Report of the Comptroller and Auditor General of India

For the year ended March 2003

Government of Jammu and Kashmir

CONTENTS

Preface

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

Chapters I and II of this Report respectively, contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2003.

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

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2002-03 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2002-03 have also been included wherever necessary.

Overview

This Report includes two chapters containing observations of Audit on Finance and Appropriation Accounts of the State for the year 2002-03 and seven other chapters with six audit reviews and 35 paragraphs dealing with the results of the audit of selected schemes, programmes, the financial transactions of the Government, commercial/trading activities and internal control systems of the Government. A synopsis of the major audit findings is set out in this overview.

1. An overview of the finances of the State Government

The accounts of the State Government for the year 2002-03 closed with a revenue surplus of Rs 368 crore against deficit of Rs 334 crore during 2001-02, mostly due to adjustments of past years' credits during the year. The actual revenue surplus for the year worked out to Rs 51 crore only.

Revenue receipts of the State increased from Rs 4509 crore in 1998-99 to Rs 7548 crore in 2002-03 at an average trend rate of 10.67 *per cent* per annum.

The overall expenditure of the State comprising revenue expenditure, capital expenditure and loans and advances, increased from Rs 5567 crore in 1998-99 to Rs 8941 crore in 2002-03 at an average annual trend rate of 12.04 *per cent*.

The fiscal liabilities of the State increased from Rs 6835 crore in 1998-99 to Rs 12279 crore in 2002-2003 at an average annual rate of 14.54 *per cent* constituting about 59 *per cent* to 66 *per cent* of the GSDP during this period. The returns on Government investments ranged between zero to 5.38 *per cent* during 1998-99 to 2002-03 against the average borrowing rate of 10.10 *per cent* during the period. The amount locked in 132 incomplete projects was Rs 603 crore at the end of the year 2002-03.

(Paragraphs: 1.1 to 1.12)

2. Appropriation audit and control over expenditure

Against the provision of Rs 10736 crore during 2002-03, the expenditure aggregated Rs 9818 crore which resulted in overall saving of Rs 918 crore. The saving was due to net effect of saving of Rs 1424 crore and excess of Rs 506 crore in respect of 29 grants and nine appropriations, and 14 grants and one appropriation respectively. The excess expenditure of Rs 506 crore was mainly due to incurring of expenditure without budget provision.

(Paragraphs: 2.2 and 2.3)

123 controlling officers (out of 224) had not completed reconciliation in respect of expenditure of Rs 4989 crore, which constituted 58 *per cent* of the total revenue and capital expenditure.

(Paragraph: 2.13)

3. Performance review of schemes/programmes/corporation/ autonomous bodies

Agriculture Production Department

Sericulture Development Programme

The programme comprised activities like mulberry culture, seed production and worm rearing leading to production of cocoons. During the period 1997-98 to 2002-03, 40.82 lakh kgs of cocoons were produced against the reduced targets of 48 lakh kgs and the average yield of cocoon was only 28 kgs per ounce of seed against the norm of 40 kgs per ounce. The cost of production of cocoons worked out to Rs 73.50 crore against which only Rs 25.35 crore were realised on their sale resulting in implicit subsidy of Rs 48.15 crore, of which Rs 31.61 crore were indirectly passed on to the buyers of other states.

(Paragraph: 3.1)

Irrigation and Public Health Engineering Department

Accelerated Irrigation Benefit Programme

The programme was introduced in the State to complete on-going major and medium irrigation projects. Implementation of the programme was poor as there was both time and cost overrun in all nine projects taken up in the State. Central Loan Assistance (CLA) of Rs 32.36 crore (52 *per cent*) only was utilised during 1996-97 to 2002-03, resulting in accumulation of unspent balance of Rs 30.15 crore at the end of March 2003. In addition, State and CLA funds amounting to Rs 4.49 crore were diverted.

(Paragraph: 4.1)

Minimum Needs Programme

The programme aims at upgradation and completion of on-going rural water supply schemes. 16 water supply schemes could not be made functional rendering the expenditure of Rs 7.19 crore unfruitful. 74 schemes executed between 1977-78 and 1996-97 at a cost of Rs 24.43 crore became partially or fully defunct within 2 to 10 years of their completion due to source depletion, defective laying of distribution system and inadequate infrastructure.

(Paragraph: 4.2)

Finance Department

A review, **Assessment and Collection of Toll Tax** revealed the following:

Inadequate co-ordination between Toll and Sales Tax/Railway Authorities and non-application of revised rates of additional toll resulted in short assessment/levy of toll of Rs 3.95 crore.

(Paragraph: 6.2.17)

Ten small scale industrial units were allowed exemption from payment of additional and special toll of Rs 46.16 lakh without obtaining the material receipt/consumption verification certificates from Industries and Commerce Departments for one or more quarters during the period 1999-2002.

(Paragraph: 6.2.24)

Arrears of toll amounted to Rs 32.80 crore as of January 2003 out of which Rs 29.56 crore were in arrears for more than five years.

(Paragraph: 6.2.32)

Toll collections by the Jammu and Kashmir Bank Limited were not credited to Government in time which would have resulted in saving of interest of Rs 2.62 crore on the overdrafts taken by Government from the Bank.

(Paragraph: 6.2.35)

Review relating to Government company

Jammu and Kashmir Tourism Development Corporation Limited

The Jammu and Kashmir Tourism Development Corporation Limited was incorporated in February 1970 as a wholly owned Government company with the main objective of promoting and operating schemes for development of tourist traffic to the state.

The Company had finalised its accounts up to 1988-89 only. The accumulated loss of the Company as per its provisional accounts, stood at Rs 7.85 crore at the end of March 2003, which represented 242 *per cent* of its paid-up capital.

(Paragraph: 7.2.7)

The number of units incurring operational losses increased from 29 (1998-99) to 39 (2002-03) and the losses suffered by them during this period aggregated Rs 7.45 crore. Of the loss-making units, 18 suffered losses continuously for the last five years.

(Paragraph: 7.2.8)

The Company suffered losses of Rs 1.03 crore during 1997-2002 on running departmental canteens not connected with development of tourism in the State.

(Paragraph 7.2.15)

Injudicious decision of the Company to shift its regional office from its existing site to new location resulted in wasteful expenditure of Rs 28.85 lakh.

(Paragraph: 7.2.17)

Agriculture Production Department

(Sher-E-Kashmir University of Agricultural Sciences and Technology Kashmir)

The University was established for furthering advancement of learning and research in agriculture, animal husbandry and other allied branches. There was shortfall in admission of students to its various courses with the percentage shortfall ranging between 20 and 100 in graduate courses (except during 2000-01) and between 6 and 83 in postgraduate courses. Only 46 out of 485 research experiments taken up during 1998-2002 were concluded during the period. Two institutions of the University at Shuhama and Wadoora had excess teaching/non-teaching staff (*vis-à-vis* UGC norms) on whom expenditure on salaries amounted to Rs 16.10 crore during the period 1998-2003. The scientists had not published any of their research work in national/international papers.

(Paragraph: 8.2)

4. Transaction Audit Findings

Agriculture Production Department

Director Agriculture, Kashmir identified defective sites for installation of pump sets at Agriculture Farm Padgampora (Pulwama) and subsequently failed to relocate them during the period 1997-2003 for their smooth functioning, which resulted in unfruitful expenditure of Rs 24.94 lakh.

(Paragraph: 3.2)

Civil Aviation Department

Commissioner, Civil Aviation Department started heli-skiing operations in February 1999 injudiciously without obtaining the permission of Director General of Civil Aviation. One Cheetah helicopter on heli-skiing mission crashed in March 1999. Non-insurance of the helicopter by the Department resulted in loss of Rs 3.54 crore to Government.

(Paragraph: 3.4)

Home Department

Non-observance of codal provisions by the Staff Officer to Additional Director General of Police Home Guards, Civil Defence and Auxiliary Police, Srinagar and the Treasury Officer, Civil Secretariat facilitated fraudulent drawal of Rs 17.75 lakh in July 2001.

(Paragraph: 3.8)

Tourism Department

The Department made loan assistance of Rs 6.47 crore to 4307 units. As of July 2003, neither the loan amount nor the interest thereon was recovered from any of the unit holders. 185 persons sponsored for loan to Jammu and Kashmir Bank Limited, kept Rs 4.35 crore out of the sanctioned loan amount in fixed deposits in the same bank. The Department irregularly disbursed Rs 62.50 lakh subsidy to two cinema hall owners in August 1999, which did not fall under the purview of Tourism Incentive Rules 1995.

(Paragraph: 3.9)

Power Development Department

Chief Engineer, System and Operation purchased 299 energy meters during the period 1997-99 without ensuring their suitability with the existing transmission system rendering the expenditure of Rs 50.63 lakh thereon unfruitful.

(Paragraph: 4.6)

Failure of the Executive Engineer, Sub-Transmission Division, Udhampur to submit reimbursement claims to Rural Electrification Corporation during the period 1997-2003 resulted in non-release of balance funds under the scheme and consequent non-completion of the work and idle investment of Rs 96.45 lakh. Cost of idle investment worked out to Rs 78.44 lakh.

(Paragraph: 4.8)

Roads and Buildings Department

Executive Engineer, R&B Division, Udhampur irregularly advanced Rs 1.03 crore to Jammu and Kashmir Small Scale Industries Development Corporation from February 2000 to March 2002 mainly to avoid lapse of funds which resulted in locking up of Rs 68.94 lakh. The cost of locked funds amounted to Rs 17.96 lakh.

(Paragraph: 4.10)

Chief Engineer, Mechanical Engineering Department, Jammu without assessing actual requirement of Mechanical Divisions Jammu, Khellani (Doda) and Udhampur purchased three wheel loaders during March/April 1999 at a cost of Rs 41.73 lakh. These loaders were not utilised due to inadequate work load rendering the investment idle.

(Paragraph: 4.12)

Irrigation and Public Health Engineering Department

Non-observance of rules and ineffective control of stores by the Executive Engineers, Public Health Engineering Divisions, Sopore and Baramulla facilitated shortage of stores costing Rs 53.21 lakh noticed in June 1998 and July 1998 during handing over of charge by the store keepers of these divisions. These shortages had not been investigated even after five years of their detection.

(Paragraph: 5.1)

Roads and Buildings Department

(Stores Procurement Department)

The Department had not maintained quantitative accounts *viz.* priced store ledgers and bin cards of the stores. Receipt of material against advance payments was not monitored and inventories in excess of the prescribed stock reserve limit were maintained. Material issued to the user divisions on loan basis was not reflected in the accounts. Cases of short receipt of supplies, avoidable and excess payments aggregating Rs 5.79 crore were also noticed in audit.

(Paragraph: 5.2)

Revenue Receipts

The total receipts of Government of Jammu and Kashmir were Rs 7548 crore in the year 2002-03 as against Rs 6489 crore in 2001-02. The arrears of revenue as on 31 March 2003, in respect of some principal heads of revenue aggregated to Rs 733 crore, of which Rs 478 crore were outstanding for more than 5 years. The number of Sales Tax assessment cases in arrears aggregated 65460 at the end of March 2003. Only 36 *per cent* of these cases, were disposed of during 2002-03. The cost of collection of sales tax, taxes on vehicles, state excise and stamps duty and registration fee in the State was higher than all India average cost of collection.

(Paragraph: 6.1)

Sales Tax Department

Failure to detect suppression/concealment of turnover, misclassification of turnover, incorrect computations and allowance of exemption on sale of goods by the Assessing Authorities resulted in non/short levy of tax, penalty and interest amounting to Rs 53.16 lakh.

(Paragraphs: 6.3 to 6.8)

Law Department

Failure of the Assessing Authorities to levy stamp duty at lesser rates in 71 cases of conveyance of immovable property registered in April 2000, resulted in short levy of stamp duty of Rs 7.58 lakh.

(Paragraph: 6.9)

Revenue Department

Tehsildar, Anantnag did not recover licence fee and renewal licence fee at revised rate from July 1990 to March 2002 from brick kiln licensees resulting in short realisation of revenue of Rs 6.99 lakh.

(Paragraph: 6.10)

Commercial activities

As on 31 March 2003, the State had 23 Public Sector Undertakings (PSUs) comprising 19 Government companies and four Statutory corporations, as was the number in the previous year. There was also one non-working Government company as on 31 March 2003. The total investment in the working PSUs increased from Rs 2729.62 crore as on 31 March 2002 to Rs 2887.90 crore as on 31 March 2003. The total investment in the non-working PSU was Rs 1.64 crore as on 31 March 2003.

The budgetary support in the form of capital, loan, grants and subsidy to working PSUs increased from Rs 56.49 crore in 2001-02 to Rs 61.96 crore in 2002-03. During 2002-03, the State Government guaranteed loans aggregating Rs 29.39 crore. Outstanding loans guaranteed by the Government decreased from Rs 1160.26 crore as on 31 March 2002 to Rs 1127.71 crore as on 31 March 2003.

Only one working Company (Jammu and Kashmir Bank Limited) had finalised its accounts for the year 2002-03. The accounts of the remaining working PSUs were in arrears for periods ranging between one and 18 years as on 30 September 2003. The accounts of the non-working Company were in arrears for 13 years.

According to the latest finalised accounts, five companies earned an aggregate profit of Rs 339.40 crore, of which only one company declared dividend of

Rs 29.10 crore. 12 PSUs (10 Government companies and two Statutory corporations) suffered an aggregate loss of Rs 90.08 crore. Of the 10 loss-incurring companies, six had accumulated losses aggregating Rs 163.64 crore which exceeded their aggregate paid-up capital by Rs 124.45 crore. Two Statutory corporations had accumulated losses aggregating Rs 581.39 crore which exceeded their aggregate paid-up capital by Rs 412.21 crore. Financial position and working results of four companies and two Statutory corporations could not be assessed in audit due to non-receipt of their accounts.

Even after completion of 26 to 35 years of their existence, the turnover of five working companies had been less than Rs five crore in each of the preceding five years of their latest finalised accounts. Of these, three companies had been incurring losses for five consecutive years leading to negative net worth. Besides, two working Statutory corporations had been incurring losses for five consecutive years leading to negative net worth. In view of poor turnover and continuous losses, Government may either improve performance of these PSUs or consider their closure.

(Paragraph: 7.1)

Industries and Commerce Department

Injudicious decision of the Board of Directors of Jammu and Kashmir Minerals Limited to invest in a joint venture with a private firm, without verifying credentials of the private firm and lack of proper monitoring and follow up resulted in loss of Rs 58.60 lakh.

(Paragraph: 7.3)

Power Development Department

The Jammu and Kashmir State Power Development Corporation Limited made avoidable payment of interest of Rs 40.64 lakh to a private firm owing to delay in releasing payments due to the firm.

(Paragraph: 7.4)

Transport Department

Failure of the Jammu and Kashmir State Road Transport Corporation Limited to follow proper procedure for issuing mechanical inspection certificates facilitated leakage of revenue of Rs 23.83 lakh.

(Paragraph: 7.5)

Ladakh Autonomous Hill Development Council

Food and Supplies Department

Lax supervision, defective storage and retention of a storekeeper by the Department for 13 years after his transfer, facilitated shortage of stores at food store, Leh besides, resulting in deterioration of 2000 quintals of rice and consequent loss of Rs 19.58 lakh to the State exchequer.

(Paragraph: 8.4)

Roads and Buildings Department

The Executive Engineer, R&B Construction Division, Leh failed to observe prescribed codal provisions for safe custody of stores which resulted in shortage of stores of Rs 16.70 lakh noticed on the eve of transfer of charge of stores in November 2000.

(Paragraph: 8.5)

Finance Department

(Internal Audit)

Finance Department introduced internal audit of Government offices and other aided institutions on a limited scale in 1986. A separate Directorate of Audit and Inspections was established by the Government in January 1997. Non-fixation of auditing norms/procedures, low coverage of units, non-pursuance of audit observations and inadequate provisions of staff rendered the internal audit activity of the Directorate ineffective.

(Paragraph: 9.1)

Chapter-I

An overview of the finances of the State Government

Introduction

1.1 This chapter discusses the financial position of the State Government, based on the information contained in the Finance Accounts. The analysis is based on trends in receipts and expenditure, quality of expenditure and financial management of the State Government. In addition, the chapter also contains a section on the indicators of financial performance of the State Government. Some of the terms used in this chapter are explained in Appendix-I.

Financial position of the State

1.2 The Government accounting system does not attempt a comprehensive accounting of fixed assets i.e. land, buildings etc., owned by the Government. However, these accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by it. Exhibit-I presents an abstract of such liabilities and assets as on 31 March 2003. While the liabilities in this statement consist mainly of moneys owed by the State Government such as internal borrowings, loans and advances from Government of India, receipts from the public account and reserve funds, the assets comprise mainly capital expenditure and loans and advances given by the State Government. Exhibit-I shows that liabilities and assets grew by 9 *per cent* and 12 *per cent* respectively, during 2002-03.

Sources and application of funds

1.3 Exhibit-II gives the position of sources and application of funds during the current and the preceding year. The main sources of funds include revenue receipts of the Government, recoveries of loans and advances, public debt and receipts in the public account. These are applied mainly on revenue and capital expenditure and on lending for developmental and other purposes. Revenue receipts constitute the most significant source for the Government. Their relative share increased from 78 *per cent* in 2001-02 to 84 *per cent* during 2002-03. The share of net receipts from public debt (excluding overdraft/temporary loans) increased from 5 *per cent* in 2001-02 to 11 *per cent* in 2002-03. Share of net receipts from public account, however, decreased from 13 *per cent* in 2001-02 to 2 *per cent* in 2002-03. The share of recoveries of loans and advances also decreased from 2 *per cent* to 1 *per cent*.

The revenue expenditure during 2002-03 accounted for 80 *per cent* of total funds. The share of the revenue receipts in the total receipts during 2002-03 was 84 *per cent*. This led to revenue surplus of Rs 368.67 crore

during the year. However, during 2002-03 revenue receipts of Rs 7548 crore included credits of Rs 318 crore pertaining to previous years which were adjusted during the year. Capital expenditure increased from 15 *per cent* during 2001-02 to 16 *per cent* during 2002-03.

Revenue Receipts

1.4 The revenue receipts of the State consist mainly of its own taxes and non-tax revenue, Central tax transfers and grants- in -aid from the Government of India. Over all revenue receipts of the State increased from Rs 4509 crore in 1998-99 to Rs 7548 crore in 2002-03 at an average trend rate of 10.67 *per cent* per annum. Rate of growth of revenue receipts significantly increased from 2.65 *per cent* during 2000-01 to 16.32 *per cent* during 2002-03. Over all revenue receipts, its annual and trend rate of growth, ratio of its receipts to the State's Gross Domestic Product (GSDP) and its buoyancy are indicated in Table 1.

Table 1: Revenue-Basic Parameters (Values in Rs crore and others in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue receipts	4509	5514	5660	6489	7548	5944
Rate of growth	(-) 2.87	22.29	2.65	14.65	16.32	10.67
Revenue receipts/ GSDP ratio	39.50	39.50	37.05	38.00	40.32	38.88
Revenue buoyancy	*	0.999	0.281	1.245	1.696	0.818
GSDP growth	10.976	22.304	9.433	11.769	9.622	13.05

*(*Rate of growth of revenue receipts was negative)*

The rate of growth of revenue receipts and GSDP fluctuated over the years. During 1998-2003, despite average GSDP growth of 13.05 *per cent,* revenue receipts grew at 10.67 *per cent* only. The buoyancy of revenue receipts was higher during 2002-03 than that of 2001-02 mainly due to lower growth rate of GSDP and adjustment of credits of Rs 317.60 crore pertaining to previous years.

Composition of the revenue receipts of the State and the relative share of the four components over last five years is indicated in Table 2. On an average, around 20 *per cent* of the revenue came from State's own resources; Central tax transfers, and grants-in-aid together contributed about 80 *per cent* of total revenue. The share of tax revenue in the total revenue of the State increased from 9.69 *per cent* to 13.69 *per cent* and that of non-tax revenue from 6.28 *per cent* to 11.46 *per cent* during the period 1998-2003. Central tax transfers as percentage to total revenue of the State witnessed a relative decline from 26.88 *per cent* in 1998-99 to 9.07 *per cent* in 2002-2003.

Table 2: Components of Revenue Receipt-relative Share in per cent

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Own taxes	9.69	10.48	13.18	12.39	13.69	12.11
Non-tax revenue	6.28	7.34	7.84	7.12	11.46	8.27
Central tax transfers	26.88	22.34	11.93	8.88	9.07	14.74
Grants-in-aid	57.15	59.83	67.05	71.61	65.78	64.88

Over all growth of the four components of revenue during 1998-2003 also differed significantly. Tax and non-tax revenue had a significant growth rate of 23 *per cent* and 25 *per cent* respectively during the period 1998-2003. Central tax transfers had a negative growth rate of 10 *per cent*. The trend annual growth of the various components of State's revenue, their buoyancy, average ratio as percentage to GSDP and average annual rate of shift in the relative contribution is indicated in Table 3.

Table 3: Components of Revenue-Basic Parameters 1998-2003 in per cent

	ROG	GSDP share	Buoyancy	Relative share	Shift rate
Own taxes	22.99	4.71	1.762	12.11	11.14
Non-tax revenue	24.99	3.22	1.915	8.27	12.95
Central tax transfers	(-) 10.33	5.73	*	14.74	(-) 18.98
Grants-in –aid	12.48	25.22	0.956	64.88	1.64

*(*Central tax transfers had a negative growth)*

The State's tax and non-tax revenue had a moderate buoyancy of 1.762 and 1.915 respectively. Central tax transfers, however, had a negative buoyancy while that of grants-in-aid it was lower than one. Despite moderate buoyancy in tax and non-tax revenue their share in total revenue was quite low.

Expenditure

1.5 Over all expenditure of the State comprising revenue expenditure, capital expenditure and loans and advances, increased from Rs 5567 crore in 1998-99 to Rs 8941 crore in 2002-03 at an average annual trend rate of 12.04 *per cent*. The rate of growth of total expenditure was significantly higher than the rate of growth of revenue receipts. On an average, for each one *per cent* increase in State's GSDP, the expenditure increased by 0.923 *per cent* during 1998-2003. For each one *per cent* increase in revenue receipts, expenditure increased by 1.128 *per cent*. Overall expenditure, its annual and trend growth ratio of total expenditure to State's GSDP and the buoyancy of expenditure is indicated in Table 4 below.

Table 4: Total expenditure-Basic Parameters (Value: Rs in crore; others in per cent)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Total expenditure	5567	6857	7547	8095	8941	7401
Rate of growth	8.16	23.17	10.06	7.26	10.45	12.04
Total expenditure/ GSDP ratio	48.77	49.12	49.40	47.41	47.76	48.41
Revenue receipts/ total expenditure	80.99	80.41	74.99	80.16	84.42	80.31
Buoyancy of total expenditure with:						
GSDP	0.743	1.039	1.066	0.617	1.086	0.923
Revenue receipts	*	1.039	3.796	0.496	0.640	1.128

*(*Revenue receipts had a negative growth)*

In terms of the activities, total expenditure could be considered as being composed of expenditure on general services, interest payments, social and economic services, grants-in-aid and loans and advances. The relative share of these components in the total expenditure is indicated in Table 5.

Table 5: Components of Expenditure –Relative Share (per cent)

	1998-99	1999-00	2000-01	2001-02	2002-03	Average
General services	22.94	23.60	22.67	24.47	23.66	23.51
Interest payments	11.95	12.32	10.19	12.93	12.25	11.95
Social services	26.06	25.29	25.04	24.02	23.40	24.62
Economic services	37.94	37.47	41.32	38.00	36.89	38.30
Loans and advances	1.11	1.32	0.78	0.58	3.80	1.62

The movement of relative share of these components indicate that the share of economic services steadily declined from 41.32 *per cent* in 2000-01 to 36.89 *per cent* in 2002-2003 The share of social services also declined from 25.04 *per cent* to 23.40 *per cent* during this period. The relative share of interest payments and expenditure on general services, however, increased in comparison to their share during 1998-99. Interest payments and expenditure on general services considered as non-developmental, together accounted for nearly 35.91 *per cent* of total expenditure in 2002-2003 as compared to 34.89 *per cent* in 1998-99.

In total expenditure, revenue expenditure had the predominant share. Revenue expenditure is incurred to maintain the current level of services and not represent any addition in the State's services. Overall revenue expenditure of the State increased from Rs 4909 crore in 1998-99 to Rs 7180 crore in 2002-03, at an average trend rate of 11.37 *per cent* per annum. Rate of growth of revenue expenditure increased to 5.23 *per cent* in

2002-03 against 3.05 *per cent* in 2001-02. On an average, 85.36 *per cent* of total expenditure of the State was on current consumption. The ratio of revenue expenditure to revenue receipt for the period 1998-2003 was also quite high indicating dependence on borrowing for even meeting the current expenditure. Overall revenue expenditure, its rate of growth, ratio of revenue expenditure to State's GSDP and revenue receipts and its buoyancy with both GSDP and revenue receipts is indicated in Table 6 below:

Table 6: Revenue Expenditure – Basic Parameters (Values in Rs crore and others in per-cent)

	1998-99	1999-00	2000-01	2001-02	2002-03	Average
Revenue expenditure	4909	6055	6621	6823	7180	6318
Rate of growth	17.13	23.34	9.35	3.05	5.23	11.37
Revenue expenditure/GSDP	43.00	43.37	43.34	39.96	38.36	41.32
Revenue expenditure as percent age of total expenditure	88.18	88.30	87.73	84.29	80.30	85.36
Revenue expenditure as percentage to revenue receipt	108.87	109.81	116.98	105.15	95.12	106.29
Buoyancy of revenue expenditure with						
GSDP	1.561	1.046	0.991	0.259	0.544	0.871
Revenue receipts	*	1.047	3.528	0.208	0.320	1.065

*(*Revenue receipts had a negative growth)*

Average buoyancy of revenue expenditure was 0.871 during 1998-2003. For each one-percentage point increase in the State's revenue receipts, revenue expenditure increased by 1.065 *per cent* during the period, an unsatisfactory state of affairs. The Government needs to take measures to control its consumption expenditure.

The plan, capital and developmental expenditure reflect its quality. The higher the ratio of these components to total expenditure, the better is the quality of expenditure. Table 7 below gives the ratio of these components to total expenditure.

Table 7: Quality of Expenditure (per cent to total expenditure)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Plan expenditure	20.60	22.10	20.53	26.32	25.99	23.40
Capital expenditure	10.83	10.51	11.58	15.22	16.52	13.24
Development expenditure	64.72	63.60	66.88	62.38	62.68	63.96

(Total expenditure do not include Loans and Advances)

The share of capital expenditure showed significant increase from 10.51 *per cent* in 1999-2000 to 16.52 *per cent* in 2002-03. Development expenditure remained almost stagnant during last 2 years. Its share during 2002-03 was, however, lower than that during 1998-99 to 2001-02. Activity-wise expenditure also revealed that average growth of various components had significant variations. Loans and advances and expenditure

on general services were the fastest growing components with an average growth of 21.64 *per cent* and 16.76 *per cent* per annum respectively. As percentage to GSDP, non-development expenditure comprising general services and interest payments averaged 17.16 *per cent*, social services 11.92 *per cent* and the economic services 18.54 *per cent*. Activity wise trend growth, ratio to GSDP, relative share of the various activities, shift in their relative share and buoyancy with GSDP and revenue receipt are indicated in Table-8.

Table 8: Activity wise Expenditure-Basic Parameters (in per cent)

	ROG	GSDP Share	Relative Share	Share Shift	Buoyancy with	
					GSDP	Revenue receipts
General services	16.76	11.38	23.51	4.210	1.284	1.571
Interest payments	8.15	5.78	11.95	(-) 3.468	0.625	0.764
Social services	10.21	11.92	24.62	(-) 1.633	0.782	0.957
Economic Services	11.23	18.54	38.30	(-) 0.732	0.861	1.052
Loans and advances	21.64	0.78	1.62	8.584	1.658	2.028

The relative shares of the expenditure on loans and advances, and general services grew by an average of 8.58 *per cent* and 4.21 *per cent* per annum respectively and witnessed a positive shift in their shares. On the other hand, the share of expenditure on economic services, social services and interest payments declined. Buoyancy of expenditure in respect of general services and loans and advances was higher than one with regard to GSDP and revenue receipts. However, relatively lower buoyancy of social and economic services resulted in decline in their share and adverse shift in annual ratio.

Fiscal Imbalances

1.6 The deficits in the Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed are important pointers to fiscal health. The revenue deficit which is the excess of revenue expenditure over revenue receipts, ranged between Rs 334 crore and Rs 961 crore during the period 1998-2002. The State had a revenue surplus of Rs 368.67 crore during 2002-03 mostly due to adjustment of past years credits during the year. The surplus for the year, however, worked out to Rs 51.07 crore only. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, peaked to Rs 1873 crore in 2000-01. It declined to Rs 1311 crore in 2002-03. The State's primary deficit also declined from Rs 389 crore in 1998-99 to Rs 216 crore in 2002-2003. Decrease in fiscal deficit during 2002-03 was mainly due to increase in tax and non-tax revenues (Rs 632 crore) and receipts from Central Government (Rs 427 crore).

Table 9: Fiscal Imbalances – Basic Parameters (Values in Rs crore and Ratios in per cent)

	1998-99	1999-00	2000-01	2001-02	2002-03	Average
Revenue deficit (-)/ Surplus (+)	(-) 400	(-) 541	(-) 961	(-) 334	(+) 368	(-) 374
Fiscal deficit	(-) 1054	(-) 1338	(-) 1873	(-) 1474	(-) 1311	(-) 1410
Primary deficit	(-) 389	(-) 493	(-) 1104	(-) 427	(-) 216	(-) 526
Revenue deficit (-) surplus (+)/GSDP	(-) 3.50	(-) 3.88	(-) 6.29	(-) 1.96	(+) 1.97	(-) 2.44
Fiscal deficit/GSDP	(-) 9.23	(-) 9.58	(-) 12.26	(-) 8.63	(+) 7.00	(-) 9.22
Primary deficit/GSDP	(-) 3.41	(-) 3.53	(-) 7.23	(-) 2.50	(+) 1.15	(-) 3.44
Revenue deficit, surplus/ fiscal deficit	37.95	40.43	51.31	22.66	28.07	26.50

Fiscal Liabilities- Public Debt and Guarantees

1.7 The Constitution of India provides that States may borrow within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by an Act of Legislature. However, no such law was passed by the State to lay down any such limit. Table 10 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and the buoyancy of these liabilities with respect to these parameters. It would be observed that, the over all fiscal liabilities of the State increased from Rs 6835 crore in 1998-99 to Rs 12279 crore in 2002-2003 at an average annual rate of 14.54 *per cent*. These liabilities constituted about 59 *per cent* to 66 *per cent* of the GSDP during 1998-2003 and were 1.58 times of its revenue receipts and 7.75 times of its own resources, comprising its own tax and non-tax revenue.

In addition to these liabilities, Government had guaranteed loans of its various Corporations and others which in 2002-2003 stood at Rs 1231 crore. The guarantees are in the nature of contingent liabilities, which were about 16 *per cent* of revenue receipts of the State. The direct fiscal liabilities of the State grew much faster compared to its revenue receipts during the period. On an average, for each one *per cent* increase in GSDP, revenue receipts and own resources, the direct fiscal liabilities of the State increased by 1.115, 1.363 and 0.608 *per cent* respectively.

Table 10: Fiscal Liabilities-Basic parameters (Values in Rupees in crore ratios in per cent)

	1998-99	1999-00	2000-01	2001-02	2002-03	Average
Fiscal liabilities	6835	8182	9224	10443	12279	9393
Rate of growth	9.01	19.71	12.74	13.22	17.58	14.54
Ratio of Fiscal liabilities to						
GSDP	59.88	58.61	60.37	61.16	65.60	61.43
Revenue receipts	151.59	148.39	162.97	160.93	162.68	158.02
Own resources	949.31	832.35	775.13	824.88	646.95	775.35
Buoyancy of fiscal liabilities to						
GSDP	0.821	0.884	1.350	1.123	1.827	1.115
Revenue receipt	*	0.884	4.810	0.902	1.077	1.363
Own resources	0.534	0.540	0.605	2.069	0.352	0.608

*(*Revenue receipts had a negative growth)*

Increasing liabilities had raised the issue of sustainability. Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP. In the case of Jammu and Kashmir, though average interest rate on fiscal liabilities during 1998-2003 was lower than the rate of growth of GSDP the spread turned negative in the current year.

Table 11: Debt Sustainability-Interest Rate and GSDP Growth (In per cent)

	1998-99	1999-00	2000-01	2001-02	2002-03	Average
Weighted interest rate	10.15	11.25	8.84	10.65	9.64	10.10
GSDP growth	10.98	22.30	9.43	11.77	9.62	13.05
Interest spread	0.83	11.05	0.60	1.12	-0.02	2.94

Another important indication of debt sustainability is net availability of the funds after payment of the principal on account of the earlier contracted liabilities and interest. The Table 12 below gives the position of the receipt and repayment of fiscal liabilities over last five years. The average net funds available on account of the internal debt, loans and advances from Government of India and other liabilities after providing for interest and repayments were 4.98 *per cent* of the total debt receipts during the period 1998-99 to 2002-03.

Table 12: Net availability of borrowed funds (Rs in crore)

	1998-99	1999-00	2000-01	2001-02	2002-03	Average
Internal debt						
Receipt	4095	5487	6236	6470	811♠	4620
Repayment (Principal+Interest)	4244	5622	5999	6225	606♠	4539
Loans and advances from GOI						
Receipt	446	935	435	393	579	558
Repayment(Principal+ interest)	556	587	615	846	739	669
Other liabilities▼						
Receipt	654	1098	1100	1408	1756	1203
Repayment(Principal+ Interest)	495	809	883	1028	1060	855
Total Liabilities						
Receipts	5195	7520	7771	8271	3146♠	6381
Repayment (principal +interest)	5295	7018	7497	8099	2405♠	6063
Net fund available	(-) 100	502	274	172	741	318
Net fund available (per cent)	(-)1.92	6.68	3.53	2.08	23.55	4.98

Investments and Returns

1.8 As on 31 March 2003, Government had invested Rs 375 crore in statutory corporations, rural banks, joint stock companies and cooperatives. Government's return on this investment was meagre. Against the average

♠ Comparatively lower due to net accounting of overdraft receipts: Rs 7212.35 crore and repayments: Rs 7213.80 crore under the internal debt during 2002-03.

▼ comprises small savings provident fund, reserve fund and deposits

borrowing rate of 10.10 *per cent* during 1998-99 to 2002-03, the returns on investments ranged from 0 to 5.38 *per cent* during the period, as indicated in table 13 below:

Table 13: Return on Investment. (Rs in crore)

Year	Investment at the end of the year	Return	Percentage of return	Rate of interest on Government borrowings (Per cent)
1998-99	341.53	1.23	0.36	10.15
1999-2000	355.05	7.73	2.18	11.25
2000-2001	359.60	NIL	0.00	8.84
2001-2002	363.35	19.53	5.38	10.65
2002- 2003	375.27	13.34	3.56	9.64

In addition to its investment, Government had also been providing loans and advances to many of these institutions and Government servants. Total amount of outstanding loans aggregated Rs 773 crore as on 31 March 2003. Interest received by the Government on these was less than half a *per cent* during 1998-2003 (Table 14). The Government has, therefore, been providing an implicit subsidy on its investment and financial intermediation. Average annual implicit subsidy based on returns on these assets and the cost of raising resources during 1998-2003 was Rs 81 crore.

Table 14: Average interest received on loans advanced by the State Government (Rupees in crore)

	1998-99	1999-00	2000-01	2001-02	2002-03
Opening balance	411.36	469.07	555.17	599.93	515.25
Amount advanced during the year	62.00	90.64	58.58	47.12	340.20
Amount repaid during the year	4.29	4.54	13.82	131.80	82.07
Closing balance	469.07	555.17	599.93	515.25	773.37
Net addition/reduction (-)	57.71	86.10	44.76	(-)84.68	258.12
Interest received	0.44	0.67	1.64	2.36	1.03
Interest received as *per cent* to Loans advanced	0.10	0.13	0.28	0.42	0.16
Average interest paid by the State	10.15	11.25	8.84	10.65	9.64
Difference between interest paid and received	10.05	11.12	8.56	10.23	9.48

Financial results of irrigation works

1.9 The financial results of six irrigation projects with capital outlay of Rs 112.57 crore showed that revenue realized during 2002-2003 (Rs16.76lakh) was only 0.15 *per cent* of the capital expenditure. After meeting the working and maintenance expenditure (Rs 1.01 crore) and interest charges (Rs 25.86 lakh), the net loss was Rs 1.10 crore.

Incomplete projects

1.10 As informed by the State Government, there were 132 incomplete projects in which Rs 603.22 crore were blocked. This showed that the Government is spreading its resources thinly without prioritisation, which failed to yield any return.

Arrears of revenue

1.11 The arrears of revenue pending collection was Rs 733.30 crore as of March 2003 which was 9.72 *per cent* of the revenue collected during the year indicating poor tax compliance. Of these arrears, major portion pertained to sales tax (Rs 701.89 crore) state excise (Rs 21.05 crore) and motor vehicles tax (Rs 8.36 crore). Rupees 478.45 crore (65 *per cent*) were pending for more than five years which pertained mainly to sales tax (Rs 451.01 crore), state excise (Rs 17.53 crore) motor vehicles tax (Rs 8.32 crore). Position of arrears in respect of other principal heads like, forestry and wild life, taxes and duties on electricity, stamps and registration fee, etc. was not received (October 2003).

Financial indicators of the Government of Jammu and Kashmir

1.12 The finances of a State should be sustainable, flexible and non-vulnerable. Table 15 below presents a summarized position of Government finances over 1998-2003, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and captures its important facets.

The ratios of revenue receipt and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipt indicates the nature of the tax regime and the State's increasing access to resources. Revenue receipts comprise not only the tax and non-tax resources of the State but also Central transfers. It indicates the sum total of the State's access for which there is no direct service provision, obligations, recovery of users' charges for the social and economic services provided by it and its entitlement from the Central pool of resources. All the three ratios showed an improvement during 2002-03 vis-a-vis 2001-02.

Various ratios concerning the expenditure management of State indicate quality of its expenditure and sustainability of these in the relation to its resource mobilisation. The ratio of revenue expenditure to total expenditure has shown continuous decline since 1999-2000 while capital expenditure had been buoyant. The development expenditure as percentage of total expenditure had, however, decreased over a period of three years ending 2002-03. All these indicate State's improved expenditure management over the years though there has not been adequate expansion of its developmental activities.

Table 15: Indicators of Fiscal Health (in per cent)

	1998-99	1999-00	2000-01	2001-02	2002-03	Average
Resource mobilization						
Revenue receipts/GSDP	39.50	39.50	37.05	38.00	40.32	38.88
Revenue buoyancy	-0.261	0.999	0.281	1.245	1.696	0.818
Own Tax/GSDP	3.828	4.140	4.883	4.708	5.518	4.706
Expenditure management						
Total expenditure/ GSDP	48.77	49.12	49.40	47.41	47.76	48.41
Revenue receipts/total expenditure	80.99	80.41	74.99	80.16	84.42	80.31
Revenue expenditure/total expenditure	88.18	88.30	87.73	84.29	80.30	85.36
Capital expenditure/total expenditure	10.83	10.51	11.58	15.22	16.52	13.24
Development expenditure/total expenditure.	64.72	63.60	66.88	62.38	62.68	63.96
Buoyancy of total expenditure with revenue receipts	(-) 2.843	1.039	3.796	0.496	0.640	1.128
Buoyancy of revenue expenditure with revenue receipts	(-) 5.969	1.047	3.528	0.208	0.320	1.065
Management of fiscal imbalances						
Revenue Surplus(+)/ deficit (-)(Rs in crore)	(-)400	(-)541	(-)961	(-)334	(+) 368	(-) 374
Fiscal deficit (Rs in crore)	(-)1054	(-)1338	(-)1873	(-)1474	(-) 1311	(-) 1410
Primary deficit (Rs in crore)	(-)389	(-)493	(-)1104	(-)427	(-) 216	(-) 526
Revenue deficit surplus/fiscal deficit	37.95	40.43	51.31	22.66	28.07	26.50
Management of Fiscal Liabilities (FL)						
Fiscal liabilities/GSDP	59.88	58.61	60.37	61.16	65.60	61.43
Fiscal liabilities/ revenue receipts	151.59	148.39	162.97	160.93	162.68	158.02
Buoyancy of FL with revenue receipts	*	0.884	4.810	0.902	1.077	1.363
Buoyancy of FL with own receipts	0.534	0.540	0.605	2.069	0.352	0.608
Interest spread	0.83	11.05	0.60	1.12	-0.02	2.94
Net fund available	-1.92	6.68	3.53	2.08	23.55	4.98
Other Fiscal Health Indicators						
Return on investment	0.36	2.18	0.00	5.38	3.56	2.33
BCR (Rs in crore)	(-) 2120	(-) 2721	(-) 1820	(-) 1644	(-) 1002	(-) 1861
Financial assets/liabilities	1.23	1.13	1.02	0.99	1.02	1.06

*(*Revenue receipts had a negative growth)*

Though the State had a revenue surplus of Rs 368 crore during 2002-03, this was largely due to adjustment of credits of Rs 318 crore pertaining to previous years. There was an overall revenue deficit during 1998-2003. The ratio of revenue deficit and fiscal deficit indicates that the borrowed funds, except for the year 2002-03, were largely used to meet

current consumption. The indicators of management of fiscal liabilities show unsustainable debt situation and vulnerability of State finances.

It is not uncommon for a State to borrow for increasing its social and economic infrastructure support and creating additional income generating assets. However, increasing ratio of fiscal liabilities to GSDP and revenue receipts indicates that the State is gradually getting into a debt trap. Similarly, the higher buoyancy of the debt with regard to its revenue receipts indicates its increasing unsustainability. The average interest paid by the State on its borrowings during 2002-2003 also exceeded the rate of growth of its GSDP, violating the cardinal rule of debt sustainability. The net availability of funds from the borrowings has been marginal except during 2002-03, as a larger portion of these funds were used for debt servicing. The State's low return on investment indicates an implicit subsidy and use of high cost borrowing for investment and financial intermediation, which yields very little to it. This indicates that either the State has to generate more revenue from its existing assets or need to provide from its current revenues of the State for serving its debt obligations. The balance from current revenues (BCR) of State continued to be negative. The BCR plays a critical role in determining plan size and a negative BCR adversely affects the same and reduces availability of fund for additional infrastructure support and other revenue generating investment.

