



**Report of the  
Comptroller and Auditor General of India  
on  
Compliance Audit of Social, General, Economic  
and Revenue Sectors  
for the year ended 31 March 2020**



लोकहितार्थ सत्यनिष्ठा  
Dedicated to Truth in Public Interest

**Government of Union Territory of Jammu and Kashmir  
Report No. 4 of the year 2021**



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## PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2020 has been prepared in accordance with Article 151 of the Constitution of India. As per the decision of the Government of India, Ministry of Finance (June 1994), wherever President's Rule is extended beyond one year, the C&AG's Report relating to the State would be placed in Parliament. Hence, this Report is being sent to President for laying in the Parliament. Consequent to the reorganisation of the State of Jammu and Kashmir, under the Jammu & Kashmir Reorganisation Act, 2019, the Report is also being sent to the Lieutenant Governors of the successor Union Territory of Jammu and Kashmir and Union Territory of Ladakh.

This Report contains six chapters in **three** parts.

### **Part-A: Revenue Sector**

This part contains significant findings of audit of receipts and expenditure of major revenue earning departments conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

### **Part-B: Social, General and Economic Sectors (Departments)**

This part contains significant results of compliance audit of the departments/ autonomous bodies of the Government of Union Territory of Jammu and Kashmir under the Social, General and Economic Sectors, conducted as per provisions of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

### **Part-C: Social, General and Economic Sectors (Public Sector Undertakings)**

This part deals with the results of test audit of Government Companies and Statutory Corporations for the year ended March 2020.

The accounts of Government Companies (including companies deemed to be Government Companies as per provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act 1956 and Sections 139 and 143 of the Companies Act 2013. The audit of Statutory Corporations is conducted under their respective legislation.

The instances mentioned in this Report are those which came to notice in the course of test audit during the period 2019-20 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports. Instances relating to the period subsequent to 2019-20 have also been included, wherever necessary.

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



# Overview



## OVERVIEW

This Report is in three parts. **Part-A** covers compliance audit findings of Revenue Sector comprising three paragraphs on Irregular allowance of input tax credit and Short levy of tax involving ₹ 2.14 crore. Some of the findings are mentioned below:

### Part A: Revenue Sector

#### General

During the year 2019-20, the overall receipts of the erstwhile State and Union Territory (UT) increased by 2.7 *per cent* over the previous year. The revenue raised by the erstwhile State and UT Government (₹ 13,726.60 crore) was 26 *per cent* of the total revenue receipts against 28 *per cent* in the preceding year. The balance 74 *per cent* of the receipts during 2019-20 came from the Government of India (GoI), of which, 82.50 *per cent* was received in the form of Grants-in-aid. These Grants-in-aid constituted 60.97 *per cent* of the total receipts of the erstwhile State/ UT.

*(Paragraph: 1.1.1)*

Test-check of the records of 82 units out of 398 auditable units of State Taxes, State Excise, Transport and Law Department conducted during the year 2019-20 showed under assessment/ short levy/ loss of revenue aggregating ₹ 127.72 crore in 14,572 cases. During the year, departments concerned accepted under assessment and other deficiencies of ₹ 3.36 crore identified in 72 cases pointed out by audit during 2019-20 and previous years. The Departments recovered ₹ six lakh during 2019-20 in seven cases pertained to audit findings of the period prior to 2019-20.

*(Paragraph: 1.10)*

#### Compliance Audit

Failure of the Assessing Authority, State Taxes Circle, Reasi, Jammu (Udhampur-II) to disallow the input tax credit claimed by the dealer during the period of suspension of his registration certificate resulted in short demand of ₹ 22.36 lakh.

*(Paragraph: 2.3.1)*

Assessing Authority, State Taxes Circle-C Jammu failed to detect the concealment of Interstate Purchases, verify the genuineness of outward stock transfer during 2013-14 which resulted in short levy of tax, interest and penalty to the extent of ₹ 1.38 crore.

*(Paragraph: 2.4.1)*

Assessing Authority, State Taxes Circle-L Jammu accepted the credit claims against the returned goods without verification of actual credit notes at the time of assessment of a dealer which resulted in short demand of ₹ 53.69 lakh.

*(Paragraph: 2.4.2)*

### Part B: Social, General and Economic Sectors (Departments)

Part B of the Report contains compliance audit observations on the Departments/ Autonomous Bodies under Social, General and Economic Sectors of the Government of UT of Jammu and Kashmir. This part of Report contains six paragraphs involving

financial implications of ₹ 230.27 crore related to compensatory afforestation, non-utilisation of funds, unfruitful expenditure, etc. Some of the major findings are mentioned below.

### **General**

The total expenditure of the erstwhile State and the UT was ₹ 62,961 crore during 2019-20. During the period 1 April 2019 to 30 October 2019, the total expenditure of the erstwhile state of Jammu and Kashmir was ₹ 34,782 crore and from 31 October 2019 to 31 March 2020, the expenditure of the UT of Jammu and Kashmir was ₹ 28,179 crore

*(Paragraph: 3.2)*

### **Compliance Audit**

The construction of a Poultry Breeding Farm and Hatchery project at Kupwara for subsidiary income generation of women/ weaker sections was taken up without administrative approval of the changed site. The expenditure of ₹ 1.78 crore incurred thus far on the project did not yield any benefits.

*(Paragraph: 4.1)*

Release of funds by the State Project Director (SPD) Sarva Shiksha Abhiyan (SSA) under civil works (capital component) plan 2016-17, to the Directors of School Education Jammu and Kashmir without any action plan for its utilisation resulted in blocking of ₹ 21.48 crore.

*(Paragraph: 4.2)*

The Compensatory Afforestation Fund Management and Planning Authority (CAMPA) did not conduct survey before preparation of Annual Plan of Operations (APOs) to collect physical data for identifying degraded forests. Alternate non-forest land was not transferred to forest department for compensatory afforestation as required under Jammu and Kashmir Forest Conservation Act. Site specific schemes were not prepared by the Forest Divisions for Compensatory afforestation at sites contiguous to or in the proximity of forest in respect of forest land of 2,757.78 hectares diverted for non-forest purpose. ₹ 9.24 crore (out of total expenditure of ₹ 140.25 crore) out of CAMPA funds were spent on inadmissible components such as purchase of office equipment, construction of office complex etc. There was irregular expenditure of CAMPA funds of ₹ 15.12 crore on establishment of two zoos.

*(Paragraph: 4.3)*

Failure of SSP, Udampur to ascertain functionality of existing pipeline for supply of water before taking up construction of Overhead Tank resulted in unfruitful expenditure of ₹ 0.64 crore.

*(Paragraph: 4.4)*

The unspent balances on account of labour cess had increased from ₹ 296.19 crore to ₹ 622.05 crore during the five-year period ended March 2020. Out of 1,09,915 beneficiaries registered in the sampled districts up to the date of launch (June 2017) of the digitisation process, the registration records of only 27,853 workers (25 per cent) were uploaded as of September 2020. The registrations were made without submitting the valid age proof, employment certificates. The Board failed to renew the insurance policy taken from LIC, to provide assistance to nominees/dependents of workers on their disability/ death. Out of 89,800 workers recommended for micro credit facility, only 148 workers were issued credit cards and no worker had availed the credit facility as of March 2020 resulting in non-utilisation of ₹ 30 crore deposited with the Bank as security. The Board failed to implement pension scheme for workers who had attained the age of 60.

*(Paragraph: 4.5)*

The Department prepared detailed project reports (DPR) for construction of roads without undertaking proper surveys of the area. The DPRs did not include requirements of bridges and compensation for houses coming in proposed alignment of roads resulting in unfruitful expenditure of ₹ 2.57 crore incurred on works besides not achieving intended connectivity benefits.

*(Paragraph: 4.6)*

### **Part C: Social, General and Economic Sectors (Public Sector Undertakings)**

Part C of the Report covers the audit findings of the Public Sector Undertakings of all sectors of the Government of Jammu and Kashmir comprising compliance audit on 'Activities of Extraction and sale of Timber in Jammu and Kashmir Forest Development Corporation Limited' having financial implication of ₹ 186.14 crore.

Some of the major findings are mentioned below:

As on 31 March 2020, there were 42 PSUs (six in Power Sector and 36 in Sectors other than Power Sector), including three Statutory Corporations under the audit jurisdiction of the Comptroller and Auditor General of India (C&AG); Out of these 42 PSUs, 32 are working and 10 are non-working (four in Power Sector and six in Sectors other than Power Sector). One PSU, Jammu and Kashmir Bank Limited, having a total paid-up equity of ₹ 71.36 crore is listed on the stock exchange since July 1998. During the year 2019-20, no PSU was incorporated whereas Government (erstwhile State/UT) of Jammu and Kashmir (GoJ&K) decided (24 October 2019) to wind up one PSU viz. J&K Asset Reconstruction Limited which was incorporated on 28 April 2017. The working PSUs registered an annual turnover of ₹ 11,298.17 crore as per their latest finalised accounts. There are 10 non-working PSUs, with an investment of ₹ 57.57 crore towards share capital (₹ 56.74 crore) and long term loans (₹ 0.83 crore), by the GoJ&K which are non-operational for the last six to 30 years.

*(Paragraph: 5.1)*

Out of 32 working PSUs, five government companies submitted their accounts of the year 2019-20 for audit. Accounts of 24 Government Companies and three Statutory Corporations were in arrears.

*(Paragraph: 5.9)*

As per the latest finalised accounts, eleven PSUs were profit making, while 13 PSUs were loss making. One PSU had not prepared its Profit and Loss account and remaining 17 PSUs were either non-working or had not submitted their annual accounts.

*(Paragraph: 5.10(A) and (B))*

### **Compliance Audit**

The accumulated losses of the Company was ₹ 249.13 crore as of March 2020. Royalty of ₹ 395.67 crore was payable by the Company to State Forest Department for markings of trees. Forest area was categorised on unrealistic parameters leading to incorrect fixation of rates for extraction/ transportation of timber. Contactors/ *Amanis* had abandoned work without converting the markings. Accumulated losses on account of timber was ₹ 283.89 crore which were neither made good nor written off. In East Marketing Division, Jammu physical verification was not conducted in the Sales Depots and Stores at regular intervals.

*(Paragraphs: 6.1.2.2, 6.1.2.3, 6.1.3.2, 6.1.3.4 and 6.1.5)*



**Part 'A'**  
**Revenue Sector**



**Chapter I**  
**General (Revenue Sector)**



## CHAPTER I

### General (Revenue Sector)

#### 1.1 Position of revenue receipts

**1.1.1** The tax and non-tax revenues raised by the erstwhile State/ Union Territory (UT) Government of Jammu and Kashmir during the year 2019-20, the State/ UT's share of net proceeds of divisible Union taxes and duties assigned to the erstwhile State/ UT and Grant-in-aid received from the Government of India during the year are depicted in Table 1.1.

**Table 1.1: Position of revenue receipts**

(₹ in crore)

Sl. No.	Particulars	From 01.04.2019 to 30.10.2019 (erstwhile State of Jammu and Kashmir) (a)	From 31.10.2019 to 31.03.2020 (UT of Jammu and Kashmir) (b)	Total a+b (2019-20)
1.	• Tax revenue	5,410.51	4,056.49	9,467.00
	• Non-tax revenue	2,196.83	2,062.77	4,259.60
	<b>Total</b>	<b>7,607.34</b>	<b>6,119.26</b>	<b>13,726.60</b>
2.	• Share of net proceeds of divisible Union taxes and duties	6,801.81	-	6,801.81
	• Grants-in-aid	15,642.83	16,438.08	32,080.91 <sup>1</sup>
	<b>Total</b>	<b>22,444.64</b>	<b>16,438.08</b>	<b>38,882.72</b>
3.	<b>Total revenue receipts of the Government (Total of 1 and 2)</b>	<b>30,051.98</b>	<b>22,557.34</b>	<b>52,609.32</b>
4.	<b>Percentage of 1 to 3</b>	<b>25</b>	<b>27</b>	<b>26</b>

(Source: Finance Accounts 2019-20)

During the year 2019-20, the revenue raised by the erstwhile State/ UT Government (₹ 13,726.60 crore) was 26 per cent of the total revenue receipts. The balance 74 per cent of the receipts during 2019-20 came from the Government of India (GoI) of which, 82.50 per cent was received in the form of Grants-in-aid. The Grants-in-aid from GoI constituted 60.97 per cent of the total receipts of the erstwhile State/ UT.

**1.1.2** The details of the tax revenue raised during 2019-20 are given in Table 1.2.

<sup>1</sup> This includes Revenue deficit grant of ₹ 14,142 crore (₹ 8,249.50 crore received by the State Government under Finance commission grant from 01 April 2019 to 30 October 2019 and ₹ 5,892.50 crore received by UT Government under Special Assistance from the GoI from 31 October 2019 to 31 March 2020). This also includes ₹ 2,279.28 crore received from the GoI as compensation of loss due to implementation of Goods and Service Tax, against the receivable amount of ₹ 3,149.01 crore.

**Table1.2: Details of Tax Revenue raised**

(₹ in crore)

Sl. No.	Head of Revenue	From 01.04.2019 to 30.10.2019 (Jammu and Kashmir State)	From 31.10.2019 to 31.03.2020 (UT of Jammu and Kashmir)	Total (2019-20)
	(a)	(b)	(c)	(d=b+c)
1	Taxes on Sales, Trade etc. including GST	3,483.23	2,898.18	6,381.41
2	Taxes on Goods and Passengers	574.06	158.47	732.53
3	State Excise	766.05	587.67	1,353.72
4	Taxes and Duties on Electricity	97.74	0.23	97.97
5	Stamps Duty and Registration Fees	240.78	117.54	358.32
6	Taxes on Vehicles	162.59	246.08	408.67
7	Land Revenue	86.06	48.32	134.38
8	Others	0.0003	-	0.0003
	<b>Total</b>	<b>5,410.51</b>	<b>4,056.49</b>	<b>9,467.00</b>

(Source: Finance Accounts 2019-20)

**1.1.3** The details of the non-tax revenue raised during 2019-20 are given in Table1.3.

**Table 1.3: Details of Non-tax revenue raised**

(₹ in crore)

Sl. No	Head of Revenue	From 01.04.2019 to 30.10.2019 (State of Jammu and Kashmir)	From 31.10.2019 to 31.03.2020 (UT of Jammu and Kashmir)	Total (2019-20)
	(a)	(b)	(c)	(d=b+c)
1.	Power	1,692.97	1,196.66	2,889.63
2.	Forestry and Wildlife	14.25	8.94	23.19
3.	Police	39.44	35.85	75.29
4.	Non-ferrous, Mining and Metallurgical Industries	28.37	14.61	42.98
5.	Water Supply and Sanitation	15.54	59.54	75.08
6	Public Works	14.31	7.96	22.27
7.	Medical and Public Health	16.91	11.32	28.23
8.	Interest Receipts	9.58	9.24	18.82
9.	Other Non-tax Receipts	365.46	718.65	1,084.11
	<b>Total</b>	<b>2,196.83</b>	<b>2,062.77</b>	<b>4,259.60</b>

(Source: Finance Accounts 2019-20)

## 1.2 Analysis of arrears of revenue<sup>2</sup>

The arrears of revenue as on 31 March 2020 in respect of certain major heads of revenue amounted to ₹ 1,021.66 crore, of which ₹ 651.88 crore was outstanding for more than five years, is depicted in Table 1.4.

Table 1.4: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2020	Amount outstanding for more than five years as on 31 March 2020	Replies of Department
1.	Taxes on Sales/ VAT Trade etc.	974.08	619.02	An amount of ₹ 86.04 crore had been stayed by the courts/ appellate authorities and proposed for recovery as arrears of land revenue.  Commissioner State Taxes, J&K stated (December 2020) that the Department takes various measures like issue of notice of demand (Dastak), issue of memo, seizure of bank accounts and thereafter attachment of immovable property in addition to this, arrest warrants are issued to ensure recovery of the arrears.
2.	Motor spirit tax	0.09	0.09	
3.	Entertainment tax	0.21	0.21	
4.	Toll Tax	28.24	28.00	
5.	State Excise	19.04	4.56	Out of total arrears of ₹ 47.49 crore, stay on ₹ 44.47 crore was granted by the court/ appellate authorities. However, balance arrears of ₹ 3.02 crore were recoverable as arrears under the Land Revenue Act.  Excise Commissioner, J&K stated (November 2020) that action has been taken under Revenue Act for recoverable arrears and most of the cases were pending in the Hon'ble High Court.
<b>Total</b>		<b>1,021.66</b>	<b>651.88</b>	

(Source: Data provided by the Departments)

## 1.3 Arrears in assessments<sup>3</sup>

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed during the year and number of cases pending for finalisation at the end of the year as furnished by the State Taxes Department in respect of Sales Tax/ VAT and Taxes on Works contracts are given in Table 1.5.

Table 1.5: Arrears in assessments

Head of Revenue	Opening balance as on 1 April 2019	New cases due for assessment during 2019-20	Total assessments due	Cases disposed of during 2019-20	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Sales Tax/ VAT	8,752 <sup>4</sup>	10,095	18,847	15,582	3,265	82.67
Tax on Works Contract	37,295	1,634	38,929	15,324	23,605	39.36

(Source: Data provided by the Department)

<sup>2</sup> The figures in this paragraph are only pertaining to UT of Jammu and Kashmir.

<sup>3</sup> The figures in this paragraph are only pertaining to UT of Jammu and Kashmir.

<sup>4</sup> Opening balance of arrears in assessment, cases of evasion, cases of refund also includes cases of Ladakh.

The assessments completed (out of the total cases due for assessment) was 83 *per cent* in respect of Sales Tax/ VAT and 39 *per cent* in the case of Taxes on Works Contract. The latter was attributed (December 2020) to the fact that the backlogs could not be cleared due to connectivity and other issues post August 2019. Moreover, the Government had issued Amnesty Scheme<sup>5</sup> which covered unassessed cases also. The scheme was further extended upto October 2020. A number of unassessed cases could not be assessed till time for payment of admitted taxes under the scheme expired.

*In order to avoid the risk of time barring of assessments (five years), the Government may consider fixing a time limit for finalisation of the pending assessments and ensure that the time limit so fixed is adhered to by the Departmental Authorities.*

#### **1.4 Evasion of tax detected by the Department<sup>6</sup>**

The details of cases of evasion of tax detected, cases finalised and the demands for additional tax raised, as reported by the Department are given in Table 1.6.

**Table 1.6: Evasion of Tax**

Sl. No.	Head of revenue	Cases pending as on 31 March 2019	Cases detected during 2019-20	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc. raised		Amount of demand recovered (₹ in crore)	Number of cases pending for finalisation as on 31 March 2020
					Number of cases	Amount of demand (₹ in crore)		
1.	Sales Tax/ VAT	285	1,401	1,686	1,630	25.25	0.88	56
2.	GST	23	2,758	2,781	2,761	10.76	9.52	20
3.	Toll Tax	-	238	238	238	0.56	0.56	-
	<b>Total</b>	<b>308</b>	<b>4,397</b>	<b>4,705</b>	<b>4,629</b>	<b>36.57</b>	<b>10.96</b>	<b>76</b>

(Source: Data furnished by the Department)

Against the total demand of ₹ 36.57 crore raised in 4,629 cases during 2019-20, an amount of ₹ 10.96 crore had been recovered which is 30 *per cent* of the total recoverable amount. In reply, Assistant Commissioner (Technical) State Taxes, UT of J&K stated (December 2020) that the recovery of arrears is less because the Government of J&K had extended the last date of Amnesty scheme upto 31<sup>st</sup> October 2020, wherein, there was 100 *per cent* waiving of interest and penalty if the dealers had deposited 100 *per cent* of Principal tax.

#### **1.5 Pendency of Refund Cases**

The number of refund cases pending at the beginning of the year 2019-20, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2019-20 as reported by the Department is given in Table 1.7.

<sup>5</sup> Vide order no. 39 of FD dated 05.02.2018

<sup>6</sup> The figures in this paragraph are only pertaining to UT of Jammu and Kashmir.



Table 1.7: Details of pendency of refund cases

Sl. No.	Particulars	GST		Sales tax/ VAT	
		No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in crore)
1.	Claims outstanding at the beginning of the year	517	13.21	11	2.49
2.	Claims received during the year	612	89.16	8	1.56
3.	Refunds made during the year	386	54.26	13	2.80
4.	Deficiency memos issued	21	2.13	-	-
5.	Balance outstanding at the end of the year	722	45.98	6	1.25

(Source: Data furnished by the Department)

The number of outstanding refund cases both under Sales Tax/ VAT and GST has increased by 37.87 per cent from 528 cases to 728 cases during 2019-20

On this being pointed out, Assistant Commissioner (Technical) State Taxes, UT of J&K stated (December 2020) that the pendency in processing of refunds under GST was mainly in all such cases where the show-cause notices were issued by the officers but the replies were pending from the applicants. It was also stated that the necessary instructions had already been issued to the officers processing the refunds, to minimize the pendency.

***The Government may take effective steps for immediate disposal of the refund cases.***

## 1.6 Response of the Government/ Departments to Audit

The Principal Accountant General (Audit), Jammu and Kashmir (PAG), conducts periodical inspection of the Government Departments to test-check the transactions, verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the Inspection Reports (IRs) incorporating findings, which are issued to the Heads of the Offices inspected with copies to the next higher authorities for taking prompt corrective action. The Head of the Office is required to take necessary corrective action on the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the PAG (Audit) within four weeks from the date of receipt of the IRs. Serious financial irregularities are reported to the Head of the Department and the Government.

Inspection Reports issued up to December 2019 in respect of State Taxes, State Excise, Motor Vehicle and Law Department disclosed that 5,006 paragraphs relating to 927 IRs, involving ₹ 2,266.10 crore remained outstanding at the end of June 2020 as mentioned along with the corresponding figures for the preceding two years in Table 1.8.

**Table 1.8: Details of pending Inspection Reports**

	June 2018	June 2019	June 2020
Number of IRs pending for settlement	811	859	927
Number of outstanding audit observations	4,111	4,539	5,006
Amount of revenue involved (₹ in crore)	1,216.35	2,095.52	2,266.10

**1.6.1** The Department-wise details of the IRs and audit observations outstanding as on 30 June 2019 and the amounts involved in respect of State Taxes, Excise, Transport and Law Department (Revenue Sector) are mentioned in Table 1.9.

**Table 1.9: Department-wise details of Inspection Reports/ Audit observations**

Sl. No.	Name of the Department	Nature of receipts	Numbers of outstanding IRs	Numbers of outstanding audit observations	Money value involved (₹ in crore)
1.	State Taxes	Taxes on Sales, Trade etc.	571	3,689	1,966.99
2.	Excise	Excise	170	472	134.55
3.	Motor Vehicle	Taxes on Motor Vehicles	108	496	151.54
4.	Law	Stamps Duty and Registration fee	78	349	13.02
<b>Total</b>			<b>927</b>	<b>5,006</b>	<b>2,266.10</b>

Audit did not receive any replies from the heads of offices within four weeks from the date of issue of all the 82 IRs issued during 2019-20. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the Heads of Offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the PAG (Audit) through the IRs. The Government constituted (January 2021) Audit Committee for the HoDs falling under the administrative control of Finance Department, J&K for the purpose of monitoring and ensuring compliance and settlement of outstanding Audit Observations/ Paras in terms of Regulation 145 of the Regulations on Audit and Accounts 2020 issued by the CAG of India.

*It is recommended that the Government should advise the concerned Departments to hold Audit Committee Meetings frequently at least three meetings in a quarter to monitor the progress of settlement of paragraphs and also ensure that demands/ recoveries are addressed in time.*

## **1.7 Status of Inspection Reports**

The summarised position of the Inspection Reports of Departments of State Taxes, Excise, Law and Transport (Revenue Sector) issued during the last five years, paragraphs included in these Reports and their status as on 31 March 2020 are given in Table 1.10.

Table 1.10: Position of Inspection Reports

Sl No.	Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance during the year		
		IRs	Para-graphs	Money value (₹ in crore)	IRs	Para-graphs	Money value (₹ in crore)	IRs	Para-graph	Money value (₹ in crore)	IRs	Para-graphs	Money value (₹ in crore)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
1.	2015-16	668	3,189	1,230.36	70	494	76.86	07	140	25.90	731	3,543	1,281.32
2.	2016-17	731	3,543	1,281.32	51	403	329.16	28	237	424.04	754	3,709	1,186.44
3.	2017-18	754	3,709	1,186.44	89	767	173.79	09	110	41.24	834	4,366	1,318.99
4.	2018-19	834	4,366	1,318.99	54	632	960.10	07	160	52.77	881	4,838	2,226.32
5.	2019-20	881	4,838	2,226.32	82	493	123.57	17	212	44.93	945	5,119	2,304.96

5,119 paragraphs relating to 945 IRs involving ₹ 2,304.96 crore remaining outstanding at the end of the year 2019-20 indicated that adequate steps were not taken by the Departments resulting in increase of the outstanding IRs and Paragraphs.

## 1.8 Follow-up on Audit Reports

### 1.8.1 Non-submission of Action Taken Notes

The Government (Finance Department) had issued instructions in June 1997 to all the administrative departments to furnish *suo-moto* Action Taken Notes (ATNs) on all the audit paragraphs featuring in the Audit Reports to the Public Accounts Committee (PAC) irrespective of whether they were taken up for discussion by the Committee or not. These ATNs are to be submitted to the Committee duly vetted by the Principal Accountant General (Audit) within a period of three months from the date of presentation of Audit Reports in the Legislature.

It was, however, noticed that out of 110 audit paragraphs featuring in the Chapters of Revenue Sector of Audit Reports from 2000-01 to 2015-16<sup>7</sup>, *suo-moto* ATNs in respect of 88 audit paragraphs had not been received up to 31 March 2020.

### 1.8.2 Action taken on recommendations of the PAC

Action Taken Notes, duly vetted by the Principal Accountant General (Audit) on the observations/ recommendations made by the PAC in respect of the audit paragraphs discussed by them are to be furnished to the Committees within six months from the date of such observations/ recommendations.

Out of 110 audit paragraphs featuring in the Revenue Sector of Audit Reports for the years from 2000-01 to 2015-16, only 17 audit paragraphs have been discussed by the PAC up to 31 March 2020. Recommendations in respect of 17 audit paragraphs including 12 partly discussed were made by the PAC, however, ATNs on the

<sup>7</sup> Audit Reports 2016-17 and 2017-18 presented in Parliament on 23 September 2020 and Audit Report 2018-19 presented in Parliament on 24 March 2021.

recommendations of the Committee is pending from the Government in respect of 13 paragraphs.

### 1.8.3 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last five years, those accepted by the Department and the amount recovered are given in Table 1.11.

**Table 1.11: Paragraphs included in the Audit Reports of the last five years**

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs (₹ in crore)	Number of paragraphs accepted	Money value of accepted paragraphs (₹ in crore)	Amount recovered during the year 2019-20 (₹ in crore)	Cumulative position of recovery of accepted cases as of 31 March 2020 (₹ in crore)
2014-15	4	0.76	4	0.76	Nil	0.10
2015-16	7	124.10	6	88.76	0.09	0.16
2016-17	8	2.14	8	2.14	Nil	0.20
2017-18	9	1.43	9	1.43	0.01	0.16 <sup>8</sup>
2018-19	5	2.03	5	2.03	Nil	0.13
<b>Total</b>	<b>33</b>	<b>130.46</b>	<b>32</b>	<b>95.12</b>	<b>0.10</b>	<b>0.75</b>

It would be seen from the above that in respect of paragraphs featured in the Audit Reports 2014-15 to 2018-19, the Department/ Government accepted audit observations involving ₹ 95.12 crore, of which only ₹ 0.75 crore was recovered as of March 2020, which is only 0.79 per cent of the accepted amount. This indicates that the Government could not recover the dues fully even for the cases wherein the audit observations had been accepted by the Departments.

## 1.9 Audit Planning

The auditable entities under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter-alia* include critical issues in Government Revenues and Tax administration.

During the year 2019-20, there were 398 auditable units (State Taxes, Excise, Transport and Law) out of which 129 (32 per cent) units were planned for audit and 82 units (64 per cent) were audited.

## 1.10 Results of audit

### Position of local audit conducted during the year

Test-check of the records of 82 units<sup>9</sup> out of 398 auditable units<sup>10</sup> of State Taxes, State Excise, Transport and Law Department conducted during the year 2019-20 showed under assessment/ short levy/ loss of revenue aggregating ₹ 127.72 crore in 14,572

<sup>8</sup> Includes recovery of ₹ 15.80 lakh reflected in Audit Report for the year ended 31 March 2018.

<sup>9</sup> State Taxes Department: 37 units; Transport Department: 12 units; Excise Department: 11 units and Stamps Duty and Registration (Law Department): 22 units.

<sup>10</sup> State Taxes Department: 66 units; Motor Vehicle Department: 22 units; Excise Department: 44 units and Stamps Duty and Registration (Law Department): 266 units.

cases. During the year, departments concerned accepted under assessment and other deficiencies of ₹ 3.36 crore identified in 72 cases pointed out by audit during 2019-20 and previous years. The Departments recovered ₹ six lakh during 2019-20 in seven cases pertained to audit findings of the period prior to 2019-20. Unit-wise details of recoveries accepted are detailed in *Appendix 1.1.1*.

### **1.11 Coverage of the Revenue Chapter**

This Chapter of the Report contains three Compliance Audit paragraphs involving revenue implication of ₹ 2.14 crore.



**Chapter II**  
**Compliance Audit**  
**(Revenue Sector)**





## CHAPTER II

### Compliance Audit (Revenue Sector)

#### A. General

#### 2.1 Tax administration

##### 2.1.1 Goods and Services Tax

Sales Tax/ Value Added Tax/ Goods and Services Tax (comprehensive tax levied on supply of both goods and services) are administered by the Financial Commissioner, Finance Department of the Government of Jammu & Kashmir at the Government level. The Commissioner State Taxes is entrusted with overall control and superintendence of the State Taxes Department. He is assisted by three Additional Commissioners (one each in Jammu and Kashmir Divisions and one for Tax Planning), 19 Deputy Commissioners (Jammu: 09; Kashmir: 08 and one each for Headquarter and Judicial matters) and 10 Assistant Commissioners (Jammu: 05; Kashmir: 05). The Union Territory is divided into 61 State Taxes Circles (Jammu: 30; Kashmir: 31), each headed by one State Taxes Officer.

##### 2.1.2 State Excise

The State Excise Department of J&K is responsible for charging of Excise Duties under J&K Excise Act 1901. The Department is headed by the Excise Commissioner who is assisted by four Deputy Excise Commissioners (Jammu: 03; Kashmir: 01) and 15 Excise and Taxation Officers (Jammu: 11; Kashmir: 04). There are 19 Distilleries/ Breweries/ Bottling Plants which fall within the jurisdiction of the Excise and Taxation Officer, Distilleries, Jammu.

##### 2.1.3 Taxes on Vehicle

Receipts from the Transport Department are regulated under the Central and the State Motor Vehicles Acts and Rules made thereunder and are under the administrative control of the Transport Commissioner.

#### 2.2 Results of audit

Test-check of records of 82 units out of a total of 398 units of State Taxes, State Excise, Transport and Law Departments conducted by Audit during the year 2019-20 revealed evasion of tax, under-assessment/ short levy of revenue, non/ short realisation of tax etc; aggregating ₹ 127.72 crore in 14,572 cases as detailed in *Appendix 2.1*.

During the year 2019-20, an amount of ₹ 6.15 lakh of revenue was recovered by the Departments that had been pointed out in audit. Audit observations in this Report have revenue implication of ₹ 2.14 crore. The Departments/ Government have accepted audit observations.

## **B. COMPLIANCE AUDIT**

### **Finance Department**

#### **2.3 Input Tax Credit**

##### **2.3.1 Short demand due to irregular allowance of input tax credit**

**Failure of the Assessing Authority, State Taxes Circle Reasi Jammu (Udhampur-II) to disallow the input tax credit claimed by the dealer during the period of suspension of his registration certificate resulted in short demand of ₹ 22.36 lakh.**

Section 27 (7) of the Jammu and Kashmir Value Added Tax (VAT Act), 2005 stipulates that when any dealer to whom a certificate of registration is granted, fails to furnish any return or fails to pay any tax, penalty or interest payable under the Act, the certificate of registration of such dealer may be suspended by the prescribed Authority. Section 27 (8) of the above Act provides that suspension of certificate of registration will be withdrawn and registration certificate shall be restored on an application made by the dealer on furnishing evidence of payment of all taxes and on furnishing of overdue return(s) within 90 days of suspension. During the period the certificate of registration of a dealer remains suspended, he shall not be entitled to any benefits that a dealer whose certificate of registration is in force, is entitled to. The dealer is liable to pay interest and penalty under Section 51(4) and 69(1) (m) of VAT Act 2005. Further, Section 35 of the J&K VAT Act, 2005 stipulates that each and every return in relation to any tax period furnished by a registered dealer shall be scrutinised by the Assessing Authority within a period of three months of filing of such returns to verify the correctness of calculation, application of correct rate of tax and interest and input tax credit claimed therein.

Audit scrutiny (February 2019) of records of the State Taxes Circle Reasi- Jammu (Udhampur-II) revealed that due to non-furnishing of the return of 2<sup>nd</sup> quarter of accounting year 2013-14, the Certificate of Registration of a dealer was suspended during the period from 01 February 2014 to 30 March 2014. However, the dealer claimed input tax credit of ₹ 6.15 lakh during the 4<sup>th</sup> quarter of 2013-14, which included an amount of ₹ 5.32 lakh pertaining to the period during which the Certificate of Registration remained suspended. Audit observed that while scrutinising the return of the deemed assessed case (July 2014) of the dealer, the assessing authority failed to take notice of the period during which certification of registration of the dealer had remained suspended which resulted in irregular allowance of input tax credit of ₹ 5.32 lakh.

Thus, the failure to disallow the input tax credit resulted in short demand of ₹ 22.36 lakh<sup>1</sup>.

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<sup>1</sup> Tax: ₹ 5.32 lakh; Interest: ₹ 6.39 lakh; Penalty: ₹ 10.65 lakh.

On this being pointed out (February 2019), the Assessing Authority while rejecting the input tax credit of ₹ 5.32 lakh pertaining to the period of suspension, reassessed (March 2020) the case and raised demand of ₹ 23.43 lakh<sup>2</sup>.

The matter was referred to Government/ Department in November 2020. The Assistant Commissioner, State Taxes (Technical), J&K stated (December 2020) that the Assessing Authority has referred the demand of ₹ 23.43 lakh to the Deputy Commissioner (Recovery), Jammu for realisation of taxes.

However, the reply of the Government was awaited (October 2021).

*The Department should take effective measures under the provisions of the Act to realise the demand proceeds at the earliest. Reasons for lapses may be examined and responsibility for lapses may also be fixed.*

## 2.4 Short Levy of Tax

### 2.4.1 Short levy of tax due to concealment of purchases

**Assessing Authority State Taxes Circle-C Jammu failed to detect the concealment of Interstate Purchases, verify the genuineness of outward stock transfer during 2013-14 which resulted in short levy of tax, interest and penalty to the extent of ₹ 1.38 crore.**

Section 42 (1) of the Jammu and Kashmir Value Added Tax Act 2005 provide that where after a dealer is assessed under section 37 to 40 of the Act for any year or part thereof, the Assessing Authority has reasons to believe that whole or any part of the turnover of the dealer in respect of any period has escaped assessment or has been under assessed, the Assessing Authority may serve a notice on the dealer and after giving the dealer a reasonable opportunity of being heard and making such enquiries as it considers necessary, proceed to assess to the best of its judgment, the amount of tax due from the dealer in respect of such turnover. Section 69(1) (f) of the Jammu and Kashmir Value Added Tax Act 2005, stipulates that if any person conceals his turnover or furnishes inaccurate particulars thereof, the appropriate authority shall direct that such person shall pay, in addition to the fee or tax by way of penalty, a sum equal to double the amount of the tax attempted to be evaded.

Further, as per section 6A of Central Sales Tax Act, 1956 where any dealer claims that he is not liable to pay tax under said Act in respect of any goods, on the ground that the movement of such goods from one State to another was occasioned by reason of transfer of such goods by him to any other place of his business or to his agent or principal, as the case may be and not by reason of sale, he may furnish to the Assessing Authority within the prescribed time or within such further time as that authority may for sufficient cause, permit, a declaration duly filed and signed by the Principal officer of the other place of business, or his agent or principal, as the case may be containing the prescribed particulars in the prescribed form obtained from the

<sup>2</sup> Tax: ₹ 5.32 lakh; Interest: ₹ 7.46 lakh; Penalty: ₹ 10.65 lakh.

prescribed authority, along with the evidence of dispatch of such goods. If the dealer fails to furnish such declaration, then the movement of such goods shall be deemed for all purposes of the Act to have been occasioned as a result of sale.

Audit check (December 2017) of records of State Taxes Circle-C Jammu showed that a dealer<sup>3</sup> had concealed interstate purchases worth ₹ 13.74 lakh during the accounting year 2013-14 which led to concealment of taxable turnover of ₹ 15.80 lakh<sup>4</sup>. Besides, the dealer had also claimed exemption on stock transfer of goods worth ₹ 5.09 crore against F-Forms in the course of interstate trade which was accepted by the Assessing Authority at the time of assessment (January 2017) under section 9(2) of the CST Act, 1956. Since the Registration Certificate of the dealer was silent about having any branch office or any clearing and forwarding agent in other states the stock transfer was irregular.

Thus, the failure of the Assessing Authority to detect the concealment of interstate purchases along with verifying the genuineness of stock transfer resulted in short levy of tax of ₹ 70.88 lakh on the taxable turnover of ₹ 5.25 crore (₹ 5.09 crore + ₹ 15.80 lakh). Besides, interest of ₹ 63.06 lakh and penalty of ₹ 4.27 lakh was also leviable.

On this being pointed out (December 2017), the Assessing Authority re-assessed (March 2019) the dealer and raised a demand of ₹ 1.67 crore<sup>5</sup> on the taxable turnover of ₹ 5.25 crore.

The matter was referred to Government/ Department in March 2021. The Commissioner State Taxes, J&K, Srinagar stated (May 2021) that proceedings were initiated against the dealer by issuance of statutory notice in VAT-19 dated 30 January 2018 for concealment of interstate purchases and claim of tax-free sales in the course of interstate trade and commerce while not having any branch office outside Jammu & Kashmir in the registration certificate. It was also stated that since the dealer failed to produce any documentary evidence in response to the notice issued, the Assessing Authority re-assessed the dealer and referred the demand of ₹ 1.67 crore against the dealer to Deputy Commissioner for realisation of taxes under Land Revenue Act. However, the reply of the Government was awaited (October 2021).

***The Department may ensure recovery and fix the responsibility of the Assessing Authority for not implementing the prescribed provisions of the Act.***

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<sup>3</sup> Dealing in trade of dry fruits, cosmetics, confectionery, jams, juices and pickles.

<sup>4</sup> Concealed purchases of ₹ 13.74 lakh plus ₹ 2.06 lakh on account of 15 per cent incidentals.

<sup>5</sup> Tax: ₹ 70.88 lakh; Interest: ₹ 92.17 lakh and Penalty: ₹ 4.27 lakh.

**2.4.2 Short levy of tax due to non-verification of credit claim of returned goods**

**Assessing Authority, State Taxes Circle-L Jammu accepted the credit claims against the returned goods without verification of actual credit notes at the time of assessment of a dealer which resulted in short demand of ₹ 53.69 lakh.**

Section 26(3) read with Rule 10 of the Jammu and Kashmir (J&K), Value Added Tax (VAT) Act, 2005 and Rules made thereunder, provides that in case of goods returned or rejected by the purchaser, a credit note shall be issued by the selling dealer to the purchaser and a debit note will be issued by the purchaser to the selling dealer in a prescribed manner.

Audit scrutiny (September 2018) of records of State Taxes Circle-L, Jammu revealed that a dealer dealing in sale and purchase of Machinery Parts was assessed (March 2018) for the accounting year 2014-15 at a taxable turnover of ₹ 34.83 lakh. The dealer had shown returned goods worth ₹ 2.19 crore in his Trading Account for the year 2014-15 but the credit and debit notes in support of goods returned have not been issued by both the purchasing and selling dealers. The digital records of Lakhanpur Toll Plaza had not made any mention about return of goods to the dealer. Assessing Authority accepted the credit claim of dealer against returned goods without obtaining credit notes at the time of assessment (March 2018). Acceptance of credit claims against the returned goods without verification of actual credit notes, led to under assessment of turnover of ₹ 2.19 crore and consequent short demand of ₹ 53.69 lakh<sup>6</sup>.

On this being pointed out (September 2018), the Assessing Authority re-assessed (March 2020) the dealer under section 42 of J&K VAT Act, 2005 and raised a demand of ₹ 64.31 lakh<sup>7</sup>.

The matter was referred to Government/ Department in November 2020. The Assistant Commissioner State Taxes (Technical), J&K stated (December 2020) that the Assessing Authority has referred the demand of ₹ 64.31 lakh to the Deputy Commissioner (Recovery), Jammu for realisation of taxes. However, the reply of the Government was awaited (July 2021).

***The Department should take effective measures under the provisions of the Act to realise the demand raised against the dealer at the earliest. Reasons for lapses may also be examined.***

<sup>6</sup> Tax: ₹ 29.50 lakh; Interest: ₹ 24.19 lakh.

<sup>7</sup> Tax: ₹ 29.50 lakh; Interest: ₹ 34.81 lakh.



**PART 'B'**

**Social, General and Economic  
Sectors (Departments)**





**Chapter III**  
**Introduction of**  
**Social, General and Economic Sectors**  
**(Departments)**



## CHAPTER III

### Introduction of Social, General and Economic Sectors (Departments)

The Jammu and Kashmir Reorganisation Bill, 2019 was introduced in the Parliament on 05 August 2019. The Jammu and Kashmir Reorganisation Act, 2019 received the assent of the President of India on 09 August 2019. The Act provides for the reorganisation of the then existing State of Jammu and Kashmir and for matters connected therewith or incidental thereto into two Union Territories (UT) namely UT of Jammu and Kashmir and UT of Ladakh.

In terms of the said Act, the then State of Jammu and Kashmir existed up to 30 October 2019 and was reconstituted as a Union Territory with effect from 31 October 2019. The accounts of erstwhile State have therefore been prepared for the period 01 April 2019 to 30 October 2019 and those of the UT of Jammu and Kashmir for 31 October 2019 to 31 March 2020.

The original budget for the year 2019-20 for the erstwhile State of Jammu and Kashmir was for the complete year i.e 01 April 2019 to 31 March 2020. However, due to the reorganisation which took place w.e.f 31 October 2019, the pre-actuals for seven months (01 April 2019 to 30 October 2019) as reflected in the demand for Grants 2020-21 as passed (March 2020) by the Parliament have been taken as the Budget Estimates for the period 01 April 2019 to 30 October 2019 in this Report.

In pursuance to Gazette of India, Extraordinary, Part (II), Section 3, Sub section (ii), S.O 3938 (E) dated 31 October 2019 and Section 74 of the Jammu & Kashmir Reorganisation Act, 2019 the Hon'ble President of India had authorised the expenditure for the period 31 October 2019 to 31 March 2020 out of the Consolidated Fund of the Union Territory (UT) of the Jammu and Kashmir which was approved by the Parliament in month of March 2020. The Annual Financial Statements (AFS) for the year 2020-21 in respect of U.T of Jammu & Kashmir recorded Budget Estimates/ Revised Estimates in respect of Union Territory of Jammu & Kashmir for five months which have been taken as Budget Estimates for period 31 October 2019 to 31 March 2020 in this chapter of the report.

### 3.1 Budget Profile

During the period 01 April 2019 to 30 October 2019, the erstwhile Jammu and Kashmir State incurred expenditure of ₹ 58,569 crore against the budget estimate of ₹ 52,158 crore. Further, during the period 31 October 2019 to 31 March 2020, the Union Territory of Jammu and Kashmir incurred expenditure of ₹ 47,064 crore against the budget estimate of ₹ 59,108 crore. The position of budget and expenditure of erstwhile State and the Union Territory of Jammu and Kashmir is shown in Table 3.1.

