances in 6• district and sub-district hospitals were used during 1994-95 to 1998-99 for carrying stores and for tours of the officials not connected with patients care due to limited funds available under office expenses. It was seen from the logbooks that ambulances were utilised between 33 and 73 *per cent* of the total distance run, for purposes other than patients care.

3.5.6 Manpower resources

The position of existing staff vis-à-vis sanctioned posts as of March 1999 in 22 test-checked hospitals was as under:-

	District hospitals		Sub-district hospitals	
	Sanctioned	Effective	Sanctioned	Effective
Medical staff including Specialists	228	207	200	183
Para Medical Staff	469	262	300	258
Others	462	301	150	176
Total	**1159**	**770**	**650**	**617**

Norms for doctor-patient and nurse-patient ratio not fixed

Against the sanctioned number of 428 posts of medical officers including specialists, the effective strength of medical officers (including specialists) was 390 only. There was, thus, shortage of doctors to the extent of 9 *per cent*. The shortage of doctors and specialists deprived the patients of specialised services in the respective disciplines. No norm had been fixed by the Government for the doctor-patient and nurse-patient ratio. In the absence of any norms, the basis for sanctioning staff was not clear. The Indian Nursing Council had prescribed provision of one staff nurse for every five beds in non-teaching hospitals. Against the requirement of 167 nurses in 7 districts and 15 sub-district test-checked hospitals, on the basis of 835 available beds, 154 nurses were in position as of February-March 1999.

13 specialists, 6 doctors and 100 paramedical staff meant for rural areas attached with hospitals in urban areas

Further 13 specialists, 6 doctors and 100 para medical staff meant for district/sub-district hospitals in rural areas had been attached with the health institutions of urban areas during 1998-99 over and above their sanctioned strength thereby depriving the rural patients of the envisaged specialised services.

• Sudh-Mahadev, Gonda and Bani

[Φ] Public Health Centres

• Kathua, Katra, Hiranagar, Ramnagar, Billawar, and Basohli

Deployment of doctors not made with reference to bed-occupancy situations

Test-check further revealed that in Udhampur (available beds: 100) and Anantnag (available beds: 115) district hospitals, with average bed occupancy percentage of 74 and 82 during 1994-99, 33 and 29 doctors respectively had been provided. Against this, 27 doctors each were posted in Budgam and Sarwal hospitals which had the available bed strength of 20 and 30 and average occupancy percentage of 10 only. There was thus a need for rationalisation of the actual deployment of available doctors with reference to available beds and bed-occupancy situations in the hospitals.

3.5.7 Diagnostic facilities

Deficiency of 56 x-ray plants and 50 ultra sound machines

State Government had not laid down any norms for providing diagnostic facilities in district/sub-district hospitals. However, on the basis of requirements of 4 X-ray plants and 1 ultra sound machine for each district hospital and 2 X-ray plants and one ultra sound machine for each sub-district hospital, there was a deficiency of 34 and 22 X-ray plants in Kashmir and Jammu respectively and 25 ultra Sound machines each in Jammu and Kashmir province as on 31 March 1999.

19 x-ray plants valued at Rs 45.33 lakh lying idle

A mention regarding non installation/commissioning of 8 X-ray machines resulting in idle investment of Rs 16.84 lakh was made in the Report of the Comptroller and Auditor General of India for the year ended March 1998. Without first ensuring installation of the machines already lying idle with it, the Department purchased 23 more 100 mili ampere capacity X-ray plants at the rate of Rs 2.59 lakh each between October 1994 and April 1996. Of these, only 12 plants had been commissioned up to March 1998 and the remaining plants valuing Rs 28.49 lakh were lying idle (May 1999) in Udhampur and Anantnag district hospital stores. The Department had not taken any action for ensuring installation/commissioning of 19 plants (including 8 purchased during 1993-94) as of May 1999. Reasons for non-installation could not be ascertained in audit due to seizure of relevant records by Vigilance Department.

Equipment valued at Rs 67.13 lakh not installed in district hospitals at Anantnag/Udhampur

German Aid Commodity Equipment* valuing Rs 1.98 crore, received in July 1995 by Controller of Stores Jammu from Government of India, was sent to the earmarked district hospitals at Anantnag and Udhampur in August 1995. Test-check revealed that equipment valuing Rs 67.13 lakh (Anantnag: Rs 35.36 lakh and Udhampur: Rs 31.77 lakh) had not been installed (May 1999). Non-utilisation of the equipment was attributed to non-availability of funds for procuring the reagents and accessories and trained engineers required for the installation.

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*Anaesthetic Machine Incubators, Biochemical Analysers, Blood Gas Analysers, Defibrillator Monitor, Dental unit, ECG Machines, Haematology Analysers, Ultra Sound Machines, Vaporisers, Ventilator Adult.

Idle investment of Rs 15.62 lakh

Diagnostic machinery and equipment consisting 3 Elisa Readers with printers (cost: Rs 10.86 lakh), 4 oxygen concentrator (cost: Rs 2 lakh), 2 portable X-ray plants (cost: Rs 1.66 lakh), 1 diathermy (cost: Rs 0.83 lakh) and 3 oxygen monitoring systems (cost: Rs 0.27 lakh) purchased during March-June 1998 by Director Health Services, Jammu were also lying idle (February 1999). Non-utilisation of the equipment resulted in blockage of funds besides non-realisation of the envisaged objective of providing medical facilities to the people.

3.5.8 Hospital garbage

Proper system for collection and disposal of hospital garbage not established

There was no proper system for collection and disposal of hospital garbage in any of the district/sub-district hospitals. The garbage was collected and disposed manually by hospital safaiwallas. None of the district/sub-district hospitals was provided with incinerators for burning the hospital waste. The possibility of misuse/re-use of used disposable syringes/catheters, plastic bottles etc. leading to spread of infectious diseases could not be ruled out. Proper drainage facilities were not available in District hospital Anantnag and in 7[*] sub-district hospitals. Hospital buildings at Sohanjana, Chenani and Bishnah remained water logged during rainy seasons and dirty water got accumulated in the hospital lawns which accentuated the risk of various contagious diseases.

3.5.9 Training

In order to keep the doctors and paramedical staff acquainted with the latest developments in medical science, training, both short and long term, are necessary. It was seen that no regular training programme roster for imparting short term as well as long term training courses was framed by Director Health Services Kashmir/Jammu. However, during test-check it was seen that from 1994-95 to 1998-99 only 195 doctors (including specialists) out of the effective strength of 2271 doctors and 408 out of 6960 paramedical staff had been nominated for training courses ranging from 1 to 180 days. The training was imparted within the State except in case of 59 doctors who were deputed outside the State. The in-service training represented only 6 and 9 *per cent* of the total staff available due to which the possibility of most of the medical staff remaining un-exposed to latest medical technologies cannot be ruled out.

[*] Sohanjana, Bishnah, Ramgarh, Hiranagar, Chenani, Akhnoor and Samba

3.5.10 Construction programme

Improper and inadequate accommodation

Twenty five out of fifty two sub-district hospitals and 2 out of nine district hospitals in the State were deficient in accommodation and these hospitals were functioning in old PHC buildings and residential quarters. Due to these inadequacies, beds sanctioned in each hospital and other medical facilities could not be operated fully. The position of construction activities underway in the test-checked hospitals was as under:

S.No	Name of the hospital	Block under construction	Original AA	Revised AA	Year of start	Stipulated date of completion	Expen-diture	Present status
			(In lakh Rs)				(In Lakh Rs)	
	(A) District hospitals							
1.	Gandhi Nagar	Pediatric Ward	30.88	43.00	1991-92	1 Working season	46.26	In progress
2.	Udhampur	IPD Block	123.20	258.85	1992-93	2 Years	240.65	-do-
3.	J.L.N.M Hospital Rainawari	All Blocks	1250.00	2087.00	1996-97	N.A	122.07	-do-
4.	Budgam	IPD Block	286.00	687.00	1996-97	N.A	96.11	-do-
	(B) Sub-district hospitals							
1.	Sopore	All Blocks	110.00	2368.00	1992	3 Working seasons	386.75	-do-

Time and cost-overrun in construction of hospital buildings

None of the construction works had been completed within in the envisaged cost and time-frame resulting in time and cost-overrun. Revised Administrative Approval for construction works undertaken in the above district hospitals (except Gandhinagar hospital) and one sub-district hospital was yet to be accorded (March 1999).

Construction work of Sub-district hospital at Sopore (estimated cost: Rs 1.10 crore) with provision for 11 beds in casuality and 56 beds in wards, was allotted (1992) without obtaining administrative approval to Public Works Department for completion in 3 working seasons. After an expenditure of Rs 31.75 lakh had been incurred up to March 1998, the construction work was transferred to Jammu and Kashmir Projects Construction Corporation (State Government Company). The Department without obtaining approval from the Government, further, revised (November 1998) the design of the building to 200 bedded hospital necessitating revision of the cost estimates to Rs 23.68 crore. Funds amounting to Rs 3.87 crore were released to Jammu and Kashmir Projects Construction Corporation for the purpose during December 1995 to March 1998. Planning and Development Department observed (October 1998) that the Health Department should not have permitted major deviations in the hospital building without first ascertaining financial requirements and the available capacity of the plan to fund the demand. No funds had been released by the Planning Department for the Project during the year 1997-98 and 1998-99 due to which execution of work had been stopped (May 1999).

Cost over-run of Rs 22.58 crore in construction of Sub-district hospital at Sopore

Taking up of construction work without ensuring availability of funds and obtaining administrative approval resulted in cost-overrun of Rs 22.58 crore besides, time over run and delay in providing medical facilities to the public of the area.

3.5.11 Procurement of medicines, drugs and material

(a) Avoidable extra expenditure of Rs. 14.98 lakh due to non-acceptance of tenders of Government of India Public Sector Undertakings

Extra avoidable expenditure of Rs 14.98 lakh on purchase of medicine at higher rates

According to the standing instructions of the Central Government, Public Sector Undertakings registered with the Department or DGS&D are exempted from depositing earnest money with their tenders. In pursuance of these orders the Health and Medical Department exempted GOI Public Sector Undertakings from submission of CDR's prior to 1997-98. However, during 1997-98 Director Health Services Kashmir rejected the tenders submitted by the three such Undertakings, whose rates were lower, on the grounds of non-furnishing of earnest money deposits. As a result certain medicines for which these Undertakings had quoted lower rates were purchased from other firms at higher rates which resulted in extra expenditure of Rs. 14.98 lakh.

On being pointed out in audit (April 1999) Department stated that exemption extract enclosed with tender by the Undertaking did not specify the period for which the exemption from deposition of CDRs was allowed. The reply given is not tenable as the Department had been accepting their tenders in earlier years under similar circumstances.

(b) Purchase of sub-standard drugs valued at Rs. 93.74 lakh

Sub-standard drugs valued at Rs 93.74 lakh administered to the patients to the extent of 81 *per cent*

Seventeen items of the drugs purchased by the Directorates of Health Services during the period November 1993 to May 1998 valuing Rs 93.74 lakh (Jammu: Rs 11.41 lakh; Kashmir: Rs. 82.33 lakh) were declared sub-standard by the Controller Drug and Food Control Organisations subsequent to their having been issued to different hospitals and PHCs. These sub-standard drugs were consumed by the patients to the extent of 81 *per cent* of the total quantities purchased. The test reports from the Drug Controller were received 4 to 22 months after the lifting of samples by the Drug Controller. No time limit for receipt of analytical results from Drug Controller had been fixed.

On this being pointed out in audit, Director Health Services, Kashmir stated (May 1999) that the Department did not have its own laboratory facilities to check the samples for their quality. Action taken against the supplier firm for supply of sub-standard drugs and ensuring testing of drug samples for quality before issue to the patients was not intimated.

(c) Blockade of capital due to purchase in excess of requirements

Medical Superintendent Government Hospital Gandhinagar, Jammu purchased 5750 bottles of Seracceal and 2150 bottles of Haeamacceal during January/June 1997. Of this, only 2465 bottles of Seracceal and 190 bottles of Haeamacceal were consumed up to December 1998. It was seen in audit that the shelf life of the balance quantity of 3332 bottles of Seracceal (Cost: Rs 4.14 lakh) was up to July 1999 only. The utilisation of the balance quantity of 1960 bottles of Haeamacceal (Cost: Rs 2.62 lakh) with shelf life up to the year 2000-2001 was also doubtful in view of the consumption of only 190 bottles over a period of 2 years approximately. It was further seen that the initial envisaged quantity of the supply of 1000 bottles of Seracceal as per supply order had been altered to 4000 bottles unauthorisedly, reasons for which had not been investigated.

(d) Material unutilised

Locking up of Rs 5.36 lakh due to purchase of black braided silk thread reels in excess of requirement

Out of 7422 reels of black braided silk reels issued by Director Health Services, Jammu to ten hospitals during the years 1994-95 to 1998-99, only 626 reels had been issued to different units by the hospital authorities during the corresponding period resulting in overstocking of 6796 reels valued at Rs. 5.36 lakh. The Medical Superintendent District Hospital, Udhampur stated that since this thread was used for special type of operations (which were not being undertaken in the hospital), the unconsumed quantity would be returned to the Controller Medical Stores. Medical Superintendents of 8 sub-district hospitals stated that the thread was received by them without any requisition. Unnecessary purchase of material thus, resulted in blockage of funds to the extent of Rs 5.36 lakh.

Anticoagulants valued at Rs 1.88 lakh issued to sub-district hospitals which did not have blood bank facilities

(i) 11760 bottles of Acid Citrate Dextrose (Cost: Rs 1.88 lakh) solution required in blood bank as an anticoagulant had been issued to sub-district hospitals during 1994-95 to 1998-99 which did not have blood bank facilities. The drugs were lying unutilised in these hospitals as of March 1999.

(ii) Anaesthetic drugs (Cost: Rs 0.66 lakh) and shadowless lights (cost: Rs 1.51 lakh) were lying un-utilised (March 1999) in 7* sub-district hospitals of Jammu as anaesthesists had not been posted in these hospitals. Shadowless lights had reportedly been sent without any requisition and BMO stated that the same would be sent to other hospitals. Further developments were awaited (October 1999).

* Sohanjana, Hiranagar, Billawar, Reasi, Ramnagar, Katra and Chenani

3.5.12 Inspection and monitoring

Director Health Services, Jammu had conducted only 4 inspections in 1998 of the test-checked district/sub-district hospitals during the period 1994-95 to 1998-99. Such record of inspections by Director Health Services, Kashmir was not maintained.

Further Director Health Services Jammu/Kashmir had neither constituted any internal Administrative Control System/Committee nor was any evaluation of the functioning of district/sub-district hospitals done by any external agency.

3.5.13 Recommendations

Adequate infrastructure, especially in operation theatres and laboratories, rationalising deployment of medical and paramedical staff should be provided and utilisation of existing facilities improved. There is an urgent need for fixing norms for deployment of doctors, nurses and para medical staff on the basis of work load and for diet, linens, etc. issued to indoor patients. Overall monitoring should also be strengthened for efficient delivery of services and to prevent sub-standard and unnecessary purchase/administration of drugs, mis-utilisation of ambulances and misappropriation of public money, etc.

3.5.14 Above points were referred to Government in August 1999; reply had not been received (October 1999).

Social Welfare Department

3.6 Integrated Child Development Services

Highlights

The main objective of Integrated Child Development Services Scheme is to improve nutritional and health status of children in the age group of 0-6 years for reducing the incidence of mortality, morbidity and malnutrition and enhancing the nutrition and health education of mothers. The envisaged objectives were largely not achieved due to failure to (a) identify the target group of beneficiaries, (b) inadequate allocation of funds by the State Government for supplementary nutrition, (c) lack of coordination with the Health Department and (d) inadequate monitoring/supervision of the Programme. The Programme was also not properly administered as cases of irregular appointment of staff including Anganwari workers, unaccounted for vehicles and their misutilisation and avoidable expenditure were noticed in test-check.

- **Utilisation of Central assistance during 1992-97 was poor with shortfall ranging between 19 and 52 *per cent*. Underutilisation of funds was mainly due to release of 30 to 61 *per cent* of total Central assistance at the fag end of the financial years 1992-93 to 1996-97.**

(Paragraph: 3.6.4.2)

- **State Government allotted funds sufficient for providing nutrition for 180 to 220 days only, during 1992-99 as against requirement of 300 days per year. In 24 *per cent* of 7399 test-checked *Anganwari* centres, nutrition was provided for less than 120 days.**

(Paragraph: 3.6.6.1 (a))

- **A proper system for assessing the nutritive value and fitness of food provided to beneficiaries had not been established. Adulterated and infected nutrition items consumed in *Anganwari* centres of Srinagar project during 1996-97 exposed the beneficiaries to health risks.**

(Paragraph: 3.6.6.1 (c))

- **Irregular appointment of 166 *Anganwari* workers was made during 1998-99 on recommendations of Minister/Minister of State for Social**

Welfare in contravention of the prescribed procedure. 37 *per cent* of the *Anganwari* workers in 16 test-checked projects were non-locals.

(Paragraph: 3.6.6.8)

- **Against 54 vehicles supplied by Central Government during 1992-98, 27 vehicles only were accounted for in the records.**

(Paragraph: 3.6.7)

- **There was complete lack of monitoring of various components of the Scheme like supplementary nutrition, immunisation, health check-up and referral services, pre-school education, etc. both at State and district level with adverse impact on the Scheme.**

(Paragraph: 3.6.8)

3.6.1 Introduction

Integrated Child Development Services (ICDS) programme was taken up in the State, as a Centrally sponsored scheme, in October 1975. The main objectives of ICDS were to improve the nutritional and health status of the children in the age group of 0-6 years for their proper psychological, physical and social development and to reduce the incidence of mortality, morbidity, and malnutrition. The capability of the mothers to look after the normal health and nutritional needs of the children, through proper nutrition and health education was also required to be enhanced.

The objectives were to be achieved through provision of an integrated package of services consisting of supplementary nutrition, immunisation, health check-up, referral services, nutrition and health education to expectant and nursing mothers and non-formal pre-school education to children aged between 3-6 years.

3.6.2 Organisational set-up

At the grass root level, the package of services was provided through *Anganwari* centres under the overall supervision of CDPOs[*] who were in exclusive charge of project areas. Programme Officers were responsible for providing direction and co-ordination of the Scheme at the district level under the supervision of Director of Social Welfare. Social Welfare Department was responsible for the overall implementation of the Scheme at the State level.

[*] Child Development Project Officers

3.6.3 *Audit coverage*

Implementation of the Scheme was test-checked during October 1997 to March 1998 and December 1998 to May 1999 with reference to the records of the Administrative Department, the Directorate, three[@] Programme Officers, 29[®] CDPO's (25 *per cent* of 117 operational projects) in five (Jammu, Kathua Rajouri, Poonch, Srinagar) out of 14 districts and 2 Medical Officers (Srinagar, Jammu), covering a population of 32.40 lakh (33 *per cent* of the total population of 98.42 lakh) and expenditure of Rs 38.64 crore (34 *per cent* of total expenditure of Rs 112.06 lakh) for the period from 1992-93 to 1998-99. Important points noticed are mentioned in the succeeding paragraphs.

3.6.4 *Financial outlay and expenditure*

3.6.4.1 *Pattern of financing*

All expenditure on Central projects was met by Central Government except for Supplementary Nutrition Programme (SNP) component which together with State projects (up to March 1996) was financed with State funds. The UNICEF[Φ] also provided assistance in the shape of equipment like jeeps, weighing scales, type writers, duplicators, audio-visual equipment, etc.

3.6.4.2 *Allocation of funds and expenditure*

The position of funds released and expenditure on the Scheme during the period from 1992-93 to 1998-99 was as under:-

(Rupees in crore)

Year	Central Sector		State Sector	
	Assistance[Ψ] received	Expenditure [•]	Budget provision	Expenditure
1992-93	5.80	3.63 (37)	5.76	3.64 (37)
1993-94	7.21	5.00 (31)	5.03	3.96 (21)
1994-95	7.24	5.85 (19)	6.06	5.43 (10)
1995-96	9.19	6.70 (27)	8.43	7.96 (6)
1996-97	15.47	7.50 (52)	10.47	9.80 (6)
1997-98	5.14[♣•]	13.90	12.11	10.98 (9)
1998-99	14.82	15.31	13.50	12.40 (8)
Total	64.87	57.89	61.36	54.17

(Percentage shortfall in brackets)

@ Kathua, Jammu, Rajouri

® (Rural) Samba, Purmandal, Marh, R.S.Pora, Kotbalwal, Akhnoor, Vijaypur, Bishnah, Khour, Dansal, Hiranagar, Kathua, Basohli, Bani, Billawar, Gagwal, Manjakote, Rajouri, Thanamandi, Budhal- Kalakote, Sunderbani, Nowshera, Mendhar, Surankote, Balakote, Poonch-Haveli, Mandi;
(Urban)Jammu, Srinagar

Φ UNICEF- United Nations Children Emergency Fund.

Ψ Includes funds released under Training (Rs 1.19 crore during 1992-99)

• Includes expenditure under training except for the years 1992-93 and 1993-94 for which information was not available

♣ Includes assistance in the form of medicine kits provided during 1997-98 and 1998-99

Shortfall in utilisation of Central assistance ranged between 19 and 52 *per cent* during the period 1992-99

The shortfall in utilisation of Central assistance which ranged between 19 and 52 *per cent* during the years 1992-93 to 1996-97 was mainly due to release of 30 to 61 *per cent* of the total Central assistance at the fag end of the financial year in all these years. The position of unspent balance of Central assistance up to 1993-94 had not been maintained/monitored. Based on the unspent balance of Rs 4.78 crore at the end of March 1994 reported by the State Government to Government of India, the aggregate of unspent balance of Central assistance under ICDS at the end of March 1999 amounted to Rs 7.38 crore. Utilisation certificates for the Central assistance received had also not been sent for the years 1995-96 to 1998-99.

There was a variation of Rs 2.26 crore between the funds released by Central Government and those shown received by the State Government during the years 1993-94 to 1998-99. The variation had not been reconciled by the Department as of May 1999. It was, however, noticed that variations to the extent of Rs 1.38 crore during 1997-98 (Rs 95.87 lakh) and 1998-99 (Rs 42.52 lakh) were due to non-adjustment of cost of medicine kits supplied to the State Government.

Rupees 1.11 crore drawn and kept outside Government accounts to avoid their lapsing

Test-check further revealed that though Rs 1.11 crore were drawn on last day of financial years 1995-96 to 1997-98 and kept in banks or converted into bank drafts/*hundies* to avoid their lapsing/revalidation by Government of India/Administrative Department but were shown as fully spent during the years concerned. This resulted in the overstating of expenditure by Rs 1.11 crore during 1995-96 (Rs 44.93 lakh), 1996-97 (Rs 7.41 lakh) and 1997-98 (Rs 58.86 lakh).

3.6.5 Planning

(a) Selection of project areas and identification of beneficiaries

Criteria adopted in selection of projects not on record

Central Government had sanctioned 131 projects for the State under the Scheme up to March 1999 against which the number of such projects was 120 only as per the records of State Government. Of these, 117 projects were in operation as of March 1999. The year-wise break-up of projects started during the period from 1992-93 to 1998-99 was not available with the Directorate of Social Welfare, nor had the discrepancy between sanctioned number of projects as per State/Central Government records been reconciled (May 1999). While selecting project areas, priority was to be given to areas predominantly inhabited by backward tribes and scheduled castes and to backward, drought prone, nutritionally deficient areas and areas with adverse male-female ratio and with concentration of child labour. The records did not, however, indicate the criteria adopted by the State Government in the selection of 54 projects sanctioned during 1992-99. Further, at least 10 *per cent* of sanctioned projects were to be run by Voluntary Organisations, Local bodies or Indian Council for Child Welfare. However, none of the 117 on-going projects was managed by any of these agencies.

Baseline survey for identification of the target group not conducted

For ensuring effective and purposeful implementation of the Scheme, each *Anganwari* centre had to conduct a baseline survey for identifying expectant and nursing mothers, women in the age group of 15-45 years and children below 6 years of age belonging to the target group. Records did not reveal that baseline survey had been conducted nor had any family cards been maintained in any of the test-checked projects. The basis/criteria for selection of the beneficiaries was not, thus, available.

(b) Co-ordination and supervision

Committees at the district/village/project/ State level for co-ordinated implementation of the programme not constituted

For smooth and co-ordinated implementation of the Scheme, co-ordination committee of various functionaries of Social Welfare, Health and Family Welfare Departments were to be set up at village/project /district/State levels. However, no such committees were formed either at State level or at district level in any of the test-checked districts. Similarly, village Primary Health Centre and project level co-ordination committees were not set up in any of the 29 test-checked projects nor had the State Nutrition Council been established as envisaged. Consolidated records, indicating identification and coverage of beneficiaries belonging to the target group with special emphasis on SCs and STs etc. under various components of the Scheme, had not been maintained at various levels including district or State level, nor had any progress reports been prepared and sent to higher authorities. The extent of the overall coverage of target group could not, therefore, be ascertained in audit.

3.6.6 Implementation of the Programme

3.6.6.1 Supplementary nutrition

(a) Malnutrition is one of the major contributory causes for mental retardation, physical debility and infant mortality. The aim of the Programme was to supplement the intake of nutrition by about 300 calories and 8-10 grams of protein for eligible children and 500 to 600 calories and 20 grams of protein for pregnant women and nursing mothers for 300 days in a year. Severely malnourished children were also to be given therapeutic nutrition on medical advice.

Funds sufficient for providing nutrition for 180-220 days only allotted against 300 days

State Government allotted funds aggregating Rs 36.80 crore sufficient for providing nutrition for 180 to 220 days only during the period 1992-99. However, in 1812 (24 *per cent*) out of 7399 test-checked *Anganwari* centres, supplementary nutrition was provided for less than 120 days in a year during the years 1992-93 to 1998-99. Of these, 807 centres (11 *per cent*) provided supplementary nutrition for less than 60 days in a year. In 2018 test-checked centres (27 *per cent*) coverage exceeded 240 days during the years 1992-99.

Nutrition items not allocated to centres in a rational manner

Reasons for not allocating nutrition items to the centres in a rational manner for achieving uniform coverage were neither intimated nor on record. Similarly, provision for higher nutritional inputs, special therapeutic nutrition and weaning food for pregnant/nursing women, malnourished children, etc. was not made. Providing supplementary nutrition to the beneficiaries sporadically was unlikely to achieve the basic objective of removing malnutrition among them.

Inexpensive nutrition and locally available/ acceptable food not introduced

(b) Locally acceptable food, based on inexpensive and locally available ingredients was to be provided to the beneficiaries keeping in view also the needs of children under three years. In July 1994, the Director Social Welfare, on the recommendation of a committee with a nutrition expert from Government of India as one of the members, approved nine recipes on the basis of locally available food. These recipes were, however, not introduced in any of the projects. Finally, three recipes, out of 12 proposed by another committee of four departmental officers were approved (June 1995) for being served. These recipes were not based on raw materials available locally at village/project level and two of these recipes had a protein content of 4 to 7 grams only as against minimum of 10 grams required, thus depriving the beneficiaries of the balanced nutrition inputs.

Nutrition items supplied not subjected to tests for assessing their nutritive value/fitness

Infected food items provided to beneficiaries

(c) The nutrition items supplied had never been subjected to laboratory tests for ascertaining their nutritive value as also their fitness for human consumption. Of the six samples analysed in Srinagar Project on the basis of doubts,[φ] one sample each of gram (*channa*), iodised salt and *suji* by Public Analyst, Jammu revealed, fungal growth in gram, absence of iodine content in salt and adulteration in *suji*. No steps were taken to replace the unfit nutrition items and the entire quantity (gram: 105 quintals; salt 5.5 quintals and *suji*: 17 quintals) was utilised by the *Anganwari* centres during 1996-97. Purchase/supply of nutrition inputs to *Anganwari* centres without ensuring its quality/fitness for human consumption exposed beneficiaries to health risks.

3.6.6.2 Immunisation coverage

Basic records indicating children requiring immunisation and those covered not maintained

All children below 6 years of age were to be immunised against poliomyelitis, diphtheria, typhoid, whooping cough, tuberculosis and measles. All expectant mothers were also to be protected against tetanus. For achieving this objective, the CDPOs had to prepare immunisation schedules for vaccination and co-ordinate their activities with Medical Officers of Primary Health Centres, etc. Neither were any targets fixed for immunisation nor had any records indicating number of children due for immunisation in the project area and actual coverage against each disease during 1992-93 to 1998-99 been maintained in 17 out of 29 test-checked projects. Coverage of the beneficiaries had also not been monitored at the Directorate/Project Officers level in any of the test-checked districts.

[φ] Expressed by CDPO Srinagar

In 15 test-checked projects, the children were not immunised through *Anganwari* centres, while in another 7 test-checked projects, identification of the eligible children was not done. In 7 projects including 2 urban projects of Jammu and Srinagar the percentage of children immunised during 1992-93 to 1998-99 varied between 23 and 40 for tuberculosis, 36 and 60 for diphtheria, whooping cough and tetanus, 36 and 59 for poliomyelitis and between 21 and 37 for measles. The percentage of women immunised for tetanus ranged between 30 and 43 only during the same period. In Jammu urban project, the shortfall in immunisation of children was very high, despite availability of Medical Officer along with supporting staff, and ranged between 52 and 91 *per cent* for tuberculosis, 2 and 64 *per cent* for diphtheria, whooping cough and tetanus, 49 and 67 *per cent* for polio and 0 and 74 *per cent* for measles during 1992-99. Between 33 and 80 *per cent* identified women were immunised against tetanus in the two urban projects during 1992-99. Shortfall in coverage was stated by Medical Officers (October 1997 and May 1999) to be due to non-availability of vehicles with the projects.

In 22 out of 29 test-checked projects immunisation not done under the programme and in remaining seven coverage was very poor

Records indicating immunisation status of each beneficiary and successive/booster doses, if any, administered to the children, had not been maintained during the period 1992-93 to 1998-99. The effectiveness of the immunisation programme could, thus, not be ascertained. In three projects (R.S.Pora, Purmandal, and Reasi) 20 children had died due to diseases preventable by vaccination (Tetanus: 8, Diphtheria: 3, Measles: 5, Tuberculosis: 3, Poliomyelitis: 1) during 1994-95 to 1997-98. It was also noticed that 17 polio cases in the age group of 1-8 years were detected in 2 projects (R.S.Pora: 14 and Srinagar: 3). The incidence of child mortality indicated that the impact of immunisation programme was not satisfactory.

3.6.6.3 Health check-up and referral services

(a) Health check-up

Health check-up included pre-natal care of expectant women and post-natal care of nursing mothers, care of new born babies and all children below 6 years of age after enumerating them and assessing their health status.

Out of 27 test-checked projects, health check-up was not conducted in 15 projects and in another 4[*] projects, basic records of coverage had not been maintained. In the remaining 8[Ψ] projects the percentage shortfall in coverage ranged between 39 and 79 during 1992-93 to 1998-99 except in R.S.Pora Project in which shortfall was abnormally high between 96 and 99 *per cent* during 1995-96 to 1998-99. The percentage shortfall in health check-up of children 0-3 years and 3-6 years ranged between 34 and 86 and between 16

Substantial shortfall in coverage of women/children under health check-up

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[*] Akhnoor, Kotebalwal, Surankote and Marh.

[Ψ] Samba, Bishna, Vijaypur, Purmandal, Bani, Jammu Srinagar and RSPora.

and 87 respectively in 5 rural projects during 1992-99. The shortfall in coverage of pregnant ladies and nursing mothers varied between 2 and 72 *per cent* and between 17 and 81 *per cent* respectively during the period 1992-99. Antenatal and prenatal cards were not maintained in any of the 27 test-checked projects except Srinagar where during 1995-96 to 1998-99 against total 11300 pregnant/nursing women only 6080 cards (54 *per cent*) had been maintained. The shortfall was attributed by the CDPOs to lack of co-ordination with Health Department.

(b) Referral services

Under this component, the *Anganwari* workers were to identify 'at risk' children, mothers and pregnant women during their house hold survey of the families in their areas and arrange for better medical treatment of these cases at sub-centres, PHCs, sub-district hospitals and district hospitals and subsequent follow up as the case might be.

None of the 12728 identified malnourished/ severely malnourished children referred for specialised treatment

In 18 test-checked projects[xx] for which information was available, 12728 malnourished/severely malnourished children were identified during 1992-93 to 1998-99. However, none of these children were referred to the PHCs/Hospitals, for specialised treatment. Non-referring of these children was attributed by the CDPOs to non-availability of referral cards and poor response from Health Department. Test-check further revealed that weighing machines and growth charts required for identification of malnourished children had not been provided in 79 projects and in 89 projects respectively. Necessary records indicating receipt and distribution of 4399 weighing scales supplied by Government of India during 1992-98 were, however, not maintained.

Incidence of infant/child mortality high

Infant/child and maternal mortality rates had not been monitored either at the Directorate level or at the District level. It was however, seen in audit that infant/child mortality rate during 1992-99 in 14 Projects[xxx] for which information was available ranged between 39 per thousand and 62 per thousand which was much higher than the mortality rate of 10 and 60 per thousand for infants and child respectively envisaged to be achieved by the year 2000 AD. The infant/child mortality was abnormally high in Rajouri and Udhampur Districts where it varied between 171 and 233 per thousand and between 80 and 148 per thousand respectively during 1992-93 to 1996-97. Evidently, high mortality rate was due to absence of referral services in project areas during 1992-93 to 1998-99.

[xx] Jammu Distt (9), Dansal, Samba, Jammu, R.S.Pura, Purmandal, Akhnoor, Vijaypur, Khour, Bishnah: Kathua Distt; (5) Hiranagar, Kathua, Billawar, Basohli, Bani; Rajouri Distt (1) Nowshera, Poonch Distt (1) Surankote; Udhampur District: Reasi; Srinagar District: Srinagar

[xxx] Distt: Jammu: Samba, Vijaypur, Purmandal, Jammu, Dansal, R.S.Pura, Khour; Distt; Kathua: Basohli, Kathua, Bani; Distt; Rajouri; Thanamandi; Nowshera, Distt; Udhampur; Reasi; Distt Srinagar: Srinagar.

3.6.6.4 *Nutrition and health education*

Nutrition and health education was to be imparted to women in age group of 15-45 years (especially nursing and expectant mothers) through publicity, home visits by *Anganwari* workers and demonstration/awareness programmes.

Significant shortfall in imparting nutrition and health education to women

Shortfall in coverage of targeted group of women (15-45 years) through home visits during the years 1992-93 to 1998-99 ranged between 28 and 100 *per cent* in 13 test-checked projects (Jammu: 7 projects; Kathua: 4 projects; Rajouri; 1 project; Poonch: 1 project). The shortfall was 100 *per cent* in Poonch district, between 53 and 60 *per cent* in Jammu district, 34 and 71 *per cent* in Kathua district and 28 and 35 *per cent* in Rajouri district. Reasons for shortfall were not intimated.

One of the important means for imparting nutrition and health education was through the medium of films, advertisements, etc. Test-check revealed that film shows for imparting education in these fields could not be held either because of shortage of projectors/film slides or wherever available due to lack of trained staff for operating projectors or due to equipment being out of order. Receipt, disposal and utilisation of 50 slide projectors supplied by Government of India during 1992-98 were, however, not on record either in Directorate Office or in any test-checked district office.

3.6.6.5 *Non-formal pre-school education*

Non-formal pre-school education for children failed to take off

Under this component, children between 3 and 6 years of age were to be imparted non-formal pre-school education in *Anganwari*s for developing desirable aptitudes, values and behaviour patterns. Overall data regarding children eligible for enrolment for pre-school education in the State, children actually enrolled and position of attendance, dropouts, etc. had not been maintained or monitored at any level. During test-check, it was seen that survey for identification and enrolment of eligible children had not been conducted in 6[*] projects. The percentage of children enrolled vis-a-vis eligible children during 1992-99 in 18[©] other test-checked projects ranged between 49 and 100. The drop out percentage among children in test-checked projects of various districts was between 68 and 71 in Poonch district, 59 and 75 in Rajouri district, 32 and 53 in Kathua district and 13 and 37 in Jammu district, thus giving a serious setback to pre-school education activity in the State. The main reasons for non-implementation of pre-school education and high drop out rate as observed in audit was inadequate infrastructure. During the period from 1992-93 to 1998-99 jute matting and pre-school education material was

[*] Poonch Havli, Mandi, Mendhar, Balakote, Billawar and Manjakote.

[©] Dansal, Marh, Jammu, Samba, Purmandal, Akhnoor, Vijaypur, Gagwal, Barnote, Basohli, Hiranagar, Kathua, Nowshera, Budhal-Kalakote, Thanamandi, Rajouri, Sunderbani and Surankote.

issued only during April 1998 to November 1998 to 2516 centres out of a total of 10168 *Anganwari* centres in the State.

3.6.6.6 Field visits and supervision

Implementation of the programme has to be monitored by field visits by the Child Development Project Officers/Assistant Child Development Project Officers and the Supervisors. While the CDPOs were required to visit *Anganwari*s for 18 days in a month, the Supervisors were to visit each *Anganwari* centre at least once a month. In 23 test-checked projects, the percentage shortfall in the required visits of CDPOs and Supervisors ranged between 40 and 72. At project level there was 100 *per cent* shortfall in visits by ACDPOs in Kathua project during 1993-94 and 1995-98 and in R. S. Pora project during 1996-97 and 1998-99. The performance of joint visits by supervisors with health staff (LHV etc.) was also very poor as these visits had been undertaken in only 3 projects (Bishna, R. S. Pora, Marh) during 1992-93 to 1998-99 out of 27 test-checked projects.

Thus, the visits by CDPOs/ACDPOs, Supervisors and health staff were nominal and supervision of centres was in a state of neglect. The shortfall in visits was attributed (December 1998 to May 1999) by the CDPOs to shortage of supervisory staff, non-availability of vehicles and involvement of supervisory staff in non-ICDS activities, viz. disbursement of scholarship, survey of handicapped, etc.

3.6.6.7 Training

Training for raising the level of knowledge/skill of *Anganwari* workers, etc. not imparted fully

The Scheme envisaged training of the ICDS functionaries particularly *Anganwari* workers and Supervisors for raising their level of knowledge and skills. The State Government had to appoint a Nodal Officer for preparing the training calendar and review training requirements. However, no such officer had been appointed (February 1999) with the result no training calendars were framed during the years 1992-93 to 1997-98. The Department had not maintained a record of cadre-wise training record of various ICDS functionaries at State/district/project level. Audit scrutiny revealed that 4623 functionaries (44 *per cent*) including 4327 AWWs, out of total 10612 functionaries working in different cadres, had not been imparted any training due to lack of adequate training infrastructure. Failure to impart training to various functionaries was likely to adversely effect the delivery of the package of services under the programme.

Records relating to expenditure of Rs 76.02 lakh incurred on training, out of central assistance of Rs 1.19 crore received during 1992-93 to 1998-99 were not produced to Audit.

3.6.6.8 *Manpower management*

Irregular appointment of *Anganwari* workers

(a) Selection of *Anganwari* workers in the selected project areas is to be made by a committee consisting of District Social Welfare Officer, BDO, CDPO, Medical Officer and other public representatives. However, the State Government (February 1998) authorised Programme Officer (Headquarters) to make appointment of *Anganwari* workers centrally under expansion programme in all projects. The details of appointments made in each project during 1997-99 were not furnished to Audit (April 1999). It was, however, observed in test-check that orders for appointment of 166 *Anganwari* workers in 19 projects were issued (March 1998-July 1998) on the directions of Minister/Minister of State in Social Welfare Department. Test-check of 16 projects further revealed that out of 1513 *Anganwari* workers, 553 *Anganwari* workers (37 *per cent*) were non-locals. The percentage of non-locals was as high as 83 in Ganderbal, 67 in Kathua and 61 in Marh project. 61 *Anganwari* workers appointed during March 1998-January 1999 under expansion programme were also non-locals.

Data base of sanctioned posts and effective strength not maintained

(b) The Department had not maintained (April 1999) year-wise and category-wise details of sanctioned and effective strength and project-wise staff in position with the result manpower requirements and its availability was not monitored. It was noticed during test-check that there was shortage of 34 CDPOs in 117 operational projects during 1996-98. The shortage of Supervisors, Statistical Assistants and Junior Assistants during 1995-98 ranged between 10 and 41 *per cent.* Similarly, no Supervisor was posted (March 1999) in 20[T] projects against a sanctioned strength of 53 Supervisors. In 2 projects (Satwari, Karnah) Supervisors (one each) in excess of sanctioned strength were, however, posted.

Irregular appointment of drivers

(c) The effective strength of drivers during 1996-97 was 87 as against 71 serviceable vehicles. In 5 test-checked projects, idle wages of Rs 3.11 lakh were paid to 5 drivers during April 1997 to March 1999. Similarly, a driver was posted in newly created Balakote project during 1997-98 even though no vehicle was available. Another driver was posted (August 1998) in the same project whose pay was drawn unauthorisedly against the post of Supervisor. This resulted in payment of idle wage of Rs 0.61 lakh up to March 1999. Test-check further revealed that in Samba project the regular driver was attached in September 1998 with Programme Officer Jammu and appointment of a new driver against the resultant vacancy was made unauthorisedly by CDPO in September 1998 without ascertaining the availability of idle drivers in other projects. In 2 projects (Kangan, Surankote) one orderly and one driver was appointed on daily wage basis by the CDPO in November 1991 and April 1993

[T](Kashmir), Kupwara, Trehgam, Ramhal, Rafiabad, Zainagar,(Jammu): Dansal, lohimalhar, Bhagwah, Inderwal, Marwah, Gordhi, Mahore, Arnas, Gool, Majalta, Kalakote, Nowshera, Sunderbani, Manjakote, Balakote.

respectively. These officials continued in service (March 1999) after obtaining injunction from a court.

(d) Transfer policy for staff members had not been formulated and in test-check it was noticed that 33 Supervisors continued to remain posted in the same project for a period from 5 to 15 years.

3.6.7 Utilisation of vehicles

Non-accounting of 27 vehicles

The main reason for the poor implementation of the various components of the Scheme as discussed in paragraph 3.6.6 was stated to be due to poor mobility in project areas because of non-availability of vehicles. ICDS projects received non-recurring assistance from UNICEF, through Government of India, in the form of jeeps, trailers, etc. Records indicating the details of vehicles/equipment received from UNICEF and their utilisation had not been maintained. It was, however, seen in audit that against 54 vehicles supplied by the Government of India during 1992-98, only 27 vehicles were accounted for in the records of Department (February 1999). In absence of proper records and a system of reconciliation with Government of India, the possibility of misutilisation/misappropriation of 27 vehicles could not be ruled out.

Director Social Welfare informed (October 1998) the Administrative Department that 28 ICDS vehicles were gutted/destroyed during 1988 to October 1998 in militancy related incidents but the details of the same were not placed on record (April 1999). No departmental enquiry was initiated (April 1999) to investigate the losses and the full facts were not obtained from District/ICDS functionaries. Copies of the FIR if any lodged with the Police, were also not on record (April 1999).

3.6.8 Monitoring and evaluation

Lack of monitoring and evaluation

There was complete lack of monitoring of various components of the Scheme like immunisation, nutrition, health and referral services, pre-school education, etc. both at State and district level. Basic records relating to family survey, supplementary nutrition/distribution, pregnant/nursing women, referral services, immunisation etc. had not been maintained in any of the test-checked projects. No watch on receipt of Monthly Progress Reports and feed back reports from projects was kept. Community Based Monitoring Mechanism for monitoring and evaluation at grass root level by members of community themselves had not been adopted (April 1999) in the State. No voluntary organisation had been entrusted with job of monitoring of Scheme.

The impact of the Scheme on providing immunisation, health check - up and referral services, pre-school education, nutrition and health education facilities to the targeted group had also not been evaluated during the period 1992-93 to 1998-99.

