Report of the Comptroller and Auditor General of India

For the year ended 31 March 2008

Government of Jammu and Kashmir

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Preface

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

2. Chapters I and II of this Report contain audit observations on matters arising from an examination of Finance Accounts and Appropriation Accounts of the State Government respectively, for the year ended 31 March 2008.

3. The remaining chapters deal with the findings of performance audit and audit of transactions in various departments including Education, Housing and Urban Development, Irrigation and Flood Control, Transport, Power Development, Forest, Health and Medical Education, Public Health Engineering, Public Works, Rural Development, Social Welfare, Tourism, Industries and Commerce, Agriculture Production, Finance, Revenue receipts, Government companies, Statutory Corporations and Departmentally run Commercial Undertakings.

4. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2007-08 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 2007-08 have also been included wherever necessary.

Overview

This Report contains 32 paragraphs, eight performance audit reviews (including Integrated audit of Agriculture department) and comments on the Finance and Appropriation Accounts for the year 2007-08. Copies of draft paragraphs and draft reviews were sent to the Commissioner/Secretary of the Department concerned by the Accountant General with the request to furnish replies within six weeks. However, in respect of 31 draft paragraphs and eight performance reviews included in the Report, no replies were received from the Commissioners/Secretaries concerned. A synopsis of the important findings contained in the Report is presented in the Overview.

1 Finances of the State Government

The overall fiscal position of the State as reflected in terms of key parameters– revenue, fiscal and primary deficits-indicates mixed trends in the fiscal situation during 2007-08 over the previous year. While the revenue surplus has increased and reached the peak level of Rs 1088 crore in 2007-08, the fiscal and primary deficits have deteriorated over the previous year. The improvement in revenue surplus of the State may however be viewed in the light of the fact that little more than 55 *per cent* of the incremental revenue receipts of the State during 2007-08 (Rs 2095 crore) were contributed by the Central transfers comprising the State's share in Central taxes and duties and grants-in-aid from the GOI. The expenditure pattern of the State reveals that the revenue expenditure exhibited a declining trend during the period 2003-08, but continued to share a dominant proportion in the total expenditure of the State and was around 76 *per cent* during 2007-08. Moreover, within the revenue expenditure, the non-plan revenue expenditure at Rs 11666 crore in 2007-08 was significantly higher than the normative assessment of TFC (Rs 6514 crore) for the State for the year and its four components – salaries and wages, pension liabilities, interest payments and subsidies – constituted about 67 *per cent* during 2007-08. These trends in expenditure indicate the need for changing allocative priorities. The continued prevalence of fiscal and primary deficits indicates the increasing reliance of the State on borrowed funds. The increasing fiscal liabilities accompanied by a negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead to an unsustainable debt situation in medium to long run unless suitable measures are initiated to compress the non plan revenue expenditure and to mobilise additional resources both through the tax and non tax sources in the ensuing years.

(Paragraphs: 1.1 to 1.12)

2 Allocative Priorities and Appropriation

Against the total provision of Rs. 19,003.44 crore during 2007-08, the expenditure aggregated Rs. 18,490.31 crore resulting in overall saving of Rs. 513.13 crore. The saving was due to net effect of savings of Rs. 2,791.04 crore (Revenue: Rs. 507.10 crore; Capital: Rs. 2 ,283.94 crore) and excess of Rs. 2,277.91 crore (Revenue: Rs. 695.39 crore; Capital: Rs. 1,582.52 crore) in respect of 28 grants and three appropriations and 14 grants and one appropriation respectively. Out of 284 controlling officers, 80 controlling officers had not conducted the reconciliation in respect of the expenditure of Rs. 3659.40 crore which constituted 23 *per cent* of the total net revenue and capital expenditure.

(Paragraphs: 2.2 to 2.12)

3 Performance Reviews

Education Department

Jammu University

The University of Jammu was incorporated with the objectives of imparting education, carrying out independent research, advancement and dissemination of knowledge, recognizing and affiliating colleges, holding examinations, conferring degrees, diplomas and other academic distinctions. This was the first University in the country to have its management systems certified under ISO 9001:2000. The teaching departments and centres of the University have also developed links/research collaborations with different National/International Academic/Research bodies.

- Research projects were not completed on time. 43 *per cent* of PhD scholars had not submitted their thesis even after five years. Research thesis of 48 scholars received two months to five years back were pending acceptance due to non-availability of experts/scholars to evaluate them.

(Paragraph: 3.1.9.2)

- There was inordinate delay in declaration of results and issuance of degree certificates.

(Paragraphs: 3.1.10.1 and 3.1.10.3)

- There was high incidence of revision of results consequent on revaluations.

(Paragraph: 3.1.10.2)

National Programme of Nutritional Support of Primary Education (Mid-day Meal Scheme

The Mid Day Meal scheme was launched by the Government of India in the State on 1st September 2004 with the objective of boosting primary education by increasing enrolment, retention and attendance of students in Government schools and EGS centres. While the implementation of the programme resulted in an increase in the rate of attendance of the students in the schools the actual enrolment has declined during 2004-08.

- The average utilisation of funds during 2004-08 was only 41 *per cent*.

(Paragraph: 3.2.8.2)

- Average consumption of food grains per child per school day during 2005-08 was only 77.90 gms, against 100 gms envisaged in the programme guidelines.

(Paragraph: 3.2.9.2)

- There was no mechanism to ascertain that food grains supplied conformed to the FAQ specification, so that it did not have any adverse impact on the children.

(Paragraph 3.2.9.6)

- Infrastructure was inadequate. Rs. 34.89 crore, released during 2006-08, for construction of kitchen-cum-store were not utilised; as a result, meals were prepared in class rooms and open spaces.

(Paragraph: 3.2.10.1)

Housing and Urban Development Department

Srinagar Development Authority

The Srinagar Development Authority was established with the objective of promoting and securing the development of the local area of Srinagar city in accordance with the approved Master Plans. To achieve the objectives, the Authority is vested with powers to acquire, hold, manage and dispose of land and other property and carryout building and engineering operations. A review of the functioning of the Authority during 2003-08 revealed that although it succeeded in generating substantial internal resources, the main objectives were not achieved fully due to non-implementation of Master Plans. Although the Authority pulled up the arrears in its accounts to a large extent, it is yet to appoint auditors to certify these accounts for submission to the State Legislature.

- Failure to implement Master Plan of Srinagar City resulted in its unplanned development.

(Paragraph: 3.3.7)

- While there was a significant increase in revenue generation from internal resources during 2003-08, utilisation of available resources ranged between 34 and 48 *per cent* only.

(Paragraph: 3.3.8.1)

- Works costing Rs. 1.22 crore were got executed by the Authority during 2004-08 without invitation of tenders, in violation of rules.

(Paragraph: 3.3.9.3)

- National Slum Development Project (NSDP) funds (Rs. 2.43 crore) were spent in contravention of scheme guidelines. Subsidy for construction of dwelling units under VAMBAY was allowed to non-deserving beneficiaries.

(Paragraphs: 3.3.9.4 and 3.3.9.5)

- Lack of internal control and monitoring mechanism resulted in non-realisation of Rs. 7.48 crore on account of premia and rent of built-up assets.

(Paragraphs: 3.3.13)

Irrigation and Flood control Department

Lift Irrigation Schemes

The construction and maintenance of lift irrigation schemes is vested with the State Irrigation and Flood Control Department. The lift irrigation schemes irrigate 22.83 thousand hectares (7 *per cent*) of cultivable land. Performance review of the lift irrigation schemes in the State revealed that the schemes had been executed in an unplanned manner and were incomplete for more than 20 years in some cases. Even the irrigation potential created was not fully utilised which adversely affected the contribution of lift irrigation scheme.

- Delay in release of Government of India funds by planning/administrative department ranged between 30 and 252 days.

(Paragraph: 3.4.9.1)

- Four schemes completed at a cost of Rs. 3.86 crore cultivated only 19 *per cent* of envisaged area.

(Paragraph: 3.4.10.1)

- Unplanned execution of works resulted in unfruitful expenditure of Rs. 4.27 crore

(Paragraph: 3.4.10.2)

- Time overrun on execution of schemes ranged between 1 and 31 years while as cost overrun ranged up to Rs. 33.86 crore.

(Paragraph: 3.4.10.3)

- Internal control mechanism of the Department was weak which resulted in irregular payments, irregular execution of works, etc.

(Paragraph: 3.4.11)

4. Audit of Transactions

Embezzlement/loss/non-recovery of dues

Lax supervision and non-observance of prescribed control procedures by Chief Accounts Officer and various revenue realising wings of Jammu Municipal Corporation resulted in embezzlement of Rs. 12.71 lakh.

(Paragraph: 4.1.1)

Idle investment/blocking of funds/unfruitful expenditure/avoidable expenditure, etc.

Departmental failure to settle the land compensation issue before taking up the construction of PHC resulted in idle investment of Rs. 98.50 lakh and blocking of Rs. 42.50 lakh.

(Paragraph: 4.2.1)

Departmental failure to sequence the procurement of leather technology equipment with the civil works construction schedule resulted in idle investment of Rs. 1.01 crore.

(Paragraph: 4.2.2)

Non-completion of textile block buildings due to changes in their designs after the allotment of contract, and non-installation of machinery purchased for the course led to idle investment of Rs. 94.40 lakh.

(Paragraph: 4.2.3)

Failure of the Department to arrange funds for liquidation of loan despite acquisition of huge infrastructure resulted in avoidable interest liability of Rs. 13.70 crore.

(Paragraph: 4.2.6)

Departmental failure to ensure availability of the equipment and misreporting of the facts to the REC resulted in blocking /idle investment of Rs. 1.36 crore.

(Paragraph: 4.2.7)

Taking up of work without AA/TS resulted in irregular expenditure of Rs. 46.33 lakh spent on the bridge, which had been rendered idle due to non construction of approaches.

(Paragraph: 4.2.9)

Funds were advanced to the Collector, Land Acquisition without adhering to the rules and material was procured without assessment resulting in blocking of Rs. 1.50 crore.

(Paragraph: 4.2.10)

Failure of the Department to acquire land before allotment of work for construction of a road rendered an expenditure of Rs. 67.09 lakh unfruitful.

(Paragraph: 4.2.11)

Non-adherence to scheme guidelines resulted in payment of Rs. 2.64 crore as scholarship to undeserving students.

(Paragraph: 4.2.16)

Regularity and other issues

CEO, Anantnag irregularly utilised Rs. 17.01 lakh meant for improvement of schools, to meet day-to-day expenditure.

(Paragraph: 4.3.1)

5. Integrated audit

Agriculture Department

The objective of the Department is to increase food production, by increasing the distribution of high yielding variety of seeds to farmers, bringing more land under cultivation and improving the performance of seed farms. The production of food grains in the State increased steadily during 2003-08. However, the Department failed to achieve the Tenth Plan targets mainly due to underutilisation of funds, poor performance of departmental farms, non-utilisation of the available area, etc. due to which the State had to rely on imports.

- Out of an expenditure of Rs. 550.68 crore (excluding on CSS) incurred during 2003-08, the Department incurred Rs. 470.66 crore (85 *per cent*) on establishment.

(Paragraph: 5.10)

- Yield obtained in respect of breeder seeds was not as per the norms or assessments. Actual distribution of seeds was far below the requirement.

(Paragraphs: 5.10.2 and 5.10.4)

- The net sown area declined by 11,000 hectares during 2004-07 and the irrigated area reduced by 2,000 hectares.

(Paragraph: 5.10.5)

- 1,402 items of pump sets and sprayers purchased during 2004-05 had not been issued to farmers.

(Paragraph: 5.11)

6. Revenue Receipts

Transport Department

Performance review on Motor Vehicle taxes

Non-conducting of inspection of vehicles resulted in non- recovery of Rs. 9.25 crore during 2003-07. Token tax of Rs. 1.15 crore was also not recovered during the same period.

(Paragraphs: 6.2.7.3 and 6.2.7.4)

Non-imposition of penalty due to over-loading of vehicles resulted in loss of Rs. 25.72 crore during April 2004 to March 2008.

(Paragraph: 6.2.11)

Administrative inspections as well as internal audit of the subordinate units were not conducted.

(Paragraphs: 6.2.12.2 and 6.2.12.3)

Information Technology Audit of Computerisation in Transport Department, Government of Jammu and Kashmir.

Absence of a time frame in implementation of software resulted in delay in project implementation.

(Paragraph: 6.3.7)

Inadequate control environment adversely affected functioning of the system.

(Paragraph: 6.3.12)

Absence of application controls resulted in low assurance regarding completeness and reliability of database.

(Paragraphs: 6.3.13.1, 6.3.13.4, 6.3.13.7)

Check/control mechanism was not in place resulting in registration of vehicle on fraudulent/duplicate Insurance Cover Notes.

(Paragraph: 6.3.13.6)

Audit of Transactions

Finance Department (Commercial Taxes)

Failure to detect the concealment of purchases made by two industrial units resulted in irregular exemption of sales tax of Rs. 46.89 lakh.

(Paragraph: 6.4)

Failure of the AA Commercial Tax Circle 'E' Srinagar to determine correct taxable turnover of a dealer and apply correct rates of tax on the sales made to Government departments resulted in short levy of tax and interest of Rs. 1.26 crore and loss of Rs. 86.42 lakh due to time barring.

(Paragraph: 6.5)

Failure of the assessing authority (AA) Commercial Tax Circle 'E' Srinagar to apply the correct rates of tax on sales made by a dealer to a corporation, resulted in short levy of tax and interest aggregating Rs. 1.83 crore.

(Paragraph: 6.6)

Failure of the assessing authority to take cognizance of the certificate issued by the Excise Department and determine the correct taxable turnover of a dealer resulted in short levy of tax, interest and penalty aggregating Rs. 7.71 lakh.

(Paragraph: 6.7)

Failure of the assessing authority to cross-check the purchases disclosed by a dealer in the purchase statement and trading account with his C form consumption account resulted in short levy of tax, interest and penalty aggregating Rs. 5.73 lakh.

(Paragraph: 6.8)

Power Development Department

Non-levy of surcharge to the Gondola Cable Car Project, Gulmarg by the Power Development Department resulted in non-recovery of Rs. 8.60 lakh.

(Paragraph: 6.9)

Transport Department

Lack of co-ordination between the two departments led to non-recovery of Rs. 46.97 lakh. Besides the vehicle owners of six vehicles against which

Rs. 2.18 lakh were outstanding as of March 2008 managed to get their documents renewed without obtaining no objection certificate.

(Paragraph: 6.10)

7. General view of Government companies and statutory corporations

As on 31 March 2008, there were 20 Government companies (17 working and three non-working companies) and three Statutory corporations (all working) under the control of the State Government. The total investment in the working PSUs increased from Rs. 4,420.88 crore as on March 2007 to Rs. 4761.03 crore as on March 2008.

The budgetary support in the form of capital, loans, grants and subsidies to the working PSUs decreased from Rs. 226.12 crore in 2006-07 to Rs. 56.13 crore in 2007-08. During the year 2007-08, the State Government guaranteed loans aggregating Rs. 240.66 crore. The outstanding loans guaranteed by the State Government increased from Rs. 2,303.67 crore as on March 2007 to Rs. 2,429.77 crore as on March 2008.

The accounts of 16 working Government companies and three Statutory corporations were in arrears for periods ranging from 3 to 19 years as on 30 September 2008. According to the latest finalised accounts, six companies and one statutory corporation (Jammu and Kashmir State Financial Corporation) had earned aggregate profit of Rs. 362.21 crore and Rs. 4.64 crore respectively, of which only one company (J&K Bank Limited) had declared dividend of Rs. 29.64 crore. Eleven PSUs (10 companies and one Statutory corporation viz. Jammu and Kashmir State Road Transport Corporation) suffered aggregate loss of Rs. 164.21 crore. Of the 10 loss-incurring working Government companies, eight had accumulated losses aggregating Rs. 463.84 crore, which exceeded their aggregate paid-up capital of Rs. 63.14 crore. The loss-incurring corporation (viz. Jammu and Kashmir State Road Transportation Corporation), which had finalised its accounts for previous year by September 2007, had incurred a loss of Rs. 54.67 crore. The corporation had accumulated loss of Rs. 598.92 crore, which exceeded its paid up capital of Rs. 109.51 crore.

(Paragraph 7.1)

Performance review relating to working of Company

The working of Jammu and Kashmir Small Scale Industries Development Corporation Limited

The Jammu and Kashmir Small Scale Industries Development Corporation Limited was incorporated in November 1975 with the main objectives of aiding, assisting and promoting Small Scale Industrial units in the State. However, only a negligible number of SSI units are utilising its services in the procurement of raw material and in marketing their products. The Company largely failed in achieving the objective of providing marketing support to SSI units. Its role in marketing the products of SSI units was also very insignificant. There was slow progress in the establishment of estates at Govindsar and Zakura indicating the casual approach adopted by the Company in pursuing its objectives. Some of the major findings were as follows:

The Company failed to develop Industrial Estates at Govindsar and Zakura due to lack of sustained efforts and co-ordination with the State Revenue Department.

(Paragraphs 7.2.9 and 7.2.10)

By engaging private parties for procurement/distribution of raw material, the intended purpose of setting up Raw Material Bank got defeated, as the weavers/artisans continued to be dependent on the intermediaries.

(Paragraph 7.2.15)

The percentage of units provided marketing assistance by the Company declined from 67 in 2002-03 to 43 in 2007-08. As a result, the earning of the Company by way of service charges also declined from Rs. 3.28 crore in 2004-05 to Rs. 2.62 crore in 2007-08.

(Paragraph 7.2.16)

The Company spent Rs. 4.58 crore (69 *per cent*) out of Rs. 6.65 crore received, between 2003-04 and 2007-08. Underutilization of funds hampered implementation of various projects like providing infrastructural facilities to the SSI units at the Industrial Estates, Govindsar and Udhampur, modernisation of testing centres, etc.

(Paragraph 7.2.20)

Audit of Transactions

Jammu and Kashmir Bank Limited

Failure of the Jammu and Kashmir Bank to re-evaluate the mortgaged property of a firm, resulted in non-recovery of Rs. 4.16 crore with consequent loss to the Bank.

(Paragraph 7.3)

J&K Cements Limited

The J&K Cements Limited failed to recover Rs. 13.12 lakh from a private firm due to its failure to enforce terms of the agreement entered into with the firm.

(Paragraph 7.4)

J&K Horticultural Produce Marketing and Processing Corporation Limited

Diversion of General/Contributory Provident Fund collections by the J&K Horticultural Produce Marketing and Processing Corporation Limited resulted in accumulation of outstanding liability to Rupees five crore.

(Paragraph 7.5)

CHAPTER-I

FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account (*Appendix 1.1-Part A*). The Finance Accounts of the Government of Jammu and Kashmir are laid out in nineteen Statements, presenting receipts and expenditure, revenue as well as capital in the Consolidated Fund, Contingency Fund and Public Account of the State. The layout of the Finance Accounts is depicted in *Appendix 1.1-Part B*.

1.1.1 Summary of Receipts and Disbursements

Table–1.1 summarises the finances of the State Government for the year 2007-08 covering revenue receipts and expenditure, capital receipts and expenditure and public account receipts/disbursements as emerging from Statement–1 of Finance Accounts and other detailed statements.

Table 1.1: Summary of receipts and disbursements for the year 2007-08

(Rupees in crore)

Receipts			Disbursements				
2006-07		2007-08	2006-07		2007-08		
Section-A: Revenue							
					Non-plan	Plan	Total
11182.03	**I. Revenue Receipts**	**13277.04**	**10614.05**	**I. Revenue Expenditure**	**11666.10**	**523.20**	**12189.30**
1798.97	Tax Revenue	2558.18	4653.53	General Services	5560.54	63.04	5623.58
632.53	Non-Tax Revenue	807.98[1]	2881.12	Social Services	2553.36	293.95	2847.31
1413.43	Share of Union Taxes/Duties	1775.01	3079.40	Economic Services	3552.20	166.21	3718.41
7337.10	Grants from Govt of India	8135.87[2]					
Section-B: Capital							
-	II-Miscellaneous Capital Receipts	-	2456.30	II-Capital Outlay	75.78	3641.25	3717.03
2.04	III-Recoveries of Loans and Advances	1.89	43.89	III-Loans and Advances Disbursed	-	38.27	38.27
1543.81	IV-Public Debt[3] Receipts	2848.30	403.76	IV-Repayment of Public Debt	-	772.14	772.14
0.39	V-Contingency Fund	0.01	0.14	V- Appropriation to Contingency Fund	-	0.13	0.13
				V. Contingency Fund			
25598.80	VI-Public Account Receipts	29505.85	24785.47	VI-Public Account Disbursement			28910.69
84.78	Opening Balance	108.24	108.24	Closing Balance			113.77
38411.85	Total	45741.33	38411.85	Total			45741.33

[1] The figures vary with those depicted in the Finance Accounts due to misclassification of receipts from the power sector by the State Government during 2006-07, which is rectified in the Finance Accounts of the current year.

[2] The figures vary with those depicted in the Finance Accounts due to misclassification of Rs 360 crore received in 2006-07 under grants-in-aid for State Plan Schemes as remittances under Public Account, which is rectified in Finance Accounts of the current year.

[3] Public Debt receipts and repayments exclude Ways and Means Advances and Overdraft.

Following are the significant changes during 2007-08 over the previous year:

- Revenue receipts increased by Rs. 2095.01 crore over the previous year. The increase was contributed by tax revenue (Rs. 759.21 crore), Grants-in-aid from Government of India (GOI) (Rs. 798.77 crore), State's share of Union taxes and duties (Rs. 361.58 crore) and Non-tax revenue (Rs. 175.45 crore) during the current year.
- Revenue expenditure increased by Rs. 1575.25 crore and the capital expenditure increased by Rs. 1260.73 crore.
- Recoveries and disbursement of loans and advances decreased by Rs. 0.15 crore and Rs. 5.62 crore, respectively.
- Public debt receipts and repayments increased by Rs. 1304.49 crore and Rs. 368.38 crore, respectively.
- Public Account receipts and disbursements increased by Rs. 3907.05 crore and Rs. 4,125.22 crore, respectively.
- The closing cash balance increased by Rs. 5.53 crore.

1.1.2 The Fiscal Responsibility and Budget Management (FRBM) Act, 2006

The State Government enacted the Jammu and Kashmir Fiscal Responsibility and Budget Management (FRBM) Act on 9 August 2006 to ensure prudence in fiscal management and fiscal stability by progressive strengthening of revenue surplus, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework and for matters connected therewith or incidental thereto. The Rules under the Act were notified by the Government in January 2008. However, impact of the Act could not be ascertained in audit, as the format of the Fiscal Policy Statements was not submitted to the State Legislature for approval, as required. The State Government attributed (September 2008) non-submission thereof to the Legislature to technical problems.

As the FRBM Act could not be put into force, the State Government had forgone the interest relief amounting to Rs. 176.73 crore as on 31st March 2008 under DCRF[4] which would have been available after reschedulement of GOI loans at the reduced rate of interest for next 20 years with effect from 1st April 2005. The State had also foregone the waiver of debt due to GOI, which is linked to its fiscal performance during 2005-06 to 2007-08.

[4] In pursuance of the recommendations of the TFC for fiscal consolidation and elimination of revenue deficit of the State, Government of India formulated a scheme "The States' Debt Consolidation and Relief Facility (DCRF)" under which, general debt relief is provided by consolidating and rescheduling at substantially reduced rate of interest, the Central loans granted to States on enacting the FRBM Act and debt waiver is granted based on fiscal performance, linked to the reduction of revenue deficit of State

1.2 Overview of fiscal situation of the State

1.2.1 Trend in Fiscal Aggregates

The fiscal position of the State Government during the current year as compared to the previous year is given in Table-1.2.

Table 1.2

(Rupees in crore)

2006-07	Major Aggregates		2007-08
11182	**1**	**Revenue receipts (2+3+4)**	**13277**
1799	2	Tax Revenue	2558
633	3	Non-tax Revenue	808
8750	4	Other Receipts	9911
2	**5**	**Non-Debt Capital Receipts**	**2**
2	6	Of which recovery of loans	2
11184	**7**	**Total Non-Debt Receipts (1+5)**	**13279**
9891	**8**	**Non-plan Expenditure (9+11+12)**	**11742**
9781	9	On Revenue Account	11666
1787	*10*	*Of which interest payments*	*2436*
110	11	On Capital Account	76
-	12	On Loans disbursed	-
3223	**13**	**Plan Expenditure (14+15+16)**	**4202**
833	14	Revenue Account	523
2346	15	On Capital Account	3641
44	16	On Loans disbursed	38
13114	**17**	**Total Expenditure (8+13)**	**15944**
(+) 568	18	Revenue Surplus (+)/Deficit (-) (1-(9+14))	(+) 1088
(-) 1930	19	Fiscal Surplus (+)/Deficit (-) ((1+5)-17)	(-) 2665
(-) 143	20	Primary Surplus (+)/Deficit (-) (19-10)	(-) 229

During the current year, revenue receipts increased by 19 *per cent* (Rs. 2095 crore), while revenue expenditure increased by only 15 *per cent* (Rs. 1575 crore) over the previous year, resulting in an increase of Rs. 520 crore in revenue surplus during 2007-08 from the level of Rs. 568 crore during 2006-07. Given the increase in the revenue surplus by Rs. 520 crore, net increase of Rs. 1255 crore in the capital expenditure/loans and advances disbursed during 2007-08 over the previous year, there was an increase of Rs. 735 crore in fiscal deficit in the current year. The increase in fiscal deficit accompanied by an increase of Rs. 649 crore in interest payments during 2007-08 over the previous year led to an increase of Rs. 86 crore in primary deficit in 2007-08 from the level of Rs. 143 crore during 2006-07.

1.3 Methodology adopted for the assessment of Fiscal position

The trends in the major fiscal aggregates of receipts and expenditure as emerging from the Statements of Finance Accounts were analysed wherever necessary over the period 2002-03 to 2007-08 and observations have been made on their behaviour as per *Appendix 1.2* to *1.4* and time series data (*Appendix 1.5*). In its Restructuring Plan of State Finances, the Twelfth Finance Commission (TFC) recommended the norms/ceiling for some fiscal aggregates and also made normative projections for others. In addition, TFC also recommended that all States enact the Fiscal Responsibility Act and draw their fiscal correction path accordingly for the five year period (2005-10) so that fiscal position of the State could be improved as committed in their respective FRBM Acts/Rules covering medium to long run period. The norms/ceilings prescribed by the TFC as well as its projections for fiscal aggregates alongwith the commitments/projections made by the State Governments in their budget statements laid in the legislature were used to make qualitative assessment of the trends and pattern of major fiscal aggregates during the current year. Assuming that Gross State Domestic Product (GSDP) is a good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The buoyancy coefficients for tax revenues, non-tax revenues, revenue expenditure etc, with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilisation of resources, pattern of expenditure etc, are keeping pace with the change in the base or these fiscal aggregates have also been affected by factors other than GSDP. The trends in the growth of GSDP as provided by Department of Economics and Statistics, Government of Jammu and Kashmir are given in Table-1.3.

Table 1.3: Trends in Growth and Composition of GSDP

	2002-03	2003-04	2004-05	2005-06	2006-07 (Q)	2007-08 (A)
GSDP (Rs. in crore)	20326	22194	24265	26537	29030	31793
Rate of Growth of GSDP (in *per cent*)	12.68	9.19	9.33	9.36	9.39	9.52

(Source: Directorate of Economics and Statistics, J&K). Q= Quick Estimates; A=Advance Estimates.

The key fiscal aggregates for the purpose have been grouped under four major heads: (i) Resources by Volume and Sources, (ii) Application of Resources, (iii) Assets and Liabilities, and (iv) Management of Deficits. The overall financial performance of the State Government as a corporate body has been presented by application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given in *Appendix-1.1 Part-C*.

1.4 State Finances by Key Indicators

1.4.1 Resources by Volumes and Sources

Resources of the State Government consist of revenue and capital receipts. Revenue receipts comprise tax revenues, non-tax revenues, State's share of Union taxes and duties and grants-in-aid from the GOI. Capital receipts comprise miscellaneous capital receipts like proceeds from disinvestments, recoveries of loans and advances, debts raised from internal sources viz., market loans, borrowings from financial institutions/commercial banks, etc. and loans and advances obtained from GOI as well as accruals from Public Account. Table-1.4 shows that total receipts of the State Government for the year 2007-08 were Rs 45,633 crore. Of these, revenue receipts were Rs. 13,277 crore only, constituting 29 *per cent* of the total receipts. The balance 71 *per cent* came from borrowings and public account receipts.

Table 1.4: Trends in Growth and Composition of Aggregate Receipts

(Rupees in crore)

Sources of State's receipts		2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
I.	Revenue Receipts	7548	8212	8866	10315	11182	13277
II.	Capital Receipts	1472	1858	1818	2572	1546	2850
	Public Debt Receipts	1390	1854	1799	2536	1544	2848
	Recovery of Loans and Advances	82	4	19	36	2	2
	Miscellaneous Capital Receipts	-	-	-	-	-	-
III.	Contingency Fund	-	1.33	0.49	0.61	0.39	0.01
IV.	Public Account Receipts	16830	19049	19120	22632	25599	29506
(a)	Small Savings, Provident Fund, *etc.*	609	712	698	895	991	1004
(b)	Reserve Fund	136	167	151	495	411	183
(c)	Deposits and Advances	1169	820	1091	1938	1323	1853
(d)	Suspense and Miscellaneous	143	339	308	331	315	198
(e)	Remittances	14773	17011	16872	18973	22559	26268
	Total Receipts[5]	25850	29120	29804	35520	38327	45633

Within the aggregate receipts, the composition of revenue receipts during 2002-03 to 2007-08 ranged between 28 and 30 *per cent* and the composition of capital receipts, between 4 and 7 *per cent.* However, the composition of public account receipts during the same period ranged between 64 and 67 *per cent.*

1.4.2 Revenue Receipts

Statement No. 11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of the State's own tax and non-tax revenues, Central tax transfers and grants-in-aid from GOI. The overall revenue receipts, its annual rate of growth, ratio of these receipts to the GSDP and its buoyancies are indicated in Table-1.5.

[5] Rounded figures

Table 1.5: Revenue Receipts-Basic indicators

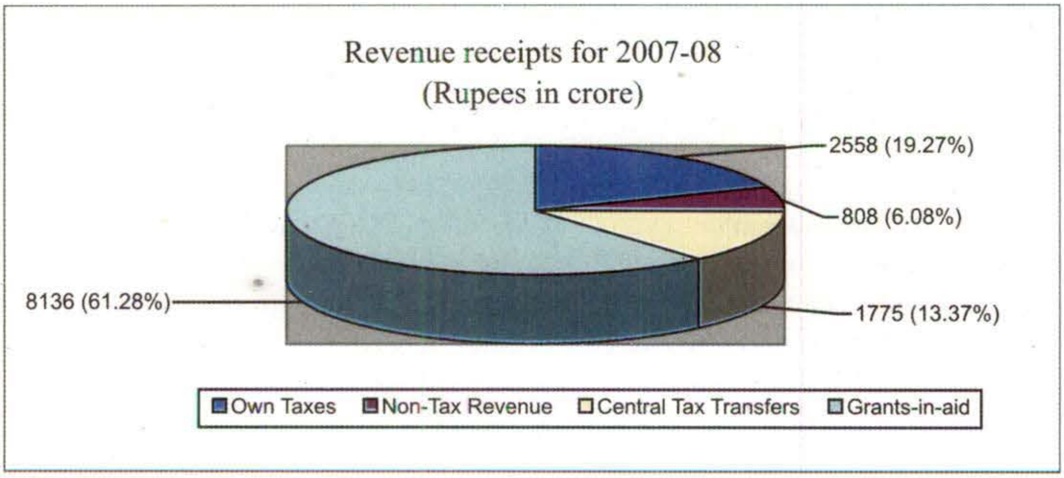
(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Receipts	**7548**	**8212**	**8866**	**10315**	**11182**	**13277**
Own taxes (*per cent*)	1033 (13.69)	1170 (14.25)	1351 (15.24)	1627 (15.77)	1799 (16.09)	2558 (19.27)
Non-Tax Revenue (*per cent*)	865 (11.46)	633 (7.71)	641 (7.23)	536 (5.20)	633 (5.66)	808 (6.08)
Central tax Transfers (*per cent*)	685 (9.07)	817 (9.95)	934 (10.53)	1135 (11.00)	1413 (12.64)	1775 (13.37)
Grants-in-aid (*per cent*)	4965 (65.78)	5592 (68.09)	5940 (67.00)	7017 (68.03)	7337 (65.61)	8136 (61.28)
Rate of Growth of Revenue Receipts (*per cent*)	**16.32**	**8.80**	**7.96**	**16.34**	**8.41**	**18.74**
Revenue Receipts/GSDP ratio	**37.13**	**37.00**	**36.54**	**38.87**	**38.52**	**41.76**
Buoyancy of Revenue receipts	**1.29**	**0.96**	**0.85**	**1.75**	**0.90**	**1.97**
Buoyancy of Own taxes	**2.25**	**1.44**	**1.66**	**2.18**	**1.13**	**4.43**
Revenue Buoyancy with reference to State's own taxes	**0.57**	**0.66**	**0.51**	**0.80**	**0.80**	**0.44**
GSDP Growth (*per cent*)	**12.68**	**9.19**	**9.33**	**9.36**	**9.39**	**9.52**

General Trends

The revenue receipts have shown a progressive increase over the period 2002-08 with progressive increase in the share of own taxes and Central tax transfers and consistent decline in the share of non-tax revenue. The share of grants-in-aid from GOI remained dominant and varied within the range of 61 to 68 *per cent* of the total revenue receipts of the State during 2002-03 to 2007-08. During 2007-08, 25.35 *per cent* of the revenue receipts have come from the State's own resources comprising tax and non-tax revenue, while the Central tax transfers and grants-in-aid together contributed the remaining 74.65 *per cent* of the total revenue.

Chart 1 1



Tax Revenue

The tax revenue has increased by 42.19 *per cent* from Rs. 1799 crore in 2006-07 to Rs. 2558 crore during 2007-08. All the components of tax revenue showed an increasing trend during the year 2007-08. The revenue from sales tax not only contributed the major share of tax revenue (71 *per cent*), but also increased by 56 *per cent* (Rs. 646 crore) over the previous year due to additional receipts under VAT and Sales tax Acts. Table-1.6 below shows the trend of tax revenue during 2002-08.

Table 1.6: Tax Revenue

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Taxes on Sales, trade etc.	536	674	804	1014	1159	1805
State Excise	223	205	272	219	213	244
Taxes on Vehicles	34	38	42	49	64	73
Stamps and Registration	26	34	39	46	57	66
Land Revenue	3	3	11	4	3	9
Other Taxes*	211	216	183	295	303	361
Total	**1033**	**1170**	**1351**	**1627**	**1799**	**2558**

*Other Taxes includes taxes on goods and passengers and other taxes and duties on commodities and services

Non-Tax Revenue

The non-tax revenue has increased by Rs. 175 crore (27.65 *per cent*) during the current year from the level of Rs. 633 crore in 2006-07. The share of non-tax revenue in the total receipts however decreased from 11.46 *per cent* (Rs. 865 crore) in 2002-03 to 6.08 *per cent* (Rs. 808 crore) in 2007-08. The increase in non tax revenue was mainly on account of increase of Rs. 122 crore in power receipts due to revision of power tariff rates in 2007-08. The power sector continued to be the major contributor of non-tax receipts of the Government and during the current year, its share was 74 *per cent* of the total non-tax receipts of the State. Other major contributors in non-tax revenue during the current year were interest receipts, dividends and profits (Rs. 65.33 crore), forestry and wild life (Rs. 32.20 crore), public works (Rs. 16.44 crore), water supply and sanitation (Rs. 13.64 crore), etc.

The actual receipts under State's tax and non-tax revenue vis-à-vis assessment made by TFC and the State Government in the budget estimates are given below:

Table 1.7: Comparative statement of revenue receipts

(Rupees in crore)

	Assessment made by TFC	Budget Estimates of 2007-08	Actuals
Tax Revenue	2142.49	2198.64	2558.18
Non-Tax Revenue	361.05	913.05	807.98
Total	2503.54	3111.69	3366.16

The receipts from own tax revenue at Rs. 2,558 crore during 2007-08 exceeded the normative projection of Rs. 2142.49 crore made by the TFC and Rs. 2198.64 crore projected in the budget estimates for 2007-08 by 19.40 *per cent* and 16.35 *per cent* respectively. The non-tax revenue at Rs. 807.98 crore exceeded the normative projection of Rs. 361.05 crore made by the TFC by 123.79 *per cent* but was less by 11.51 *per cent* in comparison to Rs. 913.05 crore assessed in the budget estimates for 2007-08.

Central Tax Transfers

The Central tax transfers increased by Rs. 362 crore over the previous year and constituted 13 *per cent* of the revenue receipts during the year 2007-08. The increase was mainly under corporation tax (Rs. 137.93 crore), customs duty (Rs. 67.82 crore), taxes on income other than corporation tax (Rs. 123.64 crore) and Union excise duty (Rs. 32.05 crore).

Grants-in aid

The details of grants-in-aid to the State by GOI are given in Table-1.8. During the current year, the grants-in-aid increased by Rs. 799 crore over the level of 2006-07. The increase was due to receipt of more grants (Rs. 848 crore) under State plan schemes, which increased from Rs. 3,782 crore in 2006-07 to Rs. 4630 crore in 2007-08, and receipt of more grants for special Central assistance for power reforms (Rs. 1170 crore)[6] and special plan assistance for earthquake affected areas (Rs. 146.58 crore). The non-plan grants, which *inter alia* include Grants under the Proviso to Article 275 (I) of the Constitution of India and for meeting expenditure on Central Road Fund, Calamity Relief Fund, Modernisation of Police Force, etc., increased marginally by Rs. 24 crore.

Table 1.8: Grants-in-aid from GOI

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Grants for State Plan Schemes	2100	2701	3191	3045	3782	4630
Non Plan grants	2699	2659	2448	3484	3016	3040
Grants for Central, Centrally Sponsored Plan Schemes and Special Plan Schemes	167	231	300	488	539	466
Total	**4966**	**5591**	**5939**	**7017**	**7337**	**8136**
Percentage of increase over previous year	6.89	12.59	6.22	18.15	4.56	10.89

Revenue Arrears

The arrears of tax revenue at the end of March 2008 were Rs. 1011 crore, which constituted 40 *per cent* of tax revenue of the State. Of these, Rs. 687.91 crore

[6] The special Central assistance for power sector reforms amounting to Rs 1530 crore was approved by the Government of India during 2006-07, of which, Rs 360 crore was included in grants-in-aid during that year itself, while the remaining Rs 1170 crore is included in the grants-in-aid of the current year.

(68 *per cent*) were more than five years old. A disaggregated analysis of revenue arrears revealed that 95 *per cent* of pending arrears were related to sales tax (Rs. 960.39 crore) followed by taxes on goods and passengers (5 *per cent*). Further, all the pending arrears relating to State excise (Rs. 3.54 crore), 69 *per cent* of sales tax arrears (Rs. 659.60 crore) and 52 *per cent* of arrears relating to taxes on goods and passengers (Rs. 24.55 crore) were reported to be more than five year old. Out of the total sales tax arrears of Rs. 960.39 crore, recovery of Rs. 25.12 crore was stayed by courts/appellate authority. Similarly, out of the total State excise arrears of Rs. 3.54 crore, recovery of Rs. 0.13 crore was stayed by courts/appellate authority and Rs. 3.41 crore were proposed to be recovered as arrears of land revenue. As the pending revenue arrears constitute about 40 *per cent* of the revenue receipts of the State during 2007-08, special drive needs to be initiated by the State Government for their recovery, which would provide a cushion to reduce the burden of fiscal liabilities of the State.

1.5 Application of Resources

1.5.1 Growth of Expenditure

Statement No. 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, and extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. The total expenditure of the State, its trend and annual growth, ratio of expenditure to the GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in Table-1.9.

Table 1.9: Total Expenditure-Basic Parameters

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Total Expenditure*	8941	9703	10550	12994	13114	15944
Revenue Expenditure	7180	7754	8304	9921	10614	12189
Capital Expenditure	1421	1881	2180	3020	2456	3717
Loans and advances	340	68	66	53	44	38
Rate of Growth of TE (*per cent*)	10.45	8.52	8.73	23.17	0.92	21.58
TE/GSDP Ratio (*per cent*)	43.99	43.72	43.48	48.97	45.17	50.15
Revenue Receipts/TE ratio (*per cent*)	84.42	84.63	84.04	79.38	85.27	83.27
Buoyancy of Total Expenditure with						
GSDP (ratio)	0.82	0.93	0.94	2.48	0.10	2.27
Revenue Receipts (ratio)	0.64	0.97	1.10	1.42	0.11	1.15
Buoyancy of Revenue Expenditure with						
GSDP (ratio)	0.41	0.87	0.76	2.08	0.74	1.56
Revenue Receipts (ratio)	0.32	0.91	0.89	1.19	0.83	0.79
Buoyancy of Capital Expenditure with						
GSDP (ratio)	1.26	-3.52	1.70	4.12	(-) 1.99	5.39
Revenue Receipts (ratio)	0.98	3.68	2.00	2.36	(-) 2.22	2.74

*Total Expenditure includes Revenue Expenditure, Capital Expenditure and Loans & Advances

The total expenditure of the State has increased from Rs. 8,941 crore in 2002-03 to Rs. 15,944 crore in 2007-08 with annual oscillations ranging between 0.92 *per cent* and 23.17 *per cent.* In relative terms, capital and revenue expenditure components have increased by 162 *per cent* and 70 *per cent,* respectively during the period 2002-08. However, in absolute terms increases were of the order of Rs. 2,296 crore in capital expenditure and Rs. 5,009 crore in revenue account during the period under report. These trends indicate that increase in capital and revenue expenditure was in the ratio of 1:2 during the last six year period. Increase of Rs. 2,830 crore in total expenditure (21.58 *per cent*) during 2007-08 over the previous year has been due to increase of Rs. 1575 crore in revenue expenditure and Rs. 1,261 crore under capital head, accompanied by a marginal decrease of Rs. 6 crore in disbursement of loans and advances. Increase in revenue expenditure was mainly on account of increase in the expenditure on interest payments (Rs. 649 crore), modernization of the police force including expenditure on its direction and administration (Rs. 127 crore) and pension and other retirement benefits (Rs. 172 crore) under General Services. Steep increase in capital expenditure was mainly due to increase under the major heads transport (Rs. 515 crore), urban development (Rs. 277 crore) offset by decrease in housing (Rs. 118.36 crore), energy (Rs. 178 crore), special areas programmes (Rs. 138 crore) and irrigation and flood control (Rs. 60 crore). During the current year, 83 *per cent* of the total expenditure was met from revenue receipts and the remaining 17 *per cent* from capital receipts and borrowed funds.

Out of the total expenditure of Rs. 15,944 crore during 2007-08, Rs.4,202 crore was incurred under plan component and Rs. 11,742 crore under non-plan component. The expenditure under plan component increased by Rs.1,627 crore (63 *per cent*) from Rs. 2,575 crore in 2002-03 to Rs. 4,202 crore in 2007-08. While in the non-plan component, there was an increase by Rs.5,376 crore (84 *per cent*) from Rs. 6,366 crore to Rs. 11,742 crore during the same period. The expenditure under plan component increased by Rs. 979 crore (30 *per cent*) from Rs. 3223 crore in 2006-07 to Rs. 4202 crore in 2007-08, while under non-plan component there was an increase of Rs. 1851 crore (19 *per cent*) from Rs. 9891 crore in 2006-07 to 11742 crore in 2007-08.

1.5.2 Trend in Total Expenditure by Activities

In terms of the activities, total expenditure could be considered as being composed of expenditure on General Services, Interest Payments, Social and Economic Services, and Loans and Advances. Relative share of these components in total expenditure is indicated in Table-1.10.

Table 1.10: Components of Expenditure-Relative Share

(in *per cent*)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
General Services	35.91	35.46	31.71	28.78	35.92	36.00
Of which, Interest Payments	*12.25*	*12.84*	*10.45*	*8.58*	*13.63*	*15.28*
Social Services	23.40	23.86	24.13	25.49	28.29	24.89
Economic Services	36.89	39.98	43.53	45.32	35.45	38.87
Loans and Advances	3.80	0.70	0.63	0.41	0.34	0.24

The movement of relative share of these components of expenditure exhibited relative stability with inter-year variations. Expenditure on General Services including interest payments together accounted for 36 *per cent* during 2007-08. On the other hand, expenditure on Social and Economic Services during the same period together accounted for 63.76 *per cent.*

1.5.3 Incidence of Revenue Expenditure

Revenue expenditure had a predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and revenue receipts and its buoyancy are indicated in Table-1.11.

Table 1.11: Revenue Expenditure-Basic Parameters

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Expenditure	7180	7754	8304	9921	10614	12189
Of which,						
Non-Plan Revenue Expenditure (NPRE)	6284	6807	7239	8725	9781	11666
Plan Revenue Expenditure (PRE)	896	947	1065	1196	833	523
Rate of Growth of						
NPRE (*per cent*)	4.56	8.32	6.35	20.53	12.10	19.27
PRE (*per cent*)	10.21	5.69	12.46	12.30	(-)30.35	(-)37.21
NPRE/GSDP (*per cent*)	30.92	30.67	29.83	32.88	33.69	36.69
NPRE as *per cent* of TE	70.28	70.15	68.62	67.15	74.58	73.17
NPRE as *per cent* of RR	83.25	82.89	81.65	84.59	87.47	89.00
NPRE as *per cent* of RE	87.52	87.79	87.17	87.94	92.15	95.71
Buoyancy of Revenue Expenditure with:						
GSDP (ratio)	0.41	0.87	0.76	2.08	0.74	1.56
Revenue Receipts (ratio)	0.32	0.91	0.89	1.19	0.83	0.79

Overall revenue expenditure of the State increased from Rs. 7,180 crore in 2002-03 to Rs. 12,189 crore in 2007-08, showing an increase of 70 *per cent* over the period. The non-plan revenue expenditure during the same period increased from Rs. 6,284 crore to Rs. 11,666 crore, showing an increase of 86 *per cent*. The share of NPRE in total revenue expenditure increased from 88 *per cent* in 2002-03 to 96 *per cent* in 2007-08. The non-plan revenue expenditure which increased by Rs. 1,885 crore (19 *per cent*) in 2007-08 over the previous year was on account of increase in the expenditure by Rs. 140.19 crore (6 *per cent*) under Social Services Sector, Rs. 910.31 crore (19.58 *per cent*) in the General Services Sector and Rs. 834.60 crore (31 *per cent*) in the Economic Services Sector. Under Social Services, the increase in the expenditure was mainly on education, sports, art and culture (Rs. 114 crore), health and family welfare (Rs. 139 crore) and water supply and sanitation (Rs. 163 crore). The expenditure was, however, offset by Rs. 280 crore decrease in expenditure on social welfare and nutrition. Under General Services, the increase in the expenditure was mainly on interest payments (Rs. 649 crore), modernisation of the police force including expenditure on direction and administration (Rs. 127 crore) and pension and other retirement benefits (Rs. 172 crore). In Economic Services, the increase was observed in agriculture and allied activities (Rs. 181 crore), special areas programmes (Rs. 63 crore), purchase of power (Rs. 450 crore), etc. The non-plan revenue expenditure of Rs. 11,666 crore during 2007-08 is significantly higher than the normatively assessed level of Rs. 6,514 crore by the TFC for the State for the year 2007-08 as well as the budget estimates (Rs. 10,109 crore) of the State Government for 2007 08 (Table-1.12).

Table 1.12: Non-Plan Revenue Expenditure: Actual vis-a-vis Normative Assessment by TFC

(Rupees in crore)

Particulars	Assessed by the TFC	Budget estimates	Actual
Interest Payments	1646.06	1251.25	2436.10
Pension	839.21	982.00	1192.96
Other General Services	1141.93	2262.83	1931.48
Social Services	2034.17	2384.29	2553.36
Economic Services	720.05	3228.97	3552.20
Committed liabilities	132.64	-	-
Total Non-plan Revenue Expenditure	6514.06	10109.34	11666.10

The actual expenditure incurred on all five components of non-plan revenue expenditure was more than the assessment made by the TFC. In case of interest and pension payments, the expenditure exceeded the assessments made in the budget estimates 2007-08.

Plan revenue expenditure consistently increased from Rs. 896 crore in 2002-03 to Rs. 1,196 crore in 2005-06 and declined steeply by 30.35 *per cent* (Rs. 363 crore) during 2006-07 and by 37.21 *per cent* (Rs. 310 crore) during 2007-08. Decrease of Rs. 310 crore during 2007-08 over the previous year was mainly on account of decline of Rs. 92.92 crore in the expenditure on health and family welfare, Rs. 116.81 crore on agriculture and allied activities, Rs. 39.79 crore on industries and minerals, Rs. 36.90 crore on water supply and sanitation and Rs. 24.45 crore on rural development.

1.5.4 Committed Expenditure

Expenditure on Salaries and wages: The expenditure on salaries and wages increased from Rs. 3,260 crore in 2002-03 to Rs. 4,426 crore in 2007-08 as indicated in Table-1.13.

Table 1.13: Expenditure on Salaries and Wages

(Rupees in crore)

Heads	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on Salary and wages Of which	3260	3174	3245	3724	3995	4426[7]
Non-plan	*Details not available*	*2487*	*2497*	*2838*	*3467*	*4170*
Plan		*687*	*748*	*886*	*528*	*256*
As *per cent* of GSDP	16.04	14.30	13.37	14.03	13.76	13.92
As *per cent* of Revenue Receipts	43.19	38.65	36.60	36.10	35.73	33.34

(Source: Departmental figures for 2002-03 and VLC data of A&E office for the years 2003-04 to 2007-08)

Salaries and wages accounted for 33.34 *per cent* of the revenue receipts during 2007-08. Keeping in view the norms of the TFC that the total salary bill relative to revenue expenditure net of interest payments and pensions is not to exceed 35 *per cent*, the corresponding share in the State is estimated to be 52 *per cent* requiring attention of the Government for keeping the salary expenditure within the prescribed norm of TFC.

Expenditure on pension payments: Pension payments grew at the rate of 17 *per cent* from Rs. 1,021 crore during 2006-07 to Rs. 1,193 crore during 2007-08. The increase was mainly due to increased number of pensioners during 2007-08 in comparison to previous year. Year-wise break-up of expenditure incurred on pension payments during the years 2002-03 to 2007-08 is indicated in Table-1.14.

Table 1.14: Expenditure on Pensions

(Rupees in crore)

Heads	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on Pensions	593	677	731	929	1021	1193
As *per cent* of GSDP	2.92	3.05	3.01	3.50	3.52	3.75
As *per cent* of Revenue Receipts	7.86	8.24	8.24	9.01	9.13	8.99

The ratio of pension payments to the GSDP showed increasing trend during 2002 08. With the increase in number of retirees, the pension liabilities are likely to increase further in future. The Government has contemplated no measures to meet the growing expenditure.

Interest payments: Interest payments made and their ratio to revenue receipts and revenue expenditure during the period 2002-08 are detailed in Table-1.15.

[7] Salary: Rs. 4400 crore; wages Rs. 26 crore

Table 1.15: Interest payments

Year	Total Revenue Receipts	Interest payments	Percentage of interest payments with reference to	
	(Rupees in crore)		Revenue Receipts	Revenue Expenditure
2002-03	7548	1095	14.51	15.25
2003-04	8212	1246	15.17	16.70
2004-05	8866	1103	12.44	13.28
2005-06	10315	1115	10.81	11.24
2006-07	11182	1787	15.98	16.84
2007-08	13277	2436	18.35	19.99

The major source of borrowings is market loans at interest rates varying from 5.60 *per cent* to 14 *per cent*. There was an overall increase of Rs. 649 crore (36 *per cent*) in the interest payments during 2007-08 over the previous year. The increase was due to excess expenditure of Rs. 681.70 crore incurred on payment of interest on internal debts due to previous adjustments in the current year and payment of interest on special securities issued to National Small Savings Fund of the Central Government by the State Government (Rs. 29 crore). The expenditure was, however, offset by decrease in the expenditure by Rs. 35 crore on payment of interest on loans and advances from Central Government (Rs. 11 crore) and on other obligations (Rs.24 crore). During 2007-08 interest payments accounted for 18.35 *per cent* of revenue receipts and 19.99 *per cent* of revenue expenditure.

1.6 Expenditure by Allocative priorities

1.6.1 Quality of Expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore, the ratio of capital expenditure to total expenditure as well as to GSDP and the proportion of revenue expenditure being spent on running the existing social and economic services efficiently and effectively would determine the quality of expenditure. Higher the ratio of these components to total expenditure and GSDP, better is the quality of expenditure. Table-1.16 gives these ratios during 2002-08.

Table 1.16: Indicators of Quality of Expenditure

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Capital Expenditure	**1421**	**1881**	**2180**	**3020**	**2456**	**3717**
Revenue Expenditure	**7180**	**7754**	**8304**	**9921**	**10614**	**12189**
Of which						
Social and Economic Services	4026	4381	5017	6239	5960	6565.71
Salary and wage component*	*Details not available*	*2081 (47.50)*	*2136 (42.58)*	*2436 (39.04)*	*2728 (45.77)*	3028.14 (46.12)
Non-Salary and wage component		*2300 (52.50)*	*2881 (57.42)*	*3803 (60.96)*	*3232 (54.23)*	3537.57 *(53.88)*
As *per cent* of Total Expenditure[8]						
Capital Expenditure	16.52	19.52	20.79	23.34	18.79	23.37
Revenue Expenditure	83.48	80.48	79.21	76.66	81.21	76.63
As *per cent* of GSDP						
Capital Expenditure	6.99	8.48	8.98	11.38	8.46	11.69
Revenue Expenditure	35.32	34.94	34.22	37.39	36.56	38.34

(*Figures of wages are based on data from VLC)

Except for the year 2006-07, the ratio of capital expenditure to total expenditure showed an increasing trend during 2002-08. The revenue expenditure continues to have a dominant share in total expenditure, which is 76.63 *per cent* in 2007-08. Within the revenue expenditure incurred on Social and Economic Services, the share of salary and wage component during 2007-08 comprised 46.12 *per cent,* while the non-salary components comprised 53.88 *per cent.*

1.6.2 Expenditure on Social Services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities etc. have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. Table-1.17 summarises the expenditure incurred by the State Government in expanding and strengthening the Social Services in the State during 2002-08.

8 Comprises revenue and capital expenditure only

Table 1.17: Expenditure on Social Services

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Education, Sports, Art and Culture						
Revenue Expenditure *Of which*	**854.86**	**860.55**	**939.22**	**1066.30**	**1153.91**	**1270.47**
(a) *Salary and Wage* component*	*Details not available*	*766.70*	*803.04*	*902.28*	*974.82*	*1066.91*
(b) *Non-Salary and Wage Component*		*93.85*	*136.18*	*164.02*	*179.09*	*203.56*
Capital Expenditure	**48.01**	**79.05**	**93.06**	**117.43**	**142.81**	**155.29**
Total	**902.87**	**939.60**	**1032.28**	**1183.73**	**1296.72**	**1425.76**
Health and Family Welfare						
Revenue Expenditure ***Of which***	**391.93**	**388.83**	**432.51**	**487.42**	**555.29**	**601.49**
(a) *Salary and Wage Component*	*Details not available*	*307.17*	*319.55*	*368.73*	*419.75*	*458.90*
(b) *Non-Salary and Wage Component*		*81.66*	*112.96*	*118.69*	*135.54*	*142.59*
Capital Expenditure	**40.10**	**44.31**	**66.30**	**87.11**	**184.03**	**205.81**
Total	**432.03**	**433.14**	**498.81**	**574.53**	**739.32**	**807.30**
Water Supply, Sanitation, Housing and Urban Development						
Revenue Expenditure *Of which*	**326.31**	**335.71**	**359.62**	**431.46**	**488.24**	**614.36**
(a) *Salary and Wage Component*	*Details not available*	*163.67*	*173.76*	*205.82*	*219.28*	*300.27*
(b) *Non-Salary and Wage Component*		*172.04*	*185.86*	*225.64*	*268.96*	*314.09*
Capital Expenditure	**215.42**	**329.96**	**364.28**	**430.14**	**472.08**	**626.48**
Total	**541.73**	**665.67**	**723.90**	**861.60**	**960.31**	**1240.84**
Other Social Services						
Revenue Expenditure *Of which*	**188.02**	**242.49**	**264.58**	**670.76**	**683.68**	**360.99**
(a) *Salary and Wage Component*	*Details not available*	*54.75*	*50.48*	*55.69*	*62.25*	*57.53*
(b) *Non-Salary and Wage Component*		*187.74*	*214.10*	*615.07*	*621.43*	*303.46*
Capital Expenditure	**27.37**	**33.10**	**26.83**	**21.40**	**30.20**	**134.28**
Total	**215.39**	**275.59**	**291.41**	**692.16**	**713.89**	**495.27**
Total (Social Services)						
Revenue Expenditure *Of which*	**1761.12**	**1827.58**	**1995.93**	**2655.94**	**2881.12**	**2847.31**
(a) *Salary and Wage Component*	*Details not available*	*1292.28*	*1346.83*	*1532.52*	*1676.10*	*1883.61*
(b) *Non-Salary and Wage Component*		*535.30*	*649.10*	*1123.42*	*1205.02*	*963.70*
Capital Expenditure	**330.90**	**486.42**	**550.47**	**656.08**	**829.12**	**1121.86**
Grand Total	**2092.02**	**2314.00**	**2546.40**	**3312.02**	**3710.24**	**3969.17**

(*Figures of wages are based on data from VLC)

The allocation to Social Sector increased from Rs. 2092.02 crore in 2002-03 to Rs. 3969.17 crore in 2007-08 indicating the commitment of the Government to improve social well being of the people. Expenditure on Social Sector during the current year (Rs. 3969.17 crore) accounted for 25 *per cent* of total expenditure and 39 *per cent* of developmental expenditure[9]. Expenditure on Education has increased by Rs. 129.04 crore over previous year. Similarly expenditure on water supply and sanitation increased by Rs. 280.53 crore and expenditure on Health and Family Welfare has shown an increase of only Rs. 67.98 crore over previous year. Recognizing the need to improve the quality of education and health services, TFC recommended that the non-plan salary expenditure under education and health and family welfare should increase only by five to six *per cent* while non-salary expenditure under non-plan heads should increase by 30 *per cent* per annum during the award period. However, trends in expenditure (both under plan and non-plan heads) reveal that the salary and wage component under education sector increased by 9.45 *per cent* over 2006-07 while non-salary and wage component increased by 13.66 *per cent*. Similarly, under Health and Family Welfare sector, the salary and wage component increased by 9.33 *per cent* while non-salary and wage component increased by 5.20 *per cent*. The expenditure pattern both in education and health services has not been as per the norms of the TFC which needs correction in the ensuing years.

1.6.3 Expenditure on Economic Services

The expenditure on Economic Services includes all such expenditure that promotes directly or indirectly, the productive capacity within the State's economy. The revenue expenditure on Economic Services increased from Rs. 2264.79 crore in 2002-03 to Rs. 3718.40 crore in 2007-08, while the capital expenditure on Economic Services increased from Rs. 1034.17 crore to Rs. 2480.62 crore (Table-1.18) during the period.

9 Development expenditure is defined as the total expenditure made on social and economic services.

Table 1.18: Expenditure on Economic Services

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Agriculture, Allied Activities						
Revenue Expenditure *Of which*	**479.33**	**472.76**	**514.79**	**575.41**	**597.55**	**661.33**
(a) *Salary and Wage* Component*	*Details not available*	*318.74*	*348.50*	*387.92*	*443.77*	*492.64*
(b) *Non-Salary and Wage Component*		*154.02*	*166.29*	*187.49*	*153.78*	*168.69*
Capital Expenditure	**78.69**	**263.84**	**159.06**	**214.43**	**179.51**	**52.16**
Total	**558.02**	**736.60**	**673.85**	**789.84**	**777.06**	**713.49**
Irrigation and Flood Control						
Revenue Expenditure *Of which*	**151.70**	**159.14**	**227.37**	**194.87**	**211.39**	**235.54**
(a) *Salary and Wage Component*	*Details not available*	*118.97*	*123.79*	*138.90*	*146.18*	*157.53*
(b) *Non-Salary and Wage Component*		*40.17*	*103.58*	*55.97*	*65.21*	*78.01*
Capital Expenditure	**46.28**	**98.48**	**83.32**	**102.35**	**114.04**	**174.45**
Total	**197.98**	**257.62**	**310.69**	**297.22**	**325.43**	**409.99**
Energy						
Revenue Expenditure *Of which*	**1182.96**	**1417.43**	**1796.83**	**1875.24**	**1675.42**	**2181.33**
(a) *Salary and Wage Component*	*Details not available*	*103.34*	*109.94*	*122.74*	*196.78*	*221.54*
(b) *Non-Salary and Wage Component*		*1314.09*	*1686.89*	*1752.50*	*1478.64*	*1959.79*
Capital Expenditure	**444.59**	**552.10**	**709.38**	**699.21**	**487.66**	**665.33**
Total	**1627.55**	**1969.53**	**2506.21**	**2574.45**	**2163.08**	**2846.66**
Transport						
Revenue Expenditure *Of which*	**32.56**	**36.05**	**39.15**	**36.21**	**50.47**	**50.25**
(a) *Salary and Wage Component*	*Details not available*	*0.25*	*1.35*	*1.24*	*4.04*	*0.81*
(b) *Non-Salary and Wage Component*		*35.80*	*37.80*	*34.97*	*46.43*	*49.44*
Capital Expenditure	**252.43**	**243.56**	**316.52**	**418.02**	**454.17**	**969.48**
Total	**284.99**	**279.61**	**355.67**	**454.23**	**504.64**	**1019.73**
Other Economic Services						
Revenue Expenditure *Of which*	**418.24**	**467.50**	**443.25**	**901.57**	**544.57**	**589.95**
(a) *Salary and Wage Component*	*Details not available*	*246.70*	*205.26*	*252.39*	*260.67*	*272.01*
(b) *Non-Salary and Wage Component*		*220.80*	*237.99*	*649.18*	*283.90*	*317.94*
Capital Expenditure	**212.18**	**167.71**	**302.38**	**871.59**	**334.38**	**619.20**
Total	**630.42**	**635.21**	**745.63**	**1773.16**	**878.95**	**1209.15**
Total (Economic Services)						
Revenue Expenditure *Of which*	**2264.79**	**2552.88**	**3021.39**	**3583.30**	**3079.40**	**3718.40**
(a) *Salary and Wage Component*	*Details not available*	*788.00*	*788.84*	*903.19*	*1051.44*	*1144.53*
(b) *Non-Salary and Wage Component*		*1764.88*	*2232.55*	*2680.11*	*2027.96*	*2573.87*
Capital Expenditure	**1034.17**	**1325.69**	**1570.66**	**2305.60**	**1569.76**	**2480.62**
Grand total	**3298.96**	**3878.57**	**4592.05**	**5888.90**	**4649.16**	**6199.02**

(*Figures of wages are based on data from VLC)

The expenditure on Economic Services (Rs. 6199.02 crore) during 2007-08 accounted for 38.97 *per cent* of the total[10] expenditure (Rs. 15,906 crore) and 53 *per cent* of the revenue expenditure (Rs. 11,666 crore). Expenditure on agriculture and allied activities, irrigation and flood control, energy and transport consumed more than 80 *per cent* of the total economic sector expenditure during 2007-08. The trends in revenue and capital expenditure on Economic Services during the period 2002-08, reveal that except for 2006-07, the capital expenditure has consistently increased from Rs. 1,034.17 crore (31 *per cent*) in 2002-03 to Rs. 2480.62 crore (40 *per cent*) in 2007-08. On the other hand, revenue expenditure with inter-year fluctuations increased from Rs. 2,264.79 crore (69 *per cent*) to Rs. 3718.40 crore (60 *per cent*) in 2007-08. Increase of Rs. 910.86 crore in capital expenditure during 2007-08 over the previous year was mainly under the heads of Special Areas Programme (Rs. 138.29 crore), General Economic Services (Rs. 148.86 crore), Energy (Rs. 177.67 crore) and Transport (Rs. 515.31 crore). Increase of Rs. 515.31 crore in capital expenditure on Transport during 2007-08 over the level of 2006-07 was mainly due to increase of Rs. 510.32 crore in capital expenditure on roads and bridges and Rs. 4.99 crore on capital expenditure on road transport. Within the Capital expenditure on roads and bridges, the increase was mainly on account of increase of Rs. 390.33 crore in sub-head 101-bridges under state Highways and Rs. 95.40 crore in sub-head 800 other expenditure. However, the increase of Rs. 639 crore in revenue expenditure during 2007-08 over the previous year was mainly due to increase of Rs. 450 crore on account of purchase of power.

Of the revenue expenditure, the expenditure on salary and wages has moderately increased from Rs. 788 crore (31 *per cent*) in 2003-04 to Rs. 1,144.53 crore (31 *per cent*) in 2007-08 while its non-salary component has increased from Rs. 1,764.88 crore (69 *per cent*) to Rs. 2573.87 crore (69 *per cent*) indicating allocative priorities towards their better quality.

1.6.4 Financial Assistance by the State to Local Bodies and Other Institutions through respective Departments

The quantum of assistance provided by way of grants and loans to the following departments for disbursement to various local bodies and other institutions under them during the six-year period 2002-08 is presented in Table-1.19.

10 Excluding loans and advances

Table 1.19: Financial Assistance to Local Bodies and Other Institutions

(Rupees in crore)

Name of the Department	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Education and sports	76.77	43.11	79.34	78.24	88.01	116.45
Housing and Urban Development	65.96	71.66	78.60	118.30	135.49	146.05
Agriculture	40.66	36.74	47.81	51.04	72.90	60.72
Art and culture	3.50	3.31	14.71	5.44	7.32	7.93
General Administration	2.75	3.29	2.69	3.50	2.95	4.66
Industries	3.00	2.43	4.00	4.00	5.25	7.05
Tourism	3.87	2.41	5.34	3.43	5.06	5.24
Administration of Justice	1.65	0.92	1.60	1.91	1.63	2.26
Family welfare and Medical Health	1.14	0.70	0.82	0.48	0.44	0.64
Others	0.04	1.18	0.76	7.35	11.83	9.86
Total	**199.34**	**165.75**	**235.67**	**273.69**	**330.88**	**360.86**
Assistance as a percentage of Revenue expenditure	2.78	2.14	2.84	2.76	3.12	2.96

The total assistance of Rs. 360.86 crore in 2007-08 increased by 81 *per cent* over the level of 2002-03, and by 9 *per cent* as compared to the previous year mainly as a result of increased assistance for Education and Housing and Urban Development. Around 90 *per cent* of the financial assistance during 2007-08 was given by the State Government for Agriculture, Education, Housing and Urban Development. Financial assistance provided during the year included Rs. 146.05 crore paid to Municipal Committees/Local Bodies under Housing and Urban Development, Rs. 48.72 crore to two Agriculture Universities under Agriculture Research and Rs. 95.19 crore to Government aided Educational Institutions/Universities etc.

1.6.5 Delay in furnishing Utilisation Certificates

Financial Rules provide that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General within 18 months from the date of their sanction unless specified otherwise.

In respect of grants paid up to 2006-07, 10,144 UCs for an aggregate amount of Rs. 1,862.82 crore were awaited as on 30 September 2008. Department-wise break-up of UCs not received in respect of grants paid up to 2006-07 is given in *Appendix-1.6*. In the absence of UCs, it was not clear as to how the departmental officers satisfied themselves whether and to what extent the recipients utilised the grants for the purpose for which these were provided.

1.6.6 Non-submission of Accounts

In order to identify the Institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government/Heads of Departments are required to furnish to Audit every year, detailed information about the financial assistance given to various Institutions, the purpose for which such assistance was sanctioned and the total expenditure of the Institutions. The particulars of 34 bodies/authorities whose 218 annual accounts for 2007-08 and earlier years were awaited are indicated in *Appendix-1.7*.