**Table 3.1: Budget and Expenditure of the erstwhile Government of State of Jammu and Kashmir and UT of Jammu and Kashmir during the period 2019- 20.**

(₹ in crore)

Particulars	From 01.04.2019 to 30.10.2019 (Jammu and Kashmir State)		From 31.10.2019 to 31.03.2020 (UT of Jammu and Kashmir)	
	Budget Estimates	Actuals	Budget Estimates	Actuals
<b>Revenue expenditure</b>				
General Services	11,920	14,153	11,478	9,384
Social Services	8,953	8,895	11,387	8,615
Economic Services	7,298	7,196	8,542	4,721
Grants-in-aid <sup>1</sup> and contributions	-	-	-	-
<b>Total (1)</b>	<b>28,171</b>	<b>30,244</b>	<b>31,407</b>	<b>22,719</b>
<b>Capital expenditure</b>				
Capital Outlay	5,889	4,522	13,771	5,422
Loans and advances disbursed	12	16	87	38
Repayment of Public Debt <sup>2</sup>	14,176	15,666	10,053	13,149
Contingency Fund	-	-	-	-
Public Accounts disbursements <sup>3</sup>	3,909	8,163	3,791	4,253
Closing Cash balance	-	(42)	-	1,482.28 (42.08)
<b>Total (2)</b>	<b>23,987</b>	<b>28,325</b>	<b>27,702</b>	<b>24,345</b>
<b>Grand Total (1+2)</b>	<b>52,158</b>	<b>58,569</b>	<b>59,108</b>	<b>47,064</b>

(Source: Annual Financial Statements and Finance Accounts of the Government of erstwhile State of Jammu and Kashmir and UT of Jammu and Kashmir)

### 3.2 Application of resources of the erstwhile State/ UT Government

During the period 01 April 2019 to 30 October 2019, the total expenditure<sup>4</sup> of the erstwhile State of Jammu and Kashmir was ₹ 34,782 crore. During this period, the Capital Outlay constituted 13 *per cent* of total expenditure. During the period 31 October 2019 to 31 March 2020 the expenditure of Union Territory of Jammu and Kashmir was ₹ 28,179 crore and Capital Outlay constituted 19 *per cent* of total expenditure.

### 3.3 Funds transferred directly to Government Departments of the erstwhile State/ UT

During the period 01 April 2019 to 30 October 2019, various Ministries/ Departments of the Central Government released ₹ 349.66 crore directly to various Government departments of the erstwhile State of Jammu & Kashmir. Ministries/ Departments of the Central Government released ₹ 335.54 crore directly to the various Departments of the Union Territory Government of Jammu and Kashmir during the period from 31 October 2019 to 31 March 2020.

Thus, Government of India (GoI) transferred total ₹ 685 crore (*Appendix 3.1.1*) directly to various Government Departments of erstwhile State/ UT without routing

<sup>1</sup> Grants-in-aid paid by the State Government is included in the General, Social and Economic Services.

<sup>2</sup> Includes transactions under ways and means advances and overdraft.

<sup>3</sup> Actuals exclude transactions of investment of cash balance and departmental cash balance.

<sup>4</sup> Total expenditure includes revenue expenditure, capital outlay and disbursement of loans and advances.

these through the erstwhile State/ UT Budget during the year 2019-20. Consequently, these amounts remained outside the Budgetary and Accounting system of the erstwhile State/ UT Government during the year.

### 3.4 Grants-in-aid from Government of India

The grants-in-aid received from Government of India during 2019-20 is depicted in Table 3.2.

**Table 3.2: Grants-in-aid from GoI**

Particulars	₹ in crore)	
	From 01.04.2019 to 30.10.2019 (Erstwhile Jammu and Kashmir State)	From 31.10.2019 to 31.03.2020 (UT of Jammu and Kashmir)
Non-Plan Grants	-	-
Grants for Centrally Assisted State Plan Schemes/ Centrally Sponsored Schemes	4,181	3,407
Grants for Central and Centrally Sponsored Plan Schemes	-	-
Finance Commission Grants (Post Devolution Revenue Deficit Grant)	8,249	-
Grant for Rural Local Bodies	1,220	-
Grant for Urban Local Bodies	174	-
Grant-in-aid for State Disaster	405	-
Other transfers/ Grants to States/ Union Territories with Legislature	382	11,784
Compensation for loss of revenue arising out of implementing of GST	1,032	1,247
<b>Total</b>	<b>15,643</b>	<b>16,438</b>
Revenue Receipts	30,052	22,557
Percentage of total grants to Revenue Receipts	52	73

(Source: Finance Accounts of respective years)

During the period 01 April 2019 to 30 October 2019, the Government of erstwhile State of Jammu and Kashmir received ₹ 15,643 crore as Grants-in-Aid from Government of India which accounts for 52 *per cent* of revenue receipts. During the period 31 October 2019 to 31 March 2020, the Government of Union Territory of Jammu and Kashmir received ₹ 16,438 crore as Grants-in-aid from Government of India which accounts for 73 *per cent* of Revenue receipts during the period.

### 3.5 Audit process

The audit process starts with the risk assessment of various Departments, Autonomous Bodies, Schemes/ Projects which takes into account the criticality/ complexity of activities, level of delegated financial powers, internal controls and concerns of stakeholders and previous audit findings. Based on this risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated.

After completion of audit, an Inspection Report containing the audit findings is issued to the Head of the Office with a request to furnish replies within one month. On receipt of replies, audit findings are either settled or further action for compliance is advised. Important audit observations pointed out in these Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India (C&AG). The audit findings incorporated in the Audit Report are based on test-check only of the transactions of the Government of Jammu and Kashmir.

During 2019-20, out of 5,634 Drawing and Disbursing Officers (DDOs) compliance audit of 847 was planned and audit of 617 DDOs of the State/ UT was conducted. Out of 502 units of 113 autonomous bodies (ABs) in the erstwhile state of J&K, audit of 45 units was planned while audit of 83 units<sup>5</sup> was conducted by the Office of the Principal Accountant General (Audit), Jammu & Kashmir.

### **3.6 Response of Government to Audit Report Paragraphs**

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/ activities as well as on the quality of internal controls in selected departments which have a negative impact on the success of programmes and functioning of the departments. The focus was on auditing specific programmes/ schemes in order to offer suitable recommendations to the Executive for taking corrective action and improving service delivery to the citizens.

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Principal Accountant General (Audit) to the Principal Secretaries/ Secretaries of the Department concerned drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Departments/ Government is invariably indicated at the end of such paragraphs included in the Audit Report. Six compliance paragraphs to be included in the Report of the Comptroller and Auditor General of India on Social, General and Economic Sectors (Departments) for the year ended 31 March 2020 were sent to the Principal Secretaries/ Secretaries of the respective departments. Out of six compliance paras, the replies of Government to five compliance paras were awaited (October 2021).

### **3.7 Response of Government to Compliance Audit Reports**

The hand book of instructions for speedy settlement of audit observations/ inspection reports (IRs) issued by the Government (Finance Department) provides for prompt response by the Executive to IRs issued by the Principal Accountant General (Audit) to ensure remedial/ rectification action in compliance with the prescribed rules and procedures. The heads of auditee offices and their controlling administrative Departments are required to comply with the observations contained in the inspection reports IRs and rectify the defects and report their compliance to the Principal Accountant General (Audit).

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<sup>5</sup> 70 units (including Ladakh) for the period 01.04.2019 to 30.10.2019 and 13 units (excluding Ladakh) for the period 31.10.2019 to 31.03.2020.

Based on the results of test audit, 52,780 audit observations<sup>6</sup> contained in 11,924 IRs were outstanding for settlement as on 31 March 2020 as given in Table 3.3.

**Table 3.3: Details showing the Audit observations outstanding at the end of 31 March 2020**

Name of Sector	Opening Balance (01 April 2019)		Additions during the year 2019-20		Settled during the year 2019-20		Closing Balance (31 March 2020)	
	No. of Inspection Reports	No. of Paragraphs	No. of Inspection Reports	No. of Paragraphs	No. of Inspection Reports	No. of Paragraphs	No. of Inspection Reports	No. of Paragraphs
Social Sector (Non-PSUs)	5,584	26,792	455	4,258	99	1,065	5,940	29,985
General Sector (Non-PSUs)	1,717	5,687	76	477	60	459	1,733	5,705
Economic Sector (Non-PSUs)	4,230	17,044	250	1,733	229	1,687	4,251	17,090
<b>Total</b>	<b>11,531</b>	<b>49,523</b>	<b>781</b>	<b>6,468</b>	<b>388</b>	<b>3,211</b>	<b>11,924</b>	<b>52,780</b>

The pendency of large number of paragraphs indicates lack of adequate response of the Government Departments to Audit. The Government may look into this matter and revamp the system to ensure proper response to the audit observations from the Departments in a time-bound manner.

Further, no Audit Committee was constituted during 2019-20. The respective Departments may constitute Audit Committees, hold its meetings and monitor the progress of settlement of paragraphs.

### **3.8 Follow-up on Audit Reports**

#### **3.8.1 Non-submission of *suo-motu* Action Taken Notes**

To ensure accountability of the Executive to issues dealt with in various Audit Reports, the Government (Finance Department) issued instructions in June 1997 to the administrative departments to furnish *suo-motu* Action Taken Notes (ATNs) to the Public Accounts Committee (PAC)/ Committee on Public Undertakings (COPU) on all the audit paragraphs featuring in the Audit Reports, irrespective of whether these are taken up for discussion by these Committees or not. These ATNs are to be submitted to these Committees duly vetted by the Principal Accountant General (Audit) within a period of three months from the date of presentation of Audit Reports in the Legislature.

It was, however, noticed that out of 561 audit paragraphs featuring in the Civil Chapters of Audit Reports from 2000-01 to 2018-19, *suo-motu* ATNs in respect of 275 audit paragraphs had not been received up to 31 October 2021.

<sup>6</sup> The figures include those of the UT of Ladakh.

### **3.8.2 Action taken on recommendations of the PAC**

Action Taken Notes, duly vetted by the Principal Accountant General (Audit) on the observations/ recommendations made by the PAC/ COPU in respect of the audit paragraphs discussed by them are to be furnished to these Committees within six months from the date of such observations/ recommendations. Out of 561 Audit paragraphs featuring in the Civil Chapters of Audit Reports for the years from 2000-01 to 2018-19, only 245 audit paragraphs have been discussed by the PAC up to 31 March 2021. Recommendations in respect of 223 audit paragraphs have been made by the PAC. However, ATNs on the recommendations of the Committees are pending from the Government in respect of 165 paragraphs.

### **3.9 Non-submission/ delay in submission of Annual Accounts by Autonomous Bodies**

Five Autonomous Bodies, whose Separate Audit Reports are required to be laid before the Legislature by virtue of Acts governing them, are required to be audited by the Comptroller and Auditor General (C&AG) of India under Sections 19 (3) and 20 (1) of the C&AG's DPC Act, 1971, had not furnished their annual accounts as given in Table 3.4.

**Table 3.4: Non-submission of accounts by Autonomous Bodies**

<b>Sl. No.</b>	<b>Name of Body/ Authority</b>	<b>Delay in number of years</b>	<b>No. of accounts</b>
1.	Compensatory Afforestation Management and Planning Authority	10	10 (2009-10 to 2018-19)
2.	Jammu and Kashmir State Housing Board	07	07 (2012-13 to 2018-19)
3.	Khadi and Village Industries Board	04	04 (2015-16 to 2018-19)
4.	Building and Other Construction Workers Welfare Board	06	06 (2013-14 to 2018-19)
5.	State Legal Service Authority	01	01 (2018-19)
	<b>Total</b>		<b>28</b>

Delay in submission of accounts in respect of these autonomous bodies was between one and ten years. Non-submission/ delay in submission of accounts by these autonomous bodies receiving funding from the State/ UT Budget is persisting for years. The delay in finalisation of accounts also carries the risk of financial irregularities going undetected. The matter of delay/ non submission of accounts by the autonomous bodies was brought to attention of the Chief Secretary, Government of UT of Jammu and Kashmir in the meeting held on 30 July 2021. It was assured that the Government will release further funds to the autonomous bodies only if they will submit their outstanding accounts.



## **Chapter IV**

# **Compliance Audit of Social, General and Economic Sectors (Departments)**



## CHAPTER IV

### Compliance Audit of Social, General and Economic Sectors (Departments)

This chapter contains six Compliance Audit observations pertaining to Social and General Sectors. The total financial implication of these observations is ₹ 230.27 crore.

#### Animal Husbandry Department

##### 4.1 Delay in the Construction of Poultry Breeding Farm and Hatchery

**The construction of a Poultry Breeding Farm and Hatchery project at Kupwara for subsidiary income generation of women/ weaker sections was taken up without administrative approval of the changed site. The expenditure of ₹ 1.78 crore incurred thus far on the project did not yield any benefits.**

For development of a poultry breeding farm, to help generation of subsidiary income for women/ weaker sections of the society, the Director, Animal Husbandry, Kashmir submitted (June 2013) a Detailed Project Report (DPR) to the Secretary, Animal Husbandry Department for approval. The project planned at Gonipora Waripora, District Kupwara was estimated to cost ₹ 2.89 crore.

The project was administratively approved (February 2014) by Secretary, Animal Husbandry department at a cost of ₹ 2.48 crore<sup>1</sup> and was to be completed within three years. The project was to be funded from loan assistance (95 per cent) from National Bank for Agriculture and Rural Development (NABARD) and State share (five per cent).

Audit scrutiny of records of the office of Chief Animal Husbandry Officer (CAHO), Kupwara showed (July 2019) that the project site at Gonipora Waripora was identified in June 2011 but due to the objections raised (September 2015) by the local population, the construction works were not taken up. The proposal for setting up the project on an alternate site near District Police Line Kulangam mooted (March 2016) was also not approved by the Administrative Department citing that projects once sanctioned by NABARD for a particular place cannot be shifted to another place. The Director, Animal Husbandry submitted (October 2016) another proposal for shifting the site to a land identified at Tutigund, Handwara.

The Animal Husbandry department started (November 2016) setting up the project at Handwara though the Administrative Department did not approve the site. The administrative department despite itself not granting approval to change of site released funds during 2014-19<sup>2</sup> for the project. The Department prepared a revised DPR (2019) and estimated the revised cost at ₹ 7.04 crore attributing the rise to time

<sup>1</sup> Infrastructure cost (Plant & Machinery): ₹ 20.40 lakh and construction cost: ₹ 228.09 lakh.

<sup>2</sup> 2014-15: ₹ 0.75 crore; 2015-16: ₹ 0.15 crore; 2016-17: ₹ 1.49 crore; 2017-18: ₹ 0.95 crore; 2018-19: ₹ 3.59 lakh.

lapse and change in topography of the project site. Audit observed that the Animal Husbandry Department had spent ₹ 1.78 crore on the construction of hatchery complex and residential quarters and another ₹ 0.50 crore was advanced to a State PSU and Stores Procurement Department/ PWD for supply of material. The other essential project components viz Brooder House, Layer farm, Grower Farm, Office Building and Trench roofed Mortality curing unit were either incomplete or not taken up for execution (June 2019).

Thus, the envisaged benefits of the project i.e. to create subsidiary income generation Backyard Poultry Units for women/ weaker sections were incomplete and the expenditure of ₹ 1.78 crore incurred thus far on the project did not yield any benefits.

While explaining the reason for starting work at Handwara, without administrative approval, the EE, R&B Division, Handwara stated (July 2019) that the District Development Commissioner Kupwara had approved the new site and had directed to execute the work at Tutigund instead of Gonipora Waripora. The reply was not tenable as the site of project was changed without approval of Administrative Department which is evident from the fact that the District Development Commissioner had sought (July 2019) reasons from the EE for starting work without prior approval of site. Regarding the revised DPR submitted in 2019, the EE stated (January 2021) that it was required in view of the topography of the new area of execution of the project which necessitated development of land and providing other facilities at site such as development of platforms for making buildings, retaining walls, breast walls, brick fencing, cross drainage works and road development.

The matter was referred (March 2021) to Government/ Department; their replies were awaited (October 2021).

## **Education Department**

### **4.2 Non-utilisation of funds released for civil works under Sarva Shiksha Abhiyan**

**Release of funds by the State Project Director (SPD) Sarva Shiksha Abhiyan (SSA) under civil works (capital component) plan 2016-17, to the Directors of School Education Jammu and Kashmir without any action plan for its utilisation resulted in blocking of ₹ 21.48 crore**

The Project Approval Board (PAB) of Sarva Shiksha Abhiyan (SSA), Department of School Education and Literacy, Ministry of Human Resources Development (MoHRD), Government of India (GoI), in its 231<sup>st</sup> meeting (February 2016) approved the Annual Works Plan and Budget (AWP&B) 2016-17 for the State of Jammu and Kashmir. The AWP&B 2016-17 included civil works under SSA (Separate girls toilet, Boundary wall, furniture for government upper primary school and construction of building etc.). The State Project Director (SPD), SSA J&K released

(31 March 2017) ₹ 21.48 crore<sup>3</sup> in favour of Director School Education (DSE) Jammu (₹ 9.76 crore) and DSE Kashmir (₹ 11.72 crore) with the direction not to utilise these funds till further detailed instructions were issued.

Audit scrutiny (July 2020) of the records of DSE Jammu revealed that no further instructions for utilisation of these funds were received from SPD, SSA J&K. The amount of ₹ 9.76 crore was held in the official saving bank account and invested (March 2018) in Fixed Deposit Receipts (FDRs) for a period of six months. Interest of ₹ 3.13 crore accrued in the saving and fixed deposits was transferred (August 2020) to the Project Director Samagra Shiksha<sup>4</sup>. Similarly, ₹ 11.72 crore released (March 2017) to DSE, Kashmir also remained unutilised (December 2020) in the savings bank account due to non-receipt of any directions for their utilisation.

Failure of the Department to get Action Plan prepared by subordinate offices for utilisation of funds received under AWP&B 2016-17 and improper release of funds without a road map for their utilisation had resulted in blocking of ₹ 21.48 crore and non-fulfilment of objective of creating intended infrastructure under SSA.

On being pointed out in audit, DSE Jammu and DSE Kashmir stated (December 2020) that the funds remained unutilised as they had not raised any demand under the Civil Works SSA Plan 2016-17 for release of these funds besides, the instructions for utilisation of the funds released were also not received from the SPD. Further Project Director, Samagra Shiksha stated (February 2021) that as the works under different components were being finalised, the DSEs Jammu and Kashmir were instructed not to utilise the funds till further orders.

The School Education Department issued (March 2017) directions to the SPD, SSA/ RMSA that the funds available under SSA/ RMSA are released to the implementing agencies so as to ensure nil balance at the end of year in order to avoid any future cuts on account of unspent balance by GoI. Thus lack of planning, monitoring and coordination between the offices of SPD, Samagra Shiksha, DSE Jammu and DSE Kashmir resulted in blocking of ₹ 21.48 crore for the nearly four years.

The matter was referred to Government/ Department in February 2021; their replies are awaited (October 2021).

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<sup>3</sup> Central share: ₹ 15.79 crore and State Share: ₹ 5.69 crore.

<sup>4</sup> Sarva Shiksha Abhiyan, Rashtriya Madhyamik Shiksha Abhiyan and Teacher Education were brought under Samagra Shiksha with effect from August 2018.

## Forest, Ecology and Environment Department

### 4.3 Compensatory Afforestation, Fund Management and Planning Authority

**The Compensatory Afforestation Fund Management and Planning Authority (CAMPA) did not conduct survey before preparation of Annual Plan of Operations (APOs) to collect physical data for identifying degraded forests. No alternate non-forest land was transferred to Forest department for compensatory afforestation as required under Jammu and Kashmir Forest Conservation Act. Site specific schemes were not prepared by the Forest Divisions for Compensatory afforestation at sites contiguous to or in the proximity of forest in respect of forest land of 2,757.78 hectares diverted for non-forest purpose. ₹ 9.24 crore (out of total expenditure of ₹ 140.25 crore) out of CAMPA funds were spent on inadmissible components such as purchase of office equipment, construction of office complex etc. There was irregular expenditure of CAMPA funds of ₹ 15.12 crore on establishment of two zoos.**

#### 4.3.1 Introduction

Under the Jammu and Kashmir Forest Conservation Act (1997) and Government of India (GoI) guidelines, for any forest land transferred for non-forest purposes, alternate non-forest land equivalent to the transferred forest land is to be arranged and transferred to the Forest department prior to commencement of the project. Apart from this, cost of land in the form of Net Present Value (NPV)<sup>5</sup>, cost of compensatory afforestation (CA), cost of trees (CoT), wild life development and other activities is recoverable from the user agency to which the land is diverted. However, in case alternate non-forest land is not available, the user agency will have to bear the cost of CA in degraded forest to the extent of double the area of forest land diverted.

In order to manage the money received on account of diversion of forest land, Central Adhoc Compensatory Afforestation Fund Management and Planning Authority (CAMPA) was constituted (April 2004) by the Government of India. In the erstwhile state of Jammu and Kashmir, the State Compensatory Afforestation Fund Management and Planning Authority (CAMPA) was constituted in November 2009 and Jammu and Kashmir (Compensatory Afforestation Fund Management and Planning Authority ) Rules 2009 were made (November 2009) thereunder. The state/ UT level authority was under the chairmanship of Principal Chief Conservator of Forests (PCCF) and Government also framed (December 2018) Jammu and Kashmir Compensatory Afforestation Fund (CAF) Rules 2018. Under J&K Re-organisation Act 2019 (notified 30 October 2019), the Central Compensatory Afforestation Fund (CAF) Act 2016 was extended to the UT of Jammu and Kashmir with effect from 31.10.2019.

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<sup>5</sup> Quantification of the environmental services provided for the forest area diverted for non-forestry uses as may be determined by an expert committee appointed by the Central Government.

According to these rules the compensation amount received from user agencies is to be deposited in the Government fund. The objectives of CAMPA include carrying out compensatory afforestation in addition to conservation, protection, and management of existing forests and wildlife.

A compliance audit covering the activities undertaken by J&K CAMPA during the period 2015-20 was undertaken by test check of records of Additional Principal Chief Conservator of Forests (APCCF), CAMPA along with Nodal Officer, Forest Conservation Act (FCA), Divisional Forest Officers (DFOs) Territorial, Social Forestry Department, Soil and Water Conservation Department and Wildlife Protection Department. Out of 35 forest divisions in the two regions of Jammu and Kashmir, 10 Forest Divisions<sup>6</sup> (29 per cent) were selected for test check of records by Probability proportional to size without Replacement (PPSWOR) method on the basis of total expenditure incurred under CAMPA during 2015-20. 17 divisions were also selected for test check of records in departments of Social Forestry (6), Soil and Water Conservation (6) and Wildlife protection (5).

### **4.3.2 Planning**

#### **4.3.2.1 Preparation of Annual Plan of Operations**

As per Para XIII of Operational guidelines for CAMPA, the Annual Plan of Operations (APOs) was to be prepared after conducting detailed survey to collect physical data for identifying the treatment measures like planting in trenches in hilly areas, pit planting with water harvesting measures in flat areas, etc.

Audit noticed in all 27 selected divisions<sup>7</sup>, no survey was conducted prior to preparation of APOs. The APOs were instead prepared on the basis of the financial limits fixed by PCCF. No funds were released during 2015-20 for survey in respect of 27 selected divisions. The impact of development project on the forest area and results of compensatory afforestation could not be realistically evaluated in absence of surveys. Non-conducting of survey also resulted in disputes necessitating change of sites at three places<sup>8</sup> for carrying out plantation.

The DFOs stated that informal talks were held with the people residing in the area where forest closures were to be developed and provisions for survey and demarcation were proposed in the APOs but no funds were released for the purpose of survey. The APCCF, CAMPA intimated (July 2021) that several Implementing Agencies (IAs) have now projected fund requirements for survey works during 2021-22 in their APOs which have been approved. APCCF, CAMPA further stated (November 2021) that specific survey requirements projected by DFOs in APOs would be met.

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<sup>6</sup> Jammu, Udhampur, Eco Task Force, Reasi, Bhaderwah, Urban Forestry Jammu, Kamraj, Shopian, Anantnag, Tangmarg.

<sup>7</sup> Jammu: 14, Kashmir: 13

<sup>8</sup> From Co 42/ kunt (Banjar) to Co 37/ Cheralla (Bodhi), from Co 41 /kunt (Parsholla) to Co 57/ Bhalesha(Chanti) and from Co 41 kunt (Gulmana) to Co 57/ Bhalesha (Icher).

#### **4.3.2.2 Delay in submission of Annual Plan of Operations**

Para XIII (j) of Operational Guidelines envisage that implementing agency (IA) shall formulate their APOs for the forthcoming financial year by August which after technical appraisal shall be put up to the executive committee during November. The APOs with breakup of proposed activities and estimated cost thereof shall be put up to the Steering Committee on whose approval shall be communicated to the IAs by 31<sup>st</sup> December.

Audit noticed (April 2021) delays between one month to 16 months<sup>9</sup> in formulation of APOs by the IAs; between 21 days and eight months in accordance of approval by the EC; and between 23 days and eight months in approval by the SC.

Due to delay in preparation/ finalisation of APOs, the utilisation of funds of ₹ 18.69 crore was delayed. As a result, plantation of 10.694 lakh saplings for rehabilitation of 894.68 hectare of degraded forest, fencing of 3.03 lakh running feet (rft), 1.17 lakh pasture patch development works, raising of 17.4 lakh nursery plants and 1,964 cum of dry rubble stone masonry (DRSM) could not be carried out in respective years of plan.

In 20 of the 27 test checked divisions, during 2015-2020, utilisation of funds of ₹ 5.72 crore was delayed affecting plans of plantation of 1.53 lakh saplings for rehabilitation of 159.37 hectare of degraded forest, fencing of 0.707 lakh rft, 0.72 lakh of pasture patch development works, raising of 4.19 lakh nursery plants and 50 cum of dry rubble stone masonry (DRSM) could not be carried out. The APCCF stated (November 2021) that meetings of EC were held in December of the preceding year for APOs of 2019-22 and meetings of the SC were also held well before commencement of financial year. They added that unspent amount wherever required is revalidated in the next financial year for completion of plantation works. APCCF further stated that because of climatic conditions most of the afforestation works were being carried out during winter after melting of snow in February and due to short time period available for execution of works before close of the financial year some of the works spill over to the next financial year. The fact remained that climatic factors were not an unforeseen event and the Department should have factored them in implementation of APOs and timelines should have been adhered to.

#### **4.3.3 Financial Management**

##### **4.3.3.1 Utilisation of Compensatory Afforestation Fund**

The position of funds credited to Adhoc CAMPA, amounts released to IAs and unspent balances during 2015-20 is given in Table 4.3.1.

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<sup>9</sup> Jammu: 5 forest divisions-2 months 28 days to 1 year 27 days; Kashmir: 13 divisions-one month to 16 months.



Table 4.3.1: Position of funds received, expenditure incurred and unspent balances

(₹ in crore)

Year	Receipts			Payments / Releases					Closing Balance
	Opening Balance	Money <sup>10</sup> Received	Total	Money invested in FDR's	Amount released to implementing agencies	Amount transferred/ Pledged to Adhoc CAMPA	Money Transfer To State Government <sup>11</sup>	Total	
2015-16	3.18	300.20	303.38	249.00	50.30	0.00	0.00	299.30	4.08
2016-17	4.08	680.93	685.01	491.50	58.66	102.98	0.00	653.14	31.87
2017-18	31.87	596.20	628.07	274.18	85.99	248.70	0.00	608.88	19.19
2018-19	19.19	301.61	320.80	51.00	115.61	146.45	0.00	313.06	7.74
2019-20	7.74	483.60	491.34	65.00	134.81	0.00	290.32	490.12	1.21

(Source: Departmental records)

Reasons for unspent balance ranging between ₹ 1.21 crore and ₹ 31.87 crore during 2015-20 were delay in formulation/ finalisation of APOs. The reasons for ₹ 1.21 crore remaining unspent at the end of 2019-20 were that the CAMPA transferred ₹ 290.32 crore out of ₹ 291.53 crore available to the State Government. The reasons for delay in release of funds to the IAs are discussed below:

CAMPA operational guidelines envisage that after clearance of APOs by the SC, first instalment of CAMPA funds is to be released to the IAs during the month of January and second instalment is to be released after obtaining the UCs from the IAs in respect of the first instalment. Audit observed release of first instalment of funds to the IAs with delays ranging between 12 days and 256 days, release in more than two instalments and also at the end of the financial years.

The APCCF, CAMPA attributed (August 2021) the delay in release of funds to delayed receipt of money from Adhoc CAMPA. It was further stated (November 2021) that the incomplete/ spill-over works of the approved APOs were revalidated for execution in the next financial year and the APOs were fully implemented in the following year. However, yearly progress of afforestation works suffered due to non-timely preparation of APOs, delayed release of funds leading to and spill over of works.

#### 4.3.3.2 Variation in expenditure booked

Cross verification of records of Chief Accounts Officer (CAO) PCCF and CAMPA Cell (CC) showed that during 2015-20 against ₹ 505 crore released by CAMPA cell, the CAO PCCF, had shown an expenditure of ₹ 445.37 crore. The variation in separate statements ranging between (-) ₹ 59.33 crore and (+) ₹ 16.12 crore was not reconciled. Further during 2015-18, against ₹ 194.95 crore released by CAO, PCCF, to the IAs, expenditure of ₹ 229.96 crore was shown in the monthly progress report of CAMPA cell.

<sup>10</sup> Money received including the encashment of FDRs including interest on FDRs, Charges received from the user agencies and Money received from the Adhoc CAMPA.

<sup>11</sup> Transferred to Government as per instructions of Government issued in November 2019.

APCCF, CAMPA stated (November 2021) stated that the Accounts Section and CAMPA Cell have been directed to reconcile the figures of releases/ expenditure.

#### **4.3.3.3 Reconciliation of funds**

Audit observed (July 2021) that in respect of approved APOs with expenditure of ₹ 93.42 crore, ₹ 141.74 crore was released to 26 Implementing Agencies (IAs) during 2015-20 resulting in irregular excess release of ₹ 48.32 crore.

APCCF, CAMPA contended (November 2021) that no excess amounts were released and that the unspent amounts in the approved APOs were revalidated in the next financial year and funds were released to IAs to meet exigency requirements. The fact remained that the CAMPA had failed to implement APOs in full in respective years and spill over of incomplete works with respective financial outlay was revalidated for next year as also discussed at *Paragraph 4.3.3.1* above.

- Test check (July 2021) of cash book and bank statements of Chief Accounts Officer (CAO), CAMPA Cell, showed that details/particulars of 242 credits amounting to ₹109.84 crore appearing during 2015-20 were not depicted in bank statements.
- In respect of 19 test checked cases of transfer of forest land (measuring 63.65 hectares) by the Forest Department to the user agencies, compensation of ₹ 8.11 crore deposited by the user agencies with the CAMPA Fund during 2015-20 was not appearing in the Cash book and bank account<sup>12</sup> resulting in non-accountal of ₹ 8.11 crore.

The CAO, PCCF assured (August 2021) that the matter would be taken up with the FCA section for reconciliation of figures.

#### **4.3.3.4 Awaited receipt of CAMPA funds from the Adhoc CAMPA**

Central Compensatory Afforestation Fund (CAF) Act 2016 was extended to the Union Territory (UT) of Jammu and Kashmir with effect from October 2019<sup>13</sup>. Consequently, in terms of Section 4 of the said Act, the Government notified (November 2019) establishment of 'Compensatory Afforestation Fund' into which money's to be received from user agencies in lieu of the diversion of the forest land for non-forestry purposes and monies to be received from National CAMPA<sup>14</sup> were to be deposited. Audit noticed (July 2021) that out of ₹ 1,006.95 crore<sup>15</sup>(including accrued interest) credited to Ad hoc CAMPA during 2010-20, only ₹ 764.55 crore<sup>16</sup> was transferred to the CAF as of July 2021. The remaining amount of ₹ 242.40 crore

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<sup>12</sup> Current Bank Account CD-259 which was maintained for most of the transactions including the release/ distribution of funds among the IAs and one Saving Account SB-20 in the J&K Bank. The user agencies deposit the compensation amount in the Current Bank account CD-259 maintained in the J&K Bank.

<sup>13</sup> In pursuance of J&K Re-organisation Act 2019 read with the J&K Reorganisational (Removal of difficulties) Order No. 2019 (notified vide S.O. 3912 (E) dated 30-10-2019).

<sup>14</sup> Erstwhile Adhoc CAMPA which was dissolved and National CAMPA constituted in terms of CAF Rules 2018.

<sup>15</sup> ₹ 1,298.30 (Jammu and Kashmir: ₹ 1,006.95 crore, Ladakh: ₹ 291.35 crore).

<sup>16</sup> ₹ 408.35 crore: February 2020 and ₹ 356.20 crore: October 2020.

was lying with Ad hoc CAMPA. The matter was not pursued with the Adhoc CAMPA for transfer of the remaining amount to the UT.

#### **4.3.3.5 Loss of interest income**

##### **• Loss of interest due to non- opening of interest bearing bank account**

Rule 5(3) of CAMPA Rules 2009 stipulates that the money received in respect of CAMPA shall be kept in interest bearing accounts. Audit noticed (July 2021) that moneys received for compensatory afforestation was kept in current account by the CAO and seven IAs resulting in loss of minimum potential interest income of ₹ 1.43 crore<sup>17</sup>.

The CAO, PCCF stated (August 2021) that as per Forest Conservation Rules of 2000, there was a provision to keep CAMPA funds in the current account. APCCF, CAMPA stated (November 2021) that after issuance of SRO 354 (CAMPA guidelines) in November 2009 the CAMPA accounts are now being kept in interest bearing accounts. The reply is not based on fact as funds were not kept in interest bearing accounts during 2015-20.

##### **• Loss of interest due to absence of investment policy**

According to Rule 12 of CAF Rules 2018 the EC of the CAMPA shall invest surplus amounts available in the Government Fund. J&K CAMPA operational guidelines also envisage utilisation of minor part of income from interest received on funds invested by State and Central CAMPA on management of State CAMPA.

Audit noticed (July 2021) that amounts ranging between ₹ 0.31 crore and ₹ 104 crore were kept for one month to 11 months in the bank account<sup>18</sup> during 2015-20. Non-investing of these sums into Fixed Deposit Receipts (FDRs) had resulted in loss of potential interest income of ₹ 3.03 crore. Audit also noticed that CAMPA encashed its FDRs prematurely despite having adequate balances in its bank accounts to meet its emergent requirements. The premature encashment of FDRs resulted in loss of potential interest income of ₹ 2.54 crore during 2015-20.

The CAO, PCCF stated (August 2021) that the amount was kept to meet the day to day expenses. The reply is not tenable, as CAMPA transactions relating to day to day expenses were carried out through the amounts in current accounts. The APCCF, CAMPA added (November 2021) that CAO, PCCF was being directed to take up the issue with concerned quarters and furnish report. No reply was offered explaining reasons for premature encashment of FDRs when adequate funds for meeting day to day expenses were available in current accounts and savings bank accounts.

#### **4.3.3.6 Non-closure of saving and current bank accounts**

In terms of Section 4(1) of Compensatory Afforestation Fund Act 2016, the Government established (November 2019) a special fund namely State Compensatory

<sup>17</sup> Jammu (seven implementing agencies: ₹ 0.26 crore), CAO, PCCF: ₹ 1.17 crore.

<sup>18</sup> SB-20 of J&K Bank.

Afforestation Fund. In terms of the notification all bank balances available with CAMPA were to be transferred to this new fund. However, balance of ₹ 1.23 crore in current account (CD-259) and ₹ 0.33 crore in savings bank account (SB-20) were yet (August 2021) be transferred.

The APCCF, CAMPA stated (November 2021) that all DFOs had been directed (May 2020) to close the CAMPA accounts at the end of 2019-20 and all moneys in the saving and current accounts have now been deposited with the State Fund.

#### **4.3.4 Non maintenance of accounts records/non-finalisation of accounts**

##### **Non maintenance of accounts records**

Rule 12 (3) of CAMPA Rules 2009 and Rule 29 of J&K Compensatory Afforestation Fund Rules 2018 provide for maintenance of accounts including Cash book, ledger, Journal, Public Funds Account register, Stock register, Fixed Asset register, etc..

In 27 selected divisions Audit noticed that only cash books and *Form 48* depicting payment details were maintained and other records had not been maintained. The non maintenance of full set of records as specified was not only non observance of instructions but also the Department could not assess and value its assets properly. The non maintenance of full set of records also contributed in the J&K CAMPA not being able to produce its financial statements since its inception.

The DFOs stated (September 2020 to April 2021) that instructions for maintenance of other records were noted for compliance. The APCCF, CAMPA stated (November 2021) that DFOs/ IAs have been directed to maintain all records relating to CAMPA in accordance with financial rules.

##### **Non-finalisation of accounts**

As per Rule 12 (3) of CAMPA Rules 2009, CAMPA was required to maintain proper accounts and prepare an annual statement of accounts in such form as may be prescribed in consultation with the Accountant General. The accounts were to be certified by the Accountant General or any other person appointed by him in this behalf together with the audit report thereon. Audit observed that CAMPA had not prepared its annual accounts since its establishment. As of December 2020 preparation of 10 years of accounts<sup>19</sup> was in arrears. This non-finalisation of accounts is fraught with the risk of misappropriation besides the activities escape legislative oversight.

Additional PCCF/ CEO CAMPA informed (December 2020) that a CAG empanelled Chartered Accountancy firm has been engaged (January 2020) for preparation of financial statements for the period 2010-11 to 2019-20 at CAMPA headquarters as well as that of implementing agencies. APCCF, CAMPA informed (November 2021) that the CA firm has sought time till November 2021 to finalise the CAMPA accounts and to submit their report.

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<sup>19</sup> 2010-11 to 2019-20

### **4.3.5 Programme implementation**

#### **4.3.5.1 Decrease in Moderate Dense Forest and Increase in degraded forests**

Forest Survey of India undertakes assessment of Country's forest resources every two years, results of which are presented as 'India State of Forest Report' (ISFR). According to ISFR for the years 2013 and 2019 there was overall increase in forest area of Jammu and Kashmir from 22,538 sqkm to 23,612 sqkm. However, there was decrease in Moderate Dense Forest area from 8,760 Sq km in 2013 to 8,612 Sq km in 2019 while degraded forest area increased from 9,638 Sq km in 2013 to 10,719 Sq km in 2019.

The APCCF, CAMPA contended (November 2021) that increase in total forest cover of 1074 sq km and conversion of 141 sq km of moderate dense forest to very dense forest demonstrates success of the intervention under CAMPA. The fact remained that area of degraded forest had increased during the period 2013-19.

#### **4.3.5.2 CAMPA Works**

##### **(A) Non-preparation of site-specific schemes for Compensatory Afforestation**

Forest land diversion proposals were regulated under the Jammu and Kashmir Forest Conservation Act, 1997 under which the indents placed by user agencies in the office of PCCF were forwarded to the CCF/ CF/ DFO for processing the proposals. After completion of joint inspection, enumeration of trees, assessment of NPV, cost of trees and compensatory afforestation by the DFOs, the proposal were placed by PCCF before the State Forest Advisory Committee (SFAC) headed by the Chief Secretary. On approval by the SFAC, the administrative department issued orders for diversion of forest land.

The Scheme guidelines envisage Compensatory Afforestation (CA) to be done over an area equivalent to forest land diverted for non-forest use. As far as possible, the non-forest land should be contiguous to or in proximity of Reserve/ Protected Forest to enable the CAMPA to effectively manage the newly planted area. Guidelines also stipulate that after receipt of money, CAMPA shall accomplish the afforestation within a period of one year or two growing seasons after completion of developmental project.

Out of total 524 forest conservation act (FCA) cases in the State/UT, Government orders for diversion of 2,757.78 ha of forest land for non-forest purpose were issued in 455 cases during 2015-20 and compensation of ₹ 725.97 crore was received from user agencies. However, no site specific schemes were prepared by the concerned Forest Divisions to spend the amount on CA at sites contiguous to or in the proximity of forest land diverted.

Audit observed that in 11<sup>20</sup> sampled forest divisions dealing with forest land diversion cases no case wise/ site specific schemes were prepared for carrying out afforestation in lieu of diversion of forest land.

After being pointed out the APCCF stated (July 2021) that prior to 31 October 2019 site specific schemes were not prepared for compensatory afforestation but lump-sum amounts were charged from the user agencies. It was further stated that the compensation money had been fully utilised for CA though clear linkage between the site at which forest land was diverted and the site at which CA was carried out had not been established and that site specific CA proposals approved after 31 October 2019 would be incorporated in the APOs 2022-23. It was also stated (August 2021) that it was being ensured that the site of CA was near the site at which forest land was diverted and maps / KMZ<sup>21</sup> files of land diversion sites and the proposed CA sites were being uploaded on PARIVESH<sup>22</sup> portal.

### **(B) Maintenance of Plantation Journal**

Guidelines for 'Maintenance of Plantation Journal' envisage:

- Updation of Plantation journal of each unit at regular intervals.
- Recording of survival percentage of plantation during 2<sup>nd</sup> year to 4<sup>th</sup> year once in a year.
- Plants planted should be healthy, viable and of plantable size with proper root system.
- Data of growth of plants and species wise collar girth and height of individual plants.

In 23 divisions<sup>23</sup> out of 27 divisions checked, the plantation journals of 381 closures/ strips produced to Audit were not updated by recording enumeration of trees, survival rate of plants planted, inspection note of visiting officers and fire incidences. In 21 selected divisions<sup>24</sup> in respect of 173 closures plantation journals were not maintained. In all the selected divisions no certificate was recorded on the plantation journal that the saplings planted were healthy, viable and of plantable size with proper root system. Enumeration of 41.91 lakh plants planted was not carried out to ascertain the survival rate of plants.

In 17 divisions<sup>25</sup>, despite availability of basic tools including GPS and camera, quantitative enumeration and measurement of collar girth and height of plants to assess effectiveness of plantation were not done. DFOs stated (September 2020 to April 2021) that instruction in this regard have been noted for compliance.

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<sup>20</sup> Jammu: 7, Kashmir: 4

<sup>21</sup> Zipped 'Keyhole markup language'.

<sup>22</sup> Proactive and responsive facilitation by interactive and virtuous environmental single window hub.

<sup>23</sup> Jammu: 13, Kashmir: 10

<sup>24</sup> Jammu: 13, Kashmir: 8

<sup>25</sup> Jammu: 13, Kashmir: 4

The APCCF, CAMPA stated (November 2021) that IAs have been directed to maintain/update the records of survival and growth of plants in the plantation journals.

**(C) Survival rate of plants**

Instances of poor survival rate of plants were observed in Audit. In Forest division Anantnag, plantation of 83000 conifer and 25000 broad leave plants in Chattapal nursery during 2015-16 had withered away and under Wildlife Warden Bijbehara plantation of plants during 2015-20 to maintain the proper habitat for wild animals in the protected areas had survival rate of only 10 *per cent*. This resulted in unfruitful expenditure of ₹ 55.40 lakh.

The APCCF, CAMPA stated (November 2021) that steps are being taken to recover the cost of damages from the staff concerned in Anantnag division. For poor survival rate of plants it was intimated that at the survival rate of plants was now in the range of 60 to 65 *per cent*.

**4.3.6 Land management**

**4.3.6.1 Non-transfer of non-forest land for compensatory afforestation**

As per Chapter 2 Para 2.3 of Guidelines and clarifications stipulated in Handbook of Forest Act 1980 and Forest Conservation Rules, Compensatory Afforestation (CA) is to be raised on suitable non-forest land equivalent to the area proposed for diversion at the cost to be paid by user agency. In cases where non-forest land is not available, CA could be carried out over degraded forest of twice the area being diverted. The status of land diverted for non-forest purpose in Jammu and Kashmir during the period 2015-20 is given in Table 4.3.4.

**Table 4.3.3: Status of land diverted for non-forest purpose**

(area in hectares)			
Year wise	Forest Area	Wildlife Area	Total Area
2015-16	754.798	79.861	834.659
2016-17	152.968	196.112	349.08
2017-18	686.485	49.584	736.069
2018-19	231.237	0	231.237
2019-20	596.72	10.016	606.736
<b>Grand Total</b>	<b>2,422.21</b>	<b>335.573</b>	<b>2,757.781</b>

(Source- Departmental records)

No non-forest land was transferred to forest department for compensatory afforestation in the State/ UT.

In ten selected divisions, 174 cases involving 1,108.41 hectares of forest land was diverted for non-forest purpose. Out of this in 140 cases involving 1,010.81 hectares forest land, was diverted without receiving alternate land from district administration as required under Rules. In 25 cases, Revenue Authorities had shown availability of 97.60 hectares of non-forest land which was neither handed over by the Revenue

authorities to the Forest department nor was any action taken by the DFOs to initiate the process for taking over the non-forest land. In nine cases, only trees were involved and no forest land diversion was involved.

The Nodal Officer, FCA stated that in forest land diversion cases where non-forest land was not received, the concerned Deputy Commissioners had issued certificate of non-availability of non-forest land and the compensatory levies were charged from user agencies for afforestation over degraded forest area double in extent of the forest land diverted. It was also stated that in respect of cases in which availability of non-forest land was reported by the concerned Deputy Commissioner, the Forest department had taken up matter with the Revenue Department/ Forest Advisory Committee for mutation of such lands in favour of the department but the Revenue Department could not effect mutation in these cases.

