

## Chapter-VII

### Commercial Activities

#### Section-I

### 7.1 Overview of Government companies and statutory corporations

#### 7.1.1 Introduction

As on 31 March 2004, there were 20 Government companies (17 working and three\* non-working companies<sup>α</sup>) and three working Statutory corporations (against 19 working and one non-working Company and four Statutory corporations as on 31 March 2003) under the control of the State Government. One Statutory corporation viz. Jammu and Kashmir State Electricity Board (SEB) was abolished by the Government during 2003-04. In addition, two companies viz. Himalyan Wool Combers Limited and Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalayan Wool Combers Limited) were closed and were in the process of being wound up. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit, conducted by the CAG as per provisions of Section 619 (4) of the Companies Act, 1956. The audit arrangements of the three Statutory corporations are as shown below:

**Table 7.1**

S.No	Name of the corporation	Authority for audit by the CAG	Audit arrangements
1.	Jammu and Kashmir State Forest Corporation	Section 19 (3) of the CAG (DPC) Act, 1971	Sole audit by CAG
2.	Jammu and Kashmir State Road Transport Corporation	Section 33 (2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
3.	Jammu and Kashmir State Financial Corporation	Section 37 (6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary audit by CAG

\* Tawi Scooters Limited, Himalyan Wool Combers Limited and Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalayan Wool Combers Limited).

<sup>α</sup> Non-working company is that which is under the process of liquidation/merger, etc.

## **Working Public Sector Undertakings (PSUs)**

### **7.1.2 Investment in working PSUs**

The total investment in working PSUs at the end of March 2003 and March 2004 was as follows:

**Table 7.2** (Rupees in crore)

Year	Number of PSUs	Investment by way of		
		Equity	Loan	Total
2002-03	23	421.08	2466.82	2887.90
2003-04	20	393.23	1967.26	2360.49

### **7.1.3 Sector-wise investment in Government companies and Statutory corporations**

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of March 2004 and March 2003 are indicated below in the pie charts:

