Preface

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

2. The Report deals with the findings of performance reviews and audit of transactions in various departments including Public Works and Irrigation Departments, audit of stores and stock, audit of autonomous bodies and departmentally run commercial undertakings.

3. The Report also contains the observations arising out of audit of Statutory Corporations, Boards and Government Companies and revenue receipts.

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 2008-09 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 2008-09 have also been included wherever necessary.

5. Audit observations on matter arising from the examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2009 are included in a separate Report on State Government Finances.

6. The audits have been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

This Report contains Civil, Revenue and Commercial chapters comprising 22 paragraphs and seven performance reviews (including one integrated audit of Social Welfare Department). Copies of draft paragraphs and reviews were sent to the Commissioner/Secretary of the Department concerned by the Principal Accountant General with a request to furnish replies within six weeks. However, in respect of 16 draft paragraphs and seven 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. PERFORMANCE REVIEWS

Health and Medical Education Department

National Rural Health Mission

Government of India launched (April 2005) the National Rural Health Mission (NRHM) to carry out necessary architectural correction in the basic health-care delivery system. The Plan of Action includes increasing public expenditure on health, reducing regional imbalance in health infrastructure, decentralization and district management of health programmes, community participation and operationalising community health centres into functional hospitals. The performance audit review showed that the status of health profile of the State has been quite encouraging vis-à-vis the performance indicators available for the country. These can be further improved if there is proper fund management/utilisation and various sectors involved are covered in conformity with the guidelines issued for implementation of the Programme. There are large gaps in planning as well as implementation of the Mission activities in the State even after four years of launching the programme. This is evidenced by the findings that no new health centre was put in place, essential services and amenities were not available in many centres and there was critical shortage of technical manpower. Maternal and child health programmes have not made much headway. Planning, implementation and monitoring of the programme through participation of NGOs and community-based organisations was non-existent.

Home Department

Modernisation of Police Forces

Government of India (GOI) introduced the ‘Modernisation of Police Forces’ (MPF) scheme in 1969 (modified in 2000-01, was extended for a period of ten years) to meet the deficiencies in basic infrastructure like Police Stations/Police Posts and police housing, modern weaponry, mobility, communication, forensic science equipment and skill up-gradation of police personnel. Implementation of the scheme during the review period was satisfactory with regard to the weaponry and training components. However, infrastructure development is a matter of serious concern, as the police personnel were not provided adequate level of housing, secured police stations and outposts despite availability of funds. Inadequate provision of vehicles at the field level is another area of concern as it has a direct bearing on the response time. Communication system including computerisation needs to be addressed on a priority basis, as this would enable the force to share critical information rapidly.

Irrigation and Flood Control Department

Implementation of Irrigation Schemes

The Irrigation and Flood Control Department is entrusted with the job of providing assured irrigation facility to cultivable/cultivated land in the State by construction, renovation, modernisation and maintenance of irrigation canals/channels/*khuls*, etc. Majority of the schemes executed by the Department are funded by the GOI. The objective of speedy development of irrigation potential and its eventual utilisation for the benefit of the farmer was not achieved to the desired extent in the State due to inherent deficiencies in planning, execution and monitoring. Implementation of the schemes was affected due to delay in release/diversion of funds, delays in execution and non-fulfilment of pre-requisites. In the absence of a time bound strategy for systematic harnessing of estimated irrigation potential, there was shortfall in the creation of irrigation potential. Even the irrigation potential created under various schemes was not utilised optimally. Thirty two *per cent* of the 39 completed schemes could not provide adequate irrigation due to land disputes and non-restoration of damages. Consequently, the ultimate cost benefit ratio achieved in respect of some schemes was less than unity.

2. AUDIT OF TRANSACTIONS

Embezzlements/Losses/Non-recovery of dues

Non-recovery of supervision charges for works executed on behalf of Northern Railways resulted in loss of Rs. 8.28 crore.

(Paragraph: 2.1)

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

Failure of the Sher-e-Kashmir University of Agricultural Sciences and Technology, Jammu to get the HT line shifted and have the drawings and the key construction material issued to the contractor in time resulted in avoidable extra expenditure of Rs. 1.76 crore.

(Paragraph: 2.2)

Change of executing agency, engaged for construction of a 300 bedded hospital at Anantnag resulted in wasteful expenditure of Rs. 21.25 lakh incurred on drawings/ conceptual plans.

(Paragraph: 2.3)

Improper planning of the department resulted in idle expenditure of Rs. 16.86 crore and non-completion of transmission line for 27 years.

(Paragraph: 2.6)

Decision of the Department to take up construction of the Sub-station at south portal of Jawahar Tunnel without taking into consideration the meteorological report and advice of the Geologist resulted in wasteful expenditure of Rs. 68.93 lakh besides blocking of Rs. 71.05 lakh.

(Paragraph: 2.7)

Taking up of allied works without first ensuring the development of source and failure of the department in resolving dispute resulted in unfruitful expenditure of Rs. 6.86 crore.

(Paragraph: 2.11)

Failure to get the title of a piece of land in favour of the Department before taking up execution of work resulted in non-completion of the irrigation project on which Rs. 75.16 lakh has been incurred.

(Paragraph: 2.12)

3. INTEGRATED AUDIT

Social Welfare Department

The State Government established Social Welfare Department in 1960 for implementation of various developmental schemes. The Department plays an important role in upliftment of the weaker sections of the society. Integrated audit of the Department showed non-provision of benefits to the intended beneficiaries due to non-availability of baseline data and non-disbursement of assistance to the beneficiaries in time due to which the unspent balances increased over a period of time. The Contributory Social Security Scheme for marginal workers had largely failed due to poor response.

4. REVENUE RECEIPTS

The Chapter contains five paragraphs and two reviews relating to non/short levy of tax, fees, interest and penalty, etc. involving Rs. 28.58 crore. Of these, the Departments/Government accepted audit observations amounting to Rs. 6.50 crore.

FINANCE DEPARTMENT (COMMERCIAL TAXES)

Performance Review on 'Transition from Sales Tax to VAT'

Though there was increase in revenue growth after the implementation of VAT in the State, revenue per assessee decreased from Rs. 0.03 crore in 2004-05 to Rs. 0.02 crore in post-VAT period.

(Paragraph: 4.2.6)

The existing shortage of person in position in the pre-VAT period, coupled with the increased workload under VAT, was not addressed by the Department which affected proper implementation of the Act.

(Paragraph: 4.2.7.2)

Non-levy of penalty of Rs. 98.10 crore on dealers collecting tax as unregistered dealers and availing input tax credit of Rs. 16.21 crore irregularly.

(Paragraph: 4.2.8.2)

Non-levy of penalty for delayed submission of returns/audit reports resulted in short realisation of Government revenue of Rs. 4.39 crore.

(Paragraph: 4.2.11)

Non-verification of the correctness of opening stock declared by the dealer as on 1 April 2005 resulted in revenue loss of Rs. 48.03 lakh including interest and penalty.

(Paragraph: 4.2.14.5)

The Deputy Commissioners (Audit) had failed to check even the minimum prescribed percentage of tax remission cases.

(Paragraph: 4.2.19)

Performance Review on 'Assessment and collection of Toll Tax'

Absence of a provision for cross-verification of the toll post records of import and export of goods with Commercial Taxes Department resulted in non-levy of toll of Rs. 55.23 lakh.

(Paragraphs: 4.3.7.1 and 4.3.7.2)

Allowing of vehicles carrying load in excess of the permissible limit resulted in loss of revenue of Rs. 15.14 lakh on account of basic toll.

(Paragraph: 4.3.8.1)

There was delay in transfer of toll receipts to the Government account by the Jammu & Kashmir Bank Ltd. Timely deposit would have saved the Government from payment of the interest of Rs. 69.35 lakh on overdrafts.

(Paragraph: 4.3.9)

Due to non-functioning of weighbridges assessment of additional toll in respect of 17.12 lakh vehicles that crossed the toll post was made on lump sum basis and not on actual laden weight leaving scope for loss of revenue.

(Paragraph: 4.3.10)

Lack of monitoring resulted in incorrect grant of exemption from payment of additional toll to the extent of Rs. 4.58 crore to various industrial units. The correctness of the exemption allowed on 1,27,952 metric tons of raw material and finished goods involving toll of Rs. 5.11 crore could not be verified due to non-preparation of the chief article statement.

(Paragraph: 4.3.11)

AUDIT OF TRANSACTIONS

FINANCE DEPARTMENT (COMMERCIAL TAXES)

Undue exemption from payment of sales tax resulted in short realisation of Rs. 17.25 lakh including interest**.**

(Paragraph: 4.4)

Failure of the assessing authority to apply correct rates of tax and detecting concealment of turnover of a dealer, resulted in short levy of tax aggregating Rs. 7.16 lakh including interest and penalty.

(Paragraph: 4.5)

Failure of the assessing authority to detect the concealment of purchase resulted in short levy of tax of Rs. 4.30 lakh.

(Paragraph: 4.6)

Failure of the assessing authority to detect non-accounting of opening stock in the trading account by a dealer resulted in short levy of tax amounting to Rs. 5.98 lakh including the interest and penalty.

(Paragraph: 4.7)

Grant of irregular exemption of Rs. 59.10 lakh.

(Paragraph: 4.8)

5. COMMERCIAL ACTIVITIES

Section I: Overview of State Public Sector Undertakings

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2009, the State of Jammu and Kashmir had 23 PSUs (17 companies, three statutory corporations and three non-working companies) which employed 0.13 lakh employees. The working PSUs registered a turnover of Rs. 3206.88 crore for 2008-09 as per their latest finalised accounts. This turnover was equal to 9.21 *per cent* of State GDP indicating a moderate role played by State PSUs in the economy. The PSUs earned a profit of Rs. 233.60 crore for 2008-09 and had accumulated losses of Rs. 1338.05 crore.

Investments in PSUs

As on 31 March 2009, the investment (Capital and long term loans) in 23 PSUs was Rs. 4846.47 crore. It increased by over 61.87 *per cent* from Rs. 2993.98 crore in 2004-05 mainly because of grant of loans to PSUs during the period. Power Sector accounted for 42.33 *per cent* of total investment in 2008-09. The Government contributed Rs. 74.99 crore towards equity, loans and grants/subsidies during 2008-09.

Performance of PSUs

During the year 2008-09, out of 20 working PSUs, five PSUs earned profit of Rs. 416.99 crore and 13 PSUs incurred loss of Rs. 183.39 crore. One PSU did not prepare profit and loss account while another one PSU had not submitted its first accounts. The major contributors to profit were Jammu and Kashmir Bank Ltd. (Rs. 409.84 crore) and Jammu and Kashmir State Financial Corporation (Rs. 4.64 crore). The heavy losses were incurred by Jammu and Kashmir Power Development Corporation Limited (Rs. 64.65 crore), Jammu and Kashmir State Road Transport Corporation (Rs. 54.67 crore) and Jammu and Kashmir Industries Limited (Rs. 36.23 crore).

The losses are attributable to various deficiencies in the functioning of PSUs. A review of three years' Audit Reports of CAG shows that the State PSUs' losses of Rs. 29.63 crore were controllable with better management. Thus, there is tremendous scope to improve the functioning and minimise/eliminate losses. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of PSUs needs improvement. Out of 15 accounts finalised during October 2008 to September 2009, nine accounts received qualified certificates and three accounts received disclaimer. There were 12 instances of non-compliance with Accounting Standards. Reports of Statutory Auditors on internal control of the 12 companies indicated absence of internal audit system commensurate with the size and nature of business of company.

Arrears in accounts

Nineteen working PSUs had arrears of 224 accounts as of September 2009. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts.

Discussion of Audit Reports by COPU

The Commercial Chapter of Audit Report (Civil) for 2005-06 had been partially discussed and Commercial Chapter of Audit Reports (Civil) for 2006-07 and 2007-08 are yet to be discussed by COPU. These three audit reports contained four reviews and nine paragraphs.

Section II - Part A: Performance Reviews

Jammu and Kashmir State Road Transport Corporation

Performance review relating to ‘Operational performance of Jammu and Kashmir Road Transport Corporation’ was conducted. Executive summary of audit findings is given below.

The Jammu and Kashmir State Road Transport Corporation (Corporation) provides public transport in the Jammu and Kashmir State through its 14 depots. The Corporation had fleet strength of 677 buses as on 31 March 2009 and carried an average of 0.11 lakh passengers per day during 2008-09. Besides buses, the Corporation also has trucks for cargo operations. As on 31 March 2009, the Corporation had 436 trucks. The performance audit of the Corporation for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its bus operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and Performance

The Corporation does not maintain separate records for bus and truck operations. It suffered a loss of Rs. 33.00 crore in 2007-08 from the operation of buses and trucks. Its accumulated loss and borrowings stood at Rs. 465.50 crore and Rs. 354.32 crore as at 31 March 2008, respectively. The Corporation earned Rs. 19.07 per kilometre and expended Rs. 31.29 per kilometre in 2007-08.

Share in Public Transport

The Corporation failed to keep pace with growing demand for public transport. The percentage share of Corporation for public transport in the State was around three *per cent*. The vehicle density per lakh population (including private operators' buses) decreased from 187 (2004-05) to 186 (2008-09).

Vehicle profile and utilisation

Corporation's buses consisted of own fleet of 677 buses. Of its own fleet, 523 (77 *per cent*) were overage, i.e., which are more than eight years old. The percentage of overage buses increased from 54 *per cent* in 2004-05 to 77 *per cent* in 2008-09 though the Corporation acquired 78 new buses during 2004-09 at a cost of Rs. 10.47 crore. The acquisition was wholly funded through plan funds released by state Government.

Corporation's fleet utilisation at 80 *per cent* in 2008-09 was below All India Average (AIA) of 92 *per cent*. Its vehicle productivity at 138 kilometres per day per bus was below the AIA of 313 kilometres. The achievement of the Corporation was also less than its own target of 200 kilometres per bus per day. Its passenger load factor at 77 *per cent*, was above the AIA of 71 *per cent* though no target had been fixed for load factor. Preventive maintenance schedules were not adhered to by the Corporation.

Economy in operations

Manpower and fuel constitute 73 *per cent* of total cost. Interest, depreciation and taxes account for 19 *per cent* and are not controllable in the short term. Thus, the major cost saving has to come from manpower and fuel. The Corporation does not maintain separate records for manpower utilisation in respect of bus fleet. However, the Corporation succeeded in reducing the manpower per vehicle from 4.3 in 2004-05 to 3.4 in 2008-09. The expenditure on repairs and maintenance was Rs. 1.99 crore (Rs. 0.27 lakh per bus) in 2007-08.

As a result of cancellations due to controllable factors like want of buses, the Corporation was deprived of traffic revenue to an extent of Rs. 103.23 crore.

Revenue Maximisation

The Corporation has 2.65 lakh square meters of land for future development. However, the Corporation does not have any policy for tapping non-traffic revenue sources by taking up large scale PPP projects in the vacant land.

Need for a regulator

The revision of fare is being effected on the basis of fares fixed by the State Transport Authority. However, the revision does not take into consideration the increase in other operational costs of the Corporation. Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address grievances of commuters.

Monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. Targets at depot level were not set by the Management. The Corporation has Management Information System (MIS) in place whereby information on various operational activities is communicated to the Head

Office on daily/monthly basis. This information was neither consolidated at top management level nor any remedial action was taken.

Conclusion and Recommendations

The Corporation is suffering losses mainly due to its high cost of operations and decrease in revenue. The Corporation can control the decline by undertaking timely repairs of vehicles and exercising effective control by top Management. This review contains twelve recommendations to improve the Corporation's performance. Creating a regulator to regulate fares and services and tapping non-conventional sources of revenue by undertaking PPP projects are some of these recommendations.

CHAPTER – I : PERFORMANCE REVIEWS

HEALTH AND MEDICAL EDUCATION DEPARTMENT

1.1 National Rural Health Mission

The Government of India launched the National Rural Health Mission (NRHM) in April 2005 to provide accessible, affordable and reliable health-care to the rural population, especially the vulnerable sections of the society. The Plan of Action includes increasing public expenditure on health, reducing regional imbalances in health infrastructure, decentralization and district management of health programmes, community participation and operationalising community health centers into functional hospitals. A mid-term review of the implementation of the programme was undertaken to highlight the areas of concern and issues that need to be addressed for successful achievement of the objectives set out for the Mission. Performance review of the Mission activities during the period 2005-09 showed that implementation plans were not based on proper surveys; basic facilities were lacking in a large number of health centres and various maternal/child health programmes and disease control programmes were not performing to the targeted levels.

Highlights

- **Household survey had not been conducted and base line survey was conducted partially. State level annual programme implementation plans were prepared without any inputs from districts, defeating the purpose of decentralised planning.**

  (Paragraph: 1.1.7.1)

- **No new health centre was constructed in the State. Basic facilities were also not available in many of the health centres audited. Though OPD services were running on daily basis, IPD, emergency, diagnostic and blood storage facilities were partial. Mobile medical units had not been procured, affecting targeted improvement of health-care service in remote/difficult areas.**

  (Paragraphs: 1.1.10.1 and 1.1.10.3)

- **Shortage of manpower against requirement as per sanctioned strength and NRHM norms ranged between six and 91 *per cent* in SCs, six and 100 *per cent* in PHCs and six and 94 *per cent* in CHCs.**

  (Paragraph: 1.1.11.1)

- **Maternal and Child health programmes and various disease control programmes have not been able to provide adequate satisfaction to the targeted beneficiaries.**

  (Paragraphs: 1.1.15.1 to 1.1.15.3)

- **Monitoring and planning committees had not been constituted at any level.**

  (Paragraph: 1.1.22.1)

1.1.1 Introduction

The National Rural Health Mission (NRHM) was launched in April 2005 by the Government of India (GOI) throughout the country for providing integrated health-care services to the rural population, especially the poor and vulnerable sections of the society. The objectives of the Mission, to be achieved during the period 2005-12, are as follows.

- provision of accessible, affordable, accountable and reliable health-care facilities in the rural areas;
- involving community in planning and monitoring;
- reduction in child and maternal mortality and total fertility rate for population stabilisation;
- prevention and control of communicable and non-communicable diseases, including locally endemic diseases;
- revitalizing local health traditions and mainstreaming AYUSH and
- promotion of healthy life styles.

The Mission aims to bridge the gaps in rural health-care through increased community ownership, decentralization of the programmes, inter-sectoral convergence and improved primary health-care. It further envisages increasing expenditure on health, with a focus on primary health-care, from the level of 0.9 *per cent* of GDP (1999) to two to three *per cent* of GDP over the Mission period (2005-2012). Jammu and Kashmir is one of the 'high focus' States under the Mission.

1.1.2 Organisational structure

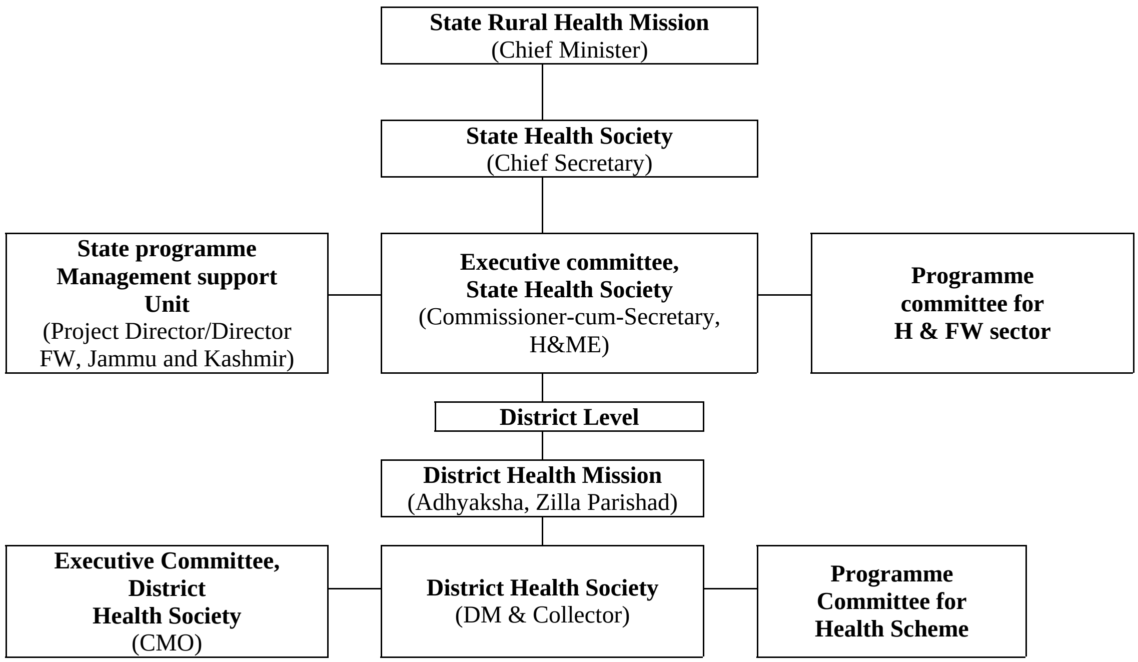
At the State level, the Mission is implemented under the overall guidance of the State Health Mission (SHM), headed by the Chief Minister. The activities are carried out in the State by the State Health Society (SHS). The Governing Body of the SHS, headed by the Chief Secretary, is responsible for approval/endorsement, review of implementation of Annual State Action Plans, inter-sectoral coordination, etc. The Executive Committee of the SHS, headed by the Principal Secretary, Health and Medical Education Department is responsible for approval of proposals received from districts and other implementing agencies, execution of the approved Action Plans including release of funds for the programmes. The State Programme Management Support Unit (SPMSU) acts as the Secretariat to the SHM as well as the SHS and is headed by a Mission Director. The SPMSU includes technical experts like Chartered Accountants, Masters of Business Administration and Management Information System specialists.

At the district level, every district has a District Health Mission (DHM), headed by the Chairperson of the District Development Board and an integrated District Health Society (DHS). The Governing body of DHS is headed by District Development Commissioner (DDC) and the Executive body is headed by DDC or Chief Medical Officer (CMO).

The organisational structure for implementation of the programme is given below:

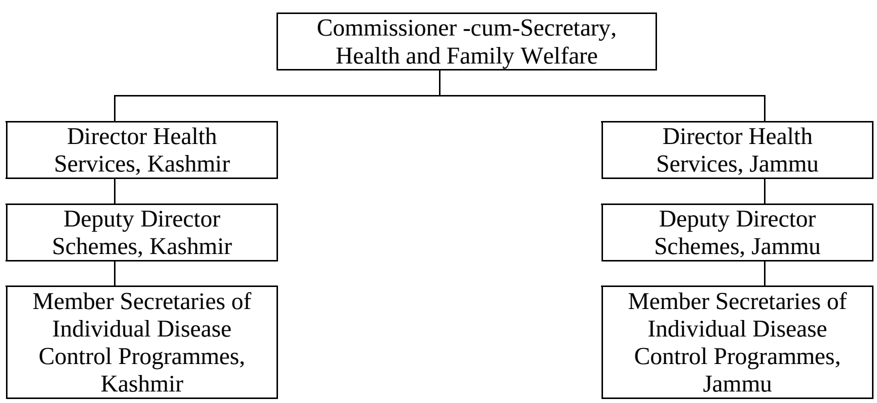
(A) For the components of Reproductive and Child Health (RCH), NRHM Flexipool, Immunisation, NVBDCP[1] (Finance only), NPCB[2] (Finance only).

Chart-1.1.1



(B) For the components of Revised National TB Control Programme (RNTCP), NVBDCP, NPCB etc.

Chart- 1.1.2



1.1.3 Scope of Audit

The performance audit was carried out during October 2008 to May 2009 and covered the implementation of the programme during 2005-09. Records of the State Health Society (SHS), six[3] out of 14 District Health Societies (DHSs), 18 out of 85 Community Health

1 National Vector Borne Disease Control Programme
2 National Programme for Control of Blindness
3 Anantnag, Baramulla, Leh, Rajouri, Poonch, Doda

Centres (CHCs), 34 out of 375 Primary Health Centres (PHCs) and 69 out of 1,907 Sub-Centres (SCs), were examined in detail. The audit covered an expenditure of Rs. 27.67 crore (11 *per cent*) out of the total expenditure of Rs. 252.63 crore during this period.

Districts were selected by PPSWR[4] method and CHCs, PHCs, and SCs were selected through SRSWOR[5] method.

1.1.4 Audit objectives

The objectives of the performance audit were to verify whether:-

- planning for the implementation of the Mission as well as monitoring and evaluation procedures at various levels led to an effective health-care delivery system;
- public spending on health sector during 2005-09 increased to the desired level and release of funds, utilization and accounting thereof was proper;
- the Mission achieved capacity building and strengthening of physical and human infrastructure at different levels as planned and targeted;
- the system of procuring drugs, supplies and logistics was efficient and effective and ensured improved availability of drugs, medicines and services etc.;
- the implementation of information, education and communication (IEC) programme was efficient, cost effective and result-oriented;
- the performance indicators and targets fixed, especially in respect of reproductive and child health-care, immunization and disease control programmes were achieved and
- accessible, affordable and accountable public health delivery system for the targeted population, especially socially and economically deprived groups, women and children, was created as envisaged.

1.1.5 Audit criteria

Audit findings were benchmarked against the following criteria:

- Guidelines issued by the GOI/State Government and related instructions issued from time to time.
- Programme Implementation Plans for 2005-09.
- Memorandum of Understanding with GOI.

1.1.6 Audit methodology

An entry conference was held on 6th April 2009 with the Commissioner-cum-Secretary, Health and Medical Education Department, wherein audit objectives, scope, criteria and methodology were discussed. During the meeting, the Department also made a presentation on the status of implementation of NRHM in the State. At the conclusion of audit, the findings were discussed in an exit conference with the Principal Secretary,

4 Probability Proportionate to Size With Replacement
5 Simple Random Sampling Without Replacement

Health and Medical Education Department on 26 August 2009 and the replies of the Government have been incorporated in the report at appropriate places.

Audit findings

The important audit findings arising out of the review are discussed below.

1.1.7 Planning and project formulation

NRHM strives for decentralized planning and implementation arrangement to ensure that need-based and community-owned District Health Action Plans form the basis for interventions in the Health sector.

1.1.7.1 Baseline and facility surveys

The Mission envisages carrying out preparatory studies, mapping of services and household and facility surveys to be conducted at village, block and district levels. The household survey, besides identifying underserved/unserved areas, was to assess the health-care requirements at the grass root level and the aim of facility survey was to assess the baseline status of availability of existing health-care facilities in SCs/PHCs/CHCs. The State Health Society (SHS) was to conduct these surveys by March 2008 through local community action by involving trained Accredited Social Health Activists (ASHAs), Anganwadi Workers (AWWs), Auxiliary Nursing Midwives (ANMs), etc. which were to be finalised by the State Health Resource Centre (SHRC). The DHS/SHS, apart from imparting training to ASHAs, AWWs and ANMs, were required to maintain an authentic central database and develop a mechanism for ensuring reliability and integrity of survey data and use the baseline survey results for future planning.

It was seen in audit that household survey had not been conducted. Facility surveys were got conducted partially through a private firm[6] which conducted the survey at block level only without visiting the health centres (SCs/PHCs). No database on the survey findings was maintained either at the SHS or in the audited DHSs.

1.1.7.2 Perspective and annual plans

The SHS was required to prepare a Perspective Plan for the entire Mission period (2005-12) and annual State level Programme Implementation Plans (PIPs) covering the gaps in the health-care facilities, areas of intervention and probable investment. At the districts level, a Perspective Plan as well as the Annual District Health Action Plans (DHAPs) were to be prepared by the DHS and approved by the District Health Mission (DHM). The State level Perspective Plan was to be prepared by aggregating the district level Perspective Plans.

The NRHM focuses on the village as an important unit for planning; however, the Mission did not insist on Village Health Action Plans (VHAPs) for the first two years (2005-07). Therefore, the DHAPs were to be prepared on the basis of Block Health Action Plans (BHAPs) in the first two years and subsequently on the basis of BHAPs and the VHAPs.

6 M/S EPOS Health India Limited

The State level PIP is to be prepared every year by the SHS by aggregating the DHAPs for submission to the GOI by mid-December for approval and release of funds by mid-April every year.

It was seen in audit that annual plans were not prepared at the village, block and district levels. Therefore, annual State level PIPs were prepared (2005-09) by the SHS without inputs from the districts. Also, the PIPs were sent to GOI belatedly during all the years (2005-09).

State level and district level Perspective Plans (2005-12) were prepared belatedly (December 2007) through a private firm. As the plans were deficient in certain areas, the SHS directed (May 2009) the firm to revisit almost all activities for preparation of a comprehensive plan. This had not been done (October 2009).

1.1.8 Community participation

1.1.8.1 Village Health and Sanitation Committees (VHSCs)

Village Health and Sanitation Committees (VHSCs) had to be formed in each village within the overall framework of the *Gram Sabha* with representation from disadvantaged categories such as women, SCs/STs/OBCs/Minorities. The VHSC is responsible for village level health planning and monitoring and setting up of a revolving fund at the village level for providing referral and transport facilities for emergency deliveries as well as immediate financial needs for hospitalization, for which an annual untied grant of Rs. 10,000 is to be provided to each VHSC. The data collected by the ANMs, AWWs and other grass roots functionaries of the health facilities were required to be monitored and validated by the community before their submission to higher authorities for utilization in the monitoring and planning process.

Against 7,537 VHSCs to be constituted by the end of March 2008, 6,788 VHSCs had been constituted at the close of December 2008, which worked out to 90 *per cent* achievement.

For effective implementation of the programme, one of the pre-requisites for receipt of funds by the VHSCs was opening of a bank account by the VHSC. As seen from the progress reports, at the State level, 2,595 VHSCs had not opened their accounts as of December 2008. In five[7] out of six test-checked districts, 593 out of 1,441 VHSCs had not opened their accounts. It was, however, seen that no funds had been provided to the test-checked VHSCs, including the VHSCs which had opened their accounts, by the SHS with the result that revolving funds could not be set up in these VHSCs despite allocation of Rs. 7.54 crore by the GOI during 2007-08. The Block Medical Officers stated that the Village heads/*Sarpanchs* were reluctant to open accounts with their own money, as no provision for advancing money to VHSCs for opening of bank accounts had been kept in the Mission guidelines.

1.1.8.2 Rogi Kalyan Samitis (RKSs)

Rogi Kalyan Samitis (RKSs) were to be constituted at all health-care centres up to PHC level with representation from the legislature, health officials, leading members of the community, SCs/STs/OBCs/minorities, NGOs, local CHC/PHC in-charge and leading

[7] Anantnag, Doda, Leh, Poonch and Rajouri

donors. The Governing Body and the Executive Body of the RKSs were required to hold meetings quarterly/monthly for reviewing the functioning of health-care facilities and recommend improvements to the DHS, on which timely action was to be taken by the Society. Specific funds were to be released to the RKSs in a timely manner to enable them to carry out the functions entrusted to them and they were required to submit a monthly report to the DHS. One of the objectives of the RKS was to develop a Citizen's Charter for each level of health facilities and ensure its display appropriately to make health-care applicants aware of their health rights and facilities. Compliance with Citizen's Charter was to be ensured through operationalisation of a Grievance Redressal Mechanism.

Scrutiny of data relating to composition of RKSs in six test-checked districts showed that though the RKSs were formed at all levels, these did not have adequate representation from NGOs/SCs/STs/OBCs. In two[8] out of six test-checked districts, the executive bodies had not been formed. Regular meetings for reviewing the health-care facilities had not been held as per the schedule in any of the test-checked districts. As a result, no recommendation for improvement of health-care system had been sent to the DHSs.

- SHS/DHS provided Rs. 2.22 crore to 52 RKSs in the six test-checked districts, during 2005-09. These Samitis were able to utilise only 61 *per cent* (Rs. 1.36 crore) and the balance Rs 86.13 lakh have been lying unutilised with them as of March 2009.
- Though Citizen's Charter was developed in district hospitals, at CHC and PHC levels, it was mostly non-existent[9]. Though the system for receipt of suggestions/complaints was partially in place, the complaints received were not on record at any of the health facilities test-checked.
- User charges, to be levied by RKSs, were not being levied/collected at 10 out of 34 test-checked PHCs.

Citizens charter at DHS Rajouri

Thus, RKSs were virtually non-functioning after their formation, which adversely affected the regular management and monitoring of the activities of the health centres.

1.1.8.3 Community interaction

Community interaction was to be catalysed through conducting public hearings (*Jan Sunwai*) or public dialogues (*Jan Samvad*) which were required to be conducted at PHC, block and district levels once or twice in a year as events open to all. Health *Melas* were also to be organized to bring a range of health services to the community and make them aware of their entitlements.

---

8 Poonch and Rajouri

9 13 out of 18 CHCs and 5 out of 34 PHCs had Citizen's Charter

No health *Melas* been organized in four[10] out of the six audited districts with the result that the mechanism of interaction with the community and mid-course feedback could not largely be achieved. At the State level, four Health *Melas* had been organised by the end of March 2008. Information relating to conduct of Health *Melas* during 2008-09, though called for, was not provided by the SHS. This affected the intended objective of communitisation of activities of the Mission, thereby, weakening the goal of providing accountable health-care services to the rural public.

1.1.8.4 Integration of existing health programmes

The Mission aims at an architectural correction in the health-care delivery system through convergence of various existing stand alone disease control programmes of the Union Ministry of Health and Family Welfare (MoHFW). For this, financial integration of various health programmes/projects like (a) Reproductive and Child Health (RCH), (b) additionalities under NRHM, (c) immunisation and (d) disease control programmes, was to be done with effect from 1 April 2007 for ensuring centralised processing of funds, accountal of expenditure, monitoring of UCs and audit arrangements. However, actual merger with financial integration had taken place in respect of two programmes/projects viz., NPCB and NVBDCP[11] only whereas the integration of programmes like IDSP[12], NPCB[13] NIDDCP[14] had not taken place as of March 2009 and these vertical programmes continued to be funded by each programme division in the Ministry of Health and Family Welfare (MoHFW). The SHS was involved only in incorporating action plans of these societies in the Mission PIP. This resulted in implementation of these programmes outside the ambit of NRHM framework and in a disjointed manner at the State and the District levels. Hence, the desired architectural correction remained unfulfilled.

1.1.9 Financial Management

Funds are released by the GOI through two separate channels-(a) the State Finance Department for Direction and Administration, rural and urban family welfare services and grants to State Training Institutions and (b) directly to the SHS and other vertical societies, by the concerned Programme Division in the MoHFW under each programme. Vaccines, drugs, equipment, etc. are procured centrally and supplied to the State as grants-in-kind based on requirements.

The position of funds received and expenditure incurred thereagainst during the period (2005-09) is given below:

Table 1.1.1

(Rupees in crore)

Year	Opening balance	Releases by GOI	State share	Total	Expenditure (percent)	Closing balance
2005-06	21.92	69.72	-Nil-	91.64	30.49 (33)	61.15
2006-07	61.15	44.95	-Nil-	106.10	41.50 (39)	64.60
2007-08	64.60	162.70	-Nil-	227.30	71.03 (31)	156.27
2008-09	156.27	71.17	12.46*	239.90	109.61 (46)	130.29

(Source: Data provided by the SHS/Member Secretaries of individual disease control programmes/ Director, Family Welfare), *Includes Rs. 5.06 crore released on 18.03.2008 and accounted for in 2008-09

10 Doda, Rajouri, Poonch and Leh
11 National vector borne disease control programme
12 Integrated disease surveillance Project
13 National programme for control of blindness
14 National iodine deficiency disorder control programme

The under-utilisation was due to delay in finalisation of annual PIPs as brought out in the preceding paragraphs and tardy implementation of various Mission components at health centre level. The under-utilisation resulted in non-achievement of targets in areas like infrastructure and services identified in the PIPs, as brought out in subsequent paragraphs.

1.1.9.1 Annual Maintenance Grant

Against the 'annual maintenance grant' of Rs. 0.50 lakh payable to each PHC housed in a Govt. building, the SHS had released Rs. 32.50 lakh and Rs. 52.50 lakh to 65 and 105 PHCs housed in rented private buildings during 2006-07 and 2007-08, respectively, resulting in avoidable extra expenditure of Rs. 85 lakh. The Project Director stated (November 2008) that the releases were made on the information furnished by the Directors, Health Services, Kashmir and Jammu. It was also stated that the excess amount would be recovered. The possibility of recovery was, however, remote as the PHCs had utilised these amounts on maintenance of the rented buildings as observed in three[15] out of 34 test-checked PHCs. However, the State Government projected the maintenance grant in respect of 375 PHCs in PIPs for 2008-09 and 2009-10, and received Rs. 1.08 crore in excess, which is held by the SHS (March 2009).

1.1.9.2 Maintenance of accounting records

NRHM guidelines prescribe maintenance of Cash Book on double entry system along with ledger accounts and audit by Chartered Accountants (CA). Cash Books were not maintained on double entry system at SHS (except in 2007-08) and in three[16] out of six districts test-checked (2005-09). Nor had any ledger account been maintained as envisaged under the guidelines. Cash book at DHS, Doda was written (May 2009) upto October 2008 and no Cash Books were maintained by Kandi Block and PHC Siot (Rajouri district), Mandi block (Poonch district) for 2008-09 and Sopore and Tangmarg blocks of Baramulla (except 2008-09). Reasons, though called for, were not assigned.

- A difference of Rs. 2.43 crore for the years 2005-06 to 2007-08 was noticed between the Financial Management Report (Rs. 60.56 crore) and funds actually utilised (Rs. 58.13 crore) by the SHS as of March 2008. The Project Director stated that part expenditure had been disallowed by the CA due to non-production of vouchers by the DHSs, at the time of audit by the CA. The Joint Director (P&S), H&MED stated (October 2009) that there existed a variation of Rs. 9.96 lakh and Rs. 4.61 crore for the years 2005-06 and 2006-07 respectively, out of which Rs. 2.26 crore were cleared during 2007-08, leaving a variation of Rs. 2.5 crore as of March 2008. However, the details of uncleared amounts pertaining to the period 2005-07, were not furnished, in absence of which audit could not verify whether the amounts having been left un-audited during these years were actually cleared in full or not.
- Supporting vouchers for Rs. 29.18 lakh spent at district and block level of Rajouri and Poonch districts[17] were not produced to audit. It was stated that the vouchers

15 PHCs Changa, Malanoo, Bhalla of Doda District
16 Doda, Poonch and Rajouri
17 DHS Rajouri- Rs. 11.33 lakh, Block Kandi-Rs. 15.04 lakh, PHC Siot- Rs. 1.29 lakh, PHC Jamola- Rs. 0.07 lakh and SCs, PHCs Block Surankote Poonch- Rs. 1.45 lakh

were not traceable from the records. In the absence of supporting vouchers, the veracity of the expenditure of Rs. 29.18 lakh can not be vouched.

- No reconciliation was conducted between GOI, SHS, DHS, Blocks and with the banks, which resulted in excess release of Rs. 41.60 lakh[18]. It was stated that the excess amount released would be recovered.

- Rupees 6.95 lakh released (2007-09) by the SHS to District Hospital, Rajouri (Rs. Five lakh) and two health centres[19] by the DHS, Rajouri/Doda was not received (June 2009) by these health centres even after gaps of six months to one year. The Medical Superintendent, District Hospital, Rajouri and In-charge SC, Jawahar Nagar, Rajouri informed (May 2009) that they had no knowledge of any such amounts having been released by the SHS/DHS, whereas the MO, PHC, Bhagwah, Doda informed (April 2009) that the amount had been wrongly credited into a different bank account and efforts were on to recover the said amount. This is indicative of the fact that periodic reconciliation of accounts of SHS/DHS with that of the field units had not been conducted.

1.1.9.3 Untied funds

Untied funds were to be utilised for activities such as minor modifications, *adhoc* payment for cleaning, transportation of emergency cases to referral centres, purchase of bleaching powder and disinfectants, provision of running water, repair of soak pits, etc. Similarly, Annual Maintenance Grant was to be utilised for maintenance of SCs, PHCs and CHCs which include minor modifications to the health centres.

The intended purpose of untied funds and AMG is to facilitate health centres to meet urgent yet discreet activities that need small sums of money. Audit scrutiny showed that out of Rs 1.43 crore expended in the test-checked health centres, Rs. 18.24 lakh (13 *per cent*) were spent on purchase of furniture, stationery, office expenses, etc. which was prohibited under the guidelines. As the health centres used these funds to meet their routine requirements under office expenses, the intended purpose was defeated. The concerned BMOs/MOs/In-charge, CHC/PHC/SC stated that in the absence of guidelines, the funds could not be utilised on approved activities. The reply is incorrect, as the guidelines are appended with each release order while releasing the funds.

1.1.10 Capacity building

The Mission envisages creation of infrastructure/buildings for health centres (District hospitals, CHCs, PHCs and SCs) and strengthening of the existing ones after assessment of existing load and requirement for creation/up-gradation in view of potential increase in the number of patients after improvement of services.

1.1.10.1 Physical infrastructure

A target of providing one SC for a population of 4,000 (3,000 in tribal areas), one PHC for population of 25,000 (20,000 in hilly and tribal areas) and one CHC for population of 1,00,000 (80,000 in hilly and tribal areas) was set under the Mission.

---

[18] Rs. 17 lakh by SHS to DHS Kupwara, Rs. 17.10 lakh by DHS Doda to 4 blocks and Rs. 7.50 lakh by Block Mandi (Poonch) to 6 PHCs

[19] Rs. 1.75 lakh to PHC Bhagwah, Doda and Rs. 0.20 lakh to SC Jawahar Nagar, Rajouri

The position of infrastructure required as per norms, available in the State as on 1st April 2007 and that to be created by the end of the Mission period and by March 2009, is as under:

Table 1.1.2

(In numbers)

Particulars	Sub centre	PHC	CHC	District hospital
Requirement as per norms Based on PIP 2007-08 projections. Total population of the State: 1.01 crore (2001 census)	3,381	489	121	22
Existing as on 1 April 2007	1,907	375	85	14
Additional requirement to be completed in the Mission period 2005-12	1,474	114	36	8
To be completed up to March 2009as per PIP 2007-08	Not targeted	80	21	8
Constructed up to March 2009	Nil	Nil	Nil	Nil

(Source: PIPs/Progress Reports of Director Health Services)

Against additional requirement of 1,474 SCs, 114 PHCs, 36 CHCs and eight District hospitals, the Department targeted construction of 80 PHCs, 21 CHCs and eight District hospitals by the end of March 2009. However, no new health centre had been constructed in the State during this period.

An amount of Rs. 20 crore earmarked (2007-2008) by the GOI for construction of new SCs/PHCs had not been utilised due to non-release of funds by the SHS to the line departments. There was an overall shortage of 44 *per cent* SCs, 23 *per cent* PHCs and 30 *per cent* CHCs in the State as of March 2009. Reasons for non-release of the funds, though called for in audit, were not assigned.

- The Department initiated up-gradation of existing CHCs to bring those up to Indian Public Health Standards (IPHS). 68 CHCs (estimated cost: Rs. 8.94 crore) out of 85 CHCs, taken up (April 2006 to January 2008) for up-gradation within three to four months, only 22 CHCs (32 *per cent*) had been up-graded as of March 2009. Of the 22 up-graded[20] CHCs, only 18 had been handed over[21] to the Department as of March 2009. The Director Health Services, Jammu stated that the executing agencies would be requested to expedite completion of remaining works. The Director Health Services, Kashmir, did not furnish any reasons for the delayed executions.

- Works on five[22] out of 68 CHCs taken up for up-gradation (estimated cost: Rs. 86.14 lakh), on which Rs. 26.50 lakh (out of Rs. 84.41 lakh) had been spent were held up for the last one to three years due to change in site, land dispute, lack of designs, etc. The Director Health Services, Jammu, while stating (September 2008) that the works would be started soon, was silent about the reasons for non-identification of proper sites to avoid land disputes and non-framing of designs in time to accomplish the task.

- Out of Rs. 96.33 crore released (2006-09) for 157 works relating to strengthening/up-gradation of PHCs/CHCs/Sub-district hospitals/district hospitals,

20 Jammu Division: 14, Kashmir Division: 08
21 Jammu Division: 10, Kashmir Division: 08
22 Bani, Darhal, Kalakote, Kandi and Mandi

the DHSs[23]released Rs. 83.51 crore[24] to the implementing agencies during 2007-09, retaining Rs. 12.83 crore (Director Health Services, Kashmir: Rs. 5.04 crore; Jammu: Rs. 7.79 crore) which had been lying unspent as of March 2009. The Director Health Services, Kashmir stated that land was not identified for construction. The reply should be viewed in the light of the fact that the land was to be identified by the Department while projecting the demand in the PIP. The Director Health Services, Jammu stated that funds could not be released due to non-finalisation of Detailed Project Reports (DPRs).

1.1.10.2 Status of infrastructure at health centres

The Mission targeted provision of certain guaranteed services for different levels of health centres as per the norms of Indian Public Health Standards (IPHS). However, critical gaps in infrastructure could not be filled to a significant extent despite availability of funds as can be seen from the position of availability of services in the test-checked health centres depicted below.

Table 1.1.3

Particulars	Sub-centres	PHCs	CHCs
Number of health centres test-checked	**69**	**34**	**18**
Centres housed in private buildings	46	8	1
Buildings in bad condition	45	11	5
Poor cleanliness	19	8	1
Citizen's charter not displayed	66	29	5
Complaint box not maintained	69	27	5
Separate utilities for men and women not present	67	24	6
Operation theatres not existing	NA	33	5
Labour rooms not present	66	13	2
Separate male/female wards not present	NA	28	3
No waiting rooms	NA	20	12
No provision for water supply	45	8	1
No provision for water storage	69	20	6
No sewerage facilities	NA	21	7
No bio-waste disposal facility	69	34	18
No electricity	62	2	-
No standby power	NA	23	-
No telephone facility	69	33	7
No computers	NA	32	4
No accommodation for staff	67	22	11

Source: Data furnished by the SCs/PHCs/CHCs,
*Percentage with reference to audited health centres

While the envisaged guaranteed services at CHCs were partial, at the SC and PHC level, a majority of these services were not being provided despite availability of funds.

23 Jammu and Kashmir

24 Jammu: Rs. 38.38 crore; Kashmir: Rs. 45.13 crore

Illustrative photographs of working conditions of health centres are given below:


Unhygienic waste disposal at CHC Gandoh, Doda (Left), CHC Bhaderwah, Doda (Right)

Clean Medical wards (CHC Bhaderwah)

Unclean medical ward (DH Rajouri)

OPD room at PHC Hariwatnoo, Tangmarg

Make-shift Labour room at PHC Hariwatnoo

1.1.10.3 Facilities at health centres

The status of various facilities in the 69 SCs, 34 PHCs and 18 CHCs test-checked in audit was as under:

- The Mission provides for daily OPD services at each PHC and CHC. It was encouraging to see that the OPD service was running on daily basis in all the PHCs and CHCs.

OPD in CHC Sunderbani

- The Mission provides for six and 30 bed in-patient services at the PHC and the CHC respectively. Only eight out of the 34 PHCs (Jammu: 0, Kashmir: 8) had functional in-patient service with full bed strength. Remaining 20 PHCs (Jammu: 12, Kashmir: 8) had in-patient service with only one to five beds and in the remaining six PHCs (Jammu: 6) the service was not available.

  Further, only 11 CHCs (Jammu: 5, Kashmir: 6) had functioning in-patient service with full complement of 30 beds. Availability of beds in the remaining seven CHCs (Jammu: 4, Kashmir: 3) ranged between 10 and 24.

- The Mission stipulates an operation theatre at each CHC. However, only ten CHCs (Jammu: 4, Kashmir: 6) had a functional operation theatre, three CHCs (Jammu: 2, Kashmir: 1) had a non-working/defunct operation theatre and five (Jammu: 3, Kashmir: 2) had no operation theatre.

Functional Pathological Laboratory at PHC Hariwatnoo, Tangmarg

Under-construction Labour room, operation theatre and blood bank at CHC Gandoh, Doda. Equipment already received.

- Under the Mission, every PHC and CHC is to have a labour room for safe delivery. Labour room was available in 21 out of 34 PHCs (Jammu: 10, Kashmir: 11) and in 16 out of 18 CHCs (Jammu: 8, Kashmir: 8) checked in audit.

- Essential diagnostic services were envisaged to be provided by the PHCs and CHCs. It was seen in audit that in 23 PHCs, (Jammu: 12, Kashmir: 11) diagnostic services were available whereas remaining 11 PHCs (Jammu: 6, Kashmir: 5) had no facilities for laboratory services. Full diagnostic services were available in all 18 test-checked CHCs (Jammu: 9; Kashmir: 9).

The Mission provides for blood storage facilities at every CHC. However, only two CHCs (Jammu: 0, Kashmir: 2) out of 18 test-checked had this facility.

Non-functional blood bank at CHC Sunderbani, Rajouri

Labour room at CHC Gandoh, Doda

Well maintained OPD room PHC Siot, Sunderbani, (Rajouri)

Well maintained wards PHC Balshama, Rajouri

- NRHM provides for 24 hour emergency services for management of injuries and accidents, first-aid, dog/snake/scorpion-bite cases, etc. and stabilization of patients before referral by posting three staff nurses at PHCs.

  It was seen in audit that only 18 out of 34 PHCs (Jammu: 5, Kashmir: 13) were providing emergency services. The lack of services in other PHCs was due to non-availability of staff/equipment, etc.

- The Mission aims to provide AYUSH services in accordance with the local tradition by providing an AYUSH doctor at PHCs and at CHCs. However, no AYUSH practitioner was provided at 15 out of 34 PHCs (Jammu: 0, Kashmir: 15) and 9 out of 18 CHCs (Jammu: 0, Kashmir: 9). Thus, the aim of mainstreaming of AYUSH services in NRHM has largely remained un-achieved.

- A Mobile Medical Unit (MMU) was to be provided in every district, particularly in hilly districts, to enable outreach services. Records showed that no Mobile Medical Unit was procured by the State despite the GOI releasing Rs. 6.94 crore during 2007-08 for the purpose. The amounts has been lying unspent with the SHS as of

March 2009, which seriously affected the goal of providing reliable and quality medical care at the doorstep of rural population.

1.1.11 Human resource

The NRHM aims at providing adequate qualified/trained manpower at all levels of health centres.

1.1.11.1 Shortage of manpower

As per the norms, every SC should have at least two ANMs, each PHC must have at least two Medical Officers and three Staff nurses and each CHC should be provided with seven Specialists. The status of manpower at the audited SCs/PHCs/CHCs is detailed below:

Table 1.1.4

Particulars	Total cases found	As percent of total number audited
SUB CENTRES (TOTAL NUMBER AUDITED 69)		
Without two ANMs	63	91
Without one regular ANM	4	6
Without one MPW	24	35
PRIMARY HEALTH CENTRES (TOTAL NUMBER AUDITED: 34)		
Without a Medical Officer (Allopathic)	11	32
Without an AYUSH Medical Officer	15	44
Without any Medical Officer	2	6
Without three Staff Nurses	26	76
Without one Staff Nurse	10	29
Without a Nurse Mid-wife	34	100
Without a Lab Technician	6	18
COMMUNITY HEALTH CENTRE (TOTAL NUMBER AUDITED: 18)		
Without a General Physician	12	67
Without a General Surgeon	10	56
Without an Obstetrician & Gynaecologist	17	94
Without a Paediatrician	14	78
Without an Anaesthetist	10	56
Without nine Staff Nurses (two of them may be ANMs)	15	83.
Without one Staff Nurse	1	6
Without a radiologist	10	56

(Source: Data furnished by the SCs/PHCs/CHCs)

The above table indicates the widespread shortage of critical manpower at the health centres. Status of availability of manpower at State level was not maintained by the State.

1.1.11.2 Appointment of contractual staff

The NRHM guidelines fixed the range for posting of medical/para-medical staff in CHCs, PHCs and SCs. The position of the number of staff required and that posted thereagainst during 2005-08 in four[25] out of the six audited districts is detailed in the table below. The position of the staff as of March 2009 was not provided.

25 Rajouri, Poonch, Doda and Leh

Table 1.1.5 Targets and achievements/Requirement of staff in four test-checked districts as on 31.3.2008

Name of the post	Staff required as per NRHM norms	Men in position (31.3.2006)	Shortage as on 31.3.2006 (percentage)	Contractual staff		Overall shortage ending March 2008
				Targeted for engage-ment during 2005-08	Actually engaged during 2005-08	
Medical Officer	156	64	92 (59)	83	10	82 (53)
Specialist Doctor	147	43	104 (71)	6	0	98[26] (67)
AYUSH practitioner	78	22	56 (72)	42	42	14 (18)
ANM	1,041	471	570 (55)	102	63	507 (49)
Staff Nurse	381	129	252 (66)	88	42	210 (55)
Pharmacist	99	127	(-) 28	0	0	0
Lab Technician	99	104	(-) 5	11	11	0
Other medical/ paramedical staff	-	-	-	84	44	0
District Programme Manager (DPM)	4	0	4 (100)	4	4*	0
District Finance Manager (DFM)	4	0	4 (100)	4	3*	1 (25)
District Data Manager (DDM)	4	0	4 (100)	4	3*	1 (25)
Block Programme Manager	23	0	23 (100)	23	17	6 (26)
Total	**2,036**	**960**	**1,076 (53)**	**451**	**239**	

(Source: Data furnished by the DHS)
* One each DPM, DFM and DDM left the job in District Doda during 2008-2009

As on 31 March 2006, there was a shortage of 1,076 (53 *per cent*) personnel in four test-checked districts. While the shortage of doctors and specialists ranged between 59 and 71 *percent*, the shortage of technical staff was in the range of 55 and 72 *per cent*. In the remaining two test-checked districts, the shortages could not be ascertained due to overlapping of manpower between general and NRHM. As per the Mission guidelines, the Department could appoint contractual staff to fill the vacancies. However, as against targeted recruitment of 451 personnel, only 239 (53 *per cent)* personnel had been appointed during 2006-08, due to non-recruitment by the concerned District Development Commissioners (DDCs), who are vested with powers to recruit the contractual staff. It was also seen that local residence criteria in appointments, envisaged under the Mission guidelines in 103 cases, had not been adhered to. The DHSs stated that the appointment of the contractual staff was the responsibility of the DDCs to whom the matter had been referred to from time to time.

1.1.11.3 Engagement of ASHAs

Under the Mission, a trained female community health worker called Accredited Social Health Activist (ASHA) is to be provided in each village in the ratio of one per population of 1,000 people (or less, for large isolated habitations). The ASHA was expected to act as an interface between the community and the public health system. The job of ASHA included mobilisation of children for vaccination, encouraging institutional deliveries, increasing anti-natal checkups (ANCs), etc. No fixed remuneration has been fixed for ASHA under the Mission. However, they are to be paid on the basis of number

[26] Six regular specialist doctors posted during 2006-08 in Leh

of cases of immunisation, institutional deliveries, etc. brought by them out of funds provided under Immunisation and *Janani Suraksha Yojana* (JSY).

The status of engagement of ASHAs in the test-checked districts as of March 2009 is given below.

Table 1.1.6

Name of the district	Total rural population (2001) (In lakh)	Number of ASHAs required	Number of ASHAs engaged (March 2009)	Gap Excess(+)/ Shortfall (-)
Total for the State	**76.27**	**7627**	**9764**	**2137**
Anantnag	10.04	1,004	1,281	(+) 277
Baramulla	9.73	973	1,365	(+) 392
Leh	0.89	89	241	(+) 152
Doda	6.44	644	700	(+) 56
Rajouri	4.50	450	410	(-) 40
Poonch	3.49	349	294	(-) 55
Total	**35.09**	**3,509**	**4,291**	**(+) 782**

(Source: Data furnished by the DHS)

Against a requirement of 3,509 ASHAs, 4,291 ASHAs had actually been engaged in the six audited districts as of March 2009. The overall position at the State level, based on census 2001, too showed that there was excess deployment of ASHAs against the target numbers. The excess deployment may be attributed to scattered population in the hilly districts of the State.

The following shortcomings in engagement of ASHAs were seen in audit.

- In 118 cases, ASHAs were selected in contravention of the norms (formal education upto eighth class).
- The role/responsibility of ASHAs were required to be popularised by the facilitators in the villages through interaction with the community; however, it was not done in any of the villages of audited districts.
- Block facilitators were not engaged to evaluate the performance of ASHAs. Further, closure of *Janani Suraksha Yojna* (JSY) scheme from April 2007 to January 2009 and subsequent non-payment of incentive to beneficiaries resulted in under-performance by the ASHAs in bringing cases for institutional deliveries and other allied activities entrusted to them during this period. This can be gauged from the fact that the antenatal care (ANC) check-ups fell from 48 *per cent* in 2005-06 to 40 *per cent* in 2008-09.

Meeting of ASHAs in progress, CHC Gandoh

1.1.11.4 Training

One of the aims of the NRHM was capacity building of human resources through skill up-gradation of the medical and support personnel by imparting periodical training to them. The details in this regard are tabulated below:

Table 1.1.7: Details of training provided

Post	2006-07		2007-08	
	T*	A**	T	A
ASHA	700		9,500	
	Module I	685		8,815
	Module II	Nil		7,091
RMP/TBA	2,000	1,658	-	29
ANM	498	549	164	63
Staff Nurse	200	132	-	20
Medical Officer	322	262	78	64
Programme Manager	0	0	28	25
Total	**3,720**	**3,286**	**9,770**	**9,016**

(Source: Status reports of SHS), # Data for 2008-09 not provided by the SHS
* Targets; ** Achievements

The Department had not set any target for training in 2005-06 and data relating to training for 2008-09 was not provided to audit.

1.1.12 Procurement of drugs and supplies

The Mission norms provide for preparation of a drug policy/formulary list of drugs with an objective of procuring drugs that are economically priced, safe and effective. Under the Mission, the aim of a drug policy/formulary list of drugs is to use a limited number of carefully selected medicines, based on the agreed clinical guidelines for better supply of medicines and rational prescriptions. It also aims at controlling expenditure and allowing procurement of drugs economically with competitive drug prices and simplified supply management procedures.

It was noticed in audit that neither a drug policy nor a common formulary or essential drug list had been formulated for ensuring better and rational supply of medicines. However, the purchases were made through the centralised State Level Purchase Committee.

Further, out of Rs. 6.23 crore released for procurement of medicines, during the years 2005-09, Rs. 5.28 crore had been utilised by the State Government and the balance Rs. 95.33 lakh had remained unutilised due to inability of the SHS to procure drug kits ordered in June 2007. Order for supply of various drug kits (First Referral Unit (FRU) Kits- 28, CHC Kits–52, PHC Kits-334, RTI/STI Kits-28, SC Kits-3814 and ASHA Kits-9500) at a cost of Rs. 5.79 crore was placed (June 2007) with a firm[27] for supply within 45 to 60 days. The supplier had not supplied the entire lot of the ordered quantity and kits worth Rs. 86 lakh (FRU Kits-28 and CHC-52) had not been received as of March 2009. The Department had not pursued the matter with the supplier for supply of the balance quantity for about one and a half years despite availability of funds which had affected the delivery of health-care services at health centres.

1.1.13 Information, Education and Communication

The Information, Education and Communication (IEC) strategy under the Mission aims to facilitate awareness and dissemination of information regarding availability of and

[27] M/S Karnataka Antibiotics Limited

access to quality health-care for the poor, women and children in rural areas. The focus of IEC activities during the period 2005-08 was on themes like *Janani Suraksha Yojana* and institutional deliveries, routine immunisation, Post Natal Diagnostic Test and girl child breast feeding, positioning of ASHA, diseases control programmes, contraceptive choice, spacing, etc.

As per the norms, allocations upto Rs. 10 per capita are to be made at national, state and district levels for carrying out a variety of activities involving communities and also the media. Further, the allocations are to be spent equally (one third) at the three levels i.e. national, state and district level. Funds available at the district level were meant for carrying out the activities at the block and village levels also.

Scrutiny revealed that though an IEC bureau was set up, it had not undertaken any activity at the block/village levels. Against an amount of Rs. 2.18 crore provided (2005-08) by the GOI under IEC to the SHS, only Rs. 92 lakh (42 *per cent*) had been expended on 18 different activities[28] covering IEC and balance was lying with the State/District authorities. The expenditure was in the ratio of 67:33 at State and district levels against the permissible ratio of 50:50. No funds were spent at block/village level thereby violating the provisions of the guidelines. No data for 2008-09 was made available by the SHS. As per the information provided by the SHS, no training in IEC activities for State and block level officers had been planned or provided. Only 17 district level officers had been trained in the State (2005-08). No evaluation of IEC activities had been conducted.

