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# REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 1996

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 the Appropriation Accounts for the year 1995-96 together with other points arising from audit of financial transactions of the Government of Jammu and Kashmir. It also includes certain points of interest arising from the Finance Accounts for the year 1995-96.**

**2. Consequent on a fire in the Office of the Accountant General, Jammu and Kashmir, Srinagar in March 1977, which destroyed various records including those relating to the accounts for the year 1976-77, the accounts had to be reconstructed after collecting details from the various Government Departments. This, *inter alia*, necessitated drawing up of correct balances. The work being still in progress, some of the balances shown in the Finance Accounts for the year 1995-96, and in Chapter-I of this Report are provisional and are likely to be revised in the subsequent accounts.**

**3. The cases mentioned in this Report are those which came to notice in the course of test audit of accounts during the year 1995-96 as well as those which had come to the notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to the year 1995-96 have also been included wherever considered necessary.**

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## OVERVIEW

This Report includes two chapters about financial position of the Government of Jammu and Kashmir for the year 1995-96 and Government's overall control over expenditure. The remaining six chapters include 11 Audit Reviews on developmental and welfare programmes and other activities apart from 35 audit paragraphs containing audit comments on various irregularities. The more important audit findings are presented in this Overview.

### 1. Accounts of the State Government

Assets of the State Government increased from Rs. 4312.12 crores in 1991-92 to Rs. 6786.41 crores in 1995-96 registering an increase of 57 *per cent* while the liabilities increased by 28 *per cent* from Rs. 4034.85 crores to Rs. 5170.02 crores during the same period.

*Revenue receipts:* The revenue receipts of the State Government during 1995-96 increased by Rs. 231.19 crores (7 *per cent*) as compared to the previous year. The increase was due to more revenue raised by the State (Rs. 97.28 crores), increased share of Union Taxes and Duties (Rs. 81.64 crores) and receipt of more grants-in-aid (Rs. 52.27 crores) from the Government of India. The increase in tax revenue as compared to previous year was 21 *per cent* whereas increase in non-tax revenue was 30 *per cent*.

While the revenue receipts increased by 93 *per cent* from Rs. 1716.89 crores in 1991-92 to Rs. 3319.51 crores in 1995-96, the aggregate of amounts received by the State from Central Government on account of share of net proceeds of taxes and duties and grants-in-aid increased by 96 *per cent* from Rs. 1442.37 crores to Rs. 2823.10 crores i.e. by Rs. 1380.73 crores during the corresponding period. Of this, Rs. 1147.15 crores were accounted for by grants-in-aid.

*Revenue expenditure:* During 1995-96, while the Plan revenue expenditure increased by Rs. 35.12 crores as compared to the previous year, the non-Plan revenue expenditure increased by Rs. 253.49 crores. The revenue expenditure (both Plan and non-Plan)



went up from Rs. 1652.48 crores in 1991-92 to Rs. 2814.96 crores in 1995-96 registering an increase of 70 *per cent*. The expenditure under non-Plan increased by Rs. 1086.57 crores (76 *per cent*) and that under Plan by Rs. 75.91 crores (34 *per cent*). Share of non-Plan expenditure to total revenue expenditure increased from 87 *per cent* in 1991-92 to 89 *per cent* in 1995-96.

*Investment and returns:* The State Government invested Rs. 12.58 crores during the year in the share capital of statutory corporations (Rs. 7.46 crores), Government companies (Rs. 3.27 crores) and Co-operative Banks and Societies (Rs. 1.85 crores) with which the total investment of the Government as of March 1996 stood at Rs. 272.25 crores. Besides, Rs. 130.97 crores were invested in the form of long term loans to Government companies alone as of March 1996. However, no dividend/interest was received on such investments during the year 1995-96.

*Public Debt:* The public debt increased by Rs. 485.66 crores from Rs. 3201.19 crores in 1991-92 to Rs. 3686.85 crores in 1995-96. During this period the other (debt) liabilities increased from Rs. 424.41 crores to Rs. 748.51 crores.

Against the amount of Rs. 706.28 crores (Principal: Rs. 396.42 crores; Interest: Rs. 309.86 crores) due to be repaid to Government of India during 1995-96, Rs. 396.50 crores (Principal: Rs. 147.94 crores; Interest: Rs. 248.56 crores) were adjusted against the fresh loans and grants-in-aid sanctioned in 1995-96. After taking into account the repayment of Rs. 7.04 crores made by the Government from its own sources, an amount of Rs. 302.74 crores still remained to be paid by the State Government as of 31 March 1996.

The outflow of Rs. 403.54 crores during 1995-96 on account of repayment of Central Government loans and payment of interest thereon worked out to 184 *per cent* of fresh loans received from the Central Government during the year.

Government paid interest totalling Rs. 366.93 crores on debt and other obligations during 1995-96. However, the interest received during the year was Rs. 97.17 crores only resulting in a net interest



burden of Rs. 269.76 crores. Interest payments ranged between 63 *per cent* and 158 *per cent* of the revenue raised by the State Government between 1991-92 and 1995-96.

**Overdraft:** The State Government obtains temporary loans from the Jammu and Kashmir Bank Limited for its ways and means requirement. The maximum limit for obtaining temporary loans was approved by the Government of India at Rs. 10 crores at any time against which the maximum amount of temporary loan obtained on one day was Rs. 655.75 crores (6 April 1995). During the year 1995-96 the State Government obtained temporary loans of Rs. 2737.94 crores from the Bank and paid interest of Rs. 74.39 crores. Temporary loans outstanding at the end of the year amounted to Rs. 608.01 crores.

Government had guaranteed repayment of loans and payments of interest thereon raised by the statutory corporations and Government companies in consideration of charging guarantee fee at the rate of 0.25 *per cent* of the amount guaranteed. As of March 1996, a total amount of Rs. 668.89 crores (Principal only) had been guaranteed by the Government on which guarantee fee of Rs. 1.67 crores was due from these institutions. However, no fee had been received by the Government as of November 1996 nor was any action taken to recover the above amount.

(Paragraphs: 1.1 to 1.18)

## 2. Appropriation Audit and Budgetary Control

Against the total budget provision of Rs. 4685.06 crores (including supplementary) the actual expenditure was Rs. 6771.61 crores. The overall excess of Rs. 2086.55 crores was the net effect of excess of Rs. 2936.89 crores in 17 grants and 3 appropriations and saving of Rs. 850.34 crores in 25 grants and 4 appropriations. The excess expenditure required regularisation by the Legislature under Section 82 of the Constitution of Jammu and Kashmir. Besides, excess expenditure of Rs. 7973.81 crores pertaining to the years 1980-81 to 1994-95 was yet to be regularised.

The supplementary provision of Rs. 462.64 crores obtained during 1995-96 constituted 11 *per cent* of the original budget provision as



against 8 *per cent* in the previous year. Supplementary provision of Rs. 82.03 crores in 11 cases, where the saving was more than Rs. 0.50 crore in each case, proved wholly unnecessary. In 11 other cases, supplementary provision of Rs. 99.00 crores was obtained against the actual requirement of Rs. 38.69 crores resulting in saving of Rs. 0.25 crore or more in 9 cases and Rs. 60.31 crores in the aggregate. On the other hand, supplementary provision of Rs. 281.40 crores obtained in 16 cases proved inadequate resulting in total uncovered expenditure of Rs. 227.51 crores. Persistent savings ranging between 10 and 100 *per cent* were noticed in 20 cases during the period from 1993-94 to 1995-96.

Though there was a total saving of Rs. 850.34 crores under 25 grants and 4 appropriations during the year 1995-96, only Rs. 8.34 lakhs were surrendered in respect of two grants. In 22 grants and one appropriation, where the savings exceeded more than rupees one crore each, savings amounting to Rs. 837.07 crores (98 *per cent* of total savings) were not surrendered resulting in non-reappropriation of funds for schemes where these were needed.

With a view to ensuring effective control over expenditure, the Controlling Officers are required to reconcile the departmental figures of expenditure with those booked by the Accountant General (A&E) in the Accounts. Of the 246 Controlling Officers, only 50 officers have reconciled their expenditure and 196 officers had either not conducted the reconciliation or had conducted it partially during the year 1995-96.

(Paragraphs: 2.1 and 2.2)

### 3. Audit reviews on developmental and other activities

#### 3.1 National AIDS Control Programme

Acquired Immuno Deficiency Syndrome (AIDS) is a fatal disease caused by Human Immuno Deficiency Virus (HIV), which has assumed alarming proportions since its detection in 1981. To contain the spread of the disease, Government of India launched the Centrally sponsored scheme of 'National AIDS Control Programme' in September 1992 with the ultimate aim of slowing the spread of the disease so as to reduce future morbidity, mortality and impact of the disease.



- Against the allocations of Rs. 1.89 crores made by Government of India during the years 1992-93 to 1995-96, an amount of Rs. 52.47 lakhs only could be released due to failure of the State Government to submit the 'Letter of Undertaking', poor utilisation of funds and non-rendition of audited expenditure statements.
- Action plans and programmes for identification of high risk groups, vulnerable areas and establishing a comprehensive system of surveillance and devising strategies for intervention to prevent the spread of HIV had not been drawn.
- Blood banks operating within the Government hospitals lacked infrastructural facilities like equipment and technical staff; as a result only one out of 13 such blood banks had been granted licence under Drugs and Cosmetics Rules, 1945.
- Percentage of blood samples screened against HIV antibodies during the period from 1992-93 to November 1995 ranged between 32 and 63 of the samples collected during the corresponding period.
- No significant progress had been made in conducting surveillance and point prevalence surveys for detection of HIV positive cases at selected sites or of high risk groups reportedly due to non-availability of funds, trained staff, equipment and transport facilities.

(Paragraph: 3.1)

### 3.2 Employment Assurance Scheme

With a view to providing assured wage employment for 100 days to needy persons seeking employment during the lean agriculture season and creation of economic infrastructure, durable and productive community assets for sustained employment and development, Government of India launched a Centrally sponsored 'Employment Assurance Scheme (EAS)' in October 1993 in rural areas of identified backward blocks all over the country. The Scheme was implemented by the State Government from October 1993 in 34 blocks of 4 districts and was later extended to 89 blocks of 10 districts by 1995-96. Funds were to be shared between Central and State Governments in the ratio of 80:20.



- State's share of funds under the scheme was released short by Rs. 10.60 crores during the years 1993-94 to 1995-96. Besides, funds were released to the implementing agencies after delays ranging between 2 and 9 months against the prescribed period of 15 days.
- Funds worth Rs. 1.65 crores allocated under the Scheme were diverted for settlement of liabilities under other schemes (Rs. 1.34 crores), employment of casual/daily waged staff (Rs. 0.17 crore), purchase of vehicles (Rs. 0.06 crore), office expenses (Rs. 0.06 crore) and payment of compensation (Rs. 0.02 crore) during 1993-94 to 1995-96. Utilisation of scheme funds on these activities was outside the scope of EAS.
- Claim of providing employment for 193.40 lakh mandays during 1993-94 to 1995-96 was not based on actual days of employment provided on works but was computed notionally by dividing assumed wage component of expenditure by the minimum wage rate. Test check of 61 works bills in 5 blocks revealed that against the actual expenditure of Rs. 7.85 lakhs incurred on payment of wages, expenditure of Rs. 15.83 lakhs was adopted notionally for computation of employment generated.
- The basic objective of providing employment for 100 days to registered employment seekers was not achieved as employment for average number of 18 to 62 days per labourer per year was provided to only 50 per cent of the registered employment seekers in Udhampur, Rajouri and Jammu districts.
- Although expenditure of Rs. 2.39 crores was incurred on afforestation works in Doda and Rajouri Districts during the years 1994-95 and 1995-96, records indicating area of land covered, nature of plantations made, and quantum of employment generated were not maintained by the Department.
- Contrary to the guidelines of the Scheme, contractors were employed for executing all the works undertaken under the Scheme resulting in denial of direct employment to beneficiaries and diversion of scheme funds to the contractors as profit.



- In 73 out of 196 works for which muster rolls were available, the expenditure on wage component was only 19 *per cent* against the prescribed norm of 60 *per cent*.

(Paragraph: 3.2)

### 3.3 Special Central Assistance for Scheduled Castes

To supplement the efforts of the State Governments for socio-economic development of Scheduled Castes (SCs), the Government of India launched in 1979-80 the Centrally sponsored scheme of Special Central Assistance (SCA) for Scheduled Castes. The Central assistance under the Scheme was released as an additive to State's special component plan and was to be utilised only for specific sector-wise income generating development programmes and for creating and upgrading skills of SC beneficiaries to enable them to cross the poverty line. The Scheme was implemented in the State from 1982-83.

- Utilisation of the Central assistance was low and ranged between 41 and 46 *per cent* during the period from 1991-92 to 1994-95. Besides, funds were released to the implementing agencies after delays of 3 to 15 months and at the fag end of the year.
- Unutilised funds at the end of each year ranged between Rs. 58.65 lakhs and Rs. 105.18 lakhs during the years 1991-92 to 1994-95 which had neither been surrendered nor got revalidated for utilisation during subsequent years.
- Central assistance of Rs. 132.61 lakhs was diverted for payment of subsidy on income generating units set up by the Scheduled Tribe and Other Backward Class beneficiaries (Rs. 131.24 lakhs) and for purchase of office equipment (Rs. 1.37 lakhs).
- Of the Central assistance of Rs. 663.35 lakhs released during 1991-92 to 1995-96, Rs. 420.88 lakhs (63 *per cent*) were utilised for payment of subsidy to individual beneficiaries without formulating specific need-based and family-oriented income generating development programmes.



- Survey to identify SC households with limited asset base and villages with concentration of SC population had not been conducted and test check revealed payment of subsidy of Rs. 14.56 lakhs to 303 ineligible persons.
- Physical existence of the units set up under the programme was neither verified nor was the impact of setting up of these units on the economic development of beneficiaries ascertained. Evaluation studies conducted by National Institute of Continuing Education, Training and Development (NICETD) in respect of 142 dairy units in two blocks during 1992-93 had revealed that 97 units were sick and 30 units had been closed and that subsidy was drawn on more than one occasion on purchase of one and the same dairy animal.
- Advance payment of Rs. 207.22 lakhs was made to 6 private institutions for imparting training in computers without following the proper procedures for selection of the trainees, institutions, ascertaining reasonability of rates, availability of infrastructure and quality of training provided. Candidates were sponsored for training without ascertaining their caste, income, educational qualification and aptitude, etc.
- Course fee of Rs. 8500 and Rs. 11200 per trainee for course duration of 8 and 12 months paid to these institutions was far in excess of the fee of Rs. 1650 per trainee charged by a Government institution. Report of the enquiry ordered by the Government in August 1996 to probe into the irregularities, after these were pointed out by Audit in May 1996, was awaited (September 1996).

(Paragraph: 3.3)

### 3.4 Border Area Development Programme

Border Area Development Programme, a cent *per cent* Centrally sponsored scheme was launched in the year 1986 for balanced development of border areas. The Programme envisaged overall development of human resources through improvement in the quality of education by providing and strengthening existing infrastructure, imparting vocational and technical education etc. In 1993-94 the



Programme was reoriented and its scope was extended to cover health care, rural sanitation, solar street lighting, vegetable and poultry development, etc. The programme was implemented in the State from 1987-88.

- Against the assistance of Rs. 176.16 crores released by Central Government from 1987-88 to 1995-96, the State Government had released only Rs. 164.77 crores (94 *per cent*) to the implementing agencies and funds amounting to Rs. 11.39 crores were lying unspent with the Planning and Development Department and Education Department as of 31 March 1996. While overall position of utilisation of funds released was not available, the implementing agencies test checked had utilised Rs. 129.83 crores (84 *per cent*) only against Rs. 155.04 crores released to them during the corresponding period.
- Programme funds aggregating Rs. 344 lakhs were diverted for utilisation under other programmes and activities and in non-border areas which were outside the purview of the Programme.
- Survey to assess the level of infrastructural deficiencies in border areas had not been conducted nor was the socio-economic and socio-cultural profile of the region prepared for relating vocational training programmes in these areas to programmes of agriculture, sheep rearing, forestry, etc. The envisaged action of linking financial assistance received under the Programme with the existing educational developmental programmes under implementation in border blocks was also not taken.
- Eleven school buildings and 147 additional classrooms constructed in Rajouri District at a cost of Rs. 169.72 lakhs from 1988-89 to 1994-95, had either collapsed, developed cracks or were declared unsafe immediately after their construction indicating sub-standard construction.
- Against the target of setting up of 5 new ITIs and strengthening 13 existing ITIs during 1988-89 to 1992-93, only one ITI was set up and 4 existing ITIs had been strengthened as of March 1996.



- Library books were purchased at a cost of Rs. 21.73 lakhs during 1990-91 and 1992-93 without either identifying the type of books actually required or their compatibility with the educational standards of trainees due to which most of the books not being relevant to trades taught in the ITIs, remained unused.
- Out of the funds of Rs. 650.72 lakhs released during 1993-94 to 1995-96 for providing 3906 solar lights in the border areas by March 1996, expenditure of Rs. 649.93 lakhs was incurred on purchase of 3056 solar lights. Of this, only 1950 lights had been installed as of April 1996. Though the normal span of life of these lights was stated to be 12 years, 44 per cent (137 lights) of the 314 lights installed in 6 blocks test checked had become defunct within 6 to 11 months of their installation.

(Paragraph: 3.4)

### 3.5 Dal Lake Development Project

The Dal lake is a central feature of Srinagar city around which much of the socio-economic activities of the city are centered. Human interference, denudation of the catchment area, etc. had given rise to serious problem of pollution and shrinkage of the lake from 24 sq. kms in 1962 to 15 sq. kms in 1982. Dal Development Project was taken up in 1978 to remove human habitation within the lake and restore the encroached area to lake body, improve water quality of the lake, develop adjoining Nagin Lake, rehabilitate the displaced families and provide proper sewerage for peripheral lake area and houseboat sanitation.

- The Project initially taken up in 1978 for completion in five years at an estimated cost of Rs. 8.38 crores is now envisaged to be completed in 2002 AD at a cost of Rs. 322.55 crores.
- In order to contain the encroachments on the western and northern side of the lake, construction of earthen *bunds* had been suggested by the consultants engaged by the Department. Against this, the Department constructed 7.9 km. long and 86 feet wide roads on the offshore of the lake at a cost of Rs. 12.97 crores which encouraged



encroachments and pollution instead of containing it, thus rendering the entire expenditure as infructuous.

- One of the objectives of the Project was to evacuate human habitation within the lake area and restore the encroached area to the lake. Against the target of acquiring 6099 *kanals* of land and 3741 structures within the lake body, only 2940 *kanals* of land and 285 structures had been acquired as of March 1996 at a total cost of Rs. 3.99 crores indicating 48 and 8 *per cent* achievements respectively.
- The Department had acquired 740.51 *kanals* of land and developed 1556 residential plots at a total cost of Rs. 9.55 crores as of January 1996 for rehabilitation of families dislocated from lake area. Of these, only 393 plots could be allotted due to reluctance of the lake dwellers to move out of the lake resulting in locking up of funds of Rs. 7.14 crores. Besides, expenditure of Rs. 2.09 crores incurred on acquisition of another 350 *kanals* of land and development of residential plots thereon without obtaining the clearance from Town Planner Srinagar, proved unfruitful as the land could not be used for residential purposes under the Master Plan of Srinagar city.
- For removal of excessive nutrients and harvesting of weeds in the lake, the consultants had suggested manual and selective mechanical de-weeding. The Department, however, resorted to mechanical de-weeding by purchasing four machines from USA and Germany at a total cost of Rs. 86 lakhs and other allied equipment valued at Rs. 10.59 lakhs in addition to two machines transferred from Fisheries Department. Due to imbalance between nutrient inflow and vegetation, red algal bloom appeared in the lake. On the advice of Director Environment (September 1991) mechanical de-weeding was stopped by the Department in October 1991. All the six machines alongwith the allied equipment were lying idle since October 1991 but the Department had paid wages worth Rs. 44 lakhs to the idle staff engaged for mechanical de-weeding operations between April 1992 and March 1996.
- To arrest silt flowing into the lake, construction of a settling basin at Telbal was taken up in 1981 at an estimated cost of Rs. 1.54 crores



which was revised in 1995 to Rs. 5 crores. The work had not been completed despite incurring an expenditure of Rs. 4.92 crores (March 1996) due to non-acquisition of land coming in the alignment of the basin and back water *bunds*.

- Discharging of sewage and other wastes by the houseboats into the lake had polluted the lake water. Besides, inflow of untreated sewage and sullage of the peripheral areas of Hazratbal and Habak into the lake had further aggravated the situation. Though the Department had spent Rs. 16.48 lakhs on various schemes for houseboat sanitation and Rs. 76.15 lakhs on construction of a treatment plant as of March 1996, the problem had not been resolved on account of non-completion of the treatment plant due to non-acquisition of land for the oxidation pond.

(Paragraph: 4.1)

### 3.6 Stakna Hydel Project

Stakna Hydel Project taken up in 1969-70 in Ladakh district to generate power by utilising the fall in river Indus at a place about 35 kms from Leh was to be commissioned by 1974-75. The initial Project report prepared in 1966 envisaged project cost as Rs. 2.31 crores and an installed capacity of 3.25 MWs. The project cost was revised many times and as per latest revision in March 1988, the project cost was Rs. 26.27 crores with enhanced installed capacity of 6 MWs. The Project was to be set up in two phases.

- Phase-I of the Project consisting of 2 units of 2 MW capacity each, was commissioned in June 1987 and June 1988 at a cost of Rs. 24.87 crores involving a time overrun of 13 years and cost overrun of Rs. 8.43 crores, (51 *per cent* of the project estimates of 1981). The revised project estimates for Rs. 26.27 crores for an enhanced installed capacity of 6 MWs submitted in March 1988 were awaiting sanction as of July 1996.
- Against the targeted annual generation of 194.63 lakh kWhs of power in Phase-I, the actual generation ranged between 60.08 lakh kWhs and 138.23 lakh kWhs during the period from 1988-89 to 1995-96. The shortfall in generation ranged between 29 and 69 *per cent*.



- Against the per kWh cost of Re. 0.84 at bus bars and Rs. 1.09 at consumer terminal as per estimates of Phase I, the actual cost of generation per kWh ranged between Rs. 2.55 and Rs. 5.75 at bus bars and between Rs. 3.77 and Rs. 8.22 at consumer terminal respectively between 1989-90 and 1994-95 due to heavy expenditure on operation and maintenance of the Project.
- Against the norms of 1 per cent and 8 per cent for auxiliary consumption and Transmission and Distribution (T&D) losses respectively as per project estimates of 1981, the actual auxiliary consumption ranged between 3 and 6 per cent and T&D losses accounted for 30 to 31 per cent of the power generated during the period from 1988-89 to 1995-96. Transmission and Distribution losses in excess of the maximum permissible limit of 15 per cent prescribed by the Central Electricity Authority amounted to Rs. 670.07 lakhs during the above period.

(Paragraph: 4.2)

### 3.7 Store accounts of the Irrigation and Flood Control Department (Jammu Division)

Irrigation and Flood Control Divisions obtain their requirements of construction material like cement, steel, black annealed wire, G.I. Sheets, etc. from the Stores Procurement Department. Test check of the Store management in the Department revealed the following deficiencies:

- Four of the nine divisions test checked held stocks in excess of the sanctioned stock reserve limit. The excess ranged between 88 and 123 per cent at the end of each year during 1990-91 to 1995-96.
- Physical verification of stores had not been conducted for the years 1992-93 to 1995-96 in two divisions and for 1994-95 to 1995-96 in one division. In respect of 6 divisions physical verification for the year 1995-96 had not been conducted (August 1996).
- Shortages worth Rs. 6.91 lakhs noticed during physical verification of stores during 1989-90 to 1994-95 in four divisions had not been recovered as of August 1996.



- Utilisation of material worth Rs. 5.53 crores issued over 1 to 6 years ago to subordinate executives of 10 divisions for use on works could not be ascertained due to non-completion of the material-at-site accounts.
- Eight Divisions had not received supplies against advances amounting to Rs. 5.34 crores paid to the suppliers during the years from 1974 to 1995-96.

(Paragraph: 5.1)

### **3.8 Revenue Receipts**

Test check of records of Sales Tax, State Excise, Forest and other departments, conducted during the year 1995-96, revealed underassessments, short levy and loss of revenue, etc. amounting to Rs. 2,968.71 lakhs in 963 cases. Out of these, 35 cases of underassessment, etc. involving an amount of Rs. 81.90 lakhs were accepted by the concerned departments during the year 1995-96 which included 28 cases involving Rs. 17.15 lakhs pointed out during 1995-96 and the rest in the earlier years.

(Paragraph: 6.2)

#### **3.8.1 State Excise Receipts**

A review on "Working of distilleries in Jammu region" revealed the following:

- Though transit loss of molasses was not admissible under Rules, yet 1554 quintals of molasses, sufficient to produce 64,202 proof litres of spirit, were shown to have been lost in transit by four distilleries during the period from 1993-94 to 1995-96. The loss if taken care of could have earned excise duty of Rs. 45.83 lakhs.
- Three distilleries recorded production of only 44.88 lakh proof litres of spirit from 1.32 lakh quintals of molasses against 48.27 lakh proof litres of spirit recoverable as per norms during the period from 1993-94 to 1995-96 resulting in loss of excise duty of Rs. 236.51 lakhs.



- A distillery recorded production of 28,017 proof litres of spirit from 3 lakh bulk litres of wash, against 36,005 proof litres recoverable therefrom as per norms, resulting in loss of excise duty of Rs. 5.75 lakhs.
- Additional wastage of 10,913 proof litres of spirit allowed on repeated re-distillation of 5.75 lakh proof litres of spirit to 4 distilleries during 1994-95 and 1995-96 without establishing its correctness resulted in loss of excise duty of Rs. 7.86 lakhs.
- Unfinished spirit of 16.93 lakh litres was shown to have passed into spirit storeroom by two distilleries in Jammu during 1993-94 to 1995-96. Storage loss of 6,465 litres thereon though not permissible under Rules was allowed to the distilleries resulting in loss of excise duty of Rs. 4.41 lakhs.
- Six distilleries had given wholesale vending of foreign liquor to trade without obtaining requisite licences from the Department resulting in non-recovery of licence/renewal licence fee of Rs. 16.50 lakhs for the period from 1985-86 to 1995-96.

(Paragraph: 6.3)

### 3.8.2 Entertainment duty-collection and assessment

- Show tax amounting to Rs. 30.20 lakhs had not been recovered/charged from 44 video halls located in Jammu Division during the period of currency of their licences for the years 1990-91 to 1995-96 (up to February 1996). Out of these, 26 video halls with tax involvement of Rs. 9.63 lakhs had been closed making the chances of recovery in these cases remote.
- Arrears of enhanced show tax of Rs. 3.20 lakhs for the period from November 1983 to February 1986 were outstanding against the owners of eight cinema halls as of March 1996. Besides, interest of Rs. 19.81 lakhs due on account of belated payment of instalments of arrears of show tax from 10 cinema halls had also not been recovered.

(Paragraph: 6.4)



### 3.9 Sales Tax Receipts

A review on "Collection of sales tax and arrears in its assessment in Jammu region" revealed the following:

- Targets for completion of assessments by the assessing authorities had not been fixed. Assessments were completed in 47 to 56 *per cent* of the total cases during the period.
- Recovery of arrears ranged between 3.4 *per cent* and 5.8 *per cent* of the total arrears at the beginning of the each year during the period from 1992-93 to 1994-95. The arrears had piled up to Rs. 62.48 crores by March 1994 registering an increase of 74 *per cent* over the figures of 1992-93.
- The Town Hall Branch of the Jammu and Kashmir Bank did not credit to Government account the sales tax collections, in full on the specified dates, but retained part of these collections (ranging from Rs. 1.41 crores to Rs. 7.41 crores) between May 1993 to May 1995 in disregard of the arrangement drawn with the Bank, which meant avoidable liability of interest to Government on its borrowings.
- In six sales tax circles validity period of securities/bank guarantees for Rs. 73.27 lakhs in respect of 992 dealers had expired. Action had not been taken to renew them to secure the interest of the Government.

(Paragraph: 6.5)

### 3.10 Jammu and Kashmir Projects Construction Corporation

The Jammu and Kashmir Projects Construction Corporation was incorporated as a wholly owned Government company in May 1965 under Jammu and Kashmir Companies Act, 1977 (Svt.) with the main objectives of constructing, executing, improving, developing and carrying the business of builders, contractors, engineers in the State. A review on the working of the company revealed:

- The accumulated losses of Rs. 103.97 lakhs at the end of 1994-95 represented 68 *per cent* of the paid-up capital. Net worth of the



company at the end of March 1995 was Rs. 52.67 lakhs representing 41 per cent of the paid-up capital.

- In the absence of any standard basis for working out cost offers, the economic judiciousness of the offers quoted by the company could not be ensured. Due to uneconomical cost offers in case of 12 works alone, the company incurred loss of Rs. 27.22 lakhs.
- Non-obtaining of prior acceptance of cost offers and non-execution of agreements with the project authorities led to non-recovery of Rs. 73.19 lakhs from the project authorities in 2 cases test checked.
- The company had received Rs. 11,232.52 lakhs as advance from various project authorities against which the value of work done was Rs. 12,997.31 lakhs revealing outstanding of Rs. 1764.79 lakhs at the end of March 1995 for realising of which adequate action had not been taken.

(Paragraph: 7.5)

4. Other points of interest  
(a) Civil

- Against the requirement of 980 quintals of CGI sheets to be made available as grant to 98 fire sufferers of Anantnag town, the Deputy Commissioner, Anantnag placed orders for supply of 2500 quintals of CGI sheets and made advance payment of Rs. 53.75 lakhs to the J&K Small Scale Industries Development Corporation in March 1991. However, only 970 quintals of CGI sheets (value: Rs. 20.85 lakhs) were lifted by the Deputy Commissioner between June 1991 and August 1992 and refund of the balance amount of Rs. 32.90 lakhs was sought from the Corporation in November 1993 as no more CGI sheets were required by the Department. The amount had not been refunded by the Corporation as of March 1996. This resulted in locking up of funds worth Rs. 32.90 lakhs for the last 5 years and loss of interest of Rs. 48.48 lakhs to the Government.

(Paragraph: 3.12)



- Taking up of construction work of two roads passing through forest area without obtaining permission of the Forest Department led to eventual abandoning of these works, rendering the investment of Rs. 7.57 lakhs infructuous, besides causing loss of Rs. 1.70 lakhs on account of damages to earthwork already executed in case of one work.

(Paragraph: 4.8 (a) and (b))

- Taking up of the work on Lift Irrigation Scheme, Bardoh in 1981-82 by the Executive Engineer, Irrigation and Flood Control Division, Akhnoor without obtaining administrative approval and technical sanction and ignoring the suggestions of the Design Directorate for re-examination of the design of intake structure and supply channel led to subsequent abandoning of the scheme in April 1991 due to non-finalisation of assured source of water. This resulted in infructuous expenditure of Rs. 20.35 lakhs.

(Paragraph: 4.10)

- The Director, Stores Procurement Department had placed orders in May 1994 on a Delhi based firm for supply of 4 lakh bags of cement at the rate of Rs. 128.55 per bag. The supply had to be completed by 31 March 1995. Against the above order, the firm supplied only 2.63 lakh bags of cement by due date and 98 *per cent* payment was made to the firm. The Department procured the balance quantity of cement (1.37 lakh bags) from alternate sources between July 1995 and February 1996 at the higher rates of Rs. 147.82 (1 lakh bags) and Rs. 159 (0.37 lakh bags) per bag resulting in extra expenditure of Rs. 30.51 lakhs. On this being pointed out by Audit (October 1995), the Department imposed (December 1995) a penalty of Rs. 30.51 lakhs on the firm. After adjusting the security deposit of Rs. 0.50 lakh and the balance (2 *per cent*) payment of Rs. 6.55 lakhs withheld by the Department, balance amount of Rs. 23.46 lakhs due from supplier could not be recovered due to faulty agreement made by the Department resulting in loss to the Government.

(Paragraph: 5.2)

- Failure to conduct annual physical verification of stores in the office of the Joint Director, Handicrafts, Jammu (Massive Carpet Scheme) since September 1988 and lack of effective control by the supervisory



**officers over receipt and issue of stores facilitated misappropriation of stores worth Rs. 7.46 lakhs.**

**(Paragraph: 5.3)**

**(b) Financial assistance to Local Bodies and Others**

**During the year 1995-96, grants aggregating Rs. 60.96 crores were paid by the Government to various local bodies/authorities in the State. Utilisation certificates in respect of grants aggregating Rs. 381.70 crores disbursed up to 1994-95 in 6871 cases had not been received as of September 1996.**

- **The accounts of the 35 bodies were in arrears for periods ranging between 1 year and 24 years as on 31 May 1996. The main defaulters were Municipalities of Jammu and Srinagar, Board of Secondary Education, Jammu/Srinagar, Development Authorities of Jammu and Srinagar, Kashmir University and District Rural Development Agency, Doda.**
- **Six District Rural Development Agencies (DRDAs) and 3 other Bodies had not utilised developmental and educational grants amounting to Rs. 593.34 lakhs during 1993-94 and 1994-95 while grants aggregating Rs. 23.04 lakhs released during the years 1992-93 and 1994-95 under 'Development of Women and Children in Rural Areas/Integrated Rural Development Programme' had been diverted for payment of stipend/subsidy, meeting the contingent expenditure and purchase of vehicle by the DRDAs, Jammu and Udhampur.**
- **Advances aggregating Rs. 9.36 crores paid by 9 bodies during 1993-94 and 1994-95 to suppliers, contractors and their own employees had not been adjusted as of March 1996.**

**(Paragraphs: 8.1 to 8.3)**

- **Procurement and distribution of fertilisers in the State had been entrusted (April 1975) to the Jammu and Kashmir Co-operative Supply and Marketing Federation. 14196 tonnes of fertiliser (value: Rs. 422.32 lakhs) despatched by the Regional Office of the Federation at Jammu between July 1988 and March 1995 through road transport**



for sale in the valley was not accounted for by the Regional Office at Srinagar. Besides, 208 tonnes of fertiliser (value: Rs. 7.34 lakhs) was short accounted by the Kashmir based offices of the Federation. These irregularities were facilitated by non-existence of internal controls and non-finalisation of the accounts by the Federation on due dates.

(Paragraph: 8.3.1)

**(c) Revenue Receipts**

- Non/short raising of bills in 2 cases by the Forest Department against Jammu and Kashmir State Forest Corporation led to non-recovery of revenue of Rs. 62.60 lakhs.

(Paragraph: 6.14)

- Non-tapping of 14,000 blazes of *chir* trees departmentally by the Forest Department on backing out of the resin tapping contractor resulted in non-extraction of resin and consequential loss of revenue of Rs. 7.95 lakhs to Government.

(Paragraph: 6.15)

**(d) Commercial and Trading Activities**

The State had 19 Government companies, 4 statutory corporations and 5 departmentally managed commercial/ quasi-commercial undertakings as on 31 March 1996.

(Paragraphs: 7.2.1, 7.3 and 7.4.1)

- The aggregate paid-up capital of 17 Government companies as on 31 March 1996 was Rs. 153.40 crores, out of which Rs. 143.58 crores were invested by the State Government, Rs. 8.41 crores by the Central Government and Rs. 1.41 crores by Others. The aggregate long-term loans outstanding as on 31 March 1996 against 15 companies was Rs. 255.48 crores, out of which Rs. 130.97 crores were invested by the State Government. No investment had been made by the State Government by way of share capital contribution in two companies viz., Jammu and Kashmir State Power Development Corporation (Pvt.) Limited and Jammu and Kashmir State Handloom, Handicrafts, Raw Material Organisation Limited.

(Paragraphs: 7.2.1, 7.2.3 and Appendix-13)



- No company had finalised its accounts for the year 1995-96. The accounts of all the 19 companies were in arrears for periods ranging from 1 year to 14 years as on September 1996. Based on the latest finalised accounts of 15 companies for 1994-95 or earlier years, 4 companies earned profit (Rs. 16.44 crores) while remaining 11 companies incurred losses (Rs. 6.76 crores) during the relevant years; three of these loss making companies had eroded their paid-up capital completely.

(Paragraphs: 7.2.4 and 7.2.5)

- The Jammu and Kashmir State Road Transport Corporation had finalised its accounts up to 1993-94. The corporation had suffered a loss of Rs. 25.23 crores during the year while the accumulated loss amounted to Rs. 137.74 crores up to March 1994 against the capital contribution of Rs. 69.18 crores.

(Paragraph: 7.3.2)

- The finalisation of the accounts of the Jammu and Kashmir State Financial Corporation beyond 1992-93 was in arrears.

(Paragraph: 7.3.3)

- Non-conducting of bank reconciliation, timely and regularly with the various branches of the Jammu and Kashmir Bank by the Jammu and Kashmir Small Scale Industries Development Corporation during the period from 1983-84 to 1989-90 resulted in non-detection of missing credits and belated crediting of amounts by the Bank which led to loss of interest of Rs. 10.99 lakhs to the company.

(Paragraph: 7.6.3)





## ***Chapter-I***

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*This Chapter  
sets out the*

*Summarised  
Financial Position*

*of the  
Government  
as on  
31 March 1996*

*and  
analyses its*

*Receipts and Expenditure*

*for the  
Year  
1995-96*

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*Accounts of the Government*



### **1.1 Summarised financial position**

The financial position of the Government of Jammu and Kashmir as on 31 March 1996 emerging from the Appropriation Accounts and the Finance Accounts for the year 1995-96, the Abstract of Receipts and Disbursements and the details of Sources and Application of Funds for the year are given in the following statements:-



## Statement No. I-Summarised financial position of the

Amount as on 31 March 1995	Liabilities	Amount as on 31 March 1996
(Rupees in crores)		(Rupees in crores)
<b>377.03</b>	<b>Internal Debt</b>	<b>494.44</b>
	(excluding overdraft from Jammu and Kashmir Bank Limited)	
	Market Loans bearing interest	384.10
	Loans from Life Insurance Corporation of India	43.80
	Loans from General Insurance Corporation of India	13.65
	Loans from National Bank for Agriculture and Rural Development	1.01
	Loans from National Co-operative Development Corporation	0.16
	Loans from other institutions	11.72
	Other loans	40.00
<b>2517.58</b>	<b>Loans and Advances from Government of India</b>	<b>2584.40</b>
	Pre-1984-85 Loans	1150.75
	Non-Plan Loans	581.00
	Loans for State Plan Schemes	797.98
	Loans for Central Plan Schemes	2.92
	Ways and Means Advances	3.01
	Loans for Centrally Sponsored Schemes	48.74
<b>721.99</b>	<b>Small Savings, Provident Funds, etc.</b>	<b>748.51</b>
<b>169.56</b>	<b>Deposits</b>	<b>151.43</b>
<b>608.52</b>	<b>Overdraft (temporary loans from Jammu and Kashmir Bank Limited)</b>	<b>608.01</b>
<b>207.55</b>	<b>Reserve Funds</b>	<b>242.14</b>
<b>0.39</b>	<b>Contingency Fund</b>	<b>0.29</b>
<b>270.88</b>	<b>Remittance Balance</b>	<b>340.80</b>
<b>1111.84</b>	<b>Surplus on Government Account</b>	<b>1616.39</b>
	Revenue Surplus as on 31 March 1995	1111.84
	Revenue Surplus for the year 1995-96	504.55
<b>5985.34</b>	<b>Totals:</b>	<b>6786.41</b>

**Government of Jammu and Kashmir as on 31 March 1996**

Amount as on 31 March 1995 (Rupees in crores)	<b>Assets</b>	Amount as on 31 March 1996 (Rupees in crores)
<b>5445.45</b>	<b>Gross Capital Outlay on Fixed Assets</b>	<b>6174.88</b>
	Investment in shares of Companies, Corporations, etc.	272.25
	Other Capital Outlay	5902.63
<b>258.26</b>	<b>Loans and Advances</b>	<b>300.52</b>
	Development Loans	278.10
	Loans to Government Servants and Miscellaneous Loans	22.42
<b>3.43</b>	<b>Other Advances</b>	<b>3.78</b>
<b>139.45</b>	<b>Suspense and Miscellaneous Balances</b>	<b>186.60</b>
<b>138.75</b>	<b>Cash</b>	<b>120.63</b>
	Cash in Treasuries, Local Remittances and Cash in Banks	24.23
	Departmental Cash Balances including Permanent Advance	10.64
	Cash Balance Investment	37.39
	Investment of earmarked funds	48.37
<b>5985.34</b>	<b>Totals:</b>	<b>6786.41</b>



## Statement No. II- Abstract of Receipts and

Section A -  
(Rupees in crores)

## Receipts

## 1. Revenue Receipts 3319.51

(i) Tax Revenue 292.19

(ii) Non-Tax Revenue 204.22

(iii) State's share of Union Taxes and Duties 644.24

(a) Share of net proceeds of Taxes on  
Income other than Corporation Tax 122.24

(b) Union Excise Duties 522.00

(iv) Grants-in-aid from Central Government 2178.86

(a) Non-Plan Grants 757.80

(b) Grants for State Plan Schemes 1277.87

(c) Grants for Central Plan Schemes 38.79

(d) Grants for Centrally Sponsored Plan  
Schemes 104.40

## II. Revenue Deficit carried over to Section B

Nil

Total Section-A

3319.51



## Disbursements for the year 1995-96

## Revenue

(Rupees in crores)

## Disbursements

<b>I. Revenue Expenditure</b>				<b>2814.96</b>
	<b>Non-Plan</b>	<b>Plan</b>	<b>Total</b>	
<b>Sector</b>				
(A) General Services	995.33	11.68	1007.01	
(B) Social Services	690.88	108.06	798.94	
(C) Economic Services				
(i) Agriculture and Allied Activities	132.07	97.67	229.74	
(ii) Rural Development	56.44	18.78	75.22	
(iii) Special Areas Programmes	47.69	8.65	56.34	
(iv) Irrigation and Flood Control	48.86	19.93	68.79	
(v) Energy	471.40	-	471.40	
(vi) Industry and Minerals	35.92	18.78	54.70	
(vii) Transport	23.20	-	23.20	
(viii) Science, Technology and Environment	2.65	7.26	9.91	
(ix) General Economic Services	14.35	5.36	19.71	
<b>Total-I</b>	<b>2518.79</b>	<b>296.17</b>	<b>2814.96</b>	
<b>II. Revenue Surplus carried over to Section B</b>				<b>504.55</b>
<b>Total Section-A</b>				<b>3319.51</b>



		Section - B
		(Rupees in crores)
Receipts		
III.	Opening Cash Balance including Permanent Advance and Cash Balance Investment	138.75
IV.	Recoveries of Loans and Advances	2.75
	(i) From Government Servants	2.30
	(ii) From others	0.45
V.	Contingency Fund	0.25
VI.	Revenue Surplus brought down	504.55
VII.	Public Debt receipts	345.02
	(i) Internal Debt other than Overdraft	125.69
	(ii) Loans and Advances from Central Government	219.33
Total carried over		991.32



Others				
(Rupees in crores)				
Disbursements				
III.	<b>Opening Overdraft (temporary loans) from Jammu and Kashmir Bank Limited</b>			<b>608.52</b>
IV.	<b>Capital Outlay</b>			<b>729.42</b>
		<b>Non-Plan</b>	<b>Plan</b>	<b>Total</b>
	(i) General Services	-	21.22	21.22
	(ii) Social Services	(-) 0.13 <sup>#</sup>	182.48	182.35
	(iii) Agriculture and Allied Activities	17.55	34.64	52.19
	(iv) Rural Development	-	0.13	0.13
	(v) Special Areas Programmes	0.08	25.60	25.68
	(vi) Irrigation and Flood Control	-	23.38	23.38
	(vii) Energy	-	305.10	305.10
	(viii) Industry and Minerals	2.79	11.33	14.12
	(ix) Transport	0.55	91.18	91.73
	(x) Other General Economic Services	0.01	13.51	13.52
	<b>Total:</b>	<b>20.85</b>	<b>708.57</b>	<b>729.42</b>
V.	<b>Loans and Advances disbursed</b>			<b>45.01</b>
	(i) To Government Servants		3.67	
	(ii) To others		41.34	
VI.	<b>Contingency Fund</b>			<b>0.35</b>
VII.	<b>Repayment of Public Debt</b>			<b>160.79</b>
	(i) Internal Debt other than Overdraft		8.28	
	(ii) Loans and Advances to Central Government		152.51	
	<b>Total carried over</b>			<b>1544.09</b>

<sup>#</sup> Minus expenditure due to more credits than debits.



		Section-B-
		(Rupees in crores)
<b>Receipts</b>		
<b>Total brought down</b>		<b>991.32</b>
<b>VIII. Public Account Receipts</b>		<b>9091.20</b>
(i) Small Savings, Provident Funds, etc.	111.28	
(ii) Reserve Funds	47.79	
(iii) Deposits and Advances	288.63	
(iv) Suspense and Miscellaneous	48.75	
(v) Remittances	8594.75	
<b>IX. Closing Overdraft (temporary loans) from Jammu and Kashmir Bank Limited</b>		<b>608.01<sup>#</sup></b>
<b>Total Section B-Others</b>		<b>10690.53</b>

<sup>#</sup> The figure is under reconciliation (November 1996)



**-Others (concluded)**

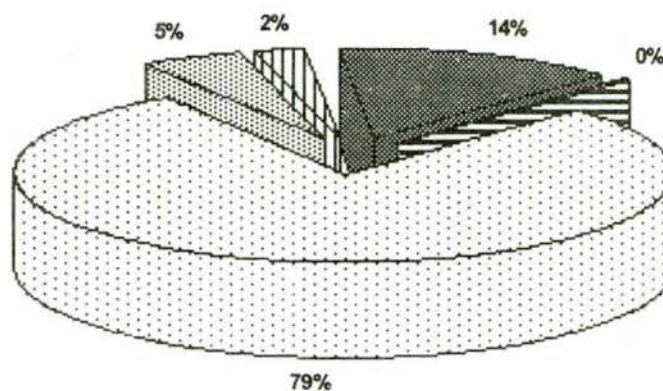
(Rupees in crores)

**Disbursements**

	<b>Total brought down</b>	<b>1544.09</b>
<b>IX.</b>	<b>Public Account Disbursements</b>	<b>9025.81</b>
	(i) Small Savings, Provident Funds, etc.	84.76
	(ii) Reserve Funds	13.21
	(iii) Deposits and Advances	307.10
	(iv) Suspense and Miscellaneous	95.91
	(v) Remittances	8524.83
<b>X.</b>	<b>Cash Balance at end</b>	<b>120.63</b>
	(i) Cash in Treasuries, Local Remittances and Cash in Banks	24.23
	(ii) Departmental Cash Balances including Permanent Advance	10.64
	(iii) Cash Balance Investment	37.39
	(iv) Investment of earmarked funds	48.37
	<b>Total Section B-Others</b>	<b>10690.53</b>

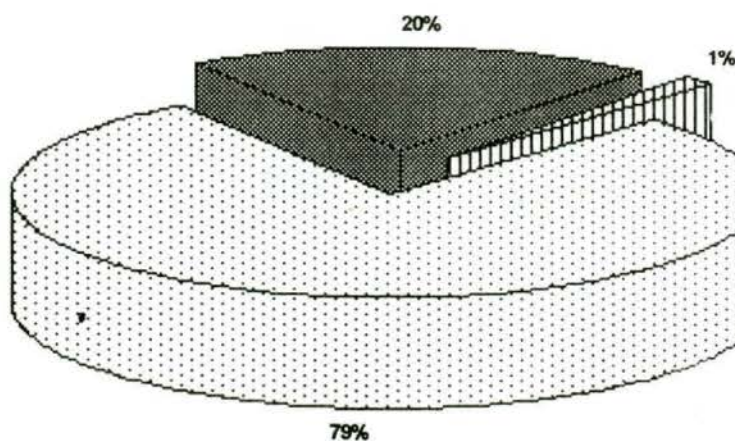


Sources of Funds



□ From GOI    ▨ Public Debt    □ Public Account    ▩ Revenue raised by the State Government    ▨ Decrease in cash balance

Application of Funds



□ Revenue Expenditure    ▩ Capital Expenditure    □ Others

**Statement No. III**  
**Sources and Application of Funds for the year 1995-96**

Sources	Amount (Rs. in crores)	Application	Amount (Rs. in crores)
<b>1 Revenue Receipts#</b>	<b>3319.51</b>	<b>1 Revenue Expenditure</b>	<b>2814.96</b>
<b>2 Increase in Public Debt</b>	<b>184.23</b>	<b>2 Capital Expenditure</b>	<b>729.42</b>
<b>3 Net Receipts from Public Account*</b>	<b>65.39</b>	<b>3 Net Loans and Advances disbursed</b>	<b>42.26</b>
<b>4 Decrease in cash balance</b>	<b>18.12</b>	<b>4 Decrease in overdraft (temporary loans)</b>	<b>0.51</b>
		<b>5 Contingency Fund</b>	<b>0.10</b>
<b>Total:</b>	<b>3587.25</b>	<b>Total:</b>	<b>3587.25</b>

**#Revenue raised by the State Government** **496.41**

Tax revenue 292.19

Non-tax revenue 204.22

**From Government of India** **2823.10**

State's share of Union Taxes and Duties 644.24

Grants-in-aid from Central Government 2178.86

**Total:** **3319.51**

**\*(a) Net receipts under**

(i) Small savings, Provident Funds, etc. 26.52

(ii) Reserve Funds 34.58

(iii) Remittance balances 69.92

**Total: (a)** **131.02**

**(b) Less net payments under :**

(i) Suspense and Miscellaneous 47.16

(ii) Deposits and Advances 18.47

**Total: (b)** **65.63**

**Net increase (a) - (b)** **65.39**



**Explanatory notes**

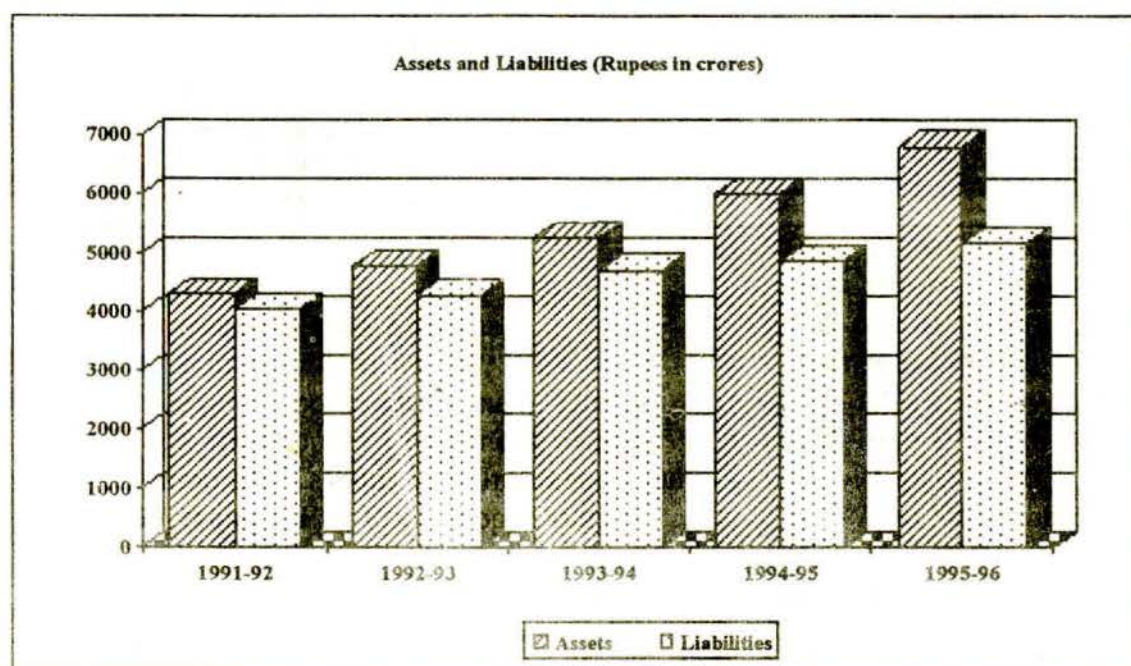
1. The summarised financial statements are based on the Finance Accounts and the Appropriation Accounts of the State Government and are subject to notes and explanations contained therein.
2. Government accounts being mainly on cash basis, the revenue surplus or deficit has been worked out on cash basis. Consequently, items payable and receivable or items like depreciation or variation in stock figures, etc. do not figure in the accounts.
3. Although a part of revenue expenditure (grants) and the loans are used for capital formation by the recipients, its classification in the accounts of the State Government remains unaffected by end use.
4. There was a difference of Rs. 0.01 crore between the figures reflected in the accounts under Cash in Banks and the figures conveyed by the Finance Department. The difference is under reconciliation (November 1996).

Based on the foregoing statements and other supporting data, the following paragraphs in this Chapter present an analysis of the management of the finances of the State Government during the year 1995-96.

## 1.2 Assets and liabilities of the State

The assets comprising capital investments and loans and advances and the total liabilities of the State Government during the last five years were as under:

Year	Assets	Liabilities
	(Rupees in crores)	
1991-92	4312.12	4034.85
1992-93	4768.76	4276.47
1993-94	5269.04	4719.17
1994-95	5985.34	4873.50
1995-96	6786.41	5170.02



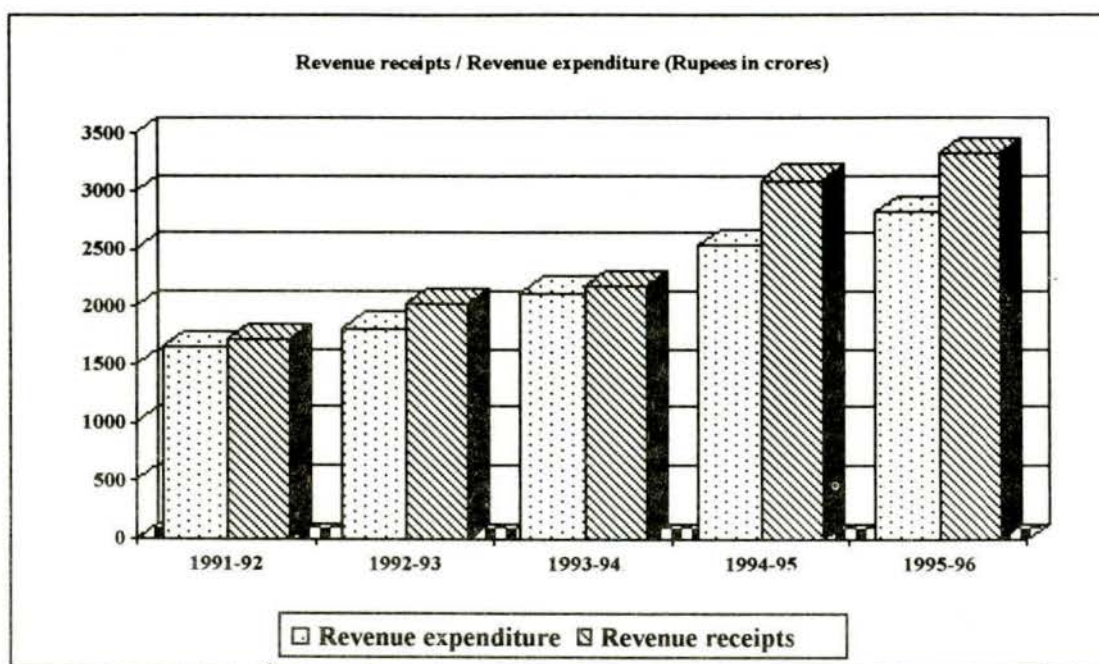
The assets have grown by 57.38 *per cent* during the five years ending March 1996 while the liabilities have grown by 28.13 *per cent* during the same period.

## 1.3 Revenue deficit/surplus

The position of revenue deficit/surplus during the last five years is given in the following table:



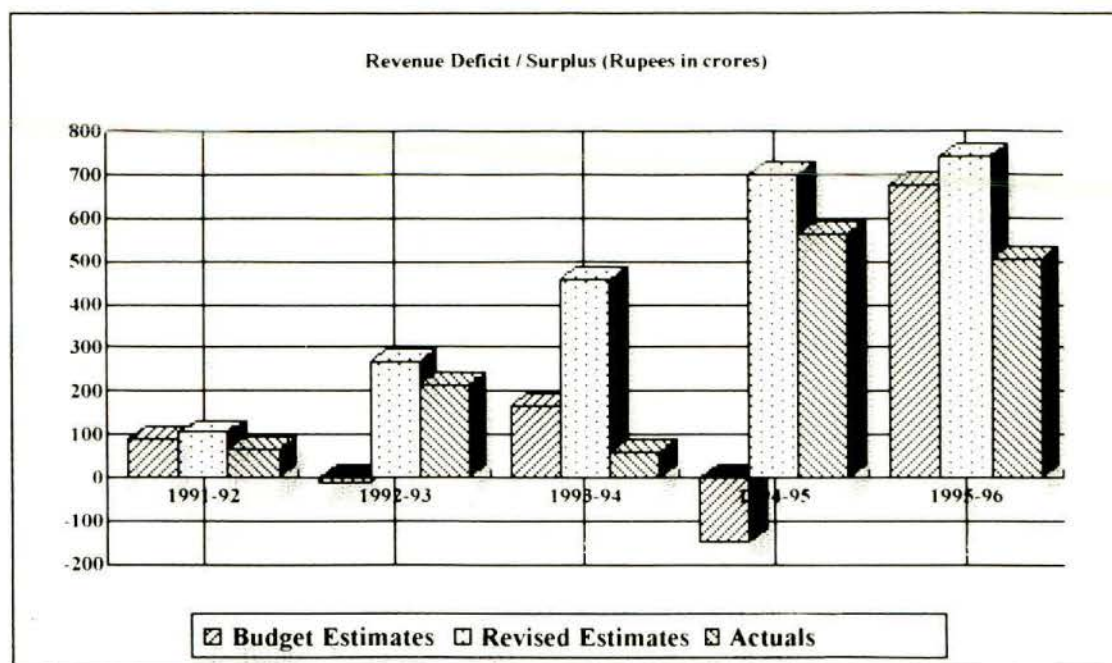
Year	Revenue Receipts	Revenue Expenditure	Revenue Surplus	Percentage of increase over the previous year		Revenue surplus as a percent- age of revenue receipts
				Revenue receipts	Revenue expen- diture	
(Rupees in crores)						
1991-92	1716.89	1652.48	64.41	12	32	4
1992-93	2026.74	1811.72	215.02	18	10	11
1993-94	2179.12	2121.54	57.58	8	17	3
1994-95	3088.32	2526.35	561.97	42	19	18
1995-96	3319.51	2814.96	504.55	7	11	15



While the revenue receipts increased by 93 *per cent* between 1991-92 and 1995-96, the revenue expenditure grew by 70 *per cent* during the same period.

The revenue deficit/surplus as envisaged in the Budget Estimates and the Revised Estimates vis-à-vis the Actuals during the five years from 1991-92 to 1995-96 are given below:

Year	Revenue deficit (-)/ Revenue surplus (+)		
	Budget Estimates	Revised Estimates	Actuals
(Rupees in crores)			
1991-92	(+) 91	(+)104	(+) 64
1992-93	(-) 13	(+) 267	(+) 215
1993-94	(+) 166	(+) 459	(+) 58
1994-95	(-) 149	(+)702	(+)562
1995-96	(+) 676	(+) 741	(+) 505



The revenue surplus of Rs. 64.41 crores in 1991-92, Rs. 215.02 crores in 1992-93, Rs. 57.58 crores in 1993-94, Rs. 561.97 crores in 1994-95 and Rs. 504.55 crores in 1995-96 was mainly due to receipt of more grants-in-aid from the Central Government due to change in the pattern of Central assistance for State Plan schemes from 30 per cent grants-in-aid and 70 per cent loan to 90 per cent grants-in-aid and 10 per cent loan from the year 1990-91.

