

Chapter –I: PERFORMANCE REVIEWS

Agriculture Production Department

1.1 Technology Mission for Integrated Development of Horticulture

The Government of India (GOI) approved a Centrally Sponsored Scheme (CSS) ‘Technology Mission (TM) for integrated development of Horticulture’ in Jammu and Kashmir in 2003-04. The goals of the Mission are to establish convergence and synergy among ongoing governmental programmes in the field of horticulture. The department had not taken an integrated approach by involving all other concerned departments in planning. Utilisation of funds was not proper which had resulted in huge unspent balances at the close of the financial years and loss of assistance to the State. The department had laid more emphasis on area expansion thereby ignoring certain crucial activities like irrigation etc. which had adversely impacted survival of plants and consequently production. The department had failed to provide outlets to the farmers for their produce.

Highlights

- *The department had not prepared any perspective plan. Remote Sensing Technology was not used for identification of waste lands for possible exploitation.*

(Paragraph: 1.1.7)

- *The department had laid more emphasis on ‘area expansion’ thereby spending more funds on the activity at the cost of other components.*

(Paragraph: 1.1.9.1)

- *The account of the excess vegetable seed costing ₹ 93 lakh procured and issued to the subordinate offices was not shown.*

(Paragraph: 1.1.9.2)

- *The production of fruit had increased marginally but the productivity per hectare (ha) had declined during 2005-10.*

(Paragraph: 1.1.9.6)

- *Marketing facilities had not been provided to the farmers.*

(Paragraph: 1.1.12)

- *The monitoring mechanism was non-existent.*

(Paragraphs: 1.1.17)

1.1.1 Introduction

The Government of India (GOI) approved a Centrally Sponsored Scheme (CSS) under the nomenclature ‘Technology Mission (TM) for integrated development of Horticulture’ in the State of Jammu and Kashmir in 2003-04. The goals of the Mission are to establish convergence and synergy among ongoing governmental programmes in the field of horticulture by achieving horizontal and vertical integration of these programmes so as to ensure adequate, appropriate, timely and concurrent attention to all the links in the production, post harvest management and

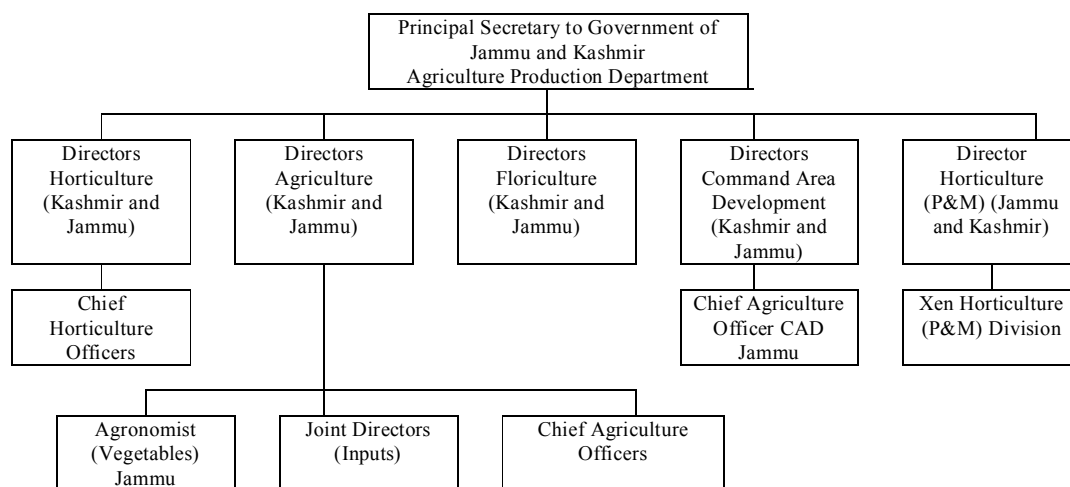
consumption chain, to maximize economic, ecological and social benefits from the existing investments and infrastructure created for horticulture development and to provide the missing links in ongoing horticulture.

The CSS, ‘Technology Mission’ is to be implemented through four mini missions (MM). The MM-I (research) and MM-IV (processing) are implemented by Indian Council for Agricultural Research (ICAR) and the Ministry of Food Processing Industries, respectively. The MM-II (production and productivity) is implemented by four¹ departments and MM-III (post harvest management, marketing and export) by the Horticulture (P&M) department.

1.1.2 Organisational set up

Activities undertaken under the programme are implemented by the various agencies mentioned in the following organisational set-up.

Chart-I



1.1.3 Scope of Audit

The audit, covering the activities undertaken in the State under TM during the period April 2005 to March 2010, was carried out during December 2009 to May 2010. Records of the administrative department, eight provincial² Directors (two each of Horticulture, Agriculture, Floriculture and Command Area Development), Director, Horticulture (Planning and Marketing), eight³ out of 20 Chief Horticulture Officers and nine⁴ out of 20 Chief Agriculture Officers were test-checked covering an expenditure of ₹ 47.88 crore constituting 57 per cent of the total expenditure of ₹ 83.89 crore.

¹ Horticulture, Agriculture, Floriculture and Command Area Development

² Kashmir and Jammu

³ Jammu, Kathua, Udhampur, Rajouri, Poonch, Anantnag, Pulwama and Baramulla

⁴ Jammu, Kathua, Udhampur, Rajouri, Srinagar, Anantnag, Baramulla, Pulwama and Budgam

1.1.4 Audit Objectives

The main audit objectives were to assess whether:

- activities were planned properly;
- financial management was efficient and effective;
- targets set under various components of the programme were achieved;
- proper linkages and coordination existed between various mini missions, and
- adequate monitoring mechanism existed to evaluate the programme.

1.1.5 Audit Criteria

Audit findings were benchmarked against the following criteria:

- Guidelines of the CSS Technology Mission.
- Annual action plans.
- General financial rules and instructions of the Government of India (GOI) issued from time to time.

1.1.6 Audit Methodology

The audit was conducted by an examination of the records of the sampled units, specified in para-3, selected on random sampling basis. An entry conference was held with the Principal Secretary to the Government of J&K, Agriculture Production Department in February 2010 wherein the scope, objectives, criteria and methodology of audit were discussed. An exit conference was also held (13 December 2010) with officials of the Department where audit findings were discussed.

Audit Findings

The important points noticed during the course of audit are discussed in the succeeding paragraphs.

1.1.7 Project Formulation and Planning

Formulation of a long term policy for development of Horticulture in the state as a whole based on its physical, material and available fiscal resources and identification of priority areas is essential for optimizing the benefits of horticulture for the state. The guidelines of the TM programme envisage use of remote sensing technology for identification of waste lands⁵ for exploitation besides water resources development, infrastructure development for harvest management and maintenance of inventory/database for management of existing orchards.

Audit observed the following in regard to Project Formulation and Planning:

- The State Government had not formulated any perspective plan for the development of horticulture in the State as a whole. Activities were, however, selected/implemented on the basis of available financial resources through Annual Action Plans (AAPs). Remote sensing technology had also not been used for

⁵ *Jhoom* not applicable in J&K.

identification or use of waste land areas for expansion to boost production of horticulture crops.

The Director Horticulture, Jammu stated (April 2009) that preliminary meetings had been held at the administrative level but the issue had not been taken up with the remote sensing agency for providing necessary data. Inaction of the department in not taking advantage of the available technology had resulted in increase in culturable waste land area from 1.41 lakh ha in 2004-05 to 1.46 lakh ha in 2007-08.

- As per the programme guidelines, the project reports/work plans/action plans are required to be prepared by experts/consultants and the work plans are required to reflect the export potential and provide detailed quantification of all the inputs and outputs. Records showed that the department had not utilized the services of experts to prepare the work plans which had instead been prepared by the department itself without any surveys and without making any assessment of the export potential or providing detailed quantification of all inputs and outputs.

The CHOs and CAOs replied that no instructions had been issued by the higher authorities on the matter.

- The guidelines also envisage conduct of baseline surveys before preparation of work plans and involvement of local self bodies such as *panchayats* and village level councils to identify beneficiaries and check misutilization of subsidy. Audit noticed that beneficiaries were identified/selected by the field staff. While beneficiaries lists were not made available in two CAOs (Udhampur, Rajouri), records of five⁶ CHOs, two CAOs⁷ and Director, Floriculture, Jammu showed that the department had not planned as to how the beneficiaries were to be identified.

Due to non-adherence to the guidelines, 228 beneficiaries of five test-checked districts had managed to avail multiple subsidies (more than once) under the same activity. It had led to misutilization of subsidy of ₹ 32 lakh during 2005-10 which could have been avoided had the department worked out a plan for identification of beneficiaries in accordance with the guidelines.

The CHOs/CAOs stated that no instructions regarding conduct of baseline surveys had been issued by the higher authorities. However, they stated that payment of subsidy to the same beneficiary for the same activity would be avoided in future.

1.1.8 Financial Management

1.1.8.1 Allotment and Expenditure

The position of funds released by the GOI, expenditure incurred thereagainst and unspent balances at the close of each year for the period from 2005-06 to 2009-10 was as under:-

⁶ Jammu, Kathua, Poonch, Rajouri and Udhampur

⁷ Jammu and Kathua

Table 1.1.1

(₹ in crore)

Year	Opening Balance	Funds released during the year	Total available funds	Expenditure incurred	Closing balance
2005-06	2.65	20.80	23.45	13.10	10.35
2006-07	10.35	12.74	23.09	16.00	7.09
2007-08	7.09	40.59	47.68	23.19	24.49
2008-09	24.49	16.23	40.72	20.18	20.54
2009-10	20.54	14.78	35.32	11.42	23.90
Total		105.14		83.89	

(Source: Departmental Records)

Out of ₹ 105.14 crore released by the GOI during 2005-10 under the programme, the department had utilized ₹ 83.89 crore only. Due to poor utilisation of funds, unspent balances at the close of the financial year had swelled from ₹ 2.65 crore in 2004-05 to ₹ 26 crore in 2009-10, (₹ 23.90 crore plus interest of ₹ 2.10 crore). Due to non-utilisation of the available funds in full the department had also lost central assistance of ₹ 50.41 crore as against the approved outlay of ₹ 155.55 crore, as the GOI released ₹ 105.14 crore only during 2005-10.

Further analysis showed that 72 per cent (₹ 60.75 crore) of the total expenditure of ₹ 83.89 crore was incurred on Horticulture, 18 per cent on Agriculture and 3 to 4 per cent on Floriculture, Command Area Development and Development of Mandies. More emphasis on horticulture at the expense of other related activities has resulted in non-availability of irrigation facilities, adequate marketing infrastructure and as a result intended objectives of the mission could not be achieved to full extent.

While the Directors, Horticulture and Agriculture, Jammu stated that the TM was an ongoing scheme and its funds did not lapse at the end of the financial year, the Director Horticulture (P&M) stated that the second instalment had not probably been released due to non-utilization of the released funds in full. The replies of the Directors underscore the fact that the department's inaction in utilising full funds and submission of UCs in time had adversely impacted the fund flow from the GOI.

1.1.8.2 Excess release of assistance

As per programme guidelines, the maximum assistance for area expansion of vegetable crops, where seed varieties are used should not exceed ₹ 4,000 per hectare. Records showed that against the proposal for release of assistance @ ₹ 4,000 per hectare by the Directors, Agriculture, the GOI had released the assistance at the rate of ₹ 13,000 per hectare during 2005-07 resulting in an excess release of funds to the extent of ₹ 1.87 crore.

1.1.8.3 Reporting of expenditure

As per the conditions laid down by the GOI in the sanction orders issued under the programme, the Department was required to furnish utilisation certificates (UCs) in respect of the released funds. It was seen that against ₹ 3.54 crore actually incurred during 2007-08, the Director, Horticulture, Jammu reported to the GOI that ₹ 5.90 crore had been spent under the programme in the UCs submitted by him. The unspent

balance of ₹ 2.37 crore had been deposited in the bank account of the department. This indicated that the department had misreported the facts to the GOI.

The Director while accepting the audit contention stated that ₹ 2.37 crore were booked as expenditure against the achievement made during the year 2007-08 but could not be spent due to delayed release of funds by the State Government.

1.1.8.4 Release of funds to line departments

The guidelines envisage immediate release of funds to the line department. Audit noticed that there were delays ranging between 34 to 335 days in release of funds by the Government to the Directorate during 2005-10. Reasons for delayed release of funds, though called for (June 2010), were not provided by the Government.

1.1.8.5 Diversion of funds

Records of the three Directors⁸, the Joint Director Agriculture (Input) Srinagar, the Agronomist (Vegetables), Jammu, 5 CHOs and 2 CAOs (Jammu and Kathua) showed that the programme funds of ₹ 66.25 lakh had been diverted to/utilized on unapproved⁹ activities/items in violation of the guidelines.

The CHOs stated (May 2009) that the money had been spent to monitor/increase production in the nurseries, which was not included in the AAPs. The CAO, Jammu stated (February 2010) that Air Conditioners had been purchased to provide facilities to the officers of the department who came to agriculture complex to attend review meetings, which was grossly in violation of laid down guidelines.

As a result of these diversions, the funds available for implementation of the programme was curtailed to that extent.

1.1.9 Programme implementation

Out of the total amount of ₹ 79.09¹⁰ crore spent under the programme, ₹ 34.52 crore (44 *per cent*) had been spent on area expansion, ₹ 8.01 crore (10 *per cent*) on irrigation, ₹ 1.96 crore (two *per cent*) on development of nurseries, ₹ 0.98 crore (one *per cent*) on construction of vermi compost, ₹ 14.44 crore (18 *per cent*) on rejuvenation of old orchards, ₹ 3.06 crore (four *per cent*) on development of *mandies* and ₹ 16.12 crore (20 *per cent*) on polygreen houses, etc. Audit analysis showed major gaps in implementation of programme which are discussed below:

1.1.9.1 Targets and achievements

For deriving optimum benefits out of a programme, a Department is required to take up items of work envisaged under AAPs. As per the approved outlay, the details of envisaged expenditure and actual expenditure on various components were as under:

⁸ Floriculture, Kashmir; Horticulture, Jammu; Agriculture, Jammu,

⁹ Air fare, purchase of vehicles, laptops, computers, photocopier machine, generator sets, furniture, air conditioners, POL, repair of vehicle, payment of TA bills etc.

¹⁰ Excluding Floriculture Department

Table 1.1.2

(₹.in crore)

Name of the component	Envisaged expenditure (percentage)	Actual expenditure (percentage)
Area expansion	29.67 (29)	34.52 (44)
Rejuvenation of old orchards	17.56 (17)	14.44 (18)
Irrigation	10.74 (11)	8.01 (10)
Establishment of nurseries	4.61 (5)	1.96 (2)
Establishment of Poly Green Houses	5.28 (5)	1.45 (2)
Transfer of technology	4.35 (4)	2.76 (3)
Organic farming	0.92 (1)	0.87 (1)
Agriculture equipment	19.43 (19)	8.63 (9)
Apiculture	0.75 (1)	0.60 (1)
Development of Mandies	4.22 (4)	3.06 (3)
Assistance of survival.	5.75 (6)	1.73 (2)
Vermi compost	0.84 (1)	0.98 (1)
On-farm water management	0.97 (1)	0.08 (0.08)

The comparison of envisaged expenditure *vis-a-vis* actual expenditure across components indicated that the department had laid more emphasis on area expansion/rejuvenation of old orchards while undermining other components scheduled under the programme. Against the envisaged 46 per cent, the department had actually spent 62 per cent of the funds on area expansion/rejuvenation of old orchards alone. Consequently, activities such as irrigation, establishment of polygreen houses and on-farm water management, did not get proper attention from the department resulting in shortfall in achievement of targets in various components of the programme, as detailed below.

Table 1.1.3

Component	Nomenclature of the department							
	Horticulture		Agriculture		Floriculture		Total	
	T	A	T	A	T	A	T	A (per cent)
Area expansion (In ha)	24,188	27,110	7,420	4,746	2,150	955	33,758	32,811(97)
Rejuvenation of old orchards (In ha)	15,540	14,090	-	-	-	-	15,540	14,090(91)
Irrigation (In number)	3,988	2,437	1,119	471	24	2	5,131	2,910 (57)
Establishment of nurseries (In number)	143	162	-	-	25	3	168	165 (98)
Establishment of polygreen houses (Sq. m)	4,07,300	1,35,209	2,74,244	48,512	27,325	15,981	7,08,869	1,99,702 (28)
Construction of vermin-compost (In number)	-	-	481	362	-	-	481	362 (75)
On Farm Water Management (In ha)	375	2	463	6	-	-	838	8 (1)
Transfer of technology (In number)	14,154	7,875	4,611	3,137	961	604	19,726	11,616 (59)
Agriculture equipment (In number)	32,042	8,532	4,913	3,057	220	3	37,175	11,592 (31)

Component	Nomenclature of the department							
	Horticulture		Agriculture		Floriculture		Total	
	T	A	T	A	T	A	T	A (per cent)
Organic farming (In ha)	-	-	1,340	752	-	-	1,340	752 (56)
Apiculture Development (In number)	-	-	9,973	3,170	-	-	9,973	3,170 (32)
Mushroom Development (In number)	-	-	54	30	-	-	54	30 (56)

Source: Departmental Figures

(T: Target; A: Achievement)

The table above shows that there were shortfalls in achievement of targets in respect of irrigation, establishment of polygreen houses, on-farm water management, construction of vermi-compost and organic farming. Activities like transfer of technology, agriculture equipment, Apiculture/Mushroom development; development of *mandies* etc. did not get the required attention during the period.

