



**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

FOR THE YEAR ENDED 31 MARCH 1998

GOVERNMENT OF JAMMU AND KASHMIR

TABLE OF CONTENTS

	Paragraph (s)	Page(s) (vii) (ix-xxxvi)
	Prefatory remarks	
	Overview	
CHAPTER I:	ACCOUNTS OF THE STATE	
	GOVERNMENT	
	Introduction	1-2
	Summarised financial position	2-20
	Revenue receipts	20-22
	Revenue expenditure	22-27
	Capital expenditure of the State	27-29
	Government	
	Total expenditure of the State	29-32
	Government	
	Revenue surplus	32
	Fiscal deficit	33
	Public debt	34-38
	Financial results of major projects	38
	Recoveries in arrears	39
CHAPTER II:	APPROPRIATION AUDIT AND	
	CONTROL OVER EXPENDITURE	
	Introduction	40
	Summary of Appropriation Accounts	40-44
	Charged and Voted expenditure	44-50
	Budgetary control	50-51
CHAPTER III:	CIVIL DEPARTMENTS	
	Agriculture Production and Rural	
	Development Department	
	Command Area Development Programme	52-68
	Loss on purchase of excess cotton seed	68-69
	Revenue Department	
	Acquisition of land for public purposes	69-82
	Social Welfare Department	
	Special Central Assistance for Tribal Sub-Plan	82-92
	Health and Medical Education	
	Department	
	National Malaria Eradication Programme	92-99
	Idle investment on x-ray machines	100
	Idle investment on purchase of multi-terminal computer system due to improper planning	101-102

	Paragraph (s)	Page(s)
Election Department		
Poll Expenses	3.8	102-109
Industries and Commerce Department	3.9	109-125
Ladakh Affairs Department		
Wasteful expenditure due to lack of co-ordination	3.10	125-126
Home Department		
Locking up of funds and avoidable payment of interest	3.11	126-127
CHAPTER IV: WORKS EXPENDITURE		
Irrigation and Flood Control Department		
Excess payment of interest under arbitration award due to calculation mistake	4.1	128-129
Improper planning in execution of Subsidiary Lift Irrigation Scheme Raya	4.2	129-131
Power Development Department		
Idle investment and loss due to inaction of the Department	4.3	132-133
Locking up of funds and unfruitful expenditure due to delay in construction of building	4.4	134
Unfruitful investment due to non-rectification of defects in Power transformer	4.5	135-136
Public Works Department (Roads and Buildings)		
Avoidable extra expenditure due to non-supply of departmental material	4.6	136-138
Ladakh Affairs Department		
Loss due to unplanned purchase of stores	4.7	138-139
Public Health Engineering Department		
Unproductive investment on construction of sump tank	4.8	139-140
CHAPTER V: STORES AND STOCKS		
Public Works Department		
Stores Management in Public Works Divisions	5.1	141-148

	Paragraph (s)	Page (s)
Public Health Engineering Department		
Idle investment due to purchase of stores in excess of requirements	5.2	148-149
Persistent shortages in stores due to non-observance of control mechanism	5.3	150-151
CHAPTER VI: REVENUE RECEIPTS		
Trend of revenue receipts	6.1	152-159
Results of Audit	6.2	159
Finance Department (Sales Tax)		
Exemption from payment of Sales Tax granted to Industrial units	6.3	159-164
Suppression of turnover	6.4	165-166
Non-levy of penalty	6.5	166-167
Loss of revenue	6.6	167-168
Under assessment due to misclassification of purchases	6.7	168-169
Incorrect grant of concessional rate of tax	6.8	169-170
Forest Department		
Non-raising of bills resulting in non-recovery of revenue	6.9	170-171
Non-handing over of marked trees resulting in blockade of revenue	6.10	171-172
Law Department		
Stamp Duty and Registration fees	6.11	172-175
CHAPTER VII: GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES		
SECTION-I		
Introduction	7.1	176
Government companies-General view	7.2	176-182
Statutory corporations	7.3	182-185
Departmentally managed Government commercial/quasi-commercial undertakings-General aspects	7.4	185-186
Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)	7.5	186-187
SECTION-II		
Jammu and Kashmir Small Scale Industries Development Corporation Limited	7.6	187-204

**CHAPTER
VIII:**

	Paragraph (s)	Page (s)
SECTION-III		
Miscellaneous topics of Interest	7.7	205
Jammu and Kashmir State Agro Industries Development Corporation Limited		
Loss due to non-execution of contract	7.7.1	205-206
FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS		
General	8.1	207-208
Audit arrangement	8.2	208-209
Audit under Section 14	8.3	209-211
Housing and Urban Development Department		
Srinagar Municipality	8.4	211-222
Agriculture Production and Rural Development Department	8.5	222
Unfruitful expenditure on purchase of chaff-cutters	8.5.1	222-223
Wasteful expenditure due to purchase of sub-standard agricultural implements	8.5.2	223-224
Infructuous expenditure and locking up of funds on purchase of tool-kits	8.5.3	224-226

APPENDICES

1. Cases of unnecessary supplementary grant/appropriation	229
2. Excessive supplementary grants/appropriation	230
3. Statement showing expenditure incurred without budget provisions	231-232
4. Statement showing budget provisions not utilised	233-234
5. Statement showing physical targets and achievements under Command Area Development Programme	235
6. Statement indicating variation in the figures of achievements under various components of CAD Programme	236-237
7. Statement showing variation between funds allotted by Chief Electoral Officer and those shown received by District Election Officer	238
8. Statement showing the particulars of up-to-date Equity Capital and Loans as on 31 March 1998	240-243

	Page(s)
9. Summarised Financial Results of Government Companies	244-247
10. Statement showing subsidy and guarantees received and guarantees outstanding at the end of the year	248-253
11. Statement showing the capacity utilisation of manufacturing units of various companies for the year 1997-98	254-255
12. Statement of wanting utilisation certificates	256
13. List showing names of departments which had not furnished the details of grants/loans	257
14. Bodies which did not furnish annual accounts for 1997-98 and earlier years	258
15. Statement showing Bodies/Authorities and the period for which their accounts were received	259
16. Glossary of abbreviations used in the Report	260-262

PREFATORY REMARKS

This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for the year 1997-98 together with other points arising from audit of financial transactions of the Government of Jammu and Kashmir. It also includes certain points of interest arising from the Finance Accounts for the year 1997-98.

2. Consequent on a fire in the Office of the Accountant General, Jammu and Kashmir, Srinagar in March 1977, which destroyed various records including those relating to the accounts for the year 1976-77, the accounts had to be reconstructed after collecting details from the various Government Departments. This, *inter alia*, necessitated drawing up of correct balances. The work being still in progress, some of the balances shown in the Finance Accounts for the year 1997-98, and in Chapter-I of this Report are provisional and are likely to be revised in the subsequent accounts.

3. The cases mentioned in this Report are those which came to notice in the course of test audit of accounts during the year 1997-98 as well as those which had come to the notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to the year 1997-98 have also been included wherever considered necessary.

This Report includes two chapters on the Finance Accounts and Appropriation Accounts of the Government of Jammu and Kashmir for the year 1997-98 and six other chapters comprising 9 reviews and 28 paragraphs. The major findings contained in the Report are summarised below.

1. Accounts of the State Government

During 1997-98, total receipts and disbursements of Government of Jammu and Kashmir on revenue account were Rs 4641.79 crore and Rs 4190.52 crore respectively, resulting in revenue surplus of Rs 451.27 crore. Similarly, the total receipts and expenditure on capital account were Rs 4518.93 crore and Rs 4880.04 crore respectively resulting in capital deficit of Rs 361.11 crore. There was, thus, net surplus of Rs 90.16 crore in the Consolidated Fund, against surplus of Rs 357.54 crore projected in the budget estimates. Borrowed funds constituted 49 *per cent* of the total Consolidated Fund receipts of Rs 9160.72 crore in 1997-98.

Revenue receipts increased from Rs 3223.40 crore during 1996-97 to Rs 4641.79 crore during 1997-98. The share of tax revenue and non-tax revenue in total revenue receipts was 8 *per cent* and 5 *per cent* respectively during 1997-98. The State's share of Union taxes, duties and grants-in-aid received from Central Government constituted the remaining 87 *per cent* of the revenue receipts.

The collections on account of tax and non-tax revenue increased by 25 and 35 *per cent* respectively during 1997-98 over 1996-97.

Revenue expenditure increased by Rs 1061.59 crore during 1997-98 over the previous year. While the plan expenditure increased by Rs 97.10 crore, the non-plan expenditure increased substantially by Rs 964.49 crore.

Against Tax Revenue collections of Rs 1409.63 crore during the period from 1993-94 to 1997-98, interest of Rs 2420.29 crore was paid on Public Debt during this period. The interest payments during 1997-98 were equivalent to 221 *per cent* of tax revenue and constituted 19 *per cent* of revenue expenditure.

Utilisation certificates of grants released to Statutory bodies, non-Government institutions, etc. are required to be submitted by sanctioning authorities not later than 18 months from the date of sanction of grants. 7063 certificates, for an amount of Rs 523.44 crore provided as grants up to March 1997, were outstanding as on 30 September 1998.

While the amount of outstanding loans to Government companies, corporations, autonomous bodies, etc. increased from Rs 223.67 crore at the end of March 1994 to Rs 411.36 crore at the end of March 1998, interest received on such loans decreased from Rs 79 lakh to Rs 51 lakh during this period.

The capital expenditure of the State Government decreased from Rs 1000.11 crore in 1996-97 to Rs 889.47 crore in 1997-98 indicating a decrease of 11 *per cent* over the previous year. The capital expenditure during 1997-98 fell short of budget estimates by Rs 457.90 crore (34 *per cent*).

State Government investment in the Statutory corporations, Government companies, Joint-stock companies, Co-operative Banks and Societies increased from Rs 244.22 crore in 1993-94 to Rs 324.76 crore at the end of 1997-98. However, no dividend was received from these during the years 1994-95 to 1997-98. In the case of 13 loss-making companies in which the State Government had invested Rs 124.62 crore as share capital up to 1997-98, the accumulated losses amounted to Rs 57.24 crore.

While the percentage of expenditure on General Services to total expenditure varied between 24 and 34 during 1993-94 to 1997-98, the percentage of expenditure on Social Services and Economic Services, decreased from 29 and 42 in 1993-94 to 25 and 41 in 1997-98.

Fiscal deficit, being excess of revenue and capital expenditure over the revenue receipts, was Rs 501.60 crore in 1997-98.

The total indebtedness of the State increased by 41 *per cent* from Rs 4157.92 crore at the end of 1993-94 to Rs 5857.48 crore at the end of 1997-98. As percentage of Gross State Domestic Product, it ranged between 66 and 91 during this period.

During 1997-98, the State Government obtained temporary loans aggregating Rs 3861.84 crore from the Jammu and Kashmir Bank for its ways and means requirements and paid an interest of Rs 117.48 crore. Temporary loans outstanding at the end of 1997-98 amounted to Rs 1003.72 crore which were 34 *per cent* more than the preceding year.

The revenue realised during 1997-98 from six major revenue earning irrigation projects in Jammu and Kashmir, with a total capital outlay of Rs 66.07 crore at the end of 1997-98, aggregated a meager amount of Rs 9 lakh. The revenue of Rs 35 lakh realised from these projects over a period of five years was not sufficient even to cover interest charges of Rs 4.46 crore paid during the above period.

(Paragraphs: 1.1 to 1.10)

2. **Appropriation Audit and Control over expenditure**

During the year 1997-98, against the provision of Rs 6373.49 crore, total expenditure aggregated Rs 9544.61 crore resulting in excess of Rs 3171.12 crore. The excess was due to net effect of saving of Rs 746.56 crore in Revenue (voted) and Capital (voted) including loans and advances and excess of Rs 3917.68 crore under Revenue (charged) and Public Debt (charged). The saving of Rs 746.56 crore was 101 *per cent* of supplementary grant of Rs 738.93 crore and 13 *per cent* of total provision of Rs 5546.60 crore for Revenue (voted) and Capital (voted).

Out of the total expenditure during 1997-98, 50 *per cent* mainly representing repayment of debt obligations was charged on the Consolidated Fund of the State.

Out of 27 grants/appropriations, the expenditure under 16 grants and one appropriation exceeded the amounts voted or appropriated under Revenue and Capital sections by Rs 4189.21 crore which required regularisation by the State Legislature. The excess expenditure reflected inadequacies of budgetary control mechanism.

In 17 cases relating to 12 grants and 2 appropriations, supplementary provision of Rs 249.63 crore remained wholly unutilised as the final expenditure of Rs 1001.47 crore was even less than the original grant of Rs 1260.68 crore. In 9 other cases relating to 7 grants and 1 appropriation, supplementary grant of Rs 174.88 crore exceeded the requirement (Rs 42.25 crore) resulting in saving of Rs 132.63 crore. Large scale savings indicated overestimation of requirement of funds.

Against the final saving of Rs 1018.09 crore relating to 25 grants and 4 appropriations, no amount was surrendered during the year, thus, depriving the Government of opportunity to transfer these funds to other needy sectors. Provision of Rs 712.45 crore under 30 major heads of account (16 grants) in the budget proved unnecessary as no expenditure was incurred there against. Lump sum provision of Rs 959.99 crore constituting 15 *per cent* of the total budget including supplementary grants was made under 59 major heads (24 grants) in the budget without mentioning sub/minor/detailed head-wise break-up thereof rendering the exercise of budgetary control ineffective.

Rupees 7.21 crore were drawn in March 1998 in 41 cases and placed in deposit/bank accounts to avoid their lapsing and for subsequent utilisation.

Controlling officers are required to reconcile the departmental figures with those booked by the Accountant General (A&E) for exercising effective control over expenditure. Of the 233 controlling officers, 192 officers had not completed reconciliation in respect of expenditure of Rs 5043.68 crore.

(Paragraphs: 2.1 to 2.4)

3. Audit reviews on developmental and other activities

3.1 Command Area Development Programme

The Centrally sponsored Command Area Development Programme was launched in selected irrigation commands with the objective of ensuring efficient utilisation of created irrigation potential and increasing agricultural production and productivity on sustainable basis. The scheme envisaged taking up on-farm development works, enforcement of *warabandi* and development of ground water resources. Test-check of records relating to the implementation of the Programme revealed:

In 4 projects, cumulative achievements in respect of field surveys were overstated by 32583 hectares (92 *per cent*). Physical achievements in respect of field surveys were not susceptible to verification as muster sheets of daily wagers engaged on survey work

neither indicated the particulars of work done and location of areas surveyed nor were relevant survey reports made available.

- In 3 projects, cumulative achievements in respect of land levelling and shaping and area covered under field channels exceeded the aggregate cultivable command area by 1100 hectares and 1412 hectares respectively.
- Payment of Rs 1.56 crore was made to farmers for land levelling and shaping works without preparing estimates and maintaining inventory of works executed:
- Installation of 642 pumps in various blocks of CADA Jammu during 1991-92 to 1996-97 at a cost of Rs 44.11 lakh for conjunctive use of ground water was made without conducting surveys for identification of areas vulnerable to low canal supply or water logging. In 165 out of 204 test-checked cases, inadmissible/excess subsidy of Rs 8.08 lakh was paid on installation of these pumps during 1994-95 and 1995-96.
- Cash subsidy of Rs 3.79 crore and Rs 81.08 lakh was paid to beneficiaries during the period from 1991-92 to 1997-98 for on-farm development works in disregard of the approved pattern of assistance and without identifying the beneficiaries according to prescribed guidelines.
- Irrigation potential created was utilised to the extent of 48 to 82 *per cent* during the years from 1991-92 to 1997-98. Shortfall in utilisation in Kashmir Division was attributed to meager allocation of funds for on-farm development works and in Jammu Division to non-adherence

to cropping pattern, injudicious use of water by farmers, power shortage, etc.

- Failure to lift the seeds from the Agriculture Department for sale to farmers, well in advance of the sowing season, resulted in poor sales and resultant loss of Rs 18.70 lakh on the auction of left over seeds.
- Statutory Command Area Development Boards and Command Area Councils at the State level had not been set up for monitoring the programme as envisaged. Evaluation studies had also not been undertaken to assess the impact of the programme.

(Paragraph: 3.1)

3.2 Acquisition of land for public purposes

Land needed for public purposes is acquired by the State Government under State Land Acquisition Act, 1990 Svt. (1934 AD) and the rules framed thereunder. A separate Act, viz. Jammu and Kashmir Requisition and Acquisition of Immovable Property Act, 1968 to empower the Government to requisition land for purpose of the State and on behalf of the Union of India, was also enacted. Test-check of records revealed:

- Rupees 18.24 crore were locked up with 11 Collectors at the end of March 1998 mainly due to advancing of amounts to Collectors for payment of land compensation without completion of various formalities. Of this, Rs 5.86 crore were deposited in current account of banks instead of in the treasury, in violation of the instructions of the Government.

- Considerable delays occurred in the finalisation of land acquisition proceedings. Out of 269 cases processed during 1993-94 to 1997-98, only 112 had been finalised up to March 1998. In 75 cases pending finalisation, delay ranged between 2 and 19 years from the dates of declaration under the respective Acts by Government. The delay impeded the speedy execution of development works and was likely to result in payment of higher compensation due to escalation in land rates.
- Excess/irregular payments of land compensation aggregating Rs 2.02 crore were made in 2 cases due to payment of compensation at higher rates and failure to take cognizance of ceiling laws.
- Land compensation of Rs 18.33 lakh was paid to a person, on the basis of questionable documents, who was not the owner of the land.
- Failure of the Collector to represent the land compensation case properly in the district court Jammu resulted in payment of extra compensation of Rs 11.10 lakh to the land owners.

(Paragraph 3.3)

3.3 Special Central Assistance for Tribal Sub-plan

The cent *per cent* Centrally sponsored scheme of 'Special Central Assistance for Tribal Sub-plan' launched by the Central Government in 1974-75, to supplement the efforts of the State Governments for socio-economic development of Scheduled Tribes was taken up for implementation in the State in 1990-91 when certain tribes were notified as Scheduled Tribes. The State had an estimated tribal

population of 8.80 lakh which constituted 11 *per cent* of the total population. Test-check of records relating to the implementation of the scheme revealed:

- Shortfall in utilisation of available funds during the period 1992-97 ranged between 29 and 67 *per cent* which was mainly due to belated release of funds by the Central Government to the State Government and by State Government to the nodal department and implementing agencies.
- Assistance of Rs 83 lakh was diverted during the period 1995-98 for meeting expenditure on payment of arrears on account of Fifth Pay Commission Report (Rs 64 lakh), administrative expenses including modernisation of offices (Rs 17 lakh) and purchase of paper copiers (Rs 2 lakh). Rs 32 lakh were further diverted during 1996-97 and 1997-98 for payment to a non-Governmental organization for activities outside the scope of the programme.
- Against the envisaged utilisation of 70 *per cent* of SCA funds on setting up of family oriented income generating schemes and the balance 30 *per cent* on development of infrastructure incidental thereto, 80 *per cent* (Rs 1.88 crore) of the total expenditure (Rs 2.33 crore) under Agricultural Sector was incurred during 1992-93 to 1997-98 on general activities of the department and development of infrastructure which was not incidental to income generating units established.

- Rupees 2.93 crore were spent under Minimum Needs Programme on works of electrification, drinking water supply, protection works, etc. in tribal *basties/mohras* during 1993-94 to 1997-98 which were outside the scope of the programme.

(Paragraph: 3.4)

3.4 National Malaria Eradication Programme

The National Malaria Eradication Programme was launched by the Central Government in 1953 to reduce malaria morbidity to a level where it ceases to be a major public health problem. A modified plan of operation envisaging surveillance by the programme staff and medical institutions, treatment of malaria positive cases, spraying with insecticides and urban malaria control was introduced in 1977 for effective control of malaria and prevention of deaths caused by it. Test-check of the records relating to the implementation of the programme revealed:

- Utilisation certificates and audited statements of expenditure for grants-in-aid of Rs 4.09 crore received from the Central Government during 1992-98 had not been furnished to Government of India. Proper accounts of Central assistance received had also not been maintained.
- Increase in the incidence of malaria cases from 784 in 1993 to 9412 in 1997 as also those of parasite *falciparum* cases during the same period, indicated that preventive measures taken by the Department had not been effective in arresting the spread of the disease.

- The Annual Parasite Index (API) which was below 1 up to 1994 increased to 3.78 in 1996 and declined to 2.47 in 1997. The index in rural areas increased from 2.55 in 1995 to 4.03 in 1997. The envisaged objective of containing the index below 2 was not, thus, realised.
- There was delay ranging from 1 to 6 months in the examination of blood smears collected under active surveillance which delayed detection and treatment of malaria cases.
- The percentage of population covered under spray operations ranged between 20 and 81 during 1992-97.

(Paragraph 3.5)

3.5 Poll Expenses

Elections in the State are held by the Election Commission of India under the provisions of the State Representation of Peoples Act, 1957. While expenditure on Lok Sabha and Legislative Assembly elections is to be borne by the Central and State Governments respectively, the expenses on common items are shared on 50:50 basis. Elections to 11th and 12th Lok Sabha were held in May 1996 and February/June 1998 respectively and to State Assembly in September/October 1996. Test check of records of the Election Department revealed :

- The share of expenditure of the Central Government on common items and holding of Lok Sabha elections in the State had not been worked out by the Department since 1974-75.

- Detailed accounts of advance payments aggregating Rs 4.19 crore made to various District Election Officers and other departments during 1971-98 for conduct of elections were awaited as of July 1998.
- There was wasteful expenditure of Rs 61.25 lakh on printing of electoral rolls/supplements in excess of actual requirements .
- Funds amounting to Rs 20.29 lakh were diverted for purchase of items like vehicles, colour television sets, computers, fax machines, etc. Further, 10 Diesel Generating sets were purchased (May/June 1996) at a cost of Rs 10.33 lakh by the Director Health Services, Kashmir by debit to election funds which were subsequently issued to various hospitals/medical units.
- Expenditure of Rs 6.07 lakh was unauthorisedly incurred by District Electoral Officers Kathua, Udhampur, Rajouri, Jammu and the Chief Electoral Officer on serving refreshment/food to staff not associated with poll/counting duty.

(Paragraph: 3.8)

3.6 Industries and Commerce Department

The main function of the Industries and Commerce Department is to facilitate overall industrial development of the State and generate employment. Several developmental schemes/programmes in industries, handicrafts and other sectors are implemented by the Department. Test check of the records of the Department revealed:

- There was shortfall ranging between 6 and 51 *per cent* in utilisation of funds allotted by the Government during the years 1993-94 to 1997-98.
- Registers of grants/appropriations and other budgetary control records had not been maintained on monthly basis or at the end of each year by any of the administrative/controlling officers' level. During the years 1993-94 to 1996-97, expenditure of Rs 7.78 crore was incurred by the departmental officers without any budget provision.
- Loan ledgers and other relevant records for watching recovery of loans aggregating Rs 188.67 crore, advanced during the period 1988-89 to 1997-98 to Government companies, had not been maintained.
- 172 officials in different cadres were irregularly appointed between 1990 and 1997 by various officers of the Department in violation of Government orders which provided for recruitment through Recruitment Boards/Committees only.
- Leave substitutes had been appointed against 91 officials who availed leave, but leave was not debited in the leave accounts of these officials. The genuineness of another 1161 leave substitutes appointed during this period could not be verified as the details of officials against whom these were appointed was not intimated.
- Sixty one *per cent* of 1244 handicraft co-operative societies in Kashmir Division and seventy eight *per cent* of 361 societies in Jammu Division, set up as of March 1997, were either defunct or

under liquidation. In 87 functional societies, the annual average wages paid to a member ranged between Rs 58 and Rs 294 only which indicated that these societies were also not viable.

There was no proper follow up to the training programme as no carpet weaving unit had come up either in the co-operative or in private sector despite expenditure of Rs 3 crore during 1993-94 to 1997-98 on massive carpet training programme in Jammu region.

(Paragraph: 3.9)

3.7 Store Management in Public Works Divisions

Public Works Divisions (Road and Buildings) of the Public Works Department, responsible for construction of roads, bridges and Government buildings, obtain their requirement of construction material like cement, steel and asphalt from Stores Procurement Department. For efficient material management, the divisions are required to exercise proper inventory control over the material in stock till these are finally consumed or disposed of otherwise. Test-check of records of these divisions revealed:

- Despite provision in the rules that purchase of stores for public service be made in accordance with definite requirements, stores valued at Rs 1.64 crore were purchased by 5 Jammu based divisions at the fag end of the respective years during 1992-97 in absence of any firm requirement to avoid lapsing of funds. Similarly, Rs 3.35 crore were advanced by 9 divisions during the same period to various

Government companies/semi-Government bodies to avoid lapsing of budget grant.

The objective of ensuring quality control and purchase of stores at economical rates through centralised purchases was not achieved as 19 to 73 *per cent* of the indented quantities only were lifted by the divisions from the Store Procurement Department during the period 1992-96. Contrary to the instructions of the Government, 5 divisions made purchase of stores from other agencies at higher rates involving extra expenditure of Rs 21.78 lakh.

- Advance payments aggregating Rs 6.33 crore were made to Government companies/undertakings during the period from 1992-93 to 1997-98 for supply of cement without the sanction of the competent authority. Cement supplies worth Rs 19.36 lakh had not been received against these advances as of September 1998.
- Material valued at Rs 27.44 lakh lifted by R&B Construction Division No. III, Jammu from Stores Procurement Department, Jammu from February 1995 to March 1997 had not been accounted for in the books of the former as of March 1998.
- Material valued at Rs 81.78 lakh issued for use on different works in the 5 test-checked divisions was outstanding as of September 1998 against 32 Junior Engineers who had been transferred/relieved between 1992-93 and 1997-98.

(Paragraph :5.1)

3.8 Exemption from payment of Sales Tax to Industrial Units

A review on Exemption from payment of Sales Tax granted to industrial units revealed:

- Incorrect exemption from payment of Sales Tax amounting to Rs 13.29 lakh was allowed during 1992-93 and 1995-96 to three Industrial Units not registered as Small Scale Industrial Units with the Industries Department.
- Incorrect exemption was granted to 45 SSI Units who had concealed their turnover resulting in non-recovery of tax, interest and penalty aggregating Rs 4.08 crore during 1991-92 to 1996-97.

(paragraph: 6.3)

3.9 Stamps Duty and Registration Fees

A review of assessment and collection of Stamps Duty and Registration Fees revealed:

- Misclassification of instruments of sale/mortgage deeds as power of attorney, agreements to sell/lease and family settlement deeds, etc. under the charge of 8 Sub-Registrars resulted in short levy of stamps duty of Rs 8.12 lakh and registration fees of Rs 1.15 lakh in 29 cases.
- Stamps duty of Rs 1.39 lakh was short levied due to incorrect application of rate of duty in 11 cases.

(Paragraph: 6.11)

3.10 Jammu and Kashmir Small Scale Industries Development Corporation Limited

Jammu and Kashmir Small Scale Industries Development Corporation (Paid-up Capital; Rs 3.12 crore) was incorporated as a wholly owned Government Company in November 1975 under Companies Act, 1956 with the main objective of providing infrastructural, financial and marketing facilities to Small Scale Industrial Units in the State. A review on the working of the Company revealed:

- **The accumulated loss of Rs 6.61 crore at the end of March 1998 represented 212 *per cent* of its paid-up capital. The main contributory factors for losses were increase in expenditure on salaries, higher incidence of interest charges and poor off-take of raw material.**
The Company suffered a loss of Rs 4.15 lakh in operation of its truck fleet during the period from 1993-94 to 1997-98. The Company suffered a further loss of Rs 6.23 lakh during July-November 1996 due to allotment of transportation work at rates higher than those fixed by the State Transport Authority.
- **The Company failed to recover outstanding advances of Rs 93.59 lakh from 53 units and Rs 46.10 lakh from 627 unit holders of 5 industrial estates on account of ground rent at the end of March 1998.**
- **In six industrial estates, units occupying 41 *per cent* of the allotted plots (678) only were under production as of March 1998.**

- In the industrial estate Kathua, where the Company had developed 218 plots at a cost of Rs 1.07 crore, only 28 plots had been allotted to SSI units resulting in idle investment of Rs 80 lakh.
- The Company incurred an avoidable expenditure of Rs 5.48 lakh on payment of rent during the period from July 1996 to March 1998 due to shifting of its Divisional Office from its own building at Zainakote to a hired building at Boulevard, Srinagar. This also rendered the investment of Rs 13.31 lakh made by the Company on the building at Zainakote unfruitful as the same was lying vacant since July 1996.

(Paragraph: 7.6)

3.11 Srinagar Municipality

Srinagar Municipality, a body corporate was established in 1913. The main functions of the Municipality are to draw and implement programmes for providing services of sanitation, public health (preventive), construction/maintenance of lanes, drains and nallahs and levying and collection of taxes and fees in the municipal area. A test-check of the records of the body revealed:

- The manner and form in which the accounts of the Municipality are to be maintained had not been prescribed by the Finance Department/Government. Due to non-maintenance of accounts indicating the position of its assets and liabilities, the financial position of the Municipality was not ascertainable.
- Internal receipts of the body constituted between 4 and 15 *per cent* of the expenditure during the period from 1993-94 to 1997-98.

- Failure of the Municipality to clear liability of overdraft of Rs 70 lakh obtained from Jammu and Kashmir Bank Limited, despite availability of surplus funds, resulted in accrual of interest liability of Rs 1.28 crore up to June 1998.
- Belated release of funds by the Government during the period from 1993-94 to 1997-98 for providing basic civic amenities in the municipal area resulted in their underutilisation with shortfall ranging between 8 and 73 *per cent*.
- Out of a total of 1970 cases of unauthorised constructions registered, only 61 cases (3 *per cent*) were compounded during the period from 1993-94 to 1997-98.
- A high speed precision lathe purchased in December 1991 had not been commissioned as of June 1998 resulting in idle investment of Rs 5.59 lakh.

(Paragraph :8.4)

4. Other points of interest

(a) Civil

- Failure of the Department to assess correctly the results of cotton cultivation demonstrations during Kharif 1995 and the response of farmers thereto resulted in procurement of cotton seed in excess of actual requirement during Kharif 1996 and consequent loss of Rs 5.82 lakh on auction of left over stocks of seed.

(Paragraph: 3.2)

- Failure of the Directorate of Health Services, Kashmir to install and commission 8 X-ray machines purchased at a cost of Rs 16.84 lakh in 1993-94, resulted in idle investment for over five years, besides depriving people of the facility of radiological examination. The possibility of the machines being rendered dysfunctional due to prolonged storage and obsolescence could not be ruled out.

(Paragraph: 3.6)

- Unplanned purchase of a computer system by the Principal Government Medical College, Jammu in March 1992 without ensuring availability of trained staff to run it, resulted in unproductive expenditure of Rs 7.75 lakh for over six years and non-achievement of the envisaged objectives.

(Paragraph: 3.7)

- Construction of a tourist complex by the Tourism Department at Tso-Marari lake in July 1995, without consulting the Wildlife Department, was abandoned in June 1996, after incurring an expenditure of Rs 6.45 lakh, as the construction had been undertaken in an area notified as wildlife sanctuary. This rendered the expenditure of Rs 6.45 lakh wasteful.

(Paragraph: 3.10)

- Injudicious action of the Director, Fire Services Srinagar in making advance payments for purchase of 3 Rapid Intervention Vehicles before examining the feasibility of the proposed purchase or assessing their suitability for operational requirements, resulted in locking up

of Rs 2.07 crore for over three years. It also resulted in avoidable payment of interest of Rs 1.28 crore to Jammu and Kashmir Bank Limited on funds borrowed by the Government to meet its ways and means requirements.

(Paragraph: 3.11)

- Incorrect calculation of interest on the amount of award given by the Arbitrator resulted in excess payment of Rs 5.54 lakh to a contractor by the Executive Engineer, Irrigation Division Akhnoor in September 1997.

(Paragraph: 4.1)

- The expenditure of Rs 6.48 crore incurred on minor irrigation scheme Raya was rendered unfruitful due to improper planning and lack of prioritization in execution of its various components.

(Paragraph: 4.2)

- Inaction of the Electric Maintenance and Rural Electrification Wing, Srinagar to get the balance work of providing street lighting along Indira Gandhi Road completed departmentally or through any other agency at the risk and cost of the backed out firm, resulted in idle investment of Rs 26.53 lakh for over eight years. The work in the meanwhile had also suffered damages worth Rs 3.17 lakh.

(Paragraph: 4.3)

- Release of funds by the Power Development Commissioner for construction of office complex at Railway Road Jammu in March

1991 without obtaining Administrative approval thereto resulted in locking up of Rs 17.51 lakh for over seven years besides rendering expenditure of Rs 2.49 lakh incurred on preliminary items of the work unfruitful.

(Paragraph: 4.4)

- Failure of the Power Development Department to get the transformer purchased by it in March 1986, commissioned during its warranty period and lack of concerted action thereafter to get it repaired, resulted in unfruitful expenditure of Rs 14.25 lakh.

(Paragraph: 4.5)

- Purchase of 130 tonnes of sealing compound by the Igo-phey Division, Leh during November 1992 to June 1994 at a cost of Rs 53.56 lakh without assessing actual requirement and subsequent failure to ensure its utilisation on other Government works, resulted in loss of Rs 24.70 lakh to the Government due to expiry of the shelf life of 60 tonnes of the unutilised compound.

(Paragraph: 4.7)

- Purchase of stores in excess of immediate requirement by the Public Health Engineering Division, Sopore and Irrigation Division Baramulla between 1990-91 and 1995-96 resulted in idle investment of Rs 24.52 lakh for periods ranging between 3 and 7 years.

(Paragraph: 5.2)

- Non-observance of codal requirements and lack of supervision and control over the management of stores, resulted in shortage of stores

worth Rs 9.06 lakh in Water Supply Master Plan Division, Jammu during 1994-95.

(Paragraph: 5.3)

(b) Financial assistance to Local Bodies and Others

- During the year 1997-98, grants aggregating Rs 88.30 crore were paid by Government to various local bodies/ authorities in the State. 7063 utilisation certificates in respect of grants aggregating Rs 523.44 crore paid up to the year 1996-97 were awaited as of 30 September 1998.

(Paragraph: 8.1)

- The accounts of 35 bodies were in arrears for periods ranging between one year and 26 years as on 30 September 1998. The main defaulters were Srinagar/Jammu Development Authority, Jammu and Kashmir Board of Secondary Education, Kashmir University, District Rural Development Agencies Pulwama and Doda and Jammu and Kashmir State Council for Science and Technology, etc.

(Paragraph: 8.1 (b))

- Grants aggregating Rs 6.02 crore meant for developmental and beneficiary oriented schemes remained unutilised with 6 bodies/authorities whose accounts were audited during 1997-98. Further, advances aggregating Rs 1.54 crore paid during 1996-97 by 4 District Rural Development Agencies to contractors/suppliers were outstanding as of March 1998.

(Paragraph: 8.3)

- Under the Integrated Rural Development Programme, chaff cutters were to be supplied to the farmers living below poverty line at subsidised rates (subsidy: 33.3 *per cent*). Without assessing the demand realistically, the Project Officer DRDA Baramulla purchased (July 1991 to April 1992) 955 chaff cutters at a cost of Rs 9.93 lakh. Of these, only 152 cutters, could be supplied leaving 803 cutters (cost: Rs 8.35 lakh) unutilised as of November 1998. This resulted in unfruitful expenditure of Rs 8.35 lakh.

(Paragraph: 8.5.1)

- Expenditure of Rs 4.73 lakh incurred by DRDA Kupwara in July 1995 on purchase of tool kits for issue to rural artisans at subsidised rates, was rendered wasteful as the tool kits purchased did not conform to proper quality and specifications and were, therefore, not lifted by the beneficiaries.

(Paragraph: 8.5.2)

(c) Revenue Receipts

- Test-check of records of Sales Tax, State Excise, Stamps and Registration Fees, Forest and other Departments, conducted during 1997-98, revealed underassessments, short levy, loss of revenue, etc. of Rs 15.97 crore in 310 cases. The concerned departments accepted underassessments, etc. of Rs 1.03 crore in 14 cases pertaining to 1997-98 and earlier years.

(Paragraph 6.2)

- Failure to detect the suppression of turnover by the Assessing Authorities resulted in short levy of sales tax, penalty and interest of Rs 2.78 lakh in 3 cases.

(Paragraph 6.4)

- Non-raising of bill by the Forest Department against State Forest Corporation resulted in non-recovery of Rs 55.79 lakh as royalty.

(paragraph 6.9)

- Non-handing over of marked trees to State Forest Corporation for commercial exploitation resulted in blockade of revenue of Rs 21.74 lakh in the shape of royalty realisable from the Corporation.

(Paragraph 6.10)

(d) **Commercial and Trading Activities**

- The State had 19 Government companies including one subsidiary Government company, 4 statutory corporations and 5 departmentally managed commercial/quasi-commercial undertakings as on 31 March 1998. The Government investment by way of paid-up capital in 18 Government companies was Rs 193.22 crore, of which Rs 179.40 crore were invested by the State Government, Rs 9.60 crore by the Central Government and Rs 4.22 crore by others. No investment had been made by the State Government by way of share capital contribution in two companies as of 31 March 1998.

(Paragraph: 7.2.1)

- Long term loans aggregating Rs 367.74 crore were outstanding as on 31 March 1998 against 14 Government companies of which, Rs 211.98 crore were invested by the State Government.

(Paragraph: 7.2.1)

- While one company had finalised its accounts for the year 1997-98, the accounts of remaining 18 companies were in arrears for periods ranging from 1 to 15 years as of September 1998. Thus, the results of investment of Rs 560.96 crore in these companies were not conclusively known. According to latest available accounts, 13 companies suffered loss of Rs 15.03 crore while two companies earned profit of Rs 50.39 crore.

(Paragraph: 7.2.5)

- Out of 4 Statutory Corporations, audit of two Corporations only had been entrusted to the Comptroller and Auditor General of India. The Jammu and Kashmir State Road Transport Corporation had finalised its accounts up to 1996-97. While the Corporation suffered a loss of Rs 35.41 crore during the year 1996-97, the accumulated loss of Rs 228.74 crore up to March 1997 was 267 *per cent* of its capital contribution of Rs 85.76 crore. The finalisation of the accounts of the Jammu and Kashmir State Financial Corporation beyond 1994-95 was in arrears.

(Paragraphs: 7.3.3 and 7.3.4)

- Pro forma accounts of all the five departmental undertakings were in arrears for periods ranging from 8 years to 30 years as on 31 March 1998.

(Paragraph: 7.4)

- Failure of the Jammu and Kashmir Agro Industries Development Corporation to supply 66 MT of tinned cherry/plum conforming to Army Supply Corps specifications, to Army Purchases Organisation resulted in loss of Rs 4.08 lakh due to forfeiture of security deposit (Rs 1.24 lakh) and non-disposal of leftover stocks of tinned plum (value: Rs 2.84 lakh), after their manufacture in 1989.

(Paragraph: 7.7.1)

Accounts of the Government

1.1 Introduction

1.1.1 Structure of Government Accounts

The accounts of the Government are kept in three parts:

(i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account.

Part-I Consolidated Fund

All receipts of the State Government from revenues, loans and recoveries of loans go into the Consolidated Fund, constituted under Article 115 of the Constitution of Jammu and Kashmir. All expenditure of the Government is incurred from this Fund and no amount can be withdrawn from the Fund without authorisation from the State Legislature. It consists of two main divisions: Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Capital Receipts, Capital Expenditure, Public Debt and Loans, etc.).

Part-II Contingency Fund

The Contingency Fund created under Article 116 of the Constitution of Jammu and Kashmir is in the nature of imprest placed at the disposal of the Governor of the State to meet urgent and unforeseen expenditure pending authorisation from the State Legislature. Approval of the Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to this Fund. The corpus of this Fund authorised by the State Legislature for the year 1997-98 was Rs 40 lakh.

Part-III Public Account

Public moneys received by or on behalf of the State Government in respect of Small Saving collections, Provident funds, Deposits, etc. which belong to the depositors do not constitute normal receipts of the Government but are in possession of State Government for a specific period or purpose. These moneys do not form part of the Consolidated Fund and are accounted for in Public Account, constituted under Article 115 of the Constitution of Jammu and Kashmir. Legislative authorisation for payments from the Public Accounts is not required.

1.1.2 Annual accounts

The accounts of the State Government are compiled annually by the Accountant General (Accounts and Entitlement), Jammu and Kashmir. These are prepared in two volumes viz., the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts, on the other hand, present the details of amounts actually spent by the State Government vis-à-vis the amounts authorised by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

1.1.3 Audit Report

The Finance Accounts and the Appropriation Accounts as well as various transactions in these accounts are audited by the Comptroller and Auditor General of India (C&AG) in accordance with the C&AG's (Duties, Powers and Conditions of Service) Act, 1971. C&AG certifies the accounts and also submits Audit Report containing observations on transactions relating to Civil, Revenue and Commercial Departments/Public Sector Undertakings to the Governor of the State in terms of Article 151 of the Constitution of India.

1.2 Summarised financial position

The financial position of the Government of Jammu and Kashmir as on 31 March 1998, emerging from the Appropriation Accounts and the Finance Accounts for the year 1997-98 is given in the following statements.

Statement-I

Summarised Financial Position of the Government as on 31 March 1998

**STATEMENT-
SUMMARISED FINANCIAL POSITION OF THE**

(Rupees in crore)

(Rupees in crore)

Amount as on 31 March 1997	Liabilities		Amount as on 31 March 1998
1265.70	Internal Debt		1654.98
	Market Loans bearing interest	533.02	
	Loans from Life Insurance Corporation of India	80.07	
	Loans from General Insurance Corporation of India	15.14	
	Loans from National Bank for Agriculture and Rural Development	11.16	
	Loans from National Co-operative Development Corporation	0.15	
	Loans from other Institutions	11.72	
	Overdrafts (temporary loans from Jammu and Kashmir Bank Limited)	1003.72	
3028.61	Loans and Advances from the Central Government		3231.08
	Pre-1984-85 Loans	959.51	
	Non-Plan Loans	828.53	
	Loans for State Plan Schemes	1386.64	
	Loans for Central Plan Schemes	3.53	
	Loans for Centrally Sponsored Plan Schemes	49.86	
	Ways and Means Advances	3.01	
847.51	Small Savings, Provident Funds, etc.		971.41
117.36	Deposits		59.38
294.90	Reserve Funds		353.51
579.50	Remittance Balances		495.29
0.40	Contingency Fund		0.37
1710.86	Surplus on Government Account		2162.13
	Revenue Surplus as on 31 March 1997	1710.86	
	Revenue Surplus for the year 1997-98	451.27	
7844.84	Totals:		8928.15

I

GOVERNMENT OF JAMMU AND KASHMIR AS ON 31 MARCH 1998

(Rupees in crore)

(Rupees in crore)

Amount as on 31 March 1997	Assets		Amount as on 31 March 1998
7175.00	Gross Capital Outlay		8064.46
	Investment in shares of Companies, Corporations, etc.	324.76	
	Other Capital Outlay	7739.70	
352.04	Loans and Advances		415.52
	Loans for Social Services	52.92	
	Loans for Economic Services	327.98	
	Loans to Government servants	30.45	
	Civil Advances	4.17	
156.65	Suspense and Miscellaneous Balances		285.46
161.15	Cash		162.71
	Departmental Cash Balances including Permanent Advances	4.16	
	Cash Balance Investment Account	37.38	
	Investment of earmarked funds	81.42	
	Deposits with treasuries, local remittances and cash in banks	39.75	
7844.84	Totals:		8928.15

Explanatory notes

- (a) The summarised financial position is based on the statements of Finance Accounts of the State Government and is subject to notes and explanations contained therein.
- (b) Government accounts being mainly on cash basis, the revenue surplus has been worked out on cash basis. Consequently, items payable and receivable or items like depreciation or variation in stock figures, etc. do not figure in the accounts.
- (c) Although a part of revenue expenditure (grants) and the loans are used for capital formation by the recipients, its classification in the accounts of the State Government remains unaffected by end use.
- (d) Suspense and Miscellaneous Balances include cheques issued but not paid, payments made or behalf of the State and others pending settlements, etc. The balance under Suspense and Miscellaneous had increased from Rs 156.65 crore as on 31 March 1997 to Rs 285.46 crore as on 31 March 1998.
- (e) There was a difference of Rs 1 lakh between the figures reflected in the accounts under cash in Banks and the figures conveyed by the Finance Department. The difference was under reconciliation (November 1998).

Statement-II

Abstract of Receipts and Disbursements for the year 1997-98

**STATEMENT-
ABSTRACT OF RECEIPTS AND**
(Rupees in crore)

Section-A				
Receipts				
I.	Revenue Receipts			4641.79
	(i)	Tax Revenue	368.28	
	(ii)	Non-Tax Revenue	247.92	
	(iii)	State's share of Union Taxes and Duties	833.57	
		(a) Taxes on income other than corporation tax	0.18*	
		(b) Union Excise Duties	833.39	
	(iv)	Grants from Central Government	3192.02	
		(a) Non-Plan Grants	670.08	
		(b) Grants for Central Plan and Centrally Sponsored Plan Schemes	123.78	
		(c) Grants for State Plan Schemes	2398.16	
	Total:			4641.79

Under investigation.

II

DISBURSEMENTS FOR THE YEAR 1997-98

(Rupees in crore)

Revenue					
Disbursements					
I.	Revenue Expenditure				4190.52
	Sector	Non-Plan	Plan	Total	
	(i) General Services	1699.22	17.68	1716.90	
	(ii) Social Services	870.26	177.60	1047.86	
	(iii) Economic Services	1176.07	249.69	1425.76	
	Revenue surplus carried over to Section (B)				451.27
	Total:				4641.79

(Rupees in crore)

Section-B		
II.	Opening Cash Balance including Permanent Advances and Cash Balance Investment	161.15
III.	Recoveries of Loans and Advances from:	3.82
	(i) Agriculture and allied activities	0.01
	(ii) Social Services	0.64
	(iii) Government servants	3.17
IV.	Public Debt receipts	4515.11
	(i) Internal Debt other than Overdrafts	138.98
	(ii) Overdrafts from State Bank of India and other Banks	3861.84
	(iii) Loans and Advances from Central Government	514.29
	Total carried over	4680.08

(Rupees in crore)

Others			
II.	Capital outlay		889.47
	(i) General Services	38.98	
	(ii) Social Services	236.54	
	(iii) Economic Services	613.95	
III.	Loans and Advances disbursed for/to		67.22
	(i) Agriculture and Allied Activities	0.13	
	(ii) Industries and Minerals	38.25	
	(iii) Social Services	0.82	
	(iv) Transport	20.19	
	(v) Government Servants	7.83	
IV.	Repayment of Public Debt		3923.35
	(i) Internal Debt other than Overdrafts	3.31	
	(ii) Overdrafts from State Bank of India and other Banks	3608.23	
	(iii) Loans and Advances from Central Government	311.81	
	Total carried over		4880.04

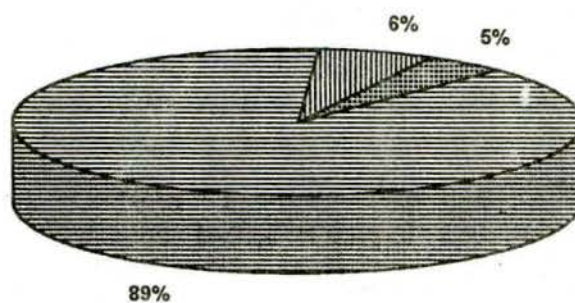
(Rupees in crore)

	Total brought forward		4680.08
V.	Public Account Receipts		12794.86
	(i)	Small Savings, Provident Funds, etc.	243.95
	(ii)	Reserve Funds	58.61
	(iii)	Deposits and Advances	450.17
	(iv)	Suspense and Miscellaneous	40.39
	(v)	Remittances	12001.74
VI.	Revenue Surplus brought down		451.27
VII.	Contingency Fund		0.30
	Total:		17926.51

(Rupees in crore)

	Total brought forward		4880.04
V.	Public Account Disbursements		12883.43
	(i)	Small Savings, Provident Funds, etc.	120.04
	(ii)	Reserve Funds	--
	(iii)	Deposits and Advances	508.24
	(iv)	Suspense and Miscellaneous	169.20
	(v)	Remittances	12085.95
VI.	Cash Balance at end		162.71
	(i)	Departmental Cash Balances including Permanent Advances	4.16
	(ii)	Cash Balance Investment Account	37.38
	(iii)	Investment of earmarked Funds	81.42
	(iv)	Deposits with treasuries, local remittances and cash in banks	39.75
VII.	Contingency Fund		0.33
	Total:		17926.51

From where each rupee comes

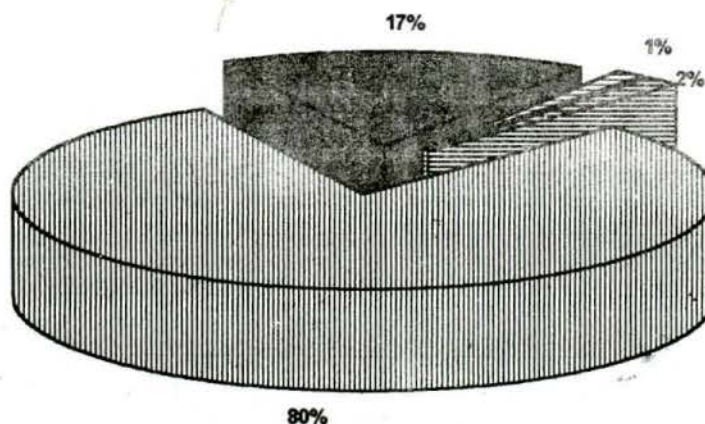


Revenue Receipts

Increase in Public Debt

Increase in Overdraft

Where each rupee goes



Revenue Expenditure

Capital outlay

Lending for development and other programmes and increase in closing cash balance

Net disbursements from Public Account

STATEMENT-III
SOURCES AND APPLICATION OF FUNDS FOR THE YEAR 1997-98
(Rupees in crore) (Rupees in crore)

Sources				Application		
1	Revenue Receipts	4641.79		1	Revenue Expenditure	4190.52
2	Increase in Public Debt	338.15		2	Capital outlay	889.47
3	Increase in overdraft	253.61		3	Lending for development and other programmes	63.40
				4	Increase in closing cash balance	1.56
				5	Decrease in contingency fund	0.03
				6	Net disbursements from public account	88.57*
	Total:	5233.55			Total:	5233.55

*

I. Decrease in:

(a) Suspense and Miscellaneous balance	128.81
(b) Deposits and Advances	58.07
(c) Remittances	84.21
Total: I	271.09

II. Increase in:

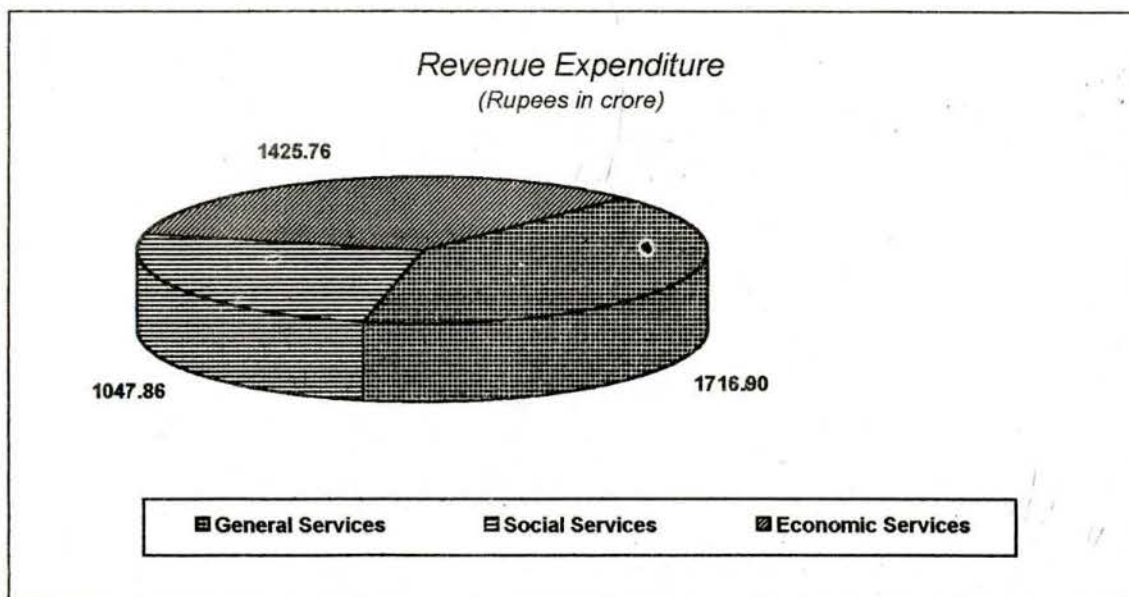
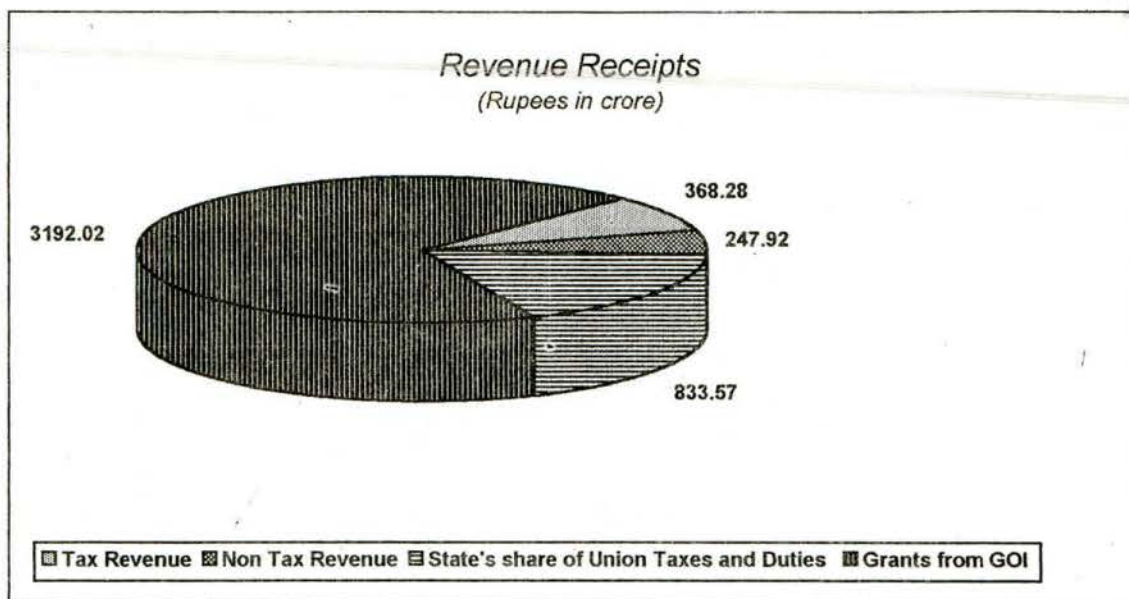
(a) Small savings, provident funds, etc.	123.91
(b) Reserve funds	58.61
Total: II	182.52

Grand Total: (I - II)	88.57
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Based on these statements and other supporting data, the following paragraphs present an analysis of the management of the finances of the State Government during the year 1997-98 and relate it to the position obtaining in the preceding four years:

1.2.1 Financial position of the State

- (i) Financial position of the State Government during 1997-98 as emerged from the Finance Accounts, revealed that Revenue receipts of the State Government were Rs 4641.79 crore against which Revenue expenditure was Rs 4190.52 crore, resulting in a revenue surplus of Rs 451.27 crore constituting 9.7 *per cent* of the Revenue receipts.
- (ii) Revenue receipts of the State Government comprised tax revenue (Rs 368.28 crore), non-tax revenue (Rs 247.92 crore), State's share of Union Taxes and Duties (Rs 833.57 crore) and grants from Central Government (Rs 3192.02 crore). The main sources of tax revenue were State Excise (44 *per cent*); Sales Tax (39 *per cent*), Taxes on Goods and Passengers (6 *per cent*) and Taxes on Vehicles (4 *per cent*). Non-Tax Revenue mainly came from Interest Receipts (41 *per cent*), Sale of Power (35 *per cent*) and Forest Produce (8 *per cent*).
- (iii) Revenue expenditure of Rs 4190.52 crore was incurred on Economic Service (34 *per cent*), General Services (41 *per cent*) and Social Services (25 *per cent*). The non-Plan revenue expenditure accounted for 89 *per cent* where as Plan expenditure including expenditure on Centrally sponsored schemes was only 11 *per cent*.
- (iv) The Capital expenditure of the State was Rs 889.47 crore which was incurred on Economic Services (69 *per cent*), Social Services (27 *per cent*) and General Services (4 *per cent*).
- (v) The Public Debt of the State (including overdraft/ temporary loans from Jammu and Kashmir Bank) increased by Rs 591.76 crore during 1997-98. The interest payments (Rs 815.14 crore) constituted 19 *per cent* of the Revenue expenditure of the State.