3.6.9 Recommendations

There is an urgent need for conducting base line survey at regular intervals for identifying children and expectant/nursing mothers in the target group and their coverage. The coverage of the identified population under supplementary nutrition, based on locally available cheap recipes, should be regular for achieving decline in the levels of malnutrition, morbidity and infant mortality. The need for close co-ordination with the functionaries of Health Department is also called for, for proper health check-up and medical interventions wherever required.

3.6.10 Above points were referred to Government/Department in August 1999; reply has not been received (October 1999)

Section B

3.7 Agriculture Production and Rural Development Department

Wasteful expenditure on construction of a building and locking up of funds

Failure of the Revenue Department to maintain properly its records and consequent irregular allotment of land coupled with poor monitoring and supervisory control by Agriculture Production Department resulted in wasteful expenditure of Rs 15.44 lakh and locking up of Rs 14.34 lakh for over 3 years.

The State Government released an amount of Rs 29.78 lakh between November 1990 and January 1996 as grant-in-aid in favour of Jammu and Kashmir Co-operative Union (a registered Co-operative Society) for setting up of a State-level co-operative training college. The State Government further allotted (April 1991) a piece of land, measuring 30 *kanals* and 13 *marlas*, identified by the Co-operative Department, at village Sitnee (Nagrota) for construction of college/hostel buildings. The construction work was taken up by the Society in January 1992 despite repeated warning /notices issued by the Army. When ground floor of the complex was completed (expenditure: Rs 15.44 lakh), the Army authorities stopped (July 1994) further construction on the ground that the building had been constructed on the land requisitioned by it and under its possession since 1973. It was also pointed out by the Army that the location of the structure, being very close to sensitive army installations, was a security hazard. The Army authorities informed the Society in September 1998 to either remove the structure or bear the charges for its removal by the Army. Efforts made by the Society to either get the land de-requisitioned by the Army or have the possession of the structure taken over by the Army on reimbursement of its cost, estimated at Rs 22 lakh, did not succeed (March 1999). Consequently, the expenditure of Rs 15.44 lakh, incurred on construction of structure up to July 1994, proved infructuous and unspent grant-in-aid of Rs 14.34 lakh was locked up with the Society for over three years. The main reasons, as observed in audit, which contributed to the impasse were:

(a) Failure of the Revenue Department to keep appropriate note in the records regarding requisition of the land by Army.

(b) The Society had proceeded with the construction work despite repeated warnings by the Army authorities regarding the actual status of land and issuance of a written notice by the Army in March 1993, on which no action was taken.

(c) Failure of the Registrar Co-operatives to monitor and exercise supervisory control over the flow and utilisation of funds by the society. Grant-in-aid aggregating Rs 12.85 lakh had been released to the Society during the years 1994 and 1996 despite objections raised by the Army authorities during the years 1992 and 1993 and stoppage of work in July 1994.

The matter was referred to Government in July 1999; reply has not been received (October 1999).

3.8 Irregular payment on account of unauthorised removal and utilisation of timber

Failure to verify from the Forest Department the genuineness of transit passes of timber utilised by the contractor on developmental works resulted in irregular payment of Rs 13.81 lakh and loss of revenue to the State by way of illicit felling of trees.

With a view to prevent unauthorised felling, removal and utilisation of illicit timber, the movement of timber from the purchase point to any other place within the State is to be covered by an authorisation/transit pass issued by the Forest Department. In view of the large scale illegal felling of trees in the valley due to disturbed law and order conditions, the Forest Minister had ordered (January 1997) that Government departments should make payment in respect of timber utilised on developmental works only after verifying from the Forest Department the genuineness of the purchase of timber.

Test check of the records of the Block Development Officer, Kangan revealed (April 1998) that for 13 works of construction of school buildings, bridges etc., transit passes (Form 25) in respect of 5936.37 cft of timber (valued Rs 13.81 lakh) utilised during January 1995 to December 1997 were mutilated/tampered and did not bear the name of the range/division, signature and seal of the concerned authorities. The Block Development Officer, Kangan without getting the source of supply of timber verified from the Forest division, made payment for works including cost of timber to the concerned contractors. On a reference made by Audit, the Conservator of Forests, Srinagar Circle intimated (June 1998) that the transit passes were not genuine and had been obtained fraudulently. Results of further investigations if any, conducted by Forest Department were not intimated (September 1999).

Thus, failure of the Block Development Officer to verify the genuineness of the transit passes which were *prima facie* fraudulent, resulted in irregular payment of Rs 13.81 lakh to the contractors and loss of revenue to the State on account of illicit felling of trees.

The matter was referred to Government in May 1999; reply had not been received (October 1999).

3.9 Unfruitful expenditure on construction of a road and school building

Failure to obtain prior clearance of Forest Department for construction of a road passing through forest land and construction of a school building without ascertaining its requirement and suitability of site resulted in unfruitful expenditure of Rs 5.63 lakh and irregular/excess payment of Rs 1.71 lakh on construction of a road and school building.

Test-check (July 1998/March 1999) of the records of Block Development Officers Rajouri and Baramulla revealed unfruitful expenditure of Rs 5.63 lakh and irregular/excess payment of Rs 1.71 lakh on construction of a road and school building as discussed below:

(a) The work of extension of Taryathi-Nadyala road up to Bagla (1 Km) was allotted (December 1994) by Block Development Officer, Rajouri to a *mate* at an estimated cost of Rs 4.50 lakh under Employment Assurance Scheme. When the work was completed up to value of Rs 3.56 lakh during the years 1994-95 (Rs 0.60 lakh), 1996-97 (Rs 1 lakh) and 1997-98 (Rs 1.96 lakh) further construction was stopped due to objections raised by the Forest Department. The Forest Department pointed out (March 1998) that since the alignment of the road passed through forest area, clearance from the Forest Department had to be obtained for undertaking the work. Evidently, the construction of road had been taken up with out conducting proper survey, which resulted in unfruitful expenditure of Rs 3.56 lakh. The work on the road had not been resumed as of February 1999.

Test-check (March 1999) further revealed that an excess payment of Rs 21000 had been made (March 1998) to the *mate* due to an arithmetical error in calculation of the value of Earth Work. Further, against the estimated quantity of 187.16 CM (cost: Rs 16000) of Random Rubble Masonry (dry), payment for 1225.57 CM (cost: Rs 1.66 lakh) had been made without the approval of the Executive Engineer, REW[98], Rajouri. Action taken for recovering the excess/irregular payment of Rs 1.71 lakh made to the *mate* was not intimated (February 1999).

(b) In August 1996, Chief Education Officer, Baramulla identified 36 primary/middle school buildings for construction through Rural Development Department during 1996-97 which included a building for primary school Sheeri-balla, Baramulla. Accordingly, Block Development Officer, Baramulla, asked (October 1996) the Education Department to identify the site/land for the proposed construction. Though the site/land for the proposed construction was not identified by the Education Department, the Block Development Officer allotted (December 1996) the construction work of the school building (estimated cost: Rs 2.12 lakh) to a *mate*, on a site identified by Rural Development Department. When the construction work was started (December 1996) Education Department informed the Assistant Commissioner Development, Baramulla and the Block Development Officer that the two school buildings constructed during the years 1987 and 1991 already existed at Sheeri-balla which were sufficient to accommodate the students and proposed the construction of the said building at an alternative site at Fatehgarh for Girls Middle School where additional accommodation was urgently needed. It was also pointed out that the site selected by the Rural Development Department for the proposed building was inaccessible as it was located 200 feet away from the existing school buildings, across a 32 feet wide and 8 feet deep *nallah* without any connecting road/bridge. Despite the assertions of the Education Department, the Block Development Officer proceeded with the construction of the building which was completed (May 1997) at a cost of Rs 2.07 lakh. The school building had not been put to any use as of February 1999. Reasons were not intimated for inclusion of the work in the Action Plan initially without assessing its requirement and its subsequent construction even after its unsuitability was pointed by the Chief Education Officer, Baramulla. This resulted in unfruitful expenditure of Rs 2.07 lakh.

The above points were referred to Government/ Department in July 1999, reply had not been received (October 1999).

[98] REW- Rural Engineering Wing.

Finance Department

3.10 Functioning of treasuries

Delay in rendition of monthly accounts, drawals in excess of budget allotments, belated crediting of MTs, fraudulent/excess drawals of pension, etc. were detected during inspection of treasuries.

Inspection of 46 treasuries out of total 98 treasuries during 1998-99 by the Accountant General (Accounts and Entitlements) revealed the following:

(i) Treasury officers are required to render their monthly accounts to the Accountant General in two batches- first by 22nd of each month and the second by 8th of the following month. It was, however, seen that the time schedule was not followed by 23 treasury officers and the accounts were rendered after delays ranging between 1 to 93 days due to which monthly accounts did not depict the correct position.

(ii) Treasury officers are required to maintain a record of allotment of funds in respect of each drawing and disbursing officer and watch the drawals made by them with reference to these allotments. Ten treasury officers had allowed the drawing and disbursing officers to draw funds in excess of their budgetary allocations and 7 treasury officers had drawn funds in excess of their own allocations during the period 1991-99 in violation of the Financial Rules. The excess drawals varied between Rs 46,000 and Rs 1.44 crore. Failure on part of the treasury officers to exercise proper budgetary control and ensure drawal of funds within the budgetary allocations indicated poor control mechanism and financial indiscipline.

(iii) In 10 treasuries*, 35 cases of mail transfers (MTs) involving amounts ranging between Rs 2 lakh and Rs 1 crore were credited belatedly in the Government Account by the banks with delay ranging between 3 and 38 days in 34 cases and 747 days in one case. This resulted in locking up of Government money and consequent loss of interest. The delay had occurred mainly due to failure of the Department to conduct reconciliation of remittances/balances.

(iv) Every licensed vendor who purchases stamps from the Government against cash payment receives the same at a discount subject to the limits prescribed. In 9 treasuries,[Φ] discount aggregating Rs 8.46 lakh had been

* Badgam, Baramulla, Dangiwacha, Kreeri, Lal Mandi, R.S.Pora, Sopore, Shopian, Tangmarg, Tankipora

Φ Sadder Treasury, Baramulla, Badgam, Pulwama, Chadura, Sopre, Anantnag, Sadder Treasury Jammu, and R.S Pora allowed irregularly in disregard to limits prescribed during the period from 1989-90 to 1998-99.

(v) Identity of pensioners is to be verified by the treasuries on or after 1 April every year and a note to this effect is to be recorded on the relevant page of the pension payment order. Due to non-following of procedure in Tral treasury, fraudulent drawals of pension amounting to Rs 99,952 were made during February 1992 to February 1998 in respect of a pensioner who had expired in February 1992. Similarly, overpayments of Rs 1.81 lakh in respect of 69 pensioners were detected in Sub-treasury Bandipore due to non-observance of codal provisions.

(vi) Details of all transactions including receipts from Government of India on account of Grants-in-aid and loans and advances, etc. and repayments thereof are maintained in the Finance Secretary's personal account with the Bank. Test-check of the personal account revealed that:

(a) Abstract of accounts, which the Jammu and Kashmir Bank rendered to the Finance Department monthly for onward transmission to the Accountant General was not supported by challans, cheques, vouchers, etc. which could serve as evidence for payments into and withdrawals from the Government Account. This resulted in mis/non-classification of transactions in Government Accounts.

(b) Jammu and Kashmir Bank, Irwin Road, New Delhi had belatedly transferred balances ranging from Rs 17.64 lakh to Rs 62.74 crore to Government Account with delays ranging between 3 to 5 days during January 1999 and March 1999 resulting in loss of interest of Rs 8 lakh to State exchequer.

The above points were referred to the Government in August 1999; the reply had not been received (October 1999).

Health and Medical Education Department

3.11 Shortage in stores due to poor control mechanism

Non observance of codal provisions and poor supervisory control in management of stores resulted in shortage of stores worth Rs 5.46 lakh.

Financial Rules *inter-alia* provide that physical verification of stores should as far as possible be entrusted to a responsible Government servant who is independent of superior executive officer-in-charge of the stores. Besides, stores are to be issued against indents in proper form issued by authorised persons.

Consequent upon the seizure of a consignment of drugs by the police and arrest of the storekeeper, Principal, Government Medical College Hospital Jammu, constituted (July 1997) a Committee for conducting physical verification of the hospital stores. The Committee in its report submitted to the Principal in October 1997 recorded ground balances only without working out the shortages owing to seizure of store records by the Police. The records were received back from the Police in November 1997 after which the Principal constituted another Committee for bringing out shortages and fixing responsibility therefor. The Report submitted in March 1998 brought out shortage of Rs 5.46 lakh pertaining to 1996-97. This was attributed to suspected nexus between the ex-storekeeper and sub-storekeepers in wards including connivance of the supervisory staff and poor supervisory control in management of stores. Though the detailed findings of the Committee were reported to Administrative Department in March 1998, action taken thereon to fix responsibility for failure to exercise supervisory control and recover cost of shortages was awaited as of September 1999.

Test-check (February 1999) of the records of the hospital for the period April 1996 to January 1999 revealed that following factors, among others, contributed to shortage of stores:

(i) Physical verification of stores had been conducted during 1997 and earlier years by persons connected with the management of stores.

(ii) Irregular issue of stores on loan chits.

(iii) Non-implementation of turn-over scheme and posting of the storekeeper for a spell exceeding prescribed period of 2 years.

(iv) Non-obtaining of cash and personal security from the storekeeper.

Thus, non-adherence to various prescribed control measures and lack of effective control by supervisory officers resulted in shortage of stores valued at Rs 5.46 lakh. Besides, due to delay in taking action on the Report of the Committee responsibility for the shortages had not been fixed (February 1999).

The matter was referred to the Government in May 1999; the reply had not been received (October 1999).

3.12 Idling of equipment due to incorrect estimation of requirement

Incorrect estimation of the casting equipment and material required for upgradation of Dental College/Hospital laboratory resulted in investment of Rs 14.69 lakh remaining idle for over 7 years.

Based on the rates approved by Central Rate Contract Committee, Principal, Government Dental College/Hospital Srinagar placed (December 1991) supply order with a Bangalore based firm for supply of casting equipment comprising Induction Casting Machine and related components. The equipment, meant for upgradation of the College/Hospital laboratory, was received in the Stores of the College in March 1992 at a cost of Rs 14.69 lakh.

Test-check (June 1998 and May 1999) of the records of Dental College/Hospital revealed that the casting equipment, after its receipt had remained in the General Stores up to April 1994, where after it was transferred to the Department of Prosthodontics. The Head of Department of Prosthodontics informed (May 1994) the Principal that the casting equipment purchased was not sufficient for making the laboratory functional. Additional 41 items of equipment and consumables (estimated to cost Rs 73 lakh at the prevailing market rates) had been identified (May 1994) by the Department which were required for making the laboratory operational. The required equipment and consumables had, however, not been procured as of May 1999. The Department stated (May 1999) that the rate contract for additional items was under scrutiny and supply order would be placed after its approval and allocation of funds. These items had, however, not been purchased as of October 1999 resulting in the equipment purchased in March 1992 lying idle.

Thus, incorrect estimation of requirement of related components and un-planned purchase of equipment initially in December 1991 resulted in idle investment of Rs 14.69 lakh and non-realisation of the envisaged objective of providing upgraded laboratory facilities to the students of college and patients for over 7 years. The possibility of the obsolescence of the equipment with the passage of time could also not be ruled out.

The above matter was referred to Government in September 1999; reply had not been received (October 1999).

Section-A

Irrigation and Flood Control Department

4.1 Flood Control Project in Kashmir

Highlights

Floods in Kashmir Valley inundate vast tracts of land resulting in loss of life and property. Flood control measures were initiated with the creation of the Irrigation and Flood Control Department in 1959. The problem of recurring floods, however, remained largely unresolved despite incurring expenditure of Rs 98.32 crore (1992-93 to 1998-99) mainly due to partial implementation of Master Plan for flood control and lack of integrated and co-ordinated approach. Execution of petty, isolated and sporadic flood restoration/protection works and non-availability of sufficient financial resources resulted in inadequate management of excess flood waters in river Jehlum. Cases of avoidable expenditure, irregular purchases, diversion of funds and under/non-utilisation of heavy machinery were also noticed in test-check.

- **Against establishment charges of 7.5 *per cent* recoverable by the Department for execution of non-departmental works, expenditure incurred by the Department on establishment was high and ranged between 44 and 270 *per cent* of the expenditure on works during the period from 1992-93 to 1998-99.**

(Paragraph: 4.1.4)

- **Due to the absence of an integrated and co-ordinated approach, the problem of floods in the valley remained largely unresolved. Flood damages increased from Rs. 30.29 crore in 1992-93 to Rs. 54.26 crore in 1997-98 despite expenditure of Rs. 98.32 crore incurred on flood control measures during 1992-93 to 1998-99.**

(Paragraphs: 4.1.4 and 4.1.5)

- **Master Plan for flood control in Kashmir valley formulated during 1959 had been implemented only partially and instead sporadic, isolated and petty works had been taken up.**

(Paragraph: 4.1.5)

- **Shortfall in physical achievements of targets in 4 Projects ranged between 4 and 100 *per cent* even after time over-run of 12 years. Delay**

in completion was due to utilisation of funds meant for identified projects mainly on spot works.

(Paragraph: 4.1.6)

- **Flood protection and restoration works were taken up during 1993-94 to 1998-99 in anticipation of the allocations resulting in creation of liabilities of Rs 2.30 crore as of March 1999.**

(Paragraph: 4.1.7 (iii))

- **Empty cement bags valuing Rs 1.79 crore were purchased locally by four test-checked divisions during 1994-95 to 1998-99 in violation of standing instructions.**

(Paragraph: 4.1.7 (iv))

- **Four divisional offices made local purchases of store and stock material aggregating Rs 3.66 crore between 1993-94 and 1998-99 unauthorisedly in excess of the delegated powers after splitting the purchase orders to avoid tendering and approval of the competent authority.**

(Paragraph: 4.1.9)

4.1.1 Introduction

Kashmir valley has an extensive network of streams and *nallahs* which merge with Jehlum, the only river in the valley. The river, after traversing 120 kms from Khanabal to Banyari, enters Wullar Lake which serves as a detention basin and leaves it at Ningli on its exit course to Pakistan. The towns and villages on its banks are prone to recurring floods. To protect these and to avoid submergence of agricultural land, by improving quick drainage of flood waters, the Irrigation and Flood Control Department was created in 1959.

4.1.2 Organisational set-up

The schemes of flood control are implemented by Chief Engineer, Irrigation and Flood Control Kashmir at the Divisional level, who is assisted by four Superintending Engineers at Circle level and six Executive Engineers at the division level.

4.1.3 Audit coverage

Implementation of the flood control measures undertaken by the Department during the period from 1992-93 to 1998-99 was test-checked by

Audit during December 1997 to February 1998 and March-April 1999 with reference to the records of Chief Engineer, Irrigation and Flood Control Department and 5[@] out of six divisions. Important points noticed as a result of the test-check are brought out in the succeeding paragraphs.

4.1.4 Financial outlay and expenditure

The year-wise details of funds allotted by the Government and expenditure incurred there against during 1992-93 to 1998-99 are as under:

(Rupees in crore)

Year	Allocation	Total expenditure	Expenditure on works (including survey and investigation)	Expenditure on establishment	Percentage (5 to 4)
(1)	(2)	(3)	(4)	(5)	(6)
1992-93	8.50	8.50	5.12	3.38	66
1993-94	9.55	9.54	5.66	3.88	69
1994-95	11.66	11.57	7.26	4.31	59
1995-96	14.04	13.97	8.58	5.39	63
1996-97	22.42	22.04	15.26	6.78	44
1997-98	17.09	17.08	9.65	7.43	77
1998-99	17.16	15.62	4.22	11.40**	270**
Total	100.42	98.32	55.75	42.57	76

Expenditure on establishment ranged between 44 and 270 *per cent* of the works expenditure during the period 1992-99

As would be seen from the above table, the expenditure on establishment ranged between 44 and 270 *per cent* of the expenditure on works during the period from 1992-93 to 1998-99. This was quite high and much in excess of the establishment charges of 7.5 *per cent* recovered by the Department under rules for execution of non-departmental works. The reasons for high establishment cost and action initiated by the Department to curtail such expenditure for increasing public spending on developmental works were not intimated (September 1999).

Rupees 35.68 lakh diverted during 1997-98 and 1998-99

Further, out of funds allocated during 1997-98 and 1998-99 for restoration and improvement works, etc. Rs 35.68 lakh were diverted during 1997-98 (Rs 31.06 lakh) and 1998-99 (Rs 4.62 lakh) for purchase of hardcoke, diesel, crate wire, uniforms for the staff and normal on-going works. Reasons for diversion were not intimated.

Rupees 75 lakh were allotted to the Flood Control Division, Anantnag (March 1997) by the District Development Commissioner, Anantnag for restoration of works damaged during floods of August 1996. The Division spent Rs 18.35 lakh on purchase of stores (Rs 8.57 lakh) and execution of civil works (Rs 9.78 lakh) and withdrew the balance amount of Rs 56.65 lakh on 31

@ Flood Control Divisions Anantnag, Srinagar and Baramulla; Flood Spill Channel Narbal; Flood Control Mechanical Division Baramulla.

** Abnormal spurt in expenditure under investigation

March 1997 by contra credit to Deposit Account in contravention of Rule 2.33 of Jammu & Kashmir Financial code. Out of this, Rs 53.96 lakh were utilised during 1997-98 on restoration of flood damages and the balance amount of Rs 2.69 lakh continued to be held under Deposit Account of the division (March 1999). Drawal of funds by the Department by contra credit to Deposit Account merely to avoid lapsing of funds in the above cases constituted a financial irregularity and resulted in locking up of funds.

4.1.5 Project planning

In 1959, a Master Plan for flood control in Kashmir valley was formulated in consultation with the Central Water and Power Commission. The distinctive feature of the Master Plan was the provision of a set of solutions for different reaches of river Jehlum as indicated below:

	Reach	Length	Solutions
Ist	Sangam (Anantnag District) to Padshahibagh (Srinagar District).	68 kms	Low lying areas on the left of the river to be used as detention basin for detaining part of flood discharge for some period to relieve pressure on river downstream followed by construction of a supplementary channel for diversion of excess water.
IInd	Padshahibagh to Wullar lake.	53 kms	To increase discharge capacity of flood spill channel to 17000 cusecs in head reach with future capacity of 57000 cusecs in lower reaches and improvement of main river for relieving flood pressure on Srinagar.
IIIrd	Wullar lake to its exit course.	NA	Improvement to outfall channel for increasing its carrying capacity from a discharge of 17000/19000 cusecs to 40000/ 45000 cusecs for quick draining of flood water from the Valley.

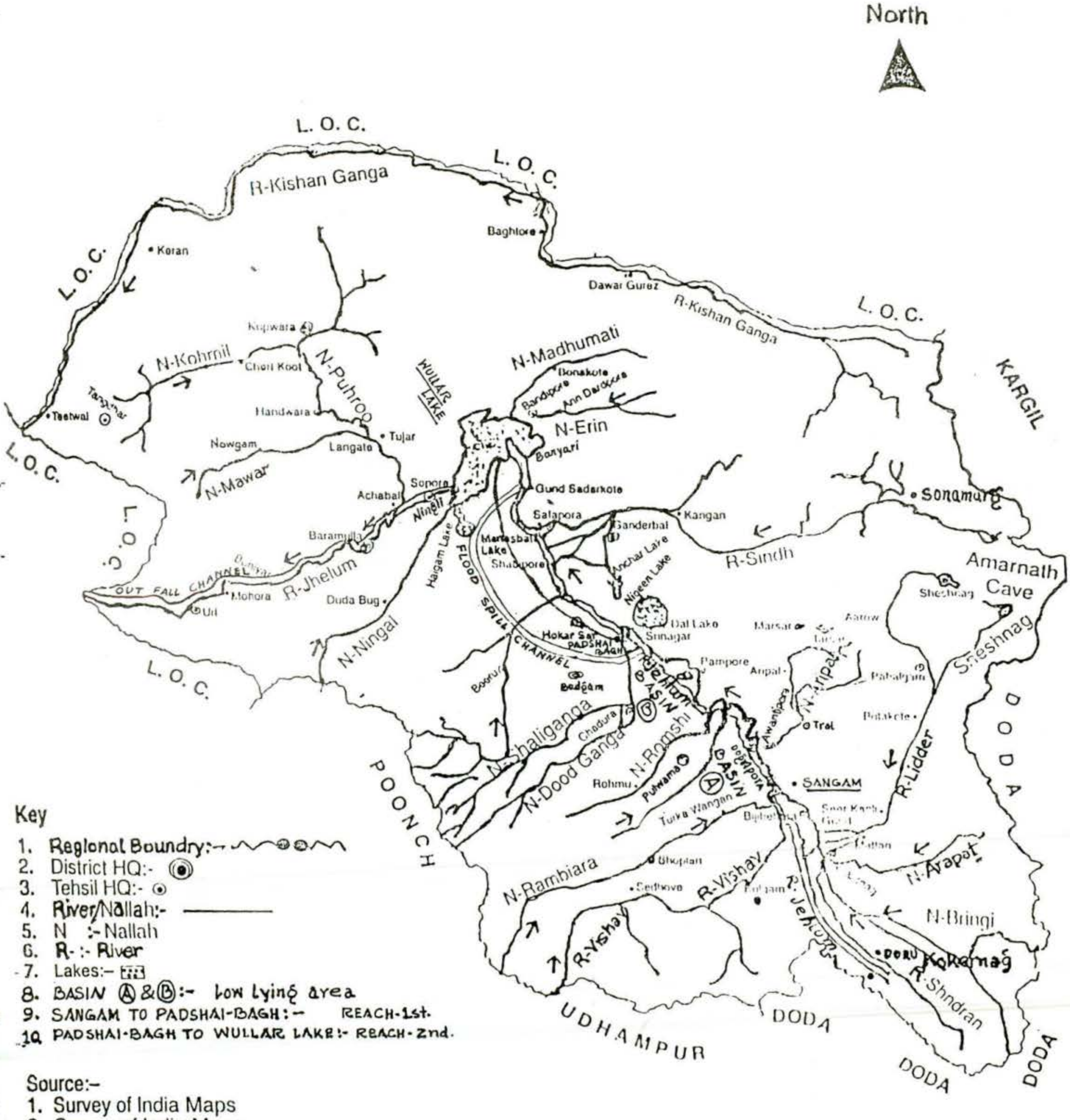
A committee of six* officers constituted (1960) for implementation of the Master Plan, had observed that the capacity of river Jehlum through Srinagar city and flood spill channel (constructed near Srinagar city) was only 50000 cusecs as against a discharge of 90000 cusecs upstream at Sangam (Anantnag district). The committee had pointed out that the ultimate solution to the flood problem was the construction of detention basin as a purely interim measure which would be a precursor to the construction of a supplementary channel from Dogripora (Anantnag district) to Wullar lake for diversion of excess flood water. The committee had further recommended banning of plantation on embankments and waterways and removal of existing plantation and other encroachments.

* Secretaries to Government, Chief Engineers, Representatives from Central Water Power Commission and Punjab Agriculture University.

No solutions for detaining a part of discharge in reach Ist recommended

Two other committees of experts, for advising the Government on flood control measures, were appointed by the Government in the years 1975 and 1978. The main features of the recommendations made by these committees were similar to those of the Master Plan. However, the committee appointed in 1978 recommended, 4 improvement projects for the river in the reaches from Padshahibagh to Chattabal, Chattabal to Banyari, flood spill channel and outfall channel. These projects to be completed by 1987 did not, however, provide solutions for detaining a part of flood discharge or construction of supplementary channel in the stretch from Sangam to Padshahibagh. A sketch of the course of river Jehlum through Kashmir valley in various reaches and important land marks is at Figure I.

FIGURE-1



Source:-
1. Survey of India Maps
2. Census of India Maps

Except for "improvement in outfall channel" there was a mismatch between physical and financial achievements in other identified projects. Reasons for the same were not intimated. It was, however, seen in audit that funds allotted by the State Government for the identified projects had been diverted and utilised mainly on spot treatments. The financial and physical achievements as projected were also not correct as funds utilised on isolated/sporadic and flood restoration works, which were not separately identifiable from records, had been included in the overall financial/physical achievements of the Department

Except for improvement to outfall channel none of the projects completed despite time over-run of 12 years

While the outfall channel was slated for completion in 1982-83, the remaining projects were to be completed in 1986-87. As would be seen from the table, shortfall in achievements ranged between 4 and 100 *per cent* even after time over-run of 12 years. Shortfall in achievements in respect of improvement to flood spill channel and improvement to the river Jehlum was attributed (May/October 1999) by the Chief Engineer, I & FC* Department, Kashmir to inadequate allocation of funds by the Government. This is however, not tenable as against the allocations of Rs 100 lakh and Rs 90 lakh during 1997-98 and 1998-99 respectively, expenditure of Rs 75 lakh and Rs 61.96 lakh only had been incurred by the Department on improvement works to flood spill channel.

4.1.7 *Execution of works*

(i) While the consolidated position of the number of works sanctioned, works taken up for execution and those completed by the Department during 1996-97 to 1998-99 was not available, the position of such works in the 4 test-checked divisions was as under:

	1996-97	1997-98	1998-99
Number of works sanctioned including spill over works	261	201	194
Number of works taken up for execution	259	197	185
Number of works completed.	160	112	131
Number of works in hand.	99	85	54
Percentage shortfall	38	43	29

* Irrigation and Flood Control.

Shortfall in completion of works ranged between 29 and 43 *per cent*

Percentage of shortfall in completion of works during 1996-97 to 1998-99 ranged between 29 and 43. Reasons for delay in completion of works were not on record.

Action not taken for completion of the work of removal of shoal formation abandoned by contractor in March 1998

(ii) The work of removal of shoal formation at Abdullah Bridge was allotted (January 1998) to a contractor at a cost of Rs 10.59 lakh by the Chief Engineer, I & FC, Department Srinagar. The work was required to be completed within 45 days failing which penalty up to a maximum of 10 *per cent* of the value of the work was to be imposed. After part of the work valuing Rs 0.24 lakh had been executed by the contractor, the Department stopped the work (January 1998) due to poor progress and reallotted (January 1998) the work to the next lower tenderer (cost: Rs 14.37 lakh) at the risk and cost of the first contractor, on agreed terms and conditions, for completion by 25 February 1998. The second contractor started the work on 16 January 1998 but abandoned it in March 1998 after receiving the payment of Rs 0.97 lakh. No action had been taken by the Department to penalise the backed out contractors as per the terms and conditions of the contract or to complete the balance work at their risk and cost. Action for forfeiture of security deposit held back from the defaulting contractors had also not been taken as of August 1999. The Executive Engineer, Flood Control Division, Srinagar stated (March 1999) that the decision in the matter, to be taken by the Chief Engineer Irrigation and Flood Control Department Kashmir, was awaited (August 1999).

Unauthorised liability of Rs 2.30 crore created

(iii) Execution of 201 flood protection works at a cost of Rs 2.01 crore and purchase of stores valuing Rs 29.59 lakh was made by Flood Control Divisions, Baramulla, (Rs 1.14 crore); Srinagar (Rs 80.39 lakh); Anantnag (Rs 24.59 lakh) and Flood Spill Channel Narbal (Rs 11.29 lakh) during 1993-94 to 1998-99 in anticipation of provision of funds resulting in creation of unauthorised liabilities of Rs 2.30 crore as of March 1999. On being pointed out in audit, the Executive Engineer, Flood Control Division, Baramulla stated (April 1999) that the allocation of funds for execution of works was not made according to the requirements which resulted in creation of liabilities. The reply is not tenable as Rule 32 (a)(ii) of Jammu and Kashmir Public Works Account Code provides that expenditure on a work or any other object should be incurred only after funds to cover the charge have been provided by the competent authority.

(iv) For meeting eventuality of floods and ensuring economy in expenditure, the Department had fixed norms for purchase of empty cement bags centrally by central flood stores Srinagar for issue to zonal flood committees. The central flood stores had an authorised stock limit of 5.45 lakh empty cement bags up to 1995-96 which was revised to 11.60 lakh bags from 1996-97.

Avoidable expenditure of Rs 7.01 lakh on purchase of empty cement bags

The records of test-checked divisions revealed that purchase of 53.87 lakh empty cement bags had been made directly at a cost of Rs 1.79 crore by the divisions during 1994-95 to 1998-99 which indicated poor internal controls and financial indiscipline. Of this, Flood Control Divisions Baramulla and Anantnag had purchased 8.83 lakh and 6.10 lakh empty cement bags directly during 1994-95 to 1998-99 at higher rates varying between Rs 3.40 to Rs 3.75 per bag as compared to the rates of central stores Srinagar (Rs 3.20 per bag). This resulted in avoidable extra expenditure of Rs 7.01 lakh.

Restoration works executed at a cost of Rs 11.16 crore paid without physical verification

(v) Funds to the extent of Rs 7.75 crore and Rs 3.41 crore were released by the State Government during 1996-97 and 1997-98 for restoration of damages caused by floods of June/August 1996 and August 1997. It was observed in audit that:

(a) The restoration works executed during 1996-97 and 1997-98 at a cost of Rs 11.16 crore were accepted and paid without physical verification by any nominated committee or officer as required under the instructions of State Government. The genuineness of the execution of works was, therefore, doubtful.

(b) The expenditure incurred on flood restoration works was not restricted to the allotted funds aggregating Rs 11.16 crore resulting in creation of liability of Rs 5.21 crore ending March 1999 by the four Flood Control Divisions (Srinagar: Rs 83.12 lakh; Baramulla: Rs 20 lakh; Anantnag: Rs 3.45 crore and Narbal: Rs 73.10 lakh).

4.1.8 Idle/underutilisation of machinery

Most of the machinery valued at Rs 63 lakh lying idle

Out of heavy earthmoving machinery valuing Rs 1.70 crore purchased during the years 1961-80, machinery valued at Rs 1.07 crore had become obsolete or had gone out of order. The remaining machinery valued at Rs 63 lakh was not put to full use by the Department and had remained generally idle during 1992-93 to 1998-99, mainly for want of work. Against the expected 700 to 800 working hours in a year, the performance of the machinery during seven years ending 1998-99 was as under:-

(i) Two dredgers costing Rs 44.50 lakh were not used during the last seven years due to slowing down of dredging operations in the outfall channel since 1985 reportedly due to provision of inadequate funds and prevailing conditions in the Valley.

(ii) Two dozers costing Rs 3.36 lakh were hired out for 158 and 200 hours and one dredger costing Rs 7 lakh for 225 hours respectively from April 1992 to March 1999 against expected 5600 hours and remained idle for the remaining period owing to absence of demand from Civil divisions of the Flood

Control Department.

Hire charges of Rs 8.04 lakh for the period 1983 to 1988 not recovered

(iii) The percentage of utilisation of other machinery ranged between 0.27 and 4 during the period under review. Due to non/underutilisation of machinery, the expenditure incurred on pay and allowances (Rs 9.82 crore during the above period) of the operational staff had rendered the operation of the Division uneconomical. Action for transfer of crew and other staff of idle machinery to other sister divisions where their services could have been utilised fruitfully, was not taken. It was also seen in audit that hire charges of machinery amounting to Rs 8.04 lakh for the period 1983-84 to 1987-88 had not been recovered from various divisions/agencies as of April 1999.

(iv) Planning and Development Department released (October 1996) Rs 30 lakh for repairs, renovation and commissioning of one suction cutter dredger by March 1997. Funds released by the Government were finally placed at the disposal of the Executive Engineer, Flood Control Mechanical Division, Baramulla only on 31 March 1997 who credited these to Deposit Account to avoid their lapsing. As per details furnished by the division, Rs 20.16 lakh were utilised by it on purchase of work-shop material (Rs 1.40 lakh), spares, etc for departmental vehicles (Rs 1.46 lakh) and spares for suction cutter dredger (Rs 17.30 lakh) up to March 1999. The spares of suction cutter dredger received in February/August 1998 were not utilised, with the result the dredger could not be recommissioned as of May 1999. No reasons therefor were intimated by the Department (August 1999).

As per the records of the Deputy Financial Advisor and Chief Accounts Officer, Flood Control Projects Srinagar, the Division had, however, booked a total expenditure of Rs 21.10 lakh and Rs 8.90 lakh were still lying in the Deposit Account as of March 1999.

Thus, the drawal of funds without immediate requirements to avoid their lapsing resulted in locking up of Rs 8.90 lakh for a period of over 2 years besides the objective of recommissioning it was also not achieved.

4.1.9 Purchase of store/stock material

Purchases aggregating Rs 3.66 crore made by splitting purchase orders to avoid tendering and approval of higher authorities

As per Jammu and Kashmir Book of Financial Powers, as amended in September 1992, the Divisional Officers are empowered to make local purchases of stores up to Rs 15000 at a time subject to a maximum of Rs 1.50 lakh in a year. However, all the four divisional offices test-checked in audit had made purchases aggregating Rs 3.66 crore during the period from 1993-94 to 1998-99 by splitting the purchase orders to avoid tendering and obtaining approval of the competent authority for purchases in excess of the overall limit of Rs 1.50 lakh per year fixed by the Government.

Purchase of stores by the divisional officers in violation of the Government orders was indicative of financial indiscipline and laxity in control and supervision in the Department. This had also defeated the objective of ensuring purchases at economical and competitive rates.

Stores valued at Rs 2.97 lakh damaged due to inadequate storage

Test-check further revealed that store/stock articles valued at Rs 18.03 lakh purchased in 4 test-checked divisions during 1985-86 to 1997-98 were lying unutilised. Of these, stores* valued at Rs 2.97 lakh had been damaged due to their inadequate storage resulting in loss to the Department. Purchase of stores in excess of requirements resulted in locking up of funds and avoidable liability on their storage and watch and ward.

4.1.10 Idle wages paid to drivers

Two vehicles attached to Flood Control Division, Baramulla and Anantnag were off the road for the last more than six years as the vehicles were unserviceable. The drivers of the vehicles had been paid idle wages amounting to Rs 6.08 lakh during 1993-94 to 1998-99. The services of these drivers had neither been utilised productively by the divisions nor had they been transferred to other needy divisions where their services could have been utilised fruitfully.

4.1.11 Monitoring and evaluation

The implementation of the programme was not monitored at any level due to which solutions envisaged in the Master Plan and the projects recommended by the two expert committees were largely not executed. Except for increasing the carrying capacity of the outfall channel in the third reach of the river, the works relating to construction of detention basin and supplementary channel in the first reach, increasing the discharge capacity of flood spill channel in the second reach and other improvement projects in these two reaches had not been executed. In absence of any monitoring, the funds earmarked for various projects were utilised mainly for execution of spot sporadic and petty works. The problem of flood control could not, therefore, be tackled in an effective manner. No field study to ascertain the impact of works undertaken by the Department had ever been conducted. In absence of regular monitoring and timely evaluation of the programme, corrective measures for effective implementation were not taken. Specific instructions had also not been issued by the State Government/Chief Engineer for ensuring submission of physical and financial progress reports at regular intervals.

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* Cement: 1065 bags, lime: 398 bags, rapidite: 360 litres, quick setting compound: 1298 Kg and empty bags: 40900.

4.1.12 Recommendations

A comprehensive and integrated approach as recommended by the expert committees may be followed for flood control. The tendency of utilising the earmarked funds on sporadic, isolated and petty works should be stopped and an effective monitoring mechanism for implementation of various projects established to prevent diversion of funds, irregular purchases and cases of avoidable expenditure, etc.

4.1.13 The above points were referred to Government in August 1999, reply had not been received (October 1999).

Section-B

Irrigation and Flood Control Department

4.2 Unfruitful expenditure on lift irrigation scheme

Failure to ensure completion of the mechanical and electrical components of the Dabar Potha Lift Irrigation scheme resulted in unfruitful expenditure of Rs 81.03 lakh thereon. Besides, the planned irrigation facilities were not provided to the people of the area.

With a view to providing irrigation facilities to 224 hectares of land in tehsil Nowshera of Rajouri District, "Dabar Potha Lift Irrigation Scheme" (estimated cost: Rs 11.15 lakh) was taken up for execution in 1975-76. When the scheme was nearing completion, heavy floods during 1983 deflected the current of river 150 metres away from pumping site, rendering the scheme defunct. Subsequent efforts of the Department to revive the scheme proved unfruitful and the scheme was abandoned after incurring expenditure of Rs.26.17 lakh thereon up to March 1987.

In August 1983, a fresh proposal for revival of the scheme, estimated to cost Rs 80 lakh and to be completed by March 1994, was submitted to the Government. The proposal envisaged shifting of the intake site by 500 metres upstream from the existing site of the pump house and installation of 3 submersible pump sets for lifting water to the existing delivery tank. The scheme, which was technically cleared (March 1996) by the Director, Designs Directorate was again revised to cost Rs 1.10 crore and submitted to Government for accord of Administrative Approval. Though Administrative Approval had not been accorded as of July 1999, additional expenditure of Rs 54.86 lakh was incurred on the scheme during the period 1992-93 to August 1999. The project had, however, not been commissioned as of September 1999, mainly due to non-completion of mechanical and electrical works. No reasons for non-completion of these components of the scheme were intimated (September 1999).

Thus, due to failure of the Department to initially plan the execution of the scheme properly and to ensure completion of its mechanical and electrical components subsequently, the expenditure of Rs 81.03 lakh incurred on the scheme had been rendered unfruitful. Besides, the people of the area had been denied the facility of irrigation for a period of over 15 years as of October 1999.

The matter was referred to Government in May 1999; reply had not been received (October 1999).

4.3 Idle investment and avoidable expenditure on purchase of Automatic Voltage Regulators

Failure of the Department to install Automatic Voltage Regulators resulted in idle investment of Rs 64.40 lakh. Besides, avoidable expenditure of Rs 4.46 lakh was incurred on their purchase due to delay in finalisation of contract.

The Executive Engineer, Mechanical-cum-Store Procurement Division, RTIC Jammu invited (July 1994) tenders for design, fabrication, supply and installation of 3 number HT 2500 KVA Automatic Voltage Regulators (AVR) for remodelling of Tawi Canal Power House. In response, only one tender was received from a Calcutta based firm (Government of India Enterprise) which was the sole manufacturer of the equipment in the Country. The tendered rate of Rs 19.10 lakh per regulator (including taxes, duties and freight) was valid for 180 days up to January 1995. However, the Department took 20 months in deciding whether or not to place the order with the firm on single tender basis. Meanwhile, the validity period of the offer had expired and consequently the firm offered (October 1995) its revised rate of Rs 21.04 lakh per AVR and extended validity of their offer up to December 1995.

The Department finally placed an order (April 1996) with the firm for supply of 3 such units at the negotiated rate of Rs 20.59 lakh per AVR. The AVRs received in June-July 1997 had, however, not been installed as of July 1999 reportedly for want of intermediate cables and protection devices rendering the investment of Rs 64.40 lakh (including enhanced excise duty and freight charges: Rs 1.66 lakh and cost of spares: Rs 0.97 lakh) thereon idle. The delay in supply of the equipment by the supplier was attributed to the time taken by the Department in arranging third party inspection of the equipment which was conducted at the works of the supplier only in January 1997.

Thus, failure of the Department to install the Automatic Voltage Regulators resulted in idle investment of Rs 64.40 lakh. This included expenditure of Rs 4.46 lakh which could have been avoided had the purchase order been placed with the firm within the validity period of its offer.

The matter was referred to Government in June 1999; reply had not been received (October 1999).

Ladakh Affairs Department

4.4 Avoidable expenditure due to procurement of cement at higher rates and locking up of funds

Failure of the Department to procure cement from Jammu & Kashmir Cements limited as per standing instructions of the Government and as per requirements, resulted in avoidable expenditure of Rs 6.08 lakh.

According to instructions issued by the Government from time to time, all the Departments in Kashmir Division are required to procure their requirement of cement from Jammu and Kashmir Cements Limited, a Government Company, which had an installed capacity of manufacturing 2 lakh tonnes of cement per annum. Besides, the financial rules of the Government provide that purchase of stores for public service should be made in most economical manner.