Exhibit-I

(Rupees in crore)

As on 31 March 2002		Liabilities		As on 31 March 2003
3032.29		**Internal Debt**		**3782.27**
	1026.60	Market Loans bearing interest	1639.67	
	335.27	Loans from LIC	345.49	
	287.87	Loans from other Institutions	416.01	
	1382.55	Overdraft from Jammu and Kashmir Bank	1381.10	
4382.29		**Loans and Advances from Central Government**		**4600.11**
	570.57	Pre 1984-85 Loans	476.77	
	1439.51	Non-Plan Loans	1803.35	
	2165.74	Loans for State Plan Schemes	2210.76	
	26.92	Loans for Central Plan Schemes	42.07	
	56.31	Loans for Centrally Sponsored Plan Schemes	57.91	
	123.24	Ways and Means Advances	9.25	
0.30		**Contingency Fund**		**0.09**
2386.02		**Small Savings, Provident Funds, etc.**		**2598.49**
520.76		**Reserve Funds**		**632.09**
121.62		**Deposits**		**666.46**
2315.48		**Remittance Balances**		**1592.72**
-		**Surplus on Government Account**		**294.13**
		Revenue Deficit ending 2001-02	74.54	
		Revenue Surplus 2002-03	368.67	
12758.76		**Total:**		**14166.36**

Assets

11463.69		**Gross Capital Outlay on Fixed Assets**		**12884.69**
	363.35	Investments in shares of Companies, Corporations, etc.	375.27	
	11100.34	Other Capital Outlay	12509.42	
515.25		**Loans and Advances**		**773.37**
	275.90	Industries and Minerals	310.69	
	181.64	Transport	202.11	
	(-) 67.70	Energy	134.29	
	43.34	Agriculture and Allied Activities	43.31	
	59.09	Other Development Loans	58.80	
	22.98	Loans to Government servants and Miscellaneous Loans	24.17	
6.21		**Advances**		**6.32**
407.43		**Suspense and Miscellaneous Balances**		**396.37**
291.64		**Cash**		**105.61**
	20.61	Cash in Treasuries and Local Remittances	20.36	
	221.96	Deposits with Bank	37.52	
	0.70	Departmental Cash Balance	(-) 0.64	
	0.12	Permanent Advances	0.12	
	37.39	Cash Balance Investments	37.39	
	10.86	Reserve Fund Investments	10.86	
74.54		**Deficit on Government Account:**		**-**
12758.76		**Total**		**14166.36**

Exhibit-II

(Rupees in crore)

2001-02		S.No.	Sources		2002-03
6489.21		1.	Revenue receipts		7548.17
131.80		2.	Recoveries of Loans and Advances		82.07
445.46		3.	Net receipts from Public Debt other than Overdraft		969.25
199.00		4.	Net receipts from overdraft		-
1040.75		5.	Net receipts from Public Account:		156.85
	257.03		Net receipts from Small Savings, Provident funds, etc.	212.47	
	259.66		Net effect of Deposits and Advances	544.73	
	56.77		Net receipts from Reserve Funds	111.33	
	(-) 42.52		Net effect of Suspense and Miscellaneous transactions	11.07	
	509.81		Net effect of Remittance transactions	(-) 722.75	
-			Utilisation of cash balance		186.03
8306.22			**Total:**		8942.37
			Application		
6823.52		1.	Revenue expenditure		7179.50
47.12		2.	Lending for developmental and other purposes		340.20
1224.50		3.	Capital expenditure		1421.00
		4.	Net repayment of overdraft		1.45
0.04		5.	Expenditure met from Contingency Fund but not recouped		0.22
211.04		6.	Increase in closing cash balance		Nil
8306.22			**Total**		8942.37

Exhibit-III

Abstract of Receipts and Disbursements for the year 2002-03

(Rupees in crore)

Receipts				Disbursements					
2001-02			2002-03	2001-02					2002-03
	Section-A: Revenue					Non-Plan	Plan	Total	
6489.21	I. Revenue receipts		7548.17	6823.52	I. Revenue expenditure	6283.77	895.73	7179.50	7179.50
804.17	Tax revenue	*1033.09*		**2985.18**	**General Services**	**3121.79**	**31.80**	**3153.59**	
				1673.99	**Social Services**	**1351.70**	**409.42**	**1761.12**	
462.62	Non-tax revenue	*865.21*		*817.72*	Education, Sports, Art and Culture	*661.43*	*193.43*	*854.86*	
				388.40	Health and Family Welfare	*274.82*	*117.11*	*391.93*	
575.79	State's share of Union taxes	*684.32*		*288.69*	Water Supply, Sanitation, Housing and Urban Development	*294.64*	*31.67*	*326.31*	
				9.17	Information and Broadcasting	*8.38*	*1.14*	*9.52*	
2523.73	Non-Plan grants	*2698.82*		*19.74*	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	*5.58*	*17.21*	*22.79*	
				15.39	Labour and Labour Welfare	*5.29*	*12.81*	*18.10*	
1931.42	Grants for State Plan Schemes	*2099.99*		*128.25*	Social Welfare and Nutrition	*94.66*	*36.05*	*130.71*	
				6.63	Others	*6.90*	-	*6.90*	
190.78	Grants for Central and Centrally Sponsored Plan Schemes	*166.54*							
0.70	Grants for Special Plan Schemes	-		**2164.35**	**Economic Services**	**1810.28**	**454.51**	**2264.79**	
				470.71	Agriculture and Allied Activities	*269.55*	*209.78*	*479.33*	
				90.40	Rural Development	*45.80*	*45.60*	*91.40*	
				214.11	Special Areas Programmes	*87.91*	*53.17*	*141.08*	
				140.57	Irrigation and Flood Control	*97.62*	*54.08*	*151.70*	
				994.08	Energy	*1182.96*	-	*1182.96*	

Receipts				Disbursements					
2001-02			2002-03	2001-02		Non-Plan	Plan	Total	2002-03
				110.43	Industries and Minerals	*60.60*	*34.33*	*94.93*	
				52.78	Transport	*32.42*	*0.14*	*32.56*	
				8.53	Science, Technology and Environ-ment	*0.48*	*8.91*	*9.39*	
				82.74	General Economic Services	*32.94*	*48.50*	*81.44*	
334.31	**II. Revenue deficit carried over to Section -B**		-		**II. Revenue Surplus Carried over to Section-B**	-		-	**368.67**
6823.52	**Total Section-A**		**7548.17**	**6823.52**					**7548.17**
	Section-B								
80.60	**III. Opening Cash balance including Permanent Advances and Cash Balance Investment**		**291.64**						
-	**IV. Misc. Capital receipts**		**--**	**1224.50**	**III. Capital Outlay**	**82.49**	**1338.51**	**1421.00**	**1421.00**
				42.98	**General Services**	**30.62**	**25.31**	**55.93**	-
				269.92	**Social Services**	**20.97**	**309.93**	**330.90**	
				47.10	Education, Sports, Art and Culture	-	*48.01*	*48.01*	
				43.28	Health and Family Welfare	-	*40.10*	*40.10*	
				210.85	Housing & Urban Development	*0.01*	*215.41*	*215.42*	
				2.84	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	-	*2.51*	*2.51*	
				(-) 34.15	Social Welfare and Nutrition	*20.96*	*3.90*	*24.86*	
				911.60	**Economic Services**	**30.90**	***1003.27***	**1034.17**	
				(-)14.37	Agriculture and Allied Activities	*30.89*	*47.80*	*78.69*	
				51.23	Rural Development	-	*71.44*	*71.44*	
				185.85	Special Areas Programmes	*0.01*	*74.03*	*74.04*	

Receipts				Disbursements					
2001-02			2002-03	2001-02		Non-Plan	Plan	Total	2002-03
				36.31	Irrigation and Flood Control	-	*46.28*	*46.28*	
				404.43	Energy	-	*444.59*	*444.59*	
				29.05	Industries and Minerals	-	*39.44*	*39.44*	
				192.64	Transport	-	*252.43*	*252.43*	
				26.46	General Economic Services	-	*27.26*	*27.26*	
131.80	**V. Recoveries of Loans and Advances**		**82.07**	**47.12**	**IV.Loans and Advances disbursement**				**340.20**
0.27	Industries and Minerals	*1.79*		*8.64*	Industries and Minerals			*36.58*	
125.64	Energy	*77.00*		*35.00*	Energy			*278.99*	
3.26	Government servants	*2.79*		*0.84*	Government servants			*3.98*	
2.63	Others	*0.49*		*2.64*	Others			*20.65*	
-	**VI. Revenue surplus**		**368.67**	**334.31**	**V. Revenue deficit**			-	
1061.51	**VII. Public debt receipts**		**1390.31**	**417.05**	**VI. Repayment of Public Debt**				**422.52**
469.76	Internal debt other than Ways and Means Advances and Overdraft	*810.81*		*18.99*	Internal debt other than Ways and Means Advances and Overdraft			*59.38*	
392.75	Loans and Advances from GOI	*579.50*		*398.06*	Repayment of loans and advances from GOI.			*351.69*	
199.00	Net transactions under Overdrafts from J&K Bank	-		-	Net transactions under Ways and Means Advances including Overdrafts			1.45	
	VIII.Appropriation to Contingency Fund		-	-	**VII. Appropriation to Contingency Fund**			-	
0.35	**IX. Amount recouped to contingency fund**		-	**0.39**	**VIII-Expenditure from Contingency Fund**				**0.21**[▼]

[♣] Negligible (Rs 21,811).

[▼] Taken as Rs 0.21 crore instead of Rs 0.22 crore for rounding purpose.

Receipts				Disbursements					
2001-02			2002-03	2001-02		Non-Plan	Plan	Total	2002-03
17615.24	**X. Public Account receipts**		*16829.99*	*16574.49*	**IX-Public Account disburse-ments**				*16673.14*
603.89	Small Savings and Provident Funds	*608.59*		*346.86*	Small Savings and Provident Funds			*396.12*	
132.00	Reserve Funds	*136.00*		*75.23*	Reserve Funds			*24.67*	
838.60	Deposits and Advances	*1168.99*		*578.94*	Deposits and Advances			*624.26*	
46.57	Suspense and Miscell-aneous	*143.45*		*89.09*	Suspense and Miscella-neous			*132.38*	
15994.18	Remitt-ances	*14772.96*		*15484.37*	Remittances			*15495.71*	
				291.64	**X. Cash balance at end**				**105.61**
				20.61	Cash in treasuries and local remittances			*20.36*	
				221.96	Deposits with Banks			*37.52*	
				0.82	Department-al cash balance including permanent advances			*(-)0.52*	
				37.39	Cash balance investment			*37.39*	
				10.86	Reserve fund investment			*10.86*	
18889.50	**Total Section-B**		**18962.68**	**18889.50**					**18962.68**

Explanatory Notes

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

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

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

4. There was a difference of Rs 0.83 lakh between the figures reflected in the accounts under cash in Banks and the figures conveyed by the Finance Department. The difference was under reconciliation (October 2003).

Exhibit-IV
Time series data on State Government Finances

(Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Part-A Receipts					
1. Revenue Receipts	**4509**	**5514**	**5660**	**6489**	**7548**
(i) Tax Revenue	437 (10)	578 (11)	746 (13)	804 (12)	1033 (14)
Taxes on sales, trade, etc. ψ	180 (41)	237 (41)	359 (48)	409 (51)	536 (52)
State Excise	206 (47)	274 (47)	298 (40)	165 (21)	223 (22)
Taxes on vehicles	18 (4)	22 (4)	23 (3)	28 (3)	34 (3)
Stamps and Registration fees	12 (3)	15 (3)	21 (3)	26 (3)	26 (2)
Land Revenue	3 (1)	2 (*)	4 (*)	8 (1)	3 (*)
Other Taxes	18 (4)	28 (5)	41 (6)	168 (21)	211 (21)
(ii) Non Tax Revenue	283 (6)	405 (7)	444 (8)	462 (7)	865 (11)
(iii) State's share of Union taxes and duties	1212 (27)	1232 (22)	675 (12)	576 (9)	685 (9)
(iv) Grants-in-aid from GOI	2577 (57)	3299 (60)	3795 (67)	4647 (72)	4965 (66)
2. Miscellaneous capital receipts	-	-	-	-	-
3. Total revenue and non-debt capital receipts (1+2)	**4509**	**5514**	**5660**	**6489**	**7548**
4. Recoveries of Loans and Advances	**4**	**5**	**14**	**132**	**82**
5. Public Debt receipts	**673**	**1148**	**902**	**1062**	**1390**
Internal Debt (excluding Ways and Means Advances and Overdraft)	122	213	308	470	811
Net transactions under Ways and Means Advances and Overdraft	105	-	159	199	-
Loans and advances from GOI&	446	935	435	393	579
6. Total receipts in the Consolidated Fund (3+4+5)	**5186**	**6667**	**6576**	**7683**	**9020**
7. Contingency Fund receipts	**0.09**	**0.33**	**0.19**	**0.35**	-*
8. Public Account receipts	**13020**	**15828**	**18177**	**17615**	**16830**
9. Total receipts of the State (6+7+8)	**18206**	**22495**	**24753**	**25298**	**25850**
Part-B Expenditure/disbursement					
10. Revenue Expenditure	**4909** **(88)**	**6055** **(88)**	**6621** **(88)**	**6823** **(84)**	**7180** **(80)**
Plan	526 (11)	704 (12)	735 (11)	813 (12)	896 (12)
Non-Plan	4383 (89)	5351 (88)	5886 (89)	6010 (88)	6284 (88)
General Services (including interest payments)	*1907* *(39)*	*2414* *(40)*	*2448* *(37)*	*2985* (44)	*3154* *(44)*
Social Services	*1241* *(25)*	*1526* *(25)*	*1650* *(25)*	*1674* (24)	*1761* *(24)*
Economic Services	*1761* *(36)*	*2115* *(35)*	*2523* *(38)*	*2164* (32)	*2265* *(32))*
Grants-in-aid and contributions	-	-	-	-	-
11. Capital Expenditure	**596** **(11)**	**711** **(10)**	**867** **(11)**	**1225** **(15)**	**1421** **(16)**

ψ Includes service tax also
* Negligible
& Includes Ways and Means Advances

	Plan	608 (102)	791 (111)	802 (93)	1305 (107)	1339 (94)
	Non-Plan	(-) 12 (-2)	(-) 80 (-11)	65 (7)	(-)80 (-7)	82 (6)
	General Services	*35* *(6)*	*49* *(7)*	*32* *(4)*	43 (4)	56 (4)
	Social Services	*210* *(35)*	*208* *(29)*	*240* *(28)*	*270* (22)	*331* *(23)*
	Economic Services	*351* *(59)*	*454* *(64)*	*595* *(68)*	*912* (74)	*1034* *(73)*
12.	**Disbursement of loans and advances**	**62** **(1)**	**91** **(2)**	**59** **(1)**	**47** (1)	**340** **(4)**
13.	**Total (10+11+12)**	**5567**	**6857**	**7547**	**8095**	**8941**
14.	**Repayment of Public Debt**	**281**	**335**	**222**	**417**	**422**
	Internal Debt (excluding Ways and Means Advances and Overdraft)	24	54	16	19	59
	Net transactions under Ways and Means Advances and Overdraft	-	84	-	-	1
	Loans and Advances from Government of India[∂]	257	197	206	398	362
15.	**Appropriation to Contingency Fund**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
16.	**Total disbursement out of Consolidated Fund (13+14+15)**	**5848**	**7192**	**7769**	**8512**	**9363**
17.	**Contingency Fund disbursements**	**0.08**	**0.36**	**0.20**	**0.39**	**0.22**
18.	**Public Account disbursements**	**12297**	**15252**	**17178**	**16574**	**16673**
19.	**Total disbursements by the State (16+17+18)**	**18145**	**22444**	**24947**	**25086**	**26036**
Part C. Deficits						
20.	**Revenue Surplus (+)/Deficit (-) (1-10)**	**(-) 400**	**(-) 541**	**(-) 961**	**(-) 334**	**(+) 368**
21.	**Fiscal Deficit (3+4-13)**	**(-) 1054**	**(-) 1338**	**(-) 1873**	**(-) 1474**	**(-) 1311**
22.	**Primary Deficit (21-23)**	**(-) 389**	**(-) 493**	**(-) 1104**	**(-) 427**	**(-) 216**
Part D. Other data						
23.	**Interest Payments (included in revenue expenditure)**	**665** **(14)**	**845** **(14)**	**769** **(12)**	**1047** **(15)**	**1095** **(15)**
24.	**Arrears of Revenue (percentage of Tax and non-Tax Revenue Receipts)[Ψ]**	**748** **(104)**	**886** **(90)**	**988** **(83)**	**1074** **(85)**	**733** **(39)**
25.	**Financial Assistance to local bodies, etc.**	**122**	**186**	**210**	**215**	**199**
26.	**Ways and Means Advances/overdraft availed (days)**	**365**	**366**	**365**	**365**	**365**
27.	**Interest on WMA/Overdraft**	**148**	**99**	**72**	**131**	**138**
28.	**Gross State Domestic Product (GSDP[≠])**	**11415**	**13961**	**15278**	**17076**	**18719[♠]**
29.	**Outstanding debt (year end)**	**5277**	**6091**	**6770**	**7415**	**8382**
30.	**Outstanding guarantees (year end)[ϕ]**	**573**	**581**	**776**	**1294**	**1231**
31.	**Maximum amount guaranteed (year end)**	**848**	**668**	**982**	**1774**	**1574**
32.	**Number of incomplete projects**	**33**	**73**	**111**	**151**	**132**
33.	**Capital blocked in incomplete projects**	**138**	**221**	**296**	**690**	**603**

(Percentage in brackets)

∂ Includes Ways and Means Advances

Ψ Figures of arrears of revenue during 2002-03 available under Sales Tax, State Excise, Motor vehicle tax and Irrigation receipts.

≠ Figures for GSDP for 1999-2000 and 2000-01 are based on revised information supplied by the State Government during 2002-03.

♠ Estimated

ϕ Excludes information in respect of Himalayan Wool Combers Limited, Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited, three private firms and four co-operative societies.

Chapter-II

Appropriation audit and control over expenditure

Introduction

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

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

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

2.2 The summarised position of original and supplementary grants and expenditure thereagainst in respect of 29 grants and appropriations is as follows.

Summary of Appropriation Accounts 2002-03

Appropriation Accounts **2002-03**

Total number of grants **29**

Total provision and actual expenditure:

Provision	Amount (Rupees in crore)	Expenditure	Amount (Rupees in crore)
Original:	10103.01		9817.70
Supplementary:	632.57		
Total gross provision:	10735.58	Total gross expenditure:	9817.70
Deduct-Estimated recoveries in reduction of expenditure	717.38		454.49
Total net provision	10018.20	Total net expenditure	9363.21

Voted and Charged provision and expenditure

	Provision (Rupees in crore)		Expenditure (Rupees in crore)	
	Voted	Charged	Voted	Charged
Revenue	6529.53	1195.09	6140.57	1107.45
Capital	2609.28	401.68	2147.17	422.51
Total Gross:	9138.81	1596.77	8287.74	1529.96
Deduct-recoveries in reduction of expenditure	717.38		454.49	
Total: net	8421.43	1596.77	7833.25	1529.96

The summarised position of the actual expenditure during 2002-03 against 29 grants/appropriations was as follows:

Table No. 2.1 (Rupees in crore)

	Nature of expenditure	Original grant/ Appropriation	Supplementary grant/ Appropriation	Total	Actual expendi-ture#	Saving (-)/ Excess (+)
Voted	Revenue	6140.81	388.72	6529.53	6140.57	(-) 388.96
	Capital	2312.71	233.89	2546.60	1806.97	(-) 739.63
	Loans and Advances	62.68	-	62.68	340.20	(+) 277.52
Total voted:		**8516.20**	**622.61**	**9138.81**	**8287.74**	**(-) 851.07**
Charged	Revenue	1194.29	0.80	1195.09	1107.45	(-) 87.64
	Capital	-	-	-	-	-
	Public Debt	392.52	9.16	401.68	422.51	(+) 20.83
Total Charged		**1586.81**	**9.96**	**1596.77**	**1529.96**	**(-) 66.81**
Grand Total:		**10103.01**	**632.57**	**10735.58**	**9817.70**	**(-) 917.88**

The overall saving of Rs 917.88 crore was due to net effect of saving of Rs 1423.49 crore (Revenue: Rs 566.43 crore; Capital: Rs 857.06 crore) and excess of Rs 505.61 crore (Revenue: Rs 89.83 crore; Capital: Rs 415.78 crore) in respect of 29 grants and nine appropriations, and 14 grants and one appropriation respectively.

Results of Appropriation Audit

Excess expenditure requiring regularisation

2.3 In the Revenue section there was an excess expenditure of Rs 89.83 crore in eight grants while in the Capital section, excess expenditure amounted to Rs 415.78 crore in six grants and one appropriation as detailed below:

These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue (Rs 68.51 crore) and Capital (Rs 385.98 crore).

Table No. 2.2 (Rupees in crore)

S.No	Name of grant/appropriation	Total grant/ appro-priation	Expendi-ture	Excess (Percentage of excess)
I. Revenue (Voted)				
1.	3- Planning and Development Department	13.05	48.29	35.24 (270)
2.	5- Ladakh Affairs Department	130.66	143.49	12.83 (10)
3.	12- Agriculture Department	208.77	216.68	7.91 (4)
4.	14- Revenue Department	175.78	194.17	18.39 (10)
5.	18- Social Welfare Department	101.29	102.50	1.21 (1)
6.	21- Forest Department	168.94	170.18	1.24 (1)
7.	25- Labour, Stationery and Printing Department	26.04	30.03	3.99 (15)
8.	28- Rural Development Department	61.41	70.43	9.02 (15)
	Total Revenue Section	**885.94**	**975.77**	**89.83**
II- Capital (Voted)				
9.	6-Power Development Department	407.56	723.94	316.38 (78)
10.	7-Education Department	34.84	39.92	5.08 (15)
11.	16- Public Works Department	237.29	271.93	34.64 (15)
12.	17- Health and Medical Education Department	33.39	40.10	6.71 (20)
13.	23- Public Health Engineering Department	143.61	173.50	29.89 (21)
14.	26- Fisheries Department	4.06	6.31	2.25 (55)
III- Capital (Charged)				
15.	8-Finance Department	401.68	422.51	20.83 (5)
	Total Capital Section	**1262.43**	**1678.21**	**415.78**
	Grand Total	**2148.37**	**2653.98**	**505.61**

The excess expenditure of Rs 505.61 crore over the provision in these 15 cases was mainly due to incurring of expenditure without budget provision. Major cases of expenditure without budget provision were in respect of Planning and Development Department (Rs 7.70 crore), Power Development Department (Rs 278.99 crore) and Finance Department (Rs 120.27 crore).

In case of four grants and one appropriation (*Appendix*-2) there was excess expenditure of Rs 420.73 crore despite obtaining supplementary grants of Rs 144.44 crore. This was because of the failure of the departments in assessing the requirement of additional funds even at the end of the year and also because of inadequacy of the system to monitor the trend of expenditure under various heads of account.

Excess over grants in previous years not regularised

2.4 As per Section 82 of the Constitution of the Jammu and Kashmir it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, excess expenditure of Rs 41,322.10 crore for the years 1980-81 to 2001-02 as per

details given below was pending with the Finance Department for regularisation.

Table No. 2.3

Year	No. of Grants/ Appropria-tions	Grant/Appropriation No.	Amount (Rupees in crore)
1980-81	16	1,5,6,7,8,9,12,13,14,16,18, 19,20,21,22,23	227.90
1981-82	13	1,3,5,6,8,13,14,16,18,19, 20,21,23	41.99
1982-83	10	6,8,9,12,14,18,19,21,22,23	119.74
1983-84	12	1,5,6,7,8,14,18,19,20,21, 22,23	176.75
1984-85	10	1,6,8,10,14,16,18,19,21,23	65.42
1985-86	10	1,4,6,10,17,18,19,22,23,26	19.64
1986-87	15	1,2,4,6,7,8,10,13,18,19,20,22,23,25,26	104.22
1987-88	17	1,2,3,5,6,8,10,12,13,18,19,21,22,23,24,26,27	177.32
1988-89	14	1,2,8,9,10,12,13,15,17,18, 22,23,26,27	438.42
1989-90	9	1,7,8,11,12,20,21,23,24	205.23
1990-91	11	1,2,5,8,12,17,19,21,23,25,26	427.72
1991-92	13	1,2,5,7,8,11,12,14,21,22, 23,26,27	1,152.23
1992-93	14	1,4,5,8,10,11,12,14,16,20, 21,23,24,26	1,029.71
1993-94	17	2,3,5,8,10,12,13,14,17,18, 20,21,22,23,24,26,27	1,730.03
1994-95	14	5,6,8,9,10,12,13,14,20,21, 23,24,26,27	2,057.49
1995-96	19	2,5,6,8,9,10,11,12,13,16,17,18,20,21,23,24,25,26,27	2,936.89
1996-97	18	2,4,5,6,8,10,11,12,13,14, 16,18,20,21,23,24,26,27	3,482.20
1997-98	16	1,2,4,6,8,9,12,13,16,18,21,22,23,24,26,27	4,189.21
1998-99	6	4,5,6,8,23,27	4,185.25
1999-2000	12	2,3,6,8,9,12,17,18,20,23,24,26	5,851.08
2000-01	11	1,6,8,9,12,16,18,23,25, 26 and 27	6,310.25
2001-02	15	3,5,6,8,11,17,18,20,21,23,25,26,27,28 and29	6,393.41
Total:			**41,322.10**

Savings under various grants/appropriations

Unnecessary/excessive supplementary provisions

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

In 13 cases, relating to 10 grants and one appropriation (*Appendix*-3), supplementary provision of Rs 129.42 crore was obtained in anticipation of higher expenditure. However, the final expenditure of Rs 1043.13 crore was even less than the original grant of Rs 1359.74 crore. The savings of Rs 446.03 crore thus, exceeded the entire supplementary provision amounting to Rs 129.42 crore indicating unnecessary allotment of additional funds in these cases.

In eight other cases, relating to three grants and five appropriations, supplementary grants aggregating Rs 358.59 crore were obtained against the requirement of Rs 216.27 crore resulting in saving of Rs 142.32 crore *(Appendix-4)*.

Apart from these cases, savings in 19 cases exceeded 10 *per cent* of the budget provision and were more than Rs 50 lakh in each case as detailed in *Appendix-5*. Large-scale savings indicated over-estimation of requirement of funds.

Flow of expenditure

2.6. Financial rules require that expenditure should be evenly distributed throughout the year. Rush of expenditure particularly in the last quarter and also in the closing month is to be regarded as breach of financial rules. Quarter-wise expenditure (net) during 2002-03 as also expenditure in the month of March 2003 under revenue and capital sections incurred by the State Government is detailed below:

Table No. 2.4 (Rupees in crore)

	Total expenditure (Revenue and Capital)	Percentage of total expenditure
First quarter	1196.69	13.91
Second quarter	1627.79	18.93
Third quarter	2265.75	26.34
Fourth quarter	3510.27 (2334.92)	40.82 (27.15)
Total	**8600.50**	

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

As can be seen from above, the flow of expenditure was not evenly distributed throughout the year, inspite of issue of warning slips by the Senior Deputy Accountant General (A&E) from time to time. Expenditure incurred during the month of March 2003 constituted 27.15 *per cent* of the total expenditure.

Persistent excesses/savings

Persistent excesses

2.7 Persistent excesses of more than 10 *per cent* over the budget provisions were noticed during the years 2000-01, 2001-02 and 2002-03 in three grants as detailed below:

Table No. 2.5

S.No.	Name of grant/appropriation	Amount of excess (Rupees in crore)		
		2000-01	2001-02	2002-03
I. Revenue-Voted				
1.	25-Labour, Stationery and Printing Department	2.30	4.51	3.99
II. Capital-Voted				
2.	23-Public Health Engineering Department	44.88	67.95	29.89
3.	26-Fisheries Department	1.55	3.52	2.25

Persistent savings

2.8 Persistent savings of 10 *per cent* and above were noticed during the years 2000-01, 2001-2002 and 2002-03 in 14 grants and two appropriations as detailed in *Appendix*-6.

Budgetary control

Expenditure without budget provision

2.9 No expenditure is to be incurred, unless it has been provided in the budget estimates. However, during the year 2002-03, expenditure of Rs 824.95 crore was incurred under 51 major heads of account (22 grants) without any provision for such expenditure having been made in the budget for which reasons were not intimated by the concerned departments (September 2003). Expenditure in absence of budget provision reflects financial indiscipline and lax monitoring system of the concerned departments/controlling officers. Details of cases covered under this category are given in *Appendix*-7.

Lump sum provision

2.10 Lump sum provision of Rs 573.05 crore was made under 43 heads of account without providing sub/minor/detailed head-wise break up of the expenditure. This deprived Audit in making minor and sub head-wise comparison of savings/excesses.

Unutilised provisions and surrender thereof

2.11 Rules require that all savings should be surrendered as soon as the possibility of savings is foreseen, given the trend of expenditure. Savings should also not be held in reserve for possible future excess. It was, however, noticed that in 30 cases against the available savings of Rs 1370.89 crore (involving savings of Rs one crore and above in each case), savings aggregating Rs 1127.51 crore were either not fully surrendered or not surrendered at all. In eight cases, the amount surrendered exceeded the overall savings (Rs 49.41 crore) by Rs 63.69 crore. Further, in seven cases Rs 56.07 crore were surrendered although expenditure exceeded the grant by Rs 67.89 crore and no savings were available for surrender. Relevant details are indicated in *Appendix-8*. Non-surrendering of funds deprived the Government of the opportunity to transfer these funds to other needy sectors.

Recoveries as reduction of expenditure

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

In the Revenue Section against the estimated recoveries of Rs 77.45 crore, actual recoveries were Rs 68.51 crore only. Similarly, in the Capital Section, against the estimated recoveries of Rs 639.93 crore, actual recoveries were Rs 385.98 crore. The shortfall occurred mainly under Grants No. 6-Power Development Department; (Rs 1.30 crore), 16-Public Works Department (Rs 2.24 crore) and 5-Ladakh Affairs Department (Rs 4.64 crore) in Revenue Section and under Grants No. 15-Food, Supplies and Transport Department (Rs 251.44 crore), 12-Agriculture, Rural Development and Co-operative Department (Rs 1.89 crore) and 5-Ladakh Affairs Department (Rs 1.01 crore) under Capital Section. Reasons for the shortfall though called for, were awaited. Grant-wise details of deviations from the original estimates are given in the *Appendix*-II to the Appropriation Accounts.

Non-reconciliation of departmental figures of expenditure

2.13 Standing instructions of the Government require that expenditure booked by the departmental controlling officers should be reconciled periodically with the expenditure figures booked by the Senior Deputy

Accountant General (A&E). Such reconciliation enables the departmental officers to exercise proper control over the expenditure. As of 31 August 2003, 123 controlling officers, out of 224 had not completed the reconciliation in respect of expenditure of Rs 4,989.43 crore, which constituted 58 *per cent* of the total revenue and capital expenditure.

Chapter-III- Civil Departments

Section-A-Reviews

Agriculture Production Department

3.1 Sericulture Development Programme

The programme in operation in the State prior to Independence, covered activities like mulberry culture, seed production, worm rearing leading to production of cocoons and silk reeling in the State for which facilities/incentives were provided by the Government to rearers/reelers. The objective of the programme was largely not realised as only 12 lakh kgs of cocoon (dry) were transacted in the State during the period 1998-2003, of which four lakh kgs were utilised by the reeling units in the State. The average income of the rearer increased by Rs 2,277 only.

Highlights

- **The Department utilised only 58 *per cent* Central funds meant for various catalytic development schemes during the period 1998-2003, leaving Rs 1.51 crore unspent at the end of March 2003.**

  (Paragraph: 3.1.4)

- **The utilisation of total cultivable area for raising saplings in 57 test-checked nurseries ranged between 38 *per cent* and 48 *per cent* only during the period 1998-2003. The survival rate of mulberry roots/cuttings and plants was 44 *per cent* and 41 *per cent* respectively, during the period 1998-2003.**

  (Paragraphs: 3.1.5 and 3.1.6)

- **Contribution of Rs 50.40 lakh in respect of rearing kits was not recovered from the beneficiaries.**

  (Paragraph: 3.1.10)

- **The shortfall in production of cocoon ranged between 0.68 lakh kgs and 2.41 lakh kgs during the period 1998-2003. The average yield of cocoon was only 28 kgs per ounce of seed against the norm of 40 kgs per ounce. Expenditure of Rs 2.86 crore incurred on improving rearing activities in the State therefore did not yield the desired results.**

  (Paragraph: 3.1.13)

- **Against recoverable amount of Rs 94.44 lakh on account of cost of silkworm seed and market fee during the period 1998-2003, the Department realised only Rs 73.57 lakh from the rearers leaving Rs 20.87 lakh unrealised as of March 2003.**

(Paragraph: 3.1.14)

- **The growth centres at Government Filatures, Srinagar and Jammu processed only 41.36 tonnes of cocoon during the period 2001-03 against the norm of 180 tonnes per annum indicating their underutilisation to the extent of 77 *per cent* rendering the expenditure of Rs 56 lakh largely unproductive.**

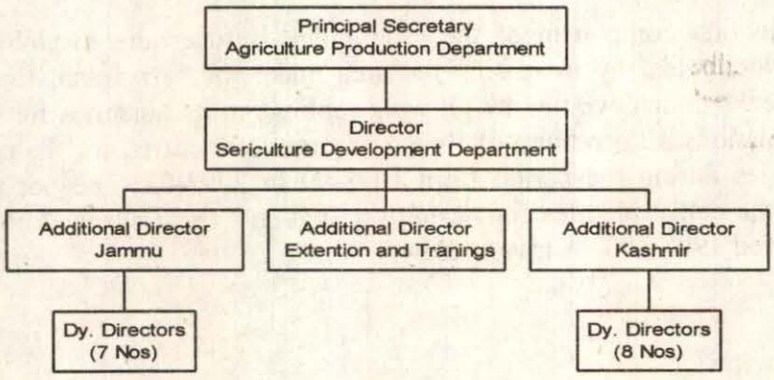
(Paragraph: 3.1.15)

Introduction

3.1.1 The State Government has been promoting sericulture activities in the State prior to Independence. The activities comprise mulberry culture, seed production, worm rearing and related functions. The reeling and marketing of raw silk was done exclusively by the Jammu and Kashmir Industries Limited (a Government company) up to September 1988. After demonopolisation of the industry in September 1988, the activity was opened to private sector also. The objective of the sericulture development programme is mainly to ensure availability of mulberry leaf and good quality seed in sufficient quantity, provision of facilities/incentives to rearers and other supportive measures for enhancing cocoon production and resultant upliftment of rural economy of the State.

Organisational set up

3.1.2 The organisational structure for implementation of sericulture development programme is indicated in the following chart:



The number of employees involved in the implementation of the programme was 2248 (March 2003).

Audit coverage

3.1.3 The implementation of the programme for the period 1998-2003 was reviewed in audit from November 2002 to March 2003 by test-check of records of the Administrative Department, Directorate of Sericulture, Additional Directors Jammu and Kashmir, Additional Director (Extension and Trainings) and four[&] Deputy Directors covering 21 *per cent* of the total expenditure of Rs 109.52 crore. The results thereof are brought out in the succeeding paragraphs.

Allocation and expenditure

3.1.4 The Department in addition to allocations by the State Government, received funds from the Central Government for various catalytic development schemes. The position of funds received by the Department and expenditure incurred thereagainst during the period 1998-2003 was as under.

Table No: 3.1 Allocation and expenditure (Rs in crore)

	Funds allocated/received				Expenditure			
Year	Opening balance	Allocation	Central Government	Total funds available	State Funds	Central Funds	Total Expenditure	Closing Balance (Central funds)
1998-99	-	20.89	0.27	21.16	18.38	0.18	18.56	0.09
1999-2000	0.09	23.11	0.15	23.35	22.23	0.08	22.31	0.16
2000-01	0.16	22.52	0.19	22.87	21.72	0.34	22.06	0.01
2001-02	0.01	23.11	0.74	23.86	22.44	0.65	23.09	0.10
2002-03	0.10	23.30	2.26	25.66	22.65	0.85	23.50	1.51
Total		**112.93**	**3.61**		**107.42**	**2.10**	**109.52**	

(Source: Departmental records)

Central funds to the extent of 58 *per cent* only were utilised during the period 1998-2003 leaving an unspent balance of Rs 1.51 crore at the end of March 2003.

Mulberry plantation

Augmentation of mulberry plantation

3.1.5 The first component of the programme is to ensure availability of sufficient mulberry leaf by increasing the area under mulberry plantation. The Department seeks to achieve this by growing saplings in its nurseries for raising mulberry plantations. Expenditure of Rs 6.47 crore was incurred for the purpose in 155 nurseries during the period from 1998-99 to 2002-03. The position of utilisation of the cultivable area for raising saplings in 57 test-checked nurseries during the period 1998-2003 is given below:

& Jammu, Udhampur, Rajouri and Srinagar.

Table No: 3.2 Area under cultivation in nurseries (Area in *Kanals*)

District	Number of nurseries	Total area	Cultivable area	Area under cultivation				
				1998-99	1999-2000	2000-01	2001-02	2002-03
Udhampur	32	929.04	667.74	261.30 (39)	200.40 (30)	181.90 (27)	186.70 (28)	281 (42)
Rajouri	15	509.14	395.03	176.48 (45)	146.62 (37)	163.44 (41)	132.14 (33)	114.44 (29)
Jammu	3	74.00	67.50	67.50 (100)	67.50 (100)	67.50 (100)	67.50 (100)	67.50 (100)
Srinagar	7	405.00	119.00	89.00 (75)	89.00 (75)	89.00 (75)	89.00 (75)	89.00 (75)
Total	**57**	**1917.18**	**1249.27**	**594.28 (48)**	**503.52 (40)**	**501.84 (40)**	**475.34 (38)**	**551.94 (44)**

(Source: Departmental records)

It will be seen that overall utilisation of the cultivable area for raising saplings ranged between 38 *per cent* and 48 *per cent* during the period 1998-2003. The position was worse in the nurseries at Udhampur and Rajouri where area utilisation never exceeded 45 *per cent.*

Mortality of the plants

3.1.6 The Department had plans of augmenting the available mulberry plantation in the State by producing additional 25 lakh-30 lakh saplings annually during the ninth Plan period. The position of roots/cuttings raised in nurseries and their survival rate during the period 1998-2003 was as under:

Table No: 3.3 (Numbers in lakh)

	Nursery plantation		
Year	**Roots and cuttings raised**	**Survival**	**Percentage survival**
1998-99	86.85	33.89	39
1999-2000	91.67	36.90	40
2000-01	90.75	39.20	43
2001-02	100.51	45.31	45
2002-03	98.57	52.28	53
Total	**468.35**	**207.58**	**44**

(Source: Departmental records)

The survival rate of the roots and cuttings during the period 1998-2003 was 44 *per cent* only.

The Department provided incentive of Rs 88.82 lakh for increasing plantation in the field through farmers during 1998-2003. The position of saplings planted in the field and the survival rate during the period 1998-2003 was as follows:

Table No.3.4 (Number in lakh)

Field Plantation			
Year	**Plants**	**Survival**	**Percentage survival**
1998-99	13.72	5.69	41
1999-2000	14.06	5.75	41
2000-01	12.92	4.06	31
2001-02	13.58	5.19	38
2002-03	14.48	7.52	52
Total:	**68.76**	**28.21**	**41**

(Source: Departmental records)

The survival rate of the plantations in the field during the period 1998-2003 was also low 41 *per cent* only.

The objective of raising 25 lakh-30 lakh saplings annually was also not achieved. Besides, field units[♥] had not maintained nursery journals which would indicate details of plants and cost of their cultivation.

On being pointed out, it was stated[≠] that high mortality was due to unfavourable weather conditions, lack of irrigation facilities and drought. The reply was not tenable as mortality had been consistently high year after year.

Seed production

3.1.7 The second component of the programme is to ensure availability of good quality seed in adequate quantities. Department seeks to achieve this, firstly by rearing the parent races (P2 and P3) to produce P1 seed. The P1 seed, after its multiplication is supplied to selected rearers for rearing cocoons. Reared cocoons are purchased to produce industrial seed (F1) in required quantities, which leads to cocoon crop.

Low yield of industrial seed

3.1.8 P1 seed cocoons purchased from rearers are sorted by the Department to identify and collect Disease Free Laying (DFL) mother moths. The quantity of P1 seed cocoons procured, sorted, rejected, isolated, expected yield and actual yield are given in the following table.

♥ Deputy Directors Rajouri and Udhampur.

≠ Additional Director Sericulture Jammu, Deputy Directors Udhampur, Jammu and Rajouri.

Table No: 3.5 Yield of silkworm seed

Year	P1 seed cocoons procured (green) (kgs)	Sorted P1 seed cocoons (green) taken up for production of F1 seed (kgs)	Cocoons rejected (kgs)	Percentage of rejected cocoons to P1 cocoons procured
(1)	(2)	(3)	(4)	(5)
1998-99	23884	20648	2262	9
1999-2000	26159	23474	1045	4
2000-01	24682	21462	2242	9
2001-02	18249	16665	756	4
2002-03	18493	16887	933	5
Total	**111467**	**99136**	**7238**	**6**

Female moths isolated	Female moths declared disease free	Laying expected at the rate of 85 layings from 100 female moths	Expected seed yield at the rate of one ounce from 100 laying as per norm	F1 seed actually produced	Seed yield per kg of seed cocoon s (Column 10/2)
(Number in lakh)			(Ounces)		
(6)	(7)	(8)	(9)	(10)	(11)
37.63	29.81	25.34	25340	20840	1.01
47.66	38.86	33.03	33030	25295	1.08
43.64	39.71	33.75	33750	23741	1.11
33.00	30.47	25.90	25900	19438	1.17
33.02	31.50	26.78	26780	19665	1.16
194.95	**170.35**	**144.80**	**144800**	**108979**	**1.10**

(Source: Departmental records)

It would be seen from the table that, percentage of rejected cocoons ranged between 4 *per cent* and 9 *per cent* for which norms had not been fixed. From 669[&] lakh cocoons, the Department was expected to isolate 334 lakh female moths (50 *per cent*). The actual isolation was 1.95 crore (29 *per cent)* only resulting in shortfall in F1 production. The seed yield of P1 cocoon ranged from 1.01 to 1.17 ounces against the prescribed norm of 1.41 to 1.59 ounces.

Cocoon rearing

3.1.9 One of the main objectives of the programme is to ensure that adequate facilities are available to the rearers. This is sought to be achieved by creating necessary infrastructure, providing equipment and imparting training in techniques of rearing at both the stages of rearing parent and industrial seed. Several of these activities fall under Catalytic Development Schemes which are partly financed by Central Silk Board (CSB) Ministry of Textiles, Government of India. An amount of Rs 2.86 crore was spent on these schemes during the period from 1998-99 to 2002-03. Audit observations on effectiveness of implementation of these schemes are as follows.

& One Kg of seed cocoon comprises 600 cocoons approximately (1,11,467 x 600 = 669 lakh).

Supply of incomplete rearing kits

3.1.10 Central Silk Board (CSB) approved (May 1998) the proposal of supplying rearing kits to beneficiaries, the cost (Rs 5000) of which was to be shared by the State and CSB at Rs 1500 each and the balance (40 *per cent*) by the beneficiary. The Department purchased rearing kit items for Rs 1.26 crore and issued these to 5500 beneficiaries during the period from 1998-99 to 2002-03. Audit scrutiny of records revealed that complete[ψ] kits were neither purchased nor provided to beneficiaries. Besides, contribution of Rs 50.40 lakh recoverable from the beneficiaries in respect of items supplied to them was also not recovered. Supply of incomplete rearing kits to rearers had an adverse impact on the cocoon yield. The records also did not indicate that the stipulated 30 *per cent* SC/ST and 30 *per cent* women beneficiaries were covered under the scheme.

Construction of rearing houses

3.1.11 The Department proposed to construct 1,000 rearing houses at a cost of Rs 20,000 each which was to be shared by the beneficiary to the extent of Rs 15,000 and the balance of Rs 5,000 by the CSB and the State Government in equal proportion. The design/drawings (December 2001) of the CSB for construction of rearing houses provided for thatched roofing for proper maintenance of temperature and humidity. Contrary to this, the Department decided that the beneficiary would construct the shed up to the roof level and roofing material in the shape of CGI sheets for temperate zone and asbestos for sub-tropical zone to the extent of Rs 5,000 would be provided to each beneficiary free of cost. CGI sheets costing Rs 25 lakh were purchased by the Department and issued to 500 beneficiaries in both temperate and sub-tropical zones. The adverse impact of use of CGI sheets on production/yield of cocoons was not intimated.

The Department also purchased 1.20 lakh metres of black cloth during 1998-99 to 2001-02 for supply to rearers for sun drying of cocoons to prevent cocoon quality from deterioration. An expenditure of Rs 39 lakh was incurred on the purchase. It was seen in audit that cloth was issued in excess of prescribed scale of 5.50 metres per rearer, resulting in excess issue of 9,917 metres (cost: Rs 3.39 lakh) to 19,999 rearers. The impact of sun drying of cocoons under black cloth was not discernible as production of A grade cocoon declined from 73 *per cent* to 51 *per cent* during the period 1998-2003 as indicated in table 3.7 below.

Financial support to rearers

3.1.12 The Department decided (September 2002) to compensate rearers by paying an incentive to the extent of Rs 5 per kg on green cocoons and Rs 15 on dry cocoons, in case there was shortfall in price by more than Rs 30 per kg with reference to floor price fixed by the Government. The expenditure was to be

ψ Each comprising rearing stand, trays (20), mountages (20) and *Sigries* (2).

shared between Centre and State Governments on 90:10 basis. Rupees 35 lakh and Rs 3.78 lakh were released by the Central and State Government respectively during 2002-03 for the purpose. Disbursement accounts and acquittances of the beneficiaries for subsidy payment of Rs 22.88 lakh placed at the disposal of four DDOs[β] were not made available for verification in audit.

Cocoon yield

3.1.13 The statistical data on number of cocoon rearers, quantity of seed distributed, cocoon crop harvested and average yield of cocoon for the period 1998-2003 indicated that there was little growth in the production of cocoon.

Table No: 3.6

Cocoon yield

Year	No of rearers	Seed distributed (Ounces)	Cocoon produced green (kgs)	Average cocoon yield (kg/ounce of seed)	Target fixed	Actual yield	Shortfall
					(lakh kgs)		
1998-99	23370	31479	827567	26.29	10.00	8.28	1.72
1999-2000	23014	28207	815029	28.89	9.50	8.15	1.35
2000-01	22789	29233	882384	30.18	9.50	8.82	0.68
2001-02	20437	28729	708860	24.67	9.50	7.09	2.41
2002-03	21677	26157	848408	32.44	9.50	8.48	1.02
Total	**111287**	**143805**	**4082248**	**28.39**			

(Source: Departmental records)

The Department had projected annual production of 15 lakh kgs of cocoon. The target was, however, reduced to 10 lakh kgs and further scaled down to 9.5 lakh kgs from 1999-2000. Even the reduced target could not be achieved and the actual yield was about 8 lakh kgs per annum. The average yield of cocoon was 28 kgs per ounce of seed against the norm of 40 kgs per ounce.

Department's inability to achieve the target of cocoon production, even against reduced targets and improve the cocoon yield indicated that Rs 2.86 crore spent on improving rearing activities did not achieve the desired results.

Marketing of cocoon

3.1.14 Cocoons for reeling are sold in departmentally managed cocoon markets. For organising these markets, the Department realises market fee at the rate of one *per cent* of the value of the cocoons transacted (0.5 *per cent* from buyers and 0.5 *per cent* from sellers). It also recovers the cost of the seed. The position of silkworm seed distributed, cocoons harvested/transacted, market fee and cost of silkworm seed recoverable/recovered from the rearers during the period from 1998-99 to 2002-03 is given below:

β Deputy Directors Udhampur, Jammu, Rajouri and Srinagar.

Table No: 3.7 Marketing of cocoons

Year	Seed distributed (thousand ounces)	Cocoon yield (lakh kgs)	Grade-wise cocoons transacted (Dry) (Lakh kgs)				Total cocoons transacted in auction market	Value of cocoons transacted	Cost of silkworm seed recoverable *	Market fee recoverable (Rs in lakh)		Total
										Buyers	Sellers	
			A	B	C	D	(lakh Kgs) (dry)	(Rs in lakh)				
1998-99	31	8.23	1.83 (73)	0.33	0.25	0.11	2.52	493.43	10.29	2.47	2.47	15.23
1999-2000	28	8.12	1.50 (68)	0.39	0.26	0.05	2.20	480.15	10.15	2.40	2.40	14.95
2000-01	29	8.80	2.11 (83)	0.23	0.11	0.10	2.55	566.49	17.60	2.83	2.83	23.26
2001-02	29	7.06	1.71 (81)	0.18	0.10	0.10	2.09	571.37	14.12	2.86	2.86	19.84
2002-03	26	8.46	1.35 (51)	0.67	0.42	0.20	2.64	423.20	16.92	2.12	2.12	21.16
Total	**143**	**40.67**					**12.00**	**2534.64**	**69.08**	**12.68**	**12.68**	**94.44**

(Source: Departmental records)

It was observed that against the recoverable amount of Rs 94.44 lakh, Additional Directors, Jammu and Kashmir had incorrectly worked out the amount at Rs 81.23 lakh and realised Rs 73.57 lakh only. Department could not explain the short realisation of Rs 20.87 lakh.

Out of 12 lakh kgs of cocoons transacted in the market, only 4.12 lakh kgs were purchased by the buyers from the State. The average income of the rearer from the programme worked out to Rs 2,277 only during the period 1998-2003.

Establishment of growth centres

3.1.15 The CSB envisaged creation of growth centres in the states with the objective of ensuring production of quality silk on multiend reeling machines by providing common facilities to the entrepreneurs under one roof. Under the scheme, the space and building alongwith basic amenities were to be provided by each participating state and CSB was to provide equipment and machinery costing around Rs 28 lakh per centre. Two growth centres were set up under the scheme at Government Filatures, one each at Srinagar and Jammu with the expectation that these units would process 180 tonnes of cocoons annually in addition to their normal requirement. Machinery and equipment costing Rs 55.76 lakh were supplied by the CSB and the centres commissioned in September 2001.

It was observed in audit that during 2001-02 and 2002-03 these units purchased 65.72 tonnes of cocoons and consumed 41.36 tonnes (March 2003) only, indicating that the growth centres remained underutilised to the extent of 77 *per cent.* This rendered the expenditure of Rs 56 lakh on establishing these centres largely unproductive.

* Worked out at the rate of Rs 1.25 per kg of cocoon up to 1999-2000 and at the rate of Rs two per kg thereafter.

Conclusion

3.1.16 The Department has been investing more than Rs 20 crore per year to produce about 7 lakh to 9 lakh kgs cocoon of which only 2.40 lakh kgs is actually transactable. The final outcome of the programme for five years between 1998-99 and 2002-03 has been 12 lakh kgs of transactable dry cocoon on which the Department incurred an expenditure of Rs 109.52 crore. The cost of production[♣] of cocoons worked out to Rs 73.50 crore against which Rs 25.35 crore only were realised on their sale. This resulted in implicit subsidy of Rs 48.15 crore to buyers of which Rs 31.61 crore were indirectly passed on to the buyers of other states who purchased 7.88 lakh kgs of cocoon.