1.1.14 Performance Indicators

The impact of NRHM would largely be reflected through various performance indicators like the total fertility rate (TFR), infant mortality rate (IMR), material mortality rate (MMR), institutional deliveries, status of immunisation, etc.

The State indicators vis-a-vis national indicators for the health sector are given in the table below.

Table 1.1.8

Item	Jammu and Kashmir	India
Crude Birth Rate (SRS 2007)	19.0	23.1
Crude Death Rate (SRS 2007)	5.8	7.4
Total Fertility Rate (SRS 2007)	2.3	2.7
Infant Mortality Rate (SRS 2007)	51	55
Maternal Mortality Ratio (SRS 2004-2006)	NA	254

(Source: Web site of NRHM)

While the status of health profile of the State has been quite encouraging vis-à-vis the performance indicators available for the country, these can be further improved if there is proper fund management/utilisation and various sectors involved are covered in conformity with the guidelines issued for implementation of the Programme.

28 Activities like display of advertisements through electronic and print media, exhibitions, health *melas*, seminars, wall hangings, etc.

1.1.15 Reproductive and Child Health II (RCH-II) programme

The RCH-II under the Mission aims to reduce maternal/infant mortality and total fertility rate and promote family planning, immunisation, etc. to achieve population stability and register all the pregnant women before they attain 12 weeks of pregnancy to provide them necessary services/medicines. Under the maternal health, the RCH II aims to reduce maternal and infant mortality rates to 100 per lakh and 30 per thousand respectively, by 2010. The important services for ensuring maternal health and care include antenatal care (ANC), institutional delivery care, post natal care and referral services.

1.1.15.1 Maternal health

Registration of pregnant women is the basic requirement for delivery of services. Besides, early detection of complications during pregnancy by four prescribed antenatal check-ups is an important intervention for preventing maternal mortality and morbidity. The RCH II programme emphasised Iron Folic Acid (IFA) administration for pregnant women. Prophylaxis against anaemia in a pregnant woman requires a daily dose of large Iron Folic Acid tablets for a period of 100 days. It was seen in audit that while the ANC check-ups have still to cover extensive ground, the IFA administration declined alarmingly.

It was seen that the number of registered pregnant women increased during 2005-08 but decreased marginally during 2008-09. At the State level[29], the number of registered pregnant women, who got three/four ANC check-ups, declined from 48 *per cent* in 2005-06 to 40 *per cent* during 2008-09. However, in the audited districts the position had increased from 25 to 37 *per cent*. The number of registered pregnant women, at the State level, who were provided with 100 days of IFA tablets, witnessed a declining trend from 63 to 23 *per cent* during 2005-09 due to poor response of pregnant women which can primarily be attributed to stoppage of JSY payments to beneficiaries as brought out in paragraph 1.1.11.3 and non-availability of tablets during 2008-09 due to non-receipt of these tablets from the GOI. In the audited districts, it declined from 59 to 36 *per cent*. The district level and State level data is given in **Appendix 1.1.**

Year-wise details for the State, as a whole, are depicted in the following table.

Table: 1.1.9

Year	No. of pregnant women		
	Registered at any health centre	Received third/fourth antenatal checkups	Received 100 days of IFA tablets
2005-06	3,05,121	1,47,391 (48)	1,92,701 (63)
2006-07	3,95,571	1,44,767 (37)	1,77,323 (45)
2007-08	4,01,464	1,27,912 (32)	1,63,373 (41)
2008-09	3,90,266	1,56,637 (40)	89,485 (23)

(Source: Progress Reports/Data furnished by the SHS)
(Figures in parenthesis indicate percentage)

1.1.15.2 Tetanus Toxoid immunization

Two doses of tetanus toxoid have been prescribed for all pregnant women to immunise the mother and neonates from tetanus. It was seen in audit that no improvement was

29 Data furnished by SHS

achieved; however, there was a slight decline as detailed below.

At the State level, the number of targeted pregnant women, who were provided with two doses of TT immunization during 2005-09, declined from 70 to 64 *per cent*.

Table 1.1.10: State level TT immunisation

Year	Target	Achievement (Percentage)
2005-06	3,44,239	2,40,410 (70)
2006-07	3,75,800	2,69,468 (72)
2007-08	3,84,800	2,68,331 (70)
2008-09	3,71,657	2,37,947 (64)

(Source: Progress Reports/Data furnished by the SHS/DHS)

In the audited districts, the TT immunization declined from 80 to 70 *per cent* as depicted in the following table.

Table: 1.1.11: District level TT immunisation

District	TT immunisation (in thousand)							
	2005-06		2006-07		2007-08		2008-09	
	T	A	T	A	T	A	T	A
Leh	2,306	2,173	2,713	2,700	3,489	3,300	1,342	954
Anantnag	62,954	62,954	64,262	64,262	56,143	56,143	19,468	19,468
Rajouri	13,235	13,041	17,745	14,155	18,271	14,331	19,190	16,270
Doda	23,885	11,998	24,363	15,491	24,850	13,801	25,347	16,594
Baramulla	29,062	14,731	38,072	11,625	25,245	15,229	31,815	12,676
Poonch	NA	10,170	11,210	11,368	14,656	12,958	13,360	11,360
Total	**1,31,442**	**1,04,897 (80)**	**1,58,365**	**1,19,601 (76)**	**1,42,654**	**1,15,762 (81)**	**1,10,522**	**77,322 (70)**

(Source: Progress Reports/Data furnished by the SHS/DHS)

1.1.15.3 Institutional delivery

To encourage institutional delivery, the Janani Suraksha Yojana provided all pregnant women in low performing States and BPL pregnant women in high performing States a cash compensation[30] for undergoing institutional delivery irrespective of their age and number of children with them. The ASHA who helped the pregnant woman also received a cash compensation of Rs. 600 per case.

It was seen that at the State level, the number of targeted pregnant women who underwent institutional delivery during 2005-09 ranged between 58 and 86 *per cent* and women who received cash assistance ranged between one and 10 *per cent* as depicted in following table.

Table 1.1.12

Year	Target	Achievement	JSY Payment
2005-06	1,20,000	85,135 (71)	663 (01)
2006-07	1,31,925	1,13,698 (86)	11,462 (10)
2007-08	1,77,263	1,51,144 (85)	10,038 (07)
2008-09	2,62,609	1,51,783 (58)	No data

(Source: Data furnished by the Director Family welfare and status report of SHS)

30 Rs. 700 upto 31.03.2007 and Rs. 1400 with effect from 01.04.2007

In the audited districts, only one to 11 *per cent* of the total women who underwent institutional deliveries during 2005-09 had been paid cash assistance and that too with delays ranging between one to seven months due to non-provision of imprest with ANM and non-availability of funds under the JSY scheme.

It was seen in audit that the aim of encouraging institutional delivery was hampered by large scale non-availability of 24x7 delivery services at PHCs. At the State level, out of total 375 PHCs, only 96 PHCs had facility of 24x7 delivery services. The facility assessment at 34 audited PHCs revealed that the facility of 24 hour delivery services was available only at 18 PHCs. The non-availability of delivery services was attributed to insufficient staff and non-availability of labour rooms at the PHCs.

1.1.15.4 Obstetric care

Essential obstetric care includes antenatal care, supply of essential obstetric drugs, neonatal resuscitation and equipment for new born, etc. Information made available to audit shows that 15 out of 18 CHCs test-checked had no emergency obstetric care, including the facility of caesarean section, due to absence of specialists in obstetrics and gynaecology, anaesthetist, functional operation theatre, adequate infrastructure, support staff, blood storage facility, etc.

1.1.15.5 Postnatal services

Postnatal services include immunisation, monitoring the weight of the child, physical examination of the mother, advice on breast feeding and family planning, etc. It was seen in audit that customer response to postnatal services was poor and in two[31] out of the six audited districts, the number of registered women who visited health centre for postpartum care during 2005-09 ranged between five and nine *per cent* only. No records in this regard were maintained in any of the health centres in the remaining four[32] test-checked districts.

1.1.16 Reproductive health care

1.1.16.1 Reproductive Tract Infections and Sexually Transmitted Infections

The scheme envisages establishment of Reproductive Tract Infections (RTI) and Sexually Transmitted Infections (STI) clinics at each district hospital and first referral unit/CHC.

Information regarding RTI/STI clinics established in district hospitals and CHCs in the State was not available at SHS. However, all the audited district hospitals and 10 out of 18 test-checked CHCs had RTI/STI clinics. In four CHCs, the laboratory for RTI/STI diagnosis was not fully equipped.

1.1.16.2 Medical termination of pregnancy

Medical termination of pregnancy (MTP) is permitted in certain conditions under the MTP Act, 1971. The programme envisaged need-based training to medical officers and nurses, provision of equipment and operation theatre and MTP kits at district hospitals, CHCs and PHCs. The relevant records of the facilities for MTP in health centres were not

---

31 Anantnag and Leh

32 Poonch, Rajouri, Doda and Baramulla

made available by SHS. However, the facility of MTP was found to be available in 12 out of 18 CHCs and 14 out of 34 PHCs audited.

1.1.16.3 Spacing methods

Family planning under the Mission includes terminal method to control total fertility rate (TFR) and spacing method to improve couple protection ratio, to achieve the goal of population stabilisation. The terminal method of family planning includes vasectomy for male and tubectomy for female. At the State level, no targets were fixed for 2005-08. For 2008-09, the shortfall ranged between 19 and 33 *per cent* against targets set for tubectomy and vasectomy.

During 2005-09, at the State level, the proportion of vasectomy to the total sterilisation was only five *per cent*. In audited districts, vasectomy operations constituted 0.4 to 28 *per cent* of the total sterilisation, indicating a gender imbalance impacting the programme. The proportion of vasectomy has not increased even after the launch of the non-scalpel vasectomy.

While female sterilisation is the most commonly adopted method, the programme emphasises laparoscopic tubectomy as preferable to conventional tubectomy. At the State level, the performance of laparoscopic tubectomy was at 67 *per cent* of total female sterilisations, whereas in audited districts, it stood at 70 *per cent*. The reason for low performance was seen to be lack of trained doctors in all PHCs and CHCs and lack of adequate equipment.

Oral pills, condoms and Intra Uterine Device (IUD) insertions are the prevailing spacing methods of family planning to regulate fertility and promote couple protection ratio. Even though the use of spacing methods as such was low, among the total spacing method users, around 92 *per cent* accounted for condom alone and seven *per cent* for oral pills and only one *per cent* for IUD, as depicted in the following table.

Table 1.1.13

Year	Oral pills cycle		IUD insertion		Distribution of condoms	
	T	A	T	A	T	A
2005-06	1,63,127	1,44,976	37,836	29,076	22,94,000	11,78,673
2006-07	1,76,580	1,51,124	33,940	29,890	19,24,700	19,75,934
2007-08	2,03,589	1,81,299	38,284	26,173	22,35,528	30,55,446
2008-09	2,30,621	1,90,113	30,301	26,093	38,88,417	21,85,972
Total	**7,73,917**	**6,67,512**	**1,40,361**	**1,11,232**	**1,03,42,645**	**83,96,025**

(Source: Progress Reports/data furnished by SHS/DHS)

Free distribution of condoms and oral pills were found satisfactory and were available at all the audited SCs, PHCs and CHCs.

The position stated in the foregoing paragraphs is indicative of the fact that significant deficiencies in the Maternal and Child health programmes exist and these have not been able to attract adequate customers as they may not be entirely satisfied with the services being rendered.

1.1.17 Immunisation and child health

Strengthening of services to improve child survival with focus on preventive aspects such as control of vaccine preventable diseases, diarrhoea, and acute respiratory infection among infants and children of less than five years, is a major component of the Mission.

At the State level, the overall shortfall in achievement of full immunisation of children between zero to one age group covering BCG, Measles, DPT and OPV ranged from six to 25 *per cent* during 2005-09. Similarly, for secondary immunisation, children in age group of five to six years were required to be administered Diphtheria and Tetanus (DT) and two doses of Tetanus Toxoid (TT) at the age of 10 and 16 respectively. The shortfall in achievement of the targets in the secondary immunisation ranged from nine to 31 *per cent* for DT, 25 to 54 *per cent* for TT (above 10 years) and 38 to 60 *per cent* for TT (above 16 years) during the same period as depicted in the following table.

Table 1.1.14

(In thousands)

Year	Target	Achievement				FI[33]	DT		TT(10)		TT(16)	
		BCG	Measles	DPT	OPV		T	A	T	A	T	A
2005-06	332	312	278	284	284	278	255	233	204	152	190	109
2006-07	344	316	286	296	296	286	337	245	328	163	310	125
2007-08	354	310	276	299	299	276	341	263	316	144	329	204
2008-09	360	295	270	275	275	270	347	240	347	185	323	135
Total	**1,390**	**1,233**	**1,110**	**1,154**	**1,154**	**1,110**	**1,280**	**981**	**1,195**	**644**	**1,152**	**573**

(Source: Progress Reports/Data furnished by SHS/DHS)

In the case of the audited districts, the overall shortfall in achievements of full immunisation of children between zero to one age group covering BCG, Measles, DPT and OPV ranged from 16 to 35 *per cent* during 2005-09. The shortfall in achievement of the targets in the secondary immunisation ranged from 12 to 48 *per cent* for DT, 40 to 56 *per cent* for TT (above 10 years) and 63 to 70 *per cent* for TT (above 16 years) during the same period.

The shortfall in immunisation resulted in incidences of vaccine preventable infant and child diseases. Out of six audited districts, in Leh and Anantnag Districts, incidence of diseases like Whooping Cough and Measles was reported during 2005-09. However, there is no trend of increase in incidences.

The Pulse Polio Immunisation campaign stipulated conducting of two National Immunization Days (NIDs), six Sub-National Immunization Days (SNIDs) and additional rounds during 2005-09, which had been conducted fully. However, one new pulse polio case was detected in Jammu district during the period.

None of the audited CHCs and PHCs had been provided with complete sets of cold chain maintenance equipment[34] as of March 2009 to support immunisation programme as per the Mission document.

33 Fully immunised

34 Walk-in coolers, Icelined freezers, Refrigerators, Walk-in freezers, Deep freezers

Table 1.1.15

Equipment	Availability of functional cold chain maintenance equipment	
	(Out of 18 audited CHCs)	(Out of 34 audited PHCs)
Walk-in coolers	4	Nil
Icelined freezers	16	6
Refrigerators	11	Nil
Walk-in freezers	2	Nil
Deep freezers	17	3

(Data furnished by CHCs/PHCs)

The Mission emphasises Vitamin 'A' solution for all children less than three years of age. Prophylaxis against blindness amongst children due to deficiency of Vitamin 'A' requires the first dose at ninth month of age alongwith measles vaccine and the second dose alongwith DPT/OPV and subsequently three doses at six monthly intervals.

At the State level, there was a shortfall between 38 and 76 *per cent* in first dose and between 59 and 88 *per cent* in second to fifth Vitamin doses against the target of immunisation during 2005-09. In the audited districts, the overall shortfall ranged between 57 and 94 *per cent*. The main reason for short supply of Vitamin A at health centres during 2005-09 was due to inadequate supply by the GOI.

1.1.18 National Programme for Control of Blindness (NPCB)

The NPCB aims to reduce prevalence of blindness cases to 0.8 *per cent* by 2007 through increased cataract surgery (46 lakh by 2012), school eye screening and free distribution of spectacles, collection of donated eyes and creation of donation centres and eye banks and strengthening of infrastructure by way of supply of equipment and training of eye surgeons and nurses.

Scrutiny revealed the following:

- At the State level (population: 1.01 crore), the number of cataract surgeries[35] performed annually during 2005-09 ranged between 15,209 and 20,931, which is in the range of 150 and 206 operations per lakh of population. In the six audited districts (population: 39.85 lakh), the number of catops performed annually during 2005-09 ranged between 1,014 and 2,373, which was in the range of 25 to 60 operations per lakh of population which was much lower than the desired level of 600 catops per lakh population per annum under the Mission. The under performance in catops can be directly linked to non-availability of eye-surgeons. In the six audited districts, as against a requirement of 24 eye-surgeons, only six eye-surgeons were posted in 18 CHCs and 6 district hospitals.

- The programme envisages training of teachers in Government and Government-aided schools, for screening refractive errors among students and free distribution of spectacles to the students having refractive errors. None of the teachers was trained in the State. 34,382 cases[36] of refractive errors were detected among 4,13,295 students[37] screened by the various health centres in the State during

35 Includes catops conducted by Government hospitals, NGOs, catops camps and by others (private practioners)
36 Jammu region : 7,399 cases, Kashmir region : 26,983 cases
37 Jammu region : 2,37,259 students, Kashmir region : 1,76,036 students

2005-09. However, only 972 (three *per cent*) free spectacles[38] were distributed among the students in the State due to their non-procurement despite availability of funds. No free spectacle was issued in Kashmir region. In the six audited districts, there was no information available with the DHSs regarding distribution of free spectacles.

- Development of eye bank is an important activity to address corneal blindness. As of March 2009, no eye bank was set up in any of the audited districts.

Evidently, very little has been done to reduce prevalence of blindness under the Mission which has mainly been due to non-posting of adequate number of eye-surgeons at the hospitals, non-imparting of training to the teachers and non-establishment of eye banks as envisaged under the Mission guidelines.

1.1.19 Revised National Tuberculosis Control Programme (RNTCP)

The main objective of RNTCP was to diagnose and detect at least 70 *per cent* of tuberculosis cases and to ensure a cure rate of at least 85 *per cent* of smear positive cases through Direct Observed Treatment Short course (DOTS). The year-wise details of targets and achievement under the RNTCP regarding sputum examination and case detection were as under:

Table 1.1.16

Year	Sputum examination			Detection of new Sputum positive cases		
	Target	Achievement		Target	Achievement	
		Number	*Per cent*		Number	*Per cent*
2005-06	39,003	56,905	146	3,900	3,279	84
2006-07	40,504	77,206	191	4,050	4,188	103
2007-08	41,663	70,377	169	4,166	6,035	145
2008-09	71,732	74,769	104	7,173	5,904	82
Total	**1,92,902**	**2,79,257**	**145**	**19,289**	**19,406**	**101**

(Source: Progress Reports/Activity Reports of RNTCP)

It is heartening to note that in the areas of sputum examination and detection, the achievements were exceptionally high and can be justly termed as a resounding success.
The outcome of treatment under RNTCP as of March 2009 is detailed in the following table.

Table 1.1.17

TB Patients							
Year	Registered	Cases evaluated	Cured + treatment completed	Died	Failures	Defaulters	Transferred out
2005-06	1,638	1,585	616	27	4	37	7
2006-07	8,199	7,648	3,212	198	87	296	48
2007-08	11,159	10,511	8,758	493	177	621	127
2008-09	12,773	12,773	11,205	553	121	507	387
Total	**33,769**	**32,517**	**23,791**	**1,271**	**389**	**1,461**	**569**

(Source: Progress Reports/Activity Reports of RNTCP)

The cure rate was encouragingly very high at 88 *per cent* in 2008-09, though at the State level, the facility was available in 162 (out of 460) PHCs/CHCs only. Services for treatment of tuberculosis were available at 17 (out of the 18) test-checked CHCs and only

38 Jammu region : 972 spectacles (2005-06: 882 and 2008-09: 90), Kashmir region: Nil

at seven (out of 34) PHCs. Evidently, much higher cure rate can be achieved with wider availability of treatment facility in PHCs/CHCs in the State.

1.1.20 National Leprosy Elimination Programme (NLEP)

The NLEP aims to eliminate leprosy by the end of the 11^{th} Plan. It also aims to ensure leprosy prevalence rate of less than one per ten-thousand of population. There were 1,973 cases of leprosy in the State as of March 2009 with decline in incidence of new cases from 264 in 2006-07 to 205 cases in 2008-09.

The Mission envisages facilities for diagnosis and treatment of leprosy at all health centres up to PHC level. However, as per data available at the Societies for disease control, only 25 out of 85 CHCs and 160 out of 375 PHCs in the State had the facility for diagnosis of leprosy as of March 2009. None of the 34 audited PHCs had the facility for diagnosis of leprosy, though it was available in 15 out of 18 CHCs.

1.1.21 Integrated Disease Surveillance Project (IDSP)

The IDSP aims to establish a decentralized State-based system of surveillance for communicable and non-communicable diseases, so that timely and effective public health action can be initiated in response to health challenges. The project has four components, viz. (a) establishing and operating a central level disease surveillance unit, (b) integrating and strengthening disease surveillance at the state and district levels, (c) improving laboratory support and (d) training for disease surveillance and action.

The project was launched in the State during 2007-08. The State Surveillance Unit (SSU) was established in October 2007 and District Surveillance Units (DSU) were established in all the districts. None of these was, however, operational as of 31 March 2009 due to non-installation of requisite network. Ten persons were trained during 2008-09.

The goal of setting up a network of surveillance units was not fulfilled as computers, V-Sat and allied equipment to be provided to these District Surveillance Units (DSUs), were not installed (March 2009) by GOI. Strengthening of laboratories for sustaining surveillance activities by way of networking was incomplete with the result that the activities of the project had not been undertaken during 2005-2009.

1.1.22 Monitoring

1.1.22.1 Monitoring committees

The Mission envisages planning, implementation and monitoring through participation of NGOs and community-based organizations (CBOs). As per the NRHM framework, Health Planning and Monitoring Committees were to be formed at State, District, Block and PHC levels to ensure regular community-based monitoring of activities and facilitating relevant inputs for planning with representatives from *Gram Panchayats*, self help groups, user groups, legislature and NGOs/CBOs. It was seen in audit that monitoring through these channels prescribed by the Mission was non-existent.

No Health Planning and Monitoring Committees were formed at any level. Non-formation of committees adversely affected community-based monitoring as well as the planning process at all levels.

Monitoring committees were to be constituted by the Rogi Kalyan Samitis to visit hospital wards and collect patient feedback. The reports of the monitoring committees were to be considered by the RKS for remedial action. The committees were to send monthly monitoring reports to the District Development Commissioner. No monitoring committees had been constituted and records of patient feedback and action taken thereon had not been maintained.

Every district was required to publish annually a public report on health. However, none of the districts had published the public report. In the absence of the district report, the communities, which were to be involved in planning and monitoring of the activities under the Mission, did not have adequate information on the developments taking place in the district.

1.1.22.2 Management Information System (MIS)

Each District Health Society was to develop a computer-based Management Information System and report monthly to the State Health Society. The SHS was to consolidate the MIS reports of the districts and send them to the GOI on monthly basis.

No targets were set for computerisation of districts/blocks to be connected through MIS network. Though all 14 districts were connected through network, except 107 blocks (March 2009), these were not generating and furnishing monthly MIS reports to higher levels. Only status reports were being sent by districts to SHS through E-mail.

In the absence of effective and regular MIS reporting, watch of higher authorities on the progress made under various activities of the Mission suffered and internal control mechanism got diluted.

The Ministry of Health and Family Welfare had prescribed a model MIS for all the districts and States. It was, however, seen in audit that the reports were being collected by health centres and submitted to the District Health Society/State Health Society without any analysis of data collected at health centre and district level.

1.1.23 Conclusion

The performance audit review showed that the status of health profile of the State has been quite encouraging vis-à-vis the performance indicators available for the country. These can be further improved if there is proper fund management/utilisation and various sectors involved are covered in conformity with the guidelines issued for implementation of the Programme. There are large gaps in planning as well as implementation of the Mission activities in the State even after four years of launching the programme. This is evidenced by the findings that no new health centre was put in place, essential services and amenities were not available in many centres and there was critical shortage of technical manpower. Maternal and child health programmes have not made much headway. Planning, implementation and monitoring of the programme through participation of NGOs and community-based organisations was non-existent.

1.1.24 Recommendations

- The State Health Society, besides completing the facility survey, needs to ensure completion of household surveys to formulate the district and lower level plans.

- The SHS needs to map the available health facilities and infrastructure at health centres and initiate measures to expedite the pace of construction of health centres. Support infrastructure like electricity, standby power, adequate water supply, staff accommodation and telephones, etc. need to be provided to ensure improvement in quality of health services.
- Critical diagnostic and radiological services as well as blood storage facility, operation theatre and labour room need to be made functional at all centres. Posts sanctioned for providing medical services need to be filled on a priority basis.
- The design of ASHA scheme may be revised to provide assured earnings to them to ensure their effective participation.
- Maternal health programme needs to be implemented in its entirety covering all the essential areas like registration, reporting and tracking of pregnancies, IFA administration, immunization, antenatal and postnatal care and referral matters.
- Mobile Medical Units may be provided in each district to ensure outreach of medical services in remote/difficult areas.
- Drug policy/formulary drug list needs to be formulated.
- Monitoring and reporting mechanism under the programme should be activated.

HOME DEPARTMENT

1.2 Modernisation of Police Forces

Government of India (GOI) introduced the 'Modernisation of Police Forces' (MPF) scheme in 1969 for capacity building of the State Police Forces to meet the emerging challenges to internal security. The scheme, modified in 2000-01, was extended for a period of ten years to meet the deficiencies in basic infrastructure like Police Stations/Police Posts and police housing, modern weaponry, mobility, communication, forensic science equipment and skill up-gradation by imparting training to the manpower. Review of the implementation of the scheme in the State showed that achievements have been mixed, with areas like housing for personnel and offices, mobility, security equipment, communication and computerization, etc. still facing deficiencies while areas like weaponry and training have been augmented.

Highlights

- **Five year perspective plan was not prepared. Annual Action Plans were prepared on *adhoc* basis as no State Level Empowerment Committee (SLEC) had been formed.**

  (Paragraph: 1.2.7)

- **The target of construction of various types of buildings had not been achieved despite availability of funds and deficiency existed in almost all the types of infrastructure.**

  (Paragraph: 1.2.10)

- **The deficiency of vehicles for mobility at police station level stood at 72 *per cent* against the overall deficiency of 39 *per cent* in the force, indicating non-prioritisation of deployment of vehicles at basic policing units.**

  (Paragraph: 1.2.12)

- **Achievement regarding imparting training to the personnel of the Force was satisfactory.**

  (Paragraph: 1.2.15)

- **Computerisation of various offices/units was partial and systems under-utilised.**

  (Paragraph: 1.2.17)

- **Lack of monitoring and evaluation of the scheme resulted in non-assessment of the impact of the scheme.**

  (Paragraph: 1.2.21)

1.2.1 Introduction

Government of India introduced (1969) the scheme of Modernisation of Police Forces (MPF) to augment the operational efficiency of the State police to face the emerging challenges to internal security effectively. The Scheme was revised during 2000-01 and extended for a period of ten years, to make good the deficiencies in basic police infrastructure identified by the Bureau of Police Research and Development (BPR&D).

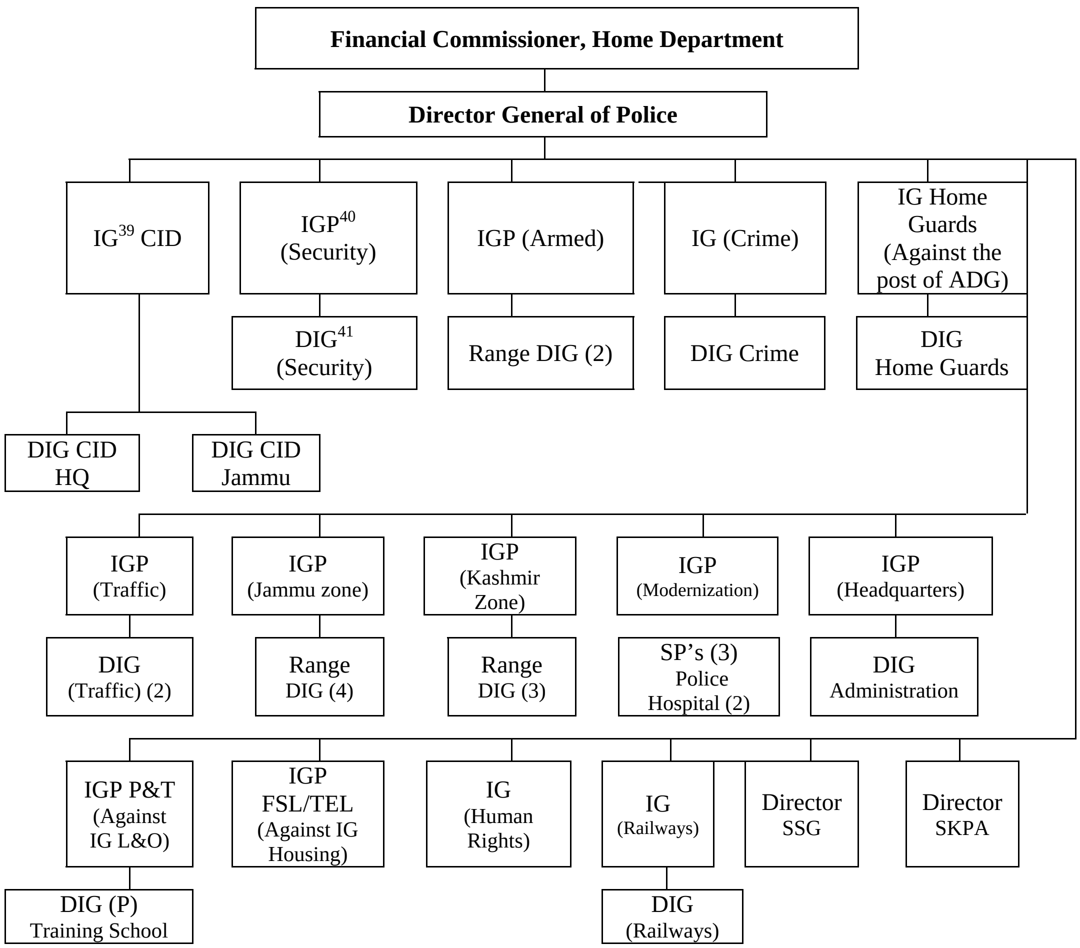
The components covered under the scheme were (a) Construction (residential as well as non-residential buildings) (b) Mobility (c) Weaponry (d) Equipment and

(e) Communication system including Computerisation. Under the revised scheme effective from 2003-04, the State of Jammu and Kashmir is placed under category 'A' and receives 100 *per cent* Central grants.

1.2.2 Organisational setup

The State Police Department is headed by the Director General of Police, who is assisted by 14 Inspectors General of Police (IGPs), two Directors, 19 Deputy Inspectors General of Police (DIGs), 219 Senior Superintendents of Police (SSPs)/Superintendents of Police (SPs) and other supporting officers. The Inspector General of Police (Headquarter), PHQ is the overall in-charge for implementation of the programme.

Chart-1.2.1: Organisational Structure



1.2.3 Scope of audit

Implementation of the MPF scheme during the period 2004-09 was reviewed in audit between February and April, 2009 by a test-check of records in the offices of the DGP, Managing Director, Jammu and Kashmir Police Housing Corporation (JKPHC), Executive Engineer, Police Construction Division (PCD) and allied offices. Besides,

---

39 Inspector General

40 Inspector General of Police

41 Deputy Inspector General of Police

records of 22 (out of 176) police stations[42], three[43] out of 26 Armed/IRP police battalions, two[44] Forensic Science Laboratories and four (out of seven) training centres[45] were also test-checked.

1.2.4 Audit objectives

Audit objectives were to assess whether:

- the Annual Action Plans were framed in accordance with the scheme guidelines;
- funds provided under the scheme were utilized for the intended purpose;
- various components of the scheme were implemented economically and efficiently and targets fixed for each component were achieved;
- equipment purchased and assets created have been utilised and maintained properly;
- training imparted was adequate and
- implementation of the scheme was monitored effectively.

1.2.5 Audit criteria

Audit findings were benchmarked against the following criteria:

- GOI instructions/guidelines on the scheme;
- Perspective Plan and Annual Action Plans approved by the GOI;
- Bureau of Police Research and Development (BPR&D) guidelines/norms;
- Financial Rules of the State Government for purchase of equipment and execution of works and
- Targets fixed by the GOI/State Government for various components.

1.2.6 Audit methodology

An entry conference was held with the Inspector General of Police (Headquarters) in February 2009 wherein audit objectives, criteria and methodology were discussed. At the conclusion of the audit, the audit findings were discussed with the Inspector General of Police (Headquarters) in an exit conference on 8 October 2009.

Audit findings

The major audit findings are discussed below.

1.2.7 Planning

The scheme guidelines provide for the State Government to prepare five year Perspective Plans (PPs) and Annual Action Plans (AAPs) indicating therein the specific projects which are to be implemented in each year. These plans were to be approved by a State

---

42 Kashmir Division: 12; Jammu Division: 10

43 Jammu and Kashmir Armed Police 3rd, 6th battalion and IRP 15th battalion

44 Jammu and Srinagar

45 PTS Vijaypur, PTS Manigam, PTS Kathua, STC Sheeri

Level Empowered Committee (SLEC), headed by the State Chief Secretary, with Home Secretary and DGP as members.

It was seen in audit that the State had neither prepared the PP for 2004-09 nor had it constituted a SLEC. The AAPs were, however, prepared by the Police Headquarters (PHQ) and sent to the GOI through the State Home Department but without approval of SLEC. As a result, the planning remained informal, *adhoc* and to a certain extent directionless, as reflected in various shortfalls brought out in the succeeding paragraphs.

There were delays of about one to one and a half months in submission of AAPs to the GOI during 2004-09, with consequent delay in release of funds to the State Government. As a result, the funds provided to the State under various components viz., equipments, housing, etc. could not be utilized in the relevant financial year. Though the AAPs were framed for ensuring procurement of equipment and execution/completion of various works in a time bound manner, yet, it was noticed that despite availability of funds, the targets for procurement of equipment and execution/completion of works had not been achieved and huge unspent balances had accumulated over the years with the Department/executing agencies as brought out in the subsequent paragraphs.

1.2.8 Financial management

Under the revised scheme effective from 2003-04, the State has been placed under category ‘A’ where it receives 100 *per cent* central grants. The utilisation of funds allotted as per the AAPs is carried out at three levels viz., at the Central level by the Ministry of Home Affairs, GOI (MHA), at the State level by the Department and by the two executing agencies involved in the construction activities viz., Police Construction Division (PCD) and Jammu and Kashmir Police Housing Corporation (JKPHC). Major portion of weapons and crucial equipment is procured by the MHA and the items are received by the State in kind. Apart from this, funds for construction activities were received directly by the JKPHC from the MHA, whereas the PCD received funds both directly from the MHA and also through the PHQ. Funds for components like equipment (security, crime/FSL, communication, medical, traffic, etc.) and vehicles were released by the MHA to State Finance Department for further release to the Department viz., State Police Headquarters (PHQ), for procurement of the items identified in the AAPs and to PCD for construction activities.

1.2.8.1 Budgetary allocation and expenditure

The position of funds required as per AAPs released by the GOI and expenditure incurred thereagainst during 2004-09 is indicated in the following table.

Table 1.2.1

(*Rupees in crore*)

Year	Funds released	Allotment/Expenditure						Total utilisation (*percentage*)
		MHA		State				
				PHQ		Construction		
		A	E	A	E	A	E	
2004-05	111	38	38	30	28	43	10	76 (68)
2005-06	109	30	30	31	30	48	26	86 (79)
2006-07	88	7	7	31	26	50	53	86 (98)
2007-08	115	15	15	58	43	42	45	103 (90)
2008-09	118	4	4	58	31	56	25	60 (51)
Total	**541**	**94**	**94**	**208**	**158**	**239**[46]	**159**	**411 (76)**

(Source: AAPs and Information furnished by the PHQ, PCD and JKPHC)

The component-wise expenditure incurred during 2004-09 was as follows:-

Table 1.2.2: Component-wise expenditure

(*Rupees in crore*)

Component	Funds released 2004-09	Expenditure					
		2004-05	2005-06	2006-07	2007-08	2008-09	Total
Construction	239	10	26	53	45	25	159
Mobility	115	20	30	5	34	21	110
Weaponry	84	29	11	16	15	10	81
Communication	9	03	02	0.57	-	-	5
Other equipment	94	14	17	12	9	4	56
Total	**541**	**76**	**86**	**86**	**103**	**60**	**411**

(Source: Information furnished by the PHQ, PCD and JKPHC)

The GOI released the full quantum of funds against the approved AAPs during 2004-09 and no cuts were imposed on any account. The funds earmarked for procurement of items/equipment directly by the MHA had been utilised fully in the respective years of allotment. However, at the State level, the approved plans of 2004-06 were implemented as late as in 2008-09, which affected the implementation of the scheme. The under-utilisation had been due to release of funds at the fag end of the year from the GOI and subsequent delays ranging between six and 42 months in releases by the State to the Department. The Department/construction agencies also could not utilise full funds released during 2004-09 as the overall utilisation of funds ranged between 49 and 98 *per cent* and huge balances[47] under different components remained unspent as at the end of March 2009.

Non-utilisation of funds was attributed by the Additional Inspector General (Prov/Tpt), PHQ, to delay in release of funds by the State Government. The Accounts Officer (Budget), Finance Department stated (April 2009) that the funds were released to the line department on the basis of demand and capacity to spend. This is indicative of the fact that the Department did not plan properly the implementation of various items spelt out and approved in AAPs as the funds had been released by the GOI with reference to AAPs.

46 JKPHC: Rs. 177.44 crore ; PCD: Rs. 61.03 crore.

47 State: Rs. 39.44 crore; Department: Rs. 11.81 crore and Construction agencies: Rs. 78 crore

1.2.8.2 Utilisation certificates

The scheme guidelines *inter-alia* provide for submission of a certificate at the end of each year by the State Home Department to the MHA (GOI) to the effect that the funds earmarked have been utilised fully and fruitfully.

It was seen that the construction agencies had submitted periodic utilisation certificates to the PHQ. However, records pertaining to submission of annual utilisation certificates during 2004-09 either by the PHQ to State Home Department or by the latter to the MHA, though called for, were not made available to audit. The DGP, however, forwarded (September 2009) a utilisation certificate depicting the utilisation of funds during 2001-09 submitted (May 2009) by the PHQ to the State Home Department. A comparison of the utilisation statement with the statements of annual allotment/expenditure (2004-09) furnished separately to audit by the Financial Advisor & Chief Accounts Officer (FA&CO), PHQ and two construction agencies showed a variation of Rs. 20 crore[48] in the unspent balance as at the end of March 2009. The reasons for variation, though called for were not furnished (October 2009).

1.2.8.3 Fund management

Instances of poor fund management leading to under-utilisation of funds, seen in audit, are discussed below:

- For 11 works[49] approved during 2003-06, the PCD was identified as the executing agency. However, Rs. 1.26 crore meant for these works were erroneously placed (2004-06) at the disposal of the PHC by the GOI and were unnecessarily retained and transferred (January/March 2007) to PCD after about two to three years of release.
- Against Rs. 23 crore released (2003-07) to JKPHC for 81 works, the works were completed at a cost of Rs. 20.33 crore resulting in savings of Rs. 2.67 crore which were retained by the PHC. The CAO, JKPHC stated (March 2009) that the savings were retained as the financial status of works was awaited from the EEs, which was being sought.
- An amount of Rs. 40 lakh was released (March 2008) by the GOI for execution of two[50] works through PCD. The funds had not been released by the State Government (Finance Department) to the PHQ/executing agencies with the result that the works were not taken up for execution as of March 2009.
- The guidelines prohibit diversion of funds from the programme funds for any item/activity other than modernization. It was, however, seen that funds amounting to Rs. 2.22 crore were irregularly re-appropriated (March 2007) by the State Government for payment of ex-gratia relief and salaries. The State Finance Department stated that excess funds surrendered during the year were re-appropriated under other heads on the proposal of the State Home Department. It was further stated that re-appropriation was a demand management issue and did not constitute any

[48] UCs submitted by PHQ to State Home Department: Rs. 110 crore, Total unspent balance as per the statements furnished separately by the PHC, PCD and PHQ to Audit: Rs. 130 crore.

[49] 2003-04: One work; 2004-05: 06 works; 2005-06: 04 works

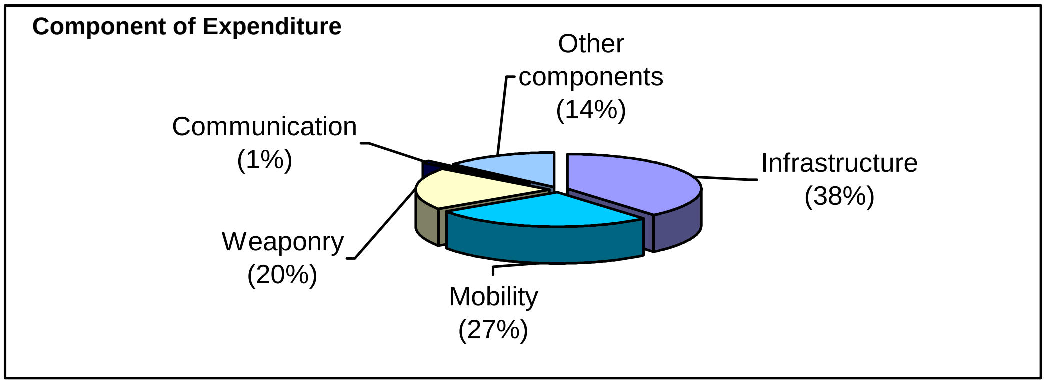
[50] Construction of Model Police station building at Nishat, Srinagar: Rs. 20 lakh; Construction of Model Police station building at Harwan, Srinagar: Rs. 20 lakh

diversion. The response only underscores the fact that the scheme funds retained by the Finance Department were utilised by the Government to meet its day to day expenditure.

1.2.9 Programme implementation

As mentioned under funds management, the Department could utilise only Rs. 411 crore as against Rs. 541 crore provided by the Government of India during 2004-09. Percentage of funds expended on various components of the scheme is given below:

Chart - 1.2.2



The implementation of various activities under each of these components is discussed in the following paragraphs.

1.2.10 Infrastructure

The scheme envisaged provision of basic infrastructure like Police Stations (PSs), Police Posts (PPs), barracks and housing for upper and lower subordinates quarters (USQs/LSQs) in accordance with the Bureau of Police Research and Development (BPR&D) norms. The position of infrastructure available with the Department, as depicted in the AAPs/progress reports as on 1 April 2004 and 31 March 2009, submitted to the GOI is tabulated below:

Table 1.2.3

(In number)

Type of building	Position as on 01.01.2004		Position as on 31.03.2009		Additions claimed during 2004-09
	Requirement	Availability	Requirement	Availability	
LSQs	56,879	3,536	61,432	5,895	2,359
USQs	3,470	477	6,837	954	477
Total	**60,349**	**4,013**	**68,269**	**6,849**	**2,836**
Police stations	169	145	176	164	19
Police out posts	151	53	149	104	51
Barracks	-	-	222	138	138

(Source: AAPs and progress reports of the construction agencies)

It was, however, seen in audit that the figures reported to the GOI far exceeded the actual achievements during the years 2004-09. The comparative position of the availability conveyed to the GOI annually in AAPs vis-a-vis the actual physical achievements during the years 2004-09 is tabulated below.

Table 1.2.4

(In number)

	2004-05	2005-06	2006-07	2007-08	2008-09
Figures of availability reported to GOI in the AAPs					
LSQs/USQs	4,013	3,212	3,212	5,225	6,849
Police Stations	145	72	160	161	164
Police Posts	53	89	89	94	104
Barracks	-	123	123	133	138

(Source: Annual Action Plans)

Table 1.2.5: Actual physical achievement (2004-09)

	2004-05	2005-06	2006-07	2007-08	2008-09
LSQs/USQs	-	264	248	110	62
Police Stations	14	8	4	1	-
Police Posts	-	5	3	1	-
Barracks	19	24	3	2	-

(Source: Physical achievements of construction agencies depicted in progress reports/utilisation certificates).

Evidently, depiction of available LSQs/USQs was erratic and varied considerably from the actual number of works approved under AAPs and physical achievements. Due to non-maintenance of records of actual availability of LSQs/USQs by the Department and non-furnishing of the requisite information, though called for (April/August/September 2009), the position at the beginning and end of the period 2004-09 could not be assessed.

1.2.10.1 Works approved and completed during 2004-09

The position of works approved in AAPs and completed during 2004-09 is given in the following table.

Table 1.2.6

(In number)

Particulars	Housing Units	Other works	Total
Spill over works as at 1 April 2004	400	33	433
Works approved during 2004-09 as per AAPs	1,200	545	1,745
Total	**1,600**	**578**	**2,178**
Works completed as of March 2009	684	299	983
***Percentage* of completion**	**43**	**52**	**45**

(Source: AAPs and Progress reports/utilisation certificates of the Construction agencies)

As of March 2009, 1,195 works were incomplete for periods ranging upto six years due to reasons like improper fund management as brought out in preceding paragraphs and non-availability of land, site disputes, unplanned executions, etc. as discussed in the subsequent paragraphs. It was also seen that out of Rs. 238.47 crore released (2004-09) to the agencies (JKPHC & PCD) for construction activities, only Rs. 159.92 crore (67 *per cent*) had been spent on execution of works as of March 2009.

The non-completion of approved works adversely impacted the aim of providing housing (residential/non-residential) infrastructure to the police personnel.

1.2.10.2 Housing

The National Police Commission recommendations provide for 100 *per cent* satisfaction level for housing units (LSQs/USQs) whereas the BPR&D norms prescribed a satisfaction level of around 80 *per cent* for the LSQs and 90 *per cent* for USQs. The all India average satisfaction level in respect of housing units as per BPR&D (2000-01) stood at 40 *per cent*.

Based on the Departmental figures of 2004-05 of available housing infrastructure and the actual physical achievements[51] during 2004-09, the overall status of infrastructure as at the end of March 2009, arrived at by audit, is tabulated below:

Table 1.2.7: Status of Residential units as on 1 April 2004/31March 2009

(In number)

Type of building	Position as on 01.01.2004		Position as on 31.03.2009	
	Sanctioned/ Requirement*	Availability (percentage)	Sanctioned/ Requirement*	Availability (percentage)
Housing				
LSQs	56,879/22,752	3,536(16)	61,432/24,573	3,986 (16)
USQs	3,470/1,388	477(34)	6,837/2,735	711 (26)
Total	**60,349/24,140**	**4,013 (17)**	**68,269/27,308**	**4,697 (17)**

(*At the satisfaction level 40 *per cent)*

Against the all India satisfaction level (40 *per cent),* the level of satisfaction was dismal 6.65 *per cent* (as of March 2004). To attain even all India average satisfaction level, there was requirement of additional 20,127 units in the State as on 1 April 2004. Against this, only 1,200 housing units[52] were projected in the AAPs during 2004-09, out of which only 364 units had been constructed as of March 2009. Combined with the added units (320) from the spill over works (400) as on 1 April 2005, 684 units were constructed during 2004-09. Thus, the satisfaction level as of March 2009 was just 6.88 *per cent* against the average national satisfaction level of 40 *per cent*. In last five years, the Department was able to improve the satisfaction level by meagre 23 basis points. The reasons for huge deficiency was primarily due to non-completion of the housing units already approved and also projection/approval of lesser number of housing units for construction during 2004-09. Reasons for projection of less number of LSQs/USQs vis-à-vis the scale of deficiency, though called for (March 2009), were not intimated.

The DGP intimated (September 2009) that the Department had constructed 5,249 LSQs/USQs under the seventh, eight and ninth Finance Commission Awards (FCAs)[53] and 1,300 LSQs/USQs[54] under MPF scheme during 2001-09. It was, however, intimated (October 2009) that no housing units had been constructed under the FCAs during 2004-09 which means that these housing units existed as of 1 March 2004. It is evident that the Department had no data/information on the housing units as even the claims made under FCA (5,249 units) do not conform to the figures (4,013 units) of availability conveyed to the GOI in 2004-05. The year-wise break up of physical achievements of housing units approved under MPF scheme during 2004-09, though called for (October 2009), was not intimated.

1.2.10.3 Police Stations (PSs)/Police Posts (PPs)

Construction of buildings for PSs/PPs was one of the priority areas under the scheme.

51 As depicted in physical progress reports of construction agencies

52 LSQ: 500 and USQ: 700

53 7th FCA: LSQs-1323, 8th FCA: LSQs-2355 and USQs-54, 9th FCA: LSQs-1517

54 LSQs-700 and USQs-600

The position of sanctioned PSs/PPs and availability thereof is tabulated below:

Table 1.2.8

(In number)

Type of building	Position as on 01.01.2004			Position as on 31.03.2009		
	Sanctioned/ Requirement*	Availability	Shortage (*percentage*)	Sanctioned/ Requirement*	Availability*	Shortage (*percentage*)
Police stations	169	145	24 (14)	176	172	4 (2)
Police out posts	151	53	98(65)	149	62	87 (58)

(* As worked out by the audit)

At the beginning of 2004-05, the Department claimed a deficiency of only 24 PSs (14 *per cent*) and 98 (65 *per cent)* PP buildings.

However, construction of 54 PSs (estimated cost: Rs 12.58 crore) and 35 PP (estimated cost: Rs 6.04 crore) buildings were approved in the AAPs during 2004-09. Of these, only 27 PSs and nine PP buildings had been completed as of March 2009. The approval of more PS buildings than the claimed deficiency indicates that the claims made at the beginning of year 2004 were not based on facts. Further, figures of availability reported to GOI in the AAPs are not based on the factual position.

Model Police Station, Gandhi Nagar, Jammu

It was also seen in audit that despite release of the full requirement of Rs. 6.94 crore, construction and up-gradation of 22 PSs and 11 PPs[55] approved in the AAPs 2004-08 had not been completed even after delays of one to four years. Delay in completion of these smaller but essential works, which could have ordinarily been completed in one or two working seasons, defeated the objective of modernization, besides exposing the infrastructure and frontline manpower in these areas to risk.

1.2.10.4 Barracks

The deficiency of Barracks for Jawans was not assessed during 2004-05. The Department, however, showed a requirement of 222 barracks with a capacity of 50 personnel each (total targeted accommodation 11,100 personnel) in the AAP for the year 2008-09. Construction of 111 barracks[56] was approved in the AAPs during 2004-09 at a cost of Rs. 20.39 crore, out of which only 48 (43 *per cent*) had been completed as of March 2009. Against the requirement of 222 barracks, only 138 (62 *per cent*) barracks with intake capacity of 6,900 personnel were available as of March 2009. Test-check of records of constructions agencies showed that construction of 33 barracks, for which full allocation of Rs. 10.87 crore had been released by the GOI against the AAPs 2004-08, had not been completed (March 2009) by the executing agencies even after delays ranging from one to four years, primarily due to delay in acquisition of land. The

[55] 2004-05: 09 works (PP: 03, PS: 06); 2005-06: 09 works (PP: 04, PS: 05);
2006-07: 09 works (PP: 01, PS: 08); 2007-08: 06 works (PP: 03, PS: 03)

[56] 2004-05: 28 works; 2005-06: 61 works; 2006-07: 06 works; 2007-08: 11 works; 2008-09: 05 works

incomplete barracks included 22 barracks located in far off, remote and sensitive areas like Doda, Poonch, Rajouri, etc.

Due to poor progress in construction of LSQs and USQs and non-completion of barracks, the objective of humanizing the police and relieving them of the pressure of long and varied hours under stress and still maintaining balance remains far from being achieved.

1.2.10.5 Unplanned executions

Cases of unplanned executions, seen in audit, which contributed to the overall tardy execution of the approved works, are detailed below.

Non-execution/abandoning of approved works

One hundred and three works relating to housing (LSQs/USQs), office buildings, etc. were approved during 2004-08 and an amount of Rs. 18.92 crore was released to the construction agencies[57].

Table: 1.2.9 Works approved but not taken up/abandoned

(Rupees in lakh)

Year	No of works approved	Works not taken up		Work in progress		Works taken up but abandoned	
		No. of works	Approved cost	No. of works (Approved cost)	Expenditure	No. of works (Approved cost)	Expenditure
2004-05	11	8	93.00	-	-	3 (55)	11.16
2005-06	61	42	648.00	5 (276)	120.06	14 (95)	20.65
2006-07	15	13	184.00	-	-	2 (56)	17.56
2007-08	16	15	365.00	-	-	1(30)	0.28
Total	**103**	**78**	**1,290.00**	**5 (276)**	**120.06**	**20 (236)**	**49.65**

(Source: Physical progress reports of JKPHC/PCD)

Out of 103 works approved in annual plans, only 25 works were taken up for execution, of which, five works (approved cost: Rs. 2.76 crore) continued to be in progress as of March 2009 and the remaining 20 works (approved cost: Rs. 2.36 crore) were abandoned after spending Rs. 49.65 lakh thereon due to non-availability of land, land disputes, disputes with piece workers, non-finalisation of site plans, etc. and the works had not been resumed for the last one to five years.

In remaining 78 works, which were not taken up, a revised proposal (December 2006) for executing 17 alternate works in place of 15 works was approved (March 2007) by the GOI. Out of these, only six works were completed, six were under progress and four works, for which Rs. 63 lakh were earmarked, had not been taken up for execution as of March 2009. Further, one work for which Rs. 20 lakh had been released, had been abandoned after incurring expenditure of Rs. 9.88 lakh.

Non-construction of Administration Block of vigilance Organisation

An amount of Rs. 50 lakh was released (2007-08) to JKPHC for construction of Administration Block for the Vigilance Organization at Srinagar. However, the work had not been taken up as of March 2009 despite release of a further amount of Rs. one crore in August 2008. The Administrative Officer, JKPHC informed (March 2009) that the land identified for undertaking the construction was not found suitable and the Organization had been asked for acquisition of alternate land for the proposed

[57] JKPHC: 73 works, PCD: 30 works

construction. This shows that the work had been included in AAPs without ensuring proper site.

Cost overrun due to delay in completion of works

Test-check showed that nine works approved (2002-06) at a cost of Rs. 9.50 crore had been completed after incurring an expenditure of Rs. 11.09 crore due to belated execution (2005-08), resulting in cost overrun of Rs. 1.59 crore. The excess expenditure so incurred was met from other works, thereby impairing the execution of 18 works which required funds ranging between Rs. 3.33 lakh and Rs. 35 lakh for completion.

Thus, non-availability of land free from encumbrances besides cost overrun and diversions led to non-completion of approved works indicating poor planning. Funds continued to be parked with the construction agencies, hindering the progress in achieving the objective.

1.2.10.6 Incorrect reporting

Instances of repetition of works in different AAPs, detected by audit, are detailed below:

Drawal of funds twice for same work under different AAPs

Against the estimated cost of Rs. 24 lakh for construction of Police Station building at Dessa, Doda, projected in AAP 2004-05, full quantum of funds were received during 2004-05. However, the work was again included in the AAPs for 2005-06 and 2006-07 as new work and Rs. 30 lakh were demanded/received during these years. Similarly, against the estimated cost of Rs. 15 lakh for construction of SHQ quarters at Zanskar, Kargil, full allocation was received during 2007-08. However, during 2008-09 the work was again shown as a new one (estimated cost: Rs. 12 lakh) and Rs. 10 lakh were demanded/received. However, no work had been undertaken and the amounts had been lying un-utilised with the State as of March 2009. Drawal of funds twice for the same work, indicated lack of planning and monitoring on the part of the Department. The Deputy Director (P&S), PHQ while accepting the fact, stated (April 2009) that the matter was being taken up for relocation of these works and proper care would be taken in future while preparing AAPs.

Drawal of additional fund by false reporting

Construction of SDPO Office, Saddar, Srinagar was approved in the AAP 2004-05 at a cost of Rs. 25 lakh and Rs. 10 lakh were released (December, 2004/February 2005) to JKPHC. The Department claimed (September 2005) to have achieved 40 *per cent* progress on the work and demanded additional Rs. 15 lakh for completion of the work, which was approved and funds (Rs. 15 lakh) were released (March 2006) for completion of the work during 2005-06. However, it was seen that the Department had subsequently (December 2006) shown the work as not taken up due to non-availability of land and proposed (December 2006) relocation of this work alongwith 14 other works. The relocation was approved (March 2007) by the GOI and 17 new works were approved in place of the existing works including the SDPO, Saddar building. Reasons for misreporting, though called for, were not intimated.

1.2.10.7 Asset management

To safeguard against the loss/misuse of assets and also to help assess the future requirement as well as provide for the periodical maintenance and repairs of assets, maintenance of records relating to assets is essential. It was seen that assets registers, giving full details with regard to updated position of land, building, etc. with their status and extent to which they were possessed or used by the Department, had not been maintained by the PHQ.

Periodical physical progress reports furnished by the construction agencies had not been maintained at PHQ as the essential data[58] had not been incorporated in the physical progress reports, furnished to the PHQ. The requisite data, though called for by audit as already highlighted in para 1.2.10, was also not furnished by the construction agencies. Records, giving full details about the year-wise availability of various categories of housing/building infrastructure at the beginning of each year, those proposed in the annual action plan and those completed/taken over by the Department during each year under the programme or any other programme had not been maintained. As such, the correctness of the availability/achievements reflected in the AAPs and that communicated to the GOI could not be verified in audit in absence of the details. The Deputy Director (P&S) stated that physical progress reports were being prepared on the basis of information provided by the executing agencies and their collection would take some time. Non-maintenance of the basic records indicated lack of application on the part of the Department in monitoring the programme for timely completion of the schemes.

1.2.11 Weaponry

In view of the security scenario in the State, the replacement of outdated and unserviceable weapons and provision of modern and sophisticated weaponry for the force is one of the major components of the scheme. Though the BPR&D norms (March 2000) placed the State alongwith other States in normal weapon authorisation scale, the State, necessitated by the demand arising out of a sensitive security situation, deviated from the norms both in terms of quantity and the category/type of weapons, in its projections to GOI from time to time, for which funds were provided by the GOI.

It was reassuring to note that the shortage of almost every type of basic arms/ammunition, which the State was facing in 2004-05, had been made good during 2004-09 and the Department was in possession of sufficient stock of arms/ammunition as of March 2009 except for AK-47 rifles. Against a requirement of 5,000 AK-47 rifles projected in AAP 2008-09, procurement of 2,443 AK-47 rifles was under process as of January 2009.

Against Rs. 83.76 crore released for 69 items of arms and ammunition during 2004-09, Rs. 81.03 crore (97 *per cent*) had been utilised and most of the items of arms and ammunition had been procured as of March 2009. The procurement had been possible due to release of funds by the GOI directly to the Ordinance Factories.

---

[58] Date of start, target date of completion, actual date of completion, date of handing over of each completed work to the user department

1.2.12 Mobility

One of the major thrust areas of the scheme was to increase the mobility of the State Police Force so that challenges to internal security are faced effectively and the response time is reduced. Huge deficiency of vehicles existed in the Department as on 1 April 2004, as detailed in the following table:

Table 1.2.10

(In number)

Particulars	Position as on 31.3.2004					Position as on 01.02.2009				
	Type of vehicle				Total	Type of vehicle				Total
	Heavy	Medium	Light	Motor cycles		Heavy	Mediu m	Light	Motor cycles	
Requirement as per BPR&D norms	1,158	1,205	1,825	1,522	**5,710**	1,220	1,582	4,510	1,665	**8,977**
Special Requisition	-	168	1,122	84	**1,374**	-	-	-	-	**-**
Available	437	700	2,277	278	**3,692**	539	1,070	3,492	411	**5,512**
Total deficiency	721	673	670	1,328	**3,392**	681	512	1,018	1,254	**3,465**
Deficiency (*percentage*)	62	56	36	87	**59**	56	32	23	75	**39**

(Source: Data provided by the PHQ)

Though the position of holding had improved with the deficiency percentage coming down from 59 to 39 over the last five years, yet in absolute terms, the deficiency had increased from 3,392 to 3,465 during the period. Against an outlay of Rs. 115.10 crore in the AAPs for 2004-09, Rs 109.60 crore (95 *per cent*) had been utilised in procurement of 1,389 vehicles of different types during 2004-09. The Department stated (April 2009) that the deficiency of vehicles had not come down because the size of the Force had increased with the creation of new districts/battalions.

As per BPR&D norms, the scheme had to concentrate on purchase of field vehicles required for basic policing in the first instance. At State level, the position of availability of various types of vehicles with the Police Stations and the Armed battalions as of 31 March 2009 was as under.

Table 1.2.11

(In number)

Particulars of vehicles	Battalions- Total strength: 26				Police Stations-Total strength: 176			
	Authorised per battalion as per BPR&D norms	Total Require-ment	Holding	Shortage (*percent*)	Authorised per station as per BPR&D	Total Require -ment	Holding	Shortage (-)/ Surplus (+) (*percent*)
Heavy vehicles	29	754	241	513 (68)	-	-	1	(+) 1
Medium vehicles	8	208	197	11 (5)	-	-	80	(+) 80
Light Vehicles	13	338	208	130 (38)	2	352	142	(-) 210 (60)
Motor cycles	5	130	70	60 (46)	3	528	5	(-) 523 (99)

(Source: Data provided by the PHQ)

In the battalions, at the State level, the deficiency was acute in respect of heavy vehicles, light vehicles and motor cycles. In Police Stations, the availability of light vehicles was 40 *per cent* and motor cycles a mere one *per cent*. Even taking into account 80 medium vehicles provided to the police stations in place of light vehicles, the deficiency in this category as of March 2009 was 37 *per cent*.

