Overview

OVERVIEW

This Report in three parts, covers audit findings on the departments/ autonomous bodies under the Social, General and Economic (Non-Public Sector Undertakings) Sectors (Part I), the offices of Revenue Sector (Part II), and Public Sector Undertakings (Part III) of Government of Jammu and Kashmir. The combined revenue implication of this Report is ₹ 949.03 crore.

Part I: Social, General and Economic (Non-PSUs) Sectors

Part I of the Report contains nine paragraphs involving ₹ 192.47 crore relating to Management of Bank Accounts, unfruitful expenditure, unauthorised payment of idle salary, etc. Some of the major findings are mentioned below:

The total expenditure[1] of the State increased from ₹ 34,550 crore to ₹ 64,572 crore during the period from 2014 to 2019, while the revenue expenditure increased by 91 *per cent* from ₹ 29,329 crore in 2014-15 to ₹ 56,090 crore in 2018-19 during the same period. Non-Plan/ Normal revenue expenditure increased by 102 *per cent* from ₹ 26,457 crore to ₹ 53,578 crore and capital expenditure increased by 64 *per cent* from ₹ 5,134 crore to ₹ 8,413 crore during the period from 2014 to 2019. The revenue expenditure constituted 80 *per cent* to 87 *per cent* of the total expenditure during the years from 2014 to 2019 and capital expenditure 13 *per cent* to 20 *per cent*.

(Paragraph: 1.2)

Compliance Audit

Non-establishment of Model Schools

Failure of the Education Department to take timely action for utilisation of amounts received from the Government of India (GoI) for establishment of Model Schools at block level resulted in depriving quality education to the intended beneficiaries and non-utilisation of total available funds of ₹ 44.13 crore. The State Government contribution of ₹ 5.74 crore and interest accrued included in the available fund of ₹ 44.13 crore was also blocked, for ten years.

(Paragraph: 2.1)

Management of Bank Accounts in Government Departments

Government instructions issued from time to time on consolidation and streamlining of utilisation of funds retained in bank accounts of Drawing and Disbursing Officers (DDOs) were not strictly adhered to. Only a meagre amount of ₹ 64.10 crore was transferred from the redundant bank accounts of DDOs during the period December 2016 to February 2017. The accumulated balance in 1,138 bank accounts of 131 DDOs of three selected Government Departments increased from ₹ 116.41 crore to ₹ 399.94 crore during the period from 2014 to 2019. Increase in the accumulated balances was due to undisbursed funds of relief/ compensation to the victims of militancy, natural disasters, improper planning and non-completion of schemes, overstatement of expenditure in the Utilisation Certificates, retention of funds, retention of statutory deductions and land compensation outside the Government Account.

(Paragraph: 2.2)

[1] Total expenditure includes revenue expenditure, capital outlay and disbursement of loans and advances.

Non collection/ short remittance of dues

Non-distribution of 1,30,121 ration cards printed during the period 2015 to 2018 to the consumers in 11 test-checked units of Food Civil Supplies and Consumer Affairs Department led to non collection of ₹ 1.07 crore as well as short remittance of ₹ 1.69 crore into Government Account.

(Paragraph: 2.3)

Unfruitful expenditure due to non-functional Solar Power Plants

Non-settlement of payment of Works Contract Tax (WCT) with the State Taxes Department rendered 128 Solar Power Plants installed at police establishments non-functional since September 2014 despite incurring expenditure of ₹ 9.70 crore between May 2014 to January 2015 and availability of maintenance free warranty.

(Paragraph: 2.4)

Wasteful expenditure on water storage tanks

Irrigation and Flood Control Department took up the execution of work on water storage tanks, without acquiring the private land and seeking prior clearance from Forest Department/ Defence Authority, resulting in wasteful expenditure of ₹ 3.67 crore.

(Paragraph: 2.5)

Unfruitful expenditure on Lift irrigation Scheme

Non-selection of suitable site for construction of pumping station before taking up execution of the works for lift irrigation scheme, by Executive Engineer, Irrigation and Flood Control Division, Sumbal led to revision of cost of the scheme and inability to arrange additional funds over a period of eight years for completion of scheme, rendered expenditure of ₹ 2.23 crore on the scheme unfruitful.

(Paragraph: 2.6)

Under-utilisation of mobile cranes fitted with weigh bridge testing kits

The Legal Metrology Department failed to engage driver/ trained staff for operating mobile cranes fitted with weigh bridge testing kits provided by GoI for an amount of ₹ 1.18 crore, resulting in their under-utilisation and defeating the intended purpose to modernise and transform the manual practice of calibration/ verification of weigh bridges.

