CHAPTER-III

COMPLIANCE AUDIT

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ADMINISTRATIVE REFORMS INSPECTIONS AND TRAININGS DEPARTMENT

GOVERNMENT PRESS SRINAGAR

3.1 Inordinate delay in execution of project

Improper planning and poor funding for the project for construction of Government Press Complex at Pampore Kashmir resulted in inordinate delay in execution of the project and likely cost overrun of ₹5.06 crore.

With a view to giving adequate space and facilities consistent with modern requirements to the Government Press Srinagar, the State Government agreed (August 1987) to the recommendations of the consultative committee which suggested shifting of the press from Lal Chowk Srinagar to a new location at Samboora, Pampore. A piece of land measuring 20 *kanals* belonging to Industries Department was transferred (August 1988) by the State Government for construction of the new press complex.

Audit scrutiny (July 2013) of records showed that the construction of the Press complex was started (1988-89) at an estimated cost of ₹2.92 crore through the State Public Works Department and ₹61 lakh had been released during seven years (1988-89 to 1994-95). After completing a single storey block and the compound wall with the released amount, the project was handed over (1996-97) to the J&K Project Construction Corporation Limited (JKPCC) at an estimated cost of ₹4.87 crore for completion within three years. However, poor release of funds by the State Planning and Development Department resulted in non-completion of the project even after a lapse of 17 years. It was seen that ₹5.39 crore had been released for the project during the period of 17 years from 1996-97 to 2013-14 (February 2014) to the JKPCC.

Due to considerable increase in 'Schedule of Rates', the JKPCC revised (December 2012) the cost of the project to ₹7.98 crore and the administrative approval was accorded (December 2012) for ₹7.74 crore. While as the value of work done stood at ₹6.35 crore the work was yet to be completed (February 2014).

Thus poor funding for a project started in 1988-89 resulted in its non-completion in about 22 years besides likely cost overrun of ₹5.06 crore.

The matter was referred to the Government/ Department in March 2014. The Director Finance, ARI & Trainings Department attributed (April 2014) the delay and resultant cost overrun to poor funding by the Government.

Civil Aviation Department

3.2 Non-transparent procurement

Procurement of Agusta A-109E Power Helicopter in non-transparent manner.

For movement of Very Important Persons (VIPs) in the State, the Civil Aviation Department (CAD) of State Government floated a proposal to acquire a twin engine helicopter. For this, the Government constituted a high level committee in January 2004, which decided that the Director Civil Aviation would evaluate all the available

makes in the desired category and thereafter invite specific offers from such of the Companies as would be short listed. The Director, CAD got an in house study conducted by a team of Pilots and Engineers (Committee) which shortlisted three helicopters viz EUROCOPTER EC 135 (EC), AGUSTA 109 POWER (AP) and MD 900 EXPLORER (MD).

The Committee after evaluation of the offers received from two firms (EC and AP), recommended (June 2004), purchase of AP stating that it was technically best suited for local conditions, was cheaper than EC, offered spares worth ₹ one crore and a warranty of three years against warranty of two years offered by EC whereas MD did not respond.

The Government accepted the proposal and accorded sanction (June 2005) for the purchase of AP helicopter at a cost of ₹20 crore (USD 4.41 million). The CAD accordingly carried out the purchase of the helicopter which was received in January 2007. An examination of the records showed the following:

(i) No formal Notice Inviting Tenders or Request for Proposals was issued either on open/ global tender basis or even to three shortlisted vendors on limited tendering basis. In the absence of such a process, firm quotes (preferably in two parts; technical bids and financial bids) based on pre-defined buyer requirements/ specifications (consumes technical parameters which were minimum essential) were not obtained.

(ii) The comparative evaluation was done (in the absence of firm and formal technical/ price bids) with reference to informal offers obtained at different points of time and not brought to common basis of evaluation through pre-defined parameters (e.g. post sale support, cost of maintenance for a pre-defined period, essential and desirable attributes).

(iii) In the absence of competitive tendering (global or limited), the reasonableness of negotiated price could not be vouched. Although it was known that Rajasthan Government had procured the same helicopter and that Government was indeed approached for details, but their response was not on record.

The matter was referred to the Government/ Department in March 2014. The Commissioner, Civil Aviation Department, stated (June 2014) that the Committee headed by the Chief Secretary accepted the recommendations of the Department that had carried out technical comparison and which were also approved by the State Cabinet. The reply should be viewed in light of the fact that proper tendering process was required to be followed before allotment of contract for the purchase of twin engine helicopter.

COOPERATIVE DEPARTMENT

3.3 Blocking of investment

Unplanned construction of Godowns under the Centrally Sponsored Scheme RKVY resulted in blocking of investment to the extent of ₹2.26 crore.

