

**REPORT**

**OF THE**

**COMPTROLLER AND AUDITOR GENERAL  
OF INDIA**

**FOR**

**THE YEAR 1981-82**

**GOVERNMENT OF JAMMU AND KASHMIR**

THE YEAR 1881-82

FOR

OF INDIA  
COMPTROLLER AND CHIEF SECRETARY

OF THE

OFFICE

## TABLE OF CONTENTS

	<i>Paragraph(s)</i>	<i>Page(s)</i>
Prefatory remarks	...	...

### CHAPTER I

#### General

Summary of transactions	... 1. 1	1-3
Revenue surplus	... 1. 2	3-4
Revenue receipts	... 1. 3	4-5
Expenditure on revenue account	... 1. 4	5-6
Expenditure on capital account	... 1. 5	6-7
Loans and advances by the Government	... 1. 6	7-9
Sources of funds for capital expenditure and net outgo under loans and advances	... 1. 7	9-10
Debt position	... 1. 8	10-12
Investments in shares/debentures	... 1. 9	12-13
Guarantees given by the Government	... 1.10	13-14
Plan performance	... 1.11	14-15
Growth of non-Plan expenditure	... 1.12	15

(ii)

Paragraph(s) Page(s)

## CHAPTER II

### **Appropriation Audit and Control over Expenditure**

Summary	... 2. 1	16-17
Excess over grants/charged appropriations requiring regularisation	... 2. 2	17-21
Supplementary grants/charged appropriations	... 2. 3	21-25
Unutilised provision	... 2. 4	25-27
Non-receipt of explanations for savings/excesses	... 2. 5	27
Shortfall/excess in recoveries	... 2. 6	27-28
Expenditure on New Service	... 2. 7	28
Non-receipt of replies to draft paragraphs/reviews	... 2. 8	29

## CHAPTER III

### **Civil Departments**

#### *Animal Husbandry Department*

Exotic Cattle Breeding-cum-cross-bred farm	... 3. 1	30-48
--	----------	-------

#### *Agriculture Department*

Alleged embezzlement	... 3. 2	48-50
Loss of revenue	... 3. 3	50-51

(iii)

*Paragraph(s) Page(s)*

*Community Development and National Extension  
Services Department*

Mis-utilisation of Government  
money ... 3. 4 51-52

*Excise and Taxation Department*

Avoidable expenditure on  
purchase of pilferproof seals ... 3. 5 <sup>L</sup> 52-54

*Industries and Commerce Department*

District Industries Centres  
Programme ... 3. 6 54-77

Irregularities in purchase of  
knitting machines ... 3. 7 <sup>L</sup> 77-78

*Planning and Development Department*

Developmental activities in  
Rajouri district ... 3. 8 78-97

*Sheep Husbandry Department*

High mortality of Sheep in  
Daksum farm ... 3. 9 97-99

*Social Welfare Department*

Welfare of Scheduled Castes ;  
Other Backward Classes ... 3.10 99-116

**CHAPTER IV**

**Works Expenditure**

*Irrigation and Flood Control Department*

Irrigation by tube wells in  
Jammu and Kathua districts ... 4. 1 117-128

(iv)

	Paragraph(s)	Page(s)
Nadh Lift Irrigation Scheme	... 4. 2	128-129
Undue financial aid to a contractor	... 4. 3	129-130
<i>Roads and Buildings Department</i>		
Undue financial aid to a private firm	... 4. 4	130-131
Non-recovery of extra expenditure	... 4. 5	131-132

## CHAPTER V

### Stores and Stock

#### *Power Development Department*

Purchase of transformers	... 5. 1	133-135
Extra expenditure due to delay in finalisation of supply orders	... 5. 2	135-136
Loss due to issue of a defective supply order	... 5. 3	136-137

#### *Roads and Buildings Department*

Shortages of stores	... 5. 4	138-139
---------------------	----------	---------

#### *Stores Procurement Department*

Overpayment of Rs. 0.72 lakh and avoidable expenditure of Rs. 0.40 lakh	... 5. 5	139-140
---	----------	---------

## CHAPTER VI

## Revenue Receipts

**A-Sales Tax**

Results of test audit	... 6. 1	141
Demand and collection of sales tax	... 6. 2	141
General	... 6. 2(i)	141-142
Bills of lading	... 6. 2(ii)	142
Incorrect grant of exemption	... 6. 2(iii)	142-143
Evasion of tax	... 6. 2(iv)	143-144
Incorrect application of rate	... 6. 2(v)	144-145
Pending appeals	... 6. 2(vi)	145
Uncollected revenue	... 6. 2(vii)	146
Recovery of tax due as arrears of land revenue	... 6. 2(viii)	146-147

**B-Finance Department**

Irregular exemption from payment of additional toll	... 6. 3	147-148
---	----------	---------

**C-Stamp Duties and Registration Fees**

Short levy of stamp duty and registration fee on mortgage deed	... 6. 4	148-150
--	----------	---------

(vi)

	Paragraph(s)	Page(s)
<i>D-Forest Receipts</i>		
Results of test audit	... 6. 5	150
Lease of forest lots for working	... 6. 6	150-157
Delay in billing for additional allotment of trees	... 6. 7	157
Grant of undue concession to the lessees	... 6. 8	158
Shortages in timber stock	... 6. 9	158-159
<i>E-Geology and Mining Department</i>		
Non-charging of price of minerals	... 6.10	159
Short realisation of royalty on mineral 'Diaspore'	... 6.11	160

## CHAPTER VII

### Government Commercial and Trading Activities

Section A-General	... 7. 1	161
Section B-Statutory Corporations		
Introductory	... 7. 2	161-165
Section C-Government Companies		
Introductory	... 7. 3	166-169

### *Industries and Commerce Department*

Jammu and Kashmir Industries Limited-



(vii)

*Paragraph(s) Page(s)*

Government Pharmaceutical Works, Baramulla	... 7. 4	169-182
New Joinery Mills, Jammu	... 7. 5	182-199
Himalayan Wool Combers Limited	... 7. 6	199-223
Other topics of interest	... 7. 7	223-227
Jammu and Kashmir State Agro Industries Development Corporation Limited		
Jammu and Kashmir Handicrafts (Sales and Exports) Corporation Limited		
Jammu and Kashmir Small Scale Industries Development Corporation Limited		
Section D-Departmentally managed Government commercial/quasi-commercial undertakings	... 7. 8	227-228

## CHAPTER VIII

### **Financial Assistance to Local Bodies and Others**

Financial assistance to local bodies and others	... 8. 1	229-233
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## APPENDICES

### **List of appendices**

Appendix 1.1 Plan and non-Plan revenue expenditure	236-237
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	<i>Page(s)</i>
Appendix 1.2 Plan and non-Plan expenditure on capital account	238-239
Appendix 1.3 Statement showing disbursements and recoveries of loans and advances during 1979-80, 1980-81 and 1981-82 and the balance outstanding at the end of each year	240-241
Appendix 2.1 Excess over grants/charged appropriations requiring regularisation (other than those mentioned in paragraph 2.2)	242
Appendix 2.2 Expenditure on New Service	243-245
Appendix 3.1 Statement showing lactation yields in respect of farm bred cows of pure Jersey breed	246
Appendix 3.2 Statement showing consumption of milk by calves in Belicharna farm	247
Appendix 3.3 List of cases indicating delays in sanctioning of Institutional Finance	248
Appendix 3.4 Statement showing Plan outlay and expenditure-Development of Rajouri District	249
Appendix 3.5 Statement showing illustrative cases in respect of which scholarships were not paid in Rajouri District	250
Appendix 4.1 Statement showing scheme-wise details of sinking of tube wells	251-253

	<i>Page(s)</i>
Appendix 4.2 Scheme-wise details of areas envisaged to be irrigated as per the project reports, areas actually irrigated and the percentage of shortfall from 1977-78 to 1981-82	254-257
Appendix 7.1 Statement showing the summarised financial results of Government Companies	258-259
Appendix 7.2 Statement showing summarised financial results of departmentally managed Government commercial/quasi-commercial undertakings	260-261
Appendix 8.1 Bodies/authorities which did not furnish annual accounts for 1981-82 and earlier years	262

## PREFATORY REMARKS

This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for 1981-82 together with other points arising from audit of financial transactions of the Government of Jammu and Kashmir. It also includes certain points of interest arising from the Finance Accounts for 1981-82.

2. As mentioned in the Report for 1979-80, a fire, which occurred in the office of the Accountant General, Jammu and Kashmir, Srinagar in March 1977, destroyed the records including those relating to the accounts for 1976-77. This necessitated reconstruction of the accounts for 1976-77 after collecting details from the various Government departments. Finalisation of the accounts for 1977-78 and subsequent years was delayed since the accounts had to incorporate the balances from previous year also. Some of the balances shown in the Finance Accounts 1981-82 and in Chapter I of this Report are, therefore, provisional and are likely to be revised in the subsequent accounts.

3. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during 1981-82 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 1981-82 have also been included wherever considered necessary.

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



## CHAPTER I

### GENERAL Summary of transactions

Receipts and expenditure of the Government are given below with corresponding figures of the previous year :

	<u>1980—81</u>	<u>1981—82</u>
	<i>(Crores of rupees)</i>	
Consolidated Fund		
Receipts—		
Revenue raised by the State Government	3,48.78(A)	1,37.03
Receipts from the Government of India	1,42.55	1,61.55
Total—Revenue receipts	4,91.33	2,98.58
Revenue expenditure—		
Plan	2,40.28	2,63.55
Non-Plan	27.30	36.35
Total—Revenue expenditure	2,67.58	2,99.90
Surplus(+)	(+) <u>2,23.75</u>	(—) <u>1.32</u>
Deficit(—)		

Rs. 232.02 crores being the amount of loan written off Government of India and credited to revenue by debit to Advances from Government of India".

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## 2. Public Debt—

	1980—81	
	(Crores)	
(i) Internal Debt of the State Government		
Receipts	31.81	
Repayments	23.62	
Increase(+)	(+8.19	
(ii) Loans and Advances from the Central Government		
Receipts	1,24.15	
Repayments	2,53.28	
Increase(+)/Decrease(—)	(—)1,29.13	(
Total Public Debt(net)		
Increase (+)	(—)1,20.94	(+
Decrease (—)		
3. Capital expenditure		
Non-Plan	11.90	
Plan	1,18.49	1
Increase(—)	(—)1,30.39	(—)1
4. Loans and Advances by the State Government—		
Disbursements	8.47	7.9
Recoveries	3.27	2.80
Net outgo(—)	(—)5.20	(—)5.19
II—Public Account (net)—		
Receipts	9,54.74	9,99.90
Disbursements	9,28.03	9,85.35
Net addition (+)	(+26.71	(+14.55

(B) Consisted of block loans for State Plan schemes (Rs. 1,31.08 crores), non-Plan loans (Rs. 6.29 crores), loans for Centrally sponsored Plan schemes (Rs. 2.68 crores) and loans for Central Plan Schemes (Rs. 0.26 crores).

	1980—81	1981—82
	(Crores of rupees)	
III—Net effect of I and II	(—)6.07	(—)0.99
Opening cash balance	(+ )13.44	(+ )7.37
Closing cash balance	(+ )7.37	(+ )6.37*(A)

### 1.2. Revenue surplus

The revenue receipts of the Government for 1981-82 as compared with the budget estimates alongside the corresponding figures for 1979-80 and 1980-81 are given below :—

Year	Budget (Crores of rupees)	Receipts	Percentage of increase of receipts over budget
1979—80	2,08.27	2,17.26	(+ ) 4
1980—81	2,25.73	2,59.31 2,32.02	(+ )15
1981—82	2,68.42	2,98.58	(+ )11

The expenditure on revenue account in 1981-82 as compared with the budget estimates and the budget as enhanced by Supplementary provision is shown below alongside corresponding figures for the two preceding years :—

Year	Budget	Budget enhanced by supplementary provision	Expendi- ture	Variation between columns (4) and (3) Amount percentage	
(Crores of rupees)					
(1)	(2)	(3)	(4)	(5)	(6)
1979—80	2,15.63	2,39.29	2,07.11	(—)32.18	13
1980—81	2,45.58	2,85.78	2,67.58	(—)18.20	6
1981—82	2,92.85	3,27.18	2,99.90	(—)27.28	8

\* Variation of Rs. 0.01 crore in the cash balance is due to rounding.

(A) Comprises cash in treasuries (Rs. 5.67 crores), cash in bank (Rs. 0.56 crore) and remittances in transit (Rs. 0.14 crore).



As against the deficit of Rs. 24.43 crores contemplated in the budget, the actual deficit was Rs. 1.32 crores.

### 1.3. Revenue receipts

(a) The revenue receipts during 1981-82 (Rs. 2,98.58 crores) increased by 15 per cent as compared to those in 1980-81 (Rs. 2,59.31 crores excluding the receipts of Rs. 2,32.02 crores being central loans written off by the Government of India). The increase is analysed below :—

	Receipts		Increase(+)
	1980—81	1981—82	Decrease(—)
	(Crores of rupees)		
<b>(A) Revenue raised by the State Government—</b>			
(a) Tax Revenue	46.90	60.25	(+)13.35
(b) Non-tax revenue	69.86	76.78	(+)6.92
	2,32.02		
<b>(B) Receipts from Government of India—</b>			
(a) Share of net proceeds of			
(i) Taxes on Income Other than Corporation Tax	8.84	8.32	(—)0.52
(ii) State's share of Union Excise Duties	21.94	26.73	(+)4.79
(iii) Hotel Receipts Tax	..	0.01	(+)0.01
(iv) Estate Duty	..	(—)0.03	(—)0.03
(b) Grants			
(i) Block grants for State Plan Schemes	55.98	63.38	(+)7.40
(ii) Grants for Central Plan Schemes	1.53	4.33	(+)2.80
(iii) Grants for Centrally Sponsored Plan Schemes	9.11	8.77	(—)0.34
(iv) Non-Plan grants	45.15	50.04	(+)4.89
Total	2,59.31	2,98.58	(+)39.27
	2,32.02		

increase in Tax Revenue of the State Government during 1981-82 compared to that in the previous year was mainly under 'Sales Tax' (Rs. 5.01 crores) due to larger receipts on account of normal trade, 'State Excise' (Rs. 3.94 crores) due to increase in the sale of Foreign liquor and Taxes on Goods and Passengers (Rs. 2.15 crores) due to increase in receipts under Tolls on

increase in Non-Tax Revenue occurred mainly under 'Forest' (Rs. 2.03 crores) due primarily to increase in quantity of timber and other forest produce, 'Power Projects' (Rs. 1.45 crores) due mainly to more receipts under hydro-electric schemes and 'Interest Receipts' (Rs. 0.64 crore).

During 1981-82, the grants from Government of India for State Plan schemes were more by Rs. 7.40 crores compared to the grants received during 1980-81 and for Central Plan schemes by Rs. 2.80 crores. There was also increase of Rs. 4.89 crores in the Non-Plan grants as compared to the previous year.

#### b) Arrears in collection of revenue

According to the information furnished by the departments, the arrears in collection of revenue on 31st March 1982 were Rs. 23.62(k) crores mainly on account of Forest royalty (Rs. 15.09 crores), Sales Tax (Rs. 5.36 crores), Electricity receipts (Rs. 2.22 crores), Land Revenue (Rs. 0.46 crore), Irrigation revenue (Rs. 0.04 crore) and hire charges of machinery etc. (Rs. 0.15 crore).

### 1.4. Expenditure on revenue account

(i) The expenditure, Plan and non-Plan, on revenue account during 1981-82 under the different sectors as also the provision of funds and the corresponding expenditure in the preceding year are given in Appendix 1.1.

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(K) Does not include arrears on account of Rent of Buildings of the Estate Department and also arrears on account of other receipts in respect of a number of Divisions/units, information from which is awaited (August 1983).

(ii) Taking Plan and Non-Plan there was under-utilisation of provision in sectors excepting "General Economic Services" and "Water and Power Development".

Rupees 20.13 crores meant for Plan expenditure on "Social and Community Services" remained unutilised to the extent of Rs. 8.30 crores mainly under "Education" (Rs. 1.16 crores), and "Medical" (Rs. 7.14 crores). Moreover, Rs. 22.89 crores provided for "Culture and Allied Services" subordinate to "Social and Community Services" also showed under-utilisation to the extent of Rs. 8.57 crores mainly under "Agriculture" (Rs. 2.39 crores), "Area Development" (Rs. 0.58 crores), "Animal Husbandry" (Rs. 2.44 crores) and "Community Development" (Rs. 3.23 crores).

As against the saving of Plan provision mentioned above, the non-Plan expenditure on "Water and Power Development" exceeded the provision by Rs. 15.41 crores.

### 1.5. Expenditure on capital account

(i) The capital expenditure during the three years ending 1981-82 and the budget estimates as also the budget estimates augmented by supplementary provision are given below :—

Year	Budget	Budget plus supplementary	Actuals	Percentage of Variation over augmented budget
(Crores of rupees)				
1979-80	81.90	89.29	1,00.03	(+ )12
1980-81	95.46	1,15.26	1,30.39	(+ )13
1981-82	1,12.69	1,47.79	1,33.22	(- ) 9

(ii) The expenditure, Plan and Non-Plan on Capital account during 1981-82 under the different sectors as also the provision of funds and the corresponding expenditure in the preceding year are given in Appendix 1.2.

Capital expenditure under Plan during 1981-82 registered an increase of 8.3 per cent over the preceding year but as compared to the provision the expenditure during the year 1981-82 fell short by Rs. 14.23 crores (10 per cent). The saving was mainly under "Social and Community Services" (Rs. 9.35 crores) and "Water and Power Development" (Rs. 5.43 crores). The under-utilisation under "Social and Community Services" was mainly under "Public Health, Sanitation and Water Supply" (Rs. 8.33 crores) and under "Water and Power Development" saving was mainly under "Power Projects" (Rs. 4.42 crores).

Increase in non-Plan expenditure in 1981-82 was mainly in "Agriculture and Allied Services" (Rs. 1.25 crores), reasons for which are awaited (August 1983).

#### 1.6. Loans and Advances by the Government

(i) The expenditure on disbursement of loans and advances by the Government for 1981-82 and the budget estimates as also the estimates augmented by supplementary provision alongside corresponding figures for 1979-80 and 1980-81 are given below:—

Year	Budget	Budget plus supplementary provision	Expenditure	Variation between columns (4) and (3)	
(1)	(2)	(3)	(4)	Amount (5)	Percentage (6)
(Crores of rupees)					
1979-80	3.44	4.20	4.43	(+)0.23	5
1980-81	4.94	5.04	8.47	(+)3.43	68
1981-82	4.78	7.40	7.99	(+)0.59	7.9

(ii) Recoveries of loans and advances during the three years ending 1981-82 as also the estimates for these three years are given below:—

Year	Estimates	Recovery	Variation between columns (3) and (2)	
(1)	(2)	(3)	Amount (4)	Percentage (5)
(Crores of rupees)				
1979-80	3.39	1.43	(-)1.96	58
1980-81	4.04	3.27	(-)0.77	19
1981-82	2.12	2.80	(+)0.68	32

The recoveries in 1981-82 were notably more than the estimates under "Agriculture" (Rs. 0.37 crore) and "Loans to Government Servants" (Rs. 0.60 crore) which were, however, partly counter balanced by less recoveries than the estimates mainly under "Housing" (Rs. 0.11 crore), and "Village and Small Industries" (Rs. 0.06 crore).

(iii) The sector-wise disbursement of loans and advances and recoveries made during the three years ending 1981-82 as also loans outstanding at the beginning/end of each year are given in Appendix 1.3.

Further details are available in Statement No. 5 and No. 18 of the Finance Accounts 1981-82.

#### (iv) Recoveries in arrears

As against the total outstanding loans of Rs. 56.34 crores as on 31st March 1981, in respect of Rs. 10.46 crores of loans, details of which are maintained by the Accountant General, recovery of Rs. 5.25 crores (principal: Rs. 3.86 crores and interest: Rs. 1.39 crores) was in arrears. Details of significant arrears at the end of four years ending 1981-82 are given below:—

Loans	Amount of loan outstanding to end of March 1982	Amount overdue for recovery at the end of			
		1978—79	1979—80	1980—81	1981—82
(Crores of rupees)					
<b>I. Loans for Urban Development</b>					
(i) Municipalities	4.28				
(a) Principal		1.95	2.05	2.17	2.30
(b) Interest		0.56	0.60	0.65	0.72
(ii) District and Other Local bodies	2.49(A)				
(a) Principal		0.37	0.40	0.49	0.58
(b) Interest		0.20	0.25	0.31	0.37

(A) Does not include the amount of Rs. 25 lakhs advanced by the State Government for development of fruits, accounts of which are maintained by the Department.

Loans	Amount of loan outstanding to end of Mar ch 1982	Amount overdue for recovery at the end of			
		1978-79	1979-80	1980-81	1981-82
(Crores of rupees)					
<b>2. Loans for Co-operation</b>					
Loans to Jammu and Kashmir State Co-operative Bank 0.42					
(a) Principal		0.43	0.43	0.41	0.41
(b) Interest		0.23	0.24	0.24	0.24
<b>3. Loans to Government Servants</b>					
(i) House Building Advances 0.85					
(a) Principal		0.54	0.32	0.35	0.40
(b) Interest		0.13	0.08	0.01	0.01
<b>4. Advances for purchase of other conveyances (Scooter Advance) 0.57 (B)</b>					
(a) Principal		0.19	0.15	0.16	0.18
(b) Interest		0.08	0.04	0.05	0.15

The balance of loans for which detailed accounts are maintained by departmental officers was Rs. 45.88 crores as on 31st March 1982. The departmental officers who maintain the detailed accounts of loans are required to intimate to the Accountant General by 15th July each year the amounts of Principal and interest in arrears. Such information due by 15th July 1982 has, however, not been received (August 1983).

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

(a) The Capital expenditure (Rs. 1,33.22 crores) and the net outgo under loans and advances (Rs. 5.19

(B) Does not include advances (and interest on such advances) given to gazetted officers as connected records were destroyed in the fire of March 1977 and are still under reconstruction.

crores) by the State Government during 1981-82 were met mainly from the following sources :—

	<i>(Crores of rupees)</i>
(a) Revenue Deficit	(—)1.32
(b) Net addition to—	
(i) Loans from Government of India	(+),13.47
(ii) Small savings, provident Funds etc.	(+),12.82
(iii) Internal debt of the State Government	(+),10.72
(iv) Reserve Funds	(+),2.81
(v) Other receipts under Public Account	(—)0.09

### 1.8. Debt position

(a) The total debt liability of Government at the close of 1981-82 was Rs. 8,87.36 crores, as detailed below alongside that at the close of the two preceding years :—

	Balances on 31st March		
	1980	1981	1982
	<i>(Crores of rupees)</i>		
(i) Public debt :			
(a) Internal debt of the State Government	26.37	34.56	45.28
(b) Loans and advances from Government of India	6,83.49	5,54.35	6,67.82
Total Public Debt	7,09.86	5,88.91	7,13.10
(ii) Provident Funds etc.	49.87	58.66	71.48
(iii) Depreciation reserve and other earmarked funds	18.72	20.90	23.71
(iv) Deposits of local funds, Civil Deposits and other deposits	47.05	68.04	79.07
Total debt	8,25.50	7,36.51	8,87.36

Loans received from the Government of India and outstanding at the end of March 1982 were Rs. 6,67.82 crores which formed 75 per cent of the total public debt of the State.

An amount of Rs. 22.31 crores (principal: Rs. 0.77 crore and interest: Rs. 21.54 crores) was overdue on Central Government loans at the end of 1980-81. During 1981-82, further amount of Rs. 53.72 crores (principal: Rs. 26.38 crores and interest: Rs. 27.34 crores) fell due for repayment to the Government of India. Against the total amount of Rs. 76.03 crores (principal: Rs. 27.15 crores and interest: Rs. 48.88 crores), Rs. 43.05 crores (principal: Rs. 17.81 crores and interest: Rs. 25.24 crores) were adjusted from the fresh loans/grants of Rs. 1,40.31 crores sanctioned by the Government of India in 1981-82 and Rs. 12.00 crores (principal: Rs. 9.03 crores and interest: Rs. 2.97 crores) were paid in cash by the State Government. An amount of Rs. 20.98 crores (principal: Rs. 0.31 crore and interest: Rs. 20.67 crores) was overdue in respect of Government of India loans at the end of 1981-82.

(b) **Ways and means advances.**—The Government of Jammu and Kashmir has been obtaining temporary loans from the Jammu and Kashmir Bank Limited for its ways and means requirements. The maximum amount up to which such loans could be obtained at any time during 1981-82 as approved by Government of India was Rs. 4.50 crores.

The State Government obtained temporary loans from the Bank on 119 days during the year. The maximum temporary loan was Rs. 14.92 crores on 31st March 1982. The total temporary loans during the year amounted to Rs. 88.50 crores. A balance of Rs. 8.65 crores was also outstanding on 1st April 1981. Government repaid Rs. 83.98 crores during the year leaving a balance of Rs. 13.17 crores on 31st March 1982.

According to the agreement executed by the State Government with the Jammu and Kashmir Bank Limited, interest at 10 per cent is charged on temporary loans up to Rs. 3.75 crores. In excess of this limit the interest is charged at 19.5 per cent. During 1981-82 interest accrued and paid was Rs. 42.23 lakhs.



(c) **Market loans bearing interest.**—The Government raised Rs. 3.05 crores during 1981-82 through a fresh market loan. The outstanding market loans bearing interest amounted to Rs. 22.39 crores on 31st March 1982.

(d) **Interest charges.**—Interest payments on debt are given below :—

	1979—80	1980—81	1981—82
	(Crores of rupees)		
(i) Interest paid by State Government on loans taken, provident funds etc.	5.51(**)	33.01	33.61(***)
(ii) Deduct interest received on loans advanced	1.07	1.73	1.05
(iii) Net burden of interest as percentage of total revenue receipts (normal receipts during 1981—82)	2.00	12.00	11.00

There were in addition certain other interest receipts (Rs. 12.91 crores) such as interest received from Departmental Commercial Undertakings. If this is taken into account, the net burden of interest on revenue would work out to Rs. 19.65 crores.

### 1.9. Investments in shares/debentures

(i) Rupees 9.73 crores were invested by the Government during 1981-82 in shares/debentures of various Corporations/Companies/Co-operative institutions as shown below with position of such investments as at the end of the year and the dividend/

\*\* Does not include interest on General Provident Fund balance of a large number of subscribers as adjustment thereof could not be carried out due to destruction of records in fire in the office of the Accountant General. The records are under reconstruction. Less amount of interest paid during 1979-80 compared to the interest paid in the other two years was due to non-payment of interest.

\*\*\* Includes Rs. 2.75 crores on account of interest on State G. P. Fund balances on 31-3-1980 adjusted during the year 1981-82.

Interest received during the year :—

Category of	Investments in shares/debentures during 1981—82 to end of 1981—82				Dividend/ interest received During the year. (Crores of rupees)
	Number of Con- cerns	Amount (Crores of rupees)	Number	Amount (Crores of rupees)	
Corporations	2	1.51	2	11.34B*	0.65
Government Companies	11	7.33	15	52.35	0.04
Stock Companies	..	..	2	0.54	..
Co-operative Institutions	2 Banks & various Co- operative institutions	0.89	5 Banks & various Co- operative institutions	4.78C	0.03
	15 and va- rious Co- operative institutions	9.73	24 and va- rious Co- operative institutions	69.01	0.72

Further details are given in Statement No. 14 of Finance Accounts 1981-82.

### 11.10. Guarantees given by the Government

(i) Guarantees given by the Government for payment of loans etc. raised by Statutory Corporations, Government Companies, Co-operative societies and others based on the available information are stated below (further details are given in Statement No. 6 of the Finance Accounts 1981-82):—

Includes corrections subsequent to 1980-81.

Includes Rs. 0.04 crore being capital contribution in the shape of grants.

Includes ordinary debentures of Rs. 0.05 crore redeemed up to 1982.

Body on whose behalf guarantee was given	Maximum amount guaranteed (Crores of rupees)	Sums guaranteed outstanding on 31st March 1982	
		Principal (Crores of rupees)	Interest
(a) Statutory Corporations	99.22	90.57	0.41
(b) Government Companies	19.59	18.64	*
(c) Co-operative Societies	5.99	4.49	*
(d) Other institutions	0.37	0.37	..
Total	1,25.17	1,14.07	0.41

### (ii) Charging of fee against Government guarantees.—

In June 1977 the Government directed that a fee of 1/4 per cent of the amount intended to be raised as loan against a Government guarantee be charged and recovered from the borrower before guarantee was given by the Government. The extent of guarantee fee levied and amount in arrears up to end of March 1982 have not been intimated (August 1983).

#### 1.11. Plan performance

Against the total provision of Rs. 57.86 crores under Revenue and Rs. 1,42.58 crores under Capital for plan schemes, during 1981-82, expenditure of Rs. 36.35 crores and Rs. 1,28.35 crores respectively was incurred. There was shortfall of Rs. 21.51 crores (37 per cent) under Revenue and Rs. 14.23 crores (10 per cent) under Capital. The Sector-wise details are given in Appendices 1.1 and 1.2.

Taking Revenue and capital together, the shortfall was significant (Rs. 17.65 crores) under 'Social and Community Services'. The main items of shortfall were 'Medical' (Rs. 7.98 crores), 'Public Health, Sanitation and Water Supply' (Rs. 8.14 crores), and 'Education, (Rs. 0.90 crore).

On Transport and Communications, the Plan provision of Rs. 18.70 crores for Capital expenditure was

\* Details of interest are awaited (August 1983).

below the requirement as Rs. 20.70 crores were spent in excess of Rs. 2.00 crores.

### 1.12. Growth of non-Plan expenditure

A comparison of non-Plan expenditure during 1979-80 to 1981-82 is given below :—

	1979—80	1980—81	1981—82
	<i>(Crores of rupees)</i>		
Revenue	1,84.57	2,40.28	2,63.55
Capital	(—)4.33	11.90	4.87
Loans and Advances	2.48*	3.26*	2.75*
Total	1,82.72	2,55.44	2,71.17

The total non-Plan expenditure increased by Rs. 72.72 crores (39.80 per cent) and Rs. 15.73 crores (6.16 per cent) during 1980-81 and 1981-82. The increase during 1981-82 over the previous year under Revenue was mainly on 'General Services' (Rs. 8.26 crores), 'Social and Community Services' (Rs. 9.03 crores) mainly under 'Education' due to opening of new schools, upgrading of existing schools and increase in grant-in-aid to non-Government educational institutions, 'Water and Power Development' (Rs. 10.54 crores) due to increase in expenditure on Hydro-electric and Thermo-electric schemes partly counter-balanced by decrease in 'Transport and Communications' (Rs. 7.80 crores).

\* Differs from the figure in the previous Report as instead of total amount for Plan and Non-Plan against "Loans and Advances", only non-Plan figures have now been shown after bifurcation.

## CHAPTER II

### APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

#### 2.1. Summary

(a) The following table compares the total expenditure in 1981-82 with the totals of the grants and charged appropriations :-

	Grants/ charged appropriation		Expenditure	Excess(+) Saving(-)	Percen- tage
<i>(Crores of rupees)</i>					
<b>Voted—</b>					
Original	4,97.32	}	5,68.32	5,50.57	-17.75
Supplementary	71.00				
<b>Charged—</b>					
Original	1,32.55	}	1,32.59	1,45.19	+12.60
Supplementary	0.04				
<b>Total</b>			7,00.91	6,95.76	-5.15
				0.72	

The overall saving of Rs. 5.15 crores was the result of saving of Rs. 47.20 crores in 16 grants in revenue section (Rs. 21.71 crores), 12 grants in capital section (Rs. 17.78 crores), 4 charged appropriations in revenue section (Rs. 7.65 crores), partly offset by excess of Rs. 42.05 crores in 7 grants in revenue section (Rs. 15.35 crores), 6 grants in capital section (Rs. 6.39 crores), 1 charged appropriation in revenue section (Rs. 21 only) and 1 charged appropriation in capital section (Rs. 20.25 crores).

(b) Further details are given below :—

Authorised to be spent (grants and charged appropriations)	Revenue	Capital	Loans and advances	Public debt	Total
	(Crores of rupees)				
Original	3,54.26	1,80.53	4.18	90.90	6,29.87
Supplementary	34.33	35.10	1.61	..	71.04
Total	3,88.59	2,15.63	5.79	90.90	7,00.91
Actual expenditure (grants and charged appropriations)	3,74.58	2,02.11	7.99	1,11.08	6,95.76
Excess(+)					
Shortfall(—)	—14.01	—13.52	+2.20	+20.18	—5.15

## 2.2. Excess over grants/appropriations requiring regularisation

(a) **Grants.**—The excess of Rs. 15,34,87,773 in 7 grants in the revenue section and of Rs. 6,38,77,758 in 6 grants in Capital section requires regularisation under Section 82 of the Constitution of Jammu and Kashmir.

The details of grants where the excess (Rs. 20 lakhs or more in each case) was more than 10 per cent of the total provision are given below ; other cases are detailed in Appendix 2.1. :—

Sl. no.	Number and name of grant	Total grant Rs.	Actual expenditure Rs.	Excess Rs.
1.	6—Power Development Department	41,80,36,000	49,26,34,858	+7,45,98,858

Against the provision of Rs. 11,00 lakhs for Hydro-Electric Schemes (Suspense debits) the expenditure was Rs. 14,36 lakhs. Rupees 10,69 lakhs were spent on other expenditure (Interest) against the provision of Rs. 8,00 lakhs and Rs. 77.09 lakhs were spent on Thermo Electric Schemes (Suspense debits)

against the provision of Rs. 50 lakhs. Reasons for excess have not been intimated (August 1983).

Sl. no.	Number and name of grant	Total grant Rs.	Actual expenditure Rs.	Excess
2.	13—Animal Husbandry Department	9,63,52,000	10,97,15,992	+1,33,65,000

Rupees 61.25 lakhs were spent on 'Hospitals and Dispensaries' against the provision of Rs. 21.03 lakhs. Against the provision of Rs. 41.03 lakhs under 'Hospitals and Dispensaries Sub-units' the expenditure was Rs. 51.80 lakhs. The expenditure on 'Cattle Breeding', 'Frozen Semen-Non-I. C. D. P' and 'Poultry scheme' was Rs. 44.43 lakhs, Rs. 18.82 lakhs and Rs. 19.44 lakhs against the provision of Rs. 11.77 lakhs, Rs. 9.75 lakhs and Rs. 5.09 lakhs respectively. Rupees 30.04 lakhs were spent on 'Establishment of Sheep and Wool Extension Centres for Gujjars and Bakarwals' against the provision of Rs. 17.13 lakhs (including supplementary grant of Rs. 2.65 lakhs). Rupees 12.08 lakhs were spent on 'Livestock production Programme' against nil provision. Reasons for the excess have not been intimated (August 1983).

3.	18—Social Security and Welfare Department	2,39,60,000	2,71,88,566	+32,28,566
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Against the provision of Rs. 3.93 lakhs for 'Post Matric Scholarships' under 'Welfare of other Backward Classes' the expenditure was Rs. 16.42 lakhs. Similarly, the expenditure on 'Pre-matric Scholarships' was Rs. 21.87 lakhs against the provision of Rs. 3.59 lakhs. The expenditure on 'Integrated Child Development Scheme' was Rs. 15.35 lakhs although there was no provision therefor. Reasons for the excesses have not been intimated (August 1983).

4.	21—Forest Department	12,11,96,000	13,55,20,728	+1,43,24,728
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The expenditure on 'Organisation, Improvement and Extension of Forests' was Rs. 38.60 lakhs against the provision of Rs. 12.10 lakhs. Rupees 67.71 lakhs

are spent on 'Rehabilitation of Degraded Forests' against the provision of Rs. 25.75 lakhs. Against the provision of Rs. 7.27 lakhs on 'Economic Plantation' for the expenditure was Rs. 41.84 lakhs. Rupees 70.26 lakhs were spent on 'Farm Forestry' against the provision of Rs. 35.90 lakhs. Reasons for the excesses have not been intimated (August 1983).

	Number and name of grant	Total grant Rs.	Actual expenditure Rs.	Excess Rs.
33,63	Public Health Engineering Department	20,04,99,000	24,57,80,617	+4,52,81,617

Against the provision of Rs. 6.50 lakhs (including supplementary grant of Rs. 200 lakhs), Rs. 10.75 lakhs were spent on 'Public Health Engineering Department, Kashmir' (Suspense debits). Similarly, Rs. 11.7,08 lakhs were spent on 'Public Health Engineering Department, Jammu' (Suspense debits) against the provision of Rs. 6.40 lakhs (including supplementary grant of Rs. 2.40 lakhs). Reasons for the excesses have not been intimated (August 1983).

### Capital Section

	General Department			
		43,78,000	1,92,48,882	+1,48,70,882

Against the provision of Rs. 20.28 lakhs (including supplementary grant of Rs. 10.28 lakhs) for 'Schemes for Agriculture—Agricultural Education' the expenditure was Rs. 1.60 lakhs. Reasons for the excesses have not been intimated (August 1983).

	Finance Department			
		1,08,21,000	2,06,29,911	+98,08,911

Against the provision of Rs. 25 lakhs under 'Social Advance' the expenditure was Rs. 1.40 lakhs. Reasons for the excess have not been intimated (August 1983).

	Housing and Urban Development Department			
24,7		4,53,00,000	5,98,19,673	+1,45,19,673



The expenditure on 'Environmental Development Schemes Srinagar City', 'Gulmarg Project Organisation' and 'Master Plan' was Rs. 1,17.58 lakhs, 31.47 lakhs and Rs. 1,31.53 lakhs respectively against nil provision in each case. Rupees 1,80 lakhs were spent on 'Loans to Housing Board for Rural Housing Plan' against the provision of Rs. 40 lakhs. Rupees 39.53 lakhs, 19 lakhs and Rs. 44.50 lakhs were spent on 'Loans to Municipalities', 'Other Loans' and 'Development Authority, Srinagar' against 'Nil' provision in each case. Against the provision of Rs. 4.50 lakhs for 'House Building Advance to I.A.S. Officers' the expenditure was Rs. 31.61 lakhs.

As against the above excesses there were substantial shortfalls as well. Rupees 14.62 lakhs were spent on 'Middle Income Group Housing Scheme (Land Acquisition and Development)' against the provision of Rs. 40 lakhs. The provision of Rs. 35 lakhs under 'Works Relating to Nallah Mar' remained entirely unutilised. Against the provision of Rs. 1.15 lakhs under 'Environmental Improvement of slauere' only Rs. 37.87 lakhs were spent. There was a minus expenditure of Rs. 1,50.17 lakhs under Loans for Housing—'Middle Income Group Housing' against the provision of Rs. 30 lakhs. Similarly, a minus expenditure of Rs. 43 lakhs was shown under 'Loans for Urban Development—Local Fund Committees' against 'Nil' provision, which was due to adjustment pertaining to the previous years. Reasons for the excesses/savings have not been intimated (August 1983).

Sl. no.	Number and name of grant	Total grant Rs.	Actual expenditure Rs.	Excess Rs.
4.	20—Tourism Department	2,40,00,000	3,84,69,240	+1,44,69,240

Rupees 86.73 lakhs, Rs. 91.55 lakhs and Rs. 121.97 lakhs were spent on Tourism works relating to 'Construction of Convention Complex', 'Construction of Recreation Complex' and 'Srinagar District' respectively although no provision therefor existed.

Reasons for the excesses have not been intimated (August 1983).

(b) **Charged appropriations.**— Excess of Rs. 20,25,19,771 over charged appropriation in the following case and of Rs. 21 over another charged appropriation (revenue section) mentioned in Appendix 2.1 also require regularisation :—

#### Capital Section

Sl. no.	Number and name of charged appropriation	Total appropriation Rs.	Actual expenditure Rs.	Excess Rs.
1.	8—Finance Department	90,83,08,000	1,11,08,27,771	+20,25,19,771

Against the provision of Rs. 60,00 lakhs for 'Loans from State Bank of India and other Banks (Jammu and Kashmir Bank Limited)', the expenditure was Rs. 83,98 lakhs. Reasons for the excess have not been intimated (August 1983).

#### 2.3. Supplementary grants/charged appropriations

(a) During the year, supplementary provision of Rs. 71.04 crores (11 per cent of the original provision) was obtained under 22 grants (Rs. 71 crores) and 4 charged appropriations (Rs. 0.04 crore).

In the following six cases, supplementary provision (more than Rs. 20 lakhs in each case) remained wholly unutilised as the expenditure did not come up even to the original provision :—

#### Revenue Section

Sl. no.	Number and name of grant	Original grant	Supplementary grant	Expenditure	Saving
(Lakhs of rupees)					
1.	2—Home Department	25,70.22	50.00	21,81.10	4,39.12

The entire provisions of Rs. 100 lakhs, Rs. 20 lakhs and Rs. 50 lakhs under 'Purchase of Transport for

Jammu and Kashmir Police', 'Re-organisation of Jammu and Kashmir Forensic Science Laboratory including Mobile Field Units' and 'Re-organisation and Modernisation of Police Tele-communication System' respectively remained unutilised. Rupees 2.51 crores out of the provision of Rs. 4.77 crores remained unutilised under 'Fire Protection and Control—Protection and Control'.

Sl. no.	Number and name of grant	Original grant	Supplementary grant	Expenditure	Saving
<i>(Lakhs of rupees)</i>					
2.	12—Community Development and Agriculture Department	24,99.29	2,96.36	22,36.30	5,59.35

Against the provision of Rs. 148.78 lakhs (including supplementary grant of Rs. 107.86 lakhs), the expenditure under 'Drought Prone Areas Programme' was Rs. 57.58 lakhs. The entire provisions of Rs. 3,14.50 lakhs and Rs. 2,47.50 lakhs under 'Other Expenditure I.R.D.P' and 'other S.F.D.A' remained unutilised.

3.	15—Food, Supplies and Transport Department	6,45.03	22.36	3,23.27	3,44.12
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The saving was due to non-adjustment of the entire provision of Rs. 4,07.24 lakhs for 'Food subsidy'. Reasons for non-adjustment of the amount have not been intimated (August 1983)

### Capital Section

4.	11—Industries and Commerce Department	8,72.39	24.84	8,20.45	76.78
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Against the provision of Rs. 3,50 lakhs for 'Investment in Share Capital of SIDCO', the expenditure was Rs. 200 lakhs. The entire provision of Rs. 20 lakhs

under 'Investment in Share Capital of SICOP' remained unutilised. The expenditure under 'Development of Industrial Estates' was Rs. 29.91 lakhs against the provision of Rs. 100 lakhs.

As against these large savings, Rs. 241 lakhs were spent on 'Kashmir Cement Factory—Investment' against the provision of Rs. 115.84 lakhs (including supplementary grant of Rs. 24.84 lakhs). Rs. 9.23 lakhs and Rs. 34.15 lakhs were spent on 'Survey and Feasibility Reports' and 'Development of Industrial Areas' respectively against nil provision under each.

Sl. no	Number and name of grant	Original grant	Supplementary grant	Expenditure	Saving
5.	15—Food, Supplies and Transport Department	50,77.20	3,14.73	44,21.08	9,70.85

Against the provision of Rs. 29,73.12 lakhs (including supplementary grant of Rs. 311 lakhs) for 'Procurement and Supply of Rice/Paddy', the expenditure was Rs. 22,84.27 lakhs. Similarly, the expenditure on 'Wheat/Atta' was Rs. 11,31.50 lakhs against the provision of Rs. 13,30.50 lakhs.

6.	22—Irrigation and Flood Control Department	28,86.82	49.38	28,40.55	95.65
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The entire provision of Rs. 20 lakhs under 'II-Suspense-A-Flood Control Department, Kashmir' remained unutilised. The expenditure on 'B-Flood Control Department, Jammu (Suspense)' was Rs. 1.35 lakhs against the provision of Rs. 95 lakhs. Reasons for the savings have not been intimated (August 1983).

**(b) Supplementary grant which proved excessive**

In the following cases, supplementary grants (exceeding Rs. 20 lakhs each) proved largely excessive:—

### Revenue Section

Sl. no.	Number and name of grant	Original grant	Supplementary grant	Expenditure	Saving
<i>(Lakhs of rupees)</i>					
1.	7—Education Department	44,84.15	7,16.57	49,96.59	2,04.13

Against the provision of Rs. 7,03 lakhs and Rs. 2,39 lakhs under 'Government Primary School (Boys),' and 'Government Middle School (Girls),' the actual expenditure was Rs. 5.99 lakhs and Rs. 2,11 lakhs respectively. An expenditure of Rs. 2,30 lakhs and Rs. 59 lakhs was incurred against provision of Rs. 2,50 lakhs and Rs. 1,02 lakhs under 'Adoption of 10 plus 2 pattern of Secondary Education'—'Boys wing' and 'Girls Wing' respectively. The lumpsum provision of Rs. 24 lakhs and Rs. 41 lakhs under 'Art and Culture' and 'Employment and Training' remained unutilised.

### Capital Section

2.	12—Community Development and Agriculture Department	6,61.19	4,32.49	7,00.00	3,93.68
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Against provision of Rs. 1,81.90 lakhs there was saving of Rs. 1,25.71 lakhs under 'Manures and Fertilizers'. The expenditure under 'Plant Protection Service (Agriculture)' was Rs. 85.59 lakhs against provision of Rs. 1,60.65 lakhs. Rupees 13.57 lakhs were spent on purchase of raw material for Agricultural Workshop against provision of Rs. 34.98 lakhs.

