CHAPTER- III : CCO BASED AUDIT

3. PUBLIC WORKS DEPARTMENT

The State Roads and Buildings Department is mandated with the construction and maintenance of roads, bridges and buildings in the State. Though implementation of Pradhan Mantri Gramin Sadak Yogna (PMGSY) is under the Public Works Department (PWD), as the funding pattern, accounting methodology, tendering and other aspects of the programme are different and are being looked after by a separate wing (J&K Rural Road Development Agency) in the State, the same has not been covered in the present performance audit. Sufficient funds are being poured in the sector through both State and Centrally Sponsored Schemes. Despite huge spending in the sector, the outcome has not been up to the mark primarily due to non-prioritisation of schemes, taking up of unapproved schemes for execution and incurring huge sums on execution without ensuring that the land on which the works are being executed are free from all encumbrances.

Highlights

- ✓ ***No comprehensive road planning policy was in place in the State. Planning of works was not upto the mark.***

  (Paragraph: 3.9)

- ✓ ***Delay in release of funds was seen at all the levels which impacted programme implementation.***

  (Paragraph: 3.10.2)

- ✓ ***Diversion of ₹ 16.30 crore to other schemes impacted the schemes for which the funds were meant.***

  (Paragraph: 3.10.5)

- ✓ ***Unauthorised liability of ₹ 110.82 crore had been created due to execution of unapproved works.***

  (Paragraph: 3.10.8)

- ✓ ***Shortfall in achievement of targets was witnessed in all the programmes.***

  (Paragraph: 3.11)

- ✓ ***Unrealistic estimation led to cost over-run over the original estimates in 1,803 road works. Cost overrun of ₹ 27.52 crore was witnessed in 98 roads and 45 building works. Also, time over-run of one to nine years was seen in 167 road and 220 building works.***

  (Paragraphs: 3.11.1, 3.11.3 and 3.13.1)

- ✓ ***Works taken up on disputed sites resulted in blocking of ₹ 140.34 crore on 112 road and 81 building works.***

  (Paragraphs: 3.11.4 and 3.13.2)

- ✓ ***59 works had been split at different levels to avoid sanction of the higher authority.***

  (Paragraph: 3.12.2)

- ✓ ***Due to non-procurement of sufficient construction material, eight executing divisions spent ₹ 62.47 crore on procurement of material from open market and incurred an extra expenditure of ₹ 1.04 crore.***

  (Paragraph: 3.14)

- ✓ ***Internal control mechanism, monitoring and quality control of works were virtually non-existent.***

  (Paragraphs: 3.15, 3.16 and 3.19)

3.1 Introduction

The State Public Works Department is mandated with construction and maintenance of Roads, Bridges and Buildings in the State. In view of the State having a small railway network, road communication assumes great importance for socio-economic development. Road development in the State is also important in view of the hilly terrain and limited alternate means of transport. The State Government with the backing of GOI resources is building the infrastructure in the shape of roads, bridges, buildings and other social infrastructure. The main thrust of the 11th five year plan (2007-12) is to create quality road infrastructure with the objective of improving mobility and accessibility and reducing cost of transportation. Ensuring a balanced development of the total road network across the State including widening of roads, improvement of riding quality and strengthening road safety measures would be the thrust. In particular, 100 *per cent* road connectivity, with all weather roads to inhabitations with a population of 1000+ in plains and 500+ in hilly areas is the priority objective under *Bharat Nirman*. The activities of the Department during the review period remained confined to implementation of various schemes under Central Road Fund (CRF), NABARD, Prime Minister's Reconstruction Plan (PMRP), *Pradhan Mantri Gramin Sadak Yogna* (PMGSY) alias *Bharat Nirman* besides works under the District Plan. The PMGSY was implemented in the State from December 2000 and till 2003 was being implemented by the State Rural Development Department after which it was transferred to PWD. In April 2007, a separate agency with the nomenclature 'J&K Rural Road Development Agency' was created for execution of PMGSY works with Chief Engineers (one each at Srinagar and Jammu) at the helm. The agency works under the overall control of the Principal Secretary to Government, Public Works Department, who acts as the Chief Executive Officer.

Building works of various departments is also undertaken by the Department. All the building works are executed by the executive divisions as deposit works through the funds transferred by the respective departments.

3.2 Road Density

Apart from the Public Works Department, the road infrastructure development works in the State are also carried out by the Border Roads Organization. A minor portion of the road length is maintained by Irrigation and Flood Control (I&FC) and Forest Departments for their own use and the State Rural Development Department constructs and maintains minor road works and bridle paths. The road network of all the Departments (excluding National Highways) taken together as on 31 March 2010 was as under:

Table 3.1

(In Kms.)

Category	*PWD*	*Forest*	*BRO*	*I&FC*	*Rural Development*	*Total*
Surfaced	16,838	1,099	5,499	133	2,009	**25,578**
Unsurfaced	3,178	10,112	1,099	388	1,518	**16,295**
Total	***20,016***	***11,211***	***6,598***	***521***	***3,527***	***41,873***

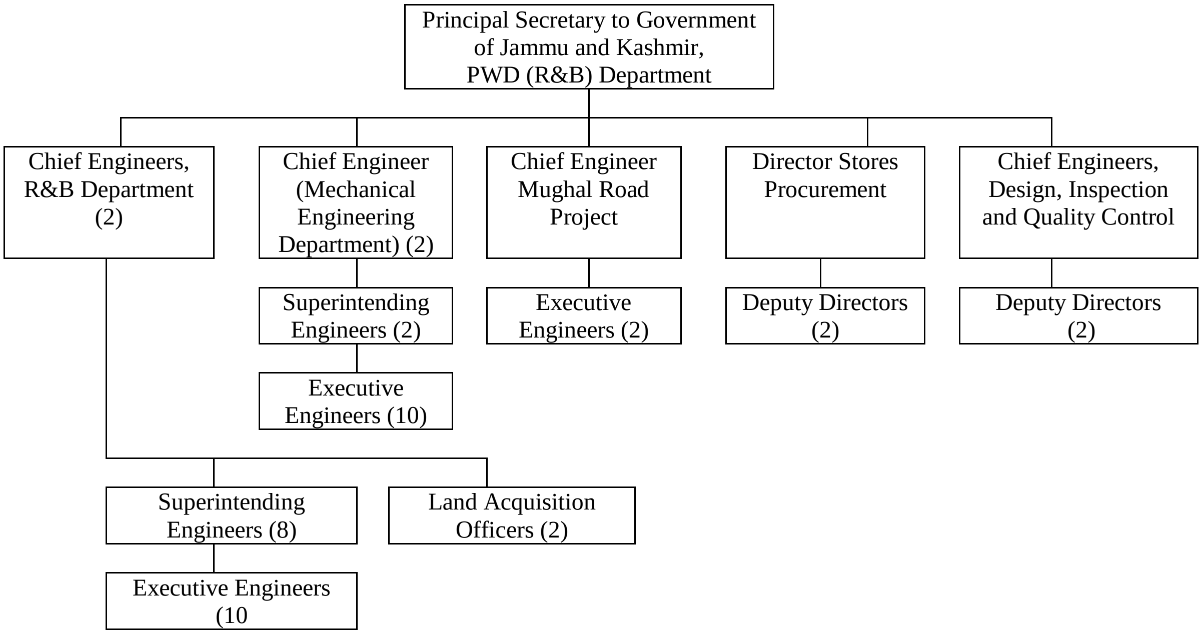
(Source: Plan document.)

