

Overview

This Report includes two chapters containing observations on Finance and Appropriation Accounts of the Government of Jammu and Kashmir for the year 2004-05 and information in respect of Government public sector undertakings. Nine other chapters feature comments on overall functioning of the tax administration (Finance Department), Agriculture Production, Animal Husbandry, Fisheries, Revenue, Social Welfare, Irrigation and Flood Control, Public Health Engineering and Finance Departments. Altogether this Report contains six performance audits and two long paragraphs besides draft paragraphs incorporated in various chapters. A synopsis of the major audit findings is set out in this overview.

1. Finances of the State Government

The accounts of the State Government for the year 2004-05 closed with a revenue surplus of Rs. 562 crore. Revenue receipts of the State increased from Rs. 5,660 crore in 2000-01 to Rs. 8,866 crore in 2004-05 at a trend growth rate of 10.97 *per cent*. Rate of growth of revenue receipts during 2004-05 was low at 7.96 *per cent* in comparison to 16.32 *per cent* in 2002-03 and 8.80 *per cent* in 2003-04. State's own resources constituted 22 *per cent*, while central tax transfers and grants-in-aid from Government of India comprised 78 *per cent* of the total revenue receipts.

Total expenditure of the State comprising revenue expenditure, capital expenditure and loans and advances, increased from Rs. 7,547 crore in 2000-01 to Rs. 10,550 crore in 2004-05 at a trend growth rate of 8.97 *per cent*. The fiscal liabilities of the State increased from Rs. 9,224 crore in 2000-01 to Rs. 14,199 crore in 2004-05 at an average annual growth rate of 11.97 *per cent* and ranged between 60.37 *per cent* to 68.54 *per cent* of the Gross State Domestic Product during this period. The returns on Government investments ranged between nil to 7.56 *per cent* during 2000-01 to 2004-05 against the average borrowing rate of 9.36 *per cent* during this period. The amount locked up in 219 incomplete projects was Rs. 1036.08 crore at the end of the year 2004-05.

(Paragraphs: 1.1 to 1.11)

Commercial activities

As on 31 March 2005, there were 20 Government companies (17 working and three non-working companies) and three working Statutory corporations under the control of the State Government. The total investment in the working PSUs increased from Rs. 2,360.49 crore as on 31 March 2004 to Rs. 2,990.58 crore as on 31 March 2005. The total investment in the non-working PSUs was Rs. 3.40 crore as on 31 March 2005.

The budgetary support in the form of capital, loans, grants and subsidies to the working PSUs increased from Rs. 65.56 crore in 2003-04 to Rs. 94.45 crore in 2004-05. During 2004-05, the State Government guaranteed loans aggregating Rs. 906.82 crore. The outstanding loans guaranteed by the Government increased from Rs. 1,281.93 crore (31 March 2004) to Rs. 1592.86 crore (31 March 2005).

According to the latest finalised accounts, five companies earned aggregate profit of Rs. 115.95 crore, of which only one company declared dividend of Rs. 38.78 crore. Ten PSUs (eight companies and two Statutory corporations) suffered an aggregate loss of Rs. 119.35 crore. Of the eight loss-incurring companies, seven had accumulated losses aggregating Rs. 293.10 crore, which exceeded their aggregate paid-up capital by Rs. 232.32 crore. Two Statutory corporations had accumulated losses aggregating Rs. 738.88 crore which exceeded their aggregate paid-up capital of Rs. 172.31 crore. The financial position and working results of four companies and one Statutory corporation could not be assessed in audit due to non-receipt of their accounts.

Even after completion of 26 to 37 years of their existence seven companies and two Statutory Corporations had been incurring losses for five consecutive years leading to negative net worth. In view of this the Government may either take steps to improve the performance of these PSUs or consider their closure.

(Paragraph: 1.12)

2. Allocative Priorities and Appropriation

Against the total provision of Rs. 12,182.97 crore during 2004-05, the expenditure aggregated Rs. 13,028.13 crore resulting in overall excess of Rs. 845.16 crore. The excess expenditure was due to net effect of excess of Rs. 2,108.42 crore and saving of Rs. 1,263.26 crore in respect of 14 grants and two appropriations and 27 grants and four appropriations, respectively. The excess expenditure was mainly due to part clearance of overdraft of Rs. 1,114.20 crore obtained by State Government from Jammu and Kashmir Bank Limited during the current year and purchase of power. Out of 225 controlling officers, 117 had not completed reconciliation in respect of expenditure of Rs. 6,998.45 crore, which constituted 67 *per cent* of the total revenue and capital expenditure.

