

This Report contains Civil, Revenue and Commercial chapters comprising 22 paragraphs and six performance reviews (including one CCO-based review of Animal and Sheep Husbandry Department). Copy of draft paragraphs and reviews was sent to the concerned Commissioner/Secretary of the Department concerned by the Principal Accountant General with a request to furnish replies within six weeks. However, in respect of 19 draft paragraphs and six performance reviews included in the Report, no replies were received from the Commissioners/Secretaries concerned. A synopsis of the important findings contained in the Report is presented in the overview.

### **1 PERFORMANCE REVIEWS**

#### **Agriculture Production Department**

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##### **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 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 and 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.

#### **Consumer Affairs and Public Distribution Department**

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##### **Public Distribution System in Jammu and Kashmir**

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 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 food grains in full, inadequate storage capacity, non-fixation of norms of dryage/wastage for food grains and kerosene oil, etc. due to which the department could not entirely cover the target groups. Inefficient Management Information System, lack of effective planning, internal controls including monitoring and inspections was also noticed. Network for distribution of food grains/sugar was deficient.

## **Housing and Urban Development Department**

### **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 the 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.

## **2. AUDIT OF TRANSACTIONS**

Failure of the department to apply correct rates of excise duty led to excess payment of ₹ 1.26 crore.

**(Paragraph: 2.2)**

Improper decision of Director, Health Services, Jammu to place ₹ 7.02 crore for the procurement of CT Scanners at the disposal of Jammu and Kashmir Projects Construction Corporation Limited, which has no expertise in procurement of medical equipment, resulted in blocking of funds for over two years; besides denial of much needed healthcare facility to the needy people.

**(Paragraph: 2.4)**

The Custodian, Evacuees Property, Jammu constructed 30 flats by investing ₹ two crore without assessing the potential to generate income. This resulted in unfruitful investment as the flats remain unoccupied even after a lapse of more than two years of its construction.

**(Paragraph: 2.5)**

Unplanned purchase of drilling rig and its subsequent non-testing resulted in the rig not utilised leading to an idle expenditure of ₹ 2.73 crore.

**(Paragraph: 2.6)**

Injudicious decision of Purchase Committee in resorting to fresh tendering resulted in an avoidable extra expenditure of ₹ 2.94 crore.

**(Paragraph: 2.7)**

Unplanned project execution and subsequent delays for computerization of Water Supply Schemes rendered ₹ 90.51 lakh spent on the scheme unfruitful.

**(Paragraph: 2.10)**

Lapse on part of the Department to provide a proper regulatory system at the head-works coupled with construction of a channel of unsuitable design resulted in an unfruitful expenditure of ₹ 1.36 crore. The Department did not rectify the deficiencies pointed out in an enquiry report even after a lapse of two years.

**(Paragraph: 2.11)**

Injudicious purchase of Steel Tubular poles by Sher-e-Kashmir University of Agricultural Science and Technology, Jammu resulted in blocking of ₹ 1.93 crore.

**(Paragraph: 2.12)**

Due to improper planning, the multipurpose e-learning system established by Sher-e-Kashmir University of Agriculture Science and Technology was not made operational even after three years of its inauguration. As a result, the entire expenditure of ₹ 3.65 crore incurred on its creation has remained unfruitful.

**(Paragraph: 2.13)**

### **3 C.C.O. Based Audit of Animal and Sheep Husbandry Department**

The Animal and Sheep Husbandry Department in the State of Jammu & Kashmir is entrusted with the task of genetically improving the livestock of the State by providing exotic variety bulls and rams to the farmers, increasing production of mutton, milk, egg and other poultry products, and making the State self-sufficient with regard to these products. The schemes introduced did not yield adequate results due the fact that Perspective plans were not prepared nor was any phasing done. Year-wise targets were not realistically fixed. Production of milk, poultry meat, mutton and wool had not increased to the required levels. Mortality rate of livestock had increased in Kashmir division. Mid-way appraisal of the ongoing CSSs had not been conducted. Cases of financial irregularities, like advance drawal of funds without requirements, incurring of expenditure without the sanction and diversion of funds were noticed. CSSs like Strengthening of Poultry/Duck Farms, National Project on Cattle and Buffalo Development, Integrated Dairy Development Programme, Special Central Assistance to Tribal Sub Plan were not implemented as per guidelines. Effective internal control mechanism was not in place.

### **4. Revenue Receipts**

The Chapter contains five paragraphs and one review relating to incorrect computation of interest, concealment of purchases, short/non- levy of tax, interest etc. involving tax ₹ 1.81 crore.

## **POWER DEVELOPMENT DEPARTMENT**

### **Performance Review on Collection of Electricity Duty and Fee**

- Arrears of electric charges including electricity duty at the end of your 2009-10 had swollen from ₹ 838.65 crore to ₹ 986.45 crore due to non-pursuance of these by the department.

**(Paragraph: 4.2.8.1)**

- The internal control mechanism of the Department was weak in absence of independent internal audit wing and poor functioning of Revenue cell.

**(Paragraph: 4.2.8.2)**

- Delays of seven days to 28 days in deposition of revenue collected by the J&K Bank into the Government account had led to availing of overdraft and consequential interest liability of ₹ 8.15 lakh.

**(Paragraph: 4.2.8.3)**

- Loss of Electricity Duty could not be assessed due to non-framing of rules under the Electricity Regulation Act 1963.

**(Paragraph: 4.2.8.4)**

- The Department failed to levy and collect electricity duty from autonomous bodies/corporations/consumers in accordance with the provisions of the Act.

