

Overview

This Report includes two chapters containing observations of Audit on Finance and Appropriation Accounts of the State for the year 2001-02 and six other chapters with 8 audit reviews and 34 paragraphs dealing with the results of the audit of selected schemes, programmes, 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 year 2001-02 closed with a revenue deficit of Rs 334 crore against revenue deficit of Rs 961 crore during 2000-01.

Revenue of Rs 1266 crore raised by the State Government from its own sources *viz.* tax and non-tax revenue, constituted 19 *per cent* of the total revenue receipts of Rs 6489 crore. State's share of Union taxes and duties and grant-in aid from the Central Government constituted the remaining 81 *per cent*. Tax and non-tax revenue increased during 2001-02 by 8 and 4 *per cent* respectively over the level of 2000-01. Arrears of Rs 1074 crore in respect of sales tax, passenger tax, forestry, state excise and urban immovable property tax were pending collection at the end of March 2002- an increase of 9 *per cent* over the level of March 2001.

Revenue expenditure of Rs 6823 crore during the year accounted for 84 *per cent* of total expenditure showing an increase of 3 *per cent* over the level of 2000-01. Capital expenditure of Rs 1225 crore during 2001-02 constituted 15 *per cent* of the total expenditure against 11 *per cent* in the preceding year.

Fiscal deficit representing net borrowing of the Government, was Rs 1474 crore compared to Rs 1873 crore in the preceding year. Total liabilities of the Government comprising public debt, small savings, provident and reserve funds and deposits stood at Rs 10443 crore at the end of March 2002 against Rs 9224 crore at the end of preceding year.

Interest payments of Rs 1047 crore constituted 15 *per cent* of revenue expenditure during the year and had 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 4 crore at the minimum borrowing rate of 13.75 *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 263 crore as on March 2002 were making losses and their accumulated loss aggregated Rs 686 crore as per their latest finalised accounts.

(Paragraphs: 1.1 to 1.47)

2. Appropriation audit and control over expenditure

Against the provision of Rs 10152 crore during 2001-02, the expenditure aggregated Rs 14669 crore which resulted in excess expenditure of Rs 4517 crore. The excess expenditure was mainly due to (a) part clearance of overdrafts obtained by the State Government from Jammu and Kashmir Bank for meeting its ways and means requirements, (b) expenditure on purchase of power, and, (c) incurring of expenditure without provision in the budget.

There was excess expenditure of Rs 6147 crore in 11 grants and one appropriation despite obtaining supplementary grants of Rs 140 crore. In 15 cases relating to 13 grants and two appropriations, supplementary provision of Rs 69 crore remained wholly unutilised as the final expenditure of Rs 1488 crore was even less than the original grant of Rs 1678 crore. In 14 other cases relating to 9 grants and 4 appropriations supplementary grant of Rs 529 crore exceeded the requirement of Rs 269 crore resulting in saving of Rs 260 crore.

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

There were also persistent savings during the last 3 years in the departments of Food Supplies and Transport, Housing and Urban Development, General Administration, Home, Planning and Development, Agriculture, Information, Education, Rural Development and Co-operative, Animal Husbandry, Revenue, Social Welfare, Forest, Irrigation and Flood Control and Labour, Stationery and Printing.

(Paragraphs: 2.1 to 2.24)

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

Rural Development Department

Rural Housing Schemes

Centrally sponsored schemes of Indira Awaas Yojana (IAY) and Credit-cum-Subsidy were launched in the State from 1985-86 and 2001-02, respectively to provide housing to rural families living below poverty line (BPL). Expenditure of Rs 41.53 crore was incurred on these schemes during the period 1997-2002.

