Report of the Comptroller and Auditor General of India

on

Revenue Sector

and

Public Sector Undertakings

(Social, General and Economic Sectors)

For the year ended 31 March 2014

Government of Jammu and Kashmir Report No 3 of the year 2014

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PREFACE

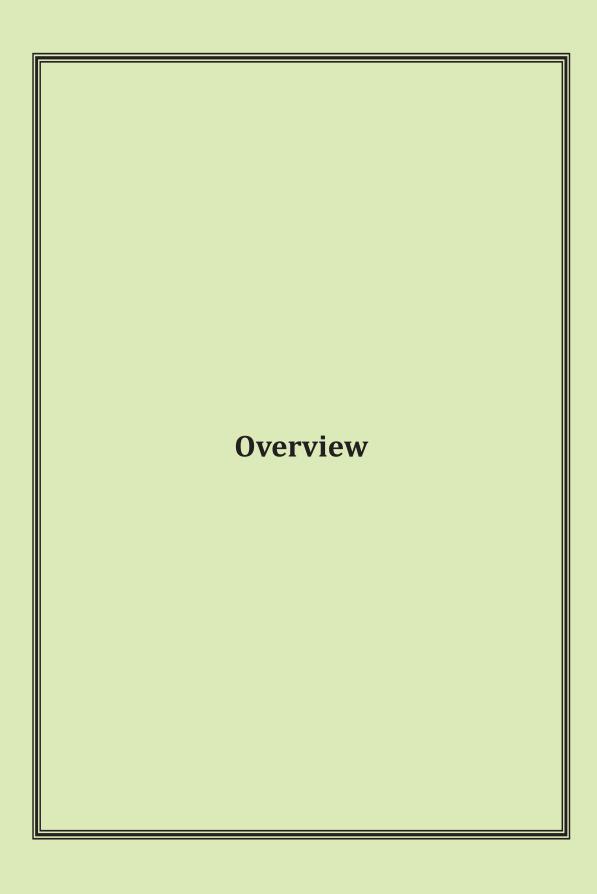
This Report is prepared for submission to the Governor of the State of Jammu and Kashmir under Article 151 (2) of the Constitution of India. This Report contains two parts.

Part A: Revenue Sector-The audit of revenue receipts of the Revenue Sector departments of the Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This part presents the results of audit of receipts such as sales/ value added tax, state excise, taxes on motor vehicles, and other tax and non tax receipts of the Government of Jammu and Kashmir for the Financial year ended 31 March 2014.

Part B: Public Sector Undertakings relates to Social, General and Economic Sectors. Audit of accounts of Government companies is conducted by the CAG under Section 619 of the Companies Act, 1956 and audit of Statutory Corporations under their respective legislation. The Government is required to submit this portion of the Audit Report to the State Legislature under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971.

The cases mentioned in this Report are among those which came to notice in the course of test audit of transactions during the year 2013-14 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2013-14 have also been included, wherever necessary.

The Audit has been conducted in conformity with the Auditing Standards issued (March 2002) by the Comptroller and Auditor General of India.



OVERVIEW

This Report is in two parts. The part A of the Report comprises of six paragraphs relating to short levy of tax, interest, penalty, irregular grant of remission of tax etc., involving revenue implication of ₹9.28 crore and part B contains one Performance Audit on "Working of J&K Small Scale Industries Development Corporation Limited" and six paragraphs relating to doubtful recovery, non-enforcement of terms of contract, avoidable payment of interest, loan disbursement and recovery etc., involving ₹32.33 crore. Some of the major findings are mentioned below:

Revenue Sector

The total revenue receipts of the State Government for the year 2013-14 were ₹27127.98 crore as compared to ₹26216.86 crore during the year 2012-13 i.e an increase of ₹911.12 crore. 34 *per cent* was raised through tax revenue (₹6272.74 crore) and non-tax revenue (₹2869.69 crore). The balance 66 *per cent* was received from the Government of India as State's share of divisible Union taxes (₹4142.10 crore) and Grants-in-aid (₹13843.45 crore).

(Paragraph: 1.1)

Irregular grant of remission of tax to a dealer by the Assessing Authority resulted in short levy of tax and interest of ₹12.78 lakh.

(Paragraph: 2.4)

Failure of Assessing Authority to detect concealment of purchases leading to irregular exemption of ₹10.15 lakh from Sales tax.

(Paragraph: 2.5)

Acquisition of private land had been carried out despite availability of Government Land. The land compensation had been fixed by the CLAs without any speaking orders justifying the rate in the awards. Test check showed cases of avoidable interest payment, non-accountal of compensation money, payments without deduction of Income tax and weak internal control mechanism.

(Paragraph: 2.7)

Short levy of tax/interest due to misclassification of stocks and non recovery of interest for delayed recovery of dues as land revenue in three cases in Commercial Taxes Circle 'K','J' and 'O' Jammu amounting to ₹ 22.88 lakh relating to General Sales Tax (GST) were pointed out by audit. The department while accepting the audit observations reassessed (November 2013) the dealers and recovered the full amount of ₹ 22.88 lakh.

(Paragraph: 2.8)

Public Sector Undertakings (PSUs)

The investment (capital and long-term loans) in 26 State PSUs and Statutory corporations was ₹4750.79 crore as on 31 March 2014. The total investment consisted of 18.85 per cent towards capital and 81.15 per cent in long-term loans. The equity has increased from ₹467.33 crore in 2009-10 to ₹895.58 crore in 2013-14. The Government contributed ₹251.57 crore towards equity, loans and grants/subsidies during 2013-14.

(*Paragraphs* : 3.3 and 3.4)

Twenty working PSUs had arrears of 187 accounts as of September 2014. In absence of accounts and their subsequent audit, it cannot be ensured whether the investment and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not.

(Paragraph: 3.7)

Performance Audit

Working of the Jammu &Kashmir Small Scale Industries Development Corporation Limited

• The accounts of the Corporation were in arrears since 1995-96. The huge balances of ₹556.10 crore appearing under Inter-unit Adjustment Account remained unreconciled/un-adjusted ending March, 2014.

(Paragraphs: 4.1.6.1 & 4.1.12.3)

• Fifty *per cent* developed area in IID, Govindsar, Kathua and 93 *per cent* developed area in Silk Park Zakura remained unutilized as of March, 2014 resulting in unfruitful expenditure of ₹12.23 crore.Besides delay in completion of projects leading to withholding of ₹61.89 lakh by the GoI, diversion of ₹57.06 lakh from project funds, excess expenditure of ₹4.01 crore over the estimates and allotment of plots of the size of 100 kanals against the approved size of 2-4 kanals were noticed.

(*Paragraph*: 4.1.7)

• Rent of ₹77.53 lakh was recoverable from lessees as on 31 March 2014. Rent had not been revised after the year 2007 though required to be done after every five years resulting in loss of ₹27.26 lakh to the Company during the years 2012-13 and 2013-14.

(Paragraph: 4.1.8)

• 265 Deposit works at a cost of ₹ 57.64 crore were allotted to various contractors on selective basis without tendering and without issuing any formal allotment letters. Payment amounting to ₹3.78 crore was authorized on hand receipts in violation of provisions of J&K Public Works Account Code. The marketing assistance was provided to about 40 per cent units registered with the Company.

(Paragraphs: 4.1.9 & 4.1.10)

• The Board of Directors (BOD) of the Company met only on four occasions during 2009-14 against a minimum requirement of 20 meetings under Companies Act, 1956.

(Paragraph: 4.1.12.4)

Audit of Transactions

Disbursement of loan to borrowers without verification of genuineness of collateral security/already in default with another Bank and One Time Settlement in respect of a firm ignoring the valuation resulted in doubtful recovery of ₹143.94 lakh and loss of ₹52 lakh.

(Paragraph: 5.1)

Failure to remit the advance tax on taxable income in accordance with provisions of the Income Tax Act, 1961 by the Company resulted in avoidable payment of interest aggregating ₹70.27 lakh.

(Paragraph: 5.2)

Failure of the Police Housing Corporation to comply with the provisions of the Act/ Rules resulted in short deduction of cess amounting to ₹1.42 crore.

(Paragraph: 5.3)

Non-enforcement of contract agreement resulted in non-imposition of liquidation damages of ₹48.60 lakh, non-renewal of performance guarantee and irregular release of security deposit of ₹31.72 lakh.

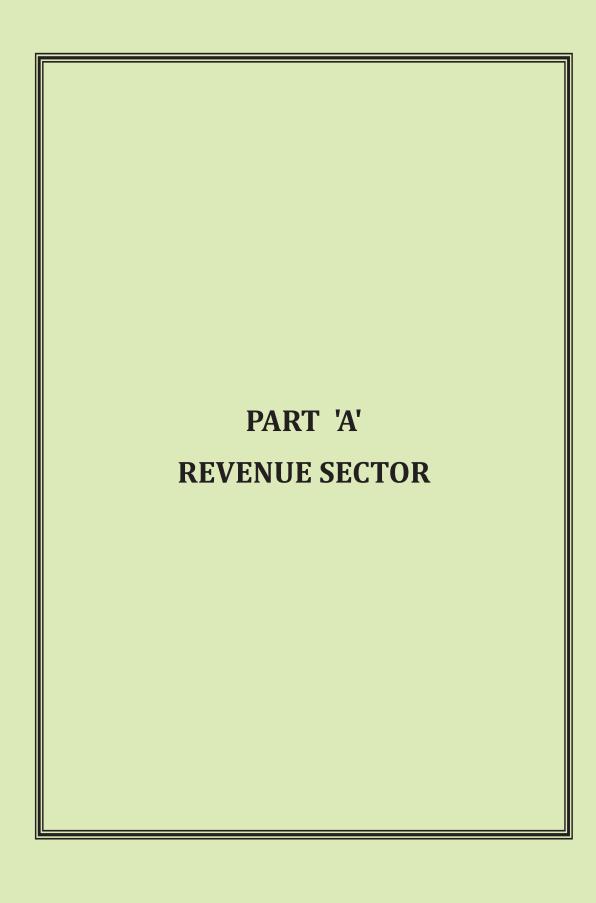
(Paragraph: 5.4)

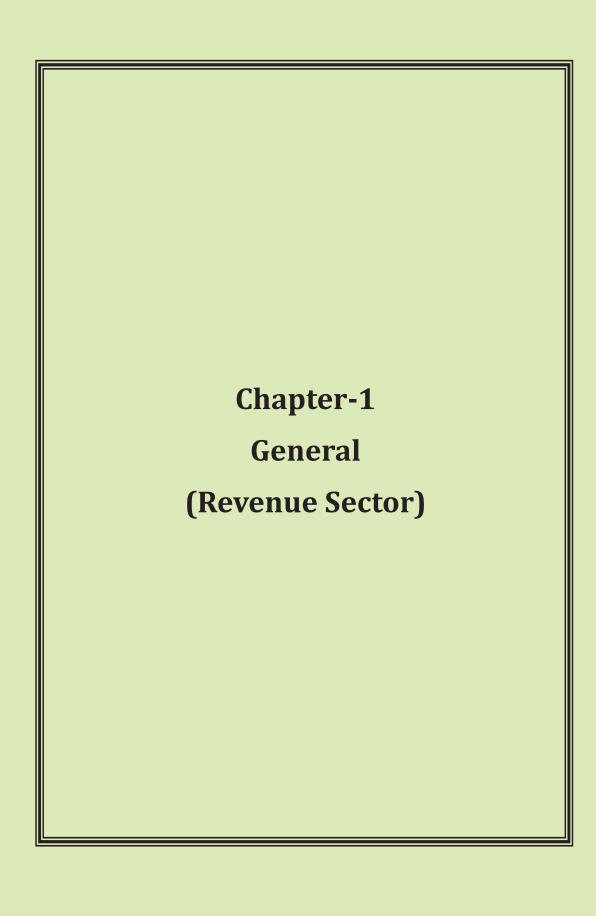
No survey for identification of beneficiaries had been carried out. The Company had not finalized its accounts since 1997-98. Due to under-utilisation (ranging between 17 and 57 per cent) of funds received from Apex Corporations, unspent balances had increased over the years resulting in creation of liability of ₹ 33.48 lakh on account of non-utilisation charges and liquidated damages. Non recovery of amounts due from the beneficiaries resulted in accumulation of overdue of ₹42.45 crore payable to Apex Corporations.

(Paragraph: 5.5)

The Company had not finalized its accounts from 2007-08 to 2013-14 (seven years). Loan disbursement targets during the period from 2009-10 to 2013-14 had not been achieved as there was shortfall (ranging between 8 and 51 *per cent*) in disposal of loan applications and further delays after sanction of loan. The recoverable amount had increased from ₹48.83 lakh to ₹96.75 lakh during last five years. Post disbursement monitoring of the financed units was weak.

(Paragraph: 5.6)





CHAPTER-I

A. GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Jammu and Kashmir during the year 2013-14, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grant-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in **Table-1.1**.

Table – 1.1 Trend of revenue receipts

						(₹ in crore)			
Sl.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14			
No.									
1.	1. Revenue raised by the State Government								
	• Tax revenue	3027.32	3482.58	4745.49	5832.43	6272.74			
	• Non-tax revenue	955.03	1093.11	2001.64	2160.19	2869.69			
	Total	3982.35	4575.69	6747.13	7992.62	9142.43			
2.	Receipts from the Gover	nment of Indi	ia						
	 Share of net proceeds of divisible Union taxes and duties 	1914.76	3066.98	3495.11	3870.37	4142.10			
	• Grants-in-aid	11690.71	14590.98	14540.72	14353.87	13843.45			
	Total	13605.47	17657.96	18035.83	18224.24	17985.55			
3.	Total revenue receipts of the State Government (1 and 2)	17587.82	22233.65	24782.96	26216.86	27127.98			
4.	Percentage of 1 to 3	23	21	27	30	34			

The above table indicates that during the year 2013-14, the revenue raised by the State Government (₹9142.43 crore) was 34 *per cent* of the total revenue receipts. The balance 66 *per cent* of the receipts during 2013-14 was from the Government of India.

1.1.2 The details of the tax revenue raised during the period 2009-10 to 2013-14 are given in **Table-1.2**.

Table 1.2
Details of Tax Revenue raised

(₹ in crore) Head of 2009-10 2010-11 2011-12 2012-13 2013-14 Percentage of revenue increase (+) or decrease (-) in Budget Budget Budget Actual Actual Budget Actual Actual Actual Budget Actual Actual Estimate Estimate Estimate Budget 2013-Estimate 14 during over 2013-14 2012-13 2065.7 2145.72 2572.69 2424.52 3419.32 3414.01 4218.57 4174.39 Taxes on 9.68 (-)4.59 trade etc. 315.64 299.43 358.1 337.16 439 457.93 474.4 504.91 565.53 12 Taxes on Goods & Passengers State 260 293.78 307 337.24 383 385.47 413 421.28 442 440.06 0.43 4.45 179.12 195.38 120.35 214 147.5 262 423.36 277.86 504 276.94 (-)45.05-0.33 Taxes and duties on electricity 72.73 133.27 270.55 Stamps 82.61 (-)19.02Duty 83.5 83.1 113.1 115.33 128.5 104.52 139 117.89 153 134.23 (-)12.2613.86 Motor Vehicles 8.52 15.41 5.22 42.03 25 33 35.6 95.45 40.8 15.97 (-)60.85 -83.26 Land revenue 0.02 0.2 0.22 0.51 0.47 0.54 0.51 0.54 0.52 (-)3.701.96 8 Others* 3643.04 4790.60 3011.35 3027.30 3482.58 4745.49 5975.02 5832.43 6820.27 6272.74 Total

There was huge variation between the budget estimates and actuals ranging between (-)3.70 to (-) 60.85 *per cent*. This shows that the budget estimates were unrealistic. The reasons for decrease in actuals as compared to budget estimates though called for were not provided. Further there was a decrease of about 83 per cent under the head "Land Revenue" during the year 2013-14 as compared to previous year. The reasons for the large decrease were not intimated by the Department (August 2014).

1.1.3 The details of the non-tax revenue raised during the period 2009-10 to 2013-14 are indicated in **Table-1.3**.

Table-1.3
Details of Non-tax revenue raised

SI. No	Head of revenue	2009-10		2010	2010-11		2011-12 2012-13 2013-14		2011-12		2013-14		iı	centage of acrease (+) rease (-) in
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	ВЕ	Actual	Actual over Budget Estimate during 2013-14	Actual in 2013-14 over 2012-13	
1	Power	1002.53	723.64	1208.61	822.09	1486.22	1006.93	2387.29	1588.62	2840.60	1533.09	(-)46.02	-3.5	
2	Forestry and wild life	39.49	37.46	52.63	47.47	55.57	55.2	68.07	59.31	67.53	67.90	0.54	14.48	
3	Police	7.81	12.84	15.05	10.99	17.6	24.91	24.5	28.34	65	56.75	(-)12.69	100.24	
4	Non-ferrous, Mining & metallurgical Ind.	18.15	25.34	28.15	34.51	43	41.18	50.35	54.02	60.18	53.35	(-)11.35	-1.24	
5	Water supply & Sanitation	23.3	13.16	26.2	15.97	34.5	20.56	37	31.92	43.57	38.03	(-)12.71	19.14	
5	Public works	16.17	23.87	20.68	23.58	22.29	25.94	24.97	27.19	26.49	23.57	(-)11.02	-13.31	
7	Medical and Public Health	11.96	9.49	14.61	9.4	17.38	14.55	20.25	18.08	22.63	15.70	(-)30.62	-13.16	
8	Interest receipts	21.24	10.63	21.32	10.33	22.3	33.06	21.94	16.38	21.50	12.80	(-)40.46	-21.85	
9	Other Non- tax receipts*	78.16	98.6	87.48	118.76	152.58	779.31	184.4	336.33	252.36	1068.5	323.40	217.69	
	Total	1218.81	955.03	1474.73	1093.1 0	1851.44	2001.64	2818.77	2160.19	3399.86	2869.69		33	

-0056-Jails, 0058-Stationery and Printing, 0071-Pension and Other retirement benefits 0216-Houing, 0217-Urban Development, 0220-Information and Publicity 0230-Labour & Employment, 0235-Social Security and Welfare, 0405-Fisheries, 0435-Other Agriculture Programmes, 0515-Other Rural Development Programmes, 0575-Other Special Area Programmes, 0702-Minor Irrigation, 0851-Village and Small Industries, 1054-Roads and Bridges, 1452-Tourism, 1475-Other General Economic Service, 0051-Public Service Commission, 0211-Family Welfare, 0250-Other Social Service, 0506-Land Reforms, 0852-Industries, 0050-Dividends and Profits, 0075-Miscellaneolus general services, 0070-Other Administrative services, 0425-Cooperation, 0701-Major and Medium Irrigation, 0401-Crop Husbandry, 0403-Animal Husbandry, 0202-Sports Art and Culture

There was an increase ranging between 14.48 *per cent* and 100.24 *per cent* in actual collections from Forestry/Wild life, Water Supply/Sanitation and Police over the previous year whereas the receipt under the Head 'Public Works, Medical and Public Health and Interest Receipts were decreased by 13.31,13.16 and 21.85 *per cent*.

Further the variations between budget estimates and actual realisation of non-tax under various heads was between 11.02 and 46.02 *per cent*. There was collection of ₹1533.09 crore against the Budgeted Estimates of ₹ 2840.60 crore in respect of Power, which was a cause of concern as huge budgetary support is being provided for purchase of electricity by the State. Reasons for less collection, though called for, were not intimated by the Departments (August 2014).

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2014 on some principal heads of revenue amounted to ₹1343.02 crore of which ₹805.54 crore was outstanding for more than five years, as detailed in the **Table-1.4**.

Table 1.4 Arrears of revenue

				(₹ in crore)
Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2014	Amount outstanding for more than 5 years as on 31 March 2014	Replies of Department
1.	Taxes on Sales/ VAT	1260.93	746.76	The process of recovery is initiated through
	Trade etc			Collector (Dy. Commissioner Commercial Taxes,
				Recovery) who initiates recovery proceedings under
				the J&K VAT Act, 2005. The J&K GST Act, 1962
2.	Passenger tax	34.07	26.87	read with the J&K Land revenue Act Samvat, 1966.
3.	Entertainment tax	0.21	0.21	Demand notices have been issued from time to time
4.	Toll Tax	28.69	27.05	to the defaulters. Amount also includes interest
5.	State Excise	19.02	4.65	equivalent to 2 per cent.
	Total	1343.02	805.54	

1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Sales Tax Department in respect of sales tax and tax on works contracts was as below in **Table-1.5**.

Table-1.5 Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2013-14	Total assessments due	Cases dispose d of during 2013-14	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Sales Tax/ VAT	2629	13713	16342	10240	6102	63
Tax on Works contract	30953	21511	52464	15967	36497	30

The assessments completed to the total cases due for assessment was 63 *per cent* in respect of Sales Tax/ VAT and 30 *per cent* in the case of Taxes on works Contract. Moreover, the cases disposed off by the Commercial Tax Department were lower than new cases which had become due for assessment.

1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Commercial Tax Department, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table-1.6**.

Table 1.6
Evasion of Tax

							(₹ in crore)
Sl. No.	Head of revenue	Cases pending as on 31 March 2013	Cases detected during 2013-14	Total	Number of which investigation and additication with penalt	Number of cases pending for finalization as on 31 March 2014	
					Number	Amount of	
					of cases	demand	
1.	Sales Tax/ VAT	1740	3519	5259	4802	68.97	457
2.	Passenger Tax	-	2131	2131	2131	0.04	-
_	Total	1740	5650	7390	6933	69.01	457

(Source: Data furnished by the Department)

The progress of recovery against the demand raised had not been intimated by the Department (August 2014).

1.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year 2013-14, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2013-14 as reported by the Department is given in **Table-1.7**.

Table 1.7
Details of pendency of refund cases

(₹ in crore)

Sl.	Particulars	Sales tax / VAT			
No.		No. of cases	Amount		
1.	Claims outstanding at the beginning of the year	13	0.14		
2.	Claims received during the year	3	0.11		
3.	Refunds made during the year	9	0.12		
4.	Balance outstanding at the end of year	7	0.13		

(Source: Data furnished by the Department)

1.6 Response of the Government/Departments towards audit

The Principal Accountant General (Audit), Jammu and Kashmir, conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/ Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the PAG within one month from the date of receipt of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

Inspection reports issued upto December, 2013 in respect of Commercial Tax, State Excise and Motor Vehicle Department disclosed that 2725 paragraphs involving ₹1172.99 crore relating to 609 IRs remained outstanding at the end of June 2014 as

mentioned below alongwith the corresponding figures for the preceding two years in **Table-1.8**.

Table 1.8

Details of pending Inspection Reports

	June 2012	June 2013	June 2014
Number of IRs pending for settlement	502	550	609
Number of outstanding audit observations	2216	2392	2725
Amount of revenue involved (₹ in crore)	978.71	1011.30	1172.99

1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2014 and the amounts involved in respect of Finance, State Excise and Transport Department (Revenue Sector) are mentioned in the **Table-1.9**.

Table 1.9
Department-wise details of IRs

					(₹ in crore)
Sl. No	Name of the Department	Nature of receipts	Numbers of outstanding IRs	Numbers of outstanding audit observations	Money value involved
1.	Finance	Taxes on Sales, Trade etc.	378	2053	1024.11
		Passenger & Goods Tax (PGT)	15	61	31.92
2.	Excise	State Excise	124	278	91.86
3	Transport	Taxes on motor vehicles	92	333	25.10
		Total	609	2725	1172.99

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of the IRs, for 43 IRs issued during 2013-14. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the PAG in the IRs. Further no Audit committee was constituted by the State Government for discussion of pending objections relating to tax revenue (Commercial Tax, State Excise and Motor Vehicle).

The Government may consider to have an effective system for prompt and appropriate response to audit observations.

1.7 Position of Inspection Reports

The summarized position of the inspection reports of Commercial Taxes Department, State Excise and Motor Vehicle Department (Revenue Sector) issued during the last two years, paragraphs included in these reports and their status as on 31 March 2014 are tabulated below in **Table-1.10**.

Table 1.10
Position of Inspection Reports

												(₹	in crore)
Sl. No.	Year	Opening Balance		Addition during the year		Clearance during the quarter			Closing balance during the year				
		IRs	Para Graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value	IRs	Para graphs	Money value
1.	2012-13	515 ¹	2296	972.26	67	389	277.20	7	213	225.70	575	2472	1023.77
2.	2013-14	575	2472	1023.77	56	515	180.29	14	157	15.77	617	2830	1188.29

Since the Government of J&K did not hold Audit Committee meeting with the Principal Accountant General (Audit) Office during the year 2013-14 for settlement of old paragraphs with the result the position of outstanding IRs, Paras with corresponding money value (Commercial Tax, State Excise and Transport) got increased as is evident from the above table. This indicates that no adequate steps were taken by the department resulting in increase of the outstanding IR's and Paragraphs.

1.8 Audit Planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which inter-alia include critical issues in government revenues and tax administration i.e. budget speech, white paper on state finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during past five years etc.

During the year 2013-14, there were 130 auditable units, of revenue receipts (Commercial Tax, State Excise & Motor Vehicle) out of which 40 units were planned and 36 units had been audited, which is 28 *per cent* of the total auditable units.

1.9 Results of audit

Position of local audit conducted during the year

Test-check of the records of 36 units of sales tax/ Value Added Tax, State Excise, Motor Vehicles, conducted during the year 2013-14 showed under assessment/ short levy/ loss of revenue aggregating ₹84.60 crore in 517 cases. During the course of the year, the Departments concerned accepted under assessment and other deficiencies of ₹27.08 crore involved in 66 cases which were pointed out in audit during 2013-14. The Departments collected ₹37.98 lakh in 64 cases pertaining to audit finding of previous years during 2013-14.

Figures worked out after restructuring of the organization of sectoral basis

1.10 Follow up on Audit Reports

1.10.1 Non-submission of Suo-motu Action Taken Notes

To ensure accountability of the executives to the issues dealt with in various Audit Reports, the State Government (Finance Department) issued instructions in June 1997 to the administrative departments to furnish to Public Accounts Committee (PAC)/ Committee on Public Undertakings (COPU), *suo-motu* Action Taken Notes (ATNs) on all the audit paragraphs featuring in the Audit Reports irrespective of the fact that these are taken up for discussion by these Committees or not. These ATNs are to be submitted to these Committees duly vetted by the Principal Accountant General (Audit) within a period of three months from the date of presentation of Audit Reports in the State Legislature.

It was, however, noticed that out of 93 audit paragraphs featuring in the Revenue Sector of Audit Reports from 2000-01 to 2012-13, *suo-motu* ATNs in respect of 70 audit paragraphs had not been received upto 31 March 2014.

1.10.2 Action taken on recommendations of the PAC

Action Taken Notes, duly vetted by the Principal Accountant General (Audit) on the observations/ recommendations made by the PAC/ COPU in respect of the audit paragraphs discussed by them are to be furnished to these Committees within six months from the date of such observations/ recommendations. Out of 86 audit paragraphs featuring in the Revenue Sector of Audit Reports for the years from 2000-01 to 2011-12, only 14 audit paragraphs have been discussed by the PAC up to 31 March 2014. Recommendations in respect of 14 audit paragraphs including nine discussed partly have been made by the PAC, however, ATNs on the recommendations of the Committees is pending from the State Government in respect of 11 paragraphs.

