

**Errata to the Report of the Comptroller and Auditor General
of India for the year 1978-79—Government of
Jammu and Kashmir**

Page number	Reference	For	Read
(iii)	Table of contents Chapter VI Reve- nue Receipts line 6th	Under charging	Under-charging
(iv)	Table of Contents Chapter VII Government Com- mercial and Trad- ing Activities line 9th	Departmentally managed	Departmentally- managed
	Line 10th	Government Commer- cial <i>quasi</i>	Government Com- mercial/ <i>quasi</i> -
(v)	Table of Contents Appendix VII 2nd	departmentally line	departmentally-
1	1.1. Summary of transactions 1st line	te	the
2	Foot note (A) 2nd line	non-plan	non-Plan
3	Foot note 12th and 19th lines	August	September
5	Para 1.3- heading	Revenue Receipts	Revenue receipts
12	2nd sub-paragraph 1st and 2nd lines	plan	Plan
13	Foot note	(August 1980.)	(August 1980).

Page number	Reference	For	Read
16	Last sub-paragraph line 9th line 10th	Rs. 97.57	blank Rs. 97.57
17	2nd foot note 3rd line	records	records
18	Table Total 2nd line Foot note (C)— 2nd line Foot note (D) 1st line	Co-op by Rs 0.08 crore Te Co operative amounts	Co-op- by-Rs 0.08 crore The Co-operative amounts
19	Last sub-para- graph last words	(August) 1980).	(August 1980).
20	Paragraph after the table (2.1.) lines 4th, 5th and 8th	Crore	crore
23	Last sub-paragraph 5th line 6th line	suppliers articles	suppliers articles
27	Paragraph 2.5. 10th line	1978 79	1978-79
29	Last sub para- graph 6th line	and meanwhile	and that mean- while
30	Chapter III Head- ing	CIVIL DEPART- MENT	CIVIL DEPART- MENTS
30	Foot note	Departmental figures;	Departmental figures;
38	Table Item 2 Item 3 (against 1978)	green tip stage 36.10	green tip stage) 36.1
39	3.2.5. Summing up (i) 2nd line	furnished	furnished.

Page number	Reference	For	Read
40	5th line 3.3. Idle cleaner-cum-grader machines (heading)	lakh acres) grader machines-	lakh acres). grader machines.—
	4th line	bad	abad
	3. 4. 4th line	etc.,	etc.
	41 (ii) 1st line	(cost	(cost:
42	2nd sub-paragraph 2nd line	Srinager	Srinagar
43	Last sub-paragraph 5th line from bottom	production	production
44	3.5.8. (iv) 2nd line 3.6.1. 2nd line 3rd line	1 units ities th	4 units lities the
51	Sub-paragraph below (iv) 4th line	(February 1980)	(February 1980)
53	5th line	totaling February	totaling February
54	4.1.1. 12th line	the diesel	two diesel
55	(v) against Kashmir 1975-76 1977-78	11,24.59 15,27.32	11,23.79 15,27.34
58	Table—item(i)-2nd line	outlay	outlay
59	Table—Item(iv) against 1975-76 1st sub-paragraph 6th line	545.79 paise	5,45.79 paise
60	17th line (b) levy of electricity duty-2nd line 3rd line from bottom	sanction electricity that loss	Sanction electricity that the loss

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61	4th line from bottom Last word	(cost Rs. Constru-	(cost: Rs. Construc-
63	3. 6th line	Meanwhile	Meanwhile,
64	Table heading columns 2,4 and 5	(Rs. in lakhs)	(Rs. in lakhs)
66	(b) 3rd line	Yer	Year
68	3rd line from bottom Last line	wire available Rs.	wire (available Rs.
69	9th line from bottom	puf	put
71	Table heading — 1st column —Last column 3rd line 7th line from bottom	Divisions its 0.62)lakh)	Division it 0.62 lakh)
72	4th line 5th line from bottom	lot 1979	lots 1979;
73	1st line (ii) Table 4th column	th insurer	the insurers
73	5th line from bottom 4th line from bottom 2nd line from bottom	these, 0.69 lakhs aseessment	these 0.69 lakh assessment
74	(ii) Table—Last column	197	1979
75	Last line	December/October	October/December
76	Second sub-paragraph 2nd line	(1976-77	(1976-77,
79	Table (iv)—3rd column 3rd line from bottom	R. 1978).	Rs. 1978),

Page number	Reference	For	Read
80	2nd sub-paragraph— 2nd line 6.7. heading—1st line	1980) Under assessment	1980 Under-assessment
81	5th line from bottom 3rd line from bottom	Rs. 11,28,21 Under assessment	Rs. 11,28,210 Under-assessment
85	1st paragraph—6th line 9th line	Agriulture the	Agriculture the
92	Heading-1st line- 4th column Below heading Last line of the page	interst Blank from (IDBI)	interest <i>(Amount in lakhs of rupees)</i> (from IDBI)
93	Table heading 4th line - last column	blank	ber
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97	4th line from bottom	Corporation	Corporation
100	8th line Table-4th line-3rd column	as; 2.11.38	as : 2,11.38
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103	Paragraph below 1st table 3rd line	:—	:
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106	7.3.6.—4th line	etc;	etc.
108	1st paragraph after 1st table—2nd line	etc;	etc.
109	7.3.8.—6th line	levels :—	levels.

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114	3rd line from bottom	earnings	earning
117	7.9.1. (i) 2nd line (ii) 5th line 7.9.2.—3rd line	joint etc, chairman	a joint etc. Chairman
118	7.9.4. (i) 2nd line (ii) 3rd line	c r tified (Fe ru ry	certified (February
120	Table—last column	May 1971. January 1972. September 1972. *November 1972.	May 1971 January 1972 September 1972 *November 1972
121	(i) 9th line	Far	Far—
123	5th line from bottom	break-downs	breakdowns
124	7th line from bottom	earth	earth-
125	(i) 13th line 17th line	on account finance	on-account finances
127	Table against 1976-77 last column	@ (—) 4.6	@ (—) 4.46
131	7.9.7 (a)—Table 2nd line—1st column	Spares	Spares in hand
133	7.9.11—2nd sub-para- graph—4th line	sub-	sub
134	2nd line above table Table heading- 2nd column	Pro-forma Extent arrears	Proforma Extent of arrears
135	Table heading—2nd column 3rd line from bottom	Extent arrears ot	Extent of arrears of
136	3rd line below table	to	into

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137	16th line from bottom	4,115	4,455	
	13th line from bottom	Compartment	Compartment	
144	Table-against 'Sales' 3rd column (1975-76)	4,68.49	4,68.54	
	Table-against 'Total' 3rd column (1975-76)	5,98.93	5,98.98	
145	14th line from bottom	Rs. 36.32	Rs. 36.62	
146	(iv)—2nd line	(value	(value :	
147	2nd line	by-product	by-products	
149	2nd line from bottom	Generals'	General's	
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158	APPENDIX I—top	blank	158	
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R E P O R T

OF THE

**COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

FOR

THE YEAR 1978-79

GOVERNMENT OF JAMMU AND KASHMIR

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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 Appropriation Accounts for 1978-79 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 1978-79.

2. As reported in the Reports for 1976-77 and 1977-78, a fire in the office of the Accountant General, Jammu and Kashmir, Srinagar in March 1977 destroyed the records including those relating to the accounts for 1976-77. This necessitated reconstruction of the accounts for 1976-77 after collecting details from the various Government departments. Finalisation of the accounts for 1977-78 and 1978-79 which had to incorporate the balances from previous year also consequently got delayed. Some of the balances shown in the Finance Accounts 1978-79 and Chapter I of this Report are still in the process of reconciliation.

3. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during 1978-79 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1978-79 have also been included wherever considered necessary.

4. The points brought out in this Report are not intended to convey or to be understood as conveying any general reflection on the financial administration by the departments/bodies/authorities concerned.

CHAPTER I

GENERAL

1.1. Summary of transactions

The receipts and expenditure of the Government for 1978-79 are given below with corresponding figures of the previous year :

	1977-78	1978-79
	<i>(Crores of rupees)</i>	
(1) Revenue—		
Revenue receipts		
(i) Revenue raised by the State Government	74.23	89.79
(ii) Receipts from the Government of India	1,06.16	1,33.09
Total—Revenue receipts	1,80.39	2,22.88
(iii) Revenue expenditure—		
Non-Plan	1,21.31	1,89.33
Plan	19.38	26.25
Total—Revenue expenditure	1,40.69	2,15.58
Revenue surplus(+)	(+)39.70	(+)7.30

1977-78 1978-79

(Crores of rupees)

(2) Public Debt—

(i) Internal Debt of the State Government

Receipts	35.42	40.13
Repayments	35.53	36.68
Increase (+)		
<hr/>		
Decrease (—)	(—)0.11	(+)3.45

(ii) Loans and Advances from the Central Government

Receipts	80.22	97.82(A)
Repayments	12.02	35.90
Increase(+)	(+)68.20	(+)61.92
Total Public Debt (net)		
Increase(+)	(+)68.09	(+)65.37

(3) Capital expenditure

Non-Plan	20.67	(—) 1.67(*)
Plan	79.46	88.41
Increase(—)	(—)1,00.13	(—)86.74

(A) Consisted mainly of block loans for State Plan schemes (Rs. 84.36 crores), loans for Central Plan schemes (Rs. 7.92 crores), non-plan loans (Rs. 5.09 crores) and loans for Centrally sponsored Plan schemes (Rs. 0.20 crore).

(*) Minus expenditure is due to adjustment of Food subsidy accounted for as recoveries on capital account under '509-Capital Outlay on Food' by corresponding debit to the revenue head "309-Food".

	1977-78	1978-79
	(Crores of rupees)	
(4) Loans and Advances by the State Government—		
Recoveries	2.02	1.95
Disbursements	7.14	5.51
Increase(—)	(—)5.12	(—) 3.56
(5) Public Account (net)—		
Receipts	5,74.48	7,02.69
Disbursements	5,78.20	6,83.48
Increase(+)		
Decrease(—)	(—)3.72	(+)19.21
Net Surplus(+)		
Deficit(—)	(—)1.18	(+) 1.58
Opening cash balance	(+)4.49	(+)3.31
Net Surplus (+)		
Deficit (—)	(—)1.18	(+)1.58
Closing cash balance	(+)3.31	(+)4.89**

(**) Comprises cash in treasuries (Rs. 4.27 crores) and cash in banks (Rs. 0.62 crore) but does not include remittances in transit between treasuries. The transactions relating to remittances between treasuries are initially booked under the head "882-Cash Remittances and Adjustments between Officers rendering Accounts to the same Accountant General/Accounts Officer" in the Public Account and the amounts actually in transit at the end of the year are worked out and exhibited under closing cash balance. Due to destruction in the fire of March 1977 of the relevant records of transactions relating to remittances between treasuries, it has not been possible to work out the actual amount of remittances in transit at the end of each of the years since then and include it in the closing cash balance. Collection of relevant details from treasuries and reconstruction of records is in progress (August 1980).

As regards cash in banks, there was a difference of Rs. 0.04 crore as on 31st March 1979 between the figure reflected in the accounts as mentioned above and that intimated by the Finance Department. Difference to the extent of Rs. 0.03 crore has since been adjusted. The matter is under correspondence with the Finance Department for reconciliation and rectification of the remaining difference (August 1980).

1.2. Revenue surplus/deficit

(a) *Revenue receipts.*—The actuals of the revenue receipts of the Government for 1978-79 as compared with the budget estimates and the budget estimates *plus* additional taxation during the year along with the corresponding figures for 1976-77 and 1977-78 are shown below :—

Year	Budget	Budget <i>plus</i> additional taxation	Actuals	Variation between columns (4) and (3)	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
(Crores of rupees)					
1976-77	1,51.32	1,51.32***	1,60.84	(+)9.52	6
1977-78	1,59.46	1,59.46@	1,80.39	(+)20.93	13
1978-79	2,08.34	2,08.34***	2,22.88	(+)14.54	7

(b) *Expenditure on revenue account.*—The expenditure on revenue account as compared with the budget estimates and the budget estimates *plus* supplementary provision is shown below :—

Year	Budget	Budget <i>plus</i> supplementary	Actuals	Variation between columns (4) and (3)	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
(Crores of rupees)					
1976-77	1,61.48	1,70.43	1,61.41	(-)9.02	5
1977-78	1,67.03	1,83.39	1,40.69	(-)42.70	23
1978-79	1,98.54	2,18.88	2,15.58	(-)3.30	2

(***) Additional taxation, if any, has not been intimated by the Government (August 1980).

(@) No new tax was levied nor any specific change made in the existing rates of taxation.

(c) The year ended with a revenue surplus of Rs. 7.30 crores as against the surplus of Rs. 9.80 crores anticipated in the budget.

1.3. Revenue Receipts

(a) The revenue receipts during 1978-79 (Rs. 2,22.88 crores) increased by 23 per cent as compared to those in 1977-78 (Rs.1,80.39 crores). The increase is analysed below :

(1)	Receipts		Increase(+)
	1977-78	1978-79	Decrease(-)
	(2)	(3)	(4)
	<i>(Crores of rupees)</i>		
(i) Revenue raised by Government—			
(a) Tax revenue	30.66	34.65	(+)3.99
(b) Non-tax revenue	43.57	55.14	(+)11.57
(ii) Receipts from Government of India —			
(a) Share of net proceeds of			
(1) Taxes on Income other than Corporation Tax	5.47	5.72	(+)0.25
(2) Estate Duty	0.08	0.08	..
(3) State's share of Union Excise Duties	9.27	10.64	(+)1.37

(1)	Receipts		Increase(+)
	1977-78	1978-79	Decrease(-)
(1)	(2)	(3)	(4)
(Crores of rupees)			
(b) Grants			
(i) Statutory grants	42.23	53.73	(+)11.50
(ii) Other grants			
(1) Block grants for State Plan schemes	36.34	26.32	(-)10.02
(2) Grants for Central Plan schemes	4.52	4.37	(-)0.15
(3) Grants for Centrally sponsored Plan schemes	4.01	4.70	(+)0.69
(4) Non-Plan grants (other than those included in statutory grants)	4.24	27.53	(+)23.29
Total :	1,80.39	2,22.88	(+)42.49

The receipts from the Government of India during 1978-79 (Rs. 1,33.09 crores) constituted 60 per cent of the total revenue receipts for the year.

The revenue raised by the State Government increased mainly under the following heads due to reasons mentioned under each :—

	Receipts during		Increase	
	1977-78	1978-79	Amount	Percentage
(Crores of rupees)				
(i) State Excise	7.79	9.10	1.31	17

The increase was due mainly to increase in the sale of country spirits, commercial and denatured spirits and medicated wines.

	Receipts during		Increase	
	1977-78	1978-79	Amount	Percentage
(Crores of rupees)				
(ii) Sales Tax	8.94	10.49	1.55	17

The increase was due mainly to larger receipts on account of normal growth of trade.

(iii) Interest Receipts	10.40	11.67	1.27	12
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The increase was due mainly to increase in receipts of interest from departmental commercial undertakings.

(iv) Forest	18.75	27.04	8.29	44
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The increase was due mainly to extraction of more timber and resin by the lessees and Government Lumbering Undertaking.

(v) Power Projects	6.72	7.65	0.93	14
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The increase was due mainly to increased receipts under hydro-electric schemes.

(b) *Arrears in collection of revenue.*—According to the information furnished by the departments, the arrears in the collection of revenue on 31st March 1979 were Rs. 13.38 crores mainly on account of Forest royalty (Rs. 8.61 crores), Sales Tax (Rs. 2.78 crores) and Electricity dues (Rs. 1.02 crores).

1.4. Expenditure on revenue account

(i) The following table compares the expenditure on revenue account during 1978-79 under broad headings with the provision of funds made thereunder (and also with the expenditure during

1977-78 within brackets):—

Sector/Sub-sector of expenditure	Plan			
	Budget	Budget <i>plus</i> supple- mentary	Actuals	Vari- ation
				Increase(+) Decrease(—)
(1)	(2)	(3)	(4)	(5)
A. General Services	0.88	0.88	0.89 (0.59)	(+)0.01 <i>(Crores of</i>
B. Social and Community Services	12.20	12.20	10.70 (7.60)	(—)1.50
C. Economic Services				
(a) General Economic Services	2.42	2.42	1.68 (1.24)	(—)0.74
(b) Agriculture and Allied Services	13.16	13.16	7.55 (5.56)	(—)5.61
(c) Industry and Minerals	4.30	5.20	3.68 (2.76)	(—)1.52
(d) Water and Power Development	0.85	0.85	1.15 (1.03)	(+)0.30
(e) Transport and Communications	0.68	0.74	0.60 (0.60)	(—)0.14
D. Grants-in-aid and Contributions	..	..	..	..
Total	34.49	35.45	26.25 (19.38)	(—)9.20

Non-Plan

Budget	Budget <i>Plus</i>	Actuals	Variation
	supplementary		Increase(+) Decrease(-)
(6)	(7)	(8)	(9)
<i>rupees</i>			
55.80	68.19	65.65 (34.12)	(-)2.54
35.29	39.85	41.98 (35.57)	(+)2.13
3.80	3.91	4.56 (4.36)	(+)0.65
28.51	28.58	32.69 (17.54)	(+)4.11
1.57	1.57	2.05 (1.57)	(+)0.48
11.75	13.96	21.94 (19.66)	(+)7.98
15.13	15.17	20.46 (8.48)	(+)5.29
(A)	(A)	..	..
1,51.85*	1,71.23*	1,89.33 (1,21.31)	(+)18.10*

(A) Rupees 0.33 lakh only.

(*) Does not include Rs. 12.20 crores kept as "Reserve with the Finance Department" under various grants in lumpsum, sector/sub-sector wise break up of which is not available. The expenditure to the extent incurred against the reserve stands included in the actuals for various sectors/sub-sectors. Please also refer in this connection to paragraph 2.4(c) in chapter 2nd of this Report.

The shortfall (Rs. 9.20 crores) in Plan expenditure was 26 per cent of the provision and was mainly under Agriculture and Allied Services (Rs. 5.61 crores) due mainly to poor progress in the implementation of 'Desert Development Programme' and 'Rural Works Programme' mentioned in paragraph 2.4(b) of the Report.

(ii) Significant variations in expenditure during 1978-79 over the previous year, under broad sectors, are analysed in Appendix-I.

1.5. Expenditure on capital account

(i) The capital expenditure during the three years ending 1978-79 as compared with the budget estimates and the budget estimates plus supplementary provision is given below :

Year	Budget	Budget plus supplemen- tary	Actuals	Variation between columns (4) and (3)	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
(Crores of rupees)					
1976-77	55.89	66.02	82.01	(+)15.99	24
1977-78	63.17	75.49	1,00.13	(+)24.64	33
1978-79	78.14	89.14	86.74	(-)2.40	3

(ii) The following table compares the expenditure on capital account during 1978-79 under broad headings with the provision of funds made thereunder (and also with the expenditure during

1977-78 within brackets) :—

Sector/sub-sector of expenditure	Plan				Non Plan			
	Budget	Budget plus supplementary	Actuals	Variation Increase(+) Decrease(—)	Budget	Budget plus supplementary	Actuals	Variation Increase(+) Decrease(—)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<i>(Crores of rupees)</i>								
A. General Services ..	1.30	1.30	2.11 (1.86)	(+)0.81	0.50	0.50	0.03 (0.03)	(—)0.47
B. Social and Community Services ..	22.84	23.22	21.88 (15.73)	(—)1.34	1.11	1.11	(—)0.64(*) (5.49)	(—)1.75
C. Economic Services—								
(a) General Economic Services ..	4.99	5.35	4.88 (3.67)	(—)0.47	0.11	0.11	0.16 (0.46)	(+)0.05
(b) Agriculture and Allied Services ..	8.34	8.34	12.01 (9.00)	(+)3.67	(—)0.74	2.57	(—)1.22(@) (14.69)	(—)3.79
(c) Industry and Minerals ..	3.41	3.53	3.05 (3.77)	(—)0.48	..	..	..	..
(d) Water and Power Development ..	20.58	27.01	31.18 (34.32)	(+)4.17	..	..	..	..
(e) Transport and Communications ..	12.70	13.10	13.30 (11.11)	(+)0.20	3.00	3.00	..	(—)3.00
Total ..	74.16	81.85	88.41 (79.46)	(+)6.56	3.98	7.29	(—)1.67 (20.67)	(—)8.96

(*) Minus expenditure is under investigation.

(@) Minus expenditure is due to adjustment of Food subsidy transferred to revenue Major head "309—Food".

In the non-plan portion, against the estimated expenditure of Rs. 7.29 crores the actual expenditure was (—) Rs. 1.67 crores due mainly to adjustment of food subsidy by transfer from capital to revenue (Rs. 6.98 crores) and more recoveries than expenditure under Civil Supplies Schemes relating to sugar, kerosene oil and hard coke (Rs. 1.02 crores).

The plan expenditure exceeded the provision by Rs. 6.56 crores *i. e.* by 8 per cent of the plan provision, mainly under 'Water and Power Development' (Rs. 4.17 crores) on hydro-electric schemes and flood protection works, Jammu and under "Agriculture and Allied Services" on manures and fertilizers.

(iii) Significant variations in expenditure during 1978-79 over the previous year, under broad sectors, are analysed in Appendix II.

1.6. Loans and Advances by the Government

(i) The actuals of disbursements of loans and advances by the Government for 1978-79 as compared with the budget estimates and the budget estimates *plus* supplementary provision along with the corresponding figures for 1976-77 and 1977-78 are shown below :

Year	Budget	Budget <i>plus</i> sup- plemen- tary	Actuals	Variation between columns (4) and (3)	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
(Crores of rupees)					
1976-77	2.36	5.13	6.47	(+)1.34	26
1977-78	2.91	5.48	7.14	(+)1.66	30
1978-79	4.29	5.39	5.51	(+)0.12	2

(ii) The budget and the actuals of recoveries of loans and advances for the three years ending 1978-79 are given below :

Year	Budget	Actuals	Variation	
			Amount	Percentage
(1)	(2)	(3)	(4)	(5)
(Crores of rupees)				
1976-77	2.99	1.26	(—)1.73	58
1977-78	3.00	2.02	(—)0.98	33
1978-79	3.00	1.95	(—)1.05	35

The decrease in recoveries (column 4) during the year was mainly under Medical (Rs. 0.13 crore), Urban Development (Rs. 0.13 crore), Co-operation (Rs. 0.11 crore), Agriculture (Rs. 0.33 crore), Industrial Research and Development (Rs. 0.30 crore) and Village and Small Industries (Rs. 0.30 crore) partly counterbalanced by increase in recoveries under Consumer Industries (Rs. 0.49 crore).

(iii) The loans and advances outstanding at the end of last three years were as under :

Categories of loans and advances	31st March		
	1977	1978	1979
	(Crores of rupees)		
1. Loans for Social and Community Services	18.97	19.89	21.12
2. Loans for General Economic Services	3.77	3.83	4.38
3. Loans for Agriculture and Allied Services	2.60	2.75	3.07
4. Loans for Industry and Minerals	6.83	9.51	10.43
5. Loans for Transport and Communications	0.54	1.55	1.55
6. Loans to Government servants, etc.	1.74	2.04	2.58
7. Miscellaneous loans	(—)0.18*	(—)0.18*	(—)0.18*
Total	34.27	39.39	42.95

Further details are given in statement nos. 5 and 18 of the Finance Accounts 1978-79.

(iv) *Recoveries in arrears—*

(a) *Loans of which detailed accounts are maintained by the Audit Office.*—Detailed accounts of certain categories of loans are maintained by the Audit Office. The amount outstanding against these loans on 31st March 1979 was Rs. 12.03 crores.

On 31st March 1979 recovery of Rs. 4.23 crores was in arrears

* Minus balance is under investigation (August 1980.)

against these loans as shown below :

Particulars of loan	Amount in arrears	
	Principal	Interest
	(Crores of rupees)	
Loans to municipalities, district and other local fund committees (for urban development)	2.32	0.76
Loans to Jammu and Kashmir State Co-operative Bank	0.43	0.23
House building advances(*)	0.29(B)	0.01(B)
Advances for purchase of motor conveyances	(**)	(**)
Advances for purchase of other conveyances	0.15	0.04
Total	3.19	1.04

(b) *Loans of which the detailed accounts are maintained by departmental officers.*—The balance of such loans outstanding on 31st March 1979 was Rs. 30.92 crores. The departmental officers who maintain the detailed accounts of loans are required to intimate to the Accountant General by the 15th July each year the amounts of arrears of principal and interest of such loans. Information about the arrears as on 31st March 1979 was not, however, furnished by them to Audit (August 1980).

1.7. Sources of funds for capital expenditure and net outgo under loans and advances

(a) The capital expenditure and the net outgo under loans and advances by the State Government during 1978-79 were as

- (*) While the detailed accounts of house building advances are kept in the Audit Office, the detailed accounts of loans under low/middle income group housing schemes are kept by the departmental officers.
- (B) Does not include advances (and interest on such advances) given to gazetted officers as the connected records were destroyed in the fire of March 1977 and are still under reconstruction (August 1980).
- (**) Information is not available as the connected records were destroyed in the fire of March 1977 and are still under reconstruction (August 1980).

follows :

	<i>(Crores of rupees)</i>
(i) Capital expenditure	86.74
(ii) Net outgo under Loans and Advances by the State Government	3.56
Total	90.30

Further details of capital expenditure and transactions under loans and advances are given in statement nos. 2, 13 and 18 of the Finance Accounts 1978-79.

(b) Sources from which the above expenditure incurred in 1978-79 was met, are given below :

	<i>(Crores of rupees)</i>
1. Net addition to—	
(i) Loans from the Government of India	(+ 61.92
(ii) Small Savings, Provident Funds, etc.	(+ 5.93
(iii) Internal Debt of the State Govern- ment	(+ 3.45
2. Miscellaneous	
(i) Reserve Funds	(+ 2.29
(ii) Net effect of transactions under de- posits, advances, remittances, etc.	(+ 4.44
3. Increase in cash balance	(—) 1.58
4. Decrease in investments	(+ 6.55
5. Revenue surplus	(+ 7.30
Net amount available for expenditure	90.30

1.8. Debt position

(a) The debt liability of Government at the close of 1978-79 was Rs. 7,21.08 crores. A comparative analysis of the debt liabi-

lity at the end of March 1977, 1978 and 1979 is given below :

Nature of debt	Balance on 31st March		
	1977	1978	1979
	(Crores of rupees)		
(1) Internal debt of the State Government	22.38	22.27	25.72
(2) Loans and Advances from the Government of India	4,67.51	5,35.71	5,97.63
(i) Total Public debt	4,89.89	5,57.98	6,23.35
(ii) Provident Funds etc.	32.28	37.13	43.06
(iii) Depreciation reserve and other earmarked funds	11.51	13.37	15.69
(iv) Deposits of local funds and civil deposits	26.21	35.11	38.98
Total Debt	5,59.89	6,43.59	7,21.08

(b) *Loans from Government of India.*—Loans received from the Government of India and outstanding at the end of March 1979 were Rs. 5,97.63 crores which formed 96 per cent of the total Public debt of the State.

Repayment of Rs. 22.53 crores (principal: Rs. 8.47 crores, and interest : Rs. 14.06 crores) to the Government of India was in arrears at the end of 1977-78. During 1978-79 a further amount of Rs. 54.31 crores (principal : Rs. 27.43 crores and interest : Rs.26.88 crores) fell due for repayment to the Government of India. Against the total amount due of Rs. 76.84 crores (principal: Rs. 35.90 crores and interest: Rs. 40.94 crores) an amount of Rs. 70.15 crores (principal: Rs. 31.90 crores and interest: Rs. 38.25 crores) was adjusted towards repayment from the fresh loan of Rs. 97.57 crores sanctioned by the Government of India during 1978-79. The State Government also repaid Rs. 4.00 crores in cash leaving an overdue amount of Rs. 2.69 crores on account of interest on loans from Government of India at the end of 1978-79.

(c) *Ways and means advances.*—The Government has been obtaining temporary loans from the Jammu and Kashmir Bank Limited for its ways and means requirements. The maximum amount upto which such loans could be obtained at any time during 1978-79 as approved by the Government of India was Rs. 4.50 crores.

The State Government obtained temporary loans aggregating Rs. 37.10 crores from the Bank on 146 days during the year, the maximum amount on any day being Rs. 3.74 crores. A balance of Rs. 4.42 crores was also outstanding on 1st April 1978. The Government repaid Rs. 36.52 crores during the year leaving a balance of Rs. 5.00 crores on 31st March 1979. Interest at 8½ per cent is chargeable on the temporary loans. Interest accrued was Rs. 8.84 lakhs against which Rs. 8.53* lakhs were paid to the Bank.

(d) *Market loan bearing interest.*—The Government raised a loan of Rs. 2.48 crores during 1978-79 carrying interest at 6½ per cent and redeemable in 1988. The outstanding market loans bearing interest amounted to Rs. 16.54 crores on 31st March 1979.

(e) *Interest Charges.*—Interest payments on debt are analysed below :

	1976-77	1977-78	1978-79
	(Crores of rupees)		
(i) Interest paid by State Government	22.38	13.77(**)	41.93(***)
(ii) Deduct interest received	0.96	1.93	2.58
(iii) Net burden of interest on revenue—			
(i) minus (ii)	21.42	11.84	39.35
Net interest as percentage of total revenue receipts	13	7	18

(*) The Bank has intimated that entire amount of Rs. 8.84 lakhs has been received by it. The variation of Rs. 0.31 lakh is under investigation.

(**) Does not include interest on General Provident Fund balances of a large number of subscribers as adjustment thereof could not be carried out due to destruction of records in fire in the office of the Accountant General. The records are under reconstruction (August 1980).

(***) Interest on General Provident Fund balances accrued during 1978-79 has not been adjusted in the accounts in full as the accounts of some subscribers are still under reconstruction (August 1980).

1.9. Investments

The amounts invested by the Government during 1978-79, the total investment as at the end of the year 1978-79 and the dividend/interest received therefrom were as under :

Category of bodies	Investments				Dividend/interest received during the year with percentage of return on cumulative investments in brackets (Crores of rupees)	
	During 1978-79		To end of 1978-79			
	Number of concerns	Amount (Crores of rupees)	Number of concerns	Amount (Crores of rupees)		
Statutory corporations	2	(A) 5.70	2	(B) 7.61	0.01	(0.13)
Government companies	6	1.63	14	(C) 30.66	(F) 0.01	(0.03)
Joint stock companies	..	..	2	0.54	..	(...)
Co-operative institutions	(D) 1 Bank and various institutions	0.52	(D) 5 Banks and various institutions	(E) 3.04	0.03	(0.99)
Total	(D) 9 concerns and various Co-operative institutions	7.85	(D) 23 and various institutions	41.85	0.05	(0.12)

Further details are given in statement no. 14 of the Finance Accounts 1978-79.

- (A) Includes Rs. 1.10 crores on account of capital contribution in the form of Plan funds and Rs. 4.53 crores representing cost of assets approved by the State Government for transfer from Government Transport Undertaking to the Jammu and Kashmir Road Transport Corporation.
- (B) Includes capital contribution in the form of Plan funds (Rs. 2.49 crores) and cost of assets approved by the State Government for transfer from Government Transport Undertaking to the Jammu and Kashmir Road Transport Corporation (Rs. 4.53 crores).
- (C) Differs from the investment of Rs. 29.11 crores as on 31st March 1978 and investment of Rs. 1.63 crores during 1978-79 by Rs. 0.08 crore as a result of reconciliation.
- (D) The number of various co operative institutions in which the amounts have been invested has not been intimated by the department (August 1980).
- (E) Rupees 0.03 crore redeemed during the year have been deducted.
- (F) This does not include dividends of Rs. 0.50 lakh and Rs. 0.59 lakh declared for the years 1967-68 and 1968-69 respectively by the Jammu and Kashmir Projects Construction Corporation but not paid (August 1980).

1.10. Guarantees given by the Government

(i) Brief particulars of guarantees given by the Government for repayment of loans, etc., raised by statutory corporations, Government companies, co-operative societies and others based on the available information, are given below (further details are given in statement no. 6 of the Finance Accounts 1978-79) :

Body on whose behalf guarantee was given	Maximum amount guaranteed	Sums guaranteed outstanding on 31st March 1979	
		Principal	Interest
		(Crores of rupees)	
(a) Statutory corporations	57.57\$	51.58\$	0.02*
(b) Government companies	11.61	9.24	0.23
(c) Co-operative institutions	4.19	4.19	0.08
(d) Others	0.15@	0.15@	(**)
Total	73.52	65.16	0.33

(ii) *Invocation of guarantees.*—Guarantee given to the Jammu and Kashmir State Financial Corporation on behalf of technocrats under an integrated scheme for setting up of industries in the State was invoked by the Corporation during 1978-79 in 2 cases ; the amount covered by the guarantee given in these cases and outstanding to end of March 1979 was Rs. 1.01 lakhs. No payment has yet been made by the Government to the Corporation (August 1980).

(iii) *Charging of fee against Government guarantees.*—In June 1977 the Government directed that a fee of $\frac{1}{4}$ per cent of the amount intended to be raised as loan against a Government guarantee be charged and recovered from the borrower before guarantee was given by the Government. The extent of guarantee fee levied and that in arrears upto end of March 1979 has not been intimated (August 1980).

(\$) Comprises statutory guarantee given on behalf of the Jammu and Kashmir State Financial Corporation (sum guaranteed and outstanding Rs. 4.58 crores) and the Jammu and Kashmir State Electricity Board (sum guaranteed Rs. 52.99 crores and outstanding Rs. 47.00 crores).