Recommendations

3.1.17 Uptake of dry cocoons within the State of Jammu and Kashmir works out to less than one lakh kgs per year. Decision to continue the existing volume of activities with 2248 staff with annual expenditure of more than Rs 20 crore has to be arrived after a review of actual demand within the State. Simultaneously issues of high mortality of plants, quality and productivity of seed have to be addressed.

The above points were referred to the Government/Department in July 2003; reply had not been received (October 2003).

♣ Cost of production of cocoon worked out after deducting expenditure on plantations, establishment of reeling units and administrative expenses (assumed at 25 *per cent)* from the total expenditure.

Section-B-Audit Paragraphs

Agriculture Production Department

3.2 Unfruitful expenditure on dewatering pump sets

Director Agriculture, Kashmir identified defective sites for installation of pump sets at Agriculture Farm, Padgampora (Pulwama) and subsequently failed to relocate them which resulted in unfruitful expenditure of Rs 24.94 lakh.

Director Agriculture, Kashmir accorded (June 1991) administrative approval for work of procurement and installation of five diesel pump sets (cost: Rs 9.95 lakh) for dewatering of the Agriculture Farm, Padgampora (Pulwama). The amount was released[♣] by the Director to the Executive Engineer, Mechanical Irrigation Division (South), Srinagar/Awantipora for the purpose. The Division did not take up the work due to delay in finalisation of the contract with the suppliers. The Division revised (July1992) the cost of the work to Rs 20.95 lakh as a result of which the Director decided (September 1992) to install only 3 pump sets (cost: Rs 13.01 lakh). An additional amount of Rs three lakh was released (March 1993) to the Division. The work could not be started due to non-identification of the site by the Director leading to further revision (February 1994) of the cost of work to Rs 16.45 lakh. Rupees 1.80 lakh were released to the executing agency in March 1994, which installed two pump sets, of which only one was commissioned in June 1997. The third one was lying in the stores of the Division. Expenditure of Rs 22.24 lakh was incurred on the work by the Division.

Audit scrutiny (April 2001) of the records revealed that, of the two installed pump sets only one functioned for 13 days during the period 1997-2003 as the pump sets had been installed at a height lower than the average flood level due to which these remained submerged during floods and water pumped out re-entered the farm defeating the very objective of their installation. Despite non-functioning of the pump sets, the Director further released Rs 6.13[♦] lakh to the Division. In addition, Rs 2.70 lakh were spent on watch and ward of the pump sets from November 1997 to February 2003.

Thus, identification of defective sites for installation of pump sets and subsequent failure to relocate them for their smooth functioning resulted in unfruitful expenditure of Rs 24.94 lakh including unpaid liability of Rs 1.36 lakh.

The matter was referred to the Government/Department in May 2003; reply had not been received (October 2003).

♣ March 1991: Rs 2.50 lakh; June 1991: Rs 3.45 lakh; September 1991: Rs four lakh.

♦ November 1997: Rs one lakh; December 1997: Rs 5.13 lakh.

Civil Aviation Department

3.3 Idle investment and locking up of funds

Injudicious action of Commissioner, Civil Aviation Department to release funds in excess of demand of the Collector Land Acquisition, Jammu to avoid their lapse and part acquisition of land resulted in locking up of Rs 41.29 lakh for about five years. Besides, investment of Rs 55.35 lakh was rendered idle due to non-utilisation of the acquired land.

Commissioner, Civil Aviation Department advanced (30 March 1998) Rs 96.64 lakh to the Collector, Land Acquisition Jammu against his tentative demand of Rs 77.68 lakh for acquisition of land measuring 53 *kanals* 19 *marlas* for developing a hangar complex at Satwari, Jammu. The amount was deposited by the Collector in his current bank account. Audit scrutiny (March 2002) revealed that the Department took over the possession of 44 *kanals* 10 *marlas* of land (5 *kanals*: June 1999; 39 *kanals* 10 *marlas*: March 2000) against which Collector released Rs 55.35[ψ] lakh only to the land owners, leaving Rs 41.29 lakh in his bank account (August 2003). Neither was the remaining land (9 *kanals* 9 *marlas*) acquired nor was construction work on the acquired land taken up by the Department (August 2003).

Injudicious action of the Commissioner to release funds in excess of demand of the Collector to avoid lapse of funds and non-acquisition of the remaining land resulted in locking up of Rs 41.29 lakh for about five years. Besides, investment of Rs 55.33 lakh on the acquired land was lying idle. The cost of idle/locked up funds to Government worked out to Rs 57.98[ϕ] lakh.

The matter was referred to Government/Department in May 2003; reply had not been received (October 2003).

3.4 Injudicious heli-skiing operations and loss

Commissioner, Civil Aviation Department started heli-skiing operations injudiciously without obtaining the permission of Director General of Civil Aviation. Non-insurance of the helicopter by the Department resulted in loss of Rs 3.54 crore to Government.

The Department without obtaining the necessary permission of the Director General of Civil Aviation (DGCA), Government of India, started (February 1999) heli-skiing operations for promoting winter sports in the State. The activity involved flying tour parties by helicopters to suitable ridges or mountain tops for skiing.

ψ Rs 4.42 lakh: June 1999; Rs 47.02 lakh: June 2000; Rs 3.91 lakh (date of payment awaited).

ϕ Calculated at the minimum borrowing rate of Rs 12 *per cent* per annum.

Audit-check (February 2002) of the records of the Department revealed that one Cheetah helicopter (VT-EUT; cost: Rs 3.54 crore) on heli-skiing mission was badly damaged when it crashed (March 1999) in Gund valley, Srinagar. An enquiry by the Inspector of Accidents, DGCA found (September 1999) that lack of training of the pilot for undertaking this operation, selection of unsuitable landing site and non-framing of procedures for heli-skiing were contributory factors for the crash. The Department had also not insured the helicopter. Non-insurance of the helicopter was attributed (January 2003) by the Commissioner, Civil Aviation Department to the absence of State policy and financial crunch for payment of insurance premium. The reasons put forth were self contradictory and not tenable.

The decision of the Commissioner to start the heli-skiing activity without the permission of the DGCA and framing procedures therefor was injudicious. Besides, non-insurance of the helicopter resulted in loss of Rs 3.54 crore to Government.

The matter was referred to Government/Department in April 2003; reply had not been received (October 2003).

Education Department

3.5 Unauthorised retention of Government money by Principal DIET, Poonch

Principal, DIET Poonch unauthorisedly withheld Rs 18.39 lakh outside Government account which, apart from non-completion of the office complex, resulted in locking up of the amount for over five years. The cost of locked up funds amounted to Rs 11.25 lakh.

Commissioner/Secretary, Education Department released Rs 63* lakh to the Principal, District Institute of Education and Trainings (DIET), Poonch for construction of the office complex (estimated cost: Rs 1.01 crore) under Centrally sponsored scheme "Restructuring and Reorganisation of Teacher Education". The Principal advanced the amount to Jammu and Kashmir Project Construction Corporation Limited (a Government Company) which after executing works up to Rs 64.98 lakh suspended (April 1996) it due to reported occupation of the structure by the security forces. In January 1998, the Commissioner/Secretary further released Rs 38.39 lakh to the Principal for the work, of which Rs 20 lakh only were released (March 1998) by the latter to the Company and balance of Rs 18.39 lakh kept in current bank account. The Company restarted (April 1998) the work and after incurring further expenditure of Rs 18.02 lakh up to December 2002, left the work incomplete due to non-availability of funds. The

* Up to December 1995: Rs 48 lakh; January 1996: Rs 15 lakh.

Principal did not release the balance amount for completing the work. Meanwhile, the amount continued to be locked in the bank account (March 2003).

Thus, unauthorised retention of Rs 18.39 lakh by the Principal, DIET Poonch, apart from non-completion of the office complex resulted in locking up of Rs 18.39 lakh for over five years. The cost of locked up funds amounted to Rs 11.25[♥] lakh.

The matter was referred to the Government/Department in June 2003; reply had not been received (October 2003).

Health and Medical Education Department

3.6 Idle investment on purchase of laparoscopic surgical units

Director Health Services, Jammu purchased laparoscopic surgical units without ensuring availability of required infrastructure including trained medical staff which resulted in their non-utilisation and consequent idle investment of Rs 75.34 lakh for about 3 to 4 years.

Director Health Services, Jammu purchased (December 1998/ March 2000) six laparoscopic surgical units from a Delhi based firm at a cost of Rs 1.13 crore (including cost of accessories and carriage) for use in the six district hospitals of Jammu Division. The equipment received[♣] in the Provincial Medical Store Jammu, were issued to the district hospitals Kathua, Jammu and Doda (March 2000), Udhampur (November 2000), Rajouri and Poonch (April 2001) after periods ranging between 7 and 11 months. Three of these units issued to district hospitals of Doda, Poonch and Rajouri were lying idle due to non-availability of operation theatre and trained medical staff. The fourth unit lying idle in the district hospital Kathua, was transferred (February 2002) to Government Hospital Gandhinagar, Jammu for demonstration/workshop purposes. This unit had also not been put to any use as of December 2002.

Thus, purchase of the laparoscopic surgical units by the Director Health Services, Jammu without ensuring availability of required infrastructure including trained medical staff for their operation resulted in idle investment of Rs 75.34[♥] lakh for about 3 to 4 years, besides denial of advanced surgical facilities to needy patients. The cost of idle funds to the Government worked out to Rs 27.12[#] lakh.

♥ Worked out at the minimum borrowing rate of 12 *per cent* per annum.

♣ 3 each in March 1999 and March 2000.

♥ Based on proportionate cost of the equipment.

\# Worked out at the borrowing rate of 12 *per cent* per annum.

The matter was referred to the Government/Department in March 2003; reply had not been received (October 2003).

3.7 Idle investment, loss and extra expenditure on purchase of hospital equipment

Principal, Government Medical College, Jammu failed to obtain custom duty exemption certificates for imported equipment which resulted in loss of Rs 5 lakh and extra expenditure of Rs 8.18 lakh. Further, non-fabrication of the van for installing the X-Ray camera resulted in idle investment of Rs 19.89 lakh.

Principal, Government Medical College Jammu placed (March 1997) an order with the Indian agent of two foreign suppliers for supply of a close circuit medical video system (cost: Rs 1.50 lakh) and a cryo-unit (cost: Rs 3.50 lakh) for cataract and other eye operations. The consignments reached Indira Gandhi International Airport, New Delhi in May 1997 and September 1997 and payments were released to the firms in July 1997 and September 1997 respectively. The Principal could not arrange the custom duty exemption certificate (CDEC) from Director General Health Services (DGHS), New Delhi as a result of which the equipment was auctioned by the custom authorities in March 1999. Audit check further revealed that the Principal approached DGHS for issue of CDEC only in August 1999 after the consignment had been auctioned by the custom authorities resulting in loss of equipment costing Rs five lakh.

The Principal also placed (July 1998) an order with another Indian agent of a Hong Kong based firm for supply of Odelca X-ray camera with Phototimer at a cost of Rs 19.89 lakh. The college advanced (November 1999) Rs 22.36 lakh for opening of letter of credit (LOC) at the Jammu and Kashmir Bank Limited, Jammu which in turn released Rs 19.89 lakh (November 2000) to the firm. The documents for issue of the CDEC were, however, sent by the college to DGHS only in May 2000. The equipment received at the New Delhi airport (November 2000) could not be released as the college failed to obtain the CDE Certificate. Apprehending auction of equipment by the custom authorities, the college got it released (October 2001) after paying Rs 8.18[w] lakh as custom duty, demurrage charges and penal interest. The equipment had not been made functional as the van on which it was to be installed had not been fabricated (April 2003). Besides, Rs 2.47 lakh out of the LOC amount continued to be locked in the bank (April 2003).

Thus, failure of the Principal to obtain CDE certificates well in advance for custom clearance of the imported equipment resulted in loss of Rs five lakh and extra avoidable expenditure of Rs 8.18 lakh. Further,

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[w] Demurrage: Rs 2.24 lakh; Custom duty: Rs 4.88 lakh and interest: Rs 1.06 lakh.

non-fabrication of van for installing the X-ray camera resulted in idling of the equipment costing Rs 19.89 lakh.

The matter was referred to the Government in March 2003; reply had not been received (October 2003).

Home Department

3.8 Fraudulent drawal

Non-observance of codal provisions by the DDO and the Treasury Officer facilitated fraudulent drawal of Rs 17.75 lakh.

During the course of checking of list of payments of the Civil Secretariat treasury with supporting vouchers for the month of July 2001, one voucher for an amount of Rs 17.75 lakh was found missing. The matter was pointed out (January 2002) to the Director General, Home Guards and the Treasury Officer concerned. While the former stated (February 2002) that no such drawal had been made by his office, the latter stated (March 2002) that the amount had been refunded by the ex-cashier in March 2002. Further scrutiny in audit revealed that the bill in question had not been entered either in the cash book or in the Drawal Register. The certificate of drawals recorded in the Drawal Register had been interpolated by increasing the amount (by Rs 17.75 lakh) and the total number of drawals without recording the individual transaction. The ex-cashier of the Department was, however, placed under suspension and an FIR lodged (February 2002) with the police. The fraudulent drawal had been facilitated by non-observance of codal provisions as discussed below:

The DDO (Staff Officer to Additional Director General) had not obtained list of bills drawn by him during the previous month from the treasury and traced these in his cash book.

The Treasury Officer had authorised the drawal without sufficient budget provision to cover the transaction.

While recording the drawal certificate, the Treasury Officer had not checked individual drawals and totals thereof.

The voucher supporting the transaction had not been submitted to Accountant General by the Treasury Officer.

The matter was referred to Government/Department in October 2003;reply had not been received (December 2003).

Tourism Department

3.9 Promotion of Tourism

A review of the promotional activities of the Department *viz.* grant of incentives, publicity measures and development of infrastructure, revealed irregular payment of subsidy to two cinema hall owners, loan payments to registered boat owners without assessing the quantum of loan and non-recovery of principal and interest from tourism-based units. The Department engaged a firm for printing of publicity material without assessing reasonability of its rates. Norms for expenditure on boarding, lodging and transportation for organising promotional meets outside the State had not been fixed. Infrastructure development works were taken up in piece meal rather than in an integrated manner for development of a particular site or spot.

Introduction

3.9.1 Tourism Department established for promotion of tourism in the State is headed by Director General who is assisted by two Directors at the Divisional level (Jammu and Srinagar). The overall administrative control of the Department vests with the Secretary Tourism. During late 1980s and early 1990s, tourism in the State was badly hit by the disturbed conditions in the Valley. In 1995, the Government declared Tourism as industry and framed Tourism Incentive Rules, 1995. Units directly related to tourism like houseboats, *shikaras,* etc. became eligible for various incentives.

A test-check of records of Director General Tourism for the period from 1998-99 to 2002-03 was conducted during June-July 2003 and performance of the Department reviewed in the areas of (a) incentives to units and people engaged in tourism affected by disturbances (b) publicity measures taken by the Department (c) activities related to promotion of tourism and (d) schemes taken up for augmentation of infrastructure. Break-up of expenditure during the period was as follows:

Table No: 3.8 (Rs in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Revenue Expenditure					
Publicity / Information	1.22	1.66	1.70	1.59	2.20
Other expenditure including non Plan	6.73	7.85	7.91	8.44	8.98
Capital Expenditure					
Incentives/ Loans	3.17	7.70	6.08	6.01	3.01
Infrastructure development	6.98	4.26	5.09	10.06	10.61
Other expenditure	0.11	0.05	0.03	0.26	0.14
Total	**18.21**	**21.52**	**20.81**	**26.36**	**24.94**

Expenditure of Rs 3.97 crore was also incurred out of Central Assistance of Rs 4.32 crore released by Government of India during the period from November 1992 to March 2001.

Incentives to units and people engaged in tourism

3.9.2 Government introduced (March 1998) tourism package of incentives to help units and people engaged in tourism trade to overcome their financial difficulties that arose because of disturbances. These measures were meant to help revive the tourism.

Under the scheme, six types of tourism-based units were to be granted soft loans at the interest rate of five *per cent* for a period of three years after which it was chargeable at prevailing bank rates. The loan was to be liquidated in five years in half yearly instalments after moratorium of two years and the interest after a moratorium of one year. During the period from 1998-99 to 2000-01, loan assistance of Rs 6.47 crore was paid to 4307 units as detailed below.

Table No: 3.9

Category	No of cases	Amount (Rs in crore)
Shikarawallas	1725	4.31
Ponywallas	1979	1.58
Coolies	77	0.05
Dandiwallas	40	0.04
Photographers/ hawkers	27	0.03
Sledgewallas	459	0.46
Total	**4307**	**6.47**

As of July 2003, neither the principal nor the interest due was recovered from any of the unit holders. On being pointed out in audit, the Department stated (July 2003) that this was done under verbal orders of the then Minister of State for Tourism.

Under the incentive scheme the Department sponsored registered boat owners to financial institutions/banks for grant of loans. Department subsidised interest to the extent of 11 *per cent* for first three years from the date of disbursement of loan. The loanee had to bear full interest thereafter. During the period from June 1998 to December 1999, the Department sponsored 1027 cases to the Jammu and Kashmir Bank. The Bank granted loans aggregating Rs 17.09 crore in 908 cases. Subsequently, the Department ordered rescheduling of loan by allowing a moratorium of three years, treating the loans as completely interest free. An amount of Rs 12.18 crore was paid to the Bank as interest on these loans up to March 2003.

Among the beneficiaries of these loans, 185 persons kept part of loans (Rs 4.35 crore) in fixed deposits with the same bank. The Department in January 2003 informed the Government that the Bank had retained the amounts in the shape of FDR. The Chairman of the Bank, however, informed the Department

that loanees had deposited the amount on their own. Either way Government continued to bear interest burden on Rs 4.35 crore, which was utilised neither by loanees nor the Government. This indicated that cases sponsored by the Department were without proper identification of persons and assessing the quantum of assistance needed.

In August 1999, the Department sanctioned and disbursed Rs 62.50 lakh as outright subsidy to two cinema hall owners for renovation of cinema halls partly damaged during militancy. Cinema halls did not fall under the ambit of Tourism Incentive Rules, 1995 and could not be categorised as tourist units entitled for incentive. This appeared to be a case of favouritism.

Tourism publicity

3.9.3 For revival of tourism the Department undertook advertisement campaign by way of printing posters, brochures and tourist literature etc. during the years from 1998-99 to 2002-03. The Department had a Tourism Publicity Committee (TPC), but never framed any annual plan for this activity.

In September 1997, the Department invited offers from 25 advertising agencies enlisted in the Advertisement and Marketing Magazine. It received 14 offers. A subcommittee of TPC met in December 1997 and short-listed six agencies. TPC met in February 1999 and took a decision to engage the same firm with which Department had been working since 1994. TPC recommended the firm for a period of three years up to March 2002. During this meeting, two out of the six members *viz.* the Financial Advisor and Chief Accounts Officer and the Additional Secretary to the Tourism Department were absent. The other four members of the TPC who took the decision were Commissioner/Secretary, Director General, Deputy Director (Publicity) Tourism Department and Managing Director, Jammu and Kashmir Tourism Development Corporation (JKTDC). Though this firm was one of the six short-listed firms, the subcommittee report to TPC indicated that another firm also had similar features but was not given equal opportunity to present its credentials. TPC justified its selection stating that the firm had superior profile and its rates for larger number of items were lower. The fact is that financial implications with reference to volume of work were not worked out in the comparative statement to assess the most reasonable offer. The Department continued engagement of the same firm even after the expiry of its agreement in March 2002. During the period from April 1997 to June 2003 the Department paid Rs 2.77 crore to the firm for various works.

The above firm was liable to pay a service tax of two *per cent* from July 1997 and four *per cent* from April 1999 of the value of the work done which was to be deducted at source. Department did not deduct it while making payments. This resulted in loss of Rs 11.63 lakh to Government exchequer.

As per the agreement executed with the firm no service tax/sales tax was payable by the Department. However, an amount of Rs 6.82 lakh was

released to the firm during the period from April 1997 to February 2003 on account of service tax/sales tax resulting in loss to Government exchequer and an undue favour to the same firm.

Though the above firm was engaged for executing printing and advertising works, similar works valued at Rs 32.60 lakh were got executed during the period from October 1998 to July 2002 through other agencies without assessing the reasonability of rates and ignoring the tendering procedures.

During the period (March and October 2000), Rs 10.10 lakh were diverted from 'Transport, Tourist Information and Publicity' (TTIP) grant for providing accommodation to *Darbar* move staff, which was otherwise to be borne by the Estates Department.

Promotion

3.9.4 As part of promotional drive, the Department conducted a number of familiarisation (FAM) tours for travel agents, journalists, film personalities and others connected with tourist trade apart from organising promotional meets outside the State. During the period from September 1998 to March 2003, expenditure of Rs 38.68 lakh was incurred on this activity.

Audit scrutiny revealed that no norms had been fixed/approved for incurring expenditure on boarding, lodging and transportation of guests invited for such events. Even details of participants such as their number, profession of individuals, etc. were not kept on record in absence of which the correctness of expenditure booked on this account could not be ascertained/vouchsafed.

Augmentation of infrastructure

3.9.5 Audit examined records pertaining to twenty seven schemes/works (Central Sector: 26; State Sector: one) for augmenting the existing infrastructure approved with an outlay of Rs 8.24 crore during the period 1992-93 to 2000-01. Expenditure incurred on these schemes till March 2003 was Rs 6.30 crore (Central: Rs 3.97 crore; State: Rs 2.33 crore). Department took up infrastructure works in isolated manner without any integrated approach for development of particular site or spot. Deficiencies in execution of schemes were as follows.

Only two[&] works were completed within the cost ceiling of Rs 52.61 lakh though with delay of five years and seven years. Seven works[Ψ] (estimated cost: Rs 2.10 crore) approved by Government of India during the period from January 1994 to March 1996 and slated for completion within one year, were completed after delay of five years to seven years at a cost of Rs 2.76 crore. Cost overrun of Rs 66 lakh and time overrun were due to delay in

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& Tourist Bungalow, Karsha and Refurbishment of Pathab Monastry, Leh

Ψ Tourist complexes Pangong, Leh, Rajouri, Nobra; Tourist Bungalow Charisharief in Budgam; Yatrika at Kheerbhawani in Srinagar and Renovation of Hemis Gompa, Leh.

selection and finalisation of sites, allotment of contracts and release of funds to implementing units.

Twelve[ϕ] works estimated to cost Rs 3.54 crore were approved by Government of India (GOI) during the period from November 1992 to March 2001 with a Central share of Rs 2.49 crore. Nine works to be completed within one year from the date of their approval were yet to be completed despite incurring expenditure of Rs 1.46 crore and delay ranging up to nine years. Other three works (estimated cost: Rs 1.13 crore) to be completed within two years and two and a half years were also incomplete after incurring an expenditure of Rs 87.70 lakh. The Department attributed the delays to militancy. The reply was not tenable as five out of 12 works were in Leh District, which was not affected by militancy.

Rupees 25.50 lakh were released by GOI during the period from February 1999 to March 2001 as first instalment of Central Assistance for four schemes estimated to cost Rs 1.42 crore. These were artist camp at Gulmarg, sanitation facilities at Amaranth, TRC Shivkhori, Signages in J&K. The works to be completed within one year from the date of their sanction had not been taken up for execution as of March 2003. The State Government had not released its share of Rs 59.40 lakh and the amount released by GOI was locked in current account with a bank.

The Department took up (1999) construction of a tourist hut at Lamayuru at an estimated cost of Rs 20.72 lakh (Central share: Rs 17.12 lakh; State share: Rs 3.60 lakh) through Public Works Department, Leh. After incurring an expenditure of Rs 17.24 lakh the work was stopped at lintel level, on the ground that it was far away from the main resort and thus not suitable from tourist point of view. After being abandoned, the constructed portion of the hut got damaged and all building material was stolen from the site rendering the expenditure of Rs 17.24 lakh on the hut wasteful.

Development work of Ziarat Shah Wali Sahib, a pilgrim spot in Kupwara district, administratively approved at a cost of Rs 44.20 lakh, was taken up in 1995. The construction was abandoned halfway after incurring expenditure of Rs 50.73 lakh up to 1998. DG Tourism in his reply stated (July 2003) that the work could not be completed as maximum thrust was subsequently given to traditional tourism thereby rendering the expenditure wasteful.

To provide facilities to trekkers, the Department imported trekking equipment at a cost of Rs 36.78 lakh during 1988-89 out of which equipment (cost: Rs 16.63 lakh) was issued to subordinate units during the period 1989-1992. Remaining equipment (cost: Rs 20.15 lakh) was lying in the Central

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ϕ Tourist complex Achinathang (Leh) ,Public convenience at Gompas, refurbishment of Sonathlong Gompa, Meditation Centre Choglamsar and Tourist Bungalow Tsmoriri (Leh); beautification of Srinagar city, Purmandal and Utterbani (Jammu); Yatrika at Babarishi and Budha Amarnath; Works at Baitulzareen, Kishtwar, Computerisation and networking.

stores. Despite availability of the equipment on one hand and poor tourist traffic on the other, the Department again procured equipment worth Rs 2.23 lakh in 1998. The entire stores costing Rs 22.38 lakh continued to remain unutilised in the stores as of March 2003, locking funds to that extent.

The Department rented out (June 1985) two shops at Tourist Reception Centre, Srinagar to a local party at a royalty of Rs 14,722 per month for a period of one year, after which these were to be vacated failing which penalty of Rs 200 per day was payable as per terms of the agreement. The lessee continued to occupy (July 2003) the shops without extension of his lease by the Department. No royalty was realised from the lessee for the period from June 1986 to July 2003 nor any action was initiated to evict him. Inaction of the Department in recovering the royalty and penalty from the lessee resulted in non-recovery of revenue of Rs 27.47 lakh.

Financial rules provide for submission of detailed accounts to Accountant General in support of/for adjustment of advance drawals made from treasury. The Department had not submitted any detailed accounts for various advance drawals aggregating Rs 2.28 crore made from treasury during the period between October 1996 and March 2003. In reply the Director General Tourism stated (July 2003) that the detailed accounts had not been received from the concerned.

The matter was referred to Government in August 2003; reply had not been received (October 2003).

Chapter-IV

Works Expenditure

Section-A-Reviews

Irrigation and Public Health Engineering Department

4.1 Accelerated Irrigation Benefit Programme

Accelerated Irrigation Benefit Programme (AIBP) was introduced in the State in 1996-97 to complete ongoing major and medium irrigation projects.

Highlights

- **Central Loan Assistance (CLA) of Rs 32.36 crore (52 *per cent*) only was utilised during 1996-97 to 2002-03 resulting in accumulation of unspent balance of Rs 30.15 crore at the end of March 2003. Interest on the unspent balance worked out to Rs 76.57 lakh.**

(Paragraph: 4.1.4)

- **Time and cost overrun of nine projects under implementation ranged from 12 to 48 months, and Rs 33 lakh to Rs 35.24 crore, respectively.**

(Paragraph: 4.1.5)

- **CLA and State funds aggregating Rs 4.49 crore were diverted during 1996-2003 to works/items not related to the programme.**

(Paragraph: 4.1.6)

- **Absence of a suitable monitoring mechanism precluded any chances of timely intervention at higher levels. This not only affected the execution of work but also resulted in slackening of financial controls.**

(Paragraph: 4.1.7)

Introduction

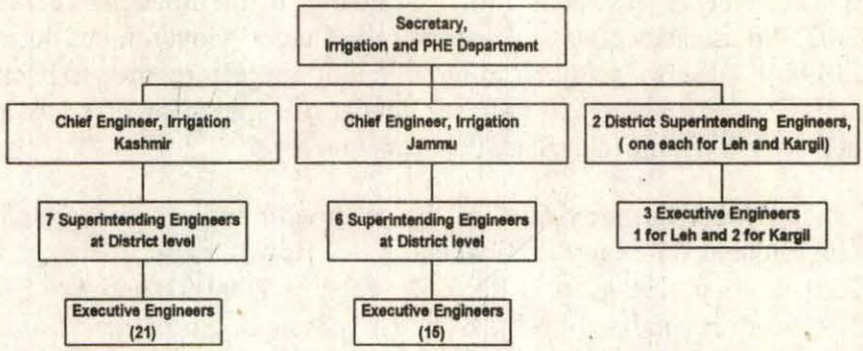
4.1.1 Accelerated Irrigation Benefit Programme (AIBP) was introduced in the State in 1996-97 with a component of Central Loan Assistance (CLA) from the Government of India (GOI). The main objectives of the scheme are:

(i) to accelerate completion of ongoing major and medium irrigation projects, and, (ii) to realise bulk benefits from the completed projects.

Twenty three irrigation projects were proposed by the State Government to Government of India for financing under the programme.

Organisational set-up

4.1.2 The organisational structure for implementation of the programme is set out in the chart:



Audit coverage

4.1.3 A review on the implementation of the programme based on the test-check of records of Chief Engineers (Jammu & Kashmir) and five[Π] divisions out of eight divisions was conducted during the period from December 2002 to April 2003 covering an expenditure of Rs 31.40 crore (52 *per cent*) of the total expenditure. The results of the test-check are brought out in the succeeding paragraphs.

Funding and expenditure

4.1.4 The expenditure on the programme was shared by the Central and State Governments in the ratio of 50: 50 up to 29 March 1999 and thereafter in the ratio of 75: 25. The CLA was to be released in the form of reimbursement on quarterly basis which was modified (March 1997) to two equal instalments. The second instalment was to be released only when the State Government had released its share.

Year-wise details of funds received from Central and State Governments and expenditure thereof during 1996-97 to 2002-03 was as under:

Table No 4.1 (Rs in crore)

Year		Releases	Allocation		Expenditure			
	Opening balance	CLA	State Government	Total available funds	CLA	State Government	Total expenditure	Closing balance
1996-97	-	1.30	3.00	4.30	1.30	3.00	4.30	-
1997-98	-	-	3.48	3.48	-	3.48	3.48	-
1998-99	-	-	4.10	4.10	-	4.10	4.10	-
1999-2000	-	4.68	2.22	6.90	2.39	2.22	4.61	2.29
2000-01	2.29	10.46	3.72	16.47	7.99	3.72	11.71	4.76
2001-02	4.76	11.07	4.23	20.06	13.79	4.23	18.02	2.04
2002-03	2.04	35.00	6.98	44.02	6.89	6.98	13.87	30.15
Total		**62.51**	**27.73**		**32.36**	**27.73**	**60.09**	

Π Irrigation Divisions: Jammu I, Jammu II, Kathua, Akhnoor and Sopore

CLA of Rs 32.36 crore (52 *per cent*) only was utilised during 1996-97 to 2002-03 resulting in accumulation of unspent balance of Rs 30.15 crore at the end of March 2003. The incidence of interest on the unspent balance worked out to Rs 76.57[€] lakh. Out of the expenditure of Rs 32.36 crore (CLA), Rs 23.43 crore (72 *per cent*) was spent in the last quarter of the financial years 1996-97 to 2002-03. No assistance was released by the Central Government during 1997-98 and 1998-99 due to delay in submission of project reports to Central Water Commission. No records to indicate details of repayment of CLA and interest thereon were maintained at State/departmental level.

Under the provisions of the scheme, unutilised funds would lapse to the Government on expiry of financial year. However, out of unspent balances, Rs 2.29 crore in 1999-2000, Rs 2.61 crore in 2000-01 and Rs 1.67 crore in 2001-02 were revalidated by the State Government. No evidence of approval of Government of India could be found. In one case, unspent balance of Rs 1.50 crore pertaining to the year 1999-2000 was revalidated twice (August 2000 and August 2001). In two cases, Rs 57.50 lakh were released in subsequent years without any revalidation.

Cost and time overrun

4.1.5 Details of nine projects under execution in eight divisions was as follows:

Table No 4.2

S.No	Irrigation Division	Scheme	Revised [▼] estimated cost	Date of start
Major Irrigation Schemes			(Rs in crore)	
1.	I and II Jammu	Modernisation of Ranbir Canal	84.40	1996-97
2.	Akhnoor	Modernisation of New Pratap Canal	21.68	1996-97
3.	Kathua	Modernisation of Kathua Canal	15.68	1999-2000
Medium Irrigation Schemes				
4.	Sopore	Modernisation of Zaingeer Canal	13.66	2001-02
5.	Leh	Modernisation of Igophy Canal	46.82	2000-01
6.	Pampore	Lethpora LIS[Ψ]	9.06	2000-01
7.	Tral	Tral LIS	70.33	1999-2000
8.	Tral	Rajpora LIS	29.13	2000-01
9.	Sopore	Rafiabad LIS	35.60	2001-02

The position of cost and time overrun and irrigation potential developed was as under:

€ Worked out on minimum unspent balance during 2000-01, 2001-02, 2002-03 at 12.5 *per cent*, 12 *per cent*, 11.5 *per cent* respectively.

▼ Under the process of approval.

Ψ Lift Irrigation Scheme.

Table No 4.3

Name of the Scheme	Estimated cost (original)	Expenditure up to March 2003	Cost[¢] Overrun (Rs in crore)	Time[♠] overrun (months)	Status	Intended irrigation potential	Irrigation potential developed	Potential Utilised
	(Rs in crore)		Percentage in brackets			(In hectares)		
Major Irrigation Schemes								
Modernisation of Ranbir Canal	31.81	50.31	18.50 (58)	48	NA	74800	64645	59540[#]
Modernisation of New Pratap Canal	1.25	9.51	8.26 (660)	48	60 *per cent* on main canal and 30 *per cent* on distribution canal	12042	11125	7444[•]
Modernisation of Kathua Canal	8.62	8.95	0.33 (4)	24	65 *per cent*	14385	14310	14140[•]
Medium Irrigation Schemes								
Zaingeer Irrigation canal	6.43	10.83	4.40 (68)	Nil	NA	7100	5500	5500[&]
Igophey canal	5.95	41.19	35.24 (592)	12	NA	4373	3928	1092[$]
Lethpora LIS	2.77	7.98	5.21 (188)	24	81.70 *per cent*	3198	1406	455[$]
Tral LIS	6.13	12.13	6.00 (98)	12	NA	6000	Nil	Nil
Rajpora LIS	2.13	7.47	5.34 (250)	12	NA	2429	Nil	Nil
Rafiabad LIS	10.60	21.55	10.95 (103)	Nil	NA	2932	Nil	Nil
Total	**75.69**	**169.92**	**94.23** (124)					

(Source: Departmental records)

Time and cost overruns ranged from 12 to 48 months, and Rs 33 lakh to Rs 35.24 crore, respectively.

Implementation

4.1.6 Implementation of the projects suffered because of following reasons:

Government of India did not adhere to schedule for release of assistance. There were delays in release of CLA at different levels. Rs 30.08 crore (53 *per cent*) were released by the Central Government in March during the years 2000-01 to 2002-03. This was one of the main reasons resulting in high unspent balance.

There was also delay in release of CLA by the State Government to implementing agencies which ranged between 21 days and 209 days during the period 1996-97 to 2002-03.

¢ Based on original estimated costs: revised costs of the projects have not been approved.

♠ Time overrun calculated on the basis of expected date of completion as per AIBP Guidelines.

\# Position ending March 2002.

• Position ending March 2003.

& Position ending February 2003

$ Position ending January 2003.

CLA and State funds were diverted to works/items not related to the programme during the period 1996-2003 as detailed below:

Table No 4.4 (Rs in lakh)

Name of the project	Name of the division	Diversion from		Total	Works/items on which diverted
		CLA	State's share		
Modernisation of Ranbir Canal	(i) ID No I Jammu	31.53	122.72	154.25	Office building/Guest house, maintenance of canal, clearance of past liability
	(ii) ID No II Jammu	54.86	141.77	196.63	
Modernisation of New Pratap Canal	ID Akhnoor	4.09	34.91	39.00	Office building, maintenance of canal
Modernisation of Kathua Canal	ID Kathua	6.91	36.01	42.92	Office buildings, maintenance of canal
Rafiabad Lift Irrigation Scheme	ID Sopore	14.19	1.68	15.87	Office buildings, liability of past years, purchase of computer and diesel generating set
Total		**111.58**	**337.09**	**448.67**	

Out of eight projects identified for approval at the time of launch of AIBP, one scheme (Lethpora) was brought under its ambit in 1999-2000, two schemes (Tral and Rajpora) in 2000-01 and one scheme (Rafiabad) in 2001-02. In addition, five ineligible modernisation schemes were also covered under the programme.

CLA of Rs 1.30 crore was released (February 1997) by Government of India for three schemes (Marvel, Lethpora and Koil) in anticipation of approval by the Central Water Commission (CWC). The CLA was, however, diverted by State Government to Pratap and Ranbir Projects without concurrence of Government of India.

The programme also suffered due to the deficiencies in project proposals leading to prolonged correspondence between the State Government and CWC and inability of the Department to furnish necessary clarifications to CWC within the stipulated time. Eight# more schemes referred to CWC (November 1997 and April 2002) for release of funds under the programme had not been cleared (March 2003) as the queries raised by CWC (six projects) were not settled by the Department and the remaining two projects were pending approval with CWC. Six other schemes were deleted (February and May 2001) due to non-furnishing of reply to comments of CWC in time.

Chief Engineer, Irrigation Division, Jammu awarded (March 2000) the work on four stretches of a distributory of Ranbir Canal to Jammu and Kashmir Project Construction Corporation (JKPCC) at a negotiated cost of Rs 68.80 lakh which was revised to Rs 92.54 lakh (September 2001) for completion in three months. Rupees 62.80 lakh were advanced to JKPCC (Government company)

Modernisation of Dadi canal, Nandi canal, Mav Khul, Ahji canal, Martand canal, Babul canal, Lar canal and Kandi canal project

between March 2000 and March 2002. The Company left the work incomplete as the Department did not release the balance amount of Rs 29.74 lakh to the Company.

Three divisions (Sopore, Jammu-I and Jammu-II) made advance payment of Rs 1.41 crore to JKPCC for execution of two works. Utilisation certificates for Rs 80.80 lakh were awaited (March 2003). These advances were paid to the agency in the month of March (March 2000, March 2001 and March 2002) to avoid lapsing of funds.

Non-existence of monitoring mechanism

4.1.7 One of the preconditions for financial assistance was institution of a three[&] tier monitoring mechanism. Audit could not find existence of any such mechanism at the State level. Absence of a suitable monitoring mechanism precluded any chances of timely intervention at higher levels. It not only affected the execution of work but also resulted in slackening of financial controls. The programme also envisaged public participation by involving user groups and NGOs. Audit could not find any evidence of such participation.

Other points

4.1.8 Financial rules prohibit execution of work through mates on hand receipts, except in case of emergency. Detailed check of records revealed that works costing Rs 3.30 crore were executed through mates. Department could not provide convincing reasons for doing so.

Executive Engineers of the divisions are required to purchase cement and other key material from the Stores Procurement Department (SPD). Test-check of records revealed that two divisions (Irrigation Division No I and II Jammu) purchased (May 1999 to July 2002) cement from agencies other than SPD at higher cost resulting in avoidable extra expenditure of Rs 20.84 lakh.

With effect from April 1999, Executive Engineers had to deduct four *per cent* service tax plus surcharge at five *per cent* thereon at source, from the contractor's bills. Test-check revealed that in two divisions (Jammu-I and Jammu-II) service tax of Rs 13.55 lakh was short deducted during 1999-2003. On this being pointed out (August 2003) in audit, Government stated (September 2003) that the service tax will be recovered from the contractor's subsequent bills.

Conclusion

4.1.9 The above deficiencies which came to the notice of Audit while conducting test-check of records of a few selected divisions, indicate that implementation of these projects has been poor. The Department squandered a

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& Central level, State level and Project level

valuable opportunity to complete the ongoing projects and optimise benefits from the completed projects. The Department, thus, has not utilised optimally borrowed resources and saddled Finance Department with yet another liability of repayment of loan and interest.

4.2 Minimum Needs Programme

Minimum Needs Programme aims at upgradation and completion of ongoing rural water supply schemes. Poor planning, time/cost overruns, premature failure of water supply schemes and consequential unfruitful expenditure were some of the defects noticed.

Highlights

- **Administrative cost of the programme was excessive and ranged between 46 and 59 *per cent* of the total expenditure during the period 1998-2003.**

  (Paragraph: 4.2.4)

- **Funds aggregating Rs 2.62 crore were diverted by five test-checked divisions for activities/items outside the purview of the programme.**

  (Paragraph: 4.2.8)

- **411 Water Supply Schemes and 135 *Mohras* in test-checked divisions, were taken up for execution without administrative approval and technical sanction. There was cost overrun of Rs 9.79 crore in execution of 93 schemes and 12 *Mohras*.**

  (Paragraphs: 4.2.11 and 4.2.13)

- **Due to depletion/failure or non-development of water source, unsafe drinking water and defective/non-laying of distribution system, 16 water supply schemes could not be made functional rendering expenditure of Rs 7.19 crore thereon unfruitful.**

  (Paragraph: 4.2.12)

- **Poor planning and inadequate provision of funds caused abnormal delay in completion of water supply schemes ranging between 2 and 18 years in 17 schemes of two divisions.**

  (Paragraph: 4.2.14)

- **74 schemes completed at a cost of Rs 24.43 crore became partly or fully defunct within 2 to 10 years of their completion against an average life of 20 years due to source depletion, defective laying of distribution system and providing of inadequate infrastructure.**

  (Paragraph: 4.2.15)

- **There was no inbuilt system for monitoring receipt of material by the user divisions against the funds allotted directly to the Procurement**

Division by the Department. Adjustment accounts of material valuing Rs 1.60 crore issued from March 1995 to May 2002 for various schemes were not rendered as of March 2003.

(Paragraphs: 4.2.16 and 4.2.17)

- **The programme was neither monitored nor evaluated at any level by any external or internal agency of the Department.**

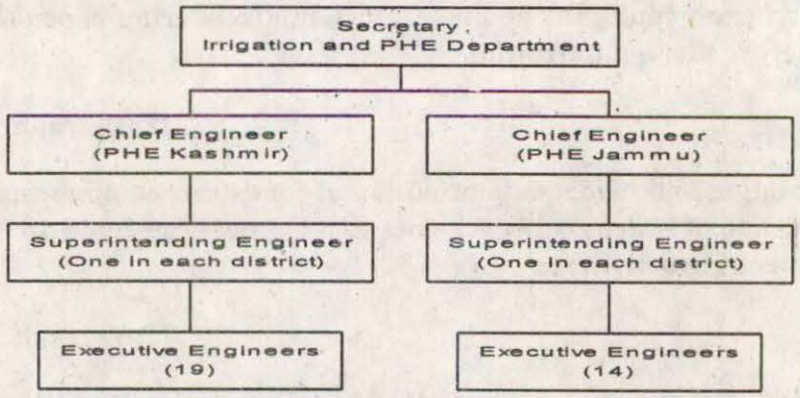
(Paragraph: 4.2.19)

Introduction

4.2.1 Rural Water Supply Programme in State was implemented under Minimum Needs Programme (MNP) by the State Government up to 1976-77. After introduction of Accelerated Rural Water Supply Programme (ARWSP) by the Central Government during 1997-98, rural water supply schemes are being implemented under both these programmes. The main objective of the programme is qualitative and quantitative upgradation of water supply schemes necessitated by factors like, schemes having outlived their designed period, rapid growth in population, source depletion, etc. Completion of ongoing rural water supply schemes is also undertaken under the programme.

Organisational set up

4.2.2 The organisational structure for implementation of MNP is given in the following chart.



Audit coverage

4.2.3 Implementation of MNP for the period from 1998-99 to 2002-03 was reviewed in audit from December 2002 to March 2003 by test-check of records of two Chief Engineers and 10[β] Executive Engineers (six districts) covering

β Akhnoor, Kathua, Rural Jammu, Nowshera, Rajouri, Reasi, Samba, Udhampur, Rural Srinagar and Awantipora

expenditure of Rs 134.15 crore (39 *per cent*) out of total expenditure of Rs 348.09 crore incurred on the programme.

Important points noticed during test-check are brought out in the succeeding paragraphs.

Allocation of funds and expenditure

4.2.4 Funds for the programme are provided under district plan through District Development Commissioners (DDCs). The position of allocation of funds and expenditure thereagainst under the programme during 1998-99 to 2002-03 was as follows.

Table No 4.5 (Rs in crore)

Year	Allocation	Expenditure	Administrative expenditure	Percentage utilisation
1998-99	66.85	66.08	30.14 (46)	99
1999-2000	67.20	66.43	34.10 (51)	99
2000-2001	64.48	63.70	37.84 (59)	99
2001-02	75.43	72.58	37.61 (52)	96
2002-03	78.80	79.30	42.51 (54)	101
Total	**352.76**	**348.09**	**182.20** (52)	**99**

(Figures in brackets represent percentage to total expenditure) (Source: Departmental records)

Between 46 and 59 *per cent* of the total expenditure on the programme was incurred on administrative expenses during 1998-2003, leaving less funds for programme implementation. Following further points were observed.

Rush of expenditure

4.2.5 Expenditure incurred by nine[#] divisions in last quarter of financial years[ψ] 1998-2003 ranged between 28 and 100 *per cent.* The expenditure incurred in March alone ranged between 10 and 56 *per cent.* Rush of expenditure particularly in last quarter and in the month of March is regarded as poor financial management.

Overbooking of expenditure

4.2.6 Expired cheques are to be destroyed and new cheque in lieu thereof issued with its fact recorded on the date of its issue in red ink in the cash book. No monetary effect of the cheque is to be given in the cash book. Audit scrutiny of the records of Chief Engineer, Kashmir, however, revealed that Rs 4.04 crore on account of fresh cheques issued in lieu of time barred cheques of 1998-99 were charged again in the cash book against the allocations of 1999-2000. This resulted

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Rural Jammu, Nowshera, Akhnoor, Kathua, Reasi, Samba, Rajouri, Rural Srinagar and Awantipora.

ψ 1998-99: four divisions; 1999-2000: eight divisions; 2000-02: seven divisions.

in overstatement of the expenditure, curtailing availability of funds for execution of works during the period.

Non-availing of loan facility

4.2.7 Funds allocated under the district sector included loan component during 2000-01. The Government sanctioned (March 2001) loan component of Rs 3.92 crore from LIC[β] for execution of 40 water supply schemes in five[♦] districts of the State. The assistance could not be availed of during 2001-03 due to non-preparation/submission of the detailed project reports by the concerned Executive Engineers to Government/LIC. Consequently, the amount was not released by the LIC resulting in delay in completion of envisaged schemes designed to cover a population of 3.55 lakh.

Diversion of funds

4.2.8 Funds aggregating Rs 2.62 crore were diverted during the period from 1998-99 to 2002-03 to activities/items outside the scope of the programme as detailed below:

Table No 4.6 (Rs in crore)

Name of Divisions	Amount	Remarks
Rural Jammu, Kathua, Rajouri, Udhampur and Reasi	2.42	Payment of wages to daily wagers
Udhampur	0.20	Diverted to ARWSP

The diversion was attributed (March 2003) by the Chief Engineer, Kashmir/Executive Engineers (Reasi and Rural Jammu) to modification of district plans by the District Development Commissioners and allotment of insufficient funds to meet the wages of daily wagers.