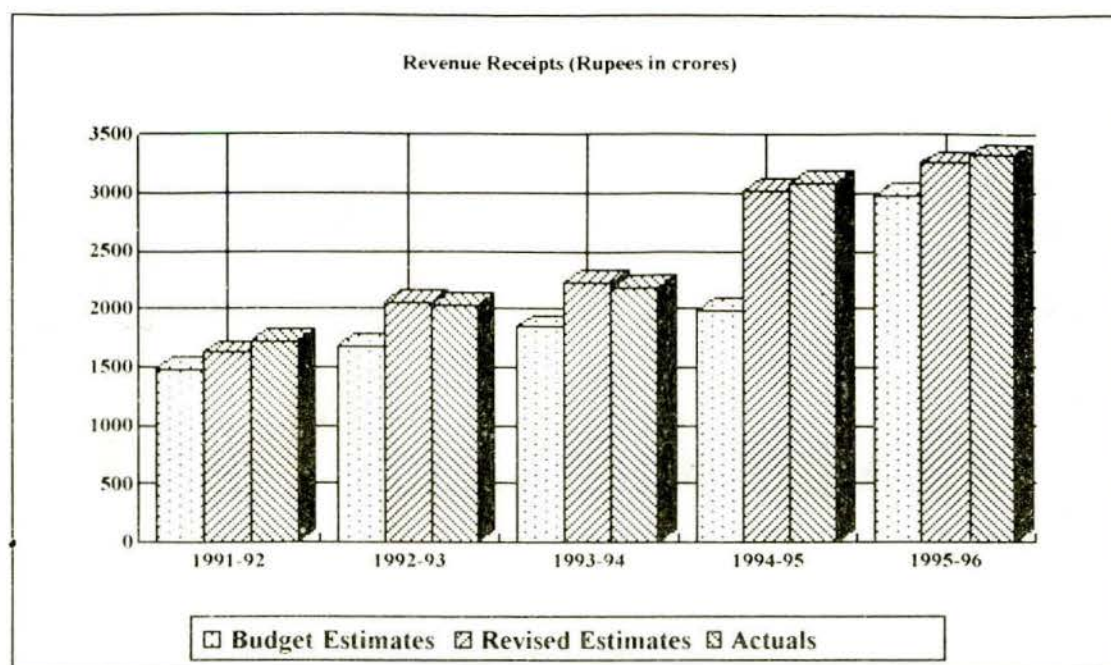
**Revenue surplus during the year was mainly due to receipt of more grants-in-aid from the GOI.**

#### 1.4 Revenue receipts

The revenue receipts during the five years ending 1995-96 are given below:

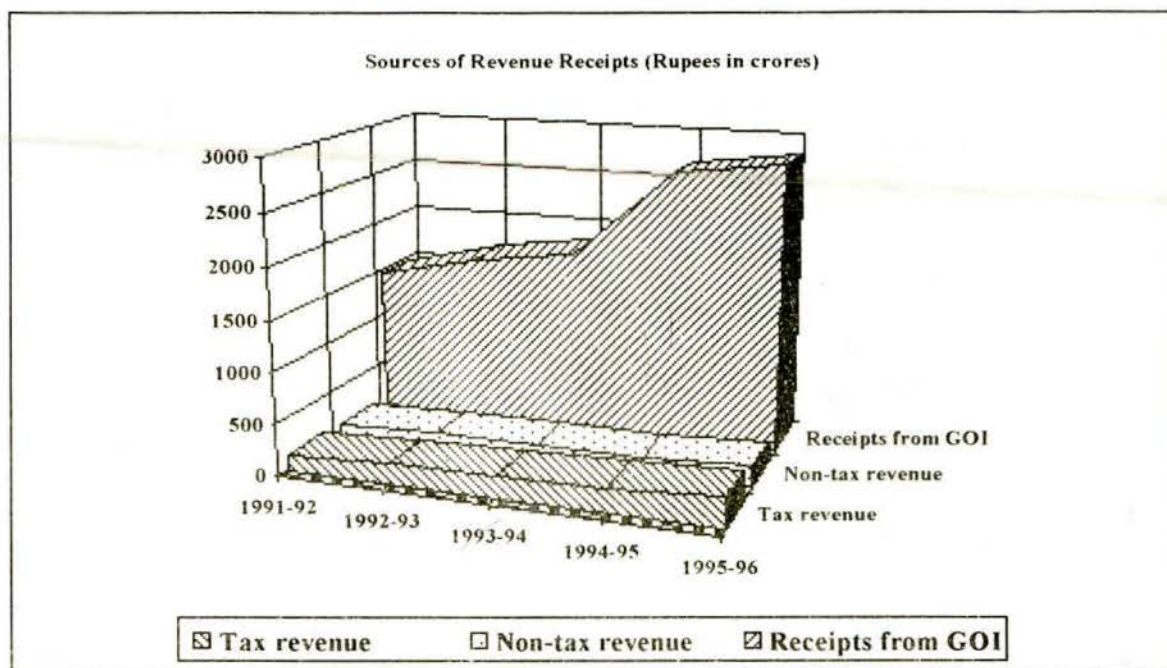
Year	Budget Estimates	Revised Estimates	Actuals	
			Amount	Percentage growth over the previous year
(Rupees in crores)				
1991-92	1474.59	1625.41	1716.89	12
1992-93	1676.19	2048.94	2026.74	18
1993-94	1846.31	2227.33	2179.12	8
1994-95	1985.34	3026.87	3088.32	42
1995-96	2971.35	3256.41	3319.51	7





The position of revenue raised by the State Government, State's share of taxes and duties and receipts from the Government of India was as follows:

	1991-92	1992-93	1993-94	1994-95	1995-96
(Rupees in crores)					
<b>I Revenue raised by the State Government</b>					
(a) Tax revenue	153.90	201.38	213.11	242.13	292.19
(b) Non-tax revenue	120.62	145.39	154.46	157.00	204.22
Total-I	274.52	346.77	367.57	399.13	496.41
<b>II State's share of Taxes on Income other than Corporation Tax, etc.</b>	33.11	28.25	47.27	57.10	122.24
<b>III Receipts from Government of India</b>					
(i) State's share of Union Excise Duties	377.55	451.36	463.54	505.50	522.00
(ii) Grants-in-aid	1031.71	1200.36	1300.74	2126.59	2178.86
Total-II and III	1442.37	1679.97	1811.55	2689.19	2823.10
<b>IV Total revenue receipts of the State Government</b>	1716.89	2026.74	2179.12	3088.32	3319.51
<b>V Percentage of revenue raised by the State Government to total revenue receipts</b>	16	17	17	13	15



The revenue receipts of the State Government during 1995-96 increased by Rs. 231.19 crores (7 per cent) as compared to the previous year. The increase was due to receipt of more grants-in-aid from the Government of India (Rs. 52.27 crores), increased share of Union taxes and duties (Rs. 81.64 crores) and increase in revenue raised by the State (Rs. 97.28 crores). The increase in tax revenue as compared to the previous year was 21 per cent whereas increase in non-tax revenue was 30 per cent.

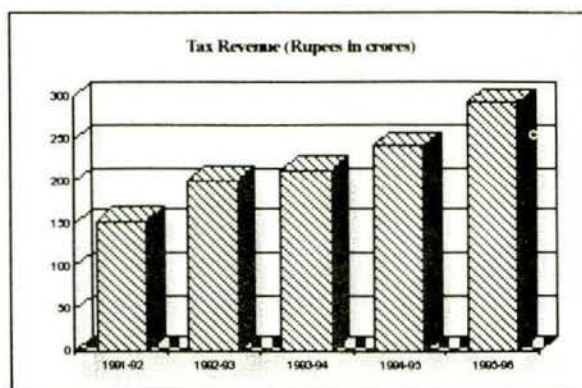
**Revenue raised by the State Government constituted only 15 per cent of the total revenue receipts of the State Government, the balance was contributed by transfers from the GOI.**

While the revenue receipts increased by 93 per cent from Rs. 1716.89 crores in 1991-92 to Rs. 3319.51 crores in 1995-96, the aggregate of amounts received by the State from Central Government on account of share of net proceeds of taxes and duties and grants-in-aid increased by 96 per cent from Rs. 1442.37 crores to Rs. 2823.10 crores i.e., by Rs. 1380.73 crores during the corresponding period; of this Rs. 1147.15 crores were accounted for by grants-in-aid.



## 1.5 Tax revenue

The revenue from taxes levied and collected by the State Government during the five years from 1991-92 to 1995-96 is given below:



Year	Tax revenue (Rupees in crores)	Percentage of growth over previous year
1991-92	153.90	3
1992-93	201.38	31
1993-94	213.11	6
1994-95	242.13	14
1995-96	292.19	21

An analysis of the tax revenue raised by the State Government during the five years ending 31 March 1996 is given below:

	1991-92	1992-93	1993-94	1994-95	1995-96
	(Rupees in crores)				
(i) State Excise	73.91 (48)	106.37 (53)	108.42 (51)	123.36 (51)	146.35 (50)
(ii) Sales Tax	59.89 (39)	73.75 (37)	82.32 (39)	93.19 (38)	112.53 (39)
(iii) Taxes on Vehicles	7.51 (5)	6.88 (3)	6.76 (3)	8.90 (4)	12.22 (4)
(iv) Stamps and Registration Fees	4.17 (3)	4.69 (2)	6.51 (3)	5.91 (2)	6.00 (2)
(v) Taxes and Duties on Electricity	3.93 (2)	4.19 (2)	2.54 (1)	2.08 (1)	3.45 (1)
(vi) Taxes on Goods and Passengers	1.26 (1)	2.55 (1)	3.79 (2)	4.62 (2)	7.97 (3)
(vii) Land Revenue	1.28 (1)	0.63 (#)	0.75 (#)	1.81 (1)	0.66 (#)
(viii) Other taxes	1.95 (1)	2.32 (1)	2.02 (1)	2.26 (1)	3.01 (1)
Total:	153.90 (100)	201.38 (100)	213.11 (100)	242.13 (100)	292.19 (100)

(Percentage share of individual taxes to the total is given in brackets).

It would be seen that while the contribution of receipts from State Excise, Sales Tax, Taxes on Vehicles, Stamps and Registration Fee, Taxes and Duties on Electricity, Taxes on Goods and Passengers and Other taxes increased in

# Negligible

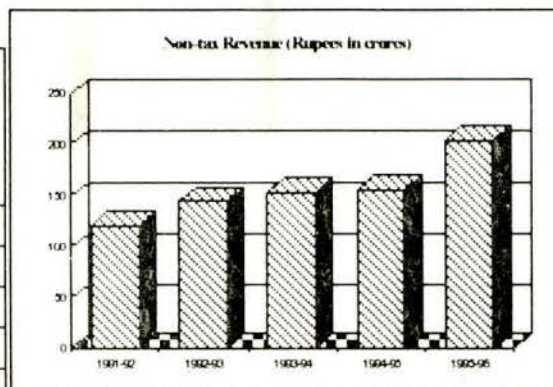
1995-96 over that of the previous year, the contribution from Land Revenue declined.

Reasons for increase/decrease in tax revenue are indicated in Paragraph 6.1.2 (b) of this Report.

### 1.6 Non-tax revenue

The growth of non-tax revenue during the last five years is indicated below:

Year	Non-tax revenue (Rupees in crores)	Percentage growth over the previous year
1991-92	120.62	18
1992-93	145.39	21
1993-94	154.46	6
1994-95	157.00	2
1995-96	204.22	30



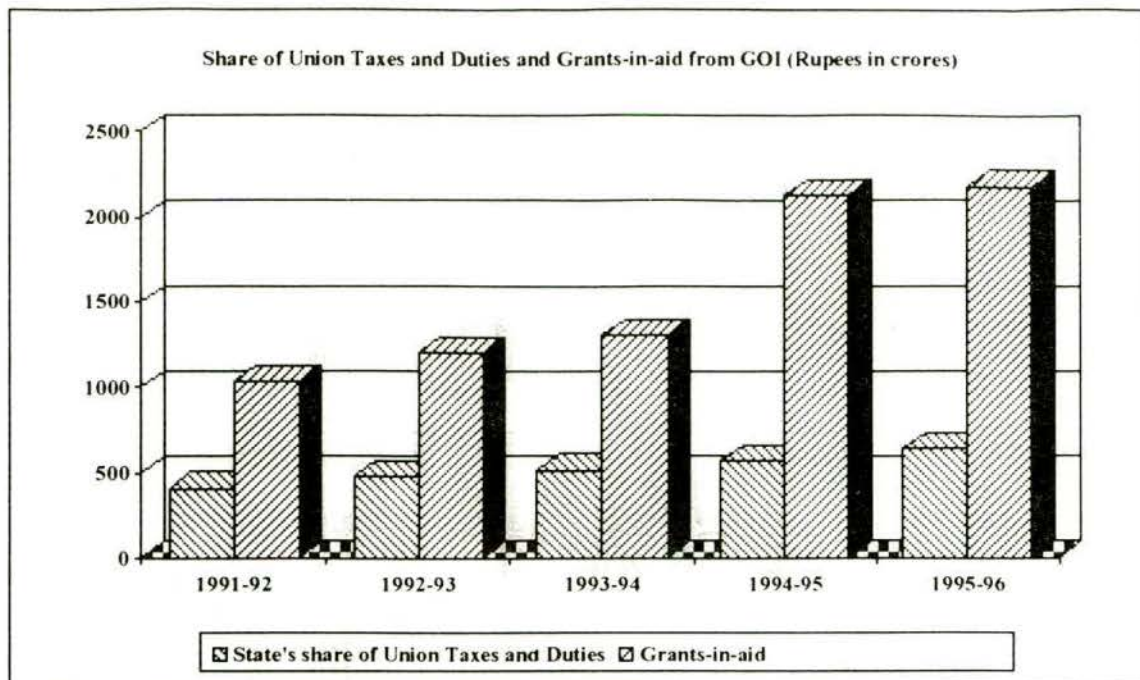
The overall increase in non-tax revenue of Rs. 47.22 crores during 1995-96 over the previous year was mainly under Interest Receipts (Rs. 14.14 crores), Miscellaneous General Services (Rs. 2.20 crores), Forestry and Wild Life (Rs. 28.15 crores) and Power Receipts (Rs. 1.14 crores).

### 1.7 State's share of Union Taxes, Duties and Grants received from the Central Government

The aggregate of the State's share of Union Taxes, Duties and Grants-in-aid from the Central Government during the year 1995-96 was Rs. 2823.10 crores representing 85 *per cent* of the total revenue receipts and almost 100 *per cent* of the revenue expenditure of the State Government. Year-wise details for the period from 1991-92 to 1995-96 are given below:

Year	State's share of Union Taxes and Duties	Grants-in-aid	Total	Percentage of total to	
				Revenue receipts	Revenue expenditure
(Rupees in crores)					
1991-92	410.66	1031.71	1442.37	84	87
1992-93	479.61	1200.36	1679.97	83	93
1993-94	510.81	1300.74	1811.55	83	85
1994-95	562.60	2126.59	2689.19	87	106
1995-96	644.24	2178.86	2823.10	85	100





It would be seen that 83 *per cent* to 87 *per cent* of the revenue receipts of the State during these five years comprised amounts received from Government of India.

### 1.8 Revenue expenditure

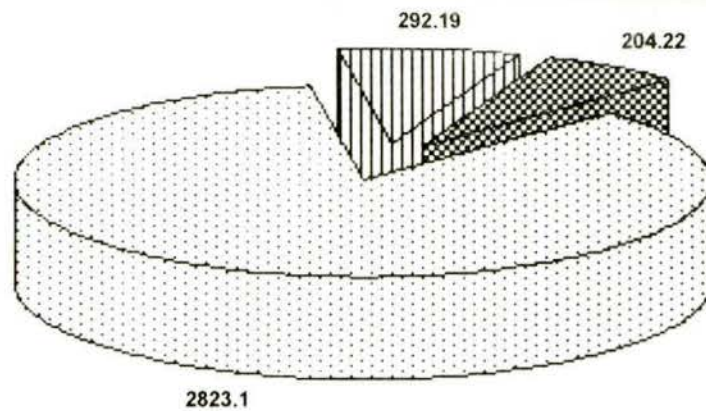
The revenue expenditure (Plan) during the year 1995-96 was Rs. 296.17 crores against the budget estimates of Rs. 397.37 crores (including supplementary), disclosing a shortfall of Rs. 101.20 crores (25 *per cent*). The non-Plan revenue expenditure during the year was Rs. 2518.79 crores (Rs. 2265.30 crores during the previous year) against the budget estimates of Rs. 2243.30 crores (including supplementary) disclosing an excess expenditure of Rs. 275.49 crores (12 *per cent*).

The revenue expenditure (both Plan and non-Plan) during the year 1995-96 was Rs. 2814.96 crores as against Rs. 2526.35 crores during the year 1994-95. Statement No. I of the Finance Accounts of the State Government indicates the main major heads of account under which there was increase in revenue expenditure for the year 1995-96.

### 1.9 Growth of revenue expenditure

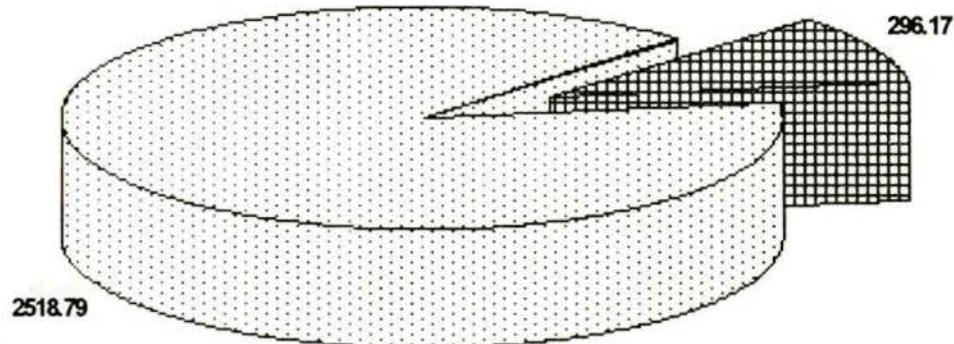
The growth of revenue expenditure (both Plan and non-Plan) during the last five years was as follows:

*Revenue Receipts  
(Rupees in crores)*



□ Receipts from GOI   □ Tax Revenue   ▨ Non-tax Revenue

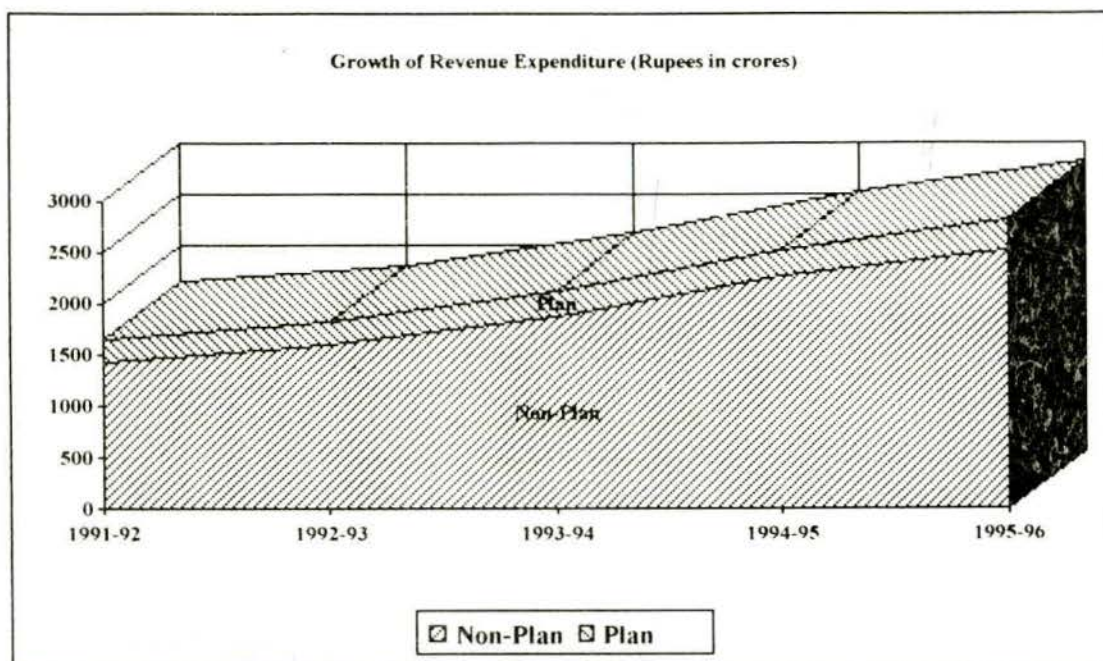
*Revenue Expenditure  
(Rupees in crores)*



□ Plan expenditure   ▨ Non-Plan expenditure



Year	Revenue expenditure			Percentage of non-Plan revenue expenditure to total expenditure
	Plan	Non-Plan	Total	
(Rupees in crores)				
1991-92	220.26	1432.22	1652.48	87
1992-93	222.68	1589.04	1811.72	88
1993-94	249.00	1872.54	2121.54	88
1994-95	261.05	2265.30	2526.35	90
1995-96	296.17	2518.79	2814.96	89



While the Plan revenue expenditure during 1995-96 increased by Rs. 35.12 crores (13 per cent) as compared to the previous year, the non-Plan revenue expenditure increased by Rs. 253.40 (per cent).

The revenue expenditure (both Plan and non-Plan) went up from Rs. 1652.48 crores in 1991-92 to Rs. 2814.96 crores in 1995-96 registering an increase of 70 per cent. The expenditure under non-Plan increased by Rs. 1086.57 crores (76 per cent) and that under Plan by Rs. 75.91 crores (34 per cent).

**Share of non-Plan expenditure to total expenditure increased from 87 per cent in 1991-92 to 89 per cent in 1995-96.**

Share of non-Plan expenditure to total expenditure increased from 87 per cent in 1991-92 to 89 per cent in 1995-96.

The growth in revenue expenditure during the year 1995-96 with reference to that of the previous year was mainly due to increase in expenditure on purchase of Power, Modernisation of Police Force, Security related expenditure, General Education, Pensions, Forests, etc.

However, the expenditure on Interest Payments<sup>#</sup>, Social Security and Welfare and Housing, etc. showed a decline as compared to the previous year.

### 1.10 Non-Plan revenue expenditure

The following table shows the details of non-Plan revenue expenditure where there have been significant increases over the last five years:

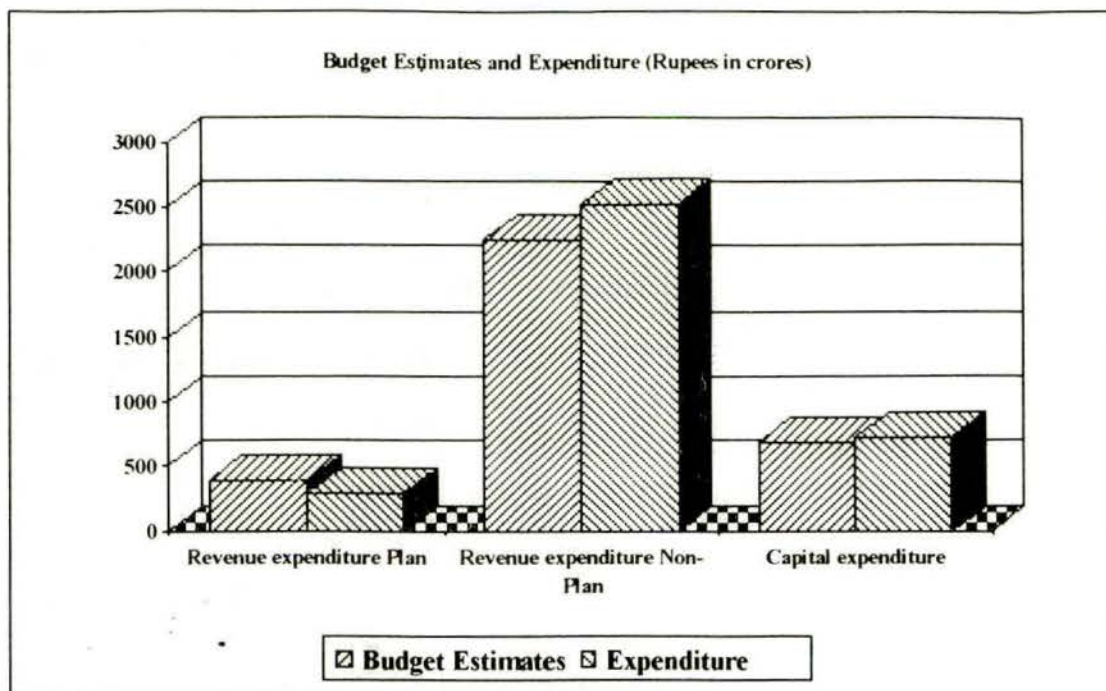
	Sector	1991-92	1995-96	Percentage increase
	<b>General Services</b>			
1.	Organs of State	7.49	13.97	87
2.	Fiscal Services	14.20	25.91	82
3.	Administrative Services (including Police and Jails)	164.19	465.46	183
4.	Pensions and Miscellaneous General Services	53.86	123.07	128
	<b>Social Services</b>			
5.	Health and Family Welfare	72.66	130.63	80
6.	Water Supply, Sanitation and Housing	57.38	111.36	94
7.	Information and Broadcasting	2.64	4.74	80
8.	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	2.46	11.36	362
	<b>Economic Services</b>			
9.	Rural Development	25.93	56.44	118
10.	Energy	202.42	471.40	133
11.	Industries and Minerals	19.08	35.92	88
12.	Science, Technology and Environment	0.83	2.65	219
13.	General Economic Service	8.15	14.35	76

### 1.11 Capital expenditure

The capital expenditure during 1995-96 was Rs. 729.42 crores against the Budget estimates of Rs. 684.54 crores (including supplementary) indicating excess in expenditure by Rs. 44.88 crores (7 per cent).

<sup>#</sup> Interest payable on Small Savings/Provident Funds, etc. during 1995-96 has not been booked in accounts as this information was awaited from the State Government. However, during 1994-95 an amount of Rs. 73.41 crores was paid as interest on Small Savings/Provident Fund balances aggregating Rs. 721.99 crores. During 1995-96 the deposits under Small Savings/Provident Funds aggregated Rs. 748.51 crores.





### 1.12 Financial assistance to local bodies and others

The financial assistance provided to local bodies and others for various social services in the last five years is given in the following table:

Sector		1991-92	1992-93	1993-94	1994-95	1995-96
(Rupees in crores)						
1.	Education	8.69	17.23	24.26	28.12	27.11
2.	Housing and Urban Development	10.16	12.50	18.03	20.23	24.43
3.	Agriculture and allied activities	2.95	3.32	5.35	4.72	4.87
4.	Others	2.18	2.48	3.95	3.58	4.55
	<b>Total</b>	<b>23.98</b>	<b>35.53</b>	<b>51.59</b>	<b>56.65</b>	<b>60.96</b>
5.	Percentage of growth (+)/ decline (-) over previous year	(+)23	(+)48	(+)45	(+)10	(+) 8
6.	Revenue raised by the State (Rs. in crores)	274.52	346.77	367.57	399.13	496.41
7.	Percentage of assistance to revenue raised by the State	9	10	14	14	12
8.	Revenue expenditure (Rs. in crores)	1652.48	1811.72	2121.54	2526.35	2814.96
9.	Percentage of assistance to revenue expenditure	1	2	2	2	2

During the period from 1991-92 to 1995-96 the assistance to local bodies and others represented 9 to 14 *per cent* of the total revenue raised by the State during the respective years and was 1 to 2 *per cent* of the total revenue expenditure each year.

### 1.13 Investment and returns

During 1995-96, the Government invested Rs. 12.58 crores in the share capital of Statutory Corporations (Rs. 7.46 crores), Government Companies (Rs. 3.27 crores) and Co-operative Banks and Societies (Rs. 1.85 crores<sup>@</sup>) with which the total investment of the Government as of March 1996 stood at Rs. 272.25 crores. Besides, Government had invested Rs. 130.97 crores in the form of long term loans to Government Companies alone as of March 1996. Information regarding investment in the form of long term loans to Co-operative Banks and Societies, Public Sector Undertakings, Local Bodies and Other Authorities had not been intimated by the Government.

The total investments of Government in the share capital of different concerns and the dividend/interest received during the five year period from 1991-92 to 1995-96 were as follows:

Year	Total investment at the end of the year	Dividend/Interest received during the year	Percentage of (3) to (2)
(1)	(2)	(3)	(4)
	(Rupees in crores)		
1991-92	225.41	0.16	0.07
1992-93	239.71	0.16	0.07
1993-94	244.22	0.11	0.05
1994-95	259.67	Nil	-
1995-96	272.25	Nil	-

There were, thus, no returns during 1994-95 and 1995-96 on investments while these were insignificant during earlier years and were far lower than the rate of interest for Government borrowings, which was 11.5 to 20.75 *per cent* during this period.

The State had 19 Government Companies. Accounts of all the 19 Companies were in arrears for periods ranging from 1 to 14 years as of 1 October 1996. None of the 19 Companies had finalised its accounts for the year 1995-96. The cumulative loss in respect of 13 loss

***The return on investment in Corporations and Government Companies, etc. was insignificant and far lower than the rate at which Government borrowed funds.***

<sup>@</sup> Includes Rs. 40 lakhs fraudulently withdrawn by drawing and disbursing officers from treasuries on account of share capital of co-operative institutions.



making companies (Government investment up to March 1996: Rs. 245.98 crores<sup>#</sup> including Rs. 126.79 crores as long term loans) was Rs. 41.93 crores as on the date of finalisation of the respective accounts by these companies. Of these, three companies (cumulative loss: Rs. 22.44 crores) had eroded their paid up capital of Rs. 11.37 crores (State Government's investment: Rs. 8.17 crores). Four companies had not rendered their accounts since their incorporation in November 1988, May 1991, November 1991 and February 1995.

#### 1.14 Public debt and other liabilities

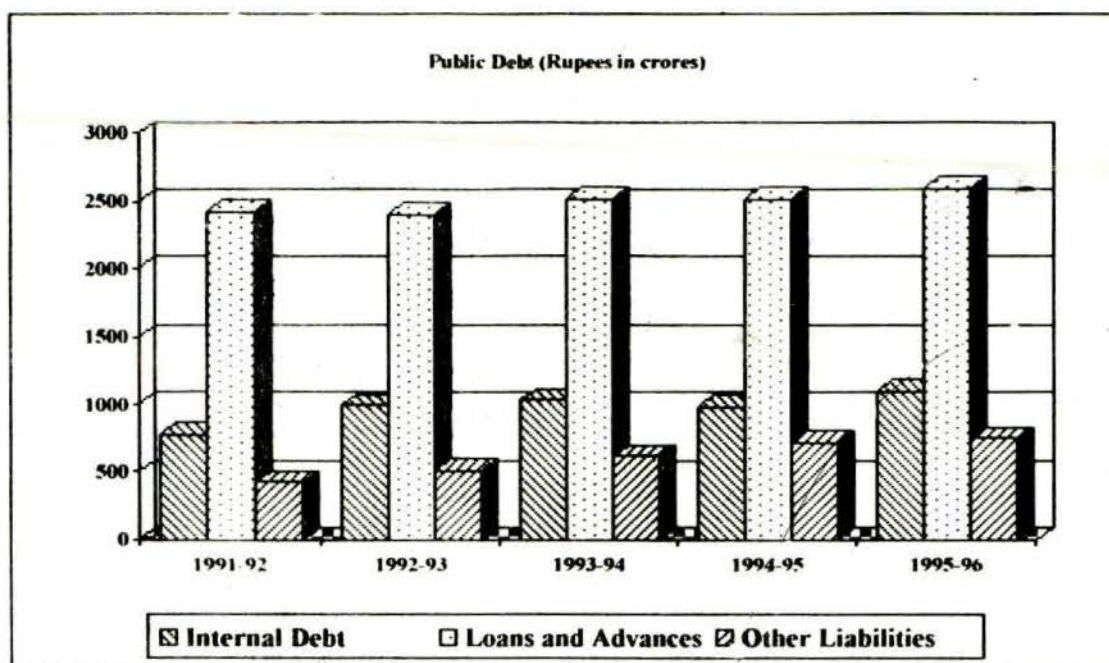
Under Article 293(1) of the Constitution of India, a State may borrow within the territory of India upon the security of the Consolidated Fund of the State within such limits, if any, as may from time to time be fixed by an Act of the Legislature of the State. No law has been passed by the Jammu and Kashmir State Legislature laying down such a limit.

Public debt of the State consists of internal debt and loans and advances from the Central Government. Internal debt comprises long term loans raised in the open market and loans received from financial institutions, etc. This also includes temporary loans obtained from the Jammu and Kashmir Bank Limited and other bonds issued by the State Government. Loans and Advances from the Central Government represent loans received from the Government of India for execution of various Plan and non-Plan schemes. Besides, the Government had other liabilities on account of funds raised through Small Savings, Provident Funds, etc.

The details of such liabilities of the State Government during the five years ending March 1996 are given below:

Year	Internal Debt	Loans and Advances from GOI	Total Public Debt (2+3)	Other liabilities	Total liabilities (4+5)
(1)	(2)	(3)	(4)	(5)	(6)
(Rupees in crores)					
1991-92	779.10	2422.09	3201.19	424.41	3625.60
1992-93	994.38	2400.97	3395.35	509.85	3905.20
1993-94	1030.70	2511.51	3542.21	615.71	4157.92
1994-95	985.55	2517.58	3503.13	721.99	4225.12
1995-96	1102.44	2584.41	3686.85	748.51	4435.36

<sup>#</sup> Includes investment of Rs. 8.53 crores by the Central Government.



It will, thus, be seen that the Public debt of the Government had increased by Rs. 485.66 crores from Rs. 3201.19 crores in 1991-92 to Rs. 3686.85 crores in 1995-96 representing an increase of 15 *per cent* over the last five years. During this period the other liabilities increased from Rs. 424.41 crores to Rs. 748.51 crores (76 *per cent*).

### 1.15 Debt service

During the year 1995-96 the actual debt service obligation (including repayment of temporary loans obtained from the Jammu and Kashmir Bank Limited) according to schedule of repayments was Rs. 4176.79 crores (principal: Rs. 3751.16 crores and interest: Rs. 425.63 crores) against which actual discharge was Rs. 3266.04 crores only (principal: Rs. 2899.23 crores and interest: Rs. 366.81 crores) thereby leaving an undischarged liability of Rs. 910.75 crores (principal: Rs. 851.93 crores and interest: Rs. 58.82 crores).

The State Government had not made any amortisation arrangements for open market loans, bonds and loans from the Government of India.

The following table shows the outflow of funds on account of interest payments (gross) during the five years ending 1995-96:



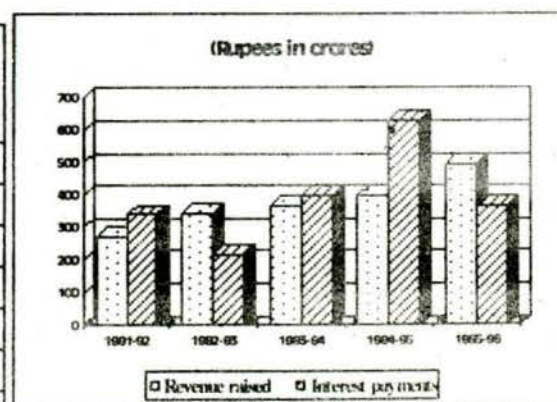
Year	Interest paid	Opening balance				Percentage of interest paid to	
		Internal Debt	Loans and Advances from the Central Government	Small Savings and Provident Funds, etc.	Total obligations	Total obligations	Revenue expenditure
(Rupees in crores)							
1991-92	339.28	447.21	2412.42	366.95	3226.58	11	21
1992-93	218.16	779.10	2422.09	424.41	3625.60	6	12
1993-94	398.37	994.38	2400.97	509.85	3905.20	10	19
1994-95	628.88	1030.70	2511.51	615.71	4157.92	15	25
1995-96	366.93	985.55	2517.58	721.99	4225.12	9	13

It will be seen that the total outflow of funds for payment of interest during the period from 1991-92 to 1995-96 had been Rs. 1951.62 crores and was between 12 and 25 *per cent* of the revenue expenditure.

Interest received during the year was Rs. 97.17 crores while the interest paid on debt and other obligations was Rs. 366.93 crores. The net interest burden during the year was, thus, Rs. 269.76 crores (8 *per cent* of the total revenue receipts and 92 *per cent* of the tax revenue of the State).

Interest payments ranged between 63 and 158 *per cent* of the revenue raised by the State Government (both tax and non-tax revenue) during the period 1991-92 to 1995-96 as revealed by the following data:

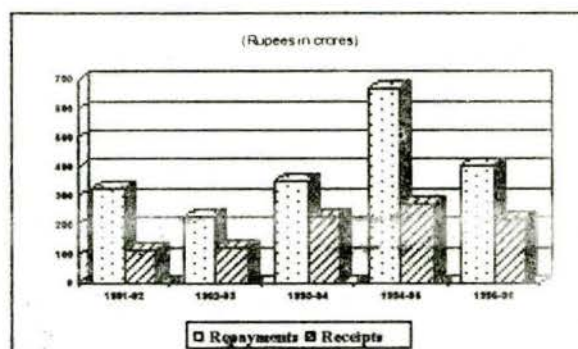
Year	Revenue raised	Interest payments	Percentage of 3 to 2
(1)	(2)	(3)	(4)
(Rupees in crores)			
1991-92	274.52	339.28	124
1992-93	346.77	218.16	63
1993-94	367.57	398.37	108
1994-95	399.13	628.88	158
1995-96	496.41	366.93	74



The position of repayment of Government of India loans and payment of interest thereon by the State Government during the last five years was as follows:

Year	Repayments			Loans received during the year	Percentage of repayments to loans received
	Principal	Interest	Total		
	(Rupees in crores)				
1991-92	106.78	216.92	323.70	116.44	278
1992-93	145.20	86.60	231.80	124.07	186
1993-94	121.36	230.28	351.64	231.90	152
1994-95	268.83	400.35	669.18	274.90	243
1995-96	152.50	251.04	403.54	219.33	184

During 1995-96, against the total amount of Rs. 706.28 crores (Principal: Rs. 396.42 crores; Interest: Rs. 309.86 crores) that fell due on account of repayment of Government of India Loans, Rs. 396.50 crores (Principal: Rs. 147.94 crores; Interest: Rs. 248.56 crores) were adjusted and recovered from the fresh loans/ grants



sanctioned in 1995-96. The State Government also paid an amount of Rs. 7.04 crores (Principal: Rs. 4.56 crores; Interest: Rs. 2.48 crores) from its own sources during 1995-96 leaving an amount of Rs. 302.74 crores (Principal: Rs. 243.92 crores; Interest: Rs. 58.82 crores) payable by the State Government. Repayment of loans and payment of interest thereon, thus, worked out to 184 per cent of fresh loans received during the year.

### 1.16 Temporary loans

Jammu and Kashmir Bank Limited conducts State Government business. Government obtains temporary loans from the bank for its ways and means requirements. The maximum limit up to which temporary loans can be obtained at any time, as approved by the Government of India, is Rs. 10 crores. Interest at 16 per cent was charged during 1995-96 on the temporary loans.

The position of temporary loans taken by the State Government and interest paid thereon during the period from 1991-92 to 1995-96 is given below:

	1991-92	1992-93	1993-94	1994-95	1995-96
	(Rupees in crores)				
I. Temporary loans taken during the year	1363.03	1143.24	1835.91	1887.84	2737.94
II Temporary loans outstanding at the end of the year	554.08	733.05	714.31	608.52	608.01 <sup>5</sup>
III Interest paid	32.12	71.16	88.74	104.29	74.39

<sup>5</sup> The figure was under reconciliation (November 1996).



During 1995-96 temporary loans obtained by the State Government were outstanding on all the days of the year. The maximum temporary loan on any one day was Rs. 655.75 crores on 6 April 1995.

### 1.17 Loans and advances by the State Government

The State Government has been advancing loans to Government Companies, Corporations, Autonomous bodies, Co-operatives, non-Government institutions, etc., for developmental and non-developmental activities. The position of such loans for the five years from 1991-92 to 1995-96 is given below:

	1991-92	1992-93	1993-94	1994-95	1995-96
	(Rupees in crores)				
I. Opening balance	153.22	174.24	196.88	223.67	258.26
II. Amount advanced during the year	24.17	26.29	29.15	36.91	45.01
III. Amount repaid during the year	3.15	3.65	2.36	2.32	2.75
IV. Closing balance	174.24	196.88	223.67	258.26	300.52
V. Net increase	21.02	22.64	26.79	34.59	42.26
VI. Interest received and credited to revenue	0.03	0.06	0.79	0.46	0.28

Out of loans advanced to various bodies, etc., the detailed accounts of which are kept in the office of the Accountant General, recovery of Rs. 25.16 crores (principal: Rs. 20.60 crores and interest: Rs. 4.56 crores) was in arrears as on 31 March 1996. Out of this, Rs. 15.46 crores (principal: Rs. 13.78 crores and interest: Rs. 1.68 crores) related to Government servants and Rs. 9.70 crores (principal: Rs. 6.82 crores and interest: Rs. 2.88 crores) to municipalities and local bodies. Recoveries of Rs. 17.27 crores (principal) were in arrears for five years and more.

In respect of loans, the detailed accounts of which are maintained by the departmental officers, Rs. 267.25 crores were outstanding on 31 March 1996. Controlling Officers are required to furnish to the Accountant General a statement showing details of arrears in recovery of loan instalments and interest by June every year. Information regarding overdue amounts in arrears has not been furnished by any of the Controlling Officer.

### 1.18 Guarantees given by the Government

The position of contingent liability for guarantees given by the State Government for repayment of loans and payment of interest thereon by the Statutory Corporations, Companies and Co-operatives was as follows:

Figures in the table are incomplete as information in respect of some institutions was awaited (October 1996).

As on 31 March	Maximum amount guaranteed (Principal only)	Amount outstanding	
		Principal	Interest
		(Rupees in crores)	
1992	531.07	444.76	14.40
1993	526.44	435.82	6.95
1994	570.35	474.08	6.22
1995	718.14	238.28	36.82
1996	747.79	537.13	61.93

No law under Article 293 (1) of the Constitution has been passed by the State Legislature laying down the limit within which the Government may give guarantee on the security of the Consolidated Fund of the State.

In consideration of guarantees given by the State Government, guarantee fee at the rate of 0.25 *per cent* of the amount guaranteed was payable by the Government Companies and Statutory Corporations to the Government. Though a guarantee fee of Rs. 1.67 crores on an amount of Rs. 668.89 crores (Principal only), was due to the Government from these institutions alone no such fees had been received by the Government as of November 1996.

No action had been taken by the Government to recover the above amount.





***This Chapter  
includes results of***

***APPROPRIATION  
AUDIT***

***and***

***CONTROL OVER  
EXPENDITURE***





## 2.1 General

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

The amount of grants passed under Appropriation Act include the expenditure which has been voted by the Legislature on various grants, as also the expenditure which is required to be charged on the Consolidated Fund of the State. The Appropriation Accounts are prepared every year indicating the details of amounts on various specified services and also exhibit the total sanctioned grant/appropriation, actual expenditure and savings/excesses for grant/appropriation, as a whole during the financial year. There were twenty seven Demands for Grants/Appropriations obtained by the various departments of the State during 1995-96 under different sectors of activity.

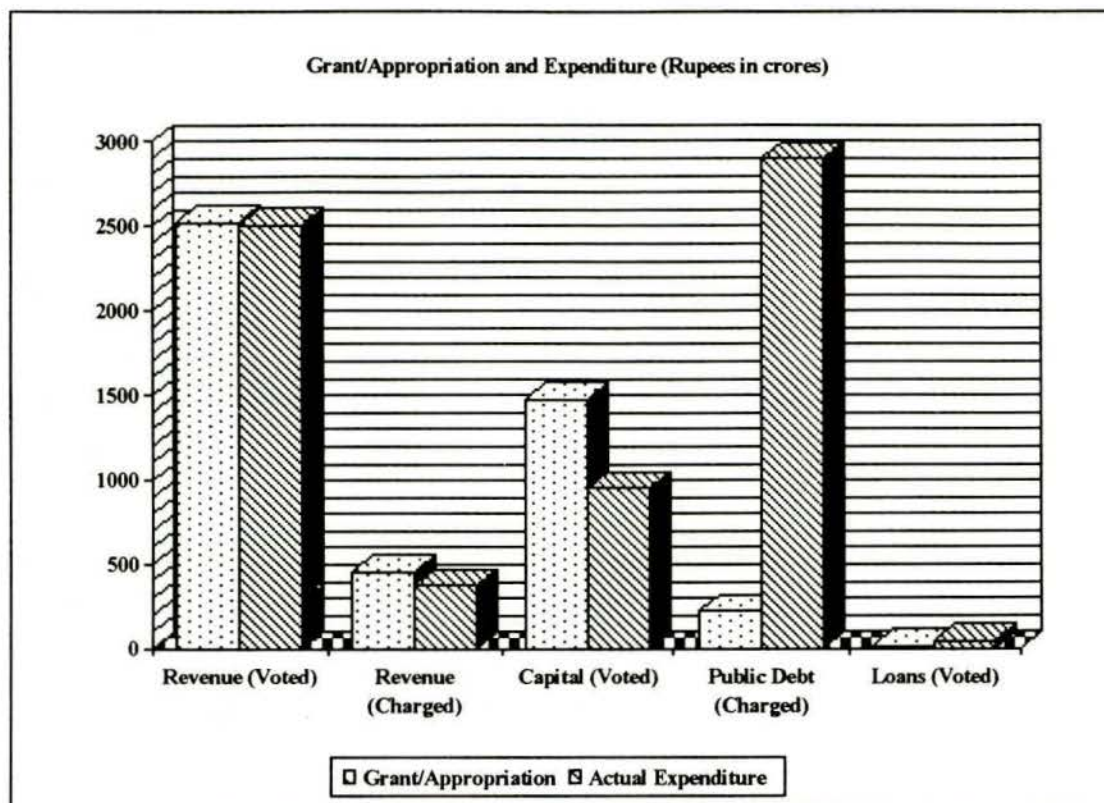
The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Acts and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains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

The summarised position of actual expenditure during 1995-96 against grants/appropriations is given below:

	Original grant/ appropriation	Supple- mentary	Total	Actual expen- diture	Variation Saving(-)/ Excess(+)
(Rupees in crores)					
<b>I. Revenue</b>					
Voted	2175.58	344.18	2519.76	2507.87	(-) 11.89
Charged	458.68	0.93	459.61	371.11	(-) 88.50
<b>II. Capital</b>					
Voted	1354.45	117.53	1471.98	948.39	(-) 523.59
<b>III. Public Debt</b>					
Charged	216.86	-	216.86	2899.23	(+) 2682.37



	Original grant/ appropriation	Supple- mentary	Total	Actual expen- diture	Variation Saving(-)/ Excess(+)
(Rupees in crores)					
<b>IV. Loans</b>					
Voted	16.85	-	16.85	45.01	(+) 28.16
<b>Total:</b>	4222.42	462.64	4685.06	6771.61 <sup>#</sup>	(+) 2086.55



## 2.2 Results of Appropriation Audit

The overall excess of Rs. 2,086.55 crores was the net result of excess of Rs. 2936.89 crores in 17 grants and 3 appropriations and savings of Rs. 850.34 crores in 25 grants and 4 appropriations as shown below:

(Rupees in crores)						
	Saving		Excess		Net saving (-)/excess (+)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
<b>Voted</b>	203.83	557.88	191.93	62.45	(-) 11.90	(-) 495.43
<b>Charged</b>	88.63	-	0.13	2682.38	(-) 88.50	(+) 2682.38
	(25 grants and 4 appropriations)		(17 grants and 3 appropriations)			

<sup>#</sup> Information regarding amounts kept unutilised in Civil Deposits, personal ledger accounts, banks and in form of cash by the departmental officers though called for was not made available.

The supplementary grants/ appropriations of Rs. 462.64 crores obtained during 1995-96 constituted 11 *per cent* of the original grants/ appropriations as against 8 *per cent* in the previous year.

### 2.2.1 Excess over grants/appropriations

In the Revenue section there was excess of Rs. 1,92,06,60,191 in 13 grants and 2 appropriations while the excess in the Capital section amounted to Rs. 27,44,82,66,275 in 5 grants and 1 appropriation as detailed below:

S. No.	Grant No.	Department	Total grant or appropriation	Expenditure	Excess (Percentage of excess)
(In rupees)					
<b>I-Revenue (Voted)</b>					
1	2	Home	3,44,53,03,000	3,90,87,96,656	46,34,93,656 (13)
2	5	Ladakh Affairs	58,00,95,000	59,68,57,593	1,67,62,593 (3)
3	6	Power Development	4,38,00,82,000	4,81,72,77,118	43,71,95,118 (10)
4	9	Parliamentary Affairs	1,86,09,000	1,93,43,201	7,34,201 (4)
5	11	Industries and Commerce	50,87,78,000	51,40,25,481	52,47,481 (1)
6	12	Agriculture, Rural Development and Co-operation	99,82,07,000	1,66,64,28,617	66,82,21,617 (67)
7	13	Animal Husbandry	52,55,57,000	57,81,73,473	5,26,16,473 (10)
8	17	Health and Medical Education	1,76,45,67,000	1,76,49,20,128	3,53,128 (#)
9	18	Social Welfare	36,90,08,000	42,26,63,191	5,36,55,191 (15)
10	20	Tourism	11,40,75,000	16,26,34,673	4,85,59,673 (43)
11	21	Forest	62,14,58,000	74,39,94,309	12,25,36,309 (20)
12	25	Labour, Stationery and Printing	10,70,32,000	10,80,41,884	10,09,884 (1)

# Negligible



S. No	Grant No	Department	Total grant or appropriation	Expenditure	Excess (Percentage of excess)
(In rupees)					
13	27	Higher Education	52,40,76,000	57,30,17,318	4,89,41,318 (9)
		Total:	13,95,68,47,000	15,87,61,73,642	1,91,93,26,642
<b>II-Revenue (Charged)</b>					
14	2	Home	8,25,741	8,92,741	67,000 (8)
15	10	Law	2,10,68,000	2,23,34,549	12,66,549 (6)
		Total:	2,18,93,741	2,32,27,290	13,33,549
		Total Revenue	1397,87,40,741	15,89,94,00,932	1,92,06,60,191
<b>III-Capital (Voted)</b>					
16	6	Power Development	2,91,64,74,000	3,15,87,46,546	24,22,72,546 (8)
17	16	Public Works	96,90,74,000	1,11,72,14,299	14,81,40,299 (15)
18	23	Public Health	95,84,60,000	1,16,60,87,637	20,76,27,637 (22)
19	24	Estates	2,73,00,000	4,93,43,152	2,20,43,452 (81)
20	26	Fisheries	2,28,57,000	2,72,86,405	44,29,405 (19)
		Total:	4,89,41,65,000	5,51,86,78,039	62,45,13,039
<b>IV-Capital (Charged)</b>					
21	8	Finance	2,16,86,00,000	28,99,23,53,236	2682,37,53,236 (1237)
		Total Capital:	7,06,27,65,000	34,51,10,31,275	2744,82,66,275

In 12 of these 21 cases, the expenditure exceeded approved provision by more than Rs. 25 lakhs in each case and also by more than 10 *per cent* of the total provision. Reasons for excess expenditure were not furnished (October 1996).

These 21 cases required regularisation under Section 82 of the Constitution of Jammu and Kashmir.

### 2.2.2 Excess over grants in previous years not regularised

Cases of excess over grants/appropriations of the aggregate amount of Rs. 7973.81 crores relating to the following years were pending with the Finance Department for regularisation:

Year	Amount (Rupees in crores)
1980-81	227.90
1981-82	41.99
1982-83	119.74
1983-84	176.75
1984-85	65.42
1985-86	19.64
1986-87	104.22
1987-88	177.32
1988-89	438.42
1989-90	205.23
1990-91	427.72
1991-92	1152.23
1992-93	1029.71
1993-94	1730.03
1994-95	2057.49
Total:	7973.81

### 2.2.3 Unutilised provisions

In the following grants/appropriations the expenditure fell short by more than Rs. 1 crore and also by more than 10 *per cent* of the total provisions in each case.

Reasons for savings have not been intimated (October 1996) in any of these cases.

S.No	Grant No	Department	Savings	
			Rupees in crores	(Percentage of savings to Provision)
I-Revenue (Voted)				
1	1	General Administration	14.50	44.4
2	3	Planning and Development	9.31	39.0
3	7	Education	49.66	13.0
4	8	Finance	35.92	19.8
5	10	Law	1.56	14.5
6	14	Revenue	20.88	24.6
7	15	Food Supplies and Transport	39.11	86.4
8	19	Housing and Urban Development	4.85	15.4
9	23	Public Health Engineering	12.83	13.1
10	24	Estates, Hospitality and Protocol and Gardens and Parks	3.30	20.1
II-Revenue (Charged)				
1	8	Finance	88.46	19.4



S.No	Grant No	Department	Savings	
			Rupees in crores	(Percentage of savings to Provision)
III-Capital (Voted)				
1	1	General Administration	8.24	90.5
2	2	Home	6.31	100
3	3	Planning and Development	10.44	62.4
4	5	Ladakh Affairs	7.71	23.0
5	7	Education	10.18	37.8
6	11	Industries and Commerce	28.68	47.7
7	12	Agriculture and Rural Development	41.74	65.1
8	13	Animal Husbandry	8.28	74.1
9	14	Revenue	2.05	100
10	15	Food Supplies and Transport	326.87	59.0
11	17	Health and Medical Education	8.36	31.2
12	18	Social Welfare	7.80	76.2
13	19	Housing and Urban Development	31.86	51.0
14	20	Tourism	2.86	21.8
15	21	Forest	8.25	31.0
16	22	Irrigation and Flood Control	16.93	42.0
17	25	Labour, Stationery and Printing	17.66	100
18	27	Higher Education	12.47	98.2

Reasons for savings have not been intimated (October 1996) in any of these cases.

#### 2.2.4 Surrender of savings

According to the provisions of Jammu and Kashmir Budget Manual and Financial Code all anticipated savings in a grant/appropriation should be notified and surrendered as soon as the possibility of saving is foreseen from the trend of expenditure without waiting till the end of the year when it cannot be purposefully utilised. During 1995-96 though actual savings of Rs. 850.34 crores were available under various grants, only Rs. 8.34 lakhs were surrendered in 2 grants. Even in these two cases where the final saving with reference to the sums authorised for expenditure by the Legislature was Rs. 14.50 crores and Rs. 1.56 crores, savings of Rs. 0.12 lakh and Rs. 8.22 lakhs only had been anticipated and surrendered during the year. This was indicative of defective estimation of expenditure.

In the following grants/appropriations the savings exceeded Rs. 1 crore and more than 10 *per cent* of the total provisions in each case, but were not surrendered:

S.No	Grant No	Department	Savings not surrendered
<b>I-Revenue (Voted)</b>			(Rs. in crores)
1	1	General Administration	14.50
2	3	Planning and Development	9.31
3	7	Education	49.66
4	8	Finance	35.92
5	10	Law	1.56
6	14	Revenue	20.88
7	15	Food Supplies and Transport	39.11
8	19	Housing and Urban Development	4.85
9	23	Public Health Engineering	12.83
10	24	Estates, Hospitality and Protocol and Gardens and Parks	3.30
<b>II-Revenue (Charged)</b>			
11	8	Finance	88.46
<b>III-Capital (Voted)</b>			
12	1	General Administration	8.24
13	2	Home	6.31
14	3	Planning and Development	10.44
15	5	Ladakh Affairs	7.71
16	7	Education	10.18
17	11	Industries and Commerce	28.68
18	12	Agriculture and Rural Development	41.74
19	13	Animal Husbandry	8.28
20	14	Revenue	2.05
21	15	Food Supplies and Transport	326.87
22	17	Health and Medical Education	8.36
23	18	Social Welfare	7.80
24	19	Housing and Urban Development	31.86
25	20	Tourism	2.86
26	21	Forest	8.25
27	22	Irrigation and Flood Control	16.93
28	25	Labour, Stationery and Printing	17.66
29	27	Higher Education	12.47

### 2.2.5 Persistent savings

Savings in the grant or appropriation indicate that the expenditure could not be incurred as estimated, anticipated and planned. They are indicative of poor budgeting or shortfall in performance depending upon the circumstances and the purpose for which the original grant/appropriation was provided.

Persistent savings exceeding 10 *per cent* of the provision were noticed in the following grants during the last three years, thus, indicating poor budgeting by the State Government:



S.No	Grant. No.	Department	Percentage of savings		
			1993-94	1994-95	1995-96
<b>I-Revenue (Voted)</b>					
1	1	General Administration	11	40	44
2	8	Finance	10	15	20
3	15	Food supplies and Transport	79	90	86
4	24	Estates, Hospitality and Protocol and Gardens and Parks	10	21	20
<b>II-Capital (Voted)</b>					
5	1	General Administration	66	92	91
6	2	Home	100	100	100
7	3	Planning and Development	99	75	62
8	4	Information	39	100	100
9	7	Education	40	40	38
10	11	Industries and Commerce	76	61	48
11	12	Agriculture	72	69	65
12	13	Animal Husbandry	76	74	74
13	14	Revenue	100	100	100
14	17	Health and Medical Education	31	30	31
15	18	Social Welfare	91	94	76
16	19	Housing and Urban Development	55	45	51
17	21	Forest	50	37	31
18	22	Irrigation and Flood Control	45	44	42
19	25	Labour, Stationery and Printing	100	100	100
20	27	Higher Education	88	96	98

#### 2.2.6 Persistent excess

According to the provisions of the Financial Rules, no expenditure should be incurred which might have the effect of exceeding the total grant or appropriation authorised by the State Legislature for a financial year even after obtaining supplementary grant or an advance from the Contingency Fund. It was, however, observed that there were persistent excesses in the following grants during the last three years:

S.No.	Grant No.	Department	(Percentage of excess)		
			1993-94	1994-95	1995-96
<b>Revenue (Voted)</b>					
1	5	Ladakh Affairs	15	9	3
2	12	Agriculture Production, Rural Development and Co-operation	45	31	67
3	13	Animal Husbandry	8	21	10
4	20	Tourism	30	28	43
5	21	Forest	48	47	20

S.No.	Grant No.	Department	(Percentage of excess)		
			1993-94	1994-95	1995-96
6	27	Higher Education	11	23	9
<b>Revenue (Charged)</b>					
7	10	Law	18	40	6
<b>Capital (Voted)</b>					
8	16	Public Health Engineering	44	64	22
9	24	Estates	3	59	81
<b>Capital (Charged)</b>					
10	8	Finance	397	453	1237

### 2.2.7 Unnecessary /excessive/inadequate supplementary provisions

(a) In 11 cases where the saving was more than Rs. 0.50 crore in each case, as detailed in Appendix-1, supplementary provision of Rs. 82.03 crores (Revenue-Voted: Rs. 70.40 crores; Capital-Voted: Rs. 11.63 crores) was made unnecessarily even though the expenditure in each grant neither had reached nor exceeded the original provision of Rs. 606.03 crores (Revenue-Voted: Rs. 500.60 crores; Capital-Voted: Rs. 105.43 crores).

(b) In 11 other cases, as detailed in Appendix-2, against the actual requirement of Rs. 38.69 crores (Revenue Voted: Rs. 30.99 crores; Revenue Charged: Rs. 0.11 crore; and Capital Voted: Rs. 7.59 crores), supplementary provision of Rs. 99 crores (Revenue Voted: Rs. 69.88 crores; Revenue Charged: Rs. 0.28 crore; and Capital Voted: Rs. 28.84 crores) was made resulting in a saving of Rs. 0.25 crore or more in 9 cases and Rs. 60.31 crores in the aggregate.

(c) Supplementary provision of Rs. 281.40 crores (Revenue-Voted: Rs. 203.93 crores; Capital-Voted: Rs. 77.07 crores and Revenue Charged: Rs. 0.40 crore) obtained in 16 cases, as detailed in Appendix-3, proved inadequate resulting in total uncovered expenditure of Rs. 227.51 crores (Revenue-Voted: Rs. 191.81 crores, Capital-Voted: Rs. 35.57 crores and Revenue Charged: Rs. 0.13 crore).

### 2.2.8 Trend of recoveries and credits

Under the system of gross 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 1995-96, against the anticipated recoveries of Rs. 909.28 crores (Revenue: Rs. 338.70 crores; Capital: Rs. 570.58 crores), the actual recoveries were Rs. 282.98 crores (Revenue: Rs. 64.02 crores; Capital: Rs. 218.96 crores). Cases of shortfall in recoveries are detailed below:



(Rupees in crores)					
S.No	Grant No.	Department	Budget Estimates	Actuals	Amount of shortfall as compared to estimates
<b>I-Revenue</b>					
1	5	Ladakh Affairs	4.12	3.35	0.77
2	6	Power Development	274.47	10.33	264.14
3	16	Public Works	54.86	42.61	12.25
4	22	Irrigation and Flood Control	3.05	1.52	1.53
5	24	Estates, Hospitality and Protocol and Parks and Gardens	0.35	0.03	0.32
6	25	Labour, Stationery and Printing	0.65	0.35	0.30
<b>II-Capital</b>					
7	5	Ladakh Affairs	0.62	#	0.62
8	6	Power Development	10.00	9.53	0.47
9	12	Agriculture and Rural Development	13.28	10.13	3.15
10	15	Food Supplies and Transport	545.18	199.27	345.91
11	22	Irrigation and Flood Control	1.50	0.02	1.48

#### 2.2.9 Reconciliation of departmental figures with those of the Accountant General

With a view to ensuring effective control over expenditure, the departmental officers are required to reconcile periodically, as also before the close of the accounts for a year, the departmental figures of expenditure with those recorded in the books of the Accountant General and send reconciliation certificates to the Accountant General.

Out of 246 Controlling Officers, 196 Controlling Officers had either not conducted reconciliation of the expenditure or had conducted it partly during 1995-96.

#### 2.2.10 Reasons for savings/excess

After closure of the accounts of each financial year, the detailed Appropriation Accounts showing the final grant/appropriation, the actual expenditure and the resultant variations are sent to the Controlling Officers, who are required to explain the variations in general and those under important sub-heads in particular. The State Budget Manual also requires the Controlling Officers to furnish

# Negligible

promptly all such information to the Accountant General for incorporation in the Appropriation Accounts.

The Public Accounts Committee had repeatedly stressed the need for prompt submission of explanations for variations (to the Accountant General by Heads of Departments) for inclusion in the Appropriation Accounts and in the Report of the Comptroller and Auditor General of India. In regard to the Appropriation Accounts for 1995-96, the explanations were required to be furnished in respect of 1205 heads in which excess/saving had occurred. Explanations for variations have not been intimated (October 1996) in any of these cases.

**Public Works Department  
(Design Directorate)**

**2.3 Irregular drawal of funds**

The Director, Design Directorate placed orders (January 1995) on a Calcutta based firm after inviting tenders for supply of two digital (micro-processor based) Universal Testing Machines (cost: Rs. 9.92 lakhs) for Material Testing Laboratories, Jammu and Srinagar. The machines were to be supplied within sixty days from the date of the order and 90 *per cent* payment was to be made to the supplier against despatch of documents through bank and balance 10 *per cent* after receipt, installation and verification of equipment. Although the firm did not supply the machines within the stipulated period, the department withdrew an amount of Rs. 9.92 lakhs (out of the allotted funds of Rs. 10 lakhs) on 31 March 1995 by debit to expenditure head of account and credited the same to 'Deposit Account' in violation of the Financial Rules which prohibit drawal of funds in advance of requirement to avoid lapse of budget grant. The firm had not supplied the machines until March 1996, when the supply order was cancelled and fresh tenders were floated (March 1996).

Thus, drawal of funds without immediate requirement to avoid lapse of funds resulted in locking up of funds of Rs. 9.92 lakhs and inflating the expenditure under Account Head 2711-Irrigation.

The matter was referred to the Government in May 1996; reply had not been received so far (October 1996).





***This Chapter includes  
Audit Reviews  
on***

***National Aids Control Programme,***

***Employment Assurance Scheme.***

***Special Central Assistance for Scheduled Castes.***

***and***

***Border Area Development Programme***

***and***

***Audit comments***

***on various***

***irregularities***





**Health and Medical Education Department****3.1 National AIDS Control Programme<sup>#</sup>****3.1.1 Introduction**

National Acquired Immuno Deficiency Syndrome Control Programme was initiated in India in 1985. Acquired Immuno Deficiency Syndrome (AIDS), a fatal disease caused by Human Immuno Deficiency Virus (HIV), has assumed alarming proportions since its detection in 1981. To contain the spread of the disease, Government of India launched in September 1992 the Centrally sponsored scheme of "National AIDS Control Programme" for implementation during the Eighth Five Year Plan. The on-going scheme of "Strengthening of Blood Banking System" was merged with the Programme. The Programme envisaged initiation of major efforts to prevent the transmission of HIV with the ultimate aim of slowing its spread so as to reduce future morbidity, mortality and impact of the disease.

The Programme was to be fully funded by the Government of India in the form of recurring and non-recurring cash and commodity grants under the following main components:

- (i) Programme Management,
- (ii) Improved Blood Safety,
- (iii) Surveillance and Clinical Management,
- (iv) Control of Sexually Transmitted Diseases (STD), and
- (v) Information, Education and Communication (IEC).

The programme was implemented in the State from September 1993 through State Aids Control Cell, Directorate of Health Services, Jammu and Srinagar, Government Medical College, Jammu, SMHS Hospital, Srinagar and Sher-i-Kashmir Institute of Medical Sciences (SKIMS), Srinagar under the overall control of the Department of Health and Medical Education.