In order to mitigate the shortage of fertilizers in District Baramulla and *erstwhile* District Doda, two Godowns of 1000 MTS capacity each at *Chakkar Assar*, (Doda) and Sopore (Baramulla), were taken up for construction under the Centrally Sponsored Scheme *Rashtriya Krishi Vikas Yojana* (RKVY) with the objective of dumping buffer stock of fertilizers for issue to farmers at the time of need and scarcity. The land for constructions of the godowns was arranged by two Cooperative Societies[1] which were to use the godowns for storage of fertilizers. Administrative Approval for the construction was accorded (November 2011) for a total cost of ₹2.26 crore and the works were to be completed within two years.

Audit scrutiny (February 2014) of records of Registrar Cooperative Societies (RCS), Jammu showed that though the construction was completed in March 2012 after incurring an expenditure of ₹2.26 crore yet the godowns had been taken over by the Department[2] belatedly (June/ August 2013) from the executing agency. The godowns had not been utilised for the intended purpose as of February 2014. The godown at Assar, Doda taken over in June 2013 had not been put to use at all while as the godown at Sopore, Baramulla taken over in August 2013 had been rented out (November 2013) to a private party, through the Sopore Cooperative Marketing and Consumer Society, on an annual rent of ₹ three lakh.

Thus, the godowns constructed with the objective of dumping buffer stock of fertilizers had not been used for the purpose for which these were constructed thereby resulting in blockade of investment of ₹2.26 crore.

The matter was referred to the Government/ Department in May 2014. The Director (Finance) of the Department endorsed (June 2014) the reply of the Registrar, Cooperative Societies, wherein it was stated that the godown at Chakkar Assar in district Doda had been taken over from the executing agency in June 2013 and would be put to use during current financial year (2014-15). It was further stated that due to non-finalisation of terms and conditions with the fertilizer manufacturing companies for dumping of fertilizers it had been decided to rent out the godown at Sopore for generating income till the agreement was executed with the companies. Deputy Registrar (C) Cooperative Societies, J&K Srinagar stated (July 2014) that the godown at Assar, Doda was being provided to Block Development Officer Assar. The fact remained that the godowns had not been used for intended purposes.

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1 The Sopore Cooperative Marketing and Consumer Society, Sopore, (Baramulla) and The Jathi Marketing Society Limited, Assar, (Doda).

2 The Dy. Registrar, Cooperative Societies District Baramulla and The Dy. Registrar Cooperative Societies (Agri), Doda.

3.4 Regulation and Development of Cooperatives and Cooperative Societies

The department did not fulfil requisite benchmark activities with the result it could not benefit from GoI sponsored VNCR scheme aimed at revival of cooperatives. Under-utilisation of funds to the extent of ₹9.47 crore and delay in release of assistance to beneficiary societies under GoI sponsored schemes resulted in non-achievement of intended objectives. Instances of non-maintenance of beneficiary accounts, non-operation of Bank accounts by societies, undue retention of funds to the extent of ₹1.30 crore and non-mortgaging of assets were also noticed in audit.

There are two legislative frameworks in the State of Jammu and Kashmir pertaining to the cooperative movement. One is the "J&K Cooperative Societies Act, 1989" and Rules (J&K Cooperative Societies Rules, 2001**)** made there-under and the other is the "J&K Self Reliant Cooperative Act, 1999". The Cooperative institutions registered under the former are called *Cooperative Societies* whereas those registered under the latter are called *Cooperatives*. The Government may subscribe directly to share capital of a *Cooperative Society* whereas registered *Cooperative Society*, which is not in receipt of any share capital from Government, may apply for registration under J&K Self Reliant Act as *Cooperatives*. The Institution of the Registrar Cooperative Societies (RCS) has been created to aid, advice, facilitate and guide the Cooperative Societies/ Cooperatives in their working. 1,673 Cooperative Societies and 2,043 Cooperatives under various disciplines were registered as of March 2014.

As part of our audit during 2013-14, we reviewed the working of the office of the Registrar Cooperative Societies (RCS) covering the period 2009-14. The Audit findings are detailed below:

3.4.1 Development financing of cooperative societies

3.4.1.1 Loss of central assistance under Vaidyanathan Committee Report (VNCR)

The State Government signed (April 2008) a Memorandum of Understanding (MoU) with the National Bank for Agriculture and Rural Development (NABARD) and the Government of India (GoI) regarding implementation of Revival Package for re-capitalization of the Short Term Credit Cooperative Institutions, who had huge accumulated losses and as a result suffered erosion of their capital/ net-worth, under the *Vaidyanathan* Committee Report (VNCR) launched by the Ministry of Finance, Government of India.