Programme planning

4.2.9 The Department had no mechanism for identification of villages/habitations with inadequate or without safe drinking water for being taken up under the programme. Action plans were prepared to the extent funds were allocated by the District Development Boards. As the schemes were sought to be completed within three years, funding of the schemes should have been done in such a manner to ensure their completion within the said period. Audit scrutiny of records of three divisions (Udhampur, Nowshera and Awantipora), however, revealed that annual allocation/expenditure on 18 schemes during the period 1998-2003 ranged between 2 and 28 *per cent* only of their estimated costs. Consequently, nine schemes were still under execution and the remaining nine were completed after a delay of 3 to 19 years.

β Life Insurance Corporation of India

♦ Budgam, Anantnag, Pulwama, Baramulla and Kupwara

The criteria for taking up execution/upgradation of water supply schemes under MNP or ARWSP had also not been laid down.

The Department had not maintained consolidated records at the appex level indicating year-wise position of ongoing schemes, new schemes taken up and completed, population targeted and actually covered, etc.

Non-achievement of targets

4.2.10 The targets in the two divisions (Jammu and Kashmir) were not fixed uniformly. In Kashmir Division, targets were fixed in terms of schemes and habitations; these were fixed in terms of villages, *Mohras*[α] and schemes in Jammu Division. The position of targets fixed for completion/upgradation of schemes and coverage of villages, *Mohras*/habitations during 1998-99 to 2002-03 (December 2002) and achievement thereagainst is given in *Appendix-9*. The shortfall in achievement of targets ranged between 6 and 100 *per cent* (Jammu Division) and 7 to 40 *per cent* (Kashmir Division) during the period 1998-2003 which was attributed by the two Chief Engineers to non-availability of funds.

Unauthorised execution of schemes

4.2.11 Financial rules prohibit execution of works without administrative approval and technical sanction by the competent authority. 411 water supply schemes and 135 *Mohras* were taken up in 10 test-checked divisions for execution (estimated cost: Rs 110.63 crore) without administrative approval and technical sanction incurring expenditure of Rs 100.76 crore.

Unplanned execution of water supply schemes

4.2.12 Various components of water supply schemes are to be executed on land without encumbrances and laying of water conductors is to be done from source to sink. In six divisions, ten schemes could not be made functional due to non-development of water source, unsafe drinking water and defective/non-laying of distribution system even after incurring expenditure of Rs 5.89 crore on their completion/upgradation as detailed below:

α Hamlet

Table No 4.7

Name of Water Supply Scheme	Year of completion	Expenditure (Rs in lakh)	Year of upgradation	Expenditure on upgradation (Rs in lakh)	Remarks
Jasmota (Akhnoor)	1997-98	101.79	2000-01	(Under ARWSP) 33.58 (November 2002)	Defective laying of gravity main and only one village covered partly out of eight villages targeted.
(i) Palpora (ii) Shanglipora Palpora (iii) Bakshipora Kreshbal (Rural Srinagar)	1998-99 to 1999-2000	89.05	2001-02	(under ARWSP) 21.84 (November 2002)	Water of the tube wells dug under the schemes was unsafe for human consumption.
(i) Bani Khad (ii) Bupneir Gorh (Samba)	(i) 1994-95 (ii) 1998-99	78.43	1998-99	(under ARWSP) 41.12 (October 2002)	Improvement/augmentation of water supply could not be achieved due to non-development of tube wells.
Khanyara-II (Kathua)	1978-79	19.76	1992-93	5.82 (January 2003)	Drinking water facilities could not be provided due to inadequate availability of water from the source.
Kachachkote (Awantipora)	1996-97	33.15	1997-98	24.21 (2000-01)	Scheme is defunct due to depletion of source of water and laying of gravity mains on the disputed alignment.
(i) Kothian (Lift) (ii) Sombroh (Lift) (Nowshera)	(i) 1994-95 (ii) 1988-89	111.60	1997-98	(i) 7.00 (March 2002) (ii) 22.00 (March 1999)	Dispute over source of water/non-development of source of water.
Total		**433.78**		**155.57**	

These schemes could not be made functional despite being taken up for upgradation under MNP/ARWSP. The objective of supplying drinking water was thus not achieved even after lapse of 6 to 25 years rendering expenditure of Rs 5.89 crore thereon unfruitful. In addition, six water supply schemes executed by five[*] divisions during 1987-88 to 2001-02 failed to bring envisaged improvement in water supply due to depletion/failure or non-development of water sources rendering the investment of Rs 1.30 crore thereon unfruitful.

Cost overrun

4.2.13 The table below indicates cost overrun of Rs 9.79 crore in 93 schemes and 12 *Mohras* noticed in test-check of records of nine divisions.

[*] Rural Jammu, Samba, Kathua, Rural Srinagar and Awantipora

Table No 4.8 (Rs in lakh)

Name of the Division	No of schemes/ *Mohras*		Original Estimated cost		Revised Estimated cost		Expenditure		Cost overrun	
	Schemes	*Mohras*	Schemes	*Mohras*	Schemes	*Mohras*	Schemes	*Mohras*	Schemes	*Mohras*
Udhampur	14	11	106.10	51.67	251.81	66.63	190.37	70.07	84.27 (79)	18.40 (36)
Rural Jammu	25	-	597.92	-	1039.41		835.82		237.90 (40)	-
Nowshera	2	1	44.50	1.50	154.16	16.00	51.99	2.82	7.49 (17)	1.32 (88)
Akhnoor	7	-	175.17	-	359.17	-	283.96		108.79 (62)	
Rural Srinagar	9	-	411.23	-	602.83	-	640.16	-	228.93 (56)	-
Samba	2	-	81.68	-	166.21	-	85.13	-	3.45 (4)	-
Rajouri	1	-	7.81	-	16.81	-	16.80	-	8.99 (115)	-
Kathua	6	-	113.31	-	272.79	-	257.03	-	143.72 (127)	-
Reasi	27	-	566.96	-	936.21	-	703.03	-	136.07 (24)	-
Total	**93**	**12**	**2104.68**	**53.17**	**3799.40**	**82.63**	**3064.29**	**72.89**	**959.61 (46)**	**19.72 (37)**

(Figures in brackets indicate percentage of cost overrun)

The overall cost overrun of these schemes/*Mohras* was 46 and 37 *per cent* above the original estimates. The cost overrun of the individual schemes ranged between 15 and 517 *per cent* which was likely to increase with their completion. Executive Engineers of six♦ divisions attributed cost overrun to inadequate funding of the schemes leading to time overrun and consequential escalation in the cost of labour/material.

Delay in completion of water supply schemes

4.2.14 The basic objective of the programme is to provide safe and adequate drinking water within a fixed time-frame. 17 water supply schemes in two divisions (Rural Jammu & Kathua) taken up for execution between the years 1978 to 1993 were completed after delay of 2 to 18 years. 37 more schemes taken up during the period from 1987-88 to 1997-98 in three divisions (Rural Jammu, Kathua and Akhnoor) were incomplete as of November 2002, despite incurring expenditure of Rs 9.53 crore. The main reason for slow progress was improper planning and inadequate provision of funds for execution of the schemes by the Department.

Premature failure of water supply schemes

4.2.15 The average life span of rural water supply schemes is 20 years. 74 schemes of five divisions♠ executed between the years 1977-78 and 1996-97 at a

♦ Rural Jammu, Akhnoor, Samba, Rural Srinagar, Reasi and Rajouri

♠ Udhampur, Nowshera, Akhnoor, Reasi and Rajouri

cost of Rs 24.43 crore became partly or fully defunct within 2 to 10 years of their completion due to source depletion, defective laying of distribution system and providing of inadequate infrastructure *viz.* non-construction of filtration plants, sump, service reservoir and overhead tank. This necessitated upgradation/ improvement of 50 of these schemes during 1995-96 to 2001-02 at a cost of Rs 6.88 crore, out of which only 16 schemes were completed and 34 schemes were under execution (December 2002). The remaining 24 schemes were not taken up for their upgradation/improvement.

Unreconciled store accounts

4.2.16 The Department adopted (1999-2000) the system of making allotment of funds directly to the Procurement Divisions for procurement of stores for its user divisions. These user divisions were required to lift the material against the annual allotment of funds made in their favour by the Department. Allotment of Rs 10.44[&] crore was made by Chief Engineer/Superintending Engineer, Jammu during the period 1999-2003 in favour of seven Divisions[♥]. The receipt of material thereof had not been monitored/reconciled (March 2003) by these user divisions.

Unadjusted material at site accounts

4.2.17 Adjustment account of material (cost: Rs 1.60 crore) issued from stores of four divisions[♣] for various water supply schemes under the programme during the period from March 1995 to May 2002 was not rendered as of March 2003. The amount included outstanding of Rs 1.21 crore against 11 Junior Engineers of two[β] divisions transferred to other divisions and Rs 39 lakh against 36[ξ] water supply schemes. No action was taken (January 2003) by these divisions to retrieve the material or recover the cost thereof. Material at site accounts were not maintained by other five divisions[♠].

Non-replacement of worn out machinery and equipment

4.2.18 The Department had not formulated plans for phasing out/replacement of worn out machinery[≠] and equipment installed in various water supply schemes under the programme. In five[π] mechanical divisions, out of 190 units of worn out machinery (cost: Rs 4.05 crore) requiring replacement since 1998-99, only 47 units were actually replaced at a cost of Rs 1.06 crore during 1998-2003.

& Mechanical Procurement Division, Jammu: Rs 9.66 crore, Drilling Division, Jammu: Rs 0.37 crore and Mechanical Division, Jammu: Rs 0.41 crore.

♥ Rural Jammu, Samba, Udhampur, Akhnoor, Nowshera, Kathua and Rajouri.

♣ Rural Jammu (Rs 88.60 lakh); Nowshera (Rs 19.36 lakh); Rural Srinagar (Rs 19.32 lakh) and Rajouri (Rs 32.55 lakh).

β Rural Jammu (three JEs): Rs 88.60 lakh; Rajouri (eight JEs): Rs 32.55 lakh.

ξ Rural Srinagar (31 schemes): Rs 19.32 lakh; Nowshera (five schemes): Rs 19.36 lakh.

♠ Reasi, Samba, Udhampur, Akhnoor and Awantipora.

≠ Booster Pumps, Sub-pumps, Mono block, etc.

π Udhampur, Akhnoor, Kathua, Rajouri and Rural Jammu.

Non-replacement of worn out machinery caused abnormal interruptions in the water supply. Superintending Engineer, Mechanical Rural Circle, Jammu stated (January 2003) that non-replacement of worn out machinery reduced the efficiency of water supply schemes to the extent of 25 to 80 *per cent.*

Non-monitoring of the programme

4.2.19 The programme was neither monitored nor evaluated at any level by any external or internal agency. The State Government revived (February 1997) its Monitoring Cell in the office of the Chief Engineer, Kashmir which again remained non-functional during May 1999 to October 2002 when the Cell was again restarted by the Government. Physical inspection of 16 schemes was conducted (January 2003) by the Cell in six divisions of Kashmir province, but no follow-up action was taken (March 2003). No such inspections were conducted in Jammu Division by the Monitoring Cell.

Conclusion

4.2.20 The programme largely failed to achieve its targets. Poor planning, inadequate allocation of funds, defective selection of water sources and unplanned/unauthorised execution of water supply schemes affected the programme resulting in cost/time overruns and premature failure of the schemes.

Recommendations

4.2.21 A mechanism for identification of problem villages/habitations should be laid down. The schemes should be taken only after their technical sanction/administrative approval and arranging funds for their execution. Funding of the schemes requires to be done in such a manner so as to ensure their completion within stipulated period to avoid time and cost overruns.

The above points were referred to Government/Department in July 2003; reply had not been received (October 2003).

Section-B-Audit Paragraphs

Irrigation and Public Health Engineering Department

4.3 Unfruitful expenditure on a tube well

Executive Engineer, Mechanical Division (South), Jammu failed to execute the ancillary works for commissioning the tube well rendering the expenditure of Rs 16 lakh unfruitful, besides incurring avoidable expenditure of Rs 2.88 lakh on water supply through tankers. The cost of finance on the idle asset worked out to Rs 7.68 lakh.

The Executive Engineer, PHE (Mechanical) Ground Water Drilling Division, Jammu drilled (March 1999) a tube well with a discharge of 3000 gallons per hour, at a cost of Rs 16 lakh, for providing drinking water to three* housing colonies at Channi Rama, Jammu. The well was handed over (March 1999) to Executive Engineer, Mechanical Division (South), Jammu for execution of connected ancillary civil and mechanical works like, construction of ground service reservoir, distribution system and pumping machinery. These works were not taken up by the division as a result of which the tube well was lying in cap-sealed condition (June 2003).

On this being pointed out (January 2003) in audit, the Executive Engineer, Mechanical Division (South), Jammu attributed the delay to non-according of administrative approval and technical sanction to the execution of ancillary works by the Chief Engineer. It was, however, observed that proposal for administrative approval was submitted by the Executive Engineer only in November 2002. Meanwhile, the people of the area were provided water through tankers at a cost of Rs 2.88 lakh (1999-2003) which was avoidable. The yield and life of the tube well lying in cap-sealed condition for a prolonged period was also likely to get adversely affected.

Thus, non-execution of ancillary works by the Executive Engineer for commissioning the tube well, rendered the expenditure of Rs 16 lakh unfruitful, besides incurring avoidable expenditure of Rs 2.88 lakh. The cost of finance on the idle asset worked out to Rs 7.68 lakh.

The matter was referred to Government/Department in August 2003; reply had not been received (October 2003).

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* Channi Rama, Dorian *Mohalla* and Bhalla Enclave

4.4 Infructuous expenditure on a water supply scheme

Failure of the Chief Engineer to assess local requirements before taking up execution of drinking water supply scheme for the Basohli town resulted in infructuous expenditure of Rs 13.81 lakh on laying/dismantling of pipes, besides idle investment of Rs 5.71 lakh on pipes not retrieved from the abandoned site.

Water supply to various areas including Basohli town in Tehsil Basohli got affected as the sources, distribution networks, etc. of the existing water supply schemes got submerged following the construction of Ranjit Sagar Dam. The Chief Engineer, Public Health Engineering, Jammu approved (November 1997) an alternate arrangement (estimated cost: Rs 73.92 lakh) for water supply to Basohli town which included construction of intake structure at the Behani Nallah (source) and laying of 21.5 kms of new independent gravity main from the source. The work on the alternate scheme for Basohli town was taken up by the Executive Engineer in December 1997. The people served by the source, apprehending likely shortage of water in their area, opposed its tapping for the said scheme and damaged 1600 metres of gravity main. Following repeated protests by the people, the Department, finally decided (May 1999) to abandon the work and look for some alternate source.

Thus, failure of the Chief Engineer to understand local sentiments before taking up the scheme for execution, resulted in infructuous expenditure of Rs 13.81 lakh on laying/dismantling of pipes and cost of damaged/missing pipes. Pipes costing Rs 5.71 lakh were yet to be retrieved from the site rendering the investment idle.

The matter was referred to Government/Department in July 2003; reply had not been received (October 2003).

Power Development Department

4.5 Injudicious purchase of 11 KV isolator sets by Chief Engineer Procurement and Material Management (PDD) Jammu

Chief Engineer, Procurement and Material Management (PDD), Jammu purchased 11 KV isolator sets without assessing the actual requirement, which resulted in locking of Rs 18 lakh due to their non-utilisation. The interest cost on the locked amount worked out to Rs 5.11 lakh.

Financial rules provide that purchase of stores should be made in accordance with definite requirements of public service as purchases in advance/excess of requirement involved locking of Government money.

Test-check (June 2002) of the records of the Executive Engineer, Electric Central Stores Division, Pampore, Srinagar revealed that the Chief Engineer, Procurement and Material Management, Jammu placed (September 1995) an order for supply of 500 sets of 11 KV isolators (cost: Rs 21 lakh) with a Srinagar based firm notwithstanding the fact that 202 such sets were already available in stock of the Division. The firm which was to complete the supply during 1995-96, failed to make delivery up to 1997-98. Though there was no demand during the period from 1995-96 to 1997-98, the Chief Engineer instead of cancelling the contract extended the delivery period twice up to July 1998 and November 2000. The isolators were received in 1998-99 (200 sets) and 2000-01 (300 sets) for which payment of Rs 18 lakh was made (July 1998 to November 2001) to the firm. Out of a total 702 isolator sets, only 19 sets were issued to user divisions during 1998-2002 leaving 683 sets in stock (May 2002).

Thus, purchase of additional isolators without assessing the actual requirement was injudicious resulting in locking of Rs 18 lakh. The interest cost of borrowing such funds amounted to Rs 5.11[Ψ] lakh (May 2002).

The matter was referred to Government/Department in March 2003; reply had not been received (October 2003).

4.6 Unfruitful expenditure on purchase of energy meters

Chief Engineer, System and Operation purchased energy meters without ensuring their suitability with the existing transmission system rendering the expenditure of Rs 50.63 lakh made thereon unfruitful.

To monitor transmission losses, the Department conceived (November 1994) a project for providing solid state energy meters on feeders emanating from 220, 132 KV grid/receiving stations in the State. The number of meters as per the decision (September 1996) of the Contract Committee-II of the Department was not to exceed 180 and these were to be purchased from two identified firms in the ratio of 70:30.

Test-check (January 2002) of the records of the Load Despatch and Meter Testing Division (LDMTD), Jammu revealed that the Chief Engineer, System and Operation (S&O) in violation of the instruction of the Contract Committee placed orders (August 1997/September 1997) for supply of 299[≠] Trivector Static Energy Meters (TSEMs) with a Pune based firm[&] for completion in two months. The firm supplied 126 meters (cost: Rs 21.25 lakh) in November 1997 which were commissioned between January and June 1998. Notwithstanding the unsatisfactory performance of these meters, the Department accepted (December 1998 to March 1999) further supply of 173 meters

Ψ Worked out at the minimum borrowing rate (overdraft) of the State Government

≠ Jammu: 149; Kashmir: 150

& One of two identified firms

(cost: Rs 29.38 lakh) even 13 months after the stipulated date of supply. Of these, 145 meters were installed (April to December 1999) at various grid/receiving stations, which also did not perform satisfactorily. The remaining 28 meters (cost: Rs 4.74 lakh) were lying unutilised in the divisional stores (July 2003). On this being pointed out in audit, the Chief Engineer (S&O) stated (June 2003) that due to defective functioning of the meters, implementation of the programme had been stopped.

Thus, purchase of TSEMs by the Chief Engineer (S&O) without ensuring their suitability with the existing transmission system resulted in unfruitful expenditure of Rs 50.63 lakh, besides non-achievement of the intended objective.

The matter was referred to the Government in March 2003; reply had not been received (October 2003).

4.7 Purchase of stores in excess of requirement

Chief Engineer, Electric Planning and Designs Wing (PDD), Jammu purchased feeder control and relay panels in excess of requirements resulting in locking of Rs 17.13 lakh for over four years.

Financial rules of the Government provide that purchase of stores for public service should be made in accordance with definite requirements of public service and that purchases in advance or in excess of requirements should be avoided as it involves locking of Government money.

Chief Engineer, Electric Planning and Designs Wing, Jammu purchased (January 1999) seven duplex type 132 KV feeder control and relay panels (cost: Rs 29.97 lakh) from a Tamil Nadu based firm against actual requirement of three feeder panels for Grid station Miran Sahib (two) and Kalakote bay at Gladni (one) projected (March 1998) by the Executive Engineer, Transmission Line Maintenance Division (TLMD)-II Gladni, Jammu. Out of seven feeder panels, three panels were installed leaving four panels (cost: Rs 17.13 lakh) unutilised (March 2003) in stores. On this being pointed out in audit (December 2002) the Executive Engineer, TLMD-II Gladni stated (March 2003) that the remaining four panels would be installed in near future.

Thus, purchase of feeder panels in excess of the requirements in violation of financial rules by the Chief Engineer, resulted in locking of Rs 17.13 lakh for over four years. The cost of locked amount to Government worked out to Rs 8.83 lakh[#].

The matter was referred to the Government/Department in April 2003; reply had not been received (October 2003).

[#] Calculated at the minimum borrowing rate of 12 *per cent* per annum during 1999-2003.

4.8 Idle investment on construction of receiving stations

Failure of the Executive Engineer, Sub-Transmission Division, Udhampur to submit reimbursement claims to Rural Electrification Corporation, resulted in non-release of balance funds under the scheme and consequent non-completion of the work and idle investment of Rs 96.45 lakh. Cost of idle investment amounted to Rs 78.44 lakh.

To improve the existing transmission system and to save energy losses, Rural Electrification Corporation (REC) approved "System Improvement Scheme Assar-Ded-Peth" for completion by March 1999. The scheme estimated to cost Rs 2.42 crore, was to be financed through a loan♠ from REC. Twenty *per cent* of the loan was to be released by the REC on completion of the loan documents by the Executive Engineer, Sub-Transmission Division, Udhampur and the balance on reimbursement basis. The scheme involved construction of two new receiving stations (at Assar and Ded-Peth) and augmentation of the existing receiving station at Kishtwar in Doda District.

Audit scrutiny (October 2002) of the records of Executive Engineer, Sub-Transmission Division, Udhampur revealed that the work on the scheme was taken up during 1995-96 and only one receiving station (Ded-Peth) had been completed (cost: Rs 95.55 lakh) ending March 1998. The remaining work (Assar) had not been completed as of March 2003, owing to non-submission of reimbursement claims to REC and consequent shortfall in availability of funds. A total expenditure of Rs 1.92 crore was incurred on the scheme, out of which Rs 1.71 crore were funded by REC.

Failure of the Executive Engineer to submit reimbursement claims to REC rendered the investment of Rs 96.45 lakh idle. The cost of idle investment amounted to Rs 78.44 lakh. The objective of saving power losses assessed at Rs 18.96♣ lakh during the period from April 1999 to March 2003 was also not achieved.

The matter was referred to Government/Department in July 2003; reply had not been received (October 2003).

♠ Annual interest rate 16 *per cent*; repayable in seven years.

♣ Calculated at purchase cost of power for 1999-2000.

Roads and Buildings Department

4.9 Idle investment on an incinerator

The Superintending Engineer (R&B), Kargil failed to plan and complete the civil works of the incinerator which resulted in idle investment of Rs 26.40 lakh for over five years, besides non achievement of intended objectives.

With a view to providing cleaner environment in Kargil town, the Superintending Engineer, Public Works Department (R&B), Kargil proposed (March 1996) installation of two incinerators to Tourism Department, for scientific disposal of the non-biodegradable garbage produced in the town. The incinerators were proposed to be run by Notified Area Committee (NAC), Kargil or through Mechanical Division, Kargil. Installation of only one incinerator was approved and funds aggregating Rs 26.40[*] lakh provided by the Tourism Department.

The work relating to procurement of plant and equipment (Rs 10.90 lakh), civil and electrical components (Rs 11.64 lakh), installation (Rs 4.84 lakh) and successful commissioning was completed by the Executive Engineer, Mechanical Division, Kargil in March 1998. Due to non-completion of flooring of the incinerator shed, the incinerator was handed over to NAC Kargil only in April 2003 that too after being pointed out by Audit (February 2003). The machine had, however, not been put to use as construction of the garbage dumping pit had not been completed (September 2003). This rendered the investment of Rs 26.40 lakh on the incinerator idle for over five years, besides non-achievement of intended objectives. The cost of idle investment to the Government worked out to Rs 19.48[&] lakh.

The matter was referred to Government/Department in February 2003; reply from the Government had not been received (October 2003).

4.10 Locking of money

Executive Engineer, R&B Division, Udhampur irregularly advanced Rs 1.03 crore to Small Scale Industries Development Corporation mainly to avoid lapsing of funds which resulted in locking of Rs 68.94 lakh. The cost of locked up funds amounted to Rs 17.96 lakh.

Designated purchasing officers of the Government are authorised to make advance payments to Government owned corporations/undertakings for purchase of stores against documents of cost, freight and incidental charges of

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* 1995-96: Rs 10.90 lakh; 1996-97: Rs 5.50 lakh and 1997-98: Rs 10 lakh.

& Worked out at the minimum borrowing rate (overdraft) of State Government during 1996-2003.

stores without obtaining prior sanction of the competent authority subject to availability of funds.

Audit scrutiny (August 2002) of records of the R&B Division, Udhampur revealed that Executive Engineer, R&B Division (not the designated officer), unauthorisedly advanced Rs 1.03 crore to Jammu and Kashmir Small Scale Industries Development Corporation (a Government company) from February 2000 to March 2002 for supply of cement, BA wire crates and R.C.C hume-pipes with accessories. Of this, Rs 67.56 lakh were advanced in March 2001 and March 2002 to avoid lapse of funds. As of March 2003, cement and BA wire crates for Rs 34.13 lakh only were received (May 2002 to November 2002) thereby locking Rs 68.94 lakh with the company.

Thus, advancing of the money by the Executive Engineer, mostly to avoid lapsing of funds and subsequent incomplete supply of material by the company, resulted in locking of Rs 1.03 crore up to April 2002 and at least Rs 68.94 lakh thereafter. The cost of locked funds worked out to Rs 17.96 lakh (March 2003).

The matter was referred to the Government/Department in August 2003; reply had not been received (October 2003).

4.11 Wasteful expenditure due to defective planning

Executive Engineers, R&B Division, Basohli and Suru Valley Division, Sankoo executed works on two foot suspension bridges without obtaining administrative approval and later abandoned them, resulting in wasteful expenditure of Rs 12.80 lakh.

Executive Engineers, R&B Division, Basohli and Suru Valley Division, Sankoo without obtaining administrative approval executed works on two foot suspension bridges and later abandoned them resulting in wasteful expenditure of Rs 12.80 lakh as discussed below:

Executive Engineer, R&B Division, Basohli took up (1997-98) the construction of two abutments (estimated cost: Rs 7.83 lakh) of foot suspension bridge (estimated cost: Rs 95 lakh) over Bheeni nallah, at village Ladnoo (Tehsil Billawar) through a contractor for completion in six months. The work could not be completed within the stipulated period due to change in design, shortage of blasting material, poor performance of contractor, etc. and was abandoned in April 2001, after incurring expenditure of Rs 6.75* lakh. Subsequently, it was decided (November 2001) to construct a 230 metre span girder motorable bridge under Central Road Fund Programme, 10 metres downstream of the existing site, rendering the expenditure of Rs 6.75 lakh infructuous.

* Includes unpaid liability of Rs 0.63 lakh.

Similarly, Executive Engineer, Suru Valley Division, Sankoo took up construction of abutments (estimated cost: Rs 7.37 lakh) of 120 feet span foot suspension bridge (estimated cost: Rs 15.83 lakh) over Itchoo nallah at Pattoo Barsoo in October 1997. After executing works up to Rs 6.05 lakh, work was stopped (October 1997) following the demand of the local people for relocating the bridge in proximity to their villages. The work was abandoned and construction of 20 metre span steel girder motorable bridge, 200 metres upstream of the existing site taken up during 2001-02 by the Division. This rendered the expenditure of Rs 6.05 lakh on the foot span bridge wasteful.

The matter was referred to Government/Department in August 2003; reply had not been received (October 2003).

4.12 Injudicious purchase of wheel loaders

Chief Engineer, Mechanical Engineering Department, Jammu without assessing actual requirement of Mechanical Divisions Jammu, Khellani (Doda) and Udhampur purchased three wheel loaders which resulted in idle investment of Rs 41.73 lakh.

Chief Engineer, Mechanical Engineering Department, Jammu without assessing the actual requirement placed an order (November 1998) with Bharat Earth Movers Limited for supply of three BL-06 wheel loaders one each for Jammu, Khellani (Doda) and Udhampur Mechanical divisions, at a cost of Rs 38.25 lakh (excluding excise duty and central sales tax). The supply was to be made by the firm within 2 to 4 weeks which was extended up to March 1999.

Audit scrutiny (October 2001/January 2002) of records revealed that the wheel loaders were received by the Mechanical Division, Jammu in March 1999 and by the mechanical divisions, Khellani (Doda) and Udhampur in April 1999 against which payment of Rs 41.73[≠] lakh was made by the respective divisions. The loaders were not put to use except for a brief period of 169 hours (Jammu Division: 137 hours; Udhampur Division: one hour; Khellani (Doda): 31 hours) against 21166[♣] hours available (March 2003). Non-utilisation of the machines was attributed by the divisions to low demand.

Thus, purchase of the wheel loaders by the Chief Engineer without assessing their actual requirement resulted in idle investment of Rs 41.73 lakh for over four years. The cost of idle investment to the Government worked out to Rs 13.54[♦] lakh.

The matter was referred to the Government/Department in March 2003; reply had not been received (October 2003).

≠ Including Excise Duty and CST.

♣ Based on the norm of 2000 working hours per annum.

♦ Worked out at the minimum borrowing rate (overdraft) of the State Government .

Chapter-V

Stores and Stock

Irrigation and Public Health Engineering Department

5.1 Shortage of stores

Non-observance of rules and ineffective control of stores by the Executive Engineers, Public Health Engineering Divisions, Sopore and Baramulla facilitated shortage of stores costing Rs 53.21 lakh. These shortages had not been investigated even after five years of their detection.

Financial rules provide that the head of the office should take special care in arranging safe custody of stores, keeping them in good and efficient condition and protecting them from loss, damage or deterioration. The rules further provide that he should maintain suitable accounts and inventories of stores in his charge with a view to preventing losses and should fully investigate the cause of deficiency, if any.

Audit scrutiny of the records of Public Health Engineering Divisions, Sopore (February 2002) and Baramulla (August 2002) revealed that the Executive Engineers of these divisions had not checked records maintained by the store-keepers nor reconciled balances of stores/stock with those of divisional records. Physical verification of stores was also not conducted in PHE Divisions, Sopore[β] and Baramulla[♦] which resulted in shortage of stores amounting to Rs 53.21[♣] lakh noticed (June 1998/July 1998) during handing over of charge by the store keepers of the two divisions. Despite lapse of about five years, these shortages had not been investigated to make good their cost from the defaulters.

Thus, non-observance of rules and ineffective control of stores by the Executive Engineers facilitated shortage of stores amounting to Rs 53.21 lakh. These had not been investigated even after five years of their detection.

The matter was referred to the Government/Department in April 2003; reply had not been received (October 2003).

β September 1994 to May 1998.

♦ July 1996 to September 1997.

♣ PHE Sopore: Rs 12.94 lakh; PHE Baramulla: Rs 40.27 lakh.

Roads and Buildings Department

5.2 Stores Procurement Department

Store Procurement Department was established for procurement and supply of construction material to various Government departments. The accounts maintained in monetary terms were flawed. Receipt of material against advance payment was not monitored and inventories in excess of the prescribed stock reserve limit were maintained. Cases of short receipt of supplies, avoidable and excess payments aggregating Rs 5.79 crore were also noticed.

Introduction

5.2.1 Stores Procurement Department (SPD) was established in June 1980 for procurement and supply of construction material (cement, steel, bitumen, etc.) for general use of various Government departments through its two stores procurement units one each at Jammu and Pampore (Kashmir). Test-check of the records of the Director, two Deputy Directors SPD one each at Jammu and Pampore (Kashmir) for the period from 1998-99 to 2002-03 revealed the following points.

Inventory management

5.2.2 The Department furnished the following information which indicates opening balance, procurement, issue and closing balance of stores for the years 1998-99 to 2002-03.

Table No: 5.1 (Rs in crore)

	Opening balance	Procurement	Total	Issue	Closing balance
1998-99	35.60	27.62	63.22	32.82	30.40
1999-2000	30.40	12.67	43.07	19.52	23.55
2000-01	23.55	37.61	61.16	24.55	36.61
2001-02	36.61	22.21	58.82	30.87	27.95
2002-03	27.95	36.85	64.80	38.30	26.50

The Department had not maintained quantitative accounts *viz.* Priced Store Ledgers (PSL) and Bin Cards of the stores and the accounts maintained in monetary terms were flawed because of the following reasons:

Procurement figures included advance payments for which Department did not receive the material during the year and sometimes even after two years. Test check revealed such quantities were up to Rs 4.50 crore during the year 2001-02 inflating the closing balance to that extent.

Sometimes, Department issues material to the user divisions on loan basis, which does not get reflected in accounts. Closing balance at the end of

March 2003 included cost of store items (Rs 1.95 crore) issued irregularly on loan basis to 10 divisions during 2001-03, overstating the balance to that extent.

The correctness of the closing balances was also suspect due to non-conducting of annual physical verification of stores for four years. Stores that were short by Rs 1.37 lakh (detected during physical verification (1997-98) of Jammu stores) had been recovered to the extent of Rs 0.52 lakh only (February 2003).

Non-moving iron/tor steel items costing Rs 64.34 lakh were lying in the stores (Jammu: Rs 28.24 lakh; Pampore: Rs 36.10 lakh) for over four years. In addition, mechanical, electrical and other store items (cost: Rs 27. 59 lakh) pertaining to the period prior to 1973-74 were also lying in the stores.

The Department had not fixed the minimum, maximum and reorder levels of the stores in quantitative terms for efficient inventory control. It was not aware of the actual requirement of the user divisions and procurement was not related to their requirements. The Director SPD assessed the requirement of steel and bitumen on its own. The inventories in the two store units were 489 to 815 *per cent* in excess of the prescribed stock reserve limit of Rs four crore during the period from 1998-99 to 2002-03 which had not been regularised.

Non-monitoring of supplies against advance payments

5.2.3 The Director, SPD advanced (January 1993 to April 1993) Rs 2.11 crore to Steel Authority of India Limited (SAIL) Jallundhar for supply of 1655 MTs of steel of sorts. The supply was to be made by SAIL on the authority of delivery orders in favour of the Department through its conversion agent. The Department received 823.33 MTs of steel only up to January 1996. The matter regarding short supply of 831.67 MTs of steel was taken up (February 1996) by the Director with SAIL, which admitted short supply of 198.805 MTs of steel (value: Rs 31.43 lakh) only. SAIL supplied 41.30 MTs (between July to September 1996) and refunded (August 1996) Rs 8.17 lakh. The Department in all received 864.63 MTs of steel and refund of cost of 64.10 MTs of steel revealing short receipt of 726.27 MTs (value: Rs 92.55 lakh). Failure of the Director to monitor receipt of supplies resulted in short receipt of the material which had not been sorted out with SAIL authorities as of March 2003.

The Department purchased bitumen from oil companies by making advance payments for the quantities ordered. Audit scrutiny revealed that fresh advances were made without ensuring adjustment of the previous advances. As a result between Rs 13.67 lakh and Rs 1.07 crore were outstanding against HPCL♣ and between Rs 23.48 lakh and Rs 1.00 crore against BPCL♦ at the close of each year during the period from 1990-91 to 2001-02. Similarly, between

♣ Hindustan Petroleum Corporation Limited.
♦ Bharat Petroleum Corporation Limited.

Rs 44.91 lakh and Rs 5.16 crore were outstanding against IOC[■] at the close of each year during the period from 1991-92 to 2001-02. An amount of Rs 2.84[&] crore was outstanding against these Central PSE's as of February 2003. The position of outstanding amounts against these Central PSE's, at the close of the year 1989-90 was not available due to non-maintenance of records. The interest cost of the minimum balances held by these companies during the period 1990-91 to 2001-02 worked out to Rs 1.22 crore.

Non-review of deposit accounts

5.2.4 Deposit register prior to 2002-03 had not been maintained in the Pampore unit. In Jammu unit, the register had been maintained only in respect of firms/suppliers and did not record full particulars of transactions quoting voucher numbers in support of debit/credit entries. At the end of March 2003, Rs 24.16 crore (Jammu: Rs 17.55 crore and Pampore: Rs 6.61 crore) were lying in the deposit account which included Rs 23.94 crore of the indenting divisions for supply of stores. Prescribed annual review of the balances under deposits had also not been conducted for crediting unclaimed amounts to the Government account as lapsed deposits.

Excess payments

5.2.5 Against supply orders placed in December 1997, December 1998 and August 2000, the IOC issued delivery orders for lifting bitumen from Mathura instead of the Panipat refinery and accordingly allowed discount of Rs 253 per metric tonne as transport rate differential between Mathura and Panipat. It was, however, noticed that the company charged full freight from the Department without allowing the freight discount resulting in excess payment of Rs 11.18 lakh. The company admitted (March 2001) excess charging of freight during reconciliation of its accounts with the Department. The amount was neither got refunded nor adjusted against fresh orders by the Department (February 2003).

Central Sales Tax at the rate of four *per cent* is payable on the basic cost of bitumen purchased. Test check of records revealed that the Deputy Director, SPD, Kashmir paid Central Sales Tax on the components of transportation and toll expenses included in the cost of bitumen received in the stores during April 2000 to December 2002. This resulted in excess payment of Rs 9.22 lakh to the IOC. The excess payment had neither been recovered nor adjusted against subsequent payments due to the company (March 2003).

Avoidable payments

5.2.6 The issue price of the stores includes sales tax. Sales tax of Rs 14.91 lakh pertaining to the period from 1983-84 to 1989-90, 1992-93 and

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■ Indian Oil Corporation

& Includes Rs 1.42 crore outstanding against IOC as of January 2003.

1995-96 was not remitted by the Director to the Sales Tax Department. As a result, the Sales Tax Department raised (December 2000) a demand for Rs 49.89 lakh including penalty (Rs 7.50 lakh) and interest (Rs 27.48 lakh) which was remitted to the Department (February 2001: Rs 25.31 lakh; June 2001: Rs 24.58 lakh). The Sales Tax Department levied (December 2001) further interest of Rs 75.16 lakh for belated payments. The amount was paid (February 2002) irregularly by debit to stock. Failure of the Director to remit sales tax in time, resulted in incurring of extra avoidable expenditure of Rs 1.10 crore, even after waiver of interest of Rs 3.71 lakh by the Sales Tax Department.

Against the requirement of 43.55 lakh bags of cement projected by the user divisions, the SPD purchased 11.15 lakh bags during 2000-03 leaving shortfall of 32.40 lakh bags. Short procurement of cement by the SPD forced purchase of cement (5.22 lakh bags) from open market at higher rates by the 10 test-checked divisions resulting in avoidable extra expenditure of Rs 72.41 lakh.

Non-recovery of transit shortages

5.2.7 Bitumen supplied by IOC between January 1990 and September 1999 to the Deputy Director, SPD, Jammu was received short to the extent of Rs 5.36 lakh on account of transit shortages. Though these shortages were accepted, the cost thereof had not been realised from the oil company.

The Director failed to recover cost of transit shortages of bitumen (cost: Rs 21.38 lakh) supplied by the oil companies[≠] during July 1993 to October 1998 through railways to Pampore store. The claims for shortages were sent by the Department to the railways after delay of 2 to 48 months.

The matter was referred to Government/Department in July 2003, reply had not been received (October 2003).

≠ IOC, BPCL, HPCL

Chapter-VI
Revenue Receipts

6.1 Trend of revenue receipts

6.1.1 The tax and non-tax revenue raised by the Government of Jammu and Kashmir during the year 2002-03, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are given below.

Table No 6.1 (Rupees in crore)

		1998-99	1999-2000	2000-01	2001-02	2002-2003
I-Revenue raised by the State Government						
(a)	Tax revenue	436.61	577.64	745.98	804.17	1,033.09
(b)	Non-tax revenue	283.25	405.28	444.29	462.62	865.21
	Total	**719.86**	**982.92**	**1,190.27**	**1,266.79**	**1,898.30**
II. Receipts from Government of India						
(a)	State's share of divisible Union Taxes	1,212.05	1,231.60	675.40	575.79	684.52
(b)	Grants-in-aid	2,577.23	3,299.07	3,794.49	4,646.63	4,965.35
	Total	**3,789.28**	**4,530.67**	**4,469.89**	**5,222.42**	**5,649.87**
III	**Total receipts of the State**	**4,509.14**	**5,513.59**	**5,660.16**	**6,489.21**	**7,548.17**
IV	**Percentage of I to III**	**16**	**18**	**21**	**20**	**25**

(a) The details of tax revenue raised during the year 2002-03 alongwith the figures for the preceding four years are given below:

Table No 6.2 (Rupees in crore)

S.No	Head of Revenue	1998-99	1999-00	2000-01	2001-02	2002-03	Percentage increase (+)/ decrease (-) in 2002-03 over 2001-02
1.	Sales Tax	180.32	237.08	358.72	408.75	535.97	(+) 31
2.	State Excise	206.14	274.30	298.06	165.00	222.52	(+) 35
3.	Stamps and Registration Fee	12.10	14.86	21.06	26.08	25.67	(-) 2
4.	Taxes and Duties on Electricity	8.33	16.38	12.74	20.67	25.66	(+) 24
5.	Taxes on Vehicles	18.14	21.91	23.32	28.18	33.66	(+) 19
6.	Taxes on Goods and Passengers	4.95	7.46	14.27	143.24	182.84	(+) 28
7.	Taxes on Immovable Property other than Agricultural Land	0.49	0.74	1.29	1.85	1.03	(-) 44
8.	Land Revenue	2.81	1.81	3.90	8.14	2.80	(-) 66
9.	Others Taxes and Duties on Commodities and Services	3.33	3.10	12.62	2.26	2.95	(+) 31
	Total	**436.61**	**577.64**	**745.98**	**804.17**	**1,033.10**	**(+) 28**

Decrease in Land Revenue collections was mainly due to less receipt from Government Estates. However, reasons for variation for other heads, though called for had not been received (October 2003).

(b) The details of the major non-tax revenue raised during the year 2002-03 alongwith the figures for the preceding four years are given below.

Table No 6.3 (Rupees in crore)

S.No	Head of Revenue	1998-99	1999-00	2000-01	2001-02	2002-03	Percentage increase (+)/ decrease (-) in 2002-03 over 2001-02
1.	Power	103.93	218.55	238.72	232.02	606.61	(+) 161
2.	Interest Receipts	88.17	102.55	104.99	110.76	136.32	(+) 23
3.	Forestry and Wild life	45.70	33.86	57.22	44.13	49.28	(+) 12
4.	Public Works	7.33	6.81	8.39	8.28	9.23	(+) 11
5.	Medical and Public Health	3.06	3.27	4.73	7.77	7.84	(+) 1
6.	Water Supply and Sanitation	3.10	3.86	4.14	4.66	5.57	(+) 20
7.	Police	1.95	4.31	3.89	4.54	4.92	(+) 8
8.	Non-Ferrous Mining and Metallurgical Industries	1.00	1.60	2.93	3.33	3.09	(-) 7
9.	Crop Husbandry	1.37	1.10	1.37	3.29	3.67	(+) 12
10.	Animal Husbandry	3.36	2.48	2.74	2.77	2.92	(+) 5
11	Others	24.28	26.89	15.17	41.07	35.76	(-) 13
	Total	**283.25**	**405.28**	**444.29**	**462.62**	**865.21**	**(+) 87**

The increase/decrease in major non-tax revenue collections was due to reasons noted against each head of revenue below:

Power	The increase was due to more realisation of arrears of power and partly due to past years adjustments (Rs 317.60 crore).
Interest Receipts	Increase was due to more receipt of interest from departmental undertakings and on invested cash balance.
Forestry and Wild Life	Increase was due to more receipts from social and farm forestry.
Public Works	Increase was due to increase in hire charges of machinery and equipment.
Water Supply and Sanitation	The increase was due to more receipts from rural water supply schemes.
Crop Husbandry	The increase was due to more sale of seeds and other inputs and income from agricultural farms.
Non-ferrous Mining and Metallurgical industries	The decrease was due to less realisation of mineral concession fee, rents and royalty.

6.1.2 Variations between Budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2002-03 in respect of the principal heads of tax and non-tax revenue are given below.

Table No 6.4 (Rupees in crore)

Head of Revenue	Budget estimates	Actuals	Variations excess/ (+) or shortfall (-)	Percentage of variation
Tax Revenue				
Sales Tax	440.00	535.97	(+) 95.97	22
State Excise	195.47	222.52	(+) 27.05	14
Stamps and Registration Fee	25.69	25.67	(-) 0.02	-
Taxes on Goods and Passengers	194.47	182.84	(-) 11.63	6
Taxes and Duties on Electricity	45.70	25.66	(-) 20.04	44
Non-tax Revenue				
Interest receipts	133.74	136.32	(+) 2.58	2
Forestry and Wild Life	72.73	49.28	(-) 23.45	32
Medical and Public Health	7.12	7.84	(+) 0.72	10
Power	44.00	606.61	(+) 562.61	1279

The reasons for variation between budget estimates and actual receipts though called for had not been received (October 2003).

6.1.3 Analysis of collection

Break-up of total collection at pre-assessment stage and after regular assessment of sales tax, and motor spirit tax for the year 2002-2003 and the corresponding figures for the preceding two years, in respect of which information was furnished by the Department, was as follows:

Table No 6.5 (Rupees in crore)

Head of Revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collect-ion	Percentage of column 3 to 7
1	2	3	4	5	6	7	8
Finance Department							
Sales Tax	2000-01	249.88	3.65	0.07	Nil	253.60	99
	2001-02	292.49	4.49	0.23	Nil	297.21	98
	2002-03	341.65	8.06	0.07	*	349.78	98
Motor Sprit Tax	2000-01	91.82	0.01	Nil	Nil	91.83	100
	2001-02	104.75	0.08	Nil	Nil	104.83	100
	2002-03	121.28	*	Nil	Nil	121.28	100

It will be seen that between 98 to 100 *per cent* of sales tax and motor spirit tax collections were made at pre-assessment stage during the period 2000-01 to 2002-03.

6.1.4 Cost of collection

The figures for gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2000-2001, 2001-2002 and 2002-2003, alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2001-2002 were as follows.

* Negligible

Table No 6.6 (Rupees in crore)

Head of Revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India Average percentage for the year 2001-2002
Sales Tax	2000-01	358.72	9.81	3	-
	2001-02	408.75	9.54	2	1.26
	2002-03	535.97	10.24	2	-
Taxes on vehicles	2000-01	23.32	2.19	9	-
	2001-02	28.18	2.19	8	2.99
	2002-03	33.66	2.26	7	
State Excise	2000-01	298.06	7.95	3	-
	2001-02	165.00	7.92	5	3.21
	2002-03	222.52	14.69	7	
Stamps and Registration fee	2000-01	21.06	3.64	17	-
	2001-02	26.08	3.08	12	3.51
	2002-03	25.67	2.25	9	

Percentage of cost of collection of sales tax, taxes on vehicles, state excise and stamps and registration fee was higher than the all India average cost of collection.

6.1.5 Collection of Sales Tax per assessee

The comparative position of sales tax collections per assessee during the period 1998-2002 was as under:

Table No 6.7 (Rupees in lakh)

Year	No. of assesses	Sales tax revenue	Revenue/ assessee
1998-99	22,102	18,032.11	0.82
1999-2000	22,303	23,708.40	1.06
2000-01	22,103	35,871.96	1.62
2001-02	20,842	40,874.84	1.96
2002-03	21,028	53,597.20	2.55

The collection of sales tax per assessee increased from 0.82 lakh to 2.55 lakh during 1998-99 to 2002-03.

