Chapter-2

Audit Findings

on Social, General and Economic Sectors (Non-PSUs)

Chapter-2

Audit Findings on Social, General and Economic Sectors (Non-Public Sector Undertakings)

A. Performance Audit

2.1 Sher-i-Kashmir Institute of Medical Sciences

Sher-i-Kashmir Institute of Medical Science (SKIMS) Srinagar was established in December 1982 to provide specialised medical care, need based education in medical and health services and clinical research and to develop referral linkage between primary, secondary and tertiary health care in the State. The Performance review of SKIMS revealed the following financial and operational deficiencies:

Financial deficiencies: There were cases of under-utilisation of funds, irregular withdrawals for crediting of funds to the Civil Deposit heads and unauthorised retention and utilisation of hospital receipts.

Operational deficiencies: The delivery of patient care services was affected by longer waiting periods for diagnostic tests/ investigations and surgeries besides misutilisation of ambulances meant for patients. The medical research activities had not been attended to and the capacity of medical courses was not fully utilised. Audit also noticed that the procurement system for purchase of drugs and equipment was deficient. The quality and efficacy of drugs is sought to be ensured through higher priced procurements and the funds released for setting up an Advanced Quality Assurance Laboratory were lying unspent in a Civil Deposit. The hospital administration reported that there were shortages of medical, paramedical and nursing staff and faculty though the manpower requirements were not properly assessed/ benchmarked.

Highlights

- **The Institute did not have any approved long term master/ perspective Plan for phased and planned infrastructure development and for purchase of medical equipment or civil infrastructure.**

  (Paragraph: 2.1.8)

- **The project and financial management in the Institute was lax as manifested in persistent under-utilisation of allotted budget ranging between eight to 28 *per cent,* irregular withdrawal of funds ranging from ₹ 0.73 crore to ₹ 14.42 crore for crediting to Civil Deposits to avoid the lapse of budget, irregular utilization of upto 61 *per cent* of sundry hospital receipts for unapproved purposes and irregular personal claims.**

  (Paragraphs: 2.1.9, 2.1.9.1 and 2.1.9.3)

- **The number of patients who attended the Out Patient Department (OPD) of 32 clinical departments including super-specialty centres has steadily risen by 28 *per cent* from 5,16,860 in 2007-08 to 6,60,482 in 2011-12 though there was a significant dip in 2010-11. The patients had to wait for surgeries from one month to 12 months and for diagnostic tests/ investigations for the period ranging between 10 days to 524 days. The Institute has not carried out any study of the patient profile to ascertain whether this rising trend indicated any deficiency on the part of the primary health care service providers**

leading to indiscriminate rush at the Institute's OPD. The tertiary character of the Institute was thus getting diluted.

(Paragraph: 2.1.10.1, 2.1.10.2 and 2.1.10.3)

- **The growth in the number of hospitalized patients was relatively stable barring a peak in the year 2009-10 as it rose from 45,654 in 2007-08 to 50,075 in 2011-12. The number of patients awaiting surgeries as on 31 March 2012 in seven In-Patient Departments ranged between 20 in Surgical Gastroenterology to 241 in Plastic Surgery. The Chairman, Governing body had suggested (May 2011) to perform operations in double shifts but no action had been taken thereon (August 2012).**

(Paragraph: 2.1.10.2)

- **12,860 hospitalized patients died out of 2,57,993 admitted during 2007-2012 (May 2012) of which 7,875 were deaths occurring 48 hours after admission. Maximum number of deaths occurred in Neurosurgery (2546) followed by Neurology Department (2303). The death rate in Neonatology (children ward) was four *per cent* of the total deaths.**

(Paragraph: 2.1.10.4)

- **The Emergency Medicine Department of the Institute had not been fully equipped to deal with cases of road traffic accidents having multiple organ injuries including orthopaedic injuries. Consequently, such patients were shifted to Bone and Joint Hospital Srinagar.**

(Paragraph: 2.1.10.5)

- **The ambulances meant for patient care had been misutilised to the extent of 40 to 47 *per cent* during the period 2008-12.**

(Paragraph 2.1.10.6)

- **No roadmap to achieve excellence in medical research had been prepared by the Institute and that no agenda in this regard was presented in any of the meetings of the Governing Body. The research activity had been restricted just to payment of monthly clinical research allowance of ₹ 2,500 to the faculty members without verifying the eligibility conditions for the allowance.**

(Paragraph 2.1.11.2)

- **The procurement system for purchase of equipment and drugs needs to be reviewed and strengthened as there were abnormal delays in invitation of tenders, placing of supply orders and opening of letters of credit leading to locking up of huge funds, delayed or non-procurement of medical equipment.**

(Paragraphs: 2.1.12 and 2.1.12.1)

- **The system of drawing of samples of drugs for testing to ensure procurement of quality medicines and drugs is not in vogue in the Institute. Drug Quality Control Laboratory of the Institute had stopped functioning since November 2003 and ₹ 1.40 crore released during 2009-11 to set up an Advanced Quality Assurance Laboratory were lying unspent in a Civil Deposit. Physical verification of drugs and surgical instruments in the Institute had not been conducted since June 2008.**

(Paragraphs: 2.1.12.2)

- **No effort was made to open JAN AUSHADHI sale outlet in the Institute or procure generic medicines under the Government of India campaign to make available unbranded quality generic medicines at lower prices, though equivalent in potency to branded expensive drugs.**

(Paragraphs: 2.1.12.2)

- **The infrastructure development was not planned properly as the works targeted for completion by 2010-11 were incomplete. Besides, seven schemes for which ₹ 8.51 crore had been credited to Civil deposit head were not taken up for execution.**

(Paragraphs: 2.1.13 and 2.1.13.1)

- **The advanced centre for human genetics and local area networking systems could not be established in the Institute due to improper planning despite investment of ₹ 12.12 crore made thereon.**

(Paragraphs: 2.1.13.3 and 2.1.13.4)

- **As per the Institute's own reckoning, the shortage of faculty in the Institute and SKIMS Medical College was 40 and 56 *per cent* respectively as of March 2012. Further, the vacancy of medical/ para-medical / nursing and administrative staff was 32 and 34 *per cent* in the Institute and 37 and 54 *per cent* in SKIMS Medical College respectively. No staff was posted for the Critical Care Department of the Institute having bed strength of 12 which was raised to 60 in January 2012.**

(Paragraphs: 2.1.14.1 and 2.1.14.3)

- **The effective strength of medical/ paramedical/ nursing staff and administrative staff in the Institute was in the ratio of 53:47. The Governing Body realized (October 2011) that the staff structure in the Institute was lopsided and ordered a review through an expert external agency, which had not been done.**

(Paragraph: 2.1.14.1)

- **Senior positions like Registrar-cum-Controller of Examination, Deputy Registrar Academics, Deputy Controller of Examination and Assistant Controller of Examinations were not being manned by regular, eligible employees as the vacancies had not been filled up after retirement of regular incumbents.**

(Paragraph: 2.1.14.3)

- **The internal control system of the Institute was inadequate.**

(Paragraph: 2.1.19)

2.1.1 Introduction

Sher-i-Kashmir Institute of Medical Sciences, Srinagar (Institute) was established in December 1982 as a premier institute designed to serve all the three tiers[1] of the health delivery system. The Institute was designed to have 500 general and 100 paying beds. In April 1984, the Institute adopted the Health Block at Hajan, Bandipora for experimenting new modalities in maternity and child care while the Medical College, Bemina (erstwhile Jehlum Valley College) was taken over by the Institute in April 1998 for conducting undergraduate courses. The objectives envisaged by the State Government in setting up the Institute were as under:-

- To provide facilities of specialised medical care, need oriented education in medical, health sciences and clinical research;

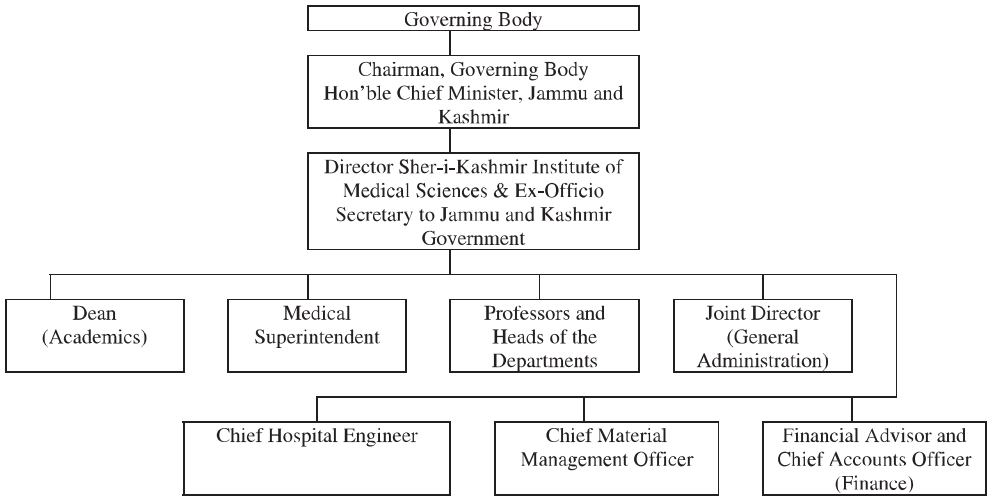
[1] Primary, Secondary and Tertiary

- To develop a referral linkage between the primary, secondary and tertiary health care institutions of the State in order to achieve a regionalization of health care;
- To provide for instruction and research in such branches of sciences of modern medicine and other allied sciences including physical and biological sciences;
- To hold examinations and grant degrees, diplomas and other academic distinctions.

2.1.2 Organizational set-up

The organizational chart is shown in **Chart-I** below:-

Chart-I



2.1.3 Governing structure of the Institute

The functioning of the Institute is overseen by a high level Governing Body (GB) chaired by the Hon'ble Chief Minister of the State. The GB has some Cabinet Ministers as members, with the Director of the Institute as Member Secretary. The Chief Secretary and other Administrative Secretaries act as advisors. The GB is assisted by Apical Selection Committee (ASC) chaired by the Chief Secretary to handle appointment/ promotion of faculty and Standing Finance Committee (SFC) chaired by the Financial Commissioner to look after financial matters. Besides, there are Senior Selection Committee (SSC) and Junior Selection Committee (JSC) chaired by the Director of the Institute to look after appointment/ promotion of Gazetted and Non-Gazetted staff, respectively. Other committees include Standing Academic Committee, Purchase Committee, Works Contract Committee, Technical Committee for purchase of drugs, etc. The Director is designated as ex-officio Secretary to Government of the State for matters related to the Institute. The decisions taken by the Governing Body are deemed to have approval of the Cabinet, conveyed by issuing Government orders by the Director in his capacity of ex-officio Secretary to the Government. The Institute was granted statutory status to function as a deemed university to award degrees in medical and allied specialties from August 1983 under the provisions of the Sher-i-Kashmir Institute of Medical Sciences (Grant of Degrees)

Act, 1983. The Institute's medical education/ research activities are also covered by the regulatory mechanism of the Indian Council of Medical Research. Thus, the Institute has attributes of an autonomous statutory body, a deemed university and an entity having the powers of a Government Department without the usual system of checks and balances applicable to a Government Department. The unique governing structure, while designed to facilitate its functioning, casts special responsibilities on the administration of the Institute.

2.1.4 Audit Objectives

The performance audit was conducted to ascertain whether:

- the planning for infrastructure development and purchase of equipment was efficient;
- allotment of funds was adequate and fund management in the Institute was effective and efficient;
- patient care including diagnosis and treatment in the Institute was adequate and effective;
- procurement of machinery and equipment was done economically and effectively;
- there was adequate faculty and health personnel;
- adequate and effective monitoring and internal control system was in existence in the Institute.

2.1.5. Audit Criteria

Audit findings were benchmarked against the following criteria:

- Budget documents, Annual Action Plans/ Project Reports/ Scheme guidelines etc. as applicable to the Institute having a unique governance structure;
- Financial and Civil Service rules of the State Government and orders issued thereunder, as applicable to the Institute having a unique governance structure;
- State Public Works Account Code and Schedule of Rates, as applicable to the Institute having a unique governance structure.

2.1.6 Audit Methodology

An entry conference was held on 8 March 2012 to discuss the objectives, scope and criteria of audit with the Director of the Institute. Thereafter, an examination of records including inspection of the premises and interaction with various Heads of Departments was undertaken by a team of officers from the office of the Principal Accountant General (Audit), Jammu & Kashmir. The exit conference was held on 21 November 2012 with the Director, SKIMS in which audit observations were discussed. Replies thereof have been incorporated in the review at appropriate places.

2.1.7 Scope of Audit

The performance review of working of the Institute during the period from 2007-08 to 2011-12 was conducted by test-check of records of the Director, Joint Director, Dean, Chief of Material Management, Medical Superintendent, Financial Advisor/ Chief Accounts Officer, Chief Engineer, Executive Engineers Civil/ Electrical/ Mechanical/

Information Technology, Deputy Director Planning and Heads of Departments (HODs) of nineteen[2] medical departments of the Institute between December 2011 and August 2012. The selection of the Departments was made on judgemental basis.

Audit findings

2.1.8 Planning

Strategic planning is necessary for attaining the long term goals of an entity in a time-bound frame work. It forms the core of an implementation process. A properly planned approach for infrastructure development and purchase of medical equipment taking into account the needs and preferences of professionals and end users for retaining consistency and control is needed for ensuring value for money. This may be achieved by preparing a long term perspective plan for implementation in a phased manner.

Audit noticed that the Institute did not have any approved long term master/ perspective Plan for phased and planned infrastructure development and purchase of medical equipment or civil infrastructure. Thus, build-up of infrastructure (Civil Works and Equipment) and matching manpower profile was based on requirements projected from time to time. Even the draft Annual Plans prepared by the Institute were not adhered to and ₹ 24.09 crore was incurred on unplanned works during 2007-12 as brought out in Paragraph 2.1.9 below.

The Institute had prepared 11th Five Year Plan period (2007-12) proposals amounting to ₹ 214.05 crore which was subsequently reduced to ₹ 146.14 crore on the basis of fresh ceiling conveyed by the Planning & Development Department, Government of Jammu and Kashmir. The supporting statements in respect of plan proposals under infrastructure development and equipment were not available with the Planning Wing of the Institute. The annual plans prepared could not thus be correlated with the 11th Five Year Plan projections.

2.1.9 Financial Management

The position of funds allocated and expenditure incurred thereagainst, combined for the Institute and SKIMS Medical College during the years 2007-08 to 2011-12 is shown in **Table 2.1.1** below:

Table-2.1.1

(₹ in crore)

Year	Allocation		Expenditure		Savings (Percentage)	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
2007-08	21.88	107.90	15.84	92.64	6.04 (28)	15.26 (14)
2008-09	41.00	115.18	32.14	101.02	8.86 (22)	14.16 (12)
2009-10	47.75	139.91	41.67	125.90	6.08 (13)	14.01 (10)
2010-11	50.93	180.15	46.59	157.77	4.34 (09)	22.38 (12)
2011-12	51.15	217.36	47.11	186.69	4.04 (08)	30.67 (14)

[2] 1. Cardiology 2. Community Medicine 3. Immunology and Molecular Medicine 4. Plastic and Reconstructive Surgery 5. Radiation Oncology 6. Radio diagnosis and Imaging 7. Urology 8. Paediatric Surgery 9. Nuclear Medicine 10. Nephrology 11. General Surgery 12. General Medicine 13. Gastroenterology 14. Clinical Pharmacology 15. Cardio Vascular and Thoracic Surgery 16. Anaesthesiology 17. Endocrinology 18. Radiological physics and Bio engineering 19. Blood Transfusion and immunohaematology

The percentage of shortfall in utilization of Plan funds ranged between eight and 28 and of non-Plan funds ranged between 10 and 14 during the period from 2007-08 to 2011-12.

Against the revised outlay of ₹ 152.17 crore for the 11th Five Year Plan period (2007-12) the Institute incurred an expenditure of ₹ 142.97 crore indicating more than 90 *per cent* achievement. However, this would be a misleading conclusion because the 'Plan expenditure' of as much as ₹ 28.19 crore was only on paper since the funds drawn from the Consolidated Fund and shown as 'expenditure' in accounts were actually lying unspent in a civil deposit account as detailed in para 2.1.9.1 below. Thus, actual Plan expenditure during 2007-12 was only ₹ 114.78 crore, 25 *per cent* short of the approved Plan. Not only this, the approved Plan was also not adhered in toto as 39 works falling outside the purview of the Plan were taken up for execution and expenditure of ₹ 24.09 crore was incurred during 2007-12 on such unplanned works.

2.1.9.1 Withdrawal of funds in anticipation of requirements

Rule 2.33 of the State Financial Code envisage that funds should be withdrawn from treasury only if required for immediate disbursement. The practice of withdrawing funds with a view to avoid lapsing of budget grant is forbidden. The Finance Department had prohibited (August 1999) the Drawing and Disbursing Officers (DDOs) from parking funds at the close of the financial year in the Major Head 8443-Civil deposits to avoid lapsing of funds.

Audit noticed that ₹ 41.61 crore were withdrawn by the Institute for purchase of Machinery and Equipment from the Consolidated Fund of the State in contravention of the rules and credited to the Civil Deposit head during the period 2007-12 to avoid lapse of budget. Full utilization of these funds had not been ensured during the subsequent years and the unspent balances in the Deposit head accumulated to ₹ 28.19 crore as of March 2012 as indicated in **Table 2.1.2** below:

Table-2.1.2

(₹ in crore)

Year	2007-08	2008-09	2009-10	2010-11	2011-12	Total
Funds credited to the Deposit Head during the year	3.69	12.50	14.42	10.27	0.73	41.61
Expenditure incurred during the period 2007-12	2.37	1.43	8.53	1.09	-	13.42
Balance as of March 2012	1.32	11.07	5.89	9.18	0.73	28.19

The Chief Accounts Officer (CAO) of the Institute stated (July 2012) that non-utilisation of funds was because of delays in the process of procurement of equipment and construction works, and the funds were kept in Civil Deposits for subsequent utilisation. The withdrawal of funds in anticipation of requirements and their subsequent parking in civil deposits was irregular. The Institute did not seek any relaxation from the Governing Body, which has been vested with the powers of the Cabinet, either before or after resorting to irregular financial transactions. The Director while admitting the fact stated (November 2012) that the parking of funds in civil deposits had been minimized during the year 2011-12 and the efforts would continue during 2012-13 as well.

Audit further noticed that ₹ 5.22 crore were advanced by the Institute during the years 2007-08 to 2009-10 to Stores Procurement Department (₹ 1.41 crore); JK Cements Limited (₹ 1.74 crore), Steel Authority of India (₹ 1.60 crore) and Government Joinery Mills (₹ 47.20 lakh) for procurement of key construction material. Against this, material worth ₹ 2.29 crore had been lifted by the Institute from these agencies during 2007-08 to 2011-12 resulting in blockade of Government money to the extent of ₹ 2.93 crore with these procurement agencies as of March 2012.

The Executive Engineer (Civil), of the Institute stated (July 2012) that the material was lifted on need basis and the balance material would be lifted after reconciliation with the supplying agencies. The reply is indicative of the fact that the funds had been advanced without ascertaining the actual requirement of the construction material of the Institute.

2.1.9.2 Retention of funds

The funds drawn from treasury on account of salary, travelling allowance (TA) etc. are credited to Current Bank Accounts (CD 29 and CD 33) of Jammu and Kashmir Bank Limited SKIMS, Soura, Srinagar for further disbursement. Test-check of records revealed that funds ranging between ₹ 1.05 crore and ₹ 2.76 crore could not be disbursed during the years 2007-08 to 2011-12 pending submission of attendance certificates, adjustment account of T.A advance etc. of the employees of the Institute as indicated in **Table 2.1.3** below:

Table-2.1.3

(₹ in crore)

Funds retained at the end of the year in Bank Account	**Year**				
	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Bank Account CD 33	1.12	0.96	0.81	0.69	0.69
Bank Account CD 29	0.25	0.09	0.83	1.77	2.07
Total	**1.37**	**1.05**	**1.64**	**2.46**	**2.76**

These unspent funds instead of being credited to the Government account were retained by the Institute resulting in their locking up outside the Government account with consequent loss of interest to the Government. After this irregularity was pointed out by Audit, the CAO of the Institute stated that out of unspent amount of ₹ 2.07 crore lying in Current Bank Account (CD-29) at the close of March 2012, an amount of ₹ 1.57 crore had been withdrawn and credited to Government account.

Audit further noticed that an amount of ₹ one crore sanctioned (December 2007) by the Chief Minister of the State for up-gradation and purchase of essential equipment for intensive care unit, purchase of furniture and beddings etc, for VIP rooms had been credited (December 2007) in the Current Bank Account CD 33 and utilised only to the extent of ₹ 0.55 crore by March 2012.

2.1.9.3 Irregular utilization of revenue receipts

According to the orders of the State Finance Department and approvals of the Governing body of the Institute, 75 *per cent* of the revenue realised on account of sale of OPD[3] tickets, IPD[4] investigation charges, clinical tests etc. was to be credited to a Revolving Fund to be used by the Institute on repairs and maintenance of the machinery/ equipment and acquisition of laboratory equipment etc. The balance 25

[3] Out Patient Department
[4] Indoor Patient Department

per cent of revenue was to be credited to the Government Account. The revenue realised by the Institute on this account had been credited to the Bank Account (CD-165) of J&K Bank Limited SKIMS Soura, Srinagar. The position of revenue realised during the years 2007-08 to 2011-12 is indicated in **Table 2.1.4** below:

Table-2.1.4

(₹ in crore)

Year	2007-08	2008-09	2009-10	2010-11	2011-12	Total
Revenue realized	4.27	4.72	5.08	5.34	7.24	26.65

Scrutiny of records revealed that the Institute had irregularly utilized ₹ 16.17 crore representing 61 *per cent* of the total revenue realized during the years from 2007-08 to 2011-12 for meeting expenses on POL[5], LDO[6], entry tax, telephone and refreshment charges, stipend and scholarship, in contravention of the instructions of the Finance Department and the Governing Body.

The Accounts Officer (Works) of the Institute stated that the funds available in the Bank Account (CD-165) play role of parallel budget to cater to the demands of the Institute. The reply is not acceptable as the method adopted was contrary to the financial and Budget procedures. The Director of the Institute informed (November 2012) that due to reluctance of some agencies to make supplies without advance payments, the authorities draw and advance amount to these agencies, which is recouped at a later stage. The Director further stated that non-recoupment of ₹ 16.17 crore on account of purchase of POL, LDO etc. would be looked into. Audit further noticed that 25 *per cent* of the total revenue (₹ 69.98 lakh) amounting to ₹ 17.49 lakh realized during the months of January 2009 and March 2010 had not been credited to the Government Account. The Accounts Officer (Budget) stated (July 2012) that the matter would be looked into.

The details of revenue earned/ retained and unspent funds in CD accounts was not intimated to the Finance Department resulting in excess budgeting as evidenced from persistent inability to utilize the approved budget.

2.1.9.4 Rush of expenditure

Financial Rules provide that expenditure should be evenly distributed over the year. Audit noticed rush of expenditure in the month of March of each year which ranged between 49 and 76 *per cent* during the period from 2007-08 to 2011-12. The rush of expenditure in the last month of financial year indicated lack of financial discipline.

2.1.9.5 Non-maintenance of Cash Book and incomplete reconciliation of accounts

The Cash Book had not been maintained from July 2011 onwards and, therefore, Audit could not verify whether the cash accounts were fully reconciled with the Bank and Treasury Accounts.

Operational deficiencies

2.1.10 Delivery of patient care services

The Institute provides consultancy for various diseases and medical care facilities to the patients either through OPD-clinics or by admitting them in wards. There are 32 clinical departments including super-specialty centres for managing different types of

[5] Petrol Oil Lubricant
[6] Light Diesel Oil

diseases in the Institute. To enable the management and health professionals to assess health promotion activities, improve the capacity of healthcare, involve all professionals and the patient in improving the quality of care and to improve the health and safety of staff and patients, the Institute was required to develop the hospital manual. This manual had, however, not been formulated (August 2012). The following significant points with regard to patient care were noticed in audit.

2.1.10.1 Out-patient services

The norms for deployment of specialists to ensure satisfactory patient care and to bring down the waiting time of patients in the OPD had not been fixed by the Institute. The position of patients who had visited the hospital of the Institute during 2007-08 to 2011-12 is indicated in **Table 2.1.5** below:

Table-2.1.5

(Figure in numbers)

Year	2007-08	2008-09	2009-10	2010-11	2011-12
No of patients who attended the hospital of the Institute	5,16,860	5,31,707	5,71,790	5,23,801	6,60,482

The number of patients attending the hospital had shown increasing trend from 2007-08 to 2011-12 (except for 2010-11).

The on-spot visit of OPD by Audit revealed that electronic display boards installed at the clinic sites were out of order and had not been replaced with new boards to enable the patients to know their turn of consultation. Further, long queues of patients were noticed at the cash counter, vial collection / sample collection counter and the patients had to wait for long time to get their turn.

The Medical Superintendent of the Institute confirmed (August 2012) these facts and stated that he had not been consulted by the Director of the Institute for changes in the OPD structure and functioning of various clinical and supportive areas of the Institute. The Institute had not carried out any study of the patient profile to ascertain whether the rising trend indicated any deficiency on the part of the primary health care service providers leading to indiscriminate rush at the OPD of the Institute.

During exit conference, the Director stated that in view of huge increase in patients attending OPD/ IPD, the Institute had initiated steps for upgradation of SKIMS for its funding under Prime Ministers Reconstruction Programme. The Director further stated that the collection time for receiving investigations in OPD had been increased and the huge rush of patients attending the Institute is basically due to non-availability of sufficient health care facilities in the peripheral institutions of the valley. In case proper referral system is in vogue in Kashmir, the referred patients only would attend the Institute, which can ultimately improve the patient care at the Institute to a greater extent.

2.1.10.2 In-patient services

The admission of patients for investigation, medical treatment/ procedure and surgical intervention are the important functions of the hospital of the Institute. The details of patients admitted in IPD, number of wards/ beds and number of operation theatres in the hospital during the period from 2007-08 to 2011-12 is indicated in **Table 2.1.6** below:

Table-2.1.6

Bed occupancy

Sl. No.	Year	2007-08	2008-09	2009-10	2010-11	2011-12
1.	No of wards (Beds)	7 (630)	7 (630)	7 (630)	7 (685)	7 (685)
2.	No. of operation theatres	11	11	11	11	11
3.	No. of patients admitted	45,654	49,698	54,834	52,194	50,075
4.	Average bed occupancy (*per cent*)	90	92	92	89	92

The strength of wards, beds and operation theatres had not been assessed with reference to patients admitted in the hospitals though the number of patients admitted in 2011-12 had shown an increase of 10 *per cent* over the patients admitted during 2007-08. From the above it is clear that eight to 11 *per cent* beds remained unoccupied even as there were patients awaiting surgeries. The Director of the Institute stated (December 2012) that as per norms about 10 *per cent* beds are kept vacant in territory care hospital to meet the exigent emergencies. However, in absence of any Hospital Manual no such norms were formally notified. The number of patients awaiting surgeries in seven IPDs at the close of March 2012 is indicated in **Table 2.1.7** below:

Table-2.1.7

Name of the Department	Number of patients awaiting surgery	Date by which backlog was to be cleared	Reasons for backlog
Neurosurgery	69	20 June 2012	Less number of operation theatres surgical/ ICU beds
Cardio Vascular Thoracic surgeries	50	31 May 2012	Summer/ winter vacation availed by the faculty
General Surgery	200	-	Less number of operation theatres
Paediatric Surgery	100	March 2013	Less number of operation theatres
Plastic Surgery	241	December 2012	Less number of operation theatres/ beds/ infrastructure and non-creation of Burn unit on modern lines
Urology	30	April 2012	Reasons not furnished
Surgical Gastroenterology	20	May 2012	Less number of operation theatres

From the above position it would be revealed that the number of patients awaiting surgeries ranged between 20 and 241 and they had to wait for the period ranging from one month to 12 months. After this was pointed out in audit, the Director stated (August 2012) that a meeting was convened with all the Heads of Departments (HODs) of surgeries and allied specialties wherein it was decided to explore possibility of starting double shift in operation theatres to reduce the waiting time of surgeries. A committee had also been constituted (April 2012) in this regard. Further progress in the matter was awaited (August 2012).

The Chairman, Governing Body had also suggested (May 2011) to perform operations in double shifts but no action had been taken thereon (August 2012). The HOD, Paediatric Surgery had attributed (January 2012) reasons for pending surgeries to lack of infrastructure facilities and medical equipment for which the demand had persistently been made during the period 2007-12. The Director stated (November

2012) that the number of operation theatres had remained stagnant since establishment of the Institute and action had been initiated to increase their number to reduce waiting time. These sequences of facts showed inefficient response of the Institute authorities towards the patient care.

2.1.10.3 Diagnostic and investigation tests

The diagnostic tests, scans and investigation of the patients are vital to help making diagnosis as accurate as possible. The delay in these tests and investigation could adversely impact the patient care and aggravate illness of the patient. Audit noticed that there was huge backlog of patients who had been prescribed with various radiological, craniological tests and investigations etc. as of June/ August 2012 which is indicated in **Table 2.1.8** below:

Table-2.1.8

Particulars of diagnostic test/investigation	Number of patients awaiting diagnostic test/investigation	Date by which backlog was likely to be cleared	Backlog days
IVP Investigation	85	20.06.2012	14
Digital X-Ray Investigation	400	22.06.2012	16
USG Investigation	700	16.06.2012	10
C.T.Scan	247	12.03.2013	27
MRI	172	26.11.2013	524
Bone scan	404	31.12.2012	142
Renal scan	352	11.09.2012	31
Low Dose (13)	80	03.10.2012	52
Thyroid Scan	72	27.09.2012	48
MIBI Scan	32	03.10.2012	52
Neonate Renal Scan	32	18.09.2012	37
Thyroid Uptake/ PD Test	48	05.09.2012	24
HIDA/ Liver Scan	48	27.09.2012	29
DMSA Scan	12	11.09.2012	31
Parathyroid	16	03.10.2012	52
High Dose	32	09.10.2012	58

The patients had to wait for a period ranging between 10 and 524 days to get their turn for various diagnostic tests/ investigations. The HOD, Nuclear Medicine attributed (August 2012) delay in diagnostic tests to shortage of Gamma Camera used for bone and renal scan, thyroid test, liver scan etc. The reasons for delay in investigation/ diagnostic tests were not furnished by the HODs of other medical departments. The Director of the Institute stated (December 2012) that the investigations conducted in the Department of Nuclear Medicine had some waiting time due to availability of only one single headed Gamma Camera and that procurement of double headed Gamma Camera had been approved. The Director further stated that the instructions had been issued for reducing waiting time to one week in respect of cancer patients for Bone Scan.

2.1.10.4 Statistics on death of hospitalized patients

The position of admission of patients and deaths occurred in 22 departments in the hospital of the Institute during January 2007 to May 2012 is indicated in **Table 2.1.9** below:

Table-2.1.9

Year	No. of patients admitted	No. of deaths occurred	Institutional deaths[7]
2007	41,708	2,190	1,309
2008	45,848	2,357	1,317
2009	52,377	2,624	1,448
2010	51,538	2,681	1,482
2011 (upto May 2012)	66,522	3,008	2,319
Total	**2,57,993**	**12,860**	**7,875**

The above table shows an aggregate number of deaths being five *per cent* of total admissions with the Institutional deaths (occurring 48 hours after admission) being three *per cent* of total admissions. On an average seven deaths (including four institutional deaths) had occurred on daily basis in the Institute during the period 2007-12. Maximum number of deaths occurred in Neurosurgery (2546) followed by Neurology Department (2303) out of total deaths (12860). The death rate in Neonatology (children ward) was four *per cent* of the total deaths. The records relating to Mortality Committee meetings held in this regard were not made available and the reasons for the deaths as such could not be ascertained in Audit. In respect of deaths of hospitalized patients, the Director during exit conference stated (November 2012) that maximum effort was made to minimize hospital deaths. However, as a tertiary care institution, the Institute received many patients with advanced stage of complications and even with best efforts, small percentage of deaths was unfortunately unavoidable. Although no consolation by itself, the Director compared the mortality rate in SKIMS with Post Graduate Institute (PGI) Chandigarh (Gross death rate at PGI Chandigarh is 7.3 *per cent* compared to SKIMS) and stated that mortality was slightly higher than All India Institute of Medical Sciences (AIIMS) (net death rate of AIIMS three *per cent* compared to SKIMS).

2.1.10.5 Non-establishment of Trauma Centres

The Emergency Medicine Department of the Institute had not been fully equipped to deal with cases of road traffic accidents having multiple organ injuries including orthopaedic injuries and such patients were shifted to Bone and Joint Hospital, Srinagar. The proposal for creation of Trauma Centres at the Institute and SKIMS Medical College, Bemina approved (July 2011) by the Governing Body was sent (September 2011) to the State Government for taking up the matter with the Ministry of Health and Family Welfare, Government of India for assistance. Further progress in the matter was awaited (August 2012). The Director of the Institute stated (December 2012) that the SKIMS was armed with all the specialties necessary for managing all trauma patients and that no full fledged dedicated building was available within the Institute as was available at AIIMS or PGI Chandigarh.

2.1.10.6 Ambulance services

The availability of adequate ambulance services and emergency medical technicians, for salvaging the patients during medical emergencies is very essential for patient care. The timely availability of ambulance with adequate basic facilities is very vital in case of critical patients. The Institute had a fleet of 18 ambulances (March 2012) which were not equipped with the essential medical equipment viz. oxygen cylinders, suction pumps, blood pressure instruments, stethoscope, first aid bags for providing

[7] Death occurred after 48 hours of admission of patient in the hospital

basic life support to the patients. The position of usage of the ambulances during the period 2008-09 to 2011-12 analyzed in audit is indicated in **Table 2.1.10** below:

Table-2.1.10

(Distance in Km)

Year	No of ambulances used	Details of usage of ambulances			Total usage
		For shifting of patients/dead bodies	Used by doctors for emergencies	Used by doctors and others for miscellaneous purposes (percentage)	
2008-09	8	70,569	74,882	95,602 (40)	2,41,053
2009-10	11	1,16,421	79,648	1,61,079 (45)	3,57,148
2010-11 and 2011-12	14	3,11,181	2,06,441	4,63,926 (47)	9,81,548
		4,98,171	**3,60,971**	**7,20,607**	**15,79,749**

The usage of ambulances by the doctors and others for miscellaneous and other purposes in terms of distance covered ranged between 40 and 47 *per cent* during the period 2008-09 to 2011-12 indicating that the Institute had not been using the ambulance facilities fully for the patients. The Director of the Institute stated (December 2012) that strikes were frequent occurrences in Kashmir and the problem was quite significant in the years 2008 to 2010. During this period, the Institute authorities ferried their staff through these ambulances. The reply should be viewed in light of the fact that even during the year 2011-12, the usage of ambulances of the Institute for other purposes was 47 *per cent*.

2.1.11 Medical education and clinical research

The Institute is entrusted with the mandate for conducting research in various branches of science of modern medicine, to hold examination and grant degrees for various graduate, post-graduate and post-doctoral courses besides diploma, post nursing programmes and other technical courses.

2.1.11.1 Performance of medical courses

The position of intake capacity of students and those actually admitted in various medical courses in the Institute during the period 2007-12 is indicated in **Table 2.1.11** below:

Table-2.1.11

Year	MD/MS		Post Doctoral		BSc Technology		BSc Nursing (Basic)		BSc Nursing (Post Basic)	
	Intake capacity	Students admitted	Intake capacity	Students admitted	Intake capacity	Students admitted	Intake capacity	Students admitted	Intake capacity	Students admitted
2007	70	61	35	19	12	08	25	25	12	10
2008	70	63	37	17	12	11	25	25	12	04
2009	70	66	36	21	12	09	25	24	12	zero
2010	70	70	45	30	12	12	25	24	30	01
2011	70	69	49	22	12	12	50	36	30	zero

The intake capacity in different medical courses was not utilised in full and most of the seats remained vacant. The position of admission of students in BSc Nursing (Post Basic) was very poor and ranged between zero and 83 *per cent* during the academic years 2007 to 2011. The consultant (Academic) stated (August 2012) that the seats became vacant due to the fact that the students gave preference to more lucrative

courses in their application forms. The reply indicates the need of better coordination between SKIMS and BOPEE[8] to ensure full capacity utilisation of all available seats from the remaining eligible applicants/ students by operating appropriate waiting lists. When the matter was reported to the Government/ Institute in October 2012, the Director of the Institute stated (December 2012) that the administration had realized this issue in the year 2012 and accordingly the Governing Body and Standing Finance Committee approved that the SKIMS would conduct entrance examination on its own so that only those candidates would opt for the course who were genuinely desirous to do the course.

The School of Nursing affiliated to Punjab Nurses Registration Council was upgraded to College of Nursing in March 2005. The College was running courses in BSc Nursing (Basic), BSc Nursing (Post Basic). Although starting of MSc Nursing course had been approved by the Governing Body in 2008, the course was started only in the year 2012 with 23 students. The Director of the Institute stated (December 2012) that M.Sc Nursing Course approved in 2008 could not be started due to lack of infrastructure as after the construction of Nursing College, the Nursing Council of India granted approval for M.Sc Nursing in July 2011.

Audit further noticed that out of 2,685 students admitted in the Institute during the period from 1982-2012 for undertaking various medical courses, 115 students were dropouts. The reasons for dropouts were attributed (August 2012) to upgradation of students to other courses by the BOPEE and to non-payment of salary/ stipend to in-service candidates who were not eligible for remuneration during the period of their studies in accordance with civil services rules. The Director of the Institute during exit conference stated (November 2012) that maximum efforts were being made to utilize the intake capacity for various courses and the M.Sc Nursing course approved by the Governing Body in the year 2008 could not be introduced upto the year 2012 due to deficient infrastructure/ manpower in the Institute.

2.1.11.2 Medical research activities

The Institute was conceived as a Centre of Excellence in the area of medical education while serving as a hospital for specialised medical services. Audit observed that no roadmap to achieve excellence in medical research had been prepared by the Institute and that no agenda in this regard was presented in any of the Governing Body meetings for attaining this vital objective of the Institute. The research activity had been restricted just to payment of monthly clinical research allowance of ₹ 2,500 to the faculty members (without verifying the eligibility conditions for the allowance) and meager allocation of research grant. The Institute had not laid emphasis on medical research, as against the total budget allotment of ₹ 813.31 crore during the years 2007-08 to 2011-12, an amount of ₹ 0.39 crore (0.04 *per cent*) only had been allocated for medical research under research grant. Out of this allotment, ₹ 0.31 crore had been advanced to 80 faculty members out of 181 faculty members for undertaking research activities during the period 2007-12. Audit scrutiny of records showed that 74 faculty members had not submitted adjustment accounts of these advances. The review for ascertaining progress of research projects had not been conducted by the Director and Dean (Academics) of the Institute during the years 2007-08 to 2011-12 and the results of the research activities carried out, if any, by the faculty members were not intimated to audit. The Director stated (December 2012) that the policy

[8] Board of Professional Entrance Examination

guidelines enabling the Principal investigator to procure equipment, kits and reagents for research projects had been approved (January 2012) and by virtue of this new policy it would be easy for scientists to utilize the funds. Audit further noticed that a double storey animal house building costing ₹ 8.99 crore constructed for research purposes continued to remain under the occupation of security forces since May 1998. The Sr. Administrative Officer (Policy) of the Institute stated (May 2012) that the matter in this regard had been taken up with the concerned authorities. The Director of the Institute stated (December 2012) that instructions had been issued by the Chairman, Governing Body of the Institute to the Home Department for vacation of the building.

The Indian Council of Medical Research, Department of Biotechnology, Department of Science and Technology etc. have been providing grants for conducting research in different areas under extra mural funding programme. At the end of March 2012, an amount of ₹ 76.84 lakh was unspent balance out of ₹ 1.64 crore provided during 2008-12 which includes an opening balance of ₹ 70.24 lakh of such grant lying with the Institute. The Institute did not have a system of watching the recovery of institutional overheads from various funding agencies for use of Institute's manpower and other resources for sponsored research. The information relating to completion of research projects, submission of final reports and number of research findings got patented/ commercialized was not furnished to audit. Further, no periodic review of the research projects regarding progress made, expenditure incurred, time spent and likely time and expenditure required to achieve the desired results was conducted by the Director and Dean. Thus, the objective to make the Institute a Centre of Excellence could not be achieved. The Director of the Institute agreed (November 2012) that meager allotment was made for medical research and that sufficient allotment of funds for carrying out research could not be obtained despite pleading the case with the Government. The Director further stated (December 2012) that for monitoring of the research projects, the Department of Clinical Research had been created from this year by the Institute.

The Institute was recognized as Regional Cancer Centre (RCC) by the Ministry of Health and Family Welfare (GOI) in November 2005. For this purpose grant-in-aid of ₹ 6.13 crore was released in December 2005 (₹ 4.99 crore) and April 2007 (₹ 1.14 crore) to the Institute. The Centre had not been established (November 2012).

2.1.12 Defective procurement system

The medical equipment is of paramount importance in carrying out diagnosis and treatment of patients in a hospital. Non-availability of medical equipment can result in denial of timely treatment to patients and at times prove fatal. The Governing Body noticed (May 2009) deficiency in procurement process of medical equipment and decided to engage a reputed consultant for suggesting measures for its improvement. No steps were, however, taken in this regard.

Audit scrutiny of records revealed that despite availability of funds there was abnormal delay in invitation of tenders and placing of supply orders for purchase of medical equipment. Due to delay in the process of procurement of medical equipment, most of the funds allotted for the purpose had been kept in the civil deposit head at the close of each financial year during 2007-12 as indicated in **Table 2.1.12** below:

Table-2.1.12

(₹ in crore)

Year	Total Expenditure booked on medical equipment	Amount kept in Civil Deposit head (Percentage)
2007-08	4.81	3.46 (72)
2008-09	14.91	12.50 (84)
2009-10	18.34	14.42 (79)
2010-11	17.20	10.27 (60)
2011-12	12.53	0.73 (06)
Total	**67.79**	**41.38 (61)**

The funds ranging between six and 84 *per cent* of the total expenditure booked for machinery and equipment during the years from 2007-08 to 2011-12 were kept in Civil Deposit head of account. The Material Management Officer stated (July 2012) that the delay was caused due to lengthy procurement process.

For import of medical equipment, an advance drawal of ₹ 5.83 crore was made and the letters of credit were opened with the Jammu and Kashmir Bank Limited, after placement of supply orders with the four firms as indicated in **Table 2.1.13** below:

Table-2.1.13

Sl. No.	Name of medical equipment	Name of the supplier firm	Cost of the equipment (₹ in crore)	Month of placement of supply order	Month of opening of LOC with Bank
1.	Cobalt-60 Teletherapy	M/s Panacea Medical Technologies Bangalore	2.09	March 2010	April 2010
2.	40-Channel Digital Video EEG System	M/s Viasys Neurocare USA	0.19	November 2010	May 2011
3.	Somatom Emotion 16-Slice CT Scan	M/s Siemens A.G Health care Germany	2.12	March 2010	May 2011
4.	Branchy Therapy Unit	M/s Varian Medical System Switzerland	1.43	March 2010	April 2010
	Total		**5.83**		

The letters of credit were opened after one month to 14 months of the placement of supply orders. The amendments in the letters of credit sought by the supplier firms were not settled by the Institute, as a result the equipment were not supplied and the funds to the tune of ₹ 5.83 crore continued to remain blocked for the period ranging between 10 months and two years besides, affecting the patient care in the hospital of the Institute. The Material Management Officer stated (July 2012) that amendments of the letters of credit had been settled and equipment would be received soon. The Director of the Institute stated (December 2012) that out of four equipment, two equipment (40 Channel Digital Video EEG System and Cobalt 60 teletherapy) had been installed (May 2012 and December 2012) whereas 16 slice C.T. Scan could not be installed due to non-finalisation of the agreement with the firm and non-availability of bunker. As regards the equipment branchy therapy unit, the Director stated that the problem in agreement had been finalized and equipment would be installed.

Audit further noticed that ₹ 23.38 crore were advanced during the period from August 2007 to December 2011 for opening letters of credit with Jammu and Kashmir Bank Limited for import of 65 medical equipment. The Institute had neither reconciled the figures with the bank nor obtained the details of adjustment of these advances. As a result, amount paid to the supplier firms and the unspent balances lying in the bank

out of these advances could not be ascertained. The Material Management Officer stated (July 2012) that the matter would be taken up with the Bank authorities. The Director agreed (November 2012) that there was lengthy procurement system in the Institute which ultimately delayed the procurement of medical equipment.

2.1.12.1 Non-procurement/ installation of medical equipment

To overcome difficulties faced by the Department of Radiation Oncology due to lack of proper and sophisticated medical equipment for treatment of patients suffering from various malignant diseases, the Head of the Department proposed (April 2008) procurement of Linear Accelerator which was approved (October 2008) by the Governing Body of the Institute. For this purpose, ₹ 10 crore was released (November 2008) by the State Planning and Development Department and the global tenders were invited (January 2009) by the Sr. Material Management Officer (Imports) in response to which two firms[9] quoted rates of ₹ 6.18 crore and ₹ 9.89 crore respectively. Due to inadequate response to the tender and infirmities in the techno-financial bids submitted by the firms, fresh tenders were invited (March 2010) for purchase of the equipment. The three firms including previous two firms quoted rates for supply of the equipment. However, the firm which had previously quoted lowest rate for the equipment was not selected on technical grounds. The order for supply of equipment was placed (March 2012) with the firm which had quoted lower rate of ₹ 12.32 crore. The letter of credit for procurement of the equipment could not be opened (June 2012) as balance of ₹ 11.07 crore only was available under Deposit head of the Institute. The matter regarding requirement of additional amount of ₹ 1.25 crore for procurement of the equipment had been taken up with the Government and further progress in the matter was awaited (August 2012). Thus, delay in finalisation of procurement process had caused extra burden on the State exchequer due to increase in cost of equipment and consequent denial of intended benefits to the patients. After this being pointed out in audit, the Material Management Officer stated (August 2012) that fresh tenders were invited due to inadequate response to tenders and infirmities in techno-financial bids of the firms. The Director of the Institute stated (December 2012) that due to inadequate response and technical reasons the tenders could not be finalized despite engagement of two eminent experts and as a result the equipment could not be procured. The reply should be viewed in light of the fact that even after invitation of fresh tenders in March 2010 the receipt of equipment by the Institute was nowhere in sight (September 2012). The Head of Department, Radiation Oncology had expressed that due to shortage of the equipment the patients had to wait for two to three weeks to receive the treatment.