**(Paragraph: 4.2.9)**

## **5. Commercial Activities**

### **Section I: Overview of State Public Sector Undertakings**

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As of 31 March 2010, the State of Jammu Kashmir had 23 PSUs (17 companies and three corporations and three non-working companies) which employed 0.21 lakh employees. The State PSUs registered a turnover of ₹ 3700.38 crore for 2009-10 as per their latest finalized accounts as of September 2010. This turnover was equal to 9.66 *per cent* of State Gross Domestic Product (GDP) for 2009-10. Major activities of Jammu and Kashmir State PSUs are concentrated in power and finance sectors. The State PSUs earned a profit of ₹ 354.68 crore in the aggregate as per their latest finalised accounts as of September 2010.

#### **Investment in PSUs**

As on 31 March 2010, the investment (capital and long-term loans) in 23 PSUs was ₹ 4962.91 crore. Of the total investment in State PSUs, 99.93 *per cent* was in working

PSUs and the remaining 0.07 *per cent* in non-working PSUs. The total investment consisted of 9.42 *per cent* towards capital and 90.58 *per cent* in long-term loans. The investment has grown by 65.76 *per cent* from ₹ 2,993.98 crore in 2004-05 to ₹ 4,962.91 crore in 2009-10. The downward trend of budgetary outgo witnessed after 2005-06 upto 2007-08 showed marginal increase during 2008-09 and stood at ₹ 149.73 crore in 2009-10.

### **Performance of PSUs**

During the year 2009-10, out of 20 working PSUs, four PSUs earned profit of ₹ 514.89 crore and 14 PSUs incurred loss of ₹ 158.86 crore. One working PSU (Jammu and Kashmir Cable Car Corporation Limited) had not prepared the Profit and Loss Account while one PSU (Jammu & Kashmir State Forest Corporation) had not submitted its accounts since its audit was entrusted (1996-97) to CAG. The major contributors to profit were the Jammu and Kashmir Bank Limited. (₹ 512.38 crore) and Jammu and Kashmir Cements Limited (₹ 1.53 crore). Heavy losses were incurred by Jammu and Kashmir State Road Transport Corporation (₹ 54.67 crore), Jammu and Kashmir State Power Development Corporation Limited (₹ 39.05 crore), and Jammu and Kashmir Industries Limited (₹ 36.23 crore).

The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of latest Audit Reports of the CAG shows that the State PSUs incurred losses to the tune of ₹ 19.72 crore which were controllable with better management.

### **Quality of accounts**

The quality of accounts of PSUs need improvement. Most of the working PSUs had failed to finalise even one account in each year causing accumulation of the arrears. The main reasons for non-finalisation of the accounts by the PSUs noticed during audit were non-constitution of the Boards, non- holding of regular Board meetings, delay in finalization of accounts by the Statutory Auditors and lack of trained staff.

### **Arrears of accounts**

Twenty working PSUs had arrears of 234 accounts as of September 2010. The arrears need to be cleared.

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## **Section II-Part A: Performance Review**

### **Jammu and Kashmir State Power Development Corporation**

Power being an essential requirement for all facets of life, has been recognized as a basic human need. The availability of reliable and quality power at competitive rates is very crucial to sustain growth of all sectors of the economy. The Electricity Act 2003 provides a framework conducive to development of the Sector, promote

transparency and competition and protect the interest of the consumers. In the State, generation of power is carried out by the Jammu & Kashmir State Power Development Corporation Limited, which is under the administrative control of the State Power Development Department (PDD). The performance audit of the Company for the period from 2005-06 to 2009-10 was conducted to assess the status of various projects, capacity additions and optimization of existing capacity, economy and effectiveness of funding of new projects, operational efficiency and effectiveness of the top management in monitoring the affairs of the Company.

### **Planning**

The Peak power demand in the State had increased from 1800 MW to 2247 MW and deficit in meeting peak demand ranged between 31 and 37 *per cent* during the review period. Against this, the generating capacity of the State at the end of March 2010 was 967.67 MW.

### **Execution of the project**

There were cost and time overruns in four projects. Time overrun ranged between four and 16 years and cost overrun ranged between 41 and 687 *per cent*. The projects got delayed due to unplanned executions, arranging of funds on adhoc basis, inadequate contract management, etc.

### **Performance of Units**

Against the design energy of 10,790.53 MU in respect of Hydro Projects, actual generation was 7,979.31 MU only. PLF of the Company ranged between 40 and 56 *per cent*. The forced outages were as high as 59 *per cent* against 10 *per cent* fixed by CEA during review period. The average capacity utilization in the State ranged between 66 and 90 *per cent*.

### **Financial performance**

Ineffective system of recovery of dues from Power Development Department led to outstanding amount of ₹ 1,041.28 crore resulting in Company's dependence on loans. Improper planning in the fund management resulted in payment of interest on delayed payment to the contractor to the tune of ₹ 3.08 crore. The Company extended undue benefit to contractors by releasing interest free mobilization advances of ₹ 433 crore.

### **Manpower**

Company had not assessed the actual requirement of manpower for the operation of its power houses. Despite training of employees of the Company, it failed to manage Operations and Maintenance of BHEP, which had to be outsourced to NHPC.

### **Monitoring**

The Company did not devise a proper management information system to evaluate power demand and supply position in the State to take timely policy-decision regarding capacity addition programme.

The Company does not have a system to minimize the delay in decision-making process, monitor the implementation of the projects in accordance with the comprehension plan and evaluate mid-term progress of the projects for taking corrective action timely.

***Conclusion and Recommendations***

Timely commissioning of the power projects could have enabled the Company to increase generation. Achieving higher PLF could have helped in additional generation. The review contains six recommendations which include increasing the PLF and reducing forced outages.