(*) Does not include interest on borrowings of the Jammu and Kashmir State Electricity Board, information in respect of which has not been received (August 1980).

(@) Excludes the maximum amount guaranteed and outstanding in respect of assistance given to displaced tongawallas of Srinagar, information in respect of which has not been received (August 1980).

(**) Details of interest have not been intimated (August 1980).

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1. Summary

(a) The following table compares the total expenditure in 1978-79 with the totals of the grants and charged appropriations:—

		Grants/ charged appro- priations	Expen- diture	Excess(+) Saving(-)	Percen- tage
<i>(Crores of rupees)</i>					
Voted—					
Original	3,46.97	}	3,71.85	3,58.27	—13.58
Supplementary	24.88					4
Charged—					
Original	1,17.67	}	1,25.23	1,15.03	—10.20
Supplementary	7.56					8
Total			4,97.08	4,73.30	—23.78
					5

The overall saving of Rs. 23.78 crores was the result of saving of Rs. 47.14 crores in 17 grants in revenue section (Rs. 11.66 crores), 13 grants in capital section (Rs. 21.58 crores), 3 charged appropriations in revenue section (Rs. 0.09 Crore) and 1 charged appropriation in capital section (Rs. 13.81 Crores), partly offset by excess of Rs. 23.36 crores in 4 grants in revenue section (Rs. 12.00 crores), 3 grants in capital section (Rs. 7.66 crores) and 1 charged appropriation (Rs. 3.70 Crores) in revenue section.

(b) Further details are given below :—

	Revenue	Capital	Loans and advances	Public Debt	Total
<i>(Crores of rupees)</i>					
Original	2,28.45	1,45.51	4.29	86.39	4,64.64
Supplementary	20.34	11.00	1.10	..	32.44
Total	2,48.79	1,56.51	5.39	86.39	4,97.08
Actual expenditure (grants and charged appropriations)	2,52.74	1,42.47	5.51	72.58	4,73.30
Shortfall(—)					
Excess(+)	+3.95	—14.04	+0.12	—13.81	—23.78

2.2. Excess over grants/charged appropriations requiring regularisation

(a) *Grants*.—The excess of Rs. 11,99,73,524 in the following 4 grants in the revenue section and of Rs. 7,65,72,542 in 3 grants in the capital section require regularisation under Section 82 of the Constitution of Jammu and Kashmir.

Revenue Section

Sl. no.	Number and name of grant	Total grant Rs.	Actual expenditure Rs.	Excess Rs.
1.	6-Power Development Department	22,01,47,000	28,07,24,623	6,05,77,623

Excess was due mainly to adjustment of more interest and purchase of more stock materials than anticipated for hydro/thermo electric schemes in the State.

2.	9-Organisation and Methods and Parliamentary Affairs Department	2,20,04,300	2,38,19,878	18,15,578
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Excess was due to adjustment of more debits than anticipated under "Miscellaneous Works Advances" by the Estates Organisation.

3.	16-Public Works Department	49,63,63,200	55,38,65,810	5,75,02,610
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Excess was due mainly to more expenditure than anticipated on construction/maintenance of strategic and border roads.

4.	19-Housing and Urban Development Department	1,29,78,000	1,30,55,713	77,713
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Reasons for the excess have not been intimated (August 1980).

Capital Section

1.	11-Industries and Commerce Department	4,48,01,000	4,67,64,058	19,63,058
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Excess was due mainly to payment of more loans than anticipated to Consumer Industries (Wool) in the public sector for which reasons are awaited (August 1980).

Sl. no.	Number and name of grant	Total grant	Actual expenditure	Excess
		Rs.	Rs.	Rs.
2.	12-Community Development and Agriculture Department	9,15,58,000	10,00,80,331	85,22,331

Excess was due mainly to purchase of more fertilisers than anticipated with a view to increasing production of foodgrains.

3.	16-Public Works Department	60,14,00,400	66,74,87,553	6,60,87,153
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Excess was due mainly to purchase of more stock articles than anticipated to meet the requirements of works relating to public health, sanitation and water supply and execution of additional flood control works in Jammu region.

(b) *Charged appropriations.*—Excess of Rs. 3,70,45,601 over charged appropriation in the following case also requires regularisation :—

Revenue Section

Sl. no.	Number and name of appropriation	Total appropriation	Actual expenditure	Excess
		Rs.	Rs.	Rs.
1.	8-Finance Department	38,22,50,000	41,92,95,601	3,70,45,601

Excess was due mainly to discharging of more interest liability in respect of loans obtained from Government of India.

2.3. Supplementary grants/charged appropriations

During the year, supplementary provision of Rs. 32.44 crores (7 per cent of original provision) was obtained under 12 grants (Rs. 24.88 crores) and 3 charged appropriations (Rs. 7.56 crores). The details of significant cases of unnecessary, excessive and inadequate supplementary grants are given below :

(i) *Unnecessary supplementary grants*

In the following cases, the supplementary grants (exceeding Rs. 5 lakhs each) of Rs. 3,06.47 lakhs remained wholly unutilised

as the expenditure did not come up even to the original provision :—

Revenue Section

Sl. Number and no. name of grant	Original grant	Supplementary grant	Expenditure	Saving
	<i>(Lakhs of rupees)</i>			
1. 2-Home Department	12,32.84	1,01.88	11,52.59	1,82.13

Saving was due mainly to non-receipt of claims in respect of police battalions of other States on internal security duty in the State (Rs. 1.00 crore) and non-utilisation of Rs. 0.59 crore out of Rs. 1.13 crores kept as "Reserve with the Finance Department", reasons for which have not been intimated (August 1980).

2. 5-Ladakh Affairs Department	6,75.69	11.24	5,99.50	87.43
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Saving was due mainly to non-utilisation of Rs. 52.00 lakhs kept as "Reserve with the Finance Department" and of Rs. 30.12 lakhs under "Public Works-Suspense," reasons for which have not been intimated (August 1980).

3. 8-Finance Department	5,74.37	34.70	4,82.62	1,26.45
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Saving was due partly to non-utilisation of Rs. 46.00 lakhs kept as "Reserve with the Finance Department", reasons for which have not been intimated (August 1980). The balance saving was attributed mainly to receipt and finalisation of less number of pension and pension commutation cases than anticipated.

4. 11-Industries and Commerce Department	7,37.81	90.16	6,47.22	1,80.75
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Saving was due partly to non-utilisation of Rs. 41.00 lakhs kept as "Reserve with the Finance Department", reasons for which have not been intimated (August 1980). Remaining saving was due mainly to non-supply of machinery/equipments to the extent orders were placed on suppliers in respect of District Industries Centres (Rs. 77.46 lakhs) and short supply of store articles by some suppliers and cancellation of tender notices for purchase of stationery articles following an investigation into the past performance of the Stationery and Printing Department by the Anti-Corruption Organisation (Rs. 22.00 lakhs).

Capital Section

Sl. no.	Number and name of grant	Original grant	Supplementary grant	Expenditure	Saving
<i>(Lakhs of rupees)</i>					
1.	19-Housing and Urban Development Department	6,50.79	68.49	5,93.02	1,26.26

Saving was mainly under "Other Housing Schemes", "Dal Lake Development Scheme" and "Urban Development Works", reasons for which have not been intimated (August 1980).

(ii) *Supplementary grants which proved excessive.*—In the following cases the supplementary grants (exceeding Rs. 5 lakhs each) proved excessive by more than Rs. 5 lakhs each ; as against the supplementary provision of Rs. 9,28.55 lakhs, Rs. 8, 01.84 lakhs were actually utilised :—

Revenue Section

1.	7-Education Department	28,32.29	2,46.68	30,52.16	26.81
Reasons for the saving have not been intimated (August 1980).					
2.	20-Tourism Department	1,24.37	17.36	1,29.76	11.97

Shortfall was due mainly to less expenditure than anticipated on Fisheries Development Programme, reasons for which have not been intimated (August 1980).

Capital Section

1.	6-Power Development Department	18,23.00	6,43.51	23,98.14	68.37
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Saving occurred mainly under schemes relating to transmission and distribution of electricity, reasons for which have not been intimated (August 1980).

2.	9-Organisation and Methods and Parliamentary Affairs Department	25.00	21.00	26.44	19.56
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Shortfall was due to execution of less works than anticipated

in regard to various parks and gardens in the State.

(iii) *Inadequate supplementary grants* .—In the following cases, among others, the supplementary provision (exceeding Rs. 5 lakhs each) of Rs. 19,10.40 lakhs proved inadequate, by more than Rs. 5 lakhs each, the final uncovered excess (reasons to the extent received given in paragraph 2.2) being Rs. 16,74.28 lakhs :—

Sl. no.	Number and name of grant/appropriation	Original grant/appropriation	Supplementary grant/appropriation	Expenditure	Excess
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(Lakhs of rupees)

(a) Grants—

Revenue Section

1.	6-Power Development Department	19,81.00	2,20.47	28,07.25	6,05.78
2.	9-Organisation and Methods and Parliamentary Affairs Department	2,14.69	5.35	2,38.20	18.16
3.	16-Public Works Department	44,27.72	5,35.91	55,38.66	5,75.03

Capital Section

1.	11-Industries and Commerce Department	4,36.39	11.62	4,67.64	19.63
2.	12-Community Development and Agriculture Department	5,16.03	3,99.55	10,00.80	85.22

(b) Charged appropriation—

Revenue Section

8-Finance Department	30,85.00	7,37.50	41,92.96	3,70.46
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2.4. Unutilised provision

(a) As mentioned in paragraph 2.1(a), grants and charged appropriations amounting to Rs. 47.14 crores remained unutilised. In 17 cases detailed in Appendix III, the savings (more than Rs. 15 lakhs each) were more than 10 *per cent* of the total provision.

(b) Some of the major schemes where the provision remained substantially/wholly unutilised and consequently the schemes remained practically unimplemented are given below :—

Sl. no.	Grant number and head/scheme	Provision	Saving (and its percentage)	Reasons for saving
<i>(Lakhs of rupees)</i>				
1.	12-Community Development and Agriculture Department			
(i)	Desert Development Programme (Major head 308)	1,50.00	93.38 (62)	Reasons for the saving have not been intimated (August 1980).
(ii)	Rural Works Programme (Major head 314)	139.59	68.79 (49)	-do-
(iii)	Credit Co-operatives (Major head 698)	72.95	72.95 (100)	-do-
2.	16-Public Works Department			
	Roads of Inter-State Importance (Major head 337)	81.00	65.80 (81)	Specific reasons for the saving of Rs. 65.80 lakhs have not been intimated (August 1980).
3.	19-Housing and Urban Development Department			
(i)	Improvement to Communication system in Srinagar City (Major head 484)	2,26.00	2,20.69 (98)	Reasons for the saving have not been intimated (August 1980).
(ii)	Non-functional housing buildings (Major head 483)	50.00	50.00 (100)	-do-

Sl. no.	Grant number and head/scheme	Provi- sion	Saving (and its percentage)	Reasons for saving
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(Lakhs of rupees)

4. 20-Tourism Department
Tourism—
(b) Works—

Kashmir Division—

Srinagar District (Major head 544)	4,45.43	4,36.80 (98)	Reasons for the saving have not been inti- mated (August 1980).
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(c) Apart from significant savings in major schemes as mentioned above, saving of Rs. 8,78.95 lakhs out of the provision of Rs.10,74.50 lakhs occurred under the head, "Reserve with the Finance Department" occurring in 17 grants vide details given in Appendix IV ; reasons for the savings have not been intimated (August 1980).

2.5. Non-receipt of explanations for saving/excesses

The Committee on Public Accounts has repeatedly recommended that Heads of Departments should be prompt in furnishing material to the Accountant General for inclusion in the Appropriation Accounts and the Audit Report. Copies of the letters addressed by Audit to each Controlling Officer giving a list of important heads the variations in which are to be explained by them are also sent each year to the Secretaries of the Administrative Departments concerned and the Finance Secretary to enable them to take necessary follow up action. Nevertheless, in regard to the Report and the Appropriation Accounts for 1978-79 against 431 heads for which variations had to be explained, no explanations were received for 310 heads and the explanations received for 61 heads were incomplete. These formed 86 per cent of 431 heads mentioned above. Such delay in submission of material for inclusion in the Appropriation Accounts results in the Report remaining incomplete in certain essential respects.

2.6. Shortfall / excess in recoveries

Under the system of budgeting followed by the Government, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts in reduction of expenditure ; the anticipated recoveries and credits are shown separately in the budget estimates. During 1978-79 such recoveries were anticipated at Rs. 29.90 crores in revenue section and Rs. 67.37 crores in capital section. Actual

recoveries during the year, however, were Rs. 37.16 crores in revenue section and Rs. 55.72 crores in capital section. Some of the important cases of excess/shortfall in recoveries (reasons not intimated) are detailed below :—

Sl. no.	Number and name of grant	Estimate of recovery	Actual recovery	Excess(+) Shortfall(—)
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(Crores of rupees)

Revenue Section

1.	6-Power Development Department	8.73	7.37	—1.36
2.	16-Public Works Department	19.37	28.06	+8.69

Capital Section

1.	6-Power Development Department	13.38	7.62	—5.76
2.	15-Food, Supplies and Transport Department	41.15	30.48	—10.67
3.	16-Public Works Department	7.65	13.16	+5.51

2.7. Delay in receipt of treasury accounts

Under the rules, the Treasury Officers are required to render to the Accountant General monthly accounts in two parts—first list of payments on 11th of the month to which the accounts relate and the second list of payments and cash account on the 1st of the following month.

During the period from April 1978 to March 1979 most of the treasuries delayed rendition of accounts by eleven to one hundred and ninety-six days as indicated below :—

	Number of treasuries which delayed rendition of accounts by		
	11 to 50 days	51 to 100 days	Over 100 days
1st list of payments	15	2	3
2nd list of payments and cash account	22	3	3

This delay in the receipt of treasury accounts affected the timely closing of accounts in the office of the Accountant General and their audit and as also the posting of General Provident Fund credits/debits as well as closing of General Provident Fund annual accounts and issue of account statements to individual subscribers.

The delay in the rendition of treasury accounts was brought to the notice of the Finance Department from time to time.

The Government to whom the matter was reported in March 1980 stated (May 1980) that delay in rendition of accounts had occurred in respect of treasuries located in far flung areas because of communication difficulties and blockade of roads. It also stated that the Deputy Directors of Accounts and Treasuries had been advised to investigate each case of delay and meanwhile the Treasury Officers had been instructed to render accounts according to schedule.

CHAPTER III
CIVIL DEPARTMENT
Fisheries Department

3.1. Development of Fisheries

3.1.1. With a view to augmenting the stock of fish for sport and food in the State, schemes for development of fisheries were taken up during the various five year plan periods.

3.1.2. The outlay proposed in the Fifth Five Year Plan for such schemes, the outlay approved and the expenditure during 1974-75 to 1978-79 were as follows :—

Scheme	Outlay proposed in Fifth Five Year Plan	Approved outlay as per annual plans	Expenditure during 1974-75 to 1978-79*
(Rupees in lakhs)			
1. Sport fisheries	9.00		
2. Food fisheries	15.00		
3. Development of river and lake fisheries	4.00	49.00	36.72
4. Training and investi- gation	9.00		
5. Administration and extension	3.00		
Total	40.00	49.00	36.72

3.1.3. Points noticed in test check of records of implementation of the schemes are mentioned in the sub-paragraphs which follow.

3.1.4. *Production of seed.*—(i) The Fifth Five Year Plan had envisaged the setting up of 10 new seed farms and the upgradation of 8 existing farms. Though work on 3 new farms was com-

(*) Departmental figures : break-up among schemes not available.

menced and Rs. 4.87 lakhs spent on them, against their estimated cost of Rs. 2.49 lakhs, during 1973-74 to October 1979, none of them had been commissioned (December 1979). In the case of two of them (Jogigund and Heepora Batagund), civil works were reported to have been completed but the farms had not been taken over (February 1980) by the Fisheries Department due to non-rectification of defects and deficiencies pointed out to the Public Works Department (which was in charge of construction) and no stocking had been done. In the case of the third (Ghomanasan), 15 ponds, office-cum-laboratory, roads, watcher's house, etc. were constructed during 1973-74 to 1978-79 but the ponds had not been put to use (reasons not stated) and with the passage of time they had given way reportedly because of floods and rains. For restoration of the ponds and for construction of residential accommodation and other facilities an estimate of Rs. 3.92 lakhs had been prepared (November 1979) but was awaiting approval (February 1980).

Information on improvement works taken up on existing farms was not furnished by the Department.

(ii) No target for seed production was mentioned in the Fifth Plan document nor had any targets been fixed during the different years. The seed actually produced and ova released into streams and retained in the departmental hatcheries during 1974-75 to 1977-78 were reportedly as follows :—

Year	Seed production	Ova released into streams			Ova retained for hatching in departmental farms	Total of columns 5 and 6	Difference between columns 2 and 7 (percentage)
		Eyed ova	Fry	Total			
1	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(In lakhs)							
1974-75	10.41	4.07	2.14	6.21	0.73	6.94	3.47 (33.4)
1975-76	10.49	2.33	2.07	4.40	0.71	5.11	5.38 (51.3)
1976-77	7.27	3.03	0.86	3.89	0.50	4.39	2.88 (39.6)
1977-78	7.96	0.80	0.05	0.85	1.56	2.41	5.55 (69.1)

The figures for 1978-79 had not been made available by the Department (February 1980).

No action had been taken by the Department to fix norms for mortality and to investigate the differences mentioned in column 8.

As may be seen from the table, the production of seed and the number of ova released into streams had come down sharply ; no action had been taken to investigate the reasons.

In an appraisal of the scheme (Sixth Five Year Plan document), the Director of Fisheries had mentioned that survival at fry to fingerling stage was 3 per cent only and that it was being investigated whether it was due to disease or deficiency of food. The results of the investigation, if any, conducted by the Department and remedial action taken were not stated. Further, the Department had not undertaken any sampling test to determine the fish population in relation to the ova released.

It was, however, seen that the number of fish kept in farms had declined in 1976-77 and 1977-78 as shown below :—

Year	Number of fish in farms
1974-75	5,105
1975-76	5,486
1976-77	4,972
1977-78	4,842
1978-79	7,513

Reasons for the decline in fish stocks during the two years were not stated but as pointed out earlier the production of fish seed in the farms had declined during those years.

3.1.5. *Sport fisheries.*—For development of sport fisheries, the Fifth Plan, apart from setting up/upgradation of farms, envisaged construction of 4 new lodges and 20 shelter sheds for anglers and upgradation of 15 existing lodges. Of these, construction of 4 new lodges and 8 shelter sheds and upgradation of 8 existing lodges were reported to have been taken up and Rs. 6.13 lakhs spent during 1974-75 to 1978-79. The works were, however, reported to be still in progress ; the delay was attributed to delay on the part of the Public Works Department.

The Fifth Plan also contemplated introduction of trout into fresh areas and setting up of new beats for trout fishing. Though

the number of beats increased from 52 in 1974-75 to 57 in 1977-78, the number of anglers and fish caught by them during 1974-75 to 1978-79 showed a declining trend as shown below :—

Year	Total number of anglers	Total number of fish caught
1974-75	1,768	7,184
1975-76	1,507	6,643
1976-77	1,648	6,968
1977-78	872	4,035
1978-79	756	4,876

The decrease in the number of anglers was stated by the Director (November 1979) to be due to non-availability of lodging facilities as a number of existing lodges were not habitable but action proposed to expedite the construction of new lodges and the upgradation of existing ones was not stated (February 1980).

3.1.6. *Production of fish in lakes and rivers.*—The Fifth Plan contemplated the production of fish from lakes and rivers to increase from the existing (estimated) 6.5 thousand tonnes to 8 thousand tonnes during the Plan period. The actual fish catch as reported by the Department and the licence fees collected during 1974-75 to 1978-79 were as follows :—

Year	Target (In thousand tonnes)	Total number of fisher- men	Fish catch (in thousand tonnes)			Amount of licence fee realised (Rupees in lakhs)
			Mirror carp	Country fish	Total	
1974-75	6.75	3,526	4.08	2.63	6.71	1.41
1975-76	7.00	3,631	4.80	2.45	7.25	1.45
1976-77	7.25	4,015	7.25	2.62	9.87	1.61
1977-78	8.00	4,091	4.62	2.41	7.03	1.64
1978-79	8.00	4,045	4.74	2.60	7.34	1.69

As may be seen from the above, except for 1976-77, there has practically been no growth in fish catch over the years.

3.1.7. *Steps for training and popularising improved methods.*—The Fifth Plan contemplated improvement of training facilities by construction of a new building for the school for training departmental staff and establishment of a model village for fishermen for popularising modern methods of exploitation of fish. While the school building had not been constructed due reportedly to non-availability of land, the funds earmarked (Rs. 4 lakhs) for the model village were surrendered and the scheme was dropped.

3.1.8. *Summing up.*—(i) Twenty - five per cent of the approved outlay for fisheries development schemes during the Fifth Five Year Plan period remained unutilised.

(ii) Three fish farms which were proposed to be set up in the Fifth Plan period had not been established.

(iii) No targets for seed production had been fixed but production of seed had declined from 10.49 lakhs in 1975-76 to 7.96 lakhs in 1977-78 and the ova released into streams had also declined from 6.21 lakhs in 1974-75 to 0.85 lakh in 1977-78.

(iv) Except for 1976-77 there was practically no growth in fish caught by licensees in rivers and lakes.

The number of licensed anglers for trout fish and fish caught by them had also declined.

(v) Construction of a new building for the school for training departmental staff had not been taken up due, reportedly, to non-availability of land. A model village for fishermen proposed to be set up for popularising modern methods of exploitation of fish was not taken up for implementation.

The matters mentioned above were reported to the Government in February 1980 ; reply is awaited (August 1980).

Agriculture Production Department

3.2. Control of apple scab

3.2.1. *Introduction.*—With a view to combating apple scab which had spread in an epidemic form in 1973, a scheme for ground spraying of apple areas with fungicides was formulated by the Government of India in January 1975 and implemented in the State from 1976-77.

3.2.2. The scheme envisaged ground sprayings, particularly in severely infected apple orchards. For this purpose, the State Government was required to clearly identify the endemic areas requiring large scale spraying. No survey with a view to identifying

endemic/severely affected areas had, however, been undertaken by the Department.

According to the guidelines laid down by the Central Government, the State Government was to undertake ground spraying of the orchards either departmentally or through an agency like the Agro-Industries Corporation, Agro-Industries Centres, a co-operative organisation or an organisation the accounts of which were subject to audit. However, the State Government decided to leave the spraying to be done by such orchardists as came forward to undertake spraying voluntarily with fungicides obtained by them from the Department at subsidised rates. The Department stated that the agencies in the State mentioned by the Government of India were not equipped for ground spraying.

Under the scheme, fungicides were sold to the orchardists at 25 per cent subsidy shared equally by the Central and State Governments. From 1st November 1977 the subsidy was enhanced to 75 per cent, 50 per cent to be met out of assistance given by the Government of India and 25 per cent to be borne by the State Government.

The expenditure incurred on the scheme during 1976-77 to 1978-79 and the Central and State subsidy paid (ending September 1978) were as under :—

Year	Expenditure			Amount of subsidy			
	Cost of fungicides	Operational charges	Total	To be borne by Centre		To be borne by State	
				Cost of fungicides	Operational charges	Total	
(Rupees in lakhs)							
1976-77	71.99	1.36	73.35	8.92	1.36	10.28	8.92
1977-78	1,27.21	1.49	1,28.70	24.02	1.49	25.51	16.11
1978-79	2,93.26	0.52*	2,93.78	92.82*	0.52*	93.34*	46.41*
Total	4,92.46	3.37	4,95.83	1,25.76	3.37	1,29.13	71.44

(Source : Departmental figures).

Out of the subsidy to be borne by the Centre (Rs. 1,29.13 lakhs), Rs. 1,22.16 lakhs had been received upto December 1979 and settlement of the balance was pending due to non-submission of state-

(*) Ending September 1978.

ments of expenditure by the Department to Audit for certification, the reasons for which were not stated.

3.2.3. *Spraying operations*

(a) *Targets and achievements.*—The table below indicates the area reported by the Department to have been sprayed by the orchardists as compared to the targets fixed for the years 1976 to 1979 :—

Year	Gross area targeted for spraying	Gross area sprayed	Shortfall	Percentage
(In lakh acres)				
1976	1.00	0.80*	0.20	20.0
1977	1.00	0.99**	0.01	1.0
1978	5.00	3.79	1.21	24.2
1979	5.00	2.94	2.06	41.2

Reasons for the shortfall were awaited (February 1980) from the Department.

Further points noticed in test check are mentioned below :—

(i) As per an assessment made by the Department in May 1977, the additional number of sprayers required by the orchardists for undertaking timely plant protection operations was 10,000. These were to be supplied to them at subsidised cost (subsidy : 33½ per cent) before the start of the next spraying season *viz.*, February 1978. Against this, only 3,298 foot sprayers had been sold to the orchardists by the end of September 1978 and another 576 by March 1979. As mentioned earlier there were considerable shortfalls in achievement of targets for spraying in 1978 and 1979.

(ii) As per the spray programme recommended in the scheme, spraying was to commence from the green tip stage (mid-March to mid-April) and all the envisaged four sprays were to be completed by the fruit-let stage (mid-May to 1st week of June) in the areas identified as severely infected. Spraying operations were, however, continued as late as upto the end of September each year ; reasons for the same were not stated. Details of the area reported to have

(*) Includes 0.11 lakh acres covered by the orchardists with fungicides purchased otherwise than from the Department.

(**) Does not include area sprayed during September 1977 for which information was not available.

been covered by ground spraying were as under :—

Year	Area under orchards	Area covered by ground spraying			
		During the year		By 1st week of June	
		Gross area	By different sprays	Gross area	By four sprays
(In lakh acres)					
1976	1.19	0.80	N.A.	0.54	N.A.
1977	1.23	0.99	N.A.	0.75	N.A.
1978	1.28	3.79	One spray 0.22	2.96	0.46
			Two sprays 0.03		
			Three sprays 0.06		
			Four sprays 0.81		
			Five sprays *		
			Total 1.12		
1979	1.28	2.94	One spray 0.22	2.30	0.12
			Two sprays 0.17		
			Three sprays 0.24		
			Four sprays 0.41		
			Five sprays *		
			Total 1.04		

(N.A. = Not available).

* Less than 500 acres.

Twenty-seven per cent (1976), 24 per cent (1977), 22 per cent (1978) and 23 per cent (1979) of the area had been sprayed after 1st week of June (the time by which the operations should have been completed). Further, the area covered upto the first week of June had not been treated with the prescribed number of four sprays. Information about the area actually covered by the required number of four sprays by 1st week of June (corresponding to fruit-let stage) was not available for the years 1976 and 1977. Action taken by the Department to persuade the orchardists to cover the entire area with timely application of the four sprays was not stated (February 1980).

(iii) The scheme envisaged that treatment with systemic fungicides should be carried out at the bud burst to green tip stage when infection is likely to occur, followed by treatment with protectant fungicides at subsequent stages. The Directorate of Plant Protection, Quarantine and Storage of the Government of India had reiterated this to the State Horticulture Department in April 1976 and again in July 1977.

It was, however, seen from the departmental records that, of the total quantity of Bavistin (a systemic fungicide) consumed during the seasons 1976 to 1979, only a very small quantity had been used by mid-April (corresponding to green tip stage), as indicated below:—

	Bavistin consumed (In kilogrammes) during			
	1976	1977	1978	1979
1. Total quantity consumed during the year (i. e., ending September)	3,580	4,014*	21,213	16,574
2. Quantity consumed upto mid-April (i. e., green tip stage)	389	1,409	7,668	5,270
3. Percentage	10.86	35.1	36.10	31.7

Reasons for not applying the systemic fungicides at the green tip stage as advised by the Government of India were awaited (February 1980).

(iv) Spraying was to be repeated every year with a view to achieving the maximum efficacy. The progress reports prepared by the Department did not show the extent to which spraying was repeated in endemic pockets nor was the information furnished by the Department (February 1980).

* Does not include quantity consumed in September 1977 for which information was not available.

(v) Further, due to shortfall in area sprayed, out of the available Central subsidy of Rs. 33 lakhs in 1976-77 and Rs. 48 lakhs in 1977-78, only Rs. 10.28 lakhs and Rs. 25.51 lakhs respectively could be availed of.

3.2.4. *Evaluation.*—The scheme envisaged continuous evaluation of its effects. The results of the programme as indicated in the evaluation reports submitted to the Government of India along with the claims on account of Central share of subsidy were stated to be as under :—

Year	In what stage	Percentage of diseased		Extent of reduction in mortality claimed due to spraying (percentage)
		Pre-treatment	Post-treatment	
1976	Leaves	52.00	15.09	71.00
1977	-do-	40.30	10.30	75.10
1978	Leaves at advanced fruit stage	37.10	11.00	75.00
1978	Fruit	9.40	2.60	82.88

Data on fruit production and quality of apple were, however, not furnished by the Department. The scheme had estimated the financial benefit as a result of spraying as Rs. 940 per acre. To what extent this was achieved could not be ascertained in the absence of data on fruit production.

3.2.5. *Summing up.*—(i) There were shortfalls in the coverage under the programme, reasons for which were not furnished. Out of the apple area of 1.28 lakh acres, 0.16 lakh acres and 0.24 lakh acres were not covered at all during 1978 and 1979.

(ii) Spraying had not been undertaken departmentally or through the specified agencies as envisaged in the approved scheme and was left to be implemented entirely by such orchardists as came forward to undertake spraying voluntarily.

(iii) No survey with a view to identifying endemic/severely affected areas for spraying had been undertaken.

(iv) Against the additional requirement of 10,000 foot sprayers assessed in May 1977 for undertaking timely plant protection opera-

tions, only 3,874 foot sprayers had been supplied to the orchardists by the end of March 1979.

(v) During 1978 and 1979 the required number of four sprays was conducted in 0.81 lakh acres and 0.41 lakh acres only (out of a total of 1.28 lakh acres). The sprayings were not completed before the fruit-let stage as required and substantial areas were covered long after that stage.

(vi) Systemic fungicide was to be applied on or before the green tip stage, but only 10.86 per cent (1976), 35.1 per cent (1977), 36.10 per cent (1978) and 31.7 per cent (1979) of the total quantity of systemic fungicide consumed had been applied by that stage.

(vii) No data on production and quality of apple produced, were available with the Department.

The matters mentioned above were reported to the Government in January 1980; reply is awaited (August 1980).

3.3. **Idle cleaner-cum-grader machines**—Six cleaner-cum-grader machines (cost : Rs. 0.37 lakh) for processing of paddy seeds were ordered by the Director of Agriculture from a supplier in Faridbad at rates offered by him without calling for tenders or entering into any agreement with him. The machines were meant to be supplied at subsidised rates to marketing societies. Ninety per cent advance payment totalling Rs. 0.34 lakh was made to the firm on receipt (December 1967) of railway receipts. On receipt of the machines by the Assistant Commissioner, Agricultural Production, Anantnag it was noticed (March 1968) that they were wanting in certain accessories. No steps were taken to obtain the accessories and to commission them and the machines were lying unutilised (2 with marketing societies and the remaining with the Department).

The matter was reported to the Government in October 1977; reply is awaited (August 1980).

Finance Department

3.4. **Purchase of compounding vats and filling machines for Jammu warehouse of Excise Department.**—A supplier who was entrusted (February 1972) with the supply and erection of compounding vats and filling machines, etc., completed the supply and erection by November 1973. Though as per the supply order the work was to be completed within a month and penalty upto 10 per cent of the cost of work besides forfeiture of security could be imposed, no action was taken against the supplier for delay in supply. While the supplier was paid Rs. 4.14 lakhs, the balance of Rs. 1.82 lakhs was not released for want of a certificate (as provided in the supply order) from the Chief Engineer, Mechanical and Stores De-

partment about the satisfactory working of the vats and the machines. The Chief Engineer, Mechanical and Stores Department, who was approached for the purpose in February 1974, stated in March 1975 that his Department had no expert for this type of machines. Information about the present position of verification of performance of the vats and machines and settlement of the contractor's dues is awaited (October 1979).

The following points were also noticed :—

(i) Certain defects in three compounding vats (value :Rs. 0.72 lakh) pointed out by the Department in July 1973 were not rectified by the supplier. Further, connections between the compounding vats and the storage vats had not been provided by the supplier. Consequently, the compounding vats could not be used for compounding and were reported to have been used for storage of water. The compounding, as a result, continued to be done manually which was reportedly less hygienic. The Excise and Taxation Officer, Warehouse, Jammu stated (October 1979) that the Excise Commissioner was being requested to accord necessary sanction to have the connections done by an expert. Action taken against the supplier was not stated.

(ii) Besides, three wooden storage vats supplied (cost Rs. 0.60 lakh) were reported (November 1974) by the Deputy Excise Commissioner, Jammu to be not fit for use as these had been made of very inferior saal wood and leaked profusely when filled with water. The Excise and Taxation Officer, Jammu Warehouse was (October 1979) of the view that the wooden vats should be dismantled and the saal wood auctioned. Further developments were awaited (February 1980).

(iii) Security deposit of Rs. 0.40 lakh which was envisaged to be recovered from the supplier as per the notice inviting tenders had not been recovered, the reasons for which were not on record.

(iv) An excess payment of Rs. 0.32 lakh to the firm due to payment of sales tax at 10 *per cent* instead of 3 *per cent* payable had not been recovered though pointed out (November 1974) by the Excise Commissioner.

The matter was reported to the Government in November 1979 ; reply is awaited (August 1980).

