Report of
the Comptroller and Auditor General of India
On

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

for the year ended 31 March 2013

Government of Jammu and Kashmir

Report No.1 of the year 2014

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PREFACE

This Report is prepared for submission to the Governor of the State of Jammu and Kashmir under Article 151 (2) of the Constitution of India. This Report contains two parts.

Part A: **Revenue Sector**-The audit of revenue receipts of the Revenue Sector departments of the Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This part presents the results of audit of receipts such as sales/ value added tax, state excise, taxes on motor vehicles, stamp duty and registration fees and other tax and non tax receipts of the Government of Jammu and Kashmir for the Financial year ended 31 March 2013.

Part B: Public Sector Undertakings relates to Social, General and Economic Sectors. Audit of accounts of Government companies is conducted by the CAG under Section 619 of the Companies Act, 1956 and audit of Statutory Corporations under their respective legislation. The Government is required to submit this portion of the Audit Report to the State Legislature under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971.

The cases mentioned in this Report are among those which came to notice in the course of test audit of transactions during the year 2012-13 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 2012-13 but pertaining to the year 2012-13 have also been included, wherever necessary.

The Audit has been conducted in conformity with the Auditing Standards issued (March 2002) by the Comptroller and Auditor General of India.

Overview

OVERVIEW

This Report contains one Performance Audit on "Exemption and remission of taxes to industrial units", and six paragraphs including a paragraph on "Irregularities in implementation of the Jammu and Kashmir State Lands (Vesting of Ownership to the Occupants) Act 2001 (Roshni Act)" involving ₹ 493.39 crore, relating to irregular exemption/ remission of taxes, short/non-levy of motor vehicles taxes, short levy of VAT, non-levy of penalty etc. in Part A and three paragraphs involving ₹ 247.20 crore relating to unfruitful development expenditure, non realisation of ground rent, non achievement of target for recovery of Non Performing Advances[1], purchase of material in excess of requirement, etc. in Part B. Thus, the total money value of this Report containing one Performance audit and 9 audit paragraphs is ₹ 740.59 crore. Some of the major findings are mentioned below:

1. General

The total revenue receipts of the Government for the year 2012-13 were ₹ 26216.86 crore as compared to ₹ 24782.96 crore of the previous year. Out of this, 30.48 *per cent* was raised through tax revenue (₹ 5832.43 crore) and non-tax revenue (₹2160.19 crore). The balance 69.52 *per cent* was received from the Government of India as States' share of divisible Union taxes (₹ 3870.37crore) and Grants-in-aid (₹14353.87 crore).

(Paragraph: 1.1)

Test-check of the records of 70 units of Commercial Tax, State Excise, Motor Vehicles and other Departments conducted during the year 2012-13 showed underassessment/ short levy / loss of revenue aggregating to ₹ 749.94 crore in 365 cases. The concerned Departments accepted underassessment and other deficiencies of ₹ 2.99 crore involved in 80 cases pointed out in audit during 2012-13 and earlier years.

(Paragraph: 1.15.1)

Revenue Sector

Performance Audit

FINANCE DEPARTMENT

A Performance audit on "Exemption and remission of taxes to industrial units" was conducted. Some major findings are given below:

- Assessing Authorities allowed irregular exemption of tax of ₹ 6.51 crore to 32 industrial units who had not filed returns of their turnover and authorized inadmissible exemption of tax of ₹ 0.15 crore on unapproved finished product under the CST Act, besides interest of ₹ 0.13 crore was also leviable.

{Paragraphs: 2.1.7(i) and (ii)}

[1] It refers to loans that are in jeopardy of default. Once the borrower has failed to make interest or principal payments for 90 days the loan is considered to be a non-performing advance.

- Assessing Authorities granted remission of tax of ₹ 19.51 crore to the industrial units which was not admissible on purchase and sale of finished goods, for availing input tax credit, on inflated turnover and for negative listed goods under the J&K VAT Act.

{Paragraphs: 2.1.8(i to iv)}

- Remission of tax of ₹ 91.13 crore was granted irregularly to 18 unregistered industrial units by the Assessing Authorities.

(Paragraph: 2.1.8(vi)

- Due to misclassification of goods under category of higher rate of tax by eight industrial units excess remission of tax of ₹ 7.09 crore was granted in their favour by the Assessing Authorities, besides interest of ₹ 5.63 crore was also leviable.

{Paragraph: 2.1.8(viii)}

- Assessing Authorities had failed to withdraw remission of tax of ₹ 12.81 crore granted to 27 industrial units who had committed offences under the J&K VAT Act.

(Paragraph: 2.1.9)

Audit of transactions

Failure of the Assessing Authority to detect concealment of purchases at the time of assessment resulted in grant of incorrect exemption to a dealer from payment of tax of ₹21.28 lakh on the taxable turnover of ₹ 67.75 lakh.

(Paragraph: 2.2)

The proceeds of ₹ 9.06 crore in respect of bank drafts remitted into the Bank during the period 2010-13 by the RTO, Jammu were not realized as of March 2013.

(Paragraph: 2.6.2)

An amount of ₹ 3.19 crore on account of token tax was outstanding from 7123 vehicle owners for the period ranging between three months and 69 months.

(Paragraph: 2.6.3)

The Passenger Welfare Fund was poorly managed as only ₹ 2.34 crore was realized (against ₹ 7.10 crore due from 51478 commercial vehicles) out of which only ₹ 1.41 crore had been credited to the Fund.

(Paragraph: 2.6.6)

An audit of the Implementation of the Jammu and Kashmir State Lands (Vesting of Ownership to the Occupants) Act 2001 (Roshni Act) showed the following major deficiencies:

The principal objective of the Act was to raise resources for investment in Power Sector and the Government had estimated resource mobilization of ₹25,448 crore by selling 20,64,792 *Kanals* state land under unauthorised occupation. Only ₹ 76.24 crore (24 *per cent*) was realised against a demand of ₹ 317.54 crore raised in the actual transfer of 3,48,160 Kanals of land in the State.

(Paragraph: 2.7.4)

Irregular allowance of rebate/discounts in transfer of 666 *Kanals* of land resulted in loss of ₹ 225.26 crore to government exchequer, in 547 test checked cases.

(Paragraph : 2.7.3.5)

System and procedure for processing and scrutinising applications was non-transparent and susceptible to misuse. Rules did not specify whether the amended Rules would also be applicable to the applicants pending on the date of the amendments. Audit noticed that the applications decided by the committee in 2004 were re-processed in 2007 after the Rules were amended to allow benefits of rebates to occupants.

(Paragraph : 2.7.3.2)

Land measuring 129 *kanals* four *marlas* and 4 ½ Sq.ft of road-side land was transferred in Pulwama to 59 occupants against clear prohibition in the Act as the land was coming within 50 feet from the centre of the interior road.

(Paragraph : 2.7.3.8)

Public Sector Undertakings (PSUs)

3. Information about the State Public Sector Undertakings

Investment in State PSUs

As on 31 March 2013, the investment (capital and long-term loans) in 26 PSUs and Statutory corporations was ₹ 5,119.04 crore. The total investment consisted of 13.10 *per cent* as capital and 86.90 *per cent* as long-term loans. The equity has increased from ₹ 410.48 crore in 2008-09 to ₹ 670.66 crore in 2012-13. The Government contributed ₹ 113.31 crore towards equity, loans and grants/subsidies during 2012-13.

(Paragraphs: 3.3 and 3.4)

Performance of Public Sector Undertakings (PSUs)

Out of 23 working PSUs (Social sector: two PSUs, General sector: six PSUs and Economic sector: 15 PSUs) for which accounts for latest years were received upto September 2013, eight PSUs earned profit of ₹ 1388.55 crore, 12 PSUs incurred loss of ₹ 154.37 crore, two PSUs had not prepared Profit and Loss account and one PSU had not submitted its accounts since 1996-97 when its audit was entrusted to the CAG. Further, the State Government did not formulate any dividend policy under which all PSUs were required to pay a minimum return on the paid up share capital contributed by the State Government. As per the latest finalised accounts, eight PSUs earned an aggregate profit of ₹ 1388.55 crore and only one PSU declared a dividend of ₹ 242.39 crore.

(Paragraph: 3.6)

Arrears in finalisation of accounts

Twenty working PSUs had arrears of 195 accounts as of September 2013. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Thus, Government's investment in such PSUs remains outside the scrutiny of the State Legislature

(Paragraphs: 3.7)

4. Audit of Transactions

The delay in obtaining statutory clearances and execution of lease deed agreements by Jammu & Kashmir State Industrial Development Corporation Limited (SIDCO) and non-resumption/ non-utilization of plots of land in industrial estates/ complexes led to non realization of land premium of ₹ 10.58 crore and loss of ground rent ₹ 1.90 crore. There was no mechanism to check diversion of allotted land for un-intended purposes to new promoters, avoiding encroachment and allotment of excess land than requirements. The ground rent was not being revised after every five years which resulted in loss of revenue of ₹ 1.49 crore. The inadequate infrastructure by SIDCO caused non-utilisation of land by the promoters.

(Paragraphs: 4.1.4 to 4.1.7 and 4.1.10)

Due to deficiencies in planning and implementation of Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) the execution of projects were delayed besides, cases of mis-utilization of funds amounting to ₹ 4.89 crore and purchase of material in excess of requirement to the extent of ₹ 1.04 crore.

[Paragraphs: 4.2 (iii) and (iv)]

The targets for recovery of Non Performing Assets (NPAs) were not fixed by Jammu & Kashmir State Financial Corporation. Targets for over-dues were very small and that too had not been achieved. Despite settling 641 cases under One Time Settlement (OTS) scheme and writing off huge amount of ₹ 603.82 crore, there had not been significant reduction of NPAs. Though OTS 2010 scheme was finally extended till June 2011, the Corporation continued with the scheme during 2011-13 without the approval of the Government and recovered ₹ 10.88 crore while it sacrificed interest amounting to ₹ 173.44 crore. Revival Plan envisaged equitable regional growth with thrust on lending to Micro sector but the Corporation concentrated on Transport sector in Kashmir division only.

(Paragraphs: 4.3.2 to 4.3.5)

PART 'A'

REVENUE SECTOR

Chapter-1

Introduction

CHAPTER – 1 General

1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Jammu and Kashmir during the year 2012-13, 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 in the **Table 1.1**.

Table 1.1

Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	**Revenue raised by the State Government**					
	Tax Revenue	2682.96	3027.32	3482.58	4745.49	5832.43
	Non-tax revenue	837.16	955.03	1093.11	2001.64	2160.19
	Total	**3520.12**	**3982.35**	**4575.69**	**6747.13**	**7992.62**
2.	**Receipts from the Government of India**					
	Share of net proceeds of divisible Union taxes and duties	1826.95	1914.76	3066.98	3495.11	3870.37
	Grants-in-aid	8955.46	11690.71	14590.98	14540.72	14353.87
	Total	**10782.41**	**13605.47**	**17657.96**	**18035.83**	**18224.24**
3.	**Total revenue receipts of the State Government[1] (1& 2)**	**14302.53**	**17587.82**	**22233.65**	**24782.96**	**26216.86**
4.	**Percentage of 1 to 3**	**25**	**23**	**21**	**27**	**30**

The above table indicates that during the year 2012-13, the over all receipts of the State increased by 6 *per cent* over the previous year. The State's own revenue (₹ 7992.62 crore) was 30 *per cent* of the total revenue receipts against 27 *per cent* in the preceding year. The balance 70 *per cent* were met from the funds received from Government of India (GOI) of which 78.76 *per cent* came in the form of Grant-in-aid. The Grant-in-aid from GOI constituted 54.75 *per cent* of the total receipts of the State.

1.1.1 The details of tax revenue raised during the period 2008-09 to 2012-13 are given in **Table 1.2**.

[1] For details please see Statement No.11-Detailed accounts of revenue by minor heads in the Finance Accounts of Jammu and Kashmir for the year 2012-13. Figures under the major heads 0020-Corporation tax, 0021-Taxes on Income other than Corporation Tax, 0028- Other Taxes on Income and Expenditure, 0032-Taxes on Wealth, 0037- Customs, 0038-Union Excise duties, 044- Service Tax and 0045-Other Taxes and Duties on Commodities and Services- share of net proceeds assigned to states booked in the Finance Accounts under A-Tax revenue have been excluded from revenue raised by the State and included in the State's share of divisible Union taxes in this table.

Table 1.2

(₹ in crore)

S. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+)/ decrease (-) in 2012-13 over 2011-12
1.	Tax on Sales Trade (sales Tax/VAT) etc.	1835.99	2145.72	2424.52	3414.01	4174.39	(+) 22
2.	State Excise	238.67	293.78	337.24	385.47	421.28	(+) 9
3.	Stamps- judicial	5.83	9.01	12.49	19.56	7.81	(-) 60
	Stamps- non-judicial	41.75	51.97	59.24	124.66	202.75	(+) 63
	Registration Fees	9.56	8.53	6.85	26.75	29.58	(+) 11
4.	Taxes and Duties on Electricity	150.76	120.34	147.50	179.12	277.86	(+) 55
5.	Taxes on Vehicles	65.47	83.09	115.33	104.52	117.89	(+) 13
6.	Tax on Goods and Passengers	271.39	299.43	337.16	457.93	504.91	(+) 10
7.	Land Revenue	63.53	15.41	42.03	33.00	95.45	(+) 189
8.	Others Taxes and Duties Commodities and Services	0.01	0.02	0.22	0.47	0.51	(+) 9
	Total	**2682.96**	**3027.30**	**3482.58**	**4745.49**	**5832.43**	**(+) 23**

The respective Departments reported the following reasons for variation:

Taxes on Sales/trade etc.: The increase in receipts under Tax on sales, trade is mainly due to more receipts under State VAT Act.

Land Revenue: The increase in receipts from 'Land revenue' was due to more revenue collection on account of land revenue.

Stamp duty: The collection of more receipts on account of Stamp duty is due to increase in collection on account of sale of non judicial stamps.

Taxes and duties on electricity: The increase in 'Taxes and Duties on Electricity' was due to collection of more receipts on account of power tariff under the head '0801 – Power'.

The other departments despite being requested (October 2013) did not furnish the reasons for variations in receipts from that of the previous year (December 2013).

1.1.2 The details of the non-tax revenue raised during the period 2008-09 to 2012-13 are indicated in **Table 1.3**.

Table 1.3

Details of non-tax revenue raised

(₹ in crore)

S. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+)/ decrease (-) in 2012-13 over 2011-12
1.	**Power**	629.98	723.64	822.09	1006.93	1588.62	(+) 58
2.	**Interest Receipts, Dividends and Profits**	56.51	54.80	67.04	101.22	103.73	(+) 2
3.	**Forestry and Wild Life**	31.61	37.46	47.47	55.20	59.31	(+) 7
4.	**Public Works**	16.89	23.87	23.58	25.94	27.19	(+) 5
5.	**Medical and Public Health**	9.92	9.49	9.40	14.55	18.08	(+) 24
6.	**Water Supply and Sanitation**	14.65	13.16	15.97	20.56	31.92	(+) 55
7.	**Police**	10.35	12.84	10.99	24.91	28.34	(+) 14
8.	**Non-ferrous Mining and Metallurgical Industries**	14.86	25.34	34.51	41.18	54.02	(+) 31
9.	**Crop Husbandry**	5.00	5.23	4.53	11.73	7.63	(-) 35
10.	**Animal Husbandry**	4.70	5.13	5.41	6.41	6.52	(+) 2
11.	**Education, Sports, Art and Culture**	1.61	2.21	2.56	4.06	4.22	(+) 4
12.	**Others**	41.08	41.86	49.55	688.95	230.61	(-) 67
	Total	**837.16**	**955.03**	**1093.10**	**2001.64**	**2160.19**	**8**

The reasons for variation in receipts from that of the previous year though called for (October 2013) were not provided (December 2013).

1.2 Variation between the budget estimates and actuals

Variation between the budget estimates and actual of revenue receipts for the year 2012-13 in respect of the principal heads of tax and non-tax revenue are given in **Table 1.4**.

Table 1.4
Details of budget estimates and actuals

(₹ in crore)

Revenue head	Budget estimates	Actual Receipts	Variations increase (+)/ Shortfall (-)	Percentage of variation
Tax Revenue				
Taxes/ VAT on sales, trade etc.	4218.57	4174.39	(-) 44.18	(-) 1
State Excise	413.00	421.28	(+) 8.28	(+) 2
Stamp duty and registration fees	270.55	240.14	(-) 30.41	(-) 11.24
Taxes on vehicles	139.00	117.89	(-) 21.11	(+) 15.18
Taxes and duties on electricity	423.36	277.86	(-) 145.50	(+) 34.36
Land revenue	35.60	95.45	(+) 59.85	(+) 168.12
Other taxes and duties on commodities and services	0.54	0.51	(-) 0.03	(-) 5.55
Taxes on goods and passengers-Tax on entry of goods into local areas	474.39	504.91	(+) 30.52	(+) 6.43
Non Tax Revenue				
Non-ferrous mining and metallurgical industries	50.35	54.02	(+) 3.67	(+) 7.29
Forestry and wild life	68.07	59.31	(-) 8.76	(-) 12.87
Interest receipts	21.94	103.73	(+) 81.79	(+) 372.78
Major and Medium Irrigation	22.45	103.73	(+) 81.28	(+) 362.04

The reasons for variation between budget estimates and actuals though called for from various departments, were not received (December 2013).

1.3 Analysis of collection of Tax Revenue

The break-up of the total collection at the pre-assessment stage and after regular assessment of taxes on sales, trade during the year 2012-13 and corresponding figures for the preceding four years as furnished by the Finance (Commercial Taxes) Department is mentioned in **Table 1.5**.

Table 1.5

(₹ in crore)

Head of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment	Penalty for delay in payment of taxes and duties	Total collection	*Percentage* of column 3 to 6
1	2	3	4	5	6	7
Taxes on Sales/VAT	2008-09	1275.28	4.65	55.43	1335.36	96
	2009-10	1768.08	7.42	16.15	1791.65	99
	2010-11	2049.92	3.82	70.83	2124.57	96
	2011-12	2475.19	21.80	11.16	2508.15	99
	2012-13	3162.62	29.50	10.28	3202.40	99

It would be seen from the table that the collection of tax at pre-assessment stage under Taxes on Sales/ VAT has been between 96 and 99 *per cent* during the period from

2008-09 to 2012-13 indicating meagre contribution of the department in collection of taxes at the time of regular assessment of the dealers.

1.4 Cost of collection of revenue receipts

The gross collection of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the year 2010-11 to 2012-13 along with the relevant all India average percentage of expenditure on collection to gross collections for the year 2011-12 are mentioned below:-

Table 1.6

(₹ in crore)

S. No.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2011-12
1.	Taxes/VAT on sales, trade etc.	2010-11	2424.52	22.17	0.91	1.89
		2011-12	3414.01	27.60	0.81	
		2012-13	4174.39	88.07	2.11	
2.	State excise	2010-11	337.24	14.38	4.26	2.98
		2011-12	385.47	17.09	4.43	
		2012-13	421.28	18.88	4.48	
3.	Stamp duty and registration fees	2010-11	78.58	12.68	16.14	0.83
		2011-12	170.97	20.87	12.20	
		2012-13	240.14	23.27	9.69	
4.	Taxes on vehicles	2010-11	115.33	5.38	4.66	2.96
		2011-12	104.52	7.44	7.12	
		2012-13	117.89	8.17	6.93	

Evidently the percentage of cost of collection in respect of all the revenue heads mentioned in the table was much higher except Taxes/VAT on sales, trade etc. than the All India Average and the Government needs to look into this aspect.

1.5 Analysis of arrears of revenue

The arrears of revenue, as on 31 March 2013, in respect of the principal heads of revenue as reported by the Departments was ₹ 1405.21 crore, of which ₹ 697.28 crore were outstanding for more than five years as mentioned in **Table 1.7**.

Table 1.7

(₹ in crore)

S. No.	Heads of revenue	Amount outstanding as on 31 March 2013	Amount outstanding for more than five years	Remarks
1.	**Taxes on Sales/VAT, Trades etc.**	1334.18	640.15	Out of the arrears, recovery of ₹ 145.04 crore was stayed by the courts/ Appellate Authority/ proposed for recovery as arrears of land revenue, etc. Specific action taken in respect of the remaining arrears of ₹1189.14 crore was not intimated (December 2013).
2.	**State excise**	4.52	4.52	Out of the arrears, ₹ 2.95 crore was stayed by Court & ₹1.57 was recoverable. Specific action to recover these arrears has not been intimated (December 2013).
3.	**Motor spirit tax**	3.99	-	Specific action taken in respect of these arrears was not intimated (December, 2013).
4.	**Passenger tax**	33.62	25.35	Specific action taken in respect of these arrears was not intimated (December, 2013).
5.	**Entertainment tax**	0.21	0.21	Arrears of ₹0.21 was recoverable. Specific action to recover these arrears has not been intimated (December 2013).
6.	**Toll Tax**	28.69	27.05	Out of the arrears, ₹28.35 crore was stayed by court and ₹0.34 crore was recoverable.
	Total	**1405.21**	**697.28**	

Steps taken for effecting recovery of arrears of revenue though called for were awaited (December 2013).

We recommend that the Government may take immediate steps for recovery of the arrears of revenue, particularly in those cases which have been pending for a long time.

1.6 Arrears in assessment

The details of assessments relating to Sales Tax/ VAT and taxes on Works Contracts pending at the beginning of the year, additional cases due for assessment during the year, cases disposed off during the year and cases pending at the end of each year during 2008-09 to 2012-13 as furnished by the Commercial Taxes Department are given in **Table 1.8**.

Table-1.8

Year	Opening balance	New Cases which became due for assessment	Total	Cases disposed during the year	Cases pending at the end of the year	Percentage of cases disposed to total cases
2008-09	18279[2]	10815	28024	9838	19256	34
2009-10	28539[3]	22178	50717	19916	30801	39
2010-11	30801	18647	49448	20265	29183	41
2011-12	29183	19641	48824	22130	26694	45
2012-13	26694	33700	60394	26812	33582	44

The above table indicates that the percentage of assessments completed to the total cases due for assessment ranged between 34 *per cent* and 45 *per cent* during the period from 2008-09 to 2012-13. The cases disposed off by the Commercial Taxes Department were lower than the new cases which had become due for assessment during the years from 2008-09 to 2012-13 (excepting 2010-11 and 2011-12).

We recommend that the Government may consider fixing a time limit for finalisation of the pending assessment and put in place a system for monitoring the progress of finalisation of assessment periodically, to ensure that the time limit so fixed is adhered to by the Departmental authorities.

1.7 Evasion of tax

The details of cases of evasion of tax detected by the departments, cases finalized and demands raised as on 31 March 2013, as reported by the departments concerned are mentioned in **Table 1.9.**

Table-1.9

Department	Cases pending as on 31 March 2012	Cases detected during 2012-13	Total	Number of cases in which assessments/ investigation completed and additional demand including penalty etc. raised during the year 2012-13		Number of pending cases as on 31 March 2013
				No. of cases	(₹ in crore)	
Sales Tax/VAT	1272	11449	12721	10981	60.84	1740
Toll Tax	Nil	441	441	441	0.26	-
State Excise	1[4]	Nil	1	Nil	Nil	1
Passenger Tax	-	1843	1843	1843	0.04	NIL
Total	**1273**	**13733**	**15006**	**13265**	**61.14**	**1741**

[2] The variation in closing balance ending 31 March 2008 and opening balance as on 01 April 2008 has been pointed out to the Department (September 2009), the reply is awaited (December 2013)

[3] The variation in closing balance ending 31 March 2009 and opening balance as on 01April 2009 has been pointed out to the Department (September 2010), the reply is awaited (December 2013)

[4] As per departmental reply (July 2012) the number of cases pending as on 31 March 2011 in respect of State Excise was one only.

The progress of recovery against the demand raised had not been intimated by the Department (December 2013).

1.8 Non-disposal of Refund cases

The number of refund cases pending at the beginning of the year 2012-13, claims received during the year, refunds allowed during the year and cases pending at the close of the year (March 2013), as reported by the Commercial Taxes Department is mentioned in **Table 1.10**.

Table-1.10

(₹ in lakh)

S. No.	Particulars	VAT	
		No. of cases	Amount
1.	Claims outstanding at the beginning of the year	13	13.70
2.	Claims received during the year	1	3.67
3.	Refunds made during the year	1	3.67
4.	Balance outstanding at the end of the year	13	13.70

It may be seen from the above that the disposal in respect of pending refund claims was not encouraging as only one claim of refund had been settled during the year.

1.9 Response of the Departments/ Government towards audit

Principal Accountant General (Audit) Jammu and Kashmir (PAG), conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of offices/Government are required to comply promptly with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the PAG's office within one month from the date of receipt of the IRs. Serious financial irregularities are reported to the heads of the Departments and the Government.

1.10 Position of Inspection Reports

The summarised position of Inspection Reports issued during the last three years, paragraphs included in these Reports and their status as on 31 March 2013 are tabulated in **Table 1.11.**

Table-1.11

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2010-11	540	1891	1625.48	65	280	132.61	6	118	31.21	599	2053	1726.88
2011-12	599	2053	1726.88	72	341	57.14	20	107	41.66	651	2287	1742.36
2012-13	651	2287	1742.36	82	430	289.23	-	164	121.74	733	2553	1909.85

This large pendency of the IRs and audit observations indicated that the Heads of Offices and Heads of the Departments do not take prompt action to rectify the defects, omissions and irregularities pointed out by the PAG. The prolonged delay in settlement of the audit observations is fraught with the risk of their becoming too old for effecting recovery/ action by the concerned Departments.

1.11 Departmental Audit Committee Meetings

During the year 2012-13, no Audit Committee Meeting was held by the State Government for settlement of the audit observations raised by the State Revenue Audit.

We recommend that the Government should in the interest of revenue:

- advise the concerned Departments to hold Audit Committee Meeting frequently and monitor the progress of settlement of paragraphs and ensure that demands/ recoveries are timely made; and
- take suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officials/ officers who fail to send replies to the IRs/ paragraphs as per the prescribed time schedules and also fail to take action to recover loss/ outstanding demand in a time bound manner.

1.12 Response of the Departments to draft audit paragraphs

Serious and important audit observations (paragraphs) noticed during local inspections are proposed to be included in the Report of the Comptroller and Auditor General of India (CAG), are forwarded to the Secretaries of the Departments concerned, drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Departments is invariably indicated at the end of each such paragraph included in the Audit Report.

Six draft paragraphs and one Performance Audit proposed to be included in the Part A of the Audit Report for the year ended 31 March 2013 were sent to the concerned Secretaries of the respective Departments upto October 2013 with the request to send the replies within six weeks. Replies in respect of three draft paragraphs have been received and included in the paragraphs. The Performance Audit was discussed in the exit conference held with the Government/concerned Department.

1.13 Follow up on Audit Reports – Summarised position

The internal working system of the Public Accounts Committee, notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments of the Government are required to prepare and send to the Jammu and Kashmir Legislative Assembly Secretariat, *suo-motu* Action Taken Notes (ATNs) on the Audit paragraphs within three months of an Audit Report being laid on the table of the Legislature. A review of the position in this regard showed that as of October 2013, out of 86 Audit paragraphs included in the Audit Reports for the years 2000-01 to 2011-12, the ATNs in respect of 75 Audit paragraphs due between June 2002 to September 2013 had not been finalized.

1.14 Assurances given by the Department/Government on the issues highlighted in the Audit Reports

1.14.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 5 years, those accepted by the Department and the amount recovered are mentioned in **Table 1.12**

Table-1.12

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted including money value	Money value of accepted paragraphs	Amount recovered during the year
2007-08	7	5.11	7	4.26	0.42
2008-09	7	28.58	7	6.50	0.01
2009-10	6	1.80	6	1.80	-
2010-11	10	39.90	10	31.41	0.01
2011-12	7	80.10	7	80.10	0.65
Total		**155.49**		**124.07**	**1.09**

It would be seen from the above that in respect of paragraphs featured in the Audit Reports 2007-08 to 2011-12, the Department/Government accepted Audit observations involving ₹ 124.07 crore, of which only ₹ 1.09 crore was recovered till March 2013. This shows that the Department/ Government did not recover the dues fully even in the cases where the audit observations had been accepted.

The Department may ensure prompt recovery of dues involved in the accepted cases.

1.15 Results of Audit

1.15.1 Position of local audit conducted during the year

Test-check of the records of 70 units of Commercial Tax, State Excise, Motor Vehicles and other Departments conducted during the year 2012-13 showed underassessment/ short levy / loss of revenue aggregating to ₹ 749.94 crore in 365 cases. The concerned Departments accepted underassessment and other deficiencies of ₹ 2.99 crore involved in 80 cases pointed out in audit during 2012-13 and earlier years.

1.16 Contents of the Part A (Revenue Chapter)

The Revenue Chapter contains one performance audit on "Exemption and remission of taxes to industrial units" and six paragraphs including a paragraph on "Irregularities in implementation of the Jammu and Kashmir State Lands (Vesting of Ownership to the Occupants) Act, 2001 (Roshni Act), involving revenue implication of ₹ 493.39 crore relating to short/ non-levy of tax, duty, interest, and penalty, etc.

The Departments/ Government have accepted audit observations involving ₹ 268.13 crore out of which ₹ 4.62 lakh has been recovered. The replies in the remaining cases have not been received (December 2013).

Chapter-2

Audit Findings

Chapter-2

A. Performance Audit

FINANCE DEPARTMENT

2.1 Audit on exemption and remission of taxes to industrial units

Highlights

- Assessing Authorities allowed irregular exemption of tax of ₹ 6.51 crore to industrial units who had not filed returns of their turnover and authorized inadmissible exemption of tax of ₹ 0.15 crore on unapproved finished product under the CST Act, besides interest of ₹ 0.13 crore was also leviable.

  {Paragraphs: 2.1.7 (i) and (ii)}

- Assessing Authorities granted remission of tax of ₹ 19.51 crore to the industrial units which was not admissible on purchase and sale of finished goods, for availing input tax credit, on inflated turnover and for negative listed goods under the J&K VAT Act.

  {Paragraphs: 2.1.8 (i to iv)}

- Remission of tax of ₹ 91.13 crore was granted irregularly to 18 unregistered industrial units by the Assessing Authorities.

  (Paragraph: 2.1.8 (vi))

- Due to misclassification of goods under category of higher rate of tax by eight industrial units excess remission of tax of ₹ 7.09 crore was granted in their favour by the Assessing Authorities.