1.10.3 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 5 years, those accepted by the Department and the amount recovered are mentioned in **Table-1.11**:

Table-1.11

(₹ in crore)

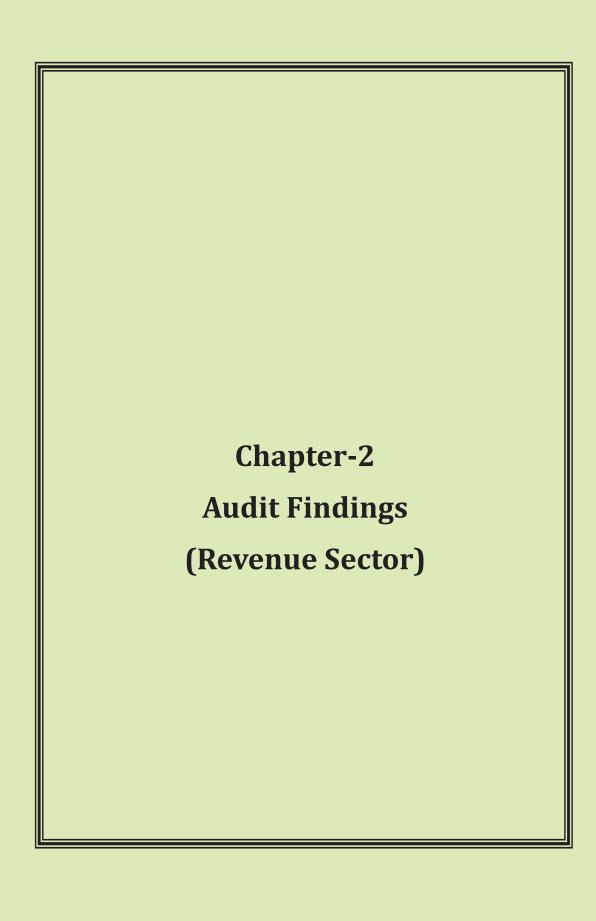
Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted including money value	Money value of accepted paragraphs	Amount recovered during the year	Cummulative position of recovery of accepted cases as of 31 March 2014
2007-08	7	5.11	7	4.26		0.42
2008-09	7	28.58	7	6.50		0.01
2009-10	6	1.80	6	1.80		-
2010-11	10	39.90	10	31.41		0.01
2011-12	7	80.10	7	80.10		0.65
2012-13	6	244.53	6	244.53		-
Total		400.02		368.60		1.09

It would be seen from the above that in respect of paragraphs featured in the Audit Reports 2007-08 to 2012-13, the Department/Government accepted audit observations involving ₹368.60 crore, of which only ₹1.09 crore was recovered till March 2014. This shows that the Department/ Government did not recover the dues fully even in the cases where the audit observations had been accepted.

The Department may ensure prompt recovery of dues involved in the accepted cases.

1.11 Contents of the Part A (Revenue Chapter)

The Revenue Chapter contains six paragraphs involving revenue implication of ₹9.28 crore relating to short levy of tax, interest/penalty, irregular grant of remission, excess payment and non-deduction of income tax at source etc. The Departments/ Government have accepted audit observations involving ₹111.70 lakh in five cases, out of which ₹26.88 lakh have been recovered in two cases. The reply in one case has not been received (August 2014).



CHAPTER - 2

A. GENERAL

2.1 Tax administration

2.1.1 Sales Tax/ Value Added Tax

Sales Tax/ Value Added Tax laws and rules framed thereunder are administered at the Government level by the Principal Secretary to Government Finance Department. The Commissioner Commercial Taxes of the State Government is responsible for overall control and superintendence of Commercial Taxes Department. He is assisted by three additional Commissioners of Taxes (one each in Jammu and Kashmir Divisions and one for Tax Planning) and 13 Deputy Commissioner of Commercial Tax (Jammu 06 Kashmir: 05 one each for headquarter and judicial matters). The State is divided 52 Commercial Tax Assessment Circles (Jammu: 25; Kashmir: 27) each headed by one Commercial Taxes Officer.

2.1.2 State Excise

The J&K State Excise Department is responsible for charging of Excise duties under the J&K Excise Act 1901 AD and the rules made thererunder. The department is headed by Excise and Taxation Commissioner who is assisted by five Deputy Excise Commissioners (03 Jammu; 02 Kashmir) and seven Excise and Taxation Officer (06 Jammu; 01 Srinagar). There are 18 Distilleries Bottling Plants in Breweries which functions under the control of Excise and Taxation Officer, Distilleries Jammu.

2.1.3 Taxes on Vehicles, Goods and Passengers

The receipts from the Transport Department are regulated under the provisions of the Central and the State Motor Vehicle Acts and rules made thereunder and are under the administrative control of the Transport Commissioner. The receipts from the goods and passengers tax are regulated under the provisions of the Jammu & Kashmir Motor Vehicle Taxation Act, 1957 and the Jammu and Kashmir Motor Vehicle Rules 1991 administered by the Transport Commissioner of the state.

2.2 Results of audit

Test-check of the records of 36 units of sales tax/ Value Added Tax, State Excise, Motor Vehicles, conducted during the year 2013-14 showed under assessment/ short levy/ loss of revenue aggregating ₹84.60 crore in 517 cases as elaborated in **Table-2.1**.

Table -2.1

(₹ in crore)

			(v in crore)				
Sl. No.	o. Categories Number of cases						
Taxes/VAT on Sales, Trade etc.							
1.	Under-assessment of tax	156	51.38				
2.	Acceptance of defective statutory forms	1	0.01				
3.	Evasion of tax due to suppression of sales / purchase	220	19.03				
4.	Irregular / incorrect / excess allowance of ITC	30	1.26				
5.	Other irregularities 43						
	Total 450						
State Exc	ise						
1.	Non / short realization of excise duty	-	-				
	Non / short recovery of license fee / interest / penalty	-	-				
2.	Other irregularities	08	0.14				
	Total 08						

Taxes o	Taxes on Vehicles, Goods and Passengers						
1.	Non/ short realisation of	06	3.58				
	 Token tax and composite fee 						
	 Passenger and goods tax 						
2.	Evasion of	07	1.12				
	 Token tax 						
	Passenger and goods tax						
3.	Other irregularities	46	7.43				
	Vehicles tax						
	Total 59						
	Grand Total 517						

During the course of the year, the Department accepted underassessment and other deficiencies as under:

- ₹87 lakh in 59 cases of **Taxes/VAT on Sales**, **Trade etc.** which were pointed out in audit during the earlier years. An amount of ₹36.62 lakh was realised in 57 cases during the year 2013-14.
- ₹70,000 in five cases of **State Excise** which were pointed out in earlier years. An amount of ₹1.01 lakh was recovered in six cases during the year 2013-14.
- ₹61 lakh in three cases of **Taxes on Vehicles, Goods and Passengers**, which were pointed out in earlier years. An amount of ₹35,000 was realised in one (1) case during the year 2013-14.

B. AUDIT OF TRANSACTIONS

FINANCE DEPARTMENT

2.3 Levy and collection of Entry Tax

The collection of Entry Tax in the State had increased by 76 per cent from ₹83.23 crore during 2009-10 to ₹146.38 crore during 2013-14. Audit noticed cases of short levy of tax, taxation of ineligible scheduled goods and grant of irregular exemption of tax.

Levy and collection of Entry Tax in the State is regulated by the provisions of Jammu and Kashmir Entry Tax on Goods, Act-2000 and Rules made thereunder. Entry Tax is levied on the entry of scheduled goods imported for use or consumption, under J&K VAT Act 2005, J&K GST Act 1962 or J&K Motor Spirit and Diesel Oil (Taxation of Sales) Act Samvat 2005, at rates notified by the Government from time to time.

The Act is administered by the Commercial Taxes Department under overall control of the Commissioner Commercial Taxes. The Check post at Lakhanpur in Kathua district is the biggest entry point of goods imported into the State by road and 95 *per cent* of the import of trade goods takes place through this check post. Besides, there are four minor inter-state check posts as well.

The collection of Entry Tax at Check Post Lakhanpur was between 94 and 95 per cent of the total Entry Tax collection in the State during the period 2009-14. The collection of Entry Tax in the State had increased by 76 per cent from ₹83.23 crore during 2009-10 to ₹146.38 crore during 2013-14.

The collection of Entry Tax at Check post Lakhanpur had increased by 77 per cent from ₹78.56 crore in 2009-10 to ₹139.42 crore in 2013-14 with annual growth ranging between 15 to 40 per cent during 2011-12 to 2013-14. However, there was considerable decrease (22 per cent) in the collection of tax during 2010-11 as compared to 2009-10. This decrease was attributed to extension of exemption from payment of tax on import of earth moving machinery with effect from 2010-11. Further there was an increase of 40 per cent in collection of Entry Tax during 2013-14 over the year 2012-13 which was attributed (May 2014) to introduction of various power projects in the State.

As part of our audit during 2013-14, we carried out test-check of records of the Deputy Commissioner, Commercial Taxes Check Post, Lakhanpur to examine the system of assessment, levy, collection and recovery of Entry Tax. Audit noticed cases of short levy of tax, taxation of ineligible scheduled goods and grant of irregular exemption of tax as instanced below:

2.3.1 Incorrect levy of Entry Tax

2.3.1.1 Short levy of tax

As per S. No 161 of Schedule D of J&K, VAT Act, 2005, water supply and sanitary equipments and fittings of every description are taxable at the rate of 13.5 *per cent*. Further according to the Commissioner Commercial Taxes clarification (No. 13 of 2010) surgical goods including surgical masks are to be taxed at the rate of 13.5 *per cent* as unspecified items.

Audit scrutiny showed that in 95 cases, tax had been levied at 4/5 per cent as against the prescribed rate of 12.5/13.5 per cent during the year 2009-10 to 2013-14 which included pipes and pipe fittings (32 cases), surgical gloves (27 cases) other items (36 cases). This resulted in short levy of tax of ₹41.15 lakh.

2.3.1.2 Irregular exemption of tax

Section 3 (2) of the Act envisages grant of exemption from payment of Entry Tax on import of goods subject to the fulfillment of prescribed conditions. The Government vide notification dated 31 March 2010 exempted earth moving machines (newly purchased as well as hired) imported into the State by registered dealers who require such equipment for execution of works contract of various Centrally sponsored schemes from levy of Entry Tax. This was, however, subject to production of a certificate in original issued by the Administrative Secretary controlling such schemes, giving particulars like requirement of the earth moving machinery, details of the scheme, the particulars of contractor with TIN etc., at the time of import of the machinery.

Audit scrutiny showed that exemption from payment of Entry Tax had been allowed for earth moving machinery imported by the dealers without obtaining the requisite documents at the time of import and instead, security in the shape of Fixed Deposit equivalent to the amount of Entry Tax had been obtained from the importers. Audit

noticed that during 2013-14, Department obtained security of ₹18.59 crore in the shape of FDRs from 138 importers who had failed to produce requisite documents. Out of this, in 105 cases, security valuing ₹17.10 crore had subsequently been released on production of documents by the importers after delay ranging between two days and 181 days from the date of its receipt in the shape of FDRs. Further, in respect of 18 cases the security valuing ₹58 lakh had been forfeited which included ₹39 lakh forfeited after pointed out by the Audit, whereas no action was taken in respect of remaining 15 cases. The release of goods based on furnishing of security was not in accordance with the provision of the Act.

2.3.2 Non-auction of seized goods

Rule 4 of Jammu & Kashmir Entry Tax on Goods Rules, 2000 provides that in case the amount of tax or penalty is not paid within one month of the seizure of the goods, the officer incharge shall have the power to dispose of the goods by auction and remit the sale proceeds towards the recovery of tax, penalty and costs incurred on auction, if any and the remaining amount shall be refunded to the person concerned. Further, Section 67 (12) of the Jammu & Kashmir Value Added Tax Act 2005, envisage that if goods seized under Section 67 (5) or 67(10) are not claimed within a period of 90 days from the date of seizure or in the case of perishable goods in a lesser period as determined by the authority making the seizure, such goods shall be sold by auction in the prescribed manner and sale proceeds thereof as reduced by the amount of penalty and security payable under the Act, besides, other expenses incurred on handling, unloading and auctioning are to be deposited in the treasury under appropriate head of account.

It was seen that unclaimed goods valuing ₹60 lakh seized during July 2011 to October 2013 from individuals and registered dealers had not been auctioned. Non-disposal of goods seized had resulted into prolonged storage of goods and their deterioration with consequential impact of revenue by way of lesser sale/ auction proceeds.

On this being pointed out, it was stated that conducting of auction was a lengthy process and exercise regarding auction of seized goods had been initiated.

The above points were issued (June 2014) to the Department/ Government; their reply was awaited (August 2014).

(Sales Tax/ Value Added Tax)

2.4 Irregular grant of remission of tax

Irregular grant of remission of tax to a dealer by the Assessing Authority resulted in short levy of tax and interest of ₹12.78 lakh.

Government notification dated 16th March 2006 governing grant of exemption to industrial unit from payment of taxes provide that the industrial unit shall in no case procure finished product from outside the state and shall not dispose of the raw material in any manner whatsoever except as provided in the certificate of registration issued by the Department of Industries and Commerce/ Directorate of Handicrafts/

Handlooms and Department of Commercial Taxes. If at any point of time, the industrial unit is found guilty of importing finished product or disposing of the raw material in any other manner except as envisaged in the certificate of registration, the industrial unit shall not be entitled to remission of tax for the year in which such default is made.

Audit check of records (August 2011) of Commercial Taxes circle, Pulwama showed that a dealer registered as SSI unit for formulation of Insecticides, Fungicides and Weedicides had not purchased all the ingredients of raw material required for preparation of the finished products as per assessments made by the DIC Pulwama during the year 2007-08. Further there was no balance of such ingredients with the dealer before making purchases. This indicated that no manufacturing activity was carried out by the dealer during the year 2007-08 and instead the raw material purchased was resold as such without putting it to manufacturing process for obtaining the approved finished product. The dealer had thus violated the provision of the Government notification and was as such not entitled to tax remission of ₹7.10 lakh claimed/ allowed on turnover of ₹1.78 crore under section 39 (5) of J&K VAT Act 2005 by the Assessing Authority. This resulted in grant of irregular tax remission of ₹7.10 lakh alongwith interest of ₹5.68 lakh to the dealer.

On this being pointed out (August 2011), the Assessing Authority admitted the mistake and disallowed remission of tax granted to the dealer and raised (March 2012) a demand of ₹13.92 lakh including interest of ₹6.82 lakh.

The matter was referred to the Government/ Department in March 2014. The Department reported (July 2014) that out of the demand of ₹13.92 lakh raised by the Assessing Authority an amount of ₹four lakh had been recovered from the dealer and efforts were on to recover the balance amount of the arrears. Further progress of recovery was awaited (August 2014).

2.5 Irregular grant of remission of tax

Failure of Assessing Authority to detect concealment of purchases leading to Irregular exemption of ₹10.15 lakh from Sales tax.

The Government notifications issued (20 August 1998 and 31 January 2004) under Section 8 (5) of the Act, provide for exemption from payment of General Sales tax on the sale of finished goods manufactured by an Industrial unit (Small, Medium and Large scale) registered with Industries and Commerce Department. However, dealer is required to maintain a correct and regular account of purchase of goods including raw material as also to file returns of sales regularly. Any dealer found guilty of concealing his turnover or furnishing inaccurate particulars thereof is not entitled to any exemption for the year in which such offence is committed.

Test-check of records (April 2008) of Commercial Taxes Circle Pulwama showed that an Industrial unit disclosed a turnover of ₹70.42 lakh during the year 2003-04 and claimed exemption of tax thereon being a Small Scale Industrial Unit (SSI) which was allowed by the Assessing Authority (AA) while making (May 2006) assessment in the

case under section 7 (6) of the J&K GST Act 1962. Check of records filed, however, showed that the dealer has actually made purchase of ₹72.78 lakh as per import statement instead of ₹71.14 lakh shown in the trading account thereby concealing inter-State purchase of ₹1.64 lakh. The dealer was as such not eligible for exemption from payment of tax for the year 2003-04. Failure of the AA to detect the concealment of turnover resulted in irregular exemption and short payment of tax of ₹10.15 lakh (Tax: ₹3.03 lakh; Interest: ₹4.09 lakh and Penalty: ₹3.03 lakh).

On this being pointed out (April 2008), the dealer was reassessed (October 2011) after determining an overall concealment of ₹3.47 lakh and was subjected to tax on entire turnover of ₹74.18 lakh. A demand of ₹35.15 lakh (Tax: ₹9.35 lakh; Interest: ₹16.45 lakh and Penalty: ₹9.35 lakh) was raised (October 2011) against the dealer.

The matter was reported to the Government/ Department in March 2014. The Department reported (July 2014) that since there had been no response from the dealer to the summon issued (December 2013) by the Deputy Commissioner Commercial Taxes (Recovery) Srinagar, his moveable/ immoveable property was ordered (May 2014) to be attached by the Deputy Commissioner.

2.6 Short levy of tax

Failure of the Assessing Authority to disallow undue input tax credit during the period of suspension of registration resulted in short levy of tax of ₹4.39 lakh.

Section 27 (7) of the J&K VAT Act, 2005 stipulates that when any dealer to whom a certificate of registration is granted, fails to furnish any return or fails to pay any tax, penalty or interest payable under the Act, the certificate of registration of such dealer may be suspended by the prescribed Authority. Section 27 (8) of the Act ibid stipulates that suspension of certificate of registration will be withdrawn and registration certificate shall be restored on an application made by the dealer on furnishing evidence of payment of all taxes and on furnishing of overdue return or returns within 90 days of suspension. Proviso 2 to the sub section 27 (8) of the Act further provide that during the period the certificate of registration of a dealer remains suspended, he shall not be entitled to any of the benefits that a dealer whose certificate of registration is in force, is entitled to.

Audit check (January 2012) of records of the Commercial Taxes Circle 'A' Jammu showed that for non-furnishing of quarterly return and non-payment of tax for 3rd quarter of Accounting year 2007-08, the registration of a dealer was suspended for the period from 09 February 2008 to 22 February 2008. He was not as such entitled to any benefit for the said period. The dealer claimed an input tax credit of ₹4.75 crore during 2007-08 which, however, included an amount of ₹4.39 lakh pertaining to the period during which his registration remained suspended. The same was allowed to him by the Assessing Authority while passing (March 2011) the assessment order under section 39 (5) of the Act. The allowance of undue input tax credit resulted in short demand of tax of ₹4.39 lakh besides interest of ₹3.86 lakh.

On this being pointed out (January 2012), the Assessing Authority while rejecting the input tax credit of ₹4.39 lakh pertaining to the period of suspension (09 February 2008 to 22 February 2008) passed (March 2013) reassessment order under section 42 of the Act and raised a demand of ₹8.60 lakh against the dealer which included interest of ₹4.21 lakh.

The matter was referred to the Government/ Department in April 2014. The Department reported (July 2014) that since the dealer had not responded to the attachment notice (April 2014), the Deputy Commissioner Commercial Taxes (Recovery) had sought information from Executive Engineer (R&B) Division-II Jammu regarding value of land and structure owned by the dealer and also taken up the matter with the Tehsildar concerned to provide details of ownership status of the property. It was further stated that after receipt of valuation report from the Executive Engineer the property attached would be put to auction under law.

REVENUE DEPARTMENT

2.7 Acquisition of land for public purposes

Acquisition of private land had been carried out despite availability of Government Land. The land compensation had been fixed by the CLAs without any speaking orders justifying the rate in the awards. Test check showed cases of avoidable interest payment, non-accountal of compensation money, payments without deduction of Income tax and weak internal control mechanism.

J&K Land Acquisition Act, 1934 (A.D) and the Land Acquisition Rules (LARs) form the basis of all types of land acquisitions for public purposes in the State. Under the Act, the Government is authorised to acquire private lands for public purposes. Under Rule 7 of the LARs there are two ways for acquiring land for public purposes: (i) Compulsory Acquisition of land and (ii) Direct purchase from land owners with price negotiated by a Price Negotiation Committee. In the State, the acquisition of land is primarily done for public purposes such as for Central and State Government Departments including Defence, Police, Railways, Highways, etc.

Powers have been vested with designated officers¹ (Collectors) to issue statutory notification for acquisition of land, hear and dispose of objections and determine the compensation payable to rightful owners of the acquired lands. Their decisions are subject to judicial review under Section 18 of the Act.

As part of our audit during 2013-14, we reviewed the cases of land acquisition for public purposes by the Revenue Department by test-check of records in the offices of six² Deputy Commissioners. Audit findings are elaborated below:

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Deputy Commissioners/ Additional Deputy Commissioner/ Assistant Commissioner (Revenue)/ Sub-Divisional Magistrates (SDMs)

² Jammu, Kathua, Udhampur, Samba, Srinagar and Budgam

2.7.1 Acquisition of private land despite availability of public land

The administration should ensure proper utilisation of available State lands and their preferential utilisation for public purposes. Some land acquisition are highly location-specific but in many cases the location of the public facility can be changed to alternative location where cheaper land or State land is available.

Test-check of land acquisition records in four districts³ showed that the District Collectors had acquired 101 Kanals (K) 10 Marlas (M) private land costing ₹2.95 crore in nine cases of land acquisitions in different Tehsil headquarters despite the fact that sufficient quantum of vacant State Land was available within short distance of the site of proprietary lands acquired (*Appendix-2.1*). This was despite the fact that such acquisitions had been made for non-location specific purposes viz., construction of School/ college, PHE store/ tank, Medical Centre, Waste disposal, filtration plant etc. It was seen that neither the land acquisition awards contained details of specific requirements put forth by the indenting departments nor the indents placed were produced to Audit. Audit enquiry from six (6) indenting authorities about the location and type of land demanded in their indents, showed that one indenting department had requested for Government Land. However, reply from other five indenting departments was awaited (August 2014).

The Commissioner/ Secretary to Government, Revenue Department stated (July 2014) that the Collector has no role in land identification as same is done by the indenting department and that substantial Government lands had been transferred for the public purposes. The fact remains, that CLA being aware of the available vacant State land should provide an option to the indenting departments of the available State lands, which would save the time consuming acquisition process and eventual speedy implementation of the projects.

2.7.2 Fixation of rates

Section 23 of the Act provides for factors to be taken into consideration by the CLA for determining the compensation under the Act. This includes (i) market value of the land (ii) damage sustained by the interested person by reason of taking any standing crops or trees, (iii) damage sustained by reason of severing such land from his other lands, (iv) damage sustained by reason of acquisition injuriously affecting his other property, (v) reasonable expenses incidental to change of residence/ business in consequence of acquisition and (vi) any damage resulting from dimunition of the profits of the land.

Audit test-checked 30 land acquisition cases finalized during the period 2009-14 in four districts⁵ involving land measuring 1705 Kanal 07 Marla for ₹37 crore. Scrutiny of the land awards showed that the CLAs had not factored in all the parameters as per the above provisions of the Act and also had not followed a consistent method in

³ Budgam, Jammu, Kathua and Udhampur

⁴ Power Development Department

⁵ Kathua, Samba, Jammu and Udhampur

arriving at the compensation rates. In respect of 16 cases the compensation rates were finalized by taking into account sale rates for last three years, prevailing market rate and the stamp duty rates, whereas in 12 cases the compensation rates had been finalized after taking into account either the sale rates for last three years or the stamp duty rates only and in two cases none of the above aspects had been taken into account. The final compensation in all these cases had been arrived at by the CLAs without any speaking orders justifying such rate.

Similarly, in a case of land acquisition in Budgam district involving land measuring two Kanal and one Marla, the rate of compensation had been fixed arbitrarily ignoring the provisions of the Act and the laid down procedure of fixation of compensation as elaborated below:

Construction of road to Migrant colony, Budgam

On the basis of indent placed by Relief Commissioner (Migrant), the Collector Land Acquisition, Budgam notified (March 2004) land measuring two Kanal and one Marla under section 4 (1) of J&K Land Acquisition Act for construction of road to Migrant colony, Budgam. The case was submitted by the CLA to the Administrative Department for issue of declaration under Sections 6, 17 and 17A which was subsequently conveyed in February 2006. The CLA issued award under Compulsory Acquisition proposing therein rate of ₹7.60 lakh plus 15 per cent Jabarana per kanal amounting to ₹17.92 lakh. Scrutiny of records showed that land owners refused to take the compensation and demanded a higher rate. The Collector instead of invoking Sections 17, 32, 44 and 45 of the Land Acquisition Act initiated acquisition proceedings afresh in terms of Section 11-B of the Act and fresh notification under section 4 (1) of the Act was issued @ ₹20 lakh per Kanal for land measuring one Kanal eight Marlas and 13Sft to the extent of ₹28.05 lakh (129 per cent above the previously approved rate). As Section 17 (Compulsory mode of acquisition) of the Act had been invoked previously for acquisition of the land, neither annulment of the award was practicable nor the application of Section 11-B was permissible.

2.7.3 Contingent liability for interest

During test-check of records of Deputy Commissioner Office, Udhampur, it was noticed that four land awards were finalized without ensuring depositing of compensation amount by the indenting departments⁶. Since the possession of the land had already been taken over by the indenting departments during 2012-13, the land owners were not paid compensation (March 2014). The Deputy Commissioner Udhampur stated (May 2014) that concerned departments were being requested for depositing amount of compensation. The reply is not acceptable in view of the fact that no draft/ final award was to be issued without availability of amount of compensation with the Collector.

⁶ Public Works Department (PWD) and Public Health Engineering Department (PHE)

Similarly, the District Collector, Samba had finalized (2012-14) land acquisition cases of National Highway in five villages without ensuring depositing of amount of compensation. After being pointed out, the District Collector replied (June 2014) that NHAI had been asked to place funds at the disposal of Collector.

Non-deposition of funds by the indenting departments had the potential of the land owners claiming interest for the delay in making payments of compensation.

2.7.4 Payment of compensation for acquisition of community lands

Community lands referred as Shamilat/ Kacharai are reserved for grazing of animals of the neighbouring villages (Mahfooz Kahcharie) and other community needs and cannot be individually owned. As per Revenue Department order (Febraury 1980) the compensation of land classified as Shamilat and Kacharai and not under the personal cultivation of any person in Kharif 1971, is to be credited to the Government account and the occupants (Makbooza Malikan) whatsoever are not entitled for any land compensation.

In Udhampur district audit noticed seven cases of land acquisition in seven villages involving 628 Kanal of land wherein payment of ₹18.01 crore had been allowed to the persons in possession of *Makboza Malikan* lands without ensuring personal cultivation of such lands by such individuals in *Kharif* - 1971 in disregard to standing instructions of the Government.

On being pointed out, the Deputy Commissioner Udhampur stated that no doubt compensation stands recorded against Makbooza Malikan but the payment had not been made. The reply is not tenable as the amount of compensation in respect of *Makbooza Malikan* and under *Shamilat Deh* was not required to be announced by the Collector in favour of any individual.

2.7.5 Loss of interest

Government Order (February 2010) envisages that the CLA will draw the amount of land compensation lying with them in the various Bank accounts and credit the same into revenue deposit Head of accounts (MH 8443) and draw the same in parts or in full as and when required for immediate disbursement. Such amount of compensation on account of land was to be transferred to the treasury within a period of seven days from the issue of order. However during the test check of records of Deputy Commissioners Kathua, Samba and Jammu it was noticed that in 20 cases there had been delay ranging from 5 to 519 days in transfer of money into treasury which resulted in avoidable loss of interest to the extent of ₹2 crore. The CLAs (Jammu and Kathua) in reply attributed the delay to non-availability of trained manpower and rush of work.