Industries Department

3.5. Subsidy scheme for industrial units in selected backward areas

3.5.1. *Introductory.*—To promote growth of industries in selected backward districts/areas, the Government of India launched

(August 1971) a scheme for giving subsidies for setting up new industrial units or for undertaking substantial expansion of existing units in such areas. A unit was to be treated as new if "effective steps" (as defined in the scheme) for its establishment had been taken on or after 1st October 1970. Existing units were also eligible for subsidy if their fixed capital investment was increased by more than 25 per cent (10 per cent from 1st January 1977). Subsidy payable was at the rate of 10 per cent (raised to 15 per cent from 1st March 1973) of the total fixed capital investment/additional fixed capital investment (land, buildings, plant and machinery). The maximum amount of subsidy payable to a unit was Rs. 5 lakhs which was raised to Rs. 15 lakhs from 1st March 1973.

In Jammu and Kashmir, the scheme was launched in Jammu and Srinager districts with effect from 1st October 1970 and in Anantnag, Doda, Baramulla and Poonch districts with effect from 26th August 1971.

Under the scheme, subsidy totalling Rs. 1,29.89 lakhs was disbursed during 1975-76 to 1977-78 to 187 units, Rs. 1,11.42 lakhs by the Industries Department and Rs. 18.47 lakhs through the State Financial Corporation.

Points noticed in test check of the records relating to payment of subsidy in the offices of the Director of Industries and the State Financial Corporation conducted during July-September 1978 are mentioned in the paragraphs which follow.

3.5.2. *Payment of subsidy to units not eligible for subsidy.*— In three cases subsidy amounting to Rs. 3.55 lakhs was paid to units which had taken effective steps prior to the crucial dates stipulated in the scheme—in two cases by placing firm orders for purchase of machinery prior to the crucial dates (in one case earnest money for its purchase had also been paid in 1968-69) and in the third case by making substantial investment on factory building before the crucial dates.

3.5.3. *Incorrect computation of fixed capital investment for purposes of subsidy.*—(a) For calculating the capital investment qualifying for subsidy, the amounts actually paid for land and building and plant and machinery as erected at site were to be taken into account; further, the subsidy was to be based not on advances paid or estimated cost but on the figures of actual expenditure as certified by Chartered Accountants and supported by vouchers. Irregular/excess payment of subsidy amounting to Rs. 14.73 lakhs was noticed in 25 cases as indicated below :—

(i) In 20 of these cases, subsidy (Rs. 2.06 lakhs) had been paid irregularly on the basis of the estimated cost of the buildings without ascertaining the actual expenditure.

In three cases, subsidy totalling Rs. 5.40 lakhs had been paid in excess due to payment being made on the basis of project estimate or incorrect computation of the capital investment. The excess payment had not been recovered though pointed out by Audit in July-September 1978.

Besides, in one of the above cases, out of a reported investment of Rs. 14.88 lakhs on plant and machinery for which subsidy had been paid, vouchers were produced to Audit only for Rs. 6.41 lakhs.

(ii) Though subsidy was payable only on plant and machinery erected at site, in one case excess subsidy amounting to Rs.7.03 lakhs had been paid on the basis of advance payments made towards the cost of machinery which had not reached the site. In another case, plant and machinery valuing Rs. 2.38 lakhs included in the capital investment, for which subsidy of Rs. 0.24 lakh was paid, had not been erected at site and was proposed to be disposed of due to failure of the unit to repay loans obtained for the purchase of plant and machinery. The Government stated (March 1979) that attempts were being made to find a buyer for the machinery.

(b) *Goods Carriers.*—Under the scheme, investment in goods carriers only to the extent the latter were actually utilised by a unit for transportation of raw materials and for marketing finished products was eligible for subsidy. One unit which had been paid subsidy (Rs. 0.17 lakh) had hired out the carriers as evidenced from the receipt on this account shown in the profit and loss accounts but no steps had been taken to recover the payment made though not admissible.

3.5.4. *Subsidy paid on second hand machinery.*—A unit was paid subsidy of Rs. 0.22 lakh on 3 second hand machines purchased in March 1973 and December 1975 though subsidy on capital investment on second hand machinery was introduced only from 1st January 1977.

3.5.5. *Absence of follow up action.*—Under the scheme, units receiving subsidy were required to submit annual progress reports to the State Government for a period of five years after going into production. It was, however, observed that no watch had been kept by the Director of Industries over receipt of progress reports and none was on record.

3.5.6. *Non-recovery of subsidy from units closed within 5 years of the date of payment.*—The scheme envisaged that if an assisted unit went out of production within five years after commencement of production or its owner without prior approval of the State Government/disbursing agency, changed the location of the unit or disposed of a substantial part of the fixed capital investment within a period of 5 years after commencement, the subsidy

received would be recovered. It was noticed that no steps had been taken to recover the subsidy in respect of four units which had been paid subsidy totalling Rs. 2.23 lakhs and which on inspection by departmental officials were found to have gone out of production within 5 years after commencement of production.

The Government stated (March 1979) that the committee for nursing of sick units constituted by the State Government was considering possible ways and means for rehabilitating two of the units and in the other three cases the matter would be got examined by the State Financial Corporation.

3.5.7. No evaluation of the scheme assessing *inter alia* the social benefits that accrued from the scheme like employment generated, etc., had been undertaken.

3.5.8. *Summing up.*—(i) The Department had taken no action to watch the receipt of annual progress reports from the 187 units, which had been paid subsidy (Rs. 1,29.89 lakhs), to ascertain how many of them were continuing in production.

(ii) Four units which had been paid subsidy of Rs. 2.23 lakhs had stopped production within 5 years of starting production but no action for recovery of subsidy paid to them had been taken.

(iii) Irregular or excess payments of subsidy totalling Rs. 14.73 lakhs had been made to 25 units due to incorrect computation of capital cost.

(iv) Irregular payment of subsidy totalling Rs. 3.77 lakhs had been made to 4 units which were not eligible.

The matters mentioned above were reported to the Government in October 1979 ; final reply is awaited (August 1980).

Housing and Urban Development Department

3.6. Loans under Low and Middle Income Group Housing Schemes

3.6.1. *Introduction.*—With a view to providing credit facilities to persons in the low and middle income groups to construct houses, the Low Income Group Housing Scheme (L. I. G. H. S.) and Middle Income Group Housing Scheme (M. I. G. H. S.) were introduced in the State in 1956-57 and 1959-60 respectively. The extent of assistance being provided under the schemes in recent

years, as stated by the Government (July 1979), was as follows :—

Scheme	Annual income	Loan assistance
L. I. G. H. S.	Upto Rs. 7,200	(i) Rs. 7,000 upto income of Rs. 3,000 per annum;
		(ii) Rs. 8,000 for income between Rs. 3,001 and Rs. 4,800 per annum ; and
		(iii) Rs. 10,000 for income between Rs. 4,801 and Rs. 7,200 per annum.
M. I. G. H.S.	Between Rs. 7,201 and Rs. 20,000	(i) Rs. 16,000 for income upto Rs. 8,400 per annum ; and
		(ii) Rs. 20,000 for income between Rs. 8,401 and Rs. 20,000 per annum.

3.6.2. Loans totalling Rs. 3,77.92* lakhs and Rs. 2,66.35* lakhs for construction of houses under L. I. G. H. S. and M. I. G. H.S respectively were disbursed upto the end of 1978-79.

While funds for grant of loans under L. I. G. H. S. were provided by the State Government out of its Plan allocations, those under M. I. G. H. S. were provided out of borrowings from the Life Insurance Corporation of India (L. I. C.).

3.6.3. *Construction of houses.*—Under both the schemes, houses were to be constructed by the loanees within one year from the date of release of the first instalment of loan and they were, under the terms of the agreement entered into by them, required to furnish a completion certificate to this effect from the Executive Engineer/ Local Body concerned within one month of completion.

The number of houses for which loans had been sanctioned upto March 1979 and those for which all the 3 instalments in which they were to be paid had been released by March 1979, as reported by the Department, were as follows:—

(i) Number of houses for which loans had been sanctioned upto March 1979	8,290
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* Figures are provisional subject to confirmation by the Department.

- (ii) Number of houses for which all the three instalments had been released upto March 1979 including those sanctioned during 1978-79 6,378

The Department had no completion certificate on record in respect of any of the houses for which all the three instalments had been released, nor had it any information regarding actual construction by the loanees. The Department had also no information on why the 2nd/3rd instalment had not been drawn in respect of 1,912 (8,290-6,378) houses.

The 2nd and 3rd instalments were to be released on production of certificate of completion upto plinth and roof level, respectively. In the absence of complete records, it was not possible to verify whether such certificates had been obtained in all cases and whether the Department had satisfied itself that the 1st / 2nd instalment had been utilised for the purpose intended.

3.6.4. *Repayment of loans.*—(a) No consolidated record had been kept by the Department to watch the repayment of loans given under L. I. G. H. S. and M. I. G. H. S. and consequently the amounts due for recovery from the loanees towards principal and interest were not available. The Department intimated the total loan outstanding as on 31st March 1978 under L. I. G. H. S. and M. I. G. H. S. as Rs. 1,42.15 lakhs and Rs. 1,81.85 lakhs respectively, but in the absence of necessary records the amount overdue was not available with the Department.

The loanees were, before disbursement of loans, required to execute security bonds providing for transfer of site, together with the construction thereon, to Government by way of mortgage. No other separate security or mortgage deed was required. In the absence of complete records it was not possible to ascertain whether even the security bond had been got executed in all cases.

A test check of the ledgers of the loanees maintained by the Accounts Cell of the Department, however, showed the following position :—

(i) Out of the total disbursements of Rs. 13.86 lakhs and Rs.15.87 lakhs (as shown in the departmental records) under M. I. G. H. S. and L. I. G. H. S. respectively during 1975-76, only Rs. 11.74 lakhs and Rs. 9.98 lakhs had been posted in the ledgers. Test check also showed that out of Rs. 6.43 lakhs disbursed in Srinagar district in 1976-77 and Rs. 1.18 lakhs disbursed in 1977-78 in Baramulla district under L. I. G. H. S. only amounts totalling Rs. 2.40 lakhs had been posted in the ledgers. No action had been taken to complete the ledgers (February 1980). Similarly credits totalling Rs. 12.70 lakhs (as evidenced from departmental records) remained unposted at the end of May 1978 in the ledgers due to wanting or incomplete schedules.

(ii) The posting of ledgers was in arrears (July 1979) from June 1978 onwards.

(b) Under the terms of the agreement executed under the two schemes, the amount of loan with interest was repayable in annual equated instalments ranging between 10 and 30, the first instalment being due twelve months after the date of sanction of the first instalment of the loan. No recovery had been made of principal or interest in respect of 550 cases under L. I. G. H. S. (in Jammu and Srinagar districts) and 255 cases of M. I. G. H. S. though recovery should have commenced in all these cases under the agreements as per information compiled by the Department in August 1977. Details were as given below :—

When loan disbursed	L. I. G. H. S.				M. I. G. H. S.	
	Jammu		Srinagar		Number of cases in which recovery had not started	Amount of loan
	Number of cases in which recovery had not started	Amount of loan	Number of cases in which recovery had not started	Amount of loan		
(Amount in lakhs of rupees)						
1956-57 to 1958-59	27	0.65	7	0.12	..	..
1959-60 to 1969-70	42	2.03	57	2.09	89	12.85
1970-71 to April 1976	261	11.30	121	7.45	158	17.69
Not indicated by the Depart- ment	17	0.55	18	1.07	8	0.81
Total	347	14.53	203	10.73	255	31.35

3.6.5. Other topics of interest

(a) *Sanctioning of loans.*—The following points were noticed in the sanctioning of loans :—

(i) No ceiling on the estimated cost of the house to be constructed had been prescribed. Two persons were given loans under

L. I. G. H. S. for construction of houses costing Rs. 1.17 lakhs and Rs. 0.67 lakh respectively. Similarly, under M. I. G. H. S. two persons were given loans for constructing houses costing Rs. 1.29 lakhs and Rs. 1.24 lakhs respectively.

(ii) In five cases loans had been sanctioned to both husband and wife at the maximum admissible rates for construction of the same house or two separate houses.

(iii) The maximum amount of loan assistance admissible under the scheme had been provided in 10 cases (Rs. 1.42 lakhs) in addition to the cost of plot sold by the Government on loan basis.

(b) *Insurance*.—As per the terms of the agreements, the houses constructed under the M. I. G. H. S. were required to be insured, but no watch had been kept by the Department on fulfilment of this condition.

In the case of loans under L. I. G. H. S. there was no corresponding provision in the agreements for insurance of the houses. The Department stated (November 1979) that the matter had been taken up with the General Insurance Corporation and in case they agreed to insure houses costing Rs. 0.10 lakh or less, amendment to the agreements would be considered.

3.6.6. *Summing up*.—(i) Loans had been sanctioned for construction of 8,290 houses under L. I. G. H. S. and the M. I. G. H. S. upto 31st March 1979. Of these, the second/third instalment had not been drawn in respect of 1,912 houses, but the Department had no information why it had not been drawn.

(ii) It was not possible to verify whether the prescribed certificates regarding progress of construction had been obtained in all cases before releasing the 2nd / 3rd instalment. In any case, there was no completion certificate on record in respect of any of the houses nor had the Department any information regarding actual construction.

(iii) The loan ledgers for individual loanees were incomplete and consequently the position of principal and interest due for recovery was not available with the Department. Disbursements totalling Rs. 13.22 lakhs (Rs. 8.01 lakhs in 1975-76 under both the schemes and Rs. 5.21 lakhs in 1976-77 in Srinagar district and in 1977-78 in Baramulla district under L. I. G. H. S.) and recoveries totalling Rs. 12.70 lakhs (ending May 1978 accounts) had not been posted in the ledgers and posting from June 1978 was in arrears (July 1979).

The matters mentioned above were reported to the Government in November 1979 ; reply is awaited (August 1980).

3.7. Provision of house-sites to landless workers in rural areas

3.7.1. Under the scheme, house-sites of size not exceeding 200 square yards were to be provided free of cost to families of landless workers (in rural areas) who did not already own a house-site or a built-up house or a hut on land of their own. Sites were to be provided by assignment of Government land or by acquisition of private land and the entire cost of acquisition and development (subject to a ceiling of Rs. 300 and Rs. 500 per plot in plains and hilly areas respectively) was to be met by the Government. Houses/huts on the sites were to be built by the allottees with their own resources. No private land was acquired under the scheme. Expenditure of Rs. 11.23 lakhs was incurred by the State Government during 1975-76 to 1978-79 on development of house-sites in Government land.

3.7.2. *Allotment of house-sites.*—The number of landless and houseless households including *hanjis* was assessed by the Planning Department officials after surveys (1973) as 20,120. Year-wise targets fixed and house-sites actually allotted, as reported (February/August 1979) by the Department, were as under :—

Year	Target for allotment	Actually allotted
1975-76	3,700	1,733
1976-77	2,650	3,228
1977-78	877	314
1978-79	300	122 (ending January 1979)
Total	7,527	5,397

The Department attributed (July 1979) the shortfall to paucity of Government land in the villages where the houseless families had been identified and were living as they did not want to move to other villages only for a house-site leaving their normal places of livelihood but steps taken for acquisition/allotment of sites nearer their normal places of livelihood were not stated.

3.7.3. *Construction of houses.*—On the basis of field enumeration, as stated by the Department (July 1979), the number of houses actually constructed by the beneficiaries by the end of March 1978 on the house-sites allotted to them was 1,092 which works out to 20.7 per cent of the house-sites allotted. The shortfall in construc-

tion of houses was attributed (July 1979) by the Department to financial incapacity of the allottees. It was added that the Housing and Urban Development Corporation of India (HUDCO) had since agreed to grant loan assistance provided an equal amount was met by the Government. On this basis, Rs. 5.60 lakhs were paid by the Government to the Jammu and Kashmir Housing Board during 1977-78 (Rs. 4.10 lakhs) and 1978-79 (Rs. 1.50 lakhs) as its matching contribution for construction of houses by the Board. No expenditure had, however, been incurred by the Board (July 1979) on construction reportedly due to non-receipt of site plans from Deputy Commissioners and the cost of construction exceeding the ceiling of Rs. 4,000 per house fixed by HUDCO because of geo-climatic conditions in the State. It was stated (August 1979) that the HUDCO had been requested to revise the ceiling. Further developments are awaited (February 1980).

3.7.4. Thus, of the estimated number of 20,120 landless households in rural areas, 5,397 had been allotted house-sites during 1975-76 to 1978-79 but only 1,092 had constructed houses by the end of March 1978. Rupees 5.60 lakhs paid to the Housing Board towards the State Government's matching contribution for construction of houses had reportedly not been expended due to site plans not being made available to the Housing Board and due to the ceiling cost of Rs. 4,000 per house laid down by HUDCO being found inadequate.

The matter was reported to the Government in November 1979 ; reply is awaited (August 1980).

Other topics of interest

3.8. *Embezzlements and misappropriations.*— Three instances of embezzlements and misappropriations which came to notice are mentioned below :—

Sl. no.	Department/ Office	Amount defalcated/ misappropriated (Rupees in lakhs)	When defalcated	When noticed
1.	Anti-corruption	1.61	September 1974 to March 1977	March 1977

On noticing certain irregularities like non-disbursement of amounts shown to have been paid, delayed remittances into treasury etc., the Secretary, Anti-corruption Tribunal (Drawing and Disbursing Officer) reported (August 1977) the matter to the Director, Accounts and Treasuries for a detailed check of his accounts. De-

tailed check by the latter of transactions pertaining to the period from 1st September 1974 to 9th March 1977 revealed suspected embezzlement of Rs. 0.35 lakh and doubtful payments to the tune of Rs. 1.26 lakhs for which proof of payment was not available. Due to incomplete maintenance of cash book and other books of account, the amount involved in the suspected embezzlement could not be finally determined.

The alleged embezzlement was facilitated due to :—

- (i) non-maintenance of cash book for some spells and its non-closing regularly when maintained ;
- (ii) entrusting the duties of Accountant and Cashier to one and the same person in violation of the provisions of the financial rules ;
- (iii) non-authentication by the drawing and disbursing officer of the entries in the cash book ; and
- (iv) non-verification of the cash balance periodically.

The Accountant-cum-Cashier was placed under suspension in August 1977 and the matter reported to the State Vigilance Department (October 1978). On the basis of the findings of the Vigilance Department the Government accorded (February 1980) sanction to the prosecution of the accused for misappropriation of Rs. 0.37 lakh by misuse of official position. Further developments were awaited (May 1980). Action taken to complete the accounts records and to fix responsibility for the procedural omissions mentioned above was not stated.

The matter was reported to the Government in October 1979 ; reply is awaited (August 1980).

Sl. no.	Department/office	Amount defalcated/misappropriated (Rupees in lakhs)	When defalcated	When noticed
2.	Revenue/Deputy Commissioner Jammu's Office	1.23	December 1974 to June 1978	December 1978

At the instance of the Deputy Commissioner, Jammu, the Directorate of Accounts and Treasuries of the State Finance Department conducted (December 1978) a detailed check of his office accounts for the period from December 1974 to 12th June 1978 when a suspected embezzlement of Rs. 1.23 lakhs was detected. The amount was embezzled by non/short-accountal of drawals made from

treasury, non/short-accountal of receipts in the cash book, amounts shown to have been remitted into treasury but not actually remitted and pilferage of cash balance in hand, etc. The exact amount embezzled could, however, not be determined due to faulty/incomplete maintenance of the cash book and other allied records and non-availability of cash book for the period from 12th June 1976 to 7th December 1976.

According to the report of the Directorate of Accounts and Treasuries, the embezzlement was facilitated due *inter alia* to :

- (i) non-maintenance of cash book for some spells and its non-closing regularly,
- (ii) receipt books not kept in the custody of the drawing and disbursing authority and issue of receipts by the cash clerk (Nazir) instead of by the authorised officer,
- (iii) non-verification of cash balances periodically by the drawing and disbursing authority (Deputy Commissioner),
- (iv) retention of heavy cash balances in hand, and
- (v) non-reconciliation of the accounts opened with banks.

The 'Nazir' of the office who had been entrusted with the entire cash business of the office and had not reported for duty from 16th June 1978 was reported by Deputy Commissioner, Jammu (January 1980) to have died.

The progress of investigation by Police, to whom the matter was reported in June 1978 was not on record. Action taken to fix responsibility for the procedural lapses was not stated.

The matter was reported to the Government in January 1980 ; reply is awaited (August 1980).

Sl. no.	Department/ office	Amount defalcated/ misappropriated (Rupees in lakhs)	When defalcated	When noticed
3.	Power Deve- lopment/ Director, Design Circle (Electric), Srinagar	1.30	June 1974 to February 1975	During test check by Audit in June 1975 and subse- quent verification by Finance Depart- ment.

Test check by Audit (June 1975) showed that a drawal of Rs. 1,951.85 from the treasury had not been accounted for in the books of drawing officer. Subsequent verification by Finance Department on the matter being pointed out revealed fraudulent drawals totaling Rs. 1.30 lakhs between June 1974 and February 1975. The cashier of the office was placed under suspension (July 1975) and a police case challaned in a court of law is sub judice (April 1980). The fraudulent drawals could not be detected earlier by the Department *inter alia* due to failure of the drawing officer to verify the monthly drawals with the treasury records and to effect periodical reconciliation of departmental figures of expenditure with those of the Audit Office. No action had been taken to fix responsibility for these failures.

The matter was reported to the Government in June 1979 ; reply is awaited (August 1980).

CHAPTER IV

Works Expenditure

Power Development Department

4.1. Electricity schemes

4.1.1. *Introduction.*—The installed capacity for power generation in the State increased from 104.66 megawatts (MW) in 1974-75 to 172.90 MW in 1978-79. The progressive capital outlay on electricity schemes also increased from Rs. 68.50 crores in 1974-75 to Rs. 1,84.75 crores in 1978-79. The main sources of supply in the Kashmir region were the old hydel power stations at Ganderbal and Mohora and one stand-by diesel generating station at Bemina and the new Upper Sindh Hydel Project commissioned in December 1973 and the Lower Jhelum Hydel Project commissioned in February 1978. In the Jammu region the main sources of supply were the Chenani Hydel Project and the Kalakote Thermal Power Station besides four small hydel and the diesel generating stations. One power house (at Udhampur) with a generating capacity of 0.8 MW was closed down in 1975 due to damage by floods to the head works and the canal.

Power is also purchased from the Punjab State Electricity Board, the Bhakra-Beas Management Board and the Badarpur Thermal Power Station. The power systems of Kashmir and Jammu regions were interlinked in October 1974.

4.1.2. *Generation and sale of energy.*—Particulars of the power generated, sold and lost in transmission and distribution during 1975-76 to 1978-79 were as follows :—

	1975-76	1976-77	1977-78	1978-79
	(In lakh kilowatt hours)			
(i) Installed capacity of power houses				
Kashmir	46,74.33	46,60.32	76,73.76	1,06,52.16
Jammu	44,94.00	44,94.00	44,94.00	44,94.00
(ii) Available energy				
(a) Total generation (net)				
Kashmir	21,79.79	24,10.96	26,90.20	44,81.75
Jammu	8,65.00	6,50.61	6,42.40	7,32.00

1975-76 1976-77 1977-78 1978-79

(In lakh kilowatt hours)

(b) Purchase from outside the State				
Kashmir	..	..	..	..
Jammu	7,07.00	18,48.19	29,63.47	14,83.01
(c) Transfer of energy				
Jammu to Kashmir	0.80	3,59.16	7,43.76	1,69.21
Kashmir to Jammu	0.80	1,30.31	1,88.47	5,20.30
(d) Net available energy				
Kashmir	21,79.79	26,39.81	32,45.49	41,30.66
Jammu	15,72.00	22,69.95	30,50.58	25,66.10
(iii) Power generated as percentage of installed capacity				
Kashmir	47.90	51.41	35.39	42.25
Jammu	19.25	14.48	14.39	16.29
(iv) Power sold				
Kashmir	10,56.00	13,92.00	17,18.15	22,99.00
Jammu	10,38.51	15,41.20	22,32.42	15,97.00
(v) Loss in transmission and distribution (ii-iv)				
Kashmir	11,24.59	12,47.81	15,27.32	18,31.66
Jammu	5,33.49	7,28.75	8,18.16	9,69.10
(vi) Loss as percentage of power generated				
Kashmir	51.59	51.75	56.77	40.87
Jammu	61.67	32.1	26.8	37.7

Less generation of power as compared to installed capacity was attributed to less discharge of water in the rivers in winter and break-down of machines on account of aging. In Jammu region, damage due to rains in water conductor system of Chenani Hydel Station was also stated to be responsible for less generation during 1977-78.

Test check of discharge data available in respect of Ganderbal, Mohora and Upper Sindh Hydel Power Stations (data for Jammu region was not available) showed that the available discharge was not being utilised fully as shown below: —

Year	Total water discharge at head-works	Total discharge at forebay	Percentage of (3) to (2)	Power* generation possible with forebay discharge	Actual generation	Shortfall
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<i>(In million units)</i>			<i>(In kilowatt hours)</i>		
1975-76	1,151	790	69	235.10	215.91	19.19
1976-77	1,146	865	75	257.93	242.34	15.59
1977-78	1,290	915	71	272.60	253.58	19.02
1978-79	1,252	893	71	267.02	243.42	23.60

It would be seen that only 69 to 75 per cent of the discharge at the head-works was available at the forebay. It was stated by the Superintending Engineer that in the case of the Upper Sindh Hydel Project the water discharge required for generating the installed capacity (22.6 MW) was 678 cusecs against which the carrying capacity of the canal as raised in 1977-78 was 500 cusecs only. In other words, the installed generating capacity was not matched by necessary water carrying capacity for generation of electricity.

As would also be seen from the table given above, the actual power generation was less even compared to the actual discharge available at the forebay. This related to Ganderbal and Mohora power houses and was attributed to aging of machinery therein.

4.1.3. *Transmission and distribution losses.*—As mentioned in sub-paragraph 4.1.2. the transmission and distribution losses during

* Figures as supplied by the Department.

1975-76 to 1978-79 were as high as 40.87 to 56.77 per cent in Kashmir region and 26.8 per cent to 61.67 per cent in Jammu region as compared to the all India average for 1977-78 of 19.26 per cent as intimated by the Central Electricity Authority in November 1979.

There was no system of analysing the transmission and distribution losses with a view to devising remedial measures. In January 1975 the Power Development Commissioner had informed the Committee on Public Accounts that a number of steps were under way to prevent pilferage of energy. Action taken in this behalf had not been intimated. Some of the factors which contributed to the high transmission and distribution losses as noticed from the records are mentioned below :—

(i) *Non-metering of sub-stations and consumers' installations.*— The number of sub-stations and consumers' installations which remained unmetered at the end of 1978-79 was as follows :—

Particulars	Region	Total number	Metered	Unmetered	Percentage of unmetered to total number
Sub-stations	Kashmir	1,640	1,095	545	33
	Jammu	1,658	735	923	56
Consumers' installations	Kashmir	2,19,460	1,63,908	55,552	25
	Jammu	97,349	89,664	7,685	8

In the case of unmetered installations the consumers were being billed at flat rates. Further, due to a large number of sub-stations being unmetered, identification of the stages at which transmission losses occurred was not possible.

The non-metering of sub-stations and consumers' installations was stated to be due to non-availability of meters. It was, however, seen that a number of meters were lying in the divisional stores uninstalled or in the Plant-cum-Metering and Testing Divisions, Srinagar and Jammu awaiting repairs, as shown below :

Region	Number of meters lying uninstalled	Number of meters awaiting repairs
Kashmir	1,535	544
Jammu	1,899	..

Reasons for not installing the available meters and for not repairing the damaged ones were not stated nor action proposed to have the unmetered sub-stations and consumers' installations metered indicated.

(ii) *High losses at certain stations.*—In the Electric Maintenance Division No. I, Jammu which is fed with power from the Janipura (Jammu) receiving station and the Canal Power House, Jammu, the average transmission and distribution loss during 1975-76 to 1978-79 was 44.3 per cent. The high percentage of loss was stated to be due to the high and low tension distribution system being laid many years ago to cater to a very small load as compared to the present demand. Action taken/proposed to deal with the situation was, however, not stated.

(iii) *Inspection of consumers' installations.*—As per standing instructions, at least sixty inspections of the consumers' installations are to be conducted by an Assistant Engineer/Junior Engineer in each month in order to check leakage/pilferage of power. Test check of thirteen sub-divisions showed that in 9 sub-divisions against 8,640 installations to be inspected during 1977-78 only 4,673 had been inspected and in four sub-divisions against 2,830 to be inspected during 1978-79 only 287 had been inspected. No watch had been kept to ensure that the inspections were carried out to the prescribed extent.

Transmission and distribution losses could not be assessed separately as meters had not been installed in all the distributing stations.

4.1.4. *Working results.*—Details of progressive capital outlay on electricity schemes and their working results for the year 1975-76 to 1978-79 are given below :—

	1975-76	1976-77	1977-78	1978-79
	(Rupees in lakhs)			
(i) Progressive capital outlay on electricity schemes	77,78.17*	90,78.15*	1,68,38.35	1,84,75.07
(ii) Gross revenue	4,80.80	5,55.01	6,71.66	7,64.99
(iii) (a) Working expenses	5,90.47	6,90.91	7,31.20	7,74.27
(b) Cost of power purchased	47.41	2,18.71	1,83.43	2,20.70
Total (a+b)	6,37.88	9,09.62	9,14.63	9,94.97

* Does not include Rs. 45,21.35 lakhs and Rs. 57,52.70 lakhs relating to Lower Jhelum Hydel Project which started functioning partly from February 1978.

	1975-76	1976-77	1977-78	1978-79
	(Rupees in lakhs)			
(iv) Interest on capital outlay	5 45.79	6,63.21	7,76.69	8,67.78
(v) Loss (iii+iv—ii)	7,02.87	10,17.82	10,19.66	10,97.76
(vi) Depreciation	1,70.00**	1,55.00**	1,67.00**	2,07.00*
(vii) Loss after depreciation (v+vi)	8,72.87	11,72.82	11,86.66	13,04.76

Thus, the revenue realised did not cover even the working expenses in any of the years. No analysis of the reasons for the high working expenses had been undertaken by the Department. However, as mentioned earlier, the utilisation of capacity was low and transmission losses very high, which were the main reasons for the losses. The per unit cost of generation went up from 42.6 paise in 1975-76 to 50.2 paise in 1977-78 but it came down to 35.5 paise in 1978-79 after the Lower Jhelum Project started functioning.

The tariff rates for the sale of power were last increased from April 1976 except those for industrial consumers which were revised further in March 1979. The per unit cost of energy sold in 1978-79 was 53 paise while the average per unit revenue was 19.07 paise.

4.1.5. Revenue realisations

(i) *Arrears of revenue.*—The arrears in collection of revenue at the end of March 1972 and at the end of March 1979 and their category-wise details were as given below :—

	As on 31st March 1972		As on 31st March 1979	
	Kashmir	Jammu	Kashmir	Jammu
	(Rupees in lakhs)			
Domestic/private consumers	28.15	5.85	72.22	17.00
Commercial consumers	..	..	12.89	5.65
Industrial consumers	12.48	2.36	19.46	3.85
Municipality and Town Area Committees, etc.	1.29	3.58	2.80	1.65
State and Central departments	13.36	5.54	13.77	13.81
Others	..	..	2.86	..
Total	55.28	17.33	1,24.00	41.96

** Depreciation was charged off in accounts on the basis of *ad hoc* budget provision and not on the basis of value of assets.

Percentage of arrears to total revenue of the years 1975-76, 1976-77, 1977-78 and 1978-79 was 36.6, 30, 24.7 and 21.7 respectively.

Under the rules, surcharge is to be levied in case payments are not made within a month of the due date, power is to be disconnected if payments are not made within 90 days and thereafter the installation is to be disconnected and security adjusted. However, no action was being taken to watch payment within due dates and to disconnect the installations with the result that the arrears have been accumulating. No analysis of arrears year-wise had also been made so far except in two divisions in Jammu region where some of the arrears pertained even to the periods prior to 1947-48.

Of Rs. 1,65.96 lakhs in arrears, an amount of Rs. 16.99 lakhs had been declared as irrecoverable, the whereabouts of the consumers being not known. Out of the irrecoverable revenue, Rs. 4.05 lakhs had been classified by the Department as dead arrears and recommended for write off (January 1978). sanction to write off is still awaited (April 1980).

In addition, an amount of Rs. 3.48 lakhs was recoverable from the Jammu Municipality as arrears of interest on outstanding dues from April 1975. This had not been charged to the Municipality but has since (June 1977) been billed on being pointed out in audit (June 1977).

(ii) *Test check of assessment.*—A test check conducted by Audit during the years 1976-77 to 1978-79 of the accounts of thirteen Electric Maintenance Divisions which assess and collect revenue from consumers disclosed the following :—

(a) *Agreements with consumers.*—According to the rules, agreements should be entered into with the consumers before commencement of supply/restoration of electricity to them. It was noticed that in two Electric Maintenance Divisions of Kashmir region agreements had not been executed/renewed for 119 out of 147 power installations (March 1978).

(b) *Levy of electricity duty.*— In accordance with the Jammu and Kashmir Electricity (Duty) Act, 1963, electricity duty at 15 per cent of the energy charges is to be levied on all consumers other than the departments of Government of India. It was, however, observed that while the duty was being recovered from the units of Government of India undertakings/bodies e.g., Food Corporation of India and Indian Telephone Industries, and the State Bank of India, etc., in Jammu region, it was not being recovered from their units in Kashmir region. Test check showed that loss of revenue on this account during April 1974 to March 1979 in 3 Maintenance divisions in Kashmir region was Rs. 0.18 lakh.