Records relating to availability of vehicles with three[59] test-checked Battalions and 22 Police Stations[60] as of April 2009 showed the following position:

Table: 1.2.12

(In number)

Particulars	Battalions			Police Stations		
	Requirement	Holding	Shortage (percentage)	Requirement	Holding	Shortage (percentage)
Heavy vehicles	87	14	73 (84)	-	-	-
Medium vehicles	24	13	11 (46)	-	9	-
Light Vehicles	39	17	22 (56)	44	20	24 (55)
Motor cycles	15	1	14 (93)	66	02	64 (97)
Total	**165**	**45**	**120 (73)**	**110**	**31**	**79 (72)**

(Source: Departmental Records)

The deficiency at selected PSs and Battalions was above the overall departmental deficiency. This indicated non-prioritisation of distribution of available vehicles among the basic policing units, thereby adversely impacting the mobility of the Force. The claim (April 2009) of the Department, that in view of the overall deficiency of vehicles, the vehicles allotted to the Battalions were sufficient, should be seen vis-à-vis the fact that against an overall deficiency of 39 *per cent*, the deficiency stood at 73 *per cent* in battalions and 72 *per cent* in Police stations as of March 2009.

1.2.13 Response time

'Response time' is the time-lag between the receipt of information about an incident/registering First Information Report and the arrival of police at the incident scene. It was seen that two[61] out of the 22 test-checked PSs had not maintained the data relating to time of occurrence of crime and police reporting at the scene of incident. The Average Response Time (ART) of 20 PSs during December, 2004 and December, 2008 is detailed below.

Table 1.2.13

Office	Number of PSs	ART as in December (in minutes)		PSs where there was no improvement.
		2004	2008	
SSP Jammu	5	29	25	Nagrota
SSP Udhampur	5	109	136	Udhampur, Chenani and Kud
SSP Srinagar	5	164	87	Batmaloo, Sheerari, Ram Munshi Bagh.
SSP Anantnag	5	18	16	Kokernag
Average Response Time		**80**	**66**	

(Source: Departmental Records)

From the table there was an overall improvement in the ART, which decreased marginally from 80 minutes in the year 2004 to 66 minutes in the year 2008. Thirteen PSs out of 20 reported an improvement whereas the remaining seven PSs showed no change in the ART.

59 Jammu Kashmir Armed Police 3rd and 6th battalions and IRP 15th battalion

60 Jammu Division: 10, Kashmir Division: 12

61 Police stations Dooru and Bijbehara in Kashmir Division.

1.2.14 Equipment

Provision of modern and sophisticated equipment to all the wings of Police is one of the major components of the scheme. Though full funds for procurement of different types of equipment viz., security, bomb detection and disposal, crime detection, communication, etc. approved in AAPs during 2004-09 were provided by the GOI, delays in procurement at the State level had resulted in under-utilisation of the allotted funds. The status of various types of equipment with the Department and augmentation made during the review period is detailed in the succeeding paragraphs.

1.2.14.1 Security equipment

In view of the increased threat perception, provision of adequate security equipment, including Bomb Detection and Disposal (BDD) equipment, is an essential pre-requisite for the preparedness of the force.

- It was seen that 45 different types of security equipment like metal detectors, CCTVs, bomb detection and disposal equipment, baggage scanners, jammers, night vision devices, etc. were approved for procurement at a cost of Rs. 42.88 crore during 2004-09. However, the Department could utilise only Rs. 16.05 crore (37 *per cent*) as of March 2009. Out of 33 items approved during 2004-08, 12 items (36 *per cent*) were fully procured, whereas eight (24 *per cent*) equipment had been procured partially and the remaining 13 (40 *per cent*) items had not been procured at all despite availability of funds. None of the 12 items approved in AAP 2008-09 had been procured as of March 2009. The Additional Inspector General (Prov & Tpt), PHQ attributed (April 2009) the non-procurement/delayed procurement to delayed release of funds, technical nature of the equipment resulting in poor response to NITs or non-receipt of timely offers against NITs, involvement of experts in testing of equipment before selection and requirement of security clearance from MHA for installation of certain sensitive equipments.

- Seven items approved during 2004-07 were procured with delays of 1 to 3 years, which resulted in incurring of extra cost of Rs. 3.87 crore due to cost escalation.

  The AIG (Prov & Tpt), PHQ stated (April 2009) that the items were of technical nature and the procurement of these items was time consuming.

- Against the AAP for 2006-07, the Department procured (February 2008) eight Explosive Detectors from a Mumbai-based firm at a cost of Rs. 1.08 crore and issued (June 2008) those to the security wing of Police. As reported (February 2009) by the Special Security Group (SSG) Jammu, three Detectors were not giving satisfactory performance. The performance report in respect of the remaining five Detectors was awaited.

  It was seen in audit that the State Level Purchasing Committee (SLPC) had approved the equipment despite having gone through performance reports on it from various end-users including Punjab Police, who had not found the device working upto the desired level. Reasons for according approval for procurement of such under-performing equipment were, however, not assigned.

1.2.14.2 Crime and Forensic Science Laboratories (FSL)

For up-gradation of the crime investigation system in the State, GOI released Rs. 6.75 crore during the period 2004-09 for procurement of 85 items for crime branch and the FSLs. The Department could spend only Rs. 2.20 crore (33 *per cent*) during 2004-09 and the balance funds had been lying with the Department. Out of 57 items approved during 2004-08, the Department had procured 15 items (26 *per cent*) fully, seven items (12 *per cent*) partially and 35 (62 *per cent*) items were not purchased at all. None of the 28 items approved during 2008-09 had been procured as of March 2009. Due to non-procurement of approved equipment, the crime branch and the forensic science laboratory had not been able to benefit fully from the scheme despite availability of funds. The AIG (Prov/Tpt) attributed (April 2004) delays in procurement to technical nature of the items, some of which are imported or are Propriety Article Certificate (PAC) based.

- One Computer Comparison Microscope with printer for ballistic examination was approved for Rs. 12 lakh in the AAP 2005-06. The Department delayed the process of import of the equipment by more than two years and finally placed an order in July 2008 and procured (March 2009) the equipment at a cost of Rs. 64.38 lakh resulting in cost overrun of Rs. 52.38 lakh. The extra cost was met from the unspent balances under the component and had not been got regularised/approved from GOI. The AIG (Prov/Tpt), PHQ cited (April 2009) procedural delays as the reasons for delayed procurement.
- A Universal Testing Machine procured (March 2003) for Rs. 14 lakh for FSL, Jammu had been lying un-utilised as of March 2009, due to non-availability of technical consultation in the area of its operation. The Deputy Director FSL, Jammu stated (July 2009) that the technical consultation for the installation of the equipment was in progress.

1.2.14.3 Communication equipment

Having an efficient communication system is essential, particularly in the State, which is under constant security threat. Keeping the fact in view, the MHA had directed (August 2004) up-gradation of the communication system of the State Police. It was seen that out of Rs. 9.67 crore released between 2004 and 2009 for procurement of 68 items, only Rs. 4.89 crore (51 *per cent*) had been spent by the Department on this component, as of March 2009, thereby, affecting the modernisation process significantly. Despite availability of funds, out of 59 items approved for procurement during 2004-08, the Department had been able to procure 29 (49 *per cent*) items fully, one (two *per cent*) item partially and 29 (49 *per cent*) items had not been procured at all. None of the nine items approved in the AAP 2008-09 had been procured as of March 2009.

Apart from delay in release of funds to the Department, the shortfall in procurement of the equipment was mainly due to unplanned procurement as detailed below:

- Rupees 16.51 lakh had been spent on establishment (March 2008) of five[62] Coral Digital Exchanges without ascertaining whether the system had software for providing dial 100 facility. Though the exchanges were functional, the dial 100

[62] Baramulla, Budgam, Civil Secretariat Srinagar, District Police Line Udhampur and Police Control Room Jammu

facility, which was one of the essential facilities to be provided through the exchanges, was not available, thereby, denying the public of this important service.

- A dedicated satellite based Integrated Police Communication Network (POLNET) aimed at integrating all police stations through better voice, fax and data transmission capabilities was approved (August 2002) by the GOI for implementation by the end of December 2004 (extended upto March 2006) and Rs. 5.38 crore released (between August 2002 and March 2007), for the project. One of the essential components of the project involved erection of towers. The work of supply, installation and commissioning of 140 towers was allotted (October 2006) to a firm for completion within six months. As per the terms of the contract, full payment was to be made after completion of the project. However, after execution of part works, the firm had insisted on release of payments at periodical intervals, which was not agreed to by the Department. As a result, after erection of 65 towers as of April 2008, work on the remaining towers was suspended by the firm. The matter has not been resolved as of March 2009. Apart from this, POLNET equipment[63] worth Rs. 2.29 crore, procured (2002-05) by the Department, had been lying un-utilised (March 2009) due to non-erection of the towers and commissioning of the system. The AIG (Prov/Tpt), informed (April 2009) that equipment like Gensets and batteries had been used for charging of wireless equipment at remote locations and also during power cuts. Thus, failure of the Department in ensuring commissioning of POLNET deprived the Police Force of a reliable communication network besides hampering the proposed sharing of State wide database of crimes and criminals with the National Crime Records Bureau.

1.2.14.4 Training equipment

During 2004-09, Rs. 50 lakh were released by the MHA for procurement of 21 items of training aids but the State police could utilise only Rs. 24 lakh (48 *per cent*). Of the 16 items approved during 2004-08, only four (25 *per cent*) items had been procured. None of the five items approved during 2008-09 had been procured as of March 2009. The AIG (Prov/Tpt), PHQ attributed (April 2009) non-procurememt to revision of decision about the utility of an equipment[64], non-availability of the items in the market[65] and non-release of funds by the State. Thus, shortfall in procurement of training aids deprived police training schools of significant up-gradation.

1.2.15 Training

BPR&D norms (2000) stressed the need for a minimum of one training course to be imparted to every employee in five years, which corresponds to training at least 20 *per cent* of the Force each year. The Department has seven police training

---

63 VSAT terminals (through MHA: Rs. 1.73 crore), Gensets, Lattice triangular MAST, SMF Batteries, etc. (State : Rs. 56 lakh)

64 Short X shooting system

65 Cut body models of vehicles

academies/schools[66], having an intake capacity of 5,600 trainees, where about 32 different types of training courses, including specialised courses, are conducted. The State police personnel are also deputed for training outside the State/country. The position of police personnel deputed for training during 2004-08 was as follows:

Table 1.2.14

Rank	Men-in Position as on 1/4/2009	Persons Trained 2004-09						Total
		Basic Training Course	Pre-promotion course	Specialised courses		Foreign training	Bomb disposal VIP security	
				Inside State	Outside State			
Gazetted Officers								
SSP/SP	219	0	0	208	242	17	0	**467**
DSP	362	109	0	996	209	2	0	**1,316**
Total	**581**	**109**	**0**	**1,204**	**451**	**19**	**0**	**1,783**
Upper Level Subordinates								
INSP	782	0	0	997	193	1	0	**1,191**
SI's	2,063	31	404	1,716	422	0	2	**2,575**
ASI's/PSIs	3,088	139	1,041	812	77	0	0	**2,069**
Total	**5,933**	**170**	**1,445**	**3,525**	**692**	**1**	**2**	**5,835**
Lower Level Subordinates								
HC	10,655	31	2,469	1,355	123	0	0	**3,978**
SGCT/Constables	44,646	10,492	7,297	11,581	678	0	64	**30,112**
Total	**55,301**	**10,523**	**9,766**	**12,936**	**801**	**0**	**64**	**34,090**
Grand Total	**61,815**	**10,802**	**11,211**	**17,665**	**1,944**	**20**	**66**	**41,708**

(Source: Departmental records)

As can be seen from the above table, the overall percentage of training imparted to the Officers/personnel stood at 67 *per cent* during the five year period (2004-09), which corresponds to training of 13 *per cent* of the force annually which was higher than the national average of five *per cent (BPR&D 2000)*. Out of six new IR battalions raised during 2004-09, five had already completed their basic training and one battalion was under going training as of March 2009.

1.2.15.1 Training infrastructure and aids

The training institutes ought to have sufficient infrastructure/facilities, weaponry, training aids, etc. based on the norms fixed by the BPR&D.

It was seen that the requirement of infrastructure and authorisation of various types of training aids/equipment were not available with any of the four audited training centres/institutes and as such audit could not verify the sufficiency of the available infrastructure/training equipment. However, based on the information furnished by the training centres, it was seen that there were deficiencies in basic infrastructure like parade grounds[67], residential accommodation for trainees/trainers[68] and class rooms. Similarly, the deficiencies in training aids and arms/ammunition for training existed in almost all the audited training centres.

66 Sher-e-Kashmir Police Academy (SKPA) Udhampur: 1000, SPS, PTS Kathua: 1000, PTS Manigam: 1000, STC Sheeri: 1000, STC Talwara: 1000, PTTI Vijaypur: 600

67 PTS Vijaypur, PTS Manigam

68 PTS Vijaypur, PTS Manigam, PTS Kathua, STC Sheeri

1.2.16 Forensic Science Laboratory (FSL)

The State has two Forensic Science laboratories, one each at Jammu and Srinagar. Apart from this, as per the BPR&D norms, a mobile FSL unit is to be provided in each district. It was seen in audit that the State had mobile FSL in 14 out of 22 districts as of March 2009. The status of manpower, training and the cases investigated in the two FSLs is discussed below.

1.2.16.1 Manpower

The sanctioned strength of the two FSLs, 14 mobile FSL units and one mini FSL (SKPA Udhampur) as of March 2009, stood at 215 posts, out of which 43 posts (20 *per cent*) were vacant. Most of the vacancies existed in the operationally crucial posts of Scientific Officers, Laboratory Assistants and Drivers.

The shortage of staff in crucial areas had affected the disposal of investigation cases as discussed in the subsequent paragraph.

1.2.16.2 Investigation

Facility for conducting tests in areas like chemistry and toxicology, physics and ballistics, biology, serology, document, lie detection, photography, finger printing, etc. is currently available in the State FSLs. However, cases relating to DNA, narco-analysis and brain-mapping are still referred outside the State due to non-availability of the facilities in the State.

The details of cases received, disposed off and pending in the two FSLs during 2004-09 were as under:

Table 1.2.15

Year	Backlog cases	Cases received	Total cases	Cases disposed off	Pending cases (*percentage*)
2004-05	472	3,544	4,016	3,497	519 (13)
2005-06	519	3,262	3,781	3,083	698 (18)
2006-07	698	3,509	4,207	3,532	675 (16)
2007-08	675	3,381	4,056	3,516	540 (13)
2008-09	540	3,390	3,930	3,422	508 (13)

(Source: Information provided by the Department)

Out of 508 cases pending as at the end of March 2009, only three cases were two year old, 122 cases (24 *per cent*) one year and the remaining cases pertained to the current year (2008-09). The Dy. Director, FSL, Jammu stated (July 2009) that the pendency was due to shortage of manpower.

1.2.17 Computerisation

'Crime and Criminal Information System' (CCIS) of the National Crime Records Bureau (NCRB), envisaging computerisation of police functions across the country was introduced in the State in 1995-96. The objective of the scheme is to store crime and criminal related data at State Crime Records Bureau (SCRB)/District Crime Records Bureaus (DCRBs) and make its retrieval easy and faster to support crime detection as well as its instant transmission to NCRB for the national database. Another scheme viz., 'Common Integrated Police Application' (CIPA) was also introduced by NCRB (2004) to automate the processes relating to crime and criminals at Police Station level for reducing manual registers and eliminating duplicate and redundant record keeping. In addition, other applications viz. Finger Print Analysis and Criminal Tracking System (FACTS) developed by M/s CMC Ltd., Vehicle Coordination Software (VCS) for keying in data related to stolen and seized vehicles, Organised Crime Information System (OCIS) for creating data base of criminals involved in organised crime developed by NCRB were operational in SCRB. Moreover, Passport Verification System/Line of Control (LOC)/Pak Occupied Kashmir (POK)/Service Verification developed by NIC was also operational (2007) in the Criminal Investigation Department (CID) wing.

CCIS, CIPA, FACTS, VCS, Passport/LOC/POK/Service verification system applications were reviewed in audit.

Organised Crime Information System (OCIS) could not be covered as the Department did not share its contents. Apart from above, audit visited the State Police Headquarters, (PHQ) for audit of planning and implementation of the computerisation projects. It was seen in audit that none of the audited applications was running satisfactorily in any of the offices/police stations, as its effective implementation had been marred at various stages by delays in site preparation, delivery of hardware and peripherals to sites, acquisition of non-customised application software, inadequate trainings to system handling personnel, inadequate/erroneous data feeding and non-provision of a dedicated network to exchange information between various offices/police stations, DCRB and NCRB as detailed below.

- Although the hardware (One Server, One Node and One UPS of 2 KVA capacity for each site) for CCIS was provided (1995-96) by NCRB for 16 DCRBs (out of 25) for capture of data from January 1996 and integration thereof with the national database, the computerisation of records was started belatedly in the year 2000 and the system was partially functional in twenty three locations as of October 2008. The Department had captured only 57 *per cent*[69] FIRs in the system registered between the years 2000 and October 2008 and all manual functions were running in parallel with the computer system. Thus, even after more than 12 years of introduction of the scheme, capturing of current as well as backlog data remained grossly incomplete. The inadequate system implementation, as such, had defeated the envisaged purpose of the project.
- Under CIPA, 92 police stations were to be computerised in two phases[70] for which funds for infrastructure like site preparation, electrification, furniture, etc. were to be provided out of funds earmarked for Police Modernisation whereas the hardware was to be provided by the NCRB and software by the National Informatics Centre (NIC). The implementation of Phase-I and Phase-II was to be completed by December 2005 and October 2006 respectively. Though the hardware for phase-I was received from NCRB during 2006-08, owing to delay in identification of police stations, site preparation, submission of feedback of the software (provided for test-run) to NCRB and provision of allied infrastructure, the implementation under phase-I had been completed belatedly (October 2008). The implementation under Phase-II had also got delayed due to non-preparation of sites in time and none of the targeted sites had been made functional as of April

[69] 1,11,449 out of 1,95,279 FIRs
[70] Phase-I: 23 sites and Phase-II: 69 sites

2009. In all the 13 audited locations, it was seen that the implementation was partial due to non-customization of the software to meet the local requirements, whereas in eight[71] of the 13 test-checked locations, apart from non-customisation of software, non-preparation of the sites as per approved design, inadequate networking, electric fittings, etc. had resulted in partial implementation. The Department attributed (November 2008) the delay to belated response of NCRB in customising the software and non-availability of hand holding persons to be provided by the NIC. It may be mentioned here that the Department had failed to give timely feedback on testing of the software and ensuring timely preparation of the sites. Besides, the Department had also not utilised the services of technical assistants provided by the NIC for training of handholding persons and backlog data entry.

- Audit analysis of the database of CCIS, CIPA, VCS and Passport /LOC/POK/Service Verification software showed cases of inadequate data feeding, duplication of data, non-utilisation/under-utilisation of available software modules, non-uniformity of Master data, erroneous/bogus data entry.
- Under CCIS all the States had been given the responsibility to make the crime data available to the National Server at NCRB on a regular basis so as to control crime effectively and maintain public order. Even after eight years of implementation of CCIS, no connectivity between Police Stations, DCRBs and SCRB had been established and the data was still being transferred from DCRBs to SCRB on media tapes. As a result, the objective of timely data sharing with NCRB and among the police Stations, DCRBs and SCRB remained unachieved. The Department stated (April 2009) that connectivity was under process.
- The Department had not documented an IT security policy for ensuring a well defined procedure for ensuring risk free IT set up. Audit observed that no policy existed for change of passwords at periodical intervals. Physical and environmental controls aim at ensuring that the assets of the Project are not put to any physical risk. Audit, however, observed that no fire extinguishers, fire alarm and smoke detectors had been put in place at any of the computerised locations, thereby, exposing the system and data to the risk of fire.
- Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) envisage development of a written plan containing the recovery procedures for continuation of the Departmental activities in the event of any disaster. No such formal BCP/DRP had been formulated by the Department. Most of the hardware was not safeguarded against breakdown as there was no Annual Maintenance Contract for their maintenance. The hardware was lying dysfunctional at most of the locations and no anti-virus software was found loaded in the systems.

1.2.18 Manpower

The BPR&D norms (March 2000) emphasize the importance of raising manpower in the ratio of increase in population. The High Powered Committee of MHA also stressed (October 2006) the need for filling up vacancies on priority basis. It was also suggested

[71] Baramulla, Anantnag, Kulgam, Karan Nagar Srinagar, Kupwara, Pulwama, Kathua, Udhampur

that 10 *per cent* representation be given to women in Police. The position of sanctioned strength and men-in-position for all levels of the Force as of March 2009 was as follows.

Table 1.2.16

Rank	Sanctioned strength	Men-in-position	Shortage(-)/ Surplus (+) (*percentage*)
Overall Force Strength			
Position as on 31.03.2009	69,048	61,851	(-) 7,197 (10)
Gazetted Officers (GOs)			
DGP/ADGPs	5	3	(-) 2 (40)
IGPs	14	14	-
DIGs	22	19	(-) 3 (14)
SSPs/SPs	223	219	(-) 4 (02)
Assistant Commandants/DSPs	514	362	(-) 152 (30)
Upper Subordinate level			
Inspector	790	782	(-) 8 (1)
Sub-Inspector	2,594	2,063	(-) 531 (20)
Assistant Sub-Inspector	3,453	3,088	(-) 365 (11)
Lower Subordinate level			
Head Constable	11,943	10,655	(-) 1,288 (11)
Selection Grade Constable /Constable	49,490	44,646	(-) 4,844 (10)

(Source: Data provided by the PHQ)

It was further seen that the representation of women in the Force was two *per cent* only.

1.2.19 Impact of the Modernisation Scheme on the striking power of the State Police

Jammu and Kashmir is a militancy affected State with several militant organisations active in the State. One of the major objectives of the modernisation programme was to improve the striking power of the force to combat militant activities. The impact can be gauged from the following:

1.2.19.1 Number of persons killed, injured and arrested

The position of civilians, police personnel and extremists killed during 2004-09 (March 2009) is given below:-

Table 1.2.17: Militancy related killings 2004-09

Year	Number of persons killed			Number of persons injured		
	Civilians	Policemen	Extremists	Civilians	Policemen	Extremists
2004	678	97	915	1,640	251	18
2005	530	68	871	1,256	154	17
2006	421	71	571	1,061	154	5
2007	151	25	439	403	80	3
2008	75	16	219	56	195	2
2009 (upto March)	05	04	49	10	08	02

(Source: Data provided by the PHQ/SCRB)

While it is heartening to note that there has been a significant improvement in the overall situation and reduction in militancy related incidents, it can not be deduced that it was a result of implementation of the scheme alone but active vigilance by the force in collaboration with other para-military forces deployed in the State.

1.2.19.2 Crime rate

The position of incidents of crimes reported during 2004-09 (31 March 2009) is given in the table below:

Table 1.2.18: Incidents of Crime

Nature of crime	2004	2005	2006	2007	2008	2009 (upto March)
Murder	816	647	487	318	239	46
Robbery	1,608	1,565	1,522	1,671	1,478	492
Theft	1,908	1,862	1,888	2,004	2,118	659
Rioting	1,116	1,222	1,197	1,209	1,814	225
Abetment of Suicide/dowry death/	161	202	220	264	271	56
Kidnapping	735	748	789	758	701	153
Rape	218	201	250	288	221	53
Communal Riots	0	2	22	0	28	0
Cheating	414	403	463	489	387	112
Road accidents	6,288	5,669	5,609	5,874	5,340	1,213
Misc. Crimes	7,927	7,594	8,340	8,640	7,959	1,577
Total	**21,191**	**20,115**	**20,787**	**21,515**	**20,556**	**4,586**

(Source: Data provided by the PHQ/SCRB)

It would be seen from the above table that numbers of murders, robbery, kidnapping, cheating, etc. have decreased slightly but there was substantial increase in incidents of theft, rioting, communal riots and other miscellaneous crime.

Thus, though the incidents of militancy and extremism had come down remarkably, the crime rate decreased only marginally.

1.2.20 Modernisation of Home Guards

The scheme guidelines envisaged inclusion of a separate sub-plan for Home Guards in the AAPs and allocation of five *per cent* (Rs. 27 crore) of the total plan size (Rs. 541 crore) for mobility, weaponry, training, communication and crowd control equipment for Home Guards. No funds were allocated for modernisation of Home Guards except for the year 2005-06, when Rs. 5.80 crore were approved and released by MHA for procurement of 41 items of equipment, of which only Rs. five crore were released (August 2006) by the Home Department and only Rs. 2.11 crore (2005-06: Rs. 0.15 crore and 2008-09: Rs. 1.95 crore) had been spent. The Department stated (April 2009) that no allocation was projected in the subsequent years as funds released during 2005-06 remained unspent. As a result of non-provision of funds for modernisation of Home Guards as envisaged in the scheme and delay in utilisation of released funds, the Home Guards could not be modernized.

1.2.21 Monitoring and evaluation

Guidelines provided for monitoring the physical and financial progress by the State Level Empowered Committee (SLEC) headed by the Chief Secretary. In February 2007, the Home Department proposed to set up the SLEC; however, it was not created. The Government assigned (April 2006) the task of monitoring the scheme to the FA&CAO, Home Department. There was no record of any monitoring. In the absence of an effective monitoring mechanism, there has been considerable delay in implementation of the scheme. No evaluation of the scheme was undertaken to assess its impact.

The Director Finance stated (April 2009) that the SLEC had not been constituted and the order of monitoring by the FA&CAO was name-specific. However, no reasons for lack of monitoring of the scheme by the Department were assigned.

1.2.22 Conclusion

Implementation of the scheme during the review period was satisfactory with regard to the weaponry and training components. However, infrastructure development is a matter of serious concern, as the police personnel were not provided adequate level of housing, secured police stations and outposts despite availability of funds. Inadequate provision of vehicles at the field level is another area of concern as it has a direct bearing on the response time. Communication system including computerisation needs to be addressed on a priority basis, as this would enable the force to share critical information rapidly.

1.2.23 Recommendations

- Perspective Plan should be prepared and Annual Action Plans should flow out of the Perspective Plans.
- Completion of residential housing for Police personnel should be prioritized and POLNET and other communication systems should be commissioned at the earliest.
- Light vehicles and motor cycles should be procured and supplied to Police personnel at the Police Stations/Police Posts to ensure reduction in response time.
- Adequate funds as per norms should be provided and utilised for modernisation of State Home Guards.
- Unspent funds pertaining to years 2004-09 should be utilised on the approved items.
- There is an immediate need for creation of an IT Wing at Police Headquarters for overseeing the implementation of all IT related projects and consolidation of various IT related activities to establish a reliable and efficient information system.
- Time bound targets should be fixed for implementation of CCIS, CIPA and progress thereof ensured through adequate monitoring.
- All Police Stations, District and State Headquarters should be interlinked immediately for optimal utilisation of the data.

IRRIGATION AND FLOOD CONTROL DEPARTMENT

1.3 Implementation of Irrigation Schemes

The Irrigation and Flood Control Department is entrusted with the job of providing assured irrigation facilities to cultivable/cultivated land in the State by construction, renovation, modernisation and maintenance of irrigation canals/channels/khuls, etc. A majority of the schemes executed by the Department were funded by the GOI. Performance review of the irrigation projects revealed that the schemes had been executed in an unplanned manner and were completed after inordinate delay running upto six years of their envisaged completion date. The irrigation potential created was below the targeted level and utilisation of the potential created was below par in most of the cases.

Highlights

- **One hundred and seventy three surface minor irrigation schemes approved for execution during 2006-08 could not be taken up for execution in the respective year due to delayed release of funds.**

  (Paragraph: 1.3.8.2)

- **Scheme funds amounting to Rs. 2.48 crore were diverted/utilized on unapproved activities during 2003-09.**

  (Paragraph: 1.3.8.5)

- **Non-fulfilment of pre-requisites before taking up construction of four schemes resulted in unfruitful expenditure of Rs. 2.72 crore besides non-extension of irrigation facilities to 849 hectare.**

  (Paragraph: 1.3.9.3)

- **Twenty three *per cent* of the 240 tube wells drilled in Jammu Province remained non-functional during 2004-09. As a result, only 41 *per cent* of the irrigation potential created was utilised.**

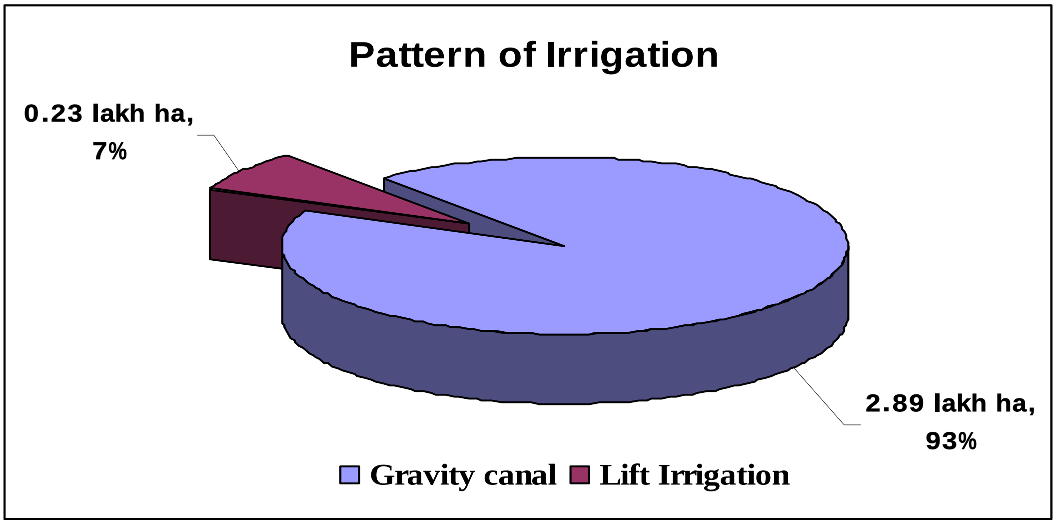
  (Paragraph: 1.3.9.6)

- **State/Scheme level committees were not constituted to monitor the implementation the schemes.**

  (Paragraph: 1.3.10)

1.3.1 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/modernization of the existing canals and construction of new canals. Out of the total cultivable area of 3.12 lakh hectare, 2.89 lakh hectare of land (93 *per cent*) is irrigated through gravity canals and the remaining 0.23 lakh hectare (7 *per cent*) through lift irrigation schemes, tube wells, tanks, etc.



1.3.2 Organisational structure

The organisational set up of Irrigation and Flood Control Department is detailed in the chart below:

- Principal Secretary, Irrigation and Flood Control Department
  - Chief Engineer, Irrigation and Flood Control Department, Srinagar
    - Superintending Engineers, Hydraulic Circle (7)
      - Executive Engineers (17)
  - Chief Engineer, Irrigation and Flood Control Department, Jammu
    - Superintending Engineers, Hydraulic Circle (7)
      - Executive Engineers (13)

1.3.3 Scope of audit

A performance review of lift irrigation schemes has been incorporated in the Comptroller and Auditor General's Audit Report for the year 2007-08. The present performance review covers major/medium gravity canals, with special emphasis on minor irrigation schemes funded under Accelerated Integrated Benefit Programme (AIBP) and National Agriculture Bank for Rural Development (NABARD) during the period 2004-09.

The records of two Chief Engineers (Jammu and Srinagar) and 11 divisions (out of 30) were test-checked in audit during the period from April 2009 to July 2009. Out of 380 schemes[72] (Major/Medium 20: Minor: 360) in the State, modernisation/remodelling and construction of 268 schemes[73] were taken up during 2004-09. Out of the 380 schemes

---

[72] Jammu: 253; Kashmir: 127

[73] Jammu: 173; Kashmir: 95

only 99 schemes[74] were completed during 2004-09 which included 22 schemes taken up during the review period. One hundred and thirty five schemes out of 380 were scrutinised in detail in audit.

1.3.4 Audit objectives

Performance audit of irrigation schemes was conducted to assess whether:

- Planning of new projects and prioritisation for funding the ongoing schemes was done in a systematic manner;
- Objectives of creating adequate and targeted irrigation potential were achieved and the created potential was utilized fully;
- Funds were released on time and utilized properly;
- The projects were approved properly and executed in an economic, efficient and effective manner;
- Monitoring mechanism was adequate and effective.

1.3.5 Audit criteria

Audit findings were benchmarked against the following criteria.

- Guidelines of Accelerated Integrated Benefits Programme and National Bank of Agriculture and Rural Development.
- Guidelines issued by Central Water Commission (CWC).
- State Financial Rules and Public Works Account Code, Detailed Project Reports.
- Circulars/Instructions issued by Ministry of Water Resources, CWC and State Government.

1.3.6 Audit methodology

An entry conference was held with the Principal Secretary to Government of Jammu and Kashmir, Public Health Engineering, Irrigation and Flood Control Department in April 2009 wherein audit objectives, criteria and audit methodology were discussed. Out of 380 Gravity Irrigation Schemes (Major/Medium: 20, Minor: 360), 135 schemes[75] were selected on simple random sampling basis, spread over two Divisions of the State (Jammu: 112; Kashmir 23). Out of the 135 schemes selected for detailed scrutiny, 39 schemes have been physically verified by the Audit team. At the conclusion of audit, the findings were discussed in an exit conference on 7 October 2009 and the replies of the Department/Government have been incorporated in the review at appropriate places.

Audit findings

The important audit findings arising out of the review are discussed below.

1.3.7 Planning

The irrigation potential in the State has been assessed at 11.76 lakh hectares against which, 1.13 lakh hectares were planned for creation during the review period.

[74] Jammu: 77; Kashmir: 22

[75] Jammu: 112; Kashmir: 23

For a State like Jammu and Kashmir, where rural population (75 *per cent)* is mainly dependant on agriculture, database regarding the irrigation potential created is a pre-requisite for preparation of a perspective plan. However, it was seen in audit that though the State had the database at the provincial level, it did not formulate a Perspective Plan for bridging the gap between the required irrigation potential and the existing potential. Nor did it formulate strategies for utilisation of the created potential. The schemes were selected for execution after formulation of Detailed Project Reports (DPRs) on the basis of what the management called 'perceived local needs'. It was observed that guidelines of AIBP and Planning Commission were not taken into cognizance while planning, prioritising and executing the schemes, as detailed in the succeeding paragraphs.

1.3.7.1 Selection of schemes

As per AIBP guidelines, schemes being funded by other agencies were not to be covered under AIBP. It was, however, seen that ineligible schemes had also been covered by the Department under AIBP which are instanced below:

- Three minor irrigation schemes[76] of Doda district (estimated cost: Rs. 1.66 crore), being funded (Rs. 13.53 lakh) under another programme[77] and as such ineligible for funding under AIBP, had been taken up in 2006-07 under the programme in contravention of the guidelines. The schemes were, however, incomplete despite incurring expenditure of Rs. 88.62 lakh thereon as of March 2009. The Executive Engineer, Doda stated that the works were taken up under AIBP to ensure their expeditious completion. The contention of the Department should be viewed in the light of the fact that such a departure even for expeditious completion, is not allowed by AIBP guidelines. Despite funding from various agencies, the Department failed to complete the works within the stipulated time.
- As per the AIBP guidelines, with effect from December 2006, new schemes (Major/Medium) can be included under AIBP only on completion of ongoing schemes on one to one basis. It was seen in audit that though none of the ongoing schemes was completed after December 2006, two new schemes (*Ahaji canal* and *Babul canal*) were started during 2007-08 in violation of guidelines. The Joint Director (Planning) Public Health Engineering, Irrigation and Flood Control Department stated that these schemes were taken up on completion of two major/medium schemes (LIS Lethpora and Igophy Canal). The reply of the Joint Director (Planning) did not take into account the fact that construction of three other new schemes viz. modernization of Dadi canal, Martand canal and Mav *khul* had been taken up on completion of these two schemes.

1.3.8 Financial management

1.3.8.1 The Department receives funds from Government of India (GOI) under AIBP (90:10), NABARD and also some allocation through the State Budget. The position of receipts and expenditure during the years 2004-09 is tabulated below:

---

[76] Dongroo *khul*, Jathali *khul*, Pranoo *khul*

[77] Rashtriya Sam Vikas Yojna (RSVY)

Table 1.3.1

(Rupees in crore)

Year	Opening balance	Released during the year			Expenditure during the year			Unspent balance
		GOI/ NABARD	State share	Total availability	GOI/ NABARD	State share	Total Expendi-ture	
2004-05	NA	23.68	12.49	36.17	19.48	12.47	31.95	4.20
2005-06	4.20	26.67	11.26	42.13	29.57	11.26	40.83	1.30
2006-07	1.20	24.30	8.34	33.84	24.79	8.24	33.03	0.71
2007-08	0.71	85.77	7.70	94.18	80.12	7.67	87.79	6.36
2008-09	6.36	157.22	9.62	173.20	110.90	9.61	120.51	52.68
Total		**317.64**	**49.41**	**379.52**	**264.86**	**49.25**	**314.11**	

(Source: Information compiled from departmental records)
Variation of Rs. 10.10 lakh between closing balance and opening balance was not explained by the Department

As can be seen from the above, out of the total availability of Rs. 379.52 crore, the Department utilised Rs. 314.11 crore (83 *per cent*) during 2004-09 resulting in accumulation of unspent balance of Rs. 52.68 crore (March 2009). Evidently, finances had not been a constraint for completion of the irrigation schemes. Despite availability of sufficient funds, the Department was not able to complete the schemes as discussed in the subsequent paragraphs. The Executive Engineers stated that funds could not be utilised due to non-finalisation of tenders, delay in release of funds, sinking of national highway[78], etc.

1.3.8.2 Delay in release of funds

For accelerating the pace of work under AIBP, guidelines envisaged release of funds to the implementing agencies within 15 days from their receipt by the State Government. Test-check showed average delays of about 12 to 379 days in release of funds by the State Government to the Chief Engineers. Delayed release of funds not only resulted in non-utilization of programme funds but also adversely affected the completion of targeted schemes. It was seen that construction of 173 surface minor irrigation schemes approved for execution during 2006-07 (62 schemes) and 2007-08 (111 schemes) could not be taken up for execution in the respective years due to delayed release of funds by the State Government to the implementing agencies, which were taken up for execution in the subsequent years. As a result, only 16 schemes were completed as of March 2009.

1.3.8.3 Rush of expenditure

State Financial Rules provide that expenditure should be incurred evenly throughout the year. Test-check showed that expenditure incurred during the last quarter of the years 2004-09 ranged between 56 and 88 *per cent*. Expenditure in March each year ranged between 37 and 79 *per cent* as tabulated below.

Table 1.3.2

Year	Number of Schemes	Total expenditure (Rupees in crore)	Expenditure during last quarter (percentage)	Expenditure in the month of March (percentage)
2004-05	13	0.75	0.66 (88)	0.59 (79)
2005-06	27	1.25	0.70 (56)	0.47 (38)
2006-07	44	5.21	3.52 (68)	2.95 (57)
2007-08	40	10.02	6.30 (63)	4.07 (41)
2008-09	58	15.81	9.28 (59)	7.05 (45)

(Source: Monthly expenditure statements of the test-checked divisions)

[78] National high way Doda-Kishtwar sunk in 2008-09

Rush of expenditure at the fag end of each year was attributed by the EEs to release of funds by the State Government at the fag end of the year and scarcity of labour for first two quarters of the year which affected the pace of implementation of the programme.

1.3.8.4 Irregular execution of works

- Financial rules provide that no work should be taken up for execution without technical and administrative approval. Audit scrutiny revealed that 12 schemes on which Rs. 11.39 crore had been incurred (March 2009) were taken up for execution without administrative approval and technical sanction.
- Rules provide that no expenditure should be incurred by the EE beyond a permissible limit of Rs. five lakh (revised) on Annual Repairs and Distribution (ARD) without the sanction of Chief Engineer. Test-check showed that four[79] EEs (out of 11 divisions test-checked) incurred a total expenditure of Rs. 12.88 crore during 2003-09 on ARD works though the approval of Chief Engineer was not on record.
- As per rules, the CE/SE are empowered to sanction excess over estimate to the extent of 5 *per cent.* Scrutiny of records of three (Out of 11 Divisions test-checked) Executive Engineers revealed that 74 works were allotted in excess of estimate as tabulated below:

Table 1.3.3

(Rupees in crore)

Executing Division	Number of works	Estimated cost	Allotted cost	Excess
Irrigation Division Handwara	28	174.74	205.89	31.15
Irrigation and Flood Control Division Baramulla	20	94.31	117.80	23.49
Ferozpora Basin Irrigation Division Tangmarg	26	82.92	117.37	34.45
Total	**74**	**351.97**	**441.06**	**89.09**

(Source: Departmental records)

The EE, Baramulla stated that the increase over estimates was due to extension of works as per site requirements while as EE, Tangmarg replied that the rates quoted by the tenderers never coincide with the advertised cost. In the former case, the fact remains that supplementary agreement had not been executed with the contractor and in the latter case, the reply is in itself an acceptance that estimates were not being framed realistically.

- Financial rules envisage execution of works after ensuring reasonability of rates and economy by inviting tenders. It was seen in audit that 264 works in 9 divisions[80] (out of 11 divisions test-checked) valued at Rs. 8.03 crore were allotted (2003-08) on 'approval basis' without invitation of tenders. The EEs stated that this procedure was adopted to ensure immediate execution to meet the demands of local people and MLAs. The reply did not take into account the

79 Executive Engineer, Irrigation Division Sumbal Sonawari: Rs. 1.21 crore; Executive Engineer, Irrigation Division Handwara: Rs. 3.53 crore; Executive Engineer, Irrigation Division Baramulla: Rs. 5.40 crore; Executive Engineer, F.B Irrigation Division Tangmarg: Rs. 2.74 crore.

80 Irrigation Division Handwara, Irrigation Division Baramulla, Irrigation Division Sumbal Sonawari, F.B. Irrigation Division Tangmarg, Irrigation Division-I Jammu, Irrigation Division-II Jammu, Irrigation Division Kathua, Irrigation Division Akhnoor, Irrigation Division Anantnag

crucial codal procedure that works were to be executed only after invitation of tenders and ensuring reasonability of rates.

1.3.8.5 Diversion of funds

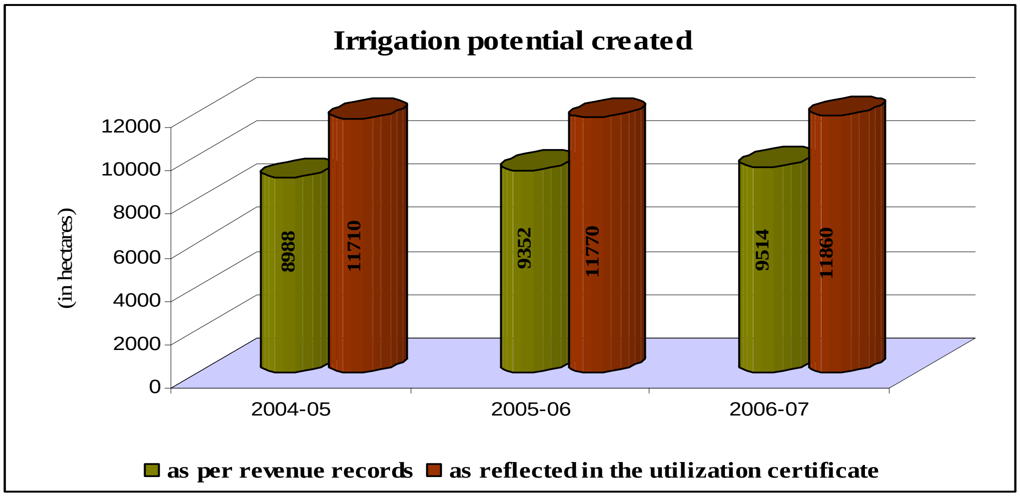
Audit scrutiny of seven divisions (out of eleven divisions test-checked) revealed that funds amounting to Rs. 2.48 crore were diverted/utilised during 2003-09 on unapproved activities/items like construction of a motorable bridge, silt clearance, labour payment of other *khuls*, hire charges of vehicles, POL, furniture, purchase of photocopier machines, levelling equipment, renovation of divisional/sub-divisional office buildings, construction of *Shah Khul* not provided in the scheme report, purchase of Hydraulic Excavator, levelling instrument, renovation of divisional stores, construction of tank, CGI roofing, purchase of fuel, worn out pumps, etc. were also paid by debit to the approved schemes. Diversion of funds, apart from being unauthorized, reduced the availability of funds for the schemes from which the money was diverted, thereby delaying completion of the targeted schemes. The EEs stated that expenditure incurred on silt clearance was due to insufficient funds provided by the State Government for desilting. It was further stated that provision for construction of bridge had been kept in the revised Detailed Project Report (DPR). It may be pointed out here that construction of the said bridge and construction of *Shah khul* were not included in the approved DPRs.

1.3.8.6 Incorrect reporting

Instances of wrong reporting to the GOI were also seen in audit. Under AIBP guidelines, the Department is required to submit utilisation certificates to the GOI for the released assistance and the subsequent releases were subject to submission of utilisation certificate for the earlier releases.

It was seen that Rs. 44.14 crore were reflected in the utilization certificates submitted to the GOI as having been spent on 173 schemes during 2007-08 and 2008-09 against Rs. 32.52 crore actually spent during the period. Audit scrutiny, however, showed that Rs. 11.62 crore have been lying as unspent balance with the Chief Engineer, Irrigation and Flood Control Department, Jammu, at the end of March 2009. This indicated that the entire amount of the released assistance was reflected as final expenditure, evidently to obtain the next instalment of assistance.

It was also seen that inflated figures of irrigation potential created were reflected in the utilization certificates in respect of Modernization of New Partap Canal (Medium) as given in the chart below:



The Executive Engineer, Irrigation Division, Akhnoor stated that the variation between the two sets of figures would be looked into.

1.3.9 Programme performance

The position of the number of schemes under execution, including those taken up for execution during the review period, and those completed in the state is tabulated below:

Table 1.3.4

Mode of irrigation scheme	Total number of schemes under execution			Number of schemes completed during review period	Total number of schemes under execution ending March 2009
	As on April 2004	Taken up during 2004-09	Total		
Major/Medium	16	4	20	3	17
Minor	96	264	360	96	264
Total	**112**	**268**	**380**	**99**	**281**

(Source: Departmental records)

Year-wise details of the schemes completed/executed is tabulated below:

Table 1.3.5

Year	Schemes under implementation at beginning of the year	Schemes started during the year	Schemes due for completion during the year	Schemes completed during the year	Incomplete schemes at the end of year
2004-05	112	9	111	Nil	121
2005-06	121	2	112	23	100
2006-07	100	61	100	26	135
2007-08	135	137	129	39	233
2008-09	233	59	228	11	281
Total		**268**		**99**	

(Source: Departmental records)

The Department took up 268 schemes for execution during the review period where as 112 schemes were already under execution (April 2004). Out of 380 schemes (Major: 20; Minor: 360), 316 schemes due for completion during 2004-09 from which only 99 schemes (Major: 3; Minor: 96) were completed during the review period with a time overrun of 1-4 years as detailed below:

1.3.9.1 Time overrun

Out of 316 schemes due for completion during the review period, only nine schemes were completed in time. Ninety schemes were completed with a time overrun of one to six years. The remaining were incomplete as of March 2009. Out of 135 schemes test-checked, 117 schemes (Jammu: 110; Kashmir: 7) were slated for completion during the review period, out of which only 39 schemes (Jammu: 35; Kashmir: 4) estimated to cost Rs. 14.97 crore were completed at a cost of Rs. 14.95 crore with time overrun of 1-4 years. The balance 78 schemes (Jammu: 75; Kashmir: 3) had not been completed as of March 2009. Delay in completion of schemes resulted in delay in accrual of benefits from the investment. The time overrun was attributed by the EEs to late release of funds. It was also stated that short utilisation of the created potential was due to urbanisation and change in cropping pattern.

1.3.9.2 Creation of irrigation potential

The position of irrigation potential created during 9th and 10th Five Year Plans is indicated in the following table.

Table 1.3.6

(In hectare)

Mode of irrigation	Ultimate irrigation potential	Irrigation potential at the end of 9th plan		Irrigation potential added during 10th plan		Irrigation potential at the end of 10th plan	
		Created	Utilised	Created	Utilised	Created	Utilised
Major/Medium irrigation	250	179.69	168.75	43.30	15.35	222.99	184.10
Minor irrigation	1,108	382.45	366.77	72.22	29.74	454.67	396.51
Total	**1,358**	**562.14**	**535.52**	**115.52**	**45.09**	**677.66**	**580.61**

(Source: Departmental records)

The irrigation potential utilised at the end of 10th plan was 83 *per cent* in case of major/medium irrigation schemes while as it was 87 *per cent* in case of minor irrigation schemes. While the overall irrigation potential utilized was encouraging, the irrigation potential created was only 89 *per cent* and 41 *per cent* in case of major/medium and minor irrigation schemes respectively.

Out of 96 minor irrigations schemes completed (out of 360) during the review period, data collected from the Department showed that against the ultimate irrigation potential of 25,059 hectare, only 20,298 hectare (81 *per cent*) was created as tabulated below:

Table 1.3.7

(In hectare)

Year of completion	Number of schemes	Envisaged Irrigation Potential	Irrigation potential created
2005-06	20	1,872	1,714
2006-07	26	4,745	4,362
2007-08	39	17,635	13,482
2008-09	11	807	740
Total	**96**	**25,059**	**20,298**

(Source: Departmental records)

In five out of 39 completed (out of 135 test-checked) schemes, the potential created was significant (91 to 100 *per cent*) and utilisation commendable (80 to 98 *per cent*) as detailed below:

Table 1.3.8

(In hectare)

Name of the Khul	Ultimate Irrigation Potential	Potential created (percentage)	Potential utilised (percentage)
Left Binkund Canal	242	220 (91)	216 (98)
Shanookote Khul	30	30 (100)	26 (87)
Thudi-II	37	37 (100)	34 (92)
Muradpur Khul	40	40 (100)	32 (80)
Sidhal	95	95 (100)	81 (85)

(Source: Data furnished by the divisions)

However, Audit scrutiny of 39 completed schemes showed that irrigation potential utilised was only 2,403 hectares (62 *per cent*) against the created potential of 4,617 hectares. The reasons for shortfall was due to non-development of land, non-performing of schemes satisfactorily as envisaged, etc.

Audit scrutiny also showed that, in respect of seven completed schemes, against the created irrigation potential of 2,658 hectares, the actual utilisation was only 730 hectares. Low utilisation (27 *per cent*) of the irrigation potential was due to the reasons tabulated against each hereunder:

Under utilised Schemes

Name of the Scheme: Nalla Khul

Estimated Cost: Rs. 0.27 crore

Envisaged irrigation potential: 30 hectares

Expenditure: Rs. 0.27 crore.

Potential created ending March, 2009: 30 hectares

Year of construction: 2006-09

Potential actually utilised: NIL

Nallah Khul incomplete due to land dispute

Specific findings

Khul section of 490 metres (RD 750M-1140M and 1790-1890M) remained in-complete due to land dispute.

Name of the Scheme: Janiar Bowli Khul	
Estimated Cost: Rs. 0.14 crore	
Envisaged irrigation potential: 170 hectares	
Expenditure: Rs. 0.14 crore.	
Potential created ending March 2009: 170 hectares	
Year of construction: 2001-07	
Potential actually utilised: 02 hectares	***Specific findings***
 *Water not flowing into the canal due to damages.*	Damages at head work site were not allowed to be restored by the local residents who apprehended damages to their fields.
Name of the Scheme: Boila Khul	
Estimated Cost: Rs. 0.21 crore	
Envisaged irrigation potential: 48 hectares	
Expenditure: Rs. 0.21 crore.	
Potential created ending March 2009: 48 hectares	
Year of construction : 2004-08	***Specific findings***
Potential actually utilised: 03 hectares	
 *Construction of Boila Khul. Work not allowed to be executed by local residents*	Khul section passing through residential area was not allowed by the residents for construction before construction of distributory of the Khul

Name of the Scheme : Raitla Khul	
Estimated Cost: Rs. 0.18 crore	
Envisaged irrigation potential: 52 hectares	
Expenditure: Rs. 0.17 crore.	
Potential created ending March 2009: 52 hectares	
Year of construction : 2006-09	***Specific findings***
Potential actually utilised: Nil	Some work of the Khul not completed due to local dispute. The Khul is planned for completion during 2009-10.
 *Damage to Raitla Khul not restored*	
Name of the Scheme: Karthai Khul	***Specific findings***
Estimated Cost: Rs. 0.19 crore	
Envisaged ultimate irrigation potential: 156 hectares	Damages caused due to flash floods at different RDs were not restored due to non-availability of funds.
Expenditure: Rs. 0.19 crore.	
Potential created ending March 2009: 156 hectares	
Year of construction: 2002-08	
Potential actually utilised: Nil	
Name of the Scheme: Laxmi Mawas canal	***Specific findings***
Estimated Cost: Rs. 1.55 crore	
Envisaged ultimate irrigation potential: 1,362 hectares	Low creation of irrigation potential was due to choked canal near the flume.
Expenditure: Rs. 1.49 crore.	
Potential created ending March 2009: 406 hectares	
Year of construction: 2003-08	
Potential actually utilised: 406 hectares	

<table>
<tr><td>Name of the Scheme: Construction of sluice gate Shadipora</td><td rowspan="8">Specific findings

Low utilisation of irrigation potential was due to low river bed level due to extraction of sand from the river by the locals.</td></tr>
<tr><td>Estimated Cost: Rs. 2.29 crore</td></tr>
<tr><td>Envisaged irrigation potential: 840 hectares</td></tr>
<tr><td>Expenditure: Rs. 2.29 crore.</td></tr>
<tr><td>Potential created ending March 2009: 790 hectares</td></tr>
<tr><td>Year of construction: 2003-08</td></tr>
<tr><td>Potential actually utilised: 319 hectares</td></tr>
<tr><td>
Gates in Shadipore canal above the river bed</td></tr>
</table>

Reasons for non-utilisation of created irrigation potential are indicative of the fact that *khuls* alignments were not properly surveyed initially to visualise possible local land disputes during actual execution. Non-providing of funds for restoration of damages also resulted in negligible utilisation of irrigation potential actually created at a cost of Rs. 4.76 crore.

Review of the schemes showed that implementation of the programmes suffered due to unplanned execution, unauthorised execution, taking up of ineligible schemes for execution, unfavourable cost benefit ratios, etc. Test instances are discussed in the subsequent paragraphs.

1.3.9.3 Execution of works without fulfilment of pre-requisites

Pre-requisites such as preliminary survey and investigations, sufficient water availability, acquisition of land, environmental and forest clearance and availability of adequate funds were to be fulfilled before proposing schemes for execution. Further, instructions issued (1984) by the Irrigation and Flood Control Department envisaged that work should be done on land without encumbrances. It was observed in audit that in respect of four out of 135 test-checked schemes, construction work was taken up without preliminary survey, geological investigation, forest clearance, etc. Non-fulfilment of pre-requisites led to non-development of canal section and consequently resulted in abandonment/change of proposals as tabulated below:

Table 1.3.9

Name of Scheme	Date of start	Due date of completion	Proposed ultimate Irrigation potential (in ha)	Estimated cost	Expenditure incurred as of March 2009	Reasons for abandonment/change of proposal
				(Rs in crore)		
Construction of Buzzla Khul	2002-03	2004-05	210	0.50	0.22	Work abandoned due to development of sliding zone since February 2005.
Construction of Pranoo khul	2006-07	2007-08	180	0.68	0.38	Head works of *Khul* damaged by GREF since 2006-07; work not started as of March 2009. Further, construction on *Khul* section held up for want of forest clearance.
Construction of Thumba Nahoti	2003-04	2004-05	404	2.10 (O) 2.42 (R)	1.86	Work abandoned since March 2008 due to non-approval of changed design and for want of funds.
Construction of Argi Khul	2003-04	2004-05	55	0.36 (O) 1.99 (R)	0.26	Work abandoned since March 2008 due to change of scheme from gravity to lift.
Total			**849**		**2.72**	

(Source: Departmental records) (O: Original cost; R: Revised cost)

Thus non-fulfilment of pre-requisites before taking up construction work of schemes resulted in unfruitful expenditure of Rs. 2.72 crore, besides non-extension of irrigation facilities to 849 hectare of land. In reply, the EEs stated that work in respect of *Buzzla Khul* would be taken up after fresh survey and geological investigation and receipt of forest clearance in respect of *Pranoo Khul*. As regards other two schemes, works were to be taken up after approval of the changed designs and revised proposals. The EE had not addressed these issues before taking up the schemes for execution.

1.3.9.4 Unfavourable cost benefit ratio

For economic viability of an irrigation scheme, cost benefit ratio (CBR) of the scheme should be more than unity. To ensure that a scheme has actually come up to the desired level in respect of creation of irrigation potential and utilisation thereof, it is essential for the Department to work out the cost benefit ratio on actuals after completion of the schemes. It was, however, seen in audit that no such exercise had ever been conducted by the Department to ascertain the cost benefit ratio actually achieved in respect of completed schemes to identify bottlenecks, if any, for its non-achievement for taking remedial action.

Out of the 39 completed schemes, it was seen that ultimate CBR achieved in respect of 16 minor irrigation schemes completed at a cost of Rs. 265.52 crore during 2006-07 and 2007-08 was poor (less than 1) as worked out in audit on the basis of utilization of irrigation potential and actual crop yield per hectare as tabulated below. Audit observed that against the projected cultivable command area of 5,041.10 hectare, the utilised irrigation potential was only 1,232.40 hectare (24 *per cent*) during 2008-09 as tabulated below:

Table 1.3.10

Name of the scheme	Gross value of produce before modernisa-tion	Gross value of produce after modernisa-tion	Expendi-ture	Envisaged area (in hectare)	Cost Benefit Ratio (as per DPR)	Ultimate projected irrigation	Irrigation potential utilised (2008-09)	Actual Cost Benefit Ratio
	(Rs in lakh)					(in hectare)		
Improvement of Kanir Shumnag Khul	200.43	98.16	1.97	842	1:4.75	1599.40	513.20	1:0.13
Remodelling of Ranger Khul	151.11	62.82	1.56	778	1:6.94	1418.00	332.00	1: (-) 0.006
Improvement to Sazwari Canal	33.07	25.95	0.52	600	1:13.13	1100.00	167.20	1:0.48
Narian Khul	1.77	2.46	20.04	24	1:1.08	44	20	1:0.36
Challathani Khul	3.41	2.33	18.00	24	1:1.32	44	14	1:0.25
Gundi Khul	17.11	11.70	26.19	120	1:1.80	160	76	1: (-) 0.15
Chandak Khul	3.14	1.04	29.35	28	1:2.5	48	10	1: (-) 0.11
Potha Khul	7.07	1.47	38.23	70	1:1.80	112	06	1: (-) 0.35
Gunthal Khul	2.71	4.41	18.51	26	1:1.53	40	07	1: 0.67
Salyote Khul	1.69	3.23	7.73	18	1:1.50	31	15	1:.0.30
Markas I and II	1.00	2.44	8.37	10	1:1.21	15	12	1:0.32
Nagrota-II	2.90	4.20	12.73	20	1:1.23	35	20	1:0.97
Govindpura Khul	2.81	1.89	12.20	24	1:2.77	91	8	1: (-) 0.03
Bhagwa Khul	7.36	2.13	36.20	135	1:1.38	135	10	1: (-) 0.33
Kaligad Khul	5.34	2.48	22.96	150	1:1.717	100	12	1: (-) 0.07
Kash Khul	3.70	1.70	10.96	80	1:2.96	60.7	10	1: (-) 0.05
Total			**265.52**	**2949**		**5041.10**	**1232.40**	

(Source: Departmental records)

Above table indicates, against the projected cultivable command area of 5,041.10 hectare, the utilised irrigation potential was only 1,232.40 hectare (24 *per cent*) during 2008-09.

Non-achievement of ultimate irrigation potential has resulted in unfavourable cost benefit ratio (less than one). The Executive Engineers stated that canals witnessed damages due to natural calamites, flash floods in hilly areas, change in cropping pattern and delay in development of land which resulted in decrease in irrigated area. The reply should be seen in light of the fact that the schemes were completed during 2005-09 and the projected irrigation potential had never been achieved after their completion. Further, damages should have been got rectified to achieve full utilisation for a favourable CBR.