Similarly, the office of District Collector, Budgam had operated nine Current Bank accounts in different branches of the J&K Bank Limited. A minimum balance of ₹36.53 lakh was noticed lying at the credit of the above accounts without earning any interest from April 2010 to January 2014. After being pointed out, the District Collector issued (February 2014) instructions to Bank for closure of these five Bank

accounts. The Commissioner/ Secretary Revenue Department stated (July 2014) that action had already been taken by all the Deputy Commissioners.

2.7.6 Non-accountal of compensation money

Amounts received by the CLAs on account of the compensation for land acquisition from the indenting departments are to be remitted into Treasury pending disbursement to the claimants.

Cross check of records relating to land acquisition amounts received by the Collector Land Acquisition (ACR), Budgam during 2009-14 with the balances reflected in the District Treasury, Budgam, showed that 9 remittances amounting to ₹68.69 lakh were reported to have been made into Treasury. However the details of these remittances were not appearing in the records of Treasury Officer, Budgam. Further there was variation of ₹3.19 lakh between the records of Treasury and Collector during the same period.

The CLA Pulwama received (March 2009) ₹one crore from DDC Pulwama for payment of land compensation to land owners for acquisition of land for circular road Pulwama. However, it was seen that no details of the credit of the amount to Civil-deposit (Major Head 8443) were available with the CLA which resulted in non-accountal of the funds. The CLA Pulwama stated (June 2014) that reconciliation would be conducted with the Treasury to ascertain the status of ₹1 crore. Further progress in the matter was awaited (August 2014).

2.7.7 Irregularities in land acquisition

The Principal Government Medical College Srinagar placed (May 2009) an indent with the CLA, Srinagar for acquisition of 15K-18M-5½ Sirsa land for establishment of Regional Institute of Ophthalmology at Tashwan, Srinagar. Scrutiny of records showed that the Collector had disbursed payment of compensation in favour of five different persons instead of the rightful owner existing in revenue records. The Commissioner/ Secretary of the Department reported (July 2014) that the specific reply from the concerned Deputy Commissioner was awaited. Further progress in the matter was awaited (September 2014).

Audit scrutiny further showed that the indenting department had requested the Collector to proceed for the said acquisition through compulsory mode of acquisition. The collector, instead started acquisition process through the mode of Private Negotiation (PNC) and negotiated compensation @ ₹66 lakh plus 15 per cent Jabrana per kanal. One of the four persons in interest was provided 20 kanals land @ ₹15 lakh per kanal on Bye Pass road, Srinagar, in exchange of his share of land. However, the land on Bye Pass road was recorded as Municipal property under revenue records and before negotiating the deal of transfer, NOC was not obtained from Srinagar Municipal Corporation (SMC). Consequently, the SMC filed a petition before Hon'ble High Court against the arbitrary transfer of their plot.

Further, cross check of land acquisition case files, Record of Right (ROR) and allied revenue records showed that the land acquired measured 11 Kanals three Marla and 140 sft as per the ROR whereas the final awards had been issued for 15K-18M-5½ Sirsa resulting in excess payment of ₹3.60 crore, which remained unexplained to Audit (August 2014).

2.7.8 Non-deduction of Income tax at source

As per provisions of Section 194LA of the Income Tax Act, 1961, any person responsible for paying to a resident any sum, being in the nature of compensation of any immovable property (other than agricultural land) situated in any area not beyond eight kilometres from the local municipal limits, shall at the time of payment of such sum deduct an amount equal to ten *per cent* of such sum as Income tax, if the amount of such payment had exceeded ₹one lakh (revised to ₹two lakh from 01 July 2012). Moreover, as per provisions of Section 206AA of the Income Tax Act, 1961, any person entitled to receive any sum on which tax is deductible shall furnish his Permanent Account Number (PAN) to the person responsible for deducting such tax, failing which tax shall be deducted at the rate of 20 *per cent*. Following deviations were noticed in Audit.

During audit scrutiny of Land Acquisition records, non-observance of Section 194
 LA and 206-AA of the Income Tax Act, 1961 by Collectors land acquisition had resulted in non-recovery of income tax at source to the following extent:-

District Period of payment Amount of **Status of TDS** income tax due (₹ in crore) Budgam 2006-14 4.16 Not recovered Srinagar May 2009 to January 5.04 TDS amount charged to Indenting 2012 Department instead of to land owners

Table-2.3

The District Collector, Budgam defended (February 2014) the action of CLA by describing the transferred lands as agriculture lands. The reply, however, was not correct as under the IT Act, the said lands did not qualify for classification as agriculture lands as same were within the municipal limits. Meanwhile, Audit referred (February 2014) the cases to Income Tax Commissioner for clarification. The Income Tax Officer (Incharge TDS) being asked for clarification of the issue agreed with the contention of the Audit.

• In other four districts (Udhampur, Kathua, Samba and Jammu), it was seen that income tax of ₹30.18 lakh⁷ had not been deducted at source on acquisition of non-agriculture lands/ structures, resulting in extension of undue benefit to the land owners. The DCs Jammu and Samba intimated that TDS could not be made in absence of clear instruction from the Income Tax Department.

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D.C Kathua: ₹10,77,289/-, Jammu: ₹15,74,568/-; Samba: ₹3,04,662/-: Udhampur: ₹ 61393/-

2.7.9 Blocking of Community development funds

The Joint Director (Planning)/ CPO, Srinagar received (March 2009) ₹16.61 crore on account of funds transferred under acquisition of *Kahcharai* land from Asstt. Commissioner Land Acquisition PWD, Srinagar for community development works in three villages/ locations. The funds had not been utilised for the requisite purpose as of June 2014, resulting in blocking of funds to the extent of ₹16.61 crore with the JD (Planning) CPO Srinagar/Pulwama for over six years.

The Commissioner/ Secretary to the Government, Revenue Department stated (July 2014) that the Deputy Commissioner Srinagar had been asked to prepare and implement the plan for utilization of the funds.

Similarly, Joint Director (Planning)/ CPO, Pulwama received ₹7.92 crore between February 2011 and December 2013 on account of funds transferred under the acquisition of *Kahcharai* Land from CLA (ACR) Pulwama for 11 villages. It was seen that the amount which should have been utilized for community development works was lying unspent (June 2014).

2.7.10 Internal Control mechanism

2.7.10.1 Improper maintenance of basic records

Audit scrutiny in Srinagar and Budgam, showed the following:

- In Srinagar, no record was maintained to keep watch over funds being transferred by different Collectorate offices involved in acquisition of land within district and in the neighbouring districts to the DDC, Srinagar.
- Basic records such as Drawal Register and Cash book relating to land acquisition funds had not been maintained.
- Verification of monthly drawal made from the treasury had not been carried out regularly.
- Mechanism to check title of land at Collectorate level and verification of Khasra Paimaish with Record of Right (ROR) was non-existent.
- Periodical reconciliation of funds pertaining to land acquisition had not been carried out with the Treasury office.

The Commissioner/Secretary Revenue Department stated (July 2014) that the DCs had been directed to take necessary steps for updating the records and to conduct periodical inspection of such records in the Collectorates.

2.7.10.2 Management Information System (MIS)

In order to keep an effective watch over the process of acquisition and allotment of land in the State, a proper management information system was to be put in place at each district level office by preparing database of land records. During the course of audit of four district Collectors (Kathua, Udhampur, Jammu and Samba) it was seen that there was no Management Information System (Computerisation of land records) put in place as a result the complete details of land acquired including land transferred

under Roshni Act and subsequently acquired for public purposes could not be verified.

2.7.11 Other points

The lands have been transferred free of cost or at concessional rate under Roshni Act without any provision for preferential buyback as commented in Audit Report 2012-13. Audit inquired from the DDCs about Khasra number-wise details of lands transferred under Roshni Act and Khasra number-wise details of lands acquired or under acquisition to see whether any lands transferred under Roshni Act have been acquired and at what cost. The information was awaited (August 2014).

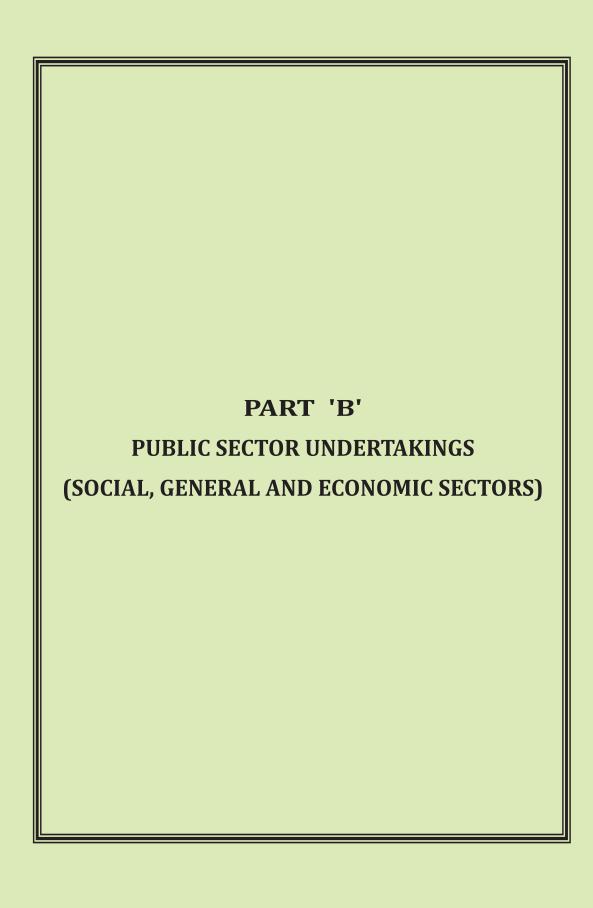
However, during test check of records of Deputy Commissioner, Udhampur, it was seen that land measuring 1K-8M was acquired in village Roun, Udhampur under PMGSY for construction of road from Battal Balian to G. Phadar and a compensation of ₹3.22 lakh was paid to a person who had received title to the land the under the Roshni Act. It is apt to mention that the illegal occupant of State land was conferred ownership rights under Roshni Act after paying a small amount of ₹2,320.

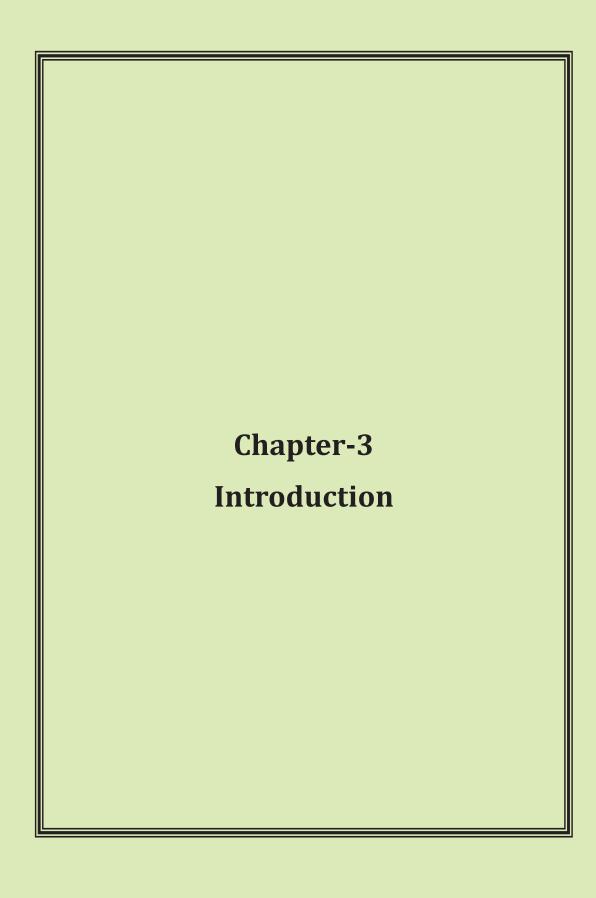
In another similar case land measuring 1K-9M under Khasra No 981-Min and 982-Min was acquired in village *Nardi* for construction of road under PMGSY. The land in question was transferred under Roshni Act at a meagre fee of ₹100 per kanal and the same land was re-acquired by the Government at the rate of ₹55,000/- per kanal allowing total compensation of ₹91,710/-.

The above points were referred to the Government/ Department in June 2014. The Government/Department furnished (July 2014) part reply to the observations and same have been incorporated at appropriate places.

2.8 Recoveries at the instance of Audit

Audit had pointed out short levy of tax/interest due to misclassification of stocks and non recovery of interest for delayed recovery of dues as land revenue in three cases in Commercial Taxes Circle 'K','J' and 'O' Jammu amounting to ₹ 22.88 lakh relating to General Sales Tax (GST). The department while accepting the Audit observation reassessed (November 2013) the dealers and recovered the full amount of ₹ 22.88 lakh.





CHAPTER - 3

INTRODUCTION

3.1 About the State Public Sector Undertakings (PSUs)

- 3.1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The investment in the PSUs as on 31 March 2014 stood at ₹4750.79 crore. The working State PSUs registered a turnover of ₹8272.38 crore (*Appendix 3.1*) as per their latest finalised accounts as of September 2014. Major activities of PSUs were concentrated in power and finance sectors. The PSUs employed 23599 employees¹ as on 31 March 2014. The State PSUs do not include two² prominent Departmental Undertakings (DUs), which carry out commercial operations but are part of Government departments.
- **3.1.2** As on 31 March 2014, there were 23 Government companies and three statutory corporations, of which The Jammu and Kashmir Bank Limited is listed (July 1998) on the stock exchange.
- **3.1.3** No company was created/ merged or wound up during the year 2013-14.

3.2 Audit Mandate

- **3.2.1** Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by the Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by the Government(s), Government companies and corporations controlled by the Government(s) is treated as if it was a Government company (deemed Government company) as *per* Section 619-B of the Companies Act, 1956.
- 3.2.2 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as *per* the provisions of Section 619(3) (b) of the Companies Act, 1956.
- **3.2.3** Audit of Statutory corporations is governed by their respective legislations. Out of three Statutory corporations, the CAG is the sole auditor for Jammu & Kashmir State Road Transport Corporation and Jammu & Kashmir State Forest Corporation³. In respect of Jammu & Kashmir State Financial Corporation, the audit

Three non-working Companies did not furnish the details.

Consumer Affairs & Public Distribution Department and Government Press

Jammu and Kashmir State Forest Corporation was incorporated in 1978-79 and its audit was entrusted to the CAG with effect from 1996-97. The Corporation, however, had never submitted its accounts to the CAG for audit for any of the years.

is conducted by the Chartered Accountants appointed by the Shareholders in their Annual General Meeting from the approved panel of Reserve Bank of India and supplementary audit by the CAG as per the provisions of the State Financial Corporation Act, 1951.

3.3 Investment in State Public Sector Undertakings (PSUs)

3.3.1 As on 31 March 2014, the investment (capital and long-term loans) in 26 State PSUs and Statutory corporations was ₹4750.79 crore as per details given in **Table-3.1**.

Table-3.1

(₹ in crore)

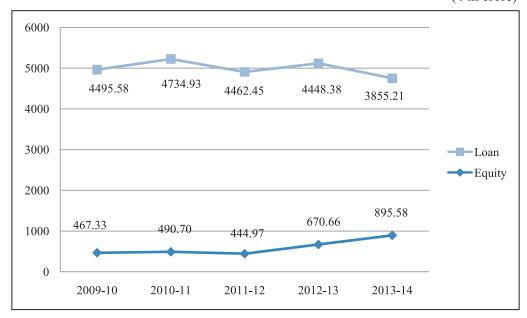
PSU	Type	Number	Capital	Loan	Total
Working	Government	20	521.19	3339.84	3861.03
PSUs	Companies				
	Statutory	03	371.82	514.54	886.36
	Corporations				
	Total	23	893.01	3854.38	4747.39
Non	Government	03	2.57	0.83	3.40
Working	Companies				
PSUs	Statutory	-	-	-	-
	Corporations				
	Total	03	2.57	0.83	3.40
	Grand Total	26	895.58	3855.21	4750.79

A summarized position of Government investment in State PSUs is detailed in *Appendix 3.2*.

3.3.2 As on 31 March 2014, of the total investment in State PSUs, 99.92 *per cent* was in working PSUs and the remaining 0.08 *per cent* in non-working PSUs. The total investment consisted of 18.85 *per cent* towards capital and 81.15 *per cent* in long-term loans. The investment has decreased by 4.27 *per cent* from ₹4962.91 crore in 2009-10 to ₹4750.79 crore in 2013-14 as shown in the **Chart-1.1**.

Chart 1.1

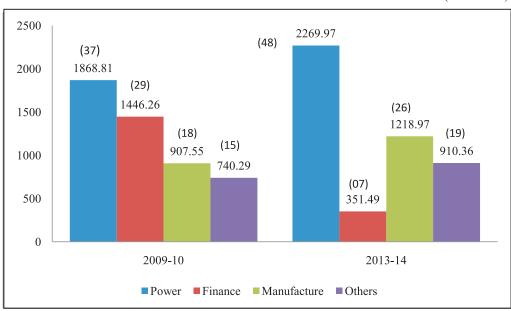
(₹ in crore)



3.3.3 The investment in various important sectors and percentage thereof at the end of 31 March 2010 and 31 March 2014 are indicated below in the bar **Chart-1.2**.

Chart-1.2

(₹ in crore)



(Figures in brackets show the sector percentage to total investment during 2009-10: ₹4962.91 crore and 2013-14: ₹4750.79 crore)

During 2013-14, the major investment was in the power sector (48 *per cent*). The percentage of investment in power sector increased from 37.66 *per cent* in 2009-10 to 48 *per cent* in 2013-14 of the total investment; whereas the share of finance sector decreased by 75.70 *per cent* during the period.

3.4 Budgetary outgo, grants/ subsidies, guarantees and loans

3.4.1 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in *Appendix 3.3*. The summarized details for the last three years ended 31 March 2014 are given in **Table-3.2**.

Table-3.2

(₹ in crore)

Sl.	Particulars	201	11-12	201:	2-13	201	3-14
No.		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	3	06.09	3	7.00	5	25.03
2.	Loans given from budget	10	70.26	10	76.08	7	69.84
3.	Grants/Subsidy received from State Government.	8	96.95	7	30.23	8	156.70
4.	Total outgo (1+2+3)	15	173.30	13	113.31	13	251.57
5.	Interest/Penal interest and loan repayment written off	1	50.66	1	11.42	Nil	Nil
6.	Guarantees issued ⁴	2	10.09	3	2193.97	3	36.37
7.	Guarantees Commitment ⁵	9	1805.66	9	1789.80	04	2164.64
8.	Guarantee fee		NIL	1	43.58	Nil	Nil

The guarantees issued during the year 2013-14 were ₹36.37 crore and guarantee at the end of 31 March 2014 was ₹2164.64 crore. More than 95.37 *per cent* of guarantee was on the loans raised by Jammu & Kashmir Power Development Corporation Limited from various financial institutions.

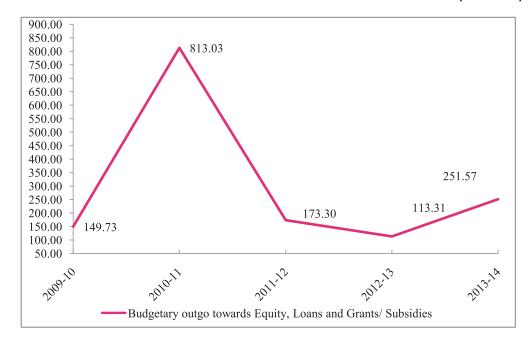
3.4.2 The details regarding budgetary outgo towards equity, loans and grants/subsidies for past five years are given in **Chart-1.3**.

Fresh guarantees issued by the State Government during the year.

⁵ Sum of guarantees outstanding loan and principal at the end of each year

Chart 1.3

(₹ in crore)



The budgetary outgo of the State Government towards equity contribution, loans, grants and subsidy was all time high in 2010-11 at ₹813.03 crore during the preceding five years. The upward trend of budgetary outgo can be seen from 2009-10 and stood at ₹813.03 crore in 2010-11 which decreased to ₹173.30 crore during 2011-12 and further decreased to ₹113.31 crore during 2012-13. During current year the budgetary outgo of State Government towards equity, loans and grants/ subsidies against increased to ₹251.57 crore.

3.5 Reconciliation with Finance Accounts of the Government

3.5.1 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2014 is indicated in **Table-3.3**.

Table-3.3

(₹ in crore)

			(' ' ' ' ' ' ' ' ' ' ' ' ' ' ' ' ' ' '
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	485.94	531.31	(-) 45.37
Loans	800.26	1697.70	(-) 897.44
Guarantees	2114.81	2167.87	(-) 53.06

3.5.2 The concerned administrative departments, PSUs and Finance Department were requested every quarter to take necessary action to reconcile the differences.

3.6 Performance of Public Sector Undertakings (PSUs)

3.6.1 Out of 23 working PSUs⁶ for which accounts for latest years were received upto 31 August 2014, eight PSUs earned profit of ₹1498.94 crore, twelve PSUs incurred loss of ₹150.71 crore, two⁷ PSUs had not prepared Profit and Loss account and one PSU⁸ had not submitted its accounts since 1996-97. The major contributors to profit were Jammu & Kashmir Bank Ltd. (₹1182.47 crore) and Jammu & Kashmir State Power Development Corporation (₹300.86 crore). The heavy losses were incurred by Jammu & Kashmir State Road Transport Corporation (₹66.97 crore), Jammu & Kashmir Industries Limited (₹46.83 crore), Jammu & Kashmir Horticulture Produce Marketing and Processing Corporation Limited (₹10.62 crore) and Jammu & Kashmir Minerals Limited (₹10.36 crore). The Summarized Financial Results including net profit/ loss, turnover, return on capital employed, etc. of Government companies and statutory corporations for the latest year for which accounts were finalized are given in *Appendix 3.1*.

3.6.2 The year wise details of expenditure not recoverable, controllable/ avoidable expenditure, infructuous investment and blockage of funds, from the CAG's Audit Reports by the PSUs for the last three years is given in **Table-3.4** which are controllable with better management.

Table-3.4

(₹ in crore)

Particulars	2011-12	2012-13	2013-14
Expenditure not recoverable, controllable/ avoidable expenditure, in-fructuous investment and blockage of funds	172.90 ⁹	247.20	109.39

3.6.3 The State Government did not formulate any dividend policy under which PSUs could be required to pay a minimum return on the paid up share capital contributed by the State Government. As per the latest finalized accounts, eight PSUs earned an aggregate profit of ₹1498.94 crore and one PSU¹⁰ declared a dividend of ₹242.39 crore.

3.7 Arrears in finalization of accounts

3.7.1 The accounts of the companies for every financial year are required to be finalized within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of statutory corporations, their accounts are finalized, audited and presented to the

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For the year 2013-14 (one PSUs), 2010-11 (two PSU), 2007-08 (one PSU), 1999-2000 (one PSU), 1998-99 (two PSUs), 1997-98 (One PSU).

⁷ J&K State Overseas Employment Corporation limited and Chenab Valley Power Projects Private limited

⁸ Jammu & Kashmir State Forest Corporation

⁹ It includes expenditure of ₹10.18 crore which was not recoverable.

Jammu and Kashmir Bank Limited.

Legislature as per the provisions of their respective Acts. The details of progress made by the working PSUs in finalization of accounts by September of the respective years are given in **Table-3.5**.

Table-3.5

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Number of Working PSUs	20	21	22	23	23
2.	Number of accounts finalised during the year	10	34	36	38	14
3.	Number of accounts in arrears	234	223	208	195	187
4.	Average arrears per PSU (3/1)	11.70	10.62	9.45	8.48	8.13
5.	Number of Working PSUs with arrears in accounts	19	19	19	20	20
6.	Extent of arrears (years)	4 to 20	2 to 20	3 to 21	2 to 18	1-19

- **3.7.2** Twelve¹¹ working PSUs failed to forward even one account during the year causing accumulation of the arrears ranging between four and nineteen years.
- **3.7.3** In addition to above, there were also the arrears in finalization of accounts by non-working PSUs. Out of three non-working PSUs (all companies), two PSUs¹² had gone into liquidation process. The remaining one non-working PSU¹³ had arrear of accounts for 24 years.
- **3.7.4** The State Government had invested ₹790.63 crore (equity: ₹64.57 crore, loans: ₹354.03 crore, grants: ₹359.44 crore and subsidy: ₹12.59 crore) in 16 PSUs during the years for which accounts have not been finalised as detailed in *Appendix 3.4*. In the absence of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested had been achieved or not. Thus, Government's investment in such PSUs remains outside the scrutiny of the State Legislature.
- 3.7.5 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalized and adopted by these PSUs within the prescribed period. Though the concerned administrative departments were informed (July 2014), of the arrears in finalization of accounts, no remedial measures were taken. As a result of this, the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up with the Chief Secretary of the State in August 2014 to expedite the backlog of arrears in accounts in a time bound manner.

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J&K State Horticulture Produce marketing Corporation limited, J&K State Small Scale Industries Corporation Limited, J&K State Industries Corporation Limited, J&K State Handloom Development Corporation Limited, J&K Cements Limited, J&K Minerals Limited, J&K State Tourism Development Corporation limited, J&K State Forest Corporation Limited, J&K State Road Transport Corporation Limited, J&K Police Housing Corporation, J&K SC/ST/OBC Development Corporation, J&K Overseas Development Corporation.

Himalayan Wool Combers and J&K State Handloom Handicrafts Raw Material Supplies Organisation Limited.

¹³ Tawi Scooters Limited.

3.8 Winding up of non-working Public Sector Undertakings (PSUs)

3.8.1 There were three non-working PSUs (all companies) as on 31 March 2013. The stages of closure in respect of non-working PSUs are given in **Table-3.6**.

Table-3.6

Sl. No.	Particulars	Companies
1	Total No. of non-working PSUs	3
2	Of (1) above, the No. under	
(a)	Liquidation by Court (liquidator appointed)	2^{14}
(b)	Voluntary winding up (liquidator appointed)	-
(c)	Closure, i.e. closing orders issued but liquidation process not yet started.	115

During the year 2013-14, no company was finally wound up. The companies which had taken the route of winding up by court order were under liquidation for more than nine years.

3.9 Accounts Comments

3.9.1 Fourteen (14) accounts of the 11working companies were finalized between October 2013 and September 2014 and were selected for supplementary audit. The details of aggregate money value of comments of the Statutory Auditors and the CAG are given in **Table-3.7**.

Table-3.7

(₹ in crore)

	(,							
		2011-12		2012	2-13	2013-14		
Sl. No.	Particulars	No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount	
1.	Decrease in profit	5	5.78	1	4.50	01	0.09	
2.	Increase in loss	7	2.23	8	27.60	01	0.15	
3.	Non-disclosure of material facts	4	27.85	2	45.17	04	59.35	
4.	Errors of classification	10	110.48	10	82.28	03	3.52	

The audit reports of the Statutory Auditors appointed by the CAG and the supplementary audit of the CAG indicated that the quality of maintenance of accounts needed to be improved substantially.

3.9.2 Some of the important comments in respect of annual accounts of the Government companies during the period October 2013 to September 2014 are stated below:

Jammu & Kashmir State Industrial Development Corporation Limited (2007-08)

• The Company had not provided interest accrued and due ₹1.61 crore on term loan from State Government resulting into understatement of unsecured loan funds by ₹1.61 crore and understatement of loss to the same extent.

¹⁴ Himalayan Wool Combers Limited and Jammu & Kashmir State Handloom Handicrafts Raw Material Supplies Organization Limited.