Four Autonomous Bodies mentioned below covered under Section 19 (3) and 20 (1) of the CAG's DPC Act had also not furnished the accounts for the period shown against each of them.

Table 1.20

S. No	Name of the Body	Period for which Accounts are awaited	Number of Accounts
Section 19 (3)			
1.	Khadi and Village Industries Board	2004-05 to 2007-08	4
Section 20 (1)			
2.	Sher-e-Kashmir University of Agricultural Sciences and Technology, Kashmir	2006-07 to 2007-08	2
3.	Sher-e-Kashmir University of Agricultural Sciences and Technology, Jammu	2005-06 to 2007-08	3
4.	Employees Provident Fund	1996-97 to 2007-08	12

1.7 Assets and Liabilities

In Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. *Appendix 1.4* gives an abstract of such liabilities and the assets as on 31 March 2008, compared with the corresponding position on 31 March 2007. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. *Appendix 1.4* shows that the liabilities and assets grew by 13 *per cent* and 17 *per cent* respectively. The liabilities of the State Government depicted in the Finance Accounts, however, do not include the pension and other retirement benefits payable to retired State employees, guarantees/letters of comforts issued by the State Government.

1.7.1 Financial Results of Irrigation Works

The total capital outlay on six irrigation projects[11] as on 2007-08 was Rs. 171.62 crore. Financial results of these projects for the year 2007-08 showed that against revenue realisation of Rs. 32.27 lakh (forming only 0.19 *per cent* of the total capital outlay), working expenses aggregated Rs. 69.96 lakh resulting in loss of Rs. 37.69 lakh. After taking into account further expenditure of Rs. 40.53 lakh paid as interest on the capital outlay, the total loss aggregated Rs. 78.22 lakh.

1.7.2 Incomplete Projects

The department wise information pertaining to incomplete projects as on 31 March 2008 is given in Table-1.21.

Table 1.21: Department-wise Profile of Incomplete Projects

(Rupees in crore)

Department	Number of Incomplete Projects	Initial Budgeted cost	Revised[12] total cost of Projects	Cumulative actual expenditure as on 31 March 2008
Irrigation and Flood Control	6	41.95	109.76	50.63
Public Health Engineering	12	27.12	29.18	24.47
Sewerage and Drainage	2	304.85	446.67	42.75
Public Works	34	78.03	148.91	65.22
Power Development	34	274.77	377.56	181.94
Total	**88**	**726.72**	**1112.08**	**365.01**

According to the information available in Appendix-IV of the Finance Accounts for the year 2007-08, there were 88 incomplete projects as of March 2008 in which Rs. 365.01 crore was blocked. Out of 88 projects, the initial budgeted cost of 52 projects was revised from Rs. 584.52 crore to Rs. 969.89 crore thus involving a cost overrun of Rs 385.37 crore. However, an expenditure of Rs. 264.74 crore was incurred (March 2008) on these projects so far. Further, in 55 projects there was time overrun of 1 to 11 years and 33 projects due for completion during 2007-08 were also not completed (March 2008). This showed that the Government spread its resources thinly without prioritization, which failed to yield adequate return.

1.7.3 Departmental Commercial Undertakings

Activities of quasi-commercial nature are performed by the Departmental Undertakings/Government Departments, which are required to prepare annually *proforma* accounts in prescribed formats showing the results of financial operations so that Government can assess their functioning. The Heads of Departments in Government are to ensure that the Undertakings, which are

[11] Kathua Feeder, Pratap Canal, Ranbir Canal, Martand Canal, Zaingir Canal and Ahizi Canal.

[12] Out of 88 incomplete projects the original cost of Rs. 584.52 crore in respect of 52 projects was revised to Rs. 969.89 crore. For remaining 36 projects budgeted cost is indicated.

funded by the budgetary releases, prepare the accounts in time and submit the same to Accountant General for audit. As of March 2008, preparation of 169 *proforma* accounts in respect of nine departmentally managed Government/Quasi commercial undertakings (*Appendix 1.8*) was in arrears for periods ranging between one to 39 years.

1.7.4 Investments and Returns

As on 31 March 2008, the State Government had invested Rs. 356.97 crore in its Statutory Corporations, Government Companies, Joint Stock Companies and Co operative Societies (Table-1.22). Return on the investment made in these PSUs ranged between Rs. 13.34 crore and Rs. 30.24 crore during 2002-08. The return on investment amounting to Rs. 30.24 crore accrued to the State Government during 2007-08 was only from Jammu and Kashmir Bank Limited (Rs. 29.64 crore) and Rs. 60 lakh from the Jammu and Kashmir Cements Limited. With an average interest rate of 12.19 *per cent* paid by the Government on its borrowings, the return on these investments during 2007-08 was only 8.47 *per cent*.

Table 1.22: Return on Investment

Year	Investment at the end of the year	Return	Percentage return	Average rate of interest on Government borrowing	Difference between interest rate and return
	(Rupees in crore)				
2002-03	375.27	13.34	3.55	9.64	6.09
2003-04	349.93	15.92	4.55	9.84	5.29
2004-05	347.82	26.28	7.56	8.10	0.54
2005-06	353.27	20.62	5.84	7.19	1.35
2006-07	355.77	21.22	5.96	10.09	4.13
2007-08	356.97	30.24	8.47	12.19	3.72

The investment of Rs. 356.97 crore was held in 17 working Companies (Rs. 181.68 crore), three working Statutory Corporations (Rs. 143.32 crore), three non-working[13] Companies (Rs. 2.57 crore), two Joint stock Companies (Rs. 0.34 crore), 11 co-operative institutions (Rs. 28.96 crore) and one GOI undertaking (Rs. 0.10 crore).

1.7.5 Loans and Advances by State Government

In addition to investment in Co-operatives, Corporations and Companies, the Government has also been providing support in terms of loans and advances to many of these Parastatals. Total outstanding balance as on 31 March 2008 was Rs. 980.20 crore (Table-1.23) which included Rs. 897.98 crore on account of Economic Services, Rs. 60.89 crore on Social Services and Rs. 21.33 crore outstanding against the Government servants etc. Within Economic Sector, major

[13] Non-working company is one, which is under the process of liquidation/merger, etc.

part of the loan was outstanding against Industries and Minerals (Rs. 420.91 crore), Transport (Rs. 299.78 crore) and Energy (Rs. 85.05 crore).

Table 1.23: Average Interest received on Loans advanced by the State Government

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Opening Balance	515.24	773.37	837.13	884.58	901.97	943.82
Amount Advanced during the year	340.20	68.30	66.00	53.15	43.89	38.27
Amount repaid during the year	82.07	4.54	18.55	35.76	2.04	1.89
Closing Balance	773.37	837.13	884.58	901.97	943.82	980.20
Net Addition	258.13	63.76	47.45	17.39	41.85	36.38
Interest Received	1.03	1.09	1.27	1.24	1.88	1.44
Interest Received as *per cent* to Loans advanced	0.16	0.14	0.15	0.14	0.20	0.15
Average interest paid by the State (*per cent*)	9.64	9.84	8.10	7.19	10.09	12.19
Difference between interest paid and received (*per cent*)	9.48	9.70	7.95	7.05	9.89	12.04

Against the recovery of Rs. 2.04 crore during 2006-07, the recoveries during 2007-08 was only Rs. 1.89 crore which was mostly on account of recovery of loans to Government servants etc. The decrease in repayment of loans during the year was due to decrease (Rs. 2.68 lakh) in repayments of loans advanced to Government servants and negligible repayments under other sectors.

1.7.6 Management of Cash Balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and the expenditure obligations, the State Government had obtained temporary loan from Jammu and Kashmir Bank for its ways and means requirements. There was no improvement in management of cash balances during 2007-08. Despite revenue surplus for the past five years, the State Government had taken temporary loan from bank on all 366 days during 2007-08 and paid an interest of Rs. 220.91 crore on the overdraft.

Table 1.24: Ways and Means advances and overdraft of the State

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Temporary loan/overdraft raised by the Government from J&K Bank						
Taken during the year	7212.35	8345.85	1114.20	11269.95	1104.62	994.77
Repaid during the year	7213.80	8180.44	933.86	10949.36	1022.16	1069.45
Outstanding	1381.10	1546.51	1726.85	2047.44	2129.90	2055.22
Interest Paid	137.58	126.99	131.81	138.42	183.51	220.91
Number of Days	365	366	365	365	365	366

The amount of interest paid on the temporary loan/overdraft increased from Rs. 137.58 crore in 2002-03 to Rs. 220.91 crore during 2007-08 and there was an outstanding balance of Rs. 2,055.22 crore at the close of 2007-08.

1.8 Undischarged Liabilities

1.8.1 Fiscal Liabilities-Public Debt and Guarantees

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund-Capital Account. It includes market loans, special securities issued by RBI and loans and advances from the Central Government. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits as may from time to time be fixed by the Act of its Legislature. However, no such law has been passed by the State, to lay down any such limit. Other liabilities, which are a part of Public Account, include deposits under small savings scheme, provident funds and other deposits. Table-1.25 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table 1.25: Fiscal Liabilities-Basic Parameters

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Fiscal Liabilities* (Rupees in crore)	**12279**	**13038**	**14199**	**16801**	**18602**	**21366**
Rate of Growth (*per cent*)	17.58	6.18	8.90	18.33	10.72	14.86
Ratio of Fiscal Liabilities to						
GSDP (*per cent*)	60.41	58.75	58.52	63.31	64.08	67.20
Revenue Receipt (*per cent*)	162.68	158.77	160.15	162.88	166.36	160.92
Own Resources (*per cent*)	646.95	723.13	712.80	776.75	764.88	634.76
Buoyancy of Fiscal Liabilities to						
GSDP (ratio)	1.39	0.67	0.95	1.96	1.14	1.56
Revenue Receipts (ratio)	1.08	0.70	1.12	1.12	1.27	0.79
Own resources (ratio)	0.35	-[14]	0.85	2.14	0.86	0.39

* Includes internal debt, loans and advances from GOI and other obligations.

Overall fiscal liabilities of the State increased from Rs. 12,279 crore in 2002-03 to Rs. 21,366 crore in 2007-08. The growth rate was 14.86 *per cent* during 2007-08 over previous year. The ratio of fiscal liabilities to GSDP also increased from 60.41 *per cent* in 2002-03 to 67.20 *per cent* in 2007-08. The buoyancy of these liabilities with respect to GSDP during the year was 1.56 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 1.56 *per cent*. These liabilities stood at 1.61 times State's revenue receipts and 6.35 times its own resources.

14 Own resources had a negative trend

1.8.2 Status of Guarantees–Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. As per Statement 6 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees at the end of the year since 2002-03 is given in Table-1.26.

Table 1.26: Guarantees given by the Government of Jammu and Kashmir

(Rupees in crore)

Year	Maximum amount guaranteed	Outstanding amount of Guarantees	Percentage of maximum amount guaranteed to total revenue receipts
2002-03	1574	1231	20.85
2003-04	1969	1612	23.98
2004-05	2878	1914	32.46
2005-06	4720	1959	45.76
2006-07	3245	2565	29.02
2007-08	3308	2807	24.92

Government has guaranteed loans raised by various Corporations and others, which at the end of 2007-08 stood at Rs. 2,807 crore including interest. The outstanding amount of guarantees is in the nature of contingent liabilities, which were about 21 *per cent* of revenue receipts of the State. Although no law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limit within which the Government may give guarantees on the security of the Consolidated Fund of the State, J&K FRBM Act, 2006 enacted by the Legislature has prescribed the ceiling limit on the amount of annual incremental risk weighted guarantees to 75 *per cent* of the Total Revenue Receipts (TRR) in the year preceding the current year or at 7.5 *per cent* of GSDP of the year preceding the current year, whichever is lower. The incremental guarantees in 2007-08 were only 2 *per cent* and 0.83 *per cent* of revenue receipts and GSDP of the preceding year respectively.

1.8.3 Debt Sustainability

Debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt. A prior condition for debt sustainability is the debt stabilisation in terms of debt/GSDP ratio.

1.8.4 Debt Stabilisation

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate- interest rate) and quantum spread (Debt x rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling. Trends in fiscal variables indicating the progress towards the debt stabilisation are indicated in Table-1.27.

Table 1.27: Debt Sustainability-Interest Rate and GSDP Growth

(In *per cent*)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Average interest paid by the State	9.64	9.84	8.10	7.19	10.09	12.19
GSDP Growth	12.68	9.19	9.33	9.36	9.39	9.52
Interest spread	3.04	(-) 0.65	1.23	2.17	(-) 0.70	(-) 2.67
Opening balance of Outstanding Debt	10443	12279	13038	14199	16801	18602
Quantum Spread	317	(-) 80	160	308	(-) 118	(-) 497
Primary Deficit (-)/ Surplus (+) (Rs. in crore)	(-) 216	(-) 241	(-) 562	(-) 1528	(-) 143	(-) 229

Table-1.27 reveals that quantum spread together with primary deficit has been negative from 2003-04 to 2007-08 indicating oscillating debt-GSDP ratios during the period and increased from 60 *per cent* in 2002-03 to 67 *per cent* in 2007-08. The ratio of fiscal deficit to GSDP also fluctuated during the period 2002-08. These trends indicate the State needs to improve the fiscal imbalances for attaining and improving the debt sustainability position in the medium to long run.

1.8.5 Sufficiency of Non-debt Receipts

Another indicator of debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. Table-1.28 indicates the resource gap as defined for the period 2002-08.

Table 1.28: Incremental revenue receipts and Revenue Expenditure

(Rupees in crore)

Period	Incremental				Resource Gap
	Non-Debt Receipts	Primary Expenditure	Interest Payments	Total Expenditure	
1	2	3	4	5 (3+4)	6 (2-5)
2002-03	1009	798	48	846	(+) 163
2003-04	586	611	151	762	(-) 176
2004-05	669	990	(-) 143	847	(-) 178
2005-06	1466	2432	12	2444	(-) 978
2006-07	833	(-) 552	672	120	(+) 713
2007-08	2095	2181	649	2830	(-) 735

The persistent negative resource gap indicates the non-sustainability of debt while the positive resource gap strengthens the capacity of the State to sustain the debt. The debt sustainability of the State in term of the resource gap oscillated between the negative and positive phases during the period 2002-08. The resource gap during 2002-08 in four out of six years was negative, which indicates efforts to be initiated to improve the sustainability of debt.

1.8.6 Net Availability of Funds

Another important indicator of debt sustainability is the net availability of funds after payment of the principal on account of earlier contracted liabilities and interest. Table-1.29 below gives the position of the receipts and repayment of internal debt and other fiscal liabilities of the State over the last six years.

Table 1.29: Net Availability of Borrowed Funds

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Internal debt						
Receipts	811	9316	2409	13475	2557	3826
Repayment (Principal+ Interest)	606	8930	1722	12778	2562	3578
Net Fund Available	205	386	687	697	(-) 5	248
Net Fund Available (*per cent*)	25.28	4.14	28.52	5.17	(-[15])	6.48
Loans and Advances from GOI						
Receipts	579	718	324	11	9	17
Repayment (Principal+ Interest)	739	1598	1070	375	355	350
Net Fund Available	(-) 160	(-) 880	(-) 746	(-) 364	(-) 346	(-) 333
Net Fund Available (*per cent*)	(-) 27.63	(-) 122.56	(-) 230.25	(-) 3309.09	(-) 3844	(-) 1959
Other obligations[16]						
Receipts	1756	1533	1765	3144	2525	2822
Repayment (Principal+ Interest)	1060	1527	1648	1990	2158	2408
Net Fund Available	696	6	117	1154	367	414
Net Fund Available (*per cent*)	39.64	0.39	6.63	36.70	14.53	14.67
Total liabilities						
Receipts	3146	11567	4498	16630	5091	6665
Repayments	2405	12055	4440	15143	5076	6336
Net receipts	741	(-) 488	58	1487	16	329
Net Funds Available (*per cent*)	23.55	(-) 4.22	1.29	8.94	0.31	4.94

The net availability of funds on account of the internal debt, loans and advances from GOI and other obligations after providing for the interest and repayment varied from 0.31 *per cent* in 2006-07 to 4.94 *per cent* in 2007-08. During the current year the Government repaid internal debt of Rs. 1,628 crore; GOI loans of Rs. 139 crore were also discharged alongwith other obligations of Rs. 2133 crore

15 Negligible

16 Comprises small savings, provident fund, reserve fund and deposits

and interest of Rs. 2436 crore, as a result of which, meagre borrowed funds were available for development purposes.

1.9 Management of Deficits

The deficit in Government accounts represents the gap between its receipts and expenditure. The nature of the deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources so raised and applied are important pointers to its fiscal health.

1.9.1 Trends in Deficits

The trends in fiscal parameters depicting the position of fiscal equilibrium in the State are presented in Table-1.30.

Table 1.30: Fiscal Imbalances-Basic Parameters

(Value in crore and ratio in *per cent*)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue surplus (+)/Deficit (-)	(+) 368	(+) 458	(+) 562	(+) 394	(+) 568	(+) 1088
Fiscal Deficit (-) /surplus (+)	(-) 1311	(-) 1487	(-) 1665	(-) 2643	(-) 1930	(-) 2665
Primary Deficit (-) /surplus (+)	(-) 216	(-) 241	(-) 562	(-) 1528	(-) 143	(-) 229
Revenue surplus (+)/Deficit (-)/GSDP	1.81	2.06	2.32	1.49	1.96	3.42
FD/GSDP	(-) 6.45	(-) 6.70	(-) 6.86	(-) 9.96	(-) 6.65	(-) 8.38
PD/GSDP	(-) 1.06	(-) 1.09	(-) 2.32	(-) 5.76	(-) 0.49	(-) 0.72
RD/FD	NA[17]	NA	NA	NA	NA	NA

(Negative figures indicate deficit)

Table-1.30 reveals that the revenue account experienced surplus over the period 2002-08. The revenue surplus of Rs. 1088 crore during 2007-08 was higher by Rs. 520 crore as compared to revenue surplus of Rs. 568 crore realized during 2006-07. An increase of 19 *per cent* (Rs. 2095 crore) in revenue receipts during 2007-08 in comparison to 15 *per cent* (Rs. 1575 crore) in revenue expenditure resulted in an increase of Rs. 520 crore in revenue surplus during 2007-08. The sharp increase in revenue receipts was however mainly on account of increase in mandated transfers comprising State share in Central taxes and duties and grant in aid from GOI. Of the incremental revenue receipts of Rs 2095 crore during 2007-08, these two sources contributed 55 *per cent* indicating central transfers being the key in improving the revenue surplus during the year.

Despite a cushion of Rs. 520 crore available in the form of increment in revenue surplus, net increase of Rs. 1255 crore in capital expenditure/loans and advances disbursed during 2007-08 over the previous year led to an increase of Rs. 735 crore in fiscal deficit during the current year. The increase in fiscal deficit accompanied by an increase of Rs. 649 crore in interest payments during 2007-08 over the previous year led to the increase of Rs. 86 crore in primary deficit in 2007-08 from the level of Rs. 143 crore during 2006-07.

[17] Revenue surplus hence not applicable

1.10 Quality of Deficit/surplus

The ratio of RD to FD and the decomposition of primary deficit into primary revenue deficit[18] and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption.

The revenue deficit was completely wiped out in 2002-03 and revenue surplus was maintained throughout the period from 2002-03 to 2007-08. The revenue surplus however, peaked at Rs. 1088 crore during the current year. This trajectory shows improvement in the quality of the deficit and during 2002-08 all borrowings (fiscal liabilities) were used in activities resulting in expansion in the asset backup of the State.

The bifurcation of the factors resulting in primary deficit or surplus of the State during the period 2002-08 reveals (Table-1.31) that the primary deficit during the period was on account of capital expenditure incurred and loans and advances disbursed by the State Government. In other words, non-debt receipts of the State were enough to meet the primary expenditure[19] requirements in the revenue account; in fact left some receipts to meet the expenditure under the capital account. The State had to borrow to meet the requirements under capital account during the period over primary expenditure. This indicates the extent to which the primary deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table-1.31: Primary deficit/Surplus – Bifurcation of factors

(Rupees in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and Advances	Primary Expenditure	Primary Revenue deficit(-)/ surplus (+)	Primary deficit (-)/ surplus (+)
1	2	3	4	5	6(3+4+5)	7(2-3)	8(2-6)
2002-03	7630	6085	1421	340	7846	(+) 1545	(-) 216
2003-04	8216	6508	1881	68	8457	(+) 1708	(-) 241
2004-05	8885	7201	2180	66	9447	(+) 1684	(-) 562
2005-06	10351	8806	3020	53	11879	(+) 1545	(-) 1528
2006-07	11184	8827	2456	44	11327	(+) 2357	(-) 143
2007-08	13279	9753	3717	38	13508	(+) 3526	(-) 229

18 Primary revenue deficit defined as gap between non interest revenue expenditure of the State and its non-debt receipts indicates the extent to which the non-debt receipts of the State are able to meet the primary expenditure incurred under revenue account.

19 Primary expenditure of the State is defined as the total expenditure net of interest payments and indicates the expenditure incurred on the transactions undertaken during the year.

1.11 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table-1.32 below presents a summarised position of Government finances over 2002-08, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important facts.

Table 1.32: Indicators of Fiscal Health

(In *per cent*)

Fiscal indicators	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
I. Resource Mobilisation						
Revenue Receipts/GSDP	37.13	37.00	36.54	38.87	38.52	41.76
Revenue buoyancy	1.29	0.96	0.85	1.75	0.90	1.97
Own tax/GSDP	5.08	5.27	5.57	6.13	6.20	8.05
II. Expenditure Management						
Total Expenditure/GSDP	43.99	43.72	43.48	48.97	45.17	50.15
Total Expenditure/ Revenue Receipts	118.46	118.16	118.99	125.97	117.28	120.09
Revenue Expenditure/ Total Expenditure	80.30	79.91	78.71	76.35	80.94	76.45
Salary and Wage expenditure on Social and Economic Services/Revenue Expenditure	Details not available	26.84	25.72	24.55	25.70	24.84
Non-Salary/Wage expenditure on Social and Economic Services/Revenue Expenditure		29.66	34.70	38.34	30.45	29.02
Capital Expenditure/ Total Expenditure[20]	16.52	19.52	20.79	23.34	18.79	23.37
Development expenditure/ Total expenditure	62.68	64.29	68.08	71.10	63.96	63.77
Capital Expenditure on Social and Economic Services/Total Expenditure	15.27	18.68	20.10	22.80	18.29	22.59
Buoyancy of TE with RR	0.64	0.97	1.10	1.42	0.11	1.15
Buoyancy of RE with RR	0.32	0.91	0.89	1.19	0.83	0.79
III. Management of Fiscal Imbalances						
Revenue surplus (+) deficit (-) (Rs. in crore)	(+) 368	(+) 458	(+) 562	(+) 394	(+) 568	(+) 1088
Fiscal deficit (Rs. in crore)	(-) 1311	(-) 1487	(-) 1665	(-) 2643	(-) 1930	(-) 2665
Primary Deficit (-)/surplus (+) (Rs. in crore)	(-) 216	(-) 241	(-) 562	(-) 1528	(-) 143	(-) 229
Revenue Deficit/Fiscal Deficit (Rs. in crore)	NA[21]	NA	NA	NA	NA	NA

20 Comprises revenue and capital expenditure only

21 Revenue surplus, hence not applicable

Fiscal indicators	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
IV. Management of Fiscal Liabilities (FL)						
Fiscal Liabilities/GSDP	60.41	58.75	58.52	63.31	64.08	67.20
Fiscal Liabilities/RR	162.68	158.77	160.15	162.88	166.36	160.92
Buoyancy of FL with RR	1.08	0.70	1.12	1.12	1.27	0.79
Buoyancy of FL with OR	0.35	-[22]	0.85	2.14	0.86	0.39
Primary deficit vis-a-vis quantum spread	101	(-) 321	(-) 402	(-) 1220	(-) 261	(-) 726
Net Funds Available	23.55	(-) 4.22	1.29	8.94	0.31	4.94
V. Other Fiscal Health Indicators						
Return on Investment	3.55	4.55	7.56	5.84	5.96	8.47
BCR (Rs. in crore)	(-) 1002	(-) 1527	(-) 1865	(-) 1943	(-) 2920	(-) 3484
Financial Assets/Liabilities	1.02	1.05	1.08	1.09	1.11	1.14

The ratio of own taxes to GSDP had shown continuous improvement in the six year period 2002-08. Except for 2004-05, the ratio of revenue receipts to GSDP also indicated a rising trend during 2002-08, but revenue buoyancy fluctuated widely during this period. The total expenditure to revenue receipts showed a decreasing trend during 2002-08 except in 2004-05, 2005-06 and 2007-08 when it increased sharply from 118.99 *per cent* in 2004-05 to 125.97 *per cent* in 2005-06 and from 117.28 *per cent* in 2006-07 to 120.09 *per cent* in 2007-08. Except for the year 2006-07 the percentage of revenue expenditure to total expenditure showed a decreasing trend during 2002-03 to 2007-08. Revenue expenditure constituted about 76 *per cent* of total expenditure during 2007-08, which revealed that most of the expenditure was incurred on current consumption. Fiscal deficit, although fluctuated during the period 2002-08, its ratio to GSDP at 8.38 *per cent* during 2007-08 indicates that fiscal imbalances still persist in the State. Primary deficit increased by Rs. 86 crore during 2007-08 from the previous year and its continued prevalence during 2002-08 indicated that the State is unable to meet its primary expenditure out of its own resources and its reliance on borrowed funds also tends to continue over a period of time.

1.12 Conclusion

The overall fiscal position of the State as reflected in terms of key parameters–revenue, fiscal and primary deficits-indicates mixed trends in the fiscal situation during 2007-08 over the previous year. While the revenue surplus has increased and reached the peak level of Rs 1088 crore in 2007-08, the fiscal and primary deficits have deteriorated over the previous year. The improvement in revenue surplus of the State may however be viewed in the light of the fact that little more than 55 *per cent* of the incremental revenue receipts of the State during 2007-08 (Rs 2095 crore) were contributed by the Central transfers comprising the State's share in Central taxes and duties and grants-in-aid from the GOI.

[22] Own resources had a negative growth

The expenditure pattern of the State reveals that the revenue expenditure exhibited a declining trend during the period 2003-08, but continued to share a dominant proportion in the total expenditure of the State and was around 76 *per cent* during 2007-08. Moreover, within the revenue expenditure, the non-plan revenue expenditure at Rs 11666 crore in 2007-08 was significantly higher than the normative assessment of TFC (Rs 6514 crore) for the State for the year and its four components – salaries and wages, pension liabilities, interest payments and subsidies – constituted about 67 *per cent* during 2007-08. These trends in expenditure indicate the need for changing allocative priorities. The continued prevalence of fiscal and primary deficits indicates the increasing reliance of the State on borrowed funds. The increasing fiscal liabilities accompanied by a negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead to an unsustainable debt situation in medium to long run unless suitable measures are initiated to compress the non plan revenue expenditure and to mobilise additional resources both through the tax and non tax sources in the ensuing years.

CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts prepared every year contain details of amounts on various specified services actually spent by the Government vis-a-vis those authorised by the Appropriation Act.

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

2.2 Summary of Appropriation Accounts

The summarised position of Grants and expenditure thereagainst in respect of 29 Grants and Appropriations is as follows.

Summary of Appropriation Accounts 2007-08

Number of Grants/Appropriations **29**

Table 2.1: Total Provision and Actual Expenditure

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	17107.82		18490.31
Supplementary	1895.62		
Total Gross Provision	**19003.44**	**Total Gross Expenditure**	**18490.31**
Deduct-Estimated recoveries in reduction of expenditure	840.80		778.80
Total Net Provision	**18162.64**	**Total Net Expenditure**	**17711.51**

Table 2.2: Provision and Expenditure-Voted and Charged

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	10128.89	2048.99	9917.01	2449.17
Capital	6292.39	533.17	4357.17	1766.96
Total Gross	**16421.28**	**2582.16**	**14274.18**	**4216.13**
Deduct- recoveries in reduction of Expenditure	840.80	-	778.80	-
Total Net	**15580.48**	**2582.16**	**13495.38**	**4216.13**

The summarised position of the actual expenditure during 2007-08 against 29 grants/appropriations is as follows:

Table 2.3

(Rupees in crore)

	Nature of Expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure[1]	Saving (-)/ Excess (+)
Voted	Revenue	9671.94	456.95	10128.89	9917.01	(-) 211.88
	Capital	5573.81	656.21	6230.02	4318.90	(-) 1911.12
	Loans and Advances	62.37	-	62.37	38.27	(-) 24.10
Total Voted:		**15308.12**	**1113.16**	**16421.28**	**14274.18**	**(-) 2147.10**
Charged	Revenue	1266.58	782.41	2048.99	2449.17	(+) 400.18
	Capital	-	-	-	-	-
	Public Debt	533.12	0.05	533.17	1766.96	(+) 1233.79
Total Charged:		**1799.70**	**782.46**	**2582.16**	**4216.13**	**(+) 1633.97**
Grand Total:		**17107.82**	**1895.62**	**19003.44**	**18490.31**	**(-) 513.13**

The overall saving of Rs. 513.13 crore was due to the net effect of saving of Rs. 2791.04 crore (Revenue: Rs. 507.10 crore; Capital: Rs. 2283.94 crore) and excess of Rs. 2277.91 crore (Revenue: Rs. 695.39 crore, Capital: Rs. 1582.52 crore) in respect of 28 grants and three appropriations and 14 grants and one appropriation, respectively.

Results of Appropriation Audit

2.3 Excess Expenditure requiring regularisation

In the revenue section, there was an excess expenditure of Rs. 695.39 crore in 9 grants and one appropriation, while in the capital section, excess expenditure amounted to Rs. 1582.52 crore in six grants and one appropriation as detailed below:

Table 2.4

(Rupees in crore)

Sl. No	Name of Grant/ Appropriation	Total Grant/ Appropriation	Expenditure	Excess expenditure	Percentage of excess
I-Revenue (Voted)					
1.	6-Power Development	2109.01	2241.88	132.87	6
2.	8-Finance	1271.07	1276.56	5.49	0.4
3.	12-Agriculture	295.88	322.14	26.26	9
4.	14-Revenue	303.30	363.08	59.78	20

[1] These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue (Rs. 176.88 crore) and Capital (Rs. 601.92 crore).

Sl. No	Name of Grant/ Appropriation	Total Grant/ Appropriation	Expenditure	Excess expenditure	Percentage of excess
I-Revenue (Voted)					
5.	15-Consumer Affairs and Public Distribution	3.10	3.49	0.39	13
6.	16-Public Works	346.71	364.47	17.76	5
7.	25-Labour, Stationery and Printing	27.71	39.30	11.59	42
8.	27-Higher Education	186.38	194.68	8.30	4
9.	28-Rural Development	102.43	132.13	29.70	29
	Total Revenue (Voted)	**4645.59**	**4937.73**	**292.14**	
II-Revenue (Charged)					
12.	8-Finance	2032.11	2435.36	403.25	20
	Total Revenue (Charged)	**2032.11**	**2435.36**	**403.25**	
	Total Revenue Section	**6677.70**	**7373.09**	**695.39**	
III-Capital (Voted)					
13.	11-Industries and Commerce	93.60	100.67	7.07	8
14.	16-Public Works	744.25	1051.24	306.99	41
15.	20-Tourism	85.16	109.83	24.67	29
16.	24-Hospitality, Protocol and Toshakhana	-	8.58	8.58	100
17.	26-Fisheries	8.00	8.74	0.74	9
18.	29-Transport	26.58	27.25	0.67	3
	Total Capital (Voted)	**957.59**	**1306.31**	**348.72**	
IV-Capital (Charged)					
19.	8-Finance	533.12	1766.92	1233.80	231
	Total Capital (Charged)	**533.12**	**1766.92**	**1233.80**	
	Total Capital Section	**1490.71**	**3073.23**	**1582.52**	
	Grand Total	**8168.41**	**10446.32**	**2277.91**	

The excess expenditure of Rs. 2277.91 crore over the provision was mainly due to part clearance of overdraft of Rs. 1069.45 crore obtained during the current year by the State Government from the Jammu and Kashmir Bank Limited.

In six grants and one appropriation (*Appendix-2.1*), there was excess expenditure of Rs. 839.84 crore despite obtaining supplementary grants of Rs. 1009.98 crore. This was on account of the failure of the Departments in assessing the requirement of additional funds correctly even at the close of the year and also because of the inadequacy of the system of monitoring the trend of expenditure under various heads of account.

2.4 Non-regularisation of excess over Grants

As per Section 82 of the Constitution of Jammu and Kashmir, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, excess expenditure of Rs. 68810.75 crore for the years 1980-81 to 2006-07, as per details at *Appendix-2.2*, was pending regularisation with the Finance Department.

2.5 Unnecessary/Excessive Supplementary Provision

In 14 cases, involving 10 grants and one appropriation (*Appendix-2.3*), supplementary provision of Rs. 341.65 crore was obtained in anticipation of expenditure in excess of the original provision. However, the final expenditure of Rs. 3506.28 crore was even less than the original grant of Rs. 4004.29 crore. The savings of Rs. 839.66 crore thus exceeded the entire supplementary provision indicating defective fund projection system leading to unnecessary allotment of additional funds.

In ten other cases relating to eight grants and one appropriation, supplementary grants aggregating Rs. 543.34 crore were obtained against the requirement of Rs. 311.43 crore resulting in saving of Rs. 231.91 crore (*Appendix-2.4*).

Apart from these cases, savings in 13 cases (involving 11 grants) exceeded 10 *per cent* of the original budget provision and were more than Rupees one crore in each case, as detailed in *Appendix-2.5*.

2.6 Flow of Expenditure

Financial Rules require that expenditure should be evenly distributed throughout the year. Rush of expenditure particularly in the last quarter and also in the closing month is regarded as a breach of financial rules. Quarter-wise expenditure (net) during 2007-08 as also expenditure in the month of March 2008 under both revenue and capital sections incurred by the State Government is detailed below:

Table 2.5

(Rupees in crore)

	Total expenditure# (Revenue and Capital)	Percentage of total expenditure
First quarter	1569.75	9.87
Second quarter	3143.98	19.77
Third quarter	2960.50	18.61
Fourth quarter	8232.10 (3606.00)	51.75 (22.67)
Total	15906.33	

(#Does not include Rs. 1805.18 crore on account of loans and advances and figures in brackets represent expenditure in the month of March)

It is evident from the above table that the flow of expenditure was not evenly distributed throughout the year, inspite of issuance of warning slips, by the Senior Deputy Accountant General (A&E), from time to time. Expenditure incurred during the month of March 2008 constituted 22.67 *per cent* of the total expenditure.

2.7 Persistent Excesses

Persistent excesses of more than 10 *per cent* over the budget provisions were noticed during the years 2005-06, 2006-07 and 2007-08 in 3 grants and one appropriation as detailed below:

Table 2.6

(Rupees in crore)

Sl. No.	Name of grant/appropriation	Amount of excess (Percentage in brackets)		
		2005-06	2006-07	2007-08
I. Revenue-Voted				
1.	15-Consumer Affairs and Public Distribution	0.77 (30)	0.60 (23)	0.39 (13)
2.	25-Labour, Stationery and Printing	11.20 (47)	11.49 (46)	11.59 (42)
3.	28-Rural Development	15.94 (19)	79.90 (99)	29.71 (29)
II-Capital Charged				
4.	8-Finance	11839.59 (3526)	997.34 (233)	1233.79 (231)

2.8 Persistent Savings

Persistent savings of 10 *per cent* and above were noticed during the years 2005-06, 2006-07 and 2007-08 in 17 grants and one appropriation as detailed in *Appendix-2.6.*

2.9 Expenditure without Budget Provision

During 2007-08, Rs. 218.03 crore was incurred under 36 Major Heads of account (19 grants) without any provision for such expenditure having been made in the budget for which reasons were not intimated by the Departments concerned (September 2008). Incurring of expenditure in absence of budget provision reflects financial indiscipline and lax monitoring system of the Departments/Controlling Officers concerned. Details of cases covered under this category are given in *Appendix-2.7.*

2.10 Unutilised Provisions and surrender thereof

Rules require that all savings should be surrendered as soon as these are anticipated. Savings should also not be held in reserve for possible future excess. It was, however, noticed that in 38 cases, (involving 26 grants and one appropriation) against the available savings of Rs. 2787.49 crore (involving savings of Rs. one crore and above in each case), no amount was surrendered. Relevant details are indicated in *Appendix-2.8.* Non-surrender of funds deprived the Government of the opportunity to transfer these funds to other needy sectors.

2.11 Recoveries as reduction of Expenditure

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

In the revenue section, against the estimated recoveries of Rs. 175.02 crore, the actual recoveries were Rs. 176.88 crore. However, in the capital section, against the estimated recoveries of Rs. 665.78 crore, actual recoveries were Rs. 601.92 crore. The shortfall occurred mainly under Grant No. 5-Ladakh Affairs Department (Rs. 3.51 crore) under Revenue Section and under Grant Nos. 5-Ladakh Affairs Department (Rs. 1.01 crore), 12-Agriculture Department (Rs. 1.84 crore), 15-Consumer Affairs and Public Distribution Department (Rs. 58.37 crore) and 19-Housing and Urban Development Department (Rs. 2.64 crore) under Capital Section. Reasons for the shortfall though called for, were not intimated. Grant-wise details of deviations from the original estimates are given in *Appendix-II* to the Appropriation Accounts.

2.12 Non-reconciliation of departmental figures of expenditure

Standing Instructions of the Government require that expenditure booked by the Departmental Controlling Officers should be reconciled periodically with the expenditure figures booked by the Senior Deputy Accountant General (A&E). Such reconciliation enables the Departmental Officers to exercise proper control over the expenditure. As of 31 October 2008, 80 controlling officers out of 284, had not completed the reconciliation in respect of the expenditure of Rs. 3659.40 crore, which constituted 23 *per cent* of the total net revenue and capital expenditure.

CHAPTER-III

PERFORMANCE REVIEWS

Name of Department	Topic	
Higher Education Department	3.1	Jammu University
Education Department	3.2	National Programme of Nutritional Support to Primary Education (Mid Day Meal Scheme)
Housing and Urban Development Department	3.3	Srinagar Development Authority
Irrigation and Flood Control Department	3.4	Lift Irrigation Schemes

Higher Education Department

3.1 Jammu University

The University of Jammu was incorporated with the objectives of imparting education, carrying out independent research, advancement and dissemination of knowledge, recognizing and affiliating colleges, holding examinations, conferring degrees, diplomas and other academic distinctions. This was the first University in the country to have its management systems certified under ISO 9001:2000. The teaching departments and centres of the University have also developed links/research collaborations with different National/International Academic/Research bodies.

Highlights

➢ **Research projects were not completed on time. 43 *per cent* of the PhD scholars had not submitted their thesis even after five years. Research thesis of 48 scholars received two months to five years back were pending acceptance due to non-availability of experts/scholars to evaluate them.**

(Paragraph: 3.1.9.2)

➢ **There was inordinate delay in declaration of results and issuance of degree certificates.**

(Paragraphs: 3.1.10.1 and 3.1.10.3)

➢ **There was high incidence of revision of results consequent on revaluations.**

(Paragraph: 3.1.10.2)

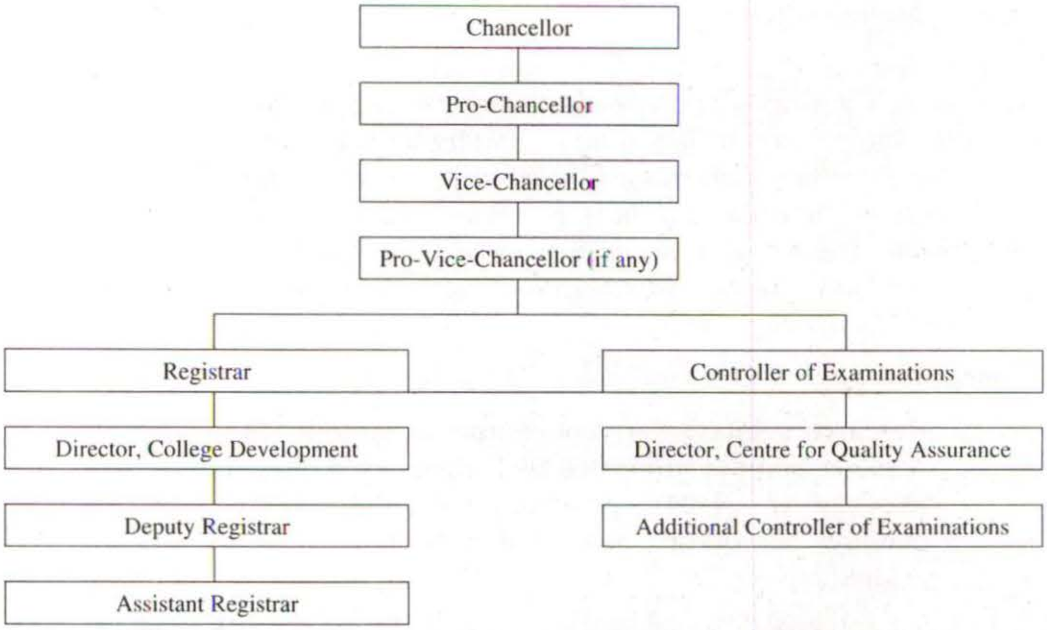
3.1.1 Introduction

The University of Jammu was incorporated in 1969 under the Jammu and Kashmir Universities Act, 1969. The main objectives of the University are to impart education in such branches of learning, as it may think fit, provide for and carry out independent research towards advancement and dissemination of knowledge, admit and maintain colleges, recognize and affiliate colleges not maintained by the University, hold examinations, confer degrees, diplomas and other academic distinctions. With a view to providing education at the doorsteps of the learners, the Directorate of Distance Education (DDE) was established by the University in 1976.

3.1.2 Organisational set up

The Organisational set up of the University is as indicated in Chart 3.1.1:

Chart-3.1.1



3.1.3 Scope of audit

The working of the University was last reviewed and commented upon in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2002. The present performance review was conducted under section 14(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971. The review was carried out during September 2007 to March 2008 and covered the functioning of the University during 2003-08.

3.1.4 Audit objectives

The performance audit of the University was undertaken to assess:

- adherence to academic norms prescribed by the University Grants Commission (UGC), State/Central Government;
- efficiency in holding examinations, declaration of results, granting degrees/diplomas and distinctions;
- efficiency and economy in expenditure;
- adherence to Statutes in granting recognition and affiliation to colleges/institutions not maintained by the University and
- existence and effectiveness of internal control.

3.1.5 Audit criteria

Audit findings were benchmarked against the following criteria.

- UGC norms and Tenth Five Year Plan.
- Statutes/Rules and Regulations and decisions of the University Council.

- Development Plans and Proposals.
- Statutes relating to recognition and affiliation of private colleges.

3.1.6 Audit methodology

An entry conference was held in August 2007, with the Registrar, Jammu University wherein audit objectives, scope and criteria were discussed. The exit conference was held (September 2008) with the Commissioner-cum-Secretary, wherein audit findings were discussed. The records of 30 out of 89 sections/departments (Administrative Sections: 56; Teaching Departments: 33) were selected on a random sampling basis for detailed scrutiny. The review covered an expenditure of Rs. 100.80 crore (42 *per cent)* out of the total expenditure of Rs. 238.90 crore during 2003-08. The important audit findings are discussed below.

3.1.7 Planning

The University plans its activities for the ensuing year and submits its requirements to the State Government in advance for meeting its non-plan expenditure. For its infrastructural development, the University submits projects/plans, along with the research projects it intends to undertake, to the UGC for approval and funding.

3.1.8 Financial Management

The University receives funds from the State Government to meet its requirement and grants from the UGC and the Government of India for specific schemes/projects. Income in the form of fee, fines, rent of hostels and residential buildings also accrues to the University. The position of receipts and expenditure during the period under review was as under:

Table 3.1.1 (Rupees in crore)

Year	Opening balance	Grant in aid received from		Internal receipts	Others	Total	Expen-diture	Closing balance	Percentage utilisation
		State Govt.	UGC/GOI						
2003-04	4.03	19.72	11.82	8.71	4.83	49.11	33.59	15.52	68
2004-05	15.52	19.90	11.56	10.51	4.24	61.73	40.08	21.65	65
2005-06	21.65	25.17	3.44	11.34	2.83	64.43	52.24	12.19	81
2006-07	12.19	37.46	1.08	14.52	4.33	69.58	52.62	16.96	76
2007-08	16.96	33.36	11.97	14.86	5.94	83.09	60.37	22.72	73
Total		135.61	39.87	59.94	22.17	327.94	238.90		

(Source: Information furnished by the University)

The main components of expenditure of the University during 2003-08 were administrative and establishment (Rs. 174.13 crore), academic/examination related (Rs. 18.02 crore), development and constructional activities (Rs. 33.67 crore), research/fellowship and other charges (Rs. 13.08 crore).

As is clear from the above table, the percentage utilisation of the available funds ranged between 65 and 81. Underutilization of funds was attributed (April 2008) to late receipt of funds from the State Government and late approval of plans and estimates for developmental activities by the University. It was also stated (September 2008) that underutilization of funds had not hampered developmental works.

Scrutiny revealed that local funds amounting to Rs. 12.99 crore received by various departments had not been included in the internal receipts resulting in understatement of receipts and expenditure. Out of this amount, Rs. 1.91 crore was spent by the University on items which were not permissible to be spent from the local funds.

3.1.9 Performance of the University

The activities of the University can be categorised into Research, Academic and Administrative. The performance of the University with reference to each of these activities is discussed in the succeeding paragraphs.

3.1.9.1 Research

The research projects planned by the University are got approved from the UGC for funding. Besides, research projects of other agencies including those proposed by the UGC are also undertaken by the University. During 2002-08, the University undertook 33 research projects. Of the 17 projects due for completion as of March 2008, only three projects had been completed. There was a time over-run of one to three years in respect of 14 projects due for completion up to March 2008. Of the remaining 16 on-going projects, data in respect of 9 projects was not available. Audit scrutiny of 16 projects (cost: Rs. 1.26 crore) taken up during 2002 and 2003 revealed that the projects were not completed (December 2007) within the stipulated period despite Rs. 1.01 crore having been incurred on them. The annual progress reports, technical reports showing how far research objectives have been achieved, final utilisation certificates together with audited statements of accounts and evidence that research papers had been published in journals and national/internal conferences, had not been maintained/furnished to the agencies funding the research projects. Therefore, the extent of achievement of the objectives of the research could not be verified. Out of five research projects entrusted to the University, three projects had been left midway during 2003-08.

3.1.9.2 Monitoring of research programmes

The University statutes require the scholars joining PhD programmes to submit research thesis within five years (extendable to seven years). It was, however, seen that out of 554 scholars registered for pursuing PhD between April 1998 and October 2003, only 306 scholars had submitted their thesis upto January 2008. Out of the remaining 248 scholars, 241 had yet to submit their thesis, while registration of seven scholars had been cancelled. It was further seen that the thesis of only 258 scholars (out of 306) had been accepted whereas those of 48 scholars received two months to five years back had been pending approval. The Registrar attributed (April 2008) the delay in acceptance of thesis to non-availability of experts/scholars. It was further stated that the status of 241 scholars was being ascertained, which indicated laxity in monitoring the research programmes.

3.1.9.3 Research collaboration

In order to familiarize the students and the faculty in the field of Journalism and Mass Communication and also to explore collaboration arrangements covering students and faculty, an exchange tour was arranged to China by the India-China Alliance Centre. The tour to China was conducted in the month of October 2007 whereon, an expenditure of Rs. 8.70 lakh had been incurred. Audit scrutiny revealed that neither the members sent on tour to China were related to the subject nor was any student included in the tour, defeating the intended purpose.

3.1.9.4 Setting up of *Jyotir Vigyan* Department

To rejuvenate *Jyotir Vigyan (Astronomy)* in India, the UGC approved setting-up of an independent department on the subject in the Universities. The University, in anticipation of approval by the University Council, submitted (April 2001) a proposal to the UGC for setting up the department. UGC approved the proposal (July 2001) submitted by the University which included conducting courses leading to graduation/post graduation in Astronomy, Cosmology, Mathematics, etc. with *Jyotir Vigyan* as the main subject and required the University to devise syllabi for the courses. The period of the scheme was initially for five years. Audit scrutiny revealed that Rs. 15 lakh was released (July 2001) by UGC for setting up a library, an observatory, a computer laboratory and a horoscope bank for the purpose. The expenditure was to be incurred during 2001-02. As the University failed to set up the Department, UGC directed (April 2006) that the amount be refunded along with penal interest. It was stated (April 2008) by the Registrar that the University Council did not approve setting up of the department. The university should have obtained the approval of its council before approaching the UGC for permission to set up the Department.

3.1.10 Administrative functions

The administrative functions of the University are manifold. Apart from looking after the overall development of the University itself, it is entrusted with conducting examinations, declaration of results, conferring of degrees etc. to students appearing in examinations at graduate and post-graduate (PG) levels.

3.1.10.1 Declaration of results

The University had conducted all the examinations on scheduled dates during the review period. However, there were delays ranging from 23 to 64 days in declaration of results in respect of under-graduate examinations held during the period 2002-07. Similarly, there were delays of 11 to 274 days in declaration of results in respect of PG examinations. The results of examinations in respect of various PG courses (38 semesters) held between June 2004 and September 2007 had not been declared as of January 2008, even after 100 to 1,270 days of due date by which result should have been declared. The University Statutes provide for declaration of results not later than 6th week of respective dates of termination of examinations. Delayed/non declaration of results not only deprive the students of planning and pursuing further studies towards employability but also reflects on the inefficiency in the functioning of the University.

The Registrar stated (April 2008) that the delay was on account of late receipt of answer scripts by evaluators, appointment of new evaluators against the ones who returned the answer scripts unevaluated and conducting of practical examinations after the theory examination. It was assured that every effort would be made to declare the results in time. The reply indicated that the University has been appointing evaluators in a casual manner and not supervising the functioning of evaluators, which is evident from the fact that answer scripts were received without evaluation by the University from a number of evaluators.

3.1.10.2 Valuation of answer scripts

Revaluation of answer scripts is done on the request of students who are not satisfied with the valuation of their answer scripts. Out of 8,631 applications received during 2002-2007 for revaluation in respect of post-graduate courses (Semester I to IV), 3,752 (43 *per cent*) candidates were declared successful and 949 (11 *per cent)* candidates already declared successful improved their percentage. Similarly 34,611 re-valuation cases were received during 2002-07 in respect of under-graduate courses, out of which, 9,105 (26 *per cent)* students were declared successful and 433 improved their percentage. In addition, the percentage of successful candidates after revaluation in respect of B.Ed candidates for annual and bi-annual examinations of 2006 was 32. This was indicative of lack of proper supervision of the University in valuation of answer scripts which was bound to cause mental agony to the students apart from contributing to a general lack of faith in the efficiency and neutrality of the examinations conducted by the University. The Registrar stated (April 2008) that necessary instructions would be issued to the evaluators in future.

3.1.10.3 Issuance of degrees

Degree certificates are required to be awarded to the students within one year from the date of declaration of results. Audit scrutiny revealed that out of 64,016 certificates to be issued, 40,570 certificates (63 *per cent*) in respect of graduates, post-graduates, BEd and Engineering courses pertaining to academic sessions 2002-03 to 2005-06 had not been issued as of February 2008. Besides, 13,468 certificates (21 *per cent*) in respect of similar courses were issued after delays of 11 to 28 months. The Assistant Registrar (Certificates) attributed (February 2008) the non-issuance and delayed issuance of certificates to inadequate staff. The reply should be viewed in the light of the fact that there was excess manpower in the University. The Registrar, however, assured (April 2008) that necessary steps would be taken in future to issue the degree certificates within the stipulated period.

3.1.10.4 Procurement and utilisation of examination forms/prospectus

The position relating to procurement and utilisation of examination forms during the period 2003-08 (December 2007) was as indicated in Table 3.1.2:

Table 3.1.2

Year	Opening balance	Printed	Total	Issued	Balance	Percentage utilisation to total available forms
2003-04	40,070	1,97,500	2,37,570	1,24,080	1,13,490	52
2004-05	1,13,490	95,000	2,08,490	1,29,610	78,880	62
2005-06	78,880	1,35,000	2,13,880	1,47,452	66,428	69
2006-07	66,428	1,40,000	2,06,428	1,66,017	40,411	80
2007-08	40,411	2,00,000	2,40,411	1,55,708	84,703	65

(Source: Information furnished by University)

As would be clear from the above table, the percentage utilisation of examination forms ranged between 52 and 80 which indicated printing and procurement of examination forms far in excess of requirements. The Registrar stated (April 2008) that special care in printing of forms would be taken.

Audit scrutiny (December 2007) of the records of the Directorate of Distance Education (DDE) revealed that the expenditure towards printing of study material for various correspondence courses had exceeded the budget provisions during the period 2003-04 to 2006-07 resulting in accumulation of a financial liability of Rs. 1.03 crore despite availability of funds ranging between Rs. 12.19 crore and Rs. 22.72 crore, with the University at the close of the financial years during the period (2003-08). The Registrar, however, replied (April 2008) that the liability would be cleared in the near future from internal resources.

3.1.10.5 Skill oriented courses

The Tenth Five Year Plan, *inter alia*, exhorted the Universities to adopt a new strategy for giving quality education at graduate and undergraduate levels and inculcate skills in the students by providing skill related courses, to enable them to launch into professional fields. The Universities were required to make the three year structure more flexible so as to allow students to pursue both degree and utility-oriented certificate/diploma programmes together. The students would thus have a passport to employment and a better life. Scrutiny revealed that the University had not adopted the approach to widen the knowledge base of students. The Registrar stated (April 2008) that the University had already laid emphasis on skill oriented education by opening new streams in post-graduate departments besides, courses in BCA/BPEd which also fetch employment to the students. Action to make education skill-oriented at college level had not been introduced as envisaged in the Tenth Plan Document, as it continued to provide traditional education. Providing of courses mentioned in the reply do not fulfill the conditions laid down in the Tenth Plan as the courses run by the University cannot be pursued by the students in addition to the normal subjects where the courses provided are of 2-3 years' duration.

3.1.10.6 Grant of affiliations to colleges

Jammu and Kashmir Private Colleges 'Regulations and Control Rules 2005' envisage assessment of area and availability of resources for establishment of new private BEd Colleges by the Government. Scrutiny of records (December 2007) revealed that 42 out of 64 colleges established in Jammu Division have been running in Jammu district alone and only 22 had been functioning in five other districts. The Registrar stated (February/April 2008) that powers for grant of 'no objection certificate' for opening of colleges vested with the Government.

The grant of affiliation to the colleges is subject to evaluation by the University, of the available infrastructural facilities (separate plot of land measuring a minimum of 8 *kanals*, separate college complex, separate hostels for boys and girls, Library, etc. and quality of inputs) required for making the instructional process effective and meaningful. Audit scrutiny, however, revealed that out of 17 BEd colleges, nine colleges were granted affiliation despite not fulfilling the necessary preconditions, viz. more than one college was housed on the same plot of land, documentary evidence for title to land was not available or was disputed, etc., which indicated that affiliations were granted in a casual manner without ensuring availability of necessary infrastructure. Four[1] out of nine colleges, visited by the audit team, were found to be deficient in infrastructure, adequate facilities, library, etc. which underscores the audit observation.

The Registrar stated (April 2008) that affiliations have been accorded in a careful manner as no college had been granted permanent affiliation and infrastructure required to impart education was sufficient. However, status of improvement of infrastructure/upgradation on the cases pointed out was not furnished to audit. Further, the Act does not contain any provision whereunder, temporary affiliation could be granted.

3.1.11 Inventory management

The University offered courses on computers and a Computer Centre was set up with adequate number of programmers for development of software for teaching and other wings.

- Requirement/necessity for purchase of computers and allied equipment had not been assessed/ascertained realistically. Computers and allied equipment (33) costing Rs. 10.61 lakh were purchased during January 2004 to March 2006 without immediate requirement as the equipment were issued to users after periods of 15 to 37 months from the date of receipt. Further, 68 computers and laptops worth Rs. 32.72 lakh had been issued to 31 faculty members without assessing requirement as they were already in possession of more than one computer/laptop. It was also seen that seven faculty members had been provided two computers each and three faculty members had been provided three, four and eight computers each.
- Out of a total inventory of 540 computers in 32 PG departments, 395 (73 *per cent*) had been issued to faculty/office and only 145 (27 *per cent*) had been installed in laboratories of 19 departments, out of which only 35 systems had been connected with the internet facility for use by students. This indicated that infrastructure made available to students was grossly inadequate.

[1] JK college of Education Kujwani, Jammu; Tagore college of Education Akalpur; Sacred Heart college of Education, Manda College of Education Sanik Colony, Jammu

- Warranty of computers and allied equipment costing Rs. 89.35 lakh purchased during 2003-04 had since expired. No Annual Maintenance Contract was executed nor was any action taken to get the equipment repaired. As a result, equipment costing Rs. 27.15 lakh could not be repaired and was lying non-functional.

  Thus, the equipment purchased had remained largely underutilized. The Registrar stated (April 2008) that the distribution of equipment would be reviewed and steps would be taken to repair the equipment.

- For up-gradation of the Computer Centre, a non-recurring grant of Rs. 12 lakh was approved (January 2007) by the UGC. An amount of Rs. 9.60 lakh was released (January 2007) for utilization during 2006-07 towards purchase and setting up of servers, line printer and network equipment/infrastructure. Audit scrutiny revealed that as the said grant was not utilized during the year, the University lost the opportunity of upgrading the Computer Centre because conditions attached to the release of grant did not provide for carryover of unspent grants to the next financial year. Inaction of the University had not only blocked the funds but also attracted interest of Rs. 0.67 lakh, (six *per cent)* per annum up to February 2008 as per stipulations of the release order.

  The Director, Computer Centre stated (February 2008) that the Registrar of the University had been requested to forward the request to UGC for extension in time for placing supply orders for purchase of the equipment. The Registrar, however, stated (April 2008) that the funds would be utilised in 2008-09 in case the validity of the sanction was extended.

3.1.12 Non-preparation of accounts

Article 38 of the Jammu and Kashmir Universities Act 1969 requires the University to get annual accounts audited by an auditor appointed by the Government. Further, an Expert Committee constituted by the Union Government, Ministry of Finance, on the recommendations (1998) of a Parliament Committee on Papers also prescribed (November 2000) a common format of accounts[2] for all the autonomous bodies. The University had not, however, prepared its annual accounts since its inception; consequently, the true financial position of the University could not be ascertained. Despite having been pointed out in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2002, no action had been taken in this regard, indicating lack of commitment on the part of the University in preparing the accounts and ensuring transparency in its activities. The Registrar assured (April 2008) that the annual accounts would be maintained and audited as per the University Act.

Cash Books in respect of Corpus fund, Payment Seat Fund and Development Fund/Infrastructure-Auditorium Fund were not maintained in the prescribed form. Ledger accounts were not maintained in the prescribed form. Bank reconciliation had not been conducted and Asset Register had not been maintained. The

2 Balance Sheet, Income and Expenditure Account, Receipt and Payment Account, Schedules to these financial statements, disclosure of accounting policies, etc.

University assured (April 2008) that cash books in respect of all funds, ledger accounts/asset register would be maintained and bank reconciliation would be conducted.

3.1.13 Physical verification

As per Rule 8.28 of the J&K Financial Code Vol-I, physical verification of stores is required to be conducted at least once a year to avoid loss due to fraud, theft or negligence. Similarly, as per Statutes of the University, physical verification of library has to be conducted every three years.

Audit scrutiny revealed that neither the periodical inspection nor annual physical verification had been conducted. Physical verification of Central Library (Dhanvantry Library), which had a collection of nearly 3.5 lakh books and 250 current periodicals had also not been conducted.

Scrutiny also revealed a delay of 11 to 4,699 days in returning 61 books which attracted overdue charges of Rs. 8,566 which had not been recovered from the concerned borrowers. In addition, 95 books costing Rs. 22,874 borrowed from the library, one to 18 years back, had not been returned to the Central Library (March 2008).

3.1.14 Internal audit

Internal audit is an important component of internal control mechanism. After finalizing audit plans annually, the internal audit wing was required to conduct audit in Post Graduate Departments and Administrative Sections to ensure economic, efficient and effective functioning. Audit was not conducted by internal audit wing of the University during 2002-05 and 2006-07 and only 30 *per cent* of the PG Departments were covered by the wing during 2005-06. The Registrar stated (April 2008) that steps would be taken to strengthen the internal audit wing so that the records of the University are subjected to check at regular intervals. The reply is not tenable as the wing had adequate strength, as sanctioned.

3.1.15 Conclusion

The University has distinguished itself by qualifying for ISO certification. However, there are significant weaknesses in the control environment relating to academic activities of the University as evidenced by non completion of research projects, delays in declaration of results, issuance of degrees and undervaluation of answer scripts. No emphasis was laid on linking of undergraduate courses to employment opportunities as detailed in the Tenth Plan. Granting of affiliations to a number of colleges contravened regulations. Accountability is affected as accounts have not been prepared since the inception of the University.

3.1.16 Recommendations

- The projects/research works undertaken by the students/scholars need to be monitored properly.

- Efforts should be made to fulfill the requirements of the Tenth Plan to inculcate skills in the students at graduate and undergraduate levels, to launch them into professional world on completion of their education.
- The process of evaluation of answer scripts, declaration of results and issuance of degrees needs to be improved with emphasis on standardisation and timeliness.
- Accounts should be prepared expeditiously and got audited by the auditors appointed by the Government, to ensure transparency in the activities of the University.

Education Department

3.2 National Programme of Nutritional Support to Primary Education (Mid Day Meal Scheme)

The Mid Day Meal scheme was launched by the Government of India in the State on 1st September 2004 with the objective of boosting primary education by increasing enrolment, retention and attendance of students in Government schools and EGS centres. While the implementation of the programme resulted in an increase in the rate of attendance of the students in the schools the actual enrolment has declined during 2004-08.

Highlights

- **The average utilisation of funds during 2004-08 was only 41 *per cent*.**

  (Paragraph: 3.2.8.2)

- **Average consumption of food grains per child per school day during 2005-08 was only 77.90 gms, against 100 gms envisaged in the programme guidelines.**

  (Paragraph: 3.2.9.2)

- **There was no mechanism to ascertain that food grains supplied conformed to the FAQ specification, so that it did not have any adverse impact on the children.**

  (Paragraph 3.2.9.6)

- **Infrastructure was inadequate; Rs. 34.89 crore, released during 2006-08, for construction of kitchen-cum-store were not utilised; as a result meals were prepared in class rooms and open spaces.**

  (Paragraph: 3.2.10.1)

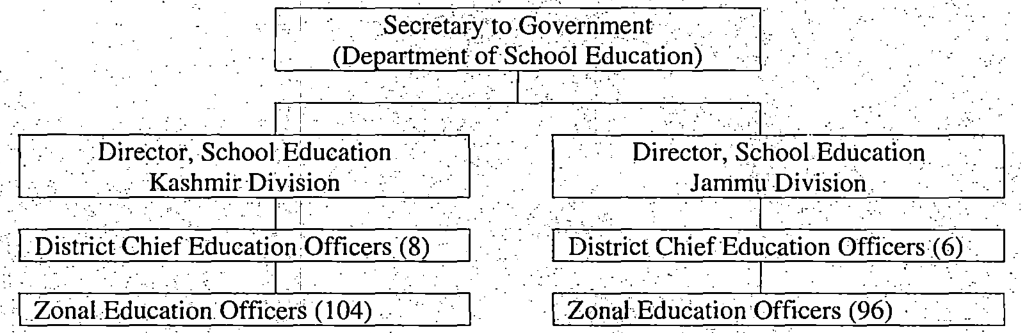
3.2.1 Introduction

The National Programme of Nutritional Support to Primary Education, popularly known as 'Mid Day Meal Scheme' (MDMS), was launched by the GOI in the State on 1st September 2004 with an initial coverage of about one lakh children. The objective of the scheme is to boost universalisation of primary education by increasing enrolment, retention and attendance and also to provide nutrition to children at primary level. The scope of the scheme was expanded to cover all the children up to Class V in Government Schools and Employment Guarantee Scheme (EGS) centers from 1st April 2005.

3.2.2 Organisational setup

The scheme is implemented through the Department of School Education which acts as the nodal agency. The implementation of the scheme is being overseen at the district level by the Deputy Commissioner and at the village level by the Village Education Committees (VEC). The organisational set up for implementation of the scheme is as indicated in Chart 3.2.1:

Chart-3.2.1



3.2.3 Scope of audit

The performance audit of the MDMS was conducted between May and July 2008 by a test-check of the records of the Administrative Department, both the Directors of School Education, 10 (out of 14) Chief Education Officers and 174 schools/EGS centres (out of 22,053 schools/EGS centres) selected on random sampling basis, covering the period 2004-08.

3.2.4 Audit objectives

Performance audit of the scheme was carried out to verify whether:

- the scheme achieved its principal objective of universalisation of primary education by improving enrolment, attendance and retention of children;
- the scheme achieved its secondary objective of improving the nutritional status of children in the primary classes;
- meals were provided to students as per norms;
- infrastructure as envisaged under the scheme was created and utilised properly;
- financial management was efficient and funds provided were utilised effectively to achieve the annual targets; and
- proper monitoring was carried out.

3.2.5 Audit criteria

Audit findings were benchmarked against the following criteria:

- Guidelines of the scheme.
- Quality assurance norms of food.
- Financial rules of the State.
- Prescribed monitoring mechanism.

3.2.6 Audit methodology

Before taking up the review, an entry conference was held with the Secretary, Education Department in May 2008 wherein audit objectives, scope and criteria were discussed. The findings arising from the audit were also discussed with the

Secretary, Education Department in September 2008 in an exit conference and the views of the Department have been suitably incorporated in the review at appropriate places.

Audit findings

Significant audit findings are discussed below.

3.2.7 Planning

Guidelines of the programme require the State Government to prepare a comprehensive Annual Work Plan and Budget (AWP&B) based on the information maintained at school level and consolidated at Block, District and State level. The AWP&B should contain the details of management structure, implementation process, monitoring system, evaluation studies, assessment and requirement of foodgrains and funds for implementation of the programme. The nodal agency had not prepared AWP&B during 2005-07 and had been submitting the details only of enrolment to the GOI, for seeking assistance under the scheme.

Based on the enrolment figures furnished by the nodal agency, the GOI provides funds for various components of the scheme viz. conversion cost, construction of kitchen-cum-store (KS), kitchen devices and monitoring, management and evaluation. The GOI also allocates food grains and transportation cost thereon based on enrolment data and requirement projected by the State Government. The food grains are lifted from Food Corporation of India (FCI) godowns by the CAPD[3] and supplied to the district depots for lifting by the schools on the basis of monthly indents issued by the Zonal Education Officers.