Though in respect of establishment of nurseries the targets were stated to have been achieved to the extent of 98 *per cent*, audit noticed that no new nursery/progeny centre were set up in five test checked districts and the entire expenditure was incurred on repairs/renovation of already established nurseries, maintenance of office buildings, etc. as discussed in paragraph 1.1.9.4.

1.1.9.2 Physical achievement not commensurate with financial progress

- Scrutiny of records of the Agronomist, Jammu, the authority to implement the activity, revealed that entire release of ₹ 2.07 crore during 2005-10 were spent on purchase of seeds, which was sufficient for coverage of 5,182 ha of land. It was, however, seen that coverage of 2,869 ha of land only had been achieved during the period. As per the guidelines, assistance of ₹ 1.15 crore only was required to cover this area. The records for the remaining seed issued by SDAOs to the farmers costing ₹ 0.93 crore were not provided. The possibility of misuse of funds cannot be ruled out.

Further, the verification of the data of 1,053 beneficiaries issued with vegetable seeds, provided by the CAOs, Jammu and Kathua, showed that the cost of seeds issued to beneficiaries was in the range of ₹ 330 to ₹ 4,125 per ha. This showed that the average rate of issue of seed of ₹ 4,000 as fixed by the GOI was sufficient to meet the requirement of the beneficiaries.

- The Director, Kashmir issued seed, organic manure and chemical fertilisers at the fixed cost of ₹ 6,000, ₹ 5,000 and ₹ 2,000 per ha, respectively to the farmers in the province thereby incurring an irregular expenditure of ₹ 1.47 crore. Had the department adhered to the programme guidelines in letter and spirit, it could have covered 4,976 ha of land under vegetable in Kashmir province alone against the 1290 ha actually covered during 2005-10.

1.1.9.3 *Distribution of vegetables seeds*

The book 'package of practices for vegetables crops' published by SKAUST Jammu has recommended the time for sowing of crops in agro-climatic zones of Jammu province.

Records of the Agronomist (Vegetables) Jammu and three CAOs¹¹ showed that 162.84 quintal of various varieties of vegetable seed valued at ₹ 42 lakh had been procured and distributed to the farmers much after the sowing periods during 2006-10. This indicated that the department had not kept the timing of sowing of vegetables in view while procuring the seeds.

The Agronomist (Vegetables) Jammu stated that sowing period of vegetable crops varies from plains to hilly areas of all the districts of the division. The reply should be viewed in the light of the fact that the department had issued eight varieties of seed valued at ₹ 29.12 lakh to the farmers after one month to five months of the actual sowing periods which could be used only in the next season much after the expiry of shelf-life of six months fixed for sowing of the seed by Agronomist, Vegetables Department of Agriculture Jammu. The impact of untimely procurement and distribution of vegetable seed to the farmers could not, however, be assessed as the department had at no point of time worked out the impact of the various programmes implemented by it.

1.1.9.4 *Performance of nurseries*

As per programme guidelines, the department was required to provide disease free, healthy plants suitable for tropical, sub-tropical and temperate climatic conditions to the growers as per their requirement to increase the existing production capacity. For this purpose, 2-3 new integrated multi-crop nurseries (envisaged capacity 5 lakh plants per year) were to be established at the State level and a few small nurseries (envisaged capacity 2 lakh plants per year) were to be established at the district level under TM.







Audit scrutiny revealed that five test-checked CHOs¹² reported to GOI that 18 new nurseries (big: 3; small: 15) and two progeny centres were established under public sector at a cost of ₹ 51 lakh during the period 2004-09. However, it was seen that no new nursery/progeny centre had been set up and the entire expenditure had been incurred on repairs/renovation of already established nurseries, maintenance of office buildings, etc.

The CHOs stated that no land was available with the department for establishment of new nurseries and progeny centres and, as such, the expenditure was incurred on maintenance of already established departmental nurseries. Thus, the information supplied to the GOI was misleading.

¹¹ Jammu, Kathua, Udhampur

¹² Jammu, Udhampur, Kathua, Poonch and Rajouri

Further, the field visit to five private nurseries established with the assistance of ₹ three lakh under the programme during 2004-10 in three test-checked CHOs¹³ revealed that these nurseries were well established and were supplying plant material to the growers as well as to the department. In contrast, the position of five nurseries, visited by audit, established at a cost of ₹ 12.66 lakh in the public sector was found to be defunct. A comparative position of the condition of the nurseries in the public and the private sectors is shown in the photographs.

Public Sector nurseries	Private Sector nurseries
	
<i>Closed Nursery at Kidmoo, Ramnagar</i>	<i>Well established B.L.Nursery, Kidmoo, Ramnagar</i>
	
<i>Not well performing Nursery Agriculture Complex Talab Tilloo, Jammu</i>	<i>Well maintained Neelam Nursery Domana, Jammu</i>
	
<i>Not well performing Nursery at Balode, Samba</i>	<i>Well established Hill Top Nursery, Dudwara, Billowar</i>

The CAOs attributed non-functioning of these nurseries to non-release of funds for maintenance.

The performance of existing nurseries was also poor as given in the following table:-

¹³ Jammu, Udhampur, Kathua

Table 1.1.4

(In number)

District	Number of Nurseries	Annual capacity	Actual Production (in number)				
			2005-06	2006-07	2007-08	2008-09	2009-10
Udhampur **	22/8	3,00,000/ 1,59,000	39,227	32,355	57,003	23,363	26,882
Kathua	6	62,000	51,096	55,297	34,041	31,067	38,799
Jammu **	8/7	86,000/ 60,000	37,257	41,396	16,752	9,044	20,393
Rajouri @	4	74,200	47,979	43,459	47,578	29,890	35,398
Poonch	6	1,25,750	31,941	20,196	30,253	38,953	39,452
Anantnag@	9	1,00,000	39,708	54,415	88,620	50,664	22,293
Baramulla	5	1,00,000	20,988	23,548	18,330	27,867	N.A
Pulwama	5	82,800	7,824	18,863	25,881	8,804	20,104
Total (percentage)	65	9,30,750 2,19,000	2,76,020 (30)	2,89,529 (31)	3,18,458 (34)	2,19,652 (24)	2,03,321 (22)

** Due to bifurcation of the districts, number of nurseries came down from eight to seven in Jammu district from 2007-08 and from 22 to 8 in Udhampur district from 2008-09 and accordingly the annual capacity got reduced.

@ Damaged due to natural calamity.

The total annual production of 65 nurseries varied from 22 to 34 *per cent*. Since the expansion of area through new plantation depended upon the availability of quality plant material, due to the poor performance of departmental nurseries the department failed to meet the requirement of growers and was forced to purchase plants from the open market. This is evident from the fact that eight¹⁴ test-checked CHOs purchased plants worth ₹ 2.29 crore from the open market during 2005-10 for distribution to the growers, which could have been avoided had the departmental nurseries produced optimum yield.

The dismal performance of departmental nurseries can also be gauged from the fact that in 51 nurseries of six¹⁵ districts, during the period 2005-10, the success rate of the germination of seeds sown ranged between 11 and 72 *per cent* whereas in case of budding and grafting it was between 9 and 77 *per cent*.

The CHOs stated that the low production in the nurseries was due to non-availability of assured irrigation facilities, unfavourable weather conditions, lack of technical staff, depletion in soil fertility and non-receipt of adequate funds.

The reply is not tenable as funds were never a constraint, the department had failed to even utilise the available funds and the manpower position in the department was also not alarming. The main reason could be lack of assured irrigation facilities which the department has failed to address.

1.1.9.5 Survival of fruit plants

During 2004-10, in five¹⁶ test-checked CHOs survival rate of plantation was poor as tabulated below:-

¹⁴ Anantnag, Baramulla, Pulwama, Jammu, Kathua, Rajouri, Poonch and Udhampur

¹⁵ Kathua, Poonch, Udhampur, Rajouri, Pulwama and Jammu

¹⁶ Jammu, Udhampur, Kathua, Poonch and Rajouri

Table 1.1.5

Year	Fruit plants(In number)			Area (In hectares)		
	Planted	Survived	Mortality (percentage)	Covered	Existing as of March 2010	No longer under horticulture coverage due to mortality (percentage)
2004-05	2,89,422	1,03,933	1,85,489 (64)	1,766.07	678.39	1,087.68 (62)
2005-06	2,75,325	1,06,121	1,69,204 (61)	1,658.18	674.99	983.19 (59)
2006-07	4,61,382	1,89,828	2,71,554 (59)	2,804.34	1,160.66	1,643.68 (59)
2007-08	4,03,827	2,13,408	1,90,419 (47)	2,299.17	1,231.06	1,068.11 (46)
2008-09	2,26,190	1,37,794	88,396 (39)	1,338.50	839.74	498.76 (37)
2009-10	3,33,662	2,88,824	44,838 (13)	1,905.25	1,616.96	288.29 (15)
Total	19,89,808	10,39,908	9,49,900 (48)	11,771.51	6,201.80	5,569.71 (47)

Due to poor survival rate of fruit, only 6,201.80 ha (52 per cent) out of 11,771.51 ha of land brought under fruit cultivation during 2004-10 in five¹⁷ districts of Jammu Province at a cost of ₹ 13.85 crore was under horticulture as of March 2010.

The decline in the covered area was attributed by the CHOs to high mortality of plants. The reply points to the fact that the crucial pre-requisite for providing assured irrigation facilities and maintenance had not been addressed during the execution of the programme under horticulture between 2004-10. Thus, the main purpose of the programme to expand area under horticulture had got defeated and the expenditure of ₹ 6.63 crore incurred on expansion during 2004-10 had been rendered unproductive to a significant extent.

1.1.9.6 Production and productivity

Against the fruit production target of 14.40 lakh MT fixed by the department for the 10th Plan (2002-07), the production was in the vicinity of 15.03 lakh MT against 10.97 lakh MT at the beginning of the plan, which was encouraging.

The ultimate aim of the scheme, besides increasing productivity per hectare, was production of quality fruit through use of hybrid variety of seed and increased production over a period of time by way of getting more area under horticulture cover. Despite spending ₹ 60.75 crore on the sector under TM during the period 2005-10 there was only marginal increase in production of fruits.

The production and productivity per hectare area of fruit in the State during 2005-10 was as under:

¹⁷

Jammu, Udhampur, Kathua, Poonch and Rajouri

Table 1.1.6

Year	Particulars	Variety of fruit						
		Apple	Pear	Apricot	Walnut	Almond	Others	Total
2005-06	Area (In lakh ha)	1.12	0.11	0.05	0.77	0.16	0.47	2.68
	Production (In lakh MT)	11.51	0.42	0.12	1.08	0.14	0.90	14.17
	Productivity (In MT/ha)	10.27	3.81	2.40	1.40	0.87	1.91	20.66
2006-07	Area (In lakh ha)	1.19	0.11	0.05	0.81	0.16	0.50	1.80
	Production (In lakh MT)	12.22	0.43	0.13	1.15	0.15	0.95	15.03
	Productivity (In MT/ha)	10.26	3.90	2.60	1.41	0.93	1.90	21.00
2007-08	Area (In lakh ha)	1.28	0.12	0.05	0.82	0.16	0.52	2.95
	Production (In lakh MT)	13.11	0.46	0.13	1.44	0.11	1.06	16.31
	Productivity (In MT/ha)	10.24	3.83	2.60	1.75	0.68	2.03	21.13
2008-09	Area (In lakh ha)	1.34	0.12	0.05	0.85	0.17	0.55	3.08
	Production (In lakh MT)	13.33	0.47	0.14	1.49	0.12	1.36	16.91
	Productivity (In MT/ha)	9.94	3.91	2.80	1.75	0.70	2.47	21.57
2009-10	Area (In lakh ha)	1.39	0.12	0.06	0.89	0.18	0.57	3.21
	Production (In lakh MT)	13.68	0.46	0.14	1.54	0.13	0.80	16.75
	Productivity (In MT/ha)	9.84	3.83	2.33	1.73	0.72	1.40	19.85

While the production of apple had increased from 11.51 lakh MT to 13.68 lakh MT during 2005-10, the production of Pear, Apricot and Walnut had only marginally increased. The production of Almonds, however, reduced from 0.14 lakh MT in 2005-06 to 0.13 lakh MT in 2009-10.

It can be seen from the above table that during 2005-10, productivity of Pear and Walnut had increased whereas it has decreased in respect of the main fruits in the State, namely Apple, Almonds and Apricot.

The production and productivity per hectare of vegetables in the state during 2005-10 was as under:

Table 1.1.7

Activity	2005-06	2006-07	2007-08	2008-09	2009-10
Area (In '000 Ha)	52.33	56.80	28.74*	60.25	60.66
Production (in '000 MT)	921.20	1041.69	546.04	1392.01	1415.65
Productivity (In MT/Ha)	17.60	18.34	19.00	23.10	23.34

* Figures in respect of Kashmir Division not furnished by the department

It could be seen that during 2005-10 area under vegetables had increased by 0.08 lakh ha (15 per cent). Both overall production of vegetables and the productivity had recorded increase which was encouraging.

1.1.10 Subsidy

To give a boost to horticulture, subsidy under TM is provided to farmers to encourage them to take up cultivation of fruit trees for increasing production. Guidelines of the programme envisage assistance to the maximum of ₹ 22,500 per ha (75 per cent of the estimated cost of ₹ 30,000) in the ratio of 50:20:30 in the three years of operation. The assistance includes, cost of fruit plants and handling/carriage charges for establishment of one hectare orchard estimated at ₹ 5,000 for which subsidy of ₹ 2,750 is provided by the department and balance ₹ 2,250 is borne by the beneficiary.

Audit noticed that in five districts¹⁸, against the envisaged ₹ 2,750 on account of cost of fruit plants and handling/carriage charges, subsidy of ₹ 3,750 had been paid as cost of fruit plants alone to the beneficiaries during 2006-09. In addition the department had also paid the cost of carriage/handling of plants of varied amounts. This had resulted in excess payment of ₹ 62.73 lakh towards subsidies (cost of plants: ₹ 44.64 lakh; carriage/handling charges: ₹ 18.09 lakh) as detailed below:

Table 1.1.8

(₹ in lakh)

Year	Cost of plants	To be borne by Dept	Actually borne by Dept	Excess	Carriage/handling Cost	To be borne by Dept	Actually borne by Dept	Excess
2006-07	66.03	36.31	49.52	13.21	9.05	4.97	9.05	4.08
2007-08	53.64	29.50	40.23	10.73	9.33	5.13	9.33	4.20
2008-09	46.53	25.59	34.89	9.30	10.38	5.70	10.38	4.68
2009-10	56.98	31.34	42.74	11.40	11.41	6.28	11.41	5.13
Total				44.64				18.09

Scrutiny of the records of CHO, Udhampur showed that out of 810 cases, 152 beneficiaries had been provided the assistance in excess of the prescribed limit of ₹ 11,250 per ha for the first year. No such case, however, came to the notice of audit in Kashmir Division.

The reply furnished by CHOs¹⁹ was irrelevant. The fact remains that the payments were not restricted to ₹ 11,250 per ha in individual case.

The guidelines also provide that after the first instalment, the subsequent two instalments shall be paid depending upon the progress made by the beneficiary in the preceeding year(s). For any unsatisfactory performance, further funds shall not be released and funds advanced in the first year shall be recovered.

Audit noticed that survival rate of fruit plants planted in 2661.03 ha of land during 2006-09 in 47 zones of five CHOs²⁰ was below 75 per cent and did not qualify for payment of the subsequent instalments. As a result of poor performance, ₹ 3.01 crore paid to 3304 beneficiaries as the first instalment was to be recovered under the provisions of the guidelines. It was, however, seen that no recovery had been effected from the concerned beneficiaries.

The CHOs stated that there was no provision/possibility of recovery of the financial assistance provided to the beneficiaries on legal grounds. The reply was not justified as the CHOs had failed to incorporate a clause to that effect in the agreements executed with the beneficiaries to avoid legal complications/loss due to non-recovery of the assistance.

¹⁸ Jammu, Udhampur, Kathua, Poonch and Rajouri

¹⁹ Jammu, Udhampur, Kathua, Poonch and Rajouri

²⁰ Jammu, Udhampur, Kathua, Poonch and Rajouri

1.1.11 Saffron Cultivation

Apart from Apple, the State is famous for saffron cultivation. To increase its production, saffron was also brought under the ambit of the programme. The programme guidelines envisage bringing more area under saffron cultivation by providing subsidy of ₹ 13,000 per ha to the farmers to boost its production. The department (Agriculture) targeted coverage of additional 701 ha for cultivation under TM programme at a cost of ₹ 91.73 lakh during 2005-10. It was, however, seen that only 119 ha constituting just 17 *per cent* of the targeted area had been covered during the period. The reasons for huge shortfall (83 *per cent*) in achievement of targets, though called for, were not intimated. The overall production of saffron in the State had shown a jump of 22 *per cent* during the last five years.

1.1.12 Post-harvest management, marketing and export

The MM-III aims to create infrastructural facilities for post-harvest management, marketing and export. Under this mission, outlets are to be provided to the farmers for their produce.