Chart-7.1

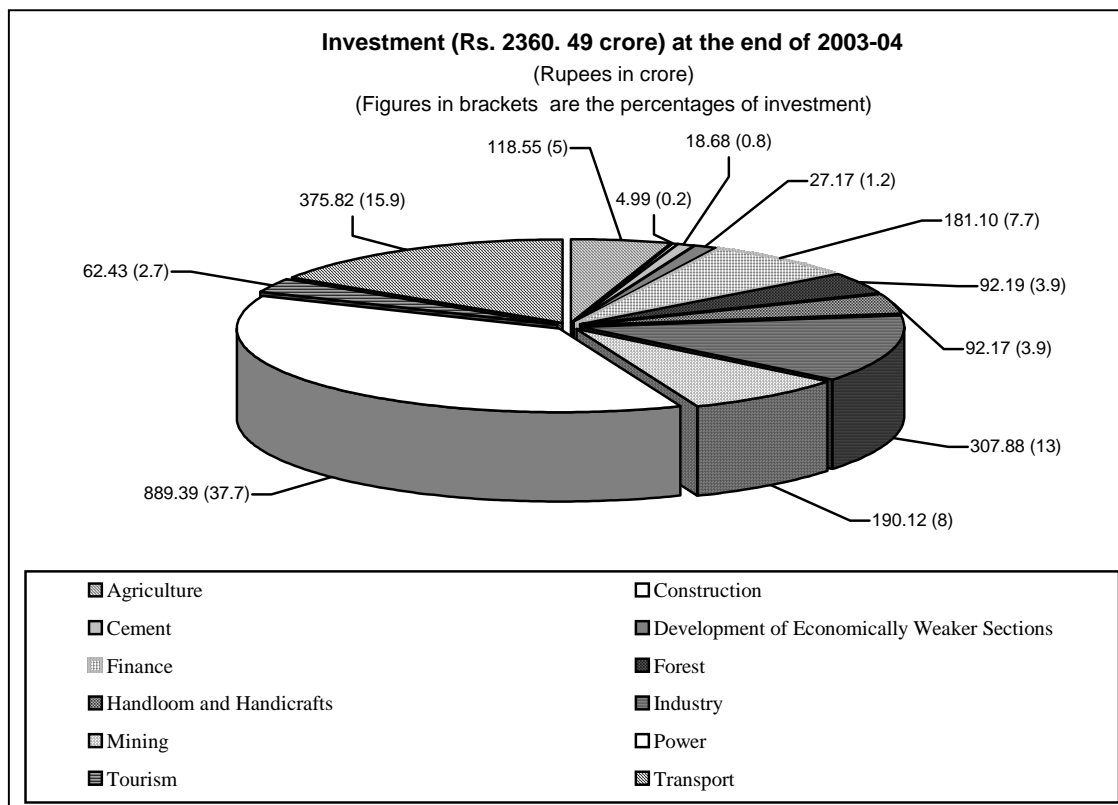
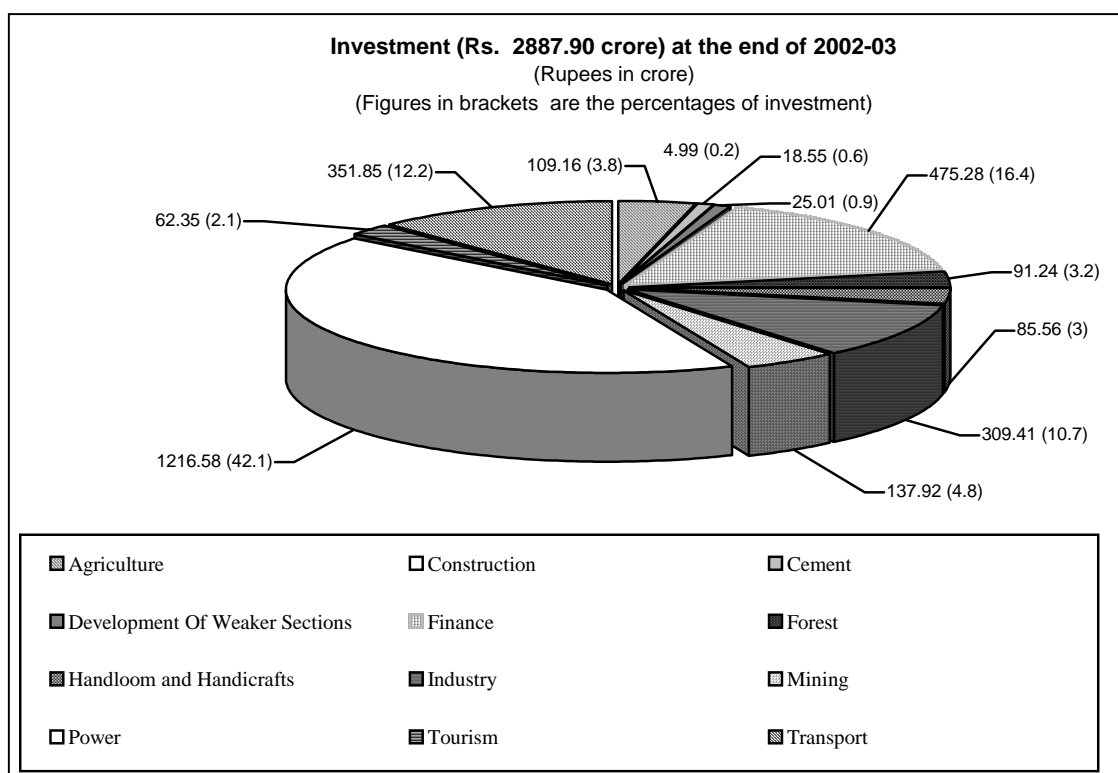


Chart-7.2



#### **7.1.4 Working Government companies**

Total investment in working companies as on 31 March 2003 and March 2004 was as follows.

**Table 7.3** (Rupees in crore)

Year	Number of Government companies	Investment		
		Equity	Loan	Total
2002-03	19	242.42	1752.57	1994.99
2003-04	17	214.57	1545.06	1759.63

The summarised statement of Government investment in these companies in the form of equity and loan is detailed in the *Appendix-27*.

As on 31 March 2003 and 31 March 2004, the total investment in these companies comprised 12 *per cent* equity capital and 88 *per cent* loan.