The road density in the State increased from 35.71 Km per 100 sq. Km. during 2006-07 to 41.30 Km per 100 sq. Km. during 2009-10. Compared to Himachal Pradesh where the road density stood at 54.43 Kms/100 sq. Kms as on March 2009, it was as low as 41.30 Km per 100 sq. Km. during 2009-10 in the State. The total road length constructed and maintained by the Department increased from 15,768 Kms (Surfaced: 13,885 Kms; unsurfaced: 1,883 Kms) in April 2006 to 20,016 Kms in March 2010 (Surfaced: 16,838 Km; unsurfaced: 3,178 Kms). Out of the total 6,417 inhabited census villages (2001) in the State, 1,406 villages (22 *per cent*) were yet to be connected by all weather or fair weather roads at the end of March 2010.

3.3 Organisational set up

Organisational set up of the Department is as under:

Chart-I



3.4 Scope of audit

A review on the functioning of internal control mechanism in the R&B Department on NABARD assisted works was last attempted during 2005-06 and incorporated in the Report of Comptroller and Auditor General of India for the year ended 31 March 2006. The report was partially discussed and recommendation on the points fully discussed were brought out in the 48th Report of the PAC and communicated to the Department/Government.

The present Chief Controlling Officer (CCO) based audit is the first attempt of its kind and due care has been taken to make it complementary to the Department-Centric audit. Audit did not venture into the activities undertaken under *Pradhan Mantri Gramin Sadak Yogna* (PMGSY) alias *Bharat Nirman* – a flagship programme of the GOI, as the funding pattern, accounting methodology, tendering and other parameters connected therewith are different and are being looked after by a separate wing (J&K Rural Road Development Agency) in the State.

The audit was carried out during September 2010 to June 2011 and covered the period from 2006-07 to 2010-11.

3.5 Audit objective

The objectives of the review were to assess the performance of the Department on the following parameters:

- Planning process
- Financial management

- Programme implementation
- Internal control mechanism
- Monitoring

3.6 Audit criteria

The CCO-based audit of the Department was benchmarked against the following audit criteria.

- Plan documents/Annual works programmes/Project reports.
- J&K P W Accounts Code, J&K Financial Code read with Book of Financial Powers, J&K CSR and Schedule of Rates (SOR).
- Guidelines of the Central Road Fund (CRF), NABARD-assisted projects, Border Area Development Programme.

3.7 Audit Methodology

An entry conference was held with the Principal Secretary, Public Works (R&B) Department, J&K on 2nd December 2010 wherein objectives, criteria and scope of audit were discussed. The selection of the units was done on the basis of classification under Category A (100 *per cent*), B (50 *per cent*) and C (25 *per cent*). The findings were discussed with the Principal Secretary, Public Works (R&B) Department, J&K on 18th October 2011. Based on the discussions and the replies received from the Government, modifications were carried out and the views of the Government have been incorporated at appropriate places in the review.

3.8 Audit Coverage

The Department has 81 units comprising offices of Chief Engineers, Director Stores Procurement, Superintending Engineers and Works Divisions headed by Executive Engineers, etc. in the State. Out of these, audit of 42 units comprising two Chief Engineers (R&B) Jammu/Kashmir, two Chief Engineers, Mechanical Engineering Department (MED) Jammu/Kashmir, Director Stores Procurement Department Jammu/Kashmir, two Dy. Director Stores Procurement Department, one Superintending Engineer Jammu/Kathua Circle, Jammu, 32 Works Divisions, one Mechanical Division Jammu and one Collector Land Acquisition, PWD, Jammu was conducted during the period from September 2010 to March 2011.

AUDIT FINDINGS

3.9 Planning

3.9.1 Formulation of plans

Public participation is an important component in planning which allows plans to be considered from a variety of perspectives and helps in identifying the potential problems in the process. For providing missing links and increasing connectivity to villages, remote areas and for facilitating construction of roads on scientific lines, it was necessary to have a comprehensive road policy and prepare a perspective plan at the State level, based on the inputs from the divisional/district level, showing a detailed road map of the area, specification for different roads, norms for maintenance in view of manifold increase in passenger transport and freight axle load.

In the State, Five Year Plans considered as Perspective Plans (PP) form basis for execution of various activities under the roads and bridges sector by the Department. Annual works plans are to be prepared from the PP and works prioritized for completion within the specified time period. The works included in the PP are taken-up under different sectors/schemes for the purpose of funding. The major categories of schemes are those funded by the GOI like Central Road Fund (CRF) and others through State Sector, NABARD, and District Sector. The PPs on Roads and Bridges in the State are prepared by the Planning and Development Department on the basis of feedback received from the Department (PWD).

It was seen that:

- No comprehensive road policy had been framed by the State Government. The Government while admitting the fact intimated that the State Government had entrusted preparation of a comprehensive mobility plan for Srinagar and Jammu cities in the first place to M/S RITES through ERA.
- No base line survey had been conducted, in the absence of which the gap between availability and demand had not been analyzed on inter/intra District basis to prioritize future course of interventions. The plans sent to State Planning and Development Department for incorporation in the PPs by the Department had been prepared at the apex level (CEs) without any feedback from the field units. Ten out of 32 divisions confirmed this fact during audit.
- The targets envisaged in PPs were to be considered while preparing Annual Plans by the Department. It was, however, seen that annual plans (2007-11) had exceeded the targets set in FYP (2007-12) by about ₹ 21 crore and the actual expenditure had exceeded by ₹ 553 crore during 2007-11 indicating PPs had no relevance. Further, excepting for PMRP works, no centrally sponsored schemes had been included in the PPs. These, however, had been included in the Annual

Plans alongwith other District and State plan schemes. An analysis of the physical targets set in the PP and those included in the annual plans in two sectors revealed huge deviations as depicted below.

Table 3.2

S. No	Name of the Department/Sector	Financial (₹ in crore)			Physical	
		Total outlay 11th Five Year Plan	Total outlay as per Annual Plans 2007-11	Total expenditure 2007-11	Physical targets as per Five Year Plan	Physical targets as per Annual Plans 2007-11
1.	R&B Jammu	1,229	1,196	1,459	770	1,438
2.	R&B Kashmir	1,229	1,291	1,479	128	1,156
3.	PWD (NFB)** Jammu	136	32	22	119	193
4.	PWD (NFB) Kashmir	136	41	63	87	194

*(** NFB=Non-functional buildings)*

As can be seen from the table, works taken up by the Department during 2007-11 on the basis of AAPs was far in excess of those fixed in the PP for the period which had reduced preparation of the PP to a mere formality. Absence of proper survey, non-implementation of the schemes as per programme guidelines and not taking up of the schemes as per the phasing worked out in the PPs resulted in time and cost over-runs in 167 ongoing schemes due to thin spreading of the available resources. Besides, 60 schemes approved under NABARD and CRF at the total cost of ₹ 206.60 crore had been de-sanctioned as these were found to be either already approved under other programmes or were not fulfilling the requirement of the guidelines of respective programmes.

- As per the PP, the Department had to undertake limited number of new schemes and lay focus on completion of existing schemes. However, it was noticed in audit that the Department instead of completing 424 ongoing schemes under State Sector in Kashmir division, undertook 350 new works, thus, not adhering to the directions in the PP.