1.2.2 Consolidated Fund

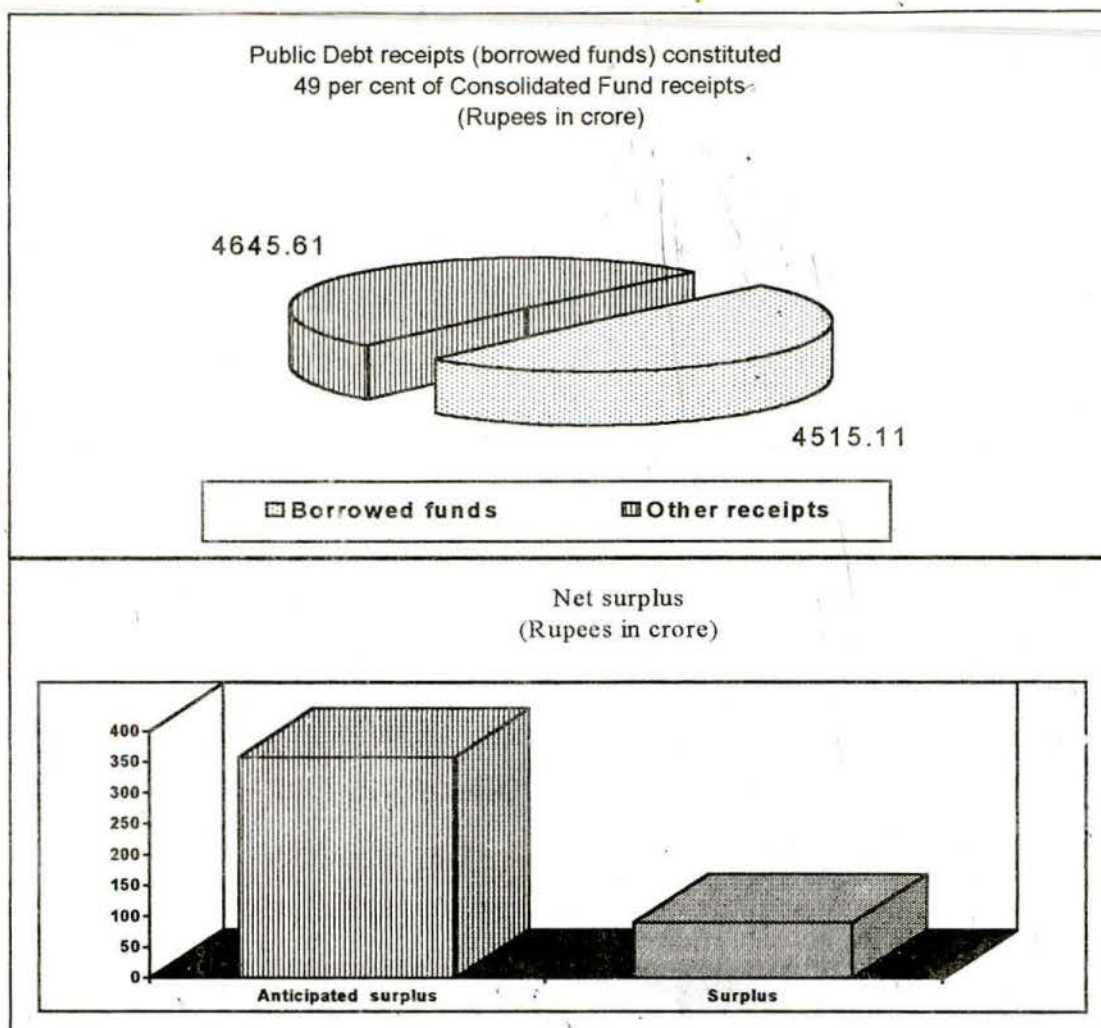
The receipts and expenditure under the Consolidated Fund of the State during 1997-98 as against the previous financial year were as under:

(Rupees in crore)

Receipts			Expenditure		
1996-97		1997-98	1996-97		1997-98
Revenue Account					
3223.40	Revenue receipts	4641.79	3128.93	Revenue expenditure	4190.52
			94.47	Surplus	451.27
3223.40	Total:	4641.79	3223.40	Total:	4641.79
Capital Account					
--	Capital receipts	--	1000.11	Capital expenditure	889.47
3.35	Recoveries of loans and advances	3.82	50.79	Loans and advances	67.22
3967.28	Receipts from Public Debt	4515.11	3359.82	Repayment of Public Debt	3923.35
440.09	Capital deficit	361.11			
4410.72	Total:	4880.04	4410.72	Total:	4880.04
				Surplus in Consolidated Fund	90.16

Receipts in the Consolidated Fund of State increased from Rs 4307.50 crore in 1993-94 to Rs 9160.72 crore in 1997-98 which constituted an increase of 113 *per cent*. The Public Debt receipts (borrowed funds) during 1997-98 constituted 49 *per cent* of the total receipts in the Consolidated Fund. Under Article 293(1) of the Constitution of India, a State may borrow within the territory of India, upon the security of the Consolidated Fund of State within such limits, if any, as may from time to time be fixed by an Act of the Legislature of the State. No law has so far been passed by the State Legislature laying down any such limit.

Net surplus in Consolidated Fund of the State stood at Rs 90.16 crore in 1997-98 against the net surplus of Rs 357.54 crore as per Budget Estimates.



1.2.3 Public Account

Receipts and disbursements under Public Account of the State during the year 1997-98 were as under:

Particulars	Receipts	Disbursements (Rupees in crore)
Small Savings, Provident Funds, etc.	243.95	120.04
Reserve Funds	58.61	--
Deposits and Advances	450.17	508.24
Suspense and Miscellaneous	40.39	169.20
Remittances	12001.74	12085.95
Deficit in Public Account	88.57	--
Total	12883.43	12883.43

The deficit of Rs 88.57 crore in the Public Account was off set by surplus of Rs 90.16 crore in the Consolidated Fund. The net surplus of Rs 1.59 crore in the Consolidated Fund represented increase in the Cash Balance by Rs 1.56 crore and expenditure of Rs 0.03 crore met out of Contingency Fund but not recouped to the Fund out of the Consolidated Fund as on 31 March 1998.

1.3 Revenue receipts

Trend of revenue receipts during the last five years ending 1997-98 was as under:

(Rupees in crore)

Year	Budget estimates	Actual receipts	Increase (+)/ decrease (-) over the previous year	Percentage increase (+)/ decrease (-)	GSDP at current prices	Percentage of Revenue Receipts to GSDP
1993-94	1846.31	2179.12	(+)152.38	(+)8	4581.53	48
1994-95	1985.34	3088.32	(+)909.20	(+)42	5542.59	56
1995-96	2971.35	3319.51	(+)231.19	(+)7	6758.30	49
1996-97	3113.85	3223.40	(-) 96.11	(-)3	7292.67	44
1997-98	3844.26	4641.79	(+) 1418.39	(+)44	8371.26*	55

While Revenue receipts increased from Rs 2179.12 crore in 1993-94 to Rs 4641.79 crore in 1997-98 which constituted an increase of 113 *per cent*, the aggregate of amounts received by the State Government from Central Government on account of share of net proceeds of taxes and duties and grants-in-aid increased by 122 *per cent* from Rs 1811.55 crore to Rs 4025.59 crore i.e. by Rs 2214.04 crore, during the corresponding period. Of this, Rs 1891.28 crore were accounted for by grants-in-aid. Revenue receipts as percentage of Gross State Domestic Product (GSDP) marginally declined from 56 in 1994-95 to 55 in 1997-98. The average percentage growth of revenue receipts was 23 during 1993-94 to 1997-98.

* GSDP for 1997-98 has been worked out by taking the average growth rate of 14.79 *per cent* during 1993-94 to 1996-97.

1.3.1 Tax revenue

The trend of tax revenue during the last five years ending 1997-98 was as under:

Year	Tax revenue (Rupees in crore)	Percentage increase over previous year	As percentage of revenue receipts	As percentage of GSDP
1993-94	213.11	6	10	5
1994-95	242.13	14	8	4
1995-96	292.19	21	9	4
1996-97	293.92	1	9	4
1997-98	368.28	25	8	4

Tax revenue increased from Rs. 293.92 crore in 1996-97 to Rs 368.28 crore in 1997-98 registering an increase of 25 *per cent*. It exceeded Budget estimates (Rs 344.53 crore) by Rs 23.75 crore which constituted an increase of 7 *per cent* during 1997-98. The contribution of tax revenue to total revenue receipts of the State ranged between 8 and 10 *per cent* during the period 1993-98. As compared to growth of tax revenue of 47 *per cent* during the period 1988-93, it was 73 *per cent* during the period 1993-98.

Though tax revenue of the State increased during 1993-94 to 1997-98, it remained static at around 4 to 5 *per cent* of GSDP during 1993-98.

1.3.2 Non-tax revenue

The growth of non-tax revenue during the five years ending 1997-98 was as under:

(Rupees in crore)			
Year	Non-tax revenue	Percentage increase (+)/ decrease (-) over previous year	As percentage of GSDP
1993-94	154.46	(+)6	3.4
1994-95	157.00	(+)2	2.8
1995-96	204.22	(+)30	3.0
1996-97	183.53	(-)10	2.5
1997-98	247.92	(+)35	3.0

Non-tax revenue which constituted 5 *per cent* of revenue receipts during 1997-98, increased by Rs 64.39 crore over 1996-97 registering an increase of 35 *per cent*. The increase was mainly under Interest Receipts (Rs 24.04 crore) and Power (Rs 35.91 crore). In its proportion to GSDP it decreased from 3.4 *per cent* in 1993-94 to 3 *per cent* in 1997-98.

1.3.3 State's share of Union taxes, duties and grants received from Central Government

The trend of State's share of Union taxes (Income Tax and Union Excise Duties) and Central grants for the last five years was as under:

Year	State's share of Union taxes and duties	Grants	Total	(Rupees in crore)	
				Percentage of total to Revenue receipts	Percentage of total to Revenue expenditure
1993-94	510.81	1300.74	1811.55	83	85
1994-95	562.60	2126.59	2689.19	87	106
1995-96	644.24	2178.86	2823.10	85	100
1996-97	626.30	2119.65	2745.95	85	88
1997-98	833.57	3192.02	4025.59	87	96

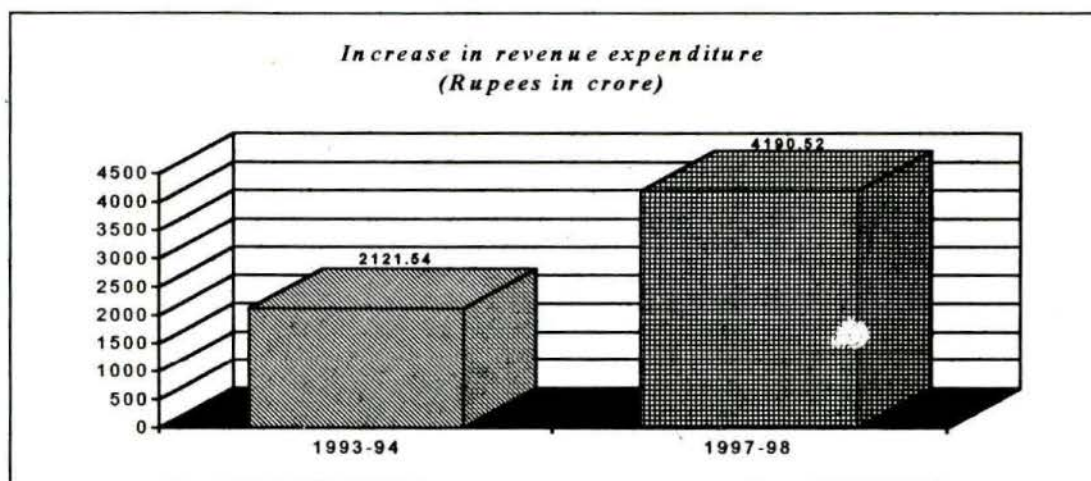
The aggregate of State's share of Union Excise Duties, Income Tax and Grants from the Central Government during the year 1997-98 was Rs 4025.59 crore representing 87 *per cent* of the total revenue receipts and 96 *per cent* of the revenue expenditure of the State Government.

1.4 Revenue expenditure

Trend of revenue expenditure of the State during the five years period ending 1997-98 was as under:

(Rupees in crore)

Year	Revenue expenditure				Increase over previous year	Revenue expenditure as percentage of GSDP
	Budget* estimates	Plan	Non-Plan	Total		
1993-94	1921.66	249.00	1872.54	2121.54	309.82	46
1994-95	2427.22	261.05	2265.30	2526.35	404.81	46
1995-96	2640.67	296.17	2518.79	2814.96	288.61	42
1996-97	3510.87	347.87	2781.06	3128.93	313.97	43
1997-98	3526.47	444.97	3745.55	4190.52	1061.59	50



The revenue expenditure increased from Rs 3128.93 crore during 1996-97 to Rs 4190.52 crore in 1997-98 registering an increase of 34 *per cent*. The increase in the revenue expenditure during 1997-98 was mainly due to increase in payment of interest (286 *per cent*), increase in expenditure on General Economic Services including tourism (130 *per cent*), Ecology and Environment (95 *per cent*), purchase of Power (32 *per cent*), Agriculture and Allied Activities (11 *per cent*) and administrative services (13 *per cent*).

Further, against the receipt of Central Grants-in-aid of Rs 2521.94 crore for Central/State Plan and Centrally sponsored schemes during 1997-98, the expenditure on plan schemes and capital outlay aggregated to Rs 1401.66 crore which indicated

* Original plus supplementary.

diversion of plan funds of Rs 1120.28 crore for non-plan activities. The details are indicated in statement No.I of the Finance Accounts 1997-98.

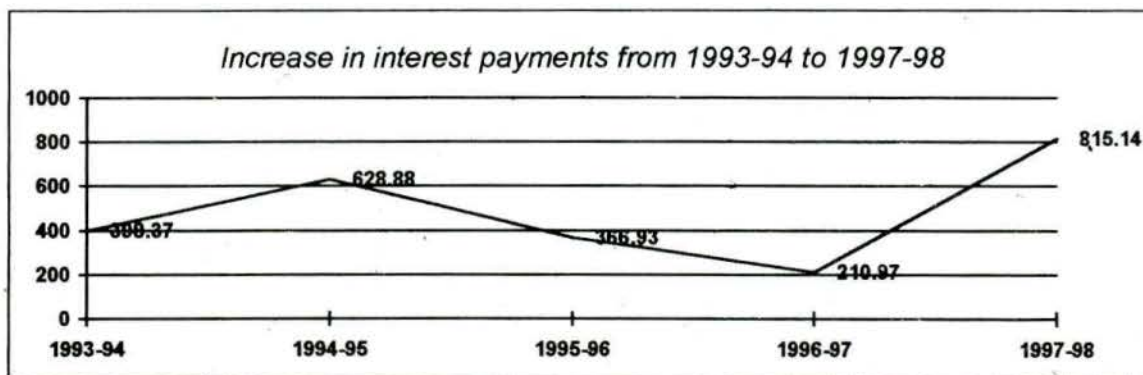
Revenue expenditure of the State increased over the five year span from Rs 2121.54 crore in 1993-94 to Rs 4190.52 crore in 1997-98 which constituted an increase of 98 *per cent*.

1.4.1 Interest payments

The trend of interest payments during the last five years ending 1997-98 was as under:

(Rupees in crore)

Year	Internal debt	Loans from Central Government	Small Savings, PF, etc.	Others	Total	As percentage of tax revenue
1993-94	105.75	230.28	62.15	0.19	398.37	187
1994-95	155.07	400.35	73.41	0.05	628.88	260
1995-96	115.77	251.04	-	0.12	366.93	126
1996-97	115.74	0.65	62.98	31.60	210.97	72
1997-98	156.80	567.92	90.42	--	815.14*	221



Total interest payments of Rs 815.14 crore in 1997-98 constituted 19 *per cent* of the revenue expenditure.

*Includes unadjusted interest for 1995-96 (Rs 8.64 crore) and 1996-97 (Rs 309.99 crore).
Interest on Provident Fund for the Year 1997-98 in respect of Jammu Division not adjusted.

Against Tax Revenue collections of Rs 1409.63 crore during the period from 1993-94 to 1997-98, Rs 2420.29 crore (172 *per cent*) were incurred by the Government on payment of interest during the said period.

The payment of interest on internal debt varied between Rs 105.75 crore in 1993-94 to Rs 156.80 crore in 1997-98. Interest payments consumed major part of the tax revenue and ranged between 72 *per cent* and 260 *per cent* of tax revenue during this period.

1.4.2 Financial assistance to local bodies and others

Trend of financial assistance to local bodies and other institutions for the last five years ending 1997-98 was as under:

(Rupees in crore)					
Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
Educational Institutions	24.26	28.12	27.11	35.54	40.89
Housing and Urban Development	18.03	20.23	24.43	27.40	34.26
Agriculture and Allied Activities	5.35	4.72	4.87	6.28	6.19
Other institutions and bodies	3.95	3.58	4.55	4.85	6.96
Total	51.59	56.65	60.96	74.07	88.30
Percentage of assistance to revenue raised by State	14	14	12	15	14
Percentage of assistance to revenue expenditure	2	2	2	2	2

Financial assistance to local bodies, etc. increased from Rs 51.59 crore in 1993-94 to Rs 88.30 crore in 1997-98. Educational Institutions and Urban Development Authorities were the major beneficiaries whose share increased from Rs 42.29 crore in 1993-94 to Rs 75.15 crore in 1997-98, indicating an increase of 78 *per cent*. During the period from 1993-94 to 1997-98 the assistance to local bodies and others constituted 12

to 15 per cent of the total revenue raised by the State and 2 per cent of the revenue expenditure.

Where grants are sanctioned for specific purposes, the sanctioning authorities are required under the Financial Rules of the Government to furnish to the Accountant General, not later than 18 months from the date of sanction of grants, certificates that the grant had been utilised for the purpose for which these had been paid. In respect of grants paid up to 1996-97, 7063 certificates for an amount of Rs 523.44 crore had not been received as of September 1998. Action was required to be taken for streamlining the procedure for watching the timely receipt of Utilisation certificates and regulating the further release of grants after satisfactory utilisation of grants given earlier.

1.4.3 Loans and advances by the State Government

The State Government advances loans to Government companies, corporations, autonomous bodies, co-operatives, non-Governmental institutions, etc. for developmental/non-developmental activities. The position of such loans for the last five years ending 1997-98 was as under:

(Rupees in crore)					
Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
Opening balance	196.88	223.67	258.26	300.52	347.96
Amount advanced during the year for:	29.15	36.91	45.01	50.79	67.22
(i) Industries and minerals	11.07	15.17	23.60	22.26	38.25
(ii) Transport	14.75	14.61	16.14	20.53	20.19
(iii) Loans to Government servants	1.53	4.56	3.67	5.97	7.83
(iv) Others	1.80	2.57	1.60	2.03	0.95
Amount repaid during the year by:	2.36	2.32	2.75	3.35	3.82
(i) Government servants	1.88	2.06	2.29	2.60	3.17
(ii) Industries and Minerals	0.05	0.08	0.11	0.02	—
(iii) Others	0.43	0.18	0.35	0.73	0.65
Closing balance	223.67	258.26	300.52	347.96	411.36
Net outgo	26.79	34.59	42.26	47.44	63.40
Interest received and credited to revenue	0.79	0.46	0.28	0.22	0.51

Though the closing balance of outstanding loans and advances by the State Government at the end of each year from 1993-94 to 1997-98 increased from Rs 223.67 crore to Rs 411.36 crore, interest receipts steadily declined from Rs 79 lakh to Rs 22 lakh up to 1996-97 which increased to Rs 51 lakh during 1997-98.

The major portion of loans advanced by the State Government was consumed by Transport and Industries and Mineral Sectors which received 81 *per cent* to 89 *per cent* of such loans between the years 1993-94 and 1997-98.

1.5 Capital expenditure of the State Government

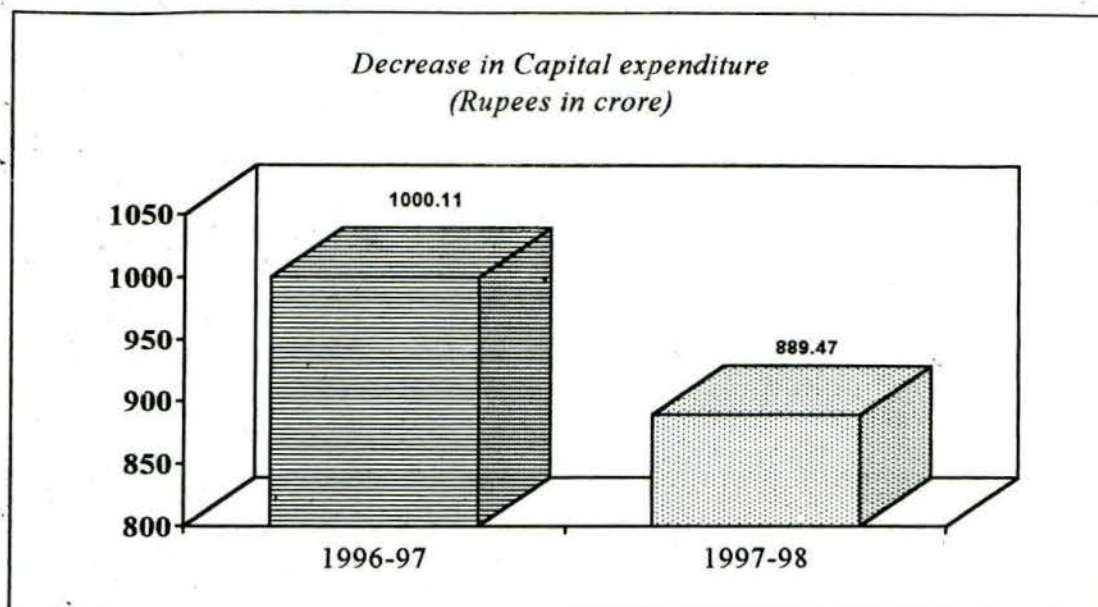
Assets are created mostly out of capital expenditure. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government (i.e. Public Sector Undertakings and Corporations) and loans and advances. The trend of capital expenditure over the five years from 1993-94 to 1997-98 was as under:

(Rupees in crore)

Year	Budget estimates (original and supplementary)	Capital expenditure during the year	Percentage increase (+)/ decrease (-) over previous year	As percentage of GSDP
1993-94	694.59	525.10	(+)51	11.46
1994-95	806.91	663.17	(+)26	11.96
1995-96	684.54	729.42	(+) 10	10.79
1996-97	1266.35	1000.11	(+) 37	13.71
1997-98	1347.37	889.47	(-) 11	10.63

While the capital expenditure increased steadily from Rs 525.10 crore to Rs 1000.11 crore during the years from 1993-94 to 1996-97 (increase: 90 *per cent*), it declined to Rs 889.47 crore in 1997-98 indicating a decrease of 11 *per cent* over the previous year. As percentage of GSDP, it was the lowest at 10.63 *per cent* during the period 1993-98.

The budget estimates of the capital expenditure were framed unrealistically as the actual expenditure consistently fell short of the budget estimates (original and supplementary) during the 5 years period 1993-98 except for 1995-96 during which the expenditure exceeded the budget estimates by 7 *per cent*.



1.5.1 Investments and returns

The details of investment by Government in Statutory corporations, Government companies, Joint Stock companies, Co-operative Banks and Societies and bodies alongwith dividends/interest received during the five years ending 1997-98 were as under:

	(Rupees in crore)				
	1993-94	1994-95	1995-96	1996-97	1997-98
Total investment of the State at the end of the year	244.22	259.67	272.25	287.47	324.76
Share of dividend/ interest received during the year	0.11	Nil	Nil	Nil	Nil
Percentage of dividend to investment	0.05	-	-	-	Nil

There was a steady increase in the total investment made by the State Government from Rs 244.22 crore in 1993-94 to Rs 324.76 crore in 1997-98. While negligible amounts were received as dividend during 1993-94, no dividend was received in

subsequent years despite increase of 25 *per cent* in the investments by the Government during period 1994-98.

In case of 13 loss-making companies in which Government had invested Rs 124.62 crore up to 1997-98 as share capital, the accumulated losses amounted to Rs 57.24 crore (as per their latest available accounts). In three of the Government companies, the accumulated losses were, however, more than the investment as per details given below :

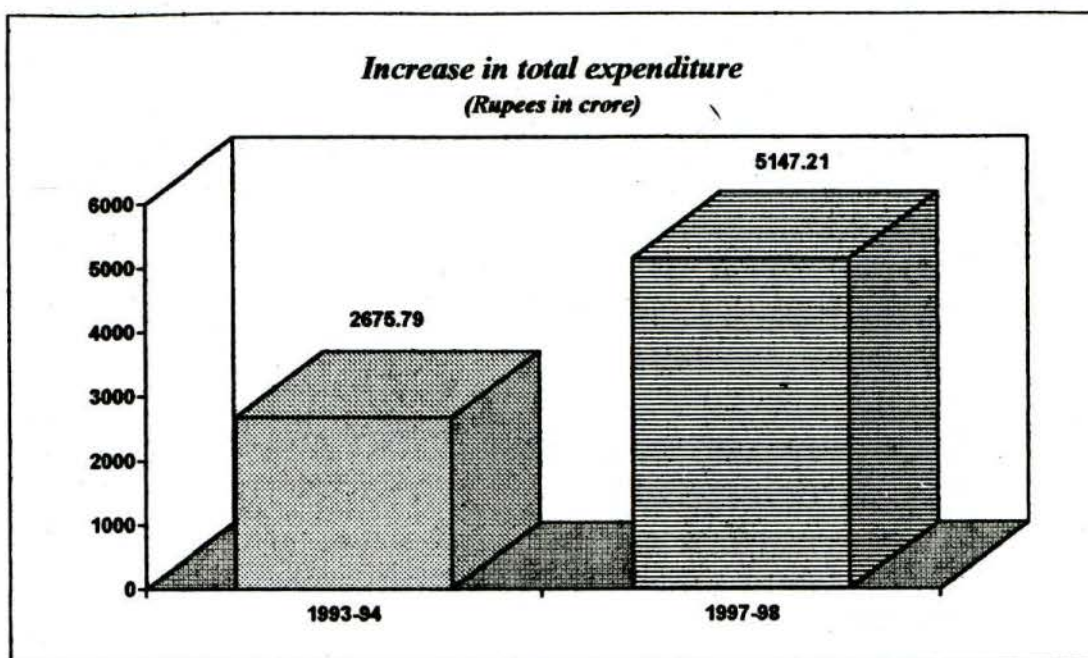
S.No.	Name of the company	Investment up to 1997-98	(Rupees in crore)	
			Accumulated Loss	
			Amount	Up to
1	Tawi Scooters Limited	0.80	1.04	1989-90
2	Himalayan Wool Combers Limited	1.37	7.08	1996-97
3	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	6.00	20.45	1989-90

Though the investment in State Co-operative Banks and Societies increased from Rs 13.71 crore in 1993-94 to Rs 17.34 crore in 1997-98 which constituted an increase of 26 *per cent*, no dividend was paid by these institutions after 1993-94.

1.6 Total expenditure of the State Government

The trend of total expenditure of the State Government during the last five years was as under:

Year	Revenue	Capital	Loans	Total	(Rupees in crore)
					As percentage of GSDP
1993-94	2121.54	525.10	29.15	2675.79	58
1994-95	2526.35	663.17	36.91	3226.43	58
1995-96	2814.96	729.42	45.01	3589.39	53
1996-97	3128.93	1000.11	50.79	4179.83	57
1997-98	4190.52	889.47	67.22	5147.21	61



The total expenditure of the State Government increased from Rs 4179.83 crore in 1996-97 to Rs 5147.21 crore in 1997-98 which constituted an increase of 23 *per cent* over the previous year. As percentage of GSDP, it ranged between 53 and 61 *per cent* between 1993-94 and 1997-98.

The revenue expenditure increased from Rs 3128.93 crore in 1996-97 to Rs 4190.52 crore in 1997-98. However, its share in total expenditure increased from 75 *per cent* in 1996-97 to 81 *per cent* in 1997-98.

1.6.1 Trend analysis of sectoral expenditure

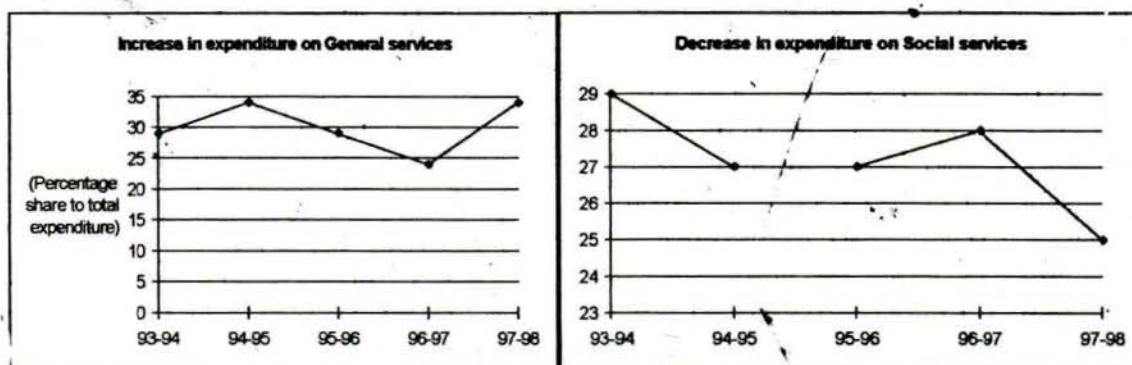
In the Government accounts, the transactions are accounted for under various heads, which in turn are grouped into sectors. The expenditure heads are grouped into General Services, Social Services and Economic Services. Specific functions or services are grouped in a sector e.g. Education, Sports, Art and Culture, Health and Family Welfare, Water Supply and Sanitation, Housing and Urban Development, etc. are grouped under Social Services. Similarly, Agriculture, Rural Development, Irrigation and Flood Control, Energy, Industry and Minerals, Transport, Communication, Science Technology and Environment, Tourism, Civil Supplies, etc. are included in the Economic

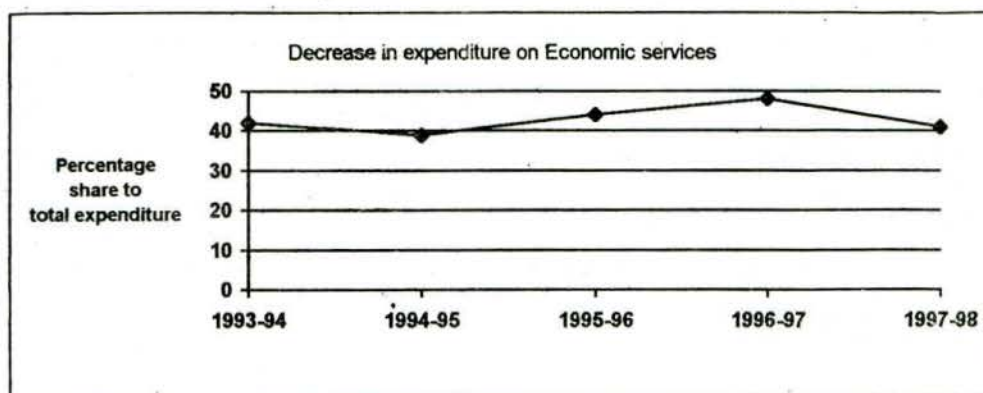
Services. The General Services on the other hand include expenditure on organs of State, collection of taxes on commodities and services, fiscal services, interest payments, administrative services and pensions. The sectoral expenditure, therefore, broadly indicates expenditure on the group of specific functions and services.

The sector-wise trend of expenditure is revealed in the analysis contained in the succeeding paragraph.

(Rupees in crore)

Sector	1993-94	1994-95	1995-96	1996-97	1997-98
General Services	772.92	1084.53	1028.23	1018.91	1763.70
As percentage of total expenditure	29	34	29	24	34
As percentage of GSDP	17	20	15	14	21
Social Services	788.59	887.11	982.70	1172.27	1285.23
As percentage of total expenditure	29	27	27	28	25
As percentage of GSDP	17	16	15	16	15
Economic Services	1114.28	1254.79	1578.46	1988.65	2098.28
As percentage of total expenditure	42	39	44	48	41
As percentage of GSDP	24	23	23	27	25





Expenditure on General Services increased from Rs. 772.92 crore in 1993-94 to Rs 1763.70 crore in 1997-98 which constituted an increase of 128 *per cent*, whereas the increase in respect of Social Services was 63 *per cent* during the corresponding period. Expenditure on Economic Services increased by 88 *per cent* over the same period. As a proportion of total expenditure, the share of General Services varied between 24 and 34 *per cent* during 1993-94 to 1997-98. The share of Social Services to total expenditure decreased from 29 *per cent* in 1993-94 to 25 *per cent* in 1997-98.

1.7 Revenue surplus

The trend of revenue surplus for the last five years was as under:

Year	(Rupees in crore)	
	Revenue surplus	As percentage of GSDP
1993-94	57.58	1.26
1994-95	561.97	10.13
1995-96	504.55	7.46
1996-97	94.47	1.30
1997-98	451.27	5.39

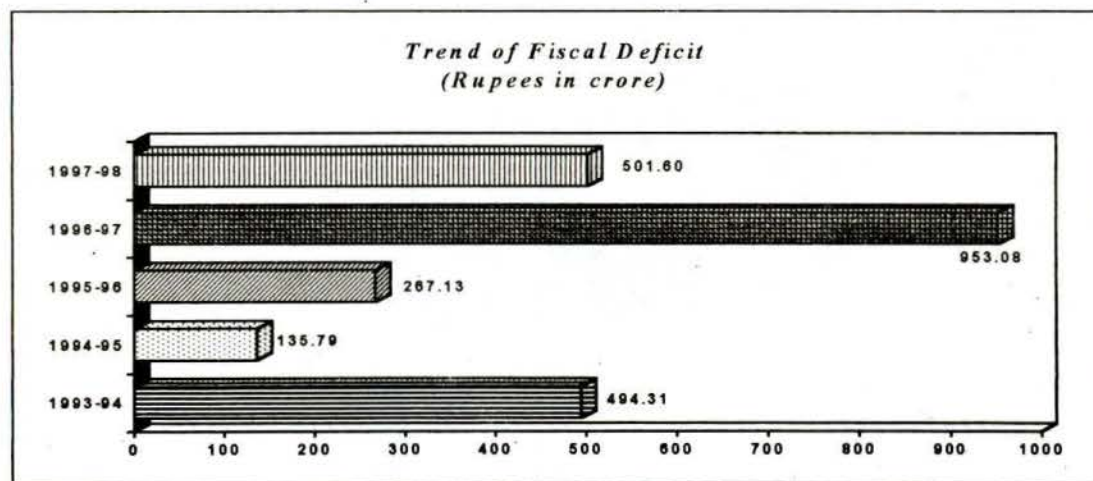
The revenue surplus during the years 1993-94 to 1997-98 was mainly due to receipt of more grants-in-aid from the Central Government due to change of pattern of Central assistance for State Plan schemes from 30 *per cent* grant-in-aid and 70 *per cent* loan to 90 *per cent* grants-in-aid and 10 *per cent* loan from 1990-91. Revenue surplus as percentage of GSDP ranged between 1.26 *per cent* and 10.13 *per cent* during 1993-94 to 1997-98.

1.8 Fiscal deficit

The fiscal deficit is the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received) and certain non-debt capital receipts. Since the excess of expenditure over revenues would have to be covered by borrowings, fiscal deficit can be said to be the same as net borrowings by the Government. If this is positive, there will be equivalent addition to Public debt.

The trend of fiscal deficit for the last five years was as under:

(Rupees in crore)		
Year	Fiscal deficit	As percentage of GSDP
1993-94	494.31	10.79
1994-95	135.79	2.45
1995-96	267.13	3.95
1996-97	953.08	13.07
1997-98	501.60	5.99



It would be seen from the table above that the fiscal deficit of the State ranged between Rs 135.79 crore to Rs 953.08 crore during the period 1993-98. The deficit during 1997-98 declined by 47 *per cent* over the preceding year due to increase in revenue receipts (44 *per cent*) and decline in capital expenditure (11 *per cent*) during the year.

1.9 Public debt

Public debt comprises of internal debt and loans and advances from Central Government. It has vital links with all aspects of public finance, taxation and expenditure policies, budget surplus and deficits, development expenditure and economic growth.

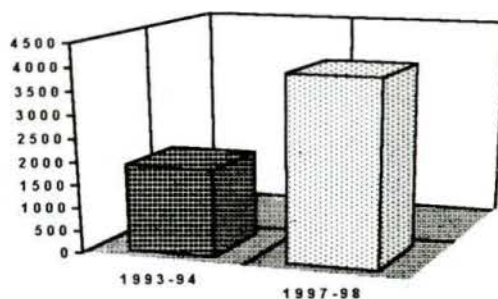
1.9.1 Internal debt

The trend of internal debt for the last five years was as under:

(Rupees in crore)

Year	Additions during the year	Debt servicing			Percentage of column 5 to 2
		Principal	Interest	Total	
(1)	(2)	(3)	(4)	(5)	(6)
1993-94	1894.12	1857.80	105.75	1963.55	104
1994-95	1951.59	1996.74	155.07	2151.81	110
1995-96	2863.63	2746.73	115.77	2862.50	100
1996-97	3519.52	3356.26	115.74	3472.00	99
1997-98	4000.82	3611.54	156.80	3768.34	94

Steep rise in internal debt raised
(Rupees in crore)



It would be observed from the above table that there was a quantum jump in internal debt raised by the State. It increased from Rs 1894.12 crore in 1993-94 to Rs 4000.82 crore in 1997-98, which constituted an increase of 111 *per cent* over the five year period. It would also be observed that net inflow of loan was mostly utilised for servicing of debt alone.

1.9.2 Other internal liabilities

Apart from the borrowings accounted for in the Consolidated Fund of the State, there are Small Savings, Provident Funds, Reserve Funds and Deposits which are kept in Public Account. The balances of Public Account are carried forward annually. These amounts add substantially to the liability of the Government.

The trend of these liabilities for the last five years was as under:

(Rupees in crore)

Year	Additions during the year	Repayments			Percentage of column 5 to 2
		Principal	Interest	Total	
(1)	(2)	(3)	(4)	(5)	(6)
1993-94	345.00	216.00	62.34	278.34	81
1994-95	432.19	303.35	73.46	376.81	87
1995-96	372.11	329.13	0.12	329.25	88
1996-97	527.25	409.56	94.58	504.14	96
1997-98	659.06	534.52	90.42	624.94	95

It would be seen from the above table that the net inflow of funds decreased from 19 per cent in 1993-94 to 5 per cent in 1997-98.

1.9.3 Loans and Advances from Central Government

The trend of loans and advances from the Government of India for the last five years was as under:

(Rupees in crore)

Year	Additions during the year	Repayment of loans including interest			Net inflow
		Principal	Interest	Total	
1993-94	231.90	121.36	230.28	351.64	(-)119.74
1994-95	274.90	268.83	400.35	669.18	(-)394.28
1995-96	219.33	152.50	251.04	403.54	(-)184.21
1996-97	447.76	3.56	0.65	4.21	(+)443.55
1997-98	514.29	311.81*	567.92	879.73	(-)365.44

* Includes figures of 1996-97 adjusted in 1997-98

1.9.4 Guarantees given by the Government

Under Article 293 of the Constitution of India, the State Government may give guarantees within such limits, if any, as may be fixed by the State Legislature by law. No law prescribing the limit had so far been enacted. The position regarding the amount of guarantees given by the Government for repayment of loans, payment of interest thereon and sums outstanding at the end of each year from 1993-94 to 1997-98 was as under:

Position ending March	Maximum amount guaranteed (Principal only)	(Rupees in crore)	
		Principal	Interest
1994	570.35	474.08	6.22
1995	718.14	238.28	36.82
1996	747.79	537.13	61.93
1997	742.76	501.66	80.98
1998	855.55	506.14	96.04

The above table would reveal that outstanding guarantees of the State Government including interest thereon increased from Rs 480.30 crore in 1993-94 to Rs 602.18 crore in 1997-98 which constituted an increase of 25 *per cent*.

In consideration of guarantees given by the State Government, guarantee fee at the rate of 0.25 *per cent* of the amount guaranteed was payable by the Government companies and Statutory corporations, etc. Guarantee fee of Rs 1.92 crore on Rs 766.52 crore (principal) was due to the Government from these institutions but no fee had been received by the Government as of November 1998. No action had been taken by the State Government to recover the guarantee fee.

1.9.5 Total indebtedness of the State

The total indebtedness of the State (excluding other obligations) for the last five years was as under:

(Rupees in crore)

Year	Internal debt	Loans and advances from Central Government	Small Savings, Provident Funds, etc.	Total	As percentage of GSDP
1993-94	1030.70	2511.51	615.71	4157.92	91
1994-95	985.55	2517.58	721.99	4225.12	76
1995-96	1102.44	2584.41	748.51	4435.36	66
1996-97	1265.70	3028.61	847.51	5141.82	71
1997-98	1654.98	3231.09	971.41	5857.48	70

The total indebtedness of the State increased from Rs 4157.92 crore in 1993-94 to Rs 5857.48 crore in 1997-98 which constituted an increase of 41 *per cent*. As percentage of GSDP, it ranged between 66 and 91 *per cent* during 1993-94 to 1997-98.

1.9.5.1 Ways and means/temporary advances

The State Government obtains temporary loans from Jammu and Kashmir Bank Limited for its ways and means requirements. The maximum limit up to which temporary loans can be obtained at any time, as approved by the Government of India is Rs 3 crore. Interest at 16 *per cent* was charged on temporary loans up to Rs. 5.50 crore and beyond that at 20.75 *per cent* during 1997-98.

The position of temporary loans taken by the State Government and interest paid thereon during the period from 1993-94 to 1997-98 was as under:

(Rupees in crore)

Year	Temporary loans/ overdrafts		Interest paid
	Taken during the year	Outstanding at the end of the year	
1993-94	1835.91	714.31	88.74
1994-95	1887.84	608.52	104.29
1995-96	2737.94	608.01	74.39
1996-97	3454.74	750.11	90.65
1997-98	3861.84	1003.72	117.48

The total temporary loans obtained had increased from Rs 1835.91 crore in 1993-94 to Rs 3861.84 crore in 1997-98 constituting an increase of 110 *per cent*.

During 1997-98 temporary loans obtained by the State Government were outstanding on all the days of the year. The maximum temporary loan obtained on any one day was Rs 944.92 crore.

1.10 Financial results of major projects

At the end of March 1998 there were six major revenue earning irrigation projects in Jammu and Kashmir. The financial results for five years 1993-98 were as under:

Year	Capital outlay at the end of the year	Direct and indirect charges			Revenue realised	Loss	Percentage of loss to direct and indirect charges
		Interest charged on capital	Working expenses	Total			
1993-94	32.45	0.86	1.53	2.39	0.09	2.30	96
1994-95	39.87	1.01	1.66	2.67	0.08	2.59	97
1995-96	49.97	1.21	1.63	2.84	0.05	2.79	98
1996-97	58.29	1.38	1.91	3.29	0.04	3.25	99
1997-98	66.07	-	1.86	1.86	0.09	1.77	95
Total:		4.46	8.59	13.05	0.35	12.70	

The financial results of these irrigation projects having total capital outlay of Rs 66.07 crore at the end of 1997-98 showed that the revenue realised from these projects during 1997-98 aggregated only Rs 9 lakh. After meeting the working expenses (Rs 1.86 crore) the projects suffered a loss of Rs 1.77 crore during 1997-98.

While direct and indirect charges on these projects registered a steady increase (except during 1997-98), revenue realisation ranged between Rs 4 lakh and Rs 9 lakh during 1993-94 to 1997-98 leading to mounting losses year after year which ranged between 95 and 99 *per cent* of the direct and indirect charges. The revenue realised during 1993-98 (Rs 35 lakh) was not sufficient even to cover the working expenses of Rs 8.59 crore of these projects.

1.11 Recoveries in arrears

Out of loans advanced to various bodies, etc. the detailed accounts of which are kept in the office of the Accountant General, recovery of Rs 35.12 crore (principal: Rs 30.19 crore; interest: Rs 4.93 crore) was in arrears as on 31 March 1998. Out of this, Rs 24.66 crore (principal: Rs 22.84 crore; interest: Rs 1.82 crore) related to Government servants and Rs 10.46 crore (principal: Rs 7.35 crore; interest: Rs 3.11 crore) to local bodies and municipalities. Recoveries of Rs 14.33 crore (principal) were in arrears for 5 years or more.

In respect of loans, the detailed accounts of which are maintained by the departmental officers, Rs 369.05 crore were outstanding as of 31 March 1998. Information regarding arrears in recovery of principal and interest was not furnished by any of the controlling officers despite reminders.

Appropriation Audit and Control over expenditure**2.1 Introduction**

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

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

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

This chapter contains observations on the Audit, conducted in respect of Appropriation Accounts prepared by the Accountant General (Accounts and Entitlement) for the year 1997-98.

2.2 Summary of Appropriation Accounts

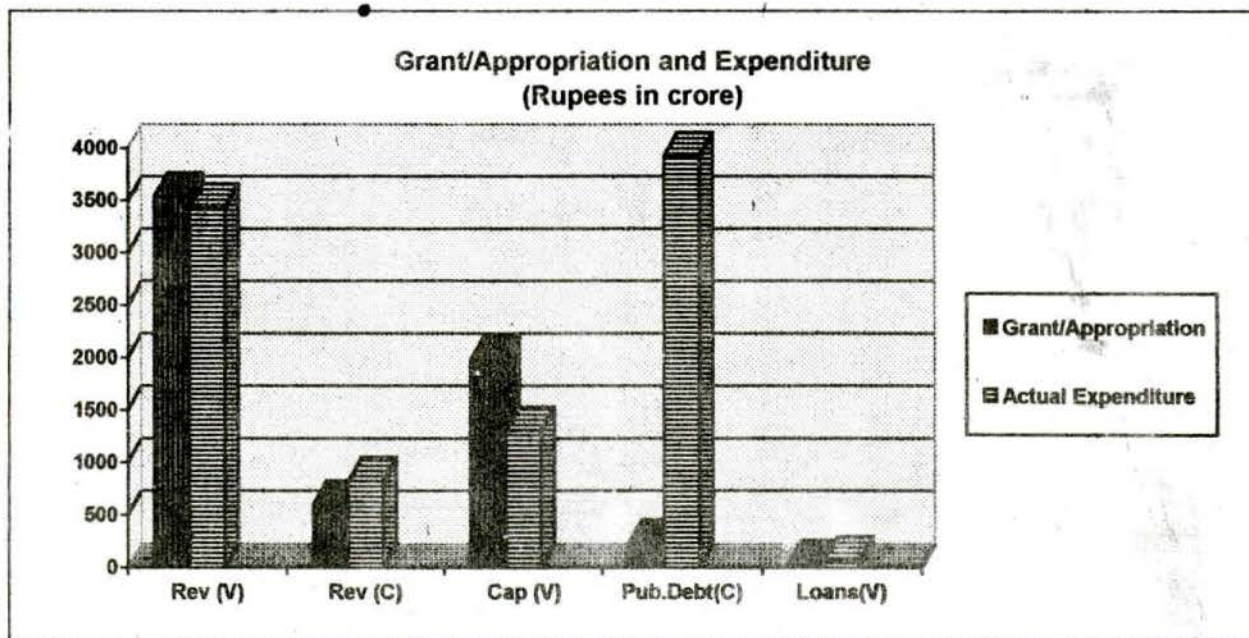
The summarised position of actual expenditure during the year ended 31 March 1998 compared with the sums authorised in the Appropriation Acts, was as under:

(Rupees in crore)

Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Savings(-)/Excess (+)
I-Revenue					
Voted	3100.35	438.93	3539.28	3432.84	(-) 106.44
Charged	545.45	53.87	599.32	821.22	(+) 221.90
II-Capital					
Voted	1680.22	296.60	1976.82	1299.98	(-) 676.84
III-Public Debt					
Charged	227.57	—	227.57	3923.35	(+) 3695.78
IV-Loans and Advances					
Voted	27.10	3.40	30.50	67.22	(+) 36.72
Total	5580.69	792.80	6373.49	9544.61	(+) 3171.12

(Note: In a demand, grants are voted and appropriations are charged.)

The original provision for the year 1997-98 (Rs 5580.69 crore) was 17 *per cent* more than that for the year 1996-97 (Rs 4780.49 crore). The supplementary grants and appropriations obtained during the year 1997-98 were 14 *per cent* of the original grants and appropriations as against 12 *per cent* during the year 1996-97.



The overall excess of Rs 3171.12 crore was due to net effect of savings of Rs 746.56 crore in Revenue-Voted and Capital-Voted (including loans and advances) and excess of Rs 3917.68 crore under Revenue-Charged and Public Debt-Charged. The expenditure under Public Debt-Charged was mainly due to clearance of overdraft obtained by the Government from Jammu and Kashmir Bank for its ways and means requirements. The saving of Rs 746.56 crore was 101 *per cent* of supplementary grant of Rs 738.93 crore and 13 *per cent* of the total provision of Rs 5546.60 crore for Revenue-Voted and Capital-Voted.

2.2.1 Results of Appropriation Audit

The overall excess of Rs 3171.12 crore was the net result of excess in 20 cases and savings in 39 cases as shown below:

Grant and Appropriation affected	Savings		Excess		(Rupees in crore) Net saving (-)/ excess (+)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
Voted	316.01	701.51	209.57	61.39	(-) 106.44	(-) 640.12
Number of grants	(13)	(22)	(14)	(4)		
Charged	0.57	-	222.47	3695.78	(+) 221.90	(+) 3695.78
Number of appropriations	(4)		(1)	(1)		

2.2.2 Unutilised Funds

According to Rule 2.33 of the Jammu and Kashmir Financial Code Vol. I, funds should not be drawn from the treasury unless required for immediate disbursement. Financial rules provide that all unspent appropriations lapse at the close of financial year and forbid drawal of funds from the treasuries with a view to avoiding lapse of budget grant and placing such moneys in deposits in the Public Account or with a Bank.

Test-check of records revealed that funds aggregating Rs 7.21 crore were drawn in 41 cases by the drawing and disbursing officers in March 1998 and placed in deposits/Bank or advanced to different agencies to avoid their lapsing. The expenditure shown in the appropriation accounts was, thus, overstated to the extent of Rs 7.21 crore as discussed below:

(i) With a view to providing additional class rooms and laboratory facilities to existing colleges, the State Education Department released Rs 20 lakh in September 1997 for construction of 4 additional class rooms and 2 laboratories in Degree College, Kathua through Public Works Department. The amount was drawn by Principal Degree College Kathua in February 1998 and placed at the disposal of Managing Director, Jammu and Kashmir Projects Construction Corporation Limited (JKPCC), as the executing agency had been changed from PWD to JKPCC. Test-check revealed that Executive Engineer, Roads and Buildings Division, Kathua also withdrew (March 1998) an amount of Rs 20 lakh, unauthorisedly and transferred it to JKPCC for the same work.

(ii) As per instructions of the Government, civil works costing Rs 15 lakh or more are to be executed by Jammu and Kashmir Projects Construction Corporation Limited, funds for which are to be released to the Company in a phased manner and amount equal to 25 *per cent* of the total estimated cost is to be released at the time of issue of letter of intent. Further releases are to be made on production of utilisation certificates of the previous advance. The instructions, further, prohibit transfer of funds at the close of the financial year with the purpose of avoiding lapse of budget grant.

In disregard of these instructions, Executive Engineer, Roads and Buildings Division, Qazigund released an amount of Rs 10 lakh in March 1998 to JKPCC for construction of a fire station at Qazigund in anticipation of administrative approval/technical sanction and acquisition of land. The work had not been started as of September 1998.

(iii) Director Animal Husbandry Department, Kashmir withdrew an amount of Rs 8 lakh on 31 March 1998 and advanced it to Agro Industries Development Corporation in July 1998 for purchase of cattle feed. The supplies had not been received by the Department as of September 1998. Obviously, there was no immediate need of drawal of the amount for purchase of the cattle feed.

(iv) An amount of Rs 90.79 lakh was drawn in March 1998 by six District Horticulture Officers of Kashmir Division on account of 50 *per cent* subsidy for

establishment of polygreen houses under a Centrally sponsored scheme. The amounts were credited to bank accounts of the respective drawing and disbursing officers evidently to avoid lapsing of budget grant. Details of the utilisation of the amount were awaited (October 1998).

(v) Audit scrutiny of the accounts of 32* divisions revealed that amounts aggregating Rs 5.92 crore were drawn by these divisions in March 1998 by debit to final heads of account and kept in Public Works Deposits. Drawal of the amount at the fag end of the financial year and its transfer to the Deposit account, merely to avoid lapsing of budget grants, was irregular and in violation of the financial rules.

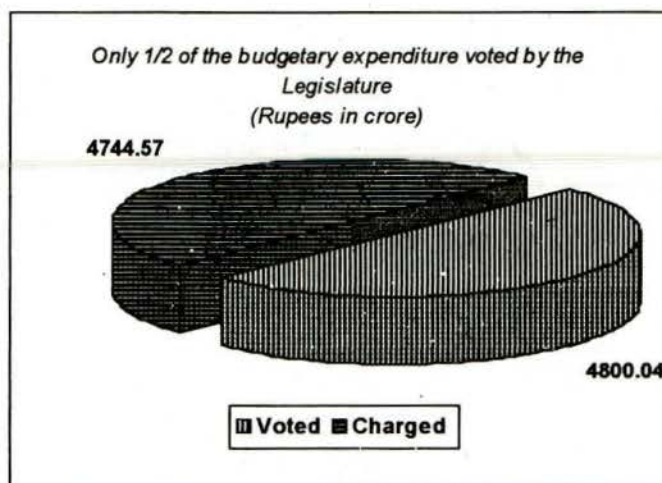
2.3 Charged and Voted expenditure

The details of expenditure actually incurred against approved demands (grants and appropriations) of the State Government for the years 1993-94 to 1997-98 were as under:

(Rupees in crore)

Year	Authorisation			Expenditure						
	Voted	Charged	Total	Percentage		Voted	Charged	Total	Percentage	
				Voted	Charged				Voted	Charged
1993-94	2796.36	792.90	3589.26	78	22	2498.62	2380.78	4879.40	51	49
1994-95	3389.32	989.91	4379.23	77	23	2834.18	2898.69	5732.87	49	51
1995-96	4008.59	676.47	4685.06	86	14	3501.27	3270.34	6771.61	52	48
1996-97	4591.93	767.26	5359.19	86	14	4324.45	3576.25	7900.70	55	45
1997-98	5546.61	826.88	6373.49	87	13	4800.04	4744.57	9544.61	50	50

* Roads and Buildings Divisions: 18; Public Health Engineering Divisions: 6; Irrigation Divisions: 4; Mechanical Department; Urban Engineering and Environment Department; Electric Maintenance Division Srinagar and Tawi Bridge-cum-Medical College Division, Jammu.



