Chapter–III

PERFORMANCE REVIEWS

Home Department

3.1 Security Related Expenditure

Review of Security Related Expenditure (SRE) revealed incorrect reporting of expenditure, diversion and misuse of funds, lack of control over expenditure, delay in dehiring of expensive hotels and irregularities in payment of rent, delay in completion of security works, etc.

Highlights

- **The accounting/reporting and reconciliation system of SRE followed by the State Government was not adequate. The Department had not obtained Audit Certificates for SRE from the Accountant General.**

(Paragraph: 3.1.7)

- **Payment of Rs. 74.54 crore made by the Central Government directly to the Ordnance factories was not accounted for by the State in its accounts under SRE.**

(Paragraph: 3.1.8)

- **Delay in dehiring of expensive hotels and buildings resulted in avoidable/excess payment of rent of Rs. 1.45 crore.**

(Paragraph: 3.1.11.1)

- **There was delay in completion of Police security works and works valuing Rs. 30 lakh were executed unauthorisedly.**

(Paragraph: 3.1.17)

- **Avoidable expenditure of Rs. 72 lakh was incurred on irregular execution of works.**

(Paragraph: 3.1.18)

3.1.1 Introduction

In order to tackle the security situation caused by the outbreak of militancy in the State in 1989-90, the State Government provided for a huge increase in security related expenditure. Considering the burden on the State finances, the Central Government decided to reimburse the additional security related expenditure (20-30 *per cent* of State Police Budget) to the State from the year 1990-91. The Funds under Security Related Expenditure (SRE) were released on an adhoc basis up to June 1994, and in 1994-95 fifteen items were identified by the Central Government for reimbursement. In order to review the parameters for reimbursement of SRE to the State, a Committee was constituted (May 1998) by the Central Government. The Committee identified twenty five items (*Appendix-3.1)* like material and supplies, carriage of constabulary, rent of accommodation for Security Forces, arms and ammunition, vehicles, etc. for reimbursement by the Central Government and fixed norms for incurring expenditure under the same, which were accepted (May 1999) by the Central Government.

3.1.2 Organisational set up

Security related activities are undertaken mainly by the Home, Revenue and General Administration Departments through their respective Directorates (Police, Prisons, Relief Commissioner, Estates and Divisional Commissioners) at the State/Provincial level and through the district level officers and line Departments at the district/tehsil level. The Director General, Accounts and Treasuries under the Finance Department is the Nodal Officer for claiming reimbursement. The Home Department lodges claims through the Finance Department for reimbursement of claims from the Ministry of Home Affairs.

3.1.3 Scope of Audit

Security Related Expenditure was last reviewed in audit during December 2000 to May 2001 and comments were included at Paragraph: 3.1 of the Report of the Comptroller and Auditor General of India (Jammu and Kashmir Government) for the year ended 31 March 2001. Out of the total expenditure of Rs. 1,529.54 crore (2001-02 to 2005-06) reported by the State Government, an expenditure of Rs. 331.68 crore (22 *per cent*) was reviewed in audit through test check of 46 units during 2005-06. As the major component of the security related expenditure (Rs. 1,143.88 crore) was incurred by the Home Department, the activities of this Department relating to SRE are covered in the present review.

3.1.4 Audit Objectives

The review of the SRE was conducted to see whether:

- Expenditure was incurred in the manner and on the items approved as per the norms fixed by the Security Related Expenditure-Review Committee and after observing all codal formalities on approved items
- Expenditure incurred and reported to the Central Government for reimbursement was correct
- Targets set for construction of security related works in the Police Department were achieved within the estimated cost/specified time
- Accommodation was hired as per the scales fixed and economy was ensured by fixing realistic rent
- Dehiring of accommodation was done as and when alternate accommodation was available
- Monitoring of the expenditure was effective in securing timely and corrective remedial measures

3.1.5 Audit Criteria

The SRE was reviewed against the following criteria:

- Recommendations/instructions of the SRE Review Committee, as approved by the Central Government
- Norms for incurring SRE
- Procedure prescribed for accountal and reimbursement of SRE

3.1.6 Audit Methodology

The present review covered the Security Related Expenditure in the Home Department. Forty-six units were selected for test check on a random sampling basis keeping in view the quantum of expenditure and related activity. Audit evidence was collected through an examination of the related correspondence files, cash/bank accounts, financial and physical performance reports, stock registers, etc. The main thrust areas were utilisation of funds on material and supplies, expenditure on detenues and purchases made out of SRE funds. An entry conference was held (January 2006) with the DIG Prisons, ADG (Headquarters) and IGP (Headquarters) wherein the audit objectives, scope and audit criteria were explained. The exit conference was held (October 2006) with the Financial Commissioner (Home) and the replies of the Department/Government were incorporated in the review at appropriate places.

Major audit findings are discussed in the succeeding paragraphs:

3.1.7 Review of Expenditure and its reimbursement

The Funds for Security Related Expenditure (SRE) are made available through the State budget and the reimbursement is claimed from the Government of India through the Finance Department against the expenditure incurred by the Drawing and Disbursing Officers under the Scheme. The expenditure incurred on security related activities and reimbursement made thereagainst by the Central Government during the years 2001-02 to 2005-06 was as under:

Table 3.1 (Rupees in crore)

Year	Expenditure reported by State Government			Reimbursement made by Central Government		
	Home	Other Departments[&]	Total	Home	Other Departments[&]	Total
2001-02	236.16	72.48	**308.64**	281.18	87.39	**368.57**
2002-03	286.93	74.84	**361.77**	287.36	64.92	**352.28**
2003-04	217.16	78.10	**295.26**	296.28	94.67	**390.95**
2004-05	216.32	82.95	**299.27**	171.48	93.61	**265.09**
2005-06	187.31	77.29	**264.60**	151.47	73.22	**224.69**
Total	**1143.88**	**385.66**	**1529.54**	**1187.77**	**413.81**	**1601.58**

(Source: Departmental records)

The variation between the expenditure reported and reimbursement made thereagainst, was due to non-reconciliation of figures by the State Finance Department with those of the Ministry of Home Affairs. The reimbursement was made without compliance with the instructions of the SRE Standing Committee, under which the expenditure incurred was to be certified by the Accountant General.

[&] General Administration, Estates and Revenue Departments

3.1.8 Incorrect reporting of Expenditure

The guidelines provide for booking SRE under Internal Security. The grants released by the Central Government to the Ordnance factories for supply of arms and ammunition to the State Government were required to be booked by the State Government in its accounts both on receipt as well as expenditure side. Test check of records revealed that Rs. 74.54 crore released directly by the Central Government to Ordnance Factories for supply of arms/ammunition on behalf of the State Government was not booked by the State Government in its accounts, notwithstanding the SRE Standing Committee instructions (April 2001) in this regard. This resulted in understatement of the grant-in-aid provided by the Central Government and the expenditure incurred under SRE by the State Government. Test check of records further revealed variation between the figures of SRE reported by the Home Department to the Finance Department (the nodal agency) and approved Demand for Grants during 2001-02 to 2004-05 as tabulated below.

Table 3.2 (Rupees in crore)

Year	Number of items	Expenditure reported by Home Department	Actual expenditure as per Demand for Grants	Variation
2001-02	5	104.73	60.41	(+) 44.32
2002-03	8	132.65	48.13	(+) 84.52
2003-04	8	61.32	80.07	(-) 18.75
2004-05	3	7.09	7.11	(-) 0.02

(Source: Departmental records)

It is clear from the above that before adopting the figures against actual expenditure in the Demand for Grants, the Finance Department did not check and reconcile the figures with Director General, Accounts and Treasuries (Nodal Officer). This indicated lack of coordination within the Department. Audit scrutiny also revealed the following:

Against the expenditure of Rs. 5.50 crore reported by the Finance Department during 2003-04 under “Alternate accommodation for security forces”, the actuals as per Demand for Grant were Rs. 4 crore only. Test check further revealed that the State Government lifted arms and ammunition worth Rs. 73.52 crore from Ordnance Factories during 2001-02 to 2003-04 against direct payment of Rs. 74.54 crore made by the Central Government to the factories. This resulted in a total excess reimbursement of Rs. 2.52 crore. The Department, in reply stated (October 2006) that the matter regarding reconciliation would be taken up with the Central Government and the Finance Department.

Expenditure incurred on the maintenance of detenues involved in militancy related crimes was reimbursable under SRE and separate records were to be maintained by Jails for this purpose. It was observed in audit that the Prisons Department had not maintained separate records indicating the expenditure incurred on detenues involved in militancy. Expenditure of Rs. 7.02 crore was incurred on diet charges of the detenues from 2001-02 to 2004-05, which included Rs. 5.13 crore incurred on the diet charges of other classes of jail inmates like undertrials, convicts, etc. involved in crimes other than militancy and was therefore, not covered under SRE. This resulted in booking of excess expenditure of Rs. 5.13 crore and subsequent reimbursement. The Director General (Prisons) attributed the irregular diversion of funds to inadequate provision of funds under the normal budget. During the exit conference (October 2006), the Department agreed to segregate the expenditure.

3.1.9 Rush of Expenditure

Financial rules provide that expenditure should be evenly distributed throughout the year. Test check of records in the Police and Prisons Departments revealed that the expenditure incurred in the last quarter ranged between 33 to 59 *per cent* of the total expenditure incurred as detailed below:

Table 3.3 (Rupees in crore)

Year	Total Expenditure	Expenditure during last quarter (January to March)	Expenditure during March	Percentage of expenditure during last quarter over total expenditure	Percentage of expenditure during March over the expenditure during the year
(A) Police					
2002-03	158.30	71.25	36.54	45	23
2003-04	148.22	69.19	38.63	47	26
2004-05	123.57	40.53	23.27	33	19
2005-06	124.95	49.66	33.70	40	27
(B) Prisons					
2003-04	4.35	1.94	1.21	45	28
2004-05	4.81	2.34	1.90	49	40
2005-06	5.93	3.49	2.70	59	46

(Source: Departmental records)

Out of the expenditure in the last quarter(s), the percentage of expenditure incurred in March each year ranged between 19 and 46. The Public Accounts Committee (PAC) while discussing paragraph: 3.1.6 of the Comptroller and Auditor General of India's Report (Jammu and Kashmir Government) for the year ended 31 March 2001, had impressed upon the Home Department to ensure that funds are released well in time and that all necessary steps are taken to simplify the procedures. However, it was observed that bulk funds were released by the State Government during the last quarter of the year in contravention of the PAC recommendation.

3.1.10 Diversion/misutilisation of Funds

The SRE guidelines stipulate that expenditure incurred on purchase of items like CGI sheets, sand bags, wooden poles for construction of bunkers for Security Forces be reimbursed under "Material and Supplies" (M&S) and uniforms should form part of the State Budget. Out of the test checked expenditure of Rs. 26.30 crore under 'M&S', incurred during 2001-02 to 2005-06, Rs. 8.38 crore (32 *per cent*) was spent on items which were outside the scope of SRE as per the details in table below:

Table 3.4 (Rupees in crore)

Department	Component	Period	Amount	Expenditure incurred on
Police	Material and Supplies	2001-02 to 2005-06	8.36	Repair/renovation of Police offices, Police stations, residential buildings, tents, tyres/tubes, furniture, lawn mowers, hard coke, heat convectors, execution of maintenance works, development of lawns, landscaping by Police Construction Division, purchase of uniforms etc.
Jails	Material and Supplies	2003-04 to 2005-06	0.02	Coolers, etc.

(Source: Departmental records)

In addition to the above, in contravention of the guidelines, the Executive Engineer, Estates Division, Jammu spent an amount of Rs. 67 lakh on works like Jaffrey wood work, renovation/repair of kitchens, toilets of Government buildings, installation of 11 KV transformer at a residence, etc. out of Rs. 2.22 crore allotted to him under security works during 2000-01 to 2005-06. The Prisons Department paid recurring electricity charges of Jails amounting to Rs. 5.76 crore out of SRE funds instead of from the normal budget allotment during 2001-02 to 2005-06.

The Police Department diverted Rs. 36 lakh in 2000-01 out of ‘Rent of Hotels’ for purchase of a guest house at Reasi.

Additional security related expenditure is permissible during Elections. It was observed in audit that the Principal, Police Training School, Sheeri got a bore well dug in the campus in 2002-03 and booked the expenditure of Rs. 8.50 lakh to SRE under State Assembly Election 2002, in contravention of the relevant guidelines. A further amount of Rs. 0.50 lakh was incurred on purchase of transformers, nuts, bolts etc. and accounted for under SRE of Elections. It was also noticed in this connection that the bore well provided contaminated water till March 2003 and became non-functional thereafter, resulting in wasteful expenditure of Rs. 9 lakh, besides constituting diversion of SRE (Election) funds. The Department stated (October 2006) that the cost of the well shall be recovered from the firm which executed the work.

As per the SRE Parameters Review Committee Report, purchase of vehicles was to be made only to ensure optimum mobility of the police force. Audit scrutiny (March 2006) revealed that the Director General of Police (DGP) diverted (March 2002 and March 2003) an amount of Rs. 45 lakh for purchase of two Tippers (Rs. 15 lakh) and two Loaders (Rs. 30 lakh) in contravention of the approved parameters ibid. The DGP also advanced full payment for purchase of loaders to the supplier instead of 30 *per cent*, as stipulated in the purchase order, to avoid lapsing of funds. Though the tippers and loaders were deployed on various works, the hire charges were not recovered from the contractors/mates. The Government stated (October 2006) that hire charges would be adjusted/reduced from the estimates of works.

Earlier instances of misutilisation/diversion of security related funds had been pointed out in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001. The Public Accounts Committee in its 44th report had directed the Department to ensure that expenditure is incurred as per rules and norms of the security related expenditure. These directions are not being followed as is evident from the above mentioned instances.

3.1.11 Extra, avoidable and irregular expenditure on hiring of hotels

The Security Forces (SFs) deployed in the State to combat militancy, occupied vacant migrant houses, office buildings, hotels, cinema halls, etc. Subsequently, accommodation was regularised in consultation with the local police, for which Deputy Inspectors General of Police, Srinagar and Jammu ranges functioned as coordinating agencies. The rent payable was fixed by the Rent Assessment Committee concerned, which recommended cases to the Director General of Police for processing and obtaining sanction of the Government (Home Department). The number of hotels and other buildings under occupation of SFs as on 31 March 2006 was as under:

Table 3.5 (Figures represent number)

			No. of cases where rent		
Province	**Hotel/cinema halls**	**Private accommodation**	**Sanctioned**	**Not sanctioned**	**Pending rent cases from sanctioned cases**
Jammu	Nil	326	300	26	88
Kashmir	33	628	550	111	378

(Source: Departmental records)

Scrutiny of the records (March 2006) revealed that year-wise breakup of 137 cases under process and awaiting sanction and likely estimated rent payable had not been worked out. In respect of cases sanctioned (486), the rent payable as of September 2006 was Rs. 14 crore. The continued undischarged liability pending effective action by the Department indicated inadequate management of hired accommodation and under statement of current SRE.

Audit scrutiny of records relating to hiring of accommodation revealed further irregularities as discussed below:

3.1.11.1 Avoidable Payment

In order to reduce the burden of rent and also for meeting the increased demand for accommodation due to tourist rush, the Central Government advised (January 1999) the State Government to make efforts to vacate the expensive hotels/buildings occupied by the Security Forces. The State Government ordered (February 2003) dehiring of the hotels where rent paid was exorbitant (Rs. 200 per room per day) and to find suitable alternate accommodation for the Forces. Test check of records of the Director General of Police, Jammu revealed that out of seven costly hotels, only two hotels were dehired and five[♦] such hotels continued (March 2006) to be occupied by the Department. In respect of Hotel Metro, though the owner offered (October 2003) to reduce the rate to Rs. 110 per room per day to avoid dehiring, yet no action was taken by the Department, which continued to pay the higher rate of Rs. 200 inspite of the lower offer. On this being pointed out, the PHQ issued (September 2006) instruction to DIG (Central Kashmir Range) to make payment to Hotel Metro at reduced rate of

[♦] Athena, Boulevard, Green World, Ikhwan, Metro

Rs. 110 per room per day from October 2003. The inaction of the Department in dehiring of the five hotels and payment of a higher rent for Hotel Metro inspite of its offer for a lower rent resulted in avoidable expenditure of Rs. 1.45 crore[↔].

3.1.11.2 Delay in dehiring-undue financial aid

The building "*Kothi Sheikh Amin*" at Jammu was hired in July 1994 for accommodation of Security Forces and its rent was sanctioned (April 1999) by the Government at the rate of Rs. 47,000 per month. The Deputy Inspector General of Police, Jammu proposed (November 1999) to the Inspector General of Police to dehire the building, as its rent was very high besides it being in a dilapidated condition and lacking basic facilities like electricity, toilets, etc. The PHQ also issued (February 2001) a circular to dehire the buildings occupied by the Security Forces but no action was taken till October 2005, when the building was actually vacated. Inordinate delay in deciding the matter resulted in undue financial aid of Rs. 25.43 lakh to the owner of the building from April 2001 to 3rd October 2005. The Deputy Inspector General of Police, Jammu stated (August 2005) that the Department had been seized of the matter since hiring of the building, but could not find alternate accommodation for the security forces lodged there. The reply is not tenable as prompt action should have been taken to dehire the building.

3.1.12 Alternate Accommodation for Security Forces

The Central Government reimbursed Rs. 17.34 crore from 2002-03 to 2005-06 for construction of alternate accommodation for Security Forces. Test check of records revealed as under:

3.1.13 Avoidable payment of rent

The D.G.P J&K submitted (October 1999) a proposal for construction of alternate accommodation in Bemina and Raj Bagh, Srinagar at a cost of Rs. 9.86 crore to be completed in two years to save Rs. 1.26 crore as rent annually. Administrative approval was accorded (January 2000) by the Government for Rs. 9.66 crore and the SRE Standing Committee approved the proposal subject to the cost ceiling of Rs. 8 crore. The execution of the works was started by the Police Housing Corporation in the year 2001-02. While the work was in progress, the construction plan of Bemina site was changed frequently, the last being in July 2004, from the proposed three storeys to four storeys without change in the number of units. This happened as it was felt that the land was marshy and would involve huge expenditure on development. Similarly, the plan of Rajbagh was also changed. The Corporation was paid Rs. 8 crore, during 2000-01 to 2003-04. Revised administrative approval, as a result of change in the proposal, was yet to be accorded (October 2006). The original proposal envisaged completion of the projects by 2002-03 but the projects were actually completed in 2004-05 and handed over to the Department in April/May 2005. Lack of proper planning while framing the original estimates resulted in frequent changes in the construction

↔ Calculated for 79,952 room days (June 2005 to March 2006) and 80,800 room days (December 2002 to February 2006) at differential rate of Rs. 90 per room per day plan and consequent delay in completion of the projects by two years. This delay resulted in non-availability of accommodation to the department and non-realisation of projected savings of rent of Rs. 2.52 crore by the department.

3.1.14 Blocking of funds

Director General of Police, Jammu purchased (March 2001) bullet proof (BP) glasses for his office chamber at a cost Rs. 7.52 lakh, which remained uninstalled (June 2006) due to shifting of office to a new building. It was also noticed that bullet proof (BP) glasses for vehicles were purchased (1996-97) at a cost of Rs. 8.47 lakh, out of which BP glasses valuing Rs. 6.32 lakh were not utilised (June 2006). On this being pointed out in audit, the Assistant Inspector General of Police stated (June 2006) that the BP glasses were being installed in the Office of the Inspector General of Police, Crime and Railways, Jammu and the BP glasses for vehicles, being controlled items, have been stored for emergency use. The reply is not tenable, as non-utilisation of these items for the last 5 to 10 years indicates unplanned and excessive purchases, which resulted in blocking of Rs. 13.84 lakh of SRE funds.

3.1.15 Unauthorised Execution of Works

Financial rules provide that no work should be taken up for execution without accord of administrative approval. Test check of the records of DGP revealed that 14 works (estimated cost: Rs. 5.90 crore) were executed during the years 2004-05 and 2005-06 on which expenditure of Rs. 3.57 crore was incurred (March 2006) without administrative approval. Out of these, the work of construction of 24 unit tenements for officers and NGO's at Amar Singh Club, Srinagar (estimated cost: Rs. 67 lakh) was taken up for execution during 2005-06. After incurring an expenditure of Rs. 13 lakh up to plinth level, the construction was abandoned and dismantled in order to retain the heritage and glory of the club. Thus, execution of work without administrative approval and without examining all aspects resulted in wasteful expenditure of Rs. 13 lakh.