Test-check (July 1997) of records revealed that the Executive Engineer, Civil Construction Division, PDC♣, Kargil placed (July 1995) orders for supply of 5000 bags of cement with SICOP•, a Government company. Rates for supply had, however, not been fixed with the supplier company. The company supplied 5328 bags of cement in July 1995 (499 bags), August 1995 (1080 bags) and September 1995 (3749 bags), which were paid for by the Division at the rate of Rs 250 per bag. The Division, meanwhile, to meet its immediate requirement also purchased 3000 bags of cement in July 1995 from Jammu and Kashmir Cements Limited at a lower rate of Rs 188 per bag (including freight charges of Rs 50 per bag). The basis on which higher rate of Rs 250 per bag was paid to SICOP and reasons for not purchasing cement from the Jammu and Kashmir Cements were neither on record nor intimated to Audit. Similarly, the District Superintending Engineer, PWD, Leh, also purchased 5000 bags of cement valued at Rs 17.10 lakh (Rs 342 per bag) in September 1996 from Jammu and Kashmir Small Scale Industries Development Corporation Limited against Rs 286.33 per bag at which the Executive Engineer, Igo-phey Irrigation division, Leh purchased from Jammu and Kashmir Cements Limited between July 1996 and November 1996.

Failure of the Division, to follow the instructions of the Government and also to assess the competitiveness of the rates before placing the order with SICOP, resulted in avoidable expenditure of Rs 6.08 lakh on purchase of 10328 bags of cement at higher cost.

The above points were referred to the Government (June 1999); reply had not been received (October 1999).

♣ Power Development Corporation Ltd.

• Jammu and Kashmir Small Scale Industries Development Corporation Limited.

4.5 Infructuous expenditure due to improper planning

Execution of water supply scheme without proper planning resulted in infructuous expenditure of Rs 17.85 lakh and avoidable expenditure of Rs 33.50 lakh on supply of water through tankers.

In order to augment supply of drinking water to Kargil town and adjoining areas and curtail expenditure on supply of water through tankers, Executive Engineer Public Health Engineering Division, Kargil took up (1988-89) execution of Lift Water Supply Scheme (estimated cost; Rs 62.20 lakh) with *Suru* river as its source. The work, started in anticipation of administrative approval and technical sanction, was expected to be completed within two working seasons. While the scheme was under progress and an expenditure of Rs 56.46 lakh had been incurred up to 1993-94, a Master Plan for augmentation of the existing gravity water supply scheme, at an estimated cost of Rs 4.87 crore, was formulated by the Department with W*akha nallah* as its source. The work on the scheme was taken up during 1994-95 and an amount of Rs 4.10 crore was spent on it up to August 1998.

Test-check (September 1997) of the records of Executive Engineer, Public Health Engineering Division Kargil revealed that, out of Rs 56.46 lakh spent on the Lift scheme, Rs 17.85 lakh were expended on construction of dug well, pump room, service reservoir, chain link fencing and land compensation, etc. These works became redundant due to change in the scope and design of the work under the Master Plan rendering the expenditure of Rs 17.85 lakh incurred thereon infructuous. It was further observed that lack of watch and ward arrangements, resulted in loss of Rs 4.50 lakh due to theft of chain link fencing raised around these civil works. Meanwhile, the Department incurred expenditure of Rs 33.50 lakh during 1996-97 and 1997-98 on providing drinking water to the inhabitants of Kargil town through tankers which could have been avoided, had the Lift Water Supply Scheme been completed in time.

On this being pointed out in audit, the Department stated that the civil works constructed under the lift scheme would be utilised under phase II of the Master Plan. The reply is not tenable as there was neither any provision for utilisation of these structures in the technical report of the Master Plan nor had phase II of the scheme been conceived as of August 1998.

Thus, execution of work without proper planning resulted in infructuous expenditure of Rs 17.85 lakh apart from avoidable expenditure of Rs 33.50 lakh on supply of water through tankers.

The matter was referred to Government in June 1999, their reply had not been received (October 1999).

Power Development Department

4.6 Chenani Hydro Electric Project Udhampur

(Stages II and III)

There were considerable cost/time over-run in the completion of stage II and III of the Chenani Hydel Project which was due to poor project planning/execution, poor rate of funding and changes in the scope of work. Instances of loss in generation of power, idle investments, diversion of funds and delay in acquisition of land, etc. were also noticed in test-check.

Chenani Hydro Electric Project Stage-I, Udhampur was initially conceived in 1964. The first stage of the project, with an installed capacity of generating 25 MWs of power, was commissioned in 1971. With a view to utilising the tail-race waters of stage-I, stage-II of the project with a capacity of generating 2 MWs of power was commissioned in April 1997 and stage-III was in its final stage of completion as of October 1999. Test check of the records of the project (stages II and III) during December 1998 and January 1999 revealed following points:

4.6.1 Time and cost over-run

Stage-II of the Project commissioned after time over-run of 7 years and cost over-run of Rs 4.18 crore

Stage-III not completed despite cost over-run of Rs 21.76 crore and time over-run of 9 years

The initial Project Report (stages II and III) envisaging installed capacity of generating 6 MWs (stage II: 2 MWs; and stage III: 4 MWs) of power at an estimated cost Rs 20.92 crore (stage II: Rs 7.50 crore; stage III: Rs 13.42 crore) was approved by the CEA[ω] in January 1986. The project was slated for completion in 4 years. Work on stages-II and III of the project was started during 1986-87 and 1990-91 respectively. While stage II was commissioned in April 1997 with time and cost over-run of 7 years and Rs 4.18 crore respectively, work on stage-III was under execution as of October 1999. An expenditure of Rs 35.18 crore had been incurred on stage III up to March 1999 involving cost over-run of Rs 21.76 crore (162 *per cent)* and time over-run of 9 years. The physical achievement of various components[♣] of stage-III, however, ranged between 17 and 89 *per cent* only.

The estimates of the project were revised (May 1998) to Rs 60.18 crore (stage-II: Rs 13.95 crore; stage III: Rs 46.23 crore). The power generation capacity of stage III was also proposed to be enhanced to 7.5 MWs. Administrative approval to the project, sought for initially in July 1986 and for the revised proposals had, however, not been obtained. Reasons for revision of the estimates of stage II of the project after its commissioning

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[ω] CEA Central Electricity Authority

[♣] Land acquisition:74 *per cent*; Water Conductor:89 *per cent*; Balancing Reservior/RCC duct:74 *per cent*; Pen Stock (fabrication:72 *per cent*); Gates (fabrication:17 *per cent*); Electric Installation: 30 *per cent*.

were not intimated (September 1999).

Time and cost over-run mainly due to poor project planning/execution and change in the scope of work

Substantial time and cost over-run were mainly due to poor project planning and execution as there was considerable delay in acquiring land for stage III, change in the scope of work due to proposed increase in the power generating capacity which necessitated purchase of additional machinery, relocation of structures, etc., delay in obtaining clearance of drawings from consultants and poor rate of funding. Some of the instances of poor project planning/execution, are discussed as under:

Purchase of machinery/equipment in anticipation of completion of civil works rendered investment of Rs 8.75 crore thereon idle for over 6 years

(a) Chief Engineer, Electric Construction Wing, Power Development Department entered (March 1993) into a contract with a firm for design, manufacture, testing, supply, delivery, supervision, erection and commissioning of power generating equipment for stage III of the project. An expenditure of Rs 8.75 crore was incurred on procurement of machinery/equipment. However, the contract for construction of civil works of the project was allotted belatedly, after a year in May 1994 by the Chief Engineer, Civil Construction, Jammu to a private construction company for completion in 24 working months. The works had, however, not been completed by the company as of August 1999 as a result of which the machinery/equipment could not be installed. Purchase of machinery, without first ensuring completion of civil works, resulted in idle investment of Rs 8.75 crore on purchase of machinery.

Rupees 41.25 lakh earmarked for stage-II of the project utilised for maintenance works of stage-I

(b) An amount of Rs 41.25 lakh earmarked for stage II of the project was utilised by Executive Engineer, Civil Construction Division, Udhampur during 1993-94 and 1994-95 on maintenance works of stage-I due to non-availability of funds. Though the funds were utilised for stage-I, the expenditure was booked in the accounts under stage-II. The diversion of funds besides indicating poor financial management/control contributed to time cost over-run and overstating of expenditure of stage-II.

Failure to obtain full quantity of supplies paid for resulted in locking up of Rs 5.55 lakh for periods ranging between 4 and 7 years

(c) The Executive Engineer, Civil Construction Division, Udhampur advanced (August 1991) Rs 4.28 lakh to a firm for supply of 4000 bags of cement at the rate of Rs 107 per bag. The firm supplied 3250 bags of cement during the period from December 1991 to December 1993. The balance, 750 bags of cement (cost: Rs 80000) was neither supplied nor was the cost thereof refunded to the Department by the firm as of March 1999. Similarly, the Division advanced Rs 13.20 lakh (September 1994) to Jammu and Kashmir Cements Limited, Srinagar (a Government Company) for supply of 10000 bags of cement. The company supplied 6400 bags of cement between November 1994 and April 1995. Balance quantity was neither supplied by the company nor was the cost thereof (Rs 4.75 lakh) recovered (March 1999). Reasons for short supply of cement by the suppliers or non-refund of the balance amount were not intimated. Failure on the part of Department to obtain full quantity of supplies against advances made by the company resulted in locking up of Government money amounting to Rs 5.55 lakh between 4 and 7 years.

Delay in acquisition of land affected implementation of the project and resulted in additional expenditure of Rs 2.60 lakh

(d) As against the total requirement of 17 hectares of land for stage III of the project, 12.65 hectares (74 *per cent*) only had been acquired up to August 1999. Delay in acquisition of land, besides delaying implementation of the project necessitated revision of the designs of the reservoir and power house, involving additional expenditure of Rs 2.60 lakh on their preparation. The delay was attributed (April 1999) by the Executive Engineer, Civil Construction Division, Udhampur to inaction of the Revenue Department and to certain objections raised by Airforce authorities.

Detailed accounts for Rs 63.58 lakh advanced during 1988-99 not rendered

Against Rs 90.29 lakh advanced by the Executive Engineer Civil Construction Division, Udhampur during the years 1988-89 to 1998-99 to Revenue Department for acquiring land for the project, detailed accounts for Rs 63.58 lakh had not been received as of December 1998. This included accounts for Rs 1.18 lakh and Rs 44 lakh relating to the period 1988-89 and 1991-92 respectively.

Irregular expenditure of Rs 11.50 lakh on purchase of vehicles

(e) Against the provision of Rs 5.50 lakh for purchase of 3 inspection vehicles envisaged in the project report, the Executive Engineer, Civil Construction Division, Udhampur purchased 7 vehicles (3 Ambassador cars, 3 Maruti gypsies and 1 jeep) between May 1991 and August 1997 for Rs 17 lakh. The expenditure of Rs 11.50 lakh was not a legitimate charge on the project.

Scrap valued at Rs 12.22 lakh not disposed of

(f) Iron scrap weighing 122.14 tonnes (cost: Rs 12.22 lakh) was lying (March 1999) in Civil Construction Division, Udhampur for the last several years resulting in undue locking up of Government money, besides avoidable expenditure on its storage and watch and ward/handling charges. No steps had been taken by the Department to dispose of the scrap.

4.6.2 Power generation

The performance of stage II for the 2 years ending 1998-99 was as under:

		1997-98	1998-99
		(In lakh units)	
(a)	Generation envisaged in the Project Report with 90 *per cent* dependable year	118.14*	122.50
(b)	Energy actually generated	100.65	51.31
(c)	Auxiliary consumption	0.70	0.38
(d)	Energy available for transmission to Grid station	99.95	50.93
(e)	Percentage of energy generated vis-a-vis envisaged in the project report.	85	42
(f)	Cost of generation(in rupees)	1.08	2.47

Failure to get machinery of unit-II repaired early resulted in power generation loss of 56 lakh units valued at Rs 1.21 crore

Executive Engineer Generation Division, Udhampur attributed (March 1999) shortfall in power generation during 1998-99 to non-availability of sufficient water, shut down from 22 April 1998 to 15 June 1998 due to closure of main canal and damage to main shaft and bearing of unit II. Reasons for damage to main shaft and bearing of unit II within one year of its commissioning were not available. It was, further noticed in test-check that the Department had failed to get the equipment repaired from April 1998 to March 1999 which resulted in generation loss of 56 lakh units of power (value: Rs 1.21 crore) between April 1998 to March 1999. Further, against the projected generation cost of 30 Paise per unit for stage-II, the actual cost of generation during 1997-98 and 1998-99 worked out to Rs 1.08 and Rs 2.47 respectively. The higher cost of generation was mainly due to increase (86 *per cent)* in capital cost of the Project and lower generation of power especially during 1998-99.

The above points were referred to Government in July 1999; reply had not been received (October 1999).

* Commissioned on 14 April 1997

4.7 Idle infrastructure due to improper planning

Investment of Rs 23.70 lakh made on purchase of computers and other equipment rendered idle due to non-availability of trained staff. The envisaged objective of effective management through improved information system was also not realised.

Power Development Department advanced Rs 23.70 lakh to NIC* in February 1995 (Rs 10 lakh) and September 1995 (Rs 13.70 lakh) for implementation, on turnkey basis, of the Plan scheme of computerisation for MIS[π] and consumer billing. The amount was to be utilised for purchase of hardware (Rs 20.05 lakh), software (Rs 1.85 lakh) and project management (Rs 1.80 lakh) including training of 20 persons for 2 weeks. The project was envisaged to be completed within six months from the date of its start.

Test-check (September 1996/January 1998) of the records of Electric Maintenance and Rural Electrification Wing revealed that computers and other equipment purchased (December 1995) by NIC were installed only in December 1997 owing to delay in identifying space by the Department for installation of the equipment. The system had, however, not been made operational as of July 1999 due to non-availability of trained staff and the infrastructure created was lying idle. On this being pointed out (January 1998/January 1999), the Chief Engineer Electric Maintenance and Rural Electrification Wing stated (January 1998/ February 1999) that though the initial process of collection of consumer data, etc. had been completed, the system could not be made operational due to non-filling of the posts of computer operators by the SSRB[φ]. The reply was not tenable as the objective could have been achieved by imparting requisite skills to the existing staff employed on manual consumer billing for which funds stood released to NIC.

Thus, due to improper planning, investment of Rs 23.70 lakh made on creation of infrastructure was rendered idle and the envisaged objective of effective management through improved information system was not realised.

The matter was referred to Government in June 1999; reply had not been received (October 1999).

* NIC-National Informatic Centre

[π] MIS- Management Information System

[φ] SSRB State Subordinate Recruitment Board

4.8 Avoidable extra expenditure due to delay in finalisation of tender

Delay in finalisation of tenders resulted in extra avoidable expenditure of Rs 21 lakh.

Executive Engineer, Sewa Hydel Project Division III, Basohli invited tenders in November 1994 for designing, supply, fabrication, erection, testing and commissioning of under sluice, stop log, head regulator gates, etc. of stage II and III of the Sewa Hydel Project Basohli. These tenders were, however, cancelled due to some technical omission in the NIT[⊗]. In July 1995 the work was re-tendered, for execution on turnkey basis and tenders were opened in August 1995. The lowest offer of Rs 1.44 crore was quoted by a Chandigarh based firm. The validity of the tender expiring on 5 April 1996 was extended up to 30 April 1996 by the firm.

The Department, did not finalise the tender as doubts arose about application of 10 *per cent* price preference, in case of turnkey projects, to a local SSI[Ψ] tenderer. Despite tenders having been opened in August 1995, clarification on the point was sought from the Government belatedly in February 1996 reasons for which were neither on record nor intimated. The Government clarified (July 1996) that price preference could not be availed by a SSI unit for turnkey projects. Efforts to get the validity period of the lowest offer extended up to 30 August 1996 failed, as the firm refused to execute the work at the quoted rates due to escalation in prices.

The work was re-tendered in August 1996 and allotted (January 1997) to a Jammu based firm at its lowest offered rate of Rs 1.65 crore for completion in 12 months. As of February 1999 the work stood completed.

Thus, failure to seek clarification from the Government within the validity period of offer necessitated re-tendering of the work which resulted in avoidable extra expenditure of Rs 21 lakh.

The matter was referred to the Government in June 1999; reply had not been received (October 1999).

[⊗] **NIT** Notice inviting tender.

[Ψ] **SSI-Small Scale Industrial unit**

Public Health Engineering Department

4.9 Unfruitful expenditure on a water supply scheme

Inaction of the Department to revive water supply scheme, Langrial resulted in unfruitful expenditure of Rs 23.98 lakh incurred on the scheme.

Water Supply Scheme, Langrial designed to provide potable water to 6585 inhabitants of 5 villages of R.S Pura tehsil in Jammu district, with expected life span of 15 years, was taken up for execution by the Executive Engineer, Public Health Engineering Rural Division Jammu in 1986-87 at an estimated cost of Rs 27.35 lakh. The scheme was completed and commissioned in 1989-90 at a cost of Rs 23.38 lakh.

The scheme functioned for a period of about 3 years only after which it developed (December 1993) certain defects and became non-functional. In April 1994, the Chief Engineer Public Health Engineering Department Jammu called for the reasons for the failure of the tube well from the Superintending Engineer and also ordered re-development of the well to make it functional. Records of Executive Engineer Public Health Engineering Division Jammu, however, revealed (January 1998) that while reasons for the failure of the well had not been investigated, efforts to redevelop (expenditure Rs 0.60 lakh) the tube well during March 1995 failed. No further action to revive the scheme by providing an alternative source of water had been taken due to which the scheme continued to be non-functional as of January 1999. Reasons for not making the scheme functional for more than five years, analysing reasons for its premature failure, and current status of its assets viz. pumps, distribution system, etc. was not intimated to Audit (October 1999).

Thus, inaction of the Department to revive the water supply scheme, rendered the expenditure of Rs 23.98 lakh unfruitful, besides denial of the envisaged benefits to the villagers.

The matter was referred to Government in June 1999; reply had not been received (October 1999).

4.10 Irregular retention of Government money by an NGO[•] and delay in installation of hand pumps

Advance payment of Rs 14.66 lakh by the Department to an NGO without drawing up an agreement resulted in irregular retention of Rs 9.16 lakh by the latter for over 6 years and delay in installation of hand pumps.

District Development commissioner Kargil allotted (August 1993) the work of installation of 25 hand pumps in Kargil to a Rajasthan based NGO, at a negotiated rate of Rs 50000 per hand pump for completion in two working seasons on the terms and conditions of the agreement to be drawn with the NGO. An advance payment of Rs 14.66 lakh was made (August 1993) by the Executive Engineer Public Health Engineering Department, Kargil to the NGO for purchasing a drilling rig. The advance was to be adjusted against the value of allotted work and installation of additional hand pumps in future. However, no agreement was made with the NGO specifying the terms and conditions of the deal to safeguard the interests of the Department. The NGO after installing 12 hand pumps (functional: 11; abandoned:1) up to April 1996 abandoned the work. In February 1997, the NGO informed the Chief Secretary, Government of Jammu and Kashmir that the cost of drilling and installation of each hand pump in Ladakh region actually worked out to Rs 1.65 lakh and that it had completed the work in excess of the advance received by it and requested the Government for treating the Project as closed. The contention of the NGO, is however, not tenable as the work had been allotted on the basis of similar works executed by them in Leh district and commitment of its Director during discussions (July 1992) to undertake installation of hand pumps at the unit rate of Rs 50000. Any follow up action taken on the communication of the NGO and for settling the accounts and obtaining the refund of the balance amount was not intimated. Meanwhile, an amount of Rs 9.16 lakh continued to be withheld by the NGO irregularly for over 6 years.

Thus, payment of advance of Rs 14.66 lakh by the Department to the NGO in excess of agreed cost of the total work and without entering into an agreement specifying terms and conditions resulted in irregular retention of Rs 9.16 lakh by the NGO for over 6 years and delay in the installation of hand pumps.

The matter was referred to Government in June 1999; reply had not been received (October 1999).

[•] **NGO Non-Governmental Organisation**

4.11 Wasteful expenditure due to defective selection of site for pump house

Failure of the Department to foresee constructional problems at the selected site of pump house of a water supply scheme resulted in wasteful expenditure of Rs 8.21 lakh.

The work of fabrication, installation, testing and commissioning of 1151 metre long rising main for Pokhribal Water Supply Scheme (stage-I) was allotted (June 1989) by Chief Engineer, PHE Department, Kashmir to contractor 'A' at an estimated cost of Rs 4.22 lakh. The rising main was to be connected to a pump house proposed to be constructed at Bhagwanpora, Nagin Lake shore on the land belonging to Tourism Department.

While most of the work relating to laying of rising main was completed up to March 1997, construction of the pump house had not been taken up. According to the status report of the work submitted (March 1997) by the Superintending Engineer, PHE Circle (S&B), Budgam to the Chief Engineer, PHE, Kashmir, the construction of pump house could not be taken up owing to certain difficulties viz. construction of an intake structure up to a depth of 20 feet, carrying 335 metre of rising main across the lake and difficulty in its maintenance and high costs. It was accordingly decided (September 1997) to shift the pump house site to Pokhribal (*nallah* Amirkhan). Consequently, the rising main already laid by the contractor at a cost of Rs 7.72 lakh (excluding cost of pipes) became redundant and it was decided (January 1998) to dismantle it. As of July 1999, 280 metres of the rising main only had been dismantled through contractor 'B' at a cost of Rs 0.49 lakh. The Executive Engineer, PHE, Mechanical Division, Srinagar stated (July 1999) that remaining portion of the rising main would also be dismantled and utilised on other water supply schemes.

Thus, failure of the Department to foresee the constructional problems and selection of a defective site for the pump house resulted in wasteful expenditure of Rs 8.21[♠] lakh (cost of laying of pipes: Rs 7.72 lakh and dismantling charges: Rs 0.49 lakh) up to July 1999 which was likely to increase further with the dismantling of the remaining pipes.

The matter was referred to the Government in May 1999; reply had not been received (October 1999).

♠ Cost of carriage, laying, fabricating, dismantling excluding cost of pipes issued departmentally

Section-A

Public Health Engineering Department

5.1 Management of stores and stock in the Public Health Engineering Divisions

Highlights

Public Health Engineering Department responsible for providing drinking water facilities in the State procures stores centrally for supply to and utilisation by the indenting PHE Divisions. Management of stores and stock in the PHE divisions, however, was not satisfactory as revealed from: (a) huge inventories of unutilised material; (b) splitting of local purchases to avoid tendering and approval of higher authorities; (c) non-conducting of physical verification regularly and non-recovery/adjustment of shortages/excess promptly; (d) non-accounting of stores and (e) defective maintenance of store accounts. This was mainly due to non-observance of control mechanisms coupled with laxity in supervisory control.

- **Store material valued at Rs 1.71 crore and procured between 1980 and 1993 was lying unutilised in 13 executing divisions at the end of March 1999. Further, out of store and stock material purchased by 14 divisions during 1993-94 to 1998-99 at a cost of Rs 40.24 crore, material valued at Rs 16.14 crore was lying unutilised as of March 1999.**

(Paragraph 5.1.4 (a))

- **Funds aggregating Rs 24.57 crore advanced by various divisions for procurement of stores were lying under Deposit Accounts at the end of March 1999. Of these, advances aggregating Rs 1.04 crore made by 4 divisions were locked up for periods ranging from 5 to 11 years.**

(Paragraph 5.1.4 (b and c))

- **Local purchase of stores for Rs 3.45 crore had been made by 15 divisions (Kashmir: 9; Jammu: 6) during 1993-94 to 1998-99 in violation of Government instructions and after splitting purchase orders to avoid tendering and obtaining approval of higher authorities.**

(Paragraph: 5.1.4 (e))

- **Out of 19 test-checked divisions, physical verification of stores was not conducted in respect of 3 to 12 divisions during 1994-99. In 10 divisions, though physical verification was conducted**

excess/shortages had not been worked out and shortage of stores valued at Rs 81.74 lakh detected in other divisions during the years 1993-99, had not been investigated/recovered.

(Paragraph: 5.1.5.2)

- **Material worth Rs 21.75 lakh lifted from Procurement divisions between 1993-94 and 1997-98 had not been accounted for by 6 indenting divisions.**

(Paragraph: 5.1.5.4)

- **Due to fictitious adjustment in divisional accounts expenditure under "stock suspense" was understated by Rs 1.04 crore in 2 divisions. The resultant savings were utilised on incurring expenditure irregularly, in excess of budget allotment.**

(Paragraph: 5.1.6.1)

5.1.1 Introduction

The main function of the Public Health Engineering Department (PHED) is to provide drinking water facilities in the State. For execution, running and maintenance of various water supply schemes, the Department purchases material like pipes, pumps, spares, etc. centrally through Mechanical and Procurement divisions Jammu/Srinagar on the basis of requirements of the divisions executing works. Cement, steel and explosives etc. are, however, procured through the Stores Procurement Department (SPD).

5.1.2 Organisational set-up

Public health engineering works are executed by 38 divisions (Jammu: 20; Kashmir: 18) which are primary executing units, under the supervision of 10 territorial Superintending Engineers and 2 Chief Engineers at Divisional level (Jammu; Srinagar). The divisional officers (Executive Engineers) are responsible for the general administration of stores of a division including acquisition, custody, issue and disposal of stores.

5.1.3 Audit coverage

The Report of the Comptroller and Auditor General of India for the year ended 31 March 1993 (Paragraph: 5.1) had commented on the stores and stock management in the Public Health Engineering Department in Jammu Division. Review of the management of stores conducted during November 1998 to February 1999 with reference to the records maintained in

19 divisions[@] (Kashmir: 10; Jammu: 9) for the period 1993-94 to 1998-99 revealed the following:

5.1.4 Procurement of stores

The purchase of stores items like, pumps, pipes, etc. is made by the Procurement divisions on the basis of requirements projected annually by the user divisions. Requirement of stores is assessed by the divisions on the basis of annual works programmes. Local purchase of stores is also made by the divisions. There was no system of maintaining/monitoring overall consolidated position of purchases and issue of stores for effective inventory management.

Overall consolidated position of purchases and issue of stores not maintained/ monitored

While the consolidated position of opening balance, purchase/issue of stores and closing balance during the period 1994-99 in respect of Kashmir Division was not available due to non-posting of store/stock records, the position in respect of Jammu Division was as under:

(Rupees in crore)

Year	Opening balance	Material purchased	Material issued	Closing balance
1994-95	2.23	13.77	12.61	3.39
1995-96	3.39	22.41	16.05	9.75
1996-97	9.75	13.64	10.53	12.86
1997-98	12.86	17.37	21.63	8.60
1998-99	8.60	9.04	13.62	4.02
Total		**76.23**	**74.44**	

Closing balance of stores increased from Rs 2.23 crore in March 1994 to Rs 12.86 crore in March 1997

As would be seen from the above table, purchases during the period 1994-97 were made far in excess of requirement which resulted in accumulation of stocks from Rs 2.23 crore at the end of 1993-94 to Rs 12.86 crore at the end of 1996-97. The closing stock at the end of March 1999 stood at Rs 4.02 crore. Following further points were noticed:

Stores material valued at Rs 1.71 crore purchased during 1980 and 1993 lying unutilised as of March 1999

(a) Rules require that purchase of stores for public service should be made in most economical manner and in accordance with the definite requirement. It was, however, observed that in 13 divisions[♠] (Jammu: 7; Kashmir: 6) store materials viz. high density polyethlene pipes, fitting material, machinery, etc. (cost: Rs 1.71 crore) procured in excess of requirement between the years 1980 and 1993, were lying unutilised as of March 1999 resulting in locking up of Government money. No reasons for

[@] Public Health Engineering Divisions, Srinagar, Sopore, Budgam, Awantipora, Shopian, Bijbehara, Rajouri, Udhampur, Reasi and Kathua, Ground Water and Procurement Division, Srinagar, Material and Procurement Division, Srinagar, Master Plan Divisions, Soura (Srinagar) and Jammu, Mechanical Division, Srinagar, Mechanical Ground Water and Drilling Division, Jammu, Mechanical Procurement Division, Jammu, PHE Rural Division, Jammu and Mechanical (North) Division, Jammu

[♠] Kathua, Udhampur, Samba, Rajouri, Mechanical Procurement Jammu, Rural Jammu, Mechanical (North) Jammu, Budgam, Baramulla, Sopore, Bijbehara, Shopian and Mechanical Srinagar

Out of store material purchased at a cost of Rs 40.24 crore during 1993-99 material worth Rs 16.14 crore lying unutilised

procurement of material/machinery in excess of requirement were assigned by the divisions. Test check of 14* divisions (Jammu:3; Kashmir:11), further revealed that out of the store and stock material purchased for Rs 40.24 crore during 1993-94 to 1998-99, material valued at Rs 16.14 crore had not been utilised as of March 1999 and the percentage utilisation of the stores procured during these years ranged between 7 and 97.

Advances aggregating Rs 1.04 crore locked up for periods ranging from 5 to 11 years

(b) Out of the advance drawals made by various divisions from time to time and deposited with two procurement divisions at Srinagar and Jammu for procurement of store material, Rs 16.29 crore were lying under Deposits at the end of March 1999. Of these, Rs 1.04 crore advanced by 4▲ indenting divisions had remained locked up for periods ranging from 5 to 11 years. The reasons for not making supply of material to the indenting divisions against these advances and its impact on execution of works were not intimated. These balances under Deposits had neither been reviewed periodically for their early clearance nor reconciled with the territorial divisions.

Rs 2.10 crore locked up for want of reconciliation of accounts

(c) The Mechanical Ground Water and Drilling Division, Jammu was responsible for procurement of key material in Jammu Division up to April 1997 after which this responsibility was entrusted to the newly created (May 1997) PHE Mechanical Procurement Division. It was seen in audit that Rs 6.18 crore only, out of the available Deposits of Rs 8.28 crore for procurement of GI pipes, were transferred to newly created division. Retention of Rs 2.10 crore was attributed by the division to non-reconciliation of Deposits by the user division. This resulted in locking up of funds of Rs 2.10 crore.

Advance payments of Rs 24.36 crore made by 13 divisions in March each year during 1993-99 to avoid lapsing of funds

(d) Advance payments, aggregating Rs 22.90 crore made by 13 divisions to Mechanical Procurement divisions and Rs 1.46 crore by 10 divisions to other agencies, had been made in March each year during 1993-94 to 1998-99 to avoid lapsing of funds. While supplies worth Rs 22.03 crore were received belatedly with delays ranging between 1 and 32 months, supply of material against payments of Rs 2.33 crore (10 *per cent*) had not been received (August 1999) thereby. delaying execution/completion of water supply scheme works.

Local purchase of stores aggregating Rs 3.45 crore made in excess of delegated powers

(e) Under decentralised scheme of procurement of store items, the divisional officers were authorised (September 1992) to purchase stores up to Rs 15000 at a time subject to maximum limit of Rs 1.50 lakh in a year. Test check of records, however, revealed that 15 divisions (Kashmir: 9 Jammu: 6) had made local purchases of stores aggregating Rs 3.45 crore during the

* Budgam, Sopore, Awantipora, Bijbehara, Mechanical Srinagar, Rural Srinagar, Water Works Srinagar, Qazigund, PHE WSMP Division Srinagar, and PHE Divisions Shopian, Baramulla and Rajouri, Master Plan Jammu, Ground Water and Procurement Jammu.

▲ Public Health Engineering water works Division Srinagar; Master Plan Division Srinagar,PHE Mechanical Division Srinagar; Public Health Engineering Department Baramulla

Purchase orders split to avoid tendering and obtaining approval of higher authorities

period from 1993-94 to 1998-99, in excess of the delegated powers. The purchases had also been made after splitting purchase orders to avoid tendering and obtaining approval of higher authorities. Action to get these purchases regularised by the competent authority had not been taken as of August 1999. Purchases made in violation of Government instructions indicated financial indiscipline as a result of which purchases at most economical and competitive rates were not ensured.

(f) Supply orders placed by the Department for procurement of material of different specifications provided specified delivery periods failing which penalty not exceeding 10 *per cent* of value of the contract was required to be imposed on the defaulting suppliers.

Penalty not imposed in 43 out of 129 default cases

Test-check revealed that in 129 cases in Kashmir Division, delay ranging between 1 month and 9 months had occurred in supply of material during the years 1993-94 to 1998-99. Of these, penalty had been imposed in 31 cases only. While period of delivery had been extended and waived in respect of 45 and 10 cases respectively, action had not been taken in respect of remaining 43 cases (1994-95: 12; 1995-96: 4; 1996-97: 10, 1997-98: 11 and 1998-99: 6) as of August 1999. Reasons for not taking action in these cases were not intimated (August 1999).

5.1.5 Inventory control

5.1.5.1 Excess over Stock Reserve Limit

Value of stocks held exceeded the fixed limits by 198 to 244 *per cent*

For ensuring availability of adequate stocks for use on works and to prevent locking up of funds in excess stores, a monetary limit for stock reserve for each division is prescribed by the Government. However, in the test checked divisions, value of stocks held had exceeded the sanctioned stock reserve limit by 198 to 244 *per cent* as detailed below:

Year ending 31 March	No. of divisions	Sanctioned stock reserve limit	Stock held	Excess	Percentage of excess
		(Rupees in crore)			
1994	10	1.97	6.77	4.80	244
1995	12	2.57	7.89	5.32	207
1996	13	3.57	10.65	7.08	198
1997	14	3.69	12.16	8.47	230
1998	14	3.69	11.68	7.99	217
1999	13	2.69	8.25	5.56	207
Total		**18.18**	**57.40**	**39.22**	**216**

Steps had not been taken by the Department either for revising the stock reserve limit of various divisions or asking the divisional officers to restrict their stocks to the prescribed limits. The excess over sanctioned limit had also not been regularised.

5.1.5.2 Physical verification of stores

Shortages worth Rs 81.74 lakh, detected during physical verification of stores, not recovered

Stores issued irregularly on loan chits/ unapproved indents

Physical verification of stores/stock items is required to be conducted at least once every year. Shortages/excess are to be investigated and brought to account immediately. Physical verification of stores was not conducted during 1993-94 (6 divisions), 1994-95 (4 divisions), 1995-96 and 1996-97 (3 divisions each), 1997-98 (11 divisions) and 1998-99 (12 divisions). In 10 divisions, though physical verification was reported to have been conducted for the years 1994-95 to 1998-99, excess/shortages had not been worked out. Physical verification conducted in 23 divisions during 1993-94 to 1998-99 revealed excess worth Rs 24.37 lakh (68 cases) and shortages valued at Rs 84.07 lakh (83 cases). Of these, excess of Rs 20.89 lakh (14 cases) had not been accounted for nor had shortages of Rs 81.74 lakh (20 cases) been recovered as of August 1999. On this being pointed out in audit, 3 divisions attributed these shortages to issue of material on loan chits/unapproved indents which were yet to be adjusted. Issue of stores on loan chits/unapproved indents was irregular and the practice could lead to misappropriation of stores. Reasons for the shortages had not been investigated departmentally nor were steps taken to fix responsibility for laxity of control by the store supervising officers over store transactions/issuing of material on loan chits/unapproved indents.

5.1.5.3 Store items awaiting disposal

In 7 divisions (Jammu:6; Kashmir:1), store items including machinery valued at Rs 1.58 crore lying in the stores for over 5 years, were either unserviceable or obsolete. Action to dispose of these items by auction or otherwise had not been taken (August 1999).

5.1.5.4 Non-accounting of material

Store material worth Rs 21.75 lakh not accounted for in store accounts

Material procured by the Public Health Engineering Procurement divisions is issued to user divisions against proper indents. It was, however, noticed that material worth Rs 21.75 lakh lifted from Procurement divisions between 1993-94 and 1997-98 had not been accounted for by 6[Ψ] indenting divisions in their store accounts. The omission had occurred mainly due to the failure of concerned divisions to reconcile periodically store accounts with those of supplier divisions. On this being pointed out, it was stated (February 1999) that the position would be investigated and facts intimated to Audit. The results of investigation were awaited (August 1999).

[Ψ] PHE Divisions:Udhampur, Reasi, Rajouri, Kathua, Samba and Water Supply Master Plan Division, Jammu.

5.1.6 Store accounts

5.1.6.1 Fictitious adjustments

Expenditure understated by Rs 1.04 crore by carrying out fictitious adjustments in accounts

Rule 93 of the Jammu and Kashmir Public Works Account Code strictly prohibits fictitious adjustments in stock accounts such as debiting to a work the cost of materials not required or in excess of actual requirement, writing back the value of material used on a work to avoid excess outlay or appropriation, etc. The rules further provide that if the cost of stores procured cannot immediately be debited to final heads of account or a particular work for which these are required, it should be temporarily debited to Account head Stock Suspense. The value of materials issued to works or sold/transferred is credited to the suspense head and debited to the final head so as to bring the balance at the close of each financial year under Stock Suspense to 'nil'. In the adjustment books of two divisions,[$] credits of Rs 98 lakh (representing material issued from stores) and debits of Rs 5.54 lakh (representing material returned to stores) appearing under the Stock Suspense were reflected in the divisional accounts for the years 1993-94 to 1997-98 as minus debits and minus credits respectively. This resulted in understatement of debit balance (expenditure) under the suspense head. The distortion in accounts and resultant understatement of expenditure facilitated incurring further expenditure irregularly, in excess of the budget provisions which was concealed in accounts.

5.1.6.2 Non-adjustment of store accounts and carry forward of liabilities to subsequent year

For effective budgetary control the value of material issued from stock to works has to be immediately brought to account in the same financial year and no liabilities are carried forward to subsequent years.

Non-adjustment of cost of material during 1993-99 led to understatement of expenditure and carry forward of liabilities amounting to Rs 4.78 crore

Scrutiny of accounts of 20 divisions (Jammu:9; Kashmir:11) disclosed that out of stores worth Rs 67.19 crore issued to different works during 1993-94 to 1998-99, cost of material worth Rs 4.78 crore had remained unadjusted (March 1999) due to non-availability of funds. Non-adjustment of material in the years of issue resulted in carry forward of liabilities to subsequent years and understatement of expenditure on works in the relevant years.

5.1.6.3 Non-reconciliation of value accounts of stocks

To have an effective control over the stock and store balances, Jammu and Kashmir Public Work Account Code provides that the quantity

[$] Master Plan Division, Jammu and Rural Division, Jammu

Value and quantity accounts of stores not reconciled

accounts for receipts, issues and balances at the close of each month are to be reconciled with the Priced Store Ledger (value accounts) maintained in the divisional office. Similar reconciliation is to be done in respect of closing stocks in the divisional monthly accounts. The reconciliation of value account could not, however, be reviewed in test-checked divisions as the stock items recorded in the Priced Store Ledgers were not valued, with the result accuracy of store accounts could not be vouchsafed.

5.1.6.4 Material-at-site accounts

Material issued to various works has to be accounted for properly and its quantitative account showing receipt, issue and balance kept in the register of Material-at-site (Form 35) so as to watch utilisation of principal items of material with reference to the estimated requirements. In Public Health Engineering Department, Master Plan Division, Jammu material worth Rs 5.41 lakh was outstanding against an official who had expired. No action had been taken by the division for effecting recovery/adjustment of the outstanding amount (August 1999).

5.1.7 Extra expenditure

Extra expenditure of Rs 12.45 lakh due to purchase of material at higher rates

Orders for supply of chemicals and pipes valuing Rs 1.41 crore were placed during 1993-94 to 1996-97, with 3 firms by the Chief Engineer, Kashmir on behalf of Procurement Division Srinagar. The material was partly supplied by two firms and the third firm did not make any supply. The procurement of balance material was made from other agencies at higher rates resulting in extra expenditure of Rs 12.45 lakh. It was observed that the security deposits of Rs 2.68 lakh received from two firms were forfeited (September 1998). In respect of the third firm it was stated that deposit available with the Department was sufficient for meeting the extra cost. However, action to forfeit the deposit of third contractor and recover the balance amount of Rs 23.91 lakh (extra cost Rs 9.77 lakh and 10 *per cent* penalty :Rs 14.14 lakh) from the original contractors had not been initiated.

5.1.8 Non-realisation of security/surety

Under codal provisions cash security of Rs 2000 and personal security of Rs 20000 has to be obtained from each person entrusted with custody and handling of stores. It was, however, observed that securities amounting to Rs 13.38 lakh had not been obtained from 62 storekeepers of 24 divisions (12 each in Kashmir and Jammu Division).

5.1.9 Recommendations

The requirement of stores needs to be assessed on a realistic basis for avoiding locking up of funds in idle stores and deposits. Various control mechanisms laid down in the Financial Rules as also in the Public Works Account Code for better management of stores need to be followed strictly. Supervisory control also needs improvement for proper inventory management and enforcement of accountability at different levels.

5.1.10 The above points were referred to Government in July 1999; reply had not been received (October 1999).

Section-B

Public Health Engineering Department

5.2 Non-recovery of cost of shortages in stock

Failure of the Department to take concerted action as provided under rules resulted in non-recovery of cost of shortages worth Rs 7.43 lakh.

Financial rules provide that the head of office, on detection of deficiency in stores, should fully investigate the reasons thereof and recommend to the controlling authority the manner in which the loss, if any, caused to Government by misconduct or culpable negligence on part of a Government servant is to be made good from him.

Physical verification of stores in the Public Health Engineering Division Bijbehara, Kashmir revealed (November 1987) shortage of stores valued at Rs 7.43 lakh against the storekeeper of the Division. Subsequent reconcilation by the Division with the store accounts, however, revealed (July 1989) shortage of Rs 6.98 lakh only against the storekeeper. Responsibility for the remaining shortage of Rs 0.45 lakh had not been fixed. In July 1989 the storekeeper was charge-sheeted and the cost of shortages debited to MPWA* account in January 1990.

Test-check of records of the Division further revealed (July 1998) that no concrete action for recovery of the value of the shortages had been taken by the Department. As a result, the amount continued to remain under MPWA as of July 1999, though Jammu and Kashmir Public Works Code provides recovery of such amounts forthwith. The storekeeper in the meanwhile had been transferred to Roads and Buildings Division, Qazigund.

Thus, failure of Department to take concerted action as prescribed under rules resulted in non-recovery of cost of shortages for over 11 years which indicated poor store management/accountability in the Department.

The matter was referred to Government in June 1999; reply had not been received (October 1999).

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* Miscellaneous Public Works Advances

Roads and Buildings Department

5.3 Locking up of funds due to unplanned purchase of stores

Failure of the Department to assess the requirement of reflective caution/sign boards and bitumen on realistic basis resulted in locking up of Rs 8.85 lakh for over 8 years and loss of Rs 4.83 lakh.

Rule 8.4 of Jammu and Kashmir Financial Code provides that material should be purchased in most economical manner and in accordance with the definite requirements of public services. Test-check in audit, however, revealed that improper assessment of requirement of reflective caution/sign boards and bitumen in various Road and Building divisions resulted in locking up of Rs 8.85 lakh for over 8 years and loss of Rs 4.83 lakh as discussed below:

(a) Without assessing the actual requirement on the basis of demands projected by divisional officers, the District Superintending Engineer, Doda purchased 2365 reflective caution/sign boards from a private firm in April 1990. The material valued at Rs 9.13 lakh received by Executive Engineer, Roads and Buildings Division Ramban in June 1990 was required to be distributed among six[@] Roads and Buildings Divisions of Doda district. A test-check (December 1997) of records of Executive Engineer Roads and Buildings Division Ramban, however, revealed that except for Special Sub-division, Doda material valued at Rs 8.85 lakh had not been lifted by any of the user divisions as of June 1999. Obviously, purchase of these articles was made without ascertaining firm requirement which resulted in locking up of Rs 8.85 lakh for over 8 years.

(b) On the basis of requirements projected by Chief Engineer, Public Works Department (R&B) Srinagar, Director, Stores Procurement Department, Srinagar purchased 192 MT of Cationic Bitumen Emulsion (cost: Rs 14.32 lakh) during January and February 1994 with a shelf life of 12 months (up to December 1994).