(c) *Short assessment of revenue.*—Revenue to the extent of Rs. 2.98 lakhs was found to have been assessed short in four Electric Maintenance Divisions in Jammu region during 1976-77 to 1978-79 mainly due to :—

- (i) defective meters in consumers' installations,
- (ii) wrong calculation and short recovery of electricity charges and short assessment of interest,
- (iii) assessment of electricity charges at rates lower than those prescribed under the tariff,
- (iv) non-levy of surcharge on belated payments provided under the rules, and
- (v) non-recovery of service line charges provided under the rules on reconnection of power installations after they had remained disconnected for more than three months, and non-levy of demand charges on disconnected installations.

Action taken to rectify the assessments and to fix responsibility for the procedural lapses due to which under-assessments occurred was not stated.

(d) *Non-recovery of additional charges for supply of power during night hours.*—In one division, an amount of Rs. 0.25 lakh recoverable from three industrial consumers as additional charges (at the rate of 50 per cent of normal charges) for supply of power during night hours had not been assessed.

4.1.6. Other topics of interest

(i) *Non-repair of transformers.*—Two hundred and thirty-nine transformers (approximate value : Rs. 14.29 lakhs) were lying in various divisions awaiting repairs. One hundred and twenty-eight of these had not been repaired for 12 to 57 months. Action taken /proposed to repair/declare them unserviceable and dispose them of was not stated.

(ii) *Theft of conductors.*—The Rural Electrification Construction Division, Batote, had two villages (Nagam and Chachal in Ramban Tehsil) electrified at a cost of Rs. 2.88 lakhs in March 1976 and November 1976 respectively. The Udhampur Electric Maintenance Division was to maintain the line. In July 1979, the Deputy Commissioner, Doda reported the entire conductor laid for electrification of the villages (cost Rs. 0.82 lakh) as having been stolen but neither division was aware of the theft. Preliminary enquiry held by the Chief Engineer revealed (July 1979) that the theft had been facilitated by lack of co-ordination between the Constru-

tion Division (Rural Electrification Construction Division, Batote) and the Maintenance Division concerned (Udhampur Electric Maintenance Division). A complaint was lodged with the police in August 1979 and was reported to be still under investigation by the Police (November 1979).

4.1.7. *Summing up.*—(i) Power generation in Kashmir region during 1975-76 to 1978-79 was only 35.39 to 51.41 per cent and in Jammu region 14.39 to 19.25 per cent of the installed capacity. The low generation was attributed to less discharge of water in rivers in winter and break-down of machines on account of aging.

(ii) In Kashmir region only 69 to 75 per cent of the discharge at the head-works was available at the forebay and even the available discharge at the forebay was not being fully utilised for generation.

(iii) Transmission and distribution losses in Kashmir during the years 1975-76 to 1978-79 ranged between 40.87 and 56.77 per cent while those in Jammu region between 26.8 and 61.67 per cent as compared to the all India average of 19.26 per cent (1977-78). While this was mainly due to no-metering of sub-stations and consumer installations, there was also no system of analysing the transmission and distribution losses.

(iv) Working expenses for the years 1975-76 to 1978-79 far exceeded the revenue realised from the sale of power. While the per unit cost of energy sold in 1978-79 was 53 paise, the average per unit revenue was 19.7 paise. No analysis of the high working expenses had been undertaken by the department.

(v) Heavy arrears of revenue to the extent of Rs. 1,65.96 lakhs were outstanding at the end of 1978-79, the percentage of arrears to the total revenue for the year being as much as 22.

The matters mentioned above were reported to the Government in February 1980 ; reply is awaited (August 1980).

Public Health Engineering Department

4.2. *Augmentation and improvement of water supply to Jammu City.*—In order to meet the growing requirements of drinking water for Jammu city, a scheme for augmentation and improvement of water supply was administratively approved by the Government in April 1976 at an estimated cost of Rs. 14.06 crores and technically sanctioned in October 1977. Meanwhile, in anticipation of administrative approval and technical sanction and in contravention of the rules on the subject, work on the scheme was started in 1974-75 and expenditure of Rs. 1.53 crores had been incurred on it upto the end of March 1979.

2. The scheme included construction of a new filtration plant alongwith other ancillary works (Rs. 1 crore), utilising also the existing water treatment plant on Tawi river at Dauntholy, Jammu. The decision to have the new plant at the old site was stated to be based on a preliminary investigation carried out at the time of sending proposals for administrative approval. In March 1977, the Department felt that due to the erratic behaviour of the Tawi and the adverse conditions caused due to change of course, it was not an ideal source of supply of raw water. (Nevertheless, as stated earlier the original scheme was technically sanctioned in October 1977).]

In April 1977 the National Environmental Engineering Research Institute, Nagpur (Neeri) was consulted and after a detailed study it recommended (April 1978) that because of its old age and its poor structural condition, the existing water treatment plant be retired as it was not capable of producing filtered water of acceptable quality and also because it could not be run economically due to poor efficiency of pumping sets and considerable leakage of water. The setting up of a new water treatment plant about 5 kilometres upstream of the present plant was also recommended.

3. Based on the recommendations of Neeri, a new site (upstream of the existing site) was selected (October 1977) for constructing a new filtration plant complete with other allied works. Construction of the intake works and filtration plant at the new site [at an estimated cost of Rs. 36.50 lakhs] was taken up in March 1979 [and was reported to be in progress (February 1980)]. Meanwhile upto March 1979 Rs. 12.48 lakhs had been spent at the old site mainly on construction of an RCC filtration tank and sump tank (estimated cost : Rs. 2.22 lakhs), construction of a service road to the old site (estimated cost : Rs. 5.82 lakhs), construction of a pump room (estimated cost : Rs. 1.76 lakhs), laying of independent power line and feeder to the old site (Rs. 2.11 lakhs) and shifting of old pipes and laying new ones (Rs. 1.02 lakhs). In view of the shifting of the site for the plant, these items of work will not serve the purpose intended. The Department stated (November 1979) that the pump room had been converted into office room but now the other items of work were proposed to be utilised was not indicated.

The circumstances under which work on the new filtration plant at the old site was taken up on the basis only of a preliminary investigation and without taking into account the age and structural condition of the existing water treatment plant and efficiency of the existing pumping sets were not stated.

The matter was reported to the Government in December 1979 ; reply is awaited (August 1980).

Other topics of interest

4.3. *Abandonment of works by contractors resulting in extra expenditure.*—Two instances where the contractors entrusted with construction works left them incomplete and consequently the Department had to get them completed departmentally by engaging fresh agencies at increased costs are mentioned below :—

Name of the work	Estimated cost (Rs. in lakhs) When work started	Time given for completion	Value of work done by contractor at the time of abandoning work (Rs. in lakhs) When work abandoned	Extra liability in getting balance work completed (Rs. in lakhs) When completed
1. Construction of exploratory drift at Rajarwari	2.75 (Original) 8.40 (Revised)	3 months	0.52	0.70
	August 1973 (at original site) October 1973 (at revised site)		April 1974	June 1979
2. Construction of storage tank at Reshinar	1.70 March 1973	5 months	0.64 July 1974	0.63 July 1977

In both the cases, notices had been issued to the contractors to complete the work failing which it was to be got completed at their risk and cost.

While in the first case, no recovery had so far been effected, in the second case Rs. 0.21 lakh lying in the deposit account of the contractor was adjusted towards recovery of extra cost.

Action taken to recover the amounts due from the contractors was not stated.

The matters mentioned above were reported to the Government in November 1979 ; reply is awaited (August 1980).

CHAPTER V

Stores and Stock

5.1. (a). *Synopsis of important stores accounts.*—A synopsis of important stores accounts (other than those of Government commercial and quasi-commercial undertakings) is given below :—

Department	Stores	Opening balance on 1st April 1978	Receipts during 1978-79	Issues during 1978-79	Closing balance on 31st March 1979

<i>(Rupees in lakhs)</i>					
Roads and Buildings	Building materials, timber, metal, fuel, painters' stores, etc.	1,16.94	6,03.20	5,65.22	1,54.92
Roads and Buildings, Leh (Development of Ladakh)	-do-	21.24	67.93	76.10	13.07
Estates Organisation	Building materials, furniture, etc.	1.96	6.85	6.71	2.10
Public Health Engineering	Pipes and other sanitary fittings, building materials, etc.	74.62	8,47.81	8,01.46	1,20.97
Irrigation (including Sonawari block)	Building materials, timber, metal, fuel, painters' stores, etc.	82.40	2,76.85	3,05.10	54.15
Mechanical and Stores	-do-	1,19.55	9,85.66	7,81.84	3,23.37

Department	Stores	Opening balance on 1st April 1978	Receipts during 1978-79	Issues during 1978-79	Closing balance on 31st March 1979
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(Rupees in lakhs)

Power Development	Transformers, meters, conductors and other consumable stores	2,90.11	11,53.24	11,07.57	3,35.78
Combined financial organisation for major hydel projects and flood control	Building materials, timber, fuel, metal, painters' stores, etc.	5,25.92	3,13.06	2,58.26	5,80.72

(b) *Non-receipt of stores accounts.*—The departmental officers maintaining stores accounts are required to furnish to Audit each year consolidated stores accounts for the financial year immediately preceding. The accounts of the following departments for the years noted against them have not been received/admitted finally (August 1980) in the Audit Office :—

Serial number	Department	Stores	Years for which accounts have not been received	Years for which accounts have not been admitted finally
1.	Animal Husbandry	Sera, instruments, vaccine, etc.	..	1964-65 to 1977-78 +
2.	Co-operative	Ammonium sulphate and other chemical fertilizers	1971-72 to 1975-76	1969-70 and 1970-71 *

+ Stores accounts for 1964-65 to 1974-75 were received in December 1975 and were returned to the Department in January 1976 for revision and consolidation for the Department as a whole but the accounts for 1964-65 to 1970-71 had not been received back. Consolidated accounts from 1971-72 to 1977-78 have been received but could not be examined for want of accounts for earlier years (August 1980).

* Stores accounts for 1969-70 and 1970-71 received in May 1972 were returned in June 1972, as these had not been prepared correctly. These accounts are still awaited (August 1980).

Serial number	Department	Stores	Years for which accounts have not been received	Years for which accounts have not been admitted finally
3.	Police	Arms, ammunition, uniforms, equipment, etc.	1974-75 to 1975-76	1964-65 to 1973-74 **
4.	Medical	Drugs, chemicals, hospital accessories, equipment, etc.	1975-76	1966-67 to 1974-75++
5.	Medical Education	Drugs, chemicals, hospital accessories, equipment, etc.	..	1966-67 to 1975-76 @
6.	Excise and Taxation	(i) Country liquor (ii) Empty bottles, pilfer proof caps and opium (iii) Pulp corks	..	1967-68 to 1977-78 @@
7.	Forest	Departmental timber, minor forest produce, etc.	1961-62 to 1975-76	..
8.	Stationery and Printing	Paper, stationery, uniform material and printing material	1969-70 to 1975-76	..

In the absence of stores accounts there is a risk of non-accountal and even misappropriation of stores articles going unnoticed.

** Observations on the stores accounts for 1964-65 to 1973-74 were communicated to the Department in January 1976. The revised accounts are awaited (August 1980).

++ Stores accounts received in September 1976 were returned to the Department in February 1977 for revision and are awaited (August 1980).

@ Stores accounts of Medical College, Srinagar for 1966-67 to 1975-76 received in December 1976 and January 1977 were returned with observations in February 1977. Similarly, stores accounts of Medical College, Jammu for the period 1973-74 to 1975-76 were received in November 1976 and returned in March 1977 for revision and consolidation. The revised accounts are awaited (August 1980).

@@ Stores accounts for the years 1967-68 to 1977-78 have been received in December 1978 and these are under examination (August 1980).

Power Development Department

5.2. *Disposal of surplus copper wire.*—For sale of 367 tonnes of surplus copper wire, tenders (valid for 45 days from the date of opening, viz., 1st March 1974) were invited by the Chief Engineer, Electricity Maintenance and Rural Electrification Department, Srinagar. The highest offer was from firm 'A' of Rs. 31.15 per kg. On 23rd May 1974 the Department decided to defer the sale pending examination of the question whether the copper wire could be made available to small scale industrial units in the State instead of being sold outside the State and pending collection of information about the requirements of small scale industries, number of registered coppersmiths, etc. Results of the examination of the question/collection of information were not available on record.

Tenders were again invited by the Chief Engineer in January 1975 and the highest rates received were Rs. 25.81 and Rs. 25.91 per kg. for Kashmir and Jammu divisions respectively. The offers being low were rejected and fresh tenders invited in April 1975 when the highest rates received were Rs. 26.11 and Rs. 26.31 per kg. for Kashmir and Jammu divisions respectively. In August 1975, the Government set up a Committee with the Chief Engineer as the convener, with a view to arriving at the best deal after negotiations with various tenderers. The Committee met twice (24th September 1975 and 6th October 1975) but could not take a final decision within the validity period of the offers (31st October 1975).

Tenders were, therefore, again invited in August 1976 for the sale of 403 tonnes (quantity of surplus copper wire having increased in the meanwhile). After evaluation of the offers and holding negotiations with the tenderers, 4,23,659 kgs. of copper wire were offered to a firm 'E' of Chandigarh in March and July 1978 at the rate of Rs. 25.55 per kg., out of which 3,83,589 kgs. were lifted by the firm upto June 1979. Of the balance quantity, sale order for 8,230 kgs. was reportedly cancelled owing to the theft of 7,788 kgs.

The theft of 7,788 kgs. of copper wire (value : Rs. 1.99 lakhs at Rs. 25.55 per kg.) which occurred in the Sub-Divisional stores of Power Generation Division, Mohora (Kashmir) was reported to Police in April 1978 and 386 kgs. had been recovered till April 1980. Action taken to examine the failures on the part of the departmental officials which facilitated the theft were not indicated.

Thus, due to delay in taking a decision on the tender the Department, apart from keeping surplus copper valued at Rs. 98 lakhs in stock for about four years, also suffered a loss of Rs. 20.56 lakhs in the sale of 3.67 lakh kgs. of copper wire available for sale in March 1974) when computed with reference to the highest rate of Rs. 31.15 per kg. received from firm 'A' in March 1974.

The matter was reported to the Government in November 1979; reply is awaited (August 1980).

✓ 5.3. *Purchase of minimum-oil-circuit breakers.*—Four numbers of minimum-oil-circuit breakers costing Rs. 4.65 lakhs (F.O.R. factory), purchased from a Government of India Undertaking, for the 132-KV Chenani Sub-Station (now Grid Station), Udhampur in April 1972 were, instead of being transported to Udhampur directly, transported first to the stores of the consignee division, viz., the Plant-cum-Inspectorate (now Plant-cum-Metering and Testing) Division, Srinagar, and then brought back to Udhampur in February 1974, involving an avoidable additional expenditure of Rs. 0.44 lakh on transportation to Srinagar and back to Udhampur. Reasons for not transporting the circuit breakers directly to Udhampur were not on record.

As per terms of the contract, the circuit breakers were to be inspected at the works of the supplier before despatch. There was nothing on record to show that this had been done. Physical verification on receipt at Srinagar revealed shortages/damages valued at Rs. 0.11 lakh, which had not been made good by the supplier though pointed out in August 1972. Dues of the supplier amounting to Rs. 0.90 lakh towards further supplies made in February and April 1973 were, however, reported to be available with the Department but no adjustment had been made. The breakers had been insured for transit upto the consignee destination (i.e. Srinagar) and a claim preferred with the insurer was reported to be pending (April 1980).

Out of the four circuit breakers, only one was installed and commissioned in March 1974 but it tripped off in January 1977. It had not been recommissioned yet (May 1980) though most of the spare parts suggested by the supplier were reported to have been procured. The other three circuit breakers were on inspection (February 1977) by the supplier found damaged. One of these was got repaired at a cost of Rs. 0.19 lakh and installed in March 1979 but had not been commissioned yet (May 1980), the reasons for which were not stated. Spares worth Rs. 0.32 lakh for the other two circuit breakers were purchased on the recommendation of the supplier but further spares worth Rs. 0.06 lakh were still (May 1980) awaited from him; the breakers have not yet been put to any use (May 1980).

In reply to an audit enquiry, the Executive Engineer, Grid Station No. 11, Udhampur stated (September 1977) that the three breakers were damaged either in transit or in the stores of the consignee division. The circumstances under which the circuit breakers were not inspected prior to despatch by the supplier and on receipt at Udhampur stores and action taken to fix responsibility for shortages/damages had not been stated. No action had also been taken to investigate their continued non-use for over seven years as also

the avoidable extra expenditure in their transportation to Srinagar and back.

The matter was reported to the Government in October 1979 ; reply is awaited (August 1980).

5.4. *Purchase of substandard stores.*—Two instances of purchase of substandard stores which came to notice in test check are mentioned below :—

Divisions	Nature of stores	When purchased	Price (Rupees in lakhs)	Nature of defect in stores purchased
(i) Rural Electrification and Construction Divisions, Jammu, Rajouri and Batote	Pre-stressed cement concrete poles (8.25 and 7.50 metres long) —31,855 in number	March 1974 to November 1974	52.71 (exclusive of freight and other charges)	Did not confirm to I.S.I. specification stipulated in the supply order

The consignments of poles, required to conform to I.S.I. specification No. 1678-1960, were received from 2 firms (at Mubarakpur and Chandigarh) after predespatch inspections by the departmental representatives who had certified (March 1974 and November 1974) the poles as satisfying all the tests according to I.S.I. specifications. Payments were made to the firm in full by the Divisions concerned. Subsequently, the Executive Engineer, Rural Electrification and Construction Division, Rajouri in his inspection note (March 1975) inter alia reported to the Superintending Engineer and Chief Engineer that (i) daily tests on concrete used on poles as required under I.S.I. specifications had not been carried out by the manufacturer and as such results of compression test were not available, (ii) curing had not been done strictly in accordance with I.S.I. standards and (iii) earthing which was required to be provided as per specifications had not been provided.

The poles were erected without providing earthing, according to the Chief Engineer (December 1975) as per previous practice. The Chief Engineer recommended condonation of the requirement of earthing but the Purchase Committee recommended recovery of Rs. 7 per pole for not conforming to the specifications provided in the supply orders. Orders were, thereafter, issued (January 1978) to the consignee divisions to effect the recovery from the balance payments, if any, due to the two firms. The amount recoverable worked out to Rs. 2.23 lakhs (Rs. 1.67 lakhs from the Chandigarh firm and

Rs. 0.56 lakh from Mubarakpur firm), which, however, had not been recovered so far (April 1980). Meanwhile, the Chandigarh firm was reported to have gone into liquidation and dues amounting to Rs. 1.10 lakhs of its sister concern had been frozen by the Rural Electrification Construction Division, Jammu. Security deposit of Rs. 0.79 lakh of the Chandigarh firm was also lying with the Department but it had not been adjusted so far (April 1980). There were no dues of the Mubarakpur firm with the Department.

Action taken to investigate the circumstances under which the poles were certified as satisfying all tests according to I.S.I. standards when these had not actually been satisfied and to recover/adjust the dues was not indicated.

The matter was reported to the Government in December 1979 ; reply is awaited (August 1980).

Divisions	Nature of stores	When pur- chased	Price (Rupees in lakhs)	Nature of defect in stores purchased
(ii) Rural Elec- trification and Cons- truction Division, Jammu	20 tonnes each of 4 mm hot dip gal- vanised G.I. wire (light coating) and 7/2.2mm hot dip galvanised guy wire (heavy coat- ing)	October 1977	1.37	Zinc coating not satisfac- tory due to its not being uni- form in the first case and being below standard in the second case.

The wires were received from the supplier after pre-inspection by a departmental representative at the suppliers' works as stipulated in the supply order. The supplier was paid 95 per cent payment amounting to Rs. 1.26 lakhs in October 1977. Subsequent test check (October and November 1977) of samples at the Regional Research Laboratory showed that the zinc coating was not as per specifica- tions. Further test of 10 more samples drawn in the presence of the suppliers' representative confirmed that the wire was not upto the prescribed specification.

The entire consignment of G.I. wire (value : Rs. 0.62) lakh and guy wire (value : Rs. 0.75 lakh) was lying unutilised with the Division. Further supplies from the firm were stopped by the Execu- tive Engineer in November 1977 and the firm asked (January 1978) to replace the material. Though the representative of the supplier had agreed to replace the material in four lots of ten tonnes each no replacement had been made so far (January 1980). A notice was

issued (June 1979) to the firm to replace the material but there was no response (March 1980).

In reply to audit observations, the Executive Engineer stated (July 1979) that the lot despatched by the supplier were other than those tested by the inspecting officers as was evidenced from the absence of markings in support of the tests carried out by the officers. The circumstances under which materials without test markings had been accepted and 95 per cent payment made had not, however, been investigated.

The matter was reported to the Government in September 1979 ; reply is awaited (August 1980).

5.5. *Excessive purchase of paint.*—Against an order for the supply of 22,000 litres of 'light admirally grey' paint (value : Rs. 2.09 lakhs) placed in March 1977 by the Superintending Engineer, Electric Purchase Circle, Jammu, 20,000 litres of paint were purchased during April 1977 to January 1978.

The purchase had been made, not after ascertaining the actual requirements from the user divisions but by repeating the estimated requirements of 1975-76 subject to marginal adjustments. Further, the purchase committee had recommended purchase of 4,000 litres only but the Chief Engineer had ordered the demand to be kept at 20,000 litres.

Upto March 1979 only 5,180 litres had been consumed and the balance quantity of 14, 820 litres (value: Rs. 1.41 lakhs) was lying unutilised including 6,806 litres lying in Central Stores which had not even been distributed amongst the user divisions. At the average rate of consumption of paint by user divisions during 1973-74 to 1978-79 the unutilised quantity would suffice the requirement of the Department for about 6 years.

The circumstances under which a large quantity of paint was purchased without reference to the immediate actual requirements had not been investigated. The Department also did not state the condition of the paint and how the same was proposed to be used before it dried up.

The matter was reported to the Government in August 1979; reply is awaited (August 1980).

Public Health Engineering Department

5.6. *Outstanding claims for shortages/damages of material in transit.*—In the following cases claims for shortages/damages

of material in transit were outstanding against the Railways/insurers/suppliers for long periods:—

Division	Nature of material damaged/short received	Claim (Rupees in lakhs)	Against whom pending	Period to which the claim pertains
(i) Public Health Engineering Division, Baramulla	Steel pipes	0.70	Railways	Materials received short in January and April 1977
(ii) Public Health Engineering Division, Baramulla	Pipes	0.69	Insurer	October 1973 to January 1975
	-do	0.55	-do-	August 1977 to November 1977
(iii) Public Health Engineering Division, Bijbehara	Pipes	2.76	Insurers	May 1974 to October 1976

Seven claims totalling Rs. 2.76 lakhs in respect of pipes damaged in respect of consignments despatched between May 1974 and October 1976 were pending. Out of these, four claims for Rs. 1.25 lakhs had been assessed by the surveyor of the insurer for Rs. 0.69 lakhs, the difference being attributed to salvage value of the damaged pipes. The assessment had not been accepted by the Department but further action taken was not intimated. In the remaining 3 cases

assessment of damages had not been done so far (April 1980) reasons for which were not stated.

The matters mentioned above were reported to the Government in February 1979 and again in December 1979; reply is awaited except in the second case where the Government stated that instructions had been issued for vigorous pursuance of the cases.

Other topics of interest

5.7. Shortages of stores

Division	Nature of materials found short	Value (Rupees in lakhs)	When shortage noticed
(i) Gulmarg Project Organisation, Tangmarg	Divisional stores	12.66	At the time of handing over charge of stores in January 1972, April 1975 and April 1978 by the storekeepers.

The charge of the stores was held by 3 persons—'A' from September 1966 to January 1972, 'B' from January 1972 to March 1975 and again from April 1978 to March 1979 and 'C' from April 1975 to March 1978. No physical verification of stores had been conducted from September 1966 to January 1972. Physical verification of stores at the time of handing over and taking over of charges (January 1972, March 1975 and March 1978) showed shortages valued at Rs. 12.66 lakhs ('B'—Rs. 1.87 lakhs, 'C'—Rs. 5.48 lakhs and 'B'—Rs. 5.31 lakhs). Besides, shortages relating to 1977-78 had not been worked out as the stores ledgers were incomplete and reconciliation between the books of the storekeeper and the divisional office had not been conducted. The Chief Executive Officer stated (September 1979) that action towards recovery of shortages would be taken on receipt of explanations of the storekeepers. Security deposits of Rs. 650, Rs. 515 and Rs. 150 only had been obtained from 'A', 'B' and 'C' respectively though under the rules cash security of Rs. 2,000 and personal surety of Rs. 10,000 were required to be obtained.

Action taken to investigate the shortages was not stated.

(ii) Public Health Engineering Division, Sopore	Pipes, etc.	0.17	April-May 1977
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An Assistant Engineer deputed alongwith the storekeeper to Jammu to receive stores viz., pipes, etc., and arrange their despatch to the divisional stores at Hajin returned to Sopore after endorsing the Railway receipts in favour of the storekeeper. An amount of Rs. 1.99 lakhs had also been given (March and April 1979) to the storekeeper for meeting incidental and transport charges though no security had been obtained from him on appointment as storekeeper as required under the rules.

The Assistant Engineer stated (May 1979) that of the pipes released from Jammu rail head, pipes valuing Rs. 0.38 lakh had been short despatched to destinations but that subsequent physical verification had showed shortage of pipes valuing Rs. 0.17 lakh after taking into account material made good by the storekeeper. Out of Rs. 1.99 lakhs advanced to the storekeeper only Rs. 1.46 lakhs had been adjusted and accounts for the balance were stated to be under adjustment.

The storekeeper was placed under suspension in June 1979 and the case was stated to be under investigation by the Police.

Action taken to investigate the circumstances under which the receipt of delivery of pipes and their transportation and the large amount of Rs. 1.99 lakhs were entrusted to the storekeeper from whom no security had been obtained were not stated.

The matters mentioned above were reported to the Government in December/October 1979 ; reply is awaited (August 1980).

CHAPTER VI

Revenue Receipts

Sales Tax

6.1. *Evasion of tax*

The instructions issued by the Excise and Taxation Commissioner in February 1973 *inter alia* provide that while assessing a dealer's liability to tax during a particular year, each assessing authority shall, besides examining the file containing way bills pertaining to him, also consult dealers' ledger maintained in his circle so as to ensure that all the bills entered in the register are actually placed in the file and brought to his notice. Six cases in which the assessing authorities finalised assessments without complying with this requirement resulting in short demand of Rs. 44, 551 including penalty are given in the following paragraphs :—

1. In the course of audit of a Sales Tax Circle (Srinagar) (1976-77 August 1978 and September 1979) cross check of the bills of lading with the trading account of five dealers disclosed that purchases of taxable goods worth Rs. 2,23,920 made by them had not been disclosed in their trading account for the years 1971-72 to 1973-74 and 1975-76 and 1976-77. The assessing authority accepted the figures furnished by these dealers in the trading accounts and completed the assessments without checking the purchases with the bills of lading. Consequently sales turnover of Rs. 2,87,409 inclusive of declared freight and profit element had escaped assessment resulting in under-assessment of tax of Rs. 27,258.

Under the Jammu and Kashmir General Sales Tax Act, 1962, the dealers were liable to pay a penalty not exceeding double the amount of tax for concealment of their turnover.

When this was pointed out by Audit, the department reassessed the turnover and raised (July 1978, February-September 1979) additional demand of Rs. 32,058 including penalty of Rs. 4,800 out of which an amount of Rs. 31,728 had been recovered till January 1980. Particulars of recovery of the balance amount are awaited (April 1980).

In the case of one of these dealers it was also noticed that the figure of Rs. 48,000 shown as paid towards tax in the consolidated return for the year 1976-77 filed by the dealer was accepted by the assessing authority without verification of actual payment which amounted to Rs. 44,000 only. This also resulted in a fording excess

credit of Rs. 4,000 to the dealer. On this being pointed out, the department raised a demand (November 1979) for Rs. 4,000 which was recovered in November 1979.

2. In another circle ('D' Circle, Jammu), it was noticed (July 1979) that statement of purchases of a dealer disclosed inter-State purchases of Rs. 8,30,320 during the accounting year 1974-75. However, the dealer returned a total purchase of Rs. 7,34,320 only which was also shown by him in the Trading Account. The assessing authority accepted the purchase as returned by the dealer without cross checking the same with the statement of purchases and concluded the assessment in 1978-79. The short account of purchases worth Rs. 96,000 escaped notice of the assessing authority which resulted in short realisation of sales tax of Rs. 12,493.

On this being pointed out in audit (August 1979), the assessing authority stated (November 1979) that additional demand had been raised. Particulars of recovery are awaited (March 1980).

The matter was reported to Government in September 1979 ; reply is awaited (August 1980).

6.2. *Non-recovery of interest and penalty for belated payments of tax.*

Under the Jammu and Kashmir Motor Spirit and Diesel Oil (Taxation of Sales) Act, 2005(S), as amended by Amendment Act XVII of 1978, if any tax or any other amount payable under this Act is not paid within the prescribed period, the defaulter shall pay, in addition to such tax or such other amount by way of interest a sum equal to 2 per cent thereof for each month of default or part thereof. The Act also provides that the Petrol Taxation Officer shall impose by way of penalty a sum not exceeding the amount of tax payable but not less than 20 per cent of such tax provided that no such penalty shall be imposed unless the person liable to pay it, is given an opportunity of being heard. Further, if the person in default proves to the satisfaction of the Petrol Taxation Officer that he was prevented by sufficient cause from paying the tax in time, the Petrol Taxation Officer may not impose the penalty.

In the course of audit of the revenue and refund accounts of Petrol Taxation Officer, Jammu (August 1979) for 1978-79 it was noticed that neither interest of Rs. 40,468 due from 32 dealers who had not paid the tax within the prescribed period was demanded/ recovered nor proceedings for imposition of penalty in respect of these dealers were initiated. The penalty calculated at the minimum rate of 20 per cent of the tax due works out to Rs. 3,91,062.

On this being pointed out, the Petrol Taxation Officer, Jammu, intimated (August 1979) that the dealers were being asked to de-

posit the amount of interest. It was subsequently (December 1979) reported by him that a sum of Rs. 1,091 had been recovered.

Information regarding action taken to levy penalty and recovery of interest in the remaining cases taken by the department is awaited (March 1980).

The matter was referred to Government in December 1979 ; their reply is awaited (August 1980).

6.3. *Under-assessment of sales tax*

Under the Jammu and Kashmir General Sales Tax Act, 1962, the rate of tax on bricks was 7 per cent upto 30th September 1973 and 3 per cent thereafter. The rate of tax was again raised to 5 per cent from 1st November 1974.

In the course of audit of the assessment records of a Sales Tax Circle (Srinagar), it was noticed (October 1978) that in one case, turnover of bricks amounting to Rs. 5,22,819 for the year 1973-74 was assessed to tax at a uniform rate of 3 per cent resulting in short assessment of tax amounting to Rs. 10,456 at the differential rate of 4 per cent on the turnover pertaining to the period from April 1973 to September 1973. There was also mistake in computation of tax which resulted in a further short demand of Rs. 40,000.

When this was pointed out in audit (October 1978), the department stated that the assessment was revised raising additional demand of Rs. 50,456 out of which a sum of Rs. 10,456 was realised in May 1979. Report regarding recovery of balance of Rs. 40,000 is awaited (March 1980).

The matter was reported to Government in November 1979 ; reply is awaited (August 1980).

6.4. *Under-charging of sales tax from the Government departments registered as dealers*

Under the Jammu and Kashmir General Sales Tax Act, 1962, concessional rate of sales tax is chargeable on goods sold to State or Central Government departments not being registered dealers, on furnishing the prescribed certificate.

During the course of local audit of Sales Tax 'A' Circle, Jammu, it was noticed (July 1979) that concessional rate of sales tax was charged from two dealers in respect of goods sold by them to the Government departments/undertakings which are registered as dealers with the department. This resulted in under-charge of tax by Rs. 28,965.

On this being pointed out in audit the Excise and Taxation Officer stated (August 1979) that the notices had been issued and the cases were under process/examination.

The matter was reported to Government in September 1979 ; reply is awaited (August 1980).

6.5. *Evasion of tax and incorrect computation of tax*

In the course of audit of the assessment records of two Sales Tax Circles (Srinagar), the following irregularities were noticed (July — September 1978) in the returns furnished by six dealers, for the years 1973-74 (in respect of one dealer), 1975-76 (in respect of four dealers) and 1974-75 to 1976-77 (in respect of one dealer).

(i)	Purchases made by assesseees, but not accounted for in the statement of purchases	Rs.	1,11,336
(ii)	Incorrect application of rate of tax on turnover	Rs.	4,42,641
(iii)	Misuse of C-forms (C-forms issued for woollen yarn and stationery were utilised for purchase of silk yarn, mosquito nets and plastic goods)	Rs.	60,317
(iv)	Sales made to Government departments were shown as taxable at concessional rate though not supported by prescribed certificates duly signed by the competent authority	Rs.	3,893
(v)	Element of freight has not been accounted for	Rs.	9,317
	Total	Rs.	6,27,504

However, their returns were accepted by the assessing authorities without adequate scrutiny. This resulted in under-assessment of tax of Rs. 15,623.

Under the Jammu and Kashmir General Sales Tax Act, 1962, the dealers were also liable to pay a penalty not exceeding double the amount of tax for the concealment of turnover.

