

**CHAPTER-V**  
**INTEGRATED AUDIT**  
**AGRICULTURE DEPARTMENT**

## Agriculture Department

*The objective of the Department is to increase food production, by increasing the distribution of high yielding variety of seeds to farmers, bringing more land under cultivation and improving the performance of seed farms. The production of food grains in the State increased steadily during 2003-08. However, the Department failed to achieve the Tenth Plan targets mainly due to underutilisation of funds, poor performance of departmental farms, non-utilisation of the available area, etc. due to which the State had to rely on imports.*

### Highlights

- **Out of an expenditure of Rs. 550.68 crore (excluding on CSS) incurred during 2003-08, the Department incurred Rs. 470.66 crore (85 per cent) on establishment.**  
(Paragraph: 5.10)
- **Yield obtained in respect of breeder seeds was not as per the norms or assessment. Actual distribution of seeds was far below the requirement.**  
(Paragraphs: 5.10.2 and 5.10.4)
- **The net sown area declined by 11,000 hectares during 2004-07 and the irrigated area reduced by 2,000 hectares.**  
(Paragraph: 5.10.5)
- **1,402 items of pump sets and sprayers purchased during 2004-05 had not been issued to farmers.**  
(Paragraph: 5.11)

### 5.1 Introduction

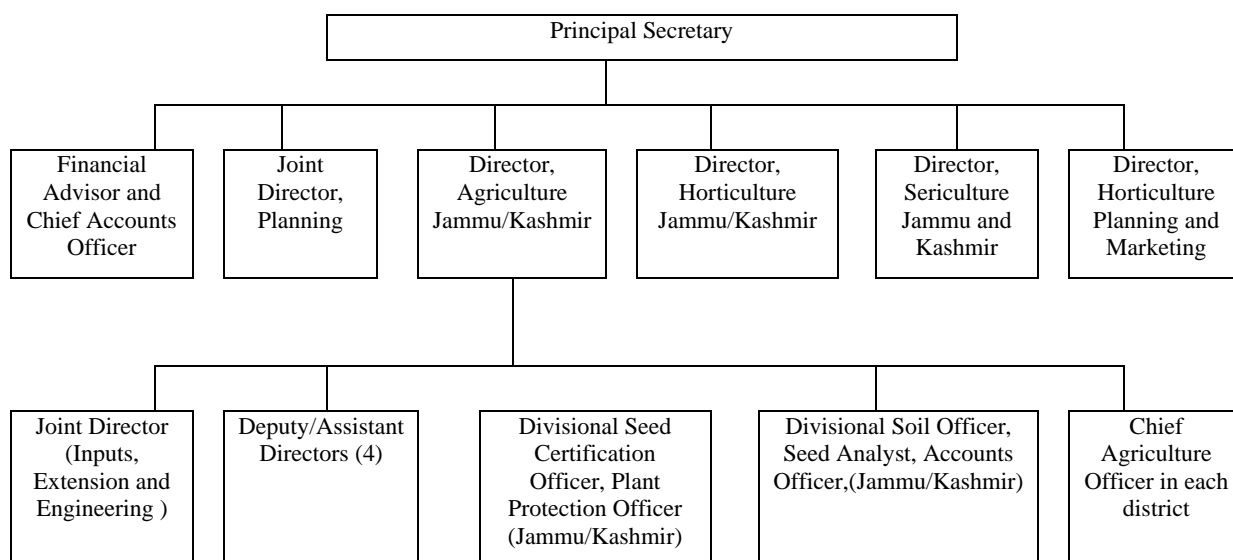
Jammu and Kashmir has a total geographical area of 2.22 lakh<sup>1</sup> square kilometers. The population of the State, as per 2001 census, was 1.02 crore with a rural population of 0.76 crore (75 per cent). The rural population is mainly dependent on agriculture and agro-based enterprises. The total area according to revenue records (March 2007) was 24.16 lakh hectares, out of which, only 7.42 lakh hectares (31 per cent) was the net sown area. The Agriculture Department formulates and implements strategies to bring about economic development of the people particularly in rural areas through production and distribution of hybrid variety of seeds, vegetable development, increase cropping intensity by promotion of farm mechanisation, undertaking soil and water conservation measures, etc. on sustainable basis.

### 5.2 Organisational set up

The organisational set up of the Department is as indicated in Chart 5.1:

<sup>1</sup> Including 1.16 lakh square kilometers under illegal occupation of Pakistan and China

**Chart-5.1**



### **5.3 Scope of audit**

A review of the functioning of the Agriculture Production Department figured in the Report of the Comptroller and Auditor General of India for the period ended 31 March 2005. The current integrated audit of the Agriculture Department was conducted during April 2007 to March 2008 by a test-check of the records of 95 out of 142 offices of the Department, involving an expenditure of Rs. 284.38 crore (56 per cent) and covered the period 2004-08.