It would be seen that the charged expenditure which was mainly on account of interest payments as well as repayment of debt obligations, ranged between 45 and 51 *per cent* during 1993-94 to 1997-98. It may be mentioned that the expenditure charged on the Consolidated Fund of the State which is not subject to vote of the State Legislature, was one-half of the total expenditure of the State during 1997-98.

2.3.1 Excess expenditure over various grants/appropriations

According to the provisions of the financial rules, no expenditure should be incurred which might have the effect of exceeding the total grant or appropriation authorised by the State Legislature by law for a financial year even after obtaining supplementary grant or an advance from the Contingency Fund. It was, however, observed that in the Revenue section there was an excess of Rs 432.04 crore over the authorised sums in 14 grants and one appropriation. Excess in Capital section amounted to Rs 3757.17 crore in 4 grants and one appropriation. The position of 12 grants where excess was more than rupees one crore and in excess of 10 *per cent* of the total appropriation/grant was as under:

(Rupees in crore)					
S.No	Name of Grant	Total grant/ appropriation	Actual expenditure	Amount of excess (per cent)	Contributory factors for the excess.
1.	Revenue Voted				
1.	1-General Administration	56.08	66.18	10.10 (18)	Increase in expenditure on Direction and Administration.
2.	2-Home Department	460.75	515.70	54.95 (12)	Increase in expenditure on Direction and Administration.
3.	8-Finance Department	191.63	222.34	30.71 (16)	Increase in expenditure on Direction and Administration, payment of pension and other retirement benefits.
4.	12-Agriculture Rural Development & Cooperative Department	146.43	189.49	43.06 (29)	Increase in expenditure on Direction and Administration, establishment of polygreen houses and implementation of special programmes for Rural Development.
5.	18-Social Welfare Department	57.72	67.56	9.84 (17)	Increase in expenditure on Direction and Administration, establishment of <i>Markaz</i> <i>Bahboodi Khwateen</i> , Miskeen Bagh, Srinagar and expenditure on welfare of Other Backward Classes.
6.	24-Estates Hospitality and Protocol	3.87	13.43	9.56 (247)	Increase in expenditure on salaries, travel expenses telephones, uniforms and office expenses
7.	27-Higher Education	67.99	81.46	13.47 (20)	Increase in expenditure on Direction and Administration and additional assistance to universities for non-technical education and to Academy of Art, Culture and Languages.
	II-Revenue(Charged)				
1.	8-Finance Department	592.67	815.14	222.47 (38)	Excess expenditure on payment of interest on internal debt, loans and advances from GOI and on insurance and pension funds.
	III-Capital voted				
1.	16-Public Works Department	215.78	258.83	43.05 (20)	Increase in expenditure on Direction and Administration and additional expenditure on works.
2.	23-Public Health Department	98.86	111.96	13.10 (13)	Increase in expenditure on Direction and Administration, purchase of machinery and equipment and Urban Water Supply.
3.	26-Fisheries Department	3.15	4.53	1.38 (44)	Increase in expenditure on construction of buildings etc. and office expenses.

IV-Public Debt charged				
1.	8-Finance Department	227.57	3923.35	3695.78 (1624)
		Repayment of loans clearance of overdrafts from Banks.		

It is noteworthy that in case of 16 grants and one appropriation there was excess expenditure of Rs 489.58 crore despite obtaining supplementary grants of Rs 368.02 crore. This reflected the failure of the departments not only to assess the requirement of additional funds even at the fag end of the year but also inadequacy of the system monitoring the trend of expenditure under various heads of account.

The excess expenditure of Rs 4189.21 crore over the provisions requires regularisation under Section 82 of the Constitution of Jammu and Kashmir.

2.3.2 Savings under various grants/appropriations

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

In 17 cases, relating to 12 grants and 2 appropriations (Appendix-I), supplementary provisions of Rs 249.63 crore were obtained in anticipation of higher expenditure. However, the final expenditure of Rs 1001.47 crore was even less than the original grant of Rs 1260.68 crore. The savings of Rs 508.84 crore thus, exceeded the entire supplementary provision amounting to Rs 249.63 crore indicating unnecessary allotment of additional funds in these cases.

In 9 other cases, relating to 7 grants and one appropriation, supplementary grants aggregating Rs 174.88 crore were obtained against the requirement of Rs 42.25 crore resulting in saving of Rs 132.63 crore (Appendix-2).

Apart from these cases, savings in 11 grants exceeded 20 *per cent* of the budget provision and were more than Rs 50 lakh in each case as detailed below:

(Rupees in crore)				
S. No	Grant number	Amount of grant/ appropriation	Expenditure	Saving (Percentage)
	Capital (voted)			
1.	1-General Administration	4.62	1.27	3.35 (73)
2.	2-Home Department	15.68	-	15.68 (100)
3.	4-Irrigation Department	0.85	0.15	0.70 (82)
4.	6-Power Development Department	341.84	265.94	75.90 (22)
5.	12-Agriculture and Rural Development Department	78.56	56.02	22.54 (29)
6.	13-Animal Husbandry Department	11.41	2.65	8.76 (77)
7.	15-Food, Supplies and Transport Department	570.67	392.54	178.13 (31)
8.	17-Health and Medical Education Department	34.30	23.79	10.51 (31)
9.	21-Forest Department	29.47	9.04	20.43 (69)
10.	22-Irrigation and Flood Control Department	63.20	37.63	25.57 (40)
11.	25-Labour, Stationery and Printing Department	13.27	0.53	12.74 (96)

2.3.3 Unutilised provision and surrender thereof

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

In the accounts for the year 1997-98, it was noticed that against final savings of Rs 1018.09 crore relating to 25 grants and 4 appropriations no amount was surrendered during the year though the savings in 24 grants had exceeded more than Rs one crore in each case. Non-surrender of funds deprived the Government of the opportunity to transfer these funds to other needy sectors.

2.3.4 Recoveries as reduction of expenditure

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

In the Revenue section against the estimated recoveries of Rs 587.34 crore, actual recoveries were Rs 63.54 crore only. Similarly, in the Capital section, against the estimated recoveries of Rs 538.59 crore, actual recoveries were Rs 410.51 crore. The shortfall occurred mainly under Grants No. 6-Power Development Department (Rs 502.32 crore), 5-Ladakh Affairs Development Department (Rs 3.55 crore), 15- Food, Supplies and Transport Department (Rs 15.91 crore) and 16-Public Works Department (Rs 2.28 crore) in Revenue Section and Grants No. 12-Agriculture Rural Development and Co-operative Department (Rs 6.50 crore), 15-Food Supplies and Transport Department (Rs 173.84 crore) and 22-Irrigation and Flood Control Department (Rs 1.02 crore) under Capital Section. Grant-wise details of deviations from the original estimates are given in the Appendix-2 to the Appropriation Accounts 1997-98.

2.3.5 Non-reconciliation of departmental figures of expenditure

Standing instructions of the Government require that expenditure booked by the departmental controlling officers should be reconciled periodically with the expenditure figures booked by the Accountant General (Accounts and Entitlement). Such

reconciliation enables the departmental officers to exercise proper control over the expenditure. As of 31 August 1998, 192 controlling officers, out of 233 had not completed the reconciliation in respect of expenditure of Rs 5043.68 crore, which constituted 56 *per cent* of the total revenue and capital expenditure.

2.4 Budgetary control

2.4.1 Expenditure without budget provision

Under the Budget Manual of the State, no expenditure should be incurred, unless it has been provided in the budget estimates. However, during the year 1997-98 expenditure of Rs 637.40 crore was incurred under 39 major heads of accounts (18 grants) without provision for such expenditure having been made in the budget for which reasons were not intimated by the concerned departments (November 1998). Expenditure in absence of budget provision reflects lack of control over expenditure and monitoring system of the concerned department/controlling officers. Details of cases covered under this category are given in Appendix-3.

2.4.2 Unutilised provisions

Provision of Rs 712.45 crore under 30 major heads of account (16 grants) in the budget proved unnecessary as no expenditure was incurred there against, reasons for which were not intimated (November 1998). The details of such cases are given in Appendix-4.

2.4.3 Lump sum provision

For effective budgetary control and monitoring of expenditure sub/ minor/ detailed head-wise break-up of the budgetary provisions under each major head is essential. It was, however, observed that lump sum provision of Rs 959.99 crore constituting 15 *per cent* of the total budget including supplementary grants was made under 59 major heads of account (24 grants) in the budget without mentioning sub/minor/detailed head-wise break-up thereof. In absence of this, the exercise of budgetary control particularly under Education, Public Health Engineering, Health and

Medical Education, etc. was rendered ineffective. Reasons for making lump sum provision were not intimated (November 1998).

2.4.4 Irregular/excess pension payments

Payment of pension is made at the treasuries on the authority of Pension Payment Orders (PPO) issued by the Accountant General. Before making the payment, the treasury officer is required to satisfy himself and verify that the amount of pension payable is due to the pensioner and corresponds with the amount recorded in the PPO half available with the treasury. In case of special pensions, no payment is to be made beyond the period specified by the Accountant General except under the conditions recorded in the PPO.

Test-check of the records relating to pension payments made during 1997-98 by 8 treasuries* and the Jammu and Kashmir Bank, Tral revealed that an irregular/excess payment of pension amounting to Rs 1.40 lakh had been made in 27 cases due to payment at higher rates and beyond the authorised period. Further, in 12 cases, double payment of pension had been made to the pensioners resulting in excess payment of Rs 38000. On this being pointed out in audit in October 1998, Rs 8000 were recovered by the Treasury Officer, Pattan. Reply from the remaining treasuries was awaited (November 1998).

* Tral, Pattan, Khansahib, Chrar-i-Sherief, Shadimarg and additional treasuries, Lal Mandi, Tankipora and Khanyar.

*Agriculture Production and Rural Development Department***3.1 Command Area Development Programme****3.1.1 Introduction**

The Centrally sponsored Command Area Development Programme (CADP) was launched in 1974-75 in the selected irrigation commands with the objective of ensuring efficient utilisation of created irrigation potential and increasing agricultural production and productivity on a sustainable basis. The objective of the programme was sought to be achieved by undertaking on-farm development works, enforcement of a proper system of *Warabandi*[@] and development of ground water resources.

During the Eighth Plan period, the Programme was implemented in 14 projects^{\$} spread over in 9 districts of the State with a total Cultivable Command Area (CCA) of 69000 hectares (Kashmir[↔] Division: 31000 hectares; Jammu Division: 38000 hectares). Of these, 9 projects having a CCA of 53000 hectares (Kashmir Division: 16000 hectares; Jammu Division: 37000 hectares) were implemented with Central assistance.

3.1.2 Organisational set-up

The implementation of the Programme in the Command area was carried through two Command Area Development Authorities (CADA) established in Kashmir and Jammu Divisions by the State Government, each under the charge of a Director. Director CADA, Jammu was assisted by multi-disciplinary staff in the fields of Agriculture, Rural Development, Co-operatives and Soil Conservation while Director CADA, Kashmir was assisted by a Deputy Director and two Assistant Soil Conservation Officers. At the State level, the Programme was implemented under the over all supervision of Agriculture Production and Rural Development Department.

[@] Warabandi means System of equitable distribution of water among farmers by turn that ensures effective use of water without wastage.

^{\$} Ravi, Tawi, Ranjan, Rajal, Duddar (Jammu Division);
Marval, Lethpora, Yasmarg-Niu Karewa, Banimulla- Zawoora, Koil, Sindh-Catchment, Lower Jehlum, Khrim, Brah (Kashmir Division).

[↔] Excludes Ladakh region.

3.1.3 Audit coverage

Implementation of the Programme during the period from 1991-92 to 1997-98 was reviewed during October 1997 to January 1998 by test-check of records of the Agriculture Production Department, Directors of CAD authorities Kashmir and Jammu, Chief Agriculture Officer, District Agriculture Officer, Project Officer Soil and Water Management, Deputy Registrar Co-operatives CADA Jammu and three Assistant Soil Conservation Officers (Sarore, Sapwal and Dayalachak). Important points noticed are contained in the succeeding paragraphs:

3.1.4 Highlights

- Cumulative achievements of field surveys in respect of 4 projects were overstated by 32583 hectares (92 *per cent*) as of March 1998. In the test-checked offices, physical achievements of field surveys were not susceptible to verification, as muster sheets of daily wagers engaged on the survey work, neither indicated particulars of work done and the location of areas surveyed nor were the relevant survey reports made available.

(Paragraph:3.1. 6.1(a))

- Achievements in respect of land levelling and shaping and area covered under field channels exceeded the aggregate cultivable command area in three projects by 1100 hectares and 1412 hectares respectively.

(Paragraph:3.1. 6.1(b))

- Subsidy of Rs 1.56 crore had been paid to beneficiaries during the period from 1991-92 to 1997-98 on land levelling and shaping works without preparing estimates and maintaining inventory of works executed.

(Paragraph: 3.1.6.2 (a))

- 642 pumps were installed for conjunctive use of ground water in various blocks of CADA Jammu during 1991-92 to 1996-97 at a cost of Rs 44.11 lakh without conducting surveys for identification of areas suffering from low canal supply or

water logging. In 165 out of 204 test-checked cases, excess subsidy of Rs 8.08 lakh was paid on cost of pumps.

(Paragraph:3.1.6.2 (d))

- Cash subsidy of Rs 3.79 crore and Rs 81.08 lakh was paid to the beneficiaries during the period from 1991-92 to 1997-98 for various on-farm development works in disregard of approved pattern of assistance and without identifying them according to the laid own guidelines.

(Paragraph:3.1.6.3)

- Percentage utilisation of irrigation potential created ranged between 48 and 82 during the years from 1991-92 to 1997-98 reportedly due to meagre allocation of funds for on-farm development works, non-adherence to cropping pattern, injudicious use of water by farmers in the command area, power shortage and non-functioning of lift stations. Activities relating to equitable distribution of water under *Warabandi* were not taken up.

(Paragraphs: 3.1.6.4 and 5)

- Failure to procure seeds from the Agriculture Department well in advance of the sowing season for sale to farmers resulted in their shortlifting and resultant loss of Rs 18.70 lakh to Government.

(Paragraph:3.1.8)

- Statutory Command Area Development Boards and Advisory Command Area Councils at the State level had not been set-up for monitoring the programme as envisaged. Evaluation studies had also not been undertaken to assess the impact of the programme in the command areas.

(Paragraph:3.1.10)

3.1.5 Finance and Expenditure**3.1.5.1 Funding pattern**

The activities under CADP were financed from State funds with Central assistance on matching basis for certain identified activities and through institutional finance.

3.1.5.2 Financial outlay and expenditure

Year-wise details of Central assistance received, funds released by the State Government and expenditure incurred thereagainst by the two CAD authorities (Jammu and Kashmir) during 1991-92 to 1997-98 were as under :

(Rupees in crore)						
Year	Central assistance released	Funds released by State Government			Expenditure	Percentage of excess (+)/ savings (-)
		Central share	State share	Total		
1991-92	*1.90	1.76 [⊙]	1.92 (0.15)	3.68 (0.15)	3.47 (0.15)	(-) 6
1992-93	1.48	2.25	2.04 (0.07)	4.29 (0.07)	3.82 (0.07)	(-) 11
1993-94	1.79	1.36	1.93 (0.10)	3.29 (0.10)	3.56 (0.05)	(+) 8
1994-95	1.92	1.63	2.35 (0.11)	3.98 (0.11)	4.42 [§] (0.11)	(+)11
1995-96	2.77	0.77	2.60 (0.14)	3.37 (0.14)	4.19 (0.12)	(+)24
1996-97	2.52	4.63	2.97 (0.15)	7.60 (0.15)	5.30 (0.15)	(-)30
1997-98	1.90	1.90	3.54 (0.28)	5.44 (0.28)	5.94 (0.27)	(+) 9
Total	14.28	14.30	17.35 (1.00)	31.65 (1.00)	30.70 (0.92)	

(Figures for State projects in brackets)

* Unspent opening balance of Central assistance received not available.

⊙ Includes unreleased amount of Rs 0.63 crore released by Government of India in 1990-91.

§ Includes Rs 4.45 lakh released to SKUAST, Jammu out of which Rs 2 lakh were as State share.

Following points were observed:

- (a) Central assistance of Rs 42 lakh for the year 1993-94 had not been released by the State Government to CAD authorities as of March 1998. Reasons for which were awaited (October 1998). Further, the assistance was released by the State Government to implementing agencies after delays ranging between 1 and 8 months which resulted in rush of expenditure during the last quarter.

Central assistance released to implementing agencies after delays ranging between 1 and 8 months.

- (b) While shortfall in expenditure during 1991-92, 1992-93 and 1996-97 ranged between 6 and 30 *per cent*, the excess during 1993-94 to 1995-96 and 1997-98 ranged between 8 and 24 *per cent*. The shortfall in expenditure was attributed by the implementing agencies to late release of Central share of funds by the State Government. Reasons for incurring expenditure in excess of the approved outlays were not intimated. It was noticed in audit that effective budgetary control over expenditure vis-à-vis approved allotments had not been exercised due to the failure of the controlling authority to maintain control records for watching the receipt of excess and surrender statements from the two CAD authorities.

- (c) Against the Central share expenditure of Rs 14.09 crore incurred on Centrally assisted projects by CADA Jammu (Rs 9.07 crore) and by CADA Kashmir (Rs 5.02 crore), during the years 1991-92 to 1997-98, utilisation certificates were furnished to Central Government for Rs 12.89 crore (Jammu: Rs 8.68 crore; Kashmir: Rs 4.21 crore) only. Utilisation certificates in support of the balance expenditure of Rs 1.20 crore were not furnished.

- (d) According to the guidelines of the Central Government the cost of establishment was not to exceed 20 *per cent* of the total expenditure on work items^{*} of the programme. However, against the total expenditure of Rs 14.34

Establishment charges formed 69 per cent of total expenditure against prescribed limit of 20 per cent.

^{*} Construction of field channels, field drains, *warabandi* and reclamation of water logged areas.

crore on work items of the programme during 1991-92 to 1997-98, the expenditure incurred on establishment was Rs 9.85 crore (69 *per cent*) during the same period which was Rs 6.98 crore in excess of the prescribed limit of 20 *per cent*.

3.1.6 Programme implementation

3.1.6.1 Physical targets and achievements

The physical targets and achievements in respect of major components of the Programme in nine Centrally assisted projects (Kashmir: 5; Jammu: 4) and one State funded project during 1991-92 to 1997-98 are indicated in Appendix-5. It would be seen from the Appendix that the achievement of targets during 1991-92 to 1997-98 ranged between 60 and 128 *per cent* in CADA Jammu and between 3 and 125 *per cent* in CADA Kashmir. Shortfall in Kashmir Division was attributed by Director, CADA Kashmir to late release of Central share of funds to the implementing agencies by the State Government. Test-check of records in three sub-divisions (Sarore, Sapwal and Dayalachak), however, revealed that activities actually undertaken during 1992-93 to 1996-97 as per work done statements of the executing agencies were at variance with the achievements reported in progress reports of executing agencies and also those reported by the Directors of CADAs to the State Government. Reasons for the variation were not intimated. Details of variations noticed in test-check are indicated in Appendix-6. Following points were noticed in test check:

- (a) Against the CCA of 35407 hectares in 4 projects (Ravi, Tawi, Rajal and Duddar) in CADA Jammu , the cumulative achievement in respect of field surveys as of March 1998 was reported as 67990 hectares which was 32583 hectares (92 *per cent*) in excess of the total CCA for which no

<p><i>Reported achievements in respect of field surveys exceeded cultivable Command Area by 92 per cent</i></p>

reasons were intimated. In 3 Soil Conservation Offices covering Ravi and Tawi projects there was no basis for reporting areas covered under field surveys. The muster sheets of daily wagers engaged in survey work neither indicated the particulars of work done nor the location of areas surveyed. Survey reports in support of the achievements were also

not on record in the two Directorates (Kashmir, Jammu). In absence of survey reports, the correctness of expenditure of Rs 15.84 lakh (Kashmir: Rs 7.33 lakh; Jammu: Rs 8.51 lakh) incurred on survey, planning and design during 1991-92 to 1997-98 could not be vouchsafed in audit.

- (b) The cumulative achievement reported in respect of land levelling and shaping (8802 hectares) in three projects (Lethpora, Banimulla-Zawoor and Yusmarg-Niu Karewa) in CADA Kashmir ending March 1998 exceeded the aggregate CCA (7702 hectares) by 1100 hectares. Similarly, the area reported to have been covered under field channels within 5-8 hectare block of Tawi Project was 9592[♥] hectares against the total CCA of 8180 hectares at the end of March 1998. Reasons for overstating the achievements in excess by 1412 hectares were awaited (November 1998).

Achievements under land levelling and shaping exceeded the cultivable Command Area

3.1.6.2 On-farm development works

(a) Land levelling and shaping

The primary objective of land levelling and shaping was to ensure even spread of irrigation water into fields and drainage of excess irrigation or rain water from the fields.

By the end of March 1998, only 46549 hectares (87 per cent) of land were

Subsidy of Rs 1.56 crore paid to beneficiaries without maintaining inventory of land levelling and shaping works

reportedly covered under land levelling and shaping against Cultivable Command Area of 53629 hectares in 10 projects of the State. It was, however, noticed in audit that against the projected land levelling and shaping of 40976 hectares in the 10 projects, the cumulative achievement was 46549 hectares. Reasons for achievement in excess of the assessed quantities were not on record. In three test-checked sub-divisions of Sarore, Sapwal and Dayalachak in Jammu division, land-levelling and shaping works were got executed during the years 1991-92 to 1997-98 through the

[♥] Includes area of 4136 hectares covered by Ravi Tawi Irrigation Complex.

beneficiaries without preparing any estimates and cash subsidy at 33 $\frac{1}{3}$ per cent amounting to Rs 1.56 crore was paid to the beneficiaries on the basis of completion statements of work done as recorded by the field staff, without maintaining any inventory of land levelling and shaping works undertaken against each outlet.

The rate of 'earth work' item indicated in the latest Schedule of Rates (1992) of the Public Works Department includes the items of 'jungle clearance' and 'surface dressing'. It was, however, observed in the three test-checked sub-divisions (Sarore, Sapwal and Dayalachak) that payments were made for 'jungle clearance' and 'surface dressing' separately in addition to the payment for 'earth work' item. This resulted in irregular excess payment of Rs 8.90 lakh in 1726 test-checked cases during the period between 1991-92 and 1997-98 (November 1997).

(b) Construction of Field channels

Field channels are water channels which deliver water from an outlet of a distributary to individual fields and constitute the last link in the water delivery system of an irrigation network. These channels are lined to avoid seepage and water from these channels is fed into farmers' fields through unlined field channels within the field.

Test-check of records revealed that consolidated records indicating year-wise position of the length of lined field channels taken up for construction and completed, had not been maintained by the two CADAs. In the three test-checked sub-divisions (Sarore, Sapwal and Dayalachak) schemes based on survey had not been drawn up for carrying out on-farm development works in an integrated manner on outlet basis, after obtaining administrative approvals.

Schemes for on-farm development works not undertaken in an integrated manner.

For unlined field channels constructed by farmers within their fields, 50 per cent cash subsidy was paid on the basis of work done completion statements. These works had been undertaken without preparing estimates and obtaining technical/administrative approval thereto. A test-check in audit revealed that subsidy of Rs

Subsidy of Rs 2.71 lakh paid to 284 ineligible farmers.

2.71 lakh was paid to 284 ineligible farmers (expenditure: Rs 5.42 lakh) whose land holdings were more than 4 hectares.

(c) Construction of field drains

Water logging reduces soil aeration and affects adversely the productivity of soil. The construction of field drains help in preventing water logging thereby increasing the productivity in irrigated areas.

In the 3 test-checked soil conservation sub-divisions (Sarore, Sapwal and Dayalachak) of Ravi and Tawi projects, land area of 8102 hectares under 246 villages had

Expenditure of Rs 74.31 lakh incurred on drainage works without formulating schemes and obtaining administrative approval.

water logging problems as of March 1991. Of this, 1298 hectares only had been reclaimed by the end of March 1991 at a cost of Rs 17.30 lakh. During 1991-92 to 1997-98 drainage works, covering an area of 5081 hectares (expenditure: Rs 74.31 lakh) were, however, executed without formulating schemes and obtaining administrative approval. These works were executed departmentally after preparing individual estimates for each block of land covered. The payments were made on muster sheets on the basis of work done completion statements without recording the land area of each beneficiary and *khasra* number which would have formed the basis for arriving at the area covered under drainage. In absence of this information, the actual area covered was neither ascertainable nor susceptible to physical check.

(d) Conjunctive use of surface and ground water

Conjunctive use of surface and ground water aims at draining out excess water either from the surface or from the sub-surface for supplementing irrigation during periods of low canal supply or canal closure. This also contains water logging in irrigated areas.

Under the programme, 642 pumps in various blocks of the Command Area

Pumps installed for conjunctive use of surface and ground water without undertaking surveys for identification of areas beset with water logging or low canal supply.

Jammu were installed during 1991-92 to 1996-97 (expenditure: Rs 44.11 lakh) for conjunctive

use of ground water without conducting surveys for identification of farmers and areas vulnerable to low canal supply or suffering from water logging. The pumps were provided to the beneficiaries on 100 *per cent* subsidy while cost of boring of wells done by the beneficiaries was treated as their contribution. The Department did not restrict the payment of subsidy on the IRDP pattern of 20 *per cent*, 25 *per cent* and 33¹/₃ *per cent* in respect of medium/small/marginal farmers and 50 *per cent* in case of Scheduled tribes as envisaged under the scheme. Out of 204 test-checked cases to whom pumps were supplied during 1994-95 and 1995-96, the inadmissible/excess subsidy provided by way of cost of pumps in 165 cases amounted to Rs 8.08 lakh. Besides, subsidy of Rs 21000 was also provided to 2 ineligible farmers having land holding of more than 4 hectares.

3.1.6.3 Subsidy to medium, small and marginal farmers on farm development works

Under the Programme, subsidy was available to medium, small and marginal farmers on matching basis on IRDP pattern on the loans taken by them from financial institutions for land-levelling and shaping, construction of field channels (within farmers' fields), field drains, installation of sprinkler and drip irrigation sets and development of ground water resources. From 1996-97, the expenditure on construction of field drains was, however, to be met from Government grants.

Without identifying the beneficiaries on the basis of land holding, title and total income, subsidy was paid to them in cash uniformly at the rate of 33¹/₃ *per cent* of the cost of land-levelling and shaping and at 50 *per cent* of the cost for field channels^ψ within farmers' fields without arranging institutional loans. A cash subsidy of Rs 3.79 crore for land levelling and shaping (Kashmir: Rs 1.58 crore; Jammu :Rs 2.21 crore) and Rs 81.08 lakh for construction of field channels within farmers' fields (Kashmir: Rs 46.78 lakh; Jammu: Rs 34.30 lakh) was, thus, paid during 1991-92 to 1997-98 without

Cash subsidy of Rs 4.60 crore paid for land levelling and shaping and construction of field channels without identifying the target group and in contravention of approved pattern of assistance.

* Medium: 2.01 to 4 ha; Small: 1.01 to 2 ha; Marginal up to 1 ha
 ψ Lined water channel from out let of a distributary to fields.

identifying the target group of farmers in violation of approved pattern of assistance. In addition, expenditure of Rs 61.30 lakh (Kashmir: Rs 17.94 lakh; Jammu: Rs 43.36 lakh)

Avoidable subsidy payment of Rs 30.65 lakh made to beneficiaries on construction of field drains during 1991-96

was also incurred during 1991-92 to 1995-96 on construction of field drains⁹ in these projects at Government expenses instead of subsidising the cost of these works. This resulted in extra avoidable expenditure of Rs 30.65 lakh

worked out on the basis of maximum subsidy of 50 per cent.

In CADA Jammu, 12 sprinkler irrigation sets (cost: Rs. 3.95 lakh) were installed free of cost during 1994-95 and 1995-96 in the fields of 12 beneficiaries without verifying their eligibility. On this being pointed out in audit, Project Officer, Soil and Water Management CADA Jammu stated (November 1997) that the sets were installed at Government expenses for demonstration purposes. However, approval of the Government for installing the sets free of cost had not been obtained.

3.1.6.4 Utilisation of irrigation potential

The main objective of the Programme was to increase the utilisation of irrigation potential created. It was seen in audit that the

Irrigation potential created utilised to the extent of 48 to 82 per cent only.

percentage utilisation of irrigation potential created, ranged between 48 and 82 during the years from 1991-92 to 1997-98.

The underutilisation of irrigation potential in CADA Kashmir was attributed (May 1998) by the Director to meagre allocation of funds due to which on-farm development works required for full utilisation of the created potential could not be executed. In CADA Jammu, the utilisation of irrigation potential of Ravi canal and Tawi canal was only 18000 hectares and 7000 hectares respectively up to 1997-98 against the potential of 40000 hectares created since 1980-81 (Ravi canal) and 13000 since 1995-96 (Tawi canal). Chief Engineer, Ravi-Tawi Irrigation Complex (RTIC) attributed the shortfall to non-adherence by the farmers to envisaged cropping pattern and injudicious use of water by them. Besides, acute power constraints reducing discharge of pumps at

⁹ Unlined drain to drain out water from water logged fields.

Lakhanpur lift station, change in course of Ravi river and slips in Ravi canal were stated to be the other main reasons which hindered supply of irrigation water.

While remedial measures taken/envisaged to overcome the constraints were not stated, it was seen in audit that the extent of water lifted from Tawi and Ravi canals had not been monitored at any level by RTIC. No data based on gauge measurements indicating water fed into Ravi and Tawi canals and subsequently distributed through its distributaries had been maintained. In absence of this, season-wise lifting and distribution of water in the two canals and its distributaries was not monitored.

In Ranjan and Rajal projects, while field channels were constructed for an area of 2101 and 1700 hectares respectively up to March 1998, the irrigation potential utilised during 1997-98 was 600 and 569 hectares only. Reasons for underutilisation of potential created were not intimated (November 1998).

3.1.6.5 *Warabandi*

Warabandi is a system of equitable distribution of water by rotation for efficient use in raising crops by farmers and avoiding its wastage. The scheme envisaged farmers' participation in water management (PIM) through water users' associations to whom management subsidy, to be shared by Central and State Governments on 50:50 basis, was to be provided. While farmers' associations in CADA Kashmir had not been formulated at all, action to implement PIM was taken in CADA Jammu in March 1996 when it was decided to handover two distributaries to water users' associations after undertaking repairs/restoration. The repairs had not, however, been undertaken (September 1998) and the distributaries were not handed over to water user associations. In absence of water user associations, the distribution of water under *Warabandi* was done by CADA Jammu through engagement of *Laskars*^v on daily wage basis.

Participation of water users in water management not ensured.

The year-wise position of targets and achievements under *warabandi* and expenditure incurred during last seven years ending 1997-98 was reported as under:-

^v Persons engaged for regulating water according to laid down schedule.

Year	Area covered under field channels at the beginning of the year	Area under warabandi				Expenditure (Rupees in lakh)
		Targets	Achievements		Total	
			Kharif	Rabi		
			(Area in hectares)			
1991-92	6826	25000	NA	NA	NA	3.23
1992-93	9151	25000	16700	8300	25000	5.00
1993-94	11151	25000	16400	8100	24500	5.24
1994-95	13351	26000	17334	8666	26000	5.50
1995-96	15951	28000	18000	10000	28000	4.01
1996-97	18616	30000	20000	10000	30000	3.30
1997-98	21159	31000	20000	10605	30605	7.36

It would be seen that the targets fixed and achievements reported during Kharif season exceeded the area covered under field channels during the years from 1992-

The reported coverage under Warabandi doubtful as coverage during Kharif season exceeded area covered under field channels

93 to 1996-97. This indicated that the targets were inflated and achievements had not been reported correctly. The basis of fixing targets and reporting achievements were also not available on record. No

Warabandi schedules indicating outlet-wise information of areas covered against various distributaries had been prepared in absence of which actual area covered under *Warabandi* was not ascertainable. Neither was the total number of Mogas[■] in each project area after 1990-91 available with the Project Officer, Water Management nor had any duty sheets of *Laskars* allotting Mogas for *warabandi* coverage been drawn up. It was also noticed in audit that *Laskars* had been engaged for watch and ward of CADA complex and other office jobs in the Directorate and other offices of CADA Jammu to whom wages of Rs 3.60 lakh were paid during 1991-92 to 1996-97. Expenditure of Rs 1.91 lakh incurred on purchase of POL for vehicles during 1993-94 to 1996-97 was also debited to *Warabandi* activity.

■ Outlet for lined field channels.

3.1.7 Adaptive Trials, Demonstrations and Training of farmers

CADP envisaged dissemination of technical know-how and agricultural practices by holding adaptive trials and demonstrations on the fields where OFD works had been completed. Farmers were required to be educated about water management, water requirement of crops, detrimental effects of water logging and salinity, pest and weed control and maintenance of field channels using audio-visual aids. A training centre had to be set up in each project for this purpose. Expenditure of Rs 95.42 lakh was incurred during 1991-92 to 1997-98 by CADA, Jammu on holding of 80 adaptive trials, 11707 crop demonstrations and training 40500 farmers.

The trials conducted at the Chak-Jaralan trial-cum-training centre constituted 22 per cent of the targets and an area of 3.2 Kanals to 12 Kanals was cultivated against the available cultivable area of 24.5 Kanals. No trials were, however, conducted on the farmers' fields. Project Officer, Soil and Water Management CADA Jammu stated (November 1997) that more trials could not be conducted due to ongoing land levelling and terracing works at the farms during 1992-93 to 1994-95. However, the targets were not achieved even thereafter.

Adaptive trials not conducted in farmers' fields.

There was shortfall of 41 per cent in achieving targets of imparting training to farmers for which reasons were not available on record. No data of season-wise and crop-wise yield obtained from the demonstrations held was collected and analysed for follow-up action. It was not, thus, possible to make an assessment as to whether the objectives of the scheme had been achieved. The extent to which suitable cropping patterns were adopted in the field had also not been monitored.

3.1.8 Supply of agricultural inputs

The programme envisaged supply of agricultural inputs like seeds, plant protection chemicals and fertilisers to the farmers in the Command area at varying subsidised rates under various schemes of Agriculture Department.

It was seen that against the overall target of distributing 4.93 lakh qtls of chemical fertilisers for Kharif and Rabi seasons during Kharif 1994 to Kharif 1997, the actual off-take was only 2.29 lakh qtls against 2.49 lakh qtls procured during the period. The seed procured from Agriculture Department for sale among farmers during 1994-95 to 1997-98 was generally in excess of the actual off-take which resulted in 2279 qtls (value: Rs 25.46 lakh) of seed remaining unutilised. This seed subsequently became unfit for use due to expiry of its shelf life. Most of the left over seed was subsequently auctioned for Rs 6.76 lakh resulting in a loss of Rs 18.70 lakh. Chief Agriculture Officer CADA Jammu stated (September 1998) that seeds had not been received well in advance of sowing seasons. Responsibility for the loss had not been fixed (September 1998).

Untimely procurement of seeds resulted in loss of Rs 18.70 lakh.

Information relating to quantity/value of seeds obtained from Agriculture Department, sale proceeds realised from the farmers, amounts remitted to Agriculture Department and amounts outstanding were not ascertainable as reconciliation of the seed accounts with the Agriculture Department had not been conducted up to 1995-96. Chief Agriculture Officer, CADA Jammu stated (November 1997) that reconciliation could not be carried out due to seizure of records by Vigilance Organisation in March 1996 in connection with an alleged embezzlement of Rs 51.39 lakh. The value of un-remitted sale proceeds of plant protection chemicals including cost of left over stocks at the end of Kharif 1997, based on un-reconciled accounts was Rs 10.29 lakh. The age-wise position of outstanding against each defaulter was not available/intimated. Necessary action to effect the recovery from the defaulting officials had also not been taken as of October 1998.

3.1.9 Other points of interest

(a) Inventory of assets created

No inventory of assets created from time to time had been maintained at the Directorate level in either of the two CAD authorities for verifying their physical existence and ensuring their maintenance. On this being pointed out (October 1997) in

audit, Director CADA Jammu issued instructions (November 1997) for preparation of an inventory of assets created which was stated (September 1998) to be under progress.

(b) Non-revision of 'Abiana' rates

Farmers who are supplied water for irrigation are charged water rates (Abiana) fixed by the Government. These rates were last fixed in the State in 1976 and had not been revised as also recommended by Central Water Commission despite considerable increase in expenditure on creation of fresh irrigation potential and maintenance of assets.

Abiana rates fixed in 1976 not revised despite increase in cost of maintenance/creation of fresh irrigation potential.

An amount of Rs 17.83 lakh on account of *Abiana* in respect of Ravi and Tawi canals was outstanding at the end of March 1998 against farmers and officials of Revenue Department who had retained the revenue collections with them. In respect of *Abiana* collections monitored by Executive Engineer, Tawi Canal Construction Division, Jammu it was noticed that out of Rs 8.41 lakh outstanding at the end of March 1997, an amount of Rs 2.86 lakh was lying with the officials (Nambardars) of the Revenue Department. The age-wise analysis of the outstanding of Rs 17.83 lakh was not available with the RTIC, Jammu.

In Kashmir Division, the position of outstanding *Abiana* in respect of CAD projects had not been monitored at all by the Irrigation Department. However, Rs 83.23 lakh were outstanding since 1980-81 as of March 1998 for all irrigated areas of the three districts of Anantnag, Pulwama and Budgam (in which the concerned command areas fall). No steps had been taken to effect recovery of the outstanding amount.

Abiana charges of Rs 17.83 lakh outstanding at the end of March 1998.

Position of outstanding Abiana not monitored in Kashmir Division.

3.1.10 Monitoring and evaluation

Statutory Command Area Development Boards and Area Councils which were to be set up at the State level had r

September 1998. However, the State level Co-ordination Committee, (SLCC) and Divisional level Committee (DLC), were constituted (January 1988) by the State Government. While SLCC and DLC (Kashmir) did not meet during 1991-92 to 1997-98, DLC Jammu met only twice (September 1991 and October 1995). Thus, performance of the programme was not sufficiently monitored by the State and Divisional level committees for effective implementation of the programme. Evaluation studies in various command areas had also not been undertaken either by any independent agency or by the State Planning and Evaluation Directorate as of September 1998.

Implementation of Programme neither monitored nor evaluated

3.1.11 The above points were referred to the Government/Department in July 1998; reply had not been received (November 1998).

3.2 Loss on purchase of excess cotton seed

Procurement of cotton seed without ascertaining its actual requirement resulted in loss of Rs 5.82 lakh.

In order to introduce cultivation of cotton crop in Jammu Division the Department undertook a demonstration programme of the crop in Kharif 1995 and purchased 1025 quintals of the seed (value: Rs 17.29 lakh) during Kharif 1996 for distribution at 40 *per cent* subsidy to the farmers. It was seen in audit that the purchase of seed during Kharif 1996 had been made without assessing the performance of the demonstrations, popularity among farmers and ascertaining the yield data. Consequently, against 1025 quintals of seed purchased, only 420 quintals could be distributed during the season leaving 605 quintals in stock (value: Rs 10.21 lakh) in various stores. The leftover seed which was got tested subsequently (October 1997) did not conform to the seed standards and was declared unfit for further use. In reply to an audit query, the Department stated (January 1998) that the seed could not be distributed fully in Kharif 1997 in response of the farmers. The seed was auctioned during 1997-98 and the proceeds were used as sale proceeds.

Thus, due to non-assessment of the results of demonstration in Kharif 1995 and failure to assess the response of the farmers correctly, purchase of seed in excess of requirement resulted in loss of Rs 5.82 lakh to the Government. Responsibility for the loss had not been fixed as of October 1998.

The matter was reported to the Government/Department in September 1998; reply had not been received (November 1998).

Revenue Department

3.3 Acquisition of land for public purposes

3.3.1 Introduction

Land needed for public purposes is acquired by the State Government under the State Land Acquisition, Act, 1990 Samvat (1934 AD) and the rules framed thereunder. In the year 1968, Jammu and Kashmir Requisition and Acquisition of Immovable Property, Act (RAIP) was also enacted to empower the Government to requisition the land for public purposes of the State and on behalf of Union of India.

The departments in need of land are responsible for assessing the requirement and suitability of land and placing demand on the concerned Collector. The Collector notifies the land to be acquired and after declaration by Government that the land is needed for public purposes and obtaining orders of the Government for its acquisition, issues notices to interested persons and after following the procedure makes an award. This is followed by taking possession of the land. In case of urgency, the land is acquired before making an award on payment of 80 *per cent* of its estimated market value.

3.3.2 Organisational set-up

District Collectors and a large number of other officers have been vested with land acquisition powers under the Act.

The Revenue Department functions as a nodal agency for acquisition of land under the State Land Acquisition Act, 1990 (Svt). Powers for acquisition of land for the purpose of the State and on behalf of Union of India, under the Jammu and Kashmir

RAIP Act, 1968, vested with the State Government are exercised by the Home Department.

3.3.3 Audit coverage

Records of the Revenue Department and sixteen[†] Collectors in five districts, (Kathua, Jammu, Udhampur, Srinagar, Budgam) for the period 1993-94 to 1997-98 were reviewed in audit between March 1998 and May 1998. Results of the audit are contained in the succeeding paragraphs.

3.3.4 Highlights

- **Advancing of funds to Collectors for payment of land compensation before completion of various formalities resulted in locking up of Rs 18.24 crore at the end of March 1998 with 11 Collectors. Of this, Rs 5.86 crore stood deposited in banks (current account) instead of in the treasury in violation of the instructions of Government.**

(Paragraph: 3.3.5)

- **There was a variation of Rs 40.12 lakh between the amounts paid by the indenting departments and those shown accounted for in the records of 4 Collectors.**

(Paragraph: 3.3.5 (iii))

- **There was delay ranging between 2 and 19 years in 75 land acquisition cases up to March 1998. The delay was likely to result in payment of higher compensation owing to escalation in land rates.**

(Paragraph: 3.3.6)

[†] Deputy Commissioner Jammu and Kathua, Additional Deputy Commissioner Kathua, Jammu and Srinagar, Assistant Commissioner, Kathua, Jammu, Udhampur and Budgam; Collector Land Acquisition (RTIC) Kathua, Public Works Department, Jammu, Jammu Development Authority, Srinagar Development Authority, Northern Railways and Special Collector Army and Assistant Commissioner (G), Jammu

- Excess/irregular payments of land compensation aggregating Rs 2.02 crore were made in 2 cases, due to payment of compensation at higher rates and failure to take cognizance of ceiling laws.

(Paragraphs: 3.3.7.1 and 3.3.7.2)

- Land compensation of Rs 18.33 lakh was paid to a person, on the basis of questionable documents, who was not even the owner of the land acquired.

(Paragraph: 3.3.7.4)

- Failure of the Collector to represent the land compensation case properly in the district court Jammu resulted in payment of additional compensation of Rs 11.10 lakh to the owners of land.

(Paragraph: 3.3.8)

- Monthly meetings to review the progress in pending land acquisition cases by the District Collectors, had not been held. nor had monthly progress reports been obtained.

(Paragraph: 3.3.10)

3.3.5 Receipt and disbursement of funds for land compensation

To meet the expenditure on compensation for land and structures acquired by the Government for public purposes, the indenting departments are required to draw advances from the treasury, after awards are made and place the amounts at the disposal of the District Collectors or officers vested with the powers of the Collector. As per the information made available by 11 out of 16* Collectors whose records were test-checked, the position of receipts and utilisation of funds during the five years ending 1997-98 was as under:

Unspent balance of land compensation aggregating Rs 18.24 crore locked up in treasuries and banks as of March 1998

* Five collectors had utilised funds received from Central Government and development authorities.

Year	Unspent opening balance	Advance payments received	Disburse -ments	Percentage utilisation of available funds	Closing balance		
					In Bank	In Treasury	Total
(Rupees in crore)							
1993-94	11.61	1.25	1.46	11	7.60	3.80	11.40
1994-95	11.40	3.78	2.50	16	8.63	4.05	12.68
1995-96	12.68	2.13	3.15	21	4.85	7.84 [®]	12.69
1996-97	12.69	3.01	1.31	8	4.05	10.34	14.39
1997-98	14.39	15.06	11.21	38	5.86	12.38	18.24

Substantial amounts received towards payment of land compensation had remained locked up in the current accounts of the Collectors concerned. Advancing of funds to Collectors before fulfilment of various requirements viz. identification of land, issue of notification/ declaration by the Government and delay in acquisition proceedings were the main reasons for non/underutilisation of funds by the Collectors. Following further points were noticed in test-check:

(i) The amounts received by the Collectors to meet the cost of land

Funds aggregating Rs 5.86 crore kept in bank accounts in contravention of the standing instructions of State Government.

compensation were required to be deposited in the treasuries as per instructions (May 1980) of the Finance Department. Contrary to these instructions, funds aggregating Rs 5.86 crore were lying in current accounts of the Collectors concerned at the end of March 1998. The State Government obtains temporary loans from the Jammu and Kashmir Bank for its ways and means requirements. Loans outstanding at the end of each year from 1993-94 to 1997-98 ranged between Rs 608.01 crore and Rs 1003.72 crore. Had the monies been kept in treasuries instead of the current accounts, the Government could have avoided interest liability of Rs 3.57 crore (calculated on the minimum balance of Rs 4.05 crore) on the corresponding borrowings from the Bank.

(ii) The accounts with banks had not been reconciled at any time by any of the test-checked Collectors.

[©] Variation of Rs 1.03 crore in the closing balance was unexplained in the books of Assistant Commissioner Kathua (Rs 0.04 crore) and Assistant Commissioner (G) Jammu (Rs. 0.99 crore).

(iii) Records indicating case-wise position of funds received from each indenting department/organisation, disbursements made there against and balances, if any, available had not been maintained. However, collateral check of the position of funds advanced as per the records of the indenting departments vis-à-vis those accounted for in the books of collectors revealed variation of Rs 40.12 lakh in four^w cases.

Variation of Rs 40.12 lakh between the amounts advanced by the indenting departments and those shown received by the collectors not reconciled.

The discrepancy had not been reconciled as of May 1998. Further, in respect of two Collectors (Kathua district), out of the unspent amount of Rs 47.36 lakh at the end of March 1998, particulars of land case/indenting department, etc. in respect of the deposits of Rs 29.51 lakh were not available.

3.3.6 Irregularities in acquisition of land

The rules framed under the State Land Acquisition Act, 1990 (Svt) provided that completion of acquisition proceedings should not take more than 6 months under ordinary circumstances and the Government fixed (April 1997) maximum time limit of two years from the date of publication of declaration by Government for completion of acquisition proceedings, failing which the entire proceedings were to lapse.

A test-check of records of ten Collectors revealed that out of 269 acquisition cases processed during the period 1993-94 to 1997-98, awards had been finalised only in 112 cases as of March 1998, while 75 others were under process for periods ranging between 2 and 19 years from the respective dates of declaration by the Government. Delay in acquisition of land in the test-checked cases, was mainly due to failure of the Collectors to determine rates of compensation and complete other procedural formalities. Belated acquisition of land, besides impeding

Out of 269 land acquisition cases processed during 1993-94 to 1997-98, only 112 cases finalised as of March 1998.

75 land acquisition cases under process for periods ranging between 2 and 19 years.

^w Industrial Complex Kartholi: Rs 20.93 lakh; Women College Udhampur: Rs 10 lakh; Agriculture Farm Chinore: Rs 7.19 lakh; Feed Cum Fodder Farm at Mishriwala: Rs 2 lakh.

execution of developmental works had also resulted in increase in cost of land due to escalation in the land compensation rates. Some of the cases where considerable delay in acquisition of land was noticed are discussed below:

(a) **Establishment of feed-cum-fodder farm at Mishriwala**

Requisition for acquiring land measuring 411 Kanals and 17 Marlas, required for establishing a feed-cum-fodder farm at Mishriwala, Jammu was made by

Rupees 18.54 lakh locked up due to non-acquisition of land for feed cum fodder farm at Mishriwala.

Sheep Husbandry Department in March 1991 and Rs 14.54 lakh were advanced to the Collector Land Acquisition, Jammu between March 1991 and March 1992. The acquisition proceedings were started in January 1992 and the declaration (notification) was issued by Government in April 1993. The Government issued a notification in September 1993 under Section 17 of the Act *ibid* authorising the Collector to take possession of the land in anticipation of making the award. The Director Sheep Husbandry, Jammu had, however, informed (June 1993) District Collector Jammu that the land for which acquisition proceedings were in progress was not suitable for raising fodder and the department was not interested in acquiring it. Although, alternative land was not identified, further advances aggregating Rs 4 lakh were made by the department to the Collector in April 1995 and May 1996. A committee of departmental officers constituted (May 1997) by the Director to examine the issue observed (July 1997) that the land processed by the Collector for acquisition was full of depressions, boulders, etc. which made it unsuitable for cultivation and was different from the land identified initially by the department. The land had not been acquired as of April 1998 due to which the entire amount of Rs 18.54 lakh was lying unutilised with the Collector and the feed-cum-fodder farm at Mishriwala could not be set up. The impact of non-setting up of fodder farm on developmental works had not been evaluated nor had responsibility for processing acquisition of land different from the one identified by the department been fixed (April 1998).

(b) Acquisition of land for industrial complex, Kartholi

Preliminary notification for acquisition of 1912 Kanals and 7 Marlas of land at Kartholi (Jammu district) for setting up of an industrial complex was issued by the Collector^x in August 1988. Declaration for acquiring the land in public interest was also issued by the Government in August 1988. In July 1990, the provisions of the Section 17 of the Act, *ibid* were invoked by the Government for urgent acquisition of land and tentative award for Rs 7.90 crore, representing 80 *per cent* of the assessed compensation was made in March 1991. Possession of only 1541 Kanals and 2 Marlas of land had been handed over to the department up to March 1998. Final award had also not been drawn up (June 1998).

Non-finalisation of documents delayed the acquisition of land for Industrial complex, Kartholi.

The delay in acquisition proceedings was attributable to non-preparation of documents by the Revenue Department and delay in issuance of clearance and entitlement certificates (including the one that the land under acquisition was not in excess of the ceiling laid down under the Agrarian Reforms Act, 1976) by the Collector, Agrarian Reforms. It was also observed in audit that payment of Rs 64.63 lakh had been made in respect of 199 Kanals and 7 Marlas of the acquired land without obtaining the requisite certificate from the Collector, Agrarian Reforms, responsibility for which had not been fixed.

(c) Acquisition of land for agriculture farm Chinore, Jammu

Seed Multiplication Farm, Chinore was paying an annual rent of Rs 10.69 lakh to the Revenue Department as the land under the farm included private and evacuee land. However, in June 1991 the Director Agriculture, Jammu in view of huge investments made on the development of land, construction of buildings and to avoid recurring payment of rent sought acquisition of 4061 Kanals and 11 Marlas of the land which was on lease with the Agriculture Department since 1968. A

Rupees 2.07 crore locked up for 6 years due to delay in processing of documents.

^x Assistant Commissioner Revenue, Jammu

payment of Rs 2 crore was made by the department in March 1992 to the Collector (Assistant Commissioner, Jammu) which was deposited in the Jammu treasury. A further amount of Rs 7.19 lakh was also provided to the Collector in 1994-95. Test-check of records, however, revealed that the documents for the proposed land were prepared by the Collector between May 1995 and February 1997 and sent to the indenting department in March 1997 for authentication. The authenticated documents had not been received back by the Collector as of May 1998. Thus, procedural delay in-processing documents of the case resulted in locking up of Rs 2.07 crore for a period of 6 years besides avoidable payment of rent of Rs 64.14 lakh for the years 1992-93 to 1997-98.

3.3.7 Payment of land compensation

Cases of undue and excess payments of land compensation noticed in test check are discussed below:

3.3.7.1 Excess payment of land compensation

Possession of land measuring 259 Kanals and 19 Marlas in Omara village of Udhampur district, on payment of rent, was taken by the Defence Ministry in July 1951.

Payment of land compensation to 'limited owners' at full rates resulted in excess payment of Rs 55.03 lakh to them.

The land was acquired for the Defence Ministry by the State Government under RAIP Act in April 1995 for which compensation of Rs 1.86 crore was paid by the Ministry in January 1998. During acquisition proceedings, it was noticed by the Department that the land acquired included 118 Kanals and 5 Marlas of State land which, while under the possession of the Army, had been allotted by the Revenue Authorities to certain individuals in January 1955 and ownership rights had been conferred in favour of the allottees in the year 1968. Neither the Tehsildar nor the Assistant Commissioner (Revenue)/Deputy Commissioner, Udhampur were in a position to state as to how the State land while under the possession of the Army, had been allotted and ownership rights conferred on these individuals. Test-check of records revealed that despite the fact that the allotment of land and grant of ownership rights in these cases was irregular, payment of compensation of Rs 82.55 lakh was made (February

and March 1998) by the Deputy Commissioner, Udhampur to these allottees. Moreover, under Section 45 of the Land Acquisition Act and the instructions issued by the Government in February 1980, the allottees including those having proprietary rights shall be entitled to compensation not as absolute owners but as limited owners. These limited owners, who were precluded from transferring the land by sale, gift, exchange, etc. and did not possess attributes of absolute owners, were entitled to only one-third of compensation. Payment of compensation at full rates in these cases resulted in excess payment of Rs 55.03 lakh to the allottees.

**3.3.7.2 Payment of compensation for land which was
to revert to the State**

Land measuring 1754 Kanals and 2 Marlas at Chak-Sohna-Noopa in Kathua District requisitioned by the Army in 1965 on hire basis was sought to be acquired by Defence Estates Officer, Pathankot in June 1978. The proceedings for acquisition were undertaken by the Deputy Commissioner, Kathua under Jammu and Kashmir RAIP, Act and declaration was issued by State Government in November 1989. Memorandum of compensation assessment was issued by Deputy Commissioner, Kathua in April 1991 for an amount of Rs 5.44 crore of which Rs 4.97 crore were paid between January 1991 and March 1997. This included Rs 1.47 crore paid to legal heirs of an owner during January 1991 to April 1992 as 80 per cent compensation for 584 Kanals and 7 Marlas of land. The owner had a total land holding of 1529 Kanals on the date of his death (25 June 1976). The land stood in the name of the deceased up to 14 January 1980 on which date mutation of inheritance was attested in the revenue records.

Failure of the Department to take cognizance of the ceiling laws resulted in undue payment of Rs 1.47 crore.

Following an enquiry by Deputy Commissioner, Kathua on a complaint (January 1993) it was noticed that the deceased owner was in possession of land in excess of the ceiling limits of 182 Kanals prescribed under the Jammu and Kashmir Big Landed Estates Act, 2007 Svt (BLEA) and 132 Kanals under Jammu and Kashmir Agrarian

Reforms Act, 1976 (AR. Act). Cognizance of the Acts whereunder the excess land was to revert to the State had not been taken by the State Government. It was further noticed that land measuring 306 Kanals and 2 Marlas had also previously been acquired from the same owner during 1962 to 1991 and payment of Rs 24.07 lakh had been made for 273 Kanals and 2 Marlas, for which information was available with the collector. This was done without enforcing the prescribed ceiling limits. Accordingly, an order was passed by Deputy Commissioner, Kathua (July 1993) withholding the balance 20 *per cent* payment to the heirs and seeking action by Revenue Department for ascertaining the land which was to revert to State under the provisions of BLEA and AR. Acts. It was, however, observed in audit that no action had been taken in the matter, as of September 1998, reasons for which were not intimated.