6.1.6 Analysis of arrears of Revenue

The arrears of revenue as on 31 March 2003 in respect of some principal heads of revenue in respect of which information was furnished by the Department amounted to Rs 733.30 crore of which Rs 478.45 crore were outstanding for more than five years as detailed in the table given below.

Table No 6.8 (Rupees in crore)

S. No	Head of Revenue	Amount outs-tanding as on 31 March 2003	Amount outstanding for more that 5 years as on 31 March 2003	Remarks
1.	Sales Tax	701.89	451.01	Out of total arrears of Rs 701.89 crore, recovery of Rs 42.98 crore and Rs 0.04 crore had been stayed by courts and appellate authority respectively. Arrears of Rs 152.02 crore and Rs 183.46[ψ] crore were proposed to be written-off and settled under Amnesty scheme respectively. The position of recovery of balance amount of Rs 323.39 crore was not intimated (October 2003).
2.	State Excise	21.05	17.53	Recovery of arrears of Rs 11.49 crore had been stayed by courts.
3.	Motor Vehicle Tax	8.36	8.32	Reasons for non-recovery awaited (October 2003).
4.	Irrigation and flood control	2.00	1.59	Recovery of arrears of Rs 0.01 crore had been stayed by courts.
	Total:	**733.30**	**478.45**	

The arrears outstanding for more than five years constituted 65 *per cent* of total arrears.

6.1.7 Arrears in Assessment

The details of cases pending assessment at the beginning of the year 2002-2003, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year 2002-2003, as furnished by the Sales Tax Department in respect of sales tax and tax on works contracts were as follows.

Table No 6.9

S. N o	Name of Tax	Opening Balance	New Cases due for assessment during 2002-03	Total assessment due	Cases disposed of during the year 2002-03	Balance at the end of the year	Percentage of column 6 to 5
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Finance Department							
1.	Sales Tax	50,500	14,469	64,969	23,115	41,854	36
2.	Tax on works contracts	228	263	491	169	322	34
	Total	**50,728**	**14,732**	**65,460**	**23,284**	**42,176**	**36**

There was no substantial reduction in arrears of assessment during the year 2002-03.

ψ Kashmir Division only.

6.1.8 Evasion of Tax

The details of cases of evasion of tax detected by Sales Tax and State Excise Departments, cases finalised and the demands for additional tax raised as reported by the Departments are given below:

Table No 6.10

S.No	Name of tax/duty	Cases pending as on 31 March 2002	Cases detected during 2002-03	Total	No of cases in which assessment/investigations completed and additional demand including penalty etc. raised		No of cases pending finalisation as on 31 March 2003
					No of cases	Amount (Rupees in crore)	
1.	Sales Tax	7,021	36,579	43,600	36,448	3.48	7152
2.	State Excise	1	-	1	-	-	1

The progress of recovery of the amount was not intimated (October 2003).

6.1.9 Write off and waiver of revenue

During the year 2002-03 demands of Rs 22.10 crore (737 cases) relating to sales tax were written off by the Department as irrecoverable for the following reasons:

Table No 6.11 (Rupees in crore)

S.No	Reasons	Sales Tax	
		No of cases	Amount
1.	Whereabouts of defaulters not known	-	-
2.	Defaulters no longer alive	-	-
3.	Defaulters not having any property	-	-
4.	Defaulters adjudged insolvent	-	-
5.	Other reasons	723	22.08
6.	Remission of penalty	14	0.02
	Total	**737**	**22.10**

6.1.10 Refunds

The number of refund cases pending at the beginning of the year 2002-2003, claims received during the year, refunds allowed during the year and the cases pending at the close of year March 2003, as reported by the Sales tax and State Excise Departments are given below.

Table No 6.12 (Rupees in lakh)

S.No		Sales Tax		State Excise	
		No of cases	Amount	No of cases	Amount
1.	Claims outstanding at the beginning of the year 2002-03	1	0.30	Nil	Nil
2.	Claims received during the year	6	5.70	1	204.49
3.	Refund made during the year	3	1.40	1	191.66[φ]
4.	Balance outstanding at the end of the year 2002-03	4	4.60	-	-

Reasons for non-settlement of remaining four cases were not intimated (October 2003).

6.1.11 Results of Audit

Test-check of records of sales tax, land revenue, state excise, motor vehicles tax, stamps and registration fee, electricity duty, forest receipts and other non-tax receipts conducted during the year 2002-03 revealed underassessment/short levy/loss of revenue amounting to Rs 17. 23 crore in 31 cases. During the course of the year the Departments accepted underassessment of Rs 5.49 crore in six cases pointed out in 2002-03 and earlier years and recovered Rs 5.21 lakh. No replies were received in remaining cases.

This Chapter contains 10 paragraphs including one review bringing out non-levy/short levy of taxes, duties, interest and penalties, etc. aggregating Rs 21.83 crore. The Department/Government accepted audit observations involving Rs 3.23 crore of which Rs 0.06 crore had been recovered up to October 2003. No reply was received in other cases.

6.1.12 Response of the Departments to Draft Audit Paragraphs

Draft paragraph and reviews are forwarded to the Principal Secretary/Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. However, out of nine draft paragraphs and one review forwarded to Departments concerned during March 2003 to May 2003 (detailed in *Appendix*-10) no reply was received from the Government/Department (October 2003).

φ Balance was disallowed

6.1.13 Follow up on Audit Reports-summarised position

Status of reviews/paragraphs of Revenue Receipts Chapter pending discussion in the Public Accounts Committee as on 31 March 2003 was as under:

Table No 6.13

Period of Audit Reports	Total number of reviews and paragraphs appeared in Revenue Receipts Chapter of Audit Report		No of reviews and paragraphs pending discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1990-1991	-	5	-	5
1991-1992	-	8	-	8
1992-1993	1	5	1	5
1993-1994	5	2	5	2
1994-1995	1	14	1	14
1995-1996	4	9	4	9
1996-1997	2	4	2	4
1997-1998	-	9	-	7+2▼
1998-1999	1	11	1	11
1999-2000	-	7	-	6+1▼
2000-2001	1	7	1	6+1▼
Total	**15**	**81**	**15**	**81**

▼ Partly discussed

Section-A-Reviews

Finance Department

6.2 Review: Assessment and collection of Toll Tax

Highlights

- **There was variation of Rs 382.24 crore in toll receipts as shown by the Department and those booked in accounts. The variation had not been reconciled.**

  (Paragraph: 6.2.7)

- **Control records at toll posts were either not maintained or maintained defectively affecting proper monitoring of the posts leaving scope for leakage of revenue.**

  (Paragraphs: 6.2.11 and 6.2.14)

- **Inadequate co-ordination between toll and Sales Tax/Railway Authorities and non-application of revised rates of additional toll resulted in short assessment/levy of toll of Rs 3.95 crore.**

  (Paragraph: 6.2.17)

- **Ten small scale industrial units were allowed exemption from payment of additional and special toll of Rs 46.16 lakh without obtaining the material receipt/consumption verification certificates from Industries and Commerce Departments for one or more quarters during the period 1999-2002.**

  (Paragraph: 6.2.24)

- **Arrears of toll amounted to Rs 32.80 crore as of January 2003 out of which Rs 29.56 crore were in arrears for more than five years.**

  (Paragraph: 6.2.32)

- **Toll collections by the Jammu and Kashmir Bank Limited were not credited to Government in time which would have resulted in saving of interest of Rs 2.62 crore on the overdrafts taken by Government from the Bank.**

  (Paragraph: 6.2.35)

Introduction

6.2.1 Toll is levied and collected from users of public roads and bridges under the provisions of the Jammu and Kashmir Levy of Tolls Act, 1938 and rules framed thereunder. The Government may from time to time establish toll posts on roads, bridges, lanes, etc. and prescribe, annul or alter rates of toll or grant exemption thereof.

Organisational set-up

6.2.2 Assessment, levy and collection of toll is done under the supervision of the Excise Commissioner through Excise and Taxation Officers incharge of toll posts and Deputy Commissioner, Excise in respect of Toll Post, Lakhenpur. The overall administrative control vests with the Finance Department.

Audit objective

6.2.3 The objective of the review was to assess efficacy, adequacy and effectiveness in the implementation of the provisions of the extant Act and Rules.

Audit coverage

6.2.4 Records of six[ψ] out of eight toll posts for the period 1998-99 to 2002-03 were test-checked in audit during November 2002 to March 2003. The findings thereof are brought out in the succeeding paragraphs:

Trend of revenue

6.2.5 The position of toll revenue collected vis-à-vis budget estimates during five years ending 2002-03 as per departmental records was as under:

Table No 6.14 (Rupees in crore)

Year	Budget estimates	Revenue	Excess (+)/Shortfall (-)
1998-99	83.03	87.23	(+) 4.20
1999-2000	143.00	137.75	(-) 5.25
2000-01	158.00	149.02	(-) 8.98
2001-02	170.00	169.28	(-) 0.72
2002-03	187.00	176.89	(-) 10.11

6.2.6 The shortfall in toll collection during the period 1999-2000 to 2002-03 was attributed by the Department to Kargil war, transporters strike, blockade of Jammu-Srinagar National Highway and fall in import/export of commodities.

6.2.7 Reconciliation of figures is an important control mechanism for collection and remittance of toll collection. There was a variation of Rs 382.24 crore between the departmental figure (Rs 720.17 crore) and those

ψ Railway Station Bari Brahmana, Railway Station Jammu, Lakhenpur, Manwal, Nagrota and Lower Munda (Kashmir).

booked by Senior Deputy Accountant General (A&E) (Rs 337.93 crore) during the period from 1998-99 to 2002-03. The variation in the relevant years had not been reconciled by the Department. The reasons for non-reconciliation were also not intimated (October 2003).

Non-identification of escape routes

6.2.8 Jammu and Kashmir has a porous border with the State of Punjab and identification of such alternate/escape routes, as are susceptible of being adopted by unscrupulous persons for evasion of toll, is essential, for plugging them to avoid leakage of revenue. Report on a joint inspection by the Deputy Commissioners of Excise (Toll Post) and Sales Tax, Lakhenpur had expressed in June 2001 the need for enhancing vigil, in order to minimise chances of evasion of toll, by measures which included relocation of some toll posts and establishment of new minor/guarding post (s).

6.2.9 It was observed that the process of identification of alternate/escape routes for establishing/relocating toll posts/barriers had not been initiated. Due to non- identification of alternate/escape routes, the possibility of sizeable number of vehicles not reporting at toll posts and escaping toll could not be ruled out.

6.2.10 On this being pointed out in audit, the Excise Commissioner stated in March 2003 that mobile raiding teams had been established for stopping clandestine movement of tollable goods on all routes. The details of number of mobile raiding teams established, escape routes identified, inspections conducted and offenders apprehended were, however, not furnished (October 2003).

Non/defective maintenance of control records

6.2.11 Under the Jammu and Kashmir Levy of Tolls Rules, 1938, Toll Officers are required to maintain various registers in prescribed form for controlling/monitoring the working of a toll post. In the test-checked[≠] toll posts, records for maintaining details of weighment, remittances into treasuries/banks, exemptions granted to industrial units, offenders who evaded toll, vehicles passing through toll gate and stock accounts of permits were not maintained in one or more toll posts as detailed in *Appendix*-11.

6.2.12 At Toll Post, Lakhenpur against the closing balance of 1,26,000 pre-printed tickets (for export-trucks[ϕ]) as on 20 May 2001, 80,000 pre-printed tickets only were carried over, resulting in short accounting of 46,000 tickets involving toll of Rs. 14.12 crore.

6.2.13 At Toll Post Lower Munda (Kashmir) machine numbered permit books (Form RT-4) were not used as provided under the rules.

≠ Railway Station Jammu, Railway Station Bari Brahmana, Lakhenpur and Lower Munda (Kashmir).

ϕ The trucks leaving the state at the last exit point.

6.2.14 At Toll Post, Railway Station, Jammu the balance in stock register of permits (Form RT-6) had not been worked out correctly. Permits were not written in duplicate by using double sided carbon at toll posts Railway Station Jammu and Bari Brahmana. Unused permits were not cancelled and the stock register of permits was full of over writings at Toll Post Railway Station Jammu.

6.2.15 Non/defective maintenance of aforementioned control records affected monitoring of the toll posts leaving scope for leakage of revenue.

6.2.16 The Assessing Officers of toll posts stated[&] in December 2002 and February 2003 that audit observations had been noted and would be followed in future.

Short assessment/levy of toll

6.2.17 Inadequate co-ordination with the Sales Tax Department and Railways and non-application of revised rates of toll, resulted in short assessment/levy of toll of Rs 3.95 crore as discussed below:

6.2.18 Toll Rules, 1938 provide for co-ordination between sales tax and toll authorities for verification of the weight recorded in the *challans* presented at the toll post. Cross-check of records of Toll Post Railway Station, Jammu and Petrol Taxation Officer, Jammu revealed understatement of 53,207 tonnes of High Speed Diesel (HSD) imported in the state by four oil companies[♣] during 1999-2000 to 2001-02 resulting in short levy of toll of Rs 1.67 crore as tabulated below.

Table No 6.15

Year	Import of HSD as per records of Petrol Taxation Officer Jammu	Import of HSD as per records of toll post	Understatement of HSD at Toll Post	Short levy of tolls (basic, additional and special Toll)
	(Tonnes)			(Rs in crore)
1999-2000	220738	204091	16647	0.51
2000-01	232992	211626	21366	0.65
2001-02	256014	240820	15194	0.51
Total	**709744**	**656537**	**53207**	**1.67**

6.2.19 The Government revised rates of toll in December 1998 and October 2000. As per revised rates, basic toll of Rs 50 per vehicle and additional toll of Rs 60 per quintal was to be levied on dry fruit from December 1998 and October 2000, respectively. Audit scrutiny revealed that basic toll was not levied on 3.47 lakh vehicles carrying fresh and dry fruit which crossed the toll posts Manwal and Nagrota during April 1999 to January 2003. Similarly, additional toll at pre-revised rate (Rs 10 per quintal) was levied on 2299 vehicles (Manwal: 78; Nagrota: 2221) carrying 89601 quintals of dry fruit crossing these toll posts

& Railway Station Bari Brahmana, Railway Station Jammu and Lakhenpur

♣ Bharat Petroleum, Hindustan Petroleum, Indian Oil Corporation, Indo-Bharat Petroleum

during October 2000 to March 2001. This resulted in short levy of toll of Rs 2.18 crore.

6.2.20 The goods arriving at Railway Station, Jammu are lifted by consignees through trucks and subjected to toll on the consignees depositing railway receipts (RRs) at Toll Post Railway Station, Jammu. The toll authorities depend entirely on the documents of import furnished by the consignees. System of obtaining wagon-wise lists/RRs, from Railways and cross referencing of permits with RRs/ Import General Register to verify the chargeable quantity of goods specified in RRs is not in vogue at the toll post for preventing leakage of revenue. Audit scrutiny revealed that in three cases against chargeable weight of 70,264 quintals recorded in nine RRs pertaining to April 2002 and July 2002, 42,058 quintals only had passed through Toll Post Railway Station, Jammu. The possibility of balance 28,206 quintals involving toll of Rs 9.37 lakh having escaped the assessment could not be ruled out. The Assessing Officer stated in December 2002 that cross linking of RRs, permits and Import General Register would be done in future.

6.2.21 The Act, *ibid* provides that an Assessing Officer shall scrutinise invoices, *challans*, bills, etc. to ascertain correctness of the weight. In 24 cases comprising 50 RRs pertaining to fertilizers and cement, assessment of toll was made on lower weight at Toll Post Railway Station, Jammu than that recorded on RRs. This resulted in underassessment of 1,617 quintals of such goods between March 2001 and July 2002 and consequential short levy of additional and special toll of Rs. 0.53 lakh.

6.2.22 The Government levied additional toll on edible oils, cigarettes and "tobacco" on *ad valorem* basis at the rate of 4 *per cent* of the value of goods with effect from April, 2000. As per the Central Excise Tariff Act, 1985 "*biris*" and "*gutkhas*" are forms of tobacco. Test-check of records at Toll Post, Lakhenpur revealed that "*biris*" and "*gutkhas*" imported into the state had not been subjected to toll on *ad valorem* basis but on weighment basis. The extent of revenue foregone as a result could not be worked out in audit as bills/invoices of these commodities were not available at the Toll Post.

Irregular payment of additional toll

6.2.23 The Government exempted (August 1998) certain raw materials brought into the state by small scale industrial units (SSI) registered with the Directorate of Industries, from payment of additional and special tolls on the basis of quarterly certificates issued by the Industries and Commerce (I&C) Department to the effect that raw materials had actually been received by the concerned SSI unit, entered in its store records, and used in the process of manufacturing of the end products.

6.2.24 In case of 10 SSI units, exemption from payment of additional and special toll amounting to Rs 46.16 lakh was allowed on raw material imported

and finished goods exported by them through toll posts, Lakhenpur and Railway Station, Bari Brahmana during 1999-2000 to 2001-02 without obtaining quarterly verification certificates from the I&C Department for one or more quarters.

Short charging of fine

6.2.25 Under the Act, *ibid,* anybody adopting any device to evade payment of toll at a toll gate or station, is liable to pay a fine up to five times the amount of actual toll leviable or Rs 500, whichever is higher.

6.2.26 At toll posts Jammu and Lakhenpur, penalty of Rs 0.53 lakh, for evasion of toll by concealment of goods, understatement of weight/value of goods, shortage in laden weight, etc was levied short in 55[≠] cases during 1999-2000 to 2001-02.

Non-functional weigh-bridges at toll posts

6.2.27 Toll Rules, 1938 provide that such toll posts where additional or special toll on weight of goods is chargeable shall be equipped with weigh-bridges for proper assessment of toll.

6.2.28 It was seen in audit that two weigh-bridges, each at Railway Station, Bari Brahmana and Lower Munda Kashmir and one each (out of two) at Railway Station Jammu and Manwal were non-functional for more than five years in spite of the fact that 21.95 lakh vehicles passed through these check posts during the period 1998-99 to 2002-03.

6.2.29 At Toll Post Railway Station, Bari Brahmana loaded vehicles were allowed to get the unladen/laden weight recorded at private weigh-bridges and such weight was taken as the basis for computation of toll. The possibility of understatement of weight by unscrupulous persons in collusion with private weigh-bridge owners for avoiding payment of additional/special toll could not be ruled out.

6.2.30 The Assessing Officers stated in December 2002/February 2003 that the weigh-bridges would be repaired/matter taken up with the higher authorities.

Arrears of Toll

6.2.31 Toll arrears are recoverable as arrears of land revenue. The Act also empowers the Department to disallow passage of goods belonging to defaulters of toll.

≠ Toll Post Railway Station, Jammu: 2 cases; Rs 0.11 lakh, Toll Post Lakhenpur: 53 cases; Rs 0.42 lakh.

6.2.32 Arrears of toll amounted to Rs 32.80[♣] crore (143 cases) at Toll Post, Lakhenpur as on January 2003. Of these, Rs 3.24 crore (50 cases) were in arrears up to five years and balance Rs 29.56 crore (93 cases) for more than five years.

6.2.33 In 76 cases (Rs 4.80 crore) though notices for recovery were issued, the provisions of the Act relating to disallowance of the passage of goods of these defaulters had not been invoked by the Department (October 2003).

Delay in crediting of toll revenue to Government

6.2.34 Toll collected at various toll posts is to be remitted by the concerned incharge toll posts to the designated branches of the Jammu and Kashmir Bank at the end of each day which in turn are to transfer the collections to the main branch (Town Hall Jammu) at the end of each week. The Town Hall branch is to credit the entire balance to government account at the close of business of each day. The Department had, however, not evolved any monitoring mechanism for ensuring timely transfer/credit of the toll revenue to government account.

6.2.35 Test-check further revealed that toll revenues ranging between Rs 8 lakh and Rs 24.46 crore were retained by Gandhinagar and Lakhenpur branches of the bank for periods ranging between 1 and 31 days during the period from 1998-99 to 2002-03. At Town Hall branch, amounts ranging between Rs 32 lakh and Rs 22.29 crore were retained for periods ranging between 1 and 38 days during 2000-01 and 2001-02. Timely transfer of the amounts to government account by the bank would have resulted in reduction in government overdraft and consequential saving of interest of Rs 2.62 crore. On this being pointed out, the Excise Commissioner stated in March 2003 that management of bank would be requested to ensure timely transfer of toll collections to government account.

Internal audit

6.2.36 The Deputy Excise Commissioner (Accounts) Jammu also designated as Officer Incharge Audit (Internal) is required to formulate annual plan for conducting internal audit of units. Neither annual audit plans were drawn up nor periodicity for audit fixed.

6.2.37 Internal audit of main Toll Post at Lakhenpur was in arrears for over five years. Other[#] test-checked toll posts were audited only once during 1998-2003.

♣ Includes interest of Rs 20.50 crore.

\# Nagrota, Manwal, Railway Station, Bari Brahmana, Railway Station, Jammu.

Other points

Discrepancy in figures of export of fresh fruit

6.2.38 The vehicles coming from valley laden with goods which include fresh fruit and destined for export, first arrive at Toll Post Lower Munda (Kashmir Division). After crossing various toll posts, these vehicles finally arrive at last exit point viz., Toll Post Lakhenpur. The quantity of goods subjected to weighment at Toll Post Lower Munda should the same as the quantity recorded at Toll Post Lakhenpur. It was, however, noticed that against 58.87 lakh quintals of fresh fruit destined for export as per the records of Toll Post Lower Munda during 2001-02, 56.63 lakh quintals had been shown exported in the records of Toll Post Lakhenpur. The reasons for the discrepancy involving toll of Rs 69.56 lakh were not intimated (October 2003).

Recommendations

6.2.39 With a view to improving the levy and collection of toll tax and to check leakage and evasion of toll tax through effective internal control, Government may consider following steps:

(i) Provide for coordination between the Sales Tax and Industries and Commerce Departments and Railways to prevent leakage of revenue;

(2) Clearly monitor timely credit of revenue to Government Account;

(3) Ensure departmental weigh-bridges are functional for correct assessment of toll and various control records required at toll posts are maintained for correct assessment/realisation of toll.

6.2.40 The above points were referred to Government/Department in (May 2003); their reply had not been received (October 2003).

Section-B-Audit Paragraphs

Finance Department

6.3 Suppression of turnover

The Assessing Authority failed to detect the suppression of turnover which resulted in short levy of tax, penalty and interest aggregating Rs 16 lakh.

Jammu and Kashmir General Sales Tax Act, 1962 (J&KGST Act, 1962) provides that every registered dealer shall submit a true and correct return of his turnover in such a manner as may be prescribed by the Act. In case the dealer has failed to furnish the correct return of his turnover without reasonable cause, the Assessing Authority shall, in addition to tax payable by him, levy penalty which shall not be less than the amount of tax evaded. In addition, interest at prescribed rates is also leviable on the tax evaded from the date it was payable to the date of actual payment.

Test-check of the records of Sales Tax Circle 'C' Jammu, revealed that a dealer by making incorrect totalling of sale turnover for the 3rd quarter of the accounting year 1995-96, suppressed it by Rs 11.83 lakh. The Assessing Authority while assessing the dealer in February 2000, failed to detect the discrepancy which resulted in short levy of tax, penalty and interest aggregating Rs 16 lakh.

On this being pointed out in audit, the Assessing Authority raised a demand for Rs 16 lakh against the dealer in September 2002. A recovery certificate to recover the aforementioned amount was also issued to dealer in June 2003.

The matter was referred to Government/Department in April 2003; reply had not been received (October 2003)

6.4 Concealment of turnover

Failure of the Assessing Authority to detect the concealment of inter-state purchases resulted in short levy of tax, penalty and interest aggregating Rs 19.35 lakh.

J&KGST Act, 1962 and rules made thereunder provide that every dealer shall submit a true and correct return of his turnover in such a manner as prescribed under the Act. Where a dealer has without any cause, failed to furnish the correct return of his turnover or concealed the purchases, the Assessing Authority shall direct him to pay, in addition to the tax payable by him, penalty of not less than the tax evaded and not exceeding double the amount of tax evaded. The dealer is also liable to pay interest on tax due at the prescribed rates.

Test-check of records of the Sales Tax Circle, Sopore revealed that a dealer had concealed turnover of Rs 28.95 lakh in his trading account for the year 1994-95. The Assessing Authority while assessing in August 1999 failed to detect the concealment which resulted in short levy of tax, interest and penalty (minimum) aggregating to Rs 11.49 lakh.

On this being pointed out in audit, the Assessing Authority re-assessed the dealer in June 2002 and raised an additional demand of Rs 14.14 lakh. An amount of Rs 2.51 lakh had been recovered from the dealer and recovery of the balance amount was awaited (October 2003).

Test-check of records of Sales Tax Circle "C" Jammu revealed that a dealer dealing in edible oil concealed sales worth Rs 14.21 lakh by manipulating his trading account for the year 1995-96. The Assessing Authority while assessing the dealer to tax for the year failed to detect the concealment which resulted in short levy of tax, penalty and interest aggregating Rs 5.21 lakh. On this being pointed out in audit, the Assessing Authority raised a demand of Rs 5.21 lakh in December 2002. The amount had not been recovered (October 2003).

The matter was referred to Government/Department in March/April 2003; reply had not been received (October 2003).

6.5 Short levy of tax due to misclassification of turnover

The Assessing Authority failed to detect the misclassification of turnover by a dealer which resulted in short levy of tax and interest aggregating Rs 11.51 lakh.

J&KGST Act, 1962 and rules made thereunder provide that every dealer shall submit a true and correct return of his turnover in such a manner as prescribed under the Act. Where a dealer has without any cause, failed to furnish the correct return of his turnover or concealed the purchases, the Assessing Authority shall direct him to pay in addition to the tax payable by him, penalty of not less than the tax evaded and not exceeding double the amount of tax evaded. The dealer is also liable to pay interest on tax due at prescribed rates. The rate of sales tax on drugs and medicines was increased from four to eight *per cent* with effect from 22 August 1994.

Test-check of records of Sales Tax Circle, Sopore, revealed that a dealer reflected reduced turnover of Rs 1.33 crore against actual turnover of Rs 1.92 crore taxable at eight *per cent* by correspondingly increasing the turnover taxable at the lower rate (four *per cent*) in his trading account for the year 1994-95. While making assessment in April 2000, the Assessing Authority failed to detect the misclassification of the turnover which resulted in short levy of tax, interest and penalty aggregating to Rs 11.51 lakh.

On this being pointed out in audit, the Assessing Authority raised an additional demand of Rs 11.51 lakh against the dealer in June 2002. An amount of Rs 2.25 lakh had been recovered from the dealer. Progress of the recovery of the balance amount was awaited (October 2003).

The matter was referred to Government/Department in March 2003; reply had not been received (October 2003).

6.6 Incorrect computation of tax

Incorrect computation of tax by the Assessing Authority resulted in short levy of tax and interest aggregating Rs 1.06 lakh.

The J&KGST Act, 1962 provides that if a dealer has not filed his return before the date prescribed or specified in this behalf, the Assessing Authority shall proceed to assess to the best of his judgement the amount of tax if any, due from the dealer. For non-payment of tax, interest at prescribed rates on the unpaid tax, is also chargeable.

Test-check of records of Sales Tax Circle, Sopore revealed that a dealer had not filed his return for the accounting year 1993-94. He was assessed in January 1998 on best judgement basis on a turnover of Rs 25 lakh. The Assessing Authority, however, computed the tax and interest on a turnover of Rs 21 lakh only in March 1998. This resulted in short levy of tax and interest aggregating Rs 1.06 lakh.

On being pointed out in audit, the Assessing Authority raised an additional demand of Rs 1.06 lakh in March 2002, which had not been paid by the dealer as of October 2003.

The matter was referred to Government/Department in March 2003; reply had not been received (October 2003).

6.7 Short levy of tax

There was short levy of tax due to allowance of exemption on sale of goods/repair-sale not covered by certificate of registration.

The goods manufactured and sold during the course of inter-state trade and commerce as well as those sold within the State by Small Scale Industries (SSI) unit registered with the Industries and Commerce Department are exempt from levy of Central Sales Tax and General Sales Tax. The raw material sold by a dealer to an industrial unit within the state is also exempt from tax under the provisions of the J&KGST Act, 1962.

Test-check of records of the Assessing Authority, Sales Tax Circle "I", Jammu revealed that a dealer (SSI unit) registered for manufacturing of

"distribution transformers" claimed exemption on sale of transformer tanks (including scrap) and repair-sale of transformers valued at Rs 28.08 lakh which were not covered by certificate of registration. While making assessment in March 2002, the Assessing Authority failed to detect the irregularity which resulted in short levy of tax and interest aggregating Rs 6.14 lakh.

On this being pointed out in audit the Assessing Authority raised a demand for Rs 7.82 lakh in June 2003 against the dealer. Progress of recovery was awaited (October 2003).

The matter was referred to Government/Department in May 2003; reply had not been received (October 2003).

6.8 Non-levy of penalty

Failure of the Assessing Authority to detect purchase and sale of goods by a dealer not covered under the certification of registration resulted in non-levy of penalty of Rs 1.75 lakh.

Under the provisions of Central Sales Tax Act, 1956, if a registered dealer while purchasing any class of goods in the course of inter-state trade or commerce falsely represents that the goods of such class are covered by his certificate of registration, the competent authority may impose upon him by way of penalty, a sum not exceeding one and half times the tax which would have been levied in respect of such goods.

Test-check of records of Sales Tax Circle "A" Jammu revealed that a dealer purchased and sold confectionery items (tofees) and spices valued at Rs 11.68 lakh in his inter-state trade during 1998-99 which were not covered by his certificate of registration. The Assessing Authority, while making assessment in April 2000 failed to detect the irregularity resulting in non-levy of penalty of Rs 1.75 lakh.

On this being pointed out the Assessing Authority raised a demand in June 2003 for Rs 0.20 lakh only thereby foregoing revenue of Rs 1.55 lakh. The progress of recovery of was awaited (October 2003).

The matter was referred to Government/Department in May 2003; reply had not been received (October 2003).

Law Department

6.9 Short recovery of stamp duty

There was short recovery of stamp duty due to application of lesser rates.

Under the Jammu and Kashmir Stamp Act, 1920 stamp duty at three times the prescribed rate is chargeable on every instrument of conveyance of immovable property provided such property is situated within municipal limits. The rates of stamp duty were enhanced by the Government from 3 April 2000.

Test-check of the records of the Sub Registrar, Jammu (North) revealed that in 71 cases of conveyance of immovable property situated within municipal limits of Jammu and registered in April 2000, stamp duty was levied at lesser rates resulting in short-levy of Rs 7.58 lakh.

On this being pointed out in audit, the Registering Officer stated in August 2002 that notices would be issued to effect the recovery. Further action in the matter was awaited (October 2003).

The matter was referred to Government/Department in May 2003; reply had not been received (October 2003).

Revenue Department

6.10 Non/short realisation of licence/renewal licence fee

Tehsildar, Anantnag did not recover licence fee and renewal licence fee at revised rate from brick kiln licensees which resulted in short realisation of revenue of Rs 6.99 lakh.

Under Construction of Brick Kilns and Preparation of *Surkhi*, Lime and Plaster of Paris Rules, 1912 licence fee and renewal licence fee of Rs 12 each per annum was to be paid by each licensee for operating a kiln. In July 1990, the Government increased the rates of licence fee and renewal licence fee to Rs 5000 and Rs 2000 per annum respectively.

Audit scrutiny of the records of Tehsildar, Anantnag in Kashmir Division, however, revealed that licence fee was not realised in eight cases and renewal licence fee was realised at the pre-revised rate in 32 cases from July 1990 to March 2002. This resulted in short realisation of licence/renewal licence fee of Rs 6.99 lakh.

On being pointed out in audit, the Tehsildar recovered an amount of Rs 0.77 lakh and stated in October 2003 that balance amount will be recovered.

The matter was referred to Government/Department in May 2003; reply had not been received (October 2003).

Chapter-VII

Commercial Activities

Section-I

Overview of Government companies and Statutory corporations

Introduction

7.1.1 As on 31 March 2003, there were 20 Government companies (19 working and one non-working company*) and four working Statutory corporations (the position being same as on 31 March 2002) under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit, conducted by the CAG as per provisions of Section 619 (4) of the Companies Act, 1956. Audit of Jammu and Kashmir State Electricity Board (SEB), established by an Act of the State Legislature in 1971, had not been entrusted (October 2003) to CAG. The Board is now being considered for abolition by the Government. The audit arrangements of the remaining three Statutory corporations are as shown below:

Table No. 7.1

S.No	Name of the corporation	Authority for audit by the CAG	Audit arrangements
1.	Jammu and Kashmir State Forest Corporation	Section 19 (3) of the CAG (DPC) Act, 1971	Sole audit by CAG
2.	Jammu and Kashmir State Road Transport Corporation	Section 33 (2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
3.	Jammu and Kashmir State Financial Corporation	Section 37 (6) of the State Financial Corporations Act, 1951	Chartered accountants and supplementary audit by CAG

Working Public Sector Undertakings (PSUs)

7.1.2 Investment in working PSUs

The total investment in 23 working PSUs (19 Government companies and four Statutory corporations) at the end of March 2002 and March 2003 was as follows:

* Non-working company is that which is under the process of liquidation/merger, etc.

Table No. 7.2

(Rupees in crore)

Year	Number of PSUs	Investment by way of		
		Equity	Loan	Total
2001-02	23	407.75	2321.87	2729.62
2002-03	23	421.08	2466.82	2887.90

Sector-wise investment in Government companies and Statutory corporations

7.1.3 The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2003 and 31 March 2002 are indicated below in the pie charts:

Chart-7.1

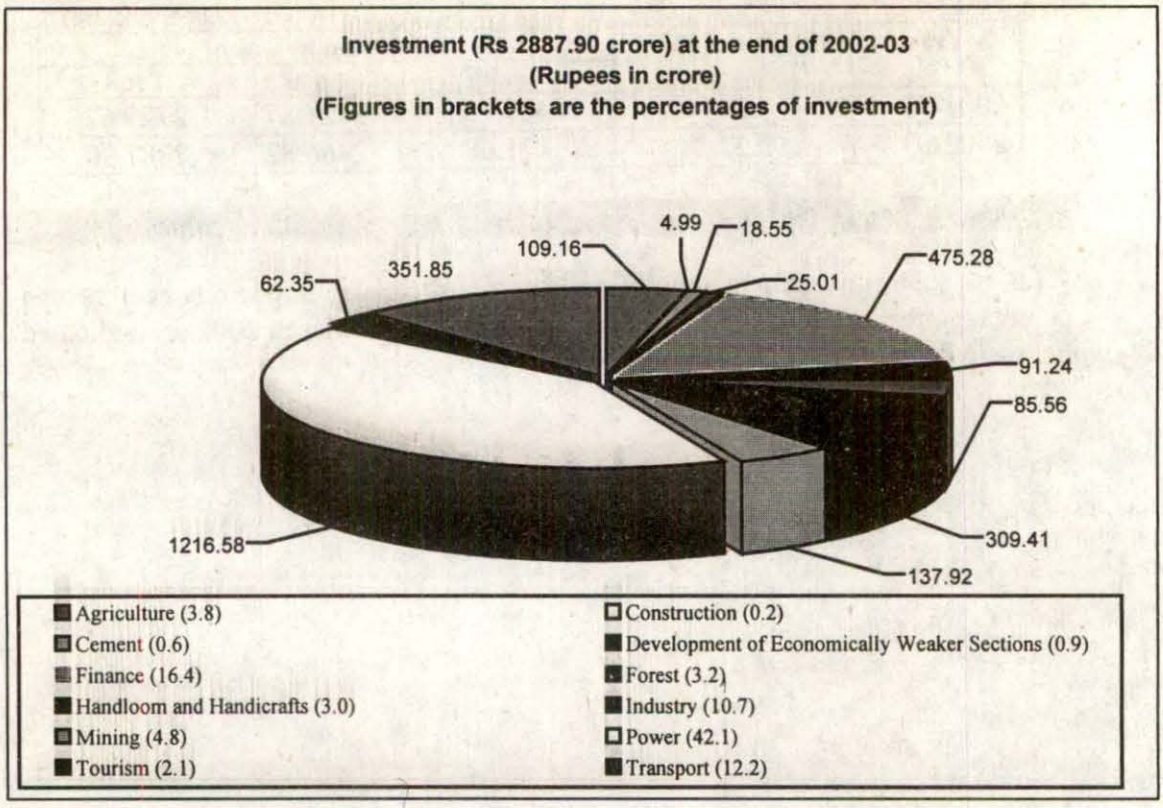
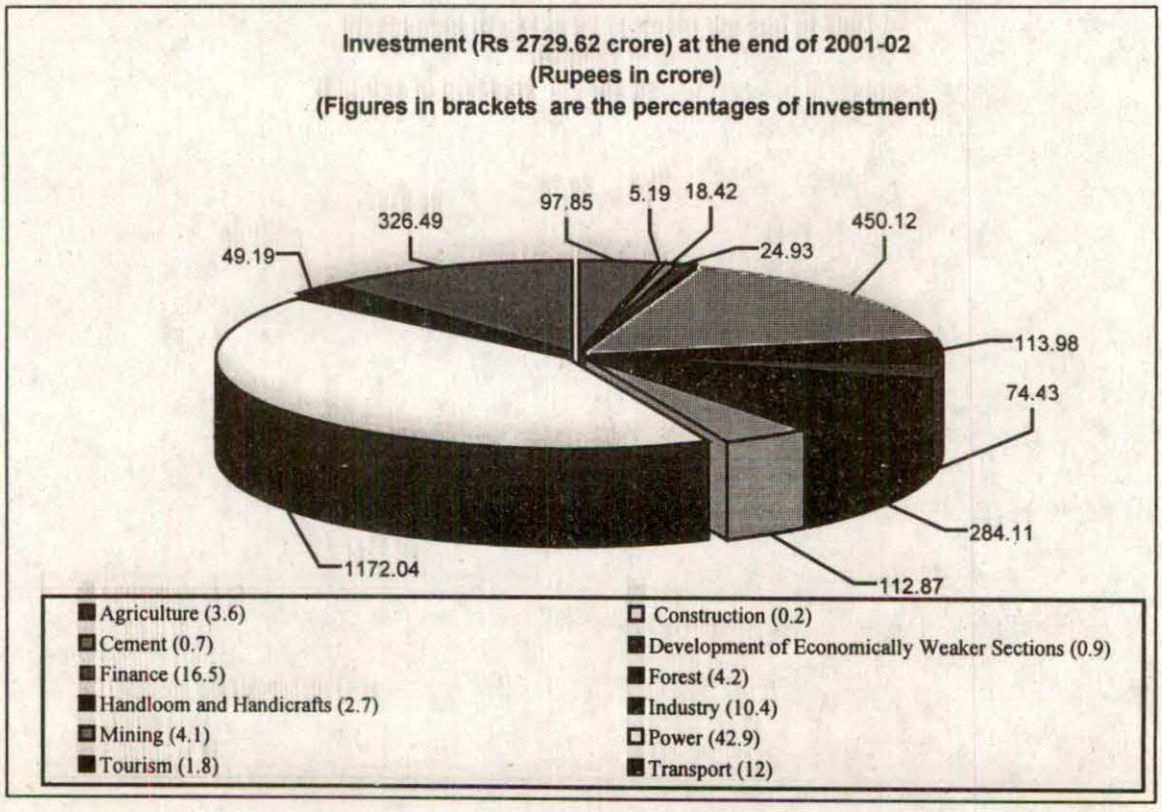


Chart-7.2



Working Government companies

7.1.4 Total investment in 19 working companies as on 31 March 2002 and March 2003 was as follows.

Table No. 7.3

(Rupees in crore)

Year	Number of Government companies	Investment		
		Equity	Loan	Total
2001-02	19	229.09	1598.73	1827.82
2002-03	19	242.42	1752.57	1994.99

The summarised statement of Government investment in these companies in the form of equity and loan is detailed in the *Appendix*-12.

As on 31 March 2003, the total investment in these companies comprised 12 *per cent* equity capital and 88 *per cent* loan compared to 13 *per cent* equity capital and 87 *per cent* loan as on 31 March 2002.

The debt-equity ratio of these companies increased from 6.98 in 2001-02 to 7.23 in 2002-03 mainly due to net increase (Rs 153.85 crore)* in the long-term borrowings in Agriculture (Rs 11.32 crore), Industry (Rs 25.30 crore), Handloom and Handicrafts (Rs 11.01 crore), Mining (Rs 25.05 crore), Power (Rs 49.80 crore) and Finance (Rs 31.37 crore) sectors.

Working Statutory corporations

7.1.5 Total investment in four working Statutory corporations at the end of March 2002 and March 2003 was as follows:

Table No. 7.4

(Rupees in crore)

S.No.	Name of corporations	2001-02		2002-03	
		Capital	Loan	Capital	Loan
1.	Jammu and Kashmir State Electricity Board	Nil	243.90	Nil	238.64
2.	Jammu and Kashmir State Road Transport Corporation	105.83	220.66	105.83	246.02
3.	Jammu and Kashmir State Financial Corporation	63.80	153.64	63.80	147.39
4.	Jammu and Kashmir State Forest Corporation	9.03	104.95	9.03	82.20
	Total	**178.66**	**723.15**	**178.66**	**714.25**

As on 31 March 2003, the total investment in Statutory corporations comprised 20 *per cent* equity capital and 80 *per cent* loan (the position being same as on 31 March 2002).

* There was also marginal increase of Rs 70 lakh in Cement and Tourism Sectors and decrease of Rs 71 lakh in Construction and Development of Economically Weaker Sections of Society sectors.

The debt-equity ratio decreased from 4.05 in 2001-02 to 4 in 2002-03 due to decrease in long-term borrowings by Rs 8.90 crore during the current year. The summarised statement of the Government investment in these Statutory corporations in the form of equity and loan is detailed in *Appendix*-12.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversions of loans into equity

7.1.6 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the Central and the State Governments to working Government companies/Statutory corporations are given in *Appendices*-12 and 14.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the Central and the State Governments to the working Government companies/Statutory corporations for the three years up to 2002-03 are given below:

Table No.7.5

(Rupees in crore)

	2000-01				2001-02				2002-03			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital from budget	5	1.18	1	3.37	5	1.37	1	0.45	5	13.29	-	-
Loans given from budget	5	83.74	1	25.60	2	3.72	1	19.20	5	9.94	1	20.45
Grants towards projects, programmes/ schemes	7	135.73	1	8.50	7	24.75	-	-	5	16.99♣	-	-
Subsidy	2	4.70	-	-	5	7.00	-	-	4	1.29♦	-	-
Total outgo	**14**	**225.35**	**1**	**37.47**	**12**	**36.84**	**1**	**19.65**	**11**	**41.51**	**1**	**20.45**

During the year 2002-03, Government guaranteed loans aggregating Rs 29.39 crore obtained by two working Government companies (Rs 4.37 crore) and one working Statutory corporation (Rs 25.02 crore). At the end of the year, guarantees of Rs 1127.71 crore against nine working Government companies (Rs 808.02 crore) and three working Statutory corporations (Rs 319.69 crore)

♣ Jammu and Kashmir Small Scale Industries Development Corporation Limited :Rs 76 lakh, Jammu and Kashmir State Industrial Development Corporation Limited: Rs 13.49 crore (Central Government: Rs 8.25 crore; State Government: Rs 5.24 crore) Jammu and Kashmir State Handloom Development Corporation Limited: Rs 1.51 crore (Central Government: Rs 74 lakh; State Government Rs 77 lakh), Jammu and Kashmir State Handicrafts (Sales and Export) Development Corporation Limited :Rs 92 lakh (Centre Government), Jammu and Kashmir Tourism Development Corporation Limited :Rs 31 lakh (Centre Government).

♦ Jammu and Kashmir Horticultural Produce Marketing and Processing Corporation Limited: Rs 25 lakh, Jammu and Kashmir Small Scale Industries Development Corporation Limited: Rs 20 lakh, Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited: Rs 34 lakh and Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited: Rs 50 lakh.

were outstanding. No dues were waived off by Central/State Governments during 2002-03. Details of subsidy given, guarantees received/outstanding are indicated in the *Appendix*-14.

Finalisation of accounts by working PSUs

7.1.7 The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. These are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. However, as could be noticed from *Appendix*-13, out of 19 companies and three Statutory corporations, only one company had finalised its accounts for the year 2002-03 within stipulated period. During the period from October 2002 to September 2003, 11 Government companies finalised 12 accounts for previous years. Similarly, during this period, two Statutory corporations finalised two accounts for the previous years.

The accounts of 18 working Government companies and three Statutory corporations were in arrears for period ranging from one to 18 years as on 30 September 2003 as detailed below.

Table No. 7.6

S.No.	Year from which accounts are in arrears	Number of years for which accounts are in arrears	Number of companies/corporations		Reference to Serial No. of *Appendix*-13	
			Companies	Statutory corporations	Companies	Statutory corporations
1.	1985-86	18	1	-	4	-
2.	1986-87	17	1	-	11	
3.	1987-88	16	1	-	1	-
4.	1989-90	14	1	-	16	-
5.	1990-91	13	1	-	10	
6.	1992-93	11	2	-	2,9	-
7.	1993-94	10	3	-	8,13,17	-
8.	1994-95	9	1	-	14	-
9.	1995-96	8	3	-	5,15,7	-
10	1996-97	7	2	1	3,18	3
11	1998-99	5	1	-	12	-
12.	2000-01	3	1	-	6	-
13.	2001-02	2	-	1	-	1
14.	2002-03	1	-	1	-	2
	Total	-	**18**	**3**		

It is the responsibility of the administrative departments to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the

Government were apprised quarterly by the Accountant General regarding the arrears in finalisation of accounts, no significant clearance of arrears was achieved in the current year. As a result net worth of these PSUs could not be assessed in audit.

Financial position and working results of working PSUs

7.1.8 The summarised financial results of working PSUs (Government companies and Statutory corporations), as per their latest finalised accounts are given in *Appendix*-13. Besides, statements showing financial position and working results of individual working Statutory corporations for the latest three years for which accounts were finalised are given in *Appendices*-15 and 16, respectively.

According to the latest finalised accounts of 19 working Government companies and three Statutory corporations, 10 companies* and two# Statutory corporations had incurred aggregate losses of Rs 38.16 crore and Rs 51.92 crore, respectively and five companies@ had earned profit of Rs 339.40 crore. Financial position and working results in respect of four♥ companies and two Statutory corporations (Jammu and Kashmir State Forest Corporation and Jammu and Kashmir State Electricity Board) could not be assessed in audit due to non-receipt of their accounts.