The order for import, supply, installation, testing and commissioning of C-Arm system[10] for Radio Diagnosis and Gastroenterology Departments was placed (February 2011) by the Chief of Material Management of the Institute with an Italy based firm at a cost of ₹ 1.12 crore. The equipment received (October 2011) at a cost of ₹ 1.53 crore in the stores of the Institute were found wet/ water stained during its inspection by the engineer of the firm in November 2011. Further, the image intensifier and mono block parts of the equipment were found totally damaged and due to these reasons the engineer of the firm refused to install the equipment. The Material Management Officer (Imports) requested (November 2011) the firm to replace the equipment with new ones. However, no further progress for replacement

[9] M/s Siemens Limited and M/s Varian Medical System

[10] Image intensifier Mobile C-Arm with rotating anode Microfocus X-Ray tube Model TCA-6R

and installation of the equipment was made resulting in unfruitful expenditure of ₹ 1.53 crore and denial of intended medical facilities to the patients. After this was pointed out by Audit, the equipment were shifted (April 2012) to the concerned departments of the Institute for installation purpose. However, the HOD Radio Diagnosis stated (August 2012) that the equipment was pending installation as the patient table and the pressure injector had not been received. The HOD, Gastroenterology informed (August 2012) that the resolution of equipment was not up to the mark and had become completely non-functional.

2.1.12.2 Purchase of drugs

The requirement of drugs are assessed annually on the basis of the requisitions of various medical departments. The quantities of different kinds of medicines to be procured are determined after taking into account the available balance of unconsumed drugs in central stores of the Institute. A health care system can ill-afford to purchase drugs mentioned under different proprietary brands at widely varying prices. A limited list of essential drugs also referred to as drug formulary defines which drugs will be regularly purchased. At the core of the concept is the objective that procurement should be limited to drugs that are economically priced but safe and effective.

It was noted that a formal system of pre and post-qualification of prospective suppliers to ensure procurement from suppliers of quality products was not in place.

The SKIMS Purchase Committee in its meeting held on 16th July 2007 had desired that instead of open tender system for drugs, the Institute should come up with a proposal for purchase on the pattern of AIIMS, Delhi. The Finance Department conveyed (February 2008) approval of the Chairman Governing Body to the proposal. There was delay in implementing the new purchase policy and the earlier contract was extended upto December 2008. Under the new system, the manufacturing companies were to be short listed in consultation with Heads of Departments and rates invited from them for a two year rate contract effective from February 2009, later extended upto March 2012. The rates achieved under the new purchase policy were generally lower both in respect of Sale Counter Drugs and Hospital drugs. However, the purchase of 29 drugs for Sale Counter Drugs from April 2008 to December 2008 on old rate contract resulted in excess expenditure of ₹ 10.91 lakh.

The pharmaceutical procurement procedure should normally include, wherever practicable, identification of generic over proprietary drugs. The Government of India in association with the Central Pharma Public Sector Undertakings has launched a campaign for opening *Jan Aushadhi* stores where unbranded quality generic medicines would be sold at lower prices, though equivalent in potency to branded expensive drugs. Thus, with the same cost, ten times more persons could be treated with same efficacy and cure. No effort was, however, made to open *Jan Aushadhi* sale outlet in the Institute or procure generic medicines under the programme. The Director of the Institute stated (December 2012) that the Institute has its own Drug Sales Counter which sells medicines at cheaper and economical rates and that the opening of *Jan Aushadhi* outlet in SKIMS was subject to authorization of the Governing Body.

The system of drawing of samples of drugs for testing to ensure procurement of quality medicines and drugs is not in vogue in the Institute. For exercising quality control, both the options of having an in-house quality control set up and buying from

reputed sources at higher prices entail costs. A cost benefit analysis is needed to arrive at a proper balance. It was noticed that the Drug Quality Control Laboratory established in Drug and Pharmacy Department of the Institute had ceased to function since November 2003. The Institute proposed establishment of Advanced Quality Assurance Laboratory for drug pharmacy at a cost of ₹ two crore against which ₹ one crore was released during 2009-10 and ₹ 40 lakh during 2010-11. No work was, however, done on the project and instead money was lying unspent in a Civil Deposit account. The physical verification of drugs and surgical instruments in the Institute had not been conducted since June 2008. This in turn may directly affect the quality and efficiency of drugs in the Institute.

2.1.13 Improper planning in infrastructure development

To overcome patient load and shortage of space, it was incumbent to augment the existing facilities of the Institute. On the basis of projections made in the 11th Five Year Plan period (2007-12), the Institute proposed to execute and complete the ongoing 10 major civil works for providing better facilities at the Institute and in SKIMS Medical College, Bemina, Srinagar. Test-check of records revealed that one work viz. married doctors quarters out of four works[11] taken up for execution during the year 2006-07 had been completed at a cost of ₹ 5.20 crore during the year 2011-12 after a delay of about three years. The remaining three works taken up for execution during the years 2001-02 to 2008-09 at an estimated cost of ₹ 28.70 crore and targeted to be completed during 2002-03 to 2010-11 had not been completed despite incurring an expenditure of ₹ 15.90 crore up to March 2012. The urgency of the requirement of the quarters could be gauged from the fact that the married doctors quarters had been instantly occupied on their completion. It is pertinent to note in this context that house rent allowance to the extent of ₹ 1.43 crore was paid by the Institute during the period of delay.

The delay in execution of works was attributed (July 2012) by the Executive Engineer (Civil) to delays in processing cases, issuance of allotment orders by the Chief Hospital Engineer and execution of works by the contractors. The reply is not convincing as the executing agencies failed to complete the works despite availability of funds. The Director of the Institute stated (December 2012) that the infrastructural development programmes had been taken up on a war footing but due to procedural delays these works got prolonged.

2.1.13.1 Non-execution of schemes

Seven schemes which were not approved under the 11th Five Year Plan period were taken up for execution during the year 2009-10 on the basis of requisitions made by various HODs of the Institute to be completed within two years. The intended benefits of these schemes and the expenditure shown incurred against each scheme is indicated in **Table 2.1.14** below:

[11] Construction of 100 bedded Maternity Hospital, Married Doctors quarters, Married Nurses quarters and Nurses college

Table-2.1.14

(₹ in crore)

Sl. No.	Name of the Scheme	Intended benefit of the Scheme	Expenditure booked
1.	Security Surveillance and Advanced IT	Monitoring the pilferages of items like drugs, machinery/equipment and movement of the people	1.00
2.	Modular Emergency Operation Theater	Replacement of obsolete and worn out equipment of operation theatre	2.50
3.	Plasma Sterilizer (Auto clave)	Preventing infection in the hospital by sterilization of instruments	1.00
4.	Modernization and up-gradation of mortuary	Installation of modern standard molecular mortuary chambers for preservation/better management of dead bodies and postmortem	0.25
5.	Upgradation/improvement/ replacement of various hospital items	Replacement of various worn out hospital items essential for quality care of patients	1.96
6.	Radio frequency identification for library	Installment of RFIED based management system for enhancing maximum utility	0.40
7.	Establishment of quality control Laboratory	Quality control of drugs for detection of sub-standard and spurious drugs	1.40
	Total		**8.51**

An amount of ₹ 8.51 crore released for these schemes were withdrawn from the treasury during 2009-10 and 2010-11 and credited to the Civil Deposit head of account. Test-check of records showed that the Detailed Project Reports (DPRs) for these schemes were not formulated and no execution of works and procurement of equipment had been made by the Institute under these schemes (September 2012) and as a result ₹ 8.51 crore continued to remain locked up in the Deposit head depriving the patients of the intended benefits of these schemes.

2.1.13.2 Execution of works without technical sanction

Rule 9.3 of the Jammu and Kashmir Financial code stipulates that no work should be commenced unless administrative approval and technical sanction of the competent authority is accorded. Audit noticed that ten civil works had been taken up for execution during 2007-08 to 2011-12 without accord of technical sanction. The Executive Engineer (Civil) informed that these schemes could not be technically sanctioned as the powers were not vested with the Chief Hospital Engineer. The reply is not convincing in view of the fact that the contract committee in its meeting (February 2010) had directed that the cases should be referred to the concerned territorial Chief Engineer for accord of Technical Sanction.

2.1.13.3 Advanced centre for human genetics

To check susceptible risks of carrying genetically inherited diseases due to consanguinity, the Government in the Science and Technology Department, approved (November 2006) up-gradation of Human Genetics Research cum Counseling Centre in the Institute at a cost of ₹ 5.28 crore for completion in three years. The project included provision for construction of building (₹ 2.18 crore), machinery and equipment (₹ 2.28 crore) and allied components (₹ 82 lakh). The administrative approval for construction of a double storeyed building was accorded (December 2006) by the State Planning and Development Department at a cost of ₹ 2.50 crore. The construction of the building though envisaged to be completed in one year was allotted in parts to three different contractors between November 2006 and January

2009. The work on construction of the building was taken up in February 2007 and expenditure of ₹ 2.09 crore was incurred on part construction of the building. An amount of ₹ 1.01 crore was kept in Civil Deposit head and the balance ₹ 2.18 crore, out of the released amount of ₹ 5.28 crore got lapsed (March 2009). Thereafter it was decided to raise the building upto third storey. The project was, however, not completed within the targeted time of three years by November 2009. The Governing Body of the Institute decided (May 2009) to adopt the centre renamed as 'Advanced Centre for Human Genetics' and to complete the balance works of the building under State Plan funds. The construction of the building had not been completed though an expenditure of ₹ 5.28 crore[12] had been incurred on it (August 2012). Further, equipment and furniture valuing ₹ 1.97 crore[13] procured for the centre between February 2009 to December 2011 by the Institute was not installed and was lying idle. Thus, improper planning in execution resulted in non-establishment of 'Advance Centre for Human Genetics' and unfruitful investment of ₹ 7.25 crore besides non-achievement of intended benefits of the project. After this was pointed out by Audit, the Coordinator for the Project stated (July 2012) that he was not in a position to comment on utilisation of funds/ building as the project was monitored by ex-Head of the Department. The Director of the Institute stated (December 2012) that the Advanced Centre for Human Genetics had been completed in all respects except some minor works in mechanical side and that the most of the equipment for the project had been procured.

2.1.13.4 Non-establishment of local area networking system

The Project 'Computerization and campus wide local area networking' (LAN) approved (December 2004) at a cost of ₹ 1.75 crore was completed at an expenditure of ₹ 4.87 crore in May 2010 after the cost of project was revised to ₹ 4.62 crore. The Project among other things was intended to streamline the functioning, better work output, easy administrative monitoring, better patient care and accountability, analysis of research data etc. of the Institute by way of providing equipment/ material for cabling internet facilities, installation of 466 computers, software etc. Audit noticed that against the requirement of 466 computer systems for the project, only 368 computers were purchased between December 2006 and March 2012 out of which only 198 computers were installed and the remaining 170 computers were lying idle since October 2011 in the central stores of the Institute. Audit also noticed that ₹ 0.37 crore had been diverted towards the expenditure on items like procurement of cartridges, stationery and repairs/ renovation of residential quarters which was outside the purview of the project. Thus due to improper planning, in execution of the project envisaged objectives of the project could not be achieved. The Executive Engineer (IT) stated (June 2012) that poor implementation of the scheme was due to resistance shown by the user departments. The reply is not convincing as no such matter was brought to the notice of Governing Body. The Director of the Institute stated (December 2012) that computers planned for different sections were based on requirement at various locations and that 170 computers were issued to various offices after proper scrutiny.

[12] Includes State Plan funds of ₹ 3.19 crore

[13] Include expenditure of ₹ 1.50 crore from State Plan funds

2.1.13.5 Inadequate fire safety measures

Scrutiny of records revealed that no fire safety measures existed in the Institute. For ensuring fire safety, the Institute had an automatic Fire Alarm System consisting of 45 Zone Alarm panels which had gone obsolete. However, no steps had been taken either to repair or get it replaced with the latest technology to safeguard the lives of patients and staff. The Security Officer of the Institute stated (February 2012) that steps were being taken to replace the system with latest technology. The Director of the Institute stated (December 2012) that a meeting in this regard was held with the Fire Services Department.

2.1.14 Inadequate Manpower Management

The efficiency of medical care depends upon availability of adequate quality medical and paramedical personnel and other support staff. Audit noticed that the cadre strength of various departments and services in the Institute was revised in May 1998. However, there was no staff statistics and records maintained to indicate the criteria adopted for assessing staff requirement of the Institute. As a result, the benchmark used to determine the staff requirement could not be ascertained by Audit. The Sr. Administrative Officer (Policy) stated (August 2012) that the creation of staff had been made on the basis of recommendations of the concerned Heads of the Departments of the Institute depending upon increase in the work load etc.

2.1.14.1 Medical and para medical staff

The position of sanctioned and effective strength of medical/ paramedical, nursing and administrative staff in the Institute and SKIMS Medical College as of March 2012 is indicated in **Table 2.1.15** below:

Table-2.1.15

Staff Strength	Institute		SKIMS Medical College	
	Medical/paramedical and nursing staff	Administrative staff	Medical/paramedical and nursing staff	Administrative staff
Sanctioned	2251	2075	629	387
Effective	1540	1374	394	179
Vacant posts (percentage)	711 (32)	701 (34)	235(37)	208 (54)

The vacancy of medical/ para-medical/ nursing and administrative staff was 32 *per cent* and 34 *per cent* in the Institute and 37 *per cent* and 54 *per cent* in SKIMS Medical College, respectively as of March 2012. No staff was posted for the Critical Care Department of the Institute having bed strength of 12, which was raised to 60 in January 2012 due to increased incidents of critical care patients. As a result, this Department remained non-functional (August 2012). Also, 15 posts of technical staff sanctioned for the Burn Unit and Burn Ward of the Plastic Surgery Department in March 2008 had not been filled up (August 2012) indicating inadequate manpower for the Burn Unit. The effective strength of medical/ paramedical/ nursing staff and administrative staff in the Institute was in the ratio of 53:47. The Governing Body realized (October 2011) that the staff structure in the Institute was lopsided and there was dearth of staff in areas of nursing and technical professionals whereas there was excess staff in areas of supportive services. The Governing Body further felt that need based reorganization of all cadres in the Institute could be achieved in a scientific manner after taking into consideration bed strength of the hospital, volume of OPD and IPD activities on campus and type of research conducted by various departments during the last three decades. The Governing Body accordingly decided to create a

Human Resource Development Cell by hiring an agency for the purpose. However, no agency had been hired by the Institute (August 2012). The Director (SKIMS) during exit conference agreed (November 2012) that there was excess administrative/ supporting staff in comparison to medical/ para-medical staff in the Institute.

It is thus seen that the sanctioned strength of the Institute has been incrementally augmented from time to time without any holistic norm-based appraisal and no comparative study has been carried out to benchmark the manpower requirements in various categories, except the norms referred to in Paragraph 2.1.14.2 below for nursing staff. Hence, it is difficult to appreciate the shortages depicted in the above table in proper perspective.

2.1.14.2 Inadequate nursing staff

According to the prescribed norms of Indian Nursing Council, 723 staff nurses and 75 nursing supervisors were required in the hospital on the basis of strength of ICU high dependency and general beds. However, the actual strength of staff nurses and nursing supervisors was 385 and 45, respectively as of March 2012 revealing shortage of 338 staff nurses (47 *per cent*) and 30 nursing supervisors (40 *per cent*). The shortage of nurses affected the patient care and also created extra burden on existing staff. After this was pointed out by Audit, the Administrative Officer (Hospital Administration) stated (July 2012) that 197 posts of staff nurses had been advertised and selection was under process.

2.1.14.3 Academic staff

The Institute having the status of deemed University, imparts education and training in various disciplines of medicine. SKIMS Medical College, Bemina was recognized by the Medical Council of India for 50 admissions to MBBS course annually. The up-gradation of SKIMS Medical College, OPD and IPD as per norms and guidelines prescribed by the Medical Council of India was approved in May 2009 by the Governing Body of the Institute. However, the requisite infrastructure to comply with MCI norms was to be fully created. The position of sanctioned and effective strength of faculty in the Institute and Medical college as of March 2012 is indicated in **Table 2.1.16** below:

Table-2.1.16

Category	Sanctioned strength	Effective strength	Vacant posts (Percentage)
Institute	304	181	123 (40)
SKIMS Medical College	122	54	68 (56)

The shortage of faculty in the Institute and SKIMS Medical College was 40 and 56 *per cent* respectively. The Sr. Administrative Officer (Policy) stated (July 2012) that vacant posts could not be filled up due to non-availability of eligible and experienced candidates despite advertisement for these posts. Audit further noticed that the posts of Registrar-cum-Controller of Examination, Deputy Registrar Academics, Deputy Controller of Examination and Assistant Controller of Examinations in the Academics Department had not been filled up since their retirement between October 2002 and September 2011 and these posts were being managed by contractual consultant and two administrative officers. The Director of the Institute stated that the posts could not be filled up due to non-possessing of the requisite service by the feeder cadre of the Department and that the personnel of requisite experience could not be obtained on deputation basis from the University despite efforts in this behalf.

2.1.14.4 Irregularities in establishment matters

According to Jammu and Kashmir Civil Services Rules (CSR), a Government servant promoted to higher post in officiating capacity is entitled to charge allowance till regularisation of his promotion. Audit observed that pay of 118 employees promoted to higher posts in officiating capacity during the period from January 1992 to March 2012 was fixed straight away in the promoted posts from the dates of their officiating promotion under Article 77 (b) of J&K CSR without the approval of regularisation of their promotion. This resulted in payment of excess pay and allowances of ₹ 10.83 lakh noticed in six test-checked cases alone in the matter. After this was pointed out by Audit, the Accounts Officer stated (July 2012) that recovery would be effected from the salaries of the concerned employees.

Rule 67 (1) of the Jammu and Kashmir Civil Services (Leave) Rules, 1979 provide that study leave shall be granted to a Government servant as leave without allowance. Test-check of records (April 2012) revealed that study leave was sanctioned in favour of 14 staff members, for acquiring higher studies between November 2005 and May 2010 and allowances of ₹ 26.47 lakh had been paid irregularly to these employees during the period of study leave in violation of these rules. After this was pointed out in audit, it was stated (July 2012) that recovery would be affected from the salaries of the concerned employees.

During the period April 2007 to March 2012, the Institute had irregularly booked an amount of ₹ 1.60 crore to head of account 'salaries' meant for regular employees for payment on outsourcing of sanitation work. This misrepresented the expenditure on salary of regular employees.

In one case, the Selection Committee were misinformed about the performance appraisal reports and approval for promotion of senior staff member was secured on the basis of misreported performance as 'excellent' whereas the actual recorded performance was merely 'satisfactory'. The importance of providing truthful inputs to the high level committees whose members are not expected to have the benefit of independent examination of material placed before them for securing their approvals on various matters can hardly be over emphasized.

2.1.15 Management of sanitation in the premises

The sanitation of various areas of the Institute was opened (January 2001) for privatisation to the extent of the budget for vacant posts of sanitary attendants in the Housing and Sanitation Department of the Institute. The sanitation of the remaining areas of the Institute was to be carried out by the available sanitation staff of the Institute. However, 14 sanitary attendants, out of the available staff, were attached with different departments of the Institute between April 2006 to November 2008 due to which the sanitation work suffered in the Institute. The Officer in-charge Sanitation stated (August 2012) that after deployment of these 14 sanitary attendants, to other wings, the strength of work force got depleted thereby forcing the Institute to outsource sanitation work of additional areas of the Institute to private contractors. This led to extra expenditure on account of sanitation through private contractors.

2.1.16 Non-disposal of unserviceable stock

The Institute had not conducted auction of condemned store/ stock items valuing ₹ 2.31 crore since 2004. After this was pointed out by Audit, a survey committee was constituted (July 2012) for ascertaining the position of unserviceable stock. The

Estates Officer, however, stated (July 2012) that the matter regarding convening meeting of condemnation committee for disposal of unserviceable stock had been taken up with the concerned authorities of the Institute. Further progress in the matter was awaited (December 2012).

For biomedical waste management, a proposal to install one incinerator with capacity of around 400 kgs/ hour was initiated in August 2009 which was not implemented (May 2012).

2.1.17 Outstanding library books

The books valued at ₹ three lakh were outstanding against the doctors, technologists and other staff including migrant employees who had left the Institute. No steps to recover the outstanding books or cost thereof had been taken by the Institute. The Chief Librarian of the Institute stated (March 2012) that the matter regarding recovery of the cost of the books was pending with the Joint Director (Administration) since April 2010. Further progress in the matter was awaited (December 2012).

2.1.18 Monitoring

The functioning of the Institute has not been subjected to any formal, structured review by any external or internal agency though Governing Body meetings do provide an opportunity for a general overview. Medical research is one of the primary objectives of the Institute but there is no documented vision, policy, agenda or action plan to guide the research activities in different fields. Effective monitoring of execution of all approved schemes, procurements of equipment, civil works and patient care profile is essential for mid-term correction and over all progress in the intended direction.

2.1.19 Internal Control mechanism

A proper internal control mechanism in an organisation is essential for smooth running of various activities and implementation of programmes undertaken by it. The existence or otherwise thereof adversely affects day to day activities of the organisation. Audit noticed certain inadequacies in internal controls of the Institute as brought out below:

- The Asset register of movable and immovable property to indicate the description of assets, cost and date of acquisition of asset had not been maintained as a result the position of assets available with the Institute could not be ascertained.
- The irregularities in personal claims mentioned above also indicate lack of adequate internal control.

2.1.20 Conclusion

The performance review of the Institute revealed the following financial and operational deficiencies:

Financial deficiencies: The financial management was deficient as cases of persistent under-utilization of allotted budget grants, irregular withdrawal of funds and their subsequent crediting to Civil Deposits, irregular utilization of sundry hospital receipts, etc. were noticed in audit.

Operational deficiencies: The number of patients attending OPD including super specialty centres has risen by 28 *per cent* from 2007-08 to 2011-12 and patients had to wait for surgeries, diagnostic and investigation for conducting these tests. The number

of patients awaiting surgeries in seven In-patient Department was in the range of 20 to 241. The Emergency Medicine Department had not been fully equipped to deal with cases of road traffic accidents. The shortage of Faculty, Medical, Paramedical and Administrative staff had not been reviewed in a formal structured manner and lopsided position of the staff though realized by the Governing Body had not been corrected. Audit noticed abnormal delays in the procurement of medical equipment which resulted in locking up of funds. The infrastructure development was not planned properly as the works targeted for completion by the year 2008 were incomplete. The roadmap for achieving excellence in medical research had not been prepared and advanced centre for human genetics and local area networking system had also not been established by the Institute due to improper planning.

2.1.21 Recommendations

The Government may consider to:

- ***Frame perspective/ long term plans and assess the infrastructure /manpower requirements based on approved norms, benchmarked with other medical institutions of comparable size and mandate.***
- ***Ensure proper utilization of funds and avoid persistent savings for efficient management of financial resources.***
- ***Streamline the system of procurement of equipment and medicines to cut down delays for better patient care.***

RURAL DEVELOPMENT DEPARTMENT

2.2 Mahatma Gandhi National Rural Employment Guarantee Scheme

National Rural Employment Guarantee Act (NREGA) was notified by the Government of India (GOI) in September 2005 with the objective of enhancing livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every rural household whose adult members volunteer to do unskilled manual labour. The Act was extended to the State of Jammu and Kashmir with effect from May 2007. The scheme was launched in the State in phases and gradually extended to all districts of the State from April 2008. A performance review of the scheme by Audit brought to fore several areas of concern such as unauthorized retention of funds, delayed release and diversion of funds, execution of unapproved works, abandonment of works, preparation of faulty estimates, delays in payment of wages to the workers, shortfall in engagement of staff and their inadequate training, inadequate inspection of works and social audit for proper monitoring of scope, extent and quality of works executed and retention of undisbursed balances in the State Employment Guarantee Fund. During the period the audit was conducted, there were no ongoing works that could be inspected by Audit teams. A limited beneficiary survey covering 793 beneficiaries was carried out. The Audit findings are based primarily on the examination of the records maintained in the offices of the Department.

Highlights

- **No Annual Report on the state of affairs of the scheme had been brought out and tabled in the State legislature as required under programme guidelines.**

  (Paragraph: 2.2.6.1)

- **State Employment Guarantee Fund, though established, has not been operated as intended and as on March 2012, there was undisbursed balance of ₹ 15.81 crore in the Fund, mainly representing arrears of undisbursed difference in wages.**

  (Paragraph: 2.2.6.2)

- **Perspective plans had not been formulated in the initial years of implementation of the scheme and the Labour Budget had been submitted to the Government of India belatedly.**

  (Paragraphs: 2.2.7.1 and 2.2.7.2)

- **Unspent balances had increased from ₹ 7.07 crore as of April 2007 to ₹ 127.66 crore at the close of March 2012. Cases of retention, delayed release and diversion of funds were noticed in audit.**

  (Paragraphs: 2.2.8, 2.2.8.1, 2.2.8.2 and 2.2.8.3)

- **Out of the total number of 27.69 lakh Households in the State, number of Households provided employment ranged between 1.44 lakh (five *per cent)* and 5.67 lakh (20 *per cent)* during 2007-12. Nine *per cent* Households, which demanded employment, were not provided employment nor was unemployment allowance paid to them.**

  (Paragraph: 2.2.9.1)

- **The delay in payment of wages to the workers ranged between three and 547days in 245 cases test-checked in audit.**

(Paragraph: 2.2.9.4)

- **While 680 unapproved works had been executed at a cost of ₹ 5.24 crore, 2950 works included in the AAPs had not been taken up for execution. A total number of 484 works had been abandoned midway after spending ₹ 2.92 crore thereon.**

(Paragraphs: 2.2.9.7 and 2.2.9.8)

- **Records relating to registration of Households seeking job and those demanding job had not been maintained.**

(Paragraph: 2.2.11.1)

- **There was overall shortfall of 76 *per cent* (4225 personnel) in engagement of staff of various posts under the scheme. Besides, the shortfall in imparting training of staff ranged between 28 and 100 *per cent*.**

(Paragraphs: 2.2.12.1 and 2.2.12.2)

- **The Department had neither constituted monitoring committees to monitor quality of works nor appointed Ombudsman to deal with the complaints. While the shortfall in conducting of inspections ranged between 29 and 85 *per cent* in the test-checked blocks, the shortfall in respect of Social Audit was 43 *per cent* in the test-checked districts.**

(Paragraphs: 2.2.13.1, 2.2.13.2 and 2.2.13.3)

2.2.1 Introduction

The National Rural Employment Guarantee Act (NREGA) was notified by the Government of India (GOI) in September 2005 with the objective of enhancing livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. The Act is a right based framework for adult members of a rural household willing to do unskilled manual work. It prescribes time bound guarantee wherein if employment is not provided within 15 days from the date of application for work, the State Government has to give unemployment allowance. The Act was extended to the State of Jammu and Kashmir with effect from May 2007. The programme which became effective from February 2006 was initially launched in three[14] districts of the State in the first phase and extended to two[15] more districts in the year 2007-08 and to all the districts of the State from April 2008. The programme was rechristened as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in October 2009.

During the period from 2007-08 to 2011-12, fund amounting to ₹ 1635.35 crore was released under the programme in the State against which, an amount of ₹ 1501.58 crore (92 *per cent*) was spent by the department on the implementation of the scheme as detailed in **Table 2.2.1** below:

[14] Doda, Kupwara and Poonch
[15] Anantnag and Jammu

Table-2.2.1

(₹ in crore)

Year	Opening Balance	Receipt	Expenditure
2007-08	7.07	85.73	65.26
2008-09	29.09	117.43	86.90
2009-10	46.01	162.78	194.42
2010-11	12.88	411.96	378.28
2011-12	46.93	857.45	776.72
Total		**1635.35**	**1501.58**

The Act fosters conditions for inclusive growth ranging from basic wage security and recharging rural economy to a transformative empowerment process of democracy. The Act provides opportunities to develop rural infrastructure through water-shed development, restoration of water bodies, activities aimed at forestry, land development and soil erosion, flood control, construction of roads and institutional facilities. The main objectives of the programme are:

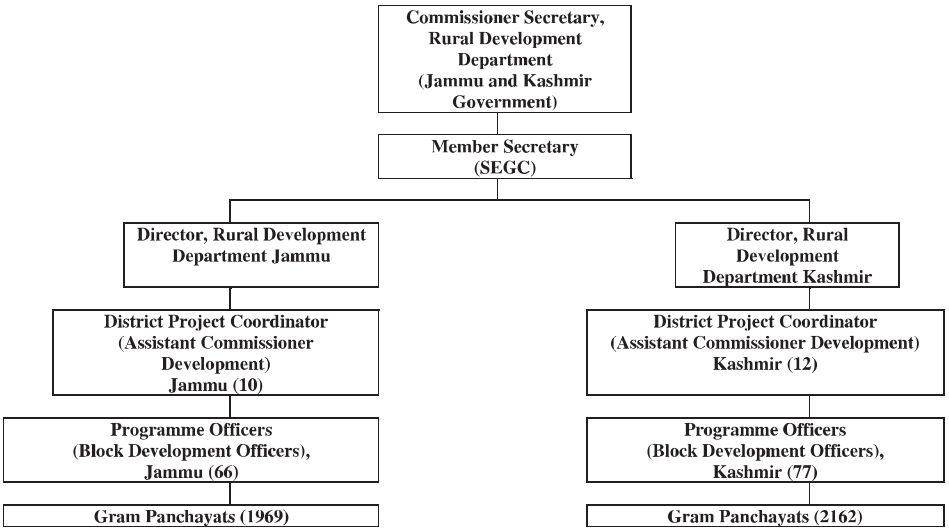
- Enhancing the livelihood security of people in rural areas by guaranteeing hundred days of wage-employment in a financial year to a rural household.
- Creation of a strong social safety net for vulnerable groups by providing a fall-back employment source, when other employment alternatives are scarce or inadequate.
- Strengthening of the natural resource base of rural livelihood and create durable assets in rural areas through the process of providing employment on works that addresses causes of chronic poverty.
- Empowerment of rural poor through the process of a rights-based law, and
- Exercising transparency and grass-root democracy in governance.

2.2.2 Organisational set-up

In the State of Jammu and Kashmir, a State Employment Guarantee Council (SEGC) aids and advises the State Government in implementation of the programme. The activities of the scheme at the State level are carried out by the SEGC through its Member Secretary (SEGC) functioning under the overall control of the Commissioner Secretary, Rural Development Department. The State Government designated (March 2007) Assistant Commissioner Development as District Project Coordinator, District Panchayat Officer as Additional District Project Coordinator and Block Development Officer as Programme Officer under the Scheme.

The organisational set-up is given in **Chart-I** below:

Chart-I



2.2.3 Scope of Audit and methodology

The performance Audit of the scheme covering the period from 2007-08 to 2011-12 was carried out between March 2012 and June 2012 through test-check of records of the Member Secretary (SEGC), six[16] Assistant Commissioners Development (ACDs), 12[17] Block Development Officers (BDOs) and 117 Gram Panchayats.

The selection of the Districts was made by statistical sampling method using 'Simple Random Sampling without Replacement' (SRSWOR) which was based on the number of job cards issued in a District. The selection of Blocks was done through 'Simple Random Sampling with Replacement' (SRSWR) by putting the Blocks in an alphabetical order. Twenty *per cent* of the Gram Panchayats were selected on 'Risk Analysis' and the balance through 'Population Proportional to Size with replacement, (PPSWR) method as provided in the guidelines. The selection of works was, however made on 'Random Sampling Method' (RSM).

Besides, the Audit interacted with 793 beneficiaries and conducted on the spot check of as many works on the basis of one beneficiary per work. As against the available fund of ₹ 1642.42 crore, ₹ 1501.58 crore was spent by the department on the implementation of the scheme. Out of this, an expenditure of ₹ 102.56 crore incurred in the six test-checked districts constituting seven *per cent* of the total expenditure of ₹ 1501.58 crore incurred by the Department under the programme during the period of review was covered in Audit.

An entry conference was held on 02 March 2012 by the Principal Accountant General with the Commissioner Secretary, Rural Development Department wherein objectives, scope, criteria and methodology of audit were discussed. An exit

[16] Baramulla, Leh, Poonch, Pulwama, Rajouri and Udhampur

[17] Baramulla, Chenani, Doongi, Kellar, Kharoo, Leh, Mendhar, Pampore, Poonch, Rajouri, Udhampur and Zangeer

conference was held on 15 November 2012 with the Commissioner-Secretary and the replies of the Department have been incorporated in the report at appropriate places.

2.2.4 Audit objectives

The audit objectives of the performance audit were to assess whether:

- Structural mechanisms were put in place for the implementation of the programme.
- Planning process (including convergence of other schemes) for implementation of the programme was efficient and effective.
- Financial management (fund allocation, utilization and proper accountal) was efficient and effective.
- Implementation of programme was carried out economically, efficiently and effectively in providing works to the needy persons.
- Maintenance of data and records as well as Management Information System generation was efficient and effective.
- Human Resource Management for implementation of the programme was efficient.
- Monitoring mechanism (Social Audit, Gram Sabha meeting and Inspections by higher authorities at Block, District, State and Central levels) was in place and effective.

2.2.5 Audit criteria

Audit criteria has been derived from the following sources:

- Provisions of the NREG Act 2005 and amendments thereto
- Guidelines/Circular instructions issued on the scheme by the Ministry of Rural Development, Government of India (GOI)/ State Government.
- Jammu and Kashmir Rural Employment Guarantee Scheme 2007, J&K Financial Code and Book of Financial powers.

2.2.6 Structural mechanisms

For implementation of the programme in accordance with provisions of the Act, structural mechanism had to be put in place and adequate capacity building measures to be taken both by the GOI and the State Government. The State Government had to formulate rules and the Gram Panchayats at the Village level had to be made pivotal bodies for implementation of the programme from planning to execution and monitoring level. The responsibility of formulation of plans and Labour Budget for monitoring and supervision of the programme at the District level was to be entrusted to District Panchayats, to be formed at District level, with a view to ensuring public participation in developmental works.

For implementation of the programme, the State Government notified the Jammu and Kashmir Rural Employment Guarantee Scheme in March 2007. The Panchayats in the State came into being with effect from June 2011 after the Panchayat elections conducted during the period March-June 2011. Till then the role of the Panchayats for identification of the works for execution in a village was taken over by the Blocks through Village Level Workers (VLWs). No Intermediate Panchayats at Block level and no District Panchayats at District level were in existence in the State (March 2012). The Annual Action Plans (AAPs) formulated at the Panchayat/ Block

level were forwarded to the Assistant Commissioners Development of the District for incorporation in the composite District Plan.

2.2.6.1 Constitution of State Employment Guarantee Council

For the purpose of regular monitoring and reviewing the implementation of the Act at the State level, the State Government was required to constitute a Jammu and Kashmir State Employment Guarantee Council which was to meet at least twice in a year. The State Employment Guarantee Council (SEGC) was constituted by the Government in March 2006 with Hon'ble Chief Minister of the State as Chairperson of the Council. However, from September 2008 Minister-in-charge for Rural Development was nominated as Chairperson ex-officio of SEGC. The SEGC held only three meetings (March 2008, January 2010 and April 2011) during the period 2007-12 against the requirement of 10 meetings. It was observed that the decisions taken by the SEGC in the meetings had been implemented partially. The decisions regarding strengthening of State MGNREGS Cell, appointment of requisite staff under the scheme and of consultants at the State/ District level for quality monitoring, routing of funds through State Employment Guarantee Fund etc. had not been implemented as of March 2012. Due to non-appointment of consultants at the State level, the MGNREGs Cell which was to provide technical support in the key areas like Information Education and Communication strategies, training needs, planning, monitoring and evaluation, social audit and financial management under the scheme could not look into these key areas. Further, the Annual Report on the state of affairs of implementation of the programme in the State could not be brought out and tabled in the State Legislature. The Member Secretary (SEGC) stated (October 2012) that the Annual Reports for the period from 2007-08 to 2010-11 would be printed out in a consolidated form to be presented in the next session of the Assembly.

2.2.6.2 Constitution of State Employment Guarantee Fund (SEGF)

For the purpose of implementation of the scheme, the State Government had to establish a State Employment Guarantee Fund (SEGF). The State Government accordingly established (October 2008) a separate Bank account for the scheme in Jammu and Kashmir Bank Limited, Civil Secretariat but the SEGF had not been made fully operational and the particulars of the fund were not communicated to the GOI. As a result, the funds were released by the GOI directly to the districts[18] for implementation of the programme. This defeated the very purpose of establishment of SEGF. An amount of ₹ 17.20 lakh released by the GOI in June 2008 had been deposited in the fund account. Further, ₹ 15 crore released by the State Government on account of difference in the wages of the beneficiaries due to enhancement in wage rates retrospectively had been deposited in the fund account in July 2010. As the wages had not been paid to the beneficiaries, the amount alongwith interest of ₹ 15.81 crore continued to remain unutilized as of March 2012. The Commissioner-Secretary during exit conference stated (November 2012) that proposal to convert undisbursed balance of ₹ 15.81 crore as State's matching share under the programme with the concurrence of the Planning and Development Department was under active consideration of the Department.

[18] To the DRDAs for onward transmission to District Project Coordinator (DPCs) and directly to the DPCs in the districts where DRDAs are non-existent

2.2.7 Planning

Planning is the main tool for successful implementation of a programme. The Programme guidelines provide for preparation of perspective plans (PP) by the districts to facilitate advance planning and to provide a development perspective for the district. A district perspective plan for five years would have the advantage of facilitating the annual labour budgets as a framework of long term planning and would enable the adoption of a project approach to works. The Annual Development Plans (ADP) which would flow from the PPs would be working plans that contain the nature, number and nomenclature of the developmental works to be executed in a year. For this purpose, the involvement of the Gram Panchayats was to be made mandatory for identification of works. Based on such identification, the ADPs had to be drawn, which would be converted into Labour Budget (LB) in financial terms at the Block, District and the State level for transmission to the GOI for release of funds. Timely submission of LBs to the GOI was, as such, necessary for release of funds in time. Following points were observed in audit.

2.2.7.1 Non-formulation of Perspective Plans

Audit observed that none of the test-checked districts had formulated PPs during the period of review except for three districts (Udhampur, Rajouri and Leh) where the PPs had been formulated belatedly from the year 2010-11. The MS (SEGC) stated (November 2012) that PPs had been formulated by all the districts. The reply is quite contrary to the factual position of formulation of PPs by the test-checked districts. In the absence of PPs, the advance planning to provide developmental perspective for the district could not be achieved.

2.2.7.2 Delayed/Non-submission of Labour Budget

As per the programme guidelines, the Gram Panchayats have to identify and recommend the works in the Gram Sabha to be held on 2 October for execution in the ensuing year and forward the development plan to the Programme Officer (PO) by 15 October every year. The PO has to scrutinize, re-refer the plan to Gram Panchayats, if necessary, and consolidate the plan and submit the same to Intermediate Panchayat (at Block level) by 15 November which has to approve the Block Plan within 15 days for submission to the District Programme Coordinator (DPC) by 30 November. The DPC has to submit the Block-wise shelf of projects and the Labour Budget (LB) thereon to the District Panchayat Officer (DPO) by 15 December. After getting it approved by the District Panchayat by 31 December, the DPC has to forward the LB to the State Government, which will forward it alongwith its recommendations to the GOI by 31 January.

Audit, however, observed that records regarding submission of the plans by the Panchayats to the blocks were not available in any of the test-checked Panchayats. Test-checked blocks in two districts (Rajouri and Udhampur) had submitted the LBs to the DPC after delays of two to three months. The details/records of submission of LBs were not available in other blocks of four test-checked districts. Similarly no records/details regarding submission of LBs during the period 2007-10 to the GOI were available with the MS (SEGC). However, Audit noticed that submission of LBs to the GOI by the State Government had been delayed by two months during each year 2010-11 and 2011-12. The MS (SEGC) stated (October 2012) that the

Annual LB was submitted to the GOI on the basis of which, the State was able to seek the Central assistance under the scheme.

2.2.7.3 Convergence of scheme funds

The programme guidelines provide for convergence of scheme funds with the funds from other sources such as Finance Commission, Centrally Sponsored Schemes like *Swaranjayanti Gram Swarozgar Yogna (SGSY),* Drought Prone Area Programme (DPAP), Desert Development Programme (DDP), etc. for construction of durable community assets/works permissible under the scheme. Special guidelines for this purpose had to be issued by the State Government. Audit did not observe any action having been taken at any level in this direction by the Department. It was, however, seen that a Committee had been constituted (March 2012) at the State level to look into this aspect. The Commissioner-Secretary stated (November 2012) that the mechanism of convergence of various schemes was not followed by the Department.

2.2.8 Financial Management

According to the provisions of the Act, the GOI has to bear the expenditure under the scheme towards entire cost of wages of unskilled manual workers, 75 *per cent* of the cost of material/wages of skilled and semi-skilled workers, administrative expenses to include *inter alia* salary and allowances of the Programme Officer and his supporting staff and work site facilities. The State Government has to bear the expenditure towards 25 *per cent* of the cost of material/wages of skilled and semi skilled workers, unemployment allowance and administrative expenses of the SEGC. The position of funds released by the GOI, State Government under the scheme and the expenditure incurred thereagainst during the period from 2007-08 to 2011-12 is detailed in **Table 2.2.2** below:

Table-2.2.2

(₹ in crore)

Year	Opening balance	Releases			Miscellaneous [19] receipts	Total Funds available	Expenditure	Closing balance
		Government of India	State Government	Total				
(1)	(2)	(3)	(4)	(5) {(3)+(4)}	(6)	(7) {(2)+(5)+(6)}	(8)	(9)
2007-08	7.07	79.41	6.18	85.59	0.14	92.80	65.26	27.54
2008-09	29.09	99.63	15.78	115.41	2.02	146.52	86.90	59.62
2009-10	46.01	142.31	18.85	161.16	1.62	208.79	194.42	14.37
2010-11	12.88	359.31	50.46	409.77	2.19	424.84	378.28	46.56
2011-12	46.93	784.41	70.48	854.89	2.56	904.38	776.72	127.66
Total		**1465.07**	**161.75**	**1626.82**	**8.53**	**1777.33**	**1501.58**	

Against releases of ₹ 1465.07 crore by the GOI during the period 2007-12, share of the State Government was ₹ 161.75 crore, which constituted 11 *per cent* of the total releases. The percentage of expenditure *vis-a-vis* funds available during the period ranged between 59 and 93 *per cent*. The unspent balances had increased from ₹ 7.07 crore as of April 2007 to ₹ 127.66 crore at the close of March 2012. In the six test-checked districts, the unspent balances had increased from ₹ 30.22 lakh to ₹ 43.40 crore over the period of five years ended March 2012. The increase in the unspent

[19] Includes interest earned on balances in Bank Accounts

balances at different levels revealed execution of lesser number of works against the sanctioned works during the year. The Member Secretary (SEGC) stated (October 2012) that the funds under the scheme were released by the GOI in instalments and mostly the last instalments of funds were released at the fag end of the financial year which had not necessarily been spent during that year thereby showing increase in closing balance.

As would be revealed from the above table, there existed an aggregate variation of ₹ 13.16 crore between the closing and opening balances during the period 2007-12. These variations were brought to the notice of the Member Secretary (SEGC). The reply thereof was awaited (December 2012).

2.2.8.1 Retention of funds

The funds received under the scheme by the State Government was to be credited to the SEGF wherefrom these were to be released to the Assistant Commissioners Development (ACDs). The ACDs had to release the funds to the Blocks for further release to the *Panchayats* for meeting expenditure on account of wages of the labour and material component under the Scheme. However, due to non-operation of the SEGF the money was released by the GOI to the districts directly. Audit observed that in three districts (Udhampur, Rajouri and Leh), funds were received by the District Rural Development Agency (DRDA) from the GOI for further release to the ACDs at the District level. Audit noticed retention of ₹ 83.77 crore by the DRDA during 2007-12 for periods ranging from 20 days to over five months. Reasons thereof, though called for from the MS (SEGC), were awaited (December 2012).

2.2.8.2 Delay in release of funds

The delay in release of funds during the period 2007-12 by the ACDs to the Blocks in four[20] test-checked districts ranged between one month and nine months. Similarly, the delay in release of funds by eight test-checked Blocks of these districts to the panchayats was also in the range of one month to nine months beyond the permissible limit of 15 days. The ACDs/BDOs stated (June 2012) that the delay was procedural and that a portion of the funds had to be retained till the actual demand arose. The reply was not acceptable as the funds were required to be released immediately on their receipt.

2.2.8.3 Diversion of funds

The programme guidelines provide that funds allocated for the scheme should not be used for other purposes under any circumstances. Audit observed that the scheme funds to the extent of ₹ 1.06 crore had been diverted by the Director, RDD, Jammu, three ACDs (Leh, Rajouri and Poonch) and BDO Rajouri on the activities not related to the scheme. It was seen that the Director, RDD, Jammu had got transferred ₹ 38.62 lakh from his subordinate agencies (10 ACDs and 13 BDOs) during the period 2008-12 to his official Bank Account and spent ₹ 19.55 lakh on payment of compensation, purchase of diesel generator and other items in violation of the guidelines. Audit further noticed that ₹ 31.68 lakh of the SEGF had been utilised on hiring of vehicles, purchase of stationery items, POL, travelling bills of the officers and State Quality Monitors, etc. during the period from December 2009 to March 2012 by the MS (SEGC). This tantamount to diversion of scheme funds. The MS

[20] Leh, Poonch, Rajouri and Udhampur

(SEGC) stated (April 2012) that the amount had been utilized on activities permissible under the scheme. The reply was not acceptable as the expenditure on these activities had to be met out of the funds meant for administrative expenses.