### (c) Inadequate supplementary grants.—

In the following cases, the supplementary provision (exceeding Rs. 20 lakhs each) of Rs. 25,81.16 lakhs

proved inadequate, the final excess being Rs. 16,21.03 lakhs :—

Sl. no.	Number and name of grant	Original grant	Supplementary grant	Expenditure	Excess
Revenue Section					
<i>(Rupees in lakhs)</i>					
1.	6—Power Development Department	35,57.03	6,23.33	49,26.35	7,45.99
2.	13—Animal Husbandry Department	9,27.04	36.48	10,97.16	1,33.64
3.	14—Revenue, Relief and Rehabilitation Department	5,15.14	69.71	6,01.74	16.89
4.	18—Social Security and Welfare Department	2,19.26	20.34	2,71.89	32.29
5.	21—Forest Department	11,43.50	68.46	13,55.21	1,43.25
6.	23—Public Health Engineering Department	14,63.20	5,41.79	24,57.81	4,52.82
Capital Section					
7.	23—Public Health Engineering Department	18,28.80	12,21.05	31,46.00	96.15

#### 2.4. Unutilised provision

As mentioned in para 2.1 provision in grants and charged appropriations amounting to Rs. 47.20 crores remained unutilised. Some of the major schemes (other than those mentioned in para 2.3) where the provision remained substantially unutilised and consequently the schemes remained practically un-implemented, are

given below :—

Sl. no.	Grant number and major head/scheme	Provision	Saving (and its percentage)	Reasons for saving where available
(Lakhs of rupees)				
Revenue Section				
1.	6—Power Development Department Kalakote Thermal Project (Major head—334)	1,75.37	1,75.33 (99.98)	Reasons for the saving have not been intimated (August 1983).
2.	11—Industries and Commerce Department			
	(i) Massive Carpet Weaving Programme (Major head—320)	70.00	53.23 (76)	Reasons for the saving have not been intimated (August 1983).
	(ii) Intensive Handloom Development Project Udhampur/Bandipur (Major head—321)	60.00 (50%CSS)	52.38 (87)	-do-
3.	12—Community Development and Agriculture Department			
	National Rural Employment Programme (Major head—314)	64.00	64.00 (100)	-do-
4.	16—Public Works Department National Highways (Major head—337)	4,65.70	4,65.70 (100)	-do-
5.	21—Forest Department Plantation schemes (Major head—313)	25.25	25.25 (100)	-do-

Sl. no.	Grant number and major head/scheme	Provision	Saving (and its percentage)	Reasons for saving where available
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## Revenue Section

(Lakhs of rupees)

## 6. 22—Irrigation and Flood Control Department

(i)	Drainage and Sewerage Schemes in Srinagar (Major head—284)	25.15	25.15 (100)	Reasons for the saving have not been intimated (August 1983).
(ii)	Flood Control Department, Jammu (Major head—333)	50.00	50.00 (100)	-do-

## 2.5. Non-receipt of explanations for savings/excesses.—

The Committee on Public Accounts has repeatedly recommended that the Heads of Departments should be prompt in furnishing material to the Accountant General for inclusion in the Appropriation Accounts and the Audit Report. Copies of the letters addressed by the Accountant General to the Controlling Officers giving a list of important heads under which the variations are to be explained by them are also sent each year to the Secretaries of the Administrative Departments concerned and the Finance Secretary. Nevertheless, in regard to the variations in the Appropriation Accounts for 1981-82 no explanations were received for variations under 575 heads out of 602 heads (August 1983).

## 2.6. Shortfall/excess in recoveries

Under the system of gross budgeting followed by Government, the demands for grants presented to the Legislature are for gross expenditure and exclude all receipts and recoveries which are adjusted in the accounts in reduction of expenditure; the anticipated recoveries and receipts are shown separately in the Budget estimates. During 1981-82 such recoveries were anticipated at Rs. 61.41 crores in revenue section and Rs. 67.31 crores in capital section. Actual recoveries during the year, however, were Rs. 74.68 crores in



revenue section and Rs. 68.90 crores in capital section. Significant cases of excess/shortfall in recoveries are detailed below (the reasons have not been intimated):—

Sl. No.	Number and name of grant	Estimated recovery	Actual recovery	Amount of excess (+)shortfall(—) as compared to estimates
Revenue Section				
		(Rupees in crores)		(Rupees in crores)
1.	6—Power Development Department	18.07	10.25	—7.82
2.	16—Public Works Department	28.20	39.27	+11.07
3.	23—Public Health Engineering Department	8.50	17.54	+9.04
Capital Section				
1.	6—Power Development Department	8.00	12.20	+4.20
2.	15—Food, Supplies and Transport Department	49.79	38.42	—11.37
3.	23—Public Health Engineering Department	..	9.26	+9.26

### 2.7. Expenditure on New Service

According to Rules, expenditure involving the adoption of a new policy, provision of a new facility or the substantial alteration in character of an existing facility, increase in expenditure on a recognised service owing to its magnitude and any fresh scheme involving considerable recurring expenditure constitutes a New Service. In the cases mentioned in Appendix 2.2 the entire/additional expenditure of Rs. 6.10 crores was incurred during 1981-82 without providing funds by re-appropriation or obtaining authorisation of the Legislature through supplementary grant though they constituted New Services.

## 2.8. **Non-receipt of replies to draft paragraphs/ reviews**

According to the recommendations made from time to time by the Committee on Public Accounts and the standing instructions of the Government, replies to draft paragraphs/reviews issued by the Accountant General to Secretaries of Administrative Departments are required to be furnished by the Administrative Departments concerned within a period of six weeks from the date of issue of the draft paragraphs/reviews. However, in regard to 48 paragraphs/reviews issued between July and November 1982, the delay in furnishing replies to 44 draft paragraphs/reviews by the Administrative Departments ranged from 5 to 9 months (April 1983).

The matter was reported to the Government in May 1983.

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## CHAPTER III

### CIVIL DEPARTMENTS

#### **Animal Husbandry Department**

##### **3.1. Exotic Cattle Breeding cum-cross bred farm**

3.1.1. **Introduction.**—With the objective of producing bulls of high genetic potential, for upgrading indigenous cattle and buffalo population (estimated at 22 lakhs) in the State for augmenting milk production, a cattle breeding and research farm was established during 1956-57 at Belicharana, Jammu District. Initially the Farm was to breed Haryana and Murrah breeds for distribution of their male progeny in the rural areas to upgrade the native stock. In 1971, Sahiwal and Jersey breeds were also introduced for pure as well as cross-breeding purposes.

In July 1976 the Government of India sanctioned establishment of an Exotic Cattle Breeding Farm at Manasbal as a Centrally sponsored project during 5th Five Year Plan for production of good quality exotic breeding bulls for cross breeding of indigenous cattle at a cost of Rs. 52.07 lakhs. The farm was started with 50 pure bred Jersey heifers and two bulls in March 1977 followed by another batch of 50 heifers in November 1977. The Farm was to function in two stages, i.e., stage I with present irrigation facilities (90 acres) and stage II with full irrigation facility (167 acres).

The points noticed during the test check of records of the two cattle breeding farms (Belicharana and Manasbal), conducted during August-September 1982 are given in the succeeding paragraphs.

3.1.2. **Expenditure and Revenue.**—(i) The details of allotments and expenditure in respect of the two

farms for the period from 1976-77 to 1981-82 are given below :—

Year	Cattle Breeding and Research Farm, Belicharana		Exotic Cattle Breeding Farm, Manasbal	
	Budget provision	Expenditure	Budget provision	Expenditure
	<i>(In lakhs of rupees)</i>		<i>(In lakhs of rupees)</i>	
1976—77	4.87	4.26	17.85	16.44
1977—78	5.30	5.21	21.13	14.97
1978—79	6.16	4.87	13.13	7.42
1979—80	9.31	9.10	8.40	7.72
1980—81	11.19	11.01	9.80	9.90
1981—82	35.51	35.45	8.73	7.16
	72.34	69.90	79.04	63.61

The expenditure for 1976-77 includes Rs. 13.92 lakhs drawn and transferred to Superintending Engineer, Public Works Department, Baramulla for construction of sheds, administrative buildings, etc. These constructions have not been completed so far (March 1983) nor the extent of funds actually utilised in construction of buildings is known to the department. Shortfall in the utilisation of funds during 1978-79 and 1979-80 was due to surrender of Rs. 5.20 lakhs each year as the live-stock was received free of cost from Australia.

Revenue realised on account of sale of live-stock/live-stock produced by these farms during 1976-77 to 1981-82 is as under :—

Year	Cattle breeding farm Manasbal	Cattle breeding farm Belicharana
	<i>(Rupees in lakhs)</i>	
1976—77	..	3.57
1977—78	1.02	0.37
1978—79	2.66	0.99
1979—80	5.08	1.09
1980—81	6.59	1.25
1981—82	5.69	0.82

During the period 1976-77 to 1981-82, 370 bulls were distributed by Belicharana farm among other

wings of the Animal Husbandary department/other departments, for which no cost was recovered. No authority for free supply was produced. In respect of Manasbal farm, the Project Report envisaged realisation of annual revenue of Rs. 8.40 lakhs (on account of sale of live-stock: Rs. 3.60 lakhs and milk: Rs. 4.80 lakhs). This has not been achieved. The reasons for shortfall were not analysed by the department for taking effective action from time to time. As per Government of India instructions (May 1975) the internal receipts of the farm would cover recurring expenditure from 4th year onwards, viz., from April 1979. The actual receipts fell short of the recurring expenditure by Rs. 2.64 lakhs during 1979-80, Rs. 3.31 lakhs during 1980-81 and Rs. 1.47 lakhs during 1981-82. In respect of Belicharana farm no targets of revenue were fixed.

3.1.3. **Herd strength.**—While sanctioning (February 1976) the establishment of Exotic Cattle Breeding Farm at Manasbal, the scheme given by the Government of India envisaged that the farm will have a foundation stock of 150 breeding females to be imported in a phased manner under AID programme. The farm maintained a foundation stock of 100 heifers and 2 bulls only (50 heifers and 2 bulls imported in March 1977 and 50 heifers more in November 1977). The reasons for shortfall in the foundation stock were not on record. Project Report of Manasbal farm envisaged maintenance of herd strength of 244 heads of cattle in stage I on the basis of yield of 2500 tonnes green fodder from the land attached to the farm, so as to make the farm self supporting; stage II, which was to be on the basis of full irrigation, has not been achieved so far. The department stated that the irrigation Department has not completed construction of irrigation canal. The actual herd strength of farm during the years 1977-78 to 1981-82 was as under:—

Herd strength

Year	At the beginning of the year	At the close of the year
1977-78	52	142
1978-79	142	183
1979-80	183	233
1980-81	233	250
1981-82	250	236

The actual herd strength was in excess of the envisaged strength for which fodder production was provided.

Belicharana farm started with the production of Haryana and Murrah breeding bulls. In 1971, Sahiwal and Jersey breeds were also introduced for pure as well as cross breeding. In a meeting (December 1977) under the Chairmanship of Director, Animal Husbandry Department, it was decided to remove the entire herd of Haryana cattle and to procure more Sahiwal animals, as it was considered that production trait of 75 per cent exotic bull with 25 per cent Sahiwal breed should ensure better cumulative effect in milk production and in maintenance of exotic inheritance level of 62.5 per cent. For this Sahiwal was considered to be a more suitable choice. However, the entire herd of Haryana breed animals was not removed and 8 animals of this breed, out of 73 animals, still existed in the farm at the close of 1981-82. No action was taken to remove the Haryana breed by the Department. No purchases of Sahiwal breed have been made since December 1977.

Actual herd strength during 1976-77 to 1981-82 was as under :—

Year	Herd strength	
	At the beginning of the year	At the close of the year
1976—77	292	307
1977—78	307	222
1978—79	222	252
1979—80	252	318
1980—81	318	231
1981—82	231	244

- There was over stocking of the cattle during 1977-78 and 1980-81 (up to July 1980). According to the Director Animal Husbandry (January 1983) the maximum number of cattle, which can be kept at the farm, was 268 with present land irrigation facilities and actual production of fodder.

3.1.4. **Culling of animals.**—Project Report of Manasbal farm envisaged that culling of 20 per cent of parent stock should be done annually in order to make selective breeding effective and that culled animals be removed from the farm promptly. Animals of low milk yield (6 Kgs. or less per day) and showing low productivity, infertility or suffering from infectious diseases etc. were to be culled.

A review of records of the farm revealed that culling was not done annually and up to the level as provided in the Project Report, as shown below:—

Year	Herd strength at the start of the year	Number of animals identified	Date of identification	Date of auction
1979—80	183	14	4th October 1979	April 1981
1981—82*	250	20	27th November 1981	Not so far (August 1982)

20 animals were recommended by the Culling Committee (constituted by the Director, Animal Husbandry in November 1981) for being auctioned in April 1982. The animals were auctioned in January 1983 resulting in avoidable monthly expenditure of about Rs. 0.18 lakh on feeding these animals. The reasons for delayed auction were stated (September 1982) to be procedural.

In case of Belicharana farm, it was decided, in a meeting (December 1977) that culling to the extent of 20 per cent of the total herd strength should be resorted to annually without prejudice to the maintenance of 150 adult animals of various breeds. The culling was, however, not done annually and up to the required level and the culled stock was not disposed of promptly after identification. The delay in the dis-

posal of culled stock from the date of actual identification is shown below :—

Year	Herd strength at the start of the year	Date of identification	Number of animals	Date of auction
1976—77	292	June/July 1976 February/March 1976	39 18	23rd September 1976 8th August 1977
1977—78	307	December 1977	116	15th, 16th March 1978
1978—79	222	27th April 1978 18th January 1978 (Identified as TB+Ve)	37 3	Disposed of during July 1980 22nd July 1980
1980—81	318	10th May 1980	128	21st July 1980

The farm authorities had to incur an avoidable expenditure of Rs. 12.06 lakhs (up to July 1980), i.e., at the rate of Rs. 450 to Rs. 600 (approximately) per animal per month, on the feeding and maintenance of these animals for the period.

The Joint Director Farms, Belicharana stated (September 1982) that the delay occurred due to observance of a number of formalities like obtaining of sanction of higher authorities etc. before the culled stock is put to auction.

### 3.1.5. Breeding activities

(i) **Breeding operations.**—Project Report of Manasbal farm envisaged availability for distribution of 72 animals (17 cows, 36 male calves of 18-24 months age group and 19 heifers of 1-2 year age group) through pure line breeding of Jersey breed each year. The Belicharana farm never had a fixed breeding programme and no targets have been fixed for production of bulls of higher genetic potential of various breeds for distribution. It was stated (February 1983) by the Joint Director, Farms, Belicharana that the main objective of the farm being to produce good pedigreed breeding bulls for improvement of the genetic potential of the local live-stock, the farm had to resort to hit and trial methods of research with



available resources, which were not effective. During the period from 1976-77 to 1981-82, the production and sale/distribution of bulls/heifers was as under :—

Year	Mansbal Farm		Belicharana Farm	
	Production	Distribution	Production	Distribution
1976—77	Nil	Nil	106	15
1977—78	42	Nil	39	59
1978—79	73	11	67	34
1979—80	102	41	80	96
1980—81	95	50	57	112
1981—82	80	43	44	57

It would be seen that the distribution of live-stock fell short of production. While the Joint Director, Farms Manasbal attributed (September 1982) low distribution to limited demand from field and low rate of culling, the Joint Director, Farms Belicharana stated (October 1982) that only the selected bulls were being distributed and the rest auctioned.

According to Project Report of Manasbal Farm, for milk production, a positive correlate of the genetic potential of the cow has got to be taken as index for its male calf (bull) of higher production transmissibility, when used for cross-breeding with the indigenous cows.

It was, however, noticed that no genetic potential tests of bulls had been carried out before their distribution so as to ensure that only quality bulls were selected for service in the field. It was stated by the Joint Directors, Belicharana and Manasbal farms that bulls were selected by purchasing/indenting agencies on the basis of their physical appearance and health.

(ii) **Breeding efficiency.**—No record of coverage/insemination done had been maintained by the farms and as such the extent of conception/calving rate could not be determined.

In case of Belicharana farm, the breeding operations were undertaken through the medium of natural services by keeping a bull in the breedable herd. It

could not be ascertained as to how the farm ensured coverage of all the breedable cows. The calving rate furnished by Manasbal farm is given below :—

Year	Breedable live-stock	Births	Still births/ abortions	Calving rate (Per cent)
1977—78	100	44	4	44
1978—79	100	72	8	72
1979—80	123	103	5	83
1980—81	136	51	7	38
1981—82		69	10	

The calving rate envisaged in the Project Report was 90 per cent with 5 per cent mortality which has never been achieved during any of the above years. The calving rate was very low during 1977-78 and 1980-81 ; reasons for which had not been investigated.

(iii) **Production norms.**—The parameters of production of live-stock, laid down by Government of India/State Government, i.e., body weight at birth, average rate of growth, maximum age of first calving, calving interval, etc., have not been achieved by the farms as discussed below :—

(a) **Body weight at birth.**—No records, showing the body weight of calves at birth, have been maintained in Belicharana farm. In case of Manasbal farm, the body weight at birth had not been recorded in the pedigree register in many cases. A test check of pedigree register of Manasbal farm revealed, that weight at birth of calves, wherever recorded, ranged between 14 Kgs. and 18 Kgs. in respect of females and between 17 and 18 Kgs. in respect of male calves as against the norm of 19-20 Kgs. and 20-21 Kgs. in respect of female and male calves respectively, which was attributed to winter stress, non-availability of green fodder during winter season and other environmental factors.

(b) **Calving age.**—In case of Manasbal farm, against the norm of 27 months age at first calving, the actual age at first calving ranged between 25 and 41

months. In case of Belicharana farm, the maximum age at first calving and that actually achieved in respect of various breeds is given below :—

Breed	Norm (Months)	Actual (Months)
Jersey	27	24 to 39
Crossbred	32-34	25 to 52
Sahiwal	40	30 to 51
Murrah	40	41 to 85
Haryana	40	35 to 60

While the Joint Director Farms, Manasbal attributed (September 1982) late calving to environmental and hereditary factors, the Joint Director Farms, Belicharana stated (October 1982) that majority of animals calved later than the norms fixed and were retained only to judge their future performance.

(c) **Calving interval.**—Maximum calving interval, as per norms, was 13 months in respect of crossbred and 15 months in other cases. The actual calving interval ranged between 11 months and 35 months in case of Belicharana farm and 11 months to 29 months in case of Manasbal farm.

While the Joint Director Farms, Belicharana attributed (October 1982) high calving interval to physiological and pathological reasons, Joint Director Farms, Manasbal attributed (February 1983) the same to genetical disorders, for which treatment was reported to have been rendered from time to time.

(iv) **Mortality.**—The average live-stock maintained and the percentage of mortality in respect of the two farms was as under :—

Year	Manasbal Farm		
	Average live-stock maintained	Mortality	Mortality percentage
1977—78	89	4	4.5
1978—79	172	18	10.4
1979—80	216	12	5.6
1980—81	247	14	5.6
1981—82	235	63	27.0

## Belicharana Farm

Year	Average adults stock maintained	Mortality	Mortality percentage	Average young stock maintained	Mortality	Mortality percentage
1977—78	172	6	3.5	145	10	7.0
1978—79	106	1	1.0	117	8	6.8
1979—80	155	7	4.5	122	3	2.5
1980—81	145	5	3.5	124	12	9.7
1981—82	143	4	2.8	106	5	4.7

It would be seen that there has been high mortality, particularly during 1978-79 and 1981-82 in case of Manasbal farm, as against the maximum mortality percentage of 5 per cent as per Project Report. In case of Belicharana farm, the maximum mortality percentage prescribed in respect of adult animals was 1 per cent and 5 per cent in respect of calves. This maximum was exceeded, both in respect of adults and calves. While the Joint Director Farms, Manasbal, attributed heavy mortality to the severe attack of thilloriosis and foot and mouth diseases in the farm stock, the Joint Director Belicharana Farm stated (September 1982) that the animals died of 'unspecified infections' despite best efforts towards their treatment.

**3.1.6. Milk Production.—** Milk production is taken as index for its male calf of higher production transmissibility, when used for crossbreeding with indigenous cows, and the farm's policy of raising the milk production standards of its parent stock each year through a process of selection had to be based on it. As per norms laid down by Government of India lactation yield should be 2,575 litres for first lactation and 2,885 litres for second lactation in respect of pure breed Jersey cows against lactation yield of 920 litres in case of indigenous cows. Lactation yields in respect of farm bred cows of pure Jersey breed did not exceed 2,290 litres (instances given in Appendix 3.1.). The cows were not in milk for the standard lactation period of 300-305 days. Reasons for low lactation yields had not been analysed by the Management.

In Belicharana farm, Sahiwal, Haryana, Murrah and Jersey breeds were reared. The norms for lactation yields in respect of these breeds as prescribed by

Indian Council of Agricultural Research are as under :—

	(Litres)
Sahiwal	1750
Haryana	1030
Murrah	1440
Jersey	2575

The actual lactation yield (both in days and total quantity) were far less than these norms vide Appendix 3.1.

Table below indicates the average number of milk yielding cows, total milk produced and the average yield per cow during the years 1976-77 to 1981-82 in respect of both the cattle farms.

(i) Manasbal farm

Year	Average number of milk yielding cows	Total milk production	Average yield per cow
			(In litres)
1977—78	35	59,492	1,700
1978—79	67	1,52,710	2,279
1979—80	74	1,82,360	2,463
1980—81	76	1,93,702	2,548
1981—82	67	1,32,262	1,974

(ii) Belicharna farm

Year	Breed	Average number of milk yielding cow/buffalo	Total production	Average yield per cow/buffalo
				(In litres)
1976--77	Jersey	2	3,530	1,765
	Sahiwal	9	14,305	1,589
	Murrah	6	8,061	1,343
	Cross bred	23	53,243	2,315
	Haryana	13	17,574	1,352
1977—78	Jersey	9	14,637	1,626
	Sahiwal	8	10,611	1,326
	Murrah	5	7,201	1,440
	Haryana	9	9,958	1,106
	Cross bred	27	43,825	1,623
1978—79	Jersey	6	12,370	2,061
	Sahiwal	6	10,326	1,721
	Murrah	7	11,401	1,628
	Cross bred	18	31,328	1,740
1979—80	}	Could not be worked out as the records were not complete.		
1980—81				
1981—82				

The average yearly milk yield per cow in all the breeds varied widely from year to year and has shown a sharp decline in respect of Manasbal farm during 1981-82 and during 1977-78 in respect of Belicharana. The reasons for fall in the average yield per cow had neither been investigated nor any action taken to improve the yield.

According to the standard milk feeding schedule calves are to be fed milk at 1/10th of body weight first month, 1/15th of body weight during second month and 1/25th of body weight during third month. In Belicharana farm it was noticed during test check of milk register that the calves are allowed to suck half of the Dam's milk yield during first 2 months and 1/4th of the Dam's milk yield during third month which has been as high as 410 litres per calf per month as per instances given in Appendix 3.2. The Joint Director, farms stated (September 1982) that in view of strong maternal instinct in case of Indian breeds the calves were allowed to suck milk before milking and as per practice, half of the yield is suckled by a calf up to 2 months and 1/4th of yield during third month.

Out of 7.20 lakh litres of milk produced during the period from 1977-78 to 1981-82 in Manasbal farm, 5.94 lakh litres were sold to Milk Supply Scheme Srinagar, 7.04 lakh litres fed to calves and the balance sold. An amount of over Rs. 2.63 lakhs (cost of milk supplied during July 1977 to September 1977 not available) on account of cost of milk is still (December 1982) outstanding against the Milk Supply Scheme.

Belicharana farm supplied 3.14 lakh litres of milk to the Milk Supply Undertaking during 1976-77 to 1980-81. No records have been maintained by the farm showing the cost of milk supplied, on the basis of fat and Solid non fat content and the amount was still recoverable. The Joint Director, farm stated (September 1982) that the Undertaking had paid cost for supplies made up to January 1982. An amount of Rs. 0.08 lakh on account of cost of milk sold to various Government officials/private parties pertaining to the

period prior to 1970 is still outstanding (September 1982).

**3.1.7. Fodder production.**—The farm at Jammu has a total land of 249 acres at Belicharana (119 acres), Hakal (25 acres) and Chātha (105 acres). 100 acres of land at Belicharana and Hakal are irrigated and 68 acres at Chatha farm are un-irrigated and 61 acres of land (24 acres at Belicharana and 37 acres at Chatha) are not being used for cultivation as the same is flood prone. No action has been taken to reclaim the land. Director Animal Husbandry advised the farm management (January 1980) that Soil Conservation Department may be approached for reclaiming the land in order to increase the fodder production. It was, however, stated by Joint Director that action would be taken to reclaim more land as more tractors and power facilities became available at the farm. Table below indicates the area brought under cultivation and the yield per acre obtained in Belicharana and Hakal farms during the year 1977-78 to 1981-82.

**3.1.8. (a) (i) Belicharana farm**

Year	Total area cultivated	Total produce	Yield per acre
		(In quintals)	
1977—78	80 acres	16,840	210
1978—79	80 acres	13,773	172
1979—80	80 acres	15,757	197
1980—81	80 acres	16,610	207
1981—82	80 acres	15,347	191
<b>Hakal farm</b>			
1977—78	20 acres	2,760	138
1978—79	20 acres	2,467	123
1979—80	20 acres	2,813	140
1980—81	20 acres	2,900	145
1981—82	20 acres	2,066	103

The yield per acre in respect of Hakal farm has been consistently lower than that obtained in Belicharana farm, although, both the farms are irrigated. Low yield in Hakal farm was attributed by Joint Director, farms (September 1982) to farm being situated at the tail end of the canal and the land being under the thick shade of trees. Even the yield per acre obtained in the same farm during different years

shows huge variations, which were attributed by the Joint Director, farms (September 1982) to climatic factors. It was further intimated by the Joint Director that yield per acre under normal conditions would be 390 quintals per acre but this yield is not obtained in time due to late sowing and early harvesting. It was also stated that the low yield was due to inclusion of cowpea, sarson, etc., which were comparatively low yielders, and application of low doses of fertilizers due to paucity of funds. It was also intimated by the Joint Director, farms that the production suffered for want of tractors and power, but as brought out subsequently in the review, the already available tractors were not utilised to the fullest possible extent.

(ii) **Working of tractors.**—Belicharana farm has 5 tractors, out of which 3 were purchased during 1967, 1979 and 1982 and 2 were received one from Chhamb Project in 1973 and other from Manasbal farm in 1979. From the records made available it was noticed that the three tractors could not be fully utilised by the department due to frequent breakdown, and the tractors remained for most of the period in the workshop for repairs. As per the norms, the tractors had to work for 1,000 hours during a year both in field and on road. The actual hours for which the tractors were utilised during the period 1978-79 to 1981-82 are given below :—

Tractor No.	Field work	Journey period (Hours)	Expenditure on repairs (Rupees)
5096	945	1259	7,546.96
2036	1,316	1010	17,539.64
8940	1,501	898	21,483.52

The department incurred an expenditure of Rs. 0.47 lakh on the repairs of these tractors during the last four years, but even then the tractors could not be utilised to the required extent. It was stated that the tractors are of old models (1966-67) and required frequent repairs.

The department has three tractor drivers as against the five tractors. It was stated (September



1982) that the one was being driven by an attendant and another one by the driver of another department.

(b) (i) **Chatha farm**

The area brought under cultivation in Chatha farm and the yield per acre obtained during 1977-78 to 1981-82 is shown below:—

Year	Area cultivated	Total production	Average yield per acre
		(In Quintals)	
1977—78	68 acres	8050	118
1978—79	68 acres	3860	57
1979—80	68 acres	3430	50
1980—81	68 acres	3019	45
1981—82	68 acres	3168	46

The yield per acre in this farm has shown steady decline from year to year. Joint Director farm, stated (January 1983) that the land of the farm is low lying and un-irrigated, and as such time for preparation of the land and sowing is very short and thus there is decreased production.

(ii) **Sinking of tube well.**—To bring the un-irrigated land at Chatha farm (Jammu) under Irrigation and to improve the drinking water facilities for animals, the Director, Animal Husbandry took up the matter of sinking of a tube well with the Geology and Mining Department in January 1978. The Geology and Mining Department gave its clearance at an estimated cost of Rs. 1.30 lakhs in May 1978. The work was allotted by the Director, Animal Husbandry to Public Health Engineering Department in June 1979 and Rs. 0.50 lakh were placed at their disposal. The work was started by Public Health Engineering Department in December 1979 and the boring work completed in 1980.

An additional amount of Rs. 1 lakh was placed at the disposal of Public Health Engineering Department Jammu during 1981-82 and 1982-83 for comp-

leting the overhead work, i.e., installation of pump and transformer, pump house, overhead tanks, etc. but so far the tube well has not been completed, with the result that the purpose for which the tube well was planned has not been achieved. The Joint Director (Farms) intimated (September 1982) that the Public Health Engineering Department was being reminded to complete the work.

### (c) Manasbal farm

Manasbal (Kashmir) farm has an area of 205 acres of land. Irrigation facilities at the farm at present cover about 90 acres of land only and 77 acres of land are un-irrigated, the rest being under building, roads etc. As per Project Report the farm is required to be totally self supporting in fodder production with no requirement of outside purchases. With the present irrigation facilities available, the farm was required to give 2,500 tonnes of fodder from an area of 320 acres per year which has never been achieved.

The actual area cultivated, actual produce from the farm during the years 1977-78 to 1981-82 was as under :—

Year	Area cultivated	Percentage of area cultivated to cultivable land	Actual production	Yield per acre
	(Acres)			(Quintals)
1977—78	150	47	9021	60
1978—79	205	64	18676	91
1979—80	230	71	16271	71
1980—81	270	84	10092	37
1981—82	230	71	8285	36

The percentage of land actually brought under cultivation to total land available for multiple cropping ranged between 47 and 84 per cent. The yield per acre has also shown steady decline since 1978-79. No plan for utilisation of available land had been prepared which led to shortfall not only in production but also in land utilisation.

3.1.9. **Feeding of animals.**—Table below indicates the quantity of fodder produced and that purchased and average consumption per animal of green fodder during the years 1977-78 to 1981-82 in the two farms at Belicharana and Manasbal :—

Farm	Year	Fodder produced	Fodder purchased	Total	Average number of animals during the year	Average consumption per animal
(In tonnes)						
Belicharana	1977—78	2943.0	132.3	3075.3	317	9.7
	1978—79	2090.6	Nil	2090.6	223	9.4
	1979—80	2126.9	517.3	2644.2	277	9.5
	1980—81	2497.4	632.7	3130.1	269	11.6
	1981—82	2353.8	724.2	3078.0	250	12.3
Manasbal	1977—78	902.1	57.0	959.1	89	10.7
	1978—79	2187.7	57.8	2245.5	172	13.0
	1979—80	1874.7	72.7	1947.4	216	9.0
	1980—81	1496.0	53.8	1549.8	247	6.3
	1981—82	1200.9	111.1	1312.0	235	5.6

The average annual consumption of green fodder per animal showed marked variation from year to year and at no stage came up to the standard consumption of 15 tonnes per adult animal per year. In respect of Manasbal farm the average consumption has been decreasing from year to year. The average annual number of wet cows/buffaloes varied from 35 to 76 during the period, while the average number of dry cows/buffaloes was around 214. No separate record of fodder consumed by wet cows/buffaloes were kept and the average consumption per animal could not, therefore, be ascertained.

3.1.10. **Accommodation for live-stock.**—Manasbal farm was established in 1976-77 when two sheds for housing cattle were already existing at site. The works of construction of additional two sheds and other buildings were entrusted to Jammu and Kashmir Project Construction Corporation in 1976-77 at an estimated cost of Rs. 13.92 lakhs. The amount of Rs. 13.92 lakhs was kept at the disposal of Superintending Engineer, Public Works Department,

Baramulla. The works have not been completed so far with the result that the animals had to be accommodated in the existing sheds.

To make drinking water available to the staff and live-stock, installation of a filtration plant and an overhead tank was also envisaged in the project Report. The work was entrusted to State Public Health Engineering department at an estimated cost of Rs. 6.25 lakhs during 1977-78, but these works also have not been completed so far (August 1982).

### 3.1.11. Other points.—

(i) While according sanction in July 1976 to the establishment of Exotic Cattle Breeding farm at Manasbal, the Government of India, Ministry of Agriculture had directed that it may be associated while making appointments under the scheme, distribution/culling of farm stock and fixation of prices for live-stock and live-stock products and that a Board of management may be constituted for periodical review of the progress of the scheme and for providing guidelines to carry out the objectives of the setting up of the farm. The Board was constituted in October 1976 and was to meet once in two months for reviewing the progress. The Committee met only twice (November 1976 and September 1979) since its constitution.

### (ii) Monthly and quarterly progress reports.—

While conveying sanction to the establishment of cattle farm at Manasbal in July 1976, it was laid down by Government of India that monthly progress reports on the progress of the scheme both physical and financial be submitted to it up to March 1979 and quarterly thereafter. It was noticed that no progress reports had been sent to the Government of India after March 1978. No reasons for non-submission were made available.

### 3.1.12. Summing up.—

(i) The farms at Belicharana and Manasbal incurred an expenditure of Rs. 133.51 lakhs and ear-

ned revenue of Rs. 8.09 lakhs (Belicharana farm) and Rs. 21.04 lakhs (Manasbal farm). The expenditure included Rs. 13.92 lakhs transferred to Public Works Department in 1976-77 for construction of sheds which are yet to be completed. In Manasbal the envisaged annual revenue of Rs. 8.40 lakhs was not realised at any time during the period. The cost of 370 breeds supplied to various wings of the Animal Husbandry Department has not been recovered by the Belicharana farm.

(ii) While the Manasbal farm did not maintain the envisaged foundation stock of 150 breeding females the Belicharana farm did not implement the decision taken in December 1977 to remove the entire Haryana breed and to induct more Sahiwal animals. The herd strength of both farms was higher than the carrying capacity based on actual fodder production and consequently the average consumption per cattle was much below the prescribed norms.

(iii) Culling of live-stock has not been done in the farms annually as prescribed and the delay in disposal of culled stock resulting in avoidable expenditure on feeding of these animals.

(iv) Parameters of production of live-stock have not been achieved in the farms. There was heavy mortality in the farms.

(v) The lactation yield, both in days and total quantity, was far less than the norms and there has been decline in yearly milk yields.

(vi) Of the 249 acres of land available in the farm, 168 acres of area actually used for producing fodder and the yield per acre was less in Hakal farm.

The matter was reported to Government in October 1982; reply is awaited (August 1983).

#### Agriculture Department

3.2. **Alleged embezzlement.**—During audit of the accounts of the Superintendent, Gardens and

- Parks, Srinagar, for the periods from April 1973 to March 1975, June 1977 to May 1979 various irregularities in maintenance of cash book, withdrawals of cash, erasures and wrong totals in the cash book, retention of huge cash balances in hand and non-remittance of revenues realised into the Treasury, were pointed out with the suggestion to get the accounts audited by the department but no action was taken by the department.

In January 1980 at the time of verification of the remittances by the Superintendent, Gardens and Parks, Srinagar, the Treasury Officer, Srinagar detected two remittances made on 13-9-1979 and 11-10-1979 which were supported by fictitious remittance challans. A detailed check of the receipts and disbursements for the period from June 1971 to January 1980 was conducted by the Deputy Director, Accounts and Treasuries in January 1980. He reported a net embezzlement of Rs. 78,661 by the cashier. He also pointed out that the chances of embezzlement could have been minimised had the department looked into the irregularities/omissions pointed out by audit.

The embezzlement was caused due to the following lapses on the part of the department :—

(a) Heavy retention of cash balances for unduly long periods, short/non-remittance of realisations into the treasury and non-maintenance of remittances register up to September 1979 and its non-verification monthly from the treasury thereafter.

(b) The omission to write cash book daily, its closure monthly, to attest entries and check totals by a person other than the writer of the cash book and omission to conduct physical verification of cash balances at the end of each month etc. as prescribed.

(c) Stock register of receipt books had not been maintained and consequently there was no control over the custody, issue and use of receipt books. Receipts had not been issued over the signatures of the Drawing and Disbursing Officer but had been issued by the Cashier himself or by a person other

than the Cashier, viz., Operator and Junior Assistant. In some cases amounts received had been accounted for in the cash book but no receipts were issued therefor.

(d) No security was obtained from the Cashier (July 1981) as per the rules.

The department stated (July 1981) that the case, along with the records, had been referred to the Vigilance Department for investigation of the case. It was noticed during local audit conducted in July 1981 that a new cash book from 10th January 1980 was started with a nil opening cash balance and irregularities of non-attestation of individual entries in the cash book, non-verification of some drawals from May 1980 to May 1981 with the treasury records had persisted.

The Government to whom the matter was reported in September 1982, stated (April 1983) that the case was under active investigation of the Vigilance Department.

**3.3. Loss of revenue.**—A potato farm was set up during 1978-79 at Synthan (about 60 kilometres from Kishtwar) on an area of 25 acres of forest land for production and distribution of quality seed among growers and other interested cultivators in that area. During 1979-80, an area of 7.5 acres was sown with potato seed in May-June 1979. The crop was harvested in December 1979 (6.25 acres) and May 1980 (1.25 acres). Out of the total produce of 498.80 quintals, 55 quintals were used for seed purposes, 130.40 quintals were sold out in auctions in May 1980 at Rs. 32 to Rs. 35 per quintal and the balance quantity of 313.40 quintals, which had become rotten, was thrown away. The Director of Agriculture intimated (January 1983) that the produce could not be removed from the farm to Chingam where it had to be stored due to unexpected snowfall and closure of pass to Chingam and as such the produce was dumped in the store under construction at the farm from December 1979 to May 1980. An income of Rs. 0.13 lakh only was received against income of Rs. 0.75 lakh estimated by the farm.

authorities at the sale rate of Rs. 150 per quintal fixed by Government for the total produce of 498.80 quintals resulting in loss of revenue of Rs. 0.62 lakh. Total expenditure of Rs. 0.78 lakh was incurred on the farm during the year (Rs. 0.49 lakh on cultivation and Rs. 0.29 lakh on pay and allowances of the farm staff).

The Enquiry Committee which was constituted by the Deputy Director Agriculture, Doda, in May 1980, to verify the causes of rottage, reported (November 1980) that the rottage had occurred due to the crop having been dumped in the newly constructed store without cleaning and grading. The fact, however, remains that the loss had occurred due to failure to provide adequate storage facility at the time of setting up of the farm. The loss is yet to be regularised, (March 1983).

The matter was reported to the Government in January 1982; reply is awaited (August 1983).

### **Community Development and National Extension Services Department**

**3.4. Mis-utilisation of Government money.**—The Assistant Commissioner (Development), Anantnag placed orders with a cement dealer (licence holder) on 22nd May 1981 for supply of two thousand bags of cement, required for various developmental works, on the terms and conditions that cement would be supplied to the department within four weeks and he would execute an agreement with the department for making supply within the specified time. The dealer was also required to send pro forma bill. The dealer conveyed his acceptance of the terms and conditions to the department by letter dated 22nd May 1981. Based on the pro forma bill of the dealer, advance payment of Rs. 0.81 lakh (being full cost of the cement) was made in May 1981. No separate agreement was executed with the supplier. Assistant Commissioner stated (December 1982) that the supply order itself was treated as agreement as the terms and conditions were accepted by the firm. Although the rules required that whenever a private person makes a contract with the Government he should be required



to give security for the due fulfilment of the contract to an amount equivalent to 10 per cent of the total value of the contract. No such requirement was obtained in this case. After supplying 210 bags of cement and making cash payment for 500 bags totalling Rs. 0.29 lakh up to December 1981, the dealer did not make further supply and the balance amount of Rs. 0.52 lakh is lying with the dealer unsecured (May 1983).

In February 1982 the Assistant Commissioner approached the Director, Rural Development for allowing him to proceed against the dealer in the Court of Law for non-supply of the full quantity of the cement for which he had already received the payment. The Agriculture Production Department, instead of authorising the Assistant Commissioner to take legal action for recovery of the amount or taking administrative action against the person responsible for the transaction, informed (April 1982) that the action of the Assistant Commissioner (Development) Anantnag in entering into transaction with cement depot holder for supply of cement was neither within his competence nor had the authority of the Government or the Head of the Department. As such the recovery from the firm was a bilateral matter to be left to the judgement of the concerned Assistant Commissioner. It was stated (March 1983) by the Assistant Commissioner (Development), Anantnag that the licence of the firm had been cancelled by the Director, Food and Supplies in September 1981. No action has, however, been taken to recover the balance amount of Rs. 0.52 lakh from the firm (March 1983).

The matter was reported to the Government in July 1982 ; reply is awaited (August 1983).

### **Excise and Taxation Department**

#### **3.5. Avoidable expenditure on purchase of pilferproof seals**

As approved by the departmental Purchase Committee, the Excise Commissioner placed orders in April 1979 for supply of 108.70 lakhs of pilferproof

seals of 28 MM size during 1979-80 on two small scale industrial units ('A' and 'B'). The supplies were to be made at Rs. 75 per 1000 pieces plus Rs. 9 as price preference (12 per cent) and each firm was to supply seals in the ratio of 65:35 (modified in July 1979 as 52:48), viz., 56.52 lakh and 52.18 lakh pieces respectively. The firms were required to execute agreement with the department within 30 days. While the department executed a formal agreement with firm 'B', no such agreement was executed with firm 'A' for which there were no reasons on record.

In November 1979 the Deputy Excise Commissioner, Jammu informed the Excise Commissioner that firm 'A' had not supplied pilferproof seals according to the demand placed from time to time and the Warehouse at Jammu was suffering for want of such seals. Firm 'A' supplied 12.17 lakh seals between June 1979 and November 1979. A notice was served upon the firm 'A' on 13th November 1979 to show cause as to why penalty specified in clause 16 of the Notice Inviting Tenders should not be imposed on it for delay in supply of seals. Simultaneously action was initiated to call for fresh tenders.

In November 1979, fresh tenders were called for and orders were placed on a Delhi firm for supply of 14 lakh pilferproof seals of 28 MM size at Rs. 150 per thousand pieces with specific orders to the Deputy Excise Commissioner that additional cost involved in retendering and making alternative arrangements would be recoverable from firm 'A'.

The department stopped payment for the cost of supplies made by firm 'A' to recover the extra expenditure incurred in making alternative arrangements. The firm, served on the department a notice for non-payment and disputed its liability to pay the extra cost. The Law Department to whom the case was referred for giving their opinion stated (May 1980) that as no agreement was executed with the firm the contract cannot be said to be valid and binding and if the contract was intended to be terminated and the extra cost made recoverable, due notice was required to be given to the firm.

The department, however, decided (May 1980) to release 80 per cent payment due to the firm pending final decision in respect of the constitutional validity of the contract. The balance 20 per cent (Rs. 0.10 lakh) had been withheld.

The omission of the department in not executing the agreement with Firm 'A' as required under rules and in not issuing notice about termination of the contract has resulted in non-enforcement of the condition laid down in Notice Inviting Tenders for effecting recovery of extra expenditure of Rs. 0.92 lakh incurred on purchasing 13.88 lakh pilferproof seals from Delhi firm. No action has so far (March 1983) been taken to recover the amount from firm 'A'.

The Government stated (January 1983) that the law Department had opined that since the firm had not executed formal agreement with the Department, the contract was to be treated as not in existence, and that the loss had occurred due to reasons beyond the control of the Department as the conduct of the firm had left the department with no alternative but to invite fresh tenders to keep the excise shops in running condition.

## **Industries and Commerce Department**

### **3.6. District Industries Centres Programme**

3.6.1. With a view to achieving effective development of cottage and small industries, widely spread in rural areas and small towns, Government of India launched (1st May 1978) the District Industries Centres Programme in the country. A District Industries Centre was to be set up in every district to act as a focal point for the entire industrial growth of the district and to provide under a single roof all the services and support like information about the district, raw materials and other resources/arrangements for machinery and equipment, raw material, credit facilities, marketing assistance and quality control, research, extension and entrepreneurial training required by small and village entrepreneurs. Institutions like Khadi and Village Industries Commission and Handicrafts and Handloom were also required to

work through and integrate their activities with the District Industries Centres.

Each District Industries Centre was to be manned by a General Manager and seven functional managers were supporting staff under the overall control of the Director of Industries. The functional managers were, inter alia, required to assess requirements and arrange credit, raw-material, machinery etc. and to organise marketing outlets for the industrial units of the district.

Ten District Industries Centres started functioning in the ten Districts of the State in May 1978. From July/August 1980 four more District Industries Centres were established in three newly carved out districts of Kashmir Division and one in Ladakh region. Records of nine District Industries Centres (6 of 1978 and 2 of 1980) were test checked in audit during May-June and September 1982 and the important findings are given in the succeeding paragraphs

**3.6.2. Expenditure.**—As per the approved pattern of assistance, Central Government was to provide during 1978-79 a non-recurring grant of Rs. 5 lakhs per centre to cover the cost of building and other capital assets and a recurring grant of Rs 5 lakhs to be shared between the Centre and the State on 75:25 basis. From 1979-80 onwards, the above pattern of assistance was revised by fixing the share of the Centre and the State, for all components of the programme, at 50:50 basis.

Expenditure incurred under the scheme as furnished by the department was as under :—

	1978—79			Total
	Budget allocation (Rupees in lakhs)	Expenditure Central share	State share	
1. Non-recurring	45.74	31.68	..	31.68
2. Re-curring	37.06	14.70	4.91	19.61
3. Rural Artisans Programme	..	0.60	0.21	0.81
4. Other Promotional Schemes	..	..	..	..
5. District Industries Centre Loans	15.00	13.95	..	13.95
Total	97.80	60.93	5.12	66.05

1979—80

	Expenditure			Total
	Budget allo- cation	Central share	State share	
(Rupees in lakhs)				
1. Non-recurring	11.85	21.03	..	21.03
2. Re-curring	35.12	16.00	16.00	32.00
3. Rural Artisans Programme	..	..	..	..
4. Other Promotional Schemes	..	..	..	..
5. District Industries Centre Loans	10.00	3.27	3.27	6.54
<b>Total</b>	<b>56.97</b>	<b>40.30</b>	<b>19.27</b>	<b>59.57</b>

1980—81

	Expenditure			Total
	Budget allo- cation	Central share	State share	
(Rupees in lakhs)				
1. Non-recurring	15.68	9.66	9.66	19.32
2. Re-curring	50.00	24.29	24.29	48.58
3. Rural Artisans Programme	10.00	1.93	1.93	3.86
4. Other Promotional Schemes	..	..	..	..
5. District Industries Centre Loans	19.80	9.79	9.79	19.58
<b>Total</b>	<b>95.48</b>	<b>45.67</b>	<b>45.67</b>	<b>91.34</b>

1981—82

	Expenditure			Total
	Budget allo- cation	Central share	State share	
(Rupees in lakhs)				
1. Non-recurring	3.54	0.985	0.985	1.97
2. Re-curring	60.20	14.44	14.44	28.88
3. Rural Artisans Programme	10.50	1.85	1.85	3.70
4. Other Promotional Schemes	..	0.755	0.755	1.51
5. District Industries Centre Loans	28.00	6.98	6.98	13.96
<b>Total</b>	<b>102.24</b>	<b>25.01</b>	<b>25.01</b>	<b>50.02</b>

Funds received from the Government of India from 1978-79 to 1981-82 were as under :—

Year	Amount received (Rupees in lakhs)
1978-79	50.00*
1979-80	29.00
1980-81	16.37
1981-82	22.50
Total	117.87

Rupees 117.87 lakhs only were released by the Government of India up to 31st March 1982 against the Central share of Rs. 171.91 lakhs due.

### 3.6.3. Construction of building and purchase of other assets.—

The Department has claimed Central share of Rs. 63.35 lakhs on account of non-recurring expenditure against Rs. 60 lakhs due (Rs. 5 lakhs per District Industries Centre for 10 District Industries Centres established in 1978-79 and Rs. 2.5 lakhs per District Industries Centre for 4 District Industries Centres established in 1980-81).