A test check (December 1995 and March 1996) of the records relating to the implementation of the Programme in the offices of the Health and Medical Education Department, Directors of Health Services at Jammu and Srinagar, State AIDS Control Cell, eight Blood Banks\* and two Surveillance Centres\*\* for the years from 1992-93 to 1995-96 revealed as under:

**3.1.2 Highlights**

**Against Rs. 189.34 lakhs allocated by the Government of India for implementation of the programme in the State during 1992-93 to 1995-96, Rs. 52.47 lakhs only were released due to poor utilisation of funds and failure**

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The abbreviations used in this Review are listed in glossary in Appendix-20

Blood Banks at Medical College Hospital Jammu, Kathua, Udampur, Doda, SMHS Hospital, Srinagar, SKIMS Srinagar, Anantnag, Baramulla.

Surveillance Centres at Jammu and Srinagar.



of the State Government to furnish 'Letter of Undertaking' and utilisation certificates.

(Paragraph: 3.1.3)

- State AIDS Control Cell established in August 1993 for planning, implementing and monitoring of the programme, ensuring prompt release of funds to the implementing agencies and for better co-ordination was not provided with the staff and equipment as per prescribed pattern nor were any financial powers delegated to the cell due to which the programme could not be geared up.

(Paragraph: 3.1.4.1)

- Action plans and programmes for identification of high risk groups, vulnerable areas increasing public awareness level and for devising comprehensive system of surveillance and strategies for intervention to prevent the spread of HIV had not been drawn up.

(Paragraph: 3.1.4.1)

- Empowered Committee constituted in August 1993 for ensuring expeditious issue of sanctions, better inter-sectoral co-ordination and minimising procedural delays etc. had not met as of February 1996.

(Paragraph: 3.1.4.1)

- Blood banks operating in Government hospitals lacked infrastructural facilities like equipment, space and technical manpower, as a result only one out of 13 such blood banks had been granted licence to operate as blood bank under Drugs and Cosmetics Rules, 1945.

(Paragraph: 3.1.4.2(a))

- Percentage of blood samples screened against HIV antibodies from 1992-93 to November 1995 ranged between 32 and 63 of the samples collected during the corresponding period.

(Paragraph: 3.1.4.2(b))

- Surveillance and point prevalence surveys for detection of HIV positive cases had not generally been conducted reportedly due to non-availability of funds, equipment, trained staff and transport facilities.

(Paragraph: 3.1.4.3)

- Activities for protecting sexually transmitted diseased patients from AIDS and increasing public awareness and community support through publicity campaigns, etc. had not been taken up.

(Paragraph: 3.1.4.4)

## 3.1.3 Finance and expenditure

Funds for implementation of the Programme were to be released by the Government of India for each component according to fixed pattern after receiving from the State Government a "Letter of Undertaking" to implement the scheme and the annual plan of action duly approved by National AIDS Control Organisation (NACO). Besides, release of further funds was contingent on the submission of an audited expenditure statement by the State Government in support of utilisation of funds released earlier.

Funds allocated and actually released by the Government of India and expenditure incurred thereagainst during the years 1992-93 to 1995-96 was as under:

Year	Funds allocated by Government of India	Funds released by Government of India	Opening unspent balance available	Total funds available	Funds released by the State Government to implementing agencies	Expenditure incurred	Percentage of utilisation of allocations	Percentage of utilisation of funds available
(Rupees in lakhs)								
1992-93	7.64	2.80	8.10*	10.90	8.10	0.02	- <sup>#</sup>	-
1993-94	72.16	37.32	10.88	48.20	-	1.80	3	4
1994-95	41.40	12.35	46.40	58.75	37.32	13.44	33	23
1995-96	68.14	-	45.31	45.31	-	14.18	21	31
Total:	189.34	52.47			45.42	29.44	16	49

Against the allocations of Rs. 189.34 lakhs made by the Government of India for implementation of the Programme in the State during the years 1992-93 to 1995-96, an amount of Rs. 52.47 lakhs only was released to the State Government during the period. Short release of funds by the Government of India was due to the failure of the State Government to furnish the "Letter of Undertaking" during the year 1992-93, non-remission of audited expenditure statements (utilisation certificates) and poor utilisation of funds. Out of the funds of Rs. 60.57 lakhs (including Rs. 8.10 lakhs released during 1991-92 for strengthening of Blood Banking System) released by the Central Government during the period from April 1992 to March 1996, the State Government released only Rs. 45.42 lakhs (75 per cent) to the implementing agencies who in turn utilised only Rs. 29.44 lakhs (65 per cent) of the released funds.

- **Failure of the State Government to furnish Letter of Undertaking and utilisation certificates resulted in short release of funds by GOL.**
- **Only 65 per cent of funds provided to implementing agencies utilised.**

While no reasons were furnished by the State Government for short release of funds, one of the implementing agencies (Principal Medical College,

Funds released by the Government of India during 1991-92 for strengthening of Blood Banking System which had remained unutilised as on 1 April 1992.

\* Negligible



Jammu) attributed the low utilisation of funds to late release of funds. It was seen in audit that funds of Rs. 8.10 lakhs released by Central Government during 1991-92 were released by the State Government in February 1993. Of these, funds of Rs. 6.10 lakhs were withdrawn by the Government and placed at the disposal of the Principal Medical College, Jammu on 13 March 1994 for purchase of consumables, etc. Similarly, funds of Rs. 37.32 lakhs for the year 1994-95 were released to the implementing agencies on 24 November 1994 when major portion of the year was already over. The State Government had, thus, yet to evolve a proper system of expeditious distribution of available funds to the implementing agencies and ensure utilisation of released funds.

***Rs. 3.35 lakhs diverted to activities not covered under the Programme.***

Out of Rs. 29.44 lakhs utilised by the implementing agencies up to March 1996, funds aggregating Rs. 3.35 lakhs had been diverted during 1994-95 for modernisation of three ineligible blood banks (Rs. 1.50 lakhs), construction works in Blood Bank (SMHS Hospital), Srinagar (Rs. 0.62 lakh) and purchase of a photocopier and an electronic typewriter by the Principal Medical College, Jammu for Blood Bank, Jammu (Rs. 1.23 lakhs) which was not envisaged under the

programme.

### **3.1.4 Implementation of the Programme**

#### **3.1.4.1 Programme management**

The Programme envisaged establishment of a State AIDS Control Cell

- ***State AIDS Control Cell not provided with requisite staff and equipment or financial powers.***
- ***Advance action plans for project period and annual plans not prepared.***
- ***Programmes for establishing system of surveillance and strategies for preventing spread of AIDS not drawn.***

with prescribed pattern for staff and equipment to ensure quick release of funds to the implementing agencies, better co-ordination among different executing agencies, planning, implementing and monitoring the implementation of the Programme and reporting physical and financial progress to National AIDS Control Organisation (NACO). Staff and equipment costs of the Cell were to be borne by the Government of India. The State AIDS Control Cell established in August 1993 was not provided with the requisite staff and equipment as per the prescribed pattern nor were financial powers delegated to the Cell. The details of Staff and equipment approved as per programme guidelines and actually provided for AIDS Cell are indicated in Appendix-4. Advance action plans for the project period and the annual plans had not been prepared and got approved from NACO as required. Programmes for identification of high risk groups, vulnerable areas and for increasing public awareness level so as to establish a comprehensive system of surveillance and devise strategies for intervention to prevent the spread of HIV had not been drawn. Financial and physical targets

Blood Banks in District Hospitals at Anantnag, Baramulla and Handwara not covered under the programme.



for training of key staff, holding seminars and workshops and other IEC activities had not been fixed nor were any operation and financial progress reports submitted to NACO. Only three workshops, in which 223 persons had participated, were held in April 1994, August 1994 and May 1995. Deputy Director, State Aids Control Cell stated in March 1996 that since action plans had not been sanctioned, the implementation of Programme could not be geared up. Reasons for non-approval of action plans by the Government were not intimated.

The State Government constituted an Empowered Committee in August 1993 under the chairmanship of the Chief Secretary to ensure expeditious issue of sanctions, better inter-sectoral co-ordination, minimise procedural delays and review the progress of implementation of the Programme. The Empowered Committee had not met as of February 1996. The periodicity of meetings of the Committee was also not prescribed.

**Empowered Committee constituted in August 1993 had not met as of February 1996.**

### 3.1.4.2 Improved blood safety

(a) Rate of transmission of the disease being highest through direct blood transfusion, the Programme envisaged upgradation of blood banks for testing blood and blood products for HIV by training blood bank staff, supplying necessary equipment, chemicals and reagents and promoting rational use of blood. It was, however, noticed in audit that the test checked blood banks and two surveillance centres lacked infrastructural facilities like equipment, space and technical manpower despite implementation of the Centrally sponsored scheme of 'Strengthening of Blood Banking System' in the State since 1987. As a result of these shortcomings, out of 13 blood banks operating within the Government hospitals in the State only one blood bank (SMGS Hospital, Jammu) had been granted licence to operate as blood bank under Drugs and Cosmetics Rules, 1945 and the remaining banks were functioning as unlicensed units in violation of the provisions of the Act *ibid.*

**Blood banks and surveillance centres lacked infrastructural facilities. Twelve of the thirteen blood banks functioned as unlicensed units.**

Details of equipment required to be supplied by the Government of India as commodity grant under the Programme for upgradation of blood bank, equipment actually received and installed in respect of 4 test checked blood banks are indicated in Appendix-5. It will be seen from the Appendix that most of the required equipment was not supplied by the Government of India and of the items supplied only a few had been installed by the blood banks as of April 1996. Pattern of financial assistance under the Programme also provided for a recurring annual grant of Rs. 2.00 lakhs for consumables for each major blood bank. During test check it was seen that the blood banks in the Hospitals at Kathua and Doda were not provided with the recurring grants for consumables during the period 1992-93 to 1995-96 as the blood banks lacked the requisite equipment for conducting tests. The



equipment was provided to them only in July 1995. Reasons for delay in providing the equipment to these blood banks were not intimated.

(b) The position of blood samples collected and screened against HIV antibodies at Blood Banks and Zonal Blood Testing Centres (ZBTCs) during the years 1992-93 to 1995-96 was as under:

Year	No. of test checked blood banks/ ZBTCs	No. of blood samples collected	Number of blood samples screened for HIV antibodies	Percentage of blood samples screened	Number of cases found HIV positive
1992-93	7	17995	5759	32	-
1993-94	8	27917	15439	55	16
1994-95	8	30265	19198	63	12
1995-96*	8	23831	13897	58	21

**Percentage of blood samples screened for HIV antibodies ranged between 32 and 63 only.**

As would be seen from the above table the percentage of blood samples screened for HIV antibodies during the period from April 1992 to November 1995 ranged between 32 and 63 only.

It was seen in audit that while all the blood samples collected at the two Zonal Blood Testing Centres attached to SKIMS, Srinagar and Medical College, Jammu were tested against HIV, no such tests were conducted in blood banks at Udhampur, Kathua and Doda during the years 1992-93 to 1995-96 while such tests were conducted only in respect of 29 and 19 per cent of blood samples collected at Baramulla and Anantnag blood banks respectively during 1995-96. Low/non-screening of blood samples was attributed to inadequate/non-availability of HIV test kits. Since screening of blood for HIV needed ELISA reader and kits which had to be imported and had a very short shelf life, the scheme had envisaged provision of testing facilities on Zonal basis by linking blood banks to Zonal Blood Testing Centres for purpose of HIV tests. The envisaged linkage had, however, not been established as of March 1996. The State Aids Control Cell was required to assess the requirement of HIV test kits for various blood banks and report the same to NACO for arranging supply. This had not been done. Against 31065 tests conducted by ZBTC, Jammu during February 1993 to November 1995, kits for only 17044 tests had been obtained from NACO and remaining test kits (cost not available) were purchased locally. Test check, however, revealed that 55 such test kits for 3440 tests were purchased during this period from open market by various implementing agencies at a cost of Rs. 4.44 lakhs.

**Requirement of HIV test kits not reported to NACO for arranging supply.**

\* Up to November 1995



### 3.1.4.3 Surveillance and clinical management

The Programme envisaged strengthening of institutional capability at State level for monitoring the progress made towards containing the AIDS epidemic and planning programme interventions to control such epidemic by providing HIV testing capability for sentinel surveillance and carrying out HIV point prevalence survey at selected sites, training and research into socio-behavioural and epidemiological aspects of the disease including strategies for intervention. The Government had set up two Surveillance Centres in SKIMS, Srinagar and Medical College, Jammu in August 1991 and February 1993. The progress of work done by these Centres during the period from April 1993 to November 1995 was as under:

Year	No. of tests carried out	Cases found HIV positive
1993-94	314	2
1994-95	995	4
1995-96 <sup>#</sup>	1428	10

Surveillance and point prevalence survey for detection of HIV positive cases at selected sites or of high risk groups like truckdrivers/cleaners, drug addicts and people residing in areas of pilgrim centres, tourist places etc. had not been conducted except in case of 323 jail inmates in Jammu in January-February 1995 and 250 cases in Ladakh in September 1995 besides 1000 drivers/ cleaners surveyed through the Department of Science and Technology during November 1994 to March 1995. Failure to conduct surveys and surveillance was attributed (December 1995) by the Surveillance Centre, Medical College, Jammu to non-availability of funds, trained staff, equipment and transport facilities. It was, however, seen in audit that no expenditure was incurred by the Surveillance Centre, Medical College, Jammu out of Rs. 1.74 lakhs released for this purpose during the years 1993-94 to 1995-96.

*Surveillance and point prevalence survey for detection of HIV positive cases at selected sites or of high risk groups not conducted except in 1573 cases.*

Follow up action by way of counselling and monitoring of the HIV positive cases and testing of their family members as possible carriers of HIV was not taken in any of 65 cases found HIV positive during blood screening at the Zonal Blood Testing Centres (49 cases) and the Surveillance Centres (16 cases) reportedly due to reluctance of infected persons to come forward for clinical follow up.

### 3.1.4.4 Controlling of Sexually Transmitted Diseases and Information, Education and Communication

Activities relating to strengthening of clinical services and care management in STD centres, training of key staff and private practitioners for strengthening and upgrading the existing sexually transmitted disease prevention and care facilities

*STD control and IEC activities not taken up.*

<sup>#</sup> Up to November 1995



with a view to protect the STD patients from AIDS were not initiated though these were envisaged under the Programme. Similarly, the envisaged IEC activities for promoting safe sexual practices, use of sterilised needles, uninfected blood and increasing public awareness and community support through publicity campaigns, etc. were not taken up.

**3.1.5 Other points****3.1.5.1 Commodity grants**

Material and equipment worth Rs. 40.58 lakhs were supplied by NACO to various implementing agencies as commodity grants during 1993-94 (Rs. 26.90 lakhs) and 1994-95 (Rs. 13.68 lakhs). The receipt and utilisation of material/equipment by these agencies could not be verified in audit as consolidated records indicating this information had not been maintained. The Department admitted (March 1996) that a lot of confusion had been created in inventory management due to direct supply of equipment by NACO to implementing agencies without informing the Health and Medical Education Department or the State AIDS Control Cell and stated that the matter had been taken up with Government of India.

**3.1.6 Audit conclusion**

*The National Aids Control Programme implemented in the State from September 1993 has failed to achieve its intended objective as the State Aids Control Cell was neither provided with the requisite staff and equipment nor were financial powers for distribution of Central funds among the implementing agencies delegated to the Cell. Action plans for utilisation of financial allocations made by the Government of India and establishing a comprehensive system of Surveillance and devising strategies for intervention to prevent spread of HIV had not been drawn with the result that there were delays in release of funds to the implementing agencies and reduced releases of Central grants were also not utilised in full. Empowered Committee constituted in August 1993 for avoiding procedural delays had not met as of February 1996. Most of the blood banks operating within the Government hospitals lacked infrastructural facilities and equipment received from the Government of India for improving the working of blood banks had generally remained unutilised. Follow up of HIV positive cases and monitoring of spread of infection among their family members was not taken up.*

**3.1.7** Above points were referred to the Government in June 1996; reply had not been received (October 1996).



## Agriculture Production and Rural Development Department

### 3.2 Employment Assurance Scheme<sup>#</sup>

#### 3.2.1 Introduction

With a view to providing assured wage employment for 100 days to needy persons seeking employment during the lean agriculture season, a Centrally sponsored 'Employment Assurance Scheme (EAS)' was launched in October 1993 by Government of India all over the country in rural areas of identified backward blocks situated mainly in the drought prone, desert, tribal and hilly areas where the Revamped Public Distribution System was in operation. The primary objective of the Scheme was to provide gainful wage employment for 100 days to two adults of each needy family per year. The secondary objective was the creation of economic infrastructure, durable and productive community assets for sustained employment and development.

The Scheme was implemented by the State Government from October 1993, in 34<sup>\*</sup> drought prone and desert area blocks of 4 districts and was extended to cover additional 46<sup>S</sup> and 9<sup>##</sup> blocks of 10 districts during 1994-95 and 1995-96 respectively. In 63 of these blocks, in respect of which information was made available, 5.22 lakh poor who sought employment under the Scheme had been registered up to March 1996.

#### 3.2.2 Organisational set-up

The Scheme was implemented by the Block Development Officers at the block level, Assistant Commissioners (Development)/District Development Commissioners at the district level and Directors of Rural Development (Jammu/Kashmir) at the divisional level. In Doda and Rajouri districts, Divisional Forest Officers and District Horticulture Officers were also involved in the implementation of the Scheme. Agriculture Production and Rural Development Department was responsible for the overall implementation and monitoring of the Scheme at the State level.

#### 3.2.3 Audit Coverage

Implementation of the Scheme during the years 1993-94 to 1995-96 was reviewed by Audit, during December 1995 to March 1996 by test check of the records of Agriculture Production and Rural Development Department, Directorate of Rural Development Jammu, Assistant Commissioners (Development) and 14<sup>~</sup>

<sup>#</sup> The abbreviations used in this Review are listed in glossary in Appendix-20

<sup>\*</sup> Doda: 14; Kargil: 7; Leh: 5; Udhampur: 8;

<sup>S</sup> Anantnag: 7; Baramulla: 7; Budgam: 4; Jammu: 4; Kupwara: 8; Poonch: 5; Pulwama: 2; Rajouri: 7; Srinagar: 2.

<sup>##</sup> Baramulla: 1; Jammu: 1; Kathua: 2; Pulwama: 1; Udhampur: 4.

<sup>~</sup> Bhadarwah, Chenani, Dansal, Doda, Manjakote, Nowshera, Panchari, Purmandal, Ramban, Ramssoo, Rajouri, Reasi, Sunderbani, and Udhampur.



blocks in 4 districts (Doda, Udhampur, Rajouri, Jammu). Important audit findings are contained in the succeeding paragraphs.

### **3.2.4 Highlights**

- State's share of funds under the Scheme was released short by Rs. 1059.52 lakhs during 1993-94 to 1995-96 and funds were released to the implementing agencies after delays ranging between 2 and 9 months against the prescribed period of 15 days.

(Paragraph: 3.2.5(a))

- Funds worth Rs. 1.65 crores allotted under the Scheme were utilised during 1993-94 to 1995-96 for settlement of liabilities created under other State/ Centrally sponsored schemes (Rs. 1.34 crores), employment of casual and daily wage staff (Rs. 0.17 crore), purchase of vehicles (Rs. 0.06 crore), office expenses (Rs. 0.06 crore) and payment of compensation (Rs. 0.02 crore). Utilisation of funds on such schemes/activities was outside the scope of EAS.

(Paragraph: 3.2.5 (b) and (c))

- Shelf of projects was not prepared by any of the implementing agencies. Annual action plans were formulated without any consideration for the prescribed sectoral weightage/priorities and 283 works (expenditure: Rs. 104.60 lakhs) not included in the annual action plan had been taken up for execution.

(Paragraph: 3.2.6.1)

- The State Government had claimed to have provided wage employment for 193.40 lakh mandays during 1993-94 to 1995-96 which was not based on actual days of employment provided on works but was computed notionally by dividing assumed wage component of expenditure by the minimum wage rate. Test check of 61 works bills in 5 blocks revealed that against actual expenditure of Rs. 7.85 lakhs incurred on payment of wages, inflated expenditure of Rs. 15.83 lakhs was adopted for computation of employment generated.

(Paragraph: 3.2.7)

- The basic objective of providing 100 days employment to registered employment seekers was not achieved as employment for average number of 18 to 62 days, per labourer per year was provided to only 50 *per cent* of the registered employment seekers in Udhampur, Rajouri and Jammu districts.

(Paragraph: 3.2.7)

- Although expenditure of Rs. 2.39 crores was incurred on afforestation works in Doda and Rajouri districts during the years 1994-95 and 1995-96, records indicating area of land covered and the quantum of employment generated on these works were not maintained by the department.

(Paragraph: 3.2.8.3)



Contrary to the guidelines of the Scheme, contractors were employed for executing all the works undertaken under EAS which resulted in denial of direct employment to the beneficiaries. Muster rolls had not generally been maintained and wherever maintained contained only the names of labourers employed by the contractors.

(Paragraphs: 3.2.9 and 3.2.10)

In 73 out of 196 works for which muster rolls were available, the expenditure on wage component was only 19 *per cent* against prescribed norm of 60 *per cent*.

(Paragraph: 3.2.11.1)

### 3.2.5 Allocations and expenditure

The expenditure under the Scheme was to be shared between the Central and State Governments in the ratio of 80:20. The year-wise details of funds released by Central and State Governments and expenditure incurred thereagainst by the implementing agencies during 1993-94 to 1995-96 were as under:

Year	Unspent balance	Releases		Other recei- pts	Total funds available	Expen- diture	Percentage of expenditure to funds available
		Central share	State share				
(Rupees in lakhs)							
1993-94	-	720.00	28.00	-	748.00	133.75	18
1994-95	614.25	2950.00	5.82	7.41*	3577.48	2338.55	65
1995-96	1238.93	6740.00	1509.16	-	9488.09	6715.49	71

The utilisation of available funds during the period from 1993-94 to 1995-96 ranged between 18 and 71 *per cent*. Reasons for shortfall were not intimated. Against Central allocation of Rs. 835 lakhs under the Scheme during 1993-94, Rs. 720 lakhs only were actually released. Reasons for short release of Rs. 115 lakhs had not been ascertained by the State Government (March 1996). Following further points were noticed during test check of records:

**Utilisation of funds ranged between 18 and 71 per cent only.**

(a) The share released by the State Government during the period from 1993-94 to 1995-96 fell short by Rs. 1059.52 lakhs. Reasons for short release of funds were not intimated. Further, the State Government had to release funds including its matching share to the implementing agencies within a fortnight of the release of Central assistance. Test check of the records however, revealed that during 1993-94 to 1995-96, funds were released to the implementing agencies after delays ranging between 2 and 9 months.

**The State share of funds released short by Rs. 1059.52 lakhs.**

\* Represents bank interest.



(b) The resources available under the Scheme were to be utilised mainly for providing wage employment for 100 days to the registered employment seekers.

**Rs. 164.69 lakhs diverted on activities outside the scope of scheme.**

Funds of Rs. 102.39 lakhs and Rs. 3.75 lakhs had, however, been utilised in the three districts, test checked (Rajouri: Rs. 53 lakhs; Jammu: Rs. 49.39 lakhs; Udhampur: Rs. 3.75 lakhs), during 1994-95 and 1995-96 respectively for settlement of liabilities created on account of execution of works under Special Dispensation Programme and Intensive Jawahar Rozgar Yojna due to non-availability of funds under these two programmes. Further, Rs. 28.08 lakhs (cash grant: Rs. 25.98 lakhs; material: Rs. 2.10 lakhs) were diverted during 1994-95 and 1995-96 to other Centrally sponsored and district level schemes. The diverted funds

had not been recouped (March 1996).

(c) Rupees 13.37 lakhs were utilised during 1994-95 and 1995-96, in the three districts test checked, for purchase of vehicles (Rs. 5.30 lakhs), office expenses (Rs. 5.88 lakhs), payment of compensation awarded by court (Rs. 1.96 lakhs) and on Pulse Polio Immunisation Programme (Rs. 0.23 lakh). The expenditure on these items was outside the scope of the Scheme. Similarly, Rs. 17.10 lakhs were utilised during 1993-94 to 1995-96 in the blocks test checked, for making payments to 585 casual and daily wagers (1993-94: 64; 1994-95: 312; 1995-96: 209) engaged as typists, clerks and for supervision and survey of works under the scheme which was also not within the purview of the Scheme.

(d) Funds amounting to Rs. 52.29 lakhs advanced to Horticulture/Forest Departments (Rs. 42.01 lakhs) and departmental officials (Rs. 10.28 lakhs) during 1994-95 and 1995-96 for executing works had been exhibited as final expenditure, though adjustment accounts were awaited (March 1996).

### 3.2.6 Planning and co-ordination

#### 3.2.6.1 Formulation of works programme

(a) The Scheme envisaged preparation of a shelf of projects of durable and productive works by the District Development Commissioners (DDCs) on the basis of proposals of various implementing agencies in the district. Based on the shelf of

- Shelf of Projects not prepared.
- Annual action plans prepared without consideration for prescribed sectoral weightage and priorities.

projects and prioritisation of activities envisaged in the Scheme, annual action plans were required to be prepared. However, shelf of projects had not been prepared in any of the test checked districts. Annual action plans were, however, prepared and approved by the DDCs without any consideration for prescribed sectoral weightage/ priorities and without indicating basis for selection of works. The sectoral weightage required to be given in spending money on execution of works and the actual percentage of such expenditure in the 14 test checked blocks during 1993-94 to 1995-96 (February 1996) was as under :



Sector	Required percentage of weightage in expenditure		Actual percentage of expenditure			
	Up to November 1995	From December 1995	Doda	Udhampur	Rajouri	Jammu
(i) Water and Soil Conservation including afforestation, etc.	40	20	11	35	47	8
(ii) Minor Irrigation	20	-	10	17	21	38
(iii) Communication	20	40	60	35	27	54
(iv) Primary School and Anganwari buildings	20	40	2	6	2	-
(v) Other works*	-	-	17	7	3	-

The reasons for deviation from the prescribed sectoral weightage were not intimated. Test check of records also revealed that in three blocks (Udhampur, Reasi, Chenani) 283 works (undischarged liability: Rs. 104.60 lakhs) taken up by Block Development Officers during 1994-95 were not at all included in approved annual action plans. Reasons for execution of these works were neither on record nor intimated.

According to the instructions issued (October 1994 and June 1995) by the Central and State Governments, 50 per cent of the funds under the Scheme were to be utilised in drought prone areas on watershed development programmes. The instructions were, however, not implemented in the two drought prone districts (Doda, Udhampur) of the State.

**Instructions for utilising 50 per cent of scheme funds on watershed development programme in draught prone areas not followed.**

In the test checked blocks expenditure on construction of school/anganwari buildings ranged between 2 and 6 per cent against the envisaged 20 per cent of the total funds spent under the scheme even though 222 primary schools had no buildings of their own.

(b) The Scheme envisaged that new works were not to be taken up if assurance of 100 days employment could be fulfilled by utilising the employment potential available under plan and non-plan works in progress. New works had, however, been taken up in all the test checked districts without exploring the feasibility of providing employment to the registered workers under the series of Centrally sponsored and district plan schemes/programmes with common target groups already under implementation in these districts (Jawahar Rozgar Yojna, Drought Prone Area Programme, National Watershed Development Programme etc.). Action

**The feasibility of providing employment to registered workers under schemes already under implementation not examined.**

\* Other works include construction of parks, tanks, bathrooms, playgrounds, panchayat ghar, flush points, toilets, lanes, drains, etc.



**Orders for dovetailing 50 per cent funds under JRY with EAS not implemented.**

for merging all these allied programmes and activities through a single integrated district development plan, as recommended by Central Public Accounts Committee and Estimates Committee of Lok Sabha in their 94th and 91st Reports respectively had also not been taken. The orders of the State Government (April 1995) for dovetailing 50 per cent of available funds under JRY with EAS were also not implemented in any of the test checked districts.

### 3.2.6.2 Identification and registration of workers

Persons between 18 and 60 years of age who were in need and sought employment under the Scheme had to register themselves with the village panchayats/block authorities on the basis of which they were to be supplied family cards for being employed on the works. Applications had not been obtained from the workers and the lists of workers requiring employment were compiled on the basis of surveys conducted by village level workers. These lists contained unauthenticated details of name, age, adult family members, land holding, income and profession of the enlisted workers and included ineligible persons, viz. retired Government servants, skilled labourers, businessmen and persons above 60 years of age.

**List of registered workers included ineligible persons.**

Family cards of registered workers were made available to Audit only in 5 out of 14 test checked blocks. It was, however, seen that against 2.55 lakh workers registered in the four districts (Doda: 1.22 lakhs; Udhampur: 0.73 lakh; Rajouri: 0.44 lakh; Jammu: 0.16 lakh), 1.82 lakh family cards only had been printed and issued to various implementing agencies. Thus, the prescribed system of identification and registration of workers and maintenance of family cards for ensuring 100 days employment to needy persons was not followed.

### 3.2.6.3 Allotment of funds to individual blocks

Government of India had released funds on fixed scale for each block during the years from 1993-94 to 1995-96 with releases per block ranging between Rs. 30 lakhs and Rs. 60 lakhs.

Test check, however, brought out that funds actually allotted by the District Development Commissioners/Assistant Commissioners to various blocks during the years 1994-95 and 1995-96, had no relation either with the releases made by Central Government or with the total number of registered employment seekers of these blocks. The funds allotted to the blocks with equal or nearly equal registered employment seekers population varied vastly and ranged between Rs. 7 lakhs and Rs. 178 lakhs per block/annum as detailed in Appendix-6.

**Funds not allotted to blocks on rational basis.**



Reasons for not releasing funds to the blocks on the approved pattern or on any other rational basis were not intimated (March 1996).

### 3.2.7 Generation of employment

Targets for generation of employment at block, district or State level had not been fixed. The State Government had reported to the Government of India achievements of 3.59 lakh mandays, 59.85 lakh mandays and 129.96 lakh mandays for the years 1993-94 to 1995-96. The reported figures of mandays generated were arrived at notionally by dividing the assumed expenditure on wages by minimum wage rate. Test check of 61 works bills in 5 blocks (expenditure: Rs. 19.14 lakhs) revealed that against the actual expenditure of Rs. 7.85 lakhs (41 per cent) on payment of wages to unskilled labour, the assumed expenditure of Rs. 15.83 lakhs (83 per cent) was adopted in the progress report for computation of employment days generated.

*Figures of employment generated arrived at notionally by dividing assumed expenditure on wages by minimum wage rate.*

Actual coverage of registered employment seekers in the three<sup>@</sup> test checked districts and average number of days for which employment was provided was as under:

Year	District	Population of registered workers	Number of registered workers engaged on works	Reported number of mandays generated	Average number of mandays available per worker
		(In numbers)		(In lakh mandays)	
1993-94	Udhampur	5996	1932	1.20	62
1994-95	Udhampur	72532	42071	14.31	34
	Rajouri	44240	16982	3.00	18
1995-96	Udhampur	72532	23438	8.40*	36
	Rajouri	44240	37120	6.89*	19
	Jammu	15969	7408	3.98*	54
Total:		255509	128951	37.78	29

It would, thus be seen that employment ranging from 18 to 62 days only was provided to 1.29 lakh registered workers against the requirement of 100 days employment to 2.56 lakh registered workers in three districts test checked during the years 1993-94 to 1995-96 (February 1996).

*Employment ranging from 18 to 62 days per labourer per year was provided to only 50 per cent of registered employment seekers.*

The family cards of 55 registered employment seekers in 5 blocks revealed that while in one case, no employment had been provided, in 54 other cases employment ranging between 1 day to 80 days per year had been provided. Test check also revealed that continuous employment during each year of the

<sup>@</sup> Information not available in Doda district.  
\* Figures up to February 1996 only.



implementation of the scheme had not been provided in any case. Scrutiny in audit, of the particulars of 246 labourers engaged in four\*\* blocks revealed that only 115 labourers (47 *per cent*) were registered employment seekers.

Thus, the basic objective of the Scheme for providing 100 days assured employment to registered workers on continuous basis was largely not achieved.

### 3.2.8 Execution of works

The Scheme contemplated creation of economic infrastructure, durable and productive community assets for sustained employment and development.

*The achievements under the scheme overstated in a number of blocks.*

During the period from 1993-94 to 1995-96, 20504 works were taken up at an expenditure of Rs. 9187.79 lakhs, out of which 12271 works (60 *per cent*) had reportedly been completed. In the five test checked blocks it was seen that the reported achievements of works executed/completed varied with the actual position emerging from the records of these blocks and the achievements had been overstated as indicated below:

Year	Name of block	Position as per progress report		Position as per works bills of the blocks	
		works taken up	works completed	works taken up	works completed
1994-95	Majalta			(In numbers)	
	Sunderbani	213	53	147	12
	Nowshera				
1995-96	Majalta				
	Sunderbani				
	Nowshera	895	275	497	114
	Dansal				
	Purmandal				

Records showing the details of works actually taken up and completed under various sectors including their dates of start and completion, benefits accrued, area treated and commanded under soil conservation and minor irrigation sectors were not maintained except in Doda District.

#### 3.2.8.1 Selection of works

The following table indicates the type of works/activities undertaken in the test checked blocks during the period from 1993-94 to 1995-96 (February 1996).

\*\* Dansal, Rajouri, Nowshera, Manjakote

Year	No. of blocks	No. of works	Water and soil conservation			Minor irrigation		
			Protection works	Land levelling	Social forestry closures	Water harvesting tanks	Khuls	Ponds/Bowls diversion channels
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1993-94	8	195	78	-	-	-	35	15
1994-95	12	1259	379	25	1	4	176	84
1995-96	14	1025	308	9	5	1	106	56
		2479	765	34	6	5	317	155

Minor irrigation		Communications			School buildings and Anganwari centres		Other works
Wells	Check-dams	Bridle path/Tractor road/ steps	Link roads	Foot bridges	Culverts	School buildings	
						Angan-wari centres	
10	11	12	13	14	15	16	17
1	-	47	1	-	-	6	-
12	-	248	43	29	7	61	1
85	1	268	49	11	4	33	-
98	1	563	93	40	11	100	1

From the above table it will be seen that the works for construction of link roads, buildings, and activities under sericulture/horticulture, watershed development, soil and water conservation, which sustain agriculture production and result in improving the productivity of land and creation of economic infrastructure/community assets had generally been ignored. The works actually taken up were mostly petty/small with range of expenditure between Rs. 0.02 lakh and Rs. 0.30 lakh in 1307 works, Rs. 0.50 lakh and Rs. 0.75 lakh in 174 works and Rs. 0.75 lakh and above in 235 works. In the test checked blocks 290 works (expenditure: Rs. 147.49 lakhs) were taken up during 1993-94 to 1995-96 for providing toilets, bathrooms, drains, lanes, parks, playgrounds, etc. in the villages/State Government offices which were outside the scope of the scheme. Reasons for taking up these works were not intimated.

*Petty/small works had generally been taken up and activities which result in creation of durable economic assets were ignored.*

### 3.2.8.2 Water and soil conservation

Under this component, 810 works involving an expenditure of Rs. 311.30 lakhs were taken up in the test checked blocks during the period from 1993-94 to 1995-96 (February 1996). Records did not reveal whether agriculture activities had been taken up on the land covered under soil and water conservation measures. It was seen in audit that activities relating to land development such as bench terracing, gully plugging, bunding, contour development, construction of harvesting tanks, etc. aimed at checking the run-off of water and conservation of moisture had not been taken up. Protection works constituted 94 per cent of total works taken up under soil and water conservation.

*Works aimed at checking the run-off of water and conservation of moisture had not been taken up.*



## 3.2.8.3 Afforestation

While afforestation works had not been taken up in Jammu and Udhampur Districts, expenditure of Rs. 126.62 lakhs was incurred by District

**52 per cent of funds released to Forest Department in Rajouri and Doda Districts for afforestation programme were used for purchase of material against prescribed ceiling of 40 per cent.**

Panchayat Officer and 14 blocks of the Doda District. Rupees 112.78 lakhs were also advanced to Divisional Forest Officers in Doda (Rs. 52.22 lakhs) and Rajouri Districts (Rs. 60.56 lakhs) during the years 1994-95 and 1995-96 for afforestation programme. However, records regarding the area of land covered under these works and the quantum of employment generated etc. were not maintained by the Department. Adjustment accounts for Rs. 73.01 lakhs rendered by these officers revealed that 52 per cent of funds

were utilised by them for purchase of material such as PCC poles, barbed wire, fertilisers, plants, seeds, etc. against the prescribed ceiling of 40 per cent. Steps aimed at reducing the unit cost of afforestation by taking recourse to social<sup>#</sup> and local fencing had not been taken.

In Doda block against 2.47 lakh plants planted during 1994-95 and 1995-96 only 0.59 lakh plants (24 per cent) had survived. Reasons for low survival of plants were not identified for taking remedial measures. It was also seen in audit that out of 21.64 lakh plants purchased by District Panchayat Officer, Doda during 1994-95 at a cost of Rs. 26.79 lakhs, 9.15 lakh plants were received after the plantation season was over, which had evidently resulted in high mortality rate. Reasons for late receipt of plants and consequent loss had not been investigated.

**Survival rate of plants in Doda was 24 per cent only.**

## 3.2.8.4 Rural link roads

The works taken up under the Scheme were to be completed within two years of their being taken up. In 5 test checked blocks, 27 and 6 road construction

**Against 33 roads taken up for construction during 1994-95 and 1995-96 only one road completed within the stipulated period of two years.**

works had been taken up during 1994-95 and 1995-96 respectively (estimated cost: Rs. 894.73 lakhs) with total length of 184 kms. and an expenditure of Rs. 339.48 lakhs was incurred up to February 1996. Only one road of 1 Km. length (expenditure: Rs. 16.20 lakhs) had been completed as of February 1996. This was indicative of improper planning in selection/execution of these works, as the works had not been completed within two years of their taking up as envisaged. The semi-constructed roads had also not been provided with soling, metalling or any protective cover against damages caused by rain, etc.

<sup>#</sup> Use of locally available material viz., wooden poles, boulders, hedges, thorny bushes, etc. and involvement of the local community for such fencing.



169.3 kms of bridle path had also been constructed in 7 test checked blocks during 1994-95 at a cost of Rs. 37.50 lakhs.

The unit cost per kilometre of these paths varied widely within the block in a district and from one district to another and ranged between Rs. 0.09 lakh and Rs. 0.42 lakh. The average cost per kilometre worked out to Rs. 0.22 lakh per kilometre which was also very low compared to the normative cost of Rs. 0.75 lakh per kilometre of bridle paths assessed by the Public Works Department. The durability of these bridle paths was, therefore, doubtful.

*Average cost per km of construction of bridle path was low compared to normative cost assessed by PWD.*

### 3.2.8.5 Minor irrigation

Under this component, 571 minor irrigation works were taken up in the test checked blocks during 1993-94 to 1995-96. Although an expenditure of Rs. 213.47 lakhs had been incurred on these works, records indicating num. of works actually completed, the additional irrigation potential created and utilised were not maintained. It was also observed that 99 irrigation wells had been constructed in the 4\* test checked blocks within the cost range of Rs. 0.40 lakh and Rs. 0.87 lakh per well though under the Million Well Component of Jawahar Rozgar Yojna, cost ceiling of Rs. 0.30 lakh had been fixed by the State Level Committee for construction of such irrigation wells. Reasons for variation in the cost were not intimated. The impact of these works on the agriculture production was neither assessed nor monitored. Other points noticed were:

*Cost of irrigation wells constructed exceeded the cost ceiling prescribed by State Level Committee.*

(i) The implementing authorities were required to maintain assets register containing complete inventory of the assets created under the Scheme and handover these assets to State/District level departments and local bodies. The State Government was to provide adequate funds for the maintenance of these assets.

*Asset registers not maintained nor assets transferred to respective departments for maintenance.*

The implementing agencies had neither maintained any asset register nor transferred the assets to respective departments/bodies. Funds were also not provided for maintenance of assets created under the Scheme.



**Works taken up without obtaining administrative approval and technical sanction.**

(ii) The implementing agencies were required to obtain technical and administrative approval for execution of works as per normal departmental rules. Test check of works in seven blocks (Udhampur: 3, Jammu: 2, Doda: 2) revealed that 194 works involving an expenditure of Rs. 119.63 lakhs had been executed without obtaining administrative approval. Technical sanction was also not obtained in 64 such works.

(iii) Works under the Programme were to be executed in lean agriculture season as specified by the Government. Test check, however, revealed that during 1994-95 and 1995-96 in seven blocks 32 works (expenditure: Rs. 12.09 lakhs) had been started/continued in non-lean season. Block Development Officer, Udhampur stated (February 1996) that the works were executed during non-lean season by engaging labourers not connected with agriculture.

**Works executed in non-lean agriculture season.**

### 3.2.9 Engagement of contractors, middlemen, etc.

**Contrary to the guidelines of the Scheme, contractors engaged for execution of works.**

All works under EAS were to be executed departmentally by respective implementing agencies and engagement of contractors etc. was prohibited. It was, however, seen that all the works undertaken under the scheme had been executed through contractors called *Mates*. The primary objective of providing direct employment to the needy poor was, thus, not achieved and part of funds of the Scheme was paid as profit to *Mates*.

### 3.2.10 Improper and non-maintenance of muster rolls

The implementing agencies had to maintain muster rolls duly authenticated by supervisors at senior level indicating, *inter alia*, the number of labourers employed, wages paid to them and volume of work done to ensure that it was commensurate with the wages paid.

**Muster rolls wherever maintained contained only the names of labourers employed by the contractors.**

Out of 507 works, test checked in 9<sup>@</sup> blocks, muster rolls were available only for 196 works. These muster rolls, however, indicated only the details of labourers employed by the *Mates* on the works and the payments made to them without indicating the volume of work done by them. In Purmandal and Dansal blocks, the available muster rolls and vouchers attached thereto had not been signed/attested or passed by any official/officer of the block.

\* Chenani, Nowshera, Manjakote, Panchari, Purmandal, Rajouri, Udhampur.

@ Bhgwah, Chenani, Doda, Manjakote, Nowshera, Panchari, Ramban, Reasi, Udhampur.



**3.2.11 Other points of interest****3.2.11.1 Lower expenditure on wage component**

The works taken up under the Scheme were envisaged to be labour intensive only with the ratio of wages of unskilled labour to equipment, material etc. of not less than 60:40. It was, however, noticed that in 73 out of 196 works test checked (expenditure: Rs. 39.53 lakhs) for which muster rolls were available, expenditure on wage component was Rs. 7.52 lakhs only which worked out to 19 per cent against the prescribed percentage of 60.

*Against prescribed wage component of 60 per cent expenditure on wages in some test checked works was only 19 per cent.*

**3.2.11.2 Payment of wages**

The Scheme provided for payment of wages to the labour partly in cash and partly in the form of foodgrains. The objective of payment of wages in foodgrains was to enable the workers to obtain foodgrains at prices not higher than those notified from time to time by the Government of India. It was, however, seen that foodgrains allotted by the Government of India for being utilised under the Scheme had not been lifted by the State Government. Reasons for the same were not intimated.

It was also seen in test check that wages were paid to labourers after abnormal delays. In Panchari, Udhampur and Chenani blocks wages for 60 and 185 works executed during 1993-94 (expenditure: Rs. 26.49 lakhs) and 1994-95 (expenditure: Rs. 96.08 lakhs) were paid during 1994-95 and 1995-96 respectively. Besides, out of the expenditure of Rs. 473.91 lakhs incurred in test checked blocks during 1993-94 to 1995-96, payment of Rs. 205.28 lakhs had been made during non-lean season which was indicative of delayed payment of wages to labourers.

*Wages paid to labourers after abnormal delays.*

**3.2.12 Monitoring and Evaluation**

The supervision, guidance and monitoring of the Scheme was to be done by State and district level committees constituted in January and August 1994. Separate State and district level committees were also constituted in June 1995 for the supervision and monitoring of horticultural activities undertaken in the districts. The records did not reveal that the committees constituted had ever met (March 1996).

For ensuring effective implementation, physical monitoring through field inspections by officers at various levels was to be prescribed. The State Government was to draw a schedule of inspections prescribing minimum number of field visits for each

- *State and district level committees constituted for monitoring of the programme had never met.*
- *Schedule of inspections prescribing number of inspections to be conducted by each functionary not drawn up.*



supervisory level functionary from the State to block level for approval by State Level Co-ordination Committee. The envisaged schedule of inspections had not been drawn up (March 1996). Vigilance squads and committees, had however, been constituted for physical verification of the works executed under various rural development programmes. Reports/findings if any, of these committees in respect of EAS were, however, not furnished.

### 3.2.13 *Audit conclusion*

*The implementation of the programme had not been planned either for proper listing and registration of the employment seekers or for merging various programmes/activities into a single District Development Plan. Shelf of projects were also not prepared.*

*The basic objective of providing 100 days assured employment to registered workers was not achieved as employment for average number of 18 to 62 days per labourer/ year had been provided to only 50 per cent of the registered employment seekers. Funds were not fully utilised for the generation of employment as funds amounting to Rs. 164.69 lakhs were utilised on schemes/activities outside the purview of EAS.*

*The works taken up were generally petty, small and such as did not result in creation of economic infrastructure for ensuring sustained growth and employment. Approved sectoral weightage of expenditure on execution of works, was also not followed.*

3.2.14 Above points were referred to the Government in July 1996; reply had not been received (October 1996).

## Social Welfare Department

### 3.3 Special Central Assistance for Scheduled Castes<sup>#</sup>

#### 3.3.1 Introduction

The Centrally sponsored scheme 'Special Central Assistance (SCA) for Scheduled Castes' was introduced by the Government of India in the year 1979-80 to supplement the efforts of the State Governments for socio-economic development of Scheduled Castes (SCs). The special assistance under the scheme was released as an additive to the Special Component Plans of the State Government. It was to be used only for specific sector-wise income generating development programmes to enable the SC families to cross the poverty line. The Scheme was implemented in the State from 1982-83.

<sup>#</sup> The abbreviations used in this Review are listed in glossary in Appendix-20



**3.3.2 Organisational set-up**

The scheme was being implemented in the State through the Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited (hereinafter referred to as the Corporation) under the overall supervision of the Social Welfare Department.

**3.3.3 Audit coverage**

Utilisation of SCA was last reviewed in audit in the year 1991 as part of a Review on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes and comments included in Paragraph 3.1.6.11 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1991. The utilisation of SCA during the period from 1991-92 to 1995-96 was reviewed in audit during January-March 1996 with reference to the records of the Corporation and the Social Welfare Department. Important points noticed in audit are discussed in succeeding paragraphs.

**3.3.4 Highlights**

- **Utilisation of Special Central Assistance was low and ranged between 41 and 46 per cent during the period from 1991-92 to 1994-95. Funds were released to the implementing agency after delays of 3 to 15 months and at the fag end of the year.**

**(Paragraph: 3.3.5)**

- **Unspent balances at the end of the year during the period from 1991-92 to 1994-95 ranged between Rs. 58.65 lakhs and Rs. 105.18 lakhs with the Government and between Rs. 20.42 lakhs and Rs. 106.27 lakhs with the Corporation. The unspent balances had neither been surrendered nor was sanction of the Government of India obtained to utilise them in the subsequent years.**

**(Paragraph: 3.3.5 (iii))**

- **Special Central Assistance of Rs. 132.61 lakhs, meant for SCs, was diverted and used for payment of subsidy on income generating units set up by Scheduled Tribe and Other Backward Class beneficiaries (Rs. 131.24 lakhs) and for purchase of office equipment (Rs. 1.37 lakhs).**

**(Paragraph: 3.3.5(v))**

**Special Central Assistance was utilised mainly for payment of subsidy (Rs. 420.88 lakhs out of Rs. 663.35 lakhs during the period from 1991-92 to 1995-96) without formulating specific need based and family-oriented income generating development programmes.**

**(Paragraph: 3.3.6.1)**



- Survey to identify Scheduled Caste households with limited asset base and villages with concentration of Scheduled Caste population had not been conducted and subsidy of Rs. 14.56 lakhs was paid to 303 ineligible persons.

(Paragraph : 3.3.6.2)

- The Corporation had fixed norm of 4 milch cattle for a viable dairy unit. However, this was not observed as 2156 units having only 2 milch cattle were assisted under SCA. Evaluation study of 142 dairy units conducted during 1992-93 had revealed that 97 units were sick and 30 units had been closed and that subsidy was drawn on more than one occasion on purchase of one and the same dairy animal.

(Paragraph: 3.3.7.2 (i))

- Physical existence of the units established under the programme was neither verified nor was the impact of setting up of these units on the economic development of the beneficiaries evaluated by the Department.

(Paragraph: 3.3.7.2 (ii))

- Advance payment of Rs. 207.22 lakhs was made to 6 private institutes during 1994-95 and 1995-96 for imparting training in computers at course fees of Rs. 8500 and Rs. 11200 per trainee for course duration of 8 and 12 months against course fee of Rs. 1650 per trainee for a course of six months charged by Government polytechnic during 1992-93. The payments were made without following proper procedures for selection of trainees/institutions, ascertaining quality of training, reasonability of rates and availability of infrastructural facilities, etc. with the institutes.

(Paragraph: 3.3.8 (i))

- Details of candidates identified and sponsored for training had not been maintained as these candidates were sponsored without obtaining caste/income certificates and ascertaining their educational qualifications, aptitude, etc. Report of the enquiry ordered by the Government in August 1996 to probe into the irregularities, after these were pointed out by Audit in May 1996, was awaited (October 1996).

(Paragraph: 3.3.8 (i) and (ii))

- Though an expenditure of Rs. 663.35 lakhs was incurred during the years 1991-92 to 1995-96, the Scheme had not been monitored and evaluated during the period covered under review.

(Paragraph: 3.3.9)

### 3.3.5 Finance and expenditure

Special Central Assistance was released by the Government of India to the States on effort based criteria, i.e., 50 *per cent* on the basis of population and backwardness of the State and the balance 50 *per cent* on the State's efforts made for upliftment of Scheduled Castes, in two instalments in the first quarter and the

third quarter of the year. The position of assistance released by the Government of India to the State, funds released by the State Government to the Corporation and expenditure incurred thereagainst during the period from 1991-92 to 1995-96 was as under:

Year	Opening unspent balance	Assistance released by the Government of India	Total funds available	Funds released to the Corporation
(1)	(2)	(3)	(4)	(5)
(Rupees in lakhs)				
1991-92	164.92**	79.82	244.74	76.48
1992-93	144.35	66.79	211.14	54.65
1993-94	115.02	73.23	188.25	32.57
1994-95	102.42	100.00	202.42	107.24
1995-96	115.33	83.77	199.10	96.76

Expenditure incurred by<sup>v</sup>

Subsidy	Corporation		Government		Percentage of utilisation of funds
	Skill development	Other activities	Monitoring and evaluation cell	Total expenditure	
(6)	(7)	(8)	(9)	(10)	(11)
(Rupees in lakhs)					
92.98	3.07	1.00 <sup>s</sup>	3.34	100.39	41
91.93	0.93	1.25 <sup>&amp;</sup>	2.01	96.12	46
80.09	3.53 <sup>#</sup>	-	2.21	85.83	46
72.28	11.78 <sup>ss</sup>	-	3.03	87.09	43
83.60	206.93 <sup>\$\$</sup>	-	3.39	293.92 <sup>@</sup>	148

\*\* Includes unspent balance of Rs. 106.27 lakhs with the Corporation.

<sup>v</sup> The figures are provisional as the accounts of the Corporation for the years 1991-92 to 1995-96 have not been finalised as of March 1996.

<sup>s</sup> Released to Command Area Development Department for settlement of liability of construction of seed stores.

<sup>&</sup> Utilised for purchase of office equipment in Administrative Department.

<sup>#</sup> Includes an amount of Rs. 2.05 lakhs released directly by the Government to Principal Auxiliary Medical Training School.

<sup>ss</sup> Includes Rs. 5.60 lakhs and Rs. 2.25 lakhs spent on training of scavenger community conducted during 1994-95 and 1995-96.

<sup>@</sup> Excess expenditure met out of Corporation's resources subject to subsequent recoupment from SCA funds.



Except for the year 1995-96, utilisation of SCA by the Government/ Corporation was low and ranged between 41 and 46 per cent during the period from 1991-92 to 1994-95. The sudden spurt in the expenditure on skill development in 1995-96 was due to training in computer courses as discussed in para 3.3.8. It was noticed in audit that one of the reasons for poor utilisation of funds was the delayed release of SCA funds by the State Government to the Corporation. The delay in release of funds ranged between 3 and 15 months. It was also noticed that funds were generally released to the Corporation at the fag end of the year as indicated below:

- **Utilisation of SCA was low and ranged between 41 and 46 per cent.**
- **Funds released to the implementing agencies after delay of 3 to 15 months.**

Year	Amount of funds (Rupees in lakhs)	Month in which released
1991-92	76.48	March 1992
1992-93	54.65	January/February 1993
1993-94	32.57	December 1993/ January 1994
1994-95	60.24	March 1995
1995-96	60.23	December 1995

Reasons for delayed release of funds were not intimated (August 1996). Funds of Rs. 0.79 lakh out of Rs. 73.23 lakhs released by Central Government during the year 1993-94 had not been released to the Social Welfare Department by the Finance Department.

The following points were also noticed in audit:

(i) The quarterly and annual progress reports of utilisation of funds for the years 1991-92 to 1993-94 had been submitted in September 1994, only after their non-submission was pointed out (May 1994) by the Government of India. Reports for the years 1994-95 and 1995-96 had not been submitted as of March 1996.

(ii) Against the actual expenditure of Rs. 96.12 lakhs and Rs. 85.83 lakhs during 1992-93 and 1993-94 as reported by the Corporation, the State Government reported an expenditure of Rs. 105.66 lakhs and Rs. 69.82 lakhs to the Central Government during these years resulting in over/understating of expenditure. The discrepancy was pointed out by Audit to the State Government in April 1996. Reply has not been received (August 1996).

**Expenditure reported to GOI overstated/ understated.**

(iii) Unspent balances under the SCA at the end of the year were required either to be surrendered to the Government of India or got revalidated for utilisation during the subsequent year. It was, however, seen in audit that the unspent balances lying with the Government and the Corporation, as detailed

**Unspent balance at the end of each year neither surrendered nor got revalidated from GOI.**

below, had neither been surrendered nor necessary sanction obtained from the Government of India for carrying them forward:

Year ended	Unspent balances with the	
	Government	Corporation
	(Rupees in lakhs)	
March 1991	58.65	106.27
March 1992	58.65	85.70
March 1993	68.78	46.24
March 1994	105.18	-
March 1995	94.91	20.42

(iv) The Corporation had arrived at the expenditure figures on the basis of cheques issued to beneficiaries without conducting any reconciliation with the banks to ascertain actual amount of cheques encashed. Test check in audit revealed that in 32 cases cheques for Rs. 1.68 lakhs issued by the Corporation during 1991-92 to 1995-96 and exhibited as expenditure had not actually been encashed and cheques had been received back as 'unpaid'.

(v) Special Central Assistance was to be utilised exclusively for the benefit of Scheduled Castes. It was, however, seen in audit that funds of Rs. 131.24 lakhs, as detailed below, had been diverted by the Corporation and utilised for payment of subsidy to 3535 Scheduled Tribe and Other Backward Class beneficiaries not covered under the scheme.

**SCA diverted for payment of subsidy to Scheduled Tribe and Other Backward Class beneficiaries.**

Year	Amount
	(Rupees in lakhs)
1991-92	20.30
1992-93	22.96
1993-94	28.22
1994-95	27.27
1995-96	32.49
Total:	131.24

Similarly, an amount of Rs. 1.37 lakhs was diverted for purchase of office equipment in 1992-93. Reasons for irregular diversion of funds were not intimated (March 1996).

(vi) Against the prescribed norm of utilising SCA up to 1 per cent on staff for implementation, supervision, monitoring and evaluation at various levels, the actual expenditure on Monitoring and Evaluation Cell of the Department alone ranged between 2 and 6 per cent during the years 1991-92 to 1995-96.



**3.3.6 Planning and identification of beneficiaries****3.3.6.1 Planning**

In order to realise the full potential of the SCA, formulation of specific need based and family-oriented income generating development programmes such as creating irrigation facilities on compact blocks of land of Scheduled Castes, providing economic package to flayers, scavengers, tanners, landless labourers, etc. and creation of infrastructural facilities were required to be formulated. The SCA was accordingly to be tied to specific schemes and used in an integrated, optimal and cost effective manner as an additive to the Special Component Plan for the Scheduled Castes in the State. It was, however, noticed in audit that no such planned programmes had been formulated and SCA was released exclusively to the Corporation which in turn utilised the funds mainly (Rs. 420.88 lakhs out of total expenditure of Rs. 663.35 lakhs during the period from 1991-92 to 1995-96) on payment of subsidy to individual beneficiaries for setting up income generating units with bank tie-up. Records produced to audit did not indicate whether any guidelines were issued by the State Government regarding selection of beneficiaries, trades and payment of subsidy by the Corporation.

*SCA utilised mainly for payment of subsidy and not tied to specific schemes as an additive to SCP for SCs.*

**3.3.6.2 Identification of beneficiaries**

The Corporation had not conducted any survey to identify Scheduled Caste households with limited asset base nor had it identified villages with substantial concentration of Scheduled Caste population for proper selection of beneficiaries and identification of their needs for formulation of specific economically viable schemes. The beneficiaries were selected on the basis of applications for setting up of income generating units without obtaining the requisite income and caste certificates issued by the competent authority (Tehsildars) in all the cases. A test check of records of the Corporation revealed that as a result of faulty selection, 303 ineligible beneficiaries were assisted under the Scheme (subsidy paid: Rs. 14.56 lakhs). These included dependants of Government servants, employees of the Corporation, retired Government employees/ex-servicemen, minors, students, individuals with existing established business or with substantial land holdings and persons belonging to Scheduled Tribes and Other Backward Classes. It was also observed that more than one member (80 individuals in all) of 38 families were assisted under the scheme for setting up more than one unit in respect of same family. The objective of assisting the poorest of the poor Scheduled Caste families and to bring them above the poverty line had, thus, not been achieved.

*A proper system of identification of beneficiaries not evolved and subsidy of Rs. 14.56 lakhs, paid to 303 ineligible persons.*

**3.3.7 Physical performance**

**3.3.7.1** The objective of the SCA was mainly to enable the Scheduled Caste families to cross the poverty line by providing income generating assets. Targets



fixed in this regard and achievements thereagainst as reported by the Social Welfare Department to Central Government were as under:

	1991-92	1992-93	1993-94	1994-95	1995-96	Total
	(Number of families assisted)					
Targets	4000	4000	4100	4000	4000	20100
Achievements	1347	1427	800	2056	890#	6520
Percentage of shortfall	66	64	80	48	78#	68

The shortfall in the achievement of targets during the years from 1991-92 to 1995-96<sup>#</sup> ranged between 48 and 80 *per cent*. The basis for communicating the targets and achievements thereagainst was neither on record nor intimated. Managing Director of the Corporation stated in August 1996 that the figures had been reported by the Government on their own.

**Shortfall in achievement of targets ranged from 48 to 80 per cent.**

### 3.3.7.2 Setting up of income generating units

The SCA was applicable for setting up of income generating units exclusively for Scheduled Caste beneficiaries. It was, however, seen in audit that the Corporation had fixed a target of establishing 14,892 income generating units for Scheduled Castes, Scheduled Tribes and Other Backward Classes during the period from 1991-92 to 1995-96 on the basis of anticipated release of SCA and an average subsidy payment of Rs. 4174 per unit. Against the release of SCA of Rs. 403.61 lakhs by the Government of India during the period from 1990-91 to 1995-96, the State Government released an amount of Rs. 367.70 lakhs (91 *per cent*) to the Corporation during the corresponding period, against which the Corporation disbursed an amount of Rs. 420.88 lakhs as subsidy for setting up of 9629 units (including 3535 units for Scheduled Tribes and Other Backward Classes for which a subsidy of Rs. 131.24 lakhs was paid under SCA). The activity-wise break-up of the units established was as under:

**Subsidy of Rs. 131.24 lakhs diverted for payment to 3535 Scheduled Tribe and Other Backward Class beneficiaries.**

<sup>#</sup> Up to February 1996.



Year	Total number of units set up	Number of cases test checked	Nature of Units			
			Dairy	Pack/ draught animals	Sheep/ Goat/ piggery	Petty Trade (Kiryana etc.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1991-92	2308	1750	645	354	202	281
1992-93	2147	1788	553	492	245	215
1993-94	1747	1654	427	428	229	328
1994-95	1606	1606	307	520	149	267
1995-96	1821	1263	224	356	133	296
Total :	9629	8061	2156	2150	958	1387

Shoe making	Tailoring and cutting	Poultry	Bamboo craft	Pump set	Handloom weaving	Others**
(8)	(9)	(10)	(11)	(12)	(13)	(14)
29	43	13	8	3	29	143
40	35	9	20	2	21	156
38	37	9	5	17	10	126
47	76	9	-	19	4	208
35	45	5	10	7	14	138
189	236	45	43	48	78	771

Following further points were noticed in test check :

- (i) Dairy, pack/draught animals and petty business constituted 27, 27 and 17 per cent of the total number of units test checked. Dairy units had been set up

**Viability of dairy units with only two milch cattle, against a prescribed norm of four, was doubtful. A survey by NICETD revealed that most of the dairy units were either sick or closed.**

with two milch cattle each at a unit cost of Rs. 0.10 lakh to Rs. 0.12 lakh (including subsidy element of Rs. 5000) against the viability norm of 4 milch cattle with unit cost of Rs. 0.45 lakh fixed by the Corporation itself, for a separate scheme being implemented with the assistance from National Scheduled Caste Finance Development Corporation. The viability of these dairy units was, therefore, doubtful. Survey of 142 such units by the National Institute of Continuing Education, Training and Development Studies (NICETD), Jammu during 1992-93 revealed that only 15 units were in good health, 97 units were sick and 30 units had been closed and that subsidy was drawn on more than one occasion on purchase of one and the same dairy animal. The Board of Directors of the Corporation had expressed (March 1993) concern over

\* Includes units set up for Scheduled Tribe and Other Backward Class beneficiaries.

\*\* Includes furniture shop, carpentry, *dhaba*, welding, bee keeping, *rehari*, bakery, dry cleaning, etc.



the findings of the NICETD and proposed to stop the financing of unviable dairy units. The recommendations had, however, not been implemented and 958 dairy units had been financed during the years 1993-94 to 1995-96.

Evaluation studies of income generating units set up in R. S. Pura and Bishnah Blocks of Jammu District conducted during 1992-93 by NICETD, had further revealed that subsidy had been granted on pick and choose basis instead of on need felt basis keeping in view the requirements of the beneficiary and viability of the unit. The study also revealed that very few new units had been established/ developed and most of the assisted units were such which were already established.

***Subsidy had been granted on pick and choose basis.***

(ii) Physical existence of units established with the assistance under the SCA had not been verified either by the Corporation or by the Social Welfare Department despite instructions issued by the Chairman, Bureau of Public Enterprises. Similarly, no studies to assess the impact of such units on the economic development of beneficiaries had been undertaken.