Poor condition of Bhagwa Khul

Poor head works of Markas I Khul

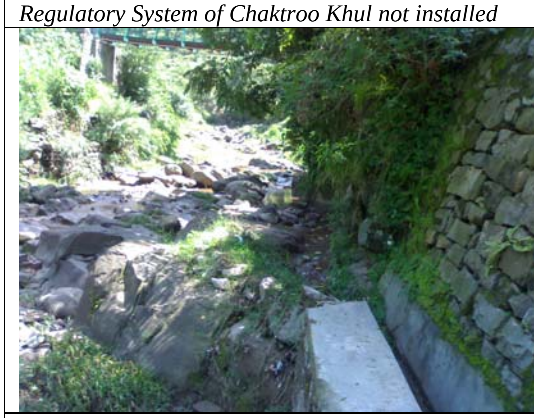
Poor intake head of Supply channel Narian.

1.3.9.5 Water regulatory system

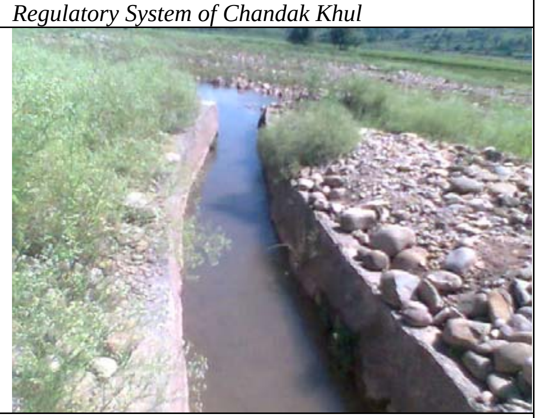
Out of 39 completed schemes, regulatory system (steel gates) to regulate the flow of designed discharge of water in the *canals/khuls* had been provided at head works in only one completed scheme.

Regulatory System of Chaktroo Khul not installed

Regulatory System of Chandak Khul



Regulatory System of Markas Khul not installed



Regulatory System of Mankot Khul not installed.

In reply, the Chief Engineer Irrigation and Flood Control Department, Jammu stated (August 2009) that information in this regard would be furnished on receipt from the divisions. In the absence of regulatory system, the entire *canal/khul* section was exposed to damages as the entire quantum of *nallah* water was getting diverted into *canal/khul* section.

1.3.9.6 Utilisation of tube wells

Audit scrutiny showed that out of the 240 tube wells existing (March 2009) in Jammu Province for providing irrigation facilities, only 77 *per cent* remained functional on an average during 2004-09. It was seen that out of 9,126 hectare of irrigation potential created, only 3,708 hectares (41 *per cent*) was utilised. On this being pointed out, the EE stated that against the requirement of 960 operational staff members, only 242 operators were posted in the division as on 31st March 2009 and the matter had been taken up with the higher authorities for engagement of operational staff. In view of such a critical situation, the drilling of more tube wells in absence of operational staff is fraught with the risk of non-operability.

1.3.9.7 Non-recovery of arrears of Abiana

The position of *abiana* (water charges) assessed, collected and outstanding during the review period is tabulated below:

Table 1.3.11

(Rupees in lakh)

Year	Opening balance	Assessment	Total demand	Recovery	Balance shortfall vis-a-vis demand
2004-05	334.15	106.79	440.94	102.82	338.12
2005-06	338.12	146.17	484.29	116.13	368.16
2006-07	368.16	135.01	503.17	106.04	397.13
2007-08	397.13	147.64	544.77	129.28	415.49
2008-09	415.49	147.30	562.79	119.17	443.62
Total			**2,535.96**	**573.44**	**1,962.52**

(Source: Departmental records)

Audit observed that the total demand of *Abiana* ranged between Rs. 4.41 crore and Rs. 5.63 crore for the years 2004-05 to 2008-09 against which the recovery has been in the range of Rs. 1.03 crore to Rs. 1.29 crore during the above period. The increase in shortfall from Rs. 3.38 crore (77 *per cent*) in 2004-05 to Rs. 4.44 crore (79 *per cent)* in 2008-09 indicated that the Department had not taken effective measures for recovery of outstanding *Abiana* resulting in piling up of arrears as on 31 March 2009.

1.3.9.8 Diversion of polluted water for irrigation

As per the standards of effluents for abatement of pollution under the Environment (Protection) Rules 1986 for avoidance of untreated sewage water for irrigation, the Department was required to prevent the discharge of untreated sewerage water into irrigation *canals/khuls/channels*, etc. Audit observed that treatment of sewerage water that flowed through irrigation *canals/channels* was not available in the State.

1.3.10 Monitoring and evaluation

The AIBP guidelines stipulate that major/medium irrigation schemes should be monitored at least twice a year and minor schemes monitored periodically on sample basis by Central Water Commission. It was seen that the Commission had been monitoring the major, medium and minor irrigation schemes under AIBP regularly and making recommendations on issues needing attention. The implementing agencies at the scheme level had been implementing the recommendations in varying degrees in respect of major/medium schemes only and not in respect of minor schemes.

It was stated by the Chief Engineer, Irrigation and Flood Control Department, Jammu that the irrigation schemes were monitored by the concerned District Development Commissioners. The Monitoring reports were, however, not on record at any level. No reply from CE, Kashmir was received and no such records were also found. No State/Scheme level committees had been constituted to carry out monitoring of the schemes nor any independent agency engaged at any level for the purpose. The State Government/CWC/MOWR had also not conducted any study to evaluate the crop yield, cost benefit ratio, measuring of discharge of water, etc. of schemes. Remote Sensing Technology was also not used by the Department to monitor the progress of works.

1.3.11 Conclusion

The objective of speedy development of irrigation potential and its eventual utilisation for the benefit of the farmer was not achieved to the desired extent in the State due to inherent deficiencies in planning, execution and monitoring. Implementation of the schemes was affected due to delay in release/diversion of funds, delays in execution and non-fulfilment of pre-requisites. In the absence of a time bound strategy for systematic harnessing of estimated irrigation potential, there was shortfall in the creation of irrigation potential. Even the irrigation potential created under various schemes was not utilised optimally. Thirty two *per cent* of the 39 completed schemes could not provide adequate irrigation due to land disputes and non-restoration of damages. Consequently, the ultimate cost benefit ratio achieved in respect of some schemes was less than unity.

1.3.12 Recommendations

- Perspective plan needs to be formulated and guidelines approved under AIBP should be adhered to. Only approved schemes should be taken up for execution.
- Adequate funds should be provided and released on a timely basis for approved items of work; diversion of funds to unauthorised activities should be strictly avoided.
- The schemes should be taken up in a planned manner after fulfilling all the pre-requisites. Efforts need to be made to utilise the potential created is utilized to the maximum level
- Appropriate monitoring mechanism should be instituted to ensure that projects are completed on time within the approved budgets and envisaged benefits are derived.

CHAPTER – II

AUDIT OF TRANSACTIONS

Embezzlements/Losses/non-recovery of dues

Public Works Department

2.1 Non-recovery of supervision charges

Non-recovery of supervision charges for works executed on behalf of Northern Railways resulted in loss of Rs. 8.28 crore.

J&K Public Works Account Code provides for the Public Works Divisions to recover cost of establishment and tools and plant at 7½ *per cent* and ½ *per cent*, respectively, as supervision charges on works costing Rs. five lakh and above, not financed out of the Consolidated Fund of the State, unless there are special orders of the Government to the contrary. The percentage charges are also to be levied on the cost of land acquired as part of the cost of such works.

Construction of approach roads to the 15 newly constructed Railway Stations on the Qazigund-Baramulla section was entrusted (September 2007) by the Northern Railways to the State PWD at an estimated cost of Rs. 177.26 crore. The Executive Engineer, Truck Terminal Division, Srinagar, who was assigned the job, incurred an expenditure of Rs. 103.51 crore (land acquisition: Rs. 62.53 crore and expenditure on works: Rs. 40.98 crore) till March 2009.

Audit scrutiny (October 2008) showed that the Department, in contravention of the rules, had not made any provision for supervision charges in the detailed project reports (DPRs) which resulted in non-recovery of Rs. 8.28 crore (cost of establishment: Rs. 7.76 crore and tools and plant charges: Rs. 51.75 lakh) from the Northern Railways, resulting in loss to the State to that extent.

The Executive Engineer stated (October 2008/May 2009) that the division had charged three *per cent* contingency charges in the DPRs. The reply is not correct as the charges levied were for testing, quality control, work charged contingencies, etc. forming part of the overall project cost and not supervision charges.

The matter was referred to Government/Department in June 2009; reply had not been received (October 2009).

Idle investment/blocking of funds/unfruitful expenditure/avoidable expenditure

Agriculture Production Department

2.2 Avoidable payment of escalation charges

Sher-e-Kashmir University of Agricultural Sciences and Technology, Jammu failed to get the HT line shifted and have the drawings and the key construction material issued to the contractor in time, resulting in avoidable expenditure of Rs. 1.76 crore.

The Estates Officer, Sher-e-Kashmir University of Agricultural Sciences and Technology, Jammu issued (September 2003) a letter of intent to a contractor for construction of veterinary clinic complex including electric and sanitary works at a cost of Rs. 7.40 crore, for completion in two years. In anticipation of the issuance of formal orders, the contractor took up (December 2003) execution of the work. The formal order was, however, issued to the contractor only in October 2004 after a delay of nearly a year, due to disagreement with the contractor regarding the dates from which the escalation cost on the work done was to be allowed. As per the clause agreed upon, escalation was to be allowed to the contractor only for the delayed period, and that too in case the delay was attributable to the University.

Scrutiny (March 2009) of the records of the University showed that the University delayed procurement of key construction material like steel, cement, etc. for issuance to the contractor, shifting the high tension (HT) lines and providing drawings to the contractor in time, which delayed the completion of the building. The work was completed by the contractor in January 2007 at a cost of Rs. 9.57 crore after a delay of 17 months. As the delay was on the part of the University, it had to pay Rs. 1.76 crore as escalation to the contractor as per the stipulation in the contract. The University, while accepting the audit contention, stated that key material could not be procured due to paucity of funds and it took time to get the HT lines shifted. It was further stated that the Architect, who had to supply the drawings during execution of the work, failed to do so. The reply should be viewed in the light of the fact that the University had enough funds overall to procure the key material. Also the University should have ensured clearance of site before taking up construction. The reply of the Department that the drawings had to be supplied by the Architect does not stand to reason as the drawings are essential requirement for commencement and smooth progress which the university did not ensure, causing delay and resulting in escalation in the cost of construction.

Inaction of the Estates Officer of the University to have the drawings and the key construction material issued to the contractor in time and settle the rates of shifting the HT line with the Power Development Department resulted in avoidable extra expenditure of Rs. 1.76 crore.

Health and Medical Education Department

2.3 Wasteful expenditure due to change of Executing Agency

Change of executing agency, engaged for construction of a 300 bedded hospital at Anantnag resulted in wasteful expenditure of Rs. 21.55 lakh incurred on drawings/conceptual plan.

The State Government sanctioned (March 2007), engagement of J&K Police Housing Corporation (JKPHC) as the executing agency for construction of a 300 bedded hospital at Anantnag at an estimated cost of Rs. 62.53 crore. Health and Medical Education Department (H&MED) released (March 2007) Rs. five crore to JKPHC through EE, Roads and Buildings, Truck Terminal Division, Srinagar after deducting Rs. 11.25 lakh as Income Tax. However, the Chief Minister, in a review meeting (13 June 2007), decided to change the executing agency from JKPHC to the Jammu and Kashmir Projects Construction Corporation (JKPCC). The minutes of the review meeting were not, however, available with the Department. In absence thereof, audit was not in a position to assess the justification for change in the executing agency.

Audit scrutiny (October 2008/February 2009) showed that the decision regarding change of executing agency was conveyed belatedly (September 2007) and by the time the decision had been conveyed, the JKPHC had spent Rs. 21.55 lakh towards fee of a consultant engaged (16 June 2007) by it for providing architectural/conceptual designs. In compliance with the decision taken in the review meeting, JKPHC was requested to refund the money advanced to it, which the latter complied with, after deducting an amount of Rs. 21.55 lakh spent by it on drawings etc. The drawings were also not handed over to JKPCC on the ground that these were the property of JKPHC. As a result, JKPCC engaged three agencies[1] for providing drawings and Rs. 13.68 lakh had been paid to them as of July 2009. The likelihood of using these drawings for any work is remote as the requirements differ from work to work. The construction was in progress as of July 2009.

Delay in intimating the decision relating to change of the executing agency to JKPHC and also non-utilisation of the conceptual designs, thus, resulted in wasteful expenditure of Rs. 21.55 lakh.

The matter was referred to Government/Department in June 2009; reply had not been received (October 2009).

Housing and Urban Development Department
(Srinagar Municipal Corporation)

2.4 Improper contract management

The department did not invoke the contract clause after abandonment of work by the contractors and not resorting to re-tendering of the works resulted in idling of expenditure of Rs. 3.43 crore

To re-locate vegetable vendors and enhance the financial resources of Srinagar Municipal Corporation, administrative approval was accorded (June 2001) by the Housing and Urban Development Department for construction of a shopping complex with 10 two storied blocks comprising 296 shops at a cost of Rs. 4.31 crore, to be raised by the Corporation under self-financing scheme. 316 vegetable vendors were to be accommodated by way of allotment of one shop to two vendors on payment of a premium of Rs. 1.23 lakh each and the remaining shops were to be auctioned. Allotment orders for construction of 10 blocks were issued (November 2001: 08 blocks and August 2002: 02 blocks) to various contractors at a cost of Rs. 4.91 crore for completion within three and four months.

Audit scrutiny showed (July 2006) that the work on nine blocks was taken up during 2001-04 whereas the work on one block was not taken up by the contractor. After executing 43 to 91 *per cent* of works on nine blocks (value of work executed: Rs. 3.43 crore), and after receiving the full payment of Rs. 3.43 crore, the contractors abandoned the works between 2003 and 2006 demanding escalation of rates. The works have since been lying unattended (September 2009). The Municipal Corporation neither invoked the contract clause, which provided for penal action, nor re-tendered the balance works. It was also seen that the Corporation had surprisingly released (2002-05) Rs. 3.43 crore-100

[1] M/s Archigroup Architects, New Delhi: Rs. 10.08 lakh; M/s Structural Consultant, Srinagar: Rs. 2 lakh; M/s Creations Architects, Srinagar: Rs. 1.60 lakh

per cent payments for value of work done before stoppage to the contractors in violation of the contract. The balance work had not been taken up as of March 2009.

The Executive Engineer, Left River Works Division of the Corporation informed (April 2009) that the matter had been referred to higher authorities for a decision. However, no reasons for non-initiation of action against the contractors and delay in re-tendering were offered.

Thus, inaction on part of the Corporation has resulted in idling of expenditure of Rs. 3.43 crore besides, likely increase in the cost of the project on account of cost escalation on re-tendering the balance works. The questionable action of the Corporation in releasing full payment to contractors who had abandoned the works needs to be investigated. Also, deterioration of the building structure constructed till stoppage can not be ruled out due to passage of time, without proper care and maintenance.

The matter was referred to Government in July 2009; reply had not been received (October 2009).

Industries and Commerce Department

2.5 Avoidable interest payment

Lack of clear and timely decision on land compensation resulted in avoidable expenditure of Rs. 1.58 crore as interest.

For acquisition of about 1000 *kanals*[2] of land required for establishment of Industrial Estate at Ompora, Budgam the Collector, Land Acquisition, Budgam in his tentative award (October 1992) had fixed the rates of compensation to land owners for two types of land, viz. *Baghi Khushki* and *Baghi Maidani* at Rs. 75,000 and Rs. 65,000 per *kanal* respectively and referred the rates (July 1996) to the Government for approval. While approving the rates (April 1997), the Government scaled down the land compensation rates to Rs. 40,000 and Rs. 35,000 per *kanal* for *Baghi Khushki* and *Baghi Maidani* land, respectively, without any recorded justification. The payments to the land owners were made (April 1997) in accordance with the lower rates determined by the Government. The land owners, not satisfied with the rates fixed by the Government, received the payment under protest and approached the court of law.

While defending the case in the court, the Department was not able to give plausible reasons for scaling down the rates. The District Judge, Budgam accordingly decided (20 November 2000) that the petitioners were entitled to compensation at the rates of Rs. 75,000 and Rs. 65,000 for *Baghi Khushki* and *Baghi Maidani,* respectively, with interest at the rate of six *per cent* for the enhanced amount from 20 November 2000 to September 2008.

The Industries Department approached the High court in May 2001 which upheld (June 2008), the judgement given by the lower court. On its direction, the Department paid land compensation (Rs. 3.85 crore) at enhanced rates[3] and an interest of Rs. 1.58 crore thereon in terms of the court judgement.

[2] *Baghi Maidani*: 297 *kanals*, 10.5 *marlas* and *Baghi Khushki*; 702 *kanals* and 9 *marlas*.
[3] Rs. 75,000 for *Baghi Khushki* and Rs. 65,000 for *Baghi Maidani*

The matter was referred to the Government/Department in July 2009. The Director, Industries and Commerce stated (August 2009) that all the levels of the Revenue Department from Collector to the Administrative Department were responsible for the extra payment to the landowners, which had to be paid by the Industries and Commerce Department for no fault on its part. The Government endorsed the reply of the Director.

Power Development Department

2.6 Delay in completion of transmission line due to improper planning

Improper planning of the Department resulted in idle expenditure of Rs. 16.86 crore and non-completion of transmission line for 27 years.

In order to provide an additional strong and dependable link to ensure availability of power to Jammu city and adjoining areas, the Executive Engineer (EE), Transmission Line Construction Division-I, Jammu had proposed (January 1980) construction of 50 Km long 220 KV Single Circuit Gladni-Udhampur line, at an estimated cost of Rs. 2.92 crore, for completion in two years. The work was taken up for execution in November 1982. After laying 133 foundations and erecting 22 towers upto 1987-88, at a cost of Rs. 2.76 crore, further execution remained suspended upto 1994-95 due to non-supply of tower material by the contractor. The contractor could supply only 25 *per cent* of the ordered quantity upto 1988-89. The matter regarding non-supply of the material by the contractor was referred to an Arbitrator who issued (November 1993) an award which is pending before the High Court.

Due to extremely meager funding during 1989-95, the Department could procure material worth only Rs. 16.64 lakh. With a further allotment of Rs. 1.21 crore received during 1995-97, against the revised cost of Rs. 7.16 crore, the Department erected four towers, executed protection works to some (75 *per cent*) tower foundations and also procured line material. The delay in completion of the project resulted in damage to 16 tower foundations and also large scale encroachments on the right of way of the line necessitating revision in cost to Rs. 12.16 crore (September 2000) and then to Rs. 17.56 crore (November 2002).

After incurring a further expenditure of Rs. 12.72 crore from the funds received between 1999-2005, the Department executed works relating to laying of 164 foundations, erection of 161 towers and stringing of 38.40 Kms conductor. No funds were allotted by the Government during subsequent years and only in 2007-08, the Government released Rs. 20 lakh, which the Department used for procurement of material.

For execution of the balance work (laying of one tower foundation, erecting of four towers and stringing/restringing of 43 Kms of conductor including 4.63 Kms stolen conductor), the project was revised to Rs. 20.75 crore which had not been approved as of June 2009. During the 27 years that the project has remained under execution, conductor of 4.635 Kms valued at Rs. 11.36 lakh had been stolen. Also Rs. 21.92 lakh was spent on recasting of 16 damaged tower foundations.

The Department stated (November 2008) that a project report had been submitted to the techno-economic committee for accord of technical sanction and the pending works would be completed in six months provided funds were made available and added that it was difficult for the Department to make fool-proof arrangements to avoid thefts as the line was passing through tough terrain and forest area. The reply of the Department should be viewed in the light of the fact that the Department did not ensure regular supply of ordered quantity of material to erect the required number of towers with the result that the line could not be energized and the line already laid had become prone to thefts.

Thus, the project progressed by fits and starts and is still far from completion even after incurring an expenditure of Rs. 16.86 crore (nearly six times the original cost). There has also been an avoidable expenditure of Rs. 33.28 lakh on recasting damaged tower foundations and restringing of stolen conductor. Non-completion of the project in 24 years renders the very necessity of the transmission line questionable. Any more delays in the completion of the line is fraught with risk of thefts of conductor already stringed as admitted by the Department itself, which would further delay the completion and also escalation in cost.

The matter was referred to Government/Department in July 2009; reply had not been received (October 2009).

2.7 Poor Planning

The Department took up construction of the Sub-station without taking into consideration the meteorological report and advice of the Geologist resulting in wasteful expenditure of Rs. 68.93 lakh.

To provide independent, reliable and uninterrupted power supply to BEACON, Defence and other installations at Jawahar Tunnel, the Chief Engineer, Systems and Operation Wing, Kashmir proposed (October 2003) construction of a 12.5/15 MVA 132/33 Grid Sub-station at an estimated cost of Rs. 2.67 crore to be completed by June 2004. The work, proposed to be taken up at the North portal of the tunnel, was later on taken up at the South portal, as the original site selected for the purpose was not found stable by the Geologist who conducted the investigation. The Geologist advised (December 2003) designing the protection walls in such a way that the wall, which was close to steep slopes could bear the thrust/push generated by the snow and debris during heavy snowfall. The Scientist, Snow and Avalanche Study Establishment (SASE), Chandigarh, also opined (February 2004) that there was no noticeable difference in the meteorological parameters of North and South portal.

Scrutiny (January 2009) of the records of the Executive Engineer (EE), Grid Construction Division, Srinagar showed that the construction work at South portal was taken up (March 2004) for execution without carrying out protection works advised by the Geologist. While construction was in progress, it was extensively damaged (February 2005) due to snowfall and avalanche. The site was abandoned (March 2005) and a new site at Tethar (Banihal Town) was selected where the Sub-station with an enhanced capacity is proposed to be constructed. Out of the amount of Rs. 1.40 crore spent on the work at the South portal, material/equipment valued at Rs. 71.05 lakh was available with the Department for utilisation on the newly proposed site. The EE's justification (June 2009) that the work was taken up on the South portal on the basis of the Meteorological report did not take into account the fact that the opinion of the Scientist (SASE) and the Geologist, underscoring the need for undertaking protection works before taking up the execution, had been overlooked.

The decision of the Department to construct the Sub-station at South portal without taking cognizance of expert advice resulted in wasteful expenditure of Rs. 68.93 lakh.
The matter was referred to Government/Department in July 2009; reply had not been received (October 2009).

2.8 Avoidable extra expenditure and undue benefit to the contractor

Non-recovery of avoidable extra expenditure of Rs. 86 lakh from defaulting contractors is tantamount to a direct loss for the Department.

On the requisition of Chief Engineer, Electric Maintenance & Rural Electrification (CE, EM & RE) Wing Jammu, the CE, Procurement & Material Management Wing (CE, P&MM), Jammu placed orders (November 2007) for supply of 7,518 steel tubular (ST) poles of different sizes[4] with three local firms (Firm A[5]: 5994, Firm B[6]: 762 and Firm C[7]: 762 poles). The contract stipulated that in case of failure to deliver full or part of the supply, the purchaser would have the right to make purchase from other sources at the risk and cost of the defaulting suppliers.

Scrutiny (June 2009) of the records of the EE, Electric Central Store Division, Jammu showed that the firms A and B supplied (December 2007 to March 2008) only 3,247 and 444 poles against the ordered quantity, while firm 'C' had not supplied any material. This left 3,827 poles[8] (order value of Rs. 2.80 crore) out of the ordered quantity unsupplied. To meet the requirements, the Department procured (July 2008 to December 2008) a lesser quantity of 3,252 poles[9] (order value: Rs. 2.03 crore as per supply orders placed upon the defaulting firms) from other sources at a cost of Rs. 2.89 crore out of the undelivered quantity, thereby incurring an avoidable extra cost of Rs. 86 lakh[10]. It was seen in audit that the Department, apart from forfeiture of the security deposits (Rs. five thousand each) of firms 'B' and 'C', had not initiated any action against the defaulting firms to recover the cost of the risk purchases in accordance with the terms of the supply.

Non-recovery of extra expenditure of Rs. 86 lakh from defaulting contractors tantamount to a direct loss for the Department and extending of undue benefits to contractors.

The matter was referred to Government/Department in September 2009; reply had not been received (October 2009).

2.9 Inadmissible payment of HRA and CCA

Failure of the Department to adhere to rules resulted in excess payment of HRA and CCA amounting to Rs. 24.46 lakh.

As per rules, a Government servant whose place of posting falls within the qualifying limits of a city shall be eligible for both House Rent Allowance (HRA) and City

4 8mt: 3,550 poles, 9mt: 1,800 poles, 11mt: 1,177 poles and 13mt: 1,041 poles
5 M/S SICOP, Jammu: 8mt: 2,662 poles, 9mt: 1,512 poles, 11mt: 945 poles and 13mt: 875 poles
6 M/S Trikuta Steel Industries, Jammu: 8mt: 444 poles, 9mt: 144 poles, 11mt: 91 poles and 13mt: 83 poles
7 M/S AAR GEE Industries, Jammu: 8mt: 444 poles, 9mt: 144 poles, 11mt: 91 poles and 13mt: 83 poles
8 Firm A: 8mt: 1,400 poles, 9mt: 915 poles, 11mt: 32 poles and 13mt: 400 poles (Total: 2,747 poles), Firm B: 8mt: nil, 9mt: 144 poles, 11mt: 91 poles and 13mt: 83 poles (Total: 318 poles), Firm C: 8mt: 444 poles, 9mt: 144 poles, 11mt: 91 poles and 13mt: 83 poles (Total: 762 poles)
9 8mt: 1,844 poles, 9mt: 1,203 poles, 11mt: 201 poles and 13mt: four poles
10 Includes Rs. 45 lakh paid as escalation

Compensatory Allowance (CCA) at higher rates prescribed for classified cities, whereas in the rest of the cases the Government servant shall be eligible to HRA and CCA at lower rates.

Scrutiny of the records (February/March 2009) of Executive Engineer, Electric Maintenance and Rural Electrification (EM & RE) Division-II, Jammu revealed that HRA and CCA aggregating Rs. 24.46 lakh[11] were irregularly drawn at higher rates admissible for classified localities and paid (April 2007 to February 2009) to 195 employees[12] posted outside the qualifying limits of Jammu city. The Department intimated (April 2009) that the HRA and CCA being paid had been stopped (March 2009). The EE intimated (November 2009) that Rs. 4.70 lakh had been recovered from the concerned employees.

The Department did not adhere to the extant rules which resulted in excess payment of HRA and CCA amounting to Rs. 24.46 lakh.

The matter was referred to Government/Department in June 2009; reply had not been received (October 2009).

Public Health Engineering Department

2.10 Avoidable extra expenditure

Injudicious action of the Department resulted in avoidable extra expenditure of Rs. 1.50 crore on purchase of pipes.

As per the Industrial Policy (2004), a price preference up to 15 *per cent* can be allowed to Small Scale Industrial (SSI) Units of the State vis-à-vis the rates quoted by other suppliers. The Executive Engineer (EE), Public Health Engineering, Mechanical and Procurement Division, Srinagar had invited tenders (April 2005) for supply of Galvanised Mild Steel (GMS) tubes for the year 2005-06. As per the terms and conditions of the NIT, rates finally approved were to remain valid from June 2005 to May 2006 or till the time the rate contract (RC) was awarded by the Director General of Supplies and Disposals (DGS&D), whichever was earlier, after which the lower of the two rates would be applicable. It also envisaged that in the event of failure of the successful tenderer to execute the supply order, the Department would, without prejudice to any other remedy, recover the extra cost, if any, involved in arranging the material through other agency and the defaulting contractor would also not be eligible to bid for any contract in future.

Scrutiny (April 2008) of the records showed that on the basis of tenders (May 2005), the EE found the rates of two local SSI units[13] to be the lowest which worked out to Rs. 2.97 crore each after allowing the price preference of eight *per cent.* The rates were accepted by the Small Scale Industrial (SSI) units. While the supply orders to the two units were being processed, the Director General, Supplies and Distribution (DGS&D) issued (December 2005) the rate contract for the year specifying therein the rates to be allowed to the suppliers for various items. On the basis of the rate contract, supply orders

11 Sub-Division Bishnah: Rs. 10.99 lakh (HRA: Rs. 10.30 lakh; CCA: Rs. 0.69 lakh) and Sub-Division, Miran Sahib (R.S.Pura): Rs. 13.47 lakh (HRA: Rs. 12.62 lakh; CCA: Rs. 0.85 lakh)

12 (Bishnah: 87 and Miran Sahib: 108)

13 M/S Kashmir Tubes, Jammu and M/S Samrat Ferro Alloys Private Ltd. Jammu

were issued (April 2006) by the Chief Engineer, Kashmir to the two suppliers at a rate of Rs. 2.83 crore each. The suppliers, however, refused to execute the supply orders due to variance with the rates offered by them.

The Department, instead of exploring the option of issuing the supply order in favour of the second lowest tenderer (quoted rate: Rs. 2.74 crore), re-tendered (May 2006) the items along with the requirements for the subsequent year. In contravention of the terms and conditions of the earlier supply orders, the Departmental Purchase Committee selected the same suppliers, as a result of which the Chief Engineer placed the supply order for Rs. 5.85 crore each (which included cost of GMS tubes earlier ordered - Rs. 3.72 crore) on the same suppliers who refused to supply at rates offered. As a result, the material ordered (April 2006) and not supplied by the suppliers earlier was purchased by the Department at a higher rate, thereby incurring extra cost of Rs. 1.50 crore. The CE/EE stated (April 2008/May 2009) that non-execution of earlier supply orders upset the Departmental yearly plans and imposition of penalty against the SSI units has been taken up with the Administrative Department.

Injudicious action of the Department in not accepting the rates quoted by the second lowest tenderer or those approved prior to declaration of DGS&D rates resulted in avoidable extra expenditure of Rs. 1.50 crore on purchase of pipes.

The matter was referred to Government in June 2009; reply had not been received (October 2009).

2.11 Unfruitful expenditure due to non-completion of drinking water scheme

Taking up allied works without first ensuring the development of source and failure of the Department in resolving dispute resulted in unfruitful expenditure of Rs. 6.86 crore.

For augmenting safe drinking water to the inhabitants of Kupwara Town and its adjoining areas, the Executive Engineer (EE), Public Health Engineering Division, Kupwara took up (August 2004) construction of Regional Water Supply Scheme under Accelerated Urban Water Supply Programme at an estimated cost of Rs. 7.33 crore. The scheme, envisaged to cover a projected population of 39,605 people was to be completed within two working seasons. Development of existing source (*nallah*), construction of a treatment plant, a service reservoir and an office building, besides laying of distribution system were the main components of the scheme.

Scrutiny (June 2008) of the records of the Division revealed that without ensuring the development of water source, the Department took up (April 2004) allied works for execution. After incurring an expenditure of Rs. 6.86 crore[14] (March 2008) on completion of 61 *per cent* of works, the execution was stopped (December 2006) by the district administration due to objections raised by local farmers, apprehending its adverse impact on irrigation in the area. A committee constituted (December 2006) to look into the grievances of the local farmers had not settled the issue as of July 2009 though it had been in touch with the local farmers. Despite a ban on execution of further works, the

[14] Laying of distribution system :Rs. 5.32 crore; Pre-settling tank: Rs. 12.14 lakh; Construction of service reservoir: Rs. 19.40 lakh; office building and land acquisition Rs. 37.88 lakh; Others: Rs. 85 lakh

Department spent Rs. 95.01 lakh from January 2006 to March 2008 on acquisition of land and construction of the Divisional Office.

The EE stated (July 2008/July 2009) that steps were being taken to complete the scheme and that there was close contact with the district administration to lift the ban.

Taking up allied works without ensuring development of the source in the first instance and not resolving the dispute for more than two years subsequently has resulted in unfruitful expenditure of Rs. 6.86 crore, besides depriving the inhabitants of the area of the intended benefits.

The matter was referred to Government/Department in June 2009; reply had not been received (October 2009).

Irrigation and Flood Control Department

2.12 Non-completion of an irrigation project

Failure to get clear title of a piece of land in favour of the Department before taking up execution of the work resulted in non-completion of irrigation project on which Rs. 75.16 lakh has been incurred.

To provide irrigation facilities to about 155 hectares of agricultural land of four villages of Tehsil Reasi, the Executive Engineer (EE), Mahore Irrigation Division, Dharmari took up (September 2002) construction of three Kms Panasa Canal, under NABARD loan assistance, at an estimated cost of Rs. 79.33 lakh for completion in three years.

Scrutiny (July 2008) of records of the EE showed that the work was started (December 2003) on simple affidavits of the land-owners for use of land, coming under the canal alignment, free of cost. There was no recorded attempt by the Department to obtain title to the land required for the canal. After an amount of Rs. 75.16 lakh[15] had been spent on construction of 2,691 Mtrs of the canal[16], further execution had to be stopped (April 2007) due to dispute with a land owner over non-payment of compensation for the land coming under the canal alignment at RD 1526 to 1,660 Mtrs. It was also seen that despite refusal of the land owner to part with the piece of land, the Department had spent Rs. 21.63 lakh on execution of the work between June 2004 and March 2007. The matter regarding that particular stretch of land had also not been resolved as of May 2009. It may be noted here that the Department had done nothing to obtain title to land for the canal for over five years.

On this being pointed out, the EE stated (July 2008 and May 2009) that the matter had been taken up with the Collector, Land Acquisition and the case was under process.

The action of the EE in taking up the work for execution without ensuring transfer of land in favour of the Department resulted in non-completion of the irrigation project, targetted to irrigate 155 hectares of land in four villages, thereby, depriving the targetted beneficiaries of irrigation and rendering the investment of Rs. 75.16 lakh unfruitful.

The matter was referred to the Government/Department in June 2009; reply had not been received (October 2009).

[15] Includes past liability of Rs. 1.17 lakh cleared during March 2009
[16] On achieving physical progress of 90 *per cent*

Public Works Department

2.13 Unfruitful expenditure due to non-completion of renovation work

Unplanned and unauthorised execution of works without adhering to the laid down procedure rendered the expenditure of Rs. 24.90 lakh unfruitful besides avoidable expenditure of Rs. 33.62 lakh as rent.

To provide a suitable office accommodation to the State Human Rights Commission (SHRC), the State Government had decided (March 2001) to renovate/repair the old *Muhafiz Khana* building in Srinagar at an estimated cost[17] of Rs. 18.35 lakh. The work was proposed to be completed within two months.

Audit scrutiny (November 2006, January 2009) of the records of the Executive Engineer (EE), R&B Division II, Srinagar showed that in anticipation of a formal allotment order, the work for dismantling of ground floor, including its reconstruction and remodeling, was taken up for execution by a contractor in August 2001. The work was subsequently allotted (June 2002) by the Assistant Executive Engineer (AEE), at a cost of Rs. 13.19 lakh, to the selected contractor without following the system of competitive tendering. After executing the allotted work, the contractor was allowed to execute the work of raising the first floor also without formal order of the competent authority. No formal allotment had been made for the work and the contractor was paid Rs. 14.54 lakh which included the payments for work relating to ground floor. As no further payment was made to the contractor for the work done in first floor, the contactor stopped the work and approached the court for release of payment. Audit scrutiny showed that an amount of Rs. 24.90 lakh[18], which included electrical works amounting to Rs. 3.32 lakh, had been spent on the work ending March 2009. The case had not been settled as of April 2009.

Meanwhile the office of the SHRC continued to be housed in a private building for which an amount of Rs. 33.62 lakh had been paid as rent from October 2001 to July 2008.

The EE stated (November 2008) that a revised proposal, estimating a cost of Rs. 88.20 lakh, had been submitted (May 2007) to higher authorities and its approval was awaited (April 2009). The EE also stated that the allotment was made without resorting to tendering in view of urgency shown by the higher authorities. The reply should be viewed in the light of the fact that no authority is vested with the power to award work without following the laid down procedure of awarding the work to the lowest tenderer after obtaining competitive quotes whatsoever is the urgency. Further, the fact that the Department had not restarted the work even after a lapse of five years clearly indicates the lack of urgency in the matter.

Thus, unplanned and unauthorised execution of work without adhering to the laid down procedure has resulted in unfruitful expenditure of Rs. 24.90 lakh besides an avoidable expenditure of Rs. 33.62 lakh as rent.

The matter was referred to Government/Department in June 2009; reply had not been received (October 2009).

---

17 Ground floor area: 3,546 sqft; Rs. 500/- per sqft including cost of toilets and electrification.

18 Includes Rs. 10.36 lakh passed for payment in March 2005 but kept in deposit by the department as the case was sub-judice

2.14 Idle investment due to change in specification of a bridge

Incorrect assessment of the Department regarding type of the bridge to be constructed resulted in idle investment of Rs. 27.29 lakh.

For providing connectivity to eight[19] villages, the Executive Engineer (EE), R & B Division, Udhampur had proposed (August 1997) construction of a 48 metre span foot suspension bridge over river Ujh at Sai Merry at an estimated cost of Rs. 32.66 lakh. Without obtaining administrative approval and technical sanction, the EE took up (October 1997) construction of left side abutment and anchor block of the bridge and got it completed through a contractor at a cost of Rs. 11.99 lakh.

It was seen in audit (December 2008) that after the construction of the Abutment and Anchor Block had been completed, the specification of the bridge was changed (November 2002) from that of foot suspension to a motorable one due to demands of the local population. The change in specifications, *interalia*, required construction of the right side abutments as per the revised drawings and strengthening of the abutment already constructed, which necessitated revision of the project cost to Rs. 68.69 lakh. These works were got completed (July 2006) through another agency at a cost of Rs. 15.30 lakh which included Rs. 2.25 lakh released in 2006-07 and 2008-09 which had been utilized for clearance of the past liability. The work, suspended in July 2006, is yet (May 2009) to be resumed due to non-release of funds in the subsequent years.

The EE stated (December 2008, May 2009) that the work is proposed to be taken up under NABARD and would be completed after release of funds from the agency. The reply should be viewed in the light of the fact that the EE did not ascertain the requirement of the population of the area being benefited under the scheme before commencing the work and as a result the specification of the bridge had to be changed.

Thus, wrong assessment of the Department regarding the type of bridge to be constructed necessitating change in specification of the foot suspension bridge to a motorable one has resulted in idle investment of Rs. 27.29 lakh besides, the inhabitants of the targeted villages being deprived of the envisaged benefits.

The matter was referred to Government/Department in September 2009; reply had not been received (October 2009).

General

2.15 Follow-up on Audit Reports

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

To ensure accountability of the executives to the issues dealt with in various Audit Reports, the State Government (Finance Department) issued instructions in June 1997 to the administrative departments 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

[19] Bhadwal, Bhagani, Chakal, Majouri, Reshian, Serial, Sia and Sia Merry

period of three 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 2007-08.

2.16 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 six 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 825 paragraphs featuring in the Audit Reports for the years 1990-91 to 2007-08, only 262 paragraphs have been discussed by the PAC/COPU up to March 2009. 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 PAG taking up the matter with the Chairpersons of the two committees and the Chief Secretary.

2.17 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.

Fifteen Audit Committee meetings were held during 2008-09 in respect of paragraphs contained in IRs pertaining to the civil wing, wherein 1,128 transaction audit paragraphs were discussed and 644 paragraphs were settled.

At the end of March 2009, 6,011 IRs involving 26,924 paragraphs pertaining to the period 1998-2009 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.

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 – III

INTEGRATED AUDIT

Social Welfare Department

The Social Welfare Department is responsible for implementation of various developmental schemes especially those relating to women, children, SC/ST/OBC population and social justice empowerment. Integrated audit of the Department brought out glaring gaps in planning, financial management and programme management. Due to non-availability of baseline data and non-disbursement of assistance to the beneficiaries in time, the unspent balances increased over a period of time.

Highlights

- **District Social Welfare Officers retained assistance of Rs. 78.15 crore for periods ranging between seven and 366 days despite recommendations of Public Accounts Committee to evolve a mechanism for timely disbursement of assistance.**

  (Paragraph: 3.7.1)

- **Utilisation certificates for Rs. 27.76 crore were awaited from various bodies. There were huge unspent balances in banks at the end of each financial year due to non-disbursement of assistance to the beneficiaries in time.**

  (Paragraphs: 3.7.5 and 3.7.6)

- **Supplementary nutrition under Integrated Child Development Scheme was not provided to all beneficiaries (2005-09) and the shortfall ranged between seven and 40 *per cent*. Health check-up and other referral services were not provided in Jammu Division.**

  (Paragraphs: 3.8.1.1 and 3.8.1.2)

- **Targets fixed for National Social Assistance Programme were not achieved in full.**

  (Paragraph: 3.8.2)

- **Pension under Integrated Social Security Scheme was not provided to the physically handicapped through money orders in Kashmir Division in contravention of guidelines.**

  (Paragraph: 3.8.3)

- **The Contributory Social Security Scheme for marginal workers has largely failed in the State.**

  (Paragraph: 3.8.4)

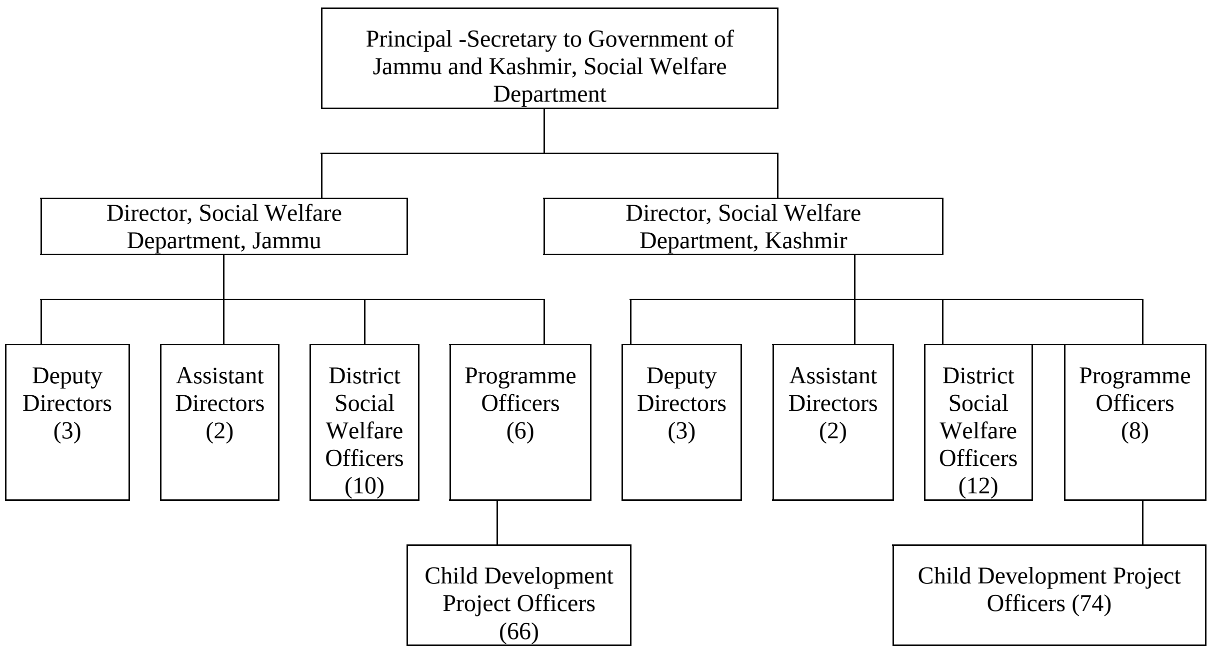
3.1 Introduction

Amongst the priorities of national development, commitment towards welfare of the under-privileged, backward and vulnerable sections of the society is an indispensable element. The Social Welfare Department of the State administers Central and State Government schemes[1] relating to women and child development, social justice and empowerment, social security, tribal development and educational upliftment of SC, ST and OBC students, etc. by providing direct/indirect benefits to the target groups through various programmes[2].

3.2 Organisational setup

The organisational structure of the Department is as under:-

Chart-1



3.3 Scope of Audit

Mention was made regarding the functioning of Social Welfare Department in the Reports of the Comptroller and Auditor General of India for the years ended 31 March 2000 and 31 March 2005. The Report for the year ended 31 March 2000 was discussed by Public Accounts Committee of the State Legislature in December 2006, March 2007 and September 2007. Recommendations as well as Action Taken Notes were however, not received (September 2009). The highlights of the review were:

- Huge retention of undisbursed money in bank accounts on account of pension under ISSS.

---

1 Book Bank Scheme; Post/Pre-Matric Scholarship for OBC/ST; Pre-Matric Scholarship to children whose parents are engaged in unclean occupation; Construction of SC/ST/OBC hostels; Addition/Alteration to departmental buildings; Coaching of inmates in Bal-ashrams/Nari-Niketans; Expansion of Bal-Ashrams; Expansion of Nari-Niketan.

2 Integrated Social Security Scheme (ISSS); National Social Assistance Programme; Post-Matric Scholarship to physically handicapped; Contributory Social Security Scheme; Pre-Matric scholarship to physically handicapped; Prosthetic aid; Ladies vocational centers; NPAG; Construction of Model Anganwadi centers; Nutrition/Honorarium to Anganwadi workers/helpers.

- Delay in finalization of rate contract for nutritive items under ICDS.

During the current review, these irregularities continued which have been discussed in subsequent paragraphs.

In addition, four draft paragraphs also figured in the reports of Comptroller and Auditor General during 2005-08. The details of these paragraphs are given below:

Table 3.1.1

Para No. Report for the year	Title of the para	Brief description of irregularities	Present position	Whether *suo moto* ATN received
Para 4.16 Audit Report ended 31 March 2006	Idle investment	Injudicious planning in constructing of a Milk Chilling Plant building, Chann Datyal resulted in idle investment of Rs. 41.97 lakh.	Milk chilling plant still incomplete	No
Para 4.2.9 Audit Report ended 31 March 2007	Blocking of funds	Advancing funds for construction of Tribal Bhawan without framing Project Report and identifying a proper site resulted in blocking of Rs. 50 lakh.	Awaited	No
Para 4.3.9 Audit Report ended 31 March 2007	Denial of hostel facilities to working women	Belated release of funds and non-finalisation of rules resulted in denial of hostel facilities to working women.	Awaited	No
Para 4.2.16 Audit Report ended 31 March 2008	Irregular payment of post-matric scholarship	Non-adherence of scheme guidelines resulted in irregular payment of Rs. 2.64 crore as scholarship to undeserving students.	Recovery has been initiated	No

The current review, covering period from 2005-2009, was conducted during April 2008 to March 2009 by a test-check of the records of 35[3] (out of 189) offices of the Department, involving an expenditure of Rs. 531.70 crore constituting 41 *per cent* of the total expenditure of Rs. 1,312 crore incurred during 2005-09. Out of the 19 schemes operational in the Department, four main schemes administered by the Department viz; 'Integrated Social Security Scheme (ISSS)', 'Contributory Social Security Scheme (CSSS)', 'Integrated Child Development Scheme (ICDS)' and 'National Social Assistance Programme (NSAP)' were reviewed in detail in audit.

3.4 Audit objectives

Audit objectives were to assess whether:

- the department had planned its social welfare schemes properly and eligible beneficiaries were correctly identified;
- financial management by the department was geared towards effective implementation of its schemes;
- the targets fixed under various programmes were achieved;

3 DSWOs: 12 (Jammu: 6; Kashmir: 6); CDPOs: 15 (Jammu: 5; Kashmir: 10); Programme Officers: 5 (Jammu: 3; Kashmir: 2); Directors: 2 (Jammu: 1; Kashmir: 1); Administrative Department: 1

- the schemes were implemented effectively and resulted in extension of the intended benefits to the target population;
- manpower management of the department was efficient; and
- effective internal controls existed.

3.5 Audit criteria

Audit findings were benchmarked against the following criteria:

- Action plans prepared by the Department for implementation of the schemes.
- Guidelines of the Central/State Governments for various programmes/ schemes.
- Financial rules and standing instructions of the Government.

3.6 Audit methodology

Selection of district and tehsil offices for audit examination was made on simple judgmental basis, the offices being the ones where considerable expenditure was incurred on programme implementation. An entry conference was held with the Principal Secretary to the Government of J&K, Social Welfare Department in October 2008 wherein audit objectives, criteria and scope of audit were discussed. At the conclusion of audit, an exit conference was held on 8 October 2009 with the Secretary, Social Welfare Department wherein audit findings were discussed. The replies of the Department have been incorporated in the report at appropriate places.

Audit findings

Significant audit findings arising out of the review are discussed in the subsequent paragraphs.

3.7 Planning

The social welfare schemes introduced in the State are to be implemented through action plans framed by the Department in which yearly targets are set after taking into consideration the achievements made in earlier years. The annual plans at State level are to be prepared by the Department on the basis of the planning exercise conducted by the sub-ordinate offices. With a view to enabling the State Government to provide adequate budget grants annually for implementation of various State/Centrally sponsored schemes, identification of eligible beneficiaries at grass root level forms the basis for preparation of action plans and is arguably the most crucial pre-requisite for the successful implementation of the schemes. Test-check showed that though survey (ICDS sector) was conducted for identification of beneficiaries, records had not been properly maintained at Anganwadi centers in Jammu division. However, in Kashmir division the data was collected by Anganwadi centers and taken into consideration at district level while formulating the plans. It was also seen that no data of eligible beneficiaries based on BPL criteria was prepared under ISSS and NFBS[4]. Audit check showed that funds were not utilized properly due to non-preparation of correct annual plans and perspective plans at

[4] National Family Benefit Scheme (NFBS); National Old Age pension Scheme (NOAPS) and National Maternity Benefit Scheme (NMBS) are the three subsidiary schemes under National Social Assistance Programme (NSAP).

apex levels, as large quantum of funds were either surrendered, not utilised or diverted in NFBS, CSSS and ISSS to unapproved items, as discussed in subsequent paragraphs**.**

3.7.1 Financial Management

The position of funds provided to the Department and expenditure incurred there against during 2005-09 are tabulated below:-

Table 3.1.2

(Rupees in crore)

Year	Allotment				Expenditure			
	Non-plan	Plan	CSS	Total	Non-plan	Plan	CSS	Total Utilization (*Per cent*)
2005-06	47.04	125.80	123.08	295.92	45.36	101.77	87.26	234.39 (79)
2006-07	64.03	145.76	170.05	379.84	63.33	113.61	145.44	322.38 (85)
2007-08	71.64	188.60	239.71	499.95	69.33	140.02	132.11	341.46 (68)
2008-09	77.83	199.69	229.97	507.49	74.90	158.67	180.25	413.82 (82)
Total	**260.54**	**659.85**	**762.81**	**1,683.20**	**252.92**	**514.07**	**545.06**	**1,312.05**

(Source: Departmental statements)

The shortfall in utilization of funds ranged between 15 and 32 *per cent* during 2005-09 as can be seen above, due to late release of funds by GOI under National Social Assistance Programme and Post-Matric Scholarship Scheme. There was significant delay ranging between 26 and 459 days (2005-08) in release of funds by the Department to the executing agencies. Evidently, implementation of schemes was impacted.

The District Social Welfare Officers retained Rs. 78.15 crore[5] for periods ranging between seven to 366 days. The Director, Jammu assured (April 2009) that henceforth the funds would be placed at the disposal of District Social Welfare Officers (DSWOs) concerned without any delay. Reply to audit was not furnished by Director, Kashmir. Though cases of prolonged retention of funds had already been pointed out in the Report of Comptroller and Auditor General ending 31 March 2005, the Department had not initiated any remedial measures (September 2009). These irregularities still exist as detailed above. These irregularities persisted, despite recommendation of the PAC (March 2006), to evolve a mechanism to ensure timely and proper utilization of funds.

The following financial irregularities were also noticed.

- Financial rules provide that the expenditure figures booked by the controlling officers on the basis of statements furnished by each Drawing and Disbursing Officer (DDO) are to be reconciled periodically with those booked by the Accountant General (A&E) to exercise control over expenditure and to maintain a check against frauds, embezzlements/misappropriations, etc. Such reconciliation had not been conducted for the period from January 2008 to March 2009 by the Director, Social Welfare,

[5] NSAP: Rs. 20.78 crore; ISSS: Rs. 56.41 crore; ISSS: Rs. 0.96 crore

Jammu. The delay in conducting reconciliation of first three quarters of 2007-08 ranged between 66 days to 152 days.

- Financial rule (2-10 ii) provide that all monetary transactions should be entered in the Cash Book as soon as they occur and attested by the Head of the Office in token of check and money should be drawn when it is necessary to be paid. In contravention of the rule, apart from opening of unauthorised bank accounts by the Department, there were instances where entries in the cash books in a number of cases had not been attested by 23 DDOs as required under rules.
- Drawals made from treasuries had either not been verified or had been verified belatedly with delays up to 173 days.

Scrutiny revealed several cases of double drawal and unnecessary retention of cash as detailed below:

- Rupees 26 lakh was retained by DSWO, Budgam for a period up to three years for reasons not on record.
- Rupees 19.41 lakh was drawn by DSWO, Jammu twice during March 2007 and March 2008 and was refunded after retaining it for a period of 73 days (Rs. 18.32 lakh) and 111 days (Rs. 1.09 lakh). Further, Rs. 1.03 lakh drawn in March 2007 had not yet been refunded (September 2008).
- Rupees 4.38 crore transferred through cheques/bank advices by five DSWOs[6] from their bank accounts for disbursement of NOAPS/NFBS/ Scholarship, etc. to bank accounts of 12 TWSOs had been retained by various branches of J&K Bank Ltd. during July 2005 to March 2008 for periods ranging from 22 days to 268 days.
- Rupees 29.83 lakh transferred by cheques for disbursement to beneficiaries (March 2007: Rs. 14.93 lakh, March 2008: Rs. 14.90 lakh) by DSWO Poonch to two TSWOs (Surankote: Rs. 23.83 lakh, Haveli/Mandi: Rs. 6 lakh) were not accounted for in their Cash Books.
- An amount of Rs. 2.36 lakh drawn by DSWO, Srinagar for payment of stipend, rent and salary for staff of TSP centres, Sangri and Dara (District Srinagar) for disbursement was refunded back in July 2008, as no centre actually existed.

3.7.2 Rush of expenditure

Financial rules provide that expenditure should be evenly distributed throughout the year. Test-check showed that in 21[7] offices, the percentage of expenditure incurred during the last quarter of the years (2005-09) ranged between 42 and 56. The expenditure incurred during March of these years was also very high and ranged between 14 and 62 *per cent* of the total expenditure in respect of 29[8] (Jammu: 11; Kashmir: 18) out of the 35 test-checked offices. Rush of expenditure was attributed by the DSWOs/CDPOs to procedural delay in allotment of funds and bulk release of funds in the fourth quarter of the year. No steps were taken by the Department/Controlling Officers in working out arrangements with the GOI/State Government/sub-ordinate offices to ensure even distribution of

[6] Doda, Kathua, Poonch, Rajouri and Udhampur

[7] DSWOs: 8; CDPOs: 11; POs: 2

[8] DSWOs: 12; CDPOs: 17

expenditure. Timely release of funds could avoid accumulation of huge balances in bank accounts to no purpose and ensure assistance to the beneficiaries, in time.

3.7.3 Drawal of funds to avoid lapse

Audit scrutiny showed that Rs. 1.50 crore drawn by the Department on 31st March 2006 for release to Corporation[9] (Rs. 1.25 crore) and J&K State Social Welfare Board (Rs. 25 lakh) were converted into *Hundies*[10] to avoid lapse of funds. The Department stated that the bills preferred at the treasuries for making cash payment were converted into *Hundies* by the Finance Department without assigning any reason.

3.7.4 Recovery of loan

The Administrative Department had released Rs. 2.05 crore during 2005-08 to J&K State Women's Development Corporation (Rupees one crore) and J&K SC/ST/OBC Corporation (Rs.1.05 crore) as loan for disbursing salary/wages of the employees. The loan, recoverable in 20 equal quarterly installments, carried simple interest at 15 *per cent* per annum. In case of default, the Corporations were liable to pay penal interest at three *per cent* per annum in cash or, alternately, the amounts due to the Corporations were to be deducted from further budgetary support due to them. The Department, however, continued to release budgetary support to the Corporations each year without deducting the actual recoverable amounts. The Department stated (May 2008) that the matter would be taken up with the Corporation.

3.7.5 Utilisation certificates

Audit scrutiny revealed that Rs. 27.76 crore was released (2005-08) to various institutions/bodies[11] as financial assistance/grant-in-aid for meeting expenditure on various components under the programmes of the institutions/bodies. The grant-in-aid/financial assistance was payable subject to receipt of audited statements for previous releases. Neither had the utilization certificates been obtained from these institutions/bodies nor had the audited statements of accounts been called for by the Department to ascertain whether the expenditure was incurred within the ambit of rules. Similarly, utilisation certificates under post/pre-matric scholarship for Rs. 16.55 crore[12] released (2005-09) to implementing agencies were awaited from nine DSWOs, in the absence of which, the genuineness of expenditure could not be vouch-safed in audit.

3.7.6 Retention of funds

Financial rules prohibit opening of bank accounts by the DDOs without approval of the Finance Department except in exceptional cases. Audit scrutiny showed that six[13] DSWOs opened 56 bank accounts without obtaining approval of the Finance Department. It was also seen that part amounts, out of the releases made by 12 DSWOs to 44 TSWOs during 2005-09, were not disbursed by the TSWOs in the same financial year and were

---

9 Jammu and Kashmir Scheduled Caste/Scheduled Tribe/Other Backward Class Development

10 Promissory notes

11 JK SC/ST/OBC DC: Rs. 8.95 crore, J&K Women Development Corporation: Rs. 14.31 crore and Council for Rehabilitation of Orphans, Widows, Handicapped and Old: Rs. 4.50 crore

12 Baramulla: Rs. 0.1crore; Doda: Rs. 2. crore; Director (SWD) Jammu: Rs. 1.54 crore; Jammu: Rs. 6.62 crore; Kupwara: Rs. 0.44 crore; Poonch: 0.60 crore; Pulwama: Rs. 0.28 crore; Rajouri: Rs. 2.47 crore; Udhampur: Rs. 1.50 crore and Kathua: Rs.1 crore

13 Doda, Jammu, Kathua, Poonch, Rajouri, Udhampur,

deposited in banks. As a result, the balances with the banks rose from Rs. 1.91 crore to Rs. 18.94 crore during 2005-09. This practice, besides violating the rules and indicating lack of control over the spending of the subordinate offices, also resulted in overstatement of the expenditure during these years by these DSWOs. Similarly, test-check showed that Rs. 1.10 crore (Jammu: Rs. 0.30 crore; Kashmir: Rs. 0.80 crore) released during 2005-09 under National Old Age Pension Scheme/National Family Benefit Scheme were credited into treasury by 15 TSWOs without referring the same to DSWOs[14], resulting in reporting of excess expenditure to that extent by the DSWOs. The DSWOs stated that instructions to TSWOs to report the matter before taking such action had since been issued. Moreover, detailed accounts for Rs. 121.73 crore advanced by six DSWOs[15] of Jammu Region were not submitted by 31 TSWOs during 2005-09. However, no such case was seen in respect of Kashmir Division.

3.7.7 Inadmissible expenditure

Funds amounting to Rs. 1.12 crore[16] under NOAPS/NFBS/ISSS were unauthorisedly utilized by 12 DSWOs, between 2005-09, on items[17] outside the scope of the schemes, resulting in denial of benefits to the intended beneficiaries to that extent. The DSWOs stated that such practices would be avoided in future.

3.8 Programme implementation

The welfare activities by the Department are carried out through Centrally Sponsored (CSS) and State Sponsored Schemes (SSS). Two State sponsored schemes viz. Integrated Social Security Scheme (ISSS) and Contributory Social Security Scheme (CSSS) and two Centrally Sponsored Schemes viz. Integrated Child Development Scheme (ICDS) and National Social Assistance Programme (NSAP) were test-checked in audit. The important audit findings are detailed below.

3.8.1 Integrated Child Development Services

The Integrated Child Development Services (ICDS) was launched (October, 1975) in the State for delivery of an integrated package of services comprising supplementary nutrition, immunization, health check-ups, referral services, nutrition and health education and non–formal pre-school education in order to reduce incidence of mortality, morbidity, malnutrition, school drop-outs, improve nutritional and health status of children in the age group under six years and enhance the capacity of the mothers to look after the normal health and nutritional needs of the children. The focal point of the scheme was the Anganwadi centre, which was managed by honorary workers selected from the local community at the project level. The immunization, health check-ups and referral services were to be delivered at the Anganwadi centres through a network of health services at the Primary Health Centres (PHCs).The audit findings relating to implementation of these schemes are discussed below.