When this was pointed out in audit (July-September 1978), the department rectified the mistakes and collected additional demand of Rs. 18,373 including penalty of Rs. 2,750 (September-October).

ber 1978 and June 1979). In one case penalty for concealment of turnover was not imposed.

The matter was reported to Government in October-November 1979 and January 1980) ; reply is awaited (August 1980).

6.6. *Short recovery of sales tax*

Pursuant to the Notification issued by Government in November 1974, sales tax at one *per cent* of the turnover became payable under the Central Sales Tax Act, 1956, on the sale of timber by any dealer, having his place of business in Jammu and Kashmir State, to any dealer, having his place of business in any other State.

In the course of audit of the office of the Assessing Authority, Survey Circle, Jammu, (September 1978 and September 1979) it was noticed that tax was levied at one *per cent* on sales of Rs. 8,71,087 made by seven dealers direct to consumers, who were not dealers, outside the State. Sales tax on this turnover was thus chargeable at three *per cent* under the Central Sales Tax Act instead of one *per cent*. This resulted in short levy of sales tax of Rs. 17,422 at the differential rate of two *per cent*.

On this being pointed out, the Sales Tax Commissioner admitted (November 1979/January 1980) that the tax was leviable at three *per cent* and stated that Assessing Authority had been directed to take further action in the matter.

The Government to whom the matter was reported in October-December 1979 and March 1980, issued a notification in April 1980 *inter alia* providing retrospectively sales tax at uniform rate of one *per cent* during November 1974 to March 1979 irrespective of whether the inter-State sales of timber were made to dealers or consumers.

6.7. *Under assessment due to acceptance of invalid/defective certificates*

Under the Jammu and Kashmir General Sales Tax Act, 1962, the rate of tax on motor tyres, tubes and spare parts was 10 *per cent* upto 31st October 1974 and 12 *per cent* thereafter. Goods attracting tax at more than 2 *per cent*, when sold to State or Central Government departments, were, however, liable to sales tax at 3 *per cent* upto 31st October 1974. The concessional rate of tax was withdrawn from 1st November 1974 but was again allowed from 28th August 1975 when the concessional rate of tax was fixed at 4 *per cent*.

In the course of audit of the assessment records of a Sales Tax Circle (Srinagar), it was noticed (October 1979) that a dealer in motor tyres, spare parts of motor vehicles, etc., had disclosed in his returns for the years 1974-75 and 1975-76 sales of Rs. 88,204 and Rs. 62,976,

respectively, as having been made to Government departments at concessional rate of tax and produced the prescribed certificates in support of these sales. However, on perusal of these certificates, it was seen that there were many overwritings, cuttings and interpolation of figures. Some certificates related to the period when no concessional sale was permissible. On cross verification of replies received from the department to whom the sales were reported to have been made by the dealer, it was found that departmental authorities had not only denied the purchases as having been made by them but also reported that no payments for the said sales had been made by them. While one of the certificates was signed by an officer not competent to issue the same, another certificate contained the signature of an officer, who had already been transferred from that office. In some cases after the sales had been made, the date of sale and the amount of the sale had been changed. In view of this, the certificates produced by the dealer appeared to be fake and fictitious and the dealer was not, therefore, eligible for concessional rate of tax.

The assessing authority had, however, completed the assessments on the basis of the returns filed by the dealer, accepting these certificates without examining their genuineness. As the certificates could not be relied upon, turnover of Rs. 50,600 and Rs. 1,00,580 was liable to tax at the normal rate of 10 per cent and 12 per cent respectively. This resulted in under-assessment of tax of Rs. 12,109

When this was pointed out in audit (October 1979), the department raised (October 1979) additional demands of Rs. 12,070 and Rs. 10,028 including penalty of Rs. 5,000 each for the years 1974-75 and 1975-76 and collected the same in April and May 1980 respectively.

The matter was reported to Government in November 1979 ; reply is awaited (August 1980).

6.8. *Under-assessment due to incorrect application of rate of tax*

Under the Jammu and Kashmir General Sales Tax Act, 1962, motor vehicles including motor cars, taxi cars and spare parts were liable to sales tax at 12 per cent from 1st November 1974 to 17th May 1976.

In the course of audit of the assessment records of a Sales Tax Circle (Srinagar) it was noticed (August 1979) that the turnover of the dealer of motor cars and spares, amounting to Rs. 11,28,21 pertaining to the period November 1974 to March 1975 was assessed to 10 per cent instead of 12 per cent resulting in under assessment of tax of Rs. 22, 564 at the differential rate and surcharge of Rs.1,128 at 5 per cent.

When this was pointed out in audit (August 1979), the department rectified the mistakes and raised additional demand of Rs. 23,692 (September 1979). Particulars of recovery are awaited (March 1980).

The matter was reported to Government in November 1979 ; final reply is awaited (August 1980).

Stamp Duties and Registration Fees

6.9. *Short levy of stamp duty on lease deeds*

Under the Jammu and Kashmir Stamp Act, Samvat 1977 (1920 AD), when lease is granted for a premium without reserving any rent, stamp duty is chargeable as a conveyance for a consideration equal to the amount of such premium as set forth in the lease. In cases where lease is granted for a premium in addition to the rent reserved, stamp duty is chargeable as a conveyance for a consideration equal to the amount of premium in addition to the duty which would have been payable on such lease if no premium had been paid.

It was noticed in audit (April 1979) of the records of the District and Sub-Registrar, Jammu, that in 12 cases in which lease was granted for a premium in addition to the rent reserved and in 2 cases in which the lease was granted for premium without reserving any rent, stamp duty as prescribed in the Schedule to the Act was not charged resulting in short levy of stamp duty of Rs. 17,560.

The District Registrar, Jammu, intimated (July 1979) that recovery of Rs. 2,830 had been made in two cases and rest of the short recovery was being made good.

The matter was reported to Government in June 1979; reply is awaited (August 1980).

6.10. *Short realisation of stamp duty*

Under the Jammu and Kashmir Stamp Act, Samvat 1977 (1920 AD), 'lease' *inter alia* includes any instrument by which tolls of any description are let.

During the course of local audit of Sub-Registry, Ramban (May 1979) it was noticed that lease deeds under which the collection of 'Dharat'* by the Town Area Committee, Ramban was let out annually to private individuals for the years 1975-76 to 1979-80 were

* *Dharat* is a modified Octroi levied under Town Area Act on animals or goods or both brought within town limits for consumption or for sale or for use therein.

misclassified and registered as agreements resulting in short levy of stamp duty of Rs. 8,644.

On this being pointed out, the Sub-Registrar stated that the recovery would be made as per rules.

The matter was reported to Government in July 1979 ; reply is awaited (August 1980).

Toll

6.11. *Loss of revenue due to grant of irregular exemptions from toll tax*

By a notification issued in July 1977, Government exempted, among other things, raw material brought into the State for the purpose of manufacturing and finished products marketed outside the State by large and medium scale industries from the payment of additional toll leviable under the provisions of Toll Act, Samvat, 1996 for a total period of 10 years from the date of commencement of production by them subject to the fulfilment of conditions specified therein. Two instances in which exemptions were allowed in violation of the provisions of the said notification are mentioned below.

(a) In the course of audit (October 1979) of revenue and refund accounts of Excise and Taxation Officer, Toll Post, Lakhanpur for the year 1978-79, it was noticed that empty cartons and other packing material brought into the State by a firm were also exempted from payment of additional toll. This resulted in the grant of irregular exemptions of Rs. 10,472.

On this being pointed out, the Excise and Taxation Officer stated (October 1979) that the exemption for the packing material has been stopped ; recovery in the instant case has been effected in April 1980.

The matter was reported to Government in December 1979 ; their reply is awaited (August 1980).

(b) In the course of audit (October 1979) of the revenue and refund accounts of the Office of the Excise and Taxation Officer, Lakhanpur, for the year 1978-79, it was noticed that a firm had started the production of I.M.F.L. in June 1961 and of beer in November 1967. The period of ten years during which the exemption was available ended in May 1971 and October 1977. The firm was not therefore, eligible for exemption during the year 1978-79. However, the firm was allowed exemption from the levy of additional toll tax beyond the above mentioned period.

The irregular exemption has resulted in the non-levy of additional toll tax of Rs. 34,509.

The matter was referred to Government in December 1979 ; reply is awaited (August 1980).

(c) Under the orders issued in August 1977, Government exempted raw material brought into the State by small scale units registered with and notified by the Directorate of Industries and Commerce as well as finished goods manufactured by the said units when sent outside the State from additional toll leviable on their transport at various toll stations.

In the course of audit of revenue and refund accounts for 1977-78 of Excise and Taxation Officer, Toll Post, Railway Station, Jammu, it was noticed (January 1979) that 'timber' and planks' sent outside the State though not falling under the category of 'finished goods' were also exempted from payment of additional toll. This has resulted in irregular exemption from payment of additional toll of Rs. 16,873.

On this being pointed out in audit the Excise and Taxation Officer stated (January 1979) that the demand notices to the concerned parties have been issued. Particulars of recovery are awaited (March 1980).

The matter was reported to Government in August 1979 ; reply is awaited (August 1980).

Revenue Department

6.12. *Grant of irregular exemption from payment of land revenue*

Under the Jammu and Kashmir Land Revenue Act, 1996 (1939 AD), as amended in 1967, a land holder is exempt from payment of land revenue where the amount of land revenue assessed on his holdings does not exceed nine rupees.

During local audit (December 1976) of revenue and refund accounts of Tehsildar, Ramnagar, exemptions from payment of land revenue were found to have been given even to those land holders where the amount of land revenue assessed on their holdings exceeded nine rupees. The Tehsildar was, therefore, advised to have the revenue records of all the villages reviewed to raise demand and recover land revenue from the land holders who had been given exemptions wrongly. The Tehsildar intimated (February 1979) that the records had been checked and as a result land revenue of Rs. 19,342 for the period from 1968-69 to 1976-77 had been recovered.

The matter was reported to Government in May 1979 ; reply is awaited (August 1980).

Agriculture Production Department

6.13. *Sale of fruit from the orchard attached to an Agriculture College*

According to the standing orders of the Government, auction of the orchards under the control of various Government departments is conducted annually by the Horticulture Department. The auction for the year 1975-76 was fixed on 28th, 29th and 30th of April 1975 at Lalmandi (Srinagar), but as the representative from the Agriculture College, Wadoora turned up with the requisite information only on 30th April 1975, the College orchard was put to auction on the last day when there was poor response. The Principal of the College was then advised by the auction committee to make his own arrangements for the auction. The auction was accordingly held on 29th May 1975 and 20th June 1975 but no bid was received on both these occasions. As ordered by Government on 18th July 1975, the Planning and Marketing Wing of the Directorate of Horticulture finally arranged disposal of the fruit through a local fruit growers' co-operative marketing and processing society and realised a sum of Rs. 992(net) only from the sale of fruits against the estimated income of Rs. 19,240.

As against the income of Rs. 992 only for 1975-76 the income from the orchard in other years when it was auctioned through the Horticulture Department was as under :—

Year	Rupees
1970-71	31,500
1971-72	35,200
1972-73	36,100
1973-74	38,000
1974-75	80,100
1976-77	57,500
1977-78	24,200

The low income was attributed (July 1976) by the Director of Horticulture Planning and Marketing to the belated transfer to them of the orchard when a major portion of the crop had already been damaged by the birds and inhabitants of the neighbouring area and had also been affected by disease. While confirming the Director's reply, Government stated (October 1978) that for market-

ing the fruits one of the officers of Horticulture Department and an official from the College were associated with the co-operative society. As against total sale proceeds of fruits amounting to Rs. 9,620, an expenditure of Rs. 8,628 was incurred on their sales leaving a meagre income of Rs. 992.

No enquiry into the matter was conducted by the college or by the Administrative Department.

The matter was again reported to Government in September 1979 ; final reply is awaited (August 1980).

CHAPTER VII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

SECTION A

General

7.1 This chapter deals with the results of audit of :—

- (i) Statutory Corporations,
- (ii) Government Companies, and
- (iii) Departmentally-managed Government commercial and quasi-commercial Undertakings.

SECTION B

Statutory Corporations

7.2. As on 31st March 1979 there were two statutory Corporations in the State, *viz.* Jammu and Kashmir State Financial Corporation and Jammu and Kashmir Road Transport Corporation. The summarised financial results of the Jammu and Kashmir State Financial Corporation for 1978-79 are given in Appendix V. The accounts of the Jammu and Kashmir Road Transport Corporation since inception (September 1976) are in arrears (December 1979).

Jammu and Kashmir Road Transport Corporation

7.3.1. *Introduction.*—The Jammu and Kashmir Road Transport Corporation was established on 1st September 1976 in terms of Section 3 of the Road Transport Corporations Act, 1950 (by taking over the existing Jammu and Kashmir Government Transport Undertaking) with a view to provide adequate, efficient, economical and co-ordinated system of road transport services in the State.

The activities of the erstwhile Undertaking were reviewed in paragraph 7.43 of the Audit Report for 1974-75 which was discussed by the Committee on Public Undertakings in February 1980. The present review covers the working of the Corporation with special reference to its passenger services.

The overall fleet strength of the Undertaking/Corporation,

from time to time was as under :—

At the close of the Year	Load carriers	Buses	Others	Total
1976-77	645	593	36	1,274
1977-78	621	649	35	1,305
1978-79	625	754	37	1,416

7.3.2. *Objectives.*—In pursuance of the main objectives of the setting up of the Corporation the State Government issued (April 1976) *inter alia*, the following directions to the State/Regional Transport Authority in respect of its road transport policy :

- (a) Future policy would be directed towards bringing about early and complete nationalisation, in a phased manner, of all passenger services in the State.
- (b) The Government Transport Undertaking should prepare a plan for the phased nationalisation of passenger services in the State, starting with the national highway.
- (c) Except for the mini buses operated by rehabilitated tongawallas in Srinagar city (interior routes) all urban transport for the cities of Srinagar and Jammu would function under the auspices of Government Transport Undertaking.

After the nationalisation in 1976 of the national highway routes of Pathankot-Jammu and Jammu-Srinagar no other route was nationalised by the Government, nor did the Corporation formulate any plans for the purpose. In August 1979, the Government modified its transport policy *inter alia* as under :—

(i) The ban imposed on the acquisition of stage carriage permits in the private sector was lifted. The permits were to be granted liberally except in the case of the national highway, inter-State operation, urban transport in Jammu and Srinagar cities and sightseeing in the Kashmir valley the operation of which was to remain exclusively with the Corporation.

(ii) There was to be no ban on operation by the Corporation, in competition with private operators, on all the open routes.

The rural services continue to be operated by the Corporation in competition with the private operators. As regards urban transport, while the Corporation is the exclusive operator of bus services in Jammu city, in Srinagar city the bulk of operations continue

to be provided by the private operators (April 1980). According to the Corporation's assessment (August 1977) 187 privately-owned buses (including 41 buses of the rehabilitated tongawallas) were operating on urban routes of Srinagar city as against 31 buses of the Corporation.

7.3.3. *Organisational set up.*—The members of the Corporation are appointed by the Government under Section 5 of the Road Transport Corporations Act, 1950. As on 31st March 1979, there were 8 official members including the Chairman (Minister for Transport) and Vice-Chairman (Deputy Minister for Transport).

The overall control and supervision vests in the Managing Director, who is the chief executive of the Corporation and is assisted by a Chief Accounts Officer appointed by the Government. The Chairman, Vice-Chairman and the Managing Director were delegated financial, administrative and operational powers (January 1977). No powers have, however, been delegated to other officials and they continue to exercise such powers as were exercised by them previously under Government rules applicable to Government departments.

The Corporation has 6 service offices and 8 depots for goods and passenger services, a central workshop for major overhauls and 5 regional workshops for routine repairs of the vehicles. There are 2 tyre retreading plants at Srinagar and Jammu. While the Load Section caters to carriage of goods, the Passenger Section deals with long-route, inter-State, rural, urban and sightseeing services. The area of operation of the Corporation has been divided into two administrative divisions, *viz.* Kashmir and Jammu.

7.3.4. Capital structure and working results

7.3.4.1. *Capital contribution.*—In terms of Section 23(i) of the Act, the capital of the Corporation is to be contributed by the Government of India and the State Government in such proportion as may be mutually agreed to. There has neither been any agreement for capital participation by the Government of India nor has any contribution been received so far (January 1980).

In September 1976 the State Government appointed a Committee for evaluation of the assets of the erstwhile Government Transport Undertaking taken over by the Corporation (1st September 1976). The Committee submitted its report in July 1977 and formal orders for the transfer of assets to the Corporation were issued by Government in July 1979. The value assigned to the assets was Rs. 1,09.43 lakhs more than their book value.

In terms of Section 23(i) of the Act, the State Government contributed Rs. 4,54.83 lakhs (being the net transfer value of the assets

of the erstwhile Government Transport Undertaking) towards the initial capital of the Corporation. As on 31st March 1979, the capital of the Corporation amounted to Rs. 7,05.79 lakhs (as against the authorised capital of Rs. 30.00 crores) contributed wholly by the State Government. Interest is payable on the capital contribution at 6.5 per cent per annum. The overdue interest payable by the Corporation to the Government, as on 31st March 1979, was Rs. 97.21 lakhs.

7.3.4.2. *Allocation of funds and utilisation.*—The table below indicates the allocation of Plan funds (Rs. 47.64 lakhs contributed during pre-Corporation period and Rs. 2,52.36 lakhs as capital contribution to Corporation) and their utilisation during three years upto 1978-79 :—

Purpose	1976-77		1977-78		1978-79	
	Alloca- tion	Utili- sation	Alloca- tion	Utili- sation	Alloca- tion	Utili- sation
(Rupees in lakhs)						
Acquisition of buses	43.00*	67.75*	38.00	..	..	..
Acquisition of trucks	30.00	20.44	24.00	..	..	..
	73.00	88.19	62.00	64.98**	71.00***	75.94**
Components for overaged vehicles	6.00	6.46	10.00	10.61	nil	nil
Workshops and buildings	15.10	9.33	21.00	13.90	33.00	16.47
Other expen- diture	0.90					

* For the entire year, including pre-Corporation period from April to August 1976.

** Amounts utilised for construction of bus/truck bodies on chassis except for Rs. 15.17 lakhs paid (1978-79) as down payment for purchase of chassis through Industrial Development Bank of India.

*** Amount provided as seed money for raising institutional finance for purchase of vehicles.

Purpose	1976-77		1977-78		1978-79	
	Allo- ca- tion	Utili- sation	Allo- ca- tion	Utili- sation	Allo- ca- tion	Utili- sation
	<i>(Rupees in lakhs)</i>					
Passenger amenities	N.A.	0.37	1.00	0.19	3.00	0.46
Training and re-organisation	N.A.	0.02	0.50	nil	1.00	0.10
Acquisition of inspection vehicles	N.A.	nil	0.50	0.60	2.00	0.72
Total	95.00	1,04.37	95.00	90.28	1,10.00 @	93.69

(N. A.—Not available).

As regards the capital expenditure of Rs. 17.07 lakhs on 'components for overaged vehicles' during 1976-77 and 1977-78, no records were maintained showing the particulars of the overaged vehicles and the components specifically utilised for enhancing their life.

It will be seen that against an allocation of Rs. 69.10 lakhs for workshops and buildings for the three years, the total expenditure amounted to Rs. 39.70 lakhs resulting in a shortfall of Rs. 29.40 lakhs. Further, against the allocation of Rs. 4.00 lakhs for passenger amenities during 1977-78 and 1978-79, the total expenditure was only Rs. 0.65 lakh resulting in a shortfall of Rs. 3.35 lakhs.

7.3.4.3. *Borrowings*.—(i) The borrowings of the Corporation from various sources and the amounts outstanding at the end of 1978-79 are indicated below :—

Source	Amount	Period	Rate of interest	Terms of repayment and remarks	Balance on 31st March 1979
<i>(Amount in lakhs of rupees)</i>					
State Government	18.00	1976-77	Not fixed	Terms not specified	18.00
	1.00	1976-77	Interest-free	Repayable in 4 annual instalments	1.00

@ Includes Rs. 15.00 lakhs received on 31st March 1979.

Source	Amount	Period	Rate of interest	Terms of repayment and remarks	Balance on 31st March 1979
Jammu and Kashmir Bank Ltd.	20.00	1976-77	15 per cent upto June 1977 and 12.50 per cent thereafter	Repayable in 58 monthly instalments but paid back fully in 1977-78.	...
	30.00	1976-77	-do-	Repayable in 58 monthly instalments	15.75
Cash credit	42.00	From September 1976	-do-	...	18.32
Deferred credits	1,71.22	April and June 1977	8.25 per cent for first 3 years and 7.75 per cent for next 2 years	Repayable in half-yearly instalments in 5 years	1,28.05
	2,45.42	1978-79	-do-	-do-	2,08.34

The Corporation had, upto 31st March 1979, paid Rs. 7.26 lakhs as interest on bank loans and Rs. 5.38 lakhs on cash credit.

The Corporation has since September 1976 been availing of cash credit facility with the Jammu and Kashmir Bank Limited (a State Government Undertaking) to meet its working capital requirements. The Management is, however, not preparing any periodical cash/fund flow projections to regulate its ways and means borrowings.

(ii) Apart from the demand loans of Rs. 50 lakhs obtained from the Jammu and Kashmir Bank Limited (1976-77), the Corporation secured financial assistance of Rs. 1,71.22 lakhs in 1977-78 (including interest : Rs. 40.22 lakhs) and of Rs. 2,53.77 lakhs in 1978-79 (including interest : Rs. 59.67 lakhs) from the Industrial Development Bank of India (I.D.B.I) under their bills rediscounting scheme for the purchase of new chassis. The following table indicates the projected requirements and actual utilisation of institutional finance from (IDBI) except for Rs. 50.00 lakhs drawn from

Jammu and Kashmir Bank Limited for the three years upto 1978-79 :—

Purpose	1976-77				1977-78				1978-79			
	Projected		Actual		Projected		Actual		Projected		Actual	
	Value	Num-ber	Value	Num-ber	Value	Num-ber	Value	Num-ber	Value	Num-ber	Value	Num-ber
	<i>(Value in lakhs of rupees)</i>											
Purchase of buses	87.00	60	30.00*	30	1,25.00	90	1,16.60**	88	1,75.45	130	1,72.98***	129
Purchase of trucks	24.00	20	20.00*	20	73.00	60	54.62**	40	80.00	60	80.79***	60
Purchase of taxi cars	7.00	10	..	..	7.00	10	..	..	..	..	..	..
Purchase of float assemblies	25.00	N.A.	..	..	15.00	N.A.	..	..	..	..	..	..
Total	1,43.00	90	50.00*	50	2,20.00	160	1,71.22**	128	2,55.45	190	2,53.77***	189

(N.A. = Not available).

* From Jammu and Kashmir Bank Limited.

** Includes interest of Rs. 40.22 lakhs.

*** Includes interest of Rs. 59.67 lakhs.

It would be seen from the above table that there was an overall shortfall of 33 buses and 20 trucks over the projected requirements. The Corporation did not raise any finance for the purchase of taxi cars and float assemblies. In financial terms, the overall shortfall amounted to Rs. 1,43.46 lakhs or 23 per cent.

The Jammu and Kashmir Bank Limited was charging commission at 1 per cent per annum with effect from April 1977 for guaranteeing IDBI bills due from the Corporation. In a meeting of the Board of Directors (January 1978) the Secretary, Finance Department, agreed that the State Government would guarantee these bills at 0.25 per cent per annum. The Corporation, however, did not avail of this facility and in a subsequent meeting of the Board held in March 1978 the Chairman, Jammu and Kashmir Bank Limited, agreed to the reduced rate of 0.25 per cent. The Bank, however, continued to charge commission at 1 per cent upto January 1979 when (notwithstanding the earlier decision) the Chairman of the Corporation offered to pay commission at 0.50 per cent which was agreed to by the Chairman of the Bank effective from April 1979. The bank declined to refund/adjust any amount charged earlier at the rate of 1 per cent per annum.

By not availing the facility of guarantee at 0.25 per cent the Corporation incurred an avoidable expenditure of Rs. 4.33 lakhs during the years 1977-78 and 1978-79.

7.3.4.4. *Financial position and working results.*—The annual accounts of the Corporation have been in arrears since its inception.

The table below indicates the provisional figures of revenue and expenditure during the three years upto 1978-79 :—

	1976-77 (including pre-Corporation period)	1977-78	1978-79
	(Rupees in lakhs)		
<i>Revenue</i>			
Passenger services	2,78.81	3,89.84	4,66.20
Load carriers	2,59.73	2,73.25	2,69.21
Non-operational	1,24.00	1,14.95	83.56
Total	6,62.54	7,78.04	8,18.97

	1976-77 (including pre-Corporation period)	1977-78	1978-79
(Rupees in lakhs)			
<i>Expenditure</i>			
Salaries and allowances	1,93.36	2,00.73	2,38.16
Oils and lubricants	2,40.36	2,99.89	2,43.15
Materials and supplies	1,57.00	1,45.50	1,59.00
Other expenditure	77.67	91.67	79.50
Depreciation, etc.	67.08	74.64	77.50
Interest	42.98	54.25	71.14
Total	7,78.45	8,66.68	8,68.45
Loss	(-)1,15.91	(-)88.64	(-)49.48

It would be seen that the cumulative loss during the three years amounts to Rs. 2,54.03 lakhs or 36 per cent of the Corporation's total paid up capital (Rs. 7,05.79 lakhs). The reasons for continuing losses are awaited from the Management (April 1980).

7.3.5. Passenger Services

7.3.5.1. As on 31st March 1979 the Corporation was operating passenger services on 43 city, 103 district and 10 inter-State routes.

7.3.5.2. *Fleet strength.*—The table below indicates the fleet strength during the three years upto 1978-79 :—

	1976-77	1977-78	1978-79
Buses held at the beginning of the year	544	593	649
Additions during the year	99	94	130
Withdrawals during the year	50	38	25
Buses held at the end of the year	593	649	754

The age-wise break up of the fleet as at the end of 1978-79 was as follows :—

	Number of buses	Percentage of total bus fleet
Less than 4 years' service	370	49
Four to 8 years	252	34
Eight to 10 years	104	14
Above 10 years	24	3
Total	750*	100

The Corporation has fixed the life of its vehicles at 10 years or 5 lakh kilometres, whichever is earlier. In the absence of vehicle-wise records the Corporation was unable to indicate the total number of over-aged vehicles in its fleet from time to time.

7.3.5.3. Operational performance

1. *Vehicle utilisation.*—According to the recommendations of the Association of State Road Transport Undertakings (ASRTU) (July 1971) the norms for utilisation of fleet strength were as follows :—

Buses in operation	90 per cent
Traffic reserve (road worthy buses not in operation)	2 per cent
Off - road buses	8 per cent

The table below shows the number of buses held and their utilisation during the three years upto 1978-79 :—

	1976-77	1977-78	1978-79
Average fleet strength	568	621	701
Buses in operation	420	460	474
Off-road buses	148	161	227
Percentage of buses on road to fleet strength	74	74	68

* The discrepancy of 4 buses is under reconciliation (April 1980).

It would be seen that as against the norm of 90 per cent, fleet utilisation dropped from 74 per cent in 1976-77 and 1977-78 to 68 per cent in 1978-79. This is reflected in the fact that the buses in operation increased by 14(3 per cent) as against an increase of 80 (13 per cent) in the fleet strength in 1978-79.

As on 31st March 1979, 123 buses were held at the Central Workshop at Pampore and the Regional Workshops at Srinagar and Jammu. These included 82 buses received for annual fitness, overhaul of engines, tyre and battery replacements, etc., and held for the period indicated below :—

Period of detention	Number of buses		
	Central workshop, Pampore	Regional workshops	Total
1— 3 months	1	14	15
3— 6 months	27	10	37
6—12 months	16	11	27
Over 12 months	..	3	3
	44	38	82

2. *Norms of performance.*—Against the norms of performance of 0.50 lakh kilometres per bus in 1976-77 and 1977-78 and 0.58 lakh kilometres per bus in 1978-79, the kilometres operated per bus in operation amounted to 0.53 lakh in 1976-77, 0.59 lakh in 1977-78 and 0.60 lakh in 1978-79. The basis for fixing the norms are not available.

The Corporation has not kept account of dead kilometres in the operation of its fleet.

3. *Regularity of services.*— The Corporation is operating scheduled services on rural, inter-State and urban routes. The number of cases of late starting of services from the depots has not been assessed. Details of trips missed during the three years upto

1978-79 are given below:—

A. City Services

	Srinagar			Jammu and Udhampur		
	1976-77	1977-78	1978-79	1976-77	1977-78	1978-79
Number of scheduled trips	56,228	59,942	71,553	62,892	56,257	Not compiled by the Management
Number of actual trips	44,696	55,200	66,353	56,924	52,103	do-
Number of trips missed	11,532	4,742	5,200	5,968	4,154	-do-
Percentage of trips missed to total trips	20.51	7.91	7.27	9.49	7.38	-do-

B. Rural and inter- State Services

	Rural (Kashmir)			Rural and inter-State Services (Jammu)		
	1976-77	1977-78	1978-79	1976-77	1977-78	1978-79
Number of scheduled trips	94,172	89,272	1,13,317	25,319	24,236	25,579
Number of actual trips	79,816	78,932	93,910	20,219	19,617	20,824
Number of trips missed	14,356	10,340	19,407	5,100	4,619	4,755
Percentage of trips missed to total trips	15.24	11.58	17.13	20.14	19.06	18.59

It will be seen that the percentage of missed trips in rural/inter-State services ranged from 11.58 to 20.14, reasons for which have not been analysed by the Management (April 1980).

The per bus earnings of the inter-State services of the Corporation (except Jammu-Pathankot service) are over three times the per bus earnings of rural services. It was noticed in audit that during the period September 1976 to March 1979, 583 trips of inter-State services from Jammu to Delhi, Chandigarh, Patiala, Ludhiana, Jullundhur, Amritsar, Chamba, Jawalaji and Dharamsala and 826 trips from Pathankot to Kathua were missed. Further, the Jammu-Dharamsala service, which on an average earned Rs. 459 per day against a direct operational expense of Rs. 197 per day (October 1977), was kept suspended from 8th November to 31st December 1977. The loss of earnings due to missed trips, on the basis of average revenue earned during the months in which trips were missed, and in respect of the suspended Jammu-Dharamsala service was Rs. 3.35 lakhs.

4. Fleet reserve

The following table indicates the fleet strength required and the actual fleet available with the Passenger Service Office, Jammu during the three years upto 1978-79 :—

	1976-77	1977-78	1978-79
Average fleet strength	94	98	101
Actual fleet requirements			
Inter-State services	37	56	56
Rural services	30	9	9
School services	6	8	11
Total	73	73	76
Balance (Reserve fleet)	21	25	25
Percentage of reserve fleet to actual fleet requirement	29	34	33

It will be seen that the actual fleet reserve ranged from 29 to 34 per cent, as against the Corporation's norm of 20 per cent.

5. *Breakdowns and accidents.*— The data compiled by the Management for 1976-77 (for buses and trucks together) revealed

that there were 1423 breakdowns (mechanical : 1406) and 134 accidents (major : 11). The Management has not yet (April 1980) compiled the information regarding breakdowns and accidents during 1977-78 and 1978-79.

It was noticed that the Corporation has not introduced any system for a regular preventive maintenance of vehicles.

It was noticed further that the procedure prescribed for dealing with cases of accidents was not being followed in-as-much as ;

- cases of accidents, required to be investigated by a committee of officers, were actually investigated by head mechanics/fitters ;
- cases of major accidents were generally not reported to the Managing Director ; and
- the prescribed register of accidents was not being maintained.

The losses incurred as a result of accidents had also not been evaluated and adjusted in the accounts.

6. *Earnings*.—The following is an analysis of the earnings of passenger services.

6.1. *Long route tourist services*.—The long route services are regulated according to the daily demands of traffic. The earnings from these services are analysed below :—

	1976-77	1977-78	1978-79
Average fleet strength	210	261	298
Passengers carried (in lakhs)	8.54	14.10	14.36
Kilometres run (in lakhs)	1,00.49	1,30.60	1,35.33
Revenue earned (Rupees in lakhs)	1,38.89	2,11.38	2,53.19
Average earnings (in rupees)			
— Per passenger	16.26	14.99	17.63
— Per kilometre	1.38	1.62	1.87
— Per bus per day	181.20	221.88	232.78

The increase in earnings in 1978-79 was due mainly to augmentation of capacity and a 10 per cent increase in fares (August 1978).

Three air-conditioned buses acquired at a cost of Rs. 8.70 lakhs were commissioned into service in March 1977. Due partly to mechanical defects in the air conditioning units, and mainly because of inadequate demand on the Jammu-Srinagar route and in the Kashmir valley, each bus operated on an average 35 kilometres per day during April-July 1977 and 60 kilometres per day during August-November 1977 and remained idle during December 1977-April 1978. The earnings from these buses during 1977-78 amounted to Rs. 1.35 lakhs as against an expenditure of Rs. 2.15 lakhs excluding the maintenance cost and overheads. The utilisation of the 3 buses during 1978-79 was 356 bus days out of 876 available bus days (after allowing 20 per cent detention) i.e. 40.5 per cent. This was so in spite of the fact that the fare on Jammu-Srinagar route was reduced from Rs. 78 to Rs. 55 during the period 30th November 1978 to 15th March 1979.