### **5.4 Audit objectives**

An integrated audit of the Department was undertaken to see whether:

- the Tenth Plan/annual targets were achieved;
- adequate seeds were distributed to the farmers;
- infrastructure created was gainfully utilised;
- Centrally Sponsored Schemes were implemented as per guidelines;
- financial management was effective and rules were duly adhered to; and
- the prescribed monitoring mechanism was in place.

### **5.5 Audit criteria**

Audit findings were benchmarked against the following criteria:

- Tenth Plan/annual plans
- Guidelines of Centrally Sponsored Schemes
- Financial rules and regulations
- Prescribed monitoring mechanism.

## 5.6 Audit methodology

Entry conferences were held with the concerned heads of offices audited wherein the audit objectives and criteria were discussed. Units for detailed scrutiny were selected on a random sampling basis. An exit conference was held (September 2008) with the Principal Secretary to the Government, Agriculture Production Department wherein audit findings were discussed. The replies of the Department have been incorporated suitably in the report.

## Audit Findings

Significant audit findings are discussed in the subsequent paragraphs:

## 5.7 Financial Management

### 5.7.1 Allocation and Expenditure

The agriculture and allied sector contributed about 27 per cent to the Gross State Domestic Product (GSDP) while agriculture sector specifically contributed 8-9 per cent of the GSDP during 2006-07. The plan allocation under agriculture and allied services was meager and declined from 9.42 per cent in 2003-04 to 6.03 per cent in 2006-07. The allocation under agriculture sector alone, however, declined from 1.89 to 1.46 per cent during this period. Despite a decline in the plan allocation in the sector, the funds provided under Centrally Sponsored Schemes (CSS) were not fully utilised as can be seen from the position of funds allotted and expenditure incurred thereagainst by the two Directorates (Jammu and Kashmir) during the period 2003-08 as detailed below:

Table 5.1

(Rupees in crore)

Year	Allocation		CSS	Total Funds	Expenditure			
	Plan	Non-Plan			Plan	Non-Plan	CSS	Total
2003-04	47.35	43.97	4.61	95.93	45.82	41.20	3.83	90.85
2004-05	54.31	46.60	13.23	114.14	53.82	44.29	10.15	108.26
2005-06	61.90	52.86	15.76	130.52	61.45	49.67	12.65	123.77
2006-07	68.55	52.45	10.90	131.90	67.16	50.33	8.74	126.23
2007-08	9.64	137.15	9.44	156.23	10.98 <sup>2</sup>	125.96	8.76	145.70
<b>Total</b>	<b>241.75</b>	<b>333.03</b>	<b>53.94</b>	<b>628.72</b>	<b>239.23</b>	<b>311.45</b>	<b>44.13</b>	<b>594.81</b>

(Source: Departmental records)

As can be seen from the above table, the average utilisation of funds during 2003-04 to 2007-08 was 95 per cent. Test check revealed delays in release of funds by the administrative department to the nodal/executing agencies, which not only resulted in non-utilisation of funds but also deprived the Department of further claims from the GOI as discussed below:

➤ Under the CSS 'Integrated Scheme of Oil Seeds, Pulses, Oil Palm and Maize' the GOI had released Rs. 85 lakh (May 2004) and Rs. 1.43 crore (May 2005) as first instalment of assistance against the approved allocation of Rs. 1.70 crore and Rs. 2.85 crore during 2004-05 and 2005-06 respectively. The funds

<sup>2</sup> Excess expenditure under plan was due to incurring of expenditure under revenue without budget provisions

were required by the executing agencies during the sowing period (1<sup>st</sup> and 2<sup>nd</sup> quarter of the year) of Maize. Audit scrutiny showed that the funds were released<sup>3</sup> by the Government to the two Directors after a delay of 4 to 6 months. As a result, the executing agencies could spend only Rs. 1.57 crore thereby leaving an unutilised balance of Rs. 70.49 lakh. Consequently, the second instalment of Rs. 2.27 crore could not be claimed/availed of by the Department for these years. Though an action plan for Rs. 3.02 crore was submitted (September 2006) for release of funds during 2006-07, no funds were released by the GOI. Failure to release funds in time and non-utilisation of the released funds in full resulted in non-availment of the Central assistance of Rs. 5.29 crore<sup>4</sup>. The Director Agriculture (DA), Jammu attributed non-utilisation of funds to release of funds in the 3<sup>rd</sup> quarter of the year while the DA, Kashmir stated that, due to cash crunch in the treasuries, the funds could not be utilised.

### **5.7.2 Non-recovery of loan**

As per the orders (March 2002) of the Government, all non-plan budgetary support provided to various corporations/public sector undertakings from April 2001 was to be classified as loan and was recoverable in 20 instalments at an interest rate of 15 *per cent*. The repayment of loan had a moratorium of two years and was to be payable on 1 October 2003. In case of default, the amount in default alongwith penal interest at the rate of 3 *per cent* per annum was to be recovered in cash or deducted from the budgetary support due, to the defaulting corporation.