Failure of the Revenue Department to take cognizance of the ceiling laws and verify that the land for which compensation was being paid did not belong to the State Government, resulted in undue payment of Rs 1.47 crore. Action to ascertain the total recoverable amount paid as land compensation in respect of balance 1169 Kanals and 15 Marlas of land, if any, had also not been taken (October 1998).

3.3.7.3 Non-recovery of excess compensation paid

In October 1994, the Collector Land Acquisition, PWD Jammu issued a

Excess land compensation of Rs 6.10 lakh paid between July 1995 and January 1996 not recovered as of June 1998.

draft award for Rs 51.45 lakh under urgency provisions of the Act, *ibid* for acquisition of 4 Kanals and 19 Marlas and 143 Sft of land and structures for widening of the road between Tawi bridge and a school. The area acquired under the award included 2 Kanals and 3 Marlas and 120 Sq. feet owned by two parties to whom Rs 12.08 lakh were paid as compensation between July 1995 and January 1996. Subsequently, due to change in the proposed alignment of the road, possession of the entire area was not taken over by the Collector. Partial acquisition of land by the Collector resulted in recovery of Rs 6.10 lakh becoming due from the two parties.

Except for issuing a letter in June 1996 for recovery of the amount (Rs 5.34 lakh) to one of the parties, no action had been taken by the Collector for denotification of the land acquired and recovering the excess compensation paid (June 1998).

3.3.7.4 Fraudulent payment of land compensation

Land measuring 7 Kanals and 7 Marlas requisitioned (January 1990) by Executive Engineer, Construction Division No.III for construction of Bhagwati Nagar Link road was acquired by Collector, Land Acquisition (PWD) Jammu and final award favouring 16 claimants was issued in October 1995 for an amount of Rs 18.33 lakh. Though no funds had been placed at the disposal of the Collector by the indenting department, full payment of land compensation was made on the basis of an affidavit during September 1995 to February 1996 by the Collector, utilising funds made available to him for other land acquisition cases, to a person who was not the owner of the land. Subsequently, during 1996, some claimants who had not received compensation for the acquired land filed a writ petition in High Court. The court in its order (March 1997) observed that the Government had paid compensation to an unconcerned person on the basis of questionable documents and directed payment of compensation to the petitioners on basis of which action for recovery of Rs 18.33 lakh paid wrongly, was initiated. No action to effect the recovery had, however, been taken as of March 1998. While the case was under investigation with Criminal Investigation Department, no departmental action was taken against the erring officials for making the payment on the basis of questionable documents and also in absence of provision of funds for the purpose.

Fraudulent payment of Rs 18.33 lakh made on the basis of questionable documents.

3.3.8 Disposal of references under the Land Acquisition Act

The Act provides that interested persons not accepting the award, be it due to objection to the measurement of the land, amount of compensation provided, the apportionment of the compensation, etc., shall by a written application to the Collector

seek adjudication by Court. The written request is required to be made within six weeks from the date of the Collector's award where the person was present or represented at the time of making award. In other cases, the time limit is either within six weeks of the receipt of notice of award from the Collector or within six months from the date of award whichever period shall expire first. It was seen in test-check that departmental lapse of not properly following up of a case referred to court for adjudication resulted in adverse judgement and consequent extra burden of Rs 11.10 lakh on the State exchequer as discussed below:

Award for acquisition of 25 Kanals and 15 Marlas of land at Khour Akhnoor for rehabilitation of displaced persons was issued by Assistant Commissioner (Revenue), Jammu on 7 June 1990 at the rate of Rs 5000 per Kanal plus *jabrana* at the rate of 15 *per cent*. The payment of compensation of Rs 1.48 lakh was received in full by the owners on 28 January 1991 after their claim (dated 17 August 1990) for higher compensation at the market rate was rejected by the Collector. The notice for adjudication of the case by the District Court, Jammu was thereafter moved by the owners on 15 February 1991 when the prescribed time period of six weeks had already elapsed and the case was time-barred. This contention was not put forth by the Government Counsel while filing objections in the Court. At the argument stage, the Court did not accept the plea that the case was time barred as this fact had not been mentioned by the Counsel at the time of

Failure to represent the land compensation case properly in court resulted in avoidable extra payment of compensation of Rs 11.10 lakh.

filing written objection. The Court ordered (September 1996) enhancement of compensation rate to Rs 30000 per Kanal and payment of *Jabrana* (15 *per cent*) alongwith interest at the rate of 4 *per cent* per annum from the date of taking over the possession of the land. The extra amount payable to the owners, as a result of the judgement worked out to Rs 11.10 lakh. On an application filed by the owners, the Court ordered (September 1997) attachment of the Bank account of the Collector and remittance of the amount to the Court on or before 5 September 1997. The amount was remitted to the Court in October 1997.

Responsibility for the failure to represent the case properly in the Court, resulting in avoidable expenditure of Rs 11.10 lakh, had not been fixed (June 1998).

3.3.9 Mutation of acquired land

Acquisition of land is to be followed by attestation of mutation as soon as the possession is delivered and award is made. For this purpose, a mutation register indicating 'Khasra-wise' area involved against each award with mutation number and date of attestation is to be maintained by each Collector. It was noticed in audit that the requisite mutation

Mutation registers not maintained by any of the test-checked Collectors.

Mutation had not been carried out in 61 cases involving 3129 kanals of land even after lapse of periods ranging between 5 months and 14 years.

registers were not maintained by any of the Collectors, test-checked as a result of which attestation of mutation could not be ensured by the Collectors. In 61 cases involving 3129 Kanals of land, mutation had not been carried out even after lapse of periods ranging between 5 months and 14 years from the date of issue of awards. As a result of this, chances of land once acquired and then being proposed for acquisition again or resold by ex-owners could not be ruled out.

3.3.10 Monitoring

Government had ordered in August 1982 that the District Collectors (Deputy Commissioners) shall hold a monthly meeting for reviewing the progress of the pending land acquisition cases with the officers concerned for their finalisation. A record note of these meetings was required to be sent to the Revenue Department indicating position of each case and action taken thereon.

No monthly meetings were held by the District Collectors for the purpose during the period covered by the review. Monthly progress reports had not been obtained and consolidated by the District Collectors of Jammu, Udhampur, Srinagar for its submission to Administrative Department for monitoring the progress of land acquisition.

Progress in land acquisition proceedings not monitored at District and Administrative Department level.

3.3.11 The above points were referred to the Government/Department in September 1998; reply had not been received (November 1998).

Social Welfare Department

3.4 Special Central Assistance for Tribal Sub-Plan

3.4.1 Introduction

The Centrally Sponsored Scheme 'Special Central Assistance (SCA) for Tribal Sub-Plan', providing 100 *per cent* assistance to the States was launched by Government of India in the year 1974-75 to supplement the efforts of the State Governments for socio-economic development of people belonging to Scheduled Tribes. The Scheme was taken up for implementation in the Jammu and Kashmir State from 1990-91, when for the first time certain tribes were notified as Scheduled Tribes in the State. The State had an estimated tribal population of 8.80 lakh which constituted 11 *per cent* of the total population. The assistance was to be used mainly for setting up of income generating, family-oriented schemes to enable the identified Scheduled Tribe families to cross the poverty line.

3.4.2 Organisational set-up

The Scheme is implemented in the State by District Development Commissioners through the various line departments in the Districts, under the overall supervision of Social Welfare Department. District Apex Committee, constituted at the district level with District Development Commissioner as its Chairman, was responsible for monitoring the implementation of programmes and co-ordinating various sectoral activities.

3.4.3 Audit coverage

The implementation of the Scheme, during the period 1992-93 to 1997-98, was reviewed during February to April 1998 by test-check of records maintained in the Administrative Department, Jammu and Kashmir Energy Development Agency (JAKEDA), Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited, Jammu, Director Social Welfare,

Jammu, District Development Commissioners, Assistant Commissioners (Development), District offices of Animal Husbandry, Sheep Husbandry, Agriculture, Horticulture, Sericulture, Soil Conservation, Social Welfare, Electric Maintenance and Public Health Engineering Divisions, in three districts (Poonch, Rajouri and Udhampur). Important points noticed in audit are discussed in succeeding paragraphs:

3.4.4 Highlights

- Belated release of funds by the Central and State Governments to the nodal department/implementing agencies led to shortfall in utilisation of available funds ranging between 29 and 67 *per cent* during the period 1992-97.

(Paragraph: 3.4.5)

- Assistance of Rs 1.15 crore was diverted during 1995-96 to 1997-98 for payment of arrears of salary as a result of implementation of Fifth Pay Commission Report (Rs 64 lakh) and other activities (Rs 51 lakh).

(Paragraph: 3.4.5 (i))

- Scheduled Tribe families living below the poverty line had not been identified and assistance was provided to the beneficiaries on the basis of applications filed by them and recommended by the members of the Advisory Board for development of Gujjar and Bakerwals.

(Paragraph: 3.4.6)

- As against the envisaged utilisation of 70 *per cent* of SCA funds on family oriented income generating schemes and 30 *per cent* for infrastructure incidental to such schemes, 80 *per cent* of the total expenditure under the Agricultural Sector was incurred during 1992-93 to 1997-98 on general infrastructure development not incidental to income generating units established.

(Paragraph: 3.4.8(a))

- Rupees 2.93 crore were spent on works like electrification, drinking water supply, protection works in tribal *mohras/basties*, etc. under the Minimum Needs

Programme during 1993-94 to 1997-98 which were outside the scope of the scheme.

(Paragraph: 3.4.8(d))

3.4.5 Financial outlay and expenditure

Special Central Assistance is released by Government of India to the States on the basis of Scheduled Tribe population and per capita Net State Domestic Product. The assistance was to be released in three instalments by the end of third quarter of the year. The position of assistance released by Government of India to the State, funds released by the State Government to the implementing agencies and expenditure incurred thereagainst during the period from 1992-93 to 1997-98 was as under :

Year	Opening unspent balance	Assistance released by Govt. of India	Total funds available	Funds released to the implementing agencies	Expenditure incurred	percentage shortfall in utilisation of available funds
(Rupees in crore)						
1992-93	0.72	2.96	3.68	2.37	1.26	66
1993-94	2.42	5.19	7.61	5.26	3.36	56
1994-95	4.25	5.51	9.76	4.81	3.21	67
1995-96	6.55	7.57	14.12	11.26	9.90	30
1996-97	4.22	6.82	11.04	9.59	7.88	29
1997-98	3.16	5.22 ¹	8.38	10.30	9.17	--
Total:-		33.27		43.59*	34.78	

The main reason for non-utilisation of the Central assistance, was found to

Shortfall in utilisation of available funds ranged between 29 and 67 per cent.

be late release of funds by the Central Government as also by the State Government to the implementing agencies. Though the entire amount of assistance was required to be released to the State Government by the end of third quarter in each year,

it was seen that Central assistance aggregating Rs 4.15 crore was released at the fag end in March each year. No mechanism had been established by the Administrative Department or examining the reasons for late release of funds by the Central Government and for taking appropriate remedial measures.

¹ Position up to November 1997 only.
* Includes releases out of the State Plan

Funds received by the State Government were required to be released to nodal department/implementing agencies within a month from the date of release of SCA by the Central Government. Test-check of records however, revealed that the State Government released funds aggregating Rs 25.09 crore during 1993-94 to 1996-97 to the nodal department

Considerable delays in the release of funds by the State Government to nodal department and by the nodal department to implementing agencies.

(Social Welfare Department) after delays ranging from one month to 7 months. There was a further delay of one to 4 months in the allocation of funds by the nodal department to the implementing agencies during 1995-96 and 1996-97, which further contributed to underutilisation of available funds. Following points also emerged out of audit analysis:

(i) Special Central Assistance was to be utilised for setting up of income generating family-oriented units for Scheduled Tribe beneficiaries and development of infrastructure, incidental thereto. It was, however, seen in audit that Rs 83 lakh were diverted and utilised during 1995-96 to 1997-98 for meeting expenditure on payment of arrears of pay on account of implementation of Fifth Pay Commission Report (Rs 64 lakh), administrative expenses including modernisation of offices (Rs 17 lakh) and purchase of paper copiers (Rs 2 lakh) which were outside the scope of the Programme. Further, an amount of Rs 32 lakh was released to a non-Governmental organisation for activities outside the scope of the Programme. Reasons for diversion of funds were not intimated (September 1998).

Funds aggregating Rs 1.15 crore diverted for activities outside the scope of the programme

(ii) Rupees 54.38 lakh and Rs 25.11 lakh were released by the State Government in February 1997 and February 1998 respectively to Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited,

Expenditure figures overstated to the extent of Rs 60.91 lakh

Jammu for establishing 1085 family-oriented income generating units. Though the actual utilisation of these funds by the Corporation up to March 1997 aggregated Rs 18.58 lakh and only 342 units had been set up, the funds released were reported as fully spent in the

progress reports for 1996-97. Similarly, during 1997-98, the amount of Rs 25.11 lakh was exhibited as final expenditure, though the amount was not utilised at all by the Corporation. This resulted in overstatement of expenditure by Rs 60.91 lakh during 1996-97 and 1997-98.

(iii) According to the guidelines issued by the State Government from time to time, SCA was to be allocated to the districts in proportion to the tribal population of each

SCA not allocated to the districts on the basis of tribal population or any other approved norm.

district. It was however, noticed in audit that the funds released by the State Government during 1992-93 to 1997-98 to various districts were not in proportion to Scheduled Tribe population of the districts. Out of SCA of Rs 2.37 crore, released during 1992-93, no assistance was released to six districts (Poonch, Rajouri, Kathua, Badgam, Baramulla and Kupwara) which had 44.17 per cent of the total Scheduled Tribe population of the State. The SCA share of these districts amounting to Rs 1.05 crore was released to other eight districts in addition to their share of funds. Similarly, funds aggregating Rs 46.47 lakh had been released short during 1993-94 in Jammu, Udhampur, Kargil and Anantnag districts. In all, Rs 1.51 crore were diverted in violation of the State Government norms.

(iv) Funds amounting to Rs 51.30 lakh released at the fag end of the years,

Rupees 51.30 drawn and deposited in bank accounts for utilisation subsequently reflected as final expenditure.

1995-96 to 1997-98, were drawn in advance by the implementing agencies of Udhampur, Kathua and Poonch districts. The amount was reflected as final expenditure in spite of the fact that it had been drawn and deposited in bank accounts for utilisation in subsequent years. As of April 1998, Rs 24 lakh lying unutilised with the implementing agencies had neither been surrendered nor sanction of the Government obtained to utilise these funds in the subsequent years.

* Jammu, Udhampur, Doda, Srinagar, Anantnag, Pulwama, Leh and Kargil

3.4.6 Identification of beneficiaries

For achieving the primary objective of uplifting Scheduled Tribe families above the poverty line over a period of time, it was necessary to conduct a survey for identifying Scheduled Tribe families with limited asset base and their needs for formulation of economically viable income generating schemes. The records did not reveal that any such survey had been conducted for preparing list of Scheduled Tribe families living below poverty line.

Identification of Scheduled Tribe families living below poverty line not done.

The beneficiaries had been identified by the sectoral officers on the basis of applications filed by the beneficiaries and recommended by the members of Advisory Board for Development of Gujjars and Bakarwals. The Department had also not maintained any record for monitoring the number of Scheduled Tribe families which had crossed the poverty line and ascertaining the number of remaining Scheduled Tribe families which still needed assistance.

3.4.7 Physical performance

Though targets for various sectors had been fixed, the number of Scheduled Tribe families assisted under SCA during 1992-93 to 1994-95 was not monitored. The actual number of Scheduled Tribe beneficiaries assisted was not therefore, ascertainable.

While the position of targets fixed and achievements there against, for the year 1997-98 was awaited (September 1998), following were the targets and achievements covering all the sectors for the years 1995-96 and 1996-97 as reported to Government of India in July 1996 and October 1997.

Year	Target	Achievement	Percentage of achievement	Utilisation reported to GOI	Percentage utilisation of available funds
(Number of beneficiaries in lakh)				(Rupees in crore)	
1995-96	3.47	3.20	92	9.90	70
1996-97	1.48	1.14	77	7.88	71

The percentage achievement of targets during 1995-96 and 1996-97 was 92 and 77 though utilisation of funds during these years was only 70 and 71 per cent. The

Family as a unit approach not followed for providing assistance to tribal families.

achievement of 4.34 lakh Scheduled Tribe beneficiaries included 2.16 lakh (50 per cent) beneficiaries covered under health cover with an expenditure of Rs 49.12 lakh which constituted only 3 per cent of the total expenditure of Rs 17.78 crore incurred on the scheme during the period. Thus, family as a unit approach was not followed for providing assistance to tribal families. Besides, the records maintained also did not indicate specifically the physical achievements under setting up of income generating units and development of infrastructure incidental thereto.

Hence the correctness of utilisation of Rs 17.78 crore as per the objectives of the scheme could not be verified in audit.

3.4.8 Implementation

(a) Agriculture Sector

An amount of Rs 2.33 crore was utilised during 1992-93 to 1997-98 in the three test-checked districts of Udhampur, Rajouri and Poonch on setting up of income generating units (Rs 11.17 lakh), crop husbandry activities like, trainings and demonstrations, tools and kits, etc. (Rs 33.63 lakh) and soil conservation works (Rs 1.88 crore). Following points were noticed:

(i) Subsidy of Rs 11.17 lakh was provided during 1992-93 to 1997-98 to the Scheduled Tribe beneficiaries for setting up of 2184 bee keeping units and 2530

Performance of 2184 bee keeping units and 2530 mushroom units set up on payment of subsidy of Rs 11.17 lakh not monitored.

mushroom trays. However, mechanism for monitoring the performance of the units established had not been evolved. As a result, the physical status of the surviving units and the incremental income generated by them was not evaluated by the Department. It was further seen in audit that mushroom cultivation programme undertaken during 1995-96 and 1996-97 in Poonch district, without assessing its viability and suitability in the agro-climatic conditions of the District, was discontinued

from 1997-98. An expenditure of Rs 4.64 lakh incurred for setting up of such units in the district, thus, proved unfruitful. The objective of assisting the Scheduled Tribe

Unfruitful expenditure of Rs 4.64 lakh due to taking up of mushroom cultivation programme without assessing its suitability in the agro-climatic conditions of the District

families to enable them increase their income was also not achieved

(ii) In Rajouri District as against the envisaged construction of 411 number gully control measures and 18140 RM of diversion drains and bank stabilisation with an outlay of Rs 12 lakh, 590 gully control measures and 7083 RM diversion drains were constructed, incurring an expenditure of Rs 10.46 lakh during 1996-97 with a shortfall of 11057 RM (61 per cent) in construction of diversion drains. Reasons for shortfall were not intimated.

The Scheme envisaged utilisation of about 70 per cent of the SCA funds on family-oriented income generating schemes and the remaining 30 per cent for the infrastructure incidental to such schemes. However, out of Rs 2.33 crore spent under Agriculture sector during 1992-93 to 1997-98, expenditure of Rs 1.88 crore (80 per cent) was incurred on general infrastructure development which was not incidental to the income generating schemes set up. The objective of utilising SCA for specific sector-wise income generating units to enable Schedule Tribe families to cross the poverty line was, thus, not achieved.

(b) Animal and Sheep Husbandry

(i) An expenditure of Rs 65 lakh was incurred in three test-checked districts (Udhampur, Poonch, Rajouri) under the Animal Husbandry sector

In Animal Husbandry sector 55 per cent of the expenditure incurred on general activities of the Department.

against the allocation of Rs 1.25 crore. It was seen in audit that expenditure of Rs 35.64 lakh (constituting 55 per cent of the total expenditure) was incurred on purchase of medicines, vaccine, feed, fodder, equipments and other health cover activities (Rs 31.76 lakh), purchase and maintenance of breeding bulls/stallions (Rs 2.74 lakh) for upgradation of live stock and sale of poultry birds on subsidised rates (Rs 1.14 lakh). No income

generating unit had been set up in the Udhampur District during 1993-94 to 1997-98. Thus, major portion of the expenditure was incurred on general activities of the Department and the objective of setting up of income generating units and creating infrastructure facilities was not fully realised. Further, drawals of funds in advance aggregating Rs 16.76 lakh, made at the fag end of 1996-97 and 1997-98 for setting up of income-generating family-oriented units was booked as final expenditure, though it had not been utilised as of March 1998.

(c) Horticulture

An amount of Rs 45.47 lakh was spent under Horticulture sector during 1993-94 to 1997-98 for bringing more areas under new orchards and 1.30 lakh fruit

Plantation journals indicating number and species of plants planted and those surviving not maintained.

saplings were distributed among Scheduled Tribe beneficiaries for plantation in the Districts of Rajouri and Poonch. In Udhampur District, expenditure of Rs 8.44 lakh was reportedly incurred on fruit plantations during

1992-93 to 1996-97, but information regarding number and variety of plants planted, area covered and beneficiaries assisted was not available. Plantation journals indicating number and species of plants planted and those surviving were not maintained in any of the test-checked districts.

(d) Minimum Needs Programme (MNP)

Under this component, it was envisaged to undertake works like development of village link roads, small community development works, establishment of

Rupees 2.93 crore under MNP spent on items outside the scope of the programme.

health dispensaries and hospitals and providing drinking water facilities in tribal schools and hostels. An expenditure of Rs 2.93 crore was incurred under this sector during 1993-

94 to 1997-98 in three test-checked districts on providing of crates (Rs 3.45 lakh), protection works at Kalai (Rs 5.70 lakh), providing drinking water facilities and electrification works in tribal mohras/basties (Rs 2.84 crore).

The works executed were of general nature and outside the scope of the scheme as these helped neither in setting up of income-generating units for beneficiaries' families nor development of infrastructure thereto. It was further seen that water supply scheme Upper Gangara in Udhampur District had not been taken up due to dispute over the water source, though Rs 1.50 lakh had been spent out of SCA funds during 1994-95 on procurement of material. This resulted in locking up of Government money of Rs 1.50 lakh.

(e) Co-operatives

Against the drawal of funds amounting to Rs 15.50 lakh during 1995-96 to 1997-98 by Deputy Registrar Co-operative Societies, Poonch for payment of financial assistance to 12 Multi-purpose Co-operative Societies and Consumer Stores, Rs 9.50 lakh (1995-96: Rs 1 lakh; 1996-97: Rs 1.50 lakh; 1997-98: Rs 7 lakh) credited to the individual bank accounts of the beneficiary societies had not been released and remained unutilised in bank accounts as of April 1998. The basis for identifying the co-operative societies for assistance and reasons for drawal of money in advance of requirements were awaited from the Department (September 1998).

Rupees 9.50 lakh, out of Rs 15.50 lakh drawn under Co-operatives sector during 1995-98 not utilised

3.4.9 Monitoring and Evaluation

Implementation of the Scheme at the State level was to be monitored and evaluated by the Social Welfare Department (nodal agency) through a separate Tribal Welfare Development Cell in the Directorate and at district level by the district level functionaries or through district level Apex Committees headed by the respective District Development Commissioners. It was, however, observed that no effective system through spot inspections by the State/district level functionaries was evolved to monitor and evaluate the utilisation of SCA. The impact of the income-generating units set up on the socio-economic development of the Scheduled Tribes had not been assessed to ascertain the number of families who

Programme neither monitored nor its impact on Socio-economic development of STs assessed.

had benefited and those who had actually crossed the poverty line. The prescribed system of sending quarterly progress reports indicating physical and financial achievements had not been followed and only the annual reports (utilisation certificates) were sent to Government of India by the Social Welfare Department.

3.4.10 The above points were referred to the Government/Department in September 1998; reply had not been received (November 1998).

Health and Medical Education Department

3.5 National Malaria Eradication Programme

3.5.1 Introduction

The National Malaria Eradication Programme was launched by Government of India in 1953 to reduce malaria morbidity to a level where it ceases to be a major public health problem. A Modified Plan of Operation (MPO) was introduced in 1977 for effective control of malaria and prevention of deaths caused by it. The programme envisaged:

- Surveillance by the programme staff and medical institutions through collection of blood smears of fever patients on a large scale for testing incidence of malaria;
- Treatment of malaria positive cases;
- Contact and mass survey in affected areas;
- Spraying with insecticides like DDT, Malathion and BHC;
- Urban Malaria Control through larvicides to destroy larva spreading disease; and
- Vector susceptibility tests to determine the type of insecticide to be used.

3.5.2 Organisational set-up

The programme is implemented by the Health and Medical Education Department through Chief Medical Officers (CMOs) at district level and Block Medical Officers (BMOs) at block level. The State Malariologist plans and co-ordinates the activities at the State level.

3.5.3 Audit coverage

Implementation of the programme during the period from 1992-93 to 1997-98 was reviewed in audit between February 1998 to May 1998 by test-check of records maintained by State Malariologist Jammu, Chief Medical Officers of all malaria districts viz., Jammu, Udhampur, Kathua, Rajouri, Poonch, Doda, Baramulla, Kupwara and 16* out of 40 Block Medical Officers as also Anti-Malaria Officer Urban Malaria Control Programme (UMCP) Jammu. The important points noticed are mentioned in the succeeding paragraphs.

3.5.4 Highlights

- Utilisation certification for the grants-in-aid of Rs 4.09 crore paid by Central Government during 1992-93 to 1997-98 and audited statement of accounts thereof had not been furnished to the Government of India.

(Paragraph: 3.5.5.2(ii))

- The incidence of malaria cases increased from 784 in 1993 to 9412 in 1997. Incidence of parasite falciparum cases also increased.

(Paragraph: 3.5.6)

- The Annual Parasite Index (API) which was below 1 up to 1994, increased to 3.78 in 1996 and declined to 2.47 in 1997. The index in rural areas increased during 1995 to 1997 and ranged between 2.55 and 4.03.

(Paragraph: 3.5.7)

- There were delays ranging from 1 to 6 months in the examination of blood smears collected which delayed detection and treatment of malarial cases.

(Paragraph: 3.5.8(ii))

- The percentage of population covered under spray operations ranged between 20 to 81 during 1992-97.

(Paragraph: 3.5.9)

*R.S. Pora, Kotbalwal, Ramgarh, Samba, Hiranagar, Billawar, Nowshera, Sunderbani, Tikri, Ramnagar, Majalta, Tangdhar, Uri, Mandi, Mendhar and Ramban.

3.5.5 Pattern of assistance and expenditure on the programme**3.5.5.1 Funding pattern**

The programme was financed by the Central and State Governments on 50:50 sharing basis. The Central assistance was available in kind as well as in cash.

3.5.5.2 Expenditure on the programme

During the period from 1992-93 to 1997-98, an expenditure of Rs 16.05 crore was incurred by the State Government on the programme against the budget

Overall shortfall of 12 per cent in utilisation of Programme funds.

provision of Rs 18.17 crore revealing an overall shortfall of 12 per cent in utilisation of funds. The shortfall in utilisation of funds was attributed (March 1998) by the State Malariologist Jammu to procedural delays in finalisation of rate contract for purchase of anti-malarial drugs and equipment.

In addition, the value of assistance provided by the Central Government as grants-in-aid during the corresponding period was Rs 4.02 crore in kind and Rs 7.39 lakh in cash. Following further points were noticed in audit:

- (i) Insecticides, larvicides, anti-malarial drugs, equipment, etc. worth Rs 4.02

Receipt and utilisation for materials received from the Central Government not properly monitored

crore were supplied by the Central Government as grants-in-aid during 1992-93 to 1997-98. The receipt and utilisation of supplies made, were not properly monitored by the Department.

Reconciliation of the actual grants-in-aid received from Central Government vis-à-vis allocations made and amount due had not been conducted at any point of time. On this being pointed out (May 1998) in audit, the Administrative Department constituted (May 1998) a committee for reviewing and reconciling the assistance due and that received from the Government of India.

- (ii) The release of grant-in-aid by Central Government was subject to the

Utilisation certificates and audited statement of accounts for Rs 4.09 crore not sent to GOI.

furnishing of utilisation certificates alongwith audited statement of accounts. State Government had neither

furnished the required utilisation certificates nor audited statement of accounts to the Government of India for the assistance of Rs 4.09 crore provided during 1992-93 to 1997-98. On this being pointed out in audit, the State Malariologist stated (March 1998) that utilisation certificates would be sent in future to Government of India regularly.

(iii) As per Government of India sanctions, material and equipment supplied was separately categorised for use in General areas, Tribal areas and for Scheduled Caste areas. The State Health and Medical Education Department had neither maintained category-wise records for monitoring whether the material had actually reached the specially targetted areas nor could the same be verified in audit. On this being pointed out, the State Malariologist, Jammu stated (March 1998) that proper records would be maintained in future.

3.5.6 Incidence of malaria

While no malarial deaths occurred in the State during the years 1993-97, the number of positive cases detected increased steadily from 784 in 1993 to 14289 in 1996. It, however, decreased to 9412 cases in 1997. There was also increase in the incidence of parasite falciparum (PF) cases during this period. The increase in PF and other malarial cases during these years was attributed by the State Malariologist to influx of infection loaded labour and other migratory population. Remedial/preventive measures, if any, taken in the form of surveillance at selected sites and entry points were not specified.

3.5.7 Annual parasite index (API)

Annual parasite index, which is reckoned on number of positive cases per thousand population, is the most important criteria to monitor the impact of programme and is used for determining the areas to be brought under spray operations.

<i>Envisaged objective of containing the API below 2 not achieved.</i>
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The scheme envisaged that API be kept below 2 and brought down to 0.5 by 2000 AD.

Test-check of records revealed that API in the State which was below 1 up to the year 1994, increased to 3.78 in 1996 and declined to 2.47 in 1997. The index in rural areas increased during 1995 to 1997 and ranged between 2.55 and 4.03.

3.5.8 Surveillance

Effective surveillance is the most important component of the scheme and is mainly directed at detection of malaria positive cases by collection of blood smears, their examination and radical treatment of the positive cases. Under the programme, blood smears from 10 *per cent* of the population were to be collected annually under active surveillance by door to door enquiry, to be carried out by the departmental workers. It was seen in audit that the target of collecting blood smears from 10 per cent population was not achieved in any year during 1992-97 except during 1996. Following points were also noticed:

- (i) Active surveillance was to be done by the Department by fortnightly visits

Shortfall in conducting active surveillance for detection of malarial cases.

to the house holders and blood smears were to be collected for detection of malarial cases. However, test-check of records in 4 districts (Jammu; Kathua; Rajouri; Doda) revealed that surveillance was not done regularly.

- (ii) Blood smears collected were to be examined in the laboratories within seven days of the collection for administering radical treatment to the infected patients. However, in test-checked offices there were delays of one to six months in examination of blood smears during 1992-97.

The poor surveillance and late examination of blood smears delayed detection of malarial cases leading to increase in the API thereby defeating the basic objective of the programme of controlling malaria. Block medical officers attributed the delay in late examination of blood smears to inadequate staff and unmanageable work load in laboratories and lesser number of functioning laboratories.

- (iii) It was noticed in audit that expenditure of Rs 8.15 lakh had been incurred in Tangdhar block (Kupwara) on cost of establishment (Junior Health Inspector: 1; Basic

Health Workers: 4) during the period 1992-97. No blood smears had, however, been collected/examined during this period for which reasons were not intimated.

No blood smears collected in Tangdhar block even after payment of Rs 8.15 lakh as establishment charges during 1992-97.

3.5.9 Spraying operations

Under the programme, all the areas which had an incidence of 2 cases and above per thousand population per year, are to be covered by regular spray of insecticides. Spraying was to be done in two rounds. Though the API during the years 1995 to 1997 was above 2 cases per thousand of the population, the population actually targetted and covered under spraying operations was much lower (4.12 lakh to 11.33 lakh) as compared to the population of 5.11 lakh to 18.57 lakh covered during the years 1992 to 1994 when the API was less than one case per thousand of the population (ranged between 0.20 and 0.73 cases per thousand). This indicates that the guidelines of Government of India for spraying operations were not followed.

Shortfall in coverage under spraying operations.

The percentage of population covered by insecticide spray ranged from 20 to 81 for the period 1992-97. Further, as against the total coverage of 65.89 lakh during the period 1992-97 in the first round of DDT spraying, only 44.48 lakh were covered in the second round. Shortfall in insecticide spray was attributed (March 1998) by State Malariaologist to non-availability of seasonal labour and reluctance of the people to have their houses sprayed. Following further points were noticed.

(a) Though revised approach to malaria control did not provide for spraying the cattle sheds with a view to conserving insecticide, improving house coverage and directing mosquitoes from human dwellings to cattle sheds, yet 34325 Kgs of DDT valued at Rs 21.17 lakh were used in spraying 3.06 lakh cattle sheds during 1995-97 in 11 test-checked blocks.

34325 kgs of DDT valued at Rs 21.17 lakh sprayed on cattle sheds in disregard of instructions.

(b) Under the modified plan of operation, each spray squad was to cover 60 to 80 houses a day in plain areas or 50 to 60 houses per day in hills/foothills, against which each squad had covered 34 houses per day in Majalta block (Udhampur District) and 32 to 35 houses in Rajouri District. Reasons for poor performance vis-à-vis norms prescribed were not intimated.

(c) According to the guidelines of the scheme, the insecticide (DDT) requirement was to be calculated at the rate of 150 MT per million population for two rounds of spray. The requirement was to be based on the population in areas having API 2 and above for the year previous to the preceding year. Test-check of DDT consumption records for the period 1992-97 revealed that the supply /procurement of insecticide and its consumption was not according to approved norms, reasons for which were not intimated.

Quantity of insecticide not utilised according to norms

3.5.10 Training

Training of professionals and others from grass root level workers to the programme officers is one of the major objective of the programme. Training in malariology was not imparted at any level during the period 1992 to 1997 except to two malaria inspectors (one each in Kathua and Udhampur Districts), who were imparted training outside the State during 1996. The services of the two inspectors were, however, not properly utilised as they had been posted outside the Malaria Control Organisation as Community Health Officers after completion of their training.

Services of the two malaria inspectors trained in malariology during 1992-97 not utilised.

3.5.11 Urban malaria control programme

With a view to controlling high incidence of malaria in urban areas, Urban Malaria Control Programme was extended to Jammu city with effect from 1 April 1977. Expenditure of Rs 1.41 crore was incurred on the Programme from 1992-93 to 1997-98 of which Rs 1.28 crore (91 per cent) was spent on establishment. The

91 per cent of the expenditure under the programme spent on establishment.

scheme envisaged setting up of active and passive case detection organisation and fever treatment depots for fortnightly domiciliary visits in slum areas, hospitals and dispensaries. The envisaged institutional arrangement had neither been established due to which blood smears were not collected nor was any presumptive treatment given in the urban area.

3.5.11.1 Fogging operation

The fogging operation was to be undertaken in transmission months (May to September) each year during flying hours of mosquitoes (6 P.M to 10 P.M) daily in each sector with a view to killing mosquitoes, thereby bringing down the density of the adult mosquitoes. Test-check of records of Anti-malaria Officer, Jammu revealed that fogging was done on only 225 days during 1992-97 which constituted 25 per cent of the total transmission periods during these years. The shortfall was attributed to low density of mosquitoes during 1994, non-availability of larvicides during 1997 and shortage of staff and other infrastructure.

Fogging operations conducted during 25 per cent of total transmission period only.

Failure to undertake anti-larval operations up to desired extent resulted in increase in the incidence of malaria in the urban areas during the period 1995-97 as mentioned at paragraph 3.5.7.

3.5.12. Monitoring and Evaluation

The Programme was to be reviewed monthly by the Divisional Commissioner/ Dy. Commissioner/ District Magistrates in their monthly meetings and a report was to be sent to the Chief Secretary. The records did not reveal that the Programme was reviewed in such meetings or any reports were sent to the Chief Secretary.

Programme not monitored/reviewed

3.5.13 The above points were referred to the Government/Department in July 1998; reply had not been received (November 1998).

3.6 Idle investment on x-ray machines

Non-installation/commissioning of 8 x-ray machines resulted in idle investment of Rs 16.84 lakh, besides depriving people of the facility of radiological examination for over five years.

With a view to extending x-ray facility, Government approved (January 1993) installation of 100 milli ampere capacity x-ray machines in various district hospitals/public health centres. In March 1993, Director Health Services (DHS), Kashmir placed an order with a Srinagar based firm for supply, installation and commissioning of 9 such x-ray machines (cost: Rs 2.24 lakh each, excluding taxes) at specified primary health centres/district hospitals. As per terms of supply order, 10 *per cent* of the cost of each machine was to be held back pending satisfactory supply, installation and commissioning of the plants. The machines were supplied during 1993-94 and payment of Rs 19.16 lakh was released to the firm. During test-audit (February 1997) of the records of Director Health Services, Kashmir it was noticed that only one machine out of nine machines purchased had been installed and commissioned in July 1993. On this being pointed out in audit, the Directorate stated (February 1997) that Rs 2.75 lakh (including Rs 95475 from another deal) had been withheld from the supplier for his failure to commission the plants. The Department had not, however, taken any action for ensuring installation/commissioning of the remaining eight x-ray plants as of July 1998 either departmentally or by making alternative arrangements at the risk and cost of the supplier.

Thus, due to inaction of the Department, facilities for x-ray examination could not be provided to the people in the identified areas for over five years, despite investment of Rs 16.84 lakh (including excess release of Rs 7000). The possibility of the remaining eight machines being rendered dysfunctional due to prolonged storage and obsolescence, could not be ruled out.

The matter was referred to Government/Department in May 1998; reply had not been received (November 1998).

3.7 Idle investment on purchase of multi-terminal computer system due to improper planning

Purchase of a computer system without ensuring availability of trained staff for its operation resulted in an unproductive expenditure of Rs 7.75 lakh.

The Principal, Government Medical College, Jammu, moved a proposal (October 1990) for purchase of a computer system which was reportedly required by the College for storage of data, compilation of accounts, research work and inter-college communication, etc. The State Government approved (October 1990) purchase of a computer system with multi-terminal facility at an approximate cost of Rs 4.50 lakh on the recommendations of a committee constituted by the Government. The College, however, purchased (March 1992) a computer system consisting of one work station, three personal computers and other peripherals at a total cost of Rs 7.75 lakh. The agreement executed (May 1992) with the supplier provided for imparting training, free of cost, to the staff of College for operation of the system.

Test-check of records (July 1997) of the College revealed that the computer system installed in December 1992 had remained non-functional as neither the staff of the College was got trained through the supplier nor was any other arrangement made for making the system operational. The system was partially utilised up to February 1995 by a Junior Assistant for feeding data regarding pay and allowances of the staff after which some defects developed in the system. The system was made operational in October 1997 after incurring an expenditure of Rs 39000. On being pointed out in audit in July 1997 and January 1998, the College forwarded a proposal for creation of 9 posts (computer programmer: 2; computer operator: 4; others: 3) for the computer cell to the Planning Department (July 1997) and Administrative Department (January 1998). Further developments were awaited (September 1998).

Thus, unplanned purchase of computer system without ensuring timely availability of trained staff by the Principal, resulted in an expenditure of Rs 7.75 lakh

proving largely unproductive for over six years and non-achievement of the envisaged objectives. The usefulness of the equipment after such a long time was also doubtful because of the rapid obsolescence of the information technology equipment.

The matter was referred to the Government/Department in June 1998; reply had not been received (November 1998).

Election Department

3.8 Poll Expenses

3.8.1 Introduction

The elections in the State are held by the Election Commission of India under the provisions of the State Representation of Peoples Act, 1957. After the Assembly elections of 1987 and the Parliamentary elections of 1989, the elections in the State were held in May 1996 for 11th Lok Sabha and in February-June 1998 for 12th Lok Sabha. The Assembly elections were held in September-October 1996.

3.8.2 Organisational set-up

The electoral office in the State is headed by Chief Electoral Officer (CEO), nominated by Election Commission of India. The CEO is assisted by two Assistant Chief Electoral Officers (ACEOs), one each for Kashmir and Jammu Division, 14 District Election Officers (DEOs) and other supporting staff. For exercising administrative control of the Department, the CEO also functions as Commissioner-cum-Secretary of the Department since September 1994.

3.8.3 Audit coverage

The records of the Chief Electoral Officer, two Assistant Chief Electoral Officers of Kashmir and Jammu and 4 District Election Officers (Jammu, Rajouri, Kathua and Udhampur) for the years 1996-97 and 1997-98 were test-checked (July and August 1998) in audit. Important points noticed are given in the succeeding paragraphs:

3.8.4 Highlights

- The share of expenditure due for reimbursement from the Central Government had not been worked out by the Department since 1974-75.

(Paragraph: 3.8.5.1 (a))

- Rupees 33.02 lakh advanced in 92 cases to various District Election Officers and other Departments during the period 1971-87 for holding of elections were outstanding. Adjustment accounts for a further amount of Rs 3.86 crore advanced during the years 1996 to 1998 were outstanding from 12 out of 14 District Election Officers.

(Paragraph: 3.8.5.1(b))

- Printing of electoral rolls/supplements in excess of requirements resulted in wasteful expenditure of Rs 61.25 lakh during 1989-90 to 1997-98.

(Paragraphs: 3.8.6 (a) and (b))

- Election material purchased included items like vehicles, colour television sets, computers, fax machines, telephone sets, etc. valued at Rs 20.29 lakh. Also, 10 DG sets valued at Rs 10.33 lakh were purchased by the Director Health Services, Kashmir which were not used for election purposes.

(Paragraph: 3.8.7)

- Expenditure of Rs 6.07 lakh was incurred by DEOs Kathua, Udhampur, Rajouri, Jammu and CEO on inadmissible items like refreshment/food served to staff not associated with poll/counting duty.

(Paragraph: 3.8.9.2)

3.8.5 Funding pattern

The expenses on conduct of Lok Sabha and Legislative Assembly elections are borne by Central and State Governments respectively. However, expenditure on common items like establishment, preparation and printing of electoral rolls, etc. is shared between Central and State Governments on 50:50 basis. The expenditure on elections in the State is initially met by the State Government. The share of expenditure to be borne by

the Central Government is subsequently reimbursed by Government of India on receipt of audited statements of expenditure. However, in case a State is not able to bear the burden of expenditure initially, adhoc advance payments are released by Government of India subject to final adjustment on receipt of audited statements of expenditure/audit certificates.

The Central Government had released adhoc payments to the State since 1974-75 which had not been adjusted so far (October 1998).

3.8.5.1 Finance and expenditure

During the years 1996-97 and 1997-98 expenditure of Rs 14.67 crore was reportedly incurred against the allocation of Rs 16.56 crore made by the State Government. The expenditure figures were, however, at variance with those booked in the accounts compiled by the Accountant General (Accounts and Entitlement) as indicated below:

Year	Departmental figures of expenditure	(Rupees in crore)	
		Expenditure booked by Accountant General (A and E)	Variation
1996-97	9.85	11.88	2.03
1997-98	4.82	6.85	2.03
Total	14.67	18.73	4.06

Variation of Rs 4.06 crore between departmental and Account figures not reconciled.

Despite standing instructions of the Government, which require that departmental figures of expenditure should be reconciled periodically with those of Accountant General, the Department had not reconciled the variations.

No records for monitoring allocation of funds and expenditure thereagainst, had been maintained at any level during 1996-97 and 1997-98. The expenditure figures recorded by the CEO were not based, in each case, on actual expenditure statements furnished by DEOs and other departmental officers. It was noticed in audit that allotment of funds made by CEO to 3 District Election Officers (Rajouri, Srinagar and Baramulla) had been reported as final expenditure. As against actual

expenditure of Rs 37.41 lakh incurred on Lok Sabha elections (1996 and 1998) and Rs 49.91 lakh on Assembly elections (1996) in these districts, the total allotment of Rs 64.44 lakh and Rs 69.09 lakh respectively was reflected as final expenditure by the CEO due to which expenditure to the tune of Rs 46.21 lakh was overstated during these years. It was also observed that the funds allotted by the CEO to the respective DEOs were at variance with those booked by the respective DEOs which indicated lack of budgetary control mechanism in the Department. Some instances of variations are given in Appendix-7. Reasons for the variations were not intimated (August 1998).

The following points were also noticed in test check:

(a) The share of expenditure due for reimbursement from the Central Government had not been worked out by the Department since 1974-75 as component-wise expenditure incurred by it was not available for arriving at the share of expenditure to be borne by Central Government.

Share of expenditure due for reimbursement from Central Government not worked out since 1974-75.

(b) Before 1996-97, election expenses were incurred by CEO, DEOs and officers of other departments to whom advance payments were made by the Department for incurring election expenses. However, no consolidated records indicating advance payments made and detailed accounts received thereagainst had been maintained at any level. In 165 cases, it was noticed that against an amount

Out of Rs 80.63 lakh advanced to various implementing officers Rs 33.02 lakh outstanding in 92 cases.

of Rs 80.63 lakh advanced to District Election Officers/ officers of other Departments for incurring expenditure related to elections during the period 1971-87, an amount of Rs 33.02 lakh was outstanding in 92 cases. It was further noticed that an amount of Rs 3.86 crore pertaining to the period 1996-98 was outstanding against 12 out of 14 District Election Officers and Rs 39.74 lakh advanced by District Election Officers of Rajouri, Jammu and Udhampur to various Assistant Returning Officers had also remained unadjusted as of August 1998.

- (c) District Election Officer, Jammu to whom Rs 91.78 lakh were allocated for

Detailed account of Rs 91.78 lakh allocated to DEO Jammu for 1996 Assembly/Parliamentary elections, not rendered.

1996 Parliamentary/Assembly elections had neither maintained any account of expenditure incurred nor rendered (July 1998) the expenditure statements thereof to the CEO. Hence, veracity of the expenditure of Rs 91.78

lakh could not be verified in audit.

3.8.6 Printing of electoral rolls

As per instructions of the Election Commission, electoral rolls as also

Wasteful expenditure of Rs 61.25 lakh on printing of electoral rolls/supplements and purchase of paper in excess of requirements.

supplements thereto are to be printed for every election after assessing their requirement, keeping in view the fact that the electoral rolls are revised intensively every alternate year and summarily every

other year. It was, however, noticed in audit that actual requirement of electoral rolls was not worked out before printing them. No stock accounts of electoral rolls/supplements printed, had been maintained in any of the test-checked offices. In absence of this, the number of rolls actually printed and used was not ascertainable. It was, however, noticed in audit that a large number of electoral rolls and their supplements were printed which were not subsequently used fully, resulting in wasteful expenditure of Rs 61.25 lakh as discussed below:

- (a) The ACEO, Kashmir printed 310 sets of electoral rolls for each of the 44 constituencies in Kashmir Division for use in 1989 elections. The electoral rolls were not, however, utilised fully and the unutilised number of electoral rolls/sets ranging between 75 and 98 were lying in stock resulting in a minimum wasteful expenditure of Rs 50.66^o lakh.

- (b) For the parliamentary elections of 1998, the CEO printed 50 sets of supplements of electoral rolls, each in Hindi and Urdu (expenditure: Rs 11.47 lakh) for distribution in 37 assembly segments. It was seen in audit that the supplement sets, ranging

^o Calculated on the basis of minimum 75 sets available at the sale rate of Rs 67550 per set.

from 15 to 35 (45 to 70 *per cent*) for each segment remained unutilised after the elections resulting in wasteful expenditure of Rs 6.37 lakh.

Similarly, DEOs, Jammu and Udhampur printed 757 sets of electoral rolls at a cost of Rs 10.88 lakh for use in different segments of the two districts during 1998 Lok Sabha elections. Out of these, 302 sets were found surplus resulting in wasteful expenditure of Rs 4.22 lakh.

3.8.7 Irregular purchases/diversion of Election Funds

(a) The polling material to be purchased for elections includes items like ballot boxes, indelible ink, stationery items, paper seal, cloth, rags, etc. It was however, seen in audit that CEO and DEOs (Srinagar, Anantnag, Badgam, Pulwama, Kupwara, Udhampur, Rajouri, Kathua and Jammu) diverted election funds of Rs. 20.29 lakh for purchase of vehicles, photocopiers, fax machines, computers, colour television sets, generators, cordless telephones, etc. during parliamentary/assembly elections of 1996 and 1998. The purchases were made without sanction of the State/Central Government.

Election funds amounting to Rs 20.29 lakh diverted for purchase of vehicles, photo copiers, colour TV set, etc.

(b) Director Health Services, Kashmir and Transport Commissioner purchased 10 DG sets (cost: Rs 10.33 lakh) and a fax machine (cost: Rs 0.21 lakh) unauthorisedly during May/June 1996 and March 1998 respectively out of election funds provided. The DG sets received in Medical Stores in May/June 1996 were issued to different hospitals and medical units between July 1996 and September 1996 after the Lok Sabha elections were over. It was also seen that while one DG set issued to Lal Ded Hospital, Srinagar in July 1996 had not been installed, information about installation/ commissioning of other nine DG sets was not available (July 1998) with the Department.

10 DG sets valued at Rs 10.33 lakh purchased by debit to election funds.

3.8.8 Inventory of non-consumable stocks

The Department is required to maintain proper records for all stock and non-consumable items like ballot boxes, seals, stamps etc. Test check of records, however, revealed that no stock registers/inventory of ballot boxes had been maintained by the CEO or any of the District Election Offices (Rajouri, Udhampur, Jammu and Kathua) test-checked in audit. Physical verification of ballot boxes had also not been conducted at any level to ascertain actual ground balances.

Stock accounts of non-consumable articles not maintained.

It was also noticed in audit that non-consumable articles valued at Rs 5.16 lakh issued by ACEOs (Jammu and Kashmir) during parliamentary and assembly elections held in 1996 and 1998 were not retrieved from the polling staff and taken on stock.

3.8.9 Other Points**3.8.9.1 Idle expenditure on electronic voting machines**

Electronic voting machines valued at Rs 49⁸ lakh were received from the Election Commission of India during 1990-91 which were not put to use as no directive

Functional status of electronic voting machines valued at Rs 49 lakh was doubtful as these had not been stored properly

regarding their utilisation was received from the Commission. The machines continued to be kept in the store room of CEO office which was declared unsafe by Executive Engineer, Estate Division Jammu in July 1995.

The functional status of the machines had also not been tested at any time and was doubtful particularly in view of the fact that the machines had not been stacked according to prescribed scientific system of storage as communicated by the Election Commission.

3.8.9.2 Refreshment charges

As per instructions (March and May 1996) of the Election Commission of India, the staff deployed for poll/counting duty were entitled to packed lunch / light refreshment or cash payment of Rs 50 per head in lieu thereof. It was, however, seen in test-check that an expenditure of Rs 6.07 lakh was incurred out of election funds by

⁸ Based on tentative proportionate cost.

DEOs, Kathua, Udhampur, Rajouri, Jammu, and Chief Election Officer on refreshment /food served to staff during parliament and assembly elections not associated with poll/counting duty which included expenses met during days other than polling/counting days.

3.8.9.3 Infructuous expenditure on purchase of indelible ink

As per the instructions of the Election Commission of India, indelible ink having shelf life of more than three months from the date of its manufacture was not to be used in any election and had to be destroyed. The Election Commission had also directed (December 1997) the Chief Electoral Officers to make an assessment of the quantity of indelible ink required for use during polling so as to avoid wastage on this account.

Infructuous expenditure of Rs 3.80 lakh on purchase of excess indelible ink.

It was, however, noticed in audit that 45 per cent of total stock of indelible ink (22185 phials) purchased up to end of March 1997, at a cost of Rs 3.80 lakh had outlived its shelf life and had to be destroyed by the ACEOs resulting in loss of Rs 3.80 lakh to Government exchequer.

3.8.10 The above points were referred to the Government/Department in October 1998; reply had not been received (November 1998).

3.9 Industries and Commerce Department

3.9.1 Introduction

The main function of the Industries and Commerce Department (I&C) is to facilitate overall industrial development of the State. For this purpose, several developmental schemes/programmes are implemented by it under various sectors like Industries, Handicrafts, Handloom, etc. The Department also exercises administrative control over 10 Government companies.

3.9.2 Organisational set-up

The Department is headed by an Additional Chief Secretary. Directors of Industries and Commerce, Handloom Development, Handicrafts, Sericulture and Geology

and Mining Departments head the respective departments and are assisted by Joint Director Handlooms Kashmir, Joint Directors Handicrafts Kashmir/Jammu at the divisional level and General Managers, District Industries Centres (DICs), Assistant Directors Handloom/Handicrafts and Deputy Directors, Sericulture at district level.

3.9.3 Audit coverage

Review based on test-check of records of 19[#] offices, covering various aspects of financial, manpower, and programme implementation in I&C, Handicrafts and Handloom Development sectors for the period from 1993-94 to 1997-98 was conducted from October 1997 to April 1998. The results of audit are incorporated in succeeding paragraphs:

3.9.4 Highlights

- Funds allotted by the Government during the years 1993-94 to 1997-98 had not been utilised fully by the Department with shortfall in utilisation ranging between 6 and 51 per cent.

(Paragraph: 3.9.5)

- Registers of grants/appropriations and other budgetary control records to monitor and control expenditure on monthly basis and at the end of each year, had not been maintained at the administrative/controlling officer's level. An expenditure of Rs 7.78 crore was incurred by the departmental officers during the years 1993-94 to 1996-97 without any budget provision.

(Paragraph: 3.9.5.1(a))

- Though the Department had advanced loans aggregating Rs 188.67 crore during the period 1988-89 to 1997-98 to Government companies under its administrative control, neither the agreements fixing terms and conditions of

[#] Additional Chief Secretary to Government Industries and Commerce Department, Directorate of Industries and Commerce and Handloom, Joint Director Handicrafts, Jammu, Joint Director Handloom Kashmir, General Manager, District Industries Centres, Assistant Director Handicrafts, Assistant Director Handloom Development, Srinagar, Jammu, Kathua and Udhampur, Development Officer Massive Carpet Scheme, Jammu, Dy Registrar Industrial Co-operative Societies Jammu (INDUSCOS)

repayment, etc. had been drawn up nor loan ledgers and other relevant records for watching recovery had been maintained.

(Paragraph: 3.9.5.2)

- 172 officials in different cadres were irregularly appointed between 1990-97 by various officers of the Department in violation of Government orders which provided for recruitment through Recruitment Boards/Committees only.

(Paragraph: 3.9.6 (a))

- Leave availed of (leave salary: Rs 2.41 lakh) by 91 officials against whom leave substitutes had been appointed was not debited in their service records. Besides, 1161 persons were appointed as leave substitutes (expenditure : Rs 28.02 lakh) without recording the detail of persons against whom these were appointed. Thus, genuineness of these appointments could not be verified in audit.

(Paragraph: 3.9.6(b))

- Rupees 21.42 lakh were outstanding at the end of March 1997 on account of rent of land, sheds, shops, etc. allotted to various entrepreneurs/Government Departments.

(Paragraph: 3.9.7.1)

- As of March 1997, 61 *per cent* of 1244 handicraft co-operative societies in Kashmir Division and 78 *per cent* of 361 societies in Jammu Division were either defunct or under liquidation. In 87 functional societies, the annual average wages paid to a member in these societies ranged between Rs 58 and Rs 294 which indicated that these societies were not viable.

(Paragraph: 3.9.8.1 (a))

- Despite implementation of the massive carpet training programme (September 1988) in Jammu region and incurring an expenditure of Rs 3 crore during 1993-94 to 1997-98, the trainees had not set up any carpet weaving unit either in co-operative or in private sector.

(Paragraph: 3.9.8.2)

3.9.5 Budget provision and expenditure

The overall position of funds allocated and expenditure incurred by the Department during the period from 1993-94 to 1997-98 is given in table below :

Year	Budget allotment	Expenditure	Shortfall	(Rupees in crore)
				Percentage shortfall
1993-94	112.94	55.03	57.91	51
1994-95	92.72	60.93	31.79	34
1995-96	111.00	86.89	24.11	22
1996-97	115.05	107.68	7.37	6
1997-98	135.85	113.56	22.29	16
Total:-	567.56	424.09	143.47	25

There was shortfall ranging between 6 and 51 *per cent* in utilisation of funds during 1993-94 to 1997-98.