#### **4.3.6.2 Diversion of wetland without approval from National Wildlife Board**

As per CAMPA guidelines, Net Present Value (NPV) for area of land forming part of wildlife/ protected area is to be recovered at five times of NPV for forest area. Further the Hon'ble Supreme Court directed (W/P 202/1995) that all matters for grant of permissions for implementation of projects in the areas falling in National Parks/ sanctuaries, including rationalisation of boundaries would be considered by the Standing Committee of the National Board for Wildlife (NBWL)<sup>26</sup>. Audit observed that ₹ 6.67 crore was received as compensation for diversion of 1.98 hectares of wetland area falling under Wildlife Warden Jammu. The land was diverted<sup>27</sup> for construction of 3.6 km of approach road<sup>28</sup> at Sajwal (Jourian) for which required approval had not been taken from National Board for Wildlife (NBWL).

The APCCF, CAMPA contended (November 2021) that the Hon'ble Supreme Court order mentioned National Parks and Wildlife Sanctuaries and not Conservation Reserves. They added that the instant case pertained to Pargal Wetland Conservation Reserve which does not fall in a National Park or Wildlife Sanctuary and that NBWL while considering another proposal falling in Sansoo Rakh conservation reserve for land diversion, had returned the proposal with the observation that the proposal had got no merit to be considered under the provisions of the Wildlife Protection Act, 1972. It was also stated that after the proposal was cleared by Standing Committee of the Board for Wildlife and Forest Advisory Committee after the Administrative Council had approved the proposal. The fact remained that NPV at five times of forest area, as applicable to National Parks and Wildlife Sanctuaries was recovered from user agency, which goes to show that the CAMPA had also considered the area as a national park. However, required approval of NBWL had not been sought before diversion of land.

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<sup>26</sup> On its own merits and in conformity with the orders and directions passed (between 09.05.2002 and 14.02.2020) by the Supreme Court.

<sup>27</sup> Case approved in the 112<sup>th</sup> meeting and government order issued vide no. 329-FST of 2019 dated 09.10.2019.

<sup>28</sup> In respect of 1,640 meter span bridge over river Chenab.



### 4.3.7 Realisation of NPV, CA and other charges

#### Outstanding compensation from user agencies

Audit noticed ₹ 238.33 crore was outstanding from 28 user agencies on account of compensation for diversion of forest land for non-forestry purpose during the period from January 2015 to September 2020.

Nodal officer FCA intimated (July 2021) that user agencies had since deposited the compensation amount and ₹ 91.97 crore was now outstanding receipt against 22 user agencies (details in *Appendix 4.3.1*) and that in cases where validity period for depositing compensatory levies had lapsed, the administrative department had approved extension of validity period up to 31 July 2021. The APCCF, CAMPA stated (November 2021) that ₹ 91.94 crore was outstanding against 22 user agencies.

#### Short Realisation of damage charges- ₹ 22.27 crore

Forest land measuring 77.51 hectares was diverted in the area falling under the jurisdiction of Wildlife warden, Shopian to one user agency<sup>29</sup> for execution of works of 400 KV Samba Amargarh transmission line. The terms and conditions of sanction stipulated that any damage done to the forest by the user agency, its employees or contractor should be charged from the user agency at the rate of 10 times the standard rate. The user agency had caused damage to trees valuing ₹ 2.48 crore during execution of project works in Hirpora wildlife sanctuary. Audit observed (March/April 2021) that against the recoverable amount of ₹ 24.80 crore only ₹ 2.48 crore was recovered from the agency. Thus, there was short realisation of damage charges of ₹ 22.27 crore.

The APCCF, CAMPA stated (November 2021) that action would be taken by the department to recover cost of damages.

### 4.3.8 Expenditure not authorised in CAMPA guidelines

#### 4.3.8.1 Expenditure on construction of buildings and purchase of vehicles

As per Rule 18 of J&K Compensatory Afforestation Fund (CAF) Rules 2018 and Rule 5(4) of CAF Rules 2018, monies received on account of NPV shall not be utilised for construction of buildings, purchase of vehicles, office equipments including air conditioners and generator sets. Audit noticed that Forest Divisions had spent ₹ 4.36 crore<sup>30</sup> out of CAMPA funds on inadmissible components such as purchase, maintenance, fuel, insurance of vehicles and purchase of office equipment and fixture. The DFO Urban Forestry Division, Jammu had utilised ₹ 4.88 crore on construction of office complex (2014-15: ₹ two crore, 2016-17: ₹ two crore, 2017-18: ₹ 0.38 crore, 2018-19: ₹ 0.50 crore) at Bachan Depot, Narwal, Jammu.

The APCCF, CAMPA stated (November 2021) that after extension of the CAF Act 2016 and CAF Rules 2018 to the UT of Jammu and Kashmir with effect from

<sup>29</sup> NRSS XXIS Transmission Limited.

<sup>30</sup> Jammu: 14 divisions ₹ 2.15 crore, Kashmir: 10 divisions ₹ 2.21 crore.

31 October 2019, expenditure under CAMPA is booked after approval of National Authority, MOEF&CC and no expenditure is being booked on inadmissible activities like purchase of staff car. It was further stated that no further release had been made under CAMPA for construction of office complex for which budgetary provisions was being made under budget for capital expenditure.

#### **4.3.8.2 Irregular expenditure of CAMPA money on establishments of Zoos**

Jammu and Kashmir Compensatory Afforestation Fund Rules 2018 envisage that monies received under NPV shall not be utilised for establishment, expansion and up-gradation of zoo and wildlife safari.

However, two wild life wardens<sup>31</sup> prepared master plan<sup>32</sup> for Jamboo Zoo and Mini Zoo Pahalgam<sup>33</sup> at a cost of ₹ 221.00 crore<sup>34</sup>. The proposals, forwarded to the APCCF CAMPA, were laid before Executive Committee (EC) and Steering Committee (SC) and approved in March 2016 and June 2017 respectively. The SC while deliberating (August 2018) on the activities of CAMPA decided to stop further funding as CAF rules prohibit such activity. By this time ₹ 15.12 crore had already been spent.

The APCCF, CAMPA stated (November 2021) that CAMPA rules applicable at that time did not provide for any restriction on incurring expenditure on zoos and that after restriction was imposed on use of CAMPA money on zoos under CAF Rules 2018, funding for zoos under CAMPA was not allowed. The fact remained that CAMPA guidelines did not provide for incurring expenditure on creation of zoos.

#### **4.3.8.3 Irregular payments on acquisition of land for Gharana Wetland**

Compensatory Afforestation Fund Rules 2018, state that monies received under NPV shall not be utilised for purchase of land and APOs should include not less than 80 *per cent* of project cost for forest and wildlife management and not more than 20 *per cent* on forest and wildlife related infrastructure and capacity building.

The proposal of Wildlife Wardens Jammu regarding habitat improvement, management and protection of Gharana Wetland was approved (January 2019) by the SC at a cost of ₹ 13.49 crore. The project cost included ₹ 13.20 crore for acquisition of land and establishment of Sewerage treatment plant (STP). Inclusion of acquisition of land was in contravention to CAF rules, which together with cost of STP constituted 98 *per cent* of the project cost. Thus APCCF, CAMPA had irregularly included cost of land and STP in the project cost.

Audit observed that ₹ 11.70 crore were transferred (August 2019) to SDM R.S Pura for survey, delineation, demarcation and acquisition of land for Gharana wetland. As of February 2021 the amount was lying in the J&K Bank Savings account of SDM, R.S Pura.

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<sup>31</sup> WLD-Jambu Zoo and WLD-Bijbehara.

<sup>32</sup> To promote international and eco-tourism, scientific breeding of endangered species, research and education, rehabilitation of injured and sick animals, generate employment and safari activity.

<sup>33</sup> Expansion of zoo.

<sup>34</sup> Jamboo Zoo: ₹ 121 crore, Mini Zoo Pahalgam: ₹ 100.00 crore.

Wildlife Warden Jammu replied that for acquisition of land for development of Gharana wetland ₹ 11.70 crore had been approved by the SC. The APCCF, CAMPA stated (November 2021) that the acquisition of land is provided under Sub rule (2) (h) of Rule 5 of CAF Rules 2018. The reply is not acceptable as the said Sub rule provides for voluntary relocation of villages from protected areas and not for purchase of land.

#### **4.3.9 Monitoring and evaluation**

The CAMPA consists of a Governing Body<sup>35</sup> (GB) which was assisted by Steering Committee<sup>36</sup> (SC), Executive Committee<sup>37</sup> (EC) and Monitoring Group<sup>38</sup> (MG). The GB of the CAMPA, responsible for laying down broad policy framework for functioning of CAMPA and reviewing its working, was required to meet once in a year. Audit noticed (December 2020) that no meeting was held by the GB after 21<sup>st</sup> January 2013. The MG of CAMPA was required to evolve independent system for concurrent monitoring and evaluation of works and prepare annual monitoring reports for submission to the Government and SC. The MG which was to meet once in three months had not held any meetings and had not prepared annual monitoring reports. APCCF stated (November 2021) that the Administrative Department had initiated the process for convening meeting of the Governing Body.

##### **4.3.9.1 Funds for monitoring and evaluation**

As per guidelines of CAMPA two *per cent* of funds are to be kept for monitoring and evaluation so as to ensure quality plantation with good survival rate. Audit observed in 27 selected divisions that though provision was made for monitoring and evaluation in the APOs for 2015-16 to 2017-18 no specific funds were sanctioned during 2015-20.

The APCCF, CAMPA assured (November 2021) to allocate specific funds as per requirements projected by DFOs in their APOs.

##### **4.3.9.2 Inspection of CAMPA works**

As per Operational Guideline and instructions issued by CAMPA, Foresters and Range officers have to inspect 100 *per cent* of CA works. DFOs, CFs and CCFs have

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<sup>35</sup> With Chief Minister as Chairperson, Administrative Secretary of Forest as Member Secretary and Ministers of forest, Chief Secretary, and Administrative Secretaries of, Finance and Planning departments as members. During the continuation of proclamation under Article 356 of the Constitution of India, the reference to 'Chief Minister', shall, unless the context otherwise required, be construed as reference to 'Governor' and the references to Ministers for forest, shall, unless the context otherwise requires, be construed as reference to 'Advisor' in charge of the department.

<sup>36</sup> With Chief Secretary as Chairperson and Administrative Secretaries of Forest, Finance and Planning departments as members.

<sup>37</sup> With Principal Chief Conservator of Forests (PCCF) as Chairperson, Chief Executive Officer of CAMPA as Member Secretary and Chief Wildlife Warden and Chief Conservators of Forests, (1. Planning and Projects 2. Working Plan, Research and Training 3. Forest Conservation Act 4. CCF Jammu and 5. CCF Kashmir) as members.

<sup>38</sup> With CCF (Planning and Projects) as Chairperson with CCF (FCA) and Conservator of Forests (Working Plan) as members.

to inspect minimum of 50, 20 and 10 *per cent* CA works. CAMPA wing has to inspect CA works at random.

Audit noticed in 18 selected divisions<sup>39</sup> that year wise record<sup>40</sup> of inspection of CA works carried out by officers/officials of the department had not been maintained and in plantation journals inspection notes of DFOs and ROs were not recorded.

The DFOs stated (September 2020 to April 2021) that the Foresters and guards remained present almost all the time during execution of works and Range officers and DFOs frequently visited and inspected the closures during fencing and plantation. They also assured for maintenance of records in future. The APCCF, CAMPA informed (November 2021) that independent monitoring of CAMPA works executed during 2018-21 by specifically constituted teams was currently in progress.

#### **4.3.9.3 Monitoring of works by CAMPA Cell**

Operational guidelines of CAMPA envisage that CAMPA cell headed by Conservator of forest/ Project Coordinator shall be responsible for supervision of works and for overseeing that the works are being executed as per approved APOs and prescribed guidelines. Guidelines also stipulate that the CAMPA Cell shall be responsible for regular monitoring of the project. Audit noticed (August 2021) huge shortfall<sup>41</sup> in the execution of works against targets during 2015-20 for which the CAMPA Cell had not sought reasons from implementing agencies.

APCCF, CAMPA stated (August 2021) that implementation of approved APOs was monitored in the meetings of EC and SC and review meetings by the PCCF and appropriate direction were issued. The fact remained that CAMPA works were not monitored by CAMPA Cell as envisaged in Operational guidelines of CAMPA.

The APCCF, CAMPA noted (November 2021) the observation for appropriate action.

#### **4.3.9.4 Action taken on third party monitoring reports**

In Jammu region, the Monitoring and Evaluation of works executed in East and West Forest Circles during 2010-12 was allotted (February 2014) to a third party NABCONS for ₹ 41.50 lakh and payment of ₹41.50 lakh was also made. NABCONS reported that:

- Monitoring reports and inspections records carried out in respect of CAMPA works by field level functionaries of the department were not provided to the agency;
- No area which was completely devoid of vegetation was taken for CA;

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<sup>39</sup> Jammu: 14, Kashmir: 4

<sup>40</sup> Inspection notes.

<sup>41</sup> Treatment of degraded forest: 31 divisions, 1,778 ha; Execution of dry rubble stone masonry: 13 divisions, 7,866 cum; Raising of plantation in departmental nurseries: 22 divisions, 26.24 lakh; Execution of pasture development works: 19 divisions, 7.02 lakh; Planting of trees in the degraded forests: 44 divisions 20.80 lakh; Execution of fencing works around treated degraded forest land: 45 divisions, 5.10 lakh rft; Execution of sowing and dibbling works: 25 divisions, 7.17 lakh rft.

- Incorrect choice of species of plants not suitable to the topography was one of the reasons for failure of plantation;
- Records were not maintained as per CAMPA guidelines and maintenance of records at divisional level was not satisfactory;

The monitoring and evaluation of works executed during 2010-11 and 2011-12 in South Circle, North Circle, and Social Forestry Division Anantnag was allotted (September 2013) to the University of Kashmir. The University was paid (June 2016) ₹ 5.52 lakh. The University in its report (April 2015) pointed out

- huge difference of 2.18 lakh between number of trees counted on ground and that recorded in the books in 19 compartments of eight divisions. The report pointed out that there were 18,715 empty pits in eight divisions.
- no plantation journal was maintained in CAMPA closures and no standard procedure was adhered to for plant spacing and number of plants per unit area.
- topographic and soil conservation status had impacted the success and survival rate of plant stocks raised in southeast and southwest.

Audit also noticed<sup>42</sup> no action/ remedial measures had been taken by the department on the monitoring reports. As a result, purpose of conducting monitoring and evaluation was not served and expenditure incurred was not fruitful.

The CAO, PCCF stated (August 2021) that the matter had been taken up with CAMPA Cell.

The APCCF, CAMPA stated (November 2021) that appropriate action would be taken on the findings of the evaluation reports.

#### **4.3.11 Conclusions**

Annual plans of operation were prepared without conducting survey. There was delay in formulation and approval of plans. CAMPA had not prepared its annual financial statements since its establishment and as of December 2020 financial statements of ten years was in arrear. Case wise details were not maintained to indicate whether afforestation was carried out in areas contiguous to or in proximity of reserve or protected Forest. Forest land was diverted for non-forest use without obtaining alternate land. Compensation amount for diversion of forest land for non forestry purposes was due from user agencies. Forest Divisions had incurred expenditure out of CAMPA funds on inadmissible components. Records of inspection of CAMPA works by officials of the department were not maintained. No action and remedial measures were taken by the department on monitoring reports.

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<sup>42</sup> Inspection records not maintained (4.3.9.4), area completely devoid of vegetation was not taken for CA (4.3.5.2 (B)); non-maintenance of plantation journal (4.3.5.2(C)); huge difference between number of trees on ground and recorded on books (4.3.9.4).

#### **4.3.12 Recommendations**

- *Timely preparation of Annual plan of operations after conducting survey;*
- *Early finalisation of accounts and maintenance of accounts records as per rules;*
- *Maintenance of case wise details of compensatory afforestation;*
- *Charge penalty from user agencies for delay in payment of diversion charges; and*
- *Expenditure is incurred as per CAMPA guidelines.*

#### **Home Department**

#### **4.4 Unfruitful Expenditure due to non-functional Overhead Tank**

**Failure of SSP, Udhampur to ascertain functionality of existing pipeline for supply of water before taking up construction of Overhead Tank resulted in unfruitful expenditure of ₹ 0.64 crore.**

To overcome the shortage of water in District Police Lines (DPL) at Udhampur, the Senior Superintendent of Police (SSP), Udhampur, proposed (October 2011) construction of an over head tank (OHT). The Police headquarters granted approval (July 2015) to the work and Public Health Engineering (PHE) Division Udhampur was approached for construction of the OHT which estimated (July 2015) the cost of construction at ₹ 0.66 crore. The funds were transferred in two instalments in October 2016 and March 2017.

Audit scrutiny of records (September 2020) of SSP, Udhampur showed that EE, PHE Division Udhampur, who prepared the DPR, had not kept the provision of pipelines for filling water into the tank and distribution of water to end-users in the construction proposal as they intended to use the existing pipelines. The PHE Division finding no source of supply of water for the OHT proposed (February 2016) two alternatives<sup>43</sup> for filling water into the tank and requested the SSP for framing of estimates to proceed with the work. However, no action was taken by the PHE Division for inspection of existing pipeline and no further efforts were made by the SSP to ascertain the functionality of the pipeline and its augmentation. The OHT work was completed (December 2017) at a cost of ₹ 0.64 crore but as it was not interconnected to the existing water inflow source and distribution network, it could not serve its envisaged purpose.

The Police Department took up (June 2018) matter regarding functionality of the pipeline with the PHE authorities who replied (May 2019) that owing to existing water supply pipeline being punctured at places it was not possible to fill the tank and

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<sup>43</sup> 1. By laying a well design gravity main from Jakhani upto OHT.  
2. By constructing a 20,000 gallons capacity sump tank and a pump room for lifting water from tank to OHT.

proposed to lay an alternative line at an estimated cost of ₹ 20.95 lakh. As of September 2020, the OHT was non-functional.

The Accounts Officer of District Police Office, Udhampur accepted (September 2020) that only the proposal for construction of OHT was submitted (July 2015) for approval and further stated that the matter of filling up the tank with the existing pipeline was taken up many times from June 2018 to July 2019 with the PHE authorities and reply thereof was awaited (September 2020).

The reply is not acceptable as PHE Division had intimated (May 2019) the damage to existing pipeline resulting in OHT not getting filled and construction of OHT was proposed/ completed without ascertaining the source of supply of water as well as the interconnection with the existing distribution pipelines.

Thus, improper preparation of DPR of construction of OHT and further non augmentation of water source and distribution pipelines had resulted in expenditure of ₹ 0.64 crore being rendered unfruitful besides denial of benefit to beneficiaries.

The matter was referred (May 2021) to the Government/ Department: their reply was awaited (October 2021).

## Labour and Employment Department

### 4.5 Registration of Construction and Other Building Workers and payment of assistance by Building & Construction Workers Welfare Board, Jammu and Kashmir

The unspent balances on account of labour cess had increased from ₹ 296.19 crore to ₹ 622.05 crore during the five-year period ended March 2020. Out of 1,09,915 beneficiaries registered in the sampled districts up to the date of launch (June 2017) of the digitisation process, the registration records of only 27,853 workers (25 per cent) were uploaded as of September 2020. The registrations were made without submitting the valid age proof, employment certificates. The Board failed to renew the insurance policy taken from LIC, to provide assistance to nominees/ dependents of workers on their disability/ death. Out of 89,800 workers recommended for micro credit facility, only 148 workers were issued credit cards and no worker had availed the credit facility as of March 2020 resulting in non-utilisation of ₹ 30 crore deposited with the Bank as security. The Board failed to implement pension scheme for workers who had attained the age of 60.

#### 4.5.1 Introduction

Ministry of Labour and Employment, Govt. of India enacted the legislation - Building and Other Construction Workers (Regulation of Employment and Condition of Services) Act, 1996. In order to address the issues concerning safety, health & welfare of workers employed in construction sector, Labour Department; the Govt. of the erstwhile state of Jammu and Kashmir notified (September 2006) Jammu and Kashmir Building and Other Construction Workers Welfare Board under Section

18(1) of the Act. To run the Boards and undertake welfare schemes, the GoI also introduced a bill for levy of Cess on all the works executed. Under the provisions of the Act, all workers (including those working with contractors) between 18 and 60 years of age and having worked for at least 90 days in the preceding twelve months, engaged in construction of roads, buildings, etc are eligible for registration and for obtaining assistance from the welfare schemes.

The Government notified (January 2006) collection of the Cess at the rate of one *per cent* from all Government Departments, Public Undertakings and other Government Bodies carrying out any building or other construction works from the year 2008 onwards on the tendered value of works undertaken but started paying assistance to the member workers only from financial year 2011-12. The Government also notified (June 2010) all Assistant Labour Commissioners in districts as Cess collectors to perform the function provided under Section 3 of the Act 1996 and Rule 4 of the Cess Rules 1998.

To assess the effectiveness of the welfare schemes run by the Board for construction and other building workers, an Audit was undertaken during the period July 2020 to October 2020. The audit exercise assessed the effectiveness of welfare activities undertaken in the six districts (Udhampur, Reasi, Kishtwar, Kulgam, Baramulla and Kupwara) out of 20 districts.

#### **4.5.2 Fund management and Budget**

The cess collected, the membership registration and renewal fee and interest earned on unspent funds kept in banks are the main resources for running the welfare schemes. The Board had not prepared its financial statements since the year 2013-14. The position of income and expenditure of the Board during the period 2015-20 was as under:

**Table-4.5.1: Fund position of Board**

(₹ in crore)

Year	Opening Balance	Total Receipts	Interest Earned	Total Availability	Expenditure			Closing Balance
					Assistance	Administrative	Total	
2015-16	221.32	86.65	42.92	350.89	52.09	2.61	54.7	296.19
2016-17	296.19	97.68	19.66	413.53	38.04	1.91	39.95	373.58
2017-18	373.58	131.23	14.77	519.58	67.36	2.07	69.43	450.15
2018-19	450.15	150.33	59.65	660.13	70.64	1.99	72.63	587.50
2019-20	587.50	114.19	4.92*	706.61	82.17**	2.39	84.56	622.05
<b>Total</b>		<b>580.08</b>	<b>141.92</b>		<b>310.3</b>	<b>10.97</b>	<b>321.27</b>	

(Source: Provisional accounts prepared by the Board)

\*The amount of interest accrued/ earned on fixed deposits has not been accounted for as the same are under compilation.

\*\* Includes ₹13.11 crore of Covid-19 Assistance

The unspent funds of cess collected and membership fees had increased from ₹ 296.19 crore at the end of March 2016 to ₹ 622.05 crore at the end of March 2020.



The position of collection of cess and membership fees and expenditure on welfare schemes during the period 2015-20 in the six selected Districts was as under:

**Table-4.5.2: Position of fund in sampled districts**

Year	Opening balance	Amount Received	Interest accrued	Total Availability	Expenditure			Surrender	Closing balance
					Assistance	Administrative	Total (Percentage)		
2015-16	2.75	23.96	0.12	26.83	18.95	0.11	19.05 (71)	3.81	3.97
2016-17	3.97	15.43	0.12	19.52	16.75	0.12	16.87 (86)	2.00	0.65
2017-18	0.72	29.74	0.30	30.75	22.48	0.13	22.61 (74)	3.31	4.83
2018-19	4.41	29.45	0.23	34.09	22.48	0.08	22.56 (66)	8.98	2.55
2019-20	2.37	35.82	0.12	38.32	27.36	0.08	27.44 (72)	9.17	1.71

(Source: Worked out by Audit from records of Sampled District offices (ALCs))

Audit observed that the District ALCs, who were the cess collecting authorities, were allowed to retain the funds in their bank accounts for undertaking activities and transfer the unspent funds at the end of each financial year to the Board. However, it was observed that despite the standing orders the ALCs did not transfer funds and continued to retain them.

After being pointed out by Audit, the Board intimated (July 2021) that now the unspent balances were being deposited in the Board accounts at the end of the financial year.

It was also observed that ALCs were retaining these unspent balances in the savings bank accounts of the J&K Bank and hence earned interest. The Bank, however, changed the nature of account from savings account to current account of three<sup>44</sup> ALCs from April 2018. The ALCs had not taken up the issue with the Bank which resulted in the loss of interest of ₹ 11.54 lakh during the two years 2018-20.

#### **4.5.2.2 Financial resources of BOCWWB**

##### **(A) Collection of Cess by ALCs at the District level**

Collection of Cess is the duty of the ALC at the District level. The Cess received by each ALC from the principal employers is to be got deposited with the Building & other Construction Workers Welfare Board (BOCWWB), J&K as soon as it is received.

Audit observed (October 2020) that no control system existed in the Board to ensure that the Cess due on the payments made to contractors on account of construction works had been recovered/ received by it. Also no records/ registers depicting the details of receipts, agency from whom the Cess had been received and deposit of these receipts with the Board had been maintained by the ALCs. In the absence of any effective mechanism to capture the total amount of cess due, shortfall in cess

<sup>44</sup> Kulgam, Reasi and Udhampur.

collection by Board cannot be ruled out. Audit observed that the contractors and departments were depositing the cess due from them straight into bank accounts of the Board.

The Accounts Officer of the Board accepted (November 2020) the need for improvement of system to identify the source of cess which could not be done due to shortage of staff. The Board iterated (July 2021) that the responsibility for collection and deposit of cess thereof lies with the district level ALCs who have to approach Departments/ works establishments and municipalities and the Board was not in a position to work out details of establishments/ departments which credit the cess amounts in the bank accounts of the Board.

**(B) Collection of Fee by ALCs at the District level**

The ALCs in the six sampled districts had not maintained the details of receipts, deposit of registration fee, monthly contribution and renewal fee of registered workers. The ALCs had not maintained cash books for collection of membership fees from registered construction workers.

Audit calculated the amount of fees that was to be collected from workers vis-a-vis the actual collection.

**Table 4.5.4: Details of collection of registration and Renewal fee from Workers**

(₹ in lakh)

Year	Registration at the beginning of the Year	Registration during the Year	Amount due for collection	Amount actually collected	Amount not recovered/ collected from Construction Workers
2015-16	2,75,947	16,620	354.4	103.44	250.96
2016-17	2,92,567	29,668	392.62	158.35	234.27
2017-18	3,22,235	18,632	412.77	125.96	286.81
2018-19	3,40,867	39,840	464.82	104.74	360.08
2019-20	3,80,707	29,046	497.51	151.75	345.76
<b>Total</b>		<b>1,33,806</b>	<b>2,122.12</b>	<b>644.24</b>	<b>1,477.88</b>

(Source: Information furnished by Board)

The Board, against collectable amount of ₹ 21.22 crore from the registered workers, could collect only ₹ 6.44 crore. There was short realisation of ₹ 14.78 crore.

In the six sampled districts, against the due amount of ₹ 6.81 crore in the form of registration/ renewal fee, only ₹ 2.30 crore was collected, resulting in short realisation of ₹ 4.50 crore. It implies lack of publicity about the benefits of registration and its regular renewal amongst workers. Non- maintenance of the cash book reflecting there in actual details of receipts, deposition of registration/monthly contribution and renewal fee of registered workers is against the rules of financial propriety.

The ALCs stated (July 2020 to October 2020) that the workers were not coming forward for renewal of the registration. The ALCs did not reply on the issue of non maintenance of cash books.

### 4.5.3 Registration of workers

Registration of workers/ employees is mandatory for seeking benefit under the Scheme. Every building worker who has completed eighteen years of age, but has not completed sixty years of age, and who has been engaged in any building or other construction work for not less than ninety days during the preceding twelve months shall be eligible for registration and obtain benefits from the welfare schemes.

The position of the workers registered during 2015-20 is as under:

**Table 4.5.5: Position of registration of workers**

Number of workers registered ending March 2015	Number of fresh Registrations						Registrations cancelled ended March 2020	Total registered workers ending March 2020
	2015-16	2016-17	2017-18	2018-19	2019-20	Total		
2,75,947	16,620	29,668	18,632	39,840	29,046	1,33,806	993	4,08,760

(Source: Information furnished by Board)

Audit observed that the Board had not conducted any survey to ascertain the actual number of construction workers nor conducted any advertisement campaigns publicising benefits available under its welfare schemes to expand its reach amongst the workers.

Out of the 4.09 lakh registered workers with the Board, there were only 273 migrant workers registered in three<sup>45</sup> Districts. In the six sampled Districts, there was no registered migrant worker as of December 2020. Incidentally, a study<sup>46</sup> conducted in the year 2012 had placed the figure of migrant labour in Kashmir Valley alone at more than four lakh

Audit noticed that the Labour Department had carried out (May 2020) a survey to estimate the number of migrant labourers for possible evacuation in view of the Covid-19 pandemic. While confining the survey activity to only high migrant concentration population areas, the Department identified as many as 77,397 migrant workers. This high number itself is indicative of the fact that the registration process adopted by the Board was deficient and had the department made intensive efforts and adequately advertised the benefits of registration with the Board amongst workers, their registration would have been higher.

The following issues were noticed in audit with regard to registration of workers.

#### 4.5.3.1 Online registration/ Computerisation of the records

The Board moved (December 2012) a proposal to the Government for computerisation of the records including switching-over to online registration of the

<sup>45</sup> Kathua, Anantnag and Bandipora.

<sup>46</sup> Indian J. Innovations Dev., Vol. 1, No. 9 -September 2012, Department of Sociology, Government MAM PG College Jammu-Problem of Migrant Work force and protection of Human rights in Jammu & Kashmir State.

workers and recording of benefits extended under the welfare schemes to bring transparency in its business. The automation proposal from Information Technology department (IT) of the Government did not fructify and the Board took up (January 2017) the matter with the Jammu and Kashmir Bank. The implementation of the project was started (June 2017) and the Board switched-over from manual system to online registration system from April 2018.

Audit scrutiny of the digitisation of the offline registration records (as of September 2020) of the six sampled Districts showed the following position:

**Table 4.5.6: Details of digitisation of registration records in sampled districts**

District	Total number of off line registrations	Data uploaded on online system	Data not uploaded (percentage)
Udhampur	11,966	5,103	6,863 (57)
Reasi	7262	4,988	2,244 (31)
Kishtwar	17,052	1,578	15,474(91)
Kulgam	10,997	1,189	9,808 (89)
Kupwara	25,843	4,070	21,773 (84)
Baramulla	36,795	10,925	25,870 (70)
<b>Total</b>	<b>1,09,915</b>	<b>27,853</b>	<b>82,032(75)</b>

*(Source: Worked out by Audit from Sampled Districts (ALCs))*

Out of 1,09,915 beneficiaries registered in the sampled districts in manual mode up to the date of launch (June 2017) of the digitisation process, the registration records of only 27,853 workers (25 per cent) had been uploaded as of September 2020.

Further, for digitisation of the data every worker when applying for registration online has to fill important details regarding name of the employer, name of the work and period of work/ no. of days he has worked as construction worker in the last 12 months etc. Audit noticed that none of these important fields were made mandatory in the online registration system so that non-filling of mandatory fields would automatically result in non-acceptance of registration forms.

Audit observed, in six sampled districts, that workers had been registered against:

- Two registration numbers (286)
- without disclosing their address (8,404) and
- without disclosing the 16 digit bank account number (5,139)
- The capturing of Aadhar number, which is a unique number for an individual, was not made mandatory to be captured in the system.
- The online portal had no provision for identifying registered workers on attaining the age of sixty years. Resultantly, 2,989 workers even though having attained the age of sixty years, in six sampled districts, continued to figure on the online portal.

The above shows that no data validation checks were built in the on line portal and data base.

The Board accepted and stated (July 2021) that the shortcomings in the portal have been taken up with the vendor for rectification.

#### **4.5.3.2 Registration of workers without valid age proof.**

A construction worker, to become a member, has to provide at least one of the following documents in support of age (i) school record (ii) birth certificate from competent authority (iii) Certificate from Register of deaths and births maintained by the village chowkidar and (iv) in the absence of above certificates, a certificate from the Medical officer not below the rank of an Assistant Surgeon of a Government Hospital would suffice.

Audit scrutiny of 751 sampled cases, in six selected districts showed that in 123 (16 *per cent*) cases, the registrations were made without submitting the prescribed proofs of age. The ALCs stated that the workers were registered on the basis of the details on their Aadhar cards. However, the reply is not tenable as the Board is yet to include Aadhar in the list of document acceptable for registration.

#### **4.5.3.3 Registration of workers without Employer Certificate**

A construction worker applying for membership has to furnish an employment certificate issued by an employer/ contractor registered with the Board. In case of non-availability of the certificate, an employment certificate issued by the registered construction workers union is acceptable.

Audit scrutiny of 751 sampled cases in six selected Districts showed that in 345 (46 *per cent*) cases employment certificates had been issued by the contractors/ unions/ persons who were not registered under the Act. This renders the payment of ₹ 17.96 lakh paid to such workers (235 out of 345 cases) in six test checked Districts irregular.

The Board stated (July 2021) that the matter would be taken up with the ALCs and instructions would be issued for strict compliance as per the Act and Rules.

#### **4.5.4 Payment of Assistance**

The Board is running various welfare schemes and provides assistance to its registered members for education of their wards, marriage of dependents, medical benefits including ex gratia payments in the event of disability, ex-gratia payments in the event of death, funeral expenses, maternity and other health problems and pension on attaining age of sixty years.

The payment of assistance under various categories to the beneficiaries during the years 2015-20 is detailed in the table below:

**Table 4.5.7 Details of payment of assistance**

(₹ in lakh)

Year	Assistance paid/ No of beneficiaries											
	Marriage		Death/ Funeral		Education		Chronic diseases		Disability		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
2015-16	4,991	1,306.75	10	17.35	65,071	3,873.63	25	7.48	18	3.47	70,115	5,208.68
2016-17	7,432	892.75	406	793.1	30,973	1,958.18	248	140.34	97	19.22	39,156	3,803.59
2017-18	2,681	721.55	296	596.9	98,963	5,293.78	203	100.12	162	23.19	1,02,305	6,735.54
2018-19	1	0.25	310	654.89	93,622	6,257.26	251	118.45	241	32.68	94,425	7,063.53
2019-20	0	0	61	119.35	93,569	6,710.58	167	51.21	165	24.57	93,962	6,905.71
<b>Total</b>	<b>15,105</b>	<b>2,921.3</b>	<b>1,083</b>	<b>2,181.59</b>	<b>3,82,198</b>	<b>24,093.43</b>	<b>894</b>	<b>417.6</b>	<b>683</b>	<b>103.13</b>	<b>3,99,963</b>	<b>29,717.05</b>

(Source: Information furnished by the Board)

The Board extended assistance of ₹ 297.17 crore to construction workers or the next of kin during the period 2015-20. The payments released during the period from 2015-16 to 2019-20 constituted only 32 per cent of the total available fund of ₹ 943.32 crore.

#### **4.5.4.1 Accidental, Life and Disability Insurance**

Providing of assistance to nominees or dependents of registered building and other construction workers in case of his/ her natural or accidental death and assistance in case of injury causing their partial or permanent disablement was one of the aspects to be dealt with by the Board as per the provisions of the Act.

No action in this regard had been taken by the Board till March 2017 to get the construction workers insured. The Board decided (April 2017) to insure all the workers coming under the ambit of the programme under Pradhan Mantri Jeevan Jyoti Bima yojana and Pradhan Mantri Suraksha Bima Yojana and the LIC offered (September 2017) to insure all the workers for only ₹ 342 per worker per annum where the coverage would be from 01 June to 31 May each year. The Board was to pay only ₹ 100 per worker per annum for the insurance and the balance had to be contributed by the GoI. The board decided to insure only 1.50 lakh workers out of total registered 3,22,235 workers. The Board paid ₹ 51.75 lakh as premium to LIC on account of insurance coverage of 1.50 lakh workers covering the period from 01 January 2018 to 31May 2018. The Board did not pay (June 2018) the annual premium to renew the policies and thereafter also, with the result that the death claims in respect of 296 workers, whose kin preferred claims on their demise after 31 May 2018 and upto date of Audit, were not accepted by the LIC. The lapse of the Insurance scheme for the workers deprived at least 296 beneficiaries of the benefit from the scheme had it been continued.

On this being pointed out (October 2020), Board stated (July 2021) that the LIC demanded full details viz. proof of residence, age-proof, dependency certificates etc. with Aadhar Card in digital shape which could not be provided due to shortage of staff. The fact stays that the Board failed to renew the policies which deprived the kin of the workers of a major benefit, by payment of negligible annual premiums despite availability of adequate funds.

#### **4.5.4.2 Credit facility**

The Act under section 22 (2) provides that the Board may grant loan and subsidy to a local authority or an employer in aid of any scheme approved by the Government for the welfare of building workers in any establishment. The Board in its meeting (April 2017) decided to provide Micro Credit facilities up to ₹ 10,000 at one-year Marginal Cost of funds based lending rate (MCLR). The J&K Bank was appointed as the nodal Bank to provide the credit facility. The Board declared (November 2017) that out of a total of 3,36,987 workers; 1,25,176 workers were active. The Board provided the list of 89,800 workers out of a total of 1.25 lakh active workers to the Bank for the credit card facility in first phase. The Board deposited in March 2018, ₹ 30 crore with the Bank as security amount for extending micro credit.

Audit scrutiny (July 2020 to October 2020) revealed that only 13,776 credit cards had been handed over ending October 2020 to the ALCs by the Bank out of which 2,039 cards were issued to the Registered Workers upto October 2020. Of the issued cards, only 148 cards had however been activated by the Bank. Thus, out of the total 89,800 workers, the facility of micro credit had been provided to only 148 workers that too after lapse of one year.

It was observed (July 2020 to October 2020) that no worker had availed the credit facility as of March 2020 since the deposit (March 2018) of the security amount of ₹ 30 crore. This resulted in blockade of ₹ 30 crore besides defeating the intended purpose for which the money was deposited with the Bank.

The Board stated (July 2021) that the facility will be made operational by pursuing the matter very hard with the Bank. The reply of the Board is not acceptable as the MOU executed with Bank was silent about any condition/ time-frame of the issuance of the Cards to the beneficiaries.

Among the various welfare activities provided in the Act which are meant to improve the conditions of workers, the Board had failed to implement the following welfare measures.

#### **A. Skill Development**

The Board in its meeting (October 2015) decided to impart short-term skill development training programme for the female dependents of the workers. For this purpose, ₹ five crore was earmarked by the Board and the Chief Executive Officer of the Board was authorised to bring out a road-map. It was reiterated in the Board meeting of March 2016. Audit scrutiny of the records (October 2020) revealed that no action has been taken in this respect.

## **B. Housing-loan scheme**

The Act under Section 22(c) provides for issuing loans and advances to the beneficiaries for construction of dwellings. The Board decided to approach J&K bank and a committee was constituted (January 2013) to work out the modalities, terms and conditions, financial implications and the quantum of loan payable to the workers. However, the committee did not submit its report (November 2020). Hence, the scheme did not take off and the workers continued to be deprived of the facility.

### **4.5.4.5 Old Age assistance**

Audit observed (October 2020) in six selected districts that the Board had failed to pay pension to 2,989 workers who had attained the age of sixty which was to be paid under section 22 (b) of the Act.

### **4.5.5 Internal Control**

During the course of audit, the internal control mechanism was found to be deficient in the following areas:-

#### **A. Reconciliation**

Audit observed in the six sampled districts that there were variations in the range of ₹ 1.08 lakh (Kishtwar) and ₹ 157.5 lakh (Baramulla) was found in the expenditure booked by ALCs vis-à-vis that in the Board records.

The Board stated (July 2021) that the reconciliations will be carried out to sort out the discrepancies pointed out by Audit.

#### **B. Verification aspects**

The programme guidelines (November 2012) provide for verification of the employment certificates by the Labour Inspector/ Officer. Out of 751 cases selected for test-check, Audit could not find the necessary certificates relating to the employment in 143 cases (19 *per cent*). In the remaining 608 cases, the certificate of verification was recorded by the concerned without the vital data i.e either the name of work (516 cases) or the period of employment (523 cases) or both. Audit on cross-verification of the above parameters with the records of the employers in 93 selected cases (in six test checked ALCs) found (July to October 2020) 73 cases where the workers had either not worked at all with the employers or had worked for less the 90 days with the employers in the 12 months preceding registration. This has resulted in undue payment of ₹ 4.50 lakh in these 73 cases alone. The quantum of the irregular expenditure on this count was not quantifiable in view of the non-maintenance of proper records and the huge number of cases involved.

The Board stated (July 2021) that the matter will be taken up down the line and fresh instructions will be issued to ALCs.

### **4.5.5.2 Maintenance of Records**

Guidelines of the Act lay down that vital details of dependent family of a worker, assistance paid, details of monthly contribution, application register for claim of



benefits etc. was required to be maintained in the relevant registers provided for the purpose. Audit observed (July 2020 to October 2020) that relevant details mentioned above were not maintained in the registers which brings into question the correctness of processing of claims of workers. The ALCs in their reply accepted this deficiency in record maintenance while attributing it to shortage of space and manpower.

#### **4.5.5.3 Board meetings**

Rules provided the Board to meet once in two months but however, in the Board meeting (October 2015), it was decided that such meetings would be held on quarterly basis to consider any matter which is required for smooth functioning of the Board activities. Audit noticed (October 2020) that against 21 meetings due, only six meetings of the Board had been held during the period 2015 to 2020.

The Act under Section 4 and 5 also provides for constitution of various Committees and appointments for smooth and transparent functioning of the Board at State level.

The State Advisory Committee was constituted (July 2007) for a period of three years but was not re-constituted by the Government.

#### **4.5.6 Conclusion**

The Department had failed to generate awareness among the workers which deprived this vulnerable group from claiming benefits under the Act. Only a small fraction of the registered workers in J&K availed benefits under a few components of the Act. The Department has entirely failed in registering the eligible migrant labourers under the Act. Various welfare schemes meant to improve the living conditions of workers under the Act such as Housing scheme, insurance and old age pension were not implemented.

#### **4.5.7 Recommendation**

The following recommendations are provided to improve the working of the Board and to extend its benefits to the deserving Construction Workers.

- The department needs to organise awareness generation programmes for workers about the benefits of registration under the Act.
- Internal controls need to be strengthened which include addressing shortcomings in the online portal, maintenance and verification of records and regular conduct of internal audit.
- The Board should constitute the various committees as defined in the Act giving due representation to civil society and other stake holders.

## Public Works Department

### 4.6 Unfruitful expenditure

**The Department prepared detailed project reports (DPRs) for construction of roads without undertaking proper surveys of the area. The DPRs did not include requirements of bridges and compensation for houses coming in proposed alignment of roads resulting in unfruitful expenditure of ₹ 2.57 crore incurred on works besides not achieving intended connectivity benefits.**

The Government of India (GoI), in its efforts to develop far flung and remote areas, initiated an action plan through National Bank of Agriculture and Rural Development (NABARD) for improvement and upgradation of roads.

Accordingly, Executive Engineer (EE) Public Works (PW), Roads and Bridges (R&B), Special Sub Division (SSD), Mahore proposed (February 2016 and December 2016) construction of three kilometers motorable road each from Kurd Bali to Barnaili and from Sonchal Gali to Chan via Bhallar at estimated cost of ₹ three crore and ₹ 2.70 crore respectively. The projects were sanctioned (March 2016 and March 2017) and targeted for completion by 2018-19 and 2019-20 respectively by availing financial assistance available from NABARD. The Detailed Project Reports (DPRs)<sup>47</sup> certified that sites had been inspected and proposals/specifications in the DPRs were satisfactory.

**Case A** Audit observed (September 2019) that work for construction of road from Kurd Bali to Barnaili was allotted (September 2016) to a contractor. After taking up execution (December 2016) and completing a part of the road, the work stopped (May 2018). It was noticed that a river *Ans* was falling in the proposed alignment of the road.

The EE, after a lapse of over two years, proposed (September 2018) a new DPR for construction of 135 meter span single lane steel girder bridge under Central Road Fund (CRF) at an estimated cost of ₹ 8.55 crore. As of June 2021 the approval to this DPR was awaited. As against the sanctioned amount of ₹ three crore<sup>48</sup> for construction of the road, ₹ 3.20 crore were released (2016-19) by the administrative department. An expenditure of ₹ 1.79 crore was incurred on the construction and balance ₹ 1.41 crore was surrendered (2017-19).

Thus, due to incomplete DPR which omitted planning for the bridge on the river coming in the alignment of the road and delay in sanction of the bridge under CRF, the construction of road from Kurd Bali to Barnaili remained incomplete as of June 2021. This had resulted in unfruitful expenditure of ₹ 1.79 crore incurred on the road besides not achieving its intended connectivity benefits.

<sup>47</sup> Accord of Administrative Approval: Kurd Bali to Barnaili (February 2016) ₹ three crore: Sonchal Galito Chain via Bhallar (December 2016) ₹ 2.69 crore.

<sup>48</sup> RIDF Loan: ₹ 2.70 crore: State Government Contribution ₹ 0.30 crore.