3.1.16 Works under Infrastructure Development Scheme

SRE Parameters Review Committee during its visit to the field areas/district headquarters observed that the infrastructure of the Police Stations/Police Posts, District Police Lines, etc was old and inadequate to meet the growing requirements of the State Police Force. The State was directed to frame an Infrastructure Development Scheme to be funded initially by the State Police Budget through the SRE. The position of allotment of funds and expenditure thereagainst for the period from 2002-03 to 2005-06 was as under:

Table 3.6 (Rupees in crore)

Year	Allocation/Releases	Expenditure	Saving/Surrender	Percentage of saving
2002-03	9.00	7.45	1.55	17
2003-04	4.40	4.00	0.40	9
2004-05	6.00	4.51	1.49	25
2005-06	3.55	3.26	0.29	8

(Source: Departmental records)

Savings ranging from eight to 25 *per cent* were attributed (October 2006) to site disputes, limited working seasons and early closure of passes in cold regions. The reply of the Department is not tenable as these are known factors which could have been controlled by taking up works after adequate planning.

3.1.17 Non-completion of SRE Works and Execution of Unapproved Works

Test check of records further revealed, that 226 works including spill over works estimated to cost Rs. 22.93 crore were approved for execution during the period 2002-03 to 2005-06, against which 215 works including 10 unapproved works were taken up for execution. Against these, only 164 works including 10 unapproved works were completed up to March 2006. The year-wise shortfall ranged from 14 to 66 *per cent* as detailed in *Appendix-3.2*. It was noticed in audit that 14 works got approved from the SRE Standing Committee in 2002-03, were not taken up subsequently for execution due to dispute with regard to sites, and funds amounting to Rs. 30 lakh from these works were diverted for construction of 10 works not approved by the Committee.

During audit scrutiny, the following irregularities were also noticed:

3.1.18 Irregular expenditure

Without formal transfer of land, accord of administrative approval and approval of the SRE Standing Committee, the Department took up the execution of works (a) Construction of the Winter Camp Office cum Residence of the DGP and (b) Police Safe House at Srinagar in 2001-02 estimated to cost Rs. 80 lakh and Rs. 79 lakh respectively. The construction was taken up through the Police Housing Corporation (PHC) without the required mandatory permission from the Lakes and Waterways Development Authority (LAWDA)/other empowered authorities, as the area was within their jurisdiction and part of the green belt. The PHC was informed (August 2001) by the Deputy Director (Buildings) that the works were approved by the SRE Standing Committee to be executed in the year 2001-02 which was not based on facts, as the Committee in its meeting held in June 2002 did not approve the execution of the works and reimbursement of the expenditure under SRE. The PHC was paid Rs. 72 lakh against the work done (Residence: Rs. 38 lakh; Safe house: Rs. 34 lakh) in the year 2001-02. The matter relating to the illegal constructions in the reserved area was stayed by the High Court on a PIL, as a result of which, the court attached the building. The expenditure of Rs. 72 lakh on construction in green belt area was an irregular avoidable expenditure on the exchequer which requires investigation and fixing of responsibility.

3.1.19 Special Police Officers (SPO's)

To assist the State Police, the Central Government sanctioned 23,200 SPO's and 2,274 SPO's Grade-I in 2001-02 on payment of honorarium at the rate of Rs. 1,500 and Rs. 2,000 per month respectively. Honorarium of Rs. 225 crore paid in this regard was reimbursed by the Central Government (2001-02 to 2005-06). The SRE parameters Review Committee had recommended (October 1998) to the State Government to fix norms/criteria for selection, training, equipping, etc. of the SPOs but these had not been framed (June 2006) even after the lapse of seven years.

Besides, SPOs disengaged from service on account of dereliction of duty, anti national activities, desertion, etc. were required to return the uniforms to the stores to prevent their misuse. Check of records of seven District Superintendents of Police, revealed that 3,668 SPOs disengaged from service during 2001-06, had not returned the uniforms to the stores, and no efforts were made by the authorities concerned to retrieve the same. The Department stated (October 2006) that concerned Sr. Superintendents of Police have been instructed to recover the uniforms, etc.

3.1.20 Arms and Ammunition

The SRE Parameters Review Committee was informed in 1998 that around 20,000 numbers of the sophisticated weapons had been captured from the militants, which were in the custody as Court property. The Committee members had suggested (October 1998) that the State Government should approach the Government of India for allowing the State Police Force/other Security Forces to utilise these captured arms/ammunition. Test check of the records revealed that no reference in this behalf was made to the Government of India and as such the sophisticated weapons continued to be the court property. No records were made available to suggest that the Department had approached various courts for possible utilisation of these weapons by the Police Force to augment the recurring shortage of weapons. The Department stated (October 2006) that the matter regarding utilisation of confiscated weapons had been taken up with the Government of India, and that the decision in this regard is awaited.

3.1.21 Ex-gratia Relief

The Central Government ordered (May 2001) enhancement of ex-gratia relief from Rs. 2 lakh to Rs. 5 lakh to the next of kin of Jammu and Kashmir Police personnel killed in terrorist violence with effect from March 2001. The enhanced amount of Rs. 3 lakh was to be paid by the Central Government (Ministry of Home Affairs) from 1st March 2001. Test check of records revealed that out of 215 cases of enhanced ex-gratia relief referred to the Central Government, only 113 cases were settled and delay in settlement of cases ranged between two months and four years as the Department did not pursue the matter vigorously with the Central Government. In reply to an audit query, the DGP stated (March 2006) that the Home Department is repeatedly reminded to have the cases expedited from the Central Government.

Audit scrutiny in Police Headquarters revealed that the paid acquittance rolls of ex-gratia relief (Rs. 18.15 crore) disbursed to the next of kin of the police personnel during 2001-02 to 2005-06 (October 2005) were not submitted by the Superintendents/Commandants concerned to the PHQ. In reply to the audit observation, the Department stated (March 2006) that acquittance rolls are maintained by the DDOs concerned. The reply is not tenable, as the paid acquittance rolls were to be submitted to the Police Headquarters. During the exit conference (October 2006), the Department assured that disbursement certificates would be obtained from the DDOs.

3.1.22 Payment of Ex-gratia relief on fake death certificate

Rs. 6 lakh was sanctioned and paid (September 1997) as ex-gratia relief to the next of kin of a BSF personnel on the production of a fake death certificate issued by the Tehsildar/SHO concerned. The issue was discussed in the 7th, 9th and 13th SRE Standing Committee meetings in April 2001, November 2001 and September 2002 respectively where the Additional DGP (Hqrs) stated that the conduct of the Screening Committee constituted by the State Government to identify and recommend cases was found questionable and the case was sub-judice. However, records did not indicate that any Departmental action was taken to fix administrative responsibility after proper identification of the defaulter. The Department needs to undertake a comprehensive review of the matter to rule out other similar cases.

3.1.23 Non-rendition of detailed accounts

Test check of the records in PHQ revealed that the Department advanced[ƒ] Rs. 12.18 crore during the period from 2001-02 to 2003-04 to various agencies for supply of vehicles. The detailed adjustment accounts had not been furnished to the Accountant General as of October 2006. Non- submission of Accounts was stated to be on account of non- completion of certain formalities. Similarly, Director General Prisons, Jammu and Kashmir had not rendered detailed accounts for Rs. 36 lakh drawn in advance for procurement of vehicles.

3.1.24 Conclusion

The purpose for which this special category of expenditure was created was laudable; however its implementation has left much to be desired. Despite the fact that expenditure under this category was being incurred for the last 16 years, the accounting system and reporting of the Security Related Expenditure to the Central Government for reimbursement was not adequate. Periodic reconciliation of expenditure incurred by the spending unit with those reported by the Home and Finance Departments was not being conducted, resulting in excess/less reimbursement.

There was evidence of a tendency of diversion and misutilisation of funds, non-rendition of accounts, and irregular credit of expenditure which leads to lack of accountability on the part of those who handle this expenditure.

Hiring of a sub standard accommodation at exorbitant rates and not dehiring costly accommodation in time was evidence that the parameters of economy and efficiency were not taken into consideration while spending Government money. Overall, the execution of the programme showed absence of a proper control mechanism and poor monitoring.

[ƒ] M/S Telco (March 2002): Rs. 60.09 lakh; Maruti Udyog (March 2004): Rs. 319.59 lakh; Hindustan Motors (March 2004): Rs. 110.63 lakh; Tata Motors (March 2004): Rs. 727.87 lakh

3.1.25 Recommendations

- Effective measures should be taken to prevent avoidable, irregular and unauthorised expenditure from SRE funds. In addition, the accounting and reporting system should be strengthened further to ensure accurate crediting, reporting and reimbursement of the S.R.E.
- The constitution of a State Level Committee reporting to the Central Standing Committee may be explored. Such a Committee should be responsible for planning of the expenditure to ensure that works are carried out as per actual requirement and assure accountability.
- An appropriate mechanism should be put in place to conduct periodical reconciliation to ensure the funds are not diverted or misutilised.
- In respect of payment of ex-gratia relief, the Department needs to undertake a comprehensive review of all past cases.

Housing and Urban Development Department

(Jammu and Kashmir Lakes and Waterways Development Authority)

3.2 Conservation and Management of Dal Lake

Dal Lake has been playing a major role in the economy of the State by attracting tourists and by providing a means of livelihood for a large number of people. This review focuses on the effectiveness of implementation of the Programmes relating to Lake conservation and rehabilitation by the State Government.

Highlights

- **The open area of the Lake had reduced to 12 square kilometers (2006) from 24 square kilometers (1962) and its average depth had also reduced to three meters, with no significant improvement in overall health of the Lake despite incurring expenditure of Rs. 235.70 crore. Problems like excessive weed growth, deterioration in the water quality, discharge of sewage/nutrients into the Lake body and deposition of silt persisted.**

  (Paragraphs: 3.2.1 and 3.2.10)

- **Under the Lake Conservation Programme, against the target of acquiring 4,580 *kanals* of hamlet land and 3,741 structures, only 590 *kanals* of land (13 *per cent*) and 528 structures (14 *per cent*) had been acquired as of March 2006.**

  (Paragraph: 3.2.10.1)

- **Failure of the Jammu and Kashmir Lakes and Waterways Development Authority to ascertain the use of the acquired land in the Master Plan of the Srinagar City prior to its acquisition, rendered expenditure of Rs. 8.32 crore unfruitful, besides adversely affecting the evacuation programme of the Lake dwellers.**

  (Paragraph: 3.2.10.1)

- **Despite undertaking Catchment Area Management Works, the rate at which the silt had entered the Lake had increased from 7,254 tonnes per year (between August 1998 and August 2003) to 22,354 tonnes per year (between September 2003 and August 2005).**

  (Paragraph: 3.2.10.2)

- **Due to destruction of their breeding ground and other environmental stress, the fish species had undergone decrease in their size and population.**

  (Paragraph: 3.2.10.3)

- **The Authority did not prepare an inventory of assets/liabilities inherited by it from the Urban Environmental Engineering Department, nor was the status of on-going works obtained from the implementing divisions.**

  (Paragraph: 3.2.15)

3.2.1 Introduction

Kashmir Valley is gifted with a number of natural water bodies having great ecological and socio-economic significance. Dal Lake, one of such natural bodies is said to be the cradle of Kashmir civilization and has played a major role in the economy of the State by attracting tourists and also conduct of agricultural activities like nelumbium♥ cultivation, harvesting typhus for mat weaving, etc. In addition, people within its periphery live in houseboats and hamlets and also perform agricultural activities on hamlets.

With the coming up of commercial establishments in and around its periphery, direct discharge of sewage and waste water into it, denudation of its catchment area and inflow of silt have adversely affected the health of the Lake and has resulted in water pollution and reduction in its water expanse from 24 square kilometers (1962) to 11.98 square kilometers∝ (2006). The average depth of the Lake had also reduced to three meters. Problems like excessive weed growth, deterioration in the water quality, direct discharge of sewage and nutrients into the Lake body and deposition of silt persisted. Treatment of its catchment area too had shown no positive results, as inflow of silt from the area into the Lake body continued. According to a Survey conducted (2005) by the State Pollution Control Board (SPCB), the Lake was rapidly turning into marshy area due to the presence of large quantity of nutrients, which increase plant life and cause environmental damage, resulting in dying of the Lake.

3.2.2 Implementation of Dal Lake Conservation Project

With a view to improving the water quality of the lake and also saving it from further degradation, the State Government launched the Project "Conservation of Dal-Nigeen Lake" in 1977. The work on the Project was started in 1978-79 and was implemented through the State Urban Environment Engineering Department (UEED) up to 1996-97. During March 1997, the Project was transferred to the Jammu and Kashmir Lakes and Waterways Development Authority, (Authority) created during 1997 in pursuance of Jammu and Kashmir Development Act, 1970, and was also included in the 'National Lakes Conservation Plan' (NLCP) under the Ministry of Environment and Forest (MOEF), Government of India (GOI).

The Authority conceived (August 1997) two Programmes viz. Lake Conservation Programme and the Rehabilitation Programme. The salient features of the Programme are:

Lake Conservation Programme

- evacuation of the hamlet population by acquiring propriety land of the lake dwellers alongwith the structures erected thereon, and restoring the area to the Lake

♥ A variety of lotus stem used as vegetable

∝ The Authority stated (October 2006) that according to the survey conducted (1999-2000) by M/S Rites, India, the clear water expanse of the Lake was 15 square kilometers. However, according to the Directorate of Environmental and Remote Sensing (April 2006), the open water surface of the Lake was 11.98 square kilometers only.

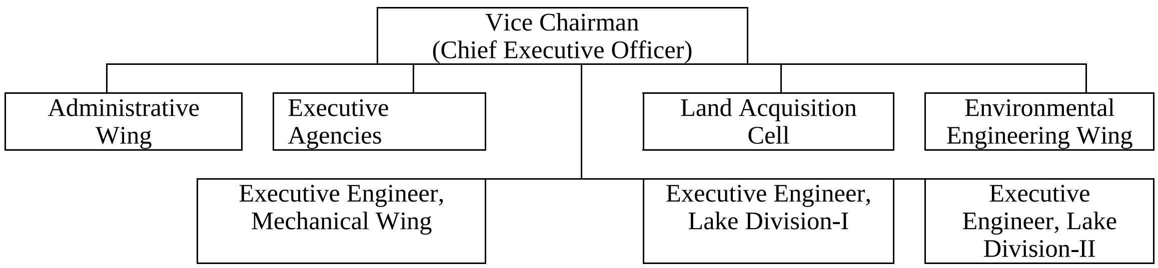
- sewerage treatment
- solid waste management
- water quality monitoring
- desilting, dredging and weed control and Catchment Management.

Rehabilitation Programme

- acquisition of the watery area, surrounding the hamlets
- resettlement of the dislocated hamlet population in new housing colonies.

3.2.3 Organisational Structure

The Organisational set-up of the Authority is given in the chart below:



The Authority, under the administrative control of the Housing and Urban Development Department, is managed by a Board comprising nine members including the Chairman and Vice-Chairman, appointed by the Government. The day-to-day activities are looked after by the Vice-Chairman, assisted by various Officers.

3.2.4 Scope of Audit

The performance of the Jammu and Kashmir Lakes and Waterways Authority in implementation of programmes aimed at saving the Lake from further degradation, covering the period 1997-2006, was reviewed in audit during 2005-06.

3.2.5 Audit Objectives

Audit of the Authority was undertaken with a view to assessing:

(i) whether the Projects were designed carefully after adequate planning

(ii) the impact of implementation of the Conservation and Rehabilitation Programmes.

(iii) effectiveness of measures taken to curb direct discharge of sewage and solid waste into the Lake.

(iv) effectiveness of the steps taken to improve the quality of water of the Lake.

(v) whether adequate financial controls existed in the Authority.

3.2.6 Audit Criteria

Performance of the Authority was assessed against the following audit criteria:

- Provisions of the Project Report and National Lakes Conservation Plan
- Projections in the Survey reports and plan documents
- Targets fixed for conservation and rehabilitation programmes

- Prescribed monitoring mechanism

3.2.7 Audit Methodology

Audit evidence was collected through a test-check of the records of the Authority (pertaining to the Lake Divisions–I and II, Mechanical Division, Land Acquisition and Monitoring Laboratory), UEED, MOEF, Draft Project Report, Watershed Management, Agenda notes, and other records like, cashbooks, vouchers, stock registers, etc. In addition, Survey Reports of the State Pollution Control Board, Central Soil Salinity Research Institute, Karnal and Alternate Hydro Energy Centre, Roorke were also examined. Records for test-check were selected on a random sampling basis.

Besides, the Audit team also conducted (August 2006) a Survey to have a first hand knowledge about the impact of the Rehabilitation programme with respect to resettlement of the dislocated families in new housing colonies. The Survey was based on audio-visual tapes and written statements obtained from the representatives of about 30 families, who had either been resettled in new housing colonies or were expected to shift to new places.

The Audit Plan and the Audit Objectives were discussed in the entry conference held with the Vice Chairperson of the Authority. Audit conclusions arrived at in the performance review were also discussed (October 2006) with the Commissioner Secretary, Housing and Urban Development Department and the Vice Chairperson of the Authority in the exit conference. The replies of the Authority have been incorporated in the relevant paragraphs, where appropriate.

Audit Findings

3.2.8 Project Planning and Funding Pattern

The programme on Lake Conservation was initially (1997) proposed to be funded on 70:30 pattern (70 *per cent* by the Central Government and 30 *per cent* by the State Government). From June 2003, the Central Government decided to wholly finance the programme. The Detailed Project Report (DPR) on the programme was prepared by the Authority through the Alternate Hydro Energy Centre, Roorkee (AHEC) in October 2000 and was approved by the Central Government (MOEF) in September 2005. The project was estimated to cost Rs. 298.76 crore and the target date of its completion is 2010.

The Rehabilitation Programme was the responsibility of the State Government. The programme was approved by the State Government in May 2001 at an estimated cost of Rs. 135 crore.

3.2.9 Financial Management

Prior to the approval of the Project Report by the MOEF, the Planning Commission released (1997-98 to 2001-02) Rs. 106.68 crore to the State Government as Additional Central Assistance for Lake Conservation Programme. In November 2005, an amount of Rs 40 crore was released by the MOEF to the Authority. Besides, the State Government released Rs. 26.13 crore to the Authority between 1997-98 and 2005-06.

Based on the information furnished by the Authority, the position of funds received from the Central/State Governments, internal receipts♣ and the expenditure incurred by the Authority on Conservation and Rehabilitation Programmes during 1997-98 to 2005-06 was as under:

Table 3.7 (Rupees in crore)

Year	Opening balance	Receipts from GOI and State Government		Internal Receipts	Total funds available	Expenditure incurred on		Total expen-diture	Closing Balance	Percentage Utilization
		GOI	State			C	R			
1997-98	7.26	46.51	-	0.82	**54.59**	13.41	0.16	13.57	41.02	25
1998-99	41.02	25.00	-	0.06	**66.08**	18.95	1.15	20.10	45.98	30
1999-00	45.98	18.75	-	0.12	**64.85**	8.88	5.72	14.60	50.25	23
2000-01	50.25	12.42	-	0.28	**62.95**	10.50	2.21	12.71	50.24	20
2001-02	50.24	4.00	1.00	0.17	**55.41**	10.47	3.60	14.07	41.34	26
2002-03	41.34	-	-	0.33	**41.67**	11.19	2.92	14.11	27.56	34
2003-04	27.56	-	5.00	0.20	**32.76**	9.00	3.58	12.58	20.18	38
2004-05	20.18	-	6.50	0.15	**26.83**	17.41	0.28	17.69	9.14	66
2005-06	9.14	40.00	13.63	0.43	**63.20**	28.62	15.65	44.27	18.93	70
Total		**146.68**	**26.13**	**2.56**		**128.43**	**35.27**	163.70		

(C: Conservation Programme; R: Rehabilitation Programme) (Source: Departmental records)

Underutilisation of funds, as noticed in audit, was due to inaction of the Authority to execute various works like, sewage treatment and houseboat sanitation, etc., as discussed in the succeeding paragraphs. Audit scrutiny also revealed that the Authority had not furnished (March 2006) the Utilisation Certificate in respect of the expenditure incurred out of MOEF funds (Rs. 40 crore), as required under the conditions governing the release of funds.