#### **7.1.5 Working Statutory corporations**

Total investment in three working Statutory corporations at the end of March 2003 and March 2004 was as follows:

**Table 7.4** (Rupees in crore)

S.No.	Name of corporations	2002-03		2003-04	
		Capital	Loan	Capital	Loan
1.	Jammu and Kashmir State Electricity Board	Nil	238.64	- <sup>φ</sup>	-
2.	Jammu and Kashmir State Road Transport Corporation	105.83	246.02	105.83	269.99
3.	Jammu and Kashmir State Financial Corporation	63.80	147.39	63.80	69.04
4.	Jammu and Kashmir State Forest Corporation	9.03	82.20	9.03	83.17
	<b>Total</b>	<b>178.66</b>	<b>714.25</b>	<b>178.66</b>	<b>422.20</b>

As on 31 March 2004, the total investment in Statutory corporations comprised 30 *per cent* equity capital and 70 *per cent* loan compared to 20 *per cent* equity and 80 *per cent* loan as on 31 March 2003.

#### **7.1.6 Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity**

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the Central/State Governments to working companies/Statutory corporations are given in *Appendices-27* and *29*.

<sup>φ</sup> Jammu and Kashmir State Electricity Board was abolished during 2003-04.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the Central/State Governments to the working companies/Statutory corporations for the three years up to 2003-04 are given below:

**Table 7.5** (Rupees in crore)

	2001-02				2002-03				2003-04			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital from budget	5	1.37	1	0.45	5	13.29	-	-	4	2.80	-	-
Loans given from budget	2	3.72	1	19.20	5	9.94	1	20.45	6	10.04	1	25.43
Grants towards projects, programmes/schemes	7	24.75	-	-	5	16.99	-	-	8	25.84*	-	-
Subsidy	5	7.00	-	-	4	1.29	-	-	3	1.45*	-	-
<b>Total outgo</b>	<b>12</b>	<b>36.84</b>	<b>1</b>	<b>19.65</b>	<b>11</b>	<b>41.51</b>	<b>1</b>	<b>20.45</b>	<b>12</b>	<b>40.13</b>	<b>1</b>	<b>25.43</b>

During the year 2003-04, Government guaranteed loans aggregating Rs. 404.74 crore obtained by six working Government companies. At the end of the year, guarantees of Rs. 1281.93 crore against 11 working Government companies (Rs. 1195.98 crore) and two working Statutory corporations (Rs. 85.95 crore) were outstanding. No dues were waived off by Central/State Governments during the current year. Details of subsidy given, guarantees received/outstanding are indicated in the *Appendix-29*.

### 7.1.7 Finalisation of accounts by Working PSUs

The accounts of the Public Sector Undertakings (PSUs) for every financial year are required to be finalised within six months from the end of relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. These are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in

- \* Jammu and Kashmir Small Scale Industries Development Corporation Limited: Rs. 85 lakh (State Government), Jammu and Kashmir State Industrial Development Corporation Limited: Rs. 3.25 crore (Central Government), Jammu and Kashmir State Handloom Development Corporation Limited: Rs. 97 lakh (Central Government: Rs. 21 lakh; State Government Rs. 76 lakh), Jammu and Kashmir State Handicrafts (Sales and Export) Development Corporation Limited: Rs. 4.46 crore (Central Government), Jammu and Kashmir Tourism Development Corporation Limited: Rs. 39 lakh (Central Government), Jammu and Kashmir Power Development Corporation Limited: Rs. 3.50 crore (Central Government), Jammu and Kashmir Minerals Limited: Rs. 44 lakh (State Government) and Jammu and Kashmir State Agro-Industries Development Corporation Limited: Rs. 11.98 crore (Central Government).
- \* Jammu and Kashmir Small Scale Industries Development Corporation Limited: Rs. 10 lakh, Jammu and Kashmir State Handicrafts (Sales and Export) Development Corporation Limited: Rs. 55 lakh and Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited: Rs. 80 lakh.

the case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per provisions of the respective Acts. However, as could be noticed from *Appendix-28*, out of 17 companies and three Statutory corporations, only one company had finalised its accounts for the year 2003-04 within stipulated period. During the period from October 2003 to September 2004, six Government companies finalised six accounts for previous years. Similarly, during this period, two Statutory corporations finalised three accounts for the previous years.

The accounts of 16 working Government companies and three Statutory corporations were in arrears for periods ranging from one to 19 years as on 30 September 2004 as indicated in the *Appendix-30*.