  (Paragraph: 2.1.8 (viii)

- Assessing Authorities had failed to withdraw remission of tax of ₹ 12.81 crore granted to 27 industrial units who had committed offences under the J&K VAT Act.

  (Paragraph: 2.1.9)

- There was slackness in conducting verification of tax remission orders passed by the Assessing Authorities as only tax remission claims passed upto the year 2009-10 had been verified by Internal Audit wing of the Department.

  (Paragraph: 2.1.10)

2.1.1 Introduction

To promote industrial development and the viability of industrial units, the State Government sanctioned (January 2004) package of incentives under the State Industrial Policy 2004 including tax incentive schemes which provide for exemption from payment of General Sales Tax (GST) up to 31 March 2005 and remission from value added tax (VAT) with effect from 01 April 2005 besides exemption from payment of Central Sales Tax (CST) on sale of goods manufactured by the registered industrial units in the State. These tax incentive schemes were made operational through issue of Government order/ notifications providing for grant of exemption from payment of central sales tax on interstate sales (January 2004) and remission of value added tax in respect of intrastate sales (June 2005 and March 2006) conducted by small, medium and large scale industrial units registered with the Departments of Industries and Commerce/ Handicrafts/ Handlooms and also with the Commercial Taxes Department subject to fulfilment of certain conditions specified therein.

2.1.2 Organisational set up

The Commissioner Commercial Taxes (CCT) of the State Government is responsible for overall control and superintendence of Commercial Taxes Department. He functions under the administrative control of the Principal Secretary to Government, Finance Department. The CCT is assisted by three Additional Commissioners of Taxes (one each in Jammu and Kashmir divisions and one for tax planning) and 13 Deputy Commissioners of Commercial Taxes (Jammu: 06; Kashmir: 05; one each for Headquarter and Judicial matters). The State is divided into 52 Commercial Taxes assessment circles (Jammu: 25; Kashmir: 27) each headed by one Commercial Taxes Officer. Of these, four assessment circles (G, I&M (Jammu) and E Srinagar) deal exclusively with assessment of dealers operating industrial units.

2.1.3 Audit Objectives

Performance audit was conducted with a view to ascertain whether :

- the extent to which the provisions of Acts/ Rules and notifications issued there-under were complied with, in relation to grant of exemption/remission from payment of tax; and
- the internal control mechanism was effective and efficient.

2.1.4 Audit Criteria

The audit criteria was derived from the following:

- Jammu and Kashmir Value Added Tax (J&K VAT) Act, 2005; J&K VAT Rules, 2005 and Notifications issued there-under.
- Central Sales Tax Act, 1956; Central Sales Tax (Registration and Turnover) Rules, 1957 and Central Sales Tax (Jammu and Kashmir) Rules, 1958.
- Government order dated 30 June 2005 and Government notification dated 16 March 2006 governing grant of remission of tax to industrial units under the J&K VAT Act, 2005 on the sale of goods in the State.
- Government notification dated 31 January 2004 governing grant of exemption from payment of tax under the CST Act, 1956 on the sale of goods in the course of inter-state trade and commerce made by the industrial units.

2.1.5 Scope of Audit and Audit methodology

The Performance audit on "Exemption and remission of taxes to industrial units" for the period from 2008-09 to 2012-13 was conducted by test-check of assessment records of the dealers operating industrial units in five[1] Commercial Taxes circles (Out of 52 assessment circles) between December 2012 and June 2013. Out of 4400 industrial units in the State registered with the Commercial Taxes Department as of March 2013 and claiming exemption/ remission of tax, 2465 industrial units (56 *per cent)* stand registered in these five assessment circles. The assessment records of 436 industrial units (10 *per cent* of total industrial units) selected on random sampling basis were test checked in audit. Besides, the information/ data relating to the performance audit was collected from the offices of the Commissioner Commercial Taxes Department, Additional Commissioners (Commercial Taxes) and Deputy Commissioners (Audit).

The audit objective, scope and methodology were discussed with the Financial Commissioner, Finance Department and Commissioner, Commercial Taxes Department in an entry conference held on 4 January 2013 at Jammu. The audit findings were discussed by the Principal Accountant General with the Principal Secretary to the Government, Finance Department in an exit conference held on 28 November 2013. The Government has accepted the factual accuracy of the audit findings during the exit conference, besides replies received during the course of audit have been incorporated at appropriate places in the Report. Indian Audit and Accounts Department acknowledges the co-operation of the Commercial Taxes Department in providing necessary information to audit.

Audit findings

2.1.6 Overall position of revenue foregone

The position of revenue foregone on account of tax incentives in the shape of remission of tax under the Jammu and Kashmir VAT Act, 2005 and exemption from payment of tax under the CST Act given to the Industrial units registered with the Department during the period from 2008-09 to 2012-13 was given in **Table-2.1**.

Table-2.1

(₹ in crore)

Year	Number of Industrial Units registered with the Department	Amount of remission of tax allowed under the VAT Act	Amount of exemption from payment of tax granted under the CST Act	Total revenue foregone (3+4)
1	2	3	4	5
2008-09	3266	215.66	127.10	342.76
2009-10	3372	238.69	129.32	368.01
2010-11	3507	286.54	131.79	418.33
2011-12	3689	360.73	126.06	486.79
2012-13	4400	450.11	210.29	660.40
Total		**1551.73**	**724.56**	**2276.29**

(Source: Records of the Commercial Taxes Department).

[1] Circles: 'I', 'G', 'M' (Jammu); 'E' (Srinagar) and 'Kathua'

It would be seen that remission of tax of ₹ 1551.73 crore payable under the VAT Act and exemption from payment of tax of ₹ 724.56 crore payable under the CST Act (16 *per cent* of total revenue collection) was allowed by the Department to 4400 registered dealers operating industrial units during the period from 2008-09 to 2012-13.

The audit findings noticed in 151 cases (35 *per cent*) as a result of test-check of assessment/ remission records of 436 industrial units registered in five selected Commercial Taxes Circles are brought out in the succeeding paragraphs:

2.1.7 Exemption from payment of tax under CST Act

The Government notification dated 31 January 2004 provides for grant of exemption from payment of tax under the CST Act, 1956 on the sale of goods in the course of inter-state trade and commerce made by the industrial units subject to the conditions specified therein. The assessment of dealers operating industrial units are made under section 9 (2) of the CST Act, 1956.

Audit during the course of test-check of assessment records noticed irregularities in 34 cases revealing irregular exemption of tax of ₹ 6.51 crore, inadmissible exemption of tax of ₹ 0.15 crore and non-levy of tax of ₹ 0.12 crore authorised by the Assessing Authorities as discussed in the succeeding paragraphs:

(i) Irregular grant of exemption without filing returns

The Government notification dated 31 January 2004 *interalia* provide that exemption from payment of tax on inter-state sale of goods by the industrial unit shall be available subject to the condition that the unit holder shall furnish quarterly and annual returns for each accounting year. Further section 32 of the J&K VAT Act provides that if a dealer fails to pay the amount of tax due as per return for any tax period he shall be liable to pay interest @ two *per cent* per month on the tax payable by him according to return from date the tax payable had become due to the date of its payment or to the date of order of assessment, whichever is earlier.

Test-check of records of four[2] circles showed that 32 industrial units had not filed either quarterly or annual returns of their turnover under the CST Act, 1956 during the accounting years 2006-07 to 2009-10 thereby violating the provisions of the Government notification. While finalising assessment of these industrial units, the Assessing Authorities had not taken this fact into account and irregularly allowed exemption of tax of ₹ 6.51 crore in favour of these units.

(ii) Inadmissible tax exemption on unapproved intermediate product

The Government notification dated 31 January 2004 stipulates that the industrial units shall in no case procure finished products from outside the state and shall not dispose of the raw material in any manner whatsoever except as provided in the certificate of

[2] Circles: 'I', 'M' (Jammu) and 'Kathua'

registration issued by the Department of Industries and Commerce/ Directorate of Handicrafts/ Handlooms and Department of Commercial Taxes and in case the unit is found guilty of importing finished product or disposing off the raw material in any other manner except as envisaged in the certificate of registration, the industrial unit shall not be entitled to exemption of tax for the year in which such default is made.

Audit scrutiny of assessment records of M/s Jindal Drugs Limited Jammu, an industrial unit in Circle 'I' Jammu showed that the unit was registered for manufacture and sale of cocoa butter and cocoa powder from cocoa beans with the Industries Department with effect from February 2006 and also registered with the Commercial Taxes Department with effect from April 2006. The permission for import of 4800 MT of raw material (cocoa beans and cocoa paste) from outside the country for trial production was granted (December 2006) by the General Manager, DIC, Jammu in favour of the industrial unit due to non- availability of basic raw material in India. The permission was subsequently restricted by the Industries Department (January 2007) to import of cocoa beans only. The Commercial Taxes Officer, Circle-'I' Jammu however, without verifying the restriction for import of cocoa paste by Industries Department allowed (March 2007) the industrial unit to import both cocoa beans as well as cocoa paste from outside the country and thereafter the permission for import of cocoa paste was withdrawn in July 2007.

Audit observed that the industrial unit instead of importing cocoa beans duly permitted by the Industries Department made purchase of defatted cocoa paste during the accounting years 2006-07 to 2009-10 unauthorisedly on the pretext of trial production and continued to avail exemption from payment of tax. The Assessing Authority at the time of assessment (November 2011 and June 2012) of the industrial unit for the accounting years 2008-09 to 2009-10 did not take this aspect into account resulting in inadmissible allowance of tax exemption of ₹ 0.15 crore, besides interest of ₹ 0.13 crore was also leviable, on the turnover of ₹ 7.35 crore.

On this being pointed out, the Assessing Authority issued (February 2013) notice to the industrial unit and final outcome is awaited (December 2013).

(iii) Non-levy of tax on traded goods

The Government notification dated 31 January 2004 provide that no tax under the CST Act, 1956 is payable on the sale of goods in the course of inter-state trade and commerce made by the manufacturer operating a small, medium and large scale unit in the State registered with Directorate of Industries & Commerce or Directorate of Handloom/ Handicrafts subject to fulfilment of conditions stipulated in the notification.

Audit noticed that M/s Bharat Box Factory Unit-III Samba, an industrial unit registered for manufacture and sale of mosquito repellent coil, liquid vaporizer, printed duplex, corrugated boxes and plastic moulded items in Commercial Taxes Circle 'G' Jammu had been allowed tax exemption on interstate sale of goods valuing ₹ 57.14 crore and ₹ 52.63 crore during the financial years 2008-09 and 2009-10 respectively by the Assessing Authority after accepting declarations in Form 'C' from the industrial unit in support of interstate sales. The perusal of 'C' Forms produced in support of these sales, however, showed that the industrial unit had also made sale of traded goods viz mosquito repellent coils and liquid vaporiser valuing ₹ 6.23 crore (2008-09: ₹ 78.02 lakh; 2009-10: ₹ 5.45 crore).These goods had not been produced as a result of manufacturing activity by the industrial unit but were part of the traded goods which escaped notice of the Assessing Authority at the time of assessment (March 2012 and January 2013) of the unit. This resulted in non-charging of tax on sale of traded goods to the tune of ₹ 12.46 lakh, besides interest of ₹ 10.92 lakh @ two *per cent* per month was also leviable.

2.1.8 Remission of tax under J&K VAT Act

The Government orders dated 30 June 2005 and Government notification dated 16 March 2006 provide for grant of remission of tax to industrial units under the J&K VAT Act, 2005 on the sale of goods in the State subject to certain conditions specified therein. Every registered industrial unit claiming tax remission has to submit a tax remission claim alongwith the quarterly return duly accompanied by purchase and sale statements to the concerned Assessing Authority who in turn has to verify the tax remission claim, certify its correctness or otherwise and thereafter process the cases for grant of tax remission in respect of the industrial units found eligible for the said remission within three months. Besides, some of the industrial units are also subjected to audit assessments under section 39 of J&K VAT Act, 2005 by the Assessing Authorities.

Audit as a result of test-check of remission/assessment records of industrial units observed irregularities in 117 cases which showed authorisation of inadmissible remission of tax of ₹ 19.51 crore; irregular remission of tax of ₹ 92.57 crore; non-levy of tax of ₹ 0.67 crore; non-withdrawal of remission of ₹ 12.81 crore and grant of excess/ less remission of tax of ₹ 8.63 crore by the Assessing Authorities discussed in the succeeding paragraphs:

(i) Inadmissible remission of tax due to purchase of finished goods

The Government notification dated 16 March 2006 *inter-alia* provide that the registered industrial unit shall be entitled for remission of tax on sale of goods subject to the condition that the unit shall in no case procure finished goods from outside the State and shall not dispose off the raw material in any manner except as provided in the certificates of registration. In case of default the industrial unit shall not be entitled to remission of tax for that year.

Test-check of assessment records of 17 industrial units in four circles[3] showed that these units had procured finished goods valuing ₹ 9.38 crore from outside the State during the accounting years 2006-07 to 2012-13. These defaulting industrial units were not entitled to remission of tax for these years. The Assessing Authorities had,

[3] Commercial Taxes Circles: Jammu (I & M); 'Kathua' and ' E' Srinagar

however, failed to notice the default while granting remission of tax of ₹ 8.65 crore in favour of these industrial units. This had resulted in grant of inadmissible tax remission of ₹ 8.65 crore and consequent non-levy of tax of ₹ 8.65 crore, besides interest of ₹ 7.82 crore was also leviable.

After this was pointed out in audit, the Assessing Authorities of Circles (I,M Jammu and 'E' Srinagar) issued (January- February 2013) notices to the defaulting industrial units. The Assessing Authority Circle, Kathua stated (October 2013) that finished goods were purchased by industrial units for captive consumption and not for sale. The reply is not tenable as by purchasing finished goods from outside the State industrial units have violated condition of the notification. Further progress in the matter was awaited (December 2013).

(ii) Inadmissible tax remission for availing input tax credit

The Government notification dated 16 March 2006 prohibits the industrial units from claiming any input tax credit and accordingly no remission of tax was to be allowed to the industrial units who had claimed input tax credit. Further section 32 of the J&K VAT Act provides that if a dealer fails to pay the amount of tax due as per return for any tax period he shall be liable to pay interest @ two *per cent* per month on the tax payable by him according to return from date the tax payable had become due to the date of its payment or to the date of order of assessment, whichever is earlier.

Audit scrutiny of records showed that five industrial units registered in three[4] circles had availed input tax credit of ₹ 19.04 lakh during the accounting years 2007-08 to 2011-12 in contravention of the Government notification. The Assessing Authorities while allowing remission of tax of ₹ 3.09 crore for these accounting years did not notice this irregularity. This resulted in grant of inadmissible tax remission of ₹ 3.09 crore in favour of these industrial units and consequent non-levy of tax of ₹ 3.09 crore, besides interest of ₹ 1.38 crore was also leviable.

The Assessing Authority Circle 'Kathua' stated (April 2013) that the matter would be looked into and action taken accordingly. The Assessing Authority Circle 'G' Jammu stated (October 2013) that ITC was availed on purchase of pet bottles, containers and packing material used for packing of edible oil on which industrial units are paying tax. The reply was not tenable as by availing ITC the industrial unit had violated condition of notification.

(iii) Inadmissible tax remission on inflated turnover

The Department of Industries and Commerce is responsible for registration of industrial units in the State. The detailed project report for setting up of an industrial unit containing details of annual estimated value of sales, raw materials and capacity utilization of the industrial unit during initial and subsequent years of production of the unit are approved by the Project Manager, District Industries Centre (DIC) of the concerned district where the industrial unit is registered. The Assessing Authorities had to regulate the claims of the industrial units for remission of tax and exemption

[4] Circles: 'G' & 'M'(Jammu) and 'Kathua'

from payment of tax on the basis of these project reports. Further section 32 of the J&K VAT Act provides that if a dealer fails to pay the amount of tax due as per return for any tax period he shall be liable to pay interest @ two *per cent* per month on the tax payable by him according to return from date the tax payable had become due to the date of its payment or to the date of order of assessment, whichever is earlier.

(a) Audit scrutiny of records of Commercial Taxes Circle 'I' Jammu showed that M/s. Biostadt India Limited Bari Brahmana Jammu, an industrial unit, registered for manufacture and sale of Biozyme liquids, granules, Aqua liquids, pesticides, herbicides, insecticides etc; had declared annual turnover of ₹ 25.47 crore, ₹ 46.18 crore and ₹ 101.26 crore for the years 2006-07, 2007-08 and 2008-09 respectively against the consumption of raw material and packing material valuing ₹ 17.93 crore, ₹ 31.95 crore and ₹ 49.52 crore during these years. The capacity utilisation approved by the Industries Department for the industrial unit was 50 *per cent* of installed capacity (15060 Mts) for first year, 60 *per cent* for second year and 70 *per cent* for subsequent years of production. The ratio of sales to utilization of raw material fixed for the industrial unit as per the Project Report approved by the Industries Department was 127:100. The turnover returned by the industrial unit, however, did not commensurate with projected consumption of raw material as per the project report which was in excess of the prescribed ratio and was 142:100 in 2006-07,144:100 in 2007-08 and abnormally very high of 204:100 in the year 2008-09. This indicated that the industrial unit had claimed the quantum of sales in excess as compared with the consumption of raw material during 2006-07 to 2008-09 thereby reflecting inflated turnover of ₹ 46.56 crore for these accounting years. The Assessing Authority at the time of passing the remission orders for these accounting years in favour of the industrial unit did not notice this aspect resulting in non-charging of tax of ₹ 1.04 crore on inflated turnover of ₹ 46.56 crore returned by the industrial unit. This had resulted in non-levy of tax of ₹ 1.04 crore, besides interest of ₹ 1.12 crore was also leviable. After this was pointed out in audit, the Commercial Taxes Officer, Circle-I Jammu issued (February 2013) notice to the industrial unit. Further progress in the matter was awaited (December 2013).

(b) The two industrial units registered in Circle, Kathua for manufacture and sale of menthol and aluminium alloy ingots had produced the finished goods during the years 2005-06 to 2008-09 in excess of their utilization capacities approved by the DIC Kathua. The Assessing Authority while assessing these industrial units did not take this fact into account resulting in grant of inadmissible tax remission of ₹ 6.77 crore to these unit holders on the extra turnover of ₹ 187.24 crore. This led to non-levy of tax of ₹ 6.77 crore, besides interest of ₹ 9.43 crore was also leviable.

The Commercial Taxes Officer Circle, Kathua stated (October 2013) that exemption notification does not put any restriction or condition to regulate production of assessed quantity of goods. The reply was not tenable as the assessing authority had to regulate the claims of the industrial units for remission of tax on the basis of project reports for setting up of an industrial unit containing details of annual estimated value of sales, raw materials and capacity utilization of the industrial unit during initial and subsequent years of production of the unit.

(iv) Inadmissible grant of tax remission on goods not covered by the notification

The Government notification of 16 March 2006 stipulates that there shall be no remission of tax to industrial units manufacturing goods as specified in schedule-A to the notification. The sheet metal items also figure in the specified goods in this schedule and include trunks, suit cases, *paties*, buckets, etc.

In Commercial Taxes Circle 'Kathua', an industrial unit was registered with the Department for manufacturing of tin containers from tin sheets. The Assessing Authority while assessing (November 2011) the unit for the accounting year 2008-09 allowed tax remission of ₹ 0.24 crore on local sales of ₹ 5.96 crore without considering the fact that the unit was not eligible for remission of tax as the unit was manufacturing goods of negative list in terms of the Government notification. This had resulted in non-charging of tax of ₹ 0.48 crore including interest of ₹ 0.24 crore.

The Assessing Authority stated (April 2013) that matter would be looked into and intimated accordingly.

(v) Non-levy of service tax and inadmissible remission of tax on goods manufactured on job work basis

The Government notification dated 16 March 2006 provide for remission of tax on intrastate sale of goods manufactured by the industrial units and registered with the Department of Industries. No tax remission is admissible on sale of such goods which the industrial unit gets manufactured on job work basis from another industrial unit. Further services provided in the shape of job work by the industrial units were liable to levy of service tax under J&K General Sales Tax Act 1962 till March 2012 and thereafter these services were exempted from payment of service tax.

Table-2.2 **(₹ in lakh)**

Assessment Cicle	Financial year	Amount of non levy of tax	Remarks
Jammu M	2005-06 to 2011-12	₹15.49	The assessee had conducted job work of printing on behalf of BSNL and J&K State Board of School Education and thus the assessee was liable for payment of service tax of ₹ 15.49 lakh, which was not imposed by the department.
Jammu G	2008-09 and 2009-10	₹ 4.18	The assessee has received job work charges of ₹ 49.72 lakh from another industrial units and thus he was liable for service tax of ₹ 4.18 lakh, which was not imposed by the department.
Kathua and Jammu G	2007-08 to 2009-10	₹ 40.35 lakh	The assessee had got done the manufacturing from other industrial units on job work basis and allowed the exemption of tax of ₹ 40.35 lakh, which was not allowable to him as per the provisions of the Act.

The Assessing Authority Circle, 'G' Jammu stated (October 2013) that service tax was not levied as assessment was done under CST Act. The Assessing Authority Circle, Kathua stated (October 2013) that there was no condition in notification for withdrawal of exemption/ remission on job work. The reply furnished was not tenable as the Commissioner Commercial Taxes had clarified (February 2010) that the benefit of tax remission/ exemption would not be available to industrial units which had not manufactured the goods. Further progress in the matter was awaited (December 2013).

(vi) Irregular grant of remission of tax to un-registered industrial units

According to Rule 13 of the J&K, VAT, Rules 2005 every dealer registered under the J&K GST Act, 1962 had to apply for registration in Form VAT-01 within three months of the appointed day without payment of any fee or security for issuance of a fresh registration to such dealer and in case a dealer fails to do so, the Assessing Authority had to issue notice in Form VAT-43 to the dealer to give reasons as to why his registration should not be cancelled. The date for registration of the dealers under the VAT Act was, however, extended upto 31 December 2010 through a Government notification issued in January 2010. Further, the Government notification dated 16 March 2006 stipulate that industrial unit should be formally registered with the Department of Industries and Commerce and also with the Commercial Taxes Department.

In two[5] Commercial Taxes circles it was noticed that 18 industrial units did not get themselves registered with the Commercial Taxes Department under J&K VAT Act 2005 even during the extended period of registration. The Assessing Authorities allowed remission of tax to these dealers for the period from 2005-06 to 2010-11 irregularly in contravention of the condition of the notification. This resulted in irregular remission of tax of ₹ 91.13 crore and consequent non-levy of tax of ₹ 91.13 crore ***(Appendix-2.1)***, besides interest of ₹ 80.56 crore was also leviable.

On this being pointed out, the Commercial Taxes Officer, Circle 'E' Srinagar stated (January 2013) that VAT registrations were not issued to unit holders due to preoccupation of the authorities in awareness programmes and that the process could not be carried out well in time. The reply furnished is not tenable in view of the fact that no notice in Form VAT-43 had been issued by the Assessing Authorities to these dealers for furnishing reasons for cancellation of their registrations. The Commercial Taxes Officer Circle 'M' Jammu, however, stated (February 2013) that matter would be looked into and action taken intimated to Audit.

(vii) Irregular grant of tax remission on defective returns

According to Section 32(2) of the J&K VAT Act, 2005 any return signed by a person who is not authorised under the Act shall be treated as if no return had been filed. As per Section 31(5) of the Act, in case of a firm, the return shall be signed and verified by any partner thereof. Further, the Government notification dated 16 March 2006

[5] Circles: 'M' (Jammu) and 'E' (Srinagar)

provide that remission of tax shall be available to the industrial units subject to the condition that every registered industrial unit claiming tax remission shall submit a prescribed tax remission claim form alongwith the quarterly return to the concerned Assessing Authority.

The quarterly returns filed by 19 industrial units in five[6] Commercial Taxes Circles in respect of 31 tax periods were either unsigned (23) or signed by the unauthorized persons (8). These returns were to be treated as if no returns had been filed by the industrial units. However, the Assessing Authorities had accepted the returns and irregularly allowed tax remission of ₹ 1.44 crore in favour of these dealers.

On this being pointed out, the Assessing Authorities Circle I&M Jammu issued (February 2013) notices to the dealers.

(viii) Excess tax remission due to misclassification of goods

The Government notification of 16 March 2006 provide that if any industrial unit is found to have preferred an incorrect tax remission claim for a tax period, such industrial unit shall not be entitled to any tax remission for that particular tax period.

Test-check of assessment records of 8 industrial units of four[7] Commercial Taxes Circles showed that these units had misclassified the finished goods under category of higher rate of tax during the accounting years 2005-06 to 2011-12 and accordingly claimed remission of tax of ₹ 10.71 crore against admissible remission of tax of ₹ 3.62 crore. The Assessing Authorities while allowing the remission claims of these units failed to detect the misclassification thereby resulting in grant of excess tax remission of ₹ 7.09 crore. For filing of incorrect tax remission claim the industrial units were not entitled to any tax remission and were liable to pay tax of ₹ 7.09 crore, besides interest of ₹ 5.63 crore was also leviable.

On this being pointed out, the Assessing Authority circle 'I' Jammu issued (February 2013) notices to the industrial unit holders. The Assessing Authority Circle, 'G' Jammu stated (October 2013) that the articles for the packing of plastics were correctly classified as unspecified chargeable to tax at the rate of 12.5 *per cent*. The reply was not correct as articles for the packing of plastics is classifiable under four *per cent* category of tax.

2.1.9 Monitoring Mechanism

(i) Non-withdrawal of tax remission for committing offences

The Government notification of March 2006 provides that industrial unit found guilty of an offence specified under sections 66(6), 67 and 69(1)(f) of the Jammu and Kashmir VAT Act, 2005[8] shall not be entitled to any tax remission for the year in which such offence is committed.

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[6] Circles: 'G', 'I','M' (Jammu), 'Kathua' and 'E' (Srinagar)

[7] Circles: 'I' and 'G' (Jammu), 'Kathua' and 'E' (Srinagar)

[8] Section 66 (6) provide for penalty for non-accountal of goods detected by the Commissioner during inspection. Section 67 provide for penalty for detection of such goods for which dealer is not authorized to deal as per registration. Section 69(1)(f) provide for penalty for concealment of turnover or furnishing inaccurate particulars thereof.

(a) Audit scrutiny of records of two Commercial Taxes Circles (I and G) Jammu showed that penalty amounting to ₹ 2.92 lakh had been imposed (October 2008 and November 2009) on two industrial units by the Additional Commissioner, Commercial Taxes, Jammu under section 66(6) of the J&K VAT Act 2005. The Assessing Authorities of these circles had not, however, taken any action to withdraw remission of tax of ₹ 1.29 crore in respect of intrastate sales of ₹ 32.27 crore made during the accounting years 2008-09 and 2009-10 by these industrial units.

After this was pointed out, the Assessing Authority Circle 'I' Jammu issued (February 2013) notice to the industrial unit.

(b) Eight industrial units[9] had been found guilty of offence under section 67 of the J&K VAT Act 2005, between 2007-08 and 2011-12 as their goods had been seized at check post Lakhanpur, Jammu. The unit holders had paid tax on the items seized as the industrial units were not registered to deal in these items. Due to non-maintenance of records of offences committed by the industrial units the Assessing Authorities while allowing remission of tax to these industrial units, had failed to take cognizance of the offence during the accounting years 2007-08 to 2011-12 resulting in grant of inadmissible remission of tax of ₹ 0.96 crore. This had resulted in non-charging of tax of ₹ 1.58 crore including interest of ₹ 0.62 crore.

On this being pointed, the Assessing Authority of Commercial Taxes Circle 'I' Jammu issued notice to the industrial unit while as the Assessing Authorities of circle 'M' (Jammu) and Kathua stated (February/ April 2013) that the matter would be considered.

(c) Seventeen industrial units registered in four[10] Commercial Taxes Circles had concealed interstate purchase of raw materials valuing ₹ 50.51 lakh during the accounting years 2006-07 to 2010-11 making them liable for penalty under section 69 (1)(f) of the J&K VAT Act, 2005. These industrial units were not eligible for remission of tax for the year in which such offence had been committed in terms of the Government notification dated 16 March 2006. The Assessing Authorities of these circles had failed to detect the concealment of purchases which resulted in non-withdrawal of tax remission of ₹ 10.56 crore in these cases.

On this being pointed out, the Assessing Authorities circle 'E' Srinagar and circle 'I' Jammu issued (January/ February 2013) notices to the unit holders.

(ii) Irregular remission of tax for failure to intimate ceasing of manufacturing activity by the industrial units

The Government notification of March 2006 provide that where any industrial unit for any reason whatsoever, ceases its manufacturing activity for any tax period the matter shall forthwith be brought to the notice of the Assessing Authority concerned. The recommencement of the same shall also similarly be intimated. In case of failure to do

[9] Circles: 'I'(Jammu), 'E'(Srinagar) , 'M'(Jammu) and 'Kathua'
[10] Circles: ' I' and 'M' (Jammu); 'Kathua' and 'E'(Srinagar)

so, the industrial unit shall not be entitled to any remission of tax for the year to which such information pertains.

Audit scrutiny of records in five[11] Commercial Taxes Circles showed that five industrial units had not intimated the information of ceasing and subsequent recommencement of manufacturing activity during the accounting years 2008-09 to 2011-12 to the Assessing Authorities and as such were not eligible for benefit of tax remission for the year of default. The Assessing Authorities had not initiated any action to disallow tax remission to these unit holders for the years of default resulting in grant of irregular tax remission of ₹ 35.26 lakh on the turnover of ₹ 1.49 crore in favour of these industrial units. Irregular grant of remission of tax to these units had resulted in non-levy of tax of ₹ 58.10 lakh, including interest of ₹ 22.84 lakh.

On this being pointed out, the Assessing Authorities of Circles 'E' Srinagar and 'M' Jammu issued (January/ February 2013) notices to the unit holders while as Assessing authorities of Circle 'Kathua' and 'G' Jammu stated (April/ June 2013) that matter would be looked into and action taken intimated subsequently. The Assessing Authority Circle, G Jammu stated (October 2013) that the industrial unit was manufacturing goods seasonally and his sale was based on supply orders. The reply was not tenable as industrial unit was not debarred to intimate ceasure of manufacturing activity and recommencement thereof.

(iii) Non-initiation of proceedings for levy of tax

Audit scrutiny of records showed that tax remission orders in respect of three industrial units registered in Circle 'M' Jammu for the accounting years 2006-07, 2007-08 and 2009-10 (first quarter) had not been passed by the Assessing Authority due to late filing of return (one unit) and non-submission of tax remission claims (two units) by these industrial units. The Assessing Authority had not initiated any action against the defaulting units resulting in non-charging of tax of ₹ 14.25 lakh including interest of ₹ 7.33 lakh.