3.9.5.1 Control over expenditure

(a) Paragraph 10.11 of the State Budget Manual lays down that heads of departments shall maintain a register of grants and appropriations in Form-18 to record original grants, their distribution amongst subordinate officers and modifications made from time to time. Paragraph 12.15 of the Manual enjoins upon every disbursing/controlling officer and head of the department to maintain a separate register in Form B-12 for each minor or sub-head of account which he is operating for recording the transactions.

Test-check, however, revealed that no such records had been maintained at administrative/controlling officer's level to monitor and control the expenditure on monthly basis and at the end of each financial year. Further, an expenditure of Rs 7.78 crore was incurred by various departmental officers during the years from 1993-94 to 1996-97 without any budget provision. Incurring of such expenditure indicated poor control mechanism in the Department for monitoring /controlling expenditure.

(b) Financial Rules of the Government provide that progress of expenditure should be even throughout the year and rush of expenditure towards fag end of the year

should be avoided. Contrary to these rules/instructions, it was noticed in test-checked offices that percentage of expenditure in March of each year ranged between 13 and 82 of the annual expenditure during the period from 1993-94 to 1997-98. It was seen in audit that the rush of expenditure was due to delay in issue of sanctions and allotments by Administrative Department.

3.9.5.2 Investment in public sector undertakings

The Department had invested Rs 97.04 crore up to the end of 1997-98 as equity in 9 out of 10 Government companies under its administrative control. The Department had also invested Rs 14.06 crore up to March 1997* in co-operative institutions/societies. Institution-wise details of investment in co-operative societies were not available with the Department as consolidated records were not maintained at any level.

The Department had also advanced an amount of Rs 188.67 crore from 1988-89 to 1997-98 as long-term loans to these companies which included plan assistance converted into loan. Test-check revealed that the Department had not maintained any loan ledgers and other relevant records for watching recovery of loans and interest thereon. No agreements fixing terms and conditions of repayments, etc. were executed with the companies.

Loan ledgers and other relevant records to watch recovery of loans and interest thereon not maintained.

3.9.5.3 Maintenance of cash book/drawal register

Cash book/drawal registers of test-checked offices revealed that neither the entries in the cash book had been attested nor were drawals made from the treasury verified regularly by the Head of the Offices. Physical verification had also not been conducted nor was cash/personal security obtained from the persons handling cash. Non-observance of the aforementioned checks facilitated embezzlement of Rs 6.80 lakh by a cashier in the office of District Industries Centre, Udhampur between June 1990 and April 1997. An amount of Rs 30000 had been recovered from the cashier in June 1997 who

* Position ending March 1998 awaited.

later expired. Responsibility for failure to exercise the prescribed checks which facilitated embezzlement had not been fixed as of November 1998.

Further, thirteen out of 19 test-checked offices had not maintained stock accounts of blank receipt books (Form FC-I) and 10 offices did not maintain the

Stock accounts of blank receipt books and remittance registers not maintained.

remittance registers. Of the eight offices which maintained the registers, six had not got the remittances verified from the concerned treasury officers.

Government Rules provide that all moneys should be remitted into the treasury on the same day or next working day. This was not being done and amounts received were being deposited into treasury after delays ranging up to six months.

3.9.6 Manpower management

(a) Irregular appointments

Recruitment to non-gazetted posts in the State was made on the recommendations of State Sub-ordinate Services Recruitment Board (SSRB). The recruitment of Class IV and some other specified posts was to be made by two committees constituted (May 1991) for recruitment to divisional and state level posts. In January 1997, the Government ordered recruitment to Class-IV posts by the appointing authority on the recommendations of a committee consisting of concerned head of the department and three additional members to be nominated by respective administrative departments.

During the course of test-check of records of various Directorates of Industries and Commerce Department it was noticed that 172 persons (I&C: 28;

172 persons appointed to various categories of posts during the period 1990-97 directly by the officers in violation of Government orders.

Handicrafts: 136; Handloom: 8) had been appointed to different categories of posts during the period 1990-97 directly by various officers in violation of Government orders. The vacancies in

these cases had neither been advertised nor referred to SSRB/concerned committees. The appointment in such cases were generally made by first engaging persons temporarily for

89 days which were extended by more such spells and followed by appointment on regular basis. Some other irregular appointment cases noticed are discussed as under:

(i) On the death (February 1990) of an Assistant Craftsperson of Handicrafts Department working in District Kathua, a substitute was appointed (February 1990) on temporary basis for a spell of 89 days which was extended from time to time up to February 1991. The person was thereafter appointed on regular basis by Joint Director Handicrafts, Jammu, on an incorrect plea of the appointee being related to the dependent of the deceased official.

(ii) Assistant Director, Handicrafts Udhampur in October 1996 appointed 3 craft teachers and 3 orderlies-cum-chowkidars for three centres (opened under tribal sub-plan) on consolidated pay of Rs 1500 and 1000 p.m. for a period of six months without advertising the vacancies. The appointments were made by him on the recommendations of a local Member Legislative Assembly/Handicrafts Training Officer of the Department.

There was no system of internal controls/checks over recruitment as a result of which irregular appointments have remained unnoticed and no cognizance of irregularity had been taken for initiating action against those responsible for violation of Government orders/instructions. A proper system of assessment of vacancies and referring these to respective boards/committees for recommending suitable candidates did not exist.

(b) Engagement of leave substitutes

Leave substitutes were engaged by district officers of the Handicrafts Department directly or on orders of Joint Director/Director against technical posts, such as, co-operative supervisors, master craftsmen, etc. and against posts of accountant-cum-store supervisors.

<p><i>Genuineness of leave substitutes not verifiable due to improper maintenance of records and non-maintenance of leave accounts.</i></p>

Test-check of the records of Assistant Directors Handicrafts, Jammu, Srinagar, Udhampur, Kathua, Deputy Registrar Induscos, Jammu and Development Officer, Massive Carpet Scheme, Jammu revealed that out of 1326 officials, against whom leave substitutes were engaged during the period from April 1993 to March 1998, leave

availed of by 91 officials (leave salary: Rs 2.41 lakh) was not recorded in their service records. Besides, 1161 persons were appointed as leave substitutes, (expenditure: Rs 28.02 lakh) without recording details of persons against whom they were appointed as a result of which the genuineness of these appointments could not be verified in audit. It was also observed in audit that leave accounts required to be maintained in the prescribed form by the DDOs and appended with service books had not been maintained in any of the test-checked offices except by the Deputy Director Handloom, Jammu.

In April 1997, Director Handicrafts had directed all subordinate officers not to make any adhoc/stop-gap/leave arrangement appointments against the vacancies

Despite directions of the Director Handicrafts against adhoc/stop-gap/leave arrangement appointments, 212 such appointments made.

available with the Department. However, the practice of appointing leave substitutes continued even thereafter and 212 such appointments had been made as of April 1998.

3.9.7 Industries sector

A mention of establishment of industrial growth centres, payment of various incentives and position of functional units was made at paragraphs 3.6.7, 3.6.8 and 3.6.10 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997. Following further points were noticed during the current review.

(a) In January 1995, in pursuance of the State Administrative Council's decision (January 1995), a special package for revival of sick units was announced by the Government. Accordingly, the Government allotted Rs 1 crore and Rs 1.12 crore during 1995-96 and 1996-97 respectively to the Director of Industries and Commerce for implementation of the package. The funds, however, remained unutilised and the scheme had not taken off as of May 1998.

(b) In Udhampur district, 10 shops constructed during 1993 under self employment scheme at a cost of Rs 9.32 lakh were taken over by the Department in December 1993. Despite acceptance of offer of monthly rent of Rs 505 and premium of Rs 2000 to Rs 16500 per shop received in response to notice inviting offers issued by

General Manager DIC, Udhampur in January 1995, the shops had not been allotted so far. Non-allotment of the shops resulted in blockade of Rs 9.32 lakh, besides loss of revenue of at least Rs 2.22 lakh on account of rent from January 1995 to April 1998 and non-accrual of intended benefits.

(c) In January 1995, the Government introduced Capital Investment Subsidy (CIS) Scheme which envisaged payment of subsidy at the rate of 30 per cent on fixed capital investment subject to a maximum of Rs 60 lakh for units with investment of Rs 25 crore and above and Rs 30 lakh for others.

In case of a unit at Jammu which had already availed of CIS of Rs 21.72 lakh, General Manager DIC, Jammu keeping in view the maximum ceiling of Rs 30 lakh on payment of CIS, recommended further CIS of Rs 8.28 lakh. However, an amount of Rs 9.33 lakh was sanctioned (March 1997) in favour of the unit by State Level Committee thereby exceeding the subsidy limit of Rs 30 lakh by Rs 1.05 lakh. General Manager DIC, Jammu stated (May 1998) that the matter would be taken up with Director Industries and Commerce and excess CIS paid, if any, would be recovered. Further developments were awaited (November 1998).

(d) Industrial units in the State are eligible for rebate of 5 per cent on interest rates charged by the banks/financial institutions on working capital loans raised by the units up to a maximum limit of Rs 10 lakh per year. The rebate on interest payable at the end of the year, was admissible to the new and existing units provided there was an increase in production as compared to the preceding year. This condition was not to be insisted upon in case of units which had already attained 95 per cent capacity utilisation. During the years from 1995-96 to 1997-98 (up to January 98) an amount of Rs 4.64 crore was disbursed on this account. A test check of records revealed that in Udhampur District subsidy of Rs 9.66 lakh had been released in favour of the units on quarterly/half yearly basis or for broken periods without verifying the increase/decrease in annual production of units. Annual production returns were,

Subsidy of Rs 9.66 lakh paid to units without verifying the increase in production in quantitative terms.

however, not generally obtained and wherever obtained the production had been indicated in terms of value without indicating quantities. Thus, rebate on interest was allowed without ascertaining increase in production.

3.9.7.1 Non-recovery of outstanding rent

Department allots plots of land, sheds, etc. to entrepreneurs on rent/lease basis in the industrial estates under its control. While the overall position of rent

Rupees 21.42 lakh and Rs 15.90 lakh outstanding against entrepreneurs and Government/Semi-Government departments on account of rent.

outstanding at the end of March 1998 was not available, Rs 21.42 lakh (Kashmir: Rs 17.76 lakh; Jammu: Rs 3.66 lakh) were outstanding from entrepreneurs at the end of March 1997 on account of rent which included Rs 3.02 lakh outstanding for the periods prior to 1989. In addition,

Rs 2.57 lakh were also outstanding at the end of February 1998 on account of rent of shops leased at Central Market Jammu and Rs 15.90 lakh against Government and Semi-Government Departments on account of space occupied at Exhibition Ground Srinagar at the end of March 1997.

Concerted efforts had not been made by the Department for ensuring timely recoveries or enforcing eviction in accordance with the provisions of law.

3.9.7.2 Recovery of loans

The Department had been advancing various types of loans to small scale

Rupees 8.98 crore (Principal: Rs 4.06 crore, Interest: Rs 4.92 crore) outstanding against various loanees of the Department.

industrial sector and other unit holders, technocrats, artisans, etc. from time to time. Against loans of Rs 4.68 crore disbursed by the Department up to 1991-92, an amount of Rs 8.98 crore (Principal: Rs 4.06 crore; Interest:

Rs 4.92 crore) was outstanding against various loanees at the end of March 1998 which included loans pertaining to the period prior to 1947. It was noticed in audit that no efforts had been made to enforce timely recoveries from concerned parties nor was action initiated to recover the amount as arrears of land revenue from the defaulters which resulted in accumulation of heavy outstanding. The Department stated (March 1998) that

after the announcement of waiver of bank loans by Central Government, no loanee came forward for repayment of loan even though the said waiver was not applicable to DIC loans. It was also stated that a large number of loanees were untraceable and some of the loanees had left the State or closed down their units making the recovery of loans difficult. Action contemplated by the Department to effect the recovery of these loans was awaited (November 1998).

3.9.8 Handicrafts sector

To achieve the objective of imparting training in various crafts, the Department runs elementary and advanced training centres and after completion of training course, the trainees are organised into co-operative societies through the Industrial Co-operative Wing of the Department. The Department runs 532 training centres (March 1998) of which 377 centres impart elementary training and 155 centres advanced training in 31 crafts. Each trainee receives a stipend of Rs 100 per month for elementary training and Rs 200 per month for advanced training. A test-check of records of the Department revealed as under :

Against the total intake capacity of 13500, the number of trainees enrolled in these centres ranged between 7621 and 8727 during 1993-94 to 1997-98 with percentage shortfall ranging from 35 to 44 during the corresponding period. The shortfall was attributed by the department to dropping out of trainees due to various reasons such as low rate of stipend and marriage of female trainees during the currency of training courses. As per terms of the agreement executed by the trainees, every trainee or his guardian is liable to refund the amount of stipend received alongwith a penalty of Rs 500 in the event of his/her leaving the training halfway. In two test-checked districts an amount of Rs 7.80 lakh paid as stipend during 1990-91 to 1996-97 was recoverable from 1507 drop out cases. No action had been taken by the department to recover the amount from defaulters. Such information in respect of other test-checked offices was not made available to audit.

<i>Shortfall in enrolment of trainees ranged from 35 to 44 per cent.</i>
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3.9.8.1 Organisation of co-operative societies

The Industrial Co-operatives Wing of the department was to organise the successful trainees into co-operative societies so as to generate employment in handicraft sector. For this, the department provides incentives in the shape of share capital assistance and managerial subsidy apart from interest subsidy of 4.5 *per cent* on institutional finance. Following points were noticed:

- (a) As of March 1997, out of 1244 societies in Kashmir Division and 361 in Jammu Division, 759 societies (61 *per cent*) and 283 societies (78 *per cent*) respectively

61 per cent of societies in Kashmir Division and 78 per cent in Jammu Division were either defunct or under liquidation.

were either defunct or under liquidation. A number of co-operative societies in Jammu division classified as active were not actually viable. It was observed that in case of 87 functional societies the average wages paid to their members was low (Rs 58 to Rs 294 per year) which indicated that even

these societies were not viable.

- (b) Against 1.58 lakh craftsmen trained under the programme during 1976-77

Poor follow-up of the training programme for generating employment.

to 1996-97 only less than 5 *per cent* trainees formed co-operative societies. Thus, the objective of generating employment in handicraft sector was not achieved.

- (c) The Department had sanctioned Rs 20.89 lakh as managerial subsidy to various co-operative societies of Jammu region during the period from 1986-87 to 1994-95, against which utilisation certificates for Rs 12.97 lakh only had been received ending September 1997. The details of utilisation of the remaining amount of Rs 7.92 lakh which also included Rs 6.61 lakh released from 1986-87 to 1989-90 were not intimated (September 1998).

3.9.8.2 Carpet weaving programme

The Department after taking over (September 1988) 15 training centres from Jammu and Kashmir Handicrafts (Sales and Export) Corporation, converted these into 30 training centres under massive carpet training programme so as to introduce Mirzapuri carpet weaving craft in Jammu region. Despite implementation of the programme since September 1988 and incurring an expenditure of Rs 3 crore on running the training centres from 1993-94 to 1997-98, no carpet weaving unit had been set up by the trainees in Jammu region either in co-operative or private sector. It was observed in audit that out of 1380 trainees trained during 1993-94 to 1997-98, 1373 were females for whom carpet weaving was considered heavy and laborious. Thus, the objective of creating job opportunities under the scheme was not achieved.

Despite expenditure of Rs 3 crore under massive carpet training programme, no carpet weaving unit set up by the trainees.

3.9.8.3 Production of carpets

Against the expected production of 15 thousand^{*} sft to 17 thousand sft. of carpet per year, on the basis of actual intake of trainees, the actual production in training centres of Jammu ranged between 6019 and 8445 Sft. per year during the years from 1993-94 to 1997-98.

The Development Officer attributed (August 1997/May 1998) the shortfall to non-availability of sufficient raw material in time and non-functioning of 20 per cent of looms for want of repairs. This indicated that the training centres were not functioning smoothly due to lack of required inputs.

3.9.9 Handloom sector

For promoting handloom sector in the State, the department is to organise handloom weavers into co-operative societies so as to ensure sustained employment for them. The main thrust of the handloom development programmes/schemes was to assist

^{*} Based on the norm of production of 3 Sft for low quality and 2 Sft. for high quality carpets per month per trainee

the weavers in obtaining raw material, modernising their looms and providing marketing assistance. A test-check of records of these societies revealed as follows:

(a) Out of 137 registered societies as on 1 April 1997 in Jammu Division, 73

53 per cent of the 137 registered handloom societies with a membership of 1606 were sick/dormant or non-traceable.

societies (53 per cent) with a membership of 1606 weavers were sick/dormant or non-traceable. Of these, 51 societies had been paid assistance including loans and incentives of Rs 24.80 lakh under the programme of modernisation of looms, out of which an amount of Rs 11.28 lakh (loan for looms and machinery: Rs 7.02 lakh; share capital loan: Rs 4.26 lakh) was recoverable from them at the end of March 1997. Details of loan and other financial assistance paid and recoverable from remaining 22 defunct societies were not available with the department. A large number of these societies had become sick immediately after receipt of various incentives such as Government share participation, share capital loan assistance and loan/subsidy for modernisation of looms, which was attributed (December 1997) by Deputy Director Handloom Development, Jammu to lack of monitoring and supervision and non-availability of working capital.

(b) The department sanctions loans to various co-operative societies under Modernisation/Purchase of looms and Share Capital Assistance Scheme. These loans carry interest at varying rates and are recoverable in 10 equal instalments.

Against an amount of Rs 50.84 lakh advanced to different societies of Jammu region, an amount of Rs 19.49 lakh (Principal: Rs 11.94 lakh; Interest Rs 7.55 lakh) was recoverable as of March 1997. The department had not taken any steps for initiating legal proceedings against the defaulting societies particularly against those which were either sick/dormant or had closed down. It was also observed in audit that there was no system of reconciling the amounts recovered and remitted by the subordinate offices with the ledgers maintained in the office of Deputy Director, Jammu.

3.9.9.1 Audit and Inspection of co-operative societies

The accounts of the co-operative societies were required to be audited annually by the Director Handloom in his capacity as Registrar.

It was seen that audit of all the societies of Jammu region and in majority of the cases in Kashmir region had not been conducted.

*Random inspection
of the societies.*

Non-conduct of audit was attributed (December 1997) by Deputy Director Handloom, Jammu to shortage of staff. The inspections of societies were conducted at random without drawing up a schedule so as to cover all societies periodically. The Deputy Director, Jammu stated (December 1997) that a proper schedule shall henceforth be drawn-up and regular inspections ensured.

3.9.9.2 Project Package Scheme

A Centrally sponsored Project Package Scheme envisaging provision of facilities, viz. training, skill upgradation, working capital assistance, common facilities centres, etc. to members of scheduled castes/tribes, women, minorities and people living below poverty line was introduced by Government of India in 1991. The funds were to be shared by Central and State Governments on 50:50 basis.

Government of India approved three projects under the scheme for Jammu and Kashmir State and released Rs 26.80 lakh (Rajouri: Rs 14.75 lakh; Ganderbal: Rs 5.15 lakh, Shiereen Bagh: Rs 6.90 lakh) between February 1994 and March 1996. The State Government, however, released Central share of funds (Rs 26.80 lakh) for the

*Poor implementation
of centrally sponsored
project package
scheme.*

three projects and its own share of Rs 6.90 lakh in respect of Shiereen Bagh project after delays ranging up to one and a half years. No State share in respect of other two projects was released for which reasons were not available. The delay in release of funds delayed implementation of the projects. Except for training programme, the other components of the project viz. setting up of common facility centres, skill upgradation, etc. were not implemented in any of the projects. In respect of Shiereen Bagh Project, funds to the tune of Rs 11.87 lakh, out of Rs 13.80 lakh received from Government of India/State

Government, had been diverted by the department to Jammu and Kashmir, Handloom Fabrics Marketing Co-operative Society. Director Handloom had ordered (January 1998) that the funds be obtained back from the Society and deposited in project accounts or else the equivalent amount be deducted from Market Development Assistance payable to the Society. Further developments were, however, awaited (November 1998).

3.9.10 Accumulation of finished/damaged goods

Unsold finished goods valued at Rs 34.76^T lakh had accumulated for

Out of Rs 34.76 lakh worth finished goods lying in stores as of March 1998, goods valuing Rs 11.02 lakh damaged

periods ranging from 8 to 12 years in the store of test-checked offices at the end of March 1998. Of these, goods valued at Rs 11.02 lakh were damaged.

Steps had not been taken by the Directorates of these departments for early disposal of the finished goods/damaged goods and these continued to incur avoidable expenditure on their storage and handling, besides causing further deterioration in the condition of the goods lying in the store. It was further seen that physical verification of stores was not conducted in 13 out of 19 test-checked offices for periods ranging from 1 to 19 years.

3.9.11 Monitoring and Evaluation

All industrial units which receive Capital Investment Subsidy (CIS)

The activities under taken under Industries, Handicrafts and Handloom sectors neither monitored nor evaluated.

exceeding Rs 2 lakh are required to furnish annual audited accounts within nine months from the close of the year for a period of five years from the year in which subsidy is drawn. SSI units which receive subsidy less

than Rs 2 lakh are required to submit annually the details of registration, production figures, sales, employment generated, etc. No such accounts/returns were obtained from the concerned units. The department had also not monitored the activities and the physical existence of these units nor had the impact of the programme on industrialisation and

^T Handicraft Department Rs 25.99 lakh; Handloom Department Rs 8.42 lakh; Industries and Commerce Department: Rs 0.35 lakh.

consequent generation of employment, etc. been evaluated. Similarly, the impact of the Handicrafts and Handloom sector programmes on generation of employment in the State had neither been assessed nor were these programmes evaluated.

3.9.12 The above points were referred to Government in September 1998; reply had not been received (November 1998).

Ladakh Affairs Department

3.10 Wasteful expenditure due to lack of co-ordination

Selection of site without consulting the Wild Life Department resulted in wasteful expenditure of Rs 6.45 lakh on construction of a tourist complex, besides non-realisation of the objective of promoting tourism.

With a view to providing infrastructural facilities at Tso-Marari Lake in Leh District, a proposal for the construction of a tourist complex by the Tourism Department on the western bank of the lake at an estimated cost of Rs 29.86 lakh (revised to Rs 41.69 lakh in June 1995) was mooted by the State Government during 1994. Government of India, Department of Tourism approved (March 1994) financial assistance of Rs 20.66 lakh for civil works, internal electrification, water supply and sanitation of the proposed project. State Government was to contribute land for the project and provide external water supply, electrification, approach road, cost of furnishing, site development and fencing, etc. An advance payment of Rs 5 lakh for starting the work was released by the Central Government in March 1994.

The construction of the tourist complex was taken up in July 1995 by Executive Engineer, Special Sub-Division, Nyoma at a site identified by the Director Tourism. In March 1996, when construction of 4 rooms of the complex had been completed up to roof level (expenditure: Rs 6.45 lakh), the Wildlife Warden, Leh objected to the construction of proposed complex as the construction was undertaken in an area notified as wildlife sanctuary and in violation of the Jammu and Kashmir Wild Life Act,

1978. Accordingly, the work on construction of tourist complex was stopped in June 1996. The work had not been resumed as of August 1998.

Thus, selection of the site without consulting the Wildlife Department resulted in wasteful expenditure of Rs 6.45 lakh on construction of the tourist complex, besides non-realisation of the objective of promoting tourism in the area.

The matter was referred to the Government in June 1998; reply had not been received (November 1998).

Home Department

3.11 Locking up of funds and avoidable payment of interest

Injudicious action of the Department in making advance payments for purchase of rapid intervention vehicles before examining feasibility of the proposed purchase or assessing its suitability for operational requirements resulted in locking up of Government funds of Rs 2.07 crore for over three years, involving avoidable interest payment of Rs 1.28 crore by Government on funds borrowed from Jammu and Kashmir Bank Ltd.

With a view to combating inflammable liquid fires in the State, a proposal for the purchase of 3 Rapid Intervention Vehicles (RIVs) was mooted (March 1992) by the Director, Fire Services Srinagar, who after obtaining sanction for advance drawal of Rs 1.80 crore made payment to the Director General, Supplies and Disposals, New Delhi, in March 1994 for arranging procurement of the RIVs. A further amount of Rs 27 lakh was advanced (August 1995) to DGS&D for meeting the balance cost of machinery based on the global offers received by the DGS&D.

In January 1996, the Government constituted a Board headed by Joint Director Fire Services, Jammu to review the tenders obtained by DGS&D and to undertake a technical evaluation of the proposed purchase. In his report of March 1996, the Chairman of the Board observed that RIVs were not required, as these were more appropriately used at airports, for combating aircraft fires. Consequently, the proposal for

purchase of these vehicles was dropped. A refund of Rs 2.07 crore was obtained from the Director General, Supplies & Disposals and remitted into the treasury in August 1997.

Thus, the injudicious action of the Department in making advance payments, before examining the feasibility of the proposed purchase or assessing its suitability for combating requirements, resulted in locking up of Government funds of Rs 2.07 crore for over three years. Besides, for meeting its ways and means requirement, the State Government borrowed funds from the Jammu and Kashmir Bank Limited throughout the period from April 1994 to August 1997 at interest rate ranging from 16 *per cent* to 20.75 *per cent*. Had the amount not been unnecessarily advanced to the DGS&D, without technical evaluation, the temporary loans obtained by Government would have been reduced to that extent and Government could have avoided payment of interest of Rs 1.28 crore on the corresponding borrowings from the Bank.

The matter was referred to the Government/Department in June 1998; reply had not been received (November 1998).

Irrigation and Flood Control Department**4.1 Excess payment of interest under arbitration award due to calculation mistake**

Incorrect calculation of interest on the amount of arbitration award resulted in excess payment of Rs 5.54 lakh.

Construction of a pump house-cum-intake structure for Ranjan Lift Irrigation Scheme was awarded (September 1978) to a contractor at an estimated cost of Rs 25.83 lakh by the Chief Engineer, Irrigation and Flood Control Department, Jammu for completion in 18 months. The work started in November 1978 could not proceed smoothly due to change in structural designs necessitated by soil conditions which were different from those actually assessed during investigation and the flash flood (March 1981) in river Chenab washed away the ring bund constructed by the contractor and filled trenches with silt and water. Accordingly, the contractor stopped further work and claimed compensation for loss on washed away work, removal of silt from trenches, dewatering and escalation of prices. Consequently the matter was referred to the Arbitrator (December 1982).

The Arbitrator gave his award (September 1985) providing that the Government shall pay to the contractor a total sum of Rs 17.08 lakh in full and final settlement of all the claims. The contractor was also allowed interest at the rate of 12 *per cent* on the amount awarded from the date of award (5 September 1985) till the date of actual payment. The decision of the Arbitrator was challenged (1986) by the Department in the High Court which, however, upheld (August 1987) the judgement of the Arbitrator but allowed interest on compensation amount at 8 *per cent* only from the date of judgement viz. 26 August 1987.

Test-check (October 1997) of records of the Executive Engineer, Irrigation Division, Akhnoor revealed that a total payment of Rs 40.37 lakh including interest was made on 2 September 1997, after adjusting recovery of Rs 81000 towards hire charges of

machinery. Interest was, however, calculated at the rate of 12 per cent instead of 8 per cent for the period from 26 August 1987 to 4 October 1995 as allowed by the High Court resulting in excess interest payment of Rs 5.54 lakh to the contractor. Responsibility for the excess payment of interest by the Executive Engineer had not been fixed (September 1998).

On this being pointed out (October 1997), the Executive Engineer Irrigation Division, Akhnoor stated (October 1997) that the case was being referred to Chief Engineer, for necessary action. Further progress of the case had not been intimated (November 1998).

The matter was referred to the Department/Government in May 1998; reply had not been received of November 1998.

4.2 Improper planning in execution of Subsidiary

Lift Irrigation Scheme Raya

Without obtaining administrative approval, Subsidiary Lift Irrigation Scheme, Raya (estimated cost: Rs 3.15 crore) was taken up for execution in July 1981 for completion in three years. The scheme envisaged irrigating 1100 hectares of dry land, lying in the rural and backward area above Tawi canal on northern side of National Highway between Tarore and Aik Nallah. The work on the scheme, was suspended (July 1984) under the orders of the then Works Minister and an expenditure of Rs 20.09 lakh had been incurred on it up to March 1985. The work was resumed subsequently and its cost revised to Rs 7.03 crore in 1991 and again to Rs 10.45 crore in 1997. The scheme was expected to be completed by March 1998. A test-check (November/December 1997) of records of the scheme revealed as under:

- (a) The scheme had not been completed (November 1998) despite expenditure of Rs 6.48³ crore incurred up to March 1998 and time over run of 14 years. Funds aggregating Rs 2.57 crore and Rs 3.70 crore had been spent on civil works and

³ Include Rs 0.21 crore spent on miscellaneous items.

* Main canal, distribution system, cross drainage works: Rs 2.30 crore; Pump house/intake structure: Rs 0.27 crore.

mechanical[^] works respectively up to March 1998 involving cost over run of Rs 1.01 crore (65 per cent) in respect of civil works and Rs 2.18 crore (143 per cent) on mechanical works over the original estimated cost of Rs 1.56 crore and Rs 1.52 crore respectively. The physical achievements were, however, 76 per cent in respect of delivery tank, 40 per cent in respect of distribution system, 70 per cent in respect of main canal and 92 per cent in respect of rising main. Thus due to delay in completion of the main canal, distribution system and the rising main, investment of Rs 2.96 crore on purchase of pumpsets (Rs 1.78 crore), construction of pump house (Rs 0.25 crore) and cross drainage (Rs 0.93 crore) had been rendered idle. The delay in the laying of rising main was mainly due to failure of the department to acquire the required materials (pipes, joints, etc.) in time. Improper project planning and lack of prioritisation in execution/implementation of various components/sectors of the scheme resulted in non-utilisation of the infrastructure created and the scheme with the inherent advantages of smaller capital outlay, short gestation period and easy mobilisation of labour, had not been completed even 17 years after its taking up. The expenditure of Rs 6.48 crore incurred up to March 1998 was therefore rendered unfruitful.

(b) A crossing under the railway track was to be provided at KM 82/7 Jammu-Pathankot line for laying the rising main of the scheme. In November 1988, the Executive Engineer Tawi Canal Construction Division submitted the requisite site plan to the Deputy Chief Engineer Railway, Jammu for seeking detailed drawing and estimate for construction of the Railway crossing. Estimates for Rs 7.64 lakh, received in December 1991 by the Chief Engineer RTIC were approved by him in March 1992 with directions to make payment to the Railway authorities. Though the hand receipts for the amount were submitted by the Executive Engineer in July 1992, the Deputy Financial Advisor and Chief Accounts Officer forwarded the demand draft for Rs 7.64 lakh in February 1993 to the Senior Divisional Accounts Officer, Northern Railway, Ferozpur. This was neither received nor acknowledged by the Railway authorities. However, after obtaining a non-

[^] Rising main including laying and purchase of pumps, motors and electric sub-station: Rs 3.70 crore.

payment certificate from the Bank, a fresh draft for the amount was delivered after a lapse of over one year in May 1994 through a special messenger. Meanwhile, the Railways revised the estimates and the cost of the work was assessed at Rs 9.69 lakh. The balance amount of Rs 2.05 lakh was paid by the Department in December 1994 (Rs 88000), August 1995 (Rs 32000) and July 1996 (Rs 85000). The work was completed in April 1997 at a total cost of Rs 9.69 lakh.

Failure of the Department to take action for ensuring timely payment to the Railway authorities, resulted in avoidable expenditure of Rs 2.05 lakh on account of cost escalation, besides, delay in the laying of rising main.

(c) Though the Project Reports did not identify the requirement of land for the project, the Executive Engineer, TCC Division, Jammu stated (February 1998) that 81.12 acres of land were required for the project against which 22.5 acres only had been acquired up to February 1998. An advance of Rs 10.58 lakh, had been paid for this purpose to the Land Acquisition Officer, Kathua up to October 1997. The records of Land Acquisition Officer however, showed that land acquired was 36.93 acres, for which advance of Rs 32.75 lakh had been paid during the period 1989-90 to 1996-97. Of this Rs 12.94 lakh had been disbursed to land owners and Rs 19.81 lakh were deposited under Civil Deposits, reportedly on account of internal disputes of land owners. The variation in two sets of figures, had not been reconciled (February 1998). This indicates lack of co-ordination and inadequate internal controls. The reasons for abnormal delay in the acquisition of land, required for completion of remaining portion of rising main/distributaries were not intimated. The non-acquisition of land was likely to further delay the completion of the project.

The above points were referred to the Government/Department in July 1998; reply had not been received (November 1998).

Power Development Department**4.3 Idle investment and loss due to inaction of the Department**

Inaction of the Department to get the balance work completed either departmentally or through any other agency at the risk and cost of backed out firm resulted in idle investment of Rs 26.53 lakh for over eight years. The Department also incurred loss of Rs 3.17 lakh in the shape of damage to works because of failure to arrange watch and ward.

Chief Engineer, Electric Maintenance and Rural Electrification Wing, (EM&RE) Srinagar awarded (June 1988) the work of providing street lighting along Indira Gandhi Road from New Airport, Srinagar to Rambagh Bridge on turnkey basis to a Jullandhar based firm at a cost of Rs 50.64 lakh for completion in six months. The firm started the work in September 1988 after drawing up an agreement but abandoned the work soon after receiving payments aggregating Rs 29.70 lakh between November 1988 and December 1989. The payment made to the firm represented 90 *per cent* of the cost of equipment (M.S. Poles; Sodium vapour bulbs; PVC cable, etc.) supplied by it, up to July 1989 and erection charges therefor.

Test-check (November 1994/October 1997) of records of Executive Engineer, Electric Maintenance Division -II, Srinagar revealed that despite issue of reminders from time to time the firm had not resumed the balance work. While the basis for extending the contract beyond the stipulated period of six months was not available from the records, it was seen that the left over work was not undertaken departmentally, as directed by the Chief Engineer, EM&RE Wing in September 1991, or through some other agency at the cost and risk of the firm as per terms of allotment. Action for imposing penalty up to 10 *per cent* of the total value of contract and forfeiting the security deposit/bank guarantee of Rs 2.54 lakh available with the Department/Division was also not taken (March 1998). The reasons for these lapses were not intimated. Following further points were also noticed:

(i) As per contractual terms, storage and safe custody of material-at-site was the responsibility of the firm. However, due to failure of the Department to ensure adequate supervision and control over the material supplied by the firm for executing the work for which 90 *per cent* payment had been made, materials costing Rs 2.94 lakh stored by the firm in a private building were retained by the owner of the building pending settlement of his rent claims with the firm. Latest position relating to the recovery of material from the house owner was awaited (November 1998).

(ii) In absence of proper watch and ward arrangements, material worth Rs 3.17 lakh was found damaged or lost, the responsibility for which had not been fixed.

(iii) Bank guarantee for Rs 2.54 lakh provided by the firm as security for successful execution of the contract had lapsed as the same was not got revalidated in time to safeguard departmental interests.

Thus, due to inaction of the Department to complete the balance work either departmentally or through any other agency at the risk and cost of the firm, and its failure to arrange watch and ward of the already executed work, the investment of Rs 26.53 lakh on the work was rendered idle. Besides, the department also suffered a loss of Rs 3.17 lakh due to damages to the works as necessary arrangements for watch and ward had not been made.

The matter was referred to the Government/Department in May 1998; reply had not been received (November 1998).

4.4 Locking up of funds and unfruitful expenditure due to delay in construction of building

Release of funds by the Department for construction of an office complex without according Administrative approval resulted in locking up of Rs 17.51 lakh for over 7 years, besides rendering expenditure of Rs 2.49 lakh, incurred on preliminary items of works unfruitful.

A proposal to construct an office complex for the Power Development Department at Railway Road Jammu, at an estimated cost of Rs 7 crore, was mooted by the Government during the year 1991. Though the technical and Administrative approval to the work had not been received, Power Development Commissioner released (March 1991) Rs 20 lakh to the Executive Engineer Transmission Line Construction Division, Jammu for the construction of the complex.

The Division incurred expenditure of Rs 2.49 lakh, between April 1991 and December 1993 on soil testing, preparation of designs and conceptual model and initial drawings and the unspent balance of Rs 17.51 lakh was retained as public works Deposit. The model and designs of the proposed complex were approved (April 1992) by a committee constituted by the Government. Administrative approval for the construction of the complex was, however, awaited as of September 1998 and construction work had not commenced.

Thus, release of funds without according Administrative approval to the work resulted in locking up of funds of Rs 17.51 lakh for over 7 years which could have been utilised on other developmental works. The expenditure of Rs 2.49 lakh incurred up to December 1993 on various preliminary works also proved unfruitful.

The matter was referred to the Government in June 1998; reply had not been received (November 1998).

**4.5 Unfruitful investment due to non-rectification of defects in
Power transformer**

Failure of the Department to commission the transformer during its warranty period and lack of concerted action to get the transformer repaired resulted in idle investment of Rs 14.25 lakh.

Orders for design, manufacture, assembly and supply of six 16.66 MVA, single phase power transformers for Grid Station Pampore were placed (March 1985) by Chief Engineer, Electric Planning and Designs, Jammu with Bharat Heavy Electricals Limited (BHEL) Bhopal. The transformers received in March 1986 at a cost of Rs 85.50 lakh were guaranteed against defective design, sub-standard material or bad workmanship for a period of 12 months from the date of commissioning or 18 months from the date of despatch, whichever was earlier.

Of the six transformers, one transformer (warranty period up to September 1987) which was a stand by, was test commissioned/charged in November 1987 which indicated some defects and could not be commissioned. The transformer was got inspected (September 1989) by an engineer of the firm who suggested further investigation/repairs at the Jhansi Plant of the firm. No further action was taken till July 1992 when the Department took up the matter with BHEL. As the fault in the transformer had been reported after its warranty period, the firm demanded an open order for investigation/repair of the transformer on chargeable basis. The Executive Engineer Transmission Line Maintenance Division-II requested the Company only in August 1995 to send detailed offer for carrying out repairs. The firm suggested (August 1995) transportation of the transformer to Jhansi through its approved transporter and deputing a departmental representative for inspection and obtaining offer for repairs. The Chief Engineer, Systems and Operation Wing, Power Development Department approved despatch of the transformer to Jhansi Plant only in August 1996. The defective

transformer had not, however, been repaired as the arrangements for its carriage to Jhansi could not be finalised as of June 1998.

Thus, failure of the Department to get the transformer test-commissioned during the warranty period and lack of concerted and positive action for getting the same repaired over a period of ten years resulted in the investment of Rs 14.25 lakh (worked out on proportionate basis) on the purchase of transformer proving unfruitful, besides incidence of unassessed avoidable liability on repair charges.

The matter was referred to the Government/Department in June 1998; reply had not been received (November 1998).

Public Works Department (R&B)

4.6 Avoidable extra expenditure due to non-supply of departmental material

Failure of the Department to ensure supply of blasting material/equipment to contractors for widening of two roads resulted in avoidable extra expenditure of Rs 5.09 lakh.

Construction and widening of two roads taken up by Public Works Department, Kashmir without first ensuring the availability of blasting material required for the execution of these works resulted in avoidable extra expenditure of Rs 5.09 lakh besides delay of 4 to 6 years in the completion of these works as discussed below:

- (a) The work of widening of Latsum Karit road in the reaches of 13th KM was awarded (June 1994) by the Superintending Engineer, PWD Circle, Kargil to a contractor at his tendered cost of Rs 3.24 lakh for completion by November 1994. The work involved excavating soil including hard rock for which blasting material was to be provided by the R & B Division No. II Kargil under whose jurisdiction the execution of work was undertaken. The contractor, however, started the work in September 1995 after a delay of 14 months due to change in the alignment of road (after its allotment)

necessitated due to objections raised by the public regarding possible damage to adjacent minor irrigation canals. After executing the work up to the value of Rs 83000 and receiving payment thereof, the contractor abandoned it (December 1995) due to non-supply of the blasting material by the Division. In response to the notices issued by the Division between December 1995 and April 1996 for resumption/completion of the balance work, the contractor demanded (April 1996) 35 *per cent* appreciation over the agreed rates due to increase in labour cost. Though the Executive Engineer of the Division recommended (August 1996) execution of the balance work by the original contractor at his appreciated rates, being economical as compared to market rates, the Superintending Engineer retendered the work and allotted it to another contractor in October 1996 at the tendered cost of Rs 5.50 lakh. As of October 1997, balance work to the extent of 76 *per cent* had been completed for which payment of Rs 4.15 lakh was released to the second contractor. Had the balance work been got executed by the original contractor, it would have cost Rs 3.25 lakh only even after allowing the appreciation of 35 *per cent* demanded by him. Reasons for not allotting the balance work to the original contractor were neither placed on record nor intimated.

Thus, delay in taking up the work initially and subsequent failure of the Division to ensure supply of blasting material to the first contractor resulted in extra avoidable expenditure of Rs 1.74 lakh which would increase further on completion of the work.

(b) Superintending Engineer, PWD Circle, Kargil allotted the work of construction of 12th KM of Kakshow road to a contractor in August 1992 at an estimated cost of Rs 3.23 lakh for completion in one working season i.e. up to November/ December 1992. The contractor started the work in October 1992 but abandoned it in December 1992, after receiving payment of Rs 18000 for the work done (504.15 cum), owing to non-supply of blasting material/equipment by the R&B Division No. II, Kargil.

After a lapse of about 2 years, the balance work was split up in two sections viz. RD 0-500 and RD 500-1000 and after retendering (September 1994) was

allotted (October 1994) by the Superintending Engineer to two contractors (one of whom was the contractor who had backed out) at the tendered cost of Rs 3.14 lakh and Rs 3.60 lakh respectively. The balance work was, however, completed at a total cost of Rs 6.15 lakh which included Rs 18000 spent on clearance of slips, etc. Reasons for the delay in retendering/reallotting the balance work were neither placed on record nor intimated to Audit.

Thus, failure of the Division to ensure availability of blasting material/equipment to the original contractor before awarding the work and delay of two years in reallotting the balance work, resulted in avoidable extra expenditure of Rs 3.35 lakh based on the actual quantities (7478.54 cum) executed.

The matter was referred to the Department/Government (May 1998); reply had not been received (November 1998).

Ladakh Affairs Department

4.7 Loss due to unplanned purchase of stores

Unplanned purchase of sealing compound by the Igo-Phey Division Leh during the period from November 1992 to June 1994 resulted in loss of Rs 24.70 lakh to Government.

The Executive Engineer, Igo-Phey Irrigation Division, Leh procured 130 tonnes of sealing compound during the period from November 1992 to June 1994 at a cost of Rs 53.56 lakh. The purchase of sealing compound was made for filling the joints in cement concrete lining of 43 Km long Igo-Phey Irrigation Canal.

Scrutiny of the records (August 1996) revealed that out of 130 tonnes of sealing compound purchased, 60 tonnes of the compound had remained unutilised and was lying in stock. The Divisional Officer stated (August 1996) that the material would be utilised for the lining work of canal beyond RD 25000 metres up to 43000 metres, where the works were in progress. A further review of the case in July 1997, however, revealed that the scope of the extension of Igo-Phey Canal beyond Km 25 had been changed

(August 1994) from RCC lining to pitching and grouting and thus, the leftover quantity of 60 tonnes of sealing compound (value: Rs 24.70 lakh) became surplus to the requirement of the Division.

The Executive Engineer had informed (August 1994) the Superintending Engineer, PWD Circle, Leh that only a small quantity of the compound would be required by the Division and had requested him for examining the possibility of utilisation of the compound by the sister divisions at Leh or in Kargil Circle to prevent expiry of the compound as its shelf-life was only 2 years and thus, avoid loss to Government. However, no further quantity was issued or utilised after March 1994.

Thus, inadequate technical examination at the initial stage led to unplanned procurement of the sealing compound in excess of actual requirement initially and subsequent failure of the Department to ensure its utilisation on other Government works resulted in loss of Rs 24.70 lakh. Responsibility for the loss had also not been fixed (November 1998).

The matter was referred to the Department/Government (May 1998); reply had not been received (November 1998).

Public Health Engineering Department

4.8 Unproductive investment on construction of sump tank

Failure to construct pump-cum-switch room simultaneously with the sump tank at Channi-Himmat, Jammu by the Department resulted in unproductive investment of Rs 6.66 lakh.

The Superintending Engineer, Public Health Engineering, Jammu allotted the work of construction of 1.30 lakh gallon capacity RCC sump tank (estimated cost: Rs 4 lakh) and pump-cum-switch room (estimated cost: Rs 5 lakh) at Channi-Himmat, Jammu to a contractor in November 1989 and June 1990 respectively. The works to be completed

within four months from the dates of allotment envisaged augmenting drinking water supply to certain identified scarcity areas.

The construction of sump tank was, however, taken up by the contractor only in November 1990, due to delay in the finalisation of designs by the Department. After executing the work for Rs 6.66 lakh (95 *per cent*) up to 1993-94 the contractor abandoned the work, reasons for which were not available on records. The construction of pump-cum-switch room had not been taken up as of April 1998. Action to get the work completed either through original contractor or by another agency at the risk and cost of the original contractor had not been initiated as of October 1998.

Scrutiny of the records of Public Health Master Plan Division, Jammu (December 1995/January and April 1998) revealed that though the contractor had abandoned the work of construction of sump tank in 1993-94 and failed to take up construction of pump-cum-switch room, the Department released balance payment of Rs 1.19 lakh to him in March 1994, which should have been withheld. The security deposit (Rs 18000) of the contractor had also not been forfeited for his failure to complete the works, as also stores worth Rs 9000 lying with him were not returned by him. On this being pointed out in audit, the Executive Engineer stated (January/April 1998) that the cost of departmental material would be recovered from the deposit (Rs 18000) of the contractor lying with the Department.

Thus, failure of the Department to provide the designs to the contractor in time resulted in cost over run of Rs 2.66 lakh up to April 1998, which was likely to go up on the completion of the balance 5 *per cent* work. Responsibility for delay in finalising the designs had not been fixed. Further, failure to get the construction of pump-cum-switch room completed rendered the investment of Rs 6.66 lakh made on the construction of sump tank unproductive for over four years, besides non-realisation of the envisaged objective of augmenting drinking water supply to scarcity areas.

The matter was referred to the Government /Department in May 1998; reply had not been received (November 1998).

Public Works Department**5.1 Stores Management in Public Works Divisions****5.1.1 Introduction**

Public Works Divisions (Roads and Buildings) of the Public Works Department are responsible for construction and maintenance of roads, bridges and Government buildings in the State. These divisions obtain their requirement of construction materials like cement, steel and asphalt from Stores Procurement Department (SPD). For efficient material management, the divisions are required to ensure proper inventory control over the materials in stock till these are finally consumed or disposed of otherwise.

5.1.2 Organisational set-up

The overall administrative control over the divisions, which are the primary executing units, is exercised by Superintending Engineers at the District level and Chief Engineers (R&B), Jammu and Srinagar at the Provincial level respectively. The Executive Engineers are responsible for assessing requirement of stores, their acquisition, custody and distribution/disposal at the division level.

5.1.3 Audit coverage

Stores and stock accounts of 10^x divisions (5 each in Jammu and Kashmir Divisions), out of a total of 39 divisions in the State, pertaining to the period 1992-93 to 1997-98 were test-checked in audit during December 1997 to April 1998. The important points noticed are contained in the succeeding paragraphs.

5.1.4 Highlights

- **Stores valued at Rs 1.64 crore were purchased in absence of any firm requirement by 5 Jammu based divisions and Rs 3.35 crore were advanced by 9 divisions (Jammu: 5; Kashmir: 4) to various Government companies/semi-**

^x Kashmir Division: R&B Project Division-I, II and III, Srinagar, R&B Bridge Division, Lal Mandi, City Roads Division, Srinagar; Jammu Division: R&B Construction No: I and III Jammu, R&B Division, Udampur, Rajouri and Kathua.

Government bodies to avoid lapsing of budget grant during the years from 1992-93 to 1996-97.

(Paragraph: 5.1.5)

- Between 19 and 73 *per cent* of the indented quantities were lifted by the divisions from Stores and Procurement Department, during the period from 1992-93 to 1995-96. This resulted in non-realisation of the objective of centralised purchases for ensuring quality control and purchase of stores at economical rates. Extra expenditure of Rs 21.78 lakh was incurred by 5 divisions on purchase of cement from other agencies at higher rates.

(Paragraph: 5.1.6.1 (i))

- Advance payments aggregating Rs 6.33 crore were made to Government companies/ur dertakings during 1992-93 to 1997-98 for supply of cement without obtaining sanction of the competent authority. Cement supplies valued at Rs 19.36 lakh had not been received against these payments as of September 1998.

(Paragraph: 5.1.6.1(ii))

- The value of stocks held in excess of the prescribed stock reserve limit ranged between 111 and 161 *per cent* at the end of each year during the years from 1992-93 to 1997-98.

(Paragraph: 5.1.6.2.(i))

- Material valued at Rs 27.44 lakh lifted by the R&B Construction Division-III Jammu from the SPD Jammu during February 1995 to March 1997 had not been accounted for in the books of the former as of March 1998.

(Paragraph: 5.1.6.3.(ii))

- Material valued at Rs 81.78 lakh issued for use on different works in 5 test-checked divisions was outstanding as of September 1998 against 32 Junior Engineers who had been transferred/relieved between 1992-93 and 1997-98.

(Paragraph: 5.1.6.3 (v))

5.1.5 Financial outlay and expenditure

Against the allocation of Rs 18.85 crore during the period 1992-93 to 1997-98 for procurement of stores in 10 test-checked divisions, expenditure of Rs 17.17 crore was incurred during the period. There was shortfall of 16 *per cent* in expenditure, during 1996-97, reasons for which were not intimated. Following further points were noticed.

Financial rules provide that purchase of stores for public service be made in accordance with definite requirements. The rules also forbid, drawal of funds not required for immediate utilisation, with a view to prevent lapsing of budget grants. During the years from 1992-93 to

Stores valued Rs 1.64 crore purchased without any requirement and utilised subsequently on works other than those for which purchased.

1996-97, stores valued at Rs 1.64 crore were purchased by 5 divisions in the Jammu Division at the fag end of respective years by debit to various works without any actual requirement for those works. These stores were subsequently utilised in the following years on works other than those for which material was purchased.

Similarly, advance payments aggregating Rs 3.35 crore were made by 9 divisions (Jammu: 5; Kashmir: 4) to various Government companies/semi-Government bodies at the fag end of each year from 1992-93 to 1996-97, against which either part supplies or no supplies were received in the relevant years. Consolidated information regarding advance payments made, supplies received thereagainst and amounts outstanding

Advance drawals of Rs 3.35 crore made to avoid lapsing of budget grant.

with their age-wise analysis was not maintained by respective divisions. This resulted in blocking of funds to the extent of Rs 3.35 crore.

5.1.6 Material management**5.1.6.1 Procurement of cement**

As per the standing arrangement, the SPD is responsible for centralised purchase of material and its supply to the R&B divisions for which funds are advanced by

respective divisions out of the budget allotments made for the purpose. Following irregularities were noticed in procurement of cement:

(i) Short-lifting of cement from Stores Procurement Department

The quantity of cement indented by the Chief Engineer R&B Division, Jammu with SPD Jammu on the basis of demand projected by the R&B divisions and that lifted by them during the period from 1992-93 to 1995-96 revealed that the cement lifted by them represented only 19 to 73 per cent of the quantities indented during the period. In the 10 test-checked divisions it was seen that cement procured from SPD during the years 1992-93 to 1997-98 constituted 28 to 75 per cent of the total cement purchased by these divisions during the period.

It was further seen that 5 test-checked divisions of Jammu region had procured 1.31 lakh^a bags of cement during 1992-93 to 1997-98 from other agencies at

Extra expenditure of Rs 21.78 lakh on purchase of cement at higher rates.

rates higher (ranging between Rs 121 and Rs 180.63 per bag) than those at which it was available from SPD (Rs 113.31 to Rs 163 per bag) involving an extra expenditure of Rs 21.78 lakh.

In reply to an audit query it was stated by the concerned Executive Engineers that non-availability of cement with the SPD necessitated its purchase from other sources. The reply is not, however, tenable as it was observed in test-check that cement was available with SPD for catering to the requirements of the Department. There was thus no justification for purchases from other agencies and these divisions caused a loss to Government of Rs 21.78 lakh.

(ii) Irregular payment of advances to suppliers

Financial rules of the State Government provide that approval of the

Irregular advances of Rs 6.33 crore paid to various suppliers for purchase of cement.

Administrative/Finance Department shall be obtained before making advance payments to suppliers against supply of stores contracted. In contravention of these provisions, the Executive

^a R&B Division-I, Jammu: 18800 bags; R&B Division, Udhampur: 33000 bags; R&B Division, Kathua: 30000 bags; R&B Division, Rajouri: 40700 bags; R&B Division-III, Jammu: 8000 bags.

Engineers of the test-checked divisions had made advance payments aggregating Rs 6.33 crore for purchase of cement during the years 1992-93 to 1997-98 to Government Companies/Undertakings, without obtaining the sanction of the competent authority. Against these payments, cement valued at Rs 19.36 lakh had not been received by the divisions as of September 1998. No responsibility had been fixed, for the lapse.

5.1.6.2 Inventory control**(i) Excess over stock reserve limit**

To prevent locking up of funds in excessive stores and simultaneously ensuring availability of adequate stocks for use on works, a monetary limit for stock reserve for each division is prescribed by the Government. In the test-checked divisions, stocks were held in excess of the stock reserve

Between 111 and 161 per cent of stores held in excess of sanctioned stock reserve limit.

limit of Rs 1.11 crore fixed by the Government with excess ranging between 111 and 161 per cent at the end of each year from 1992-93 to 1997-98. The excess, over sanctioned limit, had not been regularised as of September 1998.

(ii) Physical verification of stores

Physical verification of stores/stock articles is required to be conducted at least once every year and discrepancies, if any, noticed, investigated and brought to account immediately thereafter. Physical verification of stores for the years 1995-96 and 1996-97 had not been conducted in R&B Project Division No.I, Srinagar. In R&B divisions, Udhampur, Kathua and Construction Division No.II, Srinagar though physical verification of stores for the year 1996-97 had been conducted (June/July 1997), excess/shortages for the year had not been worked out as of September 1998.

5.1.6.3 Store accounts

Rule 93 of the Public Works Account Code strictly prohibits fictitious adjustments in stock accounts such as debiting to a work the cost of material, not required or in excess of actual requirement, writing back of the value of materials used on works to avoid excesses over outlay/appropriation, etc. The rules also provide that the value of

material issued to a work be immediately brought to account and no liabilities be carried forward to subsequent years and that both debits as well as credits be reflected in the monthly account, so that the balance in the accounts represents the book value of material in stock. Test-check of the records, however, revealed the following points:

(i) **Non-adjustment of store accounts and carry forward of liabilities to subsequent years**

Accounts of the eight⁹ divisions (Jammu: 5; Kashmir: 3) revealed that material valued at Rs 1.23 crore (Jammu: Rs 44.96 lakh; Kashmir: Rs 78.34* lakh) issued to different works during the years 1992-93 to 1996-97 had not been debited to relevant works as of January 1998. Non-adjustment of the cost of material in the year of issue resulted in carry forward of liabilities to subsequent years, besides understatement of expenditure on the works in the relevant years.

While the two Srinagar based divisions attributed (April 1998) the non-adjustment of cost of material in the relevant years to non-availability of funds, no reasons were furnished by the remaining divisions. Carry forward of liabilities to subsequent years apart from being in violation of rules indicated absence of expenditure control mechanism in the divisions concerned.