6.2. *Sightseeing tourist services.*—The Corporation operates super-luxury coaches for sightseeing services from Srinagar to various places in the Kashmir valley. The earnings from these services are analysed below :—

	1976-77	1977-78	1978-79
Average fleet strength	11	18	24*
Passengers carried (in lakhs)	0.65	1.12	1.45
Kilometres run (in lakhs)	3.12	5.62	6.61
Revenue earned (Rupees in lakhs)	8.19	14.65	20.71
Average earnings (in rupees)			
— Per passenger	12.6	13.08	14.28
— Per kilometre	2.63	2.61	3.13
— Per bus per day	204	223	236

The increase in earnings during 1978-79 was due to increase in the occupancy and a 10 per cent increase in fares (September 1978). It was seen that only 5-7 out of 24 coaches could be utilised during December 1978-February 1979. The Corporation has not

* Excluding 20 buses acquired in 1978-79 but commissioned in 1979-80.

considered any alternative use for these coaches during the lean months.

The Corporation acquired 20 additional super-luxury coaches in 1978-79 for chartered operations under All India Tourist Permits. These buses are, however, being utilised for sightseeing services at Srinagar since April 1979. In January 1980, the Corporation obtained All India Tourist Permits for 10 coaches in the first instance and only one chartered tour had been operated so far (April 1980).

6.3. *Taxi tourist services.*—The Corporation took over 12 Ambassador car taxis and 4 Plymouth car taxis (book value : nil) from the erstwhile Government Transport Undertaking at the transfer value of Rs. 0.69 lakh. Of these, 2 Plymouth cars were auctioned in 1976-77 for Rs. 0.02 lakh.

The Board decided (July 1978) to discontinue the operation of taxi services and to dispose of by auction the existing fleet. One Ambassador car was sold to a Government institution for Rs. 0.09 lakh in July 1978 and the remaining 13 cars continued to be garaged in an unserviceable condition (April 1980).

6.4. *Rural and inter-State services.*—The earnings from the operations of these services are analysed below :—

	Kashmir region			Jammu region		
	1976-77	1977-78	1978-79	1976-77	1977-78	1978-79
Number of routes						
—Rural	79	76	96	5	7	7
—Inter-State	..	..	..	9	10	10
Total	79	76	96	14	17	17
Route kilometres						
—Rural	2,633	2,381	3,036	194	287	283
—Inter-State	..	..	..	2,667	2,675	2,845
Total	2,633	2,381	3,036	2,861	2,962	3,128
Average fleet strength	145	145	153	94	98	101
Passengers carried (in lakhs)	56.17	62.47	69.32	24.32	25.58	23.27

	Kashmir region			Jammu region		
	1976-77	1977-78	1978-79	1976-77	1977-78	1978-79
Kilometres run (in lakhs)	48.03	50.92	52.22	45.47	50.14	47.76
Revenue earned (Rupees in lakhs)	42.48	49.17	65.99	55.30	69.75	72.20
Average earnings						
(in rupees)						
—Per passenger	0.76	0.79	0.95	2.27	2.73	3.10
—Per kilometre	0.88	0.97	1.26	1.22	1.39	1.51
—Per bus per day	80.27	92.90	118.17	161.18	195.00	195.85

The following is the allocation of routes in Kashmir region according to the notification issued by the Regional Transport Authority (May 1979) :—

Name of District	Allocation of routes		
	Exclusive to the Corporation	Exclusive to the private operators	Joint operation by both
Srinagar	12	110	13
Baramulla	29	64	18
Anantnag	9	11	14
Total	50	285	45

It will be seen that the Corporation operated only 50 (13 per cent) of the 380 routes on an exclusive basis.

The Corporation does not prepare or analyse the route-wise income and expenditure with a view to assess their relative viability. The overall expenditure per kilometre (including load services) for 1978-79 works out to Rs. 1.99. The following is an analysis of the revenue per kilometre on the 43 routes operated by the Service

Office, Srinagar :—

	(Number of routes)
Above Rs. 1.75	nil
Rs. 1.50 to Rs. 1.75	2
Rs. 1.20 to Rs. 1.49	25
Rs. 1.00 to Rs. 1.19	10
Less than Re. 1.00	6*
Total	43

The Service Office, Jammu region operated inter-State services on 10 routes and rural services on 7 routes. An analysis of the revenue per kilometre of these routes is given below:—

	Number of routes	
	Inter-State	Rural
Above Rs. 1.75	2	1
Rs. 1.50 to Rs. 1.75	4	1
Rs. 1.20 to Rs. 1.49	3	1
Re. 1.00 to Rs. 1.19	1	1
Less than Re. 1.00	..	3

6.5. *City services.*— The earnings from the operation of the city services are analysed below:—

	Srinagar			Jammu (including one city route at Udhampur)		
	1976-77	1977-78	1978-79	1976-77	1977-78	1978-79
Number of routes	13	18	19	15	22	24
Route kilometres	117	223	262	199	264	276
Average fleet strength	30	31	40	39	35	39
Passenger carried (in lakhs)	32.03	43.20	52.64	67.51	77.96	74.59

* Srinagar to Kremshore, Baramulla, Latipora, Ganderbal, Waibugh and Khan Sahib.

	Srinagar			Jammu (including one city route at Udhampur)		
	1976-77	1977-78	1978-79	1976-77	1977-78	1978-79
Kilometres run (in lakhs)	14.00	18.43	27.36	14.30	16.83	16.91
Revenue earned (Rupees in lakhs)	12.37	19.59	27.73	17.49	19.69	19.81
Average earnings (in rupees)						
—Per passenger	0.39	0.45	0.53	0.26	0.25	0.27
—Per kilometre	0.88	1.06	1.01	1.22	1.11	1.17
—Per bus per day	113	173	190	123	154	139

Route-wise income and expenditure accounts have not been maintained by the Corporation. The following routes yielded an income of less than Re. 1 per kilometre during 1978-79:—

City services, Srinagar		City Services, Jammu	
Route	*Average income per km. (In paise)	Route	Average income per km. (In paise)
Chadura	96	Railway Station-I	99
Pandoch	89	Bakshi Nagar-II	81
Gulab bagh	98	Parade Camp	96
Narbal	85	Kotli	95
Chattergam	80	Aakal pora	99
I.N. Airfield	83	Factory (night)	38
Chashmashahi	75	Nagrota	95
Shalimar	74	Sangrampur	84
Hyderpora	89	Bhagwati Nagar	98

* Route-wise income statements for the months of October 1978 to January 1979 are not available; the average income is, therefore, based on the data for the remaining 8 months.

6.6. *School services.*—The Corporation makes use of its old buses to provide regular services to a number of schools in Srinagar and Jammu. The buses deployed and revenue earned during three years up to 1978-79 were as follows :—

	Srinagar			Jammu		
	Buses deployed		Revenue earned	Buses deployed		Revenue earned
	Fully	Partly		Fully	Partly	
						(Rupees in lakhs)
1976-77	24	..	2.54	5	3	0.46
1977-78	10	10	3.99	6	5	0.66
1978-79	18	15	5.60	4	8	0.48

The hire rate per bus/km. was Re. 1 upto February 1977, Rs. 1.60 from March 1977 to September 1978 and Rs. 1.75 thereafter. The bus-days utilised and the expenditure incurred on these operations have not been worked out by the Management.

6.7. *Fare structure.*—The passenger fare is regulated in accordance with the directions issued by the Government from time to time as provided under the Motor Vehicles Act, 1939. When the Corporation commenced its operations in September 1976, it followed the existing fare structure fixed by Government in May 1974. The fares were increased by Government by 25 per cent in August 1978. A month later (September 1978) the increase was reduced to 10 per cent and the fares have remained unchanged since then (April 1980).

7.3.6. *Printing of tickets.*—The Corporation has its own printing press for printing of tickets, forms, etc. The Corporation has neither fixed any norms for the consumption of paper and other materials nor do the job cards contain details of tickets/forms, etc., printed for an evaluation of paper consumed.

7.3.7. Workshops

7.3.7.1. While the central workshop at Pampore attends to major repairs and overhaul of vehicles, minor repairs and servicing are catered for in the Regional workshops which also issue mobil oil to the vehicles at their check posts.

The Corporation has not prepared any Workshop Manual so far (April 1980). It was pointed out in paragraph 7.9.11(a) of

the Report of the Comptroller and Auditor General of India for the year 1975-76 that estimates/schedules determining the labour and material requirements for standard jobs had not been prepared, no job evaluation had been done, and that no system had been evolved for planned preventive maintenance or timely replacement of tyres, major parts and assemblies. The position remains the same (April 1980). It was noticed further that labour time booked on the job cards is not reconciled with the time paid for as per wage bills to assess the extent of idle time. Test audit of the records of one of the Regional workshops for one month (February 1978) revealed that against 17,731 available man hours, the productive man hours as per the job cards amounted to only 2,159 or 12.2 per cent of the time paid for.

It was noticed that :—

- (i) norms for the consumption of mobil oil had not been fixed (April 1980). The record of kilometres covered by the vehicles against mobil oil drawn from various oil check posts had also not been compiled so as to assess the average kilometres obtained per litre of mobil oil drawn ;
- (ii) there were cases of premature failure of engine assemblies, fuel injection pumps and gear boxes overhauled in the Central workshop during 1978-79 ; and
- (iii) four vehicles had been detained for 10—19 days in a Regional workshop during March 1978 to October 1978 for want of spare parts valuing Rs. 2 to Rs. 38 per vehicle.

7.3.7.2. *Premature failure of tyres.*—The table below indicates premature failure of tyres during the three years up to 1978-79:—

Year	Pre-mature failure (number of tyres)	Kilometres due	Kilometres covered	Shortfall	Percentage of shortfall
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(In lakhs)

New tyres

(norm : 56,000 kms.)

1976-77	540	3,02.40	2,40.15	62.25	20.58
1977-78	235	1,31.60	1,01.66	29.94	22.75
1978-79	236	1,32.16	95.90	36.26	27.44

Year	Pre-mature failure (number of tyres)	Kilometres due	Kilometres covered	Short-fall	Percentage of shortfall
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(In lakhs)

Retreaded tyres*

(norm: 25,600 kms.)

1976-77	32	8.19	6.10	2.09	25.52
1977-78	14	3.58	2.90	0.68	18.99
1978-79	146	37.38	21.67	15.71	42.03

The cases of premature failure of tyres due to negligence of drivers, wrong wheel alignment, etc., during 1974-75 and 1975-76 were mentioned in paragraph 7.9.11(i) of the Report of the Comptroller and Auditor General of India for 1975-76. The Management had stated (April 1976) that responsibility for premature failure due to the negligence of drivers was being fixed and that recoveries would be effected where necessary. There is no apparent improvement in the position and no concrete steps have so far been taken to arrest the trend.

7.3.7.3. *Tyre retreading plants.*—The table below indicates the performance of the two tyre retreading plants at Pampore and Jammu for the three years upto 1978-79 :—

Pampore Retreading Plant				Jammu Retreading Plant			
Period	Out-put due	Actual output	Per-cent- age	Period	Out-put due	Actual output	Per-cent- age
	(Number of tyres)				(Number of tyres)		
September 1976 to March 1977	1,062	730	68.74	September 1976 to March 1977	501	113	22.55
1977-78	3,060	2,243	73.30	1977-78	879	291	33.11
1978-79 (Upto February 1979)	3,156	2,543	80.58	1978-79 (Upto November 1978)	579	190	32.81

* This relates to Srinagar workshop ; information in respect of Jammu workshop was not furnished.

According to the Works Managers, Incharge, shortfall in output was due to non-availability of tread rubber in the Pampore/Jammu stores, power shortage and defects in the air compressor at Jammu.

7.3.8. *Inventory control.*—The purchase and stores organisation consists of a Parts and Stores section at the Head Office, a Central store at Pampore, two Regional stores at Srinagar and one Regional store at Jammu. The purchases are made by the Purchase Committees constituted by the Corporation at the Central, Regional and Workshop levels:—

Effective control over the stocks of spare parts is lacking. A large number of obsolete and surplus spare parts had accumulated in the stores during the last several years blocking scarce capital.

A review of the purchase and stores records disclosed the following deficiencies:—

(i) According to the Purchase Manual approved by the Board (March 1978) the Regional and Workshop Purchase Committees were authorised to make emergent purchases of spares and stores (from the local market) which were required urgently and were not available in the Central/Regional stores. The actual purchases during 1978-79 as compared to the maximum limits fixed were as under :—

	Authorised dealers		Other local dealers	
	Limit fixed	Actual expenditure	Limit fixed	Actual expenditure
	(Rupees in lakhs)			
Regional Committee and three Workshops at Srinagar and Pampore	1.00	1.59	1.10	5.51
Regional Committee and two Workshops at Jammu	1.00	0.21	0.90	3.07

Out of the local purchases valuing Rs. 3.07 lakhs at Jammu, purchases worth Rs. 2.56 lakhs were made from a single dealer. The non-availability of the items was not ascertained from the Central stores at Pampore.

(ii) Lists of excesses/shortages detected during annual physical verification of stores were neither on record with the storekeepers nor furnished to audit.

(iii) The following prescribed records had not been maintained :—

- Register for major components and assemblies.
- Tools and Plant register.
- Index register of bin cards.
- Register indicating items of retrievable and repairable nature issued to the workshops for retrieval/repairs.
- Register relating to despatch to the suppliers of tyres and other material with manufacturing defects, for replacement.
- Weekly stock check report register.
- Record showing segregation of unserviceable stores (fortnightly) for verification with Kardex and bin balances.

(iv) The Management has neither prepared an age-wise analysis of obsolete and surplus stores nor taken steps for their disposal (May 1980).

7.3.9. *Sundry Debtors*.—The table below gives the position of sundry debtors and advances to employees of the Corporation for the period ending 31st March 1979 (as per accounts ledgers):—

	Sundry debtors	Advances to employees
	(Rupees in lakhs)	
1. Pre-Corporation period ending August 1976	1,51.75	1,68.07
2. September 1976 to March 1977	10.00	17.95
3. 1977-78	65.71	3.68
4. 1978-79	71.61	15.03
Total	2,99.07	2,04.73

7.3.10. *Man power*.—The Committee on Public Accounts had stated (March 1976) "that the Management must devise a system of effective control over the utilisation of the crew and in particular examine the need for deployment of entire crew for all the days

vehicles are in workshop for repairs". The Corporation has not determined the standard force or fixed any norms for different categories of staff to be employed. The Management regulates the employment of crew generally on the basis of total fleet strength plus 10 per cent leave reserve.

7.3.11. Accounts and Internal Audit

7.3.11.1. *Accounts.*—The form of accounts of the Corporation is yet to be prescribed by the Government (April 1980).

7.3.11.2. *Budgetary control.*—The Corporation prepares budget estimates for revenue and expenditure, without any system of budgetary control over the performance of each of its sections dealing with operations, stores and materials and plants and workshops.

7.3.11.3. *Cost Accounting.*—The Corporation has not introduced any system of cost accounting so far. There is also no system for computing the cost of operations per bus/truck kilometre (April 1980).

7.3.11.4. *Internal Audit.*—No internal audit manual and accounting manual have been prepared so far. There is no regular internal audit wing. An internal audit party (comprising the staff of the Accounts Wing) functioned upto March 1979 and conducted detailed audit of 2 months' accounts of each year.

7.3.12. Summing up :

- (i) While according to the transport policy formulated by the State Government (August 1979) urban transport was to be exclusively with the Corporation, most urban routes in Srinagar city are operated by private operators.
- (ii) The overdue interest payable on the capital contributed by the State Government to the end of 1978-79 amounted to Rs. 97.21 lakhs.
- (iii) There has been shortfall in the utilisation of Plan funds to the extent of Rs. 29.40 lakhs (during 1976-77 to 1978-79) under Workshops and Buildings, and of Rs. 3.35 lakhs (during 1977-78 and 1978-79) under Passenger Amenities.
- (iv) During 1976-77 to 1978-79, the Corporation did not raise institutional finance to the extent planned resulting in an overall shortfall of 33 buses and 20 trucks.
- (v) By not availing of the guarantee offered by the State Government at 0.25 per cent for payment of IDBI bills,

the Corporation incurred an avoidable expenditure of Rs. 4.33 lakhs during 1977-78 and 1978-79.

- (vi) The annual accounts of the Corporation are in arrears since inception (September 1976). The Corporation has been incurring losses since inception ; on the basis of provisional figures the cumulative loss to the end of 31st March 1979 amounted to Rs. 2,54.03 lakhs representing 36 *per cent* of the paid-up capital.
- (vii) More than 50 *per cent* of the total fleet at the end of 1978-79 consists of buses which are in service for more than 4 years.
- (viii) As against the utilisation norm of 92 *per cent* (including traffic reserves) as recommended by ASRTU, the actual utilisation of the fleet declined from 74 *per cent* in 1976-77 and 1977-78 to 68 *per cent* in 1978-79.
- (ix) As on 31st March 1979, 82 buses received in the Central and Regional workshops for annual fitness, overhaul of engines, etc., had been detained for periods ranging from 1 to 12 months.
- (x) The trips missed during 1976-77 to 1978-79 ranged from 7.27 to 20.51 *per cent* in respect of City services and 11.58 to 20.14 *per cent* in respect of Rural and Inter-State services. In addition, Jammu-Dharamsala service was kept suspended during 8th November to 31st December 1977. The loss of earnings due to missed trips for Inter-State services during September 1976 to March 1979 and suspended Jammu-Dharamsala service worked out to Rs. 3.35 lakhs.
- (xi) The utilisation of 3 air-conditioned buses (cost: Rs. 8.70 lakhs) during 1978-79 was only 40.5 *per cent*.
- (xii) Twenty super-luxury coaches acquired in 1978-79 for chartered operations under All-India Tourist Permits are being utilised for Sight seeing services at Srinagar since April 1979 ; against All-India Tourist Permits obtained for 10 coaches only one chartered tour has been operated so far (April 1980).
- (xiii) The Corporation does not maintain records for route-wise income and expenditure to assess the viability of routes. As against an overall expenditure of Rs. 1.99/Km. (1978-79), the revenue per kilometre in respect of Inter-State and Rural services was less than Rs. 1.50 for 41 out of 43 routes in Kashmir region and for 9 out of 17 routes in Jammu region.

- (xiv) The fare structure fixed by Government in May 1974 continued to be in vogue even after the Corporation commenced its operations in September 1976 except for 10 *per cent* increase allowed by Government from September 1978 onwards.
- (xv) Estimates/schedules for determining the requirement of material/labour for standard jobs are not prepared for the Corporation's workshops. In addition, there is no system of job evaluation or for planned preventive maintenance/timely replacement of tyres, major parts and assemblies.
- (xvi) Cases of premature failure of tyres have not been investigated.
- (xvii) As at the end of March 1979, the sundry debtors amounted to Rs. 2,99.07 lakhs including Rs. 1,51.75 lakhs relating to the pre-Corporation period.

The points mentioned above were referred to the Government in November 1979 ; reply is awaited (August 1980).

Other topics of interest

7.4. *Shortage and non-accountal of passenger tickets.*— Tickets printed at the Corporation's press are first taken on stock at the Head Office and from there despatched to the various units. The receipts and issues are accounted for in the ticket stock registers of the units. Audit had during 1965-1974 pointed to the absence of internal checks to verify the receipts and issues of tickets and of periodical physical verification of ticket stocks. A physical verification in April 1975 of ticket stocks in the Passenger Service Office, Jammu disclosed a shortage of tickets of the face value of Rs. 1.50 lakhs. Neither was the shortage investigated nor has any action been initiated so far (June 1980).

The ticket stock accounts of this unit were also checked by the internal audit party in December 1975 and it was noticed that of the tickets despatched from the headquarters during April 1964 to July 1975, tickets of the face value of Rs. 12.11 lakhs had not been accounted for in the stock registers of Jammu Office. Of these, tickets of the face value of Rs. 3.25 lakhs were traced in the Service Office at Pathankot and ticket books of the face value of Rs. 4.63 lakhs by the unit from its own records leaving an unaccounted balance of Rs. 4.23 lakhs. The Chief Accounts Officer was asked by the Managing Director (June 1977) to confirm this position ; his confirmation is still awaited (April 1980).

Pending enquiry into the matter one official was placed under suspension in April 1975 and two others in January 1976. Of these, one was re-instated in March 1976 and the remaining two in June 1977. No responsibility has, however, been fixed so far (April 1980).

The matter was reported to the Government in December 1979 ; reply is awaited (August 1980).

7.5. *Loss of earnings.*—The Corporation acquired 189 chassis during March 1978–July 1979, by utilising financial assistance from the Industrial Development Bank of India (Rs. 2,53.78 lakhs) and capital contribution from the State Government (Rs. 15.17 lakhs). In addition an expenditure of Rs. 53.65 lakhs was incurred on the construction of bodies. While 164 chassis were received in the workshop at Jammu, the remaining chassis were delivered directly to the body building firms at Bombay and Jaipur. It was noticed that due to delays in the delivery of chassis to the body building firms at Jammu and Jullundur and in their subsequent collection and commissioning, 4,016 vehicle days were lost as indicated below :—

	Number of Vehicle chassis	days lost
—Detention in workshop at Jammu prior to delivery (over 3 days)	83	608
—Delay in taking delivery from body builders :—		
(a) due to delay in preparation of cheques/bank drafts ;	102	1,581
(b) after preparation of bank drafts/cheques	102	303
—Delay with body building firms (detention charges of Rs. 100 per vehicle/day not recovered)	25	48
—Detention prior to allotment/ despatch to user units	131	1,476
Total		4,016

On the basis of an average earnings of Rs. 152 per day per vehicle during 1978-79, the loss of earnings due to detention for 4,016 vehicle days works out to Rs. 6.10 lakhs.

In respect of a delay of 1,166 vehicle days in taking delivery of vehicles from the body builders, the Accounts Officer of the Corporation stated (February 1979) that this was due partly to late processing of bills and partly to non-availability of funds with the Accounts Officer, Jammu.

The matter was reported to Government in September 1979 ; reply is awaited (August 1980).

7.6. *Outstanding temporary advances.*—Temporary advances had been paid by the Accounts wing of the erstwhile Government Transport Undertaking and the Corporation to the unit officers to meet day to day operational expenses. It was noticed that out of advances paid upto 31st March 1979, an amount of Rs. 1,17.77 lakhs was awaiting adjustment as on 31st July 1979. It was also noticed that bulk of the amount was outstanding against unit officers who had been given advances without ensuring adjustment of outstanding advances, and that many of the advances had remained unadjusted for several years. The year-wise break up of the outstanding advances was as under :—

Year to which the advance pertains	Number of unit officers	Amount outstanding (Rupees in lakhs)
Period ending August 1976 (pre-Corporation period)	(a) 28	7.36
	(b) N.A.	2.09
1976-77 (from September 1976)	12	1.82
1977-78	18	8.82
1978-79	22	97.68
	Total	1,17.77

(N.A.=Not available).

The reasons for which the advances have remained unadjusted have been enquired from the Management from time to time during the last several years ; a final reply is, however, awaited (August 1980).

7.7. *Purchase of vehicles.*—In September 1975, the Government of India and the State Government decided to import 6 air-conditioned (Land Rovers) vehicles to cater to the winter tourist

traffic to the Gulmarg ski resort. The vehicles were to be purchased by the Government of India through the agency of the State Government. While the operation and maintenance of the vehicles was to be the responsibility of the Jammu and Kashmir Tourism Development Corporation Limited (a State Government Undertaking) their import was entrusted to the erstwhile Government Transport Undertaking. In anticipation of receipt of funds from the Government, the Corporation incurred an expenditure of Rs. 6.78 lakhs during October 1976 to February 1978. Until March 1978 (when the vehicles were handed over to the Jammu and Kashmir Tourism Development Corporation Limited) the Corporation had paid Rs. 1.23 lakhs as interest on bank overdraft for the purchase of these vehicles. Against Rs. 18.78 lakhs sanctioned by the Government of India in October 1977 the Corporation claimed reimbursement of Rs. 8.06 lakhs (inclusive of departmental commission of Rs. 0.16 lakh) from the State Government against which an amount of Rs. 4.00 lakhs was reimbursed in March 1979 leaving a balance of Rs. 4.06 lakhs which has not been received by the Corporation (April 1980).

The matter was reported to Government in September 1979 ; final reply is awaited (August 1980).

SECTION C

Government Companies

7.8. *Introduction.*—On 31st March 1979, there were 13 Government Companies in the State as against 12 on 31st March 1978. During the year one new Company (Jammu and Kashmir Horticultural Produce Marketing and Processing Corporation Limited) was incorporated.

A statement showing the summarised financial results of 8 Companies on the basis of the accounts finalised during the year is given in Appendix VI.

The accounts of the following Companies are in arrears (July 1980) for the years shown against each:—

Particulars	Extent of arrears
Jammu and Kashmir Industries Limited	1970-71 to 1978-79
Jammu and Kashmir Handicrafts (Sales and Export) Corporation Limited	1973-74 to 1978-79

Particulars	Extent of arrears
Jammu and Kashmir Projects Construction Corporation Limited	1974-75 to 1978-79
Jammu and Kashmir Tourism Development Corporation Limited	1975-76 to 1978-79
Jammu and Kashmir Minerals Limited	1975-76 to 1978-79
Jammu and Kashmir State Agro-Industries Development Corporation Limited	1976-77 to 1978-79
Jammu and Kashmir Small Scale Industries Development Corporation Limited	1978-79
Himalayan Wool Combers Limited	January 1978 to March 1979

The position of arrears was last pointed out to the Government in January 1980.

Jammu and Kashmir State Agro- Industries Development Corporation Limited

7.9.1. *Introduction.*—The Company was incorporated on 30th January 1970 as joint venture with the Government of India to promote agro industries and other allied enterprises likely to accelerate agricultural production and supplies of supplementary foods, etc, in the State. The working of the Company was last reviewed in Chapter VII (Section C) of the Report of the Comptroller and Auditor General of India for 1973-74. The activities of the Company during the three years upto 1978-79 are dealt with in the succeeding paragraphs.

7.9.2. *Organisational set up.*—The Company's management vests in a Board of Directors comprising 15 Directors headed by a part-time chairman. The Managing Director is the chief executive and is assisted by a Financial Controller and the Company Secretary. As on 31st March 1979 the Company had the following divisions :—

- Marketing division (Srinagar);
- Tractor Hiring division (Srinagar and Jammu) ;
- Procurement and Sales division (Srinagar and Jammu) ; and
- Cold Storages (Srinagar and Delhi) .

7.9.3. *Capital structure.*—The Company has an authorised capital of Rs. 2 crores (consisting of 2,00,000 shares of Rs. 100 each) to be subscribed by the State and Union Government in the ratio of 51 : 49. As on 31st March 1979, the Company had a paid-up capital of Rs. 1,95.76 lakhs (Rs. 1.02 lakhs contributed by the State Government and Rs. 93.76 lakhs by the Union Government). The Government of India expressed its inability (November 1976) to release the balance share capital contribution of Rs. 4.24 lakhs unless the Company brought its annual accounts up to date and showed profits. The Company's accounts upto 1975-76 only have so far been audited (February 1980).

7.9.4. (i) *Financial position.*—The Company's accounts for 1976-77 and 1977-78 have not been certified and those for 1978-79 have yet to be compiled (February 1980). The table below summarises the financial position of the Company for the three years up to 1977-78 :—

	1975-76	1976-77	1977-78
	(Provisional)		
	(Rupees in lakhs)		
Liabilities			
(a) Paid-up capital	1,95.76	1,95.76	1,95.76
(b) Borrowings	13.37	11.30	11.20
(c) Current liabilities and provisions	26.48	15.09	16.97
Total	2,35.61	2,22.15	2,23.93
Assets			
(a) Gross block	1,61.25	1,57.48	1,57.48
(b) Less : depreciation	68.11	77.77	87.36
(c) Net fixed assets	93.14	79.71	70.12
(d) Capital works-in-progress	0.98	6.45	1.22
(e) Investment	0.10	0.10	0.10
(f) Current assets, loans and advances	60.28	41.72	46.91
(g) Intangible assets— Accumulated loss	81.11	94.17	1,05.58
Total	2,35.61	2,22.15	2,23.93
Capital employed*	1,26.94	1,06.34	1,00.06
Net worth**	1,14.65	1,01.59	90.18

* Capital employed represents net fixed assets plus working capital.

** Net worth represents paid-up capital plus reserves less intangible assets.

7.9.4. (ii) *Working results.*— The working results of the Company for the three years upto 1977-78 are tabulated below :—

	1975-76	1976-77	1977-78
	(Provisional)		
	(Rupees in lakhs)		
Revenue			
Sales (including income from hire of tractors, etc.)	51.37	47.81	51.40
Government subsidy (on tractor hiring)	3.23	3.13	2.86
Interest, etc.	1.12	0.48	0.16
Total	55.72	51.42	54.42
Expenditure			
Cost of goods sold and spares consumed	30.80	26.85	31.08
Salaries and wages	19.73	17.57	15.98
Administrative and other expenses	14.25	10.40	9.18
Depreciation	12.88	9.66	9.59
Total	77.66	64.48	65.83
Net loss	(-)21.94	(-)13.06	(-)11.41

The cumulative loss upto 31st March 1978 was Rs. 1,05.58 lakhs representing 53.9 per cent of the paid-up capital (Rs.1,95.76 lakhs). The losses were stated by the Management (October 1979) to be mainly due to poor off-take of tractor hiring, under-utilisation of the cold storage plants, uneconomical rates charged for hire of tractors and the Company's inability to diversify its activities on commercial lines.

Some of the schemes/projects for which feasibility reports were prepared by the State Industrial Development Corporation and which could not be taken up by the Company mainly due to

paucity of funds, are indicated below :—

Scheme	Capacity	Capital outlay	Date of preparation of project report
	(In tonnes)	(Rupees in lakhs)	
Maize processing plant (for maize starch)	10,950	73.00	May 1971.
Cattle feed mixing plant	12,000	17.00	January 1972.
Plant for super phosphate and granulated mixed fertilizers	62,700	59.00	September 1972.
Walnut packing processing plant	3,375	23.40	* November 1972.

The Management stated (September 1979) that financial institutions were reluctant to provide credit facilities to the Company.

7.9.5. *Performance analysis.*—The working of various activities of the Company is discussed below :—

(A) *Trading activities.*—The table below indicates the position of sales of tractors, power tillers and pump sets (including inter-unit transfers) for the three years upto 1978-79 :—

	1976-77	1977-78	1978-79
	(Provisional)		
	(Rupees in lakhs)		
Tractors	13.26	9.13	16.56
Power tillers	1.24	1.69	1.76
Pump sets and accessories	1.67	16.14	6.61
Agricultural implements	1.14	3.80	1.77

* Updated in February 1978 and transferred to a sister concern in July 1978 for implementation.

The following points came to notice:

(i) A firm of Kanpur had quoted (May 1973) a rate of Rs. 299 for 'gooseneck' sprayer pumps and Rs. 335 for 'hyjet' sprayer pumps. An order for supply of 1000 'hyjet' sprayer pumps (for sale to the orchardists) was placed by the Company in January 1974 on the firm. The price indicated in the order, however, was that applicable to 'gooseneck' pumps (Rs. 299 each). The firm supplied 770 'gooseneck' pumps in February 1974 which were accepted by the Company without verification with the approved samples sold by the Company (April 1974) to the orchardists (through Small Farmers Development Agency). On a report of the Horticulture Department regarding the unsatisfactory performance of the lances of the 'gooseneck' pumps, the Company asked the firm (June 1974) for replacement of these lances by 'hyjet' lances for being fitted to the sprayer pumps already supplied. The firm made the replacements in September 1974. The Company paid for the supplies (during November 1974 to August 1978) at Rs. 335 per pump on the condition that 'gooseneck' lances would be returned to the firm against supply of 'hyjet' lances. The 'gooseneck' lances could not, however, be returned as most of the customers did not get the lances replaced. The firm charged Rs. 0.27 lakh (paid in August 1978) for the 'gooseneck' lances not returned. 765 'hyjet' lances (5 disposed of) valued at Rs. 0.31 lakh (approximately) were lying with the Company (August 1979) as the firm did not agree to take them back.

(ii) Out of 60 'Iseki' power tillers purchased during December 1972 to January 1974 (cost : Rs. 5.24 lakhs) for sale to the farmers, 11 tillers (cost : Rs. 1.04 lakhs) are still lying unsold with the Company (September 1979). As reported by the Company to the Government (July 1977) the off-take was poor due to non-availability of spare parts and after-sales service.

(B) *Tractor Hiring Division.*—(i) In May 1971 the Company took over (alongwith a fleet of 47 tractors) a tractor-hiring scheme of the State Government operated on a 'no-profit-no-loss' basis. 182 new tractors of different makes were added to the fleet upto March 1974 ; 58 old and unserviceable tractors were disposed of by the Company from time to time.

Out of the 171 tractors held by the Company during 1977-78 (depreciated value : Rs. 15.66 lakhs), it was noticed that 50 tractors were unserviceable and considered beyond economical repairs and 56 tractors were lying idle for want of spare parts. The Management stated (September 1977) that since the scheme was not self-supporting there were no funds for the purchase of necessary spare parts for these tractors.

Apart from the tractors, the Company had acquired 180 threshers during 1972-73 at a cost of Rs. 12.70 lakhs. Of these, 85 thre-

shers were out of order or unfit for use with the tractors. Of the 23 hiring centres set up by the Company in the State, only 11 centres were functioning in September 1979.

(ii) *Performance.*—The following are the details of the work done by the Division during the three years upto 1978-79 :

	1976-77	1977-78	1978-79
(i) Number of tractors in custom fleet	201	171	171
Number of unserviceable tractors	61	50	98
Net fleet available for operation	140	121	73
Percentage to total fleet	69.6	70.8	42.7
(ii) Standard hours of work (at 700 hours per annum)	98,000	84,700	51,100
(iii) Utilisation of tractors (in hours)			
(a) Tilling/ploughing	21,138	7,746	8,658
(b) Threshing/land levelling, etc.	26,329	24,875	24,310
(c) Total	47,467	32,621	32,968*
Percentage of hours worked to standard hours	48.5	38.5	64.4

The low utilisation, according to the Management, was mainly due to scattered and seasonal demand, small holdings and 'frequent' breakdowns for want of spare parts.