It is the responsibility of the administrative departments to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by the Accountant General regarding the arrears in finalisation of accounts, no significant clearance of arrears was achieved in the current year. As a result net worth of these PSUs could not be assessed in audit.

#### **7.1.8 Financial position and working results of working PSUs**

The summarised financial results of working PSUs (Government companies and Statutory corporations), as per their latest finalised accounts are given in *Appendix-28*. Besides, statements showing financial position and working results of individual working Statutory corporations for the latest three years for which accounts were finalised are given in *Appendices-31* and *32*, respectively.

According to the latest finalised accounts of 17 working Government companies and three Statutory corporations, nine companies<sup>\*</sup> and two<sup>#</sup> Statutory corporations had incurred aggregate losses of Rs. 42.76 crore and Rs. 58.69 crore, respectively. Only four companies<sup>@</sup> had earned profit of Rs. 407.72 crore. Financial position and working results in respect of four<sup>♥</sup> companies and one Statutory corporation (Jammu and Kashmir State Forest Corporation) could not be assessed in Audit due to non-receipt of their accounts.

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\* S.No. 1, 2, 3, 5, 7, 8, 9, 13 and 14 of *Appendix-28*.

# S.No. 1 and 2 of *Appendix-28*.

@ S.No. 4, 6, 11 and 17 of *Appendix-28*.

♥ S.No. 10, 12, 15 and 16 of *Appendix-28*.

## Working Government companies

### 7.1.9 Profit earning companies and dividend

Only one company (Jammu and Kashmir Bank Limited) which finalised its accounts for 2003-04, earned profit of Rs. 406.33 crore and declared dividend of Rs. 48.50 crore. The dividend, as percentage of the share capital of Rs. 48.25 crore of the Company worked out to about 101 *per cent*. As a percentage of total equity capital of Rs. 180.33 crore invested by the State Government in 17 companies during 2003-04, it worked out to 26.90 *per cent* as against 13.98 *per cent* in the previous year. One more company (Jammu and Kashmir Scheduled Castes Scheduled Tribes and Other Backward Classes Development Corporation Limited) which finalised its accounts for the year 1993-94 during 2003-04 earned profit of Rs. 6.13 lakh. However, the Company did not declare any dividend.

### 7.1.10 Loss incurring working Government companies

Of the nine loss-incurring working Government companies, six<sup>∞</sup> had accumulated losses aggregating Rs. 206.15 crore which exceeded their aggregate paid-up capital of Rs. 55.99 crore by Rs. 150.16 crore as per their latest available accounts.

Despite their poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of loan, equity, etc. According to available information, financial support so provided by the State Government during 2003-04 to five<sup>▲</sup> of these six companies amounted to Rs. 29.03 crore.

### 7.1.11 Working Statutory corporations

As per their latest finalised accounts, the two working Statutory corporations had accumulated losses aggregating Rs. 684.99 crore which exceeded their aggregate paid-up capital of Rs. 171.31 crore. Despite their poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to these corporations in the form of equity, loan, etc. According to available information, financial support so provided by the State Government during 2003-04 to one of these corporations amounted to Rs. 25.43 crore.

### 7.1.12 Operational performance of working Statutory corporations

The operational performance of working Statutory corporations is given in *Appendix-33*.

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<sup>∞</sup> S.No 1, 2,3,5,7 and 8 of Appendix-28.

<sup>▲</sup> S.No 1, 2, 5, 7 and 8 of Appendix-28.

### **7.1.13 Return on capital employed**

As per the latest finalised accounts, the capital employed worked out to Rs. 13311.45 crore in 17 working companies and return thereon amounted to Rs. 1283.21 crore (9.64 *per cent*), as compared to return of Rs. 1217.95 crore (11.41 *per cent*) in the previous year. Similarly, capital employed and return thereon in case of working Statutory corporations as per the latest finalised accounts worked out to Rs. 88.97 crore and minus Rs. 22.67 crore, respectively against the return of minus Rs. 20.83 crore in previous year. The details of capital employed and return thereon in case of working Government companies and Statutory corporations are given in *Appendix-28*.