***Impact of assistance on economic development of beneficiaries was not evaluated.***

(iii) Despite emphasis of the Government of India on cluster approach to development activities, such as, minor irrigation, soil conservation, cottage and small industries, development of infrastructure and focusing special attention on needs of landless agriculture labourers, sanitation workers, flayers, etc. for wide dispersal of benefits of the SCA, it was noticed in audit that only income generating units for the benefit of individual members were set up, thus, limiting the economic benefits only to individuals.

***Cluster approach to development activities not followed.***

### 3.3.8 Training and skill development programmes

The Government of India envisaged earmarking of 5 per cent SCA funds for training programmes in different sectors for creating and upgrading skills of the SC beneficiaries and, thus, improving opportunities for employment/self employment. The Corporation had, during 1991-92 to 1994-95, incurred an expenditure of Rs. 13.71 lakhs (4 per cent of total funds released during the period) on imparting training to 247 persons in various trades like tailoring, knitting, nursing, fibre production etc. In addition, training was imparted in secretarial procedures (20 trainees), child care and nutrition (7 trainees), calico printing (30 trainees), and computer courses (1905 trainees) during 1995-96 after incurring an expenditure of Rs. 204.68 lakhs (244 per cent of SCA released during the year). Year-wise details of training courses conducted, number of trainees and expenditure incurred are indicated in Appendix-7.

A test check of records in audit revealed as under:



(i) Advance payment of Rs. 207.22 lakhs was released by the Corporation during 1994-95 and 1995-96 to 6 private institutions for imparting training in computers to candidates sponsored by the Corporation. The funds had been released without following proper procedures for selection of these institutions, ascertaining availability of infrastructural facilities, quality of training and reasonability of rates. The selection of institutions had not been approved by Government or by the Board of Directors of the Corporation and was also against the suggestion of Advisor (Computer) who had opined in March 1993 that the candidates be not sponsored for training to private institutions. The rates for course fees had also not been negotiated with any of these institutions and fees of Rs. 8500 and Rs. 11200 per trainee for a course of 8 and 12 months duration was paid to these institutions during 1994-95 and 1995-96 against the course fee of Rs. 1650 per trainee for a course of six months charged by Government Polytechnic, Jammu to which a batch of 16 trainees was sponsored in 1992-93.

- ***Advance payment of Rs. 207.22 lakhs made to 6 private computer training institutions without following proper procedure for selection of institutions/trainees.***
- ***Course fee of Rs. 8500 and Rs. 11200 per trainee for a course of 8 and 12 months duration was paid to private institutions against only Rs. 1650 charged by a Government institution.***

(ii) Payment was made to these private institutions in advance even before the candidates had been identified. The bulk of advance payment was made to one institution in Jammu which was paid Rs. 192.81 lakhs during 1994-95 and 1995-96 for imparting training to 1735 prospective candidates even though the institute at that time had an intake capacity of 500 trainees only. The Corporation had no knowledge/control over the number of candidates sponsored and those who actually joined the training course. In one case where advance payment of fees for 1685 candidates had been made in 1995-96, the institute had asked the Corporation (March 1996) to sponsor additional candidates against 250 dropouts. It could not be ascertained in audit whether fresh candidates had been sponsored and had joined the training course.

***Government ordered an enquiry into irregularities regarding selection of computer training institutions, etc. after these were pointed out by Audit.***

The Corporation had not maintained any lists of sponsored candidates. On being asked to furnish the relevant details it was stated (March 1996) that lists of candidates undergoing training in various institutions were being obtained. The lists obtained from institutions and furnished to Audit in August 1996 revealed that the candidates had been sponsored on the basis of open applications invited through press and on the basis of recommendations of non-official members of Board of Directors of the Corporation without ascertaining caste, income, educational qualification and aptitude, etc. of the sponsored candidates. Thus, candidates belonging to Scheduled Tribes and Other Backward



Classes were also sponsored though these were not required to be covered by the scheme.

After the above irregularities were pointed out by Audit in May 1996, the Government appointed (August 1996) the Commissioner of Enquiries as Enquiry Officer for conducting detailed enquiry into the irregularities. Further developments were awaited (September 1996).

(iii) The training programmes had not been arranged on the basis of demand of skills nor had these programmes been integrated with specific schemes as the training programmes were not relevant to the income generating units set up with the help of SCA.

(iv) Follow-up action by assisting the trained candidates with equipment, working capital, subsidy or by placement to enable them to utilise their skill for gainful employment had not been taken. The Corporation had also not ascertained the number of candidates who were able to secure jobs or establish their own units after receiving training.

### 3.3.9 Monitoring and evaluation

The utilisation of SCA had neither been monitored nor evaluated as no effective system through spot inspections by State/District level functionaries or through constitution of various committees had been evolved. Even the impact of the income generating units on the socio-economic life of beneficiaries had not been assessed to ascertain the number of families who had been benefited and who had actually crossed the poverty line.

*Utilisation of SCA had not been monitored nor was its impact on economic development of beneficiaries evaluated.*

An evaluation survey of the activities under the programme in two blocks of R.S. Pura and Bishnah conducted by NICTED, Jammu during 1992-93 had brought out unsatisfactory implementation and improper follow up of the programme. Action on their recommendations was yet (March 1996) to be taken.

### 3.3.10 Audit conclusion

*In the absence of any process of planning, survey for identification of needy Scheduled Caste families requiring assistance, linking of training and skill development programmes with the income generating units to be set up and tying up of Special Central Assistance with the budget outflows from various development sectors under the Special Component Plans for Scheduled Castes, the programme of the SCA was reduced to mere payment of subsidy for setting up of income generating units for individual beneficiaries. Advance payment of substantial funds had been made to private institutions for training and skill development of beneficiaries without identifying beneficiaries, assessing demand and fixing norms for fee structure and selection of training institutes, availability of infrastructure, etc. The objective of*



*utilising the Special Central Assistance as an additive to Special Component Plans for Scheduled Castes had, thus, not been achieved.*

**3.3.11** Above points were referred to the Government in June 1996; reply had not been received (October 1996).

### **Planning and Development Department**

#### **3.4 Border Area Development Programme<sup>#</sup>**

##### **3.4.1 Introduction**

Government of India launched a cent *per cent* Centrally sponsored 'Border Area Development Programme' in the year 1986 for balanced development of the border areas. The Programme envisaged overall human resource development through establishment of new educational institutions, strengthening of infrastructure for education and training, designing appropriate non-formal education programmes, imparting vocational and technical education and constructing hostels for border area students, etc. The Programme activities were to be attuned to special socio-economic and socio-cultural characteristics of the region. The Programme was re-oriented in 1993-94 by adopting a holistic and integrated approach of development. For this purpose, besides educational development, schemes relevant to local needs in respect of health care, solar street lighting, rural sanitation, vegetable development, mushroom cultivation and poultry development, etc. were to be undertaken.

The Programme was implemented in the State in 1987-88 initially in 10 blocks\* which was extended to another 25\*\* and 6<sup>S</sup> blocks in 1988-89 and 1989-90 respectively.

In 1991-92 the Programme was further extended to 14 more blocks\*\*\* which were adjacent to the border blocks. The coverage under reoriented Programme was, however, restricted to 41 border blocks only.

##### **3.4.2 Organisational set-up**

The Programme was implemented through Directorates of Education, Rural Development, Rural Sanitation, Youth Services and Sports, Libraries, Technical Education, Health Services and Food and Supplies. The construction of buildings for high and higher secondary schools was got executed through Chief Engineers of Public Works Department at Jammu and Srinagar. While Department of Science and Technology was responsible for installation of solar street lights,

<sup>#</sup> The abbreviations used in this Review are listed in glossary in Appendix-20

\* Baramulla: 2; Jammu: 2; Kargil: 2; Kathua: 1; Kupwara: 1; Rajouri: 1; Poonch: 1.

\*\* Baramulla: 3; Budgam: 1; Jammu: 6; Kathua: 3; Kargil: 1; Kupwara: 5; Rajouri: 3; Poonch: 3.

<sup>S</sup> Baramulla: 2; Kupwara: 2; Leh: 2.

\*\*\* Badgam: 2; Baramulla: 4; Jammu: 1; Kathua: 2; Kargil: 1; Leh: 1; Rajouri: 2; Poonch: 1.



Jammu and Kashmir Academy of Art and Culture was responsible for the promotion of Arts and Culture.

The Programme was monitored by the Education Department up to 1992-93 and by the Planning and Development Department thereafter.

### **3.4.3 Audit coverage**

The implementation of the Programme during the period from 1991-92 to 1995-96 was reviewed during December 1994 to April 1995 and October 1995 to April 1996 by test check of records at the State/divisional level in the Offices of the Education and Planning and Development Departments, Directors of School Education, Jammu and Srinagar, Director Technical Education, Director Youth Services and Sports, Directors of Rural Development, Jammu and Srinagar, Chief Engineers of Public Works Departments (Roads and Buildings) Jammu and Srinagar, and Directors of Health Services, Jammu and Srinagar. At the district and block level records of District Development Commissioners/Assistant Commissioners, (Development), Executive Engineers (R&B), Chief Education Officers, District Panchayat Officers, District Youth Services and Sports Officers in the districts of Jammu, Rajouri, Kathua, Baramulla and Budgam, three Industrial Training Institutes (Jammu, Rajouri and Baramulla) and 10<sup>th</sup> Block Development Officers and Zonal Education Officers were test checked. The important points noticed in test check are discussed in the succeeding paragraphs:

### **3.4.4 Highlights**

- Rupees 1139.32 lakhs, out of the assistance of Rs. 17616.21 lakhs released by Central Government during 1987-88 to 1995-96, had not been released to the implementing agencies up to the end of March 1996. While overall details of utilisation of funds released were not available, the test checked implementing agencies had utilised Rs. 12983 lakhs (84 *per cent*) against Rs. 15504 lakhs released to them during the corresponding period.

(Paragraph: 3.4.5)

- Funds aggregating Rs. 344 lakhs were diverted for utilisation under other Programmes and in non-border blocks and on activities which were outside the purview of the Programme.

(Paragraph: 3.4.5)

- Survey to assess the level of infrastructural deficiencies in the border areas had not been undertaken nor was socio-economic and socio-cultural profile of the region prepared for relating vocational training programmes in these areas to programmes of agriculture, sheep rearing, forestry etc. The envisaged action of linking financial assistance received under the Programme with the existing educational development programmes under implementation in border blocks was also not taken.

(Paragraph: 3.4.6)

<sup>\*</sup> Akhnoor, Baramulla, Beerwah, Bishnah, Boniyar, Hiranagar, Kathua, Khag, Rajouri, Sunderbani.



- Eleven school buildings and 147 additional classrooms constructed in Rajouri district, at a cost of Rs. 169.72 lakhs during 1988-89 to 1994-95, had either collapsed, developed cracks or were declared unsafe immediately after their construction indicating their sub-standard construction.

(Paragraph: 3.4.7(a))

- Teaching staff was not provided according to prescribed norms. In 317 test checked primary schools, while 122 schools had 144 teachers in excess of the prescribed norms, 83 schools had shortage of 107 teachers and in two schools no teacher was posted during 1995-96.

(Paragraph: 3.4.7 (b))

- Only one ITI was set up and 4 ITIs were strengthened as of March 1996 against the target of opening of 5 new Industrial Training Institutes, and strengthening of 13 existing Industrial Training Institutes during the period from 1988-89 to 1992-93.

(Paragraph: 3.4.8)

- Library books were purchased at a cost of Rs. 21.73 lakhs during 1990-91 and 1992-93 without either identifying the type of books actually required or their compatibility with the educational standards of trainees due to which most of the books, not being relevant to trades taught in the institutions, remained unused.

(Paragraph: 3.4.8 (ii))

- Against a period of 12 years during which solar light systems were expected to function, 27 to 71 *per cent* of these systems became defunct within 6 to 11 months of their installation in the blocks of Kathua and Rajouri test-checked.

(Paragraph: 3.4.12)

- Sixty nine *per cent* of the funds under "untied grants" meant to be paid to nominated committee of each identified village for such activities as may be decided by the village committee were instead provided to Government departments for execution of works in 5 districts test checked.

(Paragraph: 3.4.13)

### **3.4.5 Provision of funds and utilisation**

Funds released by the Government of India to the State Government and by the State Government to the implementing agencies during the period from 1987-88 to 1995-96 were as under:

Year	Funds released by the		Short release of funds (Cumulative)
	Government of India to the State Government	State Government to the implementing agencies (Rupees in lakhs)	
Up to			
1990-91	8063.43	6284.17	1779.26
1991-92	2772.44	1783.99	2767.71
1992-93	1562.34	2677.08	1652.97
1993-94	1400.00	1665.62	1387.35
1994-95	1750.00	1976.12	1161.23
1995-96	2068.00	2089.91	1139.32
Total:	17616.21	16476.89	

It would be seen from the above that the State Government had not released the available funds to the implementing agencies in full thereby leaving a cumulative balance of Rs. 1139.32 lakhs unutilised with the Planning and Development Department (Rs. 1105 lakhs) and Education Department (Rs. 34.32 lakhs) as on 31 March 1996. Reasons for short release of funds by the Government were not intimated (May 1996).

**Funds received from GOI not released to implementing agencies in full.**

The overall position of utilisation of Rs. 12363.89 lakhs released by the Education Department to the implementing agencies up to 1995-96 could not be intimated on account of the failure of the Department to monitor implementation of the programme through quarterly financial and physical progress reports. Test check of the records of 10 implementing agencies, however, revealed that against Rs. 11391.05 lakhs provided for various components of the programme, only Rs. 9994 lakhs (88 per cent) were utilised during this period. Further, against Rs. 4113 lakhs released by Planning and Development Department to various implementing agencies during 1993-94 to 1995-96 under reoriented programme, expenditure of Rs. 2988.82 lakhs (73 per cent) only was reported by the implementing agencies. Component-wise details of the expenditure incurred by various implementing agencies are indicated in the Appendix-8.

**Test checked agencies utilised only 84 per cent of funds allotted to them.**

Test check also revealed that funds aggregating Rs. 344.00 lakhs were diverted for utilisation under other State level/district programmes (Rs. 235.70 lakhs), ineligible districts/blocks (Rs. 76.33 lakhs) and for payment of salary to teachers (Rs. 14.00 lakhs) and wages to casual labourers (Rs. 17.97 lakhs) which were outside the scope of the programme.

**Programme funds aggregating Rs. 344 lakhs diverted and utilised on activities outside the purview of the Programme.**



### 3.4.6 Planning

According to the guidelines of the Central Government (June 1987), the activities of the programme were to be taken up in an integrated manner and financial assistance under the Programme was to supplement the existing educational development programmes in the identified blocks. It was, however, seen that the assistance released had not been linked with the existing educational development programmes under implementation and emphasis was laid on isolated activities like construction of school buildings for which 47 per cent of funds were provided. Activities such as designing appropriate non-formal education, continuing and distance educational programmes, early childhood care and education centres, special education for physically handicapped, etc. had not been taken up.

**Programme funds were not used to supplement the existing educational development programme.**

The State Government had not conducted any survey to assess the existing facilities in respect of equipment, teaching and learning material, etc. and identify the level of infrastructural deficiencies in the border areas. In the absence of any survey for identification of blocks/schools deficient in basic infrastructure, the basis for allocation of funds and material etc. could not be ascertained. The envisaged action of preparing socio-economic and socio-cultural profile of the region for co-relating the vocational training/craftsmen training programmes in these areas with the programmes of agriculture, sheep rearing and pasture development, forestry and cottage industries etc. had also not been taken.

**Survey to assess the level of infrastructural deficiencies in border areas was not conducted.**

### 3.4.7 Strengthening of infrastructure

(a) Construction of school buildings

For ensuring the availability of adequate accommodation in schools, the Education Department took up construction of school buildings including additional classrooms through Rural Development and Public Works Departments. Against Rs. 72.58 crores released to implementing agencies, an expenditure of Rs. 61.01 crores (84 per cent) was incurred during the period from 1987-88 to 1995-96. The position of physical progress achieved during the period was as under:

**There was shortfall in achievement of targets fixed for construction of school buildings/ additional classrooms.**



Agency	Number of school buildings constructed		Percentage of shortfall	Number of additional classrooms constructed		Percentage of shortfall
	Target	completed		Target	completed	
Public Works Department	222	166	25	2428	1955	19
Rural Development Department	1633	1420	13	1741	1593	9

Reasons for the shortfall in achieving financial and physical targets were not intimated.

Under the reoriented programme, an additional amount of Rs. 1060 lakhs was provided to the two agencies by Planning and Development Department during 1993-94 to 1995-96 for construction of school buildings and additional classrooms against which an expenditure of Rs. 740 lakhs only was incurred as of March 1996. Targets, if any, set and physical progress achieved was not intimated. Following further points were noticed in audit:

(i) There was considerable delay in the completion of school buildings/additional classrooms in the test checked blocks. Against the prescribed period of 3 months, construction of 320 school buildings had been completed after delays ranging from 1 to 63 months. Reasons for delay were not intimated. It was, however, seen in audit that the delay was due, *inter alia*, to lack of monitoring by various agencies.

**Delay in construction of school buildings/additional classrooms ranged from 1 to 63 months.**

For delay in completion of the works allotted by the Rural Development Department, penalty up to 10 per cent of the cost of construction was leviable on the *mates* (contractors) under the agreements executed with them. Penal action had not been taken even though delay in completion of the buildings resulted not only in the denial of the facilities to the students but also in cost overrun of Rs. 17.12 lakhs in 60 such cases.

**Penal action against contractors for delay in completion of buildings not taken.**

(ii) Eleven school buildings and 147 additional classrooms constructed during 1988-89 to 1994-95 (expenditure: Rs. 169.72 lakhs) in Rajouri District had either collapsed/developed

**Enquiry not conducted for ascertaining reasons for defective/sub-standard construction of 11 school buildings and 147 additional classrooms.**

Position as on 31 March 1995.

Up to 12 months: 188 schools; 13 to 24 months: 74 schools; 25 to 36 months: 45 schools; above 37 months: 13 schools.



cracks or were declared unsafe immediately after completion of their construction. No enquiry had been conducted to ascertain the reasons thereof and fix responsibility for sub-standard/defective construction.

(iii) In three test checked blocks (Baramulla, Booniyar and Billawar), 14 school buildings taken up for construction during 1988-89 to 1991-92 were abandoned by the allottee contractors/*mates* after receiving payment/material valuing Rs. 9.98 lakhs. Cost of departmental material valued at Rs. 4.45 lakhs issued to the contractors/*mates* for these works was not recovered as of July 1996 while 8 of these buildings were reallocated for completion during 1995-96 to different contractors/*mates*, after revising the cost estimates from Rs. 9.96 lakhs to Rs. 14.67 lakhs, no action had been taken either for completing the other 6 buildings or initiating penal action against the contractor/*mates* for recovery of extra cost of Rs. 4.71 lakhs in respect of the 8 reallocated buildings.

(iv) A building for Higher Secondary School, Dhanidar, Rajouri taken up for construction in 1988-89 and completed in 1994-95 at a cost of Rs. 27.03 lakhs was

**School building at Dhanidar, Rajouri constructed at a cost of Rs. 27.03 lakhs without actual requirement.**

not used for the intended purpose as the school was already having a building of its own and did not need a new one. The building was partly utilised for housing the office of the Chief Education Officer which had sufficient accommodation of its own. The Chief Education

Officer observed in April 1994 that he was forced to occupy the building which had developed cracks and was leaking. This was indicative of poor planning in the selection and prioritisation of works under the programme. Action, if any, initiated for removing the defects and fixing responsibility for poor quality of construction was not intimated.

**Supplies for Rs. 15.62 lakhs were awaited even though payment had been made in advance to the suppliers.**

(v) Against advance payments aggregating Rs. 76.08 lakhs made by Assistant Commissioner (Development), Baramulla and seven<sup>#</sup> Block Development Officers between 1988-89 and 1992-93 to various agencies for supply of building material, supplies worth Rs. 15.62 lakhs were awaited as of December 1995. Effective steps for obtaining the

awaited supplies or getting the amounts refunded had not been taken by any of these offices (December 1995).

**Stores valued at Rs. 16.98 lakhs were either short or unaccounted for.**

(vi) Receipt and issue accounts of store/stock items purchased under the programme had not been maintained separately by various implementing agencies nor had physical verification of these stores been conducted. Test check revealed that stores valued at Rs. 16.98 lakhs were either short or unaccounted for in the store and stock records of Assistant Commissioner (Development), Rajouri

<sup>#</sup> Baramulla, Beerwah, Booniyar, Khag, Khansahib, Rafiabab, and Tangmarg.



and seven block offices of Rajouri, Akhnoor, Bishnah, Sunderbani, Hiranagar, Baramulla and Booniyar. While block development officers stated that these shortages would be investigated, results of investigations, if any, conducted were not intimated (August 1996).

**(b) Appointment of school teachers and other staff**

Against the creation of 784 and 1274 posts of different categories (both teaching and non-teaching) under the programme during 1987-88 to 1991-92 for Kashmir and Jammu divisions respectively, only 576 and 891 posts had been filled up till September 1995 and December 1990 respectively in the two divisions. Details of appointments, if any, made beyond December 1990 in respect of Jammu Division were not intimated.

It was further noticed (April 1995) that out of 317 test checked primary schools in 8 zones (Akhnoor, Baramulla, Beerwah, Bishnah, Hiranagar, Magam, Rajouri and Sunderbani), 122 schools had 144 teachers in excess of the prescribed norms (1-3 teachers per school), 83 schools had shortage of 107 teachers and in 2 schools (Akhnoor zone) no teacher was posted during 1995-96. Non/short provision of teachers to the primary schools deprived the students of the border areas of the intended facilities.

*Teachers were not posted to the schools as per prescribed norms resulting in over/under staffing of schools.*

**(c) Provision of teaching and learning material**

An amount of Rs. 510.88 lakhs was provided between 1987-88 and 1994-95 to Financial Advisor and Chief Accounts Officer (FA&CAO), Education Department (Rs. 133.36 lakhs), Principals of 12 degree colleges (Rs. 181.32 lakhs), Director School Education, Jammu (Rs. 110.19 lakhs) and Director School Education, Kashmir (Rs. 86.01 lakhs) for purchase of teaching and learning material. Details of expenditure were, however, made available only in respect of funds amounting to Rs. 204.14 lakhs (FA&CAO: Rs. 75.21 lakhs; Director School Education, Jammu: Rs. 98.01 lakhs; and Director School Education, Kashmir: Rs. 30.92 lakhs). Accounts of teaching and learning materials actually purchased and issued to various institutions were not maintained properly at any level. It could not, therefore, be ascertained if the material had been received in full and issued to schools for which it was meant.

The articles of teaching and learning material required for issue to Primary, Middle, High and Higher Secondary Schools and Colleges had not been identified for purchase on the basis of deficiencies of these articles in the identified schools/colleges. Test check of records revealed that purchase of some essential items viz. teachers' equipment (syllabus, text books, teachers' guides, math kits, science kits, books, magazines, journals, toys etc.) were generally ignored. In Directorate

*Requirement of teaching and learning material not assessed on the basis of deficiencies and actual requirement*



of School Education, Jammu, instead of making purchases of teaching and learning equipment items out of Rs. 98.01 lakhs utilised during 1988-89 (Rs. 56.74 lakhs) and 1993-94 (Rs. 41.27 lakhs); expenditure of Rs. 41.78 lakhs (43 per cent) and Rs. 50.46 lakhs (52 per cent) was incurred on purchase of furniture and science material/sports goods, etc. Records also revealed that steps for ensuring continued supply and replacement of teaching and learning material by provision of additional funds or through other educational development programmes had not been taken.

**Teaching and learning material valued at Rs. 3.21 lakhs was lying unutilised.**

Teaching and learning material valued at Rs. 3.21 lakhs procured for Degree College, Kathua (Rs. 0.89 lakh) and schools of Leh and Kargil Districts (Rs. 2.32 lakhs), during 1990-91 and 1994-95 respectively was lying unutilised in the stores as of April 1996 as the material had not been issued to the concerned offices.

### 3.4.8 Vocational and technical education

The programme envisaged balanced development of border areas through vocational education and training of border area youth. For this purpose strengthening of 13 existing Industrial Training Institutes (ITIs) by way of constructing buildings, additional accommodation for workshops and hostels for border area students and opening of 5 new ITIs in the nine border districts of the State during 1988-89 to 1992-93 was proposed. The position of funds released to the Director, Technical Education for the purpose during 1988-89 to 1994-95 and expenditure incurred thereagainst was as under:

Component	Funds released	Expenditure incurred (Rupees in lakhs)	Unspent balance
Construction works	1299.88	1208.81	91.07
Machinery	442.73	441.09	1.64
Stipend/scholarship	29.68	6.68	23.00
Total:	1772.29	1656.58	115.71

Reasons for non-utilisation of Rs. 115.71 lakhs were not intimated. Funds amounting to Rs. 70.00 lakhs provided during 1995-96 were also not utilised due to their late release (March 1996) by Education Department.

- Only one ITI had been set up and 5 ITIs strengthened against a target of opening 5 ITIs and strengthening 13 existing ITIs.
- Slow pace of construction resulted in cost overrun of Rs. 246.62 lakhs.

Against the target of strengthening 13 existing ITI buildings only 4 buildings had been completed as of March 1996. Of the remaining 9 buildings, while construction of building at Chrar-i-sharif had not been taken up, the work on other 8 buildings was still in progress (April 1996). Only one new ITI had been set up at Samba during 1993-94 against 5 ITIs targeted to be set up.

Slow pace of construction of these buildings, besides resulting in denial of intended benefits to the border area youth led to cost overruns, as the estimated cost of construction of the 13 buildings increased from Rs. 915.81 lakhs to Rs. 1162.43 lakhs (April 1996). Reasons for delay in the completion of the



buildings were not intimated. Following other points were also noticed:-

(i) Construction of ITI complex at Rajouri comprising a double storeyed workshop and a three storeyed hostel with chainlink fencing was allotted by the Public Works Department to contractors during 1988-89 (workshop and hostel complexes) and 1989-90 (chainlink fencing) at an estimated cost of Rs. 17.34 lakhs. The works were abandoned by the contractors halfway. While the workshop complex and a portion of the hostel complex were reallocated to the original contractors, the remaining portion of the hostel complex was allotted to another contractor. Reasons for abandoning of the works by the original contractor halfway and re-allotting them to the same contractor subsequently were neither on record nor intimated. Though the works were finally completed at a total cost of Rs. 57.01 lakhs (229 per cent above the original estimated cost) and handed over to the concerned authorities in November 1993, the roofs of both the complexes were found to be leaking indicating poor construction. Responsibility for the sub-standard/poor construction leading to such leakage was not fixed (March 1996).

(ii) Library books valued at Rs. 21.73 lakhs were purchased by the Director Technical Education in 1990-91 (Rs. 18.43 lakhs) and Industrial Training Institute Jammu in 1992-93 (Rs. 3.30 lakhs) without identifying the type of books required. It was seen in test check that most of the books purchased were either not relevant to trades taught in the institutes or were not compatible with the educational standards of trainees/instructors due to which these had mostly remained unused in the institutes.

*Library books purchased for Rs. 21.73 lakhs without identifying their actual requirement remained mostly unused.*

#### 3.4.9 Youth services and sports

Against Rs. 556.33 lakhs provided to Director Youth Services during 1987-88 to 1992-93 and 1995-96 for purchase of sports equipment, construction of mini-stadia, arranging tours, training camps, appointment of physical education teachers and for undertaking physical education activities in the border areas, Rs. 520.35 lakhs only were utilised. Following points were noticed in this context:

(i) Against the requirement of 599 Physical Education Teachers (PETs) during 1987-88 and 1988-89 for middle schools of the border areas, 529 posts were sanctioned in February 1988 (154) and January 1989 (375). These posts were filled up over a period of 7 years from 1988-89 to 1994-95. Posts of PETs for the remaining 70 schools were yet to be created (April 1996) and despite lapse of over six years, three posts of Regional Physical Education Inspectors had also not been created (April 1996). Non-provision of PETs in the 70 schools, thus, deprived the students of the benefits of physical education training.

*Services of Physical Education Teachers were not provided to 70 schools.*



- (ii) For promoting development of indigenous sports in the State, Rs. 4 lakhs were advanced by the Director Youth Services and Sports during 1987-88 and 1989-90 to the State Sports Council for the purchase of specified sports goods. Neither detailed accounts in support of the expenditure of Rs. 2.73 lakhs reportedly incurred by the Sports Council had been obtained nor were the sports goods purchased supplied to the Department. The unspent balance of Rs. 1.27 lakhs had also not been refunded (April 1996), reasons for which were not intimated.

**Detailed accounts of Rs. 2.73 lakhs advanced to State Sports Council for purchase of sports goods were awaited and unspent balance of Rs. 1.27 lakhs was not refunded.**

Besides, construction of mini stadium at R.S.Pura entrusted to State Sports Council in 1987-88 had not been completed even after lapse of more than 8 years and incurring an expenditure of Rs. 11.95 lakhs (March 1996) against Rs. 14.45 lakhs advanced to the Council during 1987-88 to 1991-92. Reasons for delay in construction of the stadium were not intimated.

### 3.4.10 Cultural activities

The Programme envisaged use of education technology to spread useful information aimed at improving quality of education, sharpening awareness of art and culture and inculcating abiding values both in formal and non-formal sectors. For this purpose, allocation of Rs. 110.40 lakhs was made to Academy of Art, Culture and Languages during 1987-88 to 1995-96 against which an expenditure of Rs. 79.80 lakhs was incurred as of March 1996 on activities like conducting of dramas, music programmes, competitions, festivals etc. As against Rs. 110.40 lakhs released by the Education Department, Rs. 104.33 lakhs were only accounted for in the books of the Academy. The variation in the two sets of figures was stated by Secretary of the Academy to be under reconciliation (April 1996). Further, out of Rs. 6 lakhs released to the Academy for procurement of display material, Rs. 2.08 lakhs were utilised for purchase of a car, which was in addition to two vehicles already purchased under the programme during 1987-88 and 1988-89. Reasons for diversion of funds meant for purchase of display material were not intimated.

**Against Rs. 110.40 lakhs released to J&K Academy of Art, Culture and Languages, the Academy accounted for Rs. 104.33 lakhs only in its books.**

#### 3.4.10.1 Setting up of border block libraries

An amount of Rs. 83.70 lakhs was provided to Director Libraries during 1991-92 (Rs. 63 lakhs) and 1992-93 (Rs. 20.70 lakhs) for setting up of 41 libraries in Kashmir (24) and Jammu (17) divisions against which only 13 libraries (12 in 1994-95 and 1 in 1995-96) had been set up (Kashmir: 5 and Jammu: 8) after incurring an expenditure of Rs. 44.82 lakhs as of March 1996.

**Against 41 libraries targeted for being set up by 1992-93, only 13 libraries set up as of March 1996.**



Further, out of Rs. 83.70 lakhs placed at the disposal of Director, only Rs. 52.38 lakhs were released in favour of the implementing agencies.

It was, seen in audit that expenditure of Rs. 18.69 lakhs was incurred in 1991-92 on purchase of books and furniture in anticipation of the setting up of the libraries. While books valuing Rs. 5.01 lakhs were issued to other non-border area libraries, the remaining books (value: Rs. 5 lakhs) and furniture (value: Rs. 8.68 lakhs) were dumped in stores and issued to eligible border area libraries in 1994-95 only. Purchase of material before actually establishing the libraries, besides resulting in blockade of Government funds was indicative of poor planning in the implementation of the Programme.

**Books and furniture items valued at Rs. 18.69 lakhs purchased in anticipation of setting up of the libraries.**

### 3.4.11 Health Care

With a view to augment the health care facilities in border areas under re-oriented Border Area Development Programme, Rs. 418.43 lakhs were released to District Development Commissioners during 1993-94 to 1995-96 against which Rs. 319.48 lakhs only were utilised as of March 1996 on purchase of health care and diagnostic equipment like X-ray, Ultrasound and ECG machines, dental chairs, ambulances, etc. Test check of records of the two Directorates of Health Services (Kashmir and Jammu) and 7 Primary Health Centres of four border districts revealed the physical progress in purchase of equipment as under:

**Against release of Rs. 418.43 lakhs for augmenting health care facilities in border areas, only Rs. 319.48 lakhs utilised.**

Year	Ambulances		X-Ray machines		ECG machines		Ultra sound machines		Dental chairs	
	T	A	T	A	T	A	T	A	T	A
1993-94	9	9	24	20	-	-	-	-	-	-
1994-95	8	4	9	5	-	-	9	9	-	-
1995-96	10	-	5	4	2	-	2	-	38	18
Total	27	13	38	29	2	-	11	9	38	18

(T = Target; A = Actual)

Reasons for shortfall in achievements were not intimated.

Following further points were noticed:

- (i) Of the 10 X-ray machines purchased for Kashmir division during 1993-94 and 1994-95, only 7 machines had been installed, out of which three machines in Primary Health Centres (PHCs) Rohama, Trehgam, and Kalaroos could not be commissioned (October 1995) for want of electric supply and spare parts. While the Technician posted in PHC Rohama was idle since September 1995, the plant installed in PHC Fatehgarh (Kreeri) could not function (September 1995) due to

**A number of X-ray and ultrasound machines were either not installed or were non-functional**



non-posting of a technician. The X-ray machine purchased in October 1994 for PHC Parole could not be installed (March 1996) due to non-availability of land for construction of X-ray room. The X-ray plant installed in the Sub-district Hospital, Hiranagar in May 1995 had developed defects in September 1995. The reasons for the breakdown of the plant were not intimated nor were steps taken to repair the machine. Of the 4 Ultrasound machines purchased by the Directorate of Health Services, Jammu in September 1995, 2 machines were lying unutilised in Provincial Stores, Jammu (March 1996), reasons for which were not intimated. The other two machines, one each meant for District Hospital, Poonch and Government Hospital, Gandhi Nagar, Jammu, though lifted in October 1995, could not be installed (February 1996) due to lack of dark room facility for processing ultra sound films.

Thus, purchase of X-ray plants and ultrasound machines without ensuring availability of adequate infrastructural facilities resulted in non-realisation of the intended objective of providing health care facilities to the people in the border areas, besides being indicative of poor planning.

#### 3.4.12 Installation of solar lights

The programme envisaged installation of solar street lights in the border areas. Science and Technology Department executed the work of installation of solar lights through Jammu and Kashmir Energy Development Agency (JAKEDA) in three phases. Against Rs. 650.72 lakhs released during the period from 1993-94 to 1995-96 an expenditure of Rs. 649.93 lakhs was incurred on the purchase of 3056 solar light systems and installation of 1950 solar lights against 3906 systems targeted to be installed by March 1996. 1106 solar lights purchased during 1995-96 had not been installed as of April 1996.

**Out of 3056 solar lights purchased up to March 1996 only 1950 lights were installed against target of 3906 lights.**

Test check of records revealed that out of 1950 solar lights supplied by a Hyderabad firm, 78 units valued at Rs. 18.02 lakhs despatched in November 1995 for installation in 26 villages of Langate block could not be installed due to shortages/breakages of accessories which were neither investigated nor was any responsibility for the same fixed by the Department (March 1996). Three systems (cost :Rs. 0.69 lakh) out of 48 solar systems sent for installation (August 1995) in Khag block were not traceable and certificates of installation in respect of 232 systems ( 36 in Mendhar and 196 in Kupwara) were awaited (March 1996).

No survey was conducted by the Science and Technology Department to check the working of the solar systems installed by it. However, test check of records revealed the position of non-functional solar lights in 6 border blocks as under:



Name of the block	Solar lighting systems (In numbers)		Percentage of defunct solar lighting systems
	Installed	Defunct	
Kathua	21	14	67
Hiranagar	66	26	39
Barnoti	45	12	27
Gaghwal	60	21	35
Manjakote	80	34	43
Nowshera	42	30	71
Total	314	137	44

Thus, 27 to 71 *per cent* of these systems had become defunct within 6 to 11 months of their installation against the period of 12 years for which these systems were expected to function. Reasons for these lights being rendered non-functional so soon after their installation had not been investigated. No steps had also been taken to make the defunct solar systems functional nor had proper arrangements for watch and ward, upkeep and maintenance of these solar lights been made. Three solar street lights (cost: Rs. 0.69 lakh) installed in Nowncheck village of Hiranagar block had been stolen in January 1996. Funds amounting to Rs. 6 lakhs earmarked for maintenance of the solar street light systems, in the districts of Kathua, Rajouri and Jammu during 1995-96, had not been utilised.

**27 to 71 per cent of solar light systems installed in 6 border blocks became defunct within 6 to 11 months of their installation.**

The Additional Chief Secretary Planning had also observed (February 1996) that the performance of the solar lights installed by the Science and Technology Department was quite dismal and that the Department had not been able to streamline the procedure regarding upkeep and maintenance of these assets.

### 3.4.13 Untied grants

The programme envisaged release of Rs. 0.10 lakh directly to the nominated committee of each identified village, without intervention of Government agencies, for utilisation on such activities as may be decided by the village community. The nominated committees had to furnish utilisation certificates along with physical achievements in respect of the funds released through the concerned District Development Commissioners. An expenditure of Rs. 196.26 lakhs against a provision of Rs. 218 lakhs, was made under this component during the years 1993-94 to 1995-96. In the 5 test checked districts, out of Rs. 114.69 lakhs allotted for the purpose, only Rs. 34.97 lakhs (31 *per cent*) had been released to the village committees and remaining amount of Rs. 79.72 lakhs had been placed at the disposal of Government Departments for execution of construction works.

**Untied grants not paid directly to village committees as envisaged.**

Utilisation certificates together with reports of physical achievements had not been obtained from the village committees (March 1996).



**3.4.14 Monitoring and evaluation**

No specific instructions were issued by the Government for ensuring close monitoring of the implementation of the programme and submission of physical and financial progress reports at regular intervals. As a result, there was no effective monitoring though substantial funds were released to the implementing agencies. Despite the programme being under implementation for more than 9 years, it was not evaluated to assess the impact of the programme on improving the quality and living standards in border areas.

**Implementation of the Programme had neither been monitored nor was its impact evaluated.**

**3.4.15 Audit conclusion**

*The execution of the programme was not properly planned as surveys for assessing the deficiencies in the basic infrastructure in border areas had not been conducted. Socio-economic and socio-cultural profile of the region was not drawn for attuning the programme activities to the needs and requirement of border areas. The objective of utilising the programme funds for supplementing the existing education development programmes under implementation in border areas had not been achieved and the Programme was implemented in isolation. In absence of the formulation of any planned programmes, cases of infructuous, wasteful and avoidable expenditure, absence of prioritisation in the selection of works and shortfalls in financial and physical achievements were noticed.*

**3.4.16** Above points were referred to the Government in August 1996; reply had not been received (October 1996).

**Labour and Employment Department****3.5 Locking up of funds due to improper planning**

Labour Department selected a piece of land measuring 3 *kanals* and 4 *marlas* at Kathua for construction of a two storeyed labour *sarai*. The site was acquired through the Revenue Department (cost: Rs. 0.55 lakh) in March 1989. Further, Rs. 0.45 lakh available with the Department (out of Rs. 1 lakh allocated for the purpose) were also drawn and advanced by the Department to the Roads and Buildings Division, Kathua for fencing of the site next year to avoid lapse of the funds.



The Executive Engineer, R&B Division, Kathua inspected the site in November 1990 and informed the Labour Department that the acquired site was water logged and not suitable for construction of the proposed *sarai*. The Labour Department, however, requested the Roads and Buildings Department to take up construction at the same site as land for the purpose had already been acquired so that funds allocated for the purpose might not lapse. The Labour Commissioner who visited the site on 14 September 1994 also observed that the site would require flood protection measures before construction of the *sarai* was taken up to avoid damage to the building. Meanwhile, the Department, even before preparing technical estimates of the work, placed the entire budget provision of Rs. 4.45 lakhs made for this purpose between 1990-91 to 1993-94 with the R&B Division, Kathua as deposits to avoid their lapsing. Out of this amount the Division is reported to have purchased building material for Rs. 3.45 lakhs which was lying unutilised in the stores (July 1996).

***Improper selection of site for construction of a labour sarai resulted in idle investment of Rs. 4 lakhs and locking up of funds of Rs. 1.45 lakhs.***

Application seeking administrative approval for construction of a single-storey *sarai* with floor area of 3305 sft (against the double-storeyed structure envisaged earlier) was submitted by the Labour Department to the Government in September 1994. Following comments of the Government on the proposal, a revised application (for floor area of 2645 sft) for Rs. 16.38 lakhs was submitted in October 1995. The proposals included a provision of Rs. 1.36 lakhs for earth filling of the site and diversion of *nallah*. Further developments were awaited (December 1995).

Thus, lack of planning in selection of site and formulation of building proposals resulted in idle investment of Rs. 4.00 lakhs on purchase of land and building material besides locking up of funds to the tune of Rs. 1.45 lakhs for the last 3 to 6 years.

The matter was referred to the Government in April 1996; reply had not been received (October 1996).

### **Industries and Commerce Department**

#### **3.6 Avoidable payment of interest**

In June 1982 the Sericulture Development Department acquired 63 *kanals* and one *marla* of land at village Kunderorian, Katra through the Collector, Land Acquisition for establishing an alternative mulberry nursery. This was necessitated because the Town Area Committee (TAC), Katra took over the site of existing nursery of the Department at Katra for construction of a bus stand. For the land acquired by the Sericulture Development Department, the TAC, Katra, had paid Rs. 3.41 lakhs as compensation to the land owners through the Collector in December

***Delay in resolving the dispute over responsibility for payment of enhanced compensation to land owners led to an avoidable interest payment of Rs. 1.71 lakhs.***



1981. The land owners, however, appealed (October 1982) against the award of the Collector and the District Court ordered (June 1987) payment of compensation at enhanced rates and payment of interest of 6 *per cent* per annum from the date of taking over the possession of land to the date of payment of revised compensation. The appeal filed by the Collector in December 1987 against the judgement of District Court was dismissed by the High Court in December 1990 as being time-barred.

The payment of decretal amount was neither made by the Sericulture Development Department nor by the TAC, Katra because of the dispute over responsibility for discharge of enhanced liability and it was only after filing of an application by the land owners for enforcing execution of the decree, that the Government sanctioned (March 1995) payment of enhanced compensation. The payment of Rs. 6.43 lakhs, including avoidable interest of Rs. 1.71 lakhs for the period from June 1987 to April 1995, was made to the land owners in April 1995 through the Collector.

Thus, delay in resolving the dispute over payment of enhanced compensation resulted in avoidable payment of Rs. 1.71 lakhs as interest.

The matter was referred to the Government in April 1996; reply had not been received (October 1996).

### Home Department

#### 3.7 Idle investment

The Superintendents of Central Jails at Jammu and Srinagar purchased one X-ray machine and one electro-cardiogram each with associated accessories at a

*Two X-ray machines and 2 electro-cardiograms were lying unutilised for the last 12 years resulting in idle investment of Rs. 1.32 lakhs.*

cost of Rs. 1.32 lakhs in May and September 1984 for use in the medical units of the respective Jails. The equipment had remained unutilised in the stores as of July 1996. On being pointed out by Audit in July 1995 and November 1995, the concerned Superintendents stated (July 1995 and November 1995) that the equipment could not be utilised as neither had the posts of technicians been created nor were the services of technicians for operation of the equipment provided to the medical units of the two Jails. The present condition of the equipment lying in the stores for the last 12 years was not ascertainable as according to the concerned Superintendents the same could be known only after the technicians were posted to operate the equipment. However, the matter regarding posting of a technician had not been taken up with the Director, Health Services, Jammu by the Superintendent Central Jail, Jammu as of July 1996. Superintendent Central Jail, Srinagar stated (November 1995) that a report had been submitted to higher authorities.



Thus, purchase of equipment without making arrangements for its operation had resulted in idle investment of Rs. 1.32 lakhs for the last 12 years, besides denying the inmate patients of the jails of this facility, seriously ill amongst whom had to be referred to Government Hospitals for investigations and treatment.

The matter was referred to the Government in April 1996; reply had not been received (October 1996).

### 3.8 Irregular payment of risk allowance

According to Article 41-C of Jammu and Kashmir Civil Service Regulations, risk allowance is granted to a Government Servant in consideration of special hazards to which he is exposed in the performance of the duties of his post. It shall not be drawn during the period of leave, suspension, deputation, trainings and tour outside Headquarters.

A test check of the records of Superintendents of Police, Baramulla and Kupwara conducted in February 1996 and July 1996 revealed that risk allowance aggregating Rs. 1.80 lakhs and Rs. 1.43 lakhs was paid from October 1989 to January 1996 and May 1989 to June 1996 respectively to police personnel during the period of their training in Police Training College, Udhampur. Non-observance of rules, thus, resulted in irregular payment of Rs. 3.23 lakhs.

*Irregular payment of Rs. 3.23 lakhs on account of risk allowance made to police personnel during the period of their training.*

After the irregular payment was pointed out in audit (February 1996 and July 1996), the Superintendent of Police, Baramulla stopped (February 1996) the payment of risk allowance in respect of police personnel undergoing training and stated that the amount already paid on this account would be recovered. Superintendent of Police, Kupwara observed (July 1996) that matter would be looked into and excess amount paid recovered from the concerned officials. Progress of recovery was awaited (August 1996).

The matter was referred to the Government in August 1996; reply had not been received (October 1996).

## Education Department

### 3.9 Unfruitful expenditure on purchase of camera

With a view to set up a microfilming unit at State Archives Repository, Jammu for preservation of records of historical significance, Director General, Art and Culture placed orders (March 1991) with a Delhi based firm for supply of one Nikon F-4 SLR Camera at a cost of Rs. 2.04 lakhs. Following receipt of the camera of the ordered specification in the stores in April 1991, Superintendent incharge of the repository approached the Department in August 1991 for providing technical advice for the fixing of the camera. No action for providing the technical advice and



commissioning of the camera was taken till April 1995, when the department requested the Director General of Archives (DGA), New Delhi for providing the services of an expert for setting up of the microfilming unit. A Microphotographer deputed by the DGA in July 1995, found that the camera was not suitable for setting

***A camera purchased at a cost of Rs. 2.04 lakhs, without assessing its suitability for micro-filming, was lying unutilised since March 1991.***

up of a microfilming unit and suggested purchase of a microfilming camera, microfilm processor and other darkroom equipment. The camera could not, thus, be utilised nor had the microfilming unit been set up as of June 1996.

Thus, purchase of camera without assessing the actual requirement of equipment for microfilming and ensuring availability of requisite technical expertise resulted in unfruitful expenditure of Rs. 2.04 lakhs and denial of the intended benefits of a microfilming unit.

The matter was referred to the Government in August 1996; reply had not been received (October 1996).

### 3.10 Idle Investment

The Directorate of Technical Education had purchased one lathe (cost: Rs. 1.85 lakhs) and one diesel generator (cost: Rs. 1.63 lakhs) for the Industrial Training Institute, Reasi in August and November 1989 respectively for imparting

***A lathe and a diesel generator set valued at Rs. 3.48 lakhs lying unutilised after their purchase in August and November 1989.***

training to the students in fitter trade and ensuring uninterrupted power supply for lighting and operating the machines. Test check of records of the Institute in September 1995 revealed that the equipment had not been installed and continued to remain dumped in the stores. In response to an audit query, the Superintendent of the Institute stated (December 1995) that the equipment could not be installed for want of adequate space in the rented building housing the Institute. It was, however, seen in audit and confirmed (April 1996) by the Directorate of Technical Education that the Department had constructed a prefabricated structure for housing classrooms-cum-workshops in respect of fitter, stenography, electrician and welder trades during 1994-95 at a cost of Rs. 11.49 lakhs. The structure was, however, being utilised for office accommodation (2 rooms) and for non-engineering trades (2 rooms).

Thus, purchase of equipment in 1989 without first ensuring availability of adequate space for its installation till 1994-95 and non-utilisation of the new block constructed for housing workshops thereafter resulted in idle investment of Rs. 3.48 lakhs and denial of benefits of hands-on-machine training to the students. Present condition of the equipment has not been intimated to audit.

The matter was referred to the Government in May 1996; reply had not been received (October 1996).



## Ladakh Affairs Department

## 3.11 Loss in purchase of poultry feed

Financial rules of the Government provide that advance payment may be made by a department against documents for cost, freight and incidental charges of stores purchased from outside the State or in pursuance of the terms and conditions of a contract/agreement for such supplies provided the interests of the Government against any risk or loss are secured. Test check (September 1993) of records of the Chief Animal Husbandry Officer, Leh revealed that cent *per cent* advance payment of Rs. 3.23 lakhs (including freight up to Leh) was made in September 1992 to a Himachal Pradesh Government Undertaking for supply of 560 quintals of poultry feed. The advance payment had not been secured by obtaining a counter bank guarantee from the supplier to safeguard the interests of the Government in the event of any default by the undertaking. According to the agreement supply was to be made within 30 days of the advance payment failing which the department could procure the feed from any other source at the risk and cost of the supplier and recover the extra cost, if any. However, as cent *per cent* advance payment had already been made without securing the interests of the Government against any default on the part of the supplier, the recovery of extra cost from the supplier by enforcing the stipulation made in the agreement was not possible.

**Short supply of 360 Qtls. of poultry feed valued at Rs. 2.07 lakhs made by a supplier to whom cent per cent advance payment was made in September 1992 without obtaining any counter bank guarantee, etc.**

Meanwhile, 200 quintals of feed (value: Rs. 1.16 lakhs) were only received by the Department from the supplier up to November 1992. On being asked to supply the balance quantity of feed or to refund the value thereof, the supplier informed (December 1992) the Department that the entire quantity of feed had been despatched by them through a transport agency. As of June 1996 the Department had neither been able to obtain the balance quantity of feed nor the refund of the value thereof.

Thus, execution of a faulty agreement and making advance payment without safeguarding the interests of the Government resulted in non-receipt of 360 quintals of poultry feed valued at Rs. 2.07 lakhs and consequential loss of Government funds. No action had been taken against the defaulting officials for executing a defective agreement.

On being pointed out in audit (September 1993 and September 1995) the Department stated (September 1995) that the case had been referred to Law Department for initiating legal action against the supplier. Further developments were awaited (August 1996). The Department did not intimate the arrangements made to meet the requirement of feed which the supplier had failed to supply.



The matter was referred to the Government in May 1996; reply had not been received (October 1996).

### Revenue Department

#### 3.12 Locking up of funds

Deputy Commissioner, Anantnag sanctioned (December 1990 and March 1991) house building grant in the form of 500 cft of timber and 10 quintals of CGI sheets to each of the 98 fire sufferers whose houses were gutted in a fire accident on 27 October 1990 in the Malakhnag and Chini Chowk area of Anantnag town. Against the requirement of 980 quintals of CGI sheets, the Deputy Commissioner, Anantnag projected an unrealistic demand of 2500 quintals of CGI sheets for which an advance payment of Rs. 53.75 lakhs (@ Rs. 2150 per quintal) was made in March 1991 to the Jammu and Kashmir Small Scale Industries Development Corporation Limited (SICOP). Reasons for projecting such a higher demand of CGI sheets were not furnished to audit (January 1996).

Test check (January 1996) of records, however, revealed that the District Administration had lifted only 970 quintals of CGI sheets from SICOP valued at Rs. 20.85 lakhs in June 1991 (890 quintals), June 1992 (70 quintals) and August 1992 (10 quintals) and had requested (November 1993) SICOP to refund the balance amount of Rs. 32.90 lakhs as no further CGI sheets were required by them. SICOP expressed in July 1994 its inability to refund the balance amount till they were able to sell the procured CGI sheets in market. No action was taken as of March 1996 to recover the amount from SICOP.

*Releasing advance payment to the supplier without assessing the actual quantity of CGI sheets required led to locking up of funds to the tune of Rs. 32.90 lakhs.*

Thus, making advance payment for CGI sheets without assessing actual requirements resulted in locking up of funds of Rs 32.90 lakhs. Moreover to overcome the cash crunch the State Government had borrowed funds from Jammu and Kashmir Bank Limited throughout the period from 1990-91 to 1995-96 at interest rates ranging between 10.5 per cent and 20.75 per cent. Had the amount of Rs. 32.90 lakhs not been unnecessarily advanced to the SICOP the Government could have avoided payment of interest of Rs. 48.48 lakhs on the corresponding borrowings.

The matter was referred to the Government in August 1996; reply had not been received (October 1996).

***This Chapter includes  
Audit Reviews  
on***

***Dal Lake Development Project  
and  
Stakna Hydel Project***

***and  
Audit comments  
on various  
irregularities***

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***Works Expenditure***



**Urban Environmental Engineering Department****4.1 Dal Lake Development Project<sup>#</sup>****4.1.1 Introduction**

The Dal lake is a central feature of Srinagar city around which much of the socio-economic activities of the city are centred. Human interference by way of settlement on the lake shores, construction of earthen embankments within the lake, increase in number of houseboats for tourists and denudation of the catchment area have given rise to serious problems of shrinkage and pollution of the lake. The area of the lake had shrunk from 75 sq. kms in 1200 AD to 24 sq. kms in 1962 and to 15 sq. kms in 1982\*.

A consultancy service group of experts from New Zealand (ENEX) was engaged under the Commonwealth Fund for technical co-operation by the Government in 1977 to report on the present conditions of the lake and to recommend ways for improving the quality of water and the lake environment. After acceptance of their recommendations by the State Government the work on the Project was started in 1978. The Project was envisaged to be completed in 5 years.

**4.1.2 Objectives**

The main objectives of the Project were to:

- (i) remove human habitation within the lake area and restore the area to lake body;
- (ii) improve water quality of lake by catchment area protection; nutrient and sediment removal and improving circulation;
- (iii) develop adjoining Nagin lake;
- (iv) rehabilitate the displaced families;
- (v) provide proper sewerage facilities within the peripheral lake area and houseboat sanitation; and
- (vi) delineate the lake boundaries and control further ingress of population in the lake body.

**4.1.3 Organisational set-up**

The Project was implemented by the Urban Environmental Engineering Department (UEED). Three units of the Department viz., Lake Divisions I and II and City Drainage Mechanical Division, all stationed at Srinagar, were executing the Project works. The overall administrative and technical control was exercised by the Chief Engineer, UEED.

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<sup>#</sup> The abbreviations used in this Review are listed in the glossary in Appendix-20  
<sup>\*</sup> Survey/study to assess the area of the lake had not been conducted since 1982.

#### 4.1.4 Audit Coverage

Implementation of the Project was last reviewed by Audit in 1984-85 and audit findings covering some aspects of the implementation were incorporated in Paragraph 4.18 of the Report of the Comptroller and Auditor General of India for the year 1984-85.

The present review covers some more aspects of implementation of the Project and is based on test check (January/February 1996 and July 1996) of records of the Chief Engineer; UEED and the Executive Engineers, Lake Divisions-I and II and the City Drainage Mechanical Division, Srinagar for the period from 1991-92 to 1995-96.

#### 4.1.5 Highlights

- The Project initially taken up in 1978 for completion in five years at an estimated cost of Rs. 8.38 crores is now envisaged to be completed by the year 2002 AD at a cost of Rs. 322.55 crores.

(Paragraph: 4.1.6)

- Rupees 8.32 crores lying unspent with various Government Departments executing the Project had been included in the expenditure of Rs. 64.00 crores shown to have been incurred on the Project up to the end of March 1996.

(Paragraph: 4.1.7)

- Construction of western and northern foreshore roads undertaken against the suggestion of the experts proved counter-productive instead of curbing encroachments as these provided a major impetus to urbanisation, besides resulting in injudicious/ unfruitful expenditure of Rs. 12.97 crores.

(Paragraph: 4.1.8.1(a)(b))

- Though the revised Project had been under execution since 1987, only 79 and 9 per cent of the projections for acquisition of land and structures respectively in the lake area had been achieved ending March 1996. The corresponding achievements in respect of acquisition of land and structures against the 1995 projections were 48 and 8 per cent only.

(Paragraph: 4.1.8.2)

- Due to sporadic acquisition of land and structures in the lake body, the area acquired up to March 1995 could not be restored to the lake despite the expenditure of Rs. 3.99 crores incurred on its acquisition.

(Paragraph: 4.1.8.2)

- Owing to failure of the Department and the Srinagar Municipality to prevent encroachments in lake area, the number of encroachments/unauthorised structures had risen to 1967 in March 1996 from 16 in 1978 when the Project was taken up for execution.

(Paragraph: 4.1.8.3)



- Out of 1556 residential plots developed in 7 colonies, only 393 plots had been allotted to the dislocated families, thereby locking up the proportionate investment of Rs. 7.14 crores on acquisition and development of land.  
(Paragraph: 4.1.8.4)
- Expenditure of Rs. 2.09 crores incurred on acquisition of 350 *kanals* of land at Guptganga without obtaining prior clearance from the Town Planner, Srinagar and its development into residential plots for the dislocated families proved unfruitful as the land in question could not be used for residential purpose under the Master Plan of Srinagar city.  
(Paragraph: 4.1.8.4)
- Despite the advice of the experts to undertake manual and selective mechanised de-weeding only, the Department resorted to mechanical de-weeding from 1980 and stopped it only on appearance of red algal bloom in the lake in 1991. Six de-weeding machines (four of which cost Rs. 86 lakhs) with allied equipment valued at Rs. 10.59 lakhs were lying idle since 1991 resulting in payment of idle wages of Rs. 44 lakhs for the period from April 1992 to March 1996 to the staff engaged for de-weeding operations.  
(Paragraph: 4.1.8.5)
- To arrest silt flowing into the lake, construction of a settling basin at Telbal was taken up in 1981 at an estimated cost of Rs. 1.54 crores which was revised in 1995 to Rs. 5 crores. The settling basin had not been completed despite incurring an expenditure of Rs. 4.92 crores (March 1996) due to non-acquisition of land coming in the alignment of the basin and back water *bunds*.  
(Paragraph: 4.1.8.6)
- The problem of houseboat sanitation had not been resolved despite the Project having been under implementation for the last 18 years and incurring of an expenditure of Rs. 1.61 lakhs on an experimental scheme of fitting biolets in the houseboats and Rs. 14.87 lakhs on purchase of ten units of floating septic tanks.  
(Paragraph: 4.1.8.7)
- Owing to non-acquisition of land for the oxidation pond, the scheme for treatment of sewage and sullage of Hazratbal and Habak areas had not been completed despite incurring an expenditure of Rs. 76.15 lakhs on the scheme up to March 1996.  
(Paragraph: 4.1.8.8)
- As against Rs. 10.60 crores shown to have been advanced to the Land Acquisition Officer (LAO) UEED by the Lake Divisions between 1980 and March 1992, the LAO had acknowledged receipt of Rs. 10.36 crores only from the Project authorities. The variation of Rs. 0.24 crore had not been reconciled as of August 1996.  
(Paragraph: 4.1.9.1 (i))



- Execution of works and purchase of stores by the Lake Division No. I in excess of the approved allocations resulted in creation of liabilities to the extent of Rs. 2.03 crores.

(Paragraph: 4.1.9.2)

- Non-observance of the prescribed procedure relating to issue of gate passes for inflow/outflow of store, timely physical verification of stores, change of storekeepers on completion of the prescribed tenure and lax supervision contributed to shortage of stores worth Rs. 84.57 lakhs against which Rs. 14.12 lakhs only had been made good as of March 1996.

(Paragraph: 4.1.9.3(a))

- Temporary advance of Rs. 22.68 lakhs made between April 1994 and July 1994 to nine officers/officials of Lake Division-I was debited to suspense head 'Miscellaneous Public Works Advance' against the persons concerned instead of being adjusted/recovered forthwith.

(Paragraph: 4.1.9.5)

#### 4.1.6 Project Planning

The Project conceived in 1978 was estimated to cost Rs. 8.38 crores which was revised to Rs. 64.21 crores in 1982. The revised Project comprised three phases. While Phase-I aimed at protection and development of the lake and control of pollution, Phase-II aimed at rehabilitation of the persons dislocated from the lake due to implementation of Phase-I. Phase-III related to development of peripheral areas of the lake.

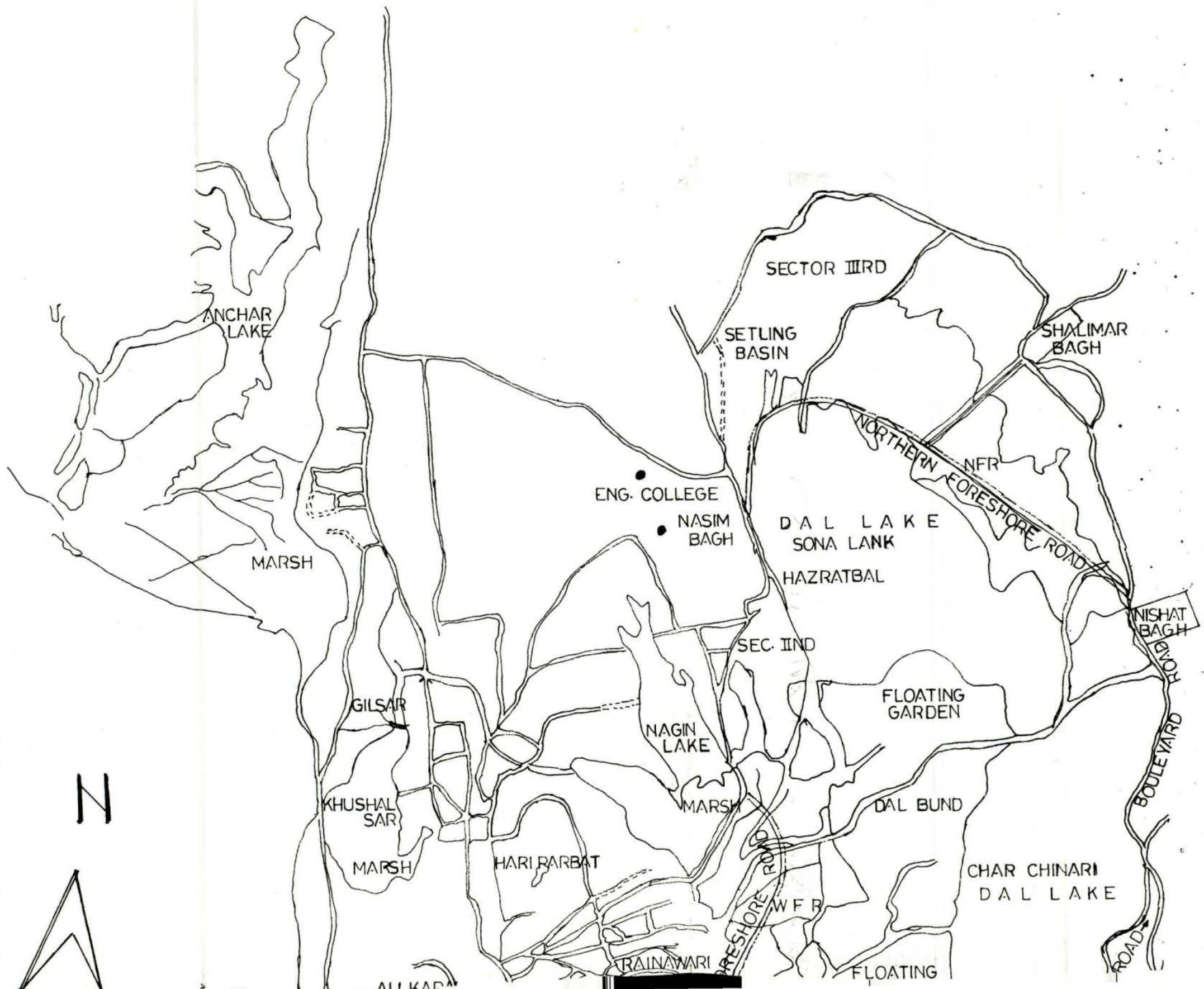
*Project estimated to cost Rs. 8.38 crores in 1978 is now envisaged to be completed in 2002 AD at a cost of Rs. 322.55 crores.*

An appraisal of the Project was undertaken on behalf of the Government of India, (Ministry of Urban Development) by the Overseas Development Administration of United Kingdom in 1982, which was followed by engagement of an expert team under British-aid-management in 1985 to look into the problems of the lake. As a result, the Project was renamed as Dal and Nagin Lake Development and cost revised (1987) to Rs. 199.89 crores due to price escalation and inclusion of Phase-IV which envisaged landscaping of the lake and development of Nagin Lake. However, due to financial constraints no specific period for completion of the Project was laid down. Based on 1995 price index, the cost was further revised to Rs. 322.55 crores<sup>#</sup> in 1995. Administrative approval and technical sanction to the Project initially taken up for completion in five years and now envisaged to be completed by the year 2002 AD was awaited (February 1996). A sketch of the Dal Lake indicating its prominent physical features is given in figure 1.