Programme-wise break-up of the expenditure and amount spent on Direction and Administration was as under:

Table 3.8 (Rupees in crore)

Programme	**Amounts spent during**							
	1997-98 to 1999-2000	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**Total**
(a) Conservation	35.10	7.38	7.25	7.93	5.62	13.58	24.13	100.99
(b) Rehabilitation	7.03	2.21	3.60	2.92	3.58	0.28	15.65	35.27
Total (a+b) :	**42.13**	**9.59**	**10.85**	**10.85**	**9.20**	**13.86**	**39.78**	**136.26**
(c) Direction and Administration	6.14	3.12	3.22	3.26	3.38	3.83	4.49	27.44
Grand total:	**48.27**	**12.71**	**14.07**	**14.11**	**12.58**	**17.69**	**44.27**	**163.70**
Percentage of (c) to (a)	***17.49***	***42.28***	***44.41***	***41.11***	***60.14***	***28.20***	***18.61***	***27.17***

(Source: Departmental records)

The expenditure on Direction and Administration varying between 17 and 60 *per cent* of the expenditure on conservation was on the higher side compared to establishment charges of 7.5 *per cent* recovered by the Public Works Department for execution of Government works. The Authority stated (October 2006) that increase in the expenditure on Direction and Administration was due to increase in the pay and allowances of the employees, and that the matter was being seriously watched.

3.2.9.1 Non preparation of Accounts

In terms of Section 21 of the Jammu and Kashmir Development Act, 1970, the Authority was required to prepare annual accounts in consultation with the auditor to be appointed by the Government. The Authority, despite having a full

♣ Amounts received by the Authority by way of sale of tender documents.

fledged Accounts Wing, had not prepared its accounts, nor had engaged chartered accountants, indicating laxity. In the absence of the finalised accounts, its financial position and details of assets/liabilities could not be ascertained. Non-preparation of accounts is also fraught with the risk of irregularities, frauds, etc. going undetected. The Authority had also not prepared the accounting manual nor had prescribed the accounting procedures, thereby violating the provisions of the Act. The Authority stated (October 2006) that the accounts could not be prepared due to the absence of the financial mechanism required for commercial pattern of accounts, and that the Government had been requested (January 2006) to appoint a chartered accountant, which had not been done till date.

The Office Complex of the Authority was gutted in February 2005, in which the records of the Authority including cash books, vouchers, etc. were destroyed. The records had not been reconstructed as of March 2006. The Authority stated (October 2006) that efforts were afoot to reconstruct the records.

3.2.10 Impact of the Programmes

Up to March 1997, the UEED spent Rs. 72 crore on the developmental activities of the Lake. The Authority incurred a further amount of Rs. 163.70 crore between 1997-98 and 2005-06, as detailed in Table-3.8 above. The Authority contends (October 2006) that there was improvement in the health of the Lake, due to various measures taken by it. The reply is not tenable, as despite incurring an aggregate expenditure of Rs. 235.70 crore by the UEED and the Authority, there was no significant improvement in the overall health of the Lake, as discussed in the succeeding paragraphs.

3.2.10.1 Reduction in the Water Expanse

There were 58 hamlets[•] within the Lake, situated towards its western shore. About 6,550 families resided aboard these hamlets, and had proprietary rights over 6,000 *kanals* of hamlet land within the Lake and 14,547 *kanals* of watery land (water area). These lake dwellers undertake agricultural activities on these hamlets and in the process reclaim the Lake area by filling or by converting floating gardens[♠] into hard landmass and raise structures thereon. This contributes to the shrinkage of the Lake area, besides causing deterioration in its water quality, as the sewage/solid wastes generated by the hamlet population is discharged directly into the Lake body. In this connection, it is pertinent to mention that the Finance Minister of the State had in his budget speech (March 2005) set a target of increasing the clear water expanse of the Lake area by about three square kilometers during 2005-06.

The Lake Conservation Programme envisaged acquisition of hamlet land alongwith the structures erected thereon and restoration of the area to the Lake body. It was however observed in audit that the pace of implementation of the programme was unsatisfactory. Against the target of acquiring 4,580 *kanals* of hamlet land and 3,741 structures by March 2006, only 590 *kanals* of land

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[•] According to the Rehabilitation Programme.

[♠] Floating garden is a landmass made of soil and weeds created over grass mats within the Lake.

(13 *per cent*) and 528 structures (14 *per cent*) had been acquired (March 2006) at an expenditure of Rs. 20.80 crore. It was also observed that the area so acquired could not be restored to the Lake body except at Gadda *Mohalla* (where 38 structures had been raised), as the property had been acquired at isolated spots in a sporadic manner instead of in clusters. As a result, inspite of incurring an expenditure of Rs. 20.80 crore, the programme objectives could not be achieved in full rendering the expenditure largely unfruitful.

The Dal dwellers had proprietary rights of watery land within the Lake. To prevent the dislocated dwellers from returning to the Lake and filling up this watery land for residential/agricultural purposes, it was proposed (January 1999) to acquire 14,547 *kanals* of watery area under the Rehabilitation Programme. However, against the target of acquiring 14,547 *kanals*, only 1,055 *kanals* had been acquired as of March 2006.

Besides, against 11,000 plots required (January 1999) for rehabilitation of the hamlet population, the Authority had only 1,539 plots (March 2006) at Bemina, Panch Kherwari, Botakadal, Agro Bagh, Devdebagh, JKPCC Bagh, Habibullah Nowshehri Colony and Habak. The Authority identified (January 1999) 7831 *kanals* of land at Chandpora, Telbal, Harwan and Pazwalpora to develop as Colonies for rehabilitation of the Lake dwellers. The land could not be put to any use, as the sites were declared 'green belt area' in the Master Plan of Srinagar City. The Authority informed (October 2006) that the State Government had recently allotted 7526 *kanals* and 7 *marlas* of land at Rakh-i-Arth, which could help in expediting the process of resettlement and rehabilitation.

According to the Authority records[•], out of 1,539 plots, only 1,252 plots were allotted to the beneficiaries prior to March 1999. Out of the remaining 87 plots, 65 were converted into play fields, ten were annexed to *Imambada*, eight were undersized, three were under illegal occupation and one plot was converted into a graveyard. The Authority had not initiated action to get the illegal occupants evicted. The remaining 200 plots had not been allotted (March 2006).

Similarly, the Authority acquired 581 *kanals* and 6 *Marlas* of land during July 1997 and October 2003 (cost: Rs. 8.32 crore) at Guptganga and Chandpora. The land was, however, not allotted to the dwellers as these sites were also declared as green belt area in the Master Plan of Srinagar City. Failure of the Authority to ascertain the use of the acquired land in the Master Plan of the Srinagar City prior to acquisition, rendered the expenditure of Rs. 8.32 crore unfruitful, besides adversely affecting the evacuation programme of the Lake dwellers. The Authority, while admitting slow progress in Rehabilitation and Resettlement Programmes, stated (October 2006) that the State Government had agreed to change the land use of 550 *kanals* of land at Chandpora. Further developments in the matter are awaited. (November 2006).

[•] Status Report of colonies where plots were allotted to the Lake dwellers.

3.2.10.2 Reduction in the depth of the Lake

According to the Project Report on Lake Conservation Programme, the catchment area of the Lake was 314 square kilometers, of which 148 square kilometers had been identified as prone to soil erosion. As per this Report, about 15 tonnes of phosphorus, 323 tonnes of nitrogen and 80 thousand tonnes of silt flow into the Lake annually, especially through Telbal *Nallah*. The inflow of nutrients and silt into the Lake results in excessive growth of weed and silt deposition, which reduce the depth of the Lake and also cause shrinkage of the water expanse.

With a view to checking soil erosion and reducing the sediment and nutrient flow into the Lake, the Authority had incurred (up to March 2006) Rs. 7.54 crore on catchment conservation works since its inception. Also, to arrest the inflow of silt through Telbal *Nallah*, a Settling basin, to act as silt arrester was commissioned in 1997-98 to allow flowing of decanted water into the Lake. The Authority spent a further amount of Rs. 7.59 crore on the Settling basin up to the end of March 2006.

According to the Authority (October 2006), 99 square kilometers of the catchment area had been treated from the erosion point of view through the Soil Conservation Department. It was further stated that, with the installation of the Settling basin, there had been reduction in the silt inflow to the Lake by 20 *per cent*, and that there was further scope in the reduction of silt inflow with the increase in age and quantum of afforestation. It was however, observed in audit that the rate at which the silt had entered the Lake had increased from 7,254 tonnes per year (between August 1998 and August 2003) to 22,354 tonnes per year (between September 2003 and August 2005). Also, according to the DPR, the efficiency of the Settling basin had varied between 7 and 54 *per cent* only, from May 1998 to June 2000. The Authority also stated (October 2006) that no Catchment Management Works were undertaken by it during 2003-2006, but were initiated in 2006-07. However, according to the Expenditure Statement of the Authority, an amount of Rs. 1.05 crore had already been shown as spent on Catchment Management Works during 2003-2006.

3.2.10.3 Excessive Weed Growth

Indiscriminate disposal of sewage and solid wastes into the Lake is the major cause of contamination of its waters. According to the Survey conducted by the State Pollution Control Board (SPCB) in December 2005, there was deterioration in the water quality of the Lake due to the discharge of untreated wastes from human settlements living in the peripheral areas of the Lake, houseboats, *shikaras* and hamlets. While organic constituents present in the solid wastes cause depletion of dissolved oxygen in its waters, the inorganic constituents add to the nutrient content, thereby resulting in excessive weed growth. The Authority stated (October 2006) that a Restoration and Management Plan had been framed to remedy the problem.

Undesirable level of organic compounds also affects aquatic life and production of agricultural products. According to the Project Feasibility Report (August 1997) out of 37 species of fish found in Kashmir, 17 are available from the Lake. The ecological disturbances, according to the Report, had greatly harmed the local fish, which are adapted to living in clean waters. Due to the destruction of their breeding ground, introduction of grass carp species by Fisheries Department and other environmental stresses, the fish species had undergone a decrease in their size and population. The SPCB also held that increase in fish mortality and disappearance/decline of some species of the fish was due to the inflow of sewage and wastes into the Lake. The Authority took no remedial measures with regard to Fisheries Management and their conservation. The contention of the Authority (October 2006) that fish growth in water bodies was being looked after by the Fisheries Department is not tenable as the management and conservation of fisheries as per the DPR was the mandate of the Authority.

3.2.10.4 Weed Harvesting and De-weeding

The Authority incurred Rs. 6.78 crore on harvesting and de-weeding activities during 1997-2006. According to the Authority (October 2006), the Lake grows about 80 thousand tonnes of biomass, of which less than 40-50 *per cent* was extracted annually. However, according to a Research conducted (2004) by the University of Kashmir, mechanical de-weeding and harvesting activities had an adverse effect on the health of the Lake, as there was undesirable growth of species of flora and fauna. Despite observations of the University, the Authority continued the harvesting operations. The Laboratory wing of the Authority also pointed out that the activity had proved to be just ‘cosmetic treatment’ and that too for a short period.

3.2.10.5 Presence of heavy metals in the Lake body

Results[ψ] of the soil tests indicated the presence of heavy metals like manganese, copper, lead, nickel, cadmium, and arsenic in the Lake body. These heavy metals concentrate in the living tissues through food chain, which results in high level of these elements in aquatic life, ultimately being consumed by the humans at the top of the food chain. Pathological effects of these elements can cause damage to brain, liver and kidneys. The percentage of these elements in the Lake body as brought out in the following table was far above the permissible limits.

Table 3.9

Name of the element	Presence (Mg. /Litre)	Permissible limit (Mg. /Litre)	Excess per Litre (Percentage) (one unit: 1000)
Iron	68.57	0.30	68.27 (22.76)
Manganese	5.89	0.10	5.79 (5.79)
Copper	4.89	0.05	4.84 (9.68)
Lead	3.37	0.10	3.27 (3.27)
Cadmium	0.10	0.01	0.09 (0.9)
Chromium	0.81	0.05	0.76 (1.52)
Arsenic	48.00	0.05	47.95 (95.9)

(Source: Central Soil Salinity Research Institute, Karnal)

The Authority contended (October 2006) that test results pertained to the soil samples dredged out along Northern Foreshore Road from a depth of 2-3 meters and could not be generalized for the Lake water composition. The contention is

[ψ] Conducted by the Central Soil Salinity Research Institute, Karnal during February 1999.

not tenable as the sediment wherefrom the sample was taken for conducting tests, formed an integral part of the Lake body. The Authority also maintained (October 2006) that reduction in conductivity, and quantities of calcium, chlorine, nitrates-nitrogen, iron and phosphates were indicators of improvement in the health condition of the Lake. The reply is silent about the presence of more harmful heavy metals like manganese, copper, lead, nickel, cadmium, and arsenic in the Lake body as pointed out by Audit.

The deteriorating condition of the Lake body could be remedied to a great extent by sewage treatment and houseboat sanitation. Audit observed that the Authority largely failed to effectively implement these schemes as discussed in the succeeding paragraphs.

3.2.10.6 Sewage Treatment Plants

The Lake has been used as a receptacle for large quantities of waste water and untreated human wastes from the peripheral areas through a number of drains that enter into it.

With a view to arresting the inflow of waste water and sewage into the Lake, the Authority proposed to install six Sewage Treatment Plants (STPs) at different spots around the periphery of the Lake. However, the Ministry of Urban Development and Poverty Alleviation, GOI expressed its doubt over the effectiveness of the treatment plants during cold conditions and the sustainability of huge maintenance costs. Audit scrutiny also revealed that the DPR did not include a Plan for connecting houses to the Treatment Plants.

However, inspite of the concerns expressed by the Ministry, the Authority allotted (August 2004) the work of construction of three STPs at Hazratbal, Habak and Laam (Nishat) to a private firm at a cost of Rs. 8.90 crore, with the scheduled date of completion as May 2005. Out of three STPs, two STPs at Hazratbal and Habak had been commissioned during February and April 2006. The Authority claimed (October 2006) that the STPs were working efficiently and that the health of the lake would improve after the work of construction of all the STPs was completed and commissioned. However, according to the analytical report of the Research and Monitoring Division of the Authority (August 2006), concentration of some of the nutrients present in the waste water increased at the outflow stage vis-à-vis inflow stage, despite receiving treatment at the STPs. The percentage efficiency of the two STPs ranged between 63.39 and (-) 366.3. Also, the treatment plants did not match the prescribed norms, particularly with regard to inorganic nutrients viz. nitrogen and phosphorus. According to the Report, measures were required to be taken for effective treatment of sewage to prevent detrimental impact on the Lake ecology as entry of raw sewage was one of the major causes of the enhanced eutrophy[α] of the Lake. The contention of the Authority (October 2006) that the plants were working efficiently is, therefore, not acceptable.

[α] Ecology used to describe a body of water whose oxygen content is depleted by organic nutrients

3.2.11 Houseboat Sanitation

Besides the peripheral area of the Lake, human settlements residing within the Lake in houseboats, *shikaras* and hamlets also contribute to generation of solid and liquid wastes. According to the Deputy Director, Tourism (January 2004), there are 1094 houseboats and 2800 *shikaras* located within the Lake, which accommodate a large chunk of people including tourists. The houseboats have attached toilets, which discharge sewage directly into the Lake. The total quantity of solid waste and sewage generated by the people living in these houseboats and *shikaras* annually, was of the order of 4.80 lakh[♣] kilograms of solid waste and 49.91[♠] million litres of sewage.

Though the Authority undertook a number of Pilot Projects to remedy the problem and incurred Rs. 38.50 lakh on Pilot studies, none of the studies could provide an implementable solution (March 2006), as none of the solutions/suggestions was found viable.

The Authority stated (October 2006) that action had been initiated to carry the effluents after primary treatment by sewers laid on the bed of the Lake to STP. Further progress in the matter is awaited (November 2006).

3.2.12 Construction of Outfall Channel/Conduit at Brari-Numbal

Brari-Numbal basin (a part of the main Lake), was getting water from the Lake via Nowpora and discharging it into Anchar Lake through *Nallah* Mar. After the closure of Nallah Mar due to the construction of a road over it, the Brari-Numbal basin became a dead pocket. The sewage and wastewater of the surrounding areas accumulated in it and it also became a source of pollution to the main Lake. To overcome this problem, it was proposed to connect the basin to River Jhelum at New Fateh Kadal. The Contract for construction of an outfall channel/conduit (total length 479 meters) was awarded (January 1996) by the UEED to a contractor at an estimated cost of Rs. 3.80 crore to be completed in 30 months. The work could not be completed within the scheduled period as obstacles like structures, water pipes and LT lines were coming in the alignment of the channel. However, according to the Authority (October 2006), the Channel had been laid in March 2006 at an expenditure of Rs. 3.87 crore, thereby involving time and cost overruns of over eight years and Rs. 7 lakh, respectively, besides polluting the Lake body for this period.

3.2.13 Unauthorised Constructions/Encroachments

The Lake dwellers encroach upon the water body of the Lake by filling it with earth around each cluster. Despite the Authority having its own Enforcement Wing to check encroachment within the Lake, the same continued unabated. The Authority had failed to stop fresh encroachments involving conversion of watery area into hard landmass and establishment of fresh structures, thereon. The

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♣ Worked out on the basis of solid waste generated by 8,270 persons occupying 1,094 houseboats (five persons per houseboat) and 2,800 *shikaras* (one person/*shikars*) at 0.159 kilograms/day (Source: Project Feasibility Report)

♠ Worked out on the basis of generation of 125 litres of sewage per houseboat per day.

Authority stated (October 2006) that out of about 316 *kanals* of land mass formed by illegal encroachment of water area, 40 *kanals* had been removed, and that the remaining encroachments were in a scattered manner in patches of one or two marlas each in a cluster. The Authority intended (October 2006) to acquire the entire clusters to be dredged out along with encroachments.

Audit scrutiny (March 2006) also revealed that the periphery of the Lake had also been encroached upon and illegal structures had been established thereon. The Authority stated (October 2006) that the demolition of the unauthorised structures was a continuous process and as of October 2006, 602 demolitions had been conducted and 728 structures brought down. Moreover, out of 141 plots allotted by the UEED in the Bemina colony prior to 1997, only four allottees were Lake dwellers and the remaining plots had been encroached upon illegally (February 2003) and continued to be so occupied (March 2006).

3.2.14 Stock/Stores Management

Stock items costing Rs. 108 crore were transferred to the Authority from the UEED. The inventory included usable items like chain-link fencing (valued at Rs. 14.57 lakh) and RCC pipes of varied specifications (valued at Rs. 73.17 lakh) and damaged items worth Rs. 11.18 lakh. The Authority neither utilised the usable items on on-going works, nor disposed off the damaged items, thereby incurring wasteful expenditure on their storage.

It was also observed during audit that the UEED (Lake Division-I) had placed (1995) orders for fabrication of gates/gearings for Nallah Amir Khan at a cost of Rs. 24 lakh, of which Rs. 22.80 lakh were advanced to a Firm. The gates were not installed due to change of their fabrication design, and the material was lying with the Firm. The Authority stated (October 2006) that most of the material was being utilized for construction of new gated headworks/navigational channels, and that the unutilised material would be put to use shortly.

3.2.15 Non-preparation of Inventory of Assets/Liabilities

The Authority did not prepare an inventory of the assets and liabilities inherited by it from the UEED, nor was the status of on-going works obtained from the implementing Divisions. Further, expenditure incurred by the UEED up to March 1997 included Rs. 3.66 crore advanced by it to the Director Tourism (Rs. 2 crore), Collector, Land Acquisition (Rs. 16 lakh) and Director Health Services (Rs. 1.50 crore) for acquisition of land, houseboat sites and shifting of leper hospital. The amount remained outstanding with these Departments, as none of these works was executed. The Authority stated (October 2006) that steps would be taken to recover the amount or jobs got executed by the Departments.

3.2.16 Violation of Financial Rules

3.2.16.1 Wasteful expenditure

The MOEF was to appoint consultants of its own choice for preparation of the Project Report on Lake Conservation Programme, as it provided full funding of the Programme. Despite this, the Authority appointed (May 1998) a Delhi-based private consultancy firm for preparation of the Detailed Project Report. Audit observed that the appointment was made without resorting to tendering process to ascertain competitiveness of rates and ascertaining whether the firm had the requisite expertise in preparing such Reports. The firm submitted its Report in September 1998, which was not approved by the MOEF, as it was found deficient in many ways. As a result Rs. 67.72 lakh paid[♥] to the firm was rendered wasteful. The Authority stated (October 2006) that the case was under investigation with the Vigilance Organisation.

