

Overview

This Report includes two chapters containing the observations of Audit on the Finance and Appropriation Accounts of the State for the year 2000-01 and six other chapters with 9 audit reviews and 35 paragraphs dealing with the results of the audit of selected schemes, programmes and of the financial transactions of the Government and its commercial and trading activities. A synopsis of the major findings is set out in this overview.

1. An overview of the Finances of the State Government

The accounts of the State Government for the years 2000-01 closed with a revenue deficit of Rs 961 crore, up by 77 *per cent* over the deficit in 1999-2000 revealing deterioration in the financial condition of the Government.

Revenue of Rs 1190 crore, raised by the State Government from its own sources viz. tax and non-tax revenue, constituted 21 *per cent* of the total revenue receipts of Rs 5660 crore. State's share of Union taxes and duties and grant in aid from the Central Government constituted remaining 79 *per cent*. Tax and non-tax revenue increased during 2000-01 by 29 and 10 *per cent* respectively over the level of 1999-2000. Arrears of Rs 988 crore in respect of sales tax, passenger tax, forestry and state excise were pending collection at the end of March 2001, an increase of 12 *per cent* over the level of March 2000.

Revenue expenditure of Rs 6621 crore during the year accounted for 88 *per cent* of total expenditure showing an increase of 9 *per cent* over the level of 1999-2000. Capital expenditure of Rs 867 crore during 2000-01 constituted 11 *per cent* of the total expenditure against 10 *per cent* in the preceding year. The share of plan expenditure in Revenue and Capital expenditure was low at 11 *per cent* during the year.

Fiscal deficit representing net borrowing of the Government, was Rs 1873 crore compared to Rs 1338 crore in the preceding year. The total liabilities of the Government comprising public debt, small savings, provident and reserve funds and deposits, stood at Rs 9224 crore at the end of March 2001 against Rs 8182 crore at the end of preceding year.

Interest payments during the year aggregated to Rs 769 crore constituting 12 *per cent* of revenue expenditure. This was having an inevitable bearing over the availability of funds for the business of the Government. These problems were further accentuated by inefficient fiscal management leading to large funds remaining outside the Government account for long periods and creation of non-performing assets, the cost of which amounted to Rs 12 crore at an average borrowing rate of 15 *per cent*.

The investment in the Statutory Corporations, Government companies, etc. was unremunerative and fetched insignificant returns. 14 working

Government companies, in which Government had invested Rs 136 crore as on March 2001, were running under loss and their accumulated loss aggregated Rs 145 crore.

(Paragraph:1.1 to 1.47)

2. Appropriation Audit and Control over expenditure

Against the provision of Rs 9754 crore during 2000-01, the expenditure aggregated Rs 13764 crore which resulted in excess expenditure of Rs 4010 crore. The excess expenditure was mainly due to clearance of overdrafts obtained by the State Government from Jammu and Kashmir Bank for meeting its ways and means requirements and for purchase of power. Expenditure of Rs 744 crore under 76 major heads of account was incurred without provision for such expenditure in the budget.

There was an excess expenditure of Rs 5.69 crore in 2 grants and 1 appropriation, despite obtaining supplementary grants of Rs 15.65 crore. In 7 cases relating to 5 grants and two appropriations, supplementary provision of Rs 11.59 crore remained wholly unutilised as the final expenditure of Rs 55.81 crore was even less than the original grant of Rs 210.31 crore. In 4 other cases relating to 4 grants, supplementary grant of Rs 228.13 crore exceeded the requirement of Rs 74.28 crore resulting in saving of Rs 153.85 crore.

There were persistent excesses of more than 10 *per cent* over the budget provision in case of 3 departments viz. Power Development Department (Revenue-voted), Fisheries Department (capital-voted) and Finance Department (capital-charged).

There were also persistent substantial savings during the last 3 years in the departments of Education, Food Supplies and Transport, Planning and Development, Public Health Engineering, Tourism, Agriculture, Rural Development and Co-operative.

(Paragraph: 2.1 to 2.24)

3. Performance review of schemes/departments/companies/corporations

Finance Department

Security Related Expenditure

To enable the State Government to overcome financial constraints in tackling and combating militancy effectively the Central Government reimbursed expenditure on 25 security related activities like carriage of constabulary, security related civil works, rent of buildings hired for accommodating security forces, purchase of arms and ammunition, vehicles, material and

supplies. Expenditure of Rs 1425 crore on security related items was reported to the Central Government during the period 1996-97 to 2000-2001.