On this being pointed out, the Assessing Authority stated that matter would be looked into. Further progress was awaited (September 2013).

(iv) Incorrect tax remission orders

Test-check of records showed that three[12] Commercial Taxes Officers had passed remission orders in nine cases incorrectly and allowed tax remission in excess by ₹ 74.04 lakh (7 cases) and less by ₹ 0.08 lakh (1 case) against the remission claims submitted by the industrial units.

On this being pointed out, the Assessing Authority (Circle 'I' Jammu) issued (February 2013) notices to the unit holders.

[11] Circles: 'I', 'G' and 'M' (Jammu); Kathua and ' E' (Srinagar)

[12] Circles: 'E' (Srinagar); 'I', and 'M'(Jammu)

2.1.10 Internal control System

Internal controls in the Department are intended to provide reasonable assurance of proper enforcement of laws, rules and departmental instructions. These helps in prevention and detection of frauds and other irregularities besides creation of adequate safeguards against evasion of taxes and duties. It is as such responsibility of the departmental authorities to ensure that a proper internal control structure is instituted, reviewed and updated from time to time. Audit noticed that internal controls to ensure correctness of remission/exemption of tax to the eligible units were inadequate in the Department as audit pointed out several control deficiencies.

2.1.11 Internal Audit

Internal audit wing in the Commercial Taxes department is headed by the Deputy Commissioner; Commercial Taxes (Audit) one each for Jammu and Kashmir divisions. The Government notification dated 16 March 2006 stipulate that Commissioner, Commercial Taxes shall get at least 25 *per cent* of tax remission claims verified for each tax period by the Deputy Commissioner, Commercial Taxes (Audit) of the concerned division.

It was seen in audit that only tax remission claims passed upto the year 2009-10 had been verified (March 2013) by the Internal Audit Wing of the Department indicating slackness of the Department in conducting verification of tax remission orders passed by the Assessing Authorities.

2.1.12 Conclusion

Exemption from payment of tax in violation of the Government notification had been allowed to industrial units who procured semi finished products, sold traded goods and to those who failed to file returns as prescribed under the CST Act. Remission of tax has been granted to those who procured finished goods from outside the State, availed input tax credit, returned inflated turnover, purchased goods not covered under notification, conducted manufacturing activity through job works and dealers who were found to have committed offences under the various sections of the Act though not provided.

2.1.13 Recommendations

The Government may consider to:

- put in place a mechanism for cross verification of records of capacity utilization, authorized quantities of raw material and finished products approved by the Industries Department in respect of each industrial unit with the records and returns of turnover filed with the Assessing Authorities by these units.
- strengthen coordination within various wings of the Department for reporting cases of offences committed by the Industrial units to the concerned Assessing Authorities for withdrawal of remission/ exemption of tax in their favour; and
- strengthen monitoring mechanism and internal control system to ensure compliance of Tax Laws effectively.

(Sales Tax/ Value Added Tax)

2.2 Incorrect exemption of tax

Failure of the Assessing Authority to detect concealment of purchases at the time of assessment resulted in grant of incorrect exemption to a dealer from payment of tax of ₹ 21.28 lakh on the taxable turnover of ₹ 67.75 lakh.

The Government notifications issued on 20 August 1998 and 31 January 2004 provided for exemption from payment of general sales tax on the sale of finished goods manufactured by the industrial units registered with the Industries and Commerce Department. The dealers were however, required to maintain a correct and regular account of purchase of goods including raw materials and sale of goods besides filing returns of sales regularly. Any dealer found guilty of concealing his turnover or furnishing inaccurate particulars thereof was not entitled to any exemption from payment of tax for the year in which such offence was committed or for subsequent years.

Scrutiny of records (April 2008) of the Commercial Taxes Officer Circle 'M' Srinagar showed that a dealer had shown purchase of ₹ 65.35 lakh and sale of ₹ 61.33 lakh in his trading account for the year 2003-04. The Assessing Authority while assessing (November 2005) the dealer (industrial unit) for the accounting year 2003-04 under section 7 (6) of the Jammu and Kashmir General Sales Tax Act 1962 allowed exemption from payment of tax on the turnover of ₹ 61.33 lakh claimed by the dealer. A cross-check of purchase statement with the trading account furnished by the dealer however, showed that against the purchases of ₹ 67.45 lakh the dealer had accounted for ₹ 65.35 lakh only in his trading account during the year 2003-04. As the assessee had furnished inaccurate particulars, he was not entitled for any exemption and he was liable for payment of tax on the total turnover.

On this being pointed out (April 2008), the Assessing Authority re-assessed (October 2011 and March 2012) the dealer at a taxable turnover of ₹ 67.75 lakh and raised (March 2012) demand of tax of ₹ 21.28 lakh against the dealer. Had the Assessing Authority cross-checked purchase statement with the trading account the concealment of purchases could have been detected at the time of assessment by the Assessing Authority.

The matter was referred to the Government/ Department in September 2013, the reply thereof was awaited (December 2013).

2.3 Short levy of tax/penalty due to concealment of purchases

Failure of the Assessing Authority to detect concealment of purchases by the dealer at the time of his assessment resulted in short levy of tax of ₹ 5.47 lakh.

Section 7 of the Jammu and Kashmir General Sales Tax Act, 1962 (J&K GST) and the rules made thereunder provide that every dealer shall submit a true and correct return of his turnover in such a manner as may be prescribed under the Act. Further, if a dealer who has without any cause failed to furnish correct return of his turnover or concealed any particulars of his turnover, the Assessing Authority (AA) shall direct the dealer under section 8(8) and 17 (1) (f) of the said Act to pay in addition to tax and interest payable by him, penalty not less than amount of tax evaded but not exceeding twice the amount of tax.

(i) Audit scrutiny (June 2012) of records of Commercial Taxes Circle, Kargil showed that the assessment of a dealer for the financial year 2005-06 was made (August 2009) by the Assessing Authority under section 7 (8) of the J&K GST Act at a taxable turnover of ₹ 23.26 lakh. A cross-check of consumption statement of 'A[1]' forms with the purchase statement and trading account for the year 2005-06 filed by the dealer showed that purchases of ₹ 4.39 lakh had not been accounted for by the dealer in his accounts resulting in suppression of purchases to that extent. This led to understatement of turnover to the extent of ₹ 5.62 lakh (after adding 5 *per cent* freight + 22 *per cent* profit) and consequent short levy of tax of ₹ 5.38 lakh[2] including interest and penalty. Had the Assessing Authority cross-verified the details of consumption statement of 'A' Forms with the purchase statement and trading account, the concealment of purchases by the dealer would have been detected at the time of assessment.

(ii) Scrutiny of records of the Commercial Taxes Circle 'F' Srinagar showed that while assessing (March 2012) the dealer for the accounting year 2008-09 under section 39 (5) of the J&K VAT Act, the Assessing Authority had noticed concealment of purchases of ₹ 25.99 lakh with taxable turnover of ₹ 27.55 lakh. The Assessing Authority accordingly raised a demand of tax of ₹ 5.92 lakh including interest of ₹2.48 lakh against the dealer but did not impose penalty under the provisions of the Act. For concealment of the turnover, the Assessing Authority was required to direct the dealer to pay in addition to tax and interest, the penalty of ₹ 6.89 lakh equal to double the amount of tax.

On these being pointed out (May/June 2012), the Assessing Authority re-assessed (March 2013) the dealer for the financial year 2005-06 at a taxable turnover of ₹ 5.49 lakh and raised additional demand of ₹ 5.47 lakh[3] against the dealer. The Commercial Taxes Officer, Kargil intimated (July 2013) that an amount of ₹ 1.15 lakh against the demand of ₹ 5.47 lakh had been recovered from the dealer. Further progress of recovery of balance amount was awaited (December 2013). Assessing Authority Circle'F' Srinagar imposed (June 2013) the penalty equal to double the amount of tax and created a demand of ₹ 6.89 lakh against the dealer.

[1] Certificate in the prescribed format issued by the dealer indicating purchase of goods from another dealer for sale in the state.

[2] Tax: ₹ 1.18 lakh; Interest: ₹ 1.84 lakh and Penalty: ₹ 2.26 lakh

[3] Tax: ₹ 1.15 lakh; Interest: ₹ 2.01 lakh and Penalty: ₹ 2.31 lakh

2.4 Short levy of tax due to misclassification of goods

Failure of the Assessing Authority to detect misclassification of goods at the time of assessment resulted in short levy of tax of ₹ 4.77 lakh.

The Jammu and Kashmir Value Added Tax Act, 2005 and the rules made thereunder provide for assessment of any registered dealer in terms of provisions of the Act. Section 16 of the Act further stipulates that tax on the taxable turnover of a registered dealer shall be levied at such rates specified by the Government from time to time.

Scrutiny of records (June 2011) of the Commercial Taxes Officer, Circle Rajouri showed that a dealer had charged the turnover of ₹ 24.79 lakh to tax under four *per cent* category in his trading account during the year 2006-07. The turnover (cold/ soft drinks) was actually chargeable under 12.5 *per cent* tax thereby resulting in misclassification of goods. The Assessing Authority while assessing (May 2009) the dealer to tax for the accounting year 2006-07 under section 39 (5) of the J&K VAT Act failed to detect this mistake. This led to charging of turnover of the dealer at lower rate of tax and consequently short levy of tax to the tune of ₹ 3.33 lakh[4], including interest of ₹ 1.22 lakh.

On this being pointed out (June 2011), the Assessing Authority re-assessed (February 2012) the dealer under section 42 of the J&K VAT Act 2005 and raised a tax demand of ₹ 4.77 lakh[5] against the dealer.

The matter was referred to the Government/Department in September 2013. The Commissioner Commercial Taxes reported (December 2013) that an amount of ₹ 0.60 lakh had been recovered from the dealer. Progress of recovery of balance amount was, however, awaited (December 2013).

2.5 Short levy of tax due to non verification of credit notes

Inaction of the Assessing Authority to verify genuineness of credit notes at the time of assessment of the dealer resulted in short levy of tax of ₹ 4.21 lakh.

Section 26 (3) of the Jammu and Kashmir Value Added Tax Act (VAT) 2005 provides that in case of goods returned or rejected by the purchaser a credit note shall be issued by the selling dealer to the purchaser and a debit note by the purchaser to the selling dealer containing particulars as may be prescribed.

Audit check (August 2012) of records of the Commercial Taxes Circle 'D' Jammu showed that the dealer was assessed (June 2010) to tax for the accounting year 2007-08 under section 39 (5) of the J&K VAT Act, 2005 by the Assessing Authority at a taxable turnover of ₹ 20.28 crore. The dealer had not accounted for the credit notes of ₹ 15.88 lakh issued by the selling dealer in his purchases of ₹ 18.85 crore

[4] Tax: ₹ 2.11 lakh; Interest: ₹. 1.22 lakh

[5] Tax:₹ 2.11 lakh; Interest: ₹. 2.66 lakh

during the said accounting year. The Assessing Authority while assessing the dealer had not taken cognizance of this fact and verified the genuineness of the credit notes. This had resulted in short accountal of purchases and consequent under assessment of taxable turnover to the extent of ₹ 15.88 lakh leading to short levy of tax of ₹ 4.04 lakh (including interest ₹ 2.06 lakh).

On this being pointed out (August 2012), the Assessing Authority re-assessed (February 2013) the dealer under section 42 of J&K VAT Act, 2005 and after verification of the admissibility of credit notes, raised (February 2013) a tax demand of ₹ 4.21 lakh (including interest ₹ 2.34 lakh) on the credit notes valuing ₹ 14.97 lakh against the dealer. Had the Assessing Authority verified the genuineness of credit notes at the time of original assessment of the dealer the short levy of tax could have been avoided?

The matter was referred to the Government/ Department in September 2013. The Commissioner Commercial Taxes reported (December 2013) that an amount of ₹ 2.87 lakh had been recovered from the dealer. Further, progress of recovery is awaited (December 2013).

Transport Department

2.6 Revenue Mobilization in Motor Vehicles Department

The system of revenue management by Motor Vehicles Department (MVD) for the period from 2010-11 to 2012-13 was reviewed in audit through a sample system-check in the office of the Transport Commissioner, Regional Transport Officer Jammu and Assistant Regional Transport Officer Udhampur from June 2013 to September 2013. The important audit findings are discussed in the succeeding paragraphs:

As of March 2013 a total of 1020786 vehicles were registered in the State with the Department. The position of revenue realized by the Department during the years 2010-11 to 2012-13 is given in **Table-2.6.1.**

Table-2.6.1

(₹ in crore)

S. No	Year	Targets Fixed	Actual receipts	Shortfall	Percentage shortfall
1.	2010-11	113.30	112.00	1.30	1
2.	2011-12	128.50	120.13	8.37	7
3.	2012-13	139.00	129.44	9.56	7

Yearly targets were fixed for RTOs but these had not been fixed by the RTOs for their subordinate offices viz ARTOs.

2.6.1 Management Information System

A well formulated Management Information System (MIS) in an organization captures important dynamic information to aggregate and classify data for conversion into useful exception reports to bring to the notice of the top management for remedial action.

Audit noticed that there is no MIS/ mechanism in place to monitor the position of tax due, realized and outstanding taxes/ levies in respect of different types of vehicles, viz., token tax, grant/ renewal of route permits, conductor licenses issued in relation to the number of registered stage carriage vehicles. The latest data on the website is of 2009-10 (September 2013). As of March 2013, a total of 1020786 vehicles were registered with the Department while as the data on website of Department showed the position of registration of vehicles (as of September 2013) as 737577 vehicles registered with the Department. This is despite the fact that the Department has an ongoing plan scheme of computerization. The position of renewal of trade certificates of the dealers, licenses for the driving schools and issue of preferential registration numbers had also not been monitored by the Department.

The Joint Transport Commissioner stated (July 2013) that importance of efficient MIS could not be over emphasized and the areas pointed out by Audit where there is deficiency in performance indicators would be augmented so that a better MIS is exercised by the Department.

2.6.2 System deficiencies in cash management

Jammu and Kashmir Financial Rules provide that all transactions of receipts, disbursements and charges of whatever sort should find place in the cash book with detailed particulars. The receipts realized should be remitted into the treasury on the same day or the next day at the most and the remittance register monthly reconciled and got verified by the treasury. Audit examination of records of Transport Commissioner showed that:

- the consolidated/ main cash book depicting the details of receipts in the form of bank drafts received and remitted into the Bank for clearance/ credit was not maintained and the bank drafts were received at multiple cash points/ counters and remitted directly from these points into the Bank without routing through the main cash book;
- the system of monthly reconciliation of revenue/ receipts realized from the bank drafts sent for collection to the Bank was not in place;
- the delay in transfer of revenue by the two branches of Jammu & Kashmir Bank Limited; old secretariat Srinagar and Trikuta Nagar Jammu ranged between five days and six months and by the Jammu & Kashmir Bank Ltd; Civil Secretariat ranged between nine days and four months; and
- the delay in depositing the bank drafts with the Jammu & Kashmir Bank Ltd; ranged from 28 days to 15 months.

Audit check of records of RTO Jammu showed that:

- the delay in remittance of cash into the treasury ranged between one and 190 days with undue retention of cash ranging between ₹ 1.43 lakh and ₹ 19.03 lakh;
- the reconciliation of remittance of bank drafts and their subsequent realization had not been conducted with the Bank as a result the factual position regarding clearance/ realization of bank drafts was not available with the Department; and
- the proceeds of bank drafts valuing ₹ 9.06 crore remitted into the Bank by the RTO Jammu during the period 2010-11 to 2012-13 were not realized as of March 2013.

RTO Jammu stated (September 2013) that position of bank drafts would be reconciled with the Bank and that all the dealing assistants had been directed to remit cash into the treasury without undue delay on daily basis.

2.6.3 Outstanding token tax

The position of outstanding token tax had not been monitored by the Department. However in test-checked offices of ARTO Udhampur and RTO Jammu, an amount of ₹ 3.19 crore on account of token tax was outstanding from 7123 vehicle owners as of March 2013 for period ranging between three months and 69 months. The Department had not worked out the interest amount on the unpaid tax and had not taken any action by way of issue of notices/ demand to recover the outstanding arrears on account of token tax from the defaulters.

On this being pointed out, RTO Jammu as well as ARTO Udhampur (September 2013) stated that the token tax would be recovered under rules from the concerned vehicle owners.

2.6.4 Grant/ renewal of various types of route permits

The position of grant/ renewal of national, state and district route permits issued under the provisions of the Act for various types of vehicles by the Department during the period from 2010-11 to 2012-13 is given in ***Appendix-2.2***. The audit findings in respect of the test-checked cases are discussed in the succeeding paragraphs:

(i) Non-renewal of national permits for goods carriage

Government of India Ministry of Road Transport and Highways introduced a new national permit system with a view to provide a frame work for uninterrupted movement of goods vehicles across the country which provides for realization of ₹ 16500 towards 'central pool fund' and ₹ 1000 towards 'home state authorization fee' for issuance of fresh national permits. The renewal fee of ₹ 300 for national permits was prescribed with effect from 14 April 1999 along with application fee of ₹ 30 as specified in the amendment notification (February 1999).

Audit check of records of Transport Commissioner showed that out of 17093 national permits for goods carriage 1391 permits (Jammu: 1039; Kashmir: 352) due for renewal during the years 2010-11 to 2012-13 were not renewed as of March 2013 resulting in non-recovery of 'home state authorization fee' along with renewal fee to the extent of ₹ 24.64 lakh.

On this being pointed out, the Joint Transport Commissioner stated (July 2013) that there was no lapse on part of the Department. The reply is not tenable as 'State authorization fee' at the rate of ₹ 1330 per annum per vehicle in the shape of renewal fee was to be charged from national permit holders and that no steps had been taken by the Department in forwarding list of defaulters to the State Traffic police for ensuring recovery of outstanding amount from the defaulters.

(ii) Non-renewal of permits of Jammu and Kashmir Road Transport Corporation

Audit examination of records showed that out of 605 permits issued for the vehicles of Jammu & Kashmir State Road Transport Corporation, 378 permits were not renewed and the outstanding permit renewal fee was ₹ 31.28 lakh as of March 2013. No action had been taken by the Department to recover the outstanding renewal permit fee from the Corporation.

The Government had imposed (March 2007) ban on plying of commercial/ passenger vehicles on the roads in the State on attaining the age of 25 years with effect from 1 April 2007. Audit noticed that 87 vehicles of the Corporation which were more than 25 years old had neither been weeded out from the records after keeping a note in the Permit Register nor the permits of such vehicles cancelled after ascertaining the status of these vehicles from the Corporation. The Joint Transport Commissioner stated (July 2013) that matter would be taken up with the Corporation.

(iii) Non-renewal of district route permits

Section 81(1) of the Central Motor Vehicle Act 1988 read with Rule 80(G) of the J & K Motor Vehicle Rules 1991 specifies the validity period of a Permit other than a temporary permit or a special permit and the manner in which a permit could be renewed.

Test-check of records of ARTO Udhampur and RTO Jammu showed that 404 permits due for renewal for the last one to 12 years had not been renewed by the permit holders as of March 2013. The outstanding amount of permit renewal fee as of March 2013 in test-checked offices was ₹ 2.51 lakh with additional fee of ₹ 17.75 lakh on account of belated renewals. The Department had not made recovery of permit renewal fee in time from the vehicle owners/ permit holders nor had the cases of defaulters been referred to the Traffic Police Department for initiating appropriate action at their end.

On this being pointed out, ARTO Udhampur stated (August 2013) that necessary action would be taken while RTO Jammu stated (September 2013) that computerization of the data of renewal of permits by the vehicle owners was under process and that the outstanding renewal fee would be recovered from the permit holders.

2.6.5 Renewal of certificate of fitness of vehicles

Section 56 of the Central Motor Vehicle Act 1988 read with Rule 62 of the Central Motor Vehicle Rules 1989 provides that a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness issued by the prescribed authority and prescribes the period of its validity and mode of renewal.

The Transport Commissioner did not have the position regarding number of certificates pending for renewal and outstanding revenue on account of issue/ renewal of fitness certificates was not available with the Department. In test checked offices, audit noticed that an amount of ₹ 39.11 lakh was outstanding on account of non-renewal of fitness certificates in respect of 4245 transport vehicles as of March 2013.

Audit further noticed that the fitness certificates of transport vehicles were issued by the Board of Inspection[6] in RTO Jammu simply on visual inspection of the vehicles as it did not have the requisite infrastructure of equipments and apparatus for undertaking tests pertaining to exhaust gas, engine tuning, engine analysis, brake system, wheel alignments, compressors, etc; for inspection of the vehicles.

On this being pointed out, the ARTO Udhampur and RTO Jammu stated (August/ September 2013) that fitness certificates were issued on the basis of manual inspection as no specialized infrastructure for fitness purpose had been provided by the Department and that the transport vehicle owners would be insisted upon to renew the fitness certificate on priority.

2.6.6 Passenger Welfare Fund

The Government accorded (May 2008) sanction to the creation of passenger welfare fund and issuance of Jammu and Kashmir Passenger Welfare Fund Rules, 2008. The objective of the fund was to introduce measures for welfare of the dependents, legal heirs of the persons killed, injured in road accidents of commercial passenger vehicles due to negligence/ machinery failure/ road weather conditions. The passenger welfare fund was to be collected from the commercial passenger vehicles with effect from 1 April 2010 at a rate of ₹ 1200 per annum for heavy vehicles, ₹ 600/- per annum for medium commercial vehicles and ₹ 240/- per annum for other vehicles like taxies etc; The amount so realized was to be credited to Government account under Major head of account '8235-General and other Reserve Fund – 300- other funds'.

The position of passenger welfare fund due from the commercial vehicles registered during the period 2010-11 to 2012-13 in the State, amount realized thereof, amount actually credited to the fund and amount utilized there against is given in the **Table-2.6.2**.

Table-2.6.2

(₹ in lakh)

Year	No. of commercial vehicles registered	Amount due from registered vehicles	Amount realized	Actual amount credited to the fund	Amount withdrawn from the fund	Closing balance under the fund
2010-11	15313	111.39	107.59	NIL	Nil	Nil
2011-12	17092	234.09	81.43	73.16	55.90	17.26
2012-13	19073	364.56	45.10	67.82	80.85	04.23
Total	**51478**	**710.04**	**234.12**	**140.98**	**136.75**	**4.23**

[6] Board constituted by the Transport Commissioner to examine transport vehicles for issue of certificate of fitness

It would be seen that against the passenger welfare fund of ₹ 7.10 crore due from the owners of 51478 commercial vehicles during the period 2010-11 to 2012-13 in the State, only ₹ 2.34 crore was realized from the registered vehicles resulting in short realization of ₹ 4.76 crore. Further against ₹ 2.34 crore realized only ₹ 1.41 crore had been credited to the Fund account resulting in less credit to the extent of ₹ 93.00 lakh. The non-crediting of amount to the passenger welfare fund realized at the time of registration of commercial vehicles had not been investigated by the Department.

The Joint Transport Commissioner stated (July 2013) that matter had been referred to the RTOs/ ARTOs concerned for response although no reply for the shortcomings and deficiencies relating to poor management, monitoring and maintenance of the fund had been furnished (December 2013).

2.6.7 Non-renewal of goods agent business licenses

The J&K Motor Vehicle Rules 1991 specifies the period for which the license of an agent engaged in the business of collection, forwarding and distribution of goods by vehicles plying for hire shall be valid for a period of one year from the date of grant of licence or its renewal.

Audit check of records showed that out of 197 Goods Agent Business licenses issued by the Transport Commissioner in the State, 64 such licenses (out of 451 renewals) had not been renewed till March 2013 thereby resulting in non-realization of ₹ 25.93 lakh (renewal fee: ₹ 16.91 lakh and late fee: ₹ 9.02 lakh). Audit also observed that these Agent licenses were due for renewal for the last one to 17 years.

The Joint Transport Commissioner stated (July 2013) that notices had been issued to the licensees for getting their licenses renewed within stipulated time failing which their licenses would be cancelled.

2.6.8 Non-renewal of motor transport service license

The J&K Motor Vehicle Rules 1991 provides that persons/ firms having motor transport service license have to get their licenses renewed after one year after payment of renewal fee/ late fee for delayed renewal.

Audit check of records of the Transport Commissioner showed that out of 201 motor transport service licenses, 83 licenses which were due for renewal between 1997-98 and 2012-13 (499 renewals) were not got renewed by the respective firms/ transport companies as of March 2013 resulting in non-realization of revenue of ₹ 41.87 lakh (license fee ₹ 16.97 lakh and late fee ₹ 24.90 lakh).

The Joint Transport Commissioner stated (July 2013) that the licensees had been issued notices for getting their licenses renewed within stipulated time failing which their licenses will be cancelled.

2.6.9 Conclusion

The taxes due, realized and outstanding in respect of different categories of vehicles is not being monitored by the Department. The field units of the Department do not have readily available information and proper system of reviewing and targeting defaulting motorists. The proceeds in respect of bank drafts remitted into the Bank during the period 2010-13 by the RTO, Jammu were not realized as of March 2013. Token tax was outstanding from vehicle owners for the period ranging between three months and 69 months. The Passenger Welfare Fund was poorly managed as total amount realized had not been credited to the Fund.

The above points were reported to the Department and the Government (October 2013); reply has not been received (December 2013).

REVENUE DEPARTMENT

2.7 Irregularities in Implementation of the Jammu and Kashmir State Lands (Vesting of ownership to the Occupants) Act, 2001

The Jammu and Kashmir State Lands (Vesting of Ownership to the Occupants) Act, 2001, popularly known as the 'Roshni Act' ('Roshni' means light), came into effect from 01 March 2002. The Act was amended in 2004 and 2007. The main objective of the Act is to generate funds to finance power projects in the State by (a) granting ownership on State lands at market value to such permanent residents (natural persons or companies, fulfilling conditions under governing law) of the State of J&K, who were authorized occupants (lease/ grant holders) or unauthorized occupants of State lands on a particular date and (b) public auction of vacant State lands. The Government notified Rules on 25 August, 2005 in exercise of the authority delegated under the Act. The Rules were amended on 23 November, 2006 and 5th March 2007. The Rules prescribed the types of State lands on which ownership rights could be transferred to occupants on applications to be considered by committees to be set up for this purpose, which were also empowered to determine market value of land. The Government had estimated (November 2006) that total State land was 125,03,973 *Kanals*[7] of which 20,64,972 *Kanals* (estimated value ₹ 25448 crore) was under encroachment.

The implementation of the Roshni Act and the Rules framed thereunder was examined by Audit between November 2012 and July 2013 to assess whether there was any deficiency in the formulation of Rules for the implementation of the Act and also irregularities in the implementation of Act. Audit faced difficulties in getting full information/records despite writing a series of letters to the Revenue Department in this regard during the period of audit. With this constraint, audit was conducted through a test-check of records of the offices of Deputy Commissioners in seven[8] out of 20 districts in which the Act was implemented. The records were test checked in Srinagar, Jammu, Udhampur, Anantnag, Pulwama and Budgam districts and 547 cases involving transfer of 666 *kanals* of non-agricultural lands were examined in detail. The following are some of the important audit findings:

2.7.1 Audit findings

2.7.2 Deficiencies in framing the Rules for implementing the Act

2.7.2.1 Provisions in the Rules contrary to the scope and objectives of the Act

Roshni Act is a special type of legislation concerning rights of permanent residents of the State requiring 2/3rd majority of total membership of each House of the Legislature under Article 9(b) of the Constitution of J&K. The Act provided that the Rules were not required to be approved by the Legislature. Hence, the authorization to the Government to make Rules "for carrying into effect the purposes of this Act" cast a special responsibility of due diligence on the Government in making the Rules.

[7] 272 Sft = 1 Marla; 1 *kanal* = 20 *marlas* = 605 sq yards = 505.86 sq m = 0.125 Acre = 0.050585 Hectare

[8] Budgam, Anantnag, Srinagar, Pulwama, Jammu, Samba and Udhampur

Audit found that the Rules made by the Government contained provisions that were contrary to the scope and objectives of the Act and hence irregular.

2.7.2.2 Transfer of agricultural lands free-of-cost against the provisions of the Act

Section 8(2) of the Roshni Act stipulate that total land in possession of any person or a family including the land vested in such person or a family under the Act shall not exceeds the limit of 100 *Kanals*. However, the Rules provided for transfers of all agricultural lands to be free of cost, which is beyond the scope, objectives and mandatory provisions of the Act. Hence, all transfers of agricultural lands under the Act become illegal.

2.7.2.3 Provision of rebates, incentives and penalties not in consonance with provisions of Act

Section 12 of the Act provides for committees to be set up to decide the value of the land in a particular area/district and to approve the vesting of the ownership rights to the occupants on application. While laying down the parameters for fixing the price of the land by the notified committees, the Act mandated (vide Section 12(2)) that the committees shall *inter-alia* take into consideration "potential value of the land" and "the market value of land determined for purpose of Stamp Duty under the Stamps Act and the rules made there under". The Rules provided for differential pricing of lands, depending upon the size of plot of land, category of occupants or end-use of land, by prescribing different rates of rebates over land prices assessed by the statutory committees. This resulted in substantive deviation from the mandatory provisions of the Act prescribing parameters of price fixation by the committees. The rebate provisions are against the objectives, scope and substantive provisions of the Act. Further, the Rules provided for, without any enabling provision in the Act to this effect, incentives to the applicants, depending upon the period of payment, as a percentage discount over the rebated price. For payment made within 3, 6, 9 or 12 months, the quantum of rebate is 25, 15, 5 and 2 *per cent*, respectively. Offering discounts on the rebated land price itself, rather than charging graded interest for delayed payment on the principal amount due, is unreasonable. Further, the Rules provided for stretching of the payment process up to two years with penalty of 5, 15, 25 and 35 *per cent* for payments within 15, 18, 21 and 24 months, respectively. The provisions of incentives are not in consonance with the provisions of the Act.