3.2.16.2 Excess Fuel Consumption

The Authority owns two diesel-run harvesters (K.K.Dal and K.K.Nigeen) used for de-weeding purposes. Audit observed that the Authority had not fixed norms for fuel consumption of the harvesters. Test-check of log books of the harvesters revealed that the machines put to use for 18,821.3 hours (K.K.Dal: 10,461.3 hours up to 31 October 2000 and K.K.Nigeen: 8,360 hours up to 9 November 2000) had consumed 1,69,391.7 litres of fuel at nine litres/hour. Audit observed that beyond 31 October 2000 and 9 November 2000, the harvesters consumed only four litres/per hour.

Utilisation of excess quantity of fuel up to 31 October 2000/9 November 2000 resulted in extra consumption of 94,106.5 litres of fuel costing Rs. 11.81 lakh[♦], with consequent loss to the Authority. Though the Authority admitted the Audit contention, reasons for the excess consumption were not intimated and the case was stated (October 2006) to be under investigation with the Vigilance Organisation.

3.2.17 Monitoring/evaluation and Internal Control

3.2.17.1 A Committee constituted (August 2003) by the MOEF to assess the status of the progress of the Project, recommended the appointment of a Project Management Committee to ensure effective implementation of the project within the stipulated period. The Report also provided for the constitution of a Scientific Advisory Committee to oversee various aspects of the Programme and preparation of Programme Evaluation and Review Technique (PERT) chart. It was observed that no such Committees had been constituted nor was the PERT chart framed. The Authority stated (October 2006) that the process of formation of a Project Management Consultancy was in its final stage and would be in place shortly. It was also stated that a Monitoring Committee had been constituted (June 2006) to ensure effective monitoring.

3.2.17.2 No internal controls/vigilance mechanism existed in the Authority. The Authority had also not established (February 2006) an Internal Audit Wing. Besides, a number of cases of works/purchases were under investigation with the State Vigilance Department. According to the Authority, the outcome of the vigilance investigation was awaited (November 2006).

♥ An amount of Rs. 2.96 crore was also payable to the firm.

♦ Calculated at an average rate of Rs. 12.55/litre (the rate of diesel varied between Rs. 10 and Rs. 15.10 during this period)

3.2.18 Conclusion

Dal Lake, a unique natural body and a major contributer towards the State's economy, has been a victim of environmental degradation over the years. It has suffered heavily due to lack of planning in implementation of both Conservation as well as Rehabilitation Programmes.

Despite incurring of huge expenditure in different spells on various activities connected with the development of the Lake, no appreciable improvement could be discerned in the overall health of the Lake in its conservation, as well as rehabilitation of the people. Problems like excessive weed growth, direct discharge of sewage/nutrients in to the Lake body, deposition of silt and encroachments, which are the main contributory factors for its degradation, have remained unresolved. These have also contributed to the reduction in the water expanse and the average depth of the Lake. The Authority has also not been able to find a workable solution to the problem of houseboat sanitation.

Concentration of heavy metals in the Lake waters was far above the permissible limits. Pathological effects of these elements can cause damage to the brain, liver and kidneys.

The pace of implementation of the Rehabilitation Programme was poor. Lack of adequate planning was visible throughout. Land acquired by the Authority under the Programme could not be allotted to the dwellers, as these sites were situated in the green belt of the Master Plan of the Srinagar city.

The performance of the Authority in financial matters was also not encouraging. Though the Authority was created about 10 years back, it has neither finalised any of its accounts nor prepared the Accounts Manual. Besides, there was no monitoring mechanism to physically verify and evaluate the work done by the Authority and the funds spent in achieving the targets.

3.2.19 Recommendations

- The Authority should frame a time-bound Action Plan with milestones, while prioritizing both conservational and rehabilitation activities, to deal with various problems endangering the existence of the Lake.
- Measures should be taken to check inflow of sediments and nutrients in to the Lake from the catchment areas. Similarly, agricultural practices should be modified to check soil erosion.
- Deteriorating water quality of the Lake is a matter of great concern and needs to be remedied on top priority basis.
- The Authority should work out a sustainable alternative for drainage and treatment of sewage.
- Monitoring mechanisms need to be established for overseeing the implementation of works. Also, the Authority needs to institute a system of surveillance/vigilance to report cases of encroachment, and the persons responsible for encroaching upon the Lake area should be dealt with firmly.

Industries and Commerce Department

3.3 Industrial Development in Jammu and Kashmir

The Primary objective of the Industrial Development Programme was to achieve sustainable industrial development in all regions of the State for increasing the growth rate of the industrial sector, employment opportunities and economic development, besides promoting industrialisation in industrially backward areas and reviving potentially viable sick units. The Programme also provides for taking necessary steps in the field of Human Resource Development and making available skilled/technical manpower as per the needs of the industry.

The development of Industries in the State suffered due to the delay in acquisition of land and establishment of Industrial Estates, poor revival of sick units and non-monitoring of activities of the Industrial Units.

Highlights

- **Survey meant for assessing the industrial potential including availability of human resources, raw material, marketing avenues and other factors for preparation of a Perspective Plan and Annual Plans on a realistic basis, was not conducted since the last twenty years.**

  (Paragraph: 3.3.8)

- **Cases for acquisition of land initiated from September 2000 onwards for which Rs. 31.69 crore was advanced to land acquisition authorities during February 2004 to February 2006, were pending with the revenue authorities as of August 2006. The delay in finalisation of land acquisition cases has proved to be a major constraint in maintaining the flow of investment in the State and sustaining the pace of industrialisation.**

  (Paragraph: 3.3.11)

- **Industrial estates have not been established in three identified Industrially Backward Blocks, despite delays ranging between 12 to 16 years, rendering the expenditure of Rs. 1.69 crore unfruitful, besides retarding the pace of industrial development of these identified backward blocks.**

  (Paragraph: 3.3.12)

- **Expenditure of Rs. 2.95 crore incurred on imparting training was rendered unproductive, as none of the 6,819 persons trained in Jammu region (2001-02 to 2004-05) in various trades could set up units.**

  (Paragraph: 3.3.13)

- **Rupees 3 crore (Principal: Rs. 1.01 crore and Interest: Rs. 1.99 crore) in respect of loans advanced during 1978-92 was outstanding against various loanees at the end of March 2006.**

  (Paragraph: 3.3.14)

- **Failure of the Department to pay decretal amount immediately after the court judgement resulted in avoidable payment of interest of Rs. 60 lakh.**

(Paragraph: 3.3.16)

- **Annual production returns had not been obtained from unit holders resulting in non-monitoring of operational viability and capacity utilisation of units.**

(Paragraph: 3.3.18)

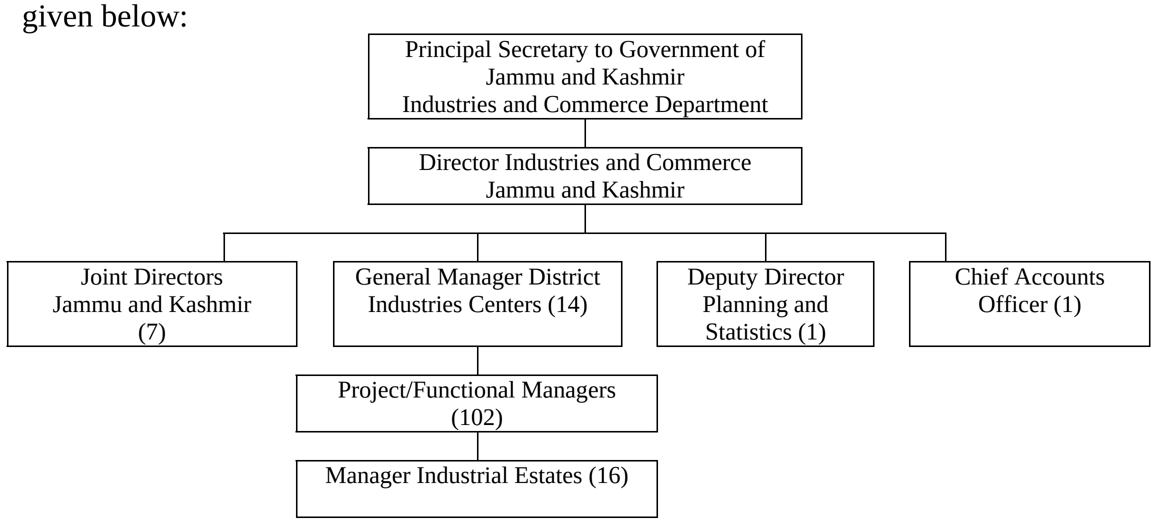
3.3.1 Introduction

The Industrial sector represents an important part of the State economy and rapid economic development is dependent on sustained industrial growth. Despite attractive fiscal incentives under the Industrial Policy 1998-2003, the rate of growth of the industrial sector did not accelerate due to the disturbed conditions in the State. The Industrial Policy 2004 was formulated to give impetus to industrial growth, promote local employment in industrial units, encourage industrialisation in backward blocks and modernise existing units. A number of incentives were announced for the entrepreneurs in the shape of subsidies on capital investment, brand promotion, purchase of diesel generator sets, testing equipment, research and development, and transport etc. Besides these, certain tax benefits were also admissible to the entrepreneurs.

The Industries and Commerce Department undertakes development of Industrial Estates with basic infrastructure for allotting the industrial plots/sheds/shops to the prospective entrepreneurs on lease/rent basis. During 2001-02 to 2005-06, 5,508 Small Scale Industries (SSI) units were registered in the State involving an investment of Rs. 1422.80 crore, which generated employment for 31,327 persons as of March 2006.

3.3.2 Organisational structure

The Organisational Structure of the Industries and Commerce Department is given below:



3.3.3 Scope of Audit

A review relating to the Industries and Commerce Department (I&C) for the period 1993-94 to 1997-98 was conducted from October 1997 to April 1998 and included in the Report of the Comptroller and Auditor General of India for the period ended 31 March 1998. The review was discussed in the Public Accounts Committee in July 2000. The present performance review, covering mainly small scale units, was conducted from July 2005 to February 2006, and is based on a test check of the records of the Principal Secretary, Industries and Commerce (I&C) Department, Director (I&C), 12 (out of 14) General Managers, District Industries Centres (GMs, DICs) and Manager, Industrial Estate, Jammu. Out of the total expenditure of Rs. 206.42 crore during 2001-02 to 2005-06, expenditure of Rs. 106.49 crore (52 *per cent*) was covered in audit.

3.3.4 Audit Objectives

The focus of the review was to test the efficiency and effectiveness with which the Department discharged its responsibilities with regard to the plans and programmes formulated under the Industrial Policies 1998 and 2004 and to assess whether:

- a proper survey for assessing the industrial potential of each district was conducted before formulating the plans,
- the programme was planned properly and executed efficiently,
- industrial estates were developed with the basic infrastructure like water supply, electricity etc. in a time bound manner,
- requisite training was imparted and the objective of training was achieved,
- sick units were revived and their functioning monitored,
- monitoring and evaluation was effective.

3.3.5 Audit Criteria

The following audit criteria were used:

- Provisions of the Industrial Policies of 1998 and 2004
- Industrial Census of Small Scale Industrial Units
- Number of units to be set up by trainees
- Target set for revival of sick units
- Procedure prescribed for monitoring and evaluation

3.3.6 Audit Methodology

Selection of units for review was made by adopting the random sampling method. Audit methodology involved issuance of a questionnaire to Director (I&C) to elicit information relating to various aspects of the programme. Exit Conference was held on 26 September 2006 with the Principal Secretary (I&C), wherein the audit findings were discussed. The Departmental response was incorporated in the review at appropriate places. Important points noticed as a result of test check of relevant records of selected units are discussed below.

3.3.7 Allocation and Expenditure

The position of funds allotted and the expenditure incurred thereagainst during the years 2001-02 to 2005-06 as communicated by the Department, was as under:

Table 3.10 (Rupees in crore)

Year	Allotment		Expenditure		Saving (-) Excess (+)	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
2001-02	32.70	4.04	29.44	3.44	(-) 3.26	(-) 0.60
2002-03	34.20	6.07	28.66	5.56	(-) 5.54	(-) 0.51
2003-04	36.05	3.72	31.94	3.58	(-) 4.11	(-) 0.14
2004-05	37.84	3.75	36.77	3.66	(-) 1.07	(-) 0.09
2005-06	56.68	5.56	57.95	5.42	(+) 1.27	(-) 0.14
Total	**197.47**	**23.14**	**184.76**	**21.66**	**(-) 12.71**	**(-) 1.48**

The expenditure of Rs. 57.95 crore (plan) incurred during 2005-06 includes Rs. 3.62 crore incurred on remission of value added tax without allotment of funds. Incurring of expenditure without allotment of funds indicated poor control mechanism in the Department with regard to expenditure.

3.3.8 Programme Planning

The District Industries Centres (DICs) are the main agencies for planning and implementation of the Industrial Development Schemes for accelerated growth of industries and generation of employment. DICs are required to conduct/update the industrial potential survey of the districts at periodical intervals. Audit scrutiny revealed that the survey meant for assessing the industrial potential including availability of human resources, raw material, marketing avenues and other factors for preparation of Perspective Plan and Annual Plan on realistic basis was not conducted. In reply, the Director (I&C) stated in the exit conference that a detailed industrial survey of the districts had not been conducted since the last twenty years. He assured that the survey would be completed at least in six months.

3.3.9 Industrial Census

An Industrial Census of Small Scale Industrial units was conducted in 2002, which revealed that out of 37,334 registered units, 22,709 units (61 *per cent*) were closed and 14,625 (39 *per cent*) were functional.

No census of Small Scale Industrial units was carried out after 2002. Thus no updated data regarding the number of functional, non-functional, untraceable units etc. was available with the Department. Chief Accounts Officer (CAO I&C) stated (June 2006) that GMs, DICs were being directed to conduct the required census.

3.3.10 Setting up of Units in Backward Areas

With a view to encourage industrialisation in the backward blocks of the State, capital investment subsidy of 30 *per cent* subject to certain ceilings is available to industrial units after notifying the blocks as backward by the Government. Although 119 blocks (Kashmir: 64; Jammu: 55) in the State had been identified as backward, no notification had been issued (October 2006), thereby denying incentives to entrepreneurs for setting up industrial units in these blocks and hampering industrial growth in the backward areas.

3.3.11 Land Acquisition

One of the objectives of the Industrial Policy was to improve infrastructure by setting up industrial estates, industrial growth centres and Integrated Infrastructure Development Centres (IID's) etc. Thirteen land acquisition cases initiated from September 2000 onwards for acquisition of 9,148 *kanals* and 11 *marlas* (valuing 69.39 crore) were not finalised as of August 2006, despite an advance payment of Rs. 31.69 crore during February 2004 to February 2006 to the land acquisition officers.

The delay in finalisation of land acquisition cases has proved a major constraint in maintaining the flow of investment into the State in time and to sustain the pace of industrialisation. The Director (I&C) stated (September 2006) that an Officer of the rank of Special Secretary had been nominated to pursue the land acquisition cases with the Revenue Department.

3.3.12 Establishment of Industrial Estates

Development of Industrial Estates, for allotment of plots/sheds/shops to the prospective entrepreneurs on lease/rent basis, is one of the basic requirements of industrialisation. In fourteen districts of the State, there were 40 industrial estates covering an area of 21,545 *kanals*. Audit scrutiny revealed that three industrial estates discussed below had not been established for the last 12 to 16 years rendering the expenditure of Rs. 1.69 crore on them unfruitful, besides retarding the industrial development of these identified industrially backward blocks.

- State land measuring 25 *kanals* was identified (1992) at Village Gran Tehsil Reasi, for development and allotment to entrepreneurs. An expenditure of Rs. 65.41 lakh was incurred on civil works from November 1993 to March 2002, without providing water and power supply. After it was pointed out in audit (July 2005), an amount of Rs. 23 lakh was advanced (February and March 2006) to the executing agencies for providing water and power supply. The works were stated to have been completed, but the industrial estate had not yet been commissioned as of (November 2006).

- For establishment of an Industrial Estate at Dewal (Billawar), land measuring 53 *kanals* and 18 *marlas* was acquired by the Department in 1994-95. Despite incurring an expenditure of Rs. 36.78 lakh (June 1990 to February 2002) for acquisition of land (Rs. 7.29 lakh) and electric works including fencing etc. (Rs. 29.49 lakh), the land was not developed as infrastructural works like construction of pucca drains, premixing of roads and installation of electric feeder etc. estimated to cost Rs. 20.26 lakh, were yet to be taken up. On this being pointed out in audit (July 2005), the General Manager, District Industries Centre, Kathua stated (August 2005) that higher authorities have been requested to release funds. Thus, despite incurring expenditure of Rs. 36.78 lakh the Industrial Estate had not been developed even after the lapse of 16 years.

- For establishment of an Industrial Estate, land measuring 42 *kanals* and 15 *marlas* was acquired (October 1998) at village Sangrambhata, Kishtwar. An expenditure of Rs. 44.19 lakh was incurred (February 1992 to March 2004) on acquisition of land (Rs. 12.29 lakh), boundary wall (Rs. 6 lakh) and civil works (Rs. 13.50 lakh against the estimated cost of Rs. 36.10 lakh). An amount of Rs. 12.40 lakh was advanced to the Electrical Division, Doda in March 1999 for execution of electrical works, but the works were not taken up by the Division on the plea that the land on which the poles and transformers were to be installed, was not leveled. In the mean time, the Electric Division got bifurcated and the amount was transferred to the Executive Engineer, Electric Division, Kishtwar who expressed inability to execute the works at the old rates. The General Manager, DIC Doda, stated (October 2005) that the delay in executing the works was due to belated receipt of funds and refusal by the executing agencies to execute the works. Thus, despite lapse of 14 years, and after incurring an expenditure of Rs. 44.19 lakh, the Industrial Estate had not been developed.

3.3.13 Training

Identification of the entrepreneurs by the GMs, DICs was to be done taking into consideration that persons selected for training should be prepared to take up their own trade after the completion of the training. Besides this, the purpose of imparting training was to create a trained and skilled class for absorption by self employment. In 25 Training Centres run by six[ψ] DICs of Jammu division, training was imparted to 6,819 trainees in various trades like knitting, woollen durret making, leather goods etc. on which an expenditure of Rs. 2.95 crore was incurred during 2001-02 to 2004-05.

It was observed in audit that after completion of training, none of the trainees had set up any unit/trade. Thus, the expenditure of Rs. 2.95 crore incurred on imparting training was unproductive, as the objective of creating skilled entrepreneurs for self-employment was not achieved. The CAO (I&C) admitted (June 2006) that the trainees did not show interest in setting up their own business unit after receiving training. CAO further stated that the scheme was under review with the Government.

3.3.14 District Industries Centre Loan

The Department has been advancing loans to entrepreneurs for setting up Small-Scale Industrial units from time to time. Against the loans of Rs. 1.39 crore disbursed by the DICs from 1978 to 1992, an amount of Rs. 3 crore (Principal: Rs. 1.01 crore and Interest Rs. 1.99[β] crore) was outstanding against various loanees at the end of March 2006.

ψ District Industries Centre Doda, Jammu, Kathua, Poonch, Rajouri, Udhampur

β Interest worked out by Department upto March 2003 only

Audit observed that the GMs, DICs had stopped the recovery of DIC loan and interest without any authorisation from the Government. Besides, loan ledgers were also not maintained properly.

CAO (I&C) stated (June 2006) that this was on account of the announcement made by the Hon'ble Prime Minister in 1996 for waiving off of loans to the extent of Rs. 50,000 and that the matter regarding waiver of outstanding loan and interest, amounting to Rs. 3 crore had been taken up with the Government and that instructions had been issued to all for proper maintenance of loan ledgers.

3.3.15 Outstanding Rent of Industrial Plots, Sheds and Shops etc

The Department allots plots, sheds and shops to entrepreneurs on rent/lease basis in the Industrial Estates set up by it. Audit scrutiny revealed that Rs. 12.46 lakh was recoverable in Jammu Division[φ] on account of rent from 195 unit holders (Rs. 9.89 lakh from 155 functional unit holders and Rs. 2.57 lakh from 40 non-functional unit holders) and Rs.19.76 lakh in Kashmir Division[≠] ending March 2005[↓]. DIC Jammu did not furnish details of outstanding rent ending March 2005 in respect of 41 non-functional units. It was also observed that Rent Registers had not been maintained properly. No effective mechanism was in place to ensure the recovery of rent on due dates. In reply, the Director stated (September 2006) that due to the disturbed conditions, most of the units became non-functional and recovery of rent was impossible and that rent was being realised only from the functional units.