Accounting procedure to ensure correct and identifiable accounting of Security Related Expenditure had not been devised. Expenditure of about Rs 42 crore was overstated during 1996-2001 in test-checked cases. Due to absence of proper control mechanisms in the concerned departments, inadequate co-ordination and poor monitoring, misutilisation and diversion of SRE funds of more than Rs 42 crore were noticed. Expenditure of Rs 1.69 crore on civil works by Estate Department was not admissible under SRE norms. Irregular, excess and avoidable payments exceeding Rs 12 crore on account of rent of buildings were made due to lack of co-ordination between line and administrative departments and non-maintenance of proper records.

(Paragraph: 3.1)

Health and Medical Education Department

Prevention and Control of Diseases

Central Government started various Centrally sponsored schemes under a common heading "Prevention and Control of Diseases" which included AIDS, Leprosy, Blindness and Tuberculosis control programmes with the aim of containing these diseases by prevention, treatment and finally elimination. Expenditure of Rs 11.43 crore was incurred on the programme during 1996-97 to 2000-01.

Implementation of AIDS control programme was beset with shortage of trained manpower, lack of infrastructure for HIV testing at STD centres and blood banks. There was no follow-up of HIV positive cases detected during surveillance or at point prevalence surveys. Leprosy control programme suffered due to inadequate surveys, untrained and inadequate manpower and poor follow-up. Permanent rehabilitation of discharged cases by way of reconstructive surgery for correction of deformities, was not undertaken. The programme on control of blindness also did not make much headway. There was shortfall of 4 to 33 *per cent* in achievement of targets for cataract/intra-ocular surgery due to inadequate infrastructure. District Tuberculosis Centres which were to function as specialised referral centres had been established in 10 out of 14 districts only. The number of TB cases treated ranged between 13 and 18 *per cent* only. Death due to TB increased four fold during 2000-01 compared to 1996-97. Health institutions had deficiencies of equipment like X-ray plants, vehicles for supervision, etc. Defective drug management and administration of sub-standard TB drugs to patients were also noticed.

(Paragraph: 3.2)

Irrigation and Flood Control Department

Performance of Irrigation Department

Irrigation Department was created in 1959 with the sole objective of providing assured irrigation to cultivable land and was responsible for planning, execution and maintenance of various irrigation schemes. During the period 1997-98 to 2000-01, expenditure of Rs 388 crore was incurred by the department.

The objectives of the department remained largely unrealised due to defective planning/ execution of works, high administrative cost and inadequate control mechanism. Late release of funds by the administrative department to implementing divisions resulted in their underutilisation to the extent of 13 *per cent*. Funds borrowed from NABARD and Central Government (AIBP) were also not efficiently utilised. 358 works, estimated to cost Rs 72.09 crore, were taken up for execution without administrative approval/technical sanctions. Twelve irrigation schemes taken up during 1972-84 had not been completed despite cost overrun of Rs 275 crore and time over-run of 7 to 24 years. 17 divisional officers created liability of Rs 17 crore by executing works without approval and provision of funds. Inadequate survey/investigations resulted in abandoning of two irrigation schemes and consequential wasteful expenditure of Rs 4.09 crore.

(Paragraph: 4.1)

Drinking Water Programmes

Accelerated drinking water programmes^ψ launched by Central Government aimed at improving/providing safe and adequate water supply in rural and urban areas covering all habitations especially those without access to safe drinking water in a fixed time frame. Expenditure of Rs 146.19 crore and Rs 4.45 crore was incurred on ARWSP and AUWSP during the period 1997-2001 and 1993-2001 respectively.

The State Government failed to utilise the funds released by the Central Government with shortfall in utilisation ranging between 77 and 41 *per cent*. Funds aggregating Rs 3 crore were diverted to activities outside the scope of the programme. Shelf of schemes was not prepared and action plans did not indicate the basis/criteria for selection of schemes. 298 works out of 420, were executed without administrative approval/technical sanctions. There was cost overrun of Rs 1.72 crore in execution of 16 schemes. Defective selection of water sources resulted in avoidable expenditure of Rs 3.60 crore on revival of 17 schemes and unfruitful expenditure of Rs 1.06 crore on 4 other schemes. Water testing laboratories had been established in 8 out of 14 districts.

^ψ Accelerated Rural Water Supply Programme (ARWSP) and Accelerated Urban Water Supply Programme (AUWSP)

Laboratories in 3 districts functioned partially, which resulted in supply of unsafe drinking water in Udhampur, Jammu and Rajouri towns. The programmes had neither been monitored nor evaluated.