Against Rs. 50 lakhs received from Government of India during 1978-79 for non-recurring expenditure in respect of 10 District Industries Centres (Rs. 20 lakhs for buildings and Rs. 30 lakhs for other assets), Rs. 41.24 lakhs have been spent on construction of 10 buildings and Rs. 18.55 lakhs on other assets. Out of these one building (Cost: Rs. 4.00 lakhs) was completed in 1979-80 and the other 9 (Cost: Rs. 37.24 lakhs) in 1980-81. Construction of buildings in respect of 4 more District Industries Centres established in 1980-81 is yet to be completed; expenditure incurred so far amounted to Rs. 14.45 lakhs (May 1983).

\* Against the amount of Rs. 50 lakhs sanctioned by Central Government during 1978-79 as non-recurring expenditure for ten District Industries Centres, Rs. 31.68 lakhs were incurred by the District Industries Centres during 1978-79 and the balance of Rs. 18.32 lakhs was incurred during 1979-80 with the concurrence of Government of India.

**3.6.4. Industrial potential survey.**—Each District Industries Centre was to undertake economic investigation of the potential for industrial development of the district including its raw material and other resources, supply of machinery and equipment, provision of raw material, arrangements for credit facilities, marketing avenues etc. so as to develop a base for perspective Planning, and action plans are to be drawn up on that basis.

While industrial potential survey reports of Anantnag, Baramulla, Kathua, Rajouri and Udhampur districts were finalised in 1978-79 and action plans drawn up accordingly, survey reports were stated by the General Managers to be under print in respect of District Industries Centre, Jammu (December 1982) and District Industries Centre Leh (August 1982). It was stated by General Manager District Industries Centre, Jammu that targets for 1979-80 to 1981-82 relating to setting up of units had been laid down on tentative basis.

**3.6.5. Industrial development compaigns.**—Each District Industries Centre had to arrange periodical industrial development compaigns to be spread over a period of 2 days at each identified growth centre for mobilising and motivating persons to take up entrepreneurial activities. The Director of industries and Commerce was to co-ordinate these programmes in consultation with other officers. While the number of compaigns held in the districts of Anantnag, Baramulla, Udhampur ranged between 2 and 18 in each of the years 1978-79 to 1981-82, no compaigns were held in Jammu district. The General Manager, District Industries Centre, Jammu intimated (June 1982) that such compaigns would be held in future.

**3.6.6. Industrial accommodation.**—The programme envisaged providing land and industrial sheds to prospective entrepreneurs for industrial development. With this end in view, action plans of the District Industries Centres envisaged setting up of new units in identified growth centres and necessary land/sheds at such centres were to be provided. New industrial units had not come up mainly due to delay in making available land and construction of sheds. The position of acquisition of land, identification of

growth centres, allotment of sheds etc. during 1978-79 to 1981-82 in respect of centres test checked in audit is shown below :

Name of District Industries Centre	Growth centres identified (Year of identification)	Land requirement	Action taken so far by each District Industries Centre in acquisition of land
Anantnag	Anantnag, Kulgam, Doru and Bijbehara (1978-79)	320 Kanals	100 kanals of land was identified on Chee Anantnag road in June 1980 but as the land was flood prone, new site at Kotwal Chuck Anchidora was selected in October 1981. Negotiations for its acquisition were in progress (June 1982).
Pulwama	Pulwama, Shopian, Tral, Pampore and Kakapora (1978-79)		
Baramulla	Baramulla, Sopore, Sumbal (Sonawari), Bandipora and Pattan (1978-79)	Not assessed	Reasons as to why action had not been taken were not intimated by the department.

In the already existing Industrial estate at Shopian 45 kanals of land were lying un-utilised (June 1982). It was stated by the department that no fresh land is required there. Even one administrative block in the industrial estate area was under occupation of the Education Department. In the already existing industrial estate at Pulwama out of 8 sheds belonging to the department 6 sheds were under occupation of other departments/organisations (Police: 2 sheds and KVIB: 4 sheds).

It was stated that steps to get the administrative block sheds vacated had already been initiated. At other identified growth centres in the district no action had been taken to acquire the land.



Name of District Industries Centre	Growth centres identified (Year of identification)	Land requirement	Action taken so far by each District Industries Centre in acquisition of land
Kupwara	Kupwara (1978—79)	100 kanals	In February 1981 the matter regarding acquisition of the land at Kupwara was referred to District Development Commissioner, Kupwara. Only 14 kanals of land had been acquired for setting up of a mini Industrial estate between February and August 1981.
Handwara	Handwara (1978—79)	100 kanals	No action taken for acquisition of land.
Udhampur	Udhampur, Ramnagar, Chenani, Reasi, Katra and Gool Gulab Garh (1979—80)	205 kanals (80 kanals for Udhampur and 25 kanals each for other centres)	Steps for acquisition of 83 kanals and 15 Marlas of land at Udhampur were taken in August 1981. The land owners stayed the acquisition proceedings in August 1981 which had not been got vacated so far (June 1982). Matter for acquisition of 25 kanals of land at Ramnagar was taken up in December 1978 but no progress made so far. No action taken for acquisition of land at other identified growth Centres.
Jammu	Not available	Not* available	Out of 400 kanals acquired from 1978-79 to 1981-82 at Gengyal, 303 kanals allotted to the industrial units. The remaining 97 kanals were reported to have been utilised for roads, drains etc. It was reported by the General Manager in June 1982 that out of 108 units who were allotted the land, only 40 units had utilised the land.

\* Industrial survey report identifying the growth centres was not prepared.

Name of District Industries Centres	Growth centres identified (Year of identification)	Land requirement	Action taken so far by each District Industries Centre in acquisition of land
Kathua	Phinter, Basohili, Kathua, Chadwal, Rambagh, Dyalachak, Bani, Mandi, Budhi Marheen, Mahanpur Nagrota and Gaju (1979-80)	658 kanals	274 kanals of land were acquired for Kathua in 1978-79 out of which 172 kanals have been allotted to entrepreneurs.
Rajouri	Rajouri, Nowshera and Sunderbani (1979-80)	100 kanals for Rajouri and 50 kanals each for Nowshera and Sunderbani	Matter regarding the need for establishing industrial estates taken up by the DIC in October 1980 but proposal has not been cleared by the Industries Directorate so far (September 1982).
Leh	..	500 kanals	Land earmarked for establishment of industrial estate/industrial extension area for which work for development of land taken up by P.W.D. (August 1982).

The General Manager, District Industries Centre, Anantnagh had reported in June 1980 to the Director Industries that he was feeling handicapped in motivating entrepreneurs in the absence of land for allotment to them.

In October 1981 District Industries Centre, Udhampur reported to Development Commissioner, Udhampur that development of Small Scale Sector had come to a stand still for want of land and the main hurdle in setting up small scale industries units was non-availability of land in the out-skirts of Udhampur town. In action plan 1980-81 of Kupwara District, it had been recognised that absence of suitable factory accommodation is one of the main handicaps in the establishment of small scale industries units in the district.

3.6.7. **Registration of new Units.**—Entrepreneurs who show some interest in setting up of a unit are accorded provisional registration, which is normally valid for a period of nine months and can be extended by General Manager of the District Industries Centre, which enables them to take necessary steps for setting up of the unit.

When the unit comes up and goes into actual production with the assistance rendered by the District Industries Centre it is granted formal registration.

Table below indicates the number of units anticipated to be set up as per action plans for the years 1979-80 to 1981-82 and those actually set up during 1979-80 to 1981-82. No targets were fixed for 1978-79 as the industrial potential survey reports were finalised during 1978-79 after the D.I.Cs. came into existence in May 1978.

Sl. No.	Name of the Centre	1979—80		
		Targets	Achievements	Shortfall
		(Number of units)		
1.	D. I. C. Anantnag	59	61	..
2.	D. I. C. Pulwama	53	40	13
3.	D. I. C. Udhampur	170	22	148
4.	D. I. C. Baramulla	61	105	..
5.	D. I. C. Kupwara	..	..	..
6.	D. I. C. Jammu	376	113	263
7.	D. I. C. Kathua	249	77	172
8.	D. I. C. Rajouri	92	50	42

1980—81

Sl. No.	Name of the Centre	1980—81		
		Targets	Achievements	Shortfall
				(Number of Units)
1.	D. I. C. Anantnag	49	104	..
2.	D. I. C. Pulwama	41	69	..
3.	D. I. C. Udhampur	179	25	154
4.	D.I.C. Baramulla	69	82	..
5.	D.I.C. Kupwara	45	38	7
6.	D.I.C. Jammu	426	73	353
7.	D.I.C. Kathua	107	133	..
8.	D.I.C. Rajouri	100	13	87

1981—82

Sl. No.	Name of the Centre	1981—82		
		Targets	Achievements	shortfall
1.	D.I.C. Anantnag	125	104	21
2.	D.I.C. Pulwama	75	214	..
3.	D.I.C. Udhampur	183	42	146
4.	D.I.C. Baramulla	76	75	1
5.	D.I.C. Kupwara	50	51	..
6.	D.I.C. Jammu	468	13	455
7.	D.I.C. Kathua	108	141	..
8.	D.I.C. Rajouri	60	26	34

In Leh no targets were laid down for setting up units but 141 units were set up.

It would be seen that there was shortfall in the establishment of units in all the years in respect of District Industries Centres Udhampur, Jammu and Rajouri. Non-achievement of targets was attributed (June 1982) by DIC Jammu to non-availability of cement and power to the required extent. General Manager, DIC Udhampur did not assign any reasons for shortfall in establishment of new units. Slow progress in setting up of new units was attributed by the General Manager, DIC Rajouri to lack of initiative on the part of local entrepreneurs, lack of financial resources and industrial skill in the people.

The following Table indicates the number of units registered provisionally by the DIC and the number of units that have actually come up and registered

formally during 1978-79 to 1981-82.

District Industries Centre	1978—79		1979—80		1980—81		1981—82		Total		
	Units registered provisionally	Number of new units established and registered formally	Units registered provisionally	Number of new units established and registered formally	Units registered provisionally	Number of new units established and registered formally	Units registered provisionally	Number of units established and registered formally	Units registered provisionally	Number of new units established and registered formally	Percentage of new units to total provisionally registered units
Anantnag	128	31	420	61	398	104	607	104	1553	305	19
Pulwama	NA	28	NA	40	NA	69	531	214	1114*	351	32
Baramulla	144	78	209	105	223	82	232	75	308	340	42
Kupwara	..	..	..	..	85	38	164	51	249	89	36
Jammu	271	82	573	113	494	73	548	13	1886	281	15
Kathua	266	82**	311	77	287	133	269	141	1133	433**	38
Udhampur	129	28	233	22	207	25	284	42	353	117	14
Rajouri	40	23	200	50	148	13	108	26	496	112	23

(NA.=Not available)

\* Total for 1978—79 to 1981—82; year-wise break-up not intimated.

\*\* Includes existing units registered formally.

The percentage of the number of units set up during the period 1978-79 to 1981-82 to the total number of units registered provisionally ranged from 14 to 42. Even in respect of District Industries Centres, Jammu and Kathua, the total number of units established which include those which were existing on the coming into effect of District Industries Centre scheme in May 1978, the percentage ranged between 57 and 59 only. Shortfall in the establishment of new units would indicate that growth in industrialisation has not been to the desired extent and that the assistance rendered by the District Industries Centres had either been not adequate or fruitful.

(b) The Industry-wise break-up of the units anticipated to be set up and those set up in respect of District Industries Centres, Anantnag and Pulwama during the period from 1979-80 to 1981-82 is given below :—

S. No.	Category of Industry	Anantnag District		Pulwama District	
		No. of units anticipated to be set up during 1979-80 to 1981-82	No. of units actually set up during 1979-80 to 1981-82	No. of units anticipated to be set up during 1979-80 to 1980-81	No. of units actually set up during 1979-80 to 1980-81
1.	Electric Industries	15	1	6	..
2.	Mechanical Industries	32	22	25	..
3.	Chemical Industries	17	7	9	1
4.	Leather based	12	1	6	1
5.	Wood based	44	72	26	22
6.	Mineral Industries	19	2	9	6
7.	Textile	19	..	2	35
8.	Handicrafts	21	41	..	..
9.	General Servicing	11	4	3	2
10.	Fruit Processing	2	..	7	..
11.	Hoisery and Garments	12	25	1	13
12.	Food based	29	59	..	16
13.	Iron and Steel based	..	..	..	13
14.	Miscellaneous Industries	..	35	..	..

(similar information in respect of other District Industries Centres had not been received).

It will be seen that while in some of the categories of industries the targets set had been over achieved, the achievement in respect of other categories is either

nil or insignificant. It was stated by General Manager, District Industries Centre, Anantnag (June 1982) that these units could not be set up as the entrepreneurs were not forthcoming for these categories in spite of the motivation.

**3.6.8. Monitoring of data of registered units.**—In accordance with the guide-lines issued by the State Government the General Manager of a District Industries Centre is not only responsible for identification of entrepreneurs, providing inputs like land, raw material, credit etc., for setting up the units but also to ensure continued viable operation of the units set up by entrepreneurs. In order to know the problems faced by the entrepreneurs in the matter of raw material, credit marketing, etc., all registered units were required in terms of the said guide-lines to submit the yearly production returns of the raw material received/utilised, stock in hand, production and sale, etc. Table below indicates the number of units registered up to end of 1981-82 and the number of units from which production returns were received in November 1980 and December 1980 :—

Name of District Industries Centre	Number of units registered up to end of 1981-82	Annual production returns obtained in		Number of units closed or not existing or sold as reported in the Annual Production Return
		1979	1980	
		Number of units		
Anantnag	1065	409	410	79
Pulwama	659	174	160	16
Baramulla	832*	NIL	NIL	NIL
Kupwara	204	80	35	4
Jammu	1080*	NIL	NIL	NIL
Kathua	894	NIL	NIL	NIL
Udhampur	769*	270	145	52
Rajouri	410	NIL	NIL	NIL
Leh	141	NIL	NIL	NIL
<b>Total</b>	<b>6054</b>	<b>933</b>	<b>750</b>	<b>151</b>

The test check of selected District Industries Centres disclosed that while 6054 units were registered with the eight District Industries Centres up to March 1982, annual production returns were either not insisted upon, or where received, were not consolidated to take any follow-up action. The annual

\* Includes units registered prior to May 1978 in Baramulla, Jammu and Udhampur districts.

production returns revealed under-utilisation of annual production capacity in almost all cases, which was attributed by the respective District Industries Centres to be mainly due to power break-down, scarcity of raw material, non-availability of finance. Follow-up action taken to solve the problems faced by the units, which inhibited production, was not on record. In the absence of annual production returns in all cases, no watch could be kept centrally over the continued viable running of the units.

**3.6.9. Registration of existing units.**—The District Industries Centres were required to survey the existing industries in the districts and undertake registration of such units to enable them to assess their immediate problems and find solutions thereof. The registration of all units was also necessary for building up individual and collective record of investment capacity, production and other details of small scale industries units. The position with regard to registration of existing units was as under :—

District Industries Centre	Total un-registered existing units at the inception of DIC Scheme as indicated in industrial potential survey reports	Number of existing units registered during 1978—79 to 1981—82				Total	
		1978—79	1979—80	1980—81	1981—82		
Anantnag	3140*	85	125	217	364	791	
Pulwama		138	212	211	218	779	
Jammu		NA	60	82	95	237	
Kathua		(B)	176	191	158	127	652
Udhampur		(N. A.—Not available)					

Similar information in other centres test checked was not available.

**3.6.10. Institutional Finance.**— Institutional Credit for the new entrepreneurs was to be arranged by District Industries Centres. Table below indicates the number of cases (with amount) sponsored by the District Industries Centres to various financial institutions (viz. Banks, Jammu and Kashmir State Financial Corporation etc.) and the number of cases (with

\* As per Action Plan of District Industries Centre, Anantnag for the years 1979-80 and 1980-81.

(B) Units not identified.



amount) sanctioned by the financing institutions:—

District Industries Centre	Period	Recommendation to financial institutions		Sanctioned by financial institutions		Shortfall	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Percentage
		<i>(Rupees in lakhs)</i>		<i>(Rupees in lakhs)</i>			
Anantnag	1978—79 to 1981—82	1086	392.49	727	171.22	359	33
Pulwama	-do-	978	268.87	463	93.47	515	53
Baramulla	-do-	1202	368.24	617	155.64	585	49
Kupwara	1980—81 (August 1980 to 1981—82)	278	166.23	56	45.74	192	69
Jammu	1978—79 to 1981—82	702	912.00	208	169.00	494	70
Kathua	-do-	551	177.40	250	78.55	301	54
Udhampur	-do-	379	67.79	170	35.36	209	55
Rajouri	-do-	201	NA	126	31.41	75	37
Leh	-do-	245	16.75	87	6.28	158	64

(N. A. = Not available)

The number of cases in which finance was sanctioned fell far short of the number sponsored (percentage of shortfall ranged from 33 to 70).

According to directions issued by Reserve Bank of India to commercial banks, the banks should not take more than a month in clearing the cases sponsored by the District Industries Centres. It was, however, noticed that the banks took 2 to 12 months in clearing the cases sponsored by the District Industries Centres.

A list of illustrative cases is given in Appendix 3.3. The reasons for delay were attributed by the respective General Managers to failure on the part of entrepreneurs to fulfil the required formalities. It was also stated by General Manager, Kathua and Kupwara that the banks were also responsible for the delay on one or other pretext.

The District Industries Centres were expected to monitor the progress of utilisation of institutional credit by the entrepreneurs, whose cases were sponsored by them. It was, however, noticed that no records had been kept by any of the District Industries Centres which would indicate that necessary verification had been done by the District Industries Centres in this regard. It was contended by the General Managers that the utilisation of the institutional finance was verified by the banks themselves and by the field staff of the District Industries Centres. No records were, however, kept to verify that the verification was already conducted by the field staff and if so, to what extent.

3.6.11. **Loans.**—Direct loans are given to small scale industries and rural artisan units registered by the District Industries Centres for meeting their working capital requirements and also as seed money for purchase of machinery. During the period 1978-79 to 1981-82 against an allocation of Rs. 72.80 lakhs an amount of Rs. 54.03 lakhs was advanced as loans by all the District Industries Centres in the State of which Rs. 43.18 lakhs was advanced as loans to 1,423

unit holders in eight District Industries Centres as per break-up given below :—

District Industries Centres	No. of units	Amount (Rupees in lakhs)
Anantnag	142	4.73
Pulwama	122	4.35
Baramulla	151	5.77
Kupwara	87	3.27
Jammu	271	4.83
Kathua	294	8.48
Udhampur	121	4.83
Rajouri	209	5.86
Leh	26	1.06
Total :	1423	43.18

These loans are given under terms and conditions applicable to those granted loans under State Aid to Industrial Act 1961. Loans granted for working capital are repayable within 5 years and those for machinery etc. within 15 years. As per the agreements entered into with the loanees, the loans are to be utilised within four months from the date of drawal failing which the whole amount of loan plus interest thereon would be recoverable as arrears of land revenue.

An examination of the loan records maintained by various District Industries Centres revealed the following points :—

(a) Verification in respect of loan utilisation had not been conducted by District Industries Centres Kathua, Pulwama, Udhampur and Rajouri. In respect of District Industries Centre, Anantnag such verification had been conducted in respect of loans granted during 1978-79 only. District Industries Centre, Jammu had detected 5 cases where the loanees had only partly utilised the loan amounts and in one case the loan had not at all been utilised for the purpose for which it was granted. Action to recover the loans had been initiated. General Manager District Industries Centre, Baramulla intimated that such verifica-

tion was being done by the field staff but no verification reports were on record.

(b) Position of overdue loans and recoveries due had been worked out only by the District Industries Centres Anantnag, Pulwama and Udhampur where an amount of Rs. 1.61 lakhs was shown as overdue in respect of principal only as on 31st March 1982. District Industries Centres Baramulla, Kupwara, Jammu and Kathua had not worked out the position of loan instalment overdue. There was nothing on record to show the action had been taken to recover the overdue amounts.

(c) The initial accounts, viz., Loan Ledgers maintained in District Industries Centres had not been authenticated by any responsible officer in token of check nor had the figures of payments and recoveries appearing in the initial accounts been reconciled with the treasuries.

(d) No loans were provided by the District Industries Centre Leh during the years 1978-79 and 1979-80 and the funds allotted for the purpose were not utilised. The loans of Rs. 1.06 lakhs were provided by the District Industries Centre, during 1980-81 and 1981-82 without obtaining required mortgage deeds and executing agreement deeds with the loanees as no such documents were on record.

**3.6.12. Subsidy on fixed capital investment.—** During 1978-79 to 1981-82 an amount of Rs. 84.39 lakhs was paid as 10-15 per cent subsidy on fixed capital investment of industrial units by the District Industries Centres.

As per agreements executed with the unit holders the beneficiaries were required to submit utilisation certificate within one year from the date of receipt of cash instalments and also annual progress reports and audited balance sheets for a period of five years. These returns were not obtained by the District Industries Centres in any case and no action was taken to obtain them from beneficiaries. The subsidy is recoverable if the unit holder stops production within 5 years from

the date of commencement of production. Records did not reveal any verification to have been done to ensure that unit holders did not stop production within 5 years.

The following points also came to notice during test check of records :—

(i) Rupees 0.49 lakhs were paid by District Industries Centre, Anantnag in July 1980 as subsidy to a stone crushing unit. The unit holder, as reported by Industrial Promotion Officer to General Manager D.I.C., had sold the unit for which a show cause notice was issued to him in September 1981. No further follow-up action to recover the subsidy amount had been taken (May 1982).

(ii) Rupees 0.66 lakh were paid in June 1981 by District Industries Centre, Pulwama as 10-15 per cent Capital investment subsidy to a hotel unit in Pulwama. Non-utilisation of the hotel building for bonafide purposes had been noticed by the District Industries Centre, Pulwama, for which a show cause notice was issued to the unit holder in June 1982.

(iii) Entrepreneurs intending to avail of the subsidy were required to get themselves registered with the Industries Department before making investment in land, building, plant and machinery. Condition of prior registration could be waived of by the State Level Committee if it was satisfied that there were sufficient reasons to do so. It was, however, noticed that subsidy had been paid on investments made before registration of units in a routine manner without recording reasons for waiving the conditions of prior registration.

(iv) Payment of subsidy was noticed to have been made by the District Industries Centre, Baramulla in three cases on the market value of the land instead of the actual cost of land purchased after 1st October 1970. On this being pointed out by Audit, the General Manager, District Industries Centre, Baramulla stated that the matter would be investigated.

3.6.13. **Transport subsidy.**—Transport subsidy equivalent to 50 per cent of the transporting costs of raw materials and finished goods to and from certain selected areas is admissible under Government of India Transport Subsidy scheme 1971, applicable in Jammu and Kashmir State with effect from 15th July 1971. Subsidy to the extent of 25 per cent of the cost of transport of raw materials from Pathankot, Kathua or Jammu railheads to a point within the State was also sanctioned by the State Government in 1972. However, the guidelines issued by the Industries Department in December 1978 laid down that the State Transport subsidy of 25 per cent was not operative in face of 50 per cent transport subsidy sanctioned by Government of India in 1971. Considerations for putting this rider were not on record. Contrary to this, 25 per cent transport subsidy amounting to Rs. 3.95 lakhs was noticed to have been paid by District Industries Centre, Pulwama in 1981-82 and Rs. 0.07 lakhs by D.I.C. Udhampur. It was stated by the Director of Industries (June 1982), that in the Districts where 50 per cent transport subsidy was admissible payment of 25 per cent transport subsidy of the State Government was also in vogue and that a committee had been constituted by the Government to go into the question in detail and for revision of incentives. The findings of the Committee are awaited (June 1982).

3.6.14. **Cash incentive in lieu of exemption in Payment of additional Toll Tax.**

Rupees 4.37 lakhs were paid in 1981-82 by District Industries Centre, Pulwama to a flour mill at Pampore as cash incentive in lieu of exemption in payment of Additional Toll Tax. The payment was noticed to have been made, after obtaining approval at District Development Commissioner's level, on the basis of certificates of total wheat lifted furnished by the Chartered Accountant, without scrutinising the claims with reference to vouchers of actual additional Toll Tax paid. On this being pointed out, the Director of Industries stated (June 1982) that the matter would be examined.

**3.6.15. Stipend to Technocrats.**—A technocrat entrepreneur (a graduate in engineering, arts and commerce or diploma holder in engineering) who has identified a scheme and has taken preliminary steps was to be granted a stipend of Rs. 250 per month for a period commensurate with the scheme but not exceeding 18 months in any case. The grant of stipends was to be reviewed by the General Manager, DIC after every three months to ensure that stipends were paid to only those persons who were taking effective steps in setting up the industries.

An examination of the records maintained by District Industries Centre, Baramulla revealed that an amount of Rs. 0.60 lakh had been paid to 22 technocrats as stipend during the period 1978-79 to 1981-82. Out of these three technocrats had failed to establish the units. Records produced did not reveal whether necessary quarterly review had been conducted to ensure that the technocrats were taking effective steps to set up the units. General Manager, District Industries Centre, Baramulla intimated (June 1982) that steps were under way to recover the amount of stipend from the technocrats who had failed to establish the units.

**3.6.16. Linkage between District Industries Centre and associated agencies.**—From the records examined in the District Industries Centres it could not be verified whether any rapport had been established with allied institutions/agencies to ensure co-ordinated approach for the development of industries. General Manager District Industries Centre, Pulwama intimated (June 1982) that while they had established liaison with Khadi and Village Industries Board, the Handloom department did not consult them before sponsoring cases of handloom entrepreneurs. General Manager, District Industries Centre, Udhampur stated (June 1982) that executive Officer of Khadi and Village Industries Board was a member of District Loan Committee and thus there was no duplicacy in sanctioning loans.

**3.6.17. Monitoring of District Industries Centres Programme.**—The District Industries Centres Scheme

envisaged setting up of a State Level Co-ordination Committee with Chief Minister/Minister for Industries as Chairman to supervise and monitor the functioning of the District Industries Centres. The Committee was to meet once in six months and report to the Government of India, the progress, problems encountered and solutions identified, to enable the Government of India to review the progress, of the scheme from time to time. The State Government, constituted a State Level Committee in April 1978, with Secretary Industries and Commerce as its Chairman, to co-ordinate with various agencies at higher level for effecting industrial growth, provide guidance to the General Managers in implementing the scheme and review the progress of implementation in different directions.

The Committee, however, never met for the above purposes. It was stated by the Directorate of Industries (June 1982) that the working of the District Industries Centres was being reviewed from time to time by the Directorate but no report was on record.

To provide a suitable arrangement for effective co-ordination between the District Industries Centres and other State Government departments and other official and non-official agencies, the District Industries Centre scheme contemplated setting up of a district advisory committee. The committee was to meet once a month and in any case not less than once in two months. The State Government in April 1978 constituted District Level Co-ordination Committees with District Development Commissioners as their Chairman. It was, however, noticed that such committees had not met at all. It was contended by the respective General Managers that problems encountered by the District Industries Centres were being sorted out in meetings held by District Level Committees, which were constituted at all district headquarters, for periodic appraisal of district plans as a whole.

As the District Development Committees would not be in a position to devote exclusive attention to this item of work the purpose behind setting up of



District Co-ordination Committees in April 1978 could not obviously be met.

### 3.6.18. Summing up

As against a total outlay of Rs. 352.49 lakhs from 1978-79 to 1981-82 the actual expenditure on District Industries Centres was Rs. 266.98 lakhs (Rs. 171.91 lakhs share of Government of India, Rs. 95.07 lakhs share of State Government).

The Industrial Growth Centres were not set up since land required for establishing these was either not acquired or acquired late although growth centres were identified as early as in 1978-79 and 1979-80.

The targeted number of units could not be established in any of the years starting with 1979-80, shortfall ranging from 7 to 45 in respect of seven D.I.Cs. Shortfall was significant in respect of D.I.C. Jammu and Udhampur and ranged from 146 to 455. Against 8,092 units registered provisionally by a D.I.C. during 1978-79 to 1981-82 only 2,023 units were actually established. The number of units registered was far less than the number set up.

Viability and capacity utilisation of units, registered formally, was neither ensured nor monitored. Rs. 780.39 lakhs were made available as institutional finance to 2,647 units, as against 5,377 units recommended by District Industries Centres. The shortfall ranged from 33 to 70 per cent of units sponsored by the DICs. No watch was kept by the DICs on the utilisation of institutional finance by the units.

Rs. 42.12 lakhs was advanced as loan to 1,397 units/entrepreneurs. Utilisation of loans disbursed by District Industries Centres was not generally verified. No action had been taken to recover the overdue amounts.

The objective of ensuring co-ordinated approach for the development of industries by liaising with rural development blocks, Khadi and Village Industries Board and other agencies was not achieved.

The points mentioned above were reported to Government in August 1982 ; reply is awaited (August 1983).

### 3.7. Irregularities in purchase of Knitting Machines.—

On the basis of tenders invited by General Manager, District Industries Centre, Rajouri in September 1978, the District Development Commissioner, Rajouri approved in January 1979 purchase of 30 'Knit Master' Knitting machines at the lowest rate of Rs. 1320 each plus sales tax from a local firm of Jammu although exact specifications of the knitting machines, required to be purchased had not been indicated in the tender notice. The knitting machines were required by the department for use in the centres and for distribution among the trainees at the end of their training who, therefore, bore 50 per cent cost of the machines. The supply order was not, however, issued by the General Manager who intimated (May 1982) that supply order could not be placed because the then General Manager wanted to discuss with the Manager (credit)/Manager State Bank of India Rajouri about the finance on behalf of the trainees. In a separate note submitted by him to the District Development Commissioner, Rajouri (date not specified) it was stated that he had meanwhile got in touch with the Jammu agent of a Company for supply of SIMAC knitting machine, which besides being superior to all other available machines was being sold at the standard company price and this did not need any tender. There was nothing on record to substantiate that the SIMAC Knitting machines were actually superior as no tests of the knitting machines of either brand were conducted by the Department to determine the superiority of the SIMAC machines. He had further stated that he had placed order with the agent and had asked for his commitment to supply machines in the financial year (1978-79) and that in the event of the firm's disagreement to supply these machines, the Department would place order for the 'Knitmaster' brand. The action was approved on 13th February 1979 by the District Development Commissioner, Rajouri who was not competent to

accord such sanctions. Immediately thereafter (February 1979), the Principals in Bombay were asked to send pro forma bill for 30 knitting machines DX-2000 model at approved rates whatever. In March 1979, a pro forma bill for 30 machines at Rs. 3,425 each plus sales tax was received by the department and advance of Rs. 53,430 was drawn from the treasury in March 1979, without obtaining orders of the Government. Out of this Rs. 0.15 lakh were paid (March 1979) as advance to the agent and balance kept in current account in a bank for retiring the machines.

The firm supplied 4 machines in February 1979 (2 at the rate of Rs. 3,425 and 2 at the rate of Rs. 3,850 each plus sales tax). 28 machines were supplied in May 1979 at the rate of Rs. 3,700 each plus sales tax, out of which 50 per cent cost was borne by trainees in respect of 25 machines.

Had the department placed orders with the original firm, extra expenditure of Rs. 0.45 lakh would have been avoided.

The department stated (May 1982) that the machines at higher rate were purchased due to their efficiency and quality and that sanction of the Government to the drawal of advance could not be obtained due to paucity of time at the fag end of the year.

The matter was reported to the Government in September 1982; reply is awaited (August 1983).

### **3.8. Planning and Development Department Developmental activities in Rajouri District.—**

**3.8.1. Introductory.—**With the objective of lending speed to development programmes and seeking involvement of people, the State Government re-organised district administration in October 1976 making the district a programming and monitoring unit. The re-organised pattern 'inter-alia' envisaged constitution of a District Development Board for each district headed by the District Development Commis-

sioner of the district with members of the Legislature from the district and other prominent citizens as members. The Boards are advisory in character. With this reorganisation the District Development Commissioner is required to act on behalf of and share authority and jurisdiction with the technical head of the department in respect of powers and functions which are of exclusive concern to the district. The overall day-to-day control exercised over the field staff working within a district, belonging to every development department concerned with the district plan vests with the District Development Commissioner. District Development Board for Rajouri district was constituted in December 1976. Under the scheme, yearly plan allocations are made by the Planning and Development Department for implementation by the District Development Board. On the basis of yearly allocations, implementing departments drew annual plans for the various schemes/projects. No separate master plan for the district setting out long term objectives to be achieved, keeping in view the special requirements of the district and the strategy to be adopted for achieving the objectives was prepared.

According to the Planning Department Rs. 1116.55 lakhs was incurred against the targeted outlay of Rs. 1146.46 lakhs during 1977-78 to 1980-81. But the District Development Commissioner reported that an expenditure of Rs. 1811.50 lakhs was incurred against an outlay of Rs. 1787.56 lakhs during 1977-78 to 1981-82. The details are given in appendix 3.4. The discrepancy in reported figures of outlay/expenditure has not been reconciled. There was no proper system of reconciling Plan outlay as intimated by the Planning Department and as adopted by the implementing department, and expenditure as reported by District Development Commissioner and adopted by the Planning Department.

The accounts records of various departments, viz., Public Works, Agriculture, Animal and Sheep Husbandry, Horticulture, Co-operation, Education and Health Departments in regard to implementation of some schemes for the period 1977-78 to 1981-82 were test checked during December 1981 and August/September 1982 and the points noticed are mentioned in the subsequent paragraphs.

3.8.2. **Planning of Works Programme.**—The 5th Five Year Plan envisaged the need for concentrated attention on a limited number of important works instead of proliferating the limited resources on a large number of works. While making annual Plan allocations, the Government had invariably been asking the district authorities to give priority for completion of continuing works so as to avoid large scale spill overs and to use capacity already created. It was, however, noticed that instead of ensuring speedy completion of the works in hand, large number of new works had been taken up during 5th Plan period and the subsequent three years but only a small number of them could be completed leaving many works incomplete for many years as indicated below :—

Sector	Number of ongoing works as at the end of 1973—74	Number of new works taken up during 1974—75 to 1981—82	Number of works completed by end of 1981—82 out of those shown in	
			Col. 2	Col. 3
1	2	3	4	
<b>Roads and Bridges</b>				
Roads	29	50	17	8
Bridges	6	10	5	5
Irrigation	1	26(A)	Nil	7
Water Supply	9	34+4(B)	8(C)	18(D)

3.8.3. **Roads and bridges.**—The overall position of the road length in the Rajouri district at the end of March 1974 and March 1982 stood as under :—

Classification of road	Cumulative position of achievement of road mileage as at the end of	
	March 1974	March 1982
	(In kilometres)	
Fair weather	93	207
Shingled	25	30
Metalled	..	23
Black topped	43	71
	161	331

- (A) Excludes position of completed works taken over from Public Health Engineering Division, Rajouri.  
 (B) Year of commencement for 4 works not known.  
 (C) Works commissioned but not completed.  
 (D) Works commissioned but not completed.

Of the 25 road works (estimated cost: Rs. 100.33 lakhs) completed during 1974-75 to 1981-82 at a total cost of Rs. 116 lakhs, 22 roads works (estimated cost: Rs. 93.87 lakhs ; completed cost : Rs. 103.79 lakhs) were completed after delays ranging from one to eight years. 12 ongoing works from 1973-74 onwards were kept incomplete.

As against the 16 bridges constructed by end of 1981-82, 6 bridges (original estimated cost: Rs. 64.60 lakhs and expenditure ending March 1982: Rs. 55.20 lakhs) had not been completed even after the delays of one to four years after scheduled date of completion. Of the ten bridges completed during 1974-75 to 1981-82, six bridges had been completed after a delay of two to three years from the anticipated dates of completion. One ongoing bridge started in 1971-72 was not completed though expenditure of Rs. 12.54 lakhs was incurred ending March 1982.

The delays in the completion of roads and bridges were attributed by the Executive Engineer, Roads and Buildings Division, Rajouri generally to shortage of cement. A test check of stock registers of the division revealed that cement stocks ranging from 311 to 4918 bags were available at the end of each month during April 1979 to March 1982 with the division in the main store.

3.8.4. **Irrigation.**—In Rajouri district 90 per cent of total cultivable area is at the mercy of rains. In order to provide irrigation facilities to more areas, one medium irrigation scheme 'Rajal Lift Irrigation Scheme' and several minor schemes were under execution at the close of 1981-82. Under irrigation only 1 projects started during 1974-75 to 1981-82 were completed.

As at the end of March 1982 construction of 42 irrigation Khuls had been completed at a cost of Rs. 32.02 lakhs and 16 khuls and 4 lift schemes were under construction, on which expenditure of Rs. 1,14.71 lakhs had been incurred up to end of March 1982, designed to create a total irrigation potential of 17553 acres on a cultivable command area of 5954.

acres. As against the irrigation potential of 4463 acres created by 42 completed irrigation works the potential utilised was only 3500 acres. Similarly in the case of schemes in progress, which have partly been commissioned, irrigation potential of only 837 acres has been utilised out of the total created potential of 1983 acres. The shortfall in the utilisation of created potential was attributed by the Executive Engineer, Rajouri Irrigation Division (September 1982) to non-development of command area. Sioti lift scheme started in 1971-72, for a command area of 800 acres was not completed since the distributaries and other minor works were in progress; despite incurring expenditure of Rs. 40.66 lakhs (March 1982).

**3.8.5. Water supply.**—One ongoing work of Palme Nagrota lift Irrigation scheme, out of 9 works started during 1974-75 to 1981-82, remained incomplete despite incurring expenditure of Rs. 13.89 lakhs (March 1982). Out of designed population of 1.06 lakhs anticipated to be covered under 23 rural Water Supply Schemes commissioned up to 1981-82, a population of 0.62 lakh only was covered. The anticipated coverage of population was achieved only in respect of 3 schemes. In respect of balance schemes the shortfall in coverage of population ranged between 11 and 83 per cent. Reasons for shortfall were neither on record nor intimated by the Executive Engineer, Public Health Engineering Division, Rajouri.

### 3.8.6. Agriculture :

(i) **Dry land Development Programme.**—Under this programme, implemented in the district from 1976-77, phosphatic and potassic fertilizers are provided to the farmers for selected areas on 50 per cent subsidized rates for two consecutive years so as to demonstrate to the farmers the advantage in using fertilizers for increasing the yield. Against the envisaged coverage of 700 hectares for Kharif and rabi each year, actual land covered and the expenditure incurred on the scheme during each of the years

from 1977-78 to 1981-82 was as under :—

	1977—78	1978—79	1979—80	1980—81	1981—82
Land covered (Hectares)	600(A)	509 Kharif 666 rabi	609 Kharif 720 rabi	638 Kharif 571 rabi	603 Kharif 341 rabi
Expenditure incurred on the scheme (Rupees in lakhs)	1.12	1.33	1.60	1.02	2.07

(ii) **Maize package programme.**—The scheme introduced in 1979-80 was implemented in two (Budhal and Durhal) out of the seven blocks in the district and envisaged payment of 50 per cent subsidy to farmers for all types of fertilizers for use in selected areas to be covered for a period of one year. Against the anticipated coverage of 100 hectares for kharif and rabi each year, land actually covered and the expenditure on the scheme during each year from 1979-80 to 1981-82 were as under :—

	1979—80	1980—81	1981—82
Land coverage (Hectares)	102 Kharif	71 Kharif	100 Kharif
Expenditure incurred on the scheme (Rupees in lakhs)	0.27	0.33	0.53

Shortage in coverage of land under both the programmes was stated by the District Agriculture Officer (September 1982) to be due to heavy rains and hailstorm owing to which sowing of rabi crops could be done only in some areas; but actual analysis by audit revealed that sufficient funds were not provided in the district plan for full coverage. No targets for yields had been assessed with the result that the effectiveness of the programme in terms of output could not be judged. The District Agriculture Officer Rajouri stated (September 1982) in a general way that the yield in the area covered had increased but actual increase in yield was neither on record nor intimated. Whether and to what extent application of fertilizers was continued by the farmers after withdrawal of subsidy was not available from the records.

(A) Details as to whether it pertains to rabi and kharif not intimated.



### 3.8.7. Animal Husbandry

3.8.7.1. **Introductory.**—Intensive Cattle Development programme launched in the district was required to upgrade the breed of indigenous cattle through natural services or artificial insemination with a view to increasing milk yield in the district. During a test check (September 1982) of the records of Chief Animal Husbandry Officer the following points were noticed :—

1. Under the scheme an initial survey was to be conducted to ascertain the animal husbandry conditions, level of milk production, marketing and consumption of milk etc. No such survey was conducted. Total breedable population of the district was not identified and no targets laid down for coverage of breedable cattle under artificial insemination etc. Reasons why this had not been done were not available from the records.

2. An examination of performance records of the stud bulls stationed at various centres for providing natural services for breeding revealed as under :—

Breed number	Specie	Name of centre	Date of stationing	Date of death	Coverage done	Coverag expected technically
					(Numbers)	(Numbers at the rate of 100 per year)
146	Cow Bull	Majota	January 1975	April 1980	158	500
7—10	„	Triath	June 1979	August 1981	27	200
X—2	„	Khersoo	March 1979	January 1981	9	200
A—17	Buff Bull	Shaddara	August 1975	April 1980	191	500

**(Bulls still living)**

Breed number	Specie	Name of centre	Date of stationing	Coverage done		
				1979—80	1980—81	1981—82
				(Numbers) (Numbers)		
8/96	Buff Bull	Chingus	April 1980	..	1	46
M-463	..	Potta	June 1979	..	98	NA
J-30	..	Kalakote	September 1980	..	41	20

(N. A. = Not available)

Poor performance of the bulls was attributed by the Chief Animal Husbandry Officer (September 1982) to topography and agroclimatic conditions of the district; and migration of the cattle population for summer months to high land pastures during which no breeding facilities are provided by the department.

3. Under the programme of artificial insemination an artificial breeding station was established at Nowshera. The collection and consumption of semen for the years from 1978-79 to 1981-82 was as under :—

Year	Semen collected	Semen utilized	Semen destroyed	Number of artificial insemination done	Births recorded	Breeding efficiency
	(ML)	(ML)	(ML)			(per cent)
1978—79	10069	2174	7895	907	300	33
1979—80	12990	2777	10213	1247	450	36
1980—81	15735	3420	12315	1437	540	37
1981—82	19819	3478	16341	1902	654	34

It would be seen that the quantity of semen used for artificial isemination forms a small percentage (15 to 20) of the total semen collected at artificial breeding station Nowshera and balance was destroyed. The Chief Animal Husbandry Officer, Rajouri

intimated (September 1982) that at times the requisite number of cows did not turn up for artificial insemination with the result that some quantity of semen had to be destroyed. The breeding efficiency ranged between 33 and 37 per cent. Reasons for low percentage of births against artificial insemination had not been analysed by Chief Animal Husbandry Officer (September 1982).

**3.8.7.2. Establishment of poultry farm.—**A scheme for establishment of poultry farm at Sunderbani was introduced in the year 1977-78 for rearing of poultry birds and their sale at subsidised rates to the farmers of the district for improvement of poultry breed. Expenditure of Rs. 2.09 lakhs was incurred during 1977-78 to 1981-82. The rearing activities were, however, started only in July 1982.

It was stated by Chief Animal Husbandry Officer Rajouri (September 1982) that the space for rearing of birds in the rearing space was under completion and so the rearing work could not be started up to July 1982.

### **3.8.8. Sheep Husbandry :**

#### **3.8.8.1. Introductory.—**

The scheme aimed at crossbreeding of indigenous sheep with a view to increasing the production of wool and mutton in the district as also improvement in the quality of wool. An expenditure of Rs. 23.84 lakhs was incurred on these schemes during 1977-78 to 1981-82.

Under the Intensive Sheep Development programme, number of ewes to be covered under cross breeding during 1977-78 to 1981-82 and those actually covered during the above period were as under :—

Year	Ewes to be covered	Ewes covered	Shortfall
1977—78	23,000	14,200	8,800
1978—79	30,000	17,600	12,400
1979—80	34,000	20,000	14,000
1980—81	37,000	29,000	8,000
1981—82	41,000	41,000	Nil

Low coverage during 1977-78 to 1980-81 was attributed by the District Sheep Husbandry Officer (September 1982) to short supply of required rams by the department. The department has 41 sheep extension centres in the district which look after health and breeding cover of the ewes registered with the centres. A test check of the breeding records of the below noted centres for 1981-82 revealed that the percentage of lambing in respect of these centres ranged between 1 and 50.

Name of Centre	Ewes available	Rams available	Progeny obtained	Percentage of lambing
Thanmandi	3371	15	1716	50.00
Darhal	6000	15	500	8.33
Rajouri	5524	7	1325	24.51
Manjakote	4788	6	219	4.37
Khawas	6993	10	335	4.80
Budhal	6394	6	66	1.03
Kh. Jamola	3250	4	203	6.24

Reasons for variations were neither investigated nor action taken to improve lambing (September 1982).

The rams available with the department are issued for breeding during September/October each year through Sheep Extension Centres. For the remaining months of the year the rams are stationed at the feeding centre. The department has only one feeding centre where accommodation is available only for 70 rams to the maximum. As the total strength of rams since 1976-77 was more than three times the number for which accommodation was available, the remaining rams were kept in some private houses in un-hygienic conditions.

For providing accommodation to the rams, the Sheep and wool Development Officer, Rajouri took up the matter of creating additional accommodation with District Development Commissioner in June 1977 but no follow-up action was taken.

District Sheep Husbandry Officer, Rajouri stated (September 1982) that a piece of land at Dharmsal had been selected but possession of the land had to

be taken where rams numbering about 200-300 could be accommodated in the sheds to be constructed on the land.

3.8.8.2. **Mortality.**—Table below indicates the number of pure bred rams available with the department during 1980-81 and 1981-82 and the position of mortality :—

Year	Number of pure bred rams	Mortality	Percentage of mortality
1980—81	253	39	15.41
1981—82	247	63	21.47

The mortality of the costly pure bred rams was high during the above years which was attributed by the District Sheep Husbandry Officer, Rajouri (September 1982) to drought conditions of November/December 1981 and January 1982 and untimely rains during February/March 1982 resulting in lung infection etc.

The objective of the sheep and wool Development programme (started in 1967) was to increase quantity of wool and mutton as also quality of wool. It was noticed that at no stage had any data regarding actual increase in the quantity and quality of wool and quantity of mutton been collected to assess the impact of the scheme towards achieving the main objective, nor had targets been fixed for the additional yields to be obtained. In 1979, some samples were taken for assessing the fineness of wool by local and cross bred sheep but the data was not utilised for any meaningful evaluation.