2.7.2.4 Deficiencies in the formation of Committees

Section 12 of the Act contemplates transfer of ownership rights of State lands to occupants on payment of price determined by the committees, to be appointed by the Government, to whom the application was to be forwarded by the Tehsildar and District Commissioner with recommendations made after due inquiries. The Hon'ble Chief Minister had approved (November 2006) the constitution of district level committees headed by the Deputy Commissioners for rural areas and the divisional level committees headed by the two Divisional Commissioners to deal with the lands in cities, towns and places where Development Authorities had been constituted. The Rules however, contrarily provided following committees to approve land transfers: (a) Divisional Commissioner concerned, Chairman (b) District Collector concerned, Member (c) Assistant Commissioner Nazool/Revenue concerned, Member (d) Tehsildar concerned, Member, for the Jammu and Srinagar districts. For other districts including areas falling under the Tourism Development Authorities as (a) District Collector concerned, Chairman (b) Additional Deputy Commissioner concerned, Member (c) Assistant Commissioner Revenue concerned, Member (d) Chief Executive Officer of the Tourism Development Authority concerned, Member (e) Tehsildar Territorial concerned, Member.

It was observed that:

- The Divisional/ District Commissioner are the authorities statutorily responsible for prevention and removal of unauthorized occupation of State lands, and wider consultations with other stakeholder Departments were necessary for effective implementation of the Act. Therefore, the committees set to approve applications and fix land prices should have involved all stakeholders (viz Public Works, Public Health Engineering, Irrigation and Flood Control and Rural Development Departments etc;) for having a broad-based Committee.
- Prior to the 2007 amendments to the Rules, the committees in all districts were headed by Divisional Commissioners and had the representation from concerned Development Authorities. The 2007 amendment removed Jammu Development Authority and Srinagar Development Authority from the membership of the concerned committee in Jammu and Srinagar and also downgraded the chairpersonship of the committees to Deputy Commissioner level in other Districts. Thus, the level/composition of committees was whittled down after 2007, which may have impacted on determination of market/ potential value of lands.
- In contrast to the lower level committees for fixing land prices under the Roshni Act concentrated within Revenue Department, there is a higher level committee having wider participation of stakeholders for fixing land prices under Stamp Duty Act. In 2006, the Divisional Commissioners were the key decision makers for fixing land prices under both Acts. While the committees under Roshni Rules were downgraded in 2007, the mechanism under the Stamp Duty Rules was strengthened in 2011[9].

9 For implementation of the J&K Stamp Act, the Rules were first framed in 2006 and amended in 2011. Under Stamp Duty Rules, 2011, there is a Central Valuation Board (CVB) headed by the Inspector General of Registration/ Commissioner of Stamps for fixation of valuation of lands/properties for the purpose of determination of Stamp Duty and it is fixed and notified for particular areas/types. Hon'ble Chief Justice of the J&K High Court presently functions as ex-officio Inspector General of Registration. Other members of this Board include Chief Engineer, Public Works Department (R&B) or his representative, Chief Town Planner or his representative, Director Land Records or his representative, Director, Agriculture or his representative, Chief Conservator of Forest or his representative and any other members nominated by the State Government. The District Valuation Committees are headed by District Commissioners, have participation of officers from Departments other than the Revenue Department and most importantly, these District Valuation Committees merely provide inputs to the CVB which accords final approval.

Thus the 'committees' under the Roshni Rules (a) are essentially Divisional/District Commissioner led 'committees', de facto comprising of their subordinates and these 'in-house' committees have no formal input from outside the Revenue Department; (b) are fixing market rates for transfer of State lands to occupants on a case-by-case rather than on an area/locality basis; (c) do not have any obligation to notify the price fixed by them for public information; (d) are free from scrutiny by civil courts or general public and (e) have unlimited financial powers to alienate valuable public lands.

2.7.2.5 Ambiguity about the impact of amendment in the Rules on pending applications

The Rules do not specify whether the amended Rules would also apply to pending applications. Unless otherwise provided, any change in the Rules should normally apply only to applications received after the amendment. However, all the applications were processed under amended Rules. Since the Rules were progressively relaxed in favour of applicants, the delay in disposal of pending applications benefited the applicants. Instances were found where even applications already decided upon under pre-amended Rules were re-processed after amendment of the Rules.

2.7.2.6 Relaxation in the criteria for the identification of eligible occupants

(i) Section 5(b) of the Act passed in 2001, only such occupants seeking transfer of ownership were eligible to apply who had been in actual physical possession of the land during the period from 1 January, 1990 to the commencement[10] of the Act in a particular area. Thus, the original Act (2001) limited the benefit of the scheme only to the long-term occupants. Under 2004 amendment to the Act, all those occupants who were in actual physical possession of the land, either personally or through authorized agents, on the 'commencement' of the 2004 Amendment Act were made eligible to apply, irrespective of the length of period of occupation. The 2004 Amendment Act, passed on 27th February 2004 and assented to by the Governor on 19th March 2004, stipulated that it shall come into force on the date its publication in the Gazette, which was issued on 21st May 2004.

The relaxation of eligibility criterion resulted in extension of the benefit of the scheme even to those who occupied State lands after the enactment of Roshni Act 2001. Delay in notifying the 2004 Amendment Act benefited those occupying the State lands after the passage of the Amendment Act by the Legislature.

(ii) Under Roshni Rules, the agricultural lands being transferred to applicants should have been in cultivation for at least three years on the date of application. However, no such minimum period of occupation was prescribed in respect of non-agricultural lands.

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10 The date of commencement was left to be notified by the Government and it was commenced with effect from 1st March 2002.

2.7.2.7 Non-provision for preferential buyback of transferred lands

Section 8(d) of the Act requires the committee to ensure, before approving transfer of a land that it is not required for any public purpose. Such determination requires wider consultations. Considering growing requirement of lands for various development projects and since the land was not auctioned, there should have been enabling provisions in the Rules for Government's preferential right to get back the transferred land at the transfer price, adjusted for intervening period, if the land is required by Union or State Government for any public purpose.

2.7.2.8 Error in publishing the correct version of the amended Act

Sub-section 3 of section 12 of the Act, as amended in 2004 provided that the committee constituted under the Act for determination of the price for the land may put such land to auction in accordance with the provisions of the Act if, in the opinion of the committee, the price offered in negotiations was not commensurate with the potential value of the land. The said Act was amended in February 2007 wherein sub-section 3 of section 12 was not omitted as per the Gazette notification. However, while publishing the consolidated amended Act subsequently the proviso to sub-section (3) of section 12 was omitted by insertion of a footnote.

2.7.3 Irregularities in the implementation of the Act

2.7.3.1 Transfer of lands without carrying out mapping of lands

Section 3-A of the Act mandated that the mapping of the State land is to be carried out "by such authority, in such manner and within such time, as may be prescribed" before detailing various provisions enabling transfer of State lands to occupants. The legislative intent was to ensure completion of mapping before transfer of ownership of lands under the Act. The Rules provide that the mapping of State land shall be "carried out by the Tehsildar in such manner and within such period as may be directed by the Government from time to time". The Divisional Forest Officer concerned shall be associated in the mapping of forest land. Thus, the Rules did not specify either 'manner' or 'timeliness' of conducting mapping. Mapping of State lands was not done as no gazette notification or public notice for information of general public was found issued in any of the test-checked districts. Thus, the Department had proceeded with the vesting of ownership rights in respect of the occupied State lands without mapping of all State lands in that area, which affected the determination of market value of the transferred lands by the committees.

2.7.3.2 Deficient system of processing the applications

(i) Under Section 6 of the Roshni Act, each Tehsildar is required to maintain an application register and make an entry in the register duly numbered and also attest each such entry date wise. The register was to be closed on 31 March, 2007 and the number of applications received Tehsil-wise was to be furnished to the Administrative Department by 15 April, 2007. The purpose of fixing a last date for receipt of applications is defeated if the applicants are allowed to submit incomplete applications without all the supporting documents like affidavits, copy of the extract of *Khasra Girdawari*[11], *Tatima Shajra*[12]/ *Shajra Kat,* copy of the permanent residence certificate, ration card, non-encumbrances certificate, reference to *Wasidari* register and make good the deficiencies later. Audit found that the system and procedure for processing and scrutinising applications was non-transparent and susceptible to misuse, as detailed below:

- There was a statutory requirement of an affidavit in prescribed proforma to accompany an application under the Roshni Act. In Budgam and Pulwama districts, the enclosed affidavits bore the date after 31 March 2007 in 90 *per cent* applications, although the applications complete in all respects should have been received by 31 March 2007.
- The applications register maintained by Tehsildar South Srinagar simply contains some numbers, supposedly serial numbers of applications, without any other particulars of applications, viz., name of the occupant, parentage, residence, particulars of land etc.
- In Jammu, the applications were processed in an *adhoc* manner without proper record of approvals on individual files. Details of applications received for approval, applications approved, rejected and applications where ownership rights granted were not maintained. The application registers had not been maintained in the serial order. The entries in the Register were not attested and the registers were not closed on 31 March, 2007. Seventy applications were received after the last date of receipt of applications i.e. after 31 March 2007. As many as 1047 applications did not bear the dated signature of the Tehsildar and 83 applications were not signed by any Revenue authority.
- In Tehsil Khag (Budgam), the entire record of applications was maintained on loose sheets and the date of receipt of application was not authenticated. The test-checked applications did not bear the dated signatures of the Tehsildar.
- Copy of Ration Card for residence proof was not obtained in 672 out of 1038 cases, test-checked in Jammu, Udhampur and Samba districts.
- A certificate to the effect is required to accompany the application from the prospective owner that land in question was free from encumbrances; the land was not used as path way, grazing ground, graveyard, cremation ground, or Khul and held by any Government department, earmarked for a specific purpose in any master plan, forest land or wooden waste or land belonged to the allottee etc. The

[11] Harvest Inspection Register

[12] Tatima Shajara– a certified extract from Revenue records - is required to be attached with an application for transfer of land under the Roshni Act in fact for any sale deed, lease deed, mortgage or gift or any other transfer of land.

applications without such certificates were irregularly accepted in all the test-checked districts.

(ii) The Rules did not specify whether the amended Rules would also be applicable to the applications pending on the date of the amendment. Since proper record of action taken on each application is not being kept, the system is susceptible to misuse by allowing scope to resubmit the same application after change in the composition of the committee or change in the incumbency of committee members or to avail of more benefits under liberalized Rules.

It was noticed in the following cases that the applications already decided by the committees in 2004 were re-processed in 2007 after the Rules were amended allowing benefit of rebates to the occupants;

- The lease for a Four *kanals* residential land in Gogji Bagh, Srinagar, had expired in the year 1979 but the property had come to the possession of a family through multiple gift deeds. The whole land was originally with a single lessee. The applications were moved by two related persons for 1 kanal-4 marla-90 sq.ft and 2 *kanal*-15 *marla*-182 sq.ft for transfer of ownership under the Roshni Act before 06 May 2004 and the market rate of ₹ 70 lakh per *kanal* was recommended by AC Nazool in June 2005. For reasons unexplained the cases remained pending and were approved by the committee on 26 May 2007. The committee applied (May 2007) the market rate of ₹ 40 lakh per *kanal*, and after giving benefit of rebates under the liberalized Rules amended with effect from 5th March 2007, asked them to pay ₹ 67.13 lakh. As the lease itself had expired, the applicants were classified as 'unauthorized occupants' and asked to pay 40 *per cent* of market value upto 2 *kanals* and 50 *per cent* beyond two *kanals*. The applicants had deposited ₹ 50.35 lakh in July to September 2007. Had the Department acted promptly and settled the case before amendment of Rules in March 2007 at a minimum rate of ₹ 70 lakh per *kanal* the Department would have recovered ₹ 2.80 crore. This resulted in loss of ₹ 2.30 crore to the State exchequer.

- A prime commercial Nazool land measuring seven *marlas* 166 Sft land at Estate Koothi Bagh, Lal Chowk Srinagar was leased out for 40 years with effect from March 1974. On the death of leaseholder, the land was mutated in favour of the successors in interest who executed (July 2000) a general power of attorney in favour of the applicant to hold the lease rights of the said land in violation of the Land Grants Act 1960. The committee agreed on 21 July 2006 to vest ownership rights to the power-of-attorney holder at the rate of ₹ 1 crore per *kanal*, noting that the rate had been accepted by the applicant. Subsequently, the committee re-processed the same case on 28 May 2007 without making any reference to the decision already arrived at in the minutes of the meeting held on 21 July 2006. The Committee in its meeting on 5th June 2007, fixed the rate at ₹ 1.20 crore per *kanal* and gave 60 *per cent* rebate thereon applicable to "un-authorized occupants" under the liberalized Rules amended with effect from 5th March 2007 who deposited ₹ 20.55 lakh in August 2007. The Department's failure of not resuming the land in favour of the Government when it was transferred on power of attorney and thereafter allowing rebate under new Rules though the case already stood disposed off on 21 July 2006 under pre-amended Rules had resulted in loss of ₹ 17.50 lakh.

- The transfer of four *kanals*-9 sq.ft of land situated at Moulana Azad Road, Srinagar was approved by the committee on 25 August 2004 @ ₹ 75 lakh per *kanal*. However, the ownership rights were restricted to only 3 *kanals* 4 *marlas* and 9 sq.ft as the remaining land viz 16 *marlas* could not be transferred due to the restrictions under Ribbon Development Act (As per instructions below Section 4 of the Roshni Act, free hold right cannot be granted on the State land falling within 50 ft and 75 ft from the centre on either side of any interior road and highway, respectively). However, the applicant did not pay the amount and his case was re-processed after the Rules were amended in 2007, and a higher rate of ₹ 1 crore per *kanal* was applied but due to benefit of rebates under Rules 2007 to unauthorised occupants, he was asked to pay only 60 *per cent* of the market value. The Department did not resume the land for which the lease was cancelled in the year 1985 and did not proceed to enforce the decision of the committee of 25 August 2004. Instead of rejecting the application due to non-payment the Department re-processed the application leading to less payment of ₹ 96.05 lakh. The Department had further allowed the occupant to retain 16 *marlas* of land (valuing ₹ 60 lakh) unauthorisedly falling under the Ribbon Development Act. Thus undue benefit of ₹ 1.56 crore was allowed to the occupant.

- The successors of deceased ex-lessee of one *kanal* seven *marlas* and 242 Sft of land situated in estate Kothibagh Srinagar had applied for vesting of ownership rights and the committee recommended (July 2004) transfer of land @ ₹ one crore per *kanal*. The Department neither affect the transfer of land nor rejected the application for non-payment but re-processed the application on 18 August 2007 under the amended Rules with effect from 5 March 2007. The price of the land was reset @ ₹ 1.20 crore per *kanal* but 40 *per cent* rebate was allowed on the value of land and 25 *per cent* rebate for making payment within three months under the liberalized Rules. The committee in its meeting dated 18 August 2007 did not mention anything about the case already having been decided in its meeting on 16 July 2004 and 30 July 2004. The committee vested the ownership of one *kanal* one *marla* and 74 Sft of land and balance six *marlas* 168 Sq.ft of land could not be transferred under the Ribbon Development Act. The

Department allowed balance residual land also to be retained by the occupant free of cost. This compounded the revenue loss by ₹48.93 lakh.

2.7.3.3 Deficient functioning of the committees

The following deficiencies were noticed in the functioning of committees:

- Section 12(3) of the Act mandates that the price fixation committee must give reasons for determining the rate *'in a particular area or locality'*. However, the committees were found to have adopted an case-by-case price fixation approach, resulting in different rates being adopted for different transferees in the same area or locality resulting in relative undervaluation of land in individual cases.

- For districts other than Jammu and Srinagar, the committees headed by the Deputy Commissioner functioned only with his subordinates as participating members. Although the Rules provided for participation of Chief Executive Officer (CEO) of Tourism Development Authorities as a member of these committees, Audit found that the CEOs did not participate in the committee functioning in any of the test-checked districts.

- The lists of cases approved/rejected were not signed by all the committee members.

- There was no record of designated committees' deliberations (duly signed Minutes etc.) in Budgam, Anantnag and Jammu (non-Nazool lands). In Srinagar also, no proper record of date wise Minutes of the meeting under which price fixation committee deliberated upon fixation of price procedure were maintained. The Minutes of the meeting merely indicate either offering of a particular rate to the occupant or adoption of particular rate in the area or negotiation with occupants.

- In Jammu, where the Rules contemplated the committee headed by the Divisional Commissioner to approve land transfers, these were approved at the level of the Deputy Commissioner for agricultural lands.

- Section 8(d) of the Act requires that the land approved for transfer should not be required for any public purpose, the transferee should be a permanent resident and the transfer should not result into breach of prescribed ceiling on total land by a transferee. Audit found that the committees did not verify and confirm compliance to all these statutory pre-conditions before approving land transfers. Instead of doing necessary due diligence before taking the final decision, conditional orders for land transfers were found issued 'subject to' various stipulations.

2.7.3.4 Irregularities in approving transfers of agricultural lands

Rule 13 of the Roshni Rules, 2007 allow free of cost transfer of agricultural lands. Lack of due diligence was noted in effecting such transfers, resulting in even non-cultivable lands being irregularly transferred by showing them as 'agricultural'. Whether the lands claimed to be 'agricultural lands' were indeed being used for agricultural purposes for at least three years on the date of application was not properly scrutinized as the nature/quantum of agricultural produce was not found on record. Audit found:

- In Budgam, Pulwama and Anantnag, 733 *Kanals* 5 Marlas of non-cultivable lands[13] were illegally transferred to 223 applicants, showing as 'agriculture lands', free of cost. Further, in Budgam district, 1185 out of total 1224 cases approved for transfer of 3321 *Kanals* of State lands pertained to 'agricultural lands' whose records were not made available to Audit.
- Under Roshni Rules, conferment of ownership rights for agricultural land is subject to the condition that: (i) Land use in respect of agricultural land shall not be changed after the ownership is vested. In case an occupant desires to use agricultural land in future for any purpose, other than agriculture, if otherwise admissible in due process of law, he shall have to pay as per the scale prescribed for commercial use for getting the land regularized for that purpose. (ii) Besides, no transfer of agricultural land other than by inheritance shall be permitted for 10 years from the date of conferment of ownership rights. The orders vesting ownership rights of agricultural lands issued in the Districts of Budgam, Anantnag and Pulwama did not specify these conditions. Record of inspections to check diversion of agricultural land for non-agricultural purposes was not available. Also, no note to this effect was found in the Record of Rights and the Mutations to ensure implementation. Thus there was inadequate system for keeping watch on subsequent utilization/diversion of agricultural land for non-agricultural purposes.

2.7.3.5 Loss due to irregular rebates over the price fixed by the committees

Audit found significant variations in unit price approved by the committees for different occupants in the same area or locality. This resulted in undue benefit to some occupants. The case-wise, area-wise listing of rates accepted by the committees in 547 test-checked cases highlights the variation of rates in the same locality. For instance, in Badhori village in Samba district, which was carved out of erstwhile Jammu district in April 2007, rate for residential land was approved as ₹ 5 lakh per *Kanal* by the Jammu District's Committee. After pending applications partially processed in Jammu District were transferred to Samba, the committee in Samba reduced the rate

[13] Variously known locally as 'Gair Mumkeen' land signifies un-cultivable wooden wastes, mountainous hillocks, Gair Mumkan Jaad, Aar Bana, Dhar, Kassi, Rohar, Kohar, Banjri Kadeem, Maidaini, Baghi Khushki, or Lubroo etc.

to ₹ 1.50 lakh per *Kanal* without assigning any reasons. The financial implication of rebates in 547 test checked cases is given in **Table-2.7.1.**

Table-2.7.1

District	No of Payment cases checked	As per Act	As per Rules			Average Rate of Land Price fixed by Committees (₹ in lakh per *kanal*)
		Price fixed by the committees (₹ in crore)	Rebates and incentives allowed (₹ in crore)	Net Price demanded from applicants (₹ in crore)	Area (*kanal*)	
Anantnag	19	1.30	1.00	0.30	47	2.77
Jammu	125	37.58	28.46	9.12	67	56.09
Udhampur	61	0.008	0.005	0.003	11	0.07
Pulwama	47	1.90	1.60	0.30	23	8.26
Srinagar	287	283.00	193.00	90.00	490	57.76
Budgam	8	1.60	1.20	0.40	28	5.71
Total	**547**	**325.388**	**225.265**	**100.123**	**666**	**48.86**

It may be seen from the above table that the Government suffered a loss of ₹ 225.26 crore due to rebates and incentives allowed on the transfer of 666 *Kanal* of land. Some of the interesting cases are given as under:

(i) Undue benefit of higher rebates

(a) Section 2 of the Act defines three types of occupants of State lands. An "authorized occupant" means a person who on a particular date (21 May 2004) is in actual physical possession of the State land, personally or through an authorized agent, by virtue of an existing valid lease or grant made by the competent authority. An "authorized overstayed occupant" means a person who on that date is in actual physical possession of State land, personally or through an authorized agent, but whose lease or grant has expired and no notice for eviction or assumption of lease has been issued by the competent authority. An "unauthorized expectant occupant" means a person who on that date is in actual physical possession of the State land, personally or through an authorized agent, and in respect of which lease has expired but no notice for resumption of lease has been issued by the competent authority or who pursuant to this Act has applied for transfer of ownership under the Act. The only differential treatment that the Act prescribes for different categories of occupants is in terms of the ceiling on maximum land that can be transferred per 'person or family'. The Rules made provision for different rates of rebates over the market value fixed by the committees based on size of plot of land and category of occupants, which is contrary to the intent and provisions of the Act. The provision of rebates in the Rules led to irregular 'misclassification' of land use(residential/ commercial/ agricultural/ institutional use) and occupants (authorized occupants/authorized expectant occupants/unauthorized expectant occupants/other occupants) and splitting of family estate so as to give the applicants undue benefit of higher rebates. Some of the cases are as under:

- Land measuring 5 *Kanals* 8 *Marlas* 2.5 Sft in Srinagar was leased upto 30 June 2008. The lessee had applied for transfer of lease in favour of a third person, which was initially allowed but subsequently rescinded *ab-initio* (September 1999). Due to breach of the provisions of the Land Grants Act, 1960, the occupant could not be categorized as an authorized occupant or unauthorized overstayed occupant or unauthorized expectant occupant. However, on 28 April 2007, the committee fixed the market price adopting a rate of ₹ 80 lakh per *kanal* and, instead of treating the occupants as 'unauthorized occupants' and asking to pay 60 *per cent* of market price, asked the applicant to pay 30 *per cent* of the market price resulting in short recovery of ₹ 1.30 crore.

- Land measuring 4 *Kanals* one *marla* 263 Sq.ft situated at Estate Habakadal Srinagar was transferred in favour of the lessee upto January 1997. The lease was not extended but the land remained under ex-lessee's occupation. On the occupant's application, the Department asked (17 May 2007) the occupant to pay an amount of ₹ 28.43 lakh at the rate of ₹ 25 lakh per *Kanal,* treating the occupant as 'authorized' whereas the occupant falls in the category of authorized over-stayed occupant/unauthorized expectant occupant and was thus required to pay 35 *per cent* of the value of land determined up to two *Kanals* and 50 *per cent* of the value of land determined in respect of balance land. The incorrect categorization of occupant of land resulted in loss of ₹ 15.30 lakh.

- Nazool land measuring four *kanals* situated in estate Nursingh Garh Rajbagh Srinagar was leased for residential purpose upto 13 January 1998. As per the status report filed by the Tehsildar Nazool Srinagar, there was nothing on record to indicate whether the applicants subsequently applied for extension/renewal of lease or that the Government had extended/renewed the lease further with effect from 13 January 1998. The occupants applied for transfer of land under Roshni Act. The Price Fixation Committee (PFC) categorized (20 June 2007) the occupants as authorized occupant (having applied for renewal of lease on 6 October 1997) without any documentary evidence. Due to this mis-categorization of occupant, the Committee asked the occupants to pay 25 *per cent* of market value rather than 35 *per cent* applicable to un-authorized overstayed occupants. The PFC had valued (June 2007) the prime residential land situated in a posh locality of Srinagar at the rate of ₹ 56 lakh per *kanal* whereas the Assistant Commissioner (Nazool) Srinagar had recommended (June 2005) a rate of ₹ 70 lakh per *kanal* in the same vicinity. The PFC compounded the undue benefit by splitting the land unauthorisedly into two plots of two *kanals* each to give the occupant benefit of higher discounts applicable for plots upto two *kanals.* This resulted in loss of ₹ 31.50 lakh.

- Nazool land measuring four *kanal* situated in estate Nursing Garh, Gogji Bagh Srinagar was leased out from June 1940 for 40 years for residential purposes and the same was not got renewed as the case was not cleared by the Srinagar

Development Authority. The case for renewal/ transfer was thus deemed to have been rejected and the occupants were to be categorized as unauthorized overstayed or unauthorised expectant occupant. However, the committee approved (May 2007) transfer of land by fixing the market price at ₹ 40 lakh per *kanal* and then allowed higher rebate applicable to authorized occupants. In the same area of Gogji Bagh, the committee had fixed (February/ March 2009) the rate of ₹ one crore per *kanal*. In June 2005, the Assistant Commissioner (Nazool) Srinagar had ascertained market rate for Jawahar Nagar Gogji Bagh to be ₹ 70 lakh per *kanal*. The PFC had thus undervalued the price of land besides wrongly treating the occupants as 'authorised occupants' resulting in loss of ₹59.25 lakh.

(b) Some instances of incorrect categorization of land-use (residential/ commercial/agricultural/ institutional use) are as under:

- Illegal condonation of delay in making payment and charging of commercial land at residential rates for land measuring seven *kanals* three *marlas* 27 Sq.ft situated at Nursing Garh Magarmal Bagh Srinagar, resulted in revenue loss of ₹1.82 core.
- Transfer of land measuring four *kanals* situated in estate Rajbagh (Nursing Garh) by treating the commercial land as residential land and incorrect application of rates, non-charging the rates for nine *marlas* of encroached land resulted in loss of ₹ 1.52 crore.

(c) Rules 13 of the Roshni Rules 2007, provided higher rebate for plots upto two *Kanals*, there were cases where the same land under occupation of a family was split in favour of several persons to give benefit of higher rebates to occupants and application of different rates/undervaluation in the same vicinity. Some illustrative cases are detailed below:

- Vesting of ownership rights in respect of land measuring eight *Kanals* by splitting the land in less than 2 *Kanals* each, situated at Nursingh Garh Gogji Bagh Srinagar resulted in loss of ₹ 63 lakh due to improper application of rates.
- Transfer of eight *kanals* of land situated in estate Gogji Bagh Srinagar resulted in loss of ₹ 52.50 lakh due to undervaluation of price of land. Transfer of land two *kanals* 14 *marlas* situated at Estate Gogji Bagh in favour of two applicants resulted in loss of ₹14.85 lakh due to undervaluation of land and distribution amongst co-sharers.
- Transfer of eight *kanals* situated in estate Nursing Garh locality Raj Bagh Srinagar resulted in loss of ₹ 1.71 crore due to undervaluation and splitting of land in less than 2 *kanals* in each case, in violation of the provisions of the Act, 2001.

- Transfer of four *kanals* land situated at Gogji Bagh resulted in loss to the extent of ₹ 28.50 lakh due to application of lower rates in the same vicinity where the rates applied in another case were higher and undervaluation by the committee.
- Application of different rates in the same vicinity for vesting of ownership rights for 4 *kanals* of Nazool land in Gogji Bagh, Srinagar resulting in loss of ₹ 33 lakh to the Government.

(ii) Irregular transfer of lands to Trusts etc.

Section 12 of the amended Roshni Act, 2007 contemplated that land under 'institutional use' could be allowed to be transferred even in excess of 10 *Kanals* (up to 100 *Kanals*) to unauthorized occupants. However, the Rules framed by the Government expanded the scope of concessions available to occupants of lands under 'institutional use'. The Rules provided that the lands "in Institutional use, viz., educational, religious, charitable, non-profitable, social institutions, trusts, societies, political parties recognized by Election Commission of India" could be transferred to occupants at 15 *per cent* (for Authorized occupants), 25 *per cent* (for Authorized overstayed or Un-authorized expectant occupants) and 50 *per cent* (for Un-authorized occupants) of the price fixed by the committees Further, the Act authorizes transfer of occupied lands only to 'permanent residents' and under the law, these can be either natural persons fulfilling certain conditions or companies registered under the J&K Companies Act as per governing law. In contravention of the said provision of the Act, lands were transferred to seven 'institutional' entities [14] in Srinagar with no safeguards to ensure diversion of land for non-institutional use after transfer of freehold rights.

It was also observed that lands in Srinagar were transferred to Khidmat Trust (7 *Kanals* 15 *Marlas* 84 Sft at Kothibagh) and Nawi Subah Trust (3 *Kanals* 16 *Marlas* at Zero Bridge) at concessional rate applicable to lands under institutional use though the lands were also under commercial use. The market rate fixed by the committee for the lands was ₹ 110 lakh per *Kanal* in case of Khidmat Trust and was ₹ 120 lakh per *Kanal* in case of Nawi Subah Trust. These were rebated by 85 *per cent* and transferred at ₹ 16.5 lakh per *Kanal* and ₹ 18 lakh per *Kanal.* Thus, lands valued by the committees at ₹ 13.10 crore were approved for transfer at a price of ₹ 1.97 crore against which only ₹ 1.47 crore had been collected. Properties are also being used for commercial purposes and the Rule 13 of the Roshni Rules 2007, provide application of commercial rates even if only a part of the land is used for commercial purposes.

(iii) Irregular mutation of lands

Under the Stamp Duty Act, land transfers are required to be registered on payment of applicable Stamp Duty. To complete the legal process of transfer of title to land,

[14] Mandir Shiv Ji Solina, Kashmir Chamber of Commerce, Khidmat Trust, Nawi Subah Trust, Mosque Ahmadiya, Hemis Gompa, Idara Auqaf Gousia.

mutation of title in Revenue records should be carried out only after the transfer deed has been duly registered. Audit noticed that this was not being done and the State exchequer was put to loss not only on account of transfer of lands free or below the price fixed by the committees but also on account of non-collection of Stamp Duty.

Under Section 8(4) of the Roshni Act, the Tehsildar should after the receipt of the money and mutation fee, confer the ownership rights in respect of such land within one month from the date the occupant produces receipt of the money deposited with the District Collector. Mutations in respect of 2191 cases of lands transferred under the Act during 2007 to 2011 in Budgam, Anantnag, Pulwama and Srinagar Districts were yet to be attested (March 2013). The Assistant Commissioner (Nazool) Jammu had carried out 97 mutations in favour of the prospective owners but these mutations were not incorporated by the Tehsildar Territorial and Settlement in their record. Out of these 97 cases, 35 such applications did not have any reference to Wasidari register.