¹⁵ Tawi Scooters Limited.

• The Company had received ₹4.17 crore from promoters as part of unrealized premium and treated it as Income, which was payable to State Government and should have been treated as liability.

Jammu and Kashmir State Cable Car Corporation Limited (2010-11)

• The Company has not made provision of ₹23.78 lakh regarding income tax payable for the financial year 2010-11 resulting into understatement of current liabilities as well as accumulated losses of the Company to the same extent.

Jammu and Kashmir State Power Development Corporation Limited (2010-11)

- The Company has neither collected nor made provision of ₹1.95 crore being one *per cent* cess payable by the contractors on the value of work done (₹194.75 crore) during the year as per Building and Other Construction Workers Welfare Cess Act, 1996 leading to understatement of current Liabilities' and Provisions as well as other Receivables' by ₹1.95 crore.
- The Company neither paid nor made provision of ₹27.27 crore for water usage charges as per the Jammu and Kashmir Water Resources (Regulations and Maintenance) Act, 2010. This resulted in understatement of current liabilities and provisions by ₹27.27 crore and overstatement of profits to the same extent.
- **3.9.3** Similarly, accounts of two statutory corporations viz Jammu & Kashmir State Financial Corporation and Jammu & Kashmir State Road Transport Corporation had been finalized (two) Accounts for years 2011-12 and 2012-13 and Nil Accounts during 2013-14. The Jammu and Kashmir State Forest Corporation had never submitted its accounts since 1996-97. The details of aggregate money value of comments for the last three years ended 31 March 2013 is given in **Table-3.8**.

Table-3.8

(₹ in crore)

SI.	Dest'estess	2011-12		2012-13		2013-14	
No.	Particulars	No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	=	=	-	=	-
2.	Increase in loss	-	ī	5	184.86	ı	-
3.	Non-disclosure of material facts	-	-	-	-	-	-
4.	Errors of classification	2	1.60	1	3.75	-	-

3.9.4 During the year, the statutory auditors had given qualified certificates in respect of nine accounts¹⁶. The compliance of PSUs with the Accounting Standards remained poor. There were 24 instances of non-compliance of accounting policies relating to inventories, revenue recognition, not making provisions for employee benefits, etc.

In case of Jammu and Kashmir State Road Transport Corporation, CAG is the sole auditor.

3.10 Internal Control/ Internal Audit

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. The Statutory Auditors had stated that internal audit system in respect of five companies was either not in place or internal audit reports were not furnished as per details given in **Table-3.9**.

Table 3.9

Nature of comments made by Statutory Auditors		Reference to Companies figuring at serial number of the Appendix-3.1
Absence of internal audit system commensurate with the nature and size of business of the Company.	05	A- 4,5, 8, 9,19

Public Sector Undertakings need to improve their internal audit systems commensurate with the nature and size of business, devise suitable system for making provision of retrial dues, inventory management, introduction of information technology etc. for better results.

3.11 Status of placement of Separate Audit Reports

The audit of Jammu and Kashmir State Financial Corporation is conducted under Section 37 (6) of the State Financial Corporation Act 1951, Jammu and Kashmir State Road Transport Corporation under Section 33 (2) of the Road Transport Corporation Act 1950 whereas audit of Jammu and Kashmir State Forest Corporation is entrusted to the CAG on the request of the State Government. During the year 2013-14, no Separate Audit Reports (SARs) issued by the CAG on the accounts of Jammu & Kashmir State Road Transport Corporation due to non-submission of any Account by the Corporation and in respect of Jammu & Kashmir State Financial Corporation Accounts for the year 2011-12 were laid in the legislature during March 2014 (July 2014). Further, Jammu & Kashmir State Forest Corporation had never submitted its accounts to the CAG since 1996-97 when the audit was entrusted to the CAG.

3.12 Response of the Departments to Audit Report material

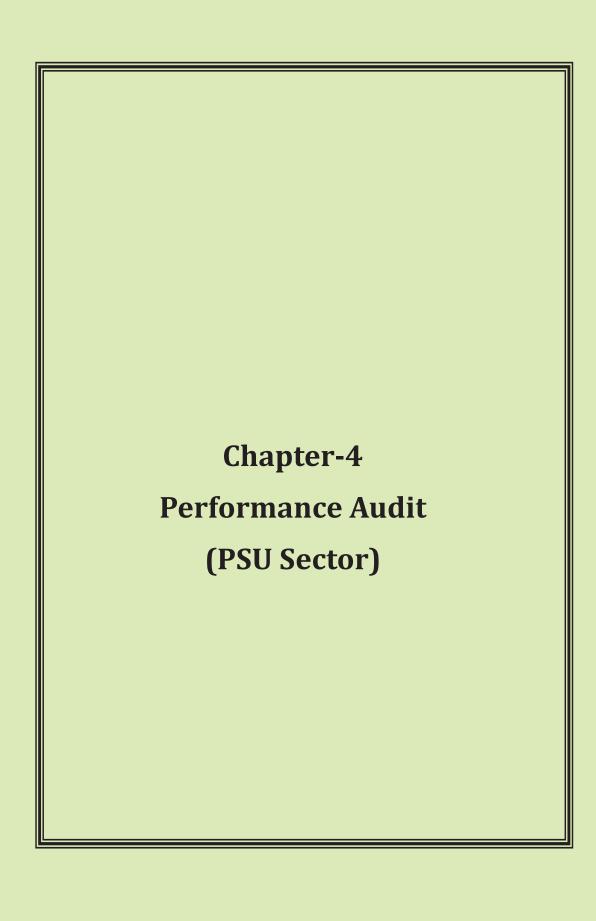
For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2014, one performance audit and six draft paragraphs were issued to the Secretaries of the respective Departments with the request to furnish replies within six weeks. However, reply in respect of three draft paragraphs involving a money value of ₹2.02 crore was awaited from the State Government (September 2014). One performance audit involving money value of ₹23.62 crore and six audit paragraphs involving ₹8.71 crore have been included in Part B (PSU Chapter) of this Report.

3.13 Follow up on Audit Reports

As per the instructions of the State Finance Department, the Departments of the Government are required to prepare and send to the Jammu and Kashmir Legislative Assembly Secretariat, *suo-moto* Action Taken Notes (ATNs) on the Audit paragraphs within three months of an Audit Report being laid on the table of the Legislature. A review of the position in this regard showed that as of March 2014, out of 55 Audit paragraphs included in the Audit Reports for the years 2000-01 to 2012-13, the recommendation in respect of 42 paragraphs have been made by Committee on Public Undertakings (COPU), however, ATNs on the recommendations of COPU is pending from the State Government in respect of 23 Audit paragraphs.

3.14 Disinvestment, Privatisation and Restructuring of PSUs

The State Government had no plans of disinvestment. However, the State Government has initiated the process of privatization with regard to development of hydel projects through Independent Power Producers and six projects were privatized up to 2013-14 by J&K State Power Development Corporation Ltd out of 23 projects. However, final process was yet to be completed (August 2014).



CHAPTER-4

PERFORMANCE AUDIT INDUSTRIES AND COMMERCE DEPARTMENT

Jammu & Kashmir Small Scale Industries Development Corporation Limited

4.1 Working of the Jammu & Kashmir Small Scale Industries Development Corporation Limited

The Jammu & Kashmir Small Scale Industries Development Corporation Limited (SICOP) was incorporated in November 1975 under the Companies Act 1956. The Company is engaged in aiding, assisting and promoting Small Scale Industrial (SSI) units in the State.

Highlights

• The accounts of the Corporation were in arrears since 1995-96. The huge balances of ₹556.10 crore appearing under Inter-unit Adjustment Account remained un-reconciled/ un-adjusted ending March, 2014.

(Paragraphs: 4.1.6.1 & 4.1.12.3)

• Fifty *per cent* developed area in IID, Govindsar, Kathua and 93 *per cent* developed area in Silk Park Zakura remained unutilized as of March, 2014 resulting in unfruitful expenditure of ₹12.23 crore. Besides delay in completion of projects leading to withholding of ₹61.89 lakh by the GoI, diversion of ₹57.06 lakh from project funds, excess expenditure of ₹4.01 crore over the estimates and allotment of plots of the size of 100 kanals against the approved size of 2-4 kanals were noticed.

(*Paragraph*: 4.1.7)

• Rent of ₹77.53 lakh was recoverable from lessees as on 31 March 2014. Rent had not been revised after the year 2007 though required to be done after every five years resulting in loss of ₹27.26 lakh to the Company during the years 2012-13 and 2013-14.

(Paragraph: 4.1.8)

• 265 Deposit works at a cost of ₹ 57.64 crore were allotted to various contractors on selective basis without tendering and without issuing any formal allotment letters. Payment amounting to ₹3.78 crore was authorized on hand receipts in violation of provisions of J&K Public Works Account Code. The marketing assistance was provided to about 40 per cent units registered with the Company.

(Paragraphs: 4.1.9 & 4.1.10)

• The Board of Directors (BOD) of the Company met only on four occasions during 2009-14 against a minimum requirement of 20 meetings under Companies Act, 1956.

(Paragraph: 4.1.12.4)

4.1.1 Introduction

The Jammu & Kashmir Small Scale Industries Development Corporation Limited (SICOP) was incorporated in November 1975 under the Companies Act 1956 as a wholly owned Government Company *inter alia* to assist and promote the interests of Small Scale Industrial (SSI) units in the State by formulating plans and executing projects of industrial estates, development of infrastructural facilities, undertaking marketing including trade promotion by export trade, raw material management and establishing common quality control facilities.

4.1.2 Organisational Set up

The Management of the Company is vested in a Board of Directors (BOD) comprising 13 Directors including the Chairman and the Managing Director. The day to day activities are managed by the Managing Director. He is assisted by four General Managers, a Financial Advisor & Chief Accounts Officer, five Divisional Managers, three Project Officers and an Administrative Officer. The Company had two Divisional Offices, two Project Engineer offices, two Integrated Infrastructure Development (IID) Centres, five Estate Offices, two testing centres and 21 Raw Material Depots (RMDs).

4.1.3 Audit objectives

The Performance Audit was conducted with a view to ascertain whether:

- Financial Management was efficient;
- Development of infrastructure facilities in IID Centres and up-gradation of Industrial Estates was carried out in an efficient and economic manner;
- Asset Management was efficient;
- Construction activities undertaken on behalf of various Government departments were executed in a transparent, efficient and effective manner;
- Marketing Activities and Raw Material distribution was in sync with the Company objectives;
- An efficient Internal Control mechanism was in place.

4.1.4 Scope of Audit and methodology

The performance of the Company was last reviewed for a period of five years from 2003-04 to 2007-08. The Report was taken up for discussion partly by the Committee on Public Undertakings (COPU) thrice¹ during 2011-14. Three out of four paragraphs taken up for discussions were settled by the Committee as communicated vide its 44th Report of March 2012. The discussion on other paras, however, remained inconclusive (July 2014).

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⁰⁶ January 2012, 30 January 2012 and 08 July 2014

The present performance audit covered a period of five years from 2009-10 to 2013-14 and was conducted between January 2014 and May 2014. The activities of the Company were mainly reviewed at Head Office of the Company. Besides, Divisional Offices at Srinagar and Jammu, Project Engineers at Srinagar and Jammu, three Raw Material Depots at Gangyal, Digiana Jammu and Zainakote Srinagar were selected to cover main activities of the Company.

An entry conference was held with the Managing Director of the Company on 22 January, 2014 wherein audit objectives, criteria and methodology were explained and discussed in detail. An exit conference was held on 6 August, 2014 wherein audit findings were discussed and the views and replies of the Government/Management (July2014) of the Company were considered and incorporated in the Report.

4.1.5 Audit Criteria

The audit criteria adopted to achieve the Audit Objectives was as follows:

- Memorandum and Article of Association of the Company;
- Guidelines issued by State Government and GOI regarding implementation of Projects/ Schemes;
- Prescribed procedures and norms for execution of works; and
- Decisions of Board of Directors of the Company;

Audit Findings

4.1.6 Financial Management

4.1.6.1 Non-finalization of accounts

The Company had finalized its accounts up to the year 1994-95 and annual accounts from 1995-96 to 2013-14 (19 years) were in arrears. Failure of the Company in timely finalisation of annual accounts resulted in violation of the provisions under section 166, 210 and 619 of the Companies Act, 1956.

Non-finalisation of accounts beyond 1988-89 was highlighted in the Report of Comptroller and Auditor General of India for the year ended 31st March 2008. Though accounts upto 1994-95 had been finalised as of March 2014, yet the Management failed to take result-oriented steps towards speedy finalisation of arrear accounts. Non-finalisation of the accounts is fraught with the risk of financial irregularities like frauds, misappropriation and embezzlement etc., remaining undetected. The Managing Director of the Company attributed (July, 2014) delay to undue long time taken by the Statutory Auditors in respect of certification of accounts up to 1998-99. The reply is not convincing as the matter regarding delay by Statutory Auditors had not been referred to the appointing authority.

4.1.6.2 Financial position and working results

Based on the provisional accounts, the summarized financial position and working results of the Company for the five years from 2009-10 to 2012-13 are summarised in *Appendix-4.1* and *4.2* respectively.

4.1.6.3 Non-expansion of activities

The Company had not pursued the following objectives:

- Aid, council, assist and promote the interests of Small Scale Industrial (SSI) units
 in the State and to provide them with capital, credit means, resources and
 technical and managerial assistance for the execution of their business;
- Establish/ maintain export house to promote export trades and participate in export trade.

Further, it was seen that the BOD had authorised (April 1994) the Company to undertake civil construction works. However, amendments to the Articles and Memorandum of Association, authorising the Company to undertake the Construction Works were pending for last twenty years (July 2014).

4.1.7 Development of infrastructural facilities

The implementation of infrastructure projects involves providing common facilities to the MSME before plots are allotted to them to establish their units. The Company, as implementing agency (IA), had undertaken development of infrastructural facilities like land, sheds, water/ power supply, road connectivity, and common facility centres etc. under various Integrated Infrastructure Development (IID) Projects and up-gradation of Industrial Estates during 2009-10 to 2013-14 funded jointly by the State and Central Governments. During this period, the Company completed three projects at a cost of ₹28.31 crore with assistance of ₹25.55² crore received from the State Government and GOI.

4.1.7.1 Development of IID Centre, Govindsar, Kathua

Under Integrated Infrastructure Development Scheme, launched by the GOI in 1994 for promoting small scale/tiny industry, an area of 580 *kanals* (Phase-I) situated at Govindsar, Kathua was earmarked for development of Integrated Infrastructure Development (IID) Centre. The land was allotted (November, 2007) by the District Industries Centre (DIC) Kathua to the Company (SICOP) as Implementing Agency (IA) for development of 160 plots (Ist phase) of different dimensions (ranging from one-four *kanals* each) on 450 *kanals* at an approved estimated cost of ₹8.64 crore. The Project was to be completed within 18 months from the date of launch of the project.

The Project was sanctioned by GOI in November 2005 and against the sanctioned amount of ₹8.64 crore, ₹8.34 crore was released by the GoI (₹3.70 crore) and the

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² GOI: ₹13.43 crore; State Government: ₹12.12 crore

State Government (₹4.64 crore) for which separate account was maintained. Scrutiny of records related to the implementation of the Project revealed the following:

• Despite receipt of funds in March/May 2006³, the work was launched in May 2008, thus leading to a delayed start of 24 months. The project was further delayed by 17 months as, against the target completion of 18 months (November 2009), the project was completed in 35 months (March 2011). For inordinate delay in execution of the Project, GOI withheld an amount of ₹29.88 lakh and the cost of Project was restricted to ₹8.34 crore. Besides, delay in completion defeated the objective of the scheme of extending timely benefits to prospective entrepreneurs.

The management attributed (July, 2014) the delay in launching the project to transfer of land by Revenue Authority and subsequent land dispute by the locals for non-receipt of compensation of land. The reply is not convincing because 41 months delay to get the land transferred from revenue authorities and settle land compensation disputes was unjustifiable.

• The Company incurred administrative expenditure viz., salary, office expenditure, POL/ maintenance of vehicles etc., to the tune of ₹57.06 lakh out of Project funds, which was not admissible as per terms of the sanctions governing such release and was thus, irregular.

The management stated (July, 2014) that funds for these items of expenditure were met from Company's own sources. The reply is not tenable as money was withdrawn from the Bank account maintained separately for the Project.

- Though overall expenditure was restricted to the extent of funds received, yet in contravention of the terms of sanctions, the Company had incurred excess expenditure amounting to ₹1.93 crore over and above the sanctioned cost on various items⁴ rendering the expenditure as irregular. The management stated (July 2014) that excess expenditure incurred on some items was due to cost escalation of key raw material and also as per requirement at site during execution. The reply is not convincing as the expenditure was to be restricted to the sanctioned cost of each item of work as per the terms of the sanctions.
- The Company was required to develop 160 plots (1-4 *kanal* plot) on 450 *kanal* of ready to use land as per DPR. However, as against 450 *kanal*, the Company developed 405 *kanal* incurring ₹8.27 crore as the remaining 45 *kanal* had not been physically transferred to the Company due to non-payment of compensation to the land owners by the Government. The plots on 358.70 *kanals* (89 *per cent*) were un-evenly allotted to 72 entrepreneurs leaving 46.30 *kanals* un-allotted as of July, 2014.

4 Common Facility Centre, Construction of roads, Water Supply Scheme, Protection works/ construction of retaining wall, Contingencies layout, survey/ Consultancy

State Government (₹50 lakh) in March 2006 and GOI (₹2 crore) in May 2006

Audit noticed that in deviation of the guidelines of the DPR, the Company allotted 20 *kanal* plot each to two entrepreneurs⁵, 80 *kanal* plot to a single entrepreneur⁶ and more than four *kanals* plots to other eight entrepreneurs⁷ thereby defeating the objective of the Project meant for small and micro sector. Out of 72 entrepreneurs to whom 358.70 *kanals* developed land was allotted, only 23 allottees (32 *per cent*) had established their units on 203 *kanal* land whereas remaining 49 entrepreneurs (68 *per cent*) having 155.70 *kanal* land had not established their units till end of March, 2014. Out of these 49 entrepreneurs, 25 had not established their units despite lapse of a period ranging between six and 19 months after expiry of 18 months of allotment.

Thus, non-utilisation of 202 *kanals*⁸ (50 *per cent*) of developed area of the IID Centre apart from rendering the investment of ₹4.13 crore unfruitful, defeated the objective of promoting small scale/ tiny industry.

The Management replied (July 2014) that the un-allotted developed land had been earmarked for allotment by single window clearance committee in near future. However, the fact remains that despite completion of the project in March 2011, 46.30 kanals remained unallotted and 202 *kanals* land remained unutilised as of July 2014.

- Similarly, as per DPR of Phase-II of the IID Centre total of 47 plots of size measuring 2 to 4 *kanals* were to be developed for MSME unit holders. It was seen in audit that contrary to DPR, one plot comprising 100 *kanals* (out of 176 *kanals* plotable land) was allotted to a single entrepreneur thereby defeating the very objective of the Scheme to promote MSME units.
- As per terms and conditions of the sanctions governing release of funds by GOI, the Company as IA was also required to ensure reservations for SC, ST, OBC and women entrepreneurs in the allotment of plots. Audit, however, noticed that neither any reservation was made nor any plot was allotted to them depriving them of the right of allotment of plots in the IID centre.

The management stated (July, 2014) that power of allotment of plots vested with the single window clearance committee and Directorate of Industries & Commerce Department of the State Government. The fact, however, remains that the Company despite being the implementing Agency for the project and the Managing Director being one of the members of the clearance committee had failed to ensure that the guidelines are adhered to so as to protect the interests of the SSI units.

⁵ M/s Vinay Corporation Private Ltd. and M/S Fena Detergent Private Ltd.

⁶ M/s Jackson Ltd.

M/s Best Crop Science, M/s Sleep Makers, M/s Darrick Industries, M/s Venkys India Ltd. M/s Jammu Rubber Industries, M/s Agro Life Science, M/s Chambal Alumns Private Ltd and M/s Pristine Papers

^{8 405} kanals developed land minus 203 kanals utilized land

⁹ M/s Nicer Paper Mills

4.1.7.2 Development of Handicrafts and Silk Park at Zakura Srinagar

Under Textile Centres Infrastructure Development Scheme (TCIDS) of the GOI, a project 'Development of Handicrafts and Silk Park at Zakura' was approved by the GOI in December 2004 at an estimated cost of ₹7.92 crore with the central assistance of ₹6.27 crore and State share of ₹1.65 crore. The work was assigned to the Corporation as Implementing Agency (IA) for completion within 18 months from the date of launch. An area of 109 *kanals* of land situated at Zakura Srinagar was earmarked for the establishment of Silk and Handicraft units, of which 15 *kanals* were to be earmarked for roads, drains, common facility centre and remaining 94 *kanals* for accommodating 40 units of Silk and 40 units of Handicrafts sector.

Audit noticed that against share of ₹6.27 crore, the GOI released (May 2006 to March 2012) ₹5.95 crore only, and the State released (2004-12) ₹2.65 crore against the proposed share of ₹ 1.65 crore upto March 2014. Scrutiny of records related to the implementation of the Project showed the following:

- The project started in January 2005 was completed in March 2012, after 86 months against the stipulated completion time of 18 months with the result the GOI withheld an amount of ₹32.01 lakh due to delay in execution of the Project. The Management attributed delay in commencement of the work to late realisation of funds and occupation of the premises by the security forces. The fact remains that the State Government had started releasing funds from March 2005 whereas the security forces had occupied the premises for a brief period of six months only.
- The Company had incurred excess expenditure to the tune of ₹2.08 crore over and above the sanctioned cost on various items ¹⁰ of work in violation of terms of the sanctions rendering the expenditure as irregular. Though no provision for the construction of Irrigation *Khuls* was kept in the abstract of costs approved by GOI, yet work to the tune of ₹19.94 lakh had been executed without technical sanction and administrative approval of the competent authority.

The Management stated (July 2014) that excess expenditure incurred on some items was due to cost escalation of key raw material and as per requirement at site during execution. The reply is not convincing as the expenditure was incurred on various items which were outside the scope of abstract of the cost approved by the GoI and thus irregular.

• The Company allotted 81 plots¹¹ of 0.75 *kanal* each for establishing Silk and Handicraft units. Out of these, only 06 had established their units (11 *per cent*) (ending April 2014). As per lease deed executed, the allottees were bound to commence construction of unit within 180 days and commence production within

40 in October 2010, 36 in July-September 2011 and one each in March 2010, July 2010, April 2013, May 2013 and September 2013

Construction of Common Facility Centre (building), Construction of Roads, Construction of Irrigation Khuls, Creche Building (Main building), Construction of RCC Drains, Survey & layout, Security Shed (Main building), Generator Shed (Main Shed), Testing equipment

18 months from the date of execution of the lease deed failing which the allotment was to be cancelled. The Company had not taken effective steps for cancellation of lease deeds. Thus due to non-utilisation of 75 developed plots (93 *per cent*) the investment of ₹8.10 crore remained largely unfruitful and the objective of the scheme was not achieved.

The management of the Company stated (July 2014) that notices had been issued through print media. Reply is not tenable as issuing notices in print media was not enough for cancellation as no follow up action had been taken by the Company after publication of notice. Further the management had not commented on non-establishment of units by the entrepreneurs.

- The company purchased (between April 2012 and April, 2013) various machinery items worth ₹1.53 crore for Common Facility Centre, Boiler House, Effluent Treatment Plant, Testing equipment and Generator for installation at Handicrafts and Silk Park Zakura, which had not been made functional as of April 2014 resulting in idle investment for over two years. The management stated (July 2014) that once the units start production, the machines would be put to optimum use.
- Audit also noticed that the Company advanced ₹37.15 lakh between December 2007 and May 2012 to Executive Engineer, RWS Division, Ganderbal for providing water supply and ₹70 lakh between October 2008 and February 2010 to Executive Engineer, Electric Division, Khanyar for providing Power supply and installation of transformer at Silk Park at Zakura. The advances were outstanding against these Departments as of April, 2014 without any adjustments. Besides, the status of work for which advances had been made was also not available on record.

The Management replied (July 2014) that adjustment was pending for want of detailed work done estimates from the concerned departments and the matter had been taken up in various meetings. The reply is not convincing and indicated lack of vigorous follow up as the amounts were outstanding since December 2007.

• In order to have effective monitoring of the Project, the Project Monitoring Committee (PMC) in its 4th meeting (27 January 2008) had decided that meetings should be held on quarterly basis henceforth. Audit noticed that the PMC did not meet thereafter and neither prepared nor submitted monthly progress reports, as required under terms of the sanctions. Utilisation certificate for an amount of ₹2.06 crore received from GOI on 31 March 2012 had not been furnished (March 2014) violating the terms of the sanction to that extent.

The Management stated (July 2014) that no meeting of PMC was held after January, 2008 but the Chairman of the committee was apprised about the progress of the Project. The action of the Company was not adequate and lack of monitoring led to extraordinary delay in execution of the Project. As regards UCs, it was stated that the same had been submitted to the GOI. However, no

documentary evidence was made available to audit nor was the same found on record.

4.1.7.3 Upgradation of Industrial Estate, Gangyal Jammu

Sanction for up-gradation of Industrial Estate Gangyal, at an estimated cost of ₹9.84 crore, was accorded (May/ June 2012) by the State Government and by the GOI. The estimated project cost was to be shared by the GOI and the State Government at ₹4.91 crore and ₹4.93 crore respectively and the Project was to be completed within 24 months from the date of issue of administrative approval. As of March 2014, ₹8.62 crore (GOI: ₹3.79 crore; State share: ₹4.83 crore) had been released for the project.

It was seen that;

- Tenders were invited (March 2012) for execution of Phase-I road network at a cost of ₹61.50 lakh excluding the cost of bitumen (₹53.53 lakh) to be provided departmentally and the work was allotted (June 2012) to a contractor ¹² for ₹66.33 lakh. Subsequently, work for other roads in Phase-II and III were allotted to the same contractor on repeat order basis for ₹70 lakh (July 2012) and ₹98.67 lakh (December 2012) respectively, without inviting fresh tenders resulting in undue benefit to the contractor.
- Against sanction of ₹3.30 crore, an amount of ₹4.54 crore had been incurred on up-gradation of roads resulting in excess expenditure of ₹1.24 crore in violation of the terms of the sanctions. The excess expenditure was met after diversion of ₹one crore from plan funds meant for up gradation of roads of Village and small scale industries (V&SSI) sector (outside MSME sector) and ₹24 lakh out of interest earned on parking of project funds by the Company. The management stated (July 2014) that additional amount of ₹1.24 crore was incurred on periphery roads for which State Government had released ₹one crore. The fact remains that the funds released by State Government were for V&SSI roads and not for MSME sector.
- Similarly, work for construction of RCC drains was allotted (May 2012) to a contractor for ₹1.59 crore (against NIT cost of ₹1.37 crore), including cost of key construction material viz; cement to be provided departmentally. However, without preparing detailed estimates, the cost of work was revised (February, 2013) to ₹2.52 crore and the additional work amounting to ₹93 lakh was repeated with same contractor, without inviting tenders and without issuing formal allotment letter, on the same rates, in contravention of codal formalities, resulting in extension of undue benefit to the contractor to that extent.

The Management stated (July 2014) that the works were allotted without tendering to the same contractors to ensure timely completion of works and avoid cost escalation. The action of the Company was in contravention to Financial Rules and thus, irregular.