3.10 Financial Management

3.10.1 Financial Allocation and Expenditure

Funds are received by the Department as Non-plan, Plan and District Plan components. While Non-plan funds are released by the Finance Department and cover revenue expenditure, Plan funds are released by the State Planning Department and cover expenditure of capital nature. Loans released by NABARD and funds released through centrally assisted schemes form part of State plan. District plan funds are released to the Department by the District Development Commissioners. The details of funds released and expenditure incurred thereagainst as communicated by Administrative Department of R&B during 2006-11 were as follows:-

Table 3.3

(₹ in crore)

Year	*Funds allotted*	*Expenditure incurred*	*Excess (+)/saving (-)*
2006-07	813.90	842.43	(+) 28.53
2007-08	1,052.13	1,407.02	(+) 354.89
2008-09	1,268.12	1,491.34	(+) 223.22
2009-10	1,744.21	1,854.35	(+) 110.14
2010-11**	1,931.44	1,741.17	(-) 190.27

*(** Does not include the figures of District Plan, not available with the Department)*

Substantial spending over the allotments during the period 2006-10 was brought to the notice of the Administrative Department. It was stated that there had been no excess expenditure over the release but the additional releases made at the close of the respective financial years had not been included in the releases of the respective years. The additionalities were, however, not communicated to Audit though requested. In the absence of authentic figures of releases made during the years, comments on utilization of funds adequately or otherwise could not be made.

Following significant lapses in financial management were noticed.

3.10.2 Delayed releases

The PAC in its 48th Report on delayed releases, brought out by Audit in the review on NABARD assisted schemes, had recommended to the Department to come up with the reasons for the delayed releases in the next meeting. The departmental representatives assured the committee that responsibility would be fixed. Despite the assurance, Audit observed delay in release of funds during 2006-11 at all the levels i. e. administrative department (21 to 100 days), Chief Engineer (21 to 158 days) and at Superintendent Engineer (21 to 75 days). The Dy. Director (P&S), R&B Department, Civil Secretariat stated that the delay was procedural as releasing of funds took 10 to 20 days. Late release of funds was responsible for delayed completion of works, surrender of funds or rush of expenditure during the closing months of the financial years as brought out in the subsequent paragraphs. In reply, the Government assured to take special measures in releasing funds to eliminate delays.

3.10.3 Rush of expenditure

Rules provide that expenditure should be evenly distributed over the year. Audit, however, noticed rush of expenditure in 19 out of 32 divisions in the last month of the financial year ranging between 22 and 75 *per cent* during 2006-10. On this being pointed out, the EEs stated that rush of expenditure was due to late release of funds by the higher authorities.

3.10.4 Surrender of funds

For ensuring effective financial management, the funds are to be utilized in full during the year. It was noticed that the Chief Engineer, Projects Organisation, Mughal Road Project surrendered ₹ 221.28 crore (36 *per cent*) out of ₹ 612.65 crore released during 2006-11. Further, ₹ 27.17 crore was surrendered during the year 2008-09 to 2010-11 by three divisions[1]. The surrendering of funds indicated poor financial management. Delayed release of funds was stated by the EEs to be the main reason for surrender of funds.

3.10.5 Diversion of funds

Funds released by the State Government are scheme-specific and are to be utilized on specified items only. It was seen that eight out of 32 test-checked divisions had diverted ₹ 7.22 crore to other schemes. Besides, ₹ 9.08 crore meant for 'Maintenance and Repairs' had also been diverted by 18 divisions during 2006-11 on 354 new schemes. On being pointed out, the EEs stated that diversion of funds was necessitated for clearing liabilities in respect of works ordered for execution by the Hon'ble MLAs/Ministers. The Chief Engineer PWD (R&B) Kashmir, however, stated that works were executed by the divisional authorities without approval. The impact of such transfer on maintenance and repair of roads for which it was meant had not been assessed.

The Government, in reply, assured to take action against the erring officials.

3.10.6 Awaited detailed account and utilisation certificates

The divisional officers are required to obtain the detailed accounts/utilisation certificates for money advanced by them. However, 27 divisions (Kashmir: 13, Jammu: 14 division) out of 32 test-checked divisions had not obtained detailed accounts/utilisation certificates against the advances of ₹ 321.28 crore made to various Collectors, Land Acquisition/JKPCC[2] during the period 2006-11 which was indicative of poor financial management in the divisions. The period of delay was in the range of one year to 10 years. On being pointed out, the EEs stated that the matter had been noted for compliance.

3.10.7 Drawal of funds

Financial rules prohibit drawal of sums from treasury in anticipation of requirements. Further, vouchers/bills are not to be passed for crediting the amount to deposits at the close of the financial year in order to avoid lapse of budget grants. Audit examination of records of 14 divisions (Kashmir: 9, Jammu: 5) showed that divisional authorities had passed 114 vouchers/bills (test-checked cases) for 'nil' payments and credited ₹ 3.84

[1] Project Circle Division, 1st Srinagar: ₹ 25.94 crore; R&B Division, Chatroo: ₹ 0.46 crore and R&B Division, Qazigund: ₹ 0.77 crore

[2] Jammu and Kashmir Projects Construction Corporation

crore to deposits at the end of financial year to avoid lapse of budget grant. On being pointed out, the EEs stated that due to delayed release of funds and pending formalities viz. work measurements and required test-checks, the funds were credited to the Deposit head. The reply is unacceptable as the chances of making payments out of the withheld amounts without clearance of the formalities cannot be ruled out.

3.10.8 Creation of liabilities

Financial rules provide that no work shall be taken up for execution unless sufficient funds are provided and no liability shall be created except under the special orders of the Government. It was, however, noticed that liability of ₹ 110.82 crore in respect of 1,328 works[3] was created. The Chief Engineer, R&B Department, Jammu stated (October 2010) that the schemes were mostly unapproved and had been taken up on the directions of the concerned Hon'ble Ministers/MP's/MLA's. The reply was in violation of the State Financial Code which prohibits taking up of works without ensuring availability of funds. Works taken up, as such, dents the targets laid down in the PP and the Annual Action Plans. The Government, however, admitted the audit observation and attributed it to execution of some unapproved schemes under local requirements and pressures.

3.11 Programme Management

The efficient programme management in an organisation involves selection of schemes properly as per criteria of programme for their successful completion within estimated time and cost so that intended benefits accrue to the public.

The status of various projects in the State during 2006-11 as of March 2011 is depicted in the following tables.

Table 3.4

Programme/ Scheme	No. of Works under execution during 2006-11			Works to be completed by 31 March 2011	Works completed	Shortfall (percentage)
	Pending as of March 2006	Sanctioned during 2006-11	Total			
CRF	44	49	93	59	39	20 (34)
PMRP	-	3	3	3	1	2 (67)
NABARD	233	1,143	1,376	1,196	725	471 (39)
Total				1,258	765	493 (39)

As can be seen, out of 1,258 works to be completed by the end of March 2011, only 765 works had been completed registering a shortfall of 39 *per cent* indicating that completion of road works taken up for execution had been tardy and the shortfall in completion thereof was in the range of 34 to 67 *per cent* under various sectors.

The targets and achievement of the corresponding period are given in the table.

3 Jammu: 890 works with ₹ 89.16 crore and Kashmir: 438 works with ₹ 21.66 crore

Table 3.5

(In Kms)

Year	Target						Achievement					
	BT			MT/SH/FW			BT			MT/SH/FW		
	Jammu	Kashmir	Total	Jammu	Kashmir	Total	Jammu	Kashmir	Total	Jammu	Kashmir	Total
2006-07	200	336	536	690	995	1,685	189	331	520	570	875	1,445
2007-08	200	623	823	690	1,417	2,107	235	553	788	759	1,407	2,166
2008-09	200	648	848	720	1,549	2,269	270	473	743	1,187	1,549	2,736
2009-10	790	1,352	2,142	880	1,985	2,865	1,005	1,300	2,305	1,768	2,274	4,042
2010-11	1,100	1,216	2,316	1,930	1,464	3,394	1,310	865	2,175	2,170	962	3,132

The figures depicted in the above tables were indicative of the propensity of the Department to take up new works without ensuring completion of the works-in-progress. This action of the Department had proved to be an impediment in completion of works in time, resultant time and cost over-runs, and non-accrual of benefits out of the funds utilized on the on-going schemes.