3.2.8 Financial management

3.2.8.1 Funding Pattern

Funds required for implementation of the programme are released by the GOI in two equal instalments in April/May and September/October each year. Release of second instalment is based on the progress of expenditure incurred out of the first released instalment. Various components of the scheme to be financed by the Central and State Governments and changes over the years are summarised in the Table 3.2.1:

3 Consumer Affairs and Public Distribution Department

Table 3.2.1

Components of the scheme to be financed	September 2004 to June 2006		July 2006 onwards		October 2007 for Upper Primary in Educationally Backward Blocks(EBB)	
	Central	State	Central	State	Central	State
Food grains	Cost of 100 grams of food grains per child per school day reimbursed to FCI	Nil	Cost of 100 grams of food grains per child per school day reimbursed to FCI	Nil	Cost of 150 grams of food grains per child per school day reimbursed to FCI	Nil
Transportation	From 1.10.2004 Subsidy at the rate of Rs. 100 per quintal	Remaining cost of transportation	Subsidy at the rate of Rs 100 per quintal	Remaining cost of transportation	Subsidy at the rate of Rs. 125 per quintal	
Cost of cooking	Re.1 per child per school day	Remaining cost of cooking	Rs. 1.50 per child per school day	State to contribute a minimum of Rs. 0.50 per child	Rs. 2 per child per school day	State to contribute a minimum of Rs. 0.50 per child
Infrastructure	Construction of Kitchen: Funds available under SGRY, NSDP, SJSRY[4]	Remaining cost	Cost of kitchen: Maximum of Rs. 60,000 per unit per school and funds available under other development programme			
	Drinking water: Funds available under SSA, ARWSP[5] and Swajaldhara programme		Kitchen Devices: Over all average of Rs. 5,000 per school for the State on actual expenditure basis and funds available under other development programmes.			
	Utensils: Funds available under SSA from annual school grant of Rs. 2,000 per school					
Monitoring Management and Evaluation	Not less than 0.9 *per cent* of the total assistance on food grain, transport and cooking cost for 2004-05	Nil	Not less than 1.8 *per cent* of the total assistance on food grains, transport and cooking from 2005-06			

4 SGRY (Sampoorna Grameen Rozgar Yojana), NSDP (National Slum Development Programme) SJSRY (Swarna Jayanti Shehri Rozgar Yojana)

5 SSA (Sarva Shiksha Abhiyan), ARWSP (Accelerated Rural Water Supply Programme)

3.2.8.2 Allocation and expenditure

The details of year-wise budget allocation and expenditure incurred thereagainst are given below:

Table 3.2.2 (Rupees in crore)

Year	Opening balance	Allocation			Expenditure			Closing balance[6]	Percentage utilisation
		GOI	State share	Total	GOI	State share	Total		
2004-05	-	2.47	2.10	4.57	-	1.46	1.46	2.47	32
2005-06	2.47	14.70	5.00	22.17	4.34	4.84	9.18	12.83	41
2006-07	12.83	48.23	6.95	55.18	19.32	6.95	26.27	41.74	48
2007-08	41.74	39.16	11.86	92.76	30.46	10.86	41.32	50.44	45
Total		**104.56**	**25.91**	**174.68**	**54.12**	**24.11**	**78.23**		

(Source: Planning Department)

As is evident from the above, the average utilisation of funds was only 41 *per cent* during 2004-08. The short utilisation of funds was attributed (August 2008) by the Joint Director (Planning) to late receipt of the concurrence of Finance Department for utilisation of Central assistance by the implementing agencies. Audit scrutiny revealed that Rs. 57.23 crore, released by the GOI during 2004-08, were released to the implementing agencies by the State Government after delays ranging between two and 12 months, averaging four months, as tabulated below:

Table 3.2.3

Year	Date of release of funds by the Government of India	Amount (Rs in crore)	Released to Directorate Jammu and Kashmir	Period of delay
2004-05	22.03.2005	2.47	08 July 2005	3 Months
2005-06	30.05.2005	1.87	08 September 2005	3 Months
	22.02.2006	12.82	27 June 2006	4 Months
			14 February 2007	12 months
2006-07	22.12.2006	11.47	22 March 2007	3 Months
2007-08	30.05.2007	8.73	09 August 2007	2 Months
	23.11.2007	13.71	20 February 2008	3 Months
	3.10.2007	6.16	03 January 2008	3 Months

The delay in the release of funds resulted in issuance of uncooked food grains to the students in Leh and Kargil districts. The cooking cost in other districts, due to delayed release, was either met by the teachers from their own pockets or the expenditure had been met out of the local funds otherwise meant for improvement of the schools. It was also seen that the amount of Rs. 12.82 crore released in

[6] State share not included in closing balance as it lapses at the close of the financial year. GOI funds are revalidated.

2006-07 was shown to have been fully spent during 2005-06 by the Assistant Director Planning, resulting in overstatement of expenditure during the year.

3.2.8.3 Component-wise allocation and utilisation

Various components of the scheme on which expenditure was incurred were cooking[7] cost (Rs. 72.65 crore), kitchen infrastructure (Rs. 5.57 crore) and monitoring (Rs. 1.30 lakh) as detailed below.

Table 3.2.4

(Rupees in crore)

Year		2004-05		2005-06		2006-07		2007-08		Total	
		State	Centre	State	Centre	State	Centre	State	Centre	State	Centre
Cooking	A	2.10	2.47	5.00	14.69	6.95	11.47	11.86	33.59	25.91	62.22
	E	1.46	-	4.84	4.33	6.95	19.32	10.86	24.89	24.11	48.54
Construction of kitchen-cum-store	A	-	-	-	-	-	30.52	-	4.37	-	34.89
	E	-	-	-	-	-	-	-	-	-	-
Kitchen	A	-	-	-	-	-	5.60	-	0.36	-	5.96
	E	-	-	-	-	-		-	5.57	-	5.57
Monitoring	A	-	-	-	0.01	-	0.64	-	0.84	-	1.49
	E	-	-	-	0.01	-	-	-	-	-	0.01

Source: Figures supplied by the State Government (Planning Department) (A: Allocation; E: Expenditure)

As can be seen above, the Department had utilised only Rs. 72.65 crore as cooking cost during 2004-08 against the allotment of Rs. 88.13 crore. An amount of Rs. 34.89 crore allotted for construction of KS in schools during 2006-08, had not been utilised and food grains were stored and meals were prepared in classrooms as brought out in paragraph 3.2.10.1. Rupees 36.40 lakh received during 2007-08 for purchase of kitchen devices for 728 Educationally Backward Blocks (EBB) had not been released by the State Government to the implementing agencies. Out of Rs. 1.48 crore provided (2005-08) for Monitoring, Management and Evaluation (MME), Rs. 1.47 crore remained un-utilised as of August 2008 as brought out in paragraph 3.2.13.

3.2.8.4 Utilisation certificates

The State Government is required to submit utilisation certificates (UCs) for the amount released by the GOI to ensure release of subsequent instalments. Any balance remaining unspent is deducted from subsequent releases. Against an amount of Rs. 70.51 crore[8] due on account of cooking cost payable in two instalments during 2004-08, the State Government received only Rs. 51.07 crore (in respect of primary stage) as the first instalment, after deducting the unspent balance of Rs. 6.89 crore for the years 2004-07. As the State Government failed to submit UCs, the second instalment for the years 2005-06 and 2006-07 were not released, entailing loss of financial assistance of Rs. 19.44 crore which had been met partly by the State Government from its own resources.

7 Conversion cost and honorarium for cooking provided under State share

8 Based on the sanctions issued by the Government of India

The Assistant Director, Planning stated that due to late receipt of information from the field functionaries, UCs could not be submitted in time. The reply is indicative of failure of the Department to evolve a mechanism to gather the required information from its field functionaries even after three years of operationalisation of the programme.

3.2.8.5 Allocation and expenditure of cooking cost

Based on the enrolment figures of the State Government, the cost of cooking to be released by the GOI was Rs. 72.53 crore during 2004-08. However despite short release of funds relating to cost of cooking by GOI/State Government, the Department was not able to utilise the available funds, as tabulated below:

Table 3.2.5

(Rupees in crore)

Year	Cost of cooking due [9]			Funds Released			Expenditure		
	GOI	State	Total	GOI	State	Total	GOI	State	Total
2004-05	NA	NA	NA	2.47[10]	2.10[7]	4.57[7]	Nil	1.46[7]	1.46[7]
2005-06	18.02	9.00	27.02	14.69	5.00	19.69	17.16[11]	4.84	22.00
2006-07	27.08	6.77	33.85	11.47	6.95	18.42	6.49	6.95	13.44
2007-08	27.43	6.85	34.28	33.59	11.86	45.45	24.89	10.86	35.75
Total	**72.53**	**22.62**	**95.15**	**62.22**	**25.91**	**88.13**	**48.54**	**24.11**	**72.65**

(Source: Statement furnished by the Nodal agency.)

As can be seen from the above table, against the due amount of Rs. 95.15 crore as cooking cost covering both primary and upper primary students, an amount of Rs. 88.13 crore was released as cooking cost by the GOI/State Government during 2005-08. The Department could utilise only Rs. 72.65 crore (82 *per cent*) of the released amount for the purpose. The cooking cost as such was allocated in excess of requirement due to incorrect data relating to enrolment and resulted in non-utilisation of Rs. 4.53 crore, despite short release of Rs. six crore during 2006-08 in the test checked districts. On the other hand, despite availability of funds for cooking, 47 schools in three districts short-received cooking cost amounting to Rs. 4.45 lakh. Consequently, meals were not served in these schools for the prescribed number of days.

As per the guidelines, honorarium for cooking of meals was to be borne by the State Government. However, against Rs. 25.91 crore released by the State Government between 2004-05 and 2007-08 for the purpose, the Department utilized Rs. 24.11 crore and expended Rs. 9.72 lakh from Central Assistance, in contravention of the programme guidelines. The CEO Jammu stated (June 2008) that since State funds was not provided for payment of honorarium to cooks in Employment Guarantee Scheme (EGS) centres, the amount was met from the Central Assistance.

9 Calculated for 180 days, 185 days and 196 days for the years 2005-06, 2006-07, 2007-08 respectively

10 Not included in the totals

11 Including Rs. 2.47 crore released during 2004-05

3.2.9 Programme Implementation

Food grains required for implementation of the scheme were provided free of cost by the GOI through the FCI based on the requirement projected by the State Government, as worked out from the enrolment figures.

3.2.9.1 Enrolment

A system of reliable and consistent data capture with regard to enrolment figures was crucial for successful implementation of the programme, as it provided the starting point and formed the basis for assessment of the requirement and allocation of foodgrains by the GOI. The State Government did not establish a reliable and consistent data capture system with regard to enrolment figures. The enrolment figures communicated to GOI were far in excess of the actual enrolment during 2004-07 as depicted in the table below.

Table 3.2.6

Year	Enrolment figures communicated to GOI (covered)	Allocation of food grains (in quintals)	Actual[12] enrolment	Due allocation[13] (in quintals)	Excess allocation (in quintals)
2004-05	NA	221633	NA	NA	NA
2005-06	1028425	187579	1001081	180195	(+) 7384
2006-07	1093613	195515	975954	180551	(+) 14964
2007-08	932972	182862[14]	932972	182862	Nil
Total					22,348

(Source: GOI releases; NA: Not available)

The details of actual number of children covered and foodgrains lifted/consumed during 2004-05 under the programme launched (September 2004) with an initial coverage of one lakh children were not available with the Department. In respect of the years for which data was made available to audit, it was seen that due to projection of inflated figures, an excess allocation of 2,234.80 MTs of food grains was made by the GOI. The Joint Director (Planning) stated that discrepancies in figures would be looked into and got clarified from the Directors, which indicated non-existence of a reliable database at the apex level.

3.2.9.2 Lifting of foodgrains

The main objective of the scheme, besides providing nutritional support, was to increase enrolment of students at primary level. However, despite increase in the attendance rate in schools, the enrolment of students decreased from 10,01,081 students in 2005-06 to 9,75,954 students in 2006-07 (decline of 2.5 *per cent*) and further declined to 9,32,972 students in 2007-08 (decline of 4.5 *per cent*). Reasons for decrease in enrolment of the students were yet to be furnished by the Department. Audit scrutiny in seven test-checked districts revealed that the

12 As per State budget

13 Calculated at a rate of 100 gms per child per school day for 180 days during 2005-06 and 185 days for 2006-07

14 Including unspent balance of 16,498 quintals of food grain as on 31.3.2007

decrease in enrolment ranged between 6 and 32 *per cent* (average 18 *per cent*) as indicated in Table 3.2.7.

Table 3.2.7

Name of the District	No. of schools covered	Enrolment as of April 2005	No. of dropouts as of March 2008	Percentage
Kathua	20	811	128	16
Kupwara	20	1040	328	32
Udhampur	20	705	54	8
Pulwama	20	1781	439	25
Rajouri	20	873	54	6
Srinagar	10	280	32	11
Jammu	10	413	52	13
Total	**120**	**5,903**	**1,087**	

(Source: Departmental records)

Projection of excess enrolment resulted in allocation of excess foodgrains by the GOI. The State Government could not however, lift the entire quantity allocated nor could it use the quantity actually lifted from the FCI depots. The details are given below:

Table 3.2.8 (in Quintals)

Year	Opening balance	Allocation	Lifting	Utilisation	Closing balance
2004-05*	NA	2,21,633.00	NA	NA	NA
2005-06	NA	1,87,579.30	1,44,386.38	1,37,801.44	6,584.94
2006-07	6,584.94	1,95,514.74	1,38,085.71	1,28,551.81	16,118.84
2007-08	16,118.84	1,66,363.80	1,64,400.70	1,57,323.70	23,195.84
Total		**5,49,457.84**	**4,46,872.79**	**4,23,676.95**	

Source: Utilisation certificates submitted by Secretary Department of Education

* Figures for 2004-05 are not available with the Department, hence not included in the total figure

As can be seen from the above, against the allocation of 5,49,458 MTs, the Department lifted only 4,46,873 MTs (81 *per cent)* of food grains during 2005-08. The quantity lifted was not utilized in full and the shortfall ranged between four and seven *per cent* during the corresponding years.

The programme guidelines provided for serving of cooked meal on all working days at the rate of 100 gms per child per school day. It was however, seen that the average quantity of meals served was lower than the prescribed norms and ranged between 71 and 86 gms per child per school day during 2005-08 as detailed below:

Table 3.2.9

Year	Actual coverage	Utilisation of food grains [15] (in quintals)	Consumption (per child per school day) (in gms)
2004-05*	NA	NA	NA
2005-06	10,01,081	1,37,801.44	76.47
2006-07	9,75,954	1,28,551.81	71.19
2007-08	9,32,972	1,57,323.70	86.03

Source: Utilisation certificates submitted by Department of Education
*Figures for 2004-05 are not available with the Department.

Non serving of prescribed quantity of food was bound to affect the nutritional level of children thereby defeating the objective of the programme. Audit scrutiny of 30 schools (Jammu and Kathua) revealed that 4,171 children were provided less (totalling to 54.44 quintals) quantity of food during 2005-08, which was way below the prescribed norms. Scrutiny of records also revealed that the school days during which meals were not served, ranged between 12 and 21 *per cent* during 2005-06 and 2007-08 as tabulated below:

Table 3.2.10

Year	No. of schools (out of 49[16])	Enrolment	No. of days when meals were not served	Percentage with total number of schools
2005-06	45	1924	1863	20.59
2006-07	46	2027	1841	19.02
2007-08	39	2039	1191	11.67

Source: School records

It was seen in audit that mid day meals were mostly not served during the months of September and October in Jammu district and in the month of March in Baramulla district due to stock outs.

3.2.9.3 Serving of un-cooked food

Cooked meal was not served to the students in Leh district during 2005-06 and 2006-07 and in Kargil district during 2005-06. The CEO, however, provided dry foodgrains alongwith the cooking cost in cash in Leh, whereas only dry foodgrains were issued in Kargil district. In Paddar zone (Doda District), no mid day meal was served due to non-availability of food grains.

The CEOs Leh and Kargil stated that due to late sanction of food grains and cooking cost, uncooked food grains were distributed to the students. The scheme was not implemented in EGS centre Leh as the actual figure of enrolment was not submitted in time.

3.2.9.4 Transportation of food grains

As per the programme guidelines, transportation cost of food grains paid by the State Government was to be subsidized by the GOI to the extent of Rs. 100 per quintal. Quarterly claims, after verification by nodal agencies, were to be

15 Calculated for 180 days, 185 days and 196 days for the years 2005-06, 2006-07, 2007-08 respectively

16 Jammu: 11; Kathua: 19; Baramulla: 19

submitted to the GOI by the 15th of the month following the quarter. Audit scrutiny revealed that for lifting of 43,824 MTs of food grains during 2005-08, the State Government had not prepared the claim of Rs. 4.38 crore. The Assistant Director, Planning stated that the claims for transport subsidy were awaited from CAPD. The overall position of expenditure incurred/liabilities created on carriage of food grains from ration depots to schools could also not be assessed in audit as the necessary records had not been maintained by the ZEOs. The reimbursement charges incurred by the Department on carriage of food grains from ration depots to schools were met either by the teachers out of their pockets or out of the local funds of the school, This, besides contravening the guidelines, also obviously affected the activities in the schools for which the funds were meant.

In respect of four[17] CEOs, 1,226.07 MTs of rice contained in 2,45,215 lakh gunny bags were utilised by the Department during 2004-08. The stock of empty bags had not been maintained either at the District or at the Zonal level. Failure to maintain the account of stock or disposal thereof by way of sale resulted in foregoing of the revenue of Rs. 17.06 lakh[18].

The CEOs stated that necessary instructions would be issued to ZEOs/schools to maintain stock account of empty gunny bags.

3.2.9.5 Reconciliation of food grains

Scrutiny revealed differences between the quantity of food grains shown to have been supplied by the CAPD and that actually lifted by the State agencies between 2004-08 as tabulated below:

Table 3.2.11 (in quintals)

Name of district[19]	2004-05		2005-06		2006-07		2007-08	
	Food grains lifted by Chief Education officers	Food grains shown issued by CAPD	Food grains lifted by Chief Education officers	Food grains shown issued by CAPD	Food grains lifted by Chief Education officers	Food grains shown issued by CAPD	Food grains lifted by Chief Education officers	Food grains shown issued by CAPD
Jammu	1361.67	1481.20	7701.95	7859.50	5913.38	10107.90	10517.30	10576.40
Kathua	1033.98	932.90	7008.06	6264.80	6966.96	6371.30	8982.46	9173.50
Udhampur	775.95	505.70	10558.99	9766.90	17344.39	15399.10	19118.00	18471.40
Doda	2321.06	405.10	10825.64	11808.20	15181.16	15575.80	15924.40	18229.00
Rajouri	937.27	546.00	10049.03	10768.30	11069.13	10737.50	11705.80	13880.70
Poonch	278.98	666.30	11164.52	11157.20	10317.45	11139.50	15377.70	12297.00
Srinagar	Not provided	Not provided	6869.07	7130.00	6973.80	7124.00	6961.40	7895.00
Budgam			9414.00	9170.00	8630.50	8151.00	9076.20	8990.00
Anantnag			17591.00	17560.00	13247.00	13102.00	17918.70	18528.00
Pulwama			9365.00	9360.00	7523.10	7495.00	10883.30	10967.00
Baramulla			23555.00	23600.00	15516.00	16550.00	20310.90	18717.00
Kupwara			11778.00	11780.00	14301.20	29982.00	15189.70	14157.00
Total	**6708.91**	**4537.20**	**135880.26**	**136224.90**	**132984.07**	**151735.10**	**161965.86**	**161882.00**

Source: Departmental records of Directorate of Food and Supplies and Directorate of Education Jammu

17 Jammu, Udhampur, Kathua, Rajouri

18 At an average rate of Rs. 7 per bag

19 Includes three CEOs: Budgam, Doda and Poonch on the basis of information furnished by Directorate of School Education/CAPD

While the figures relating to the Kashmir division were not furnished by the Department, the details relating to Jammu division showed that against 4,54,379.20 quintals of food grains shown to have been supplied by CAPD during 2004-05 and 2007-08, the quantity actually lifted by the State agencies was 4,37,539.10 quintals, showing a difference of 16,840.10 quintals, between the two sets of figures. The possibility of pilferage due to non-reconciliation of figures cannot be ruled out. The Director School Education, Jammu stated that the figures would be reconciled.

3.2.9.6 Quality of food grains lifted

As per the scheme, FCI is to issue food grains of the best available quality which should be of at least Fair Average Quality (FAQ). The Chief Education Officers were expected to ensure that FAQ food grains are issued. A joint inspection by the representatives of the FCI and the Department was to be conducted before lifting foodgrains. Test check of records revealed that no such inspection was ever conducted, to ensure that food grains conformed to the specifications.

The CEO Jammu, stated (September 2008) that no such mechanism existed in the Department to check and ensure that the quality of food grains lifted were of FAQ.

The CEO, Pulwama, stated (September 2007) that some times food grains supplied were not of FAQ. It was also stated that when objections were raised by the schools, the Department expressed its helplessness due to the fact that the food grains were being provided by the FCI. The Department had failed to develop a mechanism by which the ration consignments could be checked to ascertain that food grains supplied conformed to the FAQ specification so that it did not have any adverse impact on the children.

3.2.10 Infrastructural facilities

The programme guidelines envisaged creation of a *pucca* KS, providing of kitchen devices and clean drinking water for serving cooked food to the students. It was seen that the required infrastructure had not been created despite release of funds for various components to be covered under the scheme as detailed in the subsequent paragraphs.

3.2.10.1 Construction of kitchen-cum-store

The GOI released Rs. 34.89 crore for construction of 5,815 KS during 2006-08. It was, however, ~~seen that KS had not~~ been constructed in any school and meals were prepared in class rooms and open spaces, exposing the children to health hazards, besides disrupting the regular classes. The class rooms were also being used for storage of food grains, thereby reducing the space for classes to be held.

The Government stated (May 2008) that the cost of construction of a KS had been estimated at Rs. 0.85 lakh and it was not possible to construct the infrastructure within the amount of Rs. 0.60 lakh per KS fixed and provided by the GOI. The differential amount of Rs. 0.25 lakh was an obstacle in the construction of KS.

Four[20] CEOs, however, stated that the funds were received at the fag end of the financial year (March 2008). No steps had been taken by the Department to get the enhanced cost approved by the Government. The Department could have utilized the funds for creation of the infrastructure in some schools, pending clearance from the Government, to avoid further escalation in cost.

3.2.10.2 Drinking water facility

Drinking water facilities at schools/centres were to be provided to students under the ARWSP[21]. Audit scrutiny revealed that drinking water facility was not available in 8,654 out of 22,053 schools, thereby defeating the objective of the scheme.

3.2.11 Health interventions

The guidelines of the scheme envisaged that the scheme should be complemented with appropriate interventions relating to micro nutrient supplements and through administration of six monthly doses of de-worming and vitamin supplements, and weekly iron, folic acid, zinc and other appropriate supplements depending on the common deficiencies found in the local area. The Department had not addressed this issue. On this being pointed out, it was stated that the Health and Medical Education Department had been requested for implementation of the programme under National Rural Health Mission.

3.2.12 Impact of the Programme

3.2.12.1 Impact on teaching

As per the guidelines, teachers should not be assigned the responsibility for organising mid-day meals to the students, as that would interfere with the teaching and learning activities. However, test-check of records of 140 (out of 174) schools revealed that teachers were involved in non-teaching jobs like purchase of vegetables and other ingredients for the meals and for procurement of food grains which cut their teaching hours from half an hour to 15 hours a week. Thus, the scheme affected imparting primary education to children. Cognizance of this aspect was taken in the meeting held (April 2007) by the Secretary, Department of School Education (GOI) with the State functionaries. No action had been taken by the Department to prevent interference of the programme on teaching activities, as the cut in teaching hours persisted during the year 2007-08 also.

3.2.12.2 Nutritional status

As per the guidelines of the scheme it was the responsibility of the State Government to ensure that wholesome cooked mid day meal of satisfactory quality and nutritious value was served. However, the State Government had not fixed the quality and quantities of affordable food items within the prescribed amount (Rs. two), to provide the desired level of nutrition. Therefore, it was not possible to assess the nutritional value of meals actually provided to the children.

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20 Jammu, Udhampur, Kathua, Rajouri

21 Accelerated Rural Water Supply Programme

3.2.13 Monitoring and evaluation

The scheme provides for grant of Central assistance for management, monitoring and evaluation (MME) at the rate of not less that 2 *per cent* of the total assistance on supply of food grains, actual cost on transportation of food grains and cooking cost. The allocation under this component is contingent upon submission of detailed and separate annual work plans for approval by the National Steering-cum-Monitoring Committee (NSMC). The assistance is to be used for (a) School level expenses, (b) Management supervision, training and internal monitoring and (c) external monitoring and evaluation. Under the guidelines, the responsibility of monitoring and evaluation was to be entrusted to the Universities of Kashmir and Jammu.

Detailed and separate action plans were not sent by the State for approval by the NSMC. However, the GOI had sanctioned Rs. 1.48 crore during 2005-08 as Central assistance for MME out of which, Rs. 1.47 crore remained unutilised as of March 2008. As a result, neither important items such as weighing machines and height recorders were purchased, nor the funds for replacement/repair/maintenance of cooking devices, etc. were provided. The Department had also not entrusted the job of monitoring and evaluation to the Universities as envisaged. The Assistant Director (Planning) stated that Rs. 63.20 lakh sanctioned in 2006-07 were not released by the GOI and the GOI had been requested to revalidate Rs. 83.97 lakh released in 2007-08. It was further stated that the Director, Economics and Statistics, J&K had been entrusted with the job of evaluation.

The State Government is required to fix monthly targets for inspection of meals served in schools/EGS centres by the designated officers of Rural Development Department, Urban Administration, School Education, Women and Child Administration, Health and Family Welfare, Food and Supplies Department, etc. at district, sub-district and block levels. On an average, 25 *per cent* of the primary schools and EGS centres were to be visited at least in a quarter so that all schools are covered during a year. No such inspection had been carried out to ensure that the programme was being implemented satisfactorily.

The Department stated that instructions had been issued for carrying out inspection as per guidelines of the scheme.

3.2.14 Conclusion

The scheme was implemented without ensuring accurate data relating to enrolment of students in primary classes. As a result, there was projection of excess requirement and excess allocation of foodgrains with consequent short lifting and short utilisation. Implementation of the scheme was impeded due to lack of supporting infrastructure, as funds released for construction of KS were not utilised and basic facilities like drinking water were not provided to the students. Quality and quantum of food supplied to the students were not as per norms. Nutritional status of the students was not addressed and there was no system for measuring the relationship between the nutritional support programme and the status of the enrolment, attendance and dropout ratio. Monitoring system was deficient, as the Department had not carried out inspections at specified intervals and the funds allocated in this regard remained unutilised.

3.2.15 Recommendations

- The State Government should set up a centralised and reliable database relating to the enrolment, attendance and dropout details.
- Requirement of foodgrains should be assessed on an annual basis with reliable inputs from the school level and the allotted quantity should be lifted and utilised on a timely basis.
- Regular health check ups should be introduced in the schools and micro-nutrient supplements and de-worming medicines should be provided to the children.
- Monitoring mechanism should be strengthened and enforced effectively, so as to secure accountability at various levels of programme implementation.

Housing and Urban Development Department

3.3 Srinagar Development Authority

The Srinagar Development Authority was established with the objective of promoting and securing the development of the local area of Srinagar city in accordance with the approved Master Plans. To achieve the objectives, the Authority is vested with powers to acquire, hold, manage and dispose of land and other property and carryout building and engineering operations. A review of the functioning of the Authority during 2003-08 revealed that although it succeeded in generating substantial internal resources, the main objectives were not achieved fully due to non-implementation of Master Plans. Although the Authority pulled up the arrears in its accounts to a large extent, it is yet to appoint auditors to certify these accounts for submission to the State Legislature.

Highlights

- **Failure to implement Master Plan of Srinagar City resulted in its unplanned development.**

  (Paragraph: 3.3.7)

- **While there was a significant increase in revenue generation from internal resources during 2003-08, utilisation of available resources ranged between 34 and 48 *per cent* only.**

  (Paragraph: 3.3.8.1)

- **Works costing Rs. 1.22 crore were got executed by the Authority during 2004-08 without invitation of tenders, in violation of rules.**

  (Paragraph: 3.3.9.3)

- **National Slum Development Project (NSDP) funds (Rs. 2.43 crore) were spent in contravention of scheme guidelines. Subsidy for construction of dwelling units under VAMBAY was allowed to non-deserving beneficiaries.**

  (Paragraphs: 3.3.9.4 and 3.3.9.5)

- **Lack of internal control and monitoring mechanism resulted in non-realisation of Rs. 7.48 crore on account of premia and rent of built-up assets.**

  (Paragraphs: 3.3.13)

3.3.1 Introduction

The Srinagar Development Authority (Authority) was constituted in February, 1971 in pursuance of Section 3(1) of the Jammu and Kashmir Development Act

1970 to promote and secure development of the local area[22] of Srinagar city according to the approved Master Plans. The Authority is vested with the powers to acquire, hold, manage and dispose off land and other property, and carryout building and engineering operations and execute allied works. The first Master Plan (1971-91), with a twenty year perspective, was approved in the year 1976. The second Master Plan (2000-2021), prepared in 1999, was approved for implementation by the Government in January 2003. The boundaries of the local area were increased from 236 to 416 square kilometers for planning under the second Master Plan, covering a population of 23.50 lakh by 2021.

3.3.2 Organisational set up

The Authority functions under the administrative control of the Housing and Urban Development Department. The organizational set up of the Authority is indicated in the following chart.

Chart-3.3.1

3.3.3 Scope of audit

The performance of the Authority was last reviewed under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971 in 1998 and observations included in the Audit Report of the Government of Jammu and Kashmir for the year ended 31 March 1999. The review was discussed (July/December 2000) in the Public Accounts Committee (PAC) and recommendations (42nd Report/March 2001) were communicated to the Authority, wherein the Authority was directed to submit a comprehensive report on steps taken to avoid the lapses highlighted in the Audit Report, besides furnishing the particulars of the officers responsible for the lapses. However, the Action Taken Note (ATN) was awaited (September 2008) even after seven years. In the absence of the ATN, the action taken by the Authority on the recommendations of the Committee could not be ascertained. The present review, conducted during July to December 2007, covers the period 2003-08. The review has taken into account past developments also, wherever necessary. The audit was

22 Local area is the area declared as such by the Government for development by the Authority.

conducted through a scrutiny of records of the offices of Vice-Chairman, Financial Advisor and Chief Accounts Officer, Director Land Management, Executive Engineer and Deputy Director Stores.

3.3.4 Audit objectives

The performance audit of the Authority was undertaken to assess whether:

- the objectives of setting up the Authority were achieved;
- financial management was efficient and effective;
- short and long term plans were formulated and implemented for planned development of the city;
- the benefit of projects/schemes accrued to the intended sections of the society and
- monitoring and internal control system was effective for timely redressal of public grievances.

3.3.5 Audit criteria

The performance of the Authority was assessed against the following criteria:

- Jammu and Kashmir Development Act 1970 and rules framed thereunder.
- Master/Divisional/Zonal and Annual Plans.
- Jammu and Kashmir Financial Rules.
- Decisions of the Board of Directors.

3.3.6 Audit methodology

Audit objectives and the criteria were discussed in an entry conference held with the Vice-Chairman of the Authority on 17th July 2007. The projects and transactions were selected on simple random sampling basis and findings were supported by interviews wherever necessary. An exit conference was held on 10 September 2008 with the Commissioner-cum-Secretary, Housing and Urban Development Department and the replies of the Department/Authority have been incorporated in the report at appropriate places.

Audit findings

Important points emerging from the performance review are brought out in the succeeding paragraphs.

3.3.7 Planning

The Authority is mandated to prepare Master Plans defining the zones into which the local area is to be divided and indicating the phased approach for development of all the zones.

After a tardy implementation of the First Master Plan (1971-91) (commented upon in the CAG's Report 1998-99), the second Master Plan (2000-21) was approved by the Government in January 2003. The Plan envisaged development of Srinagar city in 15 planning divisions[23] (divided further into 232 zones) over 41625 hectares[24], covering a population of 23.50 lakh by the year 2021. However, the implementation of the Plan is yet to start in full swing due to the inability of the Authority to prepare Divisional/Zonal Plans. Despite the lapse of five years (2003-08), the Authority had not prepared a single Divisional/Zonal Plan and the developmental activities continued to be executed in an *adhoc* manner. Failure to implement the Master Plan contributed to unplanned development of the city, resulting in increase in unplanned/illegal/unauthorised constructions, environmental degradation with pollution of water bodies, traffic and parking impediments, encroachment upon Government land, etc. Thus, the purpose of having a Master Plan for planned development of Srinagar got defeated.

The Authority stated (June 2008) that the Zonal plans had not been prepared due to non-preparation of base maps. While the Authority has been pursuing the matter for preparation of base maps with various agencies/Departments[25] since 2005-06, it has not yet succeeded in its initiatives, which eventually delayed the implementation of Master Plan proposals.

3.3.8 Financial management

3.3.8.1 Allocation and expenditure

The Authority receives funds from the State and also from the Central Government for Centrally Sponsored Schemes (CSS). In addition, revenue is generated by the Authority through internal resources like premia and rent of shops and other built-up assets etc. The availability of funds and expenditure incurred by the Authority during 2003-08 was as under:

Table 3.3.1

(Rupees in crore)

Year	Opening balance[26]	Funds Received from		Internal receipts[27]	Total funds available	Total expendi-ture	Unspent balance	Funds Un-utilised (*per cent*)
		State Government	Central Government[28]					
2003-04	23.43	0.99	2.24	11.32	37.98	14.65	23.33	61
2004-05	23.33	2.30	1.20	15.69	42.52	20.55	21.97	52
2005-06	21.97	4.34	1.66	11.72	39.69	16.39	23.30	59
2006-07	23.30	0.16	2.70	20.41	46.57	18.17	28.40	61
2007-08	28.40	1.28	-	26.91	56.59	19.23	37.36	66
Total	**120.43**	**9.07**	**7.80**	**86.05**	**223.35**	**88.99**	**134.36**	

(Source: Figures provided by the Authority)

23 Divisions 'A' to 'P' (except 'O')

24 Developed use: 23854 hectares and un-developed use: 17771 hectares

25 National Remote Sensing Agency (NRSA), Remote Sensing Department, Economic and Reconstruction Agency and Ecology and Environment Department

26 Includes Plan works, Revenue/Capital receipts, D.C. Works, Stock Suspense, Debt & Deposit.

27 Includes Revenue/Capital receipts, D.C. Works

28 Includes assistance for centrally sponsored schemes like Valmiky Ambedkar Awas Yojana (VAMBAY), National Slum Development Project (NSDP) & Jawahar Lal Nehru National Urban Renewal Mission (JNNURM)

As can be seen from the above table, there has been a significant increase in revenue generation from internal resources during the five year period 2003-08. However, the utilisation of available funds during 2003-08 ranged between 34 and 48 *per cent* only, indicating poor financial management. The Authority had, obviously not been able to utilise the available funds either due to non-implementation of projects or delayed/non-execution of city projects/works as brought out in the review.

The reason for poor utilisation of resources was attributed (April 2008) by the FA&CAO to release of funds at the fag end of the year and non-feasibility of projects. This is not acceptable as the unspent balances/opening balance far exceeded the actual releases by the GOI/State during 2003-08.

3.3.8.2 Non-preparation of accounts

The Authority, in terms of the J&K Development Act, is required to prepare its annual accounts and have them certified by an auditor appointed by the Government. The certified accounts, along with the Report thereon, are to be presented to the State Legislature. Mention was made in the CAG's Report of 1998-99 about non-preparation of accounts and non-submission thereof to the Government. The Authority succeeded in pulling up the arrears in accounts from 1981-82 to 1998-99 during 1998-2007. As of June 2008, the accounts for the years 1999-2000 to 2005-06 have been compiled but are pending certification. The accounts for the years 2006-07 and 2007-08 are yet to be prepared. As a result, the correctness of accounts prepared upto 2005-06 could not be vouchsafed in audit. The FA&CAO stated (June 2008) that the matter regarding appointment of an auditor has been taken up with the Government.

3.3.8.3 Amounts remaining outside accounts

Earnest Money Deposit (EMD) of Rs. 5.63 crore received by the Authority for allotment of plots etc., up to March 2007, was invested (May 2006 to March 2007) in Fixed Deposit Receipts (FDR). Audit observed that the amounts were not reflected in the cash book from the date of their realisation to their investments and had, therefore, remained outside the accounts of the Authority. Money remaining outside the cash book is susceptible to misuse with the possibility of fraud/embezzlement. In reply, it was stated (May 2008) that it was not possible to open a separate account for the amount so received and that the interest received from the FDR had been entered in the cash book. This indicated incorrect maintenance of accounts by the Authority as these did not reflect a true and fair picture of the receipts/investments of the Authority.

3.3.8.4 Advances

- Temporary advances should not be left unadjusted at the close of the financial year. It was observed that Rs. 15.35 lakh [29] paid to 76 officers/officials as temporary advance was awaiting adjustment as of March 2008. Of these, 41 employees (advance amount: Rs. 3.50 lakh) had retired/expired/were transferred/ migrated (March 2008). The Authority

[29] Rs. 11.35 lakh paid prior to 2003-04 and balance Rs. four lakh paid during 2003-08

had not maintained any records to keep a watch over the un-adjusted advances. This carries the risk of the balances becoming unrecoverable with the passage of time. The FA&CAO assured (April 2008) that necessary steps would be taken to adjust/reduce the advances.

- Scrutiny of records revealed that the Authority had issued material worth Rs. 1.45 crore to various contractors during 2003-06. However, the Authority had not maintained records like Contractor's Register, Priced Stores Ledger and other important records in proper formats. As a result, the amounts actually recovered and recoverable from the contractors could not be worked out. Scrutiny of records further revealed that another sum of Rs. 1.12 crore was outstanding against 30 contractors on account of material issued to them prior to 1999. The Authority had not maintained records indicating the date of issue of material, name of the work for which the material was issued and cost thereof etc. and had not initiated any action to recover the outstanding amounts, except for publishing notices in the local dailies (1999). The FA&CAO stated (April 2008) that 30 contractors (amount outstanding: Rs. 1.12 crore) are not allowed to participate in tendering of further works of the Authority, while in case of others (outstanding amount: Rs. 1.45 crore), it was stated that the reconciliation was under process. However, action contemplated to recover the outstanding amounts from 30 contractors was not intimated.

3.3.9 Execution of development works

The Authority executes works for development of housing colonies, built-up assets such as flats, commercial/institutional buildings, shops, halls, complexes and parking lots. Scrutiny of records revealed cases of unplanned/unauthorised execution of development works as discussed below.

3.3.9.1 Execution of works without administrative approval and technical sanction

Financial Rules prohibit execution of works or incurring of expenditure, without obtaining Administrative Approval (AA) and Technical Sanction (TS) of the competent authority. The Authority took up nine projects/works estimated to cost Rs. 44.69 crore, for execution during 2003-08 without AA and TS (details in *Appendix* 3.3.1) and an expenditure of Rs. 12.63 crore had been incurred thereon as of March 2008. Taking up of works without obtaining AA and TS is violation of rules and tantamount to irregular execution of works.

The Authority stated (August 2008) that the works were taken up for execution after receipt of funds from the Government and the matter regarding accord of AA/TS was being taken up with the Administrative Department. However, mere allotment of funds did not bestow the Authority with permission to execute the works in anticipation of accord of AA/TS.

3.3.9.2 Cost overrun

Scrutiny of works taken up by the Authority during 2003-08 revealed that 17 works (details in *Appendix* 3.3.2) taken up at an estimated cost of Rs. 4.04

crore, were completed at a cost of Rs. 4.91 crore due to inclusion of additional items/quantities. The excess over allotted cost on these works ranged between 12 and 90 *per cent.* Apart from being irregular, this was also in violation of the orders of the Authority stipulating that all factors were to be taken into account while formulating the estimates to avoid revision of costs at a later stage. The EE stated (June 2008) that costs had to be revised, as additional items of work/quantities increased the cost/work estimates. The midway revision of works indicates that initial estimates had not been prepared on a realistic basis.

3.3.9.3 Tendering

Financial rules provide execution/allotment of works at competitive rates and in a transparent manner by resorting to open tender system. Despite a comment on execution of works without invitation of tenders included in the CAG's Report 1998-99, 62 works[30] costing Rs. 1.22 crore had been allotted (2004-2006) to contractors without inviting tenders and assessing the reasonability/ competitiveness of rates. A perusal of the records, however, did not show that the works taken up on emergency grounds were emergent in nature which could not be tendered. The EE stated (July 2008) that the matter would be looked into.

3.3.9.4 Diversion of scheme funds

- National Slum Development Programme (NSDP), a Centrally Sponsored Scheme, envisages development of slum areas by providing basic amenities like shelter, water supply, health care, sanitation and roads. The Authority received Rs. 3.60 crore during 1999-2007 for implementation of the scheme. In contravention of the scheme guidelines, the Authority spent (2002-07) Rs. 2.43 crore, out of the scheme funds, on creation of infrastructure like roads, surface drains etc., in two[31] colonies developed for general public, depriving the slum area dwellers of the benefit of the scheme to that extent. The Director, Land Management, stated (May 2008) that NSDP funds were utilised to upgrade the infrastructure, which was within the ambit of the scheme. While it is true that infrastructure development was within the ambit of the scheme, it was to be developed in slum areas and not in general areas.

- The Authority had incurred an expenditure of Rs 58.66 lakh out of the funds provided under the scheme meant for Economically Weaker Sections (EWS), on development of land selected for construction of Dwelling Units under VAMBAY. However, the site was subsequently used for development of HIG/MIG/LIG housing colony for raising internal revenue resources of the Authority and the plots developed were auctioned to the general public. This resulted in irregular diversion of EWS funds to the extent of Rs. 58.66 lakh, besides denial of socio-economic benefits to the intended beneficiaries. The FA&CAO, accepted (April 2008) the audit contention but did not offer any reasons for the

30 2004: (21 works, Cost: Rs.32.52 lakh), 2005: (34 works: Cost: Rs 81.32 lakh) and 2006: (7 works: Cost: Rs 7.86 lakh)

31 Bemina Barthana Colony and Nund Rishi Colony (Sector A&B)

diversion.

3.3.9.5 Irregular payment of subsidy under VAMBAY

With a view to achieving the goal of shelter for all, the GOI introduced the 'Valmiki Ambedkar Awas Yojana' (VAMBAY) to provide shelter/upgrade the existing shelter for people living below poverty line (BPL) in urban slums and members of EWS, who did not possess adequate shelter. Cost of the scheme was to be shared between the GOI and the State Government in equal proportion.

The Authority submitted (January 2003) a scheme to the GOI proposing construction of 442 dwelling units (DUs) at an estimated cost of Rs. 5.08 crore for the boatmen dislocated from the banks of river channels[32] in Srinagar city. These boatmen were already provided plots in the Boatman Colony free of cost under other rehabilitation schemes. The total cost of each unit was worked out as Rs. 1.15 lakh, of which, the beneficiaries were to contribute Rs. 70,000 each with a subsidy component of Rs. 45,000 per unit. While the GOI released (September 2003) Rs. 99.45 lakh, the State Government also released its matching share to that extent. The Authority disbursed a subsidy of Rs. 1.99 crore to the beneficiaries upto March 2008.

Out of 442 beneficiaries (boatmen) identified for subsidy under VAMBAY, 188 had sold their plots alongwith the structures constructed thereon through power of attorney to people not forming part of the target group (boatmen). The Authority subsequently transferred (2007) the lease hold rights to the purchasers of plots of boatmen and brought them under the purview of the scheme and disbursed the subsidy, which was irregular. Test check of records revealed 80 cases of such sales/purchases wherein an amount of Rs. 18 lakh had been disbursed. Since the subsidy under the scheme had been sanctioned for plot holders dislocated from river banks and in the event of their having sold the plots they had lost the claim, the undisbursed amount could have been refunded back or utilised for payment of subsidy to such other persons after proper sanction. The payment of subsidy to the purchasers, apart from being irregular, resulted in passing of benefits to people outside the target group. The possibility of more such ineligible persons having been paid the subsidy cannot be ruled out.

The Secretary stated (July 2008) that the disbursement of subsidy to purchasers had been made on the recommendations of the State Level Monitoring Committee (SLMC) of VAMBAY. The decision of SLMC was in contravention of the scheme guidelines and was beyond its mandate.

3.3.9.6 Construction of residential flats

The Authority proposed to construct, on self-financing basis, 84 residential flats comprising six blocks at Bemina Barthana Housing Colony at an estimated cost of Rs. 6.30 crore for allotment on first-come-first-served basis or by draw of lots. Tenders were invited (May 2004) for construction of two four-storied blocks comprising 16 flats each and the work was approved (August 2004) for allotment at a cost of Rs. 2.08 crore to two contractors (one block each at Rs. 1.04 crore) for

32 Tributaries of the River Jhelum flowing through the city

completion within six months. Allotment orders were issued to the contractors belatedly in February 2005. Further, there was a delay in issuance of layout plans and structural designs to the contractors, resulting in cost escalation by Rs. 22.87 lakh. The blocks were completed (March 2008) at an expenditure of Rs. 3.25 crore. Thus there was a cost overrun of Rs. 1.16 crore and time overrun of about 31 months on the project. The Authority attributed (June 2008) the delay in allotment of contract and issuance of the layout plans to errors in the site plan prepared by the works wing of the Authority. The Authority should have a quality assurance mechanism to ensure that such errors do not creep into its site plans as these are a very important component of its functions.

3.3.10 Project implementation

The Authority had failed to implement some of the crucial city projects sanctioned by the GOI/State for overall planned development of the Srinagar City. Failure to implement the projects had, in addition to defeating the purpose, resulted in non-utilisation/idling of funds received in respect of three test-checked projects as detailed below.

- The GOI had proposed (2005) providing assistance for integrated development of infrastructure of selected cities under Jawaharlal Nehru National Urban Renewal Mission (JNNURM). Srinagar was one of the cities selected for such assistance. Under the project, eligible cities had to formulate a mid-term City Development Plan (CDP) and draw up a time-table for implementing the urban sector reforms. The GOI released (March 2006) Rs. 66.36 lakh to the Authority for preparation of CDP and a Detailed Project Report (DPR). The Authority, invited offers (May 2006) from 14 consultants for preparation of CDP and DPR and incurred Rs. 1.29 lakh on survey work etc. out of the allotted funds. The balance Rs. 65.07 lakh remained unutilised and the Authority took no further action on the project. Inability of the Authority to pursue the project deprived the city of comprehensive development. The Director, Land Management (DLM) stated (May 2008) that funds were provided by the GOI under the project without specifying the details for their utilisation. The reply is factually incorrect, as the funds had been provided for preparation of the CDP and DPR of the Srinagar city.

- A project for inland water transport on River Jhelum from Pampore to Parimpora, envisaging operation of boats for carrying passengers through four terminals from Zero Bridge to Safakadal, was entrusted (1997) to the Authority. The project cost of Rs 8.05 crore was sanctioned (1996) by the National Bank for Agriculture and Rural Development (NABARD) (Under RIDF-II) and an amount of Rs. 57.41 lakh was released (1997) to the Authority for its implementation. The Authority entrusted consultancy for project formulation to a GOI undertaking (M/S RITES, India) at a cost of Rs. 12.10 lakh. The project was, however, abandoned (August 1998) as it was not found economically viable. Audit observed that the balance amount of Rs. 45.31 lakh, lying unspent with the Authority, had not been surrendered (May 2008) even after 10 years, resulting in locking up of funds, leading to loss of Rs. 31.50 lakh[33] in the form of interest payable on the NABARD loan. In reply, it was stated (April 2008) that the amount lying with the Authority would be returned as soon as requisitioned by the sanctioning authority. However, the Authority had not taken up the issue with the Government for refund of the money in view of abandonment of the scheme.

- Government had ordered (August 2000) transfer of land belonging to Rakhs[34] and Farms (RF) Department, measuring 4,200 *kanals* falling in village Rakh Gund Aksha[35] to the Authority for development of a housing colony. The proposed land was under occupation of *Kamas*[36] and was to be acquired after payment of a compensation of Rs. 40,000 per *kanal* as improvement charges. The land was to be handed over to the Authority by December 2001. However, during the last about seven years the Authority had acquired only 447 *kanals* and 12 *marlas* of land at a cost of Rs. 1.79 crore out of Rs. 1.90 crore advanced (October 2003 to January 2004) by the Authority to RF Department. Further, the Authority had incurred an expenditure of Rs. 4.83 lakh on the preparation of layout plan of the proposed housing colony. The Authority attributed (May 2008) the non-acquisition of land to the *Kamas* resorting to litigation. Thus the project remained a non-starter and the Authority could not utilized even the 447 *kanals* acquired by it leading to idle investment of Rs. 1.95 crore[37] and denial of envisaged benefits to the people.

3.3.11 Protection of assets

- Under the second Master Plan, 856 *kanals* of State land stood transferred to the Authority for development purposes. However, due to non-maintenance of basic land records, the details regarding land under encroachment were not available with the Authority (May 2008). As per the information provided (January 2007) by the Authority to the State Legislature, a comprehensive survey had been undertaken during 2007 to assess the land under illegal occupation and for taking steps for removal of encroachments. However, the survey had not been completed as of May 2008, thereby hampering the process of getting the land under encroachment vacated.

- The terminal building of the General Bus Stand at Batmalloo had been encroached upon by squatters, converting the area into a dumping site for their shops, leading to inconvenience to the passengers and creating health hazard within the premises. The encroachment had taken place despite posting of an Estates Officer at the site. The accommodation constructed by the Authority at the bus stand had been under the control of various private transport associations and no policy or practice was in place for

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33 Calculated at the rate of 7 *per cent* per annum for 10 years

34 Reserved Forest Land

35 Falling within the local area

36 Illegal occupants

37 Rs 1.90 crore paid to Rakhs and farm Department and Rs 4.83 lakh incurred on layout plans.

collection of premium/rent from them. In addition, premises allotted to a private person on lease basis for running a restaurant had been converted by him illegally into a commercial complex, consisting of seven shops in the ground floor, of which six had been rented out by the occupant. The Authority admitted (May 2008) occupation of the terminal building by squatters and stated that a proposal had been drawn up for their relocation on self sustaining basis. Regarding conversion of a restaurant into a commercial complex, it was stated that the person had been allowed to construct the first floor. This indicated weak control exercised by the Authority over its property, as the private agency had illegally constructed shops and also earned revenue by renting them out without any intervention from the Authority.

3.3.12 Disposal of assets

As per the norms fixed by the Government, all the commercial plots, complexes and other built-up area are to be disposed off by public auction at a minimum reserve price arrived at after addition of 100 *per cent* to the base cost. The following instances of non-compliance with these norms were noticed.

- The Fruit Mandi at Parimpora developed by the Authority consists of quadrangles carved out for facilitation of the wholesale fruit and vegetable trade. The original layout plan of Quadrangle 'C' provided for construction of 80 shops. The Authority invited (February 1999) tenders for auctioning the shop sites[38] with a minimum reserve premium of Rs. 2.32 lakh/Rs.2.50 lakh per site. In response, offers of premium ranging from Rs. 2.41 lakh to Rs. 3.50 lakh were received. However, the Authority refunded (May 1999) the bid amounts, released Cash Deposit Receipts (CDRs) to the bidders and allotted (October 1999) the land of the quadrangle (47 *kanals* 15 *marlas*) to a private Fruit Association at a cost of Rs.70 lakh for construction of sheds. The decision to allot land at a lower rate compared to the offers received in response to the auction notice resulted in a minimum revenue loss of Rs. 1.23 crore[39] to the Authority. The Authority stated (May 2008) that it was not a commercial entity but intended to secure development of the area. The Authority, to sustain itself, is expected to generate resources and the allotment was in contradiction of the Government order of September 1991, stipulating disposal of commercial assets by open auction.

- The Authority, in contravention of Government instructions, allotted (May 2002) two *kanals* (10,882 sft) of land at Fruit Mandi, Parimpora to a private party on lease basis for establishment of a petrol pump at a premium of Rs. 6.50 lakh per *kanal* against the prevailing base rate of Rs. 20 lakh per *kanal*. This resulted in loss of Rs. 27 lakh to the Authority.

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38 Size 16X45 sft and 17.6X45 sft

39 Calculated at a minimum rate of Rs 2.41 lakh per site for 88 sites= Rs 2.12 crore less Rs 70 lakh received from Fruit Association

The Authority stated (May 2008) that the allotment was made on compassionate grounds, as the allottee was a victim of militancy. However, the allotment was neither covered under standing rules/regulations nor any specific instruction of Government in this regard.

- 36 plots under HIG/MIG/ EWS/LIG categories and 89 shops/flats (Details in *Appendix* 3.3.3) developed/constructed by the Authority between 1991 and 2006 had remained unallotted as of March 2008 either due to non-advertisement of these built up assets or due to construction thereof in non-viable areas. This has resulted in non-realisation of a minimum premium of Rs. 5.88 crore and consequential loss of rentals. It was stated (April 2008) that the allotment was being advertised, shortly. Further developments in the matter were awaited (July 2008).

- A Lime kiln plant at Pulwama, was closed in the year 1990. The BOD had directed (January 2004) disposal of the plant by way of auction. The total cost including land, structures and plant/machinery was assessed (October 2004) by a valuer at Rs. 1.36 crore. The Authority had not taken any further steps to dispose of the plant, resulting in locking up of Rs. 1.36 crore, which could otherwise be invested gainfully.

3.3.13 Non-recovery of outstanding amounts

The Authority, despite having a full-fledged recovery wing meant for raising bills against allottees of commercial sites and collection of revenue, had failed to effect recovery of premia and rent of commercial sites viz., buildings, shops and plots etc. due to non-raising of bills/claims timely, serving notices individually or through public media and also due to inaction in invoking the eviction clause in respect of the defaulters as detailed below.

- An amount of Rs. 7.48 crore[40] pertaining to the period 1990-2008 was pending recovery (March 2008) against the allottees. On this being pointed out in audit, the Authority issued (April 2008) notices for recovery of the amounts due.
- The Authority decided (September 2002) to charge Rs. 1,000 each per day as entry fee from two Transport Associations[41] for operating from General Bus Stand, Batmalloo. The revenue so generated was proposed to be utilised for development of the bus stand. The two Associations paid Rs. 3.15 lakh to the Authority till November 2003 and thereafter stopped the payment. Inaction on the part of the Authority to enforce the entry fee agreement resulted in non-recovery of Rs. 36.11 lakh[42] as of March 2008. The Authority stated (May 2008) that the Associations had stopped payment since the bus stand needed to be developed/upgraded. The Associations continued to operate from the stand and the Authority had spent Rs. 1.44 crore on improvement/upgradation works of the bus stand upto March 2008.

40 Rent: Rs. 4.34 crore; Premium of Shops and plots: Rs. 3.14 crore

41 Kashmir Motor Drivers Association (KMDA) and Western Bus Stand Union (WBSU)

42 Calculated with effect from 16.11.2002 at the rate of Rs. 1000 per day for two Associations

3.3.14 Physical verification

Financial Rules provide that physical verification of stores be conducted at least once a year and discrepancies, if any, noticed be adjusted in accordance with these rules. Audit observed that no physical verification of store had been conducted. This is fraught with the risk of pilferage remaining undetected. The Authority stated (May 2008) that arrangements for physical verification were being made.

3.3.15 Non-holding of Board Meetings

As against the prescribed frequency of two Board meetings a year, no Board meeting was held by the Authority since May 2005. Consequently, the activities/programmes of the Authority after May 2005 could not be approved by the Board of Directors (BOD). This was against the tenets of healthy corporate governance and is liable to adversely affect the decision making ability of the Authority and its accountability. The Authority assured (May 2008) that the frequency of Board meetings would be increased.

3.3.16 Internal audit and non-preparation of manual

No internal audit arrangement exists in the Authority. Further, despite inclusion of a comment on non-preparation of accounting manual and manual of financial powers in the CAG's Audit Report 1998-99, the Authority had not taken any steps in this direction. In reply, the Authority stated (May 2008) that the matter was being looked into and necessary steps would be taken.

3.3.17 Conclusion

The Authority has largely failed to achieve its objective of promoting and securing planned development of the Srinagar City due to non-implementation of the Second Master Plan. Works were executed without ascertaining the reasonability of rates and obtaining AA/TS indicating improper control mechanism and lack of transparency. While the revenue generated from its internal resources has improved over the years, the Authority could not dispose off its assets to its advantage.

3.3.18 Recommendations

- The Authority should take immediate steps to prepare divisional/zonal plans for execution of projects as outlined in the approved Master Plan (2000-21).
- The Authority should finalise its accounts up to date and appoint Statutory Auditors for certification within a specified time frame.
- Financial management needs to be strengthened and available funds should be utilised for the intended purpose.
- Execution of works/schemes should be taken up after obtaining the requisite approvals and ensuring acquisition of land free from encumbrance.
- Effective internal control and monitoring mechanism should be put in place to enforce financial discipline and to ensure accountability in the execution of developmental activities.

Irrigation and Flood Control Department

3.4 Lift Irrigation Schemes

The construction and maintenance of lift irrigation schemes is vested with the State Irrigation and Flood Control Department. The lift irrigation schemes irrigate 22.83 thousand hectares (7 per cent) of cultivable land. Performance review of the lift irrigation schemes in the State revealed that the schemes had been executed in an unplanned manner and were incomplete for more than 20 years in some cases. Even the irrigation potential created was not fully utilised which adversely affected the contribution of lift irrigation scheme.

Highlights

- **Delay in release of GOI funds by the Planning/Administrative department ranged between 30 and 252 days.**

(Paragraph: 3.4.9.1)

- **Four schemes completed at a cost of Rs. 3.86 crore cultivated only 19 *per cent* of the envisaged area.**

(Paragraph: 3.4.10.1)

- **Unplanned execution of works resulted in unfruitful expenditure of Rs. 4.27 crore.**

(Paragraph: 3.4.10.2)

- **Time overrun on execution of schemes ranged between 1 and 31 years while cost overrun ranged up to Rs. 33.86 crore.**

(Paragraph: 3.4.10.3)

- **Internal control mechanism of the Department was weak and resulted in irregular payments, irregular execution of works, etc.**

(Paragraph: 3.4.11)

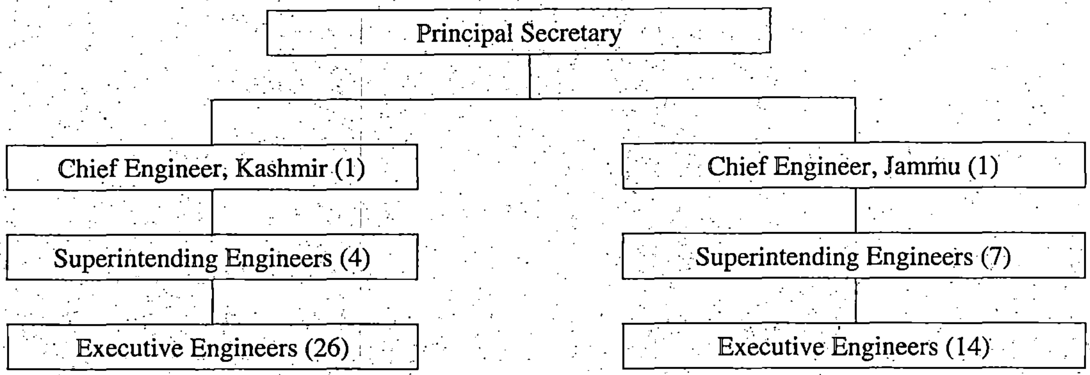
3.4.1 Introduction

Irrigation and Flood control Department was created (1959) with the objective of providing assured irrigation facilities to cultivable/cultivated land in the State by renovation/modernisation of the existing canals and construction of new canals. The Department is also responsible for construction of lift irrigation schemes besides their maintenance, up gradation and modernisation.

3.4.2 Organisational structure

The organisational set up of the Department is as indicated in Chart 3.4.1.

Chart-3.4.1



3.4.3 Scope of Audit

The review covered the performance of the Department relating to the construction and maintenance of lift irrigation schemes during the period 2003-08 and was conducted during the period from August 2007 to March 2008. The records of two Chief Engineers (Jammu and Kashmir), Superintending Engineer (Mechanical) and 21 (out of 40) divisions were test checked in audit.

3.4.4 Audit objectives

The audit objectives were to assess whether:

- schemes completed were providing the optimum benefits as envisaged;
- schemes were planned and executed in an effective, efficient and economical manner;
- funds provided for the schemes were adequate and were utilised prudently on approved works;
- monitoring of the schemes was done properly; and
- internal control was in place.

3.4.5 Audit criteria

Audit findings were benchmarked against the following criteria:

- Project Reports of Lift Irrigation Schemes
- Guidelines of Central Water Commission
- Guidelines for Centrally Sponsored Schemes
- Financial Rules and Public Works Account Code

3.4.6 Audit methodology

The performance audit of the lift irrigation schemes was conducted by an examination of the records maintained at the Divisional and Sub-Divisional levels selected for audit on a random sampling basis. Out of 141 lift irrigation schemes in the State, 27 schemes were selected for detailed scrutiny. An entry conference was held with the Chief Engineers in July 2007 wherein the audit objectives, scope and criteria were discussed. An exit conference was held with the departmental officers in September 2008 wherein the audit findings were discussed. The replies of the Department have been incorporated in the report at appropriate places.

Audit Findings

Significant audit findings are discussed in the succeeding paragraphs.

3.4.7 Planning

The lift irrigation schemes (LIS) cater only to seven *per cent* of the cultivable land in the State. Scrutiny revealed that no perspective plan was framed by the Department separately with regard to construction of lift irrigation schemes. The complete data pertaining to lift irrigation schemes *viz.*, details of schemes taken up, completed, envisaged /created and utilised area, investment made and return therefrom was not maintained by the two Chief Engineers. Schemes were taken up without prioritisation and as a result, a number of schemes remained incomplete despite being under construction for the last 20-26 years.

3.4.8 Detailed Project Report

Scrutiny of records revealed that detailed project reports were framed in all the schemes analysed in audit except in one case as detailed below.

For providing irrigation facilities to 32 villages with a CCA of 12000 acres, the EE, ID, Akhnoor had incurred (March 2004) an expenditure of Rs. 44.17 lakh on survey work for construction of LIS at Ambran which included an amount of Rs. 38 lakh paid (June 2003) to a firm (WAPCOS) for preparation of Detailed Project Report (DPR). The DPR was sent, after a lapse of six months, to the Central Power Research Station (CPRS), Khadakwasla, Pune, (GOI) to have a model study of the scheme. Scrutiny of records revealed that no follow up action was taken by the Department (January 2007) to get the model study conducted. In February 2007 the Joint Director, CPRS sought a copy of the DPR for offering expert opinion on the subject as the original one sent to the agency was not traceable. The copy of DPR as called for had not been sent to CPRS (September 2008). Non- finalisation of the DPR thus resulted in the investment of Rs. 44.17 lakh remaining unfruitful for more than four years. The reply of the EE that the scheme could not be taken up for non-receipt of funds is not tenable as the work was not as a result of non-allotment of funds but due to non-conducting of model study which was held up due to non- submission of DPR to CPRS.

3.4.9 Financial Management

3.4.9.1 Allocation and expenditure

LIS are funded by the State Government, GOI under Centrally Sponsored Schemes (CSS) and from NABARD. The position of funds allotted and expenditure incurred thereagainst during 2003-08, is indicated in Table 3.4.1.

Table 3.4.1

(Rupees in crore)

Year	Opening balance	Releases		Total funds available	Expenditure		Total	Closing balance
		State Sector[43]	AIBP[44]/ NABARD		State Sector	AIBP/ NABARD		
2003-04	1.55	6.57	26.52	34.64	6.51	25.77	32.28	2.30
2004-05	2.30	8.85	10.80	21.95	8.75	11.22	19.97	1.88
2005-06	1.88	6.31	22.32	30.51	6.26	20.91	27.17	3.29
2006-07	3.29	7.36	16.46	27.11	7.33	18.88	26.21	0.87
2007-08	0.87	2.54	16.75	20.16	2.53	16.74	19.27	0.88
Total		**31.63**	**92.85**	**134.37**	**31.38**	**93.52**	**124.90**	

(Source: Records of Chief Engineers: Jammu, Kashmir)

As can be seen from the above details, the percentage utilisation of funds ranged between 89 and 97. Scrutiny of records revealed that the funds were released by the planning/administrative department to the executing divisions after delays ranging between 30 and 252 days. Also the GOI funds were released to the executing agencies after delays ranging between 32 and 209 days. The delay in release of funds not only resulted in non-completion of schemes on time but also resulted in their cost overrun. Seven[45] EEs had incurred Rs. 4.03 crore in excess of the budget allotment during 1997-2007. The excess had not been regularised (December 2007). The EE, Irrigation Division (ID), Anantnag attributed this liability to lack of adequate funding by the Government. The CE Jammu stated (December 2007) that the matter had already been taken up with the Government for release of funds to clear the claims for work done.

The Chief Engineer (CE), Kashmir stated that the Department had to monitor the execution of works before release of funds to the executing agencies and there was no delay in release of funds on his part. The CE Jammu replied that the funds were released to executing agencies in a phased manner so that complete physical/financial check could be kept on the development works. The reply is to be viewed in the light of the fact that the Department failed to monitor all the LIS properly as brought out in the subsequent paragraphs.

3.4.10 Programme implementation

The status of LIS in the State is given below:

Table 3.4.2

Total no. of schemes	Completed prior to April 2003	Taken up during 2003-08	Completed during 2003-08	Incomplete (March 2008)
141*	93	42	12	30

*Details of 48 schemes was not avaliable with the Department

43 Funds released by State Government lapse at the end of the financial year.

44 Central Loan assistance (CLA) under Accelerated Irrigation Benefit Programme 'a centrally sponsored scheme'

45 EE: Mechanical Division Jammu: Rs. 22.60 lakh: ID Dharmari: Rs. 81.75 lakh: ID-Jammu-I: Rs. 6.88 lakh: ID Jammu-II: Rs. 21.56 lakh; Mechanical ID, Anantnag: Rs. 71.09 lakh; ID Tral: Rs. 85.26 lakh: Mechanical ID Srinagar: Rs. 113.80 lakh

The performance of the Department in execution of works and creation of irrigation potential was not satisfactory, despite incurring huge expenditure. The performance was affected by frequent change in designs and consequent revisions resulting in non-completion of schemes, with time and cost- overruns as discussed below:

3.4.10. 1 Utilisation of irrigation potential

Scrutiny revealed that 51 out of 93 (Jammu: 34; Kashmir 17) LIS completed up to 2002-03, envisaged creation of a Cultivable Command Area (CCA) of 30,318 acres. The Department was, however, able to create an irrigation potential of only 21,548 acres against which, only 14,619 acres (68 *per cent*), was being utilised. 100 *per cent* irrigation potential created was being utilised in six schemes. In 11 schemes, it was less than 25 *per cent,* in 18 schemes the utilisation ranged between 25 *per cent* and 50 *per cent* and in the remaining 16 it was above 50 *per cent.* The EE, ID, Kathua attributed the shortfall in utilisation of irrigation potential to low voltage of electricity and shortage of revenue staff. No remedial measures for improving the voltage had been taken. The linking of shortage of revenue staff to short-utilisation of irrigation potential remained unexplained. The CE, Kashmir however, attributed (April 2008) the shortfall to rapid urbanisation.

Out of 12 schemes completed during 2003-08, eight schemes were completed only in 2007-08. Therefore utilisation of the potential created in respect of these schemes could not be assessed in audit. However, in respect of the remaining four schemes, against the creation of irrigation potential of 3174 hectares, only 612 hectares (19 *per cent*) had been utilised as tabulated below:

Table 3.4.3

Name of Lift Irrigation Scheme	Year of start/ due date of completion	Date of completion	Irrigation potential created (Hectares)	Actual area utilised by farmers[46] (Hectares)	Estimated cost (Expenditure incurred) (Rs. in crore)
Lethpora	1973-74/1977	2006-07	2946	439	2.77 (9.88)
Palpora*	2001-02/ 2005-06	Closed in 2005-06	7	7	0.25 (0.10)
Manda-II	2003-04/2005-06	2007	35	6	0.45 (0.45)
Ismailpur	2003-04/2004-05	2005-06	186	160	0.39 (0.39)
Total			**3174**	**612**	**3.86 (10.82)**

*Clubbed with LIS Martand

Although LIS Lethpora was stated to have been completed, it could not cater to the envisaged area due to non-completion of the main/subsidiary canals. The EE concerned attributed under utilisation of lift irrigation scheme Manda-II to the fact that the scheme was in its initial stage of functioning. The reasons for underutilisation in respect of the other two schemes were not stated.