### **Non-working PSUs**

### **7.1.14 Investment in non-working PSUs**

As on 31 March 2004, the total investment in three non-working Government companies was Rs. 3.40 crore (equity: Rs. 2.57 crore: long-term loans: Rs. 83 lakh). One Company (Tawi Scooters Limited) was under the process of liquidation with the Jammu and Kashmir State Industrial Development Corporation Limited since 1990. The process had not been completed as of September 2004. The State Government during 2000-04 incurred an expenditure of Rs. 9.19 lakh on its establishment. Expeditious action for liquidation of the Company was necessary to avoid further non-productive expenditure. The other two non-working companies which have been closed, are under the process of being wound up. The summarised financial results of these companies, as per latest finalised accounts are given in *Appendix-28*.

### **7.1.15 Status of placement of Separate Audit Reports of Statutory corporations in Legislature**

The following table indicates the status of placement, in the State Legislature, of Separate Audit Reports (SARs) on the accounts of Statutory corporations, issued by the Comptroller and Auditor General of India:

**Table 7.6**

S.No.	Name of the Statutory Corporation	Year up to which SARs placed in the Legislature	Year for which SARs not placed in the Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay
1.	Jammu and Kashmir State Road Transport Corporation	2001-02	2002-03	16 June 2004	Accounts under print
2.	Jammu and Kashmir State Financial Corporation	2001-02	2002-03	18 July 2003	Non-convening of AGM.



**7.1.16 Results of audit by Comptroller and Auditor General of India**

During October 2003 to September 2004, the accounts of seven Government companies and above mentioned two Statutory corporations were selected for review. The net impact of the important audit observations as a result of the review was as follows:

Table 7.7

Details	Number of accounts		(Rupees in lakh)	
	Companies	Corporations	Companies	Corporations
Increase in loss	3	2	17.65	762.76

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above companies and corporations are mentioned below:

**Errors and omissions noticed in case of Government companies and corporations****7.1.17 Jammu and Kashmir State Road Transport Corporation (2002-03)**

(a) The Corporation had not provided interest liability of Rs. 5.68 crore, payable on contributory/general provident fund balances as also on State life insurance for the years 1991-92 to 2002-03, resulting in understatement of loss to that extent.

(b) The Corporation had not made provision for Rs. 47 lakh payable to the Srinagar Municipality on account of rent of city services yard, resulting in understatement of loss.

(c) The revenue expenditure had been understated due to non-provision of Rs. 1.07 crore on account of revenue expenditure for the year 2002-03, resulting in understatement of loss to that extent.

(d) Against Rs. 1.25 crore payable by the Corporation as audit fee for the period September 1976 to March 2003, provision of Rs. 1.05 crore only was made in its accounts. This resulted in understatement of expenditure/loss by Rs. 20 lakh.

(e) No provision had been made for Rs. 37 lakh towards compensation/interest up to 2002-03 on account of awards passed by Motor Accidental Claims Tribunal (MACT) in accident cases. This resulted in understatement of loss to that extent.

#### **7.1.18 Jammu and Kashmir State Financial Corporation (2002-03)**

The Corporation had not made provision for guarantee fee of Rs. 20.76 lakh payable to the State Government. This resulted in understatement of loss to that extent.

#### **7.1.19 Jammu and Kashmir Industries Limited (1996-97)**

The Company had not provided for liabilities on account of guarantee fee payable to the Government (Rs. 3.61 lakh), interest on loans raised from IFCI/Industrial Development Bank of India (Rs. 24.38 lakh), interest on loans received from the State Government (Rs. 14.83 lakh). This resulted in understatement of loss by Rs. 42.82 lakh.

#### **7.1.20 Persistent irregularities and system deficiencies in financial matter of PSUs**

Following irregularities and system deficiencies in financial matters of Jammu and Kashmir State Road Transport Corporation had been repeatedly pointed out during the course of audit of accounts, but the Corporation did not take any corrective action.

- (a) Non-maintenance of proper accounts and other records according to the format prescribed (August 1967) by the CAG under Section 33 (ii) of the Road Transport Corporations Act, 1950.
- (b) Non-maintenance of control/financial ledgers.
- (c) Non-operation of inter-unit adjustment accounts for adjustment of advances, transfer of stores, etc.
- (d) Non-segregation of book debts as good, bad and doubtful.
- (e) Abnormal delays in recoveries, adjustment of balances under advances, deposits, etc.
- (f) Non-maintenance of fixed assets register.
- (g) Non-conducting of physical verification of fixed assets stores, stocks and fuel and non-preparation of inventory of vehicles owned by the Corporation.