### 3.8.9. Horticulture :

#### 3.8.9.1. Introductory.—

A programme for development of horticulture envisaged distribution of improved varieties of fruit plants raised in the departmental nurseries for rais-

ing good quality orchards. With this end in view the district plans for the year 1977-78 to 1981-82 envisaged implementation of the following schemes:—

1. Horticulture Development programme in hilly and backward areas.
2. Development of Horticulture in Kandi (dry) areas.

Expenditure of Rs. 5.63 lakhs and Rs. 0.73 lakh was incurred on the above two schemes respectively from 1979-80 to 1981-82. Under Horticulture Development programme in hilly and backward areas in addition to the two orchards-cum-model nurseries already existing, two more model orchards-cum-nurseries were envisaged to be established during 1980-81 to 1981-82. While one orchard at Budhal was established in 1980-81, the other nursery-cum-orchard at Thanamandi, which was intended to raise budded plants, could not be established. An examination of the records, however, revealed that a piece of land measuring 33 kanals and 14 marlas had been selected by the Department sometime in 1977-78 and funds to the tune of Rs. 0.65 lakh were also placed at the disposal of the Assistant Commissioner (Collector) Land Acquisition, District Rajouri as compensation to be paid on settlement of land award. Following disputes with the land owners, the acquisition proceedings were dropped and the department selected another piece of land measuring 25 kanals and 07 marlas in Thanamandi. The District Horticulture Officer, Rajouri stated (September 1982) that the acquisition proceedings have almost been completed and possession is to be taken after crops standing in the land are harvested. Non-establishment of the nursery for raising budded plant material has given a set back to the Horticulture Development programme in the district.

Targets, achievements in regard to the raising of fruit plants for distribution to local orchardists for

additional cultivation are given as under :—

	Targets fixed for production of fruit plants	Total number of plants produced	Total number of plants distributed
<u>1977—78</u>			
Rajouri Nursery	10,000	6,569	3,822
<u>1978—79</u>			
Rajouri Nursery	10,000	3,344	3,344
<u>1979—80</u>			
Rajouri Nursery	10,000	18,914	8,415
Siot Nursery	20,000	3,043	3,336
<u>1980—81</u>			
Rajouri Nursery	10,000	5,581	3,858
Siot Nursery	20,000	15,469	7,503
<u>1981—82</u>			
Rajouri Nursery	10,000	8,557	3,044
Siot Nursery	20,000	10,330	6,987
Budhal Nursery	10,000	3,349	1,880

It would be seen that the plants produced fell short of targets fixed and the plants distributed to the farmers were not commensurate with the plants produced in the nurseries. In respect of nurseries established at Rajouri and Siot low production was attributed by District Horticulture Officer (September 1982) to water logging in Rajouri Nursery and non-availability of irrigation facility in Siot. Steps taken for providing irrigation facilities were not intimated. The position with regard to Budhal Nursery was not intimated. No Nursery Journal showing, inter alia, the inputs and the number of trees grown had been maintained. In the absence of this Nursery Journal, the cost of raising plant material could not be ascertained. It was stated that the plants were sold at 50 per cent subsidy on the basis of predetermined rate which had no relevance to the cost of production.

3.8.9.2. **Raising of plantation.**—A survey conducted in June 1981 of plantations made under various

schemes up to the year 1980-81 revealed that the survival rate of plantation made was very low as would be clear from the following table:—

Name of the scheme	Area/number of plants covered under plantation upto 1980—81	Area existing as On 30th June 1981
(1)	(2)	(3)
1. Horticulture Development Programme in hilly/backward area scheme	824 1249	500 1078
2. Intensive Fruit Production Programme (Numbers)	1,34,453 (Plants top worked)	66,770
3. Kandi Area Development programme (i) Numbers	53,488 (palnts top worked)	15,812
(ii) Acres	190(Additional plantation)	150

Low survival rate was attributed by the District Horticulture Officer Rajouri (September 1982) to adverse climatic conditions and transportation of fruit plants for long distance resulting in the roots getting damaged.

The department is reported to have taken measures to stop such recession of achievements by spray of chemicals, removal of off-shoots and pruning of trees well in time.

**3.8.9.3. Walnut cultivation.**—A Centrally sponsored scheme of walnut cultivation was started in the district during 1972-73. The scheme remained in operation up to 1978-79 after which its implementation was stopped and expenditure of Rs. 0.53 lakh was incurred on the scheme during the year 1975-76 to 1978-79.

The targets and achievements in the coverage of area under walnut cultivation during 1975-76 to



1978-79 is as under :—

Year	Targets	Achievements	Shortfall
(Acres)			
1975—76	350	68	282
1976—77	250	97	153
1977—78	350	163	186
1978—79	100	250	Nil

The shortfall in achievement of targets was attributed by District Horticulture Officer, Rajouri (September 1982) to non-availability of plant material. From 1979-80 the plantations already made up to 1978-79 had to be maintained. It was, however, stated by District Horticulture Officer Rajouri in (September 1982) that out of the total area of 809 acres covered under the scheme, an area of 677 acres was existing only and the rest of it had dried up due to drought conditions.

Non-achievement of targets was also attributed to non-supply of barbed wire for fencing the areas planted. It could not, however, be ascertained as to how much area was proposed to be fenced and how much had actually been fenced and what was the quantity of barbed wire purchased and issued to the orchardists as the relevant records have been seized by the Anti-corruption Department.

### 3.8.10. Co-operation

#### 3.8.10.1. Growth of Co-operative Movement

The plan envisaged strengthening of the Co-operative movement both organisationally and financially so that the Societies become viable and that all the services required by the members are rendered by the Societies. It was also aimed at increasing the membership to enlist all rural families in the Co-operative movement.

Table below indicates the position of Co-operative Societies and the number of defunct Societies as

at the end of 1977-78 and 1981-82 :—

Type of Societies	Number of societies as at the end of			
	Upto 1977—78		1981—82	
	Total Number	Number of defunct Societies	Total Number	Number of defunct Societies
Sale and Service Society	3	..	17	..
Primary Agriculture Society	103	64	104	55
Labour Co-operative Societies	..	..	2	..
Marketing Societies	5	2	7	2
Total	111	66	130	57

The number of societies had increased marginally from 1977-78 to 1981-82 which numbered 130 in 1981-82, out of which 57 societies were defunct, involving share capital of Rs. 0.50 lakh paid by the Government in nine defunct societies. Non-revival of defunct Societies and slow growth of co-operative Societies was attributed by Deputy Registrar Co-operative to poor and backward area of the district where the societies did not come forward for their betterment. At the end of May 1982, as many as 45 societies were involved in embezzlement/misappropriation of their own funds amounting to Rs. 12.28 lakhs out of which only rupees one lakh had been recovered so far.

### 3.8.11. Education

The district is educationally backward. The Fifth Plan target was for cent per cent coverage in the case of boys in age group 6-11 and 50 per cent in the case of girls. Target for coverage for children in the age group 11-14 (middle school) was 50 per cent. According to norms laid down by the National Development Council, there should be a primary school within a radius of 1.5 Kms. and a middle school within a radius of 5 Kms. In view of lack of proper transport facilities, difficult terrain and natural obstacles, as also dispersed population in hilly areas, the State Government felt the need for primary and middle schools

being set up within a radius of 1 Km. and 3 Kms. respectively.

According to the information made available by the department the growth of educational facilities in the district was as under :—

Particulars	Position as at the end of					
	1973—74			1981—82		
	Boys	Girls	Total	Boys	Girls	Total
<b>Number of schools (with enrollment)</b>						
(a) Primary	223	123	346	310	268	578
	12,757	6,400	19,157	13,471	9,175	22,646
(b) Middle	83	30	113	96	32	128
	5,411	1,299	6,710	10,547	4,948	15,495
(c) High	30	6	36	29	8	37
				7,313	2,686	9,999
(d) Higher Secondary	2	Nil	2	7	1	8
				11,313	395	1,708
Total (c) and (d)	32	6	38	36	9	45
	2,656	542	3,198	8,626	3,081	11,707

Information about the number of schools which were required to be opened at various levels or the population to which the existing schools could cater as per norms laid down was not made available.

#### 3.8.11.1. Construction of college building at Rajouri.—

In April 1979, it was decided to construct a degree college. Cost of the College building including main college, hostel etc., mini-stadium and residential quarters was estimated (July 1979) at Rs. 58.67 lakhs. The proposal included a provision of Rs. 5.61 lakhs for compensation for 12.20 acres of land (4.70 acres for

the College and 7.50 acres for the stadium). An amount of Rs. 6.20 lakhs as compensation for the land was placed at the disposal of the Land Acquisition authorities during June 1979 to November 1979. Administrative approval for only the main College building was, however, accorded by Government in February 1980 for an amount of Rs. 20.88 lakhs (including a provision of Rs. 2.16 lakhs on account of compensation for 4.70 acres of land). The work was started in December 1980 and Rs. 18.31 lakhs had been spent ending March 1982. The building was under construction (September 1982). In this connection the following points were noticed.

(i) The work was allotted to a contractor in March 1980 for completion by April 1981. It, however, remained suspended up to November 1980 as the land owners did not allow the construction without payment of compensation. The dispute was resolved in July 1980.

(ii) Slow progress in the construction of the building was attributed by Executive Engineer Roads and Building Division (September 1982) to shortage of cement and other material. Meanwhile Three Year Degree Course Part II classes had been started in a portion of Teachers Training School building from April 1982.

3.8.12. **Health.**—In the 5th Plan document, stress was laid on the provision of essential requirements such as equipment, building and residential accommodation for the existing centres and to make up the acute deficiency of para-medical personnel in fields like nursing, female health visitors and nutrition workers etc. by recruitment of suitable female staff and providing proper training.

In Rajouri district as on 31st March 1982 there were 51\* dispensaries (in addition to one district and one sub-district hospital, three primary health centres and 45 other centres and sub-centres) as against the target of 85 dispensaries. The reasons for shortfall

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\*29 Allopathic, 16 Ayurvedic and 6 Unani.

were neither available from the records nor intimated by the Department. The services of staff nurses, lady health visitors and medical assistants were stated to be in adequate for want of trained staff.

Of the 97 medical institutions (including 51 dispensaries excluding four units at Rajouri) in the district, 21 are provided with the Government buildings and the remaining 76 are housed in rented buildings, although it was envisaged that in the 5th Five Year Plan building for every dispensary would be constructed.

### 3.8.13. Summing up

No Master Plan had been prepared for the district setting out long term objectives to be achieved keeping in view the special circumstances of the district. Figures of outlay and expenditure reported by the Planning Department and District Development Commissioner differed widely.

Despite instructions from the Government that priority be given for completion of continuing works, new works had been taken up during the 5th Plan and subsequent years leaving a large number of spillover works incomplete from year to year.

Of the 25 road works completed during 1974-75 to 1981-82, 22 road works were completed after a delay ranging from one to eight years. Of the 16 bridges anticipated to be completed ending 1981-82 only 10 bridges had been completed, out of which 6 bridges were constructed after a delay of two to three years.

Against the created irrigation potential of 4463 acres from 42 completed irrigation works the potential utilised was only 3500 acres. Utilisation of potential created from the works under progress was 837 acres against the created potential of 1983 acres.

Out of 23 rural water supply schemes commissioned up to 1981-82, anticipated coverage of popula-

tion was achieved only in respect of 3 schemes when shortfall in the remaining schemes ranged between 11 and 83 per cent.

There was shortfall in coverage of land under dry-land development programme and maize package programme.

No survey to identify the total breedable cattle population and production of milk was conducted. There was shortfall in the coverage of breedable ewes during 1977-78 to 1980-81, percentage of lambing ranged between 1 and 50. Data regarding assessment of increase in the production of mutton and wool under the scheme had never been collected nor had any targets for additional yield been fixed.

Model orchard-cum-nursery anticipated to be established at Thanamandi, designed to raise budded fruit plants for distribution among orchardists had not been established so far. Production of fruit plants fell far short of the targeted figure in respect of plants to be raised.

Out of 130 societies registered up to 1981-82, 57 societies were defunct.

There was delay in construction of college building at Rajouri.

Against the target of 85 dispensaries, only 51 dispensaries existed at the end of 1981-82. There was shortage of staff nurses, Lady Health Visitors and medical assistants.

The matters mentioned above were reported to Government in October 1982; reply is awaited (August 1983).

### Sheep Husbandry Department

3.9. **High mortality of Sheep in Daksum farm.**— The Sheep Breeding Farm Daksum was set up (February 1971) with the object of acclimatizing the imported breed, producing progeny under local conditions and distributing stud rams (born at the farm)

among the breeders of the State. On the land allotted to the farm (July 1971) exclusive grazing rights were provided by the Government. Since the inception of the farm, the cattle belonging to private individuals were not allowed to enter the grazing area in order to guard the sheep of the farm against infection from outside animals. It was noticed (July 1981) in audit that the department had allowed (July 1979) itinerant Gujjars and Backarwals to graze their cattle in the grazing lands of the farm, because due to total closure of Dachigam Rakh for grazing, they (Gujjars and Bakarwals) had been put to difficulty in grazing their live-stock.

It was stated by the Superintendent Sheep Breeding Farm, Duksum (July 1981) that as a result of mixed grazing 180 sheep, costing Rs. 0.63 lakh, had died during the year 1980, among which 10 per cent sheep had picked up infection from cattle and due to Schistosomiasis. The Indian Veterinary Research Institute, Izatnagar in its Pathological report of 22nd December 1979 had among others diagnosed the existence of above mentioned disease in the sheep of the farm. The Advisor-Cum-Director Sheep Husbandry Department reported to Government in May 1980 that owing to permission granted to some private parties to graze their cattle in the farm, the live-stock of the farm had got infected, which resulted in heavy mortality of sheep.

In August 1981 Government ordered that the land on one side of river Rajparian will be demarcation line for the area to be under the farm and the land, including forest area on the other side, was allotted for the hay cutting only to the local population of Daksum. Superintendent of the farm reported (November 1981) that as a result of this, the farm was deprived of about 2000 acres of harvestible/grazeable land and thus not allowing bare minimum grazing area for its sheep.

The rate of mortality of sheep in the farm had,

however, not remained stable as shown below :—

Year	Livestock number at the end of the year	Deaths during the year	Percentage
1979—80	4972	795	16
1980—81	4608	661	14
1981—82	4241	1028	24

The high rates of mortality were attributed by the department to spread of infection amongst the sheep due to mixed grazing, reduction in effective grazing area and illicit grazing on the farm having been started from the year 1979.

The permission given to private parties to graze their cattle in the farm and illicit grazing, resulted in loss of Rs. 0.63 lakh in 1980, due to high mortality of sheep in the farm.

The matter was reported to Government in November 1981 ; reply is awaited (August 1983).

### Social Welfare Department

3.10. Welfare of Scheduled Castes ; Other Backward Classes.

#### 3.10.1. Introductory.—

Promotion of the education and economic interests of the Scheduled Castes and Scheduled Tribes is a Constitutional obligation of the Government. According to the 1971 census, the population of the Scheduled Castes in the State was 3.81 lakhs in the total population of 46.2 lakhs. The total population of the Scheduled Castes in the State was reported to have increased to 4.97 lakhs in 1981\*. In order to discharge the Constitutional obligation, various schemes for the welfare of scheduled castes were undertaken in the State by the Social Welfare Department. A total expenditure of Rs. 414.19 lakhs was incurred up to March 1982.

\* There are no scheduled tribes in the State.



Actuals from 5th Plan onwards are given below:—

Name of sub-scheme	5th Plan		1979—80		1980—81		1981—82		Total	
	Outlay	Expenditure	Outlay	Expenditure	Outlay	Expenditure	Outlay	Expenditure	Outlay	Expenditure
<i>(Rupees in lakhs)</i>										
1. Post-matric scholarship	..	..	1.15	1.15	1.50	2.04	0.98	1.50	3.63	4.69
2. Pre-matric scholarship	56.67	41.01	16.07	17.14	18.20	19.62	20.04	20.79	110.98	98.56
3. Re-imbusement of examination fee	6.10	2.40	0.72	0.44	0.75	0.39	0.47	0.32	8.04	3.55
4. Supply of books, uniforms, stationery	13.96	7.15	5.21	5.30	6.00	6.10	6.44	6.76	31.61	25.31
5. Housing subsidy	28.80	9.42	9.04	9.59	12.80	14.19	12.84	14.22	63.48	47.42
6. Other schemes	13.23	14.67	4.32	3.06	6.75	4.20	7.23	5.17	31.53	27.10
Total	118.76	74.65	36.51	36.68	46.00	46.54	48.00	48.76	249.27	206.63

(Departmental figures)

Information about the extent of Central assistance actually received from time to time is awaited (July 1982).

During test check, conducted in June and August 1982, of the records pertaining to period 1974-75 to 1981-82 relating to the implementation of the scheme in the Secretariat, Directorate of Social Welfare and four District Officers (Jammu, Udhampur, Kathua and Rajouri) of Social Welfare Department, the following points were noticed :—

### 3.10.2. Pre-matric scholarship.—

(i) Total number of school going children belonging to Scheduled Caste communities during 1978-79 was 48,000 (class-wise break-up was not available with the Director). Number of students who were granted scholarships/uniforms during 1979-80 to 1981-82 are shown below :—

Year	Number of students benefited			Percentage covered
	Pre-matric	Uniform	Total	
1979—80	11,153	5,720	16,873	35
1980—81	8,723	6,091	14,814	30
1981—82	8,915	5,773	14,688	30

Secretary to Government, Social Welfare Department intimated (July 1982) that educational incentives are extended to achieve better enrolment of these students in different schools but due to financial constraints the coverage was not adequate. During the 5th Plan period Rs. 70.63 lakhs were provided for pre-matric scholarships and supply of books, uniforms and stationery but only Rs. 48.16 lakhs were utilised.

(ii) In order to remove illiteracy and to bring about an overall development among the students of scheduled castes and other backward communities, the scheme of awarding scholarships ranging from Rs. 3 to Rs. 12 per month (revised to Rs. 10 to Rs. 20 per month with effect from April 1979) to the students

studying in 4th Primary to 10th was introduced in the State in 1957. The scholarships are to be awarded to the students belonging to scheduled castes and other backward classes provided their parent's/guardian's income does not exceed Rs.300 and Rs. 250 per month respectively. Twenty per cent of the total allocation is to be reserved for those students who obtained 50 per cent or more marks in the order of merit irrespective of income ceiling.

(iii) A test check of applications received revealed that the applications of students getting 50 per cent or more marks were not considered for grant of scholarships. Some illustrative cases in respect of Rajouri District are indicated in appendix 3.5. while District Social Welfare Officer, Rajouri admitted (September 1982) the omission, District Social Welfare Officer, Kathua stated (July 1982) that no separate allocations are made by the Government and such students are usually covered in the general list and no separate record is maintained.

3.10.3. Targets and achievements in regard to payment of these scholarships during 5th Plan period and the years 1979-80 to 1981-82 are given below :

Year	Target fixed		Target achieved	
	Scheduled caste	Other Backward classes	Scheduled caste	Other Backward classes
	(Number of cases)			
5th Plan	46,461	69,469	41,862	41,650
1979-80	11,533	6,000	11,153	6,500
1980-81	7,783	4,372	8,723	5,465
1981-82	8,601	5,274	8,915	5,122

Reasons for shortfall in payment of scholarships to scheduled castes and other backward classes students during 5th Plan period are awaited from the Government.

3.10.4. Applications for scholarships received from educational institutions are put up to a commi-

ttee constituted at district level with District Development Commissioner as Chairman, District Social Welfare Officer as Member Secretary and District Education Officer as Member. The district offices, except District Social Welfare, Rajouri had not maintained any record to show the total number of applications received and the number of applicants in whose favour scholarships had been sanctioned.

(i) In respect of Rajouri district an amount of Rs. 9.33 lakhs (Rs. 7.02 lakhs to scheduled castes and Rs. 2.31 lakhs to other backward classes) was granted to 8507 students (6073 to scheduled castes and 2434 to other backward classes) during 1977-78 to 1981-82 against 6270 and 3840 applications received from heads of institutions in respect of Scheduled castes and other backward class students respectively. No criteria had been laid down/ followed by District Social Welfare Officer for selecting application for sanction on the basis of merit, poverty etc. District Social Welfare Officer stated (September 1982) that the required procedure would be followed in future. In respect of other districts the basis/consideration of sanctioning/rejecting the scholarship applications could not be ascertained.

(ii) The scholarships are sanctioned by District Level Committee consisting of District Development Commissioner as Chairman, District Social Welfare Officer as Member Secretary and District Education Officer as Member. On the basis of sanctions issued by the District Level Committee, scholarship amounts are drawn by the heads of Educational Institutions for payment to the students studying in non-Government schools. the amounts are drawn by District Social Welfare Officer and remitted to the respective heads of institutions for payment to the students. According to the procedure, prescribed by Director Social Welfare, the scholarships are to be drawn and disbursed six monthly. A test check of the records in four districts revealed that these amounts were drawn and disbursed generally towards the end of the financial year in lump for the whole year, thus depriving the beneficiaries of timely financial assistance.

(iii) In one district (Udhampur), out of Rs. 2.02 lakhs and Rs. 2.47 lakhs released/sanctioned during 1979-80 and 1981-82 respectively, Rs. 0.73 lakh and Rs. 0.72 lakh were drawn during March of the respective year. In another district (Kathua) the entire amount of Rs. 1.82 lakhs, Rs. 1.73 lakhs and Rs. 1.84 lakhs sanctioned during the years 1979-80, 1980-81 and 1981-82 respectively was drawn in March of the respective years by the Heads of the Educational Institutions. No reasons for late drawal were given by the District Social Welfare Officer. The Social Welfare Department sanctioned the payment of scholarships to be drawn by various heads of educational institutions for payment to the students in whose favour scholarships had been sanctioned. No procedure had been laid down by the department for verifying that the scholarships sanctioned by them were drawn and disbursed by the educational institutions to proper persons, nor had disbursement certificates been called for from the educational institutions. In Jammu and Kathua districts, disbursement certificates to the tune of Rs. 34.66 lakhs from 42,154 beneficiaries and Rs. 9.44 lakhs from 11,870 beneficiaries drawn for the period from 1976-77 to 1981-82 had not been received by the concerned District Social Welfare Officers. In respect of Udhampur district the records did not reveal the amount for which disbursement certificate was awaited. In Rajouri district out of 8,507 cases to whom scholarship was disbursed during 1977-78 to 1981-82, disbursement certificates in respect of 237 cases only were obtained during 1979-80 and 1980-81. It was stated by the District Social Welfare Officer (September 1982) that these were being obtained from the disbursing authorities. In absence of these disbursement certificates the District Social Welfare Officers were not in a position to say if the amount sanctioned by them had actually reached the beneficiaries.

### 3.10.5. Post-matric scholarships

(i) Scholarships are given to students belonging to the scheduled castes and other backward classes studying at post-matriculation or post-secondary stage for enabling them to complete their edu-

cation. These scholarships are wholly financed by the Government of India. Prior to 1981-82 the scholarships were drawn and paid by the Heads of the Educational Institutions on the basis of sanctions issued by the Government in Social Welfare Department. In case of students studying in Government aided schools and universities, the amount was drawn by the Deputy Directors, Social Welfare, Jammu and Srinagar and sent to the institutions for disbursement among the scholars. In case of students studying outside the State, drawals were made by the Director, Social Welfare and the amount sent to institutions by bank drafts for disbursement among the respective scholars.

(ii) (a) The sanctions for scholarships were issued by the Government in February/March of each year during the last three years ended March 1982. The Director, Social Welfare had drawn the amount so sanctioned in March only (Rs. 1.43 lakhs in March 1980, Rs. 4.61 lakhs in March 1981 and Rs. 1.65 lakhs in March 1982). Rupees 0.25 lakh had remained undisbursed at the close of March 1980 and Rs. 2 lakhs in March 1981. These amounts were remitted during the subsequent financial year.

(b) Scholarships tenable for 1981-82 had been drawn by Deputy Director, Social Welfare, Jammu in the last week of March 1982 and deposited in the bank account opened by the Deputy Director with the Jammu and Kashmir Bank Limited, Town Hall Jammu. Out of Rs. 8.48 lakhs drawn during 1981-82 for payment of scholarships Rs. 8.46 lakhs remained undisbursed at the end of March 1982 and Rs. 0.20 lakh at the end of July 1982.

(iii) The actual date when the cheques/bank drafts were encashed by the respective institutions and disbursed among the beneficiaries are not available either with the Director Social Welfare or Deputy Director, Social Welfare Jammu. Director/Deputy Director had not kept a watch over the actual disbursement of the scholarship amounts to the payees by the educational institutions. Payees' receipts/disbursement certificates were awaited from the educa-

tional institutions in a large number of cases. Records did not indicate that any action had been taken to call for the awaited payees' receipts disbursement certificates in respect of the amounts sent by cheques/bank drafts with a view to verifying that the amounts had been paid to the proper persons.

The Secretary to Government, Social Welfare Department intimated (July 1982) that although there was no institutionalised system of verifying disbursements, the District Social Welfare Officers were verifying disbursements during their field visits. No records of such verification were found in the offices of District Social Welfare Officers.

(iv) During 1981-82 the procedure of drawal of scholarship amounts by heads of educational institutions was changed by Government and Deputy Directors were empowered to draw the amount and send the amount to institutional heads for disbursements among the respective students. A test check of the scholarship register of Deputy Director, Social Welfare Jammu revealed that 4 educational institutions to whom cheques of the total value of Rs. 0.33 lakh covering the scholarship proceeds had been sent on 31st March 1982 had returned them on the plea that they had also directly drawn the amounts from the treasuries on the basis of sanctions issued by the Government although the sanction clearly stipulated that the amounts would be drawn by the Deputy Director Social Welfare. The amount was refunded into Treasury during July-August 1982. It could not, however, be verified if any such amounts drawn unauthorisedly also by the heads of the educational institutions had been recovered and refunded into the treasury.

### 3.10.6. Supply of books, Uniforms and Stationery

3.10.6. (i) In accordance with the rules framed in 1978, students belonging to Scheduled Caste and Other Backward Classes and studying in Ist to 3rd Primary classes in any Government/non-Government schools and income of whose parents does not exceed Rs. 3600 per annum are granted uniforms. For this

purpose applications are to be invited from deserving students through the heads of educational institutions. The applications so received are to be submitted to the District Level Committee headed by District Development Commissioner for perusal and sanction and on the basis of sanctions issued by the District Level Committee material for uniforms is to be purchased and issued to the concerned students through the heads of educational Institutions. Educational institutions have to furnish the receipts obtained from the beneficiaries to the Social Welfare Department.

Table below indicates the targets in regard to supply of books, uniforms and stationery and achievements made during 3 years of 5th Plan period and the years 1979-80 to 1981-82.

Year	Targets fixed		Achievements	
	Scheduled castes	Other Backward classes	Scheduled castes	Other Backward classes
5th Plan	22,027	17,615	7,641	4,748
1979—80	4,833	4,250	5,720	4,100
1980—81	6,316	5,839	6,091	5,857
1981—82	6,083	6,415	5,773	6,709

Reasons for shortfall especially during 5th Plan were not intimated. It was noticed that only uniforms and not books and stationery were supplied to the students.

(ii) A test check of the records revealed as under :

(a) The District Offices had not prepared any consolidated record of total number of applications received for submission to the District Level Committee for perusal and sanction nor had any minutes of the District Level Committee been recorded. It could not, therefore, be ascertained as to what criteria was adopted in sanctioning the applications. Although as stated by the District Social Welfare Officer,



Udhampur that poverty was the basic criteria for grant of uniforms, it was seen from records that many students whose parent's/guardian's income ranged from Rs. 30 to Rs. 50 per month were not considered for grant of uniforms.

(b) No uniform procedure was adopted for purchasing cloth for uniforms in district offices test checked. While District Social Welfare Officer Kathua purchased cloth for further distribution, the District Social Welfare Officers Jammu and Udhampur authorized the heads of educational institutions to purchase the cloth for further distribution among the students. The cloth was purchased towards the fag end of the financial year with the result that a major portion of the uniforms could not be distributed during the same financial year. In Kathua district 482 metres intended to be distributed during the year 1980-81 remained un-distributed in March 1981 and 5,625 metres intended to be distributed during 1981-82 remained undistributed till March 1982. The late purchase/distribution of uniforms was attributed by the District Social Welfare Officers to late receipt of applications duly recommended by the educational institutions. The delays in purchase/issue of uniforms evidently deprived the beneficiaries of the intended benefits.

(c) Receipts of the students in token of having received the uniforms had not been received from the educational institutions nor had any action been taken to call for those receipts.

(d) In Udhampur district students were granted cloth plus Rs. 7 as stitching charges in cash during 1980-81 despite specific rules prohibiting payments by cash.

### 3.10.7. **Re-imburement of examination fee.**

Students of these commuinties are entitled for reimbursement of the examination fees subject to the monthly income of parents/guardians not exceeding Rs. 3600 per annum and depositing of examination fee with the Jammu and Kashmir Board of School

Education for appearing in Matriculation/Higher Secondary Examination. Targets for payment of examination fee and number of cases in which it was actually paid during 5th Plan and the years 1979-80 to 1981-82 are given below :

Year	Targets fixed		Targets achieved	
	Scheduled castes	Other Backward classes	Scheduled castes	Other Backward classes
	(Number of cases)			
5th Plan	3,586	5,751	1,450	2,412
1979—80	700	740	240	660
1980—81	373	883	217	677
1981—82	429	705	113	479

The shortfall in coverage was attributed by the district Officers to non-receipt of adequate number of cases from the Education Department. In accordance with the rules governing the reimbursement of examination fee, heads of educational institutions were required to send drawal statements immediately after disbursement to the district Officers who were to inspect such educational institutions to which the beneficiaries belonged and conduct at least 25 per cent physical check of the disbursements. There was nothing on record to indicate that drawal statements had been received and the requirement of 25 per cent checks was fulfilled by any of District Social Welfare Officers covered in audit.

### **Welfare Schemes**

#### **3.10.8. (1) Subsidy for tools and kits to ex-trainees.**

The trainees who complete the training in Cottage Industries Centre of Social Welfare Department and Industrial Training Institute successfully and whose family income does not exceed Rs. 300 per month are granted subsidy of Rs. 700 each in the shape of tools and kits for establishing themselves in the particular trade in which they are trained.

Targets fixed for payment of the subsidy and the number of cases in which it was paid during 5th Plan and the years 1979-80 to 1981-82 are shown below :—

Year	Targets fixed		Targets achieved	
	Scheduled castes	Other Backward classes	Scheduled castes	Other Backward classes
5th Plan	259	355	65	51
1979—80	39	40	11	32
1980—81	15	15	9	9
1981—82	45	33	51	24

Reasons for shortfall have not been furnished by the department.

The District Social Welfare Officers had to furnish utilisation certificates of the subsidy to the Director Social Welfare in a prescribed form and had to ascertain whether the grantees started work in the trade individually or jointly with any other person within a period of 90 days from the dates of receipt of subsidy and had also to keep a watch over the continued operation of the unit for a period of three years. No records had been maintained to show that the department had ascertained utilisation of the subsidy and the progress of the unit, if established.

### 3.10.8.2. Housing sites/subsidy

In order to increase the living standards of these communities, scheme of allotment of plots and housing subsidy to houseless/landless families whose monthly income does not exceed Rs. 300 was introduced during 1957. As intimated by the Director Social Welfare Department (March 1983) an amount of Rs. 44.72 lakhs has been paid on this account to date. The land was to be purchased by the department and the house sites to be allotted in favour of the beneficiaries, who were in a position and prepared to construct their houses within a period of one year from the date of allotment.

398 kanals of land were purchased by the department in Jammu and Kathua districts out of which 188 kanals are still (January 1983) to be allotted. The

land was allotted to houseless/landless families as late as in the year 1981-82 and even without developing the sites as required under standing instructions. The delay in allotment was stated by District Social Welfare Officer Jammu to be due to the non-completion of certain legal formalities. The department was, however, required to develop the sites as per rules in every respect before their allotment which was not done. 33 kanals of the land in Kathua district are under occupation of Home Guards and 13 kanals in Jammu district are under the occupation of Education Department.

In Kathua district out of 70 persons to whom land was allotted during 1965-66 only 44 had constructed the houses up to June 1982. The District Social Welfare Officer, Kathua stated that the allottees had entered into an agreement with the department and had undertaken to complete construction within a period of one year from the date of allotment. In the case of allottees who had failed to construct the houses within the stipulated period their allotment had been cancelled and the case for re-allotment of these sites was under process. In Jammu district out of 136 allottees only 112 constructed the houses during 1981-82. As stated by District Social Welfare Officer, Jammu (June 1982) 90 allottees had constructed ordinary sheds at Kharkana and that in respect of 22 allottees at Prithipur the houses had been constructed by Central Government under Rural Housing Scheme.

Table below indicates the targets fixed and the number of cases in which housing subsidy was granted during 5th Plan and the years 1979-80 to 1981-82:—

Year	Targets fixed		Targets achieved	
	Scheduled castes	Other Backward classes	Scheduled castes	Other Backward classes
(Number of cases)				
5th Plan	680	472	849	152
1979—80	200	106	216	108
1980—81	321	175	387	178
1981—82	277	151	337	209

Shortfall in the number of cases of grant of housing subsidy to other backward classes during 5th Plan period were not on record.

Under the rules governing grant of subsidy to Scheduled caste and other backward classes every applicant was to submit his application in a prescribed form to District Social Welfare Officer, who would, after necessary verification of particulars, put up the same to district level committee headed by District Development Commissioner for sanction. During examination of records relating to grant of subsidy in respect of districts test checked in audit the following points were noticed :—

(i) No consolidated records showing the particulars of applications received during each year and the cases in which subsidy was sanctioned had been maintained in absence of which it could not be verified whether conditions governing grant of subsidy had been fulfilled and whether subsidy had been paid in really deserving cases.

(ii) Under rule 7 of the rules for grant of housing subsidy, each house, for which housing subsidy is granted is to be constructed according to the standard design/plan approved by the Government and the roof of the house should be such as to last for not less than 20 years. The District Social Welfare Officer stated (September 1982) that no standard design/plan was approved by the Government.

(iii) The rules also provided that the Deputy Directors, or any other officer that may be nominated by Government would be responsible to verify utilisation of the grant and completion of the work within a period of one year from the date of disbursement of grant-in-aid. It was noticed that the Deputy Director had not maintained any list showing the particulars of subsidy cases received and the cases in which the subsidy had been sanctioned by the district officers and whether and if so, when the verifications had been made by him.

3.10.9. **Monitoring and evaluation.**—The literacy rate of Scheduled castes was nearly 8 per cent as against 10.3 per cent among the other sections of the population in the State and the all India level of 29.4 per cent. In order to raise the level of literacy among the Scheduled Castes up to the general literacy level, various schemes were in operation in the successive Five Year Plans, especially during 5th Plan. The number of Scheduled castes and other backward classes students who crossed from pre-matric stage to post-matric stage and the number of drop-outs in the pre-matric stage was not monitored by the department so as to assess the impact of various educational schemes towards raising the literacy level among the Scheduled castes and other backward classes children. It was stated by the District Social Welfare Officer (September 1982) that requisite data was not made available by the heads of institutions. Whereas various incentives were granted by the department for educational uplift of Scheduled castes and other backward classes students studying in various schools, no effort had been made by the department to monitor data regarding number of children of these communities which had reached school going age but were not attending schools due to economic or other factors so as to have a wider coverage. It was, however, stated by the Government (July 1982) that study had been conducted by Directorate of Economics and Statistics in 1979 to evaluate the impact of educational schemes, but their report had not been finalised. It was conceded by the Government that due to financial constraints they had not been able to touch even the fringe of the problem. It was, however, noticed that funds provided during 5th Five Year Plan were not fully utilised. Out of the total 5th Five Year Plan outlay of Rs. 118.76 lakhs, Rs. 74.65 lakhs only were utilised. The Estimates Committee of the Legislature had also recommended in February 1980 that Government should provide adequate staff to the department for creating monitoring and evaluation cells. Action taken in this behalf has not been intimated.

### 3.10.10. Other topics.

3.10.10.1. **Misappropriation of funds.**—During the course of administrative inspection carried out by the Deputy Director (Central) in July 1980 of the office of District Social Welfare Officer, Srinagar, it was noticed that an amount of Rs. 68,278 was drawn during the period November 1978 to March 1981 for the following purposes :—

	Year	Amount (Rupees)	Remarks
1. Housing subsidy	1978—79	3,600	
	1979—80	33,500	
	1980—81	9,000	
2. Prosthetic Aid	1979—80	7,050	Overhead charges.
3. Sewing Machines	1980—81	15,050	
4. Permanent advance of beggar home		78	
Total		68,278	

The amount had not been applied to the purposes for which it was drawn and that out of this amount, Rs. 12,263 were lying with the cashier as undisbursed amount and the balance of Rs. 56,015 had been allegedly misappropriated by the District Social Welfare Officer and the cashier. The case was handed over to Vigilance Department in July 1980 where it is stated to be still under investigation. Meanwhile the amount of Rs. 56,015 was redrawn under orders of the Government in July 1981 for meeting expenditure on the purposes for which the original amount was drawn.

### 3.10.11. Summing up .—

—Against the total expenditure of Rs. 414.19 lakhs, the coverage of Scheduled caste population under the Scholarship scheme ranged between 30 and 35 per cent. House sites/subsidy for construction of houses were given only in 1,789 cases.

—The basis/consideration of sanctioning/rejecting the scholarship applications for pre-matric scholarships were not on record; scholarships were sanctioned/drawn in the last quarter of the financial year, denying thereby timely financial assistance to the students. The targets fixed for the payment of scholarships were not achieved especially during Fifth Plan period. The percentage of school going children benefitted under the scheme ranged between 30 and 35 per cent during 1979-80 to 1981-82.

—The Post-matric scholarship payments were sanctioned and drawn in the last week of March and disbursed much later. No proper procedure, for ensuring disbursement and obtaining payees' receipts or disbursement certificates, was formulated. Payees' receipts from the educational institutions in a large number of cases had not been received.

—No record showing the total number of applications received and the number of students to whom supply of books, uniforms, etc., was made, had been maintained.

—Uniforms were not supplied in the beginning of the academic year. The purchases of cloth for uniforms were made during the month of March and heavy stock of cloth remained undistributed.

—In none of the years the targets fixed for reimbursement of examination fee were achieved.

—In none of the years the targets fixed for subsidy of tools and kits were achieved. No check was exercised to ascertain the utilisation of the subsidy wherever paid.

—Out of 398 kanals of land purchased prior to 1968-69, 188 kanals of land are still to be allotted and 32 kanals and 13 kanals are under the occupation of Home Guards and Education Department respectively. The land was allotted as late as in 1981-82 and even without developing the sites.



—No survey has been conducted by the department to assess impact of various educational schemes in raising the literacy level of Scheduled castes.

The matters mentioned above were reported to Government in August 1982 ; reply is awaited (August 1983).

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## CHAPTER IV

### WORKS EXPENDITURE

#### Irrigation and Flood Control Department

##### 4.1. Irrigation by tube wells in Jammu and Kathua districts

4.1.1. **Introductory.**—In the Jammu region the largest compact block of land of about 80,000 acres available for irrigation in the Jammu and Kathua districts is situated between the Chenab and the Ravi rivers below the Shivalik hills and bordered by the river Ravi in the east and Indo-Pak border on the south. To provide irrigation facilities to this area a multipurpose project had been under consideration of department for over a decade but in view of its very size and cost (over Rs. 59 crores), some constraints, imposed by inter-State interests and provisions of Indus Water Treaty, the only available alternative was to fall back upon the largely untapped resource of ground water. A beginning was made in this direction in 1967 when the project report was prepared (January 1967) by the Irrigation Department as the first of a series for irrigation of about 18,000 acres in the R. S. Pora Tehsil of Jammu district and sanctioned (February 1967) by the Government for sinking 78 tube wells departmentally and through other agencies like Geology and Mining department, Central Ground Water Board and contractors at an estimated cost of Rs. 81.90 lakhs. A separate division, viz., the Tube Well Irrigation Division, Jammu was created in 1967 to implement the project. Some more schemes were taken up from the year 1967 to 1981-82 for execution. In all, 15 schemes for sinking of 127 tube wells intended to cover an area of 21,710 acres in Jammu and Kathua districts have been taken up, incurring an expenditure of Rs. 239.92 lakhs against the estimated cost of Rs. 317.08 lakhs as given in Appendix 4.1. The implementation of the schemes was reviewed during

July-August 1982 and the important points noticed are given below.

#### 4.1.2. Execution

(i) Out of 15 schemes taken up for execution at an estimated cost of Rs. 269.54 lakhs (subsequently revised to Rs. 317.08 lakhs) between 1966-67 and 1981-82, only one scheme (1 percussion tube-well project at Badhwar) has so far (March 1983) been completed. Of the remaining 14 schemes for installation of 126 tube wells, 114 tube wells have so far (March 1983) been commissioned, expenditure incurred on execution of these schemes up to March 1982 was Rs. 235.37 lakhs. In respect of 7 schemes in progress estimated to cost Rs.96.33 lakhs, administrative approval is yet to be accorded (July 1982), though, an expenditure of Rs. 40.54 lakhs (ending March 1982), has been incurred thereon. The project reports in respect of 5 of these schemes estimated to cost Rs. 66.31 lakhs were still under preparation/submission (July 1982) in the Divisional office. Tube-well wise figures of expenditure incurred on the commissioned tube wells are not available with the Division.

(ii) Expenditure on three schemes has already exceeded the amount of original administrative approval and the revised estimated proposals indicated increases by 30 to 76 per cent as shown below :—

Scheme	Amount of original administrative approval	Expenditure incurred ending March 1982	Revised estimated cost	Increase of (4) over (2)
(1)	(2)	(3)	(4)	(5)
	(Rupees in lakhs)	(Rupees in lakhs)		(Per cent)
78 tube-wells project in R. S. Pora	81.90	103.66	106.25	30
4 percussion tube-wells project in Sunjwan Koulpur area	11.64	17.86	20.45	76
8 percussion tube-wells project in Bikrama Sangial area	22.20	29.69	36.58	65

Sanction to the revised estimates had been accorded (September 1977) only in respect of second scheme; revised estimates in respect of the other two schemes were stated (August 1983) to be under submission.

Increase in the estimated cost of completion of the scheme was attributed by Executive Engineer inter alia to—

- (i) change in the design of some tube wells in view of the original designs not having been found suitable ;
- (ii) rectification of some damaged/defunct tube wells ;
- (iii) provision of top-pitching (4 percussion tube wells project in Sunjwan Koulpur area) and plastering of the channels (R. S. Pora tube-wells project) not provided in the original estimate ; and
- (iv) increase in the rates of labour, material and petrol, oil and lubricants, etc.

#### 4.1.3. Delay in execution

4.1.3.1. Of the 15 schemes, 10 schemes taken up for execution between 1967-68 and 1978-79 were due to be completed between 1970 and December 1980. Of these, nine were still (March 1983) in progress and were expected to be completed only between March 1983 and 1985, the delay in completion ranging from 4 to 15 years as per table given below :—

Sl. No.	Scheme	When taken up	Date of completion as per project report	Expected date of completion	Delay (in years)
1.	78 tube-wells project in R. S. Pora	1967	1970	1985	15
2.	10/11 percussion tube-wells project in Jammu and Kathua areas	1967—68	1970	March 1983	12
3.	4 percussion tube-wells project in Sunjwan Koulpur area	March 1975	March 1977	March 1983	6

Sl No.	Scheme	When taken up	Date of completion as per project report	Expected date of completion	Delay (in years)
4.	8 percussion tube-wells project in Bikrama Sangial area	March 1975	March 1979	March 1985	6
5.	3 tube-wells project in R. S. Pora	1976	March 1978	March 1984	6
6.	2 percussion tube-wells project in Chachwal and Challarian	1976	March 1978	March 1984	6
7.	1 percussion tube-well project in Brijnagar	March 1976	March 1979	March 1983	4
8.	2 tube-wells at Chata 'C' and Bhole Camp	1978	December 1980	March 1985	4
9.	4 tube-wells in Nikowal area	1978-79	March 1980	March 1985	5

The delay in completion was attributed, besides the shortages of funds and departmental materials (cement), to other practical difficulties like time taken in allotment of contracts, procurement of machinery, and shortage of skilled labour, etc.

However, a comparison of the funds allotted for execution of works by the Chief Engineer, Irrigation and Flood Control Department, vis-a-vis, expenditure incurred during the last five years disclosed that even the funds allotted had not been utilised fully in three of the years and a part thereof was surrendered while submitting proposals for revised allotments as indicated below:—

Year	Amount originally allotted	Modified Grant/actual expenditure incurred
	(Rupees in lakhs)	
1977-78	20.59	18.68
1978-79	25.40	22.58
1981-82	50.66	48.26

Similarly, a test check of the priced stores ledger for the five years ending 1981-82 disclosed that on an

average 445 bags of cement had been available with the division as against the normal average issue of 50 bags per month.

Steps taken to overcome other practical difficulties were neither intimated nor was the information available in the records made available to audit.

4.1.3.2. According to the various project reports a period of 10 to 11 months is required to complete and commission a tube well from the date of commencement of the work as detailed below :—

(i) Drilling	3 to 4 months
(ii) Development	1 month
(iii) Civil Works	6 months

Test check of records of 11 tube wells made available to audit during August 1982 in respect of 5 schemes revealed that it took 17 to 37 months to complete and commission 9 of these tube wells as shown below :—

Sl. No.	Particulars of tube wells	Date of		Time taken (in months)
		commencement of work	Commissioning	
(Month/Year)				
1.	Nikowal No. IV	December 1978	August 1980	20
2.	Nikowal No. III	May 1979	September 1980	16
3.	Nikowal No. I	January 1980	August 1981	20
4.	Nikowal No. II	March 1980	August 1981	18
5.	Magral	May 1978	June 1982	37
6.	Chak Jumuna	March 1979	July 1981	28
7.	Brij Nagar	November 1978	July 1981	32
8.	Bhore Camp	October 1978	September 1980	23
9.	Kalyana	March 1981	In progress	17

(ending July  
1982)

Similar information in respect of other tube wells was not made available to audit.

Reasons for delay in commissioning the tube wells were attributed to delay in energisation of the tube wells by the Electricity Department. It was verified in audit that the department had made necessary advance payments to the Electricity Department in March 1979 (in respect of 9 cases mentioned against serial nos. 1 to 8) and in May 1982 (in respect of case mentioned against serial no. 9) but the works were delayed.

#### 4.1.4. Performance

4.1.4. (i) The area envisaged to be irrigated as per the project reports, vis-a-vis, that actually irrigated, during the last five years through tube wells commissioned during the rabi and kharif of 1977-78 to 1981-82 and the percentage shortfall in achievement of the targets is given below :—

Year	Potential created	Potential utilised	Percentage of shortfall
		(in acres)	
1977—78	39526	10203	74
1978—79	42288	10582	75
1979—80	42955	10363	76
1980—81	44281	10557	76
1981—82	46313	11497	75

Scheme-wise details are given in annexure 4.2.