3.3.16 Avoidable Interest

Himalayan Wool Comber Limited borrowed Rs. 85 lakh (October 1979) from Industrial Development Bank of India (IDBI) for setting up a project for wool tops at Bari Brahmana on the guarantee of the State Government (Industries Department). The Company repaid Rs. 72.90 lakh only (Principal: Rs. 20 lakh; Interest: Rs. 52.90 lakh) up to April 1986, and thereafter stopped repayment. The Bank filed a suit against the State Government in the Bombay High Court invoking the guarantee. The case was decreed *exparte* on 13 August 1997 for Rs. 1.32 crore with costs and interest at the contractual rate (9.5 *per cent*) from 15 November 1991 till realisation. The Department had neither made payment till April/May 2002, nor preferred appeal against the Court order.

Subsequently, when the Government approached (March 2002) IDBI for grant of loan for its Power projects, the Bank expressed its reluctance to process the loan case, as the Government had failed to pay the decretal amount. IDBI demanded Rs. 2.59 crore from the Department in April 2002 (Decretal amount: Rs. 1.32 crore; Interest: Rs. 1.27 crore and cost of Suit: Rs. 0.32 lakh). The Department paid Rs. 1.32 crore in April 2002. As the interest and other costs were not paid, interest increased to Rs. 1.33 crore upto 15 May 2005. Ultimately the Department paid (May 2002) Rs. 1.33 crore as interest and other costs. Had the

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φ District Industries Centres Jammu, Kathua, Poonch and Udhampur

≠ District Industries Centres Anantnag, Baramulla, Budgam, Kupwara, Pulwama and Srinagar

↓ In respect of 102 functional units (out of 155 units) of DIC Jammu the details of outstanding rent were made available only upto October 2004

Department paid the decretal amount and interest immediately after the pronouncement of the judgement, payment of Rs. 60 lakh[♣] as additional interest for delay from 14 August 1997 to 15 May 2002 could have been avoided.

Failure of the Department to pay the decretal amount immediately after the Court judgement resulted in avoidable payment of interest of Rs. 60 lakh. The Government stated (October 2006) that the interest was paid to IDBI to secure the loan for the Power projects of the State. The reply is not tenable as the extra expenditure could have been avoided by making timely payment to the Bank.

3.3.17 Revival of Sick Units

One of the primary objectives of the State's Industrial Policy was to revive potentially viable sick units. During the period of five years ending December 2005, 396 units (Kashmir: 227; Jammu: 169) were identified as sick by the Department. An amount of Rs. 1.90 crore was sanctioned from February 2001 to February 2004 as soft loan for revival of 17 sick units. However Rs. 1.53 crore was disbursed to only 12 sick units during August 2001 to August 2005 through Jammu and Kashmir State Industrial Development Corporation (SIDCO). This indicated that the pace of revival of sick units was poor. Besides, the status of actual revival and date of recommencement of production of these units had not been obtained/monitored. The remaining 379 (96 *per cent*) sick units were yet to be cleared by the Apex Committee for revival and no time schedule was prescribed for their clearance. No concrete steps had been taken by the Department to address the reasons of sickness like demand of product, shortage of working capital, non-availability of raw material, power shortage, marketing problem etc.

On this being pointed in audit, the CAO (I&C) stated (June 2006) that a Committee had been constituted to monitor the progress of units provided with soft loan and that GMs, DICs have been directed to conduct a survey of sick units to ascertain the reasons of sickness.

3.3.18 Monitoring and Evaluation

All the Registered Units were required to submit yearly, the production returns of the raw material received/utilised, stock in hand, production and sale etc. to the Directorate of Industries. Failure to submit these returns was adequate ground for denial of available benefits to them.

Test check of records revealed that 5,508 units were registered during the period 2001-2002 to 2005-2006 but no annual production returns were obtained by the respective DICs, resulting in non-monitoring of operational viability and capacity utilisation of units.

The Director (I&C) stated (September 2006) that strict instructions have been issued to the concerned GMs, DICs for obtaining the returns and the filing of returns was made mandatory. It was further stated that the distribution of work

[♣] Calculated at interest rate of 9.5 *per cent* on decretal amount of Rs. 1.32 crore for 57 months and 3 days (14.08.97 to 15.05.2002) among senior functionaries would be recast in order to monitor the implementation of the development programme effectively.

3.3.19 Conclusion

To sum up, the objectives of Industrial Development Programme to achieve sustainable Industrial Development in all the regions of the State for increasing the rate of growth, value of output, employment, income and over all economic development were not achieved. No survey for assessing the industrial potential including availability of human resources, raw-material, marketing avenues etc. was conducted. Consequently, no long term or annual plan could be formulated on a realistic basis. Similarly, the Department did not have authentic up-to-date data regarding the number of functional/non-functional units, actual production and sale turn over.

Lack of planning and abnormal delay in establishment of three industrial estates retarded industrial development in these industrially backward blocks. The Department also failed to revive potentially viable sick units on account of lack of planning and monitoring. Thus, the objective of giving impetus to industrial growth and encouraging industrialisation in backward areas could not be fully achieved.

3.3.20 Recommendations

- Survey for assessing the industrial potential of each district should be conducted and the data of functional/non-functional, closed/untraceable units etc. be updated periodically. This will enable the Department to draw long term and annual plans on realistic and attainable basis.
- Effective steps should be taken to ensure the early establishment of industrial estates by pursuing land acquisition cases and also providing them with basic infrastructure.
- Year wise consolidated data of actual value of production/output by the units should be maintained to assess the quantum of actual growth achieved by them.
- The Department should evolve/strengthen its training and monitoring mechanism for effective implementation of the industrial development programme.

Ladakh Affairs Department

(Ladakh Autonomous Hill Development Council, Leh)

3.4 Developmental activities in Leh District

***The main objective of overall development of the Council area by way of implementation of various developmental activities in respect of public works, education, agriculture, animal/sheep husbandry, etc. under various schemes/programmes sponsored by the Central and State Governments was marred by faulty planning. Instead of completing the on-going works, precedence was given to new and unauthorised works. Consequently, there was delay in execution of works, resulting in time and cost overruns, besides wasteful/unfruitful expenditure*.**

Highlights

- **The Council had not prepared its accounts since its establishment, in the absence of which a true and fair view of its assets/liabilities could not be assessed in audit.**

(Paragraph: 3.4.7)

- **Delay in release of funds to the implementing agencies resulted in non-utilisation of plan funds aggregating Rs. 45.36 crore as of March 2006.**

(Paragraph: 3.4.8)

- **Thirty-five to 77 *per cent* of the total expenditure was incurred in the last quarter of the financial years from 2002-2005, and 22 to 57 *per cent* was incurred in the months of March during the year.**

(Paragraph: 3.4.11)

- **Progress in the construction of roads under Roads and Buildings sector was uneven. While there was shortfall in achievement of targets in most cases, in some cases the achievement exceeded the targets. This was indicative of faulty planning.**

(Paragraph: 3.4.13.1)

- **Seven Divisions executed 263 works without obtaining administrative approval/technical sanction and incurred Rs. 119.75 crore on them as of March 2005.**

(Paragraph: 3.4.13.2)

- **There was cost overrun of Rs. 4.79 crore and time overrun of 4 to 10 years in 16 test-checked works (scheduled for completion up to 2003-04), indicating unplanned execution of works. Further, in two cases, investment of Rs. 1.14 crore was rendered unfruitful due to unplanned execution.**

(Paragraph: 3.4.13.2)

3.4.1 Introduction

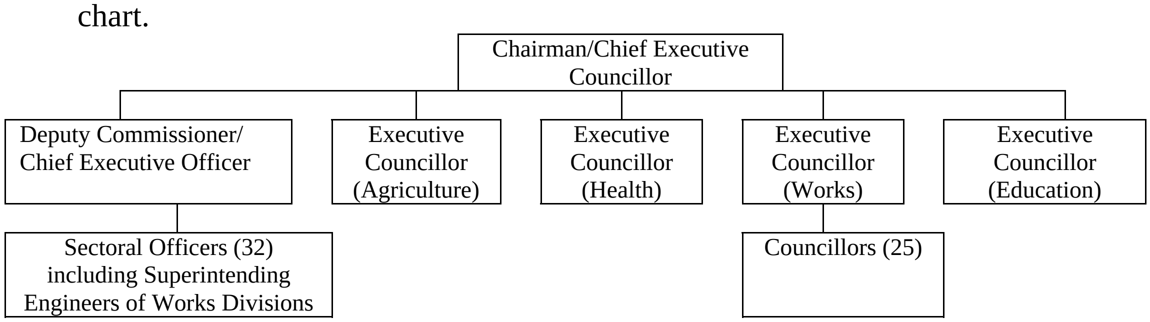
Leh district is a cold arid zone situated at an altitude ranging between 2300 and 5900 meters and spread over 45 thousand square kilometers in the eastern portion of the Ladakh region of the Jammu and Kashmir State. According to the census of 2001, the population of the district was 1.17 lakh, of which more than 95 *per cent* belonged to the Scheduled Tribe Category.

With a view to bringing about speedy development and economic upliftment of the local population, the Ladakh Autonomous Hill Development Council, Leh (Council) was constituted by an Act of the Government of Jammu and Kashmir in October 1997 (LAHDC Act). The earlier Act of 1995 was repealed through this Act.

The main objective of the Council is to implement developmental activities in respect of public works, education, agriculture, animal/sheep husbandry, etc. under various schemes/programmes sponsored by the Central and State Governments.

3.4.2 Organisational Structure

The organisational structure of the Council is indicated in the following chart.



The election of the members of the Council was held at regular intervals of five years in accordance with the LAHDC, Act, ibid. The last election was held on 16 October 2005.

3.4.3 Scope of Audit

The developmental activities of the District, covering the period from 1991-92 to 1995-96, were last reviewed and commented upon in the CAG's Audit Report for the period ended 31 March 1997. The present performance audit, conducted during July 2005 to September 2005 and September 2006, covers the period 2000-01 to 2005-06 and discusses the developmental activities in Leh District during the above period. The audit is based on a test-check of records of seven[♣] sectors (out of total 55 sectors existing as on 31 March 2006). Expenditure test-checked was Rs. 172.47 crore, forming 32 *per cent* of the total expenditure of Rs. 536.31 crore.

Audit of LAHDC, Leh was entrusted to the Comptroller and Auditor General of India under Section 19 (3) of the CAG's DPC Act, 1971. However, due to non-

♣ Public Works, Education, Agriculture, Animal and Sheep Husbandry, Power Development and Rural Development finalisation of accounts by the Council, its audit was taken up under Section 14 of the CAG's DPC Act, 1971.

3.4.4 Audit Objectives

The Performance review of the Council was undertaken to assess whether:

- the financial management was effective
- development and economic upliftment programmes were planned properly and executed effectively and efficiently
- qualitative and quantitative improvement was achieved in core sectors
- programmes/schemes were monitored and evaluated effectively

3.4.5 Audit Criteria

The performance of the Council was assessed against the following audit criteria:

- Provisions of the Ladakh Autonomous Hill Development Council Act including those relating to maintenance of accounts
- Provisions of the Jammu and Kashmir Financial Rules
- Norms prescribed/targets set with regard to various activities in the Roads and Buildings, Education, Agriculture and Animal Husbandry Sectors
- Guidelines prescribed for Monitoring and Evaluation

3.4.6 Audit Methodology

Audit was carried out through a test-check of the relevant records of the Council and various divisions under it. Audit objectives and the criteria were discussed in the entry conference with the officers of the Council during September 2005. The points mentioned in the performance review were discussed (September 2006) in the exit conference with the Special Secretary to the Government, Ladakh Affairs Department. Replies of the Department have been incorporated at appropriate places.

Audit Findings

Important points emerging from the performance audit are brought out in the succeeding paragraphs:

3.4.7 Non-preparation of Annual Accounts

The Council was required to prepare its annual accounts in terms of the LAHDC, Act and the State Government was required to make rules and regulations and prescribe the form and manner in which the accounts of the Council are to be maintained. Audit scrutiny revealed that the State Government had neither prescribed the requisite formats nor were the accounts compiled by the Council (October 2006). In the absence of accounts, the true and fair view of the assets/liabilities and the financial position of the Council could not be verified in audit. Non-preparation of accounts is also fraught with the risk of irregularities, frauds, etc. going undetected.

The Chairman of the Council assured (September 2005) that procedure for maintenance of accounts would be devised for submission to the State

Government for approval. During the exit conference, the Special Secretary intimated (September 2006) that the framing of rules and regulations and the Format of the Accounts was in the last stages of finalisation.

3.4.8 Allocation and Expenditure

Based on the information furnished by the Council, the funds received from the State and the Central Governments, expenditure incurred thereagainst and the funds remaining unutilised at the end of each year between 2000-01 and 2005-06 were as under:

Table 3.11 (Rupees in crore)

Year	Funds received		Expenditure		Funds unutilised		
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Total
2000-01	38.54	37.04	36.04	34.97	2.50	2.07	4.57
2001-02	46.15	40.53	43.96	37.98	2.19	2.55	4.74
2002-03	52.71	42.27	37.34	39.93	15.37	2.34	17.71
2003-04	59.00	44.76	53.14	42.02	5.86	2.74	8.60
2004-05	66.03	42.79	60.20	41.91	5.83	0.88	6.71
2005-06	78.52	48.10	64.91	43.91	13.61	4.19	17.80
Total:	340.95	255.49	295.59	240.72	45.36	14.77	60.13
Grand total:	**596.44**		**536.31**		**60.13**		

(Source: Plan and Non-Plan Documents and Quarterly Progress Reports from 2000-01 to 2005-06)

It will be seen from the table that Plan Funds received from the State and the Central Governments were not utilised fully, resulting in accumulation of unspent balance of Rs. 45.36 crore at the end of March 2006. This indicated poor budgetary management. Audit analysis revealed that the main reason for underutilisation of funds was their belated release to the implementing agencies (delays ranging between 9 and 222 days from the State Government to the Council and between 21 and 153 days from the Council to the implementing agencies). It was also noticed that the funds were released to the implementing agencies, mostly during the months of September-December, after the end of the working season.

3.4.9 Non-collection of Revenue

In terms of the LAHDC Act, the Council can collect taxes on trade, rice husking mills, brick kilns, oil mills, hawkers, etc. Besides, it can impose fee on persons exposing goods and animals for sale in market, fee for use of slaughter houses, cattle pounds, temporary occupation of village sites, etc.

A sum of Rs. 16.30 crore collected by the Council during 1996-97 to 2004-05 on account of such revenue collections was deposited by it in the Consolidated Fund of the State.

3.4.10 Non-utilisation of Funds under BADP

The Council received Rs. 81.45 lakh during 1999-2000 and 2001-02 under Border Area Development Programme (BADP) for agricultural developmental activities. Of this, Rs. 45.64 lakh were meant for establishing a Fodder Research Farm at Nidder (Nyoma), and Rs. 14.62 lakh for purchase of agricultural implements and supply of vegetable and fodder seeds to farmers. The amount was required to be utilised during the currency of the financial year, in which the funds were released. Audit scrutiny revealed that the Council failed to establish the farm as it could not acquire land at the proposed site. The Council also failed to purchase agricultural implements and vegetable and fodder seeds and distribute the same to farmers. The entire amount of Rs. 45.64 lakh and Rs. 14.62 lakh were surrendered during 1999-2002.

In response to an audit query, the Chief Agriculture Officer, Leh stated (October 2006) that funds had been revalidated and were utilized in the subsequent years. However, failure of the Council to utilise the amount in time had deprived the beneficiaries of the intended benefits for more than four years.

3.4.11 Rush of Expenditure

Financial Rules envisage that expenditure should be distributed evenly throughout the year. Rush of expenditure, particularly in the last quarter and especially in the closing month, indicates poor financial management. Audit scrutiny revealed that due to belated release of funds, eight Drawing and Disbursing Officers (detailed in the *Appendix*-3.3) incurred 35 to 77 *per cent* of the total expenditure in the last quarter of the financial year between 2002-2005, and 22 to 57 *per cent* was incurred in the month of March alone.

3.4.12 Non-crediting of Central Receipts to the Council Fund

In terms of the LAHDC Act, funds received from the Central Government are to be credited to the Council Fund. In case of four[ϖ] test-checked divisions/sectors, it was seen that funds amounting to Rs. 25.11 crore received (between 2000-01 and 2004-05) from the Central Government for execution of Centrally Sponsored Schemes[Ψ] were not credited to the Council Fund. The amounts, in violation of the Act, ibid, were kept in the official bank accounts of the divisions concerned, for which separate cash books were maintained.

3.4.13 Implementation of Developmental Activities

3.4.13.1 Roads and Buildings

Total expenditure incurred by the Council on Roads and Buildings sector during the period 2000-2006 aggregated Rs. 40.46 crore (13.69 *per cent* of the total plan expenditure of Rs. 295.59 crore by the Council during this period).

Audit scrutiny revealed that shortfall in achievement of targets in construction of black topped, metalled and shingled roads ranged between 4 and 50 *per cent* during 2000-01 and 2004-05 (except in case of metalled roads during 2004-05, when targets exceeded the achievements by 31 *per cent*). The achievements exceeded the targets during 2001-02 and 2005-06 in all types of roads. This was indicative of poor planning and formulation of unrealistic targets.

ϖ Assistant Commissioner Development Leh, District Development Agency Leh, Desert Development Agency Leh and Igo-Phey Division, Leh.

Ψ The Centrally sponsored schemes included EAS, IAY, JGSY, SGRY, SGSY, Watershed Projects and Igo Phey Irrigation Canal

3.4.13.2 Unplanned/unauthorised execution of works

Financial Rules prohibit taking up of construction works without obtaining administrative approval and technical sanction from the competent authority. Audit scrutiny revealed that construction works were taken up without obtaining administrative approval and technical sanction. Besides, there were cases of unplanned execution of works as discussed below:

- As on March 2001, there were 126 works of roads, buildings and bridges under construction by the Roads and Buildings Division (62) and Construction Division (64). It was observed during audit that the Executive Engineers of the Divisions, without first ensuring completion of on-going works, took up construction of 207 new works (Roads and Buildings Division: 101; Construction Division: 106) during 2000-2005, indicating unplanned execution of works. Besides, Five♠ Divisions and two Special Sub-Divisions, in violation of the Financial Rules, took up execution of 263 works/schemes without obtaining administrative approval and technical sanction from the competent authority. The divisions, unauthorisedly incurred Rs. 119.75 crore on these works/schemes as of March 2005.

- Sixteen test-checked works, which had been taken up for construction without accord of administrative approval and technical sanction at an estimated cost of Rs. 6.27 crore by the construction division during 1990-91 to 1999-2000 and were scheduled for completion during 1995-96 to 2003-04, had not been completed as of March 2005, despite spending Rs. 8.52 crore on them. As a result, the estimated cost of the works was revised to Rs. 11.06 crore with periods of completion extended up to 2006-07. This resulted in cost overrun of Rs. 4.79 crore and time overrun of 4 to 10 years. Besides, administrative approval and technical sanction had been obtained only in three of these 16 works as of October 2006.

- Construction of a link road to connect Kumdoh Village with Leh-Nyoma road was started (without administrative approval and technical sanction) by the Special sub-Division, Nyoma in 1990-91 at an estimated cost of Rs.9.67 lakh. As of March 2005, only 3.70 kilometers of the road had been constructed at an expenditure of Rs. 76.48 lakh. However, due to non-construction of a steel girder bridge coming in the alignment, the road could not be completed (October 2006) and connected to the village, rendering the expenditure of Rs. 76.48 lakh unfruitful. According to the District Superintending Engineer, Leh (October 2006) application for accord of administrative approval had been submitted (July 2006) to the Chief Executive, Leh for Rs. 1.68 crore, which had not been approved as of October 2006.

♠ Igo-Phey Irrigation Division, Roads and Buildings Division, Construction Division, Irrigation and Flood Control Division, Public Health Engineering Division, Special Sub-Divisions Nyoma and Nobra

- The work on Construction of Water Supply Scheme, Stakna was taken up (without administrative approval and technical sanction) by the Executive Engineer, Public Health Engineering, Division Leh during 1999-2000 at an estimated cost of Rs. 23.49 lakh, for completion within three working seasons. Despite incurring an expenditure Rs. 37.80 lakh (March 2004) on drilling of tube well, laying and fitting of rising main, construction of service reservoir, etc. the scheme could not be completed (September 2006) for want of funds. The Executive Engineer, Public Health Engineering Division, Leh, stated (September 2006) that efforts to obtain requisite funds from NABARD had not succeeded, and that it was decided to arrange funds out of the District Plan during the current year to make the scheme partially functional. Thus, unplanned execution of works resulted in unfruitful expenditure of Rs. 37.80 lakh, besides defeating the intended objectives of the Scheme.