As a result of special audit conducted (2008-09) by NABARD, 110 societies[3] were found conforming to the eligibility criteria and the total erosion of net worth of these societies was worked out to ₹7.09 crore. In accordance with the parameters fixed (January 2006) by the GoI, the assistance payable under the package was to be shared between the GoI, State Government and the Cooperative Society on the basis of loss/ existing commitments and the amount to be shared by each worked out to ₹4.19 crore,

[3] Primary Agriculture Credit Societies (PACS), Central Cooperative Banks (CCBs) and State Cooperative Banks (SCBs).

₹92.75 lakh and ₹1.98 crore respectively. However, in view of weak financial position of the Primary Agriculture Cooperative Societies (PACS), the State Government decided (February 2010) to contribute 50 *per cent* of the Institutional share (Share of cooperative societies) in addition to its due share.

The implementation package was required to be completed within three years (2009-12) and the State Government was supposed to release its due share in advance and fulfill certain benchmark activities[4] before claiming the Central assistance.

It was seen that though the State Government released an amount of ₹2.64 crore[5] during the years 2009-12 for onward credit to the eligible societies, the Department failed to fulfill the requisite benchmark activities, resulting in deprival of the GoI assistance of ₹4.19 crore and non-achievement of the intended objectives.

It was further seen that out of ₹1.92 crore[6] released (2009-12) by the State Government to different District Central Cooperative Banks (DCCBs), ₹1.28 crore was released (2009-10) to Jammu Central Cooperative Bank (JCCB). An amount of ₹18.35 lakh was lying undisbursed with the JCCB as of January 2014 and no details of credit of the balance ₹1.10 crore by the JCCB together with the credit of ₹64 lakh (₹1.92 crore *minus* ₹1.28 crore) by the other DCCBs to the concerned societies were available with the RCS.

3.4.2 NCDC funded schemes

3.4.2.1 Implementation of Integrated Cooperative Development Projects (ICDP)

ICDP is a scheme district specific in nature, which addresses development needs in the area of agriculture and other rural based activities including fisheries, poultry, handloom, dairy, sericulture and other village level micro credit delivery system. The scheme had been taken up by the State Government for employment generation and speedy economic development of the region through cooperatives. Two projects were approved (March 2004) by the NCDC for implementation in the districts of Anantnag and Kathua at a total project cost of ₹19.37 crore[7].

The projects were to be completed by 31 March 2014 but these were under execution (July 2014) which resulted in non-sanctioning of the new projects by the NCDC in the districts of Baramulla and Doda and that the project implementation had suffered due to the following reasons:

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4 Amending the Cooperative Societies Act and Bye-laws of the Primary Agriculture Cooperative Societies (PACS), conducting of elections of banks and PACS, fulfillment of fit and proper criteria by the CEOs of Banks stipulated by the RBI, appointment of professional CEOs satisfying the qualification as prescribed by the RBI, revival of ineligible PACS, conversion of state hold share capital in excess of 25 *per cent* lying in paid up capital of the societies/Banks into a grant from the State, etc.

5 State share: ₹92.74 lakh; PAC share: ₹98.78 lakh and ₹72.87 lakh for Baramulla Central Cooperative Bank so as to enable it to attain the Capital to Risk Weighted Assets Ratio (CRAR) of 4 *per cent* and become eligible for obtaining license from the RBI

6 State share:₹92.74 lakh and 50 *per cent* PAC share: ₹98.78 lakh

7 Anantnag: ₹10.49 crore; Kathua: ₹8.88 crore

- The projects were required to be monitored by a monitoring cell and Audit noticed that no such monitoring cell had been constituted in the RCS office for State Level Monitoring of the projects (March 2014).
- Against total cost of ₹19.37 crore, an amount of ₹7.38 crore only had been received (August 2005 to March 2011) from the NCDC out of which the Department could utilize ₹5.17 crore[8] (70 *per cent*) only by January 2014. Under utilization of funds was attributed by the Director Finance (Cooperative Department) to delay in completion of the legal formalities by the societies.
- Audit noticed that out of ₹88.89 lakh received as loan from NCDC, funds amounting to ₹85.78 lakh had been released to the cooperative societies after a delay ranging between 65 and 89 months against prescribed period of 30 days. Further an amount of ₹3.11 lakh was lying unreleased (March 2014) with the RCS. The delay in disbursement had resulted in undue accrual of interest of ₹57.59 lakh during the period 2005-14.

3.4.2.2 Implementation of development of commercial poultry

The scheme adopted (2005-06) by the State aims at attaining self sufficiency in Poultry requirement through Cooperative Sector. Under the scheme, the poultry projects for rearing Broiler Birds submitted by different societies are approved by the NCDC.