The department had not conducted survey for identification of shelterless BPL rural families. The beneficiaries were selected by the district development commissioners on the basis of applications received in block offices/identification made by the *sarpanchs*. 895 households, which did not figure in the BPL lists or were living in urban areas, were covered under IAY and assistance of Rs 1.82 crore was released to them during 1997-2002. Achievement of constructing/upgrading 28522 and 2118 houses respectively, reported to the Central Government seemed improbable as only 20658 houses

could be constructed against the expenditure of Rs 41.32 crore at the minimum rate of Rs 20000 per house. The State was deprived of Central assistance of Rs 12.51 crore during 1997-2002 due to belated submission of utilisation certificates, underutilisation of funds and submission of deficient/wrong proposals. Cases of diversion of funds, unfruitful expenditure and excess payments of assistance aggregating Rs 1.19 crore were also noticed.

(Paragraph: 3.1)

Agriculture Production Department

(Animal Husbandry Department)

Livestock and poultry development programmes

Animal Husbandry Department was set up with the objectives of improving the quality of livestock/poultry and providing health cover to the livestock so as to increase milk and poultry production in the State. The department spent Rs 270.92 crore during the period 1997-2002 which included expenditure on Centrally sponsored schemes.

The department had neither conducted any survey to ascertain and classify the indigenous livestock in the varied agroclimatic regions of the State nor had formulated any animal breeding policy. Due to non-maintenance of essential data of the cattle, indiscriminate artificial insemination was carried out which resulted in generation of cattle of unknown exotic inheritance with multiple problems of sterility, health and early calf mortality. The Central Cattle Breeding and Research Farm, Belicharana established to take up research programmes for cattle development and to act as bull mother farm for production of high pedigree and proven bulls failed to achieve its objectives. The average milk yield per lactation at the farm in cross-bred cows and buffaloes during 1997-2002 was 1423 and 1124 litres respectively, against average milk yield of 3000 to 11533 litres in cross/exotic bred cattle and 2500 to 4000 litres in respect of buffaloes at various cattle breeding/dairy farms of the country. Two breeding farms set up at Badhoon (Rajouri) and Ari for production of high quality pack animals and for developing herd of elite buffaloes suitable for local ecological conditions also failed to achieve their objectives. The performance of poultry farms at Hariparbat, Belicharana, Rajouri and Udhampur was also not satisfactory. The average egg production in the two projects at Hariparbat and Belicharana during 1992-93 to January 2002 was only 23 *per cent* and between 15 and 81 *per cent*, respectively, of the minimum expected yield. Mortality of poultry birds in 18 farms and 3 projects ranged between 24 and 40 *per cent* during 1997-2002 against the norm of one to 7 *per cent* fixed by Central Poultry Breeding Farm, Bangalore. Cost of rearing per bird in Poultry Project Belicharana and Udhampur farm ranged between Rs 552 and Rs 989 and Rs 578 and Rs 976, respectively.

(Paragraph: 3.2)

Power Development Department

Generation, purchase, distribution and sale of electric energy

Electric energy is generated mainly by hydro electric power stations in the State. Energy is also purchased from outside sources to bridge the gap between demand and supply. While the Jammu and Kashmir Power Development Corporation looks after generation of power, Power Development Department is responsible for its transmission/distribution and sale. The department incurred an expenditure of Rs 5020 crore during 1996-2001. Of this expenditure on operation and maintenance was only Rs 71.94 crore forming 2 *per cent* of the total expenditure during the period.

The deficit of the department increased from Rs 521 crore to Rs 886 crore during 1996-2001. Average loss per installation increased from Rs 5753 to Rs 8309 during 1996-2001. Power generation in the State declined by 31 *per cent* during 1996-2001 despite increase in the installed capacity by 9 *per cent* during this period. Transmission and distribution losses ranged between 52 and 68 *per cent* during 1997-2001 against the norm of 15 *per cent*. Commercial losses due to non-accounting of energy drawn by the consumers or pilferage, accounted for 7922 mKWH costing Rs 1134 crore. Non-application of prescribed tariff and non-levying of surcharge during 1999-2000 resulted in short assessment of revenue of Rs 145.06 crore. Arrears of revenue in the department increased by 301 *per cent* from Rs 134.45 crore during 1997-98 to Rs 539.62 crore in 2000-01.