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¹² M/s Jai Jagdambay Road Builders

4.1.8 Asset management

4.1.8.1 Non-recovery of outstanding ground rent

After creating infrastructural facilities in various Industrial Estates (IEs) maintained by the Company, plots are leased out to the entrepreneurs by Apex body of the State Government. The allottees, as per the terms of lease deed, deposit rent with the Company in the first fortnight of every financial year and in case of default they are liable to pay interest @ 16 per cent per annum on the defaulted.

As on March 2014, an amount of ₹77.53 lakh was outstanding against 321 unit holders of six Industrial Estates (IEs)¹³ on account of ground rent. Of this, ₹54.39 lakh continued to remain outstanding for more than three years from 148 unit holders. The percentage of recovery against rent due ranged between 46 and 52 during 2009-14.

As per agreement, the Company, in the event of default in payment of rent, had a right to re-enter the leased premises by giving 30 days' notice if the default continued for a further period of one year. No such action had been taken by the Company against 213 defaulting unit holders despite ₹64.90 lakh being outstanding against them for more than one year. Moreover, interest receivable on the arrear rent had also not been worked out nor recovered by the Company.

The Management stated (July, 2014) that most of the rentals outstanding belonged to sick, closed and migrant units and every possible effort was being made to recover rentals from them. The Company had, however, not furnished detailed list of sick and closed units. Moreover, ₹77.53 lakh continued to be outstanding against the defaulting entrepreneurs.

4.1.8.2 Non-revision of ground rent

As per the terms and conditions of lease deed agreement, the ground rent of plots leased out was to be enhanced by 20 *per cent* after every five years and lessee had to pay enhanced ground rent to the Company. The rates of ground rent of leased out plots of land were revised in April, 2007 on the basis of State Government Order. Audit observed that rent for 2272 *kanals* land (998 plots) of six IEs¹⁴ allotted upto April 2007 was due for enhancement @ 20 *per cent* in April 2012 but the rent had not been enhanced as of March 2014 resulting in loss of ₹27.26 lakh to the Company during the years 2012-13 and 2013-14.

The management replied (July, 2014) that the power to enhance ground rent lies with the Committee constituted by the State Government. The reply is not convincing as the Company had not taken up the matter with the Government for revision of rates as was done earlier in April 2007.

Gangyal, Kathua, Udhampur, Birpur, Zainakote and Zakura

Gangyal, Birpur, Kathua, Udhampur, Zainakote and Zakura

4.1.9 Deposit works

The Company undertakes execution of construction works termed as 'Deposit Works' on cost-plus basis on behalf of Directorate of Industries & Commerce Department and various other State Government Departments, though not envisaged as an objective and not mandated by the Articles and Memorandum of Association of the Company. Records of Project Engineer Gangyal and Project Engineer Srinagar (test-checked in audit) showed that the units had not maintained data showing year-wise, department-wise and work-wise details of funds received and expenditure incurred on these works. However, data relating to department-wise/ work-wise details of execution was computed by audit in respect of Project Engineer Gangyal Jammu and Project Engineer, Kashmir from the basic records (Vouchers and Bills, Cash Book Ledger Account of various departments) and analysis thereof showed the following:

4.1.9.1 Blocking of Government money

The funds available in respect of 273 works (test-checked in audit), value of work done there against and the funds remaining unutilized during the period from 2009-10 to 2013-14 is shown in **Table-4.1**.

Table-4.1 (₹ in lakh)

Year	Opening Balance of funds	Funds received during the year	Total funds available	No. of works executed	Value of work done	Closing balance of unutilised funds	Percentage of value of work done to total funds available
2009-10	92.36	1274.63	1366.99	12*+67	857.27	509.72	62.71
2010-11	509.72	1814.10	2323.82	80	1534.40	789.42	66.03
2011-12	789.42	2188.80	2978.22	62	1458.64	1519.58	48.98
2012-13	1519.58	846.33	2365.91	35	1319.81	1046.10	55.78
2013-14	1046.10	396.80	1442.90	9	593.49	849.41	41.13
Total		6520.66		265	5763.61		

*12 works are continuing from previous years and 67 executed during the year Note: No. of works executed 265 = Total works 273 minus works 8 works not yet taken up at Jammu

During the years 2009-14, funds ranging between ₹5.10 crore (37.29 per cent) and ₹15.20 crore (51.02 per cent) remained unutilized. Moreover value of work done to total funds available declined from 66.03 per cent in 2010-11 to 41.13 per cent in 2013-14. Of the balances (₹92.36 lakh) existing on Ist April 2009, ₹35.38 lakh remained unutilised as of March 2014.

It was seen that out of 273 works test checked in audit, 182 works were completed and 78 were in-progress. Eight works, for which ₹60.73 lakh had been received, were not taken up as of March 2014 with delay ranging between six and 60 months. Apart from this, five works¹⁵, for which ₹1.77 crore had been received, were abandoned after incurring an expenditure of ₹1.01 crore rendering the expenditure as unfruitful, besides leaving ₹76 lakh unutilised. In addition to this, an amount of ₹1.79 crore received by the Company prior to April, 2009 had also remained unutilized as of March, 2014. Thus, an amount of ₹3.51 crore remained un-utilized as of March 2014 for a period ranging between six months to five years.

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Jammu: three works and Srinagar: two works

The management stated (July 2014) that funds remained un-utilized due to litigation, disputes and due to incompletion of civil works, however, steps would be taken to utilise the balances within the financial year. The reply is not tenable as ₹1.36 crore remained unutilized on account of abandoned works and the works not taken up despite receipt of funds and none of these works was under dispute or litigation.

Time and Cost over-run

Out of 260 works completed/ Work in progress during 2009-14, 135 works were delayed and had suffered time over-run ranging between one and 86 months. Of these, 16 works had witnessed cost overrun by ₹124.79 lakh due to time overrun.

4.1.9.2 Non-recovery of Labour Cess

Building and Other Construction Workers Welfare (Regulation of Employment and Conditions of Service) Cess Act, 1996 provides to levy a Cess at the rate not less than one *per cent* of the cost of construction to be operative from January 2006. In case of failure to pay amount of cess within the specified period (30 days of project completion) provision of charging interest @ two *per cent* for every month of delay and penalty not exceeding the amount of cess was also provided in the Cess Act 1996.

Records of Project Engineer, Gangyal, Jammu and Project Engineer Kashmir revealed that the Company had failed to deduct cess @ one *per cent* under the Act amounting to ₹111.83 lakh in respect of the construction works executed during the period from April 2007 to August 2011. Accordingly the Company was liable to pay an amount of ₹327.40 lakh to the Assessing Authority upto March, 2014 including penalty of ₹111.83 lakh and interest of ₹103.74 lakh for delay.

As per section 13 of the Cess Act 1996, if an offence under this Act was committed, every person responsible for the conduct of the business of the Company would be deemed to be guilty of the offence and prosecuted and punished accordingly. The Company had not initiated any action to recover the cess amounting to ₹111.83 lakh from the contractors as of March 2014.

The management replied (July 2014) that it was not possible for the Company at this stage to recover cess from the contractors for the work executed during the preceding years. The reply is not convincing as SRO regarding levy of cess issued by the State Government was applicable to all the concerned agencies w.e.f. July, 2006.

4.1.9.3 Execution of Deposit Works without tender

(i) Audit scrutiny of records of Project Engineers, Jammu /Kashmir showed that 265 works executed at a cost of ₹57.64 crore (value of work done) were allotted to various contractors on selective basis without inviting tenders and without issuing formal allotment letters containing terms and conditions to safeguard the interests of the Company. Of these, 16 works (Cost: ₹6.95crore) had been allotted to a single contractor and 42 works (Cost: ₹7.17 crore) had been allotted to the same contractor jointly with other contractors. Similarly, 39 works (3 independently and 36 jointly

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¹⁶ Sh. Ghulam Nabi Malik

with other contractor) amounting to ₹5.55 crore had been allotted to another contractor¹⁷ without tendering. The Management stated (July, 2014) that works were allotted to contractors at the PWD schedule of rates and contractors of nearby vicinity of the site are selected and works allotted to them to facilitate their execution. The reply confirms that codal provisions of tendering and issuing of allotment letters were violated by the Company while executing the construction works.

(ii) Audit noticed that under 'Prime Minister's Package for Return and Rehabilitation of Kashmiri Migrants' the Company, without ensuring vetting of designs, obtaining Administrative Approval (AA) and Technical Sanction (TS) and without fulfilling codal formalities viz., inviting tenders, issuing allotment letters to the contractors, executing agreements and obtaining security deposits, allotted (March/ October 2010) works for construction of pre-fabricated huts at four locations¹8 to two contractors. Audit noticed that despite delay of four years, only 477 huts had been completed as of March 2014 at a cost of ₹36.37 crore against a total sanctioned cost of ₹33.13 crore leading to excess expenditure of ₹3.24 crore. Thus, allotment of works in contravention to financial rules resulted in irregular expenditure of ₹36.37 crore.

4.1.9.4 Payments on Hand Receipts

Para 206-212 of J&K Public Works Account Code broadly lays down the procedure for making payments to the contractors for execution of works on prescribed forms. The Jammu and Kashmir Finance Department has clearly ordered (August, 2011) that prescribed forms supported with other documents are to be used and hand receipts shall not be used for making such payments. The use of hand receipt forms is restricted to petty payments only.

Audit noticed that in contravention of these Rules and Government instructions, Project Engineer Gangyal Jammu and Project Engineer Kashmir had authorised payments amounting to ₹3.78 crore (Kashmir: ₹249.33 lakh and Jammu: ₹128.24 lakh) on hand receipts in respect of works executed departmentally or through various contractors during 2009-10 to 2013-14. Authorisation of payments on Hand Receipts was irregular for which the management of the Company had not fixed any responsibility.

The Management admitted (July, 2014) that in certain cases of emergencies and due to non-availability of prescribed formats the payments had been authorised on hand receipts and noted instructions of the audit for future compliance.

4.1.10 Marketing Activities

4.1.10.1 Performance under marketing activities

The Company procures supply orders from the Government Departments for supply of various items manufactured by SSI units and passes on these orders for execution

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¹⁷ Sh. Farooq Ahmad Ganai

¹⁸ Baramulla, Pulwama, Natnusa Handwara and Vessu, Qazigund

to the registered units. The Company levies service charges @ five *per cent* on the goods supplied by the SSI units to the intending departments.

The number of units registered by the Company vis-a-vis total number of functional units registered with Industries and Commerce (I&C) Department, extent of marketing facilities provided to the units registered by the Company and service charges earned during the period from 2009-10 to 2013-14 is shown in **Table-4.2**.

Year	Total number of units registered with I&C Department	No. of units registered by the Company	Percentage of units registered by the Co. vis-avis units registered with I&C	Units provided Marketing facility registered with the Company	Percentage of units provided marketing facility to units registered with I&C Department	Percentage of units provided marketing facility vis—vis total units registered by the Company
2009-10	35,505	632	1.78	260	0.73	41
2010-11	36,241	688	1.90	262	0.72	38
2011-12	37,136	748	2.01	282	0.76	38
2012-13	37,988	814	2.14	328	0.86	40
2013-14	38.435	902	2.35	335	0.87	37

Table-4.2

It may be seen from the table that marketing assistance provided to the SSI units registered with the Company was not satisfactory as the overall coverage ranged between 37 and 41 *per cent* during 2009-14, thereby leaving 59 to 63 *per cent* outside their coverage. Moreover, there was an overall decline of four *per cent*, from 41 *per cent* in 2009-10 to 37 *per cent* during 2013-14, in providing marketing assistance to SSI units registered by the Company.

The Management stated (July, 2014) that SICOP had registered only such units which manufacture/ supply listed items and supply orders are distributed amongst the registered units considering some parameters whereunder supply is ensured in time. The reply is not convincing as the objective of the Company is to provide marketing assistance to all registered SSI units. Besides, the registration of each SSI unit is done by the Company only after fulfilling all the parameters indicating that each unit was capable to handle the supply order, if placed.

4.1.10.2 Outstanding against Government departments

After completion of supply by SSI units, Government departments release payments in favour of the Company, being marketing facility providing agency. The Company releases payment to SSI units after collecting its service charges.

Records of General Manager (Marketing) Srinagar and Jammu (test checked in audit) showed that as on March 2014, an amount of ₹20 crore¹⁹ was outstanding against 17 Government departments (7 in Jammu & 10 in Kashmir) on account of supplies made by 87 SSI units (Kashmir: 78 units and Jammu: 9 units). Audit noticed that the Company had failed to recover the long outstanding amount from the concerned Government departments during 2009-14 resulting in blockade of money of SSI units with the indenting departments. Analysis made in audit revealed that an amount of ₹2.96 crore continued to be outstanding for a period of more than five years.

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¹⁹ ₹94 lakh in GM, Marketing Jammu and ₹19.06 crore in GM, Marketing Kashmir

The management replied (July 2014) that some funds had been released by the Government though not cleared by the Treasuries. But the fact remains that payments had not been released to SSI units thereby defeating the very objective of protecting the interests of the SSI units.

4.1.11 Raw Material Management

4.1.11.1 Non-achievement of sale targets by Raw Material Depots

Procurement and sale of Raw Material to SSI units is another important activity being carried out by the Company. The procurement is mainly done from agencies like Steel Authority of India (SAIL), Indian Oil Corporation (IOC), Coal India Ltd, Reliance Industries Ltd., ACC cements, Ambuja Cements, JP Cements. Apart from this steel and scrap items are purchased from local registered SSI units also. All these items are sold to SSI units through a network of 21 depots established in all the districts so as to ensure availability of materials to SSI units.

Targets of sale of Raw Material at each district are fixed by the Company annually. Audit analysis of the data relating to sale targets and achievements of Raw Material Depots (RMDs) at each district of Jammu and Kashmir divisions for the years 2009-14 (*Appendix-4.3*) showed huge shortfall in achievement of sale targets ranging between 8 and 91 *per cent* in 2009-10, 14 and 94 *per cent* in 2010-11, four and 91 in 2011-12, 14 and 90 *per cent* in 2012-13 and 18 and 83 *per cent* in 2013-14 indicating that the sale performance of these RMDs had been dismal. Audit observed that the management had neither analysed the reasons of shortfall nor had taken any action to achieve the targets. Further analysis showed that the Company had not conducted any survey in each district to assess the actual requirement of various items of raw material by each SSI unit. The Management replied (July, 2014) that few districts being hilly totally depend on Government orders but asserted that efforts would be made to increase the sale at each District.

4.1.12 Internal Control

4.1.12.1 Non-existence of Management Information System (MIS)

The Company did not have proper MIS in place to monitor the adherence to performance parameters and targets, both physical and financial. There was no standard format for recording information on various operational activities undertaken at the unit level and their monitoring at the Head Office level.

During the period from 2009-10 to 2013-14, State Government released ₹29.50 lakh for connectivity and computerisation of the units including Corporate Office which was stated to have been utilised in full. The Management admitted that MIS is in infancy and stated that all offices had been computerised. But the fact remains that data as per requirement had not been generated despite computerisation.

4.1.12.2 Inefficient store management

It was seen that vital stock records like Material-at-site registers/ stock statements for the material lifted from the Raw Material Depots (RMDs) and the priced store ledger in respect of each construction work had not been maintained. In absence of these vital records, correctness of the value of key construction material could not be vouchsafed in audit. Besides, possibility of non-accountal or pilferage of key construction material could not be ruled out.

The Management replied (July 2014) that material is issued against indent and acknowledgement and stock register is maintained at work site. The reply is not tenable as no such stock register was produced to audit despite repeated requests. Moreover, the Company had dispensed with the codal procedure relating to maintenance of inventory records at each place of receipt and issue of material on prescribed format essentially required to have a better inventory control.

4.1.12.3 Non-reconciliation/ non-adjustment of balances under Inter-unit Adjustment Account

Books maintained at eight offices of SICOP including Head Office showed a huge debit balance of ₹242.99 crore and credit balance of ₹313.11 crore under Inter Unit Adjustment Account as on 31st March, 2013. Audit observed that these balances had been pending since 1995-96 and remained un-reconciled and un-adjusted as of April, 2014. Non- adjustment of accounts for a long time is fraught with the risk of fraud/embezzlement remaining undetected. The management stated (July, 2014) that adjustment of debit credit balances were pending for want of non-finalisation of accounts since 1995-96, however adjustment of these transactions would be done in due course of time.

4.1.12.4 Non-holding of required number of meetings of Board of Directors

Audit noticed (December 2013) that during the last five year period (2009-10 to 2013-14), the Board of Directors (BOD) of the Company met only on four occasions against a minimum requirement of 20 meetings under Companies Act, 1956. This was against the principles of healthy corporate governance and was liable to affect adversely the decision making process of the Company.

The Managing Director admitted (July, 2014) the shortfall in holding required number of board meetings and attributed the reasons to non-availability of Minister of Industries & Commerce, being Chairman of BOD. However, it was assured that efforts would be made to hold BOD meetings at regular intervals.

4.1.13 Conclusion

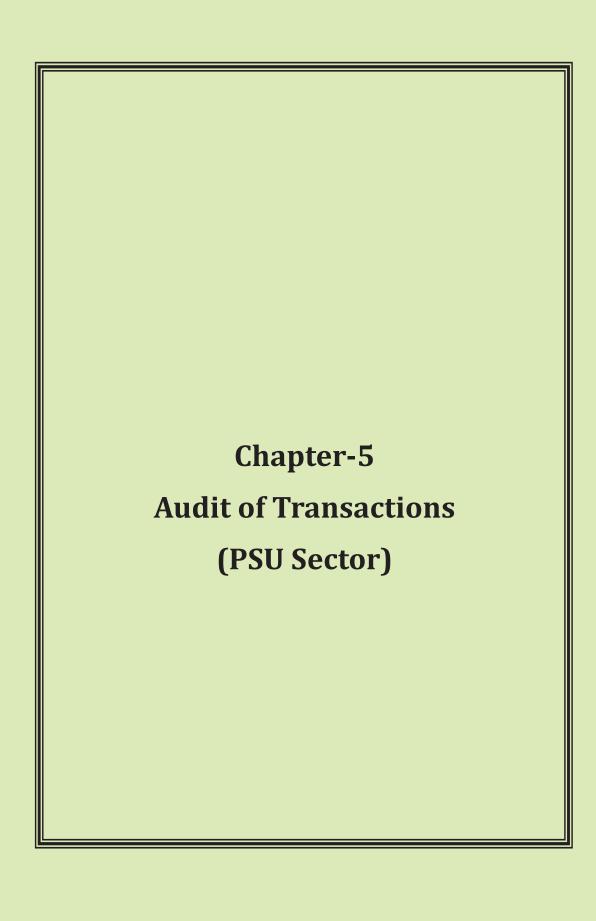
The accounts of the Company continued to be in arrears since 1995-96. 50 per cent developed space in IID Govindsar, Kathua and 93 per cent developed area in Silk Park, Zakura remained unutilized leading to unfruitful investment. Deposit works were executed on behalf of various Departments of the State Government without being mandated by the Articles of Association and while executing deposit works codal formalities had not been adhered to. Marketing assistance was provided to less

than 40 *per cent* units registered with the Company. The Company had not conducted any survey to assess the requirement of Raw Material required by SSI units registered by the Company. The Company had not adequate system in operation to generate data as per requirement despite computerisation. Stock records like Material-at-site registers and the priced store ledger had not been maintained. Reconciliation of interunit adjustment accounts had been pending since 1995-96. Board of Directors (BOD) of the Company had met on four occasions only against a minimum requirement of 20 meetings during last five years.

4.1.14 Recommendations

The Company may consider to:

- i. Speed up the process of finalisation of annual accounts in arrear and reconciliation of inter-unit adjustment accounts, so as to have an updated financial position and working results of the Company.
- ii. have a relook on undertaking construction activities as various State Departments/ Corporations are already mandated for the same.
- iii. Marketing activities may be expanded to all the registered SSI units with the Company on equitable basis.
- iv. Conduct a survey to assess the raw material requirement of SSI units in each district and ensure adequate supply of same to each SSI units.



CHAPTER – 5 AUDIT OF TRANSACTIONS

FINANCE DEPARTMENT

The Jammu and Kashmir Bank Limited

5.1 Doubtful recovery/ loss due to non-recovery

Disbursement of loan to borrowers without verification of genuineness of collateral security/ already in default with another Bank and One Time Settlement in respect of a firm ignoring the valuation resulted in doubtful recovery of $\ref{143.94}$ lakh and loss of $\ref{52}$ lakh.

(A) The Zonal office of the Bank through its business unit at *Khoja Bagh*, Baramulla sanctioned (December 2006) cash credit facility of ₹50 lakh in favour of a borrower¹ to meet the working capital requirements for running a retail outlet of petro chemical products (Petrol Pump). The facility was secured by way of primary security by hypothecation of stocks and book debts and collateral security which included a residential house and land measuring three *kanal* and 14 *marlas* appurtenant thereto and third party guarantee. The terms and conditions *inter-alia* provided for verification of title of the mortgaged properties by the Branch concerned before disbursement of the facility. A mortgage deed along with other security documents were registered (January 2007) with the Sub-Registrar in favour of the Bank. The facility was renewed in February 2010 and raised to ₹75 lakh for a period of one year against additional security in the form of land measuring 31 *kanals* five *marlas* for which the deed was executed in February 2010.

Audit scrutiny showed (November 2013) that after availing the facility the borrower defaulted in repayment and the Bank declared (July 2011) the account as NPA with an outstanding NPA balance of ₹73.94 lakh. Owing to death of the borrower, the Bank initiated (October 2011) recovery proceedings against the guarantors and the legal heirs of the borrower under SRFAESI² Act 2002. During the process of recovery it was found that the land mortgaged with the bank measuring 31 *kanals* and five *marlas* was not in the name of borrower and the revenue records, based on which the property was mortgaged with the bank, were fictitious. The Bank filed an FIR in January 2013 against the guarantor for submission of forged and fictitious revenue papers, for obtaining the loan. The outcome was awaited (November 2013).

Accepting the filling of fake documents by the borrower while securing the facility indicated that the bank had not observed due diligence in verifying the genuineness of the documents submitted by the borrower at the time of disbursement of the facility which had resulted in the Bank getting entangled in long drawn legal battle and consequent doubtful recovery of the outstanding amount of ₹73.94 lakh.

The matter was referred to the Government/ Chairman J&K Bank, Srinagar in April 2014. In response the Assistant Vice President, Supervision and Control Divisions, J&K Bank stated (May 2014) that normal precaution had been taken by getting the

M/s Shaheed Nazir Filling Station

² Securitisation and Reconstruction of Financial Assets & Enforcement of Security Interest Act, 2002.

title of the property of the borrower verified on the basis of revenue extracts and at the time of extending/enhancing the credit facility there was no real/ circumstantial evidence to point to the doubtful nature of the verification. It was further stated that the authenticity of verification by the Revenue department was at a later stage found to be doubtful. The reply was not appropriate as the land records were required to be got accurately verified before extending the loan.

(B) The Jammu and Kashmir Bank Zonal Office, Sopore after sanctioning (May 2008) Term Loan (TL) of ₹70 lakh in favour of M/s Hi-tech Sopore for construction of two stories shopping complex at Down Town Sopore released the TL in favour of the company in September 2008. The TL included takeover of the TL of ₹25 lakh from Baramulla Central Cooperative Bank (BCCB) Sopore. The entire Loan facility was secured against Primary Security of Rental Receivables and Mortgage of Shopping Complex under construction with land underneath and Collateral Security of Personal guarantee of one person of sound means to meet the Bank's liability.

The Loan was to be recovered within a period of seven years after one month from the date of first disbursement in 84 equal monthly installments of ₹1.10 lakh per month.

Audit noticed (November 2013) that out of sanctioned amount of ₹70 lakh the Bank released an amount of ₹10 lakh in September 2008 and ₹60 lakh between October 2008 and February 2009 for construction of shopping Mall at Sopore without ensuring fulfillment of pre disbursement conditions. Audit observed that the borrower failed to repay even the first installment which was due to be paid w.e.f April 2009 and the Bank re-structured the repayment schedule at an amount of ₹85000 per month. Records sowed that borrower did not pay any heed to the re-structured schedule and continued to remain in default and finally the accounts of the borrower was declared NPA in September 2011 after 30 months against RBI guidelines (issued in July 2008) of 90 days with an outstanding balance of ₹72.47 lakh plus un-applied interest of ₹34.65 lakh @ 16.5 per cent per annum.

The audit noticed that no post disbursement inspection had been conducted by the bank and the borrower failed to deposit the monthly rentals receivable from HDFC Bank and other occupants as he utilized the monthly rentals for updating the infrastructure of the building. It was seen that the bank had not only failed to monitor the working of the borrower properly but also had failed to marshal the collateral security in the form of personal guarantee as no suit was instituted against the guarantor.

Thus release of loan to a party already in default with another Bank without ensuring fulfillment of the pre-disbursement terms of the sanction and failure of the Bank to verify the physical progress of the work and to monitor the end-utilization of the released funds by way of conducting post disbursement inspections resulted in doubtful recovery of ₹70 lakh plus interest @ 16.5 per cent p.a. till date of recovery. The loan facility was extended without ensuring the mechanism to enforce recovery, in case of default.

The matter was referred to the Government/Bank in March 2014. Assistant Vice President, Supervision & Controls Division of J&K Bank stated (May 2014) that the borrower who was not a defaulter at the time of sanction/ take over of term loan initially failed to complete the project on time and service the installments owing to disturbed conditions in the valley in 2008-09/2009-10. The fact, however, remains that the Bank could not ensure the repayment even after the restructuring the payment schedule of the borrower and that the accounts were declared as NPA after 30 months against RBI guidelines.

(C) The Jammu and Kashmir Bank Ltd. (Branch at Gangyal, Jammu) sanctioned (December 2006) Cash Credit (CC) Limit (₹3.75 crore), Indian Letter of Credit (ILC)/ Foreign Letter of Credit (FLC) (₹9.87crore) and Bank Guarantee (BG) (₹3 crore) in favour of a firm³. The credit facilities were secured primarily by way of hypothecation of stock of raw materials, future receivables, and collaterally secured by way of equitable mortgage of land with factory building and other civil constructions and hypothecation of plant and machinery and other fixed assets created at factory site, besides, personal guarantees of all the directors of M/s B. S. Industries Pvt. Ltd. The credit facilities were renewed from time to time and latest in March 2009 by fixing CC Limit at ₹3.75 crore, ILC/ FLC at ₹3.50 crore and BG Limit at ₹1.50 crore.

Audit was informed (November 2013) by the Bank that the RBI had instructed the Bank to classify the account of the firm as NPA w. e. f.31.12.2009 in the Annual Inspection of the RBI for the year 2009-10. (A copy of the extract of the report of the RBI to classify the account as NPA w.e.f. December 2009 though called for was not furnished by the Bank stating that the secrecy was required to be maintained in respect of the report of the RBI). Contrary to the instructions the account of firm was declared as NPA in May 2011 retrospectively w. e. f. March 2011 with NPA balance account of ₹2.69 crore as on 31.12.2009 which was reduced to ₹1.62 crore as on March 2011on the grounds that the unit stopped its production in May 2009 reportedly due to financial constraints caused mainly by withdrawal (March 2008) of incentives (refund of central excise duty) by the Government. The firm paid ₹0.37 crore after account was declared NPA with remaining outstanding dues of ₹1.32 crore⁴. The Bank suspended (Nov 2009) the working capital limit sanctioned in favour of company and got valued (October 2011) the land and buildings of the factory premises from the approved valuer⁵ which worked out to ₹5.78 crore having distress sale value of ₹4.34 crore which stood 2.67 times of the NPA balance. Besides, the depreciated value of Plant & Machinery was to the tune of ₹1.64 crore as per Financial Statement of the firm for the year 2009-10. However, on the plea of the borrower that the land and building so valued could not fetch the assessed value, the Bank accepted (January 2012) the OTS proposal of the borrower at ₹0.80 crore as full and final settlement disregarding the valuation report of the approved valuer of the Bank.