2.7.3.6 Deficient system to check ceilings on permitted land transfers

Section 8(2) of the Act prescribes a ceiling of 100 *Kanals* on the maximum land that can be transferred to a 'person or family'. For an occupant other than an 'authorized occupant', 'authorized over-stayed occupant' or 'unauthorized expectant occupant', the ceiling was reduced to 10 *Kanals* in 2007. The reduced ceiling does not apply to 'agricultural lands' or to 'lands under institutional use'. A ceiling per 'person or family' may induce splitting of families and requires full data on land holding for its enforcement. Since a Tehsildar does not have access to database of land records of whole State, it is not possible to verify the genuineness of an applicant's claim of having total land holding in the entire State within the prescribed ceiling. It was found that:

- Deputy Commissioner Srinagar had issued conditional orders conveying approval for transfer of land "subject to the condition" that the '*prescribed ceiling is not exceeded*'.
- In 729 cases in Jammu Division, the applicants had not indicated their land holdings in the application. However, Patwari and office Qanoongo certified that area already in possession would not exceed the limit of 100 *Kanals*. Further, extract of Khasra Girdawari was not found attached in support of land holding/ land in possession prior to May 2004 in 1285 cases. In the absence of the extract of the Khasra Girdawari of 2004, authenticity of the certificate of the patwari could not be verified.
- The actual measurement of each khasra number was not indicated in 630 cases test checked in Jammu. The measurement of the Khasra number was found split up and only that portion was shown in possession, which was required to be transferred. In split up khasra numbers, chances of showing land transferred in excess of available land under particular Khasra number and chances of transfer

of land more than once could not be ruled out.

2.7.3.7 Transfer of lands without reference to authentic revenue records

Massavi[15] is a permanent, original record of land holdings maintained by the Revenue Department. Aks-Latha is traced from the Massavi. Tatima Shajra[16]indicating exact boundary of a particular land/plot is traced from the Aks-Latha. A Dasti Map (Sketch) cannot be taken as substitute of the Tatima Shajra, an Aks of the original Latha and an authentic Revenue record. When Tatima Shajra is issued for transfer of land, an entry to this effect is made in the original Latha in red ink to minimize chances of double transfer of land. Dasti Maps can be issued more than once for the same land and can be considered a valid document for transfer of land only when the competent authority certifies that the Latha and Massavi were worn out/ depleted. Copies and extracts from original Revenue records are issued under proper authorization and checks to prevent their misuse. It was noticed that instead of authentic Revenue record of Tatima Shajra, a copy of the Aks-Massavi was found enclosed in 55 cases of Udhampur District, which did not indicate the exact dimensions of the transferred land. In 112 approved cases, Tatima Shajara was not found attached and in 323 cases, the enclosed Tatima Shajara was incomplete as it did not indicate the boundary surrounding the field from all sides[17]. The Khasra Girdwari and Tatima Shajara was also found incomplete, having been prepared only for the land in question that formed part of the Khasra number and did not indicate the details of the boundaries of the land involved, or did not depict the distance from the centre of the interior road or the Highway in order to ascertain whether it came under category of land prohibited from transfer under Roshni Act. Dasti Maps had been accepted in 262 cases for transfer of State land without the required certificate of non-availability of Massavi and Latha and without attestation of Tehsildar.

2.7.3.8 Irregular transfer of lands adjoining roads and highways

Under Section 6 of the Roshni Act, the State land falling within 50 feet and 75 feet from the centre on either side of any interior road and highways, respectively, are to be considered by the Government only for grant of lease hold rights initially for a period of forty years subject to extension in the term of lease or resumption of such State land in the public interest on expiry of the initial term of lease. Besides, in pursuance of administrative instructions issued in July 2007 all such cases were to be forwarded to the Revenue Department for taking final decision regarding disposal of such cases.

[15] Massavi - also called Shajra Kistwar - is a cadastral map/ field map of a particular village in which every field bears a serial number in red ink showing the outer boundary lines of the village (Serhadas).

[16] Tatima Shajara or Tatima Kat – a certified extract from Revenue records - is required to be attached with an application for transfer of land under the Roshni Act in fact for any sale deed, lease deed, mortgage or gift or any other transfer of land.

[17] The Meinedo (Boundary) of a Khasra no. (individual plot) are marked on the Shajra with its measurement on all sides.

Audit noticed that land measuring 129 *kanals* four *marlas* and 4 ½ Sft of road-side land was transferred in Pulwama to 59 occupants against clear prohibition in the Act as the land was coming within 50 feet from the centre of the interior road.

It was also noticed that in Srinagar where the ownership of portions of lands coming under such restrictions was not transferred but these lands were nevertheless allowed to be unauthorizedly retained by the applicants, rather than being formally leased out.

2.7.3.9 Transfer of lands to persons not in its actual physical possession

Lands were transferred to such persons who were not in actual physical possession of the land, having unauthorizedly sub-let it to others though the Act allows transfer of lands only to those in 'actual physical possession' of the land.

- Under Section 5 of the Act, an application should be accompanied by documentary proof to the effect that the applicant is an occupant of a particular category of the State land in question and that an entry stands recorded to this effect in Khasra Girdawari in the name of the applicant. In 25 cases in Pulwama, the names of the applicants were not found recorded as occupants of the State land as per Revenue records and as such could not be treated as occupants but ownership of 87 *Kanals* land was irregularly transferred in their favour.
- In 30 cases in Jammu, Samba and Udhampur, vacant Government land measuring 62 *kanals* 17 *marlas* and 46 Sft supposedly under the possession of the Government was transferred to certain applicants although their names did not appear in the Khasra Girdawri. The land transfer was approved on the basis of occupation verified through on-the-spot witnesses.
- In 31 cases in Jammu, State lands had been transferred in excess of land shown as occupied in Revenue records indicating that the transfer of State land had been approved without verifying the relevant documents.

2.7.3.10 Non-eviction of unauthorized occupants

As of March 2013, a total of 20,46,436 *Kanals* of State land was under encroachment. All unauthorized occupants of State lands, whether under expired leases or otherwise, who had not even applied for transfer of ownership under the Act, or whose applications had been rejected or who had failed to pay the amount asked by statutory committees within the maximum period of two years allowed under the Rules were to be evicted within two months after expiry of two years' period. It was found in Srinagar that, 108 occupants, for whom 160 *Kanals* land had been approved for transfer by the empowered committee, failed to pay up ₹ 38 crore as demanded by the committees. Of these, approvals for 94 occupants were given before the year 2010 and hence such unauthorized occupants among the applicants were liable for eviction. As many as 14,648 applications involving 22,276 *Kanals* of land had been rejected in Budgam, Anantnag and Pulwama districts but the occupants had not been evicted.

2.7.3.11 Non reconciliation of departmental receipt with Treasury Accounts

Section 10 of the Act had contemplated creation of a separate fund under a proper account number in the Jammu and Kashmir Bank in each District or to allot an account head in which cost of the land realized under this Act should be deposited but no such Fund or Account was created. The moneys were to be received by the District Collector. However, the moneys were directly deposited by the individual beneficiaries in the various Treasuries and the Treasury Remittance challans were provided to the Tehsildar. The Revenue authorities had not carried out any reconciliation with concerned Treasuries in any of the test-checked districts. Hence, Revenue authorities are not in a position to confirm whether the moneys as due have actually been received by the Treasuries and credited to the proper head of account. In Jammu, status report showed revenue collection of ₹ 9.35 crore but the treasury receipts attached with the application forms indicated receipt of ₹ 8.33 crore only.

2.7.3.12 Monitoring mechanism

The Department introduced monitoring of the Scheme only from April 2012. It was noticed that Status Report of the Roshni Act sent by Deputy Commissioner, Jammu to higher authorities was not prepared on the basis of the inputs actually received from the subordinate offices (December 2012). In Srinagar, there were instances of land transfers not included in the progress reports sent to higher authorities.

The Department furnished different information to Audit and to the State Legislature on progress of the implementation of the Act. The Department informed audit that by March 2013, a total of 2,54,439 applications had been received for transfer of 17,86,387 *Kanals* land, out of which 1,76,774 applications had been disposed of (including rejections) and transfer of total 3,48,160 *Kanals* land had been approved. The committee had approved cost of land amounting to ₹ 317.54 crore (after allowing rebate), out of which Government could recover only ₹76.24 crore (24 *per cent*). The Department had, however, informed (March 2013) the Legislative Assembly that the total area of land transferred under the Act was 6,04,602 *Kanals*[18].

2.7.4 Conclusion

The principal objective of the Act was to raise resources for investment in Power Sector and the Government had estimated (November 2006) resource mobilization of about ₹ 25,448 crore by selling 20,64,972 *Kanals* State land under unauthorized occupation. However, it was observed that only ₹ 76.24 crore (24 *per cent*) reportedly realized against a demand of ₹ 317.54 crore raised by the end of March 2013 in the actual transfer of 3,48,160 *Kanals* in the State. Thus, the principal objective of the

18 The Department informed Legislature (March 2012) that 256,792 applications had been received and transfer of total land measuring 5,95,024 *kanals* had been approved. It indicates some gap in the information system of the Department.

Act, viz., raising of resources for investment in Power Sector was not achieved though the State has lost sizeable lands. Of this, the major portion (3,40,091 *Kanals*) has been categorised as 'agricultural' and hence transferred free of cost. Balance is residential use: 6949 *Kanals*, Commercial use: 990 *Kanals* and Institutional use: 130 *Kanals*. In 547 cases covering revenue of 31.53 *per cent* (₹100.12 crore out of ₹ 317.54 crore) of the total transfers approved in the State and 0.19 *per cent* of land i.e. 666 *Kanals* out of 3,48,160 *Kanals* of land, the statutory committees had fixed the price at ₹ 325.39 crore at an average rate of ₹ 48.86 lakh per *Kanal* (before allowing rebates and incentives). After allowing the discounts over the land price fixed by the statutory committees, the applicants were asked to pay only ₹ 100.12 crore. Thus, there was a loss of ₹ 225.26 crore to the State exchequer. Further, after transfer of 3,48,160 *Kanals* under the Act, new encroachments are continuing unabated as area of public lands under encroachment was 20,46,436 *Kanals* in March 2013 as against 20,64,972 *Kanals* in November 2006.

The above points were reported to the Government (July 2013); the Government in its interim reply stated (September 2013) that there was no deviation in the implementation of Roshni Act and action would be taken against erring officials if anything is found wrong. The reply of the department does not relate to audit findings. The Department confirmed that the Rules framed by the Government were not approved by the Legislature, there being no statutory requirement to this effect. Since the Rules made have been published in gazette, the general public and the Legislature in any case deemed informed about its provisions. This per se cannot justify the infirmities in the Rules.

PART 'B'

PUBLIC SECTOR UNDERTAKINGS

(SOCIAL, GENERAL AND ECONOMIC SECTORS)

Chapter-3

Introduction

CHAPTER – 3

INTRODUCTION

3.1 About the State Public Sector Undertakings (PSUs)

3.1.1 The total number of the Government companies and Statutory corporations of the State are 23 and three respectively. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. The working State PSUs registered a turnover of ₹ 8071.43 crore ***(Appendix 3.1)*** as per their latest finalised accounts as of September 2013. Major activities of Jammu and Kashmir State PSUs are concentrated in power and finance sectors. All State PSUs had employed 24078 employees[1] as on 31 March 2013. The State PSUs do not include two [2] prominent Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments.

3.1.2 As on 31 March 2013, there were 26 PSUs as *per* details given in ***Table 3.1.***

Table 3.1

Type of PSUs	Working PSUs	Non-working PSUs[3]	Total
Government Companies	20	3[4]	23
Statutory Corporations	3	Nil	3
Total	**23**	**3**	**26**

One company, i.e., Jammu and Kashmir Bank Limited is listed (July 1998) on the stock exchange. Of the total paid up equity of the Bank, 53.18 *per cent* is held by the State Government and remaining 46.82 *per cent* is held by the Foreign Institutional Investors, Resident Individuals and Others[5].

3.1.3 No company was created/ merged or wound up during the year 2012-13.

3.2 Audit Mandate

3.2.1 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by the Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by the Government(s), Government companies and corporations controlled by the

1 Three non-working Companies did not furnish the details.
2 Consumer Affairs & Public Distribution Department and Government Press
3 Non-working PSUs are those which have ceased to carry on their operations.
4 Himalayan Wool Combers Limited, Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited and Tawi Scooters Limited.
5 Indian Mutual Funds, Insurance Companies, Non-Resident Indians and Corporate Bodies.

Government(s) is treated as if it was a Government company (deemed Government company) as *per* Section 619-B of the Companies Act, 1956.

3.2.2 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as *per* the provisions of Section 619(3) (b) of the Companies Act, 1956.

3.2.3 Audit of Statutory corporations is governed by their respective legislations. Out of three Statutory corporations, the CAG is the sole auditor for Jammu & Kashmir State Road Transport Corporation and Jammu & Kashmir State Forest Corporation[6]. In respect of Jammu & Kashmir State Financial Corporation, the audit is conducted by the Chartered Accountants appointed by the Shareholders in their Annual General Meeting from the approved panel of Reserve Bank of India and supplementary audit by the CAG as per the provisions of the State Financial Corporation Act, 1951.

3.3 Investment in State Public Sector Undertakings (PSUs)

3.3.1 As on 31 March 2013, the investment (capital and long-term loans) in 26 State PSUs and Statutory corporations was ₹ 5119.04 crore as per details given in ***Table 3.2.***

Table 3.2

(₹ in crore)

Nature of investment	Government Companies		Statutory corporations	Grand Total
	Working companies	Non-working companies		
Capital	397.47	2.57	270.62	670.66
Long Term Loans	3869.07	0.83	578.48	4448.38
Total:	**4266.54**	**3.40**	**849.10**	**5119.04**

A summarised position of Government investment in State PSUs is detailed in ***Appendix 3.2.***

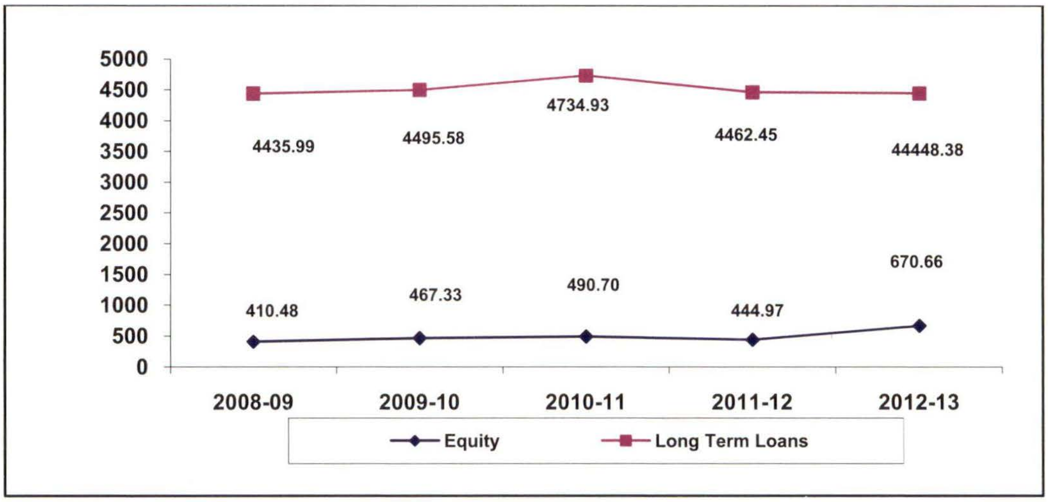
3.3.2 As on 31 March 2013, of the total investment in State PSUs, 99.93 *per cent* was in working PSUs and the remaining 0.07 *per cent* in non-working PSUs. The total investment consisted of 13.10 *percent* towards capital and 86.90 *per cent* in long-term

6 Jammu and Kashmir State Forest Corporation was incorporated in 1978-79 and its audit was entrusted to the CAG with effect from 1996-97. The Corporation, however, had never submitted its accounts to the CAG for audit for any of the years.

loans. The investment has increased by 5.62 *per cent* from ₹ 4846.47 crore in 2008-09 to ₹ 5119.04 crore in 2012-13 as shown in the ***Chart 1.1.***

Chart 1.1

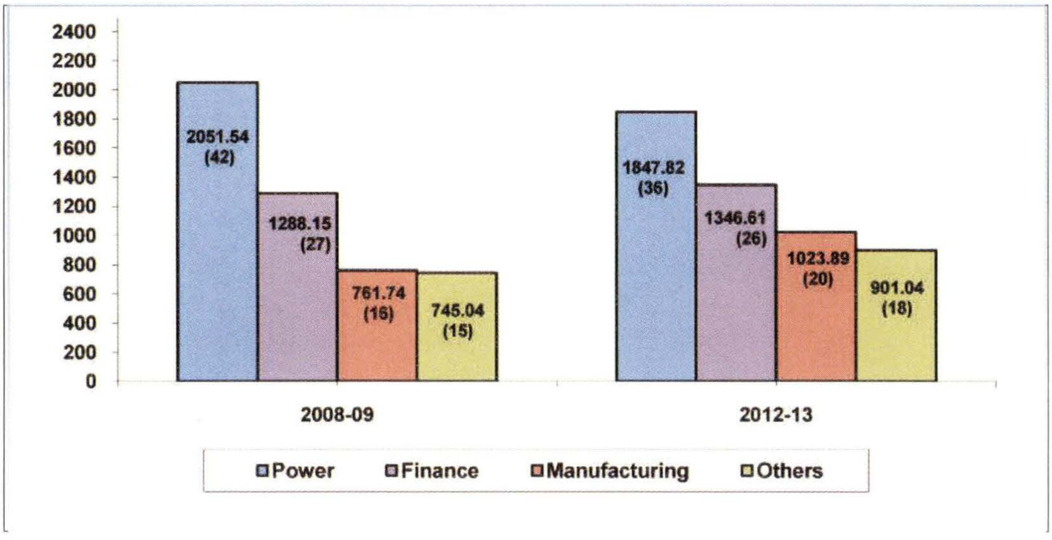
(Rs. in crore)



3.3.3 The investment in various important sectors and percentage thereof at the end of 31 March 2009 and 31 March 2013 are indicated below in the bar ***Chart 1.2.***

Chart-1.2

(₹ in crore)



(Figures in brackets show the sector percentage to total investment during 2008-09: ₹ 4846.47 crore and 2012-13: ₹ 5119.04 crore)

During 2012-13, the major investment was in the power sector (36.10 *per cent)*. The percentage of investment in power sector has decreased from 42 *per cent* in 2008-09 to 36 *per* cent in 2012-13 of the total investment; whereas the share of manufacturing sector has increased by 4.28 *per cent* during the period.

3.4 Budgetary outgo, grants/ subsidies, guarantees and loans

3.4.1 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in ***Appendix 3.3.*** The summarized details for the last three years ended 31 March 2013 are given in ***Table 3.3.***

Table-3.3

(₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	3	7.00	3	06.09	3	7.00
2.	Loans given from budget	10	488.54	10	70.26	10	76.08
3.	Grants/Subsidy received from State Government.	6	317.49	8	96.95	7	30.23
4.	Total outgo (1+2+3)	14[7]	813.03	15	173.30	13	113.31
5.	Interest/Penal interest and loan repayment written off	1	27.78	1	50.66	1	11.42
6.	Guarantees issued[8]	2	2.70	2	10.09	3	2193.97
7.	Guarantees Commitment[9]	9	2411.39	9	1805.66	9	1789.80
8.	Guarantee fee		Nil		Nil	1	43.58

The guarantees issued during the year 2012-13 was ₹ 2193.97 crore and guarantee commitment at the end of 31 March 2013 was ₹ 1789.80 crore. More than 96 *per cent* of guarantee commitment were on the loans raised by Jammu & Kashmir Power Development Corporation Limited from various Financial Institutions. The State

7 Actual number of PSUs which received budgetary support.

8 Fresh guarantees issued by the State Government during the year.

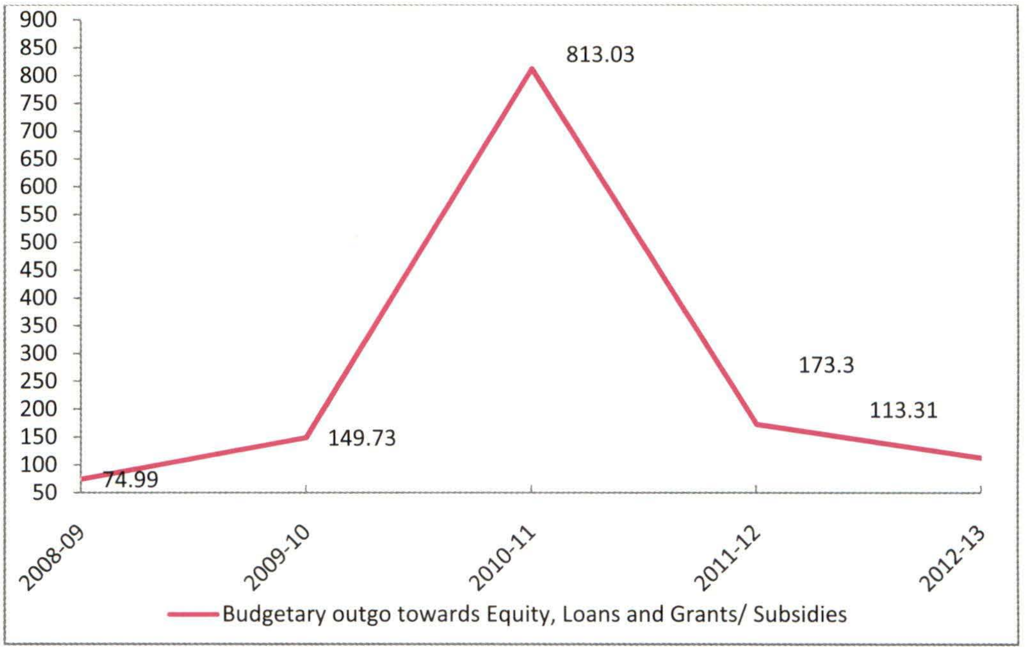
9 Sum of guarantees outstanding loan and principal at the end of each year

Government has charged guarantee commission or fee of ₹ 43.58 crore from one PSU[10] during 2012-13.

3.4.2 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in ***Chart 1.3.***

Chart 1.3

(₹ in crore)



The budgetary outgo of the State Government towards equity contribution, loans, grants and subsidy was all time high in 2010-11 at ₹ 813.03 crore during the preceding six years. The upward trend of budgetary outgo can be seen from 2008-09 with marginal increase during 2009-10 and stood at ₹ 813.03 crore in 2010-11 which decreased to ₹ 173.30 crore during 2011-12 and further decreased to ₹ 113.31 crore during 2012-13.

3.5 Reconciliation with Finance Accounts of the Government

3.5.1 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2013 is indicated in ***Table 3.4.***

10 J&K State Power Development Corporation Limited: ₹ 43.58 crore

Table-3.4

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	460.94	456.78	4.16
Loans	736.77	1571.27	(-) 834.50
Guarantees	324.05	1789.80	(-) 1465.75

3.5.2 Audit observed that the differences occurred due to misclassification pending reconciliation. The reasons thereof, though called for, were not intimated (December 2013). The concerned administrative departments, PSUs and Finance Department were requested every quarter to take necessary action to reconcile the differences.

3.6 Performance of Public Sector Undertakings (PSUs)

3.6.1 Out of 23 working PSUs[11] for which accounts for latest years were received upto 30 September 2013, eight PSUs earned profit of ₹ 1388.55 crore, 12 PSUs incurred loss of ₹ 154.37 crore, two[12] PSUs had not prepared Profit and Loss account and one PSU[13] had not submitted its accounts since 1996-97 when its audit was entrusted to the CAG. The major contributors to profit were Jammu & Kashmir Bank Ltd (₹ 1055.10 crore) and Jammu & Kashmir State Power Development Corporation (₹ 325.66 crore). The heavy losses were incurred by Jammu & Kashmir State Road Transport Corporation (₹ 66.97 crore), Jammu & Kashmir Industries Limited (₹ 46.83 crore), Jammu & Kashmir Horticulture Produce Marketing and Processing Corporation Limited (₹ 10.62 crore) and Jammu & Kashmir Minerals Limited (₹ 10.36 crore). Further, Summarised Financial Results including net profit/loss, turnover, return on capital employed, etc. of Government companies and Statutory corporations for the year for which accounts were finalized as per details given in ***Appendix 3.1.***

3.6.2 The year wise details of expenditure not recoverable, controllable/ avoidable expenditure, infructuous investment and blockage of funds from the CAG's Audit Reports for the last three years is given in ***Table 3.5*** are based on test check of records of PSUs.

11 For the year 2012-13 (two PSUs), 2010-11 (one PSU), 2009-10 (four PSUs), 2006-07 (one PSU), 2005-06 (two PSUs), 2004-05 (two PSUs), 1999-2000 (one PSU), 1997-98 (two PSUs), 1996-97 (three PSUs), 1995-96 (one PSU) and 1994-95 (one PSU).

12 J&K State Overseas Employment Corporation limited and Chenab Valley Power Projects Private limited

13 Jammu & Kashmir State Forest Corporation

Table 3.5

(₹ in crore)

Particulars	2010-11	2011-12	2012-13
Expenditure not recoverable, controllable/avoidable expenditure, infructuous investment and blockage of funds	644.31	172.90[14]	247.20

3.6.3 The State Government did not formulate any dividend policy under which all PSUs were required to pay a minimum return on the paid up share capital contributed by the State Government. As per the latest finalised accounts, eight PSUs earned an aggregate profit of ₹ 1388.55 crore and only one PSU[15] declared a dividend of ₹ 242.39 crore.

3.7 Arrears in finalization of accounts

3.7.1 The accounts of the companies for every financial year are required to be finalized within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalized, audited and presented to the Legislature as per the provisions of their respective Acts. The details of progress made by the working PSUs in finalization of accounts by September of the respective years are given in ***Table 3.6.***

Table 3.6

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Number of Working PSUs	20	20	21	22	23
2.	Number of accounts finalised during the year	15	10	34	36	38
3.	Number of accounts in arrears	224	234	223	208	195
4.	Average arrears *per* PSU (3/1)	11.20	11.70	10.62	9.45	8.48
5.	Number of Working PSUs with arrears in accounts	19	19	19	19	20
6.	Extent of arrears (years)	4 to 19	4 to 20	2 to 20	3 to 21	2 to 18

14 It includes expenditure of ₹ 10.18 crore which was not recoverable.

15 Jammu and Kashmir Bank Limited.

3.7.2 Four[16] working PSUs failed to forward even one account during the year to this office causing accumulation of the arrears ranging between seven and sixteen years.

3.7.3 In addition to above, there were also the arrears in finalisation of accounts by non-working PSUs. Out of three non-working PSUs (all companies), two PSUs[17] had gone into liquidation process. The remaining one non-working PSU[18] had arrear of accounts for 23 years.

3.7.4 The State Government had invested ₹ 1377.58 crore (equity: ₹ 44.64 crore, loans: ₹ 778.59 crore, grants: ₹ 542.01 crore and subsidy: ₹ 12.34 crore) in 17 PSUs during the years for which accounts have not been finalised as detailed in ***Appendix 3.4***. In the absence of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested had been achieved or not. Thus, Government's investment in such PSUs remains outside the scrutiny of the State Legislature.

3.7.5 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalized and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalization of accounts, no remedial measures were taken. As a result of this, the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up with the Chief Secretary in July 2013 to expedite the backlog of arrears in accounts in a time bound manner.

3.8 Winding up of non-working Public Sector Undertakings (PSUs)

3.8.1 There were three non-working PSUs (all companies) as on 31 March 2013. The stages of closure in respect of non-working PSUs are given in ***Table 3.7.***

Table 3.7

S.No.	Particulars	Companies
1	Total No. of non-working PSUs	3
2	Of (1) above, the No. under	
(a)	Liquidation by Court (liquidator appointed)	2[19]
(b)	Voluntary winding up (liquidator appointed)	--
(c)	Closure, i.e. closing orders issued but liquidation process not yet started.	1[20]

16 J&K State Handloom Development Corporation Limited., J&K Industries, J&K State Forest Corporation Limited and J&K SC/ST/OBC Development Corporation Limited.

17 Himalyan Wool Combers and J&K State Handloom Handicrafts Raw Material Supplies Organisation Limited.

18 Tawi Scooters Limited.

19 Himalayan Wool Combers Limited and Jammu & Kashmir State Handloom Handicrafts Raw Material Supplies Organization Limited.

During the year 2012-13, no company was finally wound up. The companies which had taken the route of winding up by court order were under liquidation for more than nine years.

3.9 Accounts Comments

3.9.1 Thirty two (32) accounts of the 15 working companies were finalized between October 2012 and September 2013 and were selected for supplementary audit. The details of aggregate money value of comments of the Statutory Auditors and the CAG are given in **Table 3.8**.

Table-3.8

(₹ in crore)

S.No.	Particulars	2010-11		2011-12		2012-13	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	6	18.17	5	5.78	1	4.50
2.	Increase in loss	12	43.76	7	2.23	8	27.60
3.	Non-disclosure of material facts	4	15.66	4	27.85	2	45.17
4.	Errors of classification	9	217.20	10	110.48	10	82.28

The audit reports of the Statutory Auditors appointed by the CAG and the supplementary audit of the CAG indicated that the quality of maintenance of accounts needed to be improved substantially.

3.9.2 Some of the important comments in respect of annual accounts of the Government companies during the period October 2012 to September 2013 are stated below:

JKB Financial Services Limited (2012-13)

Interest Receivable of ₹ 62.47 lakh on Fixed Deposits of ₹ 8 crore with Jammu & Kashmir Bank Limited had been included in the 'Trade Receivables' though Interest income is not a general business activity.

Jammu & Kashmir Police Housing Corporation Limited (2004-05)

Excess service tax of ₹ 14.45 lakh as per the assessment orders for the years 2000-01, 2001-02, 2002-03 and 2003-04 and less payment of ₹ 0.91 lakh for the year 2004-05 had not been accounted for in the accounts for the respective years.

[20] Tawi Scooters Limited.

Jammu & Kashmir State Industrial Development Corporation Limited (2006-07)

- The Company had issued, subscribed and paid up Capital of ₹ 14.47 crore as on March 2007. Besides, ₹ 3.17 crore had been received from State Government as contribution towards share capital during previous years which had been kept in share capital suspense on the basis of qualification in the notes on accounts that State Government had not increased authorised share capital from ₹ 20 crore to ₹ 50 crore. The Company had neither allotted shares nor issued Share Certificates as required in terms of provisions of Section 113 of Companies Act, 1956.
- The Company had not provided interest accrued and due ₹ 1.92 crore required to be charged in terms of Uniform Accounting Standards issued by SIDBI[21].
- The Company had received ₹ 3.15 crore from promoters as part of unrealized premium and treated it as Income, which is payable to State Government and should have been treated as liability.