(ii) **Non-accounting of material**

Material[#] valued at Rs 27.44 lakh lifted by R&B Construction Division No.III, Jammu during February 1995 to March 1997 from Stores Procurement Department, Jammu had not been accounted for in its books as of March 1998. On this being pointed out in audit, the Executive Engineer R&B Construction Division No.III, Jammu stated (March 1998) that the case was under investigation. Further progress in the matter was awaited (November 1998).

Material valued Rs 27.44 lakh not accounted for in the books.

⁹ R&B Divisions-III & IV, Jammu; R&B Divisions, Udhampur, Rajouri, Kathua; City Roads Division, Srinagar; R&B Project Division-I, Srinagar; R&B Division, Sopore.

* Includes material valued at Rs 18.49 lakh issued to works by City Roads Division, Srinagar during 1987-88.

[#] Asphalt: 186.86 MT; B.A.wire 5 MT; Tor steel of 10, 12 and 16 mm specification: 48.51 MT.

(iii) Fictitious adjustment of stores

The R&B Construction Division No.III, Jammu adjusted credits of Rs 16.95 lakh and debits of Rs 15.80 lakh as minus debits and minus credits respectively in the monthly accounts during the period from 1992-93 to 1996-97, thereby understating the debit balance under the head 'stock suspense'. Similarly, R&B Construction Division No.III, Srinagar minus credited Rs 5.12 lakh to 'stock suspense' by credit to various works in March 1997. This

Fictitious adjustment of stores resulted in understatement of expenditure of Rs 5.12 lakh under stock suspense.

fictitious accounting resulted in understatement of expenditure under 'stock suspense' thereby enabling the said divisions to incur additional expenditure in excess of the budget provisions which was concealed in the accounts.

(iv) Non-reconciliation of value accounts of stock

Value of closing stock in the divisional monthly stock accounts, current for the last month of a financial year is required to be reconciled with the corresponding value of stock articles as worked out with reference to Priced Store Ledger. The reconciliation of value accounts could not be reviewed in audit as the Priced Store Ledgers in all the 10 test-checked divisions had either not been maintained or not closed annually, despite the omission having been pointed out repeatedly in the annual Audit Inspection Reports. As a result of the improper/non-maintenance of the value accounts, accuracy of the stock accounts could not be vouchsafed.

(v) Material-at-Site accounts

Material issued to works has to be accounted for properly and its quantitative accounts showing receipt, issue and balance, kept in the Register of Material-at-Site accounts, so as to watch the utilisation of principal items of material, with reference to the estimated requirements. In 5 test-checked divisions material valued at Rs 81.78 lakh (Jammu: Rs 69.82 lakh; Kashmir: Rs 11.96 lakh) issued for use on different works was outstanding as of September 1998 against 32 Junior Engineers who

Material valuing Rs 81.78 lakh outstanding against 32 Junior Engineers.

had been transferred/relieved between 1992-93 and 1997-98 from their respective divisions. No action had been taken by the divisions for effecting recovery/adjustment of the outstanding amounts as of September 1998.

5.1.6.4 Cash and personal securities not obtained from storekeepers

Cash and personal securities of Rs 3.30 lakh not obtained from 15 storekeepers.

Cash and personal securities of Rs 2000 and Rs 20000 respectively have to be obtained from the persons entrusted with the custody and handling of Government stores. It was, however, observed that the securities amounting to Rs 3.30 lakh were not obtained from 15 storekeepers of 7 divisions.

Further, 14 store keepers in 9 divisions held the charge of the stores for periods ranging between 2½ years and 5 years as of March 1998 against a maximum of 2 years prescribed by the Government.

5.1.6.5 The above points were referred to Government in July 1998; reply had not been received (November 1998)

Public Health Engineering Department**5.2 Idle investment due to purchase of stores in excess of requirements**

Purchase of stores in excess of immediate requirements by the Public Health Engineering Division Sopore and Irrigation Division Baramulla between 1990-91 and 1995-96 resulted in idle investment of Rs 24.52 lakh for a period ranging from 3 to 7 years.

Rule 8.4 of the Jammu and Kashmir Financial Code provides that a Government servant who has to purchase stores for public service should ensure that purchases are made in accordance with definite requirements of the public service and in most economical manner. The rules also provide that purchase of stores in advance of requirements involves locking up of Government money and is, therefore, not desirable.

Test-check (November 1997) of records of the Executive Engineer, Public Health Engineering (PHE) Division, Sopore revealed that the Division procured 2.35 lakh

Sft of crate mesh, 1.18 lakh Sft of chain link fencing and 25 tonnes of angle iron at a cost of Rs 24.98 lakh between March 1993 and February 1994 for utilisation in various water supply schemes. Of these, only 73024 Sft of crate mesh, 3310 Sft of chain link fencing and 1.003 tonnes of angle iron (total cost: Rs 3.77 lakh) only were utilised up to November 1997 and the remaining material (cost: Rs 21.21 lakh) was lying in open in the premises of divisional stores. The Division further purchased 10 tonnes of mild steel flat iron at a cost of Rs 1.75 lakh between March 1995 and June 1995, of which 9.567 tonnes (cost: Rs 1.67 lakh) had remained unutilised as of November 1997. No action was taken for the disposal of these stocks either by sale or transfer elsewhere for their gainful utilisation. On this being pointed out (November 1997) in audit, the Divisional Officer stated (November 1997) that the material was procured on the basis of requisitions made by the sub-divisions, which could not be lifted by them, due to disturbed conditions in the valley. The reply of Divisional Officer is not, however, tenable as the ground situation was already known to the division when the purchases were made, and the actual requirement could have been assessed accordingly. No action had been taken by the division against the defaulting sub-divisions for not lifting the indented stores.

In another similar case, test-check (September 1997) revealed that Executive Engineer, Irrigation Division, Baramulla purchased 18800 ^B square feet of chain link fencing during the years from 1990-91 to 1995-96 at a cost of Rs 1.64 lakh which had remained unutilised and was lying in the Divisional stores as of October 1997.

Thus, purchase of stores in excess of immediate requirements by the Executive Engineer PHE Division, Sopore and Irrigation Division, Baramulla and their non-utilisation resulted in idle investment of Rs 24.52 lakh for the period ranging between 3 and 7 years.

The matter was referred to Government in May 1998; reply had not been received (November 1998).

^B 1990-91: 4800 Sft, 1991-92: 5000 Sft, 1995-96: 9000 Sft.

5.3 Persistent shortages in stores due to non-observance of control mechanism

Lack of supervision and control over the management of stores resulted in shortage of stores worth Rs 9.06 lakh in Water Supply Master Plan Division Jammu.

Physical verification of stores of Water Supply Master Plan Division, Jammu for the year 1994-95 was conducted in September 1995 by an Assistant Executive Engineer nominated for the purpose, simultaneously with the transfer/handing over of charge by the storekeeper. On the basis of ground balances physically verified and taken over by the successor storekeeper, and after overall evaluation, excesses and shortages were finally assessed (November 1997) at Rs 40000 and Rs 9.06 lakh respectively. The Chief Engineer, Public Health Engineering Department, Jammu who was informed of the shortages in April 1996 had directed the Superintending Engineer in September 1997 to fix responsibility for the shortages and ensure recovery of the amounts due without delay. However, no responsibility had been fixed (March 1998). An amount of Rs 26000 had, however, been recovered from the storekeeper as of March 1998 against the outstanding of Rs 9.06 lakh.

It was also seen that a mention regarding shortage of stores valuing Rs 8.45 lakh during 1988-89 in the same office, against the then storekeeper, was made in paragraph 5.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1991. Despite this, shortage of Rs 9.06 lakh had again occurred. This could be attributed to:

- (i) laxity of supervisory control in ensuring proper check of transactions taking place in the stores, non-observance of the system of issuing gate passes for incoming/outgoing store material and improper maintenance of store accounts by the storekeeper.
- (ii) lack of control at divisional officer's level for ensuring periodical reconciliation of balances as per bin cards with the priced stores ledger and other divisional accounts, and

(iii) not obtaining the personal security of Rs 20000 from the storekeeper as prescribed in rules.

The matter was referred to the Government/Department in May 1998; reply had not been received (November 1998).

6.1 Trend of revenue receipts

6.1.1 The total receipts of Government of Jammu and Kashmir for the year 1997-98 were Rs 4641.79 crore, against the anticipated receipts of Rs 3844.26 crore. The receipts during the year 1997-98 registered an increase of Rs 1418.39 crore (Rs 1072.37 crore on account of increase in Grants-in-aid received from Government of India) over 1996-97. Out of the total receipts of Rs 4641.79 crore, Rs 616.20 crore represented revenue raised by the State Government, of which Rs 368.28 crore represented tax revenue and the balance of Rs 247.92 crore non-tax revenue. The receipts from Government of India (Rs 4025.59 crore) during the year accounted for 87 *per cent* of the total receipts of the State Government.

6.1.2 Details of revenue receipts**(a) General**

The details of revenue receipts during the year 1997-98 alongwith the corresponding figures for the preceding two years are given in the table below:

(Rupees in crore)			
	1995-96	1996-97	1997-98
I-Revenue raised by the State Government			
(a) Tax revenue	292.19	293.92	368.28
(b) Non-tax revenue	204.22	183.53	247.92
Total - I	496.41	477.45	616.20
II-Receipts from Government of India			
(a) State's share of divisible union taxes and duties	644.24	626.30	833.57
(b) Grants-in-aid	2178.86	2119.65	3192.02
Total-II	2823.10	2745.95	4025.59
III- Total (I+II)	3319.51	3223.40	4641.79
IV- Percentage of I to III	15	15	13

(b) Tax revenue raised by the State

Receipts from tax revenue during 1997-98 constituted 60 *per cent* of the revenue raised by the State. An analysis of tax revenue for the year 1997-98 and the preceding two years is given in the table below:

(Rupees in crore)					
S. No	Tax revenue	1995-96	1996-97	1997-98	Percentage of increase(+)/decrease(-) in 1997-98 with reference to 1996-97
1	State Excise	146.35	135.32	161.93	(+)20
2	Sales Tax	112.53	119.25	144.65	(+) 21
3	Taxes on Vehicles	12.22	11.65	14.79	(+) 27
4	Stamps and Registration Fees	6.00	8.43	11.43	(+)36
5	Taxes and Duties on Electricity	3.45	3.72	8.07	(+)117
6	Taxes on Goods and Passengers	7.97	12.08	23.80	(+)97
7	Land Revenue	0.66	0.48	0.63	(+)31
8	Other taxes and duties	3.01	2.99	2.98	Negligible
Total:		292.19	293.92	368.28	(+)25

Increase in major tax receipts during 1997-98 as compared to 1996-97 was mainly due to more collections of Sales Tax, Excise Duty and Road Toll. Besides, there was substantial increase under Taxes and Duties on Electricity due to collection of arrears of tax, duty and fees pertaining to earlier years and revision of rates of electricity duty.

(c) Non-tax revenue of the State

Receipts from non-tax revenue during 1997-98 constituted 40 *per cent* of the revenue raised by the State. Receipts from sale of energy, interest, forestry and wildlife were the principal sources of non-tax revenue in the State. An analysis of non-tax revenue under the principal heads for the year 1997-98 and the preceding two years is given in the table below.

(Rupees in crore)

S. No.	Non-tax revenue	1995-96	1996-97	1997-98	Percentage of increase (+)/ decrease (-) in 1997-98 with reference to 1996-97
1.	Power	45.40	51.26	87.47	(+)71
2.	Forestry and Wildlife	39.53	25.55	20.80	(-)19
3.	Interest	97.17	78.66	102.69	(+)31
4.	Public Works	5.25	5.67	7.64	(+)35
5.	Stationery and Printing	1.40	1.72	2.01	(+)17
6.	Medical and Public Health	1.38	1.81	2.40	(+)33
7.	Animal Husbandry	2.16	2.46	2.59	(+)5
8.	Others	11.93	16.40	22.32	(+)36
Total:		204.22	183.53	247.92	(+)35

Reasons for variations in non-tax receipts during 1997-98, as compared to 1996-97, wherever intimated by the respective departments are given below:

- (i) **Power** The increase (71 *per cent*) was mainly due to more receipts from sale of electricity.
- (ii) **Interest receipts** The increase (31 *per cent*) was mainly due to larger collection of interest on loans from Departmental Commercial Undertakings, etc.
- (iii) **Forestry and Wildlife** The decrease (19 *per cent*) was mainly due to less receipts from sale of timber and other forest produce, etc.
- (d) **Variation between Budget estimates and actuals**

The variations between the Budget estimates and actuals for the year 1997-98 in respect of principal heads of revenue are given below:

(Rupees in crore)					
S.No	Heads of revenue	Budget estimates	Actuals	Variations increase (+)/ decrease (-)	Percentage of variation
A - Tax revenue					
1	Sales Tax	134.35	144.65	(+)10.30	(+) 8
2	State Excise	105.00	161.93	(+) 56.93	(+) 54
3	Taxes on Goods and Passengers	68.75	23.80	(-) 44.95	(-)65
4	Taxes on Vehicles	12.20	14.79	(+) 2.59	(+) 21
5	Taxes and Duties on Electricity	13.00	8.07	(-) 4.93	(-) 38
6	Stamps and Registration Fees	6.38	11.43	(+) 5.05	(+) 79
7	Land Revenue	1.45	0.63	(-) 0.82	(-) 57
B - Non-tax revenue					
8	Interest Receipts	118.34	102.69	(-) 15.65	(-) 13
9	Forestry and Wildlife	39.06	20.80	(-)18.26	(-) 47
10	Stationery and Printing	2.64	2.01	(-)0.63	(-) 24
11	Animal Husbandry	2.36	2.59	(+)0.23	(+) 10
12	Medical and Public Health	2.20	2.40	(+)0.20	(+) 9
13	Public Works	5.13	7.64	(+)2.51	(+) 49
14	Power	13.41	87.47	(+)74.06	(+) 552

Reasons for variations between the Budget estimates and actual receipts, though called for, have not been received (November 1998)

(e) Cost of collection

The collections in respect of major tax receipts, expenditure incurred on their collection and percentage of such expenditure to collections during the year 1997-98 and preceding two years alongwith the corresponding all India average for the year 1996-97 are given below:

(Rupees in crore)

S. No	Heads of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India percentage of cost of collection for the year 1996-97
1	State Excise	1995-96	146.35	7.78	5	3.53
		1996-97	135.32	5.32	4	
		1997-98	161.93	6.07	4	
2	Sales Tax	1995-96	112.53	3.16	3	1.19
		1996-97	119.25	4.21	4	
		1997-98	144.65	4.09	3	
3	Taxes on Vehicles	1995-96	12.22	1.05	9	2.60
		1996-97	11.65	1.00	9	
		1997-98	14.79	1.54	10	
4	Stamps and Registration Fees	1995-96	6.00	0.49	8	3.37
		1996-97	8.43	1.16	14	
		1997-98	11.43	0.94	8	

The percentage of expenditure on collection of above taxes and fees was higher as compared to the National average.

6.1.3 Arrears in revenue

As on 31 March 1998, arrears of revenue under Sales Tax and State Excise as reported by the Departments were as under:

S. No.	Heads of revenue	Total arrears	Arrears more than five years old	Remarks
(Rupees in crore)				
1.	Sales Tax	331.55	96.34	Out of total arrears of Rs 331.55 crore (which had been certified for recovery as arrears of land revenue), Rs 27.55 crore and Rs 1.94 crore had been stayed by the court and Appellate Authority respectively. Demand for Rs 0.63 crore was proposed to be written off. The position of recovery of the remaining amount of Rs 301.43 crore was not intimated (October 1998).
2.	State Excise	17.82	7.69	Out of arrears of Rs 17.82 crore, demands for Rs 15.78 crore had been stayed by courts and Rs 2.04 crore have been referred to Collector for recovery as arrears of land revenue.
3.	Passenger Tax	9.36	4.23	Out of total arrears of Rs 9.36 crore, arrears of Rs 8.95 crore had been referred to Collector for recovery as arrears of land revenue. Rs 25.50 lakh had been stayed by the courts. Balance demand of Rs 15.72 lakh was proposed to be written off.
4.	Entertainment Tax	0.29	0.29	The arrear demand had been referred to Collector for recovery as arrears of land revenue.
Total:		359.02	108.55	

The arrears outstanding for more than five years constituted 30 *per cent* of the total arrears.

6.1.4 Arrears in Assessment

The details of Sales Tax assessment cases pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the each year during 1993-94 to 1997-98, as furnished by the Department, is given below:

Year	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of column 5 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1993-94	37119	16963	54082	18006	36076	33
1994-95	36076	19644	55720	16380	39340	29
1995-96	39340	17079	56419	17893	38526	32
1996-97	38526	20790	59316	18402	40914	31
1997-98	40914	17381	58295	16214	42081	28

The above table shows that the number of pending cases of Sales Tax at the beginning of 1993-94 was 37119 which went up to 42081 at the end of 1997-98, registering an increase of 13 *per cent* while the percentage of clearance during 1993-94 was 33 *per cent*, which dropped to 28 *per cent* in 1997-98.

6.1.5 Frauds and evasion of tax

The details of cases of frauds and evasion of tax pending at the beginning of the year, number of cases detected by the departmental authorities, number of cases in which assessments/investigations were completed and additional demand (including penalties, etc.) of taxes raised against the defaulters during the years and the number of cases pending for finalisation at the end of each year, as supplied by the Department, is given as under:

The variation in the figures with those given in Audit Report 1996-97 is due to the revised figures of assessment cases supplied by the Department.

Name of tax	Year	Cases pending at beginning of the year	Cases detected during the year	Cases in which assessments/ investigations were completed	Amount of demand (Rs. in lakh)	Number of cases pending finalisation at the end of the year
Sales Tax	1993-94	2053	8172	8328	65.61	1897
	1994-95	1797 ^s	10090	9898	71.67	1989
	1995-96	1989	17314	16733	80.50	2570
	1996-97	2570	22002	20978	68.39	3594
	1997-98	3625 ^p	25100	24257	118.02	4468

6.2 Results of Audit

Test check of records of Sales Tax, State Excise, Stamps and Registration Fees, Forest and other Departments, conducted during the year 1997-98, revealed underassessments, short levy and loss of revenue, etc. amounting to Rs 15.97 crore in 310 cases. During the course of the year 1997-98 the concerned departments accepted underassessments, etc. of Rs 1.03 crore involved in 14 cases pertaining to the year 1997-98 and earlier years.

Finance Department

(Sales Tax)

6.3 Exemption from payment of Sales Tax granted to Industrial Units

6.3.1 Introduction

Jammu and Kashmir State has been identified as an industrially backward State. With a view to accelerate industrial development in the State and improve the viability of Industrial Units, the Government introduced, from time to time, various Sales Tax incentive schemes in the State. These schemes provided for:

- (i) deferment of local Sales Tax/Central Sales Tax payable by large and medium scale industrial units registered on or after 1st July 1990 on sale of finished goods;

^s The Variation of 100 cases between closing balance of 1993-94 and opening balance of 1994-95 has been attributed by the Department to physical verification of number of cases pending at the beginning of the year.
Reasons for variation of 31 cases between closing balance of 1996-97 and opening balance of 1997-98 not intimated by the Department.

(ii) exemption from payment of local Sales Tax/Central Sales Tax on goods manufactured and sold by Small Scale Industrial Units in the State.

The incentive schemes are implemented by the Commissioner of Sales Tax through respective Excise and Taxation officers. The exemptions/deferment concessions were allowed by the Departmental officers on the basis of claims made by the assesses in their returns of turnover. The information regarding the total number of Industrial Units benefited from the incentive schemes and revenue foregone had not been maintained by the Department.

To evaluate the degree of compliance with the provisions of various notifications issued by the Government, which involve foregoing of considerable amount of revenue, records of District Industries Centre, Jammu and five Sales Tax Exemption Circles (Jammu Division: 3; Kashmir Division: 2), for the period 1994-95 to 1997-98 were test-checked between March 1997 and July 1998. Important points noticed are contained in the succeeding paragraphs:

6.3.2 Issue of incorrect Certificate of Registration leading to undue exemption from payment of tax

According to the instructions issued by the State Government, Small Scale Industrial (SSI) Units were exempted from payment of General/Central Sales Tax in respect of goods manufactured and sold by them (except goods specified in negative list) either locally or during the course of inter-state trade. Industrial undertakings whose fixed investment in Plant and Machinery does not exceed Rs 60 lakh are to be regarded as Small Scale Industrial Units. A test check of the records of the District Industries Centre, Jammu revealed the following:

(a) Exemption from payment of Sales Tax by Small Scale Industrial Units was

Exemption from payment of Sales Tax granted without devising procedures for ascertaining and assessing actual status.

allowed by the Sales Tax Department on the basis of certificate of registration issued by the Industries Department. A test-check of 39 cases revealed that proper procedure for examining and verifying the fulfilment of various conditions,

regarding investment in fixed assets by an industrial unit for being regarded as Small Scale Industrial Unit had not been established and the units had been registered on the basis of applications indicating cost of Plant and Machinery procured. The records did not reveal that these particulars had been verified from supplier's bills and other records for ensuring their correctness.

(b) A manufacturing unit in Jammu was registered, provisionally, (April 1988) as a Small Scale Industrial Unit for one year on the basis of its project investment of Rs 34 lakh in Plant and Machinery. The unit holder applied for additional line of manufacture in November 1989 for which the unit had procured additional Plant and Machinery costing Rs 30.45 lakh between March 1989 and October 1989. The total cost of Plant and Machinery had, thus exceeded the prescribed limit in September 1989 and the unit ceased to be eligible for registration as Small Scale Industrial Unit from that date. However, the Department granted permanent SSI registration to the unit in March 1990. Consequently, the unit continued to avail undue exemption from payment of Sales Tax (both local Sales Tax as well as Central Sales Tax). During the years 1992-93 and 1993-94, for which records were made available, there was undue exemption of tax and interest aggregating Rs 67.93 lakh.

Availment of undue exemption of tax by a manufacturing unit resulted in non-recovery of tax and interest of Rs 67.93 lakh.

On this being pointed out in audit the Department stated (October 1998) that at the time of provisional registration, the unit had shown project investment in Plant and Machinery at Rs 34 lakh whereas its actual investment was Rs 32.25 lakh when it came to production. It was further stated that investment cost did not exceed the ceiling limit of Rs 60 lakh after procurement of additional machinery. The contention of the department is not however, correct as additional Plant and Machinery valuing Rs 30.45 lakh was subsequently procured by the unit thus bringing the total investment to Rs 62.70 lakh making the unit ineligible for exemption.

6.3.3 Incorrect grant of concessions

Under Government notifications issued (March 1984; March 1991; April 1995) under Section 8(5) of the Central Sales Tax Act, 1956 and Section 5 of Jammu and Kashmir General Sales Tax Act, 1962, a manufacturer operating Small Scale Industry in the State and registered with the Industries Department shall be exempted from payment of Sales Tax on goods manufactured and sold by him either in the course of inter-state trade or locally up to 31 March 2000 subject to the conditions that the unit holder furnishes returns as required under respective Acts and does not conceal his turnover.

A test check of the records of Sales Tax Circles dealing with exemption cases revealed as under :-

(a) Incorrect exemption allowed to units not registered with the Industries Department

In three cases test-checked, it was noticed that in three Sales Tax Circles (Jammu: 2; Kashmir: 1) exemption from payment of tax amounting to Rs 13.29 lakh had been allowed during the assessment years 1992-93 and 1995-96 to units which were not registered as Small Scale Industrial Units with the Department of Industries and Commerce.

<p><i>Exemption from tax of Rs 13.29 lakh allowed to 3 Industrial Units which were not registered with the Industries Department.</i></p>

On this being pointed out in audit the Assessing Authorities stated that in respect of two cases involving tax effect of Rs 11.81 lakh, notices had been issued to the dealers and one case involving tax effect of Rs 1.48 lakh was under examination.

(b) Incorrect exemption allowed to units whose provisional registration with Industries Department had not been extended

In four cases, the dealers who were provisionally registered as Small Scale Industrial Units with the Department of Industries for specified periods failed to get their provisional registration extended or to get themselves permanently registered as such. However, the dealers continued to claim exemption from payment of tax on sales made by

them even after the expiry of their provisional registration. Exemption of tax of Rs 21.50 lakh (including interest) was allowed to these units during 1993-94 to 1995-96.

On this being pointed out in audit the Assessing Authority stated (March/September 1997, June 1998) that the dealers had been asked to clear their position. Further developments were not intimated (November 1998).

(c) Incorrect exemption allowed to a dealer who had changed line of manufacture specified in the certificate of registration

The registration granted to a unit by the Industries Department is for a specific line of manufacture. Obviously, the certificate becomes invalid in case the dealer changes specific line of manufacture unilaterally. A test check of records revealed that a Small Scale Industrial Unit registered for manufacture of side tank stoves purchased spare parts of stoves from outside the state during 1992-93. The unit holder instead of utilising these spare parts in manufacturing activity, traded in these items. The Assessing Authority, while assessing the unit to tax, incorrectly allowed exemption on sale of spare parts amounting to Rs 3.10 lakh which resulted in non-recovery of tax, interest and penalty of Rs 1.05 lakh.

Non-recovery of tax, interest and penalty of Rs 1.05 lakh due to incorrect exemption.

On this being pointed out in audit the Assessing Authority stated (January 1998) that the case was under examination and a final reply would follow. Further progress in the matter was awaited (November 1998).

(d) Incorrect exemption granted to SSI units who had concealed their turnover

(i) In 45 cases, the SSI units had failed to include purchases in their purchase statements thereby concealing their turnover aggregating Rs 1.84 crore. The Assessing Authorities while assessing the unit holders to tax, failed to notice the omissions and incorrectly allowed the exemptions. This resulted in non-recovery of tax, interest and penalty aggregating Rs 4.08 crore during 1991-92 to 1996-97.

Irregular exemption granted to SSI units who had concealed their turnover resulted in non-recovery of tax, interest and penalty of Rs 4.08 crore.

On this being pointed out, the department initiated action by issuing notices against 30 dealers (tax effect: Rs 2.68 crore) and 4 cases (tax effect: Rs 0.29 crore) were stated to be under examination. No reply was given in the remaining 11 cases having tax effect of Rs 1.11 crore.

(ii) In another case a unit which had closing stocks of Rs 469183 and Rs 335000 at the close of 1990-91 and 1991-92, carried forward in his trading account stocks less by Rs 129183 and Rs 95000 for the years 1991-92 and 1992-93 respectively. Moreover, the dealer had short accounted for sales to the extent of Rs 77890 in his trading account for 1990-91. Thus, the dealer had concealed part of his turnover for the above years and was not, therefore, entitled to any exemption from payment of tax on the total turnover for these years claimed by him on the basis of being a Small Scale Industrial Unit. The Assessing Authority, however, while assessing the dealer to tax, allowed the exemption, resulting in short recovery of tax, interest and penalty of Rs 3.12 lakh.

On this being pointed out in audit the Assessing Authority stated (January 1998) that the case was under examination and further reply would follow. Further progress in the matter was awaited (November 1998).

(e) Incorrect exemption granted to a SSI unit who had delayed filing of quarterly returns

A unit holder had failed to file all quarterly returns for the years 1988-89 and 1991-92 to 1995-96 within the prescribed time limit thereby, becoming ineligible for grant of exemption from payment of Sales Tax. However, the Assessing Authority while making assessment (March 1996/March 1997) allowed incorrect exemption resulting in non-recovery of tax of Rs 2.02 lakh.

On this being pointed out in audit, the Department stated (January 1998) that the case was under examination. Further report on the case was awaited (November 1998).

6.3.4 The above points were referred to Government in June 1998; reply had not been received (November 1998).

6.4 Suppression of turnover

Failure to detect the suppression of turnover by the Assessing Authorities resulted in short levy of tax, penalty and interest of Rs 2.78 lakh in three cases.

Under the provisions of Jammu and Kashmir General Sales Tax Act, 1962, if a dealer conceals his turnover or furnishes inaccurate particulars thereof, the Assessing Authority shall direct that dealer to pay, in addition to tax due on such turnover, a sum by way of penalty not less than the amount of tax evaded. Further, as per provisions of the Act the dealer is also liable to pay interest on tax due at varying rates from 1.5 *per cent* to 3 *per cent* depending on the period of default. Test-check (August 1997) of the records of two Sales Tax Circles in Jammu revealed following cases of short levy of tax, interest and penalty.

(a) In Sales Tax Circle 'D' Jammu, a dealer had not included goods valued at Rs 2.49 lakh, received on transfer during 1994-95, in his purchase statement and trading account. The Assessing Authority, while assessing (January 1996) the dealer had failed to detect the discrepancy resulting in suppression of turnover of Rs 2.62 lakh.

On this being pointed out in audit (August 1997), the Department raised (August 1997) additional demand for Rs 71000 (tax: Rs 22000; penalty: Rs 33000, interest: Rs 16000 up to July 1997) against the dealer. Of this, Rs 22000 were recovered from the dealer in October 1997. Further report on the recovery of the remaining amount of Rs 49000 had not been received (July 1998).

In another case noticed in the same circle, a dealer had not accounted for in his purchase statements/trading accounts inter-state purchases valued at Rs 1.63 lakh and Rs 1.20 lakh made by him during 1994-95 and 1995-96 respectively, as per the available lading bills, thereby understating the turnover. Failure of the Assessing Authority to detect the suppressed turnover aggregating Rs 2.98 lakh, while finalising the assessments (May 1996), resulted in short levy of tax, interest and penalty amounting to Rs 71000 (tax:

Rs 27433; penalty: Rs 27433 and interest: Rs 15848 up to September 1997) for 1994-95 and 1995-96.

On this being pointed out in audit (August 1997) the Department stated (March 1998) that bills amounting Rs 73456 in respect of which concealment was pointed out had been accounted for in 1996-97 and for remaining suppressed turnover an additional demand of Rs 51000 was raised against the dealer. Of this, recovery of Rs 25000 was effected from the dealer till July 1998. The balance amount had yet to be recovered.

(b) In Sales Tax Circle 'K' Jammu, a dealer had not included in his purchase statement and trading account inter-state purchase of goods valued at Rs 4.65 lakh during 1993-94. This resulted in understating the turnover to the extent of Rs 5.04 lakh. Failure of the Assessing Authority to detect (December 1996) the suppression of turnover by the dealer resulted in short levy of tax, interest and penalty aggregating Rs 1.36 lakh (tax and penalty: Rs 42000 each; interest: Rs 52000 up to July 1997).

On this being pointed out in audit (August 1997) the Department raised (July 1998) an additional demand of tax, penalty and interest (up to July 1998) aggregating Rs 1.65 lakh recovery of which had yet to be effected (August 1998).

The above points were referred to Government in May 1998; reply had not been received (November 1998).

6.5 Non-levy of penalty

Failure to detect the irregularity of purchasing goods by a dealer, in the case of inter-State trade, not covered by his certificate of registration resulted in non-levying of penalty of Rs 1.10 lakh.

Under the Central Sales Tax Act 1956, if a registered dealer when purchasing any class of goods in the course of inter-State trade or commerce falsely represents that goods of such class are covered by his certificate of registration, the

competent authority may impose upon him, by way of penalty, a sum not exceeding one and half times the tax which would have been levied in respect of such goods.

A test-check of records in the Sales Tax Circle 'I' in Jammu revealed (August 1997) that a dealer was granted registration to deal in PVC compounds, aluminium wire, lubricants and machinery from 6 April 1990. The dealer, however, effected inter-State purchase of electric goods and copper wire valued at Rs 7.30 lakh between May 1995 and March 1996. The Assessing Authority while finalising assessment (November 1996) for the year 1995-96 failed to detect the irregularity resulting in non-levy of penalty up to Rs 1.10 lakh.

On this being pointed out (August 1997) in audit, the Department issued (June 1998) notice of demand for Rs 1.10 lakh recovery of which was yet to be effected (July 1998).

The matter was referred to Government in May 1998; reply had not been received (November 1998).

6.6 Loss of revenue

Failure of the Assessing Authority to take timely action for reassessment of a case resulted in loss of revenue of Rs 1.19 lakh

Under the provisions of the Jammu and Kashmir General Sales Tax Act, 1962, the Appellate Authority may confirm, reduce, enhance or annul the assessment or penalty or set aside the order and direct the Assessing Authority to pass a fresh order after further enquiry as may be directed. The Act also provides that order of reassessment, shall be made before the expiry of two years from the end of the financial year in which such order is made.

During the audit of records of Sales Tax Circle 'F' in Jammu, it was noticed (May 1997) that a dealer was assessed (March 1989) to tax of Rs 398208 including interest of Rs 70641 for non-payment of tax within stipulated time for accounting year 1984-85 against the admitted tax of Rs 277995. The dealer went in appeal

against the assessment order. The Appellate Authority, while setting aside in November 1989 the assessment order remanded the case back for *denovo* assessment. The order of reassessment creating a revised demand of Rs 396684 was passed against the dealer in February 1994 long after the expiry of prescribed period of two years which ended on 31 March 1992 and as such was inoperative and void. Reassessment order passed by the Assessing Authority was accordingly annulled (November 1995) by the Appellate Authority.

On this being pointed out, the Department confirmed (March 1998) that the case being time barred, no action was possible.

Thus, failure of the Department to take timely action for reassessing the case resulted in loss of revenue of Rs 1.19 lakh including interest of Rs 81542 for which no responsibility was fixed.

The matter was referred to Government in May 1998; reply had not been received (November 1998).

6.7 Underassessment due to misclassification of purchases

Misclassification of goods by suppression of material facts resulted in understatement of turnover of Rs 2.13 lakh with consequential short levy of tax, interest and penalty of Rs 60000.

Under the provisions of the Jammu and Kashmir General Sales Tax Act, 1962, if the Assessing Authority has reasons to believe that as a result of omission or failure on the part of a dealer to disclose, fully and truly, all material facts necessary for assessment, the turnover chargeable to tax has escaped assessment, he may reassess the tax on such turnover after serving a notice to the dealer. Besides under the Act, the dealer is also liable to pay, by way of penalty, an amount which shall not be less than the amount of tax and not more than double the amount of tax evaded besides levy of interest at prescribed rates on the tax from the date it was payable to the date of actual payment.

During the audit of the records of Sales Tax Circle 'D' Jammu, it was noticed (August 1997) that a dealer had, by suppression of material facts, misclassified inter-state purchases of taxable goods valued at Rs 2.03 lakh during 1995-96 as local purchases and included the same in his non-taxable purchase statement. The Assessing Authority, while finalising assessment (December 1996), failed to detect the discrepancy resulting in understatement of turnover of Rs 2.13 lakh with consequential short levy of tax, penalty and interest.

On this being pointed out (August 1997) in audit, the Department reassessed the escaped turnover and raised (August 1997) additional demand of Rs 60000 (tax :Rs 17866; penalty Rs 35000 and interest Rs 7235 up to August 1997). The case was referred (June 1998) to Deputy Commissioner Sales Tax (Recovery) for effecting recovery. Further report on the recovery has not been received (August 1998).

The matter was referred to Government in May 1998; reply had not been received (November 1998).

6.8 Incorrect grant of concessional rate of tax

Incorrect grant of concessional rate of tax resulted in short levy of tax, interest and penalty of Rs 50000.

Under the provisions of the Jammu and Kashmir General Sales Tax Act, 1962, if the Assessing Authority has reasons to believe that, as a result of omission or failure on the part of the dealer, the turnover chargeable to tax has been assessed at a lower rate, he may reassess the tax on such turnover after serving a notice to the dealer. The dealer is also liable to pay penalty not less than the amount of the tax evaded by furnishing inaccurate particulars besides, levy of interest on unpaid taxes. Further, under the provisions of the Act, a dealer shall in respect of sales made to Government Department or any Government Corporation recover the tax at the concessional rate of 4

per cent against issue of a certificate in the prescribed form in duplicate. The dealer shall attach one copy of the certificate to his annual return.

Test check of records in Sales Tax Circle 'F' Jammu revealed (July 1994) that a dealer who was assessed to tax (September 1993) had in his annual return for 1991-92 claimed concessional rate of tax on sales made to Government Department to the extent of Rs 1.20 lakh, against which sales of Rs 45000 only were supported by the prescribed certificates. It was further, noticed in audit that during 1992-93 the dealer was assessed (September 1994) to tax in respect of mattresses (turnover Rs 4.99 lakh) at the rate of 8 *per cent* against 10 *per cent* applicable. This resulted in short levy of tax, Interest and penalty aggregating Rs 50000 for 1991-92 and 1992-93 (tax: Rs 13627; penalty: Rs 13627; interest: Rs 23038 up to January 1998).

On this being pointed out in audit (July 1994) the Department raised (January 1998) additional demand of Rs 50000 against the dealer.

The case was referred (May 1998) by the Assessing Authority to Deputy Commissioner Sales tax (Recovery) for effecting recovery from the dealer. Further progress on recovery has not been intimated (November 1998).

The matter was referred to Government in May 1998; reply had not been received (November 1998).

Forest Department

6.9 Non-raising of bills resulting in non recovery of revenue

Non-raising of bills by the Forest Department resulted in non-recovery of Rs 55.79 lakh as royalty.

After the enactment of the Jammu and Kashmir State Forest Corporation Act, 1978, earmarked forests are handed over to the Corporation for commercial exploitation. The bills for cost of trees handed over to the Corporation are thereafter raised by the State Forest Department on the basis of sanctioned rates.

Test-check of records in Forest Division, Jammu revealed (September 1997) that 2838 dry fallen *chir* trees and 151 poles having fit volume* of 150829.90 Cfts. timber were handed over to the Corporation for exploitation during 1995-96. The Division, however, failed to raise the bills for the cost of timber against the Corporation resulting in non-recovery of revenue of Rs 55.79 lakh.

On this being pointed out in audit (September 1997), the Division raised (June 1998) bills for Rs 55.79 lakh against the Corporation. Further report on the recovery was awaited (August 1998).

The matter was referred to Government in May 1998; reply had not been received (November 1998).

6.10 Non-handing over of marked trees resulting in blockade of revenue

Non-handing over of marked trees to State Forest Corporation for commercial exploitation resulted in blockade of revenue of Rs 21.74 lakh as royalty realisable.

After the enactment of the Jammu and Kashmir State Forest Corporation Act, 1978, earmarked forests are handed over to the Corporation for commercial exploitation against payment of royalty at sanctioned rates. Under the provisions of Code of Instructions for the Conduct of Business and the Regulation of accounts in the Forest Department, when trees are sold detailed marking lists of trees and statement of the amounts due are to be supplied to the purchaser which shall be considered as the formal handing over of the trees to the purchaser, who may then fell the trees.

During the audit of records of Forest Division, Jammu it was noticed (September 1997) that technical clearance and administrative approval for exploitation of 1652 dry fallen *chir* trees and 54 poles, containing fit volume of 58783.22 Cfts. of timber was conveyed by the Chief Conservator of Forests to State Forest Corporation in February 1996. These markings and statement of amounts due were not, however

* Volume of dry fallen *chir* trees/poles charged at one-half.

supplied to the Corporation as of June 1998 for commercial exploitation by them for which no reasons were given. This resulted in blockade of revenue of Rs 21.74 lakh in the shape of royalty realisable from the Corporation on the basis of effective sanctioned rates.

On this being pointed out in audit (September 1997), the Division stated (October 1997/June 1998) that markings already cleared technically/administratively were not taken over by the Corporation who would be asked to do so after which bills for Rs 21.74 lakh would be raised. Further action in the matter was awaited (August 1998).

The matter was referred to Government in May 1998; reply had not been received (November 1998).

Law Department

6.11 Stamp Duty and Registration Fees

Introduction

Stamp duty and registration fees is levied under the provisions of Jammu and Kashmir Stamp Act and Jammu and Kashmir Registration fee Act of Svt. 1977 (1920 AD) and the Rules made thereunder. The Registrars and Sub-Registrars are entrusted with the administration of these Acts, under the overall control of Registrar, Jammu and Kashmir High Court.

Test-check of the records for the years 1994-95 to 1996-97 of five District Registrars and fifteen Sub-Registrars out of 70 auditee units, conducted between July 1997 and February 1998, revealed non-realisation/short-realisation of stamp duty (70 cases: Rs 11.69 lakh) and registration fees (37 cases: Rs 2.52 lakh). The department stated that notices would be issued for recovery in respect of these cases. However, recovery had not been effected in any case as of November 1998.

A few illustrative cases, highlighting important observations on short levy of stamp duty and short collection of registration fees, are given in the succeeding paragraphs:

(a) Mis-classification of instruments

Under provisions of Act, an instrument whereby a person renounces a claim of property or relinquishes the rights of any property in favour of another person on receipt of a consideration amount, is classified as deed of conveyance. Further, under the provisions of the Act, a mortgagor who gives to the mortgagee a power of attorney to collect rents or confers rights to sell or lease out the property mortgaged is deemed to have given possession of the property. The instruments of such mortgage deeds attract stamp duty at higher rates as applicable to deed of conveyances.

A test check of records of 8 Sub-Registrars^o and one District Registrar^{*} revealed misclassification of sale/mortgage deed instruments in 29 cases, resulting in short levy of stamp duty of Rs 8.12 lakh and registration fees of Rs 1.15 lakh.

On this being pointed out in audit, the department stated in 5 cases that the matter would be looked into. In one case the Sub-Registrar, Srinagar stated that since the documents have already been returned after registration, it was not desirable to summon the concerned parties for deposit of deficient amount of stamp duty and registration fees. The reply of the Sub-Registrar was not tenable as in such cases Section 48 of the J&K Stamp Act envisages recovery of deficient amount of stamp duty and registration fees as arrears of land revenue by the Collector. In two other cases, Sub-Registrar Mufasil, Jammu contested short levy of duty as the instruments were executed as family settlement deeds. However, the contention of the Sub-Registrar was not tenable in view of the fact that the possession of the property set forth in the deed had been given on receipt of consideration amounts and thus, were classifiable as conveyance deeds. No reply in respect of the remaining 21 cases was given by the concerned offices. The report on the recovery in all the cases was awaited (November 1998).

Short levy of stamp duty of Rs 8.12 lakh and registration fees of Rs 1.15 lakh due to misclassification of documents.

^o Sub-Registrars Basholi, Mendhar, Kathua, Hiranagar, Samba, Srinagar, Jammu (Mufasil and City)

^{*} District Registrar, Jammu

(b) Undervaluation of properties

Under Section 47-A of the Indian Stamp Act, 1899 AD if the Registering Authority has reasons to believe that the value of immovable property chargeable with

Absence of provision in rules regarding determination of market value of property in cases where properties are undervalued resulted in leakage of revenue.

advalorem duty has not been fully and truly set forth in the instrument, he may, after registering such instrument refer the same to the Collector for determination of the market value of the property or the consideration as the case may be and the proper duty payable, which will thereafter be

decided by the Collector after giving an opportunity to the registering party. Similar provisions relating to undervaluation of properties have not been incorporated in Jammu and Kashmir Stamps and Registration Acts and Rules made thereunder.

A test-check of records in the office of the Sub-Registrar (City) Srinagar revealed that in a case of land measuring 222 kanals^{*} and 19 marlas[∇] in Zethiar area of Srinagar, a sale deed was registered (January 1998) for a consideration of Rs 10 lakh at a sale rate of Rs 4485 per Kanal when sale deeds in the adjoining locality had been executed during 1994-98 at sale rates ranging between Rs 25000 and Rs 723810 per Kanal. Based on the minimum sale rate of Rs 25000 per Kanal the undervaluation of the land amounts to Rs 45.74 lakh with consequential short levy of stamp duty of Rs 4.94 lakh. Undervaluation was noticed in 6 more test-checked cases, comprising land (4080 Sq. ft.), single, two and three storied houses in other prime locations which were valued at the sale rate ranging between Rs 1000 and Rs 15000 per Kanal, which was not, *prima facie*, in accordance with the market value resulting in short levy of stamp duty and consequential revenue loss to the State. Had the provisions of referring the instruments to the collector for determination of the market value of the property, as provided in the Indian Stamp Act, been made in the Jammu and Kashmir Stamps and Registration Fees

^{*} One Kanal is equal to 5440 square feet.

[∇] One marla is equal to 272 square feet.

Acts, the leakage of revenue would have been plugged, besides minimising cases of under valuation of properties in the State.

The case was referred to the Government in October 1998; reply had not been received (November 1998).

(c) Incorrect application of rate of duty

Under the Jammu and Kashmir Stamp Act, 1977 Svt (1920 AD) the stamp duty is leviable on an instrument of conveyance of immovable property at three times the ordinary rate, if the property is situated within municipal limits and double the ordinary rate if the property is situated in a town area or other areas notified by Government.

In nine and two cases of instruments registered in Sub-Registry Jammu and Sub-Registry Srinagar respectively, stamp duty had been levied at ordinary rate although the property specified in the sale deed was situated within the municipal limits. This resulted in short levy of stamp duty by Rs 1.39 lakh.

<i>Short levy of stamp duty of Rs 1.39 lakh due to incorrect application of rate of duty.</i>

On this being pointed out in audit (January 1998) the Registering Officers stated that the short levy would be made good. Action taken for recovery of deficient duty was awaited (November 1998).

The above points were referred to Government in September 1998; reply had not been received (November 1998).

Section-I

This section contains a general view of Government Companies, Statutory Corporations and Departmentally managed Undertakings

7.1 Introduction

The accounts of the Government companies and deemed Government companies (as defined in Section 619 (B) of the Companies Act, 1956) are audited by the Statutory Auditors who are appointed by Central Government on the advice of the Comptroller and Auditor General of India (C&AG) as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the C&AG as per provisions of Section 619(4) of the Act, *ibid*.

Of the Statutory corporations, the accounts of Jammu and Kashmir State Road Transport Corporation are audited solely by the C&AG under the Road Transport Corporations Act, 1950. The accounts of Jammu and Kashmir State Financial Corporation are audited by the chartered accountants appointed by the State Government in consultation with the C&AG, who also undertakes the audit of this corporation separately. Separate Audit Reports (SARs) on the annual accounts of these statutory corporations are issued by the C&AG to the respective organisations and the State Government.

7.2 Government companies-General view

7.2.1 As on 31 March 1998, there were 19 Government companies including one subsidiary Government Company, which had a total investment of Rs 560.96 crore (equity: Rs 193.22 crore, long term loans: Rs 367.74** crore) as against investment of Rs 466.62 crore (equity: Rs 163.11 crore; long term loans: Rs 303.51 crore) in 18 companies as on 31 March 1997. The classification of the companies was as under:

* State Government: Rs 179.40 crore; Central Government: Rs 9.60 crore and Others: Rs 4.22 crore.

** State Government: Rs 211.98 crore; Central Government: Rs 1.70 crore and Others: Rs 154.06 crore including interest.

(Rupees in crore)		
Particulars	Number	Paid-up capital
(a) Working companies	18	192.42
(b) Non-working companies- Companies under liquidation	1	0.80
Total:	19	193.22

Investment by way of share capital had not been made by the State Government in Jammu and Kashmir State Power Development Corporation Pvt. Ltd. and Jammu and Kashmir State Handloom Handicrafts Raw Material Organisation Ltd. till 31 March 1998 although these companies were incorporated in February 1995 and November 1991 respectively.

7.2.2 Financial position and working results

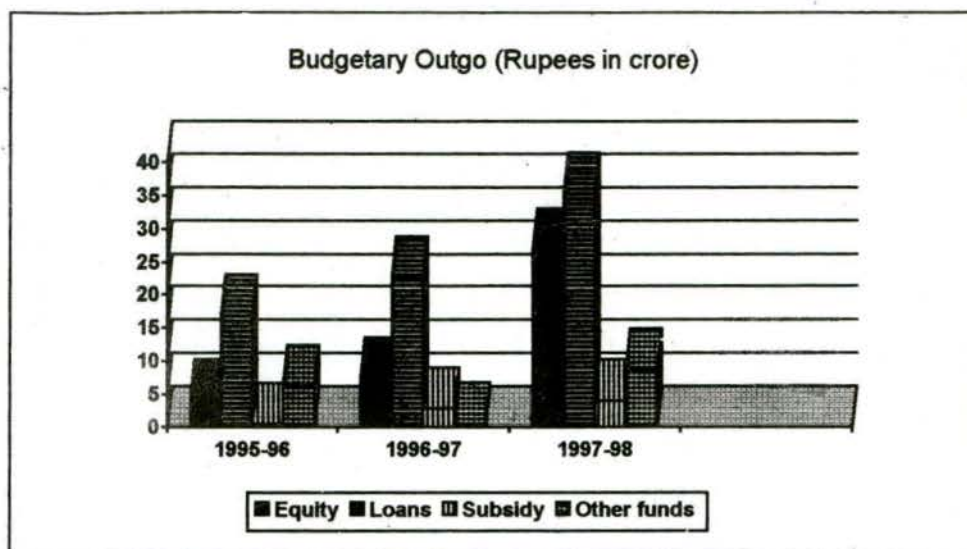
The financial position and working results in respect of all the Government companies are given in Appendices 8 and 9 respectively.

7.2.3 Budgetary outgo

The outgo from the State Government to Government companies during the years 1995-96 to 1997-98 in the form of equity capital, loans, subsidy and other funds was as detailed below:

(Rupees in crore)			
	1995-96	1996-97	1997-98
Equity capital outgo from Budget	4.01	7.34	26.80
Loans given out from Budget	16.83	22.65	35.19
Subsidy	0.50	2.82	4.01
Other funds	6.14	0.55	8.64
Total outgo:	27.48	33.36	74.64

Budgetary support provided by the Government registered an increase of 124 *per cent* during 1997-98. Payment on account of subsidy increased by 802 *per cent* compared to 1995-96 mainly due to release of substantial amount of Rs. 3.39 crore to Jammu and Kashmir State Agro Industries Development Corporation Ltd. The Company-wise break-up of the subsidy paid during 1997-98 is given in Appendix- 10. The comparative position of Budgetary outgo on account of equity capital, loans, subsidy, etc. during three years ending 1997-98 was as shown graphically below:



7.2.4 Guarantees

The guarantees given by the State Government against loans and credits given by banks including interest thereon for the preceding three years up to 1997-98 and outstanding as on 31 March 1998 were as shown in the table below:

(Rupees in crore)

Guarantees	Amount guaranteed during			Guaranteed amount outstanding as on 31 March 1998
	1995-96	1996-97	1997-98	
Cash credit from Jammu and Kashmir Bank and other nationalised banks	5.76	nil	nil	71.86
Loans from other sources	7.44	0.20	0.20	34.07
Total:	13.20	0.20	0.20	105.93

The Company-wise position of guarantees received during 1997-98 and outstanding at the end of March 1998 are given in Appendix- 10.

In consideration of the guarantees given by the Government, the companies have to pay guarantee fee at the rate of 0.25 *per cent* of the maximum amount guaranteed. The Government had, however, not recovered any guarantee fee from the companies during 1997-98.

7.2.5 Finalisation of accounts

Accountability of Public Sector Undertakings to the Legislature is to be achieved through the submission of audited annual accounts within the prescribed time schedule to the Legislature. The accounts of 18 Government companies were in arrears for periods ranging from 1 year to 15 years as on 1 October 1998, as indicated in Appendix-9.

According to the latest finalised accounts of these companies, 13 companies had incurred losses aggregating Rs 15.03 crore and 2 companies earned profit of Rs 50.39 crore as indicated in the table below:

S. No.	Number of companies	Year up to which accounts were finalised	Profit		Loss		Reference to S.No of Appendix-15
			Number	Amount	Number	Amount	
1.	4	1982-83	1	0.02	3	1.06	2,6,12 & 14
2.	1	1984-85	-	-	1	0.38	18
3.	1	1985-86	-	-	1	0.28	7
4.	1	1986-87	-	-	1	4.69	3
5.	2	1988-89	-	-	2	0.12	10 and 16
6.	3	1989-90	-	-	3	7.59	4, 8 & 15
7.	1	1992-93	-	-	1	0.06	5
8.	1	1996-97	-	-	1	0.85	9
9.	1	1997-98	1	50.37	-	-	1
Total: 15 [#]			2	50.39	13	15.03	

(Rupees in crore)

The administrative departments had to oversee and ensure that the

[#] Four companies viz., Jammu and Kashmir State Handloom Handicrafts Raw Materials Supplies Organisation Ltd; Jammu and Kashmir State Power Development Corporation Ltd.; Jammu and Kashmir Womens' Development Corporation Ltd. and Jammu and Kashmir State Cable Car Corporation Ltd. had not furnished accounts.

accounts were finalised and adopted by the companies in the Annual General Meeting (AGM) within time schedule as prescribed in the Companies Act, 1956. Though the concerned administrative departments and companies were apprised by Audit of the position of arrears quarterly, no effective measures had been taken by the Government for timely finalisation of accounts. As these companies did not adhere to the time schedule for submission of accounts, the investment made in these companies remained outside the purview of Audit and their accountability could not be ensured.

The sector-wise investment in these companies was as follows:

Sector	Equity and loans as at the end of						(Rupees in crore)	
	1996-97			1997-98			Debt equity ratio in	
	Number of companies	Equity	Loans	Number of Companies	Equity	Loans		
							1996-97	1997-98
Finance	1	7.00	-	1	30.00	-	-	
Industries and Commerce	10	94.17	223.72	9	97.26	275.59	2.38:1	2.83:1
Public Works	1	1.53	0.30	1	1.53	0.30	0.20:1	0.20:1
Agricultural Production	2	12.74	68.52	2	12.74	82.30	5.38:1	6.46:1
Social Welfare	2	10.35	5.37	2	11.79	4.22	0.52:1	0.36:1
Tourism	2	37.32	5.60	2	39.90	5.33	0.15:1	0.13:1
Total:	18	163.11	303.51	17	193.22	367.74		

The debt equity ratio of two companies under the Agricultural sector was quite high.

7.2.6 Working results

7.2.6.1 Profit earning companies

Out of 9 Government companies which had finalised their accounts for 1997-98 or earlier years during 1998-99 (September 1998) only 2 companies viz., Jammu and Kashmir Bank Limited and Jammu and Kashmir Projects Construction Corporation Ltd. had earned profit of Rs 50.39 crore.

7.2.6.2 Companies incurring loss

According to the latest available accounts, losses aggregating Rs 15.03 crore were incurred by 13 companies of which 3 companies had eroded their paid-up capital of Rs 11.37 crore as per details given below:

Name of Company	Year up to which accounts prepared	Paid-up capital at the close of year	Accumulated loss	(Rupees in crore) Excess of accumulated loss over paid-up capital
1. Tawi Scooters Limited	1989-90	0.80	1.04	(-) 0.24
2. Himalayan Wool Combers Limited	1996-97	1.37	7.08	(-) 5.71
3. Jammu and Kashmir Horticultural Produce Marketing and Processing Corporation Limited	1989-90	9.20	20.45	(-) 11.25
Total		11.37	28.57	(-) 17.20

7.2.7 Review of accounts

Important comments of Statutory Auditors and the C&AG of India on the accounts of Government companies

7.2.7.1 Section 619 (3) of the Companies Act, 1956 empowers the Comptroller and Auditor General of India to issue directions to the Statutory Auditors of Government companies in regard to performance of their functions. However, no observations of the Statutory Auditors on the accounts of any Company were received during 1997-98.

7.2.7.2 Under Section 619 (4) of the Companies Act, 1956 the Comptroller and Auditor General of India has the right to comment upon or supplement the reports of

Statutory Auditors. Accordingly, the audited annual accounts of Government companies are reviewed on selective basis. During the period from October 1997 to September 1998, 12 accounts (2 accounts of Jammu and Kashmir Industries Limited and Jammu and Kashmir State Handloom Development-Corporation) of 10 companies were received. Of these, 10 accounts were selected for review. Comments on the accounts were issued in respect of 4 companies disclosing understatement of loss by Rs 22.01 lakh.