2.2.8.4 Under-statement/ over-statement of expenditure figures

Accounts of a unit should depict a true and fair picture of all the transactions having taken place with proper summary/remarks, wherever necessary. Notwithstanding this, it was seen that three BDOs (Poonch, Rajouri and Doongi) and ACD, Poonch had not accounted for ₹ 15.98 lakh earned as interest from the banks on programme funds during the period 2010-12 in the financial statement forwarded to GOI thereby understating the available balances under the scheme. In reply, the BDOs stated (June 2012) that necessary correction would be incorporated.

As per programme guidelines, the State would become eligible for the release of the second instalment only after 60 *per cent* of the earlier releases including the opening balance, if any, have been utilized. It was, however, seen that ACDs Udhampur and Rajouri inflated the expenditure figures by ₹ 79.69 lakh and ₹ 11.18 crore respectively through the utilisation certificates submitted (October 2011, February 2012) to the GOI to get further funds released under the scheme. The BDOs stated (June 2012) that the figures of expenditure had been communicated by the ACDs to the GOI without taking cognizance of the figures furnished in the expenditure statements by them. This was indicative of the fact that the ACDs had taken recourse to wrong reporting to get the funds released.

2.2.9 Programme implementation

Under the programme guidelines, door to door survey had to be conducted by the panchayats for registration of households willing to register themselves under the provisions of the scheme. Records relating thereto had to be maintained at the Gram Panchayats. NGOs/CSOs had to be engaged for motivating the rural population for demanding 100 days of work under the programme. This aspect had hardly been looked into at any level and the shortcomings observed are brought out in the succeeding paragraphs:

2.2.9.1 Provision of guaranteed employment

The adult members of every household (HH) residing in any rural area and willing to do unskilled manual labour have to get themselves registered with the GPs/Blocks and it shall be the duty of the GP/Blocks to register the household and issue a job card containing details of adult members of the household. Further, Jammu and Kashmir Rural Employment Guarantee Scheme provide that a job card with unique ID number was to be issued by the Panchayat to the registered household. The position of HHs issued job cards, HHs which demanded employment and those provided employment in the State during the period from 2007-08 to 2011-12 is indicated in **Table 2.2.3** below:

Table-2.2.3

(Figures in number)

Year	HHs issued Job cards	HHs which demanded employ-ment	HHs provided employ-ment	Households not provided employment (percentage)	HHs provided 100 days employment	HHs not provided 100 days employment
2007-08	281842	143902	144062	160 (-)	2910 (2)	140992 (98)
2008-09	493022	211072	199445	11627 (6)	7507 (4)	203565 (96)
2009-10	670841	374060	357598	16462 (4)	30249 (8)	343811 (92)
2010-11	832553	487567	469735	17832 (4)	54528 (12)	433039 (89)
2011-12	1005904	677812	567550	110262 (16)	93717 (14)	584095(86)

(Progress Reports received by Member Secretary from various Districts)

Out of the total number of 27.69 lakh[21] Households in the State, number of Households provided employment ranged between 1.44 lakh (five *per cent)* and 5.67 lakh (20 *per cent)* during 2007-12. The increase in issuance of job cards was a positive sign showing that more and more people are approaching the implementing authorities to derive the benefits under the programme. While as the number of HHs which demanded employment had increased from 1.44 lakh in 2007-08 to 6.78 lakh in 2011-12, the HHs actually provided employment also increased from 1.44 lakh to 5.68 lakh during the period. The HHs which had actually been provided employment was less than the number of HHs which demanded employment. 1,56,183 HHs (nine *per cent*) were not provided employment during the period 2008-12. Under the provisions of the Act, these HHs were entitled to unemployment allowance which had not been paid as no provision of the allowance at the rate two *per cent* of annual allocation was kept in SEGF.

Audit also observed that the number of HHs provided 100 days of employment increased from two *per cent* (2007-08) to 14 *per cent* (2011-12) of the total HHs provided employment. Non-providing of 100 days of employment to the bulk of the HHs ranging from 86 to 98 *per cent* was attributable to delayed start of works by the Blocks/Panchayats in the villages. This defeated the basic tenets of the programme which call for providing assured employment to the rural population to ameliorate their lot. The Member Secretary (SEGC) stated (October 2012) that no incidence of not providing employment to the job seekers had been noticed by the Department.

2.2.9.2 Inadequate coverage of women beneficiaries

Under the provisions of the Act, the priority for providing unskilled manual work shall be given to women in such a way that at least one-third of the beneficiaries shall be women who have been registered and requested for work. The overall representation of women was observed to be poor being in the range of zero to 19 *per cent* in five test-checked districts of the State. It ranged from two to four *per cent* in Udhampur, zero to four *per cent* in Rajouri, zero to 11 *per cent* (2007-08) in Poonch, zero to four *per cent* (2008-09) in Baramulla and one to 19 *per cent* in Pulwama during the period from 2007-08 to 2011-12. However, it was comparatively high in Leh where it ranged between 26 and *42 per cent*. The BDOs stated (May-June 2012) that the women were reluctant to come forward to seek jobs under the scheme.

[21] As per 2001 Census

2.2.9.3 Non-engagement of beneficiaries as mates

For supervision of work and recording attendance at worksite, a Mate was to be designated for each work. It was however, seen in audit that mates had not been engaged in any of the test-checked blocks. Reasons therefor, though called for, were not assigned. Further the non-employment of women as mates defeated the very aim of women empowerment.

2.2.9.4 Delay in payment of wages

As per the Act, it is essential to ensure that the wages are paid in time on weekly basis and in any case not later than a fortnight after the date on which the work was done. In the event of any delay in payment of wages the workers are entitled to compensation as per the provisions of the payment of wages Act, 1936 to be borne by the State Government. The programme guidelines provide that when the amount is paid, a wage slip had to be generated for issuance to the worker stating therein the quantum of wages credited to their bank accounts against the work done by the workers. Audit scrutiny revealed that in nine test-checked Blocks, the BDOs had not issued wage slips to the workers in token of having made such payments. However, in remaining three test-checked blocks, delay in payment of wages of ₹ 38.58 lakh ranging between three and 547 days was noticed in 245 cases during the period 2008-12. The BDOs attributed (June 2012) the delay to banks, delayed release of funds to Panchayats and delays in payments of wages by Panchayats.

Execution of works

2.2.9.5 Incomplete works

The position of works executed under the scheme during 2007-12 in the State is detailed in **Table 2.2.4** below:

Table-2.2.4

Year	Incomplete works at the beginning of the year	New works	Total	Works completed	Incomplete works at the end of the year
2007-08	--	8188	8188	4259	3929
2008-09	3929	8866	12795	7105	5690
2009-10	5690	24549	30239	18892	11347
2010-11	11347	44571	55918	35086	20832
2011-12	20832	76600	97432	62546	34886

Source: Progress Reports of the Department

The number of works taken up for execution each year had been very high and the number of incomplete works increased from 3929 at the end of March 2008 to 34886 at the close of March 2012. Taking up execution of new works in bulk without ensuring completion of incomplete works, delay in accord of approval to District Plans and shortage of staff resulted in swelling up of incomplete works at the close of each year. This was indicative of defective planning by the District level authorities.

The position was no different in the test-checked districts as the incomplete works showed a quantum jump from 1986 works in 2007-08 to 10,333 at the end of March 2012. The highest increase of 900 *per cent* was observed in Baramulla District where the incomplete works increased from 365 at the end of 2009-10 to 2889 at the close of 2011-12. The position was, however, comparatively better in Leh district.

2.2.9.6 Non-identification of works

Under the programme guidelines, every work approved for execution under the scheme is to be provided a unique identification number which had to be indicated in each and every document related to the work. Audit observed that the said code had neither been indicated in the Annual Action Plans nor in the progress reports in the test-checked districts. In absence thereof, the possibility of taking up the same work for execution more than once cannot be ruled out. The BDOs attributed (June 2012) this to shortage of manpower or lack of knowledge regarding recording of the identification number against the works.

2.2.9.7 Execution of unapproved works

As per the Act, all works had to be identified for execution and a shelf of the works got approved. Works had to be taken up from the approved shelf of projects which had been incorporated in the AAPs. Audit noticed that in seven[22] blocks of three[23] districts, 2950 works (estimated cost: ₹ 27.79 crore) included in the approved AAPs for the years 2007-08 to 2011-12 had not been taken up for execution while as 680 works (estimated cost: ₹ 8.39 crore) which were not included in AAPs were taken up for execution by the BDOs and an expenditure of ₹ 5.24 crore had been incurred on these unapproved works. The reasons for not taking up the approved works by the BDOs were attributed (June 2012) to non-allotment of sufficient funds. The contention of the BDOs is not acceptable as significant funds were available with them.

2.2.9.8 Abandoned works

Audit analysis of records in nine[24] blocks of five districts revealed that 484 works estimated to cost ₹ 7.40 crore taken up for execution during the period 2007-12 remained incomplete. These works had been abandoned midway after spending ₹ 2.92 crore on them rendering the expenditure unfruitful.

The BDOs attributed (April-June 2012) abandoning of these works to non-availability of labour, land disputes, awaited forest clearances etc. The action of the BDOs in taking up the works on disputed sites or without forest clearance was irregular.

2.2.9.9 Execution of works without technical sanction

The programme guidelines provide that all works are required to get Administrative Approval (AA) and Technical Sanction (TS) in advance before work is actually taken up for execution. It was seen in audit that against 46795 works costing ₹ 318.75 crore taken up in three[25] districts during the period 2007-12, technical sanctions were not accorded in respect of 44932 works (96 *per cent*) costing ₹ 297.94 crore. Taking up of works without technical sanction was irregular. The ACDs/BDOs stated (April-June 2012) that all the works are taken up for execution after obtaining the necessary AA/TS and that in some cases these might not have been obtained for which the matter would be taken up with the EEs, Rural Engineering Wing. The reply of the ACDs/BDOs was not acceptable as the quantum of works taken up for execution without TS was very high and constituted 96 *per cent* of the total works.

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22 Chenani, Doongi, Mendhar, Poonch, Rajouri, Ramnagar and Udhampur

23 Poonch, Rajouri and Udhampur

24 Chenani, Doongi, Gordi, Poonch, Rajouri, Ramnagar, Udhampur, Wagoora and Zaingeer

25 Poonch, Rajouri and Udhampur

2.2.9.10 Unrealistic estimation of works

The framing of estimates before execution of a work is an utter necessity as it gives an insight into the technical parameters of the work besides the actual idea of the quantum of funds required for the scheme. The estimates of each work are thus required to be framed meticulously.

It was, however, seen that huge variations existed between the estimates of works and the actual spending thereon. In nine[26] blocks of five[27] districts, 672 works estimated to cost ₹ 10.45 crore taken up for execution during the period 2007-12 had been completed at a cost of ₹ 3.52 crore which constituted 34 *per cent* of the estimated cost. The variation between the estimates and the actual expenditure in case of individual works ranged between 20 and 73 *per cent*. This is indicative of the casual approach of the technical staff of the department in framing of estimates without verification of the site conditions leading to unrealistic estimation. The BDOs Mendhar and Poonch attributed (June 2012) this to availability of construction material near the sites of works executed and also due to some changes in site conditions. The BDO Udhampur stated (April 2012) that the technical staff would be asked to explain the position. The replies are not acceptable as framing of unrealistic estimates lead to misrepresentation of facts in the AAPs with direct bearing on funding.

2.2.9.11 Procurement of construction material

As per the GOI instructions (November 2010), the State Government had to frame a procurement policy at the State level for procurement of key construction material for the works. It was however seen that no uniform procurement policy was in place in the State and procurement of construction material was being made from different sources at District/ Block levels. The Director, RDD, Jammu had directed (October 2010) ACDs to procure material from Stores Procurement Department (SPD). The non-uniformity in procurement of construction material was visible from the fact that the executing agencies in Kashmir Division had procured material from JK Cements Limited whereas in Jammu Division, the executing agencies had carried out procurement from JAKFED and SICOP. The ACD, Poonch stated (June 2012) that construction material is procured from SICOP/JAKFED which supplies it within the shortest possible time as compared to the SPD which supplies the material late. The BDOs, Rajouri and Chenani stated (April 2012) that the material is procured from other sources when not available with SPD. The fact however remains that no uniform policy had been framed to ensure procurement in a transparent manner. The MS (SEGC) informed that the Directors at the divisional level had been advised (April 2012) to formulate the procurement policy.

[26] Chenani, Doongi, Kakpora, Mendhar, Poonch, Rajouri, Udhampur, Wagoora and Zaingeer
[27] Baramulla, Poonch, Pulwama, Rajouri and Udhampur

2.2.10 Impact assessment

2.2.10.1 Impact assessment by the State

As per the programme guidelines regular evaluations and sample surveys for specific scheme works was to be conducted to assess the outcomes. For this purpose broad guidelines for evaluation studies were to be framed by the SEGC. The technical resource support system was to be set up at the State and District levels to assist in the planning, designing, monitoring, evaluation and quality audit of various initiatives. For this purpose, Resource Institutions had to be identified by the State Government and a panel of institutions/ agencies for technical resource support had to be prepared. Audit observed that neither had the Technical Resource Institutions been identified nor any panel of institutions/ agencies for the technical resource support drawn by the State Government. The SEGC had also not launched evaluation studies to assess the impact of the scheme.

2.2.10.2 Impact assessment by Audit

In order to assess the impact of the scheme on the rural population and the assets created under the scheme, Audit interacted with 793 beneficiaries of 117 Panchayats of 12 test-checked Blocks in six Districts. Some of the important aspects relating to programme management, provision of basic amenities, facilities provided to the work force, awareness of the masses, satisfaction level of the beneficiaries etc. derived from the interviews held are brought out in **Table 2.2.5** below:

Table- 2.2.5

S. No	Questionnaire	Ratio	Response (In number)	Percentage
	Sample size		**793**	
1.	Coverage of APL/BPL population	APL/BPL	366/427	46/54
2.	Provision of electricity to beneficiaries	Yes/No	673/120	85/15
3.	Toilet facility provision to individual HHs	Yes/No	417/376	53/47
4.	Drinking water availability to HHs	Yes/No	430/363	54/46
5.	Registration whether written or oral	Oral/written	320/473	40/60
6.	Expenditure on photos	GP/Self	108/685	14/86
7.	Awareness of Annual Plan to beneficiaries	Yes/No	152/641	19/81
8.	Awareness of remuneration in case of accident at site	Yes/No	117/676	15/85
9.	Days of employment	Range	20-90 days	
10.	Availability of Work site facility	Yes/No	82/711	10/90
11.	Health check-ups at work-site	Yes/No	0/793	0/100
12.	Employment Guarantee day celebration	Yes/No	11/782	1/99
13.	Entry in job cards about work, payments and days	Yes/No/Partial	435/248/110	55/31/14
14.	Gram sabha meeting held and notified at prominent places	Yes/No	366/427	46/54
15.	Notice Boards at work places	Yes/No	299/494	38/62
16.	Insurance cover for beneficiaries	Yes/No	0/793	0/100
17.	Improvement in life style of beneficiaries viz. Purchase power/Migration/Social status.	Yes/No	793/0	100/0
18.	Satisfaction about the programme	V. Good/Good/No comments	299/474/20	38/60/2
19.	Work site photographed and displayed	Beginning/During/ Completion	0/0/793	0/0/100
20.	Social Audits knowledge/Conducted		Nil	Nil

Source: Beneficiary survey proforma

The above position revealed as follows:

- Coverage of BPL population was as low as 54 *per cent.*
- Availability of basic amenities like toilet and drinking water facilities was very low and was about 47 *per cent* despite launch of various schemes like Rural Sanitation Programme, Accelerated Rural Water Supply Programme etc; both by the GOI and the State Government for providing such amenities to the rural population.
- Non-availability of electricity to about 15 *per cent* of the rural population is indicative of dismal condition of the rural population.
- Eighty six *per cent* of the beneficiaries had spent money on photographs. Awareness of Annual Plan and remuneration in case of accident at site was poor and was 19 and 15 *per cent* respectively.
- Entry in job cards about work, payments and days was either not made (31 *per cent*) or made partially (14 *per cent*).
- Work force had not been insured, Employment Guarantee day had not been celebrated, work-site facilities were non-existent and health check-up facility for the workers had not been made available.
- The beneficiaries also stated that implementation of the programme had improved the status of the rural poor, reduced rural urban migration and created durable assets in the villages.

2.2.11 Maintenance of data and records

2.2.11.1 Maintenance of records

According to the programme guidelines, door-to-door survey had to be conducted by the *panchayats* for registration of households willing to register themselves. Records relating thereto had to be maintained by the *Gram Panchayats*. In absence of Gram *Panchayats* in the State, these aspects were to be dealt by the respective BDOs. It was however noticed that no door-to-door survey had been conducted by the BDOs in any of the test-checked blocks.

According to the programme guidelines, records relating to registration of Households (HHs) seeking job under the programme and those actually demanding job out of the registered HHs were to be maintained in the shape of job card application registers, job card registers and employment registers both at the GP and the Block levels. Audit observed that no such records had been maintained at the Panchayat level in any of the test-checked Blocks. In absence of these vital records, Audit could not verify the details of beneficiaries willing to work and the employment provided to them within the prescribed time limit of 15 days of registration. Further, some important records like Muster roll receipt and issue registers, asset registers, works registers, monthly allotment and utilization certificate watch registers and complaint registers had not been maintained at the Gram Panchayat level. These records had, however, been maintained partially at Block level in all the test-checked Blocks. As a result of this, proper watch on the physical and financial aspects of implementation of the scheme could not be kept by the Gram Panchayat/ Block level functionaries in the areas of their jurisdiction. After this was pointed out in audit, the BDOs stated (April-June 2012) that the

records could not be maintained due to shortage of staff. The Member Secretary (SEGC) stated (October 2012) that all the District Programme officers had been directed to complete and update all the relevant records relating to the programme.

2.2.11.2 Mismatch in data

The data/ information furnished by each audited entity should be commensurate/ match with the information provided by other units of the Department. It was, however, seen that the figures of beneficiary data maintained at the Directorate level mismatched with the records of MS (SEGC). Some of the significant discrepancies which came to the fore are brought out in **Table 2.2.6** below:

Table-2.2.6

(Figures in number)

S. No	Nomenclature of Information/Date	Year	Figures		Variation
			SEGC (State level)	Directorates (Divisional level)	
1.	HHs issued Job Cards	2007-08	281842	281752	90
		2008-09	493023	498022	4999
		2011-12	1005904	1006360	456
2.	HHs issued Job Cards	2007-08			
		ST	70096	36895	33201
		Others	193285	226446	33161
3.	HHs demanded employment	2007-08	143902	118331	25571
		2011-12	677812	685541	7729
	HHs provided employment	2007-08	144062	118331	25731
		2011-12	567550	671764	104214
	Persondays Generated	2008-09	79.24 lakh	77.91 lakh	1.33 lakh
		2011-12	377.94 lakh	383.09lakh	5.15 lakh
4.	ST persondays generated	2007-08	11.70 lakh	10.23 lakh	1.47 lakh
		2008-09	22.51 lakh	21.03 lakh	1.48 lakh
	General and other persondays generated	2007-08	38.09 lakh	34.26 lakh	3.83 lakh
		2010-11	139.04 lakh	136.03 lakh	3.01 lakh
		2011-12	252.02 lakh	256.03 lakh	4.01 lakh

The mismatch of figures between the two Directorates at Divisional level and the MS (SEGC) at the State level is indicative of the poor monitoring mechanism and lack of internal control in the department.

2.2.11.3 Uploading of data on web-site

The Blocks had to upload the data relating to expenditure incurred on scheme works on the National MGNREGS web-site as soon as the payments are made.

A check of records revealed that the BDOs/ACDs had not uploaded the data related to expenditure incurred on works on the web-site in time. At the State level, the uploaded amount on the web-site was 47 *per cent* of the actual expenditure incurred by the department under the scheme during the year 2011-12. Against the amount of ₹ 776.72 crore spent on the scheme during 2011-12, only ₹ 363.97 crore had been uploaded as of April 2012. The less uploading of expenditure figures was attributed by the ACDs/BDOs (April/ June 2012) to dearth of staff, frequent power cuts, poor web connectivity etc.

2.2.12 Human Resource Management

2.2.12.1 Appointment of Staff

The Act makes it mandatory for the State Government to make available to the District Programme Coordinator and the Programme Officer necessary staff and technical support as may be necessary for the effective implementation of the scheme. Audit noticed huge shortfall in appointment of staff under the scheme as indicated in **Table 2.2.7** below:

Table-2.2.7

S. No	Name of the post	Requirement as per guidelines	No. of personnel engaged	Excess (+)/ Shortfall (-) in engagement	Percentage shortfall
1.	Programme Officer	143	01	(-) 142	99
2.	Social Audit Operator	22	Nil	(-) 22	100
3.	Social Audit Coordinator	22	08	(-) 14	64
4.	Accounts Assistant	143	19	(-) 124	87
5.	Administrative Assistant	143	13	(-) 130	91
6.	MIS Operator	143	164	(+) 21	-
7.	Technical Assistant	827	255	(-) 572	69
8.	Gram Rozgar Sahayak	4131	889	(-) 3242	78
Total		**5574**	**1349**	**4225**	**76**

- There was an overall shortfall of 76 *per cent* in appointment of staff. The shortfall in engagement of staff was 88 *per cent* (2588 personnel) in Kashmir division as compared to 62 *per cent* (1637 personnel) in Jammu division.
- Shortage of technical assistants and *Gram Rozgar Sahayaks* to the extent of 69 and 78 *per cent* speaks of the casual approach of the department towards this important aspect in view of manifold increase in the quantum of work.
- The position of appointment of staff in the test-checked districts/ blocks was no different. While the shortage of *Gram Rozgar Sahayaks* and the technical staff was 70 and 60 *per cent* respectively, no Administrative Assistants, Accounts Assistants and Programme Officers had been appointed in any of the test-checked districts.

The ACDs, Udhampur, Rajouri and Poonch stated (April-June 2012) that the District Development Commissioners were vested with the powers of engagement of contractual staff and that the powers to engage staff had been delegated to the ACDs from December 2010 and that the same would be filled soon. The reply of the ACDs should be viewed in light of the fact that appointment of staff was a pre-requisite for proper and smooth implementation of the programme. Moreover, no proper attention had been paid by the ACDs even after the powers to engage staff was entrusted to them. The Member Secretary (SEGC) stated (October 2012) that the recruitment process for engagement of Gram Rozgar Sahayaks and Technical Assistants had been completed recently.

2.2.12.2 Capacity building

The Programme guidelines provide for imparting training to all the key agencies viz. Gram Panchayats, District and State Level Department personnel etc; involved in implementation of the scheme. The training calendar was to be made and training modules calibrated in content and to be processed according to different stake holders. It was, however, seen that no training modules/ calendar had been prepared by the State Government for imparting training to various stake-holders/staff. The position of training imparted in Jammu Division as per information furnished by Director Rural Development Jammu is given in **Table 2.2.8** below:

Table-2.2.8

S. No	Nomenclature of the post	Target	Achievement	Shortfall	Percentage Shortfall
1.	Gramin Rozgar Sahayak	879	636	243	28
2.	Accountant	41	25	16	39
3.	Engineer/Tech. Assistant	217	142	75	35
4.	Programme Officer	22	8	14	64
5.	Computer Assistant	87	61	26	30
6.	Works Manager & Technical Assistant	23	5	18	78
7.	IT Manager & Computer Assistant	14	9	5	36
8.	Accounts Manager	3	0	3	100
9.	Training Coordinator	12	3	9	75
10.	Coordinator for Social Audit and Grievance Redressal	22	5	17	77
11.	PRI Functionary	31827	16283	15544	49
12.	Vigilance and Monitoring Committee members	2532	1720	812	32

Source: Director, Rural Development Department, Jammu

From the above table, it can be seen that the shortfall in imparting training to the staff was huge which ranged between 28 and 100 *per cent* thereby affecting smooth implementation of the scheme.

2.2.13 Monitoring mechanism

2.2.13.1 Constitution of monitoring agencies

An Ombudsman had to be appointed to deal with the complaints received with reference to the implementation of the scheme. Besides State and District Quality Monitors had to be engaged for verification of works undertaken under the programme. Test-check of records revealed that the Department had, however, neither appointed Ombudsman for complaints nor engaged District Quality Monitors for monitoring of the programme.

2.2.13.2 Social Audit

The Act gives a central role to Social Audit. The basic objective of the Social Audit is to ensure public accountability in the implementation of projects, laws and policies. The State Government was to constitute an independent organization/ Directorate at the State level for facilitating Social Audit. Such audits have to be an ongoing process of participation to ensure that legal guarantees and entitlements flow to the workers in a legitimate way. Under the programme guidelines, Social Audit is to be conducted by Gram Sabhas once in every six months and the findings thereof apart from being made public are to be submitted by the State Government

to the CAG of India every year in a summarised form. No consolidated data regarding the conduct of social audits was maintained by the Department. The non-maintenance of consolidated records at the Divisional or the State level was indicative of the fact that monitoring of this aspect had not been done at the higher levels. However, the position of conduct of social audit in the six test-checked districts was dismal. Against the target of 4528 social audits, only 2577 social audits had been conducted during the period from 2007-08 to 2011-12 revealing a shortfall of 43 *per cent*. Despite conduct of these social audits, none of the blocks could produce the Social Audit Reports to audit. The Member Secretary (SEGC) stated (October 2012) that an independent Directorate of Social Audit has been set up which is responsible for coordinating social audit at Panchayat level with the help of District Social Coordinators and other stake holders under the programme.

2.2.13.3 Inspection of works

The inspection of works executed under the scheme had to be carried out by the District and the State functionaries upto a fixed percentage. The position of inspections conducted by 12 blocks in six test-checked districts is detailed in **Table 2.2.9** below:

Table-2.2.9

District	Block	Period	No. of works executed	Inspections	
				Conducted	Shortfall (Percentage)
Udhampur	Chenani	2008-12	2327	1118	1209 (52)
	Udhampur	2008-12	2163	1403	760 (35)
Rajouri	Rajouri	2008-12	2249	2249	- (-)
	Doongi	2010-12	677	677	- (-)
Poonch	Poonch	2007-12	5028	1768	3260 (65)
	Mendhar	2007-12	2873	441	2432 (85)
Pulwama	Pampore	2008-12	582	582	- (-)
	Kakapora	2010-12	422	250	172 (41)
Baramulla	Wagoora	2008-12	1599	1128	471 (29)
	Zaingeer	2008-12	532	571	- (-)
Leh	Leh	2008-12	116	125	- (-)
	Kharoo	2008-12	115	123	- (-)

The shortfall in conduct of inspections ranged between 29 and 85 *per cent* in six blocks; as a result the quality of work executed thereof was not ensured. The beneficiaries interacted with by audit also stated that no authority from the District or the State had inspected the site of work during the period the work was under execution. The BDOs stated (April-May 2012) that due to hilly terrain and huge quantum of works executed, it was virtually impossible to inspect all the works.

2.2.14 Conclusion

The State Employment Guarantee Fund though established had not been made operational affecting monitoring of funds at the State level. Perspective plans had not been formulated in any of the test checked districts in time. The shortfall of 76 *per cent* of staff (4225 personnel) under the scheme affected smooth implementation of the scheme. Delay in release and diversion of funds was noticed at all the levels.

Unspent balances under the programme had increased from ₹ 7.07crore to ₹ 127.66 crore during the review period. Delay in payment of wages to the workers ranged between three and 547 days. Records in the shape of job card application registers, job card registers and employment registers had not been maintained at the Gram Panchayat level. Details of HHs registered had not been maintained at any level. Out of the total number of 27.69 lakh Households in the State, number of Households provided employment ranged between 1.44 lakh (five *per cent)* and 5.67 lakh (20 *per cent)* during 2007-12. Nine percent of HHs who had demanded employment were not provided employment nor had 100 days of assured employment been provided to 86 to 98 *per cent* of the workers during the period 2007-12. While unapproved works had been executed at a cost of ₹ 5.24 crore, the works included in the AAPs had not been taken up for execution. A total number of 484 works had been abandoned midway after spending ₹ 2.92 crore thereon. Huge number of works had been executed without the required Technical Sanction. Preparation of unrealistic estimates of works was rampant. No uniform procurement policy for procurement of construction material had been framed by the Department. The mechanism for convergence of MGNREGS with other schemes had not been put in place. Monitoring mechanism, Inspections and Social Audit were inadequate.

2.2.15 Recommendations

The Government may consider to ensure:

- ***scrupulously following up the modalities prescribed in the MGNREG Act and Guidelines during implementation of the Scheme/Programme.***
- ***adequate staff strength in the department/ MGNREGS-Cell for implementation and monitoring of various activities of the programme.***
- ***constitution and strengthening of the Monitoring Committees to monitor the quality of works and the Social Audit for inspection of works under the scheme.***

POWER DEVELOPMENT DEPARTMENT

2.3 Power Transmission Utilities

Executive Summary

The National Electricity Policy (NEP) recognized the need for continued development of National Grid for providing adequate infrastructure for inter-state transmission of power. Both the Central Transmission Utility (CTU) and the State Transmission Utility (STU) have the key responsibility of network planning and development based on the National Electricity Plan (NEP) in coordination with all the concerned agencies. The transmission of electricity and Grid operations in the State are managed and controlled by the Power Development Department. The Performance Audit of Transmission utilities in the State revealed under-utilisation of plan funds and non-achievement of targets in capacity additions in respect of Grid sub-stations and Transmission lines. Almost all the Grid sub-stations and Transmission line projects witnessed a time over-run due to inadequate planning, faulty designs etc. Some of the completed projects could not be operationalised due to incompletion of related works, with the result the infrastructure created was lying idle. The transmission losses in the State exceeded the Central Electricity Authority (CEA) norm of four *per cent* during the period 2008-12. Due to in-efficient Grid management the State Government had to pay the Unscheduled Interchange (UI) charges. The disaster management setup did not exist in the Department for immediate restoration of transmission system in the event of major failures.

The Department transmitted 8,010 Million Units (MU) of energy during 2007-08 which increased by 29 per cent to 10,367 MU in 2011-12 while as the transmission network installed capacity increased from 4,489 Mega Volts Ampere (MVA) in 2007-08 to 7,273 MVA in 2011-12.

(Paragraph: 2.3.6)

The Department had not formulated the State Electricity Policy and State Electricity Plan.

(Paragraph: 2.3.7)

Although 85 *per cent* households were electrified as per Census 2011 figures, the number of households covered by properly functional meters were far less as evidenced by the huge gap between expenditure on purchase of power by the Department and its receipts.

(Paragraph: 2.3.7)

The time overrun in completion of 40 projects ranged between three and 48 months and the cost overrun of ₹ 113.43 crore was noticed in 23 projects.

(Paragraph: 2.3.9.2)

The maintenance of assets was ignored and the expenditure on maintenance of the infrastructure was very low.

(Paragraph: 2.3.12)

The transmission and distribution losses were very high at the level of 56.76 *per cent* (2011-12). The transmission losses ranged between 4.43 and 8.14 *per cent* against CEA norms of four *per cent*.

(Paragraphs: 2.3.13 and 2.3.15)

Due to non-maintenance of Grid discipline, the Department had to bear the burden of payment of Unscheduled Interchange (UI) charges to the extent of ₹ 1,405.67 crore and had also to pay the interest of ₹ 289.93 crore for delayed payment of these UI charges.

(Paragraph: 2.3.14.2)

Failure in installing Power Factor (PF) correction capacitor banks by the Department resulted in payment of ₹ 220.65 crore on account of 'Reactive Energy' charges.

(Paragraph: 2.3.14.3)

Indecision on the part of the Department for evacuation of power from the Thein dam hydro electric power project for the last three decades resulted in non-utilization of 220 Kilo Volts (KV) double circuit Thein-Hiranagar transmission line and consequent idle investment of ₹ 25.73 crore.

(Paragraph: 2.3.15)

The percentage of shortage of power ranged between 34 and 38 *per cent* during the period from 2007-08 to 2011-12.

(Paragraph: 2.3.15)

No Disaster Management setup existed in the State for immediate restoration of transmission system.

(Paragraph: 2.3.16)

2.3.1 Introduction

With a view to ensure availability of reliable and quality power to all by the year 2012, the Government of India (GOI) notified the National Electricity Policy (NEP) in February 2005 which inter-alia stated that the Transmission System required adequate and timely investment besides efficient and coordinated action to develop a robust and integrated power system for the country. The NEP also, recognized the need for continued development of National Grid for providing adequate infrastructure for inter-state transmission of power. Both the Central Transmission utility (CTU) and the State Transmission utility (STU) have the key responsibility of network planning and development based on the National Electricity Plan in coordination with all the concerned agencies. In the State of Jammu and Kashmir, transmission of electricity and Grid operations are managed and controlled by Jammu and Kashmir Power Development Department (PDD) which is also responsible for planning and development of the intra-state transmission system.

2.3.2 Organizational Structure

The State Power Development Department is headed by the Principal Secretary and the day to day activities of the Department are carried out by the Development Commissioner, Power (DCP) who is assisted by two Chief Engineers (CE), System & Operation (S&O) Wings one each for Jammu and Kashmir besides, one CE, Planning and Design Wing and one CE, Commercial and Survey Wing. The S&O Wing is responsible for execution of various transmission projects and the Planning and Design Wing of the Department studies and finalizes technical parameters of the projects for their approval besides, planning of infrastructure and procurement of key material required for the transmission projects. The Commercial and survey wing deals with the purchase of power and manages operations of the State Load Despatch Centres of the Department. The four CEs are assisted by seven Superintending Engineers (SEs), who in turn are assisted by the 19 Executive Engineers acting as divisional heads.

2.3.3 Audit Objectives

The objectives of the performance audit were to assess whether:

- Perspective Plan was prepared in accordance with the guidelines of the National Electricity Policy/Plan and State Electricity Regulatory Commission (SERC);
- The transmission system was developed, commissioned and maintained in an economical, efficient and effective manner;
- Disaster Management System was set up to safeguard its operations against unforeseen disruptions;
- Effective failure analysis system was set up;
- Effective and efficient Financial Management system existed;
- Efficient and effective system of procurement of material and inventory control mechanism existed; and
- A monitoring system was in place to review functioning of the transmission projects and to take corrective measures wherever deficiencies existed.

2.3.4 Audit Criteria

The audit criteria were derived from the following sources for achievement of the audit objectives:

- Provisions of National Electricity Policy and Plan;
- Perspective Plan and Project Reports of the Department;
- Standard procedures for award of contracts with reference to principles of economy, efficiency, effectiveness, equity and ethics;
- Manual of Transmission Planning Criteria (MTPC);
- Code of Technical Interface (CTI)/Grid Code;

- Instructions/directions of the State Government/Ministry of Power (GOI);
- Norms/Guidelines issued by State Electricity Regulatory Commission (SERC)/Central Electricity Authority (CEA);
- Report of the Committee constituted by the Ministry of Power recommending the 'Best Practices in Transmission'; and
- Report of the Task force constituted by the Ministry of Power to analyze critical elements in transmission project implementation.

2.3.5 Scope and methodology of Audit

The Performance Audit of Power transmission utilities in the State for the period 2007-08 to 2011-12 was conducted during April to July 2012 by test-check of records of Chief Engineer, System and Operation Wing one each at Jammu and Srinagar, Chief Engineer, Design and Planning Wing and of 16[1] out of 19 utility Divisions of the Department, based on random sampling technique without replacement.

The methodology adopted consisted of explaining audit objectives and criteria to top management through an entry conference held on 17 April 2012 with Principal Secretary, Power Development Department. The exit conference was also held on 12 December 2012 and the views and their replies were considered in the finalization of this Performance Audit Report.

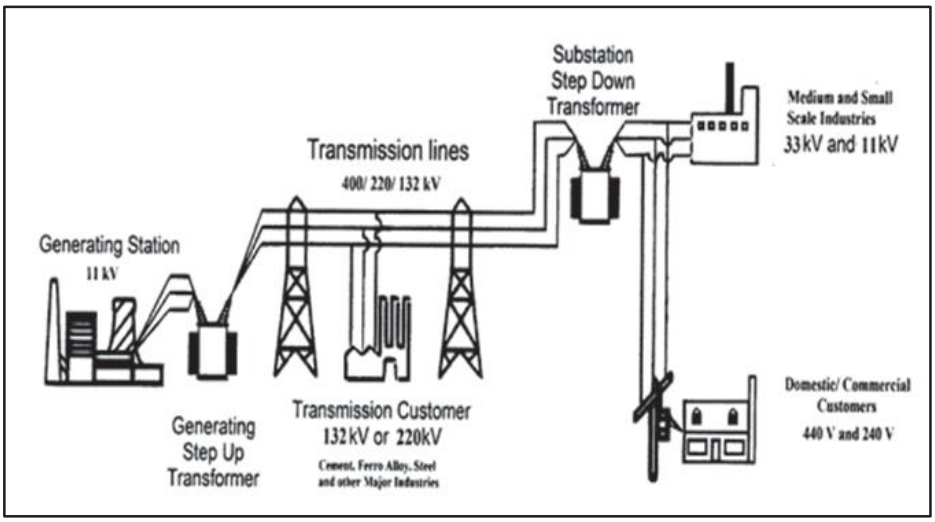
AUDIT FINDINGS

2.3.6 Power Transmission infrastructure

The transmission of electricity is defined as bulk transfer of power over long distances at high voltages, generally at 132 Kilo Volts (KV) and above. The electric power generated at relatively low voltages in power plants is stepped up to high voltage power before it is transmitted to reduce the loss in transmission and to increase efficiency in the Grid. Sub-stations (SSs) are facilities within the high voltage electric system used for stepping-up/stepping down voltages from one level to another, connecting electric systems and switching equipment in and out of the system. The step up transmission SSs at the generating stations use transformers to increase the voltages for transmission over long distances. Transmission lines carry high voltage electric power and the step down transmission SSs thereafter decreases voltages to sub transmission voltage levels [66/33/11 Kilo Volts Ampere (KVA)] for distribution to consumers. The distribution system includes lines, poles, transformers and other equipment needed to deliver electricity at specific voltages. Electrical energy cannot be stored; hence generation of power must be matched to the requirement. Therefore, every transmission system requires a sophisticated system of control called Grid management to ensure balancing of power generation closely with demand. A pictorial representation of the transmission process is given in **Chart-1** below:

[1] TLMD-I, Bemina, TLMD-II, Pampore, TLMD-III, Sopore, TLMD-IV, Pampore, TLCD-I, Bemina, TLCD-II, Bemina, Grid Construction Division, Srinagar, TLMD-I, Janipur, TLMD-II, Gladni, TLMD-III, Udhampur, TLCD-I, Panama Chowk, TLCD-II, Panama Chowk, Grid Construction Division Jammu, Survey Division Srinagar, Survey Division Jammu. Load Despatch and Meter Testing Division, Jammu

Chart-1



As far as the transmission capacity of the Department is concerned, it transmitted 8,009.77 Million Units (MU) of energy during 2007-08 which increased to 10,366.61 MU in 2011-12, i.e., an increase of 29 *per cent*. The transmission network of the Department at the beginning of the year 2007-08 consisted of 37 Extra High Tension (EHT) Sub-stations (SSs) with a transmission capacity of 4,488.64 Mega Volts Ampere (MVA) and 1,879.823 Circuit Kilometer (CKM) of EHT transmission lines. The Department had a transmission network of 2,516.628 CKM and 54 Sub-stations (SSs) with installed capacity of 7,273 MVA and capable of transmitting 40,633.32 MUs annually at 220/132 KV levels as of March 2012. Audit noticed that the Department erected 18 Grid Sub-Stations (capacity: 2,220 MVA), 10 Transmission lines (265.96 CKM) and augmented existing transformation capacity by 150 MVA and 230 MVA at 220/132 and 132/33 KV voltage levels respectively during the review period. In addition, 10 Grid sub-stations (capacity: 820 MVA), 16 Transmission lines (682.157 CKM) and augmentation of existing transformation capacity by 120 MVA taken up during the review period were still incomplete as of March 2012.

2.3.7 Planning and Development

The Central Transmission Utility (CTU) and State Transmission Utility (STU) have the key responsibility of network planning and development based on the National Electricity Plan (NEP) in coordination with all concerned agencies. The Department is responsible for planning and development of the intra-state transmission system. The assessment of demand of power is an important pre-requisite for planning capacity addition. The Jammu and Kashmir Electricity Act, 2010 provides for formulation of State Electricity Policy for development of Power system in the State based on optimal utilization of resources. The Government was also to prepare the State Electricity Plan in accordance with the State Electricity Policy and notify such plan once in five years.

Audit observed (July 2012) that no State Electricity Policy and State Electricity Plan had been formulated by the Government as of June 2012. Non formulation of the Electricity plan for the State led to execution of works in a standalone mode without taking into account the assessment of demand and requirements of capacity additions.

Although 85.14 *per cent* households were electrified as per Census 2011 figures, the number of households covered by properly functional meters was far less as evidenced by the huge gap between expenditure on purchase of Power by the Department and its receipts as per details given in **Table 2.3.1** below:

Table-2.3.1

(₹ in crore)

Year	Power Receipts	Power purchase expenditure	Deficit
2007-08	601	1,750	1,149
2008-09	630	2,034	1,404
2009-10	702	1,997	1,295
2010-11	822	2,310	1,488
2011-12	1,007	3,000	1,993

The above details indicated the need of sizeable additional investment in modernizing and expanding transmission and distribution infrastructure while simultaneously improving recovery of power cost from power users otherwise improvements in T&D system would further accentuate the deficit.

2.3.8 Transmission network and its growth

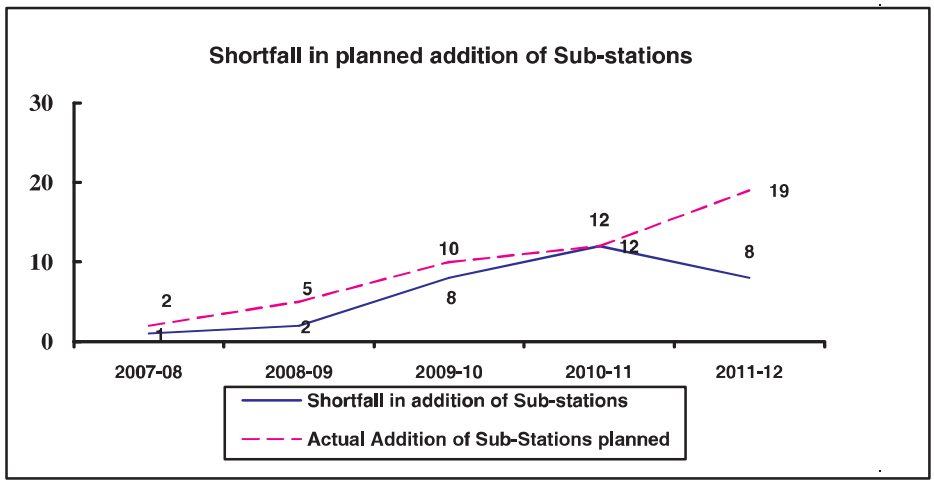
The details of transmission capacity of the Department at 220/132/33 KV level during 2007-08 to 2011-12 are given in **Table 2.3.2** below:

Table-2.3.2

S. No	Description	2007-08	2008-09	2009-10	2010-11	2011-12
A	**Sub-stations (Numbers)**					
1.	At the beginning of the year	37	38	41	43	43
2.	Additions planned for the year	2	5	10	12	19
3.	Added during the year	1	3	2	-	11
4.	Total sub stations at the end of the year **(1+3)**	38	41	43	43	54
5.	**Shortfall in additions (2-3)**	1	2	8	12	8
B	**Transformer capacity (MVA)**					
1.	Capacity at the beginning of the year	4,488.64	4,698.64	5,248.64	5,648.64	5,698.64
2.	Additions/ augmentation planned for the year	300	710	650	1,540	2,434.36
3.	Capacity added during the year	210	550	400	50	1,596.36
4.	Capacity at the end of the year **(1+3)**	4,698.64	5,248.64	5,648.64	5,698.64	7,273.00
5.	**Shortfall in additions/augmentation (2-3)**	**90**	**250**	**250**	**1,490**	**838**
C	**Transmission Lines (CKM)**					
1.	At the beginning of the year	1,879.82	1,910.82	2,074.48	2,123.10	2,192.05
2.	Additions planned for the year	42.02	217.11	252.29	243.29	930.60
3.	Added during the year	31.00	163.66	48.62	68.945	324.57
4.	**Total lines at the end of the year (1+3)**	1,910.82	2,074.48	2,123.11	2,192.05	2,516.63
5.	**Shortfall in additions (2-3)**	**11.02**	**53.45**	**203.67**	**174.34**	**606.03**

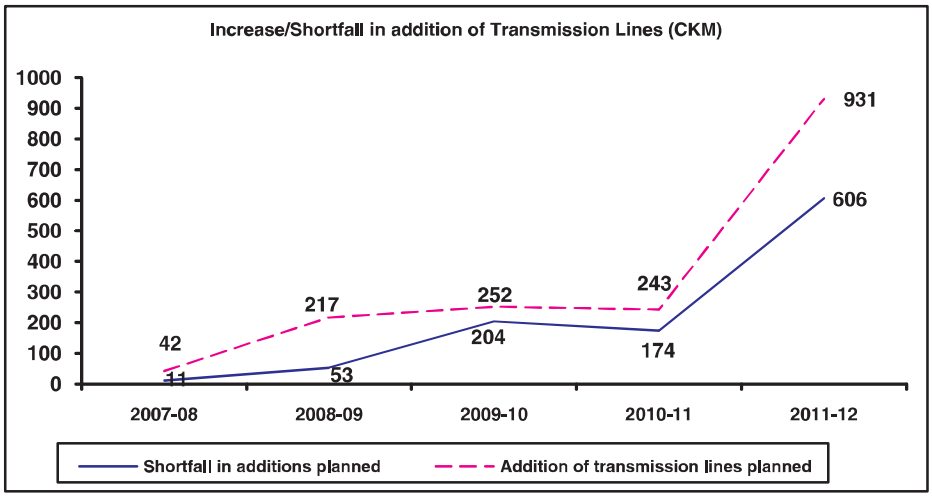
Evidently, the Department could not achieve the targets planned during 2007-12 with a shortfall of eight sub-stations (27 *per cent*) 838 MVA in capacity addition of transformers (34 *per cent*) and 606.03 CKMs in transmission lines (65 *per cent*) at the close of the year 2011-12. The breakup of voltage-wise capacity additions during the period 2007-12 is given in ***Appendix 2.1***. The shortfall in planned addition of sub-stations and transmission lines is given in **Chart-2** below:

Chart No. 2



The trend in shortfall in addition of transmission lines in Circuit Kilometers (CKM) is given in **Chart-3** below:

Chart No. 3



The poor execution of transmission projects by the Department was the basic reason for non-achievement of capacity addition targets. No preparatory work in advance was taken for survey, design, processing of forest/land and statutory clearances and tendering activities etc. Resultantly, the completion of projects got delayed inordinately and there was huge time/cost overrun as

indicated in the succeeding paragraphs 9.1 to 9.5 under sub-head 'Project management of transmission network'.