[14] Anantnag, Baramulla, Doda, Jammu, Kathua, Kupwara, Pulwama, Srinagar and Udhampur

[15] Doda, Jammu, Kathua, Poonch, Rajouri and Udhampur

[16] Jammu: Rs. 34 lakh as of March 2008; Kashmir: Rs. 78 lakh as of March 2009

[17] Computers, fuel, gas heaters, steel racks, telephone charges, etc.

3.8.1.1 Supplementary Nutrition

One of the main components of ICDS is to supplement[18] the intake of nutrition of children below six years and pregnant/lactating mothers/adolescent girls. Malnourished children were also to be given therapeutic nutrition on medical advice. As per the guidelines the identified beneficiaries were to avail of nutrition for 300 days in a year. The expenditure and the coverage of beneficiaries are given below:

Table 3.1.3

Year	Allocation	Expenditure	Unspent	Target	Achievement	Shortfall (Percentage)
	Rupees in crore			Number of beneficiaries		
2005-06	39.97	30.51	9.46	5,40,080	3,25,718	40
2006-07	66.11	47.70	18.41	5,40,280	4,80,338	11
2007-08	100.57	54.70	45.87	7,35,000	6,00,147	18
2008-09	101.03	76.76	24.27	7,60,903	7,10,146	7

(Source: Departmental records)

Though the Department could not provide supplementary nutrition to all the beneficiaries despite allocation of sufficient funds to cover the targeted beneficiaries, it was heartening to note that the shortfall in achievement of targets came down from 40 *per cent* to seven *per cent* during 2005-09.

The shortfall in achievement of the target was attributed by five[19] CDPOs to non-receipt of required quantity of nutrition items from the suppliers approved by the Provincial Level Purchase Committee. In seven CDPOs[20] (out of 15) test-checked, provision for supplementary nutrition ranged between 66 to 275 days during 2005-08 due to non-availability of nutrition items for the full 300 days with them. In reply CDPOs stated that non-provision of supplementary nutrition was due to late finalization of annual rate contract.

The above points are also re-enforced by the following aspects noticed in test-check in audit:

- No nutrition was provided (June 2008 to November 2008) to Anganwadi Centres (AWCs) under DSWO Pulwama due to non-availability of stocks as the rate contract for purchase of stock was not finalised. It was also noticed that CDPO, Srinagar had not distributed (March 2008 to July 2008) the other ingredients to AWCs despite having full stocks due to non-verification of stock/supply by a committee.

- As per the guidelines, each Anganwadi centre (AWC) was to cover a population of up to 1,000 in rural/urban areas, 700 in tribal and 300 in hilly areas. Audit scrutiny showed that in the seven[21] CDPOs (out of 15 test-checked), average coverage of beneficiaries in the centres ranged between 119 and 997 people which was significantly lower than the prescribed coverage. It was also noticed that two to 11 AWCs were created in the same *Mohalla*/village, which had resulted in high cost of

---

18 Children below six years: 300 calories and 8-10 gm proteins: Pregnant/lactating mothers and adolescent girls : 500 calories and 20-25 gms of proteins

19 Reasi, Doda, Mandi (Poonch), Haveli (Poonch), Rajouri

20 Batwara, Khyanyar, Pampore, Pattan, Shopian, Srinagar and Tangmarg

21 Batwara, Khanyar, Kupwara, Pampore, Pulwama, Shopian and Srinagar

establishment and non-provision of the facilities to the deserving in some other location.

3.8.1.2 Health check-ups and referral services

As per the guidelines, health care for children below six years of age, antenatal care of expectant mothers and post natal care of nursing mothers are to be provided by Auxiliary Nurse-cum-Midwives (ANM) and Medical Officers attached to primary health centres/sub-divisional/district hospitals. These services include regular health check-ups, immunization, management of malnutrition, etc. Audit scrutiny showed that necessary basic survey data to identify such cases was not maintained in any of the five test-checked CDPOs/AWCs in Jammu Division, No data of intended beneficiaries referred to health centres/district hospitals, etc. as mal-nourished or for general check-ups was maintained at Anganwadi centre level during 2005-08. The centres also did not maintain record of referral slips/cards. Growth surveillance of children was to be monitored by recording serial height and weight of each child. General check-ups, every three to six months, to be conducted to detect evidence of disease were also not done. Test-check showed that weight charts were maintained in 430 out of 577 centres and height charts were not maintained in any centre. These were, however, maintained in the test-checked centres in Kashmir Division. In absence of data relating to referral services and basic growth surveillance, the achievement of the objective of scheme could neither be tracked by the department nor verified in audit.

3.8.1.3 Nutrition and Health Education

Nutrition and Health Education was to be imparted to women, especially nursing and expectant mothers, in the age group of 15-45 years through publicity, home visits by Anganwadi workers conducting awareness sessions through demonstration/awareness programmes, etc. It was seen in audit that the targets for conducting nutrition and health education sessions and home visits during 2005-09 were fixed by the Department in Jammu Division. In the 17 Anganwadi centres (Jammu Division) test-checked, no basic records of home visits undertaken by Anganwadi workers were maintained to enable verification of the correctness of figures incorporated in their monthly progress reports. No film shows were conducted, due to non-availability of projectors/slides or due to equipment being out of order, though envisaged in the programme guidelines. Survey had, however, been conducted in Kashmir division.

3.8.1.4 Training Programmes

For the success of the ICDS Scheme, community participation is an essential ingredient for which training is to be imparted. The World Bank sponsored ICDS training programme (Project UDISHA) was introduced in J&K State with a view to develop all the functionaries of ICDS into agents of social change, creating awareness on ICDS activities in the target groups such as Village Council Members, Womens' Organizations and to sensitize and train the community to optimize their involvement. The position of allotment/expenditure for training during 2005-09 was as under:

Table 3.1.4

(Rupees in crore)

Year	Funds released	Expenditure	Saving with percentage
2005-06	3.10	0.50	2.60 (84)
2006-07	2.64	2.00	0.64 (24)
2007-08	0.25	Nil	0.25 (100)
2008-09	0.25	Nil	0.25 (100)

(Source: Departmental records)

As a result of non-conducting of training programmes, community participation could not be achieved to the optimum level. The Deputy Director, Jammu attributed (April 2009) the shortfall to delay in selection process and cash crunch. The reply is at variance with the figures depicted in the above table. The Department, although in possession of adequate funds, could not utilize these on the envisaged programmes.

Regarding the training to be provided to the ICDS functionaries, it was seen in audit that out of 140 CDPOs, only 64 *per cent* had undergone job training and only 31 *per cent* had undergone refresher courses. It was also seen that only 38 *per cent* supervisors were imparted training out of the targeted member of 974 during 2005-09. The target for job training and refresher course in respect of Anganwadi workers during 2005-09 was not achieved and shortfall was 33 *per cent.* As a result, the envisaged committee of beneficiaries could not be involved in creating social change. The orientation for Village Council Members to be held as per ICDS guidelines had neither been targeted nor undertaken at any level.

3.8.1.5 Co-ordination

For smooth and co-coordinated implementation of the scheme, co-ordination committees of functionaries of Social Welfare, Health and Family Welfare Departments were to be set up at the village/project/district/State levels. Records of Jammu division revealed that though committees were set up at village and project levels, no such committees had been formed at State and district level. Similarly, Village Primary Health Centres and project level co-ordination committees were not set up nor had the State Nutrition Council been established, as envisaged.

3.8.1.6 Field visits/supervision

Implementation of ICDS was to be monitored through field visits by the CDPOs and Supervisors. While CDPOs were required to visit Anganwadis for 18 days in a month, the Supervisors were to visit each Anganwadi centre at least once a month. In five test-checked projects[22] (Jammu), the shortfall in required visits of CDPOs and Supervisors ranged between 19 and 94 *per cent* during 2005-09. The joint visits by Supervisors with Health staff were also not undertaken. No visits were undertaken by any officer from Administrative Department. The shortfall in visits was attributed by the CDPOs to shortage of CDPOs and supervisory staff, non-availability of vehicles, etc. The required number of visits had, however, been conducted in Kashmir Division in test-checked offices indicating that field supervision was carried out as per the norms**.**

[22] One unit of ICDS is classified as a project

3.8.1.7 Non-formal pre-school education

Under this programme, children between three and six years of age were to be imparted non-formal pre-school education in Anganwadi centres for providing and ensuring a natural, joyful and stimulating environment with emphasis on necessary output. For optimal growth and development, the Anganwadi centres were to establish links with schools so that a child could move from an Anganwadi to a school with necessary emotional and mental preparation. It was seen in audit that none of the test-checked Anganwadi centres in Jammu Division had maintained any records to show that the children identified/admitted (2005-08) into the centres had continued their studies and that Anganwadi centres had established any links with elementary schools to assess whether the establishment of centres had helped the children in increasing communication skills, etc. Due to the non-maintenance of these records, the impact of the scheme could not be assessed. The CDPOs stated that necessary survey would be conducted. Test-check showed that survey was carried and records thereof were properly maintained in Kashmir Division.

3.8.1.8 Monitoring and evaluation

There was lack of monitoring of almost all the components of the scheme both at the State and District level. Basic records relating to family survey, immunization, referral services, supplementary nutrition/distribution, etc. had not been maintained in any of the five test-checked CDPOs (Jammu) and watched by three[23] test-checked Programme Officers (Jammu). Further, no watch on receipt of Monthly Progress Reports/feed back reports from projects and submission of different reports to the GOI had been kept. No voluntary organisation had also been entrusted with the job of monitoring the scheme. The CDPOs and POs stated that necessary steps would be taken in this regard. It was, however, seen that a committee to monitor the progress of the scheme was constituted (August 2008) in Kashmir Division. The impact of the scheme has not been evaluated by any agency during 2005-08.

3.8.2 National Social Assistance Programme (NSAP)

National Social Assistance Programme, a 100 *per cent* Centrally Sponsored Scheme comprising three[24] sub-schemes, was introduced in 1995-96 out of which two schemes, viz. National Old Age Pension Scheme (NOAPS) and National Family Benefit Scheme (NFBS) are being implemented in the State. Under NOAPS, old age pension is to be provided to the destitutes (male or female) above 65 years of age with no regular means of own subsistence income or financial support from other sources. The year-wise targets and achievements under NSAP are indicated in the table below:

23 Doda, Jammu and Udhampur

24 National Old Age Pension Scheme (NOAPS); National Family Benefit Scheme (NFBS); National Maternity Benefit Scheme (NMBS)

Table 3.1. 5

Year	Target	Achievement	Percentage	Funds released	Expen-diture	Savings
	Number of beneficiaries			(Rs in crore)		
2005-06	61,650	68,877	112	19.77	17.81	1.96
2006-07	81,130	78,739	97	24.38	21.78	2.60
2007-08	92,092	83,803	91	47.27	24.27	23.00
2008-09[25]	1,38,646	1,27,274	92	44.78	31.00	13.78

(Source: Departmental records)

The fact that the achievements overshot the target in 2005-06 and the targets for the years 2006-09 had almost been achieved in full while there have been persistent savings, which were particularly high at Rs. 23 crore in 2007-08, shows that either the fund requirements had been grossly over estimated or the achievement claimed has not been actually achieved.

The State Government had ordered (2002-03) enhancement of cash assistance from Rs. 75 to Rs. 200 and subsequently (April 2008) to Rs. 325 per month per beneficiary[26]. The GOI had also enhanced (April 2006) pension to Rs. 200 per month. Additional central assistance (ACA) of Rs. 3.27 crore, against the requirement of Rs. 9.71 crore to cover the enhancement in rates, for 2006-07 were released (February 2007) by GOI for payment of arrears. It was seen that the amount released by GOI was utilized, after being retained for more than one year by the State Government, for payment of regular pension and no arrears were paid.

Pension assistance was being authorized without taking into cognizance the basic criterion of age (65 years) fixed for assistance under the provisions of the scheme. Out of the 20,179 cases test-checked pertaining to the period 2005-08, it was seen that in 10 (out of 12) DSWOs[27], 136 beneficiaries were paid (September 2006 and January 2009) pension without verification of the age and resulted in inadmissible payment of Rs. 32.65 lakh to 489 beneficiaries below the age of 65 years. The DSWOs stated that all such cases would be looked into and the amounts recovered.

For weeding out ineligible beneficiaries who had become self sufficient, the District Level Committee (DLC)[28] had never reviewed/checked the implementation of the scheme in any DSWOs test-checked in audit and as such correctness of weeded out cases could not be verified in audit. Scrutiny, however, showed that 1,815 cases in Jammu division for 43 tehsils had been weeded out during 2005-09 by the TSWOs. Due to non-involvement of the DLC, impartiality and transparency in the weeding out exercise could not be ensured. Test-check in Kashmir division however, showed that weeding out of ineligible beneficiaries was in order.

3.8.2.1 Inadmissible payment under National Family Benefit Scheme

NFBS assistance of Rs. 10,000 is payable in lump sum to households below poverty line (BPL) on the death of the primary bread winner, provided the age of the deceased ranges between 18 to 64 years. It was seen in audit that no data of eligible beneficiaries based on

25 IGNOAPS was introduced during 2008-09

26 (State share: Rs. 125 per month and central share Rs. 200 per month)

27 Baramulla, Doda, Jammu, Kathua, Kupwara, Poonch, Pulwama, Rajouri, Srinagar and Udhampur

28 Responsible for quarterly/annual review to ascertain whether beneficiary was self dependent

BPL criteria had been prepared at any level, in the absence of which the genuineness of the recommended beneficiaries was not susceptible to check. The Director, Social Welfare stated that the DSWOs had been directed to prepare the data of eligible beneficiaries. Audit scrutiny showed that 681 beneficiaries (out of 7,361) in 12 test-checked DSWOs (Jammu: 6; Kashmir: 6) were sanctioned the benefit of Rs.10,000 (lump sum) each without either ascertaining whether the beneficiaries belonged to BPL category and without verifying the age of the primary bread winner (18 to 64 years) at the time of his or her death, which were the basic criteria for sanctioning the benefit. This action of the Department resulted in inadmissible payment of Rs. 68.10 lakh during 2005-09. The District Social Welfare Officers stated that all such cases would be reviewed and inadmissible amounts paid to the beneficiaries recovered.

3.8.3 Integrated Social Security Scheme (ISSS)

To provide social cover to the destitute, widows/divorcees and the handicapped having no source of livelihood, the State Government launched (June 1994) the Integrated Social Security Scheme under which pension assistance/relief[29] was to be paid to each identified beneficiary. The position of targets and achievements in this regard is tabulated below:

Table 3.1.6

Year	Targets	Achieve-ments	Shortfall percentage	Funds Released	Expenditure	Unspent
				Rupees in crore		
2005-06	1,95,138	1,73,932	11	47.38	41.91	5.47
2006-07	2,11,649	2,73,813	-	82.09	72.28	9.81
2007-08	2,91,612	2,75,612	6	79.39	67.34	12.05
2008-09	3,50,612	3,43,180	2	96.93	92.43	4.50

(Source: Departmental records)

As is clear from the above table, the demand for release of funds has not been commensurate with the physical targets. The significant points noticed are discussed in subsequent paragraphs.

The District Level Committee (DLC), with the District Development Commissioner as Chairman is to sanction pension/relief to the identified beneficiaries on the basis of verification conducted by TSWOs. No data of eligible beneficiaries, having meager support or source of livelihood, had been prepared at any level in Jammu division, in the absence of which the genuineness of the recommended beneficiaries was not susceptible to check. It was encouraging to see in audit that the data of eligible beneficiaries was maintained in Kashmir division.

The DLC was required to undertake quarterly and annual review of all sanctioned cases for weeding out ineligible beneficiaries who had become self sufficient. The requisite reviews/checks had not been made by the committee and, as such, the correctness of 6,466 cases weeded out (2005-09) in six DSWOs of Jammu division test-checked in audit could not be verified. Due to non-involvement of DLC, impartiality and transparency in the exercise could not be ensured as it was done by the same TSWOs who had allowed the benefits in the first instance. No random checks had been conducted by District Development Commissioners or DSWOs to keep a vigilant eye on ineligible

[29] Rs. 200 per month (55-60 years of age); Rs. 300 per month for women above 40 in distress

beneficiaries. The DSWOs, however, stated that the DLC would be involved in future and necessary survey would be got conducted. Test-check, however, showed that the survey was conducted in Kashmir division to weed out the ineligible beneficiaries.

Assistance to the physically handicapped under ISSS is required to be paid through money orders. The assistance is credited to bank accounts of the respective TSWOs by the DSWOs through cheques/advices. After preparing money orders for each beneficiary, the TSWOs deposit the same with post offices for further disbursement. Scrutiny of the records of DSWO, Rajouri showed that only 14 to 21 *per cent* of the beneficiaries were disbursed assistance through money orders and assistance in respect of other beneficiaries was credited to their bank accounts. Test-check also showed that none of the beneficiaries under the scheme were paid assistance through money orders in six DSWOs[30] of Kashmir Division. Further, it was seen that Rs. 78.20 lakh[31] had been returned (2005-08) as un-disbursed amount of pension assistance through money orders by TSWOs. It was indicative of the fact that the money was released in excess as no proper survey of beneficiaries was conducted. The Department had suffered an avoidable loss of Rs. four lakh (five *per cent* of Rs. 78.20 lakh) as money order charges. Further, Audit check showed that Rs. 3.58 crore[32] received back from banks as unclaimed amount was lying with five TSWOs in their bank accounts as of March 2009. No steps had been taken to scrutinize the merits of each case recommended in order to facilitate remittances/refund of these unclaimed amounts.

3.8.4 Contributory Social Security Scheme (CSSS) for marginal workers

The State Government introduced (2004-05) the Contributory Social Security Scheme (CSSS) for marginal workers in the age group of 20 to 50 years. The workers are to be covered by providing them Social Security of Rs. 100 per month for a period of 10 years, provided, income of the beneficiary from all sources does not exceed Rs. 30,000 per annum. Matching contribution is also required to be paid by the beneficiary and both contributions are to be deposited in a Bank for a period of 10 years during which no withdrawal is allowed except in case of death of the beneficiary. After 10 years, the beneficiary has an option to either withdraw the amount or opt for a pension scheme to be evolved by the Bank.

The position of allotment and expenditure during 2005-09 is indicated in the following table:-

[30] Anantnag, Baramulla, Budgam, Kupwara, Pulwama and Srinagar

[31] Anantnag: Rs. 3.62 lakh; Doda: Rs. 1.19 lakh; Jammu: Rs. 36.03 lakh; Kathua: Rs. 14.92 lakh; Poonch: Rs. 5.94 lakh; Pulwama: Rs. 0.71 lakh; Srinagar: Rs. 1.37 lakh and Udhampur: Rs. 14.42 lakh

[32] Doda: Rs. 3.45 crore; Jammu: Rs. 4.79 lakh; Kathua: Rs. 5.14 lakh; Poonch: Rs. 0.77 lakh and Udhampur: Rs. 3.50 lakh

Table 3.1.7

(Rupees in crore)

Year	Fund allocation	Expenditure (percentage)	Target (In number) (requirement of funds per year)	Achievement (requirement of funds)	Percentage shortfall in achievement of targets
2005-06	2.40	0.32 (13)	10,000 (1.20)	1,395 (0.17)	86
2006-07	2.20	0.42 (19)	12,567 (1.50)	3,144 (0.37)	75
2007-08	1.40	0.98 (70)	13,300 (1.60)	1,889 (0.23)	86
2008-09	0.80	0.41 (51)	53,300 (6.40)	3,427 (0.41)	94

(Source: Departmental records)

The extremely low percentages of achievement indicate dismal performance of the scheme in the State. Projections have not been based on any survey through which the actual number of beneficiaries could be identified. As a result, there have been huge unspent balances, at the close of each year. Further, the Department could disburse only Rs. 1.18 lakh to the beneficiaries during 2005-09. The DSWOs attributed the poor utilisation of funds to non-conducting of enrolment, incomplete submission of application forms and non-contribution of matching share by the beneficiaries. It was also seen that there was nothing on record to show that the Jammu and Kashmir Bank has evolved any scheme for payment of pension as envisaged. Although the scheme was successful in Pulwama District, it was not implemented in other districts of Kashmir Division except for Baramulla and Kupwara. The Director, Kashmir stated that due to poor response from marginal workers, the scheme could not be implemented as envisaged. The Department had not conducted any exercise to identify the defaulting beneficiaries who had stopped contributing. Action taken to have the money lying in the Bank accounts of the defaulters transferred to the Government account was not intimated.

3.9 Manpower Management

Eighteen officials, including 10 CDPOs, remained attached with Jammu Directorate for periods ranging from two to 33 months in addition to the regular strength, during 2007-09. Their services were not utilised gainfully for the purpose for which they had been appointed. The salaries of these officials were reimbursed 100 *per cent* by the Government of India (GOI) under ICDS sector. The Department had paid Rs. 32 lakh as salary to these officials for the periods of attachment up to March 2009 without assigning any work.

Due to non-revival of six Cottage Industries Centres (Jammu: 5, Kashmir: 1), idle wages of Rs. 24.72 lakh had been paid to staff as no training had been imparted to the staff during April 2005 to December 2008 owing to non-availability of raw material, etc.

3.10 Inventory Control

Financial rules provide that physical verification of stores and administrative inspection of each office should be conducted annually. Scrutiny of records showed that administrative inspection was not conducted in 31 out of 35 offices test-checked during

2005-08. Similarly, physical verification of stores and stocks held was also not conducted in any of these test-checked offices during 2005-08.

3.11 Conclusion

The audit review showed that the flagship programmes of the Department have largely failed to meet expectations with one major scheme failing completely, and only some components succeeding to some extent in the case of other schemes. The unnecessary retention of huge undisbursed money in bank accounts and delays in finalization of rate contract for nutritive items under ICDS persisted. The financial management was also poor. The contributory factors attributable to failure of schemes include lack of proper planning, non-release of funds, non-adherence to eligibility criteria and lack of supervision and monitoring.

3.12 Recommendations

- Plans should be formulated by involving field functionaries to derive maximum benefit from various schemes, especially CSS.
- Projections for fund requirement should be realistically connected to survey and identification of beneficiaries.
- The department should draw up a strategy to ensure that payments for pensions/relief benefits etc. under various schemes are being paid through individual banks accounts to the beneficiaries.
- Funds should be released to the implementing agencies in time for timely utilization.
- Monitoring mechanism should be strengthened at various levels to achieve the objectives of the department.
- Effective measures should be taken for supply of Supplementary Nutrition to the beneficiaries in the Anganwadi centres for 300 days in a year.
- Recording growth surveillance data in ICDS sector should be ensured.

CHAPTER: IV

REVENUE RECEIPTS

4.1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Jammu and Kashmir during the year 2008-09, 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 in the following table:

(Rupees in crore)

Sl. no.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
I.	**Revenue raised by the State Government**					
•	Tax revenue	1,351.05	1,626.84	1,798.97	2,558.18	2,682.96
•	Non-tax revenue	641.42	535.81	632.53	807.98	837.16
	Total	**1,992.47**	**2,162.65**	**2,431.50**	**3,366.16**	**3,520.12**
II.	**Receipts from the Government of India**					
•	State's share of divisible Union taxes	934.43	1,135.36	1,413.43	1,775.01	1,826.95
•	Grants-in-aid	5,939.58	7,017.14	7,337.10	8,135.87	8,955.46
	Total	**6,874.01**	**8,152.50**	**8,750.53**	**9,910.88**	**10,782.41**
III.	**Total receipts of the State**	**8,866.48**	**10,315.15**	**11,182.03**	**13,277.04**	**14,302.53**
IV.	**Percentage of I to III**	**22**	**21**	**22**	**25**	**25**

Thus, during the year 2008-09, the revenue raised by the State Government comprised 25 *per cent* of the total revenue receipts (Rs. 14,302.53 crore) and stood at the same level as in the preceding year. The balance 75 *per cent* of receipts during 2008-09 was from the Government of India.

4.1.1.1 The details of tax revenue raised during the year 2008-09 alongwith the figures for the preceding four years are mentioned in the following table:

(Rupees in crore)

Sl. no.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage increase (+)/ decrease (-) in 2008-09 over 2007-08
1.	Sales tax/VAT	804.12	1,014.49	1,159.72	1,804.81	1,835.99	(+) 2%
2.	State excise	272.37	218.68	212.80	244.15	238.67	(-) 2%
3.	Stamps and registration fees	39.25	46.43	56.93	65.63	57.14	(-) 13%
4.	Taxes and duties on electricity	49.36	58.02	59.70	93.49	150.76	(+) 61%
5.	Taxes on vehicles	41.68	49.17	63.96	72.60	65.47	(-) 10%
6.	Taxes on goods and passengers	132.62	236.27	243.16	264.59	271.39	(+) 3%
7.	Taxes on immovable property other than agricultural land	0.30	0.09	0.06	-	-	-
8.	Land revenue	11.24	3.47	2.57	9.58	63.53	(+) 563%
9.	Other taxes and duties on commodities and services	0.11	0.22	0.07	3.33	0.01	(-) 100%
Total		**1,351.05**	**1,626.84**	**1,798.97**	**2,558.18**	**2,682.96**	**(+) 5%**

The reasons for variation in receipts for 2008-09 from those of 2007-08 in respect of principal heads of revenue were as under:

Taxes and duties on electricity: The increase in receipt of the taxes and duties was due to the increase in the sale of power (electricity) during the year.

Land revenue: The increase was due to more receipts from the sale proceeds of the Government land recovered from the occupants whom ownership rights were granted under 'Roshini Act[1]'.

Taxes on sales, trades etc. : The increase was due to widening of the tax base with introduction of VAT on different services like hotels, beauty saloons, cellular telecom agencies, private nursing homes, advertisers, courier agencies, banquet halls, catering services and cable operators, etc.

[1] The Act enacted on 13th November 2001 provides for wresting of ownership rights to occupants of state land for purpose of generating fund to finance power projects in the state.

4.1.1.2 The details of major non-tax revenue raised during the year 2008-09 are mentioned in the following table alongwith the figures for the preceding four years:

(Rupees in crore)

Sl. no.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage increase (+)/decrease (-) in 2008-09 over 2007-08
1.	Power	382.87	384.31	478.94	600.94	629.98	(+) 5
2.	Interest receipts, dividends and profits	144.40	25.05	34.02	65.33	56.51	(-) 14
3.	Forest and wild life	43.46	45.51	18.99	32.20	31.61	(-) 2
4.	Public works	11.76	12.63	16.16	16.44	16.89	(+) 3
5.	Medical and public health	8.02	8.83	12.62	13.21	9.92	(-) 25
6.	Water supply and sanitation	7.36	9.58	10.95	13.64	14.65	(+) 7
7.	Police	5.30	8.01	6.59	4.21	10.35	(+) 146
8.	Non-ferrous mining and metallurgical industries	6.01	8.54	9.98	16.43	14.86	(-) 10
9.	Crop husbandry	4.18	4.35	4.31	4.52	5.00	(+) 11
10.	Animal husbandry	3.99	3.98	4.75	4.66	4.70	(+) 1
11.	Others	24.07	25.02	35.22	36.40	42.69	(+) 17
Grand total:		**641.42**	**535.81**	**632.53**	**807.98**	**837.16**	**(+) 4**

The reasons for variations in the receipts for 2008-09 from those of 2007-08 in respect of principal heads of revenue were as under:

Police: The increase was due to more collections on account of fee, fines and forfeitures owing to increase in the number of police battalions created during the year.

Others: The increases were mainly due to more receipts under fee, fines and forfeitures under Other Administrative Services and more receipts as subscriptions and contribution towards pension and on account of the recoveries.

4.1.2 Variation between the budget estimates and actuals

The variations between the budget estimates and actuals of the revenue receipts for the year 2008-09 in respect of the principal heads of revenue are mentioned in the following table:

(Rupees in crore)

Head of revenue	Budget estimates	Actuals	Variations excess (+) shortfall (-)	Percentage of variation
Sales tax/VAT	1,778.00	1,835.99	(+) 57.99	3
State excise	245.00	238.67	(-) 6.33	3
Stamps and registration fees	79.17	57.14	(-) 22.03	28
Taxes on goods and passengers	299.50	271.39	(-) 28.11	9
Taxes and duties on electricity	179.65	150.76	(-) 28.89	16
Taxes on vehicles	75.86	65.47	(-) 10.39	14

The departments did not inform (October 2009) the reasons for variation despite being requested (September 2009).

4.1.3 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 2008-09 and the corresponding figures for the preceding two years, in respect of which information was furnished by the department is mentioned in the following table:

(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	Total[2] collection	Percentage of column 3 to 6
1	2	3	4	5	6	7
Sales tax[3]	2006-07	887.11	1.00	Nil	888.11	100
	2007-08	1,160.63	1.16	50.30	1,212.09	96
	2008-09	1,275.28	4.65	55.43	1,335.36	96
Motor spirit tax	2006-07	248.99	-	0.20	249.19	100
	2007-08	268.37	0.02	0.02	268.41	100
	2008-09	294.90	Nil	Nil	294.90	100

The foregoing table indicated that collection under the revenue heads "Sales Tax" and "motor sprit tax" at pre-assessment stage ranged between 96 to 100 *per cent*.

4.1.4 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 last three years ended 2008-09 alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2007-08 are mentioned in the following table:

---

2 Variation between departmental figures and figures of finance account has been pointed out to the department. The reply has not been received (October 2009).

3 The figures are exclusive of the collection made under VAT Act.

(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 2007-08
Sales tax	2006-07	1,159.72	13.88	1	0.83
	2007-08	1,804.81	14.52	1	
	2008-09	1,835.99	15.30	1	
Taxes on vehicles	2006-07	63.96	3.12	5	2.58
	2007-08	72.60	3.98	5	
	2008-09	65.47	4.73	7	
State excise	2006-07	212.80	9.43	4	3.27
	2007-08	244.15	9.88	4	
	2008-09	238.67	11.10	5	
Stamps and registration fee	2006-07	56.93	4.55	8	2.09
	2007-08	65.63	13.41	20	
	2008-09	57.14	6.04	11	

The foregoing table indicates that the percentage cost of collection in respect of revenue heads mentioned above was much higher than the all India average and the Government needs to look into this aspect.

4.1.5 Analysis of the arrears of revenue

The arrears of revenue as on 31 March 2009 in respect of some principal heads of revenue for which information was furnished by the department amounted to Rs. 752.79 crore of which Rs. 401.19 crore was outstanding for more than five years as mentioned in the following table:

(Rupees in crore)

Sl. no.	Head of revenue	Amount outstanding as on 31 March 2009	Amount outstanding for more than five years as on 31 March 2009	Remarks
1.	Sales tax (including Motor Spirit)	735.07	392.07	Out of the total arrears of Rs. 735.07 crore, recovery of Rs. 76.78 crore was stayed by courts/appellate authority. Rs. 0.41 crore were recoverable under motor spirit tax Act. Specific action taken in respect of the remaining arrears of Rs. 657.88 crore has not been intimated by the department (October 2009).
2.	State excise	4.63	4.63	Out of the total arrears of Rs. 4.63 crore recovery of Rs. 0.96 crore was stayed by courts and arrears of Rs. 3.67 crore was proposed to be recovered as arrears of land revenue.
3.	Taxes on goods and passengers	12.87	4.27	Out of the total arrears of Rs. 12.87 crore, recovery of Rs. 5.64 crore was stayed by the courts and Rs. 2.31 crore was proposed to be recovered as arrears of land revenue. Specific action taken in respect of the remaining arrears of Rs. 4.92 crore has not been intimated by the department (October 2009)
4.	Entertainment tax	0.22	0.22	Demand notices for recovery of Rs. 0.22 crore were stated to have been issued.
Total		**752.79**	**401.19**	

The arrears outstanding for more than five years constituted 53 *per cent* of the total arrears and need to be recovered quickly.

4.1.6 Arrears in assessment

The details of cases pending assessment at the beginning of the year 2008-09, cases due for assessment, those disposed during the year and cases pending at the end of the year 2008-09, as furnished by the Commercial Taxes Department in respect of sales tax is mentioned in the following table:

Sl. no.	Head of revenue	Opening balance	New cases due for assessment during 2008-09	Total number of assessments due	Cases disposed during the year 2008-09	Balance at the end of the year	Percentage of disposed of cases to total number
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	**Sales Tax**						
	• Tax on works contracts	11,667	8,517	20,184	5,278	14,906	26
	• Others	6,612	2,298	8,910	4,560	4,350	51
	Total	**18,279**[4]	**10,815**	**29,094**	**9,838**	**19,256**	**34**

The foregoing table indicates that the percentage of disposal of assessment was very low. The government may consider issuing directions to the Department to complete pending assessment in a time bound manner in the interest of revenue.

4.1.7 Evasion of tax

The details of cases of evasion of tax detected in the departments, cases finalised and the demand for additional tax raised during 2008-09, as reported by the departments, are mentioned in the following table.

Sl. no.	Name of tax/duty	Cases pending as on 31 March 2008	Cases detected during 2008-09	Total	Cases in which assessment/investigations completed and additional demand including penalty etc. raised		Cases pending finalisation as on 31 March 2009
					No. of cases	Amount (Rupees in crore)	
1.	Sales tax	585	2,592	3,177	2,910	2.00	267
2.	State excise	1	Nil	1	Nil	Nil	1
3.	Taxes on goods and passengers	36	1,593	1,629	1,629	0.10	-

The progress of recovery of amount was not intimated (October 2009) despite being requested (September 2009).

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

4.1.8 Write-off and waiver of revenue

The status of arrears pertaining to Sales tax/VAT waived off and reduced due to rectification, appeals and remission during 2008-09 is given in the following table:

(Rupees in crore)

Amount of the arrears waived off	36.77
Amount of arrears reduced due to rectification, appeals effect and remission	72.38

4.1.9 Refund

The number of refund cases pending at the beginning of the year 2008-09, claims received during the year, refunds allowed during the year and the cases pending at the close of year 2008-09, as reported by the sales tax department, is mentioned in the following table.

(Rupees in crore)

Sl. no.		Sales tax	
		No. of cases	Amount
1.	Claims outstanding at the beginning of the year 2008-09	85	3.35
2.	Claims received during the year	19	0.19
3.	Refund made during the year	1	0.0004
4.	Balance outstanding at the end of the year 2008-09	103	3.54

The pendency of refund cases under Sales Tax entails mandatory payment of interest at the rate of 18% per annum. The Government may, therefore, take effective steps for immediate disposal of the cases.

4.1.10 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. Five draft paragraphs and two reviews were forwarded to the concerned departments/Government in April, June, July and October 2009. Replies of the department in respect of the draft paragraphs were received (between May and July 2009). The reviews were discussed in the exit conference with the concerned departmental authorities.

4.1.11 Follow up on Audit Reports - summarised status

Status of reviews/paragraphs of Revenue Receipts Chapter pending discussion by the Public Accounts Committee as on 31 March 2009 was as under:

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	
	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+2[5]
1998-1999	1	11	1	9+2[5]
1999-2000	-	7	-	6+1[5]
2000-2001	1	7	1[5]	7
2001-2002	1	8	1	6+2[5]
2002-2003	1	8	1	7+1[5]
2003-2004	-	4	-	4
2004-2005	1	5	1	1+2[5]
2005-2006	-	8	-	2+3[5]
2006-2007	1	4	1	4
2007-2008	2	7	2	7
Total	**18**	**128**	**18**	**120**

4.1.12 Results of audit

Test-check of the records of sales tax/VAT, state excise, stamp duty and registration fee and motor vehicles tax conducted during the year 2008-09 indicated underassessment/short levy/loss of revenue amounting to Rs. 43.06 crore in 1,667 cases. During the year, the concerned departments accepted/issued notices on account of short levy/loss of revenue of Rs. 9.20 crore in 192 cases.

This Chapter contains five paragraphs and two reviews relating to non/short levy of tax, fees, interest and penalty etc involving Rs. 28.58 crore. Of these, the departments/Government accepted audit observations amounting to Rs. 6.50 crore. The reply in the remaining cases has not been received. These are discussed in the succeeding paragraphs.

[5] Partly discussed.

PERFORMANCE REVIEWS

FINANCE DEPARTMENT

4.2 Review on Transition from Sales Tax to VAT

Highlights

- Though there was increase in revenue growth after the implementation of VAT in the State, revenue per assessee decreased from Rs. 0.03 crore in 2004-05 to Rs. 0.02 crore in post-VAT period.

  (Paragraph: 4.2.6)

- The existing shortage of person in position in the pre-VAT period, coupled with the increased workload under VAT, was not addressed by the department which affected proper implementation of the Act.

  (Paragraph: 4.2.7.2)

- Non-levy of penalty of Rs. 98.10 crore on dealers collecting tax as unregistered dealers and availing input tax credit of Rs. 16.21 crore irregularly.

  (Paragraph: 4.2.8.2)

- Non-levy of penalty for delayed submission of returns/audit reports resulted in short realisation of government revenue of Rs. 4.39 crore.

  (Paragraph: 4.2.11)

- Non-verification of the correctness of opening stock declared by the dealer as on 1 April 2005 resulted in revenue loss of Rs. 48.03 lakh including interest and penalty.

  (Paragraph: 4.2.14.5)

- Prescribed registers/records were either not maintained or were not maintained in the prescribed form, in three out of 11 commercial tax circles test-checked.

  (Paragraph: 4.2.18.1)

- The Deputy Commissioners (Audit) had failed to check even the minimum prescribed percentage of tax remission cases.

  (Paragraph: 4.2.19)

4.2.1 Introduction

The Government of India decided to implement State Level Value Added Tax (VAT) in all the states on the basis of decision taken on 23 January 2002 in the empowered committee of the States' Finance Ministers. The empowered committee brought out on 17 January 2005 a white paper on state level VAT. The following are the main features of VAT:

- it would eliminate cascading effect due to credit of tax paid on purchase for resale or for use in production;
- other taxes will be abolished and overall tax burden will be rationalised;

- overall tax will increase and there will be higher revenue growth and
- there will be self assessment by the dealers and set off will be given for input tax paid on previous purchases.

The Government of Jammu and Kashmir enacted the Jammu and Kashmir Value Added Tax Act, 2005 effective from 1 April 2005. However, the Jammu and Kashmir General Sales Tax Act 1962 (J&K GST Act), continued to apply in respect of the items (i) India made foreign liquor, beer and other fermented drinks, (ii) resin, (iii) lottery tickets, (iv) natural gas, (v) aviation turbine fuel and fourteen services. The GST Act ceased to be applicable in respect of goods on which VAT was applicable with effect from 1 April 2005. Some of the differences between the existing J&K VAT and J&K GST were as under:

- VAT is a multi point system while sales tax was a single point system. VAT system relies more upon the dealers to pay tax willfully. Thus, the VAT system is based on self assessment whereas supporting documents were required along with the returns in J&K GST;
- Unlike the sales tax regime, there is no statutory assessment of dealers. Instead, the J&K VAT Act provides for identification of the selected dealers annually for conducting tax audit and audit assessments by the department and finalising assessments thereafter;
- There are five schedules being part of the VAT Act. While in schedule-A, commodities under zero *per cent* are classified, schedule B, C and D contain commodities taxable at the rates of 1%, 4% and 12.5%, respectively. Schedule-E contains commodities placed in the negative list for input tax credit. The registered dealers whose gross turnover is more than Rs. 7.50 lakh but does not exceed Rs. 20 lakh can opt for payment of tax at the rate of one *per cent* of taxable turnover. They are classified as Turn over Tax dealers and assigned a registration number and issued a registration certificate. Registered dealers other than turnover tax dealers are assigned tax payer's identification number (TIN).
- Self assessment by the dealer is provided in the VAT Act whereas hundred *per cent* assessment was required to be done under the J&K GST Act.
- Reduced control of VAT Administration on dealers is envisaged in J&K VAT unlike the J&K GST.

4.2.2 Organisational set-up

The Commissioner-cum-Secretary, Finance is responsible for overall working of Commercial Taxes Department at Government level. The control and superintendence of Commercial Taxes Department vests with the Commissioner Commercial Taxes (CCT). He is assisted by the three Additional Commissioners of Commercial Taxes (two at Jammu and one at Srinagar) and 11 Deputy Commissioners, Commercial Taxes for carrying out various functions of the department. The State of J&K has been divided into 45 Commercial Taxes Circles, each headed by a Commercial Taxes Officer (CTO).

4.2.3 Audit objectives

The review was conducted with a view to ascertain whether the:

- planning for implementation and the transition from the J&K GST Act and Rules made thereunder to J&K VAT Act and Rules made thereunder was effected timely and efficiently;
- organisational structure was adequate and effective;
- provisions of the J&K VAT Act and Rules made thereunder were adequate and enforced properly to safeguard the revenue of the State and
- internal control mechanism existed in the department and was adequate and effective to prevent leakage of the revenue.

4.2.4 Scope of audit

Test-check of the records was conducted for the period 2005-06 to 2007-08 in 11 circles[6] covering six districts[7] out of 45 circles falling in 14 districts, existing at the time of introduction of VAT. Of these, four circles fell in Kashmir division while the remaining seven circles fell in Jammu division of the state. The districts were selected on the basis of maximum revenue, maximum number of dealers and geographical areas.

4.2.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Commercial Taxes Department (CTD) and their officers and staff in providing necessary information and records for audit. An entry conference was held on 15 July 2009 in the office of the CCT, Srinagar in which the audit objectives and methodology were explained. The draft review report was forwarded to the department and the Government in October 2009. The exit conference was held on 28 October 2009 in the office of CCT, Srinagar in which the audit findings and recommendations were discussed. The CCT accepted the conclusions/recommendations mentioned in the report and assured that remedial action would be taken. The replies of the department given during the exit conference and at other times have been appropriately reflected in the review report.

Audit findings

System deficiencies

4.2.6 Pre-VAT and Post-VAT Tax Collection

The comparative position of pre-VAT sales tax collection (2002-03 to 2004-05) and post-VAT (2005-06 to 2007-08) tax collection including VAT and growth rate each year during the above said periods is mentioned below:

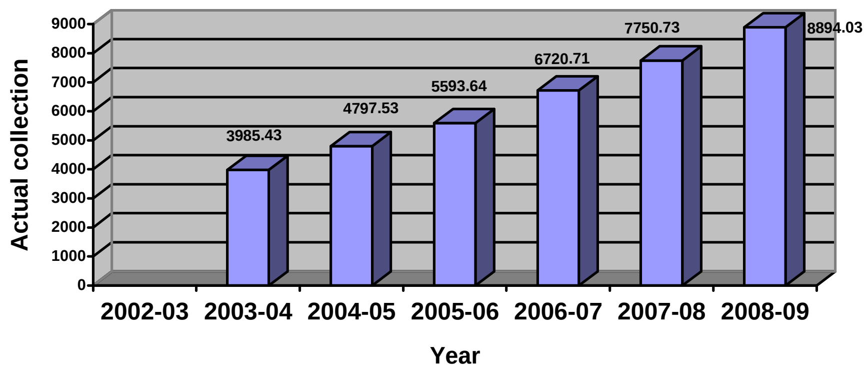
---

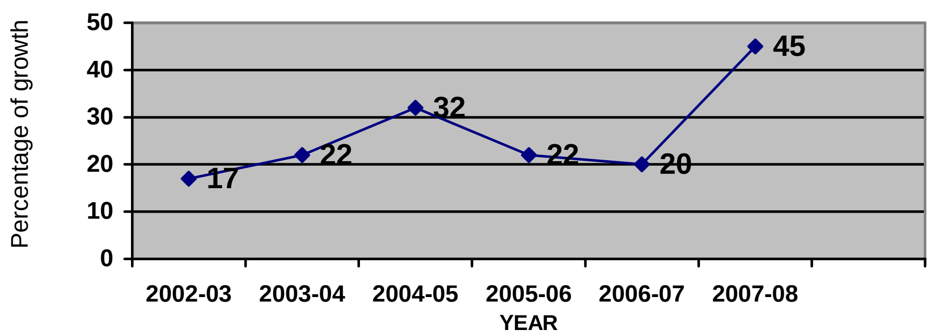
6 CTOs Circles: (1) A-Srinagar (2) Anantnag-I (3) Baramulla (4) A-Jammu (5) C-Jammu (6) J-Jammu (7) L-Jammu (8) Kathua (9) Udhampur-I (10) M-Jammu and (11) Sopore.

7 District: Anantnag, Baramulla, Jammu, Kathua, Srinagar and Udhampur.

(Rupees in crore)

Pre-VAT			Post-AT		
Year	**Actual collection**	**Percentage of growth**	**Year**	**Actual collection**	**Percentage of growth**
2002-03	379.10	17	2005-06	740.19	22
2003-04	462.15	22	2006-07	888.12	20
2004-05	609.04	32	2007-08	1,287.71	45





The average growth rate during 2002-03 to 2004-05 (i.e. pre-VAT period) was 24 *per cent* while the average growth rate for 2005-06 to 2007-08 (i.e. post-VAT period) was 29 *per cent.*

Audit observed that while there was growth in revenue, the revenue collection per assessee in the post-VAT period was 33 *per cent* lower than that in the pre-VAT period as detailed in the following table:

(Rupees in crore)

Year	No. of assesses	Revenue collected	Revenue per assessee
2004-05	22,426	609.04	0.03
2005-06	36,806	740.19	0.02
2006-07	46,861	888.12	0.02
2007-08	52,804	1,287.71	0.02

Regarding expected fall in prices of commodities, as envisaged while introducing VAT, no records/information were made available to indicate that the impact of the VAT in reducing the prices at any stage was ascertained/analysed by the department.

4.2.7 Preparedness and Transitional Process

There was lack of adequate preparedness by the Government for switching over from Sales Tax system to VAT system as would be evident from the following paragraphs.

4.2.7.1 Planning for Implementation of VAT in the State

VAT in J&K was introduced with effect from 1 April 2005 by an ordinance No. III dated 01 February 2005. The J&K VAT Act was enacted under Act No. III of 2005 dated 03 April 2005 and the J&K VAT Rules 2005 were notified vide SRO No. 159 dated 09 June 2005, after more than two months from the date of introduction of VAT in the State. Thus, for tax regulation no rules were available for the first two months of 2005-06 which indicated that VAT in the State was implemented without adequate planning/preparedness.

4.2.7.2 Analysis of Staff requirement and re-organisation of Taxation Department

The re-organisation of the department in view of the increased workload, under General Sales Tax Act, creating eight additional commercial taxes circles, was made in December 2005. However, no analysis of staff requirement, to cater to the increased workload after implementation of VAT, was carried out.

As per the information furnished by the department there was a shortage of staff in the department vis-a-vis sanctioned strength of pre-VAT period as mentioned below.

Year	Sanctioned strength	Effective strength	Shortage	Percentage of shortfall
2005-06	1,371	1,090	281	21
2006-07	1,371	1,032	339	25
2007-08	1,371	1,006	365	27

The issue was not addressed by the department. In the meanwhile, the number of dealers had increased by 135 *per cent* from 22,426 (as on 01.04.2005) to 52,804 (as on 31.03.2008).

4.2.7.3 Computerisation of taxation department and check gates and their interlinking

For efficient functioning of VAT administration and for its effective control over the import and export of goods into and out of the state, computerisation of the check gates and linking these with the commissionerate office and assessing officers is of immense importance. Computerisation of the department has not been done so far despite the fact that funds amounting to Rs. one crore were sanctioned by Government of India in 2004-05. This has adversely affected the working of the department relating to monitoring of the receipt of returns from the dealers and cross checking of ITC claimed by the dealers, thereby increasing the chances for tax evasion.

The Government may consider taking steps for early computerisation of the taxation department.

4.2.7.4 Preparation of manuals and training of staff

In order to facilitate smooth implementation of the Act and Rules made thereunder, it was necessary to issue guidelines in the form of manuals and impart training to the implementing officers/officials. However, it was seen in audit that no manuals had been prepared by the department.

As per the information furnished by the department, 11 training programmes were held in the Kashmir division during 2004-05 to 2007-08. Information in respect of the training programmes organised for the Jammu division was not made available to audit. The extent and adequacy of training of the staff could not, therefore, be ascertained by audit.

4.2.7.5 Completion of Assessments pertaining to pre-VAT period and collection of arrears of taxes due under the Sales Tax Act

The status of assessments of revenue pending collection during 2005-06 to 2007-08 and the arrears are detailed in the following tables:

- **Number of assessments in arrear**

Year	Assessments under GST Act	Assessments under CST Act	Total assessments
2005-06	15,969	443	16,412
2006-07	11,654	463	12,117
2007-08	11,232	877	12,109
Total	**38,855**	**1,783**	**40,638**

- **Arrears of revenue pending recovery**

(Rupees in crore)

Year	Opening balance	Additions during the year	Total	Clearance during the year	Closing balance of arrears outstanding
2005-06 (J)	248.69	61.68	310.37	19.56	290.81
(K)	340.66	45.03	385.69	31.01	354.68
2006-07 (J)	290.81	81.18	371.99	53.39	318.60
(K)	354.68	46.39	401.07	13.03	388.04
2007-08 (J)	318.60	31.81	350.41	59.42	290.99
(K)	388.04	10..63	398.67	67.45	331.22
Total outstanding as on 31.3.2008					**622.21**

Audit observed that the Commercial Taxes Department was not only engaged with finalisation of assessments pertaining to the pre-VAT period but was also entrusted with the job of recovery of old arrears. This hampered the pace of transition from Sales Tax to VAT.

4.2.8 Registrations and database of dealers

To prevent tax evasion, registration of dealers and preparation of their database is of immense importance in any system of taxation. **Audit noticed absence of monitoring in the process of registration of the dealers and preparing their database as discussed in the subsequent paragraphs.**

4.2.8.1 Creation of database of the dealers

The Commercial Taxes Department has not been computerised so far and no database of the dealers has been created. Records in the department/circles during the period from 2005-06 to 2007-08 in respect of dealers continued to be maintained manually as was being done in the pre-VAT period. The department had not identified the dealers eligible for registration under VAT regime to pre-empt any scope of tax evasion by such run-away dealers.

4.2.8.2 Non-registration of the dealers

Section 104 of the Act and Rule 13 of J&K VAT Rules 2005 provide for transition of the dealers registered under J&K GST Act 1962 to VAT. Rule 13 of J&K VAT Rules 2005 provides that every dealer registered under the GST Act 1962 on the appointed day shall be issued a registration certificate and be deemed to be registered under the Act, provided that the dealer had made an application for the purpose within three months of the appointed day. Further, Taxpayer's Identification Numbers were issued in advance to every dealer registered under the existing GST Act on the appointed day with the condition that such dealers would obtain registration under VAT Act 2005 within three months from the appointed day, failing which the deemed registration granted on the appointed day would stand cancelled and they would no more be registered dealers.

- Test-check of five circles[8] indicated that the TIN issued in 2004-05 in advance by the department to 396 dealers have not been cancelled till date. Out of these, 201 dealers had collected output tax of Rs. 49.05 crore. In absence of their registration, the dealers were liable to be treated as unregistered dealers and were liable to pay a penalty of Rs. 98.10 crore[9].

Further, 175 such dealers in seven circles had also availed of the input tax credit (ITC) of Rs. 16.21 crore which was against the provisions of the Act.

After this was pointed out, the department stated (September 2009) that the J&K VAT Rules 2005 were published in June 2005 whereas VAT was implemented with effect from 01 April 2005 which resulted in some technical defaults on the part of the dealers and as it involved no revenue loss, the penalty had not been levied.

4.2.8.3 Delay in registration of dealers

- Registration of a new dealer is governed by section 27 of the Act. Rule 12 of the VAT Rules provide for issuing registration certificate in the prescribed form to the applicants within 20 days from the receipt of application. A dealer requiring a registration has to apply within three months from the date he becomes liable to pay the tax in the first instance to the prescribed authority and in the prescribed form, accompanied by the treasury receipt of Rs. 500 on account of registration fee. After satisfying himself of the genuineness of the application in terms of the Act, the prescribed authority shall assign the TIN in case of the VAT and voluntary registered dealers and the registration number

[8] Circles: Anantnag-I, J-Jammu, L-Jammu, Sopore and Udhampur-I.
[9] Double of the tax collected.

to other dealers. The Act provides that the delay in applying for the registration by a dealer could be condoned by the CCT.

Audit scrutiny in two circles (Kathua and A-Jammu) indicated that

- In 103 cases, registration certificates were not issued within 20 days from the date of receipt of the application.
- Further, 73 dealers applied for the registration after three months from the appointed day i.e. 1.4.2005. They were registered by the department without getting the delay condoned by the CCT. They were also liable to pay a registration fee of Rs. 36,500 which was also not demanded by the department.
- Three[10] dealers applied for the registration after 30 days from the start of their business. However, the assessing authority registered the dealers from dates prior to their dates of applying for the registration and allowed ITC credit of Rs. 10.27 lakh. The registration of the dealers from retrospective dates was incorrect. They were required to be treated as unregistered dealers for the purpose of claiming ITC. This resulted in non-realisation of tax of Rs. 19.19 lakh including the interest.

After this was pointed out, the assessing authority, Kathua circle accepted the audit observation and issued notice to a dealer while in respect of the other two cases, the assessing authority circle A, Jammu stated that in absence of any rules, the dealer could not apply for registration. The reply is not in consonance with the provisions of section 27 (4) of the Act which envisages registration of the dealers from the date of filing the application.

4.2.8.4 Periodic analysis of dealers below threshold limit

Section 25 of the Act read with Rule 11 of J&K VAT Rules 2005 provides for payment of turnover tax of one *per cent* by such registered dealers who sell their goods locally and whose gross turnover of sales during a year does not exceed Rs. 20 lakh. In case the turnover limit of Rs. 20 lakh is exceeded, the dealer should get himself registered as VAT dealer and pay tax at the rate prescribed for the class of goods sold by him.

Audit noticed in four circles (J-Jammu, Kathua, L-Jammu and Udhampur-1) that the trading accounts required to be enclosed with the annual returns under rule 28 (3) of the VAT Rules were not attached, in absence of which the dealers who had crossed threshold limit could not be identified.

After this was pointed out, the assessing authority circle J-Jammu stated that the relevant information would be called for from the assessees. Reply in respect of other circles has not been received (September 2009).

The Government may consider putting in place a mechanism for conducting periodic verification of books of accounts of such TOT dealers to avoid evasion of tax by the dealers crossing the threshold limit.

---

[10] 1. CTO circle Kathua: 1 dealer ITC: Rs. 3.57 lakh, Interest: Rs. 3.57 lakh; 2: CTO circle A Jammu: 2 dealer: ITC Rs. 6.70 lakh, interest: Rs. 5.36 lakh.

4.2.8.5 Database of dubious/risky dealers

In order to safeguard Government revenue and pre-empt any scope for tax evasion under VAT system, database of dubious/risky dealers on the basis of their track record under GST should have been prepared and made available to all offices of the taxation department. However, it was seen in audit that no such database had been prepared by the department. Absence of such a database leaves scope for tax evasion by such dubious/risky dealers.

4.2.8.6 Periodic analysis of registration certificates to detect dormant registration

J&K VAT Act/Rules 2005 have no provision for periodic analysis of registration certificates, register of dealers, returns register to find out the dealers that have failed to file their returns and have remained dormant. Audit noticed that 118 registrations were dormant, on which no action had been taken by the department.

The Government may consider instituting a system for identification of the dealers who have remained dormant and canceling their registration.

4.2.8.7 Suspension and cancellation of the registrations

Section 27 (7) of the Act provides for suspension of the certificate of registration of the dealers who fail to file any return or fail to pay any tax, penalty or interest payable under the Act. In case the dealer fails to get his certificate of registration restored within 90 days from the date of its suspension, the Assessing Authority has to cancel the registration certificate of that dealer. **Audit noticed that the department had not devised any mechanism to monitor the restoration and cancellation of the suspended registration certificates.**

Test-check in nine circles[11] indicated that the registration certificates in respect of 781 dealers were suspended by the assessing authorities during 2005-06 to 2007-08. Of these, the registration certificates of 73 dealers were restored, 107 registration certificates were cancelled while no action was taken for 601 suspended registrations.

The Government may consider devising a mechanism to monitor the restoration and cancellation of the suspended registration certificates.

4.2.9 Deficiencies in the Act and Rules

The review in audit indicated existence of a number of deficiencies in the provisions of the VAT Act and the rules, which persisted during the period covered under the review. Significant deficiencies are discussed in the following paragraphs.

4.2.9.1 Deficiencies in "returns forms"

Section 31 of the VAT Act read with rule 28 of the VAT rules prescribe the manner and form in which the return was to be filed by a registered dealer. The return is to be filed in Form VAT-11 under rule 28 of the VAT Rules. Further, under section 35 of the Act, every quarterly tax return furnished by the dealer is to be scrutinised to verify the

11 CTOs Circles: Anantnag, Baramulla, Sopore, A-Srinagar, L-Jammu, J-Jammu, Udhampur-I, Kathua and A-Jammu.

correctness of (i) rate of tax applied on the sales mentioned in the return, (ii) calculation of tax/interest payable and (iii) calculation of input tax credit claimed/utilised.

However, the return form does not provide any column for recording the nomenclature of the goods purchased/sold. Thus, correctness of the rate of tax charged, calculation of tax payable/ITC claimed and interest payable cannot be verified in scrutiny, which can lead to leakage of tax. The Form also did not provide columns for recording of the treasury receipt number under which tax was paid. Audit noticed that in the Kashmir division 47,732 returns filed by the dealers during 2005-06 to 2007-08 were not in the format prescribed under the Act. However, the format used for filing returns in Kashmir division was more elaborate than the prescribed one. It contained essential details like tax deposited, goods sold, challan number, etc. which were not specified in the prescribed format.

The Government may consider revising the format prescribed for the 'returns' to include columns for indicating nomenclature of the goods, treasury receipts, details of tax deposited, etc. and provision for submission of accounts in support of sale and purchase.

4.2.9.2 Monitoring filing of the returns

Registers for recording the receipt of "returns" filed by the dealer was maintained by the departments. However, audit noticed that these registers were not reviewed by any officer at higher levels.

The percentage of the dealers who did not file returns ranged between 20 to 23 *per cent* during the period from 2005-06 to 2007-08 as detailed in the following table.

Year	Total number of dealers	Number of dealers who did not file returns	Percentage of dealer not filing returns
2005-06	36,806	7,392	20
2006-07	46,861	9,744	21
2007-08	52,804	11,879	23

The number of the dealers who did not file their returns had increased from 7,392 to 11,879 indicating the need for constant monitoring at higher levels.

4.2.9.3 Creation of awareness among stake holders

Public awareness of VAT was sought to be created by the department through print and electronic media campaigns as well as VAT *melas*, before and after implementation of VAT in the State. Though adequate media campaign had been made through print, electronic media and interactions with traders, despite this, a significant number of dealers failed to file the returns as mentioned in the foregoing table.

4.2.9.4 Inadequate documentation to be given along with the returns

Jammu and Kashmir VAT Act 2005 does not provide for submission of any account in support of sales/purchases alongwith the return, thereby weakening control of assessing authority over assessees.

Further, there is no provision in the Act/rules made thereunder for cross verification of the particulars depicted in the returns received from the dealers with the records maintained by other departments/sources like Income Tax, Central Excise or any other department. In the absence of such cross verification, the evasion of tax cannot be ruled out.

The Government may consider making provisions for mandatory cross verification of the transactions with other states, central department or undertakings.

4.2.10 Tax audit

Under section 36 of the Act, Commissioner Commercial Tax or any other tax officer as directed by him can undertake tax audit of records of dealers selected for the purpose by the Commissioner. Tax audit involving examination of returns and admissibility of the ITC is to be conducted in the office or business premises of the dealer.

4.2.10.1 Timeframe and percentage of dealers to be taken up for Tax Audit

The Act does not prescribe any timeframe for completion of tax audit. As per the Act, report of tax audit is to be submitted to Commissioner, Commercial Taxes within 30 days. But the date from which these 30 days are to be counted is not mentioned.

The Act does not prescribe any percentage of dealers for selection for tax audit. However, during review it was see that no dealer was selected for tax audit during 2005-06 while 233 dealers were selected during 2006-07 and 119 in 2007-08 as mentioned in the following table:

Year	Number of registered dealers	Number of dealers selected for tax audit	Percentage selected
2005-06	36,806	-	0.00
2006-07	46,861	233	0.50
2007-08	52,804	119	0.23

Tax audit is an important tool with the VAT administration to detect willful suppression of assessable turnover by the dealer and evasion of tax thereon and the negligible number of tax audits conducted from 2005-06 to 2007-08 evidenced lack of concerted efforts to detect evasion.