4.1.4. (ii) Shortfall in irrigation in respect of the two schemes—78 R. S. Pora-tube wells project and 10/11 percussion tube-wells project in Jammu and Kathua districts was attributed by department to non-adherence by the farmers to the cropping pattern, who went in for 51 to 90 per cent paddy of total area irrigated in kharif, as against 20 per cent envisaged in the Project Report, and as such the available water could not irrigate more of the command area. Test check of records, however, revealed that the area under paddy was actually not more than 12 to 36 per

cent of the area proposed to be irrigated as shown below :—

Year	Number of Commissioned tube wells	Area proposed to be irrigated in kharif	Total area irrigated in kharif	Area shown under paddy	Percentage of area under paddy to area proposed to be irrigated	Percentage envisaged in the project report
(Acres)						
<b>78 R. S. Pora tube-wells project ,</b>						
1978	74	18,500	4596	4154	22	20
1979	74	18,500	4237	2983	16	20
1980	76	19,000	4630	4021	21	20
1981	76	19,000	4508	2310	12	20
<b>10/11 percussion tube-wells project</b>						
1978		1,165	539	421	36	
1979	10		531	338	29	
1980			526	326	28	Project report was not made available to audit.
1981			496	365	31	

(Half of the total area proposed to be brought under irrigation in both kharif and rabi assumed, in the absence of the project report, as that proposed to be irrigated in kharif).

It was also noticed in audit that the changes in cropping pattern adopted by the farmers had not been taken up with the Agriculture Department despite the need to change cropping pattern suited to the water facility made available and provided for in the Project Report.

4.1.4. (iii) In respect of Rabi crop when the requirement of water is less, shortfall in irrigation



ranged from 53 to 79 per cent as indicated below:—

Year	R. S. Pora Project			10/11 percussion tube-wells project		
	Area proposed to be irrigated	Area actually irrigated	Short fall	Area proposed to be irrigated	Area actually irrigated	Short fall
	(Acres)	(Per cent)	(Acres)	(Per cent)	(Per cent)	
1978	18,500	4,615	75	1,165	542	53
1979	18,500	4,666	75	1,165	543	53
1980	19,000	4,456	77	1,165	470	59
1981	19,000	3,948	79	1,165	467	59
1982	19,000	4,075	79	1,165	419	64

4.1.4. (iv) (i) Shortfalls in irrigation in respect of two other schemes, viz., 4 percussion tube-wells project in Sunjwan Koulpur area and exploratory tube well at Pangdore were attributed by the Executive Engineer Tube Well Irrigation Division, Jammu to the area being sandy and that steps were being taken, in consultation with the Agriculture Department, to persuade the farmers to change the cropping pattern. The project report indicated that the targets for irrigation had already been fixed after taking into account the fact of the sandy nature of the soil for 4 percussion tube wells.

4.1.4. (iv) (ii) Shortfalls in respect of the remaining schemes were attributed by the Department to non-completion of civil works.

4.1.4. (v) The reasons for under-utilisation of irrigation potential were not analysed from time to time.

4.1.4. (vi) The Project report of 78 tube-wells Project in R. S. Pora envisaged joint and integrated endeavour in a synchronised manner by the Revenue, Agriculture, National Extension Service and Co-operative Departments for the success of the Project. The Government had set up in April 1966 two Co-ordinating Committees—a State level Committee comprising Secretary to the Government, Works and Power Department, Commissioner for Agriculture Production, Chief Engineer, Directorate of Design and Planning Department, Chief Engineers, Mechanical

and Stores Department and Irrigation and District Level Committee comprising Joint Director, Mechanical and Stores Department, Deputy Development Commissioner, Jammu Executive Engineer, Electric and Maintenance, District Agriculture Office, Jammu and Executive Engineer, Irrigation Division, Jammu—to review the progress of the work and to suggest remedial measures to overcome the problem during execution and implementation. The Executive Engineer stated (August 1982) that during the last three years, he had been holding the charge of the division, no meeting of these committees had taken place nor was the information in regard to any meeting having taken place in the past available either from the handing over note of his predecessor or from other office record.

#### 4.1.5. Maintenance expenditure.—

(a) In the first detailed project report, prepared in 1966-67, for construction of 78 tube wells in R. S. Pora (which formed the basis of subsequent project reports) annual maintenance cost per tube well was estimated to be Rs. 0.13 lakh including interest on capital. In order to make the project self supporting and after taking into account revised tariffs of Abiana, average annual loss on the operation and maintenance of each tube well was worked out to be Rs. 0.02 lakh and Rs. 0.07 lakh without and with interest charges on capital investment respectively. The average maintenance expenditure increased from year to year and loss per tube well, excluding interest on capital investment ranged between Rs. 0.14 lakh and Rs. 0.25 lakh against Rs. 0.02 lakh as envisaged as shown below :—

Sl. No.	Year	Number of tube wells completed	Expenditure on maintenance	Average expenditure per tube well	Revenue assessed by the Department
<i>(Rupees in lakhs)</i>					
1.	1977—78	88	14.95	0.17	2.61
2.	1978—79	89	16.57	0.18	2.60
3.	1979—80	102	23.06	0.23	2.21
4.	1980—81	107	25.00	0.23	2.59
5.	1981—82	116	30.48	0.26	1.73

Even the maintenance expenditure could not be met out of revenue realised. The envisaged cost benefit per tube well of 1:4 was not realised.

(b) The project report also envisaged that the countervailing benefit in the context of the increase in agricultural production and the saving in subsidy on import of food-grains were expected to outweigh the loss by more than 40 per cent. No study of the benefits accrued in the context of shortfalls in estimated increase in irrigation potential was carried out.

#### 4.1.6. Other topics of interest

##### Unfruitful expenditure.—

(a) A test check of the revenue records for the years 1977-78 to 1981-82 disclosed that no area was irrigated by the following 14 tube wells commissioned under 78 R. S. Pora tube-wells project against the envisaged 7000 acres in the project report.

Particulars of the tube wells	Year of commissioning
1. Allah 'A'	1970—71
2. Pindi Charken	
3. Allah 'B'	
4. Bhuma	1971—72
5. Shakhian Chak	
6. Kapoor-our	1972—73
7. Gharian	
8. Kortana 'B'	
9. Qutab Nizam	
10. Jindoo Maloo	
11. Kortana 'C'	1973—74 1974—75
12. Khana Chak	
13. Kortana 'A'	
14. Jagtu Chak	

The Executive Engineer stated (August 1982) that the area under the command of the first 3 tube wells (1500 acres) was being irrigated by the remodelled Ranbir Canal and as such the Zamindars were reluctant to use the water available from these tube wells. As regards the remaining 11 tube wells (with a total

command of 5500 acres) these were stated to be situated at the tail end of the Ranbir Canal distribution system and were operated only to supplement the supplies of Ranbir Canal during the period the level of the Chenab river fell or during drought. The project report did not specifically envisage construction for supplementing the supplies of Ranbir Canal.

(b) Another tube well (Raipur Saida) was utilised during the years 1977-78 to 1979-80 to irrigate 19 acres only and remained idle during 1980-81 and 1981-82. The reasons attributed for its under/non-utilisation were the same as ascribed to the first 3 tube wells referred in (a) above.

Based on the expenditure incurred for construction of tube wells in the project, the idle investment on the above tube wells is Rs. 19.95 lakhs.

#### 4.1.7. **Summing up**

Of the 15 schemes taken up during 1967-68 to 1980-81 only 1 scheme with 1 tube well was completed; the remaining 14 schemes with 126 tube wells were in progress.

The actual expenditure incurred on implementation of the schemes was Rs. 239.92 lakhs (March 1982) against the estimated amount of Rs. 269.54 lakhs and the revised estimate of Rs. 317.08 lakhs. Seven schemes are yet to be approved although expenditure of Rs. 40.54 lakhs was incurred (March 1982).

There was delay ranging from 4 years to 15 years in completion of the project.

Shortfall in utilisation of irrigation potential created ranged between 74 per cent and 76 per cent during the years 1977-78 to 1981-82.

No area was irrigated by 14 tube wells constructed (between 1970-71 and 1974-75) at an average cost of Rs. 19.95 lakhs.

While the average expenditure on running and maintenance ranged between Rs. 0.17 lakh and Rs. 0.26 lakh the earnings were between Rs. 1500 and Rs. 3000.

The State level and district level Co-ordination Committee intended to bring about joint synchronisation and integrated endeavour for the success of the Project did not function effectively.

The above matters were reported to Government in October 1982; reply is awaited (August 1983).

#### 4.2. Nadh Lift Irrigation Scheme.—

Executive Engineer, Irrigation Division Akhnoor drew up (February 1972) a project report for construction of 5 cusecs capacity pumping station 1450 metre canal at an estimated cost of Rs. 3.13 lakhs to provide irrigation in dry cropping area of 250 acres in the villages of Nadh Naiwall, Nai Basti, Chak Badial and Devipora in Tehsil Akhnoor. In the project report cost-benefit ratio was assessed as 1:3 and it was envisaged that revenue on account of Abiana would be Rs. 0.08 lakh per annum. The work was targeted for completion by 1974. The work was taken up in the year 1972 in anticipation of administrative approval which was accorded by Government in December 1975 for Rs. 3.07 lakhs. It was completed in the year 1975 at a cost of Rs. 3.30 lakhs, and commissioned in April 1976.

Against the anticipated irrigation potential of 250 acres, the area actually irrigated during the years 1976-77 to 1981-82 ranged from 8 acres to 25 acres.

The under-utilisation of the irrigation potential was attributed by the Executive Engineer (May 1981) to non-levelling of land coming under the lift scheme by the beneficiaries. The Project Report envisaged improvement of yield in the command area which was served by rain and where dry farming was carried out by providing irrigation facilities round the year. The question of levelling of any virgin land was not envisaged at all.

31st Rep-11  
22/3/89

The fact remains that the object of the project was not realised even six years after its completion and the maintenance expenditure of Rs. 3.19 lakhs (March 1982) incurred from April 1976 remained unproductive.

The matter was reported to the Government in September 1982; their reply is awaited (August 1983).

*31st Pept*  
*28/3/87*  
4.3. **Undue financial aid to a contractor.—**

Financial rules of the Government provide that stores should not be paid for until the receiving officer has taken the delivery and checked the quantity and quality of the stores supplied, and found them satisfactory in every respect. In very exceptional cases a part of the cost could be paid in advance provided that the contractor or firm is of well-known standing and that an undertaking is obtained from the contractor or firm before hand so as to secure the Government against all risk of loss in the event of the articles supplied being found to be short or defective.

Test check of the records of the Irrigation Division, Doda, however, revealed (June 1982) that advance payment of Rs. 2.41 lakhs was made in January 1978 to a firm by the Executive Engineer for supply of 10,000 bags of cement without executing any agreement with it. The firm supplied only 6,196 bags of cement (valuing Rs. 1.51 lakhs) between February 1978 and October 1978. No balance supplies were received nor was the balance amount of Rs. 0.90 lakh returned (May 1982).

The Executive Engineer stated (June 1982) that the firm had been reminded time and again to refund the balance amount of Rs. 0.90 lakh lying with them from January 1978 and that the store keeper was being deputed for the purpose. Further developments are awaited (April 1983).

The omission to enter into formal agreement with the contractor and payment of advance for supplies to be received later, in deviation of the rules, resulted

in locking up of Rs. 0.90 lakh with the firm since January 1978.

The matter was reported to the Government in November 1982 ; reply is awaited (August 1983).

### **Roads and Buildings Department**

#### **4.4. Undue financial aid to a private firm.—**

The Superintending Engineer, Public Works Department, Leh placed orders on 1st October 1981 with the Joinery Mills Pampore (a unit of the Jammu and Kashmir Industries Limited—a Government Company) for supply of joinery items such as doors, windows, ventilators etc. worth Rs. 9.85 lakhs to Public Works Divisions in Leh through Assistant Engineer, Procurement Sub-Division, Srinagar. The supply order did not indicate the period by which delivery was to be made. Although the Joinery Mills in their letter of 21st October 1981 had specifically communicated to the department that they would try to arrange the supply of some items before the closure of the road to Leh (usually middle of November) and balance in May 1982, the Superintending Engineer while he was in Srinagar, placed orders with a private firm at Srinagar on 21st October 1981 without calling for any tenders or obtaining the approval of the Purchase Committee. As per supply order, the firm was to make supplies within ten days to the concerned Public Works Divisions in Leh through the Assistant Engineer, Procurement Sub-Division, Srinagar who would also make 100 per cent payment against receipt of material. The Assistant Engineer, Procurement stated (January 1982) that advance payment of Rs. 9.43 lakhs being about 95 per cent of the total amount was made on 29th October 1981 to the firm without actual receipt of the material as per instructions of the Superintending Engineer, Public Works Department, Leh.

The departmental Purchase Committee, presided over by the Superintending Engineer, Public Works Department, Leh confirmed the supply order to the

private firm on the plea that no firm reply had been furnished by the Joinery Mills, Pampore regarding supply and time of delivery of the material and rates offered by the private firm had been found to be 1.5 per cent lower than the rates quoted by the Joinery Mills. The Committee also decided that the orders placed with the Joinery Mills be cancelled, which was actually done on 27th November 1981.

It was noticed during audit (August 1982) of the accounts of the concerned Public Works Divisions that up to July 1982 the firm had supplied material worth Rs. 2.62 lakhs only.

Thus the action of the Superintending Engineer, Public Works Department, Leh (i) in placing orders with the private firm without calling for tenders or obtaining approval of the Purchase Committee, (ii) in authorising and making of advance payment of Rs. 9.43 lakhs without receipt of material in violation of the conditions laid down in the supply order and (iii) cancelling the orders with Joinery Mills, Pampore without ascertaining the period by which material could have been delivered, resulted in grant of undue concession to a private firm and in blockade of Government funds to the extent of Rs. 6.81 lakhs with that firm.

The matter was reported to Government in November 1982; reply is awaited (August 1983).

#### 4.5. Non-recovery of extra expenditure.—

Construction of a 54-bed hostel building in the Degree College, Baramulla (estimated cost: Rs. 4 lakhs, excluding cost of materials to be supplied by the department) was allotted after call of tenders, at the lowest quotation, to a contractor by the Superintending Engineer, Public Works Department, District Baramulla in November 1978 for completion within ten months. The contractor started the work in May 1979 but abandoned it in October 1980, after receiving a payment of Rs. 1.64 lakhs (excluding cost of departmental materials worth Rs. 0.79 lakh). The Executive Engineer Roads and Buildings, Baramulla



informed the Superintending Engineer, Baramulla (March 1981) that due to some dispute between the two partners the progress of work suffered badly and contractor did not resume the work despite issue of notices.

The balance work, estimated to cost Rs. 3 lakhs, excluding departmental stores, was put to fresh tender in February 1981 at the risk and the cost of the original contractor and was allotted to another contractor at higher rates in June 1981. The balance work was completed in April 1982 for Rs. 5.68 lakhs. Computed with reference to the rates of the original contractor, an extra expenditure of Rs. 2.11 lakhs was incurred by the department in completion of the work through the second contractor.

The Executive Engineer had merely debited (between August 1980 and December 1981) the recoverable amount of Rs. 2.11 lakhs to the deposit account of the original contractor, where a credit balance of only Rs. 0.16 lakh on account of security deposit, recovered from running account bills paid to him, was available and has taken no further action to recover the balance amount of Rs. 1.95 lakhs (September 1982).

Besides, stores, valued at Rs. 0.07 lakh issued to the original contractor, had not been consumed on work. Under rules, recovery for the same can be effected at double the cost of material.

The matter was reported to Government in November 1982 ; reply is awaited (August 1983).

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## CHAPTER V

### STORES AND STOCK

#### Power Development Department

*Book Report  
11.8.88*

5.1. **Purchase of transformers.**—(i) In response to a notice inviting tenders, issued by the Superintending Engineer, Electric Purchase Circle, Jammu for the purchase of eight 2.5 MVA, 33/11 KV power transformers, the first three lowest offers (being capitalised rates as worked out by the department) received (August 1976) were as under :

	(Offer per transformer)
	(Rupees in lakhs)
Firm A	2.80
Firm B	2.86
Firm C	2.87

Order for the supply of the material was, however, placed (May 1977) on firm C mainly on grounds of weight of the core, winding and quantity of transformer oil in the transformers to be supplied by firm C. There were more than those offered by firm A as indicated below :—

	Weight of core and winding	Quantity of oil
Firm A	3,500 Kgs.	1,500 litres
Firm C	4,500 Kgs.	2,400 litres

Pre-despatch inspection of four transformers offered by the firm revealed (July 1978) the following variations in the weights of core and winding and quantity of oil as indicated in the supply order with those as per name plate particulars :—

	As per supply order	As per name plate particulars	Difference
Core and winding	4,500 Kgs.	3,500 Kgs.	1,000 Kgs.
Oil	2,400 litres	1,925 litres	475 litres

The firm had stated (July 1978) that the weights and dimensional details furnished at the time of tendering were only approximate as the exact weights and dimensions are worked out at the time of design made after obtaining detailed order from the customer. It was also stated that the firm guaranteed only electrical parameters at the time of acceptance of order.

In August 1978 the Purchase Committee of the department decided to accept the transformers with revised weight etc. as weight/quantity of various components of the transformers should not have been any consideration while deciding the purchase since the transformers are not purchased by weight but on the basis of electrical performance and parameters and that the revised quantity of transformer oil was still 425 litres more than that offered by firm A. Although the transformers with reduced weight/quantity of inputs, were accepted no proportionate reduction in the price of the transformers was obtained.

The matter was reported to Government in October 1982; reply is awaited (August 1983).

(ii) The Superintending Engineer, Electric Purchase Circle, Jammu placed an order in May 1977 on a firm of Cochin (a Kerala State Government Undertaking) for supply of thirty eight 200 KVA 11 KV 415 V distribution transformers at the rate of Rs. 15,808 each. The supply order specified the approximate weights of core and winding, tank and fittings, and the oil for first filling of the transformers.

However, in the drawings received from the firm in July 1977 considerable variations in the weights of core and winding tank and fittings and oil for the transformers were noticed. In October 1977 the department asked the firm either to stick to the weights and dimensions as indicated in the supply order or reduce the cost of transformers by an amount equal to the cost of transformer oil to be filled less. The matter was again considered by the Purchase Committee of the department in its meeting held in November 1977 and it was decided to accept the

weight and dimensions indicated in the drawings supplied by firm and not to make any deduction on account of decrease in the weight of oil on the plea that the firm was a State Government Undertaking.

The following table compares the weights of core and winding, tank and fittings and oil for first filling as indicated in the supply order with those as per approved drawings :—

	As per order	As per drawings	Difference	
			Per trans- former	Total for 38 transformers
(In kilograms)				
Weight of core and winding	625	540	85	3230
Weight of tank and fittings	445	275	170	6460
Oil for first filling	435	238	197	7486

As no evaluation of the reduction in value due to substantial change in components was made by the purchase Committee, no precise idea of the loss sustained by the department could be ascertained.

The matter was reported to the Government in October 1982 ; reply is awaited (August 1983).

30K 14/11/88  
11/8/88

**5.2. Extra expenditure due to delay in finalisation of supply orders.—**

In response to a tender notice issued by the Superintending Engineer, Electric Purchase Circle, Jammu for supply of 40,000 forged pins for 11 KV pin insulators, tenders had been received in June 1977. The departmental Purchase Committee, however, examined the offer after about 5 months (November 1977) and as per decision taken therein orders for supply of 40,000 pins were placed with a firm (July 1978) at the lowest tendered rate of Rs. 4.80 each pin. The firm rejected the offer as the proposal had been made at a late stage. According to the Superintending Engineer, the actual requirement of pins (December 1977) was much more than the tendered quantity.

While the above supply order was yet to be issued a fresh tender notice was issued by the department (April 1978) for supply of 24,000 such pins. The departmental Purchase Committee met again after about 8 months (December 1978) and as per decision taken orders for supply of 24,000 pins at Rs. 5.14 per pin (being the lowest rate) were issued to firm (March 1979). The firm refused to supply due to delay in receipt of the order and in view of rise in price of raw material during the intervening period.

Tenders were again invited for 1.16 lakh pins in May 1979. On the basis of decision taken by the Purchase Committee (June 1979) the lowest offer of Rs. 7.33 was rejected and the order for supply of 1,00,000 pins was placed (July 1979) on a firm in Patna at the rate of Rs. 7.60 per pin on account of quality offered by it being held to be superior.

Due to delay in taking decision in respect of the first two offers the department incurred an extra expenditure of Rs. 1.54 lakhs on purchase of 63 950 pins up to December 1979 as compared to the lowest offer of Rs. 7.33 each received (though not accepted) in response to notice inviting tenders issued in May 1979. The reasons as to why tenders had not been invited for the full required quantity in June 1977 were not known.

The matter was reported to the Government in October 1982; reply is awaited (August 1983).

*30K Report*  
*11/8/88*

**5.3. Loss due to issue of a defective supply order.—**

Clause 3 of the 'general terms and conditions' annexed to every supply order lays down inter alia that the supplier shall, however, make good any loss/damage during transit on receipt of proper intimation from the consignee without waiting for settlement of claims with the Insurance Company/Railways.

Superintending Engineer, Electric Purchase Circle, Jammu placed an order (April 1979) with a firm for supply of 184 kilolitres of transformer oil (value: Rs. 12.89 lakhs) subject among other things to

the conditions that the material shall be despatched duly insured against loss/damage during transit but the words 'the supplier shall make good' any loss as contained in standard terms and conditions of supply orders issued by the department (reproduced above) were omitted in the terms and conditions accompanying the said supply order.

The consignee (department on receipt of material in June and August 1979) noticed that there was shortage of 3379 litres (value: Rs. 0.26 lakh) during transit.

The supplier on receipt of intimation from the consignee (October 1979) regarding shortage, preferred claim with the Insurance Company and had asked the department to forward the original open delivery certificate issued by the Railways. The supplier, however, informed the department (November 1979) that their responsibility as per general terms and conditions of supply order was only to insure the material and lodge claim on account of loss/damage with the under writers/Railways. As such they refused to make good the loss. The supplier later (July 1982) informed the department that as the consignee had sent original open delivery certificate issued by the Railways after lapse of eight months the insurance company had refused to entertain the claim filed earlier.

Thus the omission on the part of the department in not incorporating the correct provision in the terms and conditions accompanying the supply order resulted in loss of Rs. 0.26 lakh. No action was taken to fix responsibility for the omission.

It was also noticed that cent per cent payment had already been made to the supplier against despatch documents in terms of the supply order. The bank guarantee for Rs. 64,400 obtained from the firm had also been reversed by the bank in February 1980 as the validity period of the bank guarantee beyond December 1979 had not been got extended by the department.

The matter was reported to the Government in October 1982; reply is awaited (August 1983).

**Roads and Buildings Department****5.4. Shortage of stores.—**

Consequent upon the issue of orders of transfer of the Storekeeper A in April 1981, physical verification of the stores of the Construction Division No. III, Jammu was conducted by an Assistant Engineer of the Division from July 1981 to November 1981. The storekeeper remained absconding during the course of the physical verification which was conducted in the presence of the new storekeeper B and the Chowkidar. The verification revealed shortages amounting to Rs. 5.21 lakhs excluding tools and plants.

The Executive Engineer, however, received representations from the field staff to the effect that some material issued to them, but some having not been lifted by them was also lying in the store for which they had obtained receipts from the storekeeper A. On 26th December 1981, the Executive Engineer under orders of the Superintending Engineer, constituted a committee to investigate the position of accounts/balances against the storekeeper A. In the meantime, the storekeeper A had been placed under suspension on 2nd December 1981.

The Investigation Committee worked out (March 1982) shortages in cement, iron, steel, asphalt etc. amounting to Rs. 7.48 lakhs excluding tools and plants articles which had not been worked out due to lock of one store of tools and plants. The shortages included inter alia,

(i) material worth Rs. 3.30 lakhs supplied by the Stores Procurement Department from January 1981 to June 1981 to the Division but the storekeeper A had not issued goods received sheets therefor nor was any correspondence relating thereto forthcoming from the records made available to audit ; and

(ii) material worth Rs. 1.19 lakhs which though shown issued to the subordinates by the storekeeper A had not actually been lifted by them from the stores.

Although these shortages were worked out in March 1982, no action to recover the cost of shortages has so far (August 1982) been taken. Information regarding conducting of physical verification of tools and plants is awaited (December 1982).

It was noticed in audit, conducted in November 1981, that no proper watch over receipts of material from the Stores Procurement Department had been kept by the Division. The material issued to the subordinates for use on works had also been unauthorisedly retained in stores even after obtaining proper acknowledgements therefor. Besides, the following points were also noticed :—

(i) Though both personal and cash security had to be obtained from the storekeeper only cash security was obtained from him ;

(ii) monthly accounts of receipts and issues were not checked by the Divisional Accountant/Engineer ; and

(iii) the goods received sheets were neither machine-numbered nor were copies thereof issued to the Stores Procurement Department in acknowledgement of material having been received as required under para 17 of the simplification of Jammu and Kashmir P. W. Account Code (1965).

The matter was reported to Government in October 1982 ; reply is awaited (August 1983).

### **Stores Procurement Department**

#### **5.5. Overpayment of Rs. 0.72 lakh and avoidable expenditure of Rs. 0.40 lakh.—**

The State Transport Authority fixed Rs. 143.50 as the maximum freight rate per truck trip with a pay-load of 110 quintals within a radius of twenty five kilometres in Jammu city with effect from 7th March 1981 vide notification issued on 7th March 1981 (SRO77). Test check of the records of the Deputy Director, Stores Procurement Department, Jammu



for the year 1981-82 revealed (March 1982) that the department had paid freight at Rs. 171 per truck trip for transportation of cement during the period 24th March 1981 to 31st March 1982 in 2606 trucks from rail head Jammu to its stores located in the city within a radius of 25 kilometres from the rail head. This resulted in an overpayment of Rs. 0.72 lakh. Reasons as to why payment of freight at higher rate had been made were neither on record nor intimated (December 1982).

It was also noticed that the department had transported only 100 quintals (200 bags) per truck trip against the approved load of 110 quintals (220 bags). As a result, the department engaged 2606 trucks instead of 2370 trucks, for transporting 5,21,200 bags leading to an avoidable extra expenditure of Rs. 0.40 lakh.

The matter was reported to the Government in September 1982 ; their reply is awaited (August 1983).

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## CHAPTER VI

### REVENUE RECEIPTS

#### A—Sales Tax

##### 6.1. Results of test audit

Test check of sales tax assessments and other records in the sales tax offices done in audit during the year 1981-82 revealed under-assessment of tax amounting to Rs. 10.07 lakhs in 162 cases, which broadly fall under the following categories :—

	Number of of cases	Under- assessment <i>(In lakhs of rupees)</i>
1. Short levy of tax	39	1.25
2. Sales escaping assessment	69	3.85
3. Incorrect grant of exemption and concessions	5	0.79
4. Interest and penalty not charged	49	4.18
Total	162	10.07

Some of the important irregularities are mentioned in following paragraphs.

##### 6.2. Demand and collection of sales tax

###### (i) General

Under the Jammu and Kashmir General Sales Tax Act, 1962 if the turnover of a dealer exceeds Rs. 50,000 and that of a hotelier or restaurateur exceeds Rs. 1,00,000 sales tax is leviable on the turnover.

The number of dealers whose assessments were to be finalised by the department and the assessments pending finalisation at the end of March 1982 along-

side the position which existed at the end of the preceding two financial years are given below:—

year	Number of assessments pending at the beginning of the year	Number becoming due during the year	Number assessed during the year	Number pending at the end of the year	Percentage of pending cases to number to be assessed
1979—80	10065	9819	9227	10657	54
1980—81	10057	9852	8608	11901	58
1981—82	11901	13553*	15427	10027	39

### (ii) Bills of lading

A bill of lading is a record of the nature of goods purchased or sold showing its classification for the purpose of assessment to sales tax. In July 1978 the Sales Tax Commissioner had impressed upon all Excise and Taxation Officers and Deputy Commissioners of Sales Tax Department of the need to maintain proper record of such bills. In 9 assessment cases tax was levied without verification of the bills of lading on sales amounting to Rs. 97.74 lakhs and the correctness of the assessments could not be verified in audit.

In 8 other assessments tax was levied short by Rs. 3.68 lakhs due to misclassification of the goods purchased or sold instead of classifying them as disclosed in the bills of lading.

### (iii) Incorrect grant of exemption

(a) Under the Jammu and Kashmir General Sales Tax Act, 1962 articles of worship including 'Dhoop' and 'Aggarbattis' are exempt from the levy of tax.

On purchases of 'Supari' valuing Rs. 3,20,267 during the years 1976-77 and 1977-78 shown as 'Supari Pooja' in dealers' trading account tax was omitted to be levied even though 'Supari' was not an article of worship.

\* Does not include the figures of 'C' Circle, Srinagar.

This resulted in tax amounting to Rs. 26,902 not being levied and penalty of an equal amount not being imposed.

On the omission being pointed out in audit (August 1981), the Commissioner Sales Tax accepted the objection and referred the matter to Finance Department in February 1982 for clarification, as the dealers had not been recovering tax on the sale of Supari. The reply of the Government is awaited (August 1982).

(b) On sales of 'Glass' and 'Frame sticks' valuing Rs. 1,52,220 during the years 1977-78 to 1980-81 tax was not levied treating them as articles of worship and their sale as exempt from payment of tax. This resulted in tax amounting to Rs. 12,180 not being levied and penalty of an equal amount not being imposed.

On the omission being pointed out in audit (April 1982), the department stated (July 1982) that the articles were used to frame 'Dharmic pictures'.

The matter was reported to Government in September 1982 ; their reply is awaited (August 1983).

#### (iv) **Evasion of tax**

(a) In Jammu a dealer was assessed on sales amounting to Rs. 60,000 during the year 1976-77 and nil sales during the year 1977-78 as per affidavits filed by him. However, the bills of lading recorded at a check post disclosed unaccounted inter-State purchases of machine made brass utensils valuing Rs. 3,54,874 and Rs. 1,97,138 in the years 1976-77 and 1977-78 respectively. Omission to include the purchases in the assessment resulted in tax being levied short by Rs. 46,369 and penalty of an equal amount not being imposed.

On the failure being pointed out in audit (June 1982), the department stated (July 1982) that notice for re-assessment had been issued to the dealer. Report on demand and collection is awaited (August 1982).

(b) Similarly, another dealer of Jammu was assessed to 'nil' tax on sales during the years 1976-77 to 1979-80 on the basis of affidavits filed that there were no sales during the years. However, bills of lading recorded at a check post revealed that the dealer imported brass utensils valuing Rs. 4,76,014 in the years 1978-79 and 1979-80 from various manufacturers outside the State for resale in the State. Failure to include the purchases in the assessment resulted in tax being levied short by Rs. 42,404 and penalty for an equal amount not being levied.

On the failure being pointed out in audit (May 1982), the department stated (July 1982) that the dealer had been asked to produce his account books. Report on rectification is awaited (August 1982).

(c) A dealer did not declare purchases of auto/spare parts valuing Rs. 73,292; the bills of lading and inter-State purchase statements filed by him, however, revealed them. The purchases were concealed in the trading account. The purchases were not included in the assessment resulting in tax being levied short by Rs. 8,795 and penalty for an equal amount not being levied.

Similarly three dealers suppressed sales and purchases amounting to Rs. 5,07,161 made during the years 1977-78 to 1979-80 which were not detected by the department and which resulted in tax being levied short by Rs. 46,832 and penalty for an equal amount not being levied.

The short realisations were reported in audit (April 1982, August 1981 and January 1982) to the department; their reply is awaited (August 1983).

The cases were reported to Government in September 1982; their reply is also awaited (August 1983).

#### (v) **Incorrect application of rate**

(a) Under the Jammu and Kashmir General Sales Tax Act, 1962, on galvanised or cost iron pipes, not being specified items, tax is leviable at the rate

of 8 per cent. On purchases of pipes valuing Rs. 6,21,249 during the year 1980-81 tax was levied at a lower rate of 4 per cent applicable to steel tubes. This resulted in tax including surcharge being levied short by Rs. 26,092. Penalty for an equal amount was also leviable on the shortfall in payment of tax.

On the mistake being pointed out in audit (June 1982), the department stated (July 1982) that notice had been issued to dealer. Report on demand and collection is awaited (August 1982).

(b) On sales of foam goods, plastic goods and carpets valuing Rs. 2,02,379 during 1977-78 and 1978-79 tax was levied on a dealer at a lower rate of 5 per cent or 4 per cent instead of at the rate of 12 per cent or 8 per cent applicable to the said goods. This resulted in tax being levied short by Rs. 13852 (including surcharge).

On the mistake being pointed out in audit (August 1980), the department stated (March 1981) that additional demand for Rs. 13,852 had been raised. Report on recovery is awaited.

The cases were reported to Government in July 1981 ; their reply is awaited (August 1983).

#### (vi) Pending appeals

The number of appeals pending with the Appellate Authorities at the close of March 1982 was 1443. The year-wise accumulation is given below :—

Year	Opening balance of pending appeals	Number of fresh appeals received during the year	Number of appeals disposed of	Balance at the end of the year	Percentage of pending cases to total number of cases to be disposed of in the year
<b>(a) Kashmir Division</b>					
1979—80	1321	200	401	1120	73
1980—81	1120	334	176	1278	87
1981—82	1278	217	212	1283	85
<b>(b) Jammu Division</b>					
1979—80	943	88	340	691	66
1980—81	691	187	573	305	34
1981—82	305	139	284	160	35

**(vii) Uncollected revenue**

The sales tax collected and the revenue pending collection at the end of March 1982 and at the end of the preceding two years are given below:—

Year	Sales tax collected	Tax pending collection at the end of March	Percentage of arrears to amount collected
<i>(In crores of rupees)</i>			
1979—80	12.80	4.19	33
1980—81	17.88	5.46	31
1981—82	19.43	6.19	32

Year-wise break-up of the arrears at the end of March 1982 is given below:—

(In lakhs of rupees)

More than 18 years old	0.06
due for 12 to 18 years	10.28
due for 6 to 12 years	39.33
due for 3 to 6 years	42.50
due for less than 3 years	93.92
tax due for which details not available	432.47
<b>Total</b>	<b>618.56</b>

**(viii) Recovery of tax due as arrears of land revenue**

Under the Jammu and Kashmir General Sales Tax Act, 1962 any amount of tax, penalty, interest or any other sum payable under the Act, which is not paid in accordance with the provisions of the Act, is to be recovered as arrears of land revenue through the collector of the concerned district.

The arrears of tax recoverable by the collectors and amounts collected in the years 1979-80 to 1981-82 are given below :—

Year	Opening balance of arrears of tax recoverable	Fresh tax arrears referred for recovery during the year	Total reocoverable amount	Tax recovered & demand with - drawn on account of rectification	Balance recoverable amount	Percentage of recovery made to the total recoverable amount
<i>(In lakhs of rupees)</i>						
<b>(a) Kashmir Division</b>						
1979—80	353.55	..	353.55	3.80	349.75	1
1980—81	349.75	113.87	463.62	2.66	460.96	0.6
1981—82	460.96	71.57	532.54	43.82	488.71	8
<b>(b) Jammu Division</b>						
1979—80	84.77	55.95	140.72	82.83	57.89	58
1980—81	57.89	146.03	203.92	27.38	176.54	13
1981—82	176.54	89.64	266.18	136.33	129.85	51

## B—Finance Department

### 6.3. Irregular exemption from payment of additional toll

By a notification issued in July 1977 the State Government exempted from payment of additional toll (leviable under the levy of Tolls Act, 1955) raw material brought into the State by large and medium scale industries for the purpose of manufacturing finished products to be marketed outside the State. The exemption was valid for a total period of ten years from the date of commencement of production by the industry, subject to fulfilment of conditions specified in the notification.

In Jammu even after a period of 10 years from the date of commencement of production had expired, the exemption as aforesaid was being allowed to two manufacturing units. This resulted in a loss of revenue amounting to Rs. 1,77,075 during the year 1977-78.



On the omission to levy toll being pointed out (December 1978) in audit, the department issued demand notice in one case for Rs. 2,598 in January 1979. In another case the department stated (January 1979) that the exemption was allowed under orders of the Excise Commissioner issued in August 1978. A reference to those orders, however, revealed that the exemption had been allowed subject to furnishing of an undertaking by the unit that exemption orders would be obtained from the Government within a week failing which the toll due would have to be paid by the said unit. Exemption orders issued by the State Government vide notification dated 20th January 1982 were, however, made applicable with effect from 1st April 1978 for a period of 10 years to the said unit. No action had been taken to recover the additional toll for the year 1977-78 (July 1982).

The matter was reported to the Government in March 1979 and October 1982; their reply is awaited (August 1983).

### **C—Stamp Duties and Registration Fees**

#### **6.4. Short levy of stamp duty and registration fee on mortgage deed**

Under the Jammu and Kashmir Stamp Act, Samvat 1977 (1920 AD), stamp duty on deeds of mortgage is leviable at the rates prescribed under Article 40(a) or 40(b) of the Schedule to the Act, depending on whether the possession of the property has been given or not. However, by virtue of the explanation below Article 40 *ibid*, a mortgagor who gives to the mortgagee a power of attorney to collect rents or lease of the property mortgaged is deemed to give possession within the meaning of this Article.

(i) By notification No. 288 issued on 3rd June 1980, Government reduced rates of stamp duty leviable on mortgage deeds which fell under Article 40(b) of the schedule to the Stamp Act and relating to loans advanced by Commercial Banks and Financial Institutions for development of the Industries specified therein.

In a Sub-Registry in Kashmir a mortgage deed, executed against a loan of Rs. 30 lakhs, was registered on 27th February 1982 and it was followed by a deed of power of attorney executed and registered on the same date. As per the latter deed the mortgagor authorised the attorney Corporation, viz., Jammu and Kashmir State Financial Corporation, inter alia to sell, lease or dispose of the property and also to collect rents thereof. Accordingly the mortgage deed fell under Article 40(a) within the meaning of the explanation below Article 40, and did not attract the provisions of the notification of 3rd June 1980. However, the mortgage deed was misclassified under Article 40(b) and stamp duty levied amounted to only Rs. 8,925. Consequently stamp duty was levied short by Rs. 1,71,075 and the registration fee by Rs. 21,097.

On the mistake being pointed out in audit (May 1982), the department stated (May 1982) that the recovery would be effected from the party after giving necessary notice in this regard. Report on recovery is awaited (September 1982).

The matter was reported to Government in September 1982; their reply is also awaited (August 1983).

(ii) The payment of stamp duty on a deed in respect of collateral or auxiliary or additional or substituted security or a deed by way of further assurance where the primary or principal security is duly stamped is regulated by sub-clause (c) of Article 40. However, the provisions of sub-clause (c) do not apply to a case where the stipulations as to the original mortgage and the collateral security were made simultaneously and were both embodied in one and the same deed.

In 12 registration offices in Kashmir region on 99 instruments of collateral or additional security executed during the years 1979-80 and 1980-81 though deeds in respect of principal or primary security were not properly stamped, duty was levied only under Article 40(c). This resulted in stamp duty being levied short by Rs. 63,425 and registration fee by Rs. 32,388.

The matter was reported to Government in October 1982. Similar short levies were also reported in paragraphs 61 and 4.13 of Audit Reports for the years 1973-74 and 1977-78 respectively. The reply of the Government is awaited (August 1983).

### D—Forest Receipts

#### 6.5. Results of test audit

A test check of forest leases in 13 Forest Divisions done in audit from February 1981 to September 1982, revealed under assessments and short recoveries amounting to Rs. 64.42 lakhs in 213 cases which may be broadly categorised as below :—

	No. of cases	Short recovery (In lakhs of rupees)
(i) Grant of irregular or excessive rebate	13	3.46
(ii) Non-levy or short levy of surcharge	54	12.95
(iii) Short realisation of royalty	23	4.01
(iv) Non-recovery of damages	19	1.85
(v) Less recovery on poles	8	0.38
(vi) Cost of trees not charged	28	6.81
(vii) Loss of revenue due to mistakes in computation	48	2.96
(viii) Interest not charged	7	0.93
(ix) Acceptance of offers below the reserve price	12	26.65
(x) Loss of timber	1	4.42
Total	213	64.42

Some of the important irregularities are mentioned in the following paragraphs :

#### 6.6. Lease of forest lots for working

Out of the total geographical area of 1,38,124 sq. Kms. of the State, an area of 21,037 sq. Kms. (about

15 per cent) was covered by forest at the beginning of the year 1981-82. Of these 8,467 sq. Kms. were being commercially exploited, yielding mainly timber such as Deodar, Kail, Chir and Fir.

Prior to 1968, the standing trees were sold, in compartments or part thereof, at lumpsum price after inviting tenders. From 1968 the sale was by open auction or by allotment to Government Lumbering Undertaking (G.L.U). In July 1979, the G.L.U. was converted into the Jammu and Kashmir State Forest Corporation and the practice of sale of forest compartment by open auction was given up, and exploitation of forest was done through the Corporation.

(i) As per the recommendations of a Committee set up by Government in October 1977 fixing of reserve price for each lot of trees put to auction was to be according to specified norms to be laid down. The bids were not to be accepted if they were all below the reserve price so fixed.

Though reserve prices were fixed and communicated by the Chief Conservator of Forests to State Government in April 1975 and May 1976 in respect of auction to be held in April 1975 in 8 cases and in May 1976 in 4 cases, the bids were closed in all cases at rates much lower than the reserve price fixed by the Chief Conservator of Forests. The difference between reserve price and the actual auction value amounted to Rs. 26.65 lakhs.

The matter was reported to Government in September 1981; their reply is awaited (August 1983).

(ii) Under Government orders issued in August 1968 (read with the Government orders issued in June 1965), the Chief Conservator of Forests is empowered to grant extensions of timber leases up to 3 years at the same rates as in the existing lease but after adding surcharge at the rate of 2 per cent, 3 per cent and 5 per cent on outstanding royalty in the first year, 2nd year and 3rd year of extension respectively on the date the extension commences.

In 6 divisions, in 19 cases, the surcharge was calculated only on the over due royalty instead of the outstanding royalty payable on the date the extension commences. In 11 divisions, in 35 cases, the surcharge was omitted to be demanded. This resulted in royalty being recovered short by Rs. 12.95 lakhs.

On the mistakes being pointed out in audit (between February 1981 and August 1982), the department raised demand for Rs. 4.47 lakhs in 15 cases and started looking into the remaining cases.

The matter was reported to Government in October 1982; their reply is awaited (August 1983).

(iii) Under the terms of agreement executed by the lessee with the department, the lessee may with the permission of the Divisional Forest Officer construct at his expense on forest land, such buildings, bridges, roads and paths as may be required for the operations covered under the agreement. Royalty on the trees falling in such roads and paths in the forest area is to be charged at the lease rates. The agreement also provides that timber will not be given free for construction of buildings, roads and paths except in the case of roads and paths that are constructed and maintained in the interest of the department and price at standard rate will be charged for such timber.

(a) In 12 cases for trees handed over to the lessees for construction of roads and paths price was charged at standard rates though it was nowhere on record that the construction was in the interest of the department. This resulted in a loss of revenue to Government amounting to Rs. 1.01 lakhs.

On the mistake being pointed out in audit (between July 1981 and August 1982), the department demanded Rs. 16,000 in one case. In 11 cases involving an amount of Rs. 85,000 it was stated (between July 1981 and August 1982) that necessary instructions in the matter were being sought from the higher authorities.

The matter was reported to Government in October 1982 ; their reply is awaited (August 1983).

(b) In 11 cases, trees issued to the lessees for construction of roads and paths were not charged for at all, resulting in a loss of revenue to Government amounting to Rs. 3.00 lakhs.

On the omission being pointed out in audit (between July 1981 and August 1982), the department raised demand for an amount of Rs. 1.78 lakhs against the lessees in 7 cases. In 4 cases (involving an amount of Rs. 1.22 lakhs), the matter was being looked into.

The matter was reported to Government in October 1982 ; their reply is awaited (August 1983).

(iv) Under the terms of the agreement executed by the lessees with the Forest Department, any loss or damage occurring to any tree or timber (in the coupe handed over to him) to which the lessee is not entitled, due to any cause whatsoever shall be the responsibility of the lessee and the lessee shall pay the price of such trees at the lease rates. In addition a penalty not less than the price, but not exceeding ten times the price, may be imposed according to the nature of the damage done.

The cost of such damages and penalty leviable to the extent of Rs. 56,000 were not realised in 5 cases in 3 Forest divisions.

On the omissions being pointed out in audit (between August 1981 and August 1982), the department raised demand against the lessees for an amount of Rs. 11,000 in 2 cases. In the remaining 3 cases (involving an amount of Rs. 45,000), the matter was to be looked into.

The matter was reported to Government in October 1982 ; their reply is awaited (August 1983).

(v) Under the terms of agreement executed by the lessee with the department, supplementary

marking of trees damaged so seriously as not to survive in all likelihood is done by the department, provided the damage is caused despite due care and caution taken in felling, conversion or transportation of timber by the lessee or damage is due to any other natural cause beyond the lessee's control. On trees so supplementarily marked royalty is charged at a percentage of the lease rates worked out for the purpose and specified in the agreement.

(a) In 11 cases, trees damaged as aforesaid were not supplementarily marked and royalty therefor was not charged from the lessee, resulting in a loss to Government of Rs. 1.22 lakhs.

On the omission being pointed out in audit (September 1981 and October 1981), the department raised demand for Rs. 35,000 in 2 cases and the remaining 9 cases involving an amount of Rs. 87,000 were to be looked into.

The matter was reported to Government in October 1982; their reply is awaited (August 1983).

(b) In 28 cases, trees marked and handed over to the lessees in supplementary marking were not charged for, resulting in loss of revenue to Government to the extent of Rs. 6.81 lakhs.

On the omission being pointed out in Audit (between February 1981 and August 1982), the department raised additional demand for Rs. 2.37 lakhs in 11 cases and the remaining 17 cases were to be looked into.

The matter was reported to Government in October 1982; their reply is awaited (August 1983).

(vi) Under terms of agreement, trees below 30 cm. diameter damaged accidentally due to felling, conversion or transportation were not to be marked supplementarily unless asked for by the lessee. Such poles if marked were to be charged for at standard rates in force at the time of marking.

In 8 cases such poles were charged at the lease rates (taking the volume of each pole as 4 1/2 cft.) resulting in a loss of Rs. 38,000.

On the mistake being pointed out in audit (between July 1981 and August 1982), the department demanded Rs. 34,000 in 4 cases and the remaining 4 cases were to be looked into.

The matter was reported to Government in October 1982; their reply is awaited (August 1983).