3.4.13.3 Creation of Liability

Financial Rules provide that, to avoid incurring of liabilities, except in cases covered by Special Rules or Orders of the Government, no work should be commenced until funds to cover the charge have been provided by the competent authority. It was observed that in violation of this provision, the District Superintending Engineer, PWD Circle, Leh had incurred (2004-05) Rs. 4.62 crore in excess of the provisions in execution of 343 works. On this being pointed out, the District Superintending Engineer stated (October 2006) that matter had been taken up with the Government for providing funds to clear the liability.

3.4.13.4 Irregular Expenditure

As per Rules, Chief Engineers can permit expenditure on works in excess of the originally sanctioned estimates up to 10 *per cent*, subject to a monetary limit of Rs. five lakh. It was observed that in contravention of the rules, three[♣] divisions incurred (2004-05) an expenditure of Rs. 1.06 crore (in respect of six works) in excess of the original estimates (Rs. 71.16 lakh) by 49 *per cent*. On this being pointed out in audit, the District Superintending Engineer, Public Works Circle, Leh stated (October 2006) that all the Executive Engineers had been instructed not to recommend any case of extension in favour of contractors who execute work beyond the permissible limits.

3.4.13.5 Unfruitful expenditure

Executive Engineer, Special Sub-Division, Nobra took up execution of two bridge works (steel girder bridge at Kobed and foot suspension bridge at Yarma) during 1994-95 and 1995-96 at an estimated cost of Rs. 1.42 crore and Rs. 56.60 lakh, respectively. The fabricated superstructure of Kobed bridge was supplied by the Jammu and Kashmir Projects Construction Corporation. The District Superintending Engineer allotted the work of launching of the superstructure (on the already constructed abutments) to a local contractor in September 1998. However, the bridge collapsed on 5 May 2000 due to negligence of the contractor

♣ Roads and Buildings Division Leh, Special Sub-Division Nobra, Construction Division, Leh and also due to lack of Departmental supervision. 70 *per cent* of the bridge material, submerged in the river waters was not retrieved (October 2006) while the remaining 30 *per cent* though salvaged, was not put to any use. Expenditure of Rs. 1.22 crore incurred on the bridge was, thus rendered unfruitful. According to the District Superintending Engineer, Public Works Circle, Leh (October 2006), the bridge was still under construction.

Similarly, the design of the bridge at Yarma was changed from wooden to steel foot suspension, without the approval of the Competent Authority. An expenditure of Rs. 25.50 lakh was incurred on the bridge between 1995-96 and 1998-99. As the abutments, constructed were declared unsafe, it was proposed to construct new abutments at new locations. This resulted in wasteful expenditure of Rs. 25.50 lakh incurred on the unsafe abutments. According to the District Superintending Engineer, Public Works Circle, Leh, approval for change of the design of the bridge was awaited (October 2006).

3.4.13.6 Outstanding Advances

Money advanced to subordinate Officers by the Public Works Divisions for meeting expenditure of emergent nature is to be adjusted as soon as possible. Audit analysis revealed that amounts aggregating Rs.93.52 lakh, advanced by eight[ϒ] Public Works Divisions/Special Sub-Divisions, were outstanding (March 2005) against 150[♣] officials for 1 to over 25 years. Of these, Rs. 25.71 lakh were outstanding against 92 officials, since their transfer.

The District Superintending Engineer, Public Works Circle, Leh stated (October 2006) that the present Drawing and Disbursing Officers of all the transferred officials had been requested to direct the concerned to clear the outstanding advances.

3.4.14 Public Health

The objective of the Public Health Engineering Department is to ensure safe drinking water facilities to all the inhabitants of the District. Important points noticed during the Performance Audit are discussed below:

3.4.14.1 Defunct Water Testing Laboratory

The Council established a water-testing laboratory and incurred Rs. 4.16 lakh[#] on it between 1993-94 and 1997-98. However, the laboratory was not functional as of October 2006, resulting in non-testing of water samples and unfruitful investment. According to the Evaluation Report (September 2005) of the Deputy Director, Statistics and Evaluation, Leh water samples were not tested and non-chlorinated drinking water was being supplied to the residents of Nobra, Nyoma and Khaltse blocks. The District Superintending Engineer, Public Works Circle,

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ϒ Construction Division, Igo-Phey Irrigation Division, Irrigation and Flood Control Division, Mechanical Division, Roads and Buildings Division, Special sub-Division, Nobra/Khaltsi and Public Health Engineering Division

♣ Including officials (excepting Judiciary and Police) posted in the district prior to the formation of the Council.

Expenditure on building: Rs. 1.10 lakh; equipments: Rs. 3.06 lakh.

Leh stated (October 2006) that the matter of making the water testing laboratory functional had been taken up with the Government.

3.4.14.2 Wastage of Potable Water

According to the Executive Engineer PHE Division, Leh (September 2005) there was an average requirement of 6.23 lakh gallons of potable drinking water per day for covering the urban population of 44000 in the Leh town. Against this only 4.01 lakh gallons of water was available, of which 1.20 lakh gallons (30 *per cent*) was wasted due to misuse of water for construction, gardening and washing of vehicles, etc. by the locals. The total potable water (2.81 gallons), thus available constituted only 45 *per cent* of the total requirement in the town. It was also noticed during audit that no stoppers were provided with the taps resulting in further wastage of water. In reply, the Executive Engineer (October 2006) stated that stoppers had been fixed. However, steps contemplated by the Council to meet the requirement of water were not intimated (November 2006).

3.4.14.3 Outstanding Water Charges

Audit scrutiny revealed that water charges amounting to Rs. 1.22 crore were outstanding against the State and Central Government Departments (Rs. 1.08 crore), Small Scale Units (Rs. 11.66 lakh) and private consumers (Rs. 1.84 lakh) as of March 2006. The District Superintending Engineer, Public Works Circle, Leh stated (October 2006) that the Executive Engineer, Public Health Engineering, Leh had been instructed to intimate the outstanding water charges ending March 2006.

3.4.14.4 Irregular Payment

Under Government Orders, non-gazetted employees of Health and Medical Education Department/Institutions, who perform roster duties and do not avail any off day, are entitled to incentive equivalent to two and a half days pay and allowances per month. Audit scrutiny of the records of the Chief Medical Officer, Leh revealed that 20 to 30 officials, who did not perform any roster duty, were unauthorisedly paid incentive amounting to Rs. 6.81 lakh from April 2000 to July 2004. On this being pointed out, the Chief Medical Officer, Leh stated (October 2006) that payment of incentive had been stopped and action was being taken to recover the amounts already paid.

3.4.14.5 Inventory management

Financial Rules provide that Stores for public services should be procured in the most economic manner after assessing definite requirements. Audit scrutiny of the records of four divisions (Igo-Phey Irrigation, Irrigation and Flood Control, Public Health Engineering and Special Sub-Division Nobra) revealed that stores valued at Rs.56.81 lakh purchased between 1992-93 and 2003-04 had remained un-utilised as of August 2005, resulting in locking up of funds. The inventory also included store items valued at Rs. Rs.35.30 lakh, which had lost their shelf life. This was indicative of purchases having been made in excess of the requirements. No steps had been taken to dispose of the unusable material, to avoid expenditure on their storage. The Executive Engineer Igo-Phey Division admitted (August

2005) that most of the material was unfit for use. However, as stated (October 2006) by the District Superintending Engineer Public Works Circle, Leh all the Executive Engineers, concerned were making efforts to issue usable material to other sister divisions as per their requisitions.

Procurement of material without proper planning, assessment and actual requirement, resulted not only in locking up of funds but also loss of public money, as most of the material had became unfit for use.

3.4.14.6 Shortages of stores

Financial rules envisage conducting of physical verification of stores at least once in a year. Audit scrutiny of the records of the Executive Engineer Public Health Engineering Division revealed that no Physical verification had been conducted between 1995-96 and 2001-02 and in 2004-05. Shortages of stores valued at Rs.11.56 lakh remained undetected up to March 2002. These had not been made good as of October 2006. On this being pointed out in audit, the District Superintending Engineer Public Works Circle, Leh stated (October 2006) that a committee had been constituted to look in to the shortages. The report of the Committee was awaited (October 2006).

3.4.14.7 Idle Expenditure

Executive Engineer, Electric Maintenance and Rural Electrification Division Choglamsar, Leh installed three diesel generating sets at three villages and incurred an expenditure of Rs. 70.40 lakh during 1999-2000 and 2002-03. Audit observed that no staff was posted in any of the villages since January 2002 to operate the generating sets. This resulted in idle investment of Rs. 70.40 lakh and denial of intended benefits to the population. The Executive Engineer, Electric Maintenance and Rural Electrification stated (October 2006) that it had been decided by the Council to provide staff to operate the generating sets. However, necessary approval in this regard from the Deputy Commissioner, Leh was awaited.

3.4.15 Education

As on March 2006, there were 339 Educational Institutions in the District, comprising 225 Primary, 76 Middle, 38 High/Higher Secondary Schools (excluding one Degree College). An expenditure of Rs. 51.80 crore was incurred on this sector during 2000-01 to 2005-06, which formed 17.52 *per cent* of the total plan expenditure. Important points noticed during performance audit are discussed below:

According to the norms fixed by the State Education Department, one teacher is to be provided for 10-30 students in schools situated in hilly areas. Audit observed that out of 225 primary schools, 85 schools (with 176 teachers and a total roll of 532 students) were running with marginal number of students during 2005-06, indicating that the Council had not assessed the feasibility before opening new schools, keeping in view the number of students (the student population decreased from 12,694 to 11,528 between March 2000-06) that were likely to be admitted in these schools. An expenditure of Rs. 1.98 crore[ϒ] incurred on payment of wages to these 176 teachers during 2005-06 was largely rendered unfruitful. On this being pointed out, the Chief Education Officer (CEO), Leh stated (October 2006) that teachers of closed schools had been utilised in other schools on need basis.

3.4.15.1 Trained and Untrained Teacher Ratio

Teachers posted in schools should be trained to impart quality education to the students. Audit observed that the percentage of trained teachers posted in Primary, Middle, High and Higher Secondary Schools varied between 9 and 75 as indicated in the table below:

Table 3.12

	Primary schools			Middle schools			High/higher secondary schools		
Year	**Total number of teachers**	**Number of trained teachers**	**P**	**Total number of teachers**	**Number of trained teachers**	**P**	**Total number of teachers**	**Number of trained teachers**	**P**
2000-01	618	76	12	510	59	12	654	60	9
2001-02	618	81	13	510	64	12	654	61	9
2002-03	650	85	13	519	67	13	659	62	9
2003-04	760	215	28	628	257	41	819	393	48
2004-05[♦]	453	253	56	446	293	66	597	445	75
2005-06	523	196	37	452	221	49	548	314	57

(Based on the information furnished by the CEO, Leh) *(P: Percentage)*

The low percentage of trained teachers posted especially in high/higher schools may also have affected adversely the quality of education, as pass percentage ranged between only 10 and 33 in respect of Class-X and between 6 and 28 in case of Class-XII students during 2000 to 2005 as detailed below:

Table 3.13

Year	**Class-x**			**Class-XII**		
	Students appeared	**Students passed**	**Pass percentage**	**Students appeared**	**Students Passed**	**Pass percentage**
2000	5018	514	10	1724	110	6
2001	1837	329	18	686	96	14
2002	1656	363	22	790	93	12
2003	1086	204	18	706	100	14
2004	1764	547	31	664	188	28
2005	636	210	33	537	151	28

(Source: Statement of result furnished by the CEO, Leh)

No action had been taken against teachers/headmasters of the schools, whose results were poor. According to the Chief Education Officer, Leh (October 2006), action was being taken against these teachers.

3.4.16 Agriculture

More than 60 *per cent* people of the Leh District are engaged in agricultural activities. The agricultural products of the area include wheat, grim, vegetables, fodder, etc. Wheat and grim[∝] being the main crops, are cultivated on about 7400 hectares of land, forming 67 *per cent* of the total cultivable area of 11040 hectares

ϒ Worked out on the basis of minimum salary of Rs. 9,393 per Teacher/month during 2005-06.

♦ Reasons for shortfall in the number of teachers from 760 during 2003-04 to 453 in 2004-05 though called for were awaited (October 2006).

∝ A variety of cereal.

(March 2005). The Council had spent Rs. 7.99 crore during 2000-01 to 2005-06 under this sector, which constituted 3 *per cent* of the total expenditure.

The Intensive Agricultural Production Programme aimed at increasing agriculture production of the area by encouraging growers to use high yielding variety (HYV) seeds and application of recommended doses of chemical fertilizers. While the breeder seed requirement was to be met by the Sher-I-Kashmir University of Agricultural Sciences and Technology (SKUAST), the foundation seed had to be developed by the Department in its seed multiplication farms.

Audit scrutiny revealed that against the required quantity of 5,491 MTs of fertilizers, only 2,164 MTs (39 *per cent*) were lifted by the growers during 2000-01 to 2005-06. It was also observed that the Council neither obtained the breeder seed nor developed the foundation seed. This resulted in less production of wheat and grim by 67,384 MT (51 *per cent*) against the expected yield of 1, 31,724 MT (Wheat: 47,040 MT; Grim: 84,684 MT) during the above period (details indicated in the table below). Reasons for the aforementioned deficiencies were not stated (October 2006).

Table 3.14

Year	Area under cultivation		Quantity of fertilizers to be utilised according to the recommended♠ dose/hectare				Total chemi-cals utilised	Expected yield at 30 quintals/ hectare		Actual yield		Shortfall	
	W	G	N	P	K	Total		W	G	W	G	W	G
	(In hectares)		(In tones)										
2000-01	2550	4772	541	271	99	911	323	7650	14316	3600	6500	4050	7816
2001-02	2604	4734	544	272	100	916	390	7812	14202	3950	6950	3862	7252
2002-03	2653	4702	547	274	101	922	344	7959	14106	3855	7060	4104	7046
2003-04	2573	4970	556	278	101	935	377	7719	14910	3850	7045	3869	7865
2004-05	2700	4700	552	276	101	929	379	8100	14100	3860	7040	4240	7060
2005-06	2600	4350	521	261	96	878	351	7800	13050	3570	7060	4230	5990
Total:	**15680**	**28228**	**3261**	**1632**	**598**	**5491**	**2164**	**47040**	**84684**	**22685**	**41655**	**24355**	**43029**

(Based on the information furnished by the CEO, Leh)
(W: Wheat; G: Grim; N: Nitrogen; P: Phosphorus; K: Potash)

3.4.16.1 Soil Testing Laboratory

A soil-testing laboratory was in operation in the District for analysing soil samples. Audit scrutiny revealed that against the target of conducting 500 soil tests annually, no tests were conducted during 2000-01 to 2004-05 except during 2003-04 (during which period optimum targets were achieved by conducting 500 tests). As a result, the expenditure of Rs. 15.29 lakh incurred on the wages of staff during this period was rendered unfruitful. It was also observed that a seed testing laboratory, proposed to be set up in the Tenth Five Year Plan for providing quality seeds to the farmers had not been established (March 2006), thereby depriving the farmers of the envisaged benefits.

3.4.17 Animal Husbandry

Animal rearing is another important activity in the District, involving about 98 *per cent* of the rural population. The total livestock of the District as on March 2005 was 86,290 of which breedable bovine population was 40,476 (47

♠ For Wheat/hectare: Nitrogen: 100 Kgs, Phosphorus: 50 Kgs and Potash: 20 Kgs. For Grim/hectare: Nitrogen: 60 Kgs, Phosphorus: 30 Kgs and Potash: 10 Kgs *per cent*). The Council spent Rs. 5.03 crore for this Sector during the five year period ended 2006, forming about 2 *per cent* of the total plan expenditure.

As the local bovine has low production potential, the Council with a view to improving their production potential, established 32 Live Stock Development Farms, seven Intensive Cattle Development Centres and 6 Extension Centres. Upgradation of cattle is done by cross-breeding with jersey breed through natural coverings. The upgrading is also done by artificial insemination technology.

According to the Chief Animal Husbandry Officer, Leh one bull is capable of covering 80 natural services in a year. However, audit analysis revealed that there was shortfall of 89 to 95 *per cent* in the number of bulls for covering natural services as indicated in the Table below:

Table 3.15

Year	Total breedable bovine population♣	Number of bulls			Natural coverings		
		Required♦	Available	Shortfall *(Per cent)*	Expected♠	Conducted	Percentage excess (+)/ shortfall (-)
2000-01	31691	396	45	89	3600	3265	(-) 9
2001-02	31691	396	23	94	1840	2685	(+) 46
2002-03	31691	396	23	94	1840	1067	(-) 42
2003-04	40476	506	23	95	1840	1268	(-) 31
2004-05	40476	506	24	95	1920	965	(-) 50
2005-06	25429	318	22	93	1760	2595	(+) 32

(Based on the information furnished by the Chief Animal Husbandry Officer, Leh)

During 2000-01, there was shortfall in the natural coverings of the bulls by 9 *per cent*. Excess coverage during 2001-02 rendered the bulls overworked, thereby adversely affecting their performance in the subsequent years, during which the shortfall ranged between 31 and 50 *per cent*. Excess coverings during 2005-06 were also expected to have adverse effect on the performance of the bulls in the subsequent years. It was also observed that no bulls were available in 17 breeding stations during 2001 to 2004, thereby depriving the local breedable bovine population of the facility of cross-breeding.

Audit also observed that artificial insemination, started during 2001-02, had negligible impact on the livestock, as only 1 to 6 *per cent* of breedable bovine population was covered under the programme during 2001-02 to 2005-06.

3.4.17.1 Non-maintenance of History Cards

For better performance, the exotic blood level of cross-bred cattle is to be kept at an optimum level of 50 to 62.5 *per cent*. Audit could not verify the blood level of the cattle, as History Cards for monitoring the same were not maintained at the Artificial Insemination Centres.

♣ According to the Chief Animal Husbandry Officer, Leh (September 2006), the local breedable population had remained static during 2000-01 to 2002-03 and 2003-04 and 2004-05, as there was limited potential for fodder and pasture in the district.

♦ At eighty coverings per bull

♠ Eighty coverings multiplied by number of bulls available in each year

3.4.17.2 Sheep Husbandry

The major thrust of the Sheep Husbandry Department is to increase the production of wool and mutton by upgrading the indigenous sheep and goat stocks by cross-breeding. The coverage for ewes and does for cross-breeding was low with the percentage of shortfall ranging between 11 and 82 in case of ewes and 16 to 60 *per cent* in case of does during 2000-01 to 2005-06. The low coverage, as observed in audit was due to non-availability of sufficient rams (between 57 and 98 *per cent*) and bucks (between 65 and 94 *per cent*) as per the details given below:

Table 3.16

Year	Breedable		Covered (percentage of shortfall given in brackets)		Requirement of rams and bucks as per norm of one ram/buck for 25 ewes/does		Number of rams and bucks available (percentage of shortfall given in brackets)	
	Ewes	**Does**	**Ewes**	**Does**	**Rams**	**Bucks**	**Rams**	**Bucks**
2000-01	60558	91953	11090 (82)	48287 (47)	2422	3678	60 (98)	319 (91)
2001-02	59168	86293	16554 (72)	34705 (60)	2366	3451	236 (90)	309 (91)
2002-03	46356	97122	17125 (63)	50913 (48)	1854	3884	185 (90)	492 (87)
2003-04	59360	114197	27705 (53)	56581 (50)	2374	4567	423 (82)	276 (94)
2004-05	98951	107238	87807 (11)	89907 (16)	3958	4290	592 (85)	486 (89)
2005-06	52313	100506	26656 (49)	43344 (57)	2093	4020	887 (57)	1390 (65)

(Based on the information furnished by the District Sheep Husbandry Officer, Leh)

The District Sheep Husbandry Officer stated (September 2006) that all possible efforts were being made to produce maximum number of quality bucks and rams by genetic research.