2.3.9 Project management of transmission network

A transmission project involves various activities from concept to commissioning stage through Project formulation, appraisal/approval phase and Project execution phase. For reduction in project implementation period, the Ministry of Power, Government of India (GOI) constituted (February 2005) a Task Force on transmission projects to suggest and recommend measures to curtail delays in project implementation so that the projects are completed on schedule and chances of time-over-run and cost-over-run are eradicated. The Task Force recommended (August 2005) the following remedial actions:

- to undertake various preparatory activities such as surveys, design & testing, processing for forest & other statutory clearances, tendering activities etc. in advance/parallel to project appraisal and approval phase and go ahead with construction activities once transmission line project sanction/approval is received;
- to break-down the transmission projects into clearly defined packages such that the packages can be procured & implemented requiring least coordination & interfacing and at same time it attracts competition facilitating cost effective procurement; and
- to standardize designs prior to floating of tenders for tower fabrication so that 6-12 months or more time can be saved in project execution.

Though the implementation of transmission projects upto the year 2003 continued mostly through State Plan, the power sector got boost with the announcement of Prime Minister's Reconstruction Plan (PMRP) in November 2004 for the State. Audit scrutiny of records (April 2012) of the Chief Engineer, S&O Wing revealed that for development of transmission infrastructure in the State a project estimated to cost of ₹ 707 crore was formulated (2003) by the State Government and sent to the Ministry of Power, Government of India (GOI) for approval under 10th five year Plan period (2002-07). The cost of the project involving 66 works which included construction of 24 Grid sub-stations (GSS) laying of 37 Transmission lines (TLs) and augmentation of the existing five sub-stations was revised to ₹ 1,006.46 crore in September 2004 after its scrutiny by Central Electricity Authority (CEA). The project cost was further revised (2006) to ₹ 1,351 crore due to substantial increase in cost of basic material viz. steel, cement and transmission equipments. Further, 36 schemes/works of the project (GSS: 17, TL: 19) were executed on turnkey basis through contractors and 30 schemes/works (GSS: seven, TL: 18, Augmentation works: five) were executed departmentally.

Audit further observed that though the funds under the PMRP started flowing in March 2005, the tendering activities in respect of turnkey projects were commenced after a delay of two years and the letters of award for contracts were issued from December 2007 onwards by the Department. The consultancy for the project under PMRP was sought from CEA in January 2005 but the Memorandum of Understanding (MOU) between the

Department and the CEA for this purpose was signed in July 2006 after considerable delay. This consequently resulted in delay in finalization of technical specifications for different equipments/material and tender documents for the project. Thus the Department was not fully geared up to take up construction of transmission projects in a big way which adversely impacted the reconstruction plan for development of transmission infrastructure as brought out in the subsequent paragraphs:

2.3.9.1 Delay in finalization of contracts

The execution of civil works of the projected Grid SSs and transmission lines under PMRP were started from March 2005 departmentally whereas, the contracts for execution of works on turnkey basis were awarded after delays ranging between 21 and 64 months as per ***Appendix 2.2,*** due to delay in signing (July 2006) of Memorandum of Understanding (MOU) with the CEA and late finalization (January 2007) of technical specifications. This resulted in revision of cost of the project in the year 2006 before taking up the projects. The cost escalation of the project by ₹ 287.15 crore was due to substantial increase in costs of key input material/equipment and labour.

The Chief Engineers, S&O Kashmir as well as Jammu stated (April/July 2012) that initially the works were taken up for execution departmentally. However, on the advice of the consultant (CEA), the works were allotted on turnkey basis to various contractors. The whole process consumed substantial time and resulted in non-completion of schemes as well as shortfall in achievement of targets. The reply, however, was not tenable as the department had initiated the proposal for execution of most of these works in the year 2003 and sufficient ground work was to be carried out to ensure timely completion of the project.

2.3.9.2 Inordinate delay in completion of transmission infrastructure

Notwithstanding the recommendations of the Task Force for timely completion of the projects, and further stipulations in the contracts allotted on turnkey basis for completion of a project within 18 months from the date of award of contract, the department failed to complete construction of Sub-stations and Transmission lines within the stipulated period. The time overrun in completion of 40 projects including Grid sub-stations, transmission lines, augmentation and other minor works ranged between three and 48 months is given in ***Appendix 2.3***. Further the cost overrun of ₹ 113.43 crore was noticed in 23 out of 40 completed projects.

In addition to these 26 projects were incomplete (March 2012) despite time overrun ranging between 20 and 48 months. Due to delay in completion, the Department proposed (February/March 2012) another revision in respect of 17 incomplete major projects with cost overrun of ₹ 154.83 crore against the already revised cost of ₹ 559.39 crore in the year 2006. Audit noticed that the delay in execution of the schemes/works was caused mainly due to Right of Way (ROW) problems, changes in structural designs caused because of changed site conditions encountered during execution, litigation problems due to faulty evaluation of offer bids, non-payment of timely compensation for land/trees etc. falling within the alignment of sub stations/transmission lines and awaited clearances from the Forest Department. This indicated that

the department had failed to take preparatory steps like conducting of detailed surveys, soil testing and obtaining of statutory clearances which resulted in delayed and partial execution of transmission infrastructure besides idle investments.

2.3.9.3 Idle investment

As per the recommendations of the Committee for updating the best practices in transmission system in the country, project feasibility report is to be prepared before taking up any project so that the necessary statutory obligations like issue of notifications as per Electricity Act, forest clearance, PTCC (Power Telecom Coordination Committee) clearances, etc. are completed. This project feasibility report consists of details of transmission system, justification, scope of the project, technical parameters, estimated cost of the project, details pertaining to project management, environmental impact, project completion schedule, tariff etc.

Audit observed (March/July 2012) that eight projects targeted to be completed within 18 months from the date of commencement of the contract, had not been completed (March 2012) due to Right of Way (ROW) problems as depicted in **Table 2.3.3** below:

Table-2.3.3

Sl. No.	Name of project	ROW constraints	Expenditure (in crore)
1.	132 KV D/C Battal Manwal Hiranagar Transmission Line	Land and Forest clearance awaited	18.83
2.	220 KV D/C Barn – Hiranagar Transmission Line	Private and Govt. Land Clearance awaited	33.51
3.	132/33 KV Barn – Canal Transmission Line	Forest Clearance awaited	4.72
4.	132 KV D/C Ramban – Khellani – Kishtwar Transmission Line	Forest and Private Land Clearance	33.48
5.	132 KV S/C Thathri Bhallesa Transmission Line	Land Clearance, acquisition Sub-judice	6.98
6.	Construction of 132 Kv D/C Lassipora Shopian Transmission line	Land acquisition	4.92
7.	Construction of 220 KV Zainkoot Aulsteng Mir Bazaar Transmission line	Forest clearance awaited	42.72
8.	Construction of 132 Badampora-Bandipora Transmission line	Forest and wild life clearance awaited	9.91
Total			**155.07**

Consequently, the execution of projects had to be stopped mid-way after incurring expenditure to the tune of ₹ 155.07 crore. The Executive Engineers of the concerned Divisions stated (April/June 2012) that the works remained held up for execution and matter for early resolution of these ROW problems were being pursued vigorously. The reply indicated inefficiency on the part of the department to take preparatory steps for ensuring encumbrance free land before embarking the projects which resulted in idle investments due to stalling of these projects.

2.3.9.4 Unproductive investment

To ensure simultaneous completion of all the components of projects, construction of Grid sub-stations and transmission lines should be broken down to clearly defined packages so that they are procured and implemented simultaneously.

Audit noticed (March/July 2012) that seven Grid sub-stations and five Transmission lines though taken up for execution could not be energized due to non completion of allied connecting infrastructure as detailed in **Table 2.3.4** below.

Table-2.3.4

S. No	Name of project	Reasons for idling of infrastructure	Expenditure (31-03-2012) (₹ in crore)
1.	Construction of 132/33 KV Grid station Siot	Faulty evaluation of offer bids culminating in avoidable litigation	3.94
2.	Construction of 132 KV Akhnoor Kalakote Transmission line	Non completion of Grid station Siot	24.43
3.	Construction of line bays at Akhnoor	Non completion of Grid station Siot	2.85
4.	Construction of 50 MVA,132/33 KV Grid station Battal Manwal	Tardy progress	13.31
5.	Construction of 132 line feeding bays at Grid station Khellani	Non completion of Ramban Khellani Kishtwar Transmission line	4.18
6.	Construction of 2x210 MVA Grid Substations Bhallessa and Kishtwar	Non completion of Ramban Khellani Kishtwar Transmission line	31.12
7.	Construction of 220/132/33 KV Grid station Budgam	Non completion of 220 D/C Ring main and 132/33 KV Rawalpora Budgam Bemina line	69.67
8.	Construction of 2no 132 KV bays at 132/33 KV Grid substation Badampora	Non completion of 132 KV S/C Badampora Bandipora Transmission line held up due to ROW	2.63
9.	Construction of 132/33 KV Rawalpora Budgam Bemina line	Abandonment of work since 4/2010 due to revised designs	7.89
10.	Construction of 220 KV D/C Mirbazaar Wagoora transmission line	Non completion of 220 KV D/C Ring Main	29.72
11.	Construction of 220 KV D/C Zainkote Amargarh Transmission line	Non completion of 220 KV D/C Ring Main	27.67
12.	Construction of 220/132/33 KV Grid station Alusteng	Revised designs due to changes in civil components resulting in stalled work	58.07
		Total	**275.48**

The expenditure of ₹ 275.48 crore incurred on these projects was, thus, rendered idle and the projects failed to deliver the intended benefits.

The Executive Engineers of the Utility Divisions stated (April/July 2012) that transmission projects would be completed and energized on completion of connecting infrastructure. The detailed audit analysis of few projects revealed as follow:

- **Non-completion of transmission infrastructure for 220 KV Ring Main Kashmir**

A composite scheme to construct 200 KV Ring Main around Anantnag, Pulwama, Srinagar, Budgam, Baramulla and Ganderbal districts to facilitate 220 KV inter connectivity among different 200 KV lines and 220/132 KV Sub-stations aimed at system strengthening, security and reliability to cater to the demand of power was approved under PMRP. The scheme envisaged construction of four[2] 220/132 KV Grid sub-stations of total capacity of 1,120 MVA besides, construction of 251.30 CKM, (220/132 KV) transmission

[2] Mir Bazaar (Anantnag), Budgam, Amargrah (Sopore) and Alusteng (Srinagar)

lines. The project was taken up for execution in March 2005 at an estimated cost of ₹ 478.16 crore. Against the scheduled completion of all projected works by March 2008, the Department completed construction of only two[3] sub-stations as of March 2012 at an expenditure of ₹ 132.04 crore. The Department failed to ensure the completion of remaining two sub-stations and the connected 220/132 KV transmission lines despite incurring an expenditure of ₹ 224.70 crore due to the reasons indicated in **Table 2.3.5** below:

Table-2.3.5

Scheme/project	Reasons for delay
Construction of Grid substation Alusteng	Change of design of retaining walls of the Grid sub-station.
132 KV Rawalpora- Budgam-Bemina Transmission line	Revision of design of transmission line for laying of Pile foundations not envisaged in original Project Report.
220 KV D/C Alusteng-Mirbazar-Transmission Line	Changes in route alignment of stretches beyond the envisaged length of original Project Report of the Scheme.
Construction of 220 KV DC transmission lines viz Zainakote- Amargarh, Zainakote-Alusteng, Zainakote-Wagoora and Zainakote-Budgam- Wagoora	Changes in tower designs to accommodate eight circuits of the four 220 KV Transmission lines owing to space constraints/changes in type of tower foundation

Thus, due to non-completion of this composite scheme, the objective of providing strength to the existing transmission system and supply of quality and reliable power supply to the consumers could not be achieved by the Department.

The Chief Engineer, S&O Wing, Kashmir while admitting (August 2012) the fact stated that non-completion of the scheme would not affect the supply of reliable and quality power to the consumers as the transmission infrastructure required for the same was in place. The reply was not tenable as the primary objective of constructing 220 KV Ring Main was to strengthen the existing transmission system to ensure alternatives for un-interrupted power supply to six districts of Kashmir Division, which had not been achieved.

- **Faulty evaluation of bids leading to non completion of Sub-station**

Consequent upon evaluation of price bids received against tender notices the contract for construction of 132/33 KV Grid station, Siot (1x50 MVA) was offered to the bidder (L-2) for a contract value of ₹ 15.89 crore for completion in twelve months. Audit scrutiny of records revealed (May 2012) that while framing price schedules some discrepancies/errors were noticed in the comparative statements and consequent upon re-evaluation of bids and rectification of calculation errors/discrepancies, the contract value and the inter-se position of the bidders got changed. As a result of re-evaluation, another contractor emerged as the lowest bidder and was found entitled for the contract and the contract value reduced to ₹ 15.14 crore. Meanwhile, the contractor to whom letter of award had been issued initially resorted to litigation and the Honourable Court directed (May 2010) to maintain status-

[3] Mir Bazaar (Anantnag) and Budgam

quo in the case. The matter continued to remain sub-juidce as of May 2012. In the meantime, the Department had incurred an expenditure of ₹ 3.94 crore (March 2012) on execution of civil works departmentally which had been rendered idle. Further, an expenditure of ₹ 24.43 crore had been incurred on construction of 132 KV double circuit Barn-Siot-Kalakot transmission line projected to supply feeding power at 132 KV level from the Grid station at Siot. This component had also been rendered unproductive due to non completion of the Grid station, Siot. Thus, faulty evaluation of bids for construction of the Grid station, Siot by the Department resulted in avoidable litigation, denial of intended benefits to the public and non utilization of the Barn-Siot-Kalakot transmission line.

The Executive Engineer, Grid Construction Division, Jammu stated (May 2012) that the Grid station would be completed on priority as and when the case is decided by the court. The fact however, remains that the matter had been rendered sub-judice due to failure of the Department to ensure proper evaluation of bids.

2.3.9.5 Changes in scope of work

The Task Force on Transmission utilities recommended that the tower designs should be standardized and developed by the utilities prior to the floating of tenders for tower fabrication and construction. Besides, the projects are to be defined to finer details to the extent possible at formulation/NIT stage to avoid large quantity variations during execution stage. A detailed survey was as such required to be conducted before floating of tenders.

Audit observed (April 2012) that midway revision of the designs had been carried out in respect of four transmission lines and one Grid sub-station as per details given in **Table 2.3.6** below:

Table-2.3.6

S. No	Particulars of work/Project	Revision of Designs	Extra expenditure (₹ in crore)
1.	Const of Retaining walls of Grid substation Alusteng	Construction of retaining walls in RCC instead of stone masonry.	15.76
2.	132KV Rawalpora–Budgam-Bemina Transmission line	Revised design due to Pile foundations on account of low safe bearing capacity of soil.	11.55
3.	220 KV D/C Alusteng-Mirbazar-Transmission Line	Changes in route alignment of line resulting in more length of line falling in hilly terrain.	06.06
4.	Construction of 220 KV KV transmission lines viz Zainakote-Amargarh, Zainakote-Alusteng, Zainakote-Wagoora and Zainakote-Budgam- Wagoora	Changes in tower designs to accommodate 8 circuits of 04 No. 220 KV lines owing to space constraints/ Changes in type of tower foundation after soil investigations during execution.	9.60
5.	Construction of 132 KV D/C Bandipora-Badampora transmission line	Revision of design due to requirement of Pile foundations and hill side extensions necessitated due to soil conditions.	5.81
Total			**48.78**

Evidently, assessments which formed the basis of formulation of projects were not realistic and correct, as the site and soil conditions had undergone changes during execution. This had, further, necessitated revision of cost of the projects emanating from increase in cost of civil components of these

projects. This indicated that a detailed survey had not been conducted before floating tenders which resulted in extra financial burden of ₹ 48.78 crore besides, delaying the completion of works.

The Chief Engineer, S&O Wing, Kashmir while admitting (April 2012) the audit contention and stated that the fact about the requirement of pile foundations at such a large scale had gone unnoticed during preliminary survey as the soil strata of alignment of line seen with naked eye had not given any indication of low soil bearing capacity which was only detected during detailed soil investigation conducted by the contractors. Besides, alterations in the route of alignment were necessitated due to the fact that during the intervening period of project formulation and issuance of notifications by the Collector, Land Acquisition subsequent to the approval of project and allotment of funds, some constructions had come up in the originally projected route. The reply indicated inadequate project analysis on the part of the Department resulting in idling of the investment and non-accrual of intended benefits.

2.3.10 Works under State Plan sector

Apart from executions under the PMRP, the department also executed works relating to transmission infrastructure under the T&D State plan which mostly comprised of works relating to augmentation, strengthening and stabilization during the period 2007-08 to 2011-12. A test-check (April/July 2012) of these works executed under T&D State plan revealed inadequate funding resulting in idle investment of ₹ 7.96 crore in respect of four incomplete works and time over run ranging between one and 18 years in three cases as per details given in **Table 2.3.7** below:

Table-2.3.7

Sl. No.	Name of project	Targeted date of completion	Estimated cost (₹ in crore)	Cost Revision, if any (₹ in rore)	Expenditure (31-03-2012) (₹ in crore)	Time over run
1.	Augmentation of Grid Station Gladni at 132/33 KV Level	2007-08	5.07	8.70	1.99	4 years
2.	220 KV Bay for Udhampur Line at 220/32 KV Grid Station Gladni	2010-11	1.35	--	0.63	01 year
3.	Stabilization of Barn – Kishenpur 220 KV Transmission Line	2011-12	1.22	--	0.32	-
4.	Erection of 2×20 MVA 132/33 Grid station Reasi	1992-93	8.92	15.59	5.02	18 years
	Total				**7.96**	

The Executive Engineers of concerned Divisions stated (May to June 2012) that due to meager allocation of funds under T&D State Plan, the transmission works could not be completed.

2.3.11 Performance of transmission system

The performance of the Transmission utility depends upon efficient maintenance of Extra High Voltage Transmission (EHT) network for supply of quality power with minimum outages. During the course of operation of network, the supply-demand profile within the constituent sub-systems is identified and system improvement schemes are planned and undertaken to reduce line losses and ensure reliability of power by improving voltage profile. These System Improvement schemes are for augmentation of existing transformer capacity, installation of additional transformers, laying of additional lines and installation of capacitor banks. The performance of the Department with regard to operation and maintenance (O&M) of the system is discussed in the subsequent paragraphs:

2.3.11.1 Transmission capacity

To evacuate power from the generating stations and to meet the load growth in different areas of the State, the Department was required to construct Transmission lines and Sub-stations at different EHT voltage levels. The evacuation is normally done at 220 KV Sub-stations. The details of transmission capacity (220 KV) created by the Department vis-a-vis the transmitted capacity (peak demand) at the end of each year during the last five years period ended 31March 2012 are given in **Table 2.3.8** bellow:

Table-2.3.8

Transmission capacity (in MVA)				
Year	**Installed**	**After leaving 30 *per cent* towards margin/redundancy**	**Peak demand**	**Excess Transmission capacity**
2007-08	1,860	1,302	1,214	88
2008-09	2,340	1,638	1,422	216
2009-10	2,490	1,743	1,503	240
2010-11	2,490	1,743	1,630	113
2011-12	3,570	2,499	1,795	704

From the above table, it could be seen that the overall transmission capacity in the State was in excess of the requirement during the period from 2007-08 to 2011-12. The transmission capacity after excluding 30 per *cent* towards redundancy worked out to 2,499 MVA excess by 704 MVA as of March 2012. Despite excess transmission capacity in the State, it was noticed during test-check that four Grid sub-stations remained over loaded above their installed capacity ranging between 12 MVA and 35 MVA. The existence of idle capacity in the transmission network and prevalence of overloads on certain Grid sub-stations indicated unscientific planning in creation of transmission network.

2.3.11.2 Adequacy of Sub-stations

Manual on Transmission Planning Criteria (MTPC) stipulates the permissible maximum capacity of 320 MVA for 220 KV Grid sub-stations and 150 MVA for 132 KV Grid sub-stations.

Audit scrutiny of records revealed that the maximum capacity levels of three 220 KV Grid Sub-stations and two 132 KV Grid sub-stations exceeded the permitted levels. The details of the transformation capacity of these Grid sub-stations as of March 2012 are given in **Table 2.3.9** below:

Table-2.3.9

S. No.	Name of Grid Sub-station	Installed Capacity	Installed Capacity (MVA)
		No. of transformers installed	
220/132 KV Sub-station			
1.	Pampore	9	450
2.	Zainakote	9	450
3.	Gladni	5	710
132/33 KV Sub-station			
4.	Bemina	9	185.64
5.	Pampore	10	200

As can be seen from the above table, five out of 54 Grid sub-stations in the State, the transformation level exceeded the permissible levels of 320 MVA for 220/132 KV Sub-stations and 150 MVA for 132/33 KV Sub-station. This indicated that creation and augmentation of Grid sub-stations had not been planned in accordance with the approved criteria. The Chief Engineers, S&O Wing, Jammu as well as Kashmir while confirming (April/July 2012) that the installed capacity exceeded the permissible limits stated that it was necessitated due to load growth at these sub-stations. It was further stated that construction of new Sub-stations was being time consuming with issues like ROW and non-availability of space being the constraints, the existing Sub-stations had been augmented to extend the benefits within the shortest possible time. The fact, however, remained that the Department has had to plan the transmission network in a planned manner.

Further, the Transmission Planning and Security Standards provide that size and number of interconnecting transformers in the sub-stations shall be planned in such a way that the outage of any single unit would not normally overload the remaining interconnecting transformers and that in the event of outage of any single transformer the remaining transformer(s) could still supply 80 *per cent* of the load. Audit noticed that twelve[4] out of 44 Grid sub-stations at 132/33 KV level had a single transformer and there was no alternative available with the Department to supply uninterrupted power in the event of outage of any transformer in these sub-stations indicating lack of backup planning at transmission network level.

The Chief Engineers, S&O Wings stated (April/July 2012) that though on one hand the paucity of funds was a constraint for providing two transformers, in some of the Grid sub-stations the provision of two transformers was not financially viable as the actual load at these Sub-stations were much below the installed capacity. The reply did not specify any details of single-transformer Grid sub-stations where load was much below the installed capacity. The load-capacity gap or financial constraints

[4] Kangan, Sheree, Mattan, Khonmoh, Tethar, Gangyal, Katra, Pounichak, Chandak, Battal Manwal, Draba, and Mahanpur

do not take away the fact that the Department had not implemented redundancy planning for providing un-interrupted power in the event of outage of any transformer in these twelve Sub-stations.

2.3.11.3 Voltage management

According to Jammu and Kashmir Electricity Grid code, the utility is required to maintain Grid voltage of 200-245 KV and 120-145 KV at bus bars of the Grid sub-station ranging between 360 KV and 420 KV and 400 KV transmission lines between 220 KV and 132 KV transmission lines respectively.

A test-check of records revealed that out of ten 220/132 KV Grid sub stations in the State, the minimum bus voltage recorded at Gladni Grid sub-station was 175 KV below the minimum required voltage limit of 200 KV. Similarly, 28 Grid sub-stations out of 44 Grid sub-stations (132/33 KV), had the minimum bus voltage below the required minimum level which ranged between 96 and 119. This indicated that the grid voltages had not been maintained as per the prescribed norms by the Department.

2.3.11.4 Extra High Voltage Transmission Lines (EHT)

As per Manual of Transmission Planning Criteria (MTPC), permissible line loading cannot normally be more than the Thermal Loading Limit (TLL). These limits restrict sag and loss of tensile strength of the transmission lines and limit the maximum power flow of the lines. As per MTPC, the TLL of 132 KV line with Aluminum Conductor Steel Reinforced (ACSR) Panther 210 sq.mm conductor should be 366 amperes (amps). A test-check of records revealed that the thermal loading in respect of 84 outgoing feeders (33KV voltage level) of 19 Grid sub-stations had exceeded the thermal loading limit of 366 amps which ranged between 370 amps to 2,210 amps. The loading of the lines beyond the prescribed limits resulted in voltage fluctuations, higher transmission losses and frequent interruptions/breakdowns.

2.3.11.5 Bus Bar Protection Panel (BBPP)

Bus bar is used as an application for interconnection of the incoming and outgoing transmission lines and transformers at an electrical Sub-station. The Bus bar protection panel (BBPP) limits the impact of the bus bar faults on the entire power net-work which prevents unnecessary tripping and selective to trip only those breakers necessary to clear the bus bar fault. As per Grid norms and Best Practices in Transmission system, BBPP is to be kept in service for all 220/132 KV Sub-stations to maintain system stability during Grid disturbances and to provide faster clearance of faults on 220/132 KV bus bars.

Test-check of records revealed that out of ten 220/132 KV Sub-stations only two Grid sub-stations at Budgam and Bishnah were provided with BBPP. The position with regard to the protection given to 44 Sub-stations at voltage level of 132/33 KV was more dismal because only two[5] Grid sub-stations had been provided the protection panel whereas one[6] Sub-station was not in

[5] Rawalpora and Bari-Brahmna-II
[6] Bari-Brahmna-II

working condition. The position reflected inefficiency of the Department towards safety of the installed equipment.

2.3.11.6 Performance of Power transformers (PT) and Current transformers (CT)

The Power and current transformers are most important and cost-intensive components of the transmission network. These transformers go through natural ageing under operational stress conditions as well as accelerated ageing due to contamination and abnormal service conditions and being a critical link in power systems it is necessary to continuously monitor and assess the condition of power transformers to prolong their life duration, avoid unscheduled outages and reduce their maintenance expenditure. In order to gather detailed information about the operation conditions of CTs and PTs, various kinds of oil analysis like the standard oil Dissolved Gas Analysis (DGA), Tan Delta tests are generally conducted. For CT and PT insulation a combination of an insulating liquid and a solid insulation impregnated therewith are used. For an evaluation of the actual condition of this insulating system usually a DGA or Tan Delta test is carried out without needing a shut down, as failures inside the transformers lead to a degradation of the liquid insulation in such a way that the compound of the gases enables an identification of cause of the failure.

Audit observed that none of the equipment for carrying out diagnostic tests and preventive maintenance necessary for evaluating residual life of power transformers as well as detecting critical defects in the installed yard equipment at Sub-stations was available with the Department. In absence of these vital equipments, the regular preventive maintenance of the transformers could not be carried out. Audit further noticed that 18 power and 53 current transformers failed within their normal operational life, as per details given in **Table 2.3.10** below:

Table-2.3.10

Year	No. of transformers at the beginning of the year		No. of power transformers failed		No. of transformers failed within normal working life		Expenditure on repair and maintenance (₹ in crore)	
	Power	Current	Power	Current	Power	Current	Power	Current
2007-08	107	845	1	13	1	12	0.04	0.04
2008-09	108	845	6	13	6	12	3.52	0.04
2009-10	112	930	7	16	6	16	0.30	0.04
2010-11	113	933	2	13	2	13	0.07	0.04
2011-12	123	1,116	3	1	3	-	0.05	0.01

The Executive Engineers of the Utility Divisions while admitting (June/August 2012) the audit contention attributed the breakdown of transformers to lack of in-house facilities for specialized tests including residual life studies.

The detailed check in audit of two cases of transformer failure due to non availability of test monitoring equipment revealed as follow:

- Two single phase auto Power Transformers of 133.33 rating (installed during 2001) at Grid station, Gladni in Jammu city failed during June and

July 2008 causing outage of entire installed capacity (400 MVA) of the Grid station. This resulted in loss of integrity of Grid station plunging most parts of Jammu, Rajouri and Poonch districts into darkness for over two months. A team from Central Power Research Institute (CPRI), Bangalore conducted the inspection (July 2008) of the failed transformers and attributed the failure to progressive accumulated deterioration of bushing insulators of the transformers. This failure could not be assessed in absence of the data of Tan Delta and capacitance measurement results due to non-availability of the test monitoring equipments. The CPRI had recommended installation of monitoring equipment like Dissolved Gas Analysis (DGA)/Tan Delta kits, fire protection systems and replacement of lightning arrestors. The necessary equipments in this regard had not been installed (June 2012).

The Executive Engineer, TLMD-II, Gladni, Jammu stated (June 2012) that a project for establishing a diagnostic laboratory for housing these monitoring equipments at the Grid Station, Gladni was in process and would be put in place as soon the funds were received. The reply was not tenable as the Department should have put the proposal on fast track to avoid any major breakdowns.

- The diagnostic study (DG Analysis/Residual life assessment) of yard equipment installed at Grid station, Udhampur, was conducted (March 2010) by CPRI Bangalore. The team had concluded that Transformer Banks (capacity 7x40 MVA) of the Grid station were obsolete and recommended vacuum dehydration of windings, replacement of transformer oil, diagnostic tests and Tan-delta measurements of transformers. However, the recommended maintenance work was not undertaken by the Department, as a result, one single phase 40 MVA power transformer got damaged in September 2011 causing disruption of power supply to the areas catered from the transformer. As the remedial action suggested by the CPRI had not been taken by the Department, the other transformers in the Grid station were prone to damage due to constant use and possible disruption of services in future could not be ruled out.



Damaged power transformer at Grid sub-station Udhampur

2.3.12 Maintenance of Transmission system

The regular and periodic maintenance of transmission system is of utmost importance for its un-interrupted operation. The Report of the Committee for updating the Best practices of Transmission in the country, apart from scheduled patrolling of lines, has prescribed various techniques for maintenance of lines which include hot line maintenance, washing, puncture detection of insulators, besides preventive maintenance by using portable earthling hot line tools, vibration measurement of the line, thermo-scanning and pollution measurement of the equipment. The hot line technique envisages attending to maintenance works like hot spots, tightening of nuts and bolts, damages to the conductor, replacement of insulators etc. of lines without switching off and includes thermo scanning of all the lines for preventive maintenance.

Audit observed (April 2012) that no hot line maintenance and washing practice was adopted by the Department in the State. Further during test-check, it was observed that the yard equipment viz. Power current transformers, switch gears, circuit breaches installed at three Grid sub-stations (Janipur, Udhampur and Gladni) had outlived their lives as these were installed 25-30 years back. No action had been taken to either replace these equipments or maintain them properly. The Executive Engineers of concerned Divisions replied (April to August 2012) that the work of change of obsolete equipment could not be taken up due to non-accord of Techno-Economic clearance (TEC) to the projects and non-release of funds by the Department.

The Chief Engineer, S&O Wing, Kashmir stated (August 2012) that against three *per cent* of cost of assets required annually for maintenance of assets only 0.5 *per cent* was provided for the purpose. The Chief Engineer, S&O Wing, Jammu stated (July 2012) that requirement of funds for maintenance of assets was two *per cent* of the value of assets per annum and stated that there was shortage of funds for this purpose. In this connection, Audit noticed that the funds allocated during the years 2007-08 to 2011-12 for maintenance of assets were below one *per cent* of the value of assets as indicated in **Table 2.3.11** below:

Table-2.3.11

(₹ in crore)

Year	Value of transmission assets	Annual requirement for maintenance	Funds Allocated	Expenditure incurred
2007-08	1,135.00	22.70	8.00	7.99
2008-09	1,297.77	25.96	7.02	7.00
2009-10	1,448.74	28.97	8.01	8.00
2010-11	1,676.18	33.52	6.35	6.33
2011-12	2,475.23	49.50	6.95	6.93
Total	**8,032.92**	**160.65**	**36.33**	**36.25**

As can be seen from the above table, the assets in respect of transmission infrastructure grew from ₹ 1,135 crore in 2007-08 to ₹ 2,475.23 crore as of March 2012 and against a requirement of ₹ 160.65 crore for maintenance of these assets ₹ 36.33 crore (23 *per cent*) only were provided during the period 2007-08 to 2011-12. This indicated that the maintenance of assets was

ignored and the expenditure on maintenance and security of existing infrastructure which was old required immediate attention and investment for its safety.

2.3.13 Transmission losses

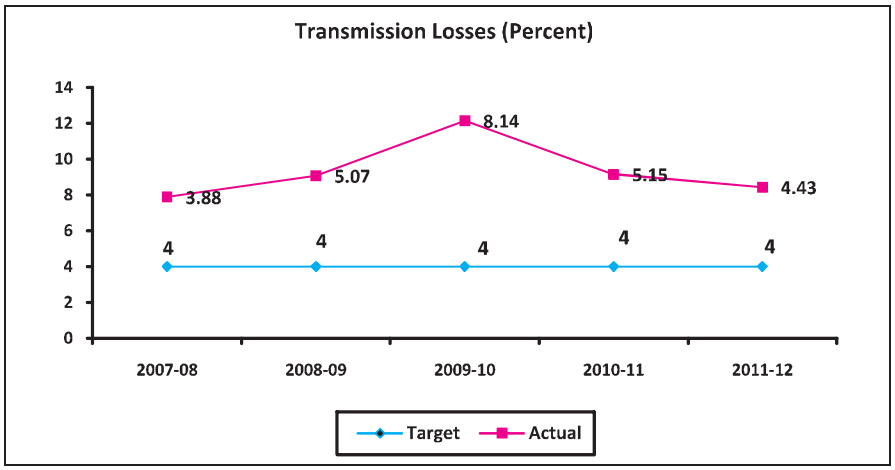
While energy is carried from the generating station to the consumers through the Transmission and Distribution (T&D) network, some energy is lost which is termed as T&D loss. Transmission loss is the difference between energy received from the generation/Grid stations and that transmitted to distribution wing of the Department for further supply to the consumers. The details of transmission losses from 2007-08 to 2011-12 are given in **Table 2.3.12** below:

Table-2.3.12

Particulars	Unit	2007-08	2008-09	2009-10	2010-11	2011-12
Power received for transmission	MUs	8,333.76	8,891.95	10,056.37	10,341.64	10,847.41
Net power transmitted	MUs	8,009.77	8,440.82	9,236.86	9,808.61	10,366.60
Actual Transmission loss	MUs	323.99	451.13	819.51	533.03	480.81
	(Percentage)	3.88	5.07	8.14	5.15	4.43
Target Transmission loss as per the CEA norm	(Percentage)	4	4	4	4	4
Transmission loss in excess of CEA norm	MUs	-	95.45	417.25	119.35	46.91
	Average Tariff Rate per unit in ₹	2.45	2.385	2.42	2.92	3.10
	₹ in crore	-	22.76	100.97	34.85	14.54

As could be seen from the above, the transmission losses exceeded the CEA norm of four *per cent* during the period 2008-09 to 2011-12 and ranged between 4.43 and 8.14 *per cent* resulting in estimated transmission loss of 678.96 MU valued at ₹ 173.12 crore[7] during the period as reproduced in **Chart-4** below:

Chart-4



[7] Calculated at an average tariff rate ranging between ₹ 2.42 and ₹ 3.10 per unit

The Chief Engineer, S&O Wing, Kashmir attributed (April 2012) the losses to defective/ inaccurate metering and inadequate compensation for reactive power. The fact, however, remained that the Department had not initiated any steps for arresting the losses and the problem continued to remain unattended.

2.3.14 Grid management

Transmission and Grid management are essential functions for smooth evacuation of power from generating stations to the Distribution utilities/consumers. Grid management ensures moment-to-moment power balance in the interconnected power system to take care of reliability, security, economy and efficiency of the power system. Grid management in the State is carried out in accordance with the standards/directions given in the Grid Code issued by SERC. The State Load Despatch Centre (SLDC), a constituent of Northern Regional Load Despatch Centre (RLDC), New Delhi, ensures integrated operation of power system in the State. The SLDC, Jammu is assisted by Sub Load Despatch Centre situated at Bemina, Srinagar for data acquisition and transfer to SLDC and supervisory control of 132 KV and 33 KV equipments. The SLDC levies and collect such fees and charges from the generating companies and licensees engaged in intra-state transmission of electricity as specified by the SERC.

2.3.14.1 Infrastructure for load monitoring

Remote Terminal Units (RTUs)/Sub-station Management Systems (SMSs) are essential for monitoring the efficiency of the transmission system and the power loads during emergency in load dispatch centers as per the Grid norms for all SSs. Audit observed (June 2012) that only eleven[8] Sub-stations (20 *per cent)* out of 54 Sub-stations were provided with RTUs for recording real time data for efficient Energy Management System.

2.3.14.2 Grid discipline by frequency management

As per Grid Code, the transmission utilities are required to maintain Grid discipline for efficient functioning of the Grid. All the constituent members of the Grid are expected to maintain a system frequency between 49 and 50.5 Hertz (Hz).

For maintenance of Grid discipline, the Central Electricity Regulatory Commission (CERC) takes up *suo-motu* petition on over drawal of power from the Grid at a lower frequency thus putting the Grid to the risk. According to the CERC, regulation (December 2002) on availability based tariff (ABT) the State overdrawing/under drawing power than their scheduled quota have to pay revenue charges at rates depending upon frequency. The Unscheduled Interchange (UI) charges are payable for deviations from the schedule and are also subject to the grid conditions at that point of time. The levying of UI charges is a commercial mechanism to maintain grid discipline.

[8] Bemina, Gladni, Hiranagar, Habak, Janipur, Miransahib, Pampore (220/132 KV), Pampore (132/33KV),Udhampur, Wanpoh and Zainkote

Northern Regional Electricity Board (NREB) issues bills of Unscheduled Inter-change (UI) charges in favour of the Department on weekly basis which are payable within ten days from the date of their issuance. Non-payment of UI charges attracts interest from the due date of payment.

Audit observed (June 2012) that UI charges of ₹ 947.15 crore had been paid between 2002-03 and 2011-12 and there was further an undischarged liability of ₹ 458.52 crore payable to the NREB. These UI charges included an interest of ₹ 303.19 crore due to delayed payment of these charges. This indicated that the Department had not ensured efficient grid management which resulted in payment of huge UI charges. This further revealed that proper mechanism to enforce Grid discipline by way of frequency management was not in place in the SLDC.

The Executive Engineer, SLDC, Jammu stated (June 2012) that all efforts were being made to stick to the allocated share and that in compelling circumstances like technical snag/closure of generating stations under the control of State Government, the over drawal of power was being made to fill the gap.

2.3.14.3 Non-installation of capacitors

The power load demand in the State is being met with the availability of power from self generation share in central sector power projects and power purchased from the Northern Grid. The State mostly depends upon the drawal of power from Northern Grid and due to excessive drawal of reactive power the system voltage is substantially low. Reactive power is a concept to describe the background energy movement in an alternating current system arising from production of electric and magnetic fields. These fields store energy which changes through each AC cycle. Devices which store energy by virtue of electric fields are said to generate reactive power such as, electric motors, welding sets, etc. The dissipation of power due to such devices reduces power factor (ratio of real power to apparent power) and has to be made up by way of devices which store energy by virtue of magnetic field and are said to absorb reactive power such as capacitors. Consumers with a power factor below 96 *per cent* are assessed with reactive power measured in Kilo Volt Ampere Reactive (KVAR) charge. In order to improve the power factor and the system voltage profile and also to reduce the drawal of reactive current from the Northern Grid, all State Electricity Boards were asked to install shunt capacitors in their respective networks.

The position of requirement and availability of shunt capacitors during the period 2007-08 to 2011-12 is given in **Table 2.3.13** below:

Table-2.3.13

Year	Installed Capacity available at 132/33 KV level sub-stations (MVA)	Requirement of number of Shunt Capacitors Million Volt Ampere Reactive (MVAR)	Number of Shunt Capacitors available Million Volt Ampere Reactive (MVAR)	Shortfall in availability of shunt capacitors (*per cent*)
2007-08	2,838.64	994	217	777 (78)
2008-09	3,008.64	1,053	217	836 (79)
2009-10	3,258.64	1,141	217	924 (81)
2010-11	3,286.14	1,150	217	933 (81)
2011-12	3,780.50	1,323	227	1,096 (83)

Though the project estimated to cost of ₹ 56.25 crore for installation of capacitor banks of 932 MVAR capacity was framed (May 2008) by the Department, it failed to commission the projected capacitor banks by March 2012 due to non-availability of funds. Failure of the Department in commissioning the required capacitor banks resulted in payment of ₹ 220.65 crore on account of reactive energy charges during the period 2002-03 to 2011-12. On being pointed out in Audit, the Chief Engineer of System and Operation Wing, Kashmir stated (April 2012) that the capacitor banks could not be commissioned due to non-availability of funds. The reply should be seen in light of the fact that there was under utilization of funds under PMRP and avoidable expenditure incurred by the Department on account of Unscheduled Interchange (UI) charges.

2.3.15 Planning for power procurement

The details of total requirement of power for the State, power supplied and shortage of power for the five years 2007-08 to 2011-12 are given in **Table 2.3.14** below:

Table-2.3.14

(Figures in MUs)

Sl. No.	Details	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Total power requirement	14,037	14,750	15,656	16,596	17,591
2.	Total power supplied[9]	8,753	9,147	10,383	10,667	11,091
3.	Power short supplied	5,284	5,603	5,273	5,929	6,500
4.	Percentage of shortage	38	38	34	36	37

It could be seen from the above that the percentage of shortage of power revolved between 34 and 38 *per cent* during the period from 2007-08 to 2011-12 which was abnormally higher in spite of consistent increase in both the power required and supplied during the period. The Department failed to arrest illegal consumption of power by the HT/LT consumers culminating into higher T&D losses which still stand at 56.76 *per cent* as of March 2012 against targeted T&D loss of 23.2 per cent by 2011-12 as per the report (January 2012) of Electric Power Survey conducted by the Central Electricity

[9] Including generation, short and long term purchases and drawal from Central Generating Stations

Authority (CEA). The unmetered supply of electricity was one of the major factors responsible for such a high power loss. Due to the gap in infrastructure vis-a-vis energy accounting, the peak demand of the State gets unrestricted and is presently projected as 2,500 MW which is restricted to 1,750 MW after load curtailments. The ratio of connected load and peak demand, known as Diversity Factor is always greater than one. Against the restricted peak demand of 1,750 MW, the registered connected load was 1,708.16 MW which resulted in under recovery of revenue and overload of transformers leading to large scale transmission failures and disruption of power supply. This indicated that the procurement of power had not been planned properly on the basis of realistic inputs from the distribution sector of the Department.

The State Government had entered into an agreement (January 1979) with Punjab State Government for sharing power and irrigation water share of Ranjit Sagar Dam (Thein dam) project on river Ravi. The said agreement was signed by the then Chief Ministers of the two States. The Thein dam houses four generating units of 150 MVA each and has a total generating capacity of 600 MVA. The agreement between the two States provided that the State Government would get share of 20 *per cent* in the total power generated at Thien dam by the Punjab Government at the cost of generation at bus bars and that in case the State Government was unable to utilize the aforesaid share of power within its territory or was desirous of selling the same, the surplus power would be sold to Punjab Government at mutually agreed rate.

To evacuate share of power from Thein Dam hydro electric project, the Department took up construction of 220 KV double circuit, Thein- Hiranagar transmission line during the period 1992-95. The single circuit of the line was completed in the year 2005 at a cost of ₹ 20.45 crore. The balance work for second circuit of the transmission line was got approved under PMRP at a cost of ₹ 5.71 crore in the year 2006 and the work of 40.35 kms out of 41.54 km of projected length was completed (March 2010) at a cost of ₹ 5.28 crore. The Punjab Government also agreed to connect this transmission line to Shahpur Kandi switchyard subject to the condition that the State Government would bear the cost (₹ 4.5 crore) of two number 220 KV bays to be utilized for evacuation of power share from the Thein dam. The Punjab Government had been insisting that cost of bays be borne by the State Government since the year 1996 onwards. The stalemate continued and the dispute could not be settled in-spite of interventions by the CEA and Northern Zonal Council during 2003-04. Due to failure of the State Government to provide ₹ 4.50 crore on account of cost of two 220 KV bays, the State could not draw its power share from the Thein dam.

Thus, inaction of the department to take decision for evacuation of power from the Thein dam hydro electric power project for the last three decades resulted in non utilization of 220 KV double circuit Thein-Hiranagar transmission line and consequent idle investment of ₹ 25.73 crore. The Government, in reply to audit query forwarded (August 2012) a detailed background note on Ranjit Sagar Dam wherein the high cost of power tariff by the Punjab State Electricity Board was attributed to loading of the cost of execution of irrigation component which was not acceptable to the State

Government and was not supposed to pay for cost of irrigation of the State of Punjab.

The fact, however, remained that the Department did not pursue the matter through appropriate channels and appropriate levels. The Department also failed to provide a rigorous cost-benefit analysis to conclusively establish that the acceptance of the deviations in the agreement sought by the Punjab Government is not in the interest of the Government of Jammu and Kashmir, considering the overall cost of power procured by the State from alternative sources.

2.3.16 Disaster Management

Disaster Management (DM) aims at mitigating the impact of a major break down on the system and restoring it in the shortest possible time. As per the recommendations of the Committee for updating the Best Practices in Transmission System, DM system should be set up by all power utilities for immediate restoration of transmission system in the event of major failures. The disaster management is carried out by deploying Emergency Restoration System (ERS), Diesel Generating (DG) sets, skilled and specialized manpower. The DG sets and synchroscopes[10] form part of Disaster management facilities at EHT sub-stations connecting major generating stations. Audit noticed that no disaster management setup existed in the State for immediate restoration of transmission system in the event of any major failure.