Jammu and Kashmir State Cable Car Corporation Limited (2009-10)

The Company received ₹ 29.89 crore (₹ 3.06 crore during the year) from the State Government as plan assistance for implementation of approved schemes/creation of assets from time to time. Treatment of Plan Assistance and Assets created had not been done in terms of Accounting Standard-12.

Jammu and Kashmir Tourism Development Corporation (2009-10)

- The Company had adopted rates prescribed by Income Tax Act, 1961 for charging depreciation for the year on the block of assets on written down value method (WDV) instead of rates prescribed under schedule XIV of companies Act, 1956.
- The Company had not provided for an amount of ₹ 92.81 lakh on account of Dearness Allowance payable to its employees.

3.9.3 Similarly, accounts of two Statutory corporations viz Jammu & Kashmir State Financial Corporation and Jammu & Kashmir State Road Transport Corporation had been finalised for two years (2009-10 and 2010-11) and four years (2006-07 to 2009-10) respectively during 2012-13. The Jammu and Kashmir State Forest Corporation had never submitted its accounts since 1996-97 when its audit was entrusted to the CAG. The details of aggregate money value of comments of the Statutory auditors and the CAG for the last three years ended 31 March 2013 are given in ***Table 3.9.***

[21] Small Industries Development Bank of India

Table-3.9

(₹ in crore)

S.No.	Particulars	2010-11		2011-12		2012-13	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	-	-	-	-	-	-
2	Increase in loss	1	25.87	-	-	5	184.86
3	Non-disclosure of material facts	1	0.84	-	-	-	-
4	Errors of classification	1	1.00	2	1.60	1	3.75

Some of the important comments in respect of annual accounts of the Statutory corporation finalized are stated below:

Jammu and Kashmir State Financial Corporation (2009-10)

- Provision for interest payable to the extent of ₹ 38.62 crore on the loans amounting to ₹ 56.10 crore (secured loan: ₹ 28.46 crore and unsecured loans: ₹ 27.66 crore) availed from SIDBI had not been made in the books of accounts.
- LIC[22] in January 2009 while releasing Plan loan to State Government deducted ₹ 0.64 crore due to default made by the Corporation in discharging its debts. The State Government had raised demand of ₹ 0.64 crore on the Corporation for repayment alongwith interest at a rate of 13 *per cent* per annum. The Corporation had not made provision for interest payable to the State Government to the tune of ₹ 0.10 lakh.

Jammu and Kashmir State Financial Corporation (2010-11)

The Corporation had availed loan of ₹ 3.75 crore from Bank against Fixed Deposit Receipt out of which ₹ 1.67 crore had been repaid to the Bank during 2010-11. The amount of ₹ 2.08 crore payable to Bank had been included in the Current Liabilities. The amount payable had not distinctively been shown under the Other Loan under Secured Loans specifying the nature of security.

Jammu & Kashmir State Road Transport Corporation (2009-10)

- The Company had not provided for interest of ₹ 21.30 crore payable on outstanding balances of Contributory Provident Fund and General Provident Fund during last twenty years (1991-92 to 2008-09: ₹ 18.88 crore and 2009-10: ₹ 2.42 crore).

[22] Life Insurance Corporation of India

- The Company had not provided for interest of ₹ 17.94 crore charged at 15 *percent* on the cash assistance received from the State Government. The Corporation had, however, made a provision for interest at 10 *per cent* during the year.
- The Company had not provided for liability of ₹ 1.56 crore on account of token tax outstanding for the years (2001-02 to 2008-09: ₹ 1.45 crore and 2009-10: ₹ 0.11 crore), ₹ 0.71 crore on account of compensation awarded by Motor Accident Claim Tribunal (MACT) during the year 2009-10, ₹ 0.84 crore on account of rent outstanding for the years (upto 2008-09: ₹ 0.77 crore and 2009-10: ₹ 0.07 crore) and ₹ 0.09 crore on account of electricity charges for the year 2009-10.

3.9.4 During the year, the Statutory auditors had given qualified certificates in respect of 31 accounts[23]. The compliance of PSUs with the Accounting Standards remained poor as there were 25 instances of non-compliance of accounting policies relating inventories, revenue recognition, not making provisions for employee benefits, etc.

3.10 Internal Control/ Internal Audit

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement . The Statutory Auditors had stated that internal audit system in respect of eleven companies was either not in place or internal audit reports were not furnished as per details given in ***Table 3.10.***

Table 3.10

Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to Companies figuring at serial number of the Appendix-3.1
Absence of internal audit system commensurate with the nature and size of business of the Company.	11	A-4, 5, 6, 7, 8, 9, 15, 16, 18, 19 and B-3.

23 In case of Jammu and Kashmir State Road Transport Corporation, CAG is the sole auditor (four accounts had been finalised from October 2012 to September 2013)

Public Sector Undertakings need to improve their internal audit systems commensurately with the nature and size of business, devise suitable system for making provision of retiral dues, inventory management, introduction of information technology etc. for better results.

3.11 Status of placement of Separate Audit Reports

The audit of Jammu and Kashmir State Financial Corporation is conducted under Section 37(6) of the State Financial Corporation Act 1951, Jammu and Kashmir State Road Transport Corporation under Section 33 (2) of the Road Transport Corporation Act 1950 whereas audit of Jammu and Kashmir State Forest Corporation is entrusted to the CAG on the request of the State Government. During the year 2012-13, Separate Audit Reports (SARs) issued by the CAG on the accounts of Jammu & Kashmir State Road Transport Corporation and Jammu & Kashmir State Financial Corporation for the year 2009-10 and 2010-11 respectively were place in the Legislature. Further, Jammu & Kashmir State Forest Corporation had never submitted its accounts to the CAG since 1996-97 when the audit was entrusted to the CAG.

3.12 Response of the Departments to Audit Report material

For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2013, three audit paragraphs in respect of Jammu & Kashmir State Industrial Development Corporation Limited, Jammu & Kashmir State Financial Corporation and Jammu & Kashmir State Power Development Corporation Limited, were issued to the Secretaries of the respective Departments with the request to furnish replies within six weeks. However, no reply was received from the State Government (November 2013).

3.13 Follow up on Audit Reports

As per the instructions of the State Finance Department, the Departments of the Government are required to prepare and send to the Jammu and Kashmir Legislative Assembly Secretariat, *suo-motu* Action Taken Notes (ATNs) on the Audit paragraphs within three months of an Audit Report being laid on the table of the Legislature. A review of the position in this regard showed that as of October 2013, out of 52 Audit paragraphs included in the Audit Reports for the years 2000-01 to 2011-12, the ATNs in respect of 24 Audit paragraphs due between June 2002 to September 2013 had not been finalized.

3.14 Disinvestment, Privatisation and Restructuring of PSUs

The State Government had no plans of disinvestment. However, the State Government has initiated the process of privatization with regard to development of hydel projects through Independent Power Producers and the process was yet to be completed (November 2013).

Chapter-4

Audit of Transactions

CHAPTER – 4

AUDIT OF TRANSACTIONS

INDUSTRIES AND COMMERCE DEPARTMENT

4.1 Lease of land for industrial purposes by Jammu & Kashmir State Industrial Development Corporation Limited

4.1.1 Introduction

The Jammu & Kashmir State Industrial Development Corporation is the nodal agency for promotion of medium and large scale industries in the State and is responsible for development of land for establishment of industrial complexes/ estates and creation of necessary infrastructure therein for development of industries in the State.

Audit of Industries and Commerce Department was included in the Report of the Comptroller and Auditor General of India on Social, General, Economic (Non-PSUs) and Revenue Sectors for the year ended 31 March 2012 - Government of Jammu and Kashmir (Report No. 1 of the year 2013). The audit inter-alia had focused on status of industrialization in the State with focus on status of various Industrial estates/ complexes and extent to which the creation of these estates/ complexes had led to creation of employment opportunities and contribution to States Gross Domestic Product (GDP). The present audit was taken up to assess whether the objective of establishment of industrial complexes/ estates through proper allotment of land and creation of necessary infrastructure therein to attain sustainable industrial development in the State was achieved by the Company during the period 2008-09 to 2012-13. The audit was undertaken between March 2013 and June 2013 covering the examination of records of the Head office, Regional office Jammu and five[1] Industrial estates of the Company involving 238 plots of land with an area of 1946 *kanals* (22 *per cent*) out of 13 Industrial estates involving 1133 plots of land with an area of 8938 *kanals*, which were selected based on simple random without replacement sampling technique. The details of audit findings are discussed below:

4.1.2 Status of land in Industrial estates

The consolidated position of plots of land allotted and their status was not available with the Company.

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[1] Industrial complex Bari Brahmana Jammu; EPIP Kartholi Bari Brahmana Jammu, Industrial Growth Centre Samba Jammu; Industrial Ceramic Complex Kathua, Jammu and Industrial Complex Rangreth Srinagar Kashmir

In five test checked Industrial estates, Audit observed that out of 1133 plots of land allotted for establishment of industrial units, only 643 industrial units (57 per cent) were functional as on 31 March 2013 and the remaining 495 units (43 *per cent*) had either not been set up or reported by the Company to be under implementation or had been closed down.

The status of implementation for setting up industrial units based on test-check of 238 out of 495 incomplete units is detailed in ***Table 4.1.1.***

Table-4.1.1

S. No.	**Particulars**	**No. of plots**	**Area (*Kanals*)**
1.	Number of industrial units closed (with area)	27	637
2.	Number of plots where no action taken (with area)	49	130
3.	Number of plots under implementation for setting up industrial unit (with area)	162	1129

- 27 industrial units had been closed (non-functional) for the period ranging between two and 25 years.
- The entrepreneur/ promoters had not set up 49 industrial units after the plots of land were allotted between two and nine years back by the Company. No action had been taken by the Company to cancel the allotment as per terms of the agreement.
- 162 plots were reported to be under implementation where no industrial unit had been set up despite delay ranging between one month and 19 years beyond gestation period of six to nine months from the date of allotment or lease deed agreement whichever earlier.

4.1.3 Delay in setting up of new industrial units due to inadequate infrastructure facilities

Audit observed that 309 industrial units involving 1454 *kanals* of land out of 318 plots of land (1479 *kanals*) leased out to the promoters during the period from 2008-09 to 2012-13 by the Company were required to be set up by March 2013. Against this, only 100 units (32 *per cent*) had been set up and the remaining 209 units were under the process of implementation (June 2013). Of the set-up units, 31 units had been set up after delay ranging between one month and five years.

Audit further observed that poor infrastructure facilities in the industrial complexes/ estates were the contributing factor for delayed/ non-setting up of industrial units by the promoters/ entrepreneurs as discussed below:

- For upgradation of infrastructure in Industrial Complex Bari Brahmana Jammu at an estimated cost of ₹ 11.08 crore, it was seen that against ₹ 4.84 crore released during the period 2011-13, the Company had spent ₹ 2.58 crore only leaving ₹ 2.26 crore unutilized as of May 2013 and no progress had been achieved against targeted upgradation of road length of 15.41 Km, constructions of 1504.44 Mts bund for flood protection and two dug bore-wells by the Company (May 2013). Similarly, in respect of Industrial Growth Centre (IGC), Samba despite incurring an expenditure of ₹ 1.85 crore during the period 2011-13 against receipt of ₹ 2.09 crore, the target of upgradation of 25.30 Km road length with an estimated cost of ₹ 4.36 crore (except some patch works), within the industrial complex, construction of one tube well/ overhead tank, pump house building etc. could not be achieved by the Company.

- The Company developed (2004-05) 236 *kanals* of land as food zone within Industrial Complex Bari-Brahmana Jammu out of which 96 *kanals* were covered under common facilities (roads, drains etc.) and remaining 140 *kanals* were to be allotted to the food related Industrial units. The Company allotted 130.70 *kanals* of land to 44 food related industrial units between December 2005 and February 2012 and earmarked 4.30 *kanals* of land for further five entrepreneurs.

  Audit noticed that out of 47 industrial units, only ten units with area of 40.75 *kanals* of land were functional as of June 2013 and the remaining 37 units (34 allotted and three earmarked) involving area of 89.95 *kanals* had not set up their units as the land had been allotted without proper arrangement of water supply at the sites of these industrial units. Thus, failure of the Company to plan allotment of land after proper development of infrastructure led to idling of the land on which ₹ 1.25 crore had been incurred for development of common facilities.

4.1.4 Deficient performance in processing of cases

As per the procedure laid down (February 2007) by the Department for allotment of plots in Industrial Estates, the Company has to forward the applications/ projects received from the prospective promoters/entrepreneurs to the concerned Chief Engineers of Public Health Engineering Department/Power Development, Pollution Control Board etc. for obtaining their statutory clearances/objections and submit the same before the Apex Level Projects Clearance Committee (APCC) within 15 days of date of receipt for taking decision for allotment of plots of land. Apart from this, supporting documents in support of the projections made in the Detailed Project Reports (DPRs) and documents in support of the fact that adequate finances have been arranged are a pre-requisite for allotment. After the allotment of plot of land by the Company (lessor) the Promoter/ entrepreneur (lessee) has to execute a lease deed agreement within 60 days of date of issue of allotment order and set up the industrial unit within six months. As per the terms of this agreement, if a lessee fails to implement his project within six months of allotment or signing of lease deed agreement, whichever is later, the Company can initiate proceeding of cancellation and resumption of land after giving entrepreneur 30 days clear notice for non-implementation of project. Scrutiny of records by Audit showed the following:

- Proper registers/ records were not maintained by the Company to indicate the date of receipt of applications/ proposals, date of forwarding it to the concerned agencies for clearance and date of placing the finalized proposals before the

APCC for approval. Due to non-maintenance of these basic records the time schedule followed for processing the applications/ proposals on first come first serve basis could not be verified in Audit.

- Projections/ estimates of the Detailed Project Reports (DPRs) of the industrial units submitted by the intending promoters in respect of 196 plots of land had not been analysed by the Company and accepted without ascertaining their viability in all the test-checked cases.
- Statutory and other clearances like pollution, environmental, etc. had not been obtained prior to allotment/ handing over possession of plots of land in respect of 72 cases out of 101 test-checked cases, reasons of default in timely setting up or the closure of units by promoters were neither recorded nor analyzed by the Company in 83 cases and no action had been taken for invoking eviction of the promoters for failure to establish the units in respect of 87 cases.
- Out of 95 test-checked cases the promoters had not set-up industrial units at all in 85 cases due to non-availability of timely finances by the Banks/ Financial Institutions which had not been evaluated/ ensured by the Company at the time of allotment of plots of land.
- The notices for setting-up of industrial units were issued belatedly in 73 cases and no action had been taken for resumption of land which was not utilized by the promoters for implementation of the projects/ units in 63 cases out of 95 test-checked cases.

4.1.5 Delay in execution of lease deed agreement by the entrepreneurs

There was delay ranging between 27 days and over seven years in execution of lease deed agreements after the date of issue of allotment orders in 99 cases involving 344 *kanals* of land. This led to delayed realization of land premium[2] of ₹ 8.45 crore, besides loss of revenue of ₹ 0.13 crore due to non-realization of ground rent for the intervening period from date of allotment to the date of execution of agreement.

On being pointed out in audit the concerned Manager Estates attributed the delay to the allottees. The reply should be viewed in light of fact that the Management took no steps to evoke terms and conditions of the allotment orders for failure of the promoters to enter into lease deed agreement within scheduled time.

4.1.6 Non-utilization of plots of land

The Company had not evolved any mechanism for ensuring optimal use of available plots of land in its industrial estates/complexes due to inaction on the part of the Company for resumption of idle land as per provisions of the lease deed agreement. A test check of records (June 2013) in Audit showed that in four cases involving

2 One-time payment which the allotees make at the time of allotment of plot of land

112.30 *kanals* of land is lying idle and no further action was taken by the Company as per details given in the ***Table 4.1.2.***

Table-4.1.2

S. No	Industrial complex/ estate with land available	Remarks /Status
1.	22 *kanals* of land at Birpur, Industrial complex Bari-Brahmana Jammu earmarked exclusively for housing and commercial activities since last more than 30 years.	Construction of four storeyed two housing blocks comprising of 16 residential flats though approved (August 2010) by the Board of Directors of the Company, but no further action taken so far (June 2013).
2.	30 *kanals* of land at Industrial Complex Bari Brahmana, Jammu was retrieved (December 2005) after closure of Inland Container Depot.	Intended to be used for handling of metallic waste for which the Company approached (February 2007) Ministry of Finance (GOI) for grant of permission for using the premises which was denied by the GOI.
3.	10.30 *kanals* land and building at Industrial Complex Rangreth, Srinagar	Allotted (July 1989) to a promoter[3] for manufacturing of EPABX[4]/ Fax machines for a period of 10 years which expired in 1999. However, no further action was taken (June 2013) for its re-utilisation.
4.	50 *kanals* of land at Industrial Complex Rangreth, Srinagar	Allotted (October 2004) to an entrepreneur[5] for establishing unit for manufacture of steel and steel ingots. However, the land allotted was undeveloped, marshy and without road connectivity due to which promoter could not set up unit as scheduled.

Thus, failure of the Company to evolve mechanism for avoiding non-utilisation of allotted land by the promoters resulted in non realization of land premium of ₹ 96.30 lakh and ground rent of ₹ 1.77 crore.

[3] M/S J&K Telecom Ltd.
[4] Electronic Private Automatic Branch Exchange
[5] M/S Himalayan Rolling Mills

4.1.7 Transfer of land by the promoter

(a) (i) The Company allotted (June1993) 42.31 *kanals* of land in industrial Complex Bari-Brahmana Jammu to a promoter[6] for setting up of a camphor unit at a premium of ₹ 40,000 per *kanal*. The conditions of allotment order stipulated that in case of failure of the entrepreneur to put the unit to production within nine months the lease deed was subject to cancellation and the allotted land was to be resumed by the Company.

Audit check showed that despite execution of the lease deed in March 2000 and approval (November 2000) of the building plan for setting up of unit on 2886 sft (0.5 *kanals*) out of 38.31 *kanals* of land, the unit had not been set-up and the promoter defaulted in deposition of license fee, lease rent, premium, water charges etc. which accumulated to ₹ 17.74 lakh (May 2011). It was also seen that the promoter had transferred (March 2004) four *kanals* of the allotted land to another promoter[7] and having been unable to set-up the unit. The Company, however, allowed (April 2011) to transfer the left out land to another promoter[8] at a cost of ₹ 2.30 crore. Thus, failure of the Company to get the lease deed cancelled after the promoter failed to set up the unit and allowing idle possession of land in violation of terms of allotment order and lease deed agreement led to un-due benefit of ₹ 2.21 crore[9] to the promoter on account of transfer of lease-hold rights of land.

The Management stated (May 2013) that the unit had not been made functional due to non-availability of raw material and that there was no excess allotment and undue benefit. The fact, however, remains that the building plan of the unit had been approved for the area (2886 sft) which formed less than two *per cent* of the allotted land (38.31 *kanals*), which too had not been setup.

(a) (ii) The Company allotted (January 2001) 178.50 *kanals* of industrial land to M/s Moral Overseas by allowing amalgamation/ transfer of land in Industrial complex Bari-Brahmana for manufacture of Hosiery garments and processing of Grey fabric. The firm on account of its inability to face competition in the market closed (October 2006) the operations of the unit. The Company transferred (April 2008) 89.60 *kanals* of land in possession of the unit to two pharmaceutical companies and allowed (September 2008) the unit holder to retain remaining 88.90 *kanals* of land for setting up another spinning unit. The promoters, however, failed to set up the unit and continued to hold the possession of idle land which was subsequently transferred (August 2011) to another entrepreneur M/S Sarveshwar overseas Mills Ltd. The non utilisation of allotted land resulted in its idleness besides denying opportunity to other prospective entrepreneurs of securing the land for establishing the industrial units.

6 M/S Dujodwalla Resins and Terpenes Ltd.
7 M/S Balaji Pune Chemicals Limited
8 M/S Uniflex Limited, Greater Kailash New Delhi
9 ₹ 2.30 crore minus premium of ₹ 9 lakh paid at the time of allotment of plot of land to the Company

(b) Non-resumption of unutilized land

Audit scrutiny of records of test-checked units showed that the Company had not taken any action to identify and resume 94.50 *kanals* of land where the lessees (allottees) had failed to implement the project within six months of allotment or signing of lease deed and land was lying idle in possession of the allottees as detailed in the **Table-4.1.3.**

Table-4.1.3

S. No	Industrial complex/ estate with land available	Remarks
1.	4.5 *kanals* out of six *kanals* of land at Industrial Complex Bari-Brahmana Jammu	The land was allotted (October 1994 and June 1995) to a promoter[10] for manufacture of readymade garments which could not be set up. However, the promoter established another unit for manufacture of steel tabular poles, doors, windows and steel trunks etc., which was permitted (February 2009) by the Company on 1.5 *kanals* of land. The remaining 4.5 *kanals* of land remained idle with the promoter (June 2013).
2.	16 *kanals* of land at Industrial Complex, Bari-Brahmana, Jammu	Allotted (August 1985) to a promoter[11] for manufacture of Tor steel. The Company also sanctioned a term loan of ₹ 65.60 lakh in favour of the promoter for setting up the unit. The promoter neither utilize the land nor remitted the term loan back to the Company (June 2013).
3.	70 *kanals* of land at IGC Samba (Phase I)	The land measuring 13 *kanals* was allotted (January 2004) to a promoter[12] for manufacture of steel girders, pre-cast concrete girders etc., at IGC Samba (Phase I). The promoter surrendered 13 *kanals* of land and on his request the Company allotted (July 2005) to 70 *kanals* in Phase-II of the estate. However, out of this 57 *kanals* were cancelled (February 2013) by the Company due to non-utlisation. Further the remaining 13 *kanals* are still lying idle with the promoter (June 2013).
4.	Four *kanals* of land at Industrial complex Bari-Brahmana Jammu	The land was allotted (August 2005) to a promoter[13] for manufacturing of food color and dyes. However, due to failure of the promoter to get the NOC from Food and Drug control department/ Pollution control Board, due to unit being adjacent to a pesticide unit, the Company allotted (February 2011) alternate site to the promoter. However, the land remained idle with the promoter (June 2013).

Thus, failure of the Company to take timely action for resumption of un-utilised plots of land resulted in non-realisation of land premium of ₹ 1.17 crore and consequential

10 M/S Comfy Garments (International)
11 M/S Tawi Steel Rolling Mills
12 M/S V K Sood Engineers and Contractors, Panchkula, Haryana
13 M/S Ambay Additives

interest loss of ₹ 32 lakh besides denying opportunity to other prospective entrepreneurs of securing the land for establishing the industrial units.

4.1.8 Encroachment of plots of land

Audit check showed that there were cases of encroachment of 18 *kanals* of plots of land allotted by the Company to the promoters/ entrepreneurs, as discussed below:

- The Company allotted (September 2005) six *kanals* of land to M/S Chenab Bottling Industries at Food Park Industrial Complex Bari-Brahmana, Jammu on lease for 90 years for implementation of the Project within six months. However, a local person objected to construction work claiming title of the land. Audit observed that 13 *kanals* of land being the evacuee's property was acquired for industrial purposes prior to the year 2000 by the Company and despite dismissal (2000) by the Special Tribunal of the claim of the private person, the Company had failed to obtain clear possession of land and allotted the land to three entrepreneurs including the six *kanals* of land to the promoters. Due to failure of the Company to get the land vacated from illegal possession of the local person, the promoters could not set up their units resulting in idleness of Industrial land measuring 12.75 *Kanals*. The Manager Estates stated that land in question had been leased out and promoters were supposed to use leased out land. The reply should be viewed in light of the fact that the Company made allotment of encroached land to entrepreneurs and subsequently could not evict the land from the encroachers as a result the projects could not be implemented by the promoters.
- The Company signed (October 2010) a lease deed agreement for allotment of three *kanals* of land in favour of M/s Roxy Distilled Beverages for setting-up of an industrial unit in IGC Samba for implementation of the project within six months. The physical possession of the plot of land was handed over to the entrepreneur despite his failure to obtain statutory clearances which led to continued idleness of allotted land. Due to poor mechanism of watch and ward of the plots of land by the Company and also the idleness of land for long period, some locals encroached the land and obstructed (March 2013) construction by the promoters. The land continued to remain under the encroachment of locals (June 2013).
- The Company allotted four *kanals* of land (June 1999: two *kanals* and October 2002: two *kanals*) to M/s Kashmir Jam Industries at IGC Samba. The promoter, however, subsequently (November 2004) encroached further two *kanals* of land adjoining to his main allotted land and applied for its allotment. The Company allotted (January 2009) and handed over possession of the encroached land to other entrepreneur viz., M/s Guru Nanak Plastic Industries. Against this allotment order, M/s Kashmir Jam industries approached the Hon'ble High Court which directed (July 2011) the Company to consider the case of petitioner for allotment of two *kanals* of land on its own merit along with cases of all those persons seeking allotment of land in question. Thereafter, the Company shifted the second allotee to another plot of land and recommended (September 2011) the allotment of retrieved two *kanals* of land to

M/s Kashmir Jam Industries. However, approval of the APCC thereof was awaited (June 2013).

Thus, failure of the Company to prevent illegal possession of encroached land by M/s Kashmir Jam Industries for more than nine years and subsequent failure to consider the case of the promoter alongwith other applicants seeking allotment of land on the basis of merit in accordance with the directions of the Hon'ble High court led to regularisation of encroached land in favour of the promoter.

4.1.9 Allotment of land in excess of requirement

The lease deed executed by the Company with the promoter reserves right to the Company to resume any part or all the leased premises at any time after being leased out, if it is found that land has been obtained in excess of the actual requirements by any entrepreneur.

Test checks by Audit showed that 36 *kanals* of land *(i.e.,* 28 *kanals* at Industrial Growth Centre, Samba to two entrepreneurs in August 2004 and February 2009 and eight *kanals* at Industrial Complex Bari-Brahamana, Jammu in August 1996/ April 1997) was allotted in excess of the actual requirements of the entrepreneurs. The retention of excess land by the entrepreneur despite directions by the Chief Secretary of the State Government who directed (September 2008) the management to establish the mechanism to take *suo moto* action where excess allotment of land was detected by the Company. Thus, land was allotted by the Company as per the demand of the promoter and that there was no system of verification of actual requirements of land demanded by the promoter.

4.1.10 Non-revision of rent

As per the terms and conditions of lease deed agreement, the ground rent of the plots of land leased out is to be enhanced by 20 *per cent* after every five years and lessee has to pay such enhanced ground rent to the Company without any damage and demur.

Audit check showed that the ground rent of leased out plots of land (1496 plots: involving 11816 *kanals* of land) had been last revised in April 2007 and as such was due for revision in April 2012. The rates of ground rent had however, not been enhanced as of May 2013 which resulted in loss of ₹ 1.49 crore[14] to the Company during the year 2012-13.

When the matter was pointed out in audit, the Management of the Company stated (May 2013) that ground rent in some estates had been revised and steps were being taken to enhance the ground rent in left out estates. The fact, however, remains that no

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14 Amount booked ₹ 7.44 crore against amount due ₹ 8.93 crore

orders of revision of ground rent had been issued by the Company and the ground rent during 2012-13 had been charged at the existing rates.

4.1.11 Conclusion

The Company did not ensure judicious use of plots of land for industrialization which led to large area of allotted land lying idle. The expenditure on development of industrial land in estates had become unfruitful due to its non-utilisation. The deficiencies persisted in processing and follow-up of cases and obtaining statutory clearances, besides there was huge delay in execution of lease deed agreement causing delayed realization of land premium loss of ground rent. Due to deficiencies in the transfer policy of land to new promoters led to undue benefit to defaulting promoters in setting up the units. No mechanism existed to check diversion of allotted land for un-intended purposes and avoiding encroachments. Land was allotted to promoters in excess of requirements. Ground rent was not being revised. Inadequate infrastructure caused non-utilisation of land by promoters.

The above points were reported to the Government (August 2013); the reply was awaited (December 2013).

Power Development Department

(Jammu & Kashmir State Power Development Corporation Limited)

4.2 Implementation of Rajiv Gandhi Grameen Vidyutikaran Yojana

Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) was launched by the Government of India in April 2005 to provide access to electricity to all and to give electricity connection free of cost to Below Poverty Line (BPL) households. Under the scheme all un-electrified (UE) villages and habitations were to be electrified in five years, i.e., by March 2010.

In Jammu and Kashmir State, the scheme was taken up for execution in 2005-06 and 14 projects were sanctioned, one project for each of the districts[15] in the State at a cost of ₹ 635.94 crore revised (2010-13) to ₹ 940.05 crore for electrification of 237 unelectrified (UE)/ delectrified (DE) villages and intensive electrification to 3468 electrified villages (EVs). The revised programme envisaged covering of 1,42,664 rural households including 80,381 BPL households. Out of the 14 projects, 7 projects each were assigned to the National Hydroelectric Power Corporation Limited[16] (NHPC) and to the Jammu & Kashmir State Power Development Corporation Limited[17] (JKSPDC) for implementation.

As part of our audit during 2012-13 we reviewed three[18] out of 14 projects implemented by the JKSPDC to ascertain whether the projects were implemented in time bound manner and whether the goals of providing each village/ habitation access to electricity for overall development of the rural areas have been achieved. Audit observed deficiency in planning and implementation and delays in execution of projects as discussed in the subsequent paragraphs.

(i) Non-finalisation of Rural Electrification (RE) Plan: Rural Electrification (RE) Plans were to be finalized in consultation with Ministry of Power, Government of India (GOI) and to be notified within six months of the continuation of the programme in 11th five year plan period. It was seen in audit that despite the scheme being in force since 2006-07 and 14 projects under execution, the State had not prepared the RE Plans which were a pre-requisite for implementation of the scheme. This resulted in implementation of the projects in an unplanned and adhoc manner.

(ii) Unreliable BPL Household Data: One of the main objectives of RGGVY was to provide free electricity connection to Below Poverty Line (BPL) families. For this purpose, reliable lists of unelectrified BPL households in all the projects after proper field survey were required to be prepared by the State Government and had to be provided to Project Implementing Agencies (PIAs).

15 The then existing 14 districts have since been reorganized into 22 districts.
16 Jammu, Kathua, Udhampur, Srinagar, Budgam, Leh and Kargil
17 Poonch, Rajouri, Doda, Anantnag, Pulwama, Baramulla and Kupwara
18 Anantnag, Pulwama and Rajouri

Audit scrutiny of records showed that no authenticated reliable lists of unelectrified BPL households with proper identifiable address in each village/ habitation to be covered were prepared by the State Government. The projects were planned based on some tentative number of BPL households. In certain cases in contractor's pre execution survey, number of BPL households was either increased or decreased or remained static though the villages/ habitations to be covered were reduced (December 2013) as per details given in ***Appendix 4.1***.