<sup>#</sup> Excludes the cost of comprehensive sewerage system of the peripheral area of the Dal lake.



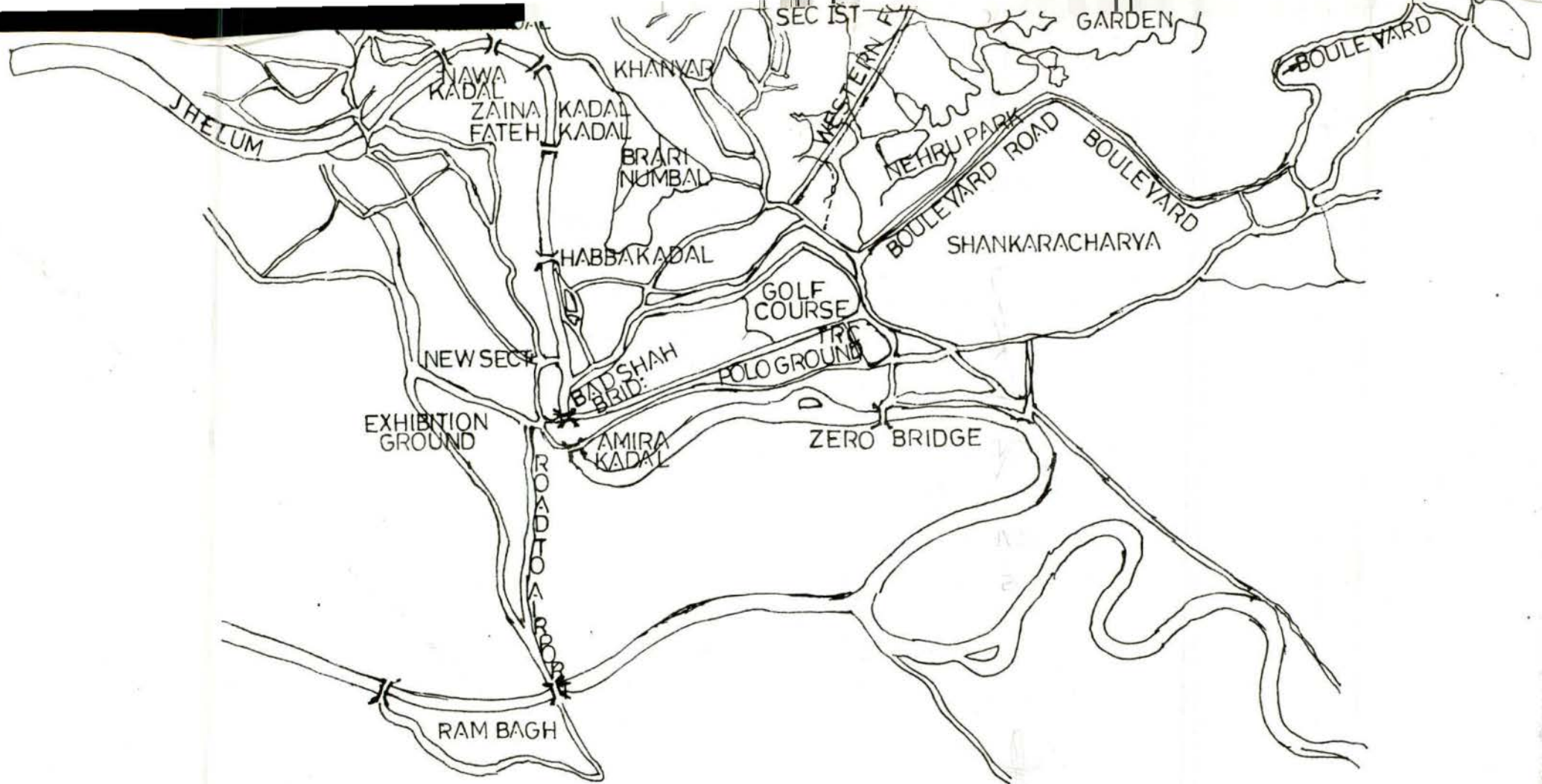
Figure 1













#### 4.1.7 Allocation of funds and expenditure

Year-wise allocation of funds and the expenditure incurred on the Project up to March 1996 was as under:

Year	Allocation	Expenditure
	(Rupees in crores)	
Up to March 1991	N.A	35.58
1991-92	8.15	7.92
1992-93	3.74	3.73
1993-94	4.40	4.27
1994-95	5.33	5.25
1995-96	7.25	7.25
Total:	N.A	64.00

Estimated cost and expenditure incurred on various components of the first two phases of the Project ending March 1996 is given in Appendix-9. Work on Phase-III (Peripheral Area Development) and Phase-IV (Landscaping of the Lake) has not been taken up as yet (March 1996). Test check of records revealed that an amount of Rs. 8.32 crores advanced to various Government Departments was lying unspent with these Departments as on March 1996. Despite the amount being unspent, it had been booked as expenditure on the Project.

*An amount of Rs. 8.32 crores advanced to various Government Departments and lying unspent was booked as expenditure on the Project.*

#### 4.1.8 Implementation

The position of implementation of some of the more important components of the Project is brought out in the succeeding paragraphs.

##### 4.1.8.1 Construction of foreshore roads

###### (a) Western foreshore road

In order to contain encroachment on the western side of the lake, the consultants (ENEX) had suggested construction of an earthen *bund*, by generally utilising the dredged lake material from Dalgate outlet to Nagin lake. The Department, however, took up construction of a 4.9 km long road (40 feet wide revised to 86 feet in September 1979) at a cost of Rs. 3.50 crores which was revised to Rs. 4.97 crores in 1982 and to Rs. 11.53 crores in 1987. In the meantime, the Overseas Development Administration in their Report of 1985 also opposed the construction of the road on the ground that the road would provide a major impetus to urbanisation and result in cutting off 260 hectares from the lake body. Even then, the Department did not stop construction and when earthwork of the road had been

*Construction of western and northern foreshore roads undertaken against the suggestion of experts proved counter productive as it encouraged encroachment instead of containing it.*



260 hectares of the lake body cut off due to construction of western foreshore road.

completed up to RD 4600 the State Government realised (July 1989) that the road had encouraged encroachments in the lake body. It was then decided to shelve the construction of the road. The Department has now proposed (as per 1995 Project Report) to construct an 8 feet wide earthen pedestrian mall from RD 1300 of the foreshore road to Ashai Bagh and Regional Engineering College Campus at Hazratbal along modified alignment between the existing shore line and the alignment of the foreshore road.

The expenditure of Rs. 2.05 crores incurred on the construction of the abandoned road from RD 1300 to RD 4600 (worked out on *pro-rata* basis) has, thus, proved infructuous. It also encouraged encroachment instead of containing it.

#### (b) Northern foreshore road

The consultants (ENEX) had, *inter alia*, recommended construction of a *bund* around northern edge of the lake so as to prevent man-made and natural encroachment into the lake. However, the work on construction of a 5 km long and 40 feet wide road (subsequently increased to 86 feet) was taken up in 1978-79 at an estimated cost of Rs. 3.52 crores (revised to Rs. 4.39 crores in 1981; Rs. 7.18 crores in 1987; and Rs. 14.15 crores in 1995). The portion of the road so constructed at a cost of Rs. 10.92 crores attracted urban growth along the lake periphery. The Chief Town Planner, Srinagar proposed (June 1994) to put the road to disuse by providing physical barriers on it as it was feared that the road might give rise to more acute problems of pollution than solving it.

The Department, however, despite the apprehensions expressed by the Chief Town Planner regarding urbanisation, continued with the construction of the road simply because over 90 *per cent* (4.5 kms approximately) of it had already been constructed. Construction of the 86 feet wide road at a cost of Rs. 10.92 crores ending March 1996 had failed to achieve the intended purpose, besides accentuating the problem of pollution in the lake by attracting urban growth in the lake periphery. The Department stated (July 1996) that a moratorium on building activities around the lake had been imposed and the peripheral area had been brought under micro-planning. Impact of these measures on prevention of encroachments was yet to be assessed by the Government.

#### 4.1.8.2 Acquisition of land and structures within the lake

Encroachment within the lake body due to continued and unabated reclamation of the lake area by converting it into land mass compounded with erection of structures thereon has led to the shrinkage of the size of the lake to mere 15 square kilometres in 1982. One of the objectives of the Project was to remove the human habitation within the lake area and restore the encroached area to the lake. A High Level Committee (HLC) was accordingly constituted in May 1986 under the chairmanship of the Chairman, Srinagar Development Authority to expedite the acquisition of property required for implementation of various Projects



in Srinagar city, which included the Dal Development Project also. The table below indicates the position of land and structures projected to be acquired and those actually acquired under the Project as of March 1996:

Particulars	As per revised Project Report		Actually acquired ending March 1996	Percentage of acquisition with reference to 1987/1995 Projections
	1987	1995		
Acquisition of land (in <i>kanals</i> )	3720	6099	2940	79/48
Structures (in numbers)	3201	3741	285	9/8
Cost (in crores of Rupees)	26.34	58.76	3.99	-

As is evident from the above position, despite the revised Project having been under execution since 1987 and constitution of HLC for expeditious acquisition of land and structures, the Department had been able to achieve only 79 and 9 per cent respectively of 1987 projections and 48 and 8 per cent of 1995 projections in this regard. Slow pace of acquisition of land and structures was attributed by the Department to reluctance of the lake dwellers to move out of the lake area.

It was further observed in audit that up to 1994-95 property had been acquired at different spots in sporadic manner instead of earmarking a particular area for the purpose. The area acquired could not, therefore, be restored to the lake despite incurring of an expenditure of Rs. 3.99 crores, defeating the very purpose of its acquisition.

- The achievements for acquisition of land and structures was 79 and 9 per cent respectively vis-à-vis 1987 projections and 48 and 8 per cent only vis-à-vis 1995 projections.
- Land acquired at a cost of Rs. 3.99 crores not restored to lake due to its sporadic acquisition.

#### 4.1.8.3 Encroachments/unauthorised constructions

Despite the Project area having been declared a notified area and constitution of a Monitoring Cell (September 1980), an Apex Body (July 1988) and a Task Force (September 1993) to check, *inter alia*, breach of regulations and encroachments/unauthorised constructions within the lake body, encroachments by conversion of the lake area into land mass and erection of structures thereon continued unabated even during the implementation period of the Project. The number of encroachments/unauthorised structures rose from 16 in 1978 to 1967 in March 1996. Encroachment of land/construction of structures had been accelerated by the construction of Western Foreshore road which increased the commercial

- Encroachment and erection of structures continued unabated even during the implementation period of the Project.
- Number of encroachments and unauthorised structures rose from 16 in 1978 to 1967 in March 1996.



importance of the area. Inability of the Department and the Srinagar Municipality to prevent erection of structures and conversion of lake into land mass through encroachments, besides delaying the completion of the Project, has also reduced the intake capacity of the lake considerably which resulted in inundation of low lying areas during floods.

#### 4.1.8.4 Development of plots for rehabilitation of dislocated families

The 1982 Project Report envisaged shifting of 2200 families from the lake area out of whom 2000 families were to be settled in various colonies to be developed on 1183 *kanals* of Government/private land around the peripheral area of the lake at an estimated cost of Rs. 19.72 crores on the assumption that 200 families would make their own arrangement. The number of affected families rose to 2600 in 1986 which required 1583 *kanals* of land for their rehabilitation. The requirement of land rose further to 3254 *kanals* (1995) involving an estimated cost of Rs. 48.81 crores for acquisition and development of land for setting up housing colonies for rehabilitating the affected families.

*Out of 1556 residential plots developed at a cost of Rs. 9.55 crores, only 393 plots allotted to dislocated families.*

The Department had acquired 740.51 *kanals* of land up to January 1996 and developed 1556 plots at a total cost of Rs. 9.55 crores (including cost of land). Following table indicates the number of plots developed/allotted to the dislocated families.

S.No	Name of the colony	Number of plots	
		Developed	Allotted
1.	Devdebagh	224	79
2.	JKPCC Bagh	41	Nil
3.	Agro Bagh	215	Nil
4.	Bota Kadal	301	132
5.	Panch Kherwari	441	82
6.	Bemina	236	100
7.	Habib-ullah Nowsheri Colony	98	Nil
Total :		1556	393

Thus, more than 75 *per cent* of the plots involving an investment of Rs. 7.14 crores (approximately) remained unallotted due to reluctance of lake dwellers to move out of the lake thereby resulting in locking up of the investment on acquisition of land/development of plots.

The Department had also acquired (January 1988) 350 *kanals* of land at Guptganga for development of plots for rehabilitation of dislocated families without obtaining prior clearance from Town Planner, Srinagar city. As the land could not be used for residential purpose under the Master

*Expenditure of Rs. 2.09 crores incurred on acquisition and development of land at Guptganga rendered unfruitful.*



Plan for Srinagar, further work on development of the colony was stopped. The entire expenditure of Rs. 2.09 crores (cost of land: Rs. 1.48 crores; development charges: Rs. 0.61 crore) incurred on development of the colony up to July 1995, thus, proved unfruitful.

#### 4.1.8.5 De-weeding of the lake

The expert group (ENEX) engaged by the Government in 1977 had suggested manual and selective mechanised de-weeding and harvesting of weeds in the lake body for removal of excessive nutrients and also from navigational and aesthetic points of view. The Department, however, started mechanical de-weeding of the lake in 1980 with two small machines transferred from the Fisheries Department. Four more machines were acquired (two from USA in 1983 and two from Germany in 1986) by the Department for the purpose at a cost of Rs. 86 lakhs.

Though the Directorate of Environment had expressed (1988-89) the apprehension that continued dependence on mechanical de-weeders may lead to serious ecological fall-out and cause failure of the Project in the long run as it would not only change the balance between the nutrient inflow and the vegetation but would also give rise to algal<sup>#</sup> bloom, the Department continued with the mechanical de-weeding. On the appearance of red algal bloom in the lake, the Director, Environment recommended (September 1991) that mechanical de-weeding may be stopped till the time it was established that it did not change water chemistry. The mechanical de-weeding was thereafter stopped in October 1991. Further developments were not available.

*Mechanical de-weeding of the lake undertaken against the suggestion of the experts was stopped in 1991 on appearance of algal bloom.*

Meanwhile, all the six machines (four costing Rs. 86 lakhs) together with allied equipment valued at Rs. 10.59 lakhs were lying idle since October 1991 which not only resulted in locking up of capital but also in payment of idle wages amounting to Rs. 44 lakhs to the staff engaged for mechanical de-weeding operations from April 1992 to March 1996.

*De-weeding machines and equipment rendered idle with consequential payment of idle wages of Rs. 44 lakhs up to March 1996.*

<sup>#</sup> A form of algae growing on surface due to chemical imbalance of water created by excessive removal of submerged vegetation.



#### 4.1.8.6 Construction of settling basin at Telbal

To arrest silt flowing into the lake through Telbal *nallah* at Habak, a settling basin alongwith its allied sub-works such as intake diversion *bund*, rockfill weir, cistern etc. was taken up for execution in 1981 and envisaged to be completed by September 1983 at a cost of Rs. 1.54 crores. The cost of the work was revised to Rs. 5 crores as per the 1995 Project Report and was still incomplete (March 1996) due to non-acquisition of land coming in the alignment of the settling basin and back water *bunds*. The expenditure of Rs. 4.92 crores incurred up to March 1996 has, thus, not served the intended purpose.

*Work on construction of settling basin taken up in 1981 not completed even after incurring an expenditure of Rs. 4.92 crores up to March 1996.*

#### 4.1.8.7 Houseboat sanitation

With the increased influx of tourists in the valley the number of houseboats in the lake grew manifold and the houseboat owners adopted flush-type water closets, discharging sewage and other wastes directly into the lake, which not only created insanitary conditions but also added to the pollution of the lake.

*The problem of houseboat sanitation not resolved despite the Project being under implementation for over 18 years.*

In spite of shortage of power in the valley, the Department imported two biolets\* during 1985-86 from USA at a cost of Rs. 1.61 lakhs which were fitted in a departmental boat as an experimental measure. The biolets, which mainly functioned on electricity were not, thus, found to be an answer to the problem and their proposed use for improving the houseboat sanitation was, therefore, given up. Expenditure of Rs. 1.61 lakhs incurred on biolets, thus proved unfruitful.

In December 1989, a pilot scheme for emptying houseboat waste in holding tanks located in the hull of the houseboats by motorised barges was considered by the Department and an amount of Rs. 21 lakhs was advanced (December 1989 and January 1990) to the City Drainage Mechanical Division, Srinagar for the purpose. This proposal was also subsequently discarded because it was not found acceptable to the users. The amount was lying unspent with the City Drainage Mechanical Division resulting in locking up of the Project funds for over six years. In July 1993, the Department interacted with five leading firms to involve them in evolving a technically viable solution to the problem of houseboat sanitation which would be practicable and acceptable to the users as well. This led to formulation of an indigenous conceptual design of floating septic tanks. Ten units ordered for by the Department, under a demonstration scheme to study their efficacy, at a cost of Rs. 14.87 lakhs were under process of installation (July 1996).

\* Toilets in which faecal matter is burnt to ash by electricity.



#### 4.1.8.8 Sewerage and drainage of Hazratbal and Habak areas

In order to scientifically dispose of the sewage and sullage of the Hazratbal and Habak areas, which otherwise went into Dal lake untreated, construction of underground drains, sump-cum-pump shed to collect the sewage and pump it through M.S rising mains to an oxidation pond behind Regional Engineering College, Srinagar was proposed in the Project Report of 1987.

*The sewerage and drainage scheme of peripheral areas not made functional due to non-acquisition of land for oxidation pond even after incurring expenditure of Rs. 76.15 lakhs up to March 1996.*

Though the underground drains, septic/soakage tanks and the work of laying M.S. rising mains had been completed in 1987-88, the scheme could not be made functional due to non-acquisition of land (March 1996) for construction of the oxidation pond. As a result, expenditure of Rs. 76.15 lakhs incurred on the scheme up to March 1996 had failed to serve the intended purpose of minimising the pollution of the lake on account of flow of untreated sewage and sullage into it.

#### 4.1.8.9 Improvement of catchment area

In order to minimise the inflow of nutrients and sediments into the lake, the Department undertook afforestation and soil protection works in catchment areas of the lake in collaboration with Soil Conservation, Forest and Wildlife Departments to whom a total amount of Rs. 145.19 lakhs was advanced during the period from 1986-87 to 1995-96. The Department had

*Detailed accounts for Rs. 145.19 lakhs advanced for afforestation and soil conservation works in catchment areas to Soil Conservation, Forest and Wildlife Departments during the period 1986-96 not obtained as of July 1996.*

not carried out any joint sample studies with the said Departments to assess the extent of the works completed so far (March 1996) and their impact *vis-à-vis* the intended objectives. The detailed accounts for the amounts advanced to these Departments had also not been obtained by the Department (July 1996).

#### 4.1.8.10 Development of Nagin lake

The Nagin lake is an adjunct of Dal lake and is connected to it through a network of waterways. An amount of Rs. 366 lakhs was advanced to the following departmental heads in 1989-90 for the purposes recorded against each:

S. No	Name of the departmental head	Amount advanced (Rupees in lakhs)	Purpose
1.	Director Tourism, Srinagar	200	For acquisition of land/houseboat sites within the lake
2.	Director Health Services, Kashmir, Srinagar	150	For shifting of Leper Hospital from Behrar to Khonmoh
3.	Collector, Land Acquisition, UEED, Srinagar	16	For acquisition of land/structures of Peertakia



***Rupees 366 lakhs advanced to various Departments during 1989-90 for development of Nagin lake was lying unutilised as of July 1996.***

Land Acquisition were also lying unutilised as the requisite land/ houseboat sites/structures had not been acquired by them so far (July 1996). The entire amount of Rs. 366 lakhs had, thus, remained locked up (July 1996).

#### 4.1.9 Other topics

##### 4.1.9.1 Advance payments

#### (i) Unspent advances lying with the Collector, Land Acquisition, UEED

Advances were paid by the Project authorities to the Collector, Land Acquisition, UEED for acquisition of land and structures needed for implementation of the Project. As against Rs. 10.60 crores shown to have been advanced between 1980 and March 1992 by the Project authorities for the purpose, the Land Acquisition Officer acknowledged a sum of Rs. 10.36 crores only out of which an amount of Rs. 5.82 crores only was utilised (December 1995) leaving an unspent balance of Rs. 4.54 crores<sup>#</sup>.

***Rupees 0.24 crore advanced by the Project authorities between 1980 and March 1992 to Collector Land Acquisition were unaccounted for as of August 1996.***

The variation of Rs. 0.24 crore between the amount of advance paid by the Project authorities and that acknowledged by the Collector was reported (August 1996) by the Project authorities to be under reconciliation.

#### (ii) Execution of mechanical works

The mechanical works of the Project such as de-weeding and dredging operations, etc. are executed by the City Drainage Mechanical Division, Srinagar against advance payments made to it by the Lake Divisions. It was observed in audit that an amount of Rs. 27.65 lakhs out of Rs. 100.08 lakhs advanced to it up to January 1990 had remained unutilised with the City Drainage Mechanical Division, Srinagar as of March 1996. The amount was advanced for implementation of a pilot scheme for houseboat sanitation and purchase of harvesting machines. Even though both the schemes stood abandoned in October 1991 and December 1989 respectively, no action had been taken by the Project authorities to get the amount refunded.

<sup>#</sup> Includes Rs. 16 lakhs mentioned in the table of paragraph 4.1.8.10.



**(iii) Research and Development**

An amount of Rs. 1 lakh was advanced to the Principal, Regional Engineering College, Srinagar in January 1989 by the erstwhile Data Collection and Quality Control Division of UEED for conducting research on conversion of Dal lake weed into biogas. The Project authorities were not aware of any research having been conducted.

Similarly, an amount of Rs. 16.95 lakhs was advanced to Hydrobiological Laboratory, S.P. College, Srinagar by the Executive Engineer, Lake Division-I between October 1991 and August 1995 for ecological monitoring of Dal lake water. It was observed in audit that Hydrobiological Laboratory had neither submitted any monitoring data nor rendered the detailed accounts of the advance so far (March 1996).

**4.1.9.2 Execution of works in excess of approved allocations and creation of consequential liabilities**

Under standing rules, if in any case an executing authority is required by higher authority to carry out a work or incur liability which involves infringement of rules, the orders of such authority are required to be conveyed in writing. On receipt of such orders the executing officer can proceed to carry out the necessary works subject to the condition that he immediately intimates to the Accountant General that he is incurring authorised liability and also states approximately the amount of the liability he is likely to incur.

Notwithstanding this, works had been allotted/executed at costs in excess of the approved allocation for 1994-95 by the Lake Division-I, without obtaining approval of the higher authorities or informing the Accountant General thereby, creating an unauthorised liability of Rs. 1.73 crores. In addition, a stock liability of Rs. 30 lakhs debit to works had also remained unadjusted for the last three years.

**Unauthorised liability of Rs. 2.03 crores created by executing works and purchasing stores in excess of the approved allocations.**

The Government had (January 1996) constituted a Committee to carry out physical assessment of each and every work of the Lake Division-I on account of which the liability had been created. Action taken by the Government on the report submitted (March 1996) by the Committee was awaited (July 1996).

**4.1.9.3 Store and stock accounts**  
**(a) Shortage of stores**

Owing to failure of the storekeeper of Lake Division-I to hand over the charge of the stores to his successor at the time of his transfer in October 1994, a store inventory prepared by the Division under the instructions (September 1995) of

**Non-observance of the systems and lax supervision contributed to the shortage of stores worth Rs. 84.57 lakhs.**



the Chief Engineer, UEED revealed shortage of stores worth Rs. 39.94 lakhs (including Rs. 3.25 lakhs representing cost of a model of Dal lake Project discussed in Paragraph 4.1.9.3(d)) during the incumbency of the ex-storekeeper as reported (October 1995) to the Chief Engineer. According to the concerned Executive Engineer, these shortages were only in respect of stores already received and did not include those in respect of which payments had been released on false stock certificates/G.R's issued by the then storekeeper/Executive Engineer without receipt of materials. The total shortages were assessed by the Division (March 1996) at Rs. 84.57 lakhs. The Division, however, stated that it had been able to obtain stores worth Rs. 14.12 lakhs only from the suppliers.

The storekeeper had been incharge of the stores since April 1987 against the prescribed period of two years. No cash/personal security had been obtained from the storekeeper.

Thus, non-observance of the prescribed procedure relating to issue of gate-passes for inflow/outflow of stores, change of storekeepers immediately on completion of the prescribed tenure, timely physical verification of stores and obtaining of cash and personal security from the persons handling stores, besides lax supervision, contributed to the shortage of stores.

The matter was referred (October 1995) by the Project authorities to the Administrative Department suggesting detailed investigation, *inter alia*, of store shortages to bring the culprits to book. Further developments were awaited (July 1996).

**(b) Purchase of stores in excess of requirement**

**Store items, valued at Rs. 105.85 lakhs, purchased in excess of requirement prior to April 1992 were lying unutilised as of April 1996.**

In Lake Division-I, stock articles such as barbed wire, CGI sheets, angle iron, etc. purchased prior to April 1992 and valued at Rs. 105.85 lakhs were lying unutilised (April 1996). Obviously, these articles had been purchased in excess of actual requirements of the Division which resulted in locking up of Government money, and involved storage/watch and ward charges.

**(c) Purchase of furniture without requirement**

**Furniture articles worth Rs. 0.87 lakh only received in stores against payment of Rs. 1.98 lakhs.**

An order for purchase of furniture articles valued at Rs. 1.98 lakhs was placed in December 1994 on a firm by the Executive Engineer, Dal Lake Division-I, Srinagar without observing the codal formalities of inviting tenders etc. Test check of records of the Division, however, revealed that the entire supply had been shown as received as per GRs and full payment therefor released in July 1994 although furniture articles worth Rs. 0.87 lakh only had actually been received. Balance material worth Rs. 1.11 lakhs was yet (July 1996) to



be received. Order for supply of furniture articles had been placed without any requirement as the material supplied (July 1994) by the firm was lying unutilised in the stores (July 1996).

**(d) Purchase of Dal Lake Project Model**

An order for preparation and supply of a model of Dal Lake Project was placed (January 1994) by the Executive Engineer, Lake Division-I, under the instructions of the Chief Engineer, with a consultancy firm of Chandigarh at a cost of Rs. 3.25 lakhs without inviting tenders to assess the reasonability of the rates. Payment of Rs. 3.25 lakhs was made to the firm in April 1994.

*Payment of Rs. 3.25 lakhs made in April 1994 on purchase of a model not actually received in stores.*

As per the stock certificate recorded on the bill the model was received in April 1994 but was stated to have been damaged and written off by the then Chief Engineer. The relevant records containing the proposal/sanction to write off were not, however, made available to Audit. The present Executive Engineer, however, informed (October 1995) the Chief Engineer, that the model had not actually been received in the Division. The matter had been referred (October 1995) to the Administrative Department for conducting detailed investigation. Further progress in the matter was awaited (July 1996).

**4.1.9.4 Irregular drawal of funds**

In terms of the provisions of the Jammu and Kashmir Public Works Account Code, all persons engaged departmentally for execution of works are considered as daily labourers and their wages are required to be drawn on muster rolls in the prescribed form and charged to the estimates of the work on which they are actually deployed.

*Rupees 4.62 lakhs drawn irregularly on hand receipts without indicating name of the work, progress of work and reference to sanctioned estimates, if any.*

Test check of the records of the Lake Division No.I, however, revealed that an amount of Rs. 4.62 lakhs was drawn in July 1995 on hand receipts without (i) indicating the name of work on which the labour was engaged (ii) recording the progress of work and (iii) giving reference to the sanctioned estimates, if any. The amount was booked as:

Salaries	:	Rs. 3.30 lakhs
Wages	:	Rs. 0.75 lakh
Cash-in-hand	:	Rs. 0.57 lakh

The irregular drawal of funds especially that of wages by debit to 'salaries' was pointed out in audit to the Executive Engineer who stated that the matter had already been taken up (September 1995) with the Chief Engineer and the then Executive Engineer. Further developments of the case were not intimated (April 1996).



**4.1.9.5 Outstanding temporary advances**

Temporary advances can be granted to subordinate officers to enable them to make specific petty payments against already passed vouchers and the advances are required to be adjusted as early as possible. It was, however, observed that in Lake Division-I temporary advances of Rs. 22.68 lakhs granted to nine officers/officials of the Division between April 1994 and July 1994 had remained outstanding as of April 1996. Instead of effecting recovery from the concerned officers/officials, the amount was merely debited to suspense head 'Miscellaneous P.W. Advance' against the persons concerned. On the matter being pointed out in audit the Executive Engineer stated (March 1996) that the matter regarding conversion of temporary advance into Misc. P.W. Advance in all such cases was pending with the committee constituted by the Chief Engineer in November 1995. Further progress of the case was awaited (July 1996).

**4.1.10 Audit conclusion**

*The Project started in 1978 and envisaged to be completed in 5 years at a cost of Rs. 8.38 crores is now scheduled for completion in 2002 AD at a cost of Rs. 322.55 crores. After taking an overall view of the implementation of the Project as brought out in the review it is quite evident that land (including structures) acquired at a cost of Rs. 3.99 crores (March 1996) in lake body could not be restored to it due to sporadic acquisition of land/structures. Construction of foreshore roads at a cost of Rs. 12.97 crores for curbing ingress into the lake have proved counter-productive as these have led to urbanisation of the peripheral area accentuating the problem of pollution in the lake. Construction of a settling basin started in 1981 has not been completed despite incurring an expenditure of Rs. 4.92 crores (against the estimated cost of Rs. 5 crores) due to non-acquisition of land coming under the alignment of the basin. Expenditure of Rs. 2.09 crores made on development of plots in a colony for the dislocated families has proved unfruitful as the same could not be used for residential purposes under the master plan of Srinagar city.*

*Moreover, the problems of encroachments within and on the periphery of the lake, silting, discharge of sewage and sullage by the peripheral habitations and houseboats as also inflow of excessive nutrients into the lake have remained largely unresolved despite lapse of over 18 years and even after incurring of an expenditure of Rs. 64 crores on the Project ending March 1996.*

**4.1.11** Above points were referred to the Government in July 1996; reply had not been received (October 1996).



**Ladakh Affairs Department****4.2 Stakna Hydel Project<sup>#</sup>****4.2.1 Introduction**

The Stakna Hydel Project was taken up in 1969-70 in Ladakh district to generate power by utilising the fall in the river Indus at a place about 35 Kms. from Leh. The initial Project report prepared in 1966 by the Design Directorate of the State Government envisaged a total outlay of Rs. 2.31 crores and an installed capacity of 3.25 Megawatts (MWs). The Project report was revised in 1973, 1975, 1976 and 1978 involving changes in total outlay and installed capacity. The last of these revisions (1978) estimated the cost of the Project at Rs. 15 crores with installed capacity of 4 MWs to be set up in two phases. Project cost was, however, further revised to Rs. 16.44 crores in 1981 and finally to Rs 26.27 crores for the enhanced installed capacity of 6 MWs as per revised Project estimate submitted in March 1988. Units I and II of the scheme, falling under Phase-I with installed capacity of 2 MWs each, were commissioned in June 1987 and June 1988. Implementation of Phase-II of the scheme envisaging additional generation of 2 MWs of power at a cost of Rs. 3.74 crores had not been approved as of July 1996.

**4.2.2 Organisational set-up**

The execution of the civil and electrical works of the Project was looked after by the Civil Construction Division, Leh and the Electric Division, Leh respectively under the charge of the Superintending Engineer, Electric Construction and Maintenance Circle, Leh. The overall administrative control vested with the Chief Engineer, Electric Construction, Power Development Department, Srinagar. The running and maintenance of the Project was being looked after by both the divisions up to (June 1993) when it was transferred exclusively to the Electric Division PDD, Leh.

The Executive Engineers, Civil Construction Division and the Electric Division with headquarters at Leh functioned as the drawing and disbursing officers for the Project. The Financial Advisor and Chief Accounts Officer, Flood Control and Power Projects, Srinagar functioned as internal auditor in respect of accounts of these Divisions.

**4.2.3 Audit coverage**

The execution of the Project during the period from 1976-77 to 1979-80 was last reviewed by Audit vide paragraph 4.2 of the Report of the Comptroller and Auditor General of India for the year 1979-80. The review was partly discussed by the Public Accounts Committee (PAC) in December 1985 and interim recommendations of the PAC calling for further information from the Government with regard to some of the audit points are contained in their Twenty-ninth Report.

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<sup>#</sup> The abbreviations used in the Review are listed in the glossary in Appendix-20



The present review covering the execution/working of the Project during the period from 1980-81 to 1995-96 was conducted in August 1992, August 1994, June/July 1995 and July 1996 with reference to the records of the Executive Engineer, Civil Construction Division, Leh; the Executive Engineer, Electric Division, Leh; and the Superintending Engineer, Electric Construction and Maintenance Circle, Leh. The results of the review are given in the succeeding paragraphs.

#### **4.2.4 Highlights**

- **Phase-I of the Project (consisting of 2 units of 2 MWs each) started in 1969-70 was commissioned in June 1987 and June 1988 after a time overrun of 13 years. The cost overrun of the Phase-I of the Project completed at a cost of Rs. 24.87 crores against the 1981 estimates of Rs. 16.44 crores worked out to 51 per cent. The revised Project estimates submitted in March 1988 were awaiting sanction as of July 1996.**

**(Paragraph: 4.2.5.1)**

- **Against the targeted annual generation of 194.63 lakh kWhs of power during Phase-I, the actual generation ranged between 60.08 lakh kWhs and 138.23 lakh kWhs during the period from 1988-89 to 1995-96, the shortfall in generation ranged between 29 and 69 per cent.**

**(Paragraph: 4.2.6)**

- **Against per kWh cost of Re. 0.84 at busbars and Rs. 1.09 at consumer terminal as per Project estimates of Phase-I, the actual per kWh cost of generation ranged between Rs. 2.55 (1994-95) and Rs. 5.75 (1989-90) and between Rs. 3.77 (1994-95) and Rs. 8.22 (1989-90) at busbars and at consumer terminal respectively due to heavy expenditure on operation and maintenance of the Project.**

**(Paragraph: 4.2.7)**

- **Against the norms of 1 per cent and 8 per cent for auxiliary consumption and transmission and distribution (T&D) losses as per Project estimates of 1981, the actual auxiliary consumption ranged between 3 and 6 per cent and (T&D) losses accounted for 30 to 31 per cent of the power generated during 1988-89 to 1995-96. The transmission and distribution losses in excess of the maximum permissible limit of 15 per cent prescribed by the Central Electricity Authority amounted to Rs. 670.07 lakhs during the above period.**

**(Paragraph: 4.2.8)**

- **Extra charges amounting to Rs. 26.75 lakhs on account of cost escalation were paid to a contractor due to delay in supplying the construction drawings/designs of the power house building and tail race channel.**

**(Paragraph: 4.2.10.1(a))**

- **Avoidable payment of Rs. 4.55 lakhs was made to a contractor for removal of soil from an already excavated power house pit owing to delay in finalising the**



drawings and consequent change in the scope of the Project necessitating widening of the pit.

(Paragraph: 4.2.10.1(b))

- Recommendations of the consultants furnished in June 1990 for modernisation of the Project had not been implemented so far (August 1996) rendering the part payment of Rs. 1.20 lakhs made to the consultants in March 1992 as unfruitful.

(Paragraph: 4.2.10.5)

#### 4.2.5 Financial and physical targets and achievements

##### 4.2.5.1 Financial

The administrative approval for the construction of Stakna Hydel Project at Leh for an amount of Rs. 2.31 crores was accorded by the Government in November 1969. The Project estimates were revised to Rs. 11.87 crores in 1973, Rs. 22.27 crores in 1975, Rs. 12.75 crores in 1976, Rs. 15.00 crores in 1978, Rs. 16.44 crores in 1981 and Rs. 26.27 crores in March 1988. The approval to the revised estimate of 1988 had not been received as of (July 1996).

*Cost and time estimates of the Project revised repeatedly indicating poor Project planning.*

The actual expenditure incurred up to the commissioning (June 1987/June 1988) of the Phase-I of the Project was Rs. 24.87 crores (Rs. 16.86 crores on civil works and Rs. 8.01 crores on electrical works). The frequent revisions of the Project estimates and cost overrun of 51 per cent (Rs. 8.43 crores) in Phase-I of the Project, completed at a cost of Rs. 24.87 crores against the 1981 estimates of Rs. 16.44 crores, was indicative of poor Project planning.

##### 4.2.5.2 Physical

The commissioning schedule of the Project underwent changes from time to time due to revision of the estimated cost and installed capacity of the Project. The Project started in 1969-70 was to be commissioned by 1974-75. However, January 1978 estimates envisaged commissioning of Phase-I (installed capacity: 4 MWs) by November 1980. The scheduled date of commissioning of the Project could not be adhered due to:

- suspension of work on the Project by the Government from October 1975 to October 1976 due to steep rise in the cost of construction material and labour and slow progress in the first five years;
- delay in finalisation of the drawings of major structures such as head regulator, penstock, forebay, desilting basin and power house complex; and
- change in the scope of the Project due to change in design of various works on the advice of the Central Water Commission.



The Department had informed (December 1985) the PAC that Phase-I of the Project was expected to be commissioned by August 1986. The two units of Phase-I of the Project were, however, actually commissioned in June 1987 and June 1988 respectively.

#### 4.2.6 Shortfall in generation of power

As per the Project estimates of 1981, the generation capacity of Phase-I of the Project was envisaged at 194.63 lakh kWhs of energy against which the actual generation ranged between 60.08 lakh kWhs and 138.23 lakh kWhs during the 8 years ended 1995-96 revealing shortfall in generation to the extent of 29 to 69 per cent as detailed below:-

*The percentage shortfall in generation of energy ranged between 29 and 69.*

Year	Energy to be generated	Energy generated	Percentage of shortfall
		(In lakh kWhs)	
1988-89	194.63	67.36	65
1989-90	194.63	60.08	69
1990-91	194.63	70.78	64
1991-92	194.63	105.20	46
1992-93	194.63	135.65	30
1993-94	194.63	132.57	32
1994-95	194.63	115.24	41
1995-96	194.63	138.23	29

According to the Department, out of 5112 working days available for both the units up to 1994-95\*, the actual utilisation was to the extent of 3397 days. The generation units remained closed for 1715 days during 1988-89 to 1994-95 due to siltation in summer and ice formation in winter months which were the main reasons for shortfall in generation. Steps, if any, initiated to overcome these constraints were not intimated (August 1996).

#### 4.2.7 Cost of generation

In the Project estimates of 1981, per kWh cost of the generation was envisaged at Re. 0.84 at busbars<sup>#</sup> and Rs. 1.09 at consumer terminal<sup>\*\*</sup>. The actual per kWh cost of generation, however, ranged between Rs. 2.55 (1994-95) and Rs. 5.75 (1989-90) at busbars and Rs. 3.77 (1994-95) and Rs. 8.22 (1989-90) at consumer terminal. The increased cost of generation was attributed to heavy expenditure on operation and maintenance ranging between 3.2 per cent and 4.9 per

*Cost of generation of power was abnormally high compared to Project estimates.*

\* Figures for the year 1995-96 were not available.

# A system of conductors in a generating station on which power is concentrated for distribution.

\*\* Point of consumption.



cent during 1988-89 to 1994-95 against 2 per cent of the capital cost as envisaged in the Project estimates of 1981. The heavy expenditure on operation and maintenance was stated (August 1996) to be due to high cost of spares and absence of arrangements for auto flushing of silt from desilting basin. Measures, if any, devised to bring down the operation/maintenance costs to make the generation of power by the Project economically viable, thereby reducing the burden on the public exchequer were not intimated (July 1996).

#### 4.2.8 Auxiliary consumption, transmission and distribution losses

The Project estimates of 1981 provided for auxiliary consumption<sup>s</sup> at 1 per cent and transmission and distribution losses at 8 per cent of the power generated. Actual auxiliary consumption, however, ranged between 3 per cent and 6 per cent whereas transmission and distribution losses accounted for 30 to 31 per cent of the power generated during the period from 1988-89 to 1995-96 as tabulated below:

*The auxiliary consumption of energy ranged between 3 and 6 per cent against the projected 1 per cent.*

Year	Auxiliary consumption			Transmission and distribution losses		
	Energy generated	Actual consumption	Percentage of consumption to energy generated	Energy available after auxiliary consumption	Energy lost in transmission and distribution	Percentage of losses
	(In lakh kWhs)			(In lakh kWhs)		
1988-89	67.36	3.60	5	63.76	19.55	31
1989-90	60.08	3.60	6	56.48	16.92	30
1990-91	70.78	3.60	5	67.18	20.13	30
1991-92	105.20	3.60	3	101.60	30.47	30
1992-93	135.65	3.60	3	132.05	39.61	30
1993-94	132.57	3.60	3	128.97	38.96	30
1994-95	115.24	3.50	3	111.74	34.00	30
1995-96	138.23	3.60	3	134.63	40.99	30

Substantial portion of available energy was, thus, lost in transmission and distribution, etc. The erstwhile Central Water and Power Commission (redesignated as Central Electricity Authority) had recommended (April 1967) and reiterated (February 1986 and July 1991) that 15 per cent should be outside limit for energy losses in the system. Losses in excess of 15 per cent were to be taken as commercial losses on account of non-accounting of power drawn by the consumers or on account of pilferage of power. During the period from 1988-89 to 1995-96 transmission and distribution losses exceeded the maximum permissible limit by 121.17 lakh kWhs. Cost of these losses at an average

- *Transmission and distribution losses accounted for 30-31 per cent of the energy generated.*
- *The cost of energy losses in excess of prescribed limit of 15 per cent, worked out to Rs. 670.07 lakhs.*

<sup>s</sup> Power required in the power house for running various machines.



per kWh cost of production of Rs. 5.53<sup>##</sup> worked out to Rs. 670.07 lakhs. The energy losses were computed by the Department on the basis of energy generated reduced by auxiliary consumption and energy supplied to consumers. As the quantity of energy supplied included energy generated through diesel generating sets (quantity generated not available), the actual energy losses would be evidently higher.

While the reasons for higher auxiliary consumption as also the measures taken for its reduction were not intimated, the heavy transmission and distribution losses were reported (August 1996) by the Executive Engineer, Electric Division, PDD, Leh to be due to lengthy transmission lines and non-installation of electric meters due to which theft of power could not be ruled out. It was further stated that remedial measures such as setting up of more receiving stations and installation of meters were being initiated.

#### 4.2.9 Assessment and realisation of revenue

The power supply to the consumers in Leh is made both through the Stakna hydel Project and the diesel generating sets installed for the purpose.

The position of energy supplied, revenue assessed/realised and outstanding during the last eight years ended 1995-96 is given hereunder:

*Arrears of revenue  
increased from Rs. 15.36  
lakhs in 1988-89 to  
Rs. 40.28 lakhs in 1995-96.*

Year	Energy supplied (In lakh kWhs)	Revenue		
		Assessed	Realised	Outstanding (cumulative)
			(Rupees in lakhs)	
1988-89	44.206	15.00	14.06	15.36 <sup>@</sup>
1989-90	39.551	15.51	8.43	22.44
1990-91	47.047	15.05	11.31	26.18
1991-92	71.129	22.15	16.28	32.05
1992-93	92.435	18.00	16.68	33.37
1993-94	90.003	23.59	18.95	38.01
1994-95	77.740	22.00	25.24	34.77
1995-96	93.640	36.29	30.78	40.28

The increase in outstanding revenue during the period from 1988-89 to 1995-96 was attributed (August 1996) by the Executive Engineer to shortage of field staff. Remedial measures taken to overcome the shortage were, however, not specified.

<sup>##</sup> Based on the average cost of production for the years 1988-89 to 1994-95 at consumer terminal.

<sup>@</sup> Includes outstandings of earlier years.



## 4.2.10 Other points of interest

## 4.2.10.1 Extra expenditure due to delay in the supply of construction drawings to the contractor

(a) The work of construction of power house and tail race channel of the Project was allotted (September 1977) by the Superintending Engineer, Leh to a contractor for completion in 24 months at a cost of Rs. 48.35 lakhs excluding cost of departmental material. The work started in April 1978 on the basis of specification drawings remained suspended from September 1978 to September 1982 due to non-availability of the construction drawings which were to be supplied by the Central Water Commission (CWC) to the Department. In the meantime, the contractor represented (June 1982) to the Department for finalising the accounts of the work allotted to him or to pay 40 per cent escalation charges over and above the agreed rates.

For delay in supplying the drawings and change in the scope of the Project necessitated due to revised drawings, the Government approved (April 1983) allotment of work to the contractor at 25 per cent higher rates over and above the initial value of contract of Rs. 48.35 lakhs. The Government also ordered (October 1990) that responsibility for the delay in supplying the drawings be located. Eventhough escalation charges amounting to Rs. 26.75 lakhs were paid on the increased cost of Rs. 107 lakhs (excluding the original amount of Rs. 48.35 lakhs and other items on which escalation was not applicable), responsibility for failure to obtain the drawings and making these available to the contractor in time had not been fixed so far (August 1996). The work was completed at a cost of Rs. 220.73 lakhs by the contractor in November 1987 but his claim had not been finalised so far (August 1996) as approval to technical estimate and detailed estimates were awaited (August 1996).

(b) The scope of the revised Project (1982), *inter alia*, included widening of the already excavated power house pit. The Superintending Engineer, Electric Construction/ Maintenance Circle, Leh reported (April 1984) that the quantity of extra earthwork resulting from the revised excavation drawings of the power house was of the order of 6000 Cum and that 5000 Cum excavation work was involved above RL 3477 of which 2500 Cum. of the earth excavated was likely to fall into the already excavated pit below. For removal of this excavated material, the rate of Rs. 150 per Cum was also recommended to the Chief Engineer for approval.

Payment of Rs. 4.55 lakhs was made (October 1990) for removal of 3030 Cum of earthwork in anticipation of approval of the competent authority. The payment of Rs. 4.55 lakhs could have been avoided had the drawings and the scope of the Project been finalised before allotment of the work.

*Avoidable  
payment of  
Rs. 4.55 lakhs  
made to a  
contractor for  
removal of earth  
due to non-  
finalisation of  
drawings before  
allotment of the  
work.*



#### 4.2.10.2 Idle investment of Rs. 2.49 lakhs due to non-utilisation of dragline bucket

Ever since its commissioning, the Project had been facing acute siltation problem as an enormous quantity of silt accumulated in the approach channel and in the desilting basin where due to non-availability of head/fall from the desilting basin to river, the desilting was done manually necessitating closure of the power house during summer months of July and August.

In order to overcome the problem of siltation, the Department decided (August 1991) to procure a heavy earthmoving machine capable of efficient excavation of silt from the approach channel and desilting basin. Accordingly, order for design, manufacture, supply, erection, testing and commissioning of a heavy earthmoving machine (Tata 655 BLC clamshell) was placed (September 1991) with a firm and the job got executed at a cost of Rs. 48.45 lakhs (September 1992). The Department also simultaneously procured a special purpose perforated dragline bucket (an attachment) of 1 cubic yard capacity at a cost of Rs. 2.49 lakhs for conversion of the clamshell into a dragline. The attachment being a perforated one was not suitable for the purpose of removing silt and had been lying unutilised since its procurement resulting in idle investment of Rs. 2.49 lakhs. The Executive Engineer, Civil Construction Division-II, PDD, Leh stated (July 1995) that the bucket would be used to extract gravel from the link channel/desilting basin. The bucket had, however, not been put to any use as of July 1996.

*Purchase of a dragline bucket without assessing its actual requirement resulted in idle investment of Rs. 2.49 lakhs.*

#### 4.2.10.3 Non-disposal of surplus/obsolete machinery/equipment

The Department had not prepared any inventory of the machinery and equipment purchased from time to time and charged to the Project. The Department had, therefore, not made any assessment as to whether any machinery and equipment had become surplus after commissioning of Phase-I of the Project and disposed of the same either by sale or transfer, affording credit on that account to the Project estimates. The revised Project estimates proposed in March 1988 provided for Rs 22 lakhs as receipts and recoveries on capital account.

*Obsolete machinery and equipment, valued at Rs. 7.61 lakhs not disposed of.*

However, machinery and equipment valued at Rs. 7.61 lakhs procured during 1971 to 1978 was lying (August 1996) undisposed of even after having been declared beyond economical repairs (August 1992). In reply to audit query the Executive Engineer, Civil Construction Division-II, PDD, Leh stated (August 1996) that the machinery would be disposed of after preparation of survey report and approval of competent authority. Reasons for not initiating the necessary action for disposal of these items so far were not intimated (August 1996).



**4.2.10.4 Extra expenditure of Rs. 1.74 lakhs on repair of gates**

Orders for design, fabrication, supply and erection of gates and gearings for the Project were placed (September 1983) with a firm by the Chief Engineer, Electric Construction Wing, Srinagar. The firm was to complete the work by July 1984 with a defect liability period of one year after satisfactory commissioning. During the guarantee period of one year, the rectification of any defect was the responsibility of the firm and in case the firm failed to rectify the defects speedily, the Department was at liberty to carry out repairs or rectify defects through any other agency at the risk and cost of the firm.

The first unit of the Project was commissioned in June 1987 and performance certificate was also issued to the firm by the Executive Engineer concerned. However, the gates installed by the firm during 1986 were subsequently observed to be not functioning properly and accordingly the matter was taken up with the firm (October 1987) for making the gates functional. Eventhough the gates had developed defects during the defect liability period of one year, payment of Rs. 52.17 lakhs on account of designing, fabrication, supply and erection of gates was released (June 1989) by the Executive Engineer, Civil Construction Division, Leh to the firm. The work of operation and maintenance of the Project was

*Extra expenditure of Rs. 1.74 lakhs incurred due to non-enforcement of the guarantee clause.*

subsequently (June 1993) transferred exclusively to the Electric Division, Leh. Thereafter in a meeting held in November 1993, it was decided to make these gates functional by carrying out rectifications and improvement in their system. Eventhough the gates had developed defects during the guarantee period, the job of rectification was got done (November 1993) through the same firm which had originally installed the gates and a payment of Rs. 1.74 lakhs made to them in November 1993. Non-enforcement of the guarantee clause, thus, resulted in extra expenditure of Rs. 1.74 lakhs.

**4.2.10.5 Modernisation of Stakna hydel Project**

In order to overcome the siltation problem during summer months and ice formation in the river during winter months, the Department asked a consultancy agency during the year 1989-90 to prepare a report for modernisation of Stakna hydel Project. Ex-post-facto sanction for preparation of report was accorded by the Superintending Engineer, Electric Construction Power Development Department, Leh in September 1991 at the agreed cost of Rs. 2.40 lakhs. The detailed Project report incorporating the suggestions for remodelling of the power canal, by-pass channel, silt laden channel, etc. at an estimated expenditure of Rs. 217.73 lakhs was submitted by the consultants in June 1990.

In accordance with the terms of allotment, 50 *per cent* payment of agreed cost, amounting to Rs. 1.20 lakhs, was made to the agency in March 1992 and the balance payment was to be released only after submission of detailed construction drawings by the consultants. Neither the detailed construction drawings had been submitted by the firm nor was the balance payment released by the



Department. In reply to audit query the Department stated (August 1996) that the balance payment of Rs. 1.20 lakhs had not been released to the consultancy agency as it had not been asked to prepare the detailed construction drawings. Reasons for not obtaining these drawings were not intimated. As action on the said Project report had not been initiated even after 5 years nor the detailed construction drawings obtained, the entire exercise has been rendered unfruitful.

#### 4.2.11 *Audit conclusion*

*The execution of the Project had not been planned properly resulting in delays and frequent revisions in its cost estimates. The Phase-I of the Project was commissioned in July 1988 after a time and cost overrun of 13 years and Rs. 8.43 crores respectively. Against the expected generation capacity of 194.63 lakh kWhs of power, the actual generation fell short by 29 to 69 per cent during the period from 1988-89 to 1995-96. The transmission and distribution losses during the period were very high and ranged between 30 and 31 per cent and losses in excess of prescribed norm of 15 per cent on this account amounted to Rs. 670.07 lakhs. The generation cost per kWh of energy was not economically viable and ranged between Rs. 3.77 and Rs. 8.22 during the period 1989-95 against the envisaged cost of Rs. 1.09.*

*The envisaged action of the modernisation of the power Project for overcoming the problems of siltation and ice formation had not been taken even after five years of the preparation of revised Project report at a cost of Rs. 1.20 lakhs nor had any remedial measures been taken for improving the working of the Project.*

4.2.12 Above points were referred to the Government in June 1996; reply had not been received (October 1996).

#### 4.3 **Unfruitful expenditure due to defective planning**

The Government had instructed (July 1984) that water supply schemes should be taken up only after source of water free from all encumbrances was ensured. However, the Public Health Engineering Division, Leh, took up (1986) the execution of Water Supply Scheme, Chamrey for providing drinking water to 1000 inhabitants of the village Chamrey at an estimated cost of Rs. 5.37 lakhs without ensuring availability of water from the proposed source (Tagar nallah) and without obtaining administrative approval. Though the scheme was completed in March 1990 at a cost of Rs. 6.44 lakhs the same could not be made functional as the villagers having riparian rights on the nallah objected to the utilisation of this source on the grounds of acute shortage of water during irrigation season. The constructed structures and the distribution network were, therefore lying unutilised as of July 1996. The present condition of the structures and distribution network constructed in March 1990 was not intimated (September 1996).

**Expenditure of Rs. 6.44 lakhs on a water supply scheme taken up without ensuring perennial source of water free from encumbrances was rendered unfruitful.**



On being pointed out in audit (September 1993) the Executive Engineer, Public Health Engineering Division, Leh stated (July 1995) that the Division had subsequently undertaken a detailed survey to ascertain the feasibility of utilising the oozi<sup>s</sup> from the aforementioned *nallah* for the scheme. For this purpose the discharge from oozi<sup>s</sup> was being monitored before being tapped. Further developments were awaited (September 1996).

Thus, taking up the work on the scheme without ensuring availability of a perennial source of water free from all encumbrances resulted in unfruitful expenditure of Rs. 6.44 lakhs, besides denial of the envisaged socio-economic benefits to the local people.

The matter was referred to Government in May 1996; reply had not been received (October 1996).

#### 4.4 Avoidable expenditure

Water supply scheme for Shey-Yogma villages in Leh District was taken up during 1987-88 by the Executive Engineer, Public Health Engineering Division, Leh. The scheme administratively approved by the Superintending Engineer, Public Works Department, Leh in February 1989 for Rs. 9.72 lakhs envisaged lifting of water from river Indus and its distribution through a service reservoir to be located at a nearby hilltop. Connected civil works and distribution network of the scheme were completed up to March 1991 at a cost of Rs. 6.87 lakhs but the scheme could not be made operational as the required pump and 12.5 HP prime mover for lifting the water was not procured as of May 1996. Meantime, the Superintending Engineer, PWD, Leh administratively approved (June 1993) installation of 13 hand pumps in these villages to provide clean water to the inhabitants. The hand pumps were installed between June 1993 and July 1994 at a cost of Rs. 2.20 lakhs and were reported (July 1994) by the Executive Engineer, PHE Division, Leh to be successful as these were supplying water to the entire population envisaged to be covered by the earlier scheme approved in February 1989.

***Failure to procure a pump and prime mover resulted in unfruitful investment of Rs. 6.87 lakhs on a water supply scheme and avoidable expenditure of Rs. 2.20 lakhs on installation of hand pumps.***

Thus, failure of the Department to procure the pump and prime mover required for the water supply scheme had resulted in unfruitful investment of Rs. 6.87 lakhs for the last 5 years and incurring of an additional avoidable expenditure of Rs. 2.20 lakhs on installation of hand pumps.

The matter was referred to Government in May 1996; reply had not been received (October 1996).

<sup>s</sup> Leakage of water from the *nallah* due to soil being porous.



#### 4.5 Infuctuous expenditure

The Superintending Engineer, PWD, Leh placed (May 1989) an order for supply of 1 tonne of Accelerator Powder\* quick set KCLI-VII with a Delhi based firm for use by Igo-Phey Division, Leh for civil works of Igo-Phey Irrigation-cum-Power Project under execution at that time. The material was received in June 1989 by the Igo-Phey Division, Leh and payment of Rs. 1.46 lakhs released to the firm. The material\*\* guaranteed against manufacturing defects/pre-mature expiry for a period of 12 months remained unutilised in the divisional stores till August 1995.

***Purchase of accelerator powder without assessing its actual requirement led to a loss of Rs. 1.46 lakhs.***

In response to an audit query, the Executive Engineer, Igo-Phey Division, Leh confirmed (August 1995 and October 1995) that the material had lost its potency due to prolonged storage and had become unserviceable and action to write off the loss by the competent authority (Superintending Engineer) was being taken. The Superintending Engineer, PWD, Leh, however, intimated in August 1996 that the matter was under investigation for fixing responsibility for the loss and recovery thereof from the concerned officers and the process would be completed within six months.

Thus, purchase of Accelerator Powder without assessing its requirement resulted in infuctuous expenditure of Rs. 1.46 lakhs.

The matter was referred to Government in May 1996; reply had not been received (October 1996).

#### **Public Works Department (Roads and Buildings)**

#### 4.6 Idle investment/extra expenditure

Construction of additional rooms in two schools was taken up by the Public Works Department, (R&B), Jammu on land donated on the reported unauthorised verbal assurance given by the concerned authorities to provide employment to the land owner/a member of his family. Execution of works on land not formally acquired resulted in idle investment/extra expenditure of Rs. 2.09 lakhs, besides delay in the accrual of the intended benefits as discussed below.

***Failure to acquire the land formally before commencing work led to idle investment of Rs. 0.82 lakh and extra expenditure of Rs. 1.27 lakhs.***

(a) The Chief Engineer, Public Works Department (R&B), Jammu allotted (March 1992) the work of construction of four additional rooms for the Government

\* It is a chemical powder used for quick setting of cement where the temperature is low during nights.

\*\* In addition, 1.60 quintals worth Rs. 0.02 lakh found short against the storekeeper.



Middle School Khoriar, Rajouri to a contractor at an estimated cost of Rs. 4.50 lakhs for completion in five months. The work was taken up without obtaining administrative approval, technical sanction and without formally acquiring the site for construction. After executing the work up to plinth level (value: Rs. 0.82 lakh) the contractor stopped further work in March 1993 as the land owner did not allow its execution on the plea that the Department did not honour the verbal assurance reportedly given by the then District Development Commissioner, Rajouri to provide Government employment to the land owner in lieu of his donating the land. The successor District Development Commissioner advised (February 1994) the District Education Officer, Rajouri to acquire the land under the land acquisition Act or, if this could not be done, to identify an alternative site on Government land for construction of the building. The Executive Engineer, R&B Division, Rajouri, however, urged (May 1994) the District Education Officer to acquire the land already utilised as change of site would result in infructuous expenditure. As of August 1995, the land had not been acquired. The veracity of the plea taken by the contractor could not be verified by Audit in absence of relevant records.

Thus, failure of the Department to properly acquire the land before commencing the work resulted in idle investment of Rs. 0.82 lakh, besides, delay in accrual of the intended benefits.

(b) The District Superintending Engineer, PWD, Poonch allotted (February 1990) to a contractor the work of construction of additional three rooms in Government Girls Middle School at Khanetar at an approximate cost of Rs. 3 lakhs for completion in 5 months. The work was taken up in February 1990 on donated land in anticipation of administrative approval and technical sanction as also without getting the title of the land formally transferred to Government.

After raising the building up to roof level and receiving the payment of Rs. 1.46 lakhs, the contractor stopped work in November 1990 as the land owner did not allow the work to be continued on the plea that the Department had failed to honour the verbal assurance given by Chief Education Officer, Poonch regarding appointment of one of his family members in the Department in lieu of his donating the land. The dispute with the land owner was resolved in 1994 and the balance work (estimated cost: Rs. 0.94 lakh) allotted (July 1994) to the original contractor at enhanced rates (approximate cost: Rs. 2.05 lakhs) after inviting fresh tenders. As of August 1995, a payment of Rs. 2.21 lakhs had been made to the contractor for the balance work under execution, resulting in extra expenditure of Rs. 1.27 lakhs computed with reference to the rates originally payable to the contractor. The extra expenditure was likely to increase further after the completion of the work.

Above points were referred to Government in May 1996; reply had not been received (October 1996).



#### 4.7 Infructuous expenditure

The Executive Engineer, R&B Division, Rajouri allotted (December 1989) after inviting tenders but without obtaining administrative approval and technical sanction, the work of construction of a building for a lower High School at Dodaj to a contractor at a cost of Rs. 1.30 lakhs (approximate) for completion in 3

*Execution of work without ascertaining the suitability of the soil resulted in infructuous expenditure of Rs. 0.91 lakh.*

months. The suitability of the site for construction of building was not checked before allotment of the work which was started in January 1990. However, the soil of the site was not suitable for construction purposes as it was 80 per cent soft and 20 per cent muddy and when the work had been completed (March 1990) up to Damp Proof Concrete level at a cost of Rs. 0.91 lakh, it developed cracks due to settling down of soil. Further execution of the work was, therefore, stopped (March 1990) by the Division. The Division sought the permission of the Superintending Engineer, PWD (R&B) Circle, Rajouri in October 1993 and again in January 1995 for closure of the contract and finalisation of the work. Further developments were awaited (September 1996).