The major shortcomings in programme implementation as detected by Audit are elaborated hereunder.

3.11.1 Un-realistic estimation

As per the Financial Rules, the EE is authorised to sanction excess over estimates of works up to five *per cent*. It was seen that EEs in 21 divisions (Kashmir: 13, Jammu: 08) out of 32 test-checked divisions had authorised excess over estimates in execution of 1,803 works (Cost: ₹ 195.01 crore) during 2006-11. The number of schemes and the range of excess over the original allotments is tabulated below.

Table 3.6

S.No	Range	No. of works	S. No	Range	No. of works
1.	Upto 100 *per cent*	922	4	501 to 1000 *per cent*	85
2.	101 to 200 *per cent*	441	5.	1001 to 2000 *per cent*	15
3.	201 to 500 *per cent*	333	6	2001 and above	7

This apart from being irregular indicates preparation of unrealistic works estimates. The EEs attributed the excess to carrying out of the execution on extended stretches of the roads executed on public demand and site conditions. The reply is not acceptable as the action was in violation of the codal provisions.

3.11.2 Execution without administrative approval (AA)/technical sanction (TS)

As per Rule 9.3 of the State Financial Code, obtaining of AA/TS is a pre-requisite for taking up a project. Test-check of records revealed that 1,301 works (32 test-checked Divisions) had been executed at a cost of ₹ 294.66 crore during 2006-11 without AA/TS. The EEs stated that applications for accord of administrative approvals were submitted to the higher authorities but approvals thereof were awaited. The execution of works without AA/TS continued despite this being pointed out to the executing divisions/CEs through the Annual Inspection Reports and to the Government through Annual Audit

Reports. Matter was referred to the Government (September 2011); the reply was awaited.

3.11.3 Time and Cost over-runs

Completion of schemes in a time bound manner and within the estimated cost is of vital importance for providing benefit of the schemes to the people. Test-check revealed instances of time over-runs ranging between one and nine years in 167 schemes (Jammu: 45, Kashmir: 122) in 16 divisions (Jammu: 10, Kashmir: 6) and cost overrun of ₹ 19.63 crore (range: ₹ 0.96 lakh to ₹ 68.12 lakh) in 98 schemes. On being pointed out, the Chief Engineers, R&B Department Jammu/Srinagar stated that cost escalation of schemes was mainly due to increase in cost of key construction material. The reply was not acceptable as the cost escalation was due to time-overruns which was avoidable.

3.11.4 Unfruitful expenditure/locking up of capital

Executive Engineers of the divisions are to ensure availability of encumbrance-free land and availability of funds before taking up execution of works.

It was noticed that 112 works taken up for execution by 23 test-checked divisions had been lying incomplete due to land dispute (54 cases), for forest clearance (04 cases), inadequate funding (33 cases), improper planning (9 cases) and others (12). The expenditure of ₹ 128.28 crore incurred thereon had proved unproductive as of March 2011.

On being pointed out, it was stated that the works could not be completed due to land disputes, pending forest clearance, inadequate funding etc. The reply is not acceptable as the Divisional Authorities had certified availability of encumbrance-free land at the time of submission of project reports. Thus, failure of the divisional authorities to ensure availability of encumbrance free land, proper funding coupled with improper planning and wrong reporting had resulted in denial of envisaged benefits to the public.

A few cases leading to blocking of funds are brought out hereunder.

- Ranga-Sangam road estimated to cost ₹ 19.97 crore was taken up by R&B Division, Ganderbal in February 2005 without ensuring that the land coming under the road alignment was free from encumbrances. After spending ₹ 94.02 lakh upto March 2007, the work was stopped by the forest authorities rendering ₹ 77.31 lakh spent on execution unfruitful and blocking ₹ 16.71 lakh spent on procurement of material. Work on the scheme had not been resumed as of March 2011.

- Out of ₹ 3.01 crore allotted to Executive Engineer, R&B Division, Ramban for Chanderkot-Swani road estimated to cost ₹ 4.08 crore, an amount of ₹ 2.75 crore had been spent on procurement of material, ₹ 10.80 lakh on earthwork and ₹ 15 lakh had been advanced to the Land Acquisition Officer for acquisition of land coming under the road alignment. Immediately after start, the work was stopped due to land dispute which had not been resolved as of March 2011 resulting in blocking of funds.

3.11.5 Delay in implementation

- ✓ The PP also envisaged completion of three [4]prestigious projects sanctioned under Prime Minister's Re-construction Programme (PMRP) by March 2007.

  It was seen that only Khanabal-Pahalgam (KP) road estimated to cost ₹ 25 crore, revised to ₹ 110 crore, involving four lanning of the first 14.5 Kms and double lanning of the balance 28.5 Kms had been completed within the revised cost. The increase in cost was due to providing of Wet Mix Macadam instead of Water Bound Macadam found necessary at site after soil tests.

  The target date for completion of Mughal Road had been extended upto March 2013 with a revised cost of ₹ 639.85 crore against the original AA cost of ₹ 255 crore. The delay in completion was attributable to delayed environmental clearance and *de-novo* survey conducted by a private firm for the road alignment. Similarly, Narbal-Tangmarg (NTR) road estimated to cost ₹ 38 crore (Revised: ₹ 116 crore) although nearing completion, had witnessed a cost overrun of ₹ 78 crore as of March 2011 due to land disputes and delay in receipt of forest clearance.

  Thus, physical achievement in respect of PMRP roads was not in consonance with the PP. While the cost over-run in respect of KP and NTR was attributed to change in scope of work, the same was attributed to taking up of the work on Mughal Road on the survey conducted in the year 1999 which had to be redone.

- ✓ Against 1,196 schemes sanctioned under NABARD (RIDF IV to RIDF-XIII) to be completed by 2010-11, only 725 (61 *per cent*) schemes had been completed and the balance 471 schemes had not been completed due to non release of matching share by the State Government. The schemes taken up thereafter upto RIDF-XV were also likely to suffer as the State share of ₹ 373.11 crore had not been released as of April 2011.

- ✓ Out of 49 schemes taken up for execution under Central Road Fund (CRF) during 2006-11, 30 schemes were due for completion by March-2011. It was seen that only four schemes had been completed thereby registering a shortfall of 87 *per cent*. An amount of ₹ 211.28 crore had been spent on 26 incomplete schemes. Out of 46 schemes taken up prior to March 2006, two schemes on which ₹ 19.07 crore had been spent had also not been completed as of March 2011 with time over-run of three to four years.

[4] Khanabal-Pahalgam Road, Mughal Road, and Narbal-Tangmarg Road

The Government in reply accepted the audit contention and attributed the shortfall to delays in acquisition of land, forest clearance and non-availability of State share. No justification was provided for taking up the works in anticipation of completion of the formalities which were pre-requisite under the guidelines of NABARD and CRF.