M/s Nexgen Technologies Ltd., Kainthpur Thandi Khui Jakh, District Samba dealing with manufacturing of active pharmaceuticals ingredients (Ampicilin Trihydrate and Amoxicillin Triohydrate

⁴ Including interest of ₹6.96 lakh debited after the date of NPA

⁵ M/s Anuj and Associates

Thus, the management of the bank did not safeguard the interest of the bank by accepting an amount of $\ref{0.80}$ crore from the borrower as full and final settlement against outstanding amount of $\ref{1.32}$ crore while ignoring the valuation of assets which resulted in a loss amounting to $\ref{0.52}$ crore.

The matter was reported to the Government /Bank in March 2014. In response the Assistant Vice President of the Supervision & Controls Division of J&K Bank stated (May 2014) that since an amount of ₹139 lakh was arranged and deposited by the partners of the firm in piecemeal till December 2010 the account of the firm was not classified NPA immediately. It was further stated that RBI did not restrict banks from negotiated settlement of the NPAs under Board approved general policy guidelines. The reply should be seen in light of the fact that the valuation of assets by the approved valuer had been ignored by the management of the bank.

Home Department

Jammu and Kashmir Police Housing Corporation Limited

5.2 Avoidable payment of interest

Failure to remit the advance tax on taxable income in accordance with provisions of the Income Tax Act, 1961 by the Company resulted in avoidable payment of interest aggregating ₹70.27 lakh.

Section 234 B and 234 C of the Income Tax Act, 1961 provides for payment of interest by the Assesses, liable to pay advance tax, at variable rates in the event of failure of such assesses to pay advance tax in time.

Test check of records (February 2013) of the Head Office of the Jammu and Kashmir Police Housing Corporation Limited (Company) revealed that the Company had not deposited the advance tax as stipulated in these sections of the Income Tax Act. As a result, the Company became liable to pay interest to the tune of ₹70.27 lakh for the previous years from 2008-09 to 2012-13 (2008-09: ₹23.87 lakh; 2009-10: ₹13.41 lakh; 2010-11: ₹14.62 lakh; 2011-12: ₹10.13 lakh and 2012-13: ₹8.24 lakh) under sections 234-B and 234-C of the Income Tax Act.

Had the Company paid the advance tax in accordance with sections 234-B and 234-C of the Income Tax Act, 1961 the interest paid to the tune of ₹70.27 lakh could have been avoided.

On being pointed out, the Managing Director of the Company stated (May 2013) that since the advance taxes were paid on average calculation basis and also due to delays caused by accountal of TDS on interests, the payment of interest under Section 234-C became necessity. The reply is not tenable as advance Income tax was to be paid on the current income of the Company after accounting for the TDS. Further it is the responsibility of the management of the Company to pay advance tax as per the provisions of the Income Tax Act, 1961.

The matter was referred to the Government in April 2014; reply thereof was awaited (August 2014).

Home Department

5.3 Short deduction of labour cess

Failure of the Police Housing Corporation to comply with the provisions of the Act/ Rules resulted in short deduction of cess amounting to ₹1.42 crore.

Section 3 of the Building and other Construction Workers' Welfare Cess Act, 1996 provide that there shall be levied and collected a cess for the purpose of the Building and Other Construction Workers (Regulation of Employment and Conditions of Services) Act, 1996 at such rate not exceeding two *per cent* but not less than one *per cent* of the cost of construction incurred by an employer. The cess levied is to be paid by an employer to Cess Collector appointed by the State Government within 30 days of completion of the construction project or within 30 days of the date on which assessment of cess payable is finalized whichever is earlier and where the duration of construction work exceeds one year, cess is to be paid within 30 days of completion of one year from the date of commencement of work and every year thereafter at the notified rates on the cost of construction incurred during the relevant period.

Test-check (February 2013) of records of the Managing Director, Jammu and Kashmir Police Housing Corporation Limited, (Company) revealed that the Company had incurred an expenditure of ₹153 crore on the construction of various projects during the period from 2009-10 to 2011-12. Against ₹1.53 crore due on account of cess the Company had deducted ₹11 lakh only during the period 2009-12 from the bills while making payment to contractors resulting in short deduction of ₹1.42 crore.

Thus, failure of the Company to Comply with the provisions of the Act and rules has resulted in short deduction of cess to the extent of ₹1.42 crore.

The matter was referred to the Government/ Company in March 2014. The Director, Finance endorsed (May 2014) the reply of FA/ CAO of the Company wherein it was stated that the process of deduction of cess had been started from July 2011 and that in Jammu Division deductions were started from January 2012. The reply was not tenable as there was non-compliance with the provisions of the Cess Act and also the reply was silent on the short deduction/action taken for recovery of ₹1.42 crore.

Home Department

Jammu and Kashmir Police Housing Corporation Ltd.

5.4 Non-enforcement of terms of contract

Non-enforcement of contract agreement resulted in non-imposition of liquidation damages of ₹48.60 lakh, non-renewal of performance guarantee and irregular release of security deposit of ₹31.72 lakh.

The 'Modernization of State Police Forces Scheme'is aimed at gradually reducing the dependence of the State Governments on the Army and the Central Armed Police Forces to control internal security and law and order situations by equipping the State Police Forces adequately with upgraded infrastructure, equipment, training etc. The focus of the scheme included providing funds for police housing (residential).

Under the Scheme, the Ministry of Home Affairs (MHA) sanctioned (2002-03) construction of Group Housing at Gurgaon to house the personnel of the State Police Department and accordingly released ₹98 lakh and ₹3.16 crore during 2003-04 and 2004-05 respectively in favour of the Jammu & Kashmir Police Housing Corporation Ltd. (Company). The Company allotted (June 2006) the work⁶ at a cost of ₹4.01 crore to a Contractor⁷ for completion within 12 months from the date of commencement. The liquidated damages for delay at the rate of 0.5 *per cent* of gross contract value per week or part thereof subject to maximum 10 *per cent* of the contract value was to be imposed upon the contractor. The terms of contract further provided for deduction of five *per cent* retention money from interim/ running account bills. The 50 *per cent* of retention money was to be released with the final bill and rest 50 *per cent* after completion of defect liability period (i.e. 365 days after issue of completion certificate by the competent authority). The contract also provided for obtaining of performance guarantee to the extent of five *per cent* of the contract price to be refunded after expiry of defect liability period.

Audit noticed (February 2013) that the contractor after starting (June 2006) the work executed it with slow pace and by June 2007 had completed works to the extent of (₹1.81 crore) 45 *per cent*. However, instead of imposing liquidation damages or finding alternate ways of execution of work through other agency at the risk and cost of the contractor, the Company allotted (2008-2009) additional works (boundary wall, lightening parking slots, etc.) to the same contractor at the cost of ₹85 lakh without inviting tenders.

After executing further works to the tune of ₹1.75 crore during August 2007 to January 2010, the contractor abandoned (January 2010) the work. The Company terminated (August 2011) the contract and got the balance work completed (June 2012) through a piece worker at a further cost of ₹53.18 lakh. The Company thus incurred ₹4.09 crore on the work (contractor: ₹3.56 crore and piece worker: ₹53.18 lakh) without invoking the clauses of agreement against the original contractor.

Audit observed that:

- All the payments due to the contractor up to date of abandonment of the work had been paid to him. However, liquidated damages to the extent of ₹48.60 lakh (10 per cent of ₹4.86 crore) were not imposed on the contractor and the execution of balance works at the risk and cost of the contractor was not ensured.
- As per Clauses of the Agreement/ NIT, the contractor had furnished a performance guarantee of ₹20.10 lakh (valid up to May 2007)), which had not been got renewed thereafter to safeguard the interest of the Company.
- During execution of work, the Company deducted security deposits of ₹34.69 lakh from running account bills, out of which ₹31.72 lakh was released in favour of the contractor in contravention of the terms and conditions of the NIT/ Agreement.

⁶ Construction of RCC framed Residential flats: (LSQs/USQs) comprising Basement, GF, 1st, 2nd and 3rd floor.

⁷ M/s Skyline Builders, Vikaspuri, New Delhi

The delay in termination of contract in view of slow progress of work by the contractor, non-imposition of liquidation damages, non-renewal of performance guarantee and release of security deposits in contravention of the terms of contract resulted in compromising the interests of the Company.

On being pointed out the Management of the Company stated (May 2013) that steps for recovery of liquidation damages were not taken in view of apprehension that the contractor would go to court and obtain stay against the recovery and that appropriate steps were afoot to file a suit against the contractor. The reply was not appropriate as the Company had not taken adequate steps even after three years of termination of contract to protect the interests of the Company.

The matter was referred to Government/ Department in April 2014. Further progress of the case is still awaited (August 2014).

Social Welfare Department

The Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited.

5.5 Loan disbursement and Recovery Management

No survey for identification of beneficiaries had been carried out. The Company had not finalized its accounts since 1997-98. Due to under-utilisation (ranging between 17 and 57 per cent) of funds received from Apex Corporations, unspent balances had increased over the years resulting in creation of liability of ₹33.48 lakh on account of non-utilisation charges and liquidated damages. Non recovery of amounts due from the beneficiaries resulted in accumulation of overdue of ₹42.45 crore payable to Apex Corporations.

The Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited (the Company) was incorporated on 01 April 1986 under the Companies Act, 1956 with the main objective of bringing socio economic upliftment of the members of Scheduled Castes (SCs), Scheduled Tribes (STs), National Minorities, Physically Handicapped and *Safai Karamcharies* and their dependents and Other Backward Classes (OBCs) by providing financial, managerial, marketing assistance/ guidance in establishment of income-generating units. To achieve this objective, the Company provides loan under an arrangement with the Banks under Bank Tie up Scheme. The Company also acts as a State Channelising Agency (SCA) for flow of funds from the six Apex level Corporations⁸ (ALCs) for disbursement among beneficiaries. The payment of assistance is subject to conditions, which inter-alia provide that the annual income of the beneficiary should not exceed ₹81 thousand in the case of Rural areas and ₹1.03 lakh in the case of Urban areas.

Handicapped Finance and Development Corporation(NHFDC))

National Scheduled Castes Finance and Development Corporation (NSFDC), National Scheduled Tribe Finance and Development Corporation (NSTFDC), National Backward Classes Finance and Development Corporation (NBCFDC), National Minorities Development Finance Corporation (NMDFC), National Safai Karamchari Finance Development Corporation (NSKFDC) and National

The Company pays subsidy of 50 *per cent* of the cost of the unit to the SC/ST beneficiary and 33.33 *per cent* to the backward class beneficiary, subject to a maximum of ₹ten thousand and ₹three thousand per case respectively, under Bank tie up scheme. The remaining amount being the bank loan portion is to be repaid by the beneficiaries in easy installments. During the period 2009-14, the Company extended financial assistance in the shape of subsidy aggregating ₹2.10 crore to 2,744 beneficiaries under the bank Tie up Scheme. During the same period loan assistance of ₹23.72 crore was disbursed in collaboration with Apex Level Corporations (ALCs) to 1,722 beneficiaries.

Audit reviewed the loan disbursement and recovery management in the Company and observations are elaborated below:

5.5.1 Planning

The Apex Level Corporations (ALCs) release funds, for disbursement to the target beneficiaries, on the basis of Annual Plans submitted by the Company. These Annual Plans are prepared by the Company on the basis of inputs received from the district offices of the Company.

Audit, however, observed that the Company had neither carried out any micro level survey for identification of targeted groups of beneficiaries at Block/ District level nor conducted any feasibility study for the identification of viable professions and trades. This indicated that the inputs provided by the district offices for preparation of the Annual Plans were not based on the ground realities and were deficient to that extent.

On being pointed out by Audit, the Manager Project stated (May 2014) that the Company could not carry out any such survey due to limited set up at the District and Divisional level and due to non-availability of funds. The fact remains that absence of a realistic data in the preparation of Annual Plans has the risk of non-extension of benefits to the deserving target groups of beneficiaries.

5.5.2 Arrears in finalization of accounts

The accounts of the Company were in arrears since the year 1997-98. Audit observed that the Company had not put in place a system of drawing trial balances at the district and divisional level. This resulted into delay in preparation of provisional accounts. In absence of provisional accounts audit relied on the financial information furnished by the Company. The non-preparation of accounts was fraught with high financial risks and all transactions not being captured timely or not at all being captured at the district/divisional level. This also made timely inter-unit/ cash/ bank reconciliation impossible.

On being pointed out, the Financial Advisor/ CAO stated (May 2014) that the management had directed both the Divisional Managers to provide trial balances of their divisions for respective districts duly reconciled with bank statements which would facilitate early compilation of the Balance Sheets.

5.5.3 Source and utilization of funds

The Company receives funds by way of budgetary support, subsidy component from State/ Central Government, receipt of loans from ALCs, recovery of interest/ principal from the beneficiaries, etc. and utilizes it by way of administrative expenditure, release of subsidy and disbursement of loan to the beneficiaries besides repayment of interest/ principal to the ALCs.

It was seen that as against receipt of ₹49.22 crore, only ₹25.82 crore (52 per cent) was disbursed during 2009-14. As a result the Cash/ bank balances available with the Company had increased from ₹12.54 crore at the beginning of 2009-10 to ₹38.95 crore lakh at the end of the year 2013-14.

5.5.4 Under-utlisation of Subsidy

The Company provides assistance in the form of subsidy to the beneficiaries under Bank Tie-up Scheme in three categories viz., Scheduled Castes (SCs), Scheduled Tribes (ST) and Backward Castes (BCs).

Against a total availability of ₹3.68 crore under the component during 2009-14, ₹2.10 crore (57 per cent) were disbursed by the Company. Under-utilisation of subsidy funds ranged between 20 and 57 per cent (SCs) and 17 and 40 per cent (STs) during the period. The position was even more dismal in the case of coverage of BCs where the Company utilized ₹16.35 lakh only, against the available amount of ₹1.64 crore with annual utilisation below three per cent during the period. The Company had not refunded the un-utilised subsidy for SCs, STs and BCs to the Government and instead invested it into FDRs.

The Financial Advisor/ CAO stated (May 2014) that since a meager amount (₹3000) was being provided as subsidy under the BC component, the beneficiaries did not come forward to avail the benefits of the scheme. The fact remains that the Company had continued to receive subsidy from the GoI/ State Government despite non-utilization of available balances.

5.5.5 Under-utilisation of loans sanctioned by Apex Level Corporations

The ALCs sanction loan carrying varied interest rates ranging between one *per cent* and seven *per cent* in favour of the Company for onward disbursement to the eligible beneficiaries belonging to SC, ST, OBC and Minority communities, living below the poverty line. The Company charges interest rates from the beneficiaries after adding two to three *per cent*, as the case may be.

Audit scrutiny showed as below:

- Funds ranging between 28 *per cent* and 98 *per cent* had remained un-utilised at the end of each year during the period 2009-14.
- On being pointed out, the Financial Advisor/ CAO attributed (May 2014) low utilization of funds to non-completion of legal formalities and backing out by the beneficiaries. The fact, however, remains that the Company should have taken adequate measures to ensure that requisite facilities for completion of formalities by the beneficiaries to avoid backing out.

- As per the lending policy of the ALCs, if the Company is not able to utilize the funds within a period of 90 days of its disbursement, the same are to be refunded by the Company forthwith in one lump sum along with the non-utilisation charges equivalent to three *per cent* over and above the prescribed interest rate.
 - The funds amounting to ₹15.60 crore remained un-utilized by the Company and were refunded to ALCs after more than six months, including ₹1.36 crore that was refunded after more than three years. Records showed that a demand of ₹33.48 lakh was raised by two Apex Corporations⁹ as of September 2013 on account of non-utilisation charges.
- Analysis of position of amounts over due for repayment to ALCs by the Company showed that the overdue amounts had increased from ₹8.31 crore to ₹12.83 crore during 2009-14 as the actual repayments ranged between 9 and 64 per cent of the amounts due only. Of the total overdue amount (₹12.83 crore) payable to the ALCs at the end of March 2014, major portion (42 per cent) pertained to NMFDC, 19 per cent to NSTFDC and 17 per cent to NSKFDC. It was further noticed that default in repayment of Principal/ interest resulted in a liability of ₹1.05 crore on account of liquidated damages.

In reply, the Financial Adviser/ CAO stated (April 2014) that though the ALC was making notional entries of non-utlisation charges and liquidated damages in their accounts, no amounts had been adjusted towards those charges. The reply was not convincing as reflection of amounts by the Apex Corporations in their accounts indicated accumulation of liability, which the Company shall have to pay in due course of time.

5.5.6 Recovery Performance

Recovery of amounts disbursed in collaboration with Apex Level Corporations (ALCs) is to be ensured from the beneficiaries so as to repay the amounts to Apex Corporations.

Audit scrutiny showed that the recovery performance of the Company was not satisfactory as the annual recovery of amounts due ranged between 11 and 17 *per cent* only during the period 2009-14. This had resulted in increase of overdue recoverable amount from ₹17.75 crore to ₹42.45 crore during the period. Of the total overdue amount recoverable at the end of March 2014, major component of overdue of ₹21.60 crore (51 *per cent*) pertained to NMDFC and ₹8.44 crore (20 *per cent*) to NSTFDC.

Audit observed that due to under recovery in two sectors viz., small business segment and handicrafts sector financed under NMDFC, the Company had not been able to repay the amounts to the ALCs with the result ALCs were not releasing any funds under NMDFC to the Company from 2002-03. This led to levy of compound interest of ₹58.95 lakh by the Apex Corporations as of September 2013 on the accumulated overdue amounts. The Director (Finance) of the Administrative Department stated

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⁹ NSKFDC: ₹24.33 lakh and NSFDC: ₹9.15 lakh

(August 2014) that efforts were on to persuade the NMDFC to waive off simple and penal interest.

One of the reasons for non-recovery of the due amounts as noticed in audit was lack of post disbursement monitoring as discussed in subsequent paragraph:

5.5.7 Absence of Internal Control mechanism and post disbursal monitoring

- **5.5.7.1** Operational guidelines/ codes/ procedures manuals for implementation of schemes were not in place in the Company. There was no system of cross-checking of the posting of disbursements and recoveries from individuals by the Head office in the ledgers maintained in the District offices. As a result, receipt of funds from the ALCs, timely disbursement to beneficiaries to avoid refund of sanctioned loans, recovery from beneficiaries and remittances of money received by District offices to Head office were not watched properly.
- **5.5.7.2** The Company had not segregated loans into standard, sub-standard and doubtful categories as a tool of asset management and had not made adequate provisioning in the accounts for doubtful recoveries. After being pointed out the Financial Advisor/ CAO/ Government stated (August 2014) that loans to the beneficiaries would be duly segregated.
- **5.5.7.3** The Company had not maintained data bifurcating the principal and interest overdue/ recovered, etc. Review of defaulter cases was not carried out regularly and as such the Company had not maintained any data of the non-performing Assets (NPAs). Post dated cheques obtained from the beneficiaries were not presented to the banks in time.
- **5.5.7.4** Post disbursement monitoring of beneficiaries had not been undertaken by the Corporation to assess post implementation impact of the financial assistance/loan schemes implemented by it. Evidence of insurance of the assets purchased by the loanees was obtained only during the first year and not subsequently.

The Manager Projects/Government stated (August 2014) that the Management had issued instructions to all the District Managers to conduct inspection/ monitoring of the units on regular basis and submit monthly monitoring reports to the Head Office.

The above points were referred to the Government in July 2014 and the reply was received in August 2014.

JAMMU AND KASHMIR STATE WOMEN'S DEVELOPMENT CORPORATION LIMITED

5.6 Loan disbursement and recovery

The Company had not finalized its accounts from 2007-08 to 2013-14 (seven years). Loan disbursement targets during the period from 2009-10 to 2013-14 had not been achieved as there was shortfall (ranging between 8 and 51 per cent) in disposal of loan applications and further delays after sanction of loan. The recoverable amount had increased from ₹48.83 lakh to ₹96.75 lakh during last five years. Post disbursement monitoring of the financed units was weak.

The Jammu and Kashmir State Women's Development Corporation Ltd. (Company) was incorporated in the year 1991 under the Companies Act 1956 with the objectives

of identification and promotion of Women Enterprises to make them self reliant by helping them establish income generating units. The Company acts as implementing agency for developmental schemes sponsored by the GOI Apex Corporations such as the National Minority Development Finance Company (NMDFC), National Backward Class Finance Development Company (NBCFDC) and National Handicapped Finance Development Company (NHFDC) and the Scheme Empowering Skilled Young Women (ESW) funded by the State Government.

The funding under various schemes¹⁰ sponsored by the Apex Corporations is aimed at providing long term loan and Micro credit ranging between ₹0.50 lakh to ₹three lakh at a concessional rate of interest (3-7 per cent) repayable within three to five years. The financing is shared by the Apex Corporations (85 to 95 per cent) and the State Government (zero to 10 per cent) with beneficiary contribution of zero to 10 per cent depending upon the Apex Corporation and the scheme involved. The Company disbursed ₹56.45 crore (97.68 per cent) against total receipt of ₹57.79 crore to 7,128 women beneficiaries during 2009-10 to 2013-14.

As part of our audit during 2013-14, Loan disbursement and recovery by the Company was reviewed by test-check of records at the Head office and two divisional offices of the Company at Jammu and Srinagar covering the period 2009-10 to 2013-14. The audit findings are discussed below:

5.6.1 Non-finalisation of Accounts

The audited accounts, for the relevant financial year, along with the report of the statutory auditors and comments of Comptroller and Auditor General of India (C&AG) thereon, are to be laid in the AGM by the Board of Directors of the PSUs concerned.

It was, observed in audit that as of July 2014, the Company had finalised its accounts up to the year 2006-07¹¹ and finalization of accounts from 2007-08 to 2013-14 (seven years) were in arrears. Of the finalized accounts, accounts upto 2004-05 had been placed in Annual General Meeting (AGM). Non-finalisation of accounts is fraught with the risk of financial irregularities remaining undetected. The Management attributed (September 2013) delay in finalization of accounts to shortage of accounts staff, non-completion of trail balances since inception and non-reconciliation of Cash Book balances.

5.6.2 Delay in processing of loan applications

Speedy disposal of loan requests would enable the intended beneficiaries to avail of the scheme benefits.

Audit observed that the Company had not been able to speedily dispose off loan applications during the period from 2009-10 to 2013-14. The shortfall in disposal of

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¹⁰ NMDFC: Term Loan Scheme, Micro-Financing Scheme, Education Loan Schemes, NBCFDC: Skill Development, Term Loan, Micro-Financing Scheme; NHFDC: Term Loan Scheme, Education Loan Scheme.

Accounts for 2005-06 and 2006-07 finalised in July 2014.

cases in the case of NMDFC ranged between 37 and 45 *per cent* during 2009-10 to 2011-12, however, it reduced to 5 *per cent* during 2013-14. The shortfall ranged between 8 and 46 *per cent* (NBCFDC), 11 and 48 *per cent* (ESW) and between 37 and 51 *per cent* (NHDFC) during 2009-10 to 2013-14.

On being pointed out the Management stated (May 2014) that the loan cases got delayed due to delay in completion of requisite formalities and also due to lack of Government guarantee, which some times get delayed in the Finance Department. The fact, however, remains that the continued annual shortfall in disposal of loan cases is an indicator that adequate efforts were not being made by the management.

5.6.3 Delay in disbursement of loan assistance

Conditions stipulated in the sanction orders for disbursement of loan assistance *inter-alia* specify that a particular sanction remains valid for 45 days from the date of issue and in case of non-completion of formalities by the beneficiary within the stipulated time, the sanction expires automatically.

Test-check by audit showed that payment in 101 cases had been made after a period ranging between two and 18 months beyond the stipulated 45 days resulting in delay in disbursement of assistance. Besides, operation of the sanction after expiry of validity period of 45 days had rendered the payment irregular.

5.6.4 Shortfall in disbursements

Targets for disbursement of loans under various schemes are fixed by the Company on the basis of allocation of funds by the Apex Corporation, to cover maximum intended beneficiaries. It was, however, observed in audit that due to delay in processing and disbursement of loans after sanction as highlighted above, the Company had not been able to achieve loan disbursement targets during the period from 2009-10 to 2013-14. Shortfall in disbursement of loans under NMDFC ranged between seven and 18 *per cent*, whereas the shortfall under NHDFC ranged between 20 and 73 *per cent* during the period 2009-14. The shortfall under NBCFDC ranged between 14 and 43 *per cent* during 2009-13.

The Management attributed (May 2014) failure in achieving the targets to shortage of staff and absence of district level set up. The fact, however, remains that the Government had deputed eight District Managers from Social Welfare Department to assist the Company, and still the management had not been able to achieve the targets of loan disbursement.

5.6.5 Recovery performance

5.6.5.1 Increase in overdue recovery

The loans advanced to the beneficiaries by the Corporation are to be recovered along with interest thereon within the stipulated period.

Test check of records revealed that the recovery position of the loans advanced was not satisfactory and ₹96.75 lakh had become overdue for recovery as of 31st March 2014. Audit analysis showed that there was shortfall ranging between 10 and 17 *per cent* (NMDFC), 10 and 18 *per cent* (NBFDC) and 34 and 36 *per cent* (NHFDC) in

recoveries during 2009-10 to 2013-14 resulting in increase in recoverable amount from ₹48.83 lakh in 2009-10 to ₹96.75 lakh in 2013-14. This was despite the fact that the recovery position had improved during 2011-14. Besides, the Company had no system of accounting recovery of Principal and Interest separately which is essential especially in the case of financial institution.

The Management stated (May 2014) that recovery drive suffered due to adverse law and order situation during 2008-11 and steps had subsequently been taken to recover the overdue amounts. The fact, however, remains that the recoverable amount had doubled (from ₹48.83 lakh to ₹96.75 lakh) during last five years.

5.6.5.2 Recovery of Non Performing Accounts

Test-check of the records of the Company revealed that loan amount of ₹49.67 lakh covering schemes under the NMDFC (₹38.92 lakh) and NBCFDC (₹10.75 lakh) was outstanding against 1,148 beneficiaries had turned NPAs as on 31 March 2014. Audit analysis showed that the recovery of NPAs in respect of both the schemes remained very poor as the shortfall ranged between 42 and 88 *per cent* (NMDFC) and between 71 and 93 *per cent* (NBCFDC). It was also observed that NPAs were pending for recovery for the periods ranging between five and 14 years in both the schemes as of December 2012¹².

The management stated (May 2014) that NPA of the Company pertained to old chronic defaulters when there was no system of guarantor from Government employee. The reply of the management is not convincing as it was the prime responsibility of the management to initiate legal action against the chronic defaulters so that outstanding amount is recovered in full.

5.6.6 Post-disbursal monitoring

A review of the records in the divisional offices showed that the Company had not prescribed any fixed schedule for post disbursement monitoring of the financed units. It was noticed that:

- (i) The Company had not evolved any system to conduct post disbursement inspection of loanee units in absence of which status of loanee's business was not found on record.
- (ii) Whereas District Managers are mainly responsible for timely recovery in accordance with recovery schedule, no action was initiated at District Level to pursue recovery or to impound the hypothecated assets in all default cases.
- (iii) No separate scheme wise records for recovery/ receipt and disposal of loan application cases were maintained at District Level. In absence of which separate recovery of each scheme along with its receipts/ disposal could not be verified in audit.