Thus, execution of the work without obtaining administrative approval/technical sanction and without ascertaining the suitability of the soil for construction resulted in an infructuous expenditure of Rs. 0.91 lakh. Responsibility for taking up of the execution of the work without ascertaining the suitability of the soil had not been fixed (August 1996).

The matter was referred to Government in May 1996; reply had not been received (October 1996).

#### 4.8 Infructuous expenditure/loss

In the following two cases construction of the roads passing through forest areas was taken up by the Public Works Department without obtaining the permission of the Forest Department leading to eventual abandoning of these works, rendering the expenditure of Rs. 7.57 lakhs thereon as infructuous, besides causing a loss of Rs. 1.70 lakhs in case of one work.

*Failure to obtain prior permission of the Forest Department for construction of roads resulted in infructuous expenditure of Rs. 7.57 lakhs and loss of Rs. 1.70 lakhs.*

(a) The alignment of the proposed 6 kms long road from Malla to Pukhrani in Jammu District passed through forest area. Government approved (January 1989) construction of the road at a cost of Rs. 28.35 lakhs and Executive Engineer, Construction Division (R&B)-III, Jammu requested (13 September 1989) the Forest Department for removal of trees in the first 2 kms. of the proposed road alignment. Simultaneously, he invited tenders on 18 September 1989 for execution of earthwork in the reach of first km of the road without first ensuring the clearance of trees on forest land. The Conservator of



Forests, East Circle, Jammu, however, informed (28 September 1989) the Division that in view of the ban on felling of green *Chir* trees in forest areas, the Public Works Department should have associated the Forest Department while deciding on the alignment of the road.

The Division, however, without obtaining the permission of the Forest Department for clearance of trees falling in the proposed road alignment, awarded the earthwork for the first km of the road to a contractor in November 1989 at a cost of Rs. 1 lakh. After incurring an expenditure of Rs. 0.68 lakh up to March 1991, further execution of the work was held up due to non-clearance of the standing trees.

Thus, taking up of work on forest land without obtaining prior permission of the Forest Department for removal of the standing trees on the road alignment led to suspension of work and resultant infructuous expenditure of Rs. 0.68 lakh, besides delay in accrual of the intended benefits to the residents of village Pukhrani.

(b) Similarly, the alignment of the proposed 3 km long road from Bali to Narthal in Akhnoor tehsil, approved at a cost of Rs. 14.82 lakhs, passed through forest area. Work on the road was, however, started by the Executive Engineer, Construction Division-III, Jammu in December 1989 for completion in two years without obtaining technical sanction, and prior permission from Forest Department. While the work on 3rd km was not taken up, the earthwork in first km was executed through two contractors between December 1989 and August 1991 at a cost of Rs. 3.11 lakhs. Earthwork for second km of the road, allotted to two other contractors in March 1992 at an estimated cost of Rs. 1.50 lakhs each, was executed up to a value of Rs. 3.96 lakhs and Rs. 5.21 lakhs respectively as of June 1992 but payments (August 1993) to the contractors were restricted by the Division to Rs. 1.81 lakhs and Rs. 1.97 lakhs because of deviations observed at site as compared to the approved Project, execution of excess quantities of work by the contractors and for want of test check by the then Executive Engineer. The case regarding balance payment was reported by the Division to be under arbitration (February 1996).

Further work on the road was stopped in June 1992 for want of permission from the Forest Department with whom the matter was taken up in May 1992. Meanwhile, the Division reported (February 1996) that the earthwork already executed by the Division had suffered damages to the extent of Rs. 1.70 lakhs due to heavy rains/natural calamities.

Thus, execution of work without obtaining prior permission of Forest Department resulted in an infructuous expenditure of Rs. 6.89 lakhs and also a loss of Rs. 1.70 lakhs. Failure of the Division to exercise proper check on the execution of work by allowing deviations from approved Project and execution of excess work

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Contractors payments: Rs. 0.53 lakh and work charged bills: Rs. 0.15 lakh.



by the contractors had also resulted in creation of additional liability of Rs. 5.39 lakhs.

The above points were referred to Government in May 1996; reply had not been received (October 1996).

### Power Development Department

#### 4.9 Locking up of funds due to unplanned purchase of cable

The Chief Engineer, Procurement and Material Management, Power Development Department, Jammu purchased (April 1988) 3035 metres of 630 mm 11 KV cable from a Delhi based firm at a cost of Rs. 13.16 lakhs. The cable was guaranteed against defective design, material and workmanship for a period of 18 months from the date of despatch or 12 months from commissioning whichever was earlier. The supply was received by the consignee i.e. Executive Engineer, Electric Central Stores Division, Jammu in September 1988 after pre-despatch inspection by the Directorate General of Supplies and Disposals as stipulated in the supply order.

*Purchase of 3035 metres of cable not required for immediate use resulted in blocking up of Rs. 8.17 lakhs.*

Only 850 and 686 metres of the cable were issued to 5 user divisions in February 1990 and June 1993 respectively out of which 396 metres of the cable issued to Sub-Transmission Division-III, Kathua in June 1993 were found (August 1993) to be defective by the user division after energising the transformers. After the reported defects in the cable were pointed out (September 1994) by Audit to the Superintending Engineer, Electric Purchase Circle, the remaining cable was tested (January 1996) and another 502 metres of cable out of 1489 metres (10 metres consumed by DG&SD in testing) were found defective. On the advice of the Chief Engineer (June 1996) the cable length was spread and laid out in the Sun for 4-5 days as a result of which the cable was reported to have become usable. Instructions for treating similarly the defective 396 metres lying with the Sub-Transmission Division-III, Kathua were also issued. The cable lying in the stores had, however, not been utilised as of August 1996.

Thus, unplanned purchase of cable in excess of its immediate requirement resulted in blocking up of funds to the tune of Rs. 8.17 lakhs (proportionate cost of 1885 metres of cable) besides, avoidable expenditure on handling and storage charges. Responsibility for making purchases in excess of requirement was not fixed (August 1996).

The matter was referred to Government in May 1996; reply had not been received (October 1996).



## Irrigation and Flood Control Department

## 4.10 Unfruitful expenditure

The Executive Engineer, Irrigation and Flood Control Division, Akhnoor commenced work on Lift Irrigation Scheme, Bardoh in 1981-82 for completion by 1989-90 without obtaining administrative approval and technical sanction. The Design Directorate, to whom the plans of the proposed headworks of the scheme were submitted in February 1985 for approval suggested (February 1985) further examination of the scheme as the headworks of a lift irrigation scheme based on a supply channel did not function properly and a slight shift in the course of parent channel made the supply channel and the pumping station redundant. However, without further examination and preparing detailed estimates of the scheme, the Division sought (July 1985) administrative approval to the scheme at a cost of Rs. 37.19 lakhs<sup>#</sup>.

*Expenditure of Rs. 20.35 lakhs on a lift irrigation scheme taken up without finalising its detailed designs, cost estimates and ignoring the views of the Design Directorate proved unfruitful.*

The detailed design of the intake structure worked out (date was not intimated) in consultation with the Design Directorate, envisaging a well type intake structure was not adopted on cost, time and technical considerations and instead the District Superintending Engineer, Jammu recommended in September 1988 a dug well type sump tank (intake structure) in an adjoining *nallah* with water proposed to be diverted from the river through a supply channel embedded in the river bed. The Division sought (August 1989) fresh administrative approval envisaging an outlay of Rs. 52.07 lakhs<sup>s</sup> on the scheme without obtaining the approval of the Design Directorate to the modified design and started the work on construction of the sump tank in 1988-89. The work on the scheme was, however, stopped in April 1991 after the cost of electrical and mechanical components of the scheme was estimated (March 1991) at Rs. 76.56 lakhs by the Mechanical Wing of the Department which resulted in an adverse cost benefit ratio of 1:0.59 against 1:1.55 envisaged earlier in August 1989. Meanwhile, floods in September 1988 and September 1992 changed the course of the river and the Division observed (1994) that location of the sump well in the *nallah* did not seem to cater to the demand and that the proposed supply channel to the sump well was not likely to feed the dug well due to the changed course of the river. The work stood abandoned as of March 1996 though an expenditure of Rs. 20.35 lakhs<sup>##</sup> was incurred on the scheme up to March 1994.

<sup>#</sup> Including Rs. 11 lakhs for mechanical and electrical components and lumpsum provision for 10 out of 17 components.

<sup>s</sup> Includes Rs. 13 lakhs for mechanical and electrical components and lumpsum provision for 8 out of 16 components.

<sup>##</sup> Including expenditure on sump tank: Rs. 11.97 lakhs; advance for mechanical components in March 1992: Rs. 3.73 lakhs; construction of quarter: Rs. 0.83 lakh; and construction of 600 metres of the main canal: Rs. 0.11 lakh.



Thus, taking up of the work on the scheme without first finalising detailed designs and cost estimates and ignoring the views of the Design Directorate on the intake structure and supply channel resulted in an unfruitful expenditure of Rs. 20.35 lakhs.

The matter was referred to the Government in May 1996; reply had not been received (October 1996).

### **Mechanical Engineering Department**

#### **4.11 Unnecessary purchase of spares**

The Chief Engineer, Mechanical Engineering Department, Jammu purchased (February 1993) spare parts worth Rs. 2.07 lakhs for diesel road rollers.

*Purchase of spares without assessing requirement and ascertaining their availability in Stores resulted in blocking up of funds to the tune of Rs. 1.28 lakhs.*

Items purchased included 146 spares valued at Rs. 1.17 lakhs even though 204 items of such spares (181 items since April 1987 and 23 more items since April 1992) were already lying unutilised in departmental stores. Thirteen more of such spare parts were acquired during 1993-94 at a cost of Rs. 0.11 lakh. Test check of records (March 1996) revealed that none of these spares (except 7 items in March 1994) had been issued as of February 1996 out of 363 such items.

Thus, the purchase of spares in February 1993 and during 1993-94 without assessing the actual requirement or ascertaining their availability in the departmental stores resulted in locking up of funds to the tune of Rs. 1.28 lakhs. Reasons for unnecessary purchase were not intimated (August 1996).

The matter was referred to Government in May 1996; reply had not been received (October 1996).



***This Chapter includes  
Audit Review  
on the***

***Store accounts  
of the  
Irrigation and Flood Control Department  
(Jammu Division)***

***and  
Audit comments  
on various  
irregularities***





**Irrigation and Flood Control Department****5.1 Store accounts of the Irrigation and Flood Control Department (Jammu Division)<sup>#</sup>**

Irrigation and Flood Control (I&FC) Divisions obtain their requirements of construction material\* from the Stores Procurement Department. Machinery, tools and plants required for the irrigation and flood control projects/works are arranged by the Department directly on the basis of open tenders. Black annealed wire crates are fabricated in the workshop of Mechanical Flood Control Division, Jammu and issued to user divisions as per their requirements.

Nineteen divisions of Irrigation and Flood Control had been created in Jammu division as of December 1995. The accounts in the divisions are maintained on Public Works Accounts pattern. The general administration of stores of a Division is vested in the Divisional Officer/Executive Engineer who is primarily responsible for arranging (i) the acquisition of stores; (ii) their safe custody and distribution according to the requirement of works; and (iii) their disposal, otherwise. The administrative control over the Divisions is exercised by the Chief Engineer Irrigation and Flood Control Department, Jammu through five Superintending Engineers located at district headquarters (Doda, Udhampur, Rajouri, Kathua and Jammu).

To facilitate efficient and scientific materials management and ensure proper inventory control over material in stock till these are consumed on works or disposed of otherwise, the rules framed by the State Government provide for :

- (i) retention of store balances within the sanctioned stock reserve limits;
- (ii) physical verification of stores at least once a year; and
- (iii) maintenance of initial accounts and observance of prescribed rules and regulations.

The Stores and Stock accounts of the Department were last reviewed by Audit vide paragraph 5.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1989. The present review covering the period from 1990-91 to 1995-96 was conducted during October-November 1995 and January-February 1996 by a test check of records of 13\* out of 19 Irrigation and Flood Control Divisions of Jammu region. Important points noticed are detailed below:

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\*The abbreviations used in this Review are listed in the glossary in Appendix-20

Cement, steel, black annealed wire, G.I. sheets, etc.

Irrigation Divisions-I&II, Jammu, Akhnoor, Rajouri, Udhampur, Kathua; Flood Control Divisions Akhnoor, Rajouri, Samba and Kathua; Mechanical Irrigation Division Jammu; Tube Well Irrigation Division, Jammu and Mechanical Flood Control Division, Jammu.



(a) **Stock Reserve Limit**

To avoid locking up of capital and to ensure maintenance of adequate stock in stores, a monetary limit for stock reserve of a division is prescribed by the Government. During the years 1990-91 to 1995-96, out of nine test checked divisions, which furnished the information, four<sup>#</sup> divisions held stocks in excess of the stock reserve limits fixed by the Government with the excess ranging between 88 and 123 per cent at the end of each year as indicated below:

**Four divisions held stocks in excess of the stock reserve limits fixed by the Government.**

Year	Sanctioned stock reserve limit	Value of stock held at the end of year	Excess over stock reserve limit	Percentage of excess
(Rupees in lakhs)				
1990-91	18.20	34.26	16.06	88
1991-92	18.20	40.50	22.34	123
1992-93	24.00	47.18	23.18	97
1993-94	24.00	46.29	22.29	93
1994-95	24.00	52.43	28.43	118
1995-96	14.00 <sup>s</sup>	28.72	14.72	105

The excess over sanctioned limit had not been regularised as of March 1996.

(b) **Physical verification of stores**

**Physical verification not conducted for the years 1992-93 to 1995-96 in 2 divisions, for 1994-95 and 1995-96 in 1 division and for 1995-96 in 6 divisions.**

Physical verification of store/stock articles was required to be conducted at least once every year and discrepancies, if any noticed, investigated and brought to account immediately. Physical verification of stores for the years 1992-93 to 1995-96 had not been conducted in respect of Mechanical Irrigation Division, Jammu and Mechanical Flood Control Division, Jammu and for the years 1994-95 and 1995-96 in respect of Flood Control Division, Kathua. In respect of 6<sup>#</sup> other divisions, physical verification for 1995-96 had not been conducted (August 1996). In respect of two Divisions, though physical verification for the years 1993-94 and 1994-95 (Irrigation Division-I, Jammu) and 1995-96 (Irrigation Division, Akhnoor) had been conducted, excesses and shortages for these years have not been worked out (August 1996).

<sup>#</sup> Irrigation Division, Akhnoor; Flood Control Division, Rajouri; Mechanical Flood Control Division, Jammu; Tube Well Irrigation Division, Jammu.

<sup>s</sup> Information in respect of Mechanical Flood Control Division, Jammu and Tube Well Irrigation Division, Jammu only.

<sup>#</sup> Irrigation Divisions-I & II, Jammu; Tube Well Division, Jammu; Flood Control Divisions at Samba and Akhnoor; Irrigation Division, Rajouri.



Shortages of stores noticed at the time of physical verification by the Department during the different years from 1989-90 to 1994-95 in 4<sup>##</sup> Divisions amounted to Rs. 6.91 lakhs. Out of these shortages, whereas an amount of Rs. 1.21 lakhs in respect of two storekeepers had been debited to their Miscellaneous P.W. Advances, the remaining amount of Rs. 5.70 lakhs pertaining to the years 1989-90 and 1994-95 remained unaccounted for in divisional accounts (August 1996).

**Shortage of stores worth Rs. 6.91 lakhs noticed during physical verification not recovered.**

**(c) Non-observance of the prescribed procedure in the maintenance of initial accounts**

(i) According to the provisions of J&K Public Works Account Code, the value of material issued to a work is to be immediately brought into account and no liabilities carried forward to the subsequent years. However, out of stores worth Rs. 4.03 crores issued by 6 Divisions to different works during 1990-91 to 1995-96, cost of material valued at Rs. 2.67 lakhs was not debited to the concerned works as of August 1996 and material costing Rs. 83.63 lakhs had been debited to the relevant works only in the subsequent years and not in the year of its issue. Besides, stock liability of Rs. 2.09 lakhs pertaining to the year 1989-90 was lying (March 1996) unadjusted in Flood Control Division, Rajouri. Non-adjustment of the cost of material in the year of issue resulted in carry forward of liabilities to subsequent years besides, understatement of expenditure on the works during the relevant years. This was attributed by the divisions to paucity of funds and non-execution of works in the particular financial year.

**Expenditure on works understated in 6 divisions due to non-adjustment of the cost of material in the year of issue.**

(ii) Materials issued to works have to be accounted for properly and their quantitative accounts showing receipt, issue and balances kept in the Register of material-at-site account so as to watch the total issue of principal items of material with reference to the estimated requirements. Unused balances of material have to be verified at least once a year and report of verification submitted by the verifying officer to the Divisional Office.

**Material-at-site accounts were incomplete as consumption accounts were either awaited or not posted.**

It was, however, observed that physical verification of material-at-site had not been conducted by any of the Divisions and utilisation of material worth Rs. 552.74 lakhs issued to subordinate executives of following 10 Divisions for use on works over 1 to 6 years ago could not be ascertained as the material-at-site accounts were incomplete as consumption accounts were either not posted or were awaited. While 9 Divisions stated that the matter is being pursued with the officials concerned for adjustment of material-at-site accounts, the Executive Engineer, Irrigation Division, Rajouri did not furnish any reply.

<sup>##</sup> Irrigation Division, Udhampur: Rs. 0.97 lakh; Irrigation Division, Rajouri: Rs. 4.60 lakhs; Flood Control Division, Rajouri: Rs. 0.28 lakh; and Mechanical Flood Control Division, Jammu: Rs. 1.06 lakhs.



S.No	Division	Year of issue	Amount (In lakhs of rupees)
1.	Irrigation Division No. I, Jammu	1991-92 to 1993-94 and 1995-96	24.03
2.	Irrigation Division No. II, Jammu	1994-95 and 1995-96	61.34
3.	Irrigation Division, Akhnoor	1990-91, 1994-95 and 1995-96	71.11
4.	Irrigation Division, Kathua	1992-93 and 1995-96	5.65
5.	Irrigation Division, Rajouri	1993-94	3.31
6.	Irrigation Division, Udhampur	1992-93, 1993-94 and 1995-96	15.66
7.	Flood Control Division, Akhnoor	1990-91 to 1995-96	336.70
8.	Flood Control Division, Samba	1990-91, 1991- 92 and 1993-94 to 1995-96	16.42
9.	Flood Control Division, Rajouri	1991-92 and 1993-94 to 1995-96	8.27
10.	Flood Control Division, Kathua	1990-91 to 1994-95*	10.25
Total:			552.74

(iii) Cash and personal securities of Rs. 2000 and Rs. 20,000 respectively have to be obtained from the person entrusted with the custody and handling of Government stores. It was, however, observed that the prescribed securities were either not realised or partly realised from storekeepers of 1 to 8 Divisions during the years 1990 to 1995 as indicated below:

**Cash and personal securities not obtained from storekeepers.**

	No. of Divisions	Storekeepers
<b>Security not realised</b>		
(a) Cash	6	7
(b) Personal	8	11
<b>Security realised partly</b>		
(a) Cash	1	1
(b) Personal	3	6

Further in 13 Divisions, 14 persons held the charge of stores for periods ranging from nearly 2-1/2 to 6 years against a maximum of 2 years prescribed by the Government.

\* Figures for 1995-96 not available.



(iv) The value of closing stock in the Divisional monthly Stock Account Current for the last month of a financial year was required to be reconciled with the corresponding value of stock articles as worked out with reference to the relevant Priced Store Ledgers. None of the test-checked divisions had conducted the said reconciliation due to non-maintenance of value accounts in the Priced Store Ledgers.

**(d) Purchase of stores**

(i) Financial rules of the Government provide that advance payment may be made by the Department against documents for cost, freight and incidental charges of stores purchased from outside the state or in pursuance of the terms of a contract/agreement for supplies etc. provided the interest of Government against any risk or loss are secured. Audit scrutiny, however, revealed that Rs. 534.36 lakhs advanced to various suppliers in the test checked divisions had remained outstanding either in full or in part as shown below:

*Advance payments aggregating Rs. 534.36 lakhs made to suppliers during 1974 to 1996 for supply of stores were outstanding against them.*

Period	No. of Divisions	Amount for which materials were awaited (Rupees in lakhs)
Up to		
1990-91	6	103.26
1991-92	6	9.47
1992-93	6	69.36
1993-94	8	75.58
1994-95	7	45.15
1995-96	7	231.54
Total		534.36

The outstanding advance included payments aggregating Rs. 44.26 lakhs made between 1974 and March 1990 in four Divisions test checked where records of advance payments, made prior to April 1990, were made available to audit. The Divisions stated that receipt of material/refund of advance was being expedited and reconciliation with the various suppliers/Departments would be conducted to ascertain the final position.

## (e) Other points of interest

## (i) Extra avoidable expenditure on procurement of cement

**Avoidable extra expenditure of Rs. 1.76 lakhs incurred due to purchase of cement from agencies other than Stores Procurement Department.**

All the Public Works Divisions were required to obtain the supply of material like cement, steel etc. from the Stores Procurement Department (SPD). It was, however, noticed in audit that the Executive Engineer, Irrigation Division-I, Jammu and Irrigation Division, Rajouri procured 7400 bags and 4264 bags of cement between February 1993 and May 1995 respectively, from other agencies at the rates higher than those at which it was available from the Stores Procurement Department resulting in avoidable extra expenditure of Rs. 1.76 lakhs as detailed hereunder:

Name of the Division	Period of purchases	Number of cement bags purchased	Extra expenditure (Rupees in lakhs)
Irrigation Division-I Jammu	March 1995 to May 1995	7400	1.10
Irrigation Division, Rajouri	February 1993 to February 1994	4264	0.66
Total:		11664	1.76

Reasons for purchase of cement at higher rates from agencies other than SPD were not intimated (August 1996).

## (ii) Non-accounting of stores

Angle Iron/G.C sheets/Tor steel/R.S. Joists weighing 7.990 M.T. and 200 bags of cement valued at Rs. 1.22 lakhs lifted by Mechanical Irrigation

**Material valued at Rs. 1.44 lakhs lifted from SPD between October 1991 and April 1994 not accounted for in the divisional records.**

Division, Jammu from Stores Procurement Department during the period from October 1991 to April 1994 had not been accounted for in the Divisional records. Similarly, 150 bags of cement valuing Rs. 0.22 lakh issued by Stores Procurement Department (29 April 1991) to Irrigation Division-I, Jammu had not been accounted for in the Divisional records. On being pointed out Executive Engineer, Mechanical Irrigation Division Jammu and Irrigation Division-I, Jammu stated that the accounts were being reconciled (March 1996).



(iii) **Recoverable cost of material from contractors**

In Flood Control Division Rajouri, 103 crates and 309 kgs. black annealed wire worth Rs. 1.11 lakhs was issued to three contractors through the concerned Junior Engineers for utilisation on five different works in 1991-92. The contractors did not execute the works as of February 1996. Action to recover the cost, at double the stock issue rates, had not been initiated by the Division (August 1996).

*Cost of material issued in 1991-92 to 3 contractors, who did not take up the allotted works, not recovered.*

(iv) **Store items lying unutilised**

In 10 Divisions, the number of store items including Tools and Plant articles lying unutilised being either surplus or obsolete or in unserviceable conditions were as follows:

		No. of Divisions	No. of items	Value (Rs. in lakhs)
(i)	Unutilised	5	58	7.29
		1	28	Value not intimated
(ii)	Surplus	1	12	0.87
(iii)	Obsolete	7	350	9.17
(iv)	Unserviceable	5	293	Value not intimated

Some of these items were lying unutilised for more than 28 years. On being pointed out in audit (March 1996), 2 Divisions stated that the cases had been referred to higher authorities, and 4 other Divisions stated that the matter is being referred to higher authorities for further necessary action. Four Divisions did not furnish any reply (August 1996).

The above points were referred to the Government in July 1996; reply had not been received (October 1996).

**Stores Procurement Department****5.2 Extra expenditure on procurement of cement**

The Director, Stores Procurement Department (SPD), Jammu placed a supply order in May 1994 on a Delhi based firm for supply of 4 lakh bags of ordinary portland cement at Rs. 128.55 per bag. The supply was to be completed within 3 months from the date of supply order and 98 per cent payment was to be made within 3 days of the receipt and verification of supply and balance 2 per cent after completion of the supply. The delivery period was, however, extended (February 1995) up to 31 March 1995 on the request of the supplier due to non-availability of Railway rakes. The agreement executed with the firm in May 1994 stipulated, inter

*Failure to execute a proper agreement resulted in non-recovery of penalty of Rs. 23.46 lakhs from a defaulting contractor.*



*alia*, furnishing of a security deposit of Rs. 0.50 lakh and levy of penalty up to 10 per cent of the value of order in case the firm failed to supply the agreed quantity of cement. The agreement, however, did not incorporate any clause about the manner of recovery of penalty nor a 'risk and cost' clause to safeguard the interests of the Government in case it was forced to procure the cement from alternative sources at higher cost.

The firm supplied only 2,63,071 bags of cement up to 31 March 1995 whereafter no further supplies were made. Against Rs. 6.76 lakhs required to be withheld from the supplier in pursuance of the agreement on account of 2 per cent of the value of supplies made (Rs. 338.18 lakhs), the Department withheld Rs. 6.55 lakhs only for which reasons were not furnished. The Department procured the balance quantity of cement from two other sources during July 1995 to September 1995 (1 lakh bags) at Rs. 147.82 per bag and during September 1995 to February 1996 (36,929 bags) at Rs. 159 per bag resulting in an extra expenditure of Rs. 30.51 lakhs.

After the extra expenditure was pointed out (October 1995) in audit, the Director, Stores Procurement Department, Jammu imposed (December 1995) penalty of forfeiture of the security deposit of Rs. 0.50 lakh and ordered recovery of Rs. 30.51 lakhs representing extra expenditure incurred in arranging 1,36,929 bags of cement from other sources. The Director also debarred the firm from future tendering in the Department till payment of the extra expenditure of Rs. 30.51 lakhs and further ordered that the withheld amount of Rs. 6.55 lakhs be adjusted against the recoverable amount of Rs. 30.51 lakhs, leaving balance of Rs. 23.46 lakhs outstanding against the defaulter firm. However, no action had been taken by the Department to recover the balance penalty of Rs. 23.46 lakhs (August 1996).

The matter was referred to Government in June 1996; reply had not been received (October 1996).

### Industries and Commerce Department

#### 5.3 Misappropriation of stores

**Failure to conduct physical verification of stores and exercise effective control over receipt and issue of stores facilitated misappropriation of stores worth Rs. 7.46 lakhs.**

The State financial rules, *inter alia*, provide that physical verification of all stores must be conducted once in every year and that head of the office or any other officer entrusted with stores should maintain suitable lists and inventory of stores. Notwithstanding these provisions, physical verification of stores in the office of Joint Director, Handicrafts, Jammu in respect of Massive Carpet Scheme had not been conducted ever since the transfer of the scheme to that office in September 1988 from the Jammu and Kashmir Handicrafts (Sales and Export) Corporation Limited. The scheme as well as the drawing and disbursing powers were subsequently (March 1992) transferred to the Development Officer, Handicrafts, Jammu but no



physical verification was conducted in his office either, up to February 1995 despite the omission being pointed out by Audit (October 1992).

Meanwhile, in October 1993 the Development Officer, Handicrafts, Jammu, sensing some irregularities in store/stock transactions, placed the storekeeper under suspension. The suspension orders were not implemented till 17 November 1993 and it was only after great persuasion that the storekeeper handed over charge of available ground balances on 18 November 1993. As the storekeeper did not handover the connected records and shortages of stores were suspected, a committee headed by Joint Director, Handicrafts was constituted (December 1993) to enquire into the matter. The committee reported (February 1994) a tentative shortage of stores worth Rs. 7.67 lakhs for the period September 1988 to October 1993 against the ex-storekeeper. On the basis of the committee's findings the Senior Manager and Manager Stores were also placed under suspension in March 1994. The shortages were finally assessed by the Department in July 1996 at Rs. 7.46 lakhs after the ex-storekeeper handed over the charge of the records in April 1995. As of July 1996 an amount of Rs. 0.58 lakh only had been recovered from the ex-storekeeper.

Another departmental committee was constituted by the Director, Handicrafts in March 1995, *inter alia*, for fixing responsibility for these shortages. The committee had not submitted its report as of July 1996.

Thus, failure to conduct annual physical verification of stores from September 1988 and lack of effective control by supervisory officers over receipt and issue of stores facilitated the misappropriation of stores worth Rs. 7.46 lakhs.

The matter was referred to the Government in April 1996; reply had not been received (October 1996).





***This Chapter includes***

***Audit Observations***

***on***

***Revenue Receipts***

***of the***

***State Government***

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***Revenue Receipts***





## 6.1 Trend of revenue receipts

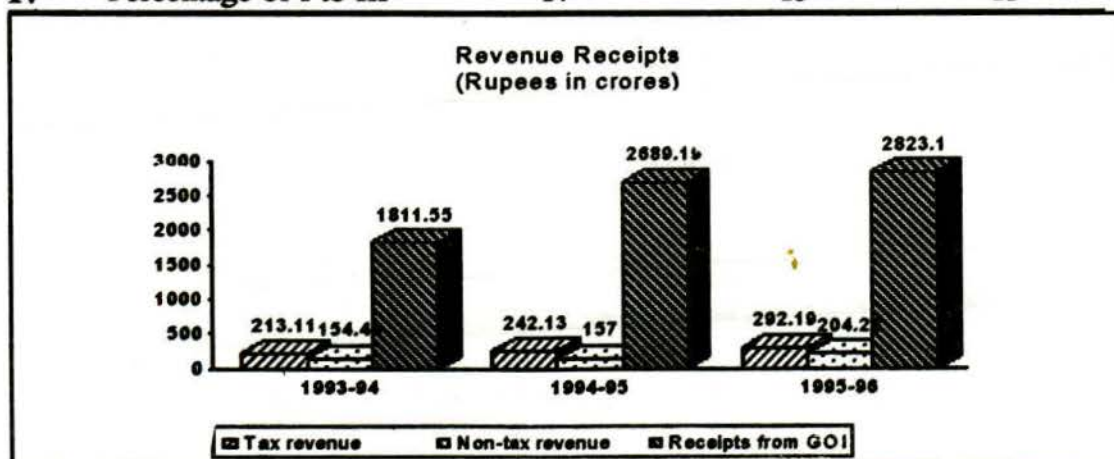
**6.1.1** The total revenue receipts of Government of Jammu and Kashmir for the year 1995-96 were Rs. 3319.51 crores, as against the anticipated receipts of Rs. 2971.35 crores. The receipts during the year 1995-96 registered an increase of Rs. 231.19 crores (Rs. 52.27 crores on account of increase in Grants-in-aid received from Government of India) over those in the year 1994-95. Out of the total receipts of Rs. 3319.51 crores, Rs. 496.41 crores represented revenue raised by the State Government, of which Rs. 292.19 crores represented tax revenue and the balance of Rs. 204.22 crores non-tax revenue. The receipts from Government of India (Rs. 2823.10 crores) during the year accounted for 85 per cent of the total revenue receipts of the State Government.

### 6.1.2 Details of revenue receipts

#### (a) General

The details of revenue receipts during the year 1995-96 alongwith the corresponding figures for the preceding two years is given in the table and also presented graphically below:

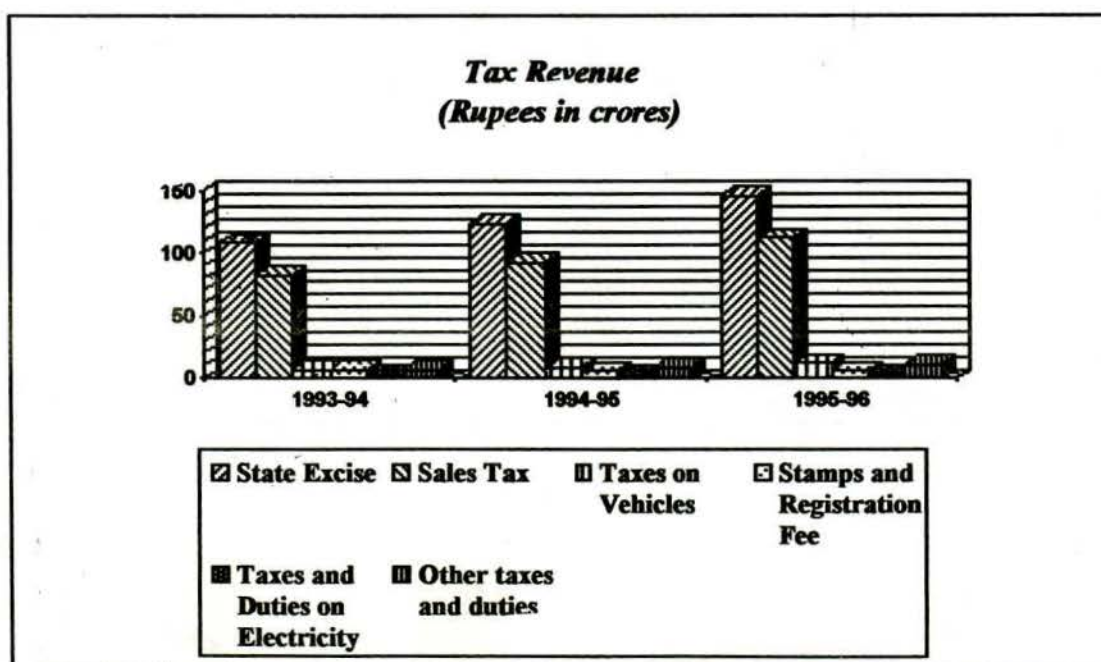
	1993-94	1994-95	1995-96
	(Rupees in Crores)		
<b>I-Revenue raised by the State Government</b>			
(a) Tax revenue	213.11	242.13	292.19
(b) Non-tax revenue	154.46	157.00	204.22
Total - I	367.57	399.13	496.41
<b>II-Receipts from Government of India</b>			
(a) State's share of divisible union taxes and duties	510.81	562.60	644.24
(b) Grants-in-aid	1300.74	2126.59	2178.86
Total-II	1811.55	2689.19	2823.10
<b>III- Total (I+II)</b>	2179.12	3088.32	3319.51
<b>IV- Percentage of I to III</b>	17	13	15



## (b) Tax revenue raised by the State

Receipts from tax revenue during 1995-96 constituted 59 *per cent* of the revenue raised by the State. An analysis of tax revenue for the year 1995-96 and the preceding two years is given in the table and also graphically presented below:

Tax revenue		1993-94	1994-95	1995-96	Percentage of increase(+)/ decrease(-) in 1995-96 with reference to 1994-95
(Rupees in crores)					
1	State Excise	108.42	123.36	146.35	(+) 19
2	Sales Tax	82.32	93.19	112.53	(+) 21
3	Taxes on Vehicles	6.76	8.90	12.22	(+) 37
4	Stamps and Registration Fee	6.51	5.91	6.00	(+) 2
5	Taxes and Duties on Electricity	2.54	2.08	3.45	(+) 66
6	Taxes on Goods and Passengers	3.79	4.62	7.97	(+) 73
7	Land Revenue	0.75	1.81	0.66	(-) 64
8	Other taxes and duties	2.02	2.26	3.01	(+) 33
Total:		213.11	242.13	292.19	(+) 21



Reasons for variation in receipts during 1995-96 compared to those of 1994-95 wherever intimated by the respective departments are given below:

## (i) State Excise

The increase (19 *per cent*) was due mainly to more receipts by way of sale of country liquor.

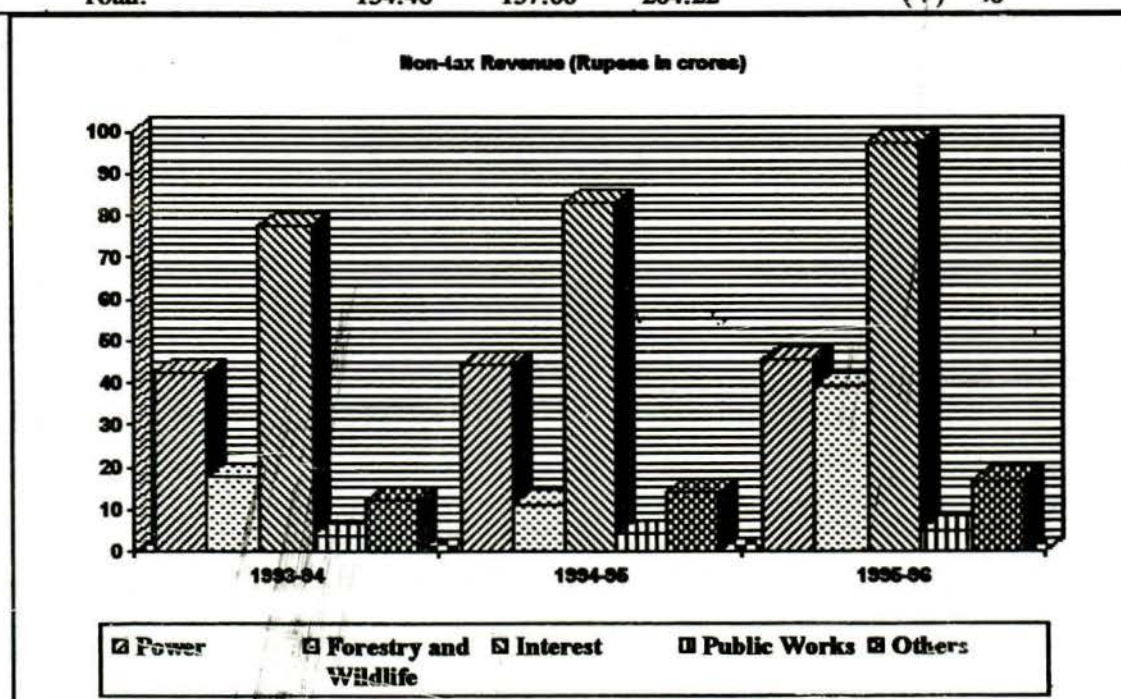


- (ii) **Sales Tax** The increase (21 *per cent*) was due mainly to more receipts under State Sales Tax.
- (iii) **Land Revenue** The decrease (64 *per cent*) was mainly due to less Land Revenue Receipts.

(c) **Non-tax revenue of the State**

Receipts from non-tax revenue during 1995-96 constituted 41 *per cent* of the revenue raised by the State. Receipts from Forestry and Wildlife, sale of energy and interest were the principal sources of non-tax revenue in the State. An analysis of non-tax revenue under the principal heads for the year 1995-96 and the preceding two years is given in the table and also presented graphically below:

Non-tax revenue	1993-94	1994-95	1995-96	Percentage of increase (+)/decrease (-) in 1995-96 with reference to 1994-95
(Rupees in crores)				
1. Power	42.65	44.25	45.40	(+) 3
2. Forestry and Wildlife	17.69	11.38	39.53	(+) 247
3. Interest	77.73	83.03	97.17	(+) 17
4. Public Works	3.89	4.38	5.25	(+) 20
5. Stationery and Printing	1.53	1.22	1.40	(+) 15
6. Medical and Public Health	1.13	1.55	1.38	(-) 13
7. Animal Husbandry	1.53	2.11	2.16	(+) 2
8. Others	8.31	9.04	11.93	(+) 32
Total:	154.46	157.00	204.22	(+) 30



Reasons for variations in non-tax receipts during 1995-96 as compared to those of 1994-95 wherever intimated by the respective departments are given below:

- (i) **Interest** The increase (17 per cent) was due mainly to receipt of more interest from departmental commercial undertakings.
- (ii) **Forestry and wildlife** The increase (247 per cent) was due mainly to more receipts on account of sale of timber and other forest produce.

(d) **Variation between Budget estimates and actuals**

The variations between the Budget estimates and actuals for the year 1995-96 in respect of principal heads of tax and non-tax revenue are given below:

S.No	Heads of revenue	Budget estimates	Actuals	Variations increase (+)/ decrease (-)	Percentage of variation
(Rupees in crores)					
<b>A - Tax revenue</b>					
1	Sales Tax	105.45	112.53	(+) 7.08	(+) 7
2	State Excise	80.00	146.35	(+) 66.35	(+) 83
3	Taxes on Goods and Passengers	57.90	7.97	(-) 49.93	(-) 86
4	Taxes on Vehicles	9.04	12.22	(+) 3.18	(+) 35
5	Taxes and Duties on Electricity	6.50	3.45	(-) 3.05	(-) 47
6	Stamps and Registration Fee	5.55	6.00	(+) 0.45	(+) 8
7	Land Revenue	1.13	0.66	(-) 0.47	(-) 42
<b>B - Non-tax revenue</b>					
8	Interest Receipts	114.07	97.17	(-) 16.90	(-) 15
9	Forestry and Wildlife	31.30	39.53	(+) 8.23	(+) 26
10	Stationery and Printing	2.23	1.40	(-) 0.83	(-) 37
11	Animal Husbandry	2.00	2.16	(+) 0.16	(+) 8
12	Medical and Public Health	1.51	1.38	(-) 0.13	(-) 9
13	Public Works	5.00	5.25	(+) 0.25	(+) 5
14	Power	8.04	45.40	(+) 37.36	(+) 465

Reasons for variations between the Budget estimates and actual receipts, though called for, have not been received (October 1996).



**(e) Cost of collection**

The collections in respect of major tax receipts, expenditure incurred on their collection and percentage of such expenditure to collections during the year 1995-96 and preceding two years alongwith the corresponding all India average for the year 1994-95 are given below:

Heads of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India percentage of cost of collection for the year 1994-95
(Rupees in crores)					
<b>1 State Excise</b>	1993-94	108.42	7.04	6	1.25
	1994-95	123.36	8.05	7	
	1995-96	146.35	7.78	5	
<b>2 Sales Tax</b>	1993-94	82.32	2.28	3	2.50
	1994-95	93.19	2.61	3	
	1995-96	112.53	3.16	3	
<b>3 Taxes on Vehicles</b>	1993-94	6.76	0.72	11	3.12
	1994-95	8.90	0.74	8	
	1995-96	12.22	1.05	9	
<b>4 Stamps and Registration Fee</b>	1993-94	6.51	0.53	8	3.65
	1994-95	5.91	0.93	16	
	1995-96	6.00	0.49	8	

The percentage of expenditure on collection of above taxes and fees was higher as compared to the National average.

**6.2 Results of audit**

Test check of records of Sales Tax, State Excise, Stamps and Registration Fee, Forest and other Departments, conducted during the year 1995-96, revealed underassessments, short levy and loss of revenue etc. amounting to Rs. 2968.71 lakhs in 963 cases. During the course of the year 1995-96, the concerned departments accepted under assessments etc. of Rs. 81.90 lakhs involved in 35 cases of which 28 cases involving Rs. 17.15 lakhs had been pointed out in audit during the year 1995-96 and the rest in earlier years.

**Finance Department****(State Excise Receipts)****6.3 Working of distilleries in Jammu region<sup>#</sup>****6.3.1 Introduction**

A distillery is a licensed unit where molasses and other waste, produced in sugar mills, are subjected to various processes like fermentation after dilution with yeast for converting the sugar content present in the molasses and waste into alcohol. The fermented wash is distilled to obtain spirit, which is compounded, blended, processed and diluted to produce liquor or wine and the operation includes bottling of such liquor as well. Licence for setting up of a distillery is granted under Section 11 of the Jammu and Kashmir Excise Act, 1958 (Svt.) (1901 AD), by the Excise Commissioner, after charging the prescribed fee. Licences are issued initially for one year and renewed thereafter annually on payment of the prescribed renewal fee.

There are 6 distilleries in Jammu region which manufacture rectified spirit and Indian made foreign liquor. In addition, there are two bottling plants in Jammu which procure rectified spirit from outside the State or locally for blending and subsequent issue.

**6.3.2 Organisational set-up**

The working of each distillery is closely monitored/supervised by the staff of the State Excise Department headed by the Excise Commissioner who is assisted by the Deputy Excise Commissioner. The salary of such staff is to be reimbursed by the distilleries on demand.

**6.3.3 Scope of audit**

A review of the working of six distilleries of Jammu region for the years 1993-94 to 1995-96 with reference to the Jammu and Kashmir Excise Act, 1958 (Svt.) (1901 AD) and the Rules framed thereunder was conducted between February 1996 and April 1996 and the audit findings are brought out in the succeeding paragraphs.

**6.3.4 Highlights**

- Though transit loss of molasses was not admissible under Rules, 1554 quintals of molasses, sufficient to produce 64,202 proof litres of spirit, were shown to have been lost in transit by 4 distilleries during the period from 1993-94 to 1995-96 resulting in loss of excise duty of Rs. 45.83 lakhs.

(Paragraph: 6.3.6)

- Three distilleries showed production of only 44.88 lakh proof litres of spirit manufactured from 1.32 lakh quintals of molasses against 48.27 lakh proof

<sup>#</sup> The abbreviations used in this Review are listed in the glossary in Appendix-20



litres of spirit recoverable therefrom as per the norm laid down in the Rules during 1993-94 to 1995-96 resulting in loss of excise duty of Rs. 236.51 lakhs.

(Paragraph: 6.3.7(i))

- A distillery showed 28,017 proof litres of spirit produced from 3 lakh bulk litres of wash as against 36,005 proof litres recoverable as per norm resulting in loss of excise duty of Rs. 5.75 lakhs.

(Paragraph: 6.3.7(ii))

- Additional wastage claim of 10,913 proof litres of spirit on repeated re-distillation of 5.75 lakh proof litres allowed to 4 distilleries during 1994-95 and 1995-96, without any enquiry to establish the bonafides of the claim, resulted in loss of excise duty of Rs. 7.86 lakhs.

(Paragraph: 6.3.8)

- Unfinished spirit of 16.93 lakh litres was shown to have been passed into spirit store room by two distilleries in Jammu during 1993-94 to 1995-96 and storage loss of 6,465 litres thereon, which was not permissible under Rules, allowed to distilleries resulted in loss of excise duty of Rs. 4.41 lakhs.

(Paragraph: 6.3.9)

- Six distilleries had given wholesale vending of foreign liquor to trade without obtaining requisite licences which resulted in non-recovery of licence/renewal licence fee of Rs. 16.50 lakhs for the period from 1985-86 to 1995-96.

(Paragraph: 6.3.10)

### 6.3.5 Trend of revenue

The revenue realised on account of fee for licences granted and from excise duty levied on spirit/Indian made foreign liquor removed from distilleries for sale and export to other States, during the period from 1993-94 to 1995-96, was as under:

Year	Revenue	Increase (+)/ decrease (-) in revenue compared to previous year	Percentage of increase (+)/ decrease (-)
(In crores of rupees)			
1993-94	5.11 <sup>#</sup>	-	-
1994-95	4.91	(-) 0.20	(-) 3.91
1995-96	6.36 <sup>*</sup>	(+) 1.45	(+) 29.53

The increase in revenue during 1995-96 was due to increase in rate of excise duty and more sale of spirit/Indian made foreign liquor. Reasons for decrease in revenue during 1994-95 were not intimated.

<sup>#</sup> This does not include licence fee in respect of 2 distilleries and 2 bottling plants.  
<sup>\*</sup> This does not include licence fee of one bottling plant.

**6.3.6 Loss of molasses in transit**

Molasses is imported into the State from other States, particularly from Uttar Pradesh. The Jammu and Kashmir Excise Act, 1958 (Svt.) (1901 AD) or the Jammu and Kashmir Distillery Rules, 1946 do not admit loss of molasses in transit or otherwise. Accordingly, the weight indicated in the covering bills/invoices was to be accounted for in full by the distilleries. Notwithstanding this, it was observed in audit that lesser weights were adopted by the distilleries treating the difference in weight as transit loss. Some distilleries adopted the weight recorded at Lakhanpur Toll Post. Adoption of weights other than those indicated in the bills/invoices resulted in short accounting of the weight of molasses by the distilleries and acceptance thereof by the Department as transit loss resulted in the loss of excise duty.

During the period from 1993-94 to 1995-96, short accounting of 1,554 quintals of molasses, sufficient to produce 64,202 proof litres of spirit was attributed to transit loss by 4 distilleries as detailed in the following table.

S. No.	Name of distillery	Year	Weight of molasses as per bill/ invoice/ challan	Weight recorded at Lakhanpur Toll Post	Weight accounted for by the distillery	Short accounting of weight by distillery
(In quintals)						
1.	A*	1993-94	NA	7373.00	7294.00	79.00
		1994-95		4999.00	4921.00	78.00
		1995-96		4488.00	4438.00	50.00
2.	B	1995-96	4348.40	4176.80	4248.50	99.90
3.	C	1995-96	6009.45	5888.80	5888.80	120.65
4.	D	1994-95	39404.46	38842.21	38577.75	826.71
		1995-96	42038.70	41738.75	41738.75	299.95
Total:			NA	107506.56	107106.80	1554.21

As would be seen from the table, the percentage of molasses claimed as transit loss by the distilleries varied between 0.71 and 2.29 of the invoiced/billed quantities. Irregular allowance of transit loss of molasses sufficient to produce 64,202 proof litres of spirit resulted in loss of excise duty of Rs. 45.83 lakhs.

The matter was pointed out (February-April 1996) to the Department; their reply had not been received (October 1996).

**6.3.7 Low yield of spirit**

(i) Under the Jammu and Kashmir Distillery Rules, 1946, the yield per quintal of molasses has been fixed at 36.55 proof litres of spirit. During 1993-94, 1994-95 and 1995-96, 3 distilleries showed manufacture of 44,87,669 proof litres of spirit from 1,32,079 quintals of molasses against 48,27,487 proof litres recoverable

\* In absence of details of bills/invoices, the weight recorded at Lakhanpur Toll Post has been taken into account for working out the short accounting of molasses by the distillery.



as per norms laid down in the Rules *ibid*. The short yield of 3,39,818 proof litres of spirit resulted in loss of excise duty amounting to Rs. 236.51 lakhs.

(ii) Under the Jammu and Kashmir Distillery Rules, 1946, outturn of 12 proof litres of spirit per hundred litres of wash is fixed. A distillery in Jammu showed production of 28,017 proof litres of rectified spirit from 3,00,040 bulk litres of wash during April 1994 to May 1995 against 36,005 proof litres recoverable as per norms laid down in the Rules. The short outturn of 7,988 proof litres of spirit involved loss of excise duty of Rs. 5.75 lakhs.

On this being pointed out (April 1996) in audit, the Department stated (April 1996) that the aspect regarding low production of spirit from wash would be kept in view in future.

### 6.3.8 Inadmissible wastage on repeated redistillation of spirit

Under the Jammu and Kashmir Distillery Rules, 1946, scale of wastage of spirit in the case of redistillation process has been prescribed at 2 *per cent*. The Rules lay down that in case extraordinary wastage of spirit occurs in a distillery owing to any cause, an enquiry into the circumstances shall be made immediately under the orders of the Competent Authority and if it is found that the wastage was preventable, which the licensee should have foreseen or guarded against, the licensee shall, on the directions of the Competent Authority, pay all or such reasonable part of duty that would have been recovered on the wasted spirit if it had been issued.

It was noticed in test check that 5,75,079 proof litres of spirit, which had already undergone redistillation process, was again shown to have been issued for redistillation by 4 distilleries during 1994-95 and 1995-96 and inadmissible wastage of 10,913 proof litres of spirit (in addition to the prescribed norm of 2 *per cent*) claimed by them was allowed without any enquiry for establishing the bonafides of the claim which resulted in loss of excise duty of Rs. 7.86 lakhs.

On this being pointed out in audit, the Department stated (March-April 1996) such redistillation losses would be avoided in future.

### 6.3.9 Loss of excise duty due to inadmissible storage wastage

The Jammu and Kashmir Distillery Rules, 1946, *inter alia*, lay down that only finished spirit approved for issue is required to be passed into the store vats. The scale of wastage in respect of spirit store room for finished spirit has been prescribed at 1 *per cent* under the extant rules. This wastage is, however, not admissible for unfinished spirit.

It was noticed that in 2 distilleries in Jammu, 16,92,998 litres of unfinished spirit was shown to have been passed into spirit store room during 1993-94 to 1995-96 and storage loss of 6,465 litres was claimed by the distilleries and



allowed to them by the Department. The inadmissible allowance of storage loss of 6,465 litres on unfinished spirit involved loss of excise duty of Rs. 4.41 lakhs.

On this being pointed out in audit, the Department stated (March 1996) that storage losses were allowed on impure spirit as per rules and matter would be looked into. The reply of the Department was not tenable as the unfinished spirit was required to be retained in receivers till it was redistilled to obtain spirit of the desired strength and only finished spirit was to be passed into spirit store room. The wastage allowed by the Department on storage was, therefore, not admissible.

#### **6.3.10      Unauthorised sale of liquor by distilleries**

Under the Jammu and Kashmir Liquor Licence and Sale Rules, 1984, a licence in prescribed form against payment of prescribed fee is required to be obtained for the wholesale vending of foreign liquor to trade, by a person holding licence for a distillery. The licence fee for wholesale vending of foreign liquor to the trade is Rs. 25,000 per annum per licence.

During test check it was noticed that 6 distilleries had given wholesale vending of foreign liquor to trade without obtaining requisite licences thereby contravening the provisions of the Rules. The Department had failed to enforce the provisions of the Rules resulting in non-recovery of licence/renewal licence fee of Rs. 16.50 lakhs due from them for the period 1985-86 to 1995-96.

#### **6.3.11      Non-gauging of vessels**

Under the Jammu and Kashmir Distillery Rules, 1946, the Excise Officer of a distillery shall without any deviation, during the process of preparation, collection, fermentation, addition of fermenting agents, and full attenuation of wash when the same is ready for distillation, ascertain the initial/final quantity of wash by gauging its specific gravity. The attenuated wash, as provided under Rules, shall not be drawn off or used until it is gauged and proved by the Excise Officer. For recording the results/readings of this exercise, necessary entries are required to be made in the prescribed registers D-9 (Excise Officer's Diary) and D-10. These registers had not been maintained at the distilleries.

Test check of the records of the distilleries further revealed that gauging of the vessels had either not been undertaken at all or had been carried out inaccurately as instanced below:

- (a) In one distillery, whereas the consumption of molasses ranged from 65 to 90 quintals per fermentation, uniform production of wash (22,000 bulk litres) was shown to have been obtained during 1 April 1993 to 12 May 1995 and 9 August 1995 to 12 December 1995. This was indicative of inaccurate or random gauging of vessels.



(b) The records of another distillery revealed that despite the range of attenuation<sup>#</sup> having varied from 45 to 72 degrees and 39 to 71 degrees, the yield of wash per quintal of molasses had remained constant at 281 and 303 bulk litres between 18 April 1994 to 13 July 1994 and 14 July 1994 to 12 March 1996 respectively. The uniform yield of wash under varying ranges of attenuation was also indicative of non/inadequate or random gauging of vessels.

#### **6.3.12 Non-fixation of periodicity for sample analysis**

Though the Jammu and Kashmir Distillery Rules, 1946, provide for chemical analysis of the material used and the spirit manufactured by a distillery with a view to ensuring its quality and strength as per norms fixed, no periodicity for doing so had been fixed. One sample each had been taken between November 1994 and February 1995 in respect of only 5 distilleries. Reports of the analysis of the samples taken had also not been received so far (April 1996).

Thus, very little had been done by the Department for ensuring that liquor sold to public was of good quality and strength of the liquor was within the prescribed limits.

The matter was pointed out to the Department in March 1996; reply had, however, not been received (October 1996).

#### **6.3.13 Revenue locks**

The Jammu and Kashmir Distillery Rules, 1946, provide for fixing of revenue locks at each opening, joints in pipes and outlets of spirit to prevent any misuse or leakage thereof in the distillery.

It was observed in audit that in the 6 test checked distilleries neither was the requirement of locks assessed nor were these provided.

In the absence of revenue locks, misuse or leakage of spirit and consequent loss of excise duty could not be ruled out. Comments of the Department had not been received (October 1996).

#### **6.3.14 Other topics**

##### **6.3.14.1 Non-recovery of staff charges**

Under the Jammu and Kashmir Distillery Rules, 1946, the distilleries are liable to reimburse to the Department on demand the salary paid to excise establishment posted by the Government at the distilleries for monitoring and supervising their working. It was, however, noticed in audit that an amount of Rs. 28.54 lakhs was pending recovery on this account from 4 (out of 6) distilleries for the period from October 1981 to March 1996. In respect of the remaining 2 distilleries, the amount recoverable on this account was not available as the demand

<sup>#</sup> Difference in initial and final specific gravity of the wash.

notices had not been issued by the Department. The staff charges were stated to have not been recovered from the distilleries on account of stay orders obtained by 2 distilleries in October 1981 and November 1990; and 4 distilleries in March 1991 from the High Court. Inaction of the Department to get the stay orders vacated had resulted in non-recovery of staff charges.

Demand notices for Rs. 99,899 and Rs. 1,32,992 were, however, stated to have been issued in February 1996 and March 1996 respectively to 2 bottling plants, but they had not deposited the amount so far (April 1996).

The leave salary and pension contribution in respect of the departmental staff recoverable from time to time from the distilleries and bottling plants also had not been computed by the Department.

#### **6.3.14.2 Loss of spirit in transit**

No wastage on rectified spirit is admissible to the suppliers of rectified spirit as per instructions (February 1979) of the Excise Commissioner.

A test check of records of a distillery in Jammu revealed that 869 litres of rectified spirit supplied short by local and outside suppliers during 1993-94 to 1995-96 had been treated as transit loss. Though transit loss of rectified spirit was not admissible, excise duty of Rs. 0.57 lakh due on the quantity had not been recovered from the said distillery resulting in revenue loss to that extent.

On this being pointed out in audit, the Department stated (April 1996) that the matter would be taken up with the higher authorities.

#### **6.3.14.3 Records for internal control of distilleries**

Under the Jammu and Kashmir Distillery Rules, 1946, Excise Officer of a distillery is required to maintain 17 registers in the prescribed forms mainly for controlling/monitoring the working of the distillery. In the distilleries test checked during review, the prescribed registers/ forms were not maintained affecting the departmental control over the working of the distilleries.

**6.3.15** The above points were referred to the Department/Government in July 1996; reply had not been received (October 1996).

### **6.4 Entertainment duty-collection and assessment**

The Jammu and Kashmir Entertainment Duty Act, 1959 and the Jammu and Kashmir Entertainment (Cinematographic Shows) Act, 1962 were enacted to provide for (i) levy of entertainment duty in respect of admission to any entertainment and (ii) levy of entertainment tax on cinematographic shows exhibited in public in the State to which persons are ordinarily admitted on payment.



**(a) Non-maintenance of control register leading to non-recovery of tax**

The Department had not maintained the Demand and Collection Register in the prescribed form showing the position of tax due, tax paid and tax recoverable from each of the cinema/video halls operating in Jammu city and other places. Non-maintenance of this register had resulted in inadequacy of control over recovery of tax regularly from the owners of cinema/video halls as discussed below.

As per notification issued by the Government in February 1986 (effective from 6 February 1986), entertainment tax was recoverable at Rs. 40 per show in respect of cinema/video halls located in Jammu city and at Rs. 20 per show in respect of such halls located in other areas. It was noticed in audit that show tax amounting to Rs. 30.20 lakhs had not been recovered/charged from 44 video halls located in Jammu Division during the period of currency of their licences for the years 1990-91 to 1995-96 (up to February 1996). Out of these, 26 video halls with tax arrears of Rs. 9.63 lakhs had been closed (between June 1991 to September 1995) making the chances of recovery in their cases remote with the passage of time. The position of tax due but not recovered for the period prior to 1990-91 could not be assessed in audit due to destruction of departmental records in the fire of 1990 which had not been reconstructed.

Action taken by the Department to recover the unpaid tax and interest due thereon under the Act *ibid*, from the owners of cinema/video halls, after the omission had been pointed out (March 1996) in audit, was not intimated (July 1996).

**(b) Outstanding arrears of show tax/interest**

(i) Show tax rates of Rs. 20 per show in respect of cinema halls located in Jammu and Rs. 10 per show in respect of cinema halls at other places were enhanced to Rs. 100 and Rs. 50 per show respectively in November 1983. On a writ petition filed by the owners of the cinema halls challenging the enhancement of the rates, the State High Court passed orders restoring *status quo* pending decision on the writ petition. While the writ petition was still *sub judice*, the Government refixed (6 February 1986) the rates at Rs. 40 and Rs. 20 per show respectively after which most of the writ petitions were withdrawn. As the revision of rates ordered in February 1986 was effective prospectively, the owners of cinema halls were liable to pay show tax at the enhanced rates for the period from 10 November 1983 to 5 February 1986. They were, however, allowed (June 1986) by the Department to pay arrears on this account in instalments of Rs. 5,000 for cinema halls located in Jammu city and at Rs. 2,500 for cinema halls located in other areas. However, for default in depositing the arrear instalments, the cinema owners were liable to pay interest at 2 per cent per month.

An amount of Rs. 3.20 lakhs was still (January 1996) recoverable from eight cinema owners on this account. On being pointed out in audit (March 1996), the Department stated (March 1996) that the amount would be referred to the



collector for recovery as arrears of land revenue. Further developments were not intimated (October 1996).

(ii) In respect of 10 out of 11 cinema halls in Jammu Division, interest of Rs. 19.81 lakhs, was also due on account of belated payment of instalments of arrears of show tax. Interest in respect of the remaining cinema hall could not be worked out due to non-availability of details. On this being pointed out (March 1996) in audit, the Department stated (March 1996) that demand notices for recovery of outstanding interest charges would be issued to the concerned. Further progress in the matter was not intimated (October 1996).

(iii) An amount of Rs. 1.69 lakhs<sup>@</sup> was outstanding (March 1996) on account of entertainment duty against the proprietors of 19 video halls which had been closed. The arrears had accumulated because of the failure of the Department to take timely action for their recovery. The assessing authority stated (March 1996) that the collector had been requested to recover the amount as arrears of land revenue. Further developments had not been intimated (October 1996).

The above points were referred to Government in June 1996; their reply had not been received (October 1996).

### **Sales Tax Receipts**

#### **6.5 Collection of sales tax and arrears in its assessment in Jammu region<sup>#</sup>**

##### **6.5.1 Introductory**

Tax on sale of goods is levied and recovered under the provisions of the Jammu and Kashmir General Sales Tax Act, 1962, Central Sales Tax Act, 1956 and the Rules made thereunder, as amended from time to time.

##### **6.5.2 Organisational set-up**

The overall control and superintendence of Sales Tax Organisation vests with the Sales Tax Commissioner who is assisted by 14 Deputy Sales Tax Commissioners (3 at Headquarters, 5 each in Kashmir and Jammu Divisions and one in charge of check post at Lakhanpur). There are 16 sales tax circles in Jammu Division.

##### **6.5.3 Audit coverage**

Records relating to the collection of Sales Tax and arrears in assessment of the tax for the period from 1992-93 to 1994-95 were test checked in the offices of the Deputy Commissioner, Sales Tax (Administration); Deputy Commissioner,

<sup>@</sup> Rupees 0.81 lakh pending recovery for more than 5 years; Rs. 0.33 lakh for more than 3 years and Rs. 0.55 lakh for more than 2 years.