Test-check (June/July 1998) of records of the Stores Procurement Department and Construction Division-II Srinagar did not reveal the basis on which the projected requirement of 190 MT of bitumen had been assessed at. It was further noticed that out of 192 MT of bitumen purchased, only 80 MT were lifted by various Public Works Divisions up to December 1994 and 75.200 MT, after their expiry, were issued to 11 Public Works Divisions during 1995-97[*]. The remaining 36.800 MT of bitumen was lying in the stores of Stores Procurement Department Srinagar as of July 1999. In

[@] Ramban, Chatroo, Bhaderwah, Kishtwar, Doda and Marwah

[*] (1995:18 MT ; 1996: 10 MT; 1997:47.200 MT)

addition, 28 MT of bitumen lifted by the City Roads Division, Srinagar and Construction Division-II, Srinagar during June 1994 and February 1995 was also lying unutilised in their respective stores. The position of utilisation of 67.200 MT of expired stores valued at Rs 5.01 lakh, issued during the period 1995-97 and its impact on the quality of various road construction works was awaited (September 1999). This resulted in loss of Rs 4.83 lakh (worked out on proportionate basis) due to non-utilisation of 64.800 MT of bitumen. Besides the possibility of roads constructed proving sub-standard due to utilisation of expired material could not be ruled out.

The above points were referred to Government in May 1999; reply had not been received (October 1999).

6.1 Trend of revenue receipts

6.1.1 The total receipts of Government of Jammu and Kashmir for the year 1998-99 were Rs 4509.14 crore, against the anticipated Receipts of Rs 4316.06 crore. The receipts during the year 1998-99 registered a decrease of Rs 132.65 crore (decrease of Rs.236.31 crore on account of receipts from Government of India and increase of Rs 103.66 crore on account of tax and non-tax revenue) over 1997-98. Out of the total receipts of Rs 4509.14 crore, Rs 719.86 crore represented revenue raised by the State Government, of which Rs 436.61 crore represented tax revenue and the balance of Rs 283.25 crore non-tax revenue. The receipts from Government of India (Rs 3789.28 crore) during the year accounted for 84 *per cent* of the total receipts of the State Government.

6.1.2 Details of revenue receipts

(a) General

The details of revenue receipts during the year 1998-99 alongwith the corresponding figures for the preceding two years are given in the table below:

(Rupees in crore)

		1996-97	1997-98	1998-99
I-Revenue raised by the State Government				
(a)	Tax revenue	293.92	368.28	436.61
(b)	Non-tax revenue	183.53	247.92	283.25
	Total - I	**477.45**	**616.20**	**719.86**
II-Receipts from Government of India				
(a)	State's share of Union taxes and duties	626.30	833.57	1212.05
(b)	Grants-in-aid	2119.65	3192.02	2577.23
	Total-II	**2745.95**	**4025.59**	**3789.28**
III-	**Total (I+II)**	**3223.40**	**4641.79**	**4509.14**
IV-	**Percentage of I to III**	**15**	**13**	**16**

(b) Tax revenue raised by the State

Receipts from tax revenue during 1998-99 constituted 61 *per cent* of the revenue raised by the State. An analysis of tax revenue for the year 1998-99 and the preceding two years is given in the table below:

(Rupees in crore)

S. No	Tax revenue	1996-97	1997-98	1998-99	Percentage of increase(+)/ decrease(-) in 1998-99 with reference to 1997-98
1	State Excise	135.32	161.93	206.14	(+) 27
2	Sales Tax	119.25	144.65	180.28	(+) 25
3	Taxes on Vehicles	11.65	14.79	18.14	(+) 23
4	Stamps and Registration Fees	8.43	11.43	12.10	(+) 6
5	Taxes and Duties on Electricity	3.72	8.07	8.33	(+) 3
6	Taxes on Goods and Passengers	12.08	23.80	4.95	(-)79
7	Land Revenue	0.48	0.63	2.81	(+) 346
8	Other taxes and duties	2.99	2.98	3.86	(+) 30
	Total:	**293.92**	**368.28**	**436.61**	**(+) 19**

Increase in major tax receipts during 1998-99 as compared to 1997-98 was mainly due to more collections of Sales Tax, Excise Duty, Taxes on vehicles and Land Revenue.

(c) Non-tax revenue of the State

Receipts from non-tax revenue during 1998-99 constituted 39 *per cent* of the revenue raised by the State. Receipts from sale of power and Forestry and wildlife were the principal sources of non-tax revenue in the State. An analysis of non-tax revenue under the principal heads for the year 1998-99 and the preceding two years is given in the table below:

(Rupees in crore)

S. No.	Non-tax revenue	1996-97	1997-98	1998-99	Percentage of increase (+)/ decrease (-) in 1998-99 with reference to 1997-98
1.	Power	51.26	87.47	103.93	(+) 19
2.	Forestry and Wildlife	25.55	20.80	45.70	(+) 120
3.	Interest	78.66	102.69	88.17	(-) 14
4.	Public Works	5.67	7.64	7.33	(-) 4
5.	Stationery and Printing	1.72	2.01	1.88	(-) 6
6.	Medical and Public Health	1.81	2.40	3.06	(+) 28
7.	Animal Husbandry	2.46	2.59	3.36	(+) 30
8.	Others	16.40	22.32	29.82	(+) 34
	Total:	183.53	247.92	283.25	(+) 14

Reasons for variations in non-tax revenue receipts during 1998-99, as compared to 1997-98, wherever intimated by the respective departments are given below:

(i) Power — The increase was mainly due to revision in tariff and consequent increase in receipts from sale of electricity.

(ii) Forestry and Wildlife — The increase was mainly due to more receipts from sale of timber and other forest produce.

(d) Variation between Budget estimates and actuals

The variations between the Budget estimates and actuals for the year 1998-99 in respect of principal heads of revenue are given below:

(Rupees in crore)

S.No	Heads of revenue	Budget estimates	Actuals	Variations increase (+)/ decrease (-)	Percentage of variation
A - Tax revenue					
1	Sales Tax	203.50	180.28	(-) 23.22	(-) 11
2	State Excise	107.00	206.14	(+) 99.14	(+) 93
3	Taxes on Goods and Passengers	88.50	4.95	(-) 83.55	(-) 94
4	Taxes on Vehicles	15.00	18.14	(+) 3.14	(+) 21
5	Taxes and Duties on Electricity	14.00	8.33	(-) 5.67	(-) 41
6	Stamps and Registration Fees	10.83	12.10	(+) 1.27	(+) 12
7	Land Revenue	1.53	2.81	(+) 1.28	(+) 84
B - Non-tax revenue					
8	Interest Receipts	93.11	88.17	(-) 4.94	(-) 5
9	Forestry and Wildlife	77.05	45.70	(-) 31.35	(-) 41
10	Stationery and Printing	2.61	1.88	(-) 0.73	(-) 28
11	Animal Husbandry	2.86	3.36	(+) 0.50	(+) 17
12	Medical and Public Health	2.54	3.06	(+) 0.52	(+) 20
13	Public Works	7.17	7.33	(+) 0.16	(+) 2
14	Power	20.90	103.93	(+) 83.03	(+) 397

Reasons for variations between the Budget estimates and actual receipts, though called for, have not been received (November 1999).

(e) Cost of collection

The collections in respect of major tax receipts, expenditure incurred on their collection and percentage of such expenditure to collections during the year 1998-99 and preceding two years alongwith the corresponding all India average for the year 1997-98 are given below:

(Rupees in crore)

S. No	Heads of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India percentage of cost of collection for the year 1997-98
1	**State Excise**	1996-97	135.32	5.32	4	
		1997-98	161.93	6.07	4	3.20
		1998-99	206.14	6.24	3	
2	**Sales Tax**	1996-97	119.25	4.21	4	
		1997-98	144.65	4.09	3	1.28
		1998-99	180.28	7.03	4	
3	**Taxes on Vehicles**	1996-97	11.65	1.00	9	
		1997-98	14.79	1.54	10	2.65
		1998-99	18.14	1.89	10	
4	**Stamps and Registration Fees**	1996-97	8.43	1.16	14	
		1997-98	11.43	0.94	8	3.24
		1998-99	12.10	0.64	5	

The percentage of expenditure on collection of above taxes and fees was higher as compared to the National average.

6.1.3 Arrears in revenue

As on 31 March 1999, arrears of revenue under Sales Tax and State Excise, Passenger Tax and Forestry and Wild Life as reported by the Departments were as under:

S. No.	Heads of revenue	Total arrears	Arrears more than five years old	Remarks
		(Rupees in crore)		
1.	Sales Tax	429.02	226.18	Out of total arrears of Rs 429.02 crore (which had been certified for recovery as arrears of land revenue), recovery of Rs 24.82 crore and Rs 7.29 lakh had been stayed by the court and Appellate Authority respectively. Demand for Rs 82.39 crore was proposed to be written off. The position of recovery of the remaining amount of Rs 321.74 crore was not intimated (November 1999).
2.	State Excise	16.69	11.79	Out of arrears of Rs 16.69 crore, demands for Rs 16.34 crore had been stayed by courts.
3.	Passenger Tax	10.13	5.23[Ψ]	Out of total arrears of Rs 10.13 crore, arrears of Rs 9.82 crore had been referred to Collector for recovery as arrears of land revenue. Rs 21.56 lakh had been stayed by the courts and Rs 15.72 lakh was proposed to be written off.
4.	Forestry and Wild Life	292.52	292.52	Recovery of arrears of Rs 19.73 crore stayed by the courts.
	Total:	748.36	535.72	

The arrears outstanding for more than five years constituted 72 *per cent* of the total arrears.

6.1.4 Arrears in Assessment

The details of Sales Tax assessment cases pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the each year during 1994-95 to 1998-99 as furnished by the Department, are given below:

Ψ In respect of Kashmir division only. Break-up of figures in respect of Jammu division not available.

Year	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percen-tage of column 5 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1994-95	36076	19644	55720	16380	39340	29
1995-96	39340	17079	56419.	17893	38526	32
1996-97	38526	20790	59316	18402	40914	31
1997-98	40914	17381	58295	16214	42081	28
1998-99	52304♠	51136	103440	23968	79472	23

In most of the years the disposal of cases was less than the cases which became due for assessment during the year. Thus there was a net increase in arrears.

6.1.5 Frauds and evasion of tax

The details of cases of frauds and evasion of sales tax pending at the beginning of the year, number of cases detected by the departmental authorities, number of cases in which assessments/investigations were completed and additional demand (including penalties, etc.) of taxes raised against the defaulters during the years and the number of cases pending for finalisation at the end of each year, as supplied by the Department, are given as under:

Year	Cases pending at beginning of the year	Cases detected during the year	Cases in which assessments/ investigations were completed	Amount of demand (Rs. in lakh)	Number of cases pending finalis-ation at the end of the year
1994-95	1797	10090	9898	71.67	1989
1995-96	1989	17314	16733	80.50	2570
1996-97	2570	22002	20978	68.39	3594
1997-98	3625φ	25100	24257	118.02	4468
1998-99	4468	21704•	20766•	44.21	5406

♠ The variation in the figures with those given in Audit Report 1997-98 is due to the revised figures of assessment cases supplied by the Department.

φ Reasons for variation of 31 cases between closing balance of 1996-97 and opening balance of 1997-98 not intimated by the Department.

• Information in respect of Jammu Division only.

6.2 Results of Audit

Test check of records of Sales Tax, State Excise, Stamps and Registration Fees, Forest and other Departments, conducted during the year 1998-99, revealed underassessments, short levy and loss of revenue, etc. amounting to Rs 15.29 crore in 122 cases. During the course of the year 1998-99 the concerned departments accepted underassessments, etc. of Rs 56.37 lakh involved in 9 cases pertaining to the year 1998-99 and earlier years.

Section-A

Finance Department
(Sales Tax)

6.3 Working of Computer Centre in Sales Tax Department

A computer centre was set up at Jammu in January 1990 for maintaining reliable centralised database of imports and exports and improving the efficiency of tax assessments. The envisaged objectives were not, however, fully achieved due to absence of internal control system for ensuring correct feeding of data, delay in flow of processed data to the assessing authorities and flow of inconsistent information.

- **Though the centre had the capacity of computerising 1500 bills of lading, data entry of over 6 lakh bills was in arrears as of 31 August 1997. Further, while 26 *per cent* out of 39875 export bills in respect of one check post for the year 1996-97 had been entered, no data was entered in case of six other check posts since setting up of the centre (January 1990).**

(Paragraph: 6.3.4)

- **Non-existence of system of internal check at the centre resulted in short feeding/entry of data of bills of lading for Rs 806.38 crore during 1994-95 to 1997-98. The possibility of this amount escaping assessment cannot be ruled out.**

(Paragraph: 6.3.4)

- **Lack of effective monitoring system resulted in inordinate delay of 1 to 4 years in out flow of processed data from the centre to assessing authorities which resulted in concealment of turnover of Rs 9.45 crore in 33 cases.**

(Paragraph: 6.3.5)

- **Out of the 1677 doubtful cases pertaining to 1990-91 to 1996-97 for which data was called for by the assessing authorities, information was not provided in 385 cases by the centre.**

(Paragraph: 6.3.5)

- **Flow of inconsistent output from the centre affected the credibility of data and resulted in escapement of purchase turnover of Rs 90.99 lakh in two test-checked cases.**

(Paragraph: 6.3.6)

- **As of June 1999 purchase bills aggregating Rs 171.91 crore for the years 1994-95 to 1997-98 had been booked under suspense because of improper verification of way bills at check post Lakhanpur.**

(Paragraph: 6.3.8)

6.3.1 Introduction

Sales Tax is one of the major sources of revenue in the State. During 1997-98, the realisation of Sales Tax amounted to Rs 145 crore which represented 39 *per cent* of the total tax revenues.

With a view to maintain a centralised database of imports and exports of commodities, to improve the efficiency of tax assessment and to plug revenue leakage, a computer centre was set up at Jammu (January 1990). The main functions of the centre were to maintain (i) a reliable database on the basis of bills of lading received from 7 Sales Tax check posts in respect of imports and exports made by dealers annually and (ii) to provide consolidated data to the concerned assessing authorities for verification at the time of assessments of dealers.

6.3.2 Organisational set-up

The Computer Centre is administered by the Commissioner of Sales Tax through Deputy Sales Tax Commissioner (Tax Planning) Computer Centre at Jammu who is assisted by Excise and Taxation Officer.

6.3.3 Audit coverage

With a view to ascertain the adequacy and effectiveness of the working of the centre, a review was conducted in Audit during May-June 1999 covering the period 1994-95 to 1998-99. The findings are contained in the succeeding paragraphs:

6.3.4 Data Entry and Output

Prior to the setting up of the Computer Centre, the bills of lading (way bills) obtained by the Sales Tax check posts were sent to the concerned assessing authorities for cross verification at the time of assessments. After establishment of the Computer Centre, the check posts were required to send the bills of lading to the Computer Centre. The data was to be compiled in the centre for further transmission to assessing authorities for cross verification at the time of assessments.

Data entry of over 6 lakh bills in arrears as of August 1997

The centre receives on an average 1800 bills per day from Sales Tax check post at Lakhanpur. Bills from remaining six check posts are received once in a month. As determined by Deputy Sales Tax Commissioner, the Computer section had the capacity to computerise 1500 bills in single shift of 6 hours with 10 computers. It was, however, observed that entry of data was in arrears in respect of over 6 lakh bills up to 31 August 1997. The data relating to six check posts was not entered since the setting up of the centre and in respect of one check post (Lakhanpur) only 10484 export bills (26 *per cent*) out of 39875 bills for the year 1996-97 were entered.

System for verification of correctness of the data not in existence

There existed no system of internal check at the Computer Centre to ensure that the data as recorded on the bills of lading was correctly tabulated in the database. During 1994-95 to 1997-98, 1852091 import bills for Rs 11153.32 crore were sent from Sales Tax Check Post at Lakhanpur to Computer Centre at Jammu. However, the amount of imports accounted for in the database against these bills was Rs 10346.94 crore only. The possibility of the amount of Rs 806.38 crore having remained outside the ambit of assessment and taxation could not be ruled out.

Regular and timely flow of processed data not ensured

6.3.5 Flow and utilisation of computerised data

The department did not have effective monitoring system to control regular and timely inflow of bills of lading to Computer Centre and outflow of processed data to respective assessing authorities for verification at the time of assessments.

Test-check revealed that processed data for the year 1994-95 in respect of Kashmir and Jammu circles was sent during 1997-98 and 1998-99 respectively and for the years 1995-96 to 1997-98 between 1998-99 and 1999-2000. The delayed flow of information to 6 test-checked circles and subsequent failure of assessing authorities to utilise it resulted in concealment of turnover of Rs 9.45 crore in 33 cases for the years 1994-95 to 1997-98.

As per Departmental circular of February 1994, the Assessing authorities were required to call for the requisite information from Computer Centre before making an order of assessment. However, there existed no system in the Sales Tax circles to call for the purchase information in respect of all cases being assessed to Tax. The Assessing Authorities by and large called for such information only in respect of doubtful cases.

In 23 *per cent* cases information called for by assessing authorities not sent

Test-check of records also revealed that out of 1677 cases of dealers (Jammu:1627; Kashmir:50) in respect of which purchase information/bills of lading for the accounting years 1990-91 to 1996-97 was called for by various Assessing Authorities between 1994-95 and 1998-99, such information was not sent in respect of 385 cases (23 *per cent*) with the result assessments in respect of these doubtful cases had been made without corroborative supporting information.

6.3.6 Flow of inconsistent information

Cross verification of purchase information/data with the assessment records of dealers maintained by Assessing Authorities revealed the following inconsistencies.

Information based on bills of lading not correctly entered in data base

(i) In respect of 111 cases assessed for the years 1994-95 to 1997-98 in 8 circles, 1102 purchase bills amounting to Rs 4.07 crore had been included in computerised statement of individual dealers. These bills, however, related to goods for which these dealers had not been registered. This shows that the details of import of goods made on the basis of bills of lading had not been correctly entered in the data base.

(ii) In 64 cases in 8 circles, purchases aggregating Rs 107.46 crore were only shown in the computerised purchased statements against the actual purchases of Rs 118.26 crore as shown by the dealers in their purchase statements. Thus the computerised statements understated purchases by Rs 10.80 crore due to incorrect entry of data.

Purchases of Rs 35.22 lakh escape assessment

(iii) In one case at Jammu, the assessment was finalised on the basis of computerised purchase statement received in May 1996. Further, investigation revealed that another computerised statement for the same period in respect of same dealer was sent in September 1998 showing the purchases amounting to Rs 45.89 lakh during 1994-95 against inter-state purchases for Rs 13.55 lakh reported earlier. The two sets of different computerised data in respect of the same dealer resulted in purchases of Rs 35.22 lakh escaping assessment.

Purchases of Rs 55.77 lakh escaped assessment, due to incorrect flow of data

(iv) In the case of a dealer at Jammu the purchases worth Rs 55.77 lakh during 1994-95 were partly (Rs 22.74 lakh) included in the purchase turnover of another dealer and partly (Rs 33.03 lakh) not entered in the database. The assessment of the former dealer was completed on nil taxable turnover. Thus, due to incorrect flow of data from Computer Centre turnover of Rs 55.77 lakh had escaped assessment.

Thus, incorrect maintenance of data affected the credibility of data generated by Computer Centre and defeated the basic objective of preventing evasion of tax through suppression of purchases, etc.

6.3.7 Non-utilisation of infrastructure

The department purchased 21 PCs[Ψ] during January 1990 to January 1998. 3 PCs were provided to Sales Tax check post Lakhanpur and 1 PC to Commissioner of Sales Tax. Out of remaining 17 PCs only 10 PCs were found in operation effectively. 7 PCs remained unutilised since January 1990 up to June 1999. Out of 11 Air Conditioners of 1.5 tonne capacity, 5 ACs purchased during November 1989 and August 1998 and one 3 KV uninterrupted power supply transformers were not functional.

6.3.8 Purchases held under suspense

Purchases worth Rs 171.91 crore lying in suspense

As on June 1999, purchase bills of Rs 171.91 crore for the year 1994-95 to 1997-98 had been kept under suspense account in the centre due to improper verification of way bills at check post Lakhanpur. Test-check revealed that no mechanism was evolved for ensuring assessment/reassessment of cases on clearance of suspense account.

[Ψ] Purchase value of PC's (Personal Computers) not available in the computer centre

6.3.9 Recommendations

The quality of work at the centre needs to be monitored closely for ensuring the timeliness, reliability and credibility of the data base. This can be ensured by proper internal control systems which need to be established and followed.

The above points were referred to the Government in August 1999; reply had not been received (October 1999).

Section-B

Finance Department

6.4 Loss of revenue due to incorrect fixation of minimum reserve price

Non-adherence to the established policy of fixation of Minimum Reserve Price during 1997-98 resulted in under realisation of licence fee of Rs 26.37 crore during 1997-98 and 1998-99.

Licence fee for retail vend of country liquor is determined every year on the basis of licence fee realised from auction of liquor vends conducted by the department in the previous year. Minimum licence fee for each vend or group of vends is fixed prior to auction and disclosed to the prospective bidders. Till 1995-96 the minimum reserve price for country liquor was determined by adding 10 *per cent* to the price obtained for the preceding year. During 1996-97 the auction of the retail vend of country liquor was not conducted by the State Government and country liquor was sold departmentally between November 1996 and March 1997. In a departure from the policy of 10 *per cent* annual growth in minimum reserve price, licence fee was fixed on the basis of Rs.45 per bottle of 750 ml. capacity during 1997-98. In the next year (1998-99) the minimum reserve price was arrived at after adding 10 *per cent* to the licence fee realised during 1997-98. Determination of a lower MRP[Ψ] during 1997-98 has had an adverse effect on fixation of MRP in the subsequent year and the consequent under realisation of licence fee as detailed below :

[Ψ] Minimum Reserve Price

(Rupees. in crore)

Year	Quota of country liquor allotted (in lakh bottles of 750 ml)	Notional licence fee recoverable (assuming an annual growth of 10 *per cent*)	Minimum licence fee actually fixed	Licence fee realised	Under realisation of licence fee
1995-96	61.97	26.00	26.00	33.69	-
1996-97	-	37.06	No auction was conducted.		
1997-98	61.33	40.77	27.60	28.02	12.75
1998-99	64.40	44.85	30.50	31.23	13.62

The basis and rationale for fixing minimum reserve price during 1997-98 much lower than the amount based on the government's policy of 10 *per cent* annual growth was not furnished to audit. The relevant records were also not made available for scrutiny.

Thus, an unexplained departure from the Government's Excise Policy in fixation of licence fee during 1997-98 has had a recurring adverse effect on licence fee in subsequent year. The undervaluation on this account during 1997-98 and 1998-99 added to Rs.26.37 crore.

6.5 Discrepancies in stock account of country liquor

Country liquor valued at Rs 54.69 lakh was not accounted for in the records of the Department. Besides, the Department suffered loss of revenue of Rs 2.35 lakh due to inadmissible allowance of wastage/leakage of country liquor.

(i) A test check of records of Deputy Commissioner Excise (Executive) revealed (June 1998) that out of the unsold stocks of country liquor of 80 quarts, 63 pints, 23802 nips (250 ml) and 7512 nips (180 ml) returned to the department (ending March 1997) by the departmentally run vends, 7 quarts, 18172 nips (250 ml) and 7412 nips (180 ml) valued at Rs 5.52 lakh were not accounted for in the records. Action to recover the cost of country liquor short accounted for had not been taken by the department.

On the omission being pointed out (July 1998) the department stated (July 1998) that the case was under process. Further progress of recovery was awaited (October 1999).

(ii) The sale of country liquor was taken up departmentally in Jammu Division from November 1996 to March 1997 for which 64 vends out of 82 were operated. The comparison of the records of supply of country liquor by the distilleries and that accounted for by the vends revealed short accountal of country liquor valued at Rs 49.17 lakh by the vends. The matter was brought to the notice of the department (November 1997) for reconciliation and investigation. Further progress in the matter was awaited (October 1999).

(iii) No wastage/leakage of country liquor in storage and sale thereof in the vends was provided in the rules. However, leakages of country liquor in pouches were reported by the vends during November 1996 to March 1997 for which no corrective measures were taken by the department. The leakages were allowed by the department leading to loss of revenue to the Government to the extent of Rs 2.35 lakh. The matter was brought to the notice of the department in November 1997, reply was awaited (October 1999).

6.6 Short levy of tax due to application of lower rate of tax

Failure of the Assessing authority to apply correct rate of tax resulted in short levy of tax and interest of Rs 1.30 lakh.

The State Government increased the tax rate of Drugs and Medicines from 4 to 8 *per cent* under the Jammu and Kashmir General Sales Tax Act, 1962, with effect from 1 July 1994.

Test-check (September 1998) of the records in Sales Tax Circle C in Srinagar, revealed that the Assessing authority, while assessing the taxable turnover of Rs 8 lakh and Rs 12 lakh of a dealer for the accounting years 1995-96 and 1996-97, respectively, levied tax at the rate of 4 *per cent* instead of 8 *per cent*. Thus, application of lower rate of tax resulted in short levy of tax and interest aggregating Rs 1.30 lakh (tax: Rs 84,000; interest: Rs 46,000).

On being pointed out (September 1998), the Assessing authority reassessed the case (April 1999) and raised additional demand against the dealer. Further report on recovery was awaited (October 1999).

The matter was referred to Government in August 1999; reply had not been received (October 1999).

6.7 Incorrect determination of taxable turnover

Failure of the Assessing authority to determine taxable turnover correctly resulted in short levy of tax, interest and penalty of Rs 1.37 lakh.

Under the Jammu and Kashmir General Sales Tax Act, 1962 and rules made thereunder, every registered dealer shall submit a true and correct return of his turnover in such manner as may be prescribed by the Act. The Act also provides that where a dealer has, without reasonable cause, failed to furnish the correct return of his turnover, the Assessing authority shall direct that person to pay in addition to tax payable by him, an amount by way of penalty which shall not be less than the amount of tax evaded. In addition, interest at varying rates is also leviable from the date the tax was payable to the actual date of payment.

Test check (April 1998) of the assessment records of Sales Tax Circle "J" Jammu revealed that a dealer who had total sales of Rs 1,26,69,027, which included exempted sales of Rs 74,56,916 made to Canteen Stores Depot, during the year 1995-96 disclosed net taxable turnover of Rs 47,17,217 instead of Rs 52,12,110 in his Trading Account. The Assessing authority while assessing (July 1997) the dealer to tax failed to detect the suppression of the taxable turnover of Rs 4,94,893. The omission resulted in short recovery of tax, interest and penalty of Rs 1.37 lakh (tax: Rs 52000; Penalty: Rs 52000; interest Rs 33000 up to April 1998).

On being pointed out (April 1998) in Audit, the Department reassessed (December 1998) the case and raised an additional demand of Rs 1.50 lakh (including interest up to December 1998). Further report on the recovery was awaited (October 1999).

The matter was referred to the Government in August 1999; reply had not been received (October 1999).

6.8 Non-recovery of tax and interest

Inadmissible exemption from payment of tax granted to a dealer resulted in non-recovery of tax and interest of Rs 8.88 lakh.

The Supreme Court, in case of Jagjivan Dass Shet Vs State of Maharashtra (AIR 1963 SC 665), held that cotton wool, roller Bandage and Gauze, being essential materials for treatment in surgical cases and aids in healing process, shall be termed as drugs. Thus, the commodity is leviable to Sales tax at the rate of 8 *per cent* under General Sales Tax Act, 1962.

Test-check (December 1998) of the records of Sales Tax Circle 'A' in Jammu revealed that a dealer was allowed exemption from payment of Sales Tax by the Assessing Authority on the Sales of Bandage/Gauze cloth amounting to Rs 54.59 lakh made during the years 1994-95 to 1996-97. The exemption was allowed (June 1996/January 1997/May 1998) by the Assessing authority on the premise that Bandage and Gauze was cotton fabric and hence exempted from tax. On being pointed out in audit, the assessing authority stated (September 1999) that the Commissioner Sales Tax issued clarification (September 1999) for charging the commodity at the rate of 8 *per cent* which would have a prospective effect. The contention of the Assessing authority was not, however, correct considering the earlier Supreme Court ruling on the subject.

Inadmissible exemption allowed to the dealer thus, resulted in non-recovery of tax and interest aggregating Rs 8.88 lakh (tax: Rs 4.59 lakh; interest: Rs 4.29 lakh).

The matter was reported to the Commissioner Sales Tax in June 1999 and to the Government in August 1999; reply had not been received (October 1999).

6.9 Suppression of turnover

Failure of the Assessing authority to detect suppression of purchases resulted in short levy of tax, interest and penalty of Rs 3.40 lakh and loss of revenue of Rs 1.11 lakh.

Under the Jammu and Kashmir General Sales Tax Act, 1962 and rules made thereunder, every registered dealer shall submit a true and correct return of his turnover in such manner as may be prescribed under the Act. The Act also provides that where a dealer has without any cause, failed to furnish the correct return of his turnover or has concealed the particulars of his turnover, the Assessing authority shall direct that person to pay in addition to tax payable by him an amount by way of penalty which shall not be less than the amount of tax evaded by the dealer. In addition, interest is also leviable. In the following two cases concealment of purchases leading to evasion of tax was noticed as discussed below:

(a) Test-check (July 1998) of the records of Sales Tax Circle 'F' Jammu revealed that a dealer had not included in his purchase statement and trading account, inter-state purchases valued at Rs 13.61 lakh made by him during 1995-96 as per 'C' forms consumption statements. The Assessing authority, while assessing (May 1997) the dealer to tax had failed to detect the discrepancy resulting in suppression of turnover of Rs 14.84 lakh with consequential short levy of tax, interest and penalty of Rs 3.40 lakh.

On this being pointed out in audit (July 1998), the Department detected further concealment of turnover of Rs 4.56 lakh and raised (March 1999) total additional demand of Rs 4.85 lakh (tax: Rs 1.63 lakh: penalty: Rs 1.63 lakh; and interest: Rs 1.59 lakh) against the dealer. Further report on the recovery was awaited (September 1999).

(b) In another Sales Tax Circle in Jammu, a dealer had not accounted for in his purchase statement/trading account inter-state purchases valued at Rs 5.55 lakh made by him during 1996-97 as per available details of lading bills. Further against purchases of Rs 56.07 lakh made by the dealer during the same year as per the inter-state purchase statement, only purchases of Rs 52.45 lakh were actually assessed to tax due to totalling mistake. The assessing authority while assessing (March 1998) the dealer failed to detect the concealment of turnover of Rs 10.13 lakh resulting in short levy of tax, interest and penalty of Rs 1.11 lakh.

On this being pointed out (September 1998) in audit, the Assessing authority stated (April 1999) that the statutory notice could not be served upon the dealer as he had since left the State and that notice was now being served to the Principal Company, of which the assessee was a constituent unit.

Thus, failure of the Assessing authority to detect concealment of purchases due to wrong totalling of purchase statement and non-verification of lading bill records at the time of framing assessments of the case resulted in loss of revenue of Rs 1.11 lakh.

The matter was referred to Government in July 1999; reply had not been received (October 1999).

6.10 Underassessment due to misclassification of taxable stocks

Misclassification of taxable stocks resulted in concealment of turnover of Rs 3.31 lakh with consequential short levy of tax, interest and penalty of Rs 1.03 lakh.

Under the provisions of Jammu and Kashmir General Sales Tax Act, 1962 if a dealer conceals his turnover or furnishes inaccurate particulars thereof, the Assessing Authority shall direct that dealer to pay, in addition to tax due on such turnover, a sum by way of penalty which is not less than the amount of tax evaded. For non/short payment of tax along with the returns, interest is chargeable on the amount of tax due at varying rates from 1.5 *per cent* to 3 *per cent* per month depending on the period of default.

During the audit of records of Sales Tax 'D' Circle, Jammu it was noticed (October 1998) that a dealer had misclassified the opening stocks valued at Rs 3.18 lakh as non-taxable stocks in his trading account for 1995-96. This omission escaped the notice of the Assessing Authority while finalising (June 1997) the assessment for the year 1995-96 resulting in concealment of taxable turnover of Rs 3.31 lakh with consequential short levy of tax of Rs 1.03 lakh including interest and penalty.

On this being pointed out (October 1998) in audit, the Department raised (November 1998) additional demand for Rs 1.12 lakh. As of May 1999, recovery of Rs 0.35 lakh had been made against the total demand of Rs 1.12 lakh. Further report on the recovery of balance amount is awaited (September 1999).

The matter was referred to the Government in April 1999; reply had not been received (October 1999).

6.11 Suppression of purchases

Failure to detect suppression of purchases by the Assessing Authority resulted in short levy of tax, interest and penalty of Rs 9.38 lakh

Under the Jammu and Kashmir General Sales Tax Act, 1962 and rules made thereunder, every registered dealer shall submit a true and correct return of his turnover in such manner as may be prescribed under the Act. The Act also provides that where a dealer has, without any cause, failed to furnish the correct return of his turnover or has concealed the particulars of his turnover, the Assessing Authority shall direct that person to pay in addition to tax payable by him an amount by way of penalty which shall not be less than the amount of the tax evaded by the dealer. In addition, interest is also leviable at the rates ranging from 1.5 *per cent* to 3 *per cent* per month from the date the tax was payable to the actual date of payment.

Test-check of records of the Sales Tax circle 'E' in Jammu revealed (September 1997) that a dealer had disclosed inter-state purchases of taxable goods valued at Rs 20.18 crore in his trading account during 1992-93 against purchases valued at Rs 20.44 crore as per consumption account of 'C' forms rendered by him. The Assessing Authority while assessing (March 1997), the dealer failed to detect the suppression of purchases. This resulted in short levy of tax of Rs 9.38 lakh including interest and penalty.

On this being pointed out in audit, the Department issued (September 1998) notice of demand for Rs 9.38 lakh against the dealer. Further Report on the recovery is awaited (October 1999).

The matter was referred to the Government in April 1999; reply had not been received (October 1999).

6.12 Evasion of Tax

Short levy of differential tax of Rs 2.74 lakh due to increase in rent of the immovable property let out.

Under the Jammu and Kashmir UIP* Tax Act, 1962 and the rules framed thereunder, tax on the immovable property let out is payable by the owner (s) on the annual letting value of the property determined. The Department shall prepare valuation list of all properties let out which remains in force for five years. Further, in case of any increase in rent of the immovable property after completion of the valuation list, the owner shall report such increase to the Assessing Authority within two months of the date of such occurrence. For any property which has escaped assessment by reason of any omission, the Assessing Authority is required to issue a notice for making an order of assessment and demanding the tax.

A test-check of records of an assessee in UIP Tax circle 1 and Income Tax Department, Jammu revealed (October/December 1998) that three co-owners had leased out their immovable property to a limited company initially at a monthly rent of Rs 2600 which was subsequently enhanced to Rs 30000 per month from January 1993. The owners of the property who were jointly assessed did not, however, report such enhancement in rent to the Assessing Authority with the result it continued to be assessed to UIP tax at the monthly rent of Rs 2600 resulting in short levy of tax amounting to Rs 2.74 lakh.

On this being pointed out (December 1998) by audit, the Assessing Authority UIP Tax Circle-1, Jammu stated (January 1999), that the current valuation list effective from 1 April 1997 would be brought in accord with the existing circumstances and orders passed accordingly. However, in respect of underassessment of annual letting value of the property for the period from January 1993 to March 1997 involving short levy of tax amounting to Rs 2.74 lakh, it was stated that provision for re-opening of the case after expiry of valuation period did not exist in the Act. The contention of the Assessing Authority is not, however, consistent with the provisions of the Act which does not specify any time limit for initiating assessment proceedings for levying tax for earlier valuation period. Further developments of the case were awaited (October 1999).

* UIP-Urban Immovable Property

The matter was referred to the Government in April 1999; reply had not been received (October 1999).

6.13 Non-charging of interest

Non-charging of interest on belated payments of licence fee resulted in non-realisation of revenue of Rs 2.82 lakh.

Under Jammu and Kashmir State Excise Act, Samvat 1958, if any tax or other amount due is not paid by the licensee or other person from whom it is due within the time specified for payment or within a period of 3 months from the date of demand whichever is earlier, the licensee or other person shall be liable to pay in addition to amount due a sum equal to 2 *per cent* of such tax or amount for each month or part thereof after the period specified for its payment.

During audit of the records of the Excise Commissioner, Jammu it was noticed (April 1998) that licence fee of Rs 10 lakh for the years 1995-96, 1996-97 and 1997-98 was not paid by 6 licensees within the specified period. Interest at 2 *per cent* per month amounting to Rs 2.82 lakh was, however, not realised by the Department.

On this being pointed out in audit, the Department stated (April 1998) that interest on all belated payments would be worked out and recovered from the licensees. Further report on the recovery is awaited (October 1999).

The matter was referred to Government in April 1999; reply had not been received (October 1999).

Forest Department

6.14 Non-raising of bills resulting in non-recovery of revenue

Non-raising of bills by the Forest Department resulted in non-recovery of Rs 24.34 lakh as royalty.

After the enactment of Jammu and Kashmir State Forest Corporation Act, 1978, earmarked forests are handed over to the Corporation for commercial exploitation. The bills for cost of trees handed over to the Corporation are, thereafter, raised by the State Forest Department on the basis of sanctioned rates.

Test-check of records in Forest Division, Udhampur revealed (June 1997) that 728 trees and 461 poles of different species having volume of 57280.50* cft timber were handed over to Corporation for exploitation during 1995-96. The Division, however, failed to raise the bill for the cost of timber against the Corporation resulting in non-recovery of revenue of Rs 24.34 lakh*.

On this being pointed out in audit (June 1997), the Division raised bills for Rs 24.34 lakh (December 1997/September 1998) against the Corporation. Further report on the recovery had not been intimated (November 1999).

The matter was referred to the Government in April 1999; reply had not been received (November 1999).

* 412 Kail green/dry trees: 28322 cft; 192 Deodar dry trees: 15360 cft; 124 Fir/spruce dry trees: 11524 cft and 461 Kail/Deodar/Fir poles: 2074.50 cft.
* Volume of all dry standing fallen trees are charged at half rates except dry Deodar which is charged at three-fourth of the rates.

Section-I

7.1 General view of Government Companies and Statutory Corporations

7.1.1 Introduction

As on 31 March 1999 there were 19 Government companies (including one subsidiary) and four Statutory Corporations under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors appointed by Government of India on the advice of Comptroller and Auditor General of India (CAG) as per provision of Section 619 (2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 (4) of the Act, ibid. Audit of two Statutory corporations viz Jammu and Kashmir State Forest Corporation and Jammu and Kashmir State Electricity Board set up under the respective Acts of the State Legislature had not been entrusted to CAG. The audit of the remaining statutory corporations are conducted under the provisions of the respective Acts as detailed below:

S.No	Name of the Corporation	Authority for audit by the CAG	Audit arrangement
1.	Jammu and Kashmir State Road Transport Corporation (SRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
2.	Jammu and Kashmir State Financial Corporation (SFC)	Section 37(6) of the State Financial Corporations Act, 1951.	Chartered Accountants and supplementary Audit by CAG

7.2 Investment in Public Sector Undertakings (PSUs)

As on 31 March 1999 total investment in 21 Public Sector Undertakings (19 Government companies including one Subsidiary and two Statutory corporations) was Rs 1223 crore (equity: Rs. 377.02 crore, long term loans: Rs 845.98 crore) against total investment of Rs 878.56 crore (equity: Rs 326.76 crore[Ψ]; long term loans: Rs 551.80 crore) in these PSUs as on 31 March 1998. The analysis of investment in PSUs is given in the following paragraphs.

[Ψ] Includes Rs 15 crore invested by Government of India in Jammu and Kashmir State Road Transport Corporation during 1997-98 and excludes Rs 3.12 crore invested by Government in Jammu and Kashmir Tourism Development Corporation and Jammu and Kashmir Women's Development Corporation Limited (Rs 25 thousand) in 1997-98 but adjusted in 1998-99.

7.2.1 Government companies

Total investment in 19 Government companies (including one subsidiary) as on 31 March 1999 was Rs 848.71 crore (equity: Rs 217.09 crore, long-term loans: Rs 631.62 crore) as against Rs 573.28 crore (equity: Rs 193.22 crore; long-term loans: Rs 380.06 crore) as on 31 March 1998. Details are indicated in the *Appendix-14*.

The classification of the these companies was as under:

Status of companies	Number of companies	Investment (Rupees in crore)	
		Paid-up capital	Long-term loans
(a) Working companies	18	216.29 (192.42)	630.81 (380.06)
(b) Non-working company-under liquidation.	1	0.80 (0.80)	0.81 (NA)
Total	**19**	**217.09 (193.22)**	**631.62 (380.06)**

(Figures in brackets are of previous year)

The non-working company (Tawi Scooters Limited) was under the process of liquidation since 1990. As substantial investment of Rs 1.61 crore was involved in this company, effective steps need to be taken for its expeditious liquidation or revival.

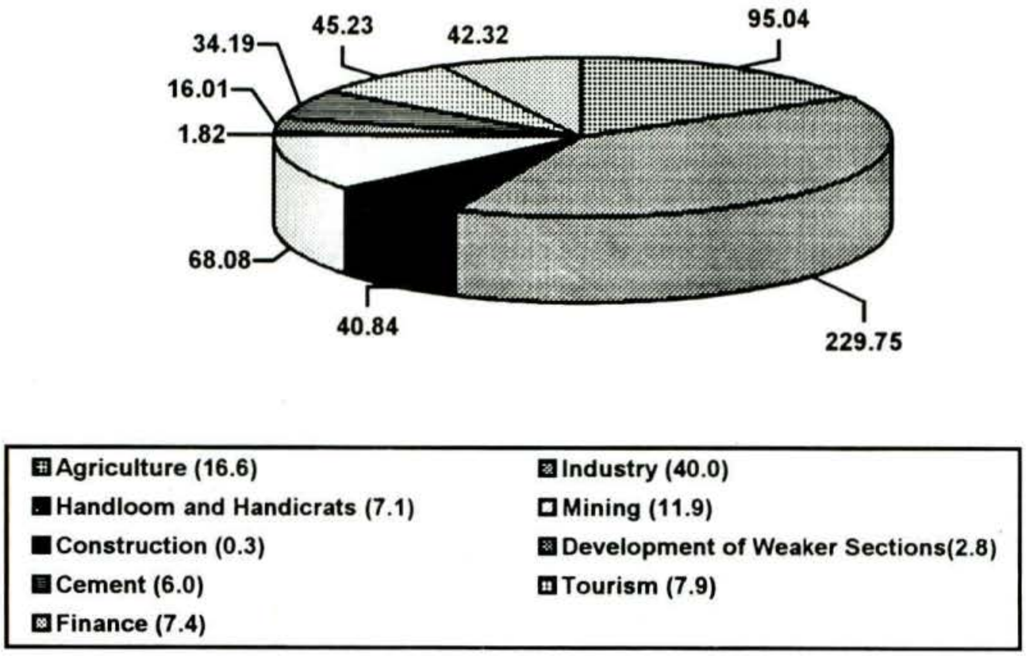
The summarised financial results of all the Government companies is detailed in the *Appendix-15*. Due to significant increase in long-term loans under Agriculture, Industry, Handloom and Handicraft and Mining sectors, debt-equity ratio of the companies as a whole increased from 1.97 in 1997-98 to 2.91 in 1998-99.

Sector-wise investment in Government companies

The sector-wise investment (equity and long-term loans) in Government companies as at the end of 1997-98 and 1998-99 is given below in two pie diagrams.