3.4.10.2 Unplanned execution

Out of 30 schemes under execution, seven schemes due for completion between 2000-01 and 2006-07 had not been completed due to dispute over land/ link alignment (three), insufficient water source, non-completion of civil works, non-

[46] As per the records of Ziladar

procurement/installation of machinery and inadequate funds (one each) as tabulated below:

Table 3.4.4

Name of the scheme	Intended area for benefit (in acres)	Date of start	Due Date of completion	Estimated cost (revised cost) Rs. in lakh	Expenditure (Rs in lakh)	Reasons for non-completion
Awneera	300	2003-04	2004-05	50.32	25.10 (March 2005)	Dispute on source of water with villagers.
Lalyal	275	2003-04	2006-07	64.04 (73.64)	63.74 (March 2007)	Dispute on land and land owners demanded Government jobs.
Saidgarh	655	2003-04	2006-07	66.20 (199)	40.19 (March 2007)	Water source not found sufficient and work incomplete
Sohanjana	265	2003-04	2006-07	105.45	96.69	Dispute of alignment of link channel and delay in procurement of machinery
Kothey Saini	232	2003-04	2005-06	55.11 (75.11)	56.11	Non- completion of civil works
Jathana	53	2003-04	2005-06	52.50 (80.69)	47.54	Due to non-procurement and non-installation of machinery
Gurah Pattan	348	1998-99	2000-01	74.58 (110)	98.03	Non availability of funds
Total	2,128			468.20	427.40	

The Department's failure in resolving the key issues relating to these schemes resulted in unfruitful expenditure of Rs. 4.27 crore besides non- provision of the irrigation facilities to 2,128 acres of land.

3.4.10.3 Time and cost overrun

There were 42 schemes under execution during 2003-08 out of which, only 12 were completed during the period. Of the balance 30 schemes, 19 schemes suffered on account of frequent change of design and alignment, execution of works at a slow pace, incorporation of additional items of work not envisaged in the original estimates, non-provision of funds, etc. which resulted in time and cost overrun as detailed below:

Table 3.4.5

(Rupees in crore)

Name of Lift Irrigation Scheme	Date of start/ due date of completion	Actual date of completion	Estimated cost (Rs. in crore)	Expenditure (Rs. in crore)	Cost overrun (Rs. in crore)	Time overrun (In years)
Lethpora	1973-74/ 1977	2006-07	2.77	9.88	7.11 (March 2006)	31
Palpora*	2001-02/ 2005-06	Closed 2005-06	0.25	0.10	-	1
Chung	2003-04/ 2004-05	2007-08	0.34	0.35	0.01 (March 2008)	3

Name of Lift Irrigation Scheme	Date of start/ due date of completion	Actual date of completion	Estimated cost (Rs. in crore)	Expenditure (Rs. in crore)	Cost overrun (Rs. in crore)	Time overrun (In years)
Manda-II	2003-04/ 2005-06	2007-08	0.45	0.45	-	2
Ismailpur	2003-04/ 2004-05	2005-06	0.39	0.39	-	1
Akalpur	2003-04/ 2005-06	2007-08	0.38	0.07	-	2
Seri palai	1999-2000/ 2001-02	2007-08	0.68	0.68	-	6
Awneera	2003-04/ 2004-05	Incomplete	0.50	0.25	-	3
Lalyal	2003-04/ 2005-06	-Do-	0.64	0.64	-	2
Saidgarh	2003-04/ 2005-06	-Do-	0.66	0.40	-	2
Sohanjana	2003-04/ 2005-06	-Do-	1.05	0.97	-	2
Kothey Saini	2003-04/ 2005-06	-Do-	0.55	0.56	0.01 (March 2008)	2
Jathana	2003-04/ 2005-06	-Do-	0.53	0.52	-	2
Gurah Pattan	1998-99/ 2000-01	-Do-	0.75	0.98	0.23 (March 2008)	7
Tral	1979/ 2004-05	-Do-	6.13	39.99	33.86 (July 2007)	26
Rafiabad	1984-85/ 2007-08[47]	-Do-	10.60	41.99	31.39 (July 2007)	20
Rajpora	1979/ 2006-07	-Do-	2.13	29.32	27.19 (January 2008)	26
Rakhi Momin	2003-04/ 2004-05	-Do-	0.74	0.84	0.10 (March 2007)	3
Nikowal	1995-96/ 1999-2000	-Do-	1.14	1.43	0.29 (March 2008)	12

* Clubbed with LIS Martand

As is clear from the above, time overrun ranged between 1 and 31 years (19 schemes) while cost overrun ranged up to Rs. 33.86 crore. Scrutiny of records revealed that cost overrun in respect of three medium (Tral, Rafiabad, Rajpora) schemes was Rs. 92.44 crore and the schemes were under execution for the last 20-26 years.

Detailed check also revealed that the schemes had not been planned so as to derive optimum benefits out of the funds spent thereon as illustrated in the subsequent paragraphs:

[47] Revised projects

➢ The LIS Tral, estimated to cost Rs. 6.13 crore was taken up (1979) with an envisaged CCA of 4,000 hectares. The project was brought (2001) under AIBP at a revised cost of Rs. 70.35 crore to create a potential of 6,000 hectares for completion in three stages. Audit scrutiny revealed that the Department had not prioritised the works stage-wise to derive benefits under each stage, and embarked upon the execution work in all the stages simultaneously. As a result none of the stages could be completed, thereby denying the benefit, which could have otherwise been derived out of the investment of Rs. 39.82 crore spent on the scheme as of March 2008. The EE ID, Tral stated that as the project was huge, the works had been taken up simultaneously

➢ The CE Kashmir approved (2001-02) a scheme "Replacement of Worn Out Pumps" at an estimated cost of Rs. 13.48 crore to be met out of the loan assistance from NABARD and State Government in the ratio of 90:10. The scheme envisaged installation of 143 pumping units in replacement of worn out pumps/rotating assemblies of Pumping units in respect of major/ medium LIS. The scheme also envisaged reducing the expenditure on maintenance and repairs and increasing the existing CCA by 68 *per cent*. The scheme was to be completed within 3 years commencing from 2002-03. The Department, however, failed to augment the irrigation potential even after installation of new pumps as discussed below:

In three Mechanical Irrigation Divisions (MIDs) 59 pumps had to be replaced under the programme for 33 schemes. Out of these, only 54 pumps were replaced at a cost of Rs. 3.42 crore as detailed below:

Table 3.4.6

Name of Lift irrigation Division	No. of schemes	No. of pumps		Expenditure incurred (Rs. In lakh)	Area irrigated in		Decrease in irrigated area. (Acres)
		to be replaced	replaced during 2005-07		2004-05 before replace-ment (Acres)	2007-08 after replace-ment (Acres)	
MID Anantnag	9	18	14	97.29	4446	3989	457
MID Baramulla	16	26	25	134.00	1198	1065	133
MID South Srinagar	8	15	15	110.40	2383	2315	68
Total	33	59	54	341.69	8027	7369	658

The irrigation potential actually decreased by 658 acres during 2007-08. On this being pointed out, the EE MID Anantnag, ID Pulwama stated that the matter will be looked into with their counter parts in civil/mechanical wings which indicated lack of coordination within various wings of the Department.

Also instead of replacing the worn out pumps, estimated to cost Rs. one crore the EE, MID, Akhnoor spent Rs. 3.51 crore on maintenance of these pumps during 2003-08 on LIS Ranjan. Inspite of this, the irrigation potential decreased from 2,000 hectares to 1,600 hectares in this scheme during the period.

➢ LIS Siot Nowshera (construction cost: Rs. 42.01 lakh) was converted into a gravity scheme after incurring an expenditure of Rs. 80.22 lakh. The gravity scheme made functional in 2003 could not provide dependable irrigation to the farmers due to leakages in the canal due to which, potential of only 438 hectares was created against envisaged CCA of 1,163 acres. The Department had not incorporated the degraded components in the project report of the scheme formulated for conversion. It was further seen that when the work of conversion of the scheme was in hand, the pumping unit of the scheme was replaced (February 2003) at a cost of Rs. 25.29 lakh, which functioned only for 8 months (September 2003) and thereafter remained idle due to the said conversion. The pumping machinery had not been dismantled as of February 2008. In reply, it was stated (February 2008) that the idle pumping machinery could not be retrieved as the same could be utilised in case of failure of the gravity scheme and also to avoid hue and cry of public regarding shifting of the machinery. However, the lift scheme was converted to gravity for providing dependable and assured irrigation to the farmers and there was no need for pumping machinery which could have been gainfully utilised elsewhere.

➢ LIS, Bardoh was taken up (1999-2000) at an estimated cost of Rs. 2.53 crore to provide irrigation to 1,055 acres of land by March 2003. The scheme envisaged an increase of 25,112 quintals in agricultural produce. Scrutiny of the records of the EE, ID, Akhnoor revealed that after incurring (December 2007) Rs. 2.38 crore on procurement of machinery and part construction of civil work, the contractor to whom the work had been allotted abandoned the work. No action was taken by the EE to re-allot the balance work. Consequently the machinery purchased for the scheme could also not be installed (January 2008).

➢ LIS Aijpur Trewa (estimated cost: Rs. 2.55 crore) was taken up (2003-04) by the MICD Jammu under AIBP to create 1,400 acres of irrigation potential with an envisaged increase in agricultural produce by 47,345 quintals. Scrutiny of the records revealed that out of the release of Rs. 54 lakh (December 2006), an expenditure of Rs. 24.08 lakh had been incurred on purchase of machinery, POL, hire charges, etc. whereas the balance amount of Rs. 29.92 lakh had been kept in civil deposit. The machinery could not be installed due to dispute with the contractor regarding the standard of civil work carried out by him. The EE, stated (January 2008) that the work to install the machinery would be taken up as and when the dispute with the contractor was resolved.

3.4.10.4. Outstanding water charges

The position of *abaina* (water charges), assessed and realised from 2003-07 is tabulated below:

Table 3.4.7

(Rupees in lakh)

Year	Opening balance	Assessment	Total	Realisation	Closing balance	Percentage shortfall
2003-04	48.73	16.68	65.41	20.82	44.59	68
2004-05	44.59	18.11	62.70	18.82	43.88	70
2005-06	43.88	25.23	69.11	20.25	48.86	71
2006-07	48.86	18.23	67.09	15.79	51.30	76

*Data relating to the year 2007-08 was yet to be compiled by the department.

As can be seen from the above table, the shortfall in realisation of *abaina* was very high and ranged between 68 and 76 *per cent*. The increasing trend in outstanding *abaina* indicated lack of establishment of a viable recovery mechanism in the Department. The Chief Engineers stated that efforts would be made to recover the outstanding *abaina* through pursuance at the divisional level. The EEs however, attributed it to shortage of revenue staff.

3.4.10.5 Irregular execution of works

Financial rules provide that no work should be taken up without administrative approval (AA) and technical sanction (TS). Scrutiny of the records of four[48] Divisions and that of the Chief Engineer, Jammu revealed that 55 schemes were taken up for execution without AA/TS on which expenditure of Rs. 23.75 crore had been incurred. The concerned EEs stated that works were taken up since funds had been provided and the matter would be taken up with competent authorities. Mere allotment of funds does not authorise the EEs to incur expenditure in anticipation of accord of AA/TS. The CE (I&FC) Jammu stated (December 2007) that the matter would be taken up with higher authorities for providing the details of schemes for which administrative approval had been granted.

3.4.11 Internal control

Internal control mechanism in a Government Department is meant to ensure that its activities are carried out according to the prescribed rules and regulations and in an economical, efficient and effective manner. An effective internal control system minimises the risk of errors and irregularities and helps in protecting resources against loss due to wastage, abuse and mismanagement. The internal control of the Department is mostly governed by Financial rules, Public Works Code, etc. Scrutiny of records revealed that the financial rules were not adhered to while implementing the schemes which not only resulted in underutilisation of irrigation potential, non-completion of schemes in time, cost and time overrun of schemes, etc. but also incurring of irregular expenditure, creation of outstanding liabilities, etc. indicating ineffectiveness of internal control mechanism. Apart from the cases of taking up of works without approval and provision of funds the following cases illustrate the weakness of the internal control.

- Two[49] Divisions executed works through mates and paid Rs. 1.58 crore on hand receipt/causal labour roll during 2003-07 in contravention of financial rules. It was also seen that Rs. 14.59 lakh were paid by the EE, Irrigation and Flood Control Division, Tral in excess of the rates approved by the Government. In reply the EE, Irrigation and Flood Control Division, Sopore stated that the practice would not be repeated in future.
- Eight original works (estimated cost Rs. 45.47 lakh) for lift irrigation scheme Tral were approved (June 2004) by the Superintending Engineer,

48 EE, Mechanical ID, Anantnag: Rs. 5.11 crore (October 2007); Srinagar: Rs.7.45 crore (March 2008); Shopian: Rs. 2.91 crore (March 2007); Pulwama: Rs. 1.90 crore (November 2007); Chief Engineer, Irrigation and Flood Control Division, Jammu: Rs. 6.38 crore

49 EE, Irrigation and Flood Control Division Sopore: Rs. 58.95 lakh; EE, Irrigation and Flood Control Division Tral: Rs. 99.49 lakh.

Hydraulic Division, Shopian within two days of its submission for its execution departmentally, being of urgent nature. Payment of Rs. 18.22 lakh was made to the contractors between January 2007 and March 2007. Seeking approval and taking up of works for execution departmentally on the ground that the works were of emergent nature was prima-facie irregular, in view of the fact that the scheme was still incomplete (August 2008).

- As per rules, the Chief Engineers/Superintending Engineers are empowered to sanction excess over estimates to the extent of 5 *per cent*.
- Scrutiny of the records of the EE, Irrigation and Flood Control Division, Tral revealed that execution of 77 works were allowed to be executed in excess of the estimate of Rs. 2.94 crore and the excess (Rs. 3.62 crore) over the estimates of individual works ranged between 11 and 751 *per cent*. It was also seen that the excess works were carried out by the original contractors and no tendering for the additional works was carried out.
- Scrutiny of records of two Divisions revealed that Miscellaneous Public Works Advances amounting to Rs. 6.25[50] ~~lakh~~ were outstanding against various officers who had either retired or been transferred or migrated. Similarly, in five divisions an amount of Rs. 39.82 ~~lakh~~ was outstanding on account of temporary advance against 69 officers for more than ten years.
- Financial rules empower the EE to incur expenditure up to a maximum of Rs. 2.50 lakh on maintenance and repairs during a financial year, provided an Annual Repairs Distribution Statement (ARD) is approved by the Chief Engineer. Alternatively, each work is required to be approved by the Chief Engineer prior to incurring of expenditure. Scrutiny of records revealed that seven[51] EEs of Jammu Division had expended Rs. 5.71 crore during the period 2003-07 without obtaining prior approval ~~of the ARD.~~
- Test-check of three[52] Divisions revealed that PSL in respect of stores valued at Rs. 15.12 crore[53] was not maintained. In reply, the EEs, MICD, Anantnag and Srinagar stated that PSLs would be maintained henceforth.
- Financial rules stipulate that physical verification of stores should be conducted at least once a year and discrepancies, if any, noticed should be adjusted according to the rules. Scrutiny of records revealed that no physical verification was conducted during the period 2003-08 in respect of MICD Srinagar and ID Anantnag. No physical verification in ID, Tral and Pampore had been conducted since August 2002 and March 2006, respectively.

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50 EE, ID, Pampore: Rs. 6.18 lakh; EE, MID, Srinagar: Rs. 0.07 lakh

51 EEs: ID Akhnoor: Rs. 79.47 lakh; MID, Jammu: Rs. 54.21 lakh; ID Jammu-I: Rs. 20.50 lakh; ID, Jammu-II: Rs. 25.99 lakh; MID, Akhnoor (Nowshera): Rs. 232.83 lakh; ID Kathau: Rs. 23.47 lakh; ID, Nowshera: Rs. 134.70 lakh

52 EE, Mechanical, ID, Baramulla: Rs. 7.44 crore; Anantnag: Rs. 0.92 crore; Srinagar: Rs. 6.76 crore

53 Worked out as per stock issue rates of 2007-08

- Administrative inspection of a subordinate office is required to be conducted periodically by the next higher authority so as to exercise necessary checks and control over the resources and functioning of Office/Divisions. Scrutiny of records of six Divisions revealed that no record of any administrative inspection have been conducted by any higher authority in the divisions during the review period.

3.4.12 Monitoring and evaluation

The Department was required to set up a project level Monitoring Committee for major/medium schemes funded by AIBP/NABARD. The Committee was required to meet every month and to send monthly progress reports to the State Level and National Level Technical Committee. Scrutiny of records revealed that no such committee was set up to monitor the execution of the schemes. The Chief Engineer stated (July 2007) that the project level committee already existed and reports were being sent to Central Water Commission. It was also stated that there was a continuous process for monitoring of these projects. The reply is not acceptable as the minutes of meetings held were not furnished to audit. It was also noticed that minor lift irrigation schemes were not monitored by any other agency. The CE, Jammu stated (December 2007) that Government had directed Additional District Development Commissioner to monitor evaluation works in each district but no such report had been received.

3.4.13 Conclusion

The Department failed to generate additional potential despite huge investment on lift irrigation schemes. Even the potential created has not been fully utilised. The schemes were not completed on time resulting in cost overrun. Works were executed in an unplanned manner resulting in unfruitful expenditure and wastage of resources. Apart from non-adherence to financial rules, the Department also failed to monitor the schemes during execution. As a result, the desired objectives of the schemes could not be achieved.

3.4.14 Recommendations

- Immediate action should be taken to utilise the created irrigation potential
- Steps should be taken to complete all the ongoing lift irrigation schemes in a time bound manner.
- Works should be executed in a planned manner to avoid wastage of resources.
- Monitoring and internal control mechanism should be strengthened for effective implementation of the scheme and accountability should be fixed at various levels for timely completion of schemes.

CHAPTER-IV

AUDIT OF TRANSACTIONS

4.1 *Embezzlements/losses/non-recovery of dues*

Housing and Urban Development Department

4.1.1 Presumptive fraud

Lax supervision and non observance of prescribed control procedures by Chief Accounts Officer and various revenue realising wings of Jammu Municipal Corporation resulted in embezzlement of Rs. 12.71 lakh.

Rule 2.4 of Jammu and Kashmir Financial Code Vol. I envisage that a Government Officer receiving money on behalf of the Government must give the payer a receipt in prescribed form signed by a duly authorised officer who will satisfy himself at the time of signing the receipt and initialing its counterfoil that the amount has been properly entered in the cash book. As per the procedure in vogue in the Municipal Corporation, Jammu (MCJ), revenue realised by different wings on account of various charges/fees is deposited with the main Cashier who incorporates the same in the cash book and subsequently remits the money into the treasury.

Scrutiny (November/December 2007) of the records of Health Section (HS), Chief Transport Officer (CTO) and the Municipal Veterinary Officer (MVO) of the MCJ revealed that against the revenue receipts[1] of Rs. 19.05 lakh[2], the three wings deposited Rs. 11.66 lakh[3] only with the Chief Revenue Officer (CRO) for deposit in the treasury during 2005-07, thereby retaining Rs. 7.39 lakh. Also, the CRO deposited Rs. 2.14 lakh in the treasury out of the total receipts of Rs. 7.46 lakh received during the same period resulting in short remittance of Rs. 5.32 lakh. The non-deposition of the entire amount received by the three wings and the CRO into the treasury amounts to misappropriation/embezzlement of Rs. 12.71 lakh which had occurred due to non-accountal of the actual receipt in the cash book and short remittance of accounted-for-money into the MCJ account. This was facilitated due to lack of prescribed control procedure in different wings of the Corporation.

7.39
5.32
12.71

The Chief Accounts Officer, MCJ intimated (June 2008) that the services of two dealing officials had been terminated and that the matter has been taken up with the Collector, Jammu for effecting the recovery of embezzled amounts from the terminated employees.

The matter was referred to the Government/Department in July 2008; reply had not been received (September 2008).

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1 Receipts on account of sale of forms, licence fee, clearance charges of septic and water tanks, building permission, rent of open spaces, etc.

2 Health section (Rs. 8.15 lakh), CTO: (Rs. 21,800.00), MVO: (Rs. 10.68 lakh)

3 Health section: (Rs. 3.11 lakh); CTO: (Rs. 700.00); MVO: (Rs. 8.55 lakh)

4.2 *Idle investment/blocking of funds/unfruitful expenditure/ avoidable expenditure, etc.*

Health and Medical Education Department

4.2.1 Idle investment and blocking of funds

Departmental failure to settle the land compensation issue before taking up the construction of PHC resulted in idle investment of Rs. 98.50 lakh and blocking of Rs. 42.50 lakh.

Scrutiny of the records of the Chief Medical Officer (CMO) Anantnag revealed (May 2008) that construction of Primary Health Centre (PHC) building at Vessu, estimated to cost Rs. 1.51 crore, was taken up (November 2003) through Jammu and Kashmir Projects Construction Corporation (JKPCC) on a piece of land measuring five *kanals*, donated by the local Auqaf[4] (4 *kanals*) and a land owner (1 *kanal*), identified by the Health Department, without getting the title of the land transferred. The project works included construction of main building, staff quarters besides approach roads and compound wall. While the work was in progress, the land owner, whose land (1 *kanal*) came under the project, approached (July 2006) the court contending that the Department had promised him payment of compensation and engagement of his son as Class-IV in the Department. The court restrained (September 2006), the Department from making any construction on spot. An amount of Rs. 98.50 lakh had been incurred on the execution of works upto September 2006. No action was taken by the Department to get the stay vacated and resume the work (September 2008). The Department, had advanced Rs. 1.41 crore to JKPCC during 2004-05 to 2007-08. A revised cost offer of Rs. 1.98 crore for completion of the project works was submitted (September 2007) by JKPCC to the Director Health Services, Kashmir.

CMO Anantnag stated (September 2008) that the completed Doctors' quarters could also not be taken over by the Department as the doctors were required to work in the centre which was still incomplete.

Thus, the departmental failure to settle the issue of land compensation before taking up the construction of PHC building Vessu has resulted in idle investment of Rs. 98.50 lakh and blocking of Rs. 42.50 lakh with JKPCC for around three years.

The matter was referred to the Government/Department in September 2008; reply had not been received.

4 Muslim Trust

Higher and Technical Education

4.2.2 Idle investment due to non-utilisation of leather technology equipment

Departmental failure to sequence the procurement of leather technology equipment with the Civil Works Construction Schedule resulted in idle investment of Rs. 1.01 crore.

Guidelines on implementation of World Bank assisted 'Technician Education Project-III' provided that procurement of machinery and equipment should be closely sequenced with the Civil Works Construction Schedule.

Scrutiny of the records of the State Project Implementation Unit (SPIU) and the Principal, Kashmir Government Polytechnic (KGP), Srinagar revealed that machinery and equipment (ME) valued at Rs. 1.01 crore were purchased (July 2005 to October 2005) for leather technology course introduced (2004) in KGP. However, the construction of Leather Technology (LT) Block to install the ME, approved[5] at a cost of Rs. 60 lakh, was not taken up, as the rates offered (Rs. 93.16 lakh) in the national competitive bidding were high. It was decided (June 2006) that the LT Laboratory would be accommodated in the existing space that would become available through new constructions or by readjustment of laboratories. However, due to lack of space, the machinery and equipment could not be installed (March 2008) in the institute and the department approached the Managing Director, SIDCO[6] for providing space at Lassipora, Pulwama. The detailed project report in this regard had not been finalised as of March 2008. Due to procurement of ME in anticipation of creation of infrastructure necessary to install it, the investment of Rs. 1.01 crore remained idle. Thirty two students enrolled (March 2007) for the leather technology diploma course also could not benefit from the equipment.

Further, the terms and conditions of the supply order for procurement of the machinery provided that 80 *per cent* cost should be released at the time of delivery and the balance 20 *per cent* after proper installation, commissioning and training of staff. Scrutiny, however, revealed that the second and final installment of Rs. 20.19 lakh on account of 20 *per cent* contract price of the above equipment was released by the Project Coordinator, SPIU to the suppliers in March 2006 on the basis of Acceptance Certificate and misreporting by the Principal, KGP that the equipment supplied had been successfully installed and commissioned by the suppliers and training to staff imparted. Twenty *per cent* cost (Rs. 20.19 lakh) of machinery and equipment which were yet to be installed/commissioned had been paid irregularly without safeguarding the departmental interests.

The matter was referred to the Government/Department in July 2008; reply had not been received (September 2008).

5 During the 7th Joint Review Mission (JRM)

6 State Industrial Development Corporation

4.2.3 Idle investment due to non completion of Textile Blocks

Non-completion of textile block buildings due to changes in their designs after the allotment of contract, and non-installation of machinery purchased for the course led to idle investment of Rs. 94.40 lakh.

A diploma course in textile designing was started at two Government Women's Polytechnics, Jammu and Srinagar during 2004 under the World Bank assisted 'Technician Education Project-III'. The Project Coordinator, State Project Implementation Unit (SPIU) allotted (June 2005) construction of Textile Blocks at these polytechnics to two contractors at an estimated cost of Rs. 98.63 lakh[7] for completion in six months. However, during the execution, the designs of the buildings were changed, which necessitated upward revision in the cost as well as change in the material to be used. The contractors, as such, left (December 2006) the works incomplete. An expenditure of Rs. 84.96 lakh[8] was incurred on these works upto March 2007. The project was closed in October 2007 and the construction work had not been resumed (September 2008), thereby rendering the entire investment futile. The Project Coordinator accepted that the construction work of the buildings was incomplete due to change in designs.

Further, due to non-completion of the buildings, machinery and equipment valued at Rs. 9.44 lakh[9], procured[10] by the Project Coordinator, SPIU for the Textile Design Diploma Course in advance could not be installed in these institutions. Due to incomplete construction works and non-installation of equipment, 77 students enrolled in the newly introduced Textile Design diploma course could not benefit from the same.

The Principals of the institutions stated (February 2008) that action for installation of the equipment would be taken immediately after completion of the buildings.

Non-completion of textile block buildings due to changes in their designs after the allotment of contract, and non-installation of machinery purchased for the said course led to idle investment of Rs. 94.40 lakh.

The matter was referred to the Government/department in July 2008; reply had not been received (September 2008).

7 Women's Polytechnic, Jammu: Rs. 57.19 lakh; Women's Polytechnic Srinagar: Rs. 41.44 lakh

8 Rs. 21.61 lakh at Government Polytechnic for Women, Jammu and Rs. 63.35 lakh at Government Polytechnic for Women, Srinagar

9 Government Women's Polytechnic Jammu: Rs. 4.15 lakh; Government Women's Polytechnic Srinagar: Rs. 5.29 lakh

10 In March 2003, September 2004, March 2005 and August 2005

Housing and Urban Development Department

4.2.4 Idle Investment

Misreporting of facts to the Government of India and utilisation of available money on part completion of a bus stand resulted in idle investment of Rs. 31.76 lakh.

In order to slow down urban influx due to migration of people from rural areas and smaller towns to large cities, the GOI introduced (1979-80) a Centrally Sponsored Scheme "Integrated Development of Small and Medium towns (IDSMT)." Under this scheme, a project for Development of Udhampur town was approved (2002-03) by the GOI for Rs. 3.86 crore with a Central share of Rs. 1.50 crore, State share of Rs. one crore and loan of Rs. 1.36 crore to be raised by the local body executing the work. The project, *inter-alia,* included construction of a new bus stand at Udhampur at an estimated cost of Rs. 1.02 crore, which was to fetch the Department Rupees eight lakh per annum as *Adda fee*[11]. On the basis of the information that 28 *kanals* of land was available for the proposed bus stand, the GOI released (April and December 2003) Rs. 65 lakh to the Notified Area Committee, Udhampur.

Scrutiny (July 2007) of the records of the EE-II, Urban Local Bodies, Jammu and Director Local Bodies, Jammu revealed that against the requisition of 30 *kanals* of land, the Municipal Council, Udhampur could acquire only 12 *kanals* and 13 *marlas* which had been developed, upto December 2005, at a cost of Rs. 31.76 lakh (which included Rs. 12 lakh raised by the MC from other sources). The balance land required by the Department was under dispute, as the land owners had challenged the acquisition proceedings in the court of law. The developed portion of the bus stand was being used for parking of idle vehicles. The Director Local Bodies Jammu stated (March 2008) that the matter regarding acquisition of balance land was sub-judice.

Departmental action in getting the funds released from the GOI initially by misreporting of facts and utilisation of available funds subsequently on part completion of the bus stand rendered the expenditure of Rs. 31.76 lakh incurred on the project idle.

The matter was referred to the Government/Department in June 2008; reply had not been received (September 2008).

11 Parking fee

Power Development Department

4.2.5 Loss of Government Money

Departmental failure to provide funds for Bus-in Bus-out arrangement resulted in wasteful expenditure of Rs. 96.46 lakh and idle investment of Rs. 28.09 lakh.

Rural Electrification Corporation (REC) approved (January 1999) a 'System Improvement Scheme' for Mandal (Kishtwar Block) and Gulabgarh (Padder Block) at an estimated cost of Rs. 2.21 crore. The scheme envisaged erection of 28.5 Km. 33 KV line from Mandal to Galhar (TL) and construction of two[12] Receiving Stations (RS) at Mandal and Gulabgarh, with the objective of regulating voltage, reducing line losses and to accommodate future load growth. The scheme, to be completed within two years, was extended upto March 2004.

Scrutiny (November 2007) of the records of the EE, Sub-Transmission Division, Udhampur revealed that the scheme was got approved by the EE from the REC without provision of a Bus-in Bus-out (BIBO) arrangement in the project, which was required to connect the main system to the 33-KV TL to Padder. It was also seen that the EE incurred Rs. 65.41 lakh (2001-04) on construction of RS at Mandal, Rs. 28.09 lakh (2002-03) on construction of RS at Gulabgarh and Rs. 96.46 lakh (2000-01) on laying of 26 Km. of TL. Whereas the RS at Mandal was commissioned in 2004, the TL remained uncharged due to non-provision of the BIBO system. This further resulted in non-charging of RS Gulabgarh. No efforts to procure the BIBO were made by the Department upto March 2004. It was only in April 2004 that action to procure BIBO was initiated. As a result, the TL and RS Gulabgarh continued to remain uncharged/idle and got extensively damaged and washed away at some portions due to snowfall/rains from time to time. The damaged material was stated (February 2008) to have been pilfered and FIR had been lodged (2003-06). The scheme was closed in February 2007. Departmental proposals (April 2004/ July 2005/February 2008) for procurement of BIBO system and re-erection/stabilisation of TL, estimated to cost Rs. 2.06 crore (February 2008), had not been approved/funded as of May 2008.

Non-completion of the scheme was attributed (May 2008) by the EE to non-provision of BIBO in the original estimates of the scheme and delay in release of funds. The Department had actually made no efforts to procure the system for about four years (2000-04).

Thus, departmental failure to provide funds for BIBO resulted in wasteful expenditure of Rs. 96.46 lakh incurred on the TL which got damaged and idle investment of Rs. 28.09 lakh on construction of RS Gulabgarh which remained uncharged.

The matter was referred to the Government in May 2008; reply had not been received (September 2008).

12 1.6 MVA, 33/11 KV Receiving Station at Gulabgarh and 3.15 MVA, 33/11 Receiving Station at Mandal.

4.2.6 Avoidable Liability

Failure of the Department to arrange funds for liquidation of loan despite acquisition of huge infrastructure resulted in avoidable interest liability of Rs. 13.70 crore.

The Rural Electrification Co-operative Society was established in 1978 for providing electricity to the rural areas of the Samba District including Government departments. The Society was financed by loan assistance from Rural Electrification Corporation of India (REC) and the revenue realised through consumers. Consequent upon the default by Government departments in payment of dues and stoppage of loan by the REC, the Society was dissolved (1997) and taken over by the State Power Development Department (PDD) designating it as Maintenance & Rural Electrification Division, Samba. As per the Government order, all the assets and liabilities of the erstwhile Society rested with the PDD following its dissolution.

Scrutiny (May 2008) of the records of the Chief Engineer (CE), Electric Maintenance and Rural Electrification Wing (EM&RE), Jammu revealed that the total value of assets amounting to Rs. 27.13 crore[13] taken over by the Department, was considerably higher than its liabilities amounting to Rs. 8.92 crore, which included REC loan of Rs. 2.34 crore, guaranteed by the State Government. Although a new Division was created by the Department with the acquired assets, steps were not initiated to liquidate the loan which swelled to Rs. 16.04 crore including interest/penalty of Rs. 13.70 crore (March 2008). Though the REC has been sending quarterly demands to the Department to repay the loan, yet funds were not provided by the Government for the purpose.

The CE, EM&RE, Jammu stated that the matter regarding liquidation of REC loan has been pursued right from the take over of the Society, but no decision has been taken by the Government (PDD), which has added to the liability due to delay in repayment. The CE, further stated that efforts were on to settle the issue to avoid addition of interest/penal interest on loan.

Thus, failure of the Department to arrange funds for liquidation of the loan despite acquisition of huge infrastructure resulted in avoidable interest liability of Rs. 13.70 crore.

The matter was referred to the Government/Department in June 2008; reply had not been received (September 2008).

13 Excluding revenue arrears of Rs 6.42 crore outstanding against Government Department and Consumers

4.2.7 Blocking of funds

Departmental failure to ensure availability of the equipment and misreporting of the facts to the REC resulted in blocking /idle investment of Rs. 1.36 crore.

System Improvement Schemes (SIS) were taken up with funding from the Rural Electrification Corporation (REC) to improve voltage, save energy losses and accommodate future load growth.

Scrutiny of records revealed that the following two SISs were not completed by the two Divisions due to non-procurement of equipment, clearance of Railways and misreporting of facts to the REC, resulting in blocking/idle investment of Rs. 1.36 crore.

- A composite SIS envisaging construction of eight sub-stations and laying of transmission lines, estimated to cost Rs. 10.10 crore was approved in March 1999. The scheme *inter-alia* proposed construction of one 66 KV-3.15 MVA Receiving Station at Rayian and laying of 11 Kms. of 66 KV/11KV transmission line from Hira Nagar-Samba to Rayian and IGC, Samba to Samba (Tehsil Samba) at an estimated cost of Rs. 1.68 crore. The scheme was to be completed within two years from the date of release of first installment by the REC.

  Scrutiny of the records of the EE, Sub Transmission Division (STD)-II, Jammu revealed (November 2005) that against the total release of Rs. 8.11 crore for the composite scheme, Rs. 99.37 lakh was incurred (2000-01 to 2005-06) on part works[14] of the sub-station, Rayian and on laying of a portion[15] of the transmission line. The balance works of the sub-station were left incomplete due to the inability of the Department to procure a 66-KV level equipment and obtain clearance from the Railway authorities for crossing of transmission line[16] over the rail track near Samba. The scheme was closed in March 2007 leaving the sub-station incomplete.

  The EE stated (April 2008) that a fresh proposal has been submitted (December 2007) to the railway authorities.

  Thus, laxity on the part of the Department to ensure availability of the equipment required for the sub-station and obtain clearance from the Railway Authorities in advance resulted in idle investment of Rs. 99.37 lakh for over two years and non-accrual of intended benefits of the scheme.

The matter was referred to the Government/Department in June 2008; reply had not been received (September 2008).

[14] Out of 21 components, only five were fully completed and the physical progress of remaining components ranged between zero and 90 *per cent*.

[15] 90 *per cent* of Hira Nagar-Samba line to Rayian and IGC Samba to Samba 2 Km line

[16] Hiranagar Samba to Rayian

- The EE, Sub-Transmission Division (STD), Udhampur had proposed (March 1999) a system improvement scheme for construction of 3.15 MVA Receiving Station at Chanderkote Block and augmentation of Sub-Station at Banihal (District Ramban) from 3.15 MVA to 6.3 MVA. The scheme was approved (2002-03) by REC for an amount of Rs. 1.72 crore. The project was to be completed within a period of 24 months.

  Scrutiny of records (November 2007) of STD, Udhampur revealed that the loan sanctioned by the REC was not availed of by the Department due to non-acquisition of the land for the scheme. The REC intimated (December 2004) the Department that if the land was not acquired, the project could be included in the list of schemes to be closed. The Chief Engineer, however, informed REC that land for the scheme was available. On this certification, REC released a loan of Rs. 34.34 lakh out of which Rs. 34.17 lakh was released (June 2006) by the Administrative Department to the EE. Scrutiny also showed that the EE procured (March 2007) a transformer and line material worth Rs. 34.13 lakh which has not been utilised as of March 2008. The EE also advanced (March 2005) Rs. 2.55 lakh out of State Funds to the Additional Commissioner, Revenue, Ramban for acquisition of land which had not been acquired (April 2008) as the land owner whose land was identified, refused to part with the piece of land[17] and wanted the department to acquire the entire land in his possession. The EE, stated (November 2007/April 2008), that the material would be utilised as and when the land is acquired. However, the land could not be acquired as of June 2008. The Financial Commissioner (Revenue) directed (June 2008) the Department to identify an alternate land for the construction of the Receiving station.

  36.68
  99.37
  136.05

  Departmental action in getting the funds by misrepresentation of facts resulted in locking up of Rs. 36.68 lakh.

The matter was referred to the Government/Department in May 2008; reply had not been received (September 2008).

Public Health Engineering Department

4.2.8 Blocking of funds

Failure of the EE, Public Health Engineering, Ground Water Division, Srinagar to assess requirement of stores and resorting to injudicious purchase of stainless steel screens and collars that could not be put to any use, resulted in blocking of Rs. 27.05 lakh for over three years.

Scrutiny (November 2006) of the records of the EE, Public Health Engineering (PHE), Ground Water Division (GWD), Srinagar revealed that based on his requisition (May 2004), EE Mechanical & Procurement (M&P), Srinagar purchased (July 2004) stainless steel screens of various dimensions and collars

17 Department needed 4 *kanals* of land whereas the land owner wanted the Department to acquire the whole piece of land measuring 6 *kanals* and 18 *marlas*

(Material), valued at Rs. 27.05 lakh, for construction of production tube wells. The material, lifted after a gap of 14 months (September 2005) had not been put to any use in PHE, GWD, Srinagar as of December 2007. A negligible quantity of material (value: Rs. 4.35 lakh) was utilised by the Department on the works executed by it during April 2005 to December 2007 out of the available stocks (value: Rs. 14.44 lakh), purchased prior to May 2004. Thus, there was no need for purchase of fresh material (July 2004) which resulted in unnecessary blocking of funds.

On this being pointed out in audit, the Chief Engineer PHE, Srinagar stated (May 2007) that the material could not be utilised, as contract for construction of production tube wells had expired and there was no response to the fresh NITs[18]. The reply is not tenable, as in view of poor response to NITs, the Department could have undertaken construction of tube wells departmentally as was done during 2005-07.

Thus, the failure of the EE, PHE, GWD, Srinagar to assess requirement of stores and resorting to injudicious purchase of stainless steel screens and collars, that could not be put to any use, resulted in blocking of Rs. 27.05 lakh for over three years.

The matter was referred to the Government/Department in June 2008; reply had not been received (September 2008).

Public Works Department (Roads and Buildings)

4.2.9 Idle investment

Taking up of work without AA/TS resulted in irregular expenditure of Rs. 46.33 lakh spent on the bridge, which had been rendered idle due to non construction of approaches.

To provide road connectivity to five villages having a population of 4000, the EE, R&B Division, Handwara proposed (June 2001) construction of a 15.30 metres span Steel Girder bridge over Dangerwari Khul at Neelipora, Babagund, at an estimated cost of Rs. 49.98 lakh for completion in two working seasons.

Scrutiny (October 2007) of the records of the EE revealed that in anticipation of Administrative Approval (AA) and Technical Sanction (TS), the construction of the bridge was taken up (December 2002) and got completed (August 2005) through the contractor, at a cost of Rs. 46.33 lakh which included Rs. 9.61 lakh spent on construction of four wing walls, not provided in the original estimates. Due to execution of the extra items of work not provided in the original estimates, the work on the construction of approaches/retaining walls, estimated to cost Rs. 16 lakh, could not be taken up. In order to complete the bridge, a revised estimate for Rs. 42.35 lakh for completion of the left over works had been submitted only in March 2008 after a delay of more than 2 ½ years of completion of the bridge, which had not been approved as of April 2008. The EE stated (April 2008) that the wing walls were constructed as per necessity at site and

18 Notice Inviting Tenders

approvals shall be obtained on completion of approaches. The reply is not tenable as the failure to obtain the technical sanction in advance before taking up the construction work, led to execution of extra items of work not provided in the estimates and consequent non-completion of the approaches as well as non operationalisation of the bridge.

Taking up of the work by the Department without accord of AA/TS and execution of unapproved works resulted in irregular expenditure of Rs. 46.33 lakh spent on the bridge which had been rendered idle for the last over three years due to non completion of the approaches.

The matter was referred to the Government/Department in June 2008; reply had not been received (September 2008).

4.2.10 Blocking of funds

Funds were advanced to the Collector, Land Acquisition without adhering to the rules and material was procured without assessment resulting in blocking of Rs. 1.50 crore.

The Jammu and Kashmir Public Works Account Code provides that a Divisional Officer should make an advance payment to the Collector, Land Acquisition (CLA), on the basis of estimates furnished by the CLA, for acquisition of land. Further, financial rules provide that a Government servant who has to purchase stores for public service should ensure that these are made in a most economical manner and in accordance with the definite requirement of the service and should not lead to locking up of Government money.

On the directions (February 2003) of the Chief Minister, EE, PWD (R&B) Construction Division-IV Jammu prepared a Project report for construction of a railway-over-bridge (ROB) at Channi Himmat, Jammu at an estimated cost of Rs. 8.05 crore[19] which was subsequently revised (April 2004) to Rs. 10.58 crore[20]. The project, envisaged to be completed within one calendar year, was proposed to be funded by the Railways and State Government on cost sharing basis in equal proportions. The cost of land coming under the alignment was to be borne by the State Government. However, after the joint inspection by the Railway and R&B authorities, the proposed site for construction of ROB was shifted, as the site identified initially was not found feasible due to steep gradient and presence of HT Line. 10.5

Scrutiny (November 2006) revealed that in anticipation of accord of administrative approval and technical sanction and without receipt of estimates from the CLA, the EE, R&B Division-IV, Jammu advanced (December 2005) Rs. 1.05 crore to the CLA. The residents of the area whose land was coming under the alignment of the flyover, however, resented (December 2005) construction of the flyover and did not allow evaluation of compensation to be paid. The EE, also, without assessing actual/immediate requirement, procured material worth Rs. 44.65 lakh and expended Rs. 0.35 lakh on miscellaneous items

19 Including Rs. 45 lakh for land acquisition

20 Including Rs. 56.30 lakh for land acquisition and Rs. 70 lakh for compensation of houses/shops

during November 2005 to March 2007. In the meanwhile, the cost of the project was revised (March 2006) to Rs. 14.31 crore[21], but the construction work had not been started as of May 2008.

The EE stated (May 2008) that negotiations were in progress for acquisition of land and the material procured would be consumed, as and when the work starts.

The Department should have advanced funds to the CLA only after obtaining the estimate and after getting the required approvals from the competent authorities for taking up the work. Not doing so, has resulted in locking up of Rs. 1.50 crore.

The matter was referred to the Government in August 2008; reply was awaited (September 2008).

4.2.11 Unfruitful expenditure due to failure to acquire land

Failure of the Department to acquire land before allotment of work for construction of a road rendered an expenditure of Rs. 67.09 lakh unfruitful.

In order to provide motorable road connectivity to more than 500 inhabitants of five villages situated on the left bank of *Kandyar Nullah* (Tehsil Katra), EE, Public Works Department (R&B) Division, Katra took up construction of a motorable bridge (February 2004) over *Kandyar Nullah* and 1.3 KM road from the bridge (May 2005) to village Tareen for completion in 3 and 4 months, respectively. The works were taken up for execution without administrative approval (AA) and technical sanction (TS). The estimated cost of the bridge was Rs. 65.26 lakh and that of the road was Rs. 28.60 lakh.

Scrutiny (December 2007) of the records of the EE revealed that the bridge was completed (May 2005) at a cost of Rs. 65.70 lakh but could not be put to use as work on the execution of road, on which Rs. 1.39 lakh had been spent (September 2007) aligning the bridge with villages, was held up due to dispute, rendering the entire expenditure of Rs. 67.09 lakh unfruitful.

The EE stated (December 2007) that the land owner was being persuaded to hand over the required land for construction of the road.

Thus, failure of the department in obtaining AA/TS and to ensure that the land, on which the road was to be constructed, was free from encumbrances before taking up the work rendered the expenditure of Rs. 67.09 lakh unfruitful.

The matter was referred to the Government in February 2008; reply had not been received (September 2008).

4.2.12 Unfruitful expenditure

Taking up the execution of the work without clearance from Forest authorities and the requisite approvals from competent authorities resulted in an unfruitful expenditure of Rs. 20.55 lakh.

The Jammu and Kashmir Forest Conservation Act (1997) and the Rules framed thereunder in 2000 provide that the works on projects involving use of forest land

21 Excluding the cost of land

should not be started till the State Government has accorded its approval to release of such land. The guidelines further provide that proposals for seeking *ex post facto* sanction of the Government to clearance of the land would not be entertained.

Scrutiny (March 2008) of the records of the EE, PWD (R&B) Division, Basohli, revealed that the EE took up (January 2002) construction of a road from Machedi to Duggian, without framing estimates and in anticipation of clearance by the Forest Department for the use of forest land. The Department incurred an expenditure of Rs. 20.55 lakh on earthwork excavation, when the work was stopped (July 2004) by the Forest Department due to not obtaining clearance from it for use of forest land.

A joint inspection of the road alignment was carried out (September 2004) by the Forest and the Departmental officers. Based on their report, an amount of Rs. 17.94 lakh was demanded (September 2006) by the Forest Department as compensation for land and trees. The amount had not been paid as of May 2008. The Department in the meantime submitted (March 2006) a revised Project Report for Rs. 2.47 crore to the SE, which had not yet been approved.

Taking up the execution of the work without clearance from Forest authorities and the requisite approvals from competent authorities thus, resulted in an unfruitful expenditure of Rs. 20.55 lakh.

The matter was referred to the Government/Department in June 2008; reply had not been received (September 2008).

4.2.13 Unfruitful expenditure and blocking of Government money

Frequent changes in the construction proposals rendered the expenditure of Rs. 13.87 lakh incurred on construction of abutments, unfruitful and blocked Rs. 52.40 lakh on procurement of material, etc.

Construction of 66 metre vented causeway/composite RCC[22] bridge at Jahama over Kalamchakla-Jahama-Shahnagri road in R&B division Handwara, was approved (March 2002) under RIDF[23]-VII of NABARD[24] at an estimated cost of Rs. 20 lakh. The Superintending Engineer (SE) PWD (R&B) Circle Baramulla allotted (July 2002) the construction of the abutments of 1x9 metre span composite RCC bridge/causeway to a contractor at a cost of Rs. 8.05 lakh. However, due to change in the course of the *nallah*, it was decided (May/June 2003) to construct a 1x30 metre span bridge. Accordingly, the estimated cost of construction of the abutments was increased (July 2003) to Rs. 14.56 lakh and the contractor raised both the abutments of the bridge upto the *nallah* bed level at a cost of Rs. 13.87 lakh.

On the basis of joint inspection (July 2003) of the site by the SE and EE, the construction of vented causeway was not considered feasible. The EE, therefore,

22 Reinforced Cement Concrete
23 Rural Infrastructure Development Fund
24 National Bank for Agriculture and Rural Development

framed a revised proposal (January 2004) for construction of a 1x33 metre span steel decked bridge at an estimated cost of Rs. 73.10 lakh. Later (February 2006) he suggested abandoning it, as the foundations were not designed properly and the depth had not gone beyond the scour level.

A revised proposal for construction of a vented causeway for the designed length of 93 metre, at an estimated cost of Rs. 57.61 lakh, to be funded under State Sector was framed (June 2007) and Rs. 30 lakh allotted during 2007-08 were spent (March 2008) on procurement of cement (Rs. 10 lakh) and Tor steel (Rs. 20 lakh). After analysing the different hydraulic parameters encountered at site, the EE, in consultation with the consultants[25], once again framed (April 2008) a revised proposal for construction of 2x25 metre composite decked bridge at an estimated cost of Rs. 1.57 crore. The same was not approved (June 2008).

Audit scrutiny showed that an expenditure of Rs. 66.27 lakh[26] had been incurred during 2002-08 on construction of abutments (Rs. 13.87 lakh) and procurement of materials (Rs. 52.40 lakh[27]), mostly at the fag end of financial years to avoid the lapsing of funds, which resulted in unfruitful expenditure and blocking of funds. The EE stated (June 2008) that possibilities of making use of the existing structure, raised at a cost of Rs. 13.87 lakh, would be explored after the accord of the administrative approval to the fresh proposal. The reply is not acceptable, as the foundations of these abutments had not been designed properly. Besides, in view of the change in the span of the proposed bridge, possibilities of utilising both the existing abutments constructed for 1x30 metre span bridge in the proposed 2x25 metre span composite decked bridge appear to be remote.

Thus, due to frequent changes in construction proposals the expenditure of Rs. 13.87 lakh incurred on construction of abutments proved unfruitful. Also, Rs. 52.40 lakh incurred on procurement of material remained blocked.

The matter was referred to Government/Department in July 2008; reply had not been received (September 2008).

4.2.14 Unfruitful expenditure

The Department took up construction of a bridge without obtaining AA and TS and incurred an unauthorised expenditure of Rs. 12.08 lakh.

To provide road connectively to 10 villages falling on left side of Rajouri river with Rajouri town, the EE, PWD (R&B) Division, Rajouri had proposed (January 2001) construction of a 134 M Span foot suspension bridge (FSB) at Dhanwan Chakli over Rajouri river at an estimated cost of Rs. 79.31 lakh.

Scrutiny (January 2008) of records of the EE, PWD (R&B) Division, Rajouri revealed that in anticipation of accord of Administrative Approval/Technical Sanction the work on the construction of abutments of the bridge was allotted

25 M/S Structural Engineers, Polo view Srinagar

26 2002-03: Rs. 5.40 lakh, 2003-04: Rs. 8.28 lakh, 2004-05: Rs. 2.02 lakh, 2005-06: Rs. 15.57 lakh, 2006-07: Rs. 5 lakh, and 2007-08: Rs. 30 lakh

27 Cement: Rs. 12.43 lakh, Tor steel: Rs. 25.72 lakh, Bitumen: Rs. 2.18 lakh, Advance for steel decking: Rs. 12 lakh, and Contingencies: Rs. 0.07 lakh

(December 2001) to a contractor for Rs. 21.97 lakh for completion in nine months. The contractor took up (December 2001) the work for execution and after executing part work of raising right abutment up to bed plate level at a cost of Rs. 9.34 lakh, stopped the work (March 2005) as the Member Legislative Assembly of the area proposed construction of a motorable bridge instead of the FSB. The contractor also executed other works (diversion of *nallah*, construction of trenches and approach roads) at a cost of Rs. 1.36 lakh. Besides, the department incurred Rs. 1.38 lakh on contingent payments. Material valued at Rs. 5.97 lakh procured by debit to the work had also not been consumed as of July 2008.

The EE stated (April 2008/July 2008) that the bridge was not completed due to non-approval of the proposal for construction of the proposed motorable bridge by the higher authorities, as it involved huge cost. It was also stated that the above contractor refused to execute the work at the old rates. The division has invited fresh tenders for the construction of the FSB in May 2008.

Thus, failure of the Department in deciding about the type of the bridge that was to be constructed and unauthorisedly incurring Rs. 12.08 lakh thereon resulted in unfruitful expenditure of Rs. 12.08 lakh and locking up of Rs. 5.97 lakh.

The matter was referred to the Government/Department in July 2008; reply had not been received (September 2008).

Rural Development Department

4.2.15 Idle expenditure

Departmental failure in seeking prior approval from the Forest Department/Government and taking up the construction work on a demarcated Forest land resulted in idle expenditure of Rs. 18.94 lakh.

The Jammu and Kashmir Forest Conservation Act (1997) and the Rules framed thereunder in 2000 provide that the works on projects involving use of forest land should not be started till the State Government has accorded its approval to release of such land. The guidelines further provide that proposals for seeking *ex post facto* sanction of the Government to clearance of the land would not be entertained.

Scrutiny (February 2008) of the records of the Assistant Commissioner, Development (ACD) Poonch revealed that the work on construction of a Common Facility Centre (CFC) and development of a children's park at Gali Maidan in Model Village Gagrian was taken up (February/March 2006) at an estimated cost of Rs. 24.97 lakh[28] under the Prime Minister's reconstruction programme. The work was taken up on a demarcated forest[29] land without the prior approval of the Forest Department/Government. After incurring an expenditure of Rs. 18.94 lakh[30], further execution of the work was stopped

28 Construction CFC: Rs. 21.47 lakh, Development of children park: Rs. 3.50 lakh

29 Compartment No. 131 of Sawjian village in Haveli Range

30 Construction CFC: Rs. 16.39 lakh, Development of children park: Rs. 2.55 lakh

(November 2007) by the Divisional Forest Officer (DFO), Poonch on account of unauthorised/illegal occupation of forest land. The Estates Officer, DFO Poonch issued (November 2007) a show cause notice to the ACD Poonch and three[31] other officers of the Rural Development Department asking as to why they should not be evicted from the demarcated forest land and to clarify as to why the building constructed in the forest area should not be dismantled. The construction work has not been resumed (May 2008) and the entire expenditure proved to be idle.

The Block Development Officer, Mandi stated (May 2008) that prior approval of the Forest Department was not obtained, in view of the verbal assurance from the local MLA. The reply is not tenable, as non-obtaining of prior approval of the Forest Department was in violation of the rules/guidelines.

Thus, the Departmental failure in taking up the construction work on a demarcated forest land without seeking prior approval from the Forest Department/Government has resulted in idle expenditure of Rs. 18.94 lakh.

The matter was referred to the Government/Department in June 2008; reply had not been received (September 2008).

Social Welfare Department

4.2.16 Irregular payment of Post Matric Scholarship (PMS)

Non-adherence to scheme guidelines resulted in payment of Rs. 2.64 crore as scholarship to undeserving students

The GOI guidelines envisage payment of Post-Matric Scholarship (PMS) to the students belonging to Scheduled Tribe (ST) category for studies in all recognised post matriculation or post secondary courses. The conditions of eligibility, *inter-alia*, include the following:

a. the payment should be made for pursuing a recognized post matriculation/post-secondary course in recognized institutions;

b. a scholarship holder under the scheme will not hold any other scholarship/stipend;

c. the PMS amount on account of fees for seats in private colleges will be the same as for the students studying in Government institutions. Any extra amount will have to be borne by the student himself and

d. refundable deposits like caution money, security deposit will not form part of the fee paid under the scheme.

Scrutiny (July 2007/June 2008) of the records of the Director, Social Welfare Department, Kashmir revealed that five[32] District Social Welfare Officers (DSWOs) had, in contravention of the guidelines, disbursed scholarship of Rs. 2.64 crore during 2004-08, to undeserving beneficiaries as detailed below:

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31 Block Development Officer Mandi, Junior Engineer I/C Works and Secretary Panchayat, Gagrian

32 Srinagar, Budgam, Baramulla, Leh and Kargil

- Rs. 2.60 crore had been disbursed to 1,263 students for pursuing courses in unrecognised institutions.
- Rs. 0.76 lakh had been disbursed to nine students who were in receipt of Frontier scholarships.
- Excess amount of Rs. 2.94 lakh had been disbursed in 152 cases either due to non-deduction of refundable fee (security deposit) from the scholarship amount or disbursement of scholarship in excess of fee actually charged by the institutions.

2.60

2.600
0.077
0.03
2.637

2.64

The Director, Social Welfare Department, Kashmir stated (July 2008) that the matter would be looked into and remedial measures including recovery of excess amounts paid, wherever necessary, would be affected.

The matter was referred to Government in October 2008; reply had not been received (October 2008).

Tourism Department

4.2.17 Idle investment on Battery Powered Road Vehicles

Injudicious action of CEO, PDA in taking delivery of vehicles without inspection and failure to rectify defects resulted in idle investment of Rs. 15.60 lakh.

To provide environment friendly transport at Patnitop, besides earning revenue, the Patnitop Development Authority (PDA) approached (December 2003) Bharat Heavy Electricals Limited (BHEL) against their offer, for supply of two[33] Battery Powered Road Vehicles (BPRV) at Patnitop. As per the terms of the offer (January 2004), 50 *per cent* cost of the vehicles was to be paid as interest free advance along with the purchase order and the balance amount including taxes and duties was to be paid against delivery and inspection of the vehicles.

Scrutiny (May 2007) of records of the Chief Executive Officer (CEO) PDA showed that an amount of Rs. 27.39 lakh was paid (March/June 2004) to the suppliers in two[34] installments. The inspection clause was waived (March 2004) by the CEO in lieu of early supply of vehicles. The vehicles were supplied in April 2004 but were not operated for a year due to non-registration with the Regional Transport Office. An expenditure of Rs. 3.80 lakh was also incurred on payment of toll tax, fixing of sheets and fabrication of cabins. The vehicles were put to operation in May 2005. After plying for a brief period of five months, the vehicles were grounded (October 2005) as they developed some defects.

The CEO stated (April 2008) that the vehicles could not ply as the defects had not been set right by BHEL which inspected the vehicles in October/November 2007.

After the matter was referred to Government/Department in May 2008, the CEO contradicted his earlier reply (April 2008) and stated (September 2008) that

[33] One for 70 Km range (Rs. 11.12 lakh) and another for 140 Km range (Rs. 13.27 lakh), local taxes and duty extra as applicable

[34] First installment (50 *per cent* cost of the vehicles) along with the purchase order: Rs. 12.50 lakh, Second installment: Rs. 15.20 lakh

BHEL officials had rectified one vehicle in November 2007 and the second vehicle could not be set right due to non-availability of spares. The investment of Rs. 15.60 lakh on procurement of the vehicles has thus, proved idle.

4.2.18 Idle investment

Phalagam Development Authority took up execution of the works without ensuring availability of funds resulting in idle investment of Rs. 28.87 lakh.

With a view to rehabilitating the dislocated shopkeepers whose vends got demolished during beautification drive at Aishmuqam, the Government decided (June 2004) to construct a double-storeyed shopping complex comprising 86 shops (43 in each floor) in two phases at an estimated cost of Rs. 1.12 crore (Phase-I: Rs. 53.59 lakh; Phase-II: Rs. 57.91 lakh). Forty three shops, so constructed, were to be allotted to dislocated shopkeepers at a subsidised rate of Rs. 0.50 lakh per shop and the remaining 43 shops were to be allotted, under general category, by way of auction, with a minimum reserve price of Rs. 1.25 lakh per shop. The Chief Executive Officer (CEO), Pahalgam Development Authority (PDA) proposed construction of Phase-I of the project in the first instance with State funds to the tune of Rs. 32 lakh and Rs. 21.50 lakh by way of recoveries from the displaced shopkeepers at the rate of Rs. 50,000 each.

Scrutiny of records (February 2008) of the CEO, PDA revealed that without Administrative Approval/Technical Sanction and in anticipation of receipt of full amount from the beneficiaries, the PDA invited tenders (February 2005) for Phase-I (43 shops) at an advertised cost of Rs. 41.80 lakh and allotted (April and July 2005) the work to five contractors for Rs. 39.52 lakh for completion within three months. The work was stopped (April 2006) by the contractors due to non availability of funds, by which time an expenditure of Rs. 38.07 lakh (Rs. 32 lakh from plan funds and Rs. 6.07 lakh out of the contribution (Rs. 6.91 lakh) made by 20 dislocated shopkeepers) was incurred. As a result only 10 shops were completed (without electrification) and allotted to the beneficiaries. The work has not been resumed as of June 2008. It was also observed that against Rs. 21.50 lakh recoverable from 43 dislocated shopkeepers, the PDA received only Rs. 6.91 lakh from 20 shopkeepers.

Action of the PDA in taking up execution of the works without obtaining approvals and ensuring availability of funds by way of recovery of the full amount from the beneficiaries resulted in idle investment of Rs. 28.87 lakh[35].

The matter was referred to the Government/Department in June 2008; reply had not been received (September 2008).

[35] Worked out on pro-rata basis (total expenditure incurred on construction: Rs. 38.07 lakh less by the prorata allotted cost of 10 shops: Rs. 9.20 lakh)

4.3 *Regularity and other issues*

Education Department

4.3.1 Irregular utilisation of school funds

CEO, Anantnag irregularly utilised Rs. 17.10 lakh meant for improvement of schools, to meet day-to-day expenditure.

Rule 2-2 (b) of the J&K Financial Code provides that money relating to the fees of the students in Government Educational Institutions on extra-curricular activities shall not be utilised for any purpose other than that for which these have been received except with the sanction of the Head of the Department concerned.

Scrutiny (October 2007) of the records of the Chief Education Officer (CEO), Anantnag revealed that out of Rs. 33.16 lakh received (October 2004 to August 2007) by the CEO on account of common pool/building funds, Rs. 18.45 lakh had irregularly been utilised to meet the day to day expenses viz purchase of POL/Stationery, payment of telephone/mobile bills etc. The CEO stated that the funds were utilised due to short release of funds by the Government to meet its requirements necessitating utilisation of pool funds towards such expenditure which was being recouped subsequently. The reply of the CEO is not acceptable as the sanction of the Head of the Department for diverting the amount for any purpose other than that for which these were received had not been obtained. Besides, only Rs. 1.35 lakh were adjusted during the period and Rs. 17.10 lakh had not been recouped as of February 2008.

Failure of the CEO to limit its expenditure within the budget allocation resulted in irregular utilisation Rs. 17.10 lakh meant for improvement of schools.

The matter was referred to the Government/Department in June 2008 and the Government replied (September 2008) that the department would initiate steps to allocate the requisite budget to the concerned CEO so that the amount was recouped. The Government also assured (October 2008) that strict instructions would be issued to all the educational institutions to avoid misuse of funds.

Housing and Urban Development Department

4.3.2 Irregular appointments

Director Local Bodies, Jammu/Kashmir irregularly appointed 11 persons and incurred unauthorised expenditure of Rs. 26.31 lakh on payment of wages to them.

In terms of the State Subordinate Services Recruitment Rules, appointments to non-gazetted posts are to be made by the Service Selection Board (SSB), after vacancies existing in a department are referred to it by the Administrative Department concerned. Further, in terms of the Municipal Act, 2000, municipalities are required to obtain Government approval prior to filling up of vacancies.

Scrutiny of records (May 2007) of the EE, Local Bodies Division-I, Jammu revealed that the Director, Local Bodies, Jammu, in violation of the aforementioned procedure, appointed two persons-a Junior Engineer and a Computer Assistant, in June 2002 and February 2005 respectively, without referring the vacancies to the SSB.

Further, scrutiny of records of the Directorate, Local Bodies, Kashmir revealed that Municipal Committees, Sumbal/Kunzer/Lakhanpur had also made nine[36] appointments irregularly in various cadres between February 2003 and March 2007, without obtaining prior approval of the Government.

An expenditure of Rs. 26.31 lakh had been incurred, between July 2002 and August 2008, on account of pay and allowances to the 11 persons so appointed.

The Director, Urban Local Bodies, Kashmir accepted the audit observation and stated (July/August 2007) that instructions had been issued to all the Municipal Committees not to make such appointments. It was also stated that the appointments made by the Municipal Committee, Sumbal, were under investigation. However, reply was silent about displinary action taken against the officers/officials responsible for making irregular appointments. The EE, Local Bodies Division-I, Jammu, stated (May 2007) that the appointments were regularised by the Director, Urban Local Bodies. The reply is not acceptable, as the Director was neither vested with powers to regularise the appointments made in violation of the prescribed recruitment rules nor was competent to make appointments without referring the vacancies to the SSB.

The matter was referred to the Government/Department in July 2008; reply was not received (September 2008).

Industries and Commerce Department

4.3.3 Parking of funds

Advancing money without ascertaining the status and cost of the land in order to avoid lapse of funds resulted in non-utilisation of Rs. 50 lakh for more than four years besides non-establishment of Industrial Complex.

Under the Land Acquisition Rules, the Collector of a District, on application of a departmental officer, is required to supply the data necessary for an estimate of the value of land to be acquired, for which compensation is to be paid. The rules also provide that if the award is not made within two years, the entire proceedings for the acquisition would lapse.

Scrutiny (December 2005/January 2008) of records of the General Manager, District Industries Centre (GM, DIC) Baramulla revealed that in anticipation of receipt of data for estimating the value of land to be acquired from the Collector and to avoid lapse of funds, an amount of Rs. 50 lakh was advanced (March 2004) by the GM to the Collector for acquisition of 302 *kanals* and 3 *marlas* of land required for establishment of three Industrial Estates at Johama, Watergam and Utikoo. It was observed in audit that the land identified (February 2004) by GM, DIC and Revenue Officer jointly, could not be acquired, as the land owners

[36] Sumbal: 5 (Death and Birth Reporters-3, Plantation Watcher and Works Supervisor- 1 each); Kunzar: 3 (JCB Operator, Tipper Driver and Mali- 1-each); Lakhanpur: 1 (Computer Assistant – One)

at Utikoo showed reluctance in handing over their land and the proposal for acquisition of land at Watergam was rejected by Financial Commissioner (Revenue). Besides, Irrigation and Flood Control Department also objected to the use of the identified land at Johama for the requisite purpose as the same was being used for dumping of dredged material from river Jhelum. As a result, the entire amount of Rs. 50 lakh remained blocked from March 2004.

The Collector, Land Acquisition Baramulla stated (April 2008) that the proceedings of acquisition had lapsed and that fresh proceedings were being initiated. The GM, DIC Baramulla however, replied (March 2008) that the process of law has hampered the acquisition and there was no fault on the part of his department as the departments in possession of the land had shown a casual approach for the last three years while the private land owners had approached the court of law. The reasons given by the GM,DIC Baramulla does not absolve him of the failure on his part to ascertain the status of the land to be acquired and likely cost of its acquisition before advancing money for acquisition of land.

Thus, advancing of money without ascertaining the status and cost of the land in order to avoid lapse of funds resulted in blocking of Rs. 50 lakh for over four years besides non-establishment of Industrial complex.

The matter was referred to Government/Department in May 2008; reply had not been received (September 2008).

4.4 General

4.4.1 Follow-up on Audit Reports

Non-submission of *suo-moto* Action Taken Notes

As per the instructions issued by the State Government (Finance Department) in June 1997, the administrative departments are required to furnish to PAC/COPU *suo-moto* Action Taken Notes (ATNs) on all the audit paragraphs featuring in the Audit Reports irrespective of the fact that these are taken up for discussion by these Committees or not. These ATNs are to be submitted to these Committees duly vetted by the Accountant General (AG), within a period of 3 months from the date of presentation of Audit Reports in the State Legislature.

It was, however, noticed that none of the Departments had submitted *suo-moto* ATNs in respect of their paragraphs/reviews featuring in the Audit Reports for the years 1990-91 to 2006-07.

4.4.2 Action taken on recommendations of the PAC/COPU

Action Taken Notes, duly vetted by the AG on the observations/recommendations made by the PAC/COPU in respect of the paragraphs discussed by them are to be furnished to these Committees within 6 months from the date of such observations/recommendations. The PAC/COPU reconstituted (November 1996) after the expiry of President's rule in the State decided to skip over the discussion of Audit Reports prior to the year 1990-91. Out of 785 paragraphs featuring in the Audit Reports for the years 1990-91 to 2006-07, only 262 paragraphs have been discussed by the PAC/COPU up to March 2008. Recommendations in respect of

170 paragraphs have been given by the Committees (PAC/COPU) but ATNs on the recommendations of the Committees have not been furnished by the Administrative Departments despite the AG taking up the matter with the Chairpersons of the two committees and the Chief Secretary.

4.4.3 Lack of response to Audit

The Hand Book of Instructions for speedy settlement of Audit observations/Inspection Reports (IRs), etc., issued by the Government (Finance Department) provides for prompt response by the executive to the IRs issued by the AG to ensure remedial/rectification action in compliance with the prescribed rules and procedures and accountability for the deficiencies, lapses, etc. brought out in the IRs. The Heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects promptly and report their compliance to the Accountant General.

Four Audit Committee meetings were held during 2007-08 in respect of paragraphs contained in IRs pertaining to the civil wing, wherein 115 transaction audit paragraphs were discussed. 41 paragraphs were settled fully and 18 were partially settled.

At the end of March 2008, 8,290 IRs involving 32,356 paragraphs pertaining to the period 1998-08 were not settled.

Lack of response to Audit indicated inaction against the defaulting officers, and facilitated continuation of serious financial irregularities and loss to Government even after being pointed out in audit.