3.4.17.3 Pashmina Goat Project

The objective of establishing Pashmina Goat Project, Upshi and Pashmina Goat Farm, Nyoma was to increase annual pashmina yield. The average annual yield of pashmina from local pashmina goats was 250-350 grams/goat. It was observed during audit that the yield ranged from 168 to 244 grams at Upshi farm during 2000-01 to 2005-06 and from 213 grams to 274 grams at Nyoma farm during the same period as indicated below:

Table 3.17

Year	Number of goats in stock at the beginning of the year at		Number of goats combed at		Pashmina yield at		Average yield of Pashmina per goat at	
	Upshi farm	**Nyoma farm**	**Upshi farm**	**Nyoma farm**	**Upshi farm (in kgs)**	**Nyoma farm (in kgs)**	**Upshi farm (in grams)**	**Nyoma farm (in grams)**
2000-01	756	494	710	467	119.42	99.31	168	213
2001-02	570	460	560	447	100.32	97.30	179	218
2002-03	606	400	601	380	132.38	98.80	220	260
2003-04	608	367	600	341	122.67	79.18	204	232
2004-05	565	347	563	344	137.51	94.17	244	274
2005-06	560	310	555	307	125.80	78.16	227	255

(Based on the information furnished by the District Sheep Husbandry Officer, Leh)

Reasons for low yield at Upshi farm had not been investigated. The other parameters viz. staple length, fibre thickness of upgraded wool obtained from different breeds reared in the district had not been regularly recorded and monitored.

3.4.17.4 Merino Sheep Farm, Matho

For increasing the wool yield of indigenous marlok sheep, the Council undertakes cross-breeding with merino sheep at Matho farm. It was observed during audit that average yield of wool per sheep declined from 2.54 kilograms in 2000-01 to 1.38 kilograms in 2005-06. Reasons for decline in the wool yield had not been investigated.

3.4.18 Monitoring and Evaluation

Monitoring and Evaluation of implementation of the developmental schemes in the district had been entrusted to the District Statistics and Evaluation Officer, Leh. It was, however, noticed that against a target of 20 Evaluation Studies, reports on only six schemes were finalized during the period of 2001-02 to 2004-05. Reasons for the shortfall in conducting the studies and measures, if any, taken by the implementing agencies on these reports were not intimated (September 2006).

3.4.19 Outstanding Audit Inspection Reports and Audit Paragraphs

At the close of the year 2005-06, there were 493 audit paragraphs relating to 114 Audit Inspection Reports (AIRs) outstanding against the LAHDC, Leh, as detailed below:

Table 3.18

Number of AIRs/Audit Paragraphs outstanding at the beginning of 2005-06		AIRs issued during 2005-06 with Audit Paragraphs)		Number of AIRs/Audit Paragraphs settled during 2005-06		Number of AIRs/Audit Paragraphs outstanding at the close of 2005-06	
AIRs	Paras	AIRs	Paras	AIRs	Paras	AIRs	Paras
91	412	26	155	3	74	114	493

During 2005-06, 74 audit paragraphs were settled. Out of 493 audit paragraphs, 88 paragraphs related to locking up of funds, non-achievement of intended objectives, delay in implementation of schemes/programmes and delay in commissioning of equipment, etc.

3.4.20 Conclusion

Financial Management of the Council was poor. The Council had not prepared its accounts since its inception, which was fraught with the risk of frauds and misappropriations going undetected. Besides, delay in release of funds to the implementing agencies and non-utilization of funds led to non-execution of many of its works.

The overall development work of the Council was marred by faulty planning. Instead of completing on-going works, precedence was given to new and unauthorised works. Consequently, there was delay in execution of works, resulting in time and cost overruns, besides wasteful/unfruitful expenditure.

The Council failed to provide safe and sufficient drinking water facilities to the inhabitants. The Council also failed to provide quality education under the Education Sector. Tests were not carried out in the Soil Testing Laboratory except in one year, depriving the farmers of the envisaged benefits.

The Council did not take adequate measures in the field of Animal Husbandry Sector. Consequently, the average yield of *pashmina* and wool per goat and sheep respectively, declined. Also, the production of cross-bred animals was not up to the desired level.

Monitoring and evaluation of the Council's development work was also deficient.

3.4.21 Recommendations

- Finalisation of accounts needs to be taken up on priority basis.
- Techno-economic feasibility of new programmes should be properly analysed before their execution.
- Completion of spill over works should be ensured within specified time schedule, before taking up new works.
- Monitoring and evaluation of programmes should be a continuous process to ascertain the implementation as well as to assess the impact of these programmes.

The above findings were referred to the Government/Council in August 2006; reply had not been received (October 2006).

Power Development Department

3.5 Accelerated Power Development Reforms Programme (APDRP)

The objective of APDRP was to reduce aggregate technical and commercial losses, bring about commercial viability in the power sector, reduce outages and increase consumer satisfaction. However, due to slow/non-execution of works under some essential components, the envisaged objectives could not be achieved as T&D losses remained static at around 46 per cent, outages far exceeded the fixed schedules, there were excessive system damages and arrears in revenue realization swelled. Implementation of the programme also suffered due to irregular, unfruitful and excessive expenditures, blocking and diversion of funds, etc.

Highlights

- **Expenditure of Rs. 1.16 crore on procurement of 847 feeder meters, which could not be installed/commissioned, was rendered idle due to non-procurement of required Current and Potential Transformers.**

  (Paragraph: 3.5.10.1)

- **Purchase and installation of the AMR system without seeking prior approval from the Standing Advisory Committee for Radio Frequency Allocation (SACFA) for construction of towers and absence of dedicated telephone lines for the system rendered the expenditure of Rs. 1.07 crore unfruitful.**

  (Paragraph: 3.5.10.1)

- **Due to failure to take timely action for procurement of adequate number of meters, the objective of proper energy accounting was not achieved as against the target of metering 9,87,873 consumer installations, only 64,255 meters (7 *per cent*) had been installed (March 2006).**

  (Paragraph: 3.5.10.2)

- **Works relating to creation of sub-stations and laying 33/11 KV lines taken up initially under REC loan and State Plan Schemes were completed at a cost of Rs. 8.38 crore by diversion from APDRP grants.**

  (Paragraph: 3.5.12.1)

- **In six utility divisions, works relating to augmentation of sub-stations, creation of sub-stations, laying of new 33/11 lines, laying of L.T. lines for pump sets and electrification of villages, not provided in the project reports, were executed at a cost of Rs. 11.66 crore without seeking approval from the CEA or Ministry of Power, New Delhi**

  (Paragraph: 3.5.12.1)

- **Most of the assets created were commissioned without fitness certificates from the Inspection wing of the Department.**

  (Paragraphs: 3.5.14)

- **Against the target of reducing transmission and distribution losses to 25 *per cent* by December 2006 the losses were around 46 per cent during 2002-03 to 2005-06. The accumulated shortfall of 914.13 million units in achieving reduction of AT & C losses resulted in the State foregoing potential revenue of Rs. 140 crore as of March 2006.**
(Paragraphs: 3.5.15.1 and 3.5.15.2)

- **Against the recoverable revenue of Rs. 1034.76 crore, Rs. 1243.81 crore and Rs. 1334.89 crore respectively during 2003-04, 2004-05 and 2005-06 actual realisation was Rs. 340.12 crore (33 *per cent*), Rs. 393.39 crore (32 *per cent*) and Rs. 435.01 crore (33 *per cent*) only.**
(Paragraph: 3.5.17)

3.5.1 Introduction

To bring about efficiency and commercial viability in the Power Sector, the Government of India (GOI) identified distribution reforms as the key area and launched the "Accelerated Power Development Programme (APDP)" during 2000-01. The scope of the scheme in terms of the guidelines issued (February 2001) was to finance the projects relating to:

- Renovation and modernization, life extension and upgradation of old power plants.
- Upgradation of sub-transmission and distribution network (below 33 KV or 66 KV) including energy accounting and metering.

A project estimated to cost Rs. 6.99 crore, framed (September 2000) by Power Development Department, Jammu and Kashmir Government, for effective metering of all the feeders from 220 KV to 11 KV and all H.T. consumers was approved (August 2001) by the Government of India under the APDP. The Memorandum of Understanding (MOU) between Government of India, (Ministry of Power, New Delhi) and Government of Jammu and Kashmir, (Power Development Department) was signed in April 2002 whereunder it was agreed to complete the metering of all the feeders by December 2002, undertake energy audit at all levels and bring down losses to 25 *per cent* by December 2006.

In 2003 the APDP was rechristened as "Accelerated Power Development and Reforms Programme (APDRP)". In terms of the guidelines, (June 2003) the scope of APDRP was to focus on upgradation of sub-transmission and distribution in densely electrified zones in the urban and industrial areas and bring improvement in commercial viability of the State Electricity Boards (SEBs). The programme comprised the following two components:-

- Investment for strengthening and upgradation of sub-transmission and distribution system and
- Incentive component to encourage/motivate utilities to reduce cash losses.

The main objectives of APDRP are to:

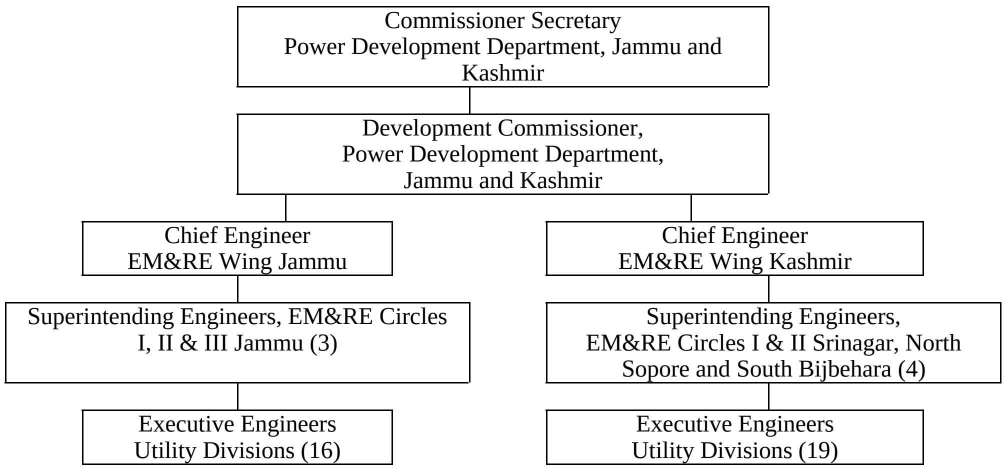
- Reduce Aggregate Technical and Commercial (AT&C) losses
- Bring about commercial viability in Power sector
- Reduce outages and interruptions

- Increase consumer satisfaction.

In order to cover 12 districts of the State under APDRP, six Projects estimated to cost Rs. 1100.13 crore framed by the State Government for implementation by the seven Electric Maintenance and Rural Electrification (EM&RE) circles of the State were approved by the GOI during 2002-03 to 2005-06.

3.5.2 Organisational Set up

The Organisational set up for implementation of the "Accelerated Power Development Reforms Programme" is given in the following chart:



The Superintending Engineers of EM&RE circles were designated as nodal officers for implementation of the scheme. Implementation of two projects under the Programme was taken up in three Utility Circles (Jammu: I; Srinagar: I and II) of the State from 2003-04 and the remaining four projects were taken up for execution in four EM&RE circles during 2004-05 (Jammu-II and III) and 2005-06 (Sopore and Bijbehara).

3.5.3 Audit objectives

Performance audit of APDRP was conducted to assess as to whether:-

- Projects under APDRP were formulated in conformity with Programme guidelines and executed in an efficient, economical and effective manner.
- Losses[♣] were reduced in accordance with the action plan and targets
- The funds were sanctioned and released in time at all levels and expended for the purpose intended.
- The programme provided for an effective and working monitoring mechanism at all levels
- The extent of increase in revenue collection was commensurate with the expectations from the programme
- The satisfaction levels of consumers had improved in terms of quality and regularity of power supplied.

♣ Aggregate Technical and Commercial (AT&C) Losses include Transmission and Distribution (T&D) losses and also cover collection of receivables by the Utilities.

3.5.4 Audit criteria

Performance of the programme was assessed against the following audit criteria:

- Guidelines issued by the Ministry of Power, Government of India under APDRP.
- Guidelines of the committee of Experts for planning, implementation and monitoring of projects.
- Provisions of the MOAs and MOUs executed between Central and State Governments.
- Targets prescribed for reduction in transmission and distribution losses, improvement in revenue realisation etc.

3.5.5 Audit methodology

Performance audit of implementation of APDP and APDRP was conducted by an examination of records of utility divisions selected on random sampling basis. Entry conference with the Development Commissioner (Power), Jammu and Kashmir Government and the Chief Engineers of EM&RE Wing Jammu and Srinagar was held (January 2006) wherein the audit objectives were discussed. Audit observations regarding the deficiencies noticed in implementation of programme were discussed with Divisional Officers of each test-checked unit. Joint inspections of some works with the Departmental officers were also conducted. The exit conference was held on 10th November 2006 with Chief Engineer, EM&RE Wing, Jammu.

3.5.6 Scope of Audit

Records of Development Commissioner (Power), two provincial Chief Engineers, three[ψ] out of seven Superintending Engineers and ten[♣] out of 35 utility divisions covering 37[φ] *per cent* of total expenditure of Rs. 327.77 crore, including Rs. 5.85 crore in respect of APDP, incurred during 2002-03 to 2005-06, were reviewed in audit during the period from July 2005 to September 2006.

3.5.7 Financial Management

APDP and APDRP are centrally sponsored schemes, where the fund flow is in the ratio of 90 *per cent* grant and 10 *per cent* soft loan. For metering of all the sub-stations upto 11 KV feeders and HT consumers under APDP, Government of India released Rs.6.99 crore in August 2001 against which Rs. 5.85 crore[♥] were spent during 2002-03 to 2005-06.

Works costing Rs.1100.13 crore were projected by the State Government to be undertaken under APDRP in twelve Districts against which, the Government of

ψ EM&RE Circles: Jammu-I, Jammu-II and Srinagar-I

♣ Executive Engineers EM&RE Divisions: Jammu-III Jammu-IV (Vijaypur), Kathua, Srinagar-II Srinagar-III, Udhampur; Executive Engineers Sub-transmission Divisions: Jammu-I, Jammu-II, Srinagar-I, Udhampur

φ Rs. 120.72 crore

♥ 2002-03: Rs. 3.17 crore; 2003-04: Rs. 0.14 crore: 2004-05: Rs. 1.71 crore; 2005-06 Rs. 0.83 crore

India released Rs. 408.50 crore during 2002-03 to 2005-06. The year-wise position of funds released and expenditure incurred there against is as under.

Table 3.19 (Rupees in crore)

Year	Opening balance	Funds released by GOI	Total funds available	Funds released by Administrative Department to implementing agencies	Expenditure incurred	Unspent balance
2002-03	-	20.00	20.00	-	-	20.00
2003-04	20.00	180.50	200.50	31.91	31.91	168.59
2004-05	168.59	114.47	283.06	168.09	161.38	121.68
2005-06	121.68	93.53	215.21	214.11	128.63	86.58
Total		**408.50**			**321.92**	

(Source: -Records of the Administrative Departments and the Chief Engineers, EM&RE wing, PDD)

As can be seen from the above table, against the total release of Rs 408.50 crore during 2002-03 to 2005-06, only Rs. 321.92 crore (79 *per cent*) was spent and Rs. 86.58 crore (21 *per cent*) was lying unspent (March 2006).

To speed up the implementation of the programme, the Government of India guidelines envisaged release of funds to implementing agencies within a weeks time from their credit to the State Government accounts, beyond which it would be treated as diversion of funds. Audit scrutiny revealed that there were delays ranging between 35 and 517 days in release of funds by the State Government to the implementing agencies. Due to this an amount of Rs 20.50 crore on account of penal interest[™] as tabulated below was liable for deduction from further releases by the Government of India.

Table 3.20 (Rupees in crore)

Date of releases by GOI	Amount released	Period of release by State Government	Delay after allowing 7 days (In days)	Penal interest
31 March 2003	20.00	9 July 2003 to 26 July 2003	93 to 110	0.55
23 October 2003	180.50	13 February 2004 to 29 March 2005	105 to 517	16.89
31 March 2005	114.47	25 May 2005 to 26 October 2005	49 to 202	2.14
25 January 2006	93.53	8 March 2006	35	0.92
Total	**408.50**			**20.50**

(Source: Administrative Department records)

Belated releases constituted diversion of funds and affected the speedy implementation of the programme.

Separate accounts were required to be maintained by the utilities responsible for implementation of the programme. During test check of 10 Utility Divisions, it was found that no separate cash books and stock accounts in respect of the programme funds were maintained. In the absence of these accounts the transactions accounted for could not be vouchsafed.

3.5.8 Project Formulation and Planning

(i) APDRP Implementation guidelines envisage that projects containing works relating to upgradation and strengthening of sub-transmission (ST) and distribution network including energy accounting and metering in densely electrified zones in urban and industrial areas are to be prioritised. The intention

[™] 10 *per cent*

behind concentration of these activities in high density network was to realise substantial, quick and demonstrable results towards reduction in technical and commercial losses, reduction in outages, quality of power supply and increase in revenue realisation because high density networks in urban and industrial areas are major consumers of power and are prone to the risk of theft/pilferage of power. Review of projects formulated under APDRP in Jammu and Kashmir revealed that contrary to this, strengthening and upgradation works valued at Rs. 21.41 crore in Border Villages and Rural Areas were executed which amounted to diversion of funds.

(ii) A review of the project formulation further revealed that locations/places where works relating to renovation and modernization, replacement of rotten wooden poles, reconductoring of lines and laying new LT lines were proposed to be undertaken were not indicated in the Mission statements of three circles (Jammu-I, Srinagar-I and II). Absence of this vital data indicates that there was lack of proper planning while formulating the project proposal.

(iii) Guidelines provide for conversion of existing distribution network into High Voltage distribution system, which covers reduction in LT lines to ensure reduction in T&D losses. However, this was not taken care of while framing project reports and instead of reducing the LT lines, 1974.627[→] kms LT lines were added to the existing system in the State. An expenditure of Rs. 35.67 crore incurred on these extended LT lines, was thus unauthorised.

(iv) Detailed project reports of all circles envisaged replacement of 24,553 number of wooden poles with Steel Tubler/PCC poles at a cost of Rs 16.73 crore. However, neither any detailed practical estimates nor cost of wooden poles to be replaced and to be credited to the scheme were contained in the DPRs with the result depreciated cost of 8,870 wooden poles replaced ending 2005-06 had not been credited to the programme.

(v) Jammu and Kashmir Electricity Regulatory Commission (SERC) established (July 2002) under Section (3) of its Act, 2000 started functioning from June 2004. Under the regulation 47(4) of the Jammu and Kashmir SERC (Conduct of Business) Regulations 2005, the Utility was required to file its Annual Revenue Requirement (ARR) and tariff petition for 2006-07 by 30th November 2005. The Utility owing to non-availability of the required data did not adhere to this requirement for filing of (January 2006) application for approval to the continuance of the existing (effective from February 1999) tariff.

While approving continuation of the existing tariff till filing of a revised tariff or 31st July 2006 (whichever was earlier), the Chairperson, SERC held that the utility shall be responsible for loss of revenue due to delay in filing the petition for revision of tariff. However, no revised petition had been filed by the Utility so far and the electricity charges continued to be charged at the existing rates, resulting in continued losses.

(v) The following stipulations of the MOA were not complied with:

→ Completed: 1696.607 Kms, Under progress: 278.020 Kms

- Each distribution circle has not been operated as profit centre with its accounting system. No delegation of technical, financial and commercial powers for operation, maintenance, project implementation, etc. were framed.
- Circle wise commercial accounting has not been adopted.
- Each Circle has not been organised as a separate business unit.
- Technical and commercial responsibility of 11 KV feeders has not been merged to enable functioning as a separate business unit.
- No accredited/specialized agencies were engaged for energy audit and accounting, project formulation and project monitoring

3.5.9 Programme Implementation

Scope of the project works to be undertaken under the programme were:

- metering
- renovation and modernization of sub-stations
- reactive compensation (capacitors)
- strengthening and upgradation of sub-transmission and distribution system and
- modernisation works.

The main audit findings relating to Programme implementation are discussed in the succeeding paragraphs.

3.5.10 Metering

In order to reduce the transmission and distribution losses, proper accounting of energy is essential, for which installation of meters at all levels from Extra High Tension (EHT) stations upto the consumer installations of all sorts was envisaged. While in the first phase, metering of all the feeders was taken up under APDP, metering of all the consumer installations was taken under Phase-II, APDRP from 2003-04 onwards.

3.5.10.1 Feeder metering

The MOU executed (April 2002) with the Government of India provided for effective metering of all the feeders from 220 KV to 11 KV and all H.T. consumers by December 2002. In the Memorandum of Agreement (MOA) in respect of each project executed subsequently with the GOI, the State Government agreed that feeder metering upto 11KV level would be completed and made operational within three months of signing of the MOA.