A test-check (April 2012) of records further revealed that out of 54 Grid sub-stations DG sets were available only in 37 (68 *per cent*) sub-stations. Further, snychroscopes were provided in five[11] Sub-stations out of which one[12] was non-functional.

The Chief Engineers, S&O wings, Kashmir as well as Jammu admitted (April/July 2012) that the Disaster management cell had not been setup due to paucity of funds and that no emergency restoration systems were available with the Department.

2.3.17 Financial Management

For development of transmission infrastructure facilities in the State, the funds were allotted by the Government of India under the Reconstruction Plan for the State announced by the Hon'ble Prime Minister in November 2004. The funds were also allotted by the State Government under T&D State plan and Non-plan heads of account. During 11th Five year plan period (2007-12), the details of funds allotted for the Transmission utilities of the Department are given in **Table 2.3.15** bellow:

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10 In an AC electrical power system it is a device that indicates the degree to which two system generators or power networks are synchronized with each other.

11 Gladni, Hiranagar, Pampore, Udhampur and Wanganpora

12 Wanganpora

Table-2.3.15

(₹ in crore)

Year	Allocation of funds				Expenditure			
	PMRP	State Plan	Non Plan	Total	PMRP	State Plan	Non Plan	Total
2007-08	318.42	12.46	38.56	369.44	133.70	9.97	36.59	180.25
2008-09	469.14	32.56	36.84	538.54	212.97	28.76	36.73	278.46
2009-10	500.00	21.74	50.17	571.81	260.98	19.59	45.19	325.76
2010-11	426.00	29.22	56.28	511.50	162.35	28.01	53.49	243.85
2011-12	215.15	22.39	68.71	306.25	126.68	20.61	67.75	215.09
	1,928.71	**118.37**	**250.56**	**2,297.64**	**896.68**	**106.94**	**239.75**	**1,243.37**

The details ibid indicated that funds to the extent of ₹ 2,297.64 crore were available during 2007-08 to 2011-12 out of which ₹ 1,243.37 crore only could be utilized. Out of this only 49 *per cent* (₹ 1,003.62 crore) of plan funds (PMRP: ₹ 896.68 crore; State Plan: ₹ 106.94 crore) could be utilized by the Department from available funds to the extent of ₹ 2,047.08 crore (PMRP: ₹ 1,928.71 crore; State Plan: ₹ 118.37 crore) during the period 2007-12 owing to delays in approval of projects from the Central Electricity Authority (CEA), late submission of drawings, price variations, revision of projects due to changes in drawings and site conditions, revision of bill of quantities and ROW issues. The under utilization of funds adversely affected the completion of transmission works both under PMRP and T&D State Plan and resulted in denial of intended benefits to the population of the State.

The Chief Engineers, S&O Wings Kashmir as well as Jammu accepted (August 2012) the audit contention of under utilization of funds. This indicated the fact that the Department was not fully geared up for execution of the projects for which funds were demanded.

2.3.17.1 Non-recovery of liquidated damages

In order to provide quality power to the beneficiaries, the Power Development Department took up various schemes of construction of 220/132 KV Grid Sub-stations and Transmission lines under PMRP. Although the works were initially taken up for execution Departmentally, they were subsequently awarded to the contractors on turn-key basis for speedy completion. The works were to be executed and the supplies were to be made within 18 months of the date of issue of Letter of Award (LOA). According to conditions governing the execution of works on turn-key basis in case of the failure of the contractor to complete the work within 18 months, a sum equivalent to one *per cent* of the contract value per week of delay or part thereof subject to a maximum of 10 *per cent* of the contract price was to be recovered from the contractor as liquidated damage. Audit noticed that the departmental authorities failed to recover liquidated damages to the extent of ₹ 16.48 crore for delayed execution of seven works as detailed in ***Appendix 2.4***.

The Executive Engineer, TLCD-II, Srinagar stated (June 2012) that in respect of two works liquidated damages of ₹ 2.22 crore had been recovered from the concerned contractor out of liquidated damages of ₹ 2.90 crore. The fact, however, remained that the amount of liquated damages of ₹ 14.26 crore remained unrecovered.

2.3.17.2 Avoidable expenditure

As per the Centrally Electricity Regulatory Commission (terms and conditions of tariff) Regulation Notification of March 2001 as amended from January 2008, a rebate of two *per cent* is allowable for payment of bills of capacity charges and energy charges through letter of credit (LC). However, in case the payments are made by a mode other than through the letter of credit but within a period of one month of presentation of bills by the generating company, a rebate of one *per cent* is allowable. Further, in case the bills are delayed by the beneficiaries beyond a period of one month from the date of billing, a late payment surcharge at the rate of 1.5 *per cent* per month shall be levied by the generating company.

Audit scrutiny (June 2012) of records revealed that despite the fact that State, being dependent on procurement of power from outside sources, the Department had not taken benefit of this facility. The system of payment of power bills by operation of LC though started during the year 2008-09 had not been adopted by the Department. However as per the procedure in vogue the bills raised by the power supplier are received by the Executive Engineer, Load Dispatch and Meter Testing (LD&MT) Division, Jammu and after verification are forwarded to the Executive Engineer, Commercial Survey Division, Jammu for onward transmission to the Administrative Department (Civil Secretariat) and to the State Finance Department for financial provisions. After passing through all these stages, the bills are then returned back to the Executive Engineer, LD&MT Division, Jammu for to payment. The Department had not thus availed the rebate of two *per cent* for release of payments though LC. Even the benefit of payment of power bills within one month for availing one *per cent* rebate was also not taken by the Department to the full extent. Audit further noticed that during the period 2007-08 to 2011-12 the Department had availed of rebate of ₹ 22.55 crore only against the allowable rebate of ₹ 190.64 crore resulting in avoidable payment of ₹ 168.07 crore. Further, due to delayed payment of power bills ₹ 45.90 crore had been paid by the Department as late payment surcharge during the period from 2007-08 to 2011-12 resulting in further extra avoidable expenditure to that extent.

The Executive Engineer, SLDC stated (June 2012) that prior to March 2011 sanctions for opening of LCs for payment to various CPSUs/Power supplying agencies were accorded and from April 2011 the funds were placed at the disposal of the Division which was later dispensed with by the Government. However, the reasons for dispensing with the practice of payment through LC were not furnished to audit.

2.3.18 Stores Management

Rule 8.4 of the Jammu and Kashmir Financial code envisaged that stores should not be held in excess of requirements. Each utility should assess the requirement of stores for the year and after fulfillment of all the codal formalities like invitation of tenders, ascertaining reasonability of lowest market rates, make purchases to ensure procurement of quality material and economy in Government expenditure.

Audit observed that stores were purchased in excess of the requirements and in nine[13] utility divisions. The surplus stores like tower material, copper control cables of different core, ACSR conductors, MS Channel/Joints, LA Sets of different specifications, suspension fittings etc. valued at ₹ 11.18 crore were lying in the stores of respective divisions for the last five years, which tantamount to blockade of Government funds. The prolonged storage of the material had the chances of deterioration in quality. On being pointed out in Audit, the Executive Engineers stated that the material as pointed out by Audit shall be utilized for in hand/other works pertaining to sister divisions.

2.3.18.1 Non-disposable of unserviceable store/stock

A periodical inspection should be conducted by the Head of Transmission utility, who must submit a report of surplus, unserviceable and obsolete stores to the competent authority for issue of orders towards their disposal.

Audit scrutiny of records (April/July 2012) in respect of seven[14] utility Divisions revealed that unserviceable stores consisting of power transformers, diesel generators, CTs/PTs, insulators, Iron scrap etc. valuing ₹ 1.27 crore was lying in the stores for a long period of time. The Executive Engineers of the concerned Utility Divisions accepted (June 2012) the audit observation.

2.3.18.2 Idling of power transformers

A 15 MVA (GEC Make) Power Transformer was spared (May 2006) at Grid station Miran Sahib, Jammu and transported for installation at 132/33 Grid station Jhajjar- Kotli on 10th June 2006. The Sub-station was, however, provided 31.5 MVA Transformer in May 2009 with the result the 15 MVA transformer was spared. It was seen that this transformer (15 MVA) had been kept idle and in uncharged condition for the last three years (July 2012). Since the transformer was lying in open, the physical condition of the equipment got detoriated and the manufacturers were approached for over-hauling/up-rating/re-conditioning of the transformer.

Similarly, 20 MVA capacity power transformer was spared (June 2011) from Grid station Akhnoor and transported to Grid station Kalakote and was lying

[13] TLCD-I, Jammu, TLCD-II, Jammu, Survey Division Jammu, Grid Construction Division Jammu, TLMD-III, Udhampur, Grid Construction Division Srinagar, TLMD-II, Srinagar, TLCD-I, Srinagar and TLCD-II, Srinagar

[14] TLCD-II, Jammu, TLMD-Udhampur, TLMD-II, Gladni, TLMD-I, Bemina, TLMD-II; Srinagar, TLCD-II, Srinagar and TLMD-III, Sopore

uncharged at that place thereafter. Further no action had been taken by the Department for its installation/use at any other Grid station. The Executive Engineer, Transmission Line Maintenance Division-I, Janipur while admitting (December 2012) the audit contention stated that both transformers at Grid Sub-Station Jhajjarkotli and Grid sub-station, Kalakote were lying idle for want of decision to be taken by the Department.

2.3.19 Manpower Management

The power utility was required to devise different modules of training for their staff to update their knowledge based on the latest development in the respective fields. The Department was also required to have a well defined HRD policy and systems. Based on requisitions, inputs from various transmission utility divisions, the staff particularly the technicians and Junior Engineers entrusted with manning of substations and EHV transmission lines were required to be got equipped with adequate skills to ensure smooth and safe operation and maintenance of transmission system of the Department.

Audit observed (April/July 2012) that a strength of 485 technicians was required in four utility divisions of Jammu region for operationalising and maintaining 18 Grid sub-stations, against which only 350 technicians were in position and there was a shortage of 135 (28 *per cent*) technicians for manning these Grid sub-stations. Similarly, there was an overall shortage of technical staff to the extent of 18 *per cent* in Kashmir region. Audit further noticed that no trainings were found imparted to the technical staff during the period 2007-08 to 2011-12. Thus, the manpower management was below par due to shortage of technicians required for manning transmission infrastructure and also because of not imparting training to the technicians.

The Chief Engineers, S&O Wing, Kashmir as well as Jammu admitted (July/September 2012) that no system of trainings and up gradation of skills existed in the Department because of non availability of funds and acknowledged the need for adopting the system on the lines of Power Grid Corporation India Limited (PGCIL) and National Hydro-Electric Power Corporation (NHPC).

2.3.20 Monitoring and evaluation

The performance of the Sub-stations and transmission lines of 400/220/132 KV on various parameters like maximum and minimum voltage levels, breakdowns, voltage profiles should be recorded/maintained, as per the Grid code standards.

Audit observed (July 2012) that the cumulative performance of the Sub-stations and Transmission lines were neither being maintained nor consolidated for evaluation of annual performance of the Sub-stations and Transmission lines. However, the Utility Divisions recorded some performance data in the log books of respective sub-stations, but no MIS reports indicating performance of the units as well as equipment installed were prepared in these Divisions.

The Chief Engineers, S&O Wing, Kashmir as well as Jammu admitted (July/August 2012) that year wise cumulative performance of Sub-stations

and transmission lines is judged from voltage level, flow of current, number of outages recorded in the log book of the Grid station. This indicated that no effective monitoring and control system existed in the Department.

2.3.21 Conclusion

The State had not been able to take full advantage of the assistance given by the Government of India as it had not been able to implement the projects in a time bound manner. Plan funds to the extent of 49 *per cent* only were utilized by the Department during the period 2007-08 to 2011-12. A State Electricity Plan and State Electricity Policy, as provided in the Jammu and Kashmir Electricity Act, 2010, to give shape to the future requirements in the Transmission Sector and to provide a roadmap for development of Power system in the State, had not been formulated despite lapse of about two years. The Department had failed to achieve the planned targets during 2007-12 and almost all the Grid sub-station and Transmission line projects started under Prime Minister's Reconstruction Plan (PMRP) had witnessed a time overrun. Some of the completed projects could not be operationalised due to incompletion of other related works with the result the infrastructure created was lying idle. The projects had suffered due to unplanned project formulations, execution of projects on *adhoc* basis and execution of projects without availability of essential pre-planning stage components like land, Right of Way, well formulated structural designs, site conditions, sound bid evaluation, etc. The transmission losses exceeded the Central Electricity Authority (CEA) norm of four per cent and ranged between 5.07 and 8.14 *per cent* during the period 2008-09 to 2011-12. In-efficient Grid management had led to payment of Unscheduled Interchage (UI) charges to the Northern Regional Electricity Board (NREB). The Department failed to install Power Factor (PF) correction capacitor banks resulted in payment of ₹ 220.65 crore on account of 'Reactive Energy' charges during the period 2002-03 to 2011-12. Against requirement of ₹ 160.65 crore for maintenance of transmission assets, ₹ 36.33 crore was provided during the period 2007-08 to 2011-12 indicating ignorance of the Department in the maintenance of the assets. The Department did not setup Disaster Management system in all the power utilities in the State due to paucity of funds.

2.3.22 Recommendations

The Department may consider to ensure:

- ***efficient implementation of the Electricity Plan/ Policy as laid down in the Jammu and Kashmir Electricity Act, 2010 for planned development of power system in the State;***
- ***speedy achievement of the planned targets in capacity additions in respect of Grid sub-stations and Transmission lines;***
- ***taking full advantage of the assistance of the GOI by ensuring speedy execution of in-hand projects;***

- ***close monitoring of the execution of Transmission projects so as to ensure that execution is not stalled due to Right of Way (ROW) problems;***
- ***taking effective steps for speedy resolution of encountered problems so that projects could be completed on schedule to check time and cost overrun;***
- ***restricting the transmission losses within the Centeral Electricity Authority (CEA) norms of four per cent;***
- ***efficient grid management to avoid penalty in the form of Unscheduled Interchange (UI) charges. Power Factor (PF) correction capacitor banks should be installed to avoid payment 'Reactive Energy' charges;***
- ***replacing age old and obsolete equipment installed at various Grid stations in a phased manner for ensuring system security and reliability;***
- ***proper maintenance of Yard Equipment so as to avoid expenditure on occasional tests arranged through Power Grid Corporation India Limited (PGCIL);***
- ***taking expeditious measures to complete the 220KV double circuit Thein – Hiranagar transmission line project for power evacuation from Thein dam; and***
- ***to setup a well equipped Disaster Management system.***

B. Thematic Audit

LABOUR AND EMPLOYMENT DEPARTMENT

2.4 Functioning of Jammu and Kashmir Building and Other Construction Workers Welfare Board

2.4.1 Introduction

Government of India (GOI) enacted (August 1996)[1] the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 (BOCW Act) for constitution of a Welfare Board in each State to undertake social security schemes[2]. The GOI also enacted (August 1996)[3] the Building and Other Construction Workers Welfare Cess Act, 1996 (Cess Act). Section 14 of the Cess Act stipulates that rule making power under the Act vests only with the GOI. The GOI framed (March 1998) the Building and other Construction Workers Welfare Cess Rules, 1998 (Cess Rules). To augment the resources of the Board, Section 3 of the Cess Act as amended in September 1996 provided for levy and collection of labour welfare cess at a uniform rate of one *per cent* of the cost of construction incurred by the employer. For the safety, health and welfare of the workers, the State Government in pursuance of sections 40 and 62 of the BOCW Act also framed (July 2006) the Jammu and Kashmir Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2006 (J&KBOCW Rules) as amended in November 2012. The State Government constituted (July 2007) the Jammu and Kashmir Building and Other Construction Workers Welfare Board (Board) to carry out welfare schemes for construction workers. The provisions of BOCW Act are applicable to every establishment which employs, or had employed on any day of the preceding 12 months, 10 or more workers in any building or other construction works. All such establishments engaged in construction activity are liable to pay cess under the Cess Act except construction activity by an employer in relation to his residence costing less than ₹ 10 lakh (excluding the cost of land).

2.4.2 Organisational set-up

To oversee the implementation of the BOCW and Cess Acts, the State Government had appointed (January 2007) the Labour Commissioner of the State as Chief Inspector and Appellate Authority, two Deputy Labour Commissioners as Assessing Officers (one each for Kashmir and Jammu province), 22 Assistant Labour Commissioners as Registering Officers/ Cess Collectors and 24 Labour Officers as Inspectors for the whole State within their respective jurisdiction.

The Board is headed by the Hon'ble Minister of Labour and Employment as Chairman. The other members of the Board are Welfare Commissioner (Hqr.), Ministry of Labour and Employment, GOI and 15 representatives, five each from the State Government, employers and workers. The Secretary of the Board was an officer of State Government of the rank of Deputy Secretary (October 2012).

2.4.3 Audit Objectives

The objectives of audit of the Board were to assess whether:

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1 Effective from 1 March 1996.

2 Provide loans and advances to beneficiaries for construction of houses, financial assistance for education of children, medical assistance to beneficiaries, disability pension, financial assistance for marriages, personal accident insurance scheme, etc.

3 Effective from 1 November 1995.

- Planning process for implementation of welfare measures was effective;
- Fund management was efficient and effective;
- Welfare measures were implemented effectively;
- Human resource management was effective and
- Monitoring and Internal Control Mechanism was in place and effective.

2.4.4 Scope and Methodology of Audit

Section 27 of the BOCW Act read with Section 19 (2) of the CAG's (Duties, Powers and Conditions of Services) Act, 1971 provide for audit of accounts of the Board by the Comptroller and Auditor General of India. The records maintained in the office of the Board and six[4] out of 22 Assistant Labour Commissioners for the period from February 2011 to March 2012 were test-checked in audit during March-April 2012. The reply of the Secretary/ Chief Executive Officer (CEO) of the Board has been incorporated at appropriate places in the report.

Audit Findings

2.4.5 Planning for implementation of Act

2.4.5.1 Delay in formation of Jammu and Kashmir Building and Other Construction Workers Welfare Board

It was noticed that the implementation of the BOCW Act, 1996 was not ensured expeditiously by the State Government as the Board was constituted (July 2007) after a delay of 11 years from the date of enactment of BOCW Act and reconstituted in December 2010. The Board actually started collecting the cess under the Act from November 2008 and started incurring expenditure only from February 2011. The delay in constitution and operation of the Board resulted in non-enforcement of provisions of the Act for the social security and other welfare measures of workers besides loss of cess to the Board. During test-check of records, Audit noticed non-recovery of cess of ₹ 41.69 lakh from the bills of the contractors by two Executive Engineers[5].

2.4.5.2 Shortfall in conducting meetings of the Board

Schedule for holding meetings by the Board was not prescribed in J&K BOCW Rules, 2006 as required under Section 20 of BOCW (RECS) Act, 1996. The Supreme Court had also directed (February 2012) that the Board shall meet once in two months. The rules amended in November 2012, however, provide that the Board shall ordinarily meet once in two months. It was, however, noticed that the Board had met thrice (February 2011, July 2011 and February 2012) since its establishment (July 2007) which resulted in shortfall in conducting meetings and taking policy decisions for the welfare of the construction workers.

2.4.5.3 Constitution of State Advisory Committee

As per Section 4 of the BOCW Act, 1996 the State Government was to constitute a State Advisory Committee (SAC) consisting of a Chairperson, two members of the

[4] Srinagar, Bandipora, Baramulla, Jammu, Poonch and Samba.

[5] Executive Engineer TLCD-II Bemina: ₹ 39.20 lakh and Executive Engineer, Electric Division, Bandipora: ₹ 2.49 lakh.

State Legislature, a member from GOI, Labour Commissioner of the State as Chief Inspector, seven to eleven nominees of the State Government representing employers, building workers, etc. to advise the State Government on matters arising out of the administration of the Act. However, no SAC was constituted by the State Government. The Secretary/ CEO of the Board stated (August 2012) that the matter for constitution of State Advisory Committee was taken up (January 2012) with the Government.

2.4.6 Financial management of the Board

2.4.6.1 Non-preparation of budget estimates resulted in its non-submission to State Government and GoI

Section 25 of the Act, 1996 provides that the Board shall prepare during each financial year its budget for the next financial year, showing the estimated receipts and expenditure of the Board and forward the same to the State Government and GOI. However, it was noticed that no such Budget had been prepared by the Board from its inception. The CEO/ Secretary Board stated (August 2012) that steps had been taken for adoption of Section 25 of the Act for the financial year 2012-13.

2.4.6.2 Resources of the Board

The cess collected under the Cess Act, registration fee from employers and workers and monthly subscription from the workers were the financial resources (Fund) of the Board. The fund is required to be applied by the Board for meeting the expenses on welfare schemes[6] of workers, salaries, allowances and other remunerations of the members, officers and other employees and other administrative expenses, etc. of the Board. The year-wise position of funds received, and expenditure incurred during the years 2010-11 and 2011-12 is indicated in **Table 2.4.1** below:

Table-2.4.1

(₹ in lakh)

Year	Opening balance	Funds received by Board	Funds available	Funds released to ALCs	Funds utilized	Closing balance	Percentage utilization of funds
2010-11	852.58	3856.71[7]	4709.29	-	10.21	4699.08	0.2
2011-12	4699.08	5742.96[8]	10442.04	652.15	379.22[9]	10062.82	3.63

(a) As would be revealed from the above table, the percentage utilization of funds was very low and ranged between 0.2 and 3.63 during the years 2010-11 to 2011-12.

(b) For depositing of all accruals under the Act, the Board operated the Bank Account with Jammu and Kashmir Bank Limited, Moving Branch, Civil Secretariat and started receiving Cess from 5th November 2008. The Board had not prepared the accounts for the period prior to 2010-11. As a result, the genuineness of balances carried over in accounts for the year 2011-12 could not be vouchsafed in audit. The

6 Maternity benefits, pension, advances for purchase or construction of houses, disability pension, loans for tools, payment of funeral assistance, death benefits, medical assistance, financial assistance for education and marriage of children, premia for group insurance scheme, assistance in case of accidents etc.

7 Cess: ₹ 3791.94 lakh; Bank Interest: ₹ 64.77 lakh

8 Cess etc.: ₹ 5727.63 lakh; Bank Interest: ₹ 15.33 lakh

9 Administrative expenditure: ₹ 81.97 lakh; Expenditure on beneficiaries: ₹ 297.25 lakh

CEO of the Board attributed (August 2012) it to non-maintenance of records and stated that compliance would be made by the Board.

(c) The annual accounts of the Board reflected payments of ₹ 1.35 crore to the workers during the year 2011-12 whereas the release orders reflected payment of ₹ 2.97 crore by 22 ALCs. This had resulted in a variation of ₹ 1.62 crore between the two sets of records. The CEO of the Board stated (August 2012) that the adjustment accounts from the ALCs were awaited.

(d) An amount of ₹ 29.32 crore was transferred (November 2010) by the Board from saving account to the current account on the directions (May 2010) of the State Government for assessing the over-draft facility to be availed by the State Government. The amount was re-transferred (March 2011) to the saving account without any accrual of interest to the Fund during the period. This resulted in loss of interest of ₹ 39.09 lakh to the Board.

(e) Audit noticed that 19 cheques valuing ₹ 95.60 lakh on account of cess money were received by three ALCs (Srinagar, Bandipora and Baramulla) from nine departments after a delay ranging between nine and 270 days. The delay in submission of cheques resulted in late afford of their credit and consequent loss of interest to the Board. The CEO/ Secretary stated (August 2012) that action on this count had been initiated by the Board.

(f) Thirty three cheques amounting to ₹ 63.01 lakh issued by employers between March 2008 and February 2012 were received by four[10] ALCs/ Board for credit into the account. Out of these, 11 cheques for ₹ 32.44 lakh were dis-honoured by the Bank on account of being time barred, incorrect names of account holders, frozen account etc. which were returned to the concerned agencies for revalidation. The credit of remaining 22 cheques had also not been realized. As a result, cess to the extent of ₹ 63.01 lakh had remained unrealized (August 2012). The Secretary/ CEO stated (December 2012) that most of the dishonoured cheques had been cleared. However, details of cheques cleared pointed out by Audit were not furnished.

(g) An amount of ₹ 50.32 lakh earned on account of interest on the balances of cess collection and funds released by the CEO/ Secretary during the period from September 2009 to March 2012 in the Bank accounts of five ALCs (Srinagar: ₹ 44.16 lakh; Bandipora: ₹ 1.66 lakh; Baramulla: ₹ 4.19 lakh; Samba: ₹ 0.11 lakh and Jammu: ₹ 0.20 lakh) was not transferred to the Board. Non-transfer of interest amount had resulted in non-investment of the amount by the Board in long/ short-term saving instruments and also non-utilisation of the amount on welfare schemes for the workers. The Secretary/ CEO stated (August 2012) that ALCs had been directed to transfer the whole amount of the interest in the account of the Board.

(h) A registration fee of ₹ 10 is charged from every worker coming for registration under the Act. Against registration fee of ₹ 5.74 lakh received by 22 ALCs during the year 2011-12, only ₹ 2.20 lakh had been remitted to the Board resulting in short remittance of ₹ 3.54 lakh by these ALCs. The Secretary stated (August 2012) that realization of registration fee was an ongoing process. The reply was, however, not tenable as the amount in question had remained out of annual account of the Board.

[10] Baramulla, Bandipora, Jammu and Srinagar

(i) The Board has prepared Income Expenditure Account and Balance Sheet only instead of adopting common format of accounts. The Board has also not approached Audit for prescribing format of accounts as required under Section 27 of the BOCW (RECS) Act, 1996.

2.4.6.3 Unauthorised expenditure on administrative expenses

As per Section 24(3) of the Act, the Board is authorized to incur administrative expenditure to the extent of five *per cent* of the total expenditure during a financial year. An amount of ₹ 10.21 lakh was incurred towards administrative expenses during the year 2010-11 despite the fact that no assistance was provided to the beneficiaries during the year. Further, against admissible administrative expenses of ₹ 18.96 lakh during the year 2011-12, the Board had incurred ₹ 81.97 lakh on this account resulting in excess expenditure of ₹ 63.01 lakh thereby violating the provision of the Act. The Secretary/ CEO attributed (August 2012) it to non-formulation of scheme and non-verification of registration of eligible construction workers under the Act and stated that every effort would be taken to restrict administrative expenditure within the prescribed ceilings under the Act.

2.4.7 Welfare measures

2.4.7.1 Implementation of the welfare schemes by the Board

As per the provisions of the BOCW Act, the Board was required to implement welfare schemes for workers. The Board had in its meetings decided to implement the welfare schemes regarding medical, disability, death, funeral expenses, maternity benefits, education assistance for the construction workers.

The Board released an amount of ₹ 652.15 lakh to 22 ALCs, on the basis of number of workers registered with each ALC, for incurring expenditure on the welfare measures of workers during the year 2011-12 against which the ALCs reported an expenditure of ₹ 297.25 lakh only during the year for providing assistance to 5105 out of 57,431 workers registered with the Board. The percentage of utilization of funds by 22 ALCs ranged between 12 and 100. Due to poor utilization of funds the unspent balance accumulated to ₹ 100.62 crore at the end of March 2012.

It was noticed that 2,400 cases[11] amounting to ₹ 85.06 lakh[12] were pending with three ALCs despite ₹ 77.43 lakh remaining un-utilised (March 2012) with these ALCs. The CEO of the Board stated (August 2012) that seeking of benefit is voluntary in nature and not mandatory. The reply was not tenable due to delay in constitution of Board and making it operational after fifteen years from the date of enactment of the Act. All the workers were not aware of the benefits of the schemes which resulted in availing of benefits by lesser number of workers during 2011-12.

2.4.7.2 Irregularities in payment of assistance to workers

Some instances of irregular payment of assistance under the scheme noticed during test-check in audit are produced as follows:

(a) The ALC Poonch released assistance of ₹ 4.62 lakh in favour of 114 beneficiaries without recording details of registration of the workers (112 cases),

[11] Srinagar: 200; Baramulla: 1200 and Bandipora: 1000

[12] Srinagar: ₹ 15.06 lakh; Baramulla:₹ 40 lakh and Bandipora: ₹ 30 lakh

without obtaining proof of marriage (one case) and marriage assistance to an ineligible person (one case).

(b) Marriage assistance of ₹ 0.25 lakh was released by ALC Poonch in favour of one construction worker in March 2012 but the amount was found credited to the bank account of another person.

The Secretary stated (August 2012) that a committee was being constituted to look into all such loopholes as pointed out by the audit.

2.4.7.3 Registration of establishments

Section 7 of the BOCW Act 1996 provides that every employer is required to make an application with prescribed fee for the registration of his establishment within a period of sixty days of the commencement of the Act or within sixty days from the date on which Act becomes applicable to the establishment. The Board is also required under Section 43(a) of the Act *ibid* to identify all the Government agencies and private builders falling within the purview of the Act and arrange to collect cess at prescribed rates. The cess is to be collected from every employer in such manner and at such time including deduction at source in relation to a building or other construction work of a Government or of a public sector undertaking or advance collection through a local authority where an approval of such building or other construction work by such local authority is required. Besides, the Board is required under Cess Act to educate the employers about penalties, fine and imprisonment for violation and contravention of the Acts. But it was noticed that neither list of registered employers was available with the Board nor the Board had conducted any such exercise to identify the employers as no such consolidated information was available in the Board office.

The State Labour Commissioner (Chief Inspector of Inspection under the Act) had, however, identified 88 defaulting employers and list thereof was furnished (October 2011) to Commissioner/ Secretary, Labour and Employment Department. Though notices had been served by the cess collectors of Kashmir division in 40 cases, no action had been taken in Jammu division in respect of 48 defaulting cases. The Secretary stated (August 2012) that assessing officers and cess collectors had been requested to gear up the process of recovery of cess from the defaulters. It was also stated that an amount of ₹ 4.85 crore was received from an employer but position of recovery of cess from the 88 cases pointed out in audit was not intimated.

2.4.7.4 Issue of identity cards and renewal of registrations

The identity cards issued were incomplete in as-much-as the space for mentioning the details of the building and other construction work done by the beneficiary duly authenticated by the employer was not provided in identity cards as required under Section 13 of the BOCW Act, 1996. The worker-wise record of annual contribution received from the workers was not maintained. Therefore, the position of outstanding contribution from the workers was not ascertainable in audit. The Secretary/ CEO of the Board stated (August 2012) that new identity card had been designed so that full information would be available on it as required under the Act.

2.4.8 Human Resource Management

2.4.8.1 Sanctioned strength and persons-in-position

The staff sanctioned for the Board and persons-in-position thereagainst as of 31 March 2012 is indicated in **Table 2.4.2** below.

Table-2.4.2

Sl. No.	Category of staff	Sanctioned strength	Person-in-position
1.	Secretary-cum- Chief Executive Officer	1	1
2.	Accounts Officer	1	1
3.	Section Officer	1	1
4.	Accountant	1	1
5	Accounts Assistant	1	nil
5.	Senior Assistant	1	1
6.	Junior Assistant	23	1
7.	Orderly	2	2
8.	Driver	1	1

All the staff except one driver was on deputation from the State Government to the Board without deputation allowance. Though the Government had directed (December 2011) the Board for filling up of the posts of 22 junior assistants by direct recruitment through Service Selection Board, the same was not done. The Secretary/ CEO of the Board stated (August 2012) that 22 Data Entry Operators and one driver were engaged on outsourcing basis by the Board. In addition to these, the officers of Labour Department were also engaged in implementation of the Act.

2.4.9 Internal Control System and Monitoring mechanism

2.4.9.1 Internal Audit and Internal Control Systems

Internal Audit and Internal Control Systems are important mechanisms for ensuring the smooth working of an organisation. While effective Internal Control Mechanism helps in exercising check on various activities of the organisation, Internal Audit acts as an effective tool in exercising check on expenditure. It also ensures that various systems are functioning properly.

Audit noticed the following deficiencies in the internal control system;

- The Cash Book in the CEO/ Secretary Office had been maintained on the basis of bank scrolls. However, with effect from February 2011, the cheques of cess amount were entered in the Cheque Receipt Register instead of Cash Book. The records indicating details of cheques received, credit afforded on these cheques by the bank to the account of the Board and cheques dishonoured were not maintained by the Board.
- Test-check of records of six ALCs revealed that the Cash Books were not closed daily/ monthly by three ALCs (Baramulla, Bandipora and Srinagar) and three ALCs (Poonch, Samba and Jammu) had not maintained Cash Book with the result that genuineness of balances reflected in the bank statement could not be reconciled.

The Secretary/ CEO stated (August 2012) that the necessary guidance of Audit has been noted.

- The Board had not introduced any Internal Audit in order to ensure effective control in exercising checks on various activities of the Board including its finances. In reply to an audit query, the Secretary/ CEO of the Board stated (July 2012) that the instructions had been noted.

2.4.9.2 Non-preparation of Annual report

Section 26 of the BOCW Act, 1996 envisages that the Board shall prepare, in such form and at such time of each financial year as may be prescribed, its annual report, giving a full account of its activities during the previous financial year and submit a copy thereof to the State Government and Central Government. It was noticed in audit that the Board had not prepared the requisite annual reports for the financial years 2010-11 and 2011-12.

2.4.10 Monitoring mechanism

The Board had empowered (July 2011) the CEO/ Secretary to take up the process of implementation of the scheme by constituting committees at district level for monitoring the implementation of the Act in an effective manner. Such committees were to meet at regular intervals to give necessary feedback to the Board for removal of the difficulties in smooth implementation of the scheme. Out of 22 monitoring committees, only four committees (Reasi, Samba, Ganderbal and Kargil) had furnished feedback to the Board. Thus, the very purpose of constitution of district level committees for the better implementation of the Act could not be achieved. The Secretary stated (August 2012) that the matter had been taken up with all the District Commissioners and only some of them had shown keen interest in implementing the Act. Audit further noticed that no meetings were conducted by the ALCs with the district heads, etc. with regard to the implementation of the Act as no such reports were on record with the ALCs.

2.4.11 Conclusion

The State Government started implementation of the BOCW and Cess Acts after a delay of more than 11 years from their enactments. The J&K Building and Other Construction Workers Welfare Board after its constitution in March 2007 did not take any initiatives to formulate the modalities for implementing the welfare schemes till February 2011. The State Advisory Committee was not constituted even after more than 16 years of enactment of the Act to advice the Board on such matters arising out of the administration of the Act, as may be referred to it. The crucial aspects of identification of beneficiaries and registration of establishments and implementation of welfare schemes for workers were not given due priority. As a result, huge funds to the extent of ₹ 100.62 crore remained unutilised with the Board as of March 2012. Expenditure to the tune of ₹ 73.22 lakh had been incurred in excess of the permissible limit during 2010-12 on establishment and other expenditure in contravention of the Act. The monitoring mechanism was weak and internal audit and internal control system had also not been instituted by the Board.

2.4.12 Recommendations

- ***The Government may consider to ensure effective implementation of the provisions of the Act.***
- ***The Board may take effective steps to maintain a database with regard to registration of establishments and conduct of proper survey for identification of total number of building and other construction workers in the State.***
- ***The State Advisory Committee may be constituted in compliance to BOCW Act, 1996.***
- ***Proper mechanism may be evolved for examination of cases before sanctioning and releasing the financial assistance to beneficiaries.***
- ***An effective monitoring mechanism and internal control system may be put in place for proper implementation of the Act and follow up of the welfare schemes for the benefit of workers.***

C. Audit of Transactions

Fraud/ Embezzlement/ Mis-appropriation/ Loss

Education Department

2.5 Fraudulent drawals

Non-observance of prescribed checks by the Principal, Government Girls Higher Secondary School and Treasury Officer, Bhaderwah facilitated fraudulent drawals of ₹ 3.26 lakh.

Rule 2.27 of the Jammu and Kashmir Financial Code provide that the disbursing officer should enter all bills drawn from the Treasury for departmental expenditure in a register and get all drawals verified with the registers maintained at the Treasury once in a month. Further, the rules stipulate that all monetary transactions should be entered in the cash book as soon as they occur and should be attested by the Head of the office in token of check.

The procedure for drawal of money from Treasury involves the following steps:

a. preparation and submission of the bills duly attested by the Drawing and Disbursing Officer (DDO) to the Treasury;

b. transferring of money by the Treasury into the official account of the DDO and recording the entry of payment by the Treasury Officer in treasury records viz., Register in Form-3 (*Madhwar*);

c. recording of the entries of drawal of money by the DDO in his drawal register and cash book and

d. periodical reconciliation of the cash book balances with the drawal register and the Bank account statement by the DDO. For this purpose, the DDO is to obtain from the Treasury Officer by the 15th of every month, a list of bills drawn during the previous month and trace them in the cash book.

Audit check (December 2010) of records of the Principal, Government Girls Higher Secondary School, Bhaderwah (DDO) by way of verification of transactions recorded in the drawal register with the Bank Account statement of the DDO and the records of Treasury Bhaderwah revealed that three drawals[1] amounting to ₹ 2.46 lakh were drawn (January 2009 and February 2010) from the Treasury and had not been recorded in drawal register and cash book of the DDO. These drawals were made on the basis of fictitious claims of General Provident Fund (GPF) advance (₹ 1.30 lakh) of two officials and pay arrears of the staff (₹ 1.16 lakh) from the Treasury. The entries thereof were not recorded in the drawal register, cash book and GPF advance register of the office or the personal records of the employees. The amounts after transfer by the treasury to the official account of the DDO were subsequently credited to the bank accounts of a fake official (January 2009) and senior assistant of the office (February 2010) respectively on the basis of authority letters issued by the DDO. A check of treasury records (*Madhwar*) and the drawal register revealed that the Treasury Officer without verifying the drawals made by the DDO during January 2009 and February 2010 from his records had recorded wrong certificates of verification of drawals on the drawal register.

[1] January 2009: ₹ 0.70 lakh; January 2009: ₹ 0.60 lakh and February 2010: ₹ 1.16 lakh

Audit further observed that an amount of ₹ 0.80 lakh was drawn between December 2008 and December 2009 by inflating totals of the pay bills (₹ 0.29 lakh), drawal of inadmissible pay wages (₹ 0.10 lakh) of contractual lecturer, charge allowance (₹ 0.23 lakh) of a lecturer and leave salary (₹ 0.18 lakh) of a teacher.

These fraudulent drawals were facilitated due to non-observance of the following prescribed procedures:-

- The DDO had not obtained from the Treasury Officer Bhaderwah, by the 15th of every month, a list of bills drawn during the previous month and traced them in the cash book.
- The DDO had not ensured entry of all the bills drawn from the Treasury in the drawal register and cash book of the office besides, proper acquittance of amounts in favour of genuine officials.
- The DDO had not ensured accuracy of the totals of pay bills and correctness of the claims of pay and allowances, advances, leave salary, etc.
- The Treasury Officer had not verified individual drawals made by the DDO from his records while recording the certificate on the drawal register.

The matter was pointed out (December 2010) in Audit to the Principal, Government Girls Higher Secondary School and the Treasury Officer, Bhaderwah and reported to the Director School Education, Jammu (January 2011) and the Government (April 2011). The Treasury Officer stated (December 2010) that verification of the drawals had been conducted wrongly due to oversight and rush of work.

The Director School Education, Jammu constituted (March 2011) an inquiry committee to look into the audit observation. The Committee held (November 2011) the ex-Principal and the senior assistant responsible for financial irregularities. The Chief Accounts Officer of the Directorate of School Education, Jammu in response to further audit queries (December 2011) intimated that the senior assistant had been placed (December 2011) under suspension and the ex-Principal had been charge sheeted (December 2011) and that the amount of ₹ 3.26 lakh had been remitted into the Treasury/paid to the concerned officials by the senior assistant.

Thus, non-observance of prescribed checks by the Principal, Government Girls Higher Secondary School and Treasury Officer, Bhaderwah facilitated fraudulent drawals of ₹ 3.26 lakh by the DDO. The risk of drawal of GPF advances on fake bills may be minimised by establishing a system of intimating to the concerned employee by the Treasury, while moving towards a system of direct electronic credit of employee's bank accounts.

The matter was referred to the Government in March 2012. The reply had not been received (December 2012).

Health and Medical Education Department

2.6 Misappropriation of Government money

Failure to enforce internal controls by the Medical Superintendent, District Hospital, Baramulla facilitated misappropriation of Government money to the tune of ₹ 23.27 lakh.

The Government accorded (December 2000) sanction for creation of Hospital Development Fund (HDF) which was to be credited with user charges realized from

patients on account of sale of Out Patient Department (OPD) tickets and various medical investigations/ facilities in Government hospitals. The Government further directed (October 2001 and February 2008) that these user charges should be retained and utilized for minor repairs/ maintenance of hospitals, machinery and equipment including cost of films for providing regular facilities to the patients.

Rule 2.2 and 2.15 of Jammu and Kashmir Financial Code provide that the Drawing and Disbursing Officer (DDO) should ensure that all the monetary transactions are entered in the cash book and should also verify cash balances in the cash book at the end of each month. The DDO should further ensure that a proper receipt is issued on receipt of Government money.

Test-check (December 2011) of records of the Medical Superintendent, District Hospital, Baramulla revealed that the user charges collected by the Incharge of various Sections of the Hospital on account of sale of OPD/ IPD[2] tickets, medical facilities/ investigations[3], etc. were deposited with the cashier of the Hospital for onward credit to the HDF Account maintained with Jammu and Kashmir Bank Limited, Baramulla. Out of ₹ 1.47 crore (including opening balance of ₹ 38.74 lakh as of April 2009) realised from April 2009 to November 2011, an expenditure of ₹ 1.03 crore was incurred by the Medical Superintendent leaving balance of ₹ 44.42 lakh as of November 2011 as per cash book of the Hospital. However, there was balance of ₹ 23.75 lakh[4] only in the HDF account as of November 2011 revealing misappropriation of ₹ 20.67 lakh.

In another case, Audit further noticed that out of ₹ 43.03 lakh realized from April 2009 to November 2011 on account of sale of OPD tickets by Incharge OPD Section, only ₹ 40.43 lakh were deposited with the Cashier resulting in further misappropriation of ₹ 2.60 lakh. Thus, total misappropriation amounted to ₹ 23.27 lakh.

Audit further noticed that the cash handling was being done at multiple points and hence codal provisions concerning cash should have been appropriately applied at each cash collection point. Periodical reconciliation/ verification of receipts collected by various sections of the Hospital was not conducted with the records of the cashier and the bank. On being pointed out (December 2011) in Audit, the Medical Superintendent of the Hospital stated (December 2011) that ₹ 11.56 lakh had been adjusted by admitting vouchers (₹ 4.10 lakh), recovery of amount from the concerned (₹ 6.90 lakh), bill variation/ wrong posting (₹ 0.56 lakh) and accepted misappropriation of ₹ 9.15 lakh. It was stated (February 2012) that further recoveries of ₹ three lakh had been effected from the Cashier and ₹ 2.59 lakh from the concerned official of OPD Section of the Hospital.

The reply of the Medical Superintendent is not tenable. Out of ₹ 6.90 lakh stated to have been recovered from the Cashier, credit of ₹ 3.30 lakh was already afforded in the Hospital Development Fund Account in November 2011, which was accounted for while working out balance at the close of 30 November 2011. Further, documentary proof of recoveries of ₹ three lakh and ₹ 2.59 lakh had not been furnished to audit and no action by way of lodging of first information report/ criminal investigation into the matter was taken by the Department.

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2 Indoor Patient Department

3 X-Rays, USG, ECG, Dental, Laboratory tests

4 Actual bank balance: ₹ 29.63 lakh out of which ₹ 5.88 lakh are the interest and the amounts credited from other sources

The matter was referred to the Government/ Department in August 2012; reply was not received (December 2012).

Unfruitful/ Unproductive/ Idle expenditure

Agriculture Production Department

Sher-e-Kashmir University of Agricultural Sciences and Technology, Jammu

2.7 Idle expenditure

Failure of the University to ensure installation and operation of equipment resulted in idle expenditure of ₹ 4.14 crore besides, depriving the students/ researchers of the intended benefits.

The Sher-e-Kashmir University of Agricultural Sciences and Technology, Jammu (SKUAST) procured (2005-08) various high-tech equipment at a cost of ₹ 6.12 crore as detailed in ***Appendix-2.5*** for use by different departments of the University. The equipment were to be used for facilitating research and for imparting practical trainings to students undergoing various courses in the University.

Audit scrutiny (January 2012) of records of the University revealed that after receipt (2006-08) of 18 equipment, no serious efforts were made by the University authorities to install and make them functional with the result that all the equipment were lying unutilized (June 2012). The equipment were imported by making payments through letters of credit operated in favour of the firms. The performance guarantee of the equipment was obtained but the amount of security was released without ensuring installation and commissioning of the equipment. After this was pointed out in Audit, the Registrar of the University informed (June 2012) that a committee had been constituted to suggest solutions to make the equipment functional.

The matter was referred to Government/ University in July 2012. The Registrar informed (August 2012) that after non-functioning of equipment valuing ₹ 6.12 crore was pointed out by Audit, the University had succeeded in making eight equipment costing ₹ 1.98 crore functional. The progress of making the balance 10 equipment functional was awaited (December 2012).

Failure of the University authorities to ensure installation of equipment resulted in idle expenditure of ₹ 4.14 crore, besides depriving the students of the intended benefits.

Public Works (Roads and Buildings) Department

2.8 Unfruitful expenditure due to non-acquisition of land

Failure of the Department to acquire land for approach roads of the bridge before allotment of the work resulted in unfruitful expenditure of ₹ 73.40 lakh and locking up of ₹ 90 lakh besides, depriving the people of the benefits of road connectivity of Katra Town with Domel-Katra road.

To provide road connectivity of Katra town with Domel-Katra road through four[5] villages, the Executive Engineer (EE), Roads and Buildings Division (R&B), Katra proposed (September 2007) construction of motorable bridge over *Magal Nallah* along with approaches at an estimated cost of ₹ 1.50 crore to be completed within one

[5] Nangal, Parnote, Sool and Magal

year. The project included provision of ₹ 75 lakh for construction of 25 metre span motorable steel girder bridge and ₹ 10 lakh for land compensation. The land for approach roads was not acquired by the EE before taking up execution of the project. An amount of ₹ 75 lakh was released under Special Infrastructure Development Fund (District Plan) during the period 2007-09.