Working Government companies

Profit earning companies and dividend

7.1.9 Only one company (Jammu and Kashmir Bank Limited) which finalised its accounts for 2002-03, earned profit of Rs 337.75 crore and declared dividend of Rs 29.10 crore. The dividend, as percentage of the share capital of Rs 48.20 crore of the Company worked out to 60.37 *per cent*. As a percentage of total equity capital of Rs 208.22 crore invested by the State Government in 19 working Government companies during 2002-03, it worked out to 13.98 *per cent* as against 12.44 *per cent* in the previous year. Two more companies (Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited and Jammu and Kashmir State Handloom Development Corporation Limited) which finalised their accounts for the years 1992-93 and 1994-95, respectively during 2003-04 earned aggregate profit of Rs 1.44 crore. However, these two companies did not declare any dividend.

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* S.No. 1, 2, 3, 5, 6, 8, 9, 10, 11 and 15 of *Appendix*-13.

\# S.No. 1 and 2 of *Appendix*-13.

@ S.No. 4, 7, 13, 16 and 19 of *Appendix*-13.

♥ S.No. 12, 14, 17 and 18 of *Appendix*-13.

Loss incurring working Government companies

7.1.10 Of the 10 loss-incurring working Government companies, six had accumulated losses aggregating Rs 163.64 crore which exceeded their aggregate paid-up capital of Rs 39.19 crore by Rs 124.45 crore as per their latest available accounts.

Despite their poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of loan, equity, etc. According to available information, financial support so provided by the State Government during 2002-03 to four of these six companies amounted to Rs 9.92 crore.

Working Statutory corporations

7.1.11 As per their latest finalised accounts, the two working Statutory corporations had accumulated losses aggregating Rs 581.39 crore which exceeded their aggregate paid-up capital of Rs 169.18 crore by Rs 412.21 crore. Despite their poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to these corporations in the form of equity, loan, etc. According to available information, financial support so provided by the State Government during 2002-03 to one of these corporations amounted to Rs 20.45 crore.

Operational performance of working Statutory corporations

7.1.12 The operational performance of working Statutory corporations is given in *Appendix*-17.

Return on capital employed

7.1.13 As per the latest finalised accounts, the capital employed worked out to Rs 10674.19 crore in 19 working companies and return thereon amounted to Rs 1217.96 crore (11.41 *per cent),* as compared to return of Rs 1155.59 crore (12.33 *per cent*) in the previous year (accounts finalised up to September 2002). Similarly, the capital employed and return thereon in case of working Statutory corporations as per the latest finalised accounts worked out to Rs 135.15 crore and minus Rs 20.83 crore, respectively against the return of minus Rs 14.15 crore in previous year (accounts finalised up to September 2002). The details of capital employed and return thereon in case of working Government companies and Statutory corporations are given in *Appendix*-13.

Non-working PSUs

Investment in non-working PSUs

7.1.14 As on 31 March 2003, the total investment in the non-working Government company (Tawi Scooters Limited) was Rs 1.64 crore by way of

equity (Rs 81 lakh) and long-term loans (Rs 83 lakh). Finalisation of the accounts of the Company was in arrears since 1990-91. The Company was under the process of liquidation with the Jammu and Kashmir State Industrial Development Corporation Limited since 1990. The process had not been completed as of August 2003. The State Government during the three years from 2000-01 to 2002-03 incurred an expenditure of Rs 7.92 lakh on its establishment. Expeditious action for liquidation of the company was necessary to avoid further non-productive expenditure. The summarised financial results of the Company, as per latest finalised accounts are given in *Appendix*-13.

Status of placement of Separate Audit Reports of Statutory corporations in Legislature

7.1.15 The following table indicates the status of placement of Separate Audit Reports (SARs) on the accounts of Statutory corporations, issued by the Comptroller and Auditor General of India, in the Legislature by the Government:

Table No. 7.7

S.No.	Name of the Statutory Corporation	Year up to which SARs placed in the Legislature
1.	Jammu and Kashmir State Road Transport Corporation	2000-01
2.	Jammu and Kashmir State Financial Corporation	2001-02

Results of audit by Comptroller and Auditor General of India

7.1.16 During October 2002 to September 2003, eleven Government companies and above mentioned two Statutory corporations were selected for review. The net impact of the important audit observations as a result of the review was as follows:

Table No. 7.8

Details	Number of accounts		(Rupees in lakh)	
	Companies	Corporations	Companies	Corporations
Increase in loss	3	2	33.59	375.63

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above companies and corporations are mentioned below:

Errors and omissions noticed in case of Government companies and corporations

7.1.17 Jammu and Kashmir State Road Transport Corporation (2000-01)

- The Corporation did not provide in its accounts, interest liability of Rs 3.12 crore payable on contributory/general provident funds balances (including state life insurance) for 1991-92 to 2000-01. This resulted in understatement of loss to that extent.

- The Corporation had not made any provision in its accounts, for Rs 39 lakh payable by it to the Srinagar municipality on account of the rent of city services yard resulting in understatement of loss.

- Liability and loss was understated to the extent of Rs 13 lakh by not making provision in the accounts for certain items of revenue expenditure.

- Against Rs 1.21 crore payable by the Corporation as audit fee for the period September 1976 to March 2001, provision for Rs 81 lakh only was made in its accounts. This resulted in understatement of expenditure/loss by Rs 40 lakh.

Jammu and Kashmir State Financial Corporation (2001-02)

7.1.18 Rupees 37.49 lakh written off by the Corporation under "Rehabilitation-cum-Settlement Scheme-1998" were charged to profit and loss account instead of "Reserve for bad and doubtful debts". This resulted in overstatement of loss to that extent.

Jammu and Kashmir Handloom Development Corporation Limited (1994-95)

7.1.19 The Company charged off inventory of Rs 18.20 lakh lost by way of theft/burglary for which claim had been lodged with an insurance company. The amount was charged off and simultaneously shown as income in Profit and Loss account without receiving any amount from the insurance company. This resulted in overstatement of profit to that extent.

Persistent irregularities and system deficiencies in financial matters of PSUs

7.1.20 Following irregularities and system deficiencies in financial matters of Jammu and Kashmir State Road Transport Corporation had been repeatedly pointed out during the course of audit of accounts, but the Corporation did not take any corrective action.

(a) Non-maintenance of proper accounts and other records according to the format prescribed (August 1967) by the CAG under Section 33 (ii) of the Road Transport Corporations Act, 1950.

(b) Non-maintenance of control/financial ledgers.

(c) Non-operation of inter-unit adjustment accounts for adjustment of advances, transfer of stores, etc.

(d) Non-segregation of book debts as, good, bad and doubtful.

(e) Abnormal delay in recoveries, adjustment of balances under advances, deposits, etc.

(f) Non-maintenance of assets register.

Recommendations for closure of PSUs

7.1.21 Even after completion of 26 to 35 years of their existence, the turnover of five* working companies had been less than Rs 5 crore in each of the preceding five years of their latest finalised accounts. Of these, three** companies had been incurring losses for five consecutive years leading to negative net worth. Besides, two# working Statutory corporations had been incurring losses for five consecutive years leading to negative net worth. In view of poor turnover and continuous losses, Government may either improve performance of these PSUs or consider their closure.

Disinvestment of Public Sector Undertakings

7.1.22 Board of Directors of only one Government company viz. Jammu and Kashmir Tourism Development Corporation Limited in its various meetings (held on September 1997, September 1998 and June 1999) desired to consider privatisation, joint venture or sale of its loss-making units. However, the Company had taken no action in this direction as of March 2003.

Response to Inspection Reports, draft paragraphs and reviews

7.1.23 Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2003 pertaining to 20 PSUs disclosed that 2683 paragraphs relating to 802 Inspection Reports remained outstanding at the end of September 2003. Of these, 777

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* Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited, Jammu and Kashmir Handicrafts (Sales and Export) Corporation Limited, Himalayan Wool Combers Limited, Jammu and Kashmir State Industrial Development Corporation Limited and Jammu and Kashmir State Tourism Development Corporation Limited.

** Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited, Himalayan Wool Combers Limited, Jammu and Kashmir Handicrafts (Sales and Export) Corporation Limited.

\# Jammu and Kashmir State Financial Corporation and Jammu and Kashmir State Road Transport Corporation.

Inspection Reports containing 2597 paragraphs had not been replied to for more than five years. Department-wise break-up of Inspection Reports and audit observations outstanding as on 30 September 2003 is given in *Appendix*-18.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. However, out of three draft paragraphs and one draft review forwarded to the departments concerned during March-July 2003 (detailed in *Appendix-19),* no reply was received (October 2003).

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who fail to send replies to Inspection Reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment is taken in a time bound schedule, and (c) the system of responding to the audit observations is revamped.

Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

7.1.24 The status of reviews/paragraphs of Commercial Chapter pending discussion as on 31 March 2003 is shown below:

Table No. 7.9

Period of Audit Report	Number of reviews and paragraphs appeared in Commercial Chapter of Audit Report		Number of reviews and paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1990-91	1	4	1	2
1991-92	3	2	2	2*
1992-93	2	1	1	-
1993-94	1	2	1*	-
1994-95	3	1	1*	-
1996-97	2	1	2*	1*
1997-98	1	1	1*	1*
1998-99	2	4	2*	1
1999-2000	2	3	2*	2
2000-01	1	3	1	3
2001-02	1	4	1	4
Total:	**19**	**26**	**15**	**16**

* Partly discussed.

Section-A-Review

Tourism Department

7.2 Jammu and Kashmir Tourism Development Corporation Limited

The Jammu and Kashmir Tourism Development Corporation Limited (Company) was incorporated in February 1970 as a wholly owned Government company with the objectives of promoting and operating schemes for development of tourist traffic to the State.

Highlights

- **The Company had finalised its accounts up to 1988-89 only. As per provisional accounts the accumulated loss of the Company stood at Rs 7.85 crore (March 2003) representing 242 *per cent* of its paid-up capital.**

(Paragraph: 7.2.7)

- **The number of units incurring losses increased from 29 (1998-99) to 39 (2002-03) and the total operational losses suffered by these units aggregated Rs 7.45 crore during 1998-2003. Of the loss-making units, 18 units suffered losses continuously for the last five years.**

(Paragraph: 7.2.8)

- **The shortfall in achievement of targets of room occupancy ranged between 7 and 28 *per cent* during 1998-2003. The room occupancy by the tourists declined steadily from 52 to 34 *per cent* during this period.**

(Paragraph: 7.2.9)

- **Against the norm of maintaining food costs at 40 *per cent* of the total sales, these were on higher side in respect of 38 units during various periods between 1997-2002. The extra expenditure on this account aggregated Rs 43.03 lakh.**

(Paragraph: 7.2.13)

- **The Company suffered loss of Rs 1.03 crore during 1997-2002 on running departmental canteens, not connected with development of tourism in the State.**

(Paragraph: 7.2.15)

- **Despite measures of freezing appointments and reversion of deputationists to their parent offices approved (July 1999) by the Board, the Company engaged 139 daily rated/fixed wage workers between 1999-2002 on whom expenditure on wages aggregated Rs 1.05 crore up to March 2003. Action to revert deputationists to their parent offices was also not taken.**

(Paragraph: 7.2.18)

- **The balances under sundry debtors at the end of 2002-03 aggregated Rs 50.75 lakh, of which Rs 6.21 lakh were outstanding against employees who were no longer in service of the Company.**

(Paragraph: 7.2.20)

- **Injudicious decision of the Company to shift its regional office from its existing site to new location resulted in wasteful expenditure of Rs 28.85 lakh.**

(Paragraph: 7.2.17)

Introduction

7.2.1 The Jammu and Kashmir Tourism Development Corporation Limited (Company) was incorporated in February 1970 as a wholly owned Government company.

The main objectives of the Company are to:

- carry on business as tourist and travel agents by providing facilities of all kinds, to the tourists,
- establish, construct, lease out or acquire on its own hotels, clubs, restaurants and tourist bungalows, and
- promote and operate schemes for development of tourist traffic to the State.

For achieving these objectives, the Company operates hotels, tourist bungalows, hutments, and cafeteria.

Organisational set up

7.2.2 The management of the Company is vested in a Board of Directors comprising eight directors (five officials and three non-officials[@]) including the

[@] Non-official members comprise President of Travel Agents Society of Kashmir and President, Chamber of Commerce, Srinagar/ Jammu.

Managing Director appointed by the State Government. The Minister, Tourism Department is *ex-officio* Chairman of the Board and the Managing Director is the Chief Executive of the Company. The overall administrative control of the Company lies with the Tourism Department.

The Board had met on six occasions only during 1998-2003 against twenty meetings required to be held.

Scope of Audit

7.2.3 The performance of the Company covering the five-year period 1992-1997 had featured in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997 (Para 7.7) which was discussed by Committee on Public Undertakings (COPU) in July 1999 and December 2002.

The present review conducted during October 2002 to March 2003 covers the activities of the Company during the five years 1998-99 to 2002-03, based on test-check of 14* out of 69 units (excluding 18 non-functional units as on March 2003). Important audit findings noticed as a result of test-check are set out in the succeeding paragraphs:

Funding

Capital structure

7.2.4 The Company had an authorised capital of Rs five crore, against which its paid-up capital as on 31 March 2003 was Rs 3.24 crore, fully contributed by the State Government. Additional funds of Rs 20.27 crore$ were released by the Government to the Company during 1975-76 to 2002-03 which was booked as 'share capital suspense' pending enhancement of authorised share capital.

Borrowings

7.2.5 The Company obtained loans aggregating Rs 4.26 crore from the State Government between September 1983 and March 1994 for renovation and up-gradation of its establishments, for which terms and conditions had not been fixed (March 2003). The loan was outstanding as of March 2003.

The Company also raised (January 2000) loan of rupees one crore from the Jammu and Kashmir Bank Limited for which no repayment schedule had been fixed. As per decision of the Board, the amount was to be utilised for repairs/upgradation of Hotel Heemal. Audit scrutiny revealed that only Rs 2.46 lakh was spent on repairs/upgradation of the hotel and the balance

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* MD's Office, Regional Office, Jammu, Tourist Reception Centres, Jammu/Srinagar/Katra; Wazwan Restaurant, Transport unit Jammu/Srinagar, Tourist Bungalow Katra, *Yatri Niwas* Katra; Jajjar Kotli Complex, Baghi-i-Bahu, Nun-Kun Restaurant and Floating Restaurant.

$ Up to 1996-97: Rs 11.57 crore; 1997-98 to 2002-03: Rs 8.70 crore.

amount was diverted to other construction/maintenance works (Rs 77.46 lakh), release of deposits to contractors (Rs 16.27 lakh) and for payment of interest (Rs 3.70 lakh). As of March 2003, the Company had liability of Rs 62.40 lakh on this account towards the bank.

Locking up of central funds

7.2.6 The Company received Rs 62.95 lakh between March 1998 and November 2001 from the Central Government for implementation of four schemes* for augmentation/upgradation of tourist infrastructure in the State. As of March 2003, none of the works had been taken up for execution, resulting in locking up of funds and non-achievement of intended facilities for the tourists.

Financial position and working results

7.2.7 Financial position and working results of the Company for the five years up to 2002-03, based on provisional accounts, are given in *Appendices*-20 and 21. The Company had finalised its accounts up to 1988-89 only, despite recommendations made by the COPU that the Company should take advantage of computer technology to ensure early finalisation of accounts.

The summarised position of the working results of the Company for the five years up to 2002-03 is tabulated below:

Table No. 7.10

(Rupees in crore)

S.No	Particulars	1998-99	1999-00	2000-01	2001-02	2002-03
1.	Total income	10.98	12.53	13.77	12.23	13.17
2.	Total expenditure	10.88	11.63	12.65	11.98	13.00
3.	Net profit	0.10	0.90	1.12	0.25	0.17
4.	Previous adjustments (net)	-#	(+) 0.01	(-) 0.52	(-) 0.62	(-) 0.95
5.	Profit after previous adjustments	0.10	0.91	0.60	(-) 0.37	(-) 0.78

It would be seen from the above that the Company earned profit during 1998-99 to 2000-01. It, however, suffered loss of Rs 37.04 lakh and Rs 78.73 lakh during 2001-02 and 2002-03 respectively, due to fall in income from room occupancy by tourists and catering services. The accumulated loss of the Company stood at Rs 7.85 crore at the end of March 2003 which represented 242 *per cent* of its paid-up capital.

Operational performance

7.2.8 As on 31 March 2003, the Company was running two hotels, five hutments, three tourist-retiring centres, four tourist establishments, 26 tourist

* Construction of *Yatri Niwas* at Patnitop, Upgradation/installation of central heating system at tourist lodge Patnitop, renovation of accommodation at Verinag and computerization of tour and travel division.

\# Negligible.

bungalows and 29 cafeteria. The operational performance of its working establishments during 1998-99 to 2002-03 was as under:

Table No. 7.11

(Rupees in crore)

Year	No. of working units*	Profit making units		Loss-making units	
		No.	Amount	No.	Amount
1998-99	52	23	4.04	29	1.10
1999-00	56	24	5.57	32	1.17
2000-01	57	25	6.13	32	1.15
2001-02	57	22	5.01	35	1.19
2002-03	51	12	3.06	39	2.84

The number of units incurring losses increased from 29 during 1998-99 to 39 during 2002-03. Total operational losses suffered by these units during 1998-2003 aggregated Rs 7.45 crore. Of the loss-making units, 18 suffered losses continuously for the last five years. Reasons for losses as seen in audit were low room occupancy, high operational expenses and surplus manpower.

Accommodation

7.2.9 The Company had 34 units which provide lodging facilities. The room capacity and achievements of the lodging facilities of the Company against targets fixed during 1998-99 to 2002-03 were as under:

Table No. 7.12

(In lakh room days)

Year	Capacity	Occupancy		Rooms occupied by Government departments, etc. (*per cent*)	Accommodation availed of by the tourists (*per cent*)
		Target	Actual (percentage shortfall vis-a-vis targets)		
1998-99	2.88	1.90	1.59 (16)	0.76 (48)	0.83 (52)
1999-00	3.03	1.53	1.43 (7)	0.88 (62)	0.55 (38)
2000-01	3.13	1.78	1.51 (15)	0.96 (64)	0.55 (36)
2001-02	3.14	1.82	1.31 (28)	0.87 (66)	0.44 (34)
2002-03	3.14	1.82	1.32 (27)	0.87 (66)	0.45 (34)

On the basis of achievements in the past, the Company had fixed targets which were lower than its room capacity. The Company, however, failed to achieve the reduced targets with shortfall ranging between 7 and 28 *per cent* during 1998-2003. There was steady decrease in the room occupancy by the tourists, the percentage of which declined from 52 in 1998-99 to 34 in 2002-03. Decrease in the room occupancy was attributed (March 2003) by the management to disturbed conditions in the State and growth of hotels in the private sector. The reasons put forth were not tenable as there had been growth in the pilgrim tourist from 45 lakh during 1997 to 53 lakh in 2000 though it decreased marginally (52 lakh) during 2001.

* Excluding sick units.

The decrease in the room occupancy was, obviously, due to failure of the Company to attract tourists to its establishments and its inability to face competition from the private sector. The Company had not ensured compliance of requirements of tourist industry, viz. on-line reservation system, display of information regarding availability of medical facilities, certificate of public health authority about hygienic condition of its establishments, test report of food inspectors about quality of food served and adequacy of fire fighting arrangements. Moreover, no effective marketing strategy had been framed to compete with the private sector.

Fixation of tariff

7.2.10 The hut/room tariff is fixed by the Company on fixed input costs and profits. There existed no system to regulate tariff structure of the Company on the basis of facilities provided by it and the tariff prevalent in comparable private sector establishments in the area.

Tourist transport services

7.2.11 In order to provide transport services to tourists, the Company operates two transport units at Srinagar and Jammu. There existed no centralised database to monitor performance of these units. In absence of the data, profitabilities of the functioning of the units could not be assessed in audit. However, test-check of eight vehicles (for the period records were made available) revealed that their utilisation ranged between 24 and 77 *per cent* only during 1998-99 to 2001-02.

In order to augment the transport services, the Company decided (June 1999) to purchase luxury vehicles. It was, however, seen that a vehicle (gypsy king) purchased at a cost of Rs 3.67 lakh was used for non-commercial purposes.

Catering

7.2.12 The Company had 41 units (March 2003) which rendered catering services. The working results of the loss-making catering units during 1998-99 to 2002-03 were as under:

Table No. 7.13

(Rupees in crore)

Year	No. of units providing catering	No. of units suffering losses	Income	Expenses	Operational loss
1998-99	32	25	1.00	1.88	0.88
1999-00	38	29	1.29	2.29	1.00
2000-01	39	29	1.02	2.10	1.08
2001-02	39	30	1.05	2.03	0.98
2002-03	41	37	1.79	3.13	1.34

The number of loss-making units increased from 25 in 1998-99 to 37 in 2002-03 and the total losses suffered by these units aggregated Rs 5.28 crore during this period. Reasons for incurring losses by these units had not been analysed. The management, however, stated (March 2003) that the Company contemplated to lease out loss-making units for joint ventures.

7.2.13 The Company had fixed norms of maintaining food costs at 40 *per cent* of the total sales. It was noticed in audit that the food costs were on higher side (varying between 41 and 100 *per cent* of the sales) in respect of 38 units during various periods between 1997-2002 as detailed in *Appendix*-22. The extra expenditure on this account aggregated Rs 43.03 lakh. On this being pointed out (February 2003) in audit, the Financial Advisor and the Chief Accounts Officer of the Company stated (March 2003) that the cost of excess consumption was debited to the personal accounts of the defaulters. Audit scrutiny, however, revealed that no recovery on this account had ever been effected from the persons concerned.

Construction of floating restaurant

7.2.14 The Company decided (July 1999) to renovate the existing floating restaurant (a loss-incurring unit) at Charchinari in two phases at an estimated cost of Rs 26.26 lakh under a centrally sponsored scheme. The Company, however, constructed (August 2001) a new floating restaurant at a cost of Rs. 47.07 lakh without seeking approval from the Central Government. It was seen in audit that the new restaurant also suffered losses (Rs 5.40 lakh: 2001-02; Rs 6.64 lakh: 2002-03). Thus, decision of the management to invest in a non-viable unit was injudicious.

Loss on running departmental canteens

7.2.15 The Company operates departmental canteens at Civil Secretariat, High Court at Srinagar/Jammu and at Hotel Zum Zum, Srinagar. All these canteens suffered losses aggregating Rs 1.03 crore during 1997-2002, though none of these establishments was related to development of tourism in the State. Reasons for continued operation of these units without ensuring their economic viability were not intimated.

Loss due to non-charging of Service Tax

7.2.16 Under the Jammu and Kashmir General Sales Tax Act, 1962, service tax at 2 *per cent* (increased to 4 *per cent* from 5 April 1999) was leviable (with effect from 23 July 1997) by the Company on services provided by them to the guests at its lodging facilities. It was, however, noticed that the Company failed to recover service tax (Rs 77.64 lakh) on room rent from customers between August 1997 and January 1999 in Jammu division (room rent: Rs 3.14 crore) and between

August 1999 and March 2002 in Kashmir division (room rent: Rs 21.31 crore[ψ]). Due to failure of the Company to recover service tax from customers, the State ex-chequer was deprived of revenue of Rs 77.64 lakh

Wasteful expenditure due to injudicious decision

7.2.17 The management decided (August 1999) to shift its regional office from its hotel complex at Tourist Reception Centre (TRC), Jammu to the commercial complex of the Jammu Development Authority (JDA) at Rail Head, Jammu. The vacated accommodation at the TRC, after its renovation and conversion into guest rooms, was to be utilised for commercial purposes with expected annual income of Rs 13.10 lakh by way of rent.

Accordingly, the Company entered into an agreement with the JDA for acquiring on rent the space measuring 2134.68 sft at Rs 11 per sq. ft/month for an initial period of three years. The regional office was shifted to the new location in August 1999 after incurring Rs 18.09 lakh on additions/alterations to the newly acquired accommodation. The vacated accommodation at the TRC was, however, neither renovated nor rented out. In October 2002, the Company shifted its office back to TRC complex after payment of rent, etc. of Rs 9.74 lakh to JDA. Further amount of Rs 1.02 lakh (February 2003) was payable by the Company to the JDA on account of rent, etc. as the Company continued to be in possession of the rented accommodation even beyond October 2002.

On this being pointed out (August 2001/February 2003) in audit, the General Manager (Operations) stated (August 2001/February 2003) that the renovation/remodelling of the vacated accommodation could not be undertaken due to paucity of funds and slump in the tourist inflow leading to poor occupancy in the hotel complex. The reasons put forth were not tenable, as the room occupancy of the hotel complex was 44 *per cent* during 1998-99 and 42 *per cent* during 1999-2000, indicating that primarily there was no demand for additional accommodation. It was also stated by the General Manager that the Company contemplated to sublet the accommodation. However, the Company could not sub-let the hired accommodation in terms of the agreement entered into with the JDA.

Thus, the injudicious decision of the management to shift its regional office from its existing site to new location resulted in wasteful expenditure of Rs 28.85 lakh.

Surplus manpower

7.2.18 The Company had not fixed bed-staff ratio nor had it fixed staffing norms in its establishments providing catering and bar services. In absence of this, audit could not verify deployment of excess staff.

ψ Rupees 6.94 crore between August 1997 and March 1999 and Rs 14.37 crore between April 1999 and March 2002.

One of the measures approved (July 1999) by the Board to improve overall position of the Company was effective utilisation of its existing manpower, freezing of further appointments/engagements and reversion of deputationists to their parent offices. Contrary to this, further engagement of 139 daily rated/fixed wageworkers was made between 1999-2002 on whom expenditure on wages aggregated Rs 1.05 crore during 1999-2003. Action to revert deputationists to their parent offices was also not taken by the Company.

Irregular appointment

7.2.19 The Company appointed (June 1999) a person* to the post of Manager Projects with the approval of the Chairman. The appointment was ratified (June 1999) by the Board on the plea that the Company had shortage of professionals.

It was, however, seen in audit that no post of Manager Projects existed in the Company. Besides, the candidate was selected against a non-existent post, without seeking offers from the general public and specifying qualifications and experience needed for the job. In absence of this, it could not be verified whether the candidate possessed the requisite qualification and experience for the job. The candidate had not rendered any technical advice or handled/appraised any project since her appointment (salary paid up to January 2003: Rs 4.33 lakh).

Sundry debtors

7.2.20 The balances under sundry debtors at the end of 2002-03 aggregated Rs 50.75 lakh. The particulars of the debtors indicating their age-wise break-up and amounts recoverable from them were as follows:

Table No. 7.14

(Rupees in lakh)

Age-wise break up	Recoverable from			Total
	Government departments/firms	Staff	Private parties	
Up to one year	-	6.00	-	6.00
One to five years	-	9.15	-	9.15
Above five years	19.83	7.45	8.32	35.60
Total	**19.83**	**22.60**	**8.32**	**50.75**

The outstanding (Rs 22.60 lakh) against staff members was due to non-adjustment of advances paid to them from time to time and included Rs 6.21 lakh outstanding against employees who were no longer in service of the Company. In case of private parties, the amount was outstanding between periods ranging from one to 24 years.

In absence of any policy for timely recovery of its dues, the Company was placed in a difficult situation for meeting its working capital requirements.

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* Miss Shazia Khan

Management information system

7.2.21 The Management information system to monitor and analyse the data received from various units for effective management had not been established by the Company. The Company had, however, established Monitoring and Internal Control Section at its regional office at Jammu which was utilised for scrutinising bills, consumption accounts, etc. instead of analysing data received from units.

Accounting manual

7.2.22 The Company had not prepared (March 2003) accounting manual laying down detailed procedure for maintenance of accounts.

Internal audit

7.2.23 The Company has an Internal Audit Wing which reports its findings to the Managing Director. No annual plan to conduct audit of various units had been prepared by the wing. The number of units audited during last five years ranged between 2 and 12 only against existing 57 units. Out of 829 paragraphs pointed out by the internal audit wing, 218 paragraphs were outstanding against 43 units as on March 2003.

Though expenditure of Rs 22.07 lakh was incurred by the Company on payment of salary to the staff posted in the Internal Audit Wing during 1998-2003, the wing failed to reconcile grants/loans received by the Company from Central/State Governments and banks and their utilisation for asset creation. It also failed to monitor recoveries pointed out during physical verification of stores/stock.

The mandate, objectives and the methodology of the Internal Audit Wing should clearly be specified and the Wing should try to cover all the units in a cycle of 3-4 years for effective internal control.

Physical verification

7.2.24 Annual physical verification of stores/stocks had not been conducted regularly. Physical verification of six units conducted during 1999 after a decade, revealed a shortage of Rs 2.08 lakh (excluding value of store items not evaluated). No action to recover the shortages from the defaulters had been taken (February 2003).

7.2.25 The above matters were reported to the Government/Company in March 2003/June 2003; reply had not been received (October 2003).

Conclusion

The Company suffered losses due to low occupancy, high operational expenses and surplus manpower. The Company had not adopted any effective marketing strategy to compete with the hotel industry in the private sector.

There is an imperative need for the Company to adopt effective marketing strategy to compete with the private sector. It should also reduce surplus staff and reconsider running of departmental canteens which are not connected with the development of tourism.

Section-B-Audit Paragraphs

Industries and Commerce Department

(Jammu and Kashmir Minerals Limited)

7.3 Loss due to investment in a dubious firm

Investment of Rs 58.60 lakh by the Company in a joint venture with a private firm without verifying its credentials and execution of faulty agreement with it resulted in loss to the Company.

The Board of Directors (BOD) of Jammu and Kashmir Minerals Limited (Company) decided (August 1995) to take up extraction of gypsum of Parlankha Gypsum Mine (Project) as a joint venture with Kashmir Gypsum Limited, a Kolkata based private firm (firm). Accordingly, the Company executed an agreement (November 1995) with the firm and released (November 1995) Rs 58.60 lakh as 10 *per cent* of the equity participation of the project.

The Company after releasing payment to the firm, did not monitor the activities of the firm and did not take follow up action. It was only after about five years in April 2000, that the Company deputed its Secretary to Kolkata where the firm was stated to be registered with the Registrar of Companies (ROC) to obtain financial returns, etc. The Secretary, *inter alia*, found that (a) the office of the firm did not exist at its registered address, (b) the firm had not filed any returns with the ROC after November 1995, and (c) the firm made bogus allotment of shares. In follow up action, the Company lodged an FIR against the firm in July 2000, results whereof are awaited (February 2003).

Audit scrutiny of the records of the Company revealed (June 2002) that BOD without verifying credentials of the firm executed an agreement despite knowing the fact that the firm did not own any tangible assets either at the project site or elsewhere in the State. Moreover, the Company had not taken action to safeguard its financial interests while executing the agreement with the firm by ensuring Company's representative on the Board of the firm and submission of progress reports and periodical financial returns viz. balance sheet, profit and loss account, etc.

Thus, the decision of the Board to invest Rs 58.60 lakh in a firm without verifying its credentials and without ensuring representation of the Company on the Board of the assisted firm and lack of proper monitoring and follow up had resulted in loss of Rs 58.60 lakh.

The above matter was reported to Government/company (March 2003); their replies had not been received (October 2003).

Power Development Department

(Jammu and Kashmir State Power Development Corporation Limited)

7.4 Avoidable payment of interest

Avoidable payment of interest of Rs 40.64 lakh was made due to delay in allotment of funds by the Corporate Office.

The Jammu and Kashmir State Power Development Corporation Limited (Company) allotted (January 2000) civil and hydro-mechanical works of Baglihar Hydro Electric Power Project to a private firm. As per terms of the agreement, the Company was liable to pay interest at nine *per cent* per annum to the firm in case payments were not released to the firm within 28 days of receipt of invoices. The period of delay was to be reckoned from the twenty-ninth day of receipt of invoice till the payment was made.

Audit scrutiny (November 2002) revealed that two[β] divisions of the Company paid interest of Rs 40.64 lakh to the firm due to delays ranging between one and 82 days in releasing payments aggregating Rs 205.78 crore during March 2000 to May 2001. On this being pointed out in audit, the Executive Engineer of the divisions attributed (November/December 2002) this to belated allotment of funds by the Corporate Office. Audit scrutiny further revealed that the Company had funds available in its different bank accounts to cover the expenditure on due dates.

Timely allocation of funds by the Corporate Office to the divisions, which were bound by contractual obligations for making payments in time, could have saved the Company from payment of interest.

The matter was reported to Government/company (June 2003); their reply had not been received so far (October 2003).

β Power House Division, Chanderkote and Dam Division, Chanderkote.

Transport Department

(Jammu and Kashmir State Road Transport Corporation Limited)

7.5 Leakage of revenue

Failure of the Corporation to follow proper procedure for issuing mechanical inspection certificates, facilitated leakage of revenue of Rs 23.83 lakh.

Vehicles involved in accidents are referred by the Police to the Jammu and Kashmir State Road Transport Corporation (Corporation) for their mechanical inspection, so that legal action is initiated against the defaulters in the courts. The Corporation issues mechanical inspection certificates in respect of these vehicles after recovery of fee at rates[#] prescribed by the Corporation.

Audit scrutiny revealed (February 2002) that the Corporation issued mechanical inspection certificates on plain paper instead of on printed/machine numbered certificate books, thereby leaving ample scope for issuance of forged certificates, leading to loss of revenue to the Corporation. Records indicating particulars of vehicles inspected, their registration numbers, etc. were also not maintained by the Corporation. Based on the information obtained from the Police Department, 6036 accidental cases of private vehicles of Jammu division were referred by the Police during April 1999 to December 2001 to courts for legal action, on which mechanical inspection fee of Rs 26.72 lakh[**] was recoverable. Against this, the Corporation had received Rs 2.89 lakh only as mechanical inspection fee during the period. On this being pointed out in audit (June 2002), the Divisional Manager of the Corporation stated (July 2002) that the police officials instead of getting inspection certificates from the authorised officers of the Corporation, managed to obtain the certificates from unauthorised persons, who may or may not be the Corporation staff. It was also stated that the matter had been reported (August 2002) to the Police for investigation.

Thus, failure of the Corporation to follow proper procedure for issuing mechanical inspection certificates, facilitated loss of revenue of Rs 23.83 lakh.

The matter was reported to Government/corporation (April 2003); their replies were awaited (October 2003).

Rupees 500 for heavy vehicles; Rs 200 for 2/3 wheelers (light vehicles).

** At Rs 500 for 4882 heavy vehicles and at Rs 200 for 1154 light vehicles.

Chapter-VIII

Financial assistance to Local Bodies and Others

Financial assistance to Local Bodies and Others

8.1 General

8.1.1 Autonomous bodies

Autonomous bodies and authorities are set up to discharge generally, non-commercial functions of public utility services. These bodies/authorities by and large receive substantial financial assistance from Government. Government also provides financial assistance to other institutions such as those registered under State Co-operative Societies Act, etc. to implement certain programmes of the Government. The grants are intended essentially for maintenance of educational institutions, construction and maintenance of charitable institutions, hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies. During 2002-03, financial assistance of Rs 199.34 crore was paid to various autonomous bodies against Rs 215.03 crore paid during 2001-02. Department-wise break-up of the amount paid during 2002-03 was as under:

Table No. 8.1 (Rupees in crore)

S. No.	Name of the Department	Amount
1.	Education	76.77
2.	Housing and Urban Development	65.96
3.	Agriculture	40.66
4.	Art and Culture	3.50
5	General Administration	2.75
6.	Industries	3.00
7.	Tourism	3.87
8.	Law and Justice	1.65
9.	Health and Family Welfare	1.14
10.	Others[Φ]	0.04
	Total:	**199.34**

Delay in furnishing of utilisation certificates

8.1.2 Financial rules provide that where grants are given for specific purposes, utilisation certificates should be obtained by departmental officers from the grantees and after verification, these should be forwarded to the Accountant General within 18 months from the date of their sanction unless specified otherwise.

Φ Social Welfare Department: Rs 3.82 lakh; Public Works Department: Rs 0.30 lakh.

In respect of grants paid up to 2001-02, 8985 utilisation certificates for an aggregate amount of Rs 1333.31 crore were awaited as on 30 September 2003. Department-wise break-up of certificates not received up to 30 September 2003 in respect of grants paid during 2000-02 is given in *Appendix*-23. In the absence of utilisation certificates it was not clear as to how the departmental officers satisfied themselves whether and to what extent recipients utilised the grants for the purposes for which these were paid.

Delay in submission of accounts

8.1.3 In order to identify the institutions which attract audit under Sections 14/15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government/heads of departments are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purpose for which such assistance was sanctioned and the total expenditure of the institutions. The detail of defaulting departments which had not furnished information for 2001-02 and 2002-03 is given in *Appendix*-24. The particulars of bodies/authorities whose annual accounts for 2002-03 and earlier years were awaited are indicated in *Appendix*-25.

Audit arrangement

8.1.4 Audit of two organisations viz., Ladakh Autonomous Hill Development Council and Khadi and Village Industries Board falls under Section 19 (3) of Comptroller and Auditor General's (DPC) Act, 1971. Audit of accounts of Khadi and Village Industries Board for the years 2000-01 to 2002-03 (period entrusted) had not been conducted due to non-receipt of the accounts from the Board. Ladakh Autonomous Hill Development Council (LAHDC) was established by the State Government in June 1995. Though the State Government constituted a separate fund for recording transactions of the Council under Major Head 8448-Deposits of Local Funds–113 LAHDC Fund, rules for its management had not been framed by the Government. The Council had also not prepared its accounts since inception. Pending receipt of formal request from the Governor for taking up audit of the Council under Section 19 (3) of the CAG's (DPC) Act, 1971, its audit was taken up (July 2002) under Section 14 of the Act, *ibid.*

The audit of accounts of the following bodies had been entrusted to Comptroller and Auditor General under Section 20(1) of the CAG's (DPC) Act, 1971, for different periods as detailed below:

Table No. 8.2

S.No	Name of the body	Period of entrustment	Date of entrustment
1.	Sher-E-Kashmir University of Agricultural Sciences and Technology, Srinagar	2001-02 and 2002-03	24-07-2003 and 11-02-2003
2.	Jammu and Kashmir Employees Provident Fund Organisation, Srinagar	2000-01 and 2001-02	4-02-2002 and 25-08-2003

The primary audit of local bodies viz., Jammu and Kashmir Co-operative Supply and Marketing Federation Limited and, Srinagar and Jammu Municipalities is conducted by the Registrar, Co-operative Societies and Finance Department respectively.

Audit under Section 14

Overall results of audit of autonomous bodies

8.1.5 Accounts for 2001-02 and earlier years were received (September 2003) from 20 bodies/authorities (*Appendix*-26). Audit of 14 bodies/authorities was conducted during the year as these attracted audit under Section 14 of the Comptroller and Auditor General's (DPC) Act, 1971. Some main points noticed as a result of the audit of these bodies/authorities are given in the paragraphs that follow.

Grants remaining unutilised

8.1.6 Out of total available grants of Rs 75.48 crore, grants aggregating Rs 20.61 crore meant for developmental and educational purposes and implementation of beneficiary-oriented schemes, remained unutilised with the following bodies/authorities which were audited during 2002-03 for the years indicated against each:

Table No. 8.3 (Rupees in crore)

S.No	Name of Body/Authority	Year of account	Amount unutilised
1.	District Rural Development Agency, Rajouri	2001-02	0.90
2.	Jammu Urban Development Agency	2001-02	0.48
3.	District Rural Development Agency, Kupwara	2001-02	0.22
4.	District Rural Development Agency, Srinagar	2001-02	0.11
5.	Srinagar Municipality, Srinagar	2001-02	9.17
6.	Academy of Art, Culture and Languages, Srinagar/Jammu	2001-02	0.75
7.	District Rural Development Agency, Pulwama	2001-02	0.29

S.No	Name of Body/Authority	Year of account	Amount unutilised
8.	District Rural Development Agency, Kargil	2001-02	0.24
9.	District Rural Development Agency, Poonch	2001-02	0.13
10.	Jammu Municipality, Jammu	2001-02	1.50
11.	District Rural Development Agency, Budgam	2000-01	0.37
12.	Jammu and Kashmir Energy Development Agency, Jammu	2001-02	1.86
13.	District Rural Development Agency, Leh	2001-02	0.35
14.	Jammu and Kashmir Sports Council, Srinagar/Jammu	2001-02	4.24
	Total		**20.61**

No specific reasons for underutilisation of grants and non-refund of unutilised grants to the sanctioning authorities were intimated. Sanction to carry forward of these unutilised grants to the following years was also not obtained by the bodies/authorities concerned.

Outstanding advances

8.1.7 Advances aggregating Rs 2.50 crore given by the following bodies to contractors/suppliers, executing agencies for various purposes, were outstanding as of October 2003 as indicated against each:

Table No. 8.4

S.No	Name of body/authority	Earliest year from which outstanding	Amount (Rupees in crore)
1.	Jammu and Kashmir Sports Council, Srinagar/Jammu	2001-02	0.35
2.	District Rural Development Agency, Leh	1997-98	0.02
3.	District Rural Development Agency, Kargil	2001-02▼	0.02
4.	District Rural Development Agency, Srinagar	2000-01	0.22
5.	District Rural Development Agency, Jammu	2001-02	1.01
6.	District Rural Development Agency, Poonch	2001-02	0.19
7.	District Rural Development Agency, Rajouri	1994-95	0.56
8.	Jammu and Kashmir Energy Development Agency, Pulwama	-♣	0.13
	Total		**2.50**

▼ Detail of advances (aggregating Rs two lakh) disbursed prior to 1997 not available.

♣ Year-wise break up not available.

Action taken by these bodies for recovery/adjustment of these advances was not intimated (October 2003).

Outstanding audit observations

8.1.8 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 and for rectification of defects within a reasonable time. The status of AIRs issued up to March 2003 and outstanding at the end of September 2003 was as indicated below:

Table No. 8.5

S.No	Name of the body	Number of AIRs	Number of paragraphs	Earliest year from which outstanding
1.	State Pollution Control Board	1	7	1987-88
2.	Jammu and Kashmir Sports Council, Srinagar	4	32	1992-93
3.	Jammu and Kashmir State Social Welfare Advisory Board*	3	26	1985-86
4.	Jammu and Kashmir Academy of Art, Culture and Languages*	6	39	1995-96
5.	Jammu University	6	58	1980-81
6.	District Rural Development Agencies	68	350	1979-80
7.	Desert Development Agencies, Leh and Kargil	9	99	1979-80
8.	Jammu Municipality	3	39	1995-96
9.	Jammu and Kashmir Housing Board, Jammu	3	36	1979-80
10.	Islamia College of Science and Commerce, Srinagar	4	17	1994-95
11.	Jammu Urban Development Agency	5	40	1994-95
12.	Jammu and Kashmir Co-operative Supply and Marketing Federation Limited, Jammu	1	4	1994-95
13.	Srinagar Development Authority	3	62	1996-97
14.	Srinagar Municipality	3	64	1997-98
15.	Kashmir University	1	21	1996-97
16.	Jammu and Kashmir Energy Development Agency	4	38	1996-97
17.	Jammu Development Authority	3	17	1994-95
18.	Kashmir Urban Development Agency	1	11	1998-99
	Total	**128**	**960**	

The department-wise abstract of performance of the autonomous bodies receiving grant-in-aid is indicated in the *Appendix*-27.

* Move Office

Section-A-Review

Agriculture Production Department

8.2 Sher-E-Kashmir University of Agricultural Sciences and Technology Kashmir

Sher-E-Kashmir University of Agricultural Sciences and Technology (SKAUST) was established in April 1982 with the main objectives of imparting education in agriculture and allied branches, furthering advancement of learning and research in agriculture, animal husbandry and other relevant branches with emphasis on temperate and cold desert agriculture.

Highlights

- **The University had not prepared its accounts since inception and as a result its financial position and the position of its assets/liabilities were not ascertainable. The receipt and payment accounts prepared only up to 1999-2000 were not in standard format.**

(Paragraph: 8.2.5)

- **Percentage shortfall in intake of students during 1998-2003 ranged between 20 and 100 in graduate courses (except during 2000-01) and between 6 and 83 in postgraduate courses.**

(Paragraph: 8.2.8)

- **Out of 485 research experiments conducted during 1998-2002, only 46 experiments (nine *per cent)* were concluded during this period.**

(Paragraph: 8.2.9)

- **None of the scientists of the University published their research work in national/international publications of repute.**

(Paragraph: 8.2.10)

- **Out of 13 seed varieties developed by the University, five were not considered by the University Varietal Evaluation Committee for their release and the remaining eight were not notified by the Central Government under Seeds Act, 1966, rendering cost of their development infructuous.**

(Paragraph: 8.2.11)

- **Two institutions of the University at Shuhama and Wadoora had excess teaching/non-teaching staff (vis-à-vis UGC norms) ranging between 307 and 386 during 1998-2003. Expenditure on salaries of the excess staff aggregated Rs 16.10 crore during this period.**

(Paragraph: 8.2.12)

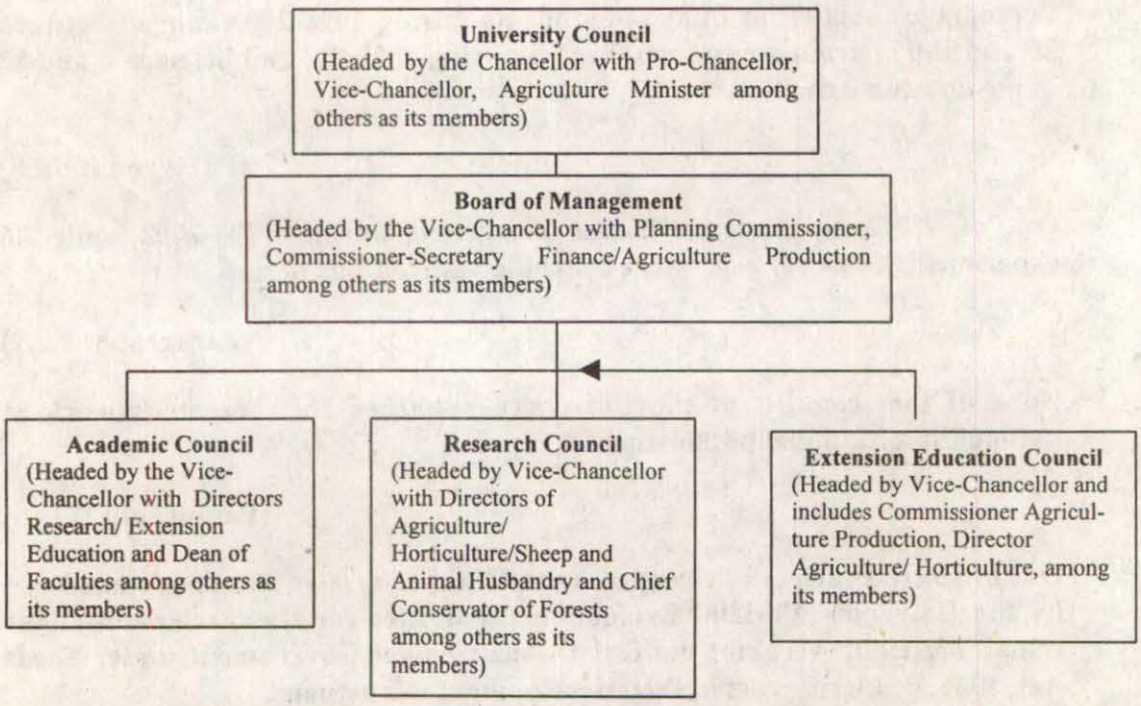
Introduction

8.2.1 Sher-E-Kashmir University of Agricultural Sciences and Technology (SKAUST) was established by an Act* of the State Legislature in April 1982. Its jurisdiction was initially over the whole of the State. With the establishment (September 1999) of a separate agriculture university for Jammu Division, the Sher-E-Kashmir University's jurisdiction was confined to the Kashmir Division only.