(Paragraph: 4.2)

Health and Medical Education Department

Management of Stores including Machinery and Equipment in Associated Hospitals

There are 12 Associated Hospitals in the State which provide preventive, curative and promotional health care services to the people. Among these hospitals, Medical College Hospital, Jammu and SMHS Hospital, Srinagar provide super specialty and intensive-care treatment to referred patients. Expenditure of Rs 102 crore was incurred on purchase/maintenance of machinery/equipment, material and supplies during the period 1996-97 to 2000-01.

Funds aggregating Rs 8 crore were not utilised during 1996-01. Standard procedures for purchase of equipment, etc. were not followed which resulted in expensive equipment worth Rs 1.84 crore lying idle. Delay in finalisation of rate contracts resulted in extra expenditure of Rs 69 lakh. The stores/stock articles valued at Rs 20 crore were accounted for in the stock ledgers without checking technical specifications. Machinery/equipment costing Rs 2.55 crore was lying non-functional for want of repairs, trained technical staff or other reasons. Norms for purchase/issue of linen articles were also not fixed.

(Paragraph: 5.1)

Forest Department

Working of forest timber coupes/depots

The department had not executed any agreement with the Jammu and Kashmir State Forest Corporation for extraction of timber from the coupes/ compartments allotted to it. Records relating to timber handed over to Corporation, royalty due and received had not been maintained. An amount of Rs 251 crore was reported outstanding from the corporation, as of March 2000. Rates for royalty had not been revised for more than a decade. Incorrect computation of timber volume, short accountal, application of pre-revised rates and non-raising of bills, resulted in revenue loss of Rs 7.96 crore to the Government.

(Paragraph: 6.2)

Agriculture Production and Rural Development Department

Jammu and Kashmir State Agro Industries Development Corporation Limited

The Company was incorporated in January 1970 for promoting agro-industrial development and providing agricultural inputs to farming community at reasonable rates. It was presently engaged in purchase/sale of fertilisers, agricultural machinery/equipment, production and sale of cattle feed, processing of honey, canning of fruits/vegetables and fabrication/sale of steel items.

The Company had finalised its accounts up to 1983-84 only. The Company incurred accumulated loss of Rs 13.19 crore at the end of March 2000 which represented 373 *per cent* of its paid-up capital. Losses were mainly due to high incidence of establishment costs and dependence on Government departments for orders. Rupees 1.13 crore were outstanding against private dealers/Government departments on account of credit sales made against the policy of the company. Irregular and inadmissible payments of Rs 11.25 lakh on carriage of fertilisers were also noticed.

(Paragraph: 7.2)

Education Department

University of Kashmir

The University of Kashmir was established in 1969 with the objective of imparting education, providing for research, advancement and dissemination of knowledge and conducting examination in all academic fields. Expenditure of Rs 36 crore was incurred by the University during the period 1996-97 to 2000-01.

The University had not prepared its annual accounts since inception as a result the position of assets and liabilities was not ascertainable. Plan funds of Rs 44 lakh were diverted during 1997-2001 and Rs 1 crore were spent without budget provision. Shortfall in intake of students (18 to 100 *per cent*), low pass percentage (45 to 59) and delay in the completion of courses (3 to 36 months) were also noticed during 1996-2001. The number of teaching and non-teaching staff of the University almost equalled its students intake capacity. There was cost overrun of Rs 4.79 crore (104 *per cent*) and time overrun of 8 years on construction of 88 units of staff quarters and Rs 72 lakh were locked up in 22 incomplete units due to defective planning/execution. Construction of convocation-cum-cultural centre was left halfway despite expenditure of Rs 2 crore. The structure suffered damages assessed at Rs 51 lakh. Injudicious and unplanned purchases resulted in idle investment of Rs 66 lakh. Avoidable/wasteful/extra expenditure of Rs 30 lakh was also incurred on purchase of paper of inferior quality, study material in excess of requirement, and excess POL consumption in vehicles.

(Paragraph: 8.2)

Forest Department

Performance of Pollution Control Board in air pollution and water management under Air and Environmental Acts

The Jammu and Kashmir State Pollution Control Board constituted in the year 1976 with the objective of enforcing Air (Pollution and Control of Pollution Act 1981) and Environment (Protection) Act 1986 for prevention and control of air and environmental pollution. Expenditure of Rs 7.52 crore was incurred by the Board during the period 1996-97 to 2000-01.