#### **7.1.21 Recommendations for closure of PSUs**

Even after completion of 26 to 36 years of their existence, the turnover of four<sup>^</sup> Government working companies had been less than rupees five crore in

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<sup>^</sup> Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited, Jammu and Kashmir State Handicrafts (Sales and Export) Corporation Limited, Jammu and Kashmir State Industrial Development Corporation Limited and Jammu and Kashmir Tourism Development Corporation Limited.

each of the preceding five years of their latest finalised accounts. Of these, two\* Government companies and two♦ working Statutory corporations had been incurring losses for five consecutive years leading to negative net worth. In view of poor turnover and continuous losses, Government may either improve performance of these PSUs or consider their closure.

#### **7.1.22 Disinvestment of public sector undertakings**

Board of Directors of one Government company viz. Jammu and Kashmir Tourism Development Corporation Limited in its various meetings (held on September 1997, September 1998 and June 1999) considered privatisation, joint venture or sale of its loss-making units. The Company, however, had not taken any action in this direction as of March 2004.

#### **7.1.23 Response to inspection reports, draft paragraphs and reviews**

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2004 pertaining to 18 PSUs disclosed that 1159 paragraphs relating to 332 Inspection Reports remained outstanding at the end of September 2004. All these paragraphs had been outstanding since 1998-99. Audit paragraphs pertaining to the period prior to 1998-99 had been settled during the current year on the responsibility of the Management. Department-wise break-up of Inspection Reports and audit observations outstanding as on 30 September 2004 is given in *Appendix-34*.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. However, for three draft paragraphs forwarded to the departments concerned during April 2004 (detailed in *Appendix-35*), no reply was received (October 2004).

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who failed to send replies to Inspection Reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment is taken in a time bound schedule, and (c) the system of responding to the audit observations is revamped.

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\* Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited and Jammu and Kashmir State Handicrafts (Sales and Export) Corporation Limited.  
♦ Jammu and Kashmir State Road Transport Corporation Limited and Jammu and Kashmir State Financial Corporation Limited.

**7.1.24 Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)**

The status of reviews/paragraphs of Commercial Chapter pending discussion as on 31 March 2004 is shown below:

**Table 7.8**

Period of Audit Report	Number of reviews and paragraphs that appeared in Commercial Chapter of Audit Report		Number of reviews and paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1990-91	1	4	1	2
1991-92	3	2	2	2*
1992-93	2	1	1	-
1993-94	1	2	1*	-
1994-95	3	1	1*	-
1995-96	1	4	-	-
1996-97	2	1	2*	1*
1997-98	1	1	1*	1*
1998-99	2	4	2*	1
1999-2000	2	3	2*	2( 1+1*)
2000-01	1	3	1*	3
2001-02	1	4	1	4
<b>Total:</b>	<b>20</b>	<b>30</b>	<b>15</b>	<b>16</b>

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\* Partly discussed.

## Section-II

### 7.2 Transaction Audit Observations

#### Jammu and Kashmir Horticultural Produce Marketing and Processing Corporation Limited

##### 7.2.1 Loss due to sale of cherry to a dubious firm

**Decision of the Company to engage a private firm for sale of cherry not in consonance with its objective and to enter into a deal without safeguarding its financial interests, resulted in loss of Rs. 10.13 lakh.**

Based on the proposal mooted by a private firm<sup>^</sup>, the Jammu and Kashmir Horticultural Produce Marketing and Processing Corporation (Company) decided (May 2002) to supply cherry (a fruit) to it for sale in different parts of the Country. The fruit was to be procured by the Company from the growers on daily basis and supplied to the firm against cash payment as per mutual understanding. The Company procured and supplied 234.01 quintals of cherry between 23 May and 25 June 2002 valuing Rs. 16.56 lakh, against which an amount of Rs. 6.43 lakh only was paid by the firm in cash/cheques. The firm paid (May/June 2002) the balance Rs. 10.13 lakh by cheques, which were dishonoured by the banks. In the meantime, the firm left the Valley, and the Company lodged (July 2002) a FIR against the firm and got arrest warrants issued against the proprietors.