Scrutiny (April 2007) of the records of the Department showed that Rs. 3.98 crore was advanced (2001-07) by it to the State Agro-Industries Development Corporation as plan assistance to meet the expenditure on salary/wages, etc. No recovery had been affected from the Corporation and the recoverable amount stood at Rs. 4.49 crore<sup>5</sup> including interest/penal interest as of March 2008.

### **5.7.3 Liquidation of liability**

Financial rules provide that no expenditure should be incurred unless funds to cover the charge exist and that the expenditure does not exceed the funds provided. Scrutiny revealed that Joint Director (Inputs) and the Potato Development Officer, Jammu had created a liability of Rs. 2.54 crore on account of purchase of seeds (Rs. 2.29 crore: 2006-08) and its handling charges (Kharif 2000 to Kharif 2007) which had not been paid as of March 2008. The Joint Director, while justifying (June 2008) the excess expenditure over and above the grants, stated that the expenditure was incurred to meet the demand of the field agencies. However, it is emphasised here that a proper demand for release of sufficient funds to carry out the activity should have been raised.

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<sup>3</sup> November 2004: Rs. 85 lakh; September 2005: Rs. 1.42 crore

<sup>4</sup> Rs. 2.27 crore; Rs. 3.02 crore

<sup>5</sup> Principle: Rs. 1.85 crore; interest: Rs.2.54 crore; penal interest: Rs.9.83 lakh

#### 5.7.4 Release of subsidy

The GOI sanctioned (2006-07) a grant-in-aid of Rs. 13.34 lakh to the State Government as reimbursement towards expenditure incurred by the Director Agriculture, Jammu on transportation of 29,091.36 quintals of various seeds within the State to various sales outlets during Rabi and Kharif 2005-06. No funds had, however, been released by the Administrative Department to the Directorate of Agriculture as of September 2008. The State Agriculture Production Department stated (April 2008) that they had not received the sanction letter and had not communicated it to the Director Agriculture, Jammu.

#### 5.7.5 Non-utilisation of funds

To provide irrigation facilities to saffron growing area in Konibal and seed multiplication farm Allowpora (District Pulwama), Rs. 22.44 lakh<sup>6</sup> were advanced to the Ground Water Division for drilling of tube wells. The execution had not however been started as of March 2008 resulting in blocking of funds for more than three years.

The Director, Agriculture intimated (May 2008) that a team of officers was being constituted to look into the matter and to select a suitable piece of land for the purpose. The Joint Director attributed non-execution of the work to uneven surface of the farm area with an undulating topography, making it difficult to identify the spot where the bore well was to be installed. The reply is not tenable as a suitable land was to be identified before advancing the money to the Ground Water Division.

Advancing of funds to the executing agencies without proper survey and identification of the suitable sites led to Rs. 22.44 lakh remaining blocked with the executing agencies and consequent non-accrual of benefits.

#### 5.8 Maintenance of trading account

The Department was required to prepare an annual trading account indicating, *inter-alia*, procurement of raw material, sale proceeds realised and the position of opening and closing stocks for its trading activities. Audit scrutiny (September 2007) of the records showed that despite mentioning in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2002, no such accounts had been maintained by the Department as of March 2008. Rupees 26.37 lakh allotted to the Department under the component “Interest on trading account” was drawn and credited to the capital head as receipts. This irregular practice of allotting funds, its drawal and crediting thereof to the same head as receipts was not clarified to audit. The Farm Manager, Chinore stated (July 2008) that as no trading account was being maintained, the allotment had been credited to the capital head. However, the matter was stated to have been taken up with the Joint Director (Inputs) for clarification.

<sup>6</sup> Konibal: Rs. 15.44 lakh; Allowpora: Rs. 7 lakh

## 5.9 Revenue realisation

Out of the targetted revenue receipts of Rs. 14.20 crore, the Department was able to realise only Rs. 11.38 crore during 2003-08 on account of sale proceeds of small/large farms, commercial crops, potato seeds, testing charges and licence fee. There was also shortfall in achievement of targets in capital receipts as tabulated below:

**Table 5.2**

(Rupees in crore)

Particulars	2003-04		2004-05		2005-06		2006-07		2007-08	
	Targets	Achievement (% shortfall)	Targets	Achievement (% shortfall)	Targets	Achievement (% shortfall)	Targets	Achievement (% shortfall)	Targets	Achievement (% shortfall)
<b>(4401-Capital outlay on Crop Husbandry)</b>										
Sale proceeds of seeds	6.05	3.72 (39)	5.80	3.24 (44)	6.00	4.48 (25)	6.95	5.07 (27)	7.75	6.05 (22)
Sale proceeds of Agriculture implements	1.05	0.64 (39)	1.60	0.60 (62)	1.60	0.90 (44)	1.85	0.94 (49)	1.60	1.01 (37)
Sale proceeds of pesticides	0.54	0.16 (70)	0.14	0.05 (64)	0.17	0.03 (82)	0.16	0.01 (94)	0.05	0.02 (60)
Sale proceeds of Padgampora farm <sup>7</sup>	0.34	0.32 (6)	0.20	0.10 (50)	0.30	0.20 (33)	0.30	0.08 (73)	0.30	- (100)
<b>Total</b>	<b>7.98</b>	<b>4.84</b>	<b>7.74</b>	<b>3.99</b>	<b>8.07</b>	<b>5.61</b>	<b>9.26</b>	<b>6.10</b>	<b>9.70</b>	<b>7.08</b>

(Source: Departmental records)

As is clear from the above table, the percentage shortfall ranged between 6 and 100. Reasons for shortfall were not intimated. However, audit of records showed that the Department had failed to recover Rs. 2.07 crore<sup>8</sup> on account of sale (1998-99 to 2007-08) of tools and implements. The Joint Director, Agriculture stated that the concerned officers had been directed to recover the outstanding amount from the defaulters.