(Paragraph: 4.1)

Public works Department

Performance of the PWD (R&B)

Public Works Department was created for construction and maintenance of roads, bridges and buildings in the State. The department incurred expenditure of Rs 1329 crore on construction of 900 kms of road during the 5 years ending March 2002.

The department executed 502 works without administrative approval/technical sanction resulting in unfruitful/wasteful/extra expenditure of Rs 2.40 crore on 5 test-checked works. Funds aggregating Rs 9.59 crore meant for specified schemes like construction of gutted bridges, etc. were diverted to activities/schemes not connected with the programmes. There was cost overrun of Rs 25.89 crore on completion/implementation of 131 schemes in Jammu/Kashmir Divisions and in respect of 6 works under National Highways Bypasses Programme. The State was deprived of Central assistance of Rs 26.14 crore under Central Road Fund and National Highways Bypasses Programme during 1995-2002, as the department failed to furnish utilisation certificates and full details of the expenditure.

(Paragraph: 4.2)

Agriculture Production Department

Management of stores in Agriculture Department

Agriculture Production Department is responsible for procurement of seeds, plant protection chemicals and fabrication of agricultural implements for sale to farmers at subsidised rates. Quality seeds are also produced at departmental farms and in seed villages. Expenditure of Rs 39.73 crore was incurred by the department during the period 1997-2002.

The department had not prepared trading accounts for proper accountability/control over purchase of inputs/raw material, sale proceeds and their consumption. Sale proceeds of Rs 5.01 crore realised by district level functionaries of the department as of March 2002, was retained by them for periods ranging from 4 months to 6 years. The department purchased seed in excess of requirements resulting in 2012 MTs of seed rendered unfit due to expiry of its shelf life. Plant protection chemicals costing Rs 1.91 crore purchased during 1997-2002 were also lost due to expiry of their shelf life. The department had not fixed norms for storage/process losses. Process losses of 2733 MTs of seed costing Rs 2.49 crore were reported at its two seed processing plants during 1997-2002.

(Paragraph: 5.1)

Transport Department

Taxes on motor vehicles

Motor Vehicles Department is responsible for implementation of Motor Vehicle Acts/Rules. Under these Acts and Rules, registration of vehicles, issue of licences/route permits and levy/collection of taxes/fees is regulated.

The department did not make any exercise to review its records relating to registration, permit and fitness of vehicles. As a result, fees aggregating Rs 31.24 lakh due for the period March 1996 to March 2002 in 1060 test-checked cases was not realised. Application of pre-revised rates of registration, fitness certificate and fitness testing fee resulted in short/non-charging of Rs 68.72 lakh in respect of 27056 vehicles registered in the State from April to December 2001. RTO^φ, Jammu and ARTOs^ψ, Rajouri, Baramulla, Kupwara and Lakhanpur had not updated their token tax registers due to which token tax of Rs 25.48 lakh was either realised short or not realised at all during 1995-2002. 3992 vehicles booked for carrying excess load during February 2000 to November 2001 were allowed to move without off-loading their excess weight and recovering penalty of Rs 79.84 lakh from them.

(Paragraph: 6.2)

^φ Regional Transport Officer
^ψ Assistant Regional Transport Officers

Forest Department

Jammu and Kashmir State Forest Corporation

The Jammu and Kashmir State Forest Corporation was established under Jammu and Kashmir State Forest Corporation, Act 1978 with the main objectives of management, maintenance and development of forests in the State and to render technical advice to the State Government on the matters relating to forestry. The Corporation, however, restricted its activities mainly to extraction and sale of timber.