The abbreviations used in this Review are listed in glossary in Appendix-20



Sales Tax (Recovery); and Deputy Commissioner, Sales Tax (Audit), Jammu from February 1996 to April 1996. Important points noticed in audit are mentioned in the succeeding paragraphs.

#### 6.5.4 Highlights

- **Targets for completion of assessments by the assessing authorities had not been fixed. The percentage of assessments completed during the years 1992-93 to 1994-95 ranged from 47 to 56.**

(Paragraph: 6.5.5.1)

- **Recovery of arrears of tax was poor, ranging between 3.4 per cent and 5.8 per cent of the total arrears at the beginning of the year during the period from 1992-93 to 1994-95. This had resulted in piling up of arrears to Rs. 62.48 crores by March 1994, registering an increase of 74 per cent over the figures of 1992-93. Test check of some cases revealed lack of action on the part of the Department being mainly responsible for accumulation of arrears.**

(Paragraph: 6.5.5.2)

- **The Jammu and Kashmir Bank did not afford credit of tax collections to Government account by the specified date as per arrangement drawn with the Bank. The Town Hall branch of the Bank had retained out of Government account part of the collections ranging between Rs. 1.41 crores and Rs. 7.41 crores at the time of their transfer to Government account between May 1993 and May 1995. Reconciliation of tax receipts was also not conducted with treasury records.**

(Paragraph: 6.5.5.4 (iii))

- **In six sales tax circles validity period of securities/bank guarantees for Rs. 73.27 lakhs had expired in respect of 992 dealers. Action had not been taken by the Department to renew them to secure the interests of the Government.**

(Paragraph: 6.5.7.1)

#### 6.5.5 Assessment, collection and arrears of tax

##### 6.5.5.1 Arrears in assessment of tax

Every dealer liable to pay tax under the Jammu and Kashmir Sales Tax Act, 1962, is required to furnish quarterly returns alongwith bank receipts as proof of payment of tax within 30 days from the expiry of that quarter. On assessment, the tax already paid by the dealer is adjusted and additional demand for the balance amount, if any, raised against the dealer.

Based on the information furnished to Audit, the number of assessments finalised during the three years ended 1994-95 by the Department in Jammu region and those pending completion are given in the following table:

S.No	1992-93	1993-94	1994-95
	(In numbers)		
1. Assessments due for completion during the year	14048	14324	15789
2. Assessments completed during the year	6673	7297	8897
3. Assessments pending at the end of the year	7375	7027	6892
4. Percentage of cases assessed to cases due for assessment	47	51	56

No targets for completion of assessments during the period from 1992-93 to 1994-95 had been fixed by the Department. From the table given above, it is also evident that of the assessments due for completion during the years 1992-93 to 1994-95 only 47 to 56 *per cent* were actually completed. The reasons for tardy progress in the completion of the pending assessments were not available.

Age-wise break-up of the cases pending assessment at the end of March of each year was also not intimated.

#### 6.5.5.2 Arrears in collection of tax

The position of arrears ending 1994-95 in the collection of sales tax in Jammu region, as intimated by the Deputy Commissioner (Recovery), Sales Tax Department, was as under:

Year	Arrears at the beginning of the year	Amount of arrears collected during the year	Percentage of arrears realised to total arrears
	(Rupees in lakhs)		
1992-93	3592.89	207.70	5.8
1993-94	6088.90	206.23	3.4
1994-95	6248.32	261.33	4.2

As would be seen from the table given above, the recovery of the arrears of sales tax had been very poor registering an increase of 74 *per cent* over the figures of 1992-93.

In 76 cases (total arrears: Rs. 26.93 crores) the arrears exceeded Rs 5 lakhs in each case. Of these, the arrears exceeded Rs. 1 crore each against 5 dealers; Rs. 50 lakhs each against 5 dealers; and Rs. 25 lakhs each against 7 dealers. The arrears against two Government departments and three Government



companies were of the order of Rs. 4.05 crores and Rs. 2.37 crores respectively (March 1996).

**6.5.5.3** As per Sections 16 and 16-A of the Jammu and Kashmir General Sales Tax Act, 1962 and Rule 36 of General Sales Tax Rules, any amount of tax, penalty, interest or any other sum payable under the Act which is not paid in accordance with other provisions of the Act is to be recovered as arrears of land revenue by issue of a Recovery Certificate in the prescribed form to the Collector of the concerned district in which the office of assessing authority is located. In case the concerned Collector is not able to effect recovery owing to reasons of non-conducting of business by the assessee or the assessee not residing in the district, the recovery is to be effected through the Collector of the district where the assessee resides or carries on business or owns property. Test check of some arrear cases revealed that lack of prompt action on the part of the Department was mainly responsible for accumulation of arrears as discussed below:

S.No	Amount of arrears involved (Rs. in lakhs)	Year to which arrears pertain	Action taken by the Department
(i)	67.13	1976-77, 1981-82 and 1985-86 to 1987-88	Demand notice issued on 10 July 1990 for payment of arrears of Rs. 11.10 lakhs for the year 1985-86 was received back on account of the dealer's refusal to accept it. A fresh notice dated 31 July 1990 issued to the dealer was received back with the report that the firm did not exist. Meanwhile, recovery certificates for Rs. 56.03 lakhs more for the years 1976-77, 1981-82, 1986-87 and 1987-88 were received by the Dy. Sales Tax Commissioner, (Recovery) from the assessing authority. Action to effect recovery of the arrears as arrears of land revenue as provided under the Act and Rules <i>ibid</i> had not been taken since 1990.
(ii)	33.33	1988-89 to 1993-94	Warrants of arrest and attachment of property of a dealer were issued in March and April 1994 respectively. No follow-up action was taken thereafter as the dealer, as per orders of the Commissioner (May 1994), deposited Rs. 2 lakhs in the treasury and gave eleven post dated cheques for an aggregate amount of Rs. 31.33 lakhs payable on 10th of every month starting from July 1994. The post dated cheques were still on file without any action having been taken to get them encashed for which reasons were not intimated. Meanwhile, the arrears swelled up to Rs. 71.79 lakhs (November 1995) on receipt of further recovery certificates. No effective measures were taken for their recovery except issue of a notice in November 1995.
(iii)	20.85	1983-84 to 1985-86	Demand notices issued (October 1988, April 1989 and August 1990) to a dealer of Jammu for recovery of arrears of Rs. 0.12 lakh for the year

S.No	Amount of arrears involved (Rs. in lakhs)	Year to which arrears pertain	Action taken by the Department
			1983-84 and Rs. 13.81 lakhs for 1985-86 were received back undelivered. Demand notice for Rs. 6.92 lakhs for the year 1984-85 was, however, not issued. No action for recovery of tax as arrears of land revenue had been taken since August 1990.
(iv)	4.70	1978-79 to 1985-86	Demand notices issued in November 1990 and March 1991 were received back undelivered. No further action for recovery of arrears was taken by the Department.
(v)	5.94	1979-80 to 1985-86	After the dealer failed to pay the arrears of tax, etc. notice was issued to his guarantor in November 1995, who refused to accept it stating that the guarantee had been withdrawn by him in May 1981. No further action had been taken in the case since November 1995.
(vi)	4.21	1984-85 to 1988-89	No effective steps had been taken for the recovery of arrears since November 1994 when the case was referred to the Recovery Officer.
(vii)	33.58 (8 cases)	1978-79 to 1992-93	No further action was taken after issue of attachment notices on different dates from November 1993 to June 1995 for recovery of arrears.
(viii)	4.91	1985-86 to 1987-88	Notice for payment of arrears of only Rs. 4.53 lakhs against Rs. 4.91 lakhs was issued in September 1995 resulting in raising of demand short by Rs. 0.38 lakh. No further action was taken thereafter.
(ix)	73.20 (17 cases)	1975-76 to 1991-92	No action for recovery of arrears had been taken for the period ranging from one to four years after issue of demand notice.
(x)	37.00 (10 cases)	1981-82 to 1990-91	No action for recovery of arrears was taken after receipt of recovery certificates from the assessing authorities.

On this being pointed out in audit (January 1994 and March 1996) the Department stated (April 1996) that the matter would be looked into.

#### 6.5.5.4 Non-reconciliation of tax receipts with the treasury records

Sales tax is remitted by the dealers into specified branches of the Jammu and Kashmir Bank. As per standing arrangement with the Bank, the Town Hall branch at Jammu is required to credit the sales tax collections to Government account at the close of each day's business while other specified branches are required to do so on each Friday and on the last working day of the month. The branches in Jammu city have to pass on the collections to Town Hall branch while those at district headquarters have to deposit the collections in the respective district



treasuries. However, no penal provision like charging of interest for delayed crediting of tax receipts to Government account exists in the standing arrangement with the Bank.

In test check it was noticed that:

(i) Credits on account of Sales Tax Collections were not afforded by the Bank to the Government account on the scheduled day as per details given in Appendix-10.

(ii) Balances transferred by specified branches of the bank in Jammu city to Town Hall branch appeared in the scroll of the latter branch after a gap of three days to more than one month as shown in Appendix-11.

(iii) The Bank did not credit to Government account the sales tax collections in full on the specified dates but invariably retained part of these collections. The collections retained from time to time by the Town Hall branch of the Bank ranged from Rs. 1.41 crores to Rs. 7.41 crores and those by other branches from Rs. 1.45 lakhs to Rs. 85.51 lakhs as per instances given in Appendix-12. The Bank had also retained tax collections (ranging from Rs. 3.49 lakhs to Rs. 238.13 lakhs) even at the end of each financial year continuously during the period of review, in complete disregard of Rule 2.2 of the Jammu and Kashmir Financial Code Vol. I which requires that the receipts should be credited to Government account immediately.

Apart from being irregular, withholding or non-affording of full credit of sales tax collections to the Government account meant avoidable liability of interest to be borne by the Government in respect of its borrowings (to the extent of withheld amounts). Obviously while making arrangement for collection of Sales Tax through Jammu and Kashmir Bank the Department had failed to visualise the consequences of non-crediting/delay in crediting of tax collections to Government account on the resource position of the State especially in view of the fact that the Government had obtained overdraft throughout the years 1992-93 to 1994-95 from the Bank for its ways and means requirements.

(iv) The Deputy Commissioner, Sales Tax (Administration), Jammu had not reconciled the remittances with treasury/Bank records.

Action taken by the Department to remedy the situation was not intimated (October 1996).

#### **6.5.6 Disposal of appeals**

**6.5.6.1** Under the Jammu and Kashmir General Sales Tax Act, 1962, an assessee is entitled to appeal against the assessment order within thirty days of the receipt of the demand notice. The Act or the Rules framed thereunder, do not, however, prescribe any time limit for disposing of the appeals filed before the appellate authorities. Appeals are entertained by the appellate authority after satisfying that the appellant has paid the tax dues as per returns filed by him or 20 per cent of the amount of tax assessed whichever is greater and that in the case of

appeals against imposition of penalty 50 *per cent* of the amount of penalty has been paid.

The position of appeals filed by the assesseees with the appellate authority, appeals disposed of and those pending disposal at the close of each of the three years ending 1994-95 is given below:

	Particulars	1992-93	1993-94	1994-95
(a)	Appeals pending disposal at the beginning of the year	1289	1383	1610
(b)	Fresh appeals received during the year	637	628	592
(c)	Total	1926	2011	2202
(d)	Appeals disposed of during the year	543	401	591
(e)	Appeals pending disposal at the end of the year	1383	1610	1611
(f)	Percentage of (d) to (c)	28	20	27

Age-wise analysis of the appeals pending had not been prepared.

Delay in disposal of appeals resulted in delay in collection of revenue.

Reasons for tardy progress in the disposal of appeal cases were not intimated by the Department (October 1996).

The appellate authority had neither maintained the register of appeals in the prescribed form nor did the prescribed form contain a column showing the amount of tax, penalty, etc. appealed against. Consequently the extent of revenue involved in the pending appeals could not be worked out.

#### 6.5.6.2 Disposal of revision petitions

Under the Jammu and Kashmir General Sales Tax Act, 1962, the Commissioner, Sales Tax may, either of his own volition or on an application made, call for the records of any assessment proceedings which are pending before or have been disposed of by an appellate authority or any other person appointed to assist the Commissioner, for the purpose of satisfying himself as to the correctness of these proceedings and may pass such orders in relation thereto as he may think fit.

The year-wise position of revision petitions received, number of petitions disposed of and those pending disposal at the close of the each year during the period from 1992-93 to 1994-95 was as follows:

Year	Revision petitions pending disposal at the beginning of the year	Revision petitions received during the year	Total	Revision petitions disposed of during the year	Petitions pending disposal at the end of the year	Percentage of petitions disposed of with reference to total petitions
1992-93	500	27	527	17	510	3.2
1993-94	510	26	536	19	517	3.5
1994-95	517	55	572	21	551	3.7



Reasons for insignificant progress of disposal of pending revision petitions were not intimated (September 1996). The amount of revenue blocked up in the pending petitions was not ascertainable as the register of revision petitions (Form ST-54) maintained by the Department did not indicate the amount involved in such petitions.

**6.5.7 Other points**

**6.5.7.1 Non-renewal of bank guarantees**

Under the Jammu and Kashmir General Sales Tax Act, 1962, the Commissioner or any officer authorised by him in this behalf is empowered to require a dealer to furnish security in the manner prescribed by the Rules for proper realisation of tax, penalty, interest or any other sum for which he may be or become liable under the Act.

In six sales tax circles of Jammu Division, it was noticed in audit that the validity period of the bank guarantees for Rs. 73.27 lakhs in respect of 992 dealers had expired. The Department had failed to get the bank guarantees renewed before their expiry to safeguard the interests of the Government in the event of default in payment of tax, etc. by the concerned dealers.

**6.5.7.2 Dishonoured cheques**

Out of 1285 cheques given by various dealers towards payment of arrears of sales tax during 1992-93 to 1994-95, 139 cheques for Rs. 79.70 lakhs were dishonoured by the banks. No action had, however, been taken against these defaulting dealers under the provisions of Negotiable Instruments Act though delay in the collection of the tax dues on account of dishonouring of the cheques affected the resource mobilisation by the Government.

**6.5.7.3 Internal audit wing**

An internal audit wing created in the Sales Tax Division, Jammu in 1988 under the charge of Deputy Commissioner, Sales Tax (Audit) started functioning from November 1990. The internal audit wing conducts, once every year, audit of the assessments made by the assessing authorities. Audit of sales tax receipts, recovery of arrears and disposal of appeals has neither been entrusted to nor conducted by the internal audit wing. Thus, the mechanism of internal audit has not been put to proper use especially for ensuring timely issue of demands and avoiding accumulation of arrears.

**6.5.8** The above points were referred to Government in July 1996; reply had not been received (October 1996).

**6.6 Working of sales tax check posts**

Sales tax is one of the major sources of revenue of the State. With a view to preventing or checking evasion of sales tax as also clandestine trade by the



dealers and exercising check and collecting information on the movement of goods into or out of the State for effective utilisation by the assessing officers, the Government has established check posts in the State under the provisions of the Jammu and Kashmir General Sales Tax Act, 1962. The main check post has been established at Lakhanpur which is the single entry point into the State by road. Two more check posts have been established at Railway Station, Jammu in respect of goods imported into the State by rail. In addition, inspections/searches are also carried out by the Vigilance and Inspection (V&I) Wing of the Sales Tax Department.

Test check of the records of the sales tax check posts at Lakhanpur and Jammu Railway Station and Deputy Commissioner, Vigilance and Inspection for the period from 1991-92 to 1994-95 conducted in March/April 1996 revealed as under:

#### 6.6.1 Inadequate physical verification of goods transported across the check posts

Under the provisions of the Jammu and Kashmir General Sales Tax Act, 1962, the owner or person in charge of a goods vehicle is required to carry with him a bill of sale or a delivery note besides a way bill in respect of the goods carried in the vehicle. He is also required to stop the vehicle and put it stationary so long as may be necessary at the check post or at the roadside to allow the officer incharge of the check post or any other officer authorised in this behalf to examine the contents of the vehicle including records relating to the goods carried, which are in possession of the owner or person in charge of the vehicle. The details of vehicles/cases physically checked, penalty/security collected, etc. during the period of test check at Lakhanpur check post and by the Vigilance and Inspection Wing are given below:

##### (a) Lakhanpur check post

The number of vehicles carrying goods which crossed the check post at Lakhanpur, number of such vehicles which were physically checked, number of vehicles of which the goods were confiscated and the amounts of penalty and security recovered during the four years ended 1994-95 were as follows:

Year	Vehicles which crossed the check post	Vehicles physically checked	Cases in which GRs only were seized	Vehicles confiscated	Amount of penalty/security collected	Percentage of vehicles physically checked
	(Number in lakhs)		(In numbers)		(Rupees in lakhs)	
1991-92	1.90	9150	9370	919	27.61	4.8
1992-93	2.04	9125	5603	1181	38.88	4.5
1993-94	2.05	9125	4105	1030	47.72	4.4
1994-95	2.06	9125	5694	804	48.65	4.4



The number of vehicles checked was 25 only against 519 to 564 vehicles (on an average) passing through the check post daily. The percentage of vehicles checked during the period from 1991-92 to 1994-95 declined from 4.8 in 1991-92 to 4.4 in 1994-95. The basis/reasons for checking only 25 vehicles daily which constituted just a small percentage of vehicles passing through the check post were not intimated (October 1996).

The GRs seized at the check post are forwarded to the Vigilance and Inspection Wing for further examination. Test check of the register of the seized GRs maintained by the Deputy Commissioner, Sales Tax (V&I) revealed that the unreleased GRs of the preceding year had not been brought forward to the succeeding year for taking appropriate follow-up action. The details of seizure cases booked, cases disposed of and those pending at the close of a year and the amount of revenue realised had also not been recorded in the register. This was indicative of lack of follow-up action on the part of the Vigilance and Inspection Wing of the Department for prompt disposal of those cases.

**(b) Vigilance and Inspection Wing**

The Department has not fixed norms for inspections to be carried out by the Vigilance and Inspection Wing in a year. However, the number of inspections carried out by the Wing and the amount of penalty and security recovered during the four years ended 1994-95 were as under:

Year	Goods carrying vehicles which crossed the check posts	Inspections conducted	Amount of penalty/security recovered	Percentage of vehicles inspected
	(Number in lakhs)	(In numbers)	(Rupees in lakhs)	
1991-92	1.90	195	5.47	0.10
1992-93	2.04	203	5.51	0.10
1993-94	2.05	196	7.31	0.09
1994-95	2.06	297	11.38	0.14

From the above table it would be seen that the number of inspections carried out by the Vigilance and Inspection Wing of the Department was negligible. Substantial recoveries made by the wing on account of penalty/security after inspection of just a small number of cases should have prompted the Wing to carry out more intensive check of the vehicles.

**6.6.2 Short/non-recovery of penalty/security**

The Jammu and Kashmir General Sales Tax Act, 1962, provides for imposition of penalty on the owners of the goods transported across the check posts at double the rate of tax chargeable on the sale of such goods on the invoice value or market value thereof, whichever is higher, if such goods are not supported by the requisite documents or, if so supported, the documents are fake and false or are



suspected to be fake and false in respect of the particulars contained therein. Penalty up to 20 *per cent* but not less than 10 *per cent* of the invoice value or the market value of such goods, whichever is higher, is chargeable from a transporter of such goods unless he proves to the satisfaction of the assessing authority that the fake nature or falseness of the documents was not within his knowledge. Further, lack of supporting documents or the fake nature or falseness thereof shall be deemed to be within the knowledge of the transporter if he, without reasonable cause, fails to comply with any of the provisions of the Act. Besides, in case of transportation of goods across the check post by unregistered dealers, security at double the rate of tax chargeable on the sale of such goods on invoice value or market value thereof, whichever is higher, is recoverable from the dealers.

(i) In three cases, the dealers engaged in the manufacture of steel furniture and assembling of deep freezers from their components imported from outside the State, actually imported finished products for sale in the State. In the documents accompanying the consignments, the goods were shown as component parts. The documents being false, the goods were seized at the check post and were released after recovery of penalty. However, as the consignees were registered for import of components only and not for finished products, the goods were liable to be treated as imported on behalf of unregistered dealers. Accordingly, in addition to the penalty recovered, security amounting to Rs. 0.40 lakh was also recoverable from the consignees. The same was not made good.

(ii) In 37 cases, goods transported across the check posts were seized by the check post authorities as the documents accompanying them were found to be false and fake in respect of quantity/value/nature of goods shown therein. The goods were released after recovery of penalty from the consignees. No penalty was, however, charged from the transporters. There was nothing on record to show that notices had been issued to the transporters and they had satisfied the assessing authority that they had no knowledge of the documents being fake and false. The omission resulted in short realisation of penalty of Rs. 1.20 lakhs worked out at 15 *per cent* of the assessed value (as applied by the assessing authority in similar other cases).

On this being pointed out in audit (March 1996) the Department stated that the transporter/driver of the vehicle accepted responsibility for 'nags' (packages) only and not for quantity and nature of goods contained therein. The contention of the Department was not tenable in view of the clear provisions of the Act on the subject as brought out in the preamble to paragraph 6.6.2.

### **6.6.3 Non-auctioning of unclaimed seized goods**

Under the provisions of the Jammu and Kashmir General Sales Tax Act, 1962, goods seized at the check posts or road side which remain unclaimed for 180 days after the date of seizure shall be auctioned and after recovering the amounts due to Government from the auction proceeds, the balance amount shall be refunded to the owners.



In 187<sup>5</sup> cases the goods seized at the check posts and by the Vigilance and Inspection Wing of the Department between March 1986 and March 1995, which had remained unclaimed (April 1996), had not been auctioned after the expiry of the prescribed period of 180 days resulting in locking up of Government revenue to the extent of Rs. 9.81 lakhs by way of penalty/security recoverable from the auction proceeds of the seized goods.

Besides, physical verification of such goods had also not been conducted either by the check post authorities or by the Vigilance and Inspection Wing (in respect of goods confiscated by them). In the absence of such verification physical condition of the seized goods was not ascertainable.

On this being pointed out in audit (March 1996) the authorities at Lakhanpur Check post stated that necessary action was being taken immediately in respect of the recoverable amount of revenue of Rs. 3.36 lakhs. No reply had been furnished as of September 1996 by the Vigilance and Inspection Wing for the recoverable amount of Rs. 6.39 lakhs and by the Excise and Taxation Officer, Railway Station check posts, Jammu in respect of similar recovery of Rs. 0.06 lakh included in Rs. 9.81 lakhs.

**6.6.4** The above points were referred to the Government/Department in July 1996; reply had not been received (October 1996).

#### **6.7 Suppression of turnover**

As per departmental instructions, every dealer is required to render an account of utilisation of 'C' forms issued to him. The account would, *inter alia*, indicate particulars of goods imported on the basis of 'C' forms. Besides, as per provisions of the Jammu and Kashmir General Sales Tax Act, 1962, in the event of non-payment of tax or any other amount by the dealer, he shall be liable to pay interest at the rates ranging from 1.5 per cent to 3 per cent from the date it was payable to the actual date of payment. The Act further provides for imposition of penalty for concealment of turnover which is not to be less than the amount of tax that would have been avoided by the dealer. Test check (March 1995/May 1995) of records of Sales Tax Circles 'B' and 'J' in Jammu revealed following cases of short levy of tax, penalty and interest.

(a) In the Sales Tax Circle 'B' in Jammu, two dealers had not accounted for in their purchase statements/trading accounts, inter-State purchases valued at Rs. 2.90 lakhs and Rs. 5.19 lakhs made by them during 1991-92 and 1992-93 respectively as per consumption account of 'C' forms thereby understating the turnover. Failure of the assessing authority to detect (September/October 1994 and January 1995) the suppressed purchases while making the assessment resulted in short levy of tax, penalty and interest aggregating Rs. 99,507 (tax: Rs. 36,193, penalty: Rs. 36,193 and interest: Rs. 27,121 up to September/October 1994 and January 1995).

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<sup>5</sup> Includes 58 cases of Vigilance and Inspection Wing.



On the omission being pointed out in audit (May 1995), the Department raised (June 1996) demands for Rs. 1.65 lakhs against the dealers. Further progress of recovery had not been received (August 1996).

(b) In the same circle, another dealer had not accounted for inter-State purchases valued at Rs. 1.08 lakhs, made by him as per consumption account of 'C' forms during 1990-91, in his inter-State purchase statements/trading account for the year thereby understating the turnover to that extent. Failure of the assessing authority to detect (May 1992) the concealed turnover while making assessment resulted in short levy of tax, interest and penalty (minimum) aggregating Rs. 32,987 (tax: Rs. 13,464; interest up to May 1992: Rs. 6,059; and penalty: Rs. 13,464).

On the omission being pointed out to the Department in September 1993; the Department raised (June 1996) a demand for Rs. 1.07 lakhs against the dealer. Report on recovery of the amount had not been received (August 1996).

(c) In the Sales Tax Circle 'J' in Jammu, inter-State purchases of Rs. 4.53 lakhs made by a dealer during 1991-92, as per the consumption account of 'C' forms, had not been accounted for in the purchase statements/trading account for the year. Failure of the assessing authority to detect (December 1993) the suppressed purchases during the course of assessment resulted in short levy of tax of Rs. 51,350 and non-imposition of penalty and interest leviable on the evaded tax.

On the omission being pointed out (March 1995) in audit, the Department raised (February 1996) additional demand for Rs. 1,64,320 (tax and surcharge: Rs. 51,350; penalty: Rs. 51,350 and interest: Rs. 61,620) against the dealer. Report on recovery of the amount had not been received (August 1996).

The above points were referred to Government in April/May 1996; reply had not been received (October 1996).

#### **6.8 Incorrect application of the tax rate**

Under the Jammu and Kashmir General Sales Tax Act, 1962, toilet requisites are taxable at the rate of 10 *per cent*. Toilet requisites include sanitary napkins.

Test check (April 1995) of records of the Sales Tax Circle "C" in Jammu revealed that for the year 1993-94 a dealer was assessed to tax in respect of sanitary napkins (turnover: Rs. 10.77 lakhs) at the rate of 8 *per cent* against 10 *per cent* applicable. This resulted in short levy of tax and interest of Rs. 27,917 (tax and surcharge: Rs. 22,611 and interest up to October 1994: Rs. 5,306).

On this being pointed out (April 1995) in audit the Department raised (January 1996) an extra demand of Rs. 37,194. The dealer was however, reported (May 1996) to have preferred an appeal against the said order before the Appellate Authority. Further progress in the matter was not intimated (August 1996).



The matter was referred to Government in April 1996; reply had not been received (October 1996).

#### **6.9 Non-levy of penalty**

Under the Central Sales Tax Act, 1956 if a registered dealer falsely represents when purchasing any class of goods in the course of inter-State trade or commerce that goods of such class are covered by his certificate of registration, the competent authority may impose upon him by way of penalty a sum not exceeding one and a half times the tax which would have been levied in respect of such goods.

A test check (February 1995) of records in the Sales Tax Circle "A" in Jammu revealed that a dealer in confectionery items was granted registration to deal in "medicine" and other items also with effect from 26 December 1991. The dealer, had, however, already effected inter-State purchase of an 'Ayurvedic' medicine valued at Rs 2.37 lakhs on 'C-forms' between April 1991 and 25 December 1991 which was not shown as such in his trading account and other documents for the accounting year 1991-92. The assessing authority while finalising (December 1992) the assessment for the year 1991-92 failed to detect the irregularity and to levy penalty up to Rs. 0.36 lakh leviable on this account under the Act *ibid*.

On the omission being pointed out in audit (February 1995), the Department passed the penalty order and raised a demand for Rs. 0.36 lakh against the dealer (April 1996). However, the Commissioner, Sales Tax reported (August 1996) to Government that the dealer had preferred an appeal before the Appellate Authority against the penalty order. Further developments were not intimated (October 1996).

#### **6.10 Misclassification of turnover**

Under the provisions of the Jammu and Kashmir General Sales Tax Act, 1962, if the assessing authority has reasons to believe that through omission or failure on the part of a dealer, the turnover chargeable to tax has been assessed at a lower rate or has escaped assessment, he may reassess the tax on such turnover after serving a notice on the dealer. Under the Act, *ibid*, the dealer is also liable to imposition of penalty equal to double the amount of tax evaded besides, levy of interest for concealment of turnover.

Test check (August 1995) of the records of Sales Tax Circle-D, Jammu revealed that a dealer had misclassified the opening stocks valued at Rs. 8.65 lakhs in his trading account for 1990-91 and had showed these taxable at a lower rate. This omission escaped the notice of the assessing authority resulting in short levy of tax of Rs. 36,347, besides non-levy of penalty of Rs. 72,693 and interest of Rs. 57,793 (up to July 1995).

On the omission being pointed out in audit (August 1995), the Department reassessed (December 1995) the dealer's turnover and raised additional



demand of Rs. 1.70 lakhs (tax: Rs. 37,068, interest: Rs. 58,851 and penalty: Rs. 74,136) for the misclassified turnover of Rs. 8.65 lakhs and for the concealed turnover of Rs. 8,598 detected by the assessing authority during reassessment. In September 1996, the Commissioner Sales Tax reported to Government that the concerned dealer had failed to deposit the amount by the stipulated date and hence the matter had been referred to the collector for further action.

#### **6.11 Loss of revenue**

Under the provisions of Jammu and Kashmir General Sales Tax Act, 1962, no order of assessment or reassessment shall be made after the expiry of eight years from the end of the year or one year from the end of the year in which notice is served, whichever is later. The Act *ibid* also provided that if the tax due is not paid by an assessee within the stipulated period he shall be liable to pay interest on such tax from the date it was payable to the date of actual payment, at the prescribed rates. Palm oil of all sorts was taxable at the rate of 8 *per cent* under the provisions of the Act *ibid*.

Test check (March 1986) of the records of the Sales Tax Circle 'F' in Jammu revealed that tax of Rs. 13,638 was not levied by the assessing authority on sale of un-refined palm oil valued at Rs. 1,62,357 by a dealer during 1983-84. On this being pointed out in audit (March 1986), the assessing authority contended (April 1986) that unrefined palm oil not having undergone any process of refinement was to be used only for manufacture of soap and as such it was non-taxable. The contention of the Department being not tenable, the audit observation was reiterated in July 1986. No action was taken thereafter by the assessing authority for over 5 years i.e., till December 1991 when the matter was referred to the Commissioner, Sales Tax for clarification. The Commissioner upheld the view of the Audit in November 1992 by which time the case had already become time barred (March 1992).

Reassessment order passed (November 1992) by the assessing authority after receipt of the clarification was annulled (March 1993) by the appellate authority on the grounds of the case being time barred.

Thus, failure of the Department to take timely action for obtaining/rendering necessary clarification resulted in loss of revenue of Rs. 54,963 including interest of Rs. 41,325 (up to March 1992) for which no responsibility was fixed.

The matter was referred to the Government in June 1996; reply had not been received (October 1996).

#### **6.12 Non-recovery of interest**

Under the provisions of the Jammu and Kashmir General Sales Tax Act, 1962, if the tax or any other amount due under the Act is not paid by the dealer or any other person by whom it is payable within the period specified in the demand



notice, the dealer or such other person shall be liable to pay interest on the tax or other amount from the date it was payable to the date of actual payment.

Test check (January 1994) of the records of the Deputy Sales Tax Commissioner (Recovery), Jammu revealed that a demand for sales tax (Rs. 16,500) had been paid (June 1991) by a dealer in Jammu Division seven years after the date (9 May 1984) specified in the demand notice, but interest amounting to Rs. 40,095 due on account of the belated payment of the tax had not been charged.

On the omission being pointed out in audit (January 1994) the Department raised (October 1996) a demand for Rs. 40,095 against the dealer. Report regarding recovery of the amount had not been received (October 1996).

The matter was referred to Government in June 1996; reply had not been received (October 1996).

### **Revenue Department**

#### **6.13 Short realisation of licence/renewal licence fee**

Under the provisions of Section 5 of the Jammu and Kashmir Brick Kilns (Regulation) Act, 1990, the licence fee in respect of a brick kiln holder was enhanced from Rs. 12 to Rs. 5000 per annum. Similarly, the renewal licence fee was also raised from Rs. 12 to Rs. 2000 per annum, revisions in both cases being effective from July 1990.

A test check of records of two tehsil offices (Jammu and Rajouri) in Jammu region revealed that licence and renewal licence fee in respect of twenty two cases ( 1 fresh and 21 renewals) were realised at the pre-revised rates even after July 1990 resulting in short-realisation of licence and renewal licence fee of Rs. 0.59 lakh.

On this being pointed out in audit (April 1996), the Government reported (August 1996) recovery of Rs. 0.26 lakh from the kiln holders of the Jammu tehsil. The Government further stated that the Divisional Commissioner, Jammu had been asked to take disciplinary action against Tehsildar Rajouri for not effecting the recovery. The Divisional Commissioner was also directed to ensure recovery of arrears pointed out by Audit. Position regarding recovery of the remaining amount (Rs. 0.33 lakh) was not intimated (October 1996).

### **Forest Department**

#### **6.14 Non-raising/revision of bills**

After the enactment of the Jammu and Kashmir State Forest Corporation Act, 1978, earmarked forests are handed over to the Corporation for commercial exploitation. The rates for sale of timber chargeable from the Corporation are sanctioned by the Forest Department for each year. In the absence of approved rates

for a particular year the bills are raised on the basis of latest available sanctioned/approved rates subject to their revision on receipt of sanctioned rates for that particular year.

The royalty rates worked out by the Principal Chief Conservator of Forests (PCCF) for the years 1985-86 to 1989-90 for various species of timber except *Chir* (for which rates had been worked out up to 1986-87 only) in respect of Jammu Division were submitted to Government for sanction in August 1991 and in anticipation of the Government approval the divisions were directed to issue bills to the Corporation on the basis of the rates fixed by the Principal Chief Conservator of Forests.

Test check (September 1994) of records in Forest Division, Batote revealed that for a chargeable fit volume of 1,04,442 cft timber including 278 poles handed over to the Corporation for exploitation in May 1994, the Division had failed to raise the bills on the basis of the aforesaid orders of the PCCF resulting in non-recovery of revenue of Rs. 44.79 lakhs.

In another case in the same Division, chargeable fit volume of 34,183.17 cft timber and 142 poles handed over to the Corporation for exploitation in January 1990 had been billed for at the rates applicable for 1984-85. The bill was, however, not revised on the basis of the latest rates fixed by the PCCF in August 1991 for the years 1985-86 to 1989-90 resulting in short recovery of revenue of Rs. 17.81 lakhs.

On the omissions being pointed out in audit (September 1994), the Department stated (July-August 1996) that bills of cost aggregating Rs. 64.36 lakhs had been raised against the Corporation. Report on recovery of the amount from the Corporation had not been received (August 1996).

The above points were referred to Government in May 1996; reply had not been received (October 1996).

#### 6.15 Loss of revenue

The work of extraction of resin from *chir* trees due for extraction in identified areas is got done by the Forest Department through wage-mates.

In Forest Division Rajouri, a wage-mate, who was allotted (May 1994) work of extraction of resin from 14,000 blazes with a minimum expected yield of 378 quintals of resin, did not take up the work. On backing out of the wage-mate, the work was also not executed departmentally. Non-tapping of 14,000 blazes resulted in non-extraction of resin (378 quintals at minimum yield) and thereby a revenue loss of Rs. 7.95 lakhs (including Sales Tax).

On the omission being pointed out (January 1996) in audit, the Department stated (January 1996) that the work was not taken up departmentally in the interest of forest protection and it was obligatory to give rest to *chir* forest for



optimum yield of resin. The reply furnished was not tenable as in that case the blazes in question should not have been allotted to the wage-mate in May 1994 for extraction of resin.

Thus, non-taking up of the extraction work departmentally after the wage-mate had backed out resulted in revenue loss of Rs. 7.95 lakhs against which the earnest deposit of Rs. 8,800 paid by the wage-mate was forfeited by the Division.

The matter was referred to Government in May 1996; reply had not been received (October 1996).





***This Chapter consists of three sections***

***Section-I***

***gives a  
General View  
of***

***Government Companies,  
Statutory Corporations and  
Departmentally managed Undertakings***

***Section-II***

***includes  
Audit Review  
on***

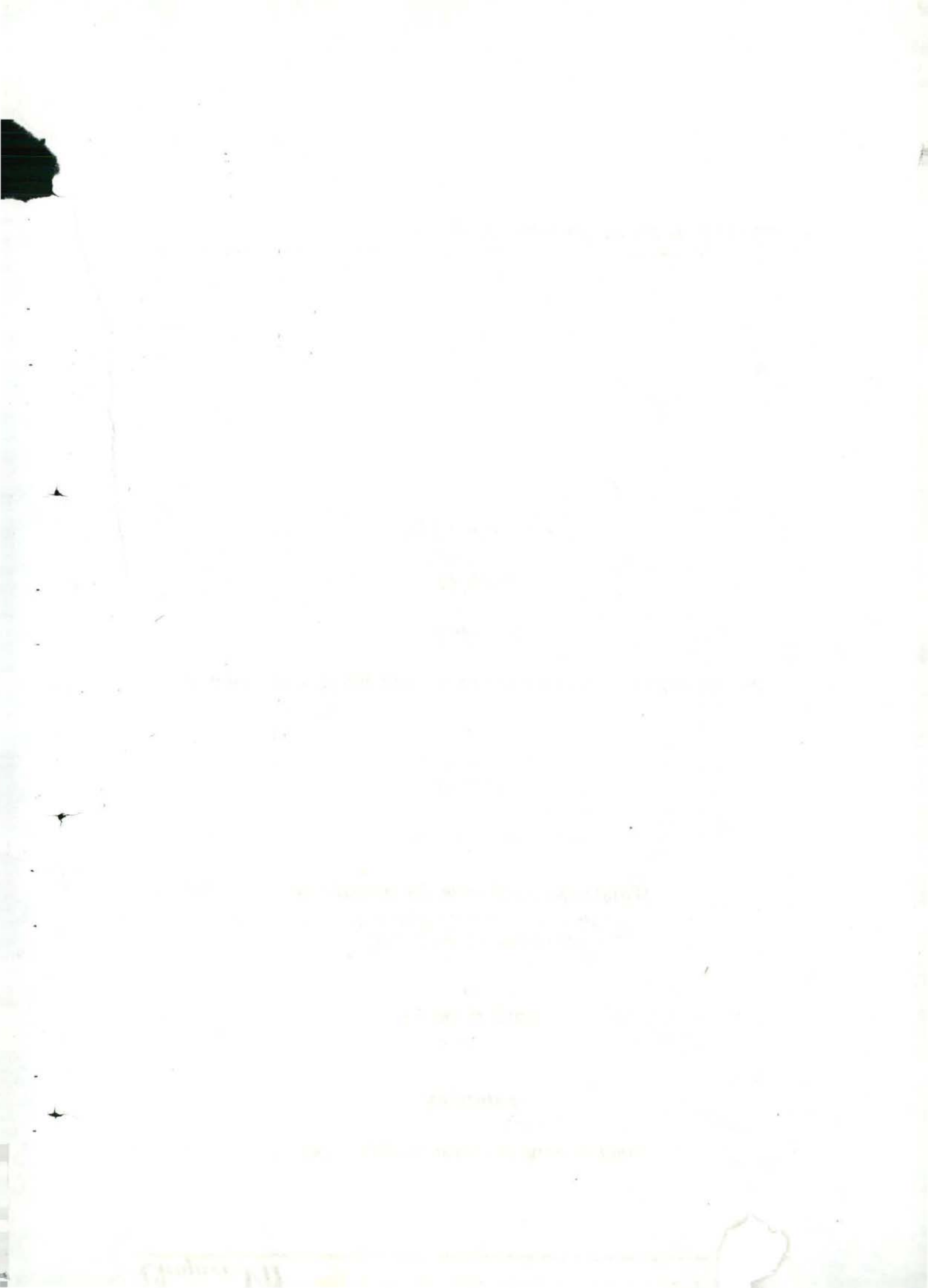
***Jammu and Kashmir Projects Construction Corporation Limited***

***Section-III***

***includes  
Miscellaneous  
Topics of Interest***

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***Commercial and Trading Activities***





## Section-I

**This section contains a general view of Government Companies, Statutory Corporations and Departmentally managed Undertakings**

## 7.1 Introduction

The accounts of the Government companies and deemed Government companies (as defined in Section 619 B of the Companies Act, 1956) are audited by the Statutory Auditors who are appointed by Central Government on the advice of the Comptroller and Auditor General of India (C&AG) as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the C&AG as per provisions of Section 619(4) of the Act, *ibid*.

The accounts of Jammu and Kashmir State Road Transport Corporation are audited solely by the C&AG under the Road Transport Corporations Act, 1950. The accounts of Jammu and Kashmir State Financial Corporation are audited by the chartered accountants appointed by the State Government in consultation with the C&AG who also undertakes the audit of this corporation separately. Audit Reports on the accounts of these statutory corporations are issued by the C&AG to the respective organisations and to the State Government.

## 7.2 Government companies-General view

7.2.1 As on 31 March 1996, there were 19 Government companies including one subsidiary Government company, of which 17 companies had total investment of Rs. 408.88 crores (equity: Rs. 153.40\* crores, long term loans: Rs. 255.48\*\* crores). The classification of the companies is as under:

Particulars	Number	Paid-up capital (Rs. in crores)
(a) Working companies	16	152.60
(b) Non-working companies		
Companies under liquidation	1@	0.80

No investment had been made by the State Government by way of share capital contribution in two companies viz., Jammu and Kashmir State Power Development Corporation Private Limited and Jammu and Kashmir State Handloom, Handicrafts, Raw Material Organisation Limited although these were incorporated in February 1995 and November 1991 respectively.

\* State Government: Rs. 143.58 crores; Central Government: Rs. 8.41 crores and Others: Rs. 1.41 crores.

\*\* State Government: Rs. 130.97 crores; Central Government: Rs. 0.12 crore and Others: Rs. 124.39 crores including interest. The amount also includes Rs. 0.74 crore invested in Jammu and Kashmir State Handloom, Handicrafts, Raw Material Organisation Limited.

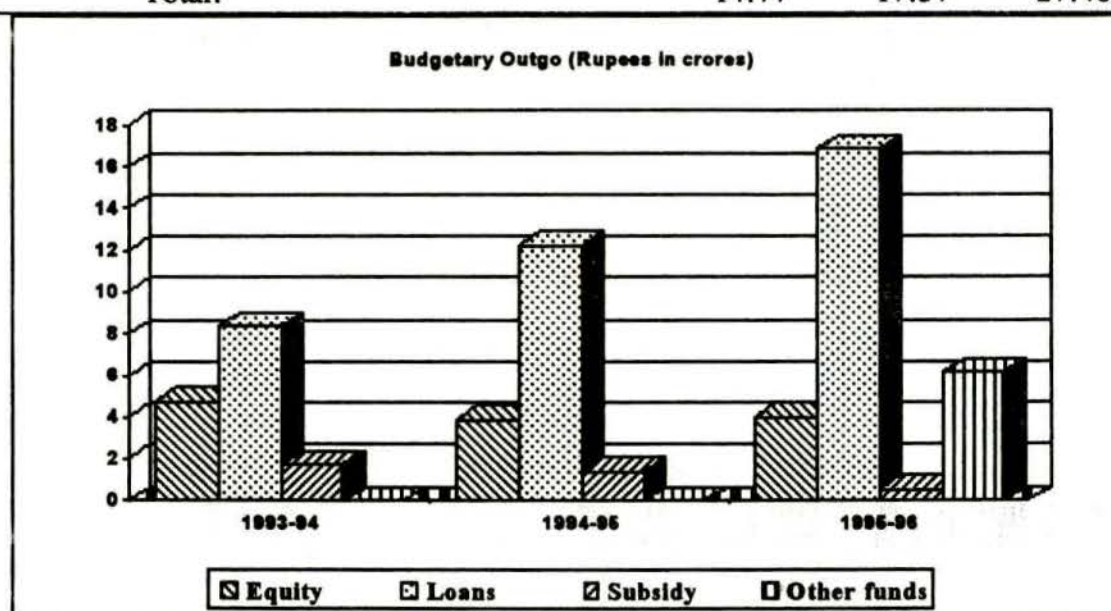
@ Tawi Scooters Limited.

The financial position and working results in respect of all the Government companies are given in Appendices 13 and 14 respectively.

### 7.2.2 Budgetary outgo and waiver of dues

The outgo from the State Government to 18 Government companies during the years 1993-94, 1994-95 and 1995-96 in the form of equity capital, loans and subsidy is as detailed below:

S.No	Particulars	1993-94	1994-95	1995-96
(Rupees in crores)				
1	Equity capital	4.71 <sup>#</sup>	3.90	4.01
2	Loans	8.35	12.26	16.83
3	Subsidy	1.71	1.41	0.50
4.	Other funds	-	-	6.14 <sup>**</sup>
Total:		14.77	17.57	27.48



(The company-wise break up of the subsidy paid during 1995-96 is given in Appendix-15).

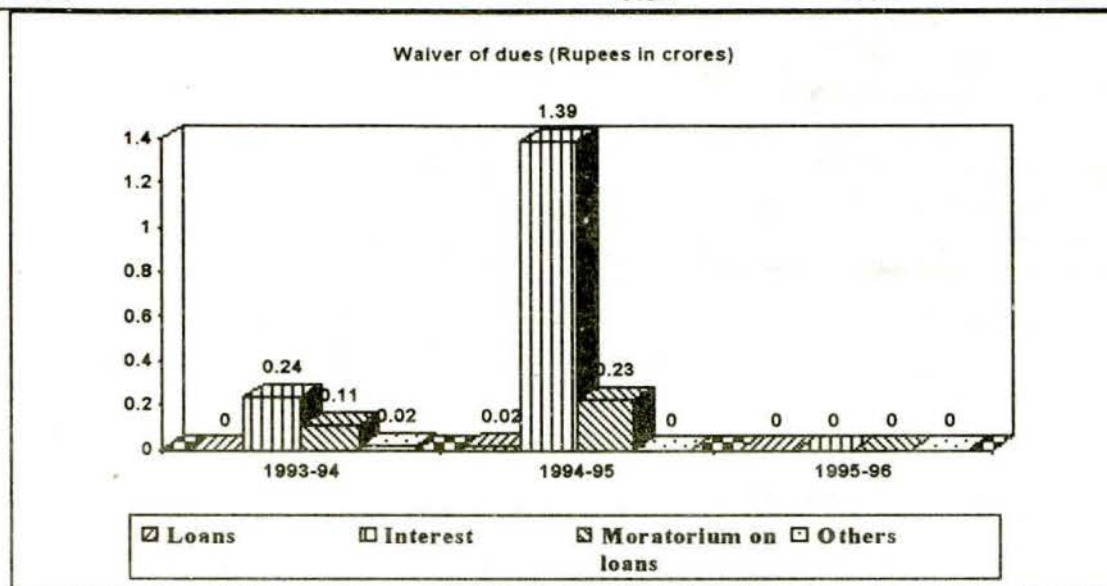
In the last three years, the amount of receipts due to the Government which were forgone by way of loans written off or interest waived or due to grant of moratorium on loan repayments are given below:

<sup>#</sup> Includes Rs. 0.25 crore invested by the Government in Jammu and Kashmir State Women's Development Corporation Limited during 1993-94.

<sup>\*\*</sup> Rupees 50 lakhs, Rs. 345 lakhs and Rs. 218.62 lakhs received by Jammu and Kashmir Small Scale Industries Development Corporation Limited, Jammu and Kashmir State Industrial Development Corporation Limited and Jammu and Kashmir State Horticultural Produce and Marketing and Processing Corporation Limited respectively from the Government were not shown as capital/loan or subsidy by these companies.



Waiver of dues	1993-94	1994-95	1995-96
	(Rupees in crores)		
Loan repayments written off	-	0.02	Nil
Interest waived	0.24	1.39	Nil
Repayment of loans on which moratorium allowed	0.11	0.23	Nil
Others	0.02	-	Nil
Total	0.37	1.64	Nil



### 7.2.3 Guarantees

The guarantees given by the State Government against loans and credits given by banks including interest thereon for the preceding three years up to 1995-96 and outstanding as on 31 March 1996 are shown in the table below:

S.No	Guarantees	Amount guaranteed during			Guaranteed amount outstanding as on 31 March 1996
		1993-94	1994-95	1995-96	
(Rupees in crores)					
1	Cash credit from Jammu and Kashmir Bank and other nationalised banks	17.00	15.86	5.76	16.42
2	Loans from other sources	3.38	3.47	7.44	70.85
	Total	20.38	19.33	13.20	87.27

The position of guarantees received during 1995-96 and guarantees outstanding at the end of March 1996 is given in Appendix-15.

## 7.2.4 Finalisation of accounts

Accountability of Public Sector Undertakings to the Legislature is to be achieved through the submission of audited annual accounts within the prescribed time schedule to the Legislature. The accounts of all the 19 Government companies were in arrears for periods ranging from 1 year to 14 years as on 1 October 1996, as indicated in Appendix-14.

**Accounts of all the 19 companies were in arrears for periods ranging from 1 year to 14 years with the result the investments made in them remained outside the purview of audit and their accountability could not be ensured.**

According to the latest finalised accounts of these companies, 11 companies had incurred losses of Rs. 6.76 crores and 4 companies earned profit of Rs. 16.44 crores as indicated in the table below:

S. No.	Number of companies	Year up to which accounts were finalised	Profit		Loss		Reference to S.No of Appendix-14
			Number	Amount	Number	Amount	
(Amount: Rupees in crores)							
1.	3	1981-82	1	0.02	2	0.44	2,12&14
2.	1	1982-83	-	-	1	0.11	6
3.	1	1983-84	-	-	1	0.26	18
4.	2	1984-85	1	0.44	1	0.04	3&7
5.	1	1985-86	-	-	1	0.22	10
6.	1	1987-88	1	-	-	-	16
7.	2	1988-89	-	-	2	4.84	4 & 15
8.	1	1989-90	-	-	1	0.06	8
9.	1	1990-91	-	-	1	0.48	5
10	2	1994-95	1	15.98	1	0.31	1 & 9
Total: 15**			4	16.44	11	6.76	

The administrative departments had to oversee and ensure that the accounts are finalised and adopted by the companies in the annual general meeting within the time schedule prescribed in the Companies Act, 1956. Though the concerned administrative departments and the Government were apprised by Audit of the position of arrears quarterly, no effective measures had been taken by the Government for timely finalisation of accounts. As these companies did not adhere to the time schedule, the investment made in these companies remained outside the purview of audit and their accountability could not be ensured.

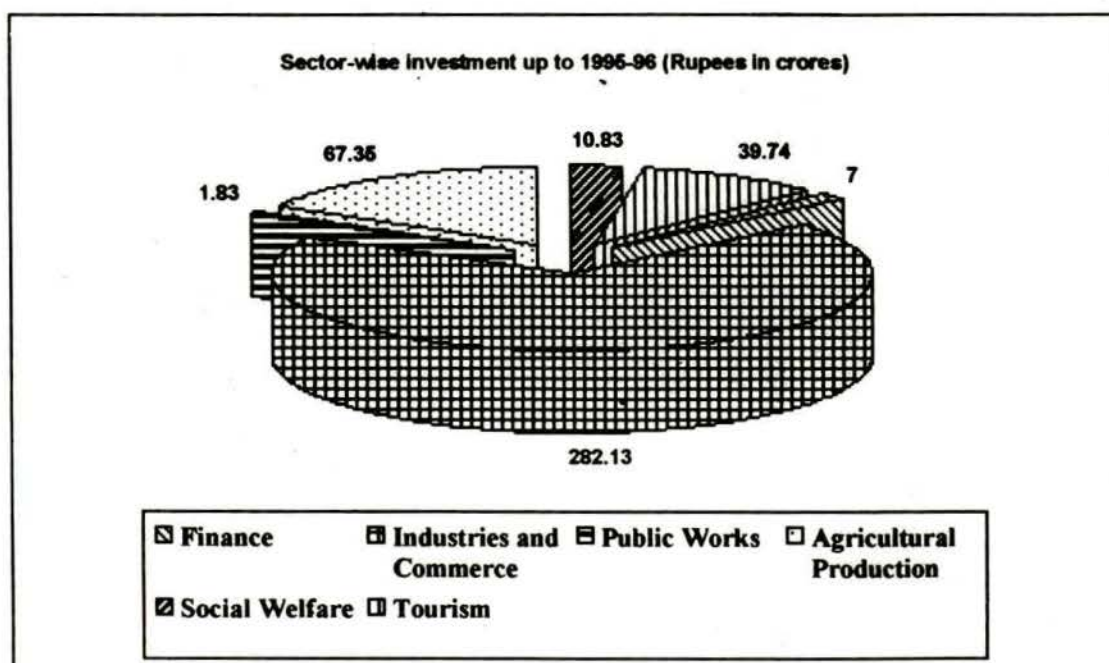
\* Negligible

\*\* Four companies viz., Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited, Jammu and Kashmir State Power Development Corporation Limited, Jammu and Kashmir Women's Development Corporation Limited and Jammu and Kashmir State Cable Car Corporation Limited had not furnished their accounts since their inception.



The sector-wise investment in these companies was as follows:

Sector	Equity and loans as at the end of						Debt equity ratio in 1995-96
	1994-95			1995-96			
	Number of companies	Equity	Loans	Number of companies	Equity	Loans	
(Rupees in crores)							
Finance	1	7.00	-	1	7.00	-	-
Industries and Commerce	9	88.28	133.63	10	90.28	191.85	2.13:1
Public Works	1	1.53	0.30	1	1.53	0.30	0.20:1
Agricultural Production	2	11.16	12.16	2	11.16	56.19	5.03:1
Social Welfare	1	6.26	2.21	2	8.47	2.36	0.28:1
Tourism	2	34.46	4.78	2	34.96	4.78	0.14:1
Total:	16	148.69	153.08	18	153.40	255.48	



Most of the State-owned Public Sector Undertakings (PSUs) were sick and incurring recurring losses. With a view to transforming these sick units into healthy and vibrant entities and to monitor and evaluate the functioning of PSUs, the Government set up in 1988 the Bureau of Public Enterprises (BPE). The organisation could not, however, monitor the performance of the PSUs reportedly due to non-cooperation and lack of interest and concern shown by the PSUs and the administrative departments. The relevant data, necessary for monitoring of the activities of the PSUs and recommending corrective measures for improving their performance was not submitted by PSUs to the BPE thus, defeating the objective of the creation of the organisation.

**7.2.5 Working results****7.2.5.1 Profit making companies**

None of the 19 companies had finalised its accounts for the year 1995-96. During the year, four companies which finalised their accounts for 1994-95 or earlier years had earned a profit of Rs. 16.44 crores.

**7.2.5.2 Loss making companies**

According to the latest available accounts, 11 out of 15 companies had sustained losses aggregating Rs. 6.76 crores of which three companies had eroded their paid-up capital as detailed below:

Name of company	Paid-up capital	Accumulated loss	Reference to S.No of Appendix-14
		(Rupees in lakhs)	
Tawi Scooters Limited	80.40	104.23	8
Himalayan Wool Combers Limited	136.50	552.32	9
Jammu and Kashmir Horticultural Produce Marketing and Processing Corporation Limited	920.00	1587.16	15

**7.2.6** Some of the important points made by the Statutory Auditors and the Comptroller and Auditor General of India in respect of companies whose annual accounts were audited during the year are indicated below:

**7.2.6.1** The Companies Act, 1956 empowers the Comptroller and Auditor General of India to issue directions to the Statutory Auditors of Government companies in regard to performance of their functions. In pursuance of the directives so issued, special reports of the Statutory Auditors on the accounts of one company viz., Jammu and Kashmir Cements Limited (S. No. 5 of Appendix-15) for the year 1990-91 were received. Some of the important observations noticed in the report are summarised below:

- Accounting manual had not been prepared.
- Store accounts had not been reconciled with financial accounts for many years.
- Non-conducting of physical verification of fixed assets, office equipment, stocks (finished and semi-finished goods, spares and raw material), furniture and fixtures during the year.
- Internal audit of the company had not been conducted during the year.
- Deficient internal control procedures in many areas like stores, adjustment of advances to suppliers and contractors and verification



of inventories.

- Non-preparation of budget for 1990-91.
- Arrears in updating of cost records resulting in arrears in cost audit.
- Non-compilation of cost sheets on monthly basis as was done in the past. Cost sheets on quarterly basis were compiled that too belatedly, resulting in loss of their utility as an important tool of cost control and analysis.
- Non-introduction of standard costing.
- Some accounting policies were not in conformity with generally accepted accounting standards e.g.,
  - (a) Charging of expenses on freight and carriage of spares and stationery to the year in which incurred.
  - (b) Accounting of countervailing interest allowed by IDBI as pre-payment of interest on the date of actual receipt.
  - (c) Accounting of insurance claims on receipt basis.
- Non-confirmation of sundry debtors and advances and non-maintenance of age-wise position of debts in respect of Srinagar side.
- Non-preparation of *pro forma* accounts for last three years in respect of transport, canteen, etc.

**7.2.6.2** Under Section 619(4) of the Companies Act, 1956, the Comptroller and Auditor General of India has the right to comment upon or supplement the reports of Statutory Auditors. Accordingly, the audited annual accounts of Government companies are reviewed on selective basis. During the period from October 1995 to September 1996, accounts of three companies were selected for review. Some of the major errors/omissions noticed in the course of review of annual accounts of one company viz., Jammu and Kashmir State Industrial Development Corporation Ltd. for the year 1988-89, not pointed out by the Statutory Auditors, are as follows:

- (a) Liability in respect of demand of Rs. 3.42 lakhs representing interest (Rs. 2.20 lakhs) and penalty (Rs. 1.22 lakhs) raised by the Income Tax Department for delay in filing return of advance tax for the assessment year 1982-83 has not been provided resulting in understatement of loss by Rs. 3.42 lakhs.
- (b) Depreciation on building (I and D centre Srinagar) was charged at 2.5 *per cent* on written down value instead of at 5 *per cent* provided in Schedule XIV resulting in understatement of depreciation and loss for the year by Rs. 0.45 lakh and overstatement of fixed assets by the same amount.
- (c) Under sundry debtors, the unsecured debtors considered good (Rs. 265.52 lakhs) included Rs. 219.58 lakhs representing the value of assets of Modern Rice Mill, Lethpora (Rs. 51.14 lakhs) and Watch Case Factory, Rangreth (Rs. 168.44 lakhs) which were transferred by the company to Food and Supplies Department Kashmir and Jammu and Kashmir Industries Limited in October 1980 and June 1986 respectively. Non-adjustment of the amount by debiting it to the shareholders' funds proportionate to the value of assets transferred has not been

made resulting in overstatement of both sundry debtors and share holders' funds to the extent of Rs. 219.58 lakhs each.

The net monetary effect of above comments was as follows:

Nature of errors/ omissions	Number of accounts	Net monetary effect (Rs. in lakhs)
Understatement of loss	1	3.87
Overstatement of sundry debtors and shareholders' funds	1	219.58

### 7.2.7 Capacity utilisation

The highest and the lowest percentage of utilisation of the installed capacity of six manufacturing companies (in respect of which information was made available) are given in Appendix-16. The installed capacity is often up-rated or down-rated depending upon the condition of plant and machinery, manpower constraints, number of shifts worked, etc. The figures computed by the companies have not been presented in terms of a standard man-hour unit of capacity or production. The highest and the lowest rates of capacity utilisation are related to a range of products. Thus, there is a need for monitoring capacity utilisation in terms of standard man-hours of production, targeted and achieved.

### 7.3 Statutory corporations

There were four Statutory corporations in the State as on 31 March 1996. Of these, two corporations viz., Jammu and Kashmir State Road Transport Corporation and Jammu and Kashmir State Financial Corporation are subject to audit by the Comptroller and Auditor General of India.

Audit of other two Statutory corporations, viz., Jammu and Kashmir State Forest Corporation and Jammu and Kashmir State Electricity Board, set up under the respective Acts of State Legislature, had not been entrusted to the C&AG. The State Government, however, requested (July 1986) for special audit of the accounts of Jammu and Kashmir State Forest Corporation for the years 1984-85 and 1985-86, which was under progress (September 1996).

#### 7.3.1 Guarantees

The guarantees given by the State Government to the Statutory corporations against bonds, loans and credits given by banks including interest thereon for the three years up to 1995-96 and outstanding as on 31 March 1996 are shown in the table below:



S.No		Amount guaranteed during			Guaranteed amount outstanding as on
		1993-94	1994-95	1995-96	31 March 1996
(Rupees in crores)					
1.	Cash credit from Jammu and Kashmir Bank and other Nationalised Banks	-	15.00	Nil	22.25
2.	Loans from Other sources	357.83	-	41.40	374.75
	Total:	357.83	15.00	41.40	397.00

The position of guarantees received during 1995-96 and guarantees outstanding at the end of March 1996 is given in Appendix-15.

### 7.3.2 Jammu and Kashmir State Road Transport Corporation

The Jammu and Kashmir State Road Transport Corporation was constituted on 1 September 1976 under Section 3 of the Road Transport Corporations Act, 1950. Under the Act, the audit of the corporation rests solely with the C&AG. Separate Audit Reports (SARs) mainly incorporating the comments on the annual accounts of each year is issued to the corporation and to the Government. SARs on the accounts for the years 1992-93 and 1993-94 were issued to the State Government in July 1996 for presentation to the Legislature.

The capital contribution in the corporation as on 31 March 1994 was Rs. 69.18 crores (State Government: Rs. 54.17 crores, Central Government: Rs. 15.01 crores).

The corporation obtained Rs. 14.52 crores as loan from the State Government during the year 1993-94 for meeting its revenue and capital expenditure. In addition, ways and means advances were obtained from Jammu and Kashmir Bank Limited in the form of overdrafts. The amount of borrowings outstanding at the end of March 1994, excluding interest, was Rs. 48.91 crores.

The financial position of the corporation at the close of each of three years up to 1993-94 is summarised in the following table:

S.No	Particulars	1991-92	1992-93	1993-94
(Rupees in crores)				
A.	Liabilities			
1.	Capital	60.61	68.99	69.18
2.	Borrowings	28.01	36.29	48.91
3.	Trade dues and other liabilities	36.81	38.20	46.26
	Total liabilities:	125.43	143.48	164.35

S.No	Particulars	1991-92	1992-93	1993-94
(Rupees in crores)				
B.	Assets			
1.	Gross block	25.42	25.46	20.97
2.	Less depreciation	2.13	4.58	3.90
	Net fixed assets	23.29	20.88	17.07
3.	Current assets, loans and advances	14.30	10.08	9.54
4.	Accumulated loss	87.84	112.52	137.74
	Total assets:	125.43	143.48	164.35
C	Capital employed <sup>*</sup>	0.78	(-) 7.24	(-) 19.65
D	Net worth <sup>**</sup>	(-)27.23	(-) 43.53	(-) 68.56

The cumulative loss of the corporation as on 31 March 1994 was Rs. 137.74 crores which worked out to 199 *per cent* of the capital contribution of Rs. 69.18 crores.