Audit observed (October 2003) that the deal was not in consonance with the objective of the Company, which envisaged elimination of middlemen in the fruit trade. Moreover, the deal was struck with the firm, which had approached the Company voluntarily, without (i) obtaining bank guarantee/security, (ii) executing any agreement, and (iii) verifying its credentials. It was also seen that the Company supplied 91.54 quintals of cherry valuing Rs. 6.71 lakh to the firm after the bank had dishonoured (June 2002) the first cheque issued by the firm. Thus, failure of the Company to safeguard its financial interests in the deal resulted in loss of Rs. 10.13 lakh.

The matter was reported to Government/Company (April 2004); their replies had not been received (October 2004).

#### Jammu and Kashmir Projects Construction Corporation Limited

##### 7.2.2 Avoidable payment of interest

**Failure of the Company to file income tax return and to deposit advance tax in time resulted in avoidable payment of interest of Rs. 9.40 lakh.**

Under Section 234-A of the Income Tax Act, 1961, if an assessee fails to file the return of income for any assessment year within the due date, he shall be

<sup>^</sup> M/S Valley Fruit Span Jammu.

liable to pay simple interest for every month or part of a month commencing on the date immediately following the due date. Further, under Section 234-B of the Act, *ibid*, if he does not pay the prescribed percentages of advance tax on the returned income by the specified date, he shall be liable to pay simple interest from the first day of April following such financial year to the date of determination of total income for the default at the rates mentioned in the Act.

Audit observed that the Company defaulted in filing income tax return and depositing prescribed percentage of the advance tax on the returned income for the assessment year 2000-01 on due dates. Consequently, the Income Tax Department levied (March 2001) interest of Rs. 9.40 lakh for the default, which was paid (September 2001) by the Company. The Income Tax Department, while assessing the Company for the year, also determined (March 2003) additional tax and interest of Rs. 10.87 lakh (tax: Rs. 8.77 lakh; interest: Rs. 2.10 lakh) due from the Company. The Company filed (March 2003) an appeal against the assessment order with the Income Tax Department which was pending decision (June 2004).

The Management stated (May 2003) that the delay in filing of return and payment of tax had occurred due to scattered activities of the Company which delayed verification of books and finalisation of accounts. The reply was not tenable as provisional accounts of the Company were prepared by it well before the due date of filing of the return. Thus, poor control mechanism in the Company had resulted in avoidable payment of interest of Rs. 9.40 lakh.

The matter was reported to Government (April 2004); its reply had not been received (October 2004).

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### **Jammu and Kashmir State Power Development Corporation Limited**

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#### **7.2.3 Locking up of funds due to injudicious purchase of material**

**Injudicious purchase of material by the Company resulted in locking up of Rs. 16.43 lakh for more than seven years and consequent loss of interest of Rs 19.89 lakh.**

Prudent store management envisages that purchases should be made in accordance with the definite requirement.

Audit scrutiny (August 2001) of the records of the Mechanical Division of Ningli Navigation Lock Project (NLP) Baramulla revealed, that based on the requirement projected by the Executive Engineer, New Ganderbal Hydel Electric Project (NGHEP), Chief Engineer Power Development Corporation (Kashmir Civil Construction Division), Bemina placed (November 1996/January 1997) orders for supply of steel wire rope slings of varied sizes and capacity (cost: Rs. 16.43 lakh) with two private firms\* on the basis of offers made by them. The orders were placed without assessing reasonability of rates by calling tenders. The material received in the Division (November 1996/January 1997) had not been utilised and was lying in the stores (March 2004). On this being pointed out in Audit, the Executive Engineer, NLP Baramulla stated

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\* M/S Allied Agencies, Srinagar and M/S Farooq Electronics, Srinagar

(March 2004) that the material was not required for immediate use and was purchased in anticipation for NGHEP-an upcoming project.

Thus, injudicious purchase of the material by the Company, had resulted in blocking up of Rs. 16.43 lakh for more than seven years with consequential loss of interest amounting to Rs. 19.89 lakh (at the rate of 12 *per cent* as applicable to cash credit). Moreover, obsolescence of the stocks can not be ruled out.

The matter was reported to Government/Company (April 2004); their replies had not been received (October 2004).

**Srinagar/Jammu  
The**

**(J.Wilson)  
Accountant General  
Jammu and Kashmir**

**Countersigned**

**New Delhi  
The**

**(Vijayendra N. Kaul)  
Comptroller and Auditor General of India**