(Paragraphs: 2.2 to 2.13)

3. Tax administration (Revenue receipts)

Performance Audit

Assessment and collection of sales tax

The levy, assessment, collection and recovery of sales tax was deficient as there were instances of concealment of purchases/turnover on account of non verification of purchase statements of the dealers, misclassification of goods, application of incorrect tax rates etc. amounting to Rs. 2.24 crore, non-levy of tax (Rs. 3.95 crore), non-levy of penalty (Rs. 1.19 crore) for non-filing of return and non-payment of tax. Progress of recovery of tax arrears was poor which led to increase in arrears from Rs. 478.74 crore (March 2000) to Rs. 561.25 crore as of March 2004.

(Paragraph: 3.2)

4. Agriculture Production Department

Performance Audit

Horticulture Development Programme

The Agriculture Production Department's objective of implementing various plans to bring about socio-economic development, particularly in rural areas through increased production of crops and development of agro-based enterprises like honey, mushrooms, vegetables etc. was not achieved. This was due to delay in completion of project works, dismal performance of the departmental nurseries, improper planning in creation of new infrastructure and maintenance of existing facilities, mismanagement in issuing plant material etc.

The administrative expenditure incurred for development of horticulture was very high and ranged between 68 and 78 *per cent* of the total expenditure. The fruit production at the end of the year 2001-02 (10.98 lakh metric tonnes) was far below the 9th Plan target of 15.46 lakh metric tonnes. The cost of production of each plant in the departmental nurseries ranged between Rs. 46 and Rs. 231 against the average market price of Rs. 7 for each plant.

(Paragraphs: 4.1, 4.5.6, 4.5.8 & 4.5.9)

Audit of Transactions

Civil

Audit of transaction of the department revealed the following irregularities:

- Inaction of the Director Agriculture Jammu to pursue the case of land acquisition for Seed Multiplication Farm Chinore with Revenue Department resulted in locking of Rs. 2.07 crore for over 13 years.
- The delay of 15 years in completion of five projects under Command Area Development Programme for increasing agriculture productivity in the command areas resulted in cost overrun of Rs. 5.11 crore, besides depriving farmers of socio-economic benefits.

(Paragraphs: 4.3.6 & 4.3.5)

Commercial

- A review of the operational performance of the Apple Juice Concentrate Plant Doabagah (a unit of Jammu and Kashmir Horticultural Produce Marketing and Processing Corporation Limited) revealed that except for 2001-02, in the remaining period during 1999-2004 there were shortfalls ranging between 2 and 61 *per cent* in the processing of apple culls.

(Paragraph: 4.7.2 to 4.7.5)

5. Animal Husbandry Department

Performance Audit

Sheep and Wool Development Programme

The objective of the Animal Husbandry and Sheep Husbandry Departments of increasing production of milk, poultry meat, eggs, improvement in the stock of pack animals and increasing mutton and wool production was not achieved due to poor management of sheep breeding farms, non-distribution of rams, dryage of ewes beyond the permissible limits, low lambing, high mortality etc.

Against the norm of 80 *per cent* lambing only 67 *per cent* breedable ewes lambed in six sheep breeding farms, 1,398 rams produced in six farms were not distributed, in six sheep breeding farms of the State the average wool yield per animal per annum was only 2.01 Kgs, wool obtained from departmental livestock was of poor quality and only seven *per cent* of the livestock population was vaccinated.

(Paragraph: 5.14)

Audit of Transactions

Audit of Transaction of the department revealed the following irregularity:

- The action of Director, Animal Husbandry Department, Jammu in taking up the works for construction of milk chilling plant building, without first ascertaining the actual requirement, led to idle investment of Rs. 15 lakh for about four years.

(Paragraph: 5.7)

6. Fisheries Department

Performance Audit

Fisheries Development Programme

The Department of Fisheries' goal of increasing the fish production in the State by establishing fish farms, hatcheries, popularising fish farming in private sector, promoting sport fisheries and conservation of water resources etc. was not achieved because no plans for development of fisheries were prepared. Fish farms were not established/delayed, perennial sources of water were not identified and stocking of fish were not as per norms. The performance review revealed non-establishment of fish farm due to acquisition proceedings, identification of suitable land, non completion of works resulting in idle investment (Rs. 1.18 crore), extra cost (Rs. 14.91 lakh), locking up of funds (Rs. 30 lakh) and works on which Rs. 4.65 crore incurred remaining incomplete for over ten years due to paucity of funds.

(Paragraphs: 6.12, 6.12.7, 6.12.22 & 6.12.23)

7. Revenue Department

Audit of Transactions

Audit of transactions of the department revealed the following irregularities:

- Due to poor progress of settlement operations, it will take about one hundred years to complete the land settlement work in the entire State.
- The performance of the department in evicting encroachers of State land was dismal. The department could evict encroachers from 1.88 lakh *Kanals* (12 *per cent*) out of total area of 15.32 lakh *Kanals* under illegal encroachment.
- Despite incurring expenditure of Rs. 2.66 crore, computerisation of land records suffered due to improper planning, incomplete computer sites/networking, non-loading of software system and inadequate training.
- Failure of the department to finalise acquisition proceeding due to incorrect identification of land resulted in locking up of Rs. 45.44 lakh for over two years, costing Rs. 10.53 lakh to the State exchequer.