(iii) *Working results.*—Tractor hiring has been the Company's main activity since inception. The accumulative loss incurred on these operations up to the end of 1978-79 amounted to Rs. 1,29.22 lakhs

* This includes 6,255 hours of tractors utilised for non-agricultural purposes like re-laying of golf course. Besides, 2,717 tractor days were also utilised for snow clearance during the last 3 years.

vide details of working for the three years upto 1978-79 given below :

1976-77 1977-78 1978-79

(Provisional)

(Rupees in lakhs)

Income	15.69	14.61	13.95
Subsidy from Government	3.23	3.00	2.87
Total	18.92	17.61	16.82
Wages and salaries	13.60	13.20	12.77
P.O.L.	4.57	4.13	3.75
Spares	1.75	2.12	2.15
Administrative and other charges	1.70	1.58	1.60
Share of Head Office expenditure	1.95	1.90	2.21
Depreciation	7.56	7.08	7.54
Total	31.13	30.01	30.02
Loss	(-)12.21	(-)12.40	(-)13.20
Cumulative loss	(-)1,03.62	(-)1,16.02	(-)1,29.22

The losses were attributed by the Management (September 1977/October 1979) to :—

- scattered/seasonal demand, small land-holdings and heavy break-downs for want of proper workshop facilities and spare parts ;
- uneconomical rates of hiring ;
- heavy overheads due to uneconomic or otherwise idle fleet of tractors and threshers, etc. ;

—cost of surplus man power, idle equipment and non-usable inventory ; and

—lack of close supervision resulting in leakage of revenue.

A sub-committee set up by the Board to examine the activities of the Company and suggest measures for improvement observed (August 1976) that “ it was not necessary for the Company ever to have so large a fleet as it has at present..... Since the promotional purpose has already been achieved the Company may cease the custom hiring activity and on the other hand deal with the trading and processing activities only”. A proposal of the Company to cut down the strength of the tractor fleet to a manageable size was, however, not agreed to by the Planning Commissioner (September 1977) on the ground that the demand which was adequate to absorb the fleet of tractors had not been effectively exploited. As at no time more than 70 tractors were in working order, the Planning Commissioner desired the whole issue to be re-examined and added that till the existing schemes of the Company were not streamlined and made more effective, the question of making available fresh finances for taking up major schemes did not arise.

With a view to revitalise the tractor hiring scheme, the Board of Directors approved (July 1978) a proposal for the disposal of 50 unserviceable tractors to raise the funds required for repair and maintenance of tractors. The Company had disposed of 28 unserviceable tractors until September 1979 and realised an amount of Rs. 4.26 lakhs.

(iv) *Land levelling work.*—(a) Since 1972-73 the Company executes land levelling and terracing work (for irrigation and soil conservation) in the Command areas of Ravi and Tawi Lift Irrigation Projects (Jammu Division). About 2,300 acres were levelled by the Company upto 1978-79.

(b) The operating cost for land levelling work was assessed by the Company (August 1977) at Rs. 48 per hour. The tractor hiring rate for this heavy duty job was accordingly increased by the Company (September 1977) from Rs. 34 (fixed in April 1975) to Rs. 41 per hour and the balance of Rs. 7 per hour was to be reimbursed (as subsidy) by the Government. The Development Commissioner, Tawi Command Area, however, accepted a rate of only Rs. 38 per hour from 1st April 1978 subject to achievement of the agreed earth work component. Moreover, no payment was allowed for the journey of the tractors to and from the work site (which, on an average, constitutes 32 per cent of the revenue hours). The Project authorities claimed a further deduction upto 30 per cent for lower quantum of earth work during 1978-79. The Company has not assessed the loss incurred on these operations.

The Planning Commissioner decided (July 1979) that payments in future would be regulated on the basis of area levelled and not on the basis of time spent.

No agreement laying down the terms and conditions for the land levelling work had been executed by the Company with the Project authorities. Revised rates have also not been worked out by the Company so far (February 1980).

(v) *Tariff for Custom Hiring.*—The rates for tractor hiring were fixed in 1975-76 at Rs. 41 per hour including a subsidy of Rs. 7 per hour to be paid by the State Government. The operational cost per hour was assessed by the Company in April 1979 at Rs. 53 per hour. The tariff has, however, not been revised and the matter was stated to be under examination by a sub-committee of the Board of Directors (September 1979).

(C) Cold storages

(i) *Cold Storage Plant, Srinagar.*—With a view to make it commercially viable, the plant was transferred by Government to the Company in October 1972. Its capital cost has neither been determined so far nor reflected in the accounts of the Company (April 1980). The Company had envisaged that losses incurred in the first 2-3 years after the transfer would be reimbursed by the Government but no such reimbursement was forthcoming. The Board of Directors considered (April 1976) sale or hiring out of the plant (on behalf of the Government), but the matter was not pursued further. However, in August 1976 the Board decided to retain the cold storage plant till it became viable and that the losses till then should be reimbursed by the Government. The Planning Commissioner and the Finance Secretary agreed to make on account payments to the Company to cover the losses. No such payments were, however, made. In January 1977 the Board decided to transfer the plant and staff back to the State Government in view of the strain on the Company's finance due to continuing losses incurred by the plant. Later, on reconsideration it was decided (July 1977) to retain the plant and to draw up proposal for its full utilisation. No such proposal has, however, been devised/implemented so far (April 1980). In August 1977, the Company suggested to Government that the losses of Rs. 2.57 lakhs for the first 3 years may be set off against the capital value (assets) of the plant. A final decision is still awaited (April 1980).

The effective storage capacity of the plant is 2,960 quintals (4,000 bags) per month. The table below indicates the extent of uti-

lisation of the capacity and the losses incurred by the plant :—

Year	Capacity utilised*	Percentage of capacity utilised**	Income	Expenditure	Loss	
	(In lakh bags)		(Rupees in lakhs)			
1974-75	N.A.	..	0.24	0.99	0.75	
1975-76	N.A.	..	0.51	0.81	0.30	
1976-77	0.18	56.25	0.46	1.02	0.56	
1977-78	0.08	25.00	0.40	1.13	0.73	
1978-79	0.21	65.64	0.83	1.16	0.33	
			Total	2.44	5.11	2.67

(N.A.=Not available).

The Company has not analysed the reasons for the continuing losses. The rates for storage of various articles fixed in May 1973 were, however, revised in May 1979.

(ii) *Cold Storage-cum-Ice Plant, New Delhi.*—The first phase of construction, at New Delhi, of a 2,200-tonnes cold storage plant and an ice plant (20 tonnes per day) was completed in May 1975 at a cost of Rs. 43.45 lakhs. The Company's claim for Rs. 2.58 lakhs for a delay of 6 weeks in the completion of the refrigeration system of the plant is still under negotiation with the contractor (January 1980).

The Company had taken a bank loan of Rs. 10 lakhs (1973-74) for the construction of cold storage plant. The loan, repayable within 6 months, could not be repaid until September 1978 due to paucity of funds involving the Company in an interest liability of Rs. 8.25 lakhs (at 14½ per cent per annum).

The table below indicates the capacity utilisation and working

* Based on potatoes (main commodity) stored.

** Based on an average 8 months' utilisation i.e. 32,000 bags per annum.

results of the Plant for the years 1975-76 to 1978-79 :—

Year	Capacity utilised* (Kiryana and potatoes in lakh bags; fruits in lakh boxes)	Percent- age of utilisa- tion	Income	Expendi- ture	Profit+ Loss —	**
(Rupees in lakhs)						
1975-76	Kiryana and potatoes	0.25	6.1	4.17	10.46	(-) 6.29
	Fruits	1.39	25.7			
1976-77	Kiryana	0.54	28.1			@
	Potatoes	0.15	6.9	3.06	7.52	(-) 4.6
	Fruits	1.60	29.8			
1977-78	Kiryana	2.19	114.2			@
	Potatoes	0.13	6.0	4.03	7.63	(-) 3.60
	Fruits	1.74	32.2			
1978-79	Kiryana	1.60	53.3			@
	Potatoes	0.79	36.6	10.19	9.68	(+) 0.51
	Fruits	3.86	71.4			
	Total			21.45	35.29	(-) 13.84

(D) Marketing Division

Procurement and sale of pesticides.—The Company had been considering procurement and sale of pesticides as a new activity since September 1977. In February 1978, Government decided that the Company would be the sole supplier of fungicides/pesticides to Government departments and undertakings in the State. While

* One chamber (capacity : 16,000 bags) is earmarked exclusively for storage of Kiryana and rest are used for storage of apples and potatoes (capacity : 90,000 boxes/36,000 bags) on seasonal basis.

** Includes figures of ice plant also.

@ Working results provisional.

the Company obtained dealership for distribution of some pesticides in March/June 1978 and a licence for dealing in certain items in August 1978, the procurement and distribution of pesticides has, however, not yet been taken up (February 1980).

In November 1978 Government asked the Company to arrange the supply of 625 tonnes of pesticides/fungicides (valued at over Rs. 2 crores) to the Horticulture Department by 31st December 1978. The Company had, however, not kept itself in readiness and was unable to execute the order.

In the case of one product viz. Dithane-45 (value: Rs. 1.50 crores) the manufacturers were reluctant to transfer the dealership (from their existing distributors) to the Company, and Government decided (13th December 1978) that the orders be placed on the existing distributors. In respect of another item, Bavistin (value: Rs. 40 lakhs) the Company had not obtained a licence. The order for the balance (value: Rs. 10 lakhs) was also not executed by the Company on the ground that "for minor pesticides of a few lakhs, a truncated arrangement of this type could go wrong and fall short of excellent execution". A part of the business was then diverted to the Jammu and Kashmir Co-operative Marketing Federation.

In August 1979 the Company requested the Government (which is the Licencing Authority under the Insecticides Act, 1968) again to hand over the (heavily subsidised) business of pesticides to the Company (by elimination of private parties) so that a part of the profits could accrue to the Company as well. Further developments were awaited (February 1980).

(E) *Poultry-cum-cattle feed plants.*—The Company took over from the Government the poultry-cum-cattle feed plants at Jammu (July 1973) and Srinagar (September 1973) with the object of running them on a commercial basis and augmenting their capacity to meet the present and future demand for balanced poultry feed. The terms and conditions for the transfer of these plants were, however, not settled. The plant at Srinagar operated at 27.4 per cent of its capacity upto July 1974 when it was transferred back to the State Government. The production of the Jammu plant is indicated below :—

	1974-75	1975-76	1976-77
	(Quintals)		
Installed capacity per day	160	160	160
Workable capacity per day	120	120	120
Actual production (annual)	11,000	2,000	600
Average production per day	41.7	7.6	2.3
Percentage of actual production to workable capacity	34.7	6.3	1.9

The Management attributed (April 1976) the poor performance of the plants to lack of funds and unhealthy competition with the manufacturers of Punjab (to whom ingredients were available at concessional rates).

As the plants had failed to meet the requirements of the State Government and the farmers, the Jammu plant was also transferred back to the Government in March 1977. A sum of Rs. 2.42 lakhs representing the cost of ingredients and machinery transferred along with the plant at Jammu is outstanding recovery from the Animal Husbandry Department. An amount of Rs. 0.10 lakh is also outstanding for supplies made to private parties (April 1980). Further a sum of Rs. 1.13 lakhs is payable by the Company for the maize supplied by the Agriculture Department during 1974-75 and 1975-76.

(F) *Agro-service centres.*—A scheme for the establishment of integrated rural service centres, in co-operation with the State Government, was sponsored by the Government of India in November 1969. The object of the scheme was to provide (i) self employment opportunities to engineers, diploma holders, agricultural graduates, etc. ; (ii) farm maintenance and repair facility and a ready source for spare parts and fuel oil for agricultural machinery and implements ; and (iii) agricultural inputs and related services depending upon the needs of the area. The scheme was to be financed by the Government of India. It envisaged payment of training expenses for 3 months to the trainees to run the proposed centres and subsidy on interest (limited to Rs. 20,000 per year) on loans advanced to them by banks upto 3 years (5 years in the case of backward areas). The Company established 4 agro-service centres in the Jammu region during July 1972—March 1975.

All the 4 centres were closed down in 1976-77. Out of Rs. 0.56 lakh released as grant-in-aid by the Government of India during the 3 years upto 1975-76, towards subsidy (on interest, stipend and incidentals), only an amount of Rs. 0.05 lakh was released to the entrepreneurs (July 1976) and Rs. 0.18 lakh was adjusted against the Company's credit sales to them. Details in respect of the balance (Rs. 0.33 lakh) were not available.

The failure of the scheme was attributed by the Managing Director (December 1977/ March 1978) to the fact that (i) the centres were running in competition rather than in co-ordination with the Company, as the areas of work had not been demarcated ; (ii) the engineers of the service centres were neither trained nor was the maintenance of the machines (entrusted to the Company) handled by it, which resulted in heavy breakdowns and consequent loss of revenue to the entrepreneurs; and (iii) some entrepreneurs had secured Government jobs and abandoned the scheme.

7.9.6. *Workshops.*—The two main workshops of the Company at Srinagar and Jammu (capital cost: Rs. 4.70 lakhs) cater to major repairs and maintenance of the tractors, threshers and agricultural implements, etc. The Managing Director reported to the Planning Commissioner (September 1977) that the Srinagar workshop had since 1971-72 not been properly equipped due to lack of funds. Certain sheds and structures built in November 1973 at a cost of Rs. 1.25 lakhs were also lying incomplete and unused (February 1980).

The workshop complex at Jammu was to be dismantled in May 1976 and the site handed over to the Tourism Department for which the Company received a compensation of Rs. 3.82 lakhs (March 1977). The machinery was shifted (July 1976) to a site at Bari Brahmana, leased from Jammu and Kashmir State Industrial Development Corporation Limited at a premium of Rs. 0.41 lakh and annual rental of Rs. 0.02 lakh for a period of 90 years. The work of constructing a complex at the new site was entrusted to Jammu Development Authority (August 1977) at an estimated cost of Rs. 0.85 lakh. The work which was to be completed in 1½ months could not be taken up, as necessary funds were not made available to the Jammu Development Authority. In January 1978, the Company decided to have the complex constructed by its own staff. In the absence of detailed drawings, however, the plan was rejected by the Development Committee, Industrial Complex, Bari Brahmana. The plan was finally approved in July 1979 and the construction work awarded (September 1979) to a State Government construction company for completion in 4 months at an approximate cost of Rs. 4.03 lakhs was still in progress (April 1980).

The workshop, before it was dismantled (April 1976) was holding 45 tractors for repairs. This number went up to 78 in April 1979. Not only no major repairs could be carried out during this period, but the machinery and stores also remained exposed to sun and rain. The table below indicates the number of tractors detained for major repairs and the period of detention in the two workshops upto March 1979 :—

Name of workshop	Average number of tractors detained	Period of detention	Total tractor days of detention
Jammu	58	1976-77	21,170
	62	1977-78	22,630
	60	1978-79	21,900

Name of workshop	Average number of tractors detained	Period of detention	Total tractor days of detention
Sirnagar*	12	1977-78	4,380
	14	April to June 1978	3,206
	16	July to September 1978	
	5**	October 1978 to March 1979	
		Total		73,286

7.9.7. *Stores and inventory control.*—(a) The comparative position of the stock of stores at the close of each of the three years upto 1977-78 is given below :—

	1975-76	1976-77@	1977-78@
	(Rupees in lakhs)		
Spares consumed	2.00	1.60	2.13
Spares	11.60	6.80	7.20
Stock in terms of months' consumption	70	52	41

(b) *Surplus machines.*—The position of surplus machines (other than tractors and threshers), spare parts and implements held in the workshop in August 1979 was as under :—

Particulars	Value	Remarks
	(Rupees in lakhs)	
(i) Unserviceable/obsolete tillers, disc ploughs, cagewheels, etc.	4.10 (approximately)	Purchased during 1972-73 or inherited from Tractor Hiring Scheme.
(ii) Spare parts of tractors	3.69	These spares relate to machines already disposed of.
(iii) Miscellaneous items including 4 lathes, hay baler, belts and spare parts of threshers	1.76	Lathes purchased in October 1973 to set up mobile workshops which did not materialise.
Total	9.55	

* Information for 1976-77 not available.

** 11 tractors were auctioned in October 1978.

@ Figures are provisional.

No physical verification of stores, implements, etc., has been carried out for 1978-79. Shortages and excesses revealed in the physical verification (amounts not worked out) conducted for 1977-78 (October 1978) have not been investigated/regularised (June 1980).

(C) *Fabrication of storage bins.*—Against a loan of Rs. 3 lakhs received by the State Government from the Government of India (Rs. 2 lakhs in November 1973 and Rs. 1 lakh in January 1976) for the implementation of a Central scheme "Save Grain Campaign", a sum of Rs. 1.75 lakhs was placed at the disposal of the Company in March 1974 for fabrication of $\frac{1}{2}$ -1 tonne storage bins, to be sold to the farmers. The Company purchased 21.875 tonnes of G.I. sheets during 1973-74 and 1974-75 at a total cost of Rs. 1.22 lakhs for the fabrication of bins. Of this 6.147 tonnes were utilised for the fabrication of 218 ($\frac{1}{2}$ tonne) bins (upto September 1976), 10.129 tonnes were lying in stock (August 1978) and no account was available of the balance quantity of 5.601 tonnes.

Only 95 bins (value : Rs. 0.21 lakh) out of 218 bins could be sold by the Company. Due to poor off take the work of fabrication was stopped in October 1976, as the Company had no godown facilities to keep the bins.

7.9.8. *Manpower.*—A sanctioned cadre of 391 posts was evolved by the Company for the first time in September 1977 on the basis of work-load in the divisions. A year later (September 1978) the Company declared 129 employees as surplus after adjustment of the existing staff (520) against the sanctioned strength. Various departments of the State Government were requested to absorb the surplus staff. Until December 1979, 37 persons were transferred to the Agriculture Department of the State Government and 11 persons were adjusted against newly created/vacant posts leaving a surplus of 81 employees. The amount of idle wages paid during 1977-78 alone was estimated by the Company at Rs. 5.58 lakhs.

Admitting that no systematic method was followed in recruitment in the early stages and that in the absence of proper planning, posts had to be created/filled according to the requirements from time to time, the Management stated (September 1979) that after accounting for all adjustments the Company was now left with a surplus of 26 employees.

7.9.9. *Cost accounts and internal audit.*—The Company has neither drawn up any Accounting Manual nor introduced internal audit although an order creating an Internal Audit wing was issued in August 1977. Cost records for effective control over the Company's operations have also not been maintained (June 1980).

7.9.10. *Sundry debtors.*—The table below indicates the

position of sundry debtors at the close of 1977-78 and 1978-79 :—

Particulars	1977-78	1978-79
	(Rupees in lakhs)	
Government departments/ <i>quasi</i> -Government organisations	12.75	12.88
Private parties	7.25	11.47
Company employees	3.35	3.50
Total	23.35	27.85

The outstandings from employees include Rs. 1.39 lakhs due from employees who have since retired/been transferred.

7.9.11. *Other topics of interest-misappropriation of cash.*— The cash collections by the staff of the sub-units of the Company at Jammu (in respect of tractor hiring services, sale of poultry feed and agricultural machinery/implements) were periodically deposited with the Divisional Accounts Branch. It came to notice in October 1977 that an amount of Rs. 2,19,587.62 had been misappropriated by the Senior Accountant and the Cashier of the Division during the period October 1972 to August 1977. The exact amount of misappropriation prior to 1974 could not be assessed in the absence of complete records of sub-unit offices.

The Senior Accountant (since expired) had confessed his involvement and deposited Rs. 4,000 with the Company. The Cashier was placed under suspension and a case, filed against him (December 1978) in the Court of Chief Judicial Magistrate at Jammu, was *sub-judice* (September 1979).

7.9.12. **Summing up :**

- (i) The cumulative loss upto 31st March, 1978 was Rs. 1,05.58 lakhs representing 53.9 *per cent* of the paid up capital as on that date.
- (ii) Out of 60 power tillers purchased (during December 1972 to January 1974) for sale to the farmers, 11 power tillers valued at Rs. 1.04 lakhs were lying unsold with the Company (September 1979).
- (iii) Out of 171 tractors held at the end of 1977-78, 50 were unserviceable and considered beyond economical repairs, and 56 tractors were idle for want of spare parts. The

utilisation of the balance tractors (during 1976-77 to 1978-79) ranged from 38.5 to 64.4 *per cent*.

- (iv) The cold storage plants at Srinagar and New Delhi have not been utilised fully and the Company is sustaining losses in running both the plants.
- (v) As the Company had not kept itself in readiness, it could not avail of the offer of Government for arranging supply of pesticides/fungicides valued at about Rs. 2.00 crores.
- (vi) The Company recruited staff without assessing the actual requirements in the initial stages. The amount of idle wages paid during 1977-78 was estimated at Rs. 5.58 lakhs.

The points mentioned above were reported to the Government in November 1979 ; reply is awaited (August 1980).

SECTION D

Departmentally-managed Government commercial/*quasi*- commercial undertakings

7.10. **Introduction.**— There were eight departmentally-managed Government commercial/*quasi*-commercial undertakings in the State as on 31st March 1979.

Pro-forma accounts of the following undertakings were in arrears (July 1980) :—

Name	Extent arrears
Government Press, Srinagar	1968-69 to 1978-79
Government Press, Jammu	1968-69 to 1978-79
Government Fair Price Shop (Drugs and Medicines), Srinagar	1970-71 to September 1973
Food and Supplies Department, Jammu	1972-73 to 1978-79
Government Transport Undertaking, Srinagar	1973-74 to 31st August 1976
Food and Supplies Department, Srinagar	1974-75 to 1978-79

Name	Extent arrears
Milk Supply Scheme, Srinagar	1975-76 to 1978-79
Milk Supply Scheme, Jammu	1975-76 to 1978-79
State Insurance Scheme, Srinagar	1976-77 to 1978-79
Government Lumbering Undertaking, Srinagar	1978-79 to end of June 1979

The position of arrears was last reported to the Government in January 1980.

A statement showing the financial results of two departmental undertakings on the basis of their latest available accounts is given in Appendix VII.

Government Lumbering Undertaking

7.11.1. *Introduction.*—The Undertaking was formed in July 1973, integrating all the schemes sanctioned from time to time since 1960 for the departmental extraction of timber from Keran and Lolab valleys.

In September 1977, the Government constituted a governing board with the Minister of Forests as its Chairman and eight other members (all officials). As on 31st March 1979, the Undertaking was headed by a General Manager, who was assisted by 4 Deputy General Managers—one each for Jammu and Kashmir regions, one for planning and one for marketing and sales—and a Chief Accounts Officer. The Jammu region has 5 extraction divisions and a sales division. The Kashmir region has 6 extraction divisions, 2 sales divisions, a Saw Mill division and a Workshop division. Each division is headed by a Divisional Manager.

A review included in the Report of the Comptroller and Auditor General of India for the year 1972-73 on the working of the Departmental Lumbering Project was examined by the Public Accounts Committee in August-September 1976. The following is a review of the working of the Undertaking for the period from 1975-76 to 1978-79.

7.11.2. *Activities.*—The activities of the Undertaking begin with the felling of trees in the forests and end with the sale through various sale depots, of timber in the form of logs, sleepers/scants, poles, etc.

7.11.3. *Extraction and transportation.*—(1) The table below shows the year-wise targets *vis-a-vis* actuals and the percentage of achievement in respect of extraction and transportation of timber from working areas/transit depots to the sale depots :—

Year	Extraction			Transportation		
	Target	Actual	Percentage	Target*	Actual*	Percentage
	<i>(cft. in lakhs)</i>			<i>(cft. in lakhs)</i>		
1975-76	84.00	60.40	71.90	128.21	54.40	42.43
1976-77	120.00	73.53	61.27	154.90	74.11	44.84
1977-78	160.00	67.71	42.31	174.62	77.11	44.15
1978-79	180.00	75.48	41.93	151.35	73.72	48.70

In February 1978, the Chief Conservator of Forests informed the Government that while fixing the targets it was envisaged that the Undertaking would be immediately converted to a corporation, enabling it to raise institutional finance for accelerating the pace of exploitation of forests. However, the targets could not be achieved due to delay in the process of conversion and, as a consequence there were delays in

- development of communication system ;
- mechanisation of operations through installation of ropeways, sawmills, etc. ;
- increase in the fleet strength of trucks to accelerate transportation from coupes ; and
- augmentation of the organisation.

(2) The following deficiencies were noticed in the maintenance of records of extraction and transportation of timber :

(a) (i) At the time a forest compartment or coupe is intended to be taken up for extraction of timber the Forest Department, after selecting and marking the trees (deemed technically fit for exploitation), prepares a list of such trees (known as marking list) showing tree-wise details as to species, dimensions, class, volume, etc. The forest compartment/coupe is then leased out either to the Undertaking or to private parties. In the case of private parties, the lump-

* Includes previous years' backlog.

sum royalty payable (in instalments) to the Forest Department is determined by inviting tenders but in the case of the Undertaking the compartment/coupe is allotted either against a lumpsum royalty which a private party may have offered or on royalty determined on the basis of average lease rates of the division. While taking charge of a compartment/coupe, the lessee is required to physically check the marked trees with the marking lists so that missing/damaged trees and other deviations, if any, are listed on the receipts furnished by the lessee to the Forest Department. It was, however, noticed in audit that the Undertaking generally issued the receipts without verifying the physical existence of trees or any damage thereto.

(ii) In two compartments alone in which marking for sale was conducted by the Forest Department during 1958-59 for 2,989 trees (volume : 1,84,520 cft. of Deodar, Kail and Fir), 685 trees (volume : 48,388 cft.) were found missing in 1976-77 when exploitation of the forest (allotted to the Undertaking in 1971) was completed. On the basis of the royalty of Rs. 10.51 lakhs which the Undertaking was required to pay to the Forest Department, the proportionate loss (royalty) on the missing trees works out to Rs. 2.75 lakhs.

The matter was first taken up by the Undertaking with the Forest Department in December 1973 when some trees were found missing but the concerned Divisional Forest Officer pointed out that "it was not understood how the question of the missing trees had been raised in the light of acknowledgements of trees as per markings." In January 1978, the Divisional Manager, Doda stated that the matter was under correspondence with the Forest Department, but it was stated later (September 1979) that no further correspondence was exchanged as the Forest Department did not accept the claim.

Besides the above, 15 trees (volume : 4,115 cft.) were found missing in one compartment of Anantnag Division, 10 trees (volume : 1,968 cft.) in three compartments of Kishtwar Division and 10 trees (volume : 470 cft.) in one compartment of Udhampur Division. Reckoned at the cost of production of Rs. 7.68 per cft. of timber extracted during 1975-76 the value of 6,893 cft. of missing timber works out to Rs. 0.53 lakh.

(b) The lists of trees marked for exploitation by the Forest Department during 1975-76 to 1978-79 available with the forest compartments of the Undertaking (where detailed initial tree-wise records of felling, conversion into logs and scants and their despatch are maintained) were not certified as being true copies of the lists of the Forest Department. It was, however, noticed in respect of 16 compartments of one division (exploited during 1975-76 to 1977-78) that while the books of the Forest Department showed the total marking as 45.93 lakh cft. of Deodar, Kail and Fir trees, the books

of the Undertaking showed 50.80 lakh cft. as having been taken over.

(3) Trees are converted into logs after felling and the logs are converted into scants. Neither any account of the volume of felled trees (showing girth, length and volume) nor the records of conversion into logs (conversion register) and log passing account were maintained in the Jammu region, and consequently it could not be checked whether the timber obtained in one process was duly accounted for in subsequent processes.

(4) No compartment-wise accounts have been maintained showing the trees lopped before felling, firewood obtained, firewood received at the loading points and firewood despatched to transit/sale depots. Consequently, it was not possible to verify whether the firewood obtained was duly accounted for.

The trees are felled after lopping. The felled trees are converted into logs of different lengths by cross cuts. These logs are debarked and either rolled/carried to predetermined loading points in the forest or further sawn in the forest in scants/sleepers, etc., and then rolled / dragged or carried to loading points in the forests. The timber so received at the loading points is passed by the field staff of the Undertaking and taken on stock by recording the dimensions and working out the volume of each piece and classifying it according to species, grades, etc. There is, however, no system of maintaining records of unpassed timber in the compartments/ coupes at the end of the yearly working season.

As per information made available, in six divisions an estimated volume of 14.82 lakh cft. of timber was lying unpassed in 58 compartments at the end of March 1979 as shown below :—

Division	Number of compartments	Volume of unpassed timber (Approximate)
		(Cft. in lakhs)
Kishtwar	14	4.49
Ramban	3	0.16
Baramulla	19	1.93
Pirpanchal	8	1.59
Doda	7	1.36
Udhampur and	7	5.19
Birwan Saw Mill	..	0.10
Total	58	14.82

(5) The following points were also noticed :—

- (i) The undespached timber (Kashmir region) included 4.43 lakh cft. (value : Rs. 37.30 lakhs) which had been lost due to fire, flood, pilferage and other causes etc.
- (ii) There is no system of conducting physical verification of the closing balances at each forest loading point and transit depot during or at the end of a year.
- (iii) Timber is despatched by road from forest loading points to transit depots and from there to the sale depots or saw mills. Reconciliation between the figures of despatches from various points and their receipt at the next points has not been conducted for the years 1975-76 to 1978-79 so far (September 1979).
- (iv) In Jammu region despatches from forest loading points/transit depots (launching points) are made by river (**mahan**) through contractors engaged after inviting open tenders. The contractors are required to launch the timber in the river from launching points and land it at predetermined catching points whence it is carted to the sale depots by road. The Undertaking has yet (September 1979) to reconcile the quantity of timber floated through the rivers during 1976-77, 1977-78 and 1978-79 with the quantity received at the catching points and that of timber despatched by road from catching points with that of timber received at the sale depots to determine losses, shortages, etc., in transit. In the Jammu region the loss of timber during 1976-77 to 1978-79 had been assessed by the Undertaking at 0.91 lakh cft. valued at Rs. 7.66 lakhs (reckoned at Rs. 8.42 per cft. being the cost of production for 1976-77). The loss, however, could not be verified.

(6) The following table shows the total despatches from the extraction divisions of the Jammu region and saw mills of Kashmir region to the sales depots in Jammu region, and the total receipts acknowledged by them :—

Year	Total despatches	Total receipts acknowledged	Variation (and percentage)
<i>(In lakhs of cft.)</i>			
1975-76	26.14	22.41	(—)3.73 (14)
1976-77	35.11	30.83	(—)4.28 (12)
1977-78	26.49	25.36	(—)1.13 (4)
1978-79	17.78	23.66	(+)5.88 (33)

The variations in the figures of despatches and receipts have neither been reconciled nor investigated so far (September 1979).

7.11.4: **Working of saw mills.**—(a) The Kashmir region has 4 saw mills — three at Shalteng and one at Doabgah (Sopore). The Jammu region has 2 saw mills — one at Narnoo (Bhaderwah) and another at Krimchi (recently transferred to Birwan, Udhampur).

As laid down in the operational plans of the Undertaking each saw mill in Kashmir region is required to saw 1,500 cft. of timber per day (including double shift days). On the basis of the installed capacity as per the operational plan, the annual sawing output of the 4 saw mills in the Kashmir region is 12 lakh cft. The table below gives the details of operations for the four years ending March 1979 :

Year	Installed capacity	Annual target fixed	Actual input	Actual output	Percentage
(Cft. in lakhs)					
1975-76	12	11	10.35	7.79	75.24
1976-77	12	11	11.11	7.46	67.15
1977-78	12	11	9.11	6.69	73.44
1978-79	12	10.25	7.74	6.10	78.81

The following points were noticed (September 1979) :—

- (i) The quantity actually sawn dropped progressively from 11.11 lakh cft. in 1976-77 to 7.74 lakh cft. in 1978-79 for which no reasons were on record.
- (ii) No stock account of rejections, sawdust, *passellas*, etc., obtained from the sawing of logs had been maintained (July 1978).
- (iii) During 1976-77, a shortage of 302 logs (approximate value : Rs. 8.51 lakhs) came to notice at Shalteng Saw Mills. Three officials were placed under suspension during 1977-78 and the case is still under investigation (September 1979).
- (iv) Physical verification of the stocks of timber has not been conducted during the four years ending March 1979 (September 1979).

(b) The two saw mills in the Jammu region with an annual installed capacity of 1.80 lakh cft. were both under-utilised as these were, according to the Undertaking (as indicated in their operational plans), located at inconvenient points and could cater to the demands of specific compartments only. The saw mill at Krimchi remained idle for two years prior to 1975-76 and thereafter no record of the work done was maintained. The mill was shifted to Birwan (Udhampur) in March 1978 at a cost of Rs. 0.26 lakh. In addition, Rs. 0.30 lakh were spent on the construction of a shed and staff quarters. The mill had sawn 41,248 cft. during the trial runs (December 1978 — March 1979). The reasons for non-utilisation of the saw mill during March — November 1978 are awaited (September 1979).

7.11.5. *Sales.*—(i) Sales are conducted by public auction at the sale depots of the Undertaking. The table below shows the sale of all type of timber during the four years upto 1978-79.