It is recommended that the Government should look into this matter and revamp the system to ensure proper response to the audit observations from the departments in a time-bound manner.

CHAPTER-V

INTEGRATED AUDIT

AGRICULTURE DEPARTMENT

Agriculture Department

The objective of the Department is to increase food production, by increasing the distribution of high yielding variety of seeds to farmers, bringing more land under cultivation and improving the performance of seed farms. The production of food grains in the State increased steadily during 2003-08. However, the Department failed to achieve the Tenth Plan targets mainly due to underutilisation of funds, poor performance of departmental farms, non-utilisation of the available area, etc. due to which the State had to rely on imports.

Highlights

- **Out of an expenditure of Rs. 550.68 crore (excluding on CSS) incurred during 2003-08, the Department incurred Rs. 470.66 crore (85 *per cent*) on establishment.**

  (Paragraph: 5.10)

- **Yield obtained in respect of breeder seeds was not as per the norms or assessment. Actual distribution of seeds was far below the requirement.**

  (Paragraphs: 5.10.2 and 5.10.4)

- **The net sown area declined by 11,000 hectares during 2004-07 and the irrigated area reduced by 2,000 hectares.**

  (Paragraph: 5.10.5)

- **1,402 items of pump sets and sprayers purchased during 2004-05 had not been issued to farmers.**

  (Paragraph: 5.11)

5.1 Introduction

Jammu and Kashmir has a total geographical area of 2.22 lakh[1] square kilometers. The population of the State, as per 2001 census, was 1.02 crore with a rural population of 0.76 crore (75 *per cent*). The rural population is mainly dependent on agriculture and agro-based enterprises. The total area according to revenue records (March 2007) was 24.16 lakh hectares, out of which, only 7.42 lakh hectares (31 *per cent*) was the net sown area. The Agriculture Department formulates and implements strategies to bring about economic development of the people particularly in rural areas through production and distribution of hybrid variety of seeds, vegetable development, increase cropping intensity by promotion of farm mechanisation, undertaking soil and water conservation measures, etc. on sustainable basis.

5.2 Organisational set up

The organisational set up of the Department is as indicated in Chart 5.1:

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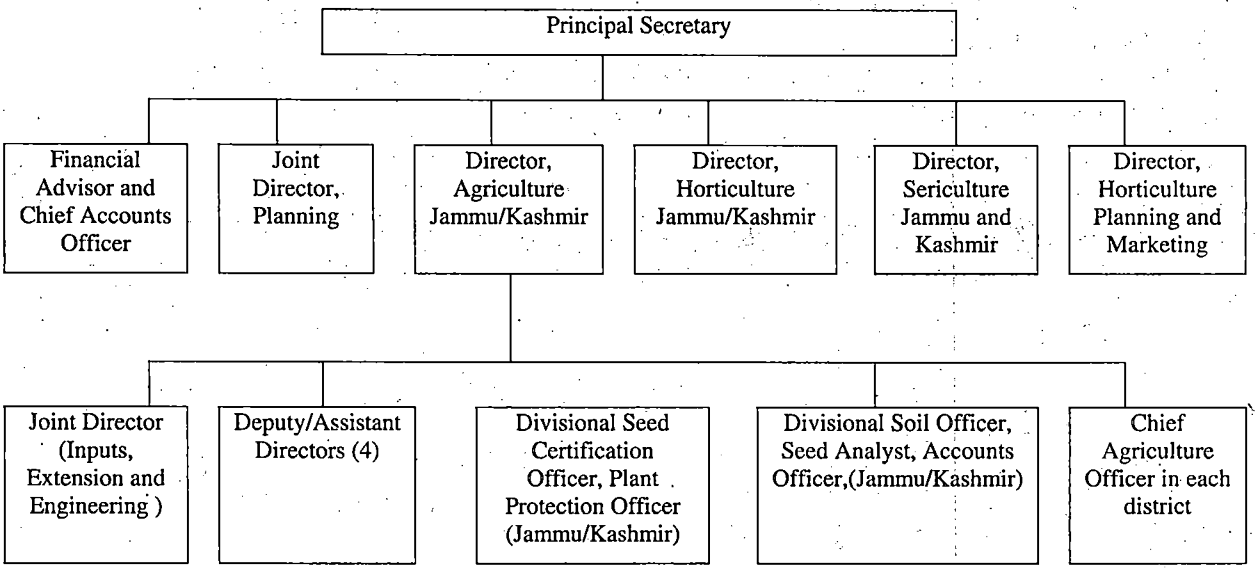
1 Including 1.16 lakh square kilometers under illegal occupation of Pakistan and China

Chart-5.1



5.3 Scope of audit

A review of the functioning of the Agriculture Production Department figured in the Report of the Comptroller and Auditor General of India for the period ended 31 March 2005. The current integrated audit of the Agriculture Department was conducted during April 2007 to March 2008 by a test-check of the records of 95 out of 142 offices of the Department, involving an expenditure of Rs. 284.38 crore (56 *per cent*) and covered the period 2004-08.

5.4 Audit objectives

An integrated audit of the Department was undertaken to see whether:

- the Tenth Plan/annual targets were achieved;
- adequate seeds were distributed to the farmers;
- infrastructure created was gainfully utilised;
- Centrally Sponsored Schemes were implemented as per guidelines;
- financial management was effective and rules were duly adhered to; and
- the prescribed monitoring mechanism was in place.

5.5 Audit criteria

Audit findings were benchmarked against the following criteria:

- Tenth Plan/annual plans
- Guidelines of Centrally Sponsored Schemes
- Financial rules and regulations
- Prescribed monitoring mechanism.

5.6 Audit methodology

Entry conferences were held with the concerned heads of offices audited wherein the audit objectives and criteria were discussed. Units for detailed scrutiny were selected on a random sampling basis. An exit conference was held (September 2008) with the Principal Secretary to the Government, Agriculture Production Department wherein audit findings were discussed. The replies of the Department have been incorporated suitably in the report.

Audit Findings

Significant audit findings are discussed in the subsequent paragraphs:

5.7 Financial Management

5.7.1 Allocation and Expenditure

The agriculture and allied sector contributed about 27 *per cent* to the Gross State Domestic Product (GSDP) while agriculture sector specifically contributed 8-9 *per cent* of the GSDP during 2006-07. The plan allocation under agriculture and allied services was meager and declined from 9.42 *per cent* in 2003-04 to 6.03 *per cent* in 2006-07. The allocation under agriculture sector alone, however, declined from 1.89 to 1.46 *per cent* during this period. Despite a decline in the plan allocation in the sector, the funds provided under Centrally Sponsored Schemes (CSS) were not fully utilised as can be seen from the position of funds allotted and expenditure incurred thereagainst by the two Directorates (Jammu and Kashmir) during the period 2003-08 as detailed below:

Table 5.1

(Rupees in crore)

Year	Allocation		CSS	Total Funds	Expenditure			
	Plan	Non-Plan			Plan	Non-Plan	CSS	Total
2003-04	47.35	43.97	4.61	95.93	45.82	41.20	3.83	90.85
2004-05	54.31	46.60	13.23	114.14	53.82	44.29	10.15	108.26
2005-06	61.90	52.86	15.76	130.52	61.45	49.67	12.65	123.77
2006-07	68.55	52.45	10.90	131.90	67.16	50.33	8.74	126.23
2007-08	9.64	137.15	9.44	156.23	10.98[2]	125.96	8.76	145.70
Total	241.75	333.03	53.94	628.72	239.23	311.45	44.13	594.81

(Source: Departmental records)

As can be seen from the above table, the average utilisation of funds during 2003-04 to 2007-08 was 95 *per cent*. Test check revealed delays in release of funds by the administrative department to the nodal/executing agencies, which not only resulted in non-utilisation of funds but also deprived the Department of further claims from the GOI as discussed below:

➢ Under the CSS 'Integrated Scheme of Oil Seeds, Pulses, Oil Palm and Maize' the GOI had released Rs. 85 lakh (May 2004) and Rs. 1.43 crore (May 2005) as first instalment of assistance against the approved allocation of Rs. 1.70 crore and Rs. 2.85 crore during 2004-05 and 2005-06 respectively. The funds

2 Excess expenditure under plan was due to incurring of expenditure under revenue without budget provisions

were required by the executing agencies during the sowing period (1st and 2nd quarter of the year) of Maize. Audit scrutiny showed that the funds were released[3] by the Government to the two Directors after a delay of 4 to 6 months. As a result, the executing agencies could spend only Rs. 1.57 crore thereby leaving an unutilised balance of Rs. 70.49 lakh. Consequently, the second instalment of Rs. 2.27 crore could not be claimed/availed of by the Department for these years. Though an action plan for Rs. 3.02 crore was submitted (September 2006) for release of funds during 2006-07, no funds were released by the GOI. Failure to release funds in time and non-utilisation of the released funds in full resulted in non-availment of the Central assistance of Rs. 5.29 crore[4]. The Director Agriculture (DA), Jammu attributed non-utilisation of funds to release of funds in the 3rd quarter of the year while the DA, Kashmir stated that, due to cash crunch in the treasuries, the funds could not be utilised.

5.7.2 Non-recovery of loan

As per the orders (March 2002) of the Government, all non-plan budgetary support provided to various corporations/public sector undertakings from April 2001 was to be classified as loan and was recoverable in 20 instalments at an interest rate of 15 *per cent*. The repayment of loan had a moratorium of two years and was to be payable on 1 October 2003. In case of default, the amount in default alongwith penal interest at the rate of 3 *per cent* per annum was to be recovered in cash or deducted from the budgetary support due, to the defaulting corporation.

Scrutiny (April 2007) of the records of the Department showed that Rs. 3.98 crore was advanced (2001-07) by it to the State Agro-Industries Development Corporation as plan assistance to meet the expenditure on salary/wages, etc. No recovery had been affected from the Corporation and the recoverable amount stood at Rs. 4.49 crore[5] including interest/penal interest as of March 2008.

5.7.3 Liquidation of liability

Financial rules provide that no expenditure should be incurred unless funds to cover the charge exist and that the expenditure does not exceed the funds provided. Scrutiny revealed that Joint Director (Inputs) and the Potato Development Officer, Jammu had created a liability of Rs. 2.54 crore on account of purchase of seeds (Rs. 2.29 crore: 2006-08) and its handling charges (Kharif 2000 to Kharif 2007) which had not been paid as of March 2008. The Joint Director, while justifying (June 2008) the excess expenditure over and above the grants, stated that the expenditure was incurred to meet the demand of the field agencies. However, it is emphasised here that a proper demand for release of sufficient funds to carry out the activity should have been raised.

[3] November 2004: Rs. 85 lakh; September 2005: Rs. 1.42 crore

[4] Rs. 2.27 crore; Rs. 3.02 crore

[5] Principle: Rs. 1.85 crore; interest: Rs.2.54 crore; penal interest: Rs.9.83 lakh

5.7.4 Release of subsidy

The GOI sanctioned (2006-07) a grant-in-aid of Rs. 13.34 lakh to the State Government as reimbursement towards expenditure incurred by the Director Agriculture, Jammu on transportation of 29,091.36 quintals of various seeds within the State to various sales outlets during Rabi and Kharif 2005-06. No funds had, however, been released by the Administrative Department to the Directorate of Agriculture as of September 2008. The State Agriculture Production Department stated (April 2008) that they had not received the sanction letter and had not communicated it to the Director Agriculture, Jammu.

5.7.5 Non-utilisation of funds

To provide irrigation facilities to saffron growing area in Konibal and seed multiplication farm Allowpora (District Pulwama), Rs. 22.44 lakh[6] were advanced to the Ground Water Division for drilling of tube wells. The execution had not however been started as of March 2008 resulting in blocking of funds for more than three years.

The Director, Agriculture intimated (May 2008) that a team of officers was being constituted to look into the matter and to select a suitable piece of land for the purpose. The Joint Director attributed non-execution of the work to uneven surface of the farm area with an undulating topography, making it difficult to identify the spot where the bore well was to be installed. The reply is not tenable as a suitable land was to be identified before advancing the money to the Ground Water Division.

Advancing of funds to the executing agencies without proper survey and identification of the suitable sites led to Rs. 22.44 lakh remaining blocked with the executing agencies and consequent non-accrual of benefits.

5.8 Maintenance of trading account

The Department was required to prepare an annual trading account indicating, *inter-alia*, procurement of raw material, sale proceeds realised and the position of opening and closing stocks for its trading activities. Audit scrutiny (September 2007) of the records showed that despite mentioning in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2002, no such accounts had been maintained by the Department as of March 2008. Rupees 26.37 lakh allotted to the Department under the component "Interest on trading account" was drawn and credited to the capital head as receipts. This irregular practice of allotting funds, its drawal and crediting thereof to the same head as receipts was not clarified to audit. The Farm Manager, Chinore stated (July 2008) that as no trading account was being maintained, the allotment had been credited to the capital head. However, the matter was stated to have been taken up with the Joint Director (Inputs) for clarification.

[6] Konibal: Rs. 15.44 lakh; Allowpora: Rs. 7 lakh

5.9 Revenue realisation

Out of the targetted revenue receipts of Rs. 14.20 crore, the Department was able to realise only Rs. 11.38 crore during 2003-08 on account of sale proceeds of small/large farms, commercial crops, potato seeds, testing charges and licence fee. There was also shortfall in achievement of targets in capital receipts as tabulated below:

Table 5.2

(Rupees in crore)

Particulars	2003-04		2004-05		2005-06		2006-07		2007-08	
	Targets	Achievement (% shortfall)	Targets	Achievement (% shortfall)	Targets	Achievement (% shortfall)	Targets	Achievement (% shortfall)	Targets	Achievement (% shortfall)
(4401-Capital outlay on Crop Husbandry)										
Sale proceeds of seeds	6.05	3.72 (39)	5.80	3.24 (44)	6.00	4.48 (25)	6.95	5.07 (27)	7.75	6.05 (22)
Sale proceeds of Agriculture implements	1.05	0.64 (39)	1.60	0.60 (62)	1.60	0.90 (44)	1.85	0.94 (49)	1.60	1.01 (37)
Sale proceeds of pesticides	0.54	0.16 (70)	0.14	0.05 (64)	0.17	0.03 (82)	0.16	0.01 (94)	0.05	0.02 (60)
Sale proceeds of Padgampora farm[7]	0.34	0.32 (6)	0.20	0.10 (50)	0.30	0.20 (33)	0.30	0.08 (73)	0.30	- (100)
Total	**7.98**	**4.84**	**7.74**	**3.99**	**8.07**	**5.61**	**9.26**	**6.10**	**9.70**	**7.08**

(Source: Departmental records)

As is clear from the above table, the percentage shortfall ranged between 6 and 100. Reasons for shortfall were not intimated. However, audit of records showed that the Department had failed to recover Rs. 2.07 crore[8] on account of sale (1998-99 to 2007-08) of tools and implements. The Joint Director, Agriculture stated that the concerned officers had been directed to recover the outstanding amount from the defaulters.

5.10 Programme implementation

Out of an expenditure of Rs. 550.68 crore (excluding on CSS) incurred during 2003-08, the Department incurred Rs. 470.66 crore (85 *per cent*) on establishment. The exorbitant cost of establishment prevented any significant expenditure on crucial areas of agricultural production, thereby affecting the development of agriculture in the State resulting in import of more food grains/seeds from outside the State.

7 Receipts of Padgampora farm for the year 2003-04, 2006-07 and 2007-08 have been classified by the department as revenue receipts

8 Joint Director Agriculture Jammu: Rs. 73.90 lakh; Joint Director Kashmir: Rs. 81.12 lakh; Joint Director Engineering Kashmir: Rs. 12.57 lakh; Agriculture Research Engineering Jammu: Rs. 39.38 lakh

5.10.1 Targets and achievements

The agriculture sector is guided by the National Agriculture Policy, 2000 which aimed at a growth rate of 4 *per cent* during the 10th plan period. The targets set by the Department, was far below the 10th plan targets, as indicated in the following table.

Table 5.3

(In 000 MT)

		Rice		Wheat		Maize	
Targets for achievement at the end of Tenth plan period		982.50		629.50		829.00	
Target set by the Department vis-a-vis actual achievement during the plan period	Year	Target	Achievement	Target	Achievement	Target	Achievement
	2003-04	580	578	502	464	610	524
	2004-05	650	572	531	484	638	506
	2005-06	640	624	532	487	653	474
	2006-07	640	508	512	512	480	480
	2007-08	640	690*	512	512*	530	540*
Shortfall with reference to targets set in Tenth Plan during the year 2006-07 (*per cent*)		**474.50 (48)**		**117.50 (19)**		**349.00 (42)**	

* Provisional figures
(Source: Plan document and progress reports)

The reason for lowering the targets for the year 2006-07 in respect of Wheat and Maize were not assigned. Audit scrutiny revealed that shortfall in achievement of 10th plan/annual targets was due to shortfall in distribution of high yielding variety (HYV) seeds, decline in the rate of yield, poor performance of seed farms, decline in net sown area, non-availability of irrigation facilities, etc. as discussed in the succeeding paragraphs:

5.10.2 Distribution of high yielding variety seeds

HYV seeds are responsible for increase in the production of food grains. Shortfall in distribution of HYV seeds result in stagnation in the yield rate and consequent decrease in agricultural produce.

The actual distribution of seeds was far below the requirement as per the plan targets as indicated in Table 5.4.

Table 5.4

(Area in 000 Hectares; Distribution in Quintals)

Item	10th Plan targets		Achievements		Shortfall		Percentage of shortfall	
	Distribution	Area	Distribution	Area	Distribution	Area	Distribution	Area
Paddy	18000	261	8562.62	255.93	9437.38	5.07	52	2
Maize	31000	300	4225.38	257.75	26774.62	42.25	86	14
Wheat	55000	252	28210.60	251.16	26789.40	0.84	49	nil

(Source: Plan document and progress reports)

The shortfall in distribution, as can be seen, ranged between 49 and 86 *per cent* in respect of the main crops (Paddy, Maize and Wheat) despite covering 86 to 100 *per cent* of the targeted area.

The shortfall was attributed (March 2008) by the Director Agriculture, Kashmir to low element of subsidy on distribution of seeds, its untimely procurement, procedural delay in accord of sanction to fixation of procurement/sale rate, etc. The reply should be seen in the light of the fact that the Department had already lowered its annual targets, which were also not achieved, as tabulated below:

Table 5.5

(In quintals)

Year / Item	2003-04 Targets	2003-04 Achievement (% age)	2004-05 Targets	2004-05 Achievement (% age)	2005-06 Targets	2005-06 Achievement (% age)	2006-07 Targets	2006-07 Achievement (% age)	2007-08 Targets	2007-08 Achievement (% age)
Paddy	7000	2451 (35)	7000	3149 (45)	8600	7351 (85)	12000	8563 (71)	12000	8146 (68)
Maize	7000	1746 (25)	7000	2260 (32)	4700	2845 (61)	5000	4225 (84)	5000	4747 (95)
Wheat	37000	21424 (58)	37000	22364 (60)	35250	25004 (71)	35300	28211 (80)	35300	26108 (74)

(Source: Plan document and progress reports)

The shortfall in achievement of targets ranged between 5 and 75 *per cent.* Audit scrutiny showed that despite covering 100 *per cent* targeted area for paddy and wheat and lowering of targets for the years 2004-07, the annual targets for distribution of seeds had not been achieved. The actual distribution of seeds per hectare as compared to annual plans was far less, as indicated in table below:

Table 5.6

(quintal per hectare)

Item	Requirement as per plan targets	Actual 2003-04	Actual 2004-05	Actual 2005-06	Actual 2006-07	Actual 2007-08
Paddy	0.07	0.01	0.01	0.03	0.03	0.03
Maize	0.10	0.01	0.01	0.01	0.02	0.02
Wheat	0.22	0.08	0.09	0.15	0.11	0.11

(Source: Plan document and progress report)

The Chief Agriculture officer, Jammu stated (May 2007) that the seeds were supplied by the Joint Director (Inputs) based on the availability from the departmental seed farms and requirement of the field functionaries. The farmers had met the balance requirement by purchase of seeds from the open market thereby implying that the Department had not formulated a long-term policy to achieve targets regarding production of sufficient quantum of seeds so that equitable distribution could be made and dependence of farmers on private seed producers could be reduced.

5.10.3 Utilisation of departmental farm land

The position of utilisation of land in three major seed multiplication farms, managed departmentally, is given in the following table.

Table 5.7

Name of Seed multiplication farm	Total cultivable area (in Hectares)	Area actually sown in hectares (percentage)					
		2004-05		2005-06		2006-07	
		Kharif	Rabi	Kharif	Rabi	Kharif	Rabi
Chakrohi	307.27	41.28 (13)	202.34 (66)	49.37 (16)	188.58 (61)	62.73 (20)	265.60 (86)
Padgampora	240.00	81.26 (34)	31.93 (13)	59.40 (25)	116.31 (48)	31.73 (13)	53.90 (22)
Chinore	978.12	137.84 (14)	933.09 (95)	144.47 (15)	889.70 (91)	158.23 (16)	910.54 (93)

(Source: Departmental records)

The percentage utilisation of land ranged between 13 and 34 *per cent* (Kharif) and between 13 and 95 *per cent* (Rabi) during the years 2004-07. The Farm Manager, Chakrohi attributed (November 2007) the shortfall in utilisation of land to lack of irrigation facilities. It was further stated that the matter regarding provision of irrigation facilities had been taken up with the higher authorities. The reply has to be viewed in the light of the fact that no action was taken to revitalise the existing five tube wells due to which the irrigation of the farm continued to be dependent on rainfall. Moreover, the Department was also paying rent for 259.40 hectares of farmlands under Chakrohi farm at the rates chargeable for irrigated land.

5.10.4 Seed production

Scrutiny of the records of two[9] farms showed that the yield obtained in respect of breeder seeds was not as per the norms or the assessments made by the Departmental Yield Assessment Committee (YAC) resulting in shortfall in production with reference to both the norms and the assessed yield as detailed in Table 5.8:

Table 5.8

(In quintals)

Name of farm	Period	Production as per norms	Actual yield	Yield in respect of assessed area		Shortfall with reference to (Rs. in lakh)	
				Assessed by YAC	Obtained	Norms	Assessed by YAC
Chinore	Kharif 2004 to 2006 and Rabi 2004-07	56095.80	32479.46	33440.29	28941.29	23616.34 (291.83)	4499.00 (52.87)
Chakrohi	-do-	13954.40	7874.00	4716.60	3709.46	6080.40 (43.31)	1007.14 (10.29)

(Source: Departmental records)

9 Chakrohi and Chinore

Non-achievement of the yield as per the norms resulted in shortfall of 29,696.74 quintals valuing Rs. 3.35 crore, forcing the Department to procure seeds from private parties for distribution. This also contributed to the high cost of production and eventual rise in the cost of seeds. The Farm Manager, Chinore stated (September 2007) that the assessment could not match the yield *cent per cent,* as losses were bound to occur during harvesting. It was also stated that the concerned officers would be asked to explain the reasons in such cases where heavy shortfall was noticed. The committee, of which the Farm Manager or his representative had been a member would have certainly considered this aspect while making the assessment. However, reasons for non-achievement of yield as per the norms were not stated.

5.10.5 Land utilisation

The position of land utilisation during the period 2003-07 was as under:

Table 5.9

(Area in 000 hectares)

Year	Reported Area		Net area sown		Area irrigated	
	Total	Per capita (Hectares)	Total	Per capita (Hectares)	Total	Percentage of Net area sown
2003-04	2416	0.220	747	0.068	307	41.04
2004-05	2416	0.214	752	0.066	311	41.32
2005-06	2416	0.211	734	0.064	NA	NA
2006-07	2416	0.218	741	0.067	309	41.70

(Source: Departmental records)

Table 5.9 shows that the net sown area declined by 11,000 hectares from 2004-05 to 2006-07 and irrigated area had gone down by 2,000 hectares. The Director Agriculture, Kashmir attributed the decline to urbanisation, coming up of Railway/Road Projects and construction of complexes etc. However, no steps to increase the net sown area had been taken.

5.10.6 Production of honey and mushroom

Against the 10th Plan target of 5760 quintals, the Department had produced 5502.24 quintals of mushroom showing a shortfall of four *percent* in achievement of targets.

Shortfall in achievement of targets for honey produced, for the 10th Plan, was 77 *per cent* as the Department produced 2336.92 quintals of honey against the target of 10220 quintals. The production declined from 6834.51 quintals in 2004-05 to 2336.92 quintals in 2006-07 as indicated in the following table.

Table 5.10

(In quintals)

Province	2004-05		2005-06		2006-07	
	Target	Achievement (percentage shortfall)	Target	Achievement (percentage shortfall)	Target	Achievement (percentage shortfall)
Jammu	4,310.00	2,824.51 (34)	4,310.00	867.74 (80)	4,310.00	830.92 (81)
Kashmir	3,010.00	4,010.00 (-)	5,011.00	5,011.00 (-)	3,511.00	1,506.00 (57)
Total	7,320.00	6,834.51 (7)	9,321.00	5,878.74 (37)	7,821.00	2,336.92 (70)

(Source: Departmental records)

As would be seen from the above table shortfall percentage increased from seven to 70 during 2004-07. There was a sharp decline in production of honey in Jammu province from 2824.51 quintals in 2004-05 to 830.92 quintals in 2006-07 showing an increase in shortfall percentage from 34` to 81 against the laid down targets. In Kashmir province though the production was optimum for 2004-06, the production fell by 57 *per cent* during 2006-07 against the laid down targets.

The Director, Agriculture, Kashmir attributed the shortfall in honey production to outbreak of disease in 2005-06, which had destroyed about 90 *per cent* of the existing bee-colonies and also reluctance of the bee keepers to purchase beehives from the Department at normal rate of subsidy. The reply is not acceptable as the production target of 5000 quintals set for 2005-06 had fully been achieved. Reasons for shortfall during 2006-07 were not intimated. Action taken to increase the production was not intimated by Director, Agriculture Jammu.

5.10.7 Spawn production

The spawn (mushroom seed) production laboratory deals in the production and supply of quality spawn to the farmers through Chief Agriculture Officers to generate additional income with less land.

Scrutiny of the records of the Spawn Production Officer, Jammu showed that against the 10th plan target of distribution of 66,000 bottles (500 gm each) of spawn, the distribution by the laboratory at Jammu, declined from 33,534 bottles in 2003-04 to 30702 bottles in 2006-07. The decline continued despite incurring an expenditure of Rs. 83.36 lakh on the activities of the laboratory during 2004-07. It was also seen that 37,402 bottles costing Rs. 4.11 lakh[10] were lost during processing and contamination of spawn due to storage during the years 2005-07. The loss due to contamination was attributed by the Spawn Production Officer to the fact that the spawn was previously being produced at *Amar Chashma,* Batote under natural conditions where as the production was now being carried out in the laboratory where the contamination rate could increase due to humid conditions during the period from June to August. This contention should

10 Calculated at Rs. 11 per bottle

be viewed in the light of the fact that an air conditioning unit with a generator had been installed in the laboratory to facilitate production.

The decline in production of quality spawn seed had evidently increased the dependence of the mushroom growers on the seed produced by private spawn manufacturers.

5.10.8 Potato development

The Department multiplies the breeder seeds in ten potato seed development farms (Jammu: 3; Kashmir: 7) for supply to farmers. Audit scrutiny revealed poor performance of these farms as they were largely underutilised, as discussed below:

Records of the Potato Development Officer (PDO), Jammu revealed that against the gross area of 57.87 hectares (1995) in three farms, the net sown area (2004-05) was 45.24 hectares, which declined to 29.31 hectares in 2006-07 with consequent decline in production from 2557.45 quintals to 1254.50 quintals (51 *per cent*). Similarly, against the gross area of 180.04 hectares in seven farms of PDO Srinagar, only 94 hectares (52 *per cent*) was shown as cultivable, out of which, only 30.60 hectares (17 *per cent*) was brought under cultivation during 2002-03 to 2006-07.

The PDO, Jammu attributed (December 2007) the decline in the sown area to lack of infrastructure like fencing, availability of fewer breeder seeds and turmoil in the area where the farms were situated. The reply is not based on facts, as the decline has been worked out for the period 2004-05 to 2006-07 when there was no turmoil in the area. Besides, availability of fewer breeder seeds cannot be accepted, as the yield of available seeds had also not been obtained as per the yield potential of these seeds. The PDO, Srinagar stated (March 2008) that instructions had already been issued for bringing more area under cultivation. However, against the cultivable area of 52 *per cent* of the available land, only 33 *per cent* was actually cultivated. Further, no steps had been taken to augment the infrastructure at these farms.

5.10.9 Potato seed production

The yield of various varieties of potato seed was fixed at 200 to 350 quintals per hectare. During the period 2004-07, the actual yield obtained was far below the norms and even less than the assessment made by a departmental 'Yield Assessment Committee' (YAC). Against the projected production of 38,562 quintals as per norms and 16,161.38 quintals as per YAC, the actual production was 12,225.65 quintals, resulting in shortfall of 26,336.35 quintals and 4274.85 quintals. The shortfall was attributed by the PDO, Jammu to yield potential being for commercial crops under assured irrigation and timely operations throughout the cropping season, whereas the Department was producing potatoes for seed production only. It was also stated that the farms were rain-fed and the activities, as such, were linked to nature. The contention of PDO is not acceptable, as the farms have been provided with all the ingredients necessary for production of potato seeds and cannot result in huge shortfall (22-90 *per cent*) compared to the laid down norms.

5.11 Centrally Sponsored Schemes

As per the norms of 'Macro-Management', a Centrally Sponsored Scheme, subsidy of 25 *per cent* is admissible to the farmers on plant protection machinery, subject to a maximum of Rs. 400 for manually-operated and Rs. 1,000 for power-operated machinery. Similarly, subsidy of 25 *per cent* subject to a maximum of Rs. 4,000 is admissible on distribution of irrigation pumps for lift irrigation under the component "Tapping of water resources for irrigation". The State Government also provided subsidy of 25 *per cent* up to the year 2003-04.

Scrutiny of records (October 2007) of Agriculture Research Engineer, Jammu revealed that out of 1,223 pump sets and 2,549 sprayers purchased (2004-05), 1,402 items costing Rs. 76.57 lakh, had not been issued to the farmers and were lying idle as detailed below:

Table 5.11

Item	Quantity purchased	Quantity issued	Balance	Value (Rs. in lakh)
Irrigation Pump sets	1223	729	494	63.00
Foot sprayers	999	606	393	7.05
Knap Sack Sprayers	1550	1035	515	6.52

(Source: Departmental records)

Similarly, in Kashmir Division, 116 pump sets (value: Rs. 20.30 lakh[11]) purchased (2004-06) by the Chief Agriculture Officers, Anantnag and Budgam were lying idle as of May 2008.

Non-lifting of the equipment by the farmers was attributed by the Directors to reluctance of the farmers to purchase the equipment when subsidy of 50 *per cent* was admissible on such pumps under a CSS 'Technology Mission', and non-supplementing of the additional 25 *per cent* subsidy after 2003-04. It was also stated that a request (January 2007), for supplementing the subsidy out of State share of 'Macro Management' as a one time exception, was not approved. However, the system of purchases and the job of arranging all agriculture machinery/allied equipment for agriculture sector was discarded (September 2007) and was entrusted to J&K Agro Industries Development Corporation. Lifting of balance equipment by the farmers is therefore doubtful. Non-lifting of the equipment by the farmers resulted in blocking of Rs. 96.87 lakh for over 3 years.

5.12 Mushroom development

In order to increase production of mushroom, the establishment of an integrated unit for mushroom development at Jammu under the CSS 'Technology Mission' was approved (2004-05) by the GOI with a financial ceiling of Rs. 50 lakh.

An amount of Rs. 50 lakh released was advanced (July 2004) to the Chief Agriculture Officer, Jammu by the Director Agriculture, Jammu for establishment of the unit. The Department had approached (July 2005) the National Sericulture

11 Calculated at Rs. 17500 approved rates of 2004-05

Project Division (NSPD) and the JKPCC Jammu to take up the work. The NSPD submitted (March 2006) an estimate for civil works for Rs. 65.62 lakh. As the offer of NSPD was much higher than the funds available with the Department, the Director again approached (November 2006) National Project Construction Corporation Limited (NPCC, a GOI Undertaking) to take up the work within a provision of Rs. 50 lakh. The offer of the Department was rejected (December 2006) by the agency in view of the quantum of work. The work was finally allotted (September 2007) to the Executive Engineer, Department of Horticulture, Marketing and Planning (Construction Division). Inordinately delayed action in identifying the agency which could undertake the work resulted in non-establishment of the mushroom farm. The CAO Jammu stated (May 2007) that to handle such a large project, it was necessary to seek expert opinion from agencies like National Research Centre for Mushroom, Solan. The reply is not acceptable as poor follow-up action and failure to approach other agencies for establishing the mushroom unit resulted in blocking of Government money for more than 41 months (December 2007) besides denial of the intended benefits to the beneficiaries.

5.13 Reimbursement of transport subsidy

The GOI accorded approval (July 2004) for implementation of a CSS 'Transport subsidy on movement of seeds within the State from State Capital/District Headquarters to sale outlets/sale counter'. The scheme envisaged reimbursement of actual transportation cost depending upon the mileage, restricted to a maximum of Rs. 60 per quintal. Scrutiny (May 2007) revealed that out of the subsidy claim of Rs. 49.30 lakh for Kharif and Rabi crops 2005-07, submitted (September/November 2006, May 2007) by the Department, claims worth Rs. 22.78 lakh had not been reimbursed by the GOI (March 2008).

5.14 Unfruitful expenditure

The engineering wing of the Department fabricates implements for issuance to farmers. It is essential to manufacture only those implements, which are modern and can be utilised for years to come and should also suit the conditions and demand from the end-users. Scrutiny of the records revealed that implements costing Rs. 64.54 lakh manufactured by the agriculture workshops at Jammu (Rs. 25.75 lakh) and Kashmir (Rs. 38.79 lakh) during 2002-07 had not been issued. The Joint Director Agricultural Engineering, Kashmir stated (September 2007) that the implements fabricated had not been accepted by the farmers as these had become outdated and the sale of these items was not possible. Failure of the Department in ascertaining the right requirements of users resulted in unfruitful expenditure of Rs. 64.54 lakh.

5.15 Internal control

Adequate internal controls help in achievement of the departmental objectives by ensuring adherence to statutes, codes and manuals and mitigate risks, avoid errors, and help in protection of resources against loss. Following lacunae were noticed during audit, which indicated lack of specific internal controls in the Department.

- The State Financial Rules prohibit appropriation of departmental receipts for departmental expenditure and provide that all sums of money received by an officer must immediately be deposited into treasury for crediting to the appropriate head of account. In contravention of this, Rs. 61.91 lakh was used by seven[12] district offices towards handling charges of seeds for the period Kharif 2003 to Rabi 2007-08, of which, Rs. 35.98 lakh had been adjusted, while vouchers for Rs. 25.93 lakh were lying unadjusted as of March 2008. It was stated (June 2008) by Joint Director of Agriculture (Inputs) Jammu that this amount was used for Departmental expenditure since there was no imprest money to meet the expenditure on loading/unloading of seeds at different sale outlets and for the rent of temporary seasonal stores hired for storage of seeds. This is, however, not acceptable, as the expenditure was to be met from the overall provision, besides the reimbursement charges of transport subsidy received from GOI.

- Land and buildings belonging to various agricultural farms had been transferred to other institutions as detailed in Table 5.12:

Table 5.12

Name of Seed multiplication farms	To whom transferred	Area of land transferred (in hectare)	Date of transfer	Cost of Assets (Rs. in lakh)
Kheora, Rajouri	Health Department	3.00*	2002-03	126.00
Rajhani, Kathua	SKUAST	12.40	2006-07	29.25

* including buildings constructed on the land
(Source: Departmental records)

Audit scrutiny revealed that the cost of the transferred assets (Rs. 1.55 crore) had not been recovered (September 2007) from the agencies involved even after a lapse of two to five years.

The Director Agriculture stated (September 2008) that the matter had been taken up with the Health Department as well as SKUAST-Jammu to remit the compensation cost and the Agriculture Production Department is again being approached to take up the matter with the respective Departments.

- Financial rules provide that physical verification of stores and administrative inspection of each office should be conducted once a year. Scrutiny of records revealed that out of 95 offices audited, the competent authority had not conducted the administrative inspection of 92 offices during the years 2004-05 and 2005-06 and 95 offices during 2006-07. Similarly, the physical verification of stores and stocks held by these offices had not been conducted in respect of 75, 79 and 86 offices (out of 95) for the years 2004-05, 2005-06 and 2006-07, respectively.

12 CAD: Rs. 9.18 lakh; Doda: Rs. 15.55 lakh; Jammu: Rs. 5.17 lakh; Kathua: Rs. 7.24 lakh; Poonch: Rs. 5.90 lakh; Rajouri: Rs. 4.76 lakh; Udhampur: Rs. 14.11 lakh

5.16 Conclusion

The performance of agriculture sector has suffered due to short plan allocation. The Department has been unable to claim funds from the GOI due to its failure to utilise the funds already released. Shortfall in achievement of 10th Plan/Annual Plan targets in all components resulted in dependence on imports. The performance of seed farms was tardy, leading to decline in agricultural production. The Department also failed to construct Mushroom Development Unit.

5.17 Recommendations

- Plans should be formulated to derive maximum benefit from various schemes, especially CSS, by involving field functionaries.
- The Department should draw up a strategy to increase the crop area and foodgrain production keeping in view the five year plan projections.
- Funds should be released to the implementing agencies on time for their timely utilisation.
- Monitoring mechanism should be strengthened at various levels to achieve the objectives of the Department.

CHAPTER-VI

REVENUE RECEIPTS

6.1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Jammu and Kashmir during the year 2007-08, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

Table 6.1.1

(Rupees in crore)

Sl. No.		2003-04	2004-05	2005-06	2006-07	2007-08[1]
I-Revenue raised by the State Government						
(i)	Tax revenue	1,170.28	1,351.05	1,626.84	1,798.97	2558.18
(ii)	Non-tax revenue	632.54	641.42	535.81	632.53	807.98
(iii)	**Total**	**1,802.82**	**1,992.47**	**2,162.65**	**2,431.50**	**3366.16**
II-Receipts from the Government of India						
(i)	State's share of divisible Union taxes	817.42	934.43	1,135.36	1,413.43	1,775.01
(ii)	Grants-in-aid	5,591.43	5,939.58	7,017.14	7,337.10	8135.87
	Total	**6,408.85**	**6,874.01**	**8,152.50**	**8,750.53**	**9910.88**
III-Total receipts of the State		**8,211.67**	**8,866.48**	**10,315.15**	**11,182.03**	**13,277.04[2]**
IV-Percentage of I to III		**22**	**22**	**21**	**22**	**25**

The above table indicates that during the year 2007-08 the revenue raised by the State Government comprised 25 *per cent* of the total revenue of Rs. 13,277.04 crore as compared to 22 *per cent* in the preceding year. The balance 75 *per cent* of receipts during 2007-08 was from the Government of India.

- The details of tax revenue raised during the year 2007-08 alongwith the figures for the preceding four years are mentioned in Table 6.1.2.

[1] The figures vary with those depicted in the Finance Accounts due to rectification of misclassified receipts of 2006-07 during 2007-08.

[2] Note: For details, please see Statement No. 11-Detailed account of revenue by minor heads in the Finance Accounts of the Government of Jammu and Kashmir for the year 2007-08. Figures under the head "0020-corporation tax, 0021-taxes on income other than corporation tax, 0032-taxes on wealth, 0037-customs, 0038-union excise duties, 0045-other taxes and duties on commodities and services"-share of net proceeds assigned to states booked in the Finance Accounts under tax revenue have been excluded from revenue raised by the State and included in State's share of divisible Union taxes in this statement.

Table 6.1.2

(Rupees in crore)

Sl. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage increase (+)/ decrease (-) in 2007-08 over 2006-07
1.	Sales tax	674.38[3]	804.12	1,014.49	1,159.72[4]	1,804.81	(+) 56
2.	State excise	204.83	272.37	218.68	212.80	244.15	(+) 15
3.	Stamps and registration fee	33.58	39.25	46.43	56.93	65.63	(+) 15
4.	Taxes and duties on electricity	32.67	49.36	58.02	59.70	93.49	(+) 57
5.	Taxes on vehicles	38.43	41.68	49.17	63.96	72.60	(+) 14
6.	Taxes on goods and passengers	182.63	132.62	236.27	243.16	264.59	(+) 9
7.	Taxes on immovable property other than agricultural land	0.29	0.30	0.09	0.06	-	(-) 100
8.	Land revenue	3.18	11.24	3.47	2.57	9.58	(+) 273
9.	Other taxes and duties on commodities and services	0.29	0.11	0.22	0.07	3.33[5]	(+) 4657
	Total	**1,170.28**	**1,351.05**	**1,626.84**	**1,798.97**	**2558.18**	**(+) 42**

The departments did not intimate the reasons for variation despite being requested (October 2008).

- The details of major non-tax revenue raised during the year 2007-08 alongwith figures for the preceding four years are mentioned in Table 6.1.3.

3 Includes service tax of Rs. 72.23 lakh
4 Includes service tax of Rs. 66.55 lakh
5 Includes service tax of Rs. 3.32 crore

Table 6.1.3

(Rupees in crore)

Sl. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage increase (+)/decrease (-) in 2007-08 over 2006-07
1	Power	368.22	382.87	384.31	478.94	600.94	(+) 25
2	Interest receipts, dividends and profits	133.90	144.40	25.05	34.02	65.33	(+) 92
3	Forest and wild life	56.35	43.46	45.51	18.99	32.20	(+) 70
4	Public works	10.13	11.76	12.63	16.16	16.44	(+) 2
5	Medical and public health	8.38	8.02	8.83	12.62	13.21	(+) 5
6	Water supply and sanitation	6.21	7.36	9.58	10.95	13.64	(+) 25
7	Police	7.26	5.30	8.01	6.59	4.21	(-) 36
8	Non-ferrous mining and metallurgical industries	4.39	6.01	8.54	9.98	16.43	(+) 65
9	Crop husbandry	3.69	4.18	4.35	4.31	4.52	(+) 5
10	Animal husbandry	3.61	3.99	3.98	4.75	4.66	(-) 2
11	Others	30.40	24.07	25.02	35.22	36.40	(+) 3
	Grand total:	**632.54**	**641.42**	**535.81**	**632.53**	**807.98**	**(+) 28**

The following were the reasons for variations:

Power — The increase was due to revision of power tariff rate during 2007-08.

Interest receipts — The increase was due to more receipts of interest and dividends from investment as well as other receipts.

Forest and wildlife — The increase was mainly due to increase in sale of timber and other forest produce as well as more receipts under Environmental Forestry and Wild life.

Water supply and sanitation — The increase was due to realisation of more revenue on account of Rural and urban water supply schemes as well as other receipts.

Police — The decrease was mainly due to lesser receipts under sub head fees, fines and forfeitures as well as other receipts.

Non-ferrous mining and metallurgical industries — The increase was due to more receipts from mineral concession fees, rents and royalties as well as other receipts.

6.1.2 Variation between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2007-08 in respect of the principal heads of tax revenue are mentioned below:

Table 6.1.4

(Rupees in crore)

Head of revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
Tax Revenue				
Sales tax	1,422.31	1,804.81	(+) 382.50	27
State excise	225.00	244.15	(+) 19.15	9
Stamps and registration fee	66.70	65.63	(-) 1.07	2
Taxes on goods and passengers	275.00	264.59	(-) 10.41	4
Taxes and duties on electricity	135.78	93.49	(-) 42.29	.31
Taxes on vehicles	71.50	72.60	(+) 1.10	2

The departments did not inform the reasons for variation despite being requested (October 2008).

6.1.3 Analysis of collection

The break-up of the total collection at pre-assessment stage and after regular assessment of sales tax and motor spirit tax for the year 2007-08 and the corresponding figures for the preceding two years, in respect of which information was furnished by the department, was as follows:

Table 6.1.5

(Rupees in crore)

Head of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 3 to 7
1	2	3	4	5	6	7	8
Sales tax[6]	2005-06	736.74	3.66	-	0.03	740.37	100
	2006-07	887.11	1.00	-	-	888.11[7]	100
	2007-08	1160.63	1.16	50.30	-	1212.09	96
Motor spirit tax	2005-06	218.27	0.14	-	-	218.41	100
	2006-07	248.99	-	0.20	-	249.19	100
	2007-08	268.37	0.02	0.02	-	268.41	100

During 2007-08, 96 *per cent* sales tax collections were made at pre-assessment stage.

6 Including service tax during 2005-06 and 2006-07

7 Includes interest levied/collected

6.1.4 Cost of collection

The figures for gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2005-06, 2006-07 and 2007-08, alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2006-07 were as follows:

Table 6.1.6

(Rupees in crore)

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2006-07
Sales tax[8]	2005-06	1,014.49	12.94	1	0.82
	2006-07	1,159.72	13.88	1	
	2007-08	1,804.81	14.52	1	
Taxes on vehicles	2005-06	49.17	2.98	6	2.47
	2006-07	63.96	3.12	5	
	2007-08	72.60	3.98	5	
State excise	2005-06	218.68	9.98	5	3.30
	2006-07	212.80	9.43	4	
	2007-08	244.15	9.88	4	
Stamps and registration fee	2005-06	46.43	4.83	10	2.33
	2006-07	56.93	4.55	8	
	2007-08	65.63	13.41	20	

Percentage cost of collection of taxes on vehicles, State excise and stamps and registration fee during 2007-08 was higher than the all India average cost of collection for the year 2006-07. Increase in expenditure over the previous year was mainly due to printing of various types of stamps and forms at Government Press Nasik.

6.1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2008 in respect of some principal heads of revenue in respect of which information was furnished by the department amounted to Rs. 1011.00 crore of which Rs. 687.91 crore was outstanding for more than five years as detailed in Table 6.1.7.

[8] Including service tax for the year 2005-06 and 2006-07

Table 6.1.7

(Rupees in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2008	Amount outstanding for more than five years as on 31 March 2008	Remarks
1.	Sales tax (including Motor Spirit)	960.39	659.60	Out of total arrears of Rs. 960.39 crore, recovery of Rs. 25.12 crore was stayed by courts/appellate authority.
2.	State excise	3.54	3.54	Out of the total arrears of Rs. 3.54 crore recovery of Rs. 0.13 crore was stayed by courts and arrears of Rs. 3.41 crore was proposed to be recovered as arrears of land revenue.
3.	Taxes on goods and passengers	46.85	24.55	Out of total arrears, recovery of Rs. 14.89 crore on account of toll tax was stayed by courts and Rs. 2.81 crore was proposed to be recovered as arrears of land revenue.
4.	Entertainment tax	0.22	0.22	Demand notices for recovery of Rs. 0.22 crore were stated to have been issued.
	Total	**1,011.00**	**687.91**	

The arrears outstanding for more than five years constituted 68 *per cent* of the total arrears.

6.1.6 Arrears in assessment

The details of cases pending assessment at the beginning of the year 2007-08, cases due for assessment, those disposed of during the year and cases pending finalisation at the end of the year 2007-08, as furnished by the Commercial Taxes Department in respect of sales tax/VAT and tax on works contracts, are as follows:

Table 6.1.8

Sl. No.	Name of tax	Opening balance	New cases due for assessment during 2007-08	Total number of assessments due	Cases disposed during the year 2007-08	Balance at the end of the year	Percentage of column 6 to 5
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Sales tax	7,093	18,963	26,056	11,151	14,905	43
2.	Tax on works contracts	1,430	2,866	4,296	989	3,307	23
	Total	**8,523**	**21,829**	**30,352**	**12,140**	**18,212**	**40**

Despite reduction of 40 *per cent* in arrears of assessments, 18,212 assessments were in arrears at the close of 2007-08. Since Value Added Tax has been introduced in the State from the year 2005-06, the department needs to take immediate steps to complete the pending assessments within a definite period.

6.1.7 Evasion of tax

The details of tax evasion cases detected by the sales tax and excise departments, those finalised and the cases where additional tax was demands were raised, as reported by the departments, are mentioned below:

Table 6.1.9

Sl. No.	Name of tax/duty	Cases pending as on 31 March 2007	Cases detected during 2007-08	Total	No. of cases in which assessment/investigations completed and additional demand including penalty etc. raised		No. of cases pending finalisation as on 31 March 2008
					No. of cases	Amount (Rupees in crore)	
1.	Sales tax	22	1,465	1,487	902	0.42	585
2.	State excise	1	Nil	1	Nil	Nil	1
3.	Taxes on goods and passengers	99	126	225	189	0.18	36

The progress of recovery of amount was not intimated (October 2008).

6.1.8 Write-off and waiver of revenue

Arrears of Rs. 73.30 crore pertaining to sales tax were waived during 2007-08. Further, Rs. 36.99 crore were reduced due to rectification, appeals and remission during the year 2007-08.

6.1.9 Refund

The number of refund cases pending at the beginning of the year 2007-08, claims received during the year, refunds allowed during the year and the cases pending at the close of year 2007-08, as reported by the Sales tax Department, are mentioned below:

Table 6.1.10

(Rupees in crore)

Sl. No.		Sales tax	
		No. of cases	Amount
1.	Claims outstanding at the beginning of the year 2007-08	57	3.19
2.	Claims received during the year	47	0.77
3.	Refund made during the year	19	0.61
4.	Balance outstanding at the end of the year 2007-08	85	3.35

Reasons for non-settlement of the remaining 85 cases at the end of the year 2007-08 were not intimated.

6.1.10 Results of audit

Test check of the records of sales tax, state excise and motor vehicles tax conducted during the year 2007-08 revealed underassessment/short levy/loss of revenue amounting to Rs. 78.52 crore in 944 cases. During the year, the departments accepted/issued notices on account of short levy/loss of revenue of Rs. 43.77 crore in 268 cases.

14.59 Cr

This chapter of Audit Report contains seven paragraphs and two reviews bringing out cases of concealment of turnover, non/short levy of taxes, duties, interest/penalty and irregular tax exemption of tax and loss/non-recovery of revenue of Rs. 44.90 crore. Of this, the Government/department accepted the audit observations involving money value of Rs. 14.59 crore and recovered Rs. 48.28 lakh including Rs. 6.26 lakh recovered in respect of two draft paragraphs after they were issued to Government/department in 2007-08. The progress of recovery in remaining cases has not been intimated (September 2008).

6.1.11 Response of the departments to draft audit paragraphs

Draft paragraphs are forwarded to the Principal Secretary/Secretary of the concerned administrative department seeking confirmation of facts and figures as well as comments within six weeks. Nine draft paragraphs and two reviews were forwarded to the concerned departments/Government in February, March, April, June, July and September 2008. Replies of the department in respect of six draft paragraphs were received in May, June and July 2008 and reply to three draft paragraphs and two reviews are awaited from the concerned department/Government.

6.1.12 Follow up on Audit Reports - summarised position

Status of reviews/paragraphs of Revenue Receipts Chapter pending discussion by the Public Accounts Committee as on 31 March 2008 was as under:

Table 6.1.11

Period of Audit Reports	Total number of reviews and paragraphs that appeared in Revenue Receipts Chapter of Audit Report		No. of reviews and paragraphs pending discussion[9]	
	Reviews	Paragraphs	Reviews	Paragraphs
1990-1991	-	5	-	5
1991-1992	-	8	-	8
1992-1993	1	5	1	5
1993-1994	2	5	2	5
1994-1995	1	14	1	14
1995-1996	4	9	4	9
1996-1997	2	4	2	4
1997-1998	-	9	-	4+2Ψ
1998-1999	1	11	1	9+2Ψ
1999-2000	-	7	-	6+1Ψ
2000-2001	1	7	1Ψ	7
2001-2002	1	8	1	6+2Ψ
2002-2003	1	8	1	7+1Ψ
2003-2004	-	4	-	4
2004-2005	1	5	1	1+2Ψ
2005-2006	-	8	-	2+3Ψ
2006-2007	1	4	1	4
Total	**16**	**121**	**16**	**113**

9 As per the 48th report of the Public Accounts Committee received for vetting in January 2008, five paras on revenue receipts featuring in Audit Reports 2004-05 (2 paras) and 2005-06 (3 paras) have been discussed fully.

Ψ Partly discussed.

Performance Review

Transport Department

6.2 Taxes on Motor Vehicles

Highlights

- Non-conducting of inspection of vehicles resulted in non-recovery of Rs. 9.25 crore during 2003-04 to 2006-07. Token tax of Rs. 1.15 crore was also not recovered during the same period.

  (Paragraphs: 6.2.7.3 and 6.2.7.4)

- Non-imposition of penalty due to over-loading of vehicles resulted in loss of Rs. 25.72 crore during April 2004 to March 2008.

  (Paragraph: 6.2.11)

- Administrative inspections as well as internal audit of the subordinate units were not conducted.

  (Paragraphs: 6.2.12.2 and 6.2.12.3)

6.2.1 Introduction

Registration of motor vehicles, issuance of licences/permits, and levy and collection of fees and taxes in the Jammu and Kashmir State are regulated under the Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules 1989, the Jammu and Kashmir Motor Vehicles, Taxation Act, 1957, the Jammu and Kashmir Taxation Rules, 1957 and the Jammu and Kashmir Motor Vehicles Rules, 1991. The responsibilities of the Transport Department include registration of all types of vehicle, licensing of taxies/buses, issue of permits authorising the use of vehicles, besides collection of token taxes, fees, and issue of driving licences etc. through Regional Transport Officers/Assistant Regional Transport Officers (RTOs/ARTOs).

6.2.2 Organisational set up

The administration of motor vehicle taxes and fees in the State is entrusted to the Transport Commissioner who is assisted by three RTOs (Kashmir, Jammu and Lakhanpur) and 11 ARTOs (Kashmir: 7[10], Jammu: 4[11]).

6.2.3 Audit objectives

Performance review was undertaken with an objective to assess whether

- the rules framed under various Acts were enforced effectively;
- collection of revenue was done efficiently, effectively and economically;
- effective measures were taken with regard to the recoveries of outstanding revenue and

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10 Anantnag, Baramulla, Budgam, Kupwara, Kargil, Leh and Pulwama

11 Doda, Poonch, Rajouri and Udhampur

- effective internal control mechanism was in place to prevent leakage of revenue.

6.2.4 Scope of audit

The performance review of the department covering the period from 1997-98 to 2001-02 figured in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2002. The present performance review covering the period 2003-04 to 2007-08 was conducted between October 2007 and April 2008 by test check of the records of the Transport Commissioner, J&K, three RTOs and five ARTOs (out of 14 RTOs/ARTOs).

6.2.5 Audit methodology

Audit sample was selected by adoption of two stage statistical sampling method. In the first stage the RTOs/ARTOs were selected on the basis of probability proportion to size (PPS). In the second stage the vehicle records were selected using Systematic Random Sampling method.

6.2.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department in providing necessary information for audit. An entry conference was held with the Joint Transport Commissioner J&K, in February 2008 wherein the audit objectives were discussed. The audit observations were forwarded to the Government in September 2008 and discussed in the audit review committee meeting held in July 2008. The replies of the Government have been suitably incorporated in the audit paragraphs.

6.2.7 Revenue realisation and cost of collection

Details of revenue collected in the shape of fees, fines, taxes etc. vis-a-vis budget estimates together with the cost of its collection during the period from 2003-04 to 2007-08 was as under:

Table: 6.2.1

Year	Revenue (Rupees in crore)			Number of vehicles registered (in lakh)	Expenditure incurred on collection (Rupees in crore)	Cost of collection (*per cent*)
	Budget estimates	Actual	Variation in percent			
2003-04	35.62	38.16	(+) 7	0.40	1.59	4.17
2004-05	36.61	41.72	(+) 14	0.39	1.65	3.95
2005-06	42.65	48.45	(+) 14	0.45	1.91	3.94
2006-07	50.28	63.03	(+) 25	0.46	2.23	3.54
2007-08	65.50	71.59	(+) 9	0.50	3.88	5.42

Thus, the cost of collection of revenue during the period 2003-04 to 2007-08 ranged between 3.54 and 5.42 *per cent* of the revenue realised, which was much higher than the all India average cost of collection of 2.66 *per cent*.

6.2.7.1 Registration of vehicles

The MV Act provides that a certificate of registration (COR) of non-transport motor vehicles shall be valid for 15 years from the date of its issue. It is renewable on request for a further period of five years on payment of prescribed fee and after obtaining certificate of fitness from the competent authority. In case of default, a penalty of Rs. 100 per case is chargeable.

Scrutiny of records revealed that in RTO, Srinagar, though COR in respect of 932 non-transport motor vehicles, registered between April 1988 and December 1992, was not renewed, yet no action was taken by the RTO to realise the dues. As a result, the renewal fee of Rs. 1.51 lakh was not realised.

After the cases were pointed out, it was stated (January 2008) by RTO Srinagar that the action could not be taken due to shortage of manpower. The department had failed to refer the list of defaulters to the Traffic Department for further action.

6.2.7.2 Issuance of permits

Under Section 66(1) of the MV Act, no owner of a motor vehicle shall use or permit to the use of the vehicle as transport vehicle in any public place whether or not such type of vehicle is actually carrying any passengers or goods, save in accordance with the conditions of a permit granted or countersigned by a Regional or a State Transport Authority.

Further, under Section 81 (2) of the Act, the permit holders have to renew their permits annually on an application made not less than 15 days before its expiry. Also Rule 80(G) of the Jammu and Kashmir Motor Vehicles Rules provides that in respect of belated applications for renewal of all categories of permits, additional fee of Rs. 10 per day for 45 days and Rs. 20 for each subsequent day shall be charged.

Scrutiny of the records revealed that in nine[12] RTOs/ARTOs, permits had been renewed only in such cases where the vehicle owners had voluntarily made applications for the purpose. The RTOs/ARTOs had not made any exercise to review the permit registers periodically to identify the defaulters. Consequently, cases of non-recovery, short recovery were detected as below:

- 126 permits, due for renewal during 2003-04 to 2007-08, had not been renewed, resulting in non-recovery of permit fee of Rs. 6.09 lakh.

  Based on the above sample, the most likely estimate of non-recovery of permit fee for the State as a whole for the years 2003-04 to 2007-08 is Rs. 89.94 lakh.

- In 550 cases[13], Rs. 2.26 lakh was recovered short on account of renewal fee.

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12 Jammu, Srinagar, Lakhanpur (Kathua), Udhampur, Budgam, Kupwara, Anantnag, Pulwama and Kargil

13 Includes 295 cases of short recovery (Rs 44675.00) due to application of un-notified reduced rates

Based on the above test check, the most likely estimates of short recovery of permit fee for the State as a whole during 2003-04 to 2007-08 is Rs. 22.41 lakh.

- In case of 55 vehicles route permits were not obtained by the vehicle owners resulting in non-recovery of Rs. 4.50 lakh.

  Based on above test check, the most likely estimates of non-recovery due to un-issued permits for the State as a whole for the years 2003-04 to 2007-08 is Rs. 55.22 lakh.

After the cases were pointed out, eight[14] auditee units stated (May/June/July 2008) that the permits would be renewed when presented by the vehicle owners. The department actually failed to identify and book the defaulters.

6.2.7.3 Fitness/inspection of vehicles

The provisions of the MV Act and Rules made thereunder provide that a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness. As per the rule, fitness certificate granted under the Act in respect of a newly registered transport vehicle is valid for two years and is required to be renewed every year thereafter on payment of the prescribed fee applicable to the category of the vehicle. However, if the owner fails to produce the vehicle for inspection, he shall be liable to pay the full fee prescribed under Section 64 in addition to the usual fee chargeable for inspection and on payment of such fee a new certificate of fitness may be issued to the vehicle.

Audit scrutiny showed that against 2,49,129 vehicles due for inspection in 14 RTOs/ARTOs during 2003-04 to 2006-07, inspections in respect of 1,39,522 vehicles only had been conducted resulting in shortfall of 44 *per cent.* Non-inspection of the motor vehicles had not only resulted in the vehicles plying without fitness certificates but also resulted in non-recovery of Rs. 9.25 crore on account of inspection and additional fee.

After the case was pointed out, the Joint Transport Commissioner, stated (August 2008) that the concerned RTOs/ARTOs would be asked to take special measures for identification of vehicles/inspection and issuance of fitness certificates.

6.2.7.4 Levy of tax

In accordance with the provisions of the Jammu & Kashmir Motor Vehicles Taxation Act and rules made thereunder, token tax is leviable on all types of vehicles at prescribed rates and is recoverable in advance in equal quarterly instalments. Failure to pay tax by due date attracts an interest at two *per cent* per month of the tax due. Where tax due in respect of any vehicle has not been paid the department may issue notices to the vehicle owners. The tax, if not paid, can be recovered as arrears of land revenue. The payment of token tax, as a one-time measure in respect of light motor vehicles was, however, made mandatory with effect from 9 December 2005.

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14 Srinagar, Lakhanpur (Kathua), Udhampur, Budgam, Kupwara, Anantnag, Pulwama and Kargil

Audit scrutiny revealed that in nine[15] RTOs/ARTOs, tax amounting to Rs. 81.69 lakh had not been received during the period 2003-04 to 2007-08 in respect of 2,782 vehicle owners resulting in non-recovery of token tax of Rs. 1.15 crore (including interest[16]).

Based on the above test check, the most likely estimates of non-recovery of token tax for the State as a whole for the years 2003-04 to 2007-08 is Rs. 9.10 crore and the total non-recovery alongwith interest is Rs. 12.81 crore.

Test check also revealed that RTO, Srinagar had made short recovery of tax amounting to Rs. 2,992 in seven cases.

After the cases were pointed out, it was stated by the auditee units that ledgers could not be maintained due to shortage of manpower in absence of which the actual recoverable tax could not be established. It was further stated that after completion of posting in tax ledgers, necessary action would be taken against the defaulters. The department had neither issued notices nor forwarded the list of defaulters to the Traffic Department for appropriate action.

6.2.8 Licences

6.2.8.1 Issuance of conductor licences

Under Section 29 (1) of the MV Act, read with Rule 27 (1) & (2) of the Jammu and Kashmir Motor Vehicles Rules, no person shall act as a conductor of a stage carriage unless he holds a conductor licence. Further, the Citizens Charter[17] also emphasised the importance of a conductor's licence. As per sub-section 5 of Section 30 of the Act, the fee for a conductor licence, and of each renewal thereof, shall be one-half of that for a driving licence.

Audit scrutiny revealed that 20,965 stage carrier vehicles had been registered by nine RTOs/ARTOs ending March 2007, however, no licences had been issued by the department. Besides violation of rules, non-issuance of licences and renewal thereof also resulted in non-realisation of Rs. 37.69 lakh.

After the case was pointed out, the concerned RTOs/ARTOs stated that necessary action in this regard would be taken.

6.2.8.2 Licences issued by driving institutes

Rule 24 & 25 of CMV Rules, envisage that no person shall establish or maintain any driving school or establishment for imparting instructions for hire or reward in driving motor vehicles without a licence granted by the licensing authority. The licence so granted shall be valid for a period of five years and needs to be renewed not less than 60 days before its expiry.

15 Jammu, Srinagar, Lakhanpur (Kathua), Udhampur, Budgam, Kupwara, Anantnag, Pulwama and Kargil

16 Calculated upto 31-03-2008.

17 A charter issued by Motor Vehicles Department to facilitate the masses to know and deal with plying of motor vehicles for availing services rendered by the Motor Vehicles Department

Audit scrutiny revealed that in RTO Jammu, licences of 11 driving institutes were not renewed for periods ranging between two and 11 years resulting in non-recovery of licence fee of Rs. 47,000. The reasons for non-recovery have not been received.

6.2.8.3 Agents licence (Goods)

As per Rule 133 and 134 of J&K Motor Vehicles Rules, agents licence for carrying goods is required to be obtained by all the transporters and is valid for one year which is required to be renewed thereafter. Scrutiny of records revealed that in Transport Commissioner's office, 70 cases of agents licences were not renewed for the last one to 11 years resulting in non-recovery of licence fee of Rs. 10.69 lakh.

After the case was pointed out, it was stated (February 2008) that the licence holders had been directed to adhere to the rules and obtain renewal well in time. The reply was not tenable as no action had been initiated by the department to either get the licences renewed for the period ranging between one and 11 years or cancel the licences of the agents.

6.2.8.4 Motor Transport Service Licence

In terms of Rule 127 of J&K Motor Vehicles Rules, no person(s)/ company/firm may engage in motor transport business individually or collectively unless a licence for the purpose has been granted to such person(s)/Company/firm by the State Transport Authority. The fee for issuance of licence under the Rule was Rs. 3,250 which was subsequently (April 1999) reduced to Rs. 2,000 without issuing formal notification by the Government.

In Transport Commissioner's office, it was noticed that though the reduction of fees to Rs. 2,000 was not notified by the Government, fee had been charged at the reduced rate of Rs. 2,000 in 81 cases resulting in short recovery of Rs. 5.28 lakh between April 2003 and March 2008. Further, in 56 cases, licences had not been renewed for the period from April 2003 to March 2008 resulting in non-recovery of licence fee of Rs. 8.35 lakh.

After the cases were pointed out, it was stated (February 2008) that the matter regarding un-notified rates has been taken up with the Government and that the security deposit at the rate of Rs. 200 per vehicle collected from each licence holder would be forfeited. The reply is not tenable as even after forfeiture of the security deposit there would be a difference of Rs. 1,050 in each case. Further, the reply was silent on the reasons as to why fees were realised at lower rates when these were not notified by the Government.

6.2.9 Trade Certificate

Under Rule 33 of the CMV Rules, dealer of a motor vehicle shall be exempt from the necessity of registration subject to the condition that he obtains a trade certificate from the RTO concerned on payment of prescribed fee and shall be valid for the period of 12 months from the date of issue or renewal thereof.

Scrutiny of the records revealed that in four[18] RTOs/ARTOs, in 40 cases trade certificates had not been renewed between August 2001 and March 2008 which resulted in non-recovery of fee of Rs. 46,000. Besides, no survey or inspection had been conducted from 2003-04 to 2007-08 to detect the defaulting dealers, violating the provisions of the Act.

After the case was pointed out, the Joint Transport Commissioner, stated (July 2008) that the registering authorities had been directed to identify the defaulters.

6.2.10 Pollution checking centres

In order to check the emission in vehicles, Pollution Checking Centres (PCC) were established under Rule 115 and 116 of the CMV Rules. A licence is issued to such centre at the prescribed fee of Rs. 5,000 valid for one year to be renewed before 31 March every year on payment of fee of Rs. 2,500.

Scrutiny of records of the Transport Commissioner revealed that the licences of four PCCs were not renewed for periods ranging between one and eight years resulting in non-recovery of renewal fee of Rs. 48,500. Besides, licences had been cancelled in respect of three centres against whom renewal fee of Rs. 40,500 was outstanding at the time of cancellation.

After the cases were pointed out, it was stated (February 2008) that the renewal fee/fine will be imposed when the licence holders approach the office for the said purpose. The department had actually failed to take appropriate action against the defaulters for the periods ranging between one to eight years.

6.2.11 Penalties and offences

The MV Act, provides that whoever drives a motor vehicle or causes or allows a motor vehicle to be driven carrying weight in excess of the permissible level shall be punishable with a minimum fine of Rs. 2,000 and an additional amount of Rs. 1,000 per tonne of excess load. The Act also provides for compounding of offences for carriage of excess load, by the authorised officers/authorities, by such amount as the State Government may specify in this behalf. The officer authorised by the department shall not allow such a vehicle to be removed from the place of weighment until the excess weight has been offloaded by the driver at his own risk.

Scrutiny of the records revealed that in four[19] RTOs, 1,28,620 vehicles were booked between April 2004 and March 2008 for over-loading. The vehicles were, however, allowed to move on payment of compounding fee only without off-loading the excess weight thereby contravening the provisions of the Act. Penalty at the minimum rate of Rs. 2,000 prescribed under the Act was also not recovered which resulted in revenue loss of Rs. 25.72 crore. Scrutiny of the records of the RTO, Lakhanpur also revealed that 10,919 over-loaded vehicles escaped notice of the Motor Vehicle Department (MVD) checkpost, Lakhanpur without paying the fine prescribed under the MV Act during the period April

[18] Jammu, Kashmir, Lakhanpur and Udhampur.