¹² Individual details beyond December 2012 awaited.

- (iv) The assets created by the loanee out of the loaned amount are required to be insured and the same is mandatory for the period of repayment of loan. However, records to suggest that the beneficiaries had insured the assets created with the loan assistance, though called for, were not furnished to audit.
- (v) The ledgers had been prepared in an incomplete form with the result it was not possible for the Development Officer to intimate exact amounts due from those beneficiaries which came forward to clear their outstandings.

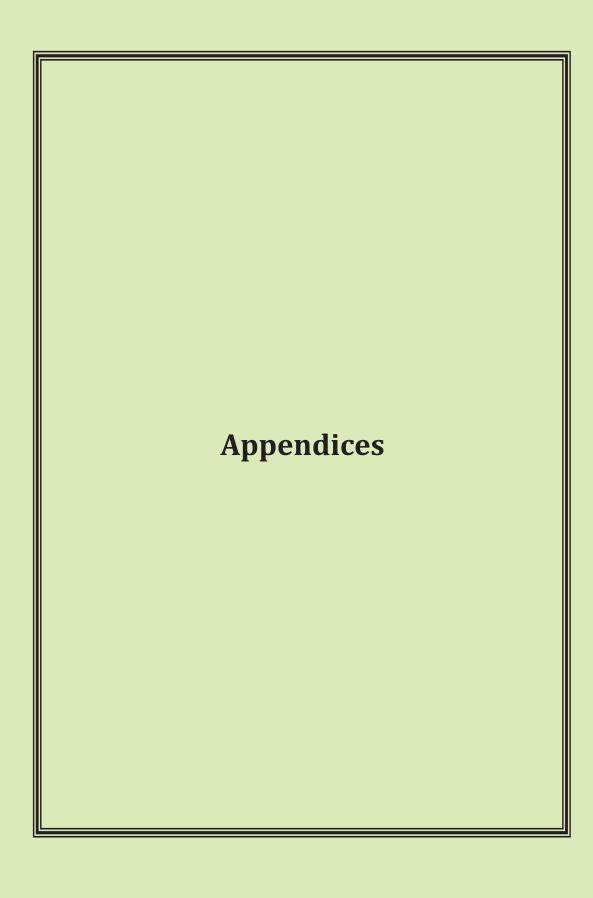
The audit findings were reported to the Government (June 2014). The Government replied (July 2014) that effecting recoveries to the tune of 95 *per cent* was itself a proof of post disbursal monitoring system adopted by the Company as every beneficiary was visited by the recovery agents to recover the money due and inspecting the unit time and again. The fact, however, remains that the recoverable amount had increased from ₹48.83 lakh in 2009-10 to ₹96.75 lakh in 2013-14.

Srinagar/Jammu
The 12 DEC 2014

(Khalid Bin Jamal)
Accountant General (Audit)
Jammu and Kashmir

Countersigned

New Delhi The 17 DEC 2014 (Shashi Kant Sharma)
Comptroller and Auditor General of India



Appendix-2.1

(Reference to Paragraph No. 2.7.1 Page- 18)

(Cases of acquisition of private land despite availability of State land)

Sl. No.	Name of Scheme for which land acquired	Land acquired	Vacant State Land	Compensation paid (₹ in lakh)	Remarks
Udhamj	pur				
1.	Construction of Govt Hr Sec School, Lander, Diggi	1K-10M	115K-01M	0.72	Within 200 mtrs.
2.	Construction of Water Tank and PHE Quarter at Darsoo	5K-10M	145K-18M	5.08	Within 1/2 Km
3.	PHE Store, Rehamble	22K-01M	145K-15M	63.67	Within 200 mtrs.
		29 K-01 M	406K-14 M	69.47	
Kathua					
1.	Construction of Medical Sub Centre Mahi Chak	1K-00 M	625K-5M	2.07	Adjoining Medical site of acquisition
2.	Construction of Medical Sub Centre Androte	1 K-00M	364K-06M	2.18	Within 200-300 mtrs.
3.	Construction of Road for Banayari to Khanpur	1K-09M	-	1.50	Parallel to site of acquisition
		3K- 09M	989K-11M	5.75	
Jammu	ı				
1.	Solid Waste management Akhnoor	12 K-01M	1500K-00M	16.63	Adjoining site of acquisition
2.	Construction of Degree College Bishnah	55 K-14 M	106 K-00 M	192.17	Centrally located (Rehal Brahmna) and convenient to whole of tehsil Bishnah
		67 K-15M	1606 K-00M	208.80	
Budgar					
1.	Construction of slow sand filtration plant Village Zoohama	1K-05M	34 K-01M	11.25	300-1300 Meters
		1K-05M	34K-01M	11.25	
	Grand Total	101K-10M		295.27	

Appendix 3.1
Updated summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised as of September 2014
(Referred to in paragraphs 3.1.1 and 3.6.1 Page No.: 25,30)

ē	200			3	3					:		3		
Z.	Sector & Name of the Company	Period	Year in	Ne	Net Profit (+)/ Loss (-)	(-) SS0		Iurnover	Impact of		123	Capital	Keturn on	Percentage
o Z		of Account s	which	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciati on	Depreciati Net Profit/ on Loss		Accounts Comments	Capital	Profit (+)/ Loss (-)	employed	capital employed ^{\$}	return on capital employed
-1	-2	-3	4-	5 (a)	5 (b)	5 (c)	(p) S	9-	-2	8-	6-	-10	-11	-12
A. Work	A. Working Government Companies													
FINANCE						-	-			=				
	Jammu and Kashmir Bank Limited	2013-14	2014-15	5342.85	4082.52	77.86	1182.47	6767.00	0.00	48.48	0.00	30439.86	5264.99	17.3
2	JKB Financial Services Limited	2013-14	2014-15	-2.39	0.00	0.33	-2.06	2.93	0.00	10.00	-1.49	6.12	-2.06	0
ю	Janmun and Kashmir Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	1996-97	2012-13	0.23	0.23	0.02	-0.02	0.82	-1.75	9.28	0.33	17.88	0.21	1.17
4	Jammu and Kashmir State Women's Development Corporation Limited	2006-07	2014-15	0.14	0.31	0.01	-0.18	0.10	08.0	4.81	-3.18	10.46	0.13	1.24
Sector wise total	ise total			5340.83	4083.06	78.22	1180.21	6770.85	-0.95	72.57	-4.34	30474.32	5263.27	17.27
S	Jammu and Kashmir State Agro Industries Development Corporation Limited	1999 - 2000	2014-15	3.51	0.01	0.07	3.43	46.58	0.00	1.96	-12.54	-13.68	3.44	25.15
9	Jammu and Kashmir State Horticultural 1996-97 Produce Marketing and Processing Corporation Limited	1996-97	2012-13	-0.07	10.13	0.42	-10.62	2.51	0.00	9.20	-72.86	11.24	-0.49	Nii
Sector wise total	ise total			3.44	10.14	0.49	-7.19	49.09	0.00	11.16	-85.40	-2.44	2.95	-120.9
INFRAS,	INFRASTRUCTURE				9			v	9		,			
7	Jammu and Kashmir Small Scale Industries Development Corporation Limited	1994-95	2012-13	-0.64	0.81	0.40	-1.85	15.71	0.30	3.12	-2.45	7.11	-1.04	Nil
8	Jammu and Kashmir State Industrial Development Corporation Limited	2007-08	2014-15	0.26	0.00	3.03	-2.77	8.91	0.00	17.65	-85.44	42.79	-2.77	Nil
6	Jannnu and Kashmir Projects Construction Corporation Limited	86-2661	2014-15	0.43	0.05	0.58	-0.20	50.82	1.06	1.97	3.33	8.53	-0.15	0
10	Jammu and Kashmir Police Housing Corporation Limited	2004-05	2013-14	1.57	00.00	0.14	1.43	1.96	0.15	2.00	3.26	5.30	1.43	26.98
	Sector wise total			1.62	98.0	4.15	-3.39	77.40	1.51	24.74	-81.30	63.73	-2.53	-3.97
MANUF.	MANUFACTURING				•		•		•	•	-	•	•	
11	Jammu and Kashmir Industries Limited 2005-06	2005-06	2012-13	-17.91	28.24	0.68	-46.83	6.44	-0.98	16.27	-447.47	-49.28	-18.59	Nil

SI.	Sector & Name of the Company	Period of	Year in	Ne	Net Profit (+)/ Loss (-)	(-) SSO'		Turnover	Impact of	Paid up	Accumulated Profit Capital employed®	Capital employed®	Return on	Percentage
No.		Accounts	which finalised	Net Profit/ Loss before Interest &	Interest	Depreciati on	Net Profit/ Loss		Accounts Comments#		(+)/ Toss (-)		capital employed ^{\$}	return on capital
,		,	,	Depreciation			1			C	c		;	employed
7		-3	4-	5 (a)	5 (b)		5 (d)	9-	-2	×	6-	-10	-III-	-12
12	es n	1998-99	2014-15	-3.24	2.06	0.03	-5.33	3.91	1.57	4.40	-30.54	0.45	-3.27	II.
13	und Kashmir State Handloom ment Corporation Limited	1999- 2000	2012-13	-2.12	1.35	0.07	-3.54	5.36	-0.03	3.00	-13.59	11.07	-2.19	II.
14	Jammu and Kashmir Cements Limited	2005-06	2012-13	4.40	0.23	1.01	3.16	60.45	-1.16	15.00	-5.30	33.41	3.39	10.15
15	Jammu and Kashmir Minerals Limited	1995-96	2012-13	-5.56	4.71	60:0	-10.36	3.47	-10.12	8.00	-43.10	-0.31	-5.65	Nil
Sector wise total	se total			-24.43	36.59	1.88	-62.90	79.63	-10.72	46.67	-540.00	-4.66	-26.31	10.15
POWER 16	Jammu and Kashmir State Power Development Corporation Limited	2010-11	2014-15	949.83	262.75	386.22	300.86	1220.62	17.77	5.00	-922.34	7212.47	563.61	7.81
17	Chenab Valley Power Projects Pvt. Ltd. (Deemed Government Company)	2013-14	2014-15	0.00	0.00	00:00	00:00	00:00	00:00	200.10	Nil	159.22	00:00	Nii
Sector wise total	se total			949.83	262.75	386.22	300.86	1220.62	17.77	205.10	-922.34	7371.69	563.61	7.65
SERVICES 18	Jammu and Kashmir State Tourism Development Corporation Limited	2009-10	2012-13	3.83	0.02	2.43	1.36	19.61	-15.70	15.96	-9.34	59.36	1.38	2:32
19	Jammu and Kashmir State Cable Car Corporation Limited	2010-11	2014-15	8.58	0.00	2.36	6.22	12.50	40.47	23.57	-3.97	56.84	6.22	10.94
Sector wise total	se total			12.41	0.02	4.79	7.58	32.11	24.77	39.53	-13.31	116.20	7.60	Nil
LABOUR	LABOUR & EMPLOYMENT													
20	Jammu and Kashmir State Overseas Employment Corporation Limited	The Co	The Company has subm		ounts for the p	oriod ending.	July 2011 to t	his office for su	pplementary o	check underr s	ited its first accounts for the priod ending July 2011 to this office for supplementary check underr section 619(4) of the companies act, 1956 and the same are under process.	ompanies act, 1956 ar	id the same are un	der process.
Sector wise total	se total			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0
Total A (A companies	Fotal A (All sector wise working Government companies			6283.70	4393.42	475.75	1415.17	8229.70	32.38	399.77	-1646.69	38018.84	5808.59	15.28
B. Worki	B. Working Statutory corporations													
FINANCE	Tommi and Vachmir Stote Dinamaial	2012 13	2014 15	59 0	254	010	100	92.0	000	00 10	140.38	13.08	3 55	EN
-	Corporation	2012-13	2014-13	2.03	4C-7	0.10	0.01	0.70	00:00	90.19	-140.20	-12.08	62	
Sector wise total	Sector wise total			2.65	2.54	0.10	0.01	8.76	0.00	98.19	-140.28	-12.08	2.55	Nii
2	nir State Forest ed	Accounts fc	Accounts for the years 1996		s not received.	(The Corpor	ation was inc	orporated in 19	78-79, howev	er, its audit wa	-97 and onwards not received. (The Corporation was incorporated in 1978-79, however, its audit was entrusted to the CAG from 1996-97)	G from 1996-97)		
Sector wise total	se total			0	0	0	0	0	0	0	0	0	0	0
SERVICES	S													
ε	Jammu and Kashmir State Road Transport Corporation	2009-10	2012-13	-26.58	35.92	4.47	26:99	33.92	-42.31	160.15	-899.19	-348.99	-31.05	Nii
Sector wise total	se total			-26.58	35.92	4.47	-66.97	33.92	-42.31	160.15	-899.19	-348.99	-31.05	Niil

SI.	Sector & Name of the Company Period of	Period of	Year in	Ż	Net Profit (+)/ Loss (-)	(-) ssor		Turnover	Impact of	_	Accumulated Profit Capital employed®	Capital employed [®]	Return on	Percentage
No.		Accounts which finalised	which	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciati Net Profit/ on Loss	Net Profit/ Loss		Accounts Comments*	Capital	(+)/ Loss (-)		capital employed ^{\$}	return on capital employed
-1	-2	-3	-4	5 (a)	5 (b)	5 (c)	5 (d)	9-	-2	8-	6-	-10	-11	-12
Total I	Total B (All sector wise working Statutory corporations)			-23.93	38.46	4.57	96.99-	42.68	-42.31	258.34	-1039.47	-361.07	-28.50	Nil
Grand To	Grand Total (A + B)			6259.77	4431.88	480.32	1348.21	8272.38	-9.93	658.11	-2686.16	37657.77	5780.09	15.35
C. Non wo	C. Non working Government companies													
MANUFA	MANUFACTURING													
-	Tawi Scooters Limited	1989-90	1991-92	90:0-	00.00	0.00	-0.06	0.00	0.00	0.80	-1.04	0.59	90:0-	Nii
2	Himalyan Wool Combers Limited	1999 - 2000	2000-01	-1.29	00:00	00.00	-1.29	00:00	0.00	1.36	-10.49	-1.71	-1.29	Nil
Sector wise total	e total			-1.35	0.00	0.00	-1.35	0.00	0.00	2.16	-11.53	-1.12	-1.35	Ni
MISCELLENEOUS	ENEOUS													
С	Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalvan Wool Combers Limited)	1991-92	1991-92 1999-2000	NA	NA	NA	0	NA	0	0	0	0		
Sector wise total	e total			0	0	0	0	0	0	0	0	0	0	0
Total C (A Governme	Total C (All sector wise non working Government companies)			-1.35	0	0	-1.35	0	0	2.16	-11.53	-1.12	-1.35	Nil
D. Non wo	D. Non working Statutory corporations	Nil	Nil	IIN	liN	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total D (All se corporations)	Total D (All sector wise non working Statutory corporations)	IIN	II.	IIN	I!N	Nil	Nil	IIN	IiN	Nil	IIN	Nil	IIN	Nil
Grand To	Grand Total (A + B + C + D)			6258.42	4431.88	480.32	1346.86	8272.38	-9.93	660.27	-2697.69	37656.65	5778.74	15.35

§ For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the Profit and loss account.

"Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/ increase in losses.

1. Chemab Valley Power Projects Pvt. Ltd. had not prepared its Profit and Loss Accounts due to the facts that the Company has not started its operation.
2. Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.

Appendix 3.2

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2014 in respect

of Government companies and statutory corporations) (Referred to in paragraph 3.3.1 PageNo..26)

ŧ	5 5 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6		;			o			- 99			(Figures in column 5 (a) to 6 (c) are ₹ in crore)	o 6 (c) are 7 in crore)
<u>z</u> i	Sector & Name of the Company	Name of the	Month and		Paid-up Capital	apital		Loans	is outstanding at the close of 2013-14	he close of 2013	-14	Debt equity ratio for	Manpower (No. of
No.		Department	year of	State	Central	Others	Total	State	Central Govern-	Others	Total	2013-14 (Previous	employees) (as on
			ration	Govern- ment	Govern- ment			Govern- ment	ment			Jean)	(110,000)
-1	-2	-3	4	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	(q) 9	(3) 9	-7	8-
A. Workin	A. Working Government Companies												
FINANCE													
-1	Jammu and Kashmir Bank Limited Finance	Finance	10-Oct-38	25.78	0.00	22.70	48.48	0.00	00:0	0.00	00'0	0:01	9371
2	JKB Financial Services Limited	Finance	27-Aug-09	0.00	0.00	10.00	10.00	00.00	0.00	0.00	00'0	0	N/A
3	Jammu and Kashmir Scheduled	Social	Apr-86	15.27	21.35	36.62	73.24	3.96	0.00	10.68	14.64	0	104
	castes, Scheduled Tribes and Other Weifare Back-ward Classes Development Corporation Limited	w elfare									·		
4	Jammu and Kashmir State	Social	10-May-91	9.72	0.00	0.00	9.72	0.00	0.00	35.56	35.56		37
	Women's Development	Welfare											
Sector wise total	e total			50.77	21.35	69.32	141.44	3.96	0.00	46.24	50.20	0.35:1	9512
AGRICUL	AGRICULTURE & ALLIED												
5	Jammu and Kashmir State Agro	Agriculture	30-Jan-70	2.60	0.94	0.00	3.54	37.39	00.00	0.00	37.39	10.56:1	62
	Industries Development	Production										(0.64.4)	
	Corporation Limited											(9.04:1)	
9	Jammu and Kashmir State Horticultural Produce Marketing	Agriculture Production	10-Apr-78	00.9	3.20	0.00	9.20	35.91	0.00	0.00	35.91		227
	and Processing Corporation	Toppool										(2.53:1)	
Sector wise total	e total			8.60	4.14	0.00	12.74	73.30	0.00	0.00	73.30	5.75:1	306
INFRASTI	INFRASTRUCTURE												
7	Jammu and Kashmir Small Scale	Industry &	28-Nov-75	3.12	0	0	3.12	9.15	0	0	9.15		303
	Industries Development Cornoration I imited	Commerce										(2.83:1)	
~	Jammu and Kashmir State	Industry &	17-Mar-69	17.65	0.00	0.00	17.65	8.05	00.00	0.00	8.05	0	505
	Industrial Development Corporation Limited	Commerce										(0.46:1)	
6	Jammu and Kashmir Projects	Public Works	22-May-65	1.53	0.00	0.00	1.53	0:30	00:00	0.00	0.30	0.20:1	0
	Construction Corporation Limited												
10	Jammu and Kashmir Police Housing Corneration Limited	Home	26-Dec-97	2.00	0.00	0.00	2.00	0.00	0.00	0.00	0.00	0	81
Sector wise total	e total			24.30	0.00	0.00	24.30	17.50	0.00	0.00	17.50	0.72:1	688
MANUFACTURING	CTURING												
11	Jammu and Kashmir Industries	Industry &	4-Oct-60	16.27	0.00	0.00	16.27	491.02	00:0	0.00	491.02	(22,83:1)	661
	Limited	Commerce		_								(1.69.77)	

Department Indication State Control Control Order Control School Control Control Control Order Control Control	SI.	Sector & Name of the Company	Name of the	Month and		Paid-un Canital ^{\$}	Canifal		I oans	as outstanding at the close of 2013-14	he close of 201	3-14	Debt equity ratio for	Manpower (No. of
Commerce Commerce	Ž		Denartment	vear of	Ctoto	Control	Othore	Total	Stoto	-	Othore	Total	2013-14 (Previous	employees) (as on
And state of the control of	[40]			incorpo-	Govern-	Govern-	Stallio	1 0121	Govern-	Central Govern-	Omers	10121	year)	31.3.2014)
warm Kachmar Manches In Industry & August (August Angust Angust Angust Angust Angust Angust (August Angust Angust Angust Angust Angust Angust Angust Angust (August Angust Angust Angust Angust Angust Angust Angust Angust (August Angust Angus				ration	ment	ment			ment					
and Machinetical Mathematical Math	-1	-2	-3	-4	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	(q) 9	(c)	<i>L</i> -	8-
van Expendiment Commerce Commerce 100 00 107.36 (10.73) (10.73) namad Keabmir State Commerce 2.42bc-24 6.00 0.00 5.00 107.36 0.00 0.00 107.36 (10.651) Loom Back-Statemer Commerce Commerce 2.42bc-24 6.00 0.00 8.00 3.60 0.00 0.00 0.00 10.736 (10.651) Loom Back-Stowner Commerce Commerce 8.60 0.00 8.00 3.847.2 0.00 0.00 3.847.2 0.00 0.00 3.847.2 0.00 0.00 0.00 3.847.2 0.00 <t< td=""><td>12</td><td></td><td>Industry &</td><td>0/-mnf-9</td><td>7.08</td><td>68'0</td><td>0.00</td><td>7.97</td><td>94.62</td><td>0.00</td><td>1.40</td><td>96.02</td><td></td><td>276</td></t<>	12		Industry &	0 / -mnf-9	7.08	68'0	0.00	7.97	94.62	0.00	1.40	96.02		276
on and Kesheim Stude Industry & 29-Jun-81 5.00 0.00 5.00 107.36 0.00 45.50 0.05 (107.36)		evelopment	Commerce										(10.77:1)	
December Industry Property Property		Corporation Limited									1			
one of Kashinir State Power Properate Corporations Limited Corporations Limited State Power Properate Industry State Power Properate Limited	13	Jammu and Kashmir State Handloom Development	Industry & Commerce	29-Jun-81	5.00	0.00	0.00	5.00	107.36	0.00	0.00	107.36	(19.65:1)	187
Marie Mari	14	Jammu and Kashmir Cements	Industry &	24-Dec-74	49.02	0.00	00:00	49.02	5.09	0.00	45.50	50.59	(0.38-1)	756
Main Resident State Power Power Corporations Maintest State Power Corporations Maintest State Power Corporations Maintest State Power Corporations Maintest State Power Power Corporations Maintest State Power Power	21	Limited	Commerce	6 11-11	00		000	9	204.17	000	000	284.72	(1:96:0)	0.70
Manual Kashimi State Toward Frozent 1120-71 131-11 </td <td>2</td> <td>Jammu and Kashmir Minerals Limited</td> <td>Industry</td> <td>2-Feb-60</td> <td>8.00</td> <td>0.00</td> <td>0.00</td> <td>8.00</td> <td>384.72</td> <td>0.00</td> <td>0.00</td> <td>384.72</td> <td>(45.55:1)</td> <td>698</td>	2	Jammu and Kashmir Minerals Limited	Industry	2-Feb-60	8.00	0.00	0.00	8.00	384.72	0.00	0.00	384.72	(45.55:1)	698
and Kashimi State Power Power 16-Feb-35 5.00 0.00 0.50 0.00 2064.37 2064.87 412.97.1 Abproxed Corporation Limited Development 16-Feb-35 5.00 0.00 200.10 200.10 200.10 0.50 0.00	Sector wis	e total			85.37	68.0	0.00	86.26	1082.81	0.00	46.90	1129.71	13.1:1	2749
Note Property Pr	POWER													
Obernact Covernment Evoket 10-Oct-08 0.00 <th< td=""><td>16</td><td></td><td>Power Development</td><td>16-Feb-95</td><td>5.00</td><td>0.00</td><td>0.00</td><td>5.00</td><td>0.50</td><td>0.00</td><td>2064.37</td><td>2064.87</td><td>412.97:1</td><td>2809</td></th<>	16		Power Development	16-Feb-95	5.00	0.00	0.00	5.00	0.50	0.00	2064.37	2064.87	412.97:1	2809
but Valley Power Projects Pt. Power In-Oct-Ids 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.			- I										(344.05:1)	
March Marc	17	Chenab Valley Power Projects Pvt. Ltd. (Deemed Government	Power Development	10 - Oct-08	0.00	0.00	200.10	200.10	0.00	0.00	0.00	0.00	0	176
Paragraphic	Sector wis	se total			5.00	0.00	200.10	205.10	0.50	0.00	2064.37	2064.87	13.47:1	2985
nu and Kashmir State Fourism Townstant 13-Feb-70 23.51 0.00 0.00 0.00 0.00 0.00 0.081	SERVICE	S												
orn and Kashmir State Cable Tourism 28-Nov-88 23.57 0.00	18		Tourism	13-Feb-70	23.51	0.00	0.00	23.51	4.26	0.00	0.00	4.26	0.18:1	874
PLOYMENT PLOYMENT	19	Jammu and Kashmir State Cable	Tourism	28-Nov-88	23.57	00:00	0.00	23.57	0.00	0.00	0.00	0.00	0	118
PLOYMENT PLOYMENT		Car Corporation Limited												
PLOYMENT PLOYMENT PLOMENT PL	Sector wis	se total			47.08	0.00	0.00	47.08	4.26	0.00	0.00	4.26	0.09:1	992
nu and Kashmir State Finance 10-0ct-10 4.27 0.00 0.01 0.00 0.01 0.00 0.00 0.00 0.00 0.01 0.00 0.01 0.00 0.00 0.01 0.00 <	LABOUR	& EMPLOYMENT			•	,	•	•						
red 4.27 0.00 4.27 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.01 0.00 0.01 0.00 0.01 0.00 0.01 0.01 0.00 0.01 0.00 0.01 0.00 0.01 0.00 0.01 0.00 0.01 0.00	20	Jammu and Kashmir State Overseas Employmnet Corporation	Finance	10-0ct-10	4.27	0.00	0.00	4.27	0.00	0.00	0.00	0.00	0	4
or wise working panies) 4.27 0.00 4.27 0.00 2157.51 3339.84 6.41:1 panies) panies) 225.39 26.38 269.42 521.19 1182.33 0.00 2157.51 3339.84 6.41:1 un and Kashmir State Finance 2-Dec-59 130.97 0.00 28.71 159.68 0.17 0.00 0.00 0.17 0 & ALLIED nu and Kashmir State Forest Forest 1-Jul-79 9.03 0.00 2.03 0.00		Limited		Ī	4 27	000	00 0	4 27	00 0	000	000	000	1.0	
or wise working Or wise wo	Sector Wis	se total			/7.4	00.00	0.00	4.7/	0.00	0.00	0.00	0.00	1:0	4
un and Kashmir State Road Finance 2-Dec-59 130.97 0.00 28.71 159.68 0.17 0.00 0.00 0.01	Total A (#	All sector wise working ent companies)			225.39	26.38	269.42	521.19	1182.33	0.00	2157.51	3339.84	6.41:1	17437
nu and Kashmir State Finance 2-Dec-59 130.97 0.00 28.71 159.68 0.17 0.00 0.00 0.17 0 & ALLIED & ALLIED & ALLIED 0.00 0.01 0.00	B. Workir	ng Statutory corporations												
nu and Kashmir State Corporation Finance 2-Dec-59 130.97 0.00 28.71 159.68 0.17 0.00 0.00 0.17 0 & ALLIED & ALLIED & ALLIED 0.00 0.01 0.01 0.01 0.01 0.01 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.01 0.00 0.01 0.00 0.01 <	FINANCE													
& ALLIED No. of Control Limited 130.97 0.00 28.71 159.68 0.17 0.00 0.00 0.17 0.01 0.17 0.11 ALLIED nu and Kashmir State Forest Forest 1-Jul-79 9.03 0.00 9.03 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.01 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.01	-	tate	Finance	2-Dec-59	130.97	0.00	28.71	159.68	0.17	0.00	0.00	0.17	0	195
& ALLIED Nu and Kashmir State Forest Forest 1-Jul-79 9.03 0.00 0.00 9.03 0.00 0.01 0.00 0.01 0.00	Sector wis	t total			130.97	0.00	28.71	159.68	0.17	0.00	0.00	0.17	0:1	195
nu and Kashmir State Forest Forest 1-Jul-79 9.03 0.00 9.03 0.00 0.01	AGRICUL	TURE & ALLIED												
nu and Kashmir State Road Transport 1-Sep-76 15.01 24.75 203.11 514.37 0.00 0.00 514.37 0.01 0.00 514.37 0.01 0.00 514.37 0.01 0.00 514.37 0.00 0.00 514.37 0.00 0.00 514.37 0.01 0.00 514.37 0.01 0.00 514.37 0.01 0.00 514.37 0.00 0.00 514.37 0.55:1 0.00 0.00 514.37 0.55:1 0.55:1 0.00 0.00 514.37 0.55:1 0.55:1 0.00 0.00 514.37 0.25:1 0.55:1 0.00 0.00 514.37 0.25:1 0.00 0.00 0.00 514.37 0.25:1 0.00 0.00 514.37 0.25:1 0.00 <th< td=""><td>2</td><td>State Forest</td><td>Forest</td><td>1-Jul-79</td><td>9.03</td><td>0.00</td><td>0.00</td><td>9.03</td><td>0.00</td><td>0.00</td><td>0.00</td><td>0.00</td><td>0 (4.47:1)</td><td>3161</td></th<>	2	State Forest	Forest	1-Jul-79	9.03	0.00	0.00	9.03	0.00	0.00	0.00	0.00	0 (4.47:1)	3161
stport Corporation Transport 1-Sep-76 163.35 15.01 24.75 203.11 514.37 0.00 0.00 514.37 (4:1) Sport Corporation 163.35 15.01 24.75 203.11 514.37 0.00 514.37 2.53:1	Sector wis	se total			9.03	0.00	0.00	9.03	0.00	0.00	0.00	0.00	0:1	3161
run and Kashmir State Road Transport 1-Sep-76 163.35 15.01 24.75 203.11 514.37 0.00 0.00 514.37 (4:1) sport Corporation 163.35 15.01 24.75 203.11 514.37 0.00 514.37 2.53:1	SERVICE.	S												
163.35 15.01 24.75 203.11 514.37 0.00 0.00 514.37 2.53:1	ю	tate Road	Transport	1-Sep-76	163.35	15.01	24.75	203.11	514.37	0.00	0.00	514.37	(4:1)	2806
	Sector wis	se total			163.35	15.01	24.75	203.11	514.37	0.00	0.00	514.37	2.53:1	2806