The Corporation had finalised its accounts up to 1985-86 and finalisation of accounts beyond 1985-86 was in arrears. The Corporation sustained losses continuously during 1996-2001 due to high cost of production, maintenance of huge inventory, material losses and surplus manpower and its accumulated loss stood at Rs 291.98 crore at the end of March 2001. Agreement specifying conditions/procedures for allotment/working of coupes, fixation of royalty rates, etc. had not been drawn up with the Forest Department. Royalty outstanding as per Forest Department was Rs 383.79 crore against Rs 355.92 crore shown in its accounts by the Corporation as on March 2001. The Corporation had not revised the minimum reserve price of the timber since June 1997 and auction of timber was conducted with reference to the price level of June 1997. The Corporation suffered loss of 27.23 lakh cfts. timber costing Rs 52.40 crore during 1996-2000 due to floods, fire, pilferage, thefts, etc.

(Paragraph: 7.2)

Education Department

University of Jammu

The University of Jammu was established in 1969 with the objective of imparting education, providing for research, advancement and dissemination of knowledge, holding examinations, conferring degrees, diplomas and other academic distinctions.

The University had not prepared its accounts since inception as a result of which its financial position was not ascertainable. There was delay in declaration of results of post-graduate courses ranging between 6 and 28 weeks during academic sessions of 1999 to 2001. The percentage of students declared successful after re-evaluation of their marks ranged between 24 and 29 during 1997-2001 indicating evaluation in the first instance was not done with due care. Expenditure on salaries of the excess manpower maintained by the University aggregated Rs 44.47 crore during 1997-98 to 2001-02. Despite funds being available the University borrowed Rs 1.30 crore from Housing and Urban Development Corporation Limited, resulting in avoidable interest payment of Rs 48.96 lakh.

(Paragraph: 8.2)

4. Transaction audit findings

Agriculture Production Department

Purchase of instant milk chilling plant by the Joint Director (Farms), Animal Husbandry Department, Jammu without ascertaining its feasibility and providing necessary infrastructure for its installation, resulted in idle investment of Rs 24.20 lakh.

(Paragraph: 3.3)

Financial Commissioner approved setting up of 18 agriculture/horticulture markets without adequate spade work which resulted in locking up of Rs 6.15 crore borrowed from NABARD for 1½ to over 4 years with interest liability of Rs 1.44 crore thereon.

(Paragraph: 3.4)

Commissioner-Secretary Agriculture and Rural Development Department released funds to the Director Horticulture Department for establishment of five rural food processing and training centres at Kathua, Rajouri, Pulwama, Kupwara and Anantnag. The centres could not be established due to non-availability of necessary infrastructure resulting in idle investment of Rs 7.77 lakh on purchase of machinery/equipment and payment of idle wages of Rs 20.66 lakh to the staff.

(Paragraph: 3.5)

Finance Department

Investment of Rs 2.54 crore on the sales tax and excise plaza at Lakhanpur was rendered idle due to purchase of incompatible software for the computer system approved by the Director Finance. Cost of idle investment to Government worked out to Rs 84.84 lakh.

(Paragraph: 3.6)

Health and Medical Education Department

Director Health Services, Jammu without receiving analytical report from Drug and Food Control Organisation administered sub-standard drugs costing Rs 11.91 lakh to the patients in the health institutions of the Jammu Division.

(Paragraph: 3.7)

Failure of the Directors Health Services, Kashmir and Jammu to establish 4 new nursing schools resulted in locking up of funds of Rs 67.64 lakh for over 3 years besides, depriving the State Government of Central assistance of Rs 1.54 crore.

(Paragraph: 3.9)

Due to incorrect computation of stipend by the Medical Superintendents of 4 Associated Hospitals in Srinagar and Jammu, excess payment of Rs 1.02 crore was made to house officers during 1987-88 to January 2000. Recovery of inadmissible payment had not been made so far.

(Paragraph: 3.10)

Hospitality and Protocol Department

Injudicious hiring of houseboats by the Director Hospitality and Protocol during the seasons of 1997 to 1999 led to avoidable expenditure of Rs 31.14 lakh on payment of rent to houseboat owners.