The EE, Mahore stated (July 2020) that road work was in progress and that work could not be taken up on the other side of the river due to delay in sanction of the bridge and their inability to shift men and machinery across the river.

**Case B** Audit observed (September 2019) that a work of construction of road from Sonchal Gali to Chan via Bhallar (3 km) was awarded (November 2017) to a contractor at a cost of ₹ 2.69 crore. The contractor executed work on some components (Drain of 50 meters, walling of 50 metre cross drainage: four no, fair weather road of two km. and shingling of 1.5 km) on two km of road stretch and thereafter stopped the work (May 2018) as some houses were coming in the proposed alignment of the road and also a river *Ans* was falling in the alignment of the road.

The EE on finding this gap in the DPR proposed (July 2018) for construction of 150 metre span single lane motorable bridge at an estimated cost of ₹ 11.23 crore. As of June 2021 the approval to this DPR was awaited.

Against the sanctioned amount of ₹ 2.69 crore<sup>49</sup>, the administrative department released (2017-18) ₹ 2.42 crore for the work. An expenditure of ₹ 77.77 lakh was incurred on the works and the balance ₹ 1.64 crore was surrendered. Thus the construction of road from Sonchal Gali to Chan via Bhallar remained incomplete (June 2021) resulting in unfruitful expenditure of ₹ 77.77 lakh incurred on the works besides not achieving their intended connectivity benefits.

The Department accepted fact of incomplete DPRs and their preparation without proper survey which resulted in non-inclusion of items such as connecting bridges for construction of roads and presence of houses in the alignment in the DPR. The EE Mahore added (June 2021) that ₹ 10 lakh was released (2019-20) for payment of compensation to concerned house owners and proposal for construction of bridge under Central Road Fund had been submitted for sanction.

Thus preparation of deficient DPRs due to not conducting proper survey resulted in unfruitful expenditure of ₹ 2.57 crore on incomplete road projects. The intended objectives of developing remote areas by improvement and upgradation of roads besides providing benefits of road connectivity to the area population remained unfulfilled.

The matter was referred (March 2021) to Government/ Department; their reply was awaited (October 2021).

***The Department should ensure that DPRs are prepared after a detailed survey of site conditions and should include complete details of hurdles coming in the alignment of roads. The department should fix responsibility for preparation of these deficient DPRs.***

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<sup>49</sup> RIDF Loan: ₹ 2.42 crore, State Government Contribution: ₹ 0.27 crore.



**PART 'C'**

**Social, General and Economic Sectors  
(Public Sector Undertakings)**



**Chapter V**  
**Functioning of Public Sector Undertakings**





## CHAPTER V

### Functioning of Public Sector Undertakings

#### 5.1 Introduction

##### 5.1.1 General

The Public Sector Undertakings (PSUs) are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the economy of the State/UT. These PSUs consist of Government Companies and Statutory Corporations. As on 31 March 2020, there were 42 PSUs (six in Power Sector and 36 in other Sectors), including three Statutory Corporations<sup>1</sup> under the audit jurisdiction of the Comptroller and Auditor General of India (C&AG); Out of these 42 PSUs, 32 are working and 10<sup>2</sup> are non-working (four in Power Sector and six in other Sectors). One PSU, Jammu and Kashmir Bank Limited, having a total paid-up equity of ₹ 71.36 crore is listed on the stock exchange since July 1998. The paid-up equity of ₹ 71.36 crore of the Bank is held partly by the Government of Jammu and Kashmir (68.18 *per cent*) and the remaining part by Foreign Institutional Investors, Resident Individuals and others (31.82 *per cent*)<sup>3</sup>. During the year 2019-20, no PSU was incorporated whereas Government of erstwhile state of Jammu and Kashmir (GoJ&K) decided (24 October 2019) to wind up one PSU viz. J&K Asset Reconstruction Limited which was incorporated on 28 April 2017 but had never started its operation since its incorporation.

There are two power generation Companies, Jammu & Kashmir Power Development Corporation Limited (JKPDC) and Chenab Valley Power Project Private Limited (CVPPP). CVPPP is a joint venture<sup>4</sup> Company with an investment of ₹ 1,780.08 crore<sup>5</sup> as of March 2020.

As a consequence of the unbundling of the Power Sector, one power transmission Company<sup>6</sup>, two power distribution companies<sup>7</sup> and one Company<sup>8</sup> to conduct trading activities in power were incorporated by the GoJ&K. However, these Companies which have been incorporated between March 2013 and June 2013 are yet to start their commercial operations as of March 2020. In the absence of commercial operations by these companies, the power transmission and distribution activities

<sup>1</sup> Jammu & Kashmir State Financial Corporation, Jammu & Kashmir State Road Transport Corporation and Jammu & Kashmir State Forest Corporation.

<sup>2</sup> Jammu & Kashmir Power Transmission Corporation Limited, Jammu Power Distribution Corporation Limited, Kashmir Power Distribution Corporation Limited, Jammu & Kashmir Power Corporation Limited, Jammu & Kashmir Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited), Tawi Scooters Limited, Himalayan Wool Combers Limited, Jammu & Kashmir Road Development Corporation Limited, Jammu & Kashmir International Trade Centre Corporation Limited and Jammu & Kashmir Asset Reconstruction Limited.

<sup>3</sup> Indian Mutual Funds, Insurance Companies, Non-Resident Indian and Corporate Bodies.

<sup>4</sup> CVPPP is a joint venture of JKPDC, National Hydroelectric Power Corporation (NHPC) and Power Trading Corporation (PTC) wherein Government of Jammu & Kashmir has not made any investment.

<sup>5</sup> JKPDC: ₹ 888.00 crore, NHPC: ₹ 888.00 crore and PTC: ₹ 4.08 crore.

<sup>6</sup> Jammu & Kashmir Power Transmission Corporation Limited (March 2013).

<sup>7</sup> Jammu Power Distribution Corporation Limited (June 2013) and Kashmir Power Distribution Corporation Limited (June 2013).

<sup>8</sup> Jammu & Kashmir Power Corporation Limited (March 2013).

continue to be carried out by the Power Development Department of Jammu & Kashmir Government.

The 25<sup>9</sup> working PSUs registered an annual turnover of ₹ 11,298.17 crore and suffered an aggregate loss of ₹ 1,007.93 crore as of 31 December 2020 as per their latest finalised accounts.

There are 10<sup>10</sup> non-working PSUs, with an investment of ₹ 57.57 crore towards share capital (₹ 56.74 crore) and long term loans (₹ 0.83 crore), by the GoJ&K which are non-operational for the last six to 30 years.

## **5.2 Accountability Framework**

Section 2 (45) of the Companies Act, 2013 (Act), defines a Government Company as any Company in which not less than 51 *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and also includes a Company which is a subsidiary Company of a Government Company. The procedure for audit of Government Companies is laid down in Sections 139 and 143 of the Companies Act, 2013.

The C&AG of India appoints the Statutory Auditors of a Government Company and Government Controlled Other Company under Section 139(5) and (7) of the Companies Act, 2013. Section 139 (5) of the Companies Act, 2013 provides that the Statutory Auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the C&AG within a period of 180 days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013, however, provides that in the case of a Government Company or Government Controlled Other Company, the first auditor is to be appointed by the C&AG within 60 days from the date of registration of the Company and in case the C&AG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such an auditor.

Further, as per sub-Section 7 of Section 143 of the Companies Act 2013, the C&AG may, in case of any Company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test audit. Thus, a Government Company or any other Company

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<sup>9</sup> Excluding seven working PSUs, Jammu & Kashmir Medical Supplies Corporation Limited, Jammu & Kashmir IT Infrastructure Development Pvt. Limited and AIC-Jammu & Kashmir EDI Foundation, Jammu Smart City Limited, Srinagar Smart City Limited, Jammu Mass Rapid Transit Corporation Pvt. Limited, Srinagar Mass Rapid Transit Corporation Pvt. Limited which never submitted their accounts since inception.

<sup>10</sup> Jammu & Kashmir Power Transmission Corporation Limited, Jammu Power Distribution Corporation Limited, Kashmir Power Distribution Corporation Limited, Jammu & Kashmir Power Corporation Limited, Jammu & Kashmir Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited), Tawi Scooters Limited, Himalayan Wool Combers Limited, Jammu & Kashmir Road Development Corporation Limited, Jammu & Kashmir Assets Reconstruction Limited and Jammu & Kashmir International Trade Centre Corporation Limited.

owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to the audit by the C&AG. However, audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

### **5.3 Statutory Audit**

The financial statements of the Government Companies (as defined in Section 2 (45) of the Companies Act 2013) are audited by Statutory Auditors, who are appointed by the C&AG as per the provisions of Section 139(5) or (7) of the Companies Act 2013. The Statutory Auditors submit a copy of the Audit Report to the C&AG including, among other things, financial statements of the Company under Section 143(5) of the Act 2013. These financial statements are also subject to supplementary audit by the C&AG within 60 days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act 2013.

Audit of Statutory Corporations is governed by their respective legislations. Out of the three Statutory Corporations, the C&AG is the sole auditor for Jammu and Kashmir State Road Transport Corporation only. Audit of Jammu and Kashmir State Financial Corporation and Jammu and Kashmir State Forest Corporation, is conducted by Chartered Accountants and supplementary audit is conducted by the C&AG.

### **5.4 Role of Government and Legislature**

The Government exercises control over the affairs of these PSUs through their Administrative Departments. The Chief Executive Officer and Directors to the Board are appointed by the Government.

The Legislature also monitors the accounting and utilisation of Government investment in the PSUs. The Annual Reports together with the Statutory Auditors' Reports and comments of the C&AG, in respect of the Government Companies and Separate Audit Reports of the C&AG in case of Statutory Corporations, are to be placed before the Legislature under Section 394 of the Companies Act, 2013 or as stipulated in the respective Acts. The Audit Reports of C&AG are submitted to the Government under Section 19A of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971.

### **5.5 Impact of contribution of Public Sector Undertakings**

To assess the reasonable rate of return on the investment made in PSUs by the Government of Jammu & Kashmir (GoJ&K), ratios such as return on equity and return on capital employed are worked out. To assess the ability of the Companies to service the debt owed to Government, Banks and other financial institutions, Debt Turnover Ratio and Interest Coverage Ratio are worked out. In order to get a fair view about the impact and contribution of the PSUs separately towards the economy of the

State/UT, these PSUs are bifurcated into two categories, PSUs in Power Sector (six<sup>11</sup>) and PSUs in other Sectors (36<sup>12</sup>). Table 5.1 provides the details of turnover of the PSUs of J&K during the period 2015 to 2020.

**Table 5.1: Details of turnover of PSUs**

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Turnover of Power Sector <sup>13</sup> as per latest finalised accounts	1,119.90	1,119.90	992.46	992.46	1,025.91
Turnover of PSUs of other Sectors as per latest finalised accounts	7,296.59	7,238.03	7,579.22	8,792.44	10,272.26

(Source: Compiled based on turnover figures of Power Sector)

## 5.6 Disinvestment, restructuring and privatisation of PSUs

During the year 2019-20, no disinvestment, restructuring and privatisation was done by the GoJ&K in any of the PSUs.

## 5.7 Investment in Public Sector Undertakings

Investment made in these 42 State PSUs in the form of equity and long term loans upto 31 March 2020 are given in Table 5.2.

**Table 5.2: Activity-wise investment in PSUs**

(₹ in crore)

Sector	Number of PSUs	Investment					
		Equity		Long term loans		Total	
		GoJ&K	Others	GoJ&K	Others	GoJ&K	Others
PSUs in Power Sector	6*	2,593.49	1,780.08	0	1,441.92	2,593.49	3,222.00
PSUs in Other Sectors	36^	801.03	119.11	2,208.38	2,275.37	3,009.41	2,394.48
<b>Grand Total</b>	<b>42</b>	<b>3,394.52</b>	<b>1,899.19</b>	<b>2,208.38</b>	<b>3,717.29</b>	<b>5,602.90</b>	<b>5,616.48</b>

(Source: Compiled based on information received from PSUs)

\* Out of six Power Sector PSUs only two are active (JKPDC and CVPPP). The GoJ&K has not made any investment in CVPPP.

^ Details in **Appendix 5.1**

<sup>11</sup> Two Working PSUs: (1) Jammu & Kashmir Power Development Corporation Limited (JKPDC) and (2) Chenab Valley Power Project Private Limited (CVPPP) and four inactive PSUs: (1) Jammu & Kashmir Power Corporation Limited (2) Jammu & Kashmir Power Transmission Corporation Limited (3) Jammu Power Distribution Corporation Limited and (4) Kashmir Power Distribution Corporation Limited.

<sup>12</sup> 33 Government Companies and three Statutory Corporations (Jammu & Kashmir State Forest Corporation, Jammu & Kashmir State Financial Corporation and Jammu & Kashmir State Road Transport Corporation).

<sup>13</sup> Turnover pertains to only JKPDC as out of six Power Sector PSUs, four PSUs, (1) Jammu & Kashmir Power Corporation Limited (2) Jammu & Kashmir Power Transmission Corporation Limited (3) Jammu Power Distribution Corporation Limited and (4) Kashmir Power Distribution Corporation Limited are inactive and in CVPPP, the GoJ&K has not made any investment.

(A) As on 31 March 2020, out of total investment of ₹ 4,373.57 crore in equity of PSUs in the Power Sector, ₹ 2,593.49 crore (59.30 per cent) was contributed by the GoJ&K. The long term loans of ₹ 1,441.92 crore availed by JKPDC were from banks and other financial institutions.

As per the latest finalised accounts of 2014-15, the GoJ&K had infused ₹ 5,764.71 crore as plan fund to JKPDC for creation of capital assets as given in Table 5.3.

**Table 5.3: Status of plan funds in JKPDC**

Year	2015-16	2016-17	2017-18	2018-19	2019-20
Accounts finalised upto	2011-12	2011-12	2013-14	2013-14	2014-15
Plan fund infused (₹ in crore)	5,346.91	5,346.91	5,753.83	5,753.83	5,764.71

As per records of Department, an amount of ₹ 5,318.61 crore<sup>14</sup> was outstanding as of March 2018 with JKPDC. The Government (December 2018) instructed JKPDC to adjust ₹ 3,668.81 crore<sup>15</sup> against the liability of Government on account of power purchase from the Company and issue of equity shares worth ₹ 2,588.34 crore<sup>16</sup> to the Government. The Company issued (August 2019), shares worth ₹ 2,588.34 crore in compliance of the Government Orders.

The adjustment of outstanding electricity bill of the Government against funds received for capital assets was irregular as the funds were provided by the Government for construction of the capital assets. Besides, the accounts of the Company were depicting these funds as capital reserves.

(B) As on 31 March 2020, the total investment (equity and long term loans) in 36 PSUs of other Sectors was ₹ 5,403.89 crore. The investment consisted of 17.03 per cent towards equity and 82.97 per cent in Long-term Loans. The Long Term Loans advanced by the GoJ&K constituted 49.25 per cent (₹ 2,208.38 crore), out of the total Long Term Loans (₹ 4,483.75 crore) whereas the remaining 50.75 per cent (₹ 2,275.37 crore) of the total Long Term Loans were availed from other financial institutions.

## 5.8 Budgetary support to Public Sector Undertakings

### (A) Budgetary support for PSUs of the Power Sector

The GoJ&K provides financial support to for PSUs of the Power Sector in various forms through the annual budget as equity, loans, grants/ subsidies, loans written off and loans converted into equity.

<sup>14</sup> As per agenda note of 74<sup>th</sup> Meeting held in April 2019.

<sup>15</sup> Total power purchase liability of the PDD towards JKPDC up to March 2018 was ₹ 3,668.81 crore which was adjusted against the funds amounting to ₹ 5,318.61 crore released to JKSPDC by the State Government up to March 2018.

<sup>16</sup> The balance (₹ 1,649.80 crore) available with JKSPDC, the assets transferred to JKPDC (₹ 916.54 crore) by the State Government at token value of ₹ one in the year 1999 and 44 Mega Watt Stakna Hydroelectric Project (₹ 22 crore) transferred to JKPDC by the Power Development Department in 2011 together were treated as equity contribution.

Budgetary assistance of ₹ 2.34 crore was received by JKPDC from the GoJ&K during 2019-20. Assistance of ₹ 135 crore and ₹ 5.74 crore was received by JKPDC during 2017-18 and 2018-19, respectively. The GoJ&K provides guarantee to PSUs to seek financial assistance from Banks and financial institutions. The GoJ&K has not enacted a Guarantee Act prescribing limit for guarantees to be given by the GoJ&K and stipulating guarantee commission/ fee. However, the FRBM Act, 2006 lays down limit within which GoJ&K may give guarantee on the security of consolidated fund of the State. The GoJ&K also constituted (August 2006) Guarantee Redemption Fund for meeting obligations arising out of guarantees issued on behalf of the GoJ&K. Outstanding guarantee commitments<sup>17</sup> in power sector decreased by 29.56 per cent from ₹ 2,045.88 crore in 2017-18 to ₹ 1,441.08 crore during 2019-20. During the year 2019-20, no guarantee fee was paid by the power sector undertaking.

### **(B) Budgetary support to State PSUs in other Sectors**

The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity in respect of State PSUs of other Sectors for the last three years ending March 2020 are given in Table 5.4.

**Table 5.4: Details regarding budgetary support to State PSUs (other Sectors) during the period 2017-18 to 2019-20**

(₹ in crore)

Sl. No.	Particulars <sup>18</sup>	2017-18		2018-19		2019-20	
		Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
1.	Equity Capital outgo	4	23.20 <sup>19</sup>	13	40.42 <sup>20</sup>	3	28.48
2.	Loans given	8	50.82	9	56.18	8	48.07
3.	Grants/Subsidy provided	7	126.85	7	43.17	11	98.16
	<b>Total outgo (1+2+3)</b>	<b>12</b>	<b>200.87</b>	<b>22</b>	<b>139.77</b>	<b>16</b>	<b>174.71</b>
4.	Loan repayment written off	-	-	-	-	-	-
5.	Loans converted into equity	1	72.88	-	-	-	-
6.	Guarantees issued	1	8.00	1	20.00	-	-
7.	Outstanding Guarantee Commitment	2	98.28	2	134.97	2	139.82

(Source: Compiled based on information received from PSUs)

\* Number of PSUs represents those PSUs which have received outgo from budget under one or more heads i.e. equity, loans and grants/ subsidies.

<sup>17</sup> 2017-18: ₹ 2,045.88 crore, 2018-19: ₹ 1,687.12 crore, 2019-20: ₹ 1,441.08 crore.

<sup>18</sup> Amount represents outgo from State Budget only.

<sup>19</sup> The GoJ&K infused investment of ₹ 282 crore in Jammu & Kashmir Bank Limited against which bank had issued ₹ 3.55 crore shares (at premium of ₹ 78 per share against face value of ₹ 1 per share) 2017-18. The addition to share capital had been reflected accordingly.

<sup>20</sup> Includes ₹ 6.57 crore in respect of nine new PSUs incorporated during 2017-18 and 2018-19.

In PSUs of other Sectors, the annual budgetary assistance ranged between ₹ 139.77 crore and ₹ 200.87 crore during the period 2017-18 to 2019-20. The budgetary assistance of ₹ 174.71 crore given during the year 2019-20 included ₹ 48.07 crore in the form of loans, ₹ 98.16 crore as grants/ subsidy and ₹ 28.48 crore on account of equity assistance.

Outstanding guarantee commitments increased by 3.59 per cent from ₹ 134.97 crore in 2018-19 to ₹ 139.82 crore<sup>21</sup> in 2019-20. During the year 2019-20, no guarantee fee was paid by PSUs of other Sectors.

### 5.9 Submission of accounts by Public Sector Undertakings

There were 32 working PSUs and accounts for the year 2019-20 were required to be submitted by 31 December 2020 by all the working PSUs.

Table 5.6: Position of accounts

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period <sup>22</sup>				Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 31 December 2020
		Accounts upto 2019-20	Accounts upto 2018-19	Accounts upto 2017-18	Total	
Working Government Companies <sup>23</sup>	29	5	4	2	11	24 (96)
Statutory Corporations	3	-	2	-	2	3 (5)
<b>Total Working PSUs</b>	<b>32</b>	<b>5</b>	<b>6</b>	<b>2</b>	<b>13</b>	<b>27 (101)</b>
Inactive Government Companies	10	-	2	-	2	10 (110)
<b>Total</b>	<b>42</b>	<b>5</b>	<b>5</b>	<b>-</b>	<b>8</b>	<b>37 (211)</b>

Out of 32 PSUs, five Government Companies<sup>24</sup> submitted their accounts for the year 2019-20 for audit by C&AG on or before 31 December 2020, and accounts of 24 Government Companies were in arrears. Further, five accounts of three Statutory Corporations were also in arrears.

The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. Details of arrears in finalisation of accounts are given in **Appendix-5.2**.

The GoJK had provided ₹ 99.08 crore (Loan: ₹ 98.88 crore, Subsidy: ₹ 0.20 crore) to eight out of 32 working State PSUs, accounts of which had not been finalised by 31 December 2020 and in nine PSUs there was no investment by the GoJ&K during

<sup>21</sup> Jammu & Kashmir Women Development Corporation ₹ 67.66 crore and Jammu & Kashmir Scheduled Castes, Scheduled Tribes and Backward Classes Development Corporation ₹ 72.16 crore.

<sup>22</sup> From October 2019 to December 2020.

<sup>23</sup> Government PSUs include other Companies referred to in Section 139(5) and 139(7) of the Companies Act, 2013.

<sup>24</sup> CVPPP, Jammu and Kashmir Bank Limited, Jammu & Kashmir Women's Development Corporation Limited, Jammu & Kashmir Trade Promotion Organisation and JKB Financial Services Limited.

the period for which the accounts are in arrears. Information in respect of the remaining nine PSUs was awaited (October 2021).

PSU-wise details of investment made by GoJ&K during the years for which accounts were in arrears as of December 2020 are shown in **Appendix-5.3**.

Delay in finalisation of accounts not only results in violation of the provisions of the relevant statutes but correctness of accounts as well.

**It is recommended that the Finance and concerned Administrative Department may ensure that:**

- **The Government identify the constraints in timely preparation of accounts of the PSUs and take necessary steps for making the accounts up to date.**
- **The State PSU's take immediate corrective action for liquidating arrears in accounts and**
- **Budgetary support is not extended to such PSUs whose accounts are not current.**

#### **Placement of Separate Audit Reports of Statutory Corporations**

Separate Audit Reports (SARs) are audit reports of the C&AG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. Out of three working Statutory Corporations, none have submitted their accounts of 2019-20 by 31 December 2020.

The status of annual accounts of Statutory Corporations and placement of their SARs in Legislature is detailed in Table 5.7.

**Table-5.7: Status of placement of SAR of the Statutory Corporations**

<b>Name of the Corporation</b>	<b>Year of Accounts</b>	<b>Month of placement of SAR</b>
Jammu and Kashmir State Financial Corporation	2017-18 and 2018-19	Yet to be presented
Jammu and Kashmir State Road Transport Corporation	2013-14	February 2018
Jammu and Kashmir State Forest Corporation	-	SARs for the years 1996-97 to 2016-17 are under finalisation <sup>25</sup>

*(Source: Compiled based on information furnished by the Jammu and Kashmir Legislative Assembly)*

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<sup>25</sup> Accounts for the years 1996-97 to 2013-14, for the years 2014-15 to 2016-17 and for the years 2017-18 to 2019-20 were submitted to the Principal Accountant General in October 2015, January 2020 and September 2021, respectively. Audit of accounts for the period from 1996-97 to 2013-14 was conducted in January/ February 2021. As of October 2021, reply to the preliminary audit observations was awaited from the Statutory Auditors of the Company. Audit for the years 2014-15 onwards are yet to be taken up.



## 5.10 Performance of Public Sector Undertakings

### (A) Performance of PSUs of the Power Sector

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in these undertakings. The financial position and working results of six Companies of Power Sector as per their latest finalised accounts, as of 31 December 2020 are detailed in *Appendix 5.4*.

The investment in the PSUs of the Power Sector was ₹ 4,076.95 crore<sup>26</sup> consisting of ₹ 1,785.23 crore as equity and ₹ 2,291.72 crore as long term loans. Out of this, GoJ&K has made an investment of ₹ 5.15 crore only in equity share capital in four<sup>27</sup> PSUs of the Power Sector. However, JKPDC, the only active PSU (with GoJK investment) of the Power Sector, was a profit making Company, with profits ranging from ₹ 433.41 crore to ₹ 668.95 crore as per five accounts<sup>28</sup> finalised during the period from 2014-15 to 2019-20.

### (B) Performance in PSUs of other Sectors

The financial position and working results of the 36 State PSUs (other Sectors) as per their latest finalised accounts, as of 31 December 2020, are detailed in *Appendix 5.5*.

The total investment in the PSUs of other Sectors was ₹ 4,886.01 crore comprising of Equity of ₹ 711.57 crore and Long Term Loans of ₹ 4,174.44 crore. Out of this investment of ₹ 4,886.01 crore, GoJ&K has made an investment of ₹ 2,656.53 crore in 26 PSUs<sup>29</sup> comprising of Equity of ₹ 606.29 crore and Long Term Loans of ₹ 2,050.24 crore.

The year-wise position of investment of GoJ&K in the PSUs during 2015-16 to 2019-20 is as follows:

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<sup>26</sup> As per latest finalised Accounts. This information may differ from the information furnished by the PSUs.

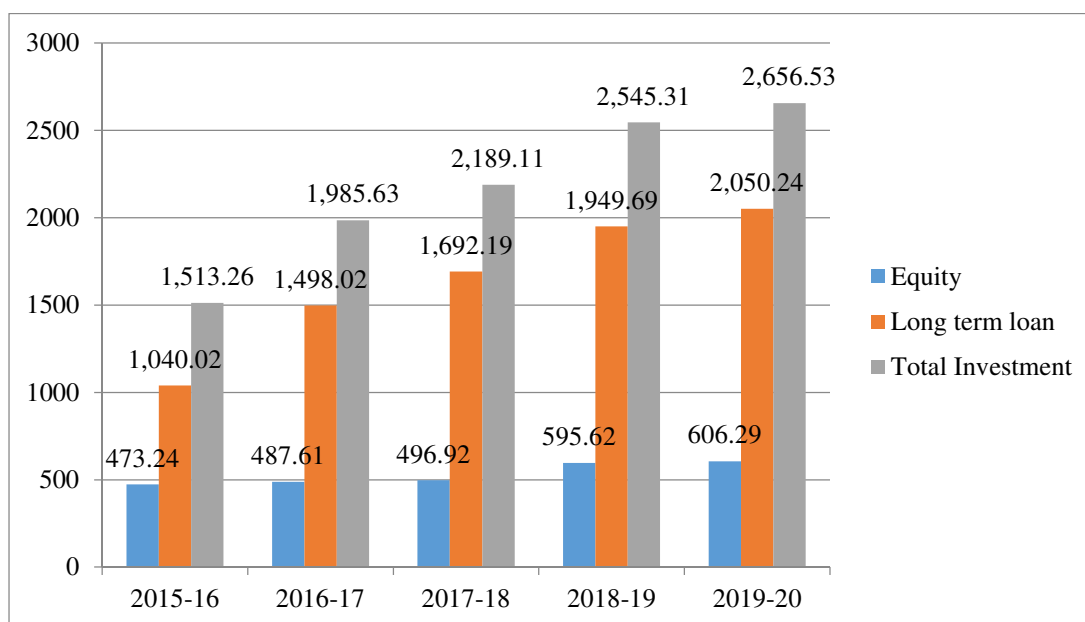
<sup>27</sup> Excluding Chenab Valley Power Project Private Limited which has not received any contribution from the GoJ&K and Kashmir Power Distribution Corporation Limited where the GoJ&K has not paid the subscribed capital of ₹ 0.05 crore.

<sup>28</sup> 2010-11: ₹ 460.45 crore, 2011-12: ₹ 668.95 crore, 2012-13: ₹ 489.51 crore, 2013-14: ₹ 433.41 crore and 2014-15: ₹ 457.96 crore.

<sup>29</sup> Excluding JKB Financial Services Limited wherein the GoJ&K has not made any investment, seven working PSU, Jammu & Kashmir Medical Supplies Corporation Limited, Jammu & Kashmir IT Infrastructure Development Pvt. Limited and AIC-Jammu & Kashmir EDI Foundation, Jammu Smart City Limited, Srinagar Smart City Limited, Jammu Mass Rapid Transit Corporation Pvt. Limited, Srinagar Mass Rapid Transit Corporation Pvt. Limited which never submitted their accounts since inception and two inactive Companies, Jammu and Kashmir Road Development Corporation Limited and Jammu and Kashmir International Trade Centre Corporation Limited.

**Chart 5.1**

**Total investment of GoJ&K in PSUs Sectors (other Sectors)**



(Source: As per latest finalised Accounts)

Out of total 36 PSUs of other Sectors, nine<sup>30</sup> are profit making and 13<sup>31</sup> are loss making as per their latest Annual Accounts finalised during the year 2019-20. One PSU<sup>32</sup> has not prepared its profit and loss accounts and remaining 13 PSUs are either non-working or had not submitted their Annual Accounts for supplementary audit during the year 2019-20.

**It is recommended that since the continued existence of loss making PSUs causes a substantial drain on the public exchequer, the GoJ&K may review the functioning of all loss making PSUs.**

### 5.11 Key Parameters

The profitability of a Company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on Investment (ROI) measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of

<sup>30</sup> Jammu & Kashmir Horticulture Produce Marketing and Processing Corporation Limited, Jammu & Kashmir Women's Development Corporation Limited, Jammu & Kashmir Small Scale Industries Development Corporation Limited, Jammu & Kashmir Projects Construction Corporation Limited, Jammu & Kashmir Police Housing Corporation Limited, Jammu & Kashmir Cements Limited, Jammu & Kashmir Tourism Development Corporation Limited and Jammu & Kashmir State Financial Corporation and Jammu & Kashmir Cable Car Corporation Limited.

<sup>31</sup> Jammu & Kashmir Agro Industries Development Corporation Limited, J&K Scheduled Castes, Scheduled Tribes and Backward Classes Development Corporation Limited, Jammu & Kashmir State Industrial Development Corporation Limited, Jammu & Kashmir Industries Limited, Jammu & Kashmir Handicrafts (Sales and Export) Development Corporation Limited, Jammu & Kashmir Handloom Development Corporation Limited, Jammu & Kashmir Trade Promotion Organisation, Jammu & Kashmir Infrastructure Development Finance Corporation Pvt. Limited, Jammu & Kashmir Minerals Limited, Jammu & Kashmir Bank Limited, JKB Financial Services Limited, Jammu & Kashmir State Road Transport Corporation, Jammu & Kashmir State Forest Corporation.

<sup>32</sup> Jammu & Kashmir Overseas Employment Corporation Limited.

profit to total investment. Return on Capital Employed (ROCE)<sup>33</sup> is a financial ratio that measures the Company's profitability and the efficiency with which its capital is used and is calculated by dividing Company's earnings before interest and taxes by capital employed. Return on Equity (ROE)<sup>34</sup> is a measure of performance calculated by dividing the net profit after tax by shareholders fund.

The key financial ratios used to assess the performance of the PSUs as per their latest finalised accounts are given in Table 5.8 (A), (B1) and (B2):

### (A) Power Sector PSUs

Table 5.8 (A) Key parameters of Power Sector PSUs<sup>35</sup>

(In per cent)

	2015-16	2016-17	2017-18	2018-19	2019-20
<b>ROCE</b>	10.57	10.57	5.85	5.85	5.65
<b>ROI</b>	7.54	7.54	2.78	2.78	3.82
<b>ROE</b>	8.34	8.34	2.87	2.87	3.79

*Investment based on Historical Cost*

The ROCE decreased from 10.57 per cent during 2015-16 to 5.65 per cent during 2019-20. ROI ranged between 2.78 per cent and 7.54 per cent and ROE ranged between 2.87 per cent and 8.34 per cent during this period. These parameters have been worked out taking into consideration plan fund infusion (as given in Table 5.3) by GoJ&K.

### (B-1) Listed PSUs of other Sectors

Only one PSU of GoJ&K, Jammu and Kashmir Bank Limited is listed since July 1998 on the stock exchange.

Table: 5.8 (B1) Key parameters of Listed PSU of other Sectors

(in per cent)

		2015-16	2016-17	2017-18	2018-19	2019-20
<b>Jammu &amp; Kashmir Bank Limited</b>	<b>ROCE</b>	12.87	-36.75	11.55	17.93	-23.18
	<b>ROI<sup>36</sup></b>	533.08	532.82	409.61	361.60	182.79
	<b>ROE</b>	10.10	-65.00	7.65	15.46	-61.63

<sup>33</sup> ROCE = Earnings before Interest and Tax/ Capital Employed, Capital employed = Paid up share capital + free reserves and surplus + long term loans minus accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalized.

<sup>34</sup> ROE=Profit after Tax/Share holders' Fund, Share holders' Fund = Paid up capital + free reserves and surplus- deferred revenue expenditure - accumulated losses.

<sup>35</sup> Only one power PSU, Jammu & Kashmir Power Development Corporation Limited having investment made by GoJ&K is considered.

<sup>36</sup> ROI= (Government's share of the Market Capitalisation of the Company as at 31 March of FY + Present Value of Dividend Receipts of the Government as at 31 March of FY + Present Value of Disinvestment Receipts of the Government as at 31 March of FY) - (Paid-up Equity of the Government as at Inception + Discounted Value of Equity infused by the Government as at Inception + Discounted Value of Subsidy/Grants infused for meeting Operational and Administrative Expenditure as at Inception)/ (Paid-up Equity of the Government as at Inception + Discounted Value of Equity infused by the Government as at Inception + Discounted Value of Subsidy/ Grants infused for meeting Operational and Administrative Expenditure as at Inception)/ Number of intervening annual periods.

The ROCE and ROE was high during the period 2015-16 to 2018-19(except during 2016-17), mainly due to high Profit after tax earned by Jammu and Kashmir Bank Limited. During 2019-20, ROCE and ROE was negative due to loss suffered by it. The ROI showed a decreasing trend during the period 2015-16 to 2019-20. As a result, compounded annual growth rate also decreased from 3.81 per cent to (-) 2.05 per cent during the period 2015-16 to 2019-20 as detailed in **Appendix 5.6(A)**.

## **(B-2) Non-Listed PSUs of other Sectors**

**Table: 5.8(B2): Key parameters of non-listed PSUs of other Sectors (on historical cost)**

*(in per cent)*

		2015-16	2016-17	2017-18	2018-19	2019-20
<b>Aggregate of PSUs for other Sectors</b>	<b>ROCE</b>	-28.44	-22.91	-9.94	-22.17	NA <sup>37</sup>
	<b>ROI<sup>38</sup></b>	-29.67	-34.09	-32.32	-29.39	-15.88
	<b>ROE<sup>39</sup></b>	-	-	-	-	-
<b>Profit Making PSUs</b>	<b>ROCE*</b>	7.68	9.05	8.83	11.02	19.38
	<b>ROI<sup>^</sup></b>	6.85	7.52	24.35	23.37	39.37
	<b>ROE</b>	15.46	13.95	12.02	13.17	43.52
<b>Loss Making PSUs</b>	<b>ROCE*</b>	-28.51	-34.24	-35.01	-47.89	-7.10
	<b>ROI<sup>^</sup></b>	-63.10	-70.44	-55.45	-46.93	-59.16
	<b>ROE</b>	-	-	-	-	-

*\*Only Companies with positive capital employed were considered*

*^ Excluding Companies<sup>40</sup> which have not prepared the Profit and Loss accounts*

ROE for the Non-Listed PSUs of other Sectors could not be worked out as the aggregate Shareholders' fund for all the years remained negative.

ROCE in Tables 5.8 (B1) and (B2) has been worked out at face value of investment. Since there is no share premium in respect of Non-Listed PSUs of other Sectors PSUs, ROCE including share premium will not change. However, the ROCE worked at realised value<sup>41</sup> of investment in respect of Jammu & Kashmir Bank Limited is as follows:

<sup>37</sup> ROCE cannot be worked out as the capital employed for 2019-20 was negative.

<sup>38</sup> Equity infused by other than GoJ&K also considered while arriving at total ROI.

<sup>39</sup> ROE for the Non Power Sector PSUs and loss making Non Power PSUs cannot be worked out as the total Share holders fund for all the years were negative.

<sup>40</sup> For the years 2014-15 to 2017-18, five companies, Jammu & Kashmir Overseas Employment Corporation Limited, Jammu & Kashmir Medical Supplies Corporation Limited, Jammu & Kashmir State Road Development Corporation and Jammu & Kashmir International Trade Centre Corporation Limited and for the year 2018-19, additional nine newly incorporated companies and for the year 2019-20, Jammu & Kashmir Overseas Employment Corporation Limited, six inactive Companies and seven Companies which have not submitted their accounts since inception.

<sup>41</sup> Investment including share premium.

**Table 5.9: ROCE for Listed PSUs of other Sectors considering share premium**

Year	2015-16	2016-17	2017-18	2018-19	2019-20
Jammu & Kashmir Bank Limited	12.69	-33.78	10.12	16.17	-18.06

(in per cent)

The ROCE after considering the share premium account of Jammu & Kashmir Bank Limited, ranged between -33.78 per cent to 16.17 per cent during the period 2015-16 to 2019-20.

Only 10 PSUs (details in *Appendix 5.6(B)*) had Profit before Tax as per the latest finalised Annual Accounts during the period 2015-16 to 2019-20. Among these PSUs, the Jammu and Kashmir State Financial Corporation earned profit for the financial year 2018-19 and Jammu and Kashmir Bank incurred loss during the financial year 2019-20.

### 5.12 Rate of Real Return (RORR) on Government Investment

Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment as such calculations ignore the present value of money. Therefore, in addition to the calculation of return on funds invested on historical cost basis, the real rate of return on investment has also been calculated after considering the Present Value (PV) of money invested. PV was computed where funds had been infused by the GoJ&K as equity, interest free loan, interest free loan converted into equity. Grant/ subsidy given by the Government for operational and management expenses have not been considered as bifurcation of grant and subsidy for operational and management expenses and for other purpose was not available since inception of these companies till 31 March 2020.

The PV in these undertakings was computed on the following assumptions:

- Interest free loans have been considered as fund infusion. However, in case of repayment of loans by the PSUs, the PV was calculated on the reduced balances of interest free loans over the period.
- The average rate of interest on government borrowings for the concerned financial year was adopted as discount rate for arriving at Present Value since they represent the cost incurred by the Government towards investment of funds for the year.

#### (A) PSUs of Power Sector

The GoJ&K infused ₹ 5.00 crore as equity in JKPDC. In addition to this, the State also provided Plan funds since inception of the Company (1994-95) for creation of Capital Assets, which could not be bifurcated, has not been considered. In order to bring the historical cost of investments to its Present Value (PV) at the end of each year upto 31 March 2020, the past investments/year wise equity infused by the GoJ&K in JKPDC was computed on the basis of following assumptions:

- Actual infusion by the GoJ&K in the form of equity;
- Plan fund given by GoJ&K, later converted into equity, has been added to the equity in the year 2019-20;
- Assets transferred to JKPDC by GoJ&K at book value have been treated as equity contribution in kind during the year 2019-20;
- The average interest rate on Government borrowings for the concerned financial year was adopted as compounded rate for arriving at PV since they represent the cost incurred by the government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government; and
- For the purpose of PV calculation of GoJ&K investment, the period from 2000-01 till 2019-20 has been taken for considering the investment of GoJ&K in JKPDC as on 31 March 2020.

The details of GoJ&K investment in the JKPDC in the form of equity and grants/subsidy since 2000-01 till 2019-20 and consolidated position of the PV of GoJ&K investment in JKPDC is indicated in Table 5.10:

**Table 5.10: Year wise details of investment by the GoJ&K and its Present Value (PV) from 2000-01 to 2019-20**

(₹ in crore)

Year	Total investment made by the Govt. in JKPDC at the beginning of the year	Equity infused by the GOJ&K during the year	Interest free loan granted by GoJ&K during the year	Total investment during the year	Total investment at year end	Average rate of interest	Present value of total investment at the end of the year
A	B	C	D	E = C+D	F=E+B	G	H=F*(1+G/100)
1999-2000	5	0	0	0	5	11.96	5.60
2000-01	5.60	0	0	0	5.60	9.23	6.11
2001-02	6.11	0	0	0	6.11	11.2	6.80
2002-03	6.80	0	0	0	6.80	10.54	7.52
2003-04	7.52	0	0	0	7.52	10.95	8.34
2004-05	8.34	0	0	0	8.34	8.97	9.09
2005-06	9.09	0	0	0	9.09	8.15	9.83
2006-07	9.83	0	0	0	9.83	11.66	10.97
2007-08	10.97	0	0	0	10.97	14.07	12.52
2008-09	12.52	0	0	0	12.52	7.94	13.51
2009-10	13.51	0	0	0	13.51	9.45	14.79
2010-11	14.79	0	0	0	14.79	9.03	16.12

Year	Total investment made by the Govt. in JKPDC at the beginning of the year	Equity infused by the GOJ&K during the year	Interest free loan granted by GoJ&K during the year	Total investment during the year	Total investment at year end	Average rate of interest	Present value of total investment at the end of the year
A	B	C	D	E = C+D	F=E+B	G	H=F*(1+G/100)
2011-12	16.12	0	0	0	16.12	8.28	17.46
2012-13	17.46	0	0	0	17.46	8.19	18.89
2013-14	18.89	0	0	0	18.89	7.14	20.24
2014-15	20.24	0	0	0	20.24	7.68	21.79
2015-16	21.79	0	0	0	21.79	7.25	23.37
2016-17	23.37	0	0	0	23.37	7.83	25.20
2017-18	25.20	0	0	0	25.20	7.23	27.02
2018-19	27.02	0	0	0	27.02	7.2	28.97
2019-20	28.97	2,588.34	0	2,588.34	2,617.31	7	2,800.52

The balance of investment of the GoJ&K in JKPDC at the end of 2019-20 was ₹ 3,111.96 crore as the GoJ&K made investments in the shape of equity amounting to ₹ 2,593.34 crore (₹ 2,588.34 crore + ₹ 5 crore) and plan fund amounting to ₹ 518.62 crore (not treated as equity or loans). The PV of investments of the GoJ&K upto 31 March 2020 worked out to ₹ 2,800.52 crore. The net earnings of JKPDC as per the latest finalised account for the year 2014-15 was ₹ 220.12 crore. Thus, against the PV amounting to ₹ 2,800.52 crore of the GoJ&K, the return was 7.86 per cent.

### (B) PSUs in other Sectors

An analysis of the earnings *vis-à-vis* investments in respect of 35 PSUs<sup>42</sup> (in other sectors) where funds had been infused by the GoJ&K was carried out to assess the profitability of these PSUs. During the period from 2015-16 to 2019-20, these 35 PSUs had a positive return on investment (except for the year 2016-17 & 2019-20).

The PSUs-wise position of 35<sup>43</sup> PSUs wherein the GoJ&K had made an investment in the form of equity and interest free loans is indicated in *Appendix 5.7(A)*. Further, the position of Net Present Value of the investment relating to all the PSUs by the GoJ&K for the same period is indicated in *Appendix 5.7(B)*.

The balance of investment by the GoJ&K in these PSUs at the end of 2019-20 increased to ₹ 910.82 crore<sup>44</sup> from ₹ 347.29 crore at the beginning of 1999-2000 as the GoJ&K made further investments in form of equity (₹ 440.73 crore) and interest free loans (₹ 140.30 crore) during the period 1999-2000 to 2019-20. The

<sup>42</sup> Excluding JKB Financial Services Limited wherein the GoJ&K had not made any investment.

<sup>43</sup> Between 1999-2020, investment was made only in 28 PSUs as mentioned in *Appendix 5.7(A)*.

<sup>44</sup> Opening balance: (₹ 347.29 crore) + Equity: (₹ 440.73 crore) + Interest free loans: (₹ 140.30 crore) - Interest free loan converted into equity: (₹ 17.50 crore).

PV of the investment infused by the GoJ&K as on 31 March 2020 amounted to ₹ 3,070.71 crore.

During 2019-20, the net earnings of the PSEs was negative. Accordingly there were no returns.

### 5.13 Comparison of investment as per historical cost and as per present value of such investment

#### PSUs in Other Sectors

The Government had positive returns on investments in 35 PSUs during the period 2013-14 to 2019-20 with the exception of 2016-17 and 2019-20. Comparison of returns on investment at historical cost and at present value for these years as per the latest finalised accounts is given in Table 5.11.