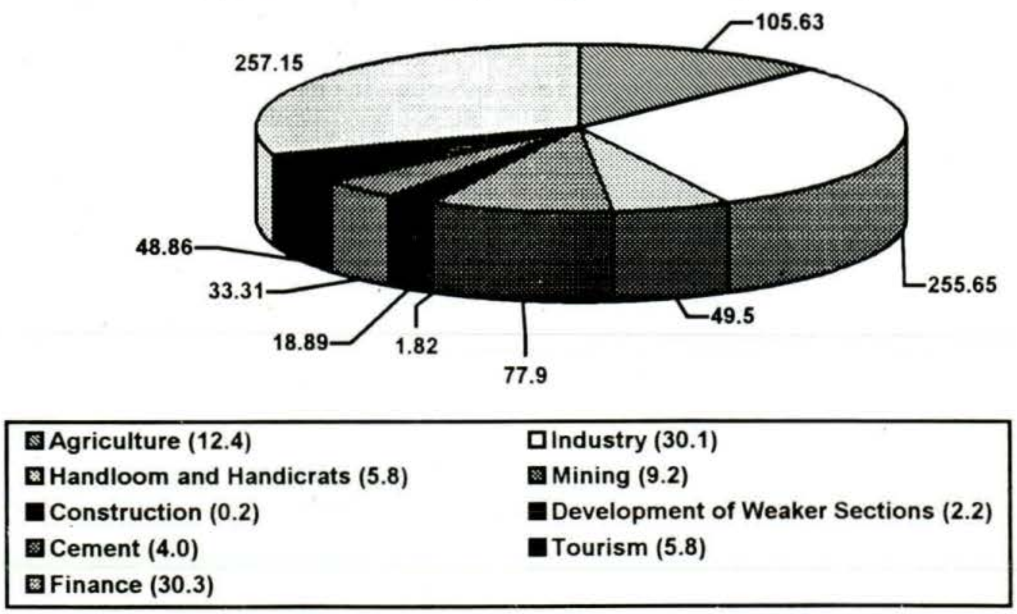
Sector-wise investment at the end of 1997-98 (Rupees in crore)

(Figures in brackets are percentages of investment)



Sector-wise investment at the end of 1998-99 (Rupees in crore)

(Figures in brackets are the percentages of investment)



As on 31 March 1999, of the total investment in Government companies, 26 *per cent* comprised equity capital and 74 *per cent* comprised loans, as compared to 34 *per cent* capital and 66 *per cent* loan in the previous year.

7.2.2 Statutory corporations

The total investment in two Statutory corporations at the end of 1997-98 and 1998-99 was as follows:

(Rupees in crore)

Name of Corporation	1997-98		1998-99	
	Capital	Loan	Capital	Loan
Jammu and Kashmir State Road Transport Corporation (SRTC)	90.87	125.38	96.13	163.75
Jammu and Kashmir State Financial Corporation Limited (SFC)	42.67	46.36	63.80	50.61
Total	**133.54**	**171.74**	**159.93**	**214.36**

The summarised financial results of these Statutory corporations are given in *Appendix-15* and financial position as also working results for the three years up to 1998-99 as per their latest finalised accounts are given in *Appendices* 17 and 18.

Due to significant increase in the long-term loans, the debt equity ratio of these corporations increased from 1.29 in 1997-98 to 1.34 in 1998-99.

As on 31 March 1999 the total investment in Statutory corporations comprised 43 *per cent* as equity capital and 57 *per cent* as loan compared to 44 *per cent* and 56 *per cent* respectively as on 31 March 1998.

7.3 Disinvestment, privatisation and restructuring of Public Sector Undertakings

One company viz. Tawi Scooters Ltd was under the process of liquidation/amalgamation with the Jammu and Kashmir State Industrial Development Corporation Limited (SIDCO) which had not been completed as of September 1999.

7.4 Budgetary outgo, subsidies, guarantees given and waiver of dues

The details of budgetary outgo, subsidies, guarantees given, waiver of dues and conversion of loans into equity by State Government to Government companies and Statutory corporations are given in *Appendices 14* and 16.

The budgetary outgo from the State Government to companies and two Statutory corporations for the years up to 1998-99 in the form of equity capital, loans, grants and subsidy is given below:

	1996-97				1997-98				1998-99			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
Equity Capital	5	7.34	2	6.11	8	26.80	2	10	8	2.91	1	5.25
Loans	7	22.65	-	-	6	35.19	-	-	6	29.03	1	20.04
Grants	1	0.55	-	-	5	8.64	-	-	6	92.85	-	-
Subsidy	2	2.82	-	-	3	4.01	-	-	2	2.05	-	-
Total outgo	12*	33.36	2	6.11	14	74.64	2	10	15	126.84	1	25.29

During the year 1998-99 the Government had guaranteed loans aggregating Rs 3.70 crore obtained by two Government companies (Rs 1.60 crore) and one Statutory corporation (Rs 2.10 crore). At the end of the year guarantees amounting to Rs 221.56 crore against nine Government companies (Rs 119.56 crore) and two Statutory corporations (Rs 102 crore) were outstanding.

7.5 *Finalisation of accounts by PSUs*

The accounts of the companies for every financial year ought to be finalised within six months from the end of relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 (1) of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months after the end of financial year. Similarly, in case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

However, as could be noticed from *Appendix 15*, out of 19 companies, and two Statutory corporations only one company (Jammu and Kashmir Bank Limited) had finalised its accounts for the year 1998-99 within the stipulated period and 12 companies had finalised 16 accounts for previous years during the period from October 1998 to September 1999. Similarly, during this period the two Statutory corporations finalised three accounts for earlier years. The position of arrears in respect of 18 companies and two Statutory corporations as on 30 September 1999 is as detailed below:

* These are the actual number of Companies/Corporations which have received budgetary outgo in the form of equity loans; grants and subsidy from the State Government during the respective years.

S.No.	Year from which accounts are in arrears	Number of years for which accounts are in arrears	No. of Companies/Corporations		Reference to Serial No. of *Appendix*-15	
			Gover-nment Compa-nies	Statutory Corporations	Govern-ment Compan-ies	Statutory Corporations
1.	1983-84	16	2	-	1, 12	
2.	1984-85	15	2	-	4, 11	
3.	1986-87	13	1	-	16	
4.	1988-89	11	1	-	9	
5.	1989-90	10	1	-	17	
6.	1990-91	9	3	-	7, 8, 13	
7.	1991-92	8	3	-	2, 3, 5	
8.	1992-93	7	2	-	10, 14	
9.	1994-95	5	1	-	15	
9.	1995-96	4	1	-	18	-
11.	1996-97	3	-	1	-	2
12.	1997-98	2	-	1	-	1
13.	1998-99	1	1	-	6	-
	Total		18	2	-	

Of the above 18 Government companies whose accounts were in arrears, one[Y] was a non-working company.

The Administrative Department has to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments were apprised quarterly by Audit regarding arrears in finalisation of accounts, no effective measures had been taken by the Government and as a result, the investments made in these PSUs remained outside the purview of the audit and their accountability could not be assessed in audit.

7.6 Working results of Public Sector Undertakings

According to latest finalised accounts of 19 Government companies, while only three companies earned a profit of Rs 85.48 crore, 13 suffered a loss of Rs 19.35 crore and remaining three had not finalised their accounts as of October 1999. The two Statutory corporations incurred a loss of Rs 60.50 crore. Of the 15 loss-making companies, five companies had accumulated losses aggregating Rs 63.77 crore as per their latest finalised accounts which had far exceeded their aggregate paid-up capital of Rs 28.45 crore.

In spite of poor performance and complete erosion of their paid-up capital, the State Government continued to provide financial support to these companies in the form of equity and loans. According to available information,

[Y] Tawi Scooters Limited

the financial support so provided by the State Government by way of equity and loans during 1998-99 to three out of these five companies amounted to Rs 18.99 crore.

7.6.1 Government Companies

Only one company viz. Jammu and Kashmir Bank Limited which finalised its accounts for 1998-99 had earned a profit of Rs 85.45 crore during the year and declared dividend of Rs 13.22 crore. The dividend as percentage of share capital of the company worked out to 27.6 and as a percentage of total investment of Rs 185.43 crore made by the State Government in all the companies, it worked out to 7.1. Two companies (Jammu and Kashmir Projects Construction Corporation Limited and Jammu and Kashmir Small Scale Industries Development Corporation Limited) which had finalised their accounts for the earlier years earned an aggregate profit of Rs 3.16 lakh but did not declare any dividend. Of these two companies, only one company (Jammu and Kashmir Projects Construction Corporation Limited) had earned profit for three consecutive years.

7.6.2 Statutory corporations

None of the Statutory corporations had finalised its accounts for the year 1998-99. As per their latest accounts, both had incurred losses which accumulated to Rs 351.89 crore and exceeded their paid-up capital of Rs 144.55 crore.

In spite of poor performance and erosion of paid-up capital, the State Government continued to provide financial support to these corporations in the form of equity and loans. The financial support so provided by the State Government during 1998-99 to Jammu and Kashmir State Road Transport Corporation amounted to Rs 25.29 crore. The operational performance of Jammu and Kashmir State Road Transport Corporation is given in *Appendix*-19 and that of Jammu and Kashmir State Financial Corporation is given in Paragraph 7.11.5.

7.7 Return on Capital Employed

During 1998-99 the capital employed[Ψ] in respect of Government companies for the latest year for which accounts were finalised worked out to Rs 4118 crore in all the 19 companies and total return[◊] thereon amounted to Rs 504.34 crore which was 12.25 *per cent* as compared to 12.75 *per cent* in 1997-

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[Ψ] Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in financial companies and corporations, where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves 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 accounts.

98. In case of Statutory corporations, total capital employed amounted to Rs 245.34 crore for the latest year for which accounts were finalised and total return thereon amounted to minus Rs 31.54 crore, against minus 9.52 crore in 1997-98. The details of capital employed and total return thereon in case of all the companies and the corporations on the basis of their latest available accounts are given in *Appendix*-15.

7.8 *Results of audit by Comptroller and Auditor General of India*

During the period from October 1998 to September 1999, audit of accounts of 13 companies and one Statutory corporation (Jammu and Kashmir State Road Transport Corporation) was selected for review. The net impact of the important audit observations as a result of the review was as follows:

	Details	No. of accounts		Rupees in lakh	
		Companies	Statutory Corporations	Companies	Statutory Corporations
(i)	Increase in profit	1	-	0.18	-
(ii)	Increase in losses	-	2	-	62.62

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above companies and corporations are mentioned below:

A. *Errors and omissions noticed in Government Companies*

1. Jammu and Kashmir Small Scale Industries Development Corporation (1983-84)

Loans and Advances included material-at-site valued at Rs 5.79 lakh and 'Rent Recoverable' amounting to Rs 7.44 lakh which should have been depicted under "Stores and Spares" and "Sundry Debtors" respectively. As a result of this, Loans and Advances were overstated by Rs 13.23 lakh and the Heads 'Stores and Spares' and 'Sundry Debtors' were understated.

2. Jammu and Kashmir Minerals Limited (1983-84)

An amount of Rs 1.14 crore representing deferred expenditure was included in "Current Assets, Loans and Advances" instead of "Miscellaneous Expenditure-not written off". This resulted in overstatement of "Current Assets, Loans and Advances" and understatement of " Miscellaneous Expenditure".

B. Errors and Omissions noticed in Statutory Corporations

I. Jammu and Kashmir State Road Transport Corporation (1996-97)

(i) An amount of Rs 1.50 crore received by the Corporation on account of loan during 1991-92 was shown as share capital by the Corporation. This led to understatement of loans and overstatement of share capital by Rs 1.50 crore.

(ii) The current liabilities were understated to the extent of Rs 2.62 crore on account of under provision of Audit fee (Rs 0.80 crore) and non-provision of interest payable on Contributory/General Provident Funds (Rs 1.16 crore), compensation and interest on Motor Accident Awards (Rs 0.43 crore) and rentals (Rs 0.23 crore).

II. Jammu and Kashmir State Financial Corporation (1995-96)

(i) The Corporation had not provided for the guarantee fee amounting to Rs 22.57 lakh payable to the Government in consideration of guarantees given by the Government resulting in understatement of current liabilities and loss to that extent for the year 1995-96.

(ii) Under Section 6 (1) of the SFC, Act the State Government has guaranteed repayment of share capital and annual dividend at the rate of 3.5 to 7.5 *per cent* of the paid-up capital. In its accounts for the year 1995-96, the Corporation provided Rs 1.13 crore only on this account against Rs 1.50 crore which resulted in understatement of current liabilities and provisions and loss to the extent of Rs 37.42 lakh.

C. Persistent irregularities and system deficiencies in financial matters of Jammu and Kashmir State Road Transport Corporation

The following persistent irregularities and system deficiencies in the financial matters of Jammu and Kashmir State Road Transport Corporation had been repeatedly pointed out during the course of audit of the accounts but no corrective action was taken by these PSUs so far:

(a) The Corporation has not maintained since inception the fixed assets register recording particulars of the fixed assets, date (s) of acquisition, original cost of the asset, rate of depreciation, written down value and other details. In absence of such a register, the correctness of depreciation charged in the accounts could not be verified in audit.

(b) An amount of Rs 2.67 crore was subject to reconciliation on account of inter-unit adjustment. No concrete steps had been taken to reconcile the balance and to minimise the balances under the head.

(c) An amount of 18 lakh on account of advance on capital account pertaining to the period prior to 1989-90 was being carried forward from year to year without adjustment. No details/adjustments/inventory sheet of the capital account was furnished to audit.

(d) Other irregularities

The following deficiencies and accounting irregularities persisted during 1996-97 although pointed out in previous Audit Reports:

(i) The books of accounts were not maintained in accordance with the principles of commercial accounting system by maintaining controlling ledgers and financial ledgers in Head Office and at the units;

(ii) Inter-unit adjustment accounts were not operated upon for adjustment of advances, transfer of stores etc;

(iii) The book debts were not segregated into good, bad and doubtful;

(iv) There were abnormal delays in recoveries, adjustment of balances under advances, deposits, purchases, sundry debtors and other recoverable inter-divisional transactions;

(v) Reconciliation of transactions between the originating and the responding units and parties was not undertaken;

(vi) Obsolete spare parts were included in stores and stocks at book value;

(vii) Reconciliation of discrepancies on account of cash-in-transit transactions had not been done;

(viii) Priced store ledgers were not maintained;

(ix) Maximum, minimum and reordering levels of stores at Head office and at its various depots were not maintained,

(x) The stocks of tickets and passes were not physically verified in any of the units including at Headquarters of the corporation. The prescribed scheme was not carried out to ensure that revenue collection had been properly accounted for, as the accounts of the tickets sold and monthly ticket accounts were not prepared in any unit;

(xi) Neither the party-wise balances of subsidiary ledgers were maintained nor any confirmation of the balances from the respective parties obtained;

(xii) The corporation has not maintained proper accounts and other records according to the format proposed by the CAG of India to the State Government in August 1976 under Section 33(I) of the Road Transport Act, 1950.

7.9 Position of discussion of Commercial Chapter by the Committee on Public Undertakings

Status of reviews/paragraphs of Commercial Chapter pending discussion as on 31 March 1999 was as under:

Period of Audit Report	Total number of reviews and paragraphs appeared in Commercial Chapter		No. of reviews and paragraphs pending discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1990-91	1	4	-	2
1991-92	3	2	2	-
1992-93	2	1	1	-
1993-94	1	2	-	-
1994-95	3	1	-	-
1995-96	1	4	-	-
1996-97	2	1	-	-
Total	13	15	3	2

7.10 Readiness of PSUs for facing Y2K problem

Of the 19 Government companies and two Statutory corporations only one Company viz. Jammu and Kashmir Bank Limited had adopted computerised accounting system partly at Central office and in branches. As per information available, the Bank is Y2K compliant.

Section-A

Jammu and Kashmir State Financial Corporation

7.11 Disbursement of loan and Recovery Performance

Highlights

Jammu and Kashmir State Financial Corporation was established in December 1959 under the State Financial Corporations Act, 1951 with the main objective of providing financial assistance to industries, hotels, etc. Delay in processing and pendency of a large number of applications seeking financial assistance, defective appraisal of loan cases including obtaining inadequate security, poor post-disbursement monitoring and delay in initiating penal action for recovery of overdues were the main reasons for the poor functioning of the Corporation.

- **The Corporation utilised available funds on repayment/redemption of loans and bonds raised from IDBI/SIDBI and only 7 *per cent* of the funds were disbursed as loan to entrepreneurs during 1994-95 to 1998-99.**

(Paragraph: 7.11.4)

- **Defective project appraisal and financing of non-viable and non-credit worthy units led to doubtful recovery of Rs 4.64 crore in 5 cases test-checked in audit.**

(Paragraph: 7.11.5.1)

- **Failure of the Corporation to grant loans against sufficient security to safeguard its financial interests, resulted in loss of Rs 3.60 crore in 18 test-checked cases, which were taken over and auctioned by the Corporation during 1993-94 to 1998-99.**

(Paragraph: 7.11.5.2)

- **Percentage of amount recovered to amounts due for recovery during the years 1994-95 to 1998-99 was very poor and decreased from 10 in 1994-95 to 6 in 1998-99. Consequently, overdues increased from Rs 232.13 crore at the end of 1993-94 to Rs 452.80 crore at the end of 1998-99.**

(Paragraph: 7.11. 6)

- **Failure of the Corporation to conduct post-disbursement inspections and effectively monitor progress of the units, resulted in recovery of Rs 3.59 crore becoming doubtful.**

(Paragraph: 7.11.6.1)

- **Delay in initiating penal action against the defaulters, resulted in non-recovery of Rs 2.29 crore in 5 test-checked cases.**

(Paragraph: 7.11.6.2)

7.11.1 Introduction

The Jammu and Kashmir State Financial Corporation was established as a Statutory corporation in December 1959, under the State Financial Corporations Act, 1951. The main objective of the Corporation is to provide financial assistance in the form of loans to industries (medium and small scale units including artisans), hotels, house-boats and transport sector for acquiring capital assets like land, building and plant and machinery for industrial development in the State.

7.11.2 Organisational set-up

The management of the Corporation is vested in the Board of Directors. As on 31 March 1999, there were 11 directors (including Chairman and Managing Director), of whom 5 were nominated by the State Government and six by various financial institutions, shareholders and public sector banks. The Managing Director is responsible for day to day functioning of the Corporation and is assisted by two General Managers (one each at Srinagar and Jammu), three Deputy General Managers and a Secretary who has the functional responsibility for monitoring recovery of loans.

7.11.3 Audit coverage

The performance of the Corporation in respect of recovery of loans and interest thereon during the period from 1994-95 to 1998-99 was reviewed in audit during February-June 1999. Important points noticed are discussed in the succeeding paragraphs.

7.11.4 Source and use of funds

Source-wise inflow of funds and their outflow on disbursement of term loans, redemption of bonds, payment of interest and other charges, etc. during each of the five years up to 1998-99 was as under:

(Rupees in crore)

S.No		1994-95	1995-96	1996-97@	1997-98	1998-99
	Source of funds					
(a)	Increase in paid-up capital	3.00	2.00	2.50	2.50	-
(b)	Borrowings from IDBI*/SIDBI**	1.45	-	0.73	1.07	6.82
(c)	Bonds and debentures	15.00	10.95	-	4.95	-
(d)	Repayment of loans including interest by borrowers	11.72	11.35	14.04	16.91	36.21Ψ
(e)	Interest/dividend receipts	11.37	10.13	--	--	-
(f)	Commission charges, etc.	0.13	1.07	--	--	-
(g)	Others	0.11	--	--	--	3.02
(h)	Opening cash balance and bank deposits	3.17	12.10	9.14	2.03	8.38
	Total	**45.95**	47.60	26.41	27.46	54.43
	Use of funds					
(a)	**Disbursement of loans**	**1.78**	1.76	1.34	1.23	7.90
(b)	**Repayment of loans to IDBI/SIDBI**	**13.58**	18.03	2.92	1.08	1.60
(c)	**Redemption of bonds**	-	0.83	3.58	2.72	4.95
(d)	**Payment of interest and other charges**	**16.57**	**15.86**	14.34	12.00	13.90
(e)	**Administrative expenses**	**1.72**	**1.92**	2.20	2.05	3.57
(f)	**Others.**	**0.20**	**0.06**	--	--	-
(g)	**Closing cash balance and deposits**	12.10	9.14	2.03	8.38	**22.51**
	Total	45.95	47.60	26.41	27.46	54.43

Disbursement of loans restricted to only 7 *per cent* of the available resources

As can be seen from the above, the Corporation utilised funds generated during 1994-95 to 1998-99 mainly to discharge its liabilities on repayment/redemption of loans and bonds raised from the financial institutions. Only Rs 14.01 crore, constituting 7 *per cent* of the funds available (Rs 201.85 crore) during this period, was disbursed as loan to entrepreneurs.

The Management in reply to an audit query stated (June 1999) that grant of loans was restricted due to abnormal conditions in the State and flow

@ Figures for the years 1996-97 to 1998-99 are provisional

* Industrial Development Bank of India

** Small Industrial Development Bank of India

Ψ Includes Rs 20.55 crore received under Debt Relief Scheme of the Central Government of limited applications. The reply is not tenable as the corporation had itself decided (1993-94) not to entertain fresh applications at district level until disbursements in case of earlier loans were fully met, which indicated insufficient generation/availability of resources for the main activity of the Corporation.

7.11.5 Sanction and disbursement of financial assistance

The Corporation on receipt of applications, accompanied by the appraisal reports, financial projections and other information pertaining to the venture for which assistance is sought, examines these for assessing the viability of the projects before sanctioning loans in favour of the applicants. The loans are sanctioned against mortgage of existing and future assets of the projects and collateral security. The position of applications received, loans sanctioned/disbursed and applications rejected/withdrawn during each of 5 years ending 1998-99 is tabulated below:

(Rupees in lakh)

	Particulars	1994-95		1995-96		1996-97		1997-98		1998-99	
		No	Amount	No	Amount	No	Amount	No	Amo-unt	No	Amount
1.	No of applica-tions at the beginning of the year.	503	1203.33	463	975.12	389	532.55	272	263.64	199	140.84
2.	Applica-tions received	-	-	13	91.14	30	212.39	16	172.80	255	1863.00
3.	**Total**	**503**	**1203.33**	**476**	**1066.26**	**419**	**744.94**	**288**	**436.44**	**454**	**2003.84**
4.	Loans sanctioned	5	52.80	19	203.42	38	289.46	28	213.25	261	1517.50
5.	Disburse-ments	4	178.32	11	175.69	27	133.81	30	123.09	192	790.00
6.	Applica-tions rejected/ withdrawn	35	175.41	68	330.29Ψ	109	191.84	61	82.35	31	65.71
7.	Applica-tions pending at the end of the year	463	975.12	389	532.55	272	263.64	199	140.84	162	420.63

Large number of applications for financial assistance pending disposal during 1994-98

It will be seen that a large number of applications were pending disposal at the beginning of each year from 1994-95 to 1998-99. Pendency of a large number of applications in spite of receipt of only 59 fresh applications during the period from 1994-95 to 1997-98 and delay in sanction of loans (out of 90 cases only 54 were sanctioned within 3 months during the period) suggest the need for streamlining the management controls related to sanction of advances.

Ψ Includes Rs 41.12 lakh reduced at the time of sanction.

The corporation since inception sanctioned term loans aggregating Rs 331.53 crore in favour of 18987 units out of which Rs 303.04 crore were disbursed to 18898 units up to 1998-99.

7.11.5.1 Project appraisal

Defective project appraisal and financing of non-viable and non-credit worthy units led to doubtful recovery of Rs 4.64 crore in 5 cases

Project Reports submitted by the promoters with the application for financial assistance is processed at the district level and forwarded to the head office of the Corporation for approval. Test-check of financial assistance cases revealed defective project appraisals and disbursements of loans such as financing of non-viable and non-credit worthy units, inadequate financial involvement of promoters, etc. resulting in doubtful recovery of Rs 4.64 crore in five cases as discussed below:

(a) M/S Khan Brick Kiln, Poonch

The Corporation sanctioned (March 1988) a term-loan of Rs 5.33 lakh in favour of the unit against mortgage of its assets, for setting up of a brick kiln at Mendhar, Poonch. According to the memorandum of terms and conditions, the promoters were to arrange working capital from banks. The Corporation, therefore, sought an assurance from bankers of the promoters for disbursement of working capital in favour of the unit. In response, the bankers had informed (February 1988) the Corporation that the working capital could not be released to the promoters as the site of the unit being uneven and full of boulders, was not suitable for establishment of a brick kiln. It was also pointed out that there was insufficient quantity of clay and shortage of water which were essential for establishment of the brick kiln. Despite the reservations expressed by the bank, the Corporation not only sanctioned loan of Rs 5.33 lakh but also sanctioned (November 1989) additional loan of Rs 3.45 lakh to the unit and released Rs 7.18 lakh to the unit between March 1989 and January 1990. The Corporation did not obtain any additional security for securing additional loan of Rs 3.45 lakh sanctioned in November 1989.

The unit failed to repay any instalment of loan and the total amount of default amounted to Rs 30.50 lakh up to March 1998 which included interest of Rs 23.32 lakh. The corporation had neither taken over possession of the assets of the unit nor had taken any legal action to realise its dues for which no reasons were intimated (October 1999).

Thus, due to defective appraisal of the unit coupled with inadequate security and failure to take over the unit, the chances of recovery of Rs 30.50 lakh appear remote.

(b) M/S Sasan Spinning Mills Pvt. Ltd

The Corporation sanctioned a term loan of Rs 29.25 lakh in favour of the unit in October 1987 out of which Rs 20.94 lakh were disbursed between April 1988 and February 1990. The loan was repayable in 13 half yearly instalments commencing after a moratorium of 18 months. The unit was in default from the very beginning. Records revealed that due to failure of the promoters to obtain working capital from the banks and non-availability of raw material, the unit took up job of spinning of wool tops of a Government company. The availability of wool tops being inadequate and working capital not forthcoming, the unit remained mostly idle and consequently defaulted in repayments.

The loan was obviously sanctioned without appraising the unit properly and ensuring availability of raw material. Efforts of the Corporation to auction the unit (July 1994) did not succeed with the result recovery of Rs 83.50 lakh (principal: Rs 20.94 lakh; interest etc.: Rs 62.56 lakh) against the unit as on January 1999, was doubtful.

(c) M/S Ardent Engineers Pvt. Limited

The Corporation sanctioned (October 1987) a term loan of Rs 28.79 lakh and special capital assistance of Rs 4 lakh (January 1989) in favour of a unit for manufacture of colour television sets. Out of this, the Corporation released Rs 12.66 lakh and Rs 1.50 lakh between February 1988 and October 1991. The project, estimated to cost Rs 50.93 lakh was to be financed, *inter alia*, from the capital of the promoters to the extent of Rs 2.37 lakh. The enterprise was also to be cleared by the Electronics Committee of the State.

The repayment of the loan was to commence from February 1990 and that of special capital assistance from December 1995. The unit defaulted in repayment of loan even after the Corporation agreed to (November 1991) moratorium of two years in the repayment of loan and its rescheduling. Consequently, the Corporation served a notice under Section 29 of the Act in December 1996, recalling the outstanding amount, which evoked no response from the unit holders. On an inspection of the unit by the Corporation in January 1997, it was found that no plant and the machinery was available at the site and the promoters had abandoned the unit. Efforts of the Corporation to dispose of the civil works to recover the outstanding did not succeed (May 1999). Meagre contribution by the promoters clearly indicated that the Corporations' funds were put to risk. Further clearance of the Electronics Committee of the State had also not been obtained.

Thus, defective appraisal of the unit, and failure to conduct periodic inspections to effectively monitor implementation of the unit, resulted in recovery of Rs 51.31 lakh (principal: Rs 14.16 lakh; interest: Rs 37.15 lakh) as on March 1998 becoming doubtful.

(d) M/S Ahdoos Hotels Pvt. Limited

The Corporation sanctioned a term loan of Rs 30 lakh in June 1985 in favour of the hotel unit which was released between October 1985 and May 1988. In November 1986, the promoters increased the bedroom capacity of the hotel and requested the Corporation for release of additional loan of Rs 25 lakh. While sanctioning additional loan of Rs 21.44 lakh in July 1988, the Board of Directors instructed that the loan should be released only after refinance by IDBI is sanctioned in favour of the Corporation and after the promoter had obtained the approval of the Tourism Department for increasing bedroom capacity. The Corporation, however, released additional loan of Rs 20.07 lakh between July 1988 and June 1989 without obtaining refinance from IDBI and without obtaining approval of the Tourism Department. Moreover, the additional loan was sanctioned (July 1988) and released in favour of the unit despite its default in repayment of the loan sanctioned earlier.

It was observed that the unit had defaulted in repayment of the loan from the very beginning and the Corporation adjusted the outstanding dues from the fresh instalments of loan released in favour of the unit. Further, security for the additional loan had not been obtained from the promoters except personal guarantee of the Director of the unit, which had no financial value. It was also seen that the Corporation had not taken any concrete measures to recover the outstanding dues of Rs 1.56 crore (principal: Rs 46.37 lakh; interest: Rs 1.10 crore) from the unit.

Thus, due to failure of the Corporation to safeguard its financial interests, recovery of Rs 1.56 crore (principal: Rs 46.37 lakh and interest: Rs 1.10 crore) outstanding against the unit as of October 1998 was doubtful.

(e) M/S New River View Hotel

The Corporation sanctioned a term loan of Rs 14.24 lakh in September 1983 in favour of the hotel unit for reconstruction of the hotel building which was in a dilapidated condition. The loan was released between April 1984 and July 1985 and its repayment was to commence from April 1986. The promoter could not complete the construction work fully as expenditure exceeded the original estimates. In order to complete the construction work, the prompter requested the Corporation (April 1987) for additional assistance of Rs 18 lakh. The Corporation sanctioned an additional loan of Rs 9.05 lakh in June 1987 with the condition that the promoter should clear the entire amount of default before disbursement of the fresh loan.

It was, however, observed that the additional loan of Rs 9 lakh was released to the unit between September 1987 and January 1989 without the unit clearing the amount of default. Besides, the Corporation, had in violation of its normal practice accepted the guarantee of a third party which was also in default with the Corporation. No action was taken to recover the outstanding loan by the Corporation which amounted to Rs 1.43 crore (principal: Rs 23.29 lakh and interest: Rs 1.20 crore) as of October 1998.

Thus, failure on part of the Corporation to secure its financial interests by properly appraising the unit, resulted in recovery of outstanding of Rs 1.43 crore becoming doubtful.

*7.11.5.2 **Grant of loans against insufficient security***

The disbursement of loans is subject to mortgage of fixed assets, hypothecation of stocks/movable assets, with the Corporation and third party guarantee. The Corporation did not have any system of obtaining collateral security of immovable property against the loan amount. However, as per the revised policy (1993) of the Corporation, all loans granted to units in industrial and transport sectors are to be secured additionally by collateral security.

Failure of the Corporation to secure its financial interests by obtaining adequate security resulted in loss of Rs 3.60 crore

During test-check of records it was observed that 18 defaulting units were taken over by the Corporation and their assets auctioned during 1993-94 to 1998-99, under Section 29 of the Act. The Corporation could realise only Rs 1.09 crore against a total outstanding of Rs 4.69 crore resulting in loss of Rs 3.60 crore to it. Failure of the Corporation to secure its financial interests by obtaining adequate security, resulted in a loss of Rs 3.60 crore in these 18 cases.

Test-check further revealed that the Corporation released a term loan of Rs 25.75 lakh in favour of M/S Bani Foods Private Limited in December 1983. The unit turned defaulter from the very beginning and was closed during 1985. The Corporation initiated action for the auction/sale of the unit in September 1989 and received the highest offer of Rs 25 lakh. The bid was not, however, accepted on the plea that the outstanding (Rs 35.87 lakh) was much more than the bid amount. Subsequently, the Corporation issued another auction notice in February 1999 and received the highest bid of Rs 9.37 lakh which was accepted (April 1999) by it. The Corporation obviously did not act prudently, which resulted in avoidable loss of Rs 15.63 lakh.

*7.11.6 **Recovery performance***

As on 31 March 1999, term loans amounting to Rs 412.80 crore (including interest) were outstanding from 5829 units. Of these, Rs 396.56 crore (principal: Rs 86.32 crore; interest: Rs 310.24 crore) were overdue for recovery from 5314 units. The position of outstanding, amounts overdue and recoveries effected during the period of 5 years ending 1998-99 was as follows:

(Rs in crore)

	Particulars	1994-95	1995-96	1996-97	1997-98	1998-99
1.	**Amount outstanding**	**337.07**	**384.07**	**441.82**	**469.14**	**412.80**
2.	**Amount overdue for recovery**					
(a)	Amount overdue at the beginning of the year	232.13	270.34	343.33	402.27	452.80
(b)	Amount fallen due during the year	61.29	94.47	72.98	67.44	44.89
(c)	Gross amount due for recovery	293.42	364.81	416.31	469.71	497.69
(d)	Amount rescheduled/ deferred/adjusted and involved in units under possession	-	-	-	-	64.92°
(e)	Net amount recoverable (c-d)	293.42	364.81	416.31	469.71	432.77
3.	**Target for recovery**	**29.00**	**32.00**	**30.00**	**18.00**	**24.50**
4.	**Percentage of recovery to net recoverable amount.**	**10**	**9**	**7**	**4**	**6**
5.	**Recovery against**					
(a)	Old dues	13.65	12.61	10.48	13.53	34.67
(b)	Current years demand.	9.43	8.87	3.56	3.38	1.54
	Total	23.08	21.48	14.04	16.91	36.21Ψ
6.	**Amount in arrears.**	**270.34**	**343.33**	**402.27**	**452.80**	**396.56**
7.	**Percentage of recovery against**					
(a)	Net recoverable	8	6	3	4	8
(b)	Arrears	6	5	3	3	8
(c)	Target	80	67	47	94	148
(d)	Current year demand	15	9	5	5	5

Targets for recovery of overdues ranged between 4 and 10 *per cent* only of the net recoverable amounts during 1994-99

It would be seen from the above that the amounts overdue from the loanees have increased from Rs 232.13 crore in 1994-95 to Rs 452.80 crore in 1998-99, an increase of 95 *per cent*. Further, targets for recovery of overdues ranged between only 4 and 10 *per cent* of the net recoverable amounts during the period 1994-95 to 1998-99. While shortfall in achievements of targets during the period 1994-98 ranged between 6 and 53 *per cent*, higher achievements during 1998-99 were due to receipt of Rs 20.55 crore from the Central Government under the Debt Relief Scheme. Poor recovery position indicated that due attention was not paid by the Corporation for recovery of its dues from the assisted units. The Management, however, attributed (May 1999) poor recovery performance and higher default to disturbances in the Valley. It was, however, seen in test-check that the default in recovery of loan was also due to poor pre-disbursement appraisal viz. grant of loans against inadequate security, non-obtaining of collateral security, ineffective monitoring, inadequate post disbursement inspection of the loanee units and delay in initiating action under Section 29 of the Act, ibid.

° This includes Rs 5.21 crore waived off under Debt Relief Scheme.

Ψ Includes Rs 20.55 crore received on account of Debt Relief Scheme of Central Government.

7.11.6.1 Poor monitoring and follow up

Poor monitoring and failure of the Corporation to conduct post disbursement inspection of units led to doubtful recovery of Rs 3.59 crore in 5 cases

The Corporation is required to inspect the assisted units at least once a year for ascertaining whether the loans given had been utilised for the specified purpose and within the specified period. Scrutiny of records, however, revealed that against the target of 1761 post-disbursement inspections, 1186 inspections only were conducted revealing a shortfall ranging between 11 and 80 *per cent* in 3 test-checked district offices of the Corporation during the period from 1993-94 to 1997-98. Failure to effectively monitor the progress of the units resulted in belated action by the Corporation under Section 29 of the Act and consequently it failed to recover its dues, as the unit holders had either closed down their units or had removed their mortgaged assets from the units without the knowledge of the Corporation. Due to poor monitoring of the units, recovery of Rs 3.59 crore became doubtful in the following test-checked cases:

(a) Vardhman oil mills

The Corporation disbursed (August 1983) a term loan of Rs 13.36 lakh in favour of the firm against mortgage of its assets for setting up of an oil extraction unit at Kartholi, Bari-Brahamna, Jammu. The unit could not operate profitably and failed to adhere to the agreed schedule of repayments. However, on the request of the promoters, the Corporation approved change in the line of production of the unit and a new unit M/S Vardhaman Laminators was registered in November 1991. Rescheduling of the loan and transfer of loan liability of Rs 20.41 lakh to the new establishment was also approved. The Corporation further allowed the promoters to sell the oil extraction machinery subject to depositing the sale proceeds thereof with the Corporation. Though the promoters disposed of the said machinery for Rs 3.50 lakh, no amount was deposited with the Corporation* nor did they set up the new project. Accordingly, a notice under Section 29 of the Act calling upon the promoters to liquidate the outstanding loan was issued in September 1996. The request of the promoters for rehabilitation of the unit was not accepted by the Corporation as the new project had not been set up by them. Due to continued default in repayment of dues, the Corporation issued auction notice (December 1996) for sale of the remaining assets of the unit which evoked no response, with the result recovery of Rs 1.71 crore against the unit as on 31 March 1999 could not be effected.

Thus, failure of the Corporation to conduct post-disbursement inspection of the unit regularly, despite continued default and permitting it to sell oil extraction machinery without ensuring deposit of sale proceeds thereof resulted in doubtful recovery of Rs 1.71 crore.

(b) M/S Peizo Electricals

The Corporation disbursed term loan of Rs 7.20 lakh in favour of the unit during February 1992 and February 1994 for manufacture of electric irons, washing machines and geysers. The term loan was to be repaid in 9 years after allowing moratorium of 18 months from the date of disbursement of first instalment. However, no post disbursement inspections of the unit were conducted for ensuring utilisation of the amount for the specified purpose. The unit did not adhere to the repayment schedule and requested for rescheduling of the loan and funding of working capital. The Corporation rescheduled the repayment of term loan and released working capital of Rs 1.50 lakh to the unit in October 1995.

In view of the continued default, an inspection of the unit was conducted in January 1996 which revealed that the unit was closed and no activity was being carried out in the premises. A further inspection (June 1996) revealed that the promoters had removed all items of plant and machinery from the premises. A FIR was lodged (June 1996) with the Police Department who advised the Corporation to file civil suit against the defaulters. The civil suit had, however, been filed only in July 1998 after two years.

Thus, due to ineffective/non-monitoring of the unit after disbursement of loan and delay in taking action and filing a suit against the unit, the recovery of Rs 21.58 lakh (principal: Rs 8.70 lakh; interest: Rs 12.88 lakh) as of 30 June 1999 was doubtful.

(c) M/S Mengi Gases Pvt. Limited

The Corporation disbursed a term loan of Rs 16.18 lakh to the unit during March 1988 to December 1989 for manufacture of carbon dioxide gas. Though the unit defaulted from the very beginning, it had not been inspected after December 1989. Recovery proceedings under Section 29 of the Act had been initiated only in October 1998 after a delay of 9 years.

The Corporation had, however, been able to recover Rs 12.25 lakh from the unit during the period from September 1989 to March 1994 which included adjustment from Central Investment Subsidy of Rs 10.83 lakh payable to the unit. The outstanding arrears stood at Rs 42.28 lakh (principal: Rs 15.77 lakh; interest Rs 26.51 lakh) as on 31 May 1999. Thus, due to poor post-disbursement monitoring/follow-up, the Corporation could not recover outstanding dues of Rs 42.28 lakh (October 1999).

(d) M/S Luxmi Plastic Udyog

The Corporation disbursed term loan of Rs 5.62 lakh in favour of the unit between May 1986 to September 1987. The loan, repayable in 16 half-yearly instalments was secured by assignment of lease hold rights of factory land and mortgage of fixed assets. The promoters of the unit, however, failed to implement the project and defaulted in repayment of loan. The Corporation issued a notice (February 1992) for taking over the assets of the unit, in response to which the firm deposited a sum of Rs ten thousand. No effective steps were taken thereafter by the Corporation except issue of notices to the promoters in January 1995, December 1995 and December 1997 which evoked no response. The progress of the unit had also not been monitored from June 1985 to March 1990 by the Corporation. It had also not taken over assets of the unit for recovery of the outstanding amount of Rs 38.99 lakh (principal: Rs 5.62 lakh; interest etc.: Rs 33.37 lakh) as of March 1999.

Thus, failure of the Corporation to monitor the progress of the unit closely and take it over despite continued default resulted in non-recovery of Rs 38.99 lakh.

(e) ***M/S Submission Printers***

The Corporation sanctioned (November 1988) a term loan of Rs 23.01 lakh in favour of the unit for setting up of a printing press, against which Rs 19.24 lakh were disbursed during the period from March 1989 to June 1991. However, the unit defaulted in repayment of dues from the very beginning. Test-check revealed that the unit, initially set up at Court Road, Srinagar, was shifted (August 1989) by the promoters to industrial complex of SIDCO* at Shalteng, Srinagar. The shifting of the unit was done without the approval of the Corporation. Further, the Corporation had not monitored progress of the unit by obtaining statements of account or conducted inspection of the unit since its establishment despite continuous default in repayment of the loan by the unit. The SIDCO had informed the Corporation in June 1994 that the promoters had removed the mortgaged assets from the premises of the unit. Though the matter was brought (August 1994) to the notice of the General Manager, no action for recovery of outstanding dues had been taken (May 1999).

Thus, due to failure of the Corporation to conduct post-disbursement monitoring of the unit, recovery of Rs 85.07 lakh (principal: Rs 19.24 lakh: interest: Rs 65.83 lakh) appeared remote.

Delay in initiating penal action against defaulters resulted in non-recovery of Rs 2.29 crore in 5 cases

7.11.6.2 Delay in initiating penal action

Under Section 29 of the State Financial Corporations Act, 1951, where any Industrial concern which is under liability to the Financial Corporation under an agreement, makes any default in repayment of any loan or advance or any instalment thereof or otherwise fails to comply with the

* SIDCO State Industrial Development Corporation Limited

terms of the agreement, the Corporation shall have right to take over the management or possession or both of such concerns, as well as the right to transfer by way of lease or sale and realise the property pledged, mortgaged, hypothecated or assigned to the Corporation. Review of 5 cases revealed that the Corporation could not recover Rs 2.29 crore due to ineffective or delayed action of Management as discussed below:

(a) M/S Kashmir Carbon

A term loan of Rs 5.50 lakh was disbursed to the unit during the period from April 1985 and March 1987. The unit defaulted in the repayment of the loan from the very beginning. During inspection (March 1991), the unit was found closed and the Corporation decided to initiate action under Section 29 of the Act for recovery of the loan. However, notice under Section 29 was issued only in May 1997 after delay of 6 years due to failure of the concerned branch of the Corporation to act on the decision of its Head Office. Earlier in April 1997, the Managing Director of the Corporation had directed that in case no response is received from promoters, action for the auction of the unit be initiated by May 1997. However, public notice for auction of the hypothecated property was issued in July 1998 only. Sale proceeds of Rs 5.18 lakh only were realised from the highest bidder in December 1998 against the total sum of Rs 26.86 lakh recoverable from the borrower.

Thus, due to delay on part of the Management in invoking the provisions of Section 29 of the Act, resulted in non-realisation of the outstanding dues amounting to Rs 21.68 lakh.

(b) M/S Mona Plastic Industries

The Corporation released (October 1985) a term loan of Rs 7.12 lakh in favour of the unit. The loan was repayable in 16 half yearly instalments commencing from October 1987. Although the unit was functioning, it defaulted from the very beginning and did not adhere to repayment schedule. The Corporation, however, issued a demand notice belatedly after about 8 years (August 1995) for repayment of outstanding. Notice under Section 29 of the Act for taking over the unit, because of default in repayment of Rs 42.25 lakh (principal Rs 7.12 lakh: interest etc: Rs 35.13 lakh) as on September 1998, was issued in October 1998. No further follow-up action for taking over the unit had, however, been taken as of October 1999 for which no reasons were intimated/on record.

(c) M/s New Ashoka Enterprises

The Corporation released a term loan of Rs 2.13 lakh to the unit in December 1981 for manufacture of conduit pipes. The unit started production in the year 1983, but suffered losses from the beginning due to which it could not adhere to the repayment schedule. Inspection of the unit in October 1984 revealed that the unit had been closed. However, the Corporation after a delay of 8 years, asked its district office in September 1992 to initiate action under Section 29 of the Act against the promoter. These instructions had not, however, been implemented up to May 1999 which resulted in non-recovery of Rs 19.92 lakh (principal: Rs 2.06 lakh; interest: Rs 17.86 lakh).