It was however, observed in audit that out of 1,558 CT[℘] operated trivector meters procured (between October 2001 and February 2003) at a cost of Rs 2.14 crore for metering 1,524 feeders, only 711 meters (46 *per cent*) were commissioned (March 2006) and the remaining 847 meters (54 *per cent*) could not be installed (322) or commissioned (525) for want of the required current transformers and potential transformers (CTs and PTs), which were not procured (March 2006), rendering the expenditure of Rs. 1.16 crore incurred on procurement of these uninstalled/non-commissioned meters idle. The Chief

[℘] Current transformer

Engineer, Systems and Operation Wing, Jammu stated (August 2006) that installation and commissioning of these meters has been delayed due to time consuming procurement process, late supply of CTs and PTs and non-availability of funds. The reply is not tenable, as the procurement process should have been planned properly so as to ensure timely availability of the required number of CTs and PTs. Further, against Rs. 6.99 crore released by GOI in August 2001 under APDP only Rs. 5.85 crore (84 *per cent*) had been spent during 2002-03 to 2005-06 and there was an unspent balance of Rs. 1.14 crore available as of March 2006.

In anticipation of administrative approval (accorded in May 2002) a supply order for purchase of an Automatic Meter Reading (AMR) system comprising ten components at a cost of Rs. 1.50 crore was placed (October 2001) by Chief Engineer, System and Operation Wing, Jammu with a Firm. However, only six components of the system, costing Rs. 1.07 crore were supplied by the Firm in 2002-03. The remaining four[ψ] components were awaited as of March 2006. It was observed in audit that installation of the system involved construction of towers for Radio signal at Grid Station, Gladni, Jammu for which permission was not granted by SACFA. The Chief Engineer stated (October 2006) that items required for commissioning of AMR system through PSTN[⊄] have been installed by the Firm and the system is presently in operation satisfactorily. It was also stated that the functioning of AMR system would improve further after dedicated telephone lines that would compile energy data automatically are provided. The reply is not tenable because the AMR System was to compile energy data automatically on the basis of radio signals from information centres. In the absence of dedicated telephone lines, the energy data were not compiled automatically. Thus, the purchase and installation of the incomplete AMR system, without seeking prior approval from SACFA for construction of towers and in absence of dedicated telephone lines for the same rendered the expenditure of Rs. 1.07 crore unfruitful.

3.5.10.2 Consumer metering

As per the Memorandum of Agreement (MOA), in respect of each project, executed with the GOI, it was mandatory for the Department to install tamper proof, static, high precision energy meters for all the customers except agricultural[ξ] consumers within seven months of signing of the MOA. However, urban and semi urban areas were to be covered within three months. For industrial and commercial consumers, meters with digital interface were also to be installed within three months.

Audit scrutiny revealed that against the target of metering 9,70,386 domestic and 17,487 industrial/commercial consumer installations under the programme, only 59,452 domestic (6 *per cent*) and 4803 industrial/commercial (27 *per cent*) installations were metered during the three years (2003-04 to 2005-06). The main reason for non-metering of the installations was attributed by the utility divisions to non-availability of meters. The reply is not tenable as the orders for

ψ Salve radio (5), Master radio (2), R.S. converter (1) and spares for radio

⊄ Public Switching Telephone Network

ξ For agricultural consumers metering was to be completed within two years procurement of only 2, 75,500 meters (28 *per ce*nt of the requirement) were placed during 2001-02 (50,000) and 2005-06 (2,25,500) against which only 61,500 meters were received ending March 2006 (50,000 procured through PMM wing and 11,500 purchased locally). Moreover, 2,755 meters were arranged by consumers themselves. Due to the department's failure to take timely action for procurement of adequate number of meters, the target of metering all the consumer installations in a time bound manner, in accordance with the programme guidelines/MOAs, could not be ensured despite three years of implementation of the programme in the State. As a result, the objective of reduction in T&D losses and proper energy accounting could not be achieved.

3.5.10.3 Purchase of energy meters at higher rates

The contract of design, manufacture, testing and supply of 50,000 high precision single phase static energy meters along with weather proof boxes to be completed within a period of six months, was awarded (October 2001) to a firm at a rate of Rs 1,195 per meter. Audit scrutiny revealed that the firm supplied only 30,000 meters (15,000 each at ECS Divisions, Jammu and Srinagar). A Legislative House Committee to investigate the alleged irregularities/bunglings in purchase of meters was constituted in March 2003. In its interim report (March 2004) the Committee pointed out that the Departmental authorities had arbitrarily changed the conditions regarding mode of payment which reduced the competitiveness of the rates due to which many manufacturers had departed from the competition. The Committee also pointed out that the neighbouring States had procured similar types of meters at lower rates and recommended:

- deduction of Rs. 40 per meter while releasing payment for 30,000 meters
- installation of meters through the field staff of the Department
- the Department to negotiate the rates with the firm and obtain balance supply of 20,000 meters at the rate of Rs. 850 each, which the firm agreed to and also supplied the balance quantity at the reduced rate.

Thus procurement of 30,000 meters at the higher rate of Rs. 1,155 (Rs. 1195-Rs. 40) as compared to the negotiated rate of Rs. 850 resulted in an extra-expenditure of Rs. 91.50 lakh. In reply the Electric Central Store Divisions, Jammu/Srinagar stated that clarification has been sought from higher authorities, which was awaited

3.5.10.4 Extra expenditure

The contract for design, manufacture, testing and supply of 5000 single phase energy meters was awarded (July 2005) by the Chief Engineer, EM&RE Wing, PDD Srinagar to a Jaipur based firm at the rate of Rs 850 each including packing and forwarding charges, freight charges and insurance but excluding excise duty, cess and sale tax. Test check of the records of the Executive Engineer, EM&RE-II Srinagar (consignee) revealed that non admissible entry tax amounting to Rs. 6.19 lakh was paid to the supplying firm. On this being pointed out, the consignee division stated that the firm had included entry tax in its offer of rates that had been accepted by the Chief Engineer. The reply is not acceptable, because the purchase order did not provide for payment of entry tax, which was also confirmed (October 2006) by the Chief Engineer.

3.5.11 Reactive compensation (Installation of Capacitors)

The programme guidelines envisaged that installation of capacitors at 33/11 KV sub-stations, 11 KV feeders and on LT bus of distribution transformers would improve the system power factor and voltage, by reducing the reactive power demand of inductive loads, which would help in reducing losses. Accordingly capacitors of 276.4 MVAR capacities were projected to be installed at an estimated cost of Rs. 13.77 crore to arrest the reactive power consumption. Inspite of this being an important component of the programme, no work towards installation of capacitors was started in any of the seven circles in Jammu and Kashmir. Had simultaneous execution of all components been taken up especially installation of capacitors during the first year of implementation i.e. 2003-04 and completed, its impact would have arrested further consumption of reactive energy and avoided the liability of Rs. 24.87 crore on account of reactive energy charges (ending March 2006) for which bills have been received by the Department.

3.5.12 Strengthening and upgradation of sub-transmission and distribution systems

To augment the sub-transmission and distribution network of the Department, improve voltage, reliability of supply, reduce high energy losses and meet the load growth, various strengthening and upgradation activities such as creation, augmentation of 33/11 KV sub-stations and distribution sub-stations, laying of new HT/LT lines and reconductoring and replacement of damaged HT/LT poles etc. were to be undertaken. Test check of records in the utility divisions revealed the following:

3.5.12.1 Irregular expenditure

Under the terms and conditions laid down by the State Government, no works other than APDRP should be executed against the funds released under APDRP programme.

In two[∇] utility divisions, on going works relating to creation of sub-stations and laying 33/11 KV lines (not projected in the DPRs under the programme) initially funded under Rural Electrification Corporation (REC) loan and State plan schemes were completed at a cost of Rs. 8.38 crore by diversion from APDRP grants. The concerned divisions stated that due to meagre allotment of funds under REC and State plan schemes, the balance works were executed out of the APDRP funds.

In 6[#] divisions, works relating to augmentation of sub-stations, creation of sub-stations, laying of new 33/11 lines, laying of L.T. lines for pump sets and electrification of villages, not provided for in the project reports, were executed at

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∇ Sub transmission divisions: Jammu-I (Rs. 84.87 lakh), Jammu-II (Rs. 753.24 lakh)

\# EM&RE Divisions: Jammu-III (Rs. 166.58 lakh), Udhampur (Rs. 25.84 lakh), Vijaypur (Rs. 10.05 lakh); Sub transmission Divisions: Jammu-I (Rs. 452.47 lakh) Jammu–II (Rs. 345.36 lakh) Srinagar-I (Rs. 165.55 lakh) a cost of Rs. 11.66 crore without seeking approval from the CEA or the Ministry of Power, New Delhi for such diversions. The Chief Engineer, EM&RE, Jammu stated (September 2006) that the assets created under State/REC funded schemes, which would have deteriorated, were completed with APDRP funds to make the investment fruitful. It was further stated the authorities were being persuaded to allot funds for these State/REC funded schemes so that the funds are recouped to APDRP. The reply is not tenable, as this amounted to diversion of funds and has the potential of adversely affecting the progress of APDRP Projects.

3.5.12.2 Diversion of material for restoration of damaged system

Audit scrutiny in four[∉] utility divisions revealed that key material valued at Rs. 1.25 crore procured for execution of the APDRP works was diverted for restoration of system damages caused to distribution system due to heavy snowfall during 2004-05 and 2005-06. The material stated (August/September 2006) to have been diverted at the instance of higher authorities had however, not been recouped to the programme for want of funds under "Natural Calamities" a State plan scheme. Thus execution of works for which the material was initially procured, suffered.

3.5.12.3 Blocking of funds

An amount of Rs. 3.59 crore was placed (January 2005) by the Nodal Officer, EM&RE circle-I, Srinagar at the disposal of the Superintending Engineer, Systems and Operation Wing Circle-I, Srinagar for providing eight 33 KV feeder bays (Rs. 56.90 lakh) and 9 Capacitor bays (Rs. 301.64 lakh) at grid stations. The requirement of funds for feeder bays as worked out by the Wing was Rs. 2.12 crore against which Rs. 56.90 lakh only were provided. There was thus a short provision of Rs. 1.55 crore. The funds provided were not utilised by the Wing as the actual requirement of additional bays at respective grids was not covered in the project report. The funds thus remained unutilised (March 2006) due to lack of coordination between EM&RE and S&O wings of the Department. The Superintending Engineer, Systems and Operation Wing Circle-I, Srinagar stated (March 2006) that APDRP scheme was not initially prepared in consultation with the Wing.

3.5.13 Modernisation works

Works such as computerised billing, communication facilities, Supervisory Control and Data Acquisition (SCADA) and providing special tools/plants estimated to cost Rs. 21.18 crore were projected for completion by 2006-07 in the Circle Project reports under modernization works. Against these projections, a meagre amount of Rs. 82.75 lakh (4 *per cent*) had been spent (March 2006) mainly on installation of computer systems in Nodal Offices and Chief Engineer's offices at Jammu and Srinagar.

[∉] EM&RE Divisions: Batote (Rs. 35.67 lakh) Doda (Rs. 38.48 lakh), Rajouri (Rs. 30 lakh) and Electric division-I Srinagar (Rs. 21.26 lakh)

Although as per the MOA, computerized billing centres were to be set up in each circle within one year of its signing, no such centres had been set up (November 2006).

3.5.14 Non-adherence to safety measures

The Jammu and Kashmir Electricity Rules/Act provide that to ensure reasonable safety and reliability of the power system, every new installation should be inspected and subsequently cleared by issuing a fitness certificate of the installation inspected by the Inspection Agency before it is charged. Besides, every charged receiving station should be referred for periodic inspection after an interval of five years. The position of various electric installations created under the programme and those inspected by the inspection wing of the Department is indicated below:

Table 3.21

Description of the installation	Unit	Created under the programme	Inspected	
			Quantity	*Per cent*
33/11 KV Receiving Stations	Number	19	18	95
Distribution sub-stations	Number	2475	149	6
33/KVA Transmission Line	Kms	246.50	107.40	44
11/KVA Transmission Line	Kms	1370.82	31.00	2
LT Lines	Kms	1696.61	14.20	1

(Source: Superintending Engineer, Electrical Inspections, PDD J&K)

As can be seen from the above table, the number of distribution sub-stations and transmission lines that had been subjected to inspection before charging is quite low. This was indicative of lack of concern of the Department for ensuring safety and reliability of the power system especially the distribution network in the State.

3.5.15 Transmission and Distribution (T&D) and Aggregate Technical and Commercial (AT&C) Losses

3.5.15.1 Transmission and Distribution losses

As per the MOU (April 2002) executed with the GOI, the State Government was committed to bringing down the transmission and distribution losses to 25 *per cent* from 46 *per cent* by December 2006. Test check of records revealed that because of unsatisfactory implementation of the programme, as discussed in the preceding paragraphs, the transmission and distribution losses in the State during 2002-03 to 2005-06 were around 46 *per cent* as per details given below:-

Table 3.22 (Million units)

Year	Energy input	Energy consumed	Transmission and distribution losses *(Per cent)*
2002-03	6096.23	3292.46	2803.77 (46)
2003-04	6811.33	3724.96	3086.37 (45)
2004-05	7037.75	3763.93	3273.82 (47)
2005-06	6352.32	3470.59	2881.73 (45)

(Source: Records of the Chief Engineers, EM&RE wing, Jammu and Srinagar)

The Chief Engineer, EM&RE, Srinagar stated (March 2006) that while the results of metering in selective areas was encouraging, the overall position of T&D losses could however not be reduced due to the non-installation of meters. Chief Engineer, EM&RE, Jammu in his reply stated (September 2006) that distribution losses shall be reduced only after installation of meters at various levels and achievement of 90 *per cent* parameters of APDRP.

3.5.15.2 Aggregate Technical and Commercial Losses

The Aggregate Technical and Commercial (AT&C) losses, which also cover collection of receivables by the utilities in seven EM&RE circles during the implementation (1 to 3 years) of the programme ending 2005-06 were as under:

Table 3.23

Circle	Energy input (MUs)	Energy billed (MUs)	Collection efficiency (Per cent)	Percentage AT &C Losses	Period of implementat-ion of Programme (Years)	Expected reduction in AT &C losses after implementation (MUs)	AT&C Average rate of Power Supply (In Rupees)	Financial losses (Rupees in Lakh)
Srinagar-II	1032.32	433.574	99.74	58.11	3	140.29	1.46	2048.23
Batote	522.76	312.24	88.56	47.10	2	20.43	1.45	296.24
Jammu-II	711.43	429.69	72.90	55.97	2	57.91	1.45	839.70
Jammu-I	1947.01	1144.94	75.82	55.42	3	502.72	1.78	8948.42
Srinagar-I	772.78	404.33	87.02	54.47	3	3.48	1.46	50.81
Bijbehara	690.22	365.82	52.90	71.97	1	151.65	0.85	1289.03
Sopore	675.80	380.00	59.55	66.52	1	37.65	1.40	527.10
Total						**914.13**		**13999.53 (say Rs. 140 crore)**

(Source: Records of seven Superintending Engineers implementing APDRP)

The AT&C losses ranging between 47 and 72 *per cent* ending 2005-06, indicated slackness on the part of the Department in implementation of the reforms programme resulting in foregoing potential revenue of Rs. 140 crore to the Government.

3.5.16 Non-availment of incentive

Programme guidelines provided that the State Government would be given incentive up to 50 *per cent* of the actual total loss reduction. The incentive component would be 100 *per cent* grant as additional plan assistance. The Department could not claim any incentive from the Government of India, as there was no reduction in transmission and distribution losses. Failure to bring down the losses thus deprived the State of the benefit of additional financial assistance from the Government of India. The Chief Engineer, EM&RE, Jammu stated (September 2006) that T&D losses will be reduced only after the installation of energy meters from the receiving stations to the consumer end. The reply is not tenable, as the Department has failed to adhere to the schedule of metering of installations within time provided in the MOA.

3.5.17 Arrears in revenue realisation

Realisation of revenue against power billed to consumers is essential to bring about commercial viability of the power sector. Test check of records, revealed that despite substantial increase in the infrastructure, revenue realisation during 2002-03 to 2005-06 continued to fall short of recoverable amounts and the arrears on this account swelled to Rs. 899.88 crore in 2005-06 from Rs. 540.88 crore in 2002-03. These mainly included disputed arrears, sick units arrears and those outstanding against Government offices because of meagre allotment for payment of electricity charges. Details are given in the table as under.

Table 3.24 (Rupees in crore)

Year	Arrears of previous year	Assessment during the year	Total recoverable amount	Realisation during the year (*per cent*)	Arrears at the close of the year
2003-04	540.88	493.88	1034.76	340.12 (33)	694.64
2004-05	694.64	549.17	1243.81	393.39 (32)	850.42
2005-06	838.65⇔	496.24	1334.89	435.01 (33)	899.88

(Source: Records of the Chief Engineer EM&RE wing Jammu, Srinagar)

The Chief Engineers replied (March 2006 and September 2006) that effective steps were under way to get the outstanding electricity dues cleared from the consumers.

3.5.18 Reliability and quality of Power

In order to meet consumer satisfaction, supply of quality and reliable power to the consumers was to be ensured. Audit scrutiny revealed that owing to continued outages and system damages (27,156 cases during 2002-05) quality and reliable power could not be ensured to the consumers (24.15 lakh hours to 26.80 lakh hours from 2002-03 to 2005-06). This was because the consumers drew more power by resorting to illegal connections, pilferage of power, unfair use of power by the consumers due to non-metering of installations and unauthorised extension in LT lines. This led to over loads on transformers and consequent damages. To overcome the crisis, the Government resorted to power cuts at regular intervals.

The Chief Engineer, EM&RE Wing, Srinagar stated (March 2006) that the Department was in the process of installing meters for reduction in the damage rate of the transformers.

3.5.19 Material management

Based on the requirements projected by each utility division through Chief Engineers, the Procurement and Material Management (PMM) Wing of the Department arranges key material. Since the procurement of material constituted a major component of the programme, timely action for working out the requirements and completion of procurement process in a time bound manner was essential. Audit scrutiny in nine test checked divisions revealed that requirements for procurement of material were not furnished in advance to the PMM wing. Consequently, adequate material required for the programme was not procured and material valued at Rs. 37.39 crore required by the divisions and not available with the PMM wing, had to be procured locally. Further, key material worth Rs. 1.50 crore was purchased by the utilities in piece meal through their imprest accounts, meant to accommodate day-to-day expenses of routine nature by the field staff.

Audit scrutiny also revealed that five Nodal Officers advanced (2003-06) Rs. 63.39 crore to PMM wing for supply of material. However, the quantity of

⇔ Does not tally with the closing balance of 2004-05 as arrears Rs. 11.77 crore have been declared as dead arrears.

material received thereagainst and the balance to be supplied by the wing was not worked out and reconciled.

3.5.20 Monitoring and evaluation

As per the M.O.A, the implementation of the programme was to be monitored by a State Level Distribution Reforms Committee (SLDRC) comprising representatives from the State Government, Power Gird and Central Electricity Authority or Ministry of Power. The Committee was to meet once in two months to review the progress of project implementation, compliance with MOA conditions, performance against programme targets and benchmarks. Test check of records in audit revealed that the SLDRC set up in January 2005 had met only once (October 2006) indicating non-existence of a proper mechanism of monitoring of the programme.

Non monitoring, besides, unsatisfactory achievement of programme objectives resulted in incurring of irregular excessive expenditure, blocking and diversion of funds.

3.5.21 Conclusion

The programme objectives of reducing aggregate technical and commercial losses, bringing about commercial viability in the power sector, reducing outages and ensuring consumer satisfaction could not be achieved as T&D losses during 2002-03 to 2005-06 were static around 46 *per cent*, outages far exceeded the fixed schedules, there were excessive system damages, arrears in revenue realization swelled and only about 32 *per cent* of targeted revenue was realized during 2003-04 and 2005-06. Implementation of the programme suffered not only due to slow/non-execution of works under some essential components viz. consumer/feeder metering, capacitor installation, modernization works, establishment of computerized billing centres etc. but also due to irregular, unfruitful and excessive expenditure, blocking and diversion of funds. Quality as well as expeditious implementation of the programme was not ensured as the project works were not executed through pre-qualified turnkey contractors and most of the assets created were commissioned without fitness certificates.

3.5.22 Recommendations

- Funds released by the GOI should be allotted to the respective Utilities immediately and diversions, blocking of funds, irregular and excessive expenditures should be avoided.
- Feeder metering, consumer metering and establishment of computerized billing centers should be completed on priority basis so as to ensure proper accounting of energy and collection of revenue including arrears in full.
- In view of the prevailing conditions in the State, the possibility of execution of project works through Government Undertakings should be explored.
- Adequate and timely availability of quality material and equipment at economical rates should be ensured.