Some of the interesting points noticed in audit are discussed below:

1.1.12.1 With a view to providing proper outlets for State's produce (vegetables and fruit), construction of 14 wholesale markets (Jammu: six; Kashmir: eight), estimated to cost at ₹ 35.70 crore, was taken up (1997-98) under NABARD loan assistance, for completion by the end of March 2000. Scrutiny of records showed that while eight wholesale markets of Kashmir province estimated to cost ₹ 20.99 crore had been completed at a cost of ₹ 21.89 crore during 2009-10 after a lapse of 10 years, the construction work of six wholesale markets of Jammu province estimated to cost ₹ 14.71 crore had been taken up for execution in 2008-09 even though the land for these markets had been acquired in 1998-99 at a cost of ₹ 2.38 crore. The Director Horticulture (P&M), J&K attributed delay in execution of construction works of these markets to non-accordance of administrative approval. Thus, non-completion/delayed completion of works had deprived the farmers of the outlets for their produce. (June 2010).

1.1.12.2 Audit noticed that the GOI had released ₹ 7.50 crore to the State Government for development of 15 wholesale markets (Jammu: seven; Kashmir: eight) during 2005-06. The department had incurred an expenditure of ₹ 3.25 crore on development of seven wholesale markets of Kashmir province during the period 2005-09. The balance funds of ₹ 4.25 crore meant for other eight wholesale markets (Jammu: seven; Kashmir: one) had been diverted by the state Government to MM-II (production) as the construction work of these markets could not be taken up as of 2008-09. It is evident that the State Government had submitted incorrect proposal for development of wholesale markets to the GOI during 2004-05. Diversion of funds for MM-III (development of Markets) to MM-II (production) is irregular. Reasons for the diversion, though called for (June 2010), were not furnished by the Government.

1.1.13 Manpower Management

1.1.13.1 Human resource development

The position of manpower availability in the department as on 31 March 2010 is tabulated below:-

Table 1.1.9

Sl. No	Designation	Kashmir		Jammu		Total	
		Sanctioned	Vacant	Sanctioned	Vacant	Sanctioned	Vacant (percentage)
1.	Gazetted	150	11	288	64	438	75 (17)
2.	Technicians	1747	264	1342	298	3089	562 (18)
3.	Subject matter specialist (SMS)	120	29	120	26	240	55 (23)
4.	HDOs/SDAOs/AEOs/AAs/JAAs**	1192	109	264	59	1456	168 (12)
5.	Gardeners/Malies	466	138	919	279	1385	417 (30)
6.	Ministerial Staff/others	2799	200	1419	279	4218	479 (11)
	Total	6474	751	4352	1005	10826	1756 (16)

**HDO: Hort. Development Officer, SDAO: Sub-divisional Agri. Officer, AEO: Agri. Extension Officer, AA: Agri Assistant and JAA: Junior Agri. Assistant

There was an overall shortage of 1756 personnel (16 per cent) in the department. The shortage of technical and ministerial staff was in the range of 12 and 30 per cent. For the development of horticulture, technical staff, viz. technicians and gardeners, are regarded as the backbone of the department. Audit observed that there was a significant shortage technician (562) and gardeners (417) in the department (March 2010). The Directors²¹ stated that the matter of filling up of the vacant posts had already been taken up with the higher authorities for appropriate action.

1.1.13.2 Appointment of agriculture graduates

To overcome the shortage of trained manpower, the GOI permitted (August 2006) the State Government to engage one agriculture graduate in each block on hire basis to assist in the implementation of the programme. Accordingly, the State Government could hire 119 agriculture graduates for as many blocks in the State. Scrutiny of records revealed that 21 candidates were engaged by the department in November 2005 in anticipation of permission of the GOI, which was irregular. It was also seen that the criteria of engaging the staff had not been followed as nine candidates engaged did not possess the required qualification provided under the guidelines.

1.1.14 Establishment of integrated mushroom unit

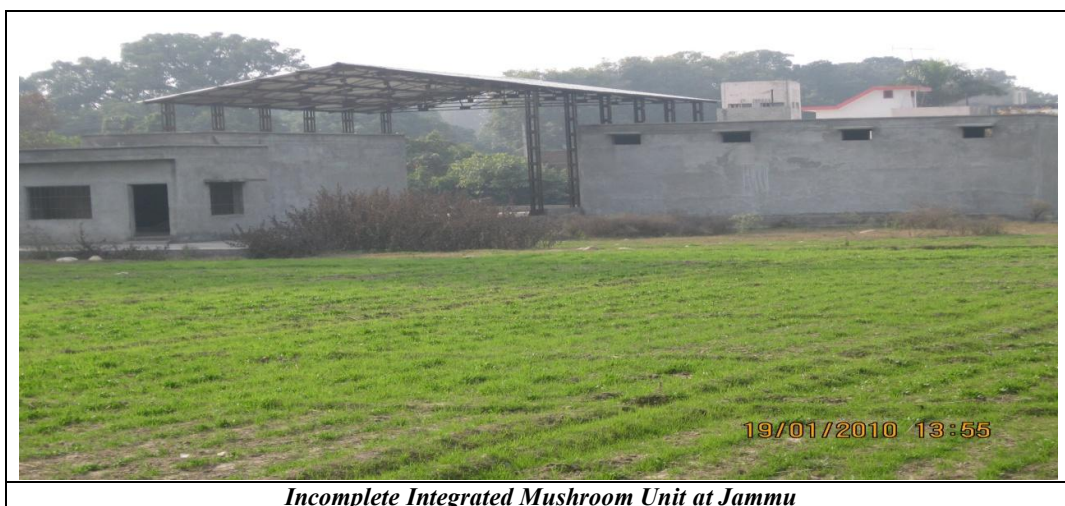
To provide compost and spawn to the mushroom growers and for processing and marketing of the produce of growers, the GOI had approved construction of integrated mushroom unit under the programme during 2004-05 for completion within 24 months. For this purpose, the GOI had released ₹ 50.00 lakh during 2004-05.

Scrutiny of records revealed that the department had retained the funds unnecessarily and released only ₹ 35.00 lakh to the Executive Engineer, Horticulture (P&M)

²¹ Director, Agriculture Jammu; Director Floriculture Jammu and Director Horticulture Jammu

Division, Jammu for execution of work during 2007-09 (₹ 20.00 lakh in 2007-08 and ₹ 15.00 lakh in 2008-09). The balance ₹ 15.00 lakh remained with the CAO Jammu as of May 2010.

Audit noticed that the Executive Engineer, Horticulture (P&M) Division, Jammu had spent ₹ 35.00 lakh on construction of compost unit, bulk pasteurisation unit, underground blower room and lecture hall and that the execution of work in respect of processing/canning unit and spawn laboratory could not be taken up due to non-release of balance funds by the department.



Unnecessary retention of funds by the department had, thus, led to stoppage of construction work rendering ₹ 35.00 lakh spent on the unit unfruitful. Further, non-completion of integrated mushroom unit had adversely impacted the mushroom development programme in the region.

The Director Agriculture, Jammu stated (June 2010) that the construction works would be started after final outcome of the discussion with the Mechanical Engineering Department and after receipt of revised proposals for mechanical and civil works. The reply is not acceptable as ₹ 15 lakh was available and was retained by the CAO, Jammu irregularly, which was a contributory factor for the delay.

1.1.15 Establishment of Plant Health Clinic

To provide support for diagnosis of diseases and also assist quality management, the GOI had approved (2007-08) establishment of a plant health clinic at Jammu at an estimated cost of ₹ 20.00 lakh during 2007-08.

Audit noticed that the Director Agriculture, Jammu released the funds in favour of the Agriculture Chemist, Jammu in March 2009 after a lapse of one year. An amount of ₹ 9.77 lakh had been incurred on construction of building and purchase of instruments till March 2010.



Non-functional Plant Health Clinic at Jammu

Scrutiny of records revealed that the plant health clinic could not be made functional due to non-purchase of equipment and other items required for the functioning of the clinic owing to non-finalization of rates by the State Purchase Committee.

In reply, the agriculture chemist, stated (May, 2010) that the clinic would be made functional within a fortnight.

1.1.16 Cash payment to beneficiaries

As per guidelines of Technology Mission, barbed wire and poles valued at ₹ 7,300 (during the period 2004-06) and ₹ 6000 (from 2006-07 onwards) was required to be provided to the beneficiaries for fencing of one ha orchard. The barbed wire and poles were required to be purchased by the department. Further, the TM guidelines prohibit cash payment to the beneficiaries.

Records showed that while Chief Horticulture Officer, Jammu, Udhampur and Kathua had procured barbed wire and poles and provided them to the beneficiaries for fencing of orchards, the CHO, Rajouri and Poonch made cash payment of ₹ 1.78 crore to 2924 beneficiaries for construction of wall of stones during the period 2005-10 in violation of programme guidelines. The CHOs stated that the construction of protection wall of stones was taken up in pursuance of the decision of District Development Board, Poonch during December 2004 and on the recommendations of Local MLA/MLC. The CHOs further stated that the payment would be made to the payees through account payee cheques in future. The reply of the department was not acceptable as the decision taken in the Board meeting had not been got approved from the fund-releasing agency.

1.1.17 Monitoring and evaluation

Under the programme guidelines, a State Level Steering Committee (SLSC) under the chairmanship of the Chief Secretary is to monitor the progress of the scheme. It was seen that meeting held during 2004-2008 had not been chaired by the Chief Secretary. No meeting had been held in 2008-2009.

The Director, Horticulture, Jammu stated (April 2009) that progress of the scheme was reviewed at the end of each planting season each year. No monitoring reports were, however, produced to audit though called for (March 2009).

As per the guidelines, external evaluation is required to be carried out through reputed firms at the end of the plan period. Audit observed that no such evaluation had been got carried out by the department at the end of the plan period 2002-07. In absence thereof, the impact of the implementation of the programme could not be ascertained. However, the State Level Evaluation Committee had started evaluation of the scheme during 2007-08; the comments thereof were awaited as of March 2010.

The Director, Horticulture, Jammu stated (April 2009) that experts from the GOI monitor the scheme at regular intervals. The reply of the Director should be viewed in the light of the fact that the guidelines provided for monitoring through an external agency which can not be substituted by monitoring conducted by the GOI.

1.1.18 *Conclusions*

The department had not formulated a long term Horticulture policy for the State due to which it could not plan its activities on a scientific basis. The department had neither taken an integrated approach by involving all other concerned departments in planning nor collected data from the Remote Sensing Department for identification of waste land. Utilisation of funds was not proper which had resulted in huge unspent balances at the close of the financial years and loss of assistance to the State. Funds meant for implementation of the programmes were diverted to other activities had resulted in non-achievement of the objectives. The department had laid more emphasis on area expansion thereby ignoring certain crucial activities like irrigation etc. which had adversely impacted survival of plants and consequently production. The department had failed to provide outlets to the farmers for their produce. Monitoring mechanism was virtually non-existent.

1.1.19 *Recommendations*

- Action plans should not be prepared in isolation but linked and prepared by dovetailing funds from different sources to adopt a holistic approach to derive optimum benefits out of the investment.
- Remote sensing technology for preparation of integrated development plans for identification of sites for expansion should be adopted.
- Assured irrigation facilities should be ensured and new water harvesting technologies adopted through co-ordination with other Government departments/agencies.
- External evaluation should be carried out to ascertain the impact of the programme.

Consumer Affairs and Public Distribution Department

1.2 Public Distribution System

The Consumer Affairs and Public Distribution Department (CAPD) is responsible for providing food security to the public in general and vulnerable sections of society in particular. The identification of beneficiaries under BPL/AAY was not completed. There was no bench mark for quality check of food grains. The storage capacity of the department was also not adequate and as per the required standards. The internal control system of the department also needs to be strengthened.

Highlights

- *Despite recommendations of PAC the accounts of the department were in arrears since 1973-74 in Jammu Division and 1974-75 in Kashmir Division.*
(Paragraph: 1.2.7)
- *In spite of the saving of ₹ 38.30 crore during 2007-09, the department failed to clear outstanding liability as a result there was outstanding interest liability of ₹66.66 crore against the Department*
(Paragraph:1.2.9)
- *The storage capacity of food grains in five districts test checked was not adequate as none of the districts could hold even one month's requirement in godowns.*
(Paragraph: 1.2.14)
- *The shortfall in sale outlets/FPs during 2007-10 ranged between 34 and 38 per cent in Jammu Division and between 21 and 28 per cent in Kashmir Division.*
(Paragraph: 1.2.15)
- *The storekeepers wrote off 399 MTs of food grains as dryage/wastage in their stock in excess of norm allowed by the Hon'ble High Court resulting in a loss of ₹54.92 lakh.*
(Paragraph1.2.16)
- *Against ₹1.11 crore allotted under Annapurna scheme during 2007-10, only ₹20 lakh had been spent and balance ₹91 lakh was surrendered.*
(Paragraph: 1.2.19.1)
- *The department had not instituted any mechanism to exercise proper control over the issue and distribution of food grains.*
(Paragraph: 1.2.22)

1.2.1 Introduction

Public Distribution System (PDS) is the system for distribution of essential commodities²² to targeted consumers (ration card holders) through Fair Price Shops (FPSs) and is a major instrument of Government's economic strategy for ensuring

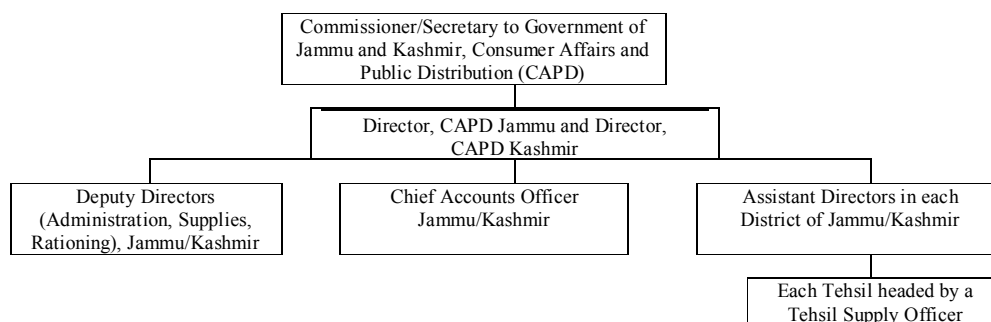
²² Rice, wheat, sugar, kerosene oil, etc.

food security for the public at large and vulnerable sections of the society, in particular. The system involves procurement, storage and distribution of foodgrain and essential commodities to ration card holders at affordable prices and is regulated under the provisions of 'Public Distribution System (Control) Order, 2001'. To strengthen PDS, Government of India introduced (February 1997) the scheme of Targeted Public Distribution System (TPDS) whereunder special cards are issued to the Below Poverty Line (BPL) families to provide them foodgrain at subsidised prices. The Consumer Affairs and Public Distribution Department (CAPD) is responsible for implementation of the PDS in the State.

1.2.2 Organisational Set up

Chart-I

The organisational chart of the Department is as under:-



1.2.3 Scope of Audit

The performance audit of the operations of the Department with regard to implementation of the PDS was reviewed in Audit from May to August 2010 and in October 2010 and is based on a test-check of records of the Directorate office at Jammu, six²³ (out of 22) Assistant Directors and 13 (out of 78) Tehsils (Tehsil Supply Officers) of the State. The review discusses the performance of the Department in procuring and distributing foodgrain, sugar and kerosene oil during 2007-10.

1.2.4 Audit Objectives

The objectives of the performance audit were to assess:

- efficacy of the system for identifying beneficiaries;
- effectiveness of the system of allocation and distribution to ensure that all people have access to prescribed quantity of foodgrain in time and at affordable rates;
- convergence of PDS with other food grain based welfare schemes; and
- effectiveness of the monitoring mechanism.

1.2.5 Audit Criteria

The audit criteria used for assessing the performance of PDS were:

²³

Jammu, Kathua, Rajouri (Jammu Division) and Anantag, Budgam and Kargil (Kashmir Division)

- Guidelines prescribed by the GOI for identification of beneficiaries.
- Provisions of the PDS (Control) Order, 2001.
- Scale of price and issue of foodgrain prescribed by GOI.
- Orders/instructions of State Government for issuance of ration cards, weeding out bogus ration cards and units, scale of rates, monitoring over the functioning of FPSs.
- Norms for payment of transportation/incidental charges of foodgrain.
- Government instructions regarding quality of foodgrain.
- Prescribed monitoring mechanism.

1.2.6 Audit Methodology

Before taking up the Performance Audit, discussions were held with the officers of the CAPD in an entry conference held on 25th May 2010 in which objectives, criteria and scope of Audit were discussed. Audit evidence was collected through an examination of the records and data maintained at Directorate, district/tehsil level, Fair Price Shops, etc., selected by simple random sampling method. An exit conference was held with Commissioner Secretary, CA&PD Department on 23 December 2010. The views of the department have been appropriately incorporated wherever relevant.

Audit Findings

The important audit findings arising out of the review are discussed in the succeeding paragraphs.

1.2.7 Non-preparation of Proforma Accounts

The Department was required to prepare Proforma Accounts immediately after the close of each financial year but not later than 1st June for certification by Audit before 30th September each year. Despite recommendations (1962 and November 2009) of the Public Accounts Committee, accounts were in arrears since 1973-74 and 1974-75 in respect of Jammu and Kashmir Divisions, respectively. Due to non-preparation of accounts, the financial position and working results of the Department could not be ascertained in Audit.