**Table 5.11: Comparison of return on investment**

(₹ in crore)

Year	Total earnings	Funds invested by the GoJ&K	Return on investment on historical cost basis (per cent)	PV of the investment at end of the year <sup>45</sup>	Return on investment considering the present value of the investments (per cent)
2013-14	1,048.22	530.68	197.52	1,711.90	61.23
2014-15	378.25	535.51	70.63	1,848.57	20.46
2015-16	264.80	542.36	48.82	1,989.94	13.31
2016-17	-1,809.73	551.92	-327.90	2,156.06	-83.94
2017-18	32.62	681.32	4.79	2,450.70	1.33
2018-19	274.10	864.21	31.72	2,823.21	9.71
2019-20	-1,242.27	910.82	-136.39	3,070.71	-40.46

\*During 2016-17 and 2019-20 the total earnings were negative due to losses incurred by Jammu and Kashmir Bank Limited

The return earned on investment on historical cost basis was 197.52 per cent in 2013-14. It declined and dropped to (-) 136.39 per cent during 2019-20 mainly due to decrease in the profit after tax of two<sup>46</sup> Companies. Whereas, the returns earned considering the present value of the investments dropped from 61.23 per cent during 2013-14 to (-) 40.46 per cent during 2019-20. During 2016-17, the returns were negative due to losses of ₹ 1,632.29 crore incurred by Jammu and Kashmir Bank Limited.

<sup>45</sup> Arrived at by adding PV of GoJ&K investment and other investment. The present value on other equity has been calculated from 2013-14 onwards.

<sup>46</sup> (1) Jammu and Kashmir Bank Limited PAT (2013-14: ₹ 1,182.47 crore; 2019-20: ₹ -1139.41 crore) and (2) Jammu and Kashmir State Road Transport Corporation PAT (2013-14: ₹ -66.97 crore; 2019-20: ₹ -117.62 crore).



## 5.14 Erosion of Net worth of PSUs

### (A) Power Sector

Net worth is the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The overall accumulated profit of JKPDC<sup>47</sup> was ₹ 41.31 crore as against the capital investment of ₹ five crore, resulting in positive net worth of ₹ 46.31 crore as detailed in *Appendix 5.4* and given in Table 5.12.

**Table 5.12: Net worth of JKPDC as per the latest finalised Annual Accounts during period from 2015-16 to 2019-20**

(₹ in crore)

Year	Paid up Capital at end of the year	Free Reserves	Accumulated Profit (+)/ Loss (-) at end of the year	Deferred revenue expenditure	Net worth
2015-16	5.00	Nil	-519.06	Nil	-514.06
2016-17	5.00	Nil	-519.06	Nil	-514.06
2017-18	5.00	Nil	-178.81	Nil	-173.81
2018-19	5.00	Nil	-178.81	Nil	-173.81
2019-20	5.00	Nil	41.31	Nil	46.31

\*Source : As per latest finalised accounts of the Company

JKPDC registered a net increase of ₹ 2,588.34 crore towards equity during the year 2019-20.

### (B) PSUs in other Sectors

The capital investment, accumulated losses and free reserves of 23 State PSUs<sup>48</sup> (in other sectors) as per their latest finalised accounts were ₹ 707.00 crore, ₹ 3,010.94 crore and ₹ 1,777.49 crore respectively, resulting in net worth of (-) ₹ 526.45 crore as detailed in *Appendix-5.8*. Analysis of investment and accumulated losses disclosed that net worth was eroded in nine out of the 23 PSUs as the capital investment and accumulated losses of these PSUs were ₹ 449.01 crore and ₹ 3,404.51 crore, respectively. Of these nine PSUs, the net worth erosion was the

<sup>47</sup> Excluding CVPPP wherein no investment was made by the GoJ&K and others four being inactive although ₹ 0.15 crore were invested by the GoJ&K in these Companies.

<sup>48</sup> Excluding six inactive PSUs (1) Tawi Scooters Limited (2) Himalayan Wool Combers Limited and (3) Jammu and Kashmir Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited) (4) Jammu and Kashmir Road Development Corporation Limited and (5) Jammu and Kashmir International Trade Centre Corporation Limited, (6) Jammu & Kashmir Asset Reconstruction Limited and seven working PSU, Jammu & Kashmir Medical Supplies Corporation Limited, Jammu & Kashmir IT Infrastructure Development Pvt. Limited and AIC-Jammu & Kashmir EDI Foundation, Jammu Smart City Limited, Srinagar Smart City Limited, Jammu Mass Rapid Transit Corporation Pvt. Limited, Srinagar Mass Rapid Transit Corporation Pvt. Limited which never submitted their accounts since inception.

highest in Jammu & Kashmir State Road Transport Corporation (₹ 1,581.66 crore<sup>49</sup>), Jammu & Kashmir Industries Limited (₹ 737.19 crore<sup>50</sup>), Jammu & Kashmir Handicrafts (Sales and Export) Development Corporation Limited, (₹ 161.54 crore) and Jammu & Kashmir State Industrial Development Corporation Limited (₹ 129.35 crore<sup>51</sup>).

The total paid up capital, free reserves, total accumulated profit/loss, and total net worth of the 23 PSUs where the GoJ&K has made direct/indirect investment during the period 2015-16 to 2019-20 is indicated in the Table 5.13.

**Table 5.13: Net worth of 23 PSUs as per the latest finalised accounts during the period 2015-16 to 2019-20**

(₹ in crore)				
Year	Paid up capital at end of the year	Free reserves <sup>52</sup>	Accumulated profit (+) loss (-) at end of the year	Net worth
2015-16	502.00	4,084.05	-1,885.63	2,700.42
2016-17	516.37	2,484.36	-2,049.16	951.57
2017-18	525.68	2,725.68	-2,150.57	1,100.79
2018-19	618.01	2,960.39	-2,340.41	1,237.99
2019-20	707.00	1,777.49	-3,010.94	-526.45

As can be seen from the above table, overall net worth had decreased from ₹ 2,700.42 crore in 2015-16 to ₹ -526.45 crore in 2019-20 for the 23 PSUs taken together. However, the net worth of 11 PSUs decreased, whereas seven PSU recorded an increase in net worth, in two PSUs net worth remained same and three PSUs submitted their accounts first time in 2019-20. As on 31 March 2020, 14 PSUs<sup>53</sup> showed positive net worth and nine PSUs continued to have negative net worth.

### 5.15 Dividend Payout

As per the latest finalised accounts during 2019-20, one Power Sector PSU, JKPCDC and nine working PSUs of other Sectors earned an aggregate profit of ₹ 220.12 crore and ₹ 112 crore, respectively. However, no PSUs had declared any dividend for the year 2019-20.

<sup>49</sup> As per latest finalised accounts for the year 2018-19.

<sup>50</sup> As per latest finalised accounts for the year 2013-14.

<sup>51</sup> As per latest finalised accounts for the year 2013-14.

<sup>52</sup> Revenue & Other Reserves of Jammu and Kashmir Bank Limited during, 2015-16 (₹ 4,072.21 crore), 2016-17 (₹ 2,458.98 crore), 2017-18 (₹ 2,625.65 crore) and 2018-19 (₹ 2,950.97 crore) and 2019-20 (₹ 1777.49) have been taken as free reserves and accumulated profits.

<sup>53</sup> (1) Jammu & Kashmir Scheduled Casts, Scheduled Tribes and Backward Classes Development Corporation Limited (2) JKB Financial Services Limited, (3) Jammu & Kashmir Small Scale Industries Development Corporation Limited, (4) Jammu & Kashmir Women's Development Corporation Limited, (5) Jammu & Kashmir Project Construction Corporation, (6) Jammu & Kashmir Police Housing Corporation Limited, (7) Jammu & Kashmir Cements Limited, (8) Jammu & Kashmir Tourism Development Corporation Limited, (9) Jammu & Kashmir Cable Car Corporation Limited and (10) Jammu & Kashmir Bank Limited (11) Jammu & Kashmir Trade Promotion Organisation (12) Jammu & Kashmir Infrastructure Development Corporation (13) Jammu & Kashmir State Forest Corporation (14) Jammu & Kashmir Overseas Employment Corporation Limited.

It is recommended that the GoJ&K may consider declaration of dividend policy for profit making PSUs.

### 5.16 Analysis of long term loans of the Companies

The analysis of the long term loans of the Companies which had leverage<sup>54</sup> during 2015-20 was carried out to assess the ability of the Companies to service the debt owed by the Companies to Government, banks and other financial institutions. This is assessed through the Interest Coverage Ratio (ICR) and Debt Turnover Ratio (DTR).

### 5.17 Interest Coverage Ratio

Interest Coverage Ratio (ICR) is used to determine the ability of a Company to pay interest on outstanding debt and is calculated by dividing a Company's Earnings Before Interest and Taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser the ability of the Company to pay interest on debt. An ICR of below one indicates that the Company was not generating sufficient revenues to meet its expenses on interest.

#### (A) PSUs of Power Sector

The details of interest coverage ratio of JKPDC<sup>55</sup> as per the latest finalised accounts during the period from 2015-16 to 2019-20 is given in Table 5.14.

Table 5.14: Interest coverage ratio of PSUs of the Power Sector

(₹ in crore)

Year	Accounts finalised up to	Interest	EBIT	Interest coverage ratio
2015-16	2011-12	227.34	668.95	2.94
2016-17	2011-12	227.34	668.95	2.94
2017-18	2013-14	155.78	433.41	2.78
2018-19	2013-14	155.78	433.41	2.78
2019-20	2014-15	134.57	457.96	3.40

As seen from the Table 5.14, JKPDC had interest coverage ratio of more than one during entire period from 2015-16 to 2019-20, indicating that the Company is generating sufficient revenue to meet its expenses on interest.

<sup>54</sup> Use of borrowed fund to increase potential return of an investment.

<sup>55</sup> Remaining five Power Sector companies had not availed any kind of loan.

**(B) PSUs of other Sectors**

The details of interest coverage ratio of PSUs of other Sectors<sup>56</sup> as per the latest finalised accounts during the period from 2015-16 to 2019-20 are given Table 5.15.

**Table 5.15: Interest Coverage Ratio of State PSUs of other Sectors**

(₹ in crore)

Year	Interest	EBIT	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Number of PSUs having interest coverage ratio	
				More than 1	Less than 1
2015-16	248.14	763.93	16	4	12
2016-17	206.27	-1,464.76	16	3	13
2017-18	257.83	439.21	16	5	11
2018-19	373.87	927.06	14	5	9
2019-20	358.90	-910.00	14	6	8

Of the 14 State PSUs of Sectors other than the Power Sector having liability of loans from Government as well as Banks and other Financial Institutions during 2019-20, six PSUs<sup>57</sup> had interest coverage ratio of more than one, whereas remaining eight PSUs had Interest Coverage Ratio below one, which indicated that these eight PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

**5.18 Debt-Turnover Ratio of PSUs**

**(A) Power Sector**

The Debt-Turnover Ratio of JKPDC deteriorated to 2.23 in 2019-20 due to significant increase in Debt against meager increase in Turnover, as given in Table 5.16.

<sup>56</sup> Excluding six inactive PSUs (1) Tawi Scooters Limited (2) Himalayan Wool Combers Limited and (3) Jammu and Kashmir Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited) (4) Jammu and Kashmir Road Development Corporation Limited and (5) Jammu and Kashmir International Trade Centre Corporation Limited, (6) Jammu & Kashmir Asset Reconstruction Limited, seven working PSU, Jammu & Kashmir Medical Supplies Corporation Limited, Jammu & Kashmir IT Infrastructure Development Pvt. Limited and AIC-Jammu & Kashmir EDI Foundation, Jammu Smart City Limited, Srinagar Smart City Limited, Jammu Mass Rapid Transit Corporation Pvt. Limited, Srinagar Mass Rapid Transit Corporation Pvt. Limited which never submitted their accounts since inception, six PSUs, (1) JKB Financial Services Limited (2) Jammu & Kashmir Police Housing Corporation Limited (3) Jammu & Kashmir Cable Car Corporation Limited (4) Jammu & Kashmir Overseas Employment Corporation Limited (5) Jammu & Kashmir Trade Promotion Organisation (6) Jammu & Kashmir Infrastructure Development Corporation Pvt. Limited which have not availed any loan and three PSUs, (1) Jammu & Kashmir Tourism Development Corporation Limited, (2) Jammu & Kashmir State Forest Corporation and (3) Jammu & Kashmir Projects Construction Corporation Limited which have not provided for the interest in their books of account.

<sup>57</sup> Jammu & Kashmir State Horticulture Produce Marketing and Processing Corporation Limited, Jammu & Kashmir State Women's Development Corporation Limited, Jammu & Kashmir Small Scale Industries Development Corporation Limited, Jammu & Kashmir Cements Limited, Jammu & Kashmir State Cable Car Corporation Limited and Jammu & Kashmir State Financial Corporation.

Table 5.16: Debt Turnover ratio relating to the JKPDC

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Debt from Government and others (Banks and Financial Institutions)	1,493.55	1,493.55	1,826.49	1,826.49	2,291.72
Turnover	1,119.90	1,119.90	992.46	992.46	1,025.91
Debt-Turnover Ratio	1.33:1	1.33:1	1.84:1	1.84:1	2.23:1

(Source: Compiled based on latest finalised accounts)

### (B) PSUs in other Sectors

The debt turnover ratio declined from 0.53 in 2015-16 to 0.41 in 2019-20. The debt-turnover ratio ranged between 0.41 and 0.53 during this period, as given in Table 5.17.

Table 5.17: Debt Turnover Ratio relating to the 20 PSUs (other Sectors)

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Debt from Government and others (Banks and Financial Institutions)	3,834.30	3,097.52	3,633.37	4,200.71	4,174.44
Turnover	7,296.59	7,238.03	7,579.22	8,792.44	10,272.26
Debt-Turnover Ratio	0.53:1	0.43:1	0.48:1	0.48:1	0.41:1

(Source: Compiled based on latest finalised accounts)

Declining debt-turnover ratio indicates that the PSU is generating enough revenue and they are in better position to service their debts.

### 5.19 Inactive State PSUs

Four out of the six PSUs of Power Sector having a total investment of ₹ 0.15 crore towards share capital, were inactive as of 31 March 2020.

Similarly, six of the 36 State PSUs in other Sectors were non-working and were having a total investment of ₹ 57.42 crore<sup>58</sup> towards Capital (₹ 56.59 crore) and Long Term Loans (₹ 0.83 crore) as on 31 March 2020. The numbers of non-working PSUs at the end of each year during last five years ended 31 March 2020 are given below in Table 5.18.

<sup>58</sup> Tawi Scooters Limited: ₹ 1.63 crore, Himalyan Wool Combers Limited: ₹ 1.37 crore, Jammu & Kashmir Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalyan Wool Combers Limited): ₹ 0.40 crore, Jammu & Kashmir State Road Development Corporation Limited: ₹ 5.00 crore, Jammu & Kashmir International Trade Centre Corporation Limited: ₹ 48.00 crore and Jammu & Kashmir Asset Reconstruction Limited: ₹ 2.00 crore.

**Table 5.18: Inactive State PSUs**

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Number of inactive PSUs in Power Sector	4	4	4	4	4
Number of inactive PSUs (other Sectors)	4	5	5	5	6

(Source: Compiled from the information included in Audit Report (PSU), GoJ&K of respective years)

Out of six inactive PSUs in other Sectors, four PSUs<sup>59</sup> were under liquidation as they were not working since last one to 28 years.

**The Government may take appropriate decision for winding up of these inactive PSUs.**

## 5.20 Comments on Accounts of Public Sector Undertakings

### (A) Power sector

Three<sup>60</sup> power sector PSUs forwarded their eight audited account to the Principal Accountant General during 1 October 2019 to 31 December 2020 and all were selected for supplementary audit. The details of aggregate money value of the comments of Statutory Auditors and the C&AG, for the Annual Accounts finalised during last three years are given in Table 5.19.

**Table-5.19: Impact of audit comments on power sector PSUs**

Sl. No.	Particulars	(₹ in crore)					
		2017-18		2018-19		2019-20	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	1	4.19	1	15.60	1	11.89
2.	Increase in profit	1	63.22	-	-	1	55.35
3.	Increase in loss	-	-	-	-	-	-
4.	Decrease in loss	-	-	-	-	-	-
5.	Non-disclosure of material facts	2	112.83	-	-	-	-
6.	Errors of classification	-	-	-	-	2	1,594.81

(Source: Compiled from comments of the Statutory Auditors/ C&AG in respect of Government Companies)

During the year 2019-20, the Statutory Auditors had issued qualified certificates on two accounts. The Statutory Auditors pointed out two instances of non-compliance to the Indian Accounting Standards in one account of Chenab Valley Power Projects Private Limited.

<sup>59</sup> Tawi Scooters Limited, Himalyan Wool Combers Limited, Jammu & Kashmir Handloom Handicrafts Raw Material Supplies Organisation Limited, Jammu & Kashmir Asset Reconstruction Limited.

<sup>60</sup> Jammu & Kashmir Power Development Corporation Limited (2014-15), Chenab Valley Power Projects Private Limited (2019-20) and Kashmir Power Distribution Corporation Limited (2013-14 to 2018-19).

**(B) PSUs in Other Sectors**

12 PSUs forwarded 42 audited accounts to the Principal Accountant General during the period from 1 October 2019 to 31 December 2020. The Audit Reports of Statutory Auditors and supplementary audit conducted by the C&AG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the C&AG, for the accounts finalised during last three years are given in Table 5.20.

**Table-5.20: Impact of audit comments on State PSUs (other sectors)**

(₹ in crore)

Sl. No.	Particulars	2017-18		2018-19		2019-20	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	2	0.16	3	16.86	3	536.18
2.	Increase in profit	2	0.05	1	0.03	1	9.06
3.	Increase in loss	3	1.55	8	103.69	15	4.95
4.	Decrease in loss	2	1.17	3	100.48	3	0.19
5.	Non-disclosure of material facts	4	21.82	1	95.71	13	56.24
6.	Errors of classification	5	97.39	13	48.43	15	17.27

(Source: Compiled from comments of the Statutory Auditors/ C&AG in respect of Government Companies)

During the year 2019-20, the Statutory Auditors had issued qualified certificates on 22 accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 103 instances of non-compliance to the Accounting Standards in 31 accounts of eight<sup>61</sup> PSUs.

There are three Statutory Corporations, Jammu & Kashmir State Road Transport Corporation (JKSRTC), Jammu & Kashmir State Financial Corporation and Jammu & Kashmir State Forest Corporation. The C&AG is sole auditor in respect of JKSRTC. During the period from 1 October 2019 to 31 December 2020, Jammu & Kashmir State Forest Corporation submitted Annual Accounts from 1996-97 to 2016-17 for audit and the comments of C&AG on these accounts were under process. Jammu & Kashmir State Financial Corporation forwarded its annual accounts for the year 2018-19 and the comments were issued. The Statutory Auditors had given qualified certificate on annual accounts of Jammu and Kashmir State Financial Corporation for the year 2018-19. JKSRTC forwarded its annual accounts for 2014-15 to 2018-19. However, the GoJ&K was requested to prescribe the format of accounts of JKSRTC as per the provisions of the Road Transport Corporation Act, 1950.

<sup>61</sup> Jammu & Kashmir Industries Limited, Jammu & Kashmir Handicrafts (S&E) Corporation Limited, Jammu & Kashmir Police Housing Corporation Limited, Jammu & Kashmir Handloom Development Corporation Limited, Jammu & Kashmir Small Scale Industries Development Corporation Limited, Jammu & Kashmir SC, ST & BC Development Corporation Limited, Jammu & Kashmir Tourism Development Corporation Limited and Jammu & Kashmir Bank Limited.

The details of aggregate money value of the comments of Statutory Auditors and supplementary audit by the C&AG in respect of Statutory Corporations for the last three years are given in Table 5.21.

**Table-5.21: Impact of audit comments on Statutory Corporations**

(₹ in crore)

Sl. No.	Particulars	2017-18		2018-19		2019-20	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	-	-	-	-	-	-
2.	Increase in profit	-	-	-	-	-	-
3.	Increase in loss	1	15.14	-	-	-	-
4.	Decrease in loss	-	-	-	-	-	-
5.	Non-disclosure of material facts	-	-	-	-	-	-
6.	Errors of classification	1	5	2	19.43	1	4.37

(Source: Compiled from comments of the Statutory Auditors/ C&AG in respect of Statutory Corporations)

**The concerned PSUs may ensure strict Compliance to Statutory norms for error free accounts and to avoid over/under statement of Profit/Loss. Besides, Finance and Administrative Department should oversee that corrective action is taken by these PSUs.**

### **5.21 Non Compliance with provisions of Accounting Standards/ IND AS**

In exercise of the powers conferred by Section 469 of the Companies Act, 2013, read with Section 129 (1), Section 132 and Section 133 of the said Act, the Central Government prescribed Accounting Standards 1 to 7 and 9 to 29. Besides these, the Central Government notified 41 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016. During the course of supplementary audit, the CAG observed that the following companies had not complied with the Accounting Standards/Ind AS, which was also not reported by their statutory auditors:



Accounting Standard/ Ind AS		Name of Company	Deviation
Ind AS 10	Property, Plant and Equipment	Jammu and Kashmir Bank Limited	Disclosure made by the company that it has revalued its immovable properties during 2019-20 was not in accordance with the Accounting standard (AS 10) "Property Plant and Equipment".
Ind AS 7	Statement of Cash Flows	Chenab Valley Power Projects Private Limited	Disclosure with regard to components of cash and Cash equivalents and its reconciliation was not as per the requirement of Ind AS 7.
Ind AS 16	Property, Plant and Equipment		The Company had not segregated the expenses of Head Office into two classes i.e. those that are directly attributable to construction of projects and those that are not directly attributable to construction of projects instead the company had booked the entire expenditure under Capital Works In Progress which was not in accordance to Ind AS 16.

## 5.22 Corporate Governance

### 5.22.1 Provisions as contained in the Companies Act, 2013

The Companies Act, 2013 was enacted on 29 August 2013 replacing the Companies Act, 1956. In addition, the Ministry of Corporate Affairs has also notified (31 March 2014) Companies Rules 2014 on Management and Administration, Appointment and Qualification of Directors, Meetings of Board of Directors & its powers. The Companies Act, 2013 together with the Companies Rules provide a robust framework for Corporate Governance. The requirements *inter-alia* provide for:

- Qualifications for Independent Directors along with the duties and guidelines for professional conduct {Section 149(6) read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014}.
- Mandatory appointment of one woman director on the board in Public Companies having paid-up share capital of ₹ 100 crore or more or turnover of ₹ 300 crore or more {Section 149(1) of the Companies Act, 2013 read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014}.
- Appointment of Independent Directors in Public Companies and Mandatory establishment of certain committees like Audit Committee by the companies

having paid-up share capital of ₹ 10 crore or more, turnover of ₹ 100 crore or more, or outstanding loans, debentures and deposits, exceeding ₹ 50 crore. {Rule 4 of Companies (Appointment & Qualification of Directors) Rules, 2014 and Section 177(1) of the Companies Act, 2013}.

- Holding of a minimum of four meetings of Board of Directors every year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board {Section 173(1)}.

#### **5.22.2 Review of compliance by selected PSEs of the Corporate Governance provisions**

As on 31 March 2020, there were 42 Public Sector Enterprises (PSEs) in Jammu and Kashmir under the audit jurisdiction of the Comptroller and Auditor General of India (CAG). In the context of the policy of the Government to grant more autonomy to the PSEs, Corporate Governance has assumed importance.

For the purpose of the review, an assessment framework was prepared based on the provisions contained in the Companies Act, 2013. The review covers 22 working PSEs (which have forwarded their finalised accounts and are not under liquidation) for the year ended 31 March 2020. List of PSEs covered as well as PSEs excluded from this report is given in the *Appendix 5.9(A) and 5.9(B)* respectively.

#### **5.22.3 Composition and Meetings of Board of Directors**

The Board is the most significant instrument of the Corporate Governance. It is the agency for the implementation of governance policies and practices. It is imperative that the Board devotes adequate attention to Corporate Governance and must be equipped with the requisite representation and its members should meet regularly. Section 173(1) of Companies Act, 2013 stipulates that the Board shall meet at least four times in a year with a maximum time gap of 120 days between two consecutive meetings. Only five Companies<sup>62</sup> conducted four or more than four meeting during the year 2019-20. Companies where the required number of meetings to be held in a year was not complied with during 2019-20 are given in *Appendix 5.10*.

#### **5.22.4 Independent Directors**

According to Section 149 (6) of the Companies Act, 2013 an independent director means a director other than a managing director or a whole-time director or a nominee director, who is a person of integrity and possesses relevant expertise and experience. The presence of independent directors on the Board, capable of taking an independent view on the decisions of the management is widely considered as a means of protecting the interests of shareholders and other stakeholders. Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 provides that every public company with paid-up share capital of ₹ 10 crore or more or turnover of ₹ 100 crore or more or with aggregated outstanding loans, debentures and deposits

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<sup>62</sup> Chenab Valley Power Project Private Limited, J&K Bank Financial Services limited, Jammu and Kashmir Bank, Jammu and Kashmir Infrastructure Development Finance Corporation and Jammu and Kashmir Trade Promotion Organisation.

exceeding ₹ 50 crore shall have at least two independent directors on their board. Only four PSEs were falling under these criteria is given in **Appendix 5.11**. Only one PSE (Jammu and Kashmir Bank Limited) has appointed two Independent Director on its Board and met with the related criteria<sup>63</sup> provided under Schedule IV of Companies Act.

### **5.22.5 Woman Director in the Board**

Section 149 (1) of the Companies Act, 2013 read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014 provides that every public company having paid-up share capital of ₹ 100 crore or more or turnover of ₹ 300 crore or more shall have at least one woman Director in its Board. List of two such PSEs (J&K Bank Ltd. and J&K Small Scale Industries Development Corporation Ltd.) meeting these criteria in Jammu and Kashmir is given in **Appendix 5.12**. Both the PSEs had woman Director on their Boards.

### **5.22.6 Filling-up the posts of Company Secretary**

Timely filling up of vacancies in the posts of key managerial personnel, viz. Directors. Company Secretary *etc.* ensures the availability of required skill and expertise in the management of the Company. It was observed that 15 PSEs<sup>64</sup> fulfilled the criteria for appointment of Company Secretary. Of these in nine PSEs listed in Table 5.22, vacancies of Company Secretary were not filled.

**Table 5.22: List of PSEs where post of Company Secretary was vacant**

Sl. No.	Name of PSE
1.	J&K State Horticulture Produce Marketing and Processing Corporation Limited
2.	J&K SC, ST, BC Development Corporation Limited
3.	J&K State Women's Development Corporation Limited
4.	J&K Small Scale Industries Development Corporation Limited
5.	J&K State Industrial Development Corporation Limited
6.	J&K Industries Limited
7.	J&K Handicrafts (Sales and Export) Development Corporation Limited
8.	J&K Cements Limited
9.	J&K Minerals Limited

<sup>63</sup> Issuance of letter of appointment, code of conduct, training of independent directors, attending general meetings of the Company and meeting of independent directors.

<sup>64</sup> J&K Small Scale Industries Development Corporation Limited, J&K Industries Limited, J&K Bank Limited and J&K Bank Financial Services Limited.

### **5.22.7 Audit Committee**

#### **(A) Composition of Audit Committee**

Section 177 (1) and (2) of the Companies Act, 2013, stipulate that there shall be an Audit Committee with a minimum of three directors with Independent Directors forming majority. Further, Rule 6 of Companies (Meetings of Board and its Powers) Rules, 2014 provides that every public company with a paid-up capital of ₹ 10 crore or more or turnover of ₹ 100 crore or more or outstanding loans or borrowings or debentures or deposits exceeding ₹ 50 crore or more shall constitute an Audit Committee.

In terms of above stipulations, four companies listed in *Appendix 5.11* were required to constitute Audit Committee. However, only one PSE (Jammu and Kashmir Bank Limited) constituted the Audit Committee. Further, majority of the members of the Audit Committee in Jammu and Kashmir Bank Limited were Independent Directors.

#### **(B) Review of Supplementary Audit findings of the CAG**

All the PSEs are subject to the audit of the CAG as per the statutory mandate. Section 143 (6) of the Companies Act, 2013, authorises the CAG to carry out supplementary audit of accounts of Government Companies. Further, section 177 (4) (iii) of the Companies Act, 2013 provides that Audit Committee shall examine the financial statements and Auditors' Report thereon. Thus, in case of PSEs, it is the responsibility of the Audit Committee to review the findings of the CAG. The comments of the CAG on annual accounts had been reviewed by the Audit Committee in the case of Jammu and Kashmir Bank Limited only.

### **5.22.8 Other Committees**

#### **(I) Nomination and Remuneration Committee**

Section 178 (1) of the Companies Act, 2013 and Rule 6 of the Companies (Meeting of Boards and its Powers), Rules 2014, stipulate that each PSE shall constitute a Nomination and Remuneration Committee comprising of at least three Directors, all of whom should be non-executive Directors and at least half shall be independent. Out of four PSEs required to have independent director in the Board (as discussed in Para 5.22.4), only Jammu and Kashmir Bank Limited had Nomination and Remuneration Committee in place.

In case of any contravention of the provisions of Section 177 (Audit Committee) and Section 178 (Nomination and Remuneration Committee), the company shall be punishable under Section 178(8) of the Companies Act, 2013 with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both.

However, it was noted that no such penalty had been imposed by the Registrar of the Companies during 2019-20.

### 5.22.9 Whistle Blower Mechanism

Two companies (J&K Bank Limited and J&K State Power Development Corporation Limited) had whistle blower mechanism in place as per requirement of Section 177 (9) of the Companies Act, 2013 read with Rule 7 of the Companies (Meeting of Boards and its Powers), Rules 2014. However, review of the mechanism by the Audit committee (required under Para III (10) of Schedule IV of Companies Act, 2013 read with Rule 7 (2) of the Companies (Meeting of Boards and its Powers), Rules 2014 was done only by J&K Bank Limited.

### 5.22.10 Notice of Annual General Meeting

Section 101 of the Companies Act 2013 provides that a general meeting of a company may be called by giving not less than 21 days' notice either in writing or through electronic mode in such a manner as may be prescribed. Further, a general meeting may be called after giving a shorter notice if consent is given in writing or by electronic mode by not less than 95 *per cent* of the members entitled to vote at such meeting. In two PSEs (J&K SC/ ST/ BC Development Corporation Limited and J&K Projects Construction Corporation Limited) notice was circulated less than 21 days before the AGM without consent of the required members.

List of PSEs where no AGM is held during 2019-20 is given in *Appendix 5.13*.

### 5.23 Follow-up action on Audit Reports

The Report of the C&AG of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Jammu and Kashmir issued (June 1997) instructions to all Administrative Departments to submit replies/ explanatory notes to paragraphs/ reviews included in the Audit Reports of the C&AG of India within a period of three months after their presentation to the legislature, in the prescribed format without waiting for any questionnaires from the Committee on Public Undertakings (COPU). The position of explanatory notes on Audit Reports as of September 2020 is given in *Appendix 5.14*. was as under:-

Out of 11 paragraphs/ performance audits<sup>65</sup> of Power Sector, explanatory notes in respect of only one Performance Audit on Jammu and Kashmir Power Development Corporation Limited was awaited (October 2021).

Similarly, out of 79 paragraphs/ performance audits of other Sectors, explanatory notes to nine paragraphs/ performance audits in respect of two departments, which were commented upon, were awaited (October 2021).

<sup>65</sup> Performance Audit is considered as one Paragraph.

## 5.24 Compliance to Reports of COPU

Action Taken Notes (ATN) on five paragraphs of power sector PSUs pertaining to two Reports of the COPU and Action Taken Notes (ATN) on 45 paragraphs pertaining to eight Reports of the COPU for other sectors, and presented to the State Legislature between April 2005 to March 2018 had not been received (October 2021), as indicated in Table 5.23.

**Table-5.23: Compliance to COPU Reports**

Year of the COPU Report	Total number of COPU Reports	Total number of recommendations in COPU Report	Number of recommendations where ATNs not received
<b>Power sector paras</b>			
2015-16 (47 <sup>th</sup> Report)	01	02	02
2017-18 (49 <sup>th</sup> Report)	01	04	03
<b>Total</b>	<b>02</b>	<b>06</b>	<b>05</b>
<b>Other sector paras</b>			
2004-05 (40 <sup>th</sup> Report)	01	06	05
2009-10 (42 <sup>nd</sup> Report)	01	13	04
2010-11 (43 <sup>rd</sup> Report)	01	02	01
2011-12 (44 <sup>th</sup> Report)	01	05	01
2013-14 (46 <sup>th</sup> Report)	01	14	01
2015-16 (47 <sup>th</sup> Report)	01	15	06
2016-17 (48 <sup>th</sup> Report)	01	06	03
2017-18 (49 <sup>th</sup> Report)	01	25	24
<b>Total</b>	<b>08</b>	<b>86<sup>66</sup></b>	<b>45</b>

These Reports of COPU contained recommendations in respect of paragraphs pertaining to 10 departments which appeared in the Reports of the C&AG of India for the years 2000-01 to 2015-16.

**It is recommended that the Government may:**

- *impress upon the respective Administrative Ministries/Departments to ensure compliance of provisions as contained in the Companies Act, 2013 and Companies Rules, 2014 so as to achieve the objectives of Corporate Governance in PSEs; and*
- *ensure timely submission of explanatory notes and ATNs.*

<sup>66</sup> Pertains to 57 paragraphs/ performance audits that featured in the Audit Reports for the years 2000-01 to 2015-16.

## **Chapter VI**

# **Compliance Audit of Social, General and Economic Sectors (PSUs)**





## Chapter VI

### Compliance Audit of Social, General and Economic Sectors (PSUs)

#### Forest Department

#### 6.1 Activities of Extraction and Sale of Timber in Jammu & Kashmir Forest Development Corporation Limited

**The Company had accumulated losses of ₹ 249.13 crore at the end of March 2020. Outstanding Royalty of ₹ 395.67 crore was payable by the Company to State Forest Department. Timber/ markings valuing ₹ 2.71 crore became rotten/unsaleable. Unrealistic criteria for categorisation of forest area led to incorrect fixation of rates for extraction and transportation of timber. Contractors/ *Amani* mates abandoned work leading to markings/ timber valuing ₹ 17.61 crore being left unattended in the forest.**

##### 6.1.1 Introduction

The Jammu and Kashmir State Forest Corporation (J&KSFC) was established (July 1979) under the Jammu and Kashmir State Forest Corporation Act, 1978 (SFC Act). Audit of the accounts of the J&KSFC (from 1996-97 onwards), was entrusted (March 2000) to the Comptroller and Auditor General of India (C&AG) under Section 19(3) of the C&AG's (Duties, Powers and Conditions of services) Act, 1971. After repeal (March 2020) of the SFC Act, the Jammu and Kashmir Forest Development Corporation Limited (J&KFDC) was incorporated (December 2020) as a Company under the Companies Act, 2013.

The functions of J&KFDC (Company) included removal of trees from forests and their disposal, exploitation of forest resources, undertaking research programmes relating to forest and forest products, rendering technical advice to the Government on matters relating to forestry, management, maintenance and development of forests transferred to it by the Government. However, the Company was undertaking only removal of trees from forests and carrying out sale of timber.

As of March 2020, Advisor, in-charge Forest, Environment and Ecology, as Chairman of the Company and five directors, appointed by GoJ&K were running affairs of the Company.

The Company had four Extraction Circles, 13 Extraction Divisions, two Sales Circles and four Sales Divisions. Besides, the Company had two Fair Price Divisions. The Department of Forest, Environment & Ecology, GoJ&K transferred (July 2016) 868 Concessional Zone Timber Sale Depots (CTSD) to the Company.

Audit examined (October 2020 to March 2021) records (2015-16 to 2019-20) of the Company at its Head Office and in six<sup>1</sup>, out of 13, Extraction Divisions. Records were also checked in two, out of four, Sales Divisions and two Fair Price Divisions.

<sup>1</sup> Jammu province: Kishtwar, Bhandarwah & Udhampur and Kashmir province: PP East Pulwama, Zangli & Ganderbal.

## 6.1.2 Accounts and Financial Management

### 6.1.2.1 Non-finalisation of accounts

After entrustment (March 2000) of audit of accounts (from 1996-97 onwards) of the Company to the C&AG of India, Statutory auditors were to be appointed for submission of certified accounts to the Principal Accountant General. Audit noticed that appointment of Statutory Auditors was made (December 2004) after a delay of over four years and accounts for the period from 1996-97 to 2003-04 were certified (December 2011) after a delay of 15 years. Further, accounts up to the year 2013-14, for the years 2014-15 to 2016-17 and for the years 2017-18 to 2019-20 were submitted to the Principal Accountant General in October 2015, January 2020 and September 2021, respectively. Audit of accounts for the period from 1996-97 to 2013-14 was conducted in January/ February 2021. As of November 2021, reply to the preliminary audit observations was awaited from the Statutory Auditors of the Company.

### 6.1.2.2 Financial Position

Financial position of the Company for the period from 2015-16 to 2019-20<sup>2</sup> are given in Table 6.1.

**Table 6.1: Financial Position**

(₹ in crore)						
Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
1	Sales	136.72	147.35	212.20	171.90	148.71
2	Other income	33.04	21.54	2.04	2.32	8.31
3	Closing stock of timber (standing/extracted/sawn)	438.92	461.47	445.14	468.42	511.26
	<b>(A) Total = 1+2+3</b>	<b>608.68</b>	<b>630.36</b>	<b>659.38</b>	<b>642.64</b>	<b>668.28</b>
4	Opening Stock of timber (standing/extracted/sawn)	431.53	438.92	461.47	445.14	468.42
5	Direct expenditure	47.55	55.58	82.21	53.22	51.00
6	Direction and Administration expenses	103.19	110.16	119.66	138.52	144.11
7	Other expenditure	10.15	10.34	11.39	9.90	8.74
	<b>(B) Total = 4+5+6+7</b>	<b>592.42</b>	<b>615.00</b>	<b>674.73</b>	<b>646.78</b>	<b>672.27</b>
8	Net Profit/(Loss) for the year (A-B)	16.26	15.36	(15.35)	(4.14)	(3.99)
9	Accumulated Losses <sup>3</sup>	241.03	225.67	241.01	245.14	249.13

From the table above, it can be seen that:

- There was increase in revenue from ₹ 136.72 crore (2015-16) to ₹ 147.35 crore (2016-17). It reached the highest level of ₹ 212.20 crore during 2017-18 due to increase in sales which declined in subsequent years to ₹ 148.71 crore in 2019-20.
- Profit earned was ₹ 16.25 crore and ₹ 15.36 crore during 2015-16 and 2016-17, respectively. However, the Company suffered loss of ₹ 15.33 crore

<sup>2</sup> Figures are based on the accounts certified by the Chartered Accountants.

<sup>3</sup> The accumulated losses as on 31 March 2015 were ₹ 257.28 crore.

during 2017-18 mainly due to increase in direct expenditure<sup>4</sup> and direction and administration expenses<sup>5</sup>. It also suffered losses of ₹ 4.14 crore during 2018-19 and ₹ 3.99 crore during 2019-20.

- The accumulated losses stood at ₹ 249.13 crore as of March 2020 as against ₹ 257.28 crore as of March 2015.

The Management stated (April 2021) that increase/ decrease of sale was due to behavior of market and flow of imported timber led to decrease in sale. The Management also attributed (November 2021) losses to the implementation of Goods and Service Tax from July 2017 and re-organisation of J&K UT (Union Territory) after August 2019.

### 6.1.2.3 Royalty payable to Forest Department

As per agenda note placed before the meeting (April 2019) of the Board of Directors, ₹ 904.15 crore was payable by the Company to the Forest Department on account of royalty bills against markings<sup>6</sup> of trees handed over to the Company during the period 1979-80 to 2018-19. Against the outstanding of ₹ 904.15 crore, the Company paid ₹ 381.01 crore and supplied timber to the Forest Department valuing ₹ 377.30 crore as of March 2019, thus, leaving a balance of ₹ 145.84 crore as of March 2019. Accounts for 2018-19, however, showed that royalty payable to Forest Department was ₹ 395.67 crore. The variation of ₹ 249.83 crore was not reconciled by the Company.

Audit scrutiny of the royalty bills raised by Forest Department revealed that during 2015-20, the Company received markings of 27.26 lakh cft<sup>7</sup> under projects which also consisted green trees, for which full royalty rates were required to be booked in the accounts. Audit test checked records for 6.50 lakh cft of markings under projects and found that 5.74 lakh cft (88.31 per cent) was green marking and balance 0.76 lakh cft (11.69 per cent) was dry markings. The royalty payable against green markings of 5.74 lakh cft were not provided at full rates leading to short provisioning of royalty to the extent of ₹ 1.31 crore.

## 6.1.3 Extraction of timber

### 6.1.3.1 Receipt of marking and extraction done

The details of opening balance of markings available with the Company, fresh markings taken over, targets of extractions, shortfall in extractions, closing stock and losses relating to extraction of timber during the period 2015-16 to 2019-20 are given in Table 6.2.

<sup>4</sup> Due to (i) increase in quantity of markings taken over from the Forest Department which increased the royalty payable and (ii) increase in extraction of timber leading to increase in extraction charges.

<sup>5</sup> Due to implementation of sixth pay commission and its impact in the subsequent years.

<sup>6</sup> Trees identified/marked by State Forest Department for extraction of timber.

<sup>7</sup> Jammu province: 22.72 lakh cft and Kashmir province: 4.54 lakh cft.

**Table 6.2: Targets and achievements regarding extraction of timber**

*(In lakh cft)*

Year	Opening balance of marking	Fresh marking received during the year	Total markings available for extraction	Targets for extraction of Standing volume	Extraction done (standing volume)	Targets of extraction (converted volume)	Extraction done (converted volume)	Percentage of shortfall	Timber handed back	Closing balance of marking	Percentage of converted volume to standing volume	% age of actual extraction to the total available
	i	ii	iii = i + ii	iv	v	vi	vii	viii = {(vi-vii)/vi} %	ix	x	(xi=vii/v) %	(xii=v/iii) %
2015-16	138.90	37.55	176.45	Not fixed	46.18	38	25.38	33.21		130.27	54.96	26.17
2016-17	80.27	53.03	133.30	Not fixed	52.20	43	29.96	30.32	0.31	80.79	57.39	39.16
2017-18	80.43	75.79	156.22	Not fixed	70.07	45	38.99	13.36	0.83	85.32	55.64	44.85
2018-19	84.86	45.68	130.54	80	60.51	40	33.61	15.98	1.23	68.80	55.54	46.35
2019-20	68.80	28.37	97.17	Not fixed	32.78	Not fixed	19.71	NA		64.39	60.13	33.73

*(Source: Annual accounts for the period 2015-20 and agenda of meetings of BoDs)*

Audit observed that:

- Extraction (converted volume) targets were not fixed for 2019-20. There was shortfall in achievement of targets during 2015-19 ranging between 13.36 per cent and 33.21 per cent. Division-wise targets were not fixed during 2015-20.
- No targets of extraction (standing volume) were fixed except for the year 2018-19. The percentage of extraction (standing volume) with respect to total markings available for extraction ranged between 26.17 per cent and 46.35 per cent during 2015-20. Acceptance of fresh markings despite non-extraction of available markings led to creation of liability on account of royalty and accumulation of inventory (standing volume).
- There was short account of 50 lakh cft<sup>8</sup> of marked trees valuing ₹ 160.93 crore<sup>9</sup> in the opening stock for 2016-17 as compared to closing stock of 2015-16. Minor variations in the opening balances were also observed in the subsequent years. Since no remedial action was taken by the Company, the variation of 50 lakh cft continued in its book up to March 2020. Variation in the balance of stocks is fraught with the risk of fraud/ misappropriation remaining undetected.

The Management while replying to the audit observation provided (November 2021) a new set of figures of opening balance, marking received and extraction done nullifying the variations. The revised figures provided were not acceptable as, the data in the table above was prepared on the basis of figures of annual accounts of the

<sup>8</sup> Short: In Extraction Divisions Doda (10.89 lakh cft), Kishtwar West (3.30 lakh cft), Kehmil (6.61 lakh cft), PP East (27.56 lakh cft), PP West (2.33 lakh cft), Zangli (1.90 lakh cft), Ganderbal (1.04 lakh cft), Handwara (1.04 lakh cft), Anantnag (0.78 lakh cft), Udhampur (0.26 lakh cft), Rajouri (0.37 lakh cft), Ramban (0.33 lakh cft) and Excess: In Extraction Divisions Kishtwar East (4.01 lakh cft), Baderwah (1.60 lakh cft), Jammu (0.23 lakh cft) and Baramulla (0.57 lakh cft).

<sup>9</sup> Calculated on the basis of average sale rate of 585.64 per cft for 2015-16 with expected outturn of 27.48 lakh cft SV on the basis of percentage of actual outturn of 54.96 RV achieved during 2015-16.

Company and the allied working sheets which had been duly approved by the Board of the Directors of the Company and certified by the statutory auditor.