(vii) As per agreements executed by the lessees with the department an incentive rebate of half per cent is allowed on timely payments of royalties. On payments made in advance by three months or more from the due date rebate on royalty is allowed at one and a half per cent. As clarified by the Chief Conservator of Forests in October 1977 if payments are made against deferred instalments no rebate on such payments could be claimed, even if the amount paid be in excess of the instalment amount due.

Six lessees were allowed incentive rebate on payments of deferred instalments. This resulted in irregular payment of rebate amounting to Rs. 55,000.

On the omission being pointed out in audit (between October 1980 and August 1982), the department stated that action would be taken after receipt of instructions from the Chief Conservator of Forests and after proper verification.

The matter was reported to Government in October 1982; their reply is awaited (August 1983).

(viii) (a) The bills issued to the lessees were not arithmetically correct in 32 cases resulting in royalty being realised short by Rs. 1.76 lakhs.

On the mistake being pointed out in audit (between February 1981 and August 1982), the department stated that supplementary bills amounting to Rs. 1.03 lakhs had since been issued to the lessees in 18 cases. In the remaining 14 cases (involving an



amount of Rs. 0.73 lakh), revised bills were to be issued to the lessees.

The matter was reported to Government in October 1982 ; their reply is awaited (August 1983).

(b) The volume of trees marked and handed over to the lessees as per supplementary markings was not computed correctly in 14 cases resulting in royalty being realised short by Rs. 64,000.

On the mistake being pointed out in audit (between February 1981 and November 1981), the department issued bills amounting to Rs. 42,000 to the lessees in 11 cases. In the remaining 3 cases (involving an amount of Rs. 22,000), the matter was to be looked into.

The matter was reported to Government in October 1982 ; their reply is awaited (August 1983).

(c) On trees marked and handed over to the lessees as per supplementary markings royalty was charged at rates lesser than the sanctioned lease rates in 2 cases, resulting in royalty being realised short by Rs. 56,000.

On the mistake being pointed out in audit (October 1981), bills amounting to Rs. 43,000 were issued to the lessee in one case and in the other the bill was to be issued.

The matter was reported to Government in October 1982 ; their reply is awaited (August 1983).

(ix) For estimating volume of the timber in a lot, a volume table known as Kulu Volume Table is in use in the State. A 'Regional Standard Volume Table' (based on data collected all over the Kashmir Valley) was approved by the Forest Research Institute, Dehradun and the Chief Conservator of Forests in the State in 1970. Estimates as per the two volume tables vary by 20 to 23 percent in respect of Deodar and Kail species.

The Chief Conservator of Forests directed in 1970 that the Kulu Volume Table be discarded and the Regional Standard Volume Tables be adopted in Kashmir region. The Conservator, Investigation and Research Circle held in August 1982 that as a result of the use of the obsolete Kulu Standard Volume Table enormous volume of timber was given away free of cost to the lessees.

A Regional Standard Volume Table to be prepared in due course for use in Forests located in Jammu region is still to be prepared (September 1982).

(x) At the end of March 1967 royalty amounting to Rs. 6.44 crores was outstanding for recovery. At the end of March 1982, it had risen to Rs. 15.09 crores.

#### **6.7. Delay in billing for additional allotment of trees**

Under the terms of the agreement executed by the lessees with the Forest Department, the bills for supplementary markings are payable along with the last instalment of royalty in the financial year concerned. The agreement also provides that if the lessee fails to pay any instalment of royalty or any part thereof on or before the due date or the extended date, he will be liable to pay simple interest at the rate of 9 per cent per annum.

Bills amounting to Rs. 7.66 lakhs on account of supplementary markings on seven occasions were issued to the lessees late or were not issued at all during the period from December 1979 to September 1981. Consequently royalty of Rs. 7.66 lakhs was not paid in time by the lessees. Belated payments of royalty also resulted in loss of Rs. 93,000 by way of interest up to October 1981.

On the omission being pointed out in audit (in October and November 1981), the department stated (October 1981 and May 1982) that the bills were issued late due to rush of work.

The matter was reported to the Government in October 1982; their reply is awaited (August 1983).

### 6.8. Grant of undue concession to the lessees

In September 1980 snow damaged trees (fallen due to heavy snow fall in February and March 1979) in compartments adjacent to leased out compartments leased out in five divisions of Chenab Circle and one Division of Jammu Circle were marked additionally and allotted in favour of working lessees of the principal leases in these areas, under a Government sanction at the rates mentioned therein. In 3 cases the rates laid down by the Government for the snow damaged trees of 1979 were also applied to trees fallen in snow of winter 1980. The allotment and handing over of snow damaged trees of 1980 in adjoining compartments to lessees without sanction of Government was irregular and involved grant of undue concession to the lessees which amounted to Rs. 2.37 lakhs.

On the mistakes being pointed out in audit (October 1981), the department stated (October 1981) that the matter was being referred to the higher authorities for orders. The reply of the department is awaited (August 1983).

### 6.9. Shortages in timber stock

Lease of compartment in a Forest Division in favour of a Forest Company was sanctioned in January 1961. The working period of the lease, after grant of four regular extensions was to end on 15th December 1969.

The lessee was not able to complete the work in forest till 16th December 1969 and the compartment was resumed by the department on 16th December 1969. Stocks worth Rs. 4,53,617 were found inside and outside the forest at the time (March 1970) the compartment was resumed. The lease was not allotted to any other person although it was put to auction 5 times during the period July 1971 to October 1972 (each time the highest offer received was below the reserve price) and the timber was thus allowed to deteriorate. In June 1982, the value of the remnant stock was only Rs. 11,214 resulting in a loss of revenue to the Government amounting to Rs. 4,42,403.

The loss was pointed out in audit (August 1982) to the Department; their reply is awaited (August 1983).

### **E—Geology and Mining Department**

#### **6.10. Non-charging of price of minerals.**

As per the Mines and Minerals (Regulation and Development) Act, 1957 from any person raising mineral from land without lawful authority the State Government may recover the mineral so raised, or where such mineral has already been disposed of, the price thereof, and may also recover from such person rent, royalty or tax as the case may be for the period the land was occupied by such person.

In Srinagar, Baramulla, Ganderbal and Anantnag during the year 1980-81 minerals (masonry stone, lime stone, sand, bajri, boulder and chesil stone) were extracted without permission or extracted in excess of quantity authorised in the permits issued by the department. The pit-head cost of quantity illegally extracted amounted to Rs. 66.59 lakhs (in excess of the permits: Rs. 64.40 lakhs; without permits: Rs. 2.19 lakhs).

On the failure being pointed out in audit (February 1982), the department stated (February 1982) that under Mines and Minerals (Regulation and Development) Act, 1957 notification authorising the department to recover the price of the minerals illegally extracted has not been issued by the Government and it had referred the matter to the Law Department for necessary clarification. The reply was silent on action, if any, taken by the department to prevent un-authorized removal or prevent loss to Government and recover amount due to Government.

The failure was also reported to Government in September 1982; their reply is awaited (August 1983).

### 6.11. Short realisation of royalty on mineral 'Diaspore'

Under the Mines and Minerals (Regulation and Development) Act, 1957 and the Rules made thereunder royalty is payable at rates which are different for different minerals.

A lease for extraction of minerals at Salal given in August 1979 for the term of 20 years provided that the lessee shall keep an account of the mineral extracted and get it checked by an officer authorised by the Government for the purpose of calculation of royalty payable. Though production started in March 1980, the quantity of mineral extracted was not checked and royalty was calculated as for 'Bauxite' at the rate of Rs. 4 per tonne without chemically analysing the extracted mineral. In the period August to December 1981 the mineral was analysed and reported to be 'Diaspore' on which royalty was payable at the rate of Rs. 10 per tonne up to July 1981 and at Rs. 20 per tonne thereafter. However, no action was taken to recover the differential amount of royalty.

On the failure being pointed out in audit (December 1981), the Department issued (February 1982) a notice to the lessee for payment of the balance of royalty amounting to Rs. 26,663 on the mineral extracted up to December 1981.

The Government to whom the matter was reported in September 1982, stated (December 1982) that the mineral had not been extracted since January 1982 and that the deed rent of Rs. 3409 payable for the period from January 1982 to December 1982, had been recovered from the lessee. It was further stated that the matter regarding the recovery of difference in royalty was being pursued vigorously by the Department.

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## CHAPTER VII

### GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

#### SECTION A

##### **General**

7.1. This Chapter deals with the results of audit of :

- (i) Statutory Corporations ;
- (ii) Government Companies ; and
- (iii) Departmentally managed Government Commercial and quasi-commercial undertakings.

#### SECTION B

##### **Statutory Corporations**

7.2. There were two Statutory Corporations in the State as on 31st March 1982, viz., Jammu and Kashmir State Road Transport Corporation and Jammu and Kashmir State Financial Corporation. The accounts of Jammu and Kashmir State Road Transport Corporation since inception (1st September 1976) have not been finalised. The accounts for the period 1st September 1976 to 31st March 1977 revised by the Corporation (December 1982) are under check. The accounts for the years 1977-78 to 1979-80 have been compiled and are under audit (December 1982).

7.2.1. **Other Statutory Corporations.**—There are two other Statutory Corporations in the State, set up under acts of State Legislature, whose audit has not been entrusted to the Comptroller and Auditor General of India. They are (i) Jammu and Kashmir State Forest Corporation and (ii) the Jammu and Kashmir Electricity Board.

The Jammu and Kashmir State Forest Corporation was constituted with effect from 1st July 1979 by the State Government by a notification in accordance with Section 3 of the Jammu and Kashmir State Forest Corporation Act, 1978. The assets (value: Rs. 27.09 crores provisional) of the erstwhile Government Lumbering Undertaking were taken over by the Corporation treating the same partly as Loan (Rs. 18.06 crores) and partly as equity (Rs. 9.03 crores) investment by the State Government. Under section 22(2) of the Act *ibid*, the accounts of the Corporation are required to be audited annually by such qualified Chartered Accountant as the Government may appoint. The accounts, as certified by him or any other person authorised by him, together with the Audit Report thereon, have to be forwarded to and placed annually before each House of the State Legislature.

Under Section 3 of the Jammu and Kashmir Electricity (Supply) Act, 1971 (enacted by the State Legislature) the Jammu and Kashmir State Government by a notification constituted the Jammu and Kashmir Electricity Board with effect from 5th September 1972 to provide for rationalisation of the generation and supply of electricity in the State and for taking measures conducive to development of electricity. Under Section 24-A of the Act *ibid*, the Board entrusted (February 1973) the work relating to transmission and distribution of power including execution of rural electrification programme to the State Electricity Department. The State Government had not made any investment in the Board ending March 1982. The Board had received loans from Rural Electrification Corporation of India Limited and Life Insurance Corporation of India to the extent of Rs. 27.35.37 lakhs and Rs. 3,98.00 lakhs respectively up to March 1982 and had also raised loans (Rs. 54,02.31 lakhs) up to March 1982 from the market by issue of bonds which are fully guaranteed (along with interest thereon) by the State Government. The amount of guarantees outstanding as on 31st March 1982 was Rs. 8296.92 lakhs towards principal and Rs. 33.89 lakhs towards interest.

According to Section 66 (i) of the Act *ibid*, the

Board has to prepare proper accounts and other records including profit and loss account and balance sheet in a form to be prescribed by the Government. The Government had not so far (December 1982) prescribed the form. Under Section 66(4) of the Act *ibid*, the audited accounts along with the Audit Report thereon are to be forwarded annually to the Government for laying before both Houses of the state Legislature. The accounts of the Board are required to be audited by such person or authority as the Government may specify in this behalf.

### 7.2.2. Jammu and Kashmir State Financial Corporation

(i) **Financial Position.**—The table below summarises the financial position of the Corporation under broad headings for the 3 years up to 1981-82:

Liabilities	1979—80	1980—81	1981—82
	<i>(Rupees in lakhs)</i>		
(a) Paid-up capital	125.08	149.29	194.71
(b) Reserves and surplus	138.97	161.77	197.93
(c) Borrowings, Bonds and Debentures	385.00	412.50	577.50
Others	442.41	632.61	815.19
(d) Other liabilities and provisions	36.21	56.10	79.15
Total	1127.67	1412.27	1864.48
Assets			
(a) Cash and bank balances	3.17	6.85	13.48
(b) Loans and advances	1083.21	1349.22	1774.37
(c) Net fixed assets	8.40	9.98	9.96
(d) Other assets	32.89	46.22	66.67
Total	1127.67	1412.27	1864.48
Capital employed*	996.00	1219.23	1565.25

\* Capital employed represents the mean of the aggregates of the opening and closing balances of paid-up capital, plus bonds and debentures ; (other than those funded specifically and backed by investments outside) and borrowings.



(ii) **Investment.**—Against the investment of Rs. 64.69 lakhs as on 31st March, 1981 the investment of State Government in the share capital as on 31st March 1982 increased to Rs. 87.40 lakhs.

(iii) **Guarantees.**—The Government has guaranteed the repayment of share capital of Rs. 182.71 lakhs (excluding special share capital of Rs. 12.00 lakhs) under Section 4 of the State Financial Corporations Act, 1951 and payment of minimum dividend thereon at the rate of 3.5 to 5 per cent. The Government has also given guarantees for the repayment of bonds issued by the Corporation from time to time and for payment of interest thereon. The amount outstanding as on 31st March, 1982 was Rs. 577.50 lakhs (principal) and Rs. 7.27 lakhs (interest).

(iv) **Working results.**—The following table gives details of the working results of the Corporation for the 3 years up to 1981-82 :

	1979—80	1980—81	1981—82
	(Rupees in lakhs)		
1. Income:			
— Interest	109.70	128.08	167.61
— Other income	1.49	1.91	2.35
Total	111.19	129.99	169.96
2. Expenditure :			
—Interest on long-term loans	48.27	60.17	78.78
—Other expenses	19.24	21.91	27.69
Total	67.51	82.08	106.47
3. Profit before tax	43.68	47.91	63.49
4. Provision for tax	15.50	23.20	25.60
5. Profit after tax	28.18	24.71	37.89
6. Other appropriations	23.80	19.97	31.67
7. Amount available for dividend	4.38	4.78	6.22
8. Dividend paid	1.91	1.91	1.91
9. Total return on capital employed	91.95	108.08	142.27
10. Percentage of return on Capital employed		(Per cent)	
		9	9

(v) **Disbursement and recovery of loans.**—

(a) The performance of the Corporation in the disbursement/recovery of loans during the 3

years up to 1981-82 is indicated below :

Particulars of applications	1979—80		1980—81		1981—82		Cumulative since inception	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	<i>(Amount in lakhs of rupees)</i>							
Pending at the beginning of the year	12	45.50	20	75.61	42	107.20		
Received during the year	339	634.09	437	933.14	453	1198.36		
<b>Total</b>	<b>351</b>	<b>679.59</b>	<b>457</b>	<b>1008.75</b>	<b>495</b>	<b>1305.56</b>	<b>5089</b>	<b>6045.91</b>
Cancelled/withdrawn/rejected	3	37.40	4	168.76	3	143.15	444	1081.73
Sanctioned	328	566.58	411	732.79	434	940.62	4587	4742.39
Pending at the close of the year	20	75.61	42	107.20	58	221.79	58	221.79
Loans disbursed	295	402.13	362	502.10	408	621.06	4157*	3415.09
Amount outstanding at the close of the year		1083.21		1349.21		1774.37		
Amount overdue for recovery								
(a) Principal		49.82		63.09		89.73		
(b) Interest		17.46		26.46		42.61		
(c) Total		67.28		89.55		132.34		
Percentage of default to total loans outstanding		6		(Per cent) 7		7		

\*Includes a difference of 9 applications which has not been reconciled by the Corporation.

## SECTION C

## Government Companies

7.3. **Introduction.**—There were 14 Government Companies in the State as on 31st March, 1982 as against 13 at the close of the previous year. One new Government Company, viz., Jammu and Kashmir State Handloom Development Corporation Limited was incorporated in the State in June 1981.

7.3.1. **Compilation of accounts.**—Two Companies finalised their accounts, one for the year 1981-82 and one for the year ending 1981. In addition, one Company, viz., Jammu and Kashmir Projects construction Corporation Limited, finalised its accounts for the earlier year, i.e., 1977-78. A synoptic statement showing the summarised financial results of the three companies based on the latest available accounts is given in Appendix 7.1.

The accounts of the following ten Companies (excluding one Company, viz., Jammu and Kashmir State Handloom Development Corporation Limited—accounts for which were not due) were in arrears for the period noted against each.

<u>Name of the Company</u>	<u>Extent of arrears</u>
1. Jammu and Kashmir Industries Limited	1970-71 to 1981-82
2. Jammu and Kashmir Minerals Limited	1976-77 to 1981-82
3. Jammu and Kashmir Tourism Development Corporation Limited	1976-77 to 1981-82
4. Jammu and Kashmir Handicrafts (Sales and Export) Corporation Limited	1977-78 to 1981-82

Name of the Company	Extent of arrears
5. Jammu and Kashmir State Agro Industries Development Corporation Limited	1977-78 to 1981-82
6. Jammu and Kashmir Projects Construction Corporation Limited	1978-79 to 1981-82
7. Jammu and Kashmir Small Scale Industries Development Corporation Limited	1979-80 to 1981-82
8. Jammu and Kashmir Cements Limited	1980-81 and 1981-82
9. Jammu and Kashmir Horticultural Produce, Marketing and Processing Corporation Limited	1980-81 and 1981-82
10. Himalayan Wool Combers Limited	1980-81 and 1981-82

The position of arrears in the finalisation of accounts was last brought to the notice of Government in December 1982.

7.3.2. **Investments.**—Against the State Government investment of Rs. 4414.09 lakhs in 13 State Government companies as on 31st March 1981, the investment in 14 Government Companies as on 31st March, 1982 stood at Rs. 5224.84 lakhs as detailed below :

Particulars	Investment by				Total
	Number of Companies	State Government	Central Government	Others	
(Rupees in lakhs)					
Companies wholly owned by the State Government	11	4852.34	..	..	4852.34
Companies Jointly owned with the Central Government/ Others	3	372.50	245.76	6.24	624.50
	14	5224.84	245.76	6.24	5476.84

The investment as per Finance Accounts is Rs. 5234.84 lakhs which included an investment of Rs. 10.00 lakhs in one Central Government Company, viz., National Projects Construction Corporation Limited.

7.3.3. **Loans.**—The balance of long-term loans outstanding against six companies as on 31st March 1982 was Rs. 477.16 lakhs which continued to remain unchanged since 31st March 1981.

7.3.4. **Guarantees.**—The State Government had guaranteed the repayment of loans and payment of interest thereon, raised by 5 Government Companies. The amount guaranteed and the amount outstanding thereagainst as on 31st March 1982 was Rs. 1864.12 lakhs (principal—the amount of interest outstanding was awaited) as detailed below :

Name of the Company	Amount guaranteed	Amount outstanding as on 31st March 1982
<i>(Rupees in lakhs)</i>		
1. Jammu and Kashmir Cements Limited	18,00.00	17,94.00
2. Jammu and Kashmir Projects Construction Corporation Limited	5.00	Nil
3. Jammu and Kashmir Small Scale Industries Development Corporation Limited	30.00	19.38
4. Jammu and Kashmir Horticultural Produce, Marketing and Processing Corporation Limited	27.98	27.98
5. Jammu and Kashmir Industries Limited	96.00	22.76
	19,58.98	18,64.12

In June 1977, the Government directed that a fee of 1/4 per cent of the amount intended to be raised as loan against a Government guarantee be charged and recovered from the borrower before the guarantee

was given by the Government. Amount of guarantee fee levied/charged by the Government was not furnished to Audit by the Companies.

**7.3.5. Performance of the Companies.**—The following table gives details of two Companies which earned profit/incurred loss during 1981-82 and the comparative figures for the previous years:—

Name of the Company	Paid-up capital (aggregate)		Profit (+)/ Loss(—)		Percentage of profit to paid-up capital	
	1980-81	1981-82	1980-81	1981-82	1980-81	1981-82
	(Rupees in lakhs)					
1. Jammu and Kashmir Bank Limited	15.68	26.74	(+)23.18	(+)28.79	148	108
2. Tawi Scooters Limited (Factory under construction during 1980-81)	70.40	80.40	..	(—)9.80	..	(—)12

Of the 2 Companies which finalised their accounts for 1981-82, Jammu and Kashmir Bank declared a dividend of 14 per cent per annum less tax amounting to Rs. 2.30 lakhs.

## INDUSTRIES AND COMMERCE DEPARTMENT

### Jammu and Kashmir Industries Limited

**7.4.1. Introductory.**—Jammu and Kashmir Industries Limited was incorporated on 4th October 1963 to run 21 industrial undertakings transferred to it by the State Government. In January 1964, the Government took back 5 units with retrospective effect from the date of incorporation of the Company. One unit, viz., Kashmir Government Arts Emporium, was transferred to the Jammu and Kashmir Handicrafts (Sales and Export) Corporation Limited with effect from 9th June 1970 and the development wing of the sericulture was taken over by the Government in July 1972. The Company, after its formation, added four new units, viz., Woollen Mills, Bemina, Rosin and Tur-

pentine Factories at Sunderbani and Rajouri and New Joinery Mills, Jammu and gave away on lease two units, viz., Match Factory, Baramulla and Leather Tanneries, Srinagar to private parties. One unit, viz., Brick and Tile Factory, Pampore was transferred to Jammu and Kashmir Projects Construction Corporation Limited in April 1980. A combing project taken up for execution in May 1971 was transferred to a new State Government Company, viz., Himalayan Wool Combers Limited in January 1978 while still under-construction. As on 31st March, 1982 the Company had 16 industrial units under its control. The company had not finalised its accounts from 1970-71 onwards so for (August 1983). A review on the working of the Company up to 1979-80 was included in the Report of the CAG of India for 1979-80. The working results of the Company (based on the provisional accounts) for the 3 years 1979-80 to 1981-82 were as under :—

	1979—80	1980—81	1981—82
	<i>(Rupees in lakhs)</i>		
<b>A. Income</b>			
Sales (including income from contracted works, commission, spinning and training charges)	928.34	11,55.53	13,36.55
Interest	0.96	5.60	0.88
Miscellaneous receipts	6.42	7.93	12.50
Total	935.72	11,69.06	13,49.93
<b>B. Expenditure</b>			
Cost of goods sold (including depreciation and spares consumed)	676.44	936.32	10,57.20
Salaries and wages	97.27	72.67	75.32
Administrative and other expenses	66.60	92.56	106.23
Total	840.31	11,01.55	12,38.75
Net profit for the year	95.41	67.51	1,11.18
Cumulative loss	318.32	235.64	93.82

The working of two units of the Company, viz., New Joinery Mill Jammu and Pharmaceutical Works, Baramulla are reviewed in the succeeding paragraphs.

#### 7.4.2. Government Pharmaceutical Works, Baramulla.—

7.4.2.1. The Factory was purchased by the State Government in November 1960 from a private entrepreneur for Rs. 5.11 lakhs. It was run as a departmental undertaking up to 3rd October 1963 and with the incorporation of Jammu and Kashmir Industries Limited on 4th October 1963, the unit along with other departmental undertakings of the State Government was transferred to the Company.

Separate accounts are prepared for this unit which are audited and certified by auditors appointed under Section 619(2) of the Companies Act, 1956. The accounts of the unit from 1976-77 onwards have not been finalised so far August 1983). The working results of the Factory as per audited accounts for the three years ending 1975-76 are given below:—

Year	Profit (+)/Loss (-) (Rupees in lakhs)
1973-74	(-) 0.35
1974-75	(-) 0.03
1975-76	(+) 1.19

The cumulative loss as on 31st March 1976 amounted to Rs. 7.85 lakhs.

7.4.2.2. **Activities.**—The Factory has two sections, one to prepare Santonin, an anthelmintic drug—the main product of the unit—and the other to produce 13 types of tinctures and 12 types of syrups.

#### 7.4.2.3. Procurement of raw materials

(a) Artemesia, a self-growing herb, which is the main raw material for manufacture of Santonin, is only available in Gurez and Kishtwar areas of the State. Up to June 1973, the Factory was obtaining its



requirement of Artemesia through the State Forest Department as well as through private contractors. In June 1973 the Forest Department wrote to the Company that they should not invite tenders for procurement of Artemesia as Forest Department had decided to extract the herb themselves departmentally to ensure its proper extraction on sustained yield basis and its supply to the Factory. Prior to 1980-81, Artemesia was being supplied by the Forest Department at the rate of Rs. 3 per kg. During 1980-81, the Forest Department unilaterally increased its price to Rs. 5 per kg. retrospectively from 1979-80, although in a meeting held in September 1979 under the Chairmanship of the Finance Minister, when the Forest Minister was also present, it had been decided that the Forest Department would continue to supply Artemesia to the Factory at the then prevailing price of Rs. 3 per kg. The Forest Department insisted on payment at higher rates and also informed the Company that in the event the Company did not lift the same, the Forest Department should be allowed to sell it to others. As the working of the Factory was not viable even at the price of Rs. 3 per kilogram of Artemesia, the Company informed the Forest Department (September 1980) to sell the Artemesia to others. The latter, however, failed to sell it to other buyers and retained heavy quantities of the herb in stock (0.94 lakh kgs. as on 31st March 1981 and 1982). No crop was collected by the Forest Department in 1981-82.

In March 1982, the Company again approached the Forest Department to sell Artemesia and offered a rate of Rs. 2.50 per kg. and the Forest Department agreed in May 1982 to sell it at Rs. 2.60 per kg. The non-procurement of raw material during intervening period led to the closure of factory from December 1980 to May 1982.

During 1961-62, which was the first year after the take over of the factory by the Government, the yield percentage from Artemesia was 0.58. For supply of Artemesia through contractors during 1965 to 1972, the Factory entered into agreements with the con-

tractors guaranteeing yield of Santonin at 0.60 per cent from Gurez area collections and 0.55 per cent from Kishtwar area collections. The agreements also stipulated that in the event of lower yield, recovery of penalty equal to the value of Santonin obtained short would be effected at the sale price prevalent at the time of assessment and/or at the discretion of the Managing Director. No such agreements were, however, entered into with the Forest Department. The yield from the Artemesia supplied by them was very low as shown in the table below :—

Year	Artemesia processed	Yield obtained	Percentage of yield
(In kilograms)			
1974—75	66,713	318.714	0.47
1975—76	97,624	318.658	0.32
1976—77	99,340	291.570	0.29
1977—78	82,660	318.367	0.38
1978—79	89,795	333.000	0.37
1979—80	84,888	269.842	0.32
1980—81	22,850	87.375	0.38

Compared to optimum yield at 0.55 per cent the shortfall in yield from 5,43,870 kgs. of Artemesia processed during the period 1974-75 to 1980-81 works out to 1064.759 kgs. valuing Rs. 29 lakhs at the prevailing sale price of Santonin. In the absence of any agreement with the Forest Department regarding guaranteed yield no penalty could be imposed. The Management stated (November 1982) that the Forest Department had been apprised repeatedly of the low yield percentage in Artemesia, but the quality of raw material had not improved.

When the position in this regard was examined by the Committee on Public Undertakings in September 1976, it was explained by the Managing Director of the Company that deviation in the plucking season and mode of plucking, etc., affected the percentage content. He suggested that there should be a sort of mobile testing unit which could check the percentage contents and ensure plucking. No such mobile testing unit was, however, introduced by the Forest Department.

(b) **Other materials.**—Major items of materials required for processing of about one lakh kilograms of Artemesia are as follows :—

Estimated annual requirement

(a) Methylated spirit	10,000 gallons
(b) Hydrochloric acid	7,000 kgs.
(c) Lime (unslaked)	10,000 kgs.
(d) Ammonia	1,000 Ltrs.
(e) Firewood	5,000 quintals

Item (a) is procured from the distilleries and items (b), (c) and (d) from the manufacturers. Regarding item (e) viz., firewood, regular arrangements had not been made to get it from the State Forest Department who could supply it at cheaper rates. The Management stated (November 1982) that the Forest Department could not make up the requirements of the Factory and, therefore, arrangements had to be made to purchase the firewood from open market.

7.4.2.4. **Productivity.**—Santonin: The Management could not specifically indicate the installed capacity of the plant. In the various management returns the production capacity was being shown as 600 kgs. per annum. However, for the purpose of budget estimates the production for each year was estimated at a still lower figure and even this lower production could not be achieved as indicated below :—

Year	Estimated production	Actual production	Shortfall	Percentage of shortfall
(In Kgs.)				
1974—75	400	319	81	20
1975—76	400	319	81	20
1976—77	425	292	133	31
1977—78	360	318	42	12
1978—79	380	333	47	12
1979—80	380	270	110	28
1980—81	360	87	273	76
1981—82	Not fixed	nil	nil	nil

The Management stated (August 1982) that the production capacity was entirely dependent on the yield percentage.

According to the Management (August 1982), the shortfall in production was due to:

- (i) poor quality of Artemesia being procured,
- (ii) old and out-dated machinery, and
- (iii) power shortage.

Review of the records of the Factory in audit revealed as under:

(i) No norms for consumption of raw materials and stores items had been determined at least on the basis of previous experience. The Management stated (August 1982) that since the plant/machinery installed in the factory was more than five decades old and often suffered break downs, it was not possible to fix norms for consumption of raw materials/stores items.

(ii) As per capacity of the percolators, each charge should have been of 600 Kgs. of Artemesia against which different quantities ranging between 300 and 450 Kgs. only had been fed to the percolators each time. The Management stated (August 1982) that the capacity of percolators in respect of Artemesia depends upon the length of the herb and that the herb supplied by the Forest Department was not of the required specifications.

No norms/control over the Santonin yields could thus be exercised on the basis of Artemesia inputs.

(iii) During the period under review, the consumption of spirit in the drier had varied abnormally from charge to charge and such variation had ranged between 4 gallons and 82 gallons. The Management stated (August 1982) that the condition of the machine and the recovery tankers was deteriorating year

after year resulting in increased consumption of spirit in the drier. During 1978-79 the Management had approached the Regional Research Laboratory, Jammu and deposited with them a cheque for Rs. 5,000 as consultancy charges for improving the working of the plant, but the final outcome of the contract is not known.

(iv) There were also instances of non-availability of spirit occasionally, resulting in stoppage of production.

The abnormally low production during 1980-81 and stoppage of production during the year 1981-82 was due mainly to the stand taken by the Forest Department in 1980-81 to increase the cost of Artemesia from Rs. 3 to Rs. 5 per kg. which adversely effected the working of the Factory. At the raw material price of Rs. 3 per kg. in 1979-80, the Factory was selling Santonin at Rs. 3,200 per kg. with a small profit margin as indicated below :—

	Santonin cost per kg. (Rupees)
(i) Raw materials and stores	1,767
(ii) Factory charges	978
(iii) Administrative charges	396
	<hr/>
Total	3,141

With the abrupt increase of nearly 70 per cent in the price of raw material, the Santonin produced by the Factory turned sale-resistant. The Santonin sales had also declined from 1979-80 onwards due to adoption of synthetic substitutes by the pharmaceutical factories and deletion of Santonin drug from Indian Pharmacopoeia. However, in May 1982, when the Forest Department ultimately agreed to sell Artemesia at the rate of Rs. 2.60 per kg. the production was started again by the Management so as to utilise the idle labour, retain hold on existing buyers and use the stores materials in hand. The production during 1982-83 was only 79.5 kgs. of Santonin.

(b) **Glanicals.**—The position of estimated and actual production of glanicals during the years 1974-75 to 1981-82 is given in the table below :—

Year	Estimated production	Actual production	Shortfall	Percentage of shortfall to estimated production
(In Lbs.)				
1974—75	10,000	784	9,216	92
1975—76	8,000	4134	3,866	48
1976—77	10,000	2762	7,238	72
1977—78	7,600	1000	6,000	86
1978—79	7,000	245	6,755	96
1979—80	7,000	1359	5,641	81
1980—81	7,000	525	6,475	92
1981—82	3,000	10324	..	..

The Factory had not made any arrangements to create regular demand for its glanical products in the market. Although the glanicals prepared in the Factory were considered by the Management to be the best and the cheapest in the State, as early as 1971, yet the Management had never been able to convince the State Health Department to place regular and firm orders on the Factory for supply of glanicals. The Director of Health Services, Jammu and Kashmir had been inviting offers from time to time for supply of different varieties of drugs and medicines. The Factory quoted rates for the first time in December 1980 for 10 items of tinctures and syrups, out of which 4 items were allotted to it by the Directorate. The Factory manufactured 10,324 Lbs. of glanicals and supplied bulk of the same to the Health Department during 1981-82 for a total value of Rs. 1.18 lakhs. However, in December 1981 the Drug Controller, Srinagar informed that some drugs were found on analysis to be sub-standard in quality and asked the Management to lift back these drugs. The extent to which the drugs have been declared as unfit has not been intimated by the Drug Controller, nor have the drugs declared sub-standard been collected by the Factory. Payment of Rs. 0.36 lakh has still not been received by the Factory from the Health Department (November 1982).

The Management stated (November 1982) that the glanicals manufactured now in the Factory were highly sale-resistant because of more reliable substitutes available in the market.

7.4.2.5. **Diversification.**—As many of the Pharmaceutical factories in the country using Santonin had shifted to the use of synthetic ingredients in their drug formulation, the Company felt (April 1979) that :

(a) Santonin sale in future would not be encouraging and, therefore, the production programme of the Factory required to be diversified on the basis of various herbs available in the forests of the State,

(b) even if a suitable derivative of Santonin or its combination with other drug was worked out, the product would not find any market in the country, and

(c) even if proper utilisation of Artemesia for higher yield of Santonin was made, it would only reduce the cost of production to some extent but not solve the problem of its marketability. The Company, therefore, approached (December 1980) the Bureau of Industrial Costs and Prices whose experts had visited the Factory (December 1980) for finding out measures for diversification of product line by using the same plant/machinery which was being used for extraction of Santonin from Artemesia, Central Drug Research Institute, Lucknow (CDRI) which was also associated with the diversification programme also sent (January 1981) preliminary project reports in respect of some product lines which could be taken up for manufacture by the Factory and for which raw material was available in the State. Central Institute of Medical and Aeromatic Plants (CIMAP), Lucknow also sent (August 1981) its report for on the spot appraisal of the problem and the experts of CDRI and CIMAP, after visiting the plant and some forest areas, drew (May 1981) the following conclusions :

(i) most of the drug plants which were being sent out of the State to various parts of the country

could be conveniently sent in the extract form which would save expenditure incurred on transportation of minor forest produce as such;

(ii) some essential oils, which have great demand in the European market and for which raw material was available in the State, could be conveniently extracted at Baramulla after installation of two more stills;

(iii) a small unit for manufacture of distilled water for injections by the help of steam and a distillation plant could be started immediately with a small investment which could cater to the demand of the State Health Department;

(iv) a formulataion section could be started by purchasing intermediates within the country to cater to the requirement of the State Health Department; and

(v) manufacture insecticides, which had a competative market in the State.

The Forest Department which had been asked (June 1981) by the Management of the Company to project an estimate of availability of the required herbs on annual sustained basis failed to furnish the information but assured that the plants required by the Factory could be raised through cultivataion in farms and if a sustained demand on economical lines could be assured, the production could be increased by raising these herbs in the forests. The CDRI, to which some herbs were supplied in September 1981, informed the Company in November 1981 that it had taken up pilot studies on these herbs. The Management stated (August 1982) that the CDRI had asked for (July 1982) some herbs with better yield percentage for framing a realistic project report on some selected drugs. The Board of Directors, however, directed (December 1983) that some consultancy organisations be approached for framing a viable project report.

The marketability of the end-products proposed to be had from the herbs after diverisfication is yet



to be ascertained by the experts as well as by the Company (June 1982).

7.4.2.6. **Cost of Production and sales.**—A suitable costing system to ascertain the process cost at various stages has not been introduced so far (June 1982). The position of overall cost of production, sales and working results for the four years upto 1981-82 (as per provisional figures) is given in the following table:—

Particulars	1978—79	1979—80	1980—81	1981—82
	<i>(Rupees in lakhs)</i>			
Raw material and stores consumed	5.46	4.77	1.81	0.96
Direct wages	0.81	0.90	1.14	1.09
Fuel and power	1.10	1.60	0.97	0.29
Other factory charges	0.18	0.14	0.15	0.10
Direct cost of production	7.55	7.41	4.07*	2.44*
Accretion (—)/decretion(+) of stocks	(—)0.40	(—)3.33	(+)0.04	(+)4.33
Direct cost of production sold	7.15	4.08	4.11	6.77
Net administrative cost (excluding interest and miscellaneous income)	1.23	1.67	1.28	1.23
Cost of sales	8.38	5.75	5.39	8.00
Sales	9.43	4.99	3.37	5.46
Net profit (+)/Net loss (—)	(+)1.05	(—)0.76	(—)2.02	(—)2.54

From the above table it would be seen that whereas the value of raw materials and stores consumed has come down sharply during 1980-81 and 1981-82, the direct wages have increased during the same period. This is due to fall in production and also increase in wages due to rationalisation of wage structure.

Keeping in view the increase in the price of Artemesia by the Forest Department, the Factory in-

\* Reduced activities mainly due to stoppage of production of Santonia from December 1980 to November 1982.

creased (May 1980) the sale rate of Santonin from Rs. 3200 to Rs. 3700 per kg. to see the market reaction but with this increase Santonin became sale resistant and the sale rate was again reduced to Rs. 3200 per kg. in September 1980.

7.4.2.7. **Consumption of stores materials.**—The table below gives details of consumption of major items of stores materials per kg. of Santonin produced during the four years ending 1980-81 :

Particulars	Consumption per kg. of actual production of Santonin			
	1977-78	1978-79	1979-80	1980-81
Methylated spirit (in gallons)	26.62	29.54	33.77	27.75
Hydrochloric acid (in kgs.)	18.80	15.42	16.28	15.18
Firewood (in quintals)	11.00	12.00	16.28	18.10
Lime (in kgs.)	23.47	15.54	18.93	24.38
Ammonia (in litres)	2.03	2.82	1.70	1.60

Consumption of methylated spirit was 17.18 gallons per kg. of Santonin produced in 1973-74. Increase in its consumption occurred despite replacing of the condenser and the distillation column in October 1973.

The consumption of spirit per 100 kgs. of Artemesia processed has been increasing year to year as indicated below :—

Year	Consumption of spirit per 100 kgs. of Artemesia processed
	(In gallons)
1976-77	8.71
1977-78	10.28
1978-79	10.95
1979-80	10.74
1980-81	11.16

Norms for consumption of materials have not been fixed. The Management stated (August 1982) that these norms cannot be fixed as the existing plant and machinery in the factory is old and has almost outlived its life.

Reasons for wide variations in the consumption of various materials from year to year have not been analysed by the Management.

The matters mentioned above were reported to Government in October 1982 ; reply is awaited (June 1983).

### 7.5. New Joinery Mills, Jammu.

7.5.1. Keeping in view, the growing demand for joinery goods, furniture and cable drums outside the State and the likely market within the State as a result of Government policy relating to greater use of timber in construction, the J&K Industries Limited approved a project report in 1973 to set up a new joinery mill at Bari Brahmana (Jammu) in addition to the existing one at Pampore (Srinagar).

The Joinery Mill at Bari Brahmana was to meet the requirements of joinery goods for the outside market in view of its close proximity of the railway terminus and a central timber depot of the Forest Department.

The projections in the project reports regarding the then demand and estimated future demand for joineries were as under :

Source	Present demand	Estimated demand
	(Units in thousands)	
Delhi Development Authority	60.00	100.00
Rajasthan	20.00	25.00
Ghaziabad	10.00	10.00
Others	10.00	35.00
	100.00	170.00
Cost :	Rs. 60.00 lakhs	Rs. 102.00 lakhs

The possible demand for cable drums was projected to be of the value of about rupees one crore. The demand for structural timber and furniture was considered to be firm and increasing.

7.5.2. **Implementation of the project.**—The Project envisaged a capital expenditure of Rs. 55.60 lakhs (including foreign exchange component of Rs. 5 lakhs) in two phases. The first phase of the project for manufacture of 60,000 units of doors and windows with frames and also 39,500 cft. of semi-finished material for manufacture of furniture articles per annum, was estimated to cost Rs. 40 lakhs and take 15 months for completion.

The second phase of the project envisaged further capital expenditure of Rs. 12 lakhs on Joinery Section, and a capital expenditure of Rs. 3.60 lakhs on establishment of timber furniture factory and a cable drum factory in order to utilise the bye-products of the mill.

Cost estimates of goods to be manufactured were projected as under :—

#### Ist Phase

Particulars	Units	Cost per unit (Rupees)	Amount (Rupees in lakhs)
Shutters	30,000	60.00	18.00
Sashes	30,000	31.50	9.45
Door frames	30,000	42.00	12.60
Window frames	30,000	35.00	10.50
Finished Timber	39,500cft.	28.00per cft.	11.11
		<b>Total</b>	<b>61.66</b>
		<b>Say</b>	<b>62.00</b>

#### IInd hase

Shutters	20,000	66.00	13.20
Sashes	20,000	35.00	7.00
Door frames	20,000	46.20	9.24
Window frames	20,000	39.00	7.80
Timber for furniture	17,000 cft.	31.00 per cft.	5.27
		<b>Total</b>	<b>42.51</b>
		<b>Say</b>	<b>43.00</b>

Rupees 58 lakhs were estimated to be the working capital requirements per annum for a turnover of Rs. 71.00 lakhs with the completion of the first

phase and at this level of working the factory a recurring profit of 10 per cent per annum was anticipated.

The project did not progress as anticipated and although the activities for execution of the project were started in March 1974, there was delay at every stage for the reasons given in the table below :—

Sl. no.	Name of the work and capital outlay	Date of placement of order	Scheduled date of completion	Actual date of completion	Reasons for the delay
1.	Civil works (Rs. 14.12 lakhs)	October 1974	April 1975	December 1976 (Partly)	The civil works were allotted to Jammu and Kashmir Projects Construction Corporation Ltd. (JKPCC) (a State Government-Company) except construction of seasoning kiln shed and the Boiler house which were allotted to a local firm of Jammu. Works relating to fencing of premises and construction of the office building were done by the Company itself. Although tenders for civil works were opened in February 1974, the Company took six months to select the contractors and it was in October 1974 that the JKPCC were asked to take up the execution of the works. These works were to be completed within six months <i>i.e.</i> by April 1975 but were completed (partly) in December 1976 due to paucity of funds with the Company. The Company had

Sl. no.	Name of the work and capital out-lay	Date of the placement of order	Scheduled date of completion	Actual date of completion	Reasons for the delay
					received equity contribution of Rs. 22 lakhs during 1974-75 from the State Government specifically for this project, but these funds were diverted to working capital needs of other units with the result that the project was left without any funds for a long period. Due to paucity of funds the construction works on some items, viz, Impregnation plant, Mechanical workshop, Canteen, timber stockyard etc. involving a projected capital expenditure of Rs. 2.20 lakhs were deferred and works on staff quarters involving a projected capital expenditure of Rs. 1.51 lakhs postponed. The deferred works were subsequently (1979) desired to be taken up on priority basis, but these have still to be started.
2.	Procurement and installation of wood working machinery and pneumatic exhaust system (Rs.18.98 lakhs)	March 1974	June 1975	December 1976	The machinery could not be erected and the contract for electrification of the Mills not finalised due to delay in civil construction works.
3.	Prefabricated seasoning kilns. (Rs. 13.16 lakhs)	October 1976	March 1977	March 1977	The letter of intent was issued to the supplier of the equipment as early as in

Sl. no.	Name of the work and capital outlay	Date of the placement of order	Scheduled date of completion	Actual date of completion	Reasons for the delay
					November 1974, but the actual supply order was issued only in October 1976.
4.	Precision finishing machinery (Five cutter moulder, double drum sander etc.) (Rs. 5.44 lakhs)	March 1974	June 1975	December 1980 and June 1981	There was delay in importing the machines as mentioned hereinafter

The phase II of the project is still (June 1983) to be taken up.

The Mills were commissioned in January 1977 in an incomplete state as by then some important mass production machines like cutter moulders, drum sanders and glue wheels had still to be acquired and installed.

In November 1977, the Board of Directors appointed a high-power committee (consisting of Chief Engineer of the State and the Executive Director of the Company) to examine the issue further. According to the report of this committee, the machinery fabricated by the suppliers was not sturdy and certain defects/deficiencies therein required rectification. After a detailed examination of the whole matter by the Management, it was established (March 1978) that—

(a) the indigenous manufacturers had failed to fabricate good machinery and the project had been commissioned in a hurry, and

(b) certain machines did not function properly.

The following steps were decided (October 1978) to be taken by the Management for setting right the

working of the Mills.

(a) Two machines (costing Rs. 0.27 lakh), viz., surface planner and adjusting saw to be rejected and the party asked to replace these machines or have their value deducted from their dues,

(b) remaining machines to be acquired and the existing ones improved and expenditure incurred in improvement to be recovered from the suppliers,

(c) action to be taken against the contractors for belated supplies, and against the officials, who accepted defective machinery.

Some modifications were carried out from time to time to rectify the defects in machines at a cost of Rs. 0.07 lakh by debit to suppliers account. Responsibility for accepting defective machinery has also not been fixed (June 1982) as it was stated that the entire records in this regard are with the Anti-Corruption Organisation since March 1978.

One surface planner (Cost: Rs. 0.14 lakh) one knot boring machine (Cost: Rs. 0.13 lakh) and two adjusting saws (Cost: Rs. 0.13 lakh) are lying unutilised (November 1982) since their purchase in 1976.

The project report envisaged installation of mass production machines such as five cutter moulder and double drum sander, which were not indigenously available and were proposed to be imported. No action to import these machines was, however, taken till March 1977 in the case of cutter machine and till August 1978 in the case of Sander machine. Action to import 5 cutter machine was initiated in March 1977 but due to time taken in obtaining pro forma invoices and import licences the price of the machine had meanwhile escalated by \$3950 (Rs. 0.65 lakh) in February 1979. Consequently, a fresh application for the import licence had to be made but when the import licence was finally obtained it was intimated by the U.K. firm (January 1980) that it had no stocks of five cutters and, instead, offered to supply a six cutter moulder at a higher price. While the matter was still



under consideration, it was reported by the Manager of the Factory that four cutter machines were being manufactured indigenously (at Bangalore). A four cutter machines was, therefore, finally purchased from Bangalore in June 1981 for Rs. 1.11 lakhs.

In August 1978, the Company approached an American firm, who had supplied a double drum sander machine to Forest Research Institute, Dehra Dun, to indicate if it could supply a machine suitable to the requirements of the Factory. The firm informed (September 1978) that consideration be given to three-drum Sander for which it quoted a price of \$ 30,400 c.i.f. Bombay. The Company, however, failed to place a supply order in time because of delay in obtaining an import licence and opening of a letter of credit in time. The machine was finally received at Factory site in December 1980 at a cost of \$ 32,400 c.i.f. Bombay, i.e., involving an extra payment of \$ 2,000 (Rs. 18,000 approximately).