7.2.8 Capacity utilisation

The highest and lowest percentage of utilisation of the installed capacity of 7 companies having 21 manufacturing units (in respect of which information was made available) is given in Appendix-11. The installed capacity is often up-rated or down-rated depending upon the condition of plant and machinery, manpower constraints, number of shifts worked, etc. leading to revision of rated capacity. The figures computed by the companies have not been presented in terms of a standard man-hour unit of capacity or production. In 5 manufacturing units of these companies, percentage utilisation of capacity ranged between 40 and 84 and in 16 remaining manufacturing units, it ranged between nil and 38. Thus, there is a need for monitoring capacity utilisation in terms of standard man-hours of production, targetted and achieved.

7.3 Statutory corporations

7.3.1 General aspects

There were four statutory corporations in the State as on 31 March 1998. Of these, two corporations viz., Jammu and Kashmir State Road Transport Corporation and Jammu and Kashmir State Financial Corporation are subject to audit by the Comptroller and Auditor General of India.

Audit of other two Statutory corporations viz., Jammu and Kashmir State Forest Corporation and Jammu and Kashmir State Electricity Board, set up under the respective acts of State Legislature, had not been entrusted to the Comptroller and Auditor General of India. In view of substantial public funds having been invested in these

two corporations, the State Government had been requested (June 1998) to entrust audit of these two Statutory corporations to the Comptroller and Auditor General of India.

7.3.2 Guarantees

The guarantees given by the State Government to four Statutory corporations against bonds, loans and credits given by banks including interest thereon for three years up to 1997-98 and outstanding as on 31 March 1998 are as shown in the table below:

Particulars	Amount guaranteed during			(Rupees in crore) Guaranteed amount outstanding as on 31 March 1998
	1995-96	1996-97	1997-98	
Cash credit from Jammu and Kashmir Bank and other nationalised banks	nil	nil	nil	24.01
Loans from other sources	41.40	21.83	58.85	405.48
Total	41.40	21.83	58.85	429.49

The position of guarantees received during 1997-98 and guarantees outstanding at the end of March 1998 was as given in Appendix-10.

7.3.3 Jammu and Kashmir State Road Transport Corporation

The Jammu and Kashmir State Road Transport Corporation was constituted on 1 September 1976 under Section 3 of the Road Transport Corporations Act, 1956. Under the Act, audit of the corporation rests solely with the Comptroller and Auditor General of India and Separate Audit Reports (SARs) mainly incorporating the comments on the annual accounts of each year are issued to the corporation and State Government. SAR on the accounts for the year 1996-97 was finalised during 1997-98.

The capital contribution in the corporation as on 31 March 1997 was Rs 85.76 crore (State Government: Rs 70.75 crore; Central Government: Rs 15.01 crore).

The corporation obtained Rs 19.49 crore as loan from the State Government and Rs 1.82 crore from Industrial Development Bank of India during 1996-97. In addition, ways and means advances were obtained from Jammu and Kashmir Bank in the form of overdrafts. The amount of borrowings outstanding at the end of March 1997 excluding interest was Rs 107.51 crore.

The financial position of the corporation at the close of each of the three years up to 1996-97 was as summarised in the following table:

(Rupees in crore)				
S.No.	Particulars	1994-95	1995-96	1996-97
A.	Liabilities			
1	Capital	74.27	79.76	85.76
2	Borrowings	65.65	92.52	107.51
3	Trade dues and other liabilities	49.46	61.62	76.58
	Total:	189.38	233.90	269.85
B.	Assets			
1	Gross block	24.73	40.10	33.99
2	Less depreciation	7.07	9.51	4.89
	Net fixed assets	17.66	30.59	29.10
3	Current assets, loans and advances	9.69	9.98	12.01
4	Accumulated loss	162.03	193.33	228.74
	Total assets	189.38	233.90	269.85
C.	Capital employed^s	(-) 22.11	(-) 21.05	(-) 35.47
D.	Net worth[#]	(-) 87.76	(-) 113.57	(-) 142.98

The cumulative loss of the corporation as on 31 March 1997 was Rs 228.74 crore which worked out to 267 per cent of the total capital contribution of Rs 85.76 crore.

The working results of the corporation for each of the three years up to 1996-97 were as given below:

^s Capital employed represents net fixed assets plus work-in-progress and working capital.
[#] Net worth represents capital plus reserves and surplus minus accumulated losses.

(Rupees in crore)				
	Particulars	1994-95	1995-96	1996-97
1	Total revenue (operating and non-operating)	21.20	23.82	25.87
2	Total expenditure (operating and non-operating)	45.49	55.12	61.28
3	Loss during the year	24.29	31.30	35.41
4	Total interest charged to profit and loss account	8.83	12.19	13.16
5	Return on capital employed (4 - 3)	(-) 15.46	(-) 19.11	(-) 22.25

7.3.4 Jammu and Kashmir State Financial Corporation

The Jammu and Kashmir State Financial Corporation was established on 2 December 1959 under the State Financial Corporation Act, 1951.

Under the provisions of the Act, the accounts of the corporation are audited by the chartered accountants appointed by the State Government in consultation with the C&AG and the latter may also undertake audit of the corporation separately. Separate Audit Report (SAR) in respect of the annual accounts of the corporation is also issued by the C&AG to the corporation and the State Government. The annual accounts of the corporation have been certified by the Statutory Auditors up to the year 1994-95.

The paid-up capital of the corporation as on 31 March 1994 was Rs 53.80 crore (State Government: Rs 32.67 crore; IDBI: Rs 20.92 crore and Others: Rs 0.21 crore). The corporation's borrowings as on 31 March 1994 amounted to Rs 146.88 crore (bonds and debentures: Rs 65.83 crore).

7.4. Departmentally managed Government commercial/quasi-commercial undertakings-General aspects

There were five departmentally managed commercial/quasi-commercial undertakings in the State as on 31 March 1998.

Pro forma accounts of the following undertakings including the four defunct undertakings namely, Government Fair Price Shop (Drugs and Medicines) Srinagar, Government Lumbering Undertaking and the Milk Supply Undertakings, Srinagar and Jammu were in arrears (September 1998) for the periods as detailed below:

S.No	Name	Year for which accounts are in arrears
1.	Government Press, Srinagar	1968-69 to 1997-98
2.	Government Press, Jammu	1968-69 to 1997-98
3.	Food and Supplies Department, Jammu	1973-74 to 1997-98
4.	Food and Supplies Department, Srinagar	1975-76 to 1997-98
5.	Jammu and Kashmir State Insurance Fund	1990-91 to 1997-98
6.	Government Fair Price Shop (Drugs and Medicines), Srinagar	1970-71 to September 1973 (Defunct)
7.	Government Lumbering Undertaking	1978-79 to June 1979 (Defunct)
8.	Milk Supply Undertaking, Srinagar	1980-81 to 27 October 1983 (Defunct)
9.	Milk Supply Undertaking, Jammu	1982-83 to 2 December 1983 (Defunct)

The position of arrears in the finalisation of the accounts was last reported to the State Bureau of Public Enterprises in November 1998.

7.5 Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

To accelerate the pace of Committee's deliberations on the outstanding Audit Reports, selective approach of discussion of Audit Reports from the year 1990-91 onwards was adopted. Reviews and paragraphs included in the Audit Report prior to 1990-91 which had lost topical interest were skipped over for discussion by the Committee.

Position of discussion of commercial chapter of Audit Reports pending in the COPU as on 31 March 1998 was as given below:

Year of Report	Pending discussion (in numbers)	
	Review	Paragraph
1991-92	3	-
1992-93	2	1
1993-94	-	2
1994-95	1	1
1995-96	1	3
Total:	7	7

Audit Report for the year 1996-97 was placed before the State Legislature on 25 August 1998.

Section -II

This section contains a review on the working of Jammu and Kashmir Small Scale Industries Development Corporation Limited

7.6 Jammu and Kashmir Small Scale Industries Development Corporation Limited

7.6.1 Introduction

The Jammu and Kashmir Small Scale Industries Development Corporation Limited (SICOP) was incorporated on 28 November 1975 under the Companies Act, 1956 as a wholly owned Government company for providing infrastructural, financial and marketing facilities to the Small Scale Industrial (SSI) units in the State.

7.6.2 Objects

The main objects of the Company are :

- (i) to procure and distribute raw materials viz. iron, steel, etc. to SSI units in the State on prices fixed by the Company;
- (ii) to assist and provide financial assistance in the form of term loans to SSI units for marketing their products within and outside the State;
- (iii) to develop industrial estates for providing infrastructural facilities to an individual, firm, company or concern for the purpose of establishing small scale industrial units; and
- (iv) to establish and maintain testing and common facility centres and export house (s) to promote exports for the benefit of small scale industries.

7.6.3 Organisational set-up

The management of the Company is vested in a Board of Directors comprising 14 members including the Managing Director with the Minister Industries and Minister of State, (Commerce Department) as its Chairman and Vice-Chairman respectively. The Managing Director, who is the Chief Executive of the Company, is

assisted by Senior General Manager (Marketing), General Manager (Raw Materials), Financial Advisor and Chief Accounts Officer and 2 Project Engineers.

7.6.4 Audit Coverage

The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1979-80. The present review covers the working of the Company for the five years up to 1997-98. The important points noticed in audit are set out in the succeeding paragraphs:

7.6.5 Highlights

- The Company had finalised its accounts up to the year 1982-83 only. Based on the provisional accounts, the Company had suffered an accumulated loss of Rs 6.61 crore at the end of March 1998 which represented 212 *per cent* of its paid-up capital.

(Paragraphs: 7.6.7.1 and 7.6.7.2)

- The Company suffered loss of Rs 4.15 lakh in the operation of its truck fleet during the period 1993-94 to 1997-98. Moreover, allotment of transportation work at rates higher than those fixed by the State Transport Authority resulted in extra expenditure of Rs 6.23 lakh between July and November 1996.

(Paragraphs: 7.6.8.2 and 7.6.8.2(a))

- Advances aggregating Rs 93.59 lakh, given to 53 units to enable them to adhere to delivery schedule in respect of marketing orders secured, were outstanding as of March 1998.

(Paragraph: 7.6.9.1)

- Out of 868 plots developed at a cost of Rs 6.39 crore in six industrial estates, the Company could allot only 678 plots to SSI units up to March 1998. Of these, units occupying 278 plots (41 *per cent*) only were under production.

(Paragraph: 7.6.10)

- In the industrial estate Kathua out of 218 plots developed at a cost of Rs 1.07 crore, only 28 plots had been allotted due to poor demand resulting in idle investment of Rs 80 lakh.

(Paragraph : 7.6.10 (i))

- Due to shifting of its Divisional Office from a building at Zainakote, owned by the Company, to a hired building at Boulevard, Srinagar the Company incurred an avoidable expenditure of Rs 5.48 lakh on rent during the period from July 1996, to March 1998. The investment of Rs 13.31 lakh made by the Company on construction of the building at Zainakote (lying vacant since July 1996), thus, proved unfruitful.

(Paragraph:7.6.14.1)

- Purchase of cement at higher rates by the Company during 1996-97, without assessing the competitiveness of rates, resulted in extra expenditure of Rs 12 lakh.

(Paragraph:7.6. 14.2)

7.6.6 Finance and Resources

7.6.6.1 Capital structure

Against the authorised share capital of Rs 5 crore, the paid-up capital of the Company as on 31 March 1998 was Rs 3.12 crore wholly subscribed to by the State Government. In addition, the Company received plan funds amounting to Rs 91 lakh during 1996-97 from the State Government for development of industrial estates at Gangyal and Zainakote and for purchase of 4 electronic weigh bridges. Out of this, Rs 58.93 lakh were diverted by the Company to meet its working capital requirements.

7.6.6.2 Borrowings

The Company obtains loans from the State Government as well as from the State Financial Corporation (SFC) and Small Industries Development Bank of India (SIDBI). The amount of loans outstanding as on 31 March 1998 aggregated Rs 3.44 crore (State Government: Rs 2.74 crore; SFC: Rs 0.03 crore; SIDBI: Rs 0.67 crore). The

interest payable on loans received from the State Government as on 31 March 1998 was Rs 1.45 crore. The Company had also cash credit arrangement with Jammu and Kashmir Bank Limited for an aggregate limit of Rs 5.45 crore against hypothecation of stocks.

7.6.7 Financial position and working results

7.6.7.1 Financial position

The Company had finalised its accounts up to the year 1982-83 and accounts beyond 1982-83 are in arrears (September 1998). The financial position of the Company on the basis of provisional accounts for the five years up to 1997-98 was as summarised below:

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
(Rupees in lakh)					
A. Liabilities					
(i) Paid-up capital	284.85	284.85	284.85	311.85	311.85
(ii) Plan funds	27.00	27.00	27.00	91.00	225.00
(iii) Reserves and surplus	19.80	22.64	28.66	68.09	90.81
(iv) Borrowings (including cash credit)	612.20	655.80	640.90	363.27	633.80
(v) Trade dues and other current liabilities (including provisions)	903.13	1027.98	1140.14	1644.70	2016.39
Total-A	1846.98	2018.27	2121.55	2478.91	3277.85
B. Assets					
(i) Net fixed assets	330.35	327.42	303.02	283.16	284.55
(ii) Investments	0.90	0.90	0.90	0.90	0.90
(iii) Current assets, loans and advances	1382.45	1388.72	1350.23	1602.02	2330.94
(iv) Accumulated loss	133.28	301.23	467.40	592.83	661.46
Total-B	1846.98	2018.27	2121.55	2478.91	3277.85
C. Capital employed [⊖]	809.67	688.16	513.11	240.48	599.10
D. Net worth [⊖]	171.37	6.26	(-) 153.89	(-) 212.89	(-) 258.80

[⊖] Capital employed represents net fixed assets (including works-in-progress) plus working capital.

[⊖] Net worth represents paid-up capital plus reserves and surplus less accumulated losses.

The Company had completely eroded its paid-up capital in 1994-95 and the accumulated loss represented 212 per cent of paid-up capital as on 31 March 1998.

Accumulated losses of Rs 6.61 crore eroded paid up capital completely.

7.6.7.2 Working results

The working results of the Company based on the provisional accounts for the five years ending 1997-98 were as tabulated below:

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
		(Rupees in lakh)			
A. Income	1884.89	1763.37	1943.16	2830.10	4192.00
(i) Sales	1797.97	1628.27	1857.32	2710.27	3880.80
(ii) Interest and service charges	52.03	59.82	74.17	120.20	155.40
(iii) Ground rent of industrial estates	5.07	6.29	7.14	7.37	9.95
(iv) Commission from SAIL* /IPCL etc.	7.46	6.91	13.55	16.74	20.43
(v) Other income	48.00	22.42	45.38	52.86	66.67
(vi) Accretion (+)/ Decretion (-) in stock ^B	(-) 25.84	(+) 39.66	(-) 54.40	(-) 77.34	(+) 58.75
B. Expenditure	2007.12	1931.32	2109.33	2955.53	4260.63
(i) Purchase (including carriage charges)	1712.05	1605.55	1727.49	2530.04	3825.86
(ii) Salaries and other benefits	144.45	164.42	198.57	228.61	248.39
(iii) Interest	50.64	76.43	91.16	107.25	72.11
(iv) Depreciation	41.52	39.61	37.22	35.67	35.08
(v) Other expenses	58.46	45.31	54.89	53.96	79.19
Loss for the year	122.43	167.95	166.17	125.43	68.63

As would be seen, the Company has incurred losses every year. The accumulated loss of the Company increased from Rs 1.33 crore in 1993-94 to Rs 6.61 crore at the end of 1997-98. In spite of substantial increase in sales during the years 1996-97 to 1997-98, the company continued to incur losses due to increased interest charges on institutional finance (from Rs 50.64 lakh in 1993-94 to Rs 72.11 lakh in 1997-98) as the Company failed to realise its dues from industrial units, poor off-take of raw material items like iron, steel, cement, etc.; resulting in locking up of its working capital and increased expenditure on salaries.

Company incurred losses continuously during the years 1993-94 to 1997-98.

* Steel Authority of India

^B Stock includes stock-in-transit/transferred.

7.6.8 Activities and performance**7.6.8.1 Procurement and distribution of raw material**

The Company procures raw material like iron, steel, cement, hardcoke, etc. and distributes the same to SSI units registered with the Director of Industries. It caters to the needs of 39161 SSI units. The Company levies service charges at varying rates (2 to 5 *per cent*) on the landed cost of the raw materials except on iron and steel which formed 65 to 86 *per cent* of total turnover of the Company during 1992-93 to 1997-98. The Company has a network of 17 Raw Material Depots (RMD) and sale outlets throughout the State. It was seen in audit that sale of iron and steel to SSI units, which formed bulk of the turnover, decreased from 11400 tonnes during 1992-93 to 7622 tonnes in 1997-98. The decrease in off take of these items was attributed to its decontrol in 1992 and its availability in open market at cheaper rates. The company had not reviewed the desirability of diversifying its activities in view of the decontrol of these items.

(a) Locking up of working capital

(i) The Board of Directors of the Company, while expressing concern over the large quantity of slow moving items of iron and steel, directed (July 1992) the management to purchase raw materials on the basis of the projected requirement and quantities actually lifted by the SSI units in the past. The Board further directed the management to take advance payments from the SSI units for their procurement. The Committee on Public Undertakings had also recommended (January 1983) that the Company should make realistic assessment of its requirements so that funds of the Company were not blocked unnecessarily which would also save the Company from incurring losses.

It was, however, seen in test audit that 85 tonnes of iron and steel valued at

Rs 18.62 lakh locked up for periods ranging between 10 and 18 months due to failure of the management to take advance payments from SSI units.

Rs 18.62 lakh purchased by the Company between February 1997 and October 1997 were lying (August 1998) in Digiana depot for periods ranging between 10 and 18 months. As the Company operates on borrowed

funds, the interest incidence on the sum worked out to Rs 3.26 lakh at the average borrowing rate of 17 per cent. The Management stated (April 1998) that the material was procured on the demand of SSI units but due to recession in the market, there was low demand from the units. The reply is not tenable as the Board had directed the management to take advance payments from the SSI units for procurement of the material.

(ii) The closing stock of the Company, at the end of March 1998, included old and defective store items valued at Rs 30.73 lakh. The stocks had been lying in the depots of the Company for periods ranging from 16 to 165 months. Despite instructions of the Board in September 1995 to dispose of the material on 'as is where is basis', it had not been disposed of as of August 1998 which resulted not only in locking up of funds but also in further deterioration of stocks.

Defective store items valued at Rs 30.73 lakh awaiting disposal for periods ranging from 16 to 165 months.

(b) Loss due to non-disposal of cement in time

The Company suffered a loss of Rs 2.26 lakh due to prolonged storage of cement and its non-disposal in time in the following two cases:

Loss of Rs 2.26 lakh due to prolonged storage of cement and its non-disposal in time.

The Company transferred 11399 bags of cement from its RMD, Jammu to RMD, Zainakote Srinagar during June-September 1995. The Zainakote depot disposed of 1597 bags and transferred 9060 bags to its depots at Leḥ and Kargil and the remaining 742 bags (value: Rs 1.39 lakh) got set. The inquiry officer nominated (April 1997) for investigating the cause of setting of cement, observed that non-observance of the procedure "first-in-first-out" led to setting of the cement and held Manager and Store Officer, Zainakote depot responsible for the loss. Although the Managing Director had ordered (August 1997) recovery of the cost of the cement from the officials responsible, no recovery had been effected as of August 1998. Reasons for delay in effecting the recovery from the defaulting officials, were not intimated (August 1998).

Similarly, out of 10370 bags of cement transferred between May 1995 and November 1995, from RMD, Zainakote to sale outlet Chrar-i-sharief 446 bags (value;

Rs 0.87 lakh) were received back in semi-set condition in April 1997. The Company could not dispose of the cement till it got fully set resulting in loss of Rs 0.87 lakh. The circumstances leading to non-disposal/use of the cement had not been investigated for identifying the officials responsible for the loss and for taking necessary remedial action to prevent such losses in future.

(c) Shortage of materials

Out of 257 bundles of chainlink fencing and other material dumped in the premises of RMD, Pulwama (161 bundles) and sports goods complex, Bijbehara (96

Reasons for shortages of materials valuing Rs 1.73 lakh neither investigated nor any responsibility fixed for the loss.

bundles) since 1992, 72 bundles (cost: Rs 18 lakh) and four 3-phase electric motors (cost: Rs 0.20 lakh) were found short in June 1995 and October 1992 respectively. The shortages were attributed to security personnel who occupied the premises in May 1995 and October 1992 respectively. The Marketing

Manager, RMD, Pulwama who was asked by the Deputy Project Engineer to report on the alleged shortages stated (June 1995) that the material was dumped by the Estate Manager, Pulwama without obtaining its receipt from any official of the Depot and in absence of any record of its receipt in the Depot, the actual quantity of material dumped and reportedly lifted by the security personnel could not be ascertained. In September 1995 the Estate Manager reported further shortage of 1.7 tonnes of angle iron (cost: Rs 0.35 lakh) raising the value of shortages to Rs 1.73 lakh.

In case of shortage at Bijbehara, the Managing Director directed (November 1992) shifting of the remaining 70 bundles from the complex to the Zainakote depot. While 32 bundles shifted to the district store at Anantnag in July 1993, were lying in the open and exposed to elements of weather, due to which the material had begun to show signs of deterioration, the whereabouts of remaining 38 bundles were not known (August 1998) raising the total number of missing bundles to 110 (cost: Rs 1.86 lakh).

The Management had neither investigated the reasons for the shortage nor had fixed the responsibility for the loss.

(d) Credit sale of raw material

The Board decided (July 1991) that sale of raw material should be made against cash payment.

Test-check of the records of the Udampur depot of the Company however, revealed that credit sales of raw

Contrary to the instructions of the Board, credit sales of raw material made to SSI units.

material valued at Rs 1.27 lakh were made between 1992-93 and 1994-95 to 3 SSI units. The concerned units, however, disputed the outstanding, on the plea that they had lifted the material against cash payment. On this being pointed out in audit, the Management stated (January 1998) that legal action would be initiated to recover the outstanding and departmental action would also be taken against officers responsible for it. Further developments in the matter were awaited (October 1998).

7.6.8.2 Transportation of raw material

The Company caters to the raw material needs of the SSI units through a network of depots, located in all the districts of the State. The transportation of raw material within the State is carried through trucks. In order to facilitate this activity, the Company purchased 9 trucks (6 in 1982 and 3 in 1987). Of these 9 trucks, three trucks (1982-model) were auctioned during 1992-93 to 1994-95 rendering 6 drivers/cleaners surplus to the requirement of the Company. No action to adjust the surplus staff had been taken as of February 1998 and idle wages of Rs 10.97 lakh were paid to them up to March 1998.

Idle wages of Rs 10.97 lakh paid to surplus staff.

The working results of the truck fleet for the period from 1993-94 to 1997-98 revealed that against the total income of Rs 57.25 lakh, the expenditure incurred on its operation was Rs 61.40 lakh, resulting in net deficit of Rs 4.15 lakh during the said period. The reasons for uneconomic working of the fleet had not been analysed for taking necessary remedial measures to improve the performance of the fleet.

Working results of truck fleet showed a net deficit of Rs 4.15 lakh

Following further points were noticed:

(a) Extra expenditure on transportation of material

In view of the depleted truck fleet, the Company hired trucks from State Road Transport Corporation Limited (SRTC) and from some private firms for transporting raw material to various destinations. For meeting requirement of raw materials of SSI units/ Government departments in Kargil and Leh districts, the Divisional Manager, (Kashmir) allotted (15 July 1996) transportation work for the year 1996-97 to a local firm at the rate, of Rs 9000 and Rs 14500 per truck (truck load: 6 tonne) from Srinagar to Kargil and from Srinagar to Leh respectively. This was done without inviting tenders and without entering into any agreement with the firm. The firm, after transporting 376.800 tonnes of material up to 25 July 1996, demanded rate of Rs 10000 and Rs 15000 per truck for Kargil and Leh respectively as was reportedly paid by the Army. The Company enhanced the rate from Rs 9000 to Rs 9500 per truck for Kargil with effect from 26 July 1996 and from Rs 14500 to Rs 15000 per truck for Leh from 1 November 1996. The firm transported material from Srinagar to Kargil in 160 truck loads and from Srinagar to Leh in 268 truck loads during the period from July to November 1996 incurring an expenditure of Rs 54.09 lakh as transportation charges.

Allotment of transportation work for the year 1996-97 to a local firm without assessing the reasonability of rates resulted in extra expenditure of Rs 6.23 lakh.

It was observed in audit that the rates fixed by the State Transport Authority (STA) and applicable to all Government Departments/Institutions for Kargil and Leh were Rs 8200 and Rs 13000 per truck (truck load: 6 tonnes) respectively. Thus, allowing carriage rates by the Company at rates higher than those fixed by the STA without ascertaining the competitiveness of these rates resulted in an extra expenditure of Rs 6.23 lakh between July 1996 and 15 November 1996. Neither were reasons for allotment at higher rates intimated nor had the responsibility for the lapse been fixed.

(b) Transit loss

The Company dispatched (June 1995) a truckload of GC iron sheets valued at Rs 1.55 lakh from its Zainakote depot to Kargil, through a private transport firm. The material did not reach its destination and was reportedly misappropriated by the truck driver. Efforts of the Company to retrieve the material or cost thereof did not succeed and the matter was reported to the Police, after 3 months, in September 1995. The case was closed by the Police in January 1997 without results. It was however, observed in audit that the Company had not entered into any agreement with the firm to safeguard its interests. The material had also not been insured against transit loss, theft or shortage, due to which the Company suffered a loss of Rs 1.55 lakh. Responsibility for the loss had not been fixed (August 1998).

The Company suffered a loss of Rs 1.55 lakh on account of transit shortages due to its failure to execute agreement with the private transport firm

7.6.9 Marketing assistance scheme

The Company was selected (November 1995) by the State Government to act as an agency for marketing, within and outside the State, 15 specified items (reduced to 12 items in March 1996) being manufactured by SSI units. The Company had been charging service charges at 4 per cent from July 1996 from the SSI units on the value of orders secured and executed.

Perusal of the records of the Company revealed that the Company earned an income of Rs 3.92 crore as service charges during the period from 1994-95 to 1997-98 on marketing of 12 reserved items manufactured by SSI units to Government departments. Though, the Managing Director had informed the Board (April 1996) that efforts would be made to provide marketing support to SSI units in non-Government sector, the Company failed to tap the private market, particularly outside the State.

7.6.9.1 Advances under Marketing Scheme

In order to help the small scale units to adhere to their delivery schedule in respect of orders secured, the Company provides advances to

Advances aggregating Rs 93.59 lakh paid under marketing scheme pending recovery.

the SSI units at 2 *per cent* above its borrowing rate. The Company provided financial assistance of Rs 7.83 lakh to only 3 SSI units during the period from 1993-94 to 1997-98. A test-check of records revealed that financial assistance aggregating Rs 93.59 lakh (excluding interest) was recoverable (March 1998) from 53 units as detailed below:

- (i) Rs 68.44 lakh due from three firms for which the matters were under arbitration.
- (ii) Rs 7.35 lakh due from four firms for which cases had been filed in court.
- (iii) Rs 2.68 lakh due from seven firms for which decrees had been passed between 1989-90 and 1996-97 and were pending execution.
- (iv) Rs 4.82 lakh pertaining to the period 1985-86 due from a firm for which no recovery suit could be filed as the relevant documents of the case were not traceable. Accordingly, a suit for rendition of account had been filed in the court in April 1996.
- (v) Rs 0.47 lakh pertaining to the period 1983-84 due from a firm which had become time barred due to failure of the company to initiate legal action at an appropriate time.
- (vi) Rs 9.83 lakh outstanding from 37 firms for more than five years. No action to recover the amount had been taken so far (March 1998). Out of Rs 9.83 lakh, Rs 7.20 lakh were due from 26 firms which were either closed or defunct.

No analysis of the old dues to identify time barred recoveries had been made nor was responsibility fixed for misplacement of documents (August 1998).

7.6.10 Infrastructural facilities

The Company provides infrastructural facilities like development of land, construction of sheds, provision of water and power supply, construction of roads, etc. to SSI units. The Company has developed six industrial estates since inception (1975). In all,

the Company had developed 868 plots at a cost of Rs 6.39 crore (March 1998) in the six industrial estates (Gangyal, Birpur, Kathua, Zainakote, Zakura, Sports Goods Complex, Bijbehara) of which 678 plots had been allotted. Out of the 678 plots allotted, units were under production in only 278 plots (41 *per cent*). Following points were also noticed:

(i) In the industrial estate Kathua, set up during 1987-88, 218 plots (344 Kanals) had been developed at a cost of Rs 1.07 crore up to March 1998, of which only 50 plots were allotted. Of the 50 plots, allotment in respect of 22 plots was cancelled in December 1996.

Of the 50 plots, only 28 plots allotted to SSI units resulting in idle investment of Rs 80 lakh.

The demand for plots was poor despite fixing of low premium at Rs 20000 per Kanal (Rs 10000 per Kanal up to August 1995) against development cost of Rs 31000 per Kanal. This resulted in idle investment of Rs 80 lakh on 190 unallotted plots (257 Kanals). An amount of Rs 3.78 lakh as rent was recoverable in respect of 22 cancelled plots relating to the years 1990-91 to 1996-97 for which no recovery action was taken by the management (March 1998).

(ii) In Sports Goods Complex, Bijbehara, where 51 plots/sheds were developed in 1977-78 at a cost of Rs 24.29 lakh for sports goods and wood-based units, none of the entrepreneurs to whom these plots/sheds were allotted had established its units in the Complex. A seasoning plant installed in the Complex in May 1984 at a cost of Rs 2.60 lakh also failed to attract the unit holders

Idle investment of Rs 26.89 lakh on the development of 51 plots/sheds due to inadequate investigation planning and co-ordination

to establish their units. No substantive steps were taken by the Department for ensuring utilisation of the Complex resulting in investment of Rs 26.89 lakh lying wholly idle.

Evidently the Company had not assessed the demand properly based on industrial potential. In the case of Kathua industrial estate, it was seen in audit that plots were already available to the unit holders in the existing industrial estate of District Industries Centre, Kathua which indicated inadequate investigation, poor planning and co-ordination.

7.6.10.1 Outstanding ground rent

Outstanding ground rent from 627 unit holders at the end of March 1998 stood at Rs 46.10 lakh.

An amount of Rs 46.10 lakh was outstanding against 627 unit holders of 5 industrial estates[¶] on account of ground rent at the end of 1997-98. While in Jammu Division, the percentage of recovery of rent during 1993-94 to 1997-98 ranged between 19 and 30, it ranged between 0.19 and 4.11 in Kashmir Division during the same period. No reasons for poor progress of recovery of rent were intimated.

As per agreement, with the lessees, in the event of rent remaining unpaid for 30 days, the Company could recover the same alongwith interest at the rate of 20 *per cent* per annum and re-enter the premises if the default continued for more than 30 days. No such action had been taken by the Company against the defaulters inspite of the fact that the Board of Directors had asked (September 1994) the Management to intensify its efforts to recover the rentals from the defaulters by taking recourse to penal clause in the lease agreement. Interest receivable on the arrear rent was also not worked out by the Management. The Company stated (March 1998) that the concerned Estate[¶] Managers had been advised to make strenuous efforts to realise the dues.

7.6.11 Integrated Infrastructural Development Project

The State Government entrusted (September 1995) the Company with the responsibility of setting up Centrally sponsored Integrated Infrastructural Development Project (IID) at Udhampur. The funds for the project, estimated to cost Rs 5.01 crore, were to be provided by the Central Government (Rs 2 crore) in the form of grant, State Government (Rs 1.90 crore) by way of plan funds and by Small Industries Development Bank of India (SIDBI) (Rs 1.10 crore) in the form of term loan. The Project originally envisaged to be completed by March 1998 was revised to Rs 6.52 crore and rescheduled by the Project Monitoring Committee in June 1998 for completion in March 1999.

Test-check of the records of the project revealed the following:

[¶] Gangyal, Birpur, Kathua, Zainkote and Zakura.

(i) Out of 11 components of the project, works relating to only one component of survey and planning was completed at a cost of Rs 1.30 lakh as of August 1998 and the remaining components were completed to the extent ranging between nil and 98 *per cent* after incurring an expenditure of Rs 3.96 crore as of August 1998. The tardy progress in execution of works was attributed (October 1998) to poor flow of funds and increase in the scope of work in certain major items of works like earth work, area of roads, drainage system and connecting bridges which had not been conceived at initial stage.

Tardy implementation of Integrated Infrastructural Development Programme.

(ii) Out of term loan of Rs 91 lakh received from the SIDBI, the Company diverted Rs 20.05 lakh in January 1998 to meet administrative expenses of the Project. This was in contravention of the directions of the SIDBI under which the term loan was to be utilised only for capital expenditure of the Project.

Unauthorised diversion of term loan of Rs 20.05 lakh received from SIDBI for meeting administrative expenses of the project.

(iii) Civil works of the project including stone soling, earth work, protection work, etc. and materials lying in the open at the site were damaged by rains in August 1996. Despite directions of the Managing Director to insure the assets of the project against such eventualities, no action had been taken in this regard. The loss of material and damages caused to the assets was estimated at Rs 3.42 lakh (May 1997). An amount of Rs 2.15 lakh was spent (February 1998) for the restoration of damages resulting in additional burden on the project.

7.6.12 Working of Engineering Wing

The Engineering Wing of the Company was primarily created for development of industrial estates in the State. Since development of new industrial estate was not taken up by the Company since 1987-88 (except for IID Project at Udhampur), the wing did not have adequate workload. As a part of diversification, the wing took up execution of deposit works of Government departments on payment of service charges.

During 1993-94 to 1997-98, the service charges realised on deposit works executed by the Wing amounted to Rs 45.42 lakh against the expenditure of Rs 1.73 crore on salaries and other benefits to staff. The Company had not identified the surplus staff nor had taken up the matter with the Government for their adjustment elsewhere in order to curtail the expenditure on account of salaries.

7.6.13 Internal audit

Internal audit manual laying down the functions, scope and periodicity of audit had not been prepared.

Though the Company had an Internal Audit Cell headed by a Senior Manager, Finance it had not prepared any internal audit manual laying down the functions, scope and periodicity of audit. The internal audit reports were submitted to the Financial Advisor and Chief Accounts Officer instead of to the Chief Executive or the Board of Directors. In September 1992 the Board had directed the Management to place before it internal audit reports in summarised form indicating problem areas and the corrective action taken. No such reports were placed before the Board of Directors except in case of Jammu region for the year 1990-91 in April 1994.

It was further noticed that internal audit of RMD Doda which was in arrears for the last eight years due to disturbed conditions had not been taken up. While audit of Kashmir Division which was also in arrears since 1989-90 due to disturbed conditions, was resumed in November 1995, period prior to 1995-96 was not covered. Internal audit of Head Office, had also not been conducted since 1984-85 reasons for which were neither on record nor intimated.

7.6.14 Other topics of interest

7.6.14.1 Avoidable expenditure

The Company shifted (July 1996) its Divisional Office Kashmir from its building, situated in Industrial Estate Zainakote, Srinagar to a private building at Boulevard Srinagar on a negotiated monthly rent of Rs 27000. In reply to audit query the Divisional Manager (Kashmir) stated (December 1997) that because of turmoil in the

Valley and in order to protect the commercial interest of the Company it was the policy of the Management to shift the Office in a safe zone. The reasons put forth by the Company were not tenable as the office had functioned at Zainakote during the most difficult period and shifted only when the security scenario had vastly improved. Moreover, other three units of the Company including the raw material depot which is engaged in selling raw material to SSI units and also the majority of SSI units were operating from Zainakote industrial estate.

Thus, shifting of the Divisional Office resulted in avoidable expenditure of Rs 5.48 lakh as rent on hiring of the building from July 1996 to March 1998 and also rendered the investment of Rs 13.31 lakh on the building at Zainakote unfruitful as it was lying vacant since July 1996.

Investment of Rs 13.31 lakh on the building at Zainakote rendered unfruitful due to shifting of divisional office to a rented building. Avoidable expenditure of Rs 5.48 lakh incurred as rent.

7.6.14.2 Avoidable expenditure

Contrary to decision (August 1988) of the Board of Directors to procure cement only from Jammu and Kashmir Cements Limited (a Government Company), the Company procured 33957 bags of cement at the rate of Rs 199.35 per bag during 1996-97 from a local firm for supply to Government departments in Kargil and Leh. The deal with the local supplier was struck without ascertaining competitiveness of rates by inviting tenders from other suppliers/producers. It was further observed in audit, that, the Company purchased same brand of cement from Cement Corporation of India, Jullandhar at Rs 137.29 per bag ex-Jullandhar during the same period. The landed cost per bag, after adding various incidentals like toll tax, freight, loading and unloading charges worked out to Rs 164 at Srinagar. Purchase of cement at higher rates by the Company and its supply to Government Departments in Leh and Kargil districts resulted in extra burden of Rs 12 lakh on the indenting departments.

Purchase of cement at higher rates resulted in avoidable expenditure of Rs 12 lakh.

7.6.14.3 Accounting manual

The Company had not compiled any accounting manual, laying down the detailed procedure for compilation and maintenance of accounts and control over its finance. It had also not prepared any manual specifying the powers, duties and responsibility of different officers.

7.6.14.4 Inter-unit transactions pending adjustment

A large number of transactions take place between different units of the Company which are debited/credited to inter-unit adjustment account pending their adjustment.

The balances under the account had increased from Rs 2.06 crore (Dr.) in 1993-94 to Rs 3.78 crore (Dr) in 1997-98 which indicated that effective steps had not been taken by Management to reconcile/adjust the amount under the head. Presence of unadjusted entries makes the Company vulnerable to frauds, etc.

7.6.14.5 Conclusion

The main objective of providing infrastructural, financial and marketing facilities to SSI units was not entirely achieved. The company had restricted its activities mainly to procurement and distribution of raw material viz. iron, steel, cement, etc. to industrial units. Following decontrol of these items the Company had not diversified its activities to enhance its viability.

7.6.15 The matter was referred to Government/Company in July 1998; their reply had not been received (November 1998).

Section-III**7.7 Miscellaneous topics of interest****Jammu and Kashmir State Agro Industries Development****Corporation limited****7.7.1 Loss due to non-execution of contract**

Failure of the company to ensure timely supply of tinned plum/cherry to Army Purchase Organisation resulted in loss of Rs 4.08 lakh.

The Company, which has a fruit and vegetable processing unit at Khanmoh, Srinagar finalised (May-June 1989) a contract for supply of 44 MT tinned cherry (value: Rs 8.47 lakh) and 22 MT tinned plum (value: Rs 3.94 lakh) conforming to Army Supply Corps' (ASC) specifications to the Army Purchase Organisation (APO). The supplies were to be completed by 30 June 1989 and 31 July 1989 respectively. According to the terms of the contract, the supplies were to be inspected and approved by the Composite Food Laboratory (CFL) Army Supply Corps, Jammu. The Company deposited Bank guarantee of Rs 85,000 and security deposit of Rs 39000 as security with APO for satisfactory completion of the contract.

On the basis of inspection of samples of tinned cherry/plum by Composite Food Laboratory, the supply of tinned fruit was not accepted by APO and the Company was given piece-meal extension for making fresh supplies up to August 1990, July 1991 and August 1992. Despite extensions granted, the Company failed to make the supplies and consequently the contract was cancelled by the APO in March 1993 and security deposit amounting to Rs 1.24 lakh was forfeited. It was noticed in audit that out of the canned cherry and plum valuing Rs 12.41 lakh manufactured by the Company during 1989 for supply to APO, canned plum of the value of Rs 2.84 lakh was lying in the stores as of May 1998. In reply to audit, the Managing Director of the Company stated (July 1997) that the leftover quantity of plum was being put to auction shortly. The possibility of the

Company being able to sell the tinned fruit 8 years after its manufacture was, however, doubtful.

Failure of the Company to ensure supply of tinned plum/cherry conforming to the ASC specifications and within the extended period of supply order resulted in loss of Rs 4.08 lakh due to forfeiture of security deposit (Rs 1.24 lakh) and leftover stocks of plum (valued at Rs 2.84 lakh) and also indicated poor quality control mechanism.

The matter was referred to Government/Department in July 1998; their reply had not been received (November 1998).

Financial assistance to Local Bodies and Others**8.1 General**

Autonomous bodies and authorities are set up to discharge generally non-commercial functions of public utility services. These bodies/authorities by and large receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the State Co-operative Societies Act, etc. to implement certain programmes of the State Government. The grants are intended essentially for maintenance of educational institutions, construction and maintenance of charitable institutions, school and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies.

During 1997-98 financial assistance of Rs 88.30 crore was paid to various autonomous bodies against Rs 74.07 crore paid during 1996-97. Department-wise break-up of the amount paid during 1997-98 was as under:

(Rupees in crore)		
S. No.	Name of the department	Amount
1.	Education	40.89
2.	Housing and Urban Development	34.26
3.	Agriculture	6.19
4.	Art and Culture	4.02
5.	Tourism	0.93
6.	Health and Medical Education	0.66
7.	General Administration	1.25
8.	Others	0.10
Total:		88.30

(a) Delay in furnishing of utilisation certificates

The financial rules of Government require that where grants are given for specific purposes, certificates of utilisation should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to Accountant General within 18 months from the date of sanction of grants unless specified otherwise.

In respect of grants paid up to 1996-97, 7063 utilisation certificates for an aggregate amount of Rs 523.44 crore were in arrears as on 30 September 1998. Department-wise break-up of certificates not received up to 30 September 1997 in respect of grants paid during 1995-97 is given in Appendix-12. In absence of utilisation certificates it was not clear as to how the departmental officers satisfied themselves; whether and to what extent recipients utilised the grants for the purposes for which these were paid.

(b) Delay in submission of accounts

In order to identify the institutions which attract audit under Sections 14/15 of the Comptroller and Auditor General's (Duties Powers and Conditions of Service) Act, 1971, Government/Heads of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which such assistance was sanctioned and the total expenditure of the institutions. The details of defaulting departments which had not furnished information for 1997-98 and earlier years are given in Appendix-13.

The particulars of bodies/authorities whose annual accounts for 1997-98 and earlier years were awaited are indicated in Appendix-14.

The status of submission of accounts by corporations and submission of Audit Reports thereon to the State Legislature as of September 1998 was as given below:

S.No.	Name of body	Year up to which accounts due	Year up to which accounts submitted	Year up to which Audit Report issued
1.	Jammu and Kashmir State Road Transport Corporation	1997-98	1996-97	1996-97
2.	Jammu and Kashmir Financial Corporation	1997-98	1994-95	1993-94

8.2 Audit arrangement

Audit of only one organisation viz., Khadi and Village Industries Board falls under Section 19 (3) of Comptroller and Auditor General's (DPC) Act, 1971. Audit

of accounts of the Board for the year 1992-93 and onwards was not conducted as entrustment of audit up to 1994-95 was conveyed in October 1998 and entrustment beyond 1994-95 was awaited from Government (November 1998).

The audit of accounts of the following bodies had been entrusted to Comptroller and Auditor General under Section 20(1) of the C&AG's (DPC) Act, 1971 for different periods as detailed below:

S.No	Name of the body.	Period of entrustment.	Date of entrustment
1.	Sher-i-Kashmir University of Agricultural Sciences and Technology, Srinagar	1992-93 to 1994-95	9 January 1996
2.	Jammu and Kashmir Employees Provident Fund Organisation, Srinagar	1979-80 to 1983-84	3 February 1988

The primary audit of local bodies viz., Jammu and Kashmir Co-operative Supply and Marketing Federation Limited and Municipalities, Srinagar and Jammu is conducted by the Registrar, Co-operative Societies and Finance Department respectively.

8.3 Audit under Section 14

8.3.1 Overall results of audit of autonomous bodies

Accounts for 1997-98 and earlier years were received from 13 bodies/authorities (Appendix-15). Out of these, audit of 8 bodies/authorities was conducted as these attracted audit under Section 14 of the Comptroller and Auditor General's (DPC) Act 1971. Results of the audit of these bodies/authorities are given in the paragraphs that follow.

(i) Grants remaining unutilised

Out of total available grants of Rs 24.29 crore, grants aggregating Rs 6.02 crore meant for developmental and educational purposes and implementation of beneficiary-oriented schemes remained unutilised with the following bodies/authorities whose accounts were audited during 1997-98 for the years indicated against each.

(Rupees in lakh)			
S.No	Name of body/authority	Year of accounts	Amount unutilised
1.	Srinagar Municipality	1996-97	354.49
2.	District Rural Development Agency, Srinagar	1996-97	82.28
3.	District Rural Development Agency, Jammu	1996-97	66.15
4.	District Rural Development Agency, Baramulla	1996-97	40.43
5.	Jammu Urban Development Agency	1996-97	48.98
6.	District Rural Development Agency, Kupwara	1996-97	9.45
Total			601.78

No specific reasons for underutilisation of grants or non-refund thereof to the grant sanctioning authority were intimated. Sanction to carry forward of these unspent balances to following year was also not obtained by the bodies/authorities concerned.

(ii) Outstanding Advances

Advances aggregating Rs 1.54 crore made by the following Bodies/Agencies to contractors/suppliers, various executing agencies and their employees, for various purposes were outstanding at the end of the year as indicated against each:

(Rupees in lakh)			
S.No	Name of body/authority	Year	Amount
1.	District Rural Development Agency, Baramulla	1996-97	31.17
2.	District Rural Development Agency, Kupwara	1996-97	19.73
3.	District Rural Development Agency, Srinagar	1996-97	82.28
4.	District Rural Development Agency, Jammu	1996-97	20.98
Total			154.16

Action taken by these Bodies/Agencies for recovery/adjustment of these advances was not intimated (October 1998).

(iii) Outstanding audit observations

Audit observations on the accounts of Bodies/Authorities are conveyed to them in the form of Audit Inspection Reports (AIRs) and copies thereof are endorsed to the Government/Body for taking necessary action for rectification of defects within a reasonable time. The status of AIRs issued up to December 1997 and outstanding at the end of March 1998 was as indicated below:

S.No	Name of the body	No of AIRs	No of paragraphs	Earliest year from which outstanding
1.	State Pollution Control Board	1	7	1987-88
2.	Jammu and Kashmir Sports Council, Srinagar	1	19	1992-93
3.	Jammu and Kashmir Social Welfare Advisory Board	5	39	1965-66
4.	Jammu and Kashmir Academy of Art Culture and Languages	2	9	1976-77
5.	Jammu University	3	47	1980-81
6.	District Rural Development Agencies	67	320	1971-72
7.	Desert Development Agencies	8	78	1979-80
8.	Municipality, Jammu	1	21	1995-96
9.	Jammu and Kashmir Housing Board, Jammu	1	25	1991-92
10.	Islamia College of Science and Commerce, Srinagar.	2	14	1981-82
11.	Jammu Urban Development Agency	2	8	1994-95
12.	Jammu and Kashmir Co-operative Supply and Marketing Federation Ltd.	1	4	1994-95

Housing and Urban Development Department

8.4 Srinagar Municipality

8.4.1 Introduction

Srinagar Municipality, a body corporate, was established in 1913. Its functions are regulated under the provisions of the Jammu and Kashmir Municipal Act, 2008 (Svt) (1951 AD). The limits of the Municipality extend over an area of 210 Sq. Km. comprising 23 wards with an estimated population of 9.26 lakh.

The main functions of the Municipality are:

- (i) to draw up and implement programmes of construction/maintenance of lanes, drains and *nallahs*, etc., for providing basic civic amenities;
- (ii) prevention of food adulteration and control of communicable diseases;
- (iii) regulation and control of construction activities; and
- (iv) levy and collection of various taxes and fees in the municipal areas.

8.4.2 Organisational set-up

The affairs of the Municipality are to be managed by a Council consisting of not less than 8 elected and not more than 4 nominated members, for a term of 4 years. The Council was superseded by the Government in 1984 and had not been reconstituted as of July 1998. Duties and powers of the Council are exercised/performed by the Administrator, appointed by the Government under Section 260 of the Act, *ibid.* who is assisted by two Deputy Administrators, Executive Officer, Chief Accounts Officer, Health Officer and Executive Engineer for day to day functioning of the Municipality.

8.4.3 Audit coverage

The accounts of the Municipality are to be audited by Finance Department which is to report to the Government on any material impropriety or irregularity in expenditure. The Municipality observes the Civil Services Rules/Financial regulations framed by the State Government for its departments. The accounts of the Municipality up to December 1990 were audited by Finance Department during January 1991 but no report thereof had been received by the Municipality as of July 1998.

A review on the working of the Municipality based on test-check of records for the period 1993-94 to 1997-98 was conducted under Section 14(1) of the Comptroller and Auditor General's of India (Duties, Powers and Conditions of Service) Act, 1971 during the period July-October 1997 and July 1998. Results of the test-check are contained in the succeeding paragraphs:

8.4.4 Highlights

- **The manner and form in which the accounts are to be maintained and rendered to the Government had not been prescribed by the Finance Department/State Government.**

(Paragraph: 8.4.5)

- **Due to failure of the Municipality to maintain proper accounts depicting position of assets and liabilities, its financial position was not ascertainable.**

(Paragraph: 8.4.5)

- The internal receipts of the body constituted between 4 and 15 *per cent* of the expenditure during the period 1993-94 to 1997-98 indicating weak internal resource base.

(Paragraph:8.4.5)

- Failure of the Municipality to clear the liability on account of overdraft of Rs 70 lakh obtained by it from the Jammu and Kashmir Bank resulted in accrual of interest liability of Rs 1.28 crore up to June 1998.

(Paragraph: 8.4.5(ii))

- Due to release of funds at the fag end of the respective years, their utilisation on execution of various works ranged between 27 and 92 *per cent* during 1993-94 to 1997-98.

(Paragraph:8.4.7)

- While there was excess expenditure ranging from 10 to 88 *per cent* over the approved allotment during the five years ending 1997-98 (except during 1995-96 and 1997-98), the shortfall in achievement of physical targets relating to construction and maintenance of roads, lanes and drains etc. ranged between 8 and 31 *per cent* during the corresponding period.

(Paragraph:8. 4.7(i))

- Out of total 1970 cases of unauthorised constructions registered, only 61 cases (3 *per cent*) were compounded during the period from 1993-94 to 1997-98.

(Paragraph:8.4.10)

- A high speed precision lathe purchased in December 1991 had not been commissioned as of June 1998 resulting in an idle investment of Rs 5.59 lakh.

(Paragraph: 8.4.12.1)

8.4.5 Finance and expenditure

Under the provisions of the Municipal Act, all moneys received from the Government or other agencies by way of grants/loans and internal receipts on account of rent, taxes, etc. are to be credited to the Municipal Fund. The Municipality was required

Actual financial position of the body was not ascertainable due to non-maintenance of requisite records.

to prepare receipt and expenditure accounts of the Fund in the manner and form to be prescribed by the Finance Department and render annual accounts to the Government at the end of each year. The manner and form in which the

accounts are to be maintained and rendered to the Government annually had, however, not been prescribed by Finance Department/State Government. However, annual receipts and payment accounts were prepared by the Municipality during 1993-94 to 1997-98 without working out position of assets and liabilities, on the basis of journalised ledger accounts. As a result, the actual financial position of the body was not ascertainable. The position of receipts and expenditure of the Municipality (including unspent opening and closing balances) at the beginning and close of each year for the five years ending 1997-98 as furnished to Audit was as under :

Year	Unspent opening balance	Grant-in-aid received from the Government	Internal receipts	Total funds available	Expenditure	Closing balance	Percentage of expenditure to funds available	Percentage of internal receipts to total expenditure
(Rupees in crore)								
1993-94	1.97	8.41	0.43	10.81	9.61	1.20	89	4
1994-95	1.20	8.11	0.51	9.82	9.05	0.77	92	6
1995-96	0.77	12.40	1.66	14.83	11.17	3.66	75	15
1996-97	3.66	13.70	0.95	18.31	14.77	3.54	81	6
1997-98	3.54	16.40	1.92	21.86	19.54	2.32	89	10

The percentage utilisation of available funds ranged between 75 and 92 and

Percentage utilisation of funds ranged between 75 and 92. Unspent balances at the end of each year during 1993-94 to 1997-98 ranged between Rs 0.77 crore and Rs 3.66 crore.

the unspent balance at the end of March 1998 amounted to Rs 2.32 crore. The internal receipts of the Municipality formed only 4 to 15 per cent of the expenditure incurred during the period 1993-94 to 1997-98. Thus, the internal resource base of the

body was weak despite flow of large sums from the State Government by way of grant-in-aid. No concrete steps had been taken to make the body a self financing entity.

* Excludes the balances of overdraft taken from Jammu and Kashmir Bank Limited

Following further points were noticed:

(i) The procedures for maintenance of accounts, budgetary control and delegation of financial powers, etc. had neither been prescribed by the State Government, nor were various checks and controls, prescribed in the Financial regulations for preventing misappropriations/frauds viz. physical verification of cash at periodical intervals, checking of receipt and payment entries in the cash book, periodical reconciliation with the bank/treasury including treasury verification in respect of draws/remittances conducted/exercised during 1993-94 to 1997-98.

(ii) The Municipal Fund was maintained in a Jammu and Kashmir Bank branch up to October 1993 and the Municipality availed of overdraft facilities of Rs 60 lakh, subsequently enhanced to Rs 70 lakh, during the period October 1992 to September 1993. However, in pursuance of instructions issued by the State Government in October 1993, the Fund was operated through 'Deposit Account' at Srinagar treasury. The overdraft amount of Rs 70 lakh obtained by the body was however, not cleared as of June 1998 due to which its liabilities had increased to Rs 1.98 crore (interest: Rs 1.28 crore) which could have been avoided had the principal amount been cleared in time. Chief Accounts Officer of the Municipality stated (July 1998) that it could not clear the huge outstanding due to poor resource position. The reply is however, not tenable as the body had sufficient unspent balances, ranging between Rs 0.77 crore and Rs 3.66 crore available at the end of each year from 1993-94 to 1997-98.

Non-clearance of overdraft of Rs 70 lakh despite availability of surplus funds, resulted in avoidable interest liability of Rs 1.28 crore.

Records, also revealed that Rs 11.12 lakh were outstanding at the end of March 1998 as temporary advance against 117 officials of whom 17 officials (outstanding amount: Rs 60000) had retired/expired or had been transferred. Further, the outstanding amount included advances Rs 4.25 lakh (38 per cent) awaiting adjustment/recovery for a period exceeding 3 years. There was steady increase of 574 per cent in the outstanding

Temporary advance of Rs 11.12 lakh outstanding against 117 officials of whom 17 officials had since retired/expired.

amount from Rs 1.65 lakh at the end of 1993-94 to Rs 11.12 lakh at the end of 1997-98 which was indicative of the fact that regular review of the balances had not been conducted for effecting their timely recovery/adjustment.

8.4.6 Planning

No long-term development plans/schemes were drawn for implementation

Long-term plans based on surveys and assessment of existing infrastructure not prepared.

in a phased manner according to available funds and instead disjointed and isolated works were executed on *ad hoc* basis.

No register of assets created, was maintained to keep record of assets and use it in framing future plans.