(Paragraphs: 7.7.1,7.7.2,7.8 & 7.11)

8. Social Welfare Department

Performance Audit

Working of Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited.

The aim of the Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited for bringing socio-economic upliftment of the members of the scheduled castes, scheduled tribes and other Backward classes was not realised due to non-utilisation of funds (Rs. 1.41 crore), deficient fund management, faulty identification/selection of beneficiaries, non-providing of assistance/guidance to the beneficiaries for obtaining loans, non-existent monitoring and control mechanism etc.

The shortfall in providing financial assistance to the beneficiaries under Bank Tie-Up Scheme ranged between 65 and 82 *per cent* during 2000-2005.

(Paragraph: 8.14)

Audit of Transactions

Audit of transactions of the department revealed the following irregularities:

- Unauthorised appointments made by various officers in the department resulted in irregular expenditure of Rs. 42.70 lakh.
- Defective planning in construction of *Bal Ashram* building at Handwara, Kashmir and injudicious release of funds for acquisition of land for *Nari Niketan* in Kupwara, Kashmir resulted in locking up of Rs. 79.75 lakh.

- Retention of Rs. 4.57 crore out of funds drawn on account of old age pensions and scholarships in bank accounts affected the timely deliverance of relief to the underprivileged sections of the society.

(Paragraphs: 8.6 & 8.10 to 8.12)

9. Irrigation and Flood Control Department

Audit of Transactions

Audit of transactions of the department revealed the following irregularities:

- No concrete steps were taken by the department for recovery of outstanding user charges (*Abiana*) of Rs. 3.59 crore.
- Poor store management and non-completion of various works in the department resulted in idling/locking up of Rs. 2.63 crore.
- In 24 divisions Rs. 98.02 crore were spent on execution of 545 works/schemes without administrative approval/technical sanction. Further 350 works costing Rs. 4.18 crore were allotted unauthorisedly in eight divisions without the approval of competent authorities.

(Paragraphs: 9.6, 9.10 & 9.11)

10. Public Health Engineering Department

Performance Audit

Augmentation and Improvement of Water Supply to Greater Srinagar and Greater Jammu-Master Plan-Phase-I & II)

The Public Health Engineering Department's objective of providing safe and sufficient drinking water to the urban and rural areas of the State, preserving the quality of water by institutionalising water quality monitoring/surveillance and improving/augmenting the existing water supply schemes was not achieved due to faulty planning, delayed/defective execution of works, wasteful and avoidable expenditure and diversion of funds. Despite availability of water in Srinagar residents were deprived of this facility due to an improper distribution system. Implementation of the scheme also revealed instances of idle investment of (Rs. 2.39 crore) in execution of works, avoidable expenditure (Rs. 3.62 crore), irregular diversion of funds (Rs. 1.38 crore) to other activities and failure of the department to establish a water testing system at the tail end of the distributing system for ensuring safe drinking water.

(Paragraphs: 10.1, 10.21.6 to 10.21.14)

Audit of Transactions

Audit of transactions of the department revealed the following irregularities:

- Despite existence of a system of centralized purchase of stores, six test checked user divisions made direct purchase of stores aggregating Rs. 7.59 crore during 2000-01 to 2004-05.

- Injudicious procurement of stores led to locking up of Rs. 1.07 crore. Store items valued at Rs. 54.80 lakh lost their shelf life resulting in unfruitful expenditure.
- Shortage of 211 store items valuing Rs. 3.21 crore were not recovered from the storekeeper of the Material and Procurement Division, Srinagar.
- Defective planning, failure to take timely action and frame correct estimates in four water supply schemes resulted in unfruitful expenditure of Rs. 1.35 crore.
- Idle investment of Rs. 4.51 crore was made on four water supply schemes due to faulty designs, indecisiveness of the authorities and poor planning.

(Paragraphs: 10.7 to 10.15 &10.23.3)

11. Finance Department

Performance Audit

Evaluation of the Internal Control systems of the Jammu and Kashmir State Financial Corporation with regard to its term-lending activities revealed the following deficiencies/irregularities:

- The Corporation did not finalise/approve the Business Plan and Resource Forecasting (BPRF) before commencement of the financial year. It had also not prepared its functional manuals nor had established an Internal Audit Wing.
- The project appraisal system in the Corporation was defective. No proper inspection register for recording details of inspections conducted was maintained.
- Audited accounts, bringing out details of production and sale, were not obtained in 14 out of 19 cases from its assisted units to ascertain their health and for taking timely and appropriate action against defaulters.
- The Corporation had not taken any remedial measures for recovery of its dues. As a result, it could not plough back the funds to recycle them for other developmental activities.

(Paragraphs: 11.1 to 11.14)