Non-preparation of the accounts meant that the objectives of using accounts as an instrument of financial control could not be effectively fulfilled by the Department, risks of fraud and embezzlement could not be ruled out with a reasonable degree of confidence, and legislative oversight of public expenditure could not be ensured.

The department stated that preparation of proforma accounts involved huge expenditure and the department intends to approach the Government to exempt preparation of the accounts or else allow preparation of accounts prospectively.

1.2.8 Identification of beneficiaries

GOI proposed (June 2001) adoption of the provisional estimates of the BPL population (BPL families: 7.36 lakh) arrived at by the Planning Commission (1993-94). Under the PDS (Control) Order, 2001, annual re-verification of BPL and AAY

families by the Department was made mandatory for the purpose of deletion of ineligible families. According to GOI guidelines, the State Government was also required to identify the BPL population in the State by involving *Gram Panchayats* and *Gram Sabhas*. Subsequently, the State Government ordered (June 2009) determination of the exact BPL population and rectification of the BPL lists prepared earlier through committees²⁴ constituted for the purpose. The Deputy Commissioners and the Tehsildars were designated as nodal authorities within their respective jurisdiction. The re-verification was to be conducted and reports were required to be submitted to the State Planning and Development Department within a period of three months from the date of issuance of the order. The State Government also ordered (October 2009) that while deleting the names of ineligible families from the existing BPL/*Antodaya Anna Yojna (AAY)*; the eligible families should be enlisted against the families deleted during the re-verification.

Audit observed that the Department had conducted annual re-verification of BPL and AAY families in three²⁵ out of six districts test-checked during 2007-10, deleted 1908 BPL and 966 AAY families and included the same number of families thereagainst to keep the number of beneficiaries within the figures conveyed by the Commission. No such re-verification had been conducted in Anantnag, Budgam and Kargil Districts. The records in two (Rajouri and Kathua) test-checked districts had, however, not been maintained to indicate the category of the beneficiaries from which inclusions were made.

It was observed during audit of six²⁶ test-checked districts that re-verification was again done in Rajouri and Kargil Districts and completed by June 2010 and April 2010, respectively. While in Rajouri district the committee had deleted 1805 BPL and 750 AAY families and included the same number of respective families thereagainst, in Kargil District, 466 BPL/AAY had been deleted and 565 families included thereagainst. Though the exercise of re-verification had been taken up in other four districts, yet it had not been completed as of June 2010.

No reasons for non-completion of verification of BPL beneficiaries in other Districts were furnished (November 2010) except by AD, Budgam who stated that due to prevailing situation in the valley, the verification process could not be completed and would be completed by November 2010. The delay in completing the re-verification process within the prescribed period resulted in the risk of passing of benefits to ineligible beneficiaries at the cost of eligible beneficiaries.

The department stated (December 2010) that the process of identification had not been completed and final list of BPL families have not been provided by Planning and Development Department.

²⁴ Committees comprises of officers of the Departments of Consumer Affairs & Public Distribution, Rural Development (In Rural Areas), Housing and Urban Development (In Urban Areas) and Department of Revenue.

²⁵ Jammu, Kathua and Rajouri.

²⁶ Jammu, Kathua, Rajouri Anantnag, Budgam and Kargil.

1.2.9 Financial Management

The details of allocation of funds for lifting of foodgrain and sugar from the FCI during 2007-10 and expenditure incurred thereagainst are as under:-

Table 1. 2.1

(₹ in crore)

Year	Allocation	Expenditure	Savings
2007-08	582.01	579.33	2.68
2008-09	622.96	587.34	35.62
2009-10*	757.50	757.50	--

* includes Allotment/Expenditure under OMSS (D)

Underutilisation of allocation during 2007-08 and 2008-09 resulted in the Department not being able to lift its full quota of foodgrain/sugar during these years as discussed in paragraph 1.2.10.

Following further significant points were also noticed.

- The State Government had agreed (May 2003) to release ₹ five crore every month to FCI for clearing the outstanding on account of credit sales of foodgrain made up to 31st August 2002 and allowed fortnightly credit for the foodgrain issued subsequently.

Audit scrutiny revealed that the outstanding had not been cleared by the Directors, CAPD, Jammu/Kashmir and the FCI had lodged (upto September 2009) a claim for ₹ 66.66 crore as interest ending August, 2009 on the outstanding credit sales of ₹ 28.57 crore. Thus, failure to clear the outstanding, despite savings of ₹ 38.30 crore during 2007-09, had resulted in avoidable interest liability of ₹ 66.66 crore.

The Department stated (December 2010) that matter of waiver of interest had been taken up with GOI.

- Under the Hill Transport Subsidy Scheme introduced (August 1975) by the GOI, States having little or no rail connectivity or poor road communication were allowed reimbursement of cost of transportation of foodgrain/sugar incurred by them from FCI depots to the declared Principal Distribution Centres (PDCs). The claims were to be lodged with the FCI within 15 days following the month in which the foodgrain were transported. It was seen that reimbursement claims amounting to ₹ 17.31 crore were either pending recovery or disallowed by the FCI, as discussed below.
 - ★ Against the reimbursement claims of ₹ 19.01 crore lodged (upto September 2009) by the Department with the FCI for transportation in Jammu Division, only ₹ 4.81 crore had been adjusted by the FCI. Of the balance, amount of ₹ 0.62 crore had been disallowed and ₹ 13.58 crore was pending settlement (June 2010).
 - ★ Similarly, against the reimbursement claims of ₹ 8.22 crore lodged (2007-10) by the Department with the FCI for transportation in Kashmir Division, only ₹ 5.11 crore had been paid by the FCI. An amount of ₹ 1.02 crore was

disallowed on the plea that the Department had not lifted the foodgrain from the depot at Kupwara and ₹ 2.09 crore was pending settlement.

The department stated (December 2010) that in view of the topography it was difficult to forward claims for Hill Transport Subsidy within the prescribed 15 days and added that delays in submission of claims would be minimised and issue of re-imburement would be taken up with FCI.

1.2.10 Allocation and lifting of food-grains

(a) Rice and Wheat

It was noticed in audit that the Department had not lifted the entire allocated quantity of foodgrain during 2007-10. As against the total allocation of 24.37 lakh MTs, the Department had actually lifted 22.90 lakh MTs of foodgrain for all categories of beneficiaries as given in the table below.

Table 1.2.2

(Figures in lakh MTs)

Year	Allocation/ Lifting						Excess (+)/Shortfall (-)					
	Wheat			Rice			Wheat			Rice		
	APL	BPL	AAAY	APL	BPL	AAAY	APL	BPL	AAAY	APL	BPL	AAAY
2007-08	1.97/ 1.87	0.50/ 0.50	0.21/ 0.21	3.17/ 2.49	1.52/ 1.51	0.85/ 0.86	- 0.10	--	--	- 0.68	- 0.01	+ 0.01
2008-09	1.70/ 1.66	0.50/ 0.52	0.21/ 0.20	3.07/ 2.95	1.50/ 1.55	0.86/ 0.91	- 0.04	+ 0.02	- 0.01	- 0.12	+ 0.05	+ 0.05
2009-10	1.70/ 1.50	0.52/ 0.51	0.22/ 0.21	3.45/ 3.08	1.55/ 1.51	0.87/ 0.86	- 0.20	- 0.01	- 0.01	- 0.37	- 0.04	- 0.01
Total	5.37/ 5.03	1.52/ 1.53	0.64 0.62	9.69/ 8.52	4.57/ 4.57	2.58/ 2.63	- 0.34	+ 0.01	- 0.02	- 1.17	-	+ 0.05

As could be seen from the above table, there was shortfall in lifting of Wheat and Rice under APL category in all years during the period 2007-10. There was marginal shortfall in lifting in some years during the period under BPL/AAAY categories. As a result of short-lifting of foodgrain, the consumers had to depend on open market to meet their requirement.

(b) Sugar

The year-wise details of allocation of sugar and lifting thereagainst during 2007-10 are as follows:

Table 1.2.3

(Figures in MTs)

Year	Allocation	Lifting	Shortfall (-)/Excess (+) (Percentage)
2007-08	82,992.00	72,400.39	(-) 10,591.61 (13)
2008-09	83,210.00	69,328.62	(-) 13,881.38 (17)
2009-10	82,892.00	69,208.00	(-) 13,684.00 (17)

Though the allocation of sugar had been made as per the requirement based on the scale prescribed by the Government, yet there was shortfall ranging between 10591.61 MTs and 13881.38 MTs (13 and 17 per cent) in lifting of sugar against the allocation made during 2007-10. Thus, consumers were deprived of the benefits available to them.

The department stated that short lifting in sugar was due to non-availability of stock with FCI.

1.2.11 Distribution of foodgrain

Lack of proper monitoring coupled with absence of clear policy with the Department affected distribution of foodgrain to the beneficiaries as given hereunder.

- Under AAY, the beneficiaries are to be provided foodgrain @ 35 kg per family per month at subsidized rates of ₹ two per kg for wheat and ₹ three per kg for rice. A target of 1,12,900 AAY families (Jammu Division: 50,600 and Kashmir Division: 62,300) was set (June/November 2001) by the GOI constituting 15.33 per cent of the 7.36 lakh BPL families (as per 1991 census) for coverage in the State. The GOI expanded the scope of the scheme to cover other sections of the society like old people, widows and displaced persons having no family or social support. A target of 26,500 families was set under 3rd expansion for coverage in Jammu Division. Accordingly, the Department identified (September 2006) additional 26,253 AAY families against 26,500 AAY families under 3rd expansion and instructions were issued to provide ration cards to the identified beneficiaries. The foodgrain had not, however, been released to the beneficiaries identified under 3rd expansion as of July, 2010.

The department stated (December 2010) that it will approach GOI to adjust allocation for BPL/AAY families so as to enable it to cover all the families identified under 3rd expansion.

- Against the admissible 15.61 lakh MTs of foodgrain due for issuance to the APL families, the Department had issued 13.75 lakh MTs of foodgrain only, resulting in less issuance of 1.86 lakh MTs. Non-issuance, as such, had the possibility of increasing the dependence of the APL beneficiaries on the open market to meet the shortage. The reasons for less issue, though called for, were not intimated.
- The State Government accorded (December 2007) sanction for distribution of free ration to 85,365 APL/BPL/AAY families in drought-hit area of Kathua District for three months commencing from January 2008 at a fixed scale of 35 kg per month (Rice: 17 Kg and Wheat: 18 Kg) per family. Scrutiny of records showed that against 8963.32 MTs due, 9303.04 MTs of foodgrain had actually been issued, thereby resulting in excess distribution of 339.72 MTs foodgrain (Cost: ₹ 18.96 lakh). The AD, Kathua did not give any cogent reason for the excess distribution.
- Audit also observed that the Department had also not prepared Utilisation Certificates (UCs) for 0.24 lakh MTs (Rice: 0.10 lakh MTs and Wheat: 0.14 lakh MTs) of foodgrain issued free of cost in four²⁷ test-checked Districts during 2009-10 for verification by the District Revenue Authority. In the absence thereof, correctness of issuance of ration free of cost could not be verified in audit. The AD, Rajouri stated that the UCs had been obtained. No such UCs

²⁷

Kathua, Rajouri, Anantnag and Budgam

were, however, shown to audit. The AD, Kathua did not reply to the audit observation. The ADs Anantnag and Budgam, however, stated (October 2010) that the concerned TSOs had been directed to obtain the UCs.

1.2.12 Availability of foodgrain at Sale Centres

The Department fixes monthly quota of foodgrain and sugar for issuance to sale centres. The quota is fixed on the basis of rationed population attached to each sale centre. Records showed a dismal position of the availability of foodgrain/sugar in the sale centres of nine tehsils in three test-checked Districts of Jammu during 2009-10 as given in the table:

Table 1.2.4

District	No. of sale centres	Total months	No. of times food-grains/sugar were not provided during the year (Percentage)						
			Wheat/Atta			Rice			Sugar
			APL	BPL	AAY	APL	BPL	AAY	
Kathua ²⁸	177	2124	253 (12)	147 (7)	265 (12)	609 (29)	599 (28)	530 (25)	362 (17)
Jammu ²⁹	414	4968	2097 (42)	852 (17)	931 (19)	2152 (43)	1010 (20)	1106 (22)	849 (17)
Rajouri ³⁰	180	2160	522 (24)	413 (19)	562 (26)	764 (35)	393 (18)	366 (17)	293 (14)

(Source: Departmental Records)

It would be seen that foodgrain/sugar were not made available at sale centres round the year for all categories of beneficiaries. Issue of inadequate foodgrain and sugar to sale centres especially BPL/AAY quota defeated the basic objective of PDS, which envisages food security to the poor. The Assistant Director, Jammu (Rural) stated (July 2010) that non-availability of foodgrain at Fair Price Shops (FPS) was due to inclusion of such FPSs in the details which were meant only for APL category. The reply should be viewed in the light of the fact that the shortage had been arrived at by Audit after due consideration of these aspects. The Assistant Director, Rajouri attributed (July 2010) the shortage to scarcity of foodgrain.

The AD, Budgam had not maintained such records. Information on the issue was awaited from AD, Kargil. Records of 15 (out of 122) FPSs in one tehsil (Anantnag) showed (October 2010) that the quantity of foodgrain and sugar requisitioned for a month were not provided and the shortfall in provision of foodgrain ranged between five and 100 per cent in Rice; 20 and 100 per cent in Atta and nine and 100 per cent for sugar in 2009-10. The AD, Anantnag stated (November 2010) that due to non-deposition of cash in time by the fair price shops for delivery of foodgrain for issuance resulted in lifting of less quantity against the due quota. The reply was unacceptable as the department should have ensured deposition of the full amount by the dealer or else appoint a new dealer.

²⁸ Kathua District includes Kathua, Hiranagar and Basohli tehsils only.

²⁹ Jammu District includes Jammu, Bishnah and R.S. Pura tehsils only.

³⁰ Rajouri District includes Rajouri, Sunderbani and Kalakote tehsils only.

The department stated (December 2010) that due to less allocation by GOI the quantity due, foodgrain could not be issued to some FPS as per their requirement.

1.2.13 Open Market Sale Scheme, Domestic

To check the inflationary trends in food economy, the GOI decided (October, 2009) to release Wheat and Rice to the State/UT Governments under 'Open Market Sale Scheme (OMSS)' on pre-payment basis as per the rates³¹ fixed by the High Level Committee of the FCI.

Against 0.45 lakh MTs of foodgrain allocated to Jammu Division, a quantity of only 0.35 lakh MTs (Rice 0.11 lakh MTs; Wheat 0.24 lakh MTs) was lifted (January/March, 2010). Audit observed that the Department, in absence of any system to evaluate inflationary trends in food economy, issued 0.11 lakh MTs food-grains lifted under OMSS upto March 2010 at APL rates, causing a subsidy burden of ₹ 5.35 crore to the State. Also, in contravention of the guidelines, the Department issued 1,503 MTs Atta instead of wheat between January 2010 and March 2010 with additional cost of ₹ 4.51 lakh as grinding charges.

The department admitted (December 2010) that broader objective of the scheme could not be achieved.

1.2.14 Storage capacity

Adequate storage capacity and proper management of the available capacity are critical for the efficient and effective functioning of a PDS. The Department had 131 godowns (Owned 56, Hired 75) as of 31st March, 2010 with storage capacity of 33,260 MTs in Jammu Division. Audit observed that on an average 29,092 MTs of foodgrain and 2,948 MTs of sugar had been lifted monthly by the Department during 2007-10 from the FCI. The storage capacity was, thus, adequate to hold the quota to meet the requirement of the Division for 31 days. In view of the fact that it was necessary for the CAPD authorities to create buffer and lift the foodgrain in advance to meet its requirements for the far-flung areas in the State, the existing infrastructure of godowns was insufficient to meet the requirements of the Division. Audit also observed that the Department had not evolved a systematic policy for forecasting and planning the storage capacity. The shortage of space not only adversely affected the efficiency of the supply chain but also led to wastage of foodgrain as brought out in subsequent paragraph (1.2.17).

The storage capacity of the five districts test-checked in audit was also not adequate and none of the districts could hold even one month's requirement in its godowns as given in the table.

³¹ Wheat: ₹ 1,109.54 per quintal and Rice: ₹ 1,614.68 per quintal.

Table 1.2.5

(Figures in MTs)

District	Storage Capacity	Average Monthly Lifting/consumption of food-grains and sugar	Storage Capacity equal to Monthly consumption
Rajouri	1850	2532.32	22 days
Kathua	2800	3086.25	27 days
Jammu (Rural)	1100	4013.03	8 days
Anantnag	1750	6525.26	8 days
Budgam	3500	4878.38	21 days

(Source: Departmental Records)

The storage capacity of these districts ranged between 8 and 27 days which is even less than one month's consumption.

Records also showed that eight departmental godowns had been occupied by Government/Private agencies for the last 25 years, but the Department had made no concrete efforts to get them vacated. The AD, Budgam stated (November 2010) that the higher authorities would be apprised of the matter. The other four ADs did not reply to the Audit observation.