(d) M/S Qadri Candle Industry

The Corporation sanctioned a term loan of Rs 11.27 lakh in favour of a unit for manufacture of wax candles and disbursed Rs 10.67 lakh between October 1988 and April 1992. Although the unit started commercial production in November 1989, it defaulted in the repayment of loan. No post-disbursement inspection to monitor the working of the project had been conducted from time to time nor was action taken to recover the outstanding by recourse to Section 29 of the Act.

Thus, failure to invoke provisions of Section 29 of the Act, by the Corporation resulted in doubtful recovery of Rs 45.82 lakh (principal: Rs 10.67 lakh; interest: Rs 35.15 lakh) as of March 1999 pending against the unit holders.

(e) M/S Mars Enterprises

The Corporation sanctioned a term loan of Rs 10 lakh in December 1984 and an additional loan of Rs 2.29 lakh in April 1986 in favour of a Kangan based partnership firm for setting up a stone crusher. Out of the sanctioned loan, Rs 10.63 lakh were disbursed during April 1985 to June 1986. The unit was in default from the very beginning, though it was carrying out commercial production profitably. In response to a notice calling upon the promoters to liquidate the outstanding amount, one of the partners of the unit requested the Corporation in August 1989 to take over the assets of the unit. The Corporation, however, did not initiate any action to invoke the provisions of Section 29 of the Act as of May 1999 with the result Rs 99.80 lakh (principal: Rs 10.63 lakh; interest: Rs 89.17 lakh) outstanding against the unit could not be recovered.

Thus, inaction of the Corporation resulted in recovery of Rs 99.80 lakh becoming doubtful as the promoters had, in the meanwhile, left the Valley.

7.11.7 Asset classification

In order to have a realistic view of the loans disbursed, the IDBI had issued (March 1991) guidelines to all the SFCs to classify their loans into four groups depending upon their chances of realisation. The classification of loans

(Principal) made by the Corporation during the year 1993-94 to 1995-96, for which years accounts were finalised, was as follows:

(Rupees in crore)

Assets	1993-94	1994-95	1995-96
Standard*	37.72	14.43	10.32
Sub-standard@	25.41	20.07	9.72
Doubtful#	80.17	81.39	80.85
Loss$	42.82	60.66	66.36
Total	186.12	176.55	167.25

Inability of the Corporation to recover its outstanding dues led to decrease in standard assets and increase in "loss" assets

It would be seen from the above table that while standard assets decreased from Rs 37.72 crore in 1993-94 to Rs 10.32 crore in 1995-96, the 'loss' assets increased from Rs 42.82 crore to Rs 66.36 crore during the corresponding period which indicated inability on the part of the Management to recover its dues. Further, the heavy accumulation of sub-standard, doubtful and loss assets resulting from poor recovery of loans had been affecting the financial position adversely, because the Corporation had to make payments to financial institutions/banks without recovering the same from its loanees.

7.11.8 Recommendations

There is a need for strengthening the appraisal system for assessing viability of the projects before providing financial assistance, speedy disposal of loan applications, obtaining of adequate security to safeguard financial interests of the Corporation and effectively monitoring the progress of the assisted units and recovery process.

7.11.9 The above points were referred to Government/Company in September 1999; reply had not been received (October 1999).

* Standard	Which do not carry more than normal risk.
@ Sub-Standard	Loans in which no recovery made during last two years.
# Doubtful	Loans in which no recovery made during more than two to four years.
$ Loss	Loans in which there is no chance of recovery

Jammu and Kashmir State Road Transport Corporation

7.12 Material Management and Inventory Control

Highlights

The Jammu and Kashmir State Road Transport Corporation was established in 1976 for providing efficient, economic and regular transport services in the State. Efficient material management and inventory control in a Road Transport Corporation strengthens maintenance of vehicles and helps to keep maximum number of vehicles on road. The management, however, largely failed in accomplishing this task. A data base for assessing requirement of material after taking replacement and augmentation programme of vehicles into account was not maintained. Improper planning and piecemeal local purchases resulted in detention of vehicles in workshops for want of spares and repairs and consequent loss of revenue etc. Norms for consumption of diesel oil, engine oil and tyres etc had not been revised/fixed despite upgradation of roads, improved technology and introduction of fuel efficient vehicles etc.

- **The material cost per kilometer ranged between Rs 3.60 and Rs 4.49 during 1994-95 to 1997-98 which was higher than the All India average of Rs 3.03 per kilometer in 1995-96.**

(Paragraph: 7.12.5)

- **The objective of purchasing material of good quality at economical/ competitive rates not achieved as local piecemeal purchases constituted 69 to 74 *per cent* of total purchases.**

(Paragraph: 7.12.6)

- **Against the prescribed consumption norm of 2.56 km to 4.81 per km/litre, the average distance covered per litre of fuel ranged between 3.58 km and 3.67 km. Based on consumption of 3.67 kilometer per litre the consumption of diesel oil recorded an excess of 3.96 lakh litres valued at Rs 35.12 lakh during 1995-96 to 1998-99.**

(Paragraph: 7.12.7)

- **Engine oil in the vehicles was changed before the standard run of 18000 kilometers resulting in excess consumption of 26 thousand litres of oil valued at Rs 11.23 lakh during 1994-95 to 1998-99.**

(Paragraph: 7.12.8)

- **Based on the minimum standard norm of 60000 km run for each tyre, the excess consumption of tyres was 6379 valued at Rs 3.98 crore during 1994-95 to 1998-99.**

(Paragraph: 7.12.9)

- **Stores valued at Rs 86.62 lakh had not been utilised in different store depots for over 5 years ending March 1999 resulting in locking up of funds.**

(Paragraph: 7.12.10)

- **Failure to maintain adequate quantity of store, spares etc. resulted in detention of vehicles in workshops with consequential loss of potential revenue of Rs 11.74 crore on 1.93 lakh days.**

(Paragraph: 7.12.11)

7.12.1 Introduction

The Jammu and Kashmir State Road Transport Corporation was established on 1 September 1976 with a view to promote an adequate, efficient, economical and co-ordinated system of road transport services in the State. The Corporation had a fleet of 1177 vehicles (581 buses and 596 trucks) of which 787 vehicles (369 buses and 418 trucks) were on road as of March 1999. The Corporation was operating 12 depots, 8 workshops and 2 central stores for the maintenance, repairs, body-building and procurement of stores etc.

A substantial portion of the expenditure of Corporation is incurred on procurement of HSD oil and stores and spares including tyres, lubricating oils etc. The need for proper control on their acquisition, inspection, accounting, storage, consumption and periodical verification is, therefore, essential.

7.12.2 Organisational set-up

The management of the Corporation is vested in a Board of Directors comprising 12 Directors including the Chairman (the Minister in-charge of transport) which carries out its functions through the Chief Executive (Managing Director) assisted by Financial Advisor and Chief Accounts Officer. The Corporation has a central purchase and store wing headed by a General

Manager, who is responsible for purchase of materials required by its various units.

7.12.3 Audit coverage

An appraisal of the material management and inventory control of the Corporation for five years up to 1998-99 was made during March-June 1999. Important points noticed during review of records are discussed in the succeeding paragraphs.

7.12.4 Purchase procedures and systems

Purchases made generally against 'vehicles off road' requirement

Recommendations of the study group for streamlining the existing systems not implemented

The Corporation did not have any centralised system or a database for assessing requirement of material after taking into account replacement and augmentation programmes on the basis of past consumption. Purchases were generally made against 'vehicle off road' requirements and on the basis of information available in the log books of drivers and on their verbal reporting. This system could lead to erratic demand of store items and procurement of material in excess of actual requirement. Further, the advantages of bulk purchases, viz. economy and competitiveness of rates are not achieved. Appreciating the need for streamlining the system of material management, the Corporation engaged (July 1994) CIRT[$] Pune, at a cost of Rs 1.50 lakh, for conducting an in-depth study of the existing purchase and store systems and to identify the problem areas. Though the consultants submitted their report in February 1996, the recommendations made had not been implemented (October 1999). The Management stated (October 1999) that the recommendations were being studied to fit in with the requirement of the Corporation.

7.12.5 Purchase of stores

Purchase of store items are made by the Purchase and Stores Wing of the Corporation by (i) operating on rate contracts finalised by ASRTU[#] with various supplying firms (ii) direct purchases from chassis manufacturers and (iii) from local markets. The year-wise expenditure incurred by the Corporation on purchase of High Speed Diesel Oil (HSD), lubricants and stores and spares along with material cost per kilometer during the period from 1994-95 to 1997-98 was as under:

[$] Central Institute of Road Transport

[#] Association of State Road Transport Undertakings

(Rupee in crore)

Particulars	1994-95	1995-96	1996-97	1997-98
Material Cost:				
(i) HSD	4.39	4.76	6.26	7.71
(ii) Lubricants	0.61	0.63	0.74	0.76
(iii) Stores and Spares	3.41	3.59	3.42	3.78
Total material cost	**8.41**	**8.98**	**10.42**	**12.25**
Total operating cost	**36.66**	**42.86**	**48.24**	**53.55**
(i) Total distances covered (in lakh km.)	226.05	249.04	269.32	272.75
(ii) Percentage of material cost to total operating cost.	23	21	22	23
(iii) Material cost per Km (in rupees)	3.72	3.60	3.87	4.49

Material cost per kilometer ranged between Rs 3.60 and Rs 4.49 during 1994-95 to 1997-98 against All India average of Rs 3.03 per kilometer in 1995-96

From the above table it would be observed that the percentage of material cost to total operating cost ranged between 21 and 23 during 1994-95 to 1997-98. The expenditure on purchase of material per km. declined from Rs 3.72 in 1994-95 to Rs 3.60 in 1995-96 and substantially increased to Rs 4.49 in 1997-98 which was mainly due to hike in the prices of petroleum products. The material cost per kilometer during these years was, however, higher than that of All India average of Rs 2.93 per kilometer during 1994-95 and Rs 3.03 per kilometer in 1995-96. Reasons for higher material cost as compared to All India average cost had not been analysed. The possibility of the high material cost being due to uneconomical local purchases, higher consumption of fuel etc., as discussed in subsequent paras could not be ruled out.

7.12.6 Local purchases

The position of purchase of spares (excluding tyres and tubes) made by the Corporation from manufacturers and firms on ASRTU rate contract and locally for the four years ending 1998-99 was as under:

Year	Purchases from manufacturers/ ASRTU rate contracts	Local purchases	Total	Percentage of local purchases to total purchases
		(Rupees in crore)		
1995-96	0.39	1.11	1.50	74
1996-97	0.46	1.04	1.50	69
1997-98	0.59	1.40	1.99	70
1998-99	0.44	1.06	1.50	71

The purchase of spares from local market constituted 69 to 74 *per cent* of total purchase of spares during the 4 years up to 1998-99. According to the purchase manual of the Corporation, local purchases were to be made only in cases of extreme urgency. Local purchases made in piecemeal not only attracted higher rates than those of the manufacturers but also had a tendency to reduce the maintenance quality of the vehicles. On this being pointed out in audit, the Management stated (April 1999) that due to disturbed conditions in the Valley, the leading manufacturers of motor spare parts had stopped execution of supply orders, issued by the Corporation, necessitating purchases from the local market. The reply, however, was not tenable in view of the fact that the supplies from the outside firms could have been arranged either at Corporation's Regional Office at Jammu or through its Liaison Officer located at Delhi.

Economic and competitive purchase of material not ensured as local purchase constituted 69 to 74 *per cent* of the total purchase

Further, with a view to avoiding situation of vehicles remaining off-road or activities in the workshops getting held up for want of spares, the Corporation had authorised the stores sections to make emergency purchases in the local market up to a monetary limit of Rs 50000 per month which was raised to Rs 1 lakh and Rs 1.50 lakh per month from July 1994 and December 1996 respectively. In case of workshops, the works/depot managers were authorised to make local purchases up to a maximum limit of Rs 30000 per year. The purchases made from the local market as observed in audit in test-checked units/workshops, however, exceeded the prescribed limit by amounts varying between Rs 15 thousand to Rs 52.20 lakh. Details of purchases made in excess of authorised limits are given in *Appendix*-20. The local purchase of stores in excess of delegated powers had not been got regularised. Thus, due to purchase of stores/materials locally in contravention of purchase manual and also in excess of delegated authority, the interest of the Corporation was not safeguarded. This also indicated inadequate stores management and poor internal control mechanism.

Monetary limit of local purchases exceeded

7.12.7 Consumption of fuel

Average distance covered per litre of fuel ranged between 3.58 km and 3.67 km compared to All India average of 4.41 km per litre

Excess consumption of 3.96 lakh litres of diesel oil valued at Rs 35.12 lakh during 1995-96 to 1998-99 noticed

The Corporation had fixed norms of diesel consumption at 2.56 km to 4.81 km per litre in November 1977 on the basis of type and make of vehicles and nature of route involved. The average distance covered per litre of fuel, however, during the period from 1995-96 to 1998-99 ranged between 3.58 km and 3.67 km against All India average of 4.41 km per litre for 1995-96. The norms of consumption had not been revised after November 1977 despite upgradation of roads, improved technology, introduction of fuel efficient vehicles and purchase of new vehicles by the Corporation during 1994-99 under replacement and augmentation of fleet programme. Based even on the highest average consumption of 3.67 km per litre, the consumption should have been 290.13 lakh litres of fuel (value Rs 26.06 crore) against actual consumption of 294.09 lakh litres (value Rs 26.41 crore). This resulted in excess consumption of 3.96 lakh litres (calculated at the highest average consumption) valued at Rs 35.12 lakh during 1995-96 to 1998-99.

7.12.8 Consumption of engine oil

Engine oil is used for periodic top-up to maintain the oil level in vehicles. The table below indicates the engine oil consumed by the vehicles of two test-checked depots of Jammu region and average kilometers obtained per litre of engine oil during the period from 1994-95 to 1998-99.

	1994-95		1995-96		1996-97		1997-98		1998-99	
	PMD*	Load**	PM	Load	PMD	Load	PMD	Load	PMD	Load
Total distance covered (in lakh km.)	NA	16.33	NA	15.29	67.05	15.64	58.81	17.38	64.16	12.24
Engine oil consumed (in litres)	NA	4678	NA	4578	13141	5037	12983	6112	13064	4160
Distance per litre of engine oil (in km.)	NA	349	NA	334	510	311	453	284	491	294

Average consumption of engine oil per litre varied between 284 km to 510 kms

Norms for consumption of engine oil not fixed

The Corporation has not fixed the norm of average consumption of engine oil per kilometer running of bus/truck. From the above table it would be observed that the average consumption of engine oil varied from workshop to workshop and from year to year. The consumption ranged between 453 and 510 km per litre of engine oil in respect of vehicles of Passenger Maintenance Depot, and between 284 km to 349 km in respect of vehicles of Truck Load Workshop. The Committee on Public Undertakings while discussing Paragraph 7.7.5 of the Report of the Comptroller and Auditor General of India for the year 1991-92 had recommended (January 1998) fixing of norms by the Corporation for consumption of engine oil for top-up. However, these norms had not been fixed as of October 1999. The management stated (October 1999) that norms could not be fixed as the consumption of engine oil varied from vehicle to vehicle (old/new) and route to route (hilly/plain). The reasons are not, however, tenable as all these factors could have been kept in view while fixing norms of consumption.

Engine oil was changed before standard run of 18000 kms resulting in excess expenditure of Rs 11.23 lakh

Engine oil is also to be changed after a run of 18000 kilometers, at the rate of 17 litres per vehicle as per norms. Test-check of the records of 3 workshops,* however, revealed that engine oil in the vehicles was changed before the standard run of 18000 kilometers per vehicle resulting in excess consumption of 26 thousand litres of engine oil valued at Rs 11.23 lakh$^{\Phi}$ during the 5 years up to 1998-99. The Management attributed (October 1999)

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* Passenger Maintenance Depot

** Truck Load Workshop

* PMD workshop, Jammu, Load workshop, Jammu and Load workshop, Srinagar

Φ 1994-95: Rs 2.54 lakh; 1995-96: Rs 2.29 lakh; 1996-97: Rs 3.60 lakh; 1997-98: Rs 2.77 lakh and 1998-99: Rs 0.03 lakh.

the excess consumption to modification in model and design of engine, old machinery at central workshop and frequent changing of routes, etc. The reply is not, however, tenable as norms are fixed after taking all these factors into consideration.

7.12.9 Excess consumption of tyres

The Corporation had not fixed norms for consumption of new and retreaded tyres which was stated to be due to non-fixation of mileage for new and retreaded tyres by the manufacturers. As per tentative norm fixed by the General Manager (Mechanical), a new tyre was required to give an overall performance of 60000 to 90000 kilometers (including retreading), depending upon road conditions. The actual performance of tyres was, however, much less than the standard norms for each of the 5 years from 1994-95 to 1998-99 resulting in excess consumption of tyres as indicated below:

Particulars	1994-95	1995-96	1996-97	1997-98	1998-99
Distance operated (in lakh km.)	226.05	249.04	269.32	272.75	273.87
Number of tyres consumed	1810	1658	1660	1500	1903
Performance per tyre (in kilometers)	12488	15021	16224	18183	14391
Number of tyres required as per minimum standard norms	377	415	449	455	456
Excess consumption	1433	1243	1211	1045	1447
Average procurement rate of tyres (in rupee)	6040	6379	6698	6257	5892
Value of excess consumption (in lakh rupees)	86.55	79.29	81.11	65.39	85.26

Excess consumption of 6379 tyres valued at Rs 3.98 crore during 1994-99

Based on the minimum standard norm of 60000 kilometers run for each tyre, the consumption of tyres during the 5 years up to 1998-99 should have been 2152 tyres as against 8531 tyres consumed. The value of excess consumption of 6379 tyres during the above five years amounted to Rs 3.98 crore. The Corporation had not analysed the reasons for low performance of tyres.

7.12.10 Inventory Control

Stores of Rs 86.62 lakh locked up for over 5 years

Stores valued at Rs 86.62 lakh comprising spares (Rs 78.34 lakh) tyres/tubes (Rs 7.97 lakh) and batteries (Rs 31 thousand) purchased during the years prior to 1994-95, were lying unutilised in different store depots of the Corporation for the last 5 years ending March 1999. The Corporation had not conducted any review for identifying idle, non-moving, slow moving, surplus and obsolete items of stores for which no reasons were intimated. Action had also not been taken to dispose of non-moving store items as of March 1999 which resulted in locking up of funds of Rs 86.62 lakh for over 5 years besides, unnecessary occupation of storage space and avoidable expenditure on their storage/handling, etc. The possibility of their deterioration due to prolonged storage could also not be ruled out. On this being pointed out in audit the Management stated (October 1999) that obsolete spares/items were being assessed for their disposal. Further developments were awaited. Following deficiencies in the management of inventory control were also noticed.

(i) Minimum, maximum and reordering levels of individual items of store, spare etc. were not fixed in order to exercise better inventory control.

(ii) The Corporation had not maintained any purchase day book and priced store ledger to secure agreement between quantity and value accounts for receipts, issues and balances of materials at the close of each month. The material purchased was entered directly in bin cards.

(iii) No system had been evolved to obtain cash and personal security from the persons entrusted with the custody and handling of stores or to insure the stores against theft, fire, etc.

7.12.11 Detention of vehicles

Loss of potential revenue of Rs 11.74 crore on 1.93 lakh days due to detention of vehicles

Absence of an effective inventory control system and failure to maintain adequate quantity of stores, spares, tyres, etc. resulted in detention of vehicles in the workshops with consequential loss of revenue to the Corporation. Test-check of records of 4 workshops[$] for the years 1994-95 to 1998-99 revealed that vehicles were detained for repairs, replacement of assemblies and overhauling of engines in these workshops for periods ranging between 4 and 1028 days which resulted in loss of potential revenue of Rs 11.74 crore[*] on 1.93 lakh days during which the vehicles remained off-road. The Management attributed (April/October 1999) the detention of vehicles to paucity of funds due to which required quantity of stores, spares, tyres etc. could not be procured. However, steps for revival and maintenance of the targetted operative fleet level were stated to be underway.

7.12.12 Other topics of interest

(a) Extra expenditure on purchase of chassis

Extra avoidable expenditure of Rs 31 lakh on purchase of 100 chassis

A proposal for purchase of 100 chassis from TELCO[xx] at a cost of Rs 4.02 crore was approved by the Corporation in April 1994. The purchases were to be financed from loans obtained from IDBI[@] which were to be

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$ Central Workshop, Jammu Passenger Maintenance Depot, Jammu, Truck Load Workshop, Jammu and Passengers Maintenance Depot, Srinagar.

* Computed at an average revenue of Rs 509 to Rs 846 per vehicle day from 1995-96 to 1998-99.

xx Tata Engineering and Locomotives Corporation.

@ Industrial Development Bank of India

guaranteed by the State Government and the Jammu and Kashmir Bank. The Corporation placed orders, belatedly, in September 1994 on the firm for supply of the chassis on the approved rate contract and approached the State Government/Jammu and Kashmir Bank for providing guarantee and sanction of co-acceptance bills limit in December 1994. The payment was, however, not released to the supplier up to February 1995 due to procedural delays in obtaining guarantees from the State Government/Jammu and Kashmir Bank. Meanwhile, the price of the chassis was increased (November 1994) to Rs 4.33 crore by the supplier which resulted in incurring of an extra avoidable expenditure of Rs 31 lakh by the Corporation. The chassis were supplied by the firm during March-May 1995. Had the Corporation initiated the process of the purchase and obtaining guarantees in time, the expenditure of Rs 31 lakh could have been avoided.

(b) Loss of revenue due to improper planning

Fabrication work allotted to a firm having unsound financial resources and infrastructural capacity

(i) The Corporation entered into (February 1995) an agreement with a Jaipur based firm for fabrication of 41 bus bodies (A-class: 20; ordinary: 21) at a negotiated rate of Rs 2.36 lakh and Rs 2.10 lakh each, respectively. The work was allotted to the firm on the basis of its execution of similar works for Rajasthan State Road Transport Corporation despite the fact that the firm did not have a sound financial position and could only fabricate a maximum number of 10 bodies in a month. The work was to be completed within 6 weeks in respect of A-class buses and within 31 days in respect of ordinary buses. Penalty at the rate of Rs 400 (from Ist to 10th day), Rs 750 (from 11th to 25th day) and Rs 1000 (after 25th day) per bus body was leviable for each day of delay. The chassis were handed over to the firm between March and June 1995. The firm, however, delivered only 22 buses up to October 1995. The Board of Directors observed (November 1995) that the firm was not financially sound and did not have capacity to fabricate more than 10 bodies in a month. Accordingly, the period of delivery for the remaining 19 bodies was extended by two months from 7 November 1995. It was also decided to impose penalty for the delays after the buses were received back from the firm.

Loss of revenue of Rs 27.03 lakh due to delay in getting chassis fabricated

The firm could not, however, complete the fabrication job even in the extended period and delivered only 9 buses up to January 1996 and the remaining 10 buses between February and October 1998. The Corporation did not levy any penalty on the firm and released all payments due to it between March 1995 and August 1998. Thus, allotment of fabrication work to a firm having unsound financial resources and infrastructural capacity for fulfilling the contractual obligations resulted in inordinate delay (4522 vehicle days•) in getting the chassis fabricated and loss of potential revenue of Rs 27.03 lakh based on average earning per vehicle/day$^{\Psi}$.

• 1995-96: 711 days; 1996-97: 2093 days; 1997-98: 1170 days and 1998-99: 548 days.

Ψ 1995-96: Rs 509; 1996-97: Rs 523; 1997-98: Rs 669 and 1998-99: Rs 846.

(ii) The Corporation placed (June 1997) an order on a Jalandhar based firm for fabrication of 20-hi-tech bus bodies at the tendered rate of Rs 5.63 lakh each, without finalising the design of the bodies. The buses were to be delivered within 80 days from the date of handing over of the chassis and 50 *per cent* payment was also to be released to the firm in advance. Though all the chassis were sent for fabrication on 23 July 1997, advance payment of Rs 20 lakh, representing 50 *per cent* cost of fabrication of only 7 chassis was released to the firm on 17 September 1997. Accordingly, the firm fabricated only 7 buses (January 1998) as per their own design and stopped further fabrication on remaining 13 chassis for want of further advance payment. Meanwhile, the Corporation decided (December 1998) to construct district type bus bodies on the remaining 13 chassis and asked the firm to fabricate the same instead of hi-tech bodies. The firm declined the offer and the Corporation allotted (January 1999) the work to another firm of Pathankot at a cost of Rs 2.12 lakh per body, after retrieving the chassis from the original firm. The Corporation could not, therefore, utilise these 13 buses for the period between January 1998 to December 1998 during which the chassis remained with the initial body builder, resulting in loss of 4745 vehicle days and consequential potential revenue loss of Rs 38.07 lakh.

Revenue loss of Rs 38.07 lakh

Thus, due to non-finalisation of designs and resultant delay in fabrication of bodies, the Corporation suffered a revenue-loss of Rs 38.07 lakh.

(c) Outstanding imprest

The Corporation advances funds to various officers and officials as imprest for procurement of spares and other store items subject to rendition of accounts subsequently. The balance in the individual accounts of the imprest holders had not been carried forward from year to year. The aggregate outstanding against these officials of the Corporation at the end of March 1999 (excluding outstanding in Kashmir Division prior to April 1994 for which information was not available) amounted to Rs 2.32 crore. Of the total outstanding, Rs 2.31 crore was outstanding against 18 employees for more than 1 year but less than 3 years. The Corporation had not taken any steps for adjustment and recovery of the outstanding advances. Outstandings against some individuals at the end of March 1999, as worked out by audit, varied from Rs 1 thousand to Rs 1.56 crore. Non-adjustment of the outstanding advances for unduly long periods is a grave financial impropriety which is fraught with the risk of irregularities remaining undetected. The Management stated (October 1999) that an amount of Rs 1.52 crore had been adjusted between April 1999 to September 1999 and that efforts were on to adjust/recover the remaining outstanding.

7.12.13 Recommendations

There is a need for an integrated approach in assessing requirement of material after taking into account replacement and augmentation programmes. The situations of vehicles remaining 'off road' for want of spares should be avoided and norms for consumption of diesel oil, engine oil, tyres fixed after taking into consideration the improved technology, introduction of fuel efficient vehicles and upgradation of roads.

7.12.14 The above points were referred to the Government in July 1999; reply had not been received (November 1999).

Section-B

Public Works Department

(Jammu and Kashmir Projects Construction Corporation)

7.13 Avoidable payment of interest due to default in payment of Sales Tax

Short payment of Sales Tax dues resulted in avoidable payment of interest of Rs 11.22 lakh.

Under the provisions of the Jammu and Kashmir General Sales Tax Act, 1962 sales tax realised by a registered dealer is to be deposited with the Government within one month of its realisation. The dealer is also required to furnish quarterly return within 30 days from the expiry of that quarter along with proof of having paid the tax due on that return. In case of default in payment of tax in time, the dealer is liable to pay interest on the unpaid tax from the date it was payable to the date of actual payment.

A test-check (July 1999) of the records of JKPCC* limited revealed that the Company defaulted in timely remittance of sales tax of Rs 10.73 lakh on sale and consumption of goods/material during the accounting year 1991-92. The Assessing Authority while assessing (June 1995) the dealer levied interest of Rs 12.45 lakh for default in payment of sales tax amounting to Rs 10.73 lakh in time. Consequently, the Company paid interest of Rs 11.22 lakh in August 1995 along with basic tax. The balance amount of Rs 1.23 lakh stood waived by the State Government under General Amnesty provided to defaulting tax payers in terms of orders dated 25 June 1999.

On this being pointed out in audit (July 1999), the management stated (August 1999) that the delay in payment of tax was due to disturbed conditions in the valley. The reply of the Company was not, however, tenable as it had achieved a turnover of Rs 36.94 crore during 1991-92 compared to Rs 25.44 crore in 1990-91. The delay in payment of sales tax had primarily occurred due to late receipt of information in Head office at Srinagar from sub units. Enquiry officers appointed (September 1995) by the Financial Controller of the Company to investigate the matter and fix responsibility had not submitted their reports nor had responsibility for departmental lapse been fixed (July 1999).

* JKPCC-Jammu and Kashmir Projects Construction Corporation.

Thus, poor control mechanism and inadequate Co-ordination between the sub-units and the Head office of the Company resulted in avoidable payment of interest of Rs 11.22 lakh.

Tourism Department

7.14 Jammu and Kashmir Cable Car Corporation

7.14.1 Wasteful expenditure and locking up of funds

Failure of the Company to purchase water storage tanks after observing required purchase formalities and assessing immediate requirement resulted in loss of Rs 2.08 lakh and locking up of Rs 1.64 lakh.

With a view to providing sanitation and drinking water facilities for tourists and staff posted at Gulmarg and Kangdori, Managing Director Jammu and Kashmir State Cable Car Corporation Limited placed orders (October 1989) for supply of corrugated cylindrical moulded polyethylene water storage tanks with a local firm at a cost of Rs 3.73 lakh. The supply order was placed on the basis of *dasti* quotations, without inviting tenders and entering into an agreement with the supplier for safeguarding the interests of the Company. The firm supplied (October 1989) 17 tanks of varying capacity of which 8 tanks (value: Rs 2.09 lakh) were installed at Gulmarg and Kangdori (four each) in open air, exposed to cold conditions, without providing protective sheds/covers, etc. The remaining 9 tanks (value: Rs 1.64 lakh) were lying unutilised as of September 1999.

Test-check (November 1998) of the records of the Company revealed that 8 tanks fixed at Gulmarg and Kangdori were damaged during February/March 1990 due to cold conditions. While action for obtaining replacement of the tanks damaged within 4-5 months of their purchase had not been made, the damaged tanks were auctioned in August 1990 as scrap and a nominal amount of Rs 1419 was realised as sale proceeds. Audit scrutiny further revealed that the purchases had been made by the Managing Director in excess of the delegated financial powers (Rs 2 lakh) and in absence of any budget provision. On being pointed in audit the Company stated that protective sheds could not be constructed due to eruption of militancy in the State. The reply is not tenable as instalation of water storage tanks in open under extreme cold conditions without protective sheds was not prudent and the conditions in the Valley during the period from October 1989 to February/March 1990 were relatively normal. Reasons for making purchase irregularly on *dasti* quotations, which is generally resorted to for making petty purchase under Rs 1000, were not intimated.

Thus, failure of the Company to initially purchase water storage tanks after observing required purchase formalities/entering into proper agreement and making a realistic assessment of actual requirement, and their subsequent injudicious installation resulted in loss of Rs 2.08 lakh and locking up of Rs 1.64 lakh for over nine years. Responsibility for the loss had not been fixed and decision of the Government to whom the matter was reported (April 1993) belatedly by the Company was awaited.

The matter was referred to the Government in May 1999; reply had not been received (October 1999).

7.14.2 Avoidable expenditure

Injudicious use of wood cladding/paneling in Gandola station I, which was inconsistent with the designs/drawings recommended by the consultants, resulted in avoidable expenditure of Rs 9.50 lakh besides compromising the safety of public.

As per drawings and designs prepared by the RITES[*] in 1988, side cladding of Gandola stations (G-I and G-II) of the Cable Car Project, Gulmarg was to be done by using CGI Sheets, supported by steel frames and fitted with wooden doors and windows. However, the Company did not adhere to these drawings and designs and decided (October 1989) to use *deodar* wood instead of CGI sheets and allotted the work to a local firm in October 1989, at Rs 55.25 per Sft. (total estimated cost: Rs 17 lakh), for completion within three weeks. The firm completed the work in respect of G-I station (except painting) in September 1990 and an amount of Rs 10.75 lakh was released to it between November 1989 to September 1998, after withholding Rs 71 thousand on account of cost of painting.

Director Fire Services, while inspecting (July 1991) fire fighting safety measures in the project observed that use of large quantity of wood in the station and high altitude and wind velocity at Gulmarg made the situation grave. The work on G-II station was subsequently executed by the company itself at a cost of Rs 0.22 lakh as per drawings and designs of the consultants

[*] Rail India Technical and Economic Services

using CGI sheets. Further in order to improve the aesthetic look of the station, wooden paneling from inside was provided in October 1999 at a cost of Rs 1.03 lakh bringing the total expenditure on cladding work of the station to Rs 1.25 lakh, against Rs 10.75 lakh incurred on G-I station. On this being pointed out in Audit (November 1998) the Managing. Director stated (January 1999) that the decision to go in for wood paneling was taken to avoid an ugly view at an internationally famous tourist spot. The reply is not, however, tenable as the decision to use wood in cladding/paneling was imprudent as it did not balance properly the aesthetic and public safety requirements.

Audit scrutiny further revealed that penalty of Rs 1.60 lakh recoverable from the firm on account of delay in completion of the work, was not levied. Incidentally it was also observed that as per terms and conditions of allotment, the firm was entitled to receive 60 *per cent* of the estimated cost of work (Rs 11.46 lakh) against bank guarantee and the remaining 40 *per cent* after completion of work. However, the firm was paid Rs 10.75 lakh against Rs 6.88 lakh admissible, without obtaining bank guarantee and without the work having been completed by the firm.

Thus injudicious decision to provide wood cladding/paneling in Gandola Station-I resulted in avoidable expenditure of Rs 9.50 lakh (excluding cost of painting) besides compromising safety.

The above matter was referred to Government in May 1999; reply had not been received (October 1999).

7.14.3 Unfruitful/avoidable expenditure on construction of huts

Failure of the Company to enter into an agreement with the firm resulted in unfruitful/avoidable expenditure of Rs 23.10 lakh.

With a view to providing accommodation to its staff posted at Gulmarg, the Company decided (December 1989) to construct four pre-fabricated huts at Gulmarg through a Jammu based firm. Orders for supply and erection of the huts including execution of civil works were placed (January 1990) with the firm at a total cost of Rs 23.09 lakh for completion within 1-2 months. However, neither were any terms of payment specified nor was any agreement entered into with the firm.

In April 1990, the firm supplied material valued at Rs 19.52 lakh and requested for release of 90 *per cent* payment amounting to Rs 17.56 lakh there against. The Company, however, released Rs 19.70 lakh in April/May 1990; Rs 0.18 lakh in excess of cost of supplies for which no reasons were intimated. The firm, after receiving the payment refused to execute the civil works. Consequently, these civil works (excluding flooring) were allotted to two other local contractors and completed (January 1994) at a cost of Rs 5.91 lakh. Following persistent requests of the Company, the original firm took up (August 1995) the erection work and after erecting one hut without its flooring and sanitary installations and two others partially, stopped the work (October 1995) as the wooden panels supplied by it in April 1990, were damaged due to prolonged storage in open. No work was taken up by the firm in respect of the fourth hut. Efforts of the Company to get the balance work completed through Jammu and Kashmir Projects Construction Corporation (a Government Company) did not succeed (May 1998). However, the Company stated (June 1999) that work on one of these huts had been completed and the hut made habitable. Meanwhile, the Company had paid Rs 3.89 lakh during April 1990 to December 1995 as rent for providing accommodation to its staff posted at Gulmarg.

On this being pointed out in Audit, the Company stated (November 1998) that the matter had been referred (November 1997) to the Vigilance Department for investigation, the results of which were awaited (April 1999).

Thus, due to failure of the Company to specify terms of payment and execute an agreement with the firm, expenditure of Rs 19.21 lakh (worked on proportionate basis) incurred by the Company on 3 huts proved unfruitful and it had to incur avoidable expenditure of Rs 3.89 lakh on payment of rent.

The matter was referred to Government in May 1999; reply had not been received (October 1999).

Section-A

Financial assistance to Local Bodies and Others

8.1 General

Autonomous Bodies and Authorities are set up to discharge generally non-commercial functions of public utility services. These Bodies/Authorities by and large receive substantial financial assistance from Government. Government also provides financial assistance to other institutions such as those registered under the State Co-operative Societies Act, etc. to implement certain programmes of the State Government. The grants are intended essentially for maintenance of educational institutions, construction and maintenance of charitable institutions, school and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies.

During 1998-99 financial assistance of Rs 121.85 crore was paid to various autonomous bodies against Rs 88.30 crore paid during 1997-98. Department-wise break-up of the amount paid during 1998-99 was as under:

(Rupees in crore)

S. No.	Name of the department	Amount
1.	Housing and Urban Development	77.46
2.	Education	29.38
3.	Agriculture	6.64
4.	Art and Culture	3.11
5.	General Administration	1.53
6.	Animal Husbandry	1.08
7.	Others[Φ]	2.65
	Total:	**121.85**

(a) Delay in furnishing of utilisation certificates

The financial rules of Government require that where grants are given for specific purposes, certificates of utilisation should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to Accountant General within 18 months from the date of sanction of grants unless specified otherwise.

In respect of grants paid up to 1997-98, 7307 utilisation certificates for an aggregate amount of Rs 611.50 crore were in arrears as on 30

Φ Law and Justice: Rs 0.91 crore; Industries: Rs 0.87 crore; Medical and Public Health: Rs 0.44 crore; Tourism: Rs 0.34 crore and Social Welfare : 0.09 crore.

September 1999. Department-wise break-up of certificates not received up to 30 September 1998 in respect of grants paid during 1996-98 is given in *Appendix*-21. In absence of utilisation certificates it was not clear as to how the departmental officers satisfied themselves, whether and to what extent recipients utilised the grants for the purposes for which these were paid.

(b) Delay in submission of accounts

In order to identify the institutions which attract audit under Sections 14/15 of the Comptroller and Auditor General's (Duties Powers and Conditions of Service) Act, 1971, Government/Heads of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which such assistance was sanctioned and the total expenditure of the institutions. The details of defaulting departments which had not furnished information for 1997-98 and earlier years are given in *Appendix*-22.

The particulars of Bodies/Authorities whose annual accounts for 1998-99 and earlier years were awaited are indicated in *Appendix*-23.

The status of submission of accounts by corporations and submission of Audit Reports thereon to the State Legislature as of September 1999 was as under:

S.No	Name of body	Year up to which accounts due	Year up to which accounts submitted	Year up to which Audit Report issued
1.	Jammu and Kashmir State Road Transport Corporation	1998-99	1996-97	1996-97
2.	Jammu and Kashmir State Financial Corporation	1998-99	1995-96	1995-96

8.2 Audit arrangement

Audit of only one organisation viz., Khadi and Village Industries Board falls under Section 19 (3) of Comptroller and Auditor General's (DPC) Act, 1971. Audit of accounts of the Board for the years 1995-96 to 1997-98 (period entrusted) had not been conducted due to non-receipt of the accounts from the Body. Ladakh Autonomous Hill Development Council was established in 1995 and audit of the Council was to be entrusted to the Comptroller and Auditor General of India. The said entrustment for the period from its inception to 1998-99 is awaited (September 1999).

The audit of accounts of the following bodies had been entrusted to Comptroller and Auditor General under Section 20(1) of the C&AG's (DPC) Act, 1971 for different periods as detailed below:

S.No	Name of the body	Period of entrustment	Date of entrustment
1.	Sher-i-Kashmir University of Agricultural Sciences and Technology, Srinagar	1995-96 to 1997-98	16 September 1999
2.	Jammu and Kashmir Employees Provident Fund Organisation, Srinagar	1984-85 to 1989-90	16 September 1999

The primary audit of local bodies viz., Jammu and Kashmir Co-operative Supply and Marketing Federation Limited and Municipalities, Srinagar and Jammu is conducted by the Registrar, Co-operative Societies and Finance Department respectively.

8.3 Audit under Section 14

8.3.1 Overall results of audit of autonomous bodies

Accounts for 1998-99 and earlier years were received from 12 Bodies/Authorities (*Appendix*-24). Audit of 6 Bodies/Authorities was conducted as these attracted audit under Section 14 of the Comptroller and Auditor General's (DPC) Act 1971. Results of the audit of these Bodies/Authorities are given in the paragraphs those follow.

(i) Grants remaining unutilised

Out of total available grants of Rs 51 crore, grants aggregating Rs 20.27 crore meant for developmental and educational purposes and implementation of beneficiary-oriented schemes remained unutilised with the following Bodies/Authorities whose accounts were audited during 1998-99 for the years indicated against each.

(Rupees in crore)

S.No	Name of Body/Authority	Year of account	Amount unutilised
1.	Srinagar Development Authority	1998-99	16.00
2.	Jammu and Kashmir Academy of Art, Culture and Languages	1997-98	1.50
3.	District Rural Development Agency Kathua	1997-98	0.38
4.	District Rural Development Agency Anantnag	1996-97	1.10
5.	Jammu University	1997-98	0.74
6.	Jammu and Kashmir Energy Development Agency	1997-98	0.55
	Total		**20.27**

No specific reasons for underutilisation of grants or non-refund thereof to the grant sanctioning authority were intimated. Sanction to carry forward of these unspent balances to following year was also not obtained by the Bodies/Authorities concerned.

(ii) Outstanding Advances

Advances aggregating Rs 94.96 lakh made by the following Bodies/Agencies to contractors/suppliers, various executing agencies and their employees, for various purposes were outstanding at the end of the year as indicated against each:

S.No	Name of body/authority	Year	Amount (Rupees in lakh)
1.	District Rural Development Agency, Kathua	1997-98	8.09
2.	District Rural Development Agency, Anantnag	1996-97	15.05
3.	Jammu University	1997-98	65.76
4.	J&K Energy Development Agency	1997-98	6.06
	Total		**94.96**

Action taken by these Bodies/Agencies for recovery/adjustment of these advances was not intimated (September 1999).

(iii) Outstanding audit observations

Audit observations on the accounts of Bodies/Authorities are conveyed to them in the form of Audit Inspection Reports (AIRs) and copies thereof are endorsed to the Government/Body for taking necessary action for rectification of defects within a reasonable time. The status of AIRs issued up to December 1997 and outstanding at the end of March 1998 was as indicated below:

S.No	Name of the body	No of AIRs	No of paragraphs	Earliest year from which outstanding
1.	State Pollution Control Board	1	7	1987-88
2.	Jammu and Kashmir Sports Council, Srinagar	1	19	1992-93
3.	Jammu and Kashmir Social Welfare Advisory Board	5	39	1965-66
4.	Jammu and Kashmir Academy of Art Culture and Languages	2	9	1976-77
5.	Jammu University	3	47	1980-81
6.	District Rural Development Agencies	67	320	1971-72
7.	Desert Development Agencies	8	78	1979-80
8.	Jammu Municipality	1	21	1995-96
9.	Jammu and Kashmir Housing Board, Jammu	1	25	1991-92
10.	Islamia College of Science and Commerce, Srinagar.	2	14	1981-82
11.	Jammu Urban Development Agency	2	8	1994-95
12.	Jammu and Kashmir Co-operative Supply and Marketing Federation Ltd.	1	4	1994-95
13.	Srinagar Development Authority	1	12	1998-99
14.	Srinagar Municipality	1	22	1996-97
15.	Kashmir University	1	21	1996-97
16.	Jammu and Kashmir Energy Development Agency.	2	18	1996-97
	Total	**99**	**664**	

Housing and Urban Development Department

8.4 Srinagar Development Authority

Highlights

Srinagar Development Authority was constituted in 1971 for promoting and securing planned development of the local area of the Srinagar city. The Authority had, however, largely failed to achieve the objectives of planned development of the area under its jurisdiction, mainly due to non-finalisation of Master Plan. Besides, the accountability of the investments made by the Government in the Authority was not ascertainable due to non-compilation of accounts beyond 1980-81. The Authority did not have an adequate mechanism for recovery of licence fee, rent, etc. resulting in arrears in collection of revenue. Instances of execution of works in absence of approved plans and unauthorised allotment of shops resulting in wasteful expenditure and loss of revenue were also noticed.