## 5.10 Programme implementation

Out of an expenditure of Rs. 550.68 crore (excluding on CSS) incurred during 2003-08, the Department incurred Rs. 470.66 crore (85 per cent) on establishment. The exorbitant cost of establishment prevented any significant expenditure on crucial areas of agricultural production, thereby affecting the development of agriculture in the State resulting in import of more food grains/seeds from outside the State.

<sup>7</sup> Receipts of Padgampora farm for the year 2003-04, 2006-07 and 2007-08 have been classified by the department as revenue receipts

<sup>8</sup> Joint Director Agriculture Jammu: Rs. 73.90 lakh; Joint Director Kashmir: Rs. 81.12 lakh; Joint Director Engineering Kashmir: Rs. 12.57 lakh; Agriculture Research Engineering Jammu: Rs. 39.38 lakh

### 5.10.1 Targets and achievements

The agriculture sector is guided by the National Agriculture Policy, 2000 which aimed at a growth rate of 4 *per cent* during the 10<sup>th</sup> plan period. The targets set by the Department, was far below the 10<sup>th</sup> plan targets, as indicated in the following table.

**Table 5.3**

(In 000 MT)

		Rice		Wheat		Maize	
Targets for achievement at the end of Tenth plan period		982.50		629.50		829.00	
Target set by the Department vis-a-vis actual achievement during the plan period	<b>Year</b>	<b>Target</b>	<b>Achievement</b>	<b>Target</b>	<b>Achievement</b>	<b>Target</b>	<b>Achievement</b>
	2003-04	580	578	502	464	610	524
	2004-05	650	572	531	484	638	506
	2005-06	640	624	532	487	653	474
	2006-07	640	508	512	512	480	480
	2007-08	640	690*	512	512*	530	540*
Shortfall with reference to targets set in Tenth Plan during the year 2006-07 ( <i>per cent</i> )		<b>474.50 (48)</b>		<b>117.50 (19)</b>		<b>349.00 (42)</b>	

\* Provisional figures

(Source: Plan document and progress reports)

The reason for lowering the targets for the year 2006-07 in respect of Wheat and Maize were not assigned. Audit scrutiny revealed that shortfall in achievement of 10<sup>th</sup> plan/annual targets was due to shortfall in distribution of high yielding variety (HYV) seeds, decline in the rate of yield, poor performance of seed farms, decline in net sown area, non-availability of irrigation facilities, etc. as discussed in the succeeding paragraphs:

### 5.10.2 Distribution of high yielding variety seeds

HYV seeds are responsible for increase in the production of food grains. Shortfall in distribution of HYV seeds result in stagnation in the yield rate and consequent decrease in agricultural produce.

The actual distribution of seeds was far below the requirement as per the plan targets as indicated in Table 5.4.

**Table 5.4**

(Area in 000 Hectares; Distribution in Quintals)

Item	10 <sup>th</sup> Plan targets		Achievements		Shortfall		Percentage of shortfall	
	Distribution	Area	Distribution	Area	Distribution	Area	Distribution	Area
Paddy	18000	261	8562.62	255.93	9437.38	5.07	52	2
Maize	31000	300	4225.38	257.75	26774.62	42.25	86	14
Wheat	55000	252	28210.60	251.16	26789.40	0.84	49	nil

(Source: Plan document and progress reports)



The shortfall in distribution, as can be seen, ranged between 49 and 86 *per cent* in respect of the main crops (Paddy, Maize and Wheat) despite covering 86 to 100 *per cent* of the targeted area.

The shortfall was attributed (March 2008) by the Director Agriculture, Kashmir to low element of subsidy on distribution of seeds, its untimely procurement, procedural delay in accord of sanction to fixation of procurement/sale rate, etc. The reply should be seen in the light of the fact that the Department had already lowered its annual targets, which were also not achieved, as tabulated below:

**Table 5.5**

(In quintals)

Year	2003-04		2004-05		2005-06		2006-07		2007-08	
	Targets	Achievement (% age)	Targets	Achievement (% age)	Targets	Achievement (% age)	Targets	Achievement (% age)	Targets	Achievement (% age)
Paddy	7000	2451 (35)	7000	3149 (45)	8600	7351 (85)	12000	8563 (71)	12000	8146 (68)
Maize	7000	1746 (25)	7000	2260 (32)	4700	2845 (61)	5000	4225 (84)	5000	4747 (95)
Wheat	37000	21424 (58)	37000	22364 (60)	35250	25004 (71)	35300	28211 (80)	35300	26108 (74)