The Board failed to achieve these objectives due to non-establishing of required infrastructure. Laboratories for testing air samples and vehicular/industrial emission had not been set-up. It had also not identified the extent of air and noise pollution and measures to contain it. Out of 315 industrial units in Jammu Division and 45 stone crushers in Jammu Municipal limits, only 73 units (21 *per cent*) had adopted pollution control measures. In Kashmir Division 280 industrial units were operating without consent of Board. Management structures for regulating, handling and disposal of hazardous wastes were also not established. Institutions producing bio-medical wastes were functioning without permission of the Board.

(Paragraph: 8.3)

4. Transaction Audit Findings

Agriculture Production and Rural Development Department

Expenditure of Rs 11.93 lakh incurred by District Horticulture Officer, Poonch and Chief Horticulture Officer, Udhampur was rendered unfruitful by making payments to a supplier for drip irrigation sets without getting the sets installed at the identified sites.

(Paragraph: 3.3)

Non-implementation of the Centrally sponsored scheme of computerisation of DRDAs and the State Directorate resulted in locking up of Rs 84 lakh for over 3 years.

(Paragraph: 8.4)

Education Department

Non-Formal Education Programme

Non-Formal Education Programme a Centrally sponsored scheme, was introduced in the State in 1981-82 with the main aim of imparting elementary education to the children in the age group of 6 to 14 years comparable in quality to formal education. The programme had not taken off in the State despite incurring expenditure of Rs 10.35 crore on it during 1995-96 to 2000-01. Non-involvement of community in planning and implementation process, establishing of NFE centres without proper survey, high drop-outs, non-

introduction of prescribed curriculum and upper primary classes affected implementation of the programme in the State. Implementation of the programme through Non-Governmental Organisations was also poor.

(Paragraph: 3.4)

Forest Department

Irregular sanction of ration allowance by the Director, Forest Protection Force resulted in inadmissible payment of Rs 16.39 lakh to its employees.

(Paragraph: 3.5)

Gardens, Parks and Floriculture Department

Failure of the Director to verify the title of land before taking up the work of development of a recreational park at Chinar Bagh resulted in wasteful expenditure of Rs 8.93 lakh.

(Paragraph: 3.6)

General Administration Department

Inadequate planning by General Administration Department for construction of quarters for Darbar move employees at Srinagar and Jammu resulted in diversion of Rs 3 crore and locking up of Rs 2 crore for 19 months and Rs 1 crore for 42 months.

(Paragraph: 3.7)

Health and Medical Education Department

The Controller, Drug and Food Control Organisation constructed an animal house and purchased machinery/equipment without providing necessary infrastructure which rendered the expenditure of Rs 44.62 lakh thereon unfruitful.

(Paragraph: 3.8)

Failure of the Principal, Dental College, Srinagar to seek replacement of lost equipment from the supplier resulted in wasteful expenditure of Rs 9.16 lakh.

(Paragraph: 3.9)

Home Department

Irregular and unauthorised advances by the Superintendent of Police, Transport Workshop, Srinagar to Indian Oil Corporation resulted in avoidable interest costs and payment of bank commission of Rs 14.44 lakh.

(Paragraph: 3.10)

Non-observance of codal provisions by Principal, Police Technical Training Institute/Treasury Officer, Vijaypur facilitated fraudulent drawals aggregating Rs 13.55 lakh.

(Paragraph: 3.11)

Delay in setting-up of Police Housing Corporation resulted in locking up of Rs 1.05 crore for over 8 years with resultant interest loss of Rs 55 lakh on locked up funds.

(Paragraph: 3.12)

Hospitality and Protocol Department

Non-compliance with the instructions of the State Government for engagement of private architects by the Director, Hospitality and Protocol Department resulted in avoidable expenditure of Rs 62.05 lakh on fee to a private Architect.

(Paragraph: 3.13)

Industries and Commerce Department

Drawal of Rs 1.53 crore by the Director, Handloom Development for payment of Market Development Assistance to Handloom Cooperative Societies without verifying their physical existence, resulted in locking up of Rs 96.51 lakh for over 3 years.

(Paragraph: 3.14)

Planning and Development Department

Payment of Rs 20 lakh by the Principal Secretary to Border Roads Development Board without ascertaining its willingness and capability for constructing the tunnel on Leh-Nobra road, resulted in idling of the amount for over 3 years. Interest cost on the amount lying outside the Government account worked out to Rs 9 lakh.