Audit further noticed that the Department had taken up (2002-03) construction of three godowns at an estimated cost of ₹ 39.14 lakh (Revised Cost: ₹ 1.06 crore) under a CSS and had spent ₹ 42.64 lakh thereon. These godowns had not been completed as of August 2010 resulting in idle investment of ₹ 42.64 lakh. The DD (Planning and Statistics), Jammu stated (April 2010) that the work on the godowns was in progress and was expected to be completed in the current year.

The department stated (December 2010) that the State Government was contemplating to construct 13 more godowns (Kashmir: nine and Jammu: four). The project reports have been sent to GOI.

1.2.15 Performance of Sale Outlets/Fair Price Shops

For easy access to the sale centres for drawing foodgrain by the ration card holders, the State Government ordered (August 2003) that one FPS be opened in a particular area/locality for every 250 ration cards. For the average rationed families of 19.70 lakh in the State, there should be 7,880 FPSs as per the prescribed norms against which only 5,538 FPSs existed and the shortfall was 30 *per cent*. In Jammu Division, the shortfall in sale outlets/FPSs ranged between 34 and 38 *per cent* and in Kashmir Division between 21 and 28 *per cent* during 2007-10. Audit further noticed that establishment of Sale Outlets/FPSs among the rationed population was not only short but also uneven. It was seen that 31 to 127 FPSs catered to four to 249 beneficiaries while nine to 48 FPSs to 501 to 3,110 beneficiaries during 2007-10.

Performance of FPS, in three ³² test-checked districts of Jammu and the information furnished by AD, Anantnag revealed the following:

- Under the PDS (Control) Order, 2001, the beneficiary-wise records of allotment, sale, stock, ration card registers etc. are to be maintained in Fair Price Shops (FPSs), field Offices and at Headquarters level. These registers are required to be submitted to *Gram Panchayats/Vigilance Committees/any other body or*

32

Jammu, Kathua and Rajouri.

authority, authorised by the State Government for the purpose, to ensure close monitoring of sale/distribution of essential commodities.

It was observed that these registers had not been maintained at District level although allotment registers had been maintained at the tehsil levels and receipt/issue registers at FPS's. These records were, however, not submitted for verification to any body or authority. Thus, in the absence of maintenance of proper records and authentication of existing records by the authorized persons, the accuracy and genuineness of sale and distribution of essential commodities could not be vouched in audit.

The AD, Rajouri stated that the instructions had been noted for future. The AD, Anantnag stated (November 2010) that no check was being conducted by *Gram Panchayats/Vigilance Committees*.

- Under the extant Orders, the FPSs are required to furnish monthly returns indicating opening stock, quantity received/distributed, etc. by 7th of the month following the month of allocation of foodgrain to the District authority.

It was seen that FPSs in five tehsils in three³³ test-checked Districts had not furnished the requisite return to the ADs for which no reasons were on record. However, there were delays of 10 to 17 days in submitting the returns by other two³⁴ districts. The Department, on the other hand, had been releasing food stocks to these FPSs on the basis of previous off-take statements. Lack of exercise of the prescribed controls implied that the beneficiaries could be deprived of their benefits due to leakage of foodgrain into the open market.

- The ADs were required to conduct inspection of the FPS's once in six months to ensure transparency in their functioning.

Test-check of records of five³⁵ Districts showed that inspections had not been conducted as per norm and shortfall in conduct of inspections had ranged between 13 and 96 *per cent* during 2007-10. Failure to conduct regular inspections indicated lack of monitoring and weak internal controls.

The department stated (December 2010) that necessary instructions had been issued to Assistant Directors of respective districts to implement the requirements of PDS (Control) Order 2001.

1.2.16 Charging of Dryage/Wastage

To determine the extent of dryage/wastage to be allowed to the storekeepers of the Department in Kargil and Leh Districts, a committee constituted by the Government (February 2003) recommended (February 2005) dryage/wastage of 2.5 *per cent* and 1.5 *per cent* for Kargil/Leh in respect of foodgrain and sugar, respectively. The

³³ Rajouri: 3, Anantnag: 1 and Budgam: 1 (tehsils).

³⁴ Jammu and Kathua.

³⁵ Jammu, Kathua, Rajouri, Anantnag and Budgam.

Hon'ble High Court of Jammu and Kashmir in an interim judgement (August 2007), allowed three *per cent* wastage/dryage on all stores. The Hon'ble High Court also directed (December 2007) the Director, CAPD-Kashmir to pass final order on the issue within a period of eight weeks from the date of issue of its order. The matter referred (January 2008) by the Director CAPD, Kashmir to the Administrative Department had evoked no response as of July 2010. The Storekeepers had, however, charged off 399MTs³⁶ of foodgrain/sugar as dryage/wastage in their stocks in excess of the norms allowed by the Hon'ble High Court of as tabulated below:

Table 1.2.6

(Quantity in MTs)

Year	Items	Opening stock	Receipts	Total	Dryage/Wastage charged (Percentage)	Dryage/Wastage allowed (Percentage)	Excess quantity of Dryage/Wastage	Total value of excess quantity (₹ in lakh)
2007-08	Rice	3005	5384	8389	286 (3.41)	252 (3)	34	2.12
	Atta	1056	4988	6044	233 (3.85)	181 (3)	52	2.73
	Sugar	195	750	945	27 (2.85)	14 (1.5)	13	1.76
2008-09	Rice	2731	5103	7834	320 (4)	235 (3)	85	5.31
	Atta	1183	5313	6496	260 (4)	295 (3)	65	3.41
	Sugar	150	749	899	25 (2.78)	13 (1.5)	12	1.62
2009-10	Rice	1614	7888	9502	353 (3.71)	285 (3)	68	4.25
	Atta	941	6233	7174	274 (3.81)	215 (3)	59	3.10
	Sugar	99	779	878	24 (2.73)	13 (1.5)	11	1.49
Total							399	25.79
Calculation of loss at BPL Rate w.e.f 2007-08 to 2009-10.					Rice. ₹ 625/- Atta ₹ 525/- and Sugar ₹ 1,350 Per quintal			
Recommended norms for <i>dryage</i> as per Court directions.					Rice and Atta 3 <i>per cent</i> on foodgrains and Sugar 1.5 <i>per cent</i>			

Test-check of records of Assistant Director, CAPD, Kargil showed that storekeepers had also charged off 271 kilolitres of Kerosene Oil (Cost: ₹ 29.13 lakh) as dryage/wastage during 2007-10. The reply (July 2010) of the Assistant Director, CAPD, Kargil that the dryage/wastage was charged off as per the orders of the Hon'ble court was not correct as the norms for dryage/wastage of kerosene oil were neither fixed nor stipulated by any authority and the dryage/wastage allowed were even more than those fixed by the Hon'ble court for foodgrain.

Thus, inaction on the part of the Government in general and the Department in particular has resulted in loss of ₹ 54.92 lakh to the public exchequer. Despite the fact that this aspect had been highlighted in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2007, no action had been taken in this regard indicating lack of commitment on part of the Government/Department.

1.2.17 Deteriorated/Sub-standard foodgrain

It was seen that foodgrain (14701.27 MTs) valued at ₹ 9.44 crore (worked out at BPL rates) lying at various sale outlets in Kargil district were declared (October 2009) by a committee to be sub-standard and unfit for human consumption. These stocks were required to be disposed off within three months. Audit observed that the food-grains had become sub-standard as these had been stored in *kuccha*/mud rented rooms and

36

Rice: 187 MTs; Atta: 176 MTs and Sugar: 36 MTs, costing: ₹ 25.79 lakh

the Department had not taken steps to construct their own godowns. Audit also observed that 18,318.93 MTs sub-standard foodgrain valued at ₹ 11.53 crore including the stocks (3,459.74 MTs) which remained un-disposed off during 2002-03 in Kargil and (157.92 MTs) in Anantnag District during 2000-01 had not been disposed off as of July 2010.

The Assistant Director, CAPD, Kargil admitted (August 2010) the Audit contention of storing the foodgrain in *kuccha*/mud rented rooms. He further stated that disposing off the sub-standard foodgrain was in process. The AD, Anantnag stated (October 2010) that a report for disposal of the stock had been submitted to the Administrative Department.

The department stated (December 2010) that steps had been initiated to dispose off the deteriorated/sub-standard foodgrain.

1.2.18 Transportation of foodgrain/sugar

As per extant orders, all Government Departments/Undertakings are to utilise the services of truck fleet available with J&K State Road Transport Corporation (SRTC). In the event of non-availability of vehicles against the demand, SRTC is to either provide vehicles to the departments/undertakings or issue a No Objection Certificate (NOC) within seven days so that an alternate arrangement is made. The State Government also issued (August 2009) instructions that requirement of trucks be conveyed to SRTC in advance and firm number of trucks that would be made available by SRTC be taken from them. To lift and rush food in emergent situations, the Department was, however, authorised to hire trucks at rates 10 *per cent* less than those charged by SRTC.

Test-check of records of AD, Rajouri and Assistant Director (Trade & Stores), Jammu showed that the Department had spent ₹ 28.15 crore during 2007-10 on hiring of vehicles from private transporters for movement of foodgrain, etc. without obtaining NOC from SRTC. This had resulted in undue benefit to private transporters besides in denial of a commission of ₹ 2.25 crore³⁷ the SRTC would have otherwise earned had the transporters been got selected through it. Thus, the Department had followed an *ad hoc* approach and had yet to evolve a proper system in this regard.

The department stated (December 2010) that SRTC does not normally issue NOC and the engagement of private transport was necessitated to facilitate delivery of food stocks, which is time bound.

1.2.18.1 Avoidable expenditure on transportation of wheat

Audit observed that 13.56 lakh quintals of wheat received from FCI during 2007-10 were first stored in Departmental stores at Jammu and subsequently transferred to flour mills for grinding. This had resulted in avoidable expenditure of ₹ 2.46 crore on transportation of wheat for internal movement during 2007-10. The Department should have despatched wheat directly from FCI godowns to the mills. Reasons for

³⁷ Calculated at the minimum of eight *per cent* charged by the SRTC.

first storing wheat in the Departmental stores and transferring these stocks to mills thereafter were neither on record nor intimated (June 2010).

The department stated (December 2010) that the present system would be streamlined so that wheat is dispatched directly to the mills.

1.2.19 *Convergence with food-grain based Welfare Schemes*

1.2.19.1 *Annapurna Scheme*

With a view to ensuring food security to senior citizens (above 65 years of age) not covered under National Old Age Pension Scheme/State Pension Scheme and having no regular means of subsistence, 10 Kg of foodgrain (Wheat or Rice) per month is to be provided to them free of cost. In Jammu Division, 4,650 beneficiaries were identified for coverage under the scheme. It was seen that the Department had lifted foodgrain to the extent of just 35 and 60 *per cent* of the requirement during 2007-09 but no stocks had been lifted during 2009-10. Against ₹ 1.11 crore allotted under the scheme during 2007-10, only ₹ 20 lakh had been spent and the balance ₹ 91 lakh surrendered. Lifting of less quantity of foodgrain than that required coupled with surrender of funds deprived the beneficiaries of food security under the scheme. The DD (P&S), Jammu stated (July 2010) that non-allocation by the Administrative Department hindered lifting of the foodgrain.

Records of Chief Accounts Officer, Kashmir showed that the Department identified 4,772 beneficiaries against a target of 5,570 beneficiaries. It was seen that no foodgrain had been issued (June 2010) by the FCI against ₹ 35 lakh released to it by the Department during 2009-10. The non-issuance of foodgrain under the scheme had resulted in depriving the beneficiaries of food security and blocking of ₹ 35 lakh advanced to the agency.

1.2.19.2 *Foodgrain to welfare institutions*

The Ministry of Tribal Affairs, GOI decided (January 2001) to provide foodgrain at BPL rates to the people living in Welfare Institutions such as beggar homes, hostels for Scheduled Caste/Scheduled Tribes and Backward Classes students, *Nari Niketan*, etc. The Deputy Commissioners had to assess the requirement in the Welfare Institutions in their Districts and communicate to the FCI through the State Government about the additional allocation.

Records of the four³⁸ test-checked districts showed that no additional allocation of foodgrain for the purpose had been made with the result 3,007.63 MTs of foodgrain/sugar had been issued to various institutions during the period 2007-10 at APL rates. The welfare institutions had not been able to get foodgrain at subsidised rates envisaged under the scheme too.

The department stated (December 2010) that the District Commissioners have been instructed to verify the details of inmates living in welfare institutions and matter would be taken up with GOI for making additional allocation.

³⁸ Jammu, Kathua, Rajouri and Anantnag.

1.2.20 Disposal of empty gunny bags

Departmental instructions (February, 2007) envisage that sale of foodgrain shall be conducted along with gunny bag after charging cost thereof.

Test check of records of CAO, CAPD, Kashmir, three³⁹ District and Assistant Director (Trade & Stores) Jammu showed that 27.16 lakh empty gunny bags of different categories valuing ₹ 1.86 crore lying in various stores and sale depots ending March, 2010 had not been disposed off. The Chief Accounts Officer, CAPD, Kashmir stated (June 2010) that tenders had been floated (June 2010) for sale of empty gunny bags.

Delay in disposal and non-adherence to Departmental instructions had resulted in blockage of funds and possible deterioration in the quality of gunny bags with the passage of time leading to avoidable loss.

Accepting the audit finding the department stated (December 2010) that auction would be carried out to dispose off empty gunny bags.

1.2.21 Monitoring and Evaluation

Monitoring of the system is important to run the affairs of a Department in an effective manner. Under various orders of the Government, monitoring and evaluation mechanism has been introduced/put in place. A review thereof revealed significant weaknesses as brought out hereunder.

- The PDS (Control) Order, 2001 stipulated that future allocation of foodgrain to the States be subject to furnishing of Utilisation Certificates (UCs) to GOI by the respective States within a period of two months from the month of allocation. Audit observed that the department had not submitted UCs for the period 2007-10 so far (July, 2010) at the risk of non-allocation of foodgrain by the GOI.

The department stated (December 2010) that it would ensure timely submission of UCs

- Under the PDS (Control) Order, 2001, the Department was required to constitute Vigilance Committees at all levels to review the functioning of PDS for monitoring receipt of foodgrain at Food stores/Sale Depots and their further distribution to beneficiaries. Audit observed that out of six districts test-checked, Vigilance Committees had been constituted at Fair Price Shop level in Jammu district only. These committees were also required to hold meetings on regular basis. Vigilance Committees though constituted in Anantnag had not been made functional.

Against the minimum meetings of 1,900 to 1,944 to be conducted by the committees each year, the number of meetings held ranged between 240 and 252 during 2007-10. While the AD, Rajouri stated (July 2010) that the meeting would be convened in future, the AD, Jammu stated (July 2010) that the constitution of

³⁹

Jammu, Kathua, Rajouri

Vigilance Committees was under process. The AD, Kathua did not reply to the observation.

- To monitor the functioning of PDS at Fair Price Shops level, the State Government had allotted ₹ 18.80 lakh⁴⁰ to the Director CAPD, Jammu for computerisation. Audit observed that even after spending ₹ 16.78 lakh the modalities had not been devised (July 2010) and there was no online connectivity between the Directorate and the District offices. The DD, (P&S) CAPD, Jammu while admitting (July 2010) that MIS would help in generation of reports stated that IT department had deputed two software programmers to CAPD, Jammu for developing software. The software had not, however, been developed as of July 2010.

The department stated (December 2010) that the computerisation of PDS activities was in infancy and would be outsourced in future.

- Complaint registers had not been maintained in three⁴¹ out of the six test-checked Districts. Records maintained at the Directorate Office, however, showed that out of 104 complaints received (2008-10), 57 had been disposed off and 48 of them had remained pending as of 31st March 2010 indicating that the Department was not prompt in disposing off the complaints. The AD(G), CAPD, Jammu, however, stated (April 2010) that maximum number of complaints stands redressed by the concerned persons and final disposal would be recorded after receipt of the written report.
- It was seen (April 2010) that no action on the reports submitted by the squad constituted (August 2009) under the supervision of a Vigilance Officer to monitor the despatches/distribution of foodgrain and Kerosene Oil had been taken by the Department. Reasons for not taking action on the reports were not intimated.
- Test-check of records revealed that physical verification of food stores of Assistant Director (Trade & Stores) Jammu and three⁴² Districts of Jammu Division for the period 2007-10 had not been conducted so far (June, 2010). Non-conduct of physical verification periodically, besides being in violation of the provisions of the Financial Rules, is also fraught with the risk of shortages, frauds, misappropriations of foodgrain, etc. remaining undetected and could entail loss to Government exchequer.

1.2.22 Internal controls

The Department had not instituted any mechanism to exercise proper control over the issue and distribution of foodgrain as discussed below:

- Distinct ration cards required to be issued to APL, BPL and AAY families under the PDS (Control) Order, 2001; had been issued to the beneficiaries partially in Rajouri, Kathua and Anantnag Districts. AD, Budgam had not

⁴⁰ 2007-08: ₹ 4.80 lakh, 2008-09: ₹ 5.00 lakh and 2009-10: ₹ 9.00 lakh

⁴¹ Jammu, Kathua, Rajouri

⁴² Jammu, Kathua, Rajouri

taken any action in this regard. The process of issuance of Photo Identity Cards (distinctive) ordered (October 2008) by the Director, CAPD, Jammu to be completed by December, 2008 had not been completed as of June 2010.