The position as on 31st March 1982 of the project estimates, actual cost incurred and the additional capital outlay still required for completion of the first phase of the Project are indicated below :

Item	Total project cost as estimated (Phase I)	Estimated Project cost of portion completed	Actual cost of the part plant etc. installed	Additional outlay required for completing phase I	Anticipated cost of completion of Phase I
(Rupees in lakhs)					
Land	1.60	2.29	2.29	..	2.29
Buildings	20.00	12.91	14.12	1.00	15.12
Plant and machinery	17.00	13.09	32.13	4.64	36.77
Pre-operative expenditure	1.40	1.40	7.37	0.40	7.77
Total	40.00	29.69	55.91	6.04	61.95

The additional outlay of Rs. 6.04 lakhs required for completion of Phase I does not cover the value

of some construction works still (June 1982) to be executed and also machinery items pertaining to Workshop to be procured as it was stated by the Management (November 1982) that their execution is dependent upon marketability of the products and availability of funds.

Cost over-runs in plant and machinery were due partly to price increases after preparation of the project report. The main increase in expenses was, however, on seasoning plant and Boiler on which the expenditure incurred amounted to Rs. 13.16 lakhs as against the project estimate of Rs. 3 lakhs only. The project report envisaged masonry type seasoning kilns with steam generators capable of working on factory wastes. The Management, however, acquired seasoning chambers based on steam generators working on wood chips and coal. There were no recorded reasons for purchasing different kind of seasoning plant. The capacity of the boilers acquired was about 10 lakhs K. cal/hour as against the requirement of 5.28 lakhs K. cal/hour. The seasoning kilns with steam generators were stated by the Project officer to have been purchased as these were available off the shelf and their acquisition would save over-runnings in the project time. During 1980-81 and 1981-82, the capacity utilisation of the seasoning plant was 3.9 per cent and 1.6 per cent, respectively. The boiler was used for 123 days only out of 700 working days from December 1979 to March 1982.

Against the estimated total capital cost of phase I of the project (Rs. 44 lakhs, including Rs. 4 lakhs as contingencies at 10 per cent) the State Government provided Rs. 22 lakhs as equity contribution in July 1974 (Rs. 12 lakhs) and February 1975 (Rs. 10 lakhs) and authorised the Company to approach financial institutions for the balance finance of Rs. 22 lakhs. Due to tight liquidity position, the funds provided by the State Government were partly diverted by the Company to working capital requirement of other units. The assistance from the financial institutions to finance the project also did not come forth as the assets of the Company were already mortgaged against outstanding loans. It was only at the intervention of

the State Government in October 1976 that the Jammu and Kashmir Bank Limited provided cash credit assistance of Rs. 22 lakhs and the project started making headway. The cash credit was availed of for 18 months from October 1976 onwards at 16 per cent interest per annum involving interest liability of Rs. 5.28 lakhs. In the meanwhile, the project dragged on and the pre-operative expenses amounted to Rs. 7.37 lakhs by January 1977 (date of commissioning) as against the projected pre-operative expenses of Rs. 1.40 lakhs.

**7.5.3. Availability of raw material.**—According to the project report the total timber requirement in sawn form by the Mills for achieving the projected production in phase I was to be of the order of 2.84 lakhs cft. per annum, supplies of which were expected to be made available by the then Departmental Lumbering Undertaking (now J & K State Forest Corporation). Actual supplies of timber received for the years 1977-78 to 1981-82 were, however, as under :

Year	Actual receipts of timber*
	(cft)
1977—78	27,433
1978—79	15,304
1979—80 and	
1980—81	40,381
1981—82	52,931
Total	1,36,049

The Management has all along been complaining to the Forest Department about the lesser allocations and also about the sub-standard quality of timber supplied but arrangements, consistent with the Mill's requirement, to get specific quantity and quality of timber from the J&K State Forest Corporation in a regular manner and on a long term basis are still to be made (June 1982). In the Budget Note on revised estimates for 1980-81, the Management has stated that in view of short supplies of timber by the J&K

\* Subject to reconciliation by the Mills with the State Forest Corporation.

State Forest Corporation (a State Government Undertaking), the Mills at Jammu may have to go for purchase in the market for some portion of their requirements. In fact on an experimental basis the Mills had purchased 100 cft. and 50 cft. of Deodar and Kail timber of the required lengths in May 1981. It was observed by the Management and audit that timber purchased from market was cheaper by Rs. 10.90 per cft. in respect of Kail and Rs. 18.30 per cft. in respect of Deodar as compared to the timber of standard sleeper size supplied by the J&K State Forest Corporation. Besides, less amount of wastages was also observed in the timber purchased from the market than in the timber supplied by the J&K State Forest Corporation. The State Government intimated (December 1982) that the Manager has already been instructed to procure between 20,000 and 50,000 cft. of selected sawn cut to length Deodar timber from sources other than State Forest Corporation also.

#### 7.5.4. Performance.—

(a) Saw mills: (Capital investment: Rs. 2.48 lakhs). The total requirement of raw material in phase I (timber in sleeper form) of the Mills was assessed at 2.84 lakh cft. per annum for the sawing of which provision of four band saws (54 inches size) was made in the project report. The band saws actually installed were six with the installed capacity of 9 lakh cft. of timber in three shifts of 300 working days per annum. Reasons for installation of band saws having capacity of over three times of what was envisaged originally were not on record. Actual sawing done during 1979-80, 1980-81 and 1981-82 was 0.12 lakh, 0.29 lakh and 0.63 lakh cft. of timber, respectively. The low capacity utilisation was stated by the Management to be due to lesser procurement of timber as also lack of orders for joinery goods. The State Government informed (December 1982) that the idle capacity would be utilised by operating the sawing section on single shift basis.

(b) **Seasoning plant.**—(Capital Investment: Rs. 16.29 lakhs). The Mills at Bari Brahmana were

set up mainly on the basis of demand for joinery goods at Delhi and in the neighbouring States. For this reason all the products of the Mills were to be seasoned and impregnated to meet tropical climatic conditions. While the Company has still to set up an impregnation plant in the Mills, the seasoning plant has remained underutilised all along due to lack of orders for joinery goods. As against the installed capacity per annum of 2.40 lakh cft. of seasoning plant the timber actually seasoned during 1979-80, 1980-81 and 1981-82 was only 0.10 lakh, 0.09 lakh and 0.04 lakh cft, respectively. It was stated by the State Government (December 1982) that in view of high cost of chemical salt used in impregnation process, customers now prefer to get their materials treated by different processes. Regarding low-utilisation of seasoning capacity it was stated that the seasoning chambers would be run on ten hour basis.

(c) **Joinery goods.**—(capital investment : Rs. 34.85 lakhs). As per project report the projected production of doors and windows (with shutters and frames) was 60,000 units per annum. As the Management had failed to instal some mass production machines up to 1980-81 (these have been installed in 1981-82 except for an additional tenoning machine which has still (June 1982) to be procured), the existing capacity was stated to be around 12,000 units. The actual and budgeted production of the Mills for the years 1977-78 to 1981-82 is shown in the table below :

Year	Budgeted production	Actual production	Shortfall in production	Percentage of shortfall over budgeted production
(Number of units)				
1977-78	7,500	1976	5,524	73
1978-79	11,000	6150	4,850	44
1979-80	12,000	4000	8,000	67
1980-81	12,500	3331	9,169	73
1981-82	10,000	540	9,460	95

The shortfall in production as adduced by the Management was due, inter alia to:—

- (a) lack of remunerative orders for joinery goods,
- (b) high cost of production as compared to other competing joinery mills,
- (c) absenteeism of workers, and
- (d) lack of trained workers mainly because of the unattractive wage structure.

One of the considerations on which the Mills were set up was the demand outside the State for seasoned and machine-finished timber products. The Mills have not been able to secure any order so far (June 1982) for export of timber products. Records do not indicate any publicity campaign undertaken for the Company's products in the export market.

(d) **Furniture articles.**—As there was dearth of orders for joinery goods, the Mills started manufacturing furnitures from its inception and by and large the furniture turned out to be its main product though as per project report separate furniture unit was to be set up in order to utilise the bye-product of joinery mills and in the first phase only 39,500 cft. of semi-finished timber for furniture was to be produced. Out of the total sales of Rs. 103.96 lakhs during 1978-79 to 1981-82 by the Mills, sales of furniture alone amounted to Rs. 89.91 lakhs. The budgeted/actual production of furniture for the five years ending 1981-82 was as under:—

Year	Budgeted production	Actual production
-----	-----	-----
<i>(In lakhs of rupees)</i>		
1977—78	2.80	4.69
1978—79	11.50	3.82
1979—80	9.00	6.39
1980—81	12.75	17.03
1981—82	30.00	65.63

The furniture production went up substantially during 1980-81 and 1981-82 due to installation of some of the wanting mass production machines and receipt of bulk orders from the State Education Department. Out of the total sales of Rs. 89.91 lakhs

during the four years ending 1981-82, the sales to private parties amounted to Rs. 0.07 lakh only. The rest of the sales were made on requisitions to Government Organisations on rates determined by the Company. The accounts of the furniture section have not been maintained separately. However, during 1981-82, when the entire production and sales activity almost pertained to furniture, the gross profit earned (Rs. 17.56 lakhs) was 37 per cent of the direct cost of production (Rs. 47.52 lakhs). The net profit Rs. 11.22 lakhs was 21 per cent of the cost of sales (Rs. 53.86 lakhs), after taking into account the entire overhead expenses of the Mills.

In September 1981, the Mills got 721 chairs manufactured from a private party at a cost of Rs. 0.40 lakh and supplied these to the Education Department at cost. The Manager of the Mills stated (February 1982) that the chairs were obtained from the private party to clear backlog of supply orders as the Education Department was to place a fresh order on the Mills on higher rates. It is not on record as to why the Mills could not plan production of these chairs themselves, though they produced goods valuing Rs. 21.05 lakhs during the half year ending September 1981 and for Rs. 46.04 lakhs during the half year ending March 1982.

(e) **Wastages in sawing operations.**—The Mills have not maintained adequate records to show actual wastages in sawing operations. However, the percentage of shortages as worked out on total output basis are indicated below:—

	1979—80	1980—81	1981—82
	(In cft)		
Input	11,502	29,065	62,952
Output	9,175	22,629	50,565
wastage	2,327	6,436	12,387
Percentage of wastage on input	20.2	(Per cent)	19.7
		22.2	

Norms for wastages in sawing operations have not been fixed by the Management so far (June 1982).

As regards wastages in re-sawing in machine halls, it was stated by the Management (February 1982) that it was not possible to determine the same. The Management has also not fixed any norms for permissible wastages in the machine halls. In fact, there was no record maintained in the machine halls to indicate the quantities of wastages occurring at different stages of processing. According to the Management, the overall wastages in sawing and re-sawing were around 50 per cent.

(f) **Production and maintenance control.**—The Mills have not introduced any job costing system. Standard time for completion of different joinery and furniture jobs have not been prescribed. Further, records showing job-wise men and machine hours utilisation have also not been maintained in order to have a realistic cost data.

There was a provision of Rs. 0.20 lakh for building and of Rs. 0.57 lakh for equipment for the maintenance of workshop in the project report. The Mills do not, however, have a workshop for the maintenance of the machinery installed in its various sections. In June 1980 purchase of the same machines for a small workshop was proposed.

Decision of the Head Office on the proposal is still awaited (June 1982). In absence of these machines, the repairs works amounting to Rs. 0.87 lakh during the years 1978-79 to 1981-82 were got done from outside workshops.

7.5.5. **Sales.**—As per project estimates, sales of Rs. 86 lakhs at 100 per cent capacity were envisaged to be achieved by the second year of commissioning of the Mills. The sales were, however, budgeted at Rs. 22.66 lakhs, Rs. 27.22 lakhs, Rs. 20.65 lakhs and Rs. 53.30 lakhs for the years 1978-79, 1979-80, 1980-81 and 1981-82 against which actual sales were Rs. 8.72 lakhs, Rs. 9.51 lakhs, Rs. 20.65 lakhs and Rs. 65.08 lakhs, respectively, as indicated below with item-



wise and customer-wise compositions :—

Item	Sales to departments of State and Central Government and State Undertakings				Sales to private parties				Total sales			
	1978— 79	1979— 80	1980— 81	1981— 82	1978— 79	1979— 80	1980— 81	1981— 82	1978— 79	1979— 80	1980— 81	1981— 82
	<i>(Rupees in lakhs)</i>											
Doors and windows	4.27	3.37	4.35	0.42	0.43	0.04	0.05	0.10	4.70	3.41	4.40	0.52
Other wooden articles	Nil	Nil	0.18	Nil	Nil	0.02	0.20	0.28	Nil	0.02	0.38	0.28
Furniture	3.92	5.94	15.82	64.16	0.01	0.01	0.05	Nil	3.93	5.95	15.87	64.16
Saw dust	Nil	Nil	Nil	Nil	0.09	0.13	Nil	0.12	0.09	0.13	Nil	0.12
Total	8.19	9.31	20.35	64.58	0.53	0.20	0.30	0.50	8.72	9.51	20.65	65.08

The Mills were established on the basis of existence of a firm market for joineries and structural timber in the country but the Management had not been able to secure orders even from the State Government Organisations. The State Government had made it incumbent (1978) on all engineering departments to purchase their requirements from the Joinery Mills of the Company subject to the quality and prices of these products being competitive. The Committee on Public Undertakings had also recommended in their 6th Report (April 1968) that for all Government buildings doors and windows manufactured by the then Mills (at Pampore) should be used. The Company management had also taken up the matter with the State Public Works Department from time to time to patronise production of the joinery mills but firm orders are still awaited.

The Mills do not have a sales organisation of their own for proper market survey in order to secure orders from Government organisations and private parties in and outside the State. Further, the Mills do not work out the sales prices of finished goods on the basis of their own costs. Instead, the sale prices of various articles are intimated to it by the Joinery Mills at Pampore (another unit of the Company), which works out the sale prices of different joinery and furniture items on the basis of their own costs charging contingencies, overheads, packing and loading and profit margin at fixed percentages. Thus the selling prices are uniform for the two units though both have different cost structure as indicated below :—

1981—82

	Joinery Mills, Pampore	Joinery Mills, Bari-Brahmana
	(Rupees)	
(i) Cost per cft. of timber in sleeper form		
(a) Deodar	49.84	61.93
(b) Kail	40.79	47.19
(c) Fir	29.84	34.95

	1981-82	
	Joinery Mills, Pompore	Joinery Mills, Bari-Brahmana
(ii) Percentage of	(per cent)	
(a) Productive wages to materials consumed	30.7	27.2
(b) Factory overheads to productive wages	22.4	47.8

The Manager of the Jammu unit did not have any power to fix the prices of different joinery and furniture items keeping in view the costs involved and the market conditions.

7. 5. 6. **Working results.**—On the basis of provisional accounts prepared by the management the working of the Mills for the five years ending 1981-82 resulted in a net loss of Rs. 11.55 lakhs, Rs. 4.86 lakhs, Rs. 8.55 lakhs, Rs. 10.46 lakhs and a profit of Rs. 11.22 lakhs respectively.

The accumulated loss upto 31st March 1982 was Rs. 24.20 lakhs. As stated by the management losses occurred during 1977-78 to 1980-81 due mainly to lack of remunerative orders for joinery goods, unproductive wages of joinery section and avoidable expenditure on surplus staff.

#### 7.5.7. **Purchase policy for stores items.**—

From 1980-81, the job relating to issuance of tender notices, receipt of quotations, preparing of comparative statements, etc. has been centralised in the Head office of the Company. It was, however, seen in Audit that the head office took considerable time in finalising various contracts resulting in piecemeal purchases by the Mills from local dealers at different rates. For finalising contracts for 1981 the head office asked for lists of items from the Mills in September 1980. The lists were sent by the Mills in October 1980 but the quotations were finalised by the Head Office as late as in August 1981. The value of local purchases made by the Mills between April to

August 1981 was Rs. 3.09 lakhs as against purchases of Rs. 3.93 lakhs from September 1981 to March 1982 on the basis of centralised purchase system. The State Government stated (December 1982) that the policy of procurement of hardware items for the Mills was again being reviewed and steps were being initiated for making the hardware items available to the Mills in time so as to discourage local purchases.

7.5.8. **Inventory.**—Inventory on 31st March 1982 included 312 door shutters valuing Rs. 0.42 lakh which had been manufactured for some outside agencies in 1978-79 but could not be delivered to them because of delay in supply. These shutters were lying undisposed of (June 1982).

Inventory also included 442 door shutters costing Rs. 0.60 lakh returned by the Delhi Development Authority during 1980-81 as sub-standard. On an 'on the spot' examination of the material, 310 shutters were found to be beyond repairs. It was stated by the Management (February 1982) that the basic reason for manufacture of defective shutters was sub-standard timber supplied by the State Forest Corporation. The Shutters were still (June 1982) lying in the stores. Responsibility for preparing shutters out of sub-standard timber has not been fixed. The State Government stated (December 1982) that the Manager of the Mill had already been instructed to send proposal for disposal of these unsold shutters.

The matters mentioned above were reported to Government in September 1982; reply is awaited (August 1983).

## 7.6. Himalayan Wool Combers Limited

7.6.1. **Introductory.**—With a view to establishing a wool combing plant in the State for a sustained and un-interrupted supply of wool tops to local woollen manufacturing units, the State Government obtained a letter of intent from Government of India in May 1971 and entrusted the execution of wool combing project to the Jammu and Kashmir Industries Limited (JKI). The project envisaged setting up of a wool combing and dyeing plant with an annual

capacity of 6.8 lakh kgs. of wool tops to ensure sustained supply of worsted wool tops to units in the state. The project remained long in gestation (details in paragraph 7.6.4. *infra*) and was finally taken up for execution in December 1976. In January 1978, when the project was still incomplete, a new State Government Company, namely, the Himalayan Wool Combers Limited was formed and the project transferred to it.

**7.6.2. Objects.**—The main objects for which the Himalayan Wool Combers Limited was set up were to:—

- (a) acquire and take over all or any of the assets and liabilities of the wool combing project, and
- (b) carry on the business of manufacturing, producing, buying, selling and dealing in wools.

**7.6.3. Capital structure.**—The authorised capital of the Company was fixed at Rs. 116.00 lakhs, divided into 1,16,000 shares of Rs. 100 each, and the entire capital has been subscribed by the State Government. The State Government had advanced loans amounting to Rs. 170.00 lakhs during 1974-75 (Rs. 56.29 lakhs), 1975-76 (Rs. 43.71 lakhs), 1976-77 (Rs. 35 lakhs) and 1977-78 (Rs. 35 lakhs) to JKI for implementation of the project. At the time the new Company was formed in January 1978, the total capital outlay for the project was assessed at Rs. 291 lakhs by the financial institutions to be financed on a debt-equity ratio of 1:5:1. The loan funds already made available by the State Government to JKI were adjusted as paid-up capital (Rs. 116.00 lakhs) and interest free loan (Rs. 54.00 lakhs) of the new Company. In June 1980, Rs. 45 lakhs out of loan of Rs. 54 lakhs were repaid to the State Government from out of borrowings made from financial institutions (further dealt with in paragraph 7.6.8. *infra*).

#### 7.6.4. Project implementation.—

7.6.4.1. In September 1971, the JKI appointed a firm of consultants on the advice of the then Textile Commissioner Government of India to prepare a Project report for setting up the wool combing plant. The preliminary project report (prepared at a cost of Rs. 1.11 lakhs) was made available by the consultants in September 1972 which envisaged total capital outlay of Rs. 194.07 lakhs. The consultants recommended import of combing equipment from Italy and scouring range from Britain because (i) it was in line with the recommendations of a committee set up by the Central Government which had determined the suitability of equipment on the basis of global tenders and (ii) credits were available from the two countries. The JKI moved the application for import of goods in November 1972 but there was delay in processing the import application and it was only in December 1974 that the Government of India approved the import of equipment (foreign exchange component: Rs. 70.08 lakhs). Before, however, a formal import licence could be obtained it became known that the Italian credit had dried up. As bilateral credit was available from France, the Government of India advised (late 1975) the import of combing equipment from France and scouring range from Great Britain (Foreign exchange component: Rs. 123.75 lakhs). Meanwhile due to change in the purchase of combing equipment from a different country and due to the need to lay down firm project implementation schedule, a detailed project technical report was got prepared from the same consultants (June 1976) to whom the designing, supervision and commissioning of the project was also entrusted at a cost of Rs. 5.15 lakhs. The project was also appraised by the Industrial Finance Corporation of India (IFCI) on behalf of financial institutions in January 1978. The table below gives a summarised position of capital outlay for the project as originally estimated in September 1972, as revised in June 1976, as appraised by IFCI in January 1978 and the actuals with the commissioning of the

## Plant in April 1979 :—

	Capital outlay			
	Original estimates (September 1972)	Revised project report (June 1976)	Appraisal by IFCI (January 1978)	Actuals (April 1979)
	<i>(Rupees in lakhs)</i>			
(i) Land and site development	...	9.48	5.92	0.98
(ii) Buildings	34.60	37.16	41.18	50.58
(iii) Machinery and other fixed assets:				
(a) Imported	89.00	149.30	109.34	112.14
(b) Indigenous equipment	27.75	34.20	42.19	42.32
(c) Customs duty	23.31	50.71	50.87	51.21
(iv) Preliminary pre-operative expenses	19.41	35.23	41.50	44.25*
Total	194.07	316.08	291.00	301.48

The excesses of actual expenditure on individual items over the original estimates have not been analysed by the Company. It may, however, be seen from the above table that project costs escalated by Rs. 107.41 lakhs during the six and half years period taken for its implementation. According to the Management (June 1981) the escalation in project costs was due to rise in prices with the passage of time and the decision to import machinery at a higher cost from countries from whom credit facilities were available.

7.6.4.2. According to the project implementation schedule drawn up by the consultants (June 1976), the

\* These do not include interest on loans provided to JKI by the State Government from 1974-75 to 1977-78 for execution of the project for which a demand of Rs. 6.5 lakhs has been raised by JKI but which has not been accounted for by the Company.

work for setting up the plant was to start from 15th June 1976 and be completed by 15th September 1977. Due to delays in finalising contract for civil construction work on account of negotiations with the contractors and settlement of some terms of the contract, the project execution work was actually started from December 1976 and was completed in March 1979, after a delay of 18 months. The plant was commissioned in April 1979. Instances of delays in some individual items of work and reasons therefor are tabulated below :—

Name of the work	Scheduled date of completion	Month of actual completion	Period of delay (Months)	Reasons for delay
(i) Civil construction works	July 1977	December 1978	18	(i) Initial delay of 3 months in the appointment of contractors.  (ii) Paucity of funds.  (iii) Shortage of building materials at site.  (iv) Non-availability of cement from July 1977 to November 1977 which was required to be supplied by the Company to the contractors.
(ii) Erection of machinery	August 1977	February 1979	19	(i) Shortage of funds for clearance of machinery at Bombay port.  (ii) Delay in completion of buildings.
(iii) Electrification	September 1977	February 1979	18	(i) Delay in payment of advance to the contractors.  (ii) Delay on the part of contractor.  (iii) Delay in completion of buildings.



Name of the work	Scheduled date of completion	Month actual completion	Period of delay (Months)	Reasons for delay
(iv) Water treatment plant	July 1977	March 1979	21	Delay in placing orders and failure on the part of the contractor to supply the plant in time for which no penalty was levied.
(v) Top dyeing machine	August 1977	February 1979	19	Delay in placing orders on the suppliers.

The Management stated (July 1982) that due to various difficulties it was physically impossible to commission the project on the originally scheduled date (October 1977) after starting work on civil construction only in December 1976.

#### 7.6.5. Production programme :

The Company is primarily engaged in combing and carding of greasy wool into wool tops. Raw wool is received from various parties from whom combing charges are recovered. During processing of raw wool some noils (by product) is obtained by the plant which is also returned to the concerned parties.

7.6.5.1. **Availability of raw material.**—The actual production capacity of the combing looms at 100 per cent efficiency is 160 Kgs. per hour working out to 11.52 lakh Kgs. per annum for working of 300 days. However, based on carding capacity (carding is done prior to combing) the practical capacity of the plant for tops and noils is 9.75 lakh Kgs. per annum. Since the licenced capacity is only 7.50 lakh Kgs. per annum which can be increased only by 25 per cent, the permissible installed capacity worked out to 9.37 lakh Kgs. per annum. According to the details furnished by the JKI to the consultants (1972) 5.8 lakh Kgs. of wool

tops were to be produced out of local Kashmir wool and 1.00 lakh Kgs. out of wool imported by the woolen manufacturing units in the State. While negotiating term loan with the financial institutions, the State Government had also given assurance in January 1978 that 5.00 lakh Kgs. comb-worthy fine greasy wool would be available locally in the State. The balance quantity of wool was to come 'on commission combing' from actual users in the State who were entitled to import wool. The local wool was to be procured and supplied by the agencies set up for this purpose.

Wool received from various sources, have not been recorded indicating the source of supply. Lot-wise accounts in terms of sales/clean weight was only kept as, according to Management, the practice with the combers is to quantify production undertaken in terms of clean weight. However, during the three years 1979-80 to 1981-82, the local wool processed by the Plant for combing never exceeded 1 lakh Kgs. during any of the years. Even the total wool processed for the local units (imported as well as local) has been less than 34 per cent of the licenced capacity of the plant as indicated in the table below :—

Year	Licenced capacity of wool tops (including 10 per cent noils)	Wool tops and noils processed for local units	Total wool tops and noils processed	Percentage utilisation of licenced capacity	Percentage of wool processed for local units to licenced capacity
(In lakhs of Kgs.)					
1979—80	7.50	0.96	0.96	13	13
1980—81	7.50	1.24	4.50	60	17
1981—82	7.50	2.50	5.25	70	33

In order to ensure adequate supply of wool to the Plant, the following decisions were taken in a high level meeting in January 1979 :

(i) Jammu and Kashmir Small Scale Industries Development Corporation Limited (a State Government Undertaking) would procure all wool from

Australia for commission combing by the Company and the wool tops as combed would be transferred to JKI on cost to cost basis. The former Company was also to equip itself by August 1979 to procure about 6.5 lakh Kgs. of raw greasy wool.

(ii) The expansion programme (4,000 spindles) of the spinning capacity of the mills with JKI should be implemented immediately.

(iii) The Sheep Husbandry Department should study whether it would be possible to monopolise the procurement of entire wool in the State.

The following was observed in this regard.

(i) The Jammu and Kashmir Small Scale Industries Development Corporation Limited which started procuring imported/local wool in 1978-79, was able to supply the Company with only 0.53 lakh Kgs., 0.55 lakh Kgs. and 0.48 lakh Kgs. of wool (clean weight) during 1979-80, 1980-81 and 1981-82 respectively.

(ii) A Sheep and Sheep Products Development Board was set up by the State Government in September 1979, which had been able to feed 0.32 lakh Kgs. (clean weight) wool to the Company during 1981-82 only.

(iii) The expansion programme of the spinning capacity of the mills with JKI has not yet been implemented as the additional spindles required, have not been procured as yet (April 1983).

The assumptions made in the project report about availability of wool locally for combing proved to be incorrect. The Management stated (July 1982) that as a follow up action of the meeting held in March 1979, another meeting was held in March 1982 wherein it was observed that pending adequate supply of wool by the Sheep and Sheep Products Development Board and completion of expansion programme of JKI, the Company will have to depend on customers from outside the State.

7.6.5.2. **Production projections.**—Based on availability of raw wool from local/imported sources, the JKI had planned (1976) processing of 4.50 lakh Kgs. of grey wool tops on commission basis and 2.30 lakh Kgs. of grey wool tops out of own raw wool. For the dyeing and re-combing sections of the plant, it was planned to process 2.55 lakh Kgs. of wool tops on commission basis and 0.83 lakh Kgs. of wool tops for own use. The actual quantity processed during the 3 years up to 1981-82 is indicated in table below :—

Year	Processing on commission basis for others			
	Grey combing		Dye combing	
	Targets	Actuals	Targets	Actuals
	<i>(In lakhs of Kgs.)</i>			
1979—80	4.50	0.53	2.55	Nil
1980—81	4.50	3.98	2.55	Nil
1981—82	4.50	4.10	2.55	Nil

Year	Processing for JKI			
	Grey combing		Dye combing	
	Targets	Actuals	Targets	Actuals
	<i>(In lakhs of Kgs.)</i>			
1979—80	2.30	0.43	0.83	0.02
1980—81	2.30	0.52	0.83	Nil
1981—82	2.30	1.15	0.83	Nil

In the various projects reports, it had been envisaged that the entire production would be only for Jammu and Kashmir State as it would give a boost to the Sheep breeding industries in the State and also give fillip to other ancilliary industries. The annual requirement of wool tops in the State was stated (January 1978) to be 10.05 lakh Kgs. As against this, 72 per cent of the combing done during 1980-81 and 52 per cent during 1981-82 was on account of com-

mission combing for firms outside the State as shown below :—

Year	Combing done			Total	Percentage of combing done for outside firms to total combing
	For JKI	For other units with the State	For firms outside the State		
(In lakh of Kgs.)					
1980—81	0.52	0.72	3.26	4.50	72
1981—82	1.15	1.36	2.74	5.25	52

One of the conditions agreed to by the State Government (January 1978) while getting term loans sanctioned from financial institutions was that the entire requirement of wool tops of the JKI would be got processed in this plant. In its report to the Government (June 1981) the company, however, indicated that the JKI was stated to be engaged in getting most of its raw wool combed from outside the State through private combers at higher rate. The JKI had, however, in an earlier reference addressed to the Company in April 1981 stated that in the absence of proper dyeing facilities in the plant, the lots requiring dyeing had to be sent to other combers. It was also alleged that during 1979-80 almost all the lots as well as some lots during 1980-81 sent to the plant had been processed unsatisfactorily.

It was noticed that firm arrangements for combing had still to be made (April 1983) between the two Companies.

A dyeing, re-combing and backwashing section with the capacity of 4.41 lakh Kgs. of wool tops per annum was installed in 1978-79 at a total cost of Rs. 56.23 lakhs but the section remained generally idle except for a short period of 190 hours during 1979-80 when only 2,040 Kgs. of wool tops were dyed and backwashed. The projections made in June 1976 by the JKI and consultants in this regard were not fulfilled. According to the position brought to the notice of the Board in its meeting of February 1982

in order to operate the dyeing and re-combing section, a firm of Bombay had been informally contacted (December 1981) by the Management and the former had expressed willingness to take up the entire dyeing capacity available in the Plant provided certain balancing equipment was installed to meet the changing demands of woollen industry. Its representative, after visiting the factory, opined (December 1981) that the set up was suited only for dyeing wool and other fabrics separately and no facility was available for blending. The proposal of the firm for addition of certain equipment was not considered as viable as its implementation involved further capital investment of Rs. 20 to 25 lakhs for making the unit operational and therefore, was dropped. The Management stated (July 1982) that the idea in providing dyeing, backwashing and recombining facilities was to have an integrated combing project but due to non-availability of expert dyer/committed orders, the facilities had also remained idle. It was further stated that it had since been decided to employ a dyeing expert so that no wool would be diverted from the plant merely for the reason that the plant was not in a position to undertake dyeing. It was further stated that the matter regarding addition of certain balancing equipment to the existing dyeing section was 'understood to be receiving the attention of the Government.'

7 6.5.3. **Plant performance.**—Whereas the IFCI appraisal January 1978, envisaged capacity utilisation of 75 per cent 100 per cent, and 125 per cent of the Plant by the first, second and the third year of its operation, the actual capacity utilisation during the three years up to 1981-82 was as under :—

Year	Licenced capacity	Capacity utilised	Percentage of utilisation
	(In lakh Kgs.)		
1979--80	7.50	0.96	13
1980--81	7.50	4.50	60
1981--82	7.50	5.25	70

The shortfall in utilisation of the capacity was attributed (July 1982) by the Management to:—

- (a) non-availability of sufficient raw wool up to May 1980 and from December 1981 to March 1982, and
- (b) plant shut downs due to non-availability of spare parts and power.

During the three years up to 1981-82 the percentage of hours operated to total hours available for work in the Plant varied between 64 and 81. The rest of the production hours was lost due to power cuts and miscellaneous reasons (lack of inputs, break-downs of machines, etc.) as indicated in the table below:—

	1979--80	1980--81	1981--82
(a) Total hours available for work	2250	5295	5550
(b) Hours lost for miscellaneous reasons	533	376	1042
(c) Hours lost due to power cut	278	621	312
(d) Total hours lost (b+c)	811	997	1354
(e) Hours operated	1439	4298	4196
(f) Percentage of hours operated to total hours available	64	81	76

Note: (a) above indicates hours available on the basis of 300 working days in a year multiplied by shift hours at 7.5 hours per shift.

No analysis to pin point hours lost for miscellaneous reasons has been made by the Management.

Based on the installed capacity, the achievable production by the eight combing machines works out to 144 Kgs. per hour. The production capabilities and

the production actually achieved per hour is compared below :—

	1979—80	1980—81	1981—82
	(In Kgs.)		
(i) Production capability per hour	144	144	144
(ii) Production achieved per hour available	43	85	95
(iii) Production achieved per hour operated	67	105	125

The Management has not maintained log books of the machines. According to the Management (August 1981) one of the constraints is qualified persons to man various jobs. Further, the absenteeism was unusually high and as such workers had to be kept on overtime to maintain production and to man the machines. The overtime allowances paid to the workers during the years 1980-81 and 1981-82 were Rs. 0.77 lakh and Rs. 0.72 lakh, respectively. The Management stated (July 1982) that even though no exercise had been made to pin point hours lost for miscellaneous reasons and it is likely that in earlier periods the production might have stopped for want of certain inputs or machine break-downs, every effort was being made to avoid loss of production. It was further stated that payment of overtime became necessary as in the absence of an established industrial culture the workers resorted to absenteeism.

7.6.6. **Tariff.**—The main income of the Company is by way of combing charges realised from the customers. As against the average combing charges realised at Rs. 9.60 per kg. during 1979-80 such charges recovered during 1980-81 and 1981-82 were Rs. 6.30 per kg. and Rs. 5.57 per kg. respectively. The following points were noticed in this connection :

The question of appointing a sole agent to secure business for the Plant was considered by the Board of Directors of the Company in May 1980. A proposal to appoint an agent at Ludhiana for securing business



for the Plant to the tune of 8 to 10 lakh kgs. of combing during 1980-81 and another offer of a private Wool Comber to utilise 75 per cent capacity of the Plant for 5 years at Rs. 5 per kg. were considered by the Board. The Board decided not to go in for a sole sale agent but constituted a Committee to consider in detail the offer of the private Wool Comber of Bombay. In the data furnished to the Board it was assumed that on the basis of a daily production of 5,100 kgs. the cost of processing to the Company would amount to Rs. 5.60 per kg., whereas on the basis actual licencing capacity the production under no circumstances could exceed 2,500 kgs. per day. This error went un-noticed and the Committee negotiated a rate of Rs. 5.25 per kg. with the Wool Comber which was finally accepted. Though the offer of the party was to utilise 75 per cent capacity of the plant for 5 years, the rate that was agreed was to remain operative for only 2 years from June 1980. During the period from June 1980 to November 1981 the Company processed 5.20 lakh kgs. of tops and noils for the Wool Combers at the rate specified. Taking into account the cost of production during 1980-81 and 1981-82 the actual realisation fell short of the cost of processing by Rs. 43.32 lakhs.

Though the contract was to remain operative for a period of two years from June 1980, an agreement was entered into with the party only in April 1981. According to the agreement, the party was to utilise the capacity of the plant for the first 15 days of each month. Though according to the negotiations conducted with the party in May/June 1980, a penal provision was to be included in the agreement at the rate of Rs. 0.50 for every kg. of shortfall on either side, such a penal provision was not actually incorporated in the agreement. The party stopped sending wool from December 1981 onwards. Due to the non-availability of wool from the Wool Combers for processing, the plant had to be put under single shift operation with effect from 25th December 1981. Efforts of the Company to acquire business from the main market at Ludhiana did not succeed immediately and it was only towards the end of April 1982 that the Company could attract business from Punjab

at rates ranging between Rs. 7 and Rs. 7.50 per kg. of wool and thereafter the plant started operating in 3 shifts.

7.6.7. **Viability.**—The sales realisation was projected at Rs. 126.06 lakhs on the production programme with a 50 per cent provision for re-combing and dyeing. While preparing the project report in 1976, this was considered to be inadequate by the consultants for achieving the break-even level of operation. The consultants, therefore, modified the production programme of dyeing and re-combing section, showing processing of substantial capacity on wool synthetic blends, thus, raising the total sales projection per annum, on full capacity, to Rs. 219.72 lakhs.

In the appraisal of February 1977 by the consultants, the sales figure was, however, reduced to Rs. 125.06 lakhs which was further reduced to Rs. 88.62 lakhs by the IFCI in their appraisal of January 1978 by taking the dyeing and re-combing capacity at 25 per cent instead of 50 per cent adopted by the consultants. The actual sales during 1979-80, 1980-81 and 1981-82 were, however, only Rs. 9.70 lakhs, Rs. 29.09 lakhs and Rs. 29.29 lakhs, respectively. According to IFCI, the break-even point was to be reached at above full capacity utilisation. According to the Management (June/August 1981) the unit was not considered much viable even at the time of inception and some of the basic assumptions had gone wrong with the commissioning of the plant (July 1982) and it was doubtful if capacity above 85 per cent could practically be achieved.

In April 1981, the Board of Directors had decided to instal another card machine as there was adequate un-utilised capacity already available for scouring, preparatory and finishing work and if the carding capacity could be augmented the four combs meant for re-combing could be used for grey combing. This addition was estimated (April 1981) to cost about Rs. 40 lakhs. Against the licence for expansion, by installing an additional card sought in May 1981, the Government of India issued in July 1981, a letter of

intent. The Management stated (July 1982) that in view of paucity of business, it had been decided to keep the proposal in abeyance for the time being.

### 7.6.8. Financial position

**Borrowings.**—The Company obtained loans from time to time amounting to Rs. 292.72 lakhs from the State Government, financial institutions etc. of which an amount of Rs. 214.75 lakhs was outstanding as on 31st March 1982. An amount of Rs. 88.56 lakhs (principal: Rs. 40.29 lakhs and interest including penal interest: Rs. 48.27 lakhs) were overdue for payment (June 1982).

The State Government had provided Rs. 170.00 lakhs as interest free loan up to 1977-78 for setting up the Project out of which Rs. 116.00 lakhs were adjusted as paid-up capital leaving a balance of Rs. 54.00 lakhs. Later, in June 1980 Rs. 45 lakhs were repaid to the State Government out of the money received from the financial institutions. Keeping in view the loan funds from State Government, the Company could have, however, curtailed loan assistance from financial institutions to the extent of Rs. 45 lakhs and saved interest charges amounting to Rs. 17.10 lakhs approximately for the period of currency of the loan assistance from financial institutions, as there was no stipulation for repayment of interest free Government loan by a stipulated date nor was there a demand from the State Government for release of the loan. The three financial institutions had issued letters of intent in May, June and August 1978 stipulating completion of certain formalities by the Company/State Government, and commitment charge at 0.5 per cent per annum on the undrawn amount of loan which was to accrue from 181st day after date of issue of letters of intent. The Government approved the stipulated conditions in October 1978 but due to delay in completion of other formalities, it was only in April 1979 that the agreement was signed with IDBI and in October 1979 with the other two financial institutions.

Delay in completion of the formalities resulted in delay in repayment of Government of India loan

amounting to Rs. 80.23 lakhs taken as bridge finance, for which the Company had to bear an additional burden of Rs. 1.36 lakhs due to differential rates of interest, in addition to a liability of Rs. 0.49 lakh towards commitment charges. The negotiation of the term loans with the financial institutions was entrusted to the State Bank of India on a fee of Rs. 0.40 lakh. Due to its inability to repay the amount overdue to the financial institutions, which had been demanding payment, the Company approached the Government in December 1981 and again in January 1982 to provide financial assistance by way of interest free loan. The Government is yet (February 1983) to take a final decision in the matter.

Regarding repayments to financial institutions (amount overdue as on 30th June 1982: Rs. 68.02 lakhs, principal: Rs. 30.80 lakhs, interest: Rs. 37.22 lakhs), the Management reported to the State Government (December 1981) that the financial institutions were pressing hard for repayment of their dues, but, in view of the un-economic working of the Company since its inception the Company had not been able to repay the due instalments of principal and interest. The Management also stated that taking into account the manner in which the Company had been working so far, it was doubtful if the Company would be in a position, in the near future to start paying back any money. It was suggested (December 1981) to the Government that the Government as guarantor of the loans, may agree to pay the dues to the financial institutions, treating the amounts thus advanced as loan to the Company or enhance suitably the authorised capital of the Company to treat these as share capital contributions. Subsequently, in January 1982 the State Government was again requested for sanction of an interest free loan so as to pay the amounts due to the Government of India and the three financial institutions. The matter is still under consideration of the State Government (February 1983).

7.6.9. **Working results.**—The working results of the Company for the three years ending 1981-82 are

indicate below :—

	1979—80		1980—81@		1981—82@	
	Rupees in lakhs	Rupees per Kg.	Rupees in lakhs	Rupees per Kg.	Rupees in lakhs	Rupees per Kg.
(a) Processing income*	9.54	10.10	28.54	6.59	29.29	5.74
Others	0.16		0.55		0.86	
(b) Expenditure :						
(i) Processing expenses	2.28	2.38	9.35	2.08	9.06	1.72
(ii) Salaries and wages	4.83	5.03	8.71	1.93	9.34	1.78
(iii) Depreciation	26.64	27.75	19.65	4.37	19.01	3.62
(iv) Interest on loan	8.44	8.79	15.93	3.54	14.85	2.83
(v) Other expenses	2.99	3.11	7.00	1.55	6.14	1.17
	45.18	47.06	60.64	13.47	58.40	11.12
Net loss	35.48	36.96	30.97	6.88	28.25	5.38

The decrease in charge towards depreciation during 1980-81 and 1981-82 was due to non-provision of depreciation for the extra shifts and also on idle plant. It was stated (February 1983) that it was thought not proper to take the depreciation of the un-utilised capacity of the plant into account.

It may be seen from the above that during the first three years of its working the Company sustained net loss of Rs. 94.70 lakhs which was 82 per cent of the equity capital. As a result of heavy losses, the Company remained short of funds.

The main reason for the continued losses incurred by the Company was the continuous under-utilisation of its plants, besides all round increase in cost of various inputs and wages.

@ Provisional.

\* Processing income includes income from scouring of wool also.

7.6.10. **Inventory.**—The comparative position of inventory and consumption of stores and spares for the years 1979-80 to 1981-82 is indicated in the table below :—

	1979—80	1980—81	1981—82
	<i>(Rupees in lakhs)</i>		
<b>(i) Stocks at the close of the year</b>			
(a) Oils and lubricants	0.57	2.98	2.00
(b) Dyes and chemicals	0.74	0.86	0.80
(c) Packing materials	0.34	0.80	0.61
(d) Coal and fire wood	0.07	0.61	0.70
(e) Other stores and spares	0.99	2.56	4.10
<b>(ii) Consumption during the year</b>			
(a) Oils and lubricants	1.42	3.72	3.90
(b) Dyes and chemicals	0.15	0.18	0.10
(c) Packing materials	0.07	1.86	1.37
(d) Coal and fire wood	0.60	3.54	3.70
(e) Other stores and spares	0.24	2.30	2.61
<b>(iii) Stock at the close of the year in the terms of the months consumption</b>			
	<i>(Months)</i>		
(a) Oils and lubricants	5	10	6
(b) Dyes and chemicals	59	57	96
(c) Packing materials	58	5	5
(d) Coal and fire wood	1	2	2
(e) Other stores and spares	49	13	19

The minimum and the maximum requirement of the items mentioned in the above table were not fixed for any of the three years. It may, however, be seen from the above table that stocks of dyes and chemicals and of the spares and stores had been held

much in excess of the requirements. The Management stated (February 1983) that substantial stocks had to be kept to ensure un-interrupted production in view of the lack of infrastructural facilities available locally.

Long term arrangement for procuring oils, detergents, packing materials, firewood, etc. which are required continuously and in large quantities had not been made, though according to the Management (July 1982) determined efforts were made for the purpose. No manual had been prepared to regulate purchases.

The value of consumption of stores and spares per Kg. of wool tops and noils produced was Rs. 2.57 during 1979-80 and 1980-81 and Rs. 2.22 during 1981-82. Norms for consumption of stores, lot-wise and/or wool grade-wise have not been prescribed nor have reasons for variation been analysed by the Management.

7.6.11. (i) **Excess consumption of wool oils:** During the period from April 1979 to September 1981, the Company utilised 22,400 litres of wool oils for combing operation on 6.81 lakh Kgs. of tops and noils. The consumption of oil was, thus, 2.54 per cent of the wool weight. Based on the standard consumption of wool oil indicated by the manufacturers of the machines, viz., 1.5 per cent of the weight of wool, the consumption of oil should have been around 13,200 litres. The excess consumption of wool oils works out to 9,200 litres (41 per cent) valuing Rs. 1.28 lakhs. The wool oil was stated to have been used according to the specific requirements of customers. The Management stated (July 1982) that during the initial stages, consumption of all consumables is likely to be on the higher side and consumption pattern stabilises only later. It was also stated that the process of adding oil to the wool directly increases the weight of tops and noils to the extent the same is added and as commission combing charges are realised on the weight of tops and noils, the Company gets back a

portion of the investment made in the wool oil due to the increased weight. It may, however, be mentioned that whereas with the addition of oil costing Rs. 13.90 per Kg. the customer's gain was Rs. 75 to Rs. 100 per Kg. in the shape of increased weight of tops and noils, the Company got back about Rs. 6 per Kg. only in the shape of commission on increased weight. The amount realised as commission on additional use of 9,200 litres of oil roughly works out to Rs. 0.55 lakh approximately as against Rs. 1.28 lakhs being the value of excess oil used.

(ii) **Excess consumption of detergents.**—

According to the Plant Manager, the consumption of detergents should be about 4 to 6 grams per Kg. of raw wool. During the period April 1979 to December 1981, the Plant processed 17.46 lakh Kgs. of raw wool (including that which was scoured) and used 14,659 Kgs. of detergents for its processing. Based on the optimum consumption of 5 grams of detergents per Kg. of wool, the quantity of detergents used should not have exceeded 8,731 Kgs. There has, however, been an excess consumption of 5,928 Kgs. of detergents (67 per cent) valuing Rs. 2.08 lakhs (at the average rate of Rs. 35 per Kg. ex-plant). It was stated by the Management (July 1982) that the consumption of 4-5 grams of detergent per Kg. of raw wool was only a guide and actual consumption depended on quality of raw wool and customer's instructions, and that the excess consumption of detergents could partly be attributed to the working of the factory in one shift when the consumption of detergents was more because of frequent change of water due to non-use of overnight liquor in the scouring range. It was further stated that since September 1981 the use of detergents in the first bowl of the scouring range was suspended as an experimental measure which had helped in reducing consumption and that further efforts were being made to reduce the consumption. It was, however, seen from the records that consumption during January to March 1982 had reduced marginally and it was still in excess by 62 per cent.