5	Sector & Name of the Company Name of the	_	Month and		Doild um	Slosino		Loom	I come a supplementation of the charter of 2013 14	Total of and and and	2 14	Debt equity ratio for	Mannower (No of
: 5	Section of Ivaline of the Company		Manual and		raid-up Capitai	Capital		Loan	s outstanding at t	ne close of 201.	3-14	Dent edung rand for	manpower (140. or
No.		Department	year of	State	Central	Others	Total	State	Central Govern-	Others	Total	2013-14 (Previous	employees) (as on
			incorpo-	Govern-	Govern-			Govern-	ment			year)	31.3.2014)
			ration	ment	ment			ment					
-1	-2	-3	-4	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	(q) 9	6 (c)	-7	8-
Total B (All s	Total B (All sector wise working Statutory			303.35	15.01	53.46	371.82	514.54	0.00	0.00	514.54	1.38:1	6162
Grand Total (A + B)	al (A + B)			528.74	41.39	322.88	893.01	1696.87	0.00	2157.51	3854.38		23599
C. Non wor	C. Non working Government companies												
MANUFACTURING	TURING												
-	Tawi Scooters Limited	Industries and Commerce	15-Dec-76	0.80	0.00	00:00	08.0	0.83	00:00	0.00	0.83	(1.04:1)	0
2	Himalyan Wool Combers Limited Industries and Commerce	Industries and Commerce	24-Jan-78	1.37	0.00	00:00	1.37			Informa	Information not available.	ble.	
Sector wise Total	Total			2.17	0.00	0.00	2.17	0.83			0.83		
MISCELLENEOUS	NEOUS												
3	Jammu and Kashmir State	Industries and 29-Nov-91	9-Nov-91	0.40	0.00	0.00	0.40			Informa	Information not available.	ble.	
		Commerce											
	Material Supplies Organisation Limited (a subsidiary of Himalyan												
	Wool Combers Limited)												
Sector wise total	total			0.40	0.00	0.00	0.40						
Total C (Al Governmer	Total C (All sector wise non working Government companies)			2.57	0.00	0.00	2.57	0.83	0.00	0.00	0.83	0.32:1	0
D. Non wor	D. Non working Statutory corporations	Nil	Nil	lin	Nii	ΪΖ	Nil	Nil	Nil	Nil	Nil	Nil	0
Total D (Al Statutory c	Total D (All sector wise non working Statutory corporations)	ΪΝ	Ξ	ΞZ	IÏ.	N.ii	Ξ̈̈́	ïï	ΪΝ	ΙΪΝ	Nil	Nil	0
Grand Tots	Grand Total (A + B + C + D)			531.31	41.39	322.88	85:28	1697.70	0.00	2157.51	3855.21	4.3:1	23599

Paid-up capital includes share application money.
"Loans outstanding at the close of 2012-13 represent long-term loans only and includes Interest. Figures based on data furnished by the PSUs.

Appendix 3.3
Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2014
(Referred to in paragraph 3.4.1 Page No..28)

			_									1				1	ı
ear	Total	(p) 9			0	0	0		0	0			0.00	0.00	0.00	0.00	0.00
Waiver of dues during the year	Interest/ penal interest	6 (c)			0	0	0		0	0			0.00	0.00	0.00	0.00	0.00
iver of dues	Loans converted into equity	(q) 9			0	0	0		0	0			0.00	0.00	0.00	0.00	0.00
Wa	Loans Loans repayment converted written off into equity	6 (a)			0	0	0		0	0			0.00	0.00	0.00	0.00	0.00
Guarantees received during the year and commitment at the end of the year	Commitment	5 (b)			0	0	42.21		40.30	82.51			0.00	0:00	0.00	0.00	0.00
Guarantees re the year and at the end o	Issued	5 (a)			0	0	3.00		14.50	17.5			0.00	0:00	0.00	0.00	0.00
	Total	4 (d)			0	0	0.25	(Subsidy)	0	0.25			0.00	0.00	0.00	0.75	5.20
ived during	Others	4 (c)			0	0	0		0	0			0.00	0.00	0.00	0.00	0.00
Grants and subsidy received during the year	Central State Governmen Government t	4 (b)			0	0	0.25	(Subsidy)	0	0.25			0.00	0:00	0.00	0.75	1.00
Grants and	Central Governmen t	4 (a)			0	0	0		0	0			0.00	0.00	0.00	0.00	4.20
Equity/ loans received out of budget during the year	Loans	3 (b)			0	0	3.96		1.75	5.71			0.00	0:00	0.00	0.00	0.00
Equity/loa out of bud the	Equity	3 (a)			0	0	6.0		0.63	1.53			0.00	0.00	000	0.00	0.00
Sector & Name of the Company		-5	A. Working Government Companies	•	Jammu and Kashmir Bank Limited	JKB Financial Services Limited	Jammu and Kashmir	Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	Jammu and Kashmir State Women's Development	total	AGRICULTURE & ALLIED	Jammu and Kashmir State Agro Industries Development	Corporation Filming	Jammu and Kashmir State Horticultural Produce Marketing and Processing Corporation Limited	total	JC LUKE Jammu and Kashmir Small Scale Industries Development Corporation Limited	Jammu and Kashmir State Industrial Development Corporation Limited
Sl. No.		1	A. Working	FINANCE	1	2 J	3 J	<u> </u>	4	Sector wise total	AGRICULTU	5	-	6 J	Sector wise total	INFRASTRUCTORE 7 Jammu an Scale Ind Corporati	8

							Г						
SI. No.	Sector & Name of the Company	Equity/ loans re out of budget of the year	Equity/ loans received out of budget during the year	Grants an	Grants and subsidy received during the year	ived during		Guarantees rathe year and at the end o	Guarantees received during the year and commitment at the end of the year	a M	iver of dues	Waiver of dues during the year	ä
		Equity	Loans	Central Governmen t	Central State Government t	Others	Total	Issued	Commitment	Loans Loans repayment converted written off into equity	Loans converted into equity	Interest/ penal interest waived	Total
-1	-2	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	(q) 9	6 (c)	(p) 9
6	Jammu and Kashmir Projects Construction Corporation Limited	0	0	0	0	0	00:0	0	0	0	0	0	0.00
10	Jammu and Kashmir Police Housing Corporation Limited	0	0	0	0	0	0.00	0	0	0	0	0	0.00
Sector wise total	e total	0.00	0.00	4.20	1.75	0.00	5.95	0.00	0.00	0.00	0.00	0.00	0.00
CONSTRUCTION	ICTION												
11	Jammu and Kashmir	0.00	7.24	00.00	3.13	0.00	3.13	00.00	0.00	0.00	0.00	0.00	0.00
	mdustries Limited	_ _			(Grants)		(Grants)						
12	Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited	0.00	2.00	0.00	0.00	0.00	0.00	0:00	0.00	0.00	0.00	0.00	0.00
13	Jammu and Kashmir State Handloom Development				2.63		2.63						
	Corporation Limited	0.00	2.50	0.00	(Grants)	0.00	(Grants)	0.00	0.00	0.00	0.00	0.00	0.00
14	Jammu and Kashmir Cements Limited	2.25	0.00	0.00	0.00	0.00	0.00	18.87	17.76	0.00	0.00	0.00	0.00
15	Jammu and Kashmir Minerals	0	,	0	i i	Ç.	i T	c c	0	0	Ç.	0	Ç.
	Limited	0.00	1.31	0.00	17.45	0.00	17.45	0.00	0.00	0.00	0.00	0.00	0.00
Sector wise total	e total	2.25	13.05	0.00	23.21	0.00	23.21	18.87	17.76	0.00	0.00	0.00	0.00
POWER	1 241												
10	Jammu and Kashmur State Power Development Corporation Limited	0.00	00:00	3.53	123.58	0.00	123.58	0.00	2064.37	0.00	0.00	0.00	0.00
				(Subsidy)	Grant		Grant						
17	Chenab Valley Power Projects Pvt. Ltd. (Deemed Government Company)	00.0	00'0	00.0	00.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sector wise total	e total	0.00	0.00	3.53	123.58	0.00	123.58	0.00	2064.37	0.00	0.00	0.00	0.00
				(Subsidy)			(Grant)						
SERVICES													
18	Jammu and Kashmir State Tourism Development Corporation Limited	0.00	0.00	00.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Sl. No.	Sector & Name of the	Equity/loa	Equity/ loans received	Grants and	Grants and subsidy received during the year	ived during		Guarantees r	Guarantees received during		iver of dues	Waiver of dues during the year	ar
	Company	out of bud	out of budget during					the year and	the year and commitment				
		the	the year					at the end	at the end of the year $^{\scriptscriptstyle ilde{\omega}}$				
		Equity	Loans	Central	State	Others	Total	Issued	Commitment	Loans	Loans	Interest/	Total
				Governmen t	Governmen Government t					repayment written off	converted into equity	penal interest	
-1	-2	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	(q) 9	6 (c)	(p) 9
19	Jammu and Kashmir State Cable Car Corporation				7.91	0.00	7.91						
		0.00	0.00	0.00	(Grants)		(Grants)	0.00	0.00	0.00	0.00	0.00	0.00
Sector wise total	e total	0.00	0.00	0.00	7.91	0.00	7.91	0.00	0.00	0.00	0.00	0.00	0.00
					(Grants)		(Grants)						
LABOUR &	ABOUR & EMPLOYMENT												
20	Jammu and Kashmir State Overseas Employment												
	Corporation Limited	0	0.00	0	0.00	0	0.00	0	0.00	0	0	0	0.00
					(Grants)		(Grants)						
Sector wise total	e total	0	0	0	0	0	0.00	0	0	0	0	0	0.00
Total A (A) Governmen	Total A (All sector wise working Government companies)	70	76.91	1	05.721	900	16.4.43	26.37	216464	9	90	90	9
		0/.0	10./0	61.1	150.70	0.00	(Grants/	30.37	4104:04	00.00	0.00	0.00	0.00
				(Subsidy)	(Grants)		Subsidy)						
B. Working	B. Working Statutory corporations												
FINANCE													
1	Jammu and Kashmir State Financial Corporation#												
	4	17.5	0.00	0	0.00	0	0.00	0	0.00	0	17.5	0	0.00
				0	0	0	0	0	0	0	0	0	
Sector wise total	e total	17.5	0	0	0	0		0	0	0	17.5	0	17.50
AGRICULI	AGRICULTURE & ALLIED												
2	Jammu and Kashmir State Forest Corporation Limited	0.00	0.00	0.00	00:00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sector wise total	e total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICES													
ю.	Jammu and Kashmir State Road Transport Corporation	3.75	51.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sector wise total	e total	3.75	51.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total B (Al	Total B (All sector wise working Statutory corporations)	21.25	51.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17.50	0.00	17.50
Grand Total (A + B)	al (A + B)	25.03	69.84	7.73	156.70	0.00	164.43	36.37	2164.64	0.00	17.50	0.00	17.50
				(Subsidy)	(Grants)		(Grants/						
													7

SI. No.	Sector & Name of the	Equity/loa	Equity/ loans received		Grants and subsidy received during the year	sived during		Guarantees r	Guarantees received during	W	iver of dues	Waiver of dues during the year	ar
	Company	out of budget d	out of budget during the year		•	0		the year and at the end	the year and commitment at the end of the year [®]			0	
		Equity	Loans	Central	State	Others	Total	Issued	Commitment	Loans	Loans	Interest/	Total
				Governmen t	Governmen Government t					repayment converted written off into equity	repayment converted written off into equity	penal interest	
-1	Ç	3 (0)	3 (h)	4 (0)	4 (4)	4 (0)	4 (4)	5 (0)	5 (h)	(0) 9	(H) 9	waived	(9)
.1	7-	3 (a)	(a) c	4 (a)	4 (D)	(C)	4 (u)	3 (a)	2 (U)	0 (a)	0 (0)	0 (C)	0 (n)
C. Non wor	C. Non working Government companies												
MANUFACTURING	TURING												
1	Tawi Scooters Limited	Informa	Information not										
		available	able	0	0	0	0	0	0	0	0	0	0
2	Himalyan Wool Combers Limited	Information not available	ormation not available	0	0	0	0	0	2.83	0	0	0	0
Sector wise total	total	0	0	0	0	0	0	0	2.83	0	0	0	0
MISCELLENEOUS	NEOUS												
3	Jammu and Kashmir State												
	Handloom Handlerafts Kaw Material Supplies	Informa avail	Information not available	0	0	0	0	0	0.40	0	0	0	0
	Organisation Limited (a subsidiary of Himalyan Wool												
Sector wise total	total			0	0	0	0	0	0.40	0	0	0	0
Total C (Al	Total C (All sector wise non working												
Governmen	Government companies	0	0	0	0	0	0	0	3.23	0	0	0	0
D. Non wor	D. Non working Statutory corporations	0	0	0	0	0	0	0	0	0	0	0	0
Total D (Al	Total D (All sector wise non working												
Statutory co	Statutory corporations)	0	0	0	0	0	0	0	0	0	0	0	0
Grand Tota	Grand Total $(A + B + C + D)$	25.03	69.84	7.73	156.70	0.00	164.43	36.37	2167.87	0.00	17.50	0.00	17.50
				(Subsidy)	(Grants)		(Grants/ Subsidy)						

Note: 1. Except in respect of Companies which fianlised their accounts for the current year, figures are provisional and as given by the Companies/Corporations. 2 Non-Working Companies/Corporations include Companies under Merger/Liquidation/Closure/Abolition.

3 Guarantee Commitment at the end of the year is a sum of Principal and interest.

[#] Jammu and Kashmir State Finanacial Corporation has intimated that the Corporation has included Rs. 2600.00 lakh in the paid up capital during the year 2012-13, the amount of which has been released by the State Govt during the years 2010-11(Rs. 2100.00 lakh) and 2011-12 (Rs. 500.00 lakh) for repayment of liabilities on account of Bonds. This amount has been included in the paid up capital as per the decision of the Board of Directors and the sanctions in respect of these sums have not been modified by the State Govt. This amount has not been taken into account in the paid up Statement.

Appendix-3.4 (Reference: Paragraph: 3.7.4 PageNo.:31) Statement showing investment made by the State Government in PSUs, whose accounts are in arrears

(₹ in crore)

								(₹ in crore)
SI. No	Name of the Company/ Corporation	Year up to which accounts finalized	Paid-up capital as per the latest finalized account	Investment ma the years (up t		which accou		Total
(A-V	Working Government Companies							
				Equity	Loans	Grants	Subsidy	Total
	J&K State Agro Industries Development Corporation Limited	1997-98	1.96	0	6.53	1.87	0.43	8.83
	J&K State Horticultural Produce Marketing and Processing Corporation Limited	1996-97	9.20	0.00	13.79	4.23	0.00	18.02
	J&K State Handloom Development Corporation Limited	1999-2000	3.00	2.21	28.29	16.41	0.28	47.19
	J&K Handicrafts (Sale and Export) Development Corporation Limited	1997-98	5.05	1.88	22.26	1.66	0.00	25.80
5	J&K Industries Limited	2005-06	16.27	0.00	71.73	13.90	0.00	85.63
	J&K Small Scale Industries Development Corporation Limited	1994-95	3.12	0.00	0.80	12.65	0.32	13.77
	J&K State Industrial Development Corporation Limited	2006-07	17.65	0.00	0.00	111.49	0.00	111.49
8	J& K Minerals Limited	1995-96	8.00	0.00	65.06	25.70	0.00	90.76
9	J&K Cements Limited	2005-06	15.00	12.27	0.00	0.00	0.00	12.27
10	J&K State Power Development Corporation Limited	2009-10	5.00	0.00	0.00	127.75	7.77	135.52
11	J&K State Tourism Development Corporation Limited	2009-10	15.96	0.00	0.00	6.95	0.00	6.95
12	J&K State Cable Car Corporation Limited	2009-10	25.00	0.00	0.00	28.43	0.00	28.43
13	J&K Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	1996-97	9.28	11.58	10.65	4.83	3.79	30.85
14	J&K State Women's Development Corporation Limited	2006-07	4.81	5.38	13.84	3.57	0.00	22.79
	Total (A):			33.32	232.95	359.44	12.59	638.30
(B)	Working Statutory Corporations							
15	J&K State Road Transport Corporation	2009-10	138.60	13.75	121.08	0.00	0.00	134.83
16	J&K State Financial Corporation Limited	2012-13	98.17	17.50	0.00	0.00	0.00	17.50
	Total (B)			31.25	121.08	0.00	0.00	152.33
	Total (A)+(B)			64.57	354.03	359.44	12.59	790.63

(Figures based on the data furnished by the PSUs from time to time subject to reconciliation and as incorporated in the Audit Reports of the respective years).

4. The Share Capital Contribution of J&K SRTC corrected to Rs 138.60 crore from 160.15 crore as per latest finalised accounts as the figure was earlier taken alonwith Central Government Share.J & K State

Appendix-4.1 (Referred to in Paragraph: 4.1.6.2 Page no.:40)

Statement showing financial position of the SICOP

(₹in crore)

Particulars	2009-10	2010-11	2011-12	2012-13
A. Liabilities				
i) Paid up Capital	3.12	3.12	3.12	3.12
ii) Plan funds (less depreciation)	7.20	8.08	8.67	9.29
iii) Reserve & Surplus	26.22	30.41	39.67	50.87
iv) Borrowings (Secured & Unsecured Loans)	3.11	3.71	3.43	7.15
v) Current Liabilities (including provisions)	84.88	144.62	183.50	193.72
Total A	124.53	189.94	238.39	264.15
B. Assets				
i) Gross Block	5.62	5.91	6.08	6.47
ii) Less Depreciation	0.34	0.41	0.39	0.47
iii)Net Block	5.28	5.50	5.69	6.00
iv)Work in Progress	17.26	21.83	25.02	29.19
v) Current Assets &Loans and Advances				
a) Current Assets	30.79	55.53	70.88	117.01
b) Bank F D R	56.15	95.33	124.38	101.67
c) Loans and Advances	7.99	5.61	7.32	7.09
Total Current Assets &Loans and Advances	94.93	156.47	202.58	225.77
vi) Profit & Loss Account (cumulative loss)	7.06	6.14	5.10	3.19
Total B	124.53	189.94	238.39	264.15
vii) Capital Employed	32.59	39.18	49.79	67.24
viii) Net worth	(-) 3.94	(-) 3.02	(-) 1.98	(-) 0.07
ix) %age of current assets to current liabilities	111.84	108.19	110.40	116.55

 $\label{lem:continuous} \textit{Capital employed represents net fixed assets (including work-in-progress) plus working capital}$

Capital Structure

The authorised Share Capital of the Company as on 31^{st} March 2014 was ₹five crore divided into 5,00,000 equity shares of ₹100 each. The paid-up capital of the Company as on March, 2014 was ₹3.12 crore (3,11,850 equity shares of ₹100 each) wholly contributed by the State Government.

Appendix-4.2

(Referred to in Paragraph: 4.1.6.2 Page No.:40)

Statement showing working results of the SICOP

(₹in crore)

Particulars	2009-10	2010-11	2011-12	2012-13
A. Income				
Sales (Raw Material)	361.05	474.10	647.18	671.44
Service Charges	5.98	7.19	9.04	12.28
Rentals from Industrial Estates	0.73	0.82	0.88	0.91
Deposit Works	0.66	2.33	1.91	0.43
Handling Charges	0.22	0.08	0.29	0.75
Other Income including Interest earned on Fixed	1.11	1.85	3.07	4.70
deposits.				
Total 'A'	369.75	486.37	662.37	690.51
B. Expenditure				
Cost of Sales (Raw Material)	356.05	467.96	640.23	663.08
Salaries & other benefits	10.83	14.75	18.00	21.43
Administrative & Other Expenses including				
depreciation.	2.58	2.75	3.10	4.09
Total 'B'	369.46	485.46	661.33	688.60
Net Profit (A-B)	0.29	0.91	1.04	1.91

Appendix-4.3 (Referred to in Paragraph: 4.1.11.1 Page No.:51)

Statement showing the shortfall in sale of raw material at various raw material depot of SICOP during the last five years from 2009-10 to 2013-14

NAME OF BMD DIVISION	NOISIAI			2009-10			2010-11			2011-12			2012-13			2013-14	(₹ in lakh)
Target Ach	Target Achievement S in %	Achievement S in %	S in %	% ui	Target		Achievement	S in %	Target	Achievement	S in %	Target	Achievement	S in %	Target	Achievement	S in %
RMD ZAINAKOTE SGR KASHMIR 7020 2977.25 57.59 7020	7020 2977.25 57.59	2977.25 57.59	57.59		7020		2169.43	69.1	7500	2866.71	61.78	8000	4721.57	40.98	3600	1370.44	61.93
RMD ANANTNAG KASHMIR 650 153.98 76.31 650	650 153.98 76.31	153.98 76.31	76.31		959		95.39	85.32	700	218.32	68.81	750	326.36	56.49	720	267.67	62.82
RMD PULWAMA KASHMIR 260 81.76 68.55 260	260 81.76 68.55	81.76 68.55	68.55		260		119.13	54.18	275	94.92	65.48	300	189.81	36.73	300	199.22	33.59
RMD BUDGAM KASHMIR 520 200.05 61.53 520	520 200.05 61.53	200.05 61.53	61.53		52(339.82	34.65	575	802.88	0	600	431.39	28.1	096	179.54	81.3
RMD KULGAM KASHMIR 130 13.98 89.25	130 13.98 89.25	13.98 89.25	89.25			130	8.2	93.69	275	317.68	0	700	752.98	0	096	457.77	52.32
RMD BARAMULLA KASHMIR 260 173.04 33.45 2	260 173.04 33.45	173.04 33.45	33.45		.7	260	331.08	0	550	578.64	0	600	620.08	0	840	635.53	24.34
RMD KUPWARA KASHMIR 260 27.06 89.59 260	260 27.06 89.59	27.06 89.59	89.59		26	0	48.22	81.45	180	68.95	61.69	200	172.42	13.79	120	57.39	52.18
RMD KARGIL KASHMIR 520 100.46 80.68 5	520 100.46 80.68	100.46 80.68	89.08		5.	520	364.23	29.96	575	483.2	15.97	650	411.04	36.76	200	367.39	47.52
RMD LEH KASHMIR 650 406.35 37.48 6.	650 406.35 37.48	406.35 37.48	37.48		9	920	303.11	53.37	675	458.21	32.12	700	265.22	62.11	750	129.79	82.69
RMD BANDIPORA KASHMIR 0 0 0 130	0 0 0	0 0	0		13	0	17.44	86.58	150	81.83	45.45	170	20.82	87.75	240	55.9	76.71
RMD SHOPIAN KASHMIR 0 0 0	0 0	0		0		0	0	0	130	11.27	91.33	200	145.75	27.13	360	222.64	38.16
RMD GANDERBAL KASHMIR 0 0 0 0	0 0 0	0	0		Ü	_	0	0	0	0	0	150	14.94	90.04	1 250	163.16	34.74
RMD GANGYAL JAMMU 30000 26721 10.93 34500	30000 26721 10.93	26721 10.93	26721 10.93		3450	0	36566	0	47500	51009	0	20000	51425	0	20000	54844	0
RMD DIGIYANA JAMMU 4000 3700 7.5 \$0	4000 3700 7.5	3700 7.5	7.5		50	2000	4100	18	5500	4400	20	9099	5460	17.27	0099	4242	35.73
RMD KATHUA JAMMU 400 245 38.75 9	400 245 38.75	245 38.75	38.75		6	006	1660	0	2500	2018	19.28	400	203	0	400	473	0
RMD REASI JAMMU 350 167 52.29	350 167	167		52.29		125	175	0	200	240	0	350	137	98.09	009	184	69.33
RMD POONCH JAMMU 400 330 17.5	400 330 17.5	330 17.5	17.5			200	302	39	400	215	46.25	400	212	47	400	126	68.5
RMD RAJOURI JAMMU 600 57 90.5 2	600 57 90.5	57 90.5	90.5		2	250	210	16	350	06	74.29	900	280	53.33	350	287	18
RMD DODA JAMMU 600 481 19.83 500	600 481 19.83	481 19.83	19.83		50	0	430	14	009	578	3.67	900	294	51	009	145	75.83
RMD UDHAMPUR JAMMU 400 270 32.5 5	400 270 32.5	270 32.5	32.5		Š	200	168	66.4	400	185	53.75	400	319	20.25	400	511	0
RMD KISHTWAR JAMMU 0 0 0 0	0 0 0	0 0	0			0	0	0	0	0	0	400	442	0	009	242	59.67
47020 36104.93 52675	36104.93	36104.93		5267	5267	ıω	47410.05		69035	64717.61		42770	67144.38		39750	65160.44	

T-Target, A-Achievement, S-Shortfall