[19] Lakhanpur, Jammu, Udhampur and Srinagar

2004 to March 2008. Failure to check the offence resulted in loss of revenue of Rs. 2.73 crore on account of minimum penalty (Rs. 2,000) and fine (Rs. 500) prescribed by the department.

After the case was pointed out, RTO Kashmir stated (January 2008) that the circular instructions to subordinate offices to enforce the provisions of MV Act/Rules had been issued. RTOs, Lakhanpur and Udhampur stated (May 2008) that the loss of revenue would be looked into and action taken would be intimated.

6.2.12 Internal control

Internal control mechanism in a department is meant to ensure that its activities are carried out according to the prescribed rules and regulations and in an economical, efficient and effective manner. The control mechanism in the department is guided by Acts, rules etc. to protect the resources of the Government and ensure that revenue is realised by the Government in a systematic way. Scrutiny revealed lapses in adhering to these rules as discussed below.

6.2.12.1 Cash Book

Jammu and Kashmir Financial Code stipulates that the departmental receipts collected during the day should be credited into the treasury on the same day. It also stipulates that all monetary transactions should be entered in the cash book as soon as they occur under an attestation by the head of the office or an authorised officer in token of check. The totals of the cash book should be checked by a person other than the writer of the cash book. Test check of RTOs/ARTOs revealed that:

- Against an amount Rs. 76,555 collected in 30 cases, Rs. 2,630 only had been accounted for in the cash book resulting in short accountal and eventual non-remittance of Rs. 73,925 into the treasury detailed as under:

Table: 6.2.2

Sl. No	Name of the office	No. of cases	Amount collected (Rs.)	Amount accounted for (Rs.)	Short accountal/non-remittance (Rs)
1.	RTO Srinagar	1	4,000	400	3,600
2.	ARTO Kupwara	11	12,030	220	11,810
3.	ARTO Anantnag	5	4,370	-	4,370
4.	ARTO Pulwama	13	56,155	2,010	54,145
	Total	**30**	**76,555**	**2,630**	**73,925**

- It was seen in three ARTOs, that route permits had been issued/renewed in 31 cases by recording fictitious receipt numbers in the permit registers resulting in loss of Rs. 83,260. Reply, though called for in audit, was not furnished.

After this was pointed out, the Joint Transport Commissioner, stated (July 2008) that the RTOs would be directed to look into the matter to take appropriate action.

Besides, in RTO Srinagar, wrong totaling of cash book had resulted in short accountal/non-remittance of Rs. 6,040 as detailed below:

Table: 6.2.3

Sl. No	Date	Actual amount (Rs)	Amount accounted for (Rs)	Short accountal/non-remittance (Rs)
1.	01.04.2006	4,98,145	4,93,855	4,290
2.	03.04.2006	3,31,020	3,30,620	400
3.	13.03.2006	93,675	93,075	600
4.	14.04.2006	1,32,195	1,31,445	750
	Total	**10,55,035**	**10,48,995**	**6,040**

Thus, lack of proper check by the RTOs/ARTOs, though envisaged under rules, resulted in short accountal of Rs. 1.63 lakh.

6.2.12.2 Administrative inspection

Administrative inspection of a subordinate office is required to be conducted periodically by the next higher authority so as to exercise necessary checks and controls over the resources and functioning of office/divisions. Administrative inspection of RTOs and ARTOs had not ever been conducted by the Transport Commissioner although the same has been pointed out by audit through audit inspection reports.

6.2.12.3 Internal audit

The department had not created any internal audit cell for conducting internal audit of RTOs/ARTOs nor has the same been conducted by the Director of Audit, Finance Department so far.

6.2.12.4 Public Grievance Cell

Public grievance cell is a bench mark for assessing the success of an entity which is to be properly manned and monitored.

Test check of records, however, revealed that no such cell has been established to redress the grievance of the public.

6.2.13 Conclusion

The performance of the department with regard to motor vehicles tax was poor as the department failed to recover registration renewal fees, permit renewal fee, penalty on account of non-inspection and non-recovery of licence fee for issue of licence to conductors.

There was lack of co-ordination between the departments resulting in non-recovery of passenger tax. The internal control of the system was also weak.

6.2.14 Recommendations

- Immediate steps need to be taken to refer the defaulting vehicle owners to law enforcement agencies so that the dues as pointed out are recovered.

- A viable mechanism need to be devised to have a co-ordination between various wings and with other departments so that those vehicles which avoid payment of tax are not allowed to ply on roads or leave the State without payment of tax.
- Internal control of the department needs to be strengthened so that all the rules provided in the financial code are adhered to.

6.3 Information Technology Audit of Computerisation in Transport Department, Government of Jammu and Kashmir

Highlights

- **Absence of a time frame in implementation of software resulted in delay in project implementation.**

(Paragraph: 6.3.7)

- **Inadequate control environment adversely affected functioning of the system.**

(Paragraph: 6.3.12)

- **Absence of application controls resulted in low assurance regarding completeness and reliability of database.**

(Paragraphs: 6.3.13.1, 6.3.13.4, 6.3.13.7)

- **Check/control mechanism was not in place resulting in registration of vehicle on fraudulent/duplicate Insurance Cover Notes.**

(Paragraph: 6.3.13.6)

6.3.1 Introduction

Assessment, levy and collection of taxes, fees and fines on motor vehicles are governed in the state under the provisions of Motor Vehicles Taxation Act, 1957, Central Motor Vehicles Act 1988, Central Motor Vehicle Rules, 1989 and Jammu and Kashmir Motor Vehicle Rules, 1991 alongwith various notifications issued by the State Government from time to time. Computerisation under a comprehensive e-governance solution for the transport sector in J&K was approved (March 2005) by the Ministry of Communication and Information Technology (GOI) under National e-governance Action Plan (NeGAP). The project objectives included implementation of SARTHI[20] and VAHAN [21] software packages, earlier designed and developed by NIC, Delhi.

6.3.2 Objectives of computerisation

The computerisation in Transport Department was undertaken to prevent leakage of revenue and to enable various regional transport offices to check the driving licenses, registration certificates and permits throughout the country in an efficient manner, thereby strengthening the regulatory functions of such authorities. Department of Road Transport and Highway (DRTH), GOI instructed (January 2001) all the states to adopt a standardised data format and software for the purpose of issuing driving licenses and registration of motor vehicles and maintaining their databases so that a national register of motor vehicles and driving licenses could be prepared and their integration at the national level.

20 Software package for all the front end and back end processing for issuing Learner license, Driver license and conductor license

21 Software package for issuing vehicles' registration, permits, fitness, enforcement and tax demands etc.

6.3.3 Organisational set up

The State Motor Vehicles Department is headed by the Director General, Transport under the administrative control of the Commissioner/Secretary, Transport Department. There are three Regional Transport Officers (Jammu, Lakhanpur and Srinagar) and 11 Assistant Regional Transport Officers (Budgam, Anantnag, Pulwama, Kupwara, Baramulla, Doda, Udhampur, Poonch, Rajouri, Leh and Kargil).

6.3.4 Audit Objectives

The review of the department was undertaken to assess:

- the efficacy of the Transport Department's IT planning and implementation;
- whether information technology controls were adequate in different software packages being used so as to ensure integrity, reliability and completeness of data maintained in the Transport Department and
- the extent to which the overall objectives of computerisation had been achieved.

6.3.5 Audit Methodology

The policies and control structures were examined with reference to the following:

- Documents relating to policies, development, implementation of computerised systems
- Testing and evaluation of application controls built in the application software running in the department
- Analytical review of data through CAATs (Computer Aided Audit Techniques) for substantive and compliance testing.
- Discussions with the Management.

6.3.6 Scope of audit

The scope of audit included a review of planning, implementation and monitoring of the computerisation process at the Office of the Director General of Transport and examination of existing controls in IT applications and other activities in five RTOs/ARTOs[22]. The review was conducted between January 2008 and April 2008 and covered the period from the date of implementation (August 2005) of the programme up to March 2008.

Audit findings

6.3.7 Project implementation

The administrative approval for computerising the Transport Department was accorded by GOI in March 2005. Grant-in-aid of Rs. 1.29 crore was sanctioned for the project which was to be implemented through NIC by 31 March 2006. The

[22] RTO Jammu, RTO Lakhanpur, RTO Srinagar, ARTO Badgam, ARTO Udhampur

hardware was to be procured through NICSI[23]. The department started (May 2005) implementation of the project through NIC's state unit at 10[24] locations. Beginning with the pilot site of RTO Lakhanpur, the implementation was to be done in two phases (Phase I: seven sites were to be covered by October 2005 and three sites out of ten were to be completed under Phase II by March 2006).

Audit observed that except for the pilot site, the department could not implement the project at any of the sites identified for coverage under Phase-I by March 2006. Out of seven sites identified to be covered under Phase-I, five sites had been completed after delays ranging between 5 and 15 months. The remaining two sites of Phase-I and three sites[25] of Phase-II were yet to be computerised (August 2008).

An amount of Rs. 32.68 lakh (out of Rs. 1.29 crore) which was transferred (November 2005) to the MVD for site preparation, purchase of generator sets, furniture, consumable and backlog data entry of old records could not be utilised upto March 2008 due to non-utilisation/revalidation. With the result the implementation suffered.

In reply the department stated (October 2008) that the administrative department had been requested to revalidate sanction for Rs. 25.12 lakh (after spending Rs. 7.46 lakh) required for preparation of sites. As and when the same is received, the sites shall be got prepared and requisite software shall be launched in the remaining five sites.

Audit also observed that backlog data entry had not been completed as the tenders floated (March 2007) for the purpose had been finalised belatedly, in February 2008. In reply, the department stated (October 2008) that backlog data entry was under process in their Jammu Office as work had already been allotted to the successful tenderers.

6.3.8 Under-utilisation of IT Systems

Audit observed under-utilisation of the system in five locations where the project had been implemented. Although the VAHAN system is capable of managing information relating to a permit and its validity, including interstate aspects, enforcement, etc. these aspects had not been computerised so far in any of the RTOs, resulting in under-utilisation of the processing capabilities of the system. In reply, the department stated (October 2008) that steps were presently underway for implementation of permit module.

Audit observed (March 2008) that in ARTO Budgam, only the VAHAN package was being utilised whereas the SAARTHI package had not been implemented. It was also observed that taxes were being collected manually and subsequently fed

23 National Informatics Centre Services Inc.

24 RTO Lakhanpur, RTO Jammu, ARTO Udhampur, Transport Commissioner Jammu, RTO Srinagar/ARTO Badgam, ARTO Leh/ Kargil, Transport Commissioner Srinagar (Phase-I) and ARTO Rajouri/Poonch, ARTO Anantnag/Pulwama, ARTO Baramulla/Kupwara (Phase-II)

25 ARTO Rajouri/Poonch, ARTO Anantnag/Pulwama, ARTO Baramulla/Kupwara (3 sites involving 6 ARTO/RTOs)

into a stand alone computer installed at another location at NIC's district unit. The installed system was also being used by the NIC and the Election Department, which posed a threat to the database of the Transport Department. In reply (April 2008) it was stated that hardware received (April 2007) was yet to be installed and make-shift arrangement had been made by the NIC in the Deputy Commissioner's office. In October 2008, the department further stated that RTO had been directed to get the hardware installed in the office of the ARTO Budgam and shift the data from the office of the NIC Budgam.

6.3.9 Inadequacies in software

Audit scrutiny revealed following deficiencies in software and data.

- There was no provision in the system to asses the arrears of road tax and to generate a list of defaulters.
- There was no provision in the system to work out fines for delayed payments of road tax or registration of vehicles.
- There was no provision in the system to generate list of defaulters in case of vehicles plying without renewal of fitness certificates.
- The system lacked provision for accounting of compounding fee[26] and other recoveries made by Motor Vehicle inspector/ Assistant Motor Vehicle Inspector during field checking.
- There was no provision in the software for recording of stolen vehicles at the request of owner or on the complaint of police

In reply, the department pointed out (October 2008) that the matter with respect to above issues had been taken up with the NIC.

6.3.10 Non-issuance of smart cards

The Department of Road Transport and Highways, GOI instructed (December 1999 and January 2001) all the States to adopt smart cards for issuance of licenses and registration certificates so that a national register of motor vehicles, readable throughout the country, could be prepared and leakage of revenue could be prevented. It was, however, seen in audit that the department did not issue smart cards despite possessing necessary technical infrastructure for issuance of smart cards, thereby defeating the objectives of the scheme. In reply (February 2008) the department stated that steps to introduce smart card based driving Licenses had been initiated and the requisite Keys[27] from the NIC had also been received (October 2007).

6.3.11 Non maintenance of a centralised database

Audit observed that the project had been implemented as stand alone packages in the computerised offices, without linking them to a common database in State Wide Area Network thereby jeopardising creation of a national database of vehicles remains unrealised. In reply, the department stated (October 2008) that

[26] Fee collected from drivers/violators for violation of provisions of M.V. Act.
[27] Key provides Personal Digital Certificates to authorised users.

steps were afoot for interconnectivity of RTOs with the Commissioner Office for which a proposal had already been submitted to the Government.

6.3.12 General controls

Audit observed that the department had not framed, documented and implemented any policy to ensure confidentiality, reliability and availability of data. Absence of an IT policy and a security policy resulted in the following weak or non-existent physical and logical access controls, non-allocation of roles and responsibilities and unauthorised customisation of software as detailed below:

6.3.12.1 Documentation

Audit observed (March 2008) that no technical documentation like record definitions, data organisation, data flow, etc. was available with the department. User, operation and system manuals were also not available with the department for any of the software modules developed by the NIC Delhi, with the result system support or updation would not be possible in-house or through any other agency. In reply, the department stated (October 2008) that the matter had been taken up with the NIC.

6.3.12.2 Physical access/environmental controls

Physical and environmental controls are aimed at ensuring that the assets of the project are not put to any risk. To achieve it, measures are required to be taken prior to implementation of a project. It was, however, observed that:

- There was no separate and secure room for server/UPS in three[28] out of five RTO/ARTO offices audited. The server and data entry terminals had not been safeguarded from unauthorised access, making the system and data vulnerable to loss.
- There was no antivirus software loaded in any of the servers with the result the server at RTO Lakhanpur and Srinagar was found virus infected, leaving the data imperiled. The department stated (October 2008) that directions had been issued to RTOs to procure and install Anti-Virus software and install these in the systems.
- There existed no annual maintenance contract for UPS, servers, and printers etc. to safeguard against breakdowns. It was seen in audit that there was output failure from UPS at RTO Lakhanpur resulting in frequent abnormal shutdown of server. In reply (March 2008) the department stated that a proposal for negotiating AMC was under consideration.
- It was also observed that no standby/backup servers were installed in any of the five RTO offices visited, to ensure resumption of the work in case of server failure due to fault or crash. In reply, the department stated (October 2008) that providing back up servers to all the RTOs were under consideration by the department.

[28] RTO Jammu, ARTO Udhampur, ARTO Badgam

6.3.12.3 Allocation of roles and responsibilities

In order to exercise control over passwords and backend usage, the department was to train and nominate staff as Database and Systems Administrators. It was observed that the department had not nominated any Data Base/Systems Administrators, with the result that the department remained dependent on NIC for day-to-day management of software etc. The department stated (October 2008) that due to shortage of trained staff the DBAs/SAs could not be nominated and now the department was taking steps for training the employees to handle entire operations and a proposal had been submitted to the Government for providing technical staff.

6.3.12.4 Business continuity/disaster recovery plan

Audit observed (February 2008) that no formal back up policy had been formulated. There was no documented business continuity and disaster recovery plan with the department. The department while accepting the audit observation stated (January 2008) that formulation of a BCP was under consideration.

6.3.12.5 Inventory management

A centralised consolidated inventory in respect of the hardware procured by the department and also details of hardware received from NICSI and inventories purchased prior to implementation of VAHAN and SAARTHI and distributed to various RTOs/ARTOs, had not been maintained to exercise control over the custody and movement of inventory. No physical verification had been carried out by the department.

In reply the department stated (October 2008) that the matter was under examination and audit would be informed of the outcome.

6.3.13 Application Controls

6.3.13.1 Unreliable and incomplete database

Rule 47 of Central Motor Vehicles Act 1988, provides for registration of vehicles which contains information about vehicles in 33 fields. Data analysis of owner database in VAHAN package, however, showed that data capture was partial even in crucial fields. Vital details like insurance, dealer's name, purchase date, address, and engine numbers and PAN/GIR number had been left blank in five RTOs, as tabulated below:

Table 6.3.1

	Jammu	Lakhanpur	Udhampur	Srinagar	Budgam
Total No. of vehicles registered	**42,738**	**4,504**	**1,817**	**13,114**	**2,966**
Purchase date	111	04	04	45	1
Address	347	125	50	103	16
Engine number	347	125	84	103	16
PAN	42,738	4,504	1,817	13,114	2,966

Analysis of the data further showed that:-

- In RTO, Jammu, the date of fitness of four vehicles was shown as being prior to the date of registration.
- In RTO, Lakhanpur, the date of registration of one vehicle was shown prior to the date of purchase.
- Database of road tax of two[29] RTOs revealed that details of 'tax from' and 'tax upto' had been shown as '01-01-1900' in case of five vehicles.
- A single registration number[30] was found against two owners at RTO, Lakhanpur indicating that the system was also accepting duplicate entries in fields.

Lack of validation checks and entering incomplete data had rendered the databases of the RTOs unreliable, thereby defeating the purpose of computerisation. The department replied (October 2008) that the matter was being examined and outcome would be intimated to audit.

6.3.13.2 Incorrect application of rates of road tax

As per rules framed under the Central Motor Vehicles Act, every motor vehicle using public roads is subject to levy of token tax[31] at the rates prescribed by the State for goods and passenger vehicles on the basis of their laden weight and seating capacity, respectively.

It was, however, seen that the front-end data entry screens provided for payment of token tax in case of goods vehicles, the system applied rates from masters on the basis of unladen weight instead of laden weight resulting in incorrect application of rates of road tax. The details of 1,859 cases of short/excess levy of tax which were also verified from the manual records are tabulated in *Appendix-6.3.1*.

Audit further observed that in 2,543 other cases in two RTOs[32], short levy of token tax, due to incorrect application of rates in Masters, was made good by collection through manual interventions and entered under "Fine". Such incorrect information gives rise to the risk of generating wrong MIS reports because of unreliability of data capture.

6.3.13.3 Variation in the rates of fitness fee charged by RTOs

A comparison of application data of VAHAN relating to fitness fee of five[33] Regional Transport Offices (RTOs) revealed that there was variation in the rate of fitness fee being charged for various categories of vehicles in the RTOs. While the prescribed fee of Rs. 100 was being charged as fitness fee under LMV and LGV category of vehicles in four RTO/ARTOs[34], Rs. 200 was being charged

29 RTO Jammu, RTO Lakhanpur
30 JK08A 7788
31 Tax levied on Motor Vehicles for using public roads.
32 RTO Jammu 2486, RTO Lakhanpur 57
33 RTO Srinagar, RTO Jammu, RTO Lakhanpur, ARTO Budgam, ARTO Udhampur
34 RTO Srinagar, RTO Jammu, ARTO Budgam, ARTO Udhampur

against same categories of vehicles in another RTO[35]. This was indicative of lack of a centralised mechanism to monitor and implement the business rules in computerised system regarding applicable fee structure. The department did not furnish any reply (October 2008).

6.3.13.4 Outstanding tax

Rules framed under the Jammu and Kashmir Motor Vehicle Act, 1951 and Central Motor Vehicles Act, provide that tax in respect of commercial goods and passenger vehicles is payable annually or quarterly at rates according to the laden weight and seating capacity/vehicle class respectively. Failure to pay the tax within the prescribed time attracts penalty depending upon the extent of delay.

An analysis (February/March 2008) of VAHAN database of RTOs showed that there was an outstanding tax liability of Rs. 56.53 lakh against 3,247 commercial vehicles as per the VAHAN database as tabulated at *Appendix-6.3.2.*

Audit observed that RTOs were not utilising the system to detect defaulter vehicles so as to issue demand notices to the vehicle owners. In reply RTO Budgam stated (April, 2008) that the fee/tax was received manually. This implied that RTO was not relying on the computerised database and that the entries made in the database were incomplete. The reply was silent about non-monitoring of outstanding road tax through the VAHAN package. In reply, the department stated (October 2008) that the matter was being examined and outcome would be intimated to audit.

6.3.13.5 Delayed registration of vehicles

The State Motor Vehicle Act, 1951, read with Central Motor Vehicles Act, 1988, provides that an application for registration of motor vehicle is to be made within one month from the date of taking delivery of the vehicle. Failure whereof could attract fine of Rs. 100. An analysis of databases of five[36] RTO/ARTOs coupled with manual verification in test check revealed that 17,181 vehicles were registered after a period of one month without realising any fine from the defaulters, resulting in revenue loss of Rs.17.18 lakh to the department as tabulated at *Appendix-6.3.3.*

6.3.13.6 Duplicate and fraudulent Insurance Cover Notes

According to Section 146 of the Motor Vehicles Act, 1988 no person shall use, except as a passenger, or cause or allow any other person to use, a motor vehicle in a public place, unless there is in force, in relation to the use of the vehicle by that person or other person, as the case may be, a policy of insurance complying with the requirements of Chapter XI of the Act.

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35 RTO Lakhanpur

36 RTO Jammu, RTO Lakhanpur, RTO Srinagar, ARTO Budgam, ARTO Udhampur

Analysis of insurance database of five audited RTOs revealed 4,707[37] cases in which there was recurrence of multiplicity of a single insurance cover note number ranging between 2 and 123, suggesting that one insurance cover note was being illegally used by two or more vehicles. The results of data analysis were cross-checked with manual records in ARTO Budgam and RTO Srinagar. Test check of manual records of insurance companies[38] confirmed use of fake insurance cover notes by vehicle owners. Test check at two RTOs revealed that in six cases the same cover note had been used by photocopying and prefixing/suffixing of additional digits to the original cover note number and in 10 cases[39], the forms had not been issued by the Insurance Company and had been fraudulently prepared.

Moreover, in 58[40] cases, the cover note number field had either been left blank or bogus insurance cover note numbers had been recorded. While accepting that there was no valid check in the software to ensure single use of insurance cover note, it was stated (April 2008) in reply that the software needed to be updated by the NIC. In October 2008, however, the department further stated that the matter was being examined and outcome shall be intimated to audit.

6.3.13.7 Duplicate Engine/Chassis Number

Chassis Number and Engine Number are unique identification marks of a vehicle. It was seen that in four RTO/ARTOs, 3,509[41] vehicles had duplicate engine Number and 16 vehicles had duplicate chassis number. This indicated lack of validation checks during data entry resulting into integrity of output of system not being ensured. The department replied (October 2008) that the matter was being examined and outcome would be intimated to audit.

6.3.14 Conclusion

Lack of controls at the input stage has rendered the database incomplete. Absence of validation checks has led to duplication of records. The system lacks uniformity across all RTOs resulting in non-realisation of benefits of computerisation and incorrect tax calculation. This has also resulted in non-generation of demand notices and identifying cases of default. Inventorisation of IT assets to ensure its safeguard has been found to be deficient.

6.3.15 Recommendations

The following steps are recommended to enhance the efficiency and effectiveness of the Transport Information System.

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37 RTO Jammu 3919, RTO Srinagar 370, RTO Lakhanpur 219, ARTO Budgam 55, ARTO, Udhampur 144.

38 United Insurance Co and National Insurance Co

39 JK01L-4123, JK01K-4742, JK01K-5994, JK01K-6297, JK01K-5365, JK01L-4052, JK01L-3775, JK01K-2894, JK01K-4283, JK01K-5407

40 RTO Jammu 51, ARTO Udhampur 7

41 RTO Jammu 3301, RTO Srinagar 180, ARTO Budgam 16, RTO Lakhanpur 12

- Data input validation checks need to be incorporated to enhance data reliability and prevent entry of duplicate and fraudulent data and use of fake documents. Change management controls need to be reviewed and any changes in rates of taxes and fees may be incorporated promptly to minimise chances of erroneous realisation of taxes and fees;
- Suitable password policy, security policy, backup policy and business continuity planning should be implemented and disseminate to create security awareness. The Permit Module should be implemented to ensure optimal use of the system. Masters and database structures should be uniform in all the RTOs/user offices.
- Systems should be interlinked to share the databases with each other within and outside the department including Police Department. Physical verification of hardware/software for the period prior to March 2005 and thereafter need to be undertaken and accountal of equipment ensured.

Audit Paragraphs

Finance Department

(Commercial Taxes)

6.4 Irregular exemption from payment of sales tax

Failure to detect the concealment of purchases made by two industrial units resulted in irregular exemption of sales tax of Rs. 46.89 lakh.

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

6.4.1 Test check of the records of the assessing authority (AA), commercial tax circle, Budgam in January 2007 revealed that an industrial unit[42] disclosed turnover of Rs. 1.27 crore during the year 2003-04 and claimed exemption of sales tax payable thereon. The AA while finalising the assessment in August 2005 accepted the returned turnover and allowed exemption from payment of tax of Rs. 5.34 lakh accordingly. Audit scrutiny of the purchase statements revealed that the dealer actually purchased goods valued at Rs. 87.78 lakh during the year from outside the State against which he disclosed an amount of Rs. 83.76 lakh in the trading account submitted alongwith the return. The dealer thus concealed the particulars of purchases and was not eligible for grant of exemption on payment of tax. Failure of the AA to detect the concealment of turnover resulted in irregular exemption of tax of Rs. 11.68 lakh[43].

After the case was pointed out, the AA reassessed the dealer (February 2008) and withdrew the benefit of exemption from payment of sales tax on turnover of Rs. 131.50 lakh and raised the demand of Rs. 11.71 lakh[44]. The dealer has filed an appeal before the Deputy Commissioner, Commercial Tax (Appeals) against the order. A report on further development has not been received (August 2008).

The matter was reported to the Government in July 2008, their reply has not been received (August 2008).

6.4.2 Test check of the records of the assessing authority (AA), commercial tax circle, Budgam in January 2007 also revealed that another industrial unit[45]

[42] Dealing in manufacture of gates, grills, angle iron posts and roof trusses.

[43] Tax: Rs. 5.52 lakh, Interest: Rs. 6.16 lakh

[44] Tax: Rs. 5.52 lakh, Interest: Rs. 6.19 lakh

[45] Dealing in manufacture of voltage stabilizers, invertors, UPS, heat convectors and assembling of black and white TVs.

disclosed turnover of Rs. 1.35 crore[46] during the years 2003-04 and 2004-05 and claimed exemption of sales tax payable thereon. The AA while finalising the assessment in December 2004 and August 2005 accepted the returned turnover and allowed exemption from payment of tax of Rs. 17.06 lakh[47] accordingly. Audit scrutiny of the assessment records of the dealer revealed that the dealer actually purchased goods valued at Rs. 1.30 crore[48] during these years from outside the State against which he disclosed an amount of Rs. 1.24 crore[49] in the trading account submitted alongwith the return. The dealer thus concealed the particulars of purchases and was not eligible for grant of exemption on payment of tax. Failure of the AA to detect the concealment of turnover resulted in irregular exemption of tax of Rs. 35.21 lakh[50].

After this was pointed out (January 2007), the AA reassessed (March 2008) the dealer and withdrew the benefit of exemption and reassessed sales tax on turnover of Rs. 1.43 crore[51] and raised the demand of Rs. 32.88 lakh[52]. The reasons for short levy of interest of Rs. 2.33 lakh against the dealer has been taken up with the department. The dealer has filed an appeal before the Deputy Commissioner Commercial Tax appeals against the reassessment order. A report on further development has not been received (August 2008).

The matter was referred to the Government in July 2008; their reply has not been received (September 2008).

6.5 Short levy of tax and loss of revenue

Failure of the AA Commercial Tax Circle 'E' Srinagar to determine correct taxable turnover of a dealer and apply correct rates of tax on the sales made to Government departments resulted in short levy of tax and interest of Rs. 1.26 crore and loss of Rs. 86.42 lakh due to time barring.

The Jammu and Kashmir General Sales Tax Act, (J&KGST Act) 1962 and the rules made thereunder, provide that the dealer shall furnish a correct and complete return of the turnover alongwith the copies of manufacturing account, trading account, profit and loss account and balance sheet, if any, to the AA. The AA after verifying its correctness shall assess the amount of tax due from the dealer. Further, the Act also provides that no assessment or re-assessment proceedings for charging the escaped turnover of any year to tax shall be made after the expiry of eight years from the end of the year to which it relates or one year from the end of the year in which the notice is served whichever is later.

46 2003-04: Rs. 67.70 lakh, 2004-05: Rs. 67.73 lakh.

47 2003-04: Rs. 8.53 lakh, 2004-05: Rs. 8.53 lakh.

48 2003-04: Rs. 66.69 lakh, 2004-05: Rs. 63.28 lakh.

49 2003-04: Rs. 65.64 lakh, 2004-05: Rs. 57.87 lakh.

50 2003-04 (tax: Rs. 8.68 lakh, interest: Rs. 9.85 lakh), 2004-05 (tax: Rs. 9.28 lakh, interest: Rs. 7.40 lakh).

51 2003-04: Rs. 68.86 lakh, 2004-05: Rs. 73.64 lakh.

52 2003-04 (tax: Rs. 8.68 lakh, interest: Rs. 8.24 lakh), 2004-05 (tax: Rs. 9.28 lakh, interest: Rs. 6.68 lakh).

Audit scrutiny (April 2007) of the records in Commercial Tax circle 'E' Srinagar revealed that a dealer dealing in sale of timber had reflected the taxable sales of Rs. 313.64 crore[53] in his trading account during the years 1997-98 to 2001-02. The AA while finalising the assessment in May 2003 determined the taxable sales of the dealer as Rs. 307.61 crore[54]. Underassessment of taxable sales of Rs. 6.03 crore was due to inadmissible discount allowed to the dealer during these years. Further during the accounting years 1999-2000 to 2001-02 the dealer collected tax at the rate of 6.3 *per cent* on sales of Rs. 8.24 lakh made to Government departments but in the assessment orders the tax was charged at the rate of 4.2 *per cent*. Underassessment of sales and application of incorrect rates of tax resulted in short levy of tax and interest aggregating Rs. 2.13 crore[55] out of which Rs. 86.42 lakh pertaining to the accounting years 1997-98 and 1998-99 turned out to be non-recoverable due to bar of limitation for initiating the assessment proceedings on the escaped turnover of these years.

After the case was pointed out in April 2007 the AA stated (October 2007) that the proceedings to raise the additional demand of Rs. 86.42 lakh on the escaped sales of Rs. 2.71 crore during 1997-98 and 1998-99 could not be initiated due to bar of limitation and added that no recovery was possible. The AA reassessed the dealer for the years 1999-2000 to 2001-02 and raised (October 2007) an additional demand of Rs. 1.30 crore[56] (tax: Rs. 42.02 lakh; interest: Rs. 87.99 lakh) against the dealer on concealed sales of Rs. 3.32 crore as well as sales of Rs. 7.08 lakh made to Government departments, out of which principal amount of Rs. 42.02 lakh had been remitted (November 2007).

Thus, failure of the AA Commercial Tax circle 'E' Srinagar to disallow the discount claimed by a dealer and determine his correct taxable turnover as well as to apply correct rates of tax on the sales made to the Government departments resulted in short levy of tax and interest of Rs. 1.26 crore[57] and loss of Rs. 86.42 lakh due to time barring.

The matter was referred to Government/department in March 2008; the Commissioner Commercial taxes accepted (May 2008) that no action could be taken for accounting years 1997-98 and 1998-99; however, against the liability of Rs. 1.30 crore raised against the dealer, Rs. 42.02 lakh have been deposited by the dealer.

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53 1997-98: Rs. 47.75 crore; 1998-99: Rs. 58.79 crore; 1999-2000: Rs. 58.14 crore; 2000-01: Rs. 71.25 crore (excluding sales turnover of Rs. 10.60 crore due to totaling mistake, admitted by AA); 2001-02: Rs. 77.71 crore

54 1997-98: Rs. 46.34 crore; 1998-99: Rs. 57.49 crore; 1999-2000: Rs. 56.89 crore; 2000-01: Rs. 70.15 crore; 2001-02: Rs. 76.74 crore

55 1997-98: Rs. 46.98 lakh; 1998-99: Rs. 39.44 lakh; 1999-2000: Rs. 52.63 lakh; 2000-01: Rs. 41.35 lakh; 2001-02: Rs. 32.34 lakh

56 1999-2000: Rs. 53.97 lakh; 2000-01: Rs. 42.60 lakh; 2001-02: Rs. 33.45 lakh

57 1999-2000: Rs. 52.63 lakh; 2000-01: Rs. 41.35 lakh; 2001-02: Rs. 32.34 lakh

6.6 Short levy of tax and interest due to incorrect application of rates

Failure of the Assessing Authority (AA) Commercial Tax Circle 'E' Srinagar to apply the correct rates of tax on sales made by a dealer to a corporation, resulted in short levy of tax and interest aggregating Rs. 1.83 crore.

The Central Sales Tax Act, 1956 provides that the tax payable by a dealer on his turnover in so far as the turnover or part thereof related to the sale of goods in the course of interstate trade or commerce not made to the Government shall be calculated at the rate of 10 *per cent* or at the rates applicable to the sale or purchase of such goods inside the appropriate state whichever is higher.

Audit scrutiny (March 2007) of the records of the Sales Tax Circle E Srinagar revealed that a dealer in the business of assembling telephone apparatus, charged sales tax at the rate of four *per cent* on the sales of Rs. 8.85 crore, made to Bharat Sanchar Nigam Limited (BSNL), a Government corporation[58] during the year 2001-02 on production of form D. Concessional rate of tax on these sales was not admissible, as these were not made to a Government department and the form D in their support were issued by BSNL[59]. The AA while assessing the dealer to tax in March 2006 failed to detect the mistake levied tax at the rate of four *per cent* instead of 12 *per cent* resulting in short levy of tax and interest aggregating Rs. 1.83 crore[60].

After the case was pointed out in March 2007, the AA raised (April 2007) a demand of Rs. 1.83 crore[61] against the dealer.

Thus, the failure of the AA Commercial tax circle E Srinagar to apply the correct rates of tax on sales made by a dealer to a corporation, resulted in short levy of tax and interest aggregating Rs. 1.83 crore.

The matter was referred to Government/Department in February 2008, the Commissioner Commercial Taxes stated (April 2008) that the case has been referred to Deputy Commissioner (Recovery) for effecting recovery.

6.7 Short levy of tax, interest and penalty

Failure of the assessing authority to take cognizance of the certificate issued by the Excise Department and determine the correct taxable turnover of a dealer resulted in short levy of tax, interest and penalty aggregating Rs. 7.71 lakh.

The J&K GST Act, and rules made thereunder provide that every dealer shall submit a true and correct return of his turnover in such a manner as may be prescribed under the Act. The AA after verifying its correctness shall assess the amount of tax due from the dealer. Further, if a dealer fails to furnish a correct return of turnover or has concealed particulars of his turnover, the AA shall direct

58 Established on 1 September 2000.

59 Concessional rate of tax was admissible only if such sales were covered by a certificate in form D issued by the Government department to whom the goods were sold.

60 Tax: Rs. 70.76 lakh; Interest: Rs. 112.16 lakh.

61 Tax: Rs. 70.76 lakh; Interest: Rs. 112.16 lakh.

that dealer to pay in addition to tax and interest payable by him, an amount by way of penalty not less than the amount of tax evaded but not exceeding twice the amount of tax.

Test check of the records of AA, Commercial Tax circle 'H' Jammu in August 2006 revealed that an IMFL[62] dealer disclosed taxable turnover of Rs. 27.58 lakh during the year 1999-2000. The AA while finalising the assessment in December 2003 rejected the return and enhanced the taxable turnover to Rs. 31.05 lakh and completed the assessment accordingly. Being aggrieved, the dealer filed an appeal before the appellate authority which directed (February 2005) the AA for *de novo* assessment. The AA accordingly reassessed the dealer in May 2005 and determined the taxable turnover as Rs. 27.58 lakh. A further verification of records, however, revealed that as per the certificate issued by the Excise Department, the dealer had sold 1.10 lakh bottles of IMFL and Beer during the year and the taxable turnover at the minimum sale rates prescribed by the Excise Commissioner amounted to Rs. 33.24 lakh. Thus, failure of the AA to take cognizance of the certificate issued by the Excise Department resulted in short levy of tax, interest and penalty aggregating Rs. 7.71 lakh[63] on the escaped turnover of Rs. 5.66 lakh.

After the case was pointed out, the AA reassessed the dealer in January 2008 and raised an additional demand of Rs. 7.13 lakh against the dealer.

The matter was referred to the Government/department in April 2008 and in reply it was stated (June 2008) that the recovery certificates have been issued and forwarded to the Deputy Commissioner Commercial Taxes (Recovery) for effecting recovery under the provisions of Land Revenue Act.

6.8 Short levy of tax, interest and penalty

Failure of the assessing authority to cross-check the purchases disclosed by a dealer in the purchase statement and trading account with his C form consumption account resulted in short levy of tax, interest and penalty aggregating Rs. 5.73 lakh.

The J&K GST Act and rules made thereunder provide that every dealer shall submit a true and correct return of his turnover in such a manner as may be prescribed under the Act. Further, if a person (dealer) who has without any cause failed to furnish correct return of turnover or has concealed any particulars of his turnover, the assessing authority (AA) shall direct that person to pay in addition to tax and interest payable by him, an amount by way of penalty not less than the amount of tax evaded but not exceeding twice the amount of tax.

Audit scrutiny of the records of Commercial Tax circle-I, Udhampur in January 2007 revealed that purchases of Rs. 17.23 lakh[64] made as per form C consumption account by a dealer dealing in sale of automobile spares, hardware, electric/electronic goods, sanitary and pipe fittings, execution of works etc. had

62 Indian made foreign liquor

63 Tax: Rs. 1.78 lakh, Interest: Rs. 4.15 lakh, Penalty: Rs. 1.78 lakh.

64 2001-02: Rs. 7.06 lakh, 2002-03: Rs. 10.17 lakh.

not been accounted for by the dealer in his purchase statement and trading account during 2001-02 and 2002-03. The AA, while finalising the assessment of the dealer for these two years in October 2005 and May 2006, failed to detect the mistake which resulted in concealment of turnover of Rs. 19.76 lakh[65] and short levy of tax, interest and penalty aggregating Rs. 5.73 lakh[66].

After the case was pointed out, the AA reassessed the dealer in February/March 2007 and raised an additional demand of Rs. 5.73 lakh[67] against the dealer.

The case was reported to the Government/department in June 2008 and the Commissioner, Commercial Taxes stated (June 2008) that the AA had referred the arrears to the Collector for affecting the recovery under Land Revenue Act. Besides, the dealer had preferred an appeal against the order of AA which is pending before the Appellate Authority.

Power Development Department

6.9 Non-realisation of revenue

Non-levy of surcharge to the Gondola Cable Car Project, Gulmarg by the Power Development Department resulted in non-recovery of Rs. 8.60 lakh.

For efficient transmission and utilisation of energy, power factor (PF) is required to be brought close to 1 (unity) by installation of capacitors in the system which can reduce the reactive power demand of inductive loads like induction motors, etc. from the system. To achieve this, the State Government had directed (February 1999) energy consumers with aggregate power load of 10-HP/KVA and above to instal suitable capacitors to raise the PF to 0.85 level. Such consumers who did not instal the requisite capacitors were liable to pay surcharge at 10 *per cent* on the assessed amount, till the capacitors of requisite capacity were installed by them.

Scrutiny of the records of the Executive Engineer (EE), EM & RE Division Sumbal, Sonwari in December 2007 revealed that though the Gandola Cable Car Project, Gulmarg had a load of 327.13 KW between April 1998 and March 2005 and 427.13 KW from April 2005 onwards, yet it did not instal the capacitors to bring the PF factor to the desired level. The Company was, therefore, liable to pay surcharge at 10 *per cent* of the assessed energy charges of Rs. 86 lakh for the period April 1999 to March 2007. It was, however, seen that the EE had failed to raise the demand of Rs. 8.60 lakh as surcharge on the assessed energy charges, on the Company.

Non-levy of the surcharge, thus, resulted in non-realisation of revenue of Rs. 8.60 lakh.

After the case was pointed out, the Assistant Executive Engineer Electric Sub-Division Tangmarg while regretting the error stated (December 2007) that

65 2001-02: Rs. 8.55 lakh; 2002-03: Rs. 11.21 lakh.
66 Tax: Rs. 1.61 lakh; Interest: Rs. 2.50 lakh; Penalty: Rs. 1.61 lakh.
67 2001-02: Rs. 2.70 lakh; 2002-03: Rs. 3.03 lakh.

the matter would be taken up with the concerned authorities. A report on further development has not been received (September 2008).

The matter was reported to the Government in September 2008; their reply has not been received.

Transport Department

(Passenger Tax)

6.10 Non-recovery of tax

Lack of co-ordination between the two departments led to non-recovery of Rs. 46.97 lakh. Besides the vehicle owners of six vehicles against which Rs. 2.18 lakh were outstanding as of March 2008 managed to get their documents renewed without obtaining no objection certificate.

As per the provisions of the Passenger Tax Act, every passenger vehicle plying within J&K State is required to deposit passenger tax at the rates notified by the Government from time to time. Information made available by the Commercial Tax Officer, Passenger Tax Circle Srinagar revealed that an amount aggregating Rs. 69.94 lakh on account of passenger tax was outstanding against 100 vehicles upto March 2006. Cross verification of the details so collected with those of the RTO Srinagar, revealed that permits had been renewed in respect of 64 vehicles against whom passenger tax of Rs. 46.97 lakh for the period from April 1988 to March 2006 was outstanding. No objection certificates (NOC) for issuance of permits had not been called for from the Commercial Taxes Department (CTD), in case of these vehicles at the time of renewal, which led to non-recovery of the tax. Lack of co-ordination between the two departments led to Rs. 46.97 lakh remaining un-recovered.

Audit scrutiny of records of the Commercial Taxes Officer (CTO), Passenger Taxes Circle, Jammu revealed that Rs. 5.25 crore[68] was outstanding on account of passenger tax against the vehicle owners as of March 2008. It was seen that consequent upon seizure of documents (registration certificates/route permit/fitness certificates) of defaulting vehicles in regular checks, the CTO had referred a list of 282 such vehicles to RTO Jammu for ensuring production of NOC by the vehicle owners at the time for issue of duplicate/renewal of seized documents. Cross check of documents in RTO Jammu, however, revealed that six vehicles against which passenger tax of Rs. 2.18 lakh was outstanding ending 31 March 2008 managed to get the duplicate documents issued/renewed without production of NOC, with consequent loss of revenue to the Government.

68 2003-04: Rs. 282.71 lakh, 2004-05: Rs 351.77 lakh, 2005-06:Rs 413.50 lakh, 2006-07: Rs 467.97 lakh, 2007-08: Rs. 524.86 lakh

Joint Transport Commissioner J&K stated (July 2008) that the registering authorities would be directed to seek clearance from the CTO at the time of issue of duplicate/renewal of permits.

The matter was reported to the Government in September 2008; their reply has not been received.

CHAPTER-VII

COMMERCIAL ACTIVITIES

Section-I

Overview of Government Companies and Statutory Corporations

Introduction

7.1 As on 31 March 2008, there were 20 Government companies (17 working and three[1] non-working[2] companies) and three Statutory corporations (all working) under the control of the State Government. The position had remained unchanged since 31 March 2007.

The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG as per the provisions of Section 619 of the Companies Act, 1956. The audit arrangements of the three Statutory corporations are as shown below:

Table 7.1

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

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

7.1.1 The total investment in the working PSUs at the end of March 2007 and March 2008 was as follows:

Table 7.2

(Amount: Rupees in crore)

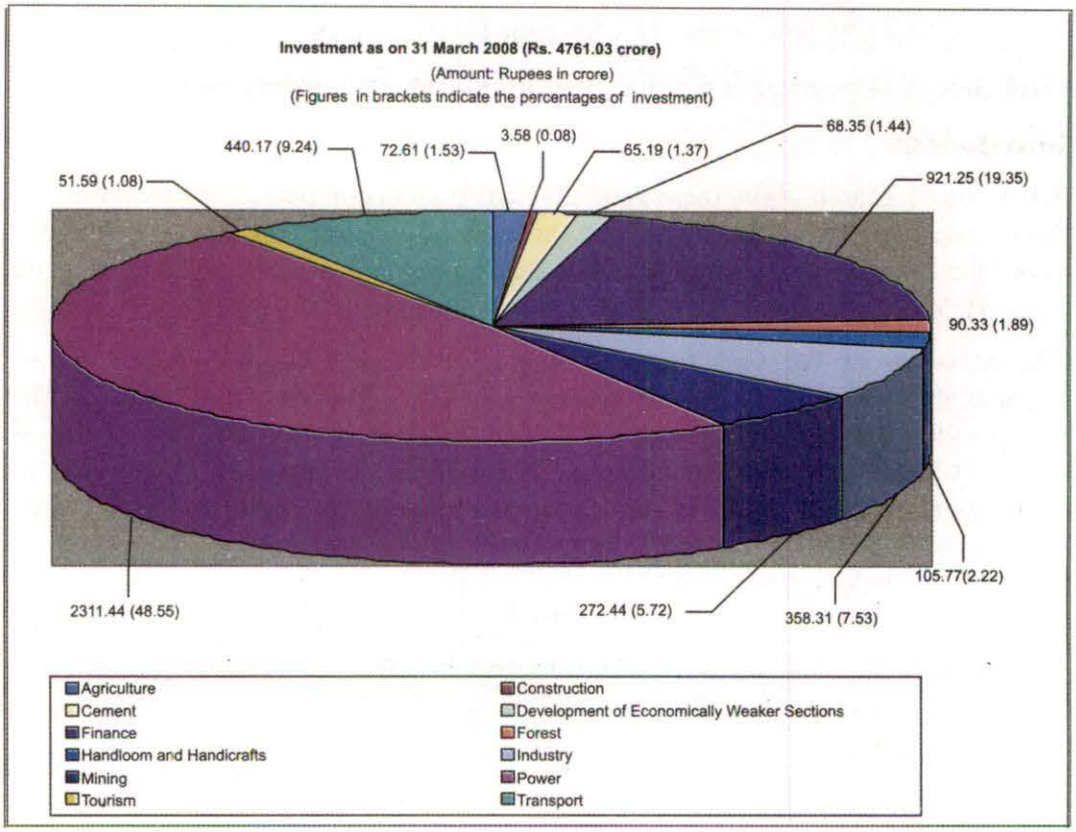
Year	Number of PSUs	Investment by way of		
		Equity	Loan	Total
2006-07	20	398.58	4022.30	4420.88
2007-08	20	400.28	4360.75	4761.03

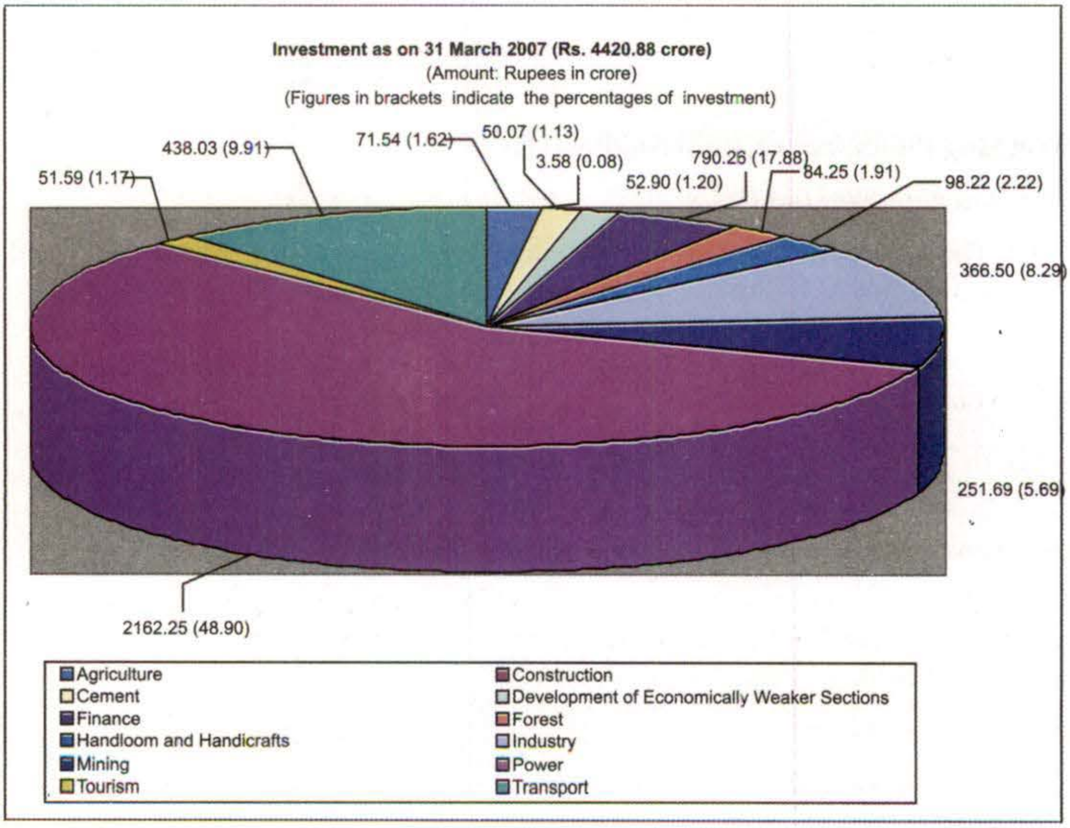
Sector-wise Investment in Government companies and Statutory corporations

7.1.2 The investment (equity and long-term loans) in various sectors and percentage thereof at the end of March 2007 and March 2008 are indicated in the pie charts below:

[1] Himalayan Wool Combers Limited, Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalayan Wool Combers Limited) and Tawi Scooters Limited.

[2] Non-working company is one which is under the process of liquidation/merger, etc.


Investment as on 31 March 2008 (Rs. 4761.03 crore)
(Amount: Rupees in crore)
(Figures in brackets indicate the percentages of investment)
440.17 (9.24)
72.61 (1.53)
3.58 (0.08)
65.19 (1.37)
68.35 (1.44)
51.59 (1.08)
921.25 (19.35)
90.33 (1.89)
105.77(2.22)
2311.44 (48.55)
272.44 (5.72)
358.31 (7.53)
Agriculture
Construction
Cement
Development of Economically Weaker Sections
Finance
Forest
Handloom and Handicrafts
Industry
Mining
Power
Tourism
Transport


Investment as on 31 March 2007 (Rs. 4420.88 crore)
(Amount: Rupees in crore)
(Figures in brackets indicate the percentages of investment)
438.03 (9.91)
71.54 (1.62)
50.07 (1.13)
3.58 (0.08)
790.26 (17.88)
52.90 (1.20)
84.25 (1.91)
98.22 (2.22)
51.59 (1.17)
366.50 (8.29)
251.69 (5.69)
2162.25 (48.90)
Agriculture
Construction
Cement
Development of Economically Weaker Sections
Finance
Forest
Handloom and Handicrafts
Industry
Mining
Power
Tourism
Transport

Working Government companies

7.1.3 Total investment in the working Government companies as on 31 March 2007 and March 2008 was as follows.

Table 7.3

(Rupees in crore)

Year	Number of Government companies	Investment		
		Equity	Loan	Total
2006-07	17	219.12	3557.88	3777.00
2007-08	17	220.82	3888.72	4109.54

As on 31 March 2008, the total investment in working Government companies comprised 5.37 *per cent* equity capital and 94.63 *per cent* loan as compared to 5.80 *per cent* and 94.20 *per cent* respectively as on 31 March 2007.

The summarised statement of Government investments in working Government companies in the form of equity and loan is detailed in the *Appendix*-7.1.

Working Statutory corporations

7.1.4 The total investment in the three working Statutory corporations at the end of March 2007 and March 2008 was as follows:

Table 7.4

(Rupees in crore)

Sl.No.	Name of the corporation	2006-07		2007-08	
		Capital	Loan	Capital	Loan
1.	Jammu and Kashmir State Road Transport Corporation	105.83	332.20	105.83	334.34
2.	Jammu and Kashmir State Financial Corporation	64.60	56.99	64.60	56.39
3.	Jammu and Kashmir State Forest Corporation	9.03	75.22	9.03	81.30
	Total	**179.46**	**464.41**	**179.46**	**472.03**

As on 31 March 2008, the total investment in Statutory corporations comprised 27.55 *per cent* of equity capital and 72.45 *per cent* of loans as compared to 27.87 *per cent* and 72.13 *per cent* respectively as on 31 March 2007.

The summarised statement of the Government investments in working Statutory corporations in the form of equity and loan is detailed in *Appendix*-7.1.

Budgetary outgo, grants/subsidies and guarantees issued

7.1.5 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of the working Government companies and Statutory corporations are given in *Appendices*-7.1 and 7.3.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to the working companies/Statutory corporations for the last three years up to 2007-08 are given in the following table:

Table 7.5

(Rupees in crore)

	2005-06				2006-07				2007-08			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity Capital from Budget	4	7.55		-	4	2.50	-	-	2	1.20	-	-
Loans given from budget	5	13.08	1	21.84	8	18.79	1	17.28	8	25.81	1	16.94
Grants towards Projects, Programmes/ Schemes	7	217.68	-	-	8	186.70	-	-	4	10.92	-	-
Subsidy	2	0.45	-	-	2	0.85	-	-	2	1.26	-	-
Total outgo[3]	12	238.76	1	21.84	12	208.84	1	17.28	9	39.19	1	16.94

During the year 2007-08, the Government guaranteed loans aggregating Rs. 240.66 crore raised by Jammu and Kashmir State Power Development Corporation Limited (Rs. 206.56 crore), Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited (Rs. 30.30 crore), Jammu and Kashmir State Scheduled Castes, Scheduled Tribes and Other Backward Classes Corporation Limited (Rs. 2 crore) and Jammu and Kashmir State Handloom Development Corporation Limited (Rs. 1.80 crore). At the end of the year, guarantees aggregating Rs. 2,429.77 crore against five working Government companies (Rs. 2,373.27 crore) and one working Statutory corporation (Rs. 56.50 crore) were outstanding.

Finalisation of accounts by working PSUs

7.1.6 The accounts of the Government companies for each financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. These are required to be laid before the Legislature within nine months from the end of the relevant financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. However, as could be noticed from *Appendix*-7.2, out of 17 working Government companies and three Statutory corporations, only one working Government company (Jammu and Kashmir Bank Limited) had finalised its accounts for the year 2007-08 within the stipulated period. During the period from October 2007 to September 2008, seven other working Government companies finalised seven accounts for previous years.

[3] Actual number of companies/corporations, which received equity/loan/grant/subsidy from the State Government during the year.

The accounts of 16 working Government companies and three Statutory corporations[4] were in arrears for periods ranging from 3 to 19 years as on 30 September 2008 as shown in the following table:

Table 7.6

Sl. No.	Number of working		Years for which accounts are in arrears	Number of accounts for which accounts are in arrears	Reference to serial number of *Appendix* 7.2	
	Government companies	Statutory corporations				
1.	1		1989-90 to 2007-08	19	A-4	
2.	1		1990-91 to 2007-08	18	A-9	
3.	2		1992-93 to 2007-08	16	A-1, A-14	
4.	2		1993-94 to 2007-08	15	A-2, A-8	
5.	2		1995-96 to 2007-08	13	A-12, A-15	
6.	2	1	1996-97 to 2007-08	12	A-11, A-13	B-20
7.	2		1997-98 to 2007-08	11	A-6, A-7	
8.	2		2000-01 to 2007-08	8	A-5, A-10	
9.	2		2001-02 to 2007-08	7	A-3, A-16	
10.		2	2005-06 to 2007-08	3		B-18, B-19
Total:	**16**	**3**				

The State Government had invested Rs. 735.96 crore (Equity: Rs. 49.59 crore, loans: Rs. 214.75 crore and grants/subsidy: Rs. 471.62 crore) in 15 working PSUs during the years for which accounts have not been finalized as detailed in *Appendix*-7.4. In the absence of finalization of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalization of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments of the Government were apprised quarterly by the Accountant General regarding arrears in the finalisation of accounts, adequate measures had not been taken by the Government and, as a result, the net worth of these PSUs could not be assessed in Audit.

Financial position and working results of working PSUs

7.1.7 The summarised financial results of working PSUs (Government companies and Statutory corporations), as per their latest finalised accounts, are given in

4 Audit of Jammu and Kashmir Forest Corporation (Incorporated in 1978-79) was entrusted to the CAG from 1996-97. No accounts were submitted by the Corporation for audit.

Appendix-7.2. Besides, statements showing the financial position and working results of individual working Statutory corporations for the latest three years for which their accounts were finalised are given in *Appendices*-7.5 and 7.6, respectively.

According to the latest finalised accounts of 17 working Government companies and three Statutory corporations, 10 companies[5] and one Statutory corporation (Jammu and Kashmir State Road Transport Corporation) had incurred aggregate losses of Rs. 109.54 crore and Rs. 54.67 crore respectively. Six companies[6] and one statutory corporation (Jammu and Kashmir State Financial Corporation) had earned aggregate profit of Rs. 362.21 crore and Rs. 4.64 crore respectively. One company (Jammu and Kashmir State Cable Car Corporation Limited) had not prepared the profit and loss account while one Statutory corporation (Jammu and Kashmir State Forest Corporation) had not submitted its accounts since 1996-97, when its audit was entrusted to CAG.

Working Government companies

Profit earning Government companies and dividend

7.1.8 Out of 17 working companies, only one company (Jammu and Kashmir Bank Limited) had finalised its accounts for 2007-08 by September 2008 and earned profit of Rs. 360 crore for the year and had declared dividend of Rs. 29.64 crore. The dividend, as a percentage of the share capital of Rs. 48.48 crore of the Company, worked out to 61.14 *per cent*.

The total return by way of above dividend of Rs. 29.64 crore worked out to 16.31 *per cent* in 2007-08 on total equity investment of Rs. 181.68 crore by the State Government in all 17 Government companies as against 30.89 *per cent* in the previous year.

Similarly, out of 15 other[7] working Government companies, which finalised their accounts for previous years by September 2008, five companies earned an aggregate profit of Rs. 2.21 crore and only three companies earned profit for two or more successive years.

Loss incurring working Government Companies

7.1.9 Of the 10 loss-incurring working Government companies, eight[8] had accumulated losses aggregating Rs. 463.84 crore, which exceeded their aggregate paid-up capital of Rs. 63.14 crore. Despite their poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, subsidy, grants, etc. According to the available information, the total financial support so provided by the State Government during 2007-08 to

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5 S. No. 2, 3, 5, 6,7, 8,11,12,14 and 16 of *Appendix-7.2*.

6 S. No. 1,4,9,10,13 and 17 of *Appendix-7.2*.

7 Excluding one company (viz. Jammu and Kashmir State Cable Car Corporation Limited), which has not prepared the Profit and Loss Account since inception.

8 S. No 2, 3, 5, 6,7, 8, 12 and 16 of *Appendix*-7.2.

six[9] of these eight companies amounted to Rs. 35.17 crore.

Working Statutory corporations

Profit earning working Statutory corporations

7.1.10 None of the three[10] working Statutory corporations had finalised the accounts for 2007-08 by September 2008. Out of two Statutory corporations, which finalised their accounts for previous years by September 2008, one corporation (Jammu and Kashmir State Financial Corporation) earned profit of Rs. 4.64 crore. Though the Corporation had earned the profit, it had accumulated loss of Rs. 192.50 crore which exceeded its paid up capital of Rs. 64.60 crore.

Loss incurring working Statutory corporation

7.1.11 The only loss-incurring corporation (viz. Jammu and Kashmir State Road Transportation Corporation), which had finalised its accounts for previous year by September 2007, had incurred a loss of Rs. 54.67 crore. The corporation had accumulated loss of Rs. 598.92 crore, which exceeded its paid up capital of Rs.109.51 crore. Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to the corporation in the form of further grant of loans. According to the available information, the total financial support so provided by the State Government by way of loans during 2007-08 to Jammu and Kashmir State Road Transport Corporation was Rs. 16.94 crore.

Operational performance of working Statutory corporations

7.1.12 The operational performance of working Statutory corpoıations is given in *Appendix-7.7.*

Return on Capital Employed

7.1.13 As per the latest finalised accounts (up to September 2008), the capital employed[11] worked out to Rs. 21,387.38 crore in 17 working companies and return[12] thereon amounted to Rs. 1,899.52 crore which is 8.88 *per cent*, as compared to return of Rs. 1,372.48 crore (7.21 *per cent*) in the previous year (accounts finalised up to September 2007). Similarly, the capital employed and return thereon in case of working Statutory corporations as per the latest finalised accounts (up to September 2008), worked out to Rs. 42.14 crore and (-) Rs. 2.94 crore respectively. The details of capital employed and return thereon in case of working Government companies and Statutory corporations are given in *Appendix-7.2.*

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9 Serial No. 2, 5, 6, 7, 8 and 12 of *Appendix*-7.2.

10 Including one corporation (Jammu and Kashmir State Forest Corporation) which was incorporated in 1978-79 and its audit was entrusted to the CAG with effect from 1996-97. However, no accounts of the corporation were received for the years from 1996-97 and onwards.

11 Capital employed represents net fixed assets (including capital work-in-progress) plus working capital except in finance companies and corporations where it represents the mean of the aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

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

Non-working Public Sector Undertakings

Investment in non-working PSUs

7.1.14 As on 31 March 2008, the total investment in three non-working PSUs (all Government companies) was Rs. 3.40 crore (equity: Rs. 2.57 crore; long-term loans: Rs. 0.83 crore). The position remained unchanged since 31 March 2007. One company (Tawi Scooters Limited) was under the process of liquidation with the Jammu and Kashmir State Industrial Development Corporation Limited since 1990. The process had not been completed as of September 2008. Expeditious action for liquidation of the company is necessary to avoid further non-productive expenditure. The other two companies viz. Himalayan Wool Combers Limited and Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalayan Wool Combers Limited) were in the process of being wound up (September 2008). The summarised financial results of these companies, as per their latest finalised accounts are given in *Appendix-7.2.*

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

7.1.15 The following table indicates the status of placement of various Separate Audit Reports (SARs) in the State Legislature on the accounts of Statutory corporations as issued by the CAG.

Table 7.7

Sl. No	Name of the Statutory Corporation	Year up to which SARs placed in the Legislature	Year for which SARs not placed in the Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
1.	Jammu and Kashmir State Road Transport Corporation	2003-04	2004-05	30 August 2006	Information awaited
2.	Jammu and Kashmir State Financial Corporation	2003-04	2004-05	4 June 2007	Information awaited

Results of audit by the Comptroller and Auditor General of India

7.1.16 During the period from October 2007 to September 2008, the accounts of seven Government companies and the aforementioned two Statutory corporations were selected for audit. The net impact of the important audit observations as a result of the audit was as follows:

Table 7.8

Details	Number of Accounts		(Rupees in lakh)	
	Company	Corporations	Companies	Corporations
Increase in Loss	1	-	1,111.00	-

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

Errors and omissions noticed during Audit of Government companies

Jammu and Kashmir State Power Development Corporation Limited (2000-01)

7.1.18 The Company received plan grants of Rs. 476.95 crore from State Government during July 2000. The amount included Rs. 98.70 crore as short term loan for Baghliar Hydel Project, which was repayable in lump immediately on receipt of Bond–II or additional bridge loan from the J&K Bank and carried interest at 15 *per cent* per annum. Instead of depicting the loan amount in the accounts under 'Unsecured Loan' in terms of Companies Act, 1956, it was shown under 'Reserves and Surplus', resulting in overstatement of 'Reserves and Surplus' and understatement of Unsecured Loans to the extent of Rs. 98.70 crore. Besides, no provision for payment of interest of Rs. 11.11 crore (accrued on the amount for 9 months from July 2000 to March 2001) had been made in the accounts, which resulted in understatement of loss to that extent.

7.1.19 The State Government released Rs. 19.24 crore to the Company between April 2000 and March 2001 to meet the expenditure on account of payment of salaries to the staff. In terms of Accounting Standards (AS-12), the amount should have been shown in the accounts separately under "Other Income" or depicted in reduction of the expenditure under "Salaries & Wages". Instead, the amount was wrongly classified under "Reserves & Surplus".

J&K Scheduled Caste, Scheduled Tribe and Other Backward Classes Development Corporation Limited (1995-96)

7.1.20 The paid up-capital of Rs. 7.91 crore of the Company included Rs. 1.65 crore, which represented increase in the share capital during 1995-96. The enhanced share capital of the Company was subject to allotment of further shares in accordance with the provisions of Section-81 of the Companies Act, 1956. The shares had, however, not been allotted and the fact was not disclosed in the Accounts. The amount also included Rs. 4.35 crore for which no shares were allotted between April 1993 and March 1996. This fact was also not disclosed by way of notes to the Accounts.

7.1.21 In terms of Accounting Standards (AS-12), Grants of Rs. 2.16 crore received by the Company during 1995-96 should have been treated as 'Capital Reserve', which was not done. This resulted in overstatement of Loan Funds and understatement of Capital Reserve to the extent of Rs. 2.16 crore.

7.1.22 Interests accrued and due on secured loans should have been included under appropriate sub-head under 'Secured Loans". Besides, the nature of security should have been specified in each case in terms of the Companies Act, 1956, which was not done.

Persistent irregularities and system deficiencies in financial matters of PSUs

7.1.23 The following irregularities and system deficiencies in financial matters of Jammu and Kashmir State Road Transport Corporation were repeatedly pointed out during the course of audit of accounts. The Corporation, however, had not taken any corrective action.

- Non-maintenance of books of accounts in accordance with the principles of commercial accounting system by maintaining control ledgers and financial ledgers in Head Office and at the units.
- Non-operation of inter-unit adjustment accounts for adjustment of advances, transfer of stores, etc.
- Non-segregation of debts as good, bad and doubtful.
- Abnormal delays in recoveries, adjustment of balances under advances, deposits, etc.
- Non-conducting of physical verification of fixed assets, stores, stock and fuel and non-preparation of inventory of vehicles owned by the Corporation.

Response to inspection reports, draft paragraphs and reviews

7.1.24 Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2008 pertaining to 19 PSUs disclosed that 1960 paragraphs relating to 499 Inspection Reports remained outstanding at the end of September 2008. All these paragraphs were pending settlement since 1998-99. Department-wise break-up of Inspection Reports and audit observations outstanding as on 30 September 2008 is given in *Appendix*-7.8.

Similarly, Draft Paragraphs and Reviews on the working of PSUs are forwarded to the heads of the administrative departments concerned demi-officially seeking confirmation of facts and figures and their comments thereon, within a period of six weeks. It was, however, observed that out of four draft paragraphs and two performance reviews forwarded to various departments between June-July 2008, replies to all the draft paragraphs as detailed in *Appendix-7.9* and the performance reviews were awaited (September 2008).

It is recommended that the Government may ensure that (a) procedure exists for action against the officials who fail to send replies to inspection reports/draft paragraphs/reviews and action taken notes (ATNs) to the recommendations of the COPU, as per the prescribed time schedule; (b) action to recover loss/outstanding advances/overpayments is taken within the prescribed time and (c) the system of responding to audit objections is revamped.

619-B Companies

7.1.25 There was no company in the State falling under the purview of section 619-B of the Companies Act, 1956.

Section-II

Part-A Performance Review

Industries and Commerce Department

7.2 Performance Review on the working of Jammu and Kashmir Small Scale Industries Development Corporation Limited

Highlights

The Company failed to develop Industrial Estates (IEs) at Govindsar and Zakura due to lack of sustained efforts and co-ordination with the State Revenue Department.

(Paragraphs: 7.2.9 and 7.2.10)

By engaging private parties for procurement/distribution of raw material, the intended purpose of setting up Raw Material Bank got defeated, as the weavers/artisans continued to be dependent on the intermediaries.

(Paragraph: 7.2.15)

The percentage of units provided marketing assistance by the Company declined from 67 in 2002-03 to 43 in 2007-08. As a result, the earning of the Company by way of service charges also declined from Rs. 3.28 crore in 2004-05 to Rs. 2.62 crore in 2007-08.