(Paragraph: 2.7)

Unauthorised Payment of idle salary

Failure of the Power Development Department to either transfer Drivers/ Chauffeurs deployed in excess of sanctioned strength or utilise their services effectively resulted in unauthorised drawal and payment of idle salary of ₹ 79.46 lakh to Drivers/ Chauffeurs during the period from March 2015 to January 2019.

(Paragraph: 2.8)

Unfruitful expenditure and blocking of funds

Failure of Public Health Engineering Department to make the augmentation of water supply scheme functional over a period of seven years, resulted in unfruitful expenditure of ₹ 78.28 lakh and blocking of ₹ 39 lakh.

(Paragraph: 2.9)

Part II: Revenue Sector

Part II covers audit findings of Revenue Sector comprising five paragraphs on short demand due to concealment of purchases, irregular grant of tax remission, irregular allowance of input tax credit and misappropriation of Government money, involving ₹ 2.03 crore. Some of the major findings are mentioned below:

Introduction

During the year 2018-19, the overall receipts of the State increased by 5.6 *per cent* over the previous year. The revenue raised by the State Government (₹ 14,175.70 crore) was 28 *per cent* of the total revenue receipts against 29 *per cent* in the preceding year. The balance 72 *per cent* of the receipts during 2018-19 was from the Government of India (GoI) of which 62.25 *per cent* came in the form of Grant-in-aid. The Grant-in-aid from GoI constituted 45.02 *per cent* of the total receipts of the State.

(Paragraph: 3.1)

Test-check of the records of 54 units out of 398 auditable units of State Taxes, State Excise, Transport Department conducted during the year 2018-19 showed under assessment/ short levy/ loss of revenue aggregating ₹ 900.11 crore in 502 cases. Departmental replies were received only from 8 units regarding acceptance of under assessment and other deficiencies of ₹ 2.46 crore. The Departments recovered ₹ 1.55 crore during 2018-19 in respect of 51 cases pertaining to audit findings of the period prior to 2018-19.

(Paragraph: 3.10)

Compliance Audit

Failure of the Assessing Authority to detect the concealment of turnover while assessing the dealer resulted in short levy of tax, interest and penalty of ₹ 17.67 lakh.

(Paragraph: 4.4)

Irregular grant of tax remission by the Assessing Authorities, Commercial Taxes Circles-I and II, Udhampur, to two industrial units which had concealed purchases of ₹ 12.32 lakh during the years 2010-11 and 2013-14 and thereby guilty of offence under section 69(1)(f) of the Jammu and Kashmir Value Added Tax Act, 2005, resulted in short demand of ₹ 26.22 lakh.

(Paragraph: 4.5)

Failure of the Assessing Authorities Commercial Taxes Circle-II, Udhampur and Circle ‘L’ Jammu to disallow the input tax credit claimed by the dealers on purchases made during the period of suspension of their registration certificate, resulted in short demand of ₹ 1.26 crore.

(Paragraph: 4.6)

Failure of the State Taxes Anantnag-I circle to correctly verify the return filed by the dealer and disallow the irregular input tax credit claimed on expired/ returned goods, resulted in short demand of ₹ 16.04 lakh.

(Paragraph: 4.7)

Tehsildar, Kathua failed to implement the rules prescribed for handling of revenues of the Government and also furnished incorrect information to audit which facilitated the misappropriation of revenue receipts of ₹ 16.81 lakh.

(Paragraph: 4.8)

Part III: Public Sector Undertakings (PSUs)

Part III covers audit findings of Public Sector Undertakings of all Sectors comprising one Performance Audit on 'Working of Jammu and Kashmir State Road Transport Corporation', and four paragraphs relating to expenditure incurred in excess of sanctioned cost, non-recovery of excess expenditure, short realisation of administrative overheads and execution of works in excess of approved costs involving ₹ 754.53 crore. Some of the major findings are mentioned below:

As on 31 March 2019, there were 42 PSUs, including 39 Government Companies (of which nine were non-working) and three Statutory Corporations under the audit jurisdiction of the Comptroller and Auditor General of India (C&AG). Of these, one PSU i.e. Jammu and Kashmir Bank Limited is listed (July 1998) on the stock exchange. Of the total paid-up equity of the Bank, 59.23 *per cent* is held by the State Government and remaining 40.77 *per cent* is held by Foreign Institutional Investors, individuals and others. During the year 2018-19, six PSUs were incorporated and no PSU was closed down. The 33 working PSUs registered an annual turnover of ₹ 9,784.90 crore and earned an aggregate profit of ₹ 448.02 crore as of 30 September 2019 as per their latest finalised accounts. This turnover was equal to 6.33 *per cent* of Gross State Domestic Product (GSDP) of ₹ 1,54,441 crore for 2018-19.