(iii) **Excess consumption of packing materials.**—During 1980-81, 3,392 bales of wool tops were



packed and despatched by the plant, using, inter alia, 41,156 metres of water proof paper and 20,109 metres of hessian cloth in the packing. The required quantities of water proof paper and hessian cloth being 5 metres and 5 to 5.20 metres respectively per bale, the value of excess consumption of these two items during the year 1980-81 worked out to Rs. 0.30 lakh as indicated below :—

Required consumption	Actual consumption	Excess consumption	Value	
	(In metres)	(Metres)	(Per cent)	(Rupees)
Water proof paper at 5 metres per bale=16,960 metres	41,156	24,196	59	22,684
Hessian cloth at 5 to 5.10 metres per bale=16,999 metres	20,109	3,110	15	7,134
			Total	29,818

The Management stated (July 1982) that because of inexperienced workers, there was more consumption in initial stages and that when the baling press was not in use, loose packing had to be made for which substantially larger quantities of materials had to be used.

#### 7.6.12. Accounting system and internal audit.—

The Company has not as yet devised procedure in respect of budgetary control, costing system and internal audit so as to exercise better control over the performance of men and machines nor has any accounting manual been prepared.

7.6.13. **Summing up.**—(1) Himalayan Wool Combers Limited was incorporated in January 1978 with an authorised capital of Rs. 116 lakhs to take over the Wool Combing project being executed by the Jammu and Kashmir Industries Limited and to carry on the business of manufacturing, producing, buying selling and dealing in wools.

(2) The Project, which was initiated in May 1971 and for which a project report was got prepared in 1976 was actually taken up for implementation in December 1976 due to delays in selection of foreign suppliers of machinery and arrangement of foreign exchange.

(3) Revisions and re-appraisals of the Project were done in June 1976 and February 1977 (by the consultants) and January 1978 (by the IFCI on behalf of financial institutions). The original estimations done by the consultants were drastically changed from time to time and finally the project was implemented on the lines suggested by the IFCI. The consultants, who had been paid a remuneration of Rs. 5.15 lakhs for designing and supervising the erection of the Plant, were appointed directly on the advice of the then Textile Commissioner.

(4) The Project was to cost Rs. 194.07 lakhs as per original estimation (1972) but due to delay of more than six and a half years in its implementation, the actual cost increased to Rs. 301.48 lakhs (April 1979).

(5) There was a delay of 18 months even in actual execution of the Project due to paucity of funds, shortage of building materials, failures on the part of contractors etc.

(6) While negotiating the term loans with the financial institutions, the State Government had given an assurance to the IFCI that 5 lakh Kgs. of comb-worthy fine greasy wool would be available locally in the State, against this, the local wool processed by the Plant during 1979-80 to 1981-82 never exceeded 1 lakh Kgs. during any of the years. Even the total wool processed for the local units (imported as well as local) has been only 13.17 and 33 per cent of the licenced capacity of the Plant during 1979-80, 1980-81 and 1981-82 respectively.

(7) It had been envisaged that entire production would be only for Jammu and Kashmir State to give a boost to the Sheep breeding Industries in the

State and also give fillip to other ancillary industries. Actually, 72 per cent of the combing during 1980-81, and 52 per cent during 1981-82 was on account of commission combing for firms outside the State.

Even Jammu and Kashmir Industries Limited, a sister company, had not got all of its requirements of wool processed at the Plant.

(8) A dyeing, re-combing and backwashing section installed in 1978-79 at a cost of Rs. 56.23 lakhs was lying idle although in the original Project Report, the consultants had taken the utility of the dyeing and re-combing section at 50 per cent (subsequently modified to 25 per cent by the IFCI).

(9) The Company has not created any marketing arrangement to secure adequate business. During the period April 1980 to November 1981, commission combing was done for a private comber of Bombay at an incorrectly computed rate of Rs. 5.25 per Kg. resulting in a loss of Rs. 43.32 lakhs on the basis of actual cost of production.

(10) During the first three years of its working, the Company had undergone a net loss of Rs. 94.70 lakhs (without taking into account depreciation for extra shifts and for idle plant).

(11) The State Government had provided the Company with a loan of Rs. 54 lakhs which was interest free out of which Rs. 45 lakhs were repaid to it by the Company although it had taken term loans from financial institutions at interest rate of 9.5 per cent per annum and penal interest of 2 per cent.

(12) As on 30th June 1982 an amount of Rs. 68.02 lakhs (principal: Rs. 30.80 lakhs and interest: Rs. 37.22 lakhs) was overdue for repayment to the financial institutions.

(13) Avoidable interest and commitment charges of Rs. 1.36 lakhs and Rs. 0.49 lakh were incurred on loans obtained from the Central Government and the financial institutions, respectively.

(14) A sound purchase procedure has not been evolved, nor has consumption of oils, lubricants, chemicals, steam coal, firewood etc. been stabilised.

The matters mentioned above were reported to Government in September 1982; reply is awaited (August 1983).

#### 7.7. Other topics of interest

##### **Agriculture Production Department**

##### **Jammu and Kashmir State Agro Industries Development Corporation Limited**

7.7.1. **Avoidable expenditure on purchase of pesticides.**—On receipt of an indent (January 1981) from the Horticulture Department of the State Government for supply of 10 tonnes of pesticides (carbendazim 50 WP) in 100 grams packings, the Company invited tenders in February 1981 in response to which three firms (of Delhi, Calcutta and Bombay) quoted the rates of Rs. 346.06, Rs. 342.00 and Rs. 294.50 per kg. f.o.r. destination (after taking into account trade discount, etc., allowed by the firms) for their products with brand names of 'Bavistin', 'MBC' and 'B-Sten' respectively. All the three firms had confirmed that their products contained the required percentage of carbendazim and bore ISI mark and the Bombay firm had also offered to make the supplies from ready stock. The Company, however, placed order (7th April 1981) for supply of 10 tonnes of 'Bavistin' with the Delhi firm at Rs. 346.06 per kg. ignoring the lowest rate of Rs. 294.50 per kg. quoted by the Bombay firm on the ground that its product had not been tried in the State. The next lowest quotation in respect of brand 'MBC' which had been tested in the State was rejected on the consideration that it had given the supply period as 30th April 1981 against the last date of 12th April 1981 fixed by the Horticulture Department.

The Company placed two more repeat orders on 27th April 1981 and 7th May 1981 of 5 tonnes and 6 tonnes of 'Bavistin' with the Delhi firm. Purchase of 21 tonnes of pesticides from Delhi firm at higher rates resulted in extra expenditure of Rs. 10.82 lakhs when compared with the lower offer of Bombay firm.

The Management stated (October 1982) that it would have been risky to use 'B-Sten' in the State unless it was cleared by the Research Centre, Shalimar of the Horticulture Department as the climatic conditions in the valley are different from those of other States. This contention of the Management, however, is not acceptable for the following reasons.

(i) The ident of the Horticulture Department was for carbendazim 50 WP and not for a particular brand,

(ii) the Bombay firm assured that the product 'B-Sten' contained the required percentage of carbendazim and bore ISI mark, and

(iii) the Chairman of the Company specifically desired in March 1981 that they should not stick to brand name but should go by technical grade in order to avoid price escalation.

The matter was reported to Government in September 1982; reply is awaited (August 1983).

**7.7.2. Loss due to delay in taking delivery.**— During April/May 1981 the Company purchased 19,950 kgs. of fish oil soap valued at Rs. 2.00 lakhs from a firm of Calicut. The material was sent by the supplier through a transporter duly insured against transit loss. On receipt of the material in July 1981 it was noticed that some drums of oil had leaked or had been damaged in transit. The quantity so lost was estimated as 2216 kgs. valued at Rs. 0.26 lakh. The Company lodged (June 1982) a claim for the amount with the insurance Company which rejected the same on the ground that the insurance cover was limited to seven days after the arrival of goods at destination and the Company had failed to take delivery within that stipulated period. The period of delay in lodging the claims by the Company ranged from 22 to 106 days in respect of 6 consignments and the delay in taking delivery ranged from 35 days to 128 days.

The Management stated (October 1982) that the suppliers had despatched the goods to Srinagar but the documents were sent by them to the Company's Jammu office which resulted in delay in taking delivery of goods.

The matter was reported to Government in August 1982 ; reply is awaited (August 1983).

**Industries and Commerce Department**

**Jammu and Kashmir Handicrafts (Sales and Exports) Corporation Limited**

7.7.3. **Blocked investment.**—In January 1979, a party from U.S.A. placed an order for supply of 21 carpets with New Delhi branch of the Kashmir Government Arts Emporium paying an advance of \$ 500 (Rs. 4075). The carpets costing Rs. 1.07 lakhs (c.i.f. value) were desired by the party to be airlifted in January 1979 to Miami through their bankers. In February 1979, the party made a further payment of Rs. 0.20 lakh to the branch who, without receiving the full cost of the carpets or verifying the antecedents of party, airlifted the goods in March 1979 and forwarded the documents for Rs. 0.87 lakh (without adjusting the advance of Rs. 4,075) through another bank for collection from the bankers of the consignees. The documents were, however, received back (June 1979) from the banks as the invoices were not prepared correctly. The party also in a cable (July 1979) asked for submission of correct invoices and accordingly the revised documents for Rs. 0.83 lakh were forwarded in July 1979. The documents were, however, received back (August 1979) on the plea that the merchandise shipped was of inferior quality. Fresh documents were again forwarded by the branch in the same month but this time also these were received back (October 1979) from the bankers with the remarks that the invoices had not been prepared in the correct name. Fresh invoices were, therefore, sent to bankers in November 1979. In September 1979, the party had sent a telegram to the Company asking for copies of entire correspondence, invoices etc. which the Management of the Company forwarded to the party in the same month.

The party managed to get the goods released although the invoices finally forwarded by the Management to the Bankers in November 1979 are yet (February 1982) to be cleared by them. It was stated by the Management (January 1981) that since no reply had been received from the consignee Bank, the Company had requested the Indian Embassy in

Washington and consulate General in San Fransisco to render help in recovering the amount. The amount still remains to be recovered (November 1982). Further developments are awaited (March 1983).

The matter was reported to Government in October 1982 ; reply is awaited (August 1983).

### **Jammu and Kashmir Small Scale Industries Development Corporation Limited**

7.7.4. **Outstanding recovery.**—Under a scheme of financing under release order, the Company at the instance of party financed import of 4,200 kgs. of 'Cashmilon' fibre from Japan by incurring an expenditure of Rs. 2.57 lakhs, and the material was received by the Company in July 1979. The party did not lift the material and instead asked (August 1979) the Company to arrange despatch of the fibre to Ludhiana for spinning from a spinner introduced by it. The Company declined and asked (November 1979) the party to lift the raw material imported on their behalf as it could not undertake the job of such conversion. The firm, however, did not lift the material in spite of requests of the Company from time to time to do so. The Company finally served a notice to the party in September 1980 to lift the material within 10 days failing which legal action would be taken besides de-registering the unit for purposes of availing facilities under various schemes granted to small scale industrial units as the firm failed to lift the material, the Company ultimately (July 1981) sold the entire quantity (on the basis of tenders) for Rs. 2.57 lakhs to a firm of Amritsar. No action was, however, taken to recover the interest and service charges amounting to Rs. 0.98 lakh for the years 1979-80 and 1980-81 (excluding interest of Rs. 0.15 lakh for the period from April to July 1981) from the defaulting party.

In this connection it was observed that no agreement was entered into with the party. Further the party had deposited Rs. 5,000 as margin money (10 per cent of the c.i.f. value of the material of Rs. 50,000) as against the required amount of Rs. 25,700 (10 per cent of the total value of goods), reasons for which were not on record.

The matter was reported to Government in October 1982 ; their reply is awaited (August 1983).

## SECTION D

**Departmentally managed Government Commercial/quasi Commercial undertakings.**

7.8. **Introduction.**—There were seven departmentally—managed Government commercial/quasi-commercial undertakings in the State as on 31st March 1982.

Pro forma accounts of the following undertakings (including the defunct Government Fair Price Shop (Drugs and Medicines) Srinagar and the Government Lumbering Undertaking which was taken over by the Jammu and Kashmir State Forest Corporation) were in arrears (December 1982):—

Name of undertaking	Extent of arrears
1. Government Press, Srinagar	1968—69 to 1981—82
2. Government Press, Jammu	1968—69 to 1981—82
3. Government Fair Price Shop (Drugs and Medicines), Srinagar	1970—71 to Sept. 1973
4. Food and Supplies Department, Jammu	1973—74 to 1981—82
5. Food and Supplies Department, Srinagar	1975—76 to 1981—82
6. Government Lumbering Undertaking, Srinagar.	1978—79 to 30th June 1979*
7. State Insurance Scheme Srinagar.	1979—80 to 1981—82**
8. Milk Supply Undertaking Srinagar.	1981—82

\* Pro forma Accounts for 1978-79 were received in Audit (May 1981) and the Department has been advised (June 1982) to revise the accounts. Revised accounts are still awaited (December 1982).

\*\* Pro forma Accounts for 1979-80 and 1980-81 were received in Audit (February/March 1982). The Pro forma Accounts for 1979-80 were checked by Audit in November 1982. Pending reconciliation of figures with Audit office the accounts have not been certified in Audit.



According to the recommendations of the Public Accounts Committee pro forma accounts are required to be prepared immediately after the close of the financial year and in no case later than 1st June and got certified by Audit before the 30th September of the following year.

Delay in finalisation of accounts was last reported to Government in December 1982.

A statement showing the financial results of one departmental undertaking on the basis of the latest available pro forma accounts is given in Appendix 7.2.

## CHAPTER VIII

### FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

8.1. (a) During 1981-82 Rs. 941.61 lakhs were paid as grants to non-Government bodies, institutions and others against 6,94.42 lakhs paid in 1980-81. The purposes for which the grants were paid during the year 1981-82 are given below :—

Name of the Department	Purpose for which granted	Amount (Rupees in lakhs)
Education	(a)	
	(i) Primary Education	17.60
	(ii) Secondary Education	73.19
	(iii) Universities and other Institutions	454.35
	(iv) Technical Education	22.00
	(v) Others	17.69
	(b) Art and culture	49.83
Industries	Promotion of Khadi and Village Industries	18.67
Housing and Urban Development	(i) Municipal employees DA and ADA	111.70
	(ii) Financial Assistance to Local Bodies :—	
	(a) Remunerative Assets	86.05
	(b) Non-remunerative Assets	
	(iii) Sewerage and Drainage	26.93
	(iv) Extension of Municipal Areas	19.05
	(v) Transfer of Roads	15.00
(vi) Others	1.00	
Health	(i) Family Welfare Programme	0.60
	(ii) Others	11.21
Social Welfare	Social Welfare and Security	16.74
		941.61

(b) **Utilisation certificates.**—The financial rules of the Government require that certificates of utilisation of grants should be furnished by the departmental officers to the Accountant General within eighteen months of sanction of grants. On 30th September 1982, 1287 certificates (Rs. 1947.91 lakhs) were awaited; of these 948 certificates (Rs. 876.12 lakhs) relate to grants paid up to end of March 1979. The position of certificates for grants paid during the period from 1st April 1979 to 31st March 1981 which had not been received up to 30th September 1982 is given below :—

Department	Year in which grants paid	Utilisation certificates					
		Due		Recovered		Awaited	
		Num-ber	Amount (Rupees in lakhs)	Num-ber	Amount (Rupees in lakhs)	Num-ber	Amount (Rupees in lakhs)
Education	1979—80	69	237.96	..	..	69	237.96
	1980—81	157	301.27	4	1.26	153	300.01
Industries	1979—80	4	41.65	..	..	4	41.65
	1980—81	2	12.34	..	..	2	12.34
Community Development	1980—81	7	33.40	..	..	7	33.40
Health	1979—80	13	14.28	1	0.75	12	13.53
	1980—81	12	6.40	5	0.59	7	5.81
Social Welfare	1979—80	16	5.01	..	..	16	5.01
	1980—81	12	13.31	..	..	12	13.31
Housing and Urban Development	1979—80	19	187.90	..	..	19	187.90
	1980—81	37	219.37	..	..	37	219.37
Agriculture	1979—80	1	1.50			1	1.50
<b>Total</b>		<b>349</b>	<b>10,74.39</b>	<b>10</b>	<b>2.60</b>	<b>3,39</b>	<b>10,71.79</b>

The utilisation certificates have not been received although considerable time has passed since the grants

were paid. In the absence of the certificates, it is not possible for the Department or Audit to know whether the grants have been utilised for the purpose or purposes for which they were given.

(c) The accounts of bodies/authorities to which grants/loans of not less than Rs. 5 lakhs each had been paid by various departments in a financial year are to be obtained from the grantees by the departments and furnished to the Accountant General immediately after the accounts are certified by the auditors to determine the scope and extent of audit under Section 14 of the Comptroller and Auditor General's (Duties, powers and conditions of services) Act, 1971. The annual accounts of 8 bodies/ authorities for the year 1981-82 and earlier years had not been received (March 1983) by the Accountant General as indicated below :—

The earliest year from which accounts are awaited	Number of bodies/ authorities involved
1971—72	1
1972—73	2
1977—78	1
1979—80	3
1981—82	1
	8

The detailed break-up is given in Appendix 8.1.

The accounts of the State Employees Provident Fund Schemes for the years 1970-71 to 1981-82 have not been received so far and consequently their audit is pending.

(d) Test check of accounts of Jammu and Kashmir Khadi and Village Industries Board conducted in June 1982 under section 15 of the Comptroller and Auditor General's (Duties, powers and conditions of services) Act, 1971 relating to grants-in-aid sanctioned by the Government to meet its ex-

penditure on establishment revealed the following points:

(i) The Industries and Commerce Department had not formulated grant-in-aid rules so far (October 1982) for payment of grants and its proper utilisation by the grantees. The grant-in-aid register was not maintained by the Department showing the grants given to the Board from time to time as also the receipt of utilisation certificates and unspent balance.

Till the close of the year 1981-82 Rs. 109.94 lakhs had been paid by the State Government to the Board as grant-in-aid to meet expenditure on pay and allowances and other related expenditure like purchase of vehicles (Rs. 1.18 lakhs), purchase of folbex strips (Rs. 0.19 lakh). The Board is required to submit the utilisation certificates to State Government immediately after the close of financial year. There was delay in furnishing utilisation certificates as shown below:—

Year of payment of grant	Utilisation certificates when due	Month of submission of utilisation certificates
1971—72	1972—73	January 1973
1973—74	1974—75	December 1975
1977—78	1978—79	January 1979

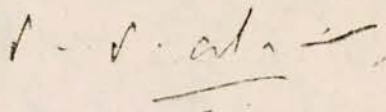
The utilisation certificates for the years 1979-80, 1980-81 and 1981-82 were still (June 1982) to be submitted to Government.

The unspent balance of grant available with the Board is required to be refunded to the Government at the close of each year. In the following year there was delay in refunding the unspent balance.

Year of payment of grant	Unspent balance at the close of year	Month in which refunded
<i>(Rupees in lakhs)</i>		
1969—70	0.002	February 1972
1979—80	0.81	Not refunded (October 1982)
1980—81	0.93	

The release of grants for subsequent years without refund/adjustment of unspent balance was not therefore justified.

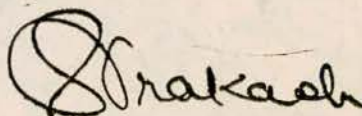
The matter was reported to Government in January 1983 ; their reply is awaited (August 1983).



(S. S. AHMED)  
Accountant General, Jammu and Kashmir

Srinagar/Jammu,  
The

Countersigned



(GIAN PRAKASH)  
Comptroller and Auditor General of India

New Delhi,  
The



APPENDIX

**APPENDICES**



## APPENDIX

(Reference : Paragraphs

Plan and non-Plan

Sector/Sub-sector of expenditure	Plan		Actuals(*)	Variation
	Budget	Budget plus Supp- lementary Provision		
1	2	3	4	5
				(Crores of
A. General Services	3.38	3.38	1.47 (1.14)	(-)1.91
B. Social and Community Services	20.13	20.13	11.83 (7.82)	(-)8.30
C. Economic Services				
(a) General Economic Services	2.58	2.58	1.22 (1.63)	(-)1.36
(b) Agriculture and Allied Services	22.89	22.89	14.32 (9.24)	(-)8.57
(c) Industry and Minerals	5.03	5.03	4.09 (4.83)	(-)0.94
(d) Water and Power Development	1.50	1.50	1.49 (1.16)	(-)0.01
(e) Transport and Communications	2.35	2.35	1.93 (1.48)	(-)0.42
D. Grants-in-aid and Contribution	..	..	..	..
Total	57.86	57.86	36.35 (27.30)	(-)21.51

(\*) The figures within brackets indicate expenditure

(\*\*) Rupees 0.33 lakh only.

## 1.1.

1.4 (i) and 1.11 ; Pages 5 and 14)

## Revenue Expenditure

Non-Plan			
Budget	Budget plus Supplementary Provision	Actuals(*)	Variation
6	7	8	9
<i>rupees)</i>			
86.49	91.12	78.55 (70.29)	(—)12.57
65.66	79.79	80.57 (71.54)	(+)0.78
6.72	8.38	9.78 (7.88)	(+)1.40
28.99	35.72	35.12 (34.05)	(—)0.60
4.94	5.02	5.13 (4.86)	(+)0.11
19.70	26.19	41.60 (31.06)	(+)15.41
22.49	23.10	12.80 (20.60)	(—)10.30
(**)	(**)	..	..
2,34.99	2,69.32	2,63.55 (240.28)	(—)5.77

during 1980—81.

## APPENDIX

(Reference : Paragraphs)

Plan and non-Plan

Sector/Sub-Sector of expenditure	Plan		Actuals(*)	Variation
	Budget	Budget plus Supp- mentary Provision		
1	2	3	4	5
				(Crores)
A. General Services	3.30	4.38	5.05 (3.58)	(+)0.67
B. Social and Community Services	28.26	46.56	37.21 (33.18)	(-)9.35
C. Economic Services				
(a) General Economic Services	6.80	7.51	7.52 (5.81)	(+)0.01
(b) Agriculture and Allied Services	10.10	13.36	11.88 (16.43)	(-)1.48
(c) Industry and Minerals	8.44	8.69	8.04 (6.23)	(-)0.65
(d) Water and Power Development	37.45	43.38	37.95 (36.17)	(-)5.43
(e) Transport and Communications	16.41	18.70	20.70 (17.11)	(+)2.00
Total	1,10.76	1,42.58	1,28.35 (1,18.49)	(-)14.23

(\*) The figures within brackets indicate the expenditure

1.2.

1.5 (ii) and 1.11 : pages 6 and 14)

expenditure on Capital account

## Non-Plan

	Budget	Budget plus Supplementary Provision	Actuals(*)	Variation
	6	7	8	9
<i>of rupees)</i>				
	..	..	0.24	(+)0.24
	1.70	1.70	0.11	(-)-1.59
	0.23	0.36	0.12	(-)-0.24
	..	3.15	4.40	(+)1.25
	..	..	..	..
	..	..	..	..
	..	..	..	..
	1.93	5.21	4.87	(-)-0.34

during 1980—81.

## APPENDIX

(Reference

Statement showing disbursements and recoveries of loans and outstanding at the end of each year.

Sector/Sub-Sector	1979—80		
	Outstand- ing balan- ce as on 1st April 1979	Loans disbursed during the year	Loans recovered during the year
	<i>(In Crores)</i>		
1. Loans for Soical and Community Services	21.12	2.69	0.59
2. Loans for Economic Services			
(a) Loans for General Economic Services	4.38	0.08	0.08
(b) Loans for Agriculture and Allied Services	3.07	0.38	0.05
(c) Loans for Industries and Minerals	10.43	0.19	0.08
(d) Loans for Transport and Communications	1.55	..	..
3. Loans to Government Servants etc.	2.58	1.08	0.63
4. Miscellaneous loans	(—)0.18	0.01	..
Total	42.95	4.43	1.43

(A) Minus balance is under

1.3.

Paragraph 1.6 (iii) ; page 8)

advances during 1979—80, 1980—81 and 1981—82 and the balance

1980—81			1981—82			
Outstanding balance as on 1st April 1980	Loans disbursed during the year	Loans recovered during the year	Outstanding balance as on 31st March 1981	Amount paid during the year	Amount repaid during the year	Balance outstanding on 31st March 1982
23.22	2.96	0.59	25.59	3.27	0.64	28.22
4.38	0.29	0.27	4.40	0.32	0.10	4.62
3.40	2.36	0.07	5.69	1.90	0.56	7.03
10.54	1.90	0.57	11.87	0.32	0.16	12.03
1.55	..	1.06	0.49	..	..	0.49
3.03	0.96	0.71	3.28	2.18	1.34	4.12
(—)0.17	..	..	(—)0.17	..	..	(—)0.17(A)
45.95	8.47	3.27	51.15	7.99	2.80	56.34

investigation (August 1983).

## APPENDIX 2.1.

(Reference : Paragraph 2.2 (a) and (b); pages 17 and 21)

Excess over grants/charged appropriations requiring regularisation (Other than those mentioned in paragraph 2.2).

Sl. No.	Name of grant/ appropriation	Total grant/ appropriation Rs.	Expenditure Rs.	Excess Rs.
Revenue Section				
1.	5—Ladakh Affairs Department	11,30,67,000	11,40,67,563	10,00,563
Excess was mainly under 'Suspense—Debits—Power Projects'; reasons for which have not been intimated (August 1983).				
2.	14—Revenue, Relief and Rehabilitation Department	5,84,85,000	6,01,74,449	16,89,449
Excess was mainly under 'Agriculture Census' and 'Improvement of Agriculture Statistics'; reasons for the excess have not been intimated (August 1983).				
3.	16—Public Works Department			
	Charged	27,300	27,321	21
Capital Section				
1.	3—Planning Department	30,50,000	36,43,570	5,93,577
Excess was mainly under 'A—Primary—3. Government Primary Schools—Up-gradation/Opening of mobile schools'; reasons for the excess have not been intimated (August 1983).				
2.	23—Public Health Engineering Department	30,49,85,000	31,46,00,482	96,15,482
Excess was mainly under 'III—Suspense—A. Public Health Engineering Department, Kashmir'; reasons for the excess have not been intimated (August 1983)				

APPENDIX 2.2.

(Reference : Paragraph 2.7; page 28)

Expenditure on New Service

Name of the Department	Nature of Scheme	Original Budget provision	Provision by re-appropriation	Total provision	Actual expenditure during the year
1	2	3	4	5	6
<i>(Lakhs of rupees)</i>					
1. Industries and Commerce Department	Industrial Research and Development Other Expenditure Development of Industrial Areas	..	..	..	34.15
2. Co-operation	(i) Co-operation Consumer Co-operative  Share Capital to primary Societies for Consumer Business  (ii) Co-operation Other Co-operatives Share Capital, Supply of Slaes Societes  (iii) Co-operation Loans to Co-operative Societies	..	..	..	19.08
		..	..	..	15.33
		..	..	..	30.79



APPENDIX 2.2. (contd.)

(Reference : Paragraph 2.7, page 28)

Expenditure on New Service

Name of the Department	Nature of Scheme	Original Budget provision	Provision by re-appropriation	Total provision	Actual expenditure during the year
1	2	3	4	5	6
3. Agriculture Department	(i) Agriculture Horticulture Investment in Horticulture Processing Marketing Co-operation	..	..	..	47.00
4. Public Works	(i) Medical A—Medical Allopathy Medical Education  (ii) Public Health, Sanitation and Water Supply Sewerage Schemes Direction and Administration  (iii) Public Health, Sanitation and Water Supply Major Works	..	2,01.32	2,01.32	4,80.68
		..	18.15	18.15	15.49
		..	66.37	66.37	76.30

APPENDIX 2.2. (concl.)

(Reference : Paragraph 2.7; Page 28)

Expenditure on New Service

Name of the Department	Nature of Scheme	Original Budget provision	Provision by re-appropriation	Total provision	Actual expenditure during the year
1	2	3	4	5	6
5. Housing and Urban Development Department	(i) Housing Other Housing Schemes Low Income group Housing Scheme Land Acquisition and Development	..	..	..	20.46
	(ii) Urban Development Other Expenditure Environmental development Schemes, Srinagar City	..	..	..	1,17.58
	(iii) Transport and Communication Services Tourism Works Gulmarg Project Organisation	..	..	..	31.47
	Total.	..	2,85.84	2,85.84	8,96.33

## APPENDIX 3.1.

(Reference : Paragraph 3.1.6.; pages 39 and 40)

Statement showing lactation yields in respect of farm bred cows of pure Jersey breed

	Cow/Breed Number	Lactation days	Lactation Yield
			(In litres)
Manasbal Farm	M—35	2nd	272
	M—39	1st	310
	M—45	1st	314
	M—50	1st	213
	M—51	1st	200
	M—58	1st	200
	M—60	1st	223
Belicharana Farm	AJ—I	1st	234
	AJ—270	1st	302
		2nd	170
	AJ—285	1st	327
	S—44	2nd	252
	S—12	1st	233
		2nd	161
		3rd	166
	S—9	1st	128
		2nd	231
	S—5	2nd	183
	S—14	1st	64
		2nd	198
	S—16	1st	148
	JK—335	1st	153
		2nd	174
	JK—363	1st	191
	JK—345	2nd	54
	JK—375	1st	195
	JK—377	1st	199
	C.B—56	1st	116
	C.B—106	1st	265
		2nd	261
	C.B—53	1st	35
	C.B—112	1st	192
		2nd	264
	C.B—119	1st	211
	C.B—191	1st	246
	JK—427	1st	217
	JK—406	1st	219
	JK—384	1st	80
	JK—404	1st	32
JK—385	1st	221	
JK—397	1st	182	

## APPENDIX 3.2.

(Reference : Paragraph 3.1.6; page 41)

Statement showing consumption of milk by calves in Belicharana farm.

Breed number	Month	Milk produced during the month	Milk in pail	Suckled by calf
				(In litres)
Haryana 260	June 1976	418	209	209
Haryana 385	June 1978	180	90	90
Sahiwal—9	January 1977	294	147	147
Sahiwal—33	June 1978	343	171	171
Sahiwal—44	April 1978	303	167	135
Jersey—237	March 1977	566	283	283
Jersey—270	April 1977	350	198	152
Jersey—278	May 1977	528	264	264
Crossbred—108	May 1976	630	315	315
Crossbred—108	June 1976	684	342	342
Haryana—160	June 1976	568	284	284
C.B—115	July 1976	518	259	259
C.B—94	August 1976	506	253	253
C.B—392	June 1976	398—500	97	292
C.B—53	Januray 1977	726	363	363
C.B—125	February 1977	820	410	410
C.B—109	February 1977	648	324	324
C.B—91	February 1977	639	319	319
C.B—108	February 1977	567	283	283
C.B—160	June 1978	438	219	219
C.B—130	December 1977	315	157	157

## APPENDIX 3.3.

(Reference : paragraph 3.6.10 ; page 69)

List of cases indicating delays in sanctioning of Institutional Finance

Sl. No.	Registration number of the unit	Month of recommendation	Month of sanction
<b>District Industries Centre Anantnag</b>			
1.	JKSI/00161/01/07/prov dated 15.11.79	11/79	6/80
2.	07/01/00292/prov/SSI dated 14.8.79	11/79	6/80
3.	JKSI/00078/07/01/PMT dated 29.10.79	12/79	4/80
4.	JKSI/00112/07/01/PMT/SSI	1/80	6/80
5.	JKSI/00257/07/01/PFO/SSI dated 23.2.80	3/80	5/80
6.	07/01/00533/33/PEOV/SSI dated 18.2.1980	3/80	6/80
7.	JKSI/00142/07/01/PMT dated 23.7.1980	7/80	11/80
8.	07/01/00298/PMT/SSI dated 7.6.80	7/80	6/81
9.	07/01/00144/PMT/SSI dated 30.6.80	7/80	3/81
10.	07/01/00406/PMT/SSI dated 9.2.81	2/81	5/81
11.	07/01/00282/PMT/SSI dated 2.6.80	2/81	5/81
<b>District Industries Centre, Pulwama</b>			
1.	07/01/00210/PROV/SSI dated 6.11.78	12/78	6/79
2.	JKSI/00112/01/07/PROV dated 19.9.1979	9/79	5/80
3.	07/01/00213/PMT/SSI dated 14.11.1979	2/80	5/80
4.	01/01/00690/PROV/SSI dated 28.3.1980	6/80	8/80
5.	JKSI/07/11/00025/PROV dated 23.9.1980	9/80	2/81
6.	07/11/020259/PMT/SSI dated 30.12.1980	4/81	6/81
7.	07/11/261/PMT/SSI dated 23.2.1977	4/81	7/81
8.	JKSI/07/11/00030/PROV/SSI dated 3.2.81	4/81	7/81
9.	07/11/00265/PROV/SSI dated 9.4.1981	4/81	7/81
<b>District Industries Centre Udhampur</b>			
1.	07/10/00408/PMT/SSI	7/78	10/78
2.	07/10/10011/PROV/SSI	11/78	3/79
3.	07/10/00202/PROV/SSI	1/79	7/79
4.	07/10/00219/PMT/SSI	6/79	1/80
5.	JKSI/00037/10/07/PWA	9/79	3/80
6.	JKSI/00376/07/10/PROV/SSI	12/79	6/80
7.	JKSI/00232/10/07/PNL	1/81	4/82
8.	JKSI/07/10/00063/PROV/SSI	3/81	6/81
9.	07/10/00748/PROV/SSI	12/81	4/82

## Statement showing Plan outlay and expenditure—Development of Rajouri District.

Sl. No.	Sector	Figures as per Planning Department 1977—78 to 1980—81		Figures as per District Development Commissioner records 1977—78 to 1980—81		Figures as per District Development Commissioner records 1981—82	
		Outlay	Expenditure	Outlay	Expenditure	Outlay	Expenditure
<i>(Rupees in lakhs)</i>							
1.	Roads and bridges	161.58	199.95	185.08	229.30	68.43	58.98
2.	Minor Irrigation	105.17	103.81	107.74	104.39	32.19	26.99
3.	Water supply	177.41	238.77	220.89	277.59	80.00	68.40
4.	Agriculture	19.14	19.23	19.14	19.23	5.60	3.98
5.	Animal Husbandry	24.41	26.27	26.41	27.35	9.27	7.99
6.	Sheep Husbandry	15.72	18.01	23.47	18.23	5.67	5.61
7.	Horticulture	10.84	9.49	10.84	9.78	3.15	2.60
8.	Co-operation	17.16	17.16	17.16	17.16	3.64	2.65
9.	General Education	151.87	171.24	152.47	171.24	45.60	31.96
10.	Health	44.97	38.20	44.97	38.06	19.69	17.30
11.	Other Sectors/programmes	418.19	274.42	579.56	562.60	126.59	110.11
		1146.46	1116.55(a)	1387.73	1474.93	399.83	336.57

(a) There is a variation of Rs. 76.20 lakhs between the actual totals of various items and that shown by the Planning Department. The variations are under reconciliation.

## APPENDIX 3.5.

(Reference : Paragraph 3.10.2 (iii) ; page 102)

Statement showing illustrative cases in respect of which scholarships were not paid in Rajouri District.

Sl. No.	Name of applicant/class	Name of the School	Marks obtained	Year
	S/Shri			
1.	Pavan Kumar /7th	Government Middle School Dhak Banyar	485/900	1981
2.	Ashok Kumar /4th	Government Middle School Thenada Kangri	67/90	1981
3.	Kanwal Kishor /4th	Government Middle School Dhanmani	53/70	1981
4.	Sita Ram /6th	Government Middle School Sagote	275/325	1981
5.	Kuldeep Singh	Middle School Nonial (Nowshera)	140/270	1981

Statement showing sch

(Reference : Paragraph 4.1. ; page 117)

## Statement showing scheme-wise details

Sl. No.	Name of Scheme	Estimated cost	Expenditure up to March 1982	Year of commencement	Date of completion	Status of sanction
<i>(In lakhs of rupees)</i>						
1.	78 Tube wells Project in R. S. Pora	106.25(R)	103.66	1967	In progress	Revised Administrative Approval under submission (March 1983).
2.	10/11 percussion tube wells project in Jammu and Kathua Districts	24.74(0)	22.78	1967—68	In progress	Accorded in January 1972.
3.	4 percussion tube wells project Sunjwan Koulpur area	20.45(R)	17.86	1975	In progress	Accorded in September 1977.
4.	8 percussion tube wells project, Bikrama Sangiai areas	36.58(R)	29.69	1975	In progress	Revised Administrative Approval submitted in November 1978.
5.	3 tube wells project in R.S. Pora	7.71(0)	5.55	1976	In progress	Accorded in March 1976.
6.	2 percussion tube wells project in Chickwal and Challarian	10.22(0)	8.79	1976	In progress	Accorded in March 1976.

Please see 'Note' on page 253.



APPENDIX 4.1. (contd.).

(Reference : Paragraph 4.1 ; page 117)

Statement showing scheme-wise details

Sl. No.	Name of Scheme	Estimated cost	Expenditure upto March 1982	Year of commencement	Date of completion	Status of sanction
<i>(In lakhs of rupees)</i>						
7.	1 percussion tube well project at Budhwar	5.76(0)	4.55	1976	1982—83	Accorded in January 1978.
8.	1 percussion tube well project at Brij Nagar	4.40(0)	3.14	1976	In progress	Accorded in December 1978.
9.	2 tube wells at (i) Bhoie Camp and (ii) Chatha	4.64(i)(0) 4.45(ii)(0)	3.36(i) 2.47(ii)	1978	In progress	(i) Accorded in August 1978. (ii) Under submission (March 1983).
10.	4 tube wells in Nikowal areas	25.62(0)	13.64	1978—79	In progress	Submitted to Government.
11.	8 tube wells project at Sai sector	39.36(0)	12.97	1980—81	In progress	Under submission by Executive Engineer (March 1983).
12.	Construction of one Tube well at Kalyana	4.40(0)	1.01	1980—81	In progress	Submitted to Superintending Engineer.
13.	2 additional tube wells in Nikowal area	10.00(0)	4.55	1980—81	In progress	Under preparation (March 1983).

Please see 'Note' on page 253.

APPENDIX 4. 1. (Concl'd).

(Reference : Paragraph 4. 1; page 117).

Statement showing scheme-wise details

Sl. No.	Name of Scheme	Estimated cost	Expendi - ture up to March 1982	Year of commen- cement	Date of completion	Status of sanction
----- (In lakhs of rupees)						
14.	2 tube wells in Tehsil Hira- nagar, Border Area	10.00(0)	3.41	1980—81	In progress	Under preparation (March 1983).
15.	Exploratory tube well at Pangdore	2.50(0)	2.49	1966	In progress	Under preparation (March 1983).
	Total	317.08	239.92			

Note : 'R' stands for revised estimated cost.  
'O' stands for original estimated cost.

## APPENDIX 4.2.

(Reference : Paragraph 4.1.4. (i) ; page 122)

Scheme-wise details of area envisaged to be irrigated as per the project reports showing area actually irrigated and the percentage of shortfall from 1977-78 to 1981-82

Sl. No.	Name	1977-78			1978-79			1979-80		
		Target	Achievement	Percentage of short-fall	Target	Achievement	Percentage of short-fall	Target	Achievement	Percentage of short-fall
		(In acres)			(In acres)			(In acres)		
1.	78 Tube wells project in R. S. Pora	37000	9065	75	38000	9239	76	38000	8526	76
2.	10/11 percussion tube wells project in Jammu and Kathua areas	2330	1078	54	2330	1083	54	2330	1035	55
3.	4 percussion tube wells project in Sunjwan Koulpur scheme	46	33	28	138	117	15	230	188	18
4.	Exploratory tube well at Pangdore	150	27	82	150	37	75	150	46	69
5.	8 percussion tube wells project in Bikrama Sangial area	..	..	..	1200	6	99	1200	151	87
6.	3 tube well project in R. S. Pora area	..	..	..	240	96	60	240	105	56
7.	2 percussion tube wells project in Chickwal and Challarian	..	..	..	230	4	98	460	89	81

Please see foot note on page 256.

APPENDIX 4.2. (contd.)

(Reference : paragraph 4.1.4. (i) ; page 122)

Scheme-wise details of area envisaged to be irrigated as per the project reports showing area actually irrigated and the percentage of shortfall from 1977-78 to 1981-82

Sl. No.	Name	1980-81			1981-82		
		Target	Achievement	Percentage of shortfall	Target	Achievement	Percentage of shortfall
		(In acres)			(In acres)		
1.	78 Tube wells project in R. S. Pora	38500	8453	78	38500	8766	77
2.	10/11 percussion tube wells project in Jammu and Kathua areas	2330	996	57	2330	915	61
3.	4 percussion tube wells project in Sunjwan Koulpur scheme	506	178	65	828	184	78
4.	Exploratory tube well at Pangdore	150	42	72	150	36	76
5.	8 percussion tube wells project in Bikrama Sangial area	1200	228	81	1680	269	84
6.	3 tube well project in R. S. Pora area	480	95	80	480	199	58
7.	2 percussion tube wells project in Chickwal and Challarian	460	103	78	460	93	80

APPENDIX 4.2. (Contd.)

(Reference : Paragraph 4.1.4. (i) ; page 122)

Scheme-wise details of area envisaged to be irrigated as per the project reports showing area actually irrigated and the percentage of shortfall from 1977-78 to 1981-82

Sl. No.	Name	1977-78			1978-79			1979-80		
		Target	Achievement	Percentage of short-fall	Target	Achievement	Percentage of short-fall	Target	Achievement	Percentage of short-fall
8.	1 percussion tube well project at Budhwar	..	..	..	..	..	..	345	223	35
9.	1 percussion tube well project, Brij Nagar	..	..	..	..	..	..	..	..	..
10.	4 tube wells project in Nikowal area	..	..	..	..	..	..	..	..	..
11.	2 tube wells project in Chatha 'C' and Bhore Camp	..	..	..	..	..	..	..	..	..
12.	2 additional tube wells in Nikowal area	..	..	..	..	..	..	..	..	..
13.	8 tube wells project in Sai sector	..	..	..	..	..	..	..	..	..
	Total	39526	10203	74	42288	10582	75	42955	10363	76

.. stands for not applicable as tube well had not been commissioned by that time.

APPENDIX 4.2. (concl.)

(Reference : paragraph 4.1.4.(i); page 122)

Scheme-wise details of areas envisaged to be irrigated as per the project reports showing areas actually irrigated and the percentage of shortfall from 1977-78 to 1981-82

Sl. No.	Name	1980-81			1981-82		
		Target	Achievement	Percentage of shortfall	Target	Achievement	Percentage of shortfall
8.	1 percussion tube well project at Budhwar	345	289	16	345	266	23
9.	1 percussion tube well project, Brij Nagar	..	..	..	300	29	90
10.	4 tube wells project in Nikowal area	138	111	20	414	358	14
11.	2 tube wells project in Chatha 'C' and Bhore Camp	(30 percent of 460) 172	62	64	172	84	51
12.	2 additional tube wells in Nikowal area	..	..	..	326	75	77
13.	8 tube wells project in Sai sector	..	..	..	328	223	32
	Total	44281	10557	76	46313	11497	75

257

Please see foot note on page 256.

(Reference : Paragraph

Statement showing summarised financial

Sl. No.	Name of the Company	Name of the Administrative department	Date of incorporation	Period of accounts	Capital invested (A)	Profit (+) (Loss)-
1	2	3	4	5	6	7
(Figures in columns 6 to 12)						
1.	Jammu and Kashmir Projects Construction Corporation Limited	Public Works	22nd May 1965	1977-78	91.09	(+)19.30
2.	Tawi Scooters Limited	Industries and Commerce	5th December 1976	1981-82	120.23 (D)	(-)9.80
3.	Jammu and Kashmir Bank Limited	Finance	1st October 1938	1981	..	(+)28.79

(A) Capital invested represents paid-up capital plus long-term loans plus free reserves.

(B) Capital employed represents net fixed assets (excluding capital works-in-progress) plus working capital.

7.1.

7.3.1 ; page 166)

results of Government Companies.

Total interest on long- charged to profit and loss account	Interest on long- term loans	Total re- turn on capital invested (7+9)	Capital employed (B)	Total re- turn on capital employed (7+8)	Percentage of return on	
					capital invested	capital employed
8	9	10	11	12	13	14

are rupees in lakhs)

3.68	..	(+)19.30	126.32	(+)22.98	21.2	18.2
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..	..	(-)9.80	108.86	(-)9.80	..	..
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969.79	..	..	98,72.69 <sup>(C)</sup>	9,98.58	..	10.1
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(C) Represents the mean of the aggregates of the opening and closing balances of paid-up capital, borrowings, including fixed deposits, and reserves (other than those specifically funded).

(D) Includes central investment subsidy accounted for under reserves and surplus.



## APPENDIX

(Reference: Paragraph

Statement showing summarised financial results of departmentaliy—

Sl. No.	Name of the Undertaking	Name of the administrative department	Period of accounts	Government capital (mean capital)	Block assets at depreciated cost
1	2	3	4	5	6

(Figures in columns 5 to 11 are

1.	Milk Supply undertaking, Jammu	Animal Husbandry	1981—82	92.86	43.35
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7.2.

7.8; page 228)

manged Government commercial/quasi-commercial undertakings

Cumulative depreciation	Turn-over	Net profit (+) Net loss (-)	Interest on capital	Total return (9+10)	Percentage of return on mean capital
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7	8	9	10	11	12
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rupees in lakhs)

18.29	28.48	(-)11.74	0.73	(-)11.01	..
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## APPENDIX 8.1.

(Reference : Paragraph 8.1; page 231)

Bodies/authorities which did not furnish annual accounts for 1981-82 and earlier years.

Sl. No.	Name of the body/authority	Years for which accounts were not furnished
1.	Srinagar Municipality	1971-72 to 1981-82
2.	Jammu Municipality	1972-73 to 1981-82
3.	Development Authority, Jammu	1972-73 to 1981-82
4.	Board of School Education, Srinagar	1977-78 to 1981-82
5.	District Rural Development Agency, Jammu/Kathua	1981-82
6.	District Rural Development Agency, Rajouri	1979-80 to 1981-82
7.	District Rural Development Agency, Pulwama	1979-80 to 1981-82
8.	Khadi and Village Industries Board, Srinagar	1979-80 to 1981-82