3.12 Execution of works

3.12.1 Execution of works through labour mates/approval basis

The State Public Works Account Code forbids execution of works departmentally. In cases where execution is to be made on emergent basis the Department may do it and make payments by taking recourse to use of muster sheets. In contravention thereto, it was seen that in Jammu Division the works had been got executed through labour mates and payment of ₹ 68.28 crore (selected months) had been made by taking recourse to use of hand receipts - an instrument not meant for the purpose. In Kashmir Division the works to the tune of ₹ 69.26 crore (selected months) had, however, been allotted on approval basis without invitation of tenders. Action of the department, as such, defeated the purpose of tendering and transparency in execution of works. On being pointed out it was stated that works were of emergent nature. The CE, Kashmir stated that expenditure incurred on works on approval basis[5] was of meager amount as compared to the total work executed. The reply of the EEs that the works were of emergent nature was not correct as most of the works taken up were still under execution as of March 2011.

The Government stated in reply that circular instructions had been issued by the Finance Department in this regard and compliance thereto would be ensured.

3.12.2 Splitting of works

As per Financial rules, the Contract Committee of the Department has full powers for grant of contract of individual works. The Chief Engineers, Superintending Engineers and Executive Engineers have been delegated the powers to allot works costing up to ₹ two crore, up to ₹ 40 lakh and up to ₹ 20.00 lakh, respectively.

Test-check of records of 12 divisions (Kashmir: 08, Jammu: 04) revealed that the EEs had split 59 works to the tune of ₹ 90.76 crore to keep the works within their delegated powers and awarded the contracts to 845 contractors without involving the contract committee/Chief Engineer/Superintending Engineer of the Department. On being pointed out, the EEs stated that splitting was done for speedy execution of works. The reply is not acceptable as most of the roads had not been completed as of March 2011.

In reply, the Government stated that in view of the limited capacity of the local contractors the works had been split. It was also stated that the Government was examining the issue of financial limits and manner in which a contract could be split without adversely affecting the speed and quality of execution in view of the Union

[5] Allotment of works without tendering

Minister for Road Transport and Highways directions to resort to splitting of works to encourage participation by local contractors.

3.12.3 Inadmissible works and non-recovery of cost of works/agency charges

The responsibility for developing and maintaining National Highway By-pass Srinagar was entrusted to the National Highways Authority of India (NHAI) in November 2003. The works were, however, being got executed by the agency through the State PWD after paying the agency charges along with the cost of the work executed.

Test-check of records revealed that the Executive Engineer, R&B Project Circle Division-I, Srinagar executed (September 2009) restoration works of Lasjan-Padshahi Bagh, Chanapora, Tengpora bridges and five allied works on National Highway By-pass road at a cost of ₹ 44.02 lakh out of the funds allotted by the State Government which were recoverable from NHAI.

After this was pointed out in audit, the EE stated that the assets pertain to National Highway Authority of India and that the claim for reimbursement of expenditure incurred would be sent to them.

3.13 Building works

The Department also undertakes building works on behalf of other State Departments in the form of 'Deposit Contribution Works'. It was seen that the Department had not maintained a consolidated record of such works at the Chief Engineer/Administrative Department level. However, the year-wise position relating to execution of building works during 2008-11 in respect of 27 divisions (Jammu: 18 and Kashmir: 09) out of 32 divisions was as given in the table:

Table 3.7

(₹in crore)

S. No	Year	No. of building works**	Estimated cost		Expenditure incurred	No. of works completed	Expenditure incurred on completed works	Percentage of completed works
			Original	Revised				
1.	2008-09	1,461	450.26	456.32	151.45	486	49.18	33
2.	2009-10	1,911	640.29	649.88	252.30	649	48.13	34
3.	2010-11	2,228	784.54	803.45	330.78	737	110.55	33

*(** Includes the closing balance of previous year)*

Table above shows that the percentage of completed building works was in the range of just 33 and 34 of the works taken up for execution during the year.

As per the DPRs of building works taken up for execution by the executing divisions, the works were required to be completed within one year to two years subject to availability of funds. In view of the enormity of the number of buildings, collection of full details of all the works undertaken for execution was not possible. To mitigate this problem, tentative period of completion for all the works was taken as two years for the purpose of calculating time over-run.

3.13.1 Time and cost over-runs

In view of the fact that the executing divisions are dependent on funding from the department on whose behalf the works are being executed, the executing divisions have no control over the flow of funds for the works. The departments also depend upon the allotments for the works made by respective administrative departments. Due to the fund-flow problem, 220 building works registered time overrun of one year to nine years in their completion. Due to non-completion of the buildings in time, 45 out of 220 works witnessed cost overrun of ₹ 7.89 crore.

3.13.2 Idle investment

Logically, money should be advanced by the indenting department to the executing divisions only after identification of a site on which construction is to take place and the executing divisions should take up the works for execution after ensuring that the site on which the proposed construction is to come up is free from all encumbrances. It was, however, seen that without taking these aspects into consideration, money had been advanced by the indenting departments without making available the required sites for 38 works and the executing divisions had taken up execution of 81 works on disputed sites. The amount of ₹ 17.21 crore advanced by the indenting departments had been rendered idle. The reasons, though called for, were awaited.

It was also seen that 124 buildings completed at a cost of ₹ 28.65 crore (March 2011), one to three years back, had not been handed-over to the indenting departments resulting in idle investment. The reasons therefor were not assigned.

Following further significant points were noticed.

- Twelve health centre buildings comprising three PHCs, eight sub-centres and one medical aid centre constructed in Ramban and completed in March-2009 at a cost of ₹ 4.80 crore had not been handed-over to the Medical Department as of March-2011 due to non-receipt of the required funds from the intending departments which rendered the expenditure so incurred as idle, besides denying medi-care facilities to the intended population. On being pointed out, the Executive Engineer without giving any cogent reasons stated that matter of handing over of buildings would be taken up with Medical Department.
- Works relating to construction of 44 school buildings[6] had been taken up (2007-08) for execution under the earthquake restoration programme. It was seen that despite spending ₹ 7.67 crore thereon during 2007-11, only five buildings had been completed out of which only one building had been handed-over to the Education Department. On this being pointed out, the EE stated that the delay in

[6] Handwara: 4; Tangdar: 19 and Uri :21 school buildings

completion of buildings was due to non-release of funds. Reasons for non-handing over of the four completed buildings were not furnished.

3.13.3 Execution without AA/TS

As per Rule 9.3 of the State Financial Code, obtaining of Administrative Approval (AA) and Technical Sanction (TS) before taking up the works for execution is a pre-requisite. Notwithstanding the rules, 136 building works had been taken up for execution by 18 executing divisions between 2008-11 in anticipation of accord of AA/TS and they had spent ₹ 36.47 crore thereon as of March 2011. Taking up of works, as such, besides being irregular, puts in question the physical and financial viability of the projects under execution.

The fallout of non-accord of TS in one of the cases, which came to notice of Audit, has been that MO's Quarter at Sub-District Hospital Gandoh constructed (March 2006) by R&B Division, Kishtwar was damaged (March 2007) due to snow/rainfall due to uneven settlement of foundations. The building had to be eventually demolished resulting in wasteful expenditure of ₹ 23.50 lakh spent thereon. No cogent reasons were furnished by the EE, R&B Division, Gandoh to whom the building had been transferred after bifurcation of R&B Division, Kishtwar.