The department stated (December 2010) that the issue of distinctive ration cards has been completed in Kashmir and nearing completion in Jammu Region.

- For 3,066.57 MTs of Rice, 2,814.54 MTs of wheat and 267.99 MTs of Sugar despatched by AD, Anantnag from June 2007 to March 2010, the TSO, Marwah had not submitted accounts of receipt/issue and remittance statement. Besides being a serious lapse, the possibility of misappropriation of foodgrain/cash cannot be ruled out. On this being pointed out (October 2010), the AD, Anantnag stated (October 2010) that the salary of the staff of the TSO had been withheld for the last two years and reported the matter to the higher authorities. The reply of the AD should be viewed in the light of the fact that despite non-submission of the requisite documents the AD has been despatching the monthly consignments to the TSO without fail without taking any action against the delinquent officials. This was indicative of the failure of the internal control mechanism.

- Test-check of records revealed that out of ₹ 10.01 crore (Jammu: ₹ 1.50 crore and Kashmir: ₹ 8.51 crore) outstanding (March 2010) against various Store-keepers/Salesman on account of shortages/misappropriation of foodgrain, ₹ one crore was outstanding against 27 persons who were either retired or deceased and ₹ 0.71 crore against one person whose appointment had been terminated.

Thus, due to laxity in effecting recovery of outstanding amounts, ₹ 10.01 crore had remained under unauthorised retention with the employees outside the Government account. An amount of only ₹ 0.76 crore was recovered during the review period. The percentage of recovery had ranged between nine and 15 per cent. Audit also observed that the shortages had pertained to the periods ranging between one year and 17 years. This indicated lack of monitoring and weak internal controls.

- Sale proceeds of foodgrain/sugar at Government Sale Depots and private dealers are remitted by the dealers and salesmen into Treasuries/Sub-Treasuries and a monthly consolidated remittance statement is sent by the District offices to the Chief Accounts Officer, Jammu.

Scrutiny of monthly consolidated statements of remittances furnished by the District offices and departmental off-take statements of foodgrain/sugar (2009-10)⁴³ revealed a variation of ₹ 17.63 crore. Thus, due to non-existence of a proper mechanism to reconcile the remittances made by District Offices against the off-take of foodgrain maintained in the Direction Office, possibility of misappropriation of foodgrain/cash cannot be ruled out.

⁴³

Information for the years 2007-09 were not provided.

- The Department makes advance payments to the officers/officials for making payments to FCI for purchase of foodgrain/sugar, meeting handling expenses, etc. It was observed that the Department had been making fresh advances without adjusting the previous advances. As a result, advances outstanding against various departmental officers/officials had accumulated to ₹ 493.20 crore as on 31st March, 2010. The year-wise details of outstanding advances for the period 2007-10 are given hereunder:

Table 1.2.7

(₹ in crore)

Year	Outstanding Advances at the start of the year	Advances made during the year	Total adjustable advances	Adjustments made during the year	Advances outstanding at the end of the year
2007-08	300.22	295.46	595.68	80.54	515.14
2008-09	515.14	327.11	842.25	463.32	378.93
2009-10	378.93	395.74	774.67	281.47	493.20

It can be seen from the above table that adjustment of advances during 2007-10 had ranged between 14 per cent and 55 per cent which had resulted in accumulation of outstanding advances. Audit further observed that advances had remained unadjusted for periods ranging between one year and 50 years. Non-adjustment of advances for longer periods, besides being financially improper, is also fraught with the risk of fraud/embezzlements remaining undetected. No responsibility for the lapse had been fixed by the Department (June 2010).

1.2.23 Quality Control of food-grains

PDS (Control) Order, 2001 envisages that the representatives of the Department and FCI should conduct joint inspection of stocks intended for PDS to ensure that quality of foodgrain conformed to the prescribed quality specifications. Audit noticed that there was no testing laboratory or trained manpower for conducting quality inspection of foodgrain supplied through PDS. Neither had any joint inspections been held nor any stake-wise samples lifted. The Department had, however, collected 43 samples of PDS *Atta* and got quality check conducted by the Public Analyst, Jammu during 2009-10 (April to October) The quality checking had, however, been stopped after November 2009. Viewed from the fact that the Department had issued 1.73 lakh MTs of Wheat/*Atta* at an average annually during 2007-10 through PDS in Jammu Division, conducting of quality check of the foodgrain for only seven months during the last three years, through an outside agency, indicated non-seriousness of the Department to supply quality food-grains to the consumers through PDS. In the absence of testing facilities and trained manpower, there is risk of supply of contaminated/sub-standard food-grains to the public. No such checks had, however, been conducted in Kashmir division.

The department accepted (December 2010) the fact and stated that instructions would be issued to obtain samples of foodgrain intended to be issued under PDS regularly and also conduct quality tests as required.

1.2.24 Conclusion

The PDS has failed in its objectives to evolve as a major instrument for ensuring food security to the public, especially in case of BPL. The failure is evidenced by delay in identification of BPL families, non-lifting of the allocated foodgrain in full, inadequate storage capacity, non-fixation of norms of dryage/wastage for foodgrain and kerosene oil, etc. due to which the department could not entirely cover the target groups. The benefits under PDS were also passed on to ineligible families. Inefficient Management Information System, lack of effective planning, internal controls including monitoring and inspections was also noticed. Network for distribution of foodgrain/sugar was deficient. Compilation/finalization of accounts has been in arrears for about 35 years.

1.2.25 Recommendations

- The identification of beneficiaries under BPL/AAY should be completed immediately to delete ineligible beneficiaries.
- The Department should ensure availability of foodgrain for the rationed population so that the beneficiaries could draw ration according to the fixed scale.
- The department needs to fix a benchmark for quality check and ensure that quality foodgrain are issued to the public.
- The Department should accord prioritization for acquiring adequate storage capacity.
- Steps need to be taken urgently to fix the dryage/wastage of the commodities issued under PDS.
- A strong internal control mechanism should be put in place in the Department.
- An efficient procedure for hiring of vehicles for the movement of foodgrain need to be put in place.
- There is an immediate need for establishing reliable and efficient MIS.
- Accounts in arrears should be finalised expeditiously to ensure transparency in the system.

Housing and Urban Development Department

1.3 Jammu Municipal Corporation

The Jammu Municipal Corporation (JMC) was established and declared a self-financing Body Corporate under the Jammu and Kashmir Municipal Corporation (JKMC) Act 2000. The mandate of the Corporation is to provide sanitation and public health, construction and maintenance of lanes/drains and nallahs for providing civic amenities, regulation and control of building activities and levy and collection of tax/fee in municipal areas. A review conducted on the working of the Corporation for the period 2005-10 revealed that the Corporation had failed to make itself self-reliant due to non-imposition/non-levy of sale/trade/professional taxes. Under-utilisation and diversion of funds were also areas of concern. Action to reduce, recycle or reuse municipal waste had not been taken. Works had not been taken up for execution in a planned manner and asset management system was non-existent.

Highlights

- *Shortfall in utilisation of funds ranged between 26 and 45 per cent during 2005-10 which had impacted the developmental programmes.*

(Paragraph: 1.3.8)

- *Neither had the Corporation switched-over to accrual system of accounting nor prepared the receipt and expenditure accounts*

(Paragraph: 1.3.8.3)

- *The Corporation had diverted ₹1.82 crore out of NSDP funds by utilising them on development of non-slum areas*

(Paragraph: 1.3.8.5)

- *Non-levy of tax on sale/transfer of immovable property, trade tax on notified trades/profession and non-renewal of licence fee had resulted in a loss of ₹1.44 crore to the Corporation.*

(Paragraph: 1.3. 9.1)

- *Outstanding rent had accumulated to ₹1.03 crore out of which ₹14.78 lakh had remained outstanding against 88 allottees in nine areas for the last one to nine years.*

(Paragraph:1.3. 9.3)

- *Asset management was poor and the Corporation had not maintained a record of assets. The Corporation had lost some of its assets either by inaction or to encroachments.*

(Paragraph: 1.3.14)

- *Internal control and monitoring mechanism were virtually non-existent.*

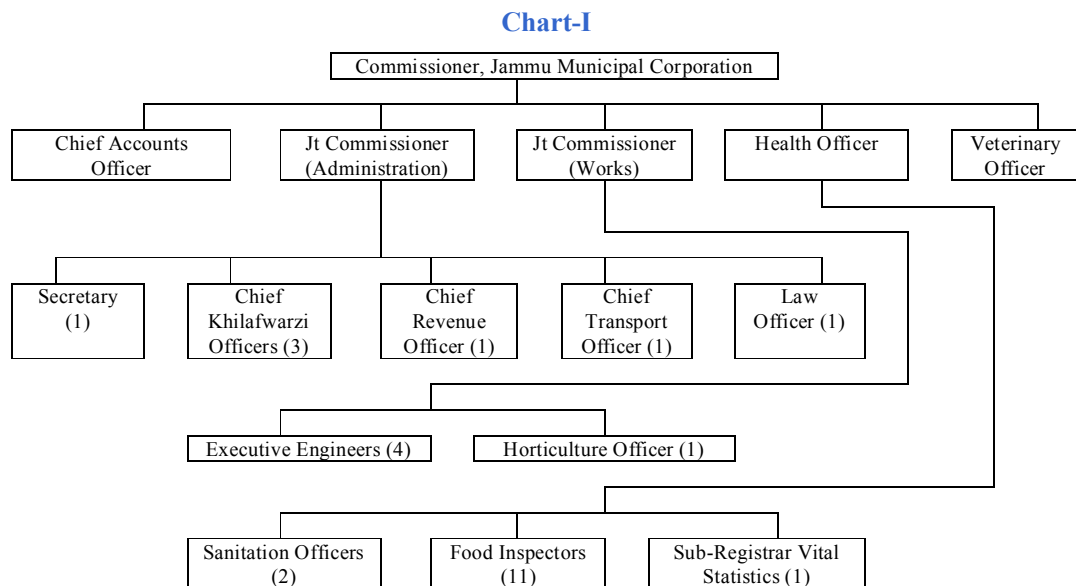
(Paragraph: 1.3.17 and 1.3.18)

1.3.1 Introduction

Jammu Municipal Corporation (JMC) was established under the Jammu and Kashmir Municipal Corporation (JKMC) Act 2000 and was declared a self-financing body corporate. The limits of JMC was extended from 32 to 112 Sq km (September 2003) with a permanent population of about 8 lakh and a floating population of 10 to 12 lakh. In February 2005, the first election of JMC was held and its term expired in March 2010. The Mayor heads the Corporation and is assisted by a Commissioner who is the executive authority. The Corporation's mandate is to provide sanitation and public health, construction and maintenance of lanes/drains and *nallahs*, regulation and control of building activities and levy and collection of tax/fee in municipal areas. Due to non-framing of Municipal Regulations, the provisions of Jammu and Kashmir State Government Rules currently in force are adopted by the Corporation.

1.3.2 Organisational set up

1.3.2.1 Executive



1.3.2.2 Governing Body

The Governing Body of the Corporation, constituted (February 2005) for a period of five years, had 71 councillors elected from territorial constituencies (wards) of the Municipal area. The first Mayor of the Corporation was elected in March 2005 and four standing committees viz., (i) General Functions Committees (for establishment matters communications, construction of buildings and roads, housing and relief against natural calamities etc.), (ii) Finance and Planning Committee (to perform functions relating to finances of the Corporation, budget, taxes, examination of receipt and expenditure statements, sale/leases of Corporation properties, recovery of loans etc), (iii) Public Health and Sanitation Committee (to perform functions relating to health, sanitation, water supply, drainage and sewage disposal) and (iv) Social Justice

Committee (to perform function relating to promotion of education, social, cultural and other interests like amelioration of SCs, STs, Backward Communities and weaker sections of the society) were constituted to perform functions relating to their defined activities. The term of the body expired in March 2010 and the elections for the new body had not been conducted (November 2010).

1.3.3 Audit Criteria

Audit Findings were benchmarked against the following criteria:

- Action plans prepared by the Corporation for implementation of the schemes
- Guidelines of the State/Central Governments for implementation of various programmes.
- Implementation of decisions taken in various committee meetings.
- Targets fixed for various activities and achievements thereof vis-a-vis the utilisation of funds.
- Plans for making the Corporation self financing.
- Municipal Solid Waste (Management and Handling) Rules 2000.

1.3.4 Scope of Audit

Review on the working of erstwhile Jammu Municipality (now Municipal Corporation) featured in Comptroller and Auditor General's Audit Report for the year 1996-97. An embezzlement of ₹ 12.71 lakh noticed during local audit of the Corporation for the period 2005-07 was commented upon in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2008. Records of different wings of the Corporation for the period 2005-10 covering an expenditure of ₹ 204.97 crore (ending March 2010) incurred on developmental activities and providing basic amenities were test-checked between September 2009 and March 2010.

1.3.5 Audit Objectives

The objectives of the performance audit were to assess whether:

- the Corporation performed the necessary functions of an Urban Local Body and provided services in an efficient and reliable manner;
- claims were raised and recoveries made effectively and that plans were formulated and implemented to make the Corporation self reliant;
- economy, efficiency and effectiveness were ensured in incurring expenditure; and
- monitoring mechanism was adequate and commensurate with the size of operations.

1.3.6 Audit Methodology

The Audit objectives, criteria and audit methodology were discussed in an entry conference held (February 2010) with the Commissioner Secretary, Housing and Urban Development Department, Jammu and Kashmir Government. Audit evidence

was collected through examination of records and data maintained by the Corporation. Results of audit were discussed with the Administrative department in an exit Conference on 10 December 2010 with Principal Secretary to Government of Jammu and Kashmir, Housing and Urban Development Department. The replies furnished to audit queries, questionnaires etc. by the Corporation have been incorporated at appropriate places.

Audit Findings

The important points noticed during the course of the performance audit are discussed in the succeeding paragraphs.

1.3.7 Survey and Planning

The principal objective of JMC is to provide basic amenities such as construction and maintenance of lanes/drains, sanitation and public health, management of waste/garbage, regulation and control of building activities and collection of fee and taxes within its Municipal areas. To fulfil its objective, JMC was required to draw up long-term development plans based on comprehensive surveys, assess existing infrastructure, project growth of the municipal area and establish a strong monitoring mechanism. It was, however, seen that the Corporation had not conducted any baseline survey to identify problem areas requiring attention, enumerate ward-wise population or draw perspective plan for achieving the objective. The deficiencies had resulted in revenue loss, unplanned execution of developmental works and other shortfalls as brought out in the succeeding paragraphs.

1.3.8 Financial Management

In addition to revenue generated through internal resources such as premia, taxes and rent of built up assets; the Corporation receives funds in the form of grant-in-aid from the State Government, GOI assistance and local assistance⁴⁴ for implementation of various schemes. The position of funds available and expenditure thereagainst as worked out from monthly accounts of the corporation during 2005-10 was as under:-

Table 1.3.1

(₹ in crore)

Year	Opening balance	Funds received			Internal Receipts	Total	Expenditure	Unspent balance	Percentage of utilisation
		State Govt	Central Assistance	Local Assistance					
2005-06	5.75	26.97	1.89	0.52	7.2	42.33	31.39	10.94	74
2006-07	10.94	33.56	1.99	0.49	6.55	53.53	37.42	16.11	70
2007-08	16.11	34.49	0.005	0.48	7.52	58.61	37.87	20.74	65
2008-09	20.74	42.36	-	0.42	6.55	70.07	38.36	31.71	55
2009-10	31.71	51.65	5.16	0.90	12.48	101.90	59.93	41.97	59

Overall percentage utilisation of available funds by the Corporation varied between 55 and 74 per cent during 2005-10. Underutilisation of funds was attributed to late receipt of funds from the Administrative Department and non-submission in time of work done estimates by the subordinate wings to the administration.

⁴⁴ MP/MLA/MLC constituency development funds

Chief Accounts Officer stated (December 2010) that shortfall in percentage of is due to the fact the grant-in-aid has increased during these years and sometimes it remains unutilised as the amount is received at the far end of the year.

Shortcomings/deficiencies in the following areas of the financial management were noticed.

1.3.8.1 Utilisation certificates

J&K Financial Rules provide that for the grants released by the Government, utilisation certificates (UCs) are to be submitted to the grant releasing authority within one year of such release. In contravention thereto, the Corporation had not furnished the UCs for ₹ 41.43 crore to the Government out of the grant/assistance of ₹ 141.27 crore released during 2005-09. In cases where UCs were furnished, there were delays between six and 19 months.

The Chief Accounts Officer (CAO) stated (October 2009) that due to receipt of grants at the fog end of the year the funds could not be utilised which delayed submission of UCs in time. CAO further stated (December 2010) that utilisation certificates would be sent in time to the concerned authorities as provided in the regulation.

Under the extant rules, release of future grants by the Government was subject to submission of the UCs. It was, however, seen that without insisting upon submission thereof, the Government had been releasing funds in the subsequent years.

1.3.8.2 Accountal of grants/assistance

Against an aggregate of ₹ 172.67 crore released by the Government during 2005-10, ₹ 161.01 crore had been accounted for in the accounts of the Corporation. Discrepancy of ₹ 11.66 crore between the two figures had neither been investigated nor reconciled.