- **Failure to finalise the Master Plan of Srinagar city, resulted in its unplanned development besides, wasteful expenditure of Rs 14.65 lakh on preparation of draft plans and base maps. Preparation of the Master Plan (1995-2011) entrusted to Town Planning Organisation in March 1997 had not been finalised (August 1999).**

(Paragraph: 8.4.4)

- **The Authority had not compiled its accounts beyond 1980-81 despite availability of an accounts wing and hiring services of a firm of chartered accountants. Consequently, financial position of the Authority was not ascertainable.**

(Paragraph: 8.4.5.1)

- **Utilisation of available funds ranged between 21 and 72 *per cent* only and unspent balance increased from Rs 1.65 crore to Rs 16 crore during the years from 1994-95 to 1998-99.**

(Paragraph: 8.4.5.2)

- **Shortfall in realisation of revenue and capital receipts vis-a-vis budget estimates, during the years from 1994-95 to 1998-99, ranged between 38 and 85 *per cent* and 23 and 59 *per cent* respectively. The shortfall was mainly due to non-recovery of arrears of rent aggregating Rs 3.64**

crore up to 31 March 1999, allotment of shops at reduced premium and non-allotment of shops/plots.

(Paragraph: 8.4.6)

- **Out of 842 plots developed at a cost of Rs 3.43 crore and construction of 40 shops up to March 1996, only 534 plots and 6 shops had been allotted to the beneficiaries resulting in locking up of capital of Rs 1.25 crore for over 3 years.**

(Paragraph: 8.4.7.1)

- **Unplanned execution of the work on construction of a shopping complex at Doodganga resulted in unfruitful expenditure of Rs 1.39 crore due to abandoning of the work half way in 1992.**

(Paragraph: 8.4.7.2)

8.4.1 Introduction

For promoting and securing planned development of the local area of Srinagar city, Government constituted in 1971 Srinagar Development Authority (here-in-after referred to as Authority) in pursuance of Section 3 (1) of the Jammu and Kashmir Development Act, 1970. For achieving its objective, the Authority was empowered to:

(i) acquire, hold, manage and dispose of land and other property;

(ii) carry out building, engineering and other operations;

(iii) execute works for water supply, electricity, disposal of sewage and other services and amenities; and

(iv) do anything necessary or expedient for such development and for purpose incidental there to.

8.4.2 Organisational set-up

The Authority is managed by a body comprising 9 members including Chairman and a Vice-Chairman who are appointed by the Government. The day-to-day functioning of the Authority is looked after by the Vice-Chairman who is assisted by various officers viz. Administrative Officer, Director Land Management, Senior Town Planner, Financial Advisor and Chief Accounts Officer and a Superintending Engineer who exercises supervision and control over an Engineering division headed by an Executive Engineer.

8.4.3 Audit coverage

The working of the Authority for the years from 1994-95 to 1998-99 was reviewed in audit under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, with reference to the records relating to land management, accounts and works executed, etc. during the period March-May 1999. Important points noticed during test-check are brought out in the succeeding paragraphs.

8.4.4 Planning

Wasteful expenditure of Rs 14.65 lakh due to non-finalisation of the Master Plan

In terms of Section 7 of the Jammu and Kashmir Development Act, 1970, the Authority was required to carry out civic survey of the local area and prepare a Master Plan for its development. The Master Plan (1971-1999) prepared by the Authority in 1971 was approved by the Government in June 1976. The plan was, revised (1985) by the Authority at a cost of Rs 7.65 lakh. The revised plan was, however, not adopted as it lacked requisite base maps which were essential for preparation of land-use plan. These maps, prepared by Survey of India during 1985 at a cost of Rs 7 lakh were, however, misplaced for which a case was under investigation (August 1999) with the Vigilance Department. No further action had been taken to finalise the draft plan till 1997 by which time it had lost its value by way of facts and figures, rendering the expenditure of Rs 14.65 lakh as wasteful.

Non-finalisation of the Master Plan affected planned development of the city and non-utilisation of land transferred to the Authority

Preparation of Master Plan 1995-2011 was entrusted (March 1997) to Town Planning Organisation for completion at a cost of Rs 17.25 lakh within a period of six months. The draft plan, submitted (December 1998) by the Organisation had not been finalised (August 1999) as the methodology and scope adopted by the Town Planning Organisation was technically faulty and contained a number of deficiencies viz. as against the estimated spread of 12348 hectares, it had been designed for 33388 hectares under urban use, and no separate urban land policy had been spelt out in the draft plan. Due to non-finalisation of Master Plan, the Zonal plans for land use could also not be prepared which, affected planned development of the city and non-utilisation of the land transferred to the Authority. The basis/rationale adopted in the selection/execution of works connected with the planned development of Srinagar City, in absence of any Master and Zonal Plans, was not on record. Delay in finalisation and implementation of the Master Plan and Zonal plans was likely to result in increase in development costs, encourage encroachments on the State land and delay in providing improved services and amenities to the people.

The Authority had also not undertaken the important activity of regulating construction activities in Srinagar local area, outside municipal limits for the last 26 years which resulted in unplanned and haphazard growth

Building construction activities in the area outside municipal limits not regulated for the last 26 years

in the peripheral areas besides encouraging encroachments. State land measuring 60 *kanals* (3.25 lakh sq. ft) valued at Rs 3 crore, was under the unauthorised occupation of 501 persons in 9 localities/areas. No action had been taken for eviction of the encroachments despite availability of a demolition squad.

8.4.5 *Financial position*

8.4.5.1 *Arrears in compilation of accounts*

Accounts beyond 1980-81 not prepared

Accounting procedures, financial powers and responsibilities and checks/ controls to be exercised not prescribed

In terms of Section 21 of Jammu and Kashmir Development Act 1970, the Authority is required to prepare annual accounts including the balance sheet in consultation with the auditor to be appointed by the Government. The certified accounts of the Authority, together with the audit report thereon is to be forwarded to the Government for being laid before both the Houses of Legislature. Test-check of the records revealed that despite the Authority having a full fledged accounts wing, it engaged a firm of chartered accountants for preparation of annual accounts for the last 25 years (1971-96) and for concurrent internal audit which was to be completed by December 1997. The firm had, however, completed the accounts only up to 1980-81. For non-completion of the remaining work, the Authority decided to file a suit against the firm. Meanwhile, finalisation of accounts beyond 1980-81 was in arrears as the Authority had not appointed any other firm. As a result of non-finalisation of accounts, the financial position of the Authority was not ascertainable and accountability of investments made by the State Government up to March 1999 could not be ensured. Further, the Authority had not prepared (May 1999) the Accounting Manual nor had the accounting procedures, financial powers and responsibilities of various functionaries and checks/controls to be exercised, been prescribed despite directions (March 1997) of the Board.

8.4.5.2 *Receipts and expenditure*

28 to 79 *per cent* of available funds not utilised

The position of funds received by the Authority from the Government and resources generated internally and expenditure incurred there against during 1994-95 to 1998-99 as emerging from subsidiary records, was as under:

(Rupee in crore)

Year	Opening unspent balance	Funds received from State Government	♥ Internal receipts	Total funds available	Expenditure	Unspent closing balance	Percentage of total expenditure to total funds available
1994-95	2.60	0.59	2.80	5.99	4.34	1.65	72
1995-96	1.65	1.53	2.00	5.18	2.67	2.51	52
1996-97	2.51	5.95	2.23	10.69	2.69	8.00	25
1997-98	8.01*	7.10	4.07	19.18	5.80	13.38	30
1998-99	13.38	2.51	4.37	20.26	4.26	16.00	21
Total		17.68	15.47		19.76		

The unspent balances, out of total available funds, increased from Rs 1.65 crore at the end of March 1995 to Rs 16 crore at the end of March 1999. Audit scrutiny revealed that underutilisation of available funds was mainly due to failure of the Authority to conceive and implement Action Plans for planned development of the Srinagar city. Underutilisation of the funds, thus, affected the implementation and execution of the envisaged developmental activities like, construction/relocation of shopping complex and fruit markets, construction of sports stadia, parking areas and removal/relocation of slaughter houses, etc.

Variation of Rs 0.99 crore between bank/ cash balances

The Authority had not conducted reconciliation of its bank accounts since inception. There was a variation of Rs 0.99 crore between balances as per cash book and those reflected in the bank scrolls. Reasons for non-reconciliation of the balances were not intimated (September 1999). As per the Act, ibid, the Government was to fix a ceiling for the amount to be kept in the Current Account of the Authority. Test-check revealed that no such limit had been fixed and huge balances, ranging between Rs 1.88 crore and Rs 5.64 crore had been kept in the Current Account between July 1998 and March 1999. Had these balances been invested in high-yielding securities, additional income by way of interest could have been generated.

Unspent cash balances not invested judiciously

8.4.6 Internal receipts

The Authority, being a local body, was to be self financing. Accordingly, it was to create and expand its own resource base besides, devising and evolving an efficient mechanism of levying and collection of rent/duties promptly. The total receipts (Revenue and Capital) of the Authority vis-à-vis budget estimates for the years 1994-95 to 1998-99 were as under:

♥ Includes deposits received from other agencies for execution of works

* Variation of Rs 41 thousand between closing balance (1996-97) and opening balance (1997-98) was not explained.

(Rupees in crore)

Year	Particulars	Budget estimates	Actual receipts	Shortfall	Percentage of shortfall to Budget estimates
1994-95	Revenue	0.21	0.13	0.08	38
	Capital	2.84	2.19	0.65	23
1995-96	Revenue	0.48	0.26	0.22	46
	Capital	2.31	1.43	0.88	38
1996-97	Revenue	0.77	0.24	0.53	69
	Capital	2.28	1.64	0.64	28
1997-98	Revenue	1.48	0.39	1.09	74
	Capital	5.16	2.95	2.21	43
1998-99	Revenue	1.47	0.22	1.25	85
	Capital	7.18	2.92	4.26	59

Shortfall in revenue collection between 38 and 85 *per cent* in revenue receipts and between 23 and 59 *per cent* in capital receipts

It would be observed from the above that targets of revenue receipts fixed were not achieved in any financial year from 1994-95 to 1998-99. The percentage of shortfall ranged between 38 and 85 in case of Revenue receipts and between 23 and 59 in case of Capital receipts. The contributory factors for shortfall as observed in audit were as under:

(a) *Non-realisation of arrears of rent*

Rupees 3.64 crore outstanding on account of rent

The Authority derives a major portion of revenue from rent of assets like shops, buildings, etc. An amount of Rs 3.64 crore was outstanding on account of rent as on 31 March 1999 against 1218 allottees, of which Rs 1.77 crore was outstanding for more than 5 years. While an amount of Rs 1.13 crore (31 *per cent*) was outstanding against Government and semi-Government Departments (18 allottees), Rs 2.51 crore were outstanding against 1200 private parties. Shortfall in realisation of the outstanding rent was mainly due to non-confirmation/reconciliation of outstanding balances. Besides, effective steps like enforcing of penal clauses cancellation of allotment and re-possession of the property by the Authority under the provisions of agreements drawn with the allottees had not been taken which was attributed by the Authority to prevailing conditions in the valley. The contention of the Authority is, however, not tenable as shortfall in realisation of estimated revenue and capital receipts showed an increasing trend from Rs 0.73 crore to Rs 5.51 crore during the period 1994-99, despite overall improvement in the ground situation particularly after 1994-95.

(b) *Allotments of shops at reduced premium*

The Authority constructed 64 shops at New Marshaling Yard, Batmaloo in 1991 at a cost of Rs 71.05 lakh. It was decided to allot these shops to public at a premium of Rs 1 lakh to Rs 1.50 lakh per shop. Twenty

Revenue loss of Rs 33 lakh

of these shops were proposed to be allotted to shopkeepers dislocated from General Bus Stand, Batmalloo at a reduced premium ranging between Rs 10000 and Rs 12000 per shop. Test-check, however, revealed that out of 64 shops, 36 shops were irregularly allotted at a lower premium of Rs 10000 to Rs 15000, to those shopkeepers who had not been dislocated from General Bus Stand. The remaining shops (28) were, however, allotted (July 1994 to February 1998) at a premium ranging between Rs 1.25 lakh and Rs 2.50 lakh. This resulted in an overall revenue loss of Rs 33 lakh to the Authority. An amount of Rs 10.61 lakh by way of rent was also outstanding against these shopkeepers at the end of March 1999. On this being pointed out in audit, the Management stated (May 1999) that the shops had been allotted unauthorisedly by the then Administrative Officer and that the case had been referred (February 1994) to the Vigilance Organisation for probe, result of which was awaited (September 1999). The Management further observed that recovery of outstanding rent would result in regularisation of the allotment of these shops in favour of the allottees. The contention is, however, not correct as the arrears of rent could be recovered after seeking suitable legal advice for which no such action was taken.

(c) Non-recovery of premium and rentals for residential plots

(i) The Authority developed 3927 residential plots of different sizes during the years 1978-91 at a total cost of Rs 22.86 crore at the Bemina Housing Colony. Of these, 3376 plots were allotted and remaining 551 plots (average cost: Rs 3.21 crore) had not been allotted resulting in locking up of Rs 3.21 crore. Further, as per agreement entered into with the allottees, the plots were to be allotted after receiving 50 *per cent* cost of the plots at the time of allotment and the balance (50 *per cent*) was to be paid by allottees in 33 equal monthly instalments. A test-check of records of the Authority revealed that Rs 27.56 lakh representing balance 50 *per cent* cost of the plots was outstanding (March 1999) against 670 allottees, in whose favour plots had been allotted between 1981-1993. Action taken to recover the outstanding premium was not intimated.

Rs 3.21 crore locked up due to non-allotment of 551 residential plots

(ii) The Authority constructed 235 shops (cost not ascertainable) at 8 locations in the Srinagar city during May 1987 to October 1997. It was, however, seen in audit that none of the shops had been allotted as of May 1999 due to poor response from the public resulting in loss of potential income of Rs 3.70 crore (premium: Rs 2.87 crore; rent: Rs 0.83 crore). Obviously, the shops had been constructed without considering the suitability of the site and ascertaining the demand which was indicative of defective planning.

(iii) The area available at General Bus Stand, Batmalloo along with two buildings was transferred to the Authority in February 1987. The

Revenue loss of Rs 68.99 lakh

accommodation available in the two buildings was unauthorisedly occupied by various transport agencies, State Road Transport Corporation and Police Department. Besides, some peddlers were also carrying out their trade within the bus stand yard. The Authority decided (January 1989) to regularise the need based accommodation requirement of the occupants and get the accommodation in excess of actual requirements vacated. It was also decided to register all the peddlers and recover rent from them at the rate of Rs 10 per day. No action was, however, taken by the Authority to execute lease deeds with the occupants or evict the unauthorised occupants. Based on the minimum rent (Rs 2 per sft.per month prevalent in the area) the Authority suffered revenue loss of Rs 61.88 lakh up to March 1999. Besides, out of 440 peddlers, only 19 peddlers had been registered from whom rent of Rs 7.11 lakh had not been recovered as of March 1999.

8.4.7 *Execution of works*

8.4.7.1 *Unplanned and irregular allotment and execution of works*

Developmental works costing Rs 8.52 crore undertaken without inviting tenders and obtaining administrative approval and technical sanction

Execution of works was undertaken without any approved works programme. Test-check of records revealed that 124 works for environmental improvement, development of colonies, shopping complexes, parking areas/places, departmental buildings and other developmental works in the city were executed at the cost of Rs 8.52 crore during the period 1989-98 without obtaining administrative approval and technical sanction. The works had been allotted to contractors without inviting tenders and assessing the reasonableness/competitiveness of rates. As a result, expenditure on these works was incurred in excess of allocations which resulted in creation of undischarged liability of Rs 2.07 crore in respect of 97 works. Of these, 59 works costing Rs 1.05 crore were regularised (March 1998) by the Board and 23 works costing Rs 39.93 lakh were referred to Vigilance Organisation for probe, findings of which were awaited (September 1999). Similarly, works pertaining to the Srinagar Core Area Development Project were also executed by the Authority during 1989-90 to 1995-96 at a cost of Rs 7.09 crore, without obtaining administrative approval/technical sanction from the competent authority.

Rs 1.25 crore locked up due to non-allotment of plots/shops

Test-check further revealed that with a view to desilting 3 city channels and clearing their embankments of encroachers (boatmen), the Government approved (August 1994) development of 1350 plots and construction of 40 shops at a cost of Rs 4.44 crore for allotment to the boatmen. An amount of Rs 3.74 crore was released by the Government in favour of the Authority during 1994-95 for this purpose. The Authority developed 842 plots at a cost of Rs 3.43 crore and constructed 40 shops* up

* Construction cost of shops was not available

to March 1996, of which only 534 plots and 6 shops were allotted. Physical achievement was not commensurate with the expenditure as compared to the estimated development cost of 1350 plots and 40 shops (Rs 4.44 crore) reasons for which were not intimated. The remaining 308 plots and 34 shops had not been allotted for which no reasons were intimated. Non-allotment of the remaining plots/shops resulted in locking up of Rs 1.25 crore[^] for over 3 years besides non-achievement of the envisaged objectives fully.

Out of Rs 1.60 crore released by the Government, in anticipation of approved project reports for execution of various projects/schemes during the years from 1995-96 to 1998-99, Rs 47.05 lakh was diverted for upgradation of surface roads, *pucca/kucha* drains, manholes, etc. at Fruitmandi, Parimpora. The expenditure was also incurred without obtaining administrative approval and technical sanction and the balance (Rs 1.13 crore) was lying unutilised (September 1999).

Non-observance of codal provisions for taking up/execution of works resulting in creation of liabilities and locking up/diversion of funds indicated inadequate supervisory control mechanism and financial indiscipline in the Authority.

8.4.7.2 Construction of shopping complex

Unfruitful expenditure of Rs 1.39 crore due to unplanned construction of shopping complex at Doodganga

A self-financing shopping complex comprising 88 shops and estimated to cost Rs 30 lakh was approved (July 1990) for construction at Doodganga. Though design of the complex had not been finalised, the work was allotted (October 1991) to eight contractors at a tendered cost of Rs 45.91 lakh. After incurring an expenditure of Rs 1.31 crore up to foundation/plinth level only, the construction was stopped (1992) in view of enormous increase in foundation cost, and also due to lack of funds. Subsequently, the Board decided (1995) to auction the site on 'as is where is' basis to avoid encroachment of the site. Accordingly, the site was advertised (1996) by the Authority with a minimum reserve premium of Rs 3.10 crore, which was later reduced to Rs 2.40 crore. Since there was no response from the buyers even at the reduced premium, the Authority decided (March 1998) to raise ground floor of the complex comprising 44 shops at an estimated cost of Rs 46 lakh with a potential of generating revenue of Rs 1.10 crore as premium and Rs 2.53 lakh as annual rent. A Delhi based firm was engaged (December 1998) at a cost of Rs 8 lakh for assessing the load bearing capacity of the foundation and condition survey of the proposed construction. Though the firm had recommended some remedial measures at an estimated cost of Rs 10 lakh, no further action was taken thereafter. Thus, unplanned execution of the work resulted in unfruitful expenditure of Rs 1.39 crore. The basis on which the Authority

[^] Worked out proportionally and excluding cost of constructions of 34 shops.

allotted the work in absence of its technical approval and the reasons as to how an expenditure of Rs 1.31 crore was incurred only up to plinth level against total estimated cost of Rs 45.91 lakh could not be ascertained in audit as the records were lying with the Vigilance Organisation (May 1999). How the excess expenditure was met by the Authority could also not be ascertained in absence of records.

8.4.7.3 Construction of shops at Boatmen's colony

Locking up of Rs 13.24 lakh due to lack of control over construction activities

The Authority allotted (September 1992) the work of construction of 80 shops at Boatmen's Colony, Bemina at an estimated cost of Rs 18.40 lakh to a contractor. The allotment was done without obtaining administrative approval and technical sanction. Test-check of the records revealed that the contractor abandoned the work in August 1994 after receiving payment of Rs 13.24 lakh against the work amounting to Rs 38.74 lakh executed by him The undischarged liability of Rs 25.50 lakh was reportedly created on unauthorised additions and alterations made by the contractor. The contractor had filed (August 1994) a suit for non-payment of the balance amount by the Authority. This indicated lack of effective control by the Engineering wing of the Authority over construction activity. Meanwhile, the investment of Rs 13.24 lakh continued to remain locked up (September 1999) and the objective of the construction of the shops was also not achieved.

8.4.7.4 Deposit works

Proper accounts for deposit works not maintained

Besides, execution of works connected with the development of Srinagar City, the Authority takes up works of Government departments and other agencies against cent *per cent* advance payments of the estimated cost of the work. The Authority had not maintained any records of advances received from various departments, estimated costs and the progress and utilisation of advances for each work. However, test-check of available records revealed that the Authority had received Rs 9.67 crore from 9 Government Departments/organisations for execution of various works. Against this amount the Authority had incurred an expenditure of Rs 11.44 crore ending March 1999 on these works by diverting funds received from other sources. Besides, important control records like cash book, works register, asset register, register of advances to suppliers/staff, register of allotment, tender documents, material-at-site accounts in respect of these works though called for were not, produced to audit, due to which the accounting and utilisation of these funds could not be verified in audit.

8.4.8 Outstanding imprest/advances

Under financial rules of the State Government, cash imprest up to a maximum limit of Rs 1000 is to be kept at the disposal of the subordinate

Imprest/temporary advances aggregating Rs 18.02 lakh outstanding against 116 officials

officers and the unspent balance, if any, is to be refunded immediately. Advance payments are required to be made sparingly and adjustment of recoveries thereof effected before the closure of the financial year. Test-check of records, however, revealed that imprest/advances paid by the Authority to its employees were far in excess of the limits prescribed by the State Government for its employees and an amount of Rs 18.02 lakh was outstanding against 116 officials/agencies at the end of 1998-99. Out of this, Rs 4.92 lakh were outstanding against 96 persons/officials for periods ranging between 1 to 5 years. This included Rs 1.46 lakh against 31 officials who stood transferred/relieved from the Authority.

8.4.9 Inventory control

Physical verification of stores not conducted since 1988-89

(i) The Authority had not conducted physical verification of stores in any year after its being set up, except during 1988-89. Non-conducting of the physical verification of stores was fraught with the risk of shortages/excesses and misappropriation of stores remaining undetected. The system of obtaining cash/personal security from the persons handling stores was also not in vogue in the Authority.

Excess/ unauthorised issue of stores valued at Rs 1.12 crore during 1986-94 not recovered

(ii) The Authority had not prescribed any monetary limit for stock reserve for its Engineering Division for proper inventory control and avoiding locking up of funds in surplus purchases. Issue of material to contractors was also not properly regulated as fresh material was issued without recovery/adjustment of the material previously issued. This had resulted in excess/unauthorised issue of stores valued at Rs 1.12 crore to 28 contractors during the period 1986-1994.

(iii) The store records of the Authority were destroyed in a fire in February 1993. Thereafter, six theft cases of store items were reported to the Police between March 1993 and February 1995. The value of such stores had neither been assessed nor any departmental enquiry instituted to investigate these cases for fixing responsibility therefor. Store records for the period from 1993 to 1997 had also not been maintained.

Loss of Rs 5.64 lakh due to setting of 3459 bags of cement

(iv) Out of 5000 bags of cement lying in divisional store since September 1994, 3459 bags of cement had got set, thus putting the Authority to a loss of Rs 5.64 lakh. Responsibility for purchase of cement in excess of requirement and failure to dispose of excess cement in time for avoiding the loss had not been fixed. Besides, 400 bags of cement valued at Rs 6500 issued on loan to PHE Ground Water and Procurement Division, Srinagar in August 1992 had not been recovered (September 1999) despite lapse of over 7 years. Reasons for non-recovery were not intimated (September 1992).

(v) Priced store ledger had not been maintained. Similarly, advance payment registers in respect of material purchased had also not been maintained for exercising effective control over such payments and materials received thereagainst. In absence of this, balances, if any, outstanding against the suppliers were not ascertainable.

8.4.10 Monitoring and evaluation

Schemes implemented by the Authority had neither been monitored nor evaluated to assess their impact on development of the identified local areas.

8.4.11 Conclusion

The Authority should take up developmental and other works in the local area only after proper planning, bring its accounts up to date, prescribe financial powers/responsibilities of its various functionaries and improve the system of controls.

8.4.12 The above points were referred to the Government/Authority in August 1999; reply has not been received (October 1999).

Srinagar/Jammu

The 27 MAR 2000

(H. Pradeep Rao)
Accountant General Jammu and Kashmir

Countersigned

V. K. Shunglu

New Delhi
The 03 APR 2000

(V.K. Shunglu)
Comptroller and Auditor General of India

Appendices

Appendix-1

(Reference: Paragraph: 1.1; Page:1)

Part A. Government Accounts

Structure of Government Accounts

Structure

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

Part-I: Consolidated Fund

All receipts of the State Government from revenues, loans and recoveries of loans go into the Consolidated Fund constituted under Article 115 of Constitution of Jammu and Kashmir. All expenditure of the Government is incurred from this Fund from which no amount can be withdrawn without authorisation from the State Legislature. This part consists of two main divisions, namely, Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Capital Receipts, Capital Expenditure, Public Debt and Loans etc.).

Part-II. Contingency Fund

The Contingency Fund created under Article 116 of the Constitution of Jammu and Kashmir is in the nature of an imprest placed at the disposal of the Governor of the State to meet urgent unforeseen expenditure pending authorisation from the State Legislature. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund Authorised by the Legislature during the year was Rs 40 lakh.

Part-III. Public Account

Receipts and disbursements in respect of small savings, provident funds, deposits, reserve funds, suspense, remittances, etc., which do not form part of the Consolidated Fund, are accounted for in Public Account and are not subject to vote by the State Legislature.

II. Form of Annual Accounts

The accounts of the State Government are prepared in two volumes viz., the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts, present the details of expenditure by the State Government vis-a-vis the amounts authorised by State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

Part B. List of Indices/ratios and basis for their calculation

(Referred to in paragraph: 1.11)

Indices/ratios		Basis of calculation
Sustainability		Revenue Receipts minus all Plan grants (under Major Head 1601) and Non-Plan revenue expenditure
Balance from the current revenue	BCR	
Primary Deficit Interest Ratio		
	Capital Outlay	Capital expenditure as per Statement No 2 of the Finance Accounts
Capital Outlay Vs Capital receipts	Capital receipts	Internal Loans (net of ways and means advances) + Loans and advances from Government of India+ Net receipts from small savings, PF etc. + Repayments received of loans advanced by the State Government-Loans advanced by the State Government.
Total tax receipts Vs GSDP State tax receipts Vs GSDP		
Flexibility -Balance from current revenue		As above
-Capital repayments Vs Capital borrowings	Capital Repayment	Disbursements under major heads 6003 and 6004 minus repayments on accounts of Ways and Means Advances/Overdraft under both the major heads
	Capital Borrowings	Addition under Major Heads 6003 & 6004 minus addition on accounts of Ways & Means advances/overdraft under both the major heads
	State Tax Receipts	Statement 1 of Finance Accounts
	Total Tax Receipts	State Tax receipts plus State's share of Union Taxes
Incomplete Projects -Total Tax Receipts Vs GSDP -Debt Vs GSDP		
Vulnerability -Revenue Deficit -Fiscal Deficit		Paragraph No 1.9.6.2 of the Audit Report
-Primary Deficit Vs Fiscal Deficit	Primary Deficit	Fiscal Deficit minus interest payments
Total outstanding guarantees including letters of comfort Vs total revenue receipts of the Government	Outstanding guarantees	Exhibit-IV
	Revenue Receipts	Exhibit-II
Assets Vs Liabilities	Assets and Liabilities	Exhibit-I
	Debt	Borrowings and other obligations at the end of the year (Statement No 17 of the Finance Account)

Appendix-2

(Reference: Paragraph: 2.4.1; Page:31)

Cases of unnecessary supplementary grant/appropriation

(Rupees in crore)

S.No	Grant or Appropriation	Amount of Grant/Appropriation			
		Original	Supplementary	Actual expenditure	Saving
	I-Revenue (Voted)				
1.	1-General Administration	92.02	7.01	84.12	14.91
2.	7-Education Department	618.84	52.73	557.53	114.04
3.	10-Law Department	19.35	2.63	15.64	6.34
4.	14-Revenue Department	129.41	0.91	90.79	39.53
5.	17-Health and Medical Education Department	290.73	38.54	282.36	46.91
6.	19.-Housing and Urban Development	50.66	11.26	44.06	17.86
7.	20-Tourism Department	21.54	2.81	14.90	9.45
8.	21-Forest Department	118.49	10.59	114.14	14.94
9.	22-Irrigation and Flood Control Department	108.59	6.15	103.64	11.10
10.	23-Public Health Engineering Department	156.89	10.89	137.72	30.06
11.	25-Labour Stationery and Printing Department	19.13	2.59	18.41	3.31
12.	27-Higher Education Department	81.28	11.11	66.17	26.22
	Total-I	**1706.93**	**157.22**	**1529.48**	**334.67**
	II-Revenue (Charged)				
13.	9-Parliamentary Affairs	0.23	0.01	0.21	0.03
	Total-II	**0.23**	**0.01**	**0.21**	**0.03**
	III-Capital (Voted)				
14.	2-Home Department	8.80	4.42	-	13.23
15.	5-Ladakh Affairs	52.43	5.04	24.86	32.61
16.	7-Education Department	39.59	4.59	13.75	30.43
17.	12-Agriculture and Rural Development Department	70.06	25.00	30.20	64.86
18.	13-Animal Husbandry Department	9.09	0.15	1.81	7.43
19.	16-Publc Works	149.03	41.41	140.46	49.98
20.	17-Health and Medical Education	31.12	8.41	17.09	22.44
21.	18-Social Welfare	19.82	1.71	0.53	21.00
22.	19-Housing and Urban Development	69.29	22.62	48.19	43.71
23.	20-Tourism	17.43	7.94	16.54	8.83
24.	21-Forest Department	24.33	6.87	11.64	19.56
25.	22-Irrigation and Flood Control	53.71	49.90	36.02	67.59
26.	25-Labour, Stv. and Printing	11.78	0.03	0.08	11.73
	Total-III	**556.48**	**178.09**	**341.17**	**393.40**
	Total I+II+III	**2263.64**	**335.32**	**1870.86**	**728.10**

Appendix-3
(Reference: Paragraph: 2.4.1; Page:32)
Excessive supplementary grant/appropriation

(Rupees in crore)

S.No	Name of grant/Appropriation	Amount of Grant/Appropriation				
		Original	**Supplementary**	**Total**	**Expen-diture**	**Saving**
	I-Revenue (Voted)					
1.	2-Home Department	554.17	121.31	675.48	607.87	67.61
2.	12-Agriculture, Rural Development Department	166.53	50.96	217.49	191.12	26.37
3.	18-Social Welfare Department	62.34	7.27	69.61	69.40	0.21
	Total-I	**783.04**	**179.54**	**962.58**	**868.39**	**94.19**
	II-Revenue (Charged)					
4.	1-General Department	2.33	0.48	2.81	2.50	0.31
5.	8-Finance Department	596.97	102.68	699.65	664.74	34.91
6.	10-Law Department	4.73	2.06	6.79	5.73	1.06
	Total-II	**604.03**	**105.22**	**709.25**	**672.97**	**36.28**
	III-Capital (Voted)					
7.	2-Home Department	8.81	4.42	13.23	-	13.23
8.	14-Revenue Department	1.29	1.84	3.13	-	3.13
	Total-III	**10.10**	**6.26**	**16.36**	**-**	**16.36**
	Total-I+II+III	**1397.17**	**291.02**	**1688.19**	**1541.36**	**146.83**

Appendix-4

(Reference: Paragraph: 2.4.1; Page:32)

Savings exceeded 10 *per cent* of the grant and more than Rs 50 lakh

(Rupees in crore)

S. No	Grant number	Amount of grant/ appropr-iation	Expenditure	Saving (Percentage)
I-Revenue (Voted)				
1.	3-Planning and Development Department	23.29	8.05	15.24 (65)
2.	11-Industries and Commerce	81.78	71.98	9.80 (12)
3.	15-Food Supplies and Transport	68.57	8.93	59.64 (87)
4.	16-Public Works Department	177.23	156.90	20.33 (11)
5.	24-Estates, Hospitality and Protocol	4.07	2.18	1.89 (46)
II-Capital (Voted)				
6.	1-General Department	4.39	0.81	3.58 (82)
7.	3-Planning and Development Department	84.26	-	84.26 (100)
8.	4-Information Department	1.00	-	1.00 (100)
9.	6-Power Development Department	273.95	155.07	118.88 (43)
10.	9-Parliamentary Affairs	3.40	-	3.40 (100)
11.	11-Industries and Commerce	84.38	52.58	31.80 (38)
12.	15-Food Supplies and Transport	653.71	385.07	268.64 (41)

Appendix-5

(Reference: Paragraph: 2.6.2; Page:33)

Persistent savings of more than 10 *per cent* during last 3 years

(Rupees in crore)

S.No	Name of grant/appropriation	Amount of saving (Percentage in brackets)		
		1996-97	1997-98	1998-99
I. Revenue –Voted				
1.	3-Planning and Development	15.16	91.09	15.24
		(67)	(91)	(65)
2.	10-Law Department	6.46	1.81	6.34
		(24)	(10)	(29)
3.	15-Food Supplies and Transport	64.19	78.48	59.64
		(90)	(90)	(87)
4.	19-Housing and Urban Development	9.56	9.83	17.86
		(23)	(21)	(29)
5.	23-Public Health Engineering	28.52	21.81	30.06
		(25)	(17)	(18)
II. Revenue-Charged				
6.	9-Parliamentary Affairs	0.02	0.11	0.03
		(25)	(54)	(11)
III. Capital-Voted				
7.	1- General Administration	20.34	3.35	3.58
		(96)	(72)	(82)
8.	2-Home Department	12.29	15.68	13.23
		(83)	(100)	(100)
9.	3-Planning and Development	8.18	162.61	84.26
		(100)	(100)	(100)
10	4-Information Department	0.64	0.70	1.00
		(100)	(82)	(100)
11	5-Ladakh Affairs	21.82	32.27	32.61
		(54)	(62)	(57)
12	7-Education Department	18.73	22.15	30.43
		(45)	(47)	(69)
13	11-Industries and Commerce Deptt.	9.42	11.94	31.80
		(17)	(17)	(38)
14	12-Agriculture, Rural Development and Co-operatives Department	42.87	22.54	64.86
		(61)	(29)	(68)
15	13-Animal Husbandry Deptt.	6.99	8.76	7.43
		(70)	(77)	(80)
16	14-Revenue Department	2.47	3.09	3.13
		(100)	(100)	(100)
17	15-Food Supplies and Transport	176.83	178.13	268.43
		(32)	(31)	(41)
18	17-Health and Medical Education	9.90	10.51	22.44
		(31)	(31)	(57)
19	18-Social Welfare Department	10.91	20.39	20.99
		(98)	(97)	(98)
20.	22-Irrigation and Flood Control	17.75	25.57	67.60
		(45)	(40)	(65)
21.	25-Labour, Stationery and Printing	17.72	12.72	11.73
		(99)	(96)	(99)
22	27-Higher Education	11.85	16.21	10.33
		(97)	(100)	(100)

Appendix-6

(Reference: Paragraph: 2.7.1; Page:33)

Statement showing expenditure incurred without budget provisions

(Rupees in lakh)

S.No	Grant/Head of Account	Amount
1.	**1-General Administration Department**	
	6202-Loans for Education Sports, Art & Culture	20.69
	6210-Loans for Medical & Public Health	11.58
	6401-Loans for Crop Husbandry	8.16
	6403-Loans for Animal Husbandry	0.63
2.	**4-Information Department**	
	2220-Information & Publicity	46.13
3.	**6-Power Development Department**	
	5056-Capital Outlay. on Inland Water Transport	49.42
4.	**8-Finance Department**	
	6003-Internal Debt of State Government (Charged)	2202.83
	2235-Social Security & Welfare	9.55
	6235-Loan for Social Security & Welfare	48.12
5.	**11-Industries and Commerce Department**	
	2852-Industries	518.29
	4860-Capital outlay on Consumer Industries	11.92
	4885-Capital outlay on Industries and Minerals	125.00
6.	**12-Agriculture, Rural Development and Co-operatives Department**	
	2505-Rural Employment	4.61
	4236-Nutrition	33.14
	6435-Loans for Agriculture Programme	60.00
7.	**13-Animal Husbandry Department**	
	2404-Dairy Development	129.92
	4403-Capital outlay on Animal Husbandry	3.36
8.	**16-Public Works Department**	
	2217-Urban Development	77.16
	2215-Water supply sanitation	276.44
	3054-Roads and Buildings	1.87
	2059-Public Works	8515.77
	2216-Housing	34.51
	5054-Capital outlay on Roads and Buildings	9584.93
	4216-Capital outlay on Housing	267.44
	4215-Capital outlay on water supply and sanitation	738.48
9.	**17-Health and Medical Education Department**	
	2211-Family Welfare	284.75
	2210-Medical and Public Health	1081.04
	4210-Capital outlay on Medical and Public Health	421.75
10.	**18-Social Welfare Department**	
	2235-Social Security & Welfare	2580.43

11.	**19-Housing and Urban Development Department**	
	2217-Urban Development	58.91
	4216-Capital outlay on Housing	168.50
	4217-Capital outlay on Urban Development	4576.04
	6217-Loans for Urban Development	15.00
12.	**20-Tourism Department**	
	3452-Tourism	327.78
13.	**21-Forest Department**	
	2406-Forestry and Wild Life	2660.14
	4402-Capital outlay on Soil and Water Conservation	598.02
14.	**22-Irrigation and Flood Control Department**	
	2701-Major and Medium Irrigation	749.73
	2702-Minor Irrigation	3009.11
	2711-Flood Control	425.97
15.	**23-Public Health Engineering Department**	
	2215-Water supply and sanitation	2471.26
	4215-Capital outlay on Water supply and sanitation	8058.27
16.	**25-Labour, Stationery and Printing Department**	
	2230-Labour and Employment	412.05
	2058-Stationery and Printing	1.55
17.	**26-Fisheries Department**	
	2405-Fisheries	163.27
18.	**27-Higher Education Department**	
	2205-Art and Culture	72.86
	2202-General Education	1060.04
	Total	**51976.42**

Appendix -7

(Reference: Paragraph: 3.1.4.2 (a); Page:40)
(A) Statement showing variation in unspent balances

(Rupees in crore)

Year	Actual unspent balance	Unspent balance reported to Central Government
1993-94	29.49	28.35
1994-95	24.94	18.74
1995-96	41.03	33.81
1996-97	50.98	41.36
1997-98	22.17	10.89
1998-99	17.26	5.50

(B) Statement of expenditure reported to Central Government, expenditure as per certified accounts and expenditure for which utilisation certificates were issued

District	Year	Expenditure reported			Actual Expenditure			Amount for which utilisation certificates furnished			Variation in reported expenditure Excess (+)/ Less(-)		
		the Yojna	MWS	EAS	the Yojna	MWS	EAS	the Yojna	MWS	EAS	the Yojna	MWS	EAS
Jammu	1994-95	452.04	-	-	453.96	-	-	NA	NA	NA	(-) 1.92	-	-
	1995-96	316.76	-	469.87	321.46	-	459.33	355.83	NA	NA	(-) 4.70	-	(+) 10.54
	1996-97	105.73	36.87	477.48	114.72	31.54	483.76	171.35	31.54	483.77	(-) 9	(+) 5.33	(-) 6.28
	1997-98	189.36	34.40	746.72	190.51	31.14	747.57	NA	31.14	950.41	(-)1.15	(+) 3.26	(-) 0.85
Kathua	1994-95	237.53	-	-	334.39	-	-	NA	NA	NA	(-)96.86	-	-
	1995-96	222.49	-	26.14	206.56	-	27.33	136.72	21.46	26.14	(+)15.93	-	(-)1.19
	1996-97	63.93	15.73	181.85	^^ 182.77	NA	181.27	65.02	15.99	190.76	(-) 103.11	-	(+) 0.58
	1997-98	102.74	20.94	596.20	98.30	18.63	590.86	98.43	18.64	508.98	(+) 4.44	(+) 2.31	(+)5.34
Udhampur	1994-95	238.79	-	545.35	239.83	-	545.19	NA	NA	NA	(-) 1.04	-	(+) 0.16
	1995-96	215.25	-	816.50	223.28	-	823.47	91.25	NA	816.50	(-)8.03	-	(-)6.97
	1996-97	83.78	26.74	574.83	^^179.58	NA	589.90	169.52	NA	560.00	(-)69.06	-	(-)15.07
	1997-98	139.10	27.89	1013.00	128.14	25.78	1023.73	NA	26.74	788.32	(+)10.96	(+)2.11	(-)10.73
Srinagar	1994-95	65.82	-	-	68.28	-	-	NA	NA	NA	(-)2.46	-	
	1995-96	80.35	-	144.65	79.11	-	-	NA	NA	NA	(+)1.24	-	(+) 144.65
	1996-97	34.06	10.78	159.30	34.00	10.71	158.17	NA	NA	NA	(+)0.06	(+)0.07	(+)1.13
	1997-98	60.48	6.28	338.01	60.95	6.28	336.72	60.47	NA	NA	(-)0.47	-	(+)1.29
Pulwama	1994-95	263.48	-	-	259.36	-	-	NA	NA	NA	(+)4.12	-	-
	1995-96	176.56	-	122.00	124.70	-	166.11	NA	NA	NA	(+)51.86	-	(-)44.11
	1996-97	87.69	13.63	245.23	90.73	12.82	313.12	NA	NA	NA	(-)3.04	(+)0.81	(-)67.89
	1997-98	113.03	13.00	451.24	114.14	13.00	450.52	NA	NA	NA	(-)1.11	-	(+)0.72

^^ Includes MWS.

Appendix-8
(Reference: Paragraph: 3.1.8.1; Page:46)
Statement showing type/nature of works taken up

Year	Scheme	No of blocks	No of works	Communications: Bridle/tractor roads and steps	Foot bridges	Link roads	Culverts
1995-96	EAS	5	1204	216	-	296	10
	JRY	9	524	81	-	85	19
1996-97	EAS	9	1134	172	1	311	15
	JRY	10	379	83	-	37	8
1997-98	EAS	9	1897	246	4	320	34
	JRY	10	647	148	-	48	16
1998-99	EAS	8	792	120	3	145	27
(1/99)	JRY	9	308	65	-	19	19
Total	EAS		5027	754	8	1072	86
	JRY		1858	377	-	189	62
G.Total			6885	1131	8	1261	148

Minor Irrigation

Khulls	Wells	WHT	Ponds/Bowlies diversion channels	Check-dams
49	99	-	85	-
14	-	8	84	1
27	16	-	118	-
13	3	1	73	-
81	42	4	156	6
25	10	-	141	-
39	12	-	61	1
15	9	-	47	-
196	169	4	420	7
67	22	9	345	1
263	191	13	765	8

Water and soil conservation and afforestation: Protection works	Land levelling	Buildings: School Buildings	Anganwadi centres, common facility centres etc*	Beneficiary oriented	Other works*
205	1	10	74	-	159
10	76	-	8	-	138
117	32	20	61	-	244
18	32	-	6	-	105
260	55	35	98	212	344
43	5	-	8	-	203
132	13	21	59	-	159
25	1	-	11	-	97
714	101	86	292	212	906
96	114	-	33	-	543
810	215	86	325	212	1449

* Includes bath rooms, toilets, lanes/drains, playgrounds, passengers sheds etc.