4.2.10.2 Audit assessments[12]

Section 39 of the VAT Act, provides for audit assessments in respect of the returns filed by the assessees. Audit assessment by the department is an important tool with the VAT administration to arrest tax evasion by the dealers. However, in the Act no specific percentage for audit assessments of dealers has been prescribed. Further, there is no provision to entrust the assessment of large tax paying dealers to higher ranked authorities.

Year-wise position of audit assessments made during the period from 2005-06 to 2007-08 was as under:

---

[12] Audit Assessments means audit of tax returns with reference to assessee's records by the Assessing Authority.

Year	Number of dealers	Number of audit assessment made	Percentage of audit assessments with respect to dealers
2005-06	36,806	3,175	9
2006-07	46,861	3,442	7
2007-08	52,804	3,541	7

The low percentage of audit assessments is fraught with the risk of a large number of dealers remaining unaudited for years together.

The Government may consider prescribing a percentage of cases to be selected for tax audits by using scientific methodologies.

Compliance deficiencies

4.2.11 Non-levy of penalty

Section 69 (b) stipulates that in case of default in filing of the return or revised return as the case may be, the defaulter shall be liable to pay a sum of Rs. 1,000 per month per return till the time such return is furnished. Section 60 (3) of the Act provides for levy of a penalty at the rate of 0.25 *per cent* of the turnover in case of the dealers who fail to submit Audit Reports[13].

It was seen in audit that in eight circles[14], 2,298 VAT dealers had either not filed the returns or had filed them late. They were liable to pay a penalty of Rs. 3.36 crore which was not levied by the department. Besides, 47 dealers had not filed Audit Reports for which they were liable to pay penalty of Rs. 1.03 crore which also was not levied by the department. This resulted in non-levy of Rs. 4.39 crore.

After this was pointed out, the assessing authority stated that a lenient view had been taken in view of the new tax regime. However, the fact remains that this action is not in consonance with the provision of the Act.

4.2.12 Input Tax Credits

Grant of incorrect input tax credits

The VAT Act is deficient in respect of Input Tax Credit as it does not stipulate furnishing of proof of payment of the tax by first seller/manufacturer. Besides, it also does not provide for enclosing of purchase statements along with quarterly returns in which ITC has been claimed/utilised, which can lead to tax leakage.

Test-check of eleven circles selected for audit indicated a number of deficiencies in the implementation of VAT resulting in availment of incorrect ITC. The registration certificates of 14 dealers were suspended in three circles (C-Jammu, L-Jammu and Kathua) but were allowed ITC for the suspension period. In five cases, ITC was allowed on items not covered by registered certificates, in four cases ITC was allowed on the basis of bill, not in prescribed form, furnished by sellers. The ITC allowed was incorrect. This resulted in incorrect grant of input tax credit of Rs. 3.37 crore.

[13] Audit Reports are filed by those dealers whose gross turnover in a year exceeds Rs. 40 lakh.
[14] Circles: A-Srinagar, Anantnag, Sopore, J-Jammu, L-Jammu, Udhampur-I, Kathua, C-Jammu.

After this being pointed out, the assessing authorities assured of initiating action in 20 cases. The assessing authorities of Circle A, Srinagar and Circle L, Jammu stated (September/October 2009) that the Section 21 of the Act nowhere laid down any condition for allowing the ITC on purchase of such goods only which were covered by the registration certificates of the dealer. The reply is not in consonance with the provisions of section 27 of the Act which clearly states that the class of items/goods dealt in by a registered dealer shall be depicted in the registration certificate. Thus, the ITC was not admissible under section 21 of the Act.

4.2.13 Grant of exemption to certain class of dealers

At the time of introduction of VAT in the State, there was no provision for grant of exemption to any class of dealers. An amendment in the Act introduced section 79-A which governs grant of remission from payment of tax by industrial unit holders. Deficiencies in implementing provisions of the exemption notification resulted in grant of inadmissible/irregular remission of tax as discussed in subsequent paragraphs.

4.2.13.1 Grant of exemption

(i) Exemption from payment of tax under the Act is governed by section 79-A, whereunder industrial unit holders are granted remission of tax. This section was introduced on 06 January 2006. Notification (SRO 91), prescribing the manner in which remission was to be claimed, was introduced on 16 March 2006. Proviso to para 2 of the notification governing grant of remission to industrial unit holder was inserted by notification SRO-176 dated 31 May 2006 requiring the industrial unit holders claiming remission for 2005-06 to furnish an attested affidavit that he had made price adjustment equivalent to the amount of tax chargeable on the finished goods sold and the tax had been charged only after making the requisite price adjustment. Since the notification prescribing the manner of price adjustment to be made were issued on 16 March and 31 May 2006, the industrial unit holders were expected to have collected tax during 2005-06. It was seen in audit that remission of tax was allowed to the industrial unit holders for the accounting year 2005-06 on the basis of attested affidavits. The correctness of these affidavits was not verified.

Test-check of records indicated that 27 dealers of three commercial taxes circles[15] had collected tax but had not made price adjustment as prescribed in the notification. However, they had furnished the affidavits stating that price adjustments had been done as required under notification. These affidavits were not checked by the authorities and resulted in grant of incorrect/inadmissible tax remission of Rs. 14.17 crore.

The AAs accepted the audit observation that the remission for the year 2005-06 had been allowed on the basis of attested affidavits. However, their reply was silent about reasons for not checking the correctness of the affidavits.

[15] Circles: M-Jammu, Udhampur-I and Kathua.

(ii) Remission without affidavits and remission orders

Notification **(**SRO 91 dated 16 March 2006) envisages grant of remission of tax for accounting year 2005-06 only on submission of attested affidavits. The SRO also provides that AA shall pass the tax remission order within three months depicting therein the amount of tax remitted in favour of the industrial unit for a particular tax period. Proviso to SRO 91 (13) provides that if the Assessing Authority concerned is unable to pass the tax remission order under the prescribed time, he shall seek extension of the time period from the Additional Commissioner Commercial Taxes of the division concerned.
It was seen in audit that in violation of the above provisions, remission orders in respect of 2 dealers involving Rs. 4.51 lakh, had been passed by the CTO, Circle M Jammu without obtaining attested affidavits. Further, remission orders in respect of three other dealers, involving Rs. 9.13 lakh were not passed by the CTO M circle Jammu. The remission of Rs. 13.64 lakh claimed by the dealers was irregular.

(iii) Grant of irregular/inadmissible tax remission in respect of wheat bran

As per the clarification (October 2006) of the Commissioner Commercial Taxes, wheat bran, being by-product of wheat flour, does not come within the purview of a manufacturing activity and directed all the AAs to take appropriate action for levy of tax on wheat bran sold by industrial unit holders.

Test-check of records indicated that two[16] assessing authorities incorrectly allowed tax remission of Rs. 1.11 crore on wheat bran, treating it as a manufacturing activity, to six dealers in two commercial taxation circles.

The AAs stated that the tax remission had been allowed as the item was not appearing in the negative list of remission notification. The reply is not in consonance with the clarification issued by the CCT.

4.2.14 Incorrect grant of an ITC

Introduction of VAT has replaced compulsory 100 *per cent* assessments under GST with self assessment and no fixed percentage has been prescribed for the audit assessments or tax audits. Besides, the VAT Act does not make it mandatory for a dealer to furnish tax invoices or purchase statements in support of the ITC claimed by him, thus, reducing the control of the VAT Administration over the dealer.

The test-check indicated that the assessing officer in Commercial Taxes, Circle A, Srinagar had called for the sales details of a dealer from CTO, Circle L, Jammu for verification of correctness of the ITC claimed by the dealer. However, no further action was taken on receipt of the information. Cross verification by audit indicated that the dealer had incorrectly availed of the ITC of Rs. 6.78 lakh on purchase bill not reflected by the selling dealer. This resulted in non-realisation of the Government revenue Rs. 26.98 lakh, including interest and penalty.

After this was pointed out, the assessing authority issued notice to the dealer. It also stated that the dealer had claimed ITC correctly and concealment seemed to have been

[16] Circles: M-Jammu and Kathua.

done by the principal supplier. The reply was, however, silent about the action taken against the principal supplier.

4.2.14.1 Cross-verification of the records of work/buying department in case of works contract/suppliers

Section 91 (3) of the Act governs cross verification of records of work/buying department. It was seen in audit that not a single case was cross verified with records of works/buying departments.

4.2.14.2 Deficiencies in uploading data in TINXSYS

The empowered committee of State Finance Ministers had authorised a website TINXSYS.com to serve as a repository of inter-state trade transactions.

No data relating to 2005-06 to 2007-08 was seen uploaded on the site. Non-uploading of information in the site defeated the objective of creation of the website as even after creation of the site, the other states could not assess the database of forms issued to J&K dealers.

4.2.14.3 Suppression of turnover

Cross verification of purchase statements, "C"/"F" declaration forms, VAT 65 forms, Audit Reports with the returns filed by 12 dealers indicated that the dealers had not accounted for purchases valued at Rs. 3.55 crore in their returns. This resulted in suppression of turnover to that extent, having tax effect of Rs. 81 lakh including interest and penalty.

4.2.14.4 Non-levy of penalty for not obtaining tax clearance certificates

Under section 57 of the Act, every department shall, before entertaining a tender for supply of taxable goods or sanctioning any contract for the purpose, obtain a tax clearance certificate on the prescribed form issued by the AA concerned. If any authority entertains a tender without such certificate, he shall be liable to pay a penalty of Rs. 10,000 for each such tender.

It was seen in audit that 43 DDOs in two Circles viz. CTO Udhampur -1 and CTO –M Jammu had entertained tenders from suppliers registered in these circles without obtaining tax clearance certificates. Penalty of Rs. 4.30 lakh had, however, not been levied.

After this was pointed out, the assessing authorities assured (October 2009) of taking appropriate action.

4.2.14.5 Incorrect determination of opening stock

Section 95 of the VAT Act authorises the CCT to call for details of stock of goods held by registered dealers on the day immediately preceding the appointed day. CCT, J&K in exercise of the powers under this section, notified (Order No. 01/Camp/CCT dated 02.05.2005) registered dealers falling under the VAT to declare the closing stock lying with them as on 31 March 2005 to assessing authorities of the circles in which they were registered.

Test-check indicated grant of inadmissible ITC on opening stock in respect of 12 dealers involving four[17] Commercial Taxes Circles resulting in non-realisation of tax of Rs. 48.03 lakh including interest and penalty. A few instances are mentioned in the subsequent paragraphs.

- In Circle L-Jammu, a dealer[18] registered on 8 April 2005 claimed ITC of Rs. 7.48 lakh on opening stock for the period prior to the date of registration. The claim was not admissible as per CCT's circular instructions dated May 2005 issued under section 95 of the Act which stipulates that only the dealers registered under GST Act, are entitled to ITC on opening stock held by them on appointed day. In this case audit assessment was finalised and the dealer was liable to pay penalty equivalent to twice the amount of tax under section 39 (7) of the Act. Further, in three cases, the assessing authority, circle C Jammu also incorrectly allowed ITC of Rs. 5.39 lakh. The discrepancies resulted in non-realisation of tax of Rs. 33.74 lakh including interest and penalty.

The assessing authority circle C Jammu assured that he would look into the audit observation and take appropriate action. The assessing officer L-circle Jammu did not accept the audit observation stating that dealers claiming ITC on opening stock held by them on opening day were not required to be registered under the GST Act. The reply is not in consonance with CCT's instructions dated May 2005 issued under section 95 of the Act which stipulate that ITC is admissible to dealers registered under GST/CST Act.

4.2.15 Acceptance and disposal of appeal cases

A dealer objecting to any order passed by the assessing authority may, within 30 days from the date of serving of order, file an appeal with the appellate authority/CCT, subject to the condition laid down in the rules. However, no time frame for the disposal of appeals has been prescribed in the Act. During the review it was seen that 611 cases were pending as on 31 March 2008.

4.2.16 VAT fraud task force

Section 9 of the Act, provides for constitution of Special Investigation Units[19] (SIU) for carrying out investigation or hold enquiries in cases of evasion of tax, of its own motion or on directions from the commissioner. As per the information made available to audit, the number of cases in which the investigation/enquiry were conducted by SIU on its own during the review period is as under:

Year	Number of investigation/enquiry conducted	
	Jammu Division	Kashmir Division
2005-06	01	Nil
2006-07	04	06
2007-08	12	Nil
Total	**17**	**06**

[17] CTO circle: A-Srinagar: One case, CTO circle C-Jammu: three cases, CTO circle L-Jammu: six cases and CTO circle Udhampur-I: two cases.

[18] M/s "X" Tin: 01611150607.

[19] Kashmir and Jammu.

No case had been referred by the Commissioner to SIU in the Kashmir Division for carrying out investigations while three cases were referred by the Commissioner in the Jammu division.

While only six cases were enquired into/investigated in the Kashmir division, out of which two cases are still pending, 17 cases had been investigated in the Jammu division. This indicated that the provisions of the Act had not been implemented properly and the very purpose of constituting the SIUs was largely being defeated.

4.2.17 Scrutiny and verification of the returns

As per the Section 35 of the Act, each and every return is required to be scrutinised and mistakes detected on account of the arithmetical calculations, application of the correct rate of tax and interest and input tax credit claimed therein need to be rectified and assessed accordingly.

Arithmetical mistakes were noticed by audit in the returns filed by 41 dealers which involved short payment of tax amounting to Rs. 7.87 lakh, excess remission of Rs. one lakh and excess carry forward of the ITC of Rs. 0.82 lakh in the six circles[20]. The total short realisation amounted to Rs. 9.70 lakh.

After this was pointed out, the assessing authorities initiated (October 2009) action in all cases.

4.2.18 Internal controls

Internal controls are of paramount importance in an organisation as they serve to provide timely warning of irregularities or deficiencies in its functioning. Gaps seen in exercise of the internal control by the Commercial Taxes department are discussed in the following paragraphs.

4.2.18.1 Maintenance of registers in the unit offices

Registers/records prescribed like the return register, registration register, refund register, appeal register etc. were either not maintained or were not maintained in the prescribed form, in the three circles (A-Srinagar, L-Jammu and Kathua) out of the 11 commercial tax circles test-checked.

After this was pointed out, the assessing authorities stated that the said registers were not maintained due to non-availability of prescribed forms and the gap between dates of implementation of the Act and framing of Rules.

4.2.18.2 Lack of monitoring of returns

The VAT Act read with rules framed thereunder does not provide for submission of any progress report or any return by the field offices. Quarterly performance indicators on the working of circles are submitted to the additional CCTs at the end of each quarter. These reports/returns are submitted to the Commissioner as and when called for by him. This indicates that there is no regular system in place for monitoring by the Commissioner.

[20] Circles: Anantnag-I, A-Srinagar, Kathua, M-Jammu, Udhampur-I and Sopore.

4.2.19 Internal Audit

Audit noticed that though the white paper on VAT envisaged the creation of an Audit Wing completely de-linked from tax collection wing for checking a percentage of dealers' self-assessments, yet no provision for such an audit wing has been incorporated in VAT Act.

No internal audit was conducted during the years from 2005-06 to 2007-08. As per SRO 91 dated 16 March 2006 governing remission from the payment of tax by the industrial unit holders, the Commissioner Commercial Taxes department was to get at least 25 *per cent* of all the tax remission claims verified for each tax period by the Deputy Commissioner Commercial Tax (Audit) of the division. The number of 'remission cases' checked by Deputy commissioners commercial taxes (Audit) Jammu and Srinagar, as furnished by the department, are detailed in the following table:

Division	Number of circles	Total number of remission cases	Remission cases due for check	Remission cases Checked	Shortfall	Percentage of shortfall
Kashmir	6[21]	2,749	688	91	597	87
Jammu	2[22]	9,451	2,364	195	2,169	92

The above table indicated that the Deputy Commissioners (Audit) had not checked even the minimum prescribed percentage of tax remission cases.

4.2.20 Conclusion

Transition from J&K General Sales Tax to J&K Value Added Tax was not smooth and suffered due to deficiencies like inadequate planning, non-reorganisation of the administrative machinery, non-computerisation of the department, late framing of J&K VAT Rules, shortage of the staff and engagement of the existing staff in finalisation of the pending assessments under the Act and recovery of the arrears there under. The tax audits and audit assessments being vital parts of the VAT administration were not being accorded due importance. The deficiencies in the Act and the Rules there under and absence of guidelines/manuals also contributed to the failure of the field offices in the implementation of the Act properly.

4.2.21 Summary of the recommendations

The Government may consider implementation of the following recommendations for rectifying the system and compliance issues:

- taking up the computerisation of the department for smooth and efficient tax management;
- putting in place a mechanism for conducting periodic verification of books of accounts of such TOT dealers to avoid evasion of tax by dealers crossing threshold limit;
- monitoring, the identification of the dealers who have remained dormant and for canceling their registration, at higher levels;

[21] Circles: Anantnag-I, Anantnag-II, Baramulla, Budgam, E-Srinagar and I-Srinagar.
[22] Circles: G-Jammu and I-Jammu.

- devising a mechanism to monitor the restoration and cancellation of the suspended registration certificates;
- revising the format prescribed for the "returns" to include columns for indicating, nomenclature of the goods, treasury receipts, details of tax deposited, etc. and provision for submission of the accounts in support of the sale and purchase;
- making provisions for cross verification of the transactions with other states, central department or undertakings;
- selecting a percentage of cases for tax audits/audit assessments by using scientific methodologies so as to pre-empt any scope for bias and
- entrusting assessments in respect of large tax paying dealers to higher ranked authorities after fixing a certain limit of turnover.

4.3 Review on Assessment and collection of the Toll Tax

Finance Department

Highlights

- Absence of a provision for cross-verification of the toll post records of import and export of goods with Commercial Taxes Department resulted in non-levy of toll of Rs. 55.23 lakh.

(*Paragraphs: 4.3.7.1 and 4.3.7.2*)

- Allowing of the vehicles carrying load in excess of the permissible limit resulted in loss of the revenue of Rs. 15.14 lakh on account of the basic toll.

(*Paragraph: 4.3.8.1*)

- There was delay in transfer of the toll receipts to the Government account by the Jammu & Kashmir Bank Ltd. Timely deposit would have saved the Government from payment of the interest of Rs. 69.35 lakh on the overdrafts.

(*Paragraph: 4.3.9*)

- Due to non-functioning of weighbridges, assessment of additional toll in respect of the 17.12 lakh vehicles that crossed the toll post was made on lump sum basis and not on the actual laden weight, leaving every scope for the loss of revenue.

(*Paragraph: 4.3.10*)

- Lack of monitoring resulted in incorrect grant of exemption from payment of additional toll to the extent of Rs. 4.58 crore to various industrial units. The correctness of the exemption allowed on 1,27,952 metric tons of raw material and finished goods involving toll of Rs. 5.11 crore could not be verified due to non-preparation of chief article statement.

(*Paragraph: 4.3.11*)

4.3.1 Introduction

The toll is levied and collected in the State under the provisions of Jammu & Kashmir Levy of Toll Act Svt. 1995 (1938 AD) and the rules made thereunder called the Jammu and Kashmir Toll Rules, 1995. In early eighties, the Excise Department and the Sales Tax Department existed as "Excise and Taxations Department". These were later segregated into two departments viz. the Excise Department and the Sales Tax Department, each headed by a Commissioner. The Excise Department was charged with the responsibility of collection of the toll at various toll posts, assistance in policy formulation of levy of toll and administration of matters relating to excise and toll. Toll is levied on men, animals, vehicles, machinery, commodities and goods in any form for using the roads, ferry and bridges lying within the State. Under the provisions of the Act, the Government may from time to time establish toll posts on roads, bridges, lanes etc. and prescribe, annul or alter rates of toll or grant exemption thereof.

A review on assessment and collection of toll tax brought to light a number of system and compliance deficiencies which have been discussed in the subsequent paragraphs.

4.3.2 Organisational set up

There are four major and 13 minor toll posts in the entire State under the overall supervision of the Excise Commissioner. The Excise Commissioner is assisted by two Deputy Excise Commissioners and eight Excise and Taxation officers (ETOs). A Deputy Excise Commissioner and four Excise and Taxation officers are posted at Lakhanpur which is the biggest toll post in the State while other three major toll posts are under the control of three Excise and Taxation officer. A Deputy Excise Commissioner (Accounts) posted at headquarters monitors the work of accounts and internal audit. Each Excise and Taxation officer is assisted by inspectors, sub-inspectors and excise guards. The overall administrative control vests with the Finance department.

4.3.3 Audit objective

The review was conducted with a view to assess:

- the efficiency and effectiveness of the system of levy and collection of toll;
- whether an adequate internal control mechanism existed to ensure proper realisation of toll and
- the extent of compliance with the provisions of the Act and rules made there under.

4.3.4 Scope and methodology of audit

The records of three (Lakhanpur, Railway Station Jammu and Lower Munda Kashmir) out of the four main toll posts[23] and four (Hutmashka, Govindsar, Nagri Lakhanpur, Bari Brahman) out of the 13[24] minor toll posts were test-checked in the audit during the period from January 2009 to April 2009. The selection of toll posts was based on the maximum revenue collected by the toll posts while the selection of cases for test-check in each toll post was done on the basis of random sampling method. In addition, assessments which fell around the dates of issue of SROs[25] regarding revision of the rates of toll tax by the State Government were also test-checked in the audit.

4.3.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the excise department in providing necessary information and records for audit. An entry conference was held in January 2009 with the Excise commissioner in which the scope and methodology of conducting the review was explained. The draft review report was

[23] Main Toll posts: Lakhanpur (Jammu), Railway Station Jammu, Lower Munda Kashmir and Upshi Ladakh.

[24] Minor Toll posts: Govindsar, Satwain/Thein, Hatmashka, Pattan Barrian, Pharpur, Goond, Kote Punnu, Mandi Mandikan, Nagri (under Main Toll Post Lakhanpur Jammu), Railway Station (passenger side) Jammu, Bari Brahmana, Vijaypur (under Main Toll Post Railway Station Jammu) and Qazigund (under Main Toll post Lower Munda Kashmir).

[25] Sadri Riyasat Order.

forwarded to the department and the Government in July 2009. The audit findings and recommendations were discussed in the exit conference held in September 2009. The responses of the department received during the exit conference or at other times have been appropriately incorporated in this report.

4.3.6 Collection of the toll receipts

The position of the toll receipts collected vis-à-vis budget estimates during the period from 2004-05 to 2008-09 as per the Departmental records was as under:

(Rupees in crore)

Year	Budget estimates (Original)	Budget estimates (Revised)	Actual revenue collected	Excess (+)/ shortfall (-) (4-2)	Excess (+)/ short fall (-) (4-3)
1	2	3	4	5	6
2004-05	202.47	220.00	217.05	(+) 14.58	(-) 2.95
2005-06	231.00	235.00	237.34	(+) 6.34	(+) 2.34
2006-07	250.00	255.00	254.30	(+) 4.30	(-) 0.70
2007-08	260.00	277.00	288.54	(+) 28.54	(+) 11.54
2008-09	290.00	290.00	271.73	(-) 18.27	(-) 18.27

The above table indicates that every year there was an increase in the toll receipts over the previous year except in 2008-09 when the collection was less than even the budget estimates.

The Department attributed (March 2009) the shortfall in revenue realisation during 2008-09 to the economic recession and as a result of disturbances on account of an agitation during July and August 2008.

Audit findings

System deficiencies

4.3.7 Absence of provision of cross verification to avoid leakage

Audit noticed that no system/provision existed in the rules for obtaining wagon-wise lists/railway receipts (RRs) from the railways and cross referencing of permits with the RRs/Import General Register to verify the chargeable quantity of the goods specified in the RRs so that toll was levied on all the items entering the state boundaries. The system was essential at those posts where the weighbridges were not functional.

4.3.7.1 Test-check indicated that a number of private/government agencies/industrial units imported coal[26] through railway racks into the state mainly through toll post at Bari Brahmana Jammu. No register for noting down the quantity of the coal imported in the state through the railways was maintained at the toll post, Bari Brahmana, Jammu. However, information regarding the quantity of coal imported into the State was available at the commercial taxes check post Bari Brahmana. Audit cross verified the

[26] Slack/Steam, Brown coal.

records of coal dispatched through trucks at toll post, Bari Brahmana, Jammu with the records maintained by state commercial taxes check post, Bari Brahmana, Jammu. It indicated that one industrial unit had imported (April 2007 to March 2008) 24,430 metric tons of coal against which the toll had been levied on 20,632 metric tons of coal during the same period thereby resulting in non-levy of toll of Rs. 16.29 lakh on 3,798 metric tons.

4.3.7.2 A similar cross-verification of commercial taxes check post, railway station, Jammu with regard to import of cement and fertilizer into the State in respect of eight[27] dealers during 2007-08 with the railway receipt registers of toll post railway station, Jammu indicated that 9,735 metric tons of cement and fertilizer were not subjected to levy of toll by the ETO, Jammu railway station, which resulted in non-levy of toll of Rs. 38.94 lakh. The ETO stated (April 2009) that the matter would be looked into.

4.3.8 Loss on account of the basic toll

According to the instructions issued by the department, vehicles carrying load in excess of the prescribed limit are to be stopped at the toll post for unloading the weight carried in excess and the extra load is to be subjected to recovery of the toll besides referring them to the Motor Vehicles Department for imposition of the penalty/fine under the Motor Vehicles Act, 1988. Basic toll is leviable on all the vehicles whether loaded or empty. For carrying the extra load more vehicles were needed that would fetch more basic toll **Audit noticed that in case of vehicles carrying loads in excess of their permissible limits, there was no provision for levy of extra basic toll.**

4.3.8.1 Test-check of the records of minor toll post, Govindsar (Kathua), indicated that 3,430 overloaded trucks[28] were allowed to carry (1 April 2007 to 10 August 2007) the load prescribed for 6,878 trucks, as a result of which basic toll for 3448 vehicles could not be charged, resulting in loss of Rs. 15.14 lakh**.**

It was further noticed in audit that as no staff of transport department was posted at the toll post, Govindsar, the trucks which carried goods in excess of the prescribed weight could not be penalised under the provisions of the Motor Vehicles Act, 1988.

4.3.8.2 Cross-verification by audit of computerised daily data of the toll post (Import side) with the records of the Motor Vehicles department (at Lakhanpur) for the month of December 2008 indicated that 22 vehicles weighing more than the prescribed laden weight had crossed the toll post. Allowing overloaded vehicles to ply and cross the toll post resulted in loss of revenue on account of basic toll chargeable on the vehicles. For carrying the load in excess of the permissible limits the vehicles could have been penalised[29] for Rs. 1.80 lakh in accordance with the provisions of the Motor Vehicles Act, 1988.

After this was brought to the notice of the department, the Excise Commissioner intimated (September 2009) that an amendment for levy of twice the basic toll has been

---

[27] Deputy Director Store Procurement, Jammu, M/S Jai Prakash Associates, M/S Shri Cements, M/S Chambal Fertilizers, M/S Indo Steel Works, Jammu, M/S United Cements, M/S R.K. Traders, RS Pura, M/S SIS Trading Co., Jammu.

[28] (2 Axle: 894 (Kashmir bound); 2072 (Jammu bound) and 3 Axle: 464 (Jammu bound).

[29] Fine of Rs. 2,000 and an additional amount of Rs. 1,000 per tonne of excess load.

proposed in respect of vehicles carrying load beyond the limit/capacity prescribed under the Motor Vehicles Act, 1988. As regards imposition of the penalty, it was stated that the matter has been referred to the Motor Vehicles Department for necessary action under the Motor Vehicles Act.

The Government may consider a provision for levy of extra basic toll in respect of the overloaded vehicles and ensure levy of the penalty under the Motor vehicles Act.

4.3.9 Delay in remittances

Toll collected at various toll posts is required to be remitted by the concerned toll posts in-charge to the designated branches of the Jammu and Kashmir Bank at the end of each day which in turn are required to transfer the collections to the main branch at the close of business on every 7th, 14th, 21st and on the last day of every month. The main branch is to credit the entire balance to the government account at the close of the business of each day. The department had, however, not evolved any monitoring mechanism for ensuring timely transfer/credit of the toll revenue to the government account. Mention of absence of the monitoring mechanism was made in the paragraph 6.2.34 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2003– Government of Jammu and Kashmir. However, audit noticed that the discrepancy has not been rectified and moneys received on account of toll continue to be deposited/remitted into the government account after considerable delays. There is no provision in the Act or any instruction for charging of the interest from the bank on belated remittances.

Test-check of the bank scrolls in the office of the Deputy Excise commissioner indicated that there were delays (ranging between 1-24 days) in transfer of money (ranging between Rs. 1.38 crore and Rs. 8.28 crore) into the government account by the main branch during 2004-08. Timely transfer of the amounts would have resulted in reduction in government overdraft to that extent and saved payment of interest of Rs. 51.39 lakh paid by the government on the overdrafts. Similarly, delay in the transfer of the toll receipts (Rs. 15.58 lakh to Rs. 2.17 crore) by the designated branch at Bari Brahmana to the main branch ranged between 3 to 176 days involving avoidable interest of Rs. 17.96 lakh on the overdrafts.

The Government may direct the Jammu & Kashmir Bank Ltd. for timely remittance of the revenue into the Government account and in case of the delays, make a provision in the Act or issue instructions for charging of the interest from the bank on belated remittances.

After this was pointed out, the Excise Commissioner informed (September 2009) that the matter had been taken up with the Finance Department for issuing directions to the Jammu & Kashmir Bank Ltd. to remit collections on account of toll into the State Government account by the prescribed dates.

Compliance deficiencies

4.3.10 Non-functioning of weighbridges

According to the Jammu and Kashmir Levy of Toll Rules 1995, where additional toll etc., is leviable on goods/animals in addition to basic toll, the vehicles loaded with goods shall be subjected to weighment at the weighbridge by the assessing officer for correct assessment of toll. Two weighbridges had been installed at Jammu railway station and at Bari Brahmana, Jammu. Audit observed that the weighbridge at Bari Brahmana did not function at all during 2004-05 to 2008-09 while the electronic weighbridges installed at the toll post, Jammu railway station, had remained intermittently functional for 158 days from March 2005 to September 2006 and were subsequently closed down. No efforts had been made by the department (March 2009) to make the weighbridges functional. Further, the assessment for the purpose of levy of additional toll on 17.12 lakh vehicles which had crossed the post were not made on actual laden weight, as required under rules but on lump sum basis leaving scope for loss of revenue.

After this was pointed out, the Excise Commissioner issued (September 2009) directions to the concerned Deputy Excise Commissioner/ETO to take steps to make the weighbridges functional.

Test-check of remittances (April 2006 to September 2006) indicated that revenue had been collected through electronic weighbridges for 42 days only out of 158 days. The collection of revenue for remaining 116 days could not be verified in audit as the records/data relating to the assessment of additional toll, collected through electronic weighbridge, was not made available to audit by the ETO, Jammu railway station.

The ETO stated (April 2009) that the records/data of electronic weighbridges was stored in computers which could not be retrieved due to non-availability of the password. It was also stated that the matter was being pursued with the concerned agency that had developed the system.

The Government needs to instal electronic weighbridges wherever needed and make the defunct weighbridges functional. Responsibility also needs to be fixed for non-functioning of electronic weigh bridges and non-availability of data in computers to the department itself.

4.3.11 Grant of inadmissible exemption due to lack of monitoring

The Jammu and Kashmir levy of Toll Rules 1995 provides that if a vehicle is carrying any load which is exempt from payment of toll, either partly or fully, the driver shall report to the Excise and Taxation officer or to the inspector incharge of the exemption and shall disclose the registration number, nature of goods and unladen weight. Thereafter, the ETO prepares the data sheets in the computers in a prescribed proforma. Based on these data sheets, a monthly statement called chief article statement (CAS) is generated by the Deputy Excise Commissioner, Lakhanpur Toll post. The Government by a notification dated 31 January 2004 exempted registered industrial units from the payment of additional toll on raw material/consumables procured from outside the state and on finished goods manufactured/exported by these units and sent outside, except for items included in the Annexure 'A' of the notification, henceforth, called negative list, which included all kinds of oils (edible and non-edible), excluding oil seeds. Audit noticed that though the nature of goods was mentioned in the CAS, it did not indicate the name of the consignor. These deficiencies in monitoring the correctness of the exemptions allowed are mentioned in the following paragraphs:

4.3.11.1 Test-check of the CAS at the toll post Lakhanpur indicated that the assessing authorities allowed exemption from payment of additional toll on 32 items[30] weighing 2,72,025 quintals imported into the state, though these items were included in the negative list. Grant of incorrect exemption resulted in non-realisation of additional toll of Rs. 1.09 crore. Since the name of the industrial units that imported the material was not available in the CAS, audit could not ascertain the names of the consignors against whom the demand was required to be raised. Lack of monitoring for detection of ineligible items falling in the negative list resulted in inadmissible exemption.

After this was pointed out, the department stated that the concerned authorities had been requested to intimate the names of the units that claimed toll exemption on raw materials imported into the State from 2004 to 2009 so that the recovery could be made from the concerned unit holder.

The above facts indicated that the department should provide for inserting the name of the unit holder in the computer system so that the demands can be promptly raised.

4.3.11.2 In accordance with the notification dated 31 January 2004, all kinds of oils (edible and non-edible), excluding oil seeds are eligible to additional toll.

Test-check of the records of Deputy Excise Commissioner, toll post, Lakhanpur indicated that the department irregularly allowed exemption from the payment of additional toll on 7,20,396 quintals of '*Mentha oil*', being non-edible oil (raw material) imported into the state by various industrial units during the years from 2004-05 to 2008-09 (December 2008). The inadmissible exemption from payment of additional toll resulted in revenue loss of Rs. 2.88 crore.

After this was pointed out, the Excise Commissioner took up (September 2009) the matter relating to levy of toll on *mentha* oil with the Principal Secretary to the Industries Department.

4.3.11.3 The Small Scale Industrial Development Corporation (SICOP) is authorised to import raw material and export finished goods on behalf of the registered industrial units without payment of the additional toll. Each consignment of the raw material or the finished goods is required to be accompanied by a machine numbered certificate (toll exemption form) from the Industries department for production to the ETO at the toll post concerned. The Industries department is required to furnish quarterly verification certificates to Deputy Excise Commissioner/ETO to the effect that raw materials/finished goods exempted from the additional toll has been actually received/manufactured and sent outside the State and entered in the relevant stock registers.

---

[30] C.R.Coil, Packing material, Cement, C.R. Sheet, G.C/G.P sheets, Grams, H.R.Coils/sheets, Iodized salt, Limestone powder, LP Gas, Marble sheets/Chips/Slab, Palm Oil, Plywood, Pulses, Skimmed Milk Powder, Slack/Steam Coal, Spices, Stone and Tiles.

Test-check of the exemption registers indicated that the ETO, Jammu railway station, had allowed exemption of the additional toll of Rs. 7.47 lakh to SICOP, Jammu on import (February-April 2006) of 1,867 metric tons of wire rod (raw material) on behalf of industrial units without obtaining exemption forms and quarterly verification certificates. Audit observed that the forms/certificates were never demanded by the department for grant of exemption. Grant of exemption without these requirements was irregular and resulted in irregular exemption of Rs. 7.47 lakh.

The ETO stated (April 2009) that the annual assessment approved by the Industries department in favour of the industrial units and the material lifted by the SICOP would be taken into account and monitored in the future.

4.3.11.4 As per 'Industries and Commerce departments' norm mentioned in annual assessment orders, for allowing exemption from payment of additional toll to an industrial unit registered with DIC, Kathua; 0.47 metric tons of iodine and 14,400 metric tons were required for manufacture of 14,256 metric tons of iodised salt.

Test-check of the records of Deputy Excise Commissioner, toll post, Lakhanpur indicated that a unit imported 13,338 metric tons of common salt during the period from January 2005 to December 2007. The unit was required to purchase 435 kilograms of iodine for converting the salt into the iodised salt. The unit purchased only four kilograms of iodine during this period but was allowed exemption from payment of additional toll on the entire quantity of common salt purchased. This aspect had not been considered by the department while allowing exemption from payment of additional toll to the unit holder, resulting in inadmissible exemption of Rs. 53.35 lakh to the industrial unit on import of 13,338 metric tons of common salt.

After this was brought to the notice of the department, the Excise Commissioner stated (September 2009) that the staff at toll post has been instructed to exercise vigil to ensure that iodised salt is not imported by the salt manufacturing units in the garb of common/non-iodised salt.

4.3.11.5 Rules stipulate that each toll post shall prepare, at the end of each day, a classified statement of the commodities imported into and those exported out of the state. The entries appearing in the said statement shall be tallied at the end of the month which shall form the basis of item-wise entries in the CAS for each month.

Audit noticed that during the period from 2005-06 to 2008-09 (January 2009), 1,27,951 metric tons of raw material and finished goods involving additional toll of Rs. 5.11 crore[31] were exempted by the ETO, Jammu railway station, from payment of additional toll in terms of industrial exemption notification of January 2004 for which complete details were not maintained with regard to item-wise CAS on which the exemption had been allowed. As a result, the correctness of the exemption allowed on items at the toll post could not be vouchsafed/checked in audit.

The ETO stated (April 2009) that the toll post had not been computerised with the result CAS could not be prepared and would be prepared as soon as the post is computerised.

[31] Raw material: 1,20,848 metric tons; Additional Toll Rs. 4.83 crore, Finished Goods: 7,103 metric tons; Additional toll Rs. 28.42 lakh

This indicates that measures need to be taken to plug the loopholes by strengthening the internal controls of the department relating to the grant of exemption from payment of the additional toll.

4.3.12 Irregular exemptions

In accordance with the notification dated 31st January 2004 followed by instructions, exemption from payment of additional toll on imports and exports is granted to the registered industrial units subject to the limits fixed by the Director, Industries and Commerce department. The raw material imported and finished goods exported by the industrial units beyond the approved limits are eligible to the toll. Each consignment of the raw material or the finished goods is required to be accompanied by a machine numbered certificate (toll exemption form) duly sealed and signed by the authorised representative of the industrial unit concerned for production of the same to the ETO at the toll post concerned.

Records of the Deputy Excise Commissioner, toll post, Lakhanpur indicated that the department allowed exemption from toll on the raw materials and finished goods imported and exported respectively by six industrial units in excess of the approved limits during the years 2004-05 to 2007-08. This resulted in irregular exemption from toll of Rs. 31.03 lakh to the units as mentioned below:

Sl. no.	Name of the unit	Admissible Quantity (metric tons)	Quantity allowed (metric tons)	Excess quantity allowed (metric tons)	Amount levied short (Rs. in lakh)
1.	M/s X works Bari Brahmana Jammu	5,713.61	9,102.897	3,389.287	13.56
2.	M/s Y Industries Bari Brahmana Jammu	3,640.776	3,890.100	249.324	1.00
3.	M/s Z Cements Kathua	6,069.27	8,454.76	2,385.49	9.54
4.	M/s P Ltd; Samba	1,243.75	2,277.64	1,033.89	4.13
5.	M/s Q Jammu	540.00	931.604	391.604	1.91
6.	M/s R Pack Corporation Jammu	2,614.00	2,836.195	222.195	0.89
				Total	**31.03**

4.3.13 Internal control

Proper internal controls are essential for providing timely warning to an organisation about irregularities and deficiencies in its functioning. The Department has a separate Accounts Wing headed by a Deputy Excise Commissioner to undertake audit and inspections of various wings/units of the Department including reconciliation of the revenue receipts. Audit noticed that weak internal control mechanism of the department resulted in loss of revenue, as discussed in the paragraphs below.

The Jammu and Kashmir levy of Toll Rules, 1995 provide that every assessing officer shall maintain an assessment note book (RT-3) and a general register (RT-5) at the toll post. The assessment note book is the basic record indicating all details of the goods, vehicles and name of the driver while the general register indicates the amount levied and collected by the toll authorities. The Sub-inspector/Inspector posted at the toll post is required to issue a permit (RT-4) to the person/driver from whom the toll is received.

4.3.13.1 Test-check of the records of Deputy Excise Commissioner, toll post, Lakhanpur indicated that the assessment note book had not been maintained at the toll post and the position of permit books issued to various minor toll posts/other sections of the toll post was not reconciled at any stage. The requisite details, viz. permit machine numbers, names of the driver/person carrying/incharge of the goods/animals, mode of conveyance, and name of the assessing officer indicated in the permits had not been recorded in the general register for import and export of the goods at any of the test-checked minor toll posts and sections of the main toll post, Lakhanpur. As a result, misuse of these permits could not be ruled out.

4.3.13.2 Test-check of the records further indicated that 30 permit books containing 3,000 machine numbered permit forms issued to the minor toll post, *Govindsar* (Kathua) during May-October 2008 and 222 permit books containing 22,200 permit forms issued to the minor toll post, Nagri (Kathua) during July-November 2007 by the Deputy Excise Commissioner, toll post, Lakhanpur were not accounted for by these minor toll posts and, as such, their misuse and subsequent misappropriation of the toll could not be ruled out.

The Deputy Excise Commissioner, toll post, Lakhanpur stated (March 2009) that instructions for reconciliation of permits had been issued.

4.3.13.3 The Jammu and Kashmir Levy of Toll Rules, 1995, provide for the cross-check of number of vehicles crossing toll stations with that of the accounts maintained at sales tax check posts once a year by the internal audit wing of the department.

Test-check of the records of minor toll post, Nagri (Kathua) indicated that no such cross-check had been carried out with the records of commercial taxes check post, Nagri. Audit carried out a cross-check of the import records of toll post, Nagri with the records of commercial taxes check post, Nagri (Kathua) for the month of October 2008 and found that 15 vehicles carrying taxable goods imported into the state through toll post, Nagri had not been subjected to assessment and levy of basic as well as additional toll resulting in loss of revenue of Rs. 57,000[32] during the month of October 2008 only. The Deputy Excise Commissioner, toll post, Lakhanpur has sought (May 2009) compliance report from the ETO, toll post, Nagri.

The above indicates that the measures need to be taken to plug the loopholes by undertaking an overall review of the system for identification of such areas.

4.3.14 Conclusion

There were several systemic deficiencies that affected the efficiency and effectiveness of the assessment and collection of toll. These included absence of reliable database of exemptions and for ascertaining genuineness and correctness of exemption certificates submitted by the units. Besides, non-compliance of existing rules and instructions led to leakage of considerable amount of revenue. Monitoring of transfer of the receipts to the Government account was poor and internal controls were not satisfactory**.**

[32] Basic Toll: (Rs. 0.03 lakh); Additional Toll: (Rs. 0.54 lakh).

4.3.15 Summary of recommendations

The Government may consider implementation of the following recommendations:

- installing electronic weighbridges wherever needed and make the defunct weighbridges functional;
- making a provision for levy of extra basic toll in respect of the overloaded vehicles and ensure levy of penalty under Motor vehicles Act;
- directing the Jammu & Kashmir Bank Ltd. for timely remittance of revenue into the Government account and in case of delays, charging of interest from the bank on belated remittances;
- making a provision for indicating the names of the consignees in the CAS and strengthen the internal controls by constant monitoring of the system relating to exemptions and computerisation and exercise greater vigil at the check post to prevent evasion of tax and
- ensuring compliance to the provisions of the Act and rules made there under.

Audit Paragraphs

Finance Department

Sales Tax

4.4 Non-levy of tax and interest

Undue exemption from payment of sales tax resulted in short realisation of Rs. 17.25 lakh including interest.

In exercise of the powers conferred by section 5 of the Jammu and Kashmir General Sales Tax Act, 1962, Government vide notification number 246 dated 20 August 1998 directed that the goods manufactured by existing small scale industrial units registered with the Department of Industries and Commerce, Handicrafts/Handloom Development Corporation, shall be exempted from payment of general sales tax on sale of finished goods manufactured by them.

Test-check of the records (November 2007) of sales tax circle 'M', Jammu indicated that an Industrial Unit[33] had not undertaken any manufacturing activity on sale of goods valued at Rs. 42.70 lakh during the assessment years 2002-03 and 2003-04. This was evident from the fact that the dealer had not incurred any expenditure such as wages, electricity and other miscellaneous charges necessary for manufacturing of these goods. However, the assessing authority while finalising the assessment for these years in June 2006, treated the goods to have been manufactured by the dealer and incorrectly allowed exemption of tax of Rs. 5.38 lakh. This resulted in short realisation of Rs. 17.25 lakh including the interest of Rs. 11.87 lakh.

After this was pointed out in November 2007, the department reassessed the dealer and raised (January 2009) the demand for the entire amount.

After the case was reported to the Government (April 2009) it was stated (May 2009) that the matter had been referred to the Collector for recovery of the amount under the Land Revenue Act. Further report on recovery has not been received (October 2009).

4.5 Short levy of tax and the interest

Failure of the assessing authority to apply correct rates of tax and detecting concealment of turnover of a dealer, resulted in short levy of tax aggregating Rs. 7.16 lakh including interest and penalty.

The Jammu and Kashmir General Sales Tax (J&K GST), Act 1962 and rules made there under provide that every dealer shall submit a true and correct return of his turn over. Further, a person (dealer), who fails to furnish correct return of his turn over or has concealed particulars of the turnover, the Assessing Authority (AA) shall direct him 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. The Act also provides concessional rate of tax on sales made by the registered dealers to the

33 Registered for cutting/polishing of Granite, Marble, Kota stone.

Central/State Government departments. This concessional rate of tax is not applicable to the autonomous bodies/undertakings.

Test-check of the records (June 2007) of sales tax circle 'A' Srinagar indicated that a dealer sold vehicles valued at Rs. 23.10 lakh to three autonomous bodies during the assessment years 2001-02 and 2002-03. He was liable to pay a tax of 12 *per cent* against which he claimed concessional tax at the rate of four *per cent*. This resulted in short levy of tax of Rs. 5.07 lakh including the interest and surcharge. In addition cross verification of 'C' form consumption statement with the inter state purchase statement filed by the dealer indicated that the dealer had made interstate purchase of a vehicle valued at Rs. 4.46 lakh in 2002-03 on "declaration form-C". This purchase was neither found recorded in his accounts nor was it depicted in the return filed by him. This resulted in evasion of the tax of Rs. 2.09 lakh including the interest, surcharge and penalty.

The above mistakes escaped the notice of the assessing authority while finalising the assessment of the dealer for these years in February 2006 and March 2007 resulting in short realisation of revenue of Rs. 7.16 lakh[34].

After this was pointed out in June 2007, the department reassessed the dealer in September 2007 and raised a demand of Rs. 8.04 lakh[35] for the two years.

After the case was reported to the Government, it was stated that Rs. 0.82 lakh had been adjusted against the tax deposited by the dealer during 2002-03 and the balance amount was being recovered as arrears under land revenue Act. Further report on recovery is awaited (October 2009).

4.6 Short levy of tax, interest and penalty

Failure of the Assessing Authority to detect the concealment of purchase resulted in short levy of tax of Rs. 4.30 lakh.

The Jammu and Kashmir General Sales Tax (J&K GST) Act 1962 and the rules made thereunder provide that every dealer shall submit a true and correct return of his turnover in such a manner as may be prescribed under the Act. Further, if a 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 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 (November 2007) of the records of Commercial Tax Circle-I, Anantnag indicated that a dealer registered with the circle in February 2003 was assessed to tax on the sales turnover of Rs. 44.61 lakh, comprising sales made from 28 February 2003 to 31 March 2003 as depicted in his trading account for 2002-03. In addition the dealer had made sales to a Government department valued at 12.49 lakh in August, 2002 i.e., prior to his registration. This sale had not been included by the dealer in his disclosed turnover, thus, concealing his turnover to the extent of Rs. 12.49 lakh which attracted tax at

[34] 2001-02: Tax and surcharge: 0.36 lakh; Interest: 0.69 lakh; 2002-03: Tax and surcharge: Rs. 2.17 lakh; Interest: Rs. 3.35 lakh; Penalty: Rs. 0.59 lakh.

[35] 2001-02: Tax and surcharge: Rs. 0.36 lakh; Interest: Rs. 0.69 lakh; 2002-03: Tax and surcharge: Rs. 3.05 lakh; Interest: Rs. 3.35 lakh; Penalty: 0.59 lakh.

8 *per cent* plus surcharge. The assessing authority while assessing the dealer to tax in February 2007 failed to detect the mistake which resulted in short levy of tax of Rs. 4.30 lakh.

After the case was pointed out, the assessing authority reassessed the dealer in September 2008 and raised an additional demand of Rs. 4.30 lakh[36] against the dealer.

The case was reported to the Government/Department in June 2009. The Commissioner Commercial Taxes stated (July 2009) that the additional demand of Rs. 4.30 lakh stand referred to Deputy Commissioner Commercial Taxes (Recovery) Srinagar for recovery. The dealer has deposited an amount of Rs. 14,930 in March 2009. Further report on the recovery of Rs. 4.15 lakh is awaited (October 2009).

4.7 Short levy of tax, interest and penalty

Failure of the assessing authority to detect non-accounting of opening stock in the trading account by a dealer resulted in short levy of tax amounting to Rs. 5.98 lakh including interest and penalty.

Test-check (August 2007) of the records of Commercial Tax circle-F, Jammu indicated that a dealer did not take into account the closing stock valued Rs. 7.24 lakh, of the previous year while working out sales turnover, in the trading account for 2004-05. After adding the proportionate profit element the taxable turnover that escaped depiction in accounts worked out to Rs. 12.13 lakh. The assessing authority, while finalising the assessment of the dealer in January 2006, did not detect this mistake. This resulted in short levy of tax aggregating Rs. 5.98 lakh including the interest and penalty.

After the case was pointed out the department reassessed the dealer in February 2008 and raised an additional demand of Rs. 5.98 lakh[37] against the dealer.

The matter was reported to the Government/Department in April 2009. In reply it was stated (May 2009) that the arrears of Rs. 5.98 lakh stand referred to the collector for effecting the recovery under the Land Revenue Act. The dealer has preferred an appeal against the order of AA which is pending before the appellate authority. Further report on the recovery is awaited (October 2009).

4.8 Irregular exemption from payment of the sales tax

Grant of irregular exemption of Rs. 59.10 lakh.

The Government (August 1998) provided exemption to manufacturing small scale industrial units registered with the Government, from payment of general sales tax on sale of finished goods subject to certain conditions. If a dealer (industrial unit holder) is found guilty of an offence like concealment of turnover etc. during the accounting year in which exemption is available, he would not be entitled to any exemption for that year or for subsequent years. In case an industrial unit holder is found guilty of an offence of suppression of sales etc. the assessing authority shall withdraw the exemption and levy tax at the applicable rate on the entire turnover. The conditions *inter-alia* provide for

[36] Tax: Rs. 1.05 lakh; Interest: Rs. 2.20 lakh; Penalty: Rs. 1.05 lakh.

[37] Tax: Rs. 1.40 lakh; Interest: Rs. 1.77 lakh; Penalty: Rs. 2.81 lakh.

maintenance and furnishing of correct and regular account of purchases, manufacturing and sale of goods.

Test-check of the records (May 2007) of sales tax circle Baramulla indicated that an industrial unit registered for the manufacture of sheet metal items, water tanks, roof trusses etc. was allowed exemption by the department from payment of sales tax for the year 2002-03. It was seen that against 39 bills of interstate purchases valued at Rs. 8.06 lakh, for which the dealer had issued Form-C the dealer had reflected the only one bill of Rs. 1.79 lakh in his annual purchase statement during the accounting year 2002-03, thereby concealing the amount of purchases of 38 bills. The dealer thus concealed the particulars of purchases and was not eligible for grant of exemption from payment of tax. The assessing authority, while assessing the dealer to tax (October 2005), did not notice this mistake resulting in grant of irregular exemption of Rs. 59.10 lakh including the interest and penalty.

After this was pointed out (May 2007), the AA reassessed the dealer (July 2007), withdrew the benefit of exemption after establishing a concealment of Rs. 6.27 lakh and levied tax on the determined turnover of Rs. 4.09 crore by raising demand of Rs. 59.10 lakh[38] including the interest and penalty.

The matter was reported to Government (April 2009). In reply, it was stated that the dealer had deposited Rs. 0.34 lakh on the concealed purchases (June 2009) and had applied for amnesty under SRO-172 of May 2007. Further progress in the case was awaited (October 2009).

[38] Sales Tax Surcharge: Rs. 17.18 lakh; Interest: Rs. 24.74 lakh; Penalty: Rs. 17.18 lakh.

CHAPTER – V: COMMERCIAL ACTIVITIES

Section-I

5. Overview of State Public Sector Undertakings

Introduction

5.1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Jammu and Kashmir, the State PSUs occupy a moderate place in the state economy. The State PSUs registered a turnover of Rs. 3206.88 crore for 2008-09 as per their latest finalised accounts as of September 2009. This turnover was equal to 9.21 *per cent* of State Gross Domestic Product (GDP) for 2008-09. Major activities of Jammu and Kashmir State PSUs are concentrated in power and finance sectors. The State PSUs earned a profit of Rs. 232.25 crore in the aggregate as *per* their latest finalised accounts as of September 2009. They had employed 0.13 lakh[1] employees as of 31 March 2009. The State PSUs do not include two prominent Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments.

5.1.2 As on 31 March 2009, there were 23 PSUs as *per* the details given below. Of these, one company[2] was listed on the stock exchanges.

Type of PSUs	Working PSUs	Non-working PSUs[3]	Total
Government Companies	17	3	20
Statutory Corporations	3	Nil	3
Total	**20**	**3**	**23**

5.1.3 During the year 2008-09, no PSU was established whereas three were under liquidation**.**

Audit Mandate

5.1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as *per* Section 619-B of the Companies Act.

5.1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG

---

1 As per the details provided by 17 PSUs. Remaining six PSUs (including three non-working Companies) did not furnish the details.

2 Jammu and Kashmir Bank Limited.

3 Non-working PSUs are those which have ceased to carry on their operations.

as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as *per* the provisions of Section 619 of the Companies Act, 1956.

5.1.6 Audit of statutory corporations is governed by their respective legislations. Out of three statutory corporations, CAG is the sole auditor for Jammu and Kashmir State Road Transport Corporation and Jammu and Kashmir State Forest Corporation[4]. In respect of Jammu and Kashmir State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

Investment in State PSUs

5.1.7 As on 31 March 2009, the investment (capital and long-term loans) in 23 PSUs was Rs. 4846.47 crore as *per* details given below.

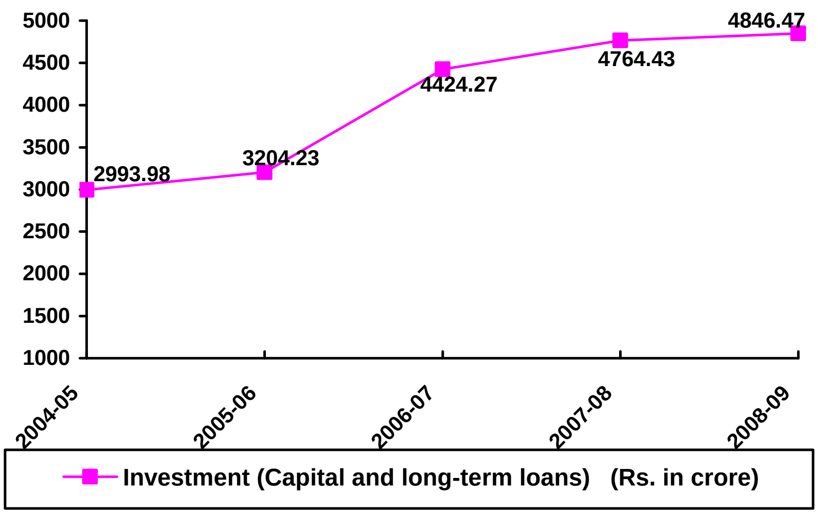
(Rs. in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	228.46	3932.22	4160.68	179.45	502.94	682.39	4843.07
Non-working PSUs	2.57	0.83	3.40	Nil	Nil	Nil	3.40
Total	**231.03**	**3933.05**	**4164.08**	**179.45**	**502.94**	**682.39**	**4846.47**

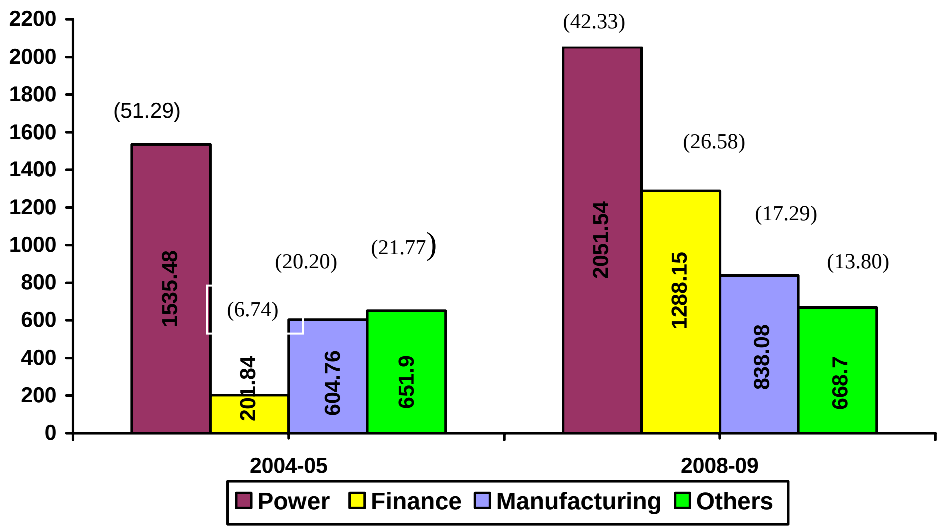
A summarised position of government investment in State PSUs is detailed in **Appendix 5.1**

5.1.8 As on 31 March 2009, of the total investment in State PSUs, 99.93 *per cent* was in working PSUs and the remaining 0.07 *per cent* in non-working PSUs. This total investment consisted of 8.47 *per cent* towards capital and 91.53 *per cent* in long-term loans. The investment has grown by 61.87 *per cent* from Rs. 2993.98 crore in 2004-05 to Rs. 4846.47 crore in 2008-09 as shown in the graph below.

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



5.1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2005 and 31 March 2009 are indicated below in the bar chart. Though the highest investment during 2008-09 was in power sector (42.33 *per cent*), the thrust of PSU investment was mainly in finance sector during the five years which has seen its percentage share rising from 6.74 *per cent* in 2004-05 to 26.58 *per cent* in 2008-09.



(Figures in brackets show the percentage of total investment)

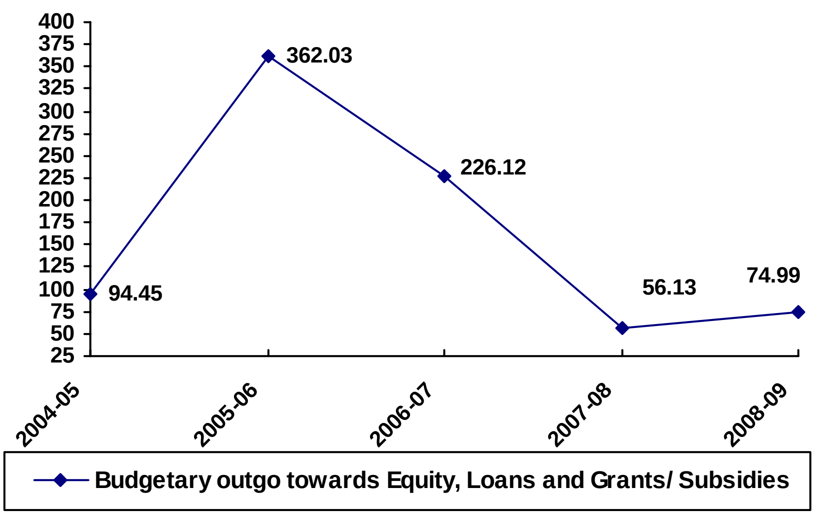
Budgetary outgo, grants/subsidies, guarantees and loans

5.1.10 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Appendix 5.3.** The summarised details are given below for three years ended 2008-09.

(Amount Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	4	2.50	2	1.20	3	7.63
2.	Loans given from budget	9	36.07	9	42.75	9	43.76
3.	Grants/Subsidy received from State Government.	10	187.55	6	12.18	8	23.60
4.	Total Outgo (1+2+3)	12	226.12	10	56.13	12	74.99
5.	Interest/Penal interest written off	--	--	--	--	2	21.79
6.	Total Waiver (6+7)	--	--	--	--	2	21.79
7.	Guarantees issued	2	2369.69	4	240.66	3	7.51
8.	Guarantee Commitment	9	2303.67	6	2429.77	10	2194.72

5.1.11 The details regarding budgetary outgo towards equity, loans and grants/subsidies for past five years are given in a graph below.



The budgetary outgo of the State Government towards equity contribution, loans, grants and subsidy was all time high in preceding five years during 2005-06 at Rs. 362.03 crore. The downward trend of budgetary outgo can be seen after 2005-06, with marginal increase during 2008-09 when the budgetary outgo stood at Rs. 74.99 crore.