Audit scrutiny (July 2010) of records of the EE, R&B Division, Katra revealed that in anticipation of Administrative Approval, the work was taken up and construction of the bridge was completed (March 2009) at a cost of ₹ 73.40 lakh. The cost of the project was revised (July 2009) to ₹ 1.96 crore for funding its balance works worth ₹ 1.21 crore. However, the provision for land compensation was not kept in the revised project. The balance work of the project of approach roads which was allotted (October 2009) to a contractor at a cost of ₹ 70.26 lakh could not take off due to land dispute with the locals for non-payment of land compensation. As the balance work could not be commenced, further ₹ 90 lakh released (November 2009) under the State Plan for the project was advanced (December 2009 to March 2010) by the EE to the State Procurement Department for purchase of construction material. However, the material had not been lifted (February 2012) and the amount continued to remain locked up.

On this being pointed out in audit, the EE stated (February 2012) that as and when the land dispute was settled, the work would be completed immediately. The reply was not acceptable as the EE was required to ensure encumbrance free land before taking up work of the project.

Thus, failure of the Department to acquire land for approach roads of the bridge before allotment of the work resulted in unfruitful expenditure of ₹ 73.40 lakh besides, locking up of ₹ 90 lakh. The objective of providing road connectivity of Katra town with Domel-Katra road could also not be achieved.

The matter was referred to Government/ Department in March 2012; the reply had not been received (December 2012).

2.9 Unproductive expenditure due to failure to ensure availability of land

Failure of the Departmental authorities to ensure availability of land free from encumbrance to the contractors before taking up construction of two roads resulted in unproductive expenditure of ₹ 1.42 crore.

(A) To provide road connectivity to village *Dhanna* in district Kathua with population of 2,000 souls, the Executive Engineer, R&B Division, Kathua proposed construction of 2.85 Kms. long fair weather road from point *L024* to village *Dhanna* under *Pradhan Mantri Gram Sadak Yojana* (PMGSY) before ensuring availability of land free from encumbrance. The village was not connected by any road theretofore. The road was to play an important role in providing basic facilities of life to the people besides convenient transportation of marketable goods. The project was sanctioned (May 2008) at a cost of ₹ 98.05 lakh. According to the PMGSY guidelines, the Department is responsible to ensure availability of land for taking up the proposed road works.

Audit scrutiny (March 2012) of records of the Executive Engineer (EE), PMGSY Division, Kathua revealed that the work for construction of a fair weather road was allotted (November 2008) to a contractor at a cost of ₹ 96.98 lakh before ensuring availability of land free from encumbrance. The work was to be completed within a

period of nine months. The contractor belatedly took up (February 2010) the work and completed (November 2010) construction of 2.30 Kms. of road at a cost of ₹ 65.46 lakh but could not execute balance work at the starting point (RD 1/0 to 1/425 Kms.) of road due to dispute over title of land. As this portion of land was not made available to the contractor, the execution of work on the road remained suspended, as a result, the road connectivity could not be provided to the village (April 2012).

After this was pointed out in audit, the EE stated (March and May 2012) that the project could not be completed due to dispute over ownership of land and that the matter was sub-judice. The reply is not tenable as the Departmental authorities were required to ensure land free from encumbrance to the contractor before taking up construction of road.

Thus, failure of the Departmental authorities to ensure availability of land free from encumbrance to the contractor before taking up construction of road resulted in unproductive expenditure of ₹ 65.46 lakh, besides depriving the populace of benefits of road connectivity.

The matter was referred to the Government/ Department in May 2012. The Financial Advisor and Chief Accounts Officer of the Department reported (July 2012) that the Department was following vigorously for vacation of court stay and execution of balance work of the Project. Further progress in the matter was awaited (December 2012).

(B) Construction of a two Kms long road, connecting *Nagri* road (Muthi) *Jagir* and *Dadoli* in *Barnoti* block of Kathua district, was sanctioned (May 2008) under Phase-VI of *Pradhan Mantri Gram Sadak Yojana* (PMGSY) at a cost of ₹ 96.99 lakh. According to PMGSY guidelines, the State Government is responsible for ensuring availability of land for taking up any road works under the scheme.

Audit scrutiny (March 2012) of records of the Executive Engineer (EE), PMGSY Division, Kathua revealed that without ensuring the availability of land, free from encumbrances of disputes, structures and electrical utilities coming in the alignment of road, the Superintending Engineer, PMGSY, Jammu Circle, Jammu allotted (September 2008) the work of construction of road to a contractor at a cost of ₹ 95.82 lakh. The work was to be completed within a period of nine months. The contractor took up (February 2009) execution of road belatedly due to non-clearance of site because of standing crop in the alignment of road. After construction of road length of 1,425 metres in patches at a cost of ₹ 76.58 lakh the contractor stopped (May 2010) further execution of work of the road as the possession of land was not made available to him by the Department due to non-payment of compensation for the structures, electrical utilities and to the land owners. Though the compensation for structures had been determined (November 2010) at ₹ 19.54 lakh, the same had not been settled for electrical utilities (April 2012). Further, possession of land under remaining 575 metres of road length had not been taken over by the Department (April 2012). As a result of these impediments, the contractor could not resume and complete the work.

After this was pointed out by Audit, the EE stated (April 2012) that compensation for some areas of land had not been made and the estimates for shifting of electrical utilities submitted by the Power Development Department were on higher side and as a result, the land could not be acquired.

Thus, failure of the Departmental authorities to ensure encumbrance free land to the contractor before allotment of work for construction of road from *Nagri* road (*Muthi*)

Jagir to *Dadoli* in Kathua district resulted in unproductive expenditure of ₹ 76.58 lakh besides, denial of intended benefits to the local populace of the area. The commencement of work in such a manner was also a deviation from the guidelines of PMGSY.

The matter was referred to the Government/ Department in June 2012. The Financial Advisor/ Chief Accounts Officer of the Department reported (August 2012) that the Collector, Land Acquisition, Kathua had issued directions (July 2012) to the Tehsildar, Kathua to remove obstructions of structures from the alignment of the road. Further progress in the matter was awaited (December 2012).

Irrigation and Flood Control Department

2.10 Unfruitful expenditure due to non-execution of the project

Failure of the Executive Engineer to provide encumbrance free land before allotment of work to the contractor for execution of the project resulted in unfruitful expenditure of ₹ 49.05 lakh and locking up of ₹ 1.32 crore besides, denial of intended benefits to the farmers of the area.

To provide irrigation facilities to cultivable command area comprising of 160 hectares of agriculture land of three villages[6] in Akhnoor, Jammu, the Executive Engineer, Irrigation Division, Akhnoor proposed (July 2008) project 'construction of *Khul Takwal*' at a cost of ₹ 1.89 crore which included provision of ₹ 23.44 lakh for acquisition of land. The project was approved (September 2008) by the State Level Technical Advisory Committee for funding under the Government of India (GOI) scheme 'Accelerated Irrigation Benefit Programme' and was targeted to be completed within two years. The project envisaged diversion of water from the creek near village *Sarwal Channi* by way of construction of a Chak Dam besides, construction of rectangular channel, distributory channels, 20 distribution outlets, etc. After its completion, the project was to provide assured irrigation to agriculture land of the farmers thereby, improving their socio-economic conditions.

Audit scrutiny (December 2011) of records of the Executive Engineer (EE), Irrigation Division, Akhnoor, Jammu revealed that the Chief Engineer, Irrigation and Flood Control Department, Jammu released ₹ 1.81 crore (GOI share: ₹ 1.70 crore; State share: ₹ 11.20 lakh) during 2009-10 and 2010-11 for implementation of the project. Instead of taking up execution of the project, the EE incurred expenditure on procurement of stores (₹ 1.32 crore), improvement of existing channels/ allied works (₹ 46.25 lakh) and miscellaneous items[7] (₹ 2.80 lakh). The EE without acquisition of land required for construction of dam, allotted its work to the contractor in January 2010 at a cost of ₹ 28.69 lakh. As a result, the locals in possession of land did not allow the contractor to start the work. No action was taken by the Department despite the position being brought to its notice by the contractor (June 2010). The execution of project suffered thereby, depriving the farmers of the area of the intended benefits of the project.

After this was pointed out in audit, the EE stated (March 2012) that the work of the project could not be executed due to land dispute. The reply is not tenable as the EE was required to ensure encumbrance free land for execution of the project before allotment of work to the contractor.

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6 Takwal, Deora and Channi

7 Soil testing: ₹ 0.24 lakh; Contingencies: ₹ 1.81 lakh; Tractor crossing: ₹ 0.75 lakh

Thus, failure of the EE to provide encumbrance free land before allotment of work to the contractor for execution of the project resulted in unfruitful expenditure of ₹ 49.05 lakh and locking up of ₹ 1.32 crore besides, denial of intended benefits of the project to the farmers of the area.

The matter was referred to Government/ Department in June 2012; the reply had not been received (December 2012).

2.11 Unfruitful investment due to failure to acquire land

Failure of the Departmental authorities to ensure encumbrance free land for the project before allotment of work to the contractor resulted in unfruitful investment of ₹ 13.69 crore besides, denial of intended benefits to the populace of the area.

To overcome shortage of water for irrigation purpose in 15 villages[8] of Kathua district, the Executive Engineer (EE), Irrigation Division, Kathua proposed (December 2006) irrigation cum water storage scheme over *Wajoo Nallah* at an estimated cost of ₹ 25.85 crore for completion in two years. The project comprised construction of two concrete weirs/ check dams (₹ 17.24 crore), guide bunds (₹ 4.15 crore), diversion channel (₹ 1.13 crore), land compensation (₹ 0.30 crore) and other components[9] and was aimed to generate an irrigation potential for 4,130 hectares of land besides, creating desirable growing conditions for plants and animals and to serve purpose for fish farming. The project was approved (January 2008) by the State Technical Advisory Committee of the Department, to be funded under Accelerated Irrigation Benefit Programme. An amount of ₹ 20.40 crore was released during 2008-09 to 2011-12 for the project.

Test-check of records (January 2012) of the EE revealed that without ensuring availability of encumbrance free land, the Chief Engineer, Irrigation and Flood Control Department allotted (May 2009), the work for construction of one concrete weir and guide bunds to a contractor at a cost of ₹ 12.65 crore for completion in 12 months. The contractor executed only part works and further execution was stopped by the owners of land (November 2010) due to non-payment of land compensation to them. Audit noticed that a provision of ₹ 30 lakh was kept for acquisition of 187.13 *kanals* of land for the project. The compensation for acquisition of land was tentatively worked out (October 2009) by the Collector, Land Acquisition, Kathua to ₹ 2.25 crore against which ₹ 30 lakh was advanced (June 2010) by the EE. The compensation was subsequently enhanced (June 2011) to ₹ 3.92 crore. Out of an amount of ₹ 20.40 crore released for the project, an expenditure of ₹ 13.69 crore[10] was incurred during the period from 2008-09 to 2011-12 leaving unspent balance of ₹ 6.71 crore. As non-acquisition of land continued to remain the main impediment, the work of construction of another concrete weir and diversion channel (RD 0-100 meters) of the project had not been taken up by the Department (July 2012).

On being pointed out (January 2012) in audit, the EE stated (February 2012) that the land compensation case had been forwarded (December 2011) to the Administrative

8 Badala, Barmori, Goond, Kangrial, Khokhayal, Kirpal, Mirpur Ram (Chack), Matoor, Pandori, Pitho Wala, Pitho Pain, Pomwal, Saidpur,Taraf Walla and Taraf Pain.

9 Aquaducts and canal siphon on irrigation channels: (₹ 42.53 lakh); bridge and tractor crossings: (₹ 8.14 lakh); mechanical gates: (₹ 25 lakh) and allied works etc. (₹ 2.28 crore).

10 Material: ₹ 7.26 crore, Advance to MICD: ₹ 25 lakh, land/crop compensation: ₹ 34.92 lakh, Contractors payment (net): ₹ 5.47 crore, Allied (Zal Bhawan) works ₹ 12.59 lakh and Miscellaneous expenditure ₹ 23.49 lakh.

Department for approval and works would be completed as and when the same was accorded. The reply is not tenable as the Department was required to ensure availability of encumbrance free land before allotment of work of the project to the contractor and commencement of creation of assets and commitments.

Thus, failure of the departmental authorities to ensure encumbrance free land for the project before allotment of work to the contractor resulted in continuing unfruitful investment of ₹ 13.69 crore besides denial of intended benefits of the project to the populace of the area.

The matter was referred to Government/ Department in August 2012; reply had not been received (December 2012).

2.12 Unfruitful investment due to failure to finalise design of pump house

Failure to finalise design of the pump house of Lift Irrigation Scheme, Mandla (Kathua) resulted in unfruitful investment of ₹ 3.54 crore besides, denial of intended benefits of the scheme to the people of the area.

To provide timely and assured irrigation facilities to command cultivable area of 283 hectares of land in village *Mandla* (Basohli), Kathua, a Lift Irrigation Scheme estimated to cost ₹ 4.44 crore was approved (September 2008) by the Technical Advisory Committee of the Department for execution under Accelerated Irrigation Benefit Programme (AIBP). The Project involved construction of pump house (₹ 1.21 crore), installation of Vertical Turbine Pump Sets (₹ 2.29 crore) and other allied works[11] which was to be completed within three years. The project envisaged lifting of water from *Ranjeet Sagar* Dam on river *Ravi* upto delivery tank at hill top where the main canal was to be fed with water for irrigation purpose. An amount of ₹ 5.02 crore (Central Share: ₹ five crore; State Share: ₹ two lakh) was released during 2009-10 to 2011-12 in favour of the Executive Engineer (EE), Irrigation Division, Kathua under the scheme.

Test-check (January 2012) of records of the Division revealed that tenders for construction of reinforced cement concrete (RCC) pump house invited (December 2009) were not responded to despite being extended three times between January and February 2010. The Jammu and Kashmir Project Construction Corporation Limited also expressed (March 2010) its inability to execute this work. The construction through an alternative design (floating structure pump house) was also found (August 2010) un-economical and un-feasible by a Private agency. Consequently, the RCC pump house was redesigned and the revised design was submitted (November 2011) by the EE for vetting to the Chief Engineer, Designs, Inspections and Quality Control, Jammu, which had not been finalized (July 2012). Meanwhile, in anticipation of finalisation of design and structure of the pump house, the EE had incurred an expenditure of ₹ 3.54 crore[12] during 2009-12 and surrendered ₹ 1.48 crore[13] as further work of the project could not be executed. As the design and structure for the pump house could not be finalised for about four years, the EE, Mechanical Irrigation Construction Division, Jammu could also not procure the machinery (April 2012).

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11 Delivery tank (₹ 0.89 lakh), main channel 0-1,770 meters (₹ 45.11 lakh), laying of pipes (₹ 6.97 lakh) construction of distributory, chute falls, tractor crossings, aquaducts (₹ 23.06 lakh), land compensation (₹ four lakh), maintenance and contingencies (₹ 13.79 lakh).

12 Comprising ₹ 2.29 crore advanced to EE, Mechanical Irrigation Construction Division, Jammu for procurement of machinery; ₹ 82.48 lakh on Procurement of material; ₹ 32.79 lakh on construction of main canal and ₹ 9.80 lakh on Miscellaneous works and contingencies.

13 2010-11: ₹ one crore; 2011-12: ₹ 47.53 lakh.

On this being pointed out in Audit (January 2012), the EE stated (February 2012) that as and when design of the pump house was vetted, the work would be got executed and the scheme made functional. The design of the pump house had, however, not been vetted and approved (July 2012).

Thus, failure of the departmental authorities to finalise design of the pump house of Lift Irrigation Scheme, *Mandla* resulted in unfruitful investment of ₹ 3.54 crore and consequent denial of intended benefits of the scheme to the people of the area.

The matter was referred to Government/ Department in July 2012; the reply had not been received (December 2012).

Health and Medical Education Department

2.13 Unproductive expenditure due to injudicious action

Injudicious action of the Department to allot construction of hospital building at Bandipora on the land unsuitable and insufficient for the purpose resulted in unproductive expenditure of ₹ 2.91 crore.

The construction of 50 bedded hospital at *Nasoo,* Bandipora was entrusted to Jammu and Kashmir Project Construction Corporation Limited (Government Company) at a cost of ₹ 22.77 crore during 2004-05 by the Department. For this purpose, an amount of ₹ 10.81 crore was released during the period 2004-05 to 2009-10 to the company.

Audit scrutiny (August 2011) of the records of the Director, Health Services, Kashmir revealed that with the creation (2007-08) of Bandipora as district, the hospital was proposed to be upgraded to 100 bedded District hospital and, accordingly, the design of the hospital was changed for which the company submitted (August 2007) the revised project report for ₹ 38.70 crore to the Director Health Services, Kashmir who in turn forwarded (October 2007) it to the Government for accord of administrative approval. The work of construction of building was, however, taken up (March 2005) by the Company in anticipation of the administrative approval and after part[14] execution of the project on which an expenditure of ₹ 2.91 crore had been incurred, further work was stopped (January 2009) as the site was found to be flood prone and the site of the land for construction of district hospital insufficient. Following this, it was decided (January 2009) to shift the hospital to an alternate site. Audit further observed that during the District Development Board meeting (July 2010) followed by the Board review meeting (December 2010), it was decided to construct the District Hospital at another site near New Bus Stand, Bandipora. For this purpose, ₹ four crore was got transferred (January 2011) to the District Development Commissioner, Bandipora for acquisition of land out of balance amount of ₹ 7.90 crore available with the Company. The work for construction of district hospital at the new site was allotted (July 2011) to Jammu and Kashmir Housing Board, Srinagar at a cost of ₹ 24.33 crore. The Department had intended (February 2009) to utilise the abandoned structures at *Nasoo* Bandipora for District Tuberculoses Centre, District Family Welfare Centre and AMT[15] School. However, the structures continued to remain abandoned and were not made functional (September 2012), rendering the expenditure incurred thereon unproductive.

[14] Upto ground floor slab level of main block and foundation work with plinth beams for the second block.

[15] Auxiliary Medical Training

After this was pointed out in Audit, the Director Health Services, Kashmir admitted (September 2011) that construction work of the project remained controversial on account of suitability of land due to which the work on the project came to a standstill.

Thus, action of the Department to allot construction of hospital building at Bandipora on the land, without conducting proper site investigation was injudicious which resulted in an unproductive expenditure of ₹ 2.91 crore.

The matter was referred to the Government/ Department in March 2012; reply had not been received (December 2012).

Industries and Commerce (Geology & Mining) Department

2.14 Unproductive expenditure due to non-procurement of Broadband seismograph

Failure of the departmental authorities to finalise process of procurement of Broadband seismograph for over three years due to which the seismological observatory at Tanghdar (Kupwara) could not be established resulted in unproductive expenditure of ₹ 50 lakh besides, blockade of funds to the extent of ₹ 46.14 lakh.

After the earthquake that hit parts of the State in October 2005, an international workshop of Geo-scientists was organised (March 2008) by the State Geology and Mining Department during which a need for establishment of seismological observatories at different locations in the State was felt for monitoring of seismic activities on regular basis.

Audit scrutiny (January 2012) of records of the Director, State Geology and Mining Department, Jammu revealed that as a follow up to the workshops deliberations, the Director suggested (November 2008) to the Government for establishment of three Geo-technical seismological observatories, one each at Tanghdar, Uri and Poonch. In the first phase, construction of observatory at Tangdhar (Kupwara) was proposed to be taken up. Accordingly, the administrative approval for construction of seismological observatory at Tanghdar (Kupwara) at a cost of ₹ 71.14 lakh was accorded (October 2009) by the Director. The project included construction of main observatory building and one independent room for installation of Broadband seismograph (BBS) and was to be executed through the Executive Engineer, Jammu and Kashmir Police Housing Corporation, Srinagar to be completed within one working season. For this purpose, an amount of ₹ 71.14 lakh[16] was advanced to the Corporation by the Department. Meanwhile, the Director requested (November 2008 and November 2010) the Government to accord approval for importing BBS through the Department of Geology, University of Jammu, which was also recommended (February 2010) by the State level purchase committee of the Department. However, the Government did not agree to this proposal and instead directed (January 2011) the Director to place orders for procurement of BBS with the approved firm itself at the latest approved rates. An amount of ₹ 25 lakh released (March 2010) by the Government for procurement of the equipment were drawn and kept in civil deposit head of account by the Director. However, the Department could not finalise the

[16] March 2009: ₹ 25 lakh; December 2009: ₹ 24 lakh and June 2010: ₹ 22.14 lakh

process of procurement of BBS and the amount of ₹ 25 lakh continued to remain blocked in the civil deposit (March 2012).

Audit check of records further revealed that construction of the building had been completed by the Corporation at a cost of ₹ 50 lakh except one independent room for installation of BBS. As the style and design of the equipment which would determine the exact inner layout of the independent room was not made available by the Department, the Corporation could not take up execution of this room, as a result, balance amount of ₹ 21.14 lakh remained unutilised with the Corporation and the observatory could not be established.

In his reply, the Sr. Drilling Engineer (C) stated (January 2012) that the Department intended to purchase the equipment at the approved rates of University of Jammu and as soon as approval was received from the Government, the procurement action would be initiated. The reply should be viewed in light of the fact that no action had been taken by the Director on directions of the Government in January 2011 to place orders for procurement of BBS with the approved firm at the latest approved rates.

Thus, due to the failure of the departmental authorities to finalise process of procurement of Broadband seismograph for over three years due to which the seismological observatory at Tanghdar (Kupwara) could not be established resulted in unproductive expenditure of ₹ 50 lakh besides, blockade of funds to the extent of ₹ 46.14 lakh. The objective of monitoring seismic activity in the State on regular basis through establishment of the seismological observatory could also not be achieved.

Animal Husbandry Department

2.15 Unplanned implementation of project

Unplanned implementation of project for import of semen of elite animals resulted in blockade of ₹ 50 lakh for over two years besides, objective of the project could also not be achieved.

To increase productivity potential of bovines and make the State self-sufficient in milk production, the Department intended to introduce superior germ plasm by using semen of elite animals. For this purpose, the Director Animal Husbandry Department, Jammu submitted (January 2010) a proposal to the Government for import of 1.30 lakh doses of Holstein/ Jersey semen of elite bovine animals from a United States (US) based Company in two lots during the years 2009-10 and 2010-11 for use in the bovine population of the State at a cost of ₹ two crore. The project was to be taken up on pilot basis and was also recommended (March 2010) by the expert technical committee constituted for the purpose.

Test-check (December 2011) of records of the Director, Animal Husbandry Department, Jammu revealed that the Government sanctioned (March 2010) ₹ 50 lakh for implementation of the project subject to following of all codal procedures indicated in Rule 8.5 (1) of Jammu and Kashmir Financial Code and instructions made thereunder. The amount was kept under deposit head of account by the Director and was to be operated upon after finalization of arrangement of import. The Director, without involving the State level purchase committee of the Department, took up the matter directly with the US based Company for supply of semen and for grant of licence for its import with the Directorate General of Foreign Trade, Government of India. Thereafter, the Director, requested (March 2011) the Government for accord of sanction for purchase of semen from the Company and for opening letter of credit

thereof which was not accepted. The Joint Director (Planning) instead observed (April 2011) that approval of the firm and rates was the mandate of the State level purchase committee and that letter of credit was to be opened on the basis of supply order and agreement executed with the approved firm. Accordingly, the global tendering process for import of semen was initiated (September 2011) by the State level purchase committee which had not been finalised (August 2012), as a result of which ₹ 50 lakh could not be utilised and continued to remain blocked. Further funds were also not released by the Government.

On this being pointed out in audit (December 2011), the Director stated (December 2011) that ₹ 50 lakh had remained unutilised due to procedural delays like obtaining of import licence and other allied formalities related to the project. The reply is not acceptable and should be viewed in light of the fact that the Director was required to follow the prescribed procedure for import of semen from the firm selected and approved by the State level purchase committee of the Department immediately after sanction of the project.

The matter was referred to the Government/ Department in June 2012. The Director informed (August 2012) that the meeting of the State level purchase committee could not be convened due to official engagement of both Heads of the Department.

Thus, unplanned implementation of the project for import of semen of elite animals by the Director resulted in blockade of ₹ 50 lakh for over two years besides, objective of the project could also not be achieved.

Administrative Reforms, Inspections and Trainings Department

2.16 Unproductive investment

Indifferent approach of the departmental authorities to pursue the matter vigorously for shifting office complex to new location resulted in unproductive investment of ₹ 91.21 lakh.

The Director (Stationery and Office Supplies) located at Srinagar had proposed (October 2001) the construction of office-cum-store building at Sempora, Pampore, about eight kms away from Srinagar. The administrative approval for the work was accorded by the Government (ARI and Trainings Department) at a cost of ₹ 80.50 lakh in January 2004 subject to the condition that no further cost escalation was to be allowed. The work formed part of the State Sector Plan Scheme as per the approved Plan of the Directorate.

Audit scrutiny (January 2012) of the records of the Director revealed that the entire sanctioned amount of ₹ 80.50 lakh[17] was advanced to the Jammu and Kashmir Projects Construction Corporation Limited (a Government Company) for construction of office-cum-store building during 2003-04 to 2005-06. The construction of the building was completed by the Company in May 2007 at a cost of ₹ 81.21 lakh but its possession was not handed over to the Department due to the fact that at the final stage of construction, the Directorate decided (September 2006) to enhance the scope of work[18] of the building amounting to ₹ 21.33 lakh. For this purpose, the Director released (March 2008) ₹ 20 lakh to the Company against cost offer of ₹ 21.33 lakh. While the execution of additional works was in progress, the building was occupied

17 2003-04: ₹ 40 lakh; 2004-05: ₹ 24.57 lakh and 2005-06: ₹ 15.93 lakh

18 Providing and fixing kota stones, iron grills, racks with shelves, compounding walling etc.

(August 2008) by security forces with the assistance of the Station House Officer concerned. By the time, expenditure of ₹ 10 lakh had been incurred for additional items of work.

On being pointed out by audit about the non-utilisation of the building for its intended purpose, the Director(Stationery and Office Supplies) reported (September 2012) that due to occupation of the building by the security forces and non-handing over of the building by the Company, the Department could not shift to the building. The contention of the Director is not justified as no serious efforts were made by the Department either to have the premises vacated or to recover the cost of the building from the security forces.

The matter was referred to the Government in August 2012. The reply had not been received (December 2012).

Blocking of funds

Agriculture Production Department

Sher-e-Kashmir University of Agricultural Sciences and Technology, Kashmir

2.17 Locking up of funds due to non-implementation of research project

Non-implementation of a research project by SKUAST authorities for about eight years resulted in locking up of ₹ 1.46 crore besides, non-accrual of benefits of the project to the farmers/ apple traders of the State.

The Sher-e-Kashmir University of Agricultural Sciences and Technology, Kashmir, Srinagar (SKUAST), a State University, signed (November 2004) a Memorandum of Understanding (MOU) with the Agricultural and Processed Food Products Export Development Authority[19] (APEDA), New Delhi to undertake a research project titled 'Improvement of shelf life of apple cultivars Red *Delicious* and *Ambri* for export promotion'. The project was to be funded by the APEDA and was to be completed within three years from the date of signing of the MOU. The cost of the project amounting to ₹ 1.61 crore was approved (November 2004) by the APEDA.

The SKUAST was to utilize the results of the research for publication in the form of a booklet covering the most appropriate protocol for production of Red *Delicious* and *Ambri* varieties of apple to be followed by farmers for pre and post harvest management practices in future.

Audit scrutiny (December 2011) of records of the Registrar, SKUAST revealed that ₹ 79.12 lakh were released by the APEDA upto March 2005 out of which ₹ 63 lakh were placed (May 2005) at the disposal of Estates Wing of the University by the Principal Investigator APEDA project of SKUAST for construction of pack house (₹ 18 lakh) and upgradation/ refurbishing of the existing controlled atmospheric (CA) cold store at the Division of Post Harvest Technology of the University (₹ 45 lakh). Further, ₹ 79.32 lakh were released by the APEDA in favour of the University during the period from April 2005 to August 2008. After receipt of funds, the Estates wing floated tenders repeatedly between March 2006 and March 2008 for refurbishment/ upgradation of CA store which did not materialize due to poor response to the tender notices and quoting higher rates by the tenderers. Subsequent re-tendering (March 2009) met with some success and the Works Committee of the University

[19] An Autonomous Body under the Ministry of Commerce and Industry, Government of India

recommended (November 2009) grant of work order in favour of the lowest tenderer[20] at a cost of ₹ 77.25 lakh. However, the University authorities failed to issue letter of intent immediately to the tenderer as the work was not technically sanctioned. The SKUAST thereafter approached the Chief Engineer, Mechanical Engineering Department (MED), Kashmir in February 2010 for accord of technical sanction of the work, which was accorded in October 2010. This resulted in the firm backing out (November 2010) from the contract which cited reasons *inter alia* of cost escalations because of delay in allotment of contract. Meanwhile, the University incurred ₹ 12.35 lakh on office contingencies, equipment, furniture, etc., during the period 2004-10 and no activity related to the project was undertaken.

After having failed to start the work of the project, the SKUAST entrusted (December 2010) the work to the Chief Engineer, MED, Kashmir. For this purpose, the detailed project report for upgradation/ refurbishing of CA store at a cost of ₹ 84.25 lakh was sent (December 2010) by the Chief Engineer, MED, Kashmir to the SKUAST for accord of administrative approval. Subsequently, ₹ 44.46 lakh was advanced (December 2010) by the SKUAST to MED, Kashmir for execution of the job. The MED selected (August 2011) a firm[21] for execution of work at a cost of ₹ 1.25 crore, which was not agreed to by the SKUAST. No further action in the matter was taken and the work remained unexecuted as of February 2012.

Audit further noticed that during the period 2004-12, the work on another component of the project, viz; pack house, had not been taken up for execution by the SKUAST despite the project period having been extended twice first upto December 2008 and thereafter upto December 2010 by the APEDA thereby, rendering the funds locked up and consequent non-accrual of benefits of the project to the intended groups. The work on 'pack house' has been 'shelved' for which no reasons were adduced.

Thus, non-implementation of research project by SKUAST authorities for about eight years due to improper planning resulted in locking up of ₹ 1.46 crore and unproductive expenditure of ₹ 12.35 lakh. The envisaged objectives of the project could not be achieved.

The matter was referred to the Government/ University in July 2012; reply was not received (December 2012).

Revenue Department

2.18 Non-utilisation of Central funds

Due to non-identification of sites and non-establishing of basic infrastructure for setting up computer centres for computerization of land records, the Department could not utilize the funds rendering the scheme non-functional besides, depriving the people of the State of the benefits of the scheme for over two decades.

The proposal for computerization of land records in 257 *Niabats* (Sub-Tehsils) of the State at a cost of ₹ 20.56 crore[22] was submitted (August 2006) by the State Government to the Government of India. The proposal was framed on the basis of a pilot project taken up after development of a software departmentally for one *Niabat* Khanmoh in Srinagar tehsil. For this purpose, the Government of India released

20 M/s Voltas Limited New Delhi
21 M/s Fresh Food Technologies (I) Limited Noida (UP)
22 At an average cost of ₹ 8 lakh per *Niabat*

(March 2007) ₹ 15.42 crore[23] under the Centrally Sponsored Scheme 'Computerisation of Land Records'. The amount was to be spent for creation of infrastructure of hardware items, server, system software, electrical fitting, furniture, etc. The amount was credited (April 2007) to the Bank account of the Department by the Financial Commissioner (Revenue), Jammu and Kashmir.

Audit scrutiny (December 2011) of records of the Financial Commissioner (Revenue) revealed that ₹ 15 crore was converted (April 2007) into fixed deposit as the scheme could not be implemented due to the fact that the Department could not identify the sites and establish basic infrastructure for setting up computer centres at sub-tehsil offices. The amount which accumulated to ₹ 16.95 crore including interest of ₹ 1.53 crore was transferred (September 2008) to Government account. To review the progress of computerization of land records, an apex level meeting was held (June 2009) under the chairmanship of the Hon'ble Chief Minister of the State wherein it was decided to depute officers of the Department to other States for understanding the process for implementation of the scheme of computerization of land records as well as for adoption of the procedure suitable and in consonance with the geographical conditions of the State. However, none of the officers was deputed; neither were any efforts made to utilize the funds to implement the scheme.

Audit further observed that the Department had, without identifying the sites and establishing basic infrastructure for setting up computer centres at sub-tehsil offices, submitted proposal to the Government of India for computerization of land records. After this was pointed out in Audit, the Assistant Director (Planning and Statistics) also confirmed (January 2012) that infrastructural facilities at *Niabat* level was insufficient.

The Department had earlier also not implemented the scheme in a proper and planned manner for which the Central Government had released ₹ 2.86 crore during March 1990 to June 1999 to the State Government rendering the expenditure of ₹ 2.66 crore unfruitful. A mention about the same had been made in the Report of the Comptroller and Auditor General of India for the year ended March 2005. The computer hardware and software purchased thereunder had become obsolete. Despite the assistance made available by the Central Government since March 1990 for computerization of land records, the Department had failed to implement the scheme and provide benefits to the people of the State for over past two decades. This indicated indifferent approach of the Department in implementing the scheme.

Thus, due to non-identification of sites and non-establishing of basic infrastructure for setting up computer centres for computerization of land records, the Department could not utilize the funds, rendering the scheme non-functional besides, depriving the people of the State of the benefits of the scheme for over two decades.

The matter was referred to Government/ Department in March 2012; the reply had not been received (December 2012).

[23] At the rate of ₹ 6 lakh per *Niabat*

Regularity and other issues

Public Works (Roads and Buildings) Department

2.19 Irregular expenditure

Improper planning by the Departmental authorities in implementation of the road project from Daresh-Kadal to Qamarwari, Srinagar resulted in irregular expenditure of ₹ 1.10 crore besides, locking up of ₹ 50 lakh.

The project for 'Upgradation and widening of 1.5 km road from Daresh-Kadal to Qamarwari (Srinagar)' at an estimated cost of ₹ 12.78 crore was conceived (2006-07) by the Executive Engineer (EE), Roads and Buildings (R&B) Construction Division-I, Srinagar to be completed in two working seasons. The project provided for acquisition of land and structures coming in alignment of the road (₹ 9.38 crore), construction of four lane bridge at Chattabal (₹ 0.63 crore) and upgradation/ widening of road (₹ 2.77 crore[24]). The upgraded road was to serve as a bye-pass for the sector of National Highway from Batmaloo to Qamarwari.

Audit scrutiny (September 2011) of records of the EE revealed that during the period of four years from 2006-07 to 2009-10, only an amount of ₹ 1.60 crore was released to the Division. Instead of taking steps for acquisition of land and structures, which was pre-requisite for widening and up-gradation of the road, the EE, in anticipation of administrative approval, incurred an expenditure of ₹ 1.10 crore comprising maintenance of the existing road (₹ 54.43 lakh[25]), procurement of bitumen (₹ 50.11 lakh) and other works (₹ 5.49 lakh) during the period 2006-10. A meagre amount of ₹ 50 lakh was advanced (March 2007) to the Collector, Land Acquisition, Srinagar for acquisition of land against provision of ₹ 9.38 crore in the project. The expenditure on maintenance of the existing road was clearly beyond the sanctioned scope of the project and other expenditures were also incurred without proper authority and synchronization of various activities involved in the project. Clearly the project could not have moved forward without first completing the acquisition process. As the land and structures coming in alignment of the road were not acquired, the work on the project could not be started resulting in its time overrun necessitating revision of cost of the project which was accordingly revised (December 2010) to ₹ 68.72 crore. After this was pointed out in audit, the EE stated (January 2012) that the land could not be acquired due to non-release of adequate funds for the project and that the process of evaluation of structures could also not be completed. The reply should be viewed in light of the fact that instead of primarily completing the process of evaluation of structures and ensuring acquisition of land coming in the alignment of the road, the Department had incurred ₹ 1.10 crore on items not related to the project besides, locking up of funds with a clear knowledge of the impediments to the acquisition of land and structures.

Thus, improper planning of the Departmental authorities in implementation of the project by way of inadequate funding, inadequate provision of funds for acquisition of land and structures and incurring of expenditure beyond the sanctioned scope of the project resulted in irregular expenditure of ₹ 1.10 crore and locking up of ₹ 50 lakh. The intended benefits of the Project could also not be achieved.

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[24] Includes works contingencies of ₹ 37.23 lakh

[25] Construction of retaining walls: ₹ 10 lakh; Laying of bitumen premix: ₹ 37.09 lakh; raising and repair of U-shaped side drain: ₹ 7.18 lakh and miscellaneous charges: ₹ 0.16 lakh

The matter was referred to the Government/ Department in April 2012. The Chief Engineer, Public Works (R&B) Department, Kashmir reported (August 2012) that the development works of the road project would be taken up after acquisition process of properties and land was completed. Further progress in the matter was awaited (December 2012).

Irrigation and Flood Control Department

2.20 Lack of due diligence in contract management

Failure of the Departmental authorities to ensure completion of allotted work and subsequent inaction to seize the hypothecated machinery at the time of abandonment of work by the contractor resulted in non-recovery/ adjustment of mobilisation advance of ₹ 3.37 crore besides, blocking of ₹ 64.97 lakh.

With a view to provide irrigation facility to 5,500 acres of land of *Illaqua Drab* in tehsil *Thathri* of District Doda, the Chief Engineer, Irrigation and Flood Control Department, Jammu submitted (February 2006) a detailed project report titled 'Kandi Canal Project' to Central Water Commission (CWC). The project was accorded (November 2006) techno- economic-viability clearance by the CWC to be funded under Accelerated Irrigation Benefit Programme. The project envisaged construction of 38.5 Kms., long irrigation canal from village *Kahara* to village *Bella* at an estimated cost of ₹ 53.70 crore.

Audit Scrutiny (March 2012) of records of the Executive Engineer (EE), Irrigation and Flood Control Division, Bhaderwah showed that the contract for construction of first ten kilometers of canal length was allotted (June 2007) to a contractor[26] on turnkey basis at a cost of ₹ 23.68 crore, to be completed within 18 months. The terms of contract provided for payment of mobilisation advance to the contractor against bank guarantee and/ or hypothecation of machinery to be recovered alongwith interest from him. The contract provided two alternative modes of securing the mobilisation advance viz. hypothecation of contractor's assets or bank guarantee. Hypothecation of assets involves verification of title to the assets, its current market value, encumbrances attached to it as well as Departmental vigilance to ensure that the hypothecated assets are not clandestinely removed/ sold or alienated in any other manner. Hence, bank guarantee should have been the preferred mode of securing the advance, which is also provided in Central Vigilance Commission guidelines. However, the EE paid mobilisation advance of ₹ 3.55 crore to the contractor between September 2007 to December 2008 against hypothecation of machinery. The contractor took up execution of work with slow pace and completed less than one kilometre out of ten kilometers of canal length and thereafter abandoned the work in December 2009. Though the Department served several notices (between June 2007 to September 2008) to the contractor for expediting the completion of work but no action was taken against him in terms of the contract. Against the claim of work done for ₹ 1.55 crore, the contractor was paid (March 2009) ₹ 1.18 crore[27] leaving ₹ 3.37 crore[28] and interest thereon recoverable on account of outstanding mobilisation advance from him. No action was taken to seize the hypothecated machinery and the contractor removed the same from the site of work. Audit further noticed that the EE, without any requirement, advanced ₹ 64.97 lakh to the Stores Procurement

[26] M/s Mir Associates Construction Agency, *Thathri* (Doda)

[27] Includes adjustment of mobilization advance of ₹ 17.76 lakh

[28] Includes work done liability of ₹ 37 lakh

Department, Jammu for procurement of construction material between December 2006 and May 2008. The material had not been received (March 2012).

After this was pointed out in audit, the EE stated (March 2012) that the matter would be taken up with the higher authority for recovery of outstanding mobilisation advance. The reply is not tenable as the Department had failed to take any action against the contractor for abandoning the work midway and to seize the hypothecated machinery.

Thus, failure of the Departmental authorities to ensure completion of allotted work and subsequent inaction to seize the hypothecated machinery at the time of abandonment of work by the contractor resulted in non-recovery/ adjustment of mobilisation advance of ₹ 3.37 crore for which the Department holds no security besides, blocking of ₹ 64.97 lakh.

The matter was referred to Government/ Department in August 2012; the reply had not been received (December 2012).

D. Chief Controlling Officer Based Audit of a Government Department

2.21 INDUSTRIES AND COMMERCE DEPARTMENT

The Industries and Commerce Department is responsible for promotion of growth of industries, creation of new employment opportunities and development of new designs in the Handloom and Handicraft sectors in the State, besides optimum and sustainable usage of State mineral resources. A Chief Controlling Officer-based audit of the Department brought to fore several areas of concern: (a) Departmental failure of non-existent oversight resulting in low industrial output, low employment generation, low-end and low value-addition manufacturing despite fiscal burden of about ₹ 8340 crore on the State and Central exchequer during 2007-12, thus, defeating the objectives of the Central/State Governments' industrial promotion policies, (b) under-utilisation of Central assistance, (c) unplanned execution of industrial estates/growth centres, leading to unproductive investments, (d) inadmissible and irregular payment of subsidies, VAT reimbursement and irregular exemption of toll tax, (e) under-utilisation of training centres. Audit also noticed that performance of implementation of schemes in Handicrafts and Handloom sector was poor and the purpose of imparting training to unemployed persons for generating employment through formation of co-operative societies was not achieved. The Department had no mechanism in place to check the quantities of minerals extracted and lifted by the lessees from the mineral sites.

Highlights

- **Department had not conducted any industrial survey for assessing the industrial potential including availability of human resources, raw materials and marketing avenues, etc. It indicated that registration of new industrial units was not based on any area development plans.**

  (Paragraph: 2.21.7)

- **The Department was not exercising any oversight whether the industrial units set up under the Central/State Governments industrial promotion policies and provided with substantial tax concessions and subsidies were indeed meeting the objectives. There is no mechanism in place to monitor the turnover, value of output, profitability, extent and quality of employment generation, actual new investment brought in and extent of value addition in the manufacturing by the units so as to see whether these are commensurate with the burden of tax concessions and subsidies on the public exchequer besides, facilitating balanced geographically well-dispersed growth.**

  (Paragraphs: 2.21.7 and 2.21.8)

- **The performance of the new industrial units set-up under incentive packages announced by the Central Government in 2002 and the State Government in 2004 was not commensurate with the burden of fiscal concessions and subsidies borne by the Central/State exchequer which ranged between ₹ 1289.89 crore to ₹ 2475.88 crore during the years 2007-08 to 2011-12. The total employment generated by all the industrial units in the State was reported to be 1.03 lakh as of 2007-08, which had risen to 1.33 lakh at the close of the year 2011-12 and the 5312 industrial units registered during 2007-08 to 2011-12 claimed to have provided employment**

to 38,380 persons. The per capita fiscal burden for each worker claimed to have been employed by all the industrial units (beneficiary or non-beneficiary units) was between ₹ 1.09 lakh and ₹ 2.40 lakh per annum during the same period clearly indicating near total Government funding of the claimed payroll costs.