(Source: Plan document and progress reports)

The shortfall in achievement of targets ranged between 5 and 75 *per cent*. Audit scrutiny showed that despite covering 100 *per cent* targeted area for paddy and wheat and lowering of targets for the years 2004-07, the annual targets for distribution of seeds had not been achieved. The actual distribution of seeds per hectare as compared to annual plans was far less, as indicated in table below:

**Table 5.6**

(quintal per hectare)

Item	Requirement as per plan targets	Actual				
		2003-04	2004-05	2005-06	2006-07	2007-08
Paddy	0.07	0.01	0.01	0.03	0.03	0.03
Maize	0.10	0.01	0.01	0.01	0.02	0.02
Wheat	0.22	0.08	0.09	0.15	0.11	0.11

(Source: Plan document and progress report)

The Chief Agriculture officer, Jammu stated (May 2007) that the seeds were supplied by the Joint Director (Inputs) based on the availability from the departmental seed farms and requirement of the field functionaries. The farmers had met the balance requirement by purchase of seeds from the open market thereby implying that the Department had not formulated a long-term policy to achieve targets regarding production of sufficient quantum of seeds so that equitable distribution could be made and dependence of farmers on private seed producers could be reduced.

### 5.10.3 Utilisation of departmental farm land

The position of utilisation of land in three major seed multiplication farms, managed departmentally, is given in the following table.

Table 5.7

Name of Seed multiplication farm	Total cultivable area (in Hectares)	Area actually sown in hectares (percentage)					
		2004-05		2005-06		2006-07	
		Kharif	Rabi	Kharif	Rabi	Kharif	Rabi
Chakrohi	307.27	41.28 (13)	202.34 (66)	49.37 (16)	188.58 (61)	62.73 (20)	265.60 (86)
Padgampora	240.00	81.26 (34)	31.93 (13)	59.40 (25)	116.31 (48)	31.73 (13)	53.90 (22)
Chinore	978.12	137.84 (14)	933.09 (95)	144.47 (15)	889.70 (91)	158.23 (16)	910.54 (93)

(Source: Departmental records)

The percentage utilisation of land ranged between 13 and 34 *per cent* (Kharif) and between 13 and 95 *per cent* (Rabi) during the years 2004-07. The Farm Manager, Chakrohi attributed (November 2007) the shortfall in utilisation of land to lack of irrigation facilities. It was further stated that the matter regarding provision of irrigation facilities had been taken up with the higher authorities. The reply has to be viewed in the light of the fact that no action was taken to revitalise the existing five tube wells due to which the irrigation of the farm continued to be dependent on rainfall. Moreover, the Department was also paying rent for 259.40 hectares of farmlands under Chakrohi farm at the rates chargeable for irrigated land.

### 5.10.4 Seed production

Scrutiny of the records of two<sup>9</sup> farms showed that the yield obtained in respect of breeder seeds was not as per the norms or the assessments made by the Departmental Yield Assessment Committee (YAC) resulting in shortfall in production with reference to both the norms and the assessed yield as detailed in Table 5.8:

Table 5.8

(In quintals)

Name of farm	Period	Production as per norms	Actual yield	Yield in respect of assessed area		Shortfall with reference to (Rs. in lakh)	
				Assessed by YAC	Obtained	Norms	Assessed by YAC
Chinore	Kharif 2004 to 2006 and Rabi 2004-07	56095.80	32479.46	33440.29	28941.29	23616.34 (291.83)	4499.00 (52.87)
Chakrohi	-do-	13954.40	7874.00	4716.60	3709.46	6080.40 (43.31)	1007.14 (10.29)

(Source: Departmental records)

<sup>9</sup> Chakrohi and Chinore

Non-achievement of the yield as per the norms resulted in shortfall of 29,696.74 quintals valuing Rs. 3.35 crore, forcing the Department to procure seeds from private parties for distribution. This also contributed to the high cost of production and eventual rise in the cost of seeds. The Farm Manager, Chinore stated (September 2007) that the assessment could not match the yield *cent per cent*, as losses were bound to occur during harvesting. It was also stated that the concerned officers would be asked to explain the reasons in such cases where heavy shortfall was noticed. The committee, of which the Farm Manager or his representative had been a member would have certainly considered this aspect while making the assessment. However, reasons for non-achievement of yield as per the norms were not stated.