5.1.12 At the end of 31 March 2009 guarantees amounting to Rs. 2194.72 crore were outstanding. More than 93 *per cent* of these guarantees outstanding were on the loans raised by Jammu and Kashmir Power Development Corporation Limited from various Financial Institutions. However, the State Government has not charged any guarantee commission or fee from the PSUs during 2008-09.

Reconciliation with Finance Accounts

5.1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2009 is stated below.

(Rs. in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	335.21	335.21	NIL
Loans	672.76	1171.36	498.60
Guarantees	2194.72	2194.72	NIL

5.1.14 Audit observed that the differences occurred are due to misclassification and are under reconciliation. The Government and the PSUs should take concrete steps to reconcile the differences in a time bound manner.

Performance of PSUs

5.1.15 The financial results of PSUs, financial position and working results of working statutory corporations are detailed in **Appendices 5.2, 5.5 and 5.6** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2004-05 to 2008-09.

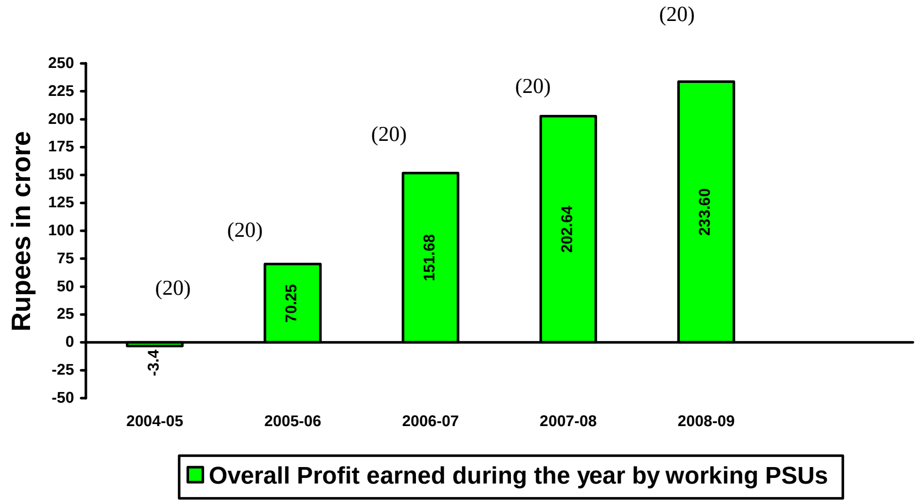
(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover[5]	2130.48	2539.27	2679.33	3595.92	3206.88
State GDP	24265	26537	29030	31793	34805
Percentage of Turnover to State GDP	8.78	9.57	9.23	11.31	9.21

The percentage of turnover to State Gross Domestic Product was 8.78 *per cent* during 2004-05 which increased to 11.31 *per cent* in 2007-08 but marginally decreased to 9.21 *per cent* during 2008-09. This was due to the decrease of turnover of the PSUs in 2008-09.

5.1.16 Profit (losses) earned (incurred) by State working PSUs during 2004-05 to 2008-09 are given below in a bar chart.

[5] Turnover as per the latest finalised accounts as of 30 September 2009.



(Figures in brackets show the number of working PSUs in respective years)

It can be seen from the bar chart that the overall performance of the working PSUs has improved gradually after 2004-05. During the year 2008-09 out of 20 working PSUs, five PSUs earned profit of Rs. 416.99 crore and 13 PSUs incurred loss of Rs. 183.39 crore. One working PSU (Jammu and Kashmir Cable Car Corporation Limited) had not prepared the Profit and Loss Account while one PSU (Jammu & Kashmir State Forest Corporation) had not submitted its accounts since 1996-97 when its audit was entrusted to CAG. The major contributors to profit were Jammu and Kashmir Bank Limited. (Rs. 409.84 crore) and Jammu and Kashmir State Financial Corporation (Rs. 4.64 crore). The heavy losses were incurred by Jammu and Kashmir Power Development Corporation Limited (Rs. 64.65 crore), Jammu and Kashmir State Road Transport Corporation (Rs. 54.67 crore) and Jammu and Kashmir Industries Limited (Rs. 36.23 crore).

5.1.17 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of Rs. 29.63 crore which were controllable with better management. Year wise details from Audit Reports are stated below.

(Rs. in crore)

Particulars	**2006-07**	**2007-08**	**2008-09**	**Total**
Net Profit	151.68	202.64	233.60	587.92
Controllable losses as per CAG's Audit Report	23.95	4.29	1.39	29.63

5.1.18 The above losses pointed out by Audit Reports of CAG are based on test-check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the profits can be enhanced substantially. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

5.1.19 Some other key parameters pertaining to State PSUs are given below.

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed (*Per cent*)	6.21	13.94	7.17	8.85	10.91
Debt	2603.55	2806.26	4023.13	4361.59	4435.99
Turnover[6]	2130.48	2539.27	2679.33	3595.92	3206.88
Debt/Turnover Ratio	1.22:1	1.11:1	1.50:1	1.21:1	1.38:1
Interest Payments	1010.53	1098.72	1977.53	1697.43	2063.75
Accumulated losses (-)	(-) 1056.25	(-) 1172.45	(-) 1230.70	(-) 1285.72	(-) 1338.05

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

It would be seen that debt/turnover ratio deteriorated in 2008-09 as compared to 2004-05. This was due to disproportionate increase in turnover upto 2007-08 with reference to the increase in debts.

5.1.20 The Debt/turnover ratio during 2008-09 is 1.38:1 as compared to 1.22:1 in 2004-05 which is evident that the debts had increased.

5.1.21 The State Government did not intimate whether any dividend policy under which all PSUs were required to pay a minimum return on the paid up share capital contributed by the State Government. As per the latest finalised accounts, five PSUs earned an aggregate profit of Rs. 416.99 crore and only one PSU declared a dividend of Rs. 81.97 crore.

Performance of major PSUs

5.1.22 The investment in working PSUs and their turnover together aggregated to Rs. 8049.95 crore during 2008-09. Out of 20 working PSUs, the following three PSUs accounted for individual investment plus turnover of more than five *per cent* of aggregate investment *plus* turnover.

(Rs. in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage to Aggregate Investment plus Turnover
(1)	**(2)**	**(3)**	**(4)**	**(5)**
Jammu and Kashmir Bank Limited	1045.11	2988.12	4033.23	50.10
Jammu and Kashmir Power Development Corporation	2051.54	50.82	2102.36	26.12
Jammu and Kashmir State Road Transport Corporation	467.37	60.88	528.25	6.56
Total	**3564.02**	**3099.82**	**6663.84**	**82.78**

Some of the major audit findings of past five years for above PSUs are stated in the succeeding paragraphs.

6 Turnover of working PSUs as *per* the latest accounts as of 30 September 2009.

Jammu & Kashmir Bank Ltd.

5.1.23 The profit of the company has risen continuously in past three years from Rs. 196.84 crore in 2005-06 to Rs. 409.84 crore in 2008-09. Similarly, the turnover too has risen from Rs. 1549.23 crore to Rs. 2988.12 crore during this period. However, the return on capital employed has declined from 16.29 *per cent* to 12.58 *per cent*.

5.1.24 Deficiencies in planning

- Inadequate IT planning resulted in infructuous expenditure of Rs. 2.72 crore on purchases of software and hardware, which could not be utilised after adoption of 'Bancs 2000' software (para 8.2 of SAR on IT Systems of JK Bank).
- Physical and Network security was inadequate at the Bank's critical Data Centre which is connected to 154 branches and 173 ATMs (paras 6.2 and 6.4 of SAR on IT systems of JK Bank).

5.1.25 Deficiencies in implementation

- Failure to adopt a discernable procedure in selection of vendors, the Bank could not be benefited by competitive purchases resulting in an excess payment of Rs. 2.46 crore on purchases of servers, desktops and UPS (paras 9.1 and 9.5 of SAR on IT Systems of JK Bank).
- More than 154 Core Banking Solution branches are being run without any Disaster Recovery Plan or site since 2003 thereby exposing the system to the risk of disruption of its operations in the event of any disaster (para 6.8 of SAR on IT systems of JK Bank).

5.1.26 Deficiencies in monitoring

- Accepting inflated valuation of the property at the time of grant of loan to a Delhi based private firm, resulted into loss of Rs. 1.89 crore (para 7.4 of AR 2006).
- Failure of the Bank to assess loanee's ability to compete in the market and conduct proper evaluation of its assets, led to a loss of Rs. 1.25 crore to the Bank (para 7.3 of AR 2007).
- 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 (para 7.3 of AR 2008).
- Lack of proper evaluation for setting up ATMs led to an unfruitful expenditure of Rs. 3.32 crore on installations and upkeep of nonviable ATMs (para 9.10 of SAR on IT Systems of JK Bank).

5.1.27 Deficiencies in financial management

- Bank incurred an avoidable expenditure of Rs. 65.04 lakh on account of liasoning charges paid to a private firm for providing mediatory services pertaining to BSNL/MTNL lines (para 9.8 of SAR on IT Systems of JK Bank).
- Failure to re-tender for purchase of servers and desktops resulted in loss of Rs. 1.73 crore (para 9.1 of SAR on IT Systems of JK Bank).

- Purchase of uninterrupted supply system from highest bidder resulted in extra expenditure of Rs. 72.64 lakh (para 9.5 of SAR on IT Systems of JK Bank).

Jammu and Kashmir Power Development Corporation

5.1.28 The Company has been running into losses continuously and the accumulated loss amounted to Rs. 107.59 crore as on 31st March 2001. The accounts of the company are in arrear since 2001-02.

5.1.29 Deficiencies in financial management

- Purchase of cement without requirement/irregular purchase resulted in loss of Rs. 68.27 lakh (para 7.5 of AR 2006 - J&K PDC).

Jammu and Kashmir State Road Transport Corporation

5.1.30 The Corporation has been running into losses continuously and the accumulated losses were Rs. 598.92 crore as on 31st March 2005. The turnover of the Corporation has increased from Rs. 41.70 crore to Rs. 60.88 crore during 2002-03 to 2004-05. The accounts of the Corporation are in arrear since 2005-06 and onwards.

5.1.31 Deficiencies in financial management

- Non-remittance of General/Contributory Provident Fund collections to the Provident Fund Commissioner by the Corporation resulted in accumulation of liability to Rs. 29.26 crore (para 7.7 of AR 2007).

Conclusion

5.1.32 The above details indicate that the State PSUs are not functioning efficiently and there is a tremendous scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably. The State Government should introduce a performance based system of accountability for PSUs.

Arrears in finalisation of accounts

5.1.33 The accounts of the companies for every 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. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2009.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Number of Working PSUs	20	20	20	20	20
2.	Number of accounts finalised during the year	15	11	12	12	15*
3.	Number of accounts in arrears	194	203	211	219	224
4.	Average arrears *per* PSU (3/1)	9.70	10.15	10.55	10.95	11.20
5.	Number of Working PSUs with arrears in accounts	19	19	19	19	19
6.	Extent of arrears	1 to 19	1 to 18	2 to 19	3 to 19	4 to 19

* Excluding account of one Corporation (Jammu and Kashmir State Road Transport Corporation) for the year 2005-06 which was returned to the Corporation for rectification.

5.1.34 Most of the working PSUs had failed to finalise even one account in each year causing accumulation of the arrears. The main reasons for non-finalisation of the accounts by the PSUs noticed during audit were non-constitution of the Boards, non-holding of regular Board meetings, delay in finalization of accounts by the Statutory Auditors and lack of trained staff.

5.1.35 In addition to above, there were also the arrears in finalisation of accounts by non-working PSUs. Out of three non-working PSUs (all companies), two PSUs had gone into liquidation process. The remaining one non-working PSU had arrear of accounts for 19 years.

5.1.36 The State Government had invested Rs. 810.36 crore (Equity: Rs. 57.23 crore, loans: Rs. 258.53 crore, grants: Rs. 476.49 crore and others: Rs. 18.11 crore) in 15 PSUs during the years for which accounts have not been finalised as detailed in **Appendix 5.4**. In the absence of accounts and their subsequent audit, it can not 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 finalisation 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.

5.1.37 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up with the Chief Secretary/Finance Secretary in April 2009 to expedite the backlog of arrears in accounts in a time bound manner.

5.1.38 In view of above state of arrears, it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**
- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Winding up of non-working PSUs

5.1.39 There were three non-working PSUs (all companies) as on 31 March 2009, of which two PSUs were under liquidation process. The number of non-working companies at the end of each year during past five years are given below.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
No. of non-working Companies	3	3	3	3	3

5.1.40 The Stages of closure in respect on non-working PSUs are given below.

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

5.1.41 During the year 2008-09, no company was finally wound up. The companies which have taken the route of winding up by court order are under liquidation for more than six years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted for closure of non-working companies. The Government may make a decision regarding winding up of one non-working company where no decision about its continuation or otherwise has been taken. The Government may consider setting up a cell to expedite closing down this non-working company.

Accounts Comments and Internal Audit

5.1.42 Twelve working companies forwarded their audited 15 accounts to PAG during the year 2008-09. Of these, six accounts of six companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicated that the quality of maintenance of accounts needed to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount Rs. in crore)

S.No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	0.40	--	--	1	0.03
2.	Increase in loss	3	1.83	5	34.18	1	0.74
3.	Non-disclosure of material facts	7	7.41	3	22.71	3	31.14
4.	Errors of classification	6	13.88	8	271.85	--	--

5.1.43 During the year, the statutory auditors had given unqualified certificates for one account, qualified certificates for nine accounts, and disclaimers (meaning the auditors are unable to form an opinion on accounts) for three accounts. The compliance of companies with the Accounting Standards remained poor as there were 12 instances of non-compliance in 12 accounts during the year.

5.1.44 Some of the important comments in respect of Accounts of Companies are stated below:

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

- Property tax amounting to Rs. 88 lakh, levied by the Property Tax Department is under appeal. The Company has provided only Rs. 14 lakh towards this liability. Consequently the losses were understated to the extent of Rs. 74 lakh.
- The Tourism Department has transferred various assets of the Department to the company (J&K Tourism Development Corporation Ltd.) and valuation of these assets has not been done till date. Although, the Company has been taking into account revenue generated from these units in its final accounts but the assets have not been accounted for in the books. The fact regarding non-inclusion of transferred assets in books and inclusion of revenue of these units should have been disclosed properly.

Jammu and Kashmir Industries Limited (2001-02)

- There was a case of embezzlement of Rs. 50.31 lakh at Silk Weaving Factory Rajbagh Srinagar and for an amount of Rs. 23. 94 lakh the matter is subjudice. However, the company has not made any provisions in the accounts.
- The Company is not regular in depositing Provident Fund dues with the appropriate authorities. The EP Fund liability on 1st January 2008 was Rs. 7.05 crore and this fact was not disclosed in the Accounts.

Jammu and Kashmir State Cable Car Corporation Limited (1995-96)

- The paid-up capital of the Company was Rs. 2352.12 lakh for which shares had not been allotted so far. This fact was not disclosed by way of notes to the Accounts.

5.1.45 One Statutory Corporation (Jammu and Kashmir State Road Transport Corporation) had furnished the accounts for one year (2005-06) during the year 2008-09[7] which were audited. Based on the audit observations, the Corporation was asked (June 2009) to revise the accounts. The revised accounts from the Corporation were, however, awaited (September, 2009).

5.1.46 The details of aggregate money value of comments of CAG on the accounts of the Statutory Corporation are given below:

(Amount Rs. in crore)

S.No	Particulars	2006- 07		2007- 08		2008- 09	
		No. of accounts[8]	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	12.81	--	--	--	--
2.	Increase in loss	--	14.57	--	--	--	--
3.	Non-disclosure of material facts	1	0.87	--	--	--	--
4.	Errors of classification	1	1.00	--	--	--	--

5.1.47 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement . The Statutory Auditors had stated that internal audit system in respect of six companies[9] for the year 2007-08 and the ten[10] companies for the year 2008-09 was either not in place or internal audit reports were not furnished as given below:

Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Appendix-5.2
Absence of internal audit system commensurate with the nature and size of business of the company	12	A-1, 2, 6, 7, 8, 9, 10, 11, 13, 14, 16 and 17.

Status of placement of Separate Audit Reports

5.1.48 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

[7] October 2008 to September 2009.
[8] Accounts pertain to the year 2004-05.
[9] S. No. A-6,8,9,10,16 and 17 of Appendix 5.2.
[10] S. No. A-1,2,6,7,8,10,11,13,14 and 16 of Appendix 5.2.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Jammu and Kashmir State Road Transport Corporation	2004-05	Nil	Nil	Nil
2.	Jammu and Kashmir State Financial Corporation	2003-04	2004-05	4th June 2007	Information awaited

Delay in placement of SARs weakens the legislative control over Statutory Corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the legislature.

Disinvestment, Privatisation and Restructuring of PSUs

5.1.49 The State Government had no plans of disinvestment, privatization or restructuring of any of the PSUs.

Reforms in Power Sector

5.1.50 The State has Jammu and Kashmir State Electricity Regulatory Commission (JKSERC) formed in April 2000, under the Jammu and Kashmir State Electricity Regulatory Commission Act, 2000 with the objective of rationalization of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. During 2008-09, JKSERC issued two orders both of which were on annual revenue requirements and determination of power generation tariff.

5.1.51 Three Memorandums of Understanding (MoU) were signed between the Union Ministry of Power and the State Government till September 2009 as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones as decided in first two MoUs are stated below:

S.No	Milestone	Achievement as at March 2009
1.	SERC to give Tariff order	Tariff orders are being issued from time to time.
2.	65 *per cent* consumers metering in place	48.95 *per cent* consumers metered upto March 2009
3.	Formation of District Distribution centers with responsibility of energy flow accounting	100 *per cent* upto March 2009
4.	Specific proposal for reduction of Establishment and O&M cost by Rs. 15.00 crore	100 *per cent* upto March 2009
5.	Filing of ARR for the year 2008-09 before SERC	100 *per cent* upto March 2009
6.	Capacitor bank to be added at sub-stations/ feeders that feed energy to 65 *per cent* of consumers	59.36 *per cent* capacitor bank had been added at sub-station/feeders.
7.	Total cash collected from large consumers should be at least 70 *per cent* of the amount billed	75 *per cent* cash was collected from large consumers upto March 2009

Discussion of Audit Reports by COPU

5.1.52 The status as on 30 September 2009 of reviews and paragraphs that appeared in Commercial Chapter of Audit Reports (Civil) and discussed by the Committee on Public Undertakings (COPU) is as under.

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2005-06	2	2	2*	2*
2006-07	1	4	Nil	Nil
2007-08	1	3	Nil	Nil
Total	**4**	**9**	**2***	**2***

* Partly discussed.

5.1.53 The matter relating to clearance of backlog of discussion of reviews/paragraphs was taken up by PAG, J&K with Chief Secretary of the State, Speaker of the State Assembly and Chairperson of COPU in July 2009.

Section - II

Part-A Performance Review

Transport Department

5.2 Jammu and Kashmir State Road Transport Corporation

Executive Summary

The Jammu and Kashmir State Road Transport Corporation (Corporation) provides public transport in the Jammu and Kashmir State through its 14 depots. The Corporation had fleet strength of 677 buses as on 31 March 2009 and carried an average of 0.11 lakh passengers per day during 2008-09. Besides buses, the Corporation also has trucks for cargo operations. As on 31 March 2009, the Corporation had 436 trucks. The performance audit of the Corporation for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its bus operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and Performance

The Corporation does not maintain separate records for bus and truck operations. It suffered a loss of Rs. 33.00 crore in 2007-08 from the operation of buses and trucks. Its accumulated loss and borrowings stood at Rs. 465.50 crore and 354.32 crore as at 31 March 2008, respectively. The Corporation earned Rs. 19.07 per kilometre and expended Rs. 31.29 per kilometre in 2007-08.

Share in Public Transport

The Corporation failed to keep pace with growing demand for public transport. The percentage share of Corporation for public transport in the State was around three percent. The vehicle density per lakh population (including private operators' buses) decreased from 187 (2004-05) to 186 (2008-09).

Vehicle profile and utilisation

Corporation's buses consisted of own fleet of 677 buses. Of its own fleet, 523 (77 per cent) were overage, i.e., which are more than eight years old. The percentage of overage buses increased from 54 per cent in 2004-05 to 77 per cent in 2008-09 though the Corporation acquired 78 new buses during 2004-09 at a cost of Rs. 10.47 crore. The acquisition was wholly funded through plan funds released by state Government.

Corporation's fleet utilisation at 80 per cent in 2008-09 was below All India Average (AIA) of 92 per cent. Its vehicle productivity at 138 kilometres per day per bus was below the AIA of 313 kilometres. The achievement of the Corporation was also less than its own target of 200 kilometres per bus per day. Its passenger load factor at 77 per cent was above the AIA of 71 per cent though no target had been fixed for load factor. Preventive maintenance schedules were not adhered to by the Corporation.

Economy in operations

Manpower and fuel constitute 73 per cent of total cost. Interest, depreciation and taxes account for 19 per cent and are not controllable in the short term. Thus, the major cost saving has to come from

manpower and fuel. The Corporation does not maintain separate records for manpower utilisation in respect of bus fleet. However, the Corporation succeeded in reducing the manpower per vehicle from 4.3 in 2004-05 to 3.4 in 2008-09. The expenditure on repairs and maintenance was Rs. 1.99 crore (Rs. 0.27 lakh per bus) in 2007-08.

As a result of cancellations due to controllable factors like want of buses, the Corporation was deprived of traffic revenue to an extent of Rs. 103.23 crore.

Revenue Maximisation

The Corporation has 2.65 lakh square meters of land for future development. However, the Corporation does not have any policy for tapping non-traffic revenue sources by taking up large scale PPP projects in the vacant land.

Need for a regulator

The revision of fare is being effected on the basis of fares fixed by the State Transport Authority. However, the revision does not take into consideration the increase in other operational costs of the Corporation. Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address grievances of commuters.

Monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. Targets at depot level were not set by the Management. The Corporation has Management Information System (MIS) in place whereby information on various operational activities is communicated to the Head Office on daily/monthly basis. This, information was neither consolidated on top management level nor any remedial action was taken.

Conclusion and Recommendations

The Corporation is suffering losses mainly due to its high cost of operations and decrease in revenue. The Corporation can control the decline by undertaking timely repairs of vehicles and exercising effective control by top Management. This review contains twelve recommendations to improve the Corporation's performance. Creating a regulator to regulate fares and services and tapping non-conventional sources of revenue by undertaking PPP projects are some of these recommendations.

Introduction

5.2.1 In the State of Jammu and Kashmir, the State Road Transport Corporation (Corporation) is mandated to provide an efficient, adequate, economical and properly co-ordinated road transport. The State also allows private operators to provide public transport. The fare structure is controlled and approved by the Government. This structure is same for both the Corporation as well as private operators.

5.2.2 The Corporation was incorporated on 1 September 1976 under Section 3 of the Road Transport Corporation Act, 1950 as a wholly owned Corporation of the State Government. The Corporation is under the administrative control of the Transport Department of the Jammu and Kashmir State. The Management of the Corporation is vested in a Board of Directors (BOD) comprising the Chairman, the Managing Director and eight Directors, appointed by the Government. The day-to-day operations are carried out by the Managing Director, the Chief Executive, with the assistance of three General

Managers and Depot Managers. The Corporation has two Regional Offices, two Central Workshops and 14 Depots. The bus body building and tyre retreading operations are carried out through external agencies.

5.2.3 The Corporation had a fleet strength of 1,113 (677 buses and 436 trucks) as on 31 March 2009. During 2004-05 to 2008-09, the Corporation buses carried an average of 0.18 lakh passengers per day. The Corporation's share in the passenger transport activity in the State was negligible and was 0.11 *per cent* of the State's population during 2008-09. The turnover of the Corporation was Rs. 51.47 crore in 2007-08, which was equal to 0.16 *per cent* of the State's Gross Domestic Product as on 31 March 2008. The Corporation had 3,817 employees as at 31 March 2009.

5.2.4 A review of the operational performance of the Corporation was included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2000, Government of Jammu and Kashmir. The review was discussed by the Committee on Public Undertakings (COPU) during June 2002 and January 2005. However, recommendations of the COPU on the review are awaited (September 2009).

Scope of Audit and Audit Methodology

5.2.5 The present review conducted during February 2009 to June 2009 covers the performance of the Corporation during the period from 2004-05 to 2008-09. The review mainly deals with the operational efficiency of the bus fleet of the Corporation, financial management, fare policy, fulfillment of social obligations and monitoring by top management of the Corporation. Audit examination involved scrutiny of records of the Corporation at the Head Office, one Central Workshop at Jammu, two Regional Offices and two[11] out of 14 depots. The depots selected for audit catered to a fleet of 448 buses which was 66 *per cent* of the total bus fleet held by the Corporation as on 31 March 2009.

5.2.6 The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft review to the Management for comments.

Audit Objectives

The objectives of the performance audit were to assess:

5.2.7 Operational Performance

- the extent to which the Corporation was able to keep pace with the growing demand for public transport;
- whether the Corporation succeeded in recovering the cost of operations;
- the extent to which the Corporation was running its operations efficiently;
- whether adequate maintenance was undertaken to keep the vehicles roadworthy; and

[11] Manager, Passenger Services, Jammu and Manager, Tourist Services, Srinagar.

- the extent to which economy was ensured in operations.

5.2.8 Financial Management

- whether the Corporation was able to meet its commitments and recover its dues efficiently; and
- the possibility of realigning the business model of the Corporation to tap non-conventional sources of revenue and adopting innovative methods of accessing such funds.

5.2.9 Fare policy and fulfillment of social obligations

- the existence and adequacy of fare policy; and
- whether the Corporation operated adequately on uneconomical routes.

5.2.10 Monitoring by top management and future needs of the Corporation

- whether monitoring by the Corporation's top management was effective.

Audit Criteria

5.2.11 The criteria adopted for assessing the achievement of the audit objectives were:

- all India averages for performance parameters;
- performance standards and operational norms fixed by the Association of State Road Transport Undertakings (ASRTU);
- physical and financial targets/norms fixed by the Management;
- manufacturers' specifications, norms for life of a bus, preventive maintenance schedule, fuel efficiency norms, etc.;
- instructions of the Government of India (GOI) and State Government and other relevant rules and regulations;
- corporate policy for investment of funds; and
- procedures laid down by the Corporation.

Financial Position and Working Results

5.2.12 The Corporation does not maintain separate accounts for buses, which constituted 66 *per cent* of the total fleet strength as on 31 March 2009. In the absence of separate details, the consolidated position (Buses and Trucks) is given here. The Corporation had finalised its accounts up to 2004-05. The financial position of the Corporation for the four years up to 2007-08[12], on the basis of finalised and provisional accounts, is given below:

[12] Provisional accounts of the Corporation for the year 2008-09 were under compilation and hence not included in the table.

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08
A-Liabilities				
Paid up Capital	109.51	111.51	111.51	111.51
Borrowings (loan funds)	304.86	328.28	342.48	354.32
Current Liabilities and Provisions	254.99	33.86	52.99	70.11
Total:	**669.36**	**473.65**	**506.98**	**535.94**
B-Assets				
Gross Block	49.59	55.00	57.21	56.02
Less depreciation	4.36	4.77	5.13	5.17
Net Fixed Assets	45.23	50.23	52.08	50.85
Current Assets, Loans and Advances	25.21	23.86	22.40	19.59
Accumulated losses	598.92	399.56	432.50[13]	465.50
Total:	**669.36**	**473.65**	**506.98**	**535.94**

5.2.13 During 2005-06, the Corporation wrote back Rs. 230.74 crore representing interest payable by the Corporation to the State Government on loans raised by it up to 2002-03. Writing back of interest was in contravention of the directions (March 2002) of the State Government, which envisaged that all amounts released to the Corporation by the State Government as budgetary support would be treated as loan, carrying interest at 15 *per cent*. Thus, against the actual accumulated loss of Rs. 630.30 crore, the Corporation adopted Rs. 399.56 crore as accumulated loss for the year 2005-06, thereby understating the accumulated losses in the subsequent years also.

5.2.14 On the basis of the finalised and provisional accounts, the details of working results[14] like operating revenue and expenditure, total revenue and expenditure, net surplus/loss and earnings together with the cost *per* kilometre of the Corporation for the last four years ending 2007-08 are given below.

(Rs. in crore)

S.No	Description	2004-05	2005-06	2006-07	2007-08
1.	**Total Revenue**	**60.88**	**74.35**	**69.85**	**51.47**
2.	**Operating Revenue[15]**	**60.00**	**72.43**	**67.83**	**49.11**
3.	**Total Expenditure:**	**115.55**	**105.72**	**98.82**	**84.47**
4.	Operating Expenditure[16]	87.45	96.20	90.20	75.89
5.	Operating Profit/Loss	(-) 27.45	(-) 23.77	(-) 22.37	(-) 26.78
6.	**Profit/Loss for the year:**	**(-) 54.67**	**(-) 31.38**	**(-) 28.97**	**(-) 33.00**
7.	Accumulated Profit/Loss	(-) 598.92	(-) 399.56	(-) 432.50	(-) 465.50
8.	Fixed Costs:				
	(i) Personnel Costs	41.99	45.07	42.21	39.10
	(ii) Depreciation	4.36	4.77	5.13	5.17
	(iii) Interest	26.82	9.52	8.62	8.58
	(iv) Other Fixed Costs	--	--	--	--
	Total Fixed Costs:	**73.17**	**59.36**	**55.96**	**52.85**
9.	Variable Costs:				
	(i) Fuel & Lubricants	28.06	34.13	33.42	23.09
	(ii) Tyres & Tubes	2.69	2.19	1.86	2.27

[13] Against Rs. 428.53 crore (Accumulated loss for 2005-06: Rs. 399.56 crore plus loss for the year 2006-07: Rs. 28.97 crore), the Corporation adopted Rs. 432.50 crore. The difference of Rs. 3.97 crore was under reconciliation.

[14] This is consolidated position for buses and trucks. Break-up is not available with the Corporation.

[15] Operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, fare realised from private operators under KM Scheme, etc.

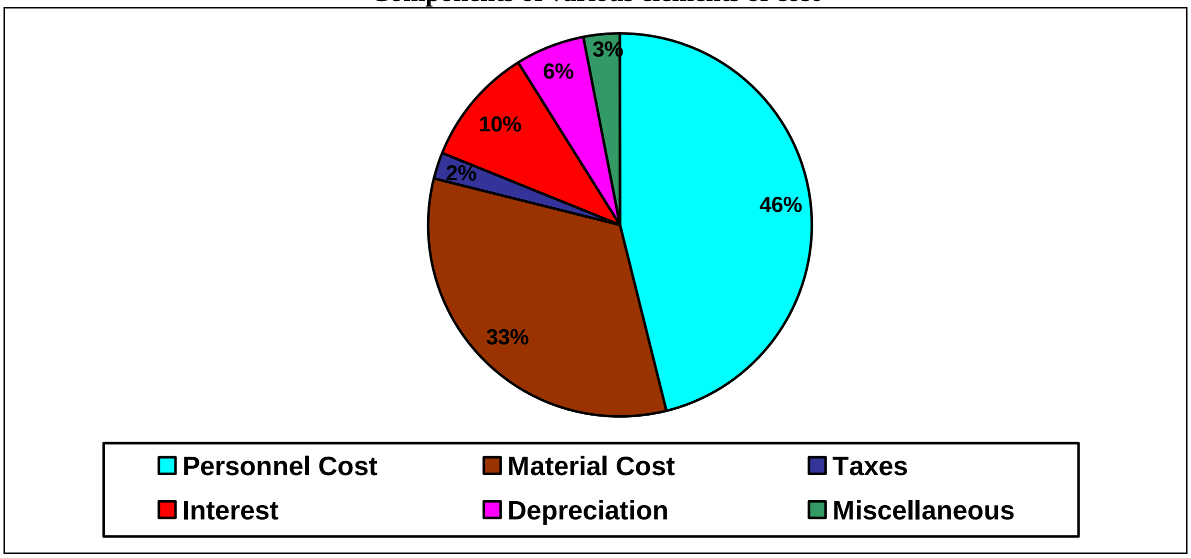
[16] Operating expenditure include expenses relating to traffic, repair and maintenance, electricity, welfare and remuneration, licences and taxes and general administration expenses.

S.No	Description	2004-05	2005-06	2006-07	2007-08
	(iii) Other Items/spares	5.06	1.37	3.83	2.82
	(iv) Taxes (MV Tax, Passenger Tax, etc.)	2.55	2.68	2.17	2.03
	(v) Other Variable Costs	4.02	5.99	1.58	1.41
	Total Variable Costs:	**42.38**	**46.36**	**42.86**	**31.62**
10.	Effective kilometers operated (in lakh)	397.92	449.27	382.05	269.95
11.	Earnings *per* kilometer (Rs.) (1/10)	15.30	16.55	18.28	19.07
12.	Fixed cost *per* kilometer (Rs.) (8/10)	18.71	13.21	14.65	19.58
13.	Variable cost *per* kilometer (Rs.) (9/10)	10.33	10.32	11.22	11.71
14.	Cost *per* kilometer (Rs.) (3/10)	29.04	23.53	25.87	31.29
15.	Net Earnings *per* kilometer (Rs.) (11-14)	(-) 13.74	(-) 6.98	(-) 7.59	(-) 12.22
16.	Traffic Revenue[17]	60.00	72.43	67.83	49.11
17.	Traffic revenue *per* KM (Rs.) (16/10)	15.08	16.12	17.75	18.19

Elements of Cost

5.2.15 Personnel costs and material costs constitute major elements of costs. The percentage break-up of costs for 2007-08 is given below in the pie-chart.

Components of various elements of cost

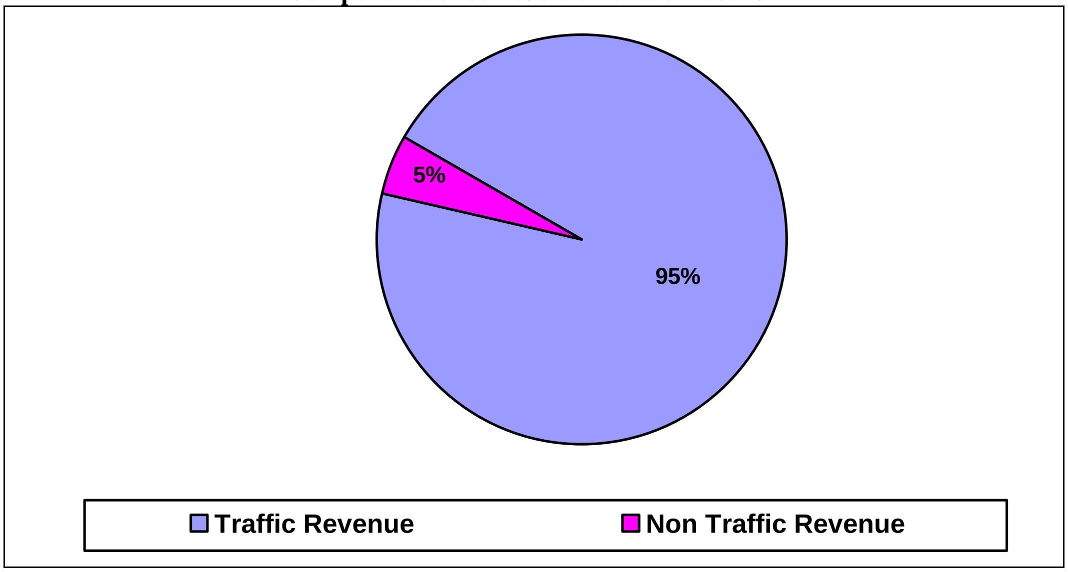


Elements of revenue

5.2.16 Traffic revenue and non-traffic revenue constitute the major elements of revenue. The percentage break-up of revenue for 2007-08 is given below in the pie-chart.

[17] Traffic revenue represents sale of tickets, advance booking, reservation charges and contract services earnings.

Components of various elements of revenue



Audit Findings

5.2.17 The Audit objectives were explained to the Corporation during an 'entry conference' held on 20 February 2009. Subsequently, audit findings were reported to the Corporation and the Government in August 2009. Exit conference could not be held (October 2009) due to continuous strike in the Corporation since around two months. The audit findings are discussed below.

Operational Performance

5.2.18 The operational performance of the Corporation, based on the finalised and provisional accounts[18], for the five years ending 2008-09 is given in the **Appendix-5.7.** The operational performance of the Corporation was evaluated on various operational parameters as discussed below. It was also done to assess whether the Corporation was able to maintain pace with the growing demand of public transport. Audit findings in this regard are discussed in the subsequent paragraphs. These audit findings show that the losses were controllable and there is scope for improvement in performance.

Share of Corporation in public transport

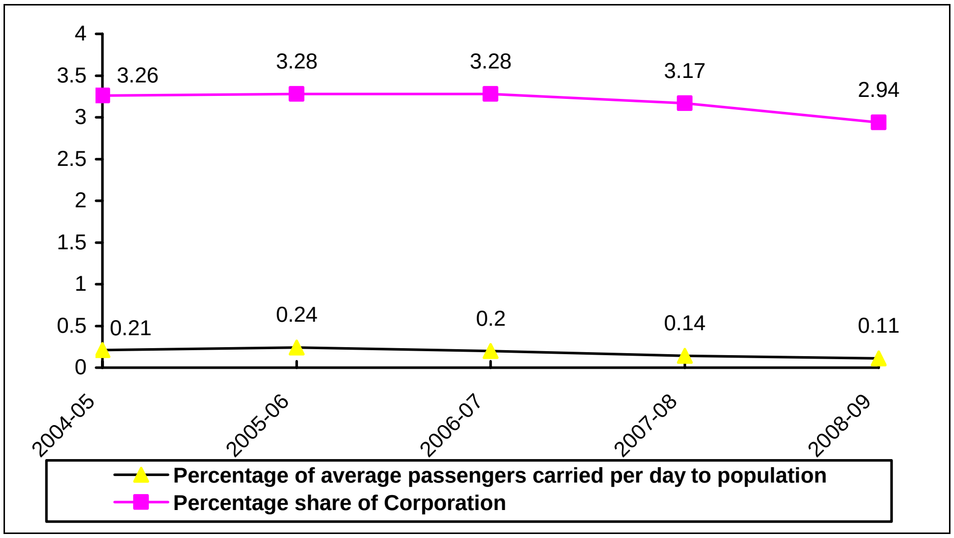
5.2.19 The State Government does not have any definite policy for promoting road transport services. The services to the general masses for meeting their transportation needs in a safe, reliable and cost effective manner has been the mission of the Corporation, without a profit-earning motive.

5.2.20 Line-graphs depicting the share of Corporation buses in the bus passenger traffic[19] of the State and its share in public transport percentage of average passengers carried per day to the population of the State, during the five years ending 2008-09, are given below:

---

18 Provisional accounts for 2008-09 have not been prepared by the Corporation (September 2009).

19 Worked out by Audit on the basis of buses held by the Corporation vis-à-vis private operators.



5.2.21 The table below depicts the growth of public transport in the State.

S.No.	Particular	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Corporation's buses	676	702	730	732	677
2.	Private stage carriages (3-1)	20,055	20,695	21,469	22,330	22,385
3.	Total buses for public transport[20]	20,731	21,397	22,199	23,062	23,062
4.	Percentage share of Corporation	3.26	3.28	3.28	3.17	2.94
5.	Percentage share of private operators	96.74	96.72	96.72	96.83	97.06
6.	Estimated population (crore)	1.11	1.14	1.17	1.20	1.24
7.	Vehicle density per one lakh population	187	188	190	192	186

5.2.22 As can be seen from the above graph, the Corporation has not been able to keep pace with the growing demand for public transport. The percentage share of Corporation in public transport in the State was nominal and marginally above three *per cent* during the above period except in 2008-09, when it declined to 2.94 *per cent*. This was mainly due to adverse security situation in the State, growth of transport in private sector, inconsistent replacement of overage fleet and non-augmentation of the fleet. The effective per capita kilometre operated by the Corporation per year also declined as shown in the table below, which depicted the decline in service by the Corporation since 2005-06.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Effective KM operated (in lakh)	299.85	343.69	302.38	207.15	165.02
Estimated Population (in crore)	1.11	1.14	1.17	1.20	1.24
Per capita KM *per* year	2.70	3.01	2.58	1.73	1.33

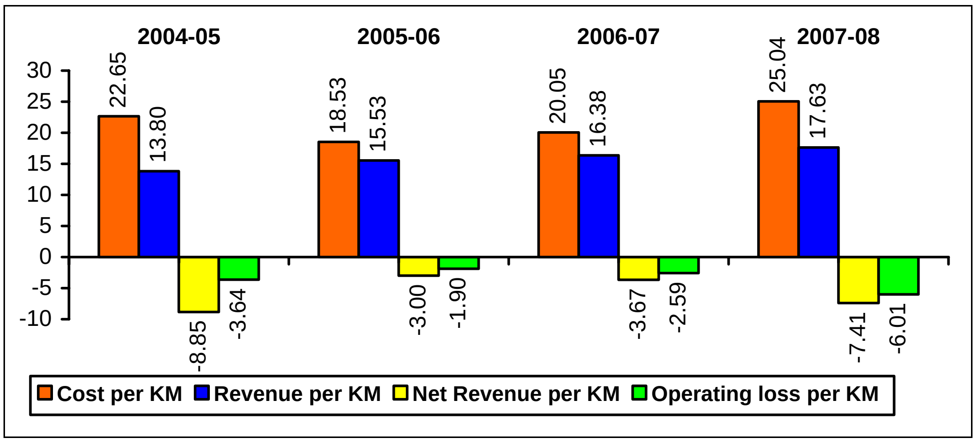
5.2.23 The effective kilometre operated considerably reduced during the period under review due to increase in overage fleet leading to buses being off-road.

20 In the absence of data for private stage carriages for 2008-09, figures of 2007-08 have been adopted for the purpose of comparison.

5.2.24 Public transport has definite benefits over personalised transport in terms of costs, congestion on roads and environmental impact. Public transport services have to be adequate to derive those benefits. In the instant case, the Corporation was not able to maintain its share in transport mainly due to operational inefficiencies as detailed later.

Recovery of cost of operations

5.2.25 The cost per kilometre, revenue per kilometre[21], net revenue per kilometre and operating loss per kilometre of buses for the four years ended 2007-08 are depicted in the graph[22] below:



5.2.26 The above graph indicates the deteriorating performance of the Corporation over the period. The operating loss too has increased from 2005-06 onwards. The Corporation was not able to achieve the All India Averages (AIA) for cost per KM (Rs. 19.94) during the above period except 2005-06. The operating revenue of the Corporation remained far below than AIA (Rs. 18.22) during the period under review. The deteriorating performance has been impacting the ability of the Corporation to provide public transport services adequately due to non-replacement of its fleet on time and augmentation of its existing fleet to meet the growing demand.

Orissa, Uttar Pradesh and Karnataka registered best net earnings *per* KM at Rs. 0.49, Rs. 0.47 and Rs. 0.34, respectively during 2006-07. (Source: STUs profile and performance 2006-07 by CIRT, Pune).

---

21 This does not tally with traffic revenue per KM shown in table under Paragraph 5.2.14 due to exclusion of traffic revenue from operation of trucks.

22 Cost per KM represents total expenditure divided by effective KM operated.
Revenue per KM is arrived at by dividing total revenue with effective KM operated.
Net Revenue per KM is revenue per KM reduced by cost per KM.
Operating loss per KM would be operating expenditure per KM reduced by operating income per KM.

Efficiency and Economy in operations

Fleet strength and utilization

Fleet Strength with its age profile

5.2.27 The Corporation has its own fleet of buses. The Corporation did not hire buses from contractors. The table below explains the position of the Corporation's own fleet.

5.2.28 The Association of State Road Transport Undertakings (ASRTU) had prescribed (September 1997) the desirable age of a bus as eight years or five lakh kilometres, whichever was earlier. The table below shows the age-profile of the buses held by the Corporation for the period of five years ending 2008-09.

S.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total number of buses at the beginning of the year	695	676	702	730	732
2.	Additions during the year	22	26	28	2	-
3.	Buses scrapped during the year	41	-	-	-	55
4.	Buses held at the end of the year (1+2-3)	676	702	730	732	677
5.	Of (4), number of buses more than 8 years old	362	390	418	528	523
6.	Percentage of overage buses to total number of buses	54	56	57	72	77

The Corporation had 77 *per cent* of overage buses as on 31 March 2009

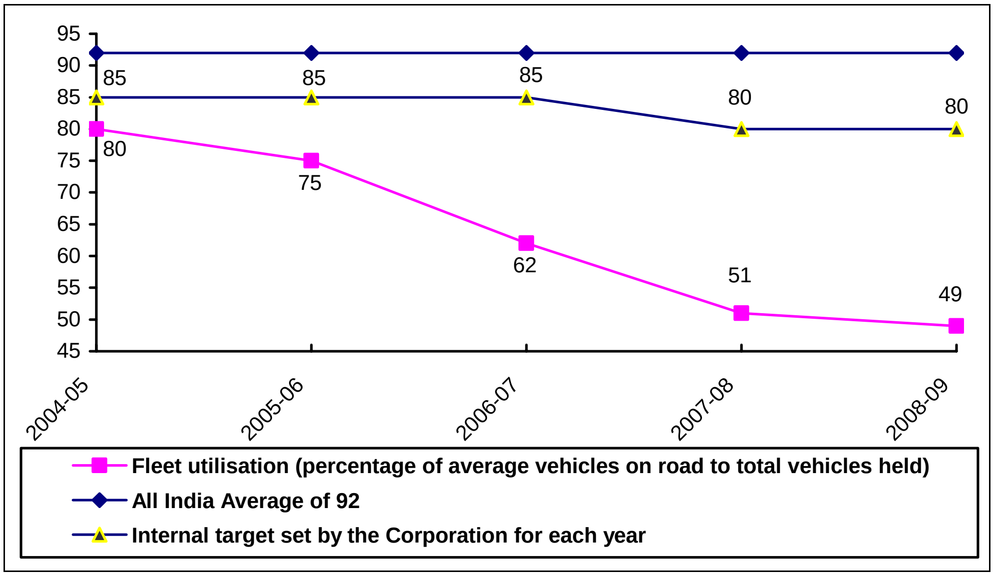
5.2.29 It can be seen from the above table that the Corporation was not able to achieve the norm of right age buses. During 2004-09, the Corporation added 78 new buses at a cost of Rs. 10.47 crore. The expenditure was met out of plan funds released by the State Government (Share Capital Rs. 3.00 crore and Grant-in-aid 7.47 crore). To achieve the norm of right age buses, the Corporation was required to buy 523 new buses additionally, which would have cost it Rs. 78.45 crore approximately (calculated at Rs. 15 lakh *per* bus at 2008-09 rate). However, the Corporation did not generate adequate resources through its operations to finance the replacement of buses. It suffered loss of Rs. 128.60 crore before charging of depreciation during 2004-08 due to which the Corporation could not generate adequate internal resources for further addition of buses. Thus, the Corporation's ability to survive and grow depends on its efforts to remove operational inefficiencies, cut costs and tap non-conventional revenue sources so that it can fund its capital expenditure and be efficient and self-reliant.

5.2.30 An overage fleet requires high maintenance and results in extra cost and reduced availability of vehicles compared to an underage fleet, other things being equal. This only goes on to increase operational inefficiency and causes losses which, in turn, affects the ability of the Corporation to replace its fleet on a timely basis.

Fleet utilisation

5.2.31 Fleet utilisation represents the ratio of buses on road to those held by the Corporation. The Corporation had set targets of fleet utilisation between 80 and 85 *per cent* during the period from 2004-05 to 2008-09. Audit, however, observed that the percentage of fleet utilisation of the Corporation declined from 80 in 2004-05 to 49 in

2008-09. This was significantly lower than the AIA[23] of 92 *per cent* as well as internal targets fixed by the Corporation, as indicated in the graph given below:



5.2.32 The main reasons contributing to low fleet utilisation, as analysed in Audit on the basis of test-check of records, were as follows.

- Inability of the Corporation to replace its overage bus fleet. (Paragraph: 5.2.27).
- Detention of buses for want of spares. (Paragraph: 5.2.48)
- Loss of days for want of renewal of fitness certificate. (Paragraph: 5.2.49)

5.2.33 The Corporation was, thus, not able to achieve optimum utilization of its fleet strength, which in turn impacted its operational performance adversely.

5.2.34 The Management while accepting the audit contention stated (May 2009) that the schedule for up-keep/maintenance of vehicles as indicated in the Revival Plan of the Corporation would be adhered to in future.

Vehicle productivity

5.2.35 Vehicle productivity refers to the average Kilometres run by each bus per day in a year. The vehicle productivity of the Corporation vis-à-vis its overage bus fleet for the five years ended 2008-09 is shown in the table below.

S.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Vehicle productivity[24]	154	181	185	155	138
2.	Overage fleet (percentage)	54	56	57	72	77

23 All India Average is for the year 2006-07, which has been used for comparison for the period under review.

24 Vehicle productivity has been calculated on the basis of average number of buses on road and taking 360 days in the year.

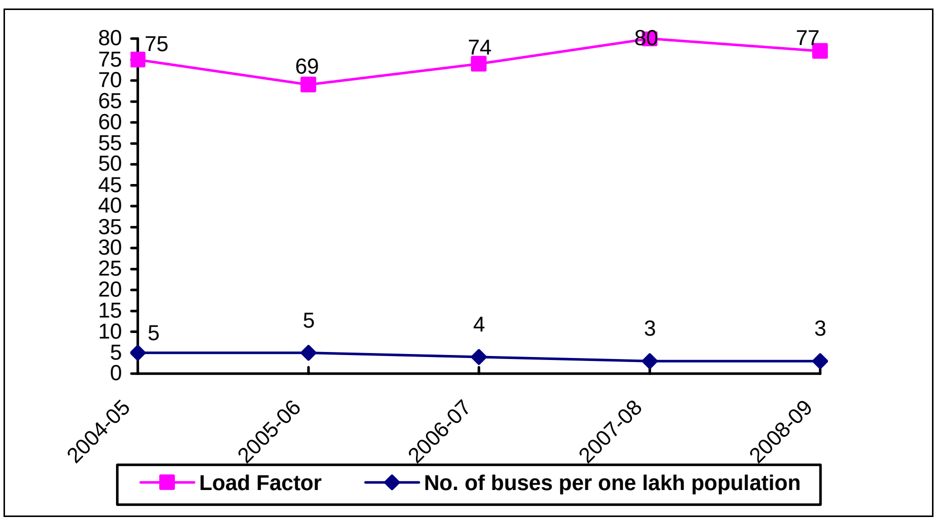
5.2.36 As can be seen from the table above, the vehicle productivity of the Corporation varied between 138 and 185 kms during 2004-09, which was inordinately low as compared to the AIA of 313 kms per day. The Corporation failed even to achieve the target of 200 kms per day per bus fixed by it. Reasons for low vehicle productivity were attributed (April 2009) by the Management to induction of private transport in the State, frequent breakdown of overage buses and law and order situation/strike by the Corporation employees during 2008-09, etc. The contention does not sound convincing as the Management had failed to explore possibility of plying its vehicles on routes not covered by private transporters. Moreover, Management did not take adequate measures to replace overage buses.

Tamil Nadu (Villupuram), Tamil Nadu (Salem) and Tamil Nadu (Kumba-konam) registered best vehicle productivity at 474, 469 and 462.8 KMs per day respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT, Pune)

Capacity utilisation

Load Factor

5.2.37 Capacity utilisation of a transport undertaking is measured in terms of Load Factor, which represents the percentage of passengers carried to seating capacity. The schedules to be operated are to be decided after proper study of routes and periodical reviews are necessary to improve the Load Factor. The Load Factor of the Corporation varied between 69 and 80 *per cent* between 2004-05 and 2008-09 and was higher than the AIA (63 *per cent*). A graph depicting the Load Factor vis-à-vis number of buses on road per one lakh population is given below.



5.2.38 The table below provides the details for break-even load factor (BELF) for traffic revenue. Audit worked out this BELF at the given level of total cost and traffic revenue *per* KM.

S.No.	Particulars	2004-05	2005-06	2006-07	2007-08
1.	Cost *per* KM[25]	22.65	18.53	20.05	25.04
2.	Traffic revenue *per* KM(Rs)	13.80	15.53	16.38	17.63
3.	Earning per KM at 100 percent Load Factor	18.40	22.50	22.13	22.03
4.	Break–even Load Factor considering only traffic revenue	123.1	82.36	90.60	113.66

5.2.39 The break-even load factor is quite high and is not likely to be achieved given the present load factor and the fact that the Corporation is also required to operate uneconomical routes. Thus, while the scope for improving upon the load factor remains limited, there is tremendous scope for cutting down costs of operations as explained later.

Route Planning

5.2.40 Some routes are profitable while others are not. The Corporation had not done separate route costing to identify profitable/unprofitable routes. Some of the routes which appear unprofitable may become profitable once the Corporation improves its efficiency. Given the scenario of mixed routes and obligation to serve uneconomical routes, an organisation should decide optimum quantum of services on different routes so as to optimise its revenue while serving the cause. However, no such exercise was carried out by the Corporation

Cancellation of Scheduled Kilometres

5.2.41 A review of the operations indicated that the scheduled kilometres were not fully operated mainly due to non-availability of adequate number of buses and persistent detention due to breakdowns.

5.2.42 The details of scheduled, effective and cancelled kilometres, calculated as the difference between the scheduled and effective kilometres are furnished in the table below.

(In lakh KMs)

S.No.	Particulars	2004-05	2005-06	2006-07	2007-08
1.	Scheduled kilometres	406.65	432.12	434.54	508.42
2.	Effective kilometres	299.85	343.69	302.38	207.15
3.	Kilometres cancelled	106.80	88.43	132.16	301.27
4.	Percentage of cancellation	26	20	30	59
Cause-wise analysis:					
5.	Want of buses[26]	106.80	88.43	132.16	301.27
6.	Traffic revenue per KM (in Rupees)	13.80	15.53	16.38	17.63
7.	Avoidable cancellation (for want of buses)	106.80	88.43	132.16	301.27
8.	Loss of Traffic Revenue (6x7) (Rs. in crore)	14.74	13.73	21.65	53.11

[25] This does not tally with cost per KM shown in table under Paragraph 5.2.14 due to calculation of the same by Audit on proportionate basis of fleet strength i.e. number of buses and trucks.

[26] Inadequate fleet for operation has been communicated by the Management as the main reason for cancellation.

5.2.43 It can be seen from the above table that the percentage of cancellation of scheduled kilometres varied between 20 and 59 during the above period and remained on the very high side compared to the best performers. Due to cancellation of scheduled kilometres for want of buses, the Corporation was deprived of traffic revenue of Rs. 103.23 crore during the above period.

Due to cancellation of scheduled kilometres, the Corporation was deprived of traffic revenue of Rs. 103.23 crore

Tamil Nadu (Salem), State Express Transport Corporation (Tamil Nadu) and Tamil Nadu (Villupuram) registered least cancellation of scheduled KMs at 0.45, 0.67 and 0.78 per cent respectively during 2006-07. (Source: STUs profile and performance 2006-07 by CIRT, Pune)

5.2.44 It was seen in Audit that the cancellation of scheduled kilometres was due to increase in percentage of overaged fleet and detention of buses for long periods for repairs, maintenance, frequent *bandhs*, curfew and decline in tourist overflow over the years. The Corporation had failed to take effective measures to avoid these factors.

Maintenance of vehicles

Preventive Maintenance

5.2.45 Preventive maintenance is essential to keep the buses in good running condition and to reduce breakdowns/other mechanical failures. The Corporation had TATA and Leyland make buses, for which the preventive maintenance schedule had been prescribed by the Original Equipment Manufacturers (OEMs).

5.2.46 The Management intimated (June 2009) that except for brake inspections, other preventive maintenance schedules were not adhered to by the Corporation. Thus it can be concluded that maintenance of buses to keep them in good condition and reducing breakdowns/mechanical failures was not ensured by the Corporation.

Repairs & Maintenance

5.2.47 A summarised position of fleet holding, over-age buses and Repairs and Maintenance (R&M) expenditure for the last four years up to 2007-08 is given below.

S.No.	Particulars	2004-05	2005-06	2006-07	2007-08
1.	Total buses (at the end of the year)	676	702	730	732
2.	Overage buses (more than 8 years old)	362	390	418	528
3.	Percentage of overage buses	54	56	57	72
4.	Average number of buses off-road during the year	136	176	277	360
5.	R&M expenses (Rs. in crore)	4.00	3.86	2.64	1.99
6.	R&M expenses per bus (in Rs.) (5/1)	59172	54986	36164	27186

5.2.48 There was decrease in the R&M expenses during the period 2004-2008 primarily due to increase in the number of buses remaining off-road during this period. Audit observed that most of the buses remained off-road for want of spares, as the Corporation had not maintained adequate inventory of spares.

Docking of vehicles for fitness certificates

5.2.49 The buses are required to be repaired and made fit before sending them to Regional Transport Office (RTO) for renewal of fitness certificate under Section 62 of

Due to loss of 752 bus days for want of fitness certificate, the Corporation suffered revenue loss of Rs. 17.38 lakh

the Central Motor Vehicle Rules 1989. As the date of expiry of the old fitness certificate is known in advance, Management should plan accordingly to get the buses repaired in time so that bus days are not lost due to delay in renewal of these certificates. Audit observed that that the Corporation had no effective system in place to keep a watch on buses falling due for repairs as well as to monitor timely repairs of buses so as to obtain fitness certificates in time. Test-check of the records in selected Depots showed that seven buses were held up for periods ranging from 5 to 540 days (during the five year-period ending 2008-09) for want of minor repairs (body repairs, light and battery change, painting and seat repair etc.) with consequential delay in issue of Motor Vehicle Inspection Report/ certificate by the RTO. As a result there was an aggregate loss of 752 bus days leading to loss of revenue of Rs. 17.38 lakh.

Manpower cost

5.2.50 The cost structure of the Corporation shows that manpower and fuel constitute 73 *per cent* of total cost during 2007-08. Interest, depreciation and taxes-costs, which are not controllable in the short-term–account for 19 *per cent* during the same period. Thus, major cost saving can come only from manpower and fuel.

Gujarat, Tamil Nadu (Villupuram) and Tamil Nadu (Salem) registered best performance at Rs. 6.10, Rs. 6.13 and Rs. 6.21 cost per effective KMs respectively during 2006-07.
(Source: STUs profile and performance 2006-07 by CIRT, Pune).

5.2.51 Manpower is an important element of cost which constituted 46.3 *per cent* of total expenditure of the Corporation in 2007-08. Therefore, it is imperative that this cost is kept under control and the manpower is utilised optimally to achieve high productivity. The Corporation does not maintain separate records of manpower associated exclusively with the bus fleet. The table below provides the details of manpower (associated with the bus and truck fleet collectively), its cost and productivity during the five years ended 2008-09:

S.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total manpower (in number)	4979	4844	4626	4334	3817
2.	Manpower cost (rupees in crore)	41.99	45.07	42.21	39.10	Awaited
3.	Effective Kms (in lakh)	397.92	449.27	382.05	269.95	217.52
4.	Cost per effective km (in rupees)	10.55	10.03	11.05	14.48	-
5.	Productivity per day per person (in kms)	22.20	25.76	22.94	17.30	15.83
6.	Total number of vehicles (buses and trucks)	1150	1164	1190	1192	1113
7.	Manpower per vehicle	4.3	4.2	3.9	3.6	3.4

Gujarat, Tamil Nadu (Villupuram) and Tamil Nadu (Salem) registered best performance at Rs. 6.10, Rs. 6.13 and Rs. 6.21 cost per effective KMs respectively during 2006-07.
(Source : STUs profile and performance 2006-07 by CIRT, Pune)

5.2.52 The vehicle staff ratio of the Corporation showed a declining trend and reduced from 4.3 to 3.4 during the review period. However, manpower costs increased from Rs. 10.55 per effective km in 2004-05 to Rs. 14.48 during 2007-08 and manpower productivity also declined from 25.76 KM (2005-06) to 15.83 KM (2008-09) due to decline in effective KMs run during the above period. The

Management had failed to take effective measures to improve the manpower productivity.

Fuel Cost

5.2.53 Fuel is a major cost element and control of fuel costs by a road transport undertaking has a direct bearing on its productivity. Fuel cost of the Corporation constituted 27 *per cent* of total expenditure in 2007-08. The Corporation does not maintain separate records for fuel consumption for buses and trucks separately. During the period under review the Corporation consumed 394.77 lakh litres of high speed diesel at a total expenditure of Rs. 115.79 crore and obtained an average KMPL of 3.80, 3.93, 3.79 and 3.93 during 2004-05 to 2007-08 respectively. In the absence of availability of data for fuel consumption by the bus fleet, Audit could not analyse mileage obtained per litre of fuel for buses and compare the same with AIA, which stood at 4.94 KMPL during 2005-06. The Management may consider maintaining separate records of fuel consumption for buses to exercise effective control over fuel expenditure.