Year	Sales targets	Actual sales	Percentage
<i>(Cft. in lakhs)</i>			
1975-76			
(i) Kashmir region			
Round	40.00	23.35	58.37
Sawn	5.50	0.53	9.63
(ii) Jammu region			
Round	4.00	0.32	8.00
Sawn	26.00	16.77	64.50
1976-77			
(i) Kashmir region			
Round	36.00	24.82	68.89
Sawn	5.00	0.48	9.60

Year	Sales targets	Actual sales	Percentage
(Cft. in lakhs)			
(ii) Jammu region			
Round @	..	0.23	..
Sawn	35.00	24.50	71.14
1977-78			
(i) Kashmir region			
Round	36.65	31.28	85.35
Sawn	4.35	1.43	31.87
(ii) Jammu region			
Round @	..	0.31	..
Sawn	40.00	27.98	69.50
1978-79			
(i) Kashmir region			
Round	41.75	26.73	64.02
Sawn	5.25	4.12	78.47
(ii) Jammu region			
Round@	..	0.25	..
Sawn	43.00	23.69	55

It will be seen that achievement was considerably below the targets, especially in the case of log timber in Jammu region and in case of sawn timber in Kashmir region.

The reasons for poor sales as mentioned in the operational plans of the years 1975-76 to 1978-79 were :

- non-availability of standard sizes ;and
- deterioration of stocks due to long storage in forests, transit depots, etc.

@ During 1976-77, 1977-78 and 1978-79 no targets for sale in round form were fixed by the Management for Jammu region. No reasons were on record.

(ii) In Kashmir region variations were noticed between the quantity despatched by saw mills and that acknowledged by the sale depots. There was a net shortage of 0.94 lakh cft. (value : Rs 7.90 lakhs) during 1975-76 to 1978-79. The Management stated (August 1979) that pending reconciliation no action had been taken.

(iii) The records of sale depots located in Jammu region showed that during the four years from 1975-76 to 1978-79, 0.02 lakh cft. and 8.09 lakh cft. of timber in log and sawn form respectively, representing the difference between the book balances and ground balances, had been treated as "Sharramandi" variations (*i. e.*, variations between measurements recorded at forest loading points and standard measurements by which sale is conducted in the sale depots). These variations, (1.38 per cent to 21.56 per cent in respect of log and 0.42 per cent to 31.72 per cent in respect of sawn timber) were charged off from the stocks without the sanction of the competent authority. No norms have been fixed for such variations.

(iv) Physical verification conducted in March 1979 revealed shortages of 8.70 lakh cft. of timber. These shortages were reported to the Government in March 1979. The shortages continue to form part of the book balances (February 1980).

7.11.6. *Transport fleet.*—(a) (i) As on 31st March 1979 the Undertaking had a fleet of 95 trucks for the transportation of logs of timber. During the four years upto 1978-79 the Undertaking had lost 17,206 vehicle days (out of 1,22,138 available vehicle days) in Kashmir region through detention of the vehicles in the workshop for which no reasons were on record. In Jammu region records of fleet deployment and load movement were not maintained although the Undertaking was plying trucks in that region as well.

(ii) Dip readings revealed a shortage of 37,491 litres of diesel (value : Rs. 0.57 lakh) and 439.33 litres of petrol (value : Rs. 0.02 lakh) during February 1976 to March 1978. The shortage has not been investigated although the book balance has been reduced.

(iii) No consumption scale for diesel and petrol has so far been determined (September 1979) in respect of the vehicles to watch that consumption is not excessive.

(b) *Non-maintenance of records.*—The following deficiencies were noticed :—

(i) Neither job cards nor history cards have been maintained in respect of the vehicles.

- (ii) Maximum, minimum and re-ordering levels for various items of stores and spare parts have not been laid down.
- (iii) History cards in respect of tyres have not been maintained.
- (iv) No record of disposal of replaced parts and tyres has been kept.

(c) *Idle machinery.*—In April 1976 a tyre retreading plant (with accessories and other equipment) was purchased at a cost of Rs. 0.62 lakh. A further expenditure of Rs. 0.59 lakh was incurred (upto October 1977) on the purchase of equipment, construction of shed etc. In December 1977 the General Manager offered the plant to the Jammu and Kashmir State Road Transport Corporation in view of inadequate load. The plant has neither been commissioned nor disposed of so far (September 1979).

7.11.7. *Working results.*—(i) The Undertaking has not prepared *pro forma* accounts for the years 1977-78 and 1978-79. The table below indicates the working results for the three years ending 1976-77.

Income	1974-75	1975-76	1976-77
	(Rupees in lakhs)		
Sales	3,23.74	4,68.49	6,50.89
Miscellaneous receipts	0.79	1.98	4.26
Accretion of stock	97.22	1,28.46	1,44.93
Total	4,21.75	5,98.93	8,00.08
Expenditure			
Extraction, carriage, sawing and storage	1,43.89	2,14.86	3,02.01
Royalty	2,01.68	2,71.85	3,00.00
Administrative charges	32.56	47.64	73.40
Depreciation	7.98	11.68	12.46
Interest on capital	20.66	41.70	51.90
Total	4,06.77	5,87.73	7,39.77
Profit	14.99	11.25	60.31

The closing stock of timber as at the end of the years 1974-75, 1975-76 and 1976-77 represented 10-11 months' sales.

(ii) The following table indicates the volume of book debts and sales for three years ending 1976-77 :—

As on	Book debts	Turnover for the year	Percentage of debtors to turnover
(Rupees in lakhs)			
31st March 1975	1,24.99	3,23.74	38
31st March 1976	1,39.92	4,68.54	29
31st March 1977	1,49.51	6,50.89	23

(iii) *Advances.*—(a) Advances were paid by the Divisional Manager, Doda to various contractors for works connected with the extraction of timber, transportation, etc. Instead of keeping the account of such advances in the prescribed form to watch recoveries, the advances paid during February 1974 (the date when Doda Division was created) to March 1975 were debited to the final heads of account. The Undertaking has, therefore, neither been able to determine the total amount advanced nor has it been able to watch the recovery or adjustment thereof.

The Divisional Manager stated (October 1978) that some contractors against whom recovery proceedings were initiated had filed objections with him which were being examined.

An amount of Rs. 6.31 lakhs relating to the period from 1973-74 to 1974-75 has been treated as bad debt. Out of the advances made during the period 1975-76 to 1977-78 (Rs. 36.32 lakhs), an amount of Rs. 5.66 lakhs was outstanding as at the end of September 1979.

(b) In Jammu division accounts of advances made to contractors had not been maintained until April 1975. The accounts for the period from April 1975 to March 1978 (which do not incorporate closing balances as at the end of 1974-75), however, showed an amount of Rs. 8.38 lakhs outstanding as at the end of September 1979. In July 1976 the Divisional Manager, Jammu pointed out to the General Manager that in 31 cases the contractors had abandoned the works and an aggregate amount of Rs. 2.63 lakhs was outstanding against them on account of advances paid to them. Some cases were referred to the Additional Advocate General in October 1976 who advised the Divisional Manager, Jammu to complete the agreements left blank and to go in for civil

suits. Action taken in this behalf has not been intimated to audit (September 1979).

(c) The books of the Deputy General Manager, Jammu showed Rs. 0.47 lakh, Rs. 0.50 lakh and Rs. 0.94 lakh outstanding since 1975 against a Depot Assistant and two Divisional Managers on account of advances made to them for purchase of material, foodgrains, etc. Action taken for adjustment/recovery has not been intimated (February 1980).

(d) In June 1978, the General Manager pointed out that as on 31st March 1978 advances aggregating Rs. 5.59 lakhs were outstanding against 12 officials since 1975 of which Rs. 2.67 lakhs and Rs. 2.13 lakhs were outstanding against two officials alone (who have been transferred from the Undertaking, one in 1976 and another in 1978).

7.11.8. *Accounting Manual*.—The Undertaking has not prepared any accounting manual.

7.11.9. *Costing system*.—The Undertaking has not introduced any costing system.

7.11.10. *Summing up*.—

(i) The percentage of actual extraction of timber to the targets fixed dropped from 71.90 in 1975-76 to 41.93 in 1978-79. Actual transportation of timber was less than 50 per cent of that anticipated to be transported from the forests to the transit sale depots.

(ii) At the time of taking charge of forest compartments/coupes, the Undertaking has not generally been verifying the physical existence of the trees shown to have been allotted by the Forest Department. The loss due to missing trees worked out to Rs. 3.28 lakhs.

(iii) In Jammu region, large quantity of timber was left unpassed after extraction. At the end of March 1979, 14.82 lakh cft. of timber was lying unpassed in 58 compartments.

(iv) Timber shown as lying undespached in Kashmir region included 4.43 lakh cft. (value Rs. 37.30 lakhs) which had been lost due to fire, floods, pilferage, etc.

(v) In Jammu region no reconciliation has been conducted for the quantity of timber despatched by river from the loading points and the timber received at the catching points and transported to the sale depots. The transit loss of timber during 1976-77 to 1978-79 has been assessed by the Undertaking at 0.91 lakh cft. valued at Rs. 7.66 lakhs.

(vi) The saw mills have not been utilised to their full capacity. No stock accounts of by-product obtained from logs after sawing has been maintained. A shortage of 302 logs valued at Rs. 8.51 lakhs came to notice during 1976-77 in one of the saw mills.

(vii) Variations were noticed between the quantities despatched by the saw mills and those acknowledged by the sale depots. In Kashmir region, there was a net shortage of 0.94 lakh cft. (value : Rs. 7.90 lakhs) of timber despatched from the saw mills to the sale depots during 1975-76 to 1978-79.

(viii) During 1975-76 to 1978-79, the value of 8.11 lakh cft. of timber representing the difference between the book balances and the ground balances, was charged off from the stocks without the sanction of the competent authority.

(ix) A shortage of 8.70 lakh cft. of timber came to notice during physical verification of stocks at the sale depots in March 1979.

(x) In Jammu region records of fleet deployment and load movement had not been maintained. In Kashmir region the Undertaking had lost 17,206 vehicle-days out of 1,22,138 vehicle-days available. During February 1976 to March 1978 dip readings had revealed shortages of 37,491 litres of HSD and 439.33 litres of petrol. These shortages had not been investigated.

(xi) The closing stock of timber at the end of the years 1974-75, 1975-76 and 1976-77 represented 10-11 months' sales. As on 31st March 1977, sundry debtors amounted to Rs. 1,49.51 lakhs which represented 23 *per cent* of the turnover for 1976-77.

(xii) In Jammu Division, advances amounting to Rs. 2.63 lakhs were recoverable from contractors who had abandoned the works and Rs. 4.80 lakhs from two officials who had been transferred from the Undertaking in 1976/1978.

The matters mentioned above were reported to the Government in June 1979 and again in January 1980 ; reply is awaited (August 1980).

CHAPTER VIII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

8.1. (a) During 1978-79, Rs. 2,41.08 lakhs were paid as grants to non-Government bodies, institutions and others against Rs. 2,60.24 lakhs paid in 1977-78. The purposes for which the grants were paid during 1978-79 are given below :—

Name of the Department	Purpose for which grants paid	Amount
		(Rupees in lakhs)
Education	(i) Primary education	0.22
	(ii) Secondary education	14.90
	(iii) Colleges (Non-Technical)	30.08
	(iv) Colleges (Technical)	26.52
	(v) Universities	145.10
	(vi) Others	0.51
Industries	Village and small industries	6.00
Community Development	Construction of shop-cum-huts, etc.	4.97
Medical	(i) Family welfare	} 6.79
	(ii) Medical relief	
General	Religious and charitable institutions	0.70
Social Welfare	Social welfare	5.29
	Total	2,41.08

(b) *Utilisation certificates.*— The financial rules of the Government require that certificates of utilisation of grants should be furnished by the departmental officers to the Accountant General within eighteen months of sanction of grants. On 30th September

1979, 983 certificates (Rs. 6,76.80 lakhs) were awaited ; of these 729 certificates (Rs. 3,85.54 lakhs) relate to grants paid upto end of March 1976. Besides, certificates for grants paid during the period from 1st April 1976 to 31st March 1978 had also not been received upto 30th September 1979, the details of which were as given below :—

Department	Year in which grants were paid	Utilisation certificates					
		Due		Received		Awaited	
		Num-ber	Amount	Num-ber	Amount	Num-ber	Amount
		<i>(Rupees in lakhs)</i>		<i>(Rupees in lakhs)</i>		<i>(Rupees in lakhs)</i>	
Health	1976-77	14	4.07	1	0.10	13	3.97
	1977-78	11	8.25	*	0.25	11	8.00
Education	1976-77	132	1,59.33	103	1,25.26	29	34.07
	1977-78	159	2,18.43	..	..	159	2,18.43
General	1976-77	2	13.72	2	13.72	..	..
	1977-78	6	1.04	6	1.04	..	..
Social Welfare	1976-77	3	1.04	1	0.80	2	0.24
	1977-78	23	7.45	10	0.30	13	7.15
Industries	1977-78	17	24.09	2	7.43	15	16.66
Community Development	1976-77	9	1.25	1	0.15	8	1.10
	1977-78	4	1.64	..	..	4	1.64
Total		380	4,40.31	126	1,49.05	254	2,91.26

(c) The utilisation certificates have not been received although considerable time has passed since the grants were paid. In the absence of the certificates it is not possible for Audit to know, even in a broad way, to what extent the recipients spent the grants for the purpose or purposes for which these were given and whether any misappropriation, fraud, etc., took place.

(c) For the purpose of audit under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the accounts of bodies/authorities to which grants/

* Part of an item.

loans of not less than Rs. 5 lakhs each had been paid by various departments in a financial year including unutilised balances carried forward from previous year are to be furnished to Audit immediately after these are got certified by their auditors. The annual accounts of 6,7,15 and 12 bodies/authorities for the years 1975-76, 1976-77, 1977-78 and 1978-79 respectively had not been received (December 1979).

Besides, audit of the accounts of the Jammu and Kashmir Khadi and Village Industries Board, Srinagar for 1978-79 could not be taken up due to non-receipt of its accounts. Similarly, audit of the accounts of the Employees Provident Fund Scheme for the years 1970-71 to 1978-79 is also in arrears.

(d) Important points noticed during audit are mentioned in the succeeding paragraphs.

Education Department

8.2. Kashmir University

8.2.1. The University of Kashmir receives grants from both the State Government and the University Grants Commission. Summarised financial position of the University for the years 1975-76 and 1976-77 was as under :—

	1975-76	1976-77
	<i>(Rupees in lakhs)</i>	
(i) Opening balance including Fixed Deposits and Imprest	11.86	32.15
(ii) Receipts		
(a) Grant-in-aid from the State Government	82.39	60.40
(b) Grant-in-aid from the University Grants Commission	9.00	4.80
(c) Other receipts including debt, deposits and interest, etc.	30.55	37.49
Total (ii)	1,21.94	1,02.69
(iii) Total expenditure	1,01.65	99.29
(iv) Closing balance including Fixed Deposit receipts and Imprest	32.15	35.55

The accounts for the years 1977-78 and 1978-79 were still (March 1980) under certification by the State Finance Department.

8.2.2. *Delay in adjustment of advances.*—The University has been paying advances to its officials and private parties for meeting expenditure in connection with tours, stores purchases, etc.

Test check by Audit showed that as at the end of July 1979, outstanding advances (exceeding Rs. 500 in each case) more than three years old amounted to Rs. 2.76 lakhs, the year-wise break-up of which was as follows :—

Period for which outstanding	Amount outstanding (Rupees in lakhs)
(i) More than 10 years	0.72
(ii) Between 5 and 10 years	1.87
(iii) Between 3 and 5 years	0.17
Total	2.76

In reply to an audit query, the Registrar stated (September 1979) that the outstandings included an amount of Rs. 1 lakh for which accounts had been rendered by the concerned persons and were under consideration.

It was also noticed in audit that proper ledger accounts of such advances had not been maintained for watching recoveries/adjustments. Adjustments made were not also supported by details. Acceptances of the outstandings were not being obtained nor was year-wise analysis of the outstandings prepared.

The Government to whom the matter was reported in October 1979 stated (December 1979) that non-adjustment of advances was due to delay in verification of receipt of equipment and non-determination of recovery due from the contractors for short supply.

8.2.3. *Locking up of funds.*—The contractor who was entrusted (June 1973) with the work of providing electric installations (cost :Rs 2.35 lakhs) to the newly constructed library building of the Kashmir University, to be completed within 9 months from the date of start or three months after completion of civil works, whichever was earlier, failed to complete the work as per the agreement and the work already done by him was also found to be defective. The work was still incomplete (March 1980). An amount of Rs. 1.06 lakhs paid to the contractor (including deposits of Rs. 0.12 lakh kept

back from bills) had consequently been locked up for more than five years. Besides, there was an unleared liability of Rs. 0.17 lakh on account of work done by the contractor but not paid so far (August 1979).

The contract did not have a clause enabling the Department to have the work completed at the risk and cost of the contractor in case of his failure to complete the work as per provisions of the contract. Consequently, though the University council in its meeting held on 26th July 1978 had resolved to have the work done by another firm with minimum loss of time, the work had not been allotted to the firm.

The case was referred (November 1979) to Superintending Engineer, Electric Maintenance Circle, Srinagar for arbitration. Further developments were awaited (March 1980).

Meanwhile, a portion of the building (completed in October 1974) was reported to have been put to use by providing temporary electric connections at a cost of Rs. 0.14 lakh as on 14th April 1980.

The matter was reported to the Government in January 1979 and again in October 1979 ; reply is awaited (August 1980).

CHAPTER IX

OUTSTANDING AUDIT OBSERVATIONS AND INSPECTION REPORTS

9.1. Outstanding audit observations.—

(a) Audit observations on financial transactions of the Government are reported to the departmental authorities concerned so that appropriate action is taken to rectify the defects and omissions.

At the end of October 1979 observations numbering 96,505 issued upto end of March 1979 were outstanding involving Rs. 1,71.50 crores.

Year-wise analysis of the outstanding audit observations is given below :—

Year	Number of observations	Amount (In crores of rupees)
1973-74 and earlier years	35,216*	21.01*
1974-75	6,594*	5.36*
1975-76	5,928*	18.04*
1976-77	8,387*	17.96*
1977-78	13,095	30.54
1978-79	27,285	78.59
Total	96,505	1,71.50

(b) The following departments have comparatively heavy outstanding audit observations :—

Sl. No.	Department	Number	Amount (In crores of rupees)
1.	Electricity	12,425	40.00
2.	Food, Supplies and Transport	3,008	38.24
3.	Roads and Buildings	14,790	26.64
4.	Forest	14,800	14.58
5.	Community Development and Agriculture	7,360	10.72

* Figures are provisional as the records destroyed in fire in March 1977 are under reconstruction.

Sl. no.	Department	Number	Amount (In crores of rupees)
6.	Public Health Engineering	4,482	8.21
7.	Industries and Commerce	3,120	5.49
8.	Relief and Rehabilitation	3,004	5.11
9.	Health	6,738	4.82
10.	Mechanical and Stores	1,830	3.50
11.	Irrigation	3,193	3.35

(c) The following are some of the major reasons for which the audit observations have remained outstanding :—

Sl. no.	Nature of observations	Number	Amount (In crores of rupees)
1.	Detailed bills for lump sum drawals not received	22,116	49.86
2.	Payees' receipts and vouchers not received	31,385	34.43
3.	Sanctions not received for contingent and miscellaneous expenditure	14,006	25.55
4.	Agreements with contractors/suppliers not received	1,834	20.00
5.	Sanctions for establishment not received	3,284	15.41

(d) The facility of drawing advances on abstract contingent bills by disbursing officers is intended to expedite payment in certain cases but the abstract bills are to be followed by detailed contingent bills (containing all particulars of expenditure with supporting documents) which should be sent to the Audit Officer by the end of the month following that in which the abstract bills is drawn. In the absence of the detailed contingent bills, it is not practicable for Audit to know whether the amount has been spent on the purpose or purposes for which advances were drawn.

Rupees 49.86 crores are held under observation as detailed contingent bills have not been received in the Audit Office. The departments with comparatively heavy outstandings are mentioned below :—

Serial number	Department	Amount (In crores of rupees)
1.	Food, Supplies and Transport	15.98
2.	Community Development and Agriculture	8.02
3.	Roads and Buildings	6.07
4.	Relief and Rehabilitation	4.53
5.	Electricity	3.19
6.	Health	2.76
7.	Public Health Engineering	2.38

9.2. Outstanding inspection reports.—

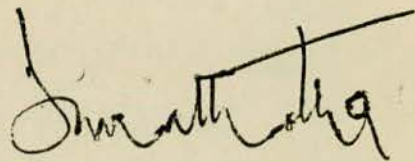
(a) Audit observations on financial irregularities and defects in initial accounts, noticed during local audit and not settled on the spot, are communicated to heads of offices and to the next higher departmental authorities through audit inspection reports. The more important irregularities are also reported to the heads of the departments and the Government. The Government has prescribed that first replies to the inspection reports should be sent within one month from the date of issue of the report. At the end of October 1979, inspection reports numbering 5,434* issued upto March 1979 still contained 16,886* paragraphs remaining unsettled. These included 4,446 reports relating to civil departments, 651 to revenue receipts and 337 to commercial departments. Of these, in the case of 11 inspection reports (civil) 6 inspection reports (commercial) and 4 inspection reports (revenue receipts), even the first replies had not been received.

(b) Departments with large number of outstanding civil

* Figures are provisional as files destroyed in fire in March 1977 are under reconstruction.

inspection reports are mentioned below :—

Department	Number of outstanding inspection reports	Number of paragraphs
Education	873	3,346
Agriculture	264	969
Community Development and National Extension Service	339	920
Medical	255	903
Animal Husbandry	209	727
Forest	227	579
Roads and Buildings	237	579
Power Development	299	762
Major Hydel Projects and Flood Control	258	688



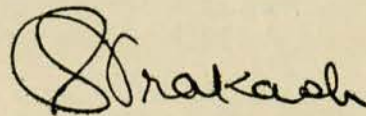
(D. S. MALHOTRA)

Accountant General, Jammu and Kashmir

Srinagar,

The 16 MAR 1981

Countersigned



(GIAN PRAKASH)

Comptroller and Auditor General of India

New Delhi,
The

19 4 MAR 1981

APPENDICES

APPENDIX I

(Referred to in paragraph 1.4 (ii), page 10)

Significant variations in revenue expenditure during 1978-79
over the previous year under broad sectors

Sector/Sub-sector of expenditure	Actuals		Increase
(1)	1977-78 (2)	1978-79 (3)	(4)
	<i>(Crores of rupees)</i>		

A—PLAN

(i) Social and Community Services	7.60	10.70	3.10
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Increase was mainly on Education (Rs. 1.83 crores), Public Health, Sanitation and Water Supply (Rs. 0.38 crore), Family Welfare (Rs. 0.36 crore) and Social Security and Welfare (Rs. 0.32 crore).

(ii) Economic Services—

(a) Agriculture and Allied Services	5.56	7.55	1.99
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Increase occurred mainly under Area Development (Rs. 1.16 crores) and Agriculture (Rs. 1.08 crores) partly offset by decrease mainly under Animal Husbandry (Rs. 0.48 crore).

B—NON-PLAN

(i) General Services	34.12	65.65	31.53
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Increase was mainly on Interest Payments (Rs. 28.16 crores), Police (Rs. 1.35 crores) and Public Works (Rs. 1.15 crores).

(ii) Social and Community Services	35.57	41.98	6.41
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Increase was mainly on Education (Rs. 3.60 crores), Medical (Rs. 1.82 crores) and Public Health, Sanitation and Water Supply (Rs. 1.43 crores) which was partly counterbalanced by decrease under Urban Development (Rs. 1.06 crores).

APPENDIX I—concl'd.

Sector/Sub-sector of expenditure (1)	Actuals		Increase (4)
	1977-78 (2)	1978-79 (3)	

(Crores of rupees)

(iii) Economic Services—

(a) Agriculture and Allied Services	17.54	32.69	15.15
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Increase occurred mainly under Food (Rs. 7.55 crores), Forest (Rs. 4.10 crores) and Animal Husbandry (Rs. 1.62 crores).

(b) Transport and Communications	8.48	20.46	11.98
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Increase was mainly on Roads and Bridges (Rs. 11.77 crores).

APPENDIX II

(Referred to in paragraph 1.5 (iii), page 12)

Significant variations in capital expenditure during 1978-79 over the previous year under broad sectors

Sector/Sub-sector of expenditure (1)	Actuals ----- 1977-78 1978-79 (2) (3)	Variation Increase(+)/ Decrease(-) (4)
<i>(Crores of rupees)</i>		

A—PLAN

(i) Social and Community Services	15.73	21.88 (+)6.15
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Increase was mainly on Public Health, Sanitation and Water Supply (Rs. 4.32 crores) and Urban Development (Rs. 1.04 crores).

(ii) Economic Services— Agriculture and Allied Services	9.00	12.01 (+)3.01
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Increase was mainly under Minor Irrigation, Soil Conservation and Area Development (Rs. 1.76 crores) and Agriculture (Rs. 0.99 crore).

B—NON-PLAN

(i) Social and Community Services	5.49	(-)0.64* (-)6.13
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The decrease was under Housing Schemes (Rs. 5.50 crores) and Social Security and Welfare (Rs. 1.00 crore) which was partly counterbalanced by more expenditure on Urban Development (Rs. 0.37 crore).

(ii) Economic Services— Agriculture and Allied Services	14.69	(-)1.22 (-)15.91
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The decrease was mainly under Food due to less expenditure on schemes relating to distribution of wheat/atta (Rs. 5.36 crores), rice/paddy (Rs. 4.62 crores) and transfer of amount pertaining to food subsidy (Rs. 6.94 crores) as revenue expenditure.

* Minus expenditure is under investigation.

APPENDIX III

(Referred to in paragraph 2.4(a), page 26)

Grants/charged appropriations in which savings (more than Rs. 15 lakhs in each case) were more than ten *per cent* of the total provision

Sl. no.	Number and name of grant	Total provision	Expenditure	Saving	Percentage
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(Lakhs of rupees)

I—Cases in which the savings were more than 20 per cent of the total provision.

Revenue Section

1.	3-Planning Department	73.97	51.99	21.98	30
2.	4-Information and Employment Department	93.99	72.58	21.41	23
3.	8-Finance Department	6,09.07	4,82.62	1,26.45	21
4.	11-Industries and Commerce Department	8,27.97	6,47.22	1,80.75	22

Capital Section

1.	3-Planning Department	66.90	12.56	54.34	81
2.	4-Information and Employment Department	20.00	1.44	18.56	93
3.	9-Organisation and Methods and Parliamentary Affairs Department	46.00	26.44	19.56	43
4.	15-Food, Supplies and Transport Department	42,35.85	29,35.55	13,00.30	31
5.	20-Tourism Department	5,30.08	41.73	4,88.35	92

APPENDIX III—concl'd.

Sl. no.	Number and name of grant/appropriation	Total provision	Expenditure	Saving	Percentage
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(Lakhs of rupees)

II—Cases in which the savings were more than ten per cent but not more than 20 per cent of the total provision.

Revenue Section

1.	1-General Department	2,30.42	2,05.64	24.78	11
2.	2-Home Department	13,34.72	11,52.59	1,82.13	14
3.	5-Ladakh Affairs Department	6,86.93	5,99.50	87.43	13
4.	12-Community Development and Agriculture Department	13,15.88	11,60.91	1,54.97	12
5.	18-Labour and Social Welfare Department	1,71.09	1,39.29	31.80	19

Capital Section

1.	5-Ladakh Affairs Department	5,11.50	4,55.51	55.99	11
2.	8-Finance Department <i>Charged</i>	86,39.30	72,58.11	13,81.19	16
3.	19-Housing and Urban Development Department	7,19.28	5,93.02	1,26.26	18

Note : Reasons for savings are detailed in the Appropriation Accounts 1978-79.

APPENDIX IV

(Referred to in paragraph 2.4 (c), page 27)

Savings under "Reserve with the Finance Department" in different grants

Grant no.	Provision	Saving
	<i>(Lakhs of rupees)</i>	
1	40.00	22.15
1 (<i>Charged</i>)	7.50	7.05
2	1,13.00	59.34
3	21.00	21.00
4	17.00	17.00
5	52.00	52.00
7	1,30.00	1,30.00
8	46.00	46.00
10	21.00	11.73
10 (<i>charged</i>)	8.00	6.94
11	41.00	41.00
12	1,27.00	1,27.00
13	60.00	60.00
14	50.00	27.35
15	50.00	50.00
16	90.00	90.00
17	98.00	38.79
18	43.00	33.11
21	60.00	38.49
Total 17 grants	10,74.50	8,78.95

APPENDIX

(Referred to in

Statement showing summarised financial results of Statutory

Name of the Corporation	Name of the Administrative Department	Date of incorporation	Period of accounts
(1)	(2)	(3)	(4)
Jammu and Kashmir State Financial Corporation	Finance Department	2nd December 1959	1978-79

Note :—Capital employed represents mean of the aggregate of debentures, (iii) reserves (other than those specifically

V

paragraph 7.2, page 87)

Corporation

Profit(+) Loss(-)	Total interest charged to profit and loss account	Interest on long- term loans	Capital employed	Total return on capital employed (5+6)	Percen- tage of total return on capital employed
(5)	(6)	(7)	(8)	(9)	(10)

(In lakhs of rupees)

(+)42.60	40.80	40.80	8,47.23	83.40	10
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opening and closing balances of (i) paid - up capital, (ii) bonds and funded) and (iv) borrowings including refinance.

APPENDIX

(Referred to in

Statement showing summarised financial

Sl. no.	Name of the Company	Name of the Administrative Department	Date of incorporation	Period of accounts	Capital invested (A)	Profit(+) Loss(-)
1	2	3	4	5	6	7
						<i>(In lakhs)</i>
1.	Jammu and Kashmir Bank Limited	Finance Department	1st October 1938	Ending 31st December 1978	..	(+)17.32
2.	Jammu and Kashmir Industries Limited	Industries and Commerce Department	4th October 1963	1969-70	5,31.09	(-)44.16
3.	Jammu and Kashmir Projects Construction Corporation Limited	Public Works Department	22nd May 1965	1973-74	40.70	(-)20.61
4.	Jammu and Kashmir Industrial Development Corporation Limited	Industries and Commerce Department	17th March 1969	1978-79	1,91.85	(+)2.80

- (A) Capital invested represents paid-up capital *plus* long-term loans *plus* free
 (B) Capital employed represents net fixed assets (excluding capital works-in-
 (C) Represents mean capital employed i.e., mean of the aggregate of the open-
 posits and (iii) reserves (other than those specifically funded).

VI

paragrahp 7.8, page 116)

results of Government Companies

Total interest charged to profit and loss account	Interest on long-term loans	Total return on capital invested (7+9)	Capital employed (B)	Total return on capital employed (7+8)	Percent-age of return on capital invested	Per-cent-age of total return on capital employed
8	9	10	11	12	13	14
5,89.31	88,82.58 (C)	6,06.63	..	7
3.05	..	(-)44.16	4,32.11	(-)41.11	..	..
3.53	..	(-)20.61	82.67	(-)17.08	..	..
..	..	(+)2.80	1,65.58	2.80	1	2

reserves.

progress) plus working capital.

ing and closing balances of (i) paid-up capital, (ii) borrowings including fixed de-

APPENDIX

Sl. no.	Name of the Company	Name of the Administrative Department	Date of incorporation	Period of accounts	Capital invested (A)	Profit(+) Loss (-)
1	2	3	4	5	6	7
						<i>(In lakhs)</i>
5.	Jammu and Kashmir Cements Limited	Industries and Commerce Department	24th December 1974	1978-79	15,70.00	(D)
6.	Jammu and Kashmir Small Scale Industries Development Corporation Limited	-do-	28th November 1975	1977-78	55.94	(+)19.71
7.	Tawi Scooters Limited	-do-	15th December 1976	1978-79	40.40	(D)
8.	Jammu and Kashmir Horticultural Produce Marketing and Processing Corporation Limited	Horticultural Department	10th April 1978	10th April 1978 to 31st March 1979	36.30	(-)5.86

(D) Under construction.

(*) Bank charges and interest.

VI—concl'd.

Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Capitel employed (B)	Total return on capital employed (7+8)	Percentage of return on capital invested	Per-cent- age of total return on capital employed
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8	9	10	11	12	13	14
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of rupees)

..

(*)
1.04 .. (+)19.71 1,24.07 20.75 35 17

..

0.09 .. (-)5.86 29.90 (-)5.77

APPENDIX

(Referred to in

Statement showing summarised financial results of departmentally

Sl. no.	Name of the undertaking	Name of the Administrative department	Period of account	Government capital (mean capital)	Block assets at depreciated cost
(1)	(2)	(3)	(4)	(5)	(6)
					<i>(In lakhs)</i>
1.	Food and Supplies Department, Jammu	Food and Supplies Department	1971-72	8,11.94	1.74
2.	Food and Supplies Department, Srinagar	Food and Supplies Department	1973-74	1,89.75	2.48
3.	Government Lumbering Undertaking, Srinagar	Forest Department	1977-78	7,75.69	1,06.97

① Provided during the year.

VII

paragraph 7.10 page 134)

managed Government commercial/*quasi*-commercial undertakings

Cumulative depreciation	Turn over	Net profit(+) net loss (-)	Interest on capital	Total return (9+10)	Percentage of return on capital
(7)	(8)	(9)	(10)	(11)	(12)

of rupees)

0.37 [@]	9,54.61	(-)3,65.81	40.60	(-)3,25.21	..
0.06 [@]	9,20.96	(-)7,44.97	9.49	(-)7,35.48	..
80.98	7,89.96	(+)40.29	69.81	(+)1,10.10	14