#### **5.10.5 Land utilisation**

The position of land utilisation during the period 2003-07 was as under:

**Table 5.9**

(Area in 000 hectares)

Year	Reported Area		Net area sown		Area irrigated	
	Total	Per capita (Hectares)	Total	Per capita (Hectares)	Total	Percentage of Net area sown
2003-04	2416	0.220	747	0.068	307	41.04
2004-05	2416	0.214	752	0.066	311	41.32
2005-06	2416	0.211	734	0.064	NA	NA
2006-07	2416	0.218	741	0.067	309	41.70

(Source: Departmental records)

Table 5.9 shows that the net sown area declined by 11,000 hectares from 2004-05 to 2006-07 and irrigated area had gone down by 2,000 hectares. The Director Agriculture, Kashmir attributed the decline to urbanisation, coming up of Railway/Road Projects and construction of complexes etc. However, no steps to increase the net sown area had been taken.

#### **5.10.6 Production of honey and mushroom**

Against the 10th Plan target of 5760 quintals, the Department had produced 5502.24 quintals of mushroom showing a shortfall of four *percent* in achievement of targets.

Shortfall in achievement of targets for honey produced, for the 10th Plan, was 77 *per cent* as the Department produced 2336.92 quintals of honey against the target of 10220 quintals. The production declined from 6834.51 quintals in 2004-05 to 2336.92 quintals in 2006-07 as indicated in the following table.

Table 5.10

(In quintals)

Province	2004-05		2005-06		2006-07	
	Target	Achievement (percentage shortfall)	Target	Achievement (percentage shortfall)	Target	Achievement (percentage shortfall)
Jammu	4,310.00	2,824.51 (34)	4,310.00	867.74 (80)	4,310.00	830.92 (81)
Kashmir	3,010.00	4,010.00 (-)	5,011.00	5,011.00 (-)	3,511.00	1,506.00 (57)
<b>Total</b>	<b>7,320.00</b>	<b>6,834.51 (7)</b>	<b>9,321.00</b>	<b>5,878.74 (37)</b>	<b>7,821.00</b>	<b>2,336.92 (70)</b>

(Source: Departmental records)

As would be seen from the above table shortfall percentage increased from seven to 70 during 2004-07. There was a sharp decline in production of honey in Jammu province from 2824.51 quintals in 2004-05 to 830.92 quintals in 2006-07 showing an increase in shortfall percentage from 34 to 81 against the laid down targets. In Kashmir province though the production was optimum for 2004-06, the production fell by 57 per cent during 2006-07 against the laid down targets.

The Director, Agriculture, Kashmir attributed the shortfall in honey production to outbreak of disease in 2005-06, which had destroyed about 90 per cent of the existing bee-colonies and also reluctance of the bee keepers to purchase beehives from the Department at normal rate of subsidy. The reply is not acceptable as the production target of 5000 quintals set for 2005-06 had fully been achieved. Reasons for shortfall during 2006-07 were not intimated. Action taken to increase the production was not intimated by Director, Agriculture Jammu.

#### 5.10.7 Spawn production

The spawn (mushroom seed) production laboratory deals in the production and supply of quality spawn to the farmers through Chief Agriculture Officers to generate additional income with less land.

Scrutiny of the records of the Spawn Production Officer, Jammu showed that against the 10<sup>th</sup> plan target of distribution of 66,000 bottles (500 gm each) of spawn, the distribution by the laboratory at Jammu, declined from 33,534 bottles in 2003-04 to 30702 bottles in 2006-07. The decline continued despite incurring an expenditure of Rs. 83.36 lakh on the activities of the laboratory during 2004-07. It was also seen that 37,402 bottles costing Rs. 4.11 lakh<sup>10</sup> were lost during processing and contamination of spawn due to storage during the years 2005-07. The loss due to contamination was attributed by the Spawn Production Officer to the fact that the spawn was previously being produced at *Amar Chashma*, Batote under natural conditions where as the production was now being carried out in the laboratory where the contamination rate could increase due to humid conditions during the period from June to August. This contention should

<sup>10</sup> Calculated at Rs. 11 per bottle

be viewed in the light of the fact that an air conditioning unit with a generator had been installed in the laboratory to facilitate production.

The decline in production of quality spawn seed had evidently increased the dependence of the mushroom growers on the seed produced by private spawn manufacturers.

#### **5.10.8 Potato development**

The Department multiplies the breeder seeds in ten potato seed development farms (Jammu: 3; Kashmir: 7) for supply to farmers. Audit scrutiny revealed poor performance of these farms as they were largely underutilised, as discussed below:

Records of the Potato Development Officer (PDO), Jammu revealed that against the gross area of 57.87 hectares (1995) in three farms, the net sown area (2004-05) was 45.24 hectares, which declined to 29.31 hectares in 2006-07 with consequent decline in production from 2557.45 quintals to 1254.50 quintals (51 *per cent*). Similarly, against the gross area of 180.04 hectares in seven farms of PDO Srinagar, only 94 hectares (52 *per cent*) was shown as cultivable, out of which, only 30.60 hectares (17 *per cent*) was brought under cultivation during 2002-03 to 2006-07.