The main objectives of the University are to impart education in agriculture and allied branches, furthering advancement of learning and research in agriculture, animal husbandry and other relevant branches with emphasis on temperate and cold desert agriculture.

Organisational set up

8.2.2 Organisational structure of the University is given in the following chart:



* Sher-E-Kashmir University of Agricultural Sciences and Technology, Act 1982.

The University Council, the supreme authority, frames policies and programmes of the University with regard to its future plans, considers matters referred to it by the Board of Management (BOM) and examines annual accounts and reports thereon. The BOM, the Chief Executive Body is responsible for managing and supervising activities of the University, conducting all administrative affairs, framing budget estimates, controlling and administering funds/assets of the University. The Academic and the Research Councils are responsible for academic and research programmes, while the Extension Education Council makes recommendations with regard to extension education programmes.

Non-holding of meetings

8.2.3 The University Council, the BOM and the Councils under it did not hold meetings at required intervals during 1998-99 to 2002-03 as indicated below:

Table No 8.6

Name of the Authority	Periodicity of the meetings as per provisions of the Act	Number of meetings required to be held	Number of meetings held
University Council	Twice a year	10	3
Board of Management	Once in three months	20	8
Research Council	Twice in a year	10	9
Extension Education Council	Once in a year	5	2
Academic Council	Once in four months	15	11

The activities of the University were thus, not adequately monitored to ensure its smooth functioning. The BOM was also required to constitute Planning Committee for advising the University authorities on the matters of development and monitoring of major projects. No such committee had been framed (August 2003).

Audit coverage

8.2.4 Review on the working of the University, based on test-check of records of 10[#] out of 16 units for the period 1998-99 to 2002-03 was conducted from November 2002 to March 2003 under Section 20 (1) of the Comptroller and Auditor General's (DPC) Act, 1971. Significant audit findings are brought out in the succeeding paragraphs.

Arrears in preparation of annual accounts

8.2.5 According to Section 35 of the Act, ibid, the University was required to prepare annual accounts for submission to the Government. The University had prepared receipt and payment statements only, and that too, up to 1999-2000. In the absence of complete set of accounts viz. balance sheet, income and expenditure and receipt and payment accounts, its financial position, details of its assets/liabilities, etc.

[#] Research stations, Khudwani/Mirgund/K.D Farms/Cattle Development Farm Mansbal; Agriculture College Wadoora/Shuhama; Estates wing, Deputy Comptroller, Director Extension and University Headquarters.

was not ascertainable. The University Council had directed (October 2000) clearance of back log in preparation of accounts in a fixed time schedule with a time limit of 3 months for preparation of each pending account. However, as of March 2003 the arrears had not been cleared.

The following further points were noticed:

(i) The detail of assets/liabilities transferred to the SKUAST-Jammu following creation of separate agricultural University for the Jammu Division, had not been worked out.

(ii) Inter-unit reconciliation had not been carried out to ensure accuracy of the accounts.

(iii) The receipt and payment accounts were not prepared on a standard format.

Receipts and payments

8.2.6 The University receives funds mainly from the State Government and the Indian Council of Agricultural research (ICAR) for specified schemes/projects. Income also accrues to it by way of fees, sale proceeds of farm produce, etc. The position of receipts and expenditure, based on information furnished by the University for 1998-99 to 2002-03 was as under:

Table No 8.7 (Rs in crore)

Year	Opening balance	Funds received from		Internal receipts	Total available funds	Expenditure met out of				Closing balance
		State Government	ICAR/ GOI			State Funds	ICAR/ GOI	Internal resources	Total	
1998-99	2.07	19.18	3.60	0.82	25.67	18.54	3.19	0.29	22.02	3.65
1999-00	3.65	26.57	9.70	0.46	40.38	25.56	3.34	0.43	29.33	11.05
2000-01	10.40	25.84	4.60	0.80	41.64	21.58	9.07	0.08	30.73	10.91
2001-02	10.91	27.02	5.14	0.53	43.60	25.72	4.70	0.30	30.72	12.88
2002-03	12.88	27.42	4.87	0.53	45.70	27.50	4.59	0.20	32.29	13.41
Total:		**126.03**	**27.91**	**3.14**		**118.90**	**24.89**	**1.30**	**145.09**	

Funds received from the State Government and ICAR were not utilised fully resulting in accumulation of unspent funds to Rs 13.41 crore at the end of March 2003. Late release of funds was one of the reasons for their underutilsation.

Variation of Rs 65 lakh between closing balance at the end of 1999-2000 and opening balance on 2000-01 had neither been reconciled nor investigated (September 2003).

Inaccurate budget estimation

8.2.7 The budget estimates were not prepared by the University realistically, as these were not based on the data furnished by some of its units, viz. Pomology, Entomology and Estates Wing. As a result, expenditure on salaries persistently fell

short of estimates during 1998-99 to 2001-02 (saving of Rs 5.24** crore). Internal receipts during 1998-99 to 2002-03 (except for 1999-2000 records for which were not made available) also exceeded the budget estimates (Rs 1.15 crore) by Rs 1.47 crore (228 *per cent.*).

Academic activities

8.2.8 The University imparts education in various graduate and postgraduate courses at its campuses at Wadoora, Shuhama and Shalimar. The annual intake capacity and the number of students admitted during the academic sessions 1998-99 to 2002-03, was as under:

Table No 8.8

Batch year	Intake capacity	Actual intake	Percentage shortfall
1998-99			
Graduate courses♠:	157	Nil	100
Postgraduate courses♦:	65	31	52
1999-2000			
Graduate courses:	157	126	20
Postgraduate courses	65$	61	6
2000-01			
Graduate courses:	121#	192	-
Postgraduate courses	65	33	49
2001-02			
Graduate courses:	121	95	21
Postgraduate courses	75	44	41
2002-03			
Graduate courses:	120	91	24
Postgraduate courses	86	15	83

(Source: University records)

Percentage shortfall in intake of students in respect of graduate courses ranged between 20 and 100 during this period except in 2000-01 in which year two batches were admitted. In respect of postgraduate courses, percentage shortfall ranged between six and 83 during this period. The intake capacity for postgraduate courses was enhanced to 86 during 2002-03 against 75 in 2001-02 despite shortfall in intake of students in these courses during the previous year.

The position of students enrolled vis-à-vis those who qualified their respective examinations during 1995-2001, as worked out in audit from admission registers and other connected records was as under:

** Estimated expenditure: Rs 77.80 crore; actual expenditure :Rs 72.56 crore.

♠ Graduate courses include BSc-Agriculture, BSc-Forestry and BVSc.

♦ Postgraduate courses include MSc-Agriculture, MVSc and MSc-Sericulture.

$ In absence of figures of intake capacity of postgraduate courses for the years 1999-00 and 2000-01, figures of 1998-99 adopted for these years also.

Intake capacity was reduced from 2000-01 due to bifurcation of the University.

Table No 8.9

Batch	Course	Students enrolled	Unsuccessful candidates from previous year	Number of students appearing in the examination	Total students declared successful	Pass percentage
1995-96	BSc-Agriculture	75	Nil	75	66	88
	BVSc	36	Nil	36	20	56
	MSc–Agriculture	Data not available				
	MVSc					
1996-97	BSc-Agriculture	51	9	60	42	70
	BVSc	12	16	28	11	39
	MSc-Agriculture	26	NA	26	2	8
	MVSc	7	NA	7	Nil	Zero
1997-98	BSc-Agriculture	44	18	62	28	45
	BVSc	25	17	42	-♠	-
	MSc-Agriculture	27	24	51	12	24
	MVSc	10	7	17	2	12
1998-99	BSc-Agriculture	Nil	34	34	14	41
	BVSc	Nil	42	42	-	-
	MSc-Agriculture	31	39	70	20	29
	MVSc	-	15	15	Nil	Zero
1999-2000@	MSc-Agriculture	29	50	79	35	44
	MVSc	1	15	16	Nil	Zero
	MSc-Sericulture	2	-	2	1	50
2000-01	MSc-Agriculture	29	44	73	34	47
	MVSc	1	16	17	2	12
	MSc-Sericulture	3	1	4	Nil	Zero

The percentage of successful students ranged between 39 and 88 in case of graduate courses and zero and 50 in case of postgraduate courses during the above period. Reasons for low pass percentage had not been analysed.

Research activities

8.2.9 The scientists of the University engaged in research activities are provided annual operating cost of Rs 3000 per experiment. Year-wise position of experiments in hand, new experiments taken up and concluded during 1998-99 to 2001-02 was as under:

Table No 8.10

Year	Experiments in hand at the beginning of *Rabi* and *Kharif* seasons	New experiments taken up	Experiments concluded	Experiments in hand at the end of each season	Expenditure incurred (Rupee in lakh)
1998-99	235	35	7	263	3.87
1999-2000	263	35	9	289	4.03
2000-01	289	57	20	326	4.87
2001-02	326	123	10	439	7.58
Total		250	46		20.35

Out of 485 experiments, only 46 experiments (nine *per cent*) were concluded during 1998-2002. Data indicating age-wise analysis of experiments in hand and reasons thereof were not available/furnished. It was also noticed that the

♠ No student was eligible for the examination in BVSc course during 1997-98 and 1998-99.

@ Examination of graduate courses of batches 1999-2000 and onwards was not due.

University received (June 2002) Rs 5.10 lakh from ICAR for a research scheme entitled 'Prototype Feasibility Testing of Farm Implements and Machinery'. The scheme was to be implemented in three years. However, the scheme had not been taken up as of March 2003 and the funds were lying unutilised as on that date.

Publication of research work

8.2.10 In July 1986, the BOM decided that the scientists engaged in teaching and research work shall publish their research work in national/international papers of repute. The professors (chief scientists) and associate professors (senior scientists and equivalent) were required to publish at least one full research paper in a year and assistant professors (junior scientists and equivalent) one full research paper in two years. No research work was published by the scientists in these papers. With the University starting its own publication from 1999, the scientists published their research work therein. However, the number of research papers published by the scientists during 1999-2002 was quite insignificant as indicated below:

Table No 8.11

Particulars	1999	2000	2001	2002
Number of professors, associate professors and scientists	81	81	99	121
Number of assistant professors	229	229	288	280
Total:	**310**	**310**	**387**	**401**
Number of research papers printed	40	37	35	46
Ratio of number of scientists to research papers	1: 0 .13	1: 0.12	1: 0.09	1: 0.11

It was also seen that the scientists were allowed annual increments without publishing their research work in national/international papers of repute in violation of instructions of the BOM.

Development of seeds

8.2.11 The seeds developed by the University are evaluated by the University Varietal Evaluation Committee (UVEC) for being recommended to the State Level Seed Committee for notification by the Central Government under Seeds Act, 1966. It was observed in audit that the UVEC did not recommend release of following variety of seeds though these had been developed prior to 1997-98.

Table No 8.12

S.No.	Crop	Seed variety
1.	Rice	K-696-2-1-2-8, K-696-84-1, K-680-22-1 and K-334
2.	Maize	C1MMYT Gene Pool-39X Gurez, C-36-White Pool and CIMMYT-Gene Pool-42X Gurez
3.	Pulses	Rajmash R-19, Moong-M-86, Lentil L-1, Cowpeas-C-1 and C-2
4.	Oats	SKAUST-01, 03, 06, 08, 010, 012 and 018
5.	Vegetables	Carrot C-41, Turnip-T-2, Hot Pepper SPC-504 and SC-405

On this being pointed out in audit, the Director Research stated (April 2003) that proposal of release of the seeds could not be considered by the UVEC for want of adequate testing in adaptive trials to determine their worthiness in the areas of adaptation and also due to non-availability of mini-kit data in the farmers field. Further, out of 13 other seed varieties developed by the University, five[@] were not considered by the UVEC for their release, while eight[&] varieties though considered by the UVRC in November 1997/November 2000 were not notified by the Central Government as of March 2003.

Thus, the efforts of the University in developing these seed varieties did not yield desired results rendering cost of their development wasteful.

Excess manpower

8.2.12 The position of teaching/non-teaching staff and students on roll in the two colleges at Wadoora and Shuhama, imparting education in graduate courses during the five year period ending 2002-03 was as under:

Table No 8.13

S.No.	Particulars	1998-99	1999-00	2000-01	2001-02	2002-03
1.	Students on roll	301	314	534	468	290
2.	Teaching staff	73	68	72	97	90
3.	Non-teaching staff	379	422	415	386	374
4.	Total teaching and non-teaching staff	452	490	487	483	464
5.	Staff required as per UGC norm[•]:					
	Teaching	25	26	45	39	24
	Non-teaching	75	78	135	117	72
	Total:	100	104	180	156	96
6.	Excess teaching/non-teaching staff	352	386	307	327	368
7.	Total expenditure on salaries (Rs in crore)	2.95	4.09	4.80	4.63	5.58
8.	Excess expenditure on salaries (worked out proportionately)	2.30	3.22	3.03	3.13	4.42

The total number of teaching/non-teaching staff exceeded the number of students on roll during 1998-2003 (excepting during 2000-01 in which year two batches were admitted in graduate courses). Norms for requirement of teaching and non-teaching staff had not been recommended (October 2003) by the ICAR nor had the University fixed these. A comparison with the UGC norm (1996) revealed that two institutions of the University had excess manpower ranging between 307 and 386, on whom expenditure on salaries aggregated Rs 16.10 crore during 1998-99 to 2002-03, which was 11 *per cent* of the total expenditure during the period.

The University had also not drawn up seniority list of its staff as stipulated in the University Statutes.

@ Wheat (Singchin), Barley (Narboo), Rice (Kohsaar), Turnip (T-P) and Carrot (Chamman).

& Wheat (Kailash and Mansarovar), Barley (Sindhu), Chilly (Sel-107), Capsicum (Nishat), Apple (Akbar), Walnut (Hamdan and Sulaiman).

• UGC norm: Ratio of teaching staff to students: 1:12 ; Teaching staff to non-teaching staff: 1:3.

Library

8.2.13 The library at the main campus in Shalimar had 9755 books at the end of 2001-02, which included 1778 books purchased during 1998-99 to 2001-02 (December 2002) at a cost of Rs. 42.67 lakh. However, only 105 books (cost: Rs. 1.01 lakh) had been issued to students/teaching staff during 1998-99 to 2001-02 which was indicative of the fact that purchases had not been made according to the requirement of students/teaching staff. Also, there was no provision in the library rules for recovery of penalty on delayed return of books. Consequently, no penalty was recovered from borrowers who failed to return 236 books even after lapse of 11 to 147 months.

Physical verification of the library books was not conducted since 1988-89.

Non-installation of Local Area Network

8.2.14 The University received (September 1999) Rs 10 lakh from ICAR under NATP for installation of Local Area Network at the Agriculture College, Wadoora and Animal Husbandry College, Shuhama. Of this, Rs 4.48 lakh were spent on purchase of equipment which had not been put to use as of March 2003. This resulted in locking of funds, besides depriving users the benefits of the system.

Internal audit

8.2.15 The University had not introduced internal audit to ensure compliance to/ observance of the University Statutes and directions of the BOM/University Council.

Other points
Irregular write off of loss

8.2.16 Tor steel and structural steel costing Rs 12.47 lakh (weight: 138 MT) issued to a firm between November 1994 and September 1996, engaged for execution of construction works at Shalimar and Shuhama, was stolen from the construction site at Shuhama. The Board accorded (July 1998) sanction to write off of the amount, though as per agreement watch and ward of the stores was the responsibility of the firm. Also, no report had been obtained from the Police with whom FIR had been lodged before according sanction to write off.

Non-recovery of service tax

8.2.17 Under the Jammu and Kashmir General Sales Tax Act, 1962, service tax at two *per cent* with two *per cent* surcharge was leviable (with effect from 23 July 1997) on services provided by contractors in the shape of execution of works. The rate was increased to four *per cent* from 5 April 1999. It was, however, noticed that the University failed to recover service tax of Rs 18.18 lakh from the bills of the contractors paid during July 1997 to March 2002, putting the State exchequer to a revenue loss of Rs 18.18 lakh.

Infructuous expenditure

8.2.18 Auction of the culled live stock at the breeding farm Mansbal was conducted after delays ranging from 69 days to 597 days from the date they were recommended for culling by the Culling Committee. This resulted in infructuous expenditure of Rs 11.89 lakh during 1998-99 to 2002-03 on their feed and fodder.

The above points were referred to the Government/University in July 2003; reply had not been received from the Government (October 2003).

Section-B-Audit Paragraphs

Ladakh Autonomous Hill Development Council

Education Department

8.3 Locking of Government funds

The Principal Government Degree College, Leh purchased science material without any requirement which resulted in locking of Rs 14.53 lakh, the cost of which worked out to Rs 6.50 lakh.

Financial rules provide that purchases should be made in accordance with the definite requirement of the public service. Purchase of stores in anticipation of requirement involves locking of Government money.

Test-check (August 2002) of records of the Government Degree College, Leh revealed that the Principal of the college purchased science material for Rs 14.53 lakh♣ (August 1999: Rs 11.26 lakh; March 2001: Rs 3.27 lakh) without any requirement as neither had the science stream been introduced in the college nor had requisite staff for the science faculty of the college been sanctioned by the Government (August 2003). The material should have been purchased only after the science stream was introduced and staff sanctioned. Non-utilisation of the material resulted in locking of funds aggregating Rs 14.53 lakh.

The cost of locked funds to Government worked out to Rs 6.50 lakh≠ (August 2003).

The matter was referred to the Government/Department in March 2003; reply had not been received (October 2003).

♣ Consumables: Rs 5.78 lakh; Non-consumables: Rs 8.75 lakh.

≠ Calculated at minimum borrowing rate of 12 *per cent.*

Food and Supplies Department

8.4 Shortage/loss of stocks due to lax supervision and defective storage

Lax supervision, defective storage and retention of a storekeeper by the Department for 13 years after his transfer, facilitated shortage of stores besides resulting in deterioration of 2000 quintals of rice and consequent loss of Rs 19.58 lakh to the State exchequer.

Financial rules provide that head of an office or any officer entrusted with the job of handling of stores shall ensure safe custody of stores to protect them from loss, damage, or deterioration. These rules further provide that the tenure of a Government servant handling stores shall not exceed two years.

Audit scrutiny (October 2001) of records of the Assistant Director Food and Supplies Department, Leh revealed that despite orders of his transfer in 1981, the Inspector (posted as storekeeper) held charge of the food store, Leh up to the date of his retirement (March 1994). Even on the eve of his retirement, he did not handover charge of the stores. In April 1994, the Deputy Commissioner, Leh constituted a committee[#] for conducting physical verification of the store, preparing inventory of stocks and sealing the store in presence of a Magistrate. The committee only sealed (December 1994) the stores without conducting physical verification of the stocks or preparing inventory thereof. Besides, no action was taken by the Assistant Director for proper storage of 2000 quintals of rice (cost: Rs 8.64 lakh) which had been stored in the open space. Physical verification of stocks conducted (May 1998) by the committee after four years revealed shortage of 2310[ψ] quintals of various food items (cost: Rs 10.94 lakh) and deterioration of the rice stored in the open making it unfit for human or animal consumption.

The Department had not taken any action since May 1998 to recover the cost of shortages and fix responsibility for the loss, except constituting a committee in May 2002 to investigate the matter, the report whereof was awaited as of August 2003.

Thus lax supervision, defective storage and retention of the storekeeper for about 13 years after his transfer, facilitated shortage of stores besides resulting in deterioration of 2000 quintals of rice and consequent loss of Rs 19.58 lakh to the State exchequer.

The matter was referred to the Government/Department in August 2003; reply had not been received (October 2003).

[#] Consisting of Chief Animal Husbandry Officer Leh, Accounts Officer to the Deputy Commissioner Leh and Assistant Director Food and Supplies Department Leh.

[ψ] Rice: 1557 quintals; cost: Rs 6.73 lakh; *Atta*: 199.21 quintals; cost: Rs 0.80 lakh; Sugar: 246 quintals; cost Rs 2.40 lakh, Wheat: 1.17 quintals; cost: Rs 338 and Salt: 306.20 quintals; cost: Rs 1.01 lakh.

Roads and Buildings Department

8.5 Shortage of stores due to ineffective control

The Executive Engineer, R&B Construction Division, Leh did not observe codal provisions prescribed for safe custody of stores which resulted in shortage of stores of Rs 16.70 lakh.

Financial rules provide that head of the office should take special care for arranging safe custody of stores, keeping them in good and efficient condition and protecting them from loss, damage or deterioration. The rules further provide that he should maintain suitable accounts and inventories of stores in his charge with a view to preventing losses and should physically verify the stores at least once in a year.

Audit scrutiny (August 2002) of the records of the Executive Engineer, R&B Construction Division, Leh revealed that the Executive Engineer had not maintained bin cards nor reconciled quantity with value accounts for exercising effective control over stores. Physical verification of stores was also not conducted annually and report on latest verification for the year 1999-2000 done after a gap of six years had not been received in the Division as of February 2003. Due to lack of effective control over stores and non-observance of rules, the shortages in two items (cement and tor steel) were noticed only at the time of transfer of charge of stores in November 2000. The value of shortages worked out in audit amounted to Rs 16.70 lakh. The shortages had neither been investigated nor made good from the defaulter.

On this being pointed out in audit, the Executive Engineer while admitting the shortages stated (August 2002) that action for recovery of shortages from the defaulters would be taken after receipt of the physical verification report for 1999-2000.

The matter was referred to Government/Department in January 2003; reply had not been received (October 2003).

Chapter-IX

Finance Department

Internal Control Systems of Government

Introduction

9.1 Finance Department introduced internal audit of Government offices and other aided institutions on a limited scale in 1986. A separate Directorate of Audit and Inspections was established by the Government in January 1997.

The functions of the Directorate are complimentary, and supplementary to statutory audit by the Comptroller and Auditor General of India. These included:

Routine internal audit and surprise inspections of the accounts of all civil and public works departments and other departmental chest-holders.

Special audit on specific requisition of the departments.

Audit of stores and stocks, Public Sector Undertakings and other Government aided institutions.

Investigation of cases of financial impropriety entrusted to it.

Organisational set up

9.2 The Director, Audit and Inspection is incharge of internal audit and inspection work, and is assisted by a Deputy Director. The Directorate had 2 to 15 field inspection parties during 1997-98 to 2002-03, each comprising one Accounts Officer and two Assistant Accounts Officers. The sanctioned staff strength is 30. Additional staff, as and when required, is made available through temporary posting of staff from Accounts and Treasuries Wing of the Department.

Working of the directorate

9.3 No manuals laying down audit procedures, quantum checks to be performed, reporting standards, etc. to ensure efficacy of the internal audit mechanism had been brought out. Annual audit plans indicating department-wise offices to be audited during the ensuing year were not prepared to ensure audit of all units in a cycle of 3-4 years. Audit of Government offices was mostly conducted either on receipt of complaints or on specific requisition from them.

The detail of such audits conducted had also not been maintained. Time limit for submission of Inspection Reports (IRs) by the audit parties to Headquarter and their subsequent issue to the concerned auditee units was also not laid down. The directorate incurred expenditure of Rs 4.80 crore during the period 1997-2003.

Out of 4174 auditee units, audit of seven to 57 units[ψ] (total: 276 units) was conducted during the period from 1996-97 to 2002-03 as indicated in the table below:

Table No 9.1

S.No	Year	No of units covered
1.	1996-97	7
2.	1997-98	18
3.	1998-99	52
4.	1999-2000	54
5.	2000-01	57
6.	2001-02	46
7.	2002-03	42
	Total	**276**

Low coverage of units was attributed (September 2003) by the Deputy Director to shortage of staff.

Test-check of 75 IRs (25 *per cent*) in audit revealed that these Reports contained 741 paragraphs with total money value of Rs 159.10 crore. Of these, 416 paragraphs brought out serious irregularities with money value of Rs 157.68 crore as detailed below:

Table No 9.2 (Rs in crore)

S No.	Nature of irregularities	Number of paragraphs	Money value of objections
1	Irregular/unfruitful/avoidable/excess expenditure/diversion of funds	175	62.08
2.	Outstanding advances/non-recovery of dues	73	57.66
3.	Embezzlement/losses/thefts/shortages/ defalcation	32	1.81
4.	Blockade of Government capital/idle investment	19	8.14
5.	Loss of revenue	21	0.52
6.	Other irregularities	96	27.47
	Total	**416**	**157.68**

ψ Agriculture, Education, Police, Forest, Power Development Department, Public Health Engineering, Industries and Commerce, Food and Supplies, Stationery and Printing, Social Welfare, Housing and Urban Development, Health and Medical Education, Finance, Revenue and Rural Development Departments.

The extent to which these observations had been settled by taking follow up action by the departmental officers was not on record as the Directorate had not maintained records indicating year-wise/department-wise details of audit objections settled and outstanding for monitoring purposes. It was also seen that 28 IRs were submitted by field audit parties to the headquarter after periods of over one month to over eight months from the date of conclusion of audit. 53 IRs were issued by the Directorate to concerned heads of offices after a period ranging between over one month and over seven months from the date of their receipt from the field parties. First reply to 34 out of 75 IRs containing 363 paragraphs with money value of Rs 99.34 crore had not been received from the concerned heads of offices (July 2003). Delay in furnishing even initial replies to 27 IRs by the concerned heads of offices ranged between 2 and 55 months.

As is evident from the foregoing paragraphs, the Directorate despite its existence for over six years, was yet to take up internal audit more effectively. Non-fixation of auditing norms/procedures, low coverage of units, non-pursuance of audit observations and inadequate provision of staff had rendered the internal audit activity of the Directorate ineffective.

The matter was referred to Government/Department in October 2003; reply had not been received (October 2003).

Srinagar/Jammu
The 25 FEB 2004

(L .V.Sudhir Kumar)
Accountant General Jammu and Kashmir

Countersigned

New Delhi
The 08 MAR 2004

(Vijayendra N. Kaul)
Comptroller and Auditor General of India

Appendices

Appendix-1

(Reference: Paragraph: 1.1; Page: 1)
Part A. Government Accounts

I. Structure

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

Part-I: Consolidated Fund

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

Part-II: Contingency Fund

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

Part-III: Public Account

Receipts and disbursements in respect of small savings, provident funds, deposits, reserve funds, suspense, remittances, etc. which do not form part of the Consolidated Fund, are accounted for in Public Account and are not subject to vote by the State Legislature.

II. Form of Annual Accounts

The accounts of the State Government are prepared in two volumes viz., the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts, present the details of expenditure by the State Government vis-a-vis the amounts authorised by State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

Part B-List of terms used in the Chapter-I and basis for their calculation

Terms	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter / GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X) / Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	[(Current year Amount/previous year Amount)-1]*100
Trend/Average	Trend of growth over a period of 5 years (LOGEST (Amount of 1997-98: Amount of 2002-03)-1)*100
Share shift/Shift rate of a parameter	Trend of percentage shares, over a period of 5 years, of the parameter in Revenue or expenditure as the case may be
Development Expenditure	Social Services+Economic Services
Weighted Interest rate (Average interest paid by the state)	Interest Payment/[(Amount of previous year's Fiscal Liabilities+Current year's Fiscal Liabilities)/2]* 100
Interest spread	GSDP growth-Weighted Interest rates
Interest received as per cent to Loans Advanced	Interest received [(Opening balance+Closing balance of Loans and Advances)/2]* 100
Revenue Deficit	Revenue Receipt-Revenue Expenditure
Fiscal Deficit	Revenue Expenditure+ Capital Expenditure+Net Loans and Advances-Revenue Receipts-Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit-Interest payments
Balance from Current Revenue (BCR)	Revenue Receipts minus all Plan grants and Non-Plan Revenue Expenditure excluding debits under 2048-Appropriation for Reduction or Avoidance of Debt

Appendix-2

(Reference: Paragraph: 2.3; Page: 24)

Details of excess expenditure despite obtaining supplementary grants

(Rupees in crore)

S.No	Name of Grant/Department	Original	Supple-mentary	Total grant	Expendi-ture	Excess Expendit-ure
Revenue (voted)						
1.	3- Planning and Development Department	12.98	0.07	13.05	48.29	35.24
2.	14-Revenue Department	174.64	1.14	175.78	194.17	18.39
	Total-Revenue (Voted):	**187.62**	**1.21**	**188.83**	**242.46**	**53.63**
Capital (voted):						
3.	6-Power Development Department	293.00	114.56	407.56	723.94	316.38
4.	23-Public Health Engineering Department	124.10	19.51	143.61	173.50	29.89
	Total Capital (voted)	**417.10**	**134.07**	**551.17**	**897.44**	**346.27**
Capital (charged)						
5.	8- Finance Department	392.52	9.16	401.68	422.51	20.83
	Total-Capital (Charged):	**392.52**	**9.16**	**401.68**	**422.51**	**20.83**
	Total-Revenue and Capital:	**997.24**	**144.44**	**1141.68**	**1562.41**	**420.73**

Appendix-3

(Reference: Paragraph: 2.5; Page: 26)
Cases of unnecessary supplementary grant/appropriation

(Rupees in crore)

S.No	Name of Grant or Appropriation	Amount of Grant/Appropriation				
		Original	Supple-mentary	Total	Actual expenditure	Saving
	I-Revenue (voted)					
1.	1- General Administration Department	132.56	0.63	133.19	96.77	36.42
2.	4- Information Department	9.74	0.12	9.86	9.52	0.34
3.	8- Finance Department	678.03	18.86	696.89	647.87	49.02
4.	9- Parliamentary Affairs Department	8.59	2.16	10.75	8.27	2.48
5.	23- Public Health Engineering Department	231.31	7.74	239.05	223.15	15.90
6.	24- Hospitality and Protocol Department	4.43	0.03	4.46	4.32	0.14
	Total-I:	**1064.66**	**29.54**	**1094.20**	**989.90**	**104.30**
	II-Revenue (charged)					
7.	10- Law Department	8.89	0.06	8.95	8.58	0.37
8.	**Total-II:**	**8.89**	**0.06**	**8.95**	**8.58**	**0.37**
	III-Capital (voted)					
9.	1- General Administration Department	5.72	3.78	9.50	0.17	9.33
10.	2- Home Department	46.44	15.68	62.12	33.33	28.79
11.	3- Planning and Development Department	204.39	75.24	279.63	2.96	276.67
12.	25- Labour, Stationery and Printing Department	13.14	0.53	13.67	0.10	13.57
13.	27- Higher Education Department	16.50	4.59	21.09	8.09	13.00
	Total–III:	**286.19**	**99.82**	**386.01**	**44.65**	**341.36**
	Grand Total:	**1359.74**	**129.42**	**1489.16**	**1043.13**	**446.03**

Appendix-4

(Reference: Paragraph: 2.5; Page: 26)

Excessive supplementary grant/appropriation

(Rupees in crore)

S.No	Name of Grant/Appropriation	Amount of Grant/Appropriation				
		Original	Supple-mentary	Total	Expenditure	Saving
	I-Revenue (voted)					
1.	2-Home Department	901.32	142.68	1044.00	1008.82	35.18
2.	6-Power Development Department	1104.63	192.66	1297.29	1201.56	95.73
3.	10-Law Department	38.31	22.63	60.94	49.66	11.28
	Total-I:	**2044.26**	**357.97**	**2402.23**	**2260.04**	**142.19**
	II-Revenue (charged)					
4.	2-Home Department	-	0.28	0.28	0.26	0.02
5.	6-Power Development Department	-	0.16	0.16	0.09	0.07
6.	9-Parliamentary Affairs	0.28	0.05	0.33	0.31	0.02
7.	17- Health and Medical Education Department	-	0.09	0.09	0.08	0.01
8.	29-Transport Department	-	0.04	0.04	0.03	0.01
	Total-II:	**0.28**	**0.62**	**0.90**	**0.77**	**0.13**
	Grand total (I+II):	**2044.54**	**358.59**	**2403.13**	**2260.81**	**142.32**

Appendix-5

(Reference: Paragraph: 2.5; Page: 26)

Cases where savings exceeded 10 *per cent* of the grant and more than Rs 50 lakh

(Rupees in crore)

S. No	Name of Grant and Grant number	Amount of grant/ appro-priation	Expendi-ture	Saving (Percentage)
I-Revenue (voted)				
1.	7- Education Department	845.55	746.72	98.83 (12)
2.	17- Health and Medical Education Department	475.68	391.84	83.84 (18)
3.	20- Tourism Department	37.45	29.85	7.60 (20)
4.	26- Fisheries Department	17.87	14.44	3.43 (19)
5.	29- Transport Department	11.89	10.28	1.61 (14)
II-Revenue (Charged)				
6.	1- General Administration Department	3.58	3.03	0.55 (15)
III-Capital (Voted)				
7.	4- Information Department	0.66	-	0.66 (100)
8.	9- Parliamentary Affairs Department	1.00	0.08	0.92 (92)
9.	11- Industries and Commerce Department	93.40	74.43	18.97 (20)
10	12- Agriculture Department	65.95	17.75	48.20 (73)
11.	13- Animal Husbandry Department	7.33	3.05	4.28 (58)
12.	14- Revenue Department	1.40	0.02	1.38 (99)
13.	15- Food Supplies and Transport Department	677.06	428.01	249.05 (37)
14.	18- Social Welfare Department	22.15	6.41	15.74 (71)
15.	19- Housing and Urban Development Department	68.90	45.84	23.06 (33)
16.	21- Forest Department	74.95	28.78	46.17 (62)
17.	22- Irrigation and Flood Control Department	126.09	46.29	79.80 (63)
18.	28- Rural Development Department	87.74	71.44	16.30 (19)
19.	29-Transport Department	33.68	23.44	10.24 (30)

Appendix-6
(Reference: Paragraph: 2.8; Page: 27)

Cases of persistent savings of more than 10 *per cent* during last 3 years

(Rupees in crore)

S.No.	Name of grant/appropriation	Amount of saving (Percentage in brackets)		
		2000-01	2001-02	2002-03
I. Revenue (voted)				
1.	15- Food, Supplies and Transport Department	29.70 (61)	45.49 (100)	0.25 (25)
Revenue (Charged)				
2.	1- General Administration Department	0.39 (11)	0.43 (12)	0.54 (15)
3.	6- Power Development Department	0.03 (100)	0.07 (28)	0.07 (45)
Capital (Voted)				
4.	1- General Administration Department	6.10 (97)	21.44 (99)	9.33 (98)
5.	2- Home Department	11.19 (90)	53.02 (75)	28.79 (46)
6.	3- Planning and Development Department	119.53 (98)	227.05 (100)	276.67 (99))
7.	4- Information Department	0.65 (100)	0.40 (100)	0.66 (100)
8.	12- Agriculture, Rural Development and Co-operative Department	48.18 (47)	38.52 (70)	48.20 (73)
9.	13- Animal Husbandry Department	12.06 (81)	1.62 (32)	4.28 (58)
10.	14- Revenue Department	3.82 (100)	1.20 (100)	1.38 (98)
11.	15- Food supplies and Transport Department	513.78 (68)	647.78 (77)	249.05 (37)
12.	18- Social Welfare Department	23.92 (97)	11.80 (16)	15.74 (71)
13.	19- Housing and Urban Development Department	41.16 (54)	35.27 (48)	23.06 (33)
14.	21- Forest Department	59.45 (87)	34.19 (54)	46.17 (62)
15.	22- Irrigation and Flood Control	104.30 (81)	66.33 (65)	79.80 (63)
16.	25- Labour, Stationery and Printing Department	14.12 (97)	9.20 (100)	13.57 (99)

Appendix-7
(Reference: Paragraph: 2.9; Page: 27)

Statement showing expenditure incurred without budget provision under various heads/sub-heads

(Rupees in lakh)

S.No	Grant/Head of Account	Amount	
1.	**1-General Administration**		**808.88**
	2013-Council of Ministers	5.59	
	2052-Secretariat General Services	40.71	
	2055-Police	3.96	
	2251-Secretariat Social Services	5.05	
	3435- Ecology and Environment	736.75	
	6202-Loans for Education, Sports, art and Culture	9.46	
	6210-Loans for Medical and Public Health	5.79	
	6401-Loans for Crop Husbandry	1.57	
2.	**2- Home Department**		**1759.35**
	2055- Police	1132.65	
	4059-Capital Outlay on Public Works	498.65	
	4070- Capital Outlay on Other Administrative Services	128.05	
3.	**3- Planning and Development Department**		**770.42**
	3454- Census Survey and Statistics	770.42	
4.	**5- Ladakh Affairs Department**		**9.00**
	2575-Other Special Area Programmes	9.00	
5.	**6- Power Development Department**		**28584.22**
	2801-Power	685.16	
	6801-Loans for Power Projects	27899.06	
6.	**7-Education Department**		**4419.89**
	2202-General Education	735.92	
	2205- Art and Culture	9.68	
	4202-Capital Outlay on Education, Sports, Art and Culture	3674.29	
7.	**8-Finance Department**		**12035.56**
	6003 Internal Debt of the State Government	27.08	
	6004-Loans and Advances from the Central Government	12000.00	
	2030-Stamps and Registration	8.48	
8.	**10- Law Department**		**53.14**
	2015- Election	53.14	
9.	**11- Industries and Commerce Department**		**593.83**
	2852- Industries	218.26	
	2851- Village and Small Industries	120.00	
	2852- Industries	255.57	
10.	**12- Agriculture Department**		**793.37**
	2236- Nutrition	23.66	
	2401- Crop Husbandry	86.54	
	2402- Soil and Water Conservation	34.46	
	2403- Animal Husbandry	29.43	
	2415- Agriculture Research and Education	7.01	
	2425- Co-operation	291.73	

Appendix-7 (concld)

	2435- Other Agriculture Programme	74.00	
	2705- Command Area Development	67.15	
	4401- Capital Outlay on Crop Husbandry	179.39	
11.	**13- Animal Husbandry Department**		**158.67**
	2403- Animal Husbandry	121.07	
	4403- Capital Outlay on Animal Husbandry	37.60	
12.	**14- Revenue Department**		**50.17**
	2029- Land Revenue	6.91	
	2235- Social Security and Welfare	5.39	
	2401- Crop Husbandry	37.87	
13.	**16- Public Works Department**		**21834.05**
	2059- Public Works	3.57	
	3054- Roads and Bridges	14.05	
	4059- Capital Outlay on Public Works	378.54	
	5054- Capital Outlay on Roads and Bridges	21437.89	
14.	**17- Health and Medical Education Department**		**418.17**
	2210- Medical and Public Health	357.17	
	4210- Capital Outlay on Medical and Public Health as grant-in-aid	60.00	
	4211- Capital Outlay on Family Welfare	1.00	
15.	**18- Social Welfare Department**		**2740.64**
	2225- Welfare of Scheduled Castes Scheduled Tribes and other Backward Classes	1432.22	
	2235- Social Security and Welfare	1308.42	
16.	**19- Housing and Urban Development Department**		**11.25**
	2215- Water Supply and Sanitation (Plan)	11.25	
17.	**20- Tourism Department**		**113.94**
	5452- Capital Outlay on Tourism	113.94	
18.	**21- Forest Department**		**1463.58**
	2402- Soil and Water Conservation	1415.66	
	2406- Forestry and Wild Life	47.92	
19.	**23- Public Health Engineering Department**		**1057.69**
	2215- Water Supply and Sanitation	1057.69	
20.	**25-Labour, Stationery and Printing Department**		**1125.01**
	2058- Stationery and Printing	34.58	
	2230- Labour and Employment	1090.43	
21.	**27- Higher Education Department**		**302.85**
	2205- Art and Culture	2.27	
	2202- General Education	222.30	
	2203- Technical Education	78.28	
22.	**28- Rural Development Department**		**3391.25**
	2501- Special programme for Rural Development	338.75	
	2515- Other Rural Development	2.07	
	4515- Capital Outlay on Rural Development Programme	3050.43	
	Grand Total:		**82494.93**

Appendix-8

(Reference: Paragraph: 2.11; Page: 28)

I. Statement showing position of grants/appropriations where savings exceeded Rs one crore during 2002-03 and where savings were either not fully surrendered or not surrendered at all.

(Rupees in crore)

S. No	Name of Grant/Appropriation	Savings	Amount surrendered	Amount not surrendered
1-Revenue (voted)				
1.	1-General Administration Department	36.42	-	36.42
2.	2-Home Department	35.18	-	35.18
3.	6-Power Development Department	95.73	-	95.73
4.	7-Education Department	98.83	44.31	54.52
5.	8-Finance Department	49.03	-	49.03
6.	9-Parliamentary Affairs	2.48	-	2.48
7.	10-Law Department	11.28	-	11.28
8.	17- Health and Medical Education	83.84	48.61	35.23
9.	19-Housing and Urban Development Department	6.87	-	6.87
10	20- Tourism Department	7.60	6.41	1.19
11.	22- Irrigation and Flood Control Department	9.82	5.54	4.28
12	23- Public Health Engineering Department	15.90	-	15.90
13	26- Fisheries Department	3.43	3.11	0.32
14	27- Higher Education Department	7.10	-	7.10
15.	29-Transport Department	1.61	0.43	1.18
II-Revenue (charged)				
16.	8-Finance Department	86.49	-	86.49
III-Capital (voted)			-	
17.	1-General Administration Department	9.33	-	9.33
18.	2-Home Department	28.79	-	28.79
19.	3-Planning and Development Department	276.67	-	276.67
20.	12- Agriculture Department	48.20	23.36	24.84
21.	13- Animal Husbandry Department	4.28	2.70	1.58
22.	14- Revenue Department	1.38	-	1.38
23.	15- Food Supplies and Transport Department	249.05	14.77	234.28
24.	18- Social Welfare Department	15.74	-	15.74
25	19- Housing and Urban Development Department	23.06	12.58	10.48
26.	21- Forest Department	46.17	28.97	17.20
27.	22- Irrigation and Flood Control Department	79.80	51.08	28.72
28.	25-Labour , Stationery and Printing Department	13.57	-	13.57
29.	27- Higher Education Department	13.00	-	13.00
30.	29- Transport Department	10.24	1.51	8.73
Grant Total:		**1370.89**	**243.38**	**1127.51**

Appendix-8 (concld.)

II. Details showing surrender of funds more than available savings

S. No	Name of Grant/Appropriation	Savings	Amount surrendered
1-Revenue (Voted)			
1.	5-Ladakh Affairs Department	0.68	0.80
2.	11-Industries and Commerce Department	3.69	5.93
3.	13-Animal Husbandry Department	3.14	7.94
4.	16- Public Works Department	6.11	6.18
5.	20-Tourism Department	0.25	2.52
II-Capital (Voted)			
6.	11- Industries and Commerce Department	18.97	23.00
7.	15-Food Supplies and Transport Department	0.26	0.55
8.	28-Rural Development Department	16.31	66.18
	Total: (Revenue and Capital)	**49.41**	**113.10**

III. Details showing surrender of funds in spite of excess expenditure

S. No	Name of Grant/Appropriation	Amount of excess expenditure	Amount surrendered
Revenue (voted)			
1.	5-Ladakh Affairs Department	12.83	5.37
2.	16-Public Works Department	34.64	17.92
3.	18-Social Welfare Department	1.21	7.40
4.	21-Forest Department	1.24	19.68
5.	28-Rural Development Department	9.02	2.32
Capital (Voted)			
6.	17-Health and Medical Education Department	6.71	3.32
7.	26-Fisheries Department	2.24	0.06
	Total: (Revenue and Capital)	**67.89**	**56.07**

Appendix-9
(Reference: Paragraph: 4.2.10; Page: 63)

Statement showing targets and achievements for the years 1998-99 to 2002-03

(Figure in numbers)

		Jammu					Kashmir			
Year		**Target**	**Achievement**	**Shortfall**	**Percentage shortfall**		**Targets**	**Achievement**	**Shortfall**	**Percentage of shortfall**
1998-99	(i) Villages	1	Nil	1	100	Schemes	84	78	6	7
	(ii) Mohras	400	128	272	68					
1999-2000	(i) Villages	1	Nil	1	100	(i) Schemes	54	43	11	20
	(ii) Mohras	62	58	4	6	(ii) Habitation	237	142	95	40
	(iii) Completion of ongoing schemes	9	7	2	22					
	(iv) Upgradation of schemes	53	39	14	26					
2000-01	(i) Villages	1	Nil	1	100	(i) Schemes	52	52	-	-
	(ii) Mohras	66	44	22	33	(ii) Habitations	138	152	-	-
2001-02	(i) Villages	1	Nil	1	100	(i) Schemes	70	48	22	31
	(ii) Mohras	52	74	Nil	-	(ii) Habitations	250	220	30	12
2002-03 (December 2002)	Schemes	78	41	37	47	(i) Schemes	30	21	9	30
						(ii) Habitations	250	213	37	15
	Total									
	(i) Villages	4	Nil	4	100	(i) Schemes	290	242	48	17
	(ii) Mohras	580	304	276	48	(ii) Habitations	875	727	148	17
	(iii) Completion/ upgradation of schemes	140	87	53	38					

Appendix-10

(Reference: Paragraph: 6.1.12; Page: 88)

Statement showing department-wise draft paragraph/reviews, to which replies are awaited

S. No	Name of Department	No. of draft Paragraph	No. of Reviews	Period of issue
1.	Finance	7	1	March 2003 to May 2003
2.	Law	1	-	May 2003
3.	Revenue	1	-	May 2003

Appendix-11

(Reference: Paragraph: 6.2.11; Page: 92)

Statement showing the details of registers/records not maintained by the toll posts

Particulars of Register/Record	Contents	Toll Post at which Register/Record not maintained
RT-2A	Details of weighment slip	Railway Station Bari Brahmana
RT-12	Remittance Register showing remittances made into Treasury/Bank	Lakhenpur
RT-24 and RT-25	Exemption Register showing exemption granted to Industrial Units	Railway Station Jammu
RT-29	Khilafwarzi Register showing details of offender who evaded toll/amount of toll/fine imposed	Railway Station Bari Brahmana
RT-21	Traffic register showing entries relating to number of vehicles going through the Toll Gate for cross checking with Import General Register	-do-
RT-6	Stock account of permits (Form RT-4)	(i) Lakhenpur (ii) Railway Station Bari Brahmana (iii) Railway Station Jammu (iv) Lower Munda Kashmir

Appendix–12

(Reference: Paragraph: 7.1.4; Page: 107)

Statement showing particulars of paid-up-capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2003 in respect of Government Companies and Statutory corporations

(Rupees in lakh)

S.No	Sector and name of the Company/ Corporation	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other[v] loans received during the year	Loans outstanding at the close of 2002-03[ψ]			Debt-Equity ratio for 2002-03 (previous year)	Turn-over	Manpower (number of employees)
		State Gover-nment	Central Gover-nment	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
(A)	**Working Government Companies**														
	Agriculture and Allied Sector														
1.	Jammu and Kashmir State Agro Industries Development Corporation Limited	259.92	93.76	Nil	Nil	353.68	Nil	72.32	Nil	1395.90	Nil	1395.90	4 (4)	3410.26	415
2.	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	600.00	320.00	Nil	Nil	920.00	Nil	119.07	Nil	327.36	7919.32	8246.68	9 (8)	NA	443
	Sector-wise Total:	**859.92**	**413.76**	**Nil**	**Nil**	**1273.68**	**Nil**	**191.39**	**Nil**	**1723.26**	**7919.32**	**9642.58**	**8 (7)**	**3410.26**	**858**
	Industry Sector														
3.	Jammu and Kashmir Industries Limited	1783.83	Nil	Nil	Nil	1783.83	Nil	Nil	Nil	20345.30	195.00	20540.30	12 (10)	1655.56	2591
4.	Jammu and Kashmir Small Scale Industries Development Corporation Limited	311.85	Nil	Nil	Nil	311.85	Nil	Nil	76.00	543.11	3.12	546.23	2 (2)	NA	376

[v] Includes loans received from financial institutions, bonds, etc.