5.2.54 Test-check in Audit of Petrol, Oil and Lubricants (POL) statements for two months of each year under review in respect of two selected depots, showed that the Corporation had no mechanism in place to monitor vehicle-wise or driver-wise data in respect of consumption of fuel so as to exercise effective management control, though the Corporation's internal manual prescribes ideal driving speed/norms for drivers to enhance fuel economy.

Body building

5.2.55 The Corporation purchased 78 buses during 2004-05 and 2005-06[27] and got them fabricated through outsourcing. There were delays of 3,724 days in fabrication of these buses as shown in the table below:

S.No.	Particulars	2004-05	2005-06	Total
1.	Number of buses fabricated	28	50	**78**
2.	Total delay in days	593	3,131	**3,724**
3.	Average delay *per* vehicle (in days) (2/1)	21.18	62.62	**-**
4.	Average kilometres covered *per* bus *per* day	154	181	**-**
5.	Average kilometres lost due to delay (2X4) (in lakhs)	0.91	5.67	**6.58**
6.	Traffic revenue *per* kilometre (in rupees)	13.80	15.53	**-**
7.	Revenue lost due to delay in fabrication (Rs. in lakh) (5x6)	12.60	88.01	**100.61**

The Corporation incurred loss of traffic revenue of Rs. 1.01 crore due to delay in fabrication of buses

5.2.56 From the above table, it can be seen that the Corporation had lost 6.58 lakh kilometres of operation during 2004-05 and 2005-06 which consequently resulted in loss of traffic revenue of Rs. 1.01 crore. This was due to failure of the Corporation to lift the fabricated bodies in time from the fabricator. The Corporation attributed (May 2009) the reasons for delay in lifting the vehicles from the fabricators to paucity of funds.

Financial Management

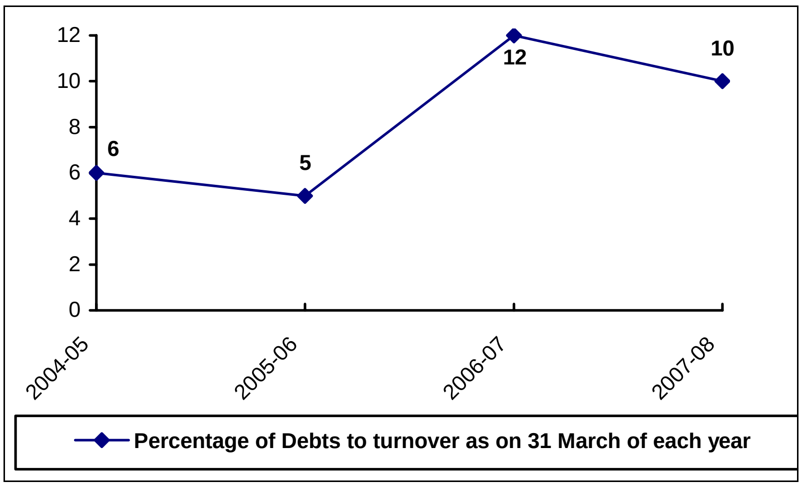
5.2.57 Raising of funds for capital expenditure, i.e., for replacement/ addition of buses happens to be the major challenge in financial management of Corporation's affairs. This

[27] No bus was purchased after 2005-06.

issue has been covered in Paragraphs 7.2.29. The section below deals with the Corporation's efficiency in raising claims and their recovery. This section also analyses whether an opportunity exists to realign the business model to generate more resources without compromising on service delivery.

Claims and dues

5.2.58 The Corporation provides buses on hire to Government departments/Army. Audit scrutiny of debt position of the Corporation during the period of review showed that an amount of Rs. 4.92 crore was outstanding against Government Departments/Army as on March 2008. An analysis of the debts outstanding as a percentage of turnovers for the four years ending March 2008 is depicted in the graph below.



5.2.59 From the above it can be seen that percentage of outstanding dues to the turnover of the Corporation varied from 5 to 12 since 2004-05. Further, the Corporation had not obtained confirmation of the balances outstanding with the parties nor had it carried out age-wise analysis of the debts to monitor debts turning into doubtful or bad.

Realignment of business model

5.2.60 The Corporation is mandated to provide an efficient, adequate and economical road transport to public. Therefore, the Corporation cannot take an absolutely commercial stand in running its operations. It has to cater to uneconomical routes also to fulfill its mandate, while keeping the fares affordable. In such a situation, it is imperative for the Corporation to tap non-traffic revenue sources to cross-subsidize its operations. However, the share of non-traffic revenues (other than interest on investments) was nominal (Rs. 7.17 crore) at 2.79 *per cent* of the total revenue of Rs. 256.55 crore during 2004-08. The non-traffic revenue came mainly from commission from hired vehicles, fines and rentals from shops and buildings. The Corporation had not formulated any plans to diversify its activities to tap revenue from alternate sources to absorb losses.

5.2.61 Over a period of time, the Corporation acquired sites at various locations in cities, district and tehsil headquarters. Audit observed that the Corporation owns land measuring 2.65 lakh square metres at various locations as shown below.

Particulars	Cities (Municipal areas)	District headquarters	Tehsil headquarters	Total
Number of sites	9	7	5	**21**
Occupied Land (square metres in lakh)	1.09	0.37	1.19	**2.65**

5.2.62 It is, thus, possible for the Corporation to undertake projects on Public Private Partnership (PPP) basis for construction of shopping complexes, malls, hotels, offices, etc. at the above sites, so as to bring in a steady stream of revenues without any investment by it. Such projects can be executed without curtailing the existing area of operations of the Corporation. Such projects can yield substantial revenue for the Corporation which can increase year after year.

The Corporation did not had any policy for tapping non-traffic revenue sources

5.2.63 Audit observed that the Corporation has not studied this aspect to assess the likely benefits from such activities nor has it framed any policy in this regard. Since substantial non-traffic revenue will help the Corporation cross-subsidize its operations and fulfil its mandate effectively, it needs to study realigning its business model and frame a policy in this regard.

Fare policy and fulfillment of social obligations

Existence and fairness of fare policy

5.2.64 The Corporation had not formulated any fare policy. Fares fixed by the State Transport Authority are applied by the Corporation. Therefore, the normative costs of the Corporation find no place in the fixation of fares. There is, thus, risk of commuters paying for inefficiency of the Corporation. However, the Corporation does not maintain separate records for manpower and fuel expenditure in respect of buses as already mentioned in paragraph 7.2.51 and 7.2.53 respectively. In the absence of the same, Audit could not work out the normative cost for the Corporation though the loss of revenue due to less vehicle productivity per KM which stood at Rs. 7.01, 6.54, 6.70 and 9.00 during 2004-05 to 2007-08 respectively.

5.2.65 The above fact indicates that it is necessary to regulate the fares on the basis of a normative cost and it would be desirable to have an independent fare policy of the Corporation to fix the fares, specify operations on uneconomical routes and address the needs and problems of commuters.

Adequacy of services on uneconomical routes

5.2.66 As mentioned at paragraph 7.2.40 above, the Corporation had not done route costing. It had also not formulated norms for providing services on uneconomical routes. In absence thereof, the adequacy of services on these routes could not be ascertained in audit. This underlines the desirability to have an independent regulatory body to specify the quantum of services on uneconomical routes, taking into account the specific needs of commuters.

Monitoring by top management

MIS data and monitoring of service parameters

5.2.67 For an organisation like a road transport corporation to succeed in operating economically, efficiently and effectively, there has to be formally stipulated norms of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements are to be reviewed to address deficiencies and also to set targets for subsequent years. The targets should generally be such that the achievement thereof makes an organisation self-reliant. Audit reviewed the system adopted by the Corporation. The observations in this regard are given below.

5.2.68 The Corporation had not set targets at depot level for important operational parameters like fleet utilisation, KMs to be run per day per bus, capacity utilisation, revenue realisation (route-wise) and average age of buses. As a result, unit/depot managers could not be made accountable for their performance.

5.2.69 The Corporation has a MIS in place, whereby information on various operational activities is communicated to the Corporation headquarters on daily/monthly basis. Audit observed that the information received at the headquarters was not consolidated, so as to identify areas for taking corrective measures. Data indicating details of tyre consumption, scheduled departure/arrival timings and trips cancelled, detention of buses in workshops for repairs/maintenance had not been maintained. As a result, the Corporation could not exercise control over these aspects.

5.2.70 The Road Transport Corporation Act, 1950, provides that the Board shall meet at least once in every three months and at least four such meetings shall be held in every year. It was seen in audit that the Corporation failed to conduct the required number of meetings during 2005-06 to 2008-09. While only one meeting was held in each year during 2005-06 and 2006-07, no meeting was held during 2007-08 and only two meetings was conducted during 2008-09. Non-conducting of prescribed number of meetings was not only in violation of the provisions of the Act, but also against the principles of healthy corporate governance and was liable to affect the decision making process of the Corporation adversely. Further, there was nothing on record to indicate that the Chairman/Managing Director and other full time directors had ever discussed various issues concerning the performance of the Corporation.

5.2.71 The top management of the Corporation is expected to set realistic and progressive targets, address areas of weakness and take remedial action wherever things are not moving on expected lines. However, such focus was not evident from the records of performance of the Corporation during the period under review.

Conclusions

Operational performance

- **The Corporation share in public transport was negligible and stood around 3 *per cent* during the period under review. Number of Corporation buses *per* one lakh population reduced from 5 to 3 in the review period.**
- **The Corporation could not recover the cost of operations in any of the five years under review. The operating loss of the Corporation has been increasing since 2005-06, mainly due to operational inefficiencies and inadequate monitoring by the top Management.**
- **The Corporation was not running its operations efficiently as its performance on important operational parameters like age profile of its fleet, fleet utilisation, vehicle productivity and load factor was much less than the All India Average (AIA).**
- **The Corporation did not carry out preventive maintenance as required, impacting adversely the roadworthiness of its buses.**
- **Manpower per vehicle (including buses and trucks) had reduced from 4.3 in 2004-05 to 3.4 in 2008-09. However, audit could not analyze the manpower economy of bus fleet only as the data of deployment of manpower on bus fleet is not maintained separately by the Corporation.**

Financial management

- **The Corporation, despite having tremendous potential to tap revenue from alternate sources, did not frame any policy to undertake large scale tapping of such funds.**

Fare policy and fulfilment of social obligations

- **The Corporation had not framed any policy to operate on uneconomical routes. Therefore, adequacy of coverage could not be ascertained in Audit.**

Monitoring by top management and future needs

- **Though the Corporation has Management Information System but the same is not adequately utilized by the Management to exercise control. The monitoring by its top management of key operational parameters and service standards was largely ineffective.**
- **The Corporation is becoming increasingly dependent upon financial support from the State Government for its survival. Audit reckons, that it would be extremely difficult for it to sustain for long, unless it brings drastic changes in its operational efficiency.**

On the whole, there is immense scope for improving the performance of the Corporation. However, the present set-up of the Corporation does not seem to be equipped to handle this. Effective monitoring of key parameters, coupled with certain policy measures, can see improvement in the performance.

Recommendations

Operational performance

- **The Corporation may consider replacing overage fleet by inducting new fleet to minimise its operational losses by mobilising loans from financial institutions.**
- **The Corporation may maintain adequate inventory of spares/tyres so as to minimise detention of vehicles in Workshops for repair and maintenance.**
- **The Corporation may take steps for reduction in cancellation of scheduled kilometres by ensuring timely repair of buses so that the same do not remain off-road for long period.**
- **The Corporation may observe preventive maintenance schedules prescribed by Original Equipment Manufacturers to reduce break-downs/mechanical failures so as to keep maximum number of buses in running condition.**
- **The Management may consider maintaining separate records of fuel consumption for buses, monitoring vehicle-wise and driver-wise data of fuel consumption and setting targets at depot levels for important operational parameters to exercise effective control over fuel expenditure.**

Financial Performance

- **The Corporation may consider devising a policy for tapping non-conventional sources of revenue by undertaking PPP (Public Private Partnership) projects.**
- **The Corporation should take effective steps to clear the arrears in accounts.**
- **Fare policy**
- **The Government may consider creating a regulator to regulate fares and also services on uneconomical routes.**
- **A policy yardstick to decide on the operation of uneconomical routes/schedules needs to be laid down.**

Monitoring by top management

- **The Corporation should take effective steps for strengthening of the MIS and make use of them for control of the activities.**
- **The Board of Directors may hold adequate number of meetings as per the requirement of Act so as to exercise effective control over the affairs of the Corporation.**
- **The Management may consolidate and analyse monthly performance reports at the top level for taking corrective measures.**

AUDIT OF TRANSACTIONS

J&K Projects Construction Corporation Limited

5.3 Avoidable payment of interest

Failure to remit in advance the assessed tax on taxable income in terms of the provisions of the Income Tax Act, 1961, resulted in avoidable payment of interest aggregating Rs. 14.04 lakh.

Under Section 234 of the Income Tax Act, 1961 if an assessee fails to pay 90 *per cent* of the assessed tax on the taxable income in advance he is liable to pay interest at prescribed rate from the first day of April following such financial year to the date of determination of the total income for the default.

Audit scrutiny showed that the Company had failed to remit 90 *per cent* of the assessed tax on taxable income for the Assessment Years 2005-06 and 2006-07 to the Income Tax (IT) Department. Consequently, in terms of the aforementioned Section of the Act, the Company had to pay interest of Rs. 12.66 lakh[28]. The Company also failed to remit Fringe Benefit Tax (FBT) to the IT Department for the Assessment Year 2006-07, for which the Company had to make further payment of Rs. 1.38 lakh on account of interest.

The Management stated (January 2009) that it was not possible for it to ascertain the advance tax to be deposited with the IT Department due to belated receipt of requisite information from the project authorities and due to some portion of expenditure having been disallowed by the IT Department during the above assessment years. As regards non-remittance of FBT, it was stated (July 2009) that the Company had deposited the same while filing (October 2007) the return for the assessment year 2006-07. It may be pointed out here that ensuring timely receipt of requisite information from the project authorities was the responsibility of the Company. Moreover, the IT Department had disallowed the expenditure due to incorrect filing of return and non-furnishing of requisite information called by the Assessing Authority and the project authorities had no role to play in this regard. Besides, depositing of FBT pertaining to the accounting year 2006-07 in 2007-08 was in violation of the IT Act.

Thus, failure of the Company to adhere to the provisions of the Act ibid resulted in avoidable payment of interest by the Company amounting to Rs. 14.04 lakh.

[28] 2005-06: Rs. 9.04 lakh; 2006-07: Rs. 3.62 lakh.

General

5.4 Lack of remedial action on audit observations

Seventeen PSUs did not either take remedial action or pursue the matters to their logical end in respect of 66 IR paras, resulting in foregoing the opportunity to improve their functioning.

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods up to 2003-04 showed that there were 91 Paras in respect of 17 PSUs, which pointed out deficiencies in the functioning of these PSUs. As per the extant instructions of the CAG, the PSUs have to ensure to furnish reply within one month of the receipt of IRs from Audit. However, no effective action has been taken to take the matters to their logical end, i.e., to take remedial action to address these deficiencies. As a result, these PSUs have so far lost the opportunity to improve their functioning in this regard.

PSU-wise details of paras are given below. The list of important paras is given in the **Appendix-5.8**

Sr. No.	PSU Name	No. of Paras
1.	SICOP (Small Scale Industries Development Corporation Ltd	2
2.	T.D.C (Tourism Development Department)	3
3.	State Financial Corporation	11
4.	Jammu & Kashmir Bank Limited	13
5.	Jammu & Kashmir Women Development Corporation Limited	3
6.	J&K Projects Construction Corporation Limited	4
7.	Jammu and Kashmir Cement Limited	3
8.	Jammu and Kashmir Minerals Limited	8
9.	J&K Agro industries development corporation Limited	6
10.	Jammu and Kashmir Industries Limited	5
11.	Jammu and Kashmir Power Development Corporation Limited	15
12.	J&K Schedule Caste Schedule Tribes and Other Backward Classes Development Corporation Limited	1
13.	J&K State Industrial Development Corporation Limited	2
14.	J&K Horticulture Produce Marketing Corporation Limited	5
15.	J&K Handicrafts (S&E) Corporation Limited	2
16.	J&K Handloom Development Corporation Limited	2
17.	J&K State Road Transport Corporation	6
Total		**91**

The paras mainly pertain to embezzlement and misappropriations, blockade of money, penalty for delayed filing of returns, irregular waiver of interest, fraudulent/excess payments, wasteful expenditure and shortages etc.

Above cases point out the failure of respective PSU authorities to address the specific deficiencies and ensure accountability of their staff. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Administrative/Finance Department and PSU Management periodically, have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to take remedial action on these paras and complete the exercise in a time-bound manner.

5.5 Opportunity to recover money foregone

Four Public Sector Undertakings did not either seize the opportunity to recover their money or pursue the matter resulting in recovery of Rs. 42.71 lakh remaining doubtful.

A review of unsettled paragraphs appearing in the Inspection Reports (IRs) pertaining to the periods up to 2003-04 showed that there were ten paras in respect of four Public Sector Undertakings (PSUs) involving a recovery of Rs. 42.71 lakh. As per the extant instructions of the CAG, the PSUs have to ensure to furnish reply within one month of the receipt of IRs from Audit. However, no effective action had been taken to take matters to their logical end, i.e. to recover money from the concerned parties. As a result, these PSUs have so far lost the opportunity to recover their money which could have augmented their finances.

PSU-wise details of Paras and recovery amount are given below. The list of individual paragraphs is given in **Appendix-5.9**

S. No	Name of Public Sector Enterprises (PSEs)	No of paragraphs	Amount of recovery (Rupees in lakh)
1.	Jammu and Kashmir Minerals Limited	1	0.41
2.	Jammu and Kashmir Industries Limited, Srinagar	2	9.61
3.	Jammu and Kashmir State Power Development Corporation	6	32.24
4.	Jammu and Kashmir Handicrafts (Sales and Export) Corporation Limited	1	0.45
	Total:	**10**	**42.71**

The Paras mainly pertain to recovery on account of excess pay, rent, decreed amounts, shortages etc.

The above cases point out the failure of the respective PSUs to safeguard their financial interests. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Administrative/Finance Department and the PSUs Management periodically, have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to recover the money and complete the exercise in a time-bound manner.

Jammu/Srinagar **(D.J.Bhadra)**
The **Principal Accountant General (Audit)**
Jammu and Kashmir

Countersigned

New Delhi **(Vinod Rai)**
The **Comptroller and Auditor General of India**

Appendix-1.1

(Reference: Paragraph: 1.1.15.1; Page: 21)

Statement showing status of treatment of pregnant women at district levels who received check-ups under NRHM

Name of District	Year	Number of pregnant women registered						
		Actual	who received alternate check-ups				who received IFA administration	
			At registra-tion stage	At around 26th week	At around 32nd week	At around 36th week	Prophylaxis	Therapeutic
Leh	2005-06	2306	715	516	856	970	1164	2388
	2006-07	2713	950	619	989	1151	236	79
	2007-08	3489	1105	789	1120	1270	510	69
	2008-09	1342	1342	NA	NA	NA	695	63
Anantnag	2005-06	62954	62954	50363	12590	11016	31477	31477
	2006-07	64262	64262	51409	12852	11245	32131	32131
	2007-08	56143	56143	44914	11228	9825	28071	28071
	2008-09	49468	49468	49150	17223	14342	7287	7903
Rajouri	2005-06	21881	21881	13041	9051	4032	14990	Nil
	2006-07	21876	21876	14155	9662	8195	10666	Nil
	2007-08	20785	20785	14331	12922	4558	9667	Nil
	2008-09	19512	19512	Not available	-	8465	10114	Nil
Doda	2005-06	16511	16511	11998	9006	2442	12112	Nil
	2006-07	15827	15827	15491	12734	3772	9893	Nil
	2007-08	13331	13331	13331	11949	3798	3854	Nil
	2008-09	16500	16500	Not available		5131	4363	Nil
Baramulla	2005-06	29062	29062	28982	28702	14731	14431	14631
	2006-07	38072	38072	36442	36428	11625	18072	20000
	2007-08	25245	25245	24146	24042	15229	14145	11145
	2008-09	31815	31815	31333	30442	12646	17330	14285
Poonch	2005-06	11846	11846	-	-	2720	11576	Nil
	2006-07	12723	12723	-	-	3504	9730	Nil
	2007-08	14460	14460	-	-	5237	10713	Nil
	2008-09	13507	13507	-	-	8000	8029	Nil
Total	**2005-06**	**144560**				**35911 (25)**	**85750 (59)**	**48496**
	2006-07	**155473**				**39492 (25)**	**80728 (52)**	**52210**
	2007-08	**133453**				**39917 (30)**	**66960 (50)**	**39285**
	2008-09	**132144**				**48584 (37)**	**47818 (36)**	**22251**

(Source: Progress Reports/Data furnished by the SHS/DHS)

Appendix-5.1

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2009 in respect of Government companies and Statutory corporations)

(Referred to in paragraph 5.1.7; Page: 150)

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

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Jammu and Kashmir State Agro Industries Development Corporation Limited	Agriculture Production	30 January 1970	2.60	0.94	Nil	3.54	23.27	Nil	2.00	25.27	7.14:1 (4.88:1)	200
2.	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	Agriculture Production	10 April 1978	6.00	3.20	Nil	9.20	13.95	Nil	30.30	44.25	4.80:1 (4.51:1)	388
Sector wise total				**8.60**	**4.14**	**Nil**	**12.74**	**37.22**	**Nil**	**32.30**	**69.52**	**5.46:1 (4.70:1)**	**588**
FINANCE													
3.	Jammu and Kashmir Bank Limited	Finance	10 October 1938	25.78	Nil	22.70	48.48	Nil	Nil	996.63	996.63	20.56:1 (15.50:1)	NA
4.	Jammu and Kashmir Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	Social Welfare	April 1986	11.07	9.91	Nil	20.98	Nil	Nil	7.93	7.93	0.38:1 (1.01:1)	116
5.	Jammu and Kashmir State Women's Development Corporation Limited	Social Welfare	10 May 1991	5.00	Nil	Nil	5.00	6.50	Nil	14.70	21.20	4.24:1 (4.51:1)	32
Sector wise total				**41.85**	**9.91**	**22.70**	**74.46**	**6.50**	Nil	**1019.26**	**1025.76**	**13.77:1**	**148**
INFRASTRUCTURE													
6.	Jammu and Kashmir Projects Construction Corporation Limited	Public Works	22 May 1965	1.52	Nil	Nil	1.52	Nil	Nil	Nil	Nil	- (-)	1130
7.	Jammu and Kashmir Police Housing Corporation Limited	Home	26 December 1997	2.05	Nil	Nil	2.05	Nil	Nil	Nil	Nil	- (-)	43
8	Jammu and Kashmir Small Scale Industries Development Corporation Limited	Industry & Commerce	28 November 1975	3.12	Nil	Nil	3.12	7.60	Nil	Nil	7.60	2.44:1 (0.88:1)	374
9.	Jammu and Kashmir State Industrial Development Corporation Limited	Industry & Commerce	17 March 1969	17.65	Nil	Nil	17.65	8.05	Nil	Nil	8.05	0.46:1 (1.18:1)	495
Sector wise total				**24.34**	**Nil**	**Nil**	**24.34**	**15.65**	**Nil**	**Nil**	**15.65**	**0.64:1**	**2042**
MANUFACTURING													
10.	Jammu and Kashmir Industries Limited	Industry & Commerce	4 October 1960	17.84	Nil	Nil	17.84	317.05	Nil	Nil	317.05	17.77:1 (17.06:1)	1736

Appendix-5.1 (Contd.)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
11.	Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited	Industry & Commerce	6 June 1970	6.70	0.89	Nil	7.59	71.03	Nil	1.40	72.43	9.54:1 (4.40:1)	386
12.	Jammu and Kashmir State Handloom Development Corporation Limited	Industry & Commerce	29 June 1981	2.39	1.50	Nil	3.89	67.50	Nil	Nil	67.50	17.35:1 (15.64:1)	394
13.	Jammu and Kashmir Cements Limited	Industry & Commerce	24 December 1974	27.27	Nil	Nil	27.27	8.07	Nil	41.00	49.07	1.80:1 (2.26:1)	816
14.	Jammu and Kashmir Minerals Limited	Industry	5 February 1960	8.00	Nil	Nil	8.00	264.44	Nil	Nil	264.44	33.06:1 (33.05:1)	1485
Sector wise total				**62.20**	**2.39**	**Nil**	**64.59**	**728.09**	**Nil**	**42.40**	**770.49**	**11.93:1**	**4817**
POWER													
15.	Jammu and Kashmir State Power Development Corporation Limited	Power Development	16 February 1995	5.00	Nil	Nil	5.00	Nil	Nil	2046.54.	2046.54	409.31:1 (461.28:1)	NA
Sector wise total				**5.00**	**Nil**	**Nil**	**5.00**	Nil	Nil	**2046.54**	**2046.54**	**409.31:1 (461.28:1)**	**NA**
SERVICES													
16.	Jammu and Kashmir State Tourism Development Corporation Limited	Tourism	13 February 1970	23.51	Nil	Nil	23.51	4.26	Nil	Nil	4.26	0.18:1 (0.18:1)	1046
17.	Jammu and Kashmir State Cable Car Corporation Limitedφ	Tourism	28 November 1988	23.82	Nil	Nil	23.82	Nil	Nil	Nil	Nil	-- (-)	90
Sector wise total				**47.33**	**Nil**	**Nil**	**47.33**	**4.26**	**Nil**	**nil**	**4.26**	**0.09:1 (0.09:1)**	**1136**
Total A (All sector wise working Government companies)				**189.32**	**16.44**	**22.70**	**228.46**	**791.72**	**Nil**	**3140.50**	**3932.22**	**17.21:1 (17.61:1)**	**8731**
B. Working Statutory corporations													
FINANCE													
1.	Jammu and Kashmir State Financial Corporation	Finance	2 December 1959	43.47	20.92	0.20	64.59	0.17	Nil	123.17	123.34.	1.91:1 (0,87.1)	257
Sector wise total				**43.47**	**20.92**	**0.20**	**64.59**	**0.17**	**Nil**	**123.17**	**123.34.**	**1.91:1 (0.87.1)**	**257**
AGRICULTURE & ALLIED													
2.	Jammu and Kashmir State Forest Corporation Limited	Forest	1 July 1979	9.03	Nil	Nil	9.03	18.06	Nil	Nil	18.06	2:1 (9:1)	3898
Sector wise total				**9.03**	**Nil**	**Nil**	**9.03**	**18.06**	**Nil**	**Nil**	**18.06**	**2:1 (9:1)**	**3898**
SERVICES													
3.	Jammu and Kashmir State Road Transport Corporation	Transport	1 September 1976	90.82	15.01	Nil	105.83	360.58	Nil	0.96	361.54	3.42:1 (3.15:1)	NA
Sector wise total				**90.82**	**15.01**	**Nil**	**105.83**	**360.58**	**Nil**	**0.96**	**361.54**	**3.42:1 (3.15:1)**	**NA**
Total B (All sector wise working Statutory corporations)				**143.32**	**35.93**	**0.20**	**179.45**	**378.81**	**Nil**	**124.13**	**502.94**	**2.80:1 (2.63:1)**	**4155**
Grand Total (A + B)				**332.64**	**52.37**	**22.90**	**407.91**	**1170.53**	**Nil**	**3264.63**	**4435.16**	**10.87:1 (10.89:1)**	**12886**

φ The Company (Serial number A-17) had not prepared Profit and Loss Account, as it had not commenced business activities

Appendix-5.1 (Concld.)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorpo-ration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
C. Non working Government companies													
MANUFACTURING													
1.	Tawi Scooters Limited	Industries and Commerce	15 December 1976	0.80	Nil	Nil	0.80	0.83	Nil	Nil	0.83	1.03 :1 (1.03:1)	NA
2.	Himalyan Wool Combers Limited	Industries and Commerce	24 January 1978	1.37	Nil	Nil	1.37	Information not available.					
Sector wise Total				**2.17**	**Nil**	**Nil**	**2.17**						
MISCELLENEOUS													
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	0.40	Nil	Nil	0.40	Information not available.					
Sector wise total				**0.40**	**Nil**	**Nil**	**0.40**	**Nil**	**Nil**				
Total C (All sector wise non working Government companies)				**2.57**	**Nil**	**Nil**	**2.57**	**0.83**	**Nil**	**Nil**	**0.83**	**0.32:1 (0.32:1)**	**NA**
D. Non working Statutory corporations		--	--	--	--	--	--	--	--	--	--	--	--
Total D (All sector wise non working Statutory corporations)		--	--	--	--	--	--	--	--	--	--	--	--
Grand Total (A + B + C + D)				**335.21**	**52.37**	**22.90**	**410.48**	**1171.36**	**Nil**	**3264.63**	**4435.99**	**10.81:1 (10.03:1)**	**12886**

$ Paid-up capital includes share application money.

** Loans outstanding at the close of 2008-09 represent long-term loans only.

Appendix-5.2

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Referred to in paragraphs 5.1.15 & 5.1.45; Pages: 153 and 161)

(Figures in column 5 (a) to (6) and (8) to (10) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
AGRICULTURE & ALLIED														
1.	Jammu and Kashmir State Agro Industries Development Corporation Limited	1992-93	2008-09	(-)0.88	0.05	0.03	(-) 0.96	6.33	Nil	3.54	(-) 6.65	(-) 1.28	(-) 0.91	--
2.	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	1993-94	2008-09	(-)0.61	6.16	0.47	(-) 7.24	1.96	Nil	9.20	(-) 44.11	(+) 10.89	(-) 1.08	--
Sector wise total				**(-) 1.49**	**6.21**	**0.50**	**(-) 8.20**	**8.29**	Nil	**12.74**	**(-) 50.76**	**(+) 9.61**	**(-) 1.99**	**--**
FINANCE														
3.	Jammu and Kashmir Bank Limited	2008-09	2009-10	(+) 2398.66	1987.86	0.96	(+) 409.84	2988.12	Nil	48.48	--	(+) 19063.53	(+) 2397.70	12.58
4.	Jammu and Kashmir Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	1995-96	2007-08	(+)0.11	0.12	0.02	(-) 0.03	0.19	Nil	7.91	Nil	(+) 15.42	(+) 0.09	0.58
5.	Jammu and Kashmir State Women's Development Corporation Limited	1994-95	2006-07	(-)0.03	--	--	(-) 0.03	--	Nil	0.001	(-) 0.04	(+) 0.04	(-) 0.03	--
Sector wise total				**(+) 2398.74**	**1987.98**	**0.98**	**(+) 409.78**	**2988.31**	Nil	**56.39**	**(-) 0.04**	**(+) 19078.99**	**(+) 2397.76**	**12.57**
INFRASTRUCTURE														
6.	Jammu and Kashmir Projects Construction Corporation Limited	1990-91	2008-09	(-)0.18	0.04	0.17	(-) 0.39	8.51	Nil	1.52	(-) 1.42	(+) 0.82	(-) 0.35	--
7.	Jammu and Kashmir Police Housing Corporation Limited	2000-01	2008-09	(+)0.64	--	0.10	(+) 0.54	0.60	Nil	2.05	NA	(+) 3.29	(+)0.54	16.41
8	Jammu and Kashmir Small Scale Industries Development Corporation Limited	1989-90	2008-09	(+)1.24	0.46	0.34	(+) 0.44	23.49	Nil	2.73	NA	(+) 9.44	(+)0. 90	9.54

9.	Jammu and Kashmir State Industrial Development Corporation Limited	1999-2000	2007-08	(-)5.61	--	0.66	(-) 6.27	0.69	Nil	17.65	(-) 37.91	(+) 54.67	(-) 6.27	--
Sector wise total				**(-) 3.91**	**0.50**	**1.27**	**(-) 5.68**	**33.29**	Nil	**23.95**	**(-) 39.33**	**(+) 68.22**	**(-) 5.18**	**--**
MANUFACTURING														
10.	Jammu and Kashmir Industries Limited	2001-02	2008-09	(-) 16.66	17.66	1.91	(-) 36.23	17.23	Nil	16.27	(-) 268.81	(-) 34.13	(-) 18.57	--
11.	Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited	1997-98	2008-09	(-) 4.28	1.99	0.04	(-) 6.31	4.02	Nil	4.40	(-) 25.21	(+) 1.05	(-) 4.32	--
12.	Jammu and Kashmir State Handloom Development Corporation Limited	1996-97	2006-07	(-) 1.10	0.69	0.06	(-) 1.85	7.56	Nil	3.00	(-) 5.72	(+) 9.09	(-) 1.16	--
13.	Jammu and Kashmir Cements Limited	1997-98	2008-09	(+) 2.81	0.22	1.06	(+) 1.53	22.19	(-) 0.03	15.50	(-) 2.59	(+) 27.06	(+) 1.75	6.47
14.	Jammu and Kashmir Minerals Limited	1993-94	2008-09	(-) 3.07	0.52	0.05	(-) 3.64	2.93	Nil	8.00	(-) 27.97	(+) 2.45	(-) 3.12	--
Sector wise total				**(-) 22.30**	**21.08**	**3.12**	**(-) 46.50**	**53.93**	**(-) 0.03**	**47.17**	**(-) 330.30**	**(+) 5.52**	**(-) 25.42**	**--**
POWER														
15.	Jammu and Kashmir State Power Development Corporation Limited	2000-01	2007-08	(+) 3.45	0.82	67.28	(-) 64.65	50.82	Nil	5.00	(-) 107.59	(+) 1798.11	(-) 63.83	--
Sector wise total				**(+) 3.45**	**0.82**	**67.28**	**(-) 64.65**	**50.82**	Nil	**5.00**	**(-) 107.59**	**(+) 1798.11**	**(-) 63.83**	**--**
SERVICES														
16.	Jammu and Kashmir State Tourism Development Corporation Limited	1994-95	2008-09	(-) 0.43	0.06	0.63	(-) 1.12	4.58	(-) 0.74	9.91	(-) 7.08	(+) 10.84	(-) 1.06	--
17.	Jammu and Kashmir State Cable Car Corporation Limited	1995-96	2009-10	--	--	--	--	--	--	23.52	--	(+) 22.99	--	--
Sector wise total				**(-) 0.43**	**0.06**	**0.63**	**(-) 1.12**	**4.58**	**(-) 0.74**	**33.43**	**(-) 7.08**	**(+) 33.83**	**(-) 1.06**	**--**
Total A (All sector wise working Government companies				**(+) 2374.06**	**2016.65**	**73.78**	**(+) 283.63**	**3139.22**	**(-) 0.77**	**178.68**	**(-) 535.10**	**(+) 20994.28**	**(+) 2300.28**	**10.96**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed$	Percen-tage return on capital empl-oyed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciat ion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
B. Working Statutory corporations														
FINANCE														
1.	Jammu and Kashmir State Financial Corporation	2004-05	2007-08	(+) 23.68	18.89	0.15	(+) 4.64	6.78	Nil	64.60	(-) 192.50	(+) 226.69	(+) 23.53	10.38
Sector wise total				**(+) 23.68**	**18.89**	**0.15**	**(+) 4.64**	**6.78**	**Nil**	**64.60**	**(-) 192.50**	**(+) 226.69**	**(+) 23.53**	**10.38**
AGRICULTURE & ALLIED														
2.	Jammu and Kashmir State Forest Corporation Limited	Accounts for the years 1996-97 and onwards not received. (The Corporation was incorporated in 1978-79, however, its audit was entrusted to the CAG from 1996-97)												
Sector wise total		--	--	--	--	--	--	--	--	--	--	--	--	--
SERVICES														
3.	Jammu and Kashmir State Road Transport Corporation	2004-05	2006-07	(-) 22.10	28.21	4.36	(-) 54.67	60.88	Nil	109.51	(-) 598.92	(-) 184.55	(-) 26.46	--
Sector wise total				**(-) 22.10**	**28.21**	**4.36**	**(-) 54.67**	**60.88**	**Nil**	**109.51**	**(-) 598.92**	**(-) 184.55**	**(-) 26.46**	--
Total B (All sector wise working Statutory corporations)				**(+) 1.58**	**47.10**	**4.51**	**(-) 50.03**	**67.66**	**Nil**	**174.11**	**(-) 791.42**	**(+) 42.14**	**(-) 2.93**	
Grand Total (A + B)				**(+) 2375.64**	**2063.75**	**78.29**	**(+) 233.60**	**3206.88**	**(-) 0.77**	**352.79**	**(-) 1326.52**	**(+) 21036.42**	**(+) 2297.35**	**10.92**
C. Non working Government companies														
MANUFACTURING														
1.	Tawi Scooters Limited	1989-90	1991-92	(-) 0.06	Nil	Nil	(-) 0.06	Nil	Nil	0.80	(-) 1.04	(+) 0.59	(-) 0.06	-
2.	Himalyan Wool Combers Limited	1999-2000	2000-01	(-) 1.29	Nil	Nil	(-) 1.29	Nil	Nil	1.36	(-) 10.49	(-) 1.71	(-) 1.29	-
Sector wise total				**(-) 1.35**	**--**	**--**	**(-) 1.35**	**--**	**Nil**	**2.16**	**(-) 11.53**	**(-) 1.12**	**(-) 1.35**	
MISCELLENEOUS														
3.	Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalyan Wool Combers Limited)	1991-92	1999-2000	NA	NA	NA	0	NA	Nil	Nil	0	`Nil	-	-
Sector wise total				--	--	--	--	--	--	**Nil**	**0**	**`Nil**	**-**	**-**
Total C (All sector wise non working Government companies)				**(-) 1.35**	--	--	**(-) 1.35**	--	**Nil**	**2.16**	**(-) 11.53**	**(-) 1.12**	**(-) 1.35**	**--**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
D. Non working Statutory corporations		--	--	--	--	--	--	--	--	--	--	--	--	--
Total D (All sector wise non working Statutory corporations)		--	--	--	--	--	--	--	--	--	--	--	--	--
Grand Total (A + B + C + D)				**(+) 2374.29**	**2063.75**	**78.29**	**(+) 232.25**	**3206.88**	**(-) 0.77**	**354.95**	**(-) 1338.05**	**(+) 21035.30**	**(+) 2296.00**	**10.91**

φ The Company (Serial number A-17) had not prepared Profit and Loss Account, as it had not commenced business activities

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

@ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

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

Appendix-5.3

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2009

(Referred to in paragraph 5.1.10; Page: 151)

(Figures in column 3 (a) to 6 (d) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Jammu and Kashmir State Agro Industries Development Corporation Limited	Nil	`0.84	0.38 (Subsidy)	0.10 (Subsidy)	Nil	0.48 (Subsidy)	Nil	Nil	Nil	Nil	Nil	Nil
2.	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	Nil	1.34	Nil	Nil	Nil	Nil	Nil	30.30	Nil	Nil	Nil	Nil
Sector wise total		**Nil**	**2.18**	**0.38 (Subsidy)**	**0.10 (Subsidy)**	**Nil**	**0.48 (Subsidy)**	**Nil**	**30.30**	**Nil**	**Nil**	**Nil**	**Nil**
FINANCE													
3.	Jammu and Kashmir Bank Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
4.	Jammu and Kashmir Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	0.20	0.50	Nil	Nil	Nil	Nil	5.00	22.69	Nil	Nil	Nil	Nil
5.	Jammu and Kashmir State Women's Development Corporation Limited	0.16	0.50	0.37 (Grants)	2.53 (Grants)	Nil	2.90(Grants)	Nil	14.70	Nil	Nil	Nil	Nil
Sector wise total		**0.36**	**1.00**	**0.37 (Grants)**	**2.53 (Grants)**	**Nil**	**2.90 (Grants)**	**5.00**	**37.39**	**Nil**	**Nil**	**Nil**	**Nil**
INFRASTRUCTURE													
6.	Jammu and Kashmir Projects Construction Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
7.	Jammu and Kashmir Police Housing Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
8	Jammu and Kashmir Small Scale Industries Development Corporation Limited	Nil	Nil	Nil	1.05 (Grants)	Nil	1.05 (Grants)	Nil	Nil	Nil	Nil	Nil	Nil
9.	Jammu and Kashmir State Industrial Development Corporation Limited	Nil	Nil	8.93 (Grants)	10.81 (Grants)	Nil	19.74 (Grants)	Nil	Nil	Nil	Nil	16.64	16.64
Sector wise total		**Nil**	**Nil**	**8.93 (Grants)**	**11.86 (Grants)**	**Nil**	**20.79 (Grants)**	**Nil**	**Nil**	**Nil**	**Nil**	**16.64**	**16.64**

MANUFACTURING													
10.	Jammu and Kashmir Industries Limited	Nil	6.12	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
11.	Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited	Nil	1.72	Nil	Nil	Nil	Nil	1.40	1.40	Nil	Nil	Nil	Nil
12.	Jammu and Kashmir State Handloom Development Corporation Limited	Nil	2.38	Nil	0.20 (Grants)	Nil	0.20 (Grants	1.11	2.91	Nil	Nil	Nil	Nil
13.	Jammu and Kashmir Cements Limited	7.27	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	5.15	5.15
14.	Jammu and Kashmir Minerals Limited	Nil	4.12	Nil	1.27 (Grant)	Nil	1.27	Nil	Nil	Nil	Nil	Nil	Nil
Sector wise total		**7.27**	**14.34**	**Nil**	**1.47(Grants)**	**Nil**	**1.47 (Grants)**	**2.51**	**4.31**	**Nil**	**Nil**	**5.15**	**5.15**
POWER													
15.	Jammu and Kashmir State Power Development Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	2046.54	Nil	Nil	Nil	Nil
Sector wise total		**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**2046.54**	**Nil**	**Nil**	**Nil**	**Nil**
SERVICES													
16.	Jammu and Kashmir State Tourism Development Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
17.	Jammu and Kashmir State Cable Car Corporation Limited[φ]	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sector wise total		**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
Total A (All sector wise working Government companies)		**7.63**	**17.52**	**9.68**	**15.96**	**Nil**	**25.64**	**7.51**	**2118.54**	**Nil**	**Nil**	**21.79**	**21.79**
B. Working Statutory corporations													
FINANCE													
1.	Jammu and Kashmir State Financial Corporation	Nil	Nil	Nil	0.64 (Grants)	Nil	0.64 (Grants)	Nil	66.95	Nil	Nil	Nil	Nil
Sector wise total		**Nil**	**Nil**	**Nil**	**0.64 (Grants)**	**Nil**	**0.64 (Grants)**	**Nil**	**66.95**	**Nil**	**Nil**	**Nil**	**Nil**
AGRICULTURE & ALLIED													
2.	Jammu and Kashmir State Forest Corporation Limited	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sector wise total		**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**		**Nil**	**Nil**	**Nil**

φ The Company (Serial number A-17) had not prepared Profit and Loss Account, as it had not commenced business activities

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
SERVICES													
3.	Jammu and Kashmir State Road Transport Corporation	Nil	26.24	Nil	7.00 (Grants)	Nil	7.00 (Grants)	Nil	6.00	Nil	Nil	Nil	Nil
Sector wise total		**Nil**	**26.24**	**Nil**	**7.00 (Grants)**	**Nil**	**7.00 (Grants)**	**Nil**	**6.00**	**Nil**	**Nil**	**Nil**	**Nil**
Total B (All sector wise working Statutory corporations)		**Nil**	**26.24**	**Nil**	**7.64**	**Nil**	**7.64**	**Nil**	**72.95**	**Nil**	**Nil**	**Nil**	**Nil**
Grand Total (A + B)		**7.63**	**43.76**	**9.68**	**23.60**	**Nil**	**33.28**	**7.51**	**2191.49**	**Nil**	**Nil**	**21.79**	**21.79**
C. Non working Government companies													
MANUFACTURING													
1.	Tawi Scooters Limited	Information not available		Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
2.	Himalyan Wool Combers Limited	Information not available		Nil	Nil	Nil	Nil	Nil	2.83	Nil	Nil	Nil	Nil
Sector wise total		**--**	**--**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**2.83**	**Nil**	**Nil**	**Nil**	**Nil**
MISCELLENEOUS													
3.	Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalyan Wool Combers Limited)	Information not available		Nil	Nil	Nil	Nil	Nil	0.40	Nil	Nil	Nil	Nil
Sector wise total		**--**		**--**	**Nil**	**Nil**	**Nil**	**Nil**	**0.40**	**Nil**	**Nil**	**Nil**	**Nil**
Total C (All sector wise non working Government companies		**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**3.23**	**Nil**	**Nil**	**Nil**	**Nil**
D. Non working Statutory corporations		--	--	--	--	--	--	--	--	--	--	--	--
Total D (All sector wise non working Statutory corporations)		--	--	--	--	--	--	--	--	--	--	--	--
Grand Total (A + B + C + D)		**7.63**	**43.76**	**9.68**	**23.60**	**Nil**	**33.28**	**7.51**	**2194.72**	**Nil**	**Nil**	**21.79**	**21.79**

@ Figures indicate total guarantees outstanding at the end of the year.

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

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

Appendix-5.4

(Reference: Paragraph: 5.1.36; Page: 158)

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

(Rupees in crore)

S.No	Name of the Company/ Corporation	Year up to which accounts finalized	Paid-up capital as per the latest finalized account	Investment made by the State Government during the years (up to 2008-09) for which accounts are in arrears				Total
(A-Working Government Companies								
				Equity	**Loans**	**Grants**	**Subsidy**	**Total**
1.	J&K State Agro Industries Development Corporation Limited	1992-93	3.54	1.58	11.23	4.77	4.93	22.51
2.	J&K State Horticultural Produce Marketing and Processing Corporation Limited	1993-94	9.20	Nil	7.66	2.36	Nil	10.02
3.	J&K State Handloom Development Corporation Limited	1996-97	3.00	0.82	22.86	5.30	Nil	28.98
4.	J&K Handicrafts (Sale and Export) Development Corporation Limited	1997-98	4.40	2.75	20.03	1.66	1.38	25.82
5.	J&K Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	1995-96	7.91	7.37	3.67	3.43	3.30	17.77
6.	J&K State Women's Development Corporation Limited	1994-95	0.001	4.93	8.56	5.07	Nil	18.56
7.	J&K Industries Limited	2001-02	16.27	Nil	25.54	14.90	Nil	40.44
8.	J&K Small Scale Industries Development Corporation Limited	1989-90	2.73	0.66	1.41	6.53	0.80	9.40
9.	J&K State Industrial Development Corporation Limited	1999-00	17.65	0.80	9.84	26.12	7.70	44.46
10.	J& K Minerals Limited	1993-94	8.00	Nil	65.43	8.93	Nil	74.36
11.	J&K Cements Limited	1997-98	15.50	12.27	Nil	Nil	Nil	12.27
12.	J&K State power Development Corporation Limited	2000-01	5.00	Nil	Nil	385.87	Nil	385.87
13.	J&K State Tourism Development Corporation Limited	1994-95	9.91	14.72	Nil	4.55	Nil	19.27
14.	J&K State Cable Car Corporation Limited	1995-96	23.52	11.33	Nil	Nil	Nil	11.33
	Total (A):		**126.63**	**57.23**	**176.23**	**469.49**	**18.11**	**721.06**
(B) Working Statutory Corporations								
15.	J&K State Road Transport Corporation	2004-05	109.51	Nil	82.30	7.00	Nil	89.30
	Total (B)		**109.51**	**Nil**	**82.30**	**7.00**	**Nil**	**89.30**
	Total (A)+(B)		**236.14**	**57.23**	**258.53**	**476.49**	**18.11**	**810.36**

Appendix-5.5

(Reference: Paragraph: 5.1.15; Page: 153)

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**	**(-) 160.17**	**(-) 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**	**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-5.6

(Reference: Paragraph 5.1.15; Page: 153)

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**[2]
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**

2 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-5.7

(Reference: Paragraph: 5.2.18; Page: 170)

Statement showing operational performance of Jammu and Kashmir State Road Corporation

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Average number of vehicles held	**1150**	**1164**	**1190**	**1192**	**1113**
Buses:	*676*	*702*	*730*	*732*	*677*
Trucks:	*474*	*462*	*460*	*460*	*436*
Average number of vehicles on road	**910**	**912**	**812**	**655**	**589**
Buses:	*540*	*526*	*453*	*372*	*332*
Trucks:	*370*	*386*	*359*	*283*	*257*
Percentage of utilisation of vehicles	80	75	62	51	49
Number of employees	4979	4844	4626	4334	3817
Employee vehicle ratio	4.3	4.2	3.9	3.6	3.4
Number of routes operated at the end of the year	195	171	171	161	148
Route kilometers	35519	32923	30893	29086	26763
Kilometers operated (in lakh)-Gross	**403.59**	**454.53**	**387.84**	**276.38**	**221.64**
Buses:	*305.52*	*348.95*	*307.86*	213.58	*169.09*
Trucks	*98.07*	*105.58*	*79.98*	62.80	*52.55*
Effective	**397.92**	**449.27**	**382.05**	**269.95**	**217.52**
Buses:	*299.85*	*343.69*	*302.38*	*207.15*	*165.02*
Trucks	*98.07*	*105.58*	*79.67*	*62.80*	*52.50*
Dead	**5.67**	**5.26**	**5.79**	**6.43**	**4.12**
Buses:	*5.67*	*5.26*	*5.48*	*6.43*	*4.06*
Trucks	*Nil*	*Nil*	*0.31*	*Nil*	*0.06*
Percentage of dead kilometers to gross kilometers	1.4	1.2	1.5	2.3	1.9
Average kilometers covered per bus per day	154	181	185	155	138
Average revenue per kilometer (Rs.)	15.30	16.55	18.28	19.07	
Average expenditure per kilometer (Rs.)	29.03	23.55	25.87	31.29	
Loss (-)/Profit (+) per kilometre (Rs.)	(-) 13.74	(-) 6.98	(-) 7.59	(-) 12.22	
Number of operating depots	15	15	14	14	14
Average number of break-down per lakh kilometers	2.04	2.05	2.69	3.38	2.80
Average number of accidents per lakh kilometers	0.25	0.28	0.23	0.17	0.18
Passenger kilometre operated (in crore)	92.07	105.06	96.94	69.73	
Occupancy ratio (Load Factor)	75	69	74	80	77
Kilometres obtained per litre of:					
Diesel Oil	3.80	3.93	3.79	3.93	3.88
Engine Oil	1000	1000	1000	1000	1000
CNG	--	--	--	--	--
CNG Engine Oil	--	--	--	--	--

Appendix-5.8

(Referred to in paragraph; 5.4; Page: 186)

Statement showing list of important Paras involving deficiencies

S.No	Nature of Para	Year of IR	Amount (Rs. in lakh)
Jammu and Kashmir Small Scale Industries Development Corporation Ltd (SICOP			
1.	Holding of heavy closing balances of stocks of raw material and locking up borrowed money, resulting in loss of interest	2001-02 to 2002-03	1.82
2.	Embezzlement of store/stock by Store Keeper.	2002-03	0.95
Jammu and Kashmir Tourism Development Corporation			
1	Shortage of items	1996-97 to 1998-99	3.26
2	Discrepancies in the imprest received and that paid.	-do-	--
3	Loss of the revenue due to non-operation of boats	2002-03	6.00
Jammu and Kashmir State Financial Corporation			
1.	Undue waiver of interest	2000-01	142.36
2.	Irregular waiving of outstanding interest	-do-	33.11
3.	Non-initiation of action on actionable items and non-realization	2002-03	210.10
4.	Loss due to fictitious loaning	April 1989 to March 2002	55.16
5.	Penalty for delay in filing of Income tax returns	1998-99 to 1999-00	8.53
6.	Loss due to fictitious loaning	-do-	2.68
7.	Non-payment of Din drafts	2000-01 to 2001-02	14.14
8.	Mis-appropriation of money	-do-	8.15
9.	Penalty for delay of filing of tax returns	1989-90 to 1999-00	8.53
10.	Loss due to fictitious loaning	-do-	2.69
11.	Excess expenditure	1989-2000	14.00
Jammu and Kashmir Bank Limited			
1.	Ineffective internal control mechanism leading to embezzlement	1998-99 to 1999-00	10.00
2.	Inadequacy in system monitoring resulting into fraudulent transactions of Panipat Branch	-do-	78.70
3.	Excess payment to a builder on acquisition of premises at STP road Bangalore	2001-02	3315.00
4.	Fraudulent encashment of demand drafts	2000-01	4.27

S.No	Nature of Para	Year of IR	Amount (Rs. in lakh)
5.	Fraudulent encashment of stolen dividends warrants	-Do-	0.76
6.	Irrecoverable advance on account of Imam Hussain Foundation	2000-01	314.00
7.	Difference in Clearing	2001-02	0.89
8.	Fraudulent payment	2001-02	75.00
9.	Discrepancies in cash memo book.	1999-2000 to 2000-01	--
10.	Payment of forged cheques	-do-	0.85
11.	Mis-appropriation of money	2001-02	9.32
12.	Liability to make payment of cheque marked goods for payment	1998-99 to 1999-2000	50.00
13.	Excess payment in renovation/interior- works	-do-	3.00
Jammu and Kashmir Women Development Corporation Limited			
1.	Irregular appointment	1997-98 to 2000-01	-
2.	In fructuous expenditure on skill development programme	1997-98 to 2000-01	20.91
3.	Defective system of finance resulting into grant of loan to minors	-do-	0.95
Jammu and Kashmir Projects Construction Corporation Limited (J&K PCC)			
1.	Seizure of cement alleged misappropriation	1998-99 to 1999-00	--
2.	Non-deduction of service tax	2002-03	17.39
3.	Loss due to non-recovery of advance tax	June 1989 to June 2003	2.42
4.	Irregular advance to piece workers led to non-adjustment/ recovery of advances	2003-04	13.00
Jammu and Kashmir Cement Ltd (J&KCL)			
1.	Non recovery on account of shortage	2002-03	30.12
2.	Payment of over loading	-do-	2.52
3.	Imposition of penalty on transportation of coal	1997-98 to 1998-99	2.24
Jammu and Kashmir Minerals Ltd. (JKML)			
1.	Avoidable extra expenditure on purchase of rope hulqas	1996-97 to 1998 -99	6.26
2.	Wasteful expenditure due to purchase of substandard PVC cables	-do-	4.87
3.	Non-remittance of timber worth–Rs.14.04 lakh	-do-	14.04
4.	Investment in store capital of M/S Kashmir gypsum Limited	1997-98 to 2001-02	58.60
5.	Imposition of penalty due to non-remittance of C.P. Fund	-do-	2.65
6.	Payment of compensation due to accident in mines	1996-97 to 2000-01	18.59
7.	Shortage of Coal	-do-	1.63
8.	Long un-adjusted advances to suppliers	1990-91 to 2001-02	8.95

S.No	Nature of Para	Year of IR	Amount (Rs. in lakh)
Jammu and Kashmir Agro Industries Development Corporation Ltd (J&K AIDC)			
1.	Loss due to shortage of petrol	1996-97 to 2000-01	-
2.	Outstanding recoveries	2001-02	37.96
3.	Doubtful recovery from chief Agro officer Doda	2001-02 to 2002-03	6.87
4.	Loss of truck	1996-07 to 2001 to 02	189.00
5.	Huge outstanding debtors	4/98 to 3/2002	1.86
6.	Outstanding against various cooperative societies	2003-04	62.00
Jammu and Kashmir Industries Limited			
1.	Embezzlement in Govt. silk factory Jammu	1998-99 to 2001-02	48.54
2.	Misappropriation in silk factory Srinagar	-do-	24.11
3.	Non-reconciliation of variation on account of supply of timber by S.F.C.	-do-	195.52
4.	Shortage on account of Raw material Cocoons	1999-2000 to 2001-02	29.27
5.	Loss due to rejection of Deodar paneling	1988-89 to 1998-99	18.55
Jammu and Kashmir Power Development Corporation			
1.	Undue financial aid/benefits to the contractor	January 1997 to December 1999	10000.00
2.	Misappropriation of steel	2002-03	1.75
3.	Irregular payment	January 19998 to March 2002	51.27
4.	Irregular purchase	-do-	7.93
5.	Avoidable expenditure on procurement of V.T. Pumps	Up to February 2003	30.73
6.	Creation of liability	-do-	97.50
7.	Allotment of balance work at higher cost and non-imposition of penalty.	-do-	14.21
8.	Payment of price escalation due to delay in finalization of drawing	-do-	5.67
9.	Deterioration of cement	April 2001 to March 2003	16.00
10.	Irregular refund deducted sales tax	2000-01	8.38
11.	Illegal mutation of P.D.C 17 Kanals 12 Marla’s at KalaKote	February 1998 to February 2001	--
12.	Outstanding material	2002-03	55.45
13.	Non-settlement of cash suspense A/C	December 1995 to March 2000	2.03
14.	Avoidable payment of interest with legal expenses in case within M/S N.D. Radhira Co.	Inception to March 2003	--
15.	Alleged embezzlement by Sh. Mond. Shafic Ex. Engineer	-do-	1.99

S.No	Nature of Para	Year of IR	Amount (Rs. in lakh)
J&K Schedule Caste Schedule Tribes and Other Backward Classes Development Corporation			
1.	Misappropriation of money	1996-97 to 2000-01	0.94
J&K State Industrial Development Corporation Ltd			
1.	Doubtful recovery M/S Saraf Industries Commerce Rajouri	2000-01	1.82
2.	Non auction of plant and machinery and delay to initiate recovery	2003-04 to 2004-05	436.62
J&K Horticulture Produce Marketing Corporation			
1.	Outstanding of sale of fertilizer/ pesticides	2002-03 to 2003-04	--
2.	Embezzlement of 1065 No’s of containers	1989-90 to 2001-02	3.35
3.	Missing of P.T. Pumps		0.32
4.	Missing damaged inventory	2001-02	--
5.	Loss due to procedural lapse	2003-04	1.10
J&K Handicrafts (S&E) Corporation			
1.	Seizure of carpets by the vigilances deportment outstanding Imprest	1997-98 to 98-99	5.27
2.	Mis- appropriation of funds	96-97 to 1998-99	2.83
J&K Handloom Development Corporation (J&KHDC)			
1.	Inadmissible/unauthorized payment of pay allowances	2000-01	--
2.	Theft of stock and cash	-do-	0.29
J&K State Road Transport Corporation (J&K SRTC)			
1.	Loss of pay bill and ticket books	2001-02	1.09
2.	Shortage of stock items	2000-01 to 2001-02	--
3.	Loss of cash due to theft	1998-99 to 2001-02	13.71
4.	Non reconciliation of remittances.	-do-	--
5.	Outstanding recoveries	1998-99	--
6.	Mis-appropriation	2001-02	0.01

Appendix-5.9

(Reference: Paragraph 5.5; Page: 187)

PSU-wise details of paras and amount recovered

PSU Name: JK Minerals Ltd.

(Amount Rs. in lakh)

Sr. No	Para	Year of IR	Amount involved	Remarks
1.	Non-recovery of shortages	2000-01	0.41	No reply from the PSU
	Total:		**0.41**	

PSU Name: JK Industries Ltd.

Sr. No	Para	Year of IR	Amount involved	Remarks
1.	Non-recovery of rent from M/S Dar Sons Srinagar and M/S Winco Ltd. Bombay	1998-99 to 2000-01	4.85	No reply from PSU
2.	Non-recovery of decree amount and interest loss	1998-99 to 2000-01	4.76	No reply from PSU
	Total:		**9.61**	

PSU Name: Power Development Corporation Ltd.

Sr. No	Para	Year of IR	Amount involved	Remarks
1.	Recovery of rent from BSF	2001-02	24.59	No reply from PSU
2.	Recovery from M/s Eff ji enterprises	2002-03	1.75	No reply from PSU
3.	a) Excess payment –Rs. 0.20 lakh b) Non-recovery of the cost	2002-03	2.73	No reply from PSU
4.	Non-recovery of empty cement bags and container	2002-03	2.97	No reply from PSU
5.	Excess pay	1999-2003	0.06	No reply from PSU
6.	Misc observations-(a) Excess payment of HRA –Rs. 0.14 lakh (b) Test check of deposits register.	2001-02	0.14	No reply from PSU
	Total:		**32.24**	

PSU Name: J&K Handicrafts (S&E) Corporation Ltd.

Sr. No	Para	Year of IR	Amount involved	Remarks
1.	Outstanding insurance claims	1999-00 to 2000-03	0.45	No reply from PSU
	Total:		**0.45**	
	Grand Total		**42.71**	