(Paragraph: 3.11)

Rural Development Department

Swarnjayanti Gram Swarozgar Yojana

Swarnjayanti Gram Swarozgar Yojana was launched (July 1999) in the State with the main objective of bringing the assisted families above the poverty line by providing them income-generating assets through a mix of bank credit and Government subsidy. No perspective plans for covering 30 *per cent* of the targeted population during the 5-year period had been prepared. During 1999-2001, only 16430 families/self help groups were covered under the *Yojana* which constituted only 2.7 *per cent* of the total rural BPL population of 6.07 lakh in the State. Due to sponsoring of ineligible/uninterested beneficiaries by the block development officers, only 49 to 54 *per cent* of cases were sanctioned by the banks. No training was imparted to any of the beneficiaries in the test-checked blocks. *Yojana* funds amounting to Rs 27.50 lakh were diverted to office expenses in 6 test-checked offices during 1999-2002.

(Paragraph: 3.12)

Irrigation and Flood Control Department

Executive Engineer, Flood Control Division, Akhnoor failed to complete the work of the breached earthen embankment of the river Chenab at village Garkhal, rendering expenditure of Rs 21 lakh incurred thereon, infructuous.

(Paragraph: 4.3)

Public Health Engineering Department

Delay in finalisation of contract by the Public Health Engineering Department (PHE) resulted in incurring of extra expenditure of Rs 14.67 lakh on construction of a treatment plant at Sherpathri, Harran.

(Paragraph: 4.4)

Public Works Department

Allotment of construction work of sub-structure of a motorable bridge on Kotedhara-Peeri road by the Superintending Engineer Public Works Department (R&B), Rajouri without administrative approval/technical sanction, carrying out unauthorised changes in the design and specifications of the work, and its sub-standard construction by the Executive Engineer resulted in wasteful expenditure of Rs 13.30 lakh.

(Paragraph: 4.9)

Finance Department

Failure to detect suppression/concealment of turnover, purchases and incorrect computations by the assessing authorities resulted in non/short levy of tax, penalty and interest amounting to Rs 13.65 lakh.

(Paragraphs: 6.3, 6.4, 6.5 and 6.6)

Forest Department

The Divisional Forest Officers, Kathua, Nowshera, Ganderbal and Anantnag failed to raise bills against Jammu and Kashmir State Forest Corporation which resulted in non-recovery of revenue of Rs 1.15 crore from the Corporation. Divisional Forest Officer, Kathua also failed to recover Rs 1.99 lakh from Power Grid Corporation of India for compensation of trees.

(Paragraphs: 6.7 and 6.8)

Jammu and Kashmir Bank Limited

Purchase of land at inappropriate sites at Gole Gujral, Jammu and Sopore by the Jammu and Kashmir Bank Limited resulted in idle investment of Rs 33.95 lakh for two to 21 years.

(Paragraph: 7.3)

Food and Supplies Department

Foodgrains valued at Rs 28.37 lakh despatched to various sub-stores/sale depots in Kishtwar, Paddar, Gandoh, Batote, Mahore and Dharmari during 1996-97 to 2000-01 had not been accounted for by the respective storekeepers in their stock registers. Non-accounting of the stocks remained undetected as periodic reconciliation of the receipt/despatch of the foodgrains was not conducted by the respective Tehsil Supply Officers.

(Paragraph: 7.4)

Science and Technology Department

Imprudent cash management in the Jammu and Kashmir Energy Development Agency resulted in interest-loss of Rs 19.81 lakh.

(Paragraph: 8.3)

Tourism Department

Improper assessment of requirement of the Tetronix Colour Printer by Sher-i-Kashmir International Conference Centre resulted in idle investment of Rs 17.44 lakh on its purchase, since February 1997.

(Paragraph: 8.4)

Injudicious action of the Secretary Tourism Department to post 7 employees in the Sher-i-Kashmir International Conference Centre without ascertaining their requirement and subsequent inaction to utilise their services fruitfully in other institutions/organisations resulted in payment of idle wages of Rs 82.27 lakh to them for the three years ending March 2002.

(Paragraph: 8.5)