Though audit as part of the field survey came across instances of distribution of BPL Kits, it could not ascertain whether the free of cost electricity connections were provided to the identified/ approved BPL households as neither the project implementing agency viz., JKSPDC had any authentic list of BPL households from Power Development Department nor had any record of the BPL ration card number of the beneficiaries issued by the Consumer Affairs and Public Distribution Department. The beneficiary status mechanism was thus deficient.

(iii) Misutilization of funds: In terms of clause 1.4 of tripartite agreement executed amongst the State Government, REC and J&KSPDC, works contract tax (WCT) payable to State Government in respect of 11th five year plan period projects was to be borne by the State Government.

Audit scrutiny of records showed that in contravention of the tripartite agreement, the Project Implementing Agency (PIA) viz., the JKSPDC was levying WCT on these project works and paying it to the State Government by debiting the same to the financial assistance received from the Government of India which was contrary to RGGVY norms. In the case of three selected projects, an amount of ₹ 4.89 crore had been unauthorizedly debited to the project funds ending March 2012. On being pointed out, the JKSPDC stated (September/ November 2012) that matter regarding reimbursement of the amount paid on this account had been taken up with the State Government.

(iv) Purchase of material in excess of requirement: As per the codal provisions and sound financial management, only that much material is to be procured as is actually needed for immediate consumption as the purchase of material in excess of requirement results in unnecessary blockade of Government money.

Audit scrutiny of records of Anantnag and Pulwama projects showed that the contractors procured various electrical materials like conductor guy wire, GI wire, LT spacers, earthing rods, thimbles, insulators etc. amounting to ₹ 1.04 crore in excess of the quantities actually needed for consumption on RGGVY works. This resulted in unnecessary blockade of project funds. On this being pointed out in audit, the work executing division admitted the excess purchase of material and stated that it was being adjusted in the subsequent bills of the contract.

(v) Irregular grant of Mobilization Advance: As per CVC guidelines, granting of interest free mobilization advance is not to be encouraged. However, in cases where granting of interest free mobilization advance is felt necessary, its recovery should be time bound and should not be linked with progress of work. This is to ensure that even if the contractor is not executing the work or executing it at slow pace the recovery of advance could commence and scope for its misuse could be reduced.

Audit check of records of Rajouri and Pulwama projects revealed that mobilization advance amounting to ₹ 7.54 crore (Pulwama: ₹ 2.81 crore and Rajouri: ₹ 4.73 crore) was paid to the contractors of the said projects in January 2009 and August 2010 respectively without specifying any time bound mode of recovery. Instead the recovery of advance was linked with the presentation of work bills by the contractors (15 *per cent* of value of bill). The pace of execution of works by the contractor was very slow and the projects which as per the letter of award were to be completed by December 2010 and November 2011 respectively were in progress and mobilization advance amounting to ₹ 3.64 crore (Pulwama: ₹ 1.91 crore and Rajouri: ₹ 1.73 crore) ending March 2012 remained unrecovered. Thus, non-formulation of any mechanism by the PIA for time bound recovery of mobilization advance resulted in undue financial aid to contractors.

(vi) Non-Levy of Liquidated Damages: As per terms and conditions of letter of award, if in the event of failure of the contractor to complete the work within the specified period of completion, liquidated damages at the rate of 0.5 *per cent* of the contract price for each calendar week of delay or part subject to maximum of five percent of the total contract price are to be recovered from the contractor and adjusted against the project cost. However, a review of the records of the three test-checked projects showed that contractors failed to complete the allotted works within stipulated period of twelve months. The liquidated damages amounting to ₹ 7.79 crore in accordance with the contract agreement were neither recovered nor adjusted against the contract price of these projects. In reply, it was stated that recovery of liquidated damages would be effected in due course.

The above points were reported to the Government (January 2013); the reply was awaited (December 2013).

FINANCE DEPARTMENT

JAMMU AND KASHMIR STATE FINANCIAL CORPORATION

4.3 Recovery of loans

4.3.1 Introduction

The Jammu and Kashmir State Financial Corporation was established as a Statutory Corporation in December 1959 under the State Financial Corporation Act, 1951 with the objectives to promote industry and service sector in the State by catering to the financial requirements of these sectors in the Medium, Small and Micro Scale Enterprises (MSME). The financial assistance from the Corporation is extendable to industry and service sector including Tourism and Transport industry.

The Corporation had advanced loans to the borrowers of small scale enterprises to the extent of ₹ 499 crore since inception (1959) to March 2012. The recovery of loans was governed by the Corporation through terms and conditions of the sanction in each case. However, the Corporation could not recover its loan amount from the borrowers. Consequently, the borrowers became defaulters since 1990 onwards. As the borrower defaulted in repayment of loan, the loan turned Non Performing Advances[19] (NPAs). As a result, the Corporation suffered losses which accumulated to ₹ 176.77 crore and the Net worth of the Corporation was recorded negative as (-) ₹ 104.58 crore as at the end of March 2009. With a view to recover Principal amount of NPAs, the Corporation introduced one time settlement scheme from 1997, latest being in August 2009. Besides, to overcome the declining growth and mitigating the losses the Corporation brought in (February 2010) a 'Revival plan' which inter-alia envisaged concentration on loaning potential sectors, such as Agriculture, Tourism, Hydro Power (Mini/Micro), Transport etc. apart from equitable regional growth of the State.

The audit was taken up to assess effectiveness of the recovery of loans and lending of money under Revival Plan in the Corporation and was undertaken between April 2013 and August 2013 covering the examination of records of the Corporate office of the Corporation and two Large Branches (LBO) viz., Srinagar and Jammu and two district offices of Udhampur and Pulwama pertaining to the period 2008-2013.

[19] It refers to loans that are in jeopardy of default. Once the borrower has failed to make interest or principal payments for 90 days the loan is considered to be a non-performing advance.

Audit Findings

4.3.2 Performance of Loan Recovery

Examination of Loan recovery performance requires review of lending policy norms, status of Non Performing Assets (NPA) and outcome of One Time Settlement Scheme (OTS). The following are the audit findings:

4.3.2.1 Lending policy and shortfall in recovery of overdue amounts

The Corporation's main source of Finance is the Small Industries Development Bank of India (SIDBI) and it follows the guidelines in terms of disbursement of loan of

SIDBI which has been main refinancing facility provider to the Corporation and the Corporation charges minimum of 2.5 *per cent* over and above the refinance interest rate of SIDBI. In audit it was noticed that the Corporation does not have clear enunciation of its lending policy in terms of exposure limit to various sectors/ borrowers, lending rates and maturities. Instead the Corporation has prescribed guidelines as regards limit for sanctioning authorities, quantum of loan to be sanctioned, security mortgaged, periodicity of repayment, rate of interest, penal interest etc on security mortgage, recovery of instalments/ repayment schedule of principal and interest, penal interest etc on terms and conditions of individual cases. In addition to this, the guidelines also contain instructions regarding documentation and conditions to be followed before disbursement of loan to safeguard the financial interest of the Corporation.

The status of loans advanced by the Corporation and recovery thereof during the period 2008-13 at a glance is shown in ***Table-4.3.1.***

Table-4.3.1

Status of loans advanced and its recovery during 2008-2013 at a glance

(₹ in crore)

S.N.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13 (Provisional)
1.	Amount outstanding at the beginning of each year	846.03	804.00	750.78	651.07	623.82
2.	Amount Over due for recovery					
	a) At the beginning of the year	**725.33**	**751.93**	**725.95**	**624.60**	**573.89**
	b) Fallen due during the year	64.84	173.25	142.49	94.33	12.36
	c) Gross amount overdue for recovery (a+b)	**790.17**	**925.18**	**868.44**	**718.93**	**586.25**
	Less					
	i) Amount Reschedule	Nil	Nil	Nil	Nil	5.70
	ii)Amount written Off	22.59	178.45	229.20	127.58	45.99
	d) Total (i+ii)	**22.59**	**178.45**	**229.20**	**127.58**	**51.69**
	Net amount recoverable (c-d)	**767.58**	**746.73**	**639.24**	**591.35**	**534.56**
3.	Percentage of amount overdue for recovery to amount outstanding at the beginning of each year	85.74	93.52	96.70	95.94	92.00
4.	Target for recovery	43.82	31.62	26.64	38.25	31.03
5.	Percentage of Target to Net Recoverable Amount	5.70	4.23	4.17	6.47	5.80
6.	Recovery effected					
	Old cases	5.53	11.82	6.78	9.47	13.16
	New cases	10.12	8.96	7.86	7.99	12.99
	Total	**15.65**	**20.78**	**14.64**	**17.46**	**26.15**
7.	Amount in Arrear	**751.93**	**725.95**	**624.60**	**572.89**	**508.41**
8.	Percentage of Recovery against					
	Net Recoverable	2.03	2.78	2.29	2.95	4.89
	Arrears (amount over due for recovery at the beginning of each year)	2.16	2.76	2.02	2.80	4.56

It was observed that:

- There was a reduction of 30 *percent* in amount overdue for recovery during 2008-13. The reduction was due to writing off of ₹ 603.82 crore which included principal amount of ₹ 20 lakh during this period.

- The overall recovery of over-dues against the targets set was very small which indicated that the performance of the Corporation in respect of recovering the dues and over-dues had not been satisfactory. The Corporation had, however, not set targets for recovery separately for old cases (NPA) (which ranged between 10 to 20 years) and current years demand (fresh cases).

- Despite settling 641 cases under One Time Settlement (OTS) Schemes during 2008-13 and writing off of ₹ 603.82 crore, the overall recovery performance of the Corporation ranged between 2.03 *per cent* and 2.95 *per cent* of net recoverable amount during 2008-12 and 4.89 *per cent* during 2012-13. Besides, an amount of ₹ 508.41 crore was still overdue for recovery as at the end of March 2013.

- All the branches of the Corporation, except Kargil branch, failed to achieve the targets of recovery fixed by the Corporate office of the Corporation during each year as per details given in ***Appendix 4.2***. The Corporation had, however, not fixed any responsibility for non-achieving the targets of recovery at branch level.

The management stated (July 2013) that due to continuous disturbances and disuse/ abandonment of the property charged to the Corporation, the value of security had substantially eroded restricting the choice for other drastic remedial measures of recovery. The recoveries effected so far were through settlement only.

The reply was not acceptable as under the settlement process the recovery remained below three *per cent* of net recoverable amount during the currency of settlement scheme indicating that all out efforts had not been made to recover the over dues.

4.3.3 Status of Non-Performing Assets

The Corporation is exposed to credit and operational risks in credit/ loan portfolio and, as such, is required to classify the advances as per Assets Classification norms formulated by the Small Industries Development Bank of India (SIDBI). An asset becomes a non performing asset (NPA) when it ceases to generate income for the financial institution for a period of more than 90 days. The position of NPAs, classification of Assets of the Corporation and recoveries of NPAs affected during the years 2008-2013 is indicated in ***Table-4.3.2***.

Table-4.3.2

(₹ in crore)

S. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13 (Provisional figures)	Total
1.	NPA at the beginning of the year	104.98	104.39	92.63	83.72	78.08	
2.	Additions during the year	3.30	Nil	Nil	1.76	Nil	5.06
3.	**Total NPA(2+3)**	**108.28**	**104.39**	**92.63**	**85.48**	**78.08**	
4	**Less**						
4a	Upgraded accounts	Nil	0.07	3.29	Nil	14.12	
4b	Recoveries made (Principle)	3.89	11.64	5.61	7.28	3.60	
4c	Amount Written off (Principle)	0.01	0.05	0.01	0.12	0.01	0.20
5.	**Total (4a+4b+4c)**	**3.90**	**11.76**	**8.91**	**7.40**	**17.73**	
6.	**NPA at the end of each year(3-5)**	**104.38**	**92.63**	**83.72**	**78.08**	**60.35**	
	<u>Classification of NPA</u>						
	a) Sub-Standard	4.00 *(3.45)	2.95 *(2.93)	1.80 *(1.87)	2.47 *(2.40)	1.26 *(1.21)	
	b) Doubtful Assets	27.76 *(23.92)	27.91 *(27.72)	36.31 *(37.57)	37.57 *(36.43)	24.30 *(23.36)	
	c) Loss Assets	72.63 *(62.58)	61.77 *(61.35)	45.61 *(47.18)	37.41 *(36.89)	25.24 *(24.26)	
	Standard Assets (% to total Loan portfolio)	**11.66** (10.05)	**8.06** (8.00)	**12.94** (13.39)	**25.04** (24.28)	**53.20** (51.15)	
7.	**Total Loan Portfolio**	**116.05**	**100.69**	**96.66**	**103.12**	**104.00**	
8.	% age of NPA to total Loan /Advances Portfolio (6/7 x100)	89.95	92.00	86.61	75.72	58.03	
9.	Targets of recoveries of NPA	Nil	Nil	Nil	Nil	10.16	
10.	% age of actual recovery to total NPA (4b/1 x100)	3.71	11.15	6.06	8.70	4.61	

**percent to total Loan Portfolio*

It was seen that the Non Performing Advances (NPA) had reduced by ₹ 44.03 crore (42.18 percent) during the last five years ended 31 March 2013. The reduction was, however, due to settlement of NPA cases through OTS and not through normal process of recovery. The Board of Directors had directed (March 2009) for chalking out a strategy for containment of NPAs but despite this there had been an addition of ₹ 5.06 crore to the NPAs during this period. The Corporation had not fixed target for recovery of NPAs separately during the above period except during 2012-13 as a result of which the recovery performance was dismal and ranged between ₹ 3.60 crore (4.61 *per cent*) and ₹ 11.64 crore (11.15 *per cent*) of total NPAs during 2008-13 despite One Time Settlement Schemes remained operative during this period.

The Management attributed huge NPAs to the reasons of disturbance in the State, inadequate fund generation by loanees, lack of market support, poor performance of the assisted units and obsolescence of technology.

The contention of the Management is not tenable as study of NPA cases (selected) showed that most of the cases turned NPA due to failure of the Corporation to timely reschedule the sub-standard loan accounts, non-conducting of post disbursement monitoring, non-adherence of terms of the sanction especially with regard to obtaining statutory clearances from the competent authorities by the loanees[20] such as, Pollution Control Board, District Industries Centre (DIC), etc. to run the unit before disbursement of the Loan.

4.3.4 One Time Settlement Scheme

The Corporation, with a view to effect recovery of NPAs, introduced different settlement schemes from time to time (like OTS scheme-1997 and OTS scheme-2007) extending the benefits to the borrowers in line with the Government Policy either for the revival of the unit or to exit from the debt of the Corporation. During the period upto 2008-09, the Corporation settled 2,942 accounts recovering an amount of ₹ 88.37 crore and waiving interest of ₹ 445.27 crore.

Considering the persistent demand of Trade and Transport Associations for one time settlement scheme, the Corporation in August 2009 approved yet another One Time Settlement Scheme (OTS) titled as "One Time Settlement Scheme 2010 for NPAs (Loss Assets) of the Corporation" without any notification issued by the Government. Under OTS-2010 Scheme, the borrower had to pay only principal outstanding and the outstanding interest was to be waived off. As per the eligibility criteria, the loan account should have been non-performing asset (NPA) and a Loss Asset in the books of Corporation as on 30 September 2009. The Scheme commenced from 01 October 2009 and was extended upto 30.06.2011 and no extension was allowed thereafter.

20 Test checked cases in audit were M/s Samya Food Products - Jammu, M/s Kashmir Honey Industries, M/s Shalimar Flour Mills – Pulwama and M/s Agro Foods.

During 2009-10 to 2012-13, the Corporation settled 612 accounts recovering Principal of ₹ 28.13 crore and interest of ₹ 5.30 crore and had waived off Interest amounting to ₹ 581.03 crore under One Time Settlement Scheme 2010. It was observed that:

- The Corporation waived off Principal amount of ₹ 19 lakh during 2009-10 to 2012-13, contrary to the eligibility criteria of OTS-2010 scheme regarding waiving off Principal amount.

- During 2009-10 and 2010-11, the Corporation settled as many as 462 cases recovering ₹ 17.25 crore Principal (17 *per cent* of NPA at the beginning of 2009-10) under OTS-2010 Scheme. In this process it had sacrificed interest amounting to ₹ 407.59 crore. However, settlement of NPAs through waiver of interest had not been much effective in reducing the NPA, as was envisaged in the Scheme, as the percentage of NPA to total loan portfolio continued to range between 92 and 87 *per cent* during this period. Resultantly, the purpose of OTS-2010 Scheme got defeated leading to loss to the Corporation to the extent interest was waived.

- The Board granted final extension in repayment of settled liability under OTS-2010 Scheme till 30 June 2011 and no further extension was granted thereafter. Even then the Corporation continued with the Scheme without the approval of the Government and settled 150 NPA cases during 2011-12 and 2012-13 and recovered ₹ 10.88 crore while as it sacrificed interest amounting to ₹ 173.44 crore leading to a further loss to the Corporation.

- The guidelines for negotiated settlement of NPA cases under One Time Settlement Scheme 2010 provided for settlement of only Loss Asset/ NPA appearing in the books of accounts of the Corporation as on 01 October 2009 emphasizing 100 percent recovery of the NPA balance. Test-check of 23 cases in four Branches (LBO Srinagar, Jammu, Udhampur and Pulwama), settled under the Scheme showed that settlement under one time settlement scheme was allowed in 17 cases ***(Appendix 4.3)*** which were not Loss Assets appearing in the books of accounts of the Corporation. It was seen that against a recovery of ₹ 3.38 crore, interest to the tune of ₹ 17.63 crore had been waived in these 17 cases. This was contrary to the prescribed guidelines of one time settlement scheme, leading to extending undue benefit to the defaulting borrowers and loss to the Corporation to the extent interest had been waived off.

The Management replied (November 2013) that after expiry of OTS-2010 scheme, loan accounts had been settled by Default Review Committee (DRC) under the mandate approved by the BOD of the Corporation. But the fact remains that approval of the State Government to settle cases under One time settlement arrangement had not been obtained by the Corporation.

4.3.5 Review of new lending under Revival Plan

In pursuance of Government policy to provide germane/ suitable support to the industrial and allied sectors of the State which suffered heavy business losses during the disturbance period in the State, the Corporation introduced different settlement schemes and waived off ₹ 445.27 crore from September 1997 to March 2009 to recover locked funds. Despite waiving off the interest amount, the recovery of over dues remained at 2 *per cent* during 2005-06 and 2008-09. As a result of poor recovery of over dues, the Corporation faced severe liquidity constraints. With a view to overcome the declining growth and losses, the Corporation brought in (February 2010) a 'Revival plan' which inter-alia envisaged concentration on loaning potential sectors, such as Agriculture, Handicrafts, Handloom, Tourism, Pharmaceutical, Information Technology and Electricals, Sports goods, Hydro Power (Mini, Micro), Transport etc. The Revival Plan also envisaged that the Corporation should have a judicious mix of advances with thrust on lending to Micro sector and approaching the market with tailor made and area specific schemes for equitable regional growth of the State and make all out efforts to effect recovery of NPAs.

The Corporation failed to achieve the targets both in respect of sanction and disbursement of loans during the period under review except during 2011-12 and the shortfall ranged between 37 and 82 *per cent* in respect of sanctioning and between 27 and 82 *per cent* in respect of disbursement indicating that the performance of the Corporation with regard to disbursement of the loans had not improved as envisaged under the Revival Plan. Moreover, the disbursement of Loans declined from ₹ 18.41 crore in 2011-12 to ₹ 15.23 crore in 2012-13.

Audit observed that the Corporation, contrary to the Revival Plan, concentrated mainly on Transport sector, which too declined from ₹ 16.39 crore in 2011-12 to ₹ 11.04 crore in 2012-13. This restriction to a single sector, i.e., Transport ignoring various other sectors leading to non-generation of adequate revenue to mitigate the losses of the Corporation thereby defeating the very purpose of Revival Plan. In reply the management stated (August 2013) that due to constraints of funds it could not enhance its portfolio. It further stated that it focussed on Transport sector mainly because of speedy disposal of cases under the transport sector compared to other sectors. Thus, the concentration on a single sector had defeated the objective of the Revival Plan.

Further, the total loan advanced by the Corporation ranged between 72 *per cent* and 100 *per cent* in Kashmir Division as against zero *per cent* and 28 *per cent* in Jammu Division during 2008-09 to 2012-13 indicating that the market potential of Jammu division had remained un-exploited.

The Management replied (August 2013) that the projects in Jammu division would be taken up after restoration of refinancing facility by the SIDBI. The reply was not tenable as the fact remained that the Corporation should have made efforts to cover the Jammu region with the available resources.

4.3.6 Conclusion

The Corporation had not set target for recovery of Non-Performing Advances (NPAs). Targets for over-dues were very small and that too had not been achieved. The Corporation had NPAs ranging between ₹ 60.35 crore and ₹ 104.38 crore during 2008-13. Despite One Time Settlement (OTS) scheme remained operating during 2008-13, there had not been significant reduction of NPAs. Revival Plan envisaged equitable regional growth with thrust on lending to Micro sector but the Corporation concentrated on Transport sector in Kashmir division only.

The above points were reported to the Government (September 2013); the reply was awaited (December 2013).

(Subhash Chandra Pandey)
Principal Accountant General (Audit)
Jammu and Kashmir

Srinagar/Jammu
The 06 FEB 2014

Countersigned

(Shashi Kant Sharma)
Comptroller and Auditor General of India

New Delhi
The 07 FEB 2014

APPENDICES

Appendix-2.1

(Reference to paragraph No. 2.1.8(vi))

Statement showing irregular grant of remission of tax to unregistered industrial units

S. No.	Name of the dealer	Tin	Account Year	Tax	Interest	Total
1.	Kissan Agro	1641160242	2008-09	3.00	3.03	6.03
			2009-10	4.60	3.20	7.80
			2010-11 (Exc.)	5.16	2.58	7.74
2.	Krishna Binding House	01301160487	2007-08	0.35	0.51	0.86
			2008-09	0.23	0.22	0.45
			2009-10	0.35	0.25	0.60
			2010-11	0.28	0.16	0.44
3.	Electrotech	01431160891	2008-09	0.52	0.50	1.02
			2009-10	0.56	0.41	0.97
			2010-11	0.94	0.51	1.45
			2011-12	0.77	0.23	1.00
4.	Eoton Laboratories	01212050211	2005-.06	3.09	5.11	8.20
			2006-07	2.93	4.14	7.07
			2007-08	2.77	3.25	6.02
			2008-09	2.84	2.65	5.49
			2009-10	1.84	1.22	3.06
			2010-11	3.20	1.43	4.63
5.	M.Z. Enterprises	1552050121	2006-07	3.60	5.16	8.76
			2008-09	7.30	6.15	13.45
			2009-10	22.49	14.58	37.07
			2010-11	27.66	11.51	39.17
6.	National Steel Industries	01612050185	2005-06(1^{st})	30.56	50.55	81.11
			2006-07 (2^{nd})	6.71	9.02	15.73
			2007-08	4.26	4.83	9.09
			2008-09	10.19	8.85	18.84
7.	Admn Steel	1022050170	2006-07	1.83	2.61	4.44
			2007-08	3.08	3.54	6.62
			2008-09 (C)	1.42	1.31	2.80
			2009-10	6.49	4.55	11.04
			2010-11	1.76	0.76	2.52
8.	Alkaram	1062050148	2005-06	18.86	30.41	49.27
			2006-07	3.58	4.88	8.46
			2007-08	8.97	10.31	19.29
			2008-09	2.57	2.32	4.89
			2009-10	2.41	1.60	4.01
			2010-11	14.77	5.89	20.66
9.	Ambrosia Pharma	1082050040	2006-07 (4^{th} Qr.)	0.43	0.57	1.00
			2007-08 (3^{rd} & 4th Qr)	0.46	0.50	0.96
			2008-09	2.09	1.93	4.02
			2009-1(3^{rd})	1.67	1.16	2.83

10.	Nishat Paints	1672050151	2007-08	3.98	4.73	8.71
			2008-09	3.31	3.14	6.46
			2009-10	3.70	2.55	6.25
			2010-11	4.73	1.98	6.71
11.	Brijesh Industries	01142050201	2005-06	6.04	9.97	16.01
			2007-08	9.04	10.55	19.59
			2008-09	2.21	1.88	4.09
			2009-10	1.63	1.01	2.64
			2010-11	4.24	1.60	5.84
12.	Khaldun Plastic Industries	1482059111	2006-07	5.75	7.25	13.00
			2007-08	11.07	11.30	22.37
			2008-09	13.81	10.78	24.59
			2009-10	12..18	6.58	18.76
			2010-11	11.49	3.45	14.94
13.	PVC Cables		2006-07	9.69	12.20.	21.89
			2007-08	13.63	13.90	27.53
			2008-09	13.29	10.36	23.65
			2009-10	20.75	11.20	31.95
			2010-11	51.03	15.31	66.34
14.	Khyber Cements Private Limited	1502050003	2005-06	49.71	81.30	131.01
			2006-07	80.30	111.68	191.98
			2007-08	157.33	184.15	341.48
			2008-09	166.25	156.18	322.43
			2009-10 (1st 2nd)	103.31	71.37	174.68
15.	Northson Enterprises	01682050195	2005-06	46.29	76.48	122.77
			2006-07	3.07	4.29	7.36
			2007-08	7.19	7.92	15.11
			2008-09	12.83	11.17	24.00
			2009-10	4.72	3.07	7.79
			2010-11	24.45	9.55	34.00
16.	Saifco Cements	1702050140	2006-07	439.12	608.74	1047.86
			2007-08	673.49	797.09	1470.58
			2008-09	535.53	504.30	1039.83
			2009-10	581.50	405.42	986.92
			2010-11	569.83	260.81	830.64
17.	Khyber Industries	01502050100	2006-07	311.60	444.29	755.89
			2007-08	784.48	910.79	1695.27
			2008-09	948.59	796.82	1745.41
			2009-10	364.62	218.77	583.39
			2010-11	1656.67	747.45	2404.12
18.	Tramboo Cement	1942050052	2006-07	280.60	388.92	669.52
			2007-08	421.77	496.42	918.19
			2008-09	372.38	347.02	719.40
			2009-10	99.39	59.63	159.02
			Grand Total	**9113.19**	**8056.18**	**17168..62**

Appendix-2.2

(Referred to in Paragraph: 2.6.4)

Statement showing year-wise number of route permits granted (fresh and renewals)

S. No.	Year	Stage carriage		Contract carriage		Goods carriage		Public school vehicles		Total	
		Fresh	Renewal	Fresh	Renewal	Fresh	Renewal	Fresh	Renewal	Fresh	Renewal
1	2010-11	627	6883	4146	14781	3066	10293	224	149	8063	32106
2	2011-12	344	6296	4668	15439	3621	12415	267	583	8900	34733
3	2012-13	417	4766	5812	15948	2429	10012	333	831	8991	31557

Appendix 3.1

Updated summarised financial results of Government companies and Statutory corporations for the latest years for which accounts were finalised as of September 2013

(Referred to in paragraphs 3.1.1 and 3.6.1)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments #	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
-1	-2	-3	-4	5 (a)	5 (b)	5 (c)	5 (d)	-6	-7	-8	-9	-10	-11	-12
A. Working Government Companies														
FINANCE														
1	Jammu and Kashmir Bank Limited	2012-13	2013-14	4925.59	3820.76	49.73	1055.10	6620.53	0.00	48.48	0.00	30959.91	4875.86	15.75
2	JKB Financial Services Limited	2012-13	2013-14	0.21	0.00	0.03	0.18	2.26	0.00	10.00	-0.07	7.52	0.18	2.39
3	Jammu and Kashmir Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	1996-97	2012-13	0.23	0.23	0.02	-0.02	0.82	-1.75	9.28	0.33	17.88	0.21	1.17
4	Jammu and Kashmir State Women's Development Corporation Limited	2004-05	2013-14	-0.34	0.31	0.01	-0.66	0.10	0.00	3.56	2.56	6.18	-0.35	Nil
Sector wise total				**4925.69**	**3821.30**	**49.79**	**1054.60**	**6623.71**	**-1.75**	**71.32**	**2.82**	**30991.49**	**4875.90**	**15.73**
5	Jammu and Kashmir State Agro Industries Development Corporation Limited	1997-98	2012-13	1.23	0.02	0.05	1.16	46.58	0.00	1.96	-14.36	0.77	1.18	153.25
6	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	1996-97	2012-13	-0.07	10.13	0.42	-10.62	2.51	0.00	9.20	-72.86	11.24	-0.49	Nil
Sector wise total				**1.16**	**10.15**	**0.47**	**-9.46**	**49.09**	**0.00**	**11.16**	**-87.22**	**12.01**	**0.69**	5.75
INFRASTRUCTURE														
7	Jammu and Kashmir Small Scale Industries Development Corporation Limited	1994-95	2012-13	-0.64	0.81	0.40	-1.85	15.71	0.30	3.12	-2.45	7.11	-1.04	Nil
8	Jammu and Kashmir State Industrial Development Corporation Limited	2006-07	2012-13	1.90	0.00	2.74	-0.84	10.35	-5.66	17.65	-82.67	54.08	-0.84	Nil
9	Jammu and Kashmir Projects Construction Corporation Limited	1996-97	2013-14	0.85	0.05	0.30	0.50	38.61	46.66	1.97	3.14	3.93	0.55	13.99
10	Jammu and Kashmir Police Housing Corporation Limited	2004-05	2013-14	1.57	0.00	0.14	1.43	1.96	0.15	2.00	3.26	5.30	1.43	26.98
Sector wise total				**3.68**	**0.86**	**3.58**	**-0.76**	**66.63**	**41.45**	**24.74**	**-78.72**	**70.42**	**0.10**	**0.14**
MANUFACTURING														
11	Jammu and Kashmir Industries Limited	2005-06	2012-13	-17.91	28.24	0.68	-46.83	6.44	-0.98	16.27	-447.47	-49.28	-18.59	Nil