The PDO, Jammu attributed (December 2007) the decline in the sown area to lack of infrastructure like fencing, availability of fewer breeder seeds and turmoil in the area where the farms were situated. The reply is not based on facts, as the decline has been worked out for the period 2004-05 to 2006-07 when there was no turmoil in the area. Besides, availability of fewer breeder seeds cannot be accepted, as the yield of available seeds had also not been obtained as per the yield potential of these seeds. The PDO, Srinagar stated (March 2008) that instructions had already been issued for bringing more area under cultivation. However, against the cultivable area of 52 *per cent* of the available land, only 33 *per cent* was actually cultivated. Further, no steps had been taken to augment the infrastructure at these farms.

#### **5.10.9 Potato seed production**

The yield of various varieties of potato seed was fixed at 200 to 350 quintals per hectare. During the period 2004-07, the actual yield obtained was far below the norms and even less than the assessment made by a departmental 'Yield Assessment Committee' (YAC). Against the projected production of 38,562 quintals as per norms and 16,161.38 quintals as per YAC, the actual production was 12,225.65 quintals, resulting in shortfall of 26,336.35 quintals and 4274.85 quintals. The shortfall was attributed by the PDO, Jammu to yield potential being for commercial crops under assured irrigation and timely operations throughout the cropping season, whereas the Department was producing potatoes for seed production only. It was also stated that the farms were rain-fed and the activities, as such, were linked to nature. The contention of PDO is not acceptable, as the farms have been provided with all the ingredients necessary for production of potato seeds and cannot result in huge shortfall (22-90 *per cent*) compared to the laid down norms.

### 5.11 Centrally Sponsored Schemes

As per the norms of 'Macro-Management', a Centrally Sponsored Scheme, subsidy of 25 per cent is admissible to the farmers on plant protection machinery, subject to a maximum of Rs. 400 for manually-operated and Rs. 1,000 for power-operated machinery. Similarly, subsidy of 25 per cent subject to a maximum of Rs. 4,000 is admissible on distribution of irrigation pumps for lift irrigation under the component "Tapping of water resources for irrigation". The State Government also provided subsidy of 25 per cent up to the year 2003-04.

Scrutiny of records (October 2007) of Agriculture Research Engineer, Jammu revealed that out of 1,223 pump sets and 2,549 sprayers purchased (2004-05), 1,402 items costing Rs. 76.57 lakh, had not been issued to the farmers and were lying idle as detailed below:

Table 5.11

Item	Quantity purchased	Quantity issued	Balance	Value (Rs. in lakh)
Irrigation Pump sets	1223	729	494	63.00
Foot sprayers	999	606	393	7.05
Knap Sack Sprayers	1550	1035	515	6.52

(Source: Departmental records)

Similarly, in Kashmir Division, 116 pump sets (value: Rs. 20.30 lakh<sup>11</sup>) purchased (2004-06) by the Chief Agriculture Officers, Anantnag and Budgam were lying idle as of May 2008.

Non-lifting of the equipment by the farmers was attributed by the Directors to reluctance of the farmers to purchase the equipment when subsidy of 50 per cent was admissible on such pumps under a CSS 'Technology Mission', and non-supplementing of the additional 25 per cent subsidy after 2003-04. It was also stated that a request (January 2007), for supplementing the subsidy out of State share of 'Macro Management' as a one time exception, was not approved. However, the system of purchases and the job of arranging all agriculture machinery/allied equipment for agriculture sector was discarded (September 2007) and was entrusted to J&K Agro Industries Development Corporation. Lifting of balance equipment by the farmers is therefore doubtful. Non-lifting of the equipment by the farmers resulted in blocking of Rs. 96.87 lakh for over 3 years.

### 5.12 Mushroom development

In order to increase production of mushroom, the establishment of an integrated unit for mushroom development at Jammu under the CSS 'Technology Mission' was approved (2004-05) by the GOI with a financial ceiling of Rs. 50 lakh.

An amount of Rs. 50 lakh released was advanced (July 2004) to the Chief Agriculture Officer, Jammu by the Director Agriculture, Jammu for establishment of the unit. The Department had approached (July 2005) the National Sericulture

<sup>11</sup> Calculated at Rs. 17500 approved rates of 2004-05

Project Division (NSPD) and the JKPCC Jammu to take up the work. The NSPD submitted (March 2006) an estimate for civil works for Rs. 65.62 lakh. As the offer of NSPD was much higher than the funds available with the Department, the Director again approached (November 2006) National Project Construction Corporation Limited (NPCC, a GOI Undertaking) to take up the work within a provision of Rs. 50 lakh. The offer of the Department was rejected (December 2006) by the agency in view of the quantum of work. The work was finally allotted (September 2007) to the Executive Engineer, Department of Horticulture, Marketing and Planning (Construction Division). Inordinately delayed action in identifying the agency which could undertake the work resulted in non-establishment of the mushroom farm. The CAO Jammu stated (May 2007) that to handle such a large project, it was necessary to seek expert opinion from agencies like National Research Centre for Mushroom, Solan. The reply is not acceptable as poor follow-up action and failure to approach other agencies for establishing the mushroom unit resulted in blocking of Government money for more than 41 months (December 2007) besides denial of the intended benefits to the beneficiaries.