8.4.7 Execution of works

The Government provides plan funds to the Municipality for execution of works connected mostly with maintenance of hygienic conditions within the municipal area. Funds provided and expenditure incurred thereagainst for the last five years ending 1997-98 were as under:

Year	Unspent Opening balance	Grants provided	Miscellaneous receipts	Total funds avail- able	Expen- diture	Closing balance	Percentage utilisation of available funds
(Rupees in lakh)							
1993-94	162.87	82.82	0.46	246.15	162.69	83.46	66
1994-95	83.46	78.86	0.01	162.33	148.54	13.79	92
1995-96	13.79	280.46	0.08	294.33	78.28	216.05	27
1996-97	216.05	324.47	0.06	540.58	356.92	183.66	66
1997-98	183.66	434.00	0.16	617.82	529.40	88.42	86

Reasons for underutilisation of funds and retention of heavy unspent balances at the close of each year was stated to be release of funds by the Government at the far end of the respective years. Following points were also noticed:

(i) Mismatch between physical and financial targets

The Municipality had one Engineering Division for execution of works

Mismatch between physical and financial achievements.

relating mainly to construction and maintenance of roads, lanes and drains, etc. within the municipal area. Physical and financial

targets vis-à-vis achievements for the last five years ending 1997-98 indicated that there was shortfall in achievement of physical targets ranging between 8 and 31 *per cent*, reasons for which were not assigned. Against the aforementioned shortfall in physical achievements, there was excess expenditure ranging between 10 and 88 *per cent* during the same period except for the year 1995-96 and 1997-98 which recorded shortfall of 72 and 40 *per cent* respectively, revealing mismatch between physical and financial achievements. No reasons were assigned for mismatch between the physical and financial achievements.

(ii) The Municipality had liabilities of Rs 57.18 lakh ending 31 March 1998 on account of works taken up between 1994-95 and 1996-97 without the prior sanction of the competent authority, for which funds were also

Works taken up for execution without provision of funds and without approval of the competent authority.

awaited from the Government. Reasons for taking up of these works without the approval of competent authority and budget provisions were not intimated.

8.4.8 Public health sanitation and utilisation of equipment

The main function of the Municipality, *inter alia*, was providing sanitation and civic amenities to the people living within the municipal area. For cleaning roads, lanes/drains, the refuse/garbage is collected by *safai karamcharies* and carried to garbage collection points, which are generally

Inadequate strength of Safai Karamcharies affected adversely the sanitation work of certain areas of Srinagar city.

situated on the main roads, wherefrom it is carried through trucks/tractors to the dumping site. The Municipality had a strength of 1454 regular and 551 daily waged *safai karamcharies* which as per All India norm of 20 *safai karamcharies* per sq. km. was short by 2195 *safai karamcharies*. Inadequate strength of the *safai karamcharies* affected adversely the sanitation work of certain areas of the Srinagar city which were got cleaned bi-weekly. The proposal (January 1997) of the Municipality for creation of additional 1974 posts of *safai karamcharies* had not been approved by the Government as of July 1998.

Equipment and machines meant for providing civic amenities to the public remained off the road for periods ranging from one year to more than ten years for want of repairs, etc.

The Municipality had a fleet of 17 tippers, 1 refuse collector, 11 loaders, 10 night soil/slop vehicles, 13 tractors, 3 dozers, 2 L M vehicles, 6 light vehicles, 1 sprayer machine, 8 fogging machines and 3 dewatering pumps. Out of these, 3 tippers, 1 refuse collector, 1 loader, 2 night soil/slop vehicles, 1 tractor and 6 fogging machines were off the road for periods ranging from one year to more than 10 years for want of general overhauling/repairs, etc. One sprayer machine and two fogging machines though in working condition, were utilised for spraying/fogging operations in certain specified areas and at the garbage dumping site at Achen. The remaining areas were left uncovered due to non-availability of sufficient number of functional sprayers and fogging machines.

8.4.9 Prevention of food adulteration

No samples for prevention of food adulteration collected by the food inspectors.

For enforcing the provisions of Prevention of Food Adulteration Act, 1954,

Food Inspectors of the Municipality are authorised to take samples of food for analysis by Public Analyst. Based on the report of the Analyst, prosecution proceedings are launched against the accused in the court of Municipal Magistrate.

No samples were collected by the Food Inspectors during 1993-94 to 1997-98 as no incumbent was functioning as Public Analyst since 1990. Thus, the important function of preventing food adulteration was not carried out by the Municipality.

8.4.9.1 Short levy and collection of licence fee

Short realisation of licence fee of Rs 3.62 lakh.

Under the provisions of Rule 50 of the Prevention of Food Adulteration Act, 1954 no person shall manufacture, sell, stock, distribute or exhibit for sale any article of food including 'prepared food' or 'ready to serve food' except under a licence issued by the Municipality. The Municipality had fixed (1986) different rates of licence fee ranging from

Rs 5 to Rs 500 for different trades/manufacturers/wholesale and retail dealers, etc. Test-check of records revealed that during the years 1993-94 to 1997-98 licence fee of Rs 3.62 lakh was recovered short from the licence holders. Reasons for short realisation of the licence fee were not intimated.

It was also seen in audit that surveys for enlisting all the dealers/establishments working within the municipal area had not been conducted during the period 1988-98. The Food and Supplies Department had issued ration tickets to 740 *desi* bakery shops in 1996 and 956 shops in 1997 against 643 to 711 such shops registered between 1992-93 and 1996-97. The number of such shops within the municipal area as per *All Kashmir Nanwai* Union was, however, 1500. Non-registration of all eligible dealers apart from being *ultra vires* of the Act, *ibid*, also resulted in recurring loss of licence fee to the Municipality.

8.4.10 Regulation of construction activities

Municipality is required to ensure that buildings are constructed after obtaining proper permission from it in accordance with its bye laws failing which the construction works can be stopped/demolished, altered or penalty imposed on the offenders. The number of unauthorised constructions registered and number of cases compounded during the last five years revealed that out of 1970 unauthorised construction cases registered during the period 1993-94 to 1997-98, 61 cases (3 *per cent*) only were compounded during the period and the remaining 97 *per cent* cases were pending indicating inaction of the Municipality.

8.4.11 Assessment and collection of revenue

The main sources of revenue of the Municipality are municipal taxes, licence fee, compounding fee, rent of shops/flats, temporary ground rent, etc. Targets fixed for collection of revenue and achievements there against (excluding miscellaneous receipts) for the period 1993-94 to 1997-98 were as under:

Year	Revenue estimates	Revenue realised	Percentage excess vis-à-vis revenue estimates (Rupees in lakh)
1993-94	36.33	40.44	11
1994-95	45.96	46.33	1
1995-96	22.03	162.50	638
1996-97	41.58	91.96	121
1997-98	47.33	180.49	281
Total:-	193.23	521.72	170

It would be seen from the above table that there were large variations ranging between 121 and 638 *per cent* between the revenue estimates and actuals during the period from 1995-96 to 1997-98. Persistent excess over the revenue estimates indicated that very low/unrealistic targets had been fixed. It was also noticed in audit that demand registers which ought to be the basis for preparing realistic revenue estimates were not posted since 1990. Following further points were noticed:

Targets for revenue collections framed unrealistically on lower side.

(a) Arrears in recovery of revenue

Arrears of revenue, at the end of March 1998, based on incomplete

Out of the total arrears of revenue of Rs 1.29 crore, Rs 63.23 lakh (49 per cent) outstanding for over 10 years.

demand registers, aggregated Rs 1.29 crore. Of this, Rs 63.23 lakh (49 *per cent*) were outstanding for over 10 years and Rs 35.89 lakh (28 *per cent*) over five years indicating little attention to revenue recovery.

(b) Cost of collection of revenue (taxes and rents)

The Municipality derives major portion of its revenue from rents of

Cost of collection of revenue abnormally high

shops/flats and taxes on trades and professions. As against revenue of Rs 205.01 lakh realised during 1993-94 to 1997-98, the expenditure incurred on collection was Rs 229.96 lakh. In other words, while adequate staff was available it did not perform its duties i.e. maintenance of demand registers, assessment and collection of taxes, etc. leading to low collection and unrealistic collection charges. Information regarding measures taken to

improve the revenue collection procedures for reducing collection expenses was awaited (November 1998).

8.4.12 Other points of interest

8.4.12.1 Idle Investment on lathe machine

Based on the orders of the Administrator, the Municipality purchased (December 1991) a high speed precision lathe at a cost of Rs 5.59 lakh for manufacturing small spares like shafts, gears, bolts, etc. in its workshop for use in the machines/vehicles operated by it. The lathe had, however, not been commissioned as of June 1998 due to non-availability of certain tools and accessories. Reasons for not purchasing the required accessories despite lapse of more than six years were not intimated.

Idle investment of Rs 5.59 lakh for over six years due to non-commissioning of lathe

This resulted in idle investment of Rs 5.59 lakh for over 6 years. On this being pointed out in audit, it was stated (August 1998) that tenders for purchase of required tools/accessories had been floated for commissioning the lathe.

8.4.12.2 Loss due to non-Insurance of Municipal assets

Two, three-storied building-cum-shopping complex at Palladium galli Srinagar and Panchayat Ghat at Mulphag (book value: Rs 51 lakh) got gutted/damaged in fire during the year 1993. The building had not been insured as a result of which the Municipality suffered loss which was yet (July 1998) to be assessed. Similarly, municipal building at Karan Nagar (book value: Rs 9.68 lakh) was under insurance cover up to 3 May 1994, which was not renewed thereafter. Meanwhile the building was gutted on 6 May 1994 resulting in loss which was yet to be assessed (July 1998).

8.4.12.3 Store Management

Efficient store management requires fixing of maximum and minimum store limits. No such limits had been fixed as a result of which control over carrying of excessive inventories could not be ensured. Further, physical verification of stocks had not been conducted for the last 10 years. The stock register had also not been

Physical verification of stores not conducted for the last 10 years.

maintained in proper form and different stock items had not been recorded on separate pages and the entries made therein had not been authenticated, by any responsible officer.

8.4.13 The above points were referred to Government in September 1998; reply had not been received (November 1998).

8.5 Agriculture Production and Rural Development Department

8.5.1 Unfruitful expenditure on purchase of chaff-cutters

Unrealistic assessment of the requirement of chaff-cutters by the Project officer, DRDA Baramulla resulted in unfruitful expenditure of Rs 8.35 lakh.

Under the Integrated Rural Development Programme, families living below poverty line in rural areas are provided with financial assistance for setting up of income generating assets to enable them to cross the poverty line. In furtherance of these objectives and simplifying the process of cutting and chopping up of fodder by the farmers, Project Officer, District Rural Development Agency, Baramulla proposed (February 1991) purchase of 1000 chaff-cutters for distribution among farmers in 14 blocks of the district at a subsidy of 33.3 *per cent*. In February 1991, the District Development Commissioner (ex-officio Chairman of the Agency) approved the proposal and an order for supply of 1000 chaff-cutters was placed (May 1991) with a local firm at its lowest tendered rate of Rs 1040 per cutter. The firm supplied 955 cutters to 11 Block Development Officers between July 1991 and April 1992 and payment of Rs 9.93 lakh was made to the supplier between November 1991 and May 1992.

Test-check (December 1997) of the records of the Agency revealed that purchase of chaff-cutters was apparently not based on realistic requirements of the BDOs. Consequently, out of 955 cutters purchased, only 152 could be distributed by 5 Block Development Officers till June 1995 leaving 803 cutters (cost: Rs 8.35 lakh) with the Block Development Officers. The Department stated (June 1998) that efforts were on to dispose of these cutters by giving wide publicity and demonstration in the field.

Thus, poor planning and failure to realistically assess the demand for the chaff-cutters resulted in unfruitful expenditure of Rs 8.35 lakh.

The matter was referred to the Government/Department in May 1998; reply had not been received (November 1998).

8.5.2 Wasteful expenditure due to purchase of sub-standard agricultural implements

Purchase of sub-standard agricultural implements at higher rates resulted in wasteful expenditure of Rs 4.73 lakh.

Project Officer District Rural Development Agency (DRDA), Kupwara advanced (July 1995) Rs 5.58 lakh to National Consumers Co-operative Federation, Jammu (a Government undertaking), for supply of 100 numbers each of foot-spray pumps, tarpaulins and spray-tubs at the rate of Rs 1975, Rs 2950 and Rs 650 respectively. The advance payment was made without inviting tenders or entering into an agreement with the supplier. The implements were to be provided to the identified beneficiaries living below poverty line in the rural areas at subsidised rates under Integrated Rural Development Programme. The Federation supplied (September 1995) only 96 numbers each of foot spray pumps and tarpaulins and supply of the remaining equipment including the spray tubs valued at Rs 85000 was still awaited from the Federation (June-1998).

Of the stocks received, the Project Officer issued 70 foot-spray pumps and 77 tarpaulins during March/April 1996 to various Block Development Officers (BDOs) in the district for sale to beneficiaries against cash payment. None of the BDOs could, however, sell the equipment to the beneficiaries as the implements were reported to be sub-standard and their selling price, even at subsidised rate (subsidy: 33.33 per cent), was higher than the market price. Meanwhile, the remaining 26 foot-spray pumps and 19 tarpaulins valued at Rs 1.07 lakh, dumped in the stores of Project Officer, DRDA, Kupwara were partially damaged in the floods of 1996 and 1997. While the 19 tarpaulins

(cost: Rs 56000) had been damaged beyond economic repairs, the foot-spray pumps were being examined to assess damages thereto (June 1998).

On this being pointed out in audit (December 1997), the Project Officer stated that purchase had been made after obtaining *dasti* quotations owing to urgency in the matter. The reply is, however, not tenable as besides the fact that the demand could be anticipated well in time, under the provision of financial rules the limited/*dasti* tender system can be adopted only when the estimated value of the order is less than Rs 1000. Action taken to obtain refund of the balance payment of Rs 85000 from the Federation was not intimated (June 1998).

Thus, purchase of implements at non-competitive rates and also without ensuring that the supplies were of proper quality and conformed to the specifications, resulted in wasteful expenditure of Rs 4.73 lakh besides depriving the beneficiaries of the envisaged benefits. Funds of Rs 85000 were also unnecessarily locked up for more than two years.

The matter was referred to the Department/Government (May 1998); reply had not been received (November 1998).

8.5.3 Infertuous expenditure and locking up of funds on purchase of tool kits

Failure of the DRDA, Kupwara to procure tool kits of proper quality and specifications resulted in infertuous expenditure of Rs 5.51 lakh on their purchase.

Government of India released (June 1994) Rs 9.99 lakh as assistance to District Rural Development Agency (DRDA), Kupwara for procurement and supply of tool kits to 555 rural artisans of the District during the year 1994-95 under Integrated Rural Development Programme. Agriculture and Rural Development Department had directed (June 1994) the District Rural Development Agency, Kupwara to purchase the tool kits from the State Agro Industries Development Corporation (a State Government

Company) after placing the entire funds available under the Scheme with the Company. Accordingly, the Agency advanced Rs 4.00 lakh (October 1994: Rs 3 lakh; February 1996: Rs one lakh) to the Company for supply of 200 tool kits of different trades. The Corporation, however, supplied only 79 kits, in October 1995 (70 kits) and June 1996 (9 kits) at a cost of Rs 1.58 lakh. No further supply was made by the Company thereafter and the balance amount of Rs 2.42 lakh had been retained by it as of February 1998. Due to non supply of the kits by the Company, the Agency placed orders in April 1995 with the National Co-operative Consumers Federation (NCCF), Jammu for supply of 340 tool kits of six trades at different rates, varying from Rs 1500 to Rs 1900 per kit and advanced Rs 6.00 lakh (April 1995: Rs 3 lakh; June 1995: Rs 3 lakh) to the Federation. The Federation made the supplies in two consignments (June 1995: 170 kits; September 1995: 170 kits).

A test-check (December 1997) of the records of DRDA revealed that out of 419 tool kits received by the Agency from the two suppliers (Agro Industries Corporation: 79; NCCF: 340) only 105 kits (79 received from the Agro Industries Development Corporation and 26 from the NCCF) had been lifted by the beneficiaries. The remaining 314 tool kits valued at Rs 5.51 lakh could not be lifted by the beneficiaries as these were sub-standard and also short of various items (Jack plane long: 100 numbers; C.I Anvil: 60 numbers; Level compass: 100 numbers). On being pointed out (December 1997/ February 1998) in audit, the Project Officer DRDA Kupwara stated (February 1998) that the matter was under active correspondence with NCCF. Further developments were awaited. Meanwhile the tool kits lying in the stores got damaged in the floods of 1996 and 1997. Neither had the extent of damages caused to the tools been assessed nor had responsibility for the loss been fixed as of October 1998.

Thus, failure of the Agency to procure the tool kits of proper quality and specifications and under proper agreement, resulted in infructuous expenditure of Rs 5.51 lakh on purchase of material besides non-realisation of the envisaged objective of

upliftment of the rural artisans. Funds amounting to Rs 2.42 lakh also remained locked up with the State Agro Industries Development Corporation for more than 3 years.

The matter was referred to the Government/Department in July 1998; reply had not been received (November 1998).



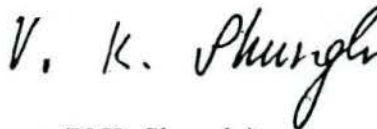
(H. Pradeep Rao)

Accountant General Jammu and Kashmir

Srinagar/
Jammu

The 30 MAR 1999

Countersigned



(V.K. Shunglu)

Comptroller and Auditor General of India

New Delhi

The 31 MAR 1999

Appendices

Appendices

Appendix-1

(Reference: Paragraph: 2.3.2; Page:47)

Cases of unnecessary supplementary grant/appropriation

(Rupees in crore)

S.No	Grant or Appropriation	Amount of Grant/Appropriation			Saving
		Original	Supplementary	Actual expenditure	
I-Revenue (Voted)					
1.	7-Education Department	445.61	37.16	434.56	48.21
2.	14-Revenue Department	96.75	18.86	89.87	25.74
3.	15-Food Supplies and Transport	77.82	9.21	8.55	78.48
4.	16-Public Works Department	165.65	13.21	156.36	22.50
5.	19-Housing and Urban Dev.Department.	44.92	1.51	36.60	9.83
6.	23-Public Health and Engineering Department	116.82	8.41	103.42	21.81
Total-I		947.57	88.36	829.36	206.57
II-Revenue Charged					
7.	1-General Administration	2.12	0.23	2.08	0.27
8.	9-Parliamentary Affairs	0.11	0.10	0.10	0.11
Total-II		2.23	0.33	2.18	0.38
III-Capital (Voted)					
9.	3-Planning and Development Department	61.39	101.22	-	162.61
10.	5-Ladakh Affairs Department	41.25	10.42	19.40	32.27
11.	7-Education Department	41.70	5.36	24.91	22.15
12.	9-Parliamentary Affairs	-	3.40	-	3.40
13.	11-Industries and Commerce Department	64.11	6.72	58.89	11.94
14.	14-Revenue Department	1.58	1.51	-	3.09
15.	18-Social Welfare	14.20	6.81	0.62	20.39
16.	19-Housing Urban Dev. Department	75.25	20.69	66.11	29.83
17.	27-Higher Education Department	11.40	4.81	-	16.21
Total-III		310.88	160.94	169.93	301.89
Total I+II+III		1260.68	249.63	1001.47	508.84

Appendices

Appendix-2 (Reference: Paragraph: 2.3.2: Page ; 47) Excessive Supplementary grant/appropriation

(Rupees in Crore)

S.NO.	Name of Grant/Appropriation	Amount of Grant/Appropriation				
		Original	Supplementary	Total	Expen- diture	Saving
	I-Revenue (Voted)					
1.	3-Planning and Development Department	6.09	94.56	100.65	9.56	91.09
2.	10-Law Department	10.85	8.07	18.92	17.11	1.81
3.	11-Industries and Commerce Department	53.81	11.21	65.02	61.16	3.86
4.	17-Health and Medical Education Department	218.67	13.39	232.06	229.16	2.90
5.	20-Tourism Department	18.33	11.61	29.94	23.03	6.91
6.	25-Labour, Stationery and Printing	14.28	0.84	15.12	14.57	0.55
	Total-I	322.03	139.68	461.71	354.59	107.12
	II-Revenue (Charged)					
7.	10-Law Department	3.18	0.62	3.80	3.61	0.19
	Total-II	3.18	0.62	3.80	3.61	0.19
	III-Capital (Voted)					
8.	8-Finance Department	4.40	26.07	30.47	10.99	19.48
9.	20-Tourism Department	14.85	8.51	23.36	17.52	5.84
	Total-III	19.25	34.58	53.83	28.51	25.32
	Total: I ,II and III	344.46	174.88	519.34	386.71	132.63

Appendices

Appendix-3

(Reference : Paragraph: 2.4.1; Page: 50)

Statement showing expenditure incurred without budget provisions

		(Rupees in Lakh)
S.No.	Grant/Head of Account	Amount
1.	1-General Administration Department	
	6210-Loans for Medical and Public Health	23.46
	6401-Loans for Crop Husbandry	12.07
	6202-Loans for Education	32.47
	6403-Loans for Animal Husbandry	0.63
2.	2- Home Department	
	2056-Jails	37.04
	2235-Social Security and Welfare	18.09
3.	3- Planning and Development Department	
	2230- Labour Employment	216.86
4.	6-Power Development Department	
	4801-Capital outlay on Power Projects (NP)	25456.32
	5056-Capital outlay on Inland Water Transport	119.04
5.	8-Finance Department	
	6235-Loans for Social Security and Welfare	1.45
6.	11-Industries and Commerce Department	
	4860-Capital outlay on Consumer Industries	62.00
	4885-Capital outlay on Industries and Minerals	250.00
7.	12-Agriculture, Rural Development and Co-operatives Department	
	2505-Rural Employment	13.50
	2851-Small Industries	618.10
	4515-Capital outlay on other rural Development Programme	11.36
8.	13-Animal Husbandry Department	
	2404-Diary Development	155.00
9.	14-Revenue Department	
	2245-Relief on account of Natural Calamities	1893.84
10.	15-Food Supplies and Transport Department	
	7055-Loans for Road Transport	2019.22
11.	16-Public Works Department	
	2217-Urban Development	150.97
	4215-Capital outlay on water supply and sanitation	2570.15
	4216-Capital outlay on Housing	115.60
	4059-Capital outlay on Public Works	145.36
	5054-Capital outlay on Roads & Bridges	19411.51

Appendices

12.	17-Health and Medical Education Department	
	2211-Family Welfare	2382.74
	4210-Capital outlay on Medical and Public Health	93.94
	4211-Capital outlay on Family Welfare	3.47
13.	18-Social Welfare Department	
	2225-Welfare of Scheduled Castes, Scheduled Tribes & Other Backward Classes.	2046.71
14.	19-Housing and Urban Development Department	
	6216-Loans for Housing	0.18
	6217-Loans for Urban Development	25.00
15.	20-Tourism Department	
	3452-Tourism	1019.10
16.	21-Forest Department	
	2402-Soil and Water Conservation	15.17
	2406-Forestry and Wild Life	2636.07
	4402-Capital outlay on Soil and Water Conservation	580.01
	4406-Capital outlay on Forestry and Wild Life	66.12
17.	24-Estates, Hospitality and Protocol, Parks and Gardens Department	
	2059-Public Works	68.39
	2070-Other Administrative Service	56.15
	2216-Housing	597.05
	2406-Forestry and Wild Life	286.26
	4406-Capital outlay on Forestry and Wild Life	385.68
18.	27-Higher Education Department	
	2203-Technical Education	11.31
	2205-Art and Culture	132.47
Total		63739.86

Appendices

Appendix-4 (Reference: Paragraph:2.4.2; Page: 50) Statement showing Budget Provisions not utilised

(Rupees in lakh)

Grant	Major Head of Account	Amount
1.	General Administration Department	
	2055-Police	758.00
	2075-Miscellaneous General Services	0.25
	2235-Social Security and Welfare	12.00
	5425-Capital outlay on Other Scientific and Environmental Research.	222.00
	5452-Capital outlay on Tourism	100.00
2.	Home Department	
	2070-Other Administrative Services	2.00
	4059-Capital outlay on Public Works	1361.80
	4070-Capital outlay on Other Administrative Services	206.00
3.	Planning and Development Department	
	2216-Housing	2.56
	3451-Secretariat Economic Services	1757.07
	3475-Other General Economic Services	7924.65
	5475-Capital outlay on Other General Economic Services	16261.03
6.	Power Development Department	
	4801-Capital outlay on Power Projects.	33184.00
8.	Finance Department	
	2235-Social Security and Welfare	154.21
10.	Law Department	
	2055-Police	200.00
11.	Industries and Commerce Department	
	2230-Labour and Employment	117.85
	4852-Capital outlay on Industries	380.00
12.	Agriculture, Rural Development and Co-operative Department	
	2403-Animal Husbandry	38.37
	2406-Forestory and Wild Life	38.40

Appendices

	4402-Capital outlay on Soil and Water Conservation	88.00
	4705-Capital outlay on Command Area Development	230.00
	4415-Capital outlay on Agriculture Research and Education	182.00
13.	Animal Husbandry Department	
	4404-Capital outlay on Dairy Development	155.00
14.	Revenue Department	
	2401-Crop Husbandry	19.41
	5475-Capital outlay on General Economic Services	8.00
	4059-Capital outlay on Public Works	301.07
15.	Food Supplies and Transport Department	
	3055-Road Transport	2004.00
	4070-Capital outlay on Other Administrative Services	165.00
18.	Social Welfare Department	
	2236-Nutrition	35.00
	4235-Capital outlay on Social Security and Welfare	120.00
19.	Housing and Urban Development Department	
	2701-Major and Medium Irrigation	28.00
	2215-Water Supply and Sanitation	110.00
	7610-Loans to Government Servants	520.20
20.	Tourism Department	
	2406-Forestry and Wild Life	623.62
	4406-Capital outlay on Forestry and Wild Life	285.00
21.	Forest Department	
	2402-Soil and Water Conservation	760.46
	2406-Forestry and Wild Life	35.43
	4402-Capital outlay on Soil and Water Conservation	1234.00
27.	Higher Education Department	
	4202-Capital outlay on Education, Sports, Art and Culture	1620.88
	Total	71245.26

Appendices

Appendix-5

(Reference Para: 3.1.6.1; Page: 57)

Statement showing physical targets and achievements under Command Area Development Programme

Year	CAD authority	Field surveys		Land levelling		Field channels to 5-8 hectare blocks		Field channels within 5-8 hectare blocks		Field Drains	
		T	A	T	A	T	A	T	A	T	A
(In hectares)											
(percentage achievement in brackets)											
1991-92	Jammu	3850	3400 (88)	1490*	1410 (95)	2425	2343 (97)	2425	2339 (96)	722	700 (97)
	Kashmir	3000	1785 (60)	1000	873 (87)	3500	2068 (59)	3500	2801 (80)	500	224 (45)
1992-93	Jammu	2900	2900 (100)	1525	1525 (100)	2030	2020 (100)	2030	2020 (100)	606	605 (100)
	Kashmir	4030	2581 (64)	1240	852 (69)	1920	1595 (83)	1656	1388 (84)	400	362 (91)
1993-94	Jammu	3000	2900 (97)	1135	1450 (128)	2030	2250 (111)	2230	2247 (101)	1110	665 (60)
	Kashmir	2800	1511 (54)	900	489 (54)	1550	1171 (76)	1300	803 (62)	600	20 (3)
1994-95	Jammu	3000	3200 (107)	2430	2391 (98)	2440	2640 (108)	2440	2140 (88)	1040	660 (63)
	Kashmir	3050	1016 (33)	1400	783 (56)	1650	1579 (96)	1650	741 (45)	630	404 (64)
1995-96	Jammu	3400	3130 (92)	2075	1810 (87)	2825	2836 (100)	2825	2793 (99)	1642	1047(64)
	Kashmir	1216	1522 (125)	1250	727 (58)	1550	1785 (115)	--	--	900	1017 (11)
1996-97	Jammu	3100	3228 (104)	1713	1702 (99)	2597	2600(100)	2707	2210 (82)	944	1013 (10)
	Kashmir	1132	592 (52)	1040	343 (33)	1426	1692 (119)	--	--	800	453 (57)
1997-98	Jammu	2769	2769 (100)	1260	1510 (111)	2800	3003 (107)	2733	2902 (106)	950	997 (105)
	Kashmir	1400	1183 (85)	350	367 (105)	2000	1325 (66)	--	--	1100	595 (54)
Total	Jammu	22019	21527 (98)	11728	11798(101)	17147	17692 (102)	17390	16651 (96)	7014	5687(81)
	Kashmir	16628	10190 (61)	7180	4434 (62)	13596	11215 (82)	8106	5733 (71)	4930	3075 (62)
G.Total		38647	31717 (82)	18908	16232 (86)	30743	28707 (93)	25496	22384 (88)	11944	8762 (73)

(T- Targets; A- Achievements)

Appendices

Appendix-6 (Reference: Paragraph:3.1.6.1; Page: 57) Statement indicating variation in the figures of achievements reported

S. No	Item of work	Year	Achievements as per work done completion statements of sub-divisions				Achievements reported in progress reports of sub-divisions			
1.	2.	3.	4.				5.			
							(Area in hectares)			
			Sarore	Sapwal	Dayala-chak	Total	Sarore	Sapwal	Dayala-chak	Total
1.	Land levelling and reshaping	1992-93	911	511	689	2111	782	521	655	1958
		1993-94	210	183	355	748	292	285	405	982
		1994-95	382	167	468	1017	529	194	601	1324
		1995-96	294	184	240	718	503	200	607	1310
		1996-97	485	133	119	737	660	108	117	885
			5331				6459			
2.	Construction of field channels outlet to 5-8 hectares block (Grouting)	1992-93	236	N.A	984	N.A	499	484	1053	
		1993-94	525	376	644	1545	528	480	721	2036
		1994-95	343	517	820	1680	355	482	835	
		1995-96	215	313	459	987	394	396	802	1729
		1996-97	621	396	743	1760	516	430	680	1672
			N.A				1592			
							1626			
							8655			
3.	Construction of field channels within 5-8 hectares block	1992-93	470	783	857	2110	472	650	1038	
		1993-94	101	214	670	985	462	518	731	2160
		1994-95	329	380	741	1450	466	240	640	
		1995-96	449	423	315	1187	594	600	670	1711
		1996-97	921	378	595	1894	670	353	412	1346
							1864			
							1435			
			7626				8516			
4.	Construction of field drains	1992-93	70	144	179	393	114	138	252	504
		1993-94	114	99	179	392	145	170	280	595
		1994-95	107	140	160	407	193	217	194	604
		1995-96	153	141	217	511	200	250	452	902
		1996-97	245	220	358	823	293	230	365	888
			2526				3493			

Appendices

Project-wise breakup of Col-5		Achievements reported by Director CAD Jammu in quarterly and other reports to Government		
6.		7.		
		(Area in hectares)		
Ravi	Tawi	Ravi	Tawi	Total
1499	459	612	448	1060
745	237	700	200	900
894	430	1120	361	1481
1112	198	500	678	1178
225	660	253	660	913
				5532
1654	382	1401	350	1751
1358	371	1450	350	1800
1422	250	1500	440	1940
1456	136	1400	500	1900
1170	456	1280	480	1760
				9151
1808	352	1414	350	1764
1367	344	1447	350	1797
1026	320	1190	300	1490
1609	255	1372	496	1868
765	670	765	670	1435
				8354
390	114	290	274	564
500	95	400	200	600
479	125	425	150	575
792	110	600	302	902
658	230	688	230	918
				3559

Appendices

Appendix-7

(Reference: Paragraph: 3.8.5.1; Page: 105)

Statement showing variation between funds allotted by Chief Electoral Officer and those shown received by District Election Officers

S.No	Name of District	Allotted by CEO	Amount accounted for by DEO	Variation increase (+) decrease (-)
(Rupees in lakh)				
Lok Sabha Elections 1996				
1.	Srinagar	21.94	10.00	(-) 11.94
2.	Baramulla	20.50	19.00	(-) 1.50
3.	Poonch	10.81	10.20	(-) 0.61
4.	Anantnag	22.72	16.75	(-) 5.97
Total		75.97	55.95	(-) 20.02
Assembly Elections 1996				
5.	Doda	31.45	5.00	(-) 26.45
6.	Leh	8.03	8.13	(+) 0.10
7.	Kargil	7.22	7.00	(-) 0.22
Total		46.70	20.13	(-) 26.57

Appendices

Appendix-8

Appendices

Appendix-
(Reference: Paragraph: 7.2.2
Statement showing particulars of up-to-date Equity

Statement showing particulars of up to date Equity					
S. No	Name of the company	Paid-up capital as at the end of 31 March 1998			
		State Govern- ment	Central Govern- ment	Others	Total
(Rupees in lakh)					
	Finance				
1	Jammu and Kashmir Bank Limited	2577.53	nil	422.43	2999.96
	Industries and Commerce				
2.	Jammu and Kashmir Minerals Limited	800.00	nil	nil	800.00
3.	Jammu and Kashmir Industries Limited	1783.83	nil	nil	1783.83
4.	Jammu and Kashmir State Industrial Development Corporation Limited	4352.64	nil	nil	4352.64
5.	Jammu and Kashmir Cements Limited	1499.67	nil	nil	1499.67
6.	Jammu and Kashmir Handicrafts (Sale and Export) Corporation Limited	432.62	22.00	nil	454.62
7.	Jammu and Kashmir Small Scale Industries Development Corporation Limited	311.85	nil	nil	311.85
8.	Tawi Scooters Limited	80.40	nil	nil	80.40
9.	Himalayan Wool Combers Limited	136.50	nil	nil	136.50

Appendices

-8

Page: 177)

Capital and Loans as on 31 March 1998

State Govern- ment	Loans given by			Loans outstanding as on 31 March 1998			
	Central Govern- ment	Others	Total	State Govern- ment	Central Govern- ment	Others	Total
(Rupees in lakh)							
nil	nil	nil	nil	nil	nil	nil	nil
995.50	nil	nil	995.50	5513.20	nil	495.09	6008.29
1710.00	nil	nil	1710.00	9467.22	nil	890.67	10357.89
nil	nil	nil	nil	5.00	nil	4848.00	4853.00
nil	nil	nil	nil	414.00	nil	1505.37	1919.37
300.00	nil	nil	300.00	1754.77	155.46	nil	1910.23
nil	nil	nil	nil	419.13	nil	nil	419.13
Information awaited							
99.86	nil	nil	99.86	430.57	nil	249.35	679.92

(contd.)

Appendices

(Appendix -8 conold.)

S.No	Name of the company	Paid-up capital as at the end of 31 March 1998			
		State Govern- ment	Central Govern- ment	Others	Total
			(Rupees in lakh)		
10.	Jammu and Kashmir Handloom Development Corporation Limited	306.90	nil	nil	306.90
11.	Jammu and Kashmir State Handloom Handicrafts (Raw Material Supplies Organisation) Ltd. (A subsidiary of Himalayan Wool Combers Ltd.)	nil	nil	nil	nil
	Public Works				
12.	Jammu and Kashmir Projects Construction Corporation Limited	152.50	nil	nil	152.50
	Power Development				
13.	Jammu and Kashmir State Power Development Corporation (Pvt.) Limited	nil	nil	nil	nil
	Agricultural Production				
14.	Jammu and Kashmir State Agro Industries Development Corporation Limited	259.92	93.76	nil	353.68
15.	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	600.00	320.00	nil	920.00
	Social Welfare				
16.	Jammu and Kashmir Scheduled Castes, Scheduled Tribes and other Backward Classes Development Corporation Limited	499.00	524.05	nil	1023.05
17.	Jammu and Kashmir State Womens' Development Corporation Limited	156.28	nil	nil	156.28
	Tourism				
18.	Jammu and Kashmir Tourism Development Corporation Limited	1558.33	nil	nil	1558.33
19.	Jammu and Kashmir State Cable Car Corporation Limited	2432.12	nil	nil	2432.12
	Total	17940.09	959.81	422.43	19322.33

Appendices

Loans given by				Loans outstanding as on 31 March 1998			
State Government	Central Government	Others	Total	State Government	Central Government	Others	Total
(Rupees in lakh)							
172.08	nil	nil	172.08	1411.53	nil	nil	1411.53
Information awaited							
nil	nil	nil	nil	30.00	nil	nil	30.00
nil	nil	nil	nil	nil	nil	nil	nil
242.00	nil	nil	242.00	1053.65	13.93	8.43	1076.01
nil	nil	nil	nil	273.00	nil	6880.71	7153.71
nil	nil	nil	nil	nil	nil	375.72	375.72
nil	nil	nil	nil	nil	nil	45.70	45.70
nil	nil	nil	nil	426.00	nil	107.00	533.00
nil	nil	nil	nil	nil	nil	nil	nil
3519.44	nil	nil	3519.44	21198.07	169.39	15406.04	36773.50

Appendices

Appendix- (Reference: Paragraph: 7.2.2;

Summarised Financial Results of Government companies for the

S. No	Name of the company	Date of incorporation	Period of accounts	Year in which finalised
Finance				
1.	Jammu and Kashmir Bank Limited	1 October 1938	1997-98	1998-99
Industries and Commerce				
2.	Jammu and Kashmir Minerals Limited	5 February 1960	1982-83	1997-98
3.	Jammu and Kashmir Industries Limited	4 October 1960	1986-87	1998-99
4.	Jammu and Kashmir State Industrial Development Corporation Limited	17 March 1969	1989-90	1998-99
5.	Jammu and Kashmir Cements Limited	24 December 1974	1992-93	1998-99
6.	Jammu and Kashmir Small Scale Industries Development Corporation Limited	28 November 1975	1982-83	1993-94
7.	Jammu and Kashmir Handicrafts (Sale and Export) Corporation Limited	6 June 1970	1985-86	1996-97
8.	Tawi Scooters Limited	15 December 1976	1989-90	1991-92
9.	Himalayan Wool Combers Limited	24 January 1978	1996-97	1998-99
10.	Jammu and Kashmir State Handloom Development Corporation Limited	29 June 1981	1988-89	1998-99
11.	Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalayan Wool Combers Limited)	29 November 1991	No accounts received	
Public Works				
12.	Jammu and Kashmir Projects Construction Corporation Ltd.	22 May 1965	1982-83	1996-97

Appendices

-9

Page: 177)

latest year for which accounts were finalised

Profit (+)/ Loss (-)	Paid up capital	Accu- mula- ted loss	Capital employed (A)	Return on capital employed	Percentage of total return on Capital employed
(Rupees in lakh)					
(+) 5037.00	2999.96	-	281263.86	37921.57	13.48
(-) 70.13	800.00	346.39	647.90	(-) 67.04	(-) 10.35
(-) 469.37	1499.94	876.31	1685.01	(-) 403.05	(-) 23.94
(-) 295.48	2692.64	548.78	4633.47	12.59	6.50
(-) 6.38	1549.67	660.90	2151.29	124.98	5.87
(-) 10.63	166.85	-	358.55	32.22	9.00
(-) 27.91	104.10	48.90	382.76	(-) 27.91	(-) 7.29
(-) 6.14	80.40	104.23	58.69	(-) 1.25	(-) 2.12
(-) 84.57	136.50	707.82	(-) 103.47	(-) 73.32	(-) 70.86
(-) 9.33	299.90	169.06	612.78	(+) 7.63	1.25
-	-	-	-	-	-
(+) 2.36	100.00	7.26	123.40	4.82	3.90

Appendices

(Appendix-9 conold.)

S.No	Name of the company	Date of incorporation	Period of accounts	Year in which finalised
13.	Power Development Jammu and Kashmir State Power Development Corporation (Private) Limited	16 February 1995	No accounts received	
14.	Agricultural Production Jammu and Kashmir State Agro Industries Development Corporation Limited	30 January 1970	1982-83	1998-99
15.	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	10 April 1978	1989-90	1997-98
16.	Social Welfare Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited	1 April 1986	1988-89	1996-97
17.	Jammu and Kashmir State Women's Development Corporation Limited	10 May 1991	1991-92	1998-99
18.	Tourism Jammu and Kashmir Tourism Development Corporation Limited	13 February 1970	1984-85	1997-98
19.	Jammu and Kashmir State Cable Car Corporation Limited	28 November 1988	1988-89	1998-99

* No profit and loss account has been prepared by the company as it has not commenced business activities.

Appendices

Profit (+)/ Loss (-)	Paid up capital	Accu- mula- ted loss	Capital emp- loyed (A)	Return on capital emp- loyed	Percentage of total return on Capital employed
(Rupees in lakh)					
-	-	-	-	-	-
(-) 25.16	195.76	145.20	134.60	(-) 24.17	(-) 17.96
(-) 457.30	920.00	2045.04	169.98	(-) 161.76	(-) 95.16
(-) 2.49	78.10	4.66	133.07	(-) 2.49	(-) 1.87
nil	2.00	--	1.11	nil	--
(-) 38.22	235.22	59.52	231.34	(-) 37.98	(-) 162.72
-	-	-	-	-	-

A: Capital employed represents net fixed assets (including work in progress) plus working capital

Appendices

Appendix - (Reference: Paragraphs: 7.2.3 and 7.2.4; Statement showing subsidy and guarantees received and

S. No	Name of company	Subsidy received during the year			
		Central Government	State Government	Others	Total
					(Rupees in lakh)
					(Figures in brackets indicate subsidy unutilised)
A-Government Companies					
Finance					
1.	Jammu and Kashmir Bank Limited	nil	nil	6.00 (6.00)	6.00 (6.00)
Industries and Commerce					
2.	Jammu and Kashmir Minerals Limited	nil	nil	nil	nil
3.	Jammu and Kashmir Industries Limited	nil	nil	nil	nil
4.	Jammu and Kashmir State Industrial Development Corporation Limited.	nil	nil	nil	nil
5.	Jammu and Kashmir Cements Limited	nil	nil	nil	nil
6.	Jammu and Kashmir Handicrafts (Sale and Export) Corporation Limited	nil	nil	nil	nil
7.	Jammu and Kashmir Small Scale Industries Development Corporation Limited	nil	10.00	nil	10.00
8.	Tawi Scooters Limited		Information awaited		
9.	Himalayan Wool Combers Limited	nil	nil	nil	nil
10.	Jammu and Kashmir State Handloom Development Corporation Limited.	17.51	nil	nil	17.51
11.	Jammu and Kashmir State Handloom Handicrafts Raw Materials Supplies Organisation Limited (a subsidiary of Himalayan Wool Combers Limited)	nil	nil	nil	nil

Appendices

-10

Page: 177)

guarantees outstanding at the end of the year

State Government	Other funds received from		Guarantees outstanding		
	Central Government	Total	Cash credit from SBI and other banks	Loans from other sources	Total
(Rupees in lakh)			(Figures in brackets indicate outstanding guarantees)		
nil	nil	nil	nil	nil	nil
nil	nil	nil	(150.00)	-	(150.00)
nil	nil	nil	(1174.54)	nil	(1174.54)
nil	nil	nil	nil	nil	nil
nil	nil	nil	nil	(1505.37)	(1505.37)
61.00	nil	61.00	(155.46)	nil	(155.46)
134.00	nil	134.00	nil	(66.60)	(66.60)
nil	nil	nil	nil	(249.35)	(249.35)
49.25	nil	49.25	nil	nil	nil
nil	nil	nil	nil	nil	nil

Appendices

(Appendix-10 contd.)

(Appendix-10 contd.)

S. No	Name of company	Subsidy received during the year			
		Central Government	State Government	Others	Total
(Rupees in lakh)					
(Figures in brackets indicate subsidy unutilised)					
	Public Works				
12.	Jammu and Kashmir Projects Construction Corporation Limited	nil	nil	nil	nil
	Power Development				
13.	Jammu and Kashmir Power Development Corporation (Pvt.) Limited	nil	nil	nil	nil
	Agricultural Production				
14.	Jammu and Kashmir State Agro Industries Development Corporation Limited	nil	339.12	nil	339.12
15.	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	nil	nil	nil	nil
	Social Welfare				
16.	Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited	58.64 (58.64)	52.11 (52.11)		110.75 (110.75)
17.	Jammu and Kashmir State Womens' Development Corporation Limited	nil	nil	nil	nil
	Tourism				
18.	Jammu and Kashmir Tourism Development Corporation Limited	22.00	nil	nil	22.00
19.	Jammu and Kashmir Cable Car Development Corporation Limited	nil	nil	nil	nil
		98.15 (58.64)	401.23 (52.11)	6.00 (6.00)	505.38 (116.75)

Appendices

Other funds received from			Guarantees outstanding		
State Government	Central Government	Total	Cash credit from SBI and other banks	Loans from other sources	Total
(Rupees In lakh)			(Figures in brackets indicate guarantees outstanding)		
nil	nil	nil	nil	nil	nil
nil	nil	nil	nil	nil	nil
nil	nil	nil	nil	nil	nil
50.00	nil	50.00	(6880.71)	nil	(6880.71)
nil	nil	nil	nil	(375.72)	(375.72)
nil	nil	nil	nil	(35.70)	(35.70)
569.51	nil	569.51	nil	20.00	20.00
nil	nil	nil	nil	nil	nil
863.76	nil	863.76	(7186.17)	20.00 (3487.28)	20.00 (10593.45)

Appendices

S. No	Name of company	Subsidy received during the year			
		Central Government	State Government	Others	Total
					(Rupees in lakh)
					(Figures in brackets indicate subsidy unutilised)
B-Statutory Corporations					
1.	Jammu and Kashmir State Financial Corporation	nil	nil	nil	nil
2.	Jammu and Kashmir State Road Transport Corporation	nil	nil	nil	nil
3.	Jammu and Kashmir State Forest Corporation	nil	nil	nil	nil
4.	Jammu and Kashmir State Electricity Board	nil	nil	nil	nil
Total:		nil	nil	nil	nil

Appendices

(Appendix 10 conold.)

State Government	Other funds received from		Guarantees outstanding		
	Central Government	Total	Cash credit from SBI and other banks	Loans from other sources	Total
(Rupees In lakh)			(Figures in brackets indicate guarantees outstanding)		
nil	nil	nil	-	495.00 (9766.70)	495.00 (9766.70)
nil	nil	nil	(160.00)	(425.00)	(585.00)
nil	nil	nil	(2240.93)	-	(2240.93)
nil	nil	nil	-	5390.36 (30355.95)	5390.36 (30355.95)
nil	nil	nil	(2400.93)	5885.36 (40547.65)	5885.36 (42948.58)

Appendices

Appendix-11

(Reference: Paragraph:7.2.8; Page: 182)

Statement showing the capacity utilisation of manufacturing units of various companies for the year 1997-98

S.No	Name of the company	Unit	Installed capacity per annum	Actual utilisation	Percentage utilisation
1.	Jammu and Kashmir Minerals Limited				
	(a)Wuyan Cement Factory	Tonnes	15,000	1014	7
	(b)Precast Concrete Factory	No. of	5000	2613	52
	Bari Brahamna, Jammu	Poles			
	(c)Precast Concrete Factory	No. of	5000	1140	23
	Wuyan	Poles *			
2.	Jammu and Kashmir Industries Limited				
	(a)Rosin Group of Factories	Tonnes	9500	2129	22
	(b)Kashmir Filatures	Kgs.	33000	7600	23
	(c)Jammu Filatures	Kgs.	15000	8200	55
	(d)Silk Weaving Factory Rajbagh	Mtrs.	2 lakh	80000	40
	(e)Bemina Woollen Mills	Mtrs.	3.40 lakh	100000	29
	(f)Shoddy Spinning Project	kgs.	9 lakh	11800	1
	(g)Joinery Mills Pampore	cfts	125000	23600	19
	(h)Joinery Mills Jammu	cfts	82500	15200	18
	(i)Knitting Factory Jammu	Jerseys	25000	16000	64
		Socks	105000	15000	14
		Hand gloves	18000	nil	nil
		Vests	5000	nil	nil
	(j) Pharmaceutical works	Kgs.	300	28	9
	Baramulla				
3.	Jammu and Kashmir Cements Limited	Tonnes	2 lakh	75830	38
4.	Himalayan Wool Combers	kgs	9.50 lakh	1.79 lakh	19
5.	Jammu and Kashmir Projects Construction Corporation Limited	Bricks	50 lakh	17.14 lakh	35

Appendices

S.No	Name of the company	Unit	Installed capacity per annum	Actual utilisation	Percentage utilisation
6.	Jammu and Kashmir Agro Industries Development Corporation Limited				
	(a) Cold storage plant Delhi	Tonnes	2200	--	--
	(b) Canning plant Khonmoh	Tonnes	200	30	15
	(c) Honey plant Khonmoh	Tonnes	50	--	--
	(d) Cattle feed plant Jammu	Tonnes	15000	4108	23
7.	Jammu and Kashmir Horticultural Produce and Marketing and Processing Corporation Limited	Tonnes	800	675	84

Appendices

Appendix-12 (Reference: Pagaraph: 8.1 (a); Page: 208) Statement of wanting utilisation certificates

Department	Year of paying	Certificates awaited	
		No.	Amount (Rupees in crore)
Education	1995-96	48	2710.65
	1996-97	61	3553.56
Housing and Urban Development	1995-96	78	2442.91
	1996-97	9	2739.81
Health and Medical Education	1995-96	1	3.51
	1996-97	9	126.36
Agriculture	1995-96	2	487.14
	1996-97	10	627.79
Law Department	1995-96	-	-
	1996-97	5	0.76
Social Welfare	1995-96	14	68.51
	1996-97	8	7.57
General Administration	1995-96	20	63.75
	1996-97	3	3.00
Tourism	1995-96	2	64.09
	1996-97	2	88.42
Art & Culture	1995-96	3	220.96
	1996-97	9	259.73
Public Works	1995-96	-	-
	1996-97	1	0.15
Total		295	13468.67

Appendices

Appendix-13

(Reference: Paragraph: 8.1 (b); Page:-208)

List showing names of departments which had not furnished the details of grants/loans paid by them to various bodies

Name of the Department	Period for which information awaited
1. General Administration	1996-97 onwards
2. Industries and Commerce	1996-97 onwards
3. Housing and Urban Development	1992-93 to 1996-97
4. Agriculture Production and Rural Development	1996-97 onwards
5. Health and Medical Education	1996-97 onwards
6. Education/ Higher Education	1996-97 onwards
7. Social Welfare	1996-97 onwards
8. Forest	1992-93 onwards
9. Tourism	1992-93 onwards

Appendices

Appendix -14

(Reference: Paragraph: 8.1(b); Page: 208)

Bodies which did not furnish annual accounts for 1997-98 and earlier years

S.No	Name of the body.	Period for which accounts were not received	No of accounts.
1.	Jammu and Kashmir Social Welfare Advisory Board.	1996-97 to 1997-98	2
2.	District Rural Development Agency, Srinagar.	1997-98	1
3.	District Rural Development Agency, Pulwama	1988-89 to 1997-98	10
4.	District Rural Development Agency, Kupwara	1997-98	1
5.	District Rural Development Agency, Baramulla	1997-98	1
6.	District Rural Development Agency, Rajouri	1996-97 to 1997-98	2
7.	District Rural Development Agency, Doda	1983-84 to 1997-98	15
8.	District Rural Development Agency, Leh	1996-97 to 1997-98	2
9.	District Rural Development Agency, Kathua	1996-97 to 1997-98	2
10.	District Rural Development Agency, Jammu	1997-98	1
11.	District Rural Development Agency, Udhampur	1996-97 to 1997-98	2
12.	District Rural Development Agency, Anantnag.	1997-98	1
13.	District Rural Development Agency, Poonch	1996-97 to 1997-98	2
14.	District Rural Development Agency, Budgam	1992-93 to 1997-98	6
15.	Jammu and Kashmir Sports Council, Srinagar.	1995-96 and 1997-98	3
16.	Desert Development Agency, Leh	1995-96 and 1997-98	3
17.	Desert Development Agency, Kargil	1995-96 and 1997-98	3
18.	Jammu Development Authority	1972-73 to 1997-98	26
19.	Jammu Municipality	1996-97 to 1997-98	2
20.	Jammu and Kashmir Academy of Art, Culture and Languages	1996-97 to 1997-98	2
21.	Jammu and Kashmir Housing Board Jammu.	1992-93 to 1997-98	6
22.	Islamia College, Srinagar	1997-98	1
23.	State Pollution Control Board	1992-93 to 1997-98	6
24.	Jammu and Kashmir State Council for Science and Technology	1986-87 to 1997-98	12
25.	Jammu and Kashmir Energy Development Agency.	1997-98	1
26.	Kashmir University	1983-84 to 1997-98	15
27.	Municipality Srinagar	1997-98	1
28.	Jammu and Kashmir Board of Secondary Education	1977-78 to 1997-98	21
29.	Srinagar Development Authority.	1981-82 to 1997-98	17
30.	Sher-i-Kashmir Medical Institute Trust Soura.	1986-87 to 1997-98	12
31.	Jammu Urban Development Agency.	1997-98	1
32.	Jammu and Kashmir Co-operative Supply and Marketing Federation Limited	1987-88 to 1997-98	11
33.	Sher-i-Kashmir International Conventional Complex	1987-88 to 1997-98	11
34.	Institute of Management and Public Administration	1988-89 to 1997-98	10
35.	Patnitop Development Authority	1995-96 and 1997-98	3
Total			215

Appendices

Appendix-15
(Reference: Paragraph: 8.3.1; Page:209)
Statement showing Bodies/ Authorities and the period
for which their accounts were received

S.No	Name of the body	Period of accounts received
1.	District Rural Development Agency Srinagar	1988-89 to 1996-97
2	District Rural Development Agency Budgam	1988-89 to 1991-92
3.	District Rural Development Agency, Kupwara	1988-89 to 1996-97
4.	District Rural Development Agency, Baramulla	1989-90 to 1996-97
5.	District Rural Development Agency, Kargil	1995-96 to 1997-98
6.	District Rural Development Agency, Leh	1995-96
7.	District Rural Development Agency, Anantnag	1989-90 to 1996-97
8	Municipality Srinagar	1992-93 to 1996-97
9	Jammu University	1996-97 and 1997-98
10.	Jammu Urban Development Authority	1995-96 and 1996-97
11.	District Rural Development Agency Jammu	1996-97
12.	Jammu and Kashmir Energy Development Department.	1996-97
13.	Islamia College Srinagar	1989-90 to 1996-97

Appendices

Appendix-16 Glossary of abbreviations

AGM	Annual General Meetings
API	Annual Parasite Index
AQ	Acquaquinine
ACED	Assistant Chief Electoral Officer
BMO	Block Medical Officer
BHEL	Bharat Heavy Electricals Limited
CADA	Command Area Development Authority
CADP	Command Area Development Programme
CCA	Cultivable Command Area
CMO	Chief Medical Officer
CEO	Chief Electoral Officer
CSS	Centrally Sponsored Scheme
CIS	Capital Investment Subsidy
DDC	Drug Distribution Centre
DHS	Director Health Services
DEO	District Election Officer
DG	Diesel Generating
DGSD	Director General Supplies and Disposals
DIC	District Industries Centre
DRDA	District Rural Development Agency
EM&RE	Electric Maintenance & Rural Electrification
FTD	Fever Treatment Department
GSDP	Gross State Domestic Product
HTC	Handloom Weaving Training Centre
I&C	Industries & Commerce
IDBI	Industrial Development Bank of India

Appendices

IID	Integrated Infrastructural Development Project
IRDP	Integrated Rural Development Project
JKPCC	Jammu and Kahsmir Projects Construction Corporation
JDA	Jammu Development Authority
JAKEDA	Jammu and Kashmir Energy Development Agency
MNP	Minimum Needs Programme
MPO	Modified Plan of Operation
NCCF	National Co-operative Consumers Federation
OFD	On-Farm Development
POL	Petrol, Oil & Lubricants
PIM	Participation in Water Management
PWD	Public Works Department
PHE	Public Health Engineering
PVC	Poly Vinyl Chloride
RMD	Raw Material Depot
RTIC	Ravi-Tawi Irrigation Complex
R& B	Roads and Buildings
RAIP	Requisition and acquisition of Immovable Property
RM	Running Metre
RMG	Readymade Garments
RIV	Rapid Intervention Vehicle
SAIL	Steel Authority of India
SICOP	Small Scale Industries Development Corporation
SPD	Stores Procurement Department
SSI	Small Scale Industries
SAR	Separate Audit Report
SFC	State Financial Corporation
SIDBI	Small Industries Development Bank of India

Appendices

STA	State Transport Authority
SSRB	Subordinate Service Recruitment Board
SDA	Srinagar Development Authority
TCC	Tawi Canal Construction