The CAO stated (December 2010) that reconciliation of figures has been taken with Administrative Department (May 2010) and final results would be communicated.

1.3.8.3 Preparation of accounts

The Corporation was to switch over to accrual system of accounting and was required to prepare accounts (duly audited) of receipts and disbursements and balances at the close of each year and render the same to the Government. However, the Corporation had neither prepared any accounts nor switched over to the accrual system of accounting.

The Chief Accounts Officer, JMC stated (October 2009) that monthly accounts of receipt and expenditure was being prepared and forwarded to local fund audit cell. The reply highlights laxity on the part of administration as the trial balances and ledgers/journals were not maintained. In the absence of the finalised accounts, the financial position and details of assets available with the Corporation could not be ascertained in audit.

The CAO further stated (December 2010) that the process of accrual based double entry accounting system had been started for which a consultant had been appointed.

1.3.8.4 Budgeting

The Corporation was required to prepare, for the ensuing year, budget estimates and get it approved by the Government before incurring expenditure.

Audit observed that although the Corporation frames budget estimates every year, none of the budget estimates was got approved during 2005-10. Moreover, these estimates were not realistic as the expenditure exceeded the proposals by four to 60 *per cent* during 2005-10.

The CAO stated (October 2009) that the budget proposals were framed on tentative basis. The reply was not acceptable as the Corporation was required to frame the estimates realistically to avoid variations between the estimates and the expenditure.

1.3.8.5 Diversion of funds

Out of ₹ 3.45 crore available under 'National Slum Development Programme (NSDP)', a centrally sponsored scheme meant for development of slum areas, the Corporation diverted ₹ 1.82 crore for developmental works in areas other than slum areas during 2005-08.

The CAO (July 2010) stated that the works were taken up on the basis of their selection by Corporators. CAO further stated (December 2010) that JMC will soon conduct an in-depth survey of the areas so that slum areas could be identified and notified and efforts would be made to utilise the funds allocated for providing better civic amenities and improvement of infrastructure. The fact, however, remains that funds were diverted other than slum areas.

1.3.8.6 Parking of funds

An amount of ₹ 3.90 crore released (GOI: ₹ 2.15 crore, State Government: ₹ 1.75 crore) between May 2005 and March 2009 under various programmes (Implementation of Reform Measures under Urban Reforms Incentive Fund: ₹ 65 lakh; Construction of Indoor Stadium at Kanji House: ₹ 22.50 lakh; Construction of Slaughter House at Nagrota: ₹ 150 lakh- Central Share and ₹ 153 lakh- State Share) had remained unutilised and was parked under 'Deposits' as of March 2010. Audit also observed that the details of ₹ 11.70 lakh lying in treasury prior to March 2005 were not known to the Corporation. As a result of non-utilisation of the funds the beneficiaries were deprived of the intended benefits of these programmes.

The CAO stated (October 2009) that necessary efforts were being made to ascertain the factual position regarding details of ₹ 11.70 lakh. The CAO stated (June/December 2010) that steps were underway to utilise the funds.

1.3.8.7 Creation of liabilities

The High Powered Committee of Jammu Central Area Development Project had suggested (November 1992) that ways and means be found to ensure that the cost of street lighting was paid for by the public. JKMC Act 2000 also provides for charging of fee for street lighting. No action had, however, been taken in this regard and the

undercharged liability on account of electricity charges due to State Electricity department had accumulated to ₹ 20.80 crore (March 2010).

The CAO stated (December 2010) that the matter is under active consideration by the Government to work out a feasible plan of action as regards payment of billed energy by two Corporations in the State in consultation with Housing and Urban Development Department.

1.3.8.8 Miscellaneous advance

Audit scrutiny revealed that ₹ 7.00 lakh was debited (April and June 2009) to Miscellaneous Public Works Advance without availability of funds under the sub-head and continued to remain unadjusted against the EE, Central Division.

The Corporation stated that action to transfer the necessary amount to Miscellaneous Public Works Advance had been initiated by the higher authorities.

1.3.8.9 Unclaimed deposits

Audit observed that deposits of ₹ 5.11 lakh remaining unclaimed for more than three complete account years had not been credited to the revenue head of the Corporation as of March 2010 as lapsed deposit. The EE stated (April 2010) that all deposits would be reviewed and credited to 'Municipal receipts'.

1.3.8.10 Expenditure on establishment

Further, the expenditure on establishment of the Corporation had ranged between 40 and 49 per cent⁴⁵ which was higher than the prescribed limit of 33 per cent of the total expenditure of the Corporation as provided in the Municipal Act.

1.3.9 Municipal Receipts

As per JKMC Act 2000, the Corporation was to make itself a self-financing body by creating and expanding its sources for revenue earnings by devising an efficient mechanism for levy and collection of rent/taxes on different trades, professions, land/buildings, business establishments, etc. Though revenue realisation had exceeded the budget estimates by 10 to 88 per cent during 2005-10, it was not sufficient to meet the needs of the Corporation and constituted only 18 per cent of the total requirement of the Corporation for 2005-10. As such, the Corporation continued to depend on Government support.

Some significant instances of loss of revenue that were noticed in audit are discussed in the succeeding paragraphs.

1.3.9.1 Trade/Professional Tax/Licence Fee

- As per JKMC Act 2000, the Corporation was required to levy tax in the shape of duty (under the Stamp Act *Samvat* 1977) on the transfer of immovable property falling within the limits of the Corporation. This tax was to be levied at the rate of one to two per centum of the amount of consideration, value of property, or the

⁴⁵ 2005-06: ₹ 15.08 crore; 2006-07: ₹ 16.11 crore; 2007-08: ₹ 17.61 crore; 2008-09: ₹ 18.90 crore, 2009-10: ₹ 24.26 crore.

amount secured by mortgage. The provisions of the Act were not, however, adhered to by the Corporation.

Audit noticed that the total consideration of immovable property transfers executed in two out of nine sub-registrars amounted to ₹ 109.02 crore during 2005-10 on which the Corporation had failed to levy and collect the tax of ₹ 1.09 crore⁴⁶.

The CAO stated (June 2010) that levy of tax was under the active consideration of the Government. The reply should be viewed in the light of the fact that the provisions envisaged in the Act are not subject to further consideration of the Government.

- Jammu Municipality notified rates (June 1994) for levy of trade/professional tax from traders/professionals conducting business within its jurisdiction. The Corporation had no mechanism to ensure a foolproof registration of traders. It had also failed to utilise the data available with other departments involved in realisation of other taxes/duties or issuance of licences for conducting a particular trade etc. Information regarding the number of traders conducting business and liable to pay trade/professional tax was not available with the Corporation.

Audit noticed that the Corporation had collected a meagre amount of ₹ 20.81 lakh during 2005-10 as trade/profession tax from the enlisted traders. Further, tax of ₹ 1.20 crore was in arrears from these traders.

According to information collected from three⁴⁷ Government Departments, there were 389 traders who were registered with these departments and who were liable to be taxed by the Corporation. As no tax was levied on these traders, due to the inability of the Corporation to obtain the data from these departments, it had suffered a loss of ₹ 22.50 lakh during 2005-10.

- The wholesale and retail dealers engaged in the manufacture and sale of food articles were required to obtain and renew their trade licences annually on payment of prescribed fee depending on the nature of trade. Test-check of eight out of 11 trades (3,334 traders out of 7,410 traders) showed that 1,737 traders (52 *per cent*) had not got their trade licences renewed during 2005-10. The unlicensed trade activity, besides being an offence, had led to a revenue loss of ₹ 12.57 lakh.

The Corporation had no data showing ward-wise details of such trades. It had also not conducted any check to identify establishments running without valid licences, so that they could be brought under tax-net. Had the Corporation established a comprehensive database of traders in synergy with other departments, the loss on account of non-renewal/non-charging of licence fee could have been avoided.

The CAO stated (December 2010) that the JMC is taking effective steps to make collection of taxes more stringent.

⁴⁶ Calculated at the minimum rate of one *percentum*

⁴⁷ Director Tourism Jammu: 40 Hotels; Director School Education Jammu: 184 Schools; Director Health Services Jammu: 165 Health care units

1.3.9.2 Allotment of assets

- The Corporation had invited offers (March 2001) to rent out the first floor of Tawi Municipal Complex, having one hall each in basement and three floors, at minimal rental of ₹ 10 per sq ft. per month. In response, the J&K Bank offered (September 2001) to hire the first floor of the complex at ₹ 8.50 per sq ft per month for a period of 10 years with the provision of enhancement of rent at the rate of 25 *per cent* every five years. Not satisfied with the offer, the Administrator, Jammu Municipal Corporation re-invited tenders (May 2003) for all the three floors of the complex (excluding basement). The J&K Bank again requested (June 2003) for allotment of the first floor on already offered rates. Not acceding to the request of JKBL, first and third floors of the complex were leased out (July 2003) to 'Amar Ujala' on single offer basis at a lower rate of ₹ 4 per sq ft per month with the condition for revision of the rent at the rate of 15 *per cent* every 2 years. The second floor initially allotted after a delay of one year (July 2004) to another organisation was also transferred (May 2006) to 'Amar Ujala'. Reasons for not hiring the basement of the complex was not on record even though 'Amar Ujala' had shown interest to hire it (January 2006).

Thus, due to non-acceptance of the higher offer of ₹ 8.50 per sq ft by the J&K Bank, delay in allotment of second floor and non-allotment of basement of the complex the Corporation had suffered a loss of ₹ 10.53 lakh (ending March 2010).

The Corporation stated that steps would be taken to avoid such losses in future. The Corporation was, however, silent about its inaction to rent out basement.

- Six shops constructed by the Corporation near Police Station, Gandhi Nagar prior to the year 1991 were under illegal occupation. Of these, three shops were auctioned (January 1998) and rent deed was executed with the allottees (October 1998) even though the shops continued to remain under illegal occupation. The shops were finally got vacated and handed over to the allottees only after 39 months which had resulted in a loss of rent of ₹ 0.74 lakh.

No response was received for the bids called between August 2007 and April 2008, for hiring remaining three shops. This was indicative of poor site selection.

Similarly, delay in allotment of four shops at Trikuta Complex had resulted in a loss of rent of ₹ 1.06 lakh.

The Corporation stated that the revenue records of the assets were being updated so that these remain free from encroachments.

1.3.9.3 Outstanding rent

Demand and collection registers of 42 out of 83 test-checked areas (Land and Building: 27 out of 34 areas and Open Space: 15 out of 49 areas) did not show the capital cost of the assets available with the Corporation, rent/ground fee assessed, etc.

Audit noticed that outstanding rent had increased from ₹ 0.72 crore at the beginning of April 2005 to ₹ 1.03 crore at the end of March 2010. In nine test-checked areas,

₹ 14.78 lakh was outstanding against 88 allottees for the periods ranging from one to fifteen years which was indicative of the absence of an effective system of collection of rent.

The CAO stated (December 2010) that efforts are being made to collect the revenue arrears from the occupants of the Corporation assets and wherever arrears have accumulated the eviction notices had been served upon and efforts were being made to get them evicted so that the same could be re-allotted.

1.3.9.4 Outstanding charges

An amount of ₹ 21.41 lakh pertaining to 2007-10 was outstanding (March 2010) against 12 Government departments as charges for lifting of garbage.

1.3.9.5 Cost of collection of revenue

The Corporation derives major portion of its revenue from rents of remunerative assets (shops/flats) and taxes on trades and professions. The position of expenditure incurred on collection of major revenues during 2005-10 was as under:

Table 1.3.2

(₹ in crore)

Year	Revenue collected (Rent and Taxes)	Expenditure on collection	Percentage of expenditure to collection
2007-08	2.92	0.94	32
2008-09	3.56	1.00	28
2009-10	6.05	1.51	25

The percentage of expenditure on collection of revenue ranged between 25 and 32 *per cent* during 2007-10 which was high.

1.3.10 Health activities

Provisions of Prevention of Food Adulteration Act and rules made thereunder provide for frequent inspection of units dealing with manufacture, storage or sale of food articles, lifting of food samples by Food Inspector for subsequent analysis and maintenance of records of all inspections made and action taken by him in performance of his duties including seizure of stock, etc.

Audit noticed that no systematic records were maintained in respect of the inspections conducted or the premises visited by the Food Inspectors. Details furnished to audit revealed that out of 1,174 food samples lifted during 2005-10, 156 (13 *per cent*) were found adulterated. Further, decisions in respect of the prosecution initiated against 161 dealers framed for adulteration were pending (March 2010).

Further, all the 3,388 milk samples collected by Municipal Veterinary Officer (MVO) and tested at milk testing laboratory of the Corporation for milk fat and milk solids had not conformed to prescribed parameters. Instead of initiating prosecution against milk vendors/dealers whose samples were found below the prescribed parameters, the MVO merely imposed penalty on them, which was in contravention of Prevention of Food Adulteration Act.

Also, no proper mechanism had been devised by the Corporation to prevent sale of adulterated food. Details/comments offered on samples referred to Public Analyst were not made available to audit.

On this being pointed out in audit, the Corporation stated that no targets for lifting of the food articles had been fixed. The reply has to be seen in the light of the fact that the number of food samples lifted for check was too insignificant to exercise proper check over the sale/consumption of adulterated food.

1.3.11 Waste Management

As per Municipal Solid Wastes (Management and Handling) Rules, 2000, every Municipal authority, within its territorial area, is responsible for collection, storage, segregation, transportation, processing and disposal of Municipal Solid Wastes.

1.3.11.1 Collection

About 300 metric tonne Municipal waste/garbage generated daily in 71 Municipal wards is collected by the Corporation from various collection points for disposal. Scrutiny of records revealed that no proper mechanism was in place to handle and dispose off the wastes in accordance with the provisions of the Solid Waste (Management and Handling) Rules 2000 where under such wastes are to be treated scientifically so as to avoid threat to human health and surrounding environment. Waste collection schedules for different areas had to be notified as required under rules, which was not done by the Corporation.

1.3.11.2 Segregation/Storage/Transportation

Under Municipal Solid Wastes (Management and Handling) Rules 2000, the Corporation was required to establish and maintain storage facilities in such a way that these do not create unhygienic and insanitary conditions. Storage bins were to be painted green for bio-degradable, white for recyclable and black for other wastes.

Audit noticed that the Corporation had not made adequate arrangement in this regard. The wastes were being dumped either in open spaces or common bins at a few places. Most of the waste was not being put in bins provided and instead had been found dumped in open sites near public places along main road and streets. In the absence of notified time schedules for clearance, the storage bins were found over-flowing and in un-hygienic conditions. Waste was found scattered all around the bins with stray animals moving around such bins as can be seen from the photographs below.





Garbage lying scattered on road

The rules also provide for use of covered vehicles for transportation purposes as it should not be visible to public or exposed to open environment.

Audit noticed that the Corporation was not equipped with such facilities and waste was transported in uncovered vehicles.

The CAO stated (February 2010) that the vehicles were covered with tarpaulin after loading of garbage. The reply is not based on facts as is evident from the photographs taken by the audit party during the review period.



Open vehicle Garbage collection and carriage



1.3.11.3 Processing and disposal

Management of municipal solid waste requires that municipal authorities adopt suitable technologies to make use of waste to minimize the burden on landfill. Bio-degradable wastes are to be segregated and processed by composting, vermi-composting or anaerobic digestion.

Although a decision (July 2008) to set up a waste treatment plant had been taken by the Governing body of the Corporation, authorisation to set up waste processing and disposal facility units is yet to be obtained. CAO stated (December 2010) that conversion of solid waste into energy has been conceived by JMC and in this connection tenders had been invited for preparation of Detailed Project Report.

In the absence of such processing facilities, waste was being dumped in open sites which had no facilities for containment and were unmanned, with free excess to cattle and human beings.

1.3.11.4 Awareness programmes

The Corporation was required to organise awareness programmes by arranging quarterly meetings with local resident associations/non-government organisations, etc. to encourage citizens to reduce, recycle and reuse the waste material after proper segregation. Audit noticed that resident associations/non-government organisations had not been involved in any process.

1.3.11.5 Hospital/Hazardous waste

Biomedical Waste (Management and Handling) Rules 1998 envisage proper collection, treatment and disposal of hazardous wastes at authorised places by the occupier of these wastes. The Corporation had not identified hazardous waste producing units and was unable, as a result, to ensure proper collection, treatment and disposal of such wastes and prevent their adverse impact on environment and public health. Further, there was no system of handling hospital waste/garbage which was collected and disposed off by the Corporation manually.

The Corporation stated that it did not have enough funds to collect or dispose of the waste on scientific lines and that it had taken up (August 2009) the matter with the Government.

1.3.12 Developmental works

The Corporation has four divisions⁴⁸ for carrying out execution of developmental works, providing streetlights and repair/maintenance of its transport fleet.

1.3.12.1 Civil works

Most of the civil works were executed under 'Capital City Development Programme' (CCDP). Funds from Community Development Fund (CDF) and National Slum Development Programme (NSDP) were also utilised on minor developmental works. The position of targeted works under CCDP during 2005-10 was as under:

⁴⁸ Central, Trikuta, Electric and Mechanical

Table 1.3.3

Year	Targets			Achievements			Percentage achievement
	Central	Trikuta	Total	Central	Trikuta	Total	
2005-06	188	158	346	131	156	287	83
2006-07	171	307	478	102	303	405	85
2007-08	70	166	236	101	146	247	100
2008-09	92	280	372	72	216	288	77
2009-10	250	390	640	182	218	400	63

The overall achievement in targets ranged between 63 and 85 *per cent* except during 2007-08 where it was 100 *per cent*. Execution of works was based on administrative approvals and technical sanctions as required. However, audit noticed that while Central Division had taken up the works from the tentatively formulated unapproved works programme, Trikota Division had taken up works without formulation of the works programme on the recommendation of the Councillors. The progress reports did not show the date of start/completion of each work.