Appendix-9

(Reference: Paragraph: 3.2.4.3 (i); Page:56)

Statement showing cases in which detailed accounts had not been obtained

S.No	Name of Department/Agency	Amount	Remarks
	(Rupees in Lakh)		
1.	M/s Balmiar Lawrie & Co New Delhi.	40.00	Advanced on account of custom/excise duty on machinery/equipment in March 1994.
2.	M/s Indian Pertochemical Corporation, New Delhi.	26.74	Advance on account of cost of UVS films in October 1994.
3.	Horticulture Information Officer, Jammu.	1.26	Advanced for purchase of journals in March 1998.
4.	Sh Bashir Shah District Horticulture Officer, Sopore	0.26	Advanced on account of cost of 300 olive plants & its carriage etc. in March 1998.
5.	M/s Research & Periodical Organisation, New Delhi	0.97	Advance on account of cost of periodicals in March 1997.
6.	Mr. V.K. Gupta, Dy. Director, Horticulture	0.60	Procurement of olive plants in March 1999.
7.	Jammu and Kashmir Projects Construction Corporation	2.00	For execution of works in Govindpora farm in March 1999.
8.	Joint Director, Agriculture Engineering Jammu.	25.02	Fabrication of Iron structures for polygreen houses March 1999.

Appendix-10

(Reference: Paragraph: 3.3.5.1 (i); Page:73)

Statement showing variation in the quantity of rice shown issued by Food and Supplies Department and that lifted by the Education Department

Name of block/zone	Period	Quantity shown issued by Food and Supplies Department	Quantity shown lifted by Education Department.	Variation Excess (+) Less (-)
			(In Quintals)	
Bani & Lohi Mallahar	November 1995 to March 1996	400.30	374.89	(+) 25.41
Chenani	-do-	944.59	1053.82	(-) 109.23
Gool	-do-	281.94	310.35	(-) 28.41
Udhampur	-do-	1237.40	1132.44	(+) 104.96
Marh	-do-	146.88	100.00	(+) 46.88
Dansal	-do-	114.03	240.39	(-) 126.36
Arnas	1996-97	836.57	748.26	(+) 88.31
-do-	1997-98	697.20	588.30	(+) 108.90
Chenani	1996-97	1479.91	1643.29	(-) 163.38
-do-	1997-98	1399.33	1368.92	(+) 30.41
Pouni	1996-97	469.88	387.59	(+) 82.29
Dudu	1996-97	317.65	256.12	(+) 61.53
Basantgarh				
	1997-98	588.39	488.22	(+) 100.17
Ramnagar	1996-97	439.37	376.62	(+) 62.75
	1997-98	989.96	1179.96	(-) 190.00
District Anantnag	1997-98	13157.05	13227.55	(-) 70.50
Majalta	1997-98	302.13	567.00	(-) 264.87
Panchari	1996-97	427.21	352.55	(+) 74.66
	1997-98	442.79	338.95	(+) 103.84
Reasi	1996-97	651.74	529.79	(+) 121.95

Appendix -11

(Reference: Paragraph: 3.4.7; Page:86)

Details showing requirement of sale centres as per projected population and actually set up

S.No	District	Projected population	Requirement sale of centres as per norms	Actual number of sale centres [ϕ]	Excess (+) Shortfall (-)	Percentage shortfall
Kashmir Province		(In lakh)	(In number)			
1	Anantnag	8.51	426	300	(-) 126	30
2	Pulwama	5.17	259	190	(-) 69	27
3	Srinagar	8.93	447	284	(-) 163	36
4	Budgam	4.97	249	172	(-) 77	31
5	Baramulla	8.61	431	294	(-) 137	32
6	Kupwara	4.17	209	203	(-) 6	03
Jammu Province						
1	Jammu	12.08	604	749	(+) 145	-
2	Udhampur	6.03	302	262	(-) 40	13
3	Kathua	4.92	246	215	(-) 31	13
4	Doda	5.25	263	398	(+) 135	-
5	Poonch	2.92	146	118	(-) 28	19
6	Rajouri	4.17	209	236	(+) 27	-

ϕ As per records of District offices

Appendix-12

(Reference: Paragraph: 3.5.4 (a); Page:95)

Statement showing details of expenditure 1994-99 (Plan and Non Plan) under various components

(Rupees in lakh)

Year		Direction and Administration		Drugs and Instruments		Clothing and Bedding		Machinery and Equipment		Diet		Works		Total	
		A[α]	E[β]	A	E	A	E	A	E	A	E	A	E	A	E
1994-95	Jammu	649.79	602.57	262.71	246.45	14.70	14.65	19.73	19.58	19.30	17.22	103.24	174.75	1069.47	1075.22
	Kashmir	458.42	435.76	144.91	124.62	14.00	12.44	30.50	25.52	9.70	7.60	164.09	171.91	822.62	777.85
	Total	**1108.21**	**1038.33**	**407.62**	**371.07**	**28.70**	**27.09**	**51.23**	**45.10**	**29.00**	**24.82**	**267.33**	**346.66**	**1892.09**	**1853.07**
1995-96	Jammu	768.87	764.42	284.36	284.36	15.45	15.45	24.82	24.41	20.35	13.53	70.99	92.41	1184.84	1194.58
	Kashmir	533.60	509.93	206.48	203.45	17.75	17.75	29.30	29.25	9.50	9.07	211.92	206.22	1008.55	975.67
	Total	**1302.47**	**1274.35**	**490.84**	**487.81**	**33.20**	**33.20**	**54.12**	**53.66**	**29.85**	**22.60**	**282.91**	**298.63**	**2193.39**	**2170.25**
1996-97	Jammu	1013.91	982.58	330.67	331.67	17.75	17.75	27.92	26.08	22.00	19.94	137.28	126.75	1549.53	1504.77
	Kashmir	689.74	672.87	258.32	254.47	19.90	19.75	34.00	32.88	9.00	8.52	299.33	323.55	1310.29	1312.04
	Total	**1703.65**	**1655.45**	**588.99**	**586.14**	**37.65**	**37.50**	**61.92**	**58.96**	**31.00**	**28.46**	**436.61**	**450.30**	**2859.82**	**2816.81**
1997-98	Jammu	1314.44	11.36.86	286.67	285.91	18.75	18.58	30.31	26.98	23.00	21.31	181.56	155.56	1854.73	1645.20
	Kashmir	846.23	756.41	278.05	273.01	21.00	20.65	37.00	31.15	12.00	11.99	297.97	395.78	1492.25	1488.99
	Total	**2160.67**	**1893.27**	**564.72**	**558.92**	**39.75**	**39.23**	**67.31**	**58.13**	**35.00**	**33.30**	**479.53**	**551.34**	**3346.98**	**3134.18**
1998-99	Jammu	1888.88	1608.08	376.85	331.61	21.06	19.29	23.45	19.24	23.00	17.65	95.93	100.52	2429.17	2096.39
	Kashmir	871.84	835.99	237.50	237.50	16.00	15.99	27.00	25.99	11.00	11.00	243.13	221.70	1406.47	1348.17
	Total	**2760.72**	**2444.07**	**614.35**	**569.11**	**37.06**	**35.28**	**50.45**	**45.23**	**34.00**	**28.65**	**339.06**	**322.22**	**3835.64**	**3444.56**

α Allocation

β Expenditure

Appendix-13
(Reference: Paragraph: 3.5.5.2; Page:98)
Statement of bed occupancy

S.No	Name of District Hospital/Sub District Hospital	Sanctioned Beds	Actual beds provided	Excess(+)/ Short (-)-	Percentage of occupancy with reference beds provided				
					1994-95	1995-96	1996-97	1997-98	1998-99
					(up to November 1998 to March 1999)				
A. Jammu Province.									
1.	Govt Gandhinagar Hospital Jammu.	160	100	(-) 60	64	61	55	65	48
2.	District Hospital, Kathua	100	55	(-) 45	Records not made available up to February 1998 only			44	67
3.	District Hospital, Udhampur	200	100	(-) 100	72	67	84	89	59
S.D. Hospitals									
4.	Sarwal Hospital Jammu	30	30	Nil	7	10	10	10	13
5.	Samba	30	23	(-) 7	NA	43	61	87	74
6.	Bishnah	30	10	(-) 20	Records not made available up to September 1996		60	20	20
7.	Akhnoor	30	30	Nil	13	37	30	53	37
8.	Ramgarh	30	12	(-) 18	Upgraded as Sub- District Hospital with effect from March 1998				57
9.	Sohanjana	30	10	(-) 20	Upgraded as Sub- District Hospital in March 1995. Records not maintained up to May 1997			4	10
10.	Hiranagar	30	13 up to July 1998 from August 1998	Nil	38	54	NA	38	10
11.	Basohli	30	12	(-) 18	50	33	50	40	58
12.	Billawar	30	15 up to June 1994 30 from July 1994	Nil	30	43	40	43	65
13.	Chenani	30	10	(-) 20	NA	70	80	60	30
14.	Ramnagar	30	30	Nil	73	77	73	67	77
15.	Reasi	30	30	Nil	41	77	53	55	62
16.	Katra	30	6	(-) 24	NA	NA	NA	3	2
					Records not maintained till 1 November 1997				
B. Kashmir Province									
1.	J.L.N.M. Hoispital Kashmir	100	100	Records seized by Police Department from 1994-95 to 1997-98.					86
2.	District Hospital Budgam	100	20	(-) 80	66	53	46	62	72
3.	District Hospital Pulwama	100	42	(-) 58	24	22	24	24	24
4.	District Hospital Anantnag	100	115	(+) 15	Records gutted in fire.		68	83	95
Sub-District Hospitals									
1.	Bijbehara	30 22 (94-95) 22 (95-96) 25 (96-97) (97-98) 30 (98-99)	-	-	42	27	47	63	48
2.	Pampore	30	10	(-) 20	(Upgraded as S.D.H. in 97-98			Nil	8

Appendix – 14
(Reference: Paragraph: 7.2.1; Page:196)

Statement showing particulars of Capital, Loans/Equity received out of budget, other loans and loans outstanding as on 31 March 1999 in respect of Government Companies and Statutory Corporations

(Rupees in lakh)

S.No	Sector and name of the Company/ Corporation	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other[ν] loans received during the year	Loans outstanding at the close of 1998-99[Ψ]			Debt Equity ratio for 1998-99 (previous year)
		State Gover-nment	Central Gover-nment	Holding Compa-nies	Others	Total	Equity	Loans		Govt.	Others	Total	
(A)	**Government Companies**												
	Agriculture and Allied Sector												
1.	Jammu and Kashmir State Agro Industries Development Corporation Limited	259.92	93.76	Nil	Nil	353.68	Nil	45.00	Nil	1039.92	Nil	1039.92	3:1 (3:1)
2.	Jammu and Kashmir State Horticultural Produce Marketing and Processing Cor-poration Limited	600.00	320.00	Nil	Nil	920.00	Nil	Nil	189.00	275.36	7973.29	8248.65	9:1 (8:1)
	Sector-wise Total	**859.92**	**413.76**	**Nil**	**Nil**	**1273.68**	**Nil**	**45.00**	**189.00**	**1315.28**	**7973.29**	**9288.57**	**7:1**
	Industry Sector												
3.	Jammu and Kashmir Industries Limited	1783.83	Nil	Nil	Nil	1783.83	Nil	1599.00	Nil	11560.81	1003.67	12564.48	7:1 (8:1)
4.	Jammu and Kashmir Small Scale Industries Development Corporation Limited	311.85	Nil	Nil	Nil	311.85	Nil	Nil	102.50	450.13	48.80	498.93	2:1 (1:1)

[ν] Includes bonds. debentures. deposits. etc.

[Ψ] Long-term loans only

Appendix – 14 (Contd.)

S.No	Sector and name of the Company/Corporation	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year	Loans outstanding at the close of 1998-99			Debt Equity ratio for 1998-99 (previous year)
5.	Jammu and Kashmir State Industrial Development Corporation Limited	4477.64	Nil	Nil	Nil	4477.64	125.00	Nil	Nil	5.00	4848.00	4853.00	1:1 (1:1)
6.	Himalayan Wool Combers Limited	136.50	Nil	Nil	Nil	136.50	Nil	86.86	Nil	517.43	260.60	778.03	6:1 (5:1)
7.	Tawi Scooters Limited	80.40	Nil	Nil	Nil	80.40	Nil	Nil	Nil	80.77	Nil	80.77	1:1 (NA)
	Sector-wise Total	**6790.22**	**Nil**	**Nil**	**Nil**	**6790.22**	**125.00**	**1685.86**	**102.50**	**12614.14**	**6161.07**	**18775.21**	**3:1**
	Handloom and Handicrafts Sector												
8.	Jammu and Kashmir State Handloom Development Corporation Limited	316.90	Nil	Nil	Nil	316.90	10.00	200.00	176.59	1735.14	Nil	1735.14	5:1 (5:1)
9.	Jammu and Kashmir Handicrafts (Sale and Export) Development Corporation Limited	482.62	22.00	Nil	Nil	504.62	50.00	163.00	Nil	2152.67#	Nil	2152.67	4:1 (4:1)
10.	Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalayan Wool Combers Limited)	40.00	Nil	Nil	Nil	40.00	40.00	Nil	Nil	119.00	82.16	201.16	5:1 (NA)
	Sector-wise Total	**839.52**	**22.00**	**Nil**	**Nil**	**861.52**	**100.00**	**363.00**	**176.59**	**4006.81**	**82.16**	**4088.97**	**5:1**
	Mining Sector												
11.	Jammu and Kashmir Minerals Limited	800.00	Nil	Nil	Nil	800.00	Nil	808.82	Nil	6306.07	683.56	6989.63	9:1 (8:1)
	Sector-wise Total	**800.00**	**Nil**	**Nil**	**Nil**	**800.00**	**Nil**	**808.82**	**Nil**	**6306.07**	**683.56**	**6989.63**	**8:1**

Includes bonds, debentures, deposits, etc.

Appendix – 14 (Contd.)

S.No	Sector and name of the Company/Corporation	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other[v] loans received during the year	Loans outstanding at the close of 1998-99			Debt Equity ratio for 1998-99 (previous year)
	Construction Sector												
12.	Jammu and Kashmir Projects Construction Corporation Limited	152.50	Nil	Nil	Nil	152.50	Nil	Nil	Nil	30.00	Nil	30.00	0.2:1 (NA)
	Sector-wise Total	**152.50**	**Nil**	**Nil**	**Nil**	**152.50**	**Nil**	**Nil**	**Nil**	**30.00**	**Nil**	**30.00**	**0.2:1**
	Development of Economically weaker Sections Sector												
13.	Jammu and Kashmir Scheduled Casts, Scheduled Tribes and Other Backward Classes Development Corporation Limited	509.00	524.05	Nil	Nil	1033.05	10.00	Nil	Nil	Nil	627.52	627.52	0.6:1 (0.4:1)
14.	Jammu and Kashmir State Women Development Corporation Limited	161.53[Ψ]	Nil	Nil	Nil	161.53	5.00	Nil	102.70	Nil	67.36	67.36	0.4:1 (0.3:1)
	Sector-wise Total	**670.53**	**524.05**	**Nil**	**Nil**	**1194.58**	**15.00**	**Nil**	**102.70**	**Nil**	**694.88**	**694.88**	**0.6:1**
	Cement Sector												
15.	Jammu and Kashmir Cements Limited	1499.67	Nil	Nil	Nil	1499.67	Nil	Nil	Nil	317.22	1513.74	1830.96	1:1 (1:1)
	Sector-wise Total	**1499.69**	**Nil**	**Nil**	**Nil**	**1499.67**	**Nil**	**Nil**	**Nil**	**317.22**	**1513.74**	**1830.96**	**1:1**
	Tourism Sector												
16.	Jammu and Kashmir State Tourism Development Corporation Limited	1912.83[ω]	Nil	Nil	Nil	1912.83	42.50	Nil	69.00	426.00	107.00	533.00	0.3:1 (0.3:1)

[v] Includes bonds, debentures, deposits, etc.

[Ψ] Includes Rs 25 thousand invested in 1997-98 but adjusted in 1998-99.

[ω] Includes Rs 3.12 crore invested in 1997-98 but adjusted in 1998-99.

Appendix – 14 (Concld.)

S.No	Sector and name of the Company/Corporation	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other[v] loans received during the year	Loans outstanding at the close of 1998-99			Debt Equity ratio for 1998-99 (previous year)
17.	Jammu and Kashmir State Cable Car Corporation Limited	2440.12	Nil	Nil	Nil	2440.12	8.00	Nil	Nil	Nil	Nil	Nil	
	Sector-wise Total	**4352.95**	**Nil**	**Nil**	**Nil**	**4352.95**	**50.50**	**Nil**	**69.00**	**426.00**	**107.00**	**533.00**	
	Power Sector												
18.	Jammu and Kashmir State Power Development Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	8645.04	Nil	NA	Nil	
	Sector-wise Total	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**8645.04**	**Nil**	**Nil**	**Nil**	
	Finance Sector												
19.	Jammu and Kashmir Bank Limited	2577.53	Nil	Nil	2206.39	4783.92	Nil	Nil	Nil	Nil	20930.63	20930.63	4:1 (NA)
	Sector-wise Total	**2577.53**	**Nil**	**Nil**	**2206.39**	**4783.92**	**Nil**	**Nil**	**Nil**	**Nil**	**20930.63**	**20930.63**	**4:1**
	Total (A) (All Government Companies)	**18542.84**	**959.81**	**Nil**	**2206.39**	**21709.04**	**290.50**	**2902.68**	**9284.83**	**25015.52**	**38146.33**	**63161.85**	**3:1**
(B)	**Statutory Corporations**												
	Transport Sector												
1.	Jammu and Kashmir State Road Transport Corporation.	8111.55	1501.09	Nil	Nil	9612.64	525.00	2004.00	Nil	15150.58	1224.91	16375.49	2:1 (1:1)
	Sector-wise Total	**8111.55**	**1501.09**	**Nil**	**Nil**	**9612.64**	**525.00**	**2004.00**	**Nil**	**15150.58**	**1224.91**	**16375.49**	**2:1**
	Financing Sector												
2.	Jammu and Kashmir State Financial Corporation Limited	4267.40	2092.40	Nil	19.91	6379.71	Nil	Nil	Nil	26.03	5035.21	5061.24	1:1 (1:1)
	Sector-wise Total	**4267.40**	**2092.40**	**Nil**	**19.91**	**6379.71**	**Nil**	**Nil**	**Nil**	**26.03**	**5035.21**	**5061.24**	**1:1**
	Total (B) (All Sector wise Statutory Corporations).	**12378.95**	**3593.49**	**Nil**	**19.91**	**15992.35**	**525.00**	**2004.00**	**Nil**	**15176.61**	**6260.12**	**21436.73**	**1:1**
	Grand Total (A + B)	**30921.79**	**4553.30**	**Nil**	**2226.30**	**37701.39**	**815.50**	**4906.68**	**9284.83**	**40192.13**	**44406.45**	**84598.58**	**2:1**

Note: Except in respect of Jammu and Kashmir Bank Limited which finalised its accounts for 1998-99, figures are provisional as given by companies and corporations.

[v] Includes bonds, debentures, deposits, etc.

Appendix 15

(Reference: Paragraph: 7.2.1; Page:196)

Summarised financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised.

(Rupees in lakh)

S.No	Sector and name of the Company/ Corporation	Name of the Depart-ment	Date of Incor-poration	Period of Accounts	Year in which accounts finalised	Net profit(+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit (+)/loss (-)	Capital employed*	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Status of the Company/Corporation.
(A)	**Government Companies**													
	Agriculture and allied Sector													
1.	J&K State Agro Industries Development Corporation Limited	Agri-culture Produ-ction	30 January 1970	1982-83	1998-99	(-) 25.16	Nil	195.76	(-)145.20	134.60	(-)24.17	(-)17.96	16	Working company
2.	J&K State Horticultural Produce Marketing and Processing Corporation Limited	-do-	10 April 1978	1990-91	1998-99	(-) 454.19	Nil	920.00	(-)2487.35	(-)157.70	(-)147.70		8	-do-
	Sector-wise Total					**(-) 479.35**		**1115.76**	**(-) 2632.55**	**(-) 23.10**	**(-) 171.87**			
	Industry Sector													
3.	J&K Industries Limited	Indus-tries and Comm-erce	4 October 1960	1990-91	1999-2000	(-) 774.16	Nil	1603.64	(-) 2815.95	497.00	(-) 681.81	(-) 24.21	8	Working company
4.	J&K Small Scale Industries Development Corporation Limited	-do	28 November 1975	1983-84	1998-99	(+) 0.80	(-)0.18	176.85	(-) 28.90	254.06	4.02	1.58	15	-do-
5.	J&K State Industrial Dev. Corporation Ltd.	-do	17 March 1969	1990-91	1999-2000	(-)203.07	Nil	2742.64	(-)751.85	4719.95	61.32	1.30	8	-do-
6.	Himalayan Wool Combers Limited.	-do-	24 January 1978	1997-98	1998-99	(-) 94.09	Nil	136.50	(-)798.91	(-)97.72	(-)82.84	-	1	-do-
7	Tawi Scooters Limited.	-do-	15 De-cember 1976	1989-90	1991-92	(-) 6.14	Nil	80.40	(-)104.23	58.69	(-)1.25	(-)2.12	9	Under Amal-gamation
	Sector-wise Total					**(-) 1076.66**	**(-) 0.18**	**4740.03**	**(-) 4499.84**	**5431.98**	**(-) 700.56**	**41**		

Appendix 15 (Contd.)

S.No	Sector and name of the Company/ Corporation	Name of the Depart-ment	Date of incor-poration	Period of Accounts	Year in which accounts finalised	Net profit(+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit (+)/loss (-)	Capital employed*	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Status of the Company/Corporation.
	Handloom and Handicrafts Sector													
8.	J&K State Handloom Development Corporation Limited	Indus-tries and Comm-erce	29 June 1981	1989-90	1998-99	(-) 27.18	Nil	299.90	(-) 196.25	648.89	(-)15.37	(-)2.36	9	Working company
9.	J&K Handicrafts (Sale and Export) Corporation Limited	-do-	6 June 1970	1987-88	1999-2000	(-) 60.96	Nil	104.10	(-) 170.19	245.06	(-)35.78	(-)14.60	11	-do-
10.	J&K Handloom Handicrafts Raw Material supplies Organisation Limited .(a subsidiary of Himalayan Wool Combers Limited) **	-do-	29 November 1991	1991-92	1999-2000	(-)0.03	Nil	Nil	(-)0.03	Nil	(-)0.03		7	-do-
	Sector wise Total					**(-)88.17**	**Nil**	**404.00**	**(-)366.47**	**893.95**	**(-)51.18**			
	Mining Sector													
11.	J&K Minerals Ltd	Ind. and Com.	5. Feb.1960	1983-84	1998-99	(-)74.13	Nil	800.00	(-)421.95	626.68	(-)73.67	(-)11.75	15	Working company
	Sector wise Total					**(-)74.13**	**Nil**	**800.00**	**(-)421.95**	**626.68**	**(-)73.67**			
	Construc-tion Sector													
12.	J&K Projects Construction Corporation Limited	Public Works	22 May 1965	1982-83	1996-97	(+)2.36	Nil	100.00	(-)7.26	123.40	4.82	3.90	16	Working Company
	Sector-wise Total					**(+)2.36**	**Nil**	**100.00**	**(-)7.26**	**123.40**	**4.82**	**3.90**		

Appendix 15 (Contd.)

S.No	Sector and name of the Company/ Corporation	Name of the Depart-ment	Date of incor-poration	Period of Accounts	Year in which accounts finalised	Net profit(+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit (+)/loss (-)	Capital employed*	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Status of the Company/Corporation.
	Development of economically Weaker Sections													
13.	J&K Scheduled Castes, Scheduled Tribes and Other Backward Corporation Limited.	Social Welfare	1 April 1986	1989-90	1998-99	(-)6.64	Nil	126.28	(-)11.30	165.61	(-)6.64	(-)4.00	9	Working company
14.	J&K State women Development Corporation Ltd.	-do-	10 May 1991	1991-92	1998-99	Nil	Nil	2.00		1.11	Nil		7	-do-
	Sector-wise total					**(-)6.64**	**Nil**	**128.28**	**(-)11.30**	**166.72**	**(-)6.64**			
	Cement Sector													
15.	J&K Cements Limited	Industries and Commerce	24 December 1974	1993-94	1999-2000	(-) 180.90	Nil	1549.67	(-)812.23	1832.82	(-)46.66	(-)2.55	5	Working company
	Sector wise Total					**(-)180.90**	**Nil**	**1549.67**	**(-)812.23**	**1832.82**	**(-)46.66**			
	Tourism Sector													
16.	J&K State Tourism Development Corporation Limited	Tourism	13 Feb. 1970	1985-86	1998-99	(-) 28.63	Nil	235.15	(-)87.82	280.11	(-) 27.84	(-)9.94	13	Working company
17.	J&K State Cable Car Corporation Limited ***	-do-	28 Nov.1988	1988-89	1998-99	Nil	Nil	Nil	Nil	Nil	Nil	Nil	10	-do-
	Sector-wise Total					**(-)28.63**	**Nil**	**235.15**	**(-) 87.82**	**280.11**	**(-) 27.84**			
	Power Sector													
18.	J&K State Power Development Corporation Limited	Power	16 Feb.1995	-No Accounts Received										Working Company

Appendix 15 (Concld.)

S.No	Sector and name of the Company/ Corporation	Name of the Depart-ment	Date of incor-poration	Period of Accounts	Year in which accounts finalised	Net profit(+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit (+)/loss (-)	Capital employed*	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Status of the Company/Corporation.
	Sector-wise Total													
	Finance Sector													
19.	Jammu & Kashmir Bank Ltd.	Finance	1 Oct. 1938	1998-99	1999-2000	(+)8545.30	Nil	4783.92		402467.67	51507.50	12.80		Working Company
	Sector wise Total					**(+)8545.30**	**Nil**	**4783.92**		**402467.67**	**51507.50**			
	Total (A) Govt. Companies)					**(+)6613.18**	**(-) 0.18**	**13856.81**	**(-)8839.42**	**411800.23**	**50433.90**	**12.25**		
	B) Statutory Corporations													
	Transport Sector													
1.	J&K State Road Transport Corporation	Civil Supplies & Transport	1 Sept. 1976	1996-97	1998-99	(-) 3540.73	(+) 2.63	8575.65	(-)22873.84	3547.45	(-)2224.73	(-)62.71	2	Working Company
	Sector wise Total					**(-) 3540.73**	**(+) 2.63**	**8575.65**	**(-)22873.84**	**3547.45**	**(-)2224.73**		**2**	
	Financing Sector													
2.	J&K State Financial Corporation	Finance	2 Dec. 1959	1995-96	1999-2000	(-)2509.71	(+)59.99	5879.71	(-)12314.94	20986.37	(-) 929.01	(-)4.4	3	Working company
	Sector-wise Total					**(-)2509.71**	**(+)59.99**	**5879.71**	**(-)12314.94**	**20986.37**	**(-) 929.01**		**3**	
	Total (B) (Statutory Corporations)					**(-)6050.44**	**(+)62.62**	**14455.36**	**(-)35188.78**	**24533.82**	**(-)3153.74**	**(-)12.85**	**5**	
	Grand Total (A+B)					**562.74**	(+)62.44	**28312.17**	**(-)44028.20**	**436334.05**	**47280.16**	**10.83**		

* **Capital employed represents** Net Fixed Assets (including capital work-in-progress) plus working capital (current Assets - Current Liability).

** **The Company has finalised its first Balance Sheet.** Paid-up Capital, Fixed Assets & current Liabilities are shown as Nil.

*** **No Profit & Loss Account has been prepared** by the Company as the Company has not commenced business activities.

Appendix-16

(Reference: Paragraph :7.4; Page:198)

Statement showing subsidy received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 1999.

(Rupees in lakh)

S.No	Name of the Public Sector Undertakings	Subsidy received during the year				Guarantees received during the year & outstanding at the end of the year					Waiver of dues during the year					
		Central Government	State Govern-ment	Others	Total	Cash credit from Banks	Loans from other sources	Letter of credit opened by banks in respect of imports	Payment obligation under agree-ment with foreign consul-tants or contracts	Total	Loans repay-ment written off	Interest waived	Penal Interest waived	Total	Loans on which Morato-rium allowed	Loans conver-ted into equity during the year
	(A) Govt. Companies															
1.	J&K State Agro Industries Development Corporation Limited	86.87	135.41	Nil	222.28	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
2.	J&K State Horticultural Produce Marketing & Processing Corporation Limited.	Nil	Nil	Nil	Nil	Nil (7973.29)	--	--	Nil (Nil)	Nil (7973.29)	Nil	Nil	Nil	Nil	Nil	Nil
3	J&k Industries Limited	Nil	Nil	Nil	Nil	Nil (1174.54)	Nil	Nil	Nil	Nil (1174.54)	Nil	Nil	Nil	Nil	nil	Nil
4	J&K Small Scale Industries Development Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil (48.80)	Nil	Nil	Nil (48.80)	Nil	Nil	Nil	Nil	Nil	Nil
5	J&K State Industrial Development Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
6.	Himalayan Wool Combers Limited	Nil	Nil	Nil	Nil	Nil (260.60)	Nil	--	--	Nil (260.60)	Nil	Nil	Nil	nil	Nil	Nil
7.	Tawi Scooters Limited	Nil	Nil	Nil	Nil	nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	nil	Nil	Nil
8	J&K State Handloom Development Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	nil	Nil	Nil	Nil	Nil
9	J&K State Handicrafts(Sales & Export) Corporation Limited	Nil	Nil	Nil	Nil	140.00 (140.00)	Nil	Nil	Nil	140.00 (140.00)	Nil	Nil	Nil	Nil	Nil	Nil
10	J&K State Handloom Handicrafts Raw Material Supplies Organisation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	nil	Nil	Nil	nil	Nil	Nil	Nil	Nil

Appendix-16 (Concld.)

S.No	Name of the Public Sector Undertakings	Subsidy received during the year				Guarantees received during the year & outstanding at the end of the year					Waiver of dues during the year					
11	J&K Minerals Limited	Nil	Nil	Nil	Nil	Nil (150.00)	Nil	Nil	Nil	Nil (150.00)	Nil	Nil	Nil	Nil	Nil	Nil
12	J&K Projects Construction Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
13.	J&K SC,ST & OBC Development Corporation Limited	Nil	69.62	Nil	69.62	Nil (627.52)	Nil	Nil	Nil	Nil (627.52)	Nil	nil	Nil	Nil	Nil	Nil
14.	J&K State Women Development Corporation Limited	Nil	Nil	Nil	Nil	20.00 (67.36)	Nil	Nil	Nil	20.0 (67.36)	Nil	Nil	Nil	Nil	Nil	Nil
15.	J&K Cements Limited	Nil	Nil	Nil	Nil	Nil (1513.74)	Nil	Nil -	Nil -	Nil (1513.74)	Nil	Nil	Nil	Nil	Nil	Nil
16.	J&K State Tourism Development Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
17.	J&K State Cable Car Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
18.	J&K State power Development Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
19.	J&K Bank Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Total (A)	**86.87**	**205.03**	**Nil**	**291.90**	**160.00 (11907.05)**	**Nil (48.80)**	**Nil**	**Nil**	**160.00 (11955.85)**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
	(B) Statutory Corporation															
1.	J&K State Road Transport Corporation Limited	Nil	Nil	Nil	Nil	210.00 (433.00)	Nil	Nil	Nil	210.00 (433.00)	Nil	Nil	Nil	Nil	Nil	Nil
2.	J&K State Financial Corporation Limited.	Nil	Nil	Nil	Nil	Nil (9766.70)	Nil	Nil	Nil	Nil (9766.70)	Nil	Nil	Nil	Nil	Nil	Nil
	Total (B)	**Nil**	**Nil**	**Nil**	**Nil**	**210.00 (10199.70)**	**Nil**	**Nil**	**Nil**	**(210.00 (10199.70)**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
	Grand Total (A+B)	**86.87**	**205.03**	**Nil**	**291.90**	**370.00 (22106.75)**	**Nil (48.80)**	**Nil**	**Nil**	**370.00 (22155.55)**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**

Figures in brackets indicate guarantees outstanding at the end of the year.

Appendix-17
(Reference: Paragraph: 7.2.2; Page: 198)
Statement showing financial position of Statutory Corporations

(Rs in crore)

1.	**Jammu & Kashmir State Road Transport Corporation**			
	Particulars	1995-96	1996-97	1997-98
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	79.76	85.76	91.76
	Reserves and Surplus	-	-	-
	Borrowings	92.52	107.51	131.46
	Funds	-	-	-
	Trade dues and other current liabilities (including provisions)	61.62	76.58	93.03
	Total-A	**233.90**	**269.85**	**316.25**
B.	**Assets**			
	Gross Block	33.03	33.99	39.30
	Less depreciation	2.44	4.89	4.94
	Net Fixed Assets	30.59	29.10	34.36
	Current Assets, Loans and Advances	9.98	12.01	14.93
	Accumulated losses	193.33	228.74	266.96
	Total - B	**233.90**	**269.85**	**316.25**
C	Capital employed*	(-)21.05	(-)35.47	(-)43.74

- Capital employed represents net fixed assets (including capital works-in-progress) plus working capital. While working out working capital the element of deferred cost and investments are excluded from current assets.

Appendix-17 (Concld.)

2.	**Jammu & Kashmir State Financial Corporation**			
	Particulars	1994-95	1995-96	1996-97
A.	**Liabilities**			
	Paid up capital	56.80	58.80	61.30
	Reserve Funds and surplus	5.59	5.59	5.59
	Borrowings			
	(i) Bonds and debentures	80.82	90.95	87.38
	(ii) Fixed Deposits	-	-	-
	(vi) Others	68.92	52.25	50.03
	Other Liabilities and provisions	78.67	95.62	124.56
	Total - A	**290.80**	**303.21**	**328.86**
B.	**Assets**			
	Cash and Bank Balances	12.10	9.14	2.60
	Loans and Advances	178.57	168.89	163.81
	Net Fixed Assets	0.17	0.21	0.22
	Other assets	99.96	124.97	162.23
	Miscellaneous expenditure	-		
	Total - B	**290.80**	**303.21**	**328.86**
C.	**Capital Employed***	**209.20**	**209.86**	**205.95**

* 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- 18
(Reference: Paragraph 7.2.2.; Page:198)
Statement showing working results of Statutory Corporations

1.	**Jammu & Kashmir State Road Transport Corporation**			
	Particulars	1996-97	1997-98	1998-99
1.	Total revenue (operating and non-operating	23.82	25.87	30.63
2.	Total expenditure (operating and non-operating)	55.12	61.28	68.85
3.	Loss during the year	31.30	35.41	38.22
4.	Total interest charged to profit and loss account	12.38	13.16	15.19
5.	Return on capital employed	(-) 18.92	(-) 22.25	(-) 23.03
2.	**Jammu and Kashmir State Financial Corporation**			
	Particulars	1993-94	1994-95	1995-96
A	**Income**			
	(a) Interest on loans and advances	13.35	11.37	10.13
	(b) Other income	0.08	0.13	1.07
	Total-A	**13.43**	**11.50**	**11.20**
B	**Expenditure**			
	(a) Interest on long term loans	30.46	17.53	15.86
	(b) Other expenditure	1.84	1.72	1.98
	Total-B	**32.30**	**19.25**	**17.84**
C	Profit (+)/Loss (-)	18.87	7.75	6.64
D	Total return on capital employed	11.59	9.78	9.22
E	Percentage of return on capital employed	6	5	4

Appendix-19
(Reference: Paragraph 7.6.2; Page:201)
Statement showing operational performance of Jammu and Kashmir State Road Transport Corporation

(Rupees in crore)

Particulars	1996-97	1997-98	1998-99
Average number of vehicles held	1308	1184	1280
Average number of vehicles on road	714	687	730
Percentage of utilisation of vehicles	55	58	57
Number of employees	5655	5702	5561
Employees-vehicle ratio	4.32:1	5:1	4.34:1
Number of routes operated at the end of the year	-	-	-
Route kilometres (in lakh)	0.16	0.16	0.16
Kilometres operated (in lakh) (a) Gross (b) Effective (c) Dead	 269.68 263.59 6.09	 272.60 269.80 2.80	 271.29 268.50 2.79
Percentage of dead kilometres to gross kilometres	2.26	1	1
Average kilometres covered per bus per day	0.53	109	102
Operating revenue per kilometre (paise)	8.89	7.74	12.38
Average expenditure per kilometre (Paise)	17.88	21.76	27.32
Profit(+)/Loss(-) per Kilometre (Paise)	(-)8.99	(-)14.02	(-)14.94
Number of operating depots	25	25	25
Average number of break down per lakh kilometre	N.A	N.A	N.A
Average number of accidents per lakh kilometres	N.A	N.A	N.A
Passenger kilometre operated (in crore)	263.59	269.80	268.50
Occupancy ratio	90:1	97:1	98:1

"Revenue expenditure includes depreciation but excludes interest on long term loans.

Appendix-20

(Reference: Paragraph: 7.12.6, Page:225)

Statement showing sanctioned purchase limit and actual purchases made by local units and works managers

(Rupee in lakh)

Year	Purchase Committee (Jammu region)			Purchase Committee (Srinagar region)	
	Sanctioned purchase limit	Actual purchases	Excess	Actual purchases	Excess
1994-95	10.50	NA	NA	58.46	47.96
1995-96	12.00	18.06	6.06	8.91	NA
1996-97	14.00	29.19	15.19	40.37	26.37
1997-98	18.00	21.88	3.88	70.20	52.20
1998-99	18.00	37.00	19.10	65.01	47.01

Works Manager, Jammu

Year	Sanctioned purchase limit	Actual purchases				Excess			
		Load*	PMD@	CWS#	T.Fleet&	Load	PMD	CWS	T.Fleet
1994-95	0.30	9.43	17.25	13.66	11.20	9.13	16.95	13.36	10.90
1995-96	0.30	NA	5.54	1.77	5.46	NA	5.24	1.47	5.16
1996-97	0.30	0.27	6.16	4.83	6.83	NA	5.86	4.53	6.53
1997-98	0.30	3.36	4.25	2.52	2.76	3.06	3.95	2.32	2.46
1998-99	0.30	1.10	3.22	1.59	2.84	0.80	2.92	1.29	2.54

Works Manager, Srinagar

Year	Sanctioned purchase limit	Actual purchases				Excess			
		Load	PMD	CWS	T.Fleet	Load	PMD	CWS	T.Fleet
1994-95	0.30	1.14	0.73	0.12	1.50	0.84	0.43	--	1.20
1995-96	0.30	0.28	0.73	0.45	0.53	NA	0.43	0.15	0.23
1996-97	0.30	1.28	1.30	0.28	NA	0.98	1.00	NA	--
1997-98	0.30	0.89	1.12	NA	NA	0.59	0.82	NA	--
1998-99	0.30	0.50	1.04	NA	NA	0.20	0.74	NA	--

* Truck Load Workshop
@ Passenger Maintenance Depot
\# Central Workshop
& Tourist Fleet Workshop

Appendix-21
(Reference: Paragraph: 8.1 (a) ; Page:238)
Statement of wanting utilisation certificates

Department	Certificates awaited		
	Year	No.	Rupees in crore
Education	1996-97	61	35.54
	1997-98	181	40.89
Housing and Urban Development	1996-97	9	27.40
	1997-98	12	34.26
Health and Medical Education	1996-97	18	1.24
	1997-98	6	0.44
Agriculture	1996-97	10	6.28
	1997-98	10	6.19
Law and Justice	1996-97	5	*
	1997-98	3	0.01
Social Welfare	1996-97	8	0.08
	1997-98	9	0.09
General Administration	1996-97	3	0.03
	1997-98	9	1.25
Tourism	1996-97	2	0.88
	1997-98	6	0.93
Art and Culture	1996-97	9	2.60
	1997-98	9	4.02
Public Works	1996-97	1	**
	1997-98	2	**
Total		**373**	**162.13**

* Negligible-Rs 76 lakh.
** Negligible-Rs 15 Thousand
** Negligble-Rs 17 Thousand

Appendix-22

(Reference: Paragraph: 8.1 (b) ; Page:238)

List showing names of departments which had not furnished the details of grants/loans paid by them to various bodies

S.No	Name of the Department	Period for which information awaited
1.	General Administration	1996-97 onwards
2.	Industries and Commerce	1996-97 onwards
3.	Housing and Urban Development	1992-93 to 1996-97 and 1998-99
4.	Agriculture Production and Rural Development	1996-97 onwards
5.	Health and Medical Education	1996-97 onwards
6.	Education/Higher Education	1996-97 onwards
7.	Social Welfare	1996-97 onwards
8.	Forest	1992-93 onwards
9.	Tourism	1992-93 onwards

Appendix-23
(Reference: Paragraph: 8.1 (b);Page:238)
Bodies which did not furnish annual accounts for 1998-99 and earlier years

S.No	Name of the Body	Period for which accounts were not received	No. of accounts
1.	Jammu and Kashmir State Social Welfare Advisory Board	1996-97 to 1998-99	3
2.	District Rural Development Agency, Srinagar	1997-98 and 1998-99	2
3.	District Rural Development Agency, Pulwama	1998-99	1
4.	District Rural Development Agency, Kupwara	1997-98 and 1998-99	2
5.	District Rural Development Agency, Baramulla	1997-98 and 1998-99	2
6.	District Rural Development Agency, Rajouri	1996-97 to 1998-99	3
7.	District Rural Development Agency, Doda	1983-84 to 1998-99	16
8.	District Rural Development Agency, Leh	1996-97 to 1998-99	3
9.	District Rural Development Agency, Kathua	1998-99	1
10.	District Rural Development Agency, Udhampur	1998-99	1
11.	District Rural Development Agency, Anantnag	1997-98 and1998-99	2
12.	District Rural Development Agency, Poonch	1996-97 to 1998-99	3
13.	Jammu and Kashmir Sports Council	1995-96 to 1998-99	4
14.	Desert Development Agency, Leh	1995-96 to 1998-99	4
15	Desert Development Agency, Kargil	1998-99	1
16.	Jammu Development Authority	1972-73 to 1998-99	27
17.	Jammu Municipality	1996-97 to 1998-99	3
18.	Jammu and Kashmir Academy of Art, Culture and Languages	1998-99	1
19.	Jammu and Kashmir Housing Board	1992-93 to 1998-99	7
20.	State Pollution Control Board	1992-93 to 1998-99	7
21.	Jammu and Kashmir Council for Science and Technology	1986-87 to 1998-99	13
22.	Kashmir University	1997-98 and 1998-99	2
23.	Jammu and Kashmir Energy Development Agency	1998-99	1
24.	Sher-i-Kashmir Medical Institute Trust Soura	1986-87 to 1998-99	13
25.	Jammu Urban Development Agency	1998-99	1
26.	Jammu and Kashmir Co-operative Supply and Marketing Federation Limited.	1987-88 to 1998-99	12
27.	Sher-i-Kashmir International Convention Complex	1994-95 to 1998-99	5
28.	Institute of Management of Public Administration	1988-89 to 1998-99	11
29.	Srinagar Municipality	1997-98 and 1998-99	2
30.	Board of Secondary Education, Srinagar	1977-78 and 1998-99	22
31.	Patnitop Development Authority	1995-96 to 1998-99	4
32.	Jammu University	1998-99	1
33.	Srinagar Development Authority	1981-82 to 1998-99	18

Appendix-24
(Reference: Paragraph: 8.3.1; Page:239)
Statement showing bodies/authorities and the period for which their accounts were received

S.No	Name of the body	Period of accounts received
1.	Jammu Urban Development Agency	1995-96 to 1997-98
2.	District Rural Development Agency, Pulwama	1988-89 to 1997-98
3.	District Rural Development Agency, Budgam	1992-93 to 1998-99
4.	Jammu University	1996-97 and 1997-98
5.	District Rural Development Agency, Jammu	1997-98 and 1998-99
6.	District Rural Development Agency, Kathua	1996-97 and 1997-98
7.	District Rural Development Agency, Udhampur	1996-97 and 1997-98
8.	Jammu and Kashmir Academy of Art Culture and Languages Jammu and Kashmir Academy of Art Culture and Languages	1996-97 and 1997-98
9.	Islamia College, Srinagar	1997-98 and 1998-99
10.	Jammu and Kashmir Energy Development Agency	1996-97 and 1997-98
11.	Kashmir University	1983-84 to 1996-97
12.	District Rural Development Agency, Anantnag	1996-97