(Paragraph: 2.21.8.1)

- **The manufacturing output of the beneficiary units has been low in absolute terms and almost entirely matching the payroll cost, indicating prevalence of low-tech manufacturing with low value-addition. The contribution of beneficiary units to State's GSDP was clearly less than the fiscal burden of benefits provided to them. Total contribution to the State's Gross Domestic Product (GSDP) during 2007-08 to 2011-12 by all registered manufacturing units was ₹ 7149 crore while total fiscal burden of tax concessions and subsidies on the Central and State exchequer provided to beneficiary units was ₹ 8340 crore (₹ 3118.74 crore on the State exchequer and ₹ 5221 crore on the Central exchequer). The fiscal incentives to the industrial units was provided in the shape of subsidies, exemptions from payment of VAT and Toll to the extent of ₹ 3119 crore by the State Government and by way of subsidies, Central Excise refund and income tax exemption amounting to ₹ 5221.37 crore by the Central Government. The contribution of average annual workforce size of 1.17 lakh employees to the GSDP during the five year period was at an average of just ₹ 1.22 lakh per annum. These figures indicated that the value addition by the beneficiary units is extremely low. Relative share of the contribution of registered manufacturing sector of the industry in the State's GSDP has been declining in recent years despite substantial burden of fiscal concessions on the Central/State exchequer. The year-to-year growth in the contribution has been erratic.**

(Paragraphs: 2.21.8 and 2.21.8.1)

- **The utilization of Central funds ranged between 44 and 93 *per cent*. The administrative expenditure in Handicraft and Handloom sector was high and ranged between 83 and 93 *per cent* of the total expenditure. An amount of ₹ 15 crore released for the project National Institute of Fashion Technology remained un-utilised since 2009-11 as the project had not been approved.**

(Paragraphs: 2.21.9 and 2.21.9.3)

- **The geographical concentration of beneficiary units around Jammu in close proximity to the railheads adjoining neighbouring States of Himachal Pradesh and Punjab also indicated that the implementation of the State Industrial Policy 2004 has not resulted in geographically well-dispersed Industrial growth within the State. A total of 1779 (47 *per cent*) industrial units spanning total land area of 12557 *kanals* (52 *per cent*) were located in and around Jammu. So, besides employment generation, the State Industrial Policy 2004 had also failed to address the issue of balanced regional development within the State.**

(Paragraph: 2.21.10)

- **The Department had not taken any action to retrieve the land from 1329 entrepreneurs (35 *per cent*) who had not established their industrial units after the allotment of plots of land in their favour.**

(Paragraph: 2.21.10)

- **Due to unplanned execution and consequent non-completion/non-commissioning of five Industrial estates by the Department, an expenditure of ₹ 56.65 crore remained unproductive. Further, due to non-acquisition of land for industrial growth centre, Samba, ₹ 36.61 crore advanced to the Collectors remained locked up.**

  (Paragraph: 2.21.10.1)

- **An amount of ₹ 24.74 crore realised as revenue on account of rent premium of the plots of land was misutilised towards payment of salary, wages, etc. of the employees by the SIDCO and SICOP.**

  (Paragraph: 2.21.10.3)

- **Non-observance of guidelines/instructions governing packages of incentives for the industrial entrepreneurs resulted in inadmissible and irregular payment of subsidies to the extent of ₹ 12.80 crore, inadmissible VAT reimbursement of ₹ 26.77 crore and irregular exemption from payment of toll tax of ₹ 5.58 crore.**

  (Paragraphs: 2.21.11.1 to 2.21.11.4)

- **The training centres of the Department (Handicraft sector) were under-utilized as only 53 *per cent* entrepreneurs were trained in these centres during 2007-08 to 2011-12. The purpose of imparting training to unemployed for generating employment through formation of co-operative societies was not achieved as only meagre number of co-operative societies was formed for organizing the trainees.**

  (Paragraph: 2.21.17)

- **The performance of the schemes in Handicraft and Handloom sectors was poor. The cluster projects and group approach projects under Integrated Handloom Development Scheme were not executed upto the desired level.**

  (Paragraphs: 2.21.18, 2.21.19 and 2.21.21.1)

- **The Department had no mechanism in place to check the quantities of minerals extracted and lifted by the lessees from the mineral sites.**

  (Paragraph: 2.21.31)

- **There was a shortfall of 29 *per cent* manpower in the Department. The shortage of technical staff like Project Managers and Functional Managers was to the extent of 93 *per cent*.**

  (Paragraph: 2.21.32)

- **Monitoring of training centres and evaluation of programmes had never been conducted by the Department.**

  (Paragraph: 2.21.33)

2.21.1 Introduction

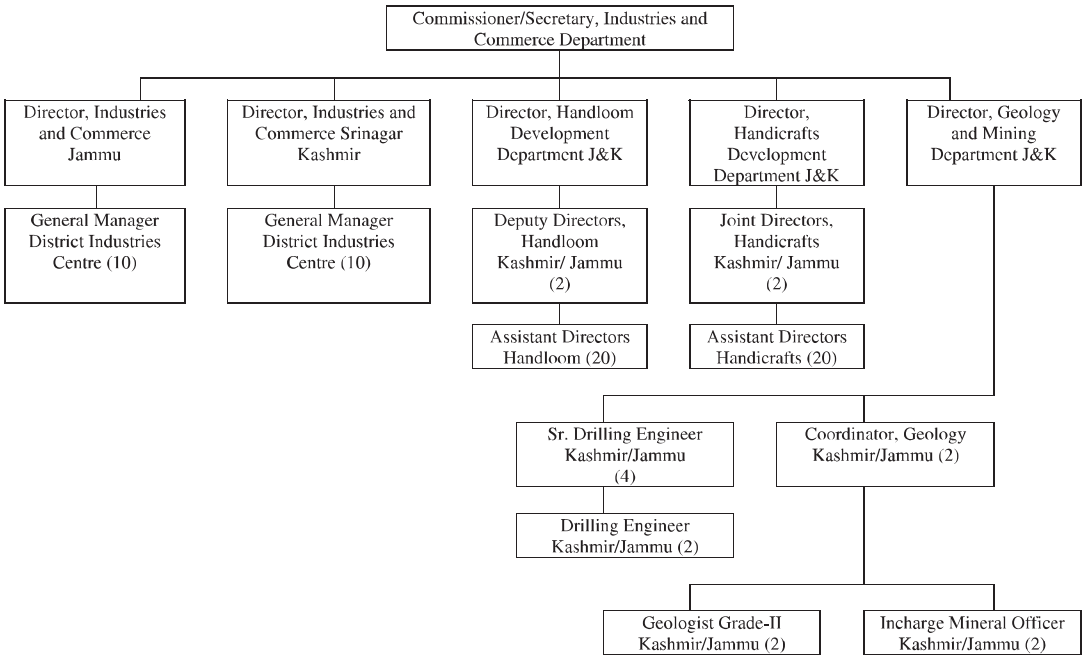
The Industries and Commerce Department is responsible for promotion of growth of industries in the State through sustainable utilization of natural resources, development of human skills and encouraging new investment in industries. The creation of new employment opportunities and development of new designs in the Handloom and Handicrafts wings and to enable the optimum and sustainable usage of the state mineral resources are other functions of the Department. The Industrial sector has been declared as main vehicle for generation of employment opportunities in the State. The Handicrafts and Handloom sectors occupy an important place in the

socio economic structure of the State and make a significant contribution in sustaining direct employment to the people of the State. The Geology and Mining sector of the Department has been assigned the job of investigation of mineral deposits in the State for their proper utilization, exploration of ground water and construction of tube wells. Thus, four sectors i.e. Industries and Commerce sector, Handicrafts sector, Handloom sector and Geology and Mining sector have been selected for the performance audit.

2.21.2 Organizational set up

The Organizational set up of the Industries and Commerce Department is given in **Chart-1** below:

Chart-1



2.21.3 Audit objectives

The objectives of the audit were to assess the performance of the Department to see whether:-

- planning for sustainable industrial development in all regions of the State was efficient;
- financial management was efficient and effective;
- guidelines/procedures prescribed for disbursement of subsidies to the industrial units were adhered to;
- entrepreneurial friendly environment had been created to invite investors to the State for setting up industrial ventures;
- action plan had been formulated for revival of potentially viable sick industrial units;

- human resource management was efficient and effective;
- the monitoring mechanism and internal control/audit mechanism were in place and effective.

2.21.4 Audit criteria

Audit criteria for the CCO based audit of the Department has been derived from the following sources:

- State Industrial Policy-2004 and packages of incentives of the Government of India sanctioned in the year 2002.
- Guidelines of various Centrally Sponsored Schemes;
- J&K Financial Code and Book of Financial powers;
- Circulars/notifications issued by the Government from time to time.

2.21.5 Scope of Audit

Audit was conducted by test-check of records of the Commissioner/Secretary Industries and Commerce Department; Directors, Industries and Commerce (Kashmir and Jammu); Director, Handloom Development Department; Director Handicrafts Development Department; Director, Geology and Mining Department; Joint Director, Handicrafts, Jammu; General Managers of seven District Industries Centres[1]; Assistant Directors, Handicraft, in eight districts[2]; Assistant Directors, Handloom in nine districts; Coordinator, Geology and Mining, Kashmir; Sr. Drilling Engineers, Kashmir and Jammu; Geologists (Grade-II) Kashmir as well as Jammu and Assistant Mining Engineer, Jammu during the period from March to August 2012 covering the period from 2007-08 to 2011-12. The working of Autonomous Bodies and Public Sector Undertakings (PSUs) under the administrative control of the Chief Controlling Officer (Commissioner/Secretary Industries and Commerce Department) had not been covered in the current review. The significant audit findings in respect of Industries and Commerce, Handicrafts, Handloom and Geology and Mining Wings of the Department have been brought out separately in the succeeding paragraphs:

2.21.6 Audit methodology

An entry conference was held with the Commissioner/Secretary, Industries and Commerce Department on 26 April 2012 wherein objectives, scope and criteria of audit were discussed. The Audit findings and recommendations were discussed with the Department representatives led by the Joint Director (Planning) of the Industries and Commerce Department on 7 December 2012. The views and replies of the Government have been incorporated in the report.

Industries and Commerce sector

The Industries and Commerce sector of the Department is responsible for creating infrastructural facilities in the shape of fully developed industrial estates and growth centres to encourage prospective entrepreneurs for establishing their industrial ventures by allotting land in their favour. The organisation, in addition, provides the facilities of registrations, training to entrepreneurs, liasioning with different sister

[1] Selected on the basis of growth of industries and implementation of policy/programme in the respective districts.

[2] Assistant Directors, Handicrafts: Anantnag, Baramulla, Jammu, Kathua, Pulwama, Rajouri, Srinagar and Udhampur

agencies, granting of different Central/ State Government incentives, etc. to the industrial units in the State.

2.21.7 Planning

Proper planning is essential for success of the programme. The District Industries Centres (DICs) were required to conduct and update the industrial survey of the districts for assessing the industrial potential including availability of human resources and raw material, marketing avenues and other factors for preparation of Perspective Plan and Annual Plans at periodical intervals. Audit scrutiny revealed that no such survey was conducted by the DICs of the Department. The Director, Industries and Commerce, Jammu stated (July 2012) that the General Managers of respective DICs would be asked to conduct such surveys. The Joint Director Development, Directorate of Industries and Commerce, Kashmir, however, stated (August 2012) that such surveys were conducted while identifying land for industrial estates through field agencies. The Commissioner/Secretary reported (December 2012) that fresh potential survey had been conducted and communicated to the Government of India by the District Industries Centres of the Kashmir valley. The reply should be viewed in light of the fact that General Managers of three test-checked DICs (Srinagar, Baramulla and Anantnag) had stated that no such survey was conducted in the districts.

To accelerate industrial development of the State and boost investor-confidence, the Government of India sanctioned special package of incentives in June 2002. To supplement this, the State Government had also sanctioned (January 2004) its own package of incentives under the State Industrial Policy 2004. One of the objectives of State Industrial Policy 2004 was to generate 90 *per cent* employment in the industrial units. The Department was not monitoring whether the industrial units set up under the Central/State Government's industrial promotion policies and provided with fiscal incentives and subsidies were indeed meeting the objective of employment generation as laid down in the State Industrial Policy 2004. The employment generated data was accepted as claimed by the industrial units without any mechanism for verification being in place. There is no mechanism in place to monitor the turnover, value of output, profitability, extent and quality of employment generation, actual new investment brought in and extent of value addition in the manufacturing by the units so as to see whether these are commensurate with the burden of tax concessions and subsidies on the public exchequer besides, facilitating balanced geographically well-dispersed growth as evident from the succeeding paragraphs.

2.21.8 Contribution to manufacturing growth in the State by the Industries benefitting from tax concessions and subsidies

The trend in the contribution of registered manufacturing units in the State's GSDP since 2000-01 is given in **Table 2.21.1** below:

Table-2.21.1

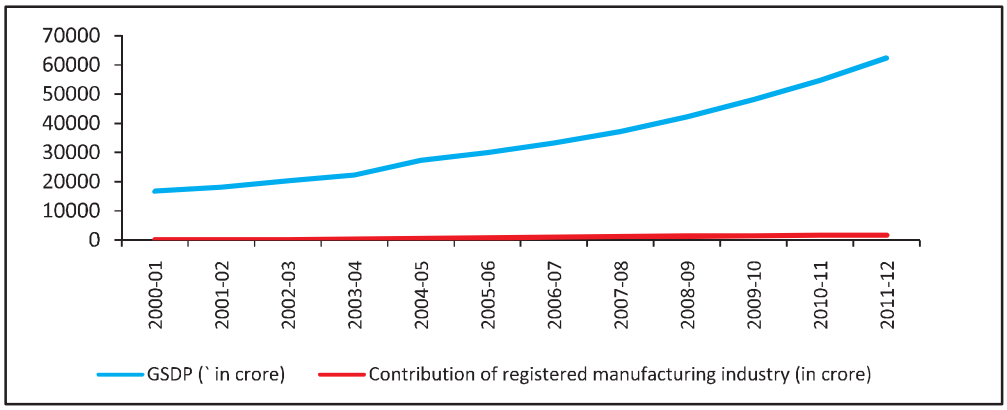
Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
GSDP (₹ in crore)	16700	18039	20326	22194	27305	29920	33230	37099	42315	48197	54731	62365
Y-o-Y Annual growth (%)		8.0	12.7	9.2	23.0	9.6	11.1	11.6	14.1	13.9	13.6	13.9
Contribution of registered manufacturing industry (in crore)	196	210	229	266	631	796	1005	1141	1349	1401	1567	1690
Y-o-Y Annual growth (%)		7.3	8.9	16.5	136.8	26.1	26.3	13.5	18.2	3.9	11.9	7.9
Share of registered manufacturing Industry to GSDP (%)	1.17	1.16	1.12	1.20	2.31	2.66	3.02	3.07	3.18	2.90	2.86	2.71

(Source: Digest of Statistics)

The total contribution of registered manufacturing sector of the industry to GSDP during the period from 2007-08 to 2011-12 ranged between ₹ 1141 crore and ₹ 1690 crore. The share ranged between 2.71 and 3.18 *per cent* during five years and in 2011-12, the share declined to 2.71 *per cent*. It may be seen that the contribution of registered manufacturing sector of the industry in the State's GSDP had been declining in recent years despite substantial burden of fiscal concessions given to the new industrial units. The year-to-year growth in the contribution had been erratic. Total contribution to GSDP during 2007-08 to 2011-12 by all registered manufacturing units was ₹ 7148 crore while total fiscal burden of tax concessions and subsidies on the Central and State exchequer provided to beneficiary units was ₹ 8340.11 crore (₹ 3118.74 crore on the State exchequer and ₹ 5221.37 crore on the Central exchequer). The contribution of average annual workforce size of 1.17 lakh employees to the GSDP during the five year period was at an average of just ₹ 1.22 lakh per annum. These figures indicate that the value addition by the beneficiary units is extremely low. The per capita fiscal burden for each worker claimed to have been employed by all the Industrial units (beneficiary or non-beneficiary units) was between ₹ 1.09 lakh and ₹ 2.40 lakh per annum during the same period, clearly indicating near total Government funding of the claimed payroll costs.

It may thus, be seen that not only the manufacturing output of the beneficiary units has been low in absolute terms, but also almost entirely matching the payroll costs, indicating prevalence of low-tech manufacturing with low value-addition. The quantity and quality of manufacturing output is not commensurate with the fiscal burden of ₹ 8340.11 crore during 2007-12 on the Central and State exchequer provided to beneficiary units. The State's GSDP vis-a-vis the contribution of registered manufacturing industry is illustrated in **Chart-2** below:

Chart -2



Total revenue from tax on sale of goods/services during 2007-08 to 2011-12 was ₹ 11,625.05 crore. Assuming an average tax incidence of 10 *per cent* on sale value, the total value of goods/services sold in the State during the period would be about ₹ 116250 crore. However, the total contribution of registered manufacturing industry in the State (both beneficiary as well as non-beneficiary units) during the same five years period was only ₹ 7148 crore, about six *per cent* of total estimated sale of goods and services. It indicated that the subsidized new industrial units produced less than six *per cent* of goods/services sold in the State during 2007-12.

2.21.8.1 Employment generation

For any Government, the first priority is to ensure that the population within its jurisdiction has access to quality goods and services at reasonable prices. In addition, it may try to seek production of such goods and services within its jurisdiction as would provide jobs to locals. Hence, the sole yardstick to assess the impact of Industrial Policy being pursued by the Central and State Government involving fiscal concessions to industrial units is the job creation. The employment generation was the basic objective of both the GOI package of incentives-2002 as well as the State Industrial Policy 2004. The position of units registered and employment generated during the period from 2007-08 to 2011-12 is given in **Table 2.21.2** below:

Table-2.21.2

Year	Jammu Province		Kashmir Province		Total		Average employment provided by each industrial unit
	No. of units registered	Employment Generated (in number)	No. of units registered	Employment Generated (in number)	No. of units registered	Employment Generated (in number)	
2007-08	311	4864	740	3556	1051	8420	8
2008-09	199	2098	774	3317	973	5415	6
2009-10	282	3972	910	4116	1192	8088	7
2010-11	262	2866	658	3183	920	6049	7
2011-12	429	6518	747	3890	1176	10408	9
	1483	**20318**	**3829**	**18062**	**5312**	**38380**	**7**

A total of 5312 industrial units were registered during the period 2007-12 which generated employment of 38380 at an average of seven personnel by each industrial unit. The average employment provided by each industrial unit ranged between six and nine during the period from 2007-08 to 2011-12. The average employment generated by each industrial unit in Kashmir province ranged between four and five

and in Jammu province ranged between 11 and 16. Audit however, noticed that data of employment generation was recorded on the basis of employment certificates provided by the unit holders at the time of their registration and it was observed in test-checked DICs that the employment generation by the Industrial units was neither monitored nor verified by the General Managers of DICs after commencement of production by the industrial units. The Commissioner/Secretary reported (December 2012) that the verification/monitoring and maintenance of record of employment is invested with the Labour and Employment Department.

Audit assessment during the five year period 2007-08 to 2011-12 shows that Central and State Governments bore fiscal burden of ₹ 8340.11[3] crore to incentivize the industrial units whose number as of March 2012 was 26,674 with total workforce of 1,33,173 workers. The total employment generated from the industrial units in the State was 1.03 lakh as of 2007-08 which had risen to 1.33 lakh at the close of the year 2011-12 while as the financial incentives provided to the industrial units during the years 2007-08 to 2011-12 ranged between ₹ 1289.89 crore to ₹ 2475.88 crore. Thus, the per capita fiscal burden for each worker employed by the industrial units (including those industrial units not covered by the State Industrial Policy 2004 and packages of incentives) was between ₹ 1.09 lakh and ₹ 2.40 lakh per annum during the same period.

2.21.9 Financial management

The position of allocation of funds by the State Government, funds released by the Government of India (GOI) and expenditure incurred thereagainst by the Department during the period from 2007-08 to 2011-12 is indicated in **Table 2.21.3** below:

Table-2.21.3

(₹ In crore)

Year	Government of India					State Government	
	Opening balance	Funds released	Total availability of funds	Expenditure incurred	Closing balance	Funds allotted by the State Government	Expenditure incurred
2007-08	3.53	4.98	8.51	3.78	4.73[4]	160.55	169.37
2008-09	3.83	16.64	20.47	17.18	3.29	177.63	178.61
2009-10	3.29	26.51	29.80	21.83	7.97	216.59	206.33
2010-11	7.97	23.49	31.46	22.72	8.74[5]	236.87	219.64
2011-12	0.98	44.70	45.68	42.64	3.04	297.29	275.32

The utilization of Central funds ranged between 44 and 93 *per cent* and the utilization of funds allotted by the State Government ranged between 93 and 105 *per cent* during the period from 2007-08 to 2011-12.

The Department incurred an expenditure of ₹ 8.82 crore and ₹ 0.98 crore in excess of the funds allotted by the State Government during the years 2007-08 and 2008-09 respectively. Further, an expenditure of ₹ 172.66 crore was incurred against an approved outlay of ₹ 151.67 crore during the period 2007-09 in respect for State Plan schemes resulting in incurring of excess expenditure of ₹ 20.99 crore. The details of re-appropriation or additionality of funds provided if any, to meet the

[3] Central Government: ₹ 5221.37 crore; State Government: ₹ 3118.74 crore

[4] ₹ 0.90 crore refunded to GOI during 2007-08

[5] ₹ 7.76 crore refunded to GOI during 2010-11

excess expenditure over the allocations were not on record neither were the reasons thereof intimated to Audit by the Department (December 2012). The Handloom and Geology & Mining sectors of the Department could not spend the entire funds allocated under Plan schemes. The percentage of expenditure ranged between 34 and 73 during the years from 2007-08 to 2011-12 in Handloom sector and between 21 and 44 during the period from 2007-08 to 2009-10 in Geology and Mining sector.

The administrative expenses including expenditure on salary of staff in the Handicraft and Handloom wings was very high and ranged between 83 and 93 *per cent* during the period from 2007-08 to 2011-12.

2.21.9.1 Advancing of funds to avoid their lapse

Advance drawals of ₹ 74 crore made by the Administrative Department during the years 2009-10 and 2011-12 were credited into Civil Deposits head of account (8443) to avoid lapse of funds. These advance drawals were booked as expenditure thereby, inflating the financial achievements. It was seen in audit that ₹ 27.57 crore out of these deposits continued to remain unutilized as of August 2012. The Commissioner/Secretary reported (December 2012) that out of ₹ 27.57 crore, an amount of ₹ 12.50 crore was meant for National Institute of Fashion Technology (NIFT) and ₹ 9.25 crore for land acquisition by Director, Industries and Commerce, Kashmir and that the funds would be utilized after receipt of clarification from NIFT and identification of land.

An amount of ₹ 2.17 crore released by the State Government during 2009-10 to Jammu and Kashmir Small Scale Industries Development Corporation Limited (SICOP) Jammu for refund of VAT had not been paid to an Industrial unit due to court case. The amount had not been refunded and instead retained irregularly by the SICOP. The Financial Advisor and Chief Accounts Officer of the Department stated (April 2012) that the matter had been taken up with the Managing Director SICOP.

2.21.9.2 Diversion of funds

The Directorate of Handicrafts, Joint Director, Handicrafts, Jammu and Assistant Directors Handicrafts (Jammu, Udhampur) had diverted plan funds of ₹ 32.71 lakh meant for machinery and equipment for the training centres on purchase of air conditioners, Photostat machines, computer accessories, stationery items, repair of vehicles, etc. during the period 2007-12. The Director Handicraft stated (August 2012) that allocation under machinery and equipment head of account were not meant for training centres but for augmentation of offices. The reply is not tenable as the amount was to be utilized for the machinery and equipment to be utilized in the training centres of the Department.

2.21.9.3 Non-utilisation of funds

The State Government placed ₹ 2.50 crore at the disposal of SIDCO during 2009-10 in anticipation of approval of the Project- setting up of National Institute of Fashion Technology (NIFT) by the GOI. The Corporation credited these funds to the Bank

Account. The Government made further withdrawal of ₹ 12.50 crore during the period 2009-11 and credited them to deposit head of account within treasury. The Project had not been approved as of March 2012 as a result, funds to the extent of ₹ 15 crore continued to remain unutilized. The Joint Director (Development), Industries and Commerce, Kashmir stated (August 2012) that the execution of the project could not be taken up due to non finalization of various issues between the State Government and the NIFT authorities.

2.21.9.4 Awaited detailed accounts

The Directors, Industries and Commerce (Kashmir as well as Jammu) advanced ₹ 89.39 crore during the period 2007-12 to eight Collectors for acquisition of land for establishment of 18 industrial growth centres/estates. The Department had not obtained detailed accounts of funds advanced to various Collectors as a result, the utilization of funds could not be ensured (August 2012). The Commissioner/ Secretary stated (December 2012) that the land had been acquired for the industrial estates in Kashmir while the Director, Industries and Commerce, Jammu had taken up the matter relating to submission of detailed accounts of amount advanced for land acquisition with the concerned Collectors.

2.21.10 Infrastructure development

The State Industrial Policy 2004 laid emphasis on development and management of modern industrial areas and estates, growth centres, Integrated Infrastructure Development (IID) centres, etc. in the State. The position of industrial estates/centres managed by the Industries and Commerce Department, SIDCO and SICOP in the State[6] and spread over 24031 *kanals* of land is indicated in **Table 2.21.4** below:

[6] Except Kargil and Leh Districts

Table-2.21.4

S. No.	Managing Agency	Name of Industrial Estates	Area (in *kanals)*	Capacity for total number of units	No. of functional units	No. of units closed	No. of units not set up
1.	Industries and Commerce Department	29 estates under:					
		(i) DIC, Kashmir	979	524	331	102	91
		(ii) DIC, Jammu	1017	415	251	116	48
		Total	**1996**	**939**	**582**	**218**	**139**
2.	SIDCO	**In Jammu**					
		Bari Brahmna and EPIP Kartholi Jammu	7170	539	344	31	164
		IGC Samba	2650	321	157	17	147
		Kathua	209	20	08	-	12
		Total	**10029**	**880**	**509**	**48**	**323**
		In Kashmir					
		Khunmoh Kashmir	1878	412	66	34	312
		Food Park Khunmoh Kashmir	160	46	24	-	22
		Shaltaing Srinagar	94	38	33	4	1
		Rangreth Srinagar	1159	247	140	20	87
		Food Park Doabgah Kashmir	201	15	05	-	10
		Lassipora Pulwama	4992	192	67	13	112
		Total	**8484**	**950**	**335**	**71**	**544**
3.	SICOP	**In Jammu**					
		IID Centre Battal Ballian Udhampur	1051	187	51	2	134
		Gangyal Jammu	988	341	222	52	67
		Birpur Jammu	306	155	91	29	35
		Kathua	524	120	103	8	9
		Total	**2869**	**803**	**467**	**91**	**245**
		In Kashmir					
		Zakura Srinagar	128	42	19	23	-
		Zainakote Srinagar	525	190	77	35	78
		Total	**653**	**232**	**96**	**58**	**78**
		Total, in Jammu	**13915**	**2098**	**1227**	**255**	**616**
		Total, in Kashmir	**10116**	**1706**	**762**	**231**	**713**
Grand Total			**24031**	**3804**	**1989**	**486**	**1329**

It may seen from the above table that 1329 entrepreneurs (35 *per cent*), to whom the land was allotted, had not established their industrial units and 486 units (13 *per cent*) had closed their manufacturing activities. Test-check of records showed that the Directors, Industries and Commerce Kashmir as well as Jammu had not taken any action against these unit holders to retrieve the land allotted to them despite stipulation in the lease agreement executed between entrepreneurs and the Department that land was to be taken back if the entrepreneurs failed to set up the industrial units within the approved gestation period. The Director, Industries and Commerce, Jammu stated (June 2012) that most of the units were at various stages of implementation. The reply should be seen in light of the fact that these industrial estates had been set up during 1972-73 to 2011-12 and these units had not been made functional despite a lapse of considerable time from the dates of allotment of land in favour of these units. It was further stated that a committee headed by Joint Director (Development) had been constituted (May 2012) to locate unused plots of land in industrial estates The Commissioner/Secretary stated (December 2012) that effective steps were being taken to retrieve the land from the persons who were not interested to set up the units. Further progress in the matter was awaited (December 2012).

Audit further noticed that the geographical concentration of beneficiary units around Jammu in close proximity to the railheads adjoining neighbouring States of Himachal Pradesh and Punjab also indicated that the implementation of the State Industrial Policy 2004 is geographically not well-dispersed within the State. A total of 1779 (47 *per cent*) industrial units spanning total land area of 12557 *kanals* (52 *per cent*) were located in and around Jammu. So, besides employment generation, the State Industrial Policy 2004 had also failed to address the issue of balanced regional development within the State.

2.21.10.1 Incomplete industrial growth centres/estates

- Audit scrutiny of records revealed that the Department had taken up execution of IID Centre Govindsar (Kathua), Industrial estate, Ghatti (Kathua), Industrial estate Lassipora (Pulwama), Food Park Doabgah (Sopore) and Common facility centre Sather (Anantnag) in an unplanned manner viz. non-provision of electric sub-station, not obtaining environmental clearance, non-providing of electric and water supply facilities and non-installation of entire plant and machinery. This resulted in non-completion of all the five projects, rendering the expenditure of ₹ 56.65 crore incurred thereon unproductive as detailed in ***Appendix-2.6***. The unplanned execution and consequent incompletion of these industrial estates and growth centres deprived the prospective investors the opportunity to invest in the projects for setting up industrial units in these centres/ estates.
- The indent for the acquisition of land measuring about 2763 *kanals* for phase-III of the Industrial Growth Centre, Samba was placed in September 2000 by the Director, Industries and Commerce to the Collector (Land acquisition). For this purpose ₹ 36.61 crore had been placed (up to March 2006: ₹ 5.18 crore; 2007-12: ₹ 31.43 crore) at the disposal of Collector Land Acquisition, Samba against the estimated cost of compensation of ₹ 9.16 crore. The land had not been acquired and the Additional Deputy Commissioner Samba, meanwhile, revised (July 2011) the compensation amount required for land acquisition to ₹ 66.87 crore. As a result of non-acquisition of land, the Growth centre could not be developed and ₹ 36.61 crore continued to remain locked up. The Director, Industries and Commerce, Jammu stated (July 2012) that the sub-committee of MLCs had been constituted for settlement of the issue. Further progress in the matter was awaited (December 2012).
- Seven industrial estates (Lamberi, Surankote, Beoli, Bidda, Majalta, Sunderbani and Mandipora) could not be established despite delay ranging between five to eight years from the date of placement of indents due to non-acquisition of identified land by the Revenue Department. As a result, ₹ 88.20 lakh advanced to Collectors (Collector Land Acquisition, Anantnag: ₹ 38.20 lakh and Collector Land Acquisition, Doda: ₹ 50 lakh) during the years from 2003-04 to 2007-08 remained unutilized as of March 2012. The Directors, Industries and Commerce, Kashmir as well as Jammu stated (August/July 2012) that steps had been taken to expedite the process of acquisition of land. The reply should be seen in light of the fact that despite delay of five to eight years, land had not been acquired by the Department.

2.21.10.2 Incomplete industrial estates in rural areas

Construction of four industrial estates taken up to promote industrialization of the industrially backward areas had not been completed and commissioned despite

incurring an expenditure of ₹ 4.74 crore on their development as indicated in **Table 2.21.5** below:

Table-2.21.5

S. No	Name of the Industrial Estate	Expenditure incurred (₹ in lakh)	Status
1.	Gran Reasi, Jammu	66.89	Completed but not commissioned due to non-transfer of covered land in the name of the Department
2.	Dandi, Bhaderwah	167.41	Not commissioned due to non-completion of various works
3.	Dewal, Billawar, Kathua	137.38	Non- completion of vital works
4.	Sangrambhata, Kishtwar	102.08	Commissioned (June 2008) but no unit had been set up so far
Total		**473.76**	

Due to non-completion/non-commissioning of these estates, an investment of ₹ 4.74 crore was rendered unfruitful. This indicated improper planning of the Department towards promotion of industrialization in backward areas of the State. The Director Industries and Commerce, Jammu stated (July 2012) that these industrial estates had been completed. The reply was contrary to the actual status of the projects.

2.21.10.3 Mis-utilization of rent receipts of industrial estates

The State Industrial Policy-2004 provided that the rent charged for the period of lease of plots of land was to be invested in maintenance of facilities in the industrial estates. The position of revenue realized on account of rent premium and land transfer fee of the plots and the expenditure incurred on maintenance of these industrial estates during the period from 2007-08 to 2011-12 is indicated in **Table 2.21.6** below:

Table-2.21.6

(₹ In crore)

Managing agency of the industrial estate	Name of the industrial estate	Revenue realized	Expenditure incurred on ineligible items	Expenditure incurred on maintenance of industrial estates
SIDCO	IGC, Samba	18.47	2.51	0.01
	Bari-Brahmna, Jammu	17.04	4.04	0.26
	Khonmoh, Srinagar	11.34	3.49	0.13
	Shalteng, Srinagar	0.73	2.51	0.01
	Rengreth, Srinagar	6.45	5.34	0.07
	Lassipora, Pulwama	10.22	2.56	0.01
SICOP	Birpur, Jammu	2.17	0.77	0.18
	IID, Udhampur	4.13	0.87	0.10
	Gangyal, Jammu	3.95	1.57	0.12
	Kathua	21.27	1.08	0.26
	Total	**95.77**	**24.74**	**1.15**

(Source: Trial balances)

An amount of ₹ 1.15 crore (one *per cent*) was incurred on maintenance of industrial estates managed by the SIDCO and SICOP out of the revenue of ₹ 95.77 crore realized by these estates while as ₹ 24.74 crore had been diverted by these Corporations on salary, wages, CP fund, etc. of their employees. The full utilization of revenue receipts by the corporations on maintenance of the industrial estates had

not been ensured by the Department as a result, the infrastructural facilities could not be developed in the industrial estates. The physical verification of Industrial Growth Centre, Samba conducted (December 2011) by the Deputy Director Planning, Monitoring Cell, Chief Minister's Secretariat and of industrial estate Gangyal, Jammu by Audit (July 2012) showed bad conditions of these estates.



Industrial estate, Gangyal, Jammu

2.21.11 Implementation of packages of incentives

The packages of incentive of the Government of India (GOI) provide for 15 *per cent* capital investment subsidy on plant and machinery; three *per cent* capital subsidy on working capital loan; 90 *per cent* transport subsidy from designated railhead; 100 *per cent* insurance premium on capital investment and income tax exemption upto the year 2012 while as the incentive packages by the State Government provide for 100 *per cent* subsidy on pre-investment studies/preparation of feasibility reports with maximum limit of ₹ two lakh; toll tax exemptions on import of raw material and export of finished goods; procurement of plant and machinery; building material and other equipments for a period of five years from the date of registration; exemption from earnest money/security deposits to the prescribed extent; exemption from the levy of General Sales Tax/Value Added Tax; 100 *per cent* subsidy for purchase of new Diesel Generator sets, etc.

2.21.11.1 Inadmissible payment of transport subsidy

- To promote growth of industries in the State, the GOI had launched (July 1971) a scheme for grant of subsidy in the shape of transport cost of raw material and finished goods between locations of industrial units and rail heads of Jammu or Pathankot whichever was nearer to the site of industrial unit. The scheme had however, been closed by the GOI during 2010-11. With the establishment of Kathua railway station in the year 1980, this station became nearer to the industrial sites in Kathua by 5 kms as compared to the Pathankot railhead which was 25 kms from these location. Accordingly, the name of Pathankot railhead was to be got replaced by the Kathua railhead by issuance of necessary amendments/notification to the scheme. Inaction of the Director, Industries and

Commerce, Jammu led to avoidable extra payment of transport subsidy of ₹ 3.17 crore to 12 industrial units located in Kathua during the years 2008-09 and 2009-10. The Director, Industries and Commerce, Jammu stated (June 2012) that re-designation of railhead, Kathua in place of Pathankot had been taken up with the GOI. The reply should be seen in light of the fact that the matter was taken up with the GOI in December 2011 after the closure of the scheme.

- The guidelines of transport subsidy scheme envisaged that the subsidy on account of transport cost was to be allowed to the industrial units engaged in manufacturing activity. The Special Bench of Income Tax Appellate Tribunal (ITAT) Pune, had held (June 2008) that the process of pasteurization and standardization of milk amounts to processing but do not amount to manufacture as it did not alter the nature and character of milk. Test-check of records showed that the Director, Industries and Commerce, Jammu wrongly allowed transport subsidy of ₹ 95.73 lakh to M/S Aneja Dairy, Kathua engaged in processing of raw milk into skimmed milk during the period 2008-12. The Director, Industries and Commerce Department, Jammu stated (June 2012) that it was not possible to segregate the utilization of raw material for manufacturing different items of finished goods. The reply should be seen in light of the fact that consumption statement submitted by the General Manager, DIC, Kathua clearly indicated consumption of raw material and production of finished goods.
- M/S Aneja Food Products, Kathua was registered for manufacture of skimmed milk powder, whole milk powder and Dairy whitener from skimmed milk. It was seen in audit that M/S Aneja Dairy, Kathua, a sister concern of M/S Aneja Food Products, Kathua did not export any quantity of skimmed milk outside the State and when sufficient quantity of skimmed milk was available with this unit, under such situation, the import of skimmed milk from outside state by M/S Aneja Food Products, Kathua was not justifiable. This fact was not kept in view by the Director Industries and Commerce, Jammu which resulted in avoidable payment of subsidy of ₹ 70.50 lakh to M/S Aneja Food Products, Kathua on transport cost of skimmed milk during the years from 2008-09 to 2009-10. The Director, Industries and Commerce, Jammu stated (June 2012) that there was no stipulation in the guidelines that a unit cannot import raw material when its sister unit was producing it. The reply was not acceptable as the transport subsidy was to be paid judiciously and that the quantity of skimmed milk processed by sister concern was more than the quantity of requirement of the unit.

2.21.11.2 Irregular payment of interest and capital investment subsidies

- According to the Government instructions (October 1998), the change of manufacturing activities by the entrepreneurs at the site of their allotted land was to be considered only in unavoidable circumstances due to valid reasons. The Directorate of Industries and Commerce further directed (December 2006) that change of constitution or change of line of activity should not be accorded to any industrial unit except in unavoidable circumstances for valid reasons and that too with the prior approval of the Director. The change of manufacturing activity would render such industrial unit ineligible for financial assistance of any type. Test-check of records, however, showed that the Director, Industries and Commerce, Jammu allowed change of manufacturing activities in favour of 7 industrial units without any valid reasons and allowed subsidies of ₹ 3.39 crore in the shape of capital investment, interest and subsidies on purchase of DG sets and testing laboratory equipments during the years from 2006-07 to 2011-12.

The General Manager, DIC, Jammu stated (August 2012) that the unit holders were within their rights to change line of activity and were entitled to all incentives. The General Manager, DIC, Kathua stated (July 2012) that the change of activity was accorded by the Directorate. The replies were indicative of the fact that departmental authorities were not aware of the instructions issued by the Government.

- The Ministry of Industry, Government of India re-classified (September 1991) various activities into Small Scale Industry (SSI) and Small Scale Service Business Enterprise (SSSBE) to be eligible for benefits/concessions admissible to Small Scale Sector. Accordingly, the activities like diagnostic health centre, restaurants, contractors, retail/wholesale establishments which were not classified as SSSBE were not eligible for benefits/concessions admissible to Small Scale Sector. It was, however, seen in audit that the Department wrongly allowed subsidies of ₹ 83.07 lakh on DG sets and quality control equipment to 18 SSSBEs during the period 2007-12. After this was pointed out by Audit, the Joint Director, Industries (Development), Kashmir stated (August 2012) that all such activities fall within the category of SSSBE and qualified for incentives. The reply was contrary to the GOI instructions of September 1991.
- The GOI package of incentives provide for 15 *per cent* capital investment subsidy on plant and machinery subject to ceiling of ₹ 30 lakh to newly established industrial units provided that the unit had not taken any of the effective steps[7] prior to 14 June 2002. Test-check of records revealed that seven industrial units had taken up effective steps prior to 14 June 2002 and were not entitled for capital investment subsidy. The Director, Industries and Commerce, Jammu, however, paid capital investment subsidy of ₹ 47.49 lakh to these seven ineligible units during September 2006 to March 2008 in violation of the scheme guidelines. The Director, Industries and Commerce, Jammu stated (July 2012) that subsidy was paid to these units keeping in view the date of commencement of production after 14 June 2002. The reply was not acceptable in view of the guidelines of package of incentives of the GOI.
- As per State Industrial Policy 2004, the Capital Investment Subsidy (CIS) scheme of the State Government was to be replaced by the Government of India scheme for CIS. The GOI scheme was applicable to the industrial units situated in the notified areas of the State. The State Government was to extend the benefits to the industrial units located in un-notified areas where the CIS scheme of GOI was not applicable. Test-check of records revealed that three industrial units operating in notified areas of industrial estates of Gangyal and Kathua were irregularly paid ₹ 45.11 lakh on account of capital investment subsidy under the State policy during 2009-10 to 2011-12 by the General Managers, DIC Jammu and Kathua. The General Manager, DIC, Jammu stated (August 2012) that the units in question do not fall in the notified area and as such were entitled for capital investment subsidy under the State policy. The reply was not acceptable as these units had been operating in industrial estate, Gangyal which was notified by the Government of India. The General Manager, DIC, Kathua stated (July 2012) that matter would be looked into and necessary action would be taken accordingly.

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7 (i) 10 *per cent* or more of the capital issued for the industrial unit has been paid up;
(ii) Any part of the factory building required for manufacturing activity has been constructed;
(iii) A firm order has been placed for any Plant and Machinery required for the industrial unit.

- The guidelines envisage that if the industrial unit had gone out of production within five years after its commencement of production or after availing interest subsidy, the capital investment and interest subsidies paid were to be recovered from such unit. Test-check of records of DICs, Samba and Udhampur, however, showed that the Director, Industries and Commerce, Jammu had not taken any action to recover the subsidies to the tune of ₹ 40.79 lakh paid to three industrial units which had stopped their production either within five years after commencement of production or within five years after availing interest subsidy. The General Manager, DIC, Samba stated (August 2012) that notices had been issued to the concerned unit holder for recovery of the incentives. The General Manager, DIC, Udhampur approached (August 2012) the Directorate of Industries and Commerce, Jammu for effecting recovery of interest subsidy from the unit holder.
- The State Industrial Policy 2004 envisages 100 *per cent* capital subsidy on installation of testing equipment subject to maximum of ₹ 25 lakh and the subsidy amount was to be disbursed to the industrial units only after obtaining National/International quality marks from Bureau of Indian Standards (BIS) and Indian Standard Institution (ISI). Test-check of records showed that the Department had disbursed capital subsidy of ₹ 2.41 crore to 23 industrial units as detailed in ***Appendix -2.7*** during January 2008 to January 2012 in violation of the State industrial Policy 2004 as these units had not obtained National/International quality mark from these Institutions. The General Manager, DIC Kathua accepted (July 2012) Audit contention and stated that procedure would be followed in future, while the General Manger, DIC, Udhampur issued (August 2012) notices to the defaulting industrial units to submit the requisite certificates.

2.21.11.3 Inadmissible VAT reimbursements

As per the Government order (June 2005), the Small Scale Industrial (SSI) units were to be provided relief under the Value Added Tax (VAT) regime on purchase of raw materials/inputs through SICOP/J&K Minerals Limited/any other Public Sector Undertakings of the State Government. Such corporations were not to charge VAT from the SSI units and instead claim financial support to the extent of VAT paid on such products by them from the Department.

- The ceiling[8] limit on investment in Plant and Machinery was pre-requisite for the purpose of registration of unit as SSI unit. Test-check of records showed that three SSI units had undervalued their plant and machinery and restricted their value within the prescribed ceiling limits by misclassification in their accounts/Balance sheets. As a result of misrepresentation of facts by these unit holders, the Administrative Department had to reimburse ₹ 26.56 crore[9] including unpaid liability of ₹ 12.41 crore[10] on account of VAT on purchase of raw material through SICOP during the period from April 2005 to March 2012. The General Manager, DIC, Samba stated (August 2012) that the value of plant and machinery of M/S Ritzy Polymers was certified by the Chartered Accountant. The reply was not acceptable as the Project Manager was to

[8] 1996: ₹ 0.60 crore; 1997: ₹ Three crore; 1999: ₹ one crore

[9] M/S Ritzy Polymers, Samba: ₹ 23.84 crore; M/S Yamuna Alloys Limited; Jammu: ₹ 2.38 crore and M/S Komal Paper Mills Limited: ₹ 0.34 crore

[10] For the period from February 2011 to March 2012

physically verify the installation of plant and machinery and certify its value before formal registration of the industrial unit. The General Manager (DIC), Kathua stated (July 2012) that appropriate action would be taken after detailed investigation of the case. Further progress in the matter was awaited (December 2012).

- Audit noticed that M/S J&K Pulp and Paper Private Limited, Jammu registered as medium and large scale industrial unit during the year 1996-97, made investment of ₹ 4.41 crore in plant and machinery up to March 2003. The General Manager, DIC, Jammu changed (March 2009) the status of the unit to SSI unit in terms of the Micro, Small and Medium Enterprises (MSME) Act 2006. This Act, however, does not provide for conversion of already registered medium and large industry into SSI unit. The change of status of the SSI unit by incorrect application of provisions of MSME Act, 2006 by the Director Industries and Commerce, Jammu resulted in inadmissible reimbursement of VAT of ₹ 21.22 lakh[11] on purchase of raw material through SICOP to the industrial unit during August 2011 to May 2012. The General Manager, District Industries Centre, Jammu stated (August 2012) that such conversion of industrial unit was accorded by the Director, Industries and Commerce, Jammu.

2.21.11.4 Irregular toll tax exemption

- The Government by a notification dated 31 January 2004 exempted registered industrial units from the payment of additional toll on raw material/ consumables procured from outside the State and on finished goods manufactured/exported by these units and sent outside, except for items included in the list, henceforth, called negative list, which included all kinds of oils (edible and non-edible), excluding oil seeds. Audit noticed that eight industrial units were irregularly allowed exemption from the payment of additional toll to the extent of ₹ 1.07 crore on import of 24193.17 MTs of *Mentha oil* being non-edible oil during January 2006 to March 2012. The General Manager, DIC, Jammu stated (August 2012) that Mentha oil is a medicinal produce and used in pharma industry, cosmetic industry and health care products. The reply should be seen in light of the fact that Mentha oil being non-edible oil was not eligible for exemption from payment of toll tax as per notification of the Government. The General Manager, DIC, Kathua stated (July 2012) that matter would be taken up with the Deputy Excise Commissioner, Toll Post Lakhanpur, Jammu.
- The term 'manufacture' as defined in the Government notification of August 1998 means a process by which raw material is converted into an entirely different commodity. M/S Aneja Dairy, Kathua engaged in manufacture of *desi* ghee, butter, cream and skimmed milk was wrongly allowed exemption of toll tax of ₹ 4.02 crore on import of 88484 MTs of raw milk used for processing it into skimmed milk during the period from January 2007 to December 2011.This resulted in inadmissible exemption from payment of additional toll of ₹ 4.02 crore to the industrial unit. The General Manager, DIC, Kathua stated (July 2012) that matter would be taken up with the Deputy Excise Commissioner, Toll Post, Lakhanpur, Jammu.
- The Madras High court in the case of Computer Graphics Pvt. Ltd. versus Union of India had held (November 1990) that making out photographic flats or films from jumbo rolls by cutting it into smaller pieces is not a manufacturing process.

[11] Including unpaid liability of ₹ 5.05 lakh from January 2012 to March 2012

The slitting of Jumbo rolls of photographic paper, X-ray films into different sizes did not alter the nature and character of paper and therefore did not fall within the purview of manufacturing activity. M/S Jindal Photo Limited, Samba was registered as a manufacturing unit for slitting of Jumbo rolls of photographic paper into different sizes and as such its activity was not a manufacturing activity in light of the above referred judgment. The General Manager, DIC, Samba, however, wrongly allowed exemption of ₹ 49.08 lakh on account of toll tax on import of 4850.80 MTs of raw material and export of 7419.87 MTs of finished goods during the period from January 2005 to December 2008 in favour of M/S Jindal Photo Limited Samba.