### 6.1.3.2 Categorisation of forest area for fixing estimated cost for extraction/ transportation of timber

The Steering Committee of the Company is empowered to revise rates for extraction/ transportation of timber as prescribed by the National Productivity Council. In Jammu province, the rates (applicable for lumbering operations) for 2015-16 were fixed in May 2015 and the same were revised in May 2019<sup>10</sup>. The coupes<sup>11</sup> of forests were categorised based on nine parameters<sup>12</sup> as A (upto 45 points), B (45-60), C (60-80) or D (above 80) in which the rates for category 'A' was the lowest and 'D' was highest.

Audit reviewed 82 project reports of three sampled Extraction Divisions<sup>13</sup> and noticed that only in three cases<sup>14</sup>, project area had been categorised as 'C' and the remaining cases were categorised as 'D'. It was observed that the minimum points which could be assigned was 57 and thus, no coupe could be categorised as Class 'A' and the probability of categorising as class 'B' was also low. Thus, the criteria set for categorisation of the coupes were unrealistic resulting in higher rates being fixed for coupes which should've been under category 'A'.

The Management stated (September 2020/ November 2021) that the weightage distribution for categorisation of the compartment had been calculated as per the proforma devised by National Productivity Council and admitted that no compartments were categorised under Category 'A' and 'B'. It was further stated that the matter would be examined for rectification of 'A' and 'B' categories.

### 6.1.3.3 Allotment of works for extraction/transportation of timber

After preparation of project report for extraction and transportation of timber, the Company starts the process of allotment of work by inviting tenders or the work is directly allotted on *Amani* basis (engaging labour mates) without inviting tenders to facilitate small and petty contractors preferably local 'D' class contractors, who are unable to compete with bigger contractors. The Board of Directors (BoDs) restricted (March 2013) allotment of work on *Amani* basis to markings up to 40,000 cft (standing) with overall restriction of 33 *per cent*. This was further restricted (November 2018) to markings up to 20,000 cft with overall restriction of 20 *per cent* of the total allotment.

Division-wise allotment of works (on tender and *Amani* basis) and range of receipt of markings of trees (in each compartment) during 2015-20 is detailed in **Appendix 6.1**. Analysis in audit showed that works for 77.76 lakh cft (51.76 *per cent*) were allotted on *Amani* basis out of which 54 works for 33.54 lakh cft were allotted breaching the limit of 40,000 cft or 20,000 cft.

<sup>10</sup> Applicable from the date of issuance of order.

<sup>11</sup> Forest Coupe: An area within forest which is set aside to be operated/ harvested.

<sup>12</sup> Distance from *pucca* road head, Distance from market, availability of labour, working period, security condition, topography/ terrain, mature/ quantity of the marking, terms/ conditions and prevalent local rate.

<sup>13</sup> ED Udampur: 22 cases, ED Kishtwar: 31 cases and ED Bhaderwah: 29 cases.

<sup>14</sup> In ED Udampur.

Out of 573 extraction works<sup>15</sup>, only 122 works were allotted on tender basis. Remaining 451 works were allotted on *Amani* basis out of which only 285 works were allotted to Class D/ small contractors (63 *per cent*) and 166 works were allotted to Class A, B and C contractors. Besides, multiple works were allotted to same *Amani* mates, thereby defeating the purpose of allotment of work to small and petty contractors.

Further, in Extraction Division (ED) Ganderbal, out of 9.28 lakh cft allotted during 2015-20, two lakh cft (22 *per cent*) was allotted to one *Amani* mate who was a Class A contractor registered with the Company.

The Company had neither devised any criteria nor made any roster for selection of *Amani* mates and work was being allotted on the application of selective *Amani* mates, thus giving them undue favour.

The Management stated (November 2021) that the works on *Amani* mates were allotted for the following: (i) in case there was poor or no response from the contractors, (ii) to avoid loss of full working season which could lead to deterioration of markings affecting timber, (iii) to save cost escalation, (iv) for timely revenue generation and (v) to achieve the targets fixed for a particular financial year. The allotment of work on *Amani* basis was to serve the dual purpose of providing of extraction work to petty/ local contractors who could not compete with bigger contractors.

The reply of the Management is not tenable as allotment of works to *Amani* mates was made generally without resorting to the invitation of tender. Further, it was seen that works on *Amani* basis were also awarded to contractors registered as Class A indicating works being given to bigger contractors without tendering. Also, delay in execution of works was noticed in works executed on *Amani* basis as well.

#### **6.1.3.4 Delay/ non-completion/ abandoning of works by the contractors/ *Amani* mates**

As per agreement executed with contractors/ *Amani* mates for allotment of extraction/ transportation work, the timeline for completion of work was fixed in each case. In the event of failure to execute the contract in accordance with terms and conditions of the tender notice/ Agreement, the Company was to impose all or any of the penalties such as (i) terminate the contract and forfeit the Earnest Money Deposit/ Security deposit, (ii) impose penalty as decided by the management upto 10 *per cent* of the value of the contract and (iii) deregister/ black list the contractor/ *Amani* mate and (iv) execute the balance work at their risk and cost.

Audit noticed that there was delay in completion of work, ranging between one month and 72 months, in 103<sup>16</sup> out of 112 test checked cases<sup>17</sup> in six EDs. In 85 cases, the Company had granted extension of time for completion of work and token penalty

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<sup>15</sup> Test checked EDs only.

<sup>16</sup> In nine cases, works were completed within scheduled time.

<sup>17</sup> Udampur (9), Kishtwar (24), Bhaderwah (18), Ganderbal (22), Pulwama (20) and Zangli (19).

ranging between ₹ 500 and ₹ 39,500<sup>18</sup> was imposed in 84 cases<sup>19</sup>. In remaining 18 cases, neither the extension was granted nor was any penalty imposed. It was also observed that the Company only issued notices to the contractors/ *Amani* mates and did not invoke the provisions of the clauses of the agreement/ NIT which stipulated termination of contract, execution of balance work at the risk and cost of the contractor/ *Amani* mate and blacklisting of the defaulting contractor/ *Amani* mate.

**Works partially executed and partially transported:** Audit further observed that the contractors/ *Amani* mates left the work incomplete leaving the markings as well as rotten/ unsaleable timber in the Forest/ Transit Depots. However, no action was taken against the contractors/ *Amani* mates. Six cases, as detailed in **Appendix 6.2** revealed that 0.26 lakh cft of timber valuing ₹ 1.60 crore<sup>20</sup> was not transported by contractors to the Sale Depots as a result of which the timber had become (17,977 cft) or would become rotten/ unsaleable. Further, 0.51 lakh cft of markings with expected outturn of 0.18 lakh cft<sup>21</sup> valuing ₹ 1.11 crore had not been converted by the contractor/ *Amani* mates with the result that the condition of markings/ timber got deteriorated.

**Works abandoned after partial execution and not transported:** Ten case studies, as detailed in **Appendix 6.3**, revealed that the contractors/*Amani* mates had abandoned work without i) converting the markings of 1.76 lakh cft Round Volume (RV) with expected outturn of 0.80 lakh cft Sawn Volume (SV) valuing ₹ five crore, and (ii) without transporting the extracted timber of 2.02 lakh cft SV valuing ₹ 12.61 crore. This could result in deterioration of the unprocessed timber with the passage of time.

**Works not started:** In 31 cases<sup>22</sup>, the contractors/ *Amani* mates failed to execute the work with the result markings of 3.070 lakh cft with expected outturn of 2.22 lakh cft valuing ₹ 13.79 crore remained un-attended.

The Management attributed (November 2021) delay/ abandoning of works by the contractors/ *Amani* mates to upward trends of labour rates and scarcity of labour in general due to developmental activities, reduction in working hours in a day due to security reasons, spread of marking in vast areas in view of dead end marked trees and erratic climatic conditions. They further added that penalties invoked were subject to the circumstances existing in the forest coupe.

The reply is not tenable, as during preparation of the project reports all the variables are to be suitably taken into consideration.

### **6.1.3.5 Expected outturn, rotting of timber and incurring of extra cost due to cancellation of contract**

In detail review of 13 cases, the following was observed:

- In two cases due to unrealistic preparation of project report the markings rotted with expected outturn of 11,500 cft valuing ₹ 44.44 lakh (**Appendix 6.4**)

<sup>18</sup> Udampur: ₹ 500-5,200, Kishtwar: ₹ 1,000- 39,500, Ganderbal: ₹ 500-15,000, Bhaderwah: ₹ 1,000-22,000, Pulwama : ₹ 2,000-15,900 and Zangli: ₹ 500-36,000.

<sup>19</sup> In one case, extension was granted without imposing penalty.

<sup>20</sup> Calculated at a rate of ₹ 625.40 per cft (weightage average sale rate for the period 2015-20).

<sup>21</sup> Calculated at weightage average conversion of timber from marking during the period 2015-20.

<sup>22</sup> Pulwama: 22 and Kupwara: 9

- Audit analysis of three cases<sup>23</sup> (**Appendix 6.5**), revealed the Company failed to re-allot the cancelled contracts for transportation of extracted timber from Forest to Sales depots in time and could not recover extra cost of ₹ 1.09 crore<sup>24</sup> from the defaulting contractors. This also led to rotting of 6,773 cft of timber valuing ₹ 39.67 lakh and loss of expected outturn of 12,783 cft SV valuing ₹ 74.86 lakh.
- The expected outturn is to be fixed based on the norms and inspection of field staff of respective divisions. It was noticed there were abnormal variations in the expected outturn and actual outturn achieved. In one instance, it was observed that the outturn was 74 per cent in excess of the expected outturn. These cases are detailed in **Appendix 6.6**.

The Management stated (November 2021) that the Company had received dry/ fallen/ diseased trees and actual outturn depend upon the quality of marking expected and that the actual outturn was available only after completion of all lumbering activities.

The project reports are to be prepared after receipt and inspection of markings received. However, the Company did not provide any specific reply for abnormal variation in expected and actual outturn.

#### **6.1.3.6 Ineffective system of measurement of timber**

Timber is measured while passing the stocks in the Forest after sawing and then the activities of off road transportation<sup>25</sup> (ORT)/ Road Transportation (RT) are carried out. Final measurement is done at Sale Depots and the same is recorded in the reconciliation statement issued by the Sales divisions. *Sharamandi* variation<sup>26</sup> is allowed upto five per cent, besides, additional two per cent is allowed for mahan<sup>27</sup> loss.

*Sharamandi* variations were allowed irrespective of the type of the ORT activity. In East Marketing Division, Jammu, against the dispatches of 25.24 lakh cft from Extraction Divisions, actual receipt was recorded at 23.49 lakh cft during the period 2015-20 and variations of 1.75 lakh cft was shown/allowed as *Sharamandi* variations. Variations were also noticed when the stock was again measured while making lots of timber for putting it to auction. In contrast to this, no variation was noticed when the supply was made to the CTSDs (three test checked EDs: 2.35 lakh cft<sup>28</sup>) during 2016-20.

The DM, East Marketing Division, Jammu stated (January 2021) that due to paucity of time during unloading stock in store, the checking was done as per ocular estimation but at the time of forming the lots, proper measurement of stocks was done in store depots with tape and kanda. It was also stated that variation occurred due to dryness and wear and tear of timber. The Management further stated

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<sup>23</sup> 51 Kellar, 47 Kellar and 34 Dudu.

<sup>24</sup> C: 51/ Kellar: ₹ 21.08 lakh, C: 47/ Kellar: ₹ 53.18 lakh and C: 34/Dudu: ₹ 34.72 lakh (The contracts provided for completion of work at the risk and cost of defaulting contractor).

<sup>25</sup> Pathroo, pacci nali, tarpans, mahan and crane-Modes of off road transportation within forest area.

<sup>26</sup> Variation between measurement made in forest and measurement made at sales depot, Jammu.

<sup>27</sup> Off road transportation through nallah/ river.

<sup>28</sup> Udhampur: 0.59 lakh cft, Bhaderwah: 0.82 lakh cft and Kishtwar: 0.94 lakh cft.



(November 2021) that *Sharamandi* variations occurred during the process of extraction/ ORT. Some variation at Sales depots were due to breakage of scants due to small sized timber<sup>29</sup>,

The Company should relook into the norms for *Sharmandi* variations allowed during supply of timber to prevent leakage of revenue.

### 6.1.3.7 Non accountal of marking

In case of Compartment-13/ Neeru, 2.08 lakh cft<sup>30</sup> were allotted (May 2012) to a contractor on tender basis. Up to October 2012, the contractor converted 83,139 cft<sup>31</sup> SV (1,57,929 cft RV) out of which 83,034 cft<sup>32</sup> SV was transported to the Sales Depot Jammu. As per Performance report of the Range (Neeru), the contractor had left 50,179 cft RV of Deodar species in the compartment as unconverted which was lying unattended in the Forest. However, performance/ progress report of the ED, Bhaderwah showed no balance of markings. The Committee constituted (February 2016) reported (March 2016) that due to oversight by staff 50,179 cft RV was reflected in the Performance report though there was nothing in the forest except 8,562 cft which was either rotten or hollow from which nothing could be extracted. Thus, non-accounting of 41,617 cft RV and rotting of 8,562 cft RV of marking of Deodar specie<sup>33</sup> led to loss of 26,414 cft SV of timber valuing ₹ 2.43 crore<sup>34</sup>.

The DM, Bhaderwah stated (May 2021) that the Company took over dry/ diseased and fallen markings which further deteriorated with time and had no timber value; as per standing instructions, such markings were not converted resulting in balance shown in the records. After spot verification only 8,562 cft also having no timber value was found.

The reply made by the management is contradictory, as the balance shown in records was 50,179 cft whereas on spot verification by the Committee only 8,562 cft was found. Non-accountal of such significant quantity of marking indicated possibility of theft and pilferage.

## 6.1.4 Sale of timber

### 6.1.4.1 Targets and achievements in respect of sale of timber

The Company conducts sale of timber through open auction and fair price depots and also supplies<sup>35</sup> timber directly to the consumers at concessional rates. The position of targets fixed for sale of timber, achievements and shortfall during 2015-20 is given in Table 6.3.

<sup>29</sup> Like Ballies, Hakries, Pharras, Trikona, etc.

<sup>30</sup> 1.91 lakh cft of deodar species and 0.17 lakh cft of kail species.

<sup>31</sup> 74,244 cft of Deodar and 8,895 cft of Kail species.

<sup>32</sup> Balance 105 cft SV was shown as operational loss.

<sup>33</sup> All the timber in respect of kail species has been extracted (8,895 cft out of 17,194 cft).

<sup>34</sup> Calculated on the basis of average sale rate of Deodar during the year 2015-16, which was ₹ 919.12 per cft, for 26,414 cft (52.64 per cent actual outturn achieved in respect of 83,139 cft SV out of 1,57,929 cft RV).

<sup>35</sup> The function was entrusted by the SFD to the J&KFDC from July 2016.

**Table 6.3: Targets and achievements in respect of sale of timber**

Year	Targets	Achievements	Shortfall	Shortfall (percentage)	Sales revenue (₹ in crore)	Sales revenue (per cft) in ₹
	(In lakh cft)					
2015-16	36.00	23.24	12.76	35.44	136.12	585.64
2016-17	43.50	19.81	23.69	54.46	117.78	594.58
2017-18	45.50	26.00	19.50	42.85	150.65	579.40
2018-19	41.00	20.68	20.32	49.56	138.77	671.19
2019-20	Not fixed	18.44	NA	NA	128.41	696.21

(Source: Targets as per Agenda of the meeting of the BoDs and achievements as per performance reports)

Audit noticed that division-wise targets were not fixed and no targets were fixed for 2019-20. Shortfall in achievement of targets during 2015-19 ranged between 35.44 per cent (2015-16) and 54.46 per cent (2016-17). Sales which stood at 23.24 lakh cft during 2015-16 decreased to 18.44 lakh cft during 2019-20. Sales revenue per cft which was ₹ 585.64 during 2015-16 increased to ₹ 696.21 during 2019-20.

The Management attributed (November 2021) the shortfall in sales revenue to local market demand and that imported timber had taken a chunk of the conifer sale.

The Company's reply was silent with regard to not fixing of division-wise targets and not fixing of targets for the year 2019-20.

#### 6.1.4.2 Reduction/clearance sale

Timber is sold at Sales depots through auction at the reserve price fixed by the Steering Committee of the Company. The price of timber which could not be sold at reserve price is reduced by 15 per cent after two unsuccessful auctions and further reduced by 15 per cent if not sold in third auction. In case timber is not sold after reducing the reserve price twice, the timber is sold through auction by clearance sale even below the reduced reserve price.

Out of eight clearance sale auctions<sup>36</sup> conducted by the EMD, Jammu during 2017-18 to 2018-19, audit test checked four clearance sales wherein 0.65 lakh cft of timber was sold. The time analysis within which timber was received at Sales Depot, Jammu and clearance sale is given in Table 6.4.

**Table 6.4: Time within which timber received in Sales Depot, Jammu and their clearance sale**

Specie (in Cft)	Timber received before clearance sale (in months)					Total	Percentage to total
	1 to 6	7 to 12	13 to 18	19 to 24	More than 24		
Deodar	604.53	237.64	2,131.28	5,446.07	11,676.5	20,096	31
Kail	1,308.16	943.29	5,500.92	10260	11,832.5	29,845	46
Fir	214.36	261.79	3075.1	2,859.44	3,879.48	10,290.2	16
Chir	7	0	1,183.07	3661.1	39.85	4,891.02	7
<b>Total</b>	<b>2,134.05</b>	<b>1,442.72</b>	<b>11,890.37</b>	<b>22,226.7</b>	<b>27,428.3</b>	<b>65,122.1</b>	
<b>Percentage to total</b>	<b>3</b>	<b>2</b>	<b>18</b>	<b>34</b>	<b>42</b>		

<sup>36</sup> Volume of timber sold: 1.25 lakh cft.

Out of 65,122.10 cft of timber sold through clearance sale:

- 3,576.77 cft (*five per cent*) was received within one year,
- 11,890.37 cft (*18 per cent*) was received between one year to one and half years,
- 22,226.70 cft (*34 per cent*) was received within one and half years to two years, and
- 27,428.30 cft (*42 per cent*) was received more than two years from the date of clearance sale.

Out of 65,122.10 cft of timber sold by clearance sale, 20,096 cft (*31 per cent*) was that of Deodar species.

Sale of stock through clearance sale within one to two years of receipt, especially in case of durable species like Deodar indicated that the stocks received were of poor quality.

The Management stated (November 2021) that quality of conifer stocks received in the Sale Depots is of poor quality and the same could not be improved until good quality marking is received by the Company.

The reply could be viewed in light of the fact that there had been delay in execution of works as observed in the para above which also led to deterioration in quality of timber and consequently the Company resorted to clearance sale.

### **6.1.5 Inventory management**

The position of sales and closing balance of timber during the period 2015-20 is given in *Appendix 6.7*.

Losses accumulated on account of timber was ₹ 283.89 crore as of March 2020 (₹ 5.39 crore during 2015-19) on account of floods, fire, theft, transit shortage etc. which had neither been made good nor written off after approval of the Board of Directors.

Accounts Manual of the Company prescribes a maximum closing stock (as of March each year) of *10 per cent* of annual targets of sale in a sale depot in Jammu province and *seven per cent* in Kashmir province. Audit noticed that the closing stock of timber in the East Marketing Division (EMD), Jammu was more than the annual sales during the period 2015-20 ranging between *109.55 per cent* and *143.73 per cent*<sup>37</sup>. The position of closing stock of timber in North Marketing Division, Srinagar ranged between *12.32 per cent* and *40.55 per cent* of annual sales during the period.

Out of closing stock of 5.06 lakh cft<sup>38</sup> of timber as on March 2020, 3.78 lakh cft (*75 per cent*) was received within one year before March 2020, 0.82 lakh cft (*16 per cent*) was received between one and two years, 0.37 lakh (*seven per cent*) was received between two to three years and 0.09 lakh (*two per cent*) cft was received between three and four years before March 2020. Holding of huge inventory was

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<sup>37</sup> Except during 2018-19 when it was *89.97 per cent*.

<sup>38</sup> In Stores at Sunjwan and Bachhan (under EMD, Jammu).

indicative of defective inventory management exposing the stocks to fire, flood, theft, deterioration over time and involving avoidable handling charges.

Stock of 35,650 cfts in three EDs<sup>39</sup> received from Transit Depots and Sales Depots had become unsaleable at CTSDs during May 2016 to March 2020 resulting in loss to the Company. Further, while bringing forward closing stock as on 31 March 2019, 393 cft of timber was short accounted for<sup>40</sup> as opening stock for 2019-20.

The Accounts Manual<sup>41</sup> of the Company provides for physical verification at least once a year. Audit noticed that no physical verification of stocks was conducted in Extraction Divisions during 2015-20 in contravention to provisions of the manual.

In the EMD, Jammu, physical verification was not conducted regularly<sup>42</sup> at Sales Depots and Stores. As per the PV reports, variations<sup>43</sup> were noticed. In North Sales Division, the PV reports of all the four Sales Depots showed excess ground balance of timber than the book balance to the extent of 1,05,556 cft during 2015-20. However, no action was taken to analyse variation in the stocks.

The Management attributed (November 2021) variations to operational losses like loading/ unloading, ORT operations, delay in completion of works turning the timber to firewood, and stated that the Company had taken steps to minimize losses. It was further stated that as Physical Verification Reports were not sent to Sales Circle/ Sales division, the necessary rectifications were not made in the sales records.

The fact remains that the losses incurred on account of timber since inception were yet to be either made good or written off by the BoDs. Besides, the reply of Company was silent regarding holding of inventory at sales division and deterioration of quality of timber.

#### **6.1.6 Conclusion**

- **Royalty of ₹ 395.67 crore was payable by the Company to State Forest Department for markings of trees.**
- **There was shortfall in achievement of extraction (converted volume) targets ranging between 13.36 per cent and 33.21 per cent; and extraction (standing volume) was done to the extent of 26.17 per cent and 46.35 per cent of the total markings available leading to accumulation of markings.**
- **Unrealistic criteria were set for categorisation of forest area led to incorrect fixation of rates for extraction/ transportation of timber.**
- **There was irregular allotment of contracts in contravention to the directions of the BoDs led to undue favour to the contractor.**

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<sup>39</sup> ED Udampur: 7,974 cft, ED Zangli: 8,876 cft and ED Pulwama: 18,800 cft.

<sup>40</sup> In CTSD Domail 'A'.

<sup>41</sup> Chapter X: Inventory Control.

<sup>42</sup> PV not conducted: Sales depot Bachan for the years 2017-18 and 2019-20, Store at Bachan for the years 2016-17, 2017-18 and 2019-20, Sales depot, Sunjawan: for the years 2016-17, 2017-18 and 2019-20 and Store Sunjawan: for the years 2016-17 and 2017-18.


<sup>43</sup> Store (Sunjwan), Sales Depot (Sunjwan), Store (Bachan).

- Timber/ markings valuing ₹ 2.71 crore had become or would become rotten/ unsaleable as these had not been transported by contractors/ *Amani* mates to the Sale Depots or had not been converted to timber.
- Contractors/ *Amani* mates had abandoned work without converting the markings valuing ₹ 17.61 crore.
- There was Shortfall in achievement of sales targets ranged between 35.44 per cent and 54.46 per cent during 2015-19.

#### 6.1.7 Recommendations


- *The Company may consider fixing targets of extraction commensurate with the available markings and endeavour to achieve the set targets;*
- *The Company may devise a mechanism to monitor the extraction and transportation of timber to avoid delays;*
- *Forest area may be categorised on realistic criteria to ensure correct fixation of rates for extraction/transportation of timber;*
- *Contract management may be strengthened; process of allotment of contracts should be transparent and in accordance with the directions issued by the BoDs; and*
- *Efforts may be made to achieve sales targets to avoid accumulation of inventory and selling of timber in clearance sales with attendant losses.*

Srinagar/ Jammu  
Dated: 01 February 2022

  
(Pramod Kumar)  
Principal Accountant General (Audit)  
Jammu and Kashmir

Countersigned

New Delhi  
Dated: 15 February 2022

  
(GIRISH CHANDRA MURMU)  
Comptroller and Auditor General of India



# **Appendices**





### Appendix-1.1.1

(Reference Paragraph: 1.10)

Unit-wise details of recovery accepted and recovery effected cases during 2019-20

(₹ in lakh)

Sl. No.	Name of the unit	Recovery accepted cases		Recovery made	
		No. of cases	Amount of recovery accepted	No. of cases	Amount recovered
1.	State Taxes Officer, Circle A, Jammu	2	0.89	-	-
2.	State Taxes Officer, Budgam	10	61.35	-	-
3.	State Taxes Officer, Kupwara	9	13.49	-	-
4.	State Taxes Officer, Circle L, Jammu	4	31.34	-	-
5.	State Taxes Officer, Pulwama	10	35.92	-	-
6.	State Taxes Officer, Circle L, Jammu	1	5.58	-	-
7.	State Taxes Officer, Circle I, Udhampur	5	51.06	-	-
8.	State Taxes Officer, Circle II, Udhampur	10	16.27	-	-
9.	State Taxes Officer, Sopore	11	7.48	-	-
10.	State Taxes Officer, Circle E, Jammu	3	4.61	-	-
11.	State Taxes Officer, Circle I, Anantnag	5	104.90	-	-
12.	Excise and Taxation Officer, City range, South Jammu	1	1.88	1	1.88
13.	Excise and Taxation Officer, Kathua	1	1.47	1	1.47
14.	Excise and Taxation Officer, Toll Post, Upshi Leh	-	-	1	0.01
15.	Regional Transport Officer, Jammu	-	-	1	1.50
16.	Deputy Commissioner, Executive (Accounts), Jammu	-	-	2	0.23
17.	Secretary Legislative Assembly, Jammu	-	-	1	1.06
	<b>Total</b>	<b>72</b>	<b>336.24</b>	<b>7</b>	<b>6.15</b>

**Appendix- 2.1**

(Reference Paragraph: 2.2)

Statement showing evasion of tax, under assessment/ short levy of revenue/ non/ short realisation of tax during 2019-20

(₹ in crore)

Sl. No.	Categories	Number of cases	Amount
<b>Taxes on Sales, Trade/ VAT, etc.</b>			
01	Budgetary support to industrial units in Jammu & Kashmir by way of tax reimbursement	01	4.15
01	Evasion of tax due to suppression of sales/ turnover and concealment of purchases	99	28.10
02	Irregular exemption due to non-filing/ non-production of declaration forms	09	1.93
03	Under-assessment of Tax	8	0.13
04	Inadmissible/ incorrect/ excess allowance of Input Tax Credit	11	0.55
05	Other Irregularities	207	47.30
06	Expenditure	39	6.39
	<b>Total</b>	<b>374</b>	<b>88.55</b>
<b>State Excise</b>			
01	Short payment of assessment fee/ short levy of fine etc.	46	7.32
02	Other Irregularities	93	5.61
03	Expenditure	63	0.08
	<b>Total</b>	<b>202</b>	<b>13.01</b>
<b>Taxes on Vehicle, Goods and Passengers</b>			
01	Non-renewal of fitness certificates/ route permits and Non/ Short realisation of Passenger tax	4,050	4.93
02	Non/ short realisation of Token Tax	7,142	8.23
03	Other Irregularities	2,657	9.73
04	Expenditure	29	0.76
	<b>Total</b>	<b>13,878</b>	<b>23.65</b>
<b>Stamp Duty and Registration Fee</b>			
01	Lapsed Deposits	14	0.80
02	Stamp Duty	07	0.16
03	Other Irregularities	81	1.50
04	Expenditure	16	0.05
	<b>Total</b>	<b>118</b>	<b>2.51</b>
	<b>Grand Total</b>	<b>14,572</b>	<b>127.72</b>

## Appendix- 3.1.1

(Reference Paragraph: 3.3)

Statement showing the funds transferred directly to the various State/ UT implementing agencies under  
Programmes outside the State/ UT budget during 2019-20

(₹ in lakh)

Sl. No.	GoI Scheme	Implementing agencies in the State	GoI release (01/04/2019 to 30/10/2019) (A)	GOI release (31/10/2019 to 31/03/2020) (UT of J&K) (B)	Total
1.	Atal Innovation Mission (AIM) including Self Employment and Talent Utilization (SETU)	Various Government Higher Secondary Schools	36.00	24.00	60.00
2.	Beti Bachao Beti Padhao	Various Dy. Commissioner, Government of Jammu and Kashmir	217.95	141.90	359.85
3.	Development of Infrastructure for Promotion of Health Research	Medical College, Srinagar	125.20	42.20	167.40
4.	Development of Nursing Services	Various Nursing Schools of Jammu and Kashmir	0.00	2,625.00	2,625.00
5.	Economic Census	Directorate of Economics & Statistics, Jammu and Kashmir	0.00	18.90	18.90
6.	Higher Education Statistics and Public Information System (HESPIS)	Higher Education, Jammu and Kashmir	0.00	5.65	5.65
7.	Integrated Management of Public Distribution System	Consumer Affairs & Public Distribution Department Jammu and Kashmir	0.00	68.14	68.14
8.	Innovation, Technology Development and Deployment	Jammu & Kashmir Council for Science and Technology	12.00	0.00	12.00
9.	Incentivization of Panchayat	Rashtriya Gram Swaraj Abhiyan	0.09	5.00	5.09
10.	Management Support to Rural Development Programs and Strengthening of District Planning Process	Regional Extension Training Centre Budgam	285.20	0.00	285.20
11.	Member of Parliament Local Area Development Scheme (MPLAD)	Various Distt. Deputy Commissioners, Government of Jammu and Kashmir	2,250.00	2,000.00	4,250.00
12.	National Organ Transplant Programme	Medical College, Jammu	71.00	0.00	71.00
13.	One Stop Center	Deputy Commissioner, Government of Jammu and Kashmir	23.02	73.36	96.38

Sl. No.	GoI Scheme	Implementing agencies in the State	GoI release (01/04/2019 to 30/10/2019) (A)	GOI release (31/10/2019 to 31/03/2020) (UT of J&K) (B)	Total
14.	Pradhan Mantri Matru Vandana Yojana	Social Welfare Department, Jammu & Kashmir Government	1,807.26	1,204.84	3,012.10
15.	Pradhan Mantri Kisan Samman Nidhi	Department of Agriculture Production, Government of Jammu and Kashmir	30,046.90	26,362.32	56,409.22
16.	Price Monitoring Structure	Food and Supplies Department Government of Jammu and Kashmir	7.33	0.00	7.33
17.	Relief and Rehabilitation for Migrants and Repatriates	Dy. Commissioners/ Additional Deputy Commissioner of Jammu and Kashmir	0.00	26.50	26.50
18.	Research Training and Studies and Other Road Safety Schemes	Transport Commissioner, Jammu and Kashmir	0.00	954.66	954.66
19.	Science and Technology Institutional and Human Capacity Building	Government Colleges, Government of Jammu and Kashmir	46.08	0.00	46.08
20.	Women Help Line	Deputy Commissioner, Government of Jammu and Kashmir	34.08	0.00	34.08
21.	Strengthening of Public Distribution System Operations	Consumer Affairs & Public Distribution Department Jammu and Kashmir	0.00	1.35	1.35
22.	Schemes for Differently Abled Persons	Under Secretary, Commissioner for Persons with Disabilities, Jammu	3.70	0.30	4.00
<b>Total</b>			<b>34,965.81</b>	<b>33,554.12</b>	<b>68,519.93</b>

**Annexure-4.3.1**

(Reference Paragraph: 4.3.7)

**Outstanding Payments of compensation**

(Amount in ₹)

Sl. No.	Name of user Agency	Payment outstanding (October 2021)
1	PWD (R&B)	2,56,451,474
2	Irrigation and Flood Control	11,74,887
3	PHE	25,67,270
4	NHA1	2,53,500
5	ARMY	96,263,435
6	GRAF	63,923,451
7	PDD	14,513,647
8	PGCI	55,35,210
9	JAKEDA	81,85,411
10	JKSPDC	3,12,000
11	Bharti Ltd	21,528
12	CE PDD Maintenance	10,82,835
13	CE PDD System and Operation	18,221,432
14	Law and Justice	1,84,058,575
15	Director School Education	78,91,788
16	Health Department	38,850
17	Higher Education	47,348,305
18	IAF	2,07,630,772
19	NRSS	25,89,120
20	Patni Top Development Authority	1,73,425
21	Reliance	23,298
22	Vindhya Tele links Ltd	14,19,678
	<b>Total</b>	<b>9,19,679,891</b>

**Appendix – 5.1**  
(Reference paragraph: 5.7)

**Statement showing position of equity and outstanding loans relating to State PSUs (of Sectors other than Power Sector) as on 31 March 2020**

(₹ in crore)

Sl. No	Sector and Name of PSU	Name of the Department	Month and year of Incorporation	Equity at the end of year 2019-20				Long term Loans at the end of year 2019-20			
				GoJK	GoI	Others	Total	GoJK	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
<b>A.</b>	<b>Social Sector</b>										
	<b>I. Working Government Companies</b>										
1	Jammu and Kashmir Agro Industries Development Corporation Limited	Agriculture production	30 January 1970	2.60	0.94	0.00	3.54	0	0	0	0
2	Jammu and Kashmir Horticulture Produce Marketing and Processing Corporation Limited	Agriculture production	10 April 1978	6.00	0	3.2	9.20	127.11	0	0	127.11
3	Jammu and Kashmir Scheduled castes, Scheduled Tribes and Back-ward Classes Development Corporation Limited	Social Welfare	1 April 1986	47.62	0	0	47.62	45.81	0	83.02	128.83
4	Jammu and Kashmir Women's Development Corporation Limited	Social Welfare	10 May 1996	10	0	0	10	0	0	95.71	95.71
5	Jammu and Kashmir Small Scale Industries Development Corporation Limited	Industries and Commerce	28 November 1975	89.91	0	0	89.91	0	0	0	0
6	Jammu and Kashmir State Industrial Development Corporation Limited	Industries and Commerce	17 March 1969	17.64	0	0	17.64	22.72	0	0	22.72
7	Jammu and Kashmir Industries Limited	Industry and Commerce	4 October 1960	16.27	0	0	16.27	264.99	0	0	264.99
8	Jammu and Kashmir Overseas Employment Corporation Limited	Finance	10 October 2010	4.06	0	0	4.06	0	0	0	0
9	Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited	Industries and Commerce	6 January 1970	7.08	0.89	0	7.97	63.95	0	0	63.95
10	Jammu and Kashmir Handloom Development Corporation Limited	Industries and Commerce	29 June 1981	4.99	0	0	4.99	153.03	0	0	153.03
11	Jammu & Kashmir Trade Promotion Organisation	Industries and Commerce	30 May 2018	0.03	0	0.02	0.05	0	0	0	0
12	Jammu & Kashmir Infrastructure Development Finance Corporation Pvt. Limited	Finance	25 September 2018	0.50	0	0	0.50	641.37	0	0	641.37
13	Jammu and Kashmir Medical Supplies Corporation Limited	Health	31 March 2014	0.05	0	0	0.05	The Companies have not yet submitted their accounts to this office for			

14	AIC-Jammu & Kashmir EDI Foundation	Industries and Commerce	7 September 2018	0.05	0	0	0.05	supplementary audit since inception.			
15	Jammu & Kashmir I.T. Infrastructure Development Pvt. Limited	IT and Communication	7 March 2019	0.50	0	0	0.50				
<b>Total I A</b>				<b>207.30</b>	<b>1.83</b>	<b>3.22</b>	<b>212.35</b>	<b>1,318.98</b>	<b>0</b>	<b>178.73</b>	<b>1,497.71</b>
<b>II. Inactive Company</b>											
16	Jammu & Kashmir Asset Reconstruction Limited	Finance	28 April 2017	1.02	0	0.98	2.00	0	0	0	0
17	Jammu and Kashmir Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited)	Industries and Commerce	29 November 1991	0.40	0	0	0.40	NA			
<b>Total II A</b>				<b>1.42</b>	<b>0</b>	<b>0.98</b>	<b>2.40</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total A (I+II)</b>				<b>208.72</b>	<b>1.83</b>	<b>4.20</b>	<b>214.75</b>	<b>1,318.98</b>	<b>0</b>	<b>178.73</b>	<b>1,497.71</b>
<b>B</b>	<b>Competitive Sector</b>										
<b>I. Working Government Companies</b>											
18	Jammu and Kashmir Cements Limited	Industries and Commerce	24 December 1974	49.86	0	0	49.86	16.64	0	31.09	47.73
19	Jammu and Kashmir Minerals Limited	Industries and Commerce	5 February 1960	8.00	0	0	8.00	136.38	0	0	136.38
20	Jammu and Kashmir Cable Car Corporation Limited	Tourism	28 November 1988	23.57	0	0	23.57	0	0	0	0
21	Jammu and Kashmir Bank Limited	Finance	10 October 1938	48.64	0	22.72	71.36		0	2,019.58	2,019.58
22	JKB Financial Services Limited	Finance	27 August 2009	0	0	20	20	0	0	0	0
23	Jammu and Kashmir State Financial Corporation	Finance	2 December 1959	172.35	0	0.54	172.89	8.29	0	45.87	54.16
24	Jammu and Kashmir State Road Transport Corporation	Transport	1 September 1976	205.52	67.89	1.93	275.34	704.61	0.10	0	704.71
25	Jammu and Kashmir Tourism Development Corporation Limited	Tourism	13 February 1970	15.96	0	0	15.96	4.26	0	0	4.26
26	Jammu and Kashmir State Forest Corporation	Forest	1 July 1979	9.03	0	0	9.03	18.06		0	18.06
<b>Total I B</b>				<b>532.93</b>	<b>67.89</b>	<b>45.19</b>	<b>646.01</b>	<b>888.24</b>	<b>0.10</b>	<b>2,096.54</b>	<b>2,984.88</b>
<b>II. Inactive Companies</b>											
27	Tawi Scooters Limited	Industries and Commerce	15 December 1976	0.8	0	0	0.8	0.83	0	0	0.83
28	Himalayan Wool Combers Limited	Industries and Commerce	24 January 1978	1.37	0	0	1.37	0	0	0	0
<b>Total II B</b>				<b>2.17</b>	<b>0</b>	<b>0</b>	<b>2.17</b>	<b>0.83</b>	<b>0</b>	<b>0</b>	<b>0.83</b>

*Audit Report (Compliance Audit) for the year ended 31 March 2020*

	<b>Total B (I+II)</b>			<b>535.1</b>	<b>67.89</b>	<b>45.19</b>	<b>648.18</b>	<b>889.07</b>	<b>0.1</b>	<b>2,096.54</b>	<b>2,985.71</b>
<b>C</b>	<b>Others</b>										
	<b>I. Working Government Companies</b>										
29	Jammu and Kashmir Projects Construction Corporation Limited	Public Works	22 May 1965	1.97	0	0	1.97	0.33	0	0	0.33
30	Jammu and Kashmir Police Housing Corporation Limited	Home	26 December 1997	2.00	0	0	2.00	0	0	0	0
31	Jammu Smart City Limited	Urban Development	8 September 2017	0.1	0	0	0.1	The Company has not yet submitted their accounts to this office for supplementary audit since inception.			
32	Srinagar Smart City Limited	Urban Development	8 September 2017	0.1	0	0	0.1	The Company has not yet submitted their accounts to this office for supplementary audit since inception.			
33	Jammu Mass Rapid Transit Corporation Pvt. Limited	Urban Development	12 March 2019	0.02	0	0	0.02	The Company has not yet submitted their accounts to this office for supplementary audit since inception.			
34	Srinagar Mass Rapid Transit Corporation Pvt. Limited	Urban Development	13 March 2019	0.02	0	0	0.02	The Company has not yet submitted their accounts to this office for supplementary audit since inception.			
	<b>Total I C</b>			<b>4.21</b>	<b>0</b>	<b>0</b>	<b>4.21</b>	<b>0.33</b>	<b>0</b>	<b>0</b>	<b>0.33</b>
	<b>II. Inactive Companies</b>										
35	Jammu and Kashmir Road Development Corporation Limited	Public Works	31 March 2014	5	0	0	5	The Company has not yet submitted their accounts to this office for supplementary audit since inception			
36	Jammu and Kashmir International Trade Centre Corporation Limited	Industries and Commerce	1 February 2014	48	0	0	48	The Company has not yet submitted their accounts to this office for supplementary audit since inception			
	<b>Total II C</b>			<b>53</b>	<b>0</b>	<b>0</b>	<b>53</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Total C (I+II)</b>			<b>57.21</b>	<b>0</b>	<b>0</b>	<b>57.21</b>	<b>0.33</b>	<b>0</b>	<b>0</b>	<b>0.33</b>
	<b>Grand Total (A+B+C)</b>			<b>801.03</b>	<b>69.72</b>	<b>49.39</b>	<b>920.14</b>	<b>2,208.38</b>	<b>0.10</b>	<b>2,275.27</b>	<b>4,483.75</b>

(Source: Compiled based on the information furnished by the PSUs)



## Appendix – 5.2

(Referred to paragraph: 5.9)

## Status relating to submission of accounts

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
1.	Number of PSUs	23	24	24	24	32 <sup>1</sup>
2.	Number of accounts submitted during current year	29	24	40	23	111 <sup>2</sup>
3.	Number of PSUs which finalised accounts for the current year	3	3	3	3	5 <sup>3</sup>
4.	Number of previous year accounts finalised during current year	26	21	37	20	106
5.	Number of PSUs with arrears in accounts	21	21	21	21	27
6.	Number of accounts in arrears	183	181	163	162	101

<sup>1</sup> Arrears of accounts in respect of 10 inactive PSUs have not been considered.

<sup>2</sup> Out of 111 accounts received, 51 accounts have been finalised and 60 accounts were under process up to 31 December 2020.

<sup>3</sup> Chenab Valley Power Project Private Limited, Jammu and Kashmir Bank Limited, Jammu & Kashmir Women's Development Corporation Limited, Jammu & Kashmir Trade Promotion Organisation and JKB Financial Services Limited.

Appendix -5.3

(Reference paragraph: 5.9)

Statement showing position of State Government investment in working State PSUs accounts of which are in arrears as of 31 December 2020

(₹ in crore)

Sl. No.	Name of the Public Sector Undertakings	Year up to which accounts finalised	Paid-up capital	Period of accounts pending finalisation	Investment made by State Government during the period for which accounts are in arrears		
					Loans	Subsidy	Total
<b>A</b>	<b>Working Government Companies</b>						
1	J&K Agro Industries Development Corporation Limited	2014-15	3.54	5	0.54	0	0.54
2	J&K Horticultural Produce Marketing and Processing Corporation Limited	2010-11	9.2	9	21	0	21
3	J&K Small Scale Industries Development Corporation Limited	2012-13	3.12	7	0	0	0
4	J&K State Industrial Development Corporation Limited	2013-14	17.64	6	0	0	0
5	J&K Project Construction Corporation Limited	2017-18	1.97	2	0	0	0
6	J&K Police Housing Corporation Limited	2010-11	2	9	0	0	0
7	J&K Handloom Development Corporation Limited	2018-19	4.99	1	2.30	0	2.30
8	J&K Handicrafts (Sale and Export) Development Corporation Limited	2018-19	8.52	1	5.75	0	5.75
9	J&K Industries Limited	2013-14	16.27	6	23.62	0	23.62
10	J&K Minerals Limited	2002-03	8	17	6.09	0	6.09
11	J&K Tourism Development Corporation Limited	2018-19	15.96	1	0	0	0
12	J&K Scheduled Castes, Scheduled Tribes and Backward Classes Development Corporation Limited	2017-18	46.92	2	6.33	0.20	6.53
13	J&K Cements Limited	2011-12	45.77	8	0.25	0	0.25
14	J&K Cable Car Corporation Limited	2012-13	23.57	7	0	0	0
15	J&K Overseas Employment Corporation Limited	2010-11	2.56	9	0	0	0

16	J&K Power Development Corporation Limited	2014-15	5.00	5	0	0	0
17	J&K infrastructure Development Finance Corporation Limited	2018-19	0.5	1	NA	NA	NA
18	J&K Medical Supplies Corporation Limited	*	NA	0	NA	NA	NA
19	Jammu Smart City Limited	*	NA	0	NA	NA	NA
20	Srinagar Smart City Limited	*	NA	0	NA	NA	NA
21	AIC-Jammu & Kashmir EDI Foundation	*	NA	0	NA	NA	NA
22	J&K I.T. Infrastructure Development Private Limited	*	NA	0	NA	NA	NA
23	Jammu Mass Rapid Transit Corporation Private Limited	*	NA	0	NA	NA	NA
24	Srinagar Mass Rapid Transit Corporation Private Limited	*	NA	0	NA	NA	NA
	<b>Total A</b>		<b>215.53</b>	<b>96</b>	<b>65.88</b>	<b>0.20</b>	<b>66.08</b>
<b>B</b>	<b>Working Statutory Corporations</b>						
25	J&K State Road Transport Corporation	2018-19	207.96	1	33	0	33
26	J&K State Financial Corporation	2018-19	172.89	1	0	0	0
27	Jammu and Kashmir State Forest Corporation Limited	2016-17	9.03	3	NA	NA	NA
	<b>Total B</b>		<b>389.88</b>	<b>5</b>	<b>33</b>	<b>0</b>	<b>33</b>
	<b>Total (A+B)</b>		<b>605.41</b>	<b>101</b>	<b>98.88</b>	<b>0.20</b>	<b>99.08</b>

\*These companies have not submitted its account since inception.

