

# Overview

## OVERVIEW

This Report is in two parts. The part A of the Report comprises of six paragraphs relating to short levy of tax, interest, penalty, irregular grant of remission of tax etc., involving revenue implication of ₹9.28 crore and part B contains one Performance Audit on "Working of J&K Small Scale Industries Development Corporation Limited" and six paragraphs relating to doubtful recovery, non-enforcement of terms of contract, avoidable payment of interest, loan disbursement and recovery etc., involving ₹32.33 crore. Some of the major findings are mentioned below:

## Revenue Sector

The total revenue receipts of the State Government for the year 2013-14 were ₹27127.98 crore as compared to ₹26216.86 crore during the year 2012-13 i.e an increase of ₹911.12 crore. 34 *per cent* was raised through tax revenue (₹6272.74 crore) and non-tax revenue (₹2869.69 crore). The balance 66 *per cent* was received from the Government of India as State's share of divisible Union taxes (₹4142.10 crore) and Grants-in-aid (₹13843.45 crore).

*(Paragraph: 1.1)*

Irregular grant of remission of tax to a dealer by the Assessing Authority resulted in short levy of tax and interest of ₹12.78 lakh.

*(Paragraph: 2.4)*

Failure of Assessing Authority to detect concealment of purchases leading to irregular exemption of ₹10.15 lakh from Sales tax.

*(Paragraph: 2.5)*

Acquisition of private land had been carried out despite availability of Government Land. The land compensation had been fixed by the CLAs without any speaking orders justifying the rate in the awards. Test check showed cases of avoidable interest payment, non-accountal of compensation money, payments without deduction of Income tax and weak internal control mechanism.

*(Paragraph: 2.7)*

Short levy of tax/interest due to misclassification of stocks and non recovery of interest for delayed recovery of dues as land revenue in three cases in Commercial Taxes Circle 'K', 'J' and 'O' Jammu amounting to ₹ 22.88 lakh relating to General Sales Tax (GST) were pointed out by audit. The department while accepting the audit observations reassessed (November 2013) the dealers and recovered the full amount of ₹ 22.88 lakh.

*(Paragraph: 2.8)*

## **Public Sector Undertakings (PSUs)**

The investment (capital and long-term loans) in 26 State PSUs and Statutory corporations was ₹4750.79 crore as on 31 March 2014. The total investment consisted of 18.85 *per cent* towards capital and 81.15 *per cent* in long-term loans. The equity has increased from ₹467.33 crore in 2009-10 to ₹895.58 crore in 2013-14. The Government contributed ₹251.57 crore towards equity, loans and grants/subsidies during 2013-14.

*(Paragraphs : 3.3 and 3.4)*

Twenty working PSUs had arrears of 187 accounts as of September 2014. In absence of accounts and their subsequent audit, it cannot be ensured whether the investment and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not.

*(Paragraph: 3.7)*

## **Performance Audit**

### **Working of the Jammu & Kashmir Small Scale Industries Development Corporation Limited**

- The accounts of the Corporation were in arrears since 1995-96. The huge balances of ₹556.10 crore appearing under Inter-unit Adjustment Account remained un-reconciled/ un-adjusted ending March, 2014.

*(Paragraphs: 4.1.6.1 & 4.1.12.3)*

- Fifty *per cent* developed area in IID, Govindsar, Kathua and 93 *per cent* developed area in Silk Park Zakura remained unutilized as of March, 2014 resulting in unfruitful expenditure of ₹12.23 crore. Besides delay in completion of projects leading to withholding of ₹61.89 lakh by the GoI, diversion of ₹57.06 lakh from project funds, excess expenditure of ₹4.01 crore over the estimates and allotment of plots of the size of 100 kanals against the approved size of 2-4 kanals were noticed.

*(Paragraph: 4.1.7)*

- Rent of ₹77.53 lakh was recoverable from lessees as on 31 March 2014. Rent had not been revised after the year 2007 though required to be done after every five years resulting in loss of ₹27.26 lakh to the Company during the years 2012-13 and 2013-14.

*(Paragraph: 4.1.8)*

- 265 Deposit works at a cost of ₹ 57.64 crore were allotted to various contractors on selective basis without tendering and without issuing any formal allotment letters. Payment amounting to ₹3.78 crore was authorized on hand receipts in violation of provisions of J&K Public Works Account Code. The marketing assistance was provided to about 40 *per cent* units registered with the Company.

*(Paragraphs: 4.1.9 & 4.1.10)*

- The Board of Directors (BOD) of the Company met only on four occasions during 2009-14 against a minimum requirement of 20 meetings under Companies Act, 1956.

*(Paragraph: 4.1.12.4)*

## Audit of Transactions

Disbursement of loan to borrowers without verification of genuineness of collateral security/already in default with another Bank and One Time Settlement in respect of a firm ignoring the valuation resulted in doubtful recovery of ₹143.94 lakh and loss of ₹52 lakh.

*(Paragraph: 5.1)*

Failure to remit the advance tax on taxable income in accordance with provisions of the Income Tax Act, 1961 by the Company resulted in avoidable payment of interest aggregating ₹70.27 lakh.

*(Paragraph: 5.2)*

Failure of the Police Housing Corporation to comply with the provisions of the Act/ Rules resulted in short deduction of cess amounting to ₹1.42 crore.

*(Paragraph: 5.3)*

Non-enforcement of contract agreement resulted in non-imposition of liquidation damages of ₹48.60 lakh, non-renewal of performance guarantee and irregular release of security deposit of ₹31.72 lakh.

*(Paragraph: 5.4)*

No survey for identification of beneficiaries had been carried out. The Company had not finalized its accounts since 1997-98. Due to under-utilisation (ranging between 17 and 57 *per cent*) of funds received from Apex Corporations, unspent balances had increased over the years resulting in creation of liability of ₹ 33.48 lakh on account of non-utilisation charges and liquidated damages. Non recovery of amounts due from the beneficiaries resulted in accumulation of overdue of ₹42.45 crore payable to Apex Corporations.

*(Paragraph: 5.5)*

The Company had not finalized its accounts from 2007-08 to 2013-14 (seven years). Loan disbursement targets during the period from 2009-10 to 2013-14 had not been achieved as there was shortfall (ranging between 8 and 51 *per cent*) in disposal of loan applications and further delays after sanction of loan. The recoverable amount had increased from ₹48.83 lakh to ₹96.75 lakh during last five years. Post disbursement monitoring of the financed units was weak.

*(Paragraph: 5.6)*