#### **5.13 Reimbursement of transport subsidy**

The GOI accorded approval (July 2004) for implementation of a CSS 'Transport subsidy on movement of seeds within the State from State Capital/District Headquarters to sale outlets/sale counter'. The scheme envisaged reimbursement of actual transportation cost depending upon the mileage, restricted to a maximum of Rs. 60 per quintal. Scrutiny (May 2007) revealed that out of the subsidy claim of Rs. 49.30 lakh for Kharif and Rabi crops 2005-07, submitted (September/November 2006, May 2007) by the Department, claims worth Rs. 22.78 lakh had not been reimbursed by the GOI (March 2008).

#### **5.14 Unfruitful expenditure**

The engineering wing of the Department fabricates implements for issuance to farmers. It is essential to manufacture only those implements, which are modern and can be utilised for years to come and should also suit the conditions and demand from the end-users. Scrutiny of the records revealed that implements costing Rs. 64.54 lakh manufactured by the agriculture workshops at Jammu (Rs. 25.75 lakh) and Kashmir (Rs. 38.79 lakh) during 2002-07 had not been issued. The Joint Director Agricultural Engineering, Kashmir stated (September 2007) that the implements fabricated had not been accepted by the farmers as these had become outdated and the sale of these items was not possible. Failure of the Department in ascertaining the right requirements of users resulted in unfruitful expenditure of Rs. 64.54 lakh.

#### **5.15 Internal control**

Adequate internal controls help in achievement of the departmental objectives by ensuring adherence to statutes, codes and manuals and mitigate risks, avoid errors, and help in protection of resources against loss. Following lacunae were noticed during audit, which indicated lack of specific internal controls in the Department.

- The State Financial Rules prohibit appropriation of departmental receipts for departmental expenditure and provide that all sums of money received by an officer must immediately be deposited into treasury for crediting to the appropriate head of account. In contravention of this, Rs. 61.91 lakh was used by seven<sup>12</sup> district offices towards handling charges of seeds for the period Kharif 2003 to Rabi 2007-08, of which, Rs. 35.98 lakh had been adjusted, while vouchers for Rs. 25.93 lakh were lying unadjusted as of March 2008. It was stated (June 2008) by Joint Director of Agriculture (Inputs) Jammu that this amount was used for Departmental expenditure since there was no imprest money to meet the expenditure on loading/unloading of seeds at different sale outlets and for the rent of temporary seasonal stores hired for storage of seeds. This is, however, not acceptable, as the expenditure was to be met from the overall provision, besides the reimbursement charges of transport subsidy received from GOI.
- Land and buildings belonging to various agricultural farms had been transferred to other institutions as detailed in Table 5.12:

Table 5.12

Name of Seed multiplication farms	To whom transferred	Area of land transferred (in hectare)	Date of transfer	Cost of Assets (Rs. in lakh)
Kheora, Rajouri	Health Department	3.00*	2002-03	126.00
Rajhani, Kathua	SKUAST	12.40	2006-07	29.25

\* including buildings constructed on the land

(Source: Departmental records)

Audit scrutiny revealed that the cost of the transferred assets (Rs. 1.55 crore) had not been recovered (September 2007) from the agencies involved even after a lapse of two to five years.

The Director Agriculture stated (September 2008) that the matter had been taken up with the Health Department as well as SKUAST-Jammu to remit the compensation cost and the Agriculture Production Department is again being approached to take up the matter with the respective Departments.

- Financial rules provide that physical verification of stores and administrative inspection of each office should be conducted once a year. Scrutiny of records revealed that out of 95 offices audited, the competent authority had not conducted the administrative inspection of 92 offices during the years 2004-05 and 2005-06 and 95 offices during 2006-07. Similarly, the physical verification of stores and stocks held by these offices had not been conducted in respect of 75, 79 and 86 offices (out of 95) for the years 2004-05, 2005-06 and 2006-07, respectively.

<sup>12</sup>

CAD: Rs. 9.18 lakh; Doda: Rs. 15.55 lakh; Jammu: Rs. 5.17 lakh; Kathua: Rs. 7.24 lakh; Poonch: Rs. 5.90 lakh; Rajouri: Rs. 4.76 lakh; Udhampur: Rs. 14.11 lakh



### **5.16 Conclusion**

The performance of agriculture sector has suffered due to short plan allocation. The Department has been unable to claim funds from the GOI due to its failure to utilise the funds already released. Shortfall in achievement of 10<sup>th</sup> Plan/Annual Plan targets in all components resulted in dependence on imports. The performance of seed farms was tardy, leading to decline in agricultural production. The Department also failed to construct Mushroom Development Unit.

### **5.17 Recommendations**

- Plans should be formulated to derive maximum benefit from various schemes, especially CSS, by involving field functionaries.
- The Department should draw up a strategy to increase the crop area and foodgrain production keeping in view the five year plan projections.
- Funds should be released to the implementing agencies on time for their timely utilisation.
- Monitoring mechanism should be strengthened at various levels to achieve the objectives of the Department.