(Paragraph: 7.2.16)

The Company spent Rs. 4.58 crore (69 *per cent*) out of Rs. 6.65 crore received, between 2003-04 and 2007-08. Underutilization of funds hampered implementation of various projects like providing infrastructural facilities to the SSI units at the Industrial Estates (IEs) viz. Govindsar and Udhampur, modernisation of testing centres, etc.

(Paragraph: 7.2.20)

Company's failure in taking action in the matters concerning pollution was likely to have an adverse impact on the environment, besides creating health hazard for the population living around SSI units. The Company has also failed to construct Effluent Disposal System for disposal of hazardous wastes generated by the SSI units in the Integrated Infrastructural development Centre, Udhampur.

(Paragraph: 7.2.26)

Introduction

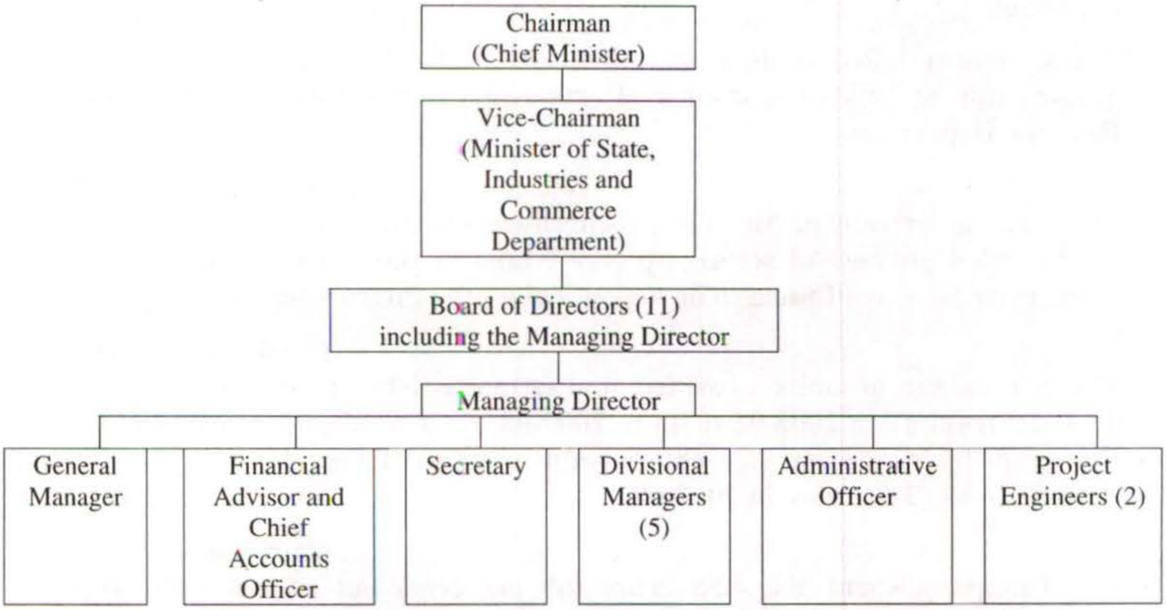
7.2.1 The Jammu and Kashmir Small Scale Industries Development Corporation Limited (SICOP) was incorporated in November 1975 under the Companies Act, 1956 as a wholly owned Government Company with a view to aid, assist and promote Small Scale Industrial (SSI) units in the State. The main objectives of the Company are to:

- develop infrastructural facilities like land, sheds, water/power, etc.,
- procure and sell raw material to the SSI units,

- ➢ extend marketing support to the SSI units, and
- ➢ provide testing facilities to the small scale industry.

The Management of the Company is vested in a Board of Directors (BOD) comprising 13 Directors including the Chairman, Vice-Chairman and the Managing Director. The Organisational structure of the Corporation is given below:

Chart-7.2.1



The working of the Company was last reviewed and commented upon in the Report of the Comptroller and Auditor General of India for the year 1998 and was discussed by COPU during 2002-03, 2003-04 and 2007-08. The recommendations of the COPU are awaited (March 2008).

Scope of Audit

7.2.2 The present performance review was conducted covering the working of the Company for a period of five years up to 2007-08. Audit scrutinised the records at the Head Office, the two divisional offices at Srinagar and Jammu and 21 units (out of 29). The units were selected for audit on random basis.

Audit objectives

7.2.3 The performance audit was undertaken to assess whether the:

- ➢ industrial units were developed and requisite facilities provided effectively, efficiently and economically;
- ➢ industrial estates developed by the Company were optimally utilised;
- ➢ procurement and distribution of raw material was done efficiently and economically;
- ➢ marketing support provided to SSI units was effective; and

- internal control mechanism was effective and healthy Corporate Governance was in place.

Audit criteria

7.2.4 The audit criteria adopted to achieve the Audit Objectives were as follows:

- Government guidelines and the laid down policy of the Company on procurement and sale of raw material against the allocation/allotment;
- Norms and procedures set by the Government/Company regarding marketing assistance to the SSI units;
- Rate of service charges prescribed by the Government from time to time;
- Detailed Project Reports of various Programme/Schemes and the guidelines prescribed for implementation of each such Scheme/Programme;
- System of movement of raw material based on the cost benefit analysis of transportation; and
- Guidelines issued by the Company and Government orders, etc.

Audit Methodology

7.2.5 Audit methodology included scrutiny of the following:

- Agenda and minutes of meetings of the Board and directive/circulars issued by the Management,
- Memorandum of Understanding signed with the suppliers of raw material;
- Physical verification reports, annual reports, monthly progress reports and financial statements; and
- Records relating to the performance of industrial estates developed and utilization of infrastructural facilities created by the Company in past.

Audit Findings

7.2.6 Audit findings as a result of performance Review on the working of the Company were reported (June 2008) to the Management/Government and were discussed in the meeting of Audit Review Committee on Public Sector Enterprises (ARCPSE) held on 16 September 2008. The replies of the Management and views expressed by the members present in the meeting have been taken into consideration while finalising the review. Audit findings are discussed in the succeeding paragraphs.

Activities and performance

7.2.7 Development of infrastructural facilities like land, sheds, water/power supply, road connectivity, etc. for the SSI units is the core activity of the Company. The Company has attempted to play a pivotal role in bringing about development in the small scale sector in the State. The deficiencies noticed during audit in the performance of the Company are discussed below:

Development of infrastructural facilities

7.2.8 The Company had not set targets for providing infrastructural facilities to the SSI units. As of September 2008, the Company had developed (since inception) 3,283 kanals[13] of land spread over six[14] Industrial Estates (IEs) at an expenditure of Rs. 12.43 crore. According to the Management (September 2008), 1,040 units had been established on the land, against a similar number planned for allotment by the Company. During the review period, the Company undertook development of two more IEs at Govindsar, Kathua (979 kanals) and at Zakura, Srinagar (109 kanals), which had not been developed so far as discussed in the succeeding paragraphs.

Industrial Estate, Govindsar

Despite receipt of Rs three crore from State and Central Governments, the Company failed to establish Industrial Estate at Govindsar.

7.2.9 GOI had approved (August 2005) establishment of an Integrated Infrastructural Development Centre (IID) at the IE, Govindsar on 580 kanals of land at an estimated cost of Rs. 6.64 crore. The cost of the IID was to be shared between the State and the Central Governments[15]. The Centre, slated for completion within 18 months, envisaged establishment of 160 SSI units.

Audit observed that though the Company received (March-May 2006 and March 2008) Rupees three crore from the State Government (Rupees one crore) and GOI (Rupees two crore), the Centre was not established (September 2008) due to non-availability of the land needed for the purpose.

The Management stated (January 2008) that due to delay in the acquisition proceedings by the Revenue Authorities, the land in question was belatedly transferred (November 2007) to the Company. It was, however, observed that the Company had never taken up the matter with the Revenue Authorities for early transfer of land. This indicated lack of sustained efforts and co-ordination on the part of the Company with the State Revenue Department for early transfer of land.

Even after the transfer of land there was no significant development towards establishment of the Centre and the Company spent only Rs. 67.41 lakh as of September 2008 on survey/appraisal (Rs. 8.44 lakh), advances to the State Power Development Department for electrification (Rs. 50 lakh) and Rs. 8.97 lakh for purchase of vehicle (not provided in Project Report). The unspent amount of Rs. 2.45 crore (including interest earned) was kept idle in fixed deposits, thereby delaying the objective of establishment of IID.

Audit further noticed delay in developing another piece of land measuring 399 kanals at the same premises. The piece of land earmarked (August 2005) for the Centre was to be developed out of State funds, for which the Company had not taken any action (September 2008) for which there are no reasons on record.

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13 One Kanal equivalent to 5,400 square feet.

14 Birpur, Gangyal, Kathua, Udhampur, Zakura and Zainakote.

15 Eighty *per cent* of the cost of the Scheme (subject to a maximum to Rs. 4 crore) was to be borne by the GOI.

Handicraft/Silk Technical Park, Zakura

The Company failed to establish Common Facilities Centre and effluent treatment/water softening plant at the industrial estate Zakura.

7.2.10 Government of India sanctioned (April 2005) establishment of Handicrafts Textile Park with a Silk Park at the IE, Zakura to cater exclusively to the needs of silk and handicraft units. The project, having two aspects, viz. site development and providing equipment for Common Facilities Centre (CFC) and effluent treatment/water softening plant, envisaged development of 109 kanals of land within 18 months from the date of sanction for establishment of 76 units. The cost of the project (Rs. 7.92 crore) was to be shared between Central Government (Rs 6.27 crore) and the State Government (Rs. 1.65 crore) and the work on the project was to be taken up on reimbursement basis.

The Company received Rs. 3.39 crore from the State Government Rs. 1.75 crore[16]) and the Central Government (Rs. 1.64 crore[17]) during the period 2004-2008. The execution of the Project started in November 2005. As of March 2008, the work on the Project was completed to the extent of leveling of plots, construction of roads/drains and brick walling at a cost of Rs. 1.91 crore. The remaining components of the Project had not been completed so far (September 2008).

The Management stated (September 2008) that equipment required for establishment of CFC and effluent treatment/water softening plant would be procured only when line of activity of units to be housed in the Park was determined. However, the Company was well aware that the Park was exclusively to be reserved for silk and handicraft units.

Incomplete execution of Integrated Infrastructural Development (IID) Centre

Despite construction of accommodation at a cost of Rs. 40 lakh, the Company took no concrete steps for its allotment.

7.2.11 The Company completed execution of IID Centre, Udhampur in May 2002 at the cost of Rs. 6.58 crore. The Project Report of the Centre, *inter alia*, envisaged construction of Technology Back-up Service Centre (TBSC) and Common Facilities Centre (CFC) for use by the SSI units. Audit observed that despite earmarking Rs. 20 lakh for establishment of the TBSC, no amount had been spent on its construction, thereby depriving the SSI units of the intended facilities of the technology back up of the Centre. The Management stated (February 2008) that the TBSC would be made available to the SSI units as and when all of them became functional. However, out of 173 SSI units, whom the area had been allotted, 40 SSI units had already started operation.

It was also observed in Audit that despite construction of accommodation (measuring 7,392 square feet) in March 2000 at a cost of Rs. 40 lakh for the CFC to house Bank, Post Office, dispensary and canteen, the accommodation had not been allotted to any of the institutions (September 2008) resulting in locking up of investment of Rs. 40 lakh. The Management stated (September 2008) that proposal for allotment of space to J&K Bank (1,400 square feet) and for Post Office/dispensary/meeting hall (3,000 square feet) was under process. Information about utility of the remaining area of 2,992 square feet was not

MV 0.40 crore

MM 0.08 crore

16 2004-05: Rs. 50 lakh; 2005-06: Rs. one crore; 2006-07: Rs. 25 lakh.

17 Rs. 28.50 lakh: January 2007; Rs. 70.15 lakh: October 2007 and Rs. 65.50 lakh: March 2008.

furnished (September 2008). The fact thus remains that no concrete steps were taken for allotment despite lapse of almost eight years.

Violation of Lease Deed

7.2.12 The Company executes Lease Deeds with the entrepreneurs before allotment of land to them. Audit observed violation of various clauses of Lease Deeds by entrepreneurs, as discussed below:

Non-recovery of outstanding rent

The Company's outstanding aggregated Rs. 68.24 lakh on account of ground rent against 381 SSI units.

7.2.13 In terms of Lease Deed, entrepreneurs are required to deposit rent in respect of leased out land, in the first fortnight of every financial year. In case of default, the entrepreneurs are liable to pay interest at 16 *per cent* per annum on the defaulted sum from the date of default till its final clearance. In case of continuance of the default for a further period of one year, the Company is within its rights to re-enter the leased premises by giving 30 days' notice.

As on March 2008, Rs. 68.24 lakh were outstanding on account of ground rent against 381 out of 1,040 SSI units. The age-wise analysis of the outstanding rent is tabulated below:

Table-7.2.1

Period	Amount (Rupees in lakh)	Number of units
Up to one year	8.72	128
Between one and 3 years	12.49	106
More than 3 years	47.03	147
Total:	**68.24**	**381**

MN
0.47 Crore
NPW = 0.09 Crore

It was observed in audit that the Company had not taken any action against the defaulting units by re-entering the leased premises, despite Rs. 47.03 lakh being outstanding against them for more than three years in 147 cases.

The Management stated (September 2008) that the Company was facing difficulties in recovering the outstanding amounts in respect of closed/migrated units. It was also stated that the Company could not re-enter the leased premises, as all these units were mortgaged to financial institutions, which had the right of exercising the first charge in terms of mortgage deeds. However, information regarding amounts involved in such cases and action contemplated to recover the outstanding amounts was not intimated (September 2008), though called for in audit.

Non-renewal of Lease Deeds

7.2.14 Lease Deeds executed by the Company with the unit-holders have a tenure of 25 years and thereafter the Deed is to be renewed, after payment of renewal fee at Rs. 2,000 per kanal. Audit observed that the Company had initiated no action to renew the Deeds in respect of 56 unit-holders, in whose case tenure period of the Lease Deed had expired.

Setting up of Raw Material Bank

The intended purpose of setting up Raw Material Bank got defeated by engaging private parties for procurement/ distribution of raw material.

7.2.15 GOI had sanctioned (January 2004) setting up of a Raw Material Bank for the Carpet/Handicraft Sector and appointed the Company as the implementing agency. The scheme envisaged maintenance of inventory of good and graded quality of raw material for use by the weavers/artisans, engaged in the manufacture of carpets/handicraft products. The material, to be purchased by the Company from reputed manufacturers of silk yarn at Bangalore, identified in consultation with Central Silk Board, was to be sold to consumers after levying service charges of three *per cent* on the landed price.

The Company, in the first instance, procured (February 2005) 2,100 Kgs. of raw material (value: Rs. 19.47 lakh) and sold (April 2005 to September 2005) the same to the weavers/artisans after levying service charges at requisite percentage. Subsequently, the Company signed (February 2005, March 2005 and April 2006) Memoranda of Understanding (MOU) with three private parties[18], whereunder source of supply, quality/quantity of the raw material to be procured for distribution to the beneficiaries and selling price were to be settled by the parties. The Company was to act only as an agency by placing orders with the suppliers identified by the parties and was responsible for recording purchase/sale entries in its books, besides levying service charges at requisite percentage. The parties procured 1.73 lakh Kgs between 2004 and 2008 and sold it to the beneficiaries at a cost of Rs. 7.64 crore.

It was observed in audit that even though there was no financial loss to the Company in the deal, as service charges amounting to Rs. 22 lakh (three *per cent* of the sales made) were levied and received by the Company, the intended purpose of the Scheme was defeated by engaging private parties for procurement/ distribution of raw material, since the Scheme aimed at elimination of middlemen and getting the weavers/artisans out of their clutch to ensure better returns for them. Thus by doing so, the Company has absolved itself of the responsibilities entrusted to it. The actual users were, as such, left with no option but to purchase raw material offered to them by the private parties, which was fraught with the possibility of compromising on the quality and rates. Evidently, the beneficiaries continued to be dependent on intermediaries and their possible exploitation could not be ruled out.

The Management stated (July 2007) that the arrangement was made for timely disposal of the material. The reply does not explain the issue of absolving itself of its responsibility by engaging private parties.

Marketing Activity

7.2.16 The Company assists SSI units to market their products and levies service charges up to five *per cent* on the goods supplied to the indenting agencies. The number of units registered in the State and those registered/assisted by the

18 M/S Shalimar Carpet Industries, Bari-Brahmana, Jammu, M/S Silk Enterprises, Hawal (Srinagar) and M/S lotus Textiles (Srinagar).

Company during the period from 2002-03 and 2007-08 are indicated in the following table:

Table-7.2.2

Year	Total functional units registered in the State	Units registered with Company	Percentage of units registered *vis-à-vis* total units in the State	Units provided marketing support (Percentage *vis-à-vis* total units registered in the State)	Percentage of units provided marketing support *vis-à-vis* total units registered with the Company	Turnover	Service charges
						(Rs. in crore)	
2002-03	17238	430	2.49	287 (1.66)	67	41.45	1.76
2003-04	18209	484	2.66	302 (1.66)	62	57.64	2.55
2004-05	19355	551	2.85	352 (1.82)	64	85.46	3.28
2005-06	20761	569	2.74	302 (1.45)	53	88.61	3.10
2006-07	21963	602	2.74	324 (1.48)	54	76.82	2.86
2007-08	NA[19]	637	NA	276 (NA)	43	70.50	2.62

The Company's role in marketing the products of the SSI units was very insignificant in the State.

As would be seen from the table above, the Company's role in marketing the products of the SSI units was very insignificant and its coverage varied between 1.45 *per cent* and 1.82 *per cent* of the total SSI units registered in the State during the above period. Though providing marketing support to the SSI units was one of the main objectives of the Company, it was noticed that there was significant decline in the percentage of units provided marketing assistance by the Company from 67 in 2002-03 to 43 in 2007-08. This consequently impacted the turnover of the Company and the earning by way of service charges. Audit observed that the main line of activity of the SSI units in the State varied from brick kilns, service stations, food processing, agro-based items, etc. for which the Company had no marketing avenues available.

The Management stated (September 2008) that it contemplated holding of seminars, etc. to educate the entrepreneurs in this regard, so as to improve its performance in this activity. Further developments in the matter were awaited.

Failure of the Company to verify infrastructural facilities, expertise and capabilities of the SSI units, before participating in the tendering process, resulted in non-execution of the orders.

Execution of supply orders

7.2.17 The Company participates in the tendering process on behalf of SSI units and receives orders from indenting agencies for supply of various items. The Company passes on the supply orders to the SSI units for execution and levies service charges up to four *per cent* of the supplies made. The following deficiencies were noticed:

➢ The Company participated (November 2005) in the tendering process on behalf of an SSI unit[20], without verifying its ability to execute the order. Audit scrutiny showed that the Company received (September 2006) orders from Security Forces for supply of steel pickets worth Rs. 13.57 lakh and passed on (December 2006) the same to the SSI unit for execution, after obtaining consent

[19] Information with respect to total functional units registered in the State during 2007-08 was not available (September 2008).

[20] M/S Shiva Metal and Sharper Industries, Jammu.

from it. According to the conditions of the order, the supply to be made on DGSD rate contract was to commence after approval of samples by the Indenting agency. Since the samples furnished by the SSI unit were not found to be in conformity with the specifications, the indenting agency cancelled (March 2007) the order at the risk and cost of the Company. Thus failure of the Company to verify infrastructural facilities, expertise and capabilities of the SSI unit, before participating in the tendering process, resulted in non-execution of the order, thereby, denting its credibility in the market, apart from possible future liability.

- Director, Health Services (DHS) placed (March 2005) orders with five[21] SSI units, who had participated in the tendering process, for supply of medicines (at rates approved by the Central Purchase Committee of the DHS) within four to six weeks. The orders were routed through the Company and the Director advanced (April 2005) Rs. 1.26 crore to it against the pro-forma bills. Of the five SSI units, to whom the supply orders were passed, only two units[22] supplied (May 2005 to October 2005) medicines worth Rs. 32.93 lakh and no further supply was made despite repeated reminders by the DHS. Due to non-supply of the medicines, the DHS cancelled the supply order and the Company refunded (between October 2005 and March 2006) the balance amount of Rs. 91 lakh to the DHS (retaining Rs. 2.07 lakh with it). According to the Management (May 2008), the units failed to supply the medicines due to increase in the prices of the raw material because of implementation of VAT and Excise Duty from 2005-06. This indicated that the Company had accepted the advance from the DHS, without giving due consideration to various factors including increase in the cost of raw material on different counts. This had resulted in non-execution of the supply orders, thereby putting its credibility at stake in the supply field.

- Audit scrutiny revealed that District Office, Anantnag had not maintained records indicating number of *Pro-forma* Bills issued and advance payments received in each case. It was further observed that the Company, without specific reasons, wrote back from its accounts advances aggregating Rs. 60.46 lakh received from seven[23] Government agencies between 2002-03 and 2005-06. This indicated defective internal control systems existing in the Company, which could result in interpolations, manipulations, etc. leading to losses/embezzlements. The Management stated (September 2008) that the matter was under enquiry by the higher authorities/Vigilance. Further developments are awaited.

Non-recovery of outstanding Marketing Assistance

7.2.18 With a view to helping SSI units to adhere to the delivery schedule for execution of supply orders received from various agencies, the Company introduced (1979) 'Marketing Assistance Scheme' for providing infrastructural, financial and marketing facilities to them. Though the Company dispensed with the Scheme in 1995, it failed to recover outstanding amounts paid to 30 SSI units as assistance. As a result, the Company's money amounting to Rs. 63.35 lakh

MV
0.63
Crore
LMV: 0.13
Crore

21 M/S Ethicare Laboratories, JK Pharmaceuticals, Pharose Remedies, Pharama Drugs and Biotic Pharama.

22 M/S Ethicare Laboratories and M/S JK Pharmaceuticals.

23 Block Development Officers, Achabal, Dachni Pora, Devsar, D.H Pora, K. Pora, Qazigund and Qoimoh.

(June 2007) was locked up with these units, resulting in locking up of funds. The Management stated (September 2008) that cases against three SSI units (involving Rs. 56.44 lakh) were sub-judice, while no action could be taken against 27 cases (involving Rs. 6.91 lakh) due to destruction of records in fire.

Testing activity

Despite establishment of testing centres more than two decades ago, these were not fully equipped to test all the products manufactured by the SSI units.

7.2.19 The Company established (1981-1983) testing centres at Gangyal and Zainakote to provide SSI units with the techniques and knowledge to inculcate Quality Management in them, besides facilitating these units to test the quality of their products. Though the Company had established these centres more than two decades ago, these were not fully equipped to test all the products[24] manufactured by the SSI units. The Management stated (December 2007) that such items were purchased by the buyers directly from the SSI units. This was not tenable as the testing centres had been established in order to ensure quality of the products. Moreover, the Company could contribute to ensure quality standards of the items produced by SSI units, besides earning revenue by conducting tests of these items. The Company had not initiated any measures to cater to the requirement of SSI units located at stations other than Gangyal and Zainakote.

The Management stated (September 2008) that steps to augment the existing system would be taken to enforce quality measures in more effective manner.

MV: 0.20 ...
Wriv: 0.04 ...

Audit also observed that the Company had received (March 2002) Rs. 20 lakh from the State Government for modernisation of the Testing Centre, Zainakote. Out of this, only Rs. 12.34 lakh were spent during 2003-04 and the remaining Rs. 7.66 lakh had been invested in the fixed deposits. This indicated non-serious approach of the Company in updating its testing centres.

The Management stated (September 2008) that the Company planned to construct a new structure for the Centre, which would be equipped with modern testing facilities. Further developments were awaited (October 2008).

Financial Management

Underutilisation of funds

Underutilization of funds had hampered implementation of various projects/schemes undertaken by the Company.

7.2.20 The Company received plan assistance of R. 6.65 crore from the State Government (Rs. 4.40 crore) and Central Government (Rs. 2.25 crore) during the five years period between 2003-08 for maintenance and development of industrial estates, construction of raw material depots, modernisation of testing centres, etc. Against this, the Company spent Rs. 4.58 crore[25] (69 *per cent*) during this period. It was observed that underutilization of funds was due to belated release of funds (aggregating Rs. 1.53 crore) by the State Government to the Company during the month of March each year between 2003-04 and-2007-08, evidently to avoid lapsing of the budget grant.

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[24] Like Bricks, bitumen, cattle feed, cardboards, cement tiles, electric home appliances, food and food grains related items, paints and varnishes, jute matting, printing and stationery items, wall to wall carpets, etc.

[25] State funds: Rs. 2.52 crore; Centrally Sponsored Schemes (released through State Government): Rs. 2.06 crore.

Audit scrutiny revealed that underutilization of funds hampered implementation of various projects like providing infrastructural facilities to the SSI units at the Industrial Estates (IEs) viz. Govindsar and Udhampur, modernisation of testing centres, etc. as discussed in paragraphs infra. Audit further observed that there were no proper records to indicate actual date of submission of the utilization certificates.

MW: 2.07 crore
GMW = 0.46 crore

6.65
4.00
2.07

The Management stated (March/September 2008) that it was keen to implement the schemes and that instructions had been issued to all the concerned to make efforts for prompt utilisation of funds.

Capital structure and borrowings

7.2.21 The paid-up capital of the Company as on 31 March 2007 was Rs. 3.12 crore against an authorised share capital of Rs. 5 crore. The Company had failed to pursue the matter with the State Government for subscribing the balance amount of the share capital.

The Company obtained (1976-77 to 1995-96) loans amounting to Rs. 2.74 crore from the State Government for development of industrial estates. The Company, however, did not repay any amount towards liquidation of the loan, despite making a provision of Rs. 4.24 crore in its accounts for the year 2006-07. As on 31 March 2008, Rs. 7.29 crore (principal: Rs. 2.74 crore; interest: Rs. 4.55 crore) were payable by the Company to the State Government.

The Management stated (September 2008) that it contemplated taking up the matter with the Government for treating the loan as Grant-in-aid with retrospective effect. The latest development in this regard was awaited (October 2008).

Non-recovery of outstanding amounts

Sundry debtors

As on March 2007, Rs. 9.88 crore were pending recovery from various Government Agencies/private parties, leading to locking up of funds.

7.2.22 Audit observed that the Company had been supplying material to various Government Agencies/private parties on credit. Information as to existence of credit policy in the Company, though called for, was not furnished to audit. An amount of Rs. 9.88 crore was pending recovery as on March 2007[26], leading to locking up of funds. The Management, while contesting Audit contention about locking up of funds, stated (March 2008) that there was rotation of funds by way of recoveries of outstanding amounts and fresh sales. The reply is, however, not acceptable, as an amount of Rs. 48.35 lakh was recoverable on this account from 32 Government Departments/Agencies (Rs. 39.23 lakh) and 19 private parties (Rs. 9.12 lakh) for more than a decade. This indicated failure of the Company to take effective steps towards recovery of outstanding amounts. The chances of recovery of amounts remaining outstanding for a long time are bleak and the possibility of these debts turning bad cannot be ruled out.

[26] Position of outstanding as on March 2008 was under compilation by the Company.

It was further noticed in audit that the Company had failed to maintain age-wise position of the outstanding amounts. The Management stated (September 2008) that compilation of the requisite information was of voluminous nature and the concerned officials had been directed to prepare the requisite data.

Outstanding advances against employees

Rupees 1.04 crore was outstanding as on March 2007 against various officers/officials.

7.2.23 State Financial Rules (1990) stipulate early adjustment of advances made to the officers/officials. Audit observed that an amount of Rs. 1.04 crore was outstanding as on March 2007 (information for 2007-08 was awaited) against various officers/officials out of the imprest advanced to them for meeting expenditure on purchase of material. Of this, Rs. 25.72 lakh was outstanding since 2003-04 against two deputationists, who had since been repatriated and Rs. 1.56 lakh against a retired official. The Management stated (September 2008) that in case of the deputationists, the department concerned had been asked to recover the outstanding amount. Action taken to recover outstanding amount from the retired person was awaited (September 2008).

Finalistion of accounts

Finalization of accounts was in arrears since 1989-90.

7.2.24 The Company had finalised its accounts up to 1988-89 and finalisation of accounts thereafter was in arrears (March 2008). Audit observed that despite directions (February 2004) of the BOD envisaging finalisation of accounts up to 1991-92 by 2004-05 and the remaining accounts within the next three years, no concerted efforts had been made by the Company to clear the backlog of accounts. Due to non-finalistion of the accounts, financial position and the working results of the Company could not be ascertained in Audit. Non-finalistion of accounts vitiates accountability and is also fraught with the risk of financial irregularities remaining undetected.

Manpower Management

7.2.25 The State Government had constituted (February 2003) a Core Group which, *inter-alia*, was to study functioning of the State Public Sector Enterprises (PSUs) and locate surplus staff in the PSUs. On the recommendation of the Core Group, the Company proposed (July 2004) downsizing its existing strength from 374 to 316 by resorting to Golden Handshake/Voluntary Retirement Scheme. The proposal had, however, not been approved by the Government so far (September 2008).

The Management stated (March 2008) that with the increase in turnover there was need for more work force. However, documents in support of rightsizing exercise conducted by the Company, called for in the ARCPSE, were awaited (September 2008).

Management of Hazardous Wastes

7.2.26 According to the Inventory of Hazardous Waste Generating Units prepared (September 2006) by the State Pollution Control Board (SPCB), 36 units generating 3,431.63 MTs of hazardous waste were identified in three[27] industrial estates of the Company. Audit observed that the Company had taken no measures on the recommendations/conclusions drawn from the workshop (April 2007) on Hazardous Wastes Management organized by the SPCB. The recommendations, *inter alia*, included identification of sites by the Company for disposal of hazardous wastes. These sites were to be inspected by the SPCB for according approval for finalisation of disposal system of hazardous wastes in a scientific manner. Audit observed that the Company had taken no action in this regard. Inaction on the part of the Company in controlling pollution was likely to have an adverse impact on the environment, besides being a source of health hazard. The matter assumes importance in view of the directions issued by the Honourable Supreme Court regarding identification of dumping sites for all the industrial estates, setting up of Hazardous Waste Treatment and Disposal Facilities/common effluent treatment Plant in each industrial unit.

The Management assured (September 2008) Audit that all measures concerning pollution would be taken..

Internal controls

Internal control systems were found deficient in the following areas:

Budgetary Control

7.2.27 Budgeting is an integral part of the financial control leading to better use of capital/resources through planning and efficient allocation. It helps in efficient operations through better co-ordination of activities. It also helps in setting goals and objectives and can be used as performance criteria, thereby enforcing the element of accountability in the Organisation. Proper and timely budgeting, thus helps in the overall success of the Organisation. Audit, however, observed that the budget estimates for the period 2002-03 and 2003-04 had not been approved by the BOD, while those for 2005-06 were approved after the commencement of the financial year.

Inter-unit adjustment account

7.2.28 Advances made to the officers/staff transferred from one unit to another and transfer of stores and stocks from one unit to another are adjusted under "Inter Unit Adjustment Account" to ensure their adjustments/recovery by the close of the year. It was seen in audit that there was a debit balance of Rs. 2.12 crore as on March 2007, indicating that effective steps had not been taken by the Company to adjust the amounts. Non-adjustment of accounts for a long time is fraught with the risk of fraud/embezzlement remaining undetected. The Management stated (September 2008) that requisite steps have been taken to prevent accumulation of unreconciled amounts.

27 Gangyal (23 units; 2,289 14 MTs), Kathua (10 units; 1,141.39 MTs) and Udhampur (3 units: 1.10 MTs).

Inventory Control

7.2.29 The Company had failed to fix the optimum level of inventory. Audit observed that inventory of the Company showed an increasing trend, as closing stock increased by 121 *per cent* from Rs. 2.54 crore (2002-03) to Rs. 5.61 crore (2006-07). Scrutiny in audit of records of the Raw Material Depot, Digiana further revealed that non-salable inventory worth Rs. 19.41 lakh lying in the store for more than five years, had not been disposed off (September 2008). The Management stated (September 2008) that efforts were being made to dispose off the same.

Meetings of the Board of Directors

7.2.30 During the five year period 2003-04 to 2007-08, the BOD had met only on six occasions against a minimum requirement of 20 meetings as per provisions of the Companies Act, 1956. This was against the principles of healthy corporate governance and was liable to affect adversely the decision making process of the Company. The Management stated (September 2008) that every effort shall be done to comply with the provisions of the Company's Act relating to convening of the BOD meetings.

Internal Audit

7.2.31 Internal Audit ensures proper functioning of an entity as well as effectiveness in the internal controls and timely detection of errors, frauds, etc. Despite the Company having Internal Audit Wings (one each at Srinagar and Jammu), headed by the Deputy Financial Advisor and Chief Accounts Officer, it had not prepared internal audit manual laying down functions, scope and periodicity of audit. The Management was required to place before the BOD, the internal audit reports in a summarized manner. The Management stated (September 2008) that placement of all internal audit reports before the BOD was a time-consuming job and that it was not practicable for the BOD to scrutinize each report. The argument was not plausible as non-laying of reports before the BOD was in violation of the BOD directives.

Conclusion

7.2.32 The Company largely failed in achieving the objective of providing marketing support to SSI units. The Company's role in marketing the products of SSI units was very insignificant. There was slow progress in the establishment of estates at Govindsar and Zakura indicating the casual approach adopted by the Company in pursuing its objectives. There was evidence of existence of intermediaries in procurement and distribution of raw material. Cases of violation of lease deeds were also noticed in audit. There was no serious approach on the part of the company in updating its testing centres. Non-approval of budget estimates by the BOD indicated lack of effective planning and control mechanism. There was no evidence of any serious effort being made by the Company to bring about reduction in the mounting arrears in finalisation of accounts. The Company also did not take effective Pollution control measures in certain industrial estates.

Recommendations

- Effective steps need to be taken by the Company to make itself more relevant and viable by diversifying its activities and thereby, bringing more SSI units under its coverage.
- There is a need to identify and strengthen profit centres and provide modern facilities to all industrial estates.
- Testing centres should be fully modernized and established at all the District Headquarters.
- Concerted endeavours are required to strengthen internal controls and to clear the heavy backlog in accounts.
- Pollution control measures may be implemented wherever necessary.

Audit of Transactions

Jammu and Kashmir Bank Limited

7.3 Non recovery of debts

Failure of the Jammu and Kashmir Bank to re-evaluate the mortgaged property of a firm, resulted in non-recovery of Rs 4.16 crore with consequent loss to the Bank.

MV = Rs 4.16 cr
MMV = 1.666

The Jammu and Kashmir Bank Limited sanctioned (August 2001) Cash Credit (CC) facility of Rupees seven crore in favour of a Mumbai-based private firm[10] engaged in transport activity, by taking over liability of Rs. 5.42 crore towards its existing bankers[11]. The CC limit was sanctioned against the primary security of book debts and vehicles. Besides, collateral security by way of mortgage of immovable property (land, building, godown-cum-office etc.), evaluated by the firm during May/June 1999 and April 2000 at Rs. 6.27 crore. As per the terms and conditions of the sanction, the Bank was required to obtain valuation report of the mortgaged property done by the firm afresh before sanction of CC facility. However, the Bank waived off the condition on the ground that the earlier valuation was done by a Government approved valuer and that the conduct of the account was satisfactory. The firm serviced the interest up to January 2003 and thereafter the account turned stagnant and was classified (April 2004) as Non-Performing Asset (NPA), with an outstanding amount of Rs. 8.31 crore including the interest and legal charges. The Bank then got (November/December 2004) the mortgaged property revaluated through its own approved valuer, who assessed it at Rs. 2.24 crore against the value of Rs. 6.27 crore declared by the firm earlier.

The firm requested (2005) for One Time Settlement of the account which was approved (March 2006) by the Board of Directors (BOD) of the Bank on deposit of Rs. 7.50 crore towards full and final settlement of the account, against the outstanding amount of Rs. 10.16 crore (November 2005). Under this arrangement, the Bank had nothing to forego on account of the principal amount of Rupees seven crore. However, the firm expressed (October 2006) its inability to deposit the settled amount and requested for more concessions. According to the Management, the option available with the Bank was to recover the amount through compromise, as it involved less time and minimum expenses compared to legal recourse. Thus, based on the recommendations of the concerned Branch Manager and DGM (T), Zonal Office, Mumbai, the Management approved (March 2007) settlement of the case at Rupees six crore towards full and final settlement, thereby forgoing even part of the principal, amounting to Rupees one crore.

The Management stated (December 2007) that besides the collateral securities, the Bank had primary security by way of hypothecation of book debts and other assets and there was no reason to question the valuation done by the consortium of Banks. However, in view of the fact that as against the value of primary security evaluated at Rs. 9.41 crore in March 2001, the firm's losses accumulated to Rs. 9.92 crore as on March 2006. The Bank was, therefore, left with no option but to settle the case, as it had failed to adhere to the laid down condition in the sanction stipulating furnishing of fresh valuation report of the mortgaged property, which was waived off by the bank. Thus, failure of the Bank to adhere to the conditions stipulated in the sanction, resulted in loss of Rs. 4.16 crore[12].

[10] M/S Precious Carrying Corporation Limited, Mumbai.

[11] New Bank of India.

[12] Rupees one crore (principal) and Rs. 3.16 crore on account of interest/other charges.

The matter was reported to the Government in June 2008; their reply had not been received (September 2008).

J&K Cements Limited

7.4 Non-recovery of extra expenditure/damages

The Company failed to recover Rs. 13.12 lakh from a private firm due to its failure to enforce terms of the agreement entered into with the firm.

The Company placed (May 2006) orders with a private firm[13], selected on competitive basis, for supply of 20 lakh Poly-Propylene bags at Rs. 5.30 per bag. On the supplier's request, the order was revised (May 2006) to 30 lakh bags to enable the firm to procure, in one go, the entire quantity of raw material required for manufacturing the bags to avoid possible future price escalation. As per the agreement, the firm was required to deliver a minimum quantity of 2.50 lakh bags immediately, and the remaining 27.50 lakh bags by January 2007. For belated delivery, the firm was liable for payment of liquidated damages at two *per cent* of the total contract value per week, subject to the maximum of ten *per cent* of the contract value. The firm was also to reimburse damages that the company would suffer in case of default in the delivery schedule.

MV: 0.13 Crore
LMV
0.08 Crore

It was observed in audit that the firm, after supplying only 5.44 lakh bags till July 2006, stopped further supplies and asked for increase in the rates on the plea that there was hike in the cost of raw material. The company did not accede to the request of the firm and purchased 24.25 lakh bags (14.25 lakh bags at Rs. 6.39 per bag and 10 lakh bags at Rs. 5.30 per bag) from three different suppliers, resulting in extra expenditure of Rs. 15.53 lakh[14]. Audit found that except for retaining the security deposit of the firm amounting to Rs. 2.41 lakh, the company did not enforce penal terms of the agreement for recovering the amount of Rs. 15.53 lakh from the firm, as the purchase of bags at higher rate was made at the risk and cost of the firm. Thus, due to non-enforcement of terms of the agreement, the company failed to recover Rs. 13.12 lakh (excluding security deposit of Rs. 2.41 lakh retained by the company) on account of extra expenditure in the purchase of bags.

The Management stated (June 2007) that action to recover the amount from the supplier would be initiated. However, further progress in the matter was awaited (September 2008).

The matter was reported to the Government in June 2008; reply had not been received (September 2008).

J&K Horticultural Produce Marketing and Processing Corporation Limited

7.5 Diversion of funds

Diversion of General/Contributory Provident Fund collections by the Company resulted in accumulation of outstanding liability to Rupees five crore.

In accordance with the J&K Employees Provident Fund Act, 1961, every employer shall remit General Provident Fund/Contributory Fund (GPF/CPF) collections made from the employees to the Provident Fund (PF) Commissioner within 15 days of the close of every month. In case of default, the PF Commissioner may recover damages up to 25 *per cent* of the arrear amount in terms of the Section-16 of the Act, *ibid.*

MV
5 Crore
LMV
0.55 Crore

[13] M/s Bhawani Enterprises.

[14] 14.25 lakh bags multiplied by Rs. 1.09 (difference between Rs. 6.39 and Rs. 5.30).

It was noticed in audit that the Company, despite receipt of notices from the Provident Fund Commissioner and issuance (December 2005 and February 2006) of arrest warrant against the Managing Director, had defaulted in remittance of CPF of Rs. 2.03 crore collected (April 2004 to March 2008) from its employees and the matching share (Rs. 2.03 crore) payable by the Company thereon.

Audit observed that the Company had received budgetary support of Rs. 3.41 crore from the State Government during April 2004 to March 2008. The conditions governing the release of funds stipulated, clearance of current GP/CP Fund including the matching share payable by the Company, as the first charge on the amount so released. It was, however, observed that out of Rs. 3.41 crore, the Company paid only Rs. 1.47 crore (Rs. 76 lakh: 2005-06; Rs. 71 lakh: 2006-07) towards clearance of the CP Fund liability and unauthorisedly diverted the remaining amount of Rs. 1.94 crore towards payment of salary/wages to its staff. Consequently, the amount of default increased from Rs. 2.41 crore as on March 2004 to Rupees five crore as on March 2008.

The Management stated (July 2008) that due to the acute financial hardship, the liability had accumulated. It was further stated that the Government had been requested for placement of adequate funds for the said purpose. The reply of the Company, also endorsed (August 2008) by the Government, is not acceptable, as the Company should have taken prior approval of the Government for diversion of funds. Non-remittance of amount to the PF Commissioner contravened the provisions of CP Fund Act, ibid and attracted imposition of penalty up to Rs. 1.25 crore, besides violating the aforementioned conditions attached with the sanctions.

Jammu/Srinagar
The 0 6 JAN 2009

(D. J. Bhadra)
Accountant General (Audit)
Jammu and Kashmir

Countersigned

New Delhi
The 0 9 JAN 2009

(Vinod Rai)
Comptroller and Auditor General of India

Appendices

Appendix-1.1

(Reference: Paragraph: 1.1; Page: 1)

Part-A Structure and Form of Government Accounts

Structure of Government Accounts

Part-I: Consolidated Fund

All receipts of the State Government from revenues, loans and recoveries of loans go into Consolidated Fund constituted under Section 115 of Constitution of Jammu and Kashmir. All expenditure of the Government is incurred from this Fund from which no amount can be drawn without authorisation from the State Legislature. This part consists of two main divisions, namely Revenue Account (Revenue Receipts and Revenue expenditure) Capital Account (Capital Receipts, Capital expenditure, Public Debt and loans, etc.)

Part-II: Contingency Fund

The Contingency Fund created under Section 116 of the Constitution of Jammu and Kashmir is in the nature of an imprest placed at the disposal of the Governor of the State to meet urgent unforeseen expenditure pending authorisation from the State Legislature. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund authorised by the Legislature during the year was Rs. one crore.

Part-III: Public Account

Receipts and disbursements in respect of small savings, provident funds, deposits, reserve funds, suspense, remittances, etc. which do not form part of the Consolidated Fund, are accounted for in Public Account and are not subject to vote by the State Legislature.

Appendix-1.1
Part-B Layout of Finance Accounts
(Reference: Paragraph: 1.1; Page: 1)

Statement No. 1	Presents the Summary of Transactions of the State Government Receipts and Expenditure, Revenue and Capital, Public Debt Receipts and Disbursements, etc. in the Consolidated Fund, Contingency Fund and Public Account of the State.
Statement No. 2	Contains the Summarised Statement of Capital outlay showing progressive expenditure to the end of current year.
Statement No. 3	Gives Financial results of Electricity Schemes and Irrigation Works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.
Statement No. 4	Indicates the Summary of Debt position of the State, which includes borrowings from Internal Debt, Government of India, other obligations and servicing of debt.
Statement No. 5	Gives the Summary of Loans and Advances given by the State Government during the year, repayments made, recoveries in arrears, etc.
Statement No. 6	Gives the Summary of Guarantees given by the Government for repayments of loans, etc. raised by the Statutory Corporations, Local Bodies and Other Institutions.
Statement No. 7	Gives the Summary of Cash Balances and Investments made out of such balances.
Statement No. 8	Depicts the Summary of Balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2008.
Statement No. 9	Shows the Revenue and Expenditure under different heads for the current year as a percentage of total revenue/expenditure.
Statement No. 10	Indicates the distribution between the Charged and Voted expenditure incurred during the year.
Statement No. 11	Indicates the detailed account of Revenue Receipts by Minor heads.
Statement No. 12	Provides Accounts of Revenue Expenditure by Minor heads under Non-Plan and Plan separately and Capital Expenditure, Major Head wise.
Statement No. 13	Depicts the detailed Capital Expenditure incurred during and to the end of the current year.
Statement No. 14	Shows the details of investment of the State Government in Statutory Corporations, Government Companies, other Joint Stock Companies, Cooperative banks and Societies, etc. up to the end of the current year.
Statement No. 15	Depicts the capital and other expenditure to the end of the current year and the principal sources from which the funds were provided for that expenditure.
Statement No. 16	Gives the detailed account of Receipts Disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.
Statement No. 17	Presents the detailed account of debt and other interest bearing obligations of the Government.
Statement No. 18	Provides the detailed account of Loans and Advances given by the Government of Jammu and Kashmir, the amount of loans repaid during the year, the balances at the end of the year and the amount of interest received during the year.
Statement No. 19	Gives the details of balances of Earmarked Funds.

Appendix-1.1

Part-C

(Reference: Paragraph: 1.3; Page: 4)

List of terms used in the Chapter-I and basis for their calculation

Terms	Basis for calculation
Buoyancy of a parameter	$\frac{\text{Rate of Growth of the parameter}}{\text{GSDP Growth}}$
Buoyancy of a parameter (X) with respect to another parameter (Y)	$\frac{\text{Rate of Growth of the parameter (X)}}{\text{Rate of Growth of the parameter (Y)}}$
Rate of Growth (ROG)	[(Current year Amount/previous year Amount)-1]*100
Development Expenditure	Social Services + Economic Services
Average interest paid by the State	Interest payment/[(Amount of previous year's Fiscal Liabilities+ Current year's Fiscal liabilities)/2]*100
Weighted Interest rate (I_w)	$I_w = \sum_i^n I_i W_i$, where I_i is the rate of interest on the i[th] stock of debt and W_i is the share of i[th] stock in the total debt stock of the State.
Interest spread	GSDP growth-Weighted Interest rates
Interest received as *per cent* to Loans Advanced	Interest received [(Opening balance+Closing balance of Loans and Advances)/2]* 100
Revenue Deficit	Revenue Receipt-Revenue Expenditure
Fiscal Deficit	Revenue Expenditure+ Capital Expenditure+Net Loans and Advances-Revenue Receipts-Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit-Interest payments
Balance from Current Revenue (BCR)	Revenue Receipts <u>minus</u> all Plan grants and Non-Plan Revenue Expenditure excluding debits under 2048-Appropriation for Reduction or Avoidance of Debt

Appendix 1.2
(Reference to Paragraph: 1.3; Page: 4)
Abstract of Receipts and Disbursements for the year 2007-08

(Rupees in crore)

Receipts				Disbursements					
2006-07			2007-08	2006-07		2007-08			
						Non-Plan	Plan	Total	
Section-A: Revenue									
11182.03	**I. Revenue Receipts**		**13277.04**	**10614.05**	**I. Revenue Expenditure**	**11666.10**	**523.20**	**12189.30**	**12189.30**
1798.97	Tax revenue	*2558.18*		**4653.53**	**General Services**	**5560.54**	**63.04**	**5623.58**	
				2881.12	**Social Services**	**2553.36**	**293.95**	**2847.31**	
632.53	Non-tax revenue	*807.98*		*1153.91*	Education, Sports, Art and Culture	*1124.98*	*145.49*	*1270.47*	
				555.29	Health and Family Welfare	*555.50*	*45.99*	*601.49*	
1413.43	State's share of Union taxes	*1775.01*		*488.24*	Water Supply, Sanitation, Housing and Urban Development	*605.17*	*9.19*	*614.36*	
				14.41	Information and Broadcasting	*13.85*	*2.20*	*16.05*	
3016.19	Non-Plan grants	*3039.49*		*37.12*	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	*10.02*	*20.36*	*30.38*	
				20.83	Labour and Labour Welfare	*9.90*	*13.33*	*23.23*	
3782.33	Grants for State Plan Schemes	*4630.16*		*603.35*	Social Welfare and Nutrition	*224.26*	*57.39*	*281.65*	
				7.97	Others	*9.68*	-	*9.68*	
538.58	Grants for Central and Centrally Sponsored Plan Schemes	*466.22*							
-	Grants for Special Plan Schemes	-		**3079.40**	**Economic Services**	**3552.20**	**166.21**	**3718.41**	
				597.55	Agriculture and Allied Activities	*622.34*	*38.99*	*661.33*	
				187.57	Rural Development	*78.81*	*85.34*	*164.15*	
				116.43	Special Areas Programmes	*179.81*	-	*179.81*	
				211.39	Irrigation and Flood Control	*220.99*	*14.55*	*235.54*	
				1675.42	Energy	*2181.33*	-	*2181.33*	
				116.37	Industries and Minerals	*121.66*	*1.21*	*122.87*	
				50.47	Transport	*50.25*	-	*50.25*	
				15.68	Science, Technology and Environment	*11.17*	*5.79*	*16.96*	
				108.52	General Economic Services	*85.84*	*20.33*	*106.17*	

Receipts				Disbursements					
2006-07			2007-08	2006-07		2007-08			
						Non-Plan	Plan	Total	
-	**II. Revenue deficit carried over to Section -B**			**567.98**	**II. Revenue Surplus carried over to Section-B**				**1087.74**
11182.03	**Total Section-A**		**13277.04**		**Total Section-A**				**13277.04**
					Section-B				
84.78	**III. Opening Cash balance including Permanent Advances and Cash Balance Investment**		**108.24**						
-	**IV. Misc. Capital receipts**	-	-	**2456.30**	**III. Capital Outlay**	**75.78**	**3641.25**	**3717.03**	**3717.03**
				57.42	**General Services**	**20.22**	**94.33**	**114.55**	-
				829.12	**Social Services**	**66.24**	**1055.62**	**1121.86**	
				142.81	Education, Sports, Art and Culture	*12.43*	*142.86*	*155.29*	
				184.03	Health and Family Welfare	*1.56*	*204.25*	*205.81*	
				472.08	Housing & Urban Development	*5.71*	*620.77*	*626.48*	
				0.54	Information and Broadcasting	-	*0.99*	*0.99*	
				2.91	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	*0.32*	*2.46*	*2.78*	
				24.75	Social Welfare and Nutrition	*4.68*	*72.13*	*76.81*	
				2.00	Other Social Services	41.54	*12.16*	53.70	
				1569.76	**Economic Services**	**(-) 10.68**	***2491.30***	**2480.62**	
				179.51	Agriculture and Allied Activities	(-) 42.86	*95.02*	52.16	
				107.73	Rural Development	*0.37*	*77.75*	*78.12*	
				0.72	Special Areas Programmes	*(-) 0.21*	*139.22*	*139.01*	
				114.04	Irrigation and Flood Control	-	*174.45*	*174.45*	
				487.66	Energy	-	*665.33*	*665.33*	
				69.27	Industries and Minerals	-	*93.78*	*93.78*	
				454.17	Transport	*3.58*	*965.90*	*969.48*	
				-	Science, Technology and Environment	-	*2.77*	*2.77*	
				156.66	General Economic Services	*28.44*	*277.08*	*305.52*	

Receipts				Disbursements					
2006-07			2007-08	2006-07		2007-08			
						Non-Plan	Plan	Total	
2.04	**V. Recoveries of Loans and Advances**		**1.89**	**43.89**	**IV. Loans and Advances disbursement**				**38.27**
0.02	Industries and Minerals	0.01		*17.25*	Industries and Minerals			*18.16*	
-	Energy	-		*17.28*	Transport			*16.93*	
1.69	Government servants	1.43		*0.60*	Government servants			*0.64*	
0.33	Others	*0.45*		*8.76*	Others			*2.54*	
567.98	**VI. Revenue surplus**		**1087.74**	-	**V. Revenue deficit**				
1543.81	**VII. Public debt receipts**		**2848.30**	**403.76**	**VI. Repayment of Public Debt**				**772.14**
1452.84	Internal debt other than Ways and Means Advances and Overdraft	*2831.15*		*271.21*	Internal debt other than Ways and Means Advances and Overdraft			*558.23*	
8.51	Loans and Advances from GOI	*17.15*		*132.55*	Repayment of loans and advances from GOI.			*139.23*	
82.46	Net transactions under Overdrafts from J&K Bank	-		-	Net transactions under Ways and Means Advances including Overdrafts			74.68	
-	**VIII. Appropriation to Contingency Fund**		-	-	**VII. Appropriation to Contingency Fund**				-
0.39	**IX. Amount recouped to contingen-cy fund**		**0.01**	**0.14**	**VIII-Expenditure from Contingency Fund**				**0.13**
25598.80	**X. Public Account receipts**		*29505.85*	**24785.47**	**IX-Public Account disbursements**				**28910.69**
990.59	Small Savings and Provident Funds	*1003.80*		*564.33*	Small Savings and Provident Funds			*662.22*	
411.03	Reserve Funds	*183.13*		*259.16*	Reserve Funds			*53.36*	
1322.75	Deposits and Advances	*1852.74*		*1239.27*	Deposits and Advances			*1636.75*	
315.50	Suspense and Miscellaneous	*198.47*		*368.35*	Suspense and Miscellaneous			*402.27*	
22558.93	Remittances	*26267.71*		*22354.36*	Remittances			*26156.09*	
				108.24	**X. Cash balance at the end**				**113.77**
				30.95	Cash in treasuries and local remittances			*37.96*	
				30.11	Deposits with Banks			*27.36*	

Receipts				Disbursements					
2006-07			2007-08	2006-07		2007-08			
						Non-Plan	Plan	Total	
				(-) 1.07	Departmental cash balance including permanent advances			*0.20*	
				37.39	Cash balance investment			*37.39*	
				10.86	Reserve fund investment			*10.86*	
27797.80	**Total Section-B**		**33552.03**	**27797.80**	**Total Section-B**				**33552.03**

Explanatory Notes

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the deficit on Government account indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation on stock figures etc. do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid and payments made on behalf of the State and others pending settlement, etc.
4. There was a difference of Rs. 0.83 lakh between the figures reflected in the accounts under cash in Banks and the figures conveyed by the Finance Department. The difference was under reconciliation (July 2008).

Appendix 1.3
(Reference to Paragraph: 1.3; Page: 4)

Sources and applications of funds

(Rupees in crore)

2006-07		Sources	2007-08	
11182.03		1. Revenue receipts		13277.04
2.04		2. Recoveries of Loans and Advances		1.89
1057.59		3. Net receipts from Public Debt other than Overdraft		2150.84
82.46		4. Net receipts from overdraft		-
813.33		5. Net receipts from Public Account:		595.16
	426.26	(i) Net receipts from Small Savings, Provident funds, etc.	341.58	
	83.48	(ii) Net effect of Deposits and Advances	215.99	
	151.87	(iii) Net receipts from Reserve Funds	129.77	
	(-) 52.85	(iv) Net effect of Suspense and Miscellaneous transactions	(-) 203.80	
	204.57	(v) Net effect of Remittance transactions	111.62	
0.25		6. Net amount recouped to contingency fund after deducting the expenditure		-
-		7. Utilisation of cash balance		-
13137.70		**Total:**		16024.93
		Application		
10614.05		1. Revenue expenditure		12189.30
43.89		2. Lending for developmental and other purposes		38.27
2456.30		3. Capital expenditure		3717.03
-		4. Net repayment of overdraft		74.68
-		5. Expenditure met from Contingency Fund but not recouped		0.13
-		6. Appropriation to Contingency Fund		-
23.46		7. Increase in closing cash balance		5.52
13137.70		**Total**		16024.93

Appendix 1.4

(Reference: Paragraphs: 1.3 & 1.7; Pages: 4 and 21)

Summarised financial position of the Government of Jammu and Kashmir as on 31 March 2008

(Rupees in crore)

As on 31 March 2007			As on 31 March 2008	
		Liabilities		
8765.57		**Internal Debt**		**10963.81**
	3384.23	Market Loans bearing interest	5483.99	
	647.22	Loans from LIC	690.31	
	2604.22	Loans from other Institutions	2734.29	
	2129.90	Overdraft from Jammu and Kashmir Bank	2055.22	
3384.35		**Loans and Advances from Central Government**		**3262.28**
	225.80	Pre 1984-85 Loans	198.62	
	1081.34	Non-Plan Loans	1074.35	
	1904.30	Loans for State Plan Schemes	1809.69	
	91.52	Loans for Central Plan Schemes	91.52	
	72.14	Loans for Centrally Sponsored Plan Schemes	78.85	
	9.25	Ways and Means Advances	9.25	
0.81		**Contingency Fund**		**0.70**
3953.22		**Small Savings, Provident Funds, etc.**		**4294.80**
1074.21		**Reserve Funds**		**1203.98**
1424.78		**Deposits**		**1641.14**
3011.45		**Remittance Balances**		**3123.07**
2403.65		**Surplus on Government Account**		**3491.39**
	1835.67	Revenue surplus ending 2006-07	2403.65	
	567.98	Revenue Surplus 2007-08	1087.74	
24018.04		**Total:**		**27981.17**
		Assets		
22548.41		**Gross Capital Outlay on Fixed Assets**		**26265.44**
	355.77	Investments in shares of Companies, Corporations, etc.	356.97	
	22192.64	Other Capital Outlay	25908.47	
943.82		**Loans and Advances**		**980.20**
	402.75	Industries and Minerals	420.91	
	282.85	Transport	299.78	
	85.05	Energy	85.05	
	43.16	Agriculture and Allied Activities	43.12	
	107.89	Other Development Loans	110.01	
	22.12	Loans to Government servants and Miscellaneous Loans	21.33	

As on 31 March 2007			As on 31 March 2008	
Assets (Continued)				
7.96		**Advances**		**8.34**
409.61		**Suspense and Miscellaneous Balances**		**614.07**
-		**Appropriation to Contingency Fund**		**-**
-		**Amount written off from Heads of accounts closing to balances**		**(-) 0.65**
108.24		**Cash**		**113.77**
	30.95	Cash in Treasuries and Local Remittances	37.96	
	30.11	Deposits with Bank	27.36	
	(-) 1.19	Departmental Cash Balance	0.08	
	0.12	Permanent Advances	0.12	
	37.39	Cash Balance Investments	37.39	
	10.86	Reserve Fund Investments	10.86	
-		**Deficit on Government Account:**		**-**
24018.04		**Total**		**27981.17**

Appendix 1.5

(Reference to Paragraph: 1.3; Page: 4)

Time series data on State Government Finances

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Part-A Receipts						
1. Revenue Receipts	**7548**	**8212**	**8866**	**10315**	**11182**	**13277**
(i) Tax Revenue	1033 (14)	1170 (14)	1351 (15)	1627 (16)	1799 (16)	2558 (19)
Taxes on sales, trade, etc.	536 (52)	674 (58)	804 (60)	1014 (62)	1159 (64)	1805 (71)
State Excise	223 (22)	205 (18)	272 (20)	219 (14)	213 (12)	244 (10)
Taxes on vehicles	34 (3)	38 (3)	42 (3)	49 (3)	64 (4)	73 (3)
Stamps and Registration fees	26 (2)	34 (3)	39 (3)	46 (3)	57 (3)	66 (2)
Land Revenue	3 (*)	3 (*)	11 (1)	4 (*)	3 (*)	9 (*)
Other Taxes	211 (21)	216 (18)	183 (13)	295 (18)	303 (17)	361 (14)
(ii) Non Tax Revenue	865 (11)	633 (8)	641 (7)	536 (5)	633 (6)	808 (6)
(iii) State's share of Union taxes and duties	685 (9)	817 (10)	934 (11)	1135 (11)	1413 (13)	1775 (14)
(iv) Grants-in-aid from GOI	4965 (66)	5592 (68)	5940 (67)	7017 (68)	7337 (65)	8136 (61)
2. Miscellaneous capital receipts	-	-	-	-	-	-
3. Total revenue and non-debt capital receipts (1+2)	**7548**	**8212**	**8866**	**10315**	**11182**	**13277**
4. Recoveries of Loans and Advances	**82**	**4**	**19**	**36**	**2**	**2**
5. Public Debt receipts	**1390**	**1854**	**1799**	**2536**	**1544**	**2848**
Internal Debt (excluding Ways and Means Advances and Overdraft)	811	970	1295	2205	1453	2831
Net transactions under Ways and Means Advances and Overdraft	-	165	180	320	82	-
Loans and advances from GOI&	579	719	324	11	9	17
6. Total receipts in the Consolidated Fund (3+4+5)	**9020**	**10070**	**10684**	**12887**	**12728**	**16127**
7. Contingency Fund receipts	**-***	**1.33**	**0.49**	**0.61**	**0.39**	**0.01**
8. Public Account receipts	**16830**	**19049**	**19120**	**22632**	**25599**	**29506**
9. Total receipts of the State (6+7+8)	**25850**	**29120**	**29804**	**35520**	**38327**	**45633**

* Negligible

& Includes Ways and Means Advances

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Part-B Expenditure/disbursement						
10. Revenue Expenditure	**7180 (80)**	**7754 (80)**	**8304 (79)**	**9921 (76)**	**10614 (81)**	**12189 (77)**
Plan	896 (12)	947 (12)	1065 (13)	1196 (12)	833 (8)	523 (4)
Non-Plan	6284 (88)	6807 (88)	7239 (87)	8725 (88)	9781 (92)	11666 (96)
General Services (including interest payments)	*3154 (44)*	*3373 (43)*	*3287 (40)*	*3682 (37)*	*4654 (44)*	*5624 (46)*
Social Services	*1761 (24)*	*1828 (24)*	*1996 (24)*	*2656 (27)*	*2881 (27)*	*2847 (23)*
Economic Services	*2265 (32)*	*2553 (33)*	*3021 (36)*	*3583 (36)*	*3079 (29)*	*3718 (31)*
Grants-in-aid and contributions	-	-	-	-	-	-
11. Capital Expenditure	**1421 (16)**	**1881• (19)**	**2180 (20)**	**3020 (23)**	**2456 (19)**	**3717 (23)**
Plan	1339 (94)	1642 (87)	2088 (96)	2906 (96)	2346 (96)	3641 (98)
Non-Plan	82 (6)	239 (13)	92 (4)	114 (4)	110 (4)	76 (2)
General Services	*56 (4)*	*68 (4)*	*59 (3)*	*58 (2)*	*57 (2)*	*115 (3)*
Social Services	*331 (23)*	*487 (26)*	*550 (25)*	*656 (22)*	*829 (34)*	*1122 (30)*
Economic Services	*1034 (73)*	*1326 (70)*	*1571 (72)*	*2306 (76)*	*1570 (64)*	*2480 (67)*
12. Disbursement of loans and advances	**340 (4)**	**68 (1)**	**66 (1)**	**53 (1)**	**44 (↓)**	**38 (↓)**
13. Total (10+11+12)	**8941**	**9703**	**10550**	**12994**	**13114**	**15944**
14. Repayment of Public Debt	**422**	**1332**	**1004**	**1226**	**404**	**772**
Internal Debt (excluding Ways and Means Advances and Overdraft)	59	112	208	1098	271	558
Net transactions under Ways and Means Advances and Overdraft	1	-	-	-	-	75
Loans and Advances from Government of India∂	362	1220	796	128	133	139
15. Appropriation to Contingency Fund	**Nil**	**Nil**	**Nil**	**1**	**Nil**	**Nil**
16. Total disbursement out of Consolidated Fund (13+14+15)	**9363**	**11035**	**11554**	**14221**	**13518**	**16716**
17. Contingency Fund disbursements	**0.22**	**1.43**	**0.47**	**0.04**	**0.14**	**0.13**
18. Public Account disbursements	**16673**	**18106**	**18251**	**21297**	**24785**	**28911**
19. Total disbursements by the State (16+17+18)	**26036**	**29142**	**29805**	**35518**	**38303**	**45627**

• Rs. 1,880.48 crore rounded to Rs. 1 881 crore

↓ Negligible

∂ Includes Ways and Means Advances

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Part C. Deficits						
20. Revenue Surplus (+)/Deficit (-) (1-10)	(+) 368	(+) 458	(+) 562	(+) 394	(+) 568	(+) 1088
21. Fiscal Deficit (3+4-13)	(-) 1311	(-) 1487	(-) 1665	(-) 2643	(-) 1930	(-) 2665
22. Primary Deficit (21-23)	(-) 216	(-) 241	(-) 562	(-) 1528	(-) 143	(-) 229
Part D. Other data						
23. Interest Payments (included in revenue expenditure)	1095 (15)	1246 (16)	1103 (13)	1115 (11)	1787 (17)	2436 (19)
24. Arrears[ψ] of Revenue (*percent*age of Tax and non-Tax Revenue Receipts)	733 (39)	1454 (81)	850 (43)	920 (43)	992 (41)	1011 (30)
25. Financial Assistance to local bodies, etc.	199	166	236	274	331	361
26. Ways and Means Advances/overdraft availed (days)	365	366	365	365	365	366
27. Interest on WMA/Overdraft	138	127	132	138	184	221
28. Gross State Domestic Product (GSDP[≠])	20326	22194	24265	26537	29030	31793
29. Outstanding debt[°] (year end)	8382	8904	9699	11010	12150	14226
30. Outstanding[ϕ] guarantees (year end)	1231	1612	1914	1959	2565	2807
31. Maximum amount guaranteed (year end)	1574	1969	2878	4720	3245	3308
32. Number of incomplete projects	132	194	219	348	186	88
33. Capital blocked in incomplete projects	603	757	1036	1717	882	365

(Percentage in brackets)

ψ Arrears during 2004-05 to 2007-08 on account of tax revenue only.

≠ Figures of GSDP are based on information supplied by the State Government. GSDP figures for 2006-07 are based on quick estimates and for 2007-08 on advanced estimates.

° Includes internal debt and loans and advances from Central Government only.

ϕ Excludes information in respect of three private firms and four cooperative societies during 2004-05 to 2007-08.