Test-check of the records of Central division showed that out of 521 works (Estimated cost: ₹ 6.27 crore) identified for execution during 2005-09, 325 works of Central Division were outside the works programme on which ₹ 3.83 crore had been spent.

The Executive Engineer (EE), Central Division stated that deviation from the works programme was on the recommendations of Councillors. Such deviations had rendered framing of works programmes meaningless. There was also no evidence of monitoring by various supervisory levels.

Some of the irregularities noticed in the audit are discussed below.

1.3.12.2 Irregular payments

As per Public Works Account Code, payment of daily labour through a contractor instead of muster roll is objectionable. Audit scrutiny revealed that in contravention thereto, during 2005-10, the Corporation engaged labour through labour *mates* and paid ₹ 2.61 crore on hand receipts which were irregular *ab-initio*. Out of 3,013 works (cost: ₹ 34.27 crore) executed under CCDP, NSDP, Non-Plan and CDF, 1,226 works (41 *per cent*) of ₹ 7.21 crore were got executed through *mates*. The Executive Engineer stated that such payments would be made on muster rolls in future.

1.3.12.3 Undue financial aid to the contractor

Under Government instructions, key construction material is to be issued to contractors departmentally on cash payment. Notwithstanding the instructions material costing ₹ 3.92 crore (cement: ₹ 2.40 crore; torsteel: ₹ 1.52 crore) was issued to contractors on loan instead of on cash payment during 2005-10 thereby giving undue financial aid to the contractor. The EEs while accepting the fact stated that material was issued to Self Help Groups and petty class contractors and that the practice would be stopped.

1.3.12.4 *Street lighting*

JKMC Act 2000 envisages taking measures for lighting of all public streets/places in a suitable manner. Audit noticed that the Electric wing of the Corporation had neither formulated any plan on the basis of ward-wise survey to determine areas requiring attention nor prepared inventory of lighting points. In the absence of this, the expenditure of ₹ 7.22 crore incurred on purchase of lamps/tubes/fittings and maintenance during 2005-10 was not susceptible of audit check. The Corporation stated that the lighting was done on the recommendations of the Mayor, Councillors and on public demand. Regarding the inventory, the Corporation stated that it would be maintained in future. The CAO further stated (December 2010) that a survey was being conducted and dark spots wherever existing were being identified so that street lights could be installed there.

1.3.12.5 *Pedestrian and parking facilities*

Provision of unobstructed footpaths is the first requirement for effective foot traffic enforcement. Audit did not find any evidence of records showing total length and breadth of available footpaths on roads within the limits of JMC and action taken to remove temporary and permanent encroachments of footpaths so that it could be used by the pedestrians unobstructed. No inspection/monitoring reports were ever prepared or submitted to any authority by the anti-encroachment authorities of the Corporation which made conducting of such drives ineffective.

Parking is another key issue requiring the attention of the Corporation as the problem of parking of vehicles was escalating in an exponential manner with their rapid growth. The Corporation with an area of 112 square kilometres had only three parking lots. No study had ever been carried out by the Corporation or in collaboration with other agencies to ascertain the parking demand so that prevailing parking problems and road congestions is solved.

The Corporation stated that though drives for removal of encroachments were being conducted, they were again being raised by the shopkeepers. This was indicative of the fact that action taken by the Corporation was ineffective. Regarding creation of parking lots, the Corporation stated that steps would be taken by interacting with the Traffic department and Jammu Development Authority for conducting surveys regarding establishment of new parking lots.

1.3.12.6 *Implementation of re-arrangement schemes*

Under J&K Municipal Corporation Act 2000, the Corporation was required to frame an improvement scheme for re-arrangement and construction of the streets and buildings in respect of areas where existing buildings by reasons of non-repair, sanitary defects, poor conditions of light, ventilation, convenience were dangerous or injurious to health of inhabitants of that area. The Corporation neither conducted any survey nor framed any action plan for the approval of the Government.

1.3.13 Management of Stores and Inventory Control

Financial Rules provide that stores for public services should be procured in the most economical manner after assessing definite requirements for the year. The details of inventory⁴⁹ held by three Engineering Divisions of the Corporation were as under:

Table 1.3.4

(₹ in crore)

Year	Opening balance	Receipts	Issue	Closing balance
2005-06	1.07	4.48	4.81	0.74
2006-07	0.74	4.22	4.22	0.74
2007-08	0.74	4.26	4.39	0.61
2008-09	0.61	2.28	2.63	0.26
2009-10	0.26	11.36	8.65	2.97

From above table it can be seen that the closing inventory at the end of each year ranged between ₹ 0.26 crore and ₹ 2.97 crore⁵⁰. In the absence of any prescribed monetary stock reserve limit laid down for each division it was not possible for the Corporation to know whether inventory leads were uneconomical and locked funds could be released for other productive purposes. The CAO stated that fixing of the scale for holding the stock would be taken up with the higher authorities.

1.3.13.1 Physical verification of stores

Physical verification of stores is to be conducted at least once a year and discrepancies, if any, noticed are to be adjusted according to financial rules. Out of seven stores (Divisions:4; Others:3) physical verification was conducted in one store (2005-06) and two stores each (2006-07 and 2008-09). No verification was conducted in the remaining four stores during 2005-10. Non-conducting of the physical verification for so long is fraught with the risk of theft/loss of stores.

Shortages of stores, if any, are to be recovered immediately from the officials concerned. However, shortage of ₹ 1.78 lakh (₹ 1.03 lakh worked out by audit in May 2010 and ₹ 0.75 lakh noticed during internal verification of one division in 2005-06) was not recovered (March 2010). The Corporation stated that action under rules would be initiated for recovery of the amount from the officials concerned.

It was also noticed that cash security/personal surety required to be received from the person dealing/handling stores to safeguard the interests of the corporation had not been received. In reply, the Corporation stated that the cash security/personal surety shall be obtained in future.

1.3.13.2 Material-at-site

Material issued for utilisation on works was to be accounted for in material-at-site register so as to keep a watch over its utilisation against the estimated requirements. In Central Division, key construction material⁵¹ for ₹ 63 lakh⁵² was outstanding

⁴⁹ Cement, Bitumen, Torsteel, Electric items (10)

⁵⁰ Worked out on rates furnished by the divisions

⁵¹ Cement, Bitumen and Torsteel

against 13 Junior Engineers for periods ranging from one to three years. Trikuta Division had not maintained the register in absence of which material issued and consumed on works could not be verified in audit. The EE stated (April 2010) that instructions would be issued for early recovery/adjustment of outstanding material.

1.3.13.3 Priced store ledger

To have an effective control over store/stock balances, the quantity accounts for receipts, issues and balances at the close of each month are to be reconciled with priced store ledger (PSL) maintained in the divisional office. The accuracy of stock accounts in PSLs of two divisions⁵³ could not be confirmed in audit as these had not been valued. The EEs stated that instructions had been issued for maintenance of such records. The Electric Division had not, however, maintained the PSL.

1.3.14 Asset management

To safeguard against misuse of assets and to assess future requirements and also to provide for their periodic maintenance and repairs, the maintenance of records relating to assets is essential. The Corporation had over the years acquired fixed and other assets in the shape of land, buildings, lodges, godowns, etc. No computerised assets register showing consolidated records of assets in possession of the Corporation with details of acquisition in each case, their book value, physical status and extent to which these were utilised was in existence. The assets were never verified by the Corporation. Similarly, data showing details of municipal area under illegal occupation or encroached upon, area evicted, details of land transferred by State Government to JMC, were not available with the Corporation. No strategy to remove such encroachment by framing short/long term plans has been framed by the Corporation.

Two instances of lapse in asset management noticed in audit during the test-check of records are discussed below.

1.3.14.1 Two pieces of Municipal land measuring 3 *kanals* and 36 square yards and 3 residential quarters having a built-up area of 538 sq ft, 180 sq ft and 225 sq ft, situated at left side of River Tawi, were allotted in favour of a private-party on rent basis. The allottee, in violation of terms and conditions of the agreement sublet the area and subsequently changed the basic structure of the property by making additional constructions for commercial use as a result of which allotment in his favour was cancelled (May 1973). The Corporation, despite court directions (April 1997) did not take any action between May 1973 and May 2003 to get the encroacher evicted. In the intervening period, the encroacher managed to get the land registered/mutated in his favour.

On this being pointed out, the Chief Revenue officer stated (October 2009) that the concerned *patwari* did not pursue the eviction process and that mutation would be got

⁵² Worked out on current issue rate

⁵³ Central Division, Trikuta Division

cancelled. This state of affairs was indicative of weak internal control system prevailing at the Corporation.

1.3.14.2 JMC had constructed 12 shops at Raipur (Satwari) and issued notice for their auction in 1991. The notice was challenged in court immediately on the ground that the land actually belonged to State Irrigation Department which was held (February 2007) by the court with directions to evict unauthorised occupant and remove encroachment. Accordingly, all the 12 shops were demolished (May 2008) by the State Irrigation Department which resulted in wasteful expenditure. The loss could not be evaluated in audit due to non-availability of construction cost of the infrastructure.

1.3.15 Repairs and maintenance of vehicles

The Mechanical Division of the Corporation entrusted with the job of repairs and maintenance of transport fleet of 104 vehicles in its possession had never prepared 'annual repair demand' during 2005-10. The division was not equipped adequately with a workshop to facilitate economic and timely repairs of vehicles. The repair works for ₹ 2.54 crore were got done by the Mechanical Division of the Corporation from the open market on the basis of *dasti*⁵⁴ quotations without obtaining 'no objection certificates' from State Motor Garages (SMG) Department. No schedule for periodic maintenance including overhauling of vehicles had been framed.

The reply of the Corporation that the works were got executed through open market as the Mechanical Division was understaffed should be viewed in the light of the fact that in that case the Corporation was required to obtain the NOCs from SMG which had not been done. Regarding other points, the Corporation stated that these points would be adhered to in future.

1.3.16. Satisfaction levels

With a view of assessing public opinion on general functioning and quality of services provided by the Corporation an Audit Survey was conducted in 15 out of 71 wards of the Corporation. Survey questionnaires were issued to 1000 household by Audit through a Non-Government Organization (NGO) for obtaining their remarks.

The opinions of the general public about various activities undertaken by the Corporation are categorised as under:

Table 1.3.5

Activity	Percentage	
	Yes	No
Is there a fixed garbage collection time schedule	20	80
Are the Wards provided with bins for collection of garbage	30	70
Are the Wards provided with green yellow and black bins	2	98
Is the garbage/waste dumped on road sides/streets and open spaces/vacant residential plots	78	22
Is the garbage lifted in covered or uncovered vehicles	Uncovered 80	Covered 20
Is the garbage collected manually or mechanically	Manual 74	Mechanical 26

⁵⁴

By hand

Activity	Percentage	
	Yes	No
Do the persons associated with collection of garbage / filth wear hand gloves, masks special shoes/uniforms etc.	2	98
Do Sanitary Inspectors visit garbage collection units	20	80
Are Awareness programmes held for educating the civil society to segregate waste / garbage before dumping it in bins	0	100
Is lighting system provided in a planned manner	20	80
Are food samples lifted for adulteration test from food stores/eat points located within the ward	20	80
Is the milk sold being tested on spot	10	90
Are the encroachments removed immediately	5	95

1.3.17 Internal Control

Existence of an internal control mechanism in a department is helpful in exercising control of various activities undertaken by the department for fulfilment of its mandate. Non-existence thereof is bound to adversely affect the working of the department.

Shortcomings and lapses noticed in the internal control mechanism are discussed below.

- An amount of ₹ 0.22 lakh was drawn by the Corporation for payment to the travel agent on purchase of five tickets between April 2008 and February 2009. The amount was required to be adjusted from the adjustment bills of the officer. While making payment of the adjustment bills, the amount was again paid, resulting in drawal of the amount twice for the same purpose.

Also, in seven cases involving six officers, ₹ 0.49 lakh had been drawn and paid, between September 2005 and September 2008, to the travel agent for purchase of tickets. The adjustment TA bills which were required to be preferred within one year had not been submitted. The Corporation had not taken any action for recovery of the amount.

On this being pointed out, the Corporation stated (July 2010) that action would be taken to recover the amount after a recheck.

- ₹ 1.04 crore paid as advances to 91 officers/officials for procurement of spares and other store items are outstanding pending adjustment for period ranging from one to 15 years. Of this, ₹ 3.12 lakh was outstanding against 18 retired and ₹ 15.89 lakh against 8 transferred officials. No action was taken to recover the outstanding amount.

The Corporation stated that efforts were being made to effect recoveries from the concerned persons/officials. The reply of the Corporation should be viewed in the light of the fact that non-recovery for such a long period is bound to result in the amount becoming unrecoverable. Also, the recovery of the amount from retired officials is doubtful.

- ₹ 25.85 lakh advanced to eight private agencies by the Corporation for construction of urinals/toilets/acquisition of land, without approval of

Government/Finance Department, are pending recovery for a period of two to 15 years. Similarly, ₹ 25.99 lakh advanced for construction of lanes/drains etc. was outstanding against 17 Government agencies for similar periods. No action to recover, the outstanding amounts or to fix responsibility had been taken by the Corporation.

In reply, the Corporation stated that action to recover the amount would be initiated. However, recovery of the amount after such a long period appears doubtful.

- In accordance with Jammu and Kashmir Employees Provident Fund Act 1961, every employer shall remit General Provident Fund (GPF)/Contributory Provident Fund (CPF) collections made from its employees to the District Fund Office/Provident Fund Commissioner within 15 days of the close of every month. Scrutiny revealed that contributions recovered during a month in respect of GPF had not been remitted in full to District Fund Office; as a result, the balance retained/the amount due to be remitted by the Corporation ending March 2010 had accumulated to ₹ 25.72 lakh. However, in respect of CPF contributions, the Corporation had remitted excess amount (₹ 0.90 lakh) ending March 2010 to the Provident Fund Commissioner.

It was stated that contributions had been credited in the next month which is not correct as the balances retained by the Corporation as GPF was in the range between ₹ 14.30 lakh and ₹ 112.11 lakh where as the monthly recovery ranged between ₹ 5.63 lakh and ₹ 27.94 lakh during 2005-10.

- Audit scrutiny of cash book/drawal register revealed that totals of the cash book had never been checked by a person other than the cashier and the cash balances at the close of each month was not physically verified by the head of the office as required under rules. Drawals made from the treasury had either not been verified by the Treasury Officer at the end of each month or had been verified belatedly after delays of 45 to 301 days.
- Test check of 3 wings⁵⁵ revealed that ₹ 40.33 lakh received during 2007-09 was remitted into treasury after retention for 5 to 210 days. The Corporation had not conducted periodical reconciliation of its accounts with those of bank/treasury during 2005-09.
- Official entrusted with the job of cashier is required to furnish cash security/personal surety to the Corporation which was not obtained even after an embezzlement of ₹ 23.43 lakh in the Corporation.

The Corporation while admitting the audit observations replied that instructions would be complied with in future.

- No mechanism to conduct internal audit/inspection, checking accuracy of assessments, holding of review meetings was in existence.

1.3.18 Monitoring

The Corporation had not devised any mechanism for ensuring continuous monitoring of its wings entrusted with implementation of programmes and delivery of services by obtaining monitoring reports from executing officers. Impact of activities/services delivered was never assessed or evaluated by any internal or external agency. Citizens Charter showing time bound delivery of services and facilities provided by the Corporation or making citizens aware of their rights was never framed or displayed. Though a cell for redressal of public grievances was in existence yet the complaints received were not produced to audit to ascertain the extent to which the grievances were redressed.

1.3.19 Non-furnishing of records

The Corporation lacks focus and direction which was reflected in non-maintenance of basic records of various wings. Records of purchases, human resources, *khilafwarzi*/building sections and public grievances cell were not produced to audit despite matter having been discussed at the highest level. This indicates lack of seriousness of the Corporation in handling its mandate.

1.3.20 Conclusions

The Corporation lacks direction which is reflected in non-maintenance of basic records of assets and of daily demand and collection registers with unique identification number allotted to each tax/fee-payer in absence of which tax/fee actually due to the Corporation was not ascertainable. Non existence of internal control mechanism deprived the Corporation of an effective tool of monitoring its performance.

1.3.21 Recommendations

- Major changes are required to be brought about in regard to levy/collection of tax and fee to make the Corporation self-reliant.
- Financial management needs to be strengthened and measures taken to switch over to accrual system of accounting.
- The Corporation needs to have an effective strategy in place to bring about improvements in recovery of dues and to avoid loss.
- Development works should be taken up only after formulating plans in consultation with public representatives.
- Basic records of land and other assets should be maintained for keeping proper inventory to protect assets, avoid encroachments, and make systematic disposals.
- A time-bound plan should be drawn up for setting up waste management facilities and steps should be taken to improve waste disposal system.