3.13.4 Avoidable expenditure

The Government ordered (December 1989) that the State Architect Organisation headed by the State Chief Architect (SCA) would be the Advisor/Consultant to all the Engineering and other Government Departments in regard to their building programmes. Cases where engagement of private architect for prestigious projects was deemed necessary, the private architects were to be hired in consultation with the SCA. Notwithstanding the directions, it was seen that ₹ 1.48 crore had been spent by 26 test-check divisions, during 2006-11, towards payment to private architects/designers for design/consultancy charges of various structures. On being pointed out, the EEs stated that the projects were prestigious and due to non-availability of manpower with the Design Directorate/Architect Organisation, the services of private agencies were obtained. The reply is not tenable as there was nothing on record to suggest that the Design Directorate/Architect Organisation was short of manpower and prior consultation as required had been held with the SCA and NOCs had been obtained before engaging the services of private architects..

3.14 Stores Management

The Department of Stores & Procurement within PWD is the sole Government agency for material management of Key Construction Materials for various wings of the Public Works Department. The Department is headed by a Director/Chief Engineer with a Joint Director under him. The Department has two provincial level stores headed by Deputy

Director, at Jammu and Pampore-Kashmir. The key construction materials which are procured by this Department include Cement, Bitumen, Steel, BA Wire, RCC Hume Pipes and any other item specifically requisitioned by the Indenting Divisions/Departments.

The annual requirements are assessed on the basis of the annual statement of requirements submitted by user-divisions and material is procured as per allotment of funds made by the Government and money transferred by the user-agencies.

The position of annual requirement of key construction material and the material procured thereagainst during the years from 2006-07 to 2009-10 was as follows.

Table 3.8

(₹in crore)

Year	*Annual requirement of material*	*Material procured*	*Percentage of material procured to annual requirement*
2006-07	131.14	90.42	69
2007-08	153.19	121.91	80
2008-09	321.63	159.26	50
2009-10	308.86	212.84	69

The material actually procured by the Department was far below the annual requirement and ranged between 50 and 80 *per cent* during the period from 2006-10. Lesser procurement of material had resulted in non-catering of demands which consequently forced the indenting divisions to purchase the material from open market at higher rates. The Director, SPD attributed less procurement of material to less allocation of funds against the demands sent to the Government annually.

Test-check of records revealed that 23 (Kashmir: 11, Jammu: 12) out of 32 divisions had procured material (689 cases) worth ₹ 62.47 crore from the open market during 2006-10. Further, analysis of eight (Kashmir: 3, Jammu: 5) out of 23 division revealed that the divisions had incurred an extra expenditure of ₹ 1.04 crore by effecting purchases from open market at higher rates. On being pointed out, the EEs stated that the purchases were affected from agencies other than store procurement department in pursuance of Government orders. The reply is not acceptable as obtaining of approval from the competent authority was a pre-requisite before making purchases from the open market as per the Government orders which had not been obtained.

- Financial Rules also envisage purchase of stores in an economical manner and in accordance with definite requirements of the public service. Purchase of store items in advance of requirement involves locking up of Government money. Scrutiny of records of 23 divisions (Kashmir: 7, Jammu: 16) revealed that ₹ 108.71 crore had been advanced to various Government and other agencies during 2007-11, mostly at the close of the financial years, for procurement of stores without ascertaining the actual requirements.

On being pointed out, it was stated that since funds were released at the fag end of financial year, the Divisions had no option but to advance funds to procurement agencies in order to avoid their lapsing. The reply is not acceptable as this action on part of Divisions was in contravention of the codal provisions.

3.14.1 Irregular purchase

The Director, SPD, Jammu placed orders with two firms [7] for supply of 2600 MTs of TMT Fe-500D Bars in August/September 2009 for ₹ 13.70 crore**.** As per the supply orders, the material had to conform to IS 1786-2008 amended upto date bearing ISI specification with the chemical composition and physical properties described in the supply orders and that defective material was to be replaced within 15 days from the date of intimation to the suppliers.

Audit scrutiny revealed that the entire quantity of material supplied (September/October 2009) did not conform to the specifications mentioned in the supply orders. The supplier had supplied TMT Fe-500 bars instead of ordered specification of TMT Fe-500D. As the material had failed the physical properties tests, the Department made repeated requests to the suppliers to lift the material which was not done by the suppliers. The matter was thereafter taken up (November 2009) in the Purchase Committee which referred (December 2009) the matter to the Administrative/Law Department. However, it was seen that a corrigendum had been issued (January 2010) treating the supply order for material to be supplied as TMT Fe-500 instead of TMT Fe-500D. The Department in the whole exercise had ignored the opinion of the Director who found the material defective with changes in the physical properties. Despite the fact that the Accounts Officers, SPD, Jammu/Pampore had raised these issues, the material was received and payment of ₹ 13.70 crore released (March 2010) to the suppliers on their quoted rates (₹ 3.29 crore to M/S Kashmir Steel Rolling Mills, Jammu for supply of 993.960 MTs of TMT Bars, ₹ 10.41 crore to M/S Jhelum Industries Samba J&K for supply of 2999.700 MTs of TMT Bars). While Dy. Director, SPD, Jammu stated that matter will be looked into, reply from Dy. Director, SPD, Pampore was awaited.

3.14.2 Purchase of material in excess of requirement

Financial rules provide that stores should not be purchased unless these are required for immediate utilization by the Department. It was seen that stores comprising BA wire, CRMB 50, TOR 32 mm, TMT bars, MS Angle, etc. valuing ₹ 4.69 crore purchased in excess of requirements during 1998-2008 had been lying in stores at Jammu and Pampore for the last one year to ten years as detailed in the table.

[7] M/S Jhelum Industries, Samba (1900 MTs of TMT Fe-500D Bars) and M/S Kashmir Steel Rolling Mills, Bari Brahamana, Jammu (700 MTs)

Table 3.9

S. No	*Particulars*	*Amount (₹ in lakh)*
1	Prior to 2003-04	81.69
2	More than five years	66.88
3	More than two years	257.05
4	Less than two years	63.23
Total:		**468.85**

No efforts to divert or dispose of the material had been made. The possibility of deterioration in the quality of the material due to prolonged storage could not be ruled out.

The Dy. Director, SPD, Pampore stated that the material (TOR/TMT/CRMB) was purchased on the requisition of various executing divisions which did not lift full quantity requisitioned for. The Deputy Director, SPD, Jammu stated that the material was purchased to meet the requirement of the divisions. The reply furnished is not acceptable as non-lifting of material by the divisions indicated that there was no immediate requirement of the material which had eventually resulted in blocking of funds. No action to get the material lifted/utilized had been taken by the Director/Administrative Department to whom the matter was being reported by the Deputy Directors through the monthly progress reports.

3.14.3 Outstanding amount

The receipt of stores against advance payments is to be monitored strictly by the Department to carry out necessary adjustments. Test-check of records of the Dy. Directors Stores Procurement revealed that ₹ 21.08 crore was outstanding against various Corporations on account of supply of material. Also, ₹ 8.47 lakh was outstanding against two departments on account of hire charges of machinery/equipment as of October 2010 as detailed below:

Table 3.10

S. No	*Name of the Government Department/Corporation*	*Outstanding as of October 2010 (₹ in lakh)*
1.	Bharat Petroleum Corporation (BPC) Ltd	31.60
2.	Hindustan Petroleum Corporation (HPC) Ltd;	6.04
3.	Indian Oil Corporation (IOC) Ltd	2,070.81
	Total	***2,108.45***
1.	Mechanical Engineering Division Srinagar	7.92
2.	Mechanical Engineering Division Jammu	0.55
	Total	**8.47**

It was further noticed that the amount advanced in respect of BPC, HPC and MED Srinagar/Jammu pertained to the period from 1996-97 to 2009-10 for which no action had been taken by the Department. The outstanding amount against IOC alone was huge and was around ₹ 21 crore as on 31st October 2010. The period for which the amount was outstanding could not, however, be worked out due to maintenance of details of payments and receipts in a progressive manner. Reasons for huge outstanding though called for were not intimated.