Appendix – 5.4

(Reference paragraph: 5.10(A) and 5.14 )

Detail showing financial position and working results of six power sector Companies as per their latest finalised accounts as of 31 December 2020

(₹ in crore)

Sl. No.	Activity and name of the power Sector Undertaking	Period of accounts	Net profit/ loss before interest and tax	Net profit/ loss after interest and tax	Turn over	Paid up capital	Long term loan	Capital employed <sup>4</sup>	Net worth <sup>5</sup>	Accumulated profit/ loss
1	2	3	4	5	6	7	8	9	10	11
<b>A.</b>	<b>Power Generation PSUs</b>									
1	Jammu and Kashmir Power Development Corporation Limited	2014-15	457.96	220.12	1,025.91	5	2,291.72	2,338.03	46.31	41.31
2	Chenab Valley Power Projects Private Limited	2019-20	19.47	14.22	0	1,780.08	0	1,832.59	1,832.59	52.51
	<b>Sub-total</b>		<b>477.43</b>	<b>234.34</b>	<b>1,025.91</b>	<b>1,785.08</b>	<b>2,291.72</b>	<b>4,170.62</b>	<b>1,878.90</b>	<b>93.82</b>
<b>B.</b>	<b>Power Transmission PSU</b>									
3	Jammu and Kashmir Power Transmission Corporation Limited	2018-19	0.00	0.00	0.00	0.05	0.00	The Company has not yet started its operational activity.		
	<b>Sub-total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.05</b>	<b>0.00</b>		<b>0.00</b>	<b>0.00</b>
<b>C.</b>	<b>Power Distribution PSUs</b>									
4	Jammu Power Distribution Corporation Limited	-	0	0	0	0.05	The Company though incorporated in June 2013 has not yet submitted its Accounts to this office for supplementary audit.			
5	Kashmir Power Distribution Corporation Limited	2018-19	0.00	0.00	0.00	0	The Company has not yet started its operational activity.			
	<b>Sub-total</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.05</b>				
<b>D.</b>	<b>Other PSU</b>									
6	Jammu and Kashmir Power Corporation Limited	-	-	-	-	0.05	The Company though incorporated in March 2013 has not yet submitted its Accounts to this office for supplementary audit.			
	<b>Sub-total</b>					<b>0.05</b>				
	<b>Grand total</b>		<b>477.43</b>	<b>234.34</b>	<b>1,025.91</b>	<b>1,785.23</b>	<b>2,291.72</b>	<b>4,170.62</b>	<b>1,878.90</b>	<b>93.82</b>

<sup>4</sup> Capital employed = Paid up Share Capital + Free Reserves and Surplus + Long term loans – Accumulated Losses-Deferred Revenue Expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

<sup>5</sup> Net worth = Sum total of paid up share capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

## Appendix – 5.5

(Reference paragraph: 5.10 (B))

Summarised financial results of State PSUs (of Sectors other than Power Sector) as per their latest finalised accounts as of 31 December 2020

(₹ in crore)

Sl. No.	Sector type and Name of PSU	Period of accounts	Year in which finalized	Net Profit/Loss before dividend, tax and interest	Net Profit/Loss after interest and tax	Turnover	Paid up Capital	Long Term Loan	Capital employed	Net worth	Free Reserves/accumulated Profit and Loss
<b>A</b>	<b>Social Sector</b>										
<b>I</b>	<b>Working Government Companies</b>										
1	Jammu and Kashmir Agro Industries Development Corporation Limited	2014-15	2020-21	-2.2	-2.2	36.41	3.54	25.06	-20.6	-45.66	-49.2
2	Jammu and Kashmir Horticulture Produce Marketing and Processing Corporation Limited	2010-11	2020-21	33.66	31.46	5.31	9.2	23.85	-38.23	-62.08	-71.28
3	Jammu and Kashmir Scheduled castes, Scheduled Tribes and Back-ward Classes Development Corporation Limited	2017-18	2019-20	-4.56	-5.97	0.88	46.92	78.46	82.1	3.64	-43.28
4	Jammu and Kashmir Women's Development Corporation Limited	2019-20	2020-21	2.6	0.67	7.56	10	95.71	131.67	35.96	25.96
5	Jammu and Kashmir Small Scale Industries Development Corporation Limited	2012-13	2019-20	2.34	1.24	748.84	3.12	9.02	63.15	54.13	51.01
6	Jammu and Kashmir State Industrial Development Corporation Limited	2013-14	2019-20	-18.62	-20.54	19.16	17.64	24.36	-104.99	-129.35	-146.99
7	Jammu and Kashmir Industries Limited	2013-14	2019-20	-0.64	-36.39	4.97	16.27	686.13	-51.06	-737.19	-753.46
8	Jammu and Kashmir Overseas Employment Corporation Limited	2010-11	2013-14	0	0	0	2.56	0	2.56	2.56	0
9	Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited	2018-19	2020-21	-1.62	-8.6	11.12	8.52	154.66	-6.88	-161.54	-170.06
10	Jammu and Kashmir Handloom Development Corporation Limited	2018-19	2020-21	-1.27	-1.28	38.37	4.99	150.73	22.73	-128	-132.99
11	Jammu & Kashmir Trade Promotion Organisation	2019-20	2020-21	-0.11	-0.16	0.003	5.23	0	5.2	5.2	-0.03

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12	Jammu & Kashmir Infrastructure Development Finance Corporation Pvt. Limited	2018-19	2019-20	-0.08	-0.06	0	0.5	0	0.44	0.44	-0.06
13	Jammu and Kashmir Medical Supplies Corporation Limited	-	-	-	-	-	-	The Company though incorporated in March 2014 has not yet submitted its account to this office for supplementary audit.			
14	AIC-Jammu & Kashmir EDI Foundation	-	-	-	-	-	-	The Company though incorporated in September 2018 has not yet submitted its account to this office for supplementary audit.			
15	Jammu & Kashmir I.T. Infrastructure Development Pvt. Limited	-	-	-	-	-	-	The Company though incorporated in September 2018 has not yet submitted its account to this office for supplementary audit.			
<b>Total A-I</b>				<b>9.50</b>	<b>-41.83</b>	<b>872.62</b>	<b>128.49</b>	<b>1,247.98</b>	<b>86.09</b>	<b>-1,161.89</b>	<b>-1,290.38</b>
<b>II</b>	<b>Inactive Government Companies</b>										
16	Jammu & Kashmir Asset Reconstruction Limited	-	-	0	0	0	2	NA	0	0	0
17	Jammu and Kashmir Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited)	1991-92	1999-2000	0	0	0	0.4	NA	0	0	0
<b>Total A-II</b>				<b>0</b>	<b>0</b>	<b>0</b>	<b>2.4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total A (I+II)</b>				<b>9.50</b>	<b>-41.83</b>	<b>872.62</b>	<b>130.89</b>	<b>1,247.98</b>	<b>86.09</b>	<b>-1,161.89</b>	<b>-1,290.38</b>
<b>B</b>	<b>Competitive Environment Sector</b>										
<b>I</b>	<b>Working Government Companies</b>										
18	Jammu and Kashmir Cements Limited	2011-12	2019-20	9.22	6.32	120.50	45.77	30.54	98.6	68.06	22.29
19	Jammu and Kashmir Minerals Limited	2002-03	2019-20	-5.16	-5.16	15.75	8.00	137.42	27.48	-109.94	-117.94
20	Jammu and Kashmir Cable Car Corporation Limited	2012-13	2020-21	19.94	14.36	31.36	23.57	0	41.19	41.19	17.62
21	Jammu and Kashmir Bank Limited	2019-20	2020-21	-896.69	-1,139.41	8,446.29	71.36	2,019.58	3,868.43	1,848.85	1,777.49
22	JKB Financial Services Limited	2019-20	2020-21	-2.2	-1.52	4.39	20.00	0	14.14	14.14	-5.86
23	Jammu and Kashmir Tourism Development Corporation Limited	2018-19	2020-21	1.60	1.60	53.81	15.96	4.26	23.02	18.76	2.8
<b>Total B-I</b>				<b>-873.29</b>	<b>-1,123.81</b>	<b>8,672.10</b>	<b>184.66</b>	<b>2,191.80</b>	<b>4,072.86</b>	<b>1,881.06</b>	<b>1,696.40</b>
<b>II</b>	<b>Working Statutory Corporation</b>										
24	Jammu and Kashmir State Financial Corporation	2018-19	2019-20	3.96	3.18	6.03	172.89	39.43	39.35	-0.08	-172.97
25	Jammu and Kashmir State Road Transport Corporation	2018-19	2020-21	-56.11	-117.62	79.71	207.96	676.02	-905.64	-1,581.66	-1,789.62

26	Jammu and Kashmir State Forest Corporation	2016-17	2020-21	-15.36	-15.36	168.17	9.03	18.05	252.75	234.70	225.67
	<b>Total B-II</b>			<b>-67.51</b>	<b>-129.80</b>	<b>253.91</b>	<b>389.88</b>	<b>733.50</b>	<b>-613.54</b>	<b>-1,347.04</b>	<b>-1,736.92</b>
<b>III</b>	<b>Inactive Government Companies</b>										
27	Tawi Scooters Limited	1989-90	1991-92	-0.06	-0.06	0	0.8	0.83	-	-	-1.04
28	Himalayan Wool Combers Limited	1999-2000	2000-01	-1.29	-1.29	0	1.37	0	-	-	-10.49
	<b>Total B-III</b>			<b>-1.35</b>	<b>-1.35</b>	<b>0</b>	<b>2.17</b>	<b>0.83</b>	<b>-</b>	<b>-</b>	<b>-11.53</b>
	<b>Total B (I+II+III)</b>			<b>-942.15</b>	<b>-1,254.96</b>	<b>8,926.01</b>	<b>576.71</b>	<b>2,926.13</b>	<b>3,459.32</b>	<b>534.02</b>	<b>-52.05</b>
<b>C</b>	<b>Others</b>										
<b>I</b>	<b>Working Government Companies</b>										
29	Jammu and Kashmir Projects Construction Corporation Limited	2017-18	2019-20	45.52	45.52	464.67	1.97	0.33	72.25	71.92	69.95
30	Jammu and Kashmir Police Housing Corporation Limited	2010-11	2018-19	11.46	7.65	8.96	2.00	0	29.50	29.50	27.50
31	Jammu Smart City Limited	-	-	-	-	-	-	-	The Company though incorporated in September 2017 has not yet submitted its account to this office for supplementary audit.		
32	Srinagar Smart City Limited	-	-	-	-	-	-	-	The Company though incorporated in September 2017 has not yet submitted its account to this office for supplementary audit.		
33	Jammu Mass Rapid Transit Corporation Pvt. limited	-	-	-	-	-	-	-	The Company though incorporated in March 2019 has not yet submitted its account to this office for supplementary audit.		
34	Srinagar Mass Rapid Transit Corporation Pvt. limited	-	-	-	-	-	-	-	The Company though incorporated in March 2019 has not yet submitted its account to this office for supplementary audit.		
	<b>Total C-I</b>			<b>56.98</b>	<b>53.17</b>	<b>473.63</b>	<b>3.97</b>	<b>0.33</b>	<b>101.75</b>	<b>101.42</b>	<b>97.45</b>
<b>II</b>	<b>Inactive Government Companies</b>										
35	Jammu and Kashmir Road Development Corporation Limited	-	-	-	-	-	-	-	The Company though incorporated in March 2013 has not yet submitted its Accounts to this office for supplementary audit.		
36	Jammu and Kashmir International Trade Centre Corporation Limited	-	-	-	-	-	-	-	The Company though incorporated in February 2014 has not yet submitted its Accounts to this office for supplementary audit.		
	<b>Total C-II</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Total C-(I+II)</b>			<b>56.98</b>	<b>53.17</b>	<b>473.63</b>	<b>3.97</b>	<b>0.33</b>	<b>101.75</b>	<b>101.42</b>	<b>97.45</b>
	<b>Grand Total (A+B+C)</b>			<b>-875.67</b>	<b>-1,243.62</b>	<b>10,272.26</b>	<b>711.57</b>	<b>4,174.44</b>	<b>3,647.16</b>	<b>-526.45</b>	<b>-1,244.98</b>
	<b>Working Government Companies</b>			<b>-806.81</b>	<b>-1,112.47</b>	<b>10,018.35</b>	<b>317.12</b>	<b>3,440.11</b>	<b>4,260.7</b>	<b>820.59</b>	<b>503.47</b>
	<b>Working Statutory Corporations</b>			<b>-67.51</b>	<b>-129.8</b>	<b>253.91</b>	<b>389.88</b>	<b>733.5</b>	<b>-613.54</b>	<b>-1,347.04</b>	<b>-1,736.92</b>
	<b>Working PSUs (I+II)</b>			<b>-874.32</b>	<b>-1,242.27</b>	<b>10,272.26</b>	<b>707.00</b>	<b>4,173.61</b>	<b>3,647.16</b>	<b>-526.45</b>	<b>-1,233.45</b>
	<b>Inactive Government Companies</b>			<b>-1.35</b>	<b>-1.35</b>	<b>0.00</b>	<b>4.57</b>	<b>0.83</b>	<b>0.00</b>	<b>0.00</b>	<b>-11.53</b>

Appendix - 5.6 (A)  
(Reference paragraph: 5.11(B1))

Return on Investment-Jammu and Kashmir Bank Limited

(₹ in lakh)

Year	Equity	Equity added	Grants/Subsidy	Dividend receipts	Disinvestments receipts	No. of Years	Rate of interest (r)	1+r	Inception value of equity added	Inception value of Grants\ Subsidy	PV of Disinvestments receipts	PV of Dividend receipts	Cost of investment	No of Shares	Market Price per Share	Market Value of Share	Current Value of Investment	ROI	CAGR
A	B	C	D	E	F	G	H	I	J	k	L	M	N	O	P	Q	R	S	T
								(1+h)	c/product of i since inception to year value of (g-1)	d/product of i since inception to year value of (g-1)	f*product of i from the year to the last year	e*product of i from the year to the last year	b+Σj+Σk			O*P	q+El+Σm	((r-n)/n)/g	((Current year ROI/ ROI of 1999-2000) <sup>1/(g-1)</sup> *100
1998-99	4,847.78	0	0	773.26	0	1	0.1088	1.11	0.00	0	0.00	4,967.65	4,847.78	48477802	28.00	13,573.78	18,541.43	282.47	
1999-2000	4,847.78	0	0	902.13	0	2	0.1196	1.12	0.00	0	0.00	5,226.90	4,847.78	48477802	36.15	17,524.73	27,719.28	235.90	-16.49
2000-01	4,847.78	0	0	1,031.01	0	3	0.0923	1.09	0.00	0	0.00	5,335.48	4,847.78	48477802	37.30	18,082.22	33,612.25	197.78	-16.32
2001-02	4,847.78	0	0	1,288.76	0	4	0.1120	1.11	0.00	0	0.00	6,105.78	4,847.78	48477802	73.35	35,558.47	57,194.28	269.95	-1.50
2002-03	4,847.78	0	0	1,546.52	0	5	0.1054	1.11	0.00	0	0.00	6,588.98	4,847.78	48477802	113.85	55,191.98	83,416.77	324.14	3.50
2003-04	4,847.78	0	0	2,577.53	0	6	0.1095	1.11	0.00	0	0.00	9,934.53	4,847.78	48477802	493.15	2,39,068.28	2,77,227.60	936.44	27.09
2004-05	4,847.78	0	0	2,062.02	0	7	0.0897	1.09	0.00	0	0.00	7,163.25	4,847.78	48477802	363.05	1,75,998.66	2,21,321.23	637.92	14.54
2005-06	4,847.78	0	0	2,062.02	0	8	0.0815	1.08	0.00	0	0.00	6,573.60	4,847.78	48477802	450.80	2,18,537.93	2,70,434.09	684.81	13.49
2006-07	4,847.78	0	0	2,964.16	0	9	0.1166	1.12	0.00	0	0.00	8,737.44	4,847.78	48477802	643.15	3,11,784.98	3,72,418.59	842.47	14.64
2007-08	4,847.78	0	0	3,995.17	0	10	0.1407	1.14	0.00	0	0.00	10,546.80	4,847.78	48477802	678.55	3,28,946.13	4,00,126.52	815.38	12.50
2008-09	4,847.78	0	0	4,256.02	0	11	0.0794	1.08	0.00	0	0.00	9,849.58	4,847.78	48477802	314.80	1,52,608.12	2,33,638.10	429.04	4.27
2009-10	4,847.78	0	0	5,670.56	0	12	0.0945	1.09	0.00	0	0.00	12,157.87	4,847.78	48477802	681.70	3,30,473.18	4,23,661.03	719.94	8.88
2010-11	4,847.78	0	0	6,701.57	0	13	0.0903	1.09	0.00	0	0.00	13,127.82	4,847.78	48477802	874.00	4,23,695.99	5,30,011.67	833.31	9.43
2011-12	4,847.78	0	0	8,634.71	0	14	0.0828	1.08	0.00	0	0.00	15,513.79	4,847.78	48477802	919.00	4,45,511.00	5,67,340.47	828.79	8.63
2012-13	4,847.78	0	0	12,887.63	0	15	0.0819	1.08	0.00	0	0.00	21,384.30	4,847.78	48477802	1,191.00	5,77,370.62	7,20,584.39	984.28	9.33
2013-14	4,847.78	0	0	12,887.63	0	16	0.0714	1.07	0.00	0	0.00	19,765.50	4,847.78	48477802	1,538.00	7,45,588.59	9,08,567.86	1,165.12	9.91
2014-15	4,847.78	0	0	5,412.81	0	17	0.0768	1.08	0.00	0	0.00	7,748.28	4,847.78	484778020	95.05	4,60,781.51	6,31,509.06	760.40	6.38
2015-16	4,847.78	0	0	4,510.67	0	18	0.0725	1.07	0.00	0	0.00	5,996.38	4,847.78	484778020	60.50	2,93,290.70	4,70,014.64	533.08	3.81
2016-17	4,847.78	3,655.51	0	0	0	19	0.0783	1.08	705.30	0	0.00	0.00	5,553.08	521333071	75.00	3,90,999.80	5,67,723.74	532.82	3.59
2017-18	4,847.78	3,525.00	0	0	0	20	0.0723	1.07	630.73	0	0.00	0.00	6,183.81	556858392	60.35	3,36,064.04	5,12,787.97	409.61	1.98
2018-19	4,847.78	0	0	0	0	21	0.0720	1.07	0.00	0	0.00	0.00	6,183.81	556858392	53.70	2,99,032.96	4,75,756.89	361.60	1.24
2019-20	4,847.78	1,566.00	0	0	0	22	0.0720	1.07	243.76	0	0.00	0.00	6,427.57	713450938	12.36	88,182.54	2,64,906.47	182.79	-2.05



## Appendix – 5.6 (B)

(Reference paragraph: 5.11 (B2))

Profit making State PSUs (of Sectors other than Power Sector) as per their latest finalised accounts as of 31 December 2020

Name of the company		Jammu and Kashmir Cements	Jammu and Kashmir Cable Car Corporation Limited	Jammu and Kashmir Bank Limited	Jammu and Kashmir Women's Development Corporation Limited	Jammu and Kashmir Tourism Development Corporation Limited	Jammu and Kashmir Police Housing Corporation Limited	Jammu and Kashmir Projects Construction Corporation Limited	Jammu and Kashmir Horticulture Produce Marketing and Processing Corporation Limited	Jammu and Kashmir Small Scale Industries Development Corporation Limited	Jammu and Kashmir State Financial Corporation
PBIT (₹ in crore)	2015-16	5.86	6.23	818.5	2.18	0.26	1.22	0.97	-	-	-
	2016-17	5.86	6.23	-	4.1	0.26	8	0.82	-	-	-
	2017-18	10.84	6.23	497.98	2.29	0.26	10.87	7.77	-	-	-
	2018-19	9.21	6.23	1,009.65	2.52	0.26	10.87	7.77	-	0.91	-
	2019-20	9.21	19.94	-	2.60	1.60	11.46	45.52	33.66	2.34	3.96

Appendix – 5.7 (A)

(Reference paragraph: 5.12(B))

Statement showing State Government funds infused in State PSUs (of Sectors other than Power Sector) during the period from 1999-2000 to 2019-20

(₹ in crore)

Sl. No.	1		2		3		4	
	Jammu and Kashmir Horticulture Produce Marketing and Processing Corporation Limited		Jammu and Kashmir Scheduled castes, Scheduled Tribes and Back-ward Classes Development Corporation Limited		Jammu and Kashmir Women's Development Corporation Limited		Jammu and Kashmir State Industrial Development Corporation Limited	
	Equity	IFL <sup>6</sup>	Equity	IFL	Equity	IFL	Equity	IFL
1999-2000	0	0	0.1	0	0.03	0	1	0
2000-01	0	0	0.1	0	0.03	0	0	0
2001-02	0	0	0.1	0	0.03	0	0.8	0
2002-03	0	0	0.35	0	0.23	0	0	0
2003-04	0	0	1.5	0	0.5	0	0	0
2004-05	0	0	1.53	0	0.9	0	0	0
2005-06	0	0	2.8	0	0.5	0	0	0
2006-07	0	0	0.7	0	0.5	0	0	0
2007-08	0	0	0.7	0	0.5	0	0	11.55
2008-09	0	0	0.2	0	0.16	0	0	0
2009-10	0	0	1	0	1	0	0	0
2010-11	0	0	1	0	1	0	0	0
2011-12	0	0	1	0	1.09	0	0	0
2012-13	0	0	1	0	1	0	0	0
2013-14	0	0	0.9	0	0.63	0	0	0
2014-15	0	0	0.9	0	0.31	0	0	0
2015-16	0	0	0.9	0	0	0	0	0
2016-17	0	0	0.9	0	0	0	0	0
2017-18	0	3.5	0.9	0	0	3	0	0
2018-19	0	3	0.45	0	0	3	0	0
2019-20	0	2.25	0.25	6.33	0	1.5	0	0
<b>Total</b>	<b>0</b>	<b>8.75</b>	<b>17.28</b>	<b>0</b>	<b>8.41</b>	<b>7.5</b>	<b>1.8</b>	<b>11.55</b>

<sup>6</sup> Interest free loan.

Sl. No.	5		6		7		8		9		10	
	Jammu and Kashmir Industries Limited		Jammu and Kashmir Overseas Employment Corporation Limited		Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited		Jammu and Kashmir Handloom Development Corporation Limited		Jammu and Kashmir Medical Supplies Corporation Limited		Jammu and Kashmir Cements Limited	
	Equity	IFL <sup>7</sup>	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL
1999-2000	0	0	0	0	0.35	0	0	0	0	0	0	0
2000-01	0	0	0	0	0.45	0	0	0	0	0	0	0
2001-02	0	0	0	0	0.3	0	0	0	0	0	0	0
2002-03	0	0	0	0	0.13	0	0	0	0	0	0	0
2003-04	0	0	0	0	0.2	0	0	0	0	0	0	0
2004-05	0	0	0	0	0.2	0	0.35	0	0	0	0	0
2005-06	0	0	0	0	0.25	0	0	0	0	0	4	0
2006-07	0	0	0	0	0	0	0.3	0	0	0	1	0
2007-08	0	0	0	0	0	0	0	0	0	0	0	0
2008-09	0	0	0	0	0	0	0	0	0	0	7.27	0
2009-10	0	0	0	0	0	0	1.56	0	0	0	0	0
2010-11	0	0	4.06	0	0	0	0	0	0	0	0	0
2011-12	0	0	0	0	0	0	0	0	0	0	4	0
2012-13	0	0	0	0	0	0	0	0	0	0	0	0
2013-14	0	0	0	0	0	0	0	0	0.05	0	2.25	0
2014-15	0	0	0	0	0	0	0	0	0	0	0	3.62
2015-16	0	0	0	0	0	0	0	0	0	0	0	0
2016-17	0	0	0	0	0	0	0	0	0	0	0	0
2017-18	0	1.37	0	0	0	4.25	0	5.11	0	0	0	0
2018-19	0	1.37	0	0	0.5	5.25	0	2.8	0	0	0	5
2019-20	0	0	0	0	0	5.75	0	2.3	0	0	0	0
<b>Total</b>	<b>0</b>	<b>2.74</b>	<b>4.06</b>	<b>0</b>	<b>2.38</b>	<b>15.25</b>	<b>2.21</b>	<b>10.21</b>	<b>0.05</b>	<b>0</b>	<b>18.52</b>	<b>8.62</b>

<sup>7</sup> Interest free loan.

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Sl. No.	11		12		13		14		15		16		17		18		19		20	
	Equity	IFL <sup>8</sup>	Equity	IFL	Equity	IFL	Equity	IFL	Equity	Equity	IFL	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL
1999-2000	0	0	0.16	0	0	0	0	0	5	0	0	0	0	0	0	0	0	0	0	0
2000-01	0	0	0.15	0	0	0	0	0	3.38	0	0	0	0	0	0	0	0	0	0	0
2001-02	0	0	0.14	0	0	0	0	0	0.45	0	0	0	0	0	0	0	0	0	0	0
2002-03	0	0	9.15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2003-04	0	0	0.6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2004-05	0	0	0.25	0	0	0	0.8	0	0	0	0	0	0	0	0	0	0	0	0	0
2005-06	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2006-07	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2007-08	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2008-09	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2009-10	0	0	0	0	0	0	0	0	13.53	0	0	0	0	0	0	0	0	0	0	0
2010-11	0	0	0	0	0	0	0	0	5	0	0	0	0	0	0	0	0	0	0	0
2011-12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2012-13	0	0	0	0	0	0	0	0	5	0	0	0	0	0	0	0	0	0	0	0
2013-14	0	0	0	0	0	0	17.5	0	3.75	0	0	0	0	0	0	0	0	0	0	0
2014-15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2015-16	0	0	0	0	0	0	0	0	5.95	0	0	0	0	0	0	0	0	0	0	0
2016-17	0	0	0	0	3.66	0	0	0	5	0	0	0	0	0	0	0	0	0	0	0
2017-18	0	1.11	0	0	3.55	0	87.88	2.48	3.75	1.02	0	0	0	0	0	0	0	0	1.02	0
2018-19	0	0.76	0	0	0	0	15	5	17.9	0	0	0	0	0	0	0	86.79	0	0	0
2019-20	0	0	0	0	15.66	0	0	0	12.57	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>1.87</b>	<b>10.45</b>	<b>0</b>	<b>22.87</b>	<b>0</b>	<b>121.18</b>	<b>7.48</b>	<b>81.28</b>	<b>1.02</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>86.79</b>	<b>0</b>	<b>1.02</b>	<b>0</b>

<sup>8</sup> Interest free loan.

Sl. No.	21		22		23		24		25		26		27		28	
	Jammu Smart City Limited		Srinagar Smart City Limited		AIC Jammu & Kashmir EDI Foundation		Jammu & Kashmir IT Infrastructure Development Private Limited		Jammu Mass Rapid Transit Corporation Limited		Srinagar Mass Rapid Transit Corporation Limited		Jammu & Kashmir International Trade Centre		Jammu & Kashmir Road Development Corporation Limited	
	Equity	IFL <sup>9</sup>	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL
1999-2000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2000-01	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2001-02	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2002-03	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2003-04	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2004-05	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2005-06	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2006-07	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2007-08	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2008-09	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2009-10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2010-11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2011-12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2012-13	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2013-14	0	0	0	0	0	0	0	0	0	0	0	0	48.00	0	5.00	0
2014-15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2015-16	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2016-17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2017-18	0.10	0	0.10	0	0	0	0	0	0	0	0	0	0	0	0	0
2018-19	0	0	0	0	0.05	0	0.01	0	0.02	0	0.02	0	0	0	0	0
2019-20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0.10</b>	<b>0</b>	<b>0.10</b>	<b>0</b>	<b>0.05</b>	<b>0</b>	<b>0.01</b>	<b>0</b>	<b>0.02</b>	<b>0</b>	<b>0.02</b>	<b>0</b>	<b>48.00</b>	<b>0</b>	<b>5.00</b>	<b>0</b>

<sup>9</sup> Interest free loan.

**Appendix-5.7(B)**  
(Reference paragraph: 5.12(B))

Year-wise investment by the State Government and present value (PV) of Government investment for the period from 1999-2000 to 2019-20

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Net Interest free loan given by the State Government during the year	Interest free loan converted into Equity during the year	Total investment during the year	Total investment at the end of the year	Average rate of interest	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year
A	B	C	D	E	F=C+D-E	G=B+F	H	I=G*(1+H/100)	J=G*H/100	K
Upto 1999-2000	347.29	7.14	0	0	7.14	354.43	11.96	396.82	42.39	48.4
2000-01	396.82	4.56	0	0	4.56	401.38	9.23	438.43	37.05	92.76
2001-02	438.43	1.82	0	0	1.82	440.25	11.2	489.56	49.31	182.06
2002-03	489.56	13.29	0	0	13.29	502.85	10.54	555.85	53	249.26
2003-04	555.85	2.8	0	0	2.8	558.65	10.95	619.82	61.17	304.91
2004-05	619.82	4.03	0	0	4.03	623.85	8.97	679.81	55.96	-4.75
2005-06	679.81	7.55	0	0	7.55	687.36	8.15	743.38	56.02	68.9
2006-07	743.38	2.5	0	0	2.5	745.88	11.66	832.85	86.97	150.32
2007-08	832.85	1.2	11.55	0	12.75	845.6	14.07	964.58	118.98	201.28
2008-09	964.58	7.63	0	0	7.63	972.21	7.94	1,049.40	77.19	232.25
2009-10	1,049.40	17.09	0	0	17.09	1,066.49	9.45	1,167.27	100.78	354.68
2010-11	1,167.27	11.06	0	0	11.06	1,178.33	9.03	1,284.73	106.4	499.02
2011-12	1,284.73	6.09	0	0	6.09	1,290.82	8.28	1,397.70	106.88	705.53
2012-13	1,397.70	7	0	0	7	1,404.70	8.19	1,519.74	115.04	1,232.83
2013-14	1,519.74	78.08	0	0	78.08	1,597.82	7.14	1,711.90	114.08	1,048.22
2014-15	1,711.90	1.21	3.62	0	4.83	1,716.73	7.68	1,848.57	131.84	378.25
2015-16	1,848.57	6.85	0	0	6.85	1,855.42	7.25	1,989.94	134.52	264.8
2016-17	1,989.94	9.56	0	0	9.56	1,999.50	7.83	2,156.06	156.56	-1,809.73
2017-18	2,156.06	96.08	50.82	17.5	129.4	2,285.46	7.23	2,450.70	165.24	32.62
2018-19	2,450.70	126.71	56.18	0	182.89	2,633.59	7.2	2,823.21	189.62	274.1
2019-20	2,823.21	28.48	18.13	0	46.61	2,869.82	7.0	3,070.71	200.89	-1,242.27
<b>Total</b>		<b>440.73</b>	<b>140.30</b>	<b>17.5</b>	<b>563.53</b>					

Source: Compiled based on latest information furnished by the respective PSUs as of March 2020.

## Appendix – 5.8

(Reference paragraph: 5.14(B))

Summarised financial results of State PSUs (of Sectors other than Power Sector) as per their latest finalised accounts as of 31 December 2020

(₹ in crore)

Sl. No.	Sector, type and name of the PSU	Period of accounts	Year in which finalised	Paid up capital	Free reserves	Accumulated profit/ loss	Deferred revenue expenditure	Net worth
1	2	3	4	5	6	7	8	9
<b>A.</b>	<b>Social Sector</b>							
	<b>I. Working Government Companies</b>							
1	Jammu and Kashmir Agro Industries Development Corporation Limited	2014-15	2020-21	3.54	0	-49.2	0	-45.66
2	Jammu and Kashmir Horticulture Produce Marketing and Processing Corporation Limited	2010-11	2020-21	9.2	0	-71.28	0	-62.08
3	Jammu and Kashmir Scheduled castes, Scheduled Tribes and Back-ward Classes Development Corporation Limited	2017-18	2019-20	46.92	0	-43.28		3.64
4	Jammu and Kashmir Women's Development Corporation Limited	2019-20	2020-21	10	0	25.96	0	35.96
5	Jammu and Kashmir Small Scale Industries Development Corporation Limited	2012-13	2019-20	3.12	0	51.01	0	54.13
6	Jammu and Kashmir State Industrial Development Corporation Limited	2013-14	2019-20	17.64	0	-146.99	0	-129.35
7	Jammu and Kashmir Industries Limited	2013-14	2019-20	16.27	0	-753.46	0	-737.19
8	Jammu and Kashmir Overseas Employment Corporation Limited*	2010-11	2013-14	2.56	0	0	0	2.56
9	Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited	2018-19	2020-21	8.52	0	-170.06	0	-161.54
10	Jammu and Kashmir Handloom Development Corporation Limited	2013-14	2019-20	4.99	0	-132.99	0	-128
	<b>Total A-I</b>			<b>122.76</b>	<b>0</b>	<b>-1,290.29</b>	<b>0</b>	<b>-1,167.53</b>
<b>B.</b>	<b>Competitive Environment sector</b>							
	<b>I. Working Government Companies</b>							
11	Jammu & Kashmir Trade Promotion Organisation	2019-20	2020-21	5.23	0	-0.03	0	5.2
12	Jammu & Kashmir Infrastructure Development Finance Corporation Pvt. Limited	2018-19	2019-20	0.5	0	-0.06	0	0.44
13	Jammu and Kashmir Cements Limited	2011-12	2019-20	45.77	0	22.29	0	68.06
14	Jammu and Kashmir Minerals Limited	2002-03	2019-20	8	0	-117.94	0	-109.94
15	Jammu and Kashmir Cable Car Corporation Limited	2012-13	2020-21	23.57	0	17.62	0	41.19
16	Jammu and Kashmir Tourism Development Corporation Limited	2018-19	2020-21	15.96	0	2.8	0	18.76

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Sl. No.	Sector, type and name of the PSU	Period of accounts	Year in which finalised	Paid up capital	Free reserves	Accumulated profit/ loss	Deferred revenue expenditure	Net worth
1	2	3	4	5	6	7	8	9
17	Jammu and Kashmir Bank Limited	2019-20	2019-20	71.36	1,777.49	0	0	1,848.85
18	JKB Financial Services Limited	2019-20	2019-20	20	0	-5.86	0	14.14
	<b>Total B-I</b>			<b>190.39</b>	<b>1,777.49</b>	<b>-81.18</b>	<b>0</b>	<b>1,886.70</b>
	<b>II. Working Statutory Corporations</b>							
19	Jammu and Kashmir State Financial Corporation	2018-19	2019-20	172.89	0	-172.97	0	-0.08
20	Jammu and Kashmir State Road Transport Corporation	2018-19	2020-21	207.96		-1,789.62	0	-1,581.66
21	Jammu and Kashmir State Forest Corporation	2016-17	2020-21	9.03	0	225.67	0	234.7
	<b>Total B-II</b>			<b>389.88</b>	<b>0</b>	<b>-1,736.92</b>	<b>0</b>	<b>-1,347.04</b>
	<b>Total B (I+II)</b>			<b>580.27</b>	<b>1,777.49</b>	<b>-1,818.10</b>	<b>0</b>	<b>539.66</b>
<b>C.</b>	<b>Others</b>							
	<b>I. Working Government Companies</b>							
22	Jammu and Kashmir Projects Construction Corporation Limited	2017-18	2019-20	1.97	0	69.95	0	71.92
23	Jammu and Kashmir Police Housing Corporation Limited	2010-11	2019-20	2	0	27.5	0	29.5
	<b>Total C</b>			<b>3.97</b>	<b>0</b>	<b>97.45</b>	<b>0</b>	<b>101.42</b>
	<b>Grand Total (A+B+C)</b>			<b>707.00</b>	<b>1,777.49</b>	<b>-3,010.94</b>	<b>0</b>	<b>-526.45</b>

\*Although one account of 2010-11 in respect of Jammu and Kashmir Overseas Employment Corporation Limited was finalized but it had not submitted the Profit and Loss Account, therefore paid up capital has been taken as net worth.



**Appendix - 5.9 (A)**  
**(As referred to in para 5.22.2)**  
**List of SPSEs covered for Corporate Governance for the year 2019-20**

Sl. No.	Name of SPSE	Whether Public or Private Limited
1.	J&K State Agro Industries Development Corporation Limited	Private
2.	J&K State Horticulture Produce Marketing and Processing Corporation Limited	Private
3.	J&K SC, ST, BC Development Corporation Limited	Private
4.	J&K State Women's Development Corporation Limited	Private
5.	J&K Small Scale Industries Development Corporation Limited	Public
6.	J&K State Industrial Development Corporation Limited	Private
7.	J&K Industries Limited	Public
8.	J&K Overseas Employment Corporation Limited	Public
9.	J&K Handicrafts (Sales and Export) Development Corporation Limited	Private
10.	J&K State Handloom Development Corporation Limited	Private
11.	J&K Trade Promotion Organisation	Private
12.	J&K Infrastructure Development Finance Corporation Pvt. Limited	Private
13.	J&K Cements Limited	Private
14.	J&K Minerals Limited	Private
15.	J&K State Cable Car Corporation Limited	Private
16.	J&K Bank Limited	Listed
17.	J&K Bank Financial Services Limited	Public
18.	J&K State Tourism Development Corporation Limited	Private
19.	J&K Projects Construction Corporation Limited	Private
20.	J&K Police Housing Corporation Limited	Private
21.	J&K State Power Development Corporation Limited	Private
22.	Chenab Valley Power Projects Private Limited	Private

**Appendix - 5.9(B)**  
*(as referred to in para 5.22.2)*

**List of SPSEs not covered for Corporate Governance for the year 2019-20**

<b>Sl. No.</b>	<b>Name of SPSE</b>	<b>Reasons for exclusion</b>
1.	J&K Power Transmission Company Limited	The Company started its operations from 1 April 2020
2.	Jammu Power Distribution Company Limited	The Company started its operations from 1 April 2020
3.	Kashmir Power Distribution Company Limited	The Company started its operations from 1 April 2020
4.	J&K Power Trading Company Limited	The Company started its operations from 1 April 2020
5.	J&K Medical Supplies Corporation Limited	The Company has never submitted its accounts to this office since its incorporation in March 2014
6.	AIC-Jammu & Kashmir EDI Foundation	The Company has not yet started its business operations
7.	J&K I.T. Infrastructure Development Pvt. Limited	The Company has not yet started its business operations
8.	J&K State Handloom Handicrafts Raw Material Supplies Organisation Limited	The Company is under liquidation
9.	J&K Asset Reconstruction limited	The Govt. has accorded sanction to voluntary winding up of the Company vide order no FD 453 of 2019 dated 24 October 2019.
10.	Tawi Scooters Limited	The Company is under liquidation
11.	Himalayan Wool Combers Limited	The Company is under liquidation
12.	Jammu Smart City Limited	The Company has not yet started its business operations
13.	Srinagar Smart City Limited	The Company has not yet started its business operations
14.	Jammu Mass Rapid Transit Corporation Pvt. limited	The Company has not yet started its business operations
15.	Srinagar Mass Rapid Transit Corporation Pvt. limited	The Company has not yet started its business operations
16.	J&K State Road Development Corporation Limited	The Company has not yet started its business operations
17.	J&K International Trade Centre Corporation Limited	The Company has not yet started its business operations

**Appendix - 5.10**

**(Ref Para 5.22.3)**

**Details of SPSEs where less than four meetings were held**

<b>Sl. No.</b>	<b>Name of SPSE</b>	<b>No. of Meetings held</b>
1.	J&K State Agro Industries Development Corporation Limited	1
2.	J&K State Horticulture Produce Marketing and Processing Corporation Limited	1
3.	J&K SC, ST, BC Development Corporation Limited	Nil
4.	J&K State Women's Development Corporation Limited	Nil
5.	J&K Small Scale Industries Development Corporation Limited	2
6.	J&K State Industrial Development Corporation Limited	1
7.	J&K Industries Limited	1
8.	J&K Overseas Employment Corporation Limited	Nil
9.	J&K Handicrafts (Sales and Export) Development Corporation Limited	2
10.	J&K State Handloom Development Corporation Limited	2
11.	J&K Cements Limited	2
12.	J&K Minerals Limited	2
13.	J&K State Cable Car Corporation Limited	1
14.	J&K State Tourism Development Corporation Limited	1
15.	J&K Projects Construction Corporation Limited	3
16.	J&K Police Housing Corporation Limited	2
17.	J&K State Power Development Corporation Limited	1

**Appendix - 5.11**

*(As referred to in para 5.22.4 and 5.22.7)*

**List of SPSEs qualifying for having independent directors, Audit Committee and Nomination & Remuneration Committee on their Board.**

**(Public Company with paid-up share capital of ₹10 crore or more or turnover of ₹ 100 crore or more or with aggregated outstanding loans, debentures and deposits exceeding ₹ 50 crore)**

**(₹ in crore)**

<b>Sl. No.</b>	<b>Name of SPSE</b>	<b>Paid-up capital</b>	<b>Turnover</b>	<b>Aggregated outstanding loans, debentures and deposits</b>
<b>1.</b>	J&K Small Scale Industries Development Corporation Limited	89.91	594.77	0.00
<b>2.</b>	J&K Industries Limited	16.27	6.30	264.99
<b>3.</b>	J&K Bank Limited	55.70	7,675.56	2,623.96
<b>4.</b>	J&K Bank Financial Services Limited	20.00	4.43	0.00

## Appendix - 5.12

(As referred to in para 5.22.5)

## List of SPSEs qualifying for having Woman Directors on their Board

(Public Company having paid-up share capital of ₹ 100 crore or more or turnover of ₹ 300 crore or more)

(₹ in crore)

Sl. No.	Name of SPSE	Paid-up capital	Turnover
1.	J&K Small Scale Industries Development Corporation Limited	89.91	594.77
2.	J&K Bank Limited	55.70	7,675.56

Note:- Shaded cell indicates criteria met by the SPSEs.