(Paragraph: 3.15)

Housing and Urban Development Department

Action of the Srinagar Municipality to release mobilisation advance of Rs 18 lakh to Non-Governmental Organisations without obtaining bank guarantee, for construction of low cost sanitary toilets, resulted in irregular retention/idling of the amount for over 4 years. Interest cost on the locked up amount worked out to Rs 10.80 lakh.

(Paragraph: 8.5)

Science and Technology Department

Failure of the Government to release its matching share to the Jammu and Kashmir Energy Development Agency for installation of solar power plants resulted in locking up of Rs 34 lakh for over 2 years with interest cost of Rs 8 lakh.

(Paragraph: 8.6)

Power Development Department

Chief Engineer, Systems and Operation incurred unfruitful expenditure of Rs 3.35 crore on purchase of shunt capacitors by not making prior funding arrangements for their installation. Cost of idle funds to Government was Rs 1.13 crore.

(Paragraph: 4.3)

Realignment of the Chenani-Srinagar transmission line by the Chief Engineer, Systems and Operations without undertaking geo-technical survey resulted in wasteful expenditure of Rs 26.75 lakh and idle investment of Rs 5.70 lakh on construction of towers.

(Paragraph: 4.4)

Public Health Engineering Department

Investment of Rs 7.40 lakh made by the Executive Engineer, water supply Master Plan Division, Jammu on construction of a service reservoir without ensuring availability of adequate water at the source was rendered idle.

(Paragraph: 4.5)

Irregular and unauthorised advance payment by Executive Engineer, PHE Mechanical Division, Srinagar to Power Development Department for construction of a receiving station rendered the expenditure of Rs 21.41 lakh infructuous, besides idling of Rs 23.59 lakh in civil deposits.

(Paragraph: 4.6)

Execution of the scheme of augmentation of Drinking Water Supply Scheme Akhnoor, by the Executive Engineer, Public Health Engineering Division, Akhnoor irregularly and in an unplanned manner, resulted in unproductive investment of Rs 1.25 crore.

(Paragraph: 4.7)

Roads and Buildings Department

The Executive Engineer, Roads and Buildings Division Kathua diverted Rs 12.87 lakh out of Rs 15.45 lakh provided for specified building works. Balance was lying locked up for over 2 years.

(Paragraph: 4.8)

Unauthorised execution of a two-lane slip by the Chief Engineer, Roads and Buildings, Jammu resulted in wasteful expenditure of Rs 59.93 lakh, besides idling of Rs 12 lakh for over 3 years.

(Paragraph: 4.9)

Improper and inadequate assessment of the feasibility of construction of a highway bridge near Basohli resulted in infructuous expenditure of Rs 78.27 lakh, besides idling of Rs 3.82 lakh for over 4 years.

(Paragraph: 4.10)

Finance Department

Failure to detect suppression of purchases, grant of irregular exemption from payment of sales tax and incorrect computations by the Assessing Authorities resulted in short levy of tax, penalty and interest amounting to Rs 21.84 lakh.

(Paragraphs: 6.4, 6.5, 6.6, 6.7 and 6.9)

Failure of the Excise and Taxation Officers to register 10209 vehicles under the Passengers Tax Act during the period 1996-2001 resulted in poor realisation of passenger tax. Tax collection in Kashmir Division was only 18 *per cent* of the total collections, though 48 *per cent* vehicles of the State were registered with Excise and Taxation Officer, Srinagar.

(Paragraph: 6.3)

Inadequate control mechanism in Sales Tax Department resulted in short/non-realisation of service tax of Rs 41.95 lakh by 9 drawing and disbursing officers.

(Paragraph: 6.8)

Jammu and Kashmir State Financial Corporation

The Corporation failed to adhere to the provisions of Interest Tax Act, 1974 by not filing returns and depositing advance tax within the specified period for the assessing years 1993-94 to 1995-96 which resulted in avoidable payment of interest of Rs 9.12 lakh during 1995-96 to 1998-99.

(Paragraph: 7.3)

Jammu and Kashmir Power Development Corporation

Irregular reimbursement of service tax to two contractors by Executive Engineer, Civil Construction Division, Power Development Corporation, resulted in avoidable payment of Rs 8.38 lakh.

(Paragraph: 7.4)

Jammu and Kashmir Projects Construction Corporation Limited

The company failed to adhere to the provisions of Income Tax Act, 1961 by not filing income tax returns and depositing advance tax for the accounting years 1997-98 and 1998-99 on due dates. This resulted in avoidable payment/liability of interest of Rs 17.61 lakh.

(Paragraph: 7.5)