[ψ] Long-term loans only

Appendix–12 (Contd.)

S.No	Sector and name of the Company/ Corporation	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year	Loans outstanding at the close of 2002-03			Debt-Equity ratio for 2002-03 (previous year)	Turn-over	Manpower (number of employees)
		State Gover-nment	Central Gover-nment	Holding Companies	Others	Total	Equity	Loans	Nil	Government	Others	Total			
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*
5.	Jammu and Kashmir State Industrial Development Corporation Limited	4657.64	Nil	Nil	Nil	4657.64	Nil	Nil	Nil	5.00	2959.92	2964.92	1 (1)	273.44	596
6	Himalayan Wool Combers Limited	136.50	-	-	-	136.50	Information awaited								
	Sector-wise Total:	**6889.82**	**Nil**	**Nil**	**Nil**	**6889.82**	**Nil**	**Nil**	**76.00**	**20893.41**	**3158.04**	**24051.45**	**3 (3)**	**1929.00**	**3563**
	Handloom and Handicrafts Sector														
7	Jammu and Kashmir State Handloom Development Corporation Limited	174.43	150.07	Nil	Nil	324.50	Nil	164.75	151.43	3496.63	Nil	3496.63	11 (9)	653.63	523
8	Jammu and Kashmir Handicrafts (Sale and Export) Development Corporation Limited	605.12	89.00	Nil	Nil	694.12	13.00	170.71	Nil	3857.74	143.47	4001.21	6 (5)	718.00	463
9	Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalayan Wool Combers Limited)	40.00	-	-	-	40.00	Information awaited								
	Sector-wise Total:	**819.55**	**239.07**	**Nil**	**Nil**	**1058.62**	**13.00**	**335.46**	**151.43**	**7354.37**	**143.47**	**7497.84**	**7 (6)**	**1371.63**	**986**

Appendix–12 (Contd.)

S.No	Sector and name of the Company/ Corporation	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year	Loans outstanding at the close of 2002-03			Debt-Equity ratio for 2002-03 (previous year)	Turn-over	Manpower (number of employees)
		State Gover-nment	Central Gover-nment	Holding Companies	Others	Total	Equity	Loans	Nil	Government	Others	Total			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Mining Sector														
10.	Jammu and Kashmir Minerals Limited	800.00	Nil	Nil	Nil	800.00	Nil	466.79	Nil	12991.96	Nil	12991.96	16 (13)	814.00	1507
	Sector-wise Total:	**800.00**	**Nil**	**Nil**	**Nil**	**800.00**	**Nil**	**466.79**	**Nil**	**12991.96**	**Nil**	**12991.96**	**16 (13)**	**814.00**	**1507**
	Construction Sector														
11	Jammu and Kashmir Projects Construction Corporation Limited	152.50	Nil	Nil	Nil	152.50	Nil	Nil	Nil	30.00	111.26	141.26	1 (1)	517.15	1346
12	Jammu and Kashmir Police Housing Corporation Limited	205.00	Nil	Nil	Nil	205.00	Nil	Nil	Nil	Nil	Nil	Nil	- (-)	-	14
	Sector-wise Total:	**357.50**	**Nil**	**Nil**	**Nil**	**357.50**	**Nil**	**Nil**	**Nil**	**30.00**	**111.26**	**141.26**	**0.4 (0.5)**	**517.15**	**1360**
	Development of Economically Weaker Sections Sector														
13	Jammu and Kashmir Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	574.00	524.05	Nil	Nil	1098.05	35.00	Nil	65.25	Nil	801.11	801.11	1 (1)	-	106

Appendix –12 (Contd.)

S.No	Sector and name of the Company/ Corporation	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year	Loans outstanding at the close of 2002-03			Debt-Equity ratio for 2002-03 (previous year)	Turnover	Manpower (number of employees)
		State Gover-nment	Central Gover-nment	Holding Companies	Others	Total	Equity	Loans	Nil	Government	Others	Total			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
14	Jammu and Kashmir State Women's Development Corporation Limited	193.53	Nil	Nil	Nil	193.53	23.00	Nil	Nil	Nil	408.11	408.11	2 (2)	-	34
	Sector-wise Total:	**767.53**	**524.05**	**Nil**	**Nil**	**1291.58**	**58.00**	**Nil**	**65.25**	**Nil**	**1209.22**	**1209.22**	**1 (1)**	**-**	**140**
	Cement Sector														
15.	Jammu and Kashmir Cements Limited	1499.67	Nil	Nil	Nil	1499.67	Nil	Nil	Nil	355.63	Nil	355.63	0.2 (0.2)	4007.74	670
	Sector-wise Total:	**1499.67**	**Nil**	**Nil**	**Nil**	**1499.67**	**Nil**	**Nil**	**Nil**	**355.63**	**NIL**	**355.63**	**0.2 (0.2)**	**4007.74**	**670**
	Tourism Sector														
16.	Jammu and Kashmir State Tourism Development Corporation Limited	2350.83	Nil	Nil	Nil	2350.83	343.00	Nil	Nil	426.00	57.71	483.71	0.2 (0.2)	1274.09	799
17	Jammu and Kashmir State Cable Car Corporation Limited	3400.12	Nil	Nil	Nil	3400.12	915.00	Nil	Nil	Nil	Nil	Nil	- (-)	- (-)	88
	Sector-wise Total:	**5750.95**	**Nil**	**Nil**	**Nil**	**5750.95**	**1258.00**	**Nil**	**Nil**	**426.00**	**57.71**	**483.71**	**0.08 (0.09)**	**1274.09**	**887**
Power Sector															
18.	Jammu and Kashmir State Power Development Corporation Limited	500.00	Nil	Nil	Nil	500.00	Nil	Nil	13791.00	7770.00	89524.00	97294.00	195 (185)	9743.00	6054
	Sector-wise Total:	**500.00**	**Nil**	**Nil**	**Nil**	**500.00**	**Nil**	**Nil**	**13791.00**	**7770.00**	**89524.00**	**97294.00**	**195 (185)**	**9743.00**	**6054**

Appendix –12 (Contd.)

S.No	Sector and name of the Company/ Corporation	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year	Loans outstanding at the close of 2002-03			Debt-Equity ratio for 2002-03 (previous year)	Turn-over	Manpower (number of employees)
		State Gover-nment	Central Gover-nment	Holding Compa-nies	Others	Total	Equity	Loans	Nil	Government	Others	Total			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Finance Sector														
19.	Jammu and Kashmir Bank Limited	2577.53	Nil	Nil	2242.47	4820.00	Nil	Nil	Nil	Nil	21589.63	21589.63	4 (4)	142735.99	7112
	Sector-wise Total:	**2577.53**	**Nil**	**Nil**	**2242.47**	**4820.00**	**Nil**	**Nil**	**Nil**	**Nil**	**21589.63**	**21589.63**	**4 (4)**	**142735.99**	**7112**
	Total-(A)	**20822.47**	**1176.88**	**Nil**	**2242.47**	**24241.82**	**1329.00**	**993.64**	**14083.68**	**51544.63**	**123712.65**	**175257.28**	**7 (7)**	**165802.86 -**	**23137**
(B)	**Working Statutory Corporations**														
	Transport Sector														
1	Jammu and Kashmir State Road Transport Corporation	9082.06	1501.09	Nil	Nil	10583.15	Nil	2045.00	Nil	22942.64	1659.45	24602.09	2 (2)	3966.60	5116
	Sector-wise Total:	**9082.06**	**1501.09**	**Nil**	**Nil**	**10583.15**	**Nil**	**2045.00**	**Nil**	**22942.64**	**1659.45**	**24602.09**	**2 (2)**	**3966.60**	**5116**
	Finance Sector														
2	Jammu and Kashmir State Financial Corporation Limited	4267.40	2092.40	Nil	19.91	6379.71	Nil	Nil	700.00	35.94	14702.64	14738.58	2 (2)	689.00	297
	Sector-wise Total:	**4267.40**	**2092.40**	**Nil**	**19.91**	**6379.71**	**Nil**	**Nil**	**700.00**	**35.94**	**14702.64**	**14738.58**	**2 (2)**	**689.00**	**297**
	Forest Sector														
3.	Jammu and Kashmir State Forest Corporation Limited	903.00	Nil	Nil	Nil	903.00	Nil	Nil	Nil	6402.00	1818.49	8220.49	9 (12)	8395.44	4305
	Sector-wise Total:	**903.00**	**Nil**	**Nil**	**Nil**	**903.00**	**Nil**	**Nil**	**Nil**	**6402.00**	**1818.49**	**8220.49**	**9 (12)**	**8395.44**	**4305**
	Power Sector														
4.	State Electricity Board	Nil	Nil	Nil	Nil	Nil	Nil	Nil	4490.00	Nil	23864.00	23864.00	-	-	7
	Sector-wise Total:	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**4490.00**	**Nil**	**23864.00**	**23864.00**	**-**	**-**	**7**

Appendix–12 (Concld.)

S.No	Sector and name of the Company/ Corporation	Paid-up capital as at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year	Loans outstanding at the close of 2002-03			Debt-Equity ratio for 2002-03 (previous year)	Turn-over	Manpower (number of employees)
		State Gover-nment	Central Gover-nment	Holding Companies	Others	Total	Equity	Loans	Nil	Government	Others	Total			
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*
	Total (B) :	**14252.46**	**3593.49**	**Nil**	**19.91**	**17865.86**	**Nil**	**2045.00**	**5190.00**	**29380.58**	**42044.58**	**71425.16**	**4 (4)**	**13051.04**	**9725**
	Grand Total (A+B):	**35074.93**	**4770.37**	**Nil**	**2262.38**	**42107.68**	**1329.00**	**3038.64**	**19273.68**	**80925.21**	**165757.23**	**246682.44**	**6 (6)**	**178853.90**	**32862**
(C)	**Non-working company**														
	Tawi Scooters Limited	80.40	Nil	Nil	Nil	80.40	Nil	Nil	Nil	83.21	Nil	83.21	1 (1)	-	2
	Total-(C)	**80.40**	**Nil**	**Nil**	**Nil**	**80.40**	**Nil**	**Nil**	**Nil**	**83.21**	**Nil**	**83.21**	**1 (1)**	**-**	**2**
	Grand Total (A+B+C):	**35155.33**	**4770.37**	**Nil**	**2262.38**	**42188.08**	**1329.00**	**3038.64**	**19273.68**	**81008.42**	**165757.23**	**246765.65**	**6 (6)**	**178853.90**	**32864**

(Note: Except in respect of Jammu and Kashmir Bank Limited which finalised its accounts for 2002-03, figures are provisional as given by the companies and corporations)

Appendix-13
(Reference: Paragraph: 7.1.7; Page: 109)
Summarised financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised

(Rupees in lakh)

S.No	Sector and name of the Company/ Corporation	Name of the Department	Date of incor-poration	Period of Accounts	Year in which accounts finalised	Net profit(+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed*	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years
Agriculture and Allied Sector													
1	Jammu and Kashmir State Agro Industries Development Corporation Limited	Agriculture Production	30 January 1970	1986-87	2002-03	(-) 195.07	(+) 43.37	234.33	(-) 584.71	(-) 256.53	(-)195.07	(-) 76.00	16
2	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	-do-	10 April 1978	1991-92	2001-2002	(-) 607.66	Nil	920.00	(-) 3070.18	1089.49	(-) 197.69	(-)18.14	11
Sector-wise Total:						**(-) 802.73**	**(+) 43.37**	**1154.33**	**(-) 3654.89**	**832.96**	**(-) 392.76**	**(-) 47.15**	
Industry Sector													
3.	Jammu and Kashmir Industries Limited	Industries and Commerce	4 October 1960	1995-96	2002-2003	(-) 2023.23	NIL	1624.64	(-) 9663.60	(-)1518.52	(-) 1479.72	(-) 97.44	7
4	Jammu and Kashmir Small Scale Industries Development Corporation Limited	-do	28 November 1975	1984-85	2002-03	(+) 9.55	Nil	186.50	(+) 38.45	(+) 294.40	(+) 22.54	7.65	18
5.	Jammu and Kashmir State Industrial Development Corporation Limited	-do-	17 March 1969	1994-95	2002-2003	(-) 447.84	(+) 8.42	3612.64	(-) 2321.29	(+) 4965.43	(-) 94.43	(-) 1.9	8
6	Himalayan Wool Combers Limited	-do-	24 January 1978	1999-2000	2000-01	(-) 129.05	Nil	136.50	(-) 1049.02	(-) 171.39	(-) 117.80	68.73	3
Sector-wise Total:						**(-) 2590.57**	**(+) 8.42**	**5560.28**	**(-) 12995.46**	**(+) 3569.92**	**(-) 1669.41**	**-**	

Appendix-13 (Contd.)

S.No	Sector and name of the Company/ Corporation	Name of the Department	Date of incor-poration	Period of Accounts	Year in which accounts finalised	Net profit(+)/ Loss(-)	Net impact of audit comments	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed*	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years
Handloom and Handicrafts Sector													
7	Jammu and Kashmir State Handloom Development Corporation Limited	Industries and Commerce	29 June 1981	1994-95	2002-03	(+) 123.05	(-) 18.20	299.90	(-) 253.59	(+) 909.77	(+) 168.46	(+) 18.52	8
8.	Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited	-do-	6 June 1970	1992-93	2002-03	(-) 6.64	Nil	203.20	(-) 756.88	(-) 12.14	29.96	(-) 246.79	10
9	Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a Subsidiary of Himalayan Wool Combers Limited)**	-do-	29 November 1991	1991-92	1999-2000	(-) 0.03	Nil	Nil	(-) 0.03	Nil	-	-	11
Sector-wise Total:						**(+) 116.38**	**(-) 18.20**	**503.10**	**(-) 1010.50**	**897.63**	**(+) 198.42**	**22.10**	
Mining Sector													
10	Jammu and Kashmir Minerals Limited	Industries and Commerce	5 February 1960	1989-90	2002-03	(-) 215.77	Nil	800.00	(-) 1239.39	626.87	(-) 206.93	(-) 33.01	13
Sector-wise Total:						**(-) 215.77**	**Nil**	**800.00**	**(-) 1239.39**	**626.87**	**(-) 206.93**	**(-) 33.01**	
11	Jammu and Kashmir Projects Construction Corporation Limited	Public Works	22 May 1965	1985-86	2002-2003	(-) 36.94	Nil	145.00	(-) 79.78	125.90	(-) 29.76	(-) 23.63	17

Appendix-13 (Contd.)

S.No	Sector and name of the Company/ Corporation	Name of the Department	Date of incor-poration	Period of Accounts	Year in which accounts finalised	Net profit(+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed*	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years
12	Jammu and Kashmir Police Housing Corporation Limited	Public Works	26 December 1997	1997-98	2002-2003	The Company had finalised its first balance sheet as on March 1998. Only preliminary expenditure of Rs 1.92 lakh had been depicted in the balance sheet. No profit and loss account had been prepared.							
Sector-wise Total:						**(-) 36.94**	**Nil**	**145.00**	**(-) 79.78**	**125.90**	**(-) 29.76**	**(-) 23.63**	
Development of Economically Weaker Sections Sector													
13	Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited	Social Welfare	April 1986	1992-93	2002-2003	(+) 21.36	Nil	377.00	Nil	503.76	23.47	4.66	10
14	Jammu and Kashmir State Women's Development Corporation Limited **	-do-	10 May 1991	1993-94	2002-2003	Nil	Nil	27.00	Nil	26.19	Nil	-	9
Sector wise Total:						**(+) 21.36**	**Nil**	**404.00**	**Nil**	**529.95**	**(+) 23.47**	**4.66**	
Cement Sector													
15	Jammu and Kashmir Cements Limited	Industries and Commerce	24 December 1974	1994-95	1999-2000	(-) 153.84	Nil	1549.67	(-) 965.49	1426.71	(-) 10.12	(-) 0.71	8
Sector-wise Total:						**(-) 153.84**	**Nil**	**1549.67**	**(-) 965.49**	**1426.71**	**(-) 10.12**	**(-) 0.71**	
Tourism Sector													
16	Jammu and Kashmir State Tourism Development Corporation Limited	Tourism	13 February 1970	1988-89	2001-02	(+) 10.98	Nil	285.15	(-) 103.26	489.87	12.04	2.46	14
17	Jammu and Kashmir State Cable Car Corporation Limited***	-do-	28 November 1988	1992-93	2002-03	Nil	Nil	2344.12	Nil	2308.39	Nil	-	10
Sector-wise Total:						**(+) 10.98**	**Nil**	**2629.27**	**(-) 103.26**	**2798.26**	**12.04**	**0.43**	
Power Sector													
18	Jammu and Kashmir State Power Development Corporation Limited#	Power Develop-ment	16 February 1995	1995-96	2002-03	Nil	Nil	500.00	Nil	13114.86	-	-	7

Appendix-13 (concld.)

S.No	Sector and name of the Company/ Corporation	Name of the Department	Date of incorporation	Period of Accounts	Year in which accounts finalised	Net profit(+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed*	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years
Sector-wise Total:						**Nil**	**Nil**	**500.00**	**Nil**	**13114.86**	**-**	**-**	**-**
Finance Sector													
19	Jammu and Kashmir Bank Limited	Finance	10 October 1938	2002-2003	2003-04	(+) 33775.09	Nil	4820.00	-	1043495.90	123870.55	11.87	-
Sector-wise Total:						**(+) 33775.09**	**Nil**	**4820.00**	**-**	**1043495.90**	**123870.55**	**11.87**	
Total-A Working Government Companies						**(+) 30123.96**	**(+) 33.59**	**18065.65**	**(-) 20048.77**	**1067418.96**	**121795.50**	**11.41**	
(B) Working Statutory corporations													
Transport Sector													
1.	Jammu and Kashmir State Road Transport Corporation#	Civil Supplies & Transport	1 September 1976	2000-01	2002-03	(-) 4525.65	(+) 404.00	10538.15	(-) 39822.57	(-) 8809.68	(-) 2735.92	(-) 31.06	2
Sector-wise Total:						**(-) 4525.65**	**(+) 404.00**	**10538.15**	**(-) 39822.57**	**(-) 8809.68**	**(-) 2735.92**	**(-) 31.06**	
Financing Sector													
2.	Jammu and Kashmir State Financial Corporation Limited	Finance	2 December 1959	2001-02	2002-03	(-) 666.64	(-) 28.37	6379.71	(-) 18316.41	22325.11	(+) 652.94	2.92	1
Sector-wise Total:						**(-) 666.64**	**(-) 28.37**	**6379.71**	**(-) 18316.41**	**22325.11**	**(+) 652.94**	**2.92**	**-**
Forest Sector													
3.	Jammu and Kashmir State Forest Corporation Limited	Forest	10 May 1978	Accounts for the years 1996-97 and onwards not received. (The Corporation was incorporated in 1978-79, however, its audit was entrusted to the CAG from 1996-97)									
Total B:						**(-) 5192.29**	**(+) 375.63**	**16917.86**	**(-) 58138.98**	**13515.43**	**(-) 2082.98**	**15.41**	**-**
(C)-Non- Working Companies													
	Tawi Scooters Limited	Industries and Commerce	15 December 1976	1989-90	1991-92	(-) 6.14	Nil	80.40	(-) 104.23	58.69	(-) 1.25	(-) 2.13	13
Total-C						**(-) 6.14**	**Nil**	**80.40**	**(-) 104.23**	**58.69**	**(-) 1.25**	**(-) 2.13**	
Grand total (A+B+C):						**(+) 24925.53**	**(+) 409.22**	**35063.91**	**(-) 78291.98**	**(+) 1080993.08**	**(+) 119711.27**	**11**	**-**

* Capital employed represents Net Fixed Assets (including capital work-in-progress) plus working capital (current Assets (-) current Liability).

** The Company has finalised its first Balance Sheet. Paid-up Capital, Fixed Assets & current Liabilities are shown as Nil

*** No Profit & Loss Account has been prepared by the Company as the Company has not commenced business activities

\# Power generated has not been accounted for as there was no power purchase agreement during the period. No bills were raised against the State Government.

& The difference of Rs 0.08 lakh in accumulated loss is due to rounding of figure in crore

Appendix-14

(Reference: Paragraph 7.1.6; Page: 108)

Statement showing subsidy received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2003

(Rupees in lakh)

S.No	Name of the Public Sector Undertaking	Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year					Waiver of dues during the year					
		Central Government	State Govern-ment	Others	Total	Cash credit from Banks	Loans from other sources	Letter of credit opened by banks in respect of imports	Payment obligation under agree-ment with foreign consul-tants or contracts	Total	Loans repay-ment written off	Interest waived	Penal Inte-rest waived	Total	Loans on which Morato-rium allowed	Loans conver-ted into equity during the year
	(A) Govt. Companies															
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*
1.	Jammu and Kashmir State Agro Industries Development Corporation Limited	Nil	Nil	Nil	Nil	1.16 (1.79)	Nil	Nil	Nil	1.16 (1.79)	Nil	Nil	Nil	Nil	Nil	Nil
2.	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	Nil	24.67	Nil	24.67	Nil (7814.53)	Nil	Nil	Nil	Nil (7814.53)	Nil	Nil	Nil	Nil	Nil	Nil
3.	Jammu and Kashmir Industries Limited	Nil	Nil	Nil	Nil	Nil	Nil (195.00)	Nil	Nil	Nil (195.00)	Nil	Nil	Nil	NIl	Nil	Nil
4.	Jammu and Kashmir Small Scale Industries Development Corporation Limited	Nil	96.00	Nil	96.00	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
5.	Jammu and Kashmir State Industrial Development Corporation Limited	825.00	524.00	Nil	1349.00	Nil	Nil (708.84)	Nil	Nil	Nil (708.84)	Nil	Nil	Nil	Nil	Nil	Nil
6	Himalayan Wool Combers Limited	Information not received														
7.	Jammu and Kashmir State Handloom Development Corporation Limited	74.54	76.89	Nil	151.43	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
8.	Jammu and Kashmir State Handicrafts (Sales and Export) Corporation Limited	91.70	34.00	Nil	125.70	Nil (140.00)	Nil	Nil	Nil	Nil (140.00)	Nil	Nil	Nil	Nil	Nil	Nil
9.	Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited	Information not received														

Appendix-14 (contd.)

S.No.	Name of the Public Sector Undertaking	Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year					Waiver of dues during the year					
		Central Government	State Govern-ment	Others	Total	Cash credit from Banks	Loans from other sources	Letter of credit opened by banks in respect of imports	Payment obligation under agree-ment with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal Interest waived	Total	Loans on which Morato-rium allowed	Loans conver-ted into equity during the year
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*
10.	Jammu and Kashmir Minerals Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
11.	Jammu and Kashmir Projects Construction Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil (111.26)	Nil	Nil	Nil (111.26)	Nil	Nil	Nil	Nil	Nil	Nil
12	Jammu and Kashmir Police Housing Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
13.	Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited	Nil	50.00	Nil	50.00	Nil	435.61 (890.03)	Nil	Nil	435.61 (890.03)	Nil	Nil	Nil	Nil	Nil	Nil
14.	Jammu and Kashmir State Women's Development Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil (105.00)	Nil	Nil	Nil (105.00)	Nil	Nil	Nil	Nil	Nil	Nil
15.	Jammu and Kashmir Cements Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil -	Nil -	Nil	Nil	Nil	Nil	Nil	Nil	Nil
16.	Jammu and Kashmir State Tourism Development Corporation Limited	30.83	Nil	Nil	30.83	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
17.	Jammu and Kashmir State Cable Car Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
18.	Jammu and Kashmir State power Development Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil (70836.00)	Nil	Nil	Nil (70836.00)	Nil	Nil	Nil	Nil	Nil	Nil
19.	Jammu and Kashmir Bank Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Total (A):	**1022.07**	**805.56**	**Nil**	**1827.63**	**1.16 (7956.32)**	**435.61 (72846.13)**	**Nil**	**Nil**	**436.77 (80802.45)**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
(B)	**Working Statutory Corporation**															
1.	Jammu and Kashmir State Road Transport Corporation Limited	Nil	Nil	Nil	Nil	Nil (500.00)	Nil	Nil	Nil	Nil (500.00)	Nil	Nil	Nil	Nil	Nil	Nil
2.	Jammu and Kashmir State Financial Corporation Limited.	Nil	Nil	Nil	Nil	Nil	Nil (7605.00)	Nil	Nil	Nil (7605.00)	Nil	Nil	Nil	Nil	Nil	Nil

Appendix-14 (concld.)

1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*
3	Jammu and Kashmir State Electricity Board	Nil	Nil	Nil	Nil	Nil	2502.00 (23864.00)	Nil	Nil	2502.00 (23864.00)	Nil	Nil	Nil	Nil	Nil	Nil
4	Jammu and Kashmir State Forest Corporation	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Total (B):	**Nil**	**Nil**	**Nil**	**Nil**	**Nil (500.00)**	**2502.00 (31469.00)**	**Nil**	**Nil**	**2502.00 (31969.00)**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
(C)	**Non-working Government Companies**															
1	Tawi Scooters Limited.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Total-(C)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Grand Total (A+B+C):	**1022.07**	**805.56**	**Nil**	**1827.63**	**1.16 (8456.32)**	**2937.61 (104315.13)**	**Nil**	**Nil**	**2938.77 (112771.45)**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**

Figures in brackets indicate guarantees outstanding at the end of the year

Appendix-15
(Reference: Paragraph: 7.1.8; Page: 110)
Statement showing financial position of the Statutory Corporations

(Rupees in crore)

	Particulars	1998-99	1999-00	2000-01
1.	**Jammu and Kashmir State Road Transport Corporation Limited**			
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	97.00	102.01	105.38
	Borrowings:	**149.24**	**176.01**	**204.75**
	Trade dues and other liabilities (including provisions)	110.48	133.49	149.36
	Total-A	**356.72**	**411.51**	**459.49**
B.	**Assets**			
	Gross block	36.79	40.33	50.36
	Less depreciation	*5.07*	*3.34*	*4.04*
	Net fixed assets	31.72	36.99	46.32
	Current assets, loans and advances	15.00	21.55	14.94
	Accumulated loss	310.00	352.97	398.23
	Total-B	**356.72**	**411.51**	**459.49**
C	**Capital employed***	**(-)63.76**	**(-)74.96**	**(-) 88.10**

2. State Financial Corporation

	Particulars	1999-00	2000-01	2001-02
A.	**Liabilities**			
	Paid-up capital	63.80	63.80	63.80
	Reserve funds and surplus	5.59	5.59	5.59
	Borrowings:			
	Bonds and debentures	79.93	79.93	83.98
	Others (including State Government)	64.97	69.11	68.70
	Other liabilities and provisions	140.83	154.39	158.68
	Total	**355.12**	**372.82**	**380.75**
B	**Assets**			
	Cash and bank balances	27.64	30.03	20.53
	Loans and advances	134.02	127.70	133.86
	Net fixed assets	0.36	0.64	0.57
	Investments and other assets	16.91	37.95	42.63
	Accumulated loss	176.19	176.50	183.16
	Total-B	**355.12**	**372.82**	**380.75**
C	**Capital employed**	**211.83**	**216.36**	**223.25**

* Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans in lieu of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).

Appendix-16
(Reference: Paragraph: 7.1.8; Page: 110)
Statement showing working results of the Statutory Corporations

(Rupees in crore)

	Particulars	1998-99	1999-2000	2000-01
1.	**State Road Transport Corporation**			
	Operating and non-operating			
	(a) Revenue	34.55	42.09	42.74
	(b) Expenditure	77.59	85.06	88.00
	(c) Surplus (+)/Deficit (-)	(-)43.04	(-) 42.97	(-) 45.26
	Interest on capital and loans	19.12	19.53	17.90
	Return on capital employed	(-)23.92	(-)23.44	(-) 27.36
2	**Jammu and Kashmir State Financial Corporation**	**1999-00**	**2000-01**	**2001-02**
A	**Income**			
	(a) Interest on loans and advances	12.16	6.89	5.58
	(b) Other income	1.51	2.39	2.59
	Total-A	**13.67**	**9.28**	**8.17**
B	**Expenditure**			
	(a) Interest on long-term loans	10.84	9.35	13.20
	(b) Other expenditure	6.78	6.82	4.83
	Total-B	**17.62**	**16.17**	**18.03**
C	**Profit (+)/Loss (-)**	**(-)3.95**	**(-)6.89**	**(-) 9.86**
D	**Total return on capital employed**	**6.89**	**2.46**	**6.53**
E	**Percentage of return on capital employed**	**3.25**	**1.14**	**2.92**

Appendix-17
(Reference: Paragraph: 7.1.12; Page: 111)
Statement showing operational performance of Statutory corporations

(Rupees in crore)

Particulars	1998-99	1999-2000	2000-01
1. Jammu and Kashmir State Road Transport Corporation Limited			
Average number of vehicles held	1287	1258	1258
Average number of vehicles on road per day	731	807	839
Percentage utilisation of vehicles	57	64	67
Number of employees	5609	5506	5350
Employee-vehicle ratio	4.35	4.37	4.25
No. of routes operated at the end of the year	NA	NA	NA
Route kilometers (in lakh)	0.16	0.16	0.16
Kms covered (in lakh)			
(i) Gross	273.97	313.14	326.28
(ii) Net	271.39	310.99	323.88
(iii) Dead	2.58	2.15	2.40
Percentage of dead kms to gross kms	0.94	0.69	0.73
Average km covered/bus/day	0.37	0.39	0.40
Average operating revenue/km (in paisa) over previous year's income *(per cent)*	12.08	12.96	12.75
Average expenditure per km.	28.59	27.35	27.16
Increase in operating expenditure per km over previous year's expenditure *(per cent)*	NA	NA	NA
Loss per km (in paisa)	(-)16.51	(-)14.39	(-) 14.41
Number of operating depots	NA	NA	NA
Average number of break-down per lakh km	NA	NA	NA
Average number of accidents per lakh km	NA	NA	NA
Passenger km operated (in crore)	2.71	3.11	3.24
Occupancy ratio (Load factor)	95	99	74
Kilometers obtained per litre of (a) Diesel oil (b) Engine oil	NA	NA	NA

2. Jammu and Kashmir State Financial Corporation Limited	**1999-2000**		**2000-01**		**2001-02**	
	No.	Amount	No	Amount	No	Amount
Applications pending at the beginning of the year	162	4.21	156	7.24	213	11.93
Applications received	459	30.42	320	23.55	230	13.65
Total:	**621**	**34.63**	**476**	**30.79**	**443**	**25.58**
Applications sanctioned	395	20.49	263	18.86	225	14.62
Applications cancelled/withdrawn/rejected/reduced	70	5.44	-	-	8	1.20
Applications pending at the close of the year	156	7.24	213	11.93	180	9.75
Loans disbursed	339	15.98	292	10.91	360	16.44
Loans outstanding at the close of the year	4614	490.18	3686	531.79	4741	605
Amount overdue for recovery at the close of the year	2741	462.70	3277	494.94	372	574.14
(a) Principal		NA		NA	NA	NA
(b) Interest		NA		NA	NA	NA
Percentage of default to total loans outstanding	94		93		95	

Appendix-18
(Reference: Paragraph: 7.1.23; Page: 115)
Statement showing department-wise outstanding Inspection Reports (IRs)

S.No	Name of the department/institution	No. of PSUs	No. of outstanding Inspection Reports	No. of outstanding paragraphs	Earliest year from which outstanding
1	Industries and Commerce	8	324	1117	1981-82
2	Agriculture	2	67	260	1983-84
3	Public Works	2	74	251	1976-77
4	Social Welfare	2	18	82	1988-89
5	Tourism	2	58	186	1985-86
6	Power Development	1	128	357	1981-82
7	Finance	1	60	284	1987-88
8	State Financial Corporation	1	61	112	1979-80
9	Government Press	1	12	34	1983-84
	Total	**20**	**802**	**2683**	

Appendix-19
(Reference: Paragraph: 7.1.23; Page: 115)

Statement showing department-wise draft paragraphs/reviews, replies to which are awaited

S.No	Name of department	No. of draft paragraphs	No. of reviews	Period of issue
1	Industries and Commerce	1	-	March 2003
2	Tourism	-	1	March 2003/June 2003
3	Transport and Information	1	-	April 2003
4	Power	1	-	June 2003

Appendix-20

Statement showing financial results of Jammu and Kashmir Tourism Development Corporation Limited

(Reference: Paragraph: 7.2.7; Page: 119)

(Rupees in crore)

S. No		1998-99	1999-00	2000-01	2001-02	2002-03
I.	**Liabilities**					
(i)	Paid–up capital	3.24	3.24	3.24	3.24	3.24
(ii)	Share capital suspense	15.89	16.39	16.39	17.04	20.27
(iii)	Reserves and surplus	3.25	4.00	4.69	5.89	6.77
(iv)	Borrowings	4.79	5.47	5.34	4.97	4.88
(v)	Trade dues, current liabilities and provisions	7.31	7.10	7.19	8.15	8.15
	Total-I	**34.48**	**36.20**	**36.85**	**39.29**	**43.31**
II.	**Assets**					
(a)	Gross fixed assets	12.77	14.75	16.27	17.71	19.18
(b)	*Less Depreciation*	*0.98*	*1.13*	*1.09*	*1.09*	*1.15*
(c)	Net fixed assets	11.79	13.62	15.18	16.62	18.03
(d)	Capital works-in-progress	5.03	4.30	3.79	3.78	3.75
(e)	Current assets, loans and advances	9.45	10.98	11.18	11.82	13.68
	Accumulated loss	8.21	7.30	6.70	7.07	7.85
III.	**Total-II**	**34.48**	**36.20**	**36.85**	**39.29**	**43.31**
	Capital employed$	**18.96**	**21.80**	**22.96**	**24.07**	**27.31**
	Net Worth*	**(-) 1.72**	**(-) 0.06**	**1.23**	**2.06**	**2.16**

$: Net fixed assets plus capital works-in-progress plus working capital.

* Paid up capital plus reserve and surplus less intangible assets

Appendix-21

Statement showing working results of Jammu and Kashmir Tourism Development Corporation Limited

(Reference: Paragraph: 7.2.7; Page: 119)

(Rupees in crore)

	1998-99	1999-00	2000-01	2001-02	2002-03
1. Income					
(i) Room rent	7.27	8.12	8.97	8.17	9.33
(ii) Catering	3.57	4.08	4.27	3.63	2.63
(iii) Other receipts♥	0.14	0.33	0.53	0.43	1.21
Total-I	**10.98**	**12.53**	**13.77**	**12.23**	**13.17**
II. Expenditure					
(i) Purchases	1.51	1.62	1.61	1.45	1.57
(ii) Other operating cost	1.97	2.03	2.58	2.28	2.12
(iii) Manpower costs	6.44	6.80	7.38	7.17	8.13
(iv) Depreciation	0.98	1.13	1.09	1.09	1.15
Accretion/ Decretion of stocks	(-) 0.02	(+) 0.04	-*	(-) 0.01	(+) 0.03
Total-II	**10.88**	**11.62**	**12.66**	**11.98**	**13.00**
Profit/loss for the year	(+) 0.10	(+) 0.91	(+) 1.11	(+) 0.25	(+) 0.17
Previous years' adjustments	-*	-*	(-) 0.51	(-) 0.62	(-) 0.95
Net profit/loss	(+) 0.10	(+) 0.91	(+) 0.60	(-) 0.37	(-) 0.78
Interest payments	-*	0.05	0.12	0.10	0.09
Tax paid	0.02	0.03	0.04	-*	-*
Operating profit (EBIT)	0.12	0.99	0.76	(-) 0.27	(-) 0.69

♥ Includes interest on FDRs, telephone charges, boat receipts Joint Venture, etc. hiring of vehicles.

* Negligible

Appendix-22

Statement showing detail of units in which food costs exceeded the norms

(Reference: Paragraph: 7.2.13; Page: 122)

(In percentages)

S.No	Name of Unit	1997-98	1998-99	1999-00	2000-01	2001-02
1	Tourist Reception Centre, Srinagar	41	-	-	-	-
2	Wazwan Restaurant Srinagar	55	-	46	-	-
3	Civil Secretariat	65	85	70	62	70
4	Sonamarg	48	42	46		
5	Pahalgam	45	41	59	47	45
6	Outdoor catering	46	-	-	-	-
7	Zum Zum Hotel	-	58	51	56	51
8	Lala Rukh	-	42	-	-	-
9	Nehru Park	-	42	44	83	100
10	Nun Kun Rest	-	44	-	-	-
11	Shalimar Cafe	-	45	45	62	59
12	Tangmarg	-	47	42	-	48
13	Gulmarg	-	45	41	-	-
14	Qazigund	-	48	43	43	50
15	Tulsi Bagh	-	41	-	-	-
16	Budshah Flat	-	42	-	-	-
17	Zeetyar	-	44	-	-	-
18	High Court	-	-	59	60	61
19	Banihal	-	-	73	-	52
20	Floating Rest	-	-	-	44	-
21	Nishat Bagh	-	-	-	52	51
22	Botanical Garden	-	-	-	-	53
23	Mammer	-	-	-	-	50
24	Wazwan Restaurant Jammu	41	41	-	46	44
25	Tourist bunglow, Mansar	43	45	-	-	-
26	Tourist bunglow, Batote	46	-	-	49	41
27	Tourist bunglow, Katra	41	41	-	-	-
28	Bagh-e-Bahu	46	43	43	-	-
29	Tourist bunglow, Dayalachak	41	43	-	-	-
30	Nandini Cafeteria	53	54	48	-	46
31	Tourist bunglow, Ramban	44	60	47	44	49
32	Tourist bunglow, Kud	42	45	-	42	48
33	Jhajjar Kotli	41	41	-	-	-
34	Yatri Niwas Katra	43	42	-	-	-
35	Tourist bunglow, Lakhenpur	42	41	-	41	-
36	Tourist bunglow, Sanasar	50	-	59	51	-
37	Civil Secretariat, Jammu	81	80	77	55	54
38	High Court Jammu	-	-	-	56	-

Appendix-23

(Reference: Paragraph: 8.1.2; Page: 131)
Statement of wanting utilisation certificates

Name of Department	Year of paying	Certificates awaited	
		No.	(Rs. in lakh)
Education	2000-01	168	7765.66
	2001-02	154	7602.46
Housing and Urban Development	2000-01	82	6127.18
	2001-02	72	6162.01
Health and Medical Education	2000-01	20	51.98
	2001-02	17	47.81
Law and Justice	2000-01	15	176.29
	2001-02	18	122.30
Social Welfare	2000-01	28	12.56
	2001-02	21	15.69
General Administration	2000-01	12	240.43
	2001-02	6	37.70
Tourism	2000-01	2	98.38
	2001-02	-	-
Art and Culture	2000-01	13	427.89
	2001-02	12	452.00
Public Works	2000-01	-	-
	2001-02	2	0.35
Agriculture	2000-01	47	4620.94
	2001-02	30	4000.00
Industries	2000-01	12	486.53
	2001-02	8	289.17
Ladakh Affairs	2000-01	5	17.50
	2001-02	4	0.90
Transport	2000-01	3	1006.05
	2001-02	6	1919.52
Total		**757**	**41681.30 say Rs 416.81 crore**

Appendix-24
(Reference: Paragraph: 8.1.3; Page: 131)
List showing names of departments which had not furnished the details of grants/loans paid by them to various bodies

S.No	Name of the Department	Period for which information awaited
1.	Science and Technology	2001-02 and 2002-03

Appendix-25
(Reference: Paragraph: 8.1.3; Page: 131)
Bodies which did not furnish annual accounts for 2002-03 and earlier years

S.No	Name of the Body	Period for which accounts were not received	No. of accounts
1.	Jammu and Kashmir State Social Welfare Advisory Board	1999-2000 to 2002-03	4
2.	District Rural Development Agency, Srinagar	2002-03	1
3.	District Rural Development Agency, Pulwama	2002-03`	1
4.	District Rural Development Agency, Kupwara	2002-03	1
5.	District Rural Development Agency, Baramulla	2001-02 and 2002-03	2
6.	District Rural Development Agency, Rajouri	2002-03	1
7.	District Rural Development Agency, Doda	1983-84 to 1996-97 and 2002-03	15
8	District Rural Development Agency, Leh	2002-03	1
9.	District Rural Development Agency, Kargil	2002-03	1
10	District Rural Development Agency, Kathua	2002-03	1
11.	District Rural Development Agency, Udhampur	2002-03	1
12.	District Rural Development Agency, Anantnag	2001-02 and 2002-03	2
13.	District Rural Development Agency, Poonch	2002-03	1
14.	District Rural Development Agency, Budgam	2002-03	1
15.	District Rural Development Agency, Jammu	2002-03	1
16.	Jammu and Kashmir Sports Council	2002-03	1
17.	Desert Development Agency Leh	2002-03	1
18.	Desert Development Agency Kargil	2002-03	1
19.	Jammu Development Authority	1972-73 to 2002-03	31
20.	Jammu Municipality	1996-97 to 2002-03	7
21.	Jammu and Kashmir Academy of art, Culture and Languages	2002-03	1
22.	Jammu and Kashmir Housing Board	1992-93 to 2002-03	11
23.	State Pollution Control Board	1992-93 to 2002-03	11
24.	Kashmir University	1969-70 to 2002-03	34
25.	Jammu and Kashmir Energy Development Agency	2002-03	1
26.	Jammu and Urban Development Agency	2002-03	1
27.	Jammu and Kashmir Co-operative Supply and Marketing Federation Limited	1987-88 to 2002-03	16
28.	Sher-i-Kashmir International Convention Complex	1999-00 to 2002-03	4
29.	Institute of Management and Public Administration	1988-89 to 2002-03	15
30.	Board of Secondary Education Srinagar	1977-78 to 2002-03	26
31.	Patnitop Development Authority	2002-03	1
32.	Srinagar Development Authority	1981-82 to2002-03	22
33.	Kashmir Urban Development Agency	1992-93 to 2002-03	11
34.	Jammu University	2001-02 to 2002-03	2
35.	Srinagar Municipality	1988-89 to 2002-03	15

Appendix-26
(Reference: Paragraph: 8.1.5; Page: 132)
Statement showing bodies/authorities and the period for which their accounts were received

S.No	Name of the Body	Period of accounts received
1.	Jammu Urban Development Agency	2001-02
2.	Sher-i-Kashmir International Convention complex	1998-99
3.	District Rural Development Agency, Srinagar	2001-02
4	District Rural Development Agency, Pulwama	2001-02
5	District Rural Development Agency, Kupwara	2001-02
6.	Jammu and Kashmir Sports Council	2001-02
7.	District Rural Development Agency, Rajouri	2001-02
8.	District Rural Development Agency, Doda	1997-98 to 2001-02
9.	District Rural Development Agency, Leh	2001-02
10.	District Rural Development Agency, Kargil	2001-02
11.	District Rural Development Agency, Kathua	2001-02
12.	District Rural Development Agency, Udhampur	2001-02
13.	Jammu and Kashmir Energy Development Authority	2001-02
14.	District Rural Development Agency, Poonch	2001-02
15.	District Rural Development Agency, Budgam	2001-02
16.	District Rural Development Agency, Jammu	2001-02
17.	Desert Development Agency, Leh	2001-02
18.	Patnitop Development Authority	2001-02
19.	Desert Development Agency, Kargil	2001-02
20.	Academy of Art Culture and Languages	2001-02

Appendix-27

(Reference: Paragraph: 8.1.8; Page: 134)

Department-wise statement showing performance of autonomous bodies

		Number of Autonomous Bodies							
Name of department	**Total number of bodies**	**Which did not render the accounts (year of accounts)**	**Which did not render accounts in prescribed format**	**Which did not utilise 50 *per cent* of grants given in a year/amount remaining unutilized**	**Which diverted/ misutilised the funds (including grants released by Government of India) amount diverted/misutilised**	**Which defaulted repayment of loans/ amount overdue**	**Which did not maintain cash book/ maintained irregularly**	**Which did not invest its surplus funds/ retained balances in cash chest/ average amount of surplus funds**	**Any other interesting point noticed from the audit of accounts**
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Rural Development	16	33 (ranged between 1983-84 to 2001-02)	-	-	DRDA Pulwama: Rs 18.16 lakh during 2001-02; DRDA Kupwara: Rs 17.92 lakh during 2001-02; DRDA Leh (during 2001-02): Rs 19.79 lakh; DRDA Budgam (during 2000-01): Rs 12 lakh	-	-		The unspent balance of Rs 20.61 crore were not surrendered by various DRDA's to GOI and diversion of funds of Rs 16 lakh not got regularised from GOI
Education	5	65 (ranged between 1969-70 to 2002-03)	-	-	-	-	-	-	Unfruitful expenditure of Rs 17.62 lakh due to wrong selection of site for play field by the State Sports Council
Social Welfare	1	4 (ranging between 1999-2000 to 2002-03	-	-	-	-	-	-	
Urban Development	7	89 (ranging between 1972-73 to 2002-03)	-	-	-	-	-	-	Idle investment of Rs 10.98 lakh on purchase of sweeping machines by Jammu Municipality

Appendix-27 (Concld.)

1	2	3	4	5	6	7	8	9	10
Science and Techno-logy	1	5 (ranging between 1998-99 to 2002-03)	-	-	-	-	-	-	-
Forest	1	11 (ranging between 1992-93 to 2002-03)	-	-	-	-	-	-	-
Co-operative	1	16 (ranging between 1987-88 to 2002-03)	-	-	-	-	-	-	-
Tourism	1	04 (ranging between 1999-2000 to 2002-03)	-	-	-	-	-	-	The Jawahir Institute of Mountaineering Batote, during 2002-03 got short release of funds of Rs 8.69 lakh from State Government as the total of Rs 25.08 lakh incurred during 2002-03 was to be shared in the ratio of 50:50 by State and Central Government. The shortfall in funds was met out of receipts from Government of India.
General Adminis-tration	1	15 (ranging between 1988-89 to 2002-03)	-	-	-	-	-		