3.14.4 Undue favour to the contractors

As per the standing instructions, cement is to be issued to contractors against cash payment. In contrast, in 30 (Kashmir: 15; Jammu: 15) out of 32 test-checked divisions cement costing ₹ 95.93 crore had been issued during 2006-11 to the contractors on loan basis which is tantamount to undue benefit to the contractors besides departure from the standing instructions. On being pointed out, the EEs stated that cement was issued on loan to contractors keeping in view the pending work done liability with the Department. The reply is not acceptable as issue of cement on loan to contractors was not in consonance with the standing instructions.

3.15 Monitoring

Monitoring is an effective tool to ascertain the effects and impact of schemes/programmes undertaken for implementation by the Department. It was noticed that while physical and financial progress of schemes is being monitored by the higher authorities through monthly progress reports, no system for conducting periodical physical inspection of works by the higher authorities had been established by the Department with the result most of the schemes particularly funded by NABARD and CRF had not been completed within the prescribed time and cost. The submission of monthly progress reports to the higher authorities had been reduced to a mere formality as timely action for taking remedial measures had not been taken indicating laxity in monitoring mechanism of the Department. The matter was brought to the notice of the Department (May 2011); the reply is awaited (October 2011).

3.16 Quality control

The material used for construction of roads is required to be tested to ensure quality standards. However, in 10 test-checked divisions it was noticed that testing of material and works executed in the divisions, both WBM and BT works, were not got done at any stage of execution. The Department had established only two testing laboratories in the districts of Jammu and Udhampur, as a result, the quality of works executed by the works divisions falling in other districts of the State could not be ensured due to non-testing of material used in works. Out of 435 tests conducted by the Material Testing Laboratory Nagrota, Jammu from September 2008 to December 2010 for concrete and bituminous works, 110 tests (25 *per cent*) showed that the material did not meet the requisite standards indicating that sub-standard works were executed by the Department. In the absence of testing laboratories in all districts, instances wherein material of requisite standards not being used in the construction going unnoticed cannot be ruled out, which would adversely affect on the quality of work executed. Further NABCONS, the third party monitoring agency appointed (2009-10) by the State Government in its report submitted to the Government too had given adverse remarks on poor quality control/quality control arrangements for 23 schemes out of 34 schemes reported upon. The matter was discussed with the Chief Engineer, Jammu who stated that the payments were not released till rectification was not done by the contractors which was verified by the party in selected cases and found to be rectified. The matter was brought to the notice of Government (May 2011). In reply, it was stated that the Government was exercising strict quality control checks through third party intervention and any cases coming to its notice would be dealt with strictly. It also stated that to achieve it, testing laboratories were being established at all the districts.

3.17 Training

Training of different categories of staff on regular basis is vital for capacity building, skill enhancement, awareness about technological developments and adaptation to the rapidly changing systems and scenarios in constructional engineering.

It was, however, seen that the Department had not established any system for imparting trainings to its staff. The Chief Engineer, R&B, Jammu stated that the Department sends engineers for refresher courses from time to time to CRRI, IRC and Engineering Development Council. However, the number of engineers trained during 2006-07 to 2009-10 was not intimated. The reply is not acceptable as no targets had been set for imparting training to field staff.

3.18 Regularity issues

3.18.1 Irregular expenditure on maintenance and repairs

As per the financial rules, the Executive Engineer is empowered to accord technical sanction to detailed estimates chargeable to maintenance and repairs up to ₹ five lakh, provided the estimates are within the corresponding provisions approved by the Chief Engineer in the Annual Distribution Statement of maintenance grant, failing which estimates are to be submitted to the Chief Engineer for sanction. Test check of records of 21 divisions (Kashmir:13, Jammu: 08) revealed that no approval to Annual Repairs Distribution Statements submitted to the respective Chief Engineers for sanction was accorded, thus, rendering ₹ 79.66 crore spent on these works irregular. On being pointed out, the EEs stated that since the budget for maintenance and repairs had been released by the Chief Engineer, no separate sanction was required. The reply is not acceptable as the action was in violation of codal provisions.

3.18.2 Non-levy of supervision charges

Public Works Account Code provides for levy of supervision charges at the rate of 9.5 *per cent* of the cost of works amounting to ₹ five lakh or more executed by the Divisions on behalf of local bodies or other departments not financed through consolidated fund of the State.

However, it was observed that in two Divisions supervision charges of ₹ 44.05 lakh for execution of works on behalf of BSNL and VODAFONE had not been recovered from the concerned agencies. On being pointed out, the EE, R&B Division-II, Jammu stated that the charges would be deducted. However, no reasons for non-levy were furnished.

3.18.3 Miscellaneous Public Works Advance (MPWA)

As per rules, the transactions accounted in MPWA should be cleared or adjusted within a reasonable time. It was observed that in 22 divisions (Kashmir: 8, Jammu: 14) MPWA to the tune of ₹ 1.92 crore were outstanding for more than three years as of March-2011. On being pointed out, EEs stated that category-wise/department-wise balances would be worked out and recovered.

3.18.4 Credit of lapsed deposits to revenue

Financial rules provide that deposits remaining unclaimed for more than three complete financial years after becoming due for payment lapse to the Government and are to be credited to revenue account as lapsed deposits. Test-check of records 27 divisions (Kashmir: 13, Jammu: 14) revealed that there existed a credit balance of ₹ 48.89 crore under deposit head of accounts and no exercise had been conducted to identify the lapsed deposits for being credited to the Government account. In the absence of proper details in the Deposit Registers, the age-wise analysis of the amounts could not be worked out in audit. On being pointed out, it was stated that needful would be done.

3.18.5 Excess expenditure over deposits

According to paragraph 351 of the J&K Public Works Account Code, expenditure on deposit works is required to be limited to the amount of contribution received and any expenditure on deposit works incurred in excess of the amount deposited is chargeable to Miscellaneous Public works Advances pending recovery. Scrutiny of Deposit Contribution Register of the Executive Engineer, Construction Division I, Jammu revealed that ₹ 19.44 lakh were spent on eight schemes in excess of deposits received from the concerned departments[8] and was not reflected in the Miscellaneous Public Works Advances Schedule/Register of the Division.

Also, ₹ 20.64 lakh spent on restoration of roads was recoverable from other agencies[9]. No action had been taken to recover the expenditure incurred in excess of the deposits received or expenditure incurred (January 2011). On being pointed out, the EE stated that the matter for reimbursement is under active correspondence with the concerned department.

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[8] Education Department, Geology and Mining Department and Chief Election Commissioner
[9] Airtel, Vodafone, BSNL

3.18.6 Non-recovery of premium

An award for fixation of premium and rent for land measuring 23 *kanals* 16 *marlas* at Pampore transferred by the Stores Procurement Department to the Steel Authority of India was issued by the Deputy Commissioner (Collector) District Pulwama in July 2008. A premium of ₹ 15 lakh per *kanal* for a period of 99 years amounting to ₹ 3.57 crore alongwith rent for structures and ground was fixed by the Collector in the award. The Director Stores Procurement Department J&K, Jammu took up the matter for execution of lease agreement with the Government in April 2009. However, despite lapse of more than two years since the issue of award by the Collector, the lease deed had not been finalised as a result the premium of ₹ 3.57 crore alongwith the ground rent and rent of structures (₹ 2.02 lakh) could not be got recovered from the Steel Authority of India (December 2010). On being pointed out in audit, it was stated that matter for execution of lease deed had been taken up with the administrative department.