**Appendix - 5.13**

*(As referred to in para 5.22.10)*

**SPSEs where Annual General Meeting was not held during 2019-20**

<b>Sl. No.</b>	<b>Name of SPSE</b>
1.	J&K Police Housing Corporation Limited
2.	J&K Infrastructure Development Finance Corporation. Ltd.
3.	J&K Cable Car Corporation Limited
4.	J&K Cements Limited
5.	Jammu and Kashmir Bank Financial Services Limited
6.	J&K State Industrial Development Corporation Ltd.
7.	J&K Agro Industries Development Corporation Limited
8.	J&K Women Development Corporation Limited
9.	J&K Industries Limited
10.	J&K Small Scale Industries Development Corporation Ltd.
11.	J&K Overseas Employment Corporation Limited
12.	J&K State Handicrafts (Sales and Export) Corporation Limited
13.	J& K Tourism Development Corporation
14.	J&K State Power Development Corporation Limited
15.	J&K Horticulture Produce Marketing and Processing Corporation Limited
16.	J&K Minerals Limited

## Appendix - 5.14

(As referred to in para 5.23)

## SPSEs where Annual General Meeting was not held during 2019-20

## Position of explanatory notes on Audit Reports related to PSUs not received (as on 30 September 2020)

Year of Audit Report (Commercial/ PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs) and paragraphs in the Audit Report				Number of PAs/ paragraphs for which explanatory notes were not received			
		PAs		Paragraphs		PAs		Paragraphs	
		Power	Other than power	Power	Other than power	Power	Other than power	Power	Other than power
2000-01	6 April 2002	-	1	1	2		-	-	-
2001-02	21 June 2003	-	1	-	4		-	-	-
2002-03	23 August 2004	-	1	1	2		-	-	-
2003-04	23 March 2005	-	-	1	2		-	-	-
2004-05	27 March 2006	-	1	-	4		-	-	1
2005-06	8 February 2007/ 31 August 2009	-	3	1	1		1	-	-
2006-07	30 January 2008	-	1	-	5		-	-	-
2007-08	5 March 2009	-	1	-	3		-	-	-
2008-09	30 March 2010	-	1	-	3		-	-	2
2009-10	31 March 2011	1	-	-	3		-	-	-
2010-11	4 April 2012	-	1	-	5		-	-	-
2011-12	5 April 2013	-	2	-	-		1	-	-
2012-13	4 March 2014	-	-	1	2		-	-	1
2013-14	27 March 2015	-	1	-	6		-	-	-
2014-15	27 June 2016	-	1	4	3		-	-	-
2015-16	4 July 2017	1	-	-	6	1	-	-	3
<b>Upto 2015-16</b>		<b>2</b>	<b>15</b>	<b>9</b>	<b>51</b>	<b>1</b>	<b>2</b>	<b>-</b>	<b>7</b>
2016-17	23 September 2020	-	1	-	6	-	-	-	-
2017-18	23 September 2020	-	1	2	5	-	-	-	-
<b>Total</b>		<b>2</b>	<b>17</b>	<b>11</b>	<b>62</b>	<b>1</b>	<b>2</b>	<b>-</b>	<b>7</b>

**Appendix-6.1**  
(as referred to in Para No. 6.1.3.3)  
**Allotment of works and range of receipt of markings of trees**

<b>Name of ED</b>	<b>Udhampur</b>	<b>Kishtwar</b>	<b>Bhaderwah</b>	<b>Ganderbal</b>	<b>Pulwama</b>	<b>Zangli</b>	<b>Total</b>
Total works allotted (in lakh cft)	9.33	29.96	40.28	18.36	28.58	23.72	150.23
On tender basis	6.26	22.69	17.84	9.09	8.62	7.97	72.47
On <i>Amani</i> basis	3.07	7.27	22.44	9.27	19.96	15.75	77.76
<b>Range of markings taken over</b>							
Upto 40,000 cft (upto November 2018)	10	7	20	31	100	67	235
Upto 20,000 cft (December 2018 onwards)	2	Nil	1	14	53	24	94
20,000- 40,000 cft (December 2018 onwards)	Nil	Nil	Nil	1	Nil	7	8
40,000-50,000 cft	1	1	4	7	5	1	19
50,000-70,000 cft	Nil	1	7	Nil	Nil	3	11
70,000-1,00,000 cft	1	3	5	Nil	Nil	Nil	9
1,00,000 cft and above	Nil	1	6	Nil	Nil	Nil	7
Irregular allotment of works to <i>Amani</i> mates (No. of cases)	2	6	22	8	5	11	<b>54</b>
Irregular allotment (in lakh cft)	1.14	5.07	17.44	3.87	2.12	3.90	<b>33.54</b>



## Appendix-6.2

(as referred to in Para No. 6.1.3.4)

## Incomplete Execution and partial transportation of timber by contractors to Sale Depots

Sl. No.	Name of the Compartment and other details	Chronology of events	Audit observations/Remarks	Remarks
1.	<p>C: 6 and 13/Basantgarh C: 13/Basantgarh RV: 0.232 lakh cft/ SV: 0.100 lakh cft Allotment on <i>Amani</i> basis DoA: December 2012 SDoC: August 2013</p> <p>C: 6/Basantgarh RV: 0.33 lakh cft/ SV: 0.14 lakh cft DoA: December 2012 SDoC: August 2013 (RV: Round volume and SV: Sawn volume) (DoA: Date of allotment) (SDoC: Scheduled date of completion)</p>	<ul style="list-style-type: none"> <li>Initially, both works were allotted to an <i>Amani</i> mate who abandoned (2011-12) both works after execution upto felling/hand sawing of 3,202 cft only.</li> <li>After inviting tenders, both works were further allotted in September 2012 to a contractor @ ₹ 154.10 per cft for 6/ Basantgarh and ₹ 170.05 per cft for 13/ Basantgarh.</li> </ul>	<ul style="list-style-type: none"> <li>No action was taken against the original <i>Amani</i> mate except forfeiture of EMD of ₹ 0.79 lakh for both works.</li> <li>The contractor deployed insufficient manpower and against SDoC of August 2013, the work was completed by February 2016 in respect of 13/ Basantgarh and against expected outturn of 10,000 cft, only 7,454 was extracted leading to shortfall of 2,122 cft, besides, 275 cft got rotten and 149 cft as Mahaan loss.</li> <li>The work of 6/ Basantgarh was completed by December 2016 to the extent of 13,396 cft. 10,675 cft was transported to Jammu and, 2,721 cft remained lying at Crane head and Transit Depot which turned rot due to non-transportation by the contractor and also by the J&amp;KFDC.</li> </ul> <p>In reply the DM, Udhampur stated (December 2020) that penalty shall be imposed after completing the codal formalities i.e. grant of extension. No reasons for non-transportation of remaining timber were assigned.</p>	Rotten timber: 275 cft and 2,721 cft
2.	<p>C : 35b/Dudu RV: 85,684 cft/ SV: 28,700 cft Allotted on tender basis DoA: May 2012 SDoC: May 2013</p>	<ul style="list-style-type: none"> <li>The contractor did not execute the work as scheduled and delay occurred since inception, however, the GM /DM/Range Manager served (March/ May/ July/ September 2013 and June 2014) several notices.</li> <li>The J&amp;KFDC extended the period of completion of work upto May 2014 and again several notices issued in June/ August 2014 and August 2015</li> </ul>	<ul style="list-style-type: none"> <li>Timber to the extent 25,691 cft of S.V (71,778 R.V) was dispatched to the Sale Depot, Jammu.</li> <li>Balance marking to the extent of 13,906 cft (R.V) with expected outturn of 3,000 cft S.V was not extracted by the Contractor which turned rot and consequent loss to the J&amp;KFDC.</li> <li>No action was taken against the contractor for non-completion of work.</li> <li>Despite of the facts that the contractor delayed the execution of work and also abandoned the balance work which led to rotting of marking, the J&amp;KFDC also allotted two more works viz. C: 62 and</li> </ul>	Marking: 13,906 cft with expected timber of 3,000 cft

Sl. No.	Name of the Compartment and other details	Chronology of events	Audit observations/Remarks	Remarks
		to the contractor to increase the sufficient skilled labour to complete the balance work.	63/Dudu (having RV: 0.549 and SV: 0.234 lakh cft) and C: 27a/Dudu (having RV: 0.202 and SV: 0.085 lakh cft), the work of which were also completed with delay of 15 months and four months respectively.  In reply the DM, Udhampur stated (August 2015) that less outturn to the extent of 3,000 cft was condoned (June 2016) by the General Manager (West Circle), Jammu which was not based on the facts that the Contractor had not extracted that marking to the extent of 13,906 cft which might have rotten with passage of time.	
3.	C: 2 Simbool Total marking taken over 0.62 lakh cft from SFD during 2009-10 R.V: 0.54 lakh cft/ S.V: 0.269 lakh cft Allotted on tender basis DoA: June 2013 SDoC: May 2014	<ul style="list-style-type: none"> <li>The marking to the extent of 0.62 lakh cft was allotted to two <i>Amani</i> mates, who merely converted 0.08 lakh cft RV/ 0.021 lakh cft SV which remained unpassed and the contract was quashed.</li> <li>Remaining marking to the extent of 0.54 lakh cft RV/ 0.269 lakh cft SV was allotted to another <i>Amani</i> mate.</li> </ul>	<ul style="list-style-type: none"> <li>Out 0.54 lakh cft, the contractor converted 37,061 cft RV / 8,973 cft SV, of which 8,280 cft S.V was dispatched to Sale Depot Jammu and 608 cfts (85 cft operational losses) were lying in the forest.</li> <li>Balance marking to the extent of 23,408 cft RV was not converted by the contractor at all.</li> <li>The J&amp;KFDC had not initiated any action against the contractor for delay/ non-execution of work though a period of more than six years had elapsed. Delay in execution of work resulted in rotting of markings of 23,408 cft besides, timber of 608 cft lying in the forest got rot.</li> </ul>	Rotten timber: 608 cft and rotten marking: 23,408 cft with expected timber of 5,667 cft <sup>1</sup> .
4.	Markings under Kiru and Kawar HEPs. R.V: 0.38 lakh cft / S.V: 0.285 lakh cft Allotted on <i>Amani</i> basis DoA: June 2017 SDoC: August 2018	The work of 0.20 lakh cft RV and 0.18 lakh cft RV was allotted to two <i>Amani</i> mates.	As on November 2020, out 0.38 lakh cft R.V, the <i>Amani</i> mates had converted to the extent 20,739 cft S.V, out of which 12,033 cft S.V only were dispatched. Balance 8,706 cft lying at transit depot (907 cft) and in forest (7,799 cft) unattended which had might become rotten/unsaleable with passage of time.	Rotten timber: 8,706 cft
5	C: 28-29 Sindh R.V: 0.046 lakh cft / S.V: 0.035 lakh cft	The contractor did not pay heed and not completed the work as per scheduled however the chief general	<ul style="list-style-type: none"> <li>Out of 0.046 lakh cft, 0.036 lakh cft was converted in respect of work allotted in 2016-17.</li> <li>Out of additional marking, upto</li> </ul>	Timber: 1,600 cft and 1,800 cft. Marking: 4,200 cft with

<sup>1</sup> On the basis of actual turnover achieved out of 37,061 cft RV, 8,973 cft SV was extracted which worked out 24 per cent and of 23,408 cft, expected outturn was 5,667 cft (24 per cent of 23,408 cft).

Sl. No.	Name of the Compartment and other details	Chronology of events	Audit observations/Remarks	Remarks
	Allotted on <i>Amani</i> basis DoA: 30.11.2017 SDoC: 31.12.2017 Additional marking R.V: 0.133 lakh cft S.V: 0.11 lakh cft Allotted to the existing <i>Amani</i> mate DoA: 04.09.2018 SDoC: 31.12.2018	manager-imposed penalty of ₹ 5,400 and granted extension upto December 2020 to the contractor.	October 2021, the contractor converted 0.091 lakh cft R.V cft (0.042 lakh cft R.V was left unconverted) with yield to the extent of 0.064 lakh cft S.V of which only 0.048 lakh cft was passed and balance 0.016 lakh cft was remained unpassed and lying in the forest. • Out of passed 0.048 lakh cft, only 0.03 lakh cft was transported to SD and remaining 0.018 lakh cft was lying at TD.	expected timber of 2,940 cft <sup>2</sup> .
6	C: 34/Khuihama, Sec-A R.V: 1.16 lakh cft/ S.V: 0.70 lakh cft DoA: July 2017 SDoC: December 2018 34/Kh Sec-B R.V: 1.10 lakh cft/ S.V: 0.66 lakh cft DoA: July 2017 SDoC: December 2018	• Extension was granted twice upto 18-03-2020 after imposing token penalty of ₹ 10,000/ and ₹ 3,000/- respectively in respect of each section.	Section A: Upto October 2021, the contractor transported 0.582 lakh cft S.V to SD, Jammu, out of total converted 0.677 lakh cft S.V (1.074 lakh cft R.V). Balance of 0.018 lakh cft was lying at Transit depot and 0.077 lakh cft S.V in forest as unpassed. Remaining marking to the extent of 0.086 lakh cft R.V was not converted. • Similarly, in Sec: B, the contractor transported 0.664 lakh cft S.V to SD, Jammu, out of total converted 0.669 lakh cft S.V (1.096 cft R.V) and balance 0.013 lakh cft S.V was lying in forest. Remaining marking to the extent of 0.004 lakh cft R.V was not converted. In reply the DM, Ganderbal stated (March 2021) that the Compartment was under snow cover as such the balance work could not be executed.	Timber: 9,500 cft and 400 cft. Marking: 8,600 cft and 1,300 cft expected timber of 5,418 cft <sup>3</sup> and 793 cft <sup>4</sup> .

<sup>2</sup> On the basis of actual turnover achieved out of 9,100 cft RV, 6,400 cft SV was extracted which worked out 70 per cent and of 4,200 cft, expected outturn was 2,940 cft (70 per cent of 4,200 cft).

<sup>3</sup> On the basis of actual turnover achieved out of 1.074 lakh cft RV, 0.677 lakh cft SV was extracted which worked out 63 per cent and of 8,600 cft, expected outturn was 5,418 cft (63 per cent of 8,600 cft).

<sup>4</sup> On the basis of actual turnover achieved out of 1.096 lakh cft RV, 0.664 lakh cft SV was extracted which worked out 61 per cent and of 1,300 cft, expected outturn was 793 cft (61 per cent of 1,300 cft).

**Appendix - 6.3**

(as referred to in Para No. 6.1.3.4)

**Abandonment of work and non-transport of timber by Contractors**

Sl. No.	Name of the Compartment and other details	Chronology of events	Audit observations	Remarks
1.	C: 51 Udil  Total marking: 0.542 lakh cft.  RV: 0.40 lakh cft/ SV: 0.210 lakh cft was allotted to two <i>Amani</i> mates equally.  DoA: September 2017  SDoC: March 2018	<ul style="list-style-type: none"> <li>• One <i>Amani</i> mate had never taken up the work.</li> <li>• Another <i>Amani</i> mate had executed the work of felling only and no further activity had been done by him till date.</li> </ul>	<ul style="list-style-type: none"> <li>• Despite the fact that the work of 52 abc Udil was assigned by contractor to the attorney holder, the Company allotted further work to him.</li> <li>• No action had been taken for allotment of balance marking of 0.142 lakh cft RV.</li> <li>• The <i>Amani</i> mate executed only felling activity of 0.13 lakh cft RV and no other activity was initiated.</li> <li>• The Company had not initiated any action against the <i>Amani</i> mates for delay in execution of work and non-taking up the work at all though a period of more than three years had elapsed and none of the timber was dispatched to the Sale depot Jammu. As such, chances of deterioration/ rotting of timber/markings could not be ruled out.</li> </ul>	Marking: 54,200 cft with expected outturn of 28,455 cft <sup>5</sup>
2.	C: 35 abc Keshwan  R.V: 1.095 lakh cft / S.V: 0.560 lakh cft  Allotted on tender basis  DoA: July 2018  SDoC: March 2019	<ul style="list-style-type: none"> <li>• The work was allotted to a contractor whose performance was not satisfactory in case of C: 52 Udil.</li> <li>• The contractor did not execute agreement with the J&amp;KFDC.</li> </ul>	The contractor extracted 52,310 cft (excluding unpassed stock of 811 cft) which was lying in the forest (9,996 cft under pathroo activity, 5,600 in forest itself and 36,714 in span activity). None of the stocks had been dispatched to Sale Depot, Jammu as of October 2021 though the work was required to be completed by March 2019.	Timber: 52,310 cft
3.	C: 51 Kishtwar  R.V: 0.413 lakh cft / S.V: 0.206 lakh cft  Allotted to three	<ul style="list-style-type: none"> <li>• Only one <i>Amani</i> mate took up the work. Remaining two <i>Amani</i> mates neither took up the work nor executed the agreement.</li> </ul>	<ul style="list-style-type: none"> <li>• Out of 13,800 cft (RV), the contractor converted 6,950 cft SV of timber. Of which 2,297 cft were transported to Sale Depot Jammu and 4,653 cfts</li> </ul>	Timber: 4,653 cft. Marking: 27,492 cft with expected outturn of 13,746 cft <sup>6</sup> .

<sup>5</sup> On the basis of expected outturn of 21,000 cft out of 40,000 cft i.e. 52.5 per cent for 54,200 cft.

<sup>6</sup> On the basis of actual turnover achieved out of 13,800 cft RV, 6,950 cft SV was extracted which worked out to 50 per cent and of 27,492 cft, expected outturn was 13,746 cft (50 per cent of 9,500 cft).

Sl. No.	Name of the Compartment and other details	Chronology of events	Audit observations	Remarks
	<i>Amani</i> mates DoA: June 2018 SDoC: April 2019	<ul style="list-style-type: none"> <li>In May 2019, the <i>Amani</i> mate represented for not to cut 10 <i>per cent</i> in the rates as per policy of the J&amp;KFDC.</li> </ul>	<p>were still lying in forest as of October 2021.</p> <ul style="list-style-type: none"> <li>Balance marking to the extent of 27,492 cft RV was unconverted as of October 2021 for which no action had been taken by the Company.</li> </ul> <p>In reply the DM, Kishtwar stated (May 2021) that for the left over work the higher authorities had been apprised to take decision.</p>	
4.	C: 9 Kishtwar R.V: 0.907 lakh cft / S.V: 0.388 lakh cft Allotted to four <i>Amani</i> mates equally i.e 0.227 lakh cft. DoA: Aug 2017 SDoC: March 2018	-	<ul style="list-style-type: none"> <li>The <i>Amani</i> mates extracted 0.436 lakh cft SV (out of 0.80 lakh cft RV) which was not transported to the Sale Depot, Jammu and was lying in the forest (as of October 2021) though the work was required to be completed by March 2018.</li> <li>Remaining 0.107 lakh cft RV was not converted by the <i>Amani</i> mates as of now (October 2021).</li> </ul> <p>In reply the DM, Kishtwar stated (May 2021) that for the left over work the higher authorities had been apprised to take decision.</p>	Timber: 43,600 cft. Marking: 10,700 cft with expected outturn of 5,885 cft <sup>7</sup> .
5.	C: 11Kishtwar R.V: 0.50 lakh cft S.V: 0.20 lakh cft Allotted to three <i>Amani</i> mates. DoA: July 2016 SDaC: March 2018	The work for 0.50 lakh cft was allotted to three <i>Amani</i> mates viz. (i) 0.20 lakh cft RV/ 0.08 lakh cft), (ii) 0.12 lakh cft RV/ 0.048 lakh cft and (iii) 0.18 lakh cft RV/ 0.072 lakh cft.	<p>One <i>Amani</i> mate to whom 18,000 cft RV was allotted, extracted 1,600 cft SV (out of 3,864 cft RV) which remained unpassed and was lying in the forest. Remaining marking to the extent of 14,136 cft RV was not converted by him as of October 2021.</p> <p>In reply the DM, Kishtwar stated (May 2021) that for the left over work the higher authorities had been apprised to take decision.</p>	Rotten timber: 1,600 cft. Rotten marking: 14,136 cft with expected outturn of 5,796 cft <sup>8</sup> .

<sup>7</sup> On the basis of actual turnover achieved out of 80,000 cft RV, 43,600 cft SV was extracted which worked out to 55 *per cent* and of 10,700 cft, expected outturn was 5,885 cft (55 *per cent* of 10,700 cft).

<sup>8</sup> On the basis of actual turnover achieved out of 3,864 cft RV, 1,600 cft SV was extracted which worked out to 50 *per cent* and of 27,492 cft, expected outturn was 13,746 cft (50 *per cent* of 27,492 cft).

Sl. No.	Name of the Compartment and other details	Chronology of events	Audit observations	Remarks
6.	C: 65a/65b Sindh R.V:77,972 cft/ S.V: 0.385 lakh cft Allotted on tender basis DoA: September 2017 SDoC: June 2018	<ul style="list-style-type: none"> <li>Upto September 2017, the contractor extracted 2,200 cft SV (out of 4,179 cft RV).</li> <li>The agency stopped the work with the plea that removal of trees is not required by them for tunnel construction.</li> </ul>	The contractor did not transport the extracted timber to the extent of 2,200 cft to the Sale Depot and the same are deteriorating day by day and losing its value.	Timber: 2,200 cft
7.	53/Neeru	Section: II	Felling/ HS of 9,384 cft, out of which only 967 cft were dispatched and balance 185 lying at TD and 8,232 cft still lying in the forest area.	Timber:185 cft and 8,232 cft
8.	55ab/ Neeru	I to VI	Only felling and hand sawing activities were carried out, no ORT/ RT was done. Passed stocks to the extent of 56,505 cft and unpassed stocks to the extent of 13,500 cft were lying in the forest area in a scattered manner since September 2019 and no further activities have been carried out.	Timber left in forest: 56,505 cft and 13,500 cft
9.	6/ Jatota		<p>Only felling and hand sawing of 17,040 cft was done as per work done report of 06-05-2019. Out of total markings 78 <i>per cent</i> was of Fir specie which is most vulnerable to vagaries of weather, as such, chances of their deterioration could not be ruled out. Range Manger also reported that 80 <i>per cent</i> of the stocks already turned rotten.</p> <p>The DM, Bhaderwah attributed (May 2021) reasons for delay to hostile weather and limited working season. The reply is not acceptable in view of the facts that no activities had been undertaken after May 2019 and more than two years elapsed since last activity undertaken and scheduled completion date i.e. December 2018.</p>	Timber: 13,632 cft (80 <i>per cent</i> of 17,040 cft)

Sl. No.	Name of the Compartment and other details	Chronology of events	Audit observations	Remarks
10.	37/ Bhalessa	Total marking: 79,300 cft Marking converted: 19,700(outturn: 7,167 cft i.e. 36 per cent) Marking left unattended: 59,600 cft	Only felling and hand sawing of 7,167 cft (out of 19,700 cft RV) had been done by the contractor. No other activity had been undertaken since February 2016.	Timber left in the forest: 7,167 cft. Marking left unattended: 59,600 cft with expected outturn of 21,456 cft <sup>9</sup> .

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<sup>9</sup> On the basis of actual turnover achieved out of 19,700 cft RV, 7,167 cft SV was extracted which worked out to 36 per cent and of 59,600 cft, expected outturn was 21,456 cft (36 per cent of 59,600 cft).

**Appendix-6.4**  
(as referred to in Para No. 6.1.3.5)  
**Non-completion of allotted works by Contractors**

Sl. No.	Name of the Compartment and other details	Chronology of events	Audit observations/Remarks
1.	<p>C: 28/Basantgarh</p> <p>Volume (Rounded Volume: RV) 44,033 cft</p> <p>Volume (Sawn Volume : SV) 23,000 cft</p> <p>DoA (Date of Award): February 2015</p> <p>SDoC (Scheduled Date of Completion): May 2016</p> <p>Initial allotted cost: ₹ 140.25 per cft.</p> <p>Cost revised to ₹ 168.48 per cft.</p> <p>Cost further revised to ₹ 323.66 per cft.</p> <p>Finally allotted cost: ₹ 287.25 per cft.</p>	<ul style="list-style-type: none"> <li>• Prepared (2012-13) PR with RV 44,033 cft and SV 23,000 cft envisaging cost of ₹ 140.25 per cft and tenders were invited (July 2012) but no response was received.</li> <li>• DM, ED, Udhampur proposed (June 2012) working out rates on revised norms rate, besides, increasing head carriage after Nikassi from 5 chain<sup>10</sup> to 33 chains (earlier arithmetical error of chains).</li> <li>• Cost revised to ₹ 168.48 per cft and tenders were invited (May 2013/ July 2013) but again no response.</li> <li>• On the recommendation of the committee constituted to access the ground situation, PR was further revised (February 2015) envisaging cost of ₹ 324.16 per cft mainly due to increase of Head carriage from 12 chains to 345 chains and expected outturn was also reduced from 23,000 cft to 19,500 cft,</li> <li>• The work was allotted (February 2015) to an <i>Amani</i> mate @ ₹ 287.25 per cft with scheduled date of completion as May 2016.</li> </ul>	<ul style="list-style-type: none"> <li>• Unrealistic projections in the PR led to delay in allotment of work and loss of 3,500 cft (SV) of timber valuing ₹ 20.50 lakh<sup>11</sup>.</li> <li>• The work was allotted on <i>Amani</i> basis at the rate of ₹ 287.25 per cft without inviting tenders in contravention to the directions of the BoDs which restricted allotment of work on <i>Amani</i> basis upto the volume of 40,000 cft RV only.</li> </ul> <p>In reply the DM, Udhampur stated (February 2021) that work was allotted on <i>Amani</i> basis having sawn volume less than 20,000 cft which is not tenable as restrictions were with regard to markings not the sawn volume.</p>
2.	<p>C: 45/I-II-III Dudu</p> <ul style="list-style-type: none"> <li>• Marking taken over to the extent of 72,282 cft (RV)/ 28,100 cft (SV) in November 2013.</li> <li>• PR prepared was in 2015 and tenders were invited thrice in June 2015/ September 2015/ December 2015 @ ₹ 146.60 per cft which fetched no response mainly due to envisaging incorrect distance of head carriage which increased from 0.5 to 3 km leading to increase in estimated cost to ₹ 178.87 per cft.</li> </ul>	<ul style="list-style-type: none"> <li>• A committee was constituted (July 2016) to explore the possibilities for exploitation of marking which submitted (August 2016) report that marking of Fir specie of 41,000 cft (RV) had rotten and only 31,300 cft (RV) of deodar and Kail species were physical fit for extraction with expected yield of 20,000 cft (including 10 <i>per cent</i> Standing marking of Fir).</li> </ul> <p>RV: 72,000 cft (total marking) / SV: 20,100 cft (6,700 cft each allotted among three <i>Amani</i> mates).</p> <p>DoA: January 2017 (in all three cases) SDoC: May 2018(I), April 2018(II) and April 2018 (III)</p>	<ul style="list-style-type: none"> <li>• Initially delay in preparation of PR and subsequently delay in inviting tenders (after two years of taking over of marking), besides, incorrect preparation of PR for head carriage led to no response from the contractors with the result 36,900 (90 <i>per cent</i> of 41,000 cft) of Fir markings with expected outturn of 8,000 cft SV turning rotten and consequent loss of ₹ 23.94 lakh<sup>12</sup> to the Company.</li> </ul>

<sup>10</sup> One kilometer is equal to 33 chain.

<sup>11</sup> Calculated on the basis of sale rate for the year 2015-16 i.e ₹ 585.64 per cft.

<sup>12</sup> Calculated at the rate of ₹ 299.30 per cft (average rate of fir species for the year 2015-16) in respect of 8,000 cft of fir species.



**Appendix-6.5**  
(as referred to in Para No. 6.1.3.5)  
**Non-completion of allotted works by Contractors**

Sl. No.	Name of the Compartment and other details	Chronology of events	Audit observations	Remarks
1.	C: 51 Kellar  Date of taking over of marking: May 2012  R.V: 1.064 lakh cft / S.V: 0.45 lakh cft  Allotted on Tender basis at a rate of ₹ 130.45 per cft  DoA: June 2012  SDoC: April 2013	<ul style="list-style-type: none"> <li>During 2012-13, the contractor extracted only 0.188 lakh cft SV (out of 0.394 lakh cft RV) but failed to dispatch the same to the Sale Depot Jammu. The J&amp;KFDC quashed (June 2014) the contract and forfeited EMD of ₹ 1.39 lakh cft.</li> <li>Subsequently the work of extraction and transportation of 0.67 lakh cft RV/ 0.265 lakh cft SV and transportation of 0.188 lakh cft SV (already extracted) was allotted (May 2017) at a rate of ₹ 210 per cft and ₹ 164.95 per cft respectively and scheduled to be completed by March 2018.</li> <li>Additional marking of 0.56 lakh cft (R.V)/0.221 lakh cft (S.V) was allotted (May 2018) to the contractor.</li> <li>The extension upto December 2019 was granted (August 2019) to the contractor for ORT and RT activities of 0.712 lakh cft by imposing penalty of ₹ 17,800/-.</li> </ul>	<ul style="list-style-type: none"> <li>Committee constituted (October 2020) for Physical Verification of the old stocks dumped in the compartment submitted (November 2020) that 40 per cent of the 16,932 cft<sup>13</sup> i.e. 6,773 cft got rotten and also recommended that to avoid expenditure on transportation, the saleable stock (10,159 cft) should not be dispatched to Jammu and should be auctioned as is where is basis. As such, loss of ₹ 39.67 lakh<sup>14</sup> was suffered on account of rotting of timber due to non-completion of work by the original contractor, besides, extra cost incurred to the extent of ₹ 21.08 lakh<sup>15</sup> due to failure of the original contractor to complete the work.</li> <li>Against the expected outturn of 0.221 lakh cft in case of additional marking, the contractor extracted 0.347 lakh cft showing around 57 per cent excess of the expected outturn which indicated that the PR had not been prepared realistically.</li> <li>The second contractor transported 73,073 cft of timber and 16,932 cft (old extracted timber) was left in the forest. The DM, Kishtwar stated (May 2021) that the work was re-allotted for balance activities on the basis of revised norms of 2015-16, as such, there was no question of recovery of cost and also admitted that the PR was framed with casual approach, however, more outturn was due to green marking. Reply is not acceptable to the extent that recovery of cost was to be considered in terms of agreement and existence of green markings was known fact at the time of preparation of PR.</li> </ul>	Loss of ₹ 39.67 lakh due to rotting of timber to the extent of 6,773 cft. Incurred extra cost of ₹ 21.08 lakh due to non-completion of the work by the original contractor.
2.	C: 47/Kellar  R.V: 0.93 lakh cft/ S.V: 0.47 lakh cft  Allotted to five <i>Amani</i> mates. RV: 0.20 lakh cft/ SV: 0.10 lakh cft each to three <i>Amani</i> mates,	<ul style="list-style-type: none"> <li>All the five <i>Amani</i> mates, extracted only 16,817 cft (S.V) out of fallen 35,365 cft RV of markings and rest 57,451 cft RV of markings remained un-felled/ unconverted. The contracts with all the <i>Amani</i> mates were quashed in November 2012.</li> <li>The General Manager ordered (September 2013) for physical verification of passed stocks. However,</li> </ul>	<ul style="list-style-type: none"> <li>The passed stock of 16,817 cft had remained scattered in the forest. However, payment of ₹ 3.46 lakh was made to the contractors.</li> <li>Loss of expected outturn to the extent of 12,783 cft<sup>16</sup> SV valuing ₹ 74.86 lakh<sup>17</sup> due to delay in execution of work by the original contractor and further delay in re-allotment of work. Besides, the</li> </ul>	<ul style="list-style-type: none"> <li>Loss of expected outturn to the extent of 12,783 cft SV valuing ₹ 74.86 lakh</li> <li>The Company incurred extra cost of ₹ 53.18</li> </ul>

<sup>13</sup> The second contractor transported 1,868 cft of timber out of 18,800 cft.

<sup>14</sup> Calculated @ ₹ 585.64 per cft (average rate for the year 2015-16) for 6,773 cft.

<sup>15</sup> Calculated @ ₹ 79.55 per cft (i.e. difference of rate of ₹ 210 per cft and ₹ 130.45 per cft) for 26,500 cft (allotted in May 2017).

<sup>16</sup> 47,000 cft SV minus 16,817 cft SV minus 17,400 cft SV.

<sup>17</sup> Calculated @ ₹ 585.64 per cft(average rate for the year 2015-16) for 12,783 cft.

Sl. No.	Name of the Compartment and other details	Chronology of events	Audit observations	Remarks
	RV: 0.15 lakh cft / SV: 0.08 lakh cft to one and RV: 0.18 lakh cft / SV: 0.09 lakh cft to one. DoA: June-2010 SDoC: March-2011	no such PV was found on records. • The revised PR was prepared (2015-16) for 0.933 lakh cft (R.V) with expected outturn of 0.328 lakh cft (S.V). However, work was not allotted. Additional marking: • The work of 1.945 lakh cft (R.V)/ 0.854 lakh cft (S.V) was allotted (June 2018) to another contractor, which included fresh marking of 1.360 lakh cft (R.V)/ 0.68 lakh cft (S.V) and old marking of 0.585 lakh cft (R.V)/ 0.174 lakh cft (S.V). • SDoC by end of March 2019	Company incurred extra cost of ₹ 53.18 lakh <sup>18</sup> • The contractor completed the work of extraction and transportation to the tune of 87,856 cft and same was dispatched to various sale depot/ CTSDs. The reply furnished (May 2021) by the DM, Bhaderwah was not conclusive to the audit observations.	lakh.
3.	C: 34/Dudu RV : 0.739 lakh cft/SV: 0.278 lakh cft Allotted on tender basis DoA: October 2012 SDoC: August 2013	• Initially the work was allotted to a contractor @ ₹ 96.99 per cft. Though notices were issued the contractor failed to start the work and after nine month from the date of issue of Lol the contractor showed (July 2013) inability to execute the work due to illness and the J&KFDC quashed (October 2013) the contract and forfeited (October 2013) the EMD of ₹ 0.59 lakh. • After two years from date of quashing the original contractor, the work, after inviting tenders, was reallocated (October 2015,) to another contractor @ ₹ 207 per cft for 25,600 cft SV and was required to be completed by June 2016. • Power of attorney was further given (August 2016) to third contractor to complete the balance work due to ill health of contractor which was accepted (January 2017) by the J&KFDC.	• Actual outturn was achieved to the extent of 31,565 cft which indicated that PR was not prepared realistically. • Extra cost incurred to the extent of ₹ 34.72 lakh <sup>19</sup> was not recovered from the original contractor for getting the work completed at own risk and cost. • Despite of above odds, four works <sup>20</sup> involving 0.482 lakh cft of marking were also allotted to the original contractor on <i>Amani</i> basis though he was Class A contractor and non-local resident.	• Extra cost incurred to the extent of ₹ 34.72 lakh was not recovered from the original contractor for getting the work completed at own risk and cost.

<sup>18</sup> At the rate of 162.26 per cft (new rate of ₹ 254.70 per cft minus old rate of ₹ 92.44 per cft) for 17,400 cft i.e. ₹ 28.43 lakh and at the rate of ₹ 148.39 per cft (new rate of ₹ 209.92 per cft minus old rate of ₹ 61.53 per cft) for 16,817 cft i.e. ₹ 24.95 lakh.

<sup>19</sup> Extra cost of ₹ 110.01 per cft (₹ 207 per cft minus ₹ 96.99 per cft) for 31,565 cft timber.

<sup>20</sup> Four works: (i) 45a/ Dudu Sec: II (RV of 0.241 lakh cft and SV of 0.067 lakh cft), (ii) 76a/ Dudu (RV of 0.13 lakh cft and SV of 0.072 lakh cft), (iii) 95 AB/ Udampur PMGSY Road (RV of 0.059 lakh cft and SV of 0.035 lakh cft) and (iv) 1/ N Ramnagar, PMGSY Road (RV of 0.052 lakh cft and SV of 0.031 lakh cft).

**Appendix-6.6**  
(as referred to in Para No. 6.1.3.5)  
**Short /excess outturn of timber**

Sl. No.	Basic details of the compartment	Chronology of event	Audit observations/ remark
1.	C: 12 Keshwan R.V: 1.873 lakh cft / S.V: 0.951 lakh cft DoA: May 2017 SDoC: April 2018	<ul style="list-style-type: none"> <li>The contractor carried out mahaan operations through side nallah in odd season for hauling down stocks up to the loading points instead of by head carriage, pathroo and rope span activities. Several notices were issued to the contractor to stop mahaning operation in view of increasing water level in the nallah. Flood occurred in the nallah on the intervening night of 16<sup>th</sup> and 17<sup>th</sup> June 2018 leading to accumulation of stocks in Kanchies and breakage of stocks.</li> </ul>	<ul style="list-style-type: none"> <li>As of March 2018, out of 1.873 lakh cft RV, felling and conversion of only 1.713 lakh cft RV had been done by the contractor and 0.16 lakh cft though felled was not converted.</li> <li>Against expected outturn of 0.951 lakh cft SV, only 0.789 lakh cft was extracted resulting in shortfall of 0.162 lakh cft (17 per cent).</li> <li>Out of 0.789 lakh cft SV, only 0.633 lakh cfts was dispatched and 0.152 lakh cft (4,000 scants) was shown lost during flood/ mahaning operation/ pilferage. Besides, 0.004 lakh cft was under custody of SFD because of illicit damages/felling carried out by the contractor.</li> <li>The J&amp;KFDC had not made any recovery of the loss due to mahaan operation from the contractor.</li> </ul>
2.	C: 24abc Keshwan R.V: 1.207lakh cft S.V: 0.48 lakh cft DoA: July 2018 SDoC: May 2019	The contractor extracted 0.687 lakh cft SV against expected outturn of 0.48 lakh cft.	<ul style="list-style-type: none"> <li>The contractor extracted 0.207 lakh cft (43 per cent) in excess of expected outturn which indicated that the PR was not prepared realistically.</li> </ul>
3.	C: 136/Khuihama R.V: 0.441 lakh cft/ S.V: 0.265 lakh cft DoA: March 2017 SDoC: December 2017	<ul style="list-style-type: none"> <li>The sanction for allotment of work provides that, in case of alarming situation of less yield, the matter was required to be brought to the notice to DM immediately and no shortfall was to be recommended for condonation at a later stage. However, neither the Range Manager nor contractor reported the less outturn to the division in time.</li> </ul>	<ul style="list-style-type: none"> <li>The contractor extracted and dispatched 0.14 lakh cft SV by end of November 2017 against the expected yield of 0.265 lakh cft. Thus there was less outturn of 0.123 lakh cft (54 per cent).</li> <li>The Range Manager intimated (July 2018) about less outturn while applying for condonation of less outturn due to deterioration of the marking.</li> </ul>
4.	C: 58/Kellar R.V: 1.123 lakh cft/ S.V: 0.543 lakh cft DoA: October 2014 SDoC: December 2015	<ul style="list-style-type: none"> <li>Felling and hand sawing was done to the extent of 42,916 cfts SV. Passing lists of 28,401 cft were not signed by the staff.</li> <li>For shortage of 9,101 cft, the staff responsible for passing put the responsibility on each other.</li> <li>The DM concerned recommended</li> </ul>	<ul style="list-style-type: none"> <li>Out of expected outturn of 0.543 lakh cft SV, only 0.429 lakh cft was extracted leading to shortfall of 0.114 lakh cft.</li> <li>As of March 2021, the contractor dispatched only 33,814 cft SV to Sale Depot Jammu/ CTSDs and remaining 9,101 cft valuing ₹ 56.92 lakh<sup>21</sup> was shown as shortage.</li> </ul>

<sup>21</sup> Calculated at the rate of ₹ 625.40 per cft (average sale rate of the timber sold during the period 2015-20).

Sl. No.	Basic details of the compartment	Chronology of event	Audit observations/ remark
		<p>(December 2017) a suitable penalty to be imposed on passing in-charge and concerned Range Manager. Recovery of salary of one month was effected from retiral benefits of Ex Range Manager (Kellar) and memorandum/article of charges were served to two passing In-charges.</p> <ul style="list-style-type: none"> <li>The DM was appointed as inquiry officer to inquire into the matter. However, no enquiry report was found on records.</li> </ul>	<p>The DM, Bhaderwah stated (May 2021) that markings taken over were no to the mark and lot of timber value was lost due to heart rot in the markings which cannot be objectively estimated at the time of enumeration and markings. However, the DM was silent about the shortage of 9,101 cft of timber.</p>
5.	<p>C: 12/Kellar</p> <p>R.V: 1.230 lakh cft/ S.V: 0.60 lakh cft</p> <p>Allotted to five <i>Amani</i> mates</p> <p>DoA: March 2016</p> <p>SDoC: March 2018</p>	<ul style="list-style-type: none"> <li>Initially 0.20 lakh cft (RV)/ 0.10 lakh cft (SV) was allotted (March 2016) among five contractors and the remaining 0.23 lakh cft (RV) was also allotted proportionately among them.</li> </ul>	<ul style="list-style-type: none"> <li>Out of 60,000 cft SV allotted among the <i>Amani</i> mates, only 49,029 cft was extracted resulting into less outturn of 10,971 cft. Out of 49,029 cft only 47,957 cft was dispatched to Sale Depots/ CTSDs.</li> </ul> <p>The reply furnished (May 2021) by the DM, Bhaderwah was not conclusive to the audit observations.</p>
6.	<p>Total marking received (Pakaldul HE project):</p> <p>C: 34a and 34b Dachhan</p> <p>DoA: February 2017 and April 2017</p> <p>SDoC: December 2017 and April 2018</p>	<ul style="list-style-type: none"> <li>Marking of 1.421 lakh cft RV (34a Dachhan) and 0.095 lakh cft RV (34b Dachhan) were allotted (February 2017 and April 2017) to a contractor</li> <li>DM Kishtwar issued several notices on December 2017, January 2018 and April 2018 for slow progress of work to the contractor.</li> <li>Additional markings of 0.488 lakh cft RV and 0.1941 lakh cft RV, taken over (July / August 2018) from SFD were allotted (January 2019) to the same contractor.</li> </ul> <p>Total work allotted</p> <p>R.V: 2.20 lakh cft / S.V: 1.753 lakh cft</p> <ul style="list-style-type: none"> <li>Notices for slow progress of work were also issued to contractor in December 2018, January/ March 2019.</li> </ul>	<ul style="list-style-type: none"> <li>As of December 2020, against 2.20 lakh cft RV only 2.04 lakh cft RV was extracted which should have expected outturn of 1.625 lakh cft SV. But actual outturn was 0.925 lakh cft SV leading to shortfall of 0.70 lakh cft (43 <i>per cent</i>). Reasons for very low outturn though most of the marking (97 <i>per cent</i>) was of green trees, were not ascertained by the company.</li> <li>The Contractor had not taken up the remaining 0.16 lakh cft RV (including 0.095 lakh cft RV in C: 34b Dachhan)</li> </ul>
7.	<p>C: 25abc Keshwan</p> <p>R.V: 3.565 lakh cft/ S.V: 1.362 lakh cft</p> <p>DoA: August 2019</p> <p>SDoC: December 2020</p>	<ul style="list-style-type: none"> <li>After reporting alarming excess outturn by the contractor, GM East Circle directed (October 2019) the concerned DM to constitute a committee of Senior officials including territorial staff who shall visit the compartment and prepare a detail report along with the recommendation with of concerned DM.</li> </ul>	<ul style="list-style-type: none"> <li>The felling and hand sawing of 2.37 lakh cft SV against the expected outturn of 1.362 lakh cft (i.e. 74 <i>per cent</i> excess) had been done by the contractor which indicated that the PR was not prepared realistically.</li> <li>Out of 2.37 lakh cft, only 1.78 lakh cft was transported to Sales depot and 0.59 lakh cft was lying in the Forest (at transit depot: 0.38 lakh cft)</li> </ul>

Sl. No.	Basic details of the compartment	Chronology of event	Audit observations/ remark
		<ul style="list-style-type: none"> <li>The DM constituted (October) a committee comprising four members to report on the issue, however, no reporting had been done by the committee as of now (December 2020).</li> </ul>	<p>and at span: 0.21 lakh cft).</p> <ul style="list-style-type: none"> <li>Range Manager, Keshwan stated (March 2021) that excess outturn was due to sound marking of Fir specie.</li> <li>The reply is not tenable as huge variation in outturn indicated that projections were made unrealistically.</li> </ul>
8.	<p>C: 39 Padder</p> <p>R.V: 1.18 lakh cft / S.V: 0.59 lakh cft</p> <p>Allotted on Tender basis</p> <p>DoA: September 2015</p> <p>SDoC: March 2016</p> <p>Additional markings</p> <p>R.V: 0.43 lakh cft / S.V: 0.30 lakh cft</p> <p>Allotted on existing basis</p> <p>DoA: October 2016</p> <p>SDoC: June 2017</p>	<p>The contractor extracted 1.23 lakh cft SV against expected outturn of 0.89 lakh cft.</p>	<ul style="list-style-type: none"> <li>Out of 1.23 lakh cft, 1.21 lakh cft was transported to Sale Depot, Jammu/CTSDs.</li> <li>Remaining 0.0284 lakh cft of timber was lying at span head which got rotten.</li> <li>Excess outturn to the extent of 0.34 lakh cft (i.e. 38 <i>per cent</i>) indicated that PR was not prepared realistically.</li> <li>No responsibility had been fixed for preparation of unrealistic PR.</li> </ul> <p>In reply the DM, Kishtwar stated (May 2021) that 0.0284 lakh cft was turned rotten due to delay in execution of work by the contractor.</p>

**Appendix-6.7**  
(as referred to in Para No. 6.1.5)  
**Position of sales and closing balance of timber**

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18		2018-19		2019-20	
		Volume (in lakh cft)	Value (₹ in crore)	Volume (in lakh cft)	Value (₹ in crore)	Volume (in lakh cft)	Value (₹ in crore)	Volume (in lakh cft)	Value (₹ in crore)	Volume (in lakh cft)	Value (₹ in crore)
<b>1.</b>	<b>Closing stock of timber</b>										
1a.	Timber in standing form	130.26	48.44	131.08	46.14	136.81	45.85	122.00	40.22	117.59	36.59
1b.	Timber in extracted/sawn form	264.36	390.48	274.54	415.32	272.48	399.29	276.42	428.20	278.96	474.66
<b>1b(i).</b>	<b>Notional balance (losses)(since 1979-80)</b>	<b>242.76</b>	<b>279.78</b>	<b>243.24</b>	<b>281.83</b>	<b>243.50</b>	<b>282.88</b>	<b>243.72</b>	<b>283.89</b>	<b>243.73</b>	<b>283.89</b>
<b>1b(ii).</b>	<b>Actual stock of timber in extracted/sawn form</b>	<b>21.61</b>	<b>110.70</b>	<b>31.30</b>	<b>133.49</b>	<b>28.98</b>	<b>116.41</b>	<b>32.69</b>	<b>144.31</b>	<b>35.23</b>	<b>190.77</b>
	Jammu province	19.80	101.44	17.88	76.26	18.29	73.47	23.15	102.20	23.65	128.06
	Kashmir province	1.81	9.27	13.42	57.23	10.69	42.94	9.54	42.11	11.58	62.71
<b>2.</b>	<b>Stock loss during the year</b>	<b>0.25</b>	<b>1.28</b>	<b>0.48</b>	<b>2.05</b>	<b>0.26</b>	<b>1.05</b>	<b>0.23</b>	<b>1.01</b>	<b>0.00</b>	<b>0.00</b>

(Source: Accounts for the respective years and its working sheets)



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