(Paragraph: 5.1.1)

Performance Audit

The Jammu and Kashmir State Road Transport Corporation (the Corporation) a transport undertaking wholly owned by the Government, with the aim to cater to the transport needs, both of passengers and goods for the public in the State was setup in September 1976. A Performance Audit of the Corporation for the period from 2014-15 to 2018-19 brought out instances of certain deficiencies in planning, operational performance, internal controls etc. While the total financial implication of this Performance Audit is ₹ 737.57 crore, some of the highlights of the Performance Audit are as under:

- Despite 20 *per cent* increase in Paid up Share Capital from ₹ 204.74 crore in 2014-15 to ₹ 245.57 crore in 2018-19, there was a 33 *per cent* increase in accumulated losses from ₹ 1,229.56 crore to ₹ 1,639.01 crore which indicated that capital infused by the Government was not efficiently utilised by the Corporation.

(Paragraph: 6.1.6)

- The Planning Wing of the Corporation had not prepared any perspective plan or long term plan for its revival.

(Paragraph: 6.1.7)

- Shortfall in achievement of targets of operative fleet and revenue collection targets during the period from 2014-15 to 2017-18 ranged between 28 *per cent* to 33 *per cent* and 31 *per cent* and 37 *per cent*, respectively. The overall shortfall in achievement of target of revenue during the period from 2014-15 to 2017-18 was ₹ 165.22 crore.

(Paragraph: 6.1.7.1)

- The Corporation failed to earn its operational revenue, as operation loss ranged between ₹ 15.03 per Km to ₹ 34.68 per Km during the period from 2014 to 2019.

(Paragraph: 6.1.8)

- The Corporation could not improve on the availability of vehicles as the overall fleet strength during the period from 2014-15 to 2018-19 decreased by 133 vehicles (14 *per cent*), despite addition of 142 vehicles during the same period.

(Paragraph: 6.1.9)

- Fleet Operations during the period from 2014-15 to 2018-19 ranged between 51 *per cent* and 59 *per cent* and detention of vehicles in workshop ranged between 29 *per cent* to 44 *per cent.* Percentage of idle vehicles increased from five *per cent* in 2014-15 to 19 *per cent* in 2018-19.

(Paragraph: 6.1.9.2)

- Failure to acquire the ownership title of properties, non-valuation of properties, non-recovery of compensation of land transferred, non-utilisation of properties, non-renewal of leases, indicated inadequate initiative of the Corporation to optimally manage its assets.

(Paragraph: 6.1.13)

- Services of drivers/ conductors were not utilised effectively, as the drivers/ conductors remained attached with the vehicles detained at workshops despite the required staff available at the workshops, resulting in payment of ₹ 44.95 crore to staff remaining idle.

(Paragraph: 6.1.14)

- Internal control mechanism of the Corporation was inadequate, Board meetings, monthly meetings, administrative inspections and vigilance checks were not conducted regularly.

(Paragraph: 6.1.15)

Compliance Audit

This chapter contains four paragraphs of Compliance Audit pertaining to two PSUs (Jammu and Kashmir Projects Construction Corporation Limited and Jammu and Kashmir State Power Development Corporation Limited). The observations relate to expenditure incurred in excess of sanctioned cost, non-recovery of excess expenditure, short realisation of administrative overheads and execution of works in excess of approved costs. While the monetary implication of these observations is ₹ 16.96 crore, highlights of the paragraphs are as follows:

Jammu and Kashmir Projects Construction Corporation Limited did not restrict the work of construction of a bridge and allied works within the sanctioned cost, resulting in non-recovery of expenditure of ₹ 1.88 crore incurred on the work.

(Paragraph: 7.1)

Jammu and Kashmir Projects Construction Corporation Limited constructed a bridge over Darhali Nallah, Ujjhan (Rajouri) without ensuring the approval of revised cost offers and release of funds, which resulted in expenditure of ₹ 6.85 crore not being reimbursed.

(Paragraph: 7.2)

Despite clear instructions of the Project Authority to restrict the value of work to ₹ 20.50 crore for construction of Niki Tawi bridge, the Jammu and Kashmir Projects Construction Corporation Limited exceeded the sanctioned cost, resulting in short realisation of administrative overheads of ₹ 1.64 crore.

(Paragraph: 7.3)

Failure of the Jammu and Kashmir State Power Development Corporation Limited to execute work under Rajiv Gandhi Grameen Vidyutikaran Yojana as per the approved cost, led to financial loss of ₹ 1.92 crore, besides, non-receipt of ₹ 4.67 crore from the Rural Electrification Corporation since 2014-15.

(Paragraph: 7.4)