3.19 Outstanding Hire Charges

The Mechanical Engineering Department is responsible for providing key construction machinery and equipments to the executing agencies and recovers hire charges fixed by the Government from them. Audit scrutiny revealed that hire charges of machinery and equipment to the tune of ₹ 17.32 crore (Chief Engineer, MED, Kashmir: ₹ 7.27 crore and Chief Engineer, MED, Jammu: ₹ 10.05 crore) pertaining to period 1982-83 to 2009-10 was outstanding against various government departments as of January 2011. On being pointed out in audit, it was stated that matter is being regularly taken up with the Chief Engineers of hiring Divisions but no progress had been achieved.

3.19.1 Hiring of private transport and machinery

According to the standing instructions (September 2004) of the Government, all the divisional authorities were directed to utilize the services of the machinery available with the Mechanical Engineering Department (MED). In case of non-availability of such machinery the executing authorities were required to obtain no objection certificate from the MED. It was noticed in audit that 18 divisions had spent ₹ 8.43 crore on carriage of key construction material up to divisional stores and ₹ 1.52 crore on hiring of machinery from the private agencies instead of availing the services of MED. The EEs attributed it to non-availability of machinery with the MED. The assertion of the department is contested on the plea that in no case had the NOCs been obtained which were required to be obtained as per the directions of the Government referred to above.

3.20 Internal control

The main objective of the internal control system is to establish adequate and effective procedures, supervisory controls and management information system in the organization so as to insulate it from financial irregularities and frauds and help it achieve its targets and goals efficiently. Audit observed that the controls though in place were not being adhered to as discussed below.

A test-check of the records of the sampled divisions revealed following shortcomings.

- Security deposit of ₹ 3.48 crore was either deducted less or not deducted at all in 727 cases by 18 Divisions (Kashmir: 7 and Jammu: 11) during 2006-11. Besides, in 143 cases, nine divisions (Kashmir: 3 and Jammu: 6) released security deposit of ₹ 78.17 lakh prematurely within the defect liability period.

- Service tax of ₹ 3.88 crore was either deducted less or not deducted at all from the contractor bills by 20 divisions (Kashmir: 12 and Jammu: 8) during 2006-11 which resulted in loss of revenue to the Government besides undue financial aid to the contractors. Besides, eight Kashmir-based divisions did not deduct service tax at source in respect of works executed by SICOP resulting in undue financial aid of ₹ 1.51 crore to the Corporation. The EEs stated that the recovery would be affected from the future payments of the contractors.

- Section-3 of the 'Buildings and Other Construction Workers Welfare Cess Act 1996' provides for levy and collection of cess on all constructions specified under 2-D of the said Act at one *per cent* of the cost of the contract from the contractors from July 2007. It was, however, seen that Labour Cess of ₹ 62.51 lakh was not deducted at source by 15 divisions (Kashmir: 5, Jammu: 10) from the contractor bills while releasing payments. The EEs stated that the cess could not be deducted due to belated receipt of the orders. The EEs in the instant cases should have recovered the amount from the deposits of the contractors in cases where the works had been completed and in respect of ongoing works the cess could have been recovered from the bills of the contractors.

- The totals of the cash book maintained in each office were to be verified by an official other than the writer of the cash book to ensure proper accountal of all monetary transactions. A certificate to this effect was to be recorded on the cash book. The procedure was not followed in 13 out of 32 test-checked divisions. By not resorting to such practice the executing divisions are always at the risk of over-payments.

- The physical verification of stores had not been conducted in 14 out of 32 divisions for the years ranging between two and three years although the same was required to be conducted annually.

- The unserviceable articles ought to be disposed off/auctioned. It was observed that unserviceable articles were lying undisposed in seven out of 32 test-checked units for the periods ranging from one year to eight years.

- The administrative inspection of subordinate offices is required to be conducted annually by the next superior authority. The administrative inspection was not conducted by the higher authorities in 31 (Jammu: 16; Kashmir: 15) offices out of 43 offices test-checked in audit.
- Asset register was not maintained in 31 divisions. The reasons though called for were not intimated.
- Priced Store Ledger was not maintained properly in 10 divisions.
- Suspense stock of ₹ 3.80 crore had not been adjusted (January 2011) in 16 divisions though the operation of suspense stock head in respect of divisions had been closed by the Government.
- Material worth ₹ 10.95 crore of 30 schemes transferred to the sister divisions/agencies were retained by three divisions unauthorisedly for the periods ranging from one year to four years. This had adversely affected the completion of schemes. No action was taken by the CE, Jammu on the report of the committee constituted for looking into 'material at site' accounts and unadjusted material of PW(R&B) (for unauthorised diversion of material) by the EE, Construction Division 1st Jammu against the schemes transferred to Samba Division.
- In contravention of the terms and conditions of contract for construction of District Court Complex at Srinagar, the EE, Project Circle Division-I, Srinagar unauthorisedly advanced (March 2010) ₹ three crore to the contractor as mobilization advance which had not been recovered as of November 2010, thereby giving undue benefit to the contractor and causing burden on the State exchequer.
- Idle wages of ₹ 1.19 crore were disbursed to 40 staff members between June 2008 and October 2010, who were either attached or retained without utilizing their services by two Chief Engineers (Kashmir and Jammu) and six test-checked divisions. The Chief engineer, R&B, Jammu stated that attachments had been made by the Administrative Department from time to time for drawal of salaries.
- A test-check by audit revealed that excess pay and allowances to the tune of ₹ 20.37 lakh had been paid to various employees in 12 out of 32 test-checked offices. The inadmissible payments were made due to wrong pay fixation and wrong interpretation of Government rules and orders. The concerned DDOs stated that the excess payments would be recovered.
- The response of the Department had been slow to the audit objections/queries which can be gauged from the fact that at the close of the March 2011, 263 audit inspection reports involving 1,365 paragraphs were pending settlement which

indicated casual approach of the Department with regard to settlement of paras and had resulted in recurrent incidence of irregularities and consequent loss to the Government.

3.21 Conclusion

The plans were prepared on adhoc basis without conducting baseline surveys. Financial management of the Department was inadequate with lack of proper budgetary control, such as persistent excesses over allocations, rush of expenditure at fag end of the year, delay in release of funds and excess release of loan component to field offices. Programme implementation was inefficient and suffered from delays in completion of works, execution of works without invitation of tenders, irregular extensions of works, unfruitful investments, unrealistic estimation and cost and time over-runs, execution of work without accord of administrative approvals and technical sanctions, etc. Quality control measures were deficient due to non-establishment of material testing laboratories and non-conduct of adequate quality control tests. Absence of control mechanism in the Department to evaluate/monitor the execution of projects was virtually non-existent.

3.22 Recommendations

- ***Plans should be prepared on the basis of ground level survey and inputs received from field functionaries and finalized with actual annual allocations to be received from the Government.***
- ***While making provision of funds, the department should dovetail the anticipated expenditure with the schemes drawn up in the annual plans.***
- ***Estimates should be prepared on realistic data and actual survey of sites and tendering system in the Department should be strengthened.***
- ***All encumbrances including land acquisition and forest clearances should be addressed prior to the execution of work to avoid delays in the completion of projects.***
- ***Tender notices should be posted in the website and action should be initiated for e-tendering.***
- ***Prescribed system of quality control and monitoring and evaluation of projects should be strengthened and made effective.***