Appendix 1.6
(Reference: Paragraph: 1.6.5; Page: 20)

Statement of wanting utilisation certificates in respect of grants paid upto 2006-07

Name of Department	Year of disbursement	Certificates awaited	
		No.	(Rs. in lakh)
Revenue Expenditure			
General Education	2005-06 to 2006-07	6143	73,507.26
Housing and Urban Development	2005-06 to 2006-07	1593	63,149.31
Health and Medical Education	2005-06 to 2006-07	406	831.34
Law and Justice	2005-06 to 2006-07	241	873.69
Social Welfare	2005-06 to 2006-07	441	447.14
General Administration	2005-06 to 2006-07	165	1205.87
Tourism	2005-06 to 2006-07	83	1,416.17
Art and Culture	2005-06 to 2006-07	119	11,285.44
Public Works	2005-06 to 2006-07	16	1.76
Agriculture Research and Education	2005-06	58	8,702.35
Information	2005-06	119	2.05
Village and Small Scale Industries	2005-06	103	1,660.95
Animal Husbandry	2005-06	17	207.50
Welfare of SC/ST	2005-06 to 2006-07	8	119.40
Ladakh Affairs	2005-06	30	41.03
Agriculture	2005-06	236	17,069.50
General Economic Services	2006-07	1	12.00
Cooperative	2005-06	5	1.78
State legislature	2005-06 to 2006-07	21	9.73
Fire services/Other Administrative Services	2005-06 to 2006-07	11	274.29
Area Development	2005-06	3	0.25
Ecology and Environment	2006-07	6	395.00
Finance	2005-06	10	24.01
Rural Development	2005-06	6	2.61
Family Welfare	2005-06 to 2006-07	5	19.40
Minor Irrigation	2005-06 to 2006-07	3	0.40
Other Social Services	2006-07	2	30.00
Command Area Development	2005-06	168	443.39
Youth Services and Sports	2005-06 to 2006-07	21	1,206.00
Capital Expenditure			
General Education etc.	2005-06 to 2006-07	67	2,425.98
Other Administrative Services	2005-06 to 2006-07	4	48.85
Cooperatives	2005-06 to 2006-07	16	103.00
Tourism	2005-06 to 2006-07	11	36.75
Urban Development	2006-07	5	702.64
Village and Small Scale Industries	2006-07	1	25.00
Total		**10144**	**1,86,281.84**

Appendix 1.7

(Reference to Paragraph: 1.6.6; Page: 21)

Bodies which did not furnish annual accounts for 2007-08 and earlier years

Sl. No	Name of the body	Period for which accounts awaited	Number of accounts
Section-14			
1.	Srinagar Municipality	1988-89 to 2007-08	20
2.	Kashmir University	2001-02 to 2007-08	7
3.	Kashmir Urban Development Authority	1999-2000 to 2007-08	9
4.	District Rural Development Agency Srinagar	2002-03 to 2007-08	6
5.	District Rural Development Agency Anantnag	2007-08	1
6.	District Rural Development Agency Pulwama	2002-03 to 2007-08	6
7.	District Rural Development Agency Leh	2007-08	1
8.	District Rural Development Agency Kargil	2002-03 to 2007-08	6
9.	Desert Development Authority Leh	2005-06 to 2007-08	3
10	Desert Development Authority Kargil	2007-08	1
11.	Sheri Kashmir International Conference Centre (SKICC) Srinagar	1999-2000 to 2007-08	9
12.	Srinagar Development Authority	1999-2000 to 2007-08	9
13.	Institute of Hotel Management Srinagar	2001-02 to 2007-08	7
14.	State Social Welfare Advisory Board	2003-04 to 2007-08	5
15.	Islamia College of Science and Commerce Srinagar	2001-02 to 2007-08	7
16.	Jammu and Kashmir State Housing Board	2002-03 to 2007-08	6
17.	Lakes and Water ways Development Authority	2005-06 to 2007-08	3
18.	Jammu Municipality	2002-03 to 2007-08	6
19.	Jammu Urban Development Authority	2003-04 to 2007-08	5
20.	Academy of Art Culture and Language	2003-04 to 2007-08	5
21.	District Rural Development Agency Jammu	2003-04 to 2007-08	5
22.	District Rural Development Agency Kathua	2005-06 to 2007-08	3
23.	District Rural Development Agency Udhampur	2006-07 to 2007-08	2
24.	District Rural Development Agency Poonch	2003-04 to 2007-08	5

25.	District Rural Development Agency Rajouri	2002-03 to 2007-08	6
26.	District Rural Development Agency Doda	2003-04 to 2007-08	5
27.	Jammu Development Authority	1972-73 to 2007-08	36
28.	State Pollution Control Board	1995-96 to 2007-08	13
29.	Jammu and Kashmir Sports Council	2003-04 to 2007-08	5
30.	Jammu and Kashmir Energy Development Agency	2003-04 to 2007-08	5
31.	Jammu University	2002-03 to 2007-08	6
32.	District Rural Development Agency Budgam	2007-08	1
33.	District Rural Development Agency Baramulla	2006-07 to 2007-08	2
34.	District Rural Development Agency Kupwara	2006-07 to 2007-08	2
	Total		**218**

(Note: Variation in the number of awaited accounts in respect of bodies at serial no 1,2,5,7,10,18,19,20,21,30 and 31 with the previous years Audit Reports have been rectified)

Appendix 1.8

(Reference Paragraph: 1.7.3; Page: 23)

Statement showing year-wise position in respect of Proforma accounts of Departmentally Managed Government/Quasi commercial undertakings in the state (Position as on 31 March 2008)

Sl No	Name of the concern	Year for which accounts are in Arrears	Number of accounts
1.	Government Press Srinagar	1968-69 to 2006-07	39
2.	Ranbir Government Press Jammu	1968-69 to 2006-07	39
3.	Consumer Affairs and Public Distribution Department Srinagar	1975-76 to 2006-07	32
4.	Consumer Affairs and Public Distribution Department Jammu	1973-74 to 2006-07 (except 1998-99)	33
5.	State Insurance Fund	1990-91 to 2006-07	17
6.	Government Fair Price Shop	1970-71 to 09/1973 (Defunct)	03
7.	Government Lumbering Undertaking	1978-79 to 06/1979 (Defunct)	01
8.	Milk Supply Undertaking Srinagar	1980-81 to 27.10.1983 (Defunct)	03
9.	Milk Supply Undertaking Jammu	1981-82 to 02.12.1983	02
	Total		**169**

Appendix-2.1

(Reference: Paragraph: 2.3; Page: 37)

Details of excess expenditure despite obtaining supplementary grants

(Rupees in crore)

Sl. No	Name of Grant/ Appropriation/	Original	Supplementary	Total grant	Actual expenditure	Excess expenditure
I-Revenue (voted)						
1.	12-Agriculture	254.78	41.10	295.88	322.14	26.26
2.	14-Revenue	263.15	40.15	303.30	363.08	59.78
3.	15-Consumer Affairs and Public Distribution	2.81	0.29	3.10	3.49	0.39
4.	16-Public Works	316.88	29.83	346.71	364.47	17.76
	Total- Revenue (voted)	**837.62**	**111.37**	**948.99**	**1053.18**	**104.19**
II-Revenue (charged)						
5.	8-Finance	1252.00	780.11	2032.11	2435.36	403.25
	Total-Revenue (charged)	**1252.00**	**780.11**	**2032.11**	**2435.36**	**403.25**
III-Capital (voted)						
6.	16-Public Works	631.25	113.00	744.25	1051.24	306.99
7.	20-Tourism	80.25	4.90	85.15	109.82	24.67
8.	26-Fisheries	7.40	0.60	8.00	8.74	0.74
	Total- Capital (voted)	**718.90**	**118.50**	**837.40**	**1169.80**	**332.40**
	Total (I+II+III)	**2808.52**	**1009.98**	**3818.50**	**4658.34**	**839.84**

Appendix-2.2

(Reference: Paragraph: 2.4; Page: 38)

Year-wise details of excess expenditure for the years 1980-81 to 2006-07 pending with Finance Department for regularisation

Year	No. of Grants/ Appropriations	Grant/Appropriation No.	Amount (Rupees in crore)
1980-81	16	1,5,6,7,8,9,12,13,14,16,18, 19,20,21,22,23	227.90
1981-82	13	1,3,5,6,8,13,14,16,18,19, 20,21,23	41.99
1982-83	10	6,8,9,12,14,18,19,21,22,23	119.74
1983-84	12	1,5,6,7,8,14,18,19,20,21, 22,23	176.75
1984-85	10	1,6,8,10,14,16,18,19,21,23	65.42
1985-86	10	1,4,6,10,17,18,19,22,23,26	19.64
1986-87	15	1,2,4,6,7,8,10,13,18,19,20,22,23,25,26	104.22
1987-88	17	1,2,3,5,6,8,10,12,13,18,19,21,22,23,24,26,27	177.32
1988-89	14	1,2,8,9,10,12,13,15,17,18, 22,23,26,27	438.42
1989-90	9	1,7,8,11,12,20,21,23,24	205.23
1990-91	11	1,2,5,8,12,17,19,21,23,25,26	427.72
1991-92	13	1,2,5,7,8,11,12,14,21,22, 23,26,27	1,152.23
1992-93	14	1,4,5,8,10,11,12,14,16,20, 21,23,24,26	1,029.71
1993-94	17	2,3,5,8,10,12,13,14,17,18, 20,21,22,23,24,26,27	1,730.03
1994-95	14	5,6,8,9,10,12,13,14,20,21, 23,24,26,27	2,057.49
1995-96	19	2,5,6,8,9,10,11,12,13,16,17,18,20,21,23,24,25,26,27	2,936.89
1996-97	18	2,4,5,6,8,10,11,12,13,14, 16,18,20,21,23,24,26,27	3,482.20
1997-98	16	1,2,4,6,8,9,12,13,16,18,21,22,23,24,26,27	4,189.21
1998-99	6	4,5,6,8,23,27	4,185.25
1999-2000	12	2,3,6,8,9,12,17,18,20,23,24,26	5,851.08
2000-01	11	1,6,8,9,12,16,18,23,25, 26, 27	6,310.25
2001-02	15	3,5,6,8,11,17,18,20,21,23,25,26,27,28,29	6,393.41
2002-03	15	3,5,6,7,8,12,14,16,17,18,21,23,25,26,28	505.61
2003-04	18	3,5,7,8,12,13,14,15,16,17,18,20,21,23,24,25,26,28	9,770.53
2004-05	15	3,6,8,9,12,14,15,16,18,20,25,26,27,28,29	2,108.42
2005-06	16	3,5,8, 10,12,15, 16,17,18, 20,21,23,25, 26,27,28	12,954.06
2006-07	14	8,12,14,15,16,17,18,20,21,23,25,26,27,28	2150.03
		Total:	**68810.75**

Appendix-2.3

(Reference: Paragraph: 2.5; Page: 38)

Cases of unnecessary supplementary grant/appropriation

(Rupees in crore)

Sl No	Name of Grant or Appropriation	Amount of Grant/Appropriation				
		Original	Supple-mentary	Total	Actual Expenditure	Saving
I- Revenue (voted)						
1.	2-Home	1392.57	82.18	1474.75	1268.77	205.98
2.	4-Information	18.18	1.09	19.27	16.05	3.22
3.	7-Education	1142.24	93.23	1235.47	1114.29	121.18
4.	9-Parliamentary Affairs	16.50	0.88	17.38	16.20	1.18
5.	24-Hospitality and Protocol	81.06	7.74	88.80	71.87	16.93
Total-I		**2650.55**	**185.12**	**2835.67**	**2487.18**	**348.49**
II-Revenue (Charged)						
6.	10-Law	8.84	0.98	9.82	7.23	2.59
Total-II		**8.84**	**0.98**	**9.82**	**7.23**	**2.59**
III-Capital (Voted)						
7.	2-Home	8.05	5.13	13.18	5.54	7.64
8.	4-Information	1.46	0.16	1.62	0.99	0.63
9.	7-Education	132.02	7.24	139.26	110.49	28.77
10.	15-Consumer Affairs and Public Distribution	763.89	29.65	793.54	542.11	251.43
11.	17-Health and Medical Education	249.84	56.14	305.98	238.79	67.19
12.	18-Social Welfare	121.98	35.51	157.49	77.52	79.97
13.	21-Forest	51.03	2.19	53.22	34.97	18.25
14.	25-Labour, Stationery and Printing	16.63	19.53	36.16	1.46	34.70
Total-III		**1344.90**	**155.55**	**1500.45**	**1011.87**	**488.58**
Grand Total		**4004.29**	**341.65**	**4345.94**	**3506.28**	**839.66**

Appendix-2.4

(Reference: Paragraph: 2.5; Page: 38)

Excessive supplementary grant/appropriation

(Rupees in crore)

Sl. No	Name of Grant/ Appropriation	Amount of Grant/Appropriation				
		Original	Supple-mentary	Total	Expendi-ture	Saving
Revenue (voted)						
1.	5-Ladakh Affairs	165.47	21.20	186.67	181.41	5.26
2.	13-Animal Husbandry	145.89	6.65	152.54	151.36	1.18
3.	17-Health and Medical Education	592.35	32.88	625.23	601.49	23.74
4.	18-Social Welfare	151.52	50.70	202.22	191.88	10.34
5.	20-Tourism	53.09	5.85	58.94	54.92	4.02
6.	23-Public Health Engineering	374.06	42.16	416.22	409.17	7.05
7.	26-Fisheries	20.63	1.01	21.64	21.54	0.10
Total:		**1503.01**	**160.45**	**1663.46**	**1611.77**	**51.69**
Revenue (charged)						
8.	1-General Administration	5.19	0.75	5.94	5.60	0.34
Total:		**5.19**	**0.75**	**5.94**	**5.60**	**0.34**
Capital (voted)						
9.	19-Housing and Urban Development	259.94	134.88	394.82	334.41	60.41
10.	23-Public Health Engineering	164.90	247.26	412.16	292.69	119.47
Total:		**424.84**	**382.14**	**806.98**	**627.10**	**179.88**
Grand Total:		**1933.04**	**543.34**	**2476.38**	**2244.47**	**231.91**

Appendix-2.5

(Reference: Paragraph: 2.5; Page: 38)

Cases where savings exceeded 10 *per cent* of the grant and more than Rs. one crore

(Rupees in crore)

Sl. No.	Grant Number and Name of Grant	Amount of Grant/ Appropriation	Expenditure	Saving (Percentage)
I-Revenue (voted)				
1.	1-General Administration	96.61	78.89	17.72 (18)
2.	3-Planning and Development	68.14	50.23	17.91 (26)
3.	10-Law	81.92	47.69	34.23 (42)
II-Capital (voted)				
4.	1-General Administration	50.42	29.95	20.47 (41)
5.	3-Planning and Development	457.35	156.99	300.36 (66)
6.	6-Power Development	1098.48	668.48	430.00 (39)
7.	8-Finance	323.00	31.74	291.26 (90)
8.	12-Agriculture	90.99	64.13	26.86 (30)
9.	13-Animal Husbandry	12.20	7.18	5.02 (41)
10.	14-Revenue	120.82	15.01	105.81 (88)
11.	22-Irrigation and Flood Control	238.40	174.75	63.65 (27)
12.	27-Higher Education	101.20	45.72	55.48 (55)
13.	28-Rural Development	394.14	79.15	314.99 (80)

Appendix-2.6

(Reference: Paragraph: 2.8; Page: 39)

Cases of persistent savings of more than 10 *per cent* during last 3 years

(Rupees in crore)

Sl No.	Name of grant/appropriation	Amount of saving (Percentage in brackets)		
		2005-06	**2006-07**	**2007-08**
Revenue (voted)				
1.	4-Information	2.04 (14)	2.37 (14)	3.21 (17)
2.	10-Law	20.28 (33)	25.57 (40)	34.23 (42)
Revenue (charged)				
3.	9-Parliamentary Affairs	0.18 (43)	0.31 (58)	0.15 (27)
Capital (voted)				
4.	1-General Administration	17.19 (69)	13.72 (38)	20.47 (41)
5.	2-Home	50.76 (93)	6.83 (50)	7.64 (58)
6.	3-Planning and Development	166.97 (32)	260.63 (76)	300.36 (66)
7.	4-Information	0.34 (24)	0.92 (63)	0.63 (39)
8.	6-Power Development	337.89 (33)	507.64 (51)	430.00 (39)
9.	7-Education	23.80 (29)	29.42 (27)	28.77 (21)
10.	8-Finance	22.75 (89)	364.64 (99)	291.26 (90)
11.	9-Parliamentary Affairs	0.55 (74)	0.10 (20)	0.60 (100)
12.	13-Animal Husbandry	3.74 (38)	7.03 (52)	5.03 (41)
13.	14-Revenue	28.76 (90)	98.67 (97)	105.81 (88)
14.	18-Social Welfare	70.70 (83)	107.59 (88)	79.97 (51)
15.	19-Housing and Urban Development	27.14 (24)	106.61 (64)	60.40 (15)
16.	22-Irrigation and Flood Control	16.04 (14)	128.44 (53)	63.65 (27)
17.	25-Labour, Stationery and Printing	15.33 (92)	15.48 (93)	34.70 (96)
18.	27-Higher Education	14.21 (19)	21.16 (25)	55.48 (55)
19.	28-Rural Development	86.22 (65)	285.75 (73)	314.99 (80)

Appendix-2.7

(Reference: Paragraph: 2.9; Page: 39)

Statement showing expenditure incurred without budget provisions under various heads/sub-heads

(Rupees in lakh)

S. No	Grant/Head of Account	Amount	Amount
1.	**1-General Administration**		**417.75**
	2013-Council of Ministers	18.37	
	2052-Secretariat General Services	4.88	
	2070-Other Administrative Services	38.97	
	2501-Special programmes for Rural Development	64.03	
	3435-Ecology and Environment	281.11	
	3451-Secretariat Economics services	10.39	
2.	**2-Home**		**938.74**
	2055-Police	654.32	
	2056-Jails	284.42	
3.	**3-Planning and Development**		**253.80**
	7475-Loans for Other General Economics Services	253.80	
4.	**8-Finance**		**2904.21**
	2054-Treasury and Accounts Administration 5465-Investment in Public Sector Undertakings and Banks etc.	94.71 2809.50	
5.	**10-Law**		**2.00**
	2070-Other Administrative Services	2.00	
6.	**12-Agriculture**		**7.27**
	2406-Forestry and Wild Life 2435-Other Agricultural Programmes	4.04 3.23	
7.	**14-Revenue**		**2218.08**
	2029-Land Revenue 2053-District Administration 2055-Police 2235-Social Security and Welfare 2245-Relief on account of Natural Calamities 4059-Capital Outlay on Public Works 5475-Capital Outlay on other General Economic Services	2.63 1347.69 104.76 58.87 519.16 167.87 17.10	
8.	**15-Consumer Affairs and Public Distribution**		**20.64**
	4235-Capital Outlay on Social Security and Welfare 4408-Capital Outlay on Food Storage and Warehousing 5475-Capital Outlay on Other General Economic Services	10.00 5.64 5.00	
9.	**16-Public Works**		**5703.30**
	2059-Public Works	5703.30	

(Rupees in lakh)

S. No.	Grant/Head of Account	Amount	Amount
10.	**18-Social Welfare**		**608.89**
	2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes 2236-Nutrition	607.65 1.24	
11.	**19-Housing and Urban Development**		**152.67**
	4217-Capital Outlay on Urban Development 7610-Loans to Government Servants etc.	127.67 25.00	
12.	**20-Tourism**		**121.54**
	5452-Capital Outlay on Tourism	121.54	
13.	**21-Forest**		**298.58**
	2402-Soil and Water Conservation 2406-Forestry and Wild Life 4402-Capital Outlay on Soil and Water Conservation	8.05 38.40 252.13	
14.	**24-Hospitality and Protocol**		**858.23**
	4059-Capital Outlay on Public Works	858.23	
15.	**25-Labour, Stationery and Printing**		**1469.91**
	2230-Labour and Employment 4058-Capital Outlay on Stationery and Printing	1459.79 10.12	
16.	**26-Fisheries**		**19.98**
	2405-Fisheries	19.98	
17.	**27-Higher Education**		**2169.64**
	2202-General Education 4202-Capital Outlay on Education, Sports, Art and Culture	2164.15 5.49	
18.	**28-Rural Development**		**3526.65**
	2501-Special programme for Rural Development 4515-Capaital Outlay on Other Rural Development Programmes	807.26 2719.39	
19.	**29-Transport**		**111.40**
	2070-Other Administrative Services 4070-Capital Outlay on Other Administrative Services	3.11 108.29	
	Grand Total		**21803.28**

Appendix-2.8

(Reference: Paragraph: 2.10; Page: 39)

Statement showing position of grants/appropriations where savings exceeded Rupees one crore during 2007-08 and where savings were not surrendered at all

(Rupees in crore)

Sl. No	Name of Grant/Appropriation	Savings	Amount not surrendered
1-Revenue (voted)			
1.	1-General Administration	17.72	17.72
2.	2-Home	205.98	205.98
3.	3-`Planning and Development	17.91	17.91
4.	4-Information	3.22	3.22
5.	5-Ladakh Affairs	5.26	5.26
6	7-Education	121.19	121.19
7	9-Parliamentary Affairs	1.18	1.18
8.	10-Law	34.23	34.23
9	11-Industries and Commerce	6.05	6.05
10.	13-Animal Husbandry	1.18	1.18
11	17-Health and Medical Education	23.74	23.74
12	18- Social Welfare	10.34	10.34
13	19-Housing and Urban Development	3.78	3.78
14	20-Tourism	4.02	4.02
15.	21- Forest	2.65	2.65
16	22-Irrigation and Flood Control	20.75	20.75
17	23-Public Health Engineering	7.05	7.05
18.	24-Hospitality, Protocol and Toshakhana	16.93	16.93
	Total-I	**503.18**	**503.18**
II-Revenue (Charged)			
19.	10-Law	2.59	2.59
	Total-II	**2.59**	**2.59**
III-Capital (Voted)			
20.	1-General Administration	20.46	20.46
21	2-Home	7.64	7.64
22.	3-Planning and Development	300.36	300.36
23.	6-Power Development	430.00	430.00
24.	7-Education	28.76	28.76
25.	8-Finance	291.26	291.26
26.	12-Agriculture	26.86	26.86
27.	13-Animal Husbandry	5.03	5.03
28	14-Revenue	105.81	105.81
29	15-Consumer Affairs and Public Distribution	251.43	251.43
30	17-Health and Medical Education	67.19	67.19
31.	18-Social Welfare	79.97	79.97
32	19-Housing and Urban Development	60.41	60.41

(Rupees in crore)

Sl. No	Name of Grant/Appropriation	Savings	Amount not surrendered
33.	21-Forest	18.25	18.25
34.	22-Irrigation and Flood Control	63.65	63.65
35	23-Public Health Engineering	119.47	119.47
36.	25-Labour, Stationery and Printing	34.70	34.70
37.	27-Higher Education	55.48	55.48
38.	28-Rural Development	314.99	314.99
	Total-III	**2281.72**	**2281.72**
	Grand Total: (I, II &III)	**2787.49**	**2787.49**

Appendix-3.3.1

(Reference: Paragraph: 3.3.9.1; Page: 72)

List of works executed without Administrative Approval (AA) and Technical Sanction (TS)

(Rupees in lakh)

Sl. No	Name of Work	Original cost	Expenditure ending March 2008
1.	Construction of Bus Terminal at Panthachowk	250.42	414.43
2.	Construction of Matador/Sumo/Auto stand at Bemina	70.36	22.16
3.	Construction of Matador/Sumo/Auto stand at Soura	194.01	10.04
4.	Construction of Matador/Sumo/Auto stand at Harwan	198.56	21.37
5.	Improvement/Up-gradation of General Bus Stand at Batmallo	1200.00	143.55
6.	Construction of Office Complex for Habitat Centre at Bemina	947.10	6.46
7.	EWS Housing Colony-Ongoing works	875.00	575.45
8.	EWS-colony at Samarbugh	460.50	26.02
9.	EWS-Colony at Noorbagh	273.14	42.25
Total expenditure on nine works as of March 2008		**4469.09**	**1261.73**

Appendix-3.3.2
(Reference: Paragraph: 3.3.9.2; Page: 72)
Statement showing excess cost of works

Sl. No	Name of Contractor	Name of Work	Amount (Rupees in lakh)			Percentage of excess over Original Estimate	Agreement No.
			Original	Supple-mentary	Total		
1.	Gh. Rasool Sheikh	Construction of Compound walling around Iqbal Shopping Complex	49.65	9.75	59.40	20.00	126 of 2/2006
2.	M/S Wani Constt	Development of Land by way of earth filling of Dwelling Units (RD 71-113)	8.90	4.00	12.90	45.00	69 of 10/2005
3.	Mohammad Yasin Wani	Development of Land by way of earth filling of Dwelling Units (RD 113-168)	9.02	4.30	13.32	48.00	70 of 10/2005
4.	Mohammad Yasin Wani	Development of Land by way of earth filling of Dwelling Units (RD 168-295)	7.80	7.02	14.82	90.00	71 of 10/2005
5.	Mohammad Sarwar	Balance work for 4 way fire station Waniyar	17.59	2.25	19.84	13.00	76 of 10/2005
6.	M/S GRG Constt	Improvement of Peripheral Road, MIS Sector (RD 350-1600)	11.69	4.11	15.80	35.00	61 of 10/2005
7.	M/S SB Construction	Improvement of Road along R/Station and Masjid Ahalihadit Bemina	49.98	8.79	58.77	18.00	53 of 9/2005
8.	Ali Mohammad Mir	Development of Road by way of Khakbajri Filling at Parimpora	5.70	0.98	6.68	17.00	207 of 2/2005
9.	Ab. Ahad Gilkar	Slush/Silt clearance at Boatman Colony	6.01	1.25	7.26	21.00	142 of 2/2007
10.	Mohammad Hanief Gilkar	Construction of open surface drain at Nund Reshi B Colony	6.55	2.72	9.27	42.00	56 of 11/2003
11.	Mohammad Ismaiel	Construction of open surface drain at Bemina Colony	4.76	1.80	6.56	38.00	9 of 7/2003

Sl. No	Name of Contractor	Name of Work	Amount (Rupees in lakh)			Percentage of excess over Original Estimate	Agreement No.
			Original	Supple-mentary	Total		
12.	Noor Mohammad Sheikh	Development of parking base of Metador/Sumo by way of earth filling	16.79	1.99	18.78	12.00	118 of 12/2006
13.	NI Constt	Construction of waiting at BT Panthachowk	24.72	9.59	34.31	39.00	15 of 6/2006
14.	AA Shah	Development of Land for construction of Dewelling Units by way of Earth Filling	9.03	3.92	12.95	43.00	50 of 8/2006
15.	GR Sheikh	Construction of First Floor at BT Panthachowk	40.62	6.89	47.51	17.00	74 of 10/2006
16.	GR Sheikh	Construction of Garage/Chowkidar Quarter at SDA Office complex	16.24	3.69	19.93	23.00	32 of 9/2003
17.	Manzoor Ahmad Bhat	4 Stories Office Block (BOSE)	118.61	14.72	133.33	12.00	136 of 10/2004
Total			**403.66**	**87.77**	**491.43**		

Appendix-3.3.3
(Reference: Paragraph: 3.3.12; Page: 77)

List of un-allotted shops/plots and other built up assets

Sl. No	Name of the colony/complex	Date of Completion	Total un-allotted	Premium value (Rs. in lakh)
A. Un-allotted Shops/Halls				
1.	Boatman colony	Prior March 2002	27	13.77
2.	EWS Colony	Prior May 1992	7	3.78
3.	Iqbal Shopping Complex	October 2000	3	23.24
4.	Pamposh Shopping Complex	March 2004	19	66.50
5.	Plaza Shopping Complex	August 2003	2	20.74
6.	Yamberzul Shopping Complex	May 2004	20	254.24
7.	Parimpora Shopping Complex	April 2001	2	8.10
8.	HIG/MIG Colony Shops	November 1999	3	4.71
9.	Shopping complex along 60 feet road at Bemina	November 2006	1	2.77
10.	Kawdara shops	April 1999	2	4.42
	Total		**86**	**402.27**
B. Flats				
1.	HIG/MIG Flats	November 2006	3	28.50
	Total		**3**	**28.50**
C. Plots				
1.	HIG/MIG Colony	February 2000	11	93.50
2.	EWS Colony	Prior 1992	25	63.75
	Total		**36**	**157.25**
Gross Total (A+B+C)				**588.02**

Appendix 6.3.1
(Reference 6.3.13.2; Page: 155)

Statement showing details of short/excess levy of road tax

Name of the office	Period	Nature of the vehicle	Total number of Registered Vehicles	Number of cases where incorrect rates are being applied	Short Levy	Excess levy
					(Rupees in lakh)	
RTO Jammu	April 2006 to December 2007	GD	9859	434	1.80	0.09
		PS	2710	121	0.94	0.35
RTO Lakhanpur	May 2005 to December 2007	GD	1719	283	0.21	0.09
		PS	603	36	#	#
ARTO Udhampur	September 2006 to December 2007	GD	346	176	0.48	-
		PS	630	115	0.08	0.35
RTO Srinagar	September 2006 to March 2008	GD	3167	544	3.78	
		PS	1,845	31	0.09	0.21
ARTO Budgam	May 2007 to March 2008	GD	778	119	0.90	-
Total			**21,657**	**1,859**	**8.28**	**1.09**
GD: Goods vehicles PS: Passenger vehicles		# Less than Rs. 2000/-				

Appendix .6.3.2
(Reference 6.3.13.4; Page:156)

Statement showing outstanding tax liabilities

Name of the office	Period	Nature of the vehicle	Total number of defaulter vehicles	Outstanding tax liability (Rupees in lakh)
RTO Jammu	April 2006 to December 2007	GD	995	22.25
		PS	199	2.22
RTO Lakhanpur	May 2005 to December 2007	GD	587	12.70
		PS	96	1.01
ARTO Udhampur	September 2006 to December 2007	GD	36	0.33
		PS	76	0.44
RTO Srinagar	September 2006 to March 2008	GD	610	8.23
		PS	237	2.16
ARTO Budgam	May 2007 to March 2008	GD	369	6.62
		PS	42	0.57
Total			3,247	56.53

Appendix- 6.3.3
(Reference 6.3.13.5; Page: 156)

Statement showing non-realisation of fine from defaulters who registered their vehicles belatedly

Name of the office	Period	No of vehicles registered beyond 30 days	No of vehicles where fine has not been realised	Revenue loss (Rupees in lakh)
RTO Jammu	April 2006 to December 2007	24810	13864	13.87
RTO Lakhanpur	May 2005 to December 2007	3152	91	0.09
ARTO Udhampur	September 2006 to December 2007	1096	217	0.21
RTO Srinagar	September 2006 to March 2008	8811	2828	2.83
ARTO Budgam	May 2007 to March 2008	1717	181	0.18
Total		**39586**	**17181**	**17.18**

Appendix–7.1

(Reference: Paragraphs 7.1.3, 7.1.4 and 7.1.5; Pages: 169)

Statement showing particulars of paid-up-capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2008 in respect of Government companies and Statutory corporations

(Rupees in lakh)

S.No	Sector and name of the Company/ Corporation	Paid-up capital at the end of the current year					Equity/loans received out of budget during the year		Other[ψ] loans received during the year	Loans outstanding at the close of 2007-08[≠] according to the information furnished by the PSUs			Debt-Equity ratio for 2007-08 (previous year)	Turn-over	Manpower (number of employees)
		State Gover-nment	Central Gover-nment	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
(A)	**Working Government Companies**														
	Agriculture and Allied Sector														
1.	Jammu and Kashmir State Agro Industries Development Corporation Limited	259.92	93.76	Nil	Nil	353.68	Nil	75.69	Nil	1727.22	Nil	1727.22	4.88:1 (4.80:1)	4323.00	205
2.	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	600.00	320.00	Nil	Nil	920.00	Nil	134.16	Nil	1229.63	3030.09	4259.72	4.63:1 (4.51:1)	NA	432
	Sector-wise Total:	**859.92**	**413.76**	**Nil**	**Nil**	**1273.68**	**Nil**	**209.85**	**Nil**	**2956.85**	**3030.09**	**5986.94**	**4.70:1 (4.62:1)**	**4323.00**	637
	Industry Sector														
3.	Jammu and Kashmir Industries Limited	1783.83	Nil	Nil	Nil	1783.83	Nil	Nil	Nil	30436.92	Nil	30436.92	17.06:1 (17.06:1)	12295.85	2033
4.	Jammu and Kashmir Small Scale Industries Development Corporation Limited	311.85	Nil	Nil	Nil	311.85	Nil	Nil	Nil	729.11	Nil	729.11	2.33:1 (0.88:1)	44003	374

ψ Includes loans received from financial institutions, bonds, etc.

≠ Long-term loans only

Appendix–7.1 (Contd.)

S.No	Sector and name of the Company/ Corporation	Paid-up capital at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year	Loans outstanding at the close of 2007-08≠ according to the information furnished by the PSUs			Debt-Equity ratio for 2007-08 (previous year)	Turn-over	Manpower (number of employees)
		State Gover-nment	Central Gover-nment	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
5.	Jammu and Kashmir State Industrial Development Corporation Limited	1764.64	Nil	Nil	Nil	1764.64	Nil	800.00	Nil	805.00	Nil	805.00	0.45:1 (1.18:1)	1180.82	503
	Sector-wise Total:	**3860.32**	**Nil**	**Nil**	**Nil**	**3860.32**	**Nil**	**800.00**	**Nil**	**31971.03**	**Nil**	**31971.03**	**8.28:1 (8.49:1)**	**57479.67**	**2910**
	Handloom and Handicrafts Sector														
6	Jammu and Kashmir State Handloom Development Corporation Limited	239.43	150.07	Nil	Nil	389.50	Nil	237.27	Nil	6090.96	Nil	6090.96	15.64:1 (14.01:1)	400.00	435
7	Jammu and Kashmir Handicrafts (Sale and Export) Development Corporation Limited	670.12	89.00	Nil	Nil	759.12	Nil	171.60	Nil	3197.88	140.00	3337.88	4.40:1 (4.23:1)	950.00	429
	Sector-wise Total:	**909.55**	**239.07**	**Nil**	**Nil**	**1148.62**	**Nil**	**408.87**	**Nil**	**9288.84**	**140.00**	**9428.84**	**8.21:1 (7.55:1)**	**1350.00**	**864**
	Mining Sector														
8	Jammu and Kashmir Minerals Limited	800.00	Nil	Nil	Nil	800.00	Nil	412.34	Nil	26444.15	Nil	26444.15	33.05:1 (30.46:1	1045.21	1741
	Sector-wise Total:	**800.00**	**Nil**	**Nil**	**Nil**	**800.00**	**Nil**	**412.34**	**Nil**	**26444.15**	**Nil**	**26444.15**	**33.05:1 (30.46:1**	**1045.21**	**1741**

≠ Long-term loans only

Appendix–7.1 (Contd.)

S.No	Sector and name of the Company/ Corporation	Paid-up capital at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year	Loans outstanding at the close of 2007-08≠ according to the information furnished by the PSUs			Debt-Equity ratio for 2007-08 (previous year)	Turn-over	Manpower (number of employees)
		State Gover-nment	Central Gover-nment	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Construction Sector														
9	Jammu and Kashmir Projects Construction Corporation Limited	152.50	Nil	Nil	Nil	152.50	Nil	Nil	Nil	Nil	Nil	Nil	-	14095.63	1105
10	Jammu and Kashmir Police Housing Corporation Limited	205.00	Nil	Nil	Nil	205.00	Nil	Nil	Nil	Nil	Nil	Nil	- (-)	764.34	43
	Sector-wise Total:	**357.50**	**Nil**	**Nil**	**Nil**	**357.50**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**-**	**14859.97**	**1148**
	Development of Economically Weaker Sections Sector														
11	Jammu and Kashmir Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	1087.00	991.15	Nil	Nil	2078.15	70.00	50.00	803.80	Nil	2093.23	2093.23	1.01:1 (0.87:1)	Nil-	116
12	Jammu and Kashmir State Women's Development Corporation Limited	483.53	Nil	Nil	Nil	483.53	50.00	700.00	Nil	800.00	1379.69	2179.69	4.51:1 (2.74:1)	Nil-	34
	Sector-wise Total:	**1570.53**	**991.15**	**Nil**	**Nil**	**2561.68**	**120.00**	**750.00**	**803.80**	**800.00**	**3472.92**	**4272.92**	**1.67:1 (1.21:1)**	**Nil**	**150**

≠ Long-term loans only

Appendix–7.1 (Contd.)

S.No	Sector and name of the Company/ Corporation	Paid-up capital at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year	Loans outstanding at the close of 2007-08* according to the information furnished by the PSUs			Debt-Equity ratio for 2007-08 (previous year)	Turn-over	Manpower (number of employees)
		State Gover-nment	Central Gover-nment	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total			
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*
	Cement Sector														
13	Jammu and Kashmir Cements Limited	1999.67	Nil	Nil	Nil	1999.67	Nil	Nil	1500.00	419.71	4100.00	4519.71	2.26:1 (1.50:1)	8136.00	814
	Sector-wise Total:	**1999.67**	**Nil**	**Nil**	**Nil**	**1999.67**	**Nil**	**Nil**	**1500.00**	**419.71**	**4100.00**	**4519.71**	**2.26:1 (1.50:1)**	**8136.00**	**814**
	Tourism Sector														
14.	Jammu and Kashmir State Tourism Development Corporation Limited	2350.83	Nil	Nil	Nil	2350.83	Nil	Nil	Nil	426.00	Nil	426.00	0.18:1 (0.18:1)	1850.00	1054
15	Jammu and Kashmir State Cable Car Corporation Limited	2382.00	Nil	Nil	Nil	2382.00	Nil	Nil	Nil	Nil	Nil	Nil	NA (-)	798.80	90
	Sector-wise Total:	**4732.83**	**Nil**	**Nil**	**Nil**	**4732.83**	**Nil**	**Nil**	**Nil**	**426.00**	**Nil**	**426.00**	**-**	**2648.80**	**1144**
	Power Sector														
16.	Jammu and Kashmir State Power Development Corporation Limited	500.00	Nil	Nil	Nil	500.00	Nil	Nil	24642.12	Nil	230644.00	230644.00	461.28:1 (431.45:1)	11687.00	4059
	Sector-wise Total:	**500.00**	**Nil**	**Nil**	**Nil**	**500.00**	**Nil**	**Nil**	**24642.12**	**Nil**	**230644.00**	**230644.00**	**461.28:1 (431.45:1)**	**11687.00**	**4059**
	Finance Sector														
17	Jammu and Kashmir Bank Limited	2577.53	Nil	Nil	2270.24	4847.77	Nil	Nil	Nil	Nil	75178.61	75178.61	15.50:1 (12.79:1)	243423.04	7565
	Sector-wise Total:	**2577.53**	**Nil**	**Nil**	**2270.24**	**4847.77**	**Nil**	**Nil**	**Nil**	**Nil**	**75178.61**	**75178.61**	**15.50:1 (12.79:1)**	**243423.04**	**7565**
	Total-(A)	**18167.85**	**1643.98**	**Nil**	**2270.24**	**22082.07**	**120.00**	**2581.06**	**26945.92**	**72306.58**	**316565.62**	**388872.20**	**17.61:1 (16.24:1)**	**344952.69**	**21032**

* Long-term loans only

Appendix–7.1 (Contd.)

S.No	Sector and name of the Company/ Corporation	Paid-up capital at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year	Loans outstanding at the close of 2007-08≠ according to the information furnished by the PSUs			Debt-Equity ratio for 2007-08 (previous year)	Turn-over	Man-power (number of employ-ees)
		State Gover-nment	Central Gover-nment	Holding Compa-nies	Others	Total	Equity	Loans		Government	Others	Total			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
(B)	**Working Statutory Corporations**														
	Transport Sector														
18.	Jammu and Kashmir State Road Transport Corporation	9082.06	1501.09	Nil	Nil	10583.15	Nil	1693.98	2750.00	33434.01	NA	33434.01	3.15:1 (3.13:1)	5186.40	4694
	Sector-wise Total:	**9082.06**	**1501.09**	**Nil**	**Nil**	**10583.15**	**Nil**	**1693.98**	**2750.00**	**33434.01**	**NA**	**33434.01**	**3.15:1 (3.13:1)**	**5186.40**	**4694**
	Finance Sector														
19.	Jammu and Kashmir State Financial Corporation Limited	4347.40	2092.40	Nil	19.91	6459.71	Nil	Nil	Nil	16.57	5622.55	5639.12	0.87;1 (0.88:1)	NA	285
	Sector-wise Total:	**4347.40**	**2092.40**	**Nil**	**19.91**	**6459.71**	**Nil**	**Nil**	**Nil**	**16.57**	**5622.55**	**5639.12**	**0.87;1 (0.88:1)**	**NA**	**285**
	Forest Sector														
20.	Jammu and Kashmir State Forest Corporation Limited	903.00	Nil	Nil	Nil	903.00	Nil	Nil	Nil	8130.00	Nil	8130.00	9.00:1 (8.33:1)	9453.00	4000
	Sector-wise Total:	**903.00**	**Nil**	**Nil**	**Nil**	**903.00**	**Nil**	**Nil**	**Nil**	**8130.00**	**Nil**	**8130.00**	**9.00:1 (8.33:1)**	**9453.00**	**4000**
	Total (B) :	**14332.46**	**3593.49**	**Nil**	**19.91**	**17945.86**	**Nil**	**1693.98**	**2750.00**	**41580.58**	**5622.55**	**47203.13**	**2.63:1 (2.59:1)**	**14639.40**	**8979**
	Grand Total (A+B):	**32500.31**	**5237.47**	**Nil**	**2290.15**	**40027.93**	**120.00**	**4275.04**	**29695.92**	**113887.16**	**322188.17**	**436075.33**	**10.89:1 (10.09:1)**	**359592.09**	**30011**

≠ Long-term loans only

Appendix–7.1 (Concld.)

S.No	Sector and name of the Company/ Corporation	Paid-up capital at the end of the current year					Equity/loans received out of budget during the year		Other loans received during the year	Loans outstanding at the close of 2007-08≠ according to the information furnished by the PSUs			Debt-Equity ratio for 2007-08 (previous year)	Turn-over	Manpower (number of employees)
		State Gover-nment	Central Gover-nment	Holding Companies	Others	Total	Equity	Loans		Government	Others	Total			
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*
(C)	**Non-working company**[♦]														
1	Tawi Scooters Limited	80.40	Nil	Nil	Nil	80.40	Nil	Nil	Nil	83.21	Nil	83.21	1.03:1 (1.03:1)	-	NA
2.	Himalayan Wool Combers Limited	136.50	Nil	Nil	Nil	136.50	Information not available								
3.	Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a Subsidiary of Himalayan Wool Combers Limited)	40.00	Nil	Nil	Nil	40.00	Information not available								
	Total-(C)	**256.90**	**Nil**	**Nil**	**Nil**	**256.90**	**Nil**	**Nil**	**Nil**	**83.21**	**Nil**	**83.21**	1.03:1 (0.32:1)	**-**	**-**
	Grand Total (A+B+C):	**32757.21**	**5237.47**	**Nil**	**2290.15**	**40284.83**	**120.00**	**4275.04**	**29695.92**	**113970.37**	**322188.17**	**436158.54**	**10.83:1 (10.03:1)**	**359592.09**	**30011**

(Note: Except in respect of Jammu and Kashmir Bank Limited which finalised its accounts for 2007-08, figures are provisional as given by the companies and corporations)

≠ Long-term loans only

♦ Non-working Companies/Corporation include Companies/Corporation under liquidation, merger/closure.

Appendix-7.2

(Reference: Paragraphs 7.1.6, 7.1.7, 7.1.13 and 7.1.14; Pages: 170 and 172 to 174)

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Rupees in lakh)

S.No	Sector and name of the Company/ Corporation	Name of the Department	Date of incor-poration	Period of Accounts	Year in which accounts finalised	Net profit(+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated loss (-)	Capital employed♥	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years
(A)-Working Government Companies													
Agriculture and Allied Sector													
1	Jammu and Kashmir State Agro Industries Development Corporation Limited	Agriculture Production	30 January 1970	1991-92	2006-07	(+) 47.96	Nil	353.68	(-) 564.44	(-) 93.83	(-) 51.62	-	16
2	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	-do-	10 April 1978	1992-93	2004-05	(-) 607.01	Nil	920.00	(-) 3677.19	(+) 1079.03	(-) 104.37	-	15
Sector-wise Total:						**(-) 559.05**		**1273.68**	**(-) 4241.63**	**(+) 985.20**	**(-) 155.99**	-	
Industry Sector													
3.	Jammu and Kashmir Industries Limited	Industries and Commerce	4 October 1960	2000-01	2007-08	(-) 2179.48	Nil	1626.64	(-) 23258.03	(-) 3217.78	(-) 641.08	-	7
4	Jammu and Kashmir Small Scale Industries Development Corporation Limited	-do-	28 November 1975	1988-89	2007-08	(+) 73.06	Nil	245.85	-	(+) 894.70	(+) 106.12	11.85	19
5.	Jammu and Kashmir State Industrial Development Corporation Limited	-do-	17 March 1969	1999-2000	2007-08	(-) 626.56	Nil	1764.63	(-) 3791.04♣	(+) 5467.48	(-) 626.56	-	8
Sector-wise Total:						**(-) 2732.98**		**3637.12**	**(-) 27049.07**	**(+) 3144.40**	**(-) 1161.52**	-	

♥ Capital employed represents Net Fixed Assets (including capital work-in-progress) plus working capital (current assets minus current liability).

♣ Figures vary with those depicted in Finance Accounts-2007-08 due to interest waiver of Rs. 16.64 crore by the Government as communicated (September 2008) by the Company.

Appendix-7.2 (Contd.)

S.No	Sector and name of the Company/ Corporation	Name of the Department	Date of incor-poration	Period of Accounts	Year in which accounts finalised	Net profit(+)/ Loss(-)	Net impact of audit comments	Paid-up capital	Accumulated loss (-)	Capital employed	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years
Handloom and Handicrafts Sector													
6	Jammu and Kashmir State Handloom Development Corporation Limited	Industries and Commerce	29 June 1981	1996-97	2006-07	(-) 184.77	Nil	299.90	(-) 571.97	(+) 909.46	(-) 114.80	-	11
7	Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited	-do-	6 June 1970	1996-97	2006-07	(-) 399.63	Nil	402.62	(-) 1889.87	(+) 208.81	(-) 290.64	-	11
Sector-wise Total:						**(-) 584.40**		**702.52**	**(-) 2461.84**	**(+) 1118.27**	**(-) 405.44**	**-**	
Mining Sector													
8	Jammu and Kashmir Minerals Limited	Industries and Commerce	5 February 1960	1992-93	2006-07	(-) 430.00	Nil	800.00	(-) 2432.66	(+) 204.51	(-) 429.82	-	15
Sector-wise Total:						**(-) 430.00**	**Nil**	**800.00**	**(-) 2432.66**	**(+) 204.51**	**(-) 429.82**	**-**	
Construction Sector													
9	Jammu and Kashmir Projects Construction Corporation Limited	Public Works	22 May 1965	1989-90	2007-08	(+) 29.63	Nil	152.00	(-) 102.60	(+) 95.88	(+) 24.78	25.84	18
10	Jammu and Kashmir Police Housing Corporation Limited	Home	26 December 1997	1999-00	2006-07	(+) 14.99	-	200.00	-	(+) 206.04	(+) 14.99	7.28	8
Sector-wise Total:						**(+) 44.62**		**352.50**	**(-) 102.60**	**(+) 301.92**	**(+) 39.77**	**13.17**	
Development of Economically Weaker Sections Sector													
11	Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited	Social Welfare	April 1986	1995-96	2007-08	(-) 3.22	Nil	790.52	-	(+) 1541.51	(+) 9.15	0.59	12

Appendix-7.2 (Contd.)

S.No	Sector and name of the Company/ Corporation	Name of the Department	Date of incor-poration	Period of Accounts	Year in which accounts finalised	Net profit(+)/ Loss(-)	Net impact of audit comments	Paid-up capital	Accumulated loss (-)	Capital employed	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years
12	Jammu and Kashmir State Women's Development Corporation Limited♣	-do-	10 May 1991	1994-95	2006-07	(-) 3.37	Nil	0.10	(-) 3.80◊	(+) 3.86	(-) 3.37	-	13
Sector-wise Total:						**(-) 6.59**		**790.62**	**(-) 3.80**	**(+) 1545.37**	**(+) 5.78**	**0.37**	
Cement Sector													
13	Jammu and Kashmir Cements Limited	Industries and Commerce	24 December 1974	1995-96	2004-05	(+) 54.75	NIL	1549.67	(-) 895.84	(+) 2388.64	(+) 198.40	8.30	12
Sector-wise Total:						**(+) 54.75**	**Nil**	**1549.67**	**(-) 895.84**	**(+) 2388.64**	**(+) 198.40**	**8.30**	
Tourism Sector													
14	Jammu and Kashmir State Tourism Development Corporation Limited	Tourism	13 February 1970	1991-92	2007-08	(-) 54.63	Nil	991.13	(-) 330.97♠	(+) 762.71	(-) 53.59	-	16
15	Jammu and Kashmir State Cable Car Corporation Limited φ	-do-	28 November 1988	1994-95	2005-06	Nil	Nil	2352.12	Nil	(+) 2298.75	Nil	-	13
Sector-wise Total:						**(-) 54.63**	**Nil**	**3343.25**	**(-) 330.97**	**(+) 3061.46**	**(-) 53.59**	**-**	
Power Sector													
16	Jammu and Kashmir State Power Development Corporation Limited	Power Develop-ment	16 February 1995	2000-01	2007-08	(-) 6465.02	(-) 1111.00	500.00	(-) 10759.02	(+) 179810.78	(-) 6465.02	-	7
Sector-wise Total:						**(-) 6465.02**	**(-) 1111.00**	**500.00**	**(-) 10759.02**	**(+) 179810.78**	**(-) 6465.02**	**-**	
Finance Sector													
17	Jammu and Kashmir Bank Limited	Finance	10 October 1938	2007-08	2008-09	(+) 36000.42	Nil	4847.77	-	(+) 1946177.63	(+) 198379.59	10.19	-
Sector-wise Total:						**(+) 36000.42**	**Nil**	**4847.77**	**-**	**(+) 1946177.63**	**(+) 198379.59**	**10.19**	**-**
Total-A						**(+) 25267.12**	**(-) 1111.00**	**17797.13**	**(-) 48277.43**	**(+) 2138738.18**	**(+) 189952.16**	**8.88**	

♣ The Company had finalised its first Balance Sheet. Paid-up capital, fixed assets and current liabilities are shown as 'Nil'.

◊ Figures of cumulative loss intimated belatedly (September 2008) by the Company.

♠ Cumulative loss of the Company aggregating Rs. 613.13 crore, as depicted in the Finance Accounts-2007-08 was changed (September 2008) by the Company to Rs. 330.97 lakh on seeking clarification by Audit.

φ The Company (Serial number A-15) had not prepared Profit and Loss Account, as it had not commenced business activities

Appendix-7.2 (concld.)

S.No	Sector and name of the Company/ Corporation	Name of the Department	Date of incorporation	Period of Accounts	Year in which accounts finalised	Net profit(+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated loss (-)	Capital employed	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years
(B) Working Statutory corporations													
Transport Sector													
18.	Jammu and Kashmir State Road Transport Corporation	Civil Supplies & Transport	1 September 1976	2004-05	2006-07	(-) 5467.14	-	10951.15	(-) 59891.66*	(-) 18455.00	(-) 2647.00	-	3
Sector-wise Total:						**(-) 5467.14**		**10951.15**	**(-) 59891.66**	**(-) 18455.00**	**(-) 2647.00**	-	-
Financing Sector													
19.	Jammu and Kashmir State Financial Corporation	Finance	2 December 1959	2004-05	2007-08	(+) 463.64	-	6459.71	(-) 19249.89	(+) 22669.00	(+) 2353.11	10.38	3
Sector-wise Total:						**(+) 463.64**	-	**6459.71**	**(-) 19249.89**	**(+) 22669.00**	**(+) 2353.11**	**10.38**	
Forest Sector													
20.	Jammu and Kashmir State Forest Corporation	Forest	10 May 1978	Accounts for the years 1996-97 and onwards not received. (The Corporation was incorporated in 1978-79, however, its audit was entrusted to the CAG from 1996-97)									12
Total B:						**(-) 5003.50**	-	**17410.86**	**(-) 79141.55**	**(+) 4214.00**	**(-) 293.89**	-	-
Total (A) + (B)						**(+) 20263.62**	**(-) 1111.00**	**35207.99**	**(-) 127418.98**	**(+) 2142952.18**	**(+) 189658.27**	**8.85**	
(C)-Non- Working Companies													
1.	Tawi Scooters Limited	Industries and Commerce	15 December 1976	1989-90	1991-92	(-) 6.14	Nil	80.40	(-) 104.23	(+) 58.69	(-) 1.25	-	18
2.	Himalyan Wool Combers Limited	Industries and Commerce	24 January 1978	1999-2000	2000-01	(-) 129.05	Nil	136.50	(-) 1049.02	(-) 171.39	(-) 117.80	-	8
3.	Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalyan Wool Combers Limited)	Industries and Commerce	29 November 1991	1991-92	1999-2000	(-) 0.03	Nil	Nil	(-) 0.03	Nil	-	-	16
Total-C						**(-) 135.22**	**Nil**	**216.90**	**(-) 1153.28**	**(-) 112.70**	**(-) 119.05**	-	
Grand total (A+B+C):						**(+) 20128.40**	**(-) 1111.00**	**35424.89**	**(-) 128572.26**	**(+) 2142839.48**	**(+) 189539.22**	**8.85**	-

* Updated figures of cumulative loss communicated by the Company in September 2008.

Appendix-7.3

(Reference: Paragraph 7.1.5; Page: 169)

Statement showing subsidy received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2008

(Amount: Rupees in lakh)

S.No	Name of the Public Sector Undertaking	Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year					Waiver of dues during the year					
		Central Government	State Government	Others	Total	Cash credit from Banks	Loans from other sources	Letter of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal Interest waived	Total	Loans on which Moratorium allowed	Loans converted into equity during the year
(A) Govt. Companies																
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*
1.	Jammu and Kashmir State Agro Industries Development Corporation Limited	49.00 (Subsidy)	8.21 (Subsidy)	Nil	57.21 (Subsidy)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
2.	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	Nil	Nil	Nil	Nil	3030.09 (3030.09)	Nil	Nil	Nil	3030.09 (3030.09)	Nil	Nil	Nil	Nil	Nil	Nil
3.	Jammu and Kashmir Industries Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	NIl	Nil	Nil
4.	Jammu and Kashmir Small Scale Industries Development Corporation Limited	Nil	80.00 (Grants)	Nil	80.00 (Grants)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
5.	Jammu and Kashmir State Industrial Development Corporation Limited	580.00 (Grants)	770.00 (Grants)	Nil	1350.00 (Grants)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
6.	Jammu and Kashmir State Handloom Development Corporation Limited	Nil	137.85 (Grants)	Nil	137.85 (Grants	180.00 (180.00)	Nil	Nil	Nil	180.00 (180.00)	Nil	Nil	Nil	Nil	Nil	Nil
7.	Jammu and Kashmir State Handicrafts (Sales and Export) Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
8.	Jammu and Kashmir Minerals Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
9.	Jammu and Kashmir Projects Construction Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Appendix-7.3 (contd.)

S.No.	Name of the Public Sector Undertaking	Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year					Waiver of dues during the year					
		Central Government	State Govern-ment	Others	Total	Cash credit from Banks	Loans from other sources	Letter of credit opened by banks in respect of imports	Payment obligation under agree-ment with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal Interest waived	Total	Loans on which Morato-rium allowed	Loans conver-ted into equity during the year
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
10	Jammu and Kashmir Police Housing Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
11.	Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited	Nil	117.90 (Subsidy)	Nil	117.90 (Subsidy)	Nil	200.00 (2093.23)	Nil	Nil	200.00 (2093.23)	Nil	Nil	Nil	Nil	Nil	Nil
12.	Jammu and Kashmir State Women's Development Corporation Limited	Nil	104.00 (Grants)	Nil	104.00 (Grants)	Nil	Nil (1379.69)	Nil	Nil	Nil (1379.69)	Nil	Nil	Nil	Nil	Nil	Nil
13.	Jammu and Kashmir Cements Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
14.	Jammu and Kashmir State Tourism Development Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
15.	Jammu and Kashmir State Cable Car Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
16.	Jammu and Kashmir State Power Development Corporation Limited	6210.00 (Grants)	Nil	Nil	6210.00 (Grants)	20656.00 (230644.00)	Nil	Nil	Nil	20656.00 (230644.00)	Nil	Nil	Nil	Nil	Nil	Nil
17.	Jammu and Kashmir Bank Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Total (A):	**49.00 (subsidy) 6790.00 (Grants)**	**126.11 (Subsidy) 1091.85 (Grants)**	**Nil**	**175.11 (subsidy) 7881.85 (Grants)**	**23866.09 (233854.09)**	**200.00 (3472.92)**	**Nil**	**Nil**	**24066.09 (237327.01)**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
(B)	**Working Statutory Corporation**															
18.	Jammu and Kashmir State Road Transport Corporation	Nil	Nil	Nil	Nil	600.00	2750.00	Nil	Nil	3350.00	Nil	Nil	Nil	Nil	Nil	Nil
19.	Jammu and Kashmir State Financial Corporation	Nil	Nil	Nil	Nil	Nil	Nil (5650.00)	Nil	Nil	Nil (5650.00)	Nil	Nil	Nil	Nil	Nil	Nil

Appendix-7.3 (concld.)

S.No.	Name of the Public Sector Undertaking	Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year					Waiver of dues during the year					
		Central Government	State Govern-ment	Others	Total	Cash credit from Banks	Loans from other sources	Letter of credit opened by banks in respect of imports	Payment obligation under agree-ment with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal Interest waived	Total	Loans on which Morato-rium allowed	Loans conver-ted into equity during the year
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
20	Jammu and Kashmir State Forest Corporation	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Total (B):	**Nil**	**Nil**	**Nil**	**Nil**	**600.00**	**2750.00 (5650.00)**	**-**	**-**	**3350.00 (5650.00)**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
	Total (A) + B):	**49.00 (subsidy) 6790.00 (Grants**	**126.11 (Subsidy) 1091.85 (Grants)**	**Nil**	**175.11 (subsidy) 7881.85 (Grants)**	**24466.09 (233854.09)**	**2950.00 (9122.92)**	**Nil**	**Nil**	**27416.09 (242977.01)**				**Nil**	**Nil**	**Nil**
(C)	**Non-working Government Companies/Corporations**															
1	Tawi Scooters Limited.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
2.	Himalyan Wool Combers Limited)	Nil	Nil	Nil	Nil	Nil	Nil (283.11)	Nil	Nil	Nil (283.11)	Nil	Nil	Nil	Nil	Nil	Nil
3.	Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalyan Wool Combers Limited)	Nil	Nil	Nil	Nil	Nil	Nil (40.00)	Nil	Nil	Nil (40.00)	Nil	Nil	Nil	Nil	Nil	Nil
4.	Jammu and Kashmir State Electricity Board	Nil	Nil	Nil	Nil	Nil	Nil (22931.00)	Nil	Nil	Nil (22931.00)	Nil	Nil	Nil	Nil	Nil	Nil
	Total (C)	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil (23254.11)**	**Nil**	**Nil**	**Nil (23254.11)**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
	Grand Total (A+B+C):	**49.00 (subsidy) 6790.00 (Grants**	**126.11 (Subsidy) 1091.85 (Grants)**	**Nil**	**175.11 (subsidy) 7881.85 (Grants)**	**24466.09 (233854.09)**	**2950.00 (32377.03)**	**Nil**	**Nil**	**27416.09 (266231.12)**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**

Note:

1. Figures in brackets indicate guarantees outstanding at the end of the year.
2. Except in respect of Companies which finalised their accounts for the current year, figure are provisional and as given by the Companies/Corporations.
3. Non-Working Companies/Corporations include Companies under Merger/Liquidation/Closure/Abolition

Appendix-7.4

(Reference: Paragraph:7.1.6; Page: 171)

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

(Rupees in lakh)

S.No	Name of the Company/ Corporation	Year up to which accounts finalized	Paid-up capital as per the latest finalized account	Investment made by the State Government during the years (up to 2007-08) for which accounts are in arrears				Total
(A-Working Government Companies								
				Equity	**Loans**	**Grants**	**Subsidy**	
1.	J&K State Agro Industries Development Corporation Limited	1991-92	353.68	157.92	1038.32	476.99	483.14	2156.37
2.	J&K State Horticultural Produce Marketing and Processing Corporation Limited	1992-93	920.00	Nil	631.92	235.62	Nil	867.54
3.	J&K Industries Limited	2000-01	1626.64	Nil	1942.00	1490.00	Nil	3432.00
4.	J&K Small Scale Industries Development Corporation Limited	1988-89	245.85	66.00	141.00	548.00	80.00	835.00
5.	J&K State Industrial Development Corporation Limited	1999-2000	1764.63	80.00	983.66	1530.50	770.00	3364.166
6.	J&K State Handloom Development Corporation Limited	1996-97	299.90	82.00	2047.69	509.64	Nil	2639.33
7.	J&K Handicrafts (Sale and Export) Development Corporation Limited	1996-97	402.62	274.50	1831.28	166.05	137.85	2409.68
8.	J& K Minerals Limited	1992-93	800.00	Nil	6130.56	766.01	Nil	6896.57
9.	J&K Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	1995-96	790.52	716.82	317.13	343.00	329.63	1706.58
10.	J&K State Women's Development Corporation Limited	1994-95	0.10	476.78	805.70	254.00	Nil	1536.48
11.	J&K Cements Limited	1995-96	1549.67	500.00	Nil	Nil	Nil	500.00
12.	J&K State Tourism Development Corporation Limited	1991-92	991.13	1471.50	Nil	454.74	Nil	1926.24
13.	J&K State Cable Car Corporation Limited	1994-95	2352.12	1133.01	Nil	Nil	Nil	1133.01
14.	J&K State power Development Corporation Limited	2000-01	500.00	Nil	Nil	38587.00	Nil	38587.00
	Total:			**4958.53**	**15869.26**	**45361.55**	**1800.62**	**67989.96**
(B) Working Statutory Corporations								
15.	J&K State Road Transport Corporation	2004-05	10951.15	Nil	5605.95	Nil	Nil	5605.95
	Total (B)				**5605.95**			**5605.95**
	Total (A)+(B)			**4958.53**	**21475.21**	**45361.55**	**1800.62**	**73595.91**

Appendix-7.5

(Reference: Paragraph 7.1.7; Page: 172)

Statement showing financial position of the Statutory corporations for the latest three years for which accounts were finalised

(Amount: Rupees in crore)

	Particulars	2002-03	2003-04	2004-05
1.	**Jammu and Kashmir State Road Transport Corporation Limited**			
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	107.51	108.51	109.51
	Borrowings:	250.09	275.57	304.86
	Trade dues and other liabilities (including provisions)	196.16	221.17	254.99
	Total-A	**553.76**	**605.25**	**669.36**
B.	**Assets**			
	Gross block	51.57	50.51	49.59
	Less depreciation	4.40	4.49	4.36
	Net fixed assets	47.17	46.02	45.23
	Current assets, loans and advances	16.23	14.98	25.21
	Accumulated loss	490.36	544.25	598.92
	Total-B	**553.76**	**605.25**	**669.36**
C	**Capital employed**[1]	**(-) 132.76**	**(-) 160.18**	**(-) 184.55**
2.	**Jammu and Kashmir State Financial Corporation**			
	Particulars	**2002-03**	**2003-04**	**2004-05**
A.	**Liabilities**			
	Paid-up capital	63.80	63.80	64.60
	Reserve funds and surplus	7.59	7.59	7.58
	Borrowings			
	Bonds and debentures	83.05	80.45	80.45
	Others (including State Government)	66.96	68.89	80.00
	Other liabilities and provisions	157.88	70.77	73.77
	Total-A	**379.28**	**291.50**	**306.40**
B	**Assets**			
	Cash and bank balances	6.10	4.07	4.17
	Loans and advances	132.96	42.17	58.26
	Net fixed assets	0.65	0.61	0.75
	Investments and other assets	44.94	47.51	50.72
	Accumulated loss	194.63	197.14	192.50
	Total-B	**379.28**	**291.50**	**306.40**
C	**Capital employed**[1]	**221.74**	**221.07**	**226.69**

[1] Capital employed represents net fixed assets including capital works in progress and assets not in use plus working capital. In the case of Jammu and Kashmir State Financial Corporation, capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans in lieu of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).

Appendix-7.6

(Reference: Paragraph 7.1.7; Page: 172)

Statement showing working results of the Statutory corporations for the latest three years for which accounts were finalised

(Amount: Rupees in crore)

	Particulars	2002-03	2003-04	2004-05
1.	**Jammu and Kashmir State Road Transport Corporation**			
	Operating and non-operating (a) Revenue (b) Expenditure (c) Surplus (+)/Deficit (-)	 41.70 88.92 (-) 47.22	 43.76 97.65 (-) 53.89	 60.88 115.56 (-) 54.68
	Interest on capital and loans	22.57	24.97	28.21
	Return on capital employed	(-) 24.65	(-) 28.92	(-) 26.47
2	**Jammu and Kashmir State Financial Corporation**	**2002-03**	**2003-04**	**2004-05**
A	**Income**			
	(a) Interest on loans and advances	5.68	7.51	6.78
	(b) Other income	1.80	4.36	21.74
	Total-A	**7.48**	**11.87**	**28.52**
B	**Expenditure**			
	(a) Interest on long-term loans	13.45	9.11	18.89
	(b) Other expenditure	5.50	5.26	4.99
	Total-B	**18.95**	**14.37**	**23.88**
C	**Profit (+)/Loss (-)**	**(-) 11.47**	**(-) 2.50**	**(+) 4.64**[ϕ]
D	**Total return on capital employed**	**1.98**	**6.61**	**23.53**
E	**Percentage of return on capital employed**	**0.89**	**2.99**	**10.38**

ϕ Profit of Rs. 4.64 crore arrived due to write back of excess NPA provisions of Rs. 21.64 crore made during previous year.

Appendix-7.7

(Reference: Paragraph 7.1.12; Page: 173)

Statement showing operational performance of Statutory corporations for the latest three years for which accounts were finalised

(Amount: Rupees in crore)

Particulars	2002-03	2003-04	2004-05
1. Jammu and Kashmir State Road Transport Corporation Limited			
Average number of vehicles held	1168	1206	1140
Average number of vehicles on road per day	709	698	870
Percentage utilisation of vehicles	62	69	82
Number of employees	5116	5056	48.32
Employee-vehicle ratio	4.38	4.19	4.49
No. of routes operated at the end of the year	NA	NA	NA
Route kilometers (in lakh)	0.16	0.17	0.21
Kms covered (in lakh)			
(i) Gross	281.26	298.30	403.59
(ii) Net	281.05	295.87	397.92
(iii) Dead	2.78	3.93	5.67
Percentage of dead kms to gross kms	0.98	1.31	1.40
Average km covered/bus/day	0.39	0.42	0.40
Average operating revenue/km (in paisa) over previous year's income *(per cent)*	14.79	15.16	15.81
Average expenditure per km.	29.61	30.44	29.04
Increase in operating expenditure per km over previous year's expenditure *(per cent)*	NA	NA	NA
Loss per km (in paisa)	(-) 14.82	(-) 15.28	130.23
Number of operating depots	NA	NA	NA
Average number of break-down per lakh km	NA	NA	NA
Average number of accidents per lakh km	0.031	0.036	0.034
Passenger km operated (in crore)	2.82	2.95	4.03
Occupancy ratio (Load factor)	69	69.5	68
Kilometers obtained per litre of (a) Diesel oil (b) Engine oil	NA	NA	NA

2. Jammu and Kashmir State Financial Corporation Limited	**2002-03**		**2003-04**		**2004-05**	
	No	Amount	No	Amount	No	Amount
Applications pending at the beginning of the year	180	9.76	54	0.32	68	9.43
Applications received	17	3.66	306	23.79	119	7.09
Total:	**197**	**13.42**	**360**	**24.11**	**187**	**16.52**
Applications sanctioned	143	10.20	238	14.36	149	11.24
Applications cancelled/withdrawn/rejected/reduced	-	-	54	3.22	-	-
Applications pending at the close of the year	54	3.22	68	9.43	38	5.28
Loans disbursed	143	9.66	208	12.09	150	8.51
Loans outstanding at the close of the year	3902	188.01	2735	762.22	3553	740.53
Amount overdue for recovery at the close of the year	3453	659.17	3263	749.12	3283	709.53
(a) Principal	NA	NA	NA	NA	NA	NA
(b) Interest	NA	NA	NA	NA	NA	NA
Percentage of default to total loans outstanding	96		98		96	

Appendix-7.8

(Reference: Paragraph: 7.1.24; Page: 176)

Statement showing department-wise outstanding Inspection Reports (IRs) as on 30 September 2008

S.No	Name of the Sector	Number of			
		PSUs	Outstanding Inspection Reports	Outstanding paragraphs	Earliest year from which paragraphs outstanding
1	Industries and Commerce	7	164	628	1998-99
2	Agriculture Allied Sector	2	34	137	1998-99
3	Public Works	1	58	254	1998-99
4	Social Welfare	2	21	94	1998-99
5	Tourism	2	28	86	1998-99
6	Power Development	1	59	214	1998-99
7	Finance	2	72	262	1998-99
8	Home	1	12	38	1998-99
9	Civil Supplies and Transport	1	51	247	1998-99
	Total	**19**	**499**	**1960**	

Appendix-7.9

(Reference: Paragraph:7.1.24; Page: 176)

Statement showing department-wise reviews/audit paragraphs, replies to which were awaited as on September 2008

S.No	Name of the Department	Review	Draft paragraphs	Period of issue
1.	Industries and Commerce	2	-	2008-09
3.	Agriculture Production and Rural Development	-	2	2008-09
3.	Finance	-	1	2008-09
4.	Transport	-	1	2008-09
	Total	2	4	