The working results of the corporation for each of the three years up to 1993-94 are given below:

S.No	Particulars	1991-92	1992-93	1993-94
(Rupees in crores)				
1.	Total revenue (operating and non-operating)	17.07	17.54	18.06
2.	Total expenditure (operating and non-operating)	35.17	42.22	43.29
3.	Loss during the year	18.10	24.68	25.23
4.	Total interest charged to profit and loss account	6.37	7.29	7.59
5.	Capital employed	0.78	(-) 7.24	(-) 19.65
6.	Return on capital employed (4+3)	(-)11.73	(-) 17.39	(-) 17.64

### 7.3.3 Jammu and Kashmir State Financial Corporation

The Jammu and Kashmir State Financial Corporation was established on 2 December 1959 under the State Financial Corporations Act, 1951.

Under the provisions of the Act, the accounts of the corporation are audited by the chartered accountants appointed by the State Government in consultation with the C&AG and the latter may also undertake audit of the corporation separately. Separate Audit Report (SAR) in respect of the annual accounts of the corporation is also issued by the C&AG to the corporation and the State Government. The annual accounts of the corporation have been finalised up to the year 1992-93. The accounts for the year 1992-93 showed a profit of Rs. 322.28

\* Represents written down value at the beginning of the year plus additions made during the year.

\* Capital employed represents net fixed assets plus working capital.

\*\* Net worth represents capital plus reserves and surplus minus accumulated losses.



lakhs. SAR on the accounts for the year 1992-93 was issued to Government in September 1995 for being placed before the Legislature.

The paid-up capital of the corporation as on 31 March 1993 was Rs. 51.80 crores (State Government: Rs. 30.67 crores; IDBI: Rs. 20.92 crores and Others: Rs. 0.21 crore). The corporation's borrowings as on 31 March 1993 amounted to Rs. 139.48 crores (bonds and debentures: Rs. 58.43 crores; State Government: Rs. 0.44 crore and Other Financial Institutions: Rs. 80.61 crores).

#### **7.4 Departmentally managed Government commercial/quasi-commercial Undertakings- General aspects**

**7.4.1** There were five departmentally managed commercial/quasi-commercial undertakings in the State as on 31 March 1996.

**7.4.2** *Pro forma* accounts of the following undertakings including the four defunct undertakings namely, Government Fair Price Shop (Drugs and Medicines) Srinagar, Government Lumbering Undertaking and the Milk Supply Undertakings, Srinagar and Jammu were in arrears (June 1996) for the periods as detailed below:

S.No	Name	Year for which accounts are in arrears
1.	Government Press, Srinagar	1968-69 to 1995-96
2.	Government Press, Jammu	1968-69 to 1995-96
3.	Food and Supplies Department, Jammu	1973-74 to 1995-96
4.	Food and Supplies Department, Srinagar	1975-76 to 1995-96
5.	Jammu and Kashmir State Insurance Fund	1990-91 to 1995-96
6.	Government Fair Price Shop (Drugs and Medicines) Srinagar	1970-71 to September 1973 (Defunct)
7.	Government Lumbering Undertaking	1978-79 to June 1979 (Defunct)
8.	Milk Supply Undertaking, Srinagar	1980-81 to 27 October 1983 (Defunct)
9.	Milk Supply Undertaking, Jammu	1982-83 to 2 December 1983 (Defunct)

The position of arrears in the finalisation of the accounts was last reported to the State Bureau of Public Enterprises in July 1996.

**Section-II**

**This section contains review on the working of Jammu and Kashmir Projects Construction Corporation Limited**

**7.5 Jammu and Kashmir Projects Construction Corporation Limited<sup>#</sup>****7.5.1 Introduction**

The Jammu and Kashmir Projects Construction Corporation Limited was registered in May 1965 under the Jammu and Kashmir Companies Act, 1977 (Svt.) as a wholly owned Government company. The provisions of the Companies Act, 1956, were extended to the State with effect from 15 August 1968 with certain modifications as mentioned in the relevant notification of Government of India.

**7.5.2 Objectives**

The broad objectives of the company are to:

- construct, execute, carry out, improve, develop, administer and manage works and conveniences of all kinds and generally carry on the business of builders, contractors, engineers, architects, surveyors, estimators and designers in the State;

- buy, sell, manufacture and deal in bricks, tiles, earthenware, cement, stones and pottery;

- carry on the business of carriers by land, air and sea; and

- invest and deal with the moneys of the company in any securities, shares and properties in a manner as may be determined from time to time and to sell, transfer or deal in the same.

**7.5.3 Organisational set-up**

The Management of the company vests in a Board of Directors comprising not less than seven and not more than eleven Directors who are appointed by the Governor and from amongst these, a Chairman, a Vice-Chairman and a Managing Director are appointed. As of March 1996, the company had eleven Directors with Advisor to the Governor of the State as its Chairman.

The company has sixteen units, eight each in Kashmir and Jammu Divisions. It has also, apart from a consultancy unit, two mechanical units, one each at Srinagar and Jammu for execution of works and for providing machinery and equipment to the units.

<sup>#</sup> The abbreviations used in this Review are listed in the glossary in Appendix-20



The Board of Directors, as per statutory provisions of the Companies Act, 1956, is to meet at least once in three months and hold at least four meetings in each year for transacting the business of the company. After August 1989, the Board of Directors of the company met only on seven occasions between March 1992 and March 1996, thereby contravening the statutory provisions of the Act, *ibid*.

#### **7.5.4 Audit coverage**

The working of the company was last reviewed in audit at Paragraph 7.5 of the Report of the Comptroller and Auditor General of India for the year 1982-83. The review was partly discussed by the Committee on Public Undertakings in July 1989. Recommendations of the Committee have not been received.

The present review is based on test check of records of its eight units in Jammu Division, Mechanical unit and the Head Office for the period from 1991-92 to 1994-95 conducted during the period from January 1996 to March 1996. Important points noticed in audit are contained in the succeeding paragraphs.

#### **7.5.5 Highlights**

- The accounts of the company stand certified by the Statutory Auditors up to 1982-83 only. Based on the provisional accounts for the subsequent period the net worth of the company at the end of March 1995 was Rs. 62.67 lakhs representing 41 *per cent* of the paid-up capital. The accumulated loss of Rs. 103.97 lakhs at the end of 1994-95 represented 68 *per cent* of the paid-up capital.

(Paragraphs: 7.5.6 and 7.5.7)

- In the absence of any standard basis for working out cost offers, the economic judiciousness of the offers/rates quoted by the company could not be ensured. Due to uneconomical cost offers in case of 12 works alone, the company incurred a loss of Rs. 27.22 lakhs.

(Paragraph: 7.5.8.1)

- Non-obtaining of prior acceptance of cost offers and non-execution of agreements laying down, *inter alia*, the terms of payment, etc. with the project authorities resulted in non-recovery of Rs. 73.19 lakhs in 2 cases that were test checked.

(Paragraphs: 7.5.8 (a) and (b))

- Physical verification reports ending March 1995/March 1996 revealed shortage of stores worth Rs. 5.02 lakhs in 2 units of the company and setting of 740 cement bags valued at Rs. 1.02 lakhs in the Udhampur unit at the end of March 1995. Action to investigate the shortages was not taken nor had the responsibility been fixed.

(Paragraph: 7.5.9)

- The position of amounts outstanding against various project authorities had not been reconciled for vigorous pursuasion for recovery/adjustment. The company had received Rs. 11,232.52 lakhs as advances from various project authorities against which the value of work done was Rs. 12,997.31 lakhs resulting outstanding of Rs. 1,764.79 lakhs at the end of March 1995. Action for prompt realisation of the amount had not been taken.

(Paragraph: 7.5.10(i))

## 7.5.6 Capital structure and financial position

### 7.5.6.1 Capital structure

The authorised capital of the company as on 31 March 1995 was Rs. 200 lakhs divided into twenty thousand shares of Rs. 1000 each against which the paid-up capital was Rs. 152.50 lakhs, wholly subscribed by the State Government.

### 7.5.6.2 Financial position

The accounts of the company were finalised up to the year 1982-83 and accounts beyond 1982-83 are in arrears (September 1996).

The company has neither framed any Construction Manual for award and execution of works nor prepared any Accounts Manual for maintenance of accounts.

Based on the provisional accounts, the summarised financial position of the Company<sup>s</sup> for the four years ended March 1995 was as under:

Particulars	1991-92	1992-93	1993-94	1994-95
	(Rupees in lakhs)			
	(Provisional)			
1. Liabilities				
(a) Paid-up capital	152.50	152.50	152.50	152.50
(b) Reserve & surplus	14.14	14.14	14.14	14.14
(c) Borrowings	28.47	28.47	28.47	28.47
(d) Current liabilities				
(i) Advances from project authorities*	5303.35	6988.37	8719.70	11232.52
(ii) Other liabilities	2705.97	3577.37	4537.99	4975.42
Total	8204.43	10760.85	13452.80	16403.05
2. Assets				
(a) Net fixed assets	60.42	66.40	77.48	96.93
(b) Current assets,**				
loans and advances	8031.53	10594.34	13272.63	16202.15
Total	8091.95	10660.74	13350.11	16299.08

<sup>s</sup> Excludes that of Brick and Tile Factory transferred to it in April 1980 from Jammu and Kashmir Industries Limited.

\* Includes unadjusted amounts received for work done.

\*\* Includes unadjusted outstandings against project authorities.



**(iv) Outstanding audit observations**

Audit observations on the accounts of bodies/authorities are conveyed to them in the form of Audit Inspection Reports (AIRs) and copies thereof are endorsed to the Government/Body for taking necessary action for rectification of defects within a reasonable time. The status of AIRs issued up to December 1995 and outstanding at the end of March 1996 is indicated below:

Name of body	Number of AIRs	Number of paragraphs	Earliest year from which outstanding
District Rural Development Agencies	46	363	1971-72
Jammu and Kashmir Housing Board, Jammu	1	25	1991-92
Jammu University, Jammu	3	54	1992-93
Islamia College of Science and Commerce, Srinagar	2	14	1981-82
Jammu Urban Development Agency, Jammu	1	05	1994-95
Jammu and Kashmir Co-operative Supply and Marketing Federation Ltd.	1	04	1994-95

**Jammu and Kashmir Co-operative Supply and  
Marketing Federation Limited**

**8.3.1 Short/non-accounting of fertiliser**

The commercial handling of fertiliser allotted to Jammu and Kashmir State by the Government of India/Food Corporation of India was entrusted by the State Government to Jammu and Kashmir Co-operative Supply and Marketing Federation Limited, Jammu from April 1975. The Federation was made responsible for arranging import and distribution of fertiliser within the State and for meeting charges on account of its cost, transportation, storage and distribution. The fertiliser meant for sale in Kashmir province was to be despatched by the Federation from its various storage points at Jammu and outside Jammu to its regional office at Srinagar and field offices at Anantnag and Pulwama. The sales were made through co-operative societies and other sales outlets.

A test check of records of the Federation pertaining to despatch of fertiliser to the valley, conducted in March-September 1995 and covering the period from July 1988 to March 1995 revealed that 1380 truckloads of fertiliser (14196 tonnes) valued at Rs. 422.32 lakhs despatched from Jammu and outside had not

been accounted for by the consignee offices in Kashmir province. Similarly, in some cases the quantity despatched from Jammu was not correctly accounted for by the consignee offices resulting in short accounting of fertiliser (208 tonnes) valued at Rs. 7.34 lakhs. Thus, fertiliser worth Rs. 429.66 lakhs was short/ not accounted for by the Kashmir based offices of the Federation.

Short/non-accounting of fertiliser, fraught with the risk of misappropriation/ pilferage, was facilitated by non-existence of internal control mechanisms like periodic reconciliation, transit verification and non-finalisation of accounts in time.

On being pointed out in audit (September 1995) the Federation stated (November 1995) that the matter was under examination. Further developments were awaited (October 1996).

The matter was referred to Government in May 1996; reply had not been received (October 1996).

#### **8.4 Audits under Section 20(1)**

##### **Jammu and Kashmir Employees Provident Fund Organisation**

##### **8.4.1 Loss of interest**

All receipts on account of provident fund contributions are credited to Account Number-I (current account) in the Jammu and Kashmir Bank by the organisation. Amounts required for meeting the demand of advances/ refunds of the members are transferred to Account Number-III (payment account). Balances available in Account Number-I and also in other accounts viz., investment account, forfeited account, etc. are to be promptly and gainfully invested to earn interest.

Test check (February 1996) of records of the organisation for the period from May 1970 to July 1983 revealed that balances ranging from Rs. 0.03 lakh to Rs. 21.89 lakhs available in account number-I and other accounts were invested belatedly (delay ranging from 7 to 825 days) in interest-earning deposits resulting in interest loss of Rs. 4.06 lakhs to the organisation.

On this being pointed out in audit, the organisation intimated (February 1996) that instructions have been issued to the bank to invest the available balances. Further developments in the matter were awaited (October 1996).

##### **8.4.2 Maintenance of accounts**

The annual closing of ledger cards of the subscribers to the Fund is lying in arrears for different periods. Consequently, the number of annual Account Statements not issued to the subscribers for different years had increased to 74112 at the end of 1980-81 from 45000 at the beginning of 1979-80. Besides, the loose ledger cards used for maintenance of accounts had not been machine numbered nor



these have been checked by any senior or responsible officer. The procedure needs to be reviewed/streamlined by bringing the accounts up-to-date ensuring thereby monthly/yearly closing of the ledger cards/balances under proper attestations of a responsible officer.



(Balvinder Singh)

Accountant General (Audit) Jammu and Kashmir

Srinagar/  
Jammu  
The

Countersigned



(V.K. Shunglu)

Comptroller and Auditor General of India

New Delhi  
The





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## *Appendices*

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**Appendix-1**  
**(Reference: Paragraph: 2.2.7(a); Page: 45)**  
**Statement showing cases where supplementary provision was unnecessary**

Grant No	Department	Original grant	Supple- mentary grant	Expenditure	Saving
<b>I-Revenue (Voted)</b>		(Rupees in crores)			
1	General				
	Administration	21.22	11.41	18.13	14.50
7	Education	334.05	46.86	331.25	49.66
10	Law	9.94	0.85	9.23	1.56
14	Revenue	78.52	6.50	64.14	20.88
15	Food Supplies and				
	Transport	43.16	2.09	6.14	39.11
24	Estates, Hospitality				
	and Protocol and				
	Gardens and Parks	13.71	2.69	13.10	3.30
Total-I		500.60	70.40	441.99	129.01
<b>II-Capital (Voted)</b>					
2	Home	5.68	0.63	-	6.31
5	Ladakh Affairs	29.49	4.01	25.79	7.71
18	Social Welfare	4.30	5.94	2.44	7.80
21	Forest	26.21	0.47	18.43	8.25
22	Irrigation and				
	Flood Control	39.75	0.58	23.40	16.93
Total -II		105.43	11.63	70.06	47.00
Total I & II		606.03	82.03	512.05	176.01

**Appendix-2**  
**(Reference: Paragraph: 2.2.7(b); Page: 45)**  
**Statement showing cases where supplementary provision**  
**was made in excess of requirement**

Grant No	Department	Original provision	Expenditure	Additional requirement	Supplementary provision	Saving
(Rupees in crores)						
<b>I-Revenue (Voted)</b>						
3	Planning and Development	3.80	14.58	10.78	20.09	9.31
4	Information	4.49	4.80	0.31	0.66	0.35
16	Public Works	126.06	132.21	6.15	11.38	5.23
19	Housing and Urban Development	26.58	26.64	0.06	4.91	4.85
22	Irrigation and Flood Control	60.95	63.79	2.84	9.09	6.25
23	Public Health Engineering	75.33	85.15	9.82	22.65	12.83
26	Fisheries	4.23	5.26	1.03	1.10	0.07
	<b>Total-I</b>	<b>301.44</b>	<b>332.43</b>	<b>30.99</b>	<b>69.88</b>	<b>38.89</b>
<b>II-Revenue (Charged)</b>						
1	General Administration	1.53	1.64	0.11	0.28	0.17
	<b>Total-I &amp; II</b>	<b>302.97</b>	<b>334.07</b>	<b>31.10</b>	<b>70.16</b>	<b>39.06</b>
<b>III-Capital (Voted)</b>						
3	Planning and Development	1.72	6.29	4.57	15.01	10.44
7	Education	16.37	16.77	0.40	10.58	10.18
8	Finance	1.85	4.47	2.62	3.25	0.63
	<b>Total: III</b>	<b>19.94</b>	<b>27.53</b>	<b>7.59</b>	<b>28.84</b>	<b>21.25</b>
	<b>Grand Total:</b>	<b>322.91</b>	<b>361.60</b>	<b>38.69</b>	<b>99.00</b>	<b>60.31</b>



## Appendices

### Appendix-3

(Reference: Paragraph: 2.2.7(c); Page: 45)

Statement showing cases where Supplementary provision proved inadequate

Grant No	Department	Original grant	Supplementary grant	Expenditure	Excess expenditure over total grant
(Rupees in crores)					
<b>I-Revenue (Voted)</b>					
2	Home	241.01	103.52	390.88	46.35
5	Ladakh Affairs	54.12	3.89	59.69	1.68
6	Power				
	Development	436.82	1.19	481.73	43.72
9	Parliamentary Affairs	1.67	0.19	1.93	0.07
11	Industries and Commerce	39.64	11.24	51.40	0.52
12	Agriculture, Rural Development and Co-operation	79.96	19.86	166.64	66.82
13	Animal Husbandry	44.66	7.90	57.82	5.26
17	Health and Medical Education	148.13	28.33	176.49	0.03
18	Social Welfare	27.91	8.99	42.27	5.37
20	Tourism	10.16	1.25	16.26	4.85
21	Forest	45.93	16.22	74.40	12.25
27	Higher Education	51.06	1.35	57.30	4.89
	<b>Total-I</b>	<b>1181.07</b>	<b>203.93</b>	<b>1576.81</b>	<b>191.81</b>
<b>II-Revenue (Charged)</b>					
2	Home	0.08	-	0.09	0.01
10	Law	1.71	0.40	2.23	0.12
	<b>Total-II</b>	<b>1.79</b>	<b>0.40</b>	<b>2.32</b>	<b>0.13</b>
	<b>Total-I &amp; II</b>	<b>1182.86</b>	<b>204.33</b>	<b>1579.13</b>	<b>191.94</b>
<b>III. Capital (Voted)</b>					
16	Public Works	68.44	28.47	111.72	14.81
23	Public Health	47.25	48.60	116.61	20.76
	<b>Total-III</b>	<b>115.69</b>	<b>77.07</b>	<b>228.33</b>	<b>35.57</b>
	<b>Grand Total:</b>	<b>1298.55</b>	<b>281.40</b>	<b>1807.46</b>	<b>227.51</b>

*Appendices*

**Appendix-4**

**(Reference: Paragraph: 3.1.4.1; Page: 54)**

**Statement showing details of staff and equipment approved as per  
programme and actually provided to AIDS Control Cell**

		Approved as per programme	Actually in position	Shortage/ deficiency
<b>(A)</b>	<b>Staff</b>			
(i)	Deputy Director	2 posts	1	1
(ii)	Assistant Director	1 post	1	Nil
(iii)	Statistician	1 post	Nil	1
(iv)	Computer programmer	1 post	Nil	1
(v)	Personal Assistant	1 post	1 (Typist)	Nil
(vi)	Peon	1 post	Nil	1
(vii)	Technical Asistant Blood safety	1 post	Nil	1
(viii)	Accountant	1 post	Nil	1
(ix)	Driver	1 post	1	Nil
<b>(B)</b>	<b>Equipment</b>			
(i)	Computer	1 No	Nil	1
(ii)	Photocopier	1 No	1	Nil
(iii)	Typewriter	2 Nos.	1	1
(iv)	Duplicating machine	1 No	Nil	1



**Appendix-5**

**(Reference: Paragraph: 3.1.4.2 (a); Page: 55)**

**Equipment required to be supplied by the Government of India under National AIDS Control Programme and items actually received/installed.**

S.No	Items of equipment required to be supplied to each Blood Bank	Quantity per Blood Bank	Number of items received	Number of items installed
<b>1-(a) Modernisation of blood banks</b>				
1.	Diesel Generating Set	1	Nil	Not installed
2.	Air Conditioner	2	4	
3.	Voltage Stabiliser	2	Nil	
4.	Emergency Lights	2	Nil	
5.	Donor Couches	2	Nil	3 installed and 4 not installed
6.	Side Trolleys and Rack	3+1	Nil	
7.	Weighing Balance	1	Nil	
8.	Laboratory Tables	3	Nil	
9.	Stools	6	Nil	
10.	Blood Bank Refrigerator	2	7	
11.	Refrigerator	1	Nil	
12.	Microscope Binocular	2	Nil	
13.	Centrifuge	2	Nil	
14.	Incubator	2	Nil	
15.	Water Bath	2	4	Not installed
16.	Distil Water Plant	1	Nil	
17.	Auto Calve	1	Nil	Installed (All the 4 received by SMHS, Srinagar against admissible 2 Nos).
18.	Micropipette	2	4	
19.	Sealer with cutter work aluminium clips	3	Nil	
<b>(b) Blood Component Separation Unit at Government Medical College, Jammu (One)</b>				
1.	Refrigerators Centrifuge	2	2	Not installed
2.	Voltage Stabiliser for Centrifuge	2	Nil	
3.	Deep Freezer Temperature recorded capacity 300-400 litres	1	Nil	Not installed
4.	Deep Freezer temperature recorded capacity 500-600 litres	1	Nil	
5.	Voltage Stabiliser	2	Nil	
6.	Blood Bank Refrigerators	2	2	
7.	Voltage Stabiliser for Blood Bank Refrigerator	2	Nil	
8.	Platelet Rotator/ Agitator with incubator	1	Nil	
9.	Thawing Bath for Rapid and uniform thawing of frozen plasma	1	Nil	

( contd. )

## *Appendices*

(Append. 5 concld.)

S.No	Items of equipment required to be supplied to each Blood Bank	Quantity per Blood Bank	Number of items received	Number of items installed
10.	Dielectric Sealer	2	Nil	
11.	Laminar Flow Cabinet	1	Nil	
12.	Double Pan Balance	1	1	Installed
13.	Weigh Balance	3	Nil	
14.	Generator 5 KVA	1	Nil	
15.	Plasma Expressor	2	Nil	
16.	Voltage Stabiliser	1	Nil	
<b>2.</b>	<b>Surveillance Centre Jammu</b>			
1.	Elisa Reader	1	1	Installed
2.	Elisa Washer	1	1	Installed
3.	Multichannel Pipette	1	1	Installed
<b>3.</b>	<b>S.T.D clinics (Quantity per clinic)</b>			
1.	Dark Field Microscope	1	Nil	
2.	VDRL Shaker	1	Nil	



Appendix-6

(Reference: Paragraph: 3.2.6.3; Page: 64)

Funds released by Central Government for identified blocks under  
Employment Assurance Scheme

District	Description of the district	No. of blocks	Release of Central assistance per block		
			1993-94	1994-95	1995-96
(Rupees in lakhs)					
Doda	Drought prone area	14	30.00	60.00	40.00
Udhampur	-do-	8	30.00	60.00	40.00
Rajouri	Hilly	7	-	40.00	40.00
Jammu	Hilly	4	-	30.00	40.00

Funds actually allotted to blocks

District	Block	Rural population	Registered workers population (In lakh)	Funds allotted	
				1994-95	1995-96
				(Rupees in lakhs)	
Doda	Doda	0.32	0.09	178.00	148.00
	Assar	0.27	0.09	102.00	27.00
	Thathri	0.49	0.13	112.00	50.00
	Ramban	0.38	0.13	93.00	23.00
	Kishtwar	0.49	0.13	72.00	46.00
	Banihal	0.30	0.11	46.00	25.00
	Ramsoo	0.34	0.12	51.00	7.00
	Padder	0.11	0.04	34.00	15.00
	Warwan	0.10	0.01	35.00	8.00
Rajouri	Darhal	0.68	0.05	13.00	30.00
	Nowshera	0.54	0.06	15.00	40.00
	Budhal	0.82	0.10	22.00	66.00
Jammu	Khour	0.57	0.04	-	30.00
	Dhansal	0.34	0.04	-	30.00
	Purmandal	0.43	0.04	-	75.00
	Bhalwal	0.62	0.04	-	60.00

## Appendices

### Appendix-7

(Reference: Paragraph: 3.3.8; Page: 81)

**Statement showing the year-wise details of training courses conducted, number of persons trained and institutions engaged for conducting training courses during 1991-92 to 1995-96.**

S. No	Trade/ Course	year	No. of trainees	Expenditure incurred	Duration of training programme	Agencies through which training arranged
1.	Typing and Stenography	1991-92	40	78,127	6 months	ITCO in ITI, Kathua
2.	Nursing	1991-92	20	2,28,000	3 years	AMT School, Medical College, Jammu
		1992-93	20	2,05,000	-do-	-do-
		1993-94				
3.	Management course	1991-92	14	61739	NA	Bhartiya SP College of Management and Commerce Jammu
4.	Cutting and Tailoring	1992-93	10	6,000	6 months	Nari Niketan Udhampur
5.	Polyvastra Knitting	1993-94	20	81,757	6 months	Gandhi Seva Sadan, Jammu
6.	Fibre production	1993-94	25	57,074	6 months	Sherpur Industrial Co-operative Society, Kathua.
7.	Electrician Trade	1993-94	7		6 months	ITI Kathua.
8.	Fibre Production	1994-95	25	57,265	6 months	Sherpur Industrial Co-operative Society, Kathua
9.	Calico printing	1995-96	30	1,63,000	6 months	Mayur Art and Designing Institute, Jammu
10.	Secretariat Procedures	1995-96	20	90,000	6 months	National Institute of Management and Services, Jammu
11.	Child Care & Nutrition	1995-96	7	53,205	6 months	Babies Crèche & Shared Public School, Jammu
12.	Computer Courses	1991-92	16	17,900	6 months	Polytechnic Jammu
		1992-93	(Same Batch)	8,500	6 months	-do-
		1994-95	50	5,60,000	1 year	UPWARD ON ACL Jammu
		1995-96	1685 <sup>#</sup>	1,87,21000	1 year 8 months	UPWARD ON ACL,
		1995-96	20	1,70,000		Turning Point, Jammu
			25	2,77,500		NIIT
			25	1,68,750		J&K Computeronics Kathua
			100	5,50,000		M/s Hill Top Computers Rajouri
			50	2,75,000		M/s Hill Top Computers Poonch
<b>Total:</b>				<b>1441250.00</b>		

<sup>#</sup> Includes trainees belonging to Other Backward Classes.



**Appendix-8**

**(Reference: Paragraph: 3.4.5; Page: 87)**

**(A)-Statement showing implementing agency-wise details of funds provided by Education Department and utilisation thereof**

S.No	Implementing agency	Funds provided (Rupees in lakhs)	Funds utilised
1.	Director Rural Development, Jammu	1738.07	1671.78
2.	Director Youth Services and Sports	556.33	520.35
3.	Secretary Academy of Art, Culture and Languages	110.40	79.80
4.	Education Department	1155.29	1065.96
5.	Director Technical Education	1842.29	1656.58
6.	Director Rural Development, Kashmir	1835.46	1545.86
7.	Director School Education, Kashmir	385.25	325.16
8.	Director Libraries	83.70	44.82
9.	Chief Engineer PWD (R&B) Kashmir	1386.16	1080.11
10.	Chief Engineer PWD (R&B) Jammu	2298.10	2003.58
<b>Total:</b>		<b>11391.05</b>	<b>9994.00</b>

**(B) -Statement showing activity-wise details of funds provided by Planning and Development Department and utilisation thereagainst**

<b>Education</b>			
1.	Construction of school buildings	1059.64	739.94
2.	Purchase of science equipment for High/Higher Secondary schools	31.95	30.63
3.	Cultural activities	10.05	8.00
4.	Youth Services and Sports (Division of play fields)	16.40	12.65
<b>Health</b>			
1.	Purchase of ambulances	135.00	128.12
2.	X-Ray machines	111.31	85.69
3.	E.C.G. machines	2.52	-
4.	Ultra sound machines	90.00	50.40
5.	Dental chairs	30.40	12.80
6.	Drugs	49.20	42.47
7.	(i)Construction of additional rooms for PHCs/CHCs/MO quarters	163.26	106.39
	(ii)Rural Sanitation Programme	570.34	374.56
	(iii)Vegetable Development	91.86	69.31
	(iv)Construction of community centres	9.00	6.17
	(v)Equipment for community centres	15.17	2.51
	(vi)Link roads/culverts	652.89	436.57
	(vii)Solar street lights	650.72	649.93
	(viii)Leh Polytechnic	-	-
	(ix)Water supply augmentation	9.00	8.32
	(x)Food Supplies Department	62.00	15.10
	(xi)Untied grants	218.00	196.26
	(xii) Headquarter expenses	19.29	13.00
	(xiii)Mid day meals	115.00	-
<b>Total:</b>		<b>4113.00</b>	<b>2988.82</b>

**Appendix-9**

**(Reference: Paragraph: 4.1.7; Page: 113)**

**Component-wise expenditure on Dal Lake Development Project ending March 1996**

S.No.	Name of the Project component	Estimated cost	Expenditure
<b>I.</b>	<b>Phase-I</b>	(Rupees in lakhs)	
1.	Improvement to catchment area at		
	(a) Dachigam	122.00	96.65
	(b) Dara Danihama	480.00	344.60
2.	Settling Basin on Telbal nallah and allied works	500.00	491.83
3.	Marginal dredging Hazratbal Lake	1180.00	66.32
4.	Northern Fore Shore Road	1415.00	1091.73
5.	Western Fore Shore Road	846.00	285.89
6.	Selective dweeding	615.00	178.44
7.	Water circular system	194.00	57.91
8.	Houseboat sanitation	1156.00	32.91
9.	Improvement Nallah Amir Khan	505.50	298.25
10.	S&D Hazratbal and Habak areas	220.00	76.15
11.	Low cost sanitation peripheral	272.00	110.74
12.	Brari Numbal Cut	285.00	42.99
13.	Acquisition of land structures	1304.00	474.46
14.	Improvement of navigational routes	186.00	14.71
15.	Dewatering station Telbal Batapora	50.00	-
16.	Setting up of laboratory	70.00	44.20
17.	Research and development	35.00	9.00
18.	Cadas Mapping etc.	20.00	8.00
19.	Preliminary services	141.83	-
20.	Direction and administration	756.44	672.20
21.	Misc. T&P, W/C contingencies	285.57	47.83
	<b>Total Phase-I</b>	<b>10639.34</b>	<b>4444.81</b>
<b>II.</b>	<b>Phase-II</b>		
1.	Acquisition and development of land (not included in Phase-I)	4881.00	1164.46
2.	Acquisition of land structures within Lake	5876.00	398.76
3.	Dredging within Lake	1925.00	-
4.	W.C. contingencies and T&P etc.	443.87	26.26
5.	Direction and administration	1014.51	-
	<b>Total Phase-II</b>	<b>14140.38</b>	<b>1589.48</b>
<b>III.</b>	<b>Phase-III</b>		
	Peripheral area development	3647.00	-
<b>IV.</b>	<b>Phase-IV</b>		
	Landscaping and internal beautification	739.00	-
	Development of Nagin Lake	3090.00	366.00
	<b>Grand Total:</b>	<b>32255.72</b>	<b>6400.29</b>



**Appendix-10**  
**(Reference :Paragraph: 6.5.5.4(i); Page: 175)**  
**Statement showing instances where credit was not afforded to the Government**  
**account on the scheduled day**

S.No	Name of the branch of Jammu and Kashmir Bank	Period of collection	Amount received (In rupees)	Date of credit to Government account
1.	Town Hall, Jammu	20.9.1995 to 30.9.1995	3,47,34,351.51	30.9.1995
2.	Chand Nagar, Jammu	1.12.1993 to 02.02.1994	1,65,58,791.77	2.2.1994
3.	Nehru Market, Jammu	25.01.1993 to 11.06.1993	87,27,121.02	14.6.1993
4.	Udhampur	24.07.1995 to 17.08.1995	57,51,801.39	19.8.1995
5.	Udhampur	22.04.1995 to 12.05.1995	46,33,743.17	13.5.1995
6.	Udhampur	22.01.1994 to 23.04.1994	45,02,150.53	23.4.1994
7.	Udhampur	27.08.1994 to 28.09.1994	14,44,478.48	1.10.1994
8.	Chand Nagar, Jammu	10.06.1993 to 07.08.1993	2,13,636.75	7.8.1993
9.	Chand Nagar, Jammu	01.05.1993 to 09.06.1993	1,22,356.32	9.6.1993
10.	Link Road, Jammu	05.08.1994 to 22.08.1994	88,484.10	22.8.1994
11.	Link Road, Jammu	03.06.1994 to 04.07.1994	62,573.71	4.7.1995
12.	Chand Nagar, Jammu	29.08.1993 to 04.10.1993	45,557.09	4.10.1993

**Appendix-11**

**(Reference :Paragraph: 6.5.5.4(ii); Page: 175)**

**Statement showing delay in appearance of credits in the scroll of Town Hall  
Branch of the Jammu and Kashmir Bank**

S.No	Name of branch from which amount transferred	Amount  (Rupees)	Date of transfer	Date on which the amount appeared in the scroll of Town Hall branch
1.	Shalamar Road, Jammu	3,01,00,000.00	5.2.1996	8.3.1996
2.	Chand Nagar, Jammu	1,65,58,791.77	2.3.1994	5.3.1994
3.	Shalamar Road, Jammu	1,14,28,000.00	5.4.1995	15.4.1995
4.	Chand Nagar, Jammu	9,94,285.43	30.11.1993	13.12.1993
5.	Shalamar Road, Jammu	2,52,000.00	15.4.1995	21.4.1995
6.	Shalamar Road, Jammu	2,21,000.00	26.6.1995	1.7.1995
7.	Chand Nagar, Jammu	1,49,907.99	28.8.1993	10.9.1993
8.	Shalamar Road, Jammu	46,80,000.00	29.5.1995	6.6.1995
9.	Shalamar Road, Jammu	42,65,000.00	24.4.1995	6.5.1995
10.	Chand Nagar, Jammu	15,552.12	14.8.1993	6.9.1993
11.	Chand Nagar, Jammu	5,871.71	21.8.1993	6.9.1993



**Appendix-12**

**(Reference: Paragraph: 6.5.5.4(iii); Page: 175)**

**Statement showing instances where part of tax collections were retained by the  
Jammu and Kashmir Bank at the time of transfer to Government account**

S. No	Name of the branch of Jammu and Kashmir Bank	Amount of sales tax credited to Govt. Account (Rupees)	Date of credit	Balance retained  (Rupees)
1.	Town Hall, Jammu	2,00,00,000.00	8.5.1995	7,41,34,254.91
2.	-do-	22,26,000.00	5.8.1993	6,97,86,443.98
3.	-do-	68,00,000.00	11.8.1993	3,00,66,962.71
4.	-do-	20,00,000.00	17.6.1993	1,58,31,656.87
5.	-do-	4,50,00,000.00	25.5.1993	1,40,71,288.13
6.	Shalamar Road, Jammu	36,00,000.00	31.10.1994	85,51,416.32
7.	Chand Nagar, Jammu	50,000.00	30.4.1993	52,47,616.97
8.	-do-	50,00,000.00	9.11.1994	40,84,580.17
9.	-do-	30,00,000.00	11.7.1994	39,53,361.15
10.	Shalamar Road, Jammu	6,00,000.00	6.10.1993	37,90,327.13
11.	-do-	2,00,00,000.00	5.2.1994	25,63,201.51
12.	Udhampur	9,43,541.62	30.1.1996	21,74,650.39
13.	Shalamar Road, Jammu	2,77,00,000.00	3.8.1993	5,69,607.91
14.	Udhampur	3,87,142.00	23.1.1996	1,53,802.60
15.	Chand Nagar, Jammu	2,03,14,488.19	12.9.1994	1,45,215.46

## Appendices

### Appendix- (Reference: Paragraph:7.2.1

#### Statement showing particulars of up-to-date Equity

S.No	Name of the company	Paid-up capital as at the end of 31 March 1996			
		State Govern- ment	Central Govern- ment	Others	Total
(Rupees in lakhs)					
<b>Finance</b>					
1	Jammu and Kashmir Bank Limited	559.18*	-	140.81	699.99
<b>Industries and Commerce</b>					
2.	Jammu and Kashmir Minerals Limited	800.00	Nil	Nil	800.00
3.	Jammu and Kashmir Industries Limited	1783.82**	Nil	Nil	1783.82
4.	Jammu and Kashmir State Industrial Development Corporation Limited	3812.64#	Nil	Nil	3812.64
5.	Jammu and Kashmir Cements Limited	1499.67	Nil	Nil	1499.67
6.	Jammu and Kashmir Handicrafts (Sale and Export) Corporation Limited	296.20	7.00	Nil	303.20
7.	Jammu and Kashmir Small Scale Industries Development Corporation Limited	311.85##	Nil	Nil	311.85
8.	Tawi Scooters Limited	80.40	Nil	Nil	80.40
9.	Himalayan Wool Combers Limited	136.50	Nil	Nil	136.50
10.	Jammu and Kashmir Handloom Development Corporation Limited	299.90@	Nil	Nil	299.90
11.	Jammu and Kashmir State Handloom Handicrafts (Raw Material Supplies Organisation) Ltd. (A subsidiary of Himalayan Wool Combers Ltd.)	Nil@@	Nil	Nil	Nil

\* Excludes share application money of Rs. 100 lakhs booked under deposits by the Bank during 1994-95.

\*\* Includes Rs. 166.96 lakhs representing equity of Watch Case Project transferred to Jammu and Kashmir State Industrial Development Corporation Ltd. Besides, there is a discrepancy of Rs. 9.77 lakhs in the paid-up capital as intimated by Company which was under reconciliation.

# Excludes Rs. 345 lakhs transferred by the State Government for setting up/establishment of growth centres.

## Excludes Rs. 110 lakhs (State Government: Rs. 50 lakhs and Central Government: Rs. 60 lakhs) not taken as paid-up capital by the company.

@ Includes Rs. 150.07 lakhs contributed by the Central Government for which shares have not yet been issued.

@@ Only Rs. 200 (2 shares of Rs. 100 each) subscribed by the signatories to the Memorandum of Articles of Association.



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**Capital and Loans as on 31 March 1996**

Loans given by				Loans outstanding as on 31 March 1996			
State Government	Central Government	Others	Total	State Government	Central Government	Others	Total
(Rupees in lakhs)							
-	-	-	-	-	-	-	-
417.60	Nil	Nil	417.60	3519.04	Nil	355.57	3874.61
662.00	Nil	Nil	662.00	5216.79	Nil	694.65	5911.44
Nil	Nil	Nil	Nil	5.00	Nil	4185.77	4190.77
Nil	Nil	Nil	Nil	414.00	Nil	1275.41	1689.41
166.00	Nil	Nil	166.00	820.66 <sup>1</sup>	Nil	615.00	1435.66
79.50	Nil	Nil	79.50	357.12	Nil	53.51	410.63
Nil	Nil	Nil	Nil	73.57	Nil	Nil	73.57
49.00	Nil	Nil	49.00	279.60	Nil	229.22	508.82
120.00	Nil	Nil	120.00	1015.94	Nil	Nil	1015.94
10.00	Nil	Nil	10.00	73.70 <sup>&amp;</sup>	Nil	Nil	73.70

(contd.)

<sup>1</sup> Includes Rs. 140.50 lakhs received by the company during 1994-95 but wrongly shown as subsidy.

<sup>&</sup> Includes Rs. 53.50 lakhs transferred from Himalayan Wool Combers Limited.

## Appendices

(Appendix 13concl.)

Appendix 13 (contd.)

S.No	Name of the company	Paid-up capital as at the end of 31 March 1996			
		State Govern- ment	Central Govern- ment	Others	Total
(Rupees in lakhs)					
	<b>Public Works</b>				
12.	Jammu and Kashmir Projects Construction Corporation Limited	152.50	Nil	Nil	152.50
	<b>Power Development</b>				
13.	Jammu and Kashmir State Power Development Corporation (Pvt.) Limited	Nil	Nil	Nil	Nil
	<b>Agricultural Production</b>				
14.	Jammu and Kashmir State Agro Industries Development Corporation Limited	102.00	93.76	-	195.76
15.	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	600.00	320.00	-	920.00
	<b>Social Welfare</b>				
16.	Jammu and Kashmir Schedule Castes, Schedule Tribes and other Backward Classes Development Corporation Limited	370.18	420.34	Nil	790.52
17.	Jammu and Kashmir State Womens' Development Corporation Limited	56.75 <sup>#</sup>	Nil	Nil	56.75
	<b>Tourism</b>				
18.	Jammu and Kashmir Tourism Development Corporation Limited	1144.33	Nil	Nil	1144.33
19.	Jammu and Kashmir State Cable Car Corporation Limited	2352.11	Nil	Nil	2352.11
	<b>Total</b>	<b>14358.03</b>	<b>841.10</b>	<b>140.81</b>	<b>15339.94</b>

<sup>#</sup> Includes Rs. 26.75 lakhs invested during earlier years (1990-91: Rs. 0.75 lakh; 1991-92: Rs. 1 lakh and 1993-94: Rs. 25 lakhs)



## *Appendices*

Loans given by				Loans outstanding as on 31 March 1996			
State Government	Central Government	Others	Total	State Government	Central Government	Others	Total
Nil	Nil	Nil	Nil	30.00	Nil	Nil	30.00
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
178.50	Nil	30.07	208.57	595.72	12.30	30.07	638.09
Nil <sup>#</sup>	Nil	Nil	Nil	234.00	Nil	4747.23	4981.23
Nil	Nil	157.72	157.72	Nil	Nil	236.49	236.49
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Nil	Nil	Nil	Nil	462.00	Nil	16.00	478.00
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>1682.60</b>	<b>Nil</b>	<b>187.79</b>	<b>1870.39</b>	<b>13097.14</b>	<b>12.30</b>	<b>12438.92</b>	<b>25548.36</b>

<sup>#</sup> The loan of Rs. 218.62 lakhs received by the company had not been shown as such by the company.

**Appendix-  
(Reference: Paragraph: 7.2.1;**

**Summarised Financial Results of Government Companies for the**

S.No	Name of the company	Date of incorporation	Period of accounts	Year in which finalised
<b>Finance</b>				
1.	Jammu and Kashmir Bank Limited	1 October 1938	1994-95	1995-96
<b>Industries and Commerce</b>				
2.	Jammu and Kashmir Minerals Limited	5 February 1960	1981-82	1989-90
3.	Jammu and Kashmir Industries Limited	4 October 1960	1984-85	1994-95
4.	Jammu and Kashmir State Industrial Development Corporation Limited	17 March 1969	1988-89	1995-96
5.	Jammu and Kashmir Cements Limited	24 December 1974	1990-91	1995-96
6.	Jammu and Kashmir Small Scale Industries Development Corporation Limited	28 November 1975	1982-83	1993-94
7.	Jammu and Kashmir Handicrafts (Sale and Export) Corporation Limited	6 June 1970	1984-85	1994-95
8.	Tawi Scooters Limited	15 December 1976	1989-90	1991-92
9.	Himalayan Wool Combers Limited	24 January 1978	1994-95	1996-97
10	Jammu and Kashmir State Handloom Development Corporation Limited.	29 June 1981	1985-86	1994-95
11.	Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalayan Wool Combers Limited)	29 November 1991	No accounts received	
<b>Public Works</b>				
12.	Jammu and Kashmir Projects Construction Corporation Limited.	22 May 1965	1981-82	1995-96
<b>Power Development</b>				
13.	Jammu and Kashmir State Power Development Corporation (Private) Limited	16 February 1995	No accounts received	



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**latest year for which accounts were finalised**

Profit (+)/ Loss (-)	Paid up capital	Accu- mula- ted loss	Capital inves- ted  (A)	Capital employed  (B)	Return on capital invested	Return on capital employed	Percentage of total return on	
							Capital invested	Capital emp- loyed
(Rupees in lakhs)								
(C)								
(+) 1598.11	699.99	-	-	122799.20	-	15660.06	-	12.75
(-) 44.09	800.00	274.86	1022.78	669.22	(-) 44.09	(-) 43.13	(-) 4.31	(-) 6.44
(+) 44.43	1301.11	221.52	1918.61	1401.82	110.11	110.11	5.73	7.85
(-) 101.04	2242.64	266.20	4614.96	4050.26	81.73	81.73	1.77	2.02
(-) 48.35	1549.67	947.87	3343.12	2384.47	86.00	86.00	2.57	3.61
(-) 10.63	166.85	-	248.95	358.55	(-) 7.64	32.22	(-) 3.10	9.00
(-) 3.77	99.10	5.79	100.57	195.78	(-) 3.77	(-) 3.77	(-) 3.75	(-) 1.93
(-) 6.14	80.40	104.23	156.57	58.69	(-) 1.25	(-) 1.25	(-) 0.80	(-) 2.12
(-) 31.36	136.50	552.32	501.23	46.05	(-) 20.11	(-) 20.11	(-) 4.01	(-) 43.67
(-) 21.57	218.56	80.61	511.17	357.54	(-) 21.57	(-) 14.70	(-) 4.22	(-) 4.11
-	-	-	-	-	-	-	-	-
(+) 1.58	100.00	8.98	130.67	60.75	2.99	4.45	2.28	7.33
-	-	-	-	-	-	-	-	-

(contd.)

## Appendices

(Appendix-14 conclud.)

(Appendix-14 contd.)

S.No	Name of the company	Date of incorporation	Period of accounts	Year in which finalised
<b>Agricultural Production</b>				
14.	Jammu and Kashmir State Agro Industries Development Corporation Limited	30 January 1970	1981-82	1994-95
15.	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	10 April 1978	1988-89	1996-97
<b>Social Welfare</b>				
16.	Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited	1 April 1986	1987-88	1991-92
17.	Jammu and Kashmir State Women's Development Corporation Limited	10 May 1991	No accounts received	
<b>Tourism</b>				
18.	Jammu and Kashmir Tourism Development Corporation Limited	13 February 1970	1983-84	1995-96
19.	Jammu and Kashmir State Cable Car Corporation Limited	28 November 1988	No accounts received.	



## Appendices

Profit (+)/ Loss (-)	Paid up capital	Accu- mula- ted loss	Capital inves- ted (A)	Capital emp- loyed (B)	Return on capital invested	Return on capital emp- loyed	Percentage of total return on	
							Capital invested	Capital emp- loyed

(Rupees in lakhs)

(-) 0.22	195.76	120.04	265.68	145.54	0.89	0.89	-	0.61
(-)383.34	920.00	1587.16	2122.95	477.84	(-)173.34	(-)156.13	(-)8.17	(-)32.67
(+) 0.28	52.11	2.17	82.10	79.26	0.28	0.28	-*	-*

since inception of the company

(-)26.26	206.15	21.30	473.65	121.94	(-) 25.72	(-) 25.72	(-) 5.43	(-) 21.09
----------	--------	-------	--------	--------	-----------	-----------	----------	-----------

since incorporation of the company

- A : Capital invested represents paid up capital plus long term loans and reserves.  
 B: Capital employed represents net fixed assets (excluding work in progress) plus working capital  
 C: Represents mean capital i.e. mean aggregate of the opening and closing balance of Paid-up capital, borrowings including fixed deposits and reserves other than those specifically funded.  
 \* Negligible

**Appendix -  
(Reference: Paragraph: 7.2.2;**

**Statement showing subsidy and guarantees received and waivers**

S. No	Name of company	Subsidy received during the year				Guarantees and outstanding	
		Central Govern- ment	State Govern- ment	Others	Total	Cash credit from J&K Bank and other Nationa- lised Banks	Loans from other sources

(Rupees in lakhs)

(Figures in brackets indicate subsidy  
unutilised)

(Figures in brackets

**A-Government Companies**

<b>Finance</b>							
1.	Jammu and Kashmir Bank Limited	110.85 (110.85)	-	-	110.85 (110.85)	-	-
<b>Industries and Commerce</b>							
2.	Jammu and Kashmir Minerals Limited	-	-	-	-	(460.63)	-
3.	Jammu and Kashmir Industries Limited	-	-	-	-	(795.29)	(317.50)
4.	Jammu and Kashmir State Industrial Development Corporation Limited.	-	-	-	-	-	-
5.	Jammu and Kashmir Cements Limited	-	-	-	-	NA	(1275.41)
6.	Jammu and Kashmir Handicrafts (Sale and Export) Corporation Limited	-	40.00 -	-	40.00	576.00 (161.00)	- (454.00)
7.	Jammu and Kashmir Small Scale Industries Development Corporation Limited	-	9.50 (9.50)	-	9.50 (9.50)	-	110.00 (50.39)
8.	Tawi Scooters Limited	-	-	-	-	-	-
9.	Himalayan Wool Combers Limited	-	-	-	-	-	(229.22)
10.	Jammu and Kashmir State Handloom Development Corporation Limited.	26.92 -	-	-	26.92 -	-	-
11.	Jammu and Kashmir State Handloom Handicrafts Raw Materials Supplies Organisation Limited	-	-	-	-	-	-



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**Page: 192)**

**of dues during the year and guarantees outstanding at the end of the year.**

received during the year at the end of the year			Waiver of dues during the year				
Letters of credit opened by SBI in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayments written off	Interest waived	Penal interest waived	Repay- ment of loans on which morato- rium allowed	Others

(Rupees in lakhs)

indicate outstanding guarantees)

-	-	-	-	-	-	-	-
-	-	Nil (460.63)	-	-	-	-	-
-	-	Nil (1112.79)	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	Nil (1275.41)	-	-	-	-	-
-	-	576.00 (615.00)	-	-	-	-	-
-	-	110.00 (50.39)	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(229.22)	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

(contd.)

## Appendices

(Appendix-15 contd.)

Appendix-15 Contd.)

S.No	Name of company	Subsidy received during the year				Guarantees and outstanding	
		Central Govern-ment	State Govern-ment	Others	Total	Cash credit from J&K Bank and other Nationa-lised Banks	Loans from other sources
(Rupees in lakhs)							
		(Figures in brackets indicates subsidy unutilised)				(Figures in brackets	
12.	<b>Public Works</b> Jammu and Kashmir Projects Construction Corporation Limited	-	-	-	-	-	-
13.	<b>Power Development</b> Jammu and Kashmir State Power Development Corporation (Pvt.) Limited	-	-	-	-	-	-
14.	<b>Agricultural Production</b> Jammu and Kashmir State Agro Industries Development Corporation Limited	-	-	-	-	-	-
15.	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	-	-	-	-	(225.54)	(4521.69)
16.	<b>Social Welfare</b> Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited	96.76	Nil	Nil	96.76	-	597.95 (236.49)
17.	Jammu and Kashmir State Womens' Development Corporation Limited	-	-	-	-	-	35.70
18.	<b>Tourism</b> Jammu and Kashmir Tourism Development Corporation Limited	-	-	-	-	-	-
9.	Jammu and Kashmir State Cable Car Corporation Limited	-	-	-	-	-	-
	<b>Total-A</b>	<b>234.53 (110.85)</b>	<b>49.50 (9.50)</b>	<b>-</b>	<b>284.03 (120.35)</b>	<b>576.00 (1642.46)</b>	<b>743.65 (7084.70)</b>



## Appendices

received during the year at the end of the year		Waiver of dues during the year					
Letters of credit opened by SBI in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayments written off	Interest waived	Penal interest waived	Repay- ment of loans on which morato- rium allowed	Others
indicate outstanding guarantees)		(Rupees in lakhs)					
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(4747.23)	-	-	-	-	-
-	-	597.95 (236.49)	-	-	-	-	-
-	-	35.70	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1319.65 (8727.16)	-	-	-	-	-

## Appendices

(appendix. 15 conclud.)

(Appendix-15 contd.)

S.No	Name of company	Subsidy received during the year				Guarantees and outstanding	
		Central Govern-ment	State Govern-ment	Others	Total	Cash credit from J&K Bank and other Nationa-lised Banks	Loans from other sources
(Rupees in lakhs)							
(Figures in brackets indicate subsidy unutilised)					(Figures in brackets)		
<b>B-Statutory Corporations</b>							
1.	Jammu and Kashmir State Financial Corporation Limited	-	-	-	-	-	1095.00* (9095.00)
2.	Jammu and Kashmir State Road Transport Corporation	-	-	-	-	-	1000.00 (1000.00)
3.	Jammu and Kashmir State Forest Corporation	-	-	-	-	- (2225.17)	- -
4.	Jammu and Kashmir State Electricity Board	-	-	-	-	-	2045.44 (27379.56)
<b>Total-B</b>		-	-	-	-	- (2225.17)	<b>4140.44</b> <b>(37474.56)</b>
<b>Total-A and B</b>		<b>234.53</b> <b>(110.85)</b>	<b>49.50</b> <b>(9.50)</b>	-	<b>284.03</b> <b>(120.35)</b>	<b>576.00</b> <b>(3867.63)</b>	<b>4884.09</b> <b>(44559.26)</b>

\* Out of bonds of face value of Rs. 1705.00 lakhs floated by the corporation, only Rs. 1095.00 lakhs have been subscribed during the year 1995-96 from LIC, State Bank of India etc.



## Appendices

received during the year at the end of the year			Waiver of dues during the year				
Letters of credits opened by SBI in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayments written off	Interest waived	Penal interest waived	Repay- ment of loans on which morato- rium allowed	Others
(Rupees in lakhs)							
		1095.00	-	-	-	-	-
-	-	(9095.00)	-	-	-	-	-
-	-	1000.00	-	-	-	-	-
-	-	(1000.00)	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(2225.17)	-	-	-	-	-
NA	-	2045.44	-	-	-	-	-
-	-	(27379.56)	-	-	-	-	-
-	-	<b>4140.44</b>	-	-	-	-	-
-	-	<b>(39699.73)</b>	-	-	-	-	-
-	-	<b>5460.09</b>	-	-	-	-	-
-	-	<b>(48426.89)</b>	-	-	-	-	-

## Appendices

### Appendix-16

(Reference: Paragraph: 7.2.7; Page: 198)

#### Statement showing the capacity utilisation of manufacturing units of various companies for the year 1995-96

S.No	Name of the company	Installed capacity per annum	Actual utilisation	Percentage utilisation
1.	Jammu and Kashmir Minerals Ltd.			
(a)	Wuyan Cement Factory	18,000 Tonnes	1486 Tonnes	8.26
(b)	Precast Concrete Factory Bari Brahamna, Jammu	5000 Poles	4222 Poles	84.4
(c)	Precast Concrete Factory Wuyan	5000 Poles	1282 Poles	25.64
2.	Jammu and Kashmir Industries Ltd.			
(a)	Rosin Group of Factories	9500 Tonnes (Rosin and Turpentine)	4523 Tonnes	47.61
(b)	Kashmir Filatures	33000 Kgs. (silk yarn)	8400 kgs.	25.45
(c)	Jammu Filatures	15000 Kgs. (silk yarn)	9600 Kgs.	64.00
(d)	Silk Weaving Factory Rajbagh	2 lakh Mtrs. (silk)	75000 Mtrs.	37.50
(e)	Bemina Woollen Mills	3.40 lakh Mtrs. (woollen cloth)	81000 Mtrs.	23.82
(f)	Shoddy Spinning Project	9 lakh kgs. (shoddy yarn)	13300 kgs.	1.48
(g)	Joinery Mills Pampore	125000 numbers (furniture pieces)	27280 numbers	21.82
(h)	Joinery Mills Jammu	82500 numbers (furniture pieces)	11100 numbers	13.45
(i)	Knitting Factory Jammu	25000 numbers (Jerseys)	3400 numbers	13.60
		105000 numbers (socks)	12300 numbers	11.71
		18000 numbers (hand gloves)	Nil	Nil
		5000 numbers (vests)	Nil	Nil
3.	Jammu and Kashmir Cements Ltd.	200000 Tonnes	79119.2 Tonnes	39.56
4.	Himalayan Wool Combers	9.50 lakh kgs (yarn)	2.62 lakh kgs	28.00
5.	Jammu and Kashmir Projects Construction Corporation Limited	50 lakh (bricks)	12.74 lakhs	25.48
6.	Jammu and Kashmir Horticultural Produce and Marketing and Processing Corporation Ltd.	800 Tonnes (fruit and fruit products)	708 Tonnes	88.5



**Appendix-17**  
**(Reference: Paragraph: 8.1(a); Page: 218)**  
**Wanting utilisation certificates**

Name of the department	Year of payment	Number of certificates	Amount (Rs. in lakhs)
Education	1993-94	71	2426.03
	1994-95	43	2812.35
Housing and Urban Development	1993-94	71	1803.09
	1994-95	87	2023.09
Health	1993-94	16	26.25
	1994-95	14	20.61
Agriculture	1993-94	12	5.35
	1994-95	8	471.00
Law	1993-94	3	50.00
Industries	1993-94	2	26.27
	1994-95	6	129.99
Social Welfare	1993-94	6	36.44
	1994-95	4	7.45
General Administration	1993-94	4	1.03
	1994-95	11	31.37
Rural Development	1994-95	1	0.61
Tourism	1993-94	3	33.50
Ladakh Affairs	1993-94	15	15.28
Art and Culture	1994-95	7	189.54
<b>Total:</b>		<b>384</b>	<b>10109.25</b>

**Appendix-18**

**(Reference: Paragraph: 8.1(b); Page: 218)**

**Bodies and authorities which did not furnish annual accounts for the year 1995-96  
and earlier years (position as on 31 May 1996)**

S.No.	Name of the body/authority	Years for which accounts were not furnished	Number of accounts
1.	J&K State Social Welfare Advisory Board, Srinagar	1986-87 to 1995-96	10
2.	District Rural Development Agency, Srinagar	1989-90 to 1995-96	7
3.	District Rural Development Agency, Anantnag	1989-90 to 1995-96	7
4.	District Rural Development Agency, Pulwama	1988-89 to 1995-96	8
5.	District Rural Development Agency, Badgam	1988-89 to 1995-96	8
6.	District Rural Development Agency, Kupwara	1988-89 to 1995-96	8
7.	District Rural Development Agency, Baramulla	1989-90 to 1995-96	7
8.	District Rural Development Agency, Kargil	1992-93 to 1995-96	4
9.	District Rural Development Agency, Rajouri	1994-95 to 1995-96	2
10.	District Rural Development Agency, Doda	1983-84 to 1995-96	13
11.	District Rural Development Agency, Leh	1995-96	1
12.	District Rural Development Agency, Kathua	1995-96	1
13.	District Rural Development Agency, Jammu	1995-96	1
14.	District Rural Development Agency, Udhampur	1995-96	1
15.	District Rural Development Agency, Poonch	1995-96	1
16.	J&K Sports Council Srinagar/Jammu	1989-90 to 1995-96	7
17.	Desert Development Agency, Leh	1994-95 to 1995-96	2
18.	Desert Development Agency, Kargil	1992-93 to 1995-96	4
19.	Jammu Development Authority	1972-73 to 1995-96	24
20.	Jammu University	1995-96	1
21.	Jammu Municipality	1972-73 to 1995-96	24
22.	J&K Academy of Art, Culture and Languages	1995-96	1
23.	J&K Housing Board, Jammu	1992-93 to 1995-96	4
24.	Islamia College of Science and Commerce, Srinagar	1989-90 to 1991-92 and 1995-96	4
25.	State Pollution Control Board, Jammu	1987-88 to 1995-96	9
26.	J&K State Council for Science and Technology, Srinagar	1986-87 to 1995-96	10
27.	J&K Energy Development Agency, Srinagar	1986-87 to 1995-96	10
28.	Kashmir University	1983-84 to 1995-96	13
29.	Municipality Srinagar	1972-73 to 1995-96	24
30.	J&K Board of Secondary Education, Srinagar/Jammu	1977-78 to 1995-96	19
31.	Development Authority, Srinagar	1981-82 to 1995-96	15
32.	Sher-i-Kashmir Medical Institute Trust, Srinagar	1986-87 to 1996-96	10
33.	Jammu Urban Development Agency, Jammu	1995-96	1
34.	Jammu and Kashmir Co-operative Supply Marketing Federation	1987-88 to 1995-96	9
35.	Sher-i-Kashmir Convention Complex, Srinagar	1987-88 to 1995-96	9
<b>Total:</b>			<b>279</b>



**Appendix-19**  
**(Reference: Paragraph: 8.3; Page: 219)**

**Bodies/authorities and the periods for which their accounts were received**

S.No.	Name of body/authority	Period of account
1.	District Rural Development Agency, Leh	1992-93 to 1994-95
2.	District Rural Development Agency, Kathua	1992-93 to 1994-95
3.	District Rural Development Agency, Jammu	1994-95
4.	District Rural Development Agency, Udhampur	1994-95
5.	District Rural Development Agency, Poonch	1992-93 and 1994-95
6.	District Rural Development Agency, Rajouri	1992-93 and 1993-94
7.	Desert Development Agency, Leh	1991-92 to 1993-94
8.	Jammu University, Jammu	1993-94 and 1994-95
9.	Jammu and Kashmir Academy of Art, Culture and Languages	1990-91 to 1994-95
10.	Jammu Urban Development Agency, Jammu	1990-91 to 1994-95

**Appendix-20**  
**Glossary of abbreviations**

AIDS	Acquired Immuno Deficiency Syndrome
Cum	Cubic meter
CWC	Central Water Commission
DDCs	District Development Commissioners
DGA	Director General of Archives
EAS	Employment Assurance Scheme
ECG	Electro Cardiogram
ELISA	Enzyme Linked Sero Assay
FA&CAO	Financial Advisor and Chief Accounts Officer
GOI	Government of India
HIV	Human Immuno Deficiency Virus
HLC	High Level Committee
HP	Horse Power
IEC	Information, Education and Communication
I&FC	Irrigation and Flood Control
ITI	Industrial Training Institute
JAKEDA	Jammu and Kashmir Energy Development Agency
JRY	Jawahar Rozgar Yojna
Kms	Kilometers
KV	Kilovolt
kWhs	Kilowatt hours
MT	Metric tonne
MWs	Megawatts
NACO	National Aids Control Organisation
NICETD	National Institute of Continuing Education, Training and Development Studies
PAC	Public Accounts Committee
PCC	Projects Construction Corporation
PDD	Power Development Department
PETs	Physical Education Teachers
PHCs	Public Health Centres
PHE	Public Health Engineering
PWD	Public Works Department
R&B	Roads and Buildings
SCA	Special Central Assistance
SCs	Scheduled Castes
SCP	Special Component Plan
SICOP	Small Scale Industries Development Corporation Ltd.
SKIMS	Sher-i-Kashmir Institute of Medical Sciences
STD	Sexually Transmitted Diseases
TAC	Town Area Committee
UEED	Urban Environmental and Engineering Department
ZBTCs	Zonal Blood Testing Centres