2.21.12 Lack of environmental concerns

2.21.12.1 The State Government adopted policy for establishment of insecticides/ pesticides industrial units in the State on the recommendation (February 2005) of the State level Apex Projects Clearance Committee. The policy provisions provide to make mandatory for the insecticides/pesticides industrial units to obtain ISO 14000 [12] certification within a period of two years from the date of commencement of commercial production and in the event of their failure to do so, the registration of such units was to be cancelled. Further, on the instructions (December 2006) of the Hon'ble Chief Minister of the State, the Director of Industries and Commerce placed (January 2007) activity of manufacturing of pesticides, insecticides and weedicides on the restricted list in view of the hazardous nature of these units for health of the people. This activity was banned (2003) by the State Government of neighboring State Himachal Pradesh. Audit scrutiny of records, however, showed that pesticides/insecticides/weedicides industrial units established in the State during the years from 2006-07 to 2010-11 had not obtained ISO 14000 certification even after completion of period ranging from two to six years from the date of commencement of production of these industrial units. The Director Industries and Commerce, Jammu instead of taking action against such industrial units provided incentives in the form of various subsidies to the extent of ₹ 9.47 crore to 15 industrial units during the period 2008-12. This indicated casual approach of the Department towards health of the people. The Director, Industries and Commerce Department stated (September 2012) that it was not clear whether any formal order was issued. However, all the concerned General Managers had been instructed to obtain requisite ISI-14000 certificates.

2.21.12.2 The J&K State Pollution Control Board granted (March 2008) consent to operate in favour of M/S Cecil Pharmaceuticals Private Limited valid up to November 2008. The Director, Industries and Commerce, Jammu and General Manager, DIC, Jammu did not demand renewed consent to operate from the industrial unit and instead paid subsidies of ₹ 65.67 lakh on account of capital investment, generator set and testing equipment in favour of the unit from December 2008 to March 2010. The J&K State Pollution Control Board ordered (February 2011) closure of the unit in view of its unauthorized operation since December 2008. The General Manager, DIC, Jammu stated (August 2012) that a notice had been issued to the unit holder for refund of subsidy. The reply should be seen in light of non-fulfillment of required formalities by the Director, Industries and Commerce, Jammu and General Manager, DIC, Jammu before sanctioning of subsidies.

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[12] Set of environmental management system standards developed by International organization for standardization.

2.21.13 Poor performance of training programme

2.21.13.1 The Department was to organize training programmes for creating trained and skilled class of personnel for absorption by self employment. The Department has 62 training centres with capacity to train 1860 personnel in a year. The position of number of persons trained and the industrial units set up by trained personnel in the State during the period from 2007-08 to 2011-12 is detailed in **Table 2.21.7** below:

Table-2.21.7

Year	No. of personnel trained	No. of units established by the trained personnel
2007-08	1,640	Nil
2008-09	1,393	Nil
2009-10	1,436	Nil
2010-11	1,440	Nil
2011-12	1,524	Nil
Total	**7,433**	

During the period from 2007-08 to 2011-12 total number of 7433 personnel (80 *per cent*) were trained against the capacity for training 9300 personnel revealing under-utilization of the capacity of the training centres. The position was no different in the six test-checked DICs where 3708 personnel were trained in 31 training centres against their capacity to trained 5150 personnel. Audit further noticed that none of the trained personnel had set up their own units or adopted the trade as profession, rendering expenditure of ₹ 9.01 crore incurred on training of these 3778 personnel unproductive. Thus, the objective to create skilled entrepreneurs for self employment had not been achieved. The Director, Industries and Commerce, Jammu stated (July 2012) that training programme was primarily for skill development and not for setting up of units. The reply was not tenable as the purpose of training was to create skilled class of personnel for absorption mostly by self employment.

2.21.13.2 The Footwear Demonstration Training Centre, Srinagar remained non-functional since inception as no training had been imparted in this centre. Due to the training centre remaining non-functional, the General Manager, DIC, Srinagar had paid idle wages of ₹ 96.29 lakh to the staff of the centre during the period 2007-12. The General Manager, DIC, Srinagar stated (August 2012) that the matter had been taken up with the Director, Industries and Commerce, Kashmir.

2.21.14 Poor follow up for revival of sick units

The State Industrial Policy 2004 envisaged rehabilitation of sick industrial units. For this purpose, the soft loans were to be provided to the sick industrial units to meet the liabilities on account of power, sales tax, etc. The total amount of soft loan sanctioned was not to exceed 30 *per cent* of total loan requirement of the sick unit. The loan was to be disbursed through the SIDCO. Further, to reduce interest liability of unit holders, the Government was to pay interest subsidy to the extent of rates of interest prescribed by the SIDCO reduced by one *per cent* thereof. The position of units approved for revival, funds released, soft loan disbursed, loan sanctioned by banks and outstanding repayment of loan and interest as of March 2012 is given in **Table 2.21.8** below:

Table-2.21.8

(₹ In lakh)

No. of units approved for revival	Loan sanctioned	Funds released by the Department	Soft loan disbursed		Loan sanctioned by banks		Outstanding repayment of loan		
			No. of units	Amount	No. of units	Amount	No. of units	Soft loan	Interest
67	870.76	516.15	32	369.57	10	350.37	28	285.32	62.81

The above position would reveal that only 10 unit holders out of 67 units approved for revival raised loans from banks and made their units functional. A loan of ₹ 2.85 crore and interest of ₹ 62.81 lakh was outstanding against 28 industrial units as of March 2012 with the result that these units continued to remain sick and non-functional. No action had been taken against the defaulters by the Department. It was further observed in audit that out of ₹ 5.16 crore released by the Department, an amount of ₹ 3.70 crore was disbursed as soft loan and the balance of ₹ 1.46 crore continued to remain unutilized with the SIDCO since March 2009.

2.21.15 Non-constitution of Permanent Grievance Redressal Committee

According to the State Industrial Policy 2004, the Finance Department was to issue an order to the effect that no consignment of goods meant for industries was to be detained at the entry point of the State for more than 24 hours. A notice was to be issued by the concerned authority to the firm outlining the objections in the event of any doubt but the consignment of goods was to be released instantly. For this purpose, a Permanent Grievance Redressal Committee consisting of Director Industries and Commerce, Commissioner Commercial Taxes and Commissioner Excise was to be set up by the Finance Department and the Committee was to meet once every fortnight to consider all such notices and pass orders which were final and binding on all concerned. It was, however, seen in audit that no such committee had been set up. The Commissioner/ Secretary reported (December 2012) that the Grievance Redressal Committee had been constituted in March 2012 by the Government.

Handicrafts Sector

Handicraft activities occupy an important position in the economic structure of the State. The Handicraft Department is mandated with the task of imparting training to unemployed persons in various crafts and to organize these trainees into co-operative societies, increase production capacity of artisans by introducing new techniques and designs and providing marketing facilities for the products of these societies through organization of exhibitions, expos, crafts bazaars, etc.

2.21.16 Planning

Proper planning is essential for success of the programme. A long term Perspective Plan is an appropriate framework to prioritize funds and serve both as a roadmap and a long term Action Plan against which actual transfer of intended benefits of the programme can flow and be consistent with the prioritization and goals set forth in the Perspective Plan. It was, however, seen that no long term Perspective Plan as well as Annual Action Plans had been formulated by the Department. The Director, Handicrafts, J&K stated (August 2012) that the Department prepared Annual Action Plan as per requirement and as per funds allocated by the Planning and Development Department. The reply should be seen in the light of fact that no instructions had been issued to the Assistant Directors, Handicrafts for preparation of District Annual Plans.

2.21.17 Poor performance of trainings

The Department runs elementary and advanced training centres wherein unemployed personnel are imparted training and after completion of training courses, the trainees are to be organized into cooperative societies through industrial co-operative wing of the Department. The Department runs 464 training centres (Jammu Province: 145; Kashmir Province: 319) for imparting training in 33 crafts. The position of intake capacity of these training centres, number of persons trained and formation of cooperative societies during the years from 2007-08 to 2011-12 is given in **Table 2.21.9** below:

Table-2.21.9

Year	Intake capacity of training centres	No. of persons trained	No. of Co-operative societies formed	Expenditure incurred (₹ in crore)
2007-08	12200	5881	40	2.63
2008-09	11600	6467	24	2.45
2009-10	11600	6206	89	2.40
2010-11	11600	6235	79	2.61
2011-12	11600	6112	139	5.34
Total	**58600**	**30901**	**371**	**15.43**

Against intake capacity of 58600 persons in 464 training centres of the Department, only 30901 persons (53 *per cent*) were trained during the period 2007-08 to 2011-12. Further, 371 co-operatives societies involving 4095 trainees (13 *per cent*) were formed during 2007-08 to 2011-12 against the requirement of 2809 cooperative societies. This defeated the main objective of the programme to generate employment in the Handicraft sector and an expenditure of ₹ 15.43 crore incurred on stipend, purchase of raw material, rent of training centres during the period 2007-12 was largely rendered unproductive. The Assistant Directors[13], Handicrafts attributed (March-April 2012) poor performance of the programme to lack of interest among trainees to set-up units. Audit further noticed that in eight test-checked districts, out of 31625 persons selected in 26 crafts during the period 2007-12, no male candidate was selected by the Department.

As per the condition specified in the notification for selection of candidates, the Department may recover the stipend alongwith penalties if the trainees leave the course midway or do not adopt the craft as their profession. Audit observed that the Department had not initiated any action to recover stipend of ₹ 4.04 crore from 14545 trainees who either left the training half way or did not adopt craft as a profession in eight test-checked districts during the period 2007-12. The Assistant Directors, Handicrafts[14] stated (March/April/June 2012) that it was not possible to recover the stipend from the drop out trainees or trainees who had not established their units.

The Department had not formulated any system for selection of candidates for trainings. Audit observed that 503 trainees of 65 training centres of seven test-

[13] Jammu, Kathua and Udhampur
[14] Jammu, Kathua and Udhampur

checked districts[15] managed to get themselves enrolled for trainings in the same craft repeatedly thereby, rendering expenditure of ₹ 16.58 lakh incurred thereon unproductive. The Assistant Directors, Handicrafts stated (March-April 2012) that utmost care would be taken in future so that the candidates who had already received training do not get selected again.

2.21.17.1 Non-availability of raw material for trainings

For smooth running of training programmes, the Department was to ensure availability of raw material viz. woolen and cotton yarn, *sheesham* wood, etc. in advance of the commencement of trainings. Test-check of records revealed that during the years 2008-09 to 2011-12, raw materials were purchased at the fag end of each year and as such could not be made available to the training centres in time. Further, raw material such as woolen, cotton yarn and *sheesham* wood were not procured during 2007-08 to 2011-12. Audit further noticed that in 57 training centres (carpet weaving centres: 17, leather cum lacquer centres: 7, paper mashie: 19 and wood carving: 14), the raw material was not made available during the years 2007-08 to 2011-12. The imparting of training to the trainees without raw materials was doubtful. The Joint Director, Handicrafts, Jammu stated (April 2012) that raw material could not be procured in time due to non- finalization of rate contract by State Level Purchase Committee and due to delayed release of funds. The Joint Director, Handicrafts, Kashmir stated (September 2012) that the raw material procured during previous years were provided to the training centres. The reply was not acceptable as raw material for paper machine and wood carving craft were not procured during 2007-08 to 2010-11.

2.21.17.2 Non-disposal of finished goods

The finished goods valuing ₹ 63.27 lakh manufactured by trainees in eight test-checked districts were lying in the stores as of March 2012 and out of this the finished goods valuing ₹ 25.62 lakh got damaged due to prolonged storage. The Department had not taken steps for disposal of these finished goods. The Assistant Directors, Handicrafts stated (March and June 2012) that the accumulation of finished goods was due to lack of demand from buyers for these goods and the matter regarding damaged goods had already been taken up with the higher authorities for writing off the value of these damaged goods.

2.21.17.3 Poor performance of Cooperative Societies

The industrial cooperative wing of the Department is mandated with the task of organizing successful trainees into co-operative societies to generate employment in Handicraft sector. For the growth of these co-operative societies, the Department provides assistance in the shape of managerial subsidy and interest subsidy on institutional finance. The status of Co-operative Societies registered with the Department is given in **Table 2.21.10** below:

Table-2.21.10

Year	Total number of Co-operative Societies	Status of Co-operative Societies		
		Active	Dormant	Under liquidation
2007-08	1522	499	639	384
2008-09	1517	489	640	388
2009-10	1572	545	643	384
2010-11	1651	606	649	396
2011-12	1789	646	752	391

[15] Anantnag, Jammu, Kathua, Pulwama, Rajouri, Srinagar and Udhampur

From the above, it was clear that 1143 Co-operative Societies (64 *per cent*) were either defunct or under liquidation. Further 350 Co-operative Societies of Jammu province and Srinagar district classified as active were not actually viable as average wages in the range of ₹ 29 to ₹ 636 per annum were paid to the members of these societies during the period 2007-12. This indicated that the co-operative societies remained mostly unviable during the period 2007-12. The Deputy Registrar (Handicrafts), Industrial Co-operative Societies, Jammu attributed (May 2012) poor performance of the cooperative societies to non-availability of raw material at cheaper rates, in-sufficient marketing facilities at district level, marriage of female members of the Co-operative Societies, out of area of operation and lack of monitoring and supervision of societies due to shortage of staff.

2.21.18 Poor performance of credit plan scheme

To arrest extinction of Handicraft industry in the State and to boost economic conditions of craftsmen and artisans, the State Government had formulated a special credit plan to provide financial assistance to them for setting up of self employment generating units at affordable terms. The scheme envisages 90 *per cent* financial assistance in the form of loan from banks and 10 *per cent* promoters' contribution for setting up of units. Interest subsidy to the extent of five *per cent* on the loan component was to be provided by the State Government.

The position of number of cases sponsored for loan, cases sanctioned and loan disbursed in eight test-checked districts under the credit plan scheme during the period 2007-12 is given in **Table 2.21.11** below:

Table-2.21.11

Year	No. of cases sponsored for loan	No. of cases where loan sanctioned	No. of cases where loan disbursed	No. of cases pending with banks for sanction of loan
2007-08	1232	528	510	495
2008-09	1233	541	537	497
2009-10	1050	567	465	463
2010-11	1073	332	282	700
2011-12	2373	815	785	1363
Total	**6961**	**2783**	**2579**	**3518**

As would be revealed from the above figures, the loan was provided in 2579 cases (37 *per cent*) out of 6961 cases sponsored by the Department during the period 2007-12. In Udhampur district, no case was sanctioned during the period. The task force comprising of District Development Commissioner (DDC) as its chairman with General Manager, DIC, representatives of two leading banks in the district, District Employment Officer and District Social Welfare Officer as its members was to be constituted for successful implementation of the scheme. It was, however, seen that no such task force had been constituted in any of the test-checked districts. The Assistant Directors, Handicrafts had not conducted physical verification of the units and the assets therein for which loan was released, as a result the actual setting up of units by the beneficiaries could not be ascertained. The Assistant Directors, Handicrafts attributed (March/April/ June 2012) poor performance of the scheme to lot of formalities prescribed by the banks which could not be completed by the artisans.

2.21.19 Improper implementation of Central schemes

To provide the artisans community access to the best of healthcare facilities and to provide life insurance protection to them, the GOI launched 'Rajiv Gandhi *Shilpi Swastha Bima Yojana*' and '*Bima Yojana* for Handicraft Artisans' for implementation during the 11th five year plan period (2007-12). The Scheme 'Rajiv Gandhi *Shilpi Swastha Bima Yojana*' envisaged that expenses incurred by the artisans for medical treatment availed of in any hospital or nursing home within the country would be paid/reimbursed by the Insurance Company. For this purpose, the GOI was to contribute ₹ 650 per annum in case of General Category artisans and ₹ 725 per annum in case of artisans belonging to SC/ST/BPL and NER. The General Category artisans were to contribute ₹ 150 per annum and the artisans belonging to SC/ST / BPL and NER categories were to contribute ₹ 75 in each case. The Department was to implement the scheme by way of sensitizing the handicraft artisans to join the scheme. The position of coverage of artisans was very poor in test-checked districts of Kashmir Province as only 2771 artisans (19 *per cent*) were covered under the scheme against the target of 14875 artisans during the period 2007-12. Further, only 246 artisans were covered under the scheme during the period 2010-12 in the districts of Jammu, Kathua and Udhampur and not even a single artisan was covered in these districts during the period 2007-10 under the scheme. The Assistant Directors Handicraft attributed (March/April/June 2012) poor implementation of the scheme to lack of interest shown by the artisans.

Another scheme '*Bima Yojana* for Handicraft Artisans' envisages life insurance coverage against natural death (₹ 30,000), accidental death or permanent total disability (₹ 75,000) and permanent partial disability (₹ 37500). The additional benefits of an associated scheme of LIC '*Shiksha Sahyog Yojana*' which envisages education allowance of ₹ 300 per quarter per child studying in classes 9th to 12th upto maximum of two children for a maximum period of four years or till they completed 12th standard whichever event occurs earlier were to be provided to these artisans. Under the scheme, the annual premium charged was to be ₹ 200 per annum per person of which ₹ 100 was to be borne by LIC from its Social Security Fund, ₹ 60 were to be borne by the GOI and remaining ₹ 40 were to be borne by the beneficiary. For successful implementation of the scheme, the State Government was to motivate artisans to join the scheme. It was, however, noticed that the scheme had not been implemented in four test-checked districts of Jammu Province while as the position of implementation of the scheme was very poor in four test-checked districts of Kashmir province as only 1011 artisans (seven *per cent*) were covered against the target of 14875 artisans during the period 2007-12. The Department had not taken any steps to make the artisans aware about the benefits of the scheme. The Assistant Directors, Handicrafts attributed (March/April 2012) poor implementation of the scheme to lack of interest shown by the artisans.

Handloom sector

The Handloom sector occupies a significant place in the socio-economic structure of the State and is known for weaving of fabrics like *Pashmina, Raffel,* silk *sarees* and cotton items. It plays a crucial role in employment generation for weaker sections of society. The Handloom Development Department plays a catalyst role in modernization of Handloom sector in the State through skill up-gradation of weavers

by providing modernized looms, training in designs and weaving, marketing of handloom products through market incentives and by fostering participation of weavers in National, State and District level handloom expos and *melas*.

2.21.20 Planning

To promote handloom activities by way of imparting trainings to unemployed youth in various crafts and forming co-operative societies to assess the latest trends in the market, the Department was to organize its activities through formulation of Perspective Plan out of which the Annual Action Plans were to be carved out. It was, however, seen in audit that the Department had not formulated any Perspective Plan. The baseline survey for preparing the profile of the cluster i.e. number of active handlooms, type of handlooms, number of weavers, type of yarn used, product range and average weaver income, etc. was required to be conducted. Audit noticed that the Annual Action Plans (AAPs) had not been formulated and no base line survey was conducted in any of the test-checked districts. The Deputy Director, Planning, Handloom, attributed (September 2012) non-formulation of long term Perspective Plan to availability of limited resources of infrastructure and manpower with the Department.

2.21.21. Poor performance of schemes

2.21.21.1 Integrated Handloom Development Scheme

To facilitate the sustainable development of handloom weavers located in or outside identified clusters into a cohesive, self-managing and competitive socio-economic unit, the Government of India had launched a Centrally sponsored scheme 'Integrated Handloom Development Scheme (IHDS)' to be implemented during the 11th Five Year Plan period (2007-12). Under this scheme, 10 cluster projects (estimated cost: ₹ 5.91 crore) and 17 Group Approach Projects (estimated cost: ₹ 1.21 crore) were sanctioned by the GOI during 2007-08 and 2009-11 respectively. For the cluster projects of the scheme, the guidelines envisage formation of consortium involving stake holders from the Self Help Groups (SHGs), co-operative societies, master weavers, private entrepreneurs, NGOs for interaction with the weavers, etc.

To ensure regular availability of yarn of requisite count and to avoid delay in production process, one time assistance of ₹ three lakh per cluster was to be provided as a corpus fund to National Handloom Development Corporation (NHDC) to ensure supply of yarn to the weavers against payment through yarn depots at the cluster. Further, to provide facilities of pre-loom and post-loom operations, quality control laboratory, common work shed, water treatment and effluent treatment plants to weavers, common facility centre was to be set up in each cluster.

It was noticed that consortium was formed from weavers of the area only and did not involve SHGs, private entrepreneurs, cooperative societies and NGOs. The Assistant Director, Handlooms Kathua stated (July 2012) that necessary steps would be taken to include SHGs, NGOs, private entrepreneurs, etc. in the consortium.

Further, no yarn depot was set up and no corpus fund was maintained in any of the test-checked clusters as yarn was supplied to weavers free of cost. The yarn supplied was also utilized for imparting training and for making samples which defeated the purpose of creation of corpus fund.

Audit also noticed that no common facility centre was set up. For cluster Samba, the building (estimated cost: ₹ 24.90 lakh) was constructed only upto slab level at a cost of ₹ 6.50 lakh. The remaining portion of the building could not be completed due to non-release of balance funds. Further, for cluster Billawar, the execution of building could not be taken up due to non-release of funds. The guidelines of the scheme further envisage setting up of Computer Aided Textile Design (CATD) System, Colour Forecast and Trend Forecast in each cluster to develop designs for weavers. For this purpose, a qualified designer was to be engaged in each cluster. Though the Computer system was procured in each cluster, its utilization could not be confirmed as records of designs developed had not been maintained. The guidelines further envisage providing of assistance for individual weavers for basic inputs such as margin money, looms and construction of work sheds. Records showed that the margin money of ₹ 8.73 lakh released between December 2009 to March 2012 in respect of two clusters (Samba and Billawar) remained unutilized in bank accounts as the working capital loans had not been sanctioned by the banks. Further, the utilization of ₹ 16.56 lakh meant for purchase of 88 looms and construction of 18 work sheds in these two clusters was not ensured by the Department. Test-check of records showed that in Billawar Cluster, the raw material required for imparting training to weavers in weaving, dyeing and designing was procured after the completion of trainings. Imparting of training to weavers in the absence of raw material was thus, doubtful. Monitoring report of the Government of India also indicated that the training in weaving was imparted for 15 days only against prescribed 60 days. The Assistant Director, Handlooms, Kathua stated (June 2012) that the matter would be got investigated.

For Group Approach Projects (GAPs), the guidelines of the scheme envisage providing of assistance for individual weavers for basic inputs such as margin money, purchase of looms and construction of work sheds. Test-check of records showed that margin money of ₹ 7.75 lakh had not been released in favour of the weavers and remain unutilized, as working capital loans had not been sanctioned by the banks in respect of eight Group approach projects. Similarly, proper utilization of ₹ 30.44 lakh meant for purchase of looms and construction of work sheds was not ensured by the Assistant Directors (Jammu, Udhampur, Kathua and Rajouri) as would be revealed from the position of these GAPs given in ***Appendix -2.8***. Three GAPs (Nagrota Preta, Parnalla and Dadwara) had procured raw material required for imparting training to weavers after the completion of trainings. As such, the imparting of training in absence of raw material and payment of stipend of ₹ 2.57 lakh to weavers was doubtful.

The Assistant Directors, (Jammu, Udhampur, Kathua and Rajouri) had not maintained any record of pre and post cluster interventions such as average increase in number of working days, average increase in wages of weavers per month, total turnover of the cluster, increase in productivity per weaver, etc. in any of the test-checked cluster projects as well as GAPs. Due to non-maintenance of these vital records, the achievement made by these clusters could not be ascertained. The Assistant Directors, Handlooms (Jammu, Udhampur, Kathua and Rajouri) accepted (June/July 2012) the audit observations and stated that needful would be done to address the issue.

2.21.21.2 Handloom weavers welfare scheme

To provide enhanced insurance cover to the handloom weavers in case of natural as well as accidental death and in case of total or partial disability, the GOI launched

'Mahatma Gandhi Bunkar Bima Yojana' (MGBBY) for implementation during 11th five year Plan period. The scheme was to be administered by the Life Insurance Corporation of India and the authority in charge of Handloom in the State was to finalize insurance coverage of weavers with the LIC of India. Under the scheme, the annual premium of ₹ 330 per member was to be shared by GOI (₹ 150), weaver (₹ 80) and LIC (₹ 100). It was, however, observed that the coverage of weavers in the State under the scheme was very poor and ranged between four and 20 *per cent* of the targets fixed. Against the target of 26000 weavers to be covered under the scheme during the period 2007-12, only 2546 (10 *per cent*) weavers were covered by the Department. The Director, Handloom stated (September 2012) that the scheme was implemented by the LIC which was to organize awareness camps to educate beneficiaries. This indicated that the Department had not sensitized the weavers to join the scheme through public awareness programmes.

2.21.22 Non-monitoring of scheme of modernization of looms

The scheme of 'Modernization of looms' envisage that assistance in the shape of loan, subsidy to modernize the looms and for purchase of accessories for looms was to be provided to weavers of primary Handloom societies. The assistance was to be given in the shape of loan and subsidy in the ratio of 50:50 basis and the loan amount was recoverable in 10 equal yearly installments. Test-check of records revealed that loan of ₹ 45.20 lakh was provided to 229 societies of the State for purchase, modernization and renovation of looms during the period 2007-12. The Department had not ensured that loan released to societies was actually utilized on procurement and renovation of looms. The Assistant Directors, Handlooms stated (June/July 2012) that installation of looms by weavers could not be verified due to acute shortage of staff in the Department.

2.21.23 Non-achievement of objective of training programme

For achieving the objective of employment generation in Handloom Sector, the Department imparts training in various crafts to the unemployed. For this purpose, the Department runs training centres wherein the unemployed are imparted training and after completion of training courses, the trainees are to be organized into co-operative societies. The Director had not maintained records showing consolidated position of trainings imparted during the period of review. However, in the test-checked districts, the position of trainings imparted during the period 2007-12 is given in **Table 2.21.12** below:

Table-2.21.12

S. No.	Name of the District	No. of persons trained	No. of co-operative societies formed	Expenditure incurred (₹ in lakh)
1.	Jammu	243	9	6.61
2.	Samba	50	-	1.25
3.	Udhampur	286	-	7.54
4.	Kathua	478	-	14.42
5.	Rajouri	224	-	10.52
6.	Pulwama	235	1	3.36
7.	Kulgam	30	-	1.08
8.	Srinagar	341	-	22.11
9.	Budgam	354	1	11.75
	Total	**2241**	**11**	**78.64**

The above position indicated that only 11 co-operative societies were formed during 2007-08 to 2011-12 out of 2241 trainees trained in nine districts, thereby, defeating the main objective of the programme to generate employment in the Handloom sector. As a result of this, the expenditure of ₹ 78.64 lakh incurred on stipend for trainees, procurement of raw material and rent of training centres during the period 2007-12 was rendered unproductive. The Assistant Directors, Handlooms attributed (June/July 2012) poor performance of the programme to disinterest shown by the trainees to organize themselves into co-operative societies. The Commissioner/ Secretary stated (December 2012) that the cooperative societies could not be formed because of the fact that female candidates were enrolled as trainees and due to their marriage and other inherent compulsions, they do not form cooperative societies.

2.21.24 Non-verification of physical existence of units

To check the traditional industry of Handloom from extinction and to boost economic conditions of craftsmen and artisans, the State Government formulated a special credit plan to provide financial assistance to weavers for setting up their self employment generating units at affordable terms. The scheme envisaged 90 *per cent* financial assistance in the form of loan from banks and 10 *per cent* promoter's contribution for setting up of units. Interest subsidy to the extent of five *per cent* on the loan component was to be provided by the State Government. The position of number of cases sponsored for loan, cases sanctioned by the banks and number of cases where loan was disbursed in respect of test-checked districts of Kashmir province is given in **Table 2.21.13** below:

Table-2.21.13

Year	Loan cases sponsored	Loan cases sanctioned	Cases where loan disbursed
2007-08	200	49	46
2008-09	205	44	41
2009-10	395	122	110
2010-11	302	121	111
2011-12	532	178	143
Total	**1634**	**514**	**451**

Out of 1634 loan cases sponsored, the loan had been disbursed in 451 cases only. The functioning of the units for which loan had been released was to be ascertained by the Assistant Director, Handloom on quarterly basis. It was seen in audit that functioning of the units had never been ascertained, as a result, the actual setting up of units by the beneficiaries could not be confirmed. In Jammu province, the position could not be ascertained due to non-maintenance of records in test-checked districts. For successful implementation of the scheme, task force comprising of DDC as its chairman, and General Manager, DIC, representatives of two leading banks in the district, District Employment Officer and District Social Welfare Officer as its members was to be constituted. Audit noticed that no such task force had been constituted in any of the test-checked districts.

Geology and Mining sector

The main objectives of the Geology and Mining wing of the Department is to carry out geological mapping for ascertaining mineral wealth of the State and to carry out drilling for groundwater exploration. The State is endowed with rich and wide variety of minerals spread over an area of 13334 square kilometers. Around 60 *per cent* of these minerals were reported to be commercially viable for mining.

2.21.25 Planning

For exploitation of mineral and natural resources, the Department was to formulate a long term policy to plan and exploit mineral wealth of the State. The Mineral Concession Rules, 1960 provides for approval of mining plan indicating plan of lease hold area showing nature and extent of mineral body, spots where mining operations are proposed, extent of manual mining or mining by use of machinery and mechanical devices, details of scheme of restoration of the area by afforestation, land reclamation and such other measures as directed by the Government, annual programme and plan for excavation during five years. The mining operations are required to be carried out in accordance with the duly approved mining plan. Test-check of records showed that the Department had not formulated any such policy and that out of 17 minerals explored in the State, the Department had exploited only five minerals in the State (August 2012).

2.21.26 Collection of Revenue

The position of targets of revenue on account of royalty fixed by the Department and actual revenue realised thereagainst during the period 2007-08 to 2011-12 is given in **Table 2.21.14** below:

Table-2.21.14

(₹ In crore)

Year	Targets fixed	Achievements
2007-08	15.00	16.13
2008-09	17.50	14.45
2009-10	18.15	25.30
2010-11	30.15	34.19
2011-12	34.15	40.79

The achievements had exceeded the targets except during the year 2008-09. The mechanism to work out royalty targets on realistic basis was not in place in the Department. The Deputy Director, Geology and Mining, stated (April 2012) that targets were fixed by the Finance Department without specifying source of data. Test-check of records showed that royalty of ₹ 13.72 crore including interest on account of extraction of minerals was outstanding as of March 2012. The Commissioner/ Secretary stated (December 2012) that royalty outstanding in respect of minor minerals had been referred to the Collector for recovery and the lease holders of major minerals had been directed (November 2012) to liquidate the outstanding royalty by December 2012.

2.21.27 Prospecting for mining

2.21.27.1 The prospecting area for mineral exploration is carried out by Geologists of the Department in field on the basis of detailed mapping (contour map). For prospecting the mineral deposits through private parties, the applicant applies under the provisions of Mineral Concession Rules 1960. The mineral Gypsum is a natural hydrated sulphate and is used in manufacture of cement, plaster of paris, distemper, wallboard textile, fertilizer, paint and in rubber industry. The State has 160 million MTs reserves of Gypsum in Baramulla, Doda and Ramban districts. The Department had exploited only 0.44 million MTs (0.28 *per cent)* of Gypsum reserves

as of March 2012. Rule 63 A (c) of Mineral Concession Rules, 1960 provides that applications submitted by lessees for grant of mining should be processed and disposed of by the Department within 12 months. Test-check of records showed that eight applications of various lessees received by the Department for grant of mining lease during the period from June 2007 to July 2010 were still pending for want of no objection certificates from various Departments and no action had been taken by the Department in this regard, with the result, the mining lease could not be granted in favour of these lessees. The Officer in charge, Mineral Concession Cell (Central), Jammu stated (February 2012) that the concerned Departments could not be persuaded for issue of no objection certificates. The reply should be seen as reflective of lack of coordination between various Departments of the Government.

2.21.27.2 Audit noticed that mining lease for extraction of Gypsum had not been granted to three lessees as of March 2012 despite the fact that all required formalities viz; obtaining of no objection certificates, verification of area and clarification from District Mineral Officer were completed by August 2009 as these cases were not referred to the Government, resulting in denial of grant of mining lease to the lessees. The Officer in charge, Mineral Concession Cell (Central), Jammu stated (February 2012) that inaction of the then Director was a matter of record and that the delays would be avoided and mining lease applications would be disposed off in time.

2.21.27.3 Section 11 (2) of the Mines and Minerals (Development and Regulation) Act, 1957 provides that where two or more persons have applied for a reconnaissance permit or prospecting licence or a mining lease in respect of any land in such area, the applicant whose application is received earlier, shall have the preferential right to be considered for grant of reconnaissance permit or prospecting licence or a mining lease, as the case may be, over the applicant whose application is received later. The application of a lessee, who had applied (February 2006) for mining area of 4.75 hectare at Kanchen Salamabad, Uri was rejected (February 2009) on the grounds of non-receipt of no objection certificates from the remaining offices other than the Wildlife and Forest Department who had issued (October 2008 and February 2009) no objection certificates in favour of lessees. However, without pursuing the matter with these offices, the Department recommended (February 2009) to the Government for rejection of application of first lessee on the plea of non-receipt of no objection certificates from other offices and instead proposed the application of the second lessee who had applied (February 2008) for the same site. The reasons for rejection were not on record. This led to court case in the matter and consequent non-extraction of Gypsum from the area. The Officer in charge Mineral Concession Cell (Central), Jammu stated (February 2012) that application of the applicant was rejected by the Government and would be dealt with as per the orders of the Hon'ble Court.

2.21.28 Illegal mining

The Environment Protection Act, 1986 provides that no mining should be carried out in wildlife reserve area. The Hon'ble Supreme Court of India notified (December 2006) areas falling within 10 kilometers of the boundary of National Park and Wildlife Sanctuaries as eco-sensitive zones and extraction of minerals in such areas was prohibited. The Department however, did not adhere to the provisions of the Act and the directions of the Hon'ble Supreme Court and instead granted mining lease to lessees for extraction of Gypsum within and in the vicinity of Kazinag National Park and Limber-Lachipora Wildlife Sanctuary despite reservations raised (April/October 2010) by the Ministry of Environment and Forests (Wildlife Division), Government of India and Commissioner/Secretary to the State Government, Forest Department. It

was seen in audit that 1,11,613 MTs of Gypsum minerals were extracted by 13 lessees during the period 2007-12 in these areas. Granting of mining lease in the protected areas led to illegal mining which indicated casual approach of the Department towards the sensitive issue of environmental protection. The Coordinator, Geology and Mining, Kashmir stated (March 2012) that notification of the Hon'ble Supreme Court would affect future prospects of Gypsum mining in the area as all Gypsum bearing areas in Kashmir Province fall within one kilometer radius of wildlife sanctuary. The reply is not tenable as granting of mining lease/extraction of mineral in the protected areas by the Department is a clear violation of rulings of Hon'ble Supreme Court.

2.21.29 Lack of environmental concerns

The provisions of water (Prevention and Pollution control) Act, 1974, Air (Prevention and Pollution control) Act, 1981, Environment (Protection) Act 1986 and Public Liability Insurance Act 1991, envisage enforcement of various conditions while extracting Gypsum from mining sites. The physical verification of mining sites by Audit revealed that enforcement of conditions such as raising of green belt of adequate width by planting native species around the leased areas, dump sites, etc. metal topping of major approach and haul roads, stacking of top soil in earmarked dump sites, etc. by the lessees had not been ensured by the Department. At Gypsum mines in Gagla (Assar), Doda and in Naloosa (Bijhama) Baramulla, no plantations were raised by the lessees, thereby violating the provisions of these Acts. Further, major approach and haul roads at the sites of mines had not been metal topped.



Gypsum mine in Gagla (Assar) Doda



Gypsum mine in Naloosa, (Bijhama), Baramulla

The dump sites had not been earmarked and as such waste material were not staked and left haphazardly at site of mines. The protective safety measures had not been adopted by the local labourers while extracting Gypsum from mines. The Commissioner/Secretary reported (December 2012) that the Department had no powers vested under Water (Prevention and Pollution Control) Act, 1974, Air (Prevention and Pollution Control) Act 1981, Environment Protection Act, 1986 and Public Liability Insurance Act, 1991 to take any action against the violators.



Gypsum mine Baryas in Assar, Doda

The Pollution Control Board, Jammu stated (March 2012) that District Officers of the Board had been directed to visit these sites and submit their reports. The Pollution Control Board, Kashmir stated (March 2012) that the Board had not issued any consent for mining activity in favour of various lessees to extract Gypsum in areas of Bagna, Naloosa (Bijhama) and Jabbadar, Bijhama. This indicated that the Department granted mining sites to lessees in absence of consent of the State Pollution Control Board.

2.21.30 Unauthorised extraction of mineral

The terms and conditions of the State Pollution Control Board (SPCB) envisage granting of consent to operate for one year. As such, lessees need to renew consent to operate from SPCB after expiry of one year. Audit scrutiny of records showed that lessees extracting Gypsum did not obtain renewed consent of the SPCB after expiry of one year, thereby violating norms of Pollution Control Board. The consent of operation for five lessees operating in mining sites at Batote, Galija, Jathi Assar, Buniyar and Salamabad Uri had not been got renewed by these lessees despite lapse of three to four years from the dates of lapse of previous consents (March 2012). The SPCB had not taken any action against these lessees for violation of Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981, as a result, these lessees continued to extract Gypsum unauthorisedly. This indicated lack of concern of the Department over the environmental issues. The SPCB stated (March 2012) that notices are being issued to the defaulters and action is being taken towards issuing closure notices in respect of defaulter units.

2.21.31 Lack of departmental check

Section 23C (2) (a)(b) of the Mines and Minerals (Development and Regulation) Act, 1957 envisage establishment of check posts and weigh bridges to check minerals under transit and to measure the quantity of mineral being transported so as to prevent

illegal mining, transportation and storage of minerals. Test-check of records showed that there was only one check post at Udhampur in Jammu province and the mineral check posts in Kashmir Province were functional only from 9 AM to 5 PM making these check posts vulnerable due to absence of round the clock vigil. The Department had not taken any measures in this regard despite the fact that the State Vigilance Organisation had alerted (April 2010) the Department to man the mineral check posts during late hours as transportation of minerals took place in early morning/evening hours and during nights due to non-permission of heavy vehicles including trucks to ply on roads during day time. The Department had also not installed weigh bridges at the mineral sites for measuring the quantities of minerals extracted and had instead relied upon the figures communicated by the lessees. Thus, the Department had no fool proof mechanism of carrying out checks of mineral quantities lifted by the lessees from sites. Non-establishment of weigh bridges was indicative of lax approach of the Department to prevent extra extraction and transportation of the minerals in the State. While the Mining Officer, Kashmir stated (March 2012) that weigh bridges had not been installed, the Mining Officer, Jammu accepted (February 2012) the Audit observations and stated that installation of weigh bridges will be considered and taken up with the Director, Geology and Mining for obtaining the required funds.

2.21.32 Manpower management of the Department

The position of manpower in the Industries and Commerce Department as of March 2012 is given in **Table 2.21.15** below:

Table-2.21.15

S. No	Designation	Sanctioned					Vacancy				
		I&C	Handicraft	Handloom	G&M	Total	I&C	Handicraft	Handloom	G&M	Total
1.	Gazetted (Admn.)	16	58	33	11	**118**	03	14	11	08	**36**
2.	Gazetted (Technical/Field)	156	-	-	127	**283**	119	-	-	66	**185**
3.	Non-Gazetted (Ministerial)	347	351	60	108	**866**	108	157	13	44	**322**
4.	Non-Gazetted (Technical/Field)	245	1758	418	341	**2762**	168	448	121	156	**893**
5.	Instructor/Drivers	114	-	-	-	**114**	48	-	-	-	**48**
6.	Class-IV/Helpers	367	824	204	143	**1538**	45	105	12	20	**182**
	Total	**1245**	**2991**	**715**	**730**	**5681**	**491**	**724**	**157**	**294**	**1666**

There was an overall shortage of 1,666 personnel (29 *per cent*) in the Department against the sanctioned strength of 5,681 personnel. The shortage of technical/field and ministerial staff was in the range of 32 and 65 *per cent*. It was seen in audit that the shortage of Project Managers and Functional Managers, which are considered backbone of the Industries and Commerce sector was to the extent of 93 *per cent* as the Department had only eight such officers (Project Manager: 03; Functional Manager: 05) against the sanctioned strength of 121 in the State. The Directors, Industries and Commerce, Kashmir as well as Jammu stated (July/June 2012) that the vacant posts had been referred to the Administrative Department for recruitment. The Deputy Director (Administration), Handicrafts, stated (August 2012) that vacancies under various categories had already been referred to the Service Selection Board/Public Service Commission. The Director, Handloom stated (August 2012) that matter had already been taken up with the Administrative Departments/Recruitment Agencies to fill up the vacant posts.

2.21.32.1 Irregular promotions

The J&K Handicrafts (subordinate) Services Recruitment Rules, 2005 provides that 70 *per cent* vacancies of Junior Instructors were to be filled up by direct recruitment and 30 *per cent* by promotion from class-IV employees. The rules provide that class-IV employees to be promoted to junior instructors should have two year service experience in respective craft and the promotion is subject to conduct of a practical test. Audit noticed that the Department did not follow the recruitment rules and instead promoted 77 class-IV employees to the post of Junior Instructor during the period 2010-12 without fulfilling the condition of two year experience in respective craft.

2.21.33 Monitoring and Evaluation

Monitoring and evaluation is an effective tool to ascertain the effect and impact of the programmes undertaken for implementation by the Department. For effective and efficient implementation of the State Industrial Policy 2004 regular interactions between the State Government at the highest level and the industry were to be held for discussion of major issues relating to the industry. For this purpose, an Advisory Committee for Industries with the Hon'ble Chief Minister as the Chairman, Hon'ble Minister for Industries and Commerce, all Principal Secretaries in charge of the Economic Departments, representatives of Chambers of Commerce and Industries and Federations of Industries of the State and senior officials of the Ministry of Commerce and Industry, GOI was to be set up and the committee had to meet once in every three months. It was, however, seen in audit that the Advisory Committee was set up during the year 2009-10 after about five years of sanction of the State Industrial Policy 2004 and its first meeting was held in February 2012. As a result, the objective of setting up of the Committee to monitor implementation of the State Industrial Policy 2004 could not be achieved. Audit further observed that monitoring of training centres had not been conducted at district level. Besides, evaluation of the programme had never been conducted. As a result, the impact of the programme could not be ascertained. The Joint Director, Handicraft, Jammu stated (April 2012) that evaluation of the programme was conducted on monthly and quarterly basis. The reports of evaluation of the programme conducted, if any, were however not shown to audit.

2.21.34 Inadequate internal control mechanism

Internal control system is a management tool used to provide assurance that the objectives are being achieved as planned. The main objective of the internal control system was to establish adequate and effective procedures, supervisory control and management information system in the organization so as to insulate it from financial irregularities and frauds and help to achieve its targets and goals efficiently. Effective internal control includes financial and operational controls including periodic review of internal control to ensure its adequacy. Audit observed that the internal controls in the Department were not adhered to as discussed below:

- The Administrative Department as well as the Directors had not maintained a register of grants and appropriations in Form-18 to record original grants, their distribution amongst subordinate officers and modifications made from time to time required to be maintained under paragraph 10.11 of State Budget Manual.
- Most of the cases of capital investment subsidy were sanctioned after five to six years from the date of commencement of production. The Department had not

ensured working of the industrial units and obtained progress reports from them before sanctioning of capital investment subsidy cases.

- The Department had not obtained details of payments to ascertain genuineness of purchase of plant and machinery by the unit holders on their substantial expansion for entertaining claims of capital investment subsidy.
- No asset register was maintained in six test-checked DICs of Industries and Commerce Department. As a result, actual land, buildings, etc. available with the Department could not be ascertained.
- To ensure proper accountal of all monetary transactions, the totals of the cash book maintained in each office were to be verified by a responsible officer other than the cashier as provided in Rule 2.10 of J&K Financial Code. A certificate to this effect was to be recorded on the cash book. The procedure was not followed in any of test-checked offices of the Department.
- Cash or personal sureties were not obtained from the officials entrusted with the job of cashier in any the test checked offices of the Department.
- Service and income tax of ₹ 2.14 lakh had not been deducted at source from the payments made to three contractors in three cases by the Joint Director Handicraft, Jammu and the Deputy Registrar (Handicraft), Industrial Co-operative Societies, Jammu.
- Rent of ₹ 12.83 lakh in respect of 19 training centres was paid in absence of any rent assessments made by the District Rent Assessment Committee during the period 2007-12.
- Annual Administrative Inspection of the offices in test-checked districts had not been conducted since 2007-08 in respect of Handicraft sector and since 2008-09 in respect of Handloom sector of the Department.
- Annual physical verification of store/stock of 18 field offices of Handicrafts sector of the Department had not been conducted since 2009-10.
- No action had been taken by the Department to dispose off 76 items of dead stock and other unserviceable articles.

The Commissioners Secretary reported (December 2012) that loopholes pointed out had been noted and instructions were being issued to all the Heads of Departments/Managing Directors to maintain required documents for efficient control mechanism in the Department.

2.21.35 Conclusion

The employment generation and value addition by the industrial units getting fiscal concessions and subsidies from Central and State Governments was not commensurate with the burden of exchequer. These beneficiary units were also not geographically well-dispersed, concentrated around railheads closer to neighbouring States. There were cases of diversion/misutilisation of funds towards payment of salaries/wages, etc. Overpayments/irregular payments to entrepreneurs were noticed due to non-observance of guidelines/instructions governing packages of incentives. The performance of various Central Schemes in Handicraft and Handloom sector was poor. There was lack of adequate monitoring of training centres. The Department had no mechanism in place to check the quantities of minerals extracted and lifted by the lessees from the mineral sites.

2.21.36 Recommendations

The Government may consider to:

- ***strengthen its monitoring mechanism and start monitoring the turnover, value of output, profitability, extent and quality of employment generation, actual new investment brought in, and extent of value addition in the manufacturing by each of the Industrial units benefitting from tax concessions and subsidies.***
- ***strengthen its planning and execution process to avoid time and cost overrun***
- ***ensure full utilisation of funds within the scheduled time frame.***
- ***retrieve the unused plots to ensure prompt and full utilization of created assets and also needs to address the issue of balanced regional development.***
- ***prescribe and follow a check list of procedures as per norms prescribed by State/GOI Industrial policy before sanction/disbursement of various incentives/subsidies.***
- ***strengthen the control mechanism with regard to training programme/ performance of cooperative societies and proper implementation of Central Schemes.***
- ***ensure proper mechanism to tackle the environmental issues.***