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments #	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
-1	-2	-3	-4	5 (a)	5 (b)	5 (c)	5 (d)	-6	-7	-8	-9	-10	-11	-12
12	Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited	1997-98	2008-09	-4.28	1.99	0.04	-6.31	4.02	0.00	4.40	-25.21	1.05	-4.32	Nil
13	Jammu and Kashmir State Handloom Development Corporation Limited	1999-2000	2012-13	-2.12	1.35	0.07	-3.54	5.36	-0.03	3.00	-13.59	11.07	-2.19	Nil
14	Jammu and Kashmir Cements Limited	2005-06	2012-13	4.40	0.23	1.01	3.16	60.45	-1.16	15.00	-5.30	33.41	3.39	10.15
15	Jammu and Kashmir Minerals Limited	1995-96	2012-13	-5.56	4.71	0.09	-10.36	3.47	-10.12	8.00	-43.10	-0.31	-5.65	Nil
Sector wise total				**-25.47**	**36.52**	**1.89**	**-63.88**	**79.74**	**-12.29**	**46.67**	**-534.67**	**-4.06**	**-27.36**	**10.15**
POWER														
16	Jammu and Kashmir State Power Development Corporation Limited	2009-10	2012-13	998.27	293.51	379.10	325.66	1183.44	-2.42	5.00	-1109.44	7857.55	619.17	7.88
17	Chenab Valley Power Projects Pvt. Ltd. (Deemed Government Company)	2012-13	2012-13	0.00	0.00	0.00	0.00	0.00	0.00	122.55	Nil	129.68	0.00	Nil
Sector wise total				**998.27**	**293.51**	**379.10**	**325.66**	**1183.44**	**-2.42**	**127.55**	**-1109.44**	**7987.23**	**619.17**	7.75
SERVICES														
18	Jammu and Kashmir State Tourism Development Corporation Limited	2009-10	2012-13	3.83	0.02	2.43	1.36	19.61	-15.70	15.96	-9.34	59.36	1.38	2.32
19	Jammu and Kashmir State Cable Car Corporation	2009-10	2012-13	1.18	0.00	2.63	-1.45	12.30	0.00	23.57	-10.20	43.27	-1.45	Nil
Sector wise total				**5.01**	**0.02**	**5.06**	**-0.09**	**31.91**	**-15.70**	**39.53**	**-19.54**	**102.63**	**-0.07**	Nil
LABOUR & EMPLOYMENT														
20	Jammu and Kashmir State Overseas Employment Corporation Limited	The Company has submitted its first accounts for the priod ending July 2011 to this office for supplementary check underr section 619(4) of the companies act, 1956 and the same are under process												
Sector wise total				**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	0.00	0
Total A (All sector wise working Government companies				**5908.34**	**4162.36**	**439.89**	**1306.07**	**8034.52**	**9.29**	**320.97**	**-1826.77**	**39159.72**	5468.43	13.96
B. Working Statutory corporations														
FINANCE														
1	Jammu and Kashmir State Financial Corporation	2010-11	2013-14	-0.38	4.46	0.08	-4.92	2.99	-38.72	64.55	-171.64	182.24	-0.46	Nil
Sector wise total				**-0.38**	**4.46**	**0.08**	**-4.92**	**2.99**	**-38.72**	**64.55**	**-171.64**	**182.24**	-0.46	Nil
AGRICULTURE & ALLIED														
2	Jammu and Kashmir State Forest Corporation Limited	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)												
Sector wise total				**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
SERVICES														
3	Jammu and Kashmir State Road Transport Corporation	2009-10	2012-13	-26.58	35.92	4.47	-66.97	33.92	-42.31	160.15	-899.19	-348.99	-31.05	Nil
Sector wise total				**-26.58**	**35.92**	**4.47**	**-66.97**	**33.92**	**-42.31**	160.15	**-899.19**	**-348.99**	-31.05	Nil
Total B (All sector wise working Statutory corporations)				**-26.96**	**40.38**	**4.55**	**-71.89**	**36.91**	**-81.03**	**224.70**	**-1070.83**	**-166.75**	-31.51	Nil

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments #	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
-1	-2	-3	-4	5 (a)	5 (b)	5 (c)	5 (d)	-6	-7	-8	-9	-10	-11	-12
Grand Total (A + B)				**5881.38**	**4202.74**	**444.44**	**1234.18**	**8071.43**	**-71.74**	**545.67**	**-2897.60**	**38992.97**	**5436.92**	13.94
C. Non working Government														
MANUFACTURING														
1	Tawi Scooters Limited	1989-90	1991-92	-0.06	0.00	0.00	-0.06	0.00	0.00	0.80	-1.04	0.59	-0.06	Nil
2	Himalyan Wool Combers Limited	1999-2000	2000-01	-1.29	0.00	0.00	-1.29	0.00	0.00	1.36	-10.49	-1.71	-1.29	Nil
Sector wise total				**-1.35**	**0.00**	**0.00**	**-1.35**	**0.00**	**0.00**	**2.16**	**-11.53**	**-1.12**	-1.35	Nil
MISCELLENEOUS														
3	Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalyan Wool Combers Limited)	1991-92	1999-2000	NA	NA	NA	0	NA	0	0	0	0	-	-
Sector wise total				**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total C (All sector wise non working Government companies)				**-1.35**	**0**	**0**	**-1.35**	**0**	**0**	**2.16**	**-11.53**	**-1.12**	-1.35	Nil
D. Non working Statutory corporations		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total D (All sector wise non working Statutory corporations)		**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	Nil
Grand Total (A + B + C + D)				**5880.03**	**4202.74**	**444.44**	**1232.83**	**8071.43**	**-71.74**	**547.83**	**-2909.13**	**38991.85**	**5435.57**	**13.94**

$ For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the Profit and loss account.

 # Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/ increase in losses.

**Note: 1. Accounts of the folloiwng PSUs (referring S.No. of the above Appendix) for the rspective years have been submitted for suplementary check to this iffice and are under process as of September 2013:
A-5: 1998-99 and 1999-2000, A-9: 1997-98, A-12: 1998-99, A-16: 2010-11, A-20: October 2010 to July 2011 and B-1: 2011-12**
2. Chenab Valley Power Projects Pvt. Ltd. had not prepared its Profit and Loss Accounts due to the facts that the Company has not statred its operation.
3. Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.

Appendix 3.2

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2013 in respect of Government companies and statutory corporations)

(Referred to in paragraph 3.3.1)

(Figures in column 5 (a) to 6 (c) are Rs. in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees) (as on 31.3.2013)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
-1	-2	-3	-4	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	-7	-8
A. Working Government Companies													
FINANCE													
1	Jammu and Kashmir Bank Limited	Finance	10-Oct-38	25.78	0.00	22.70	48.48	0.00	0.00	1075.00	1075.00	22.17:1 (25.6:1)	9400
2	JKB Financial Services Limited	Finance	27-Aug-09	0.00	0.00	10.00	10.00	0.00	0.00	0.00	0.00	0	
3	Jammu and Kashmir Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	Social Welfare	Apr-86	14.37	15.58	0.00	29.95	0.00	0.00	38.80	38.80	1.3:1 (1.4:1)	104
4	Jammu and Kashmir State Women's Development Corporation Limited	Social Welfare	10-May-91	9.09	0.00	0.00	9.09	0.00	0.00	26.64	26.64	2.93:1 (3.34:1)	33
Sector wise total				**49.24**	**15.58**	**32.70**	**97.52**	**0.00**	**0.00**	**1140.44**	**1140.44**	**11.69:1**	**9537**
AGRICULTURE & ALLIED													
5	Jammu and Kashmir State Agro Industries Development Corporation Limited	Agriculture Production	30-Jan-70	2.60	0.94	0.00	3.54	31.35	0.00	2.77	34.12	9.64:1 (7.63:1)	NA
6	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	Agriculture Production	10-Apr-78	6.00	3.20	0.00	9.20	23.32	0.00	0.00	23.32	2.53:1 (1.92:1)	268
Sector wise total				**8.60**	**4.14**	**0.00**	**12.74**	**54.67**	**0.00**	**2.77**	**57.44**	**4.51:1**	**268**
INFRASTRUCTURE													
7	Jammu and Kashmir Small Scale Industries Development Corporation Limited	Industry & Commerce	28-Nov-75	3.12	0	0	3.12	8.83	0	0	8.83	2.83:1 (2.73:1)	303
8	Jammu and Kashmir State Industrial Development Corporation Limited	Industry & Commerce	17-Mar-69	17.65	0.00	0.00	17.65	0.00	0.00	0.00	0.00	0 (0.46:1)	520
9	Jammu and Kashmir Projects Construction Corporation Limited	Public Works	22-May-65	1.53	0.00	0.00	1.53	0.00	0.00	0.00	0.00	0	
10	Jammu and Kashmir Police Housing Corporation Limited	Home	26-Dec-97	2.00	0.00	0.00	2.00	0.00	0.00	0.00	0.00	0	76
Sector wise total				**24.30**	**0.00**	**0.00**	**24.30**	**8.83**	**0.00**	**0.00**	**8.83**	**0.36:1**	**899**

(Figures in column 5 (a) to 6 (c) are Rs. in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees) (as on 31.3.2013)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
-1	-2	-3	-4	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	-7	-8
MANUFACTURING													
11	Jammu and Kashmir Industries Limited	Industry & Commerce	4-Oct-60	16.27	0.00	0.00	16.27	371.59	0.00	0.00	371.59	22.83:1 (21.85:1)	838
12	Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited	Industry & Commerce	6-Jun-70	7.08	0.89	0.00	7.97	84.95	0.00	1.40	86.35	10.77:1 (10.77:1)	280
13	Jammu and Kashmir State Handloom Development	Industry & Commerce	29-Jun-81	3.50	1.50	0.00	5.00	98.27	0.00	0.00	98.27	19.65:1 (18:1)	198
14	Jammu and Kashmir Cements Limited	Industry & Commerce	24-Dec-74	46.77	0.00	0.00	46.77	4.96	0.00	12.23	17.19	0.38:1 (0.47:1)	763
15	Jammu and Kashmir Minerals Limited	Industry	5-Feb-60	8.00	0.00	0.00	8.00	364.43	0.00	0.00	364.43	45.55:1 (42.97:1)	896
Sector wise total				**81.62**	**2.39**	**0.00**	**84.01**	**924.20**	**0.00**	**13.63**	**937.83**	**11.16:1**	**2975**
POWER													
16	Jammu and Kashmir State Power Development Corporation Limited	Power Development	16-Feb-95	5.00	0.00	0.00	5.00	0.00	0.00	1720.27	1720.27	344.05:1 (346.61:1)	2934
17	Chenab Valley Power Projects Pvt. Ltd. (Deemed Government)Company)	Power Development	10-Oct-08	0.00	0.00	122.55	122.55	0.00	0.00	0.00	0.00	0 0	162
Sector wise total				**5.00**	**0.00**	**122.55**	**127.55**	**0.00**	**0.00**	**1720.27**	**1720.27**	**13.47:1**	**3096**
SERVICES													
18	Jammu and Kashmir State Tourism Development Corporation Limited	Tourism	13-Feb-70	23.51	0.00	0.00	23.51	4.26	0.00	0.00	4.26	0.18:1 (0.18:1)	916
19	Jammu and Kashmir State Cable Car Corporation Limited	Tourism	28-Nov-88	23.57	0.00	0.00	23.57	0.00	0.00	0.00	0.00	0	108
Sector wise total				**47.08**	**0.00**	**0.00**	**47.08**	**4.26**	**0.00**	**0.00**	**4.26**	**0.09:1**	**1024**
LABOUR & EMPLOYMENT													
20	Jammu and Kashmir State Overseas Employmnet Corporation Limited	Finance	10-Oct-10	4.27	0.00	0.00	4.27	0.00	0.00	0.00	0.00	0:1 (0.00:1)	
Sector wise total				**4.27**	**0.00**	**0.00**	**4.27**	**0.00**	**0.00**	**0.00**	**0.00**	**0:1**	**0**
Total A (All sector wise working Government companies)				220.11	22.11	155.25	397.47	991.96	0.00	2877.11	3869.07	9.73:1	17799

(Figures in column 5 (a) to 6 (c) are Rs. in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees) (as on 31.3.2013)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
-1	-2	-3	-4	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	-7	-8
B. Working Statutory corporations													
FINANCE													
1	Jammu and Kashmir State Financial Corporation	Finance	2-Dec-59	69.47	0.00	21.51	90.98	17.67	0.00	0.00	17.67	0.19:1 (0.00:1)	219
Sector wise total				**69.47**	**0.00**	**21.51**	**90.98**	**17.67**	**0.00**	**0.00**	**17.67**	**0.19:1**	**219**
AGRICULTURE & ALLIED													
2	Jammu and Kashmir State Forest Corporation Limited	Forest	1-Jul-79	9.03	0.00	0.00	9.03	97.52	0.00	0.00	97.52	10.8:1 (4.47:1)	3218
Sector wise total				**9.03**	**0.00**	**0.00**	**9.03**	**97.52**	**0.00**	**0.00**	**97.52**	**10.8:1**	**3128**
SERVICES													
3	Jammu and Kashmir State Road Transport Corporation	Transport	1-Sep-76	155.60	15.01	0.00	170.61	463.29	0.00	0.00	463.29	4.18:1 (4:1)	2932
Sector wise total				**155.60**	**15.01**	**0.00**	**170.61**	**463.29**	**0.00**	**0.00**	**463.29**	**2.72:1**	**2932**
Total B (All sector wise working Statutory corporations)				**234.10**	**15.01**	**21.51**	**270.62**	**578.48**	**0.00**	**0.00**	**578.48**	**2.14:1**	**6279**
Grand Total (A + B)				**454.21**	**37.12**	**176.76**	**668.09**	**1570.44**	**0.00**	**2877.11**	**4447.55**	**6.66:1**	**24078**
C. Non working Government companies													
MANUFACTURING													
1	Tawi Scooters Limited	Industries and Commerce	15-Dec-76	0.80	0.00	0.00	0.80	0.83	0.00	0.00	0.83	(1.04:1)	NA
2	Himalyan Wool Combers Limited	Industries and Commerce	24-Jan-78	1.37	0.00	0.00	1.37	Information not available.					
Sector wise Total				**2.17**	**0.00**	**0.00**	**2.17**	**0.83**			**0.83**		
MISCELLENEOUS													
3	Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalyan Wool Combers Limited)	Industries and Commerce	29-Nov-91	0.40	0.00	0.00	0.40	Information not available.					
Sector wise total				**0.40**	**0.00**	**0.00**	**0.40**						
Total C (All sector wise non working Government companies)				**2.57**	**0.00**	**0.00**	**2.57**	**0.83**	**0.00**	**0.00**	**0.83**	0.32:1	**0**
D. Non working Statutory corporations		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total D (All sector wise non working Statutory corporations)		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total (A + B + C + D)				**456.78**	**37.12**	**176.76**	**670.66**	**1571.27**	**0.00**	**2877.11**	**4448.38**	**6.63:1**	**24078**

[$] Paid-up capital includes share application money.

[**] Loans outstanding at the close of 2012-13 represent long-term loans only and includes Interest.

Figures based on data furnished by the PSUs.

Appendix 3.3

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2013

(Referred to in paragraph 3.4.1)

(Figures in column 3 (a) to 6 (d) areRs.` in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Issued	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
-1	-2	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
FINANCE													
1	Jammu and Kashmir Bank Limited	0	0	0	0	0	0	0	0	0	0	0	0
2	JKB Financial Services Limited	0	0	0	0	0	0	0	0	0	0	0	0
3	Jammu and Kashmir Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	1	3.04	0	0.70 (Grants)	0	0.70 (Grants)	12.34	39.98	0	0	0	0
4	Jammu and Kashmir State Women's Development Corporation Limited	1	1.7	0	0	0	0	2.40	11.50	0	0	0	0
Sector wise total		**2**	**4.74**	**0**	**0.7**	**0**	**0.70**	**14.74**	**51.48**	**0**	**0**	**0**	**0**
AGRICULTURE & ALLIED													
5	Jammu and Kashmir State Agro Industries Development Corporation Limited	0.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	0.00	3.50	0.00	1.37	0.00	1.37	0.00	0.00	0.00	0.00	0.00	0.00
Sector wise total		**0.00**	**4.50**	**0.00**	**1.37**	**0.00**	**1.37**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	0.00
INFRASTRUCTURE													
7	Jammu and Kashmir Small Scale Industries Development Corporation Limited	0.00	0.00	0.00	1.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00
8	Jammu and Kashmir State Industrial Development Corporation Limited	0.00	0.00	6.88	11.27	0.00	18.15	0.00	0.00	0.00	0.00	0.00	0.00

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[@]		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Issued	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
-1	-2	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
9	Jammu and Kashmir Projects Construction Corporation Limited	0	0	0	0	0	0.00	0	0	0	0	0	0.00
10	Jammu and Kashmir Police Housing Corporation Limited	0	0	0	0	0	0.00	0	0	0	0	0	0.00
Sector wise total		**0.00**	**0.00**	**6.88**	**12.27**	**0.00**	**19.15**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
CONSTRUCTION													
11	Jammu and Kashmir Industries Limited	0.00	4.02	0.00	4.63 (Grants)	0.00	4.63 (Grants)	0.00	0.00	0.00	0.00	0.00	0.00
12	Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited	0.00	2.00	0.00	0.00	0.00	0.00	0.00	1.40	0.00	0.00	0.00	0.00
13	Jammu and Kashmir State Handloom Development Corporation Limited	0.00	2.00	0.00	3.50 (Grants)	0.00	3.50 (Grants)	0.00	0.42	0.00	0.00	0.00	0.00
14	Jammu and Kashmir Cements Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
15	Jammu and Kashmir Minerals Limited	0.00	1.32	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sector wise total		**0.00**	**9.34**	**0.00**	**8.13**	**0.00**	**8.13**	**0.00**	**1.82**	**0.00**	**0.00**	**0.00**	0.00
POWER													
16	Jammu and Kashmir State Power Development Corporation Limited	0.00	0.00	7.77 (Subsidy)	0.00	0.00	7.77 (Subsidy)	2179.23	1720.27	0.00	0.00	0.00	0.00
17	Chenab Valley Power Projects Pvt. Ltd. (Deemed Government Company)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sector wise total		**0.00**	**0.00**	**7.77 (Subsidy)**	**0.00**	**0.00**	**7.77 (Subsidy)**	**2179.23**	**1720.27**	**0.00**	**0.00**	**0.00**	0.00
SERVICES													
18	Jammu and Kashmir State Tourism Development Corporation Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Issued	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
-1	-2	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
19	Jammu and Kashmir State Cable Car Corporation Limited	0.00	0.00	0.00	7.76 (Grants)	0.00	7.76 (Grants)	0.00	0.00	0.00	0.00	0.00	0.00
Sector wise total		**0.00**	**0.00**	**0.00**	**7.76 (Grants)**	**0.00**	**7.76 (Grants)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	0.00
LABOUR & EMPLOYMENT													
20	Jammu and Kashmir State Overseas Employment Corporation Limited	0	0.00	0	0.00 (Grants)	0	0.00 (Grants)	0	0.00	0	0	0	0.00
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0**	**0**	0.00
Total A (All sector wise working Government companies)		**2.00**	**18.58**	**14.65 (Subsidy)**	**30.23 (Grants)**	**0.00**	**44.88 (Grants/ Subsidy)**	**2193.97**	**1773.57**	**0.00**	**0.00**	**0.00**	0.00
B. Working Statutory corporations													
FINANCE													
1	Jammu and Kashmir State Financial Corporation#	0	17.50	0		0	0.00	0	7.00	11.42	0	0	11.42
Sector wise total		**0**	**17.5**	**0**	**0**	**0**		**0**	**7**	**11.42**	**0**	**0**	11.42
AGRICULTURE & ALLIED													
2	Jammu and Kashmir State Forest Corporation Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sector wise total		**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	0.00
SERVICES													
3	Jammu and Kashmir State Road Transport Corporation	5.00	40.00	0.00	0.00	0.00	0.00	0.00	6.00	0.00	0.00	0.00	0.00
Sector wise total		**5.00**	**40.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**6.00**	**0.00**	**0.00**	**0.00**	0.00
Total B (All sector wise working Statutory corporations)		**5.00**	**57.50**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**13.00**	**11.42**	**0.00**	**0.00**	**11.42**
Grand Total (A + B)		7.00	**76.08**	**14.65 (Subsidy)**	**30.23 (Grants)**	**0.00**	**44.88 (Grants/ Subsidy)**	**2193.97**	**1786.57**	**11.42**	**0.00**	**0.00**	**11.42**

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[@]		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Issued	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
-1	-2	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
C. Non working Government companies													
MANUFACTURING													
1	Tawi Scooters Limited	Information not available		0	0	0	0	0	0	0	0	0	0
2	Himalyan Wool Combers Limited	Information not available		0	0	0	0	0	2.83	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2.83**	**0**	**0**	**0**	**0**
MISCELLENEOUS													
3	Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalyan Wool	Information not available		0	0	0	0	0	0.40	0	0	0	0
Sector wise total		0		**0**	**0**	**0**	**0**	**0**	**0.40**	**0**	**0**	**0**	**0**
Total C (All sector wise non working Government companies		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**3.23**	**0**	**0**	**0**	**0**
D. Non working Statutory corporations		0	0	0	0	0	0	0	0	0	0	0	0
Total D (All sector wise non working Statutory corporations)		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Grand Total (A + B + C + D)		**7.00**	**76.08**	**14.65 (Subsidy)**	**30.23 (Grants)**	**0.00**	**44.88 (Grants/ Subsidy)**	**2193.97**	**1789.80**	**11.42**	**0.00**	**0.00**	**11.42**

Note: 1. Except in respect of Companies which fianlised their accounts for the current year, figures are provisional and as given by the Companies/Corporations.

2 Non-Working Companies/Corporations include Companies under Merger/Liquidation/Closure/Abolition.

3 Guarantee Commitment at the end of the year is a sum of Principal and interest.

Jammu and Kashmir State Finanacial Corporation has intimated that the Corporation has included Rs. 2600.00 lakh in the paid up capital during the year 2012-13, the amount of which has been releasec by the State Govt during the years 2010-11(Rs. 2100.00 lakh) and 2011-12 (Rs. 500.00 lakh) for repayment of liabilities on account of Bonds. This amount has been included in the paid up capital as per the decision of the Board of Directors and the sanctions in respect of these sums have not been modified by the State Govt. This amount has not been taken into account in the paid up Statement.

Appendix-3.4

(Reference: Paragraph: 3.7.4)

Statement showing investment made by the State Government in PSUs, whose accounts are in arrears

(₹ in crore)

S.No	Name of the Company/ Corporation	Year up to which accounts finalized	Paid-up capital as per the latest finalized account	Investment made by the State Government during the years (up to 2012-13) for which accounts are in arrears				Total
(A-Working Government Companies								
				Equity	**Loans**	**Grants**	**Subsidy**	**Total**
1	J&K State Agro Industries Development Corporation Limited	1997-98	1.96	Nil	7.28	3.22	0.43	10.93
2	J&K State Horticultural Produce Marketing and Processing Corporation Limited	1996-97	9.20	Nil	13.79	4.23	Nil	18.02
3	J&K State Handloom Development Corporation Limited	1999-2000	3.00	2.21	25.79	13.78	0.28	42.06
4	J&K Handicrafts (Sale and Export) Development Corporation Limited	1997-98	5.05	2.38	21.89	1.66	Nil	25.93
5	J&K Industries Limited	2005-06	16.27	Nil	64.50	10.77	Nil	75.27
6	J&K Small Scale Industries Development Corporation Limited	1994-95	3.12	Nil	0.80	11.90	0.32	13.02
7	J&K State Industrial Development Corporation Limited	2006-07	17.65	Nil	8.00	123.99	0.00	131.99
8	J& K Minerals Limited	1995-96	8.00	Nil	63.76	Nil	Nil	63.76
9	J&K Cements Limited	2005-06	15.00	12.27	Nil	Nil	Nil	12.27
10	J&K State Power Development Corporation Limited	2009-10	5.00	Nil	440.00	288.17	7.77	735.94
11	J&K State Tourism Development Corporation Limited	2009-10	15.96	Nil	Nil	6.95	Nil	6.95
12	J&K State Cable Car Corporation Limited	2009-10	25.00	Nil	Nil	20.52	Nil	20.52
13	J&K Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	1996-97	9.28	10.68	6.69	4.83	3.54	25.74
14	J&K State Women's Development Corporation Limited	2004-05	3.56	5.75	12.59	5.07	Nil	23.41
15	J&K State Overseas Employement Corporation limited	Nil	1.35	1.35	Nil	2.92	Nil	4.27
	Total (A):			**34.64**	**665.09**	**498.01**	**12.34**	**1210.08**
(B) Working Statutory Corporations								
16	J&K State Road Transport Corporation	2009-10	160.15	10.00	70.00	Nil	Nil	80.00
17	J&K State Financial Corporation Limited	2010-11	64.55	Nil	43.50	44.00	Nil	87.50
	Total (B)			**10.00**	**113.50**	**44.00**	**0.00**	**167.50**
	Total (A)+(B)			**44.64**	**778.59**	**542.01**	**12.34**	**1377.58**

(Figures based on the data furnished by the PSUs from time to time subject to reconciliation and as incorporated in the Audit Reports of the respective years).

Appendix 4.1

Details of increase/decrease in number of BPL households

[Referred to in Paragraph: 4.2 (ii)]

Sl. No.	Name of the Project	BPL HHs as per original sanctions	BPL HHs as per revised sanctions
1	Udhampur	47962	10971
2	Kupwara	5308	6000
3	Srinagar	3748	2242
4	Budgam	1519	2811
5	Anantnag	12183	13062
6	Pulwama	8331	6599
7	Doda	28031	8404
8	Rajouri	5127	5127

Appendix 4.2

STATEMENT SHOWING BRANCH- WISE TARGETS AND ACHIVEMENTS OF RECOVERY FOR THE PERIOD 2008-09 TO 2012-13
(Referred to in Paragraph: 4.3.2.1)

BRANCH	2008-09			2009-10			2010-11			2011-12			2012-13		
	T	A	S (%)	T	A	S (%)	T	A	S (%)	T	A	S (%)	T	A	S (%)
LBO SRINAGAR	1443.00	373.50	74.12	1092.00	633.97	41.85	700.00	483.11	30.99	1510.00	622.30	58.78	850.00	600.11	29.40
BUDGAM	210.00	107.28	48.90	200.00	189.98	5.00	200.00	137.35	31.33	165.00	140.12	15.07	200.00	194.81	2.60
ANANTNAG	196.49	49.61	74.75	86.93	77.47	10.88	99.96	49.42	50.56	120.00	100.57	16.20	120.00	128.36	Nil
BARAMULLA	200.00	98.67	50.66	213.20	203.23	4.68	200.00	105.60	47.20	360.00	131.67	63.46	195.00	157.82	19.07
PULWAMA	396.50	189.34	52.25	212.00	155.81	26.50	200.00	152.07	24.00	180.00	165.75	7.92	210.00	185.10	11.85
KUPWARA	80.00	43.66	45.43	80.00	63.36	20.80	120.00	41.58	85.34	140.00	48.12	65.63	120.00	73.70	38.59
KARGIL	50.00	69.05	Nil	50.00	68.94	Nil	60.00	60.82	Nil	100.00	114.16	Nil	85.00	133.22	Nil
LEH	90.00	44.18	50.90	90.00	87.18	3.13	100.00	45.86	54.14	120.00	102.80	14.33	120.00	127.76	Nil
LBO JAMMU	1349.52	490.83	63.63	808.92	503.52	37.75	600.00	277.26	53.79	700.00	185.33	73.52	675.00	284.89	57.80
UDHAMPUR	100.00	27.55	72.45	100.00	18.92	81.08	100.00	39.64	60.36	77.00	73.13	5.00	150.00	237.72	Nil
KATHUA	100.00	36.93	63.07	100.00	17.40	82.60	122.00	30.76	74.78	150.00	19.50	87.00	200.00	88.94	55.53
RAJOURI	29.31	19.68	32.85	13.56	32.11	Nil	10.04	23.43	Nil	17.33	12.14	29.95	47.92	39.58	17.40
DODA	37.50	12.52	66.61	15.00	11.96	20.26	30.00	11.62	61.26	35.60	15.94	55.22	50.00	40.04	19.92
POONCH	100.00	1.66	98.34	100.00	13.92	86.08	122.00	5.58	95.43	150.00	13.98	90.68	80.00	74.54	6.83
TOTAL	**4382.32**	**1564.46**	**64.30**	**3161.61**	**2077.77**	**34.28**	**2664.00**	**1464.10**	**45.04**	**3824.93**	**1745.51**	**54.36**	**3102.92**	**2366.59**	**23.73**

T-Target
A-Achievement
S-Shortfall

Appendix 4.3

Statement showing the details of cases not identified as Loss Assets but settled under One time Settlement Scheme-2010

(Referred to in Paragraph: 4.3.4)

(₹ in lakh)

S. No.	Name of the borrower	Principal Amount Recovered	Amount Waved Off		Year of statement	Category
			Principal Amount	Interest Amount		
1.	New Gousia Printing Press, Srinagar	0.23	Nil	5.35	2009-10	D-III
2.	M./S Shalimar Joinery, Srinagar	1.42	Nil	8.73	2009-10	D-III
3.	M/S Glamour Guest House, Srinagar	0.81	Nil	43.69	2010-11	D-III
4.	M/S Muzaffar Enterprises, Srinagar	Nil	Nil	9.20	2010-11	D-III
5.	M/S J.K. Technos, Srinagar	25.21	Nil	126.04	2012-13	D-III
6.	M/S Prince Aluminum, Srinagar	12.37	Nil	24.37	2012-13	D-III
7.	M/S Lucky L.P.G. Gas Stove, Srinagar	10.66	Nil	8.72	2012-13	D-III
8,	M./s Agro Food Pulwama	21.63	Nil	51.19	2010-11	D-III
9.	M/s Shalimar Flour Mills Pulwama	29.39	Nil	117.25	2012-13	D-III
10.	M/S samya Foods, Jammu	37.26	Nil	33.19	2011-12	D-III
11.	M/S Associated Cylinder Samba	29.63	NIL	953.85	2012-13	D-III
12.	M/S Maa Durga Stone Crusher Jammu	12.85	Nil	36.09	2011-12	D-III
13.	M/S Umapati Hotel, Katra	26.81	Nil	45.23	2012-13	D-III
14.	M/S Bhawani Hotel ,Katra	58.90	Nil	202.49	2012-13	D-III
15.	M/S Shahi Chashma Srinagar	20.76	Nil	12.20	2009-10	D-III
16.	M/S Holiday Inn Patnitop	36.05	Nil	15.89	2010-11	D-III
17.	M/S Durbook	13.71	Nil	69.82	NA	D-III
Total		**337.69**		**1763.30**		