The scheme is being implemented in the State in two phases and the Department had received ways and means advance of ₹15.90 crore[9] from NCDC for disbursement among 83 Poultry Units[10] sanctioned by the NCDC (March 2014).

Implementation under Phase-I

Under phase-I of the Scheme, ₹6.74 crore[11] was received from NCDC during 2005-12 for further disbursement among 35 poultry cooperatives sanctioned during the period 2005-08. Audit noticed that ₹5.78 crore only had been released (March 2014) in favour of 27 Poultry Units while as seven units had been de-sanctioned (November 2011) by the NCDC for their failure to produce the requisite documents and in respect of remaining one unit, the funds were surrendered (March 2014) to NCDC.

Further, against receipt of ₹1.73 crore for eight beneficiary societies, an amount of ₹72.96 lakh only had been released and balance ₹one crore had been retained by the Department. Of the eight societies, full loan assistance in respect of five societies had not been released due to non-completion of legal formalities and non-obtaining of NOC from Pollution Control Board (PCB) and in respect of three societies no reasons for the retention were on record. Retention of loan assistance had resulted in accrual of interest (payable to the NCDC) of ₹10.73 lakh in respect of two of the eight cases. Thus, non-disbursal of full quantum of loan amount to the societies had apart from

[8] Anantnag: ₹3.96 crore; Kathua: ₹1.21 crore
[9] Phase-I:₹6.74 crore; Phase-II: ₹9.16 crore
[10] Phase-I: 35; Phase-II: 48
[11] Loan: ₹4.98 crore; Subsidy: ₹1.76 crore

accrual of interest resulted in non-extension of intended benefits to the beneficiary societies.

It was also seen that out of ₹32.56 lakh received for seven de-sanctioned societies which remained blocked with the RCS during 2008-11, an amount of ₹28.11 lakh only were adjusted (November 2011) by NCDC leaving ₹4.45 lakh unadjusted as of February 2014. The blockade of ₹32.56 lakh during 2008-11 and of ₹4.45 lakh during 2011-14 resulted in accrual of interest of ₹10.13 lakh (excluding penal interest) payable to NCDC.

Implementation under Phase-II

Under Phase-II, an amount of ₹18.32 crore[12] was sanctioned (December 2011) by the NCDC for assisting 48 poultry cooperative societies with validity period upto 30 June 2013.The period of validity was however extended by the NCDC on two occasions (latest extension valid up to 30 June 2014). The State Government requested NCDC for release of funds in the shape of ways and means advance in two equal installments instead of reimbursement in response to which NCDC released (June/ August 2012) ₹9.16 crore as first installment.

Audit noticed that ₹2.90 crore only had been released in favour of 15 poultry cooperatives and the balance ₹6.26 crore pertaining to 33 poultry cooperatives was withheld by the RCS either due to non-completion of legal formalities by the concerned societies or for want of permanent registrations (February 2014). This indicated that before recommending the cases to NCDC, necessary checks had not been conducted by the Department resulting in delayed start of projects and also blocking of funds. Since the amount so received is to be repaid back to NCDC along with interest @ 12.75 *per cent,* Audit noticed that ₹1.21 crore had already accrued as interest (ending February 2014) on such amount and is liable to be paid by the State Government.

The Director Finance (Cooperative Department), however, stated (June 2014) that the beneficiary societies are reluctant to raise the collateral security equivalent to the project cost.

3.4.2.3 Non-maintenance of beneficiary wise accounts

The RCS was required to maintain beneficiary wise accounts (poultry cooperative society) in order to monitor the disbursements, proper usage and recoveries of loan on regular basis.

Audit noticed that the project wise accounts of the cooperative societies sanctioned by the NCDC had not been maintained by the Department in absence of which the amounts due for repayment of loan to NCDC and overall interest payable could not be ascertained. The Director Finance (Cooperative Department) stated that the system had been streamlined and the registers were being maintained accordingly.

[12] Loan: ₹13.50 crore; Subsidy: ₹4.82 crore

3.4.2.4 Non-operation of bank accounts in Cooperative Banks

In accordance with the operational guidelines framed by the State Government for implementation of the NCDC funded schemes, the societies were required to open special accounts (Current Account) with the District Level Cooperative Banks/ State Cooperative Banks. Audit noticed that sixteen societies had not opened their bank accounts in the Cooperative Banks. This clearly indicated that proper monitoring over the business transactions of the societies had never been done by the Department. The Director Finance (Cooperative Department) stated that societies shall be directed to operate their accounts in the Cooperative Banks.

3.4.2.5 Undue retention of funds

As per the recovery mechanism approved by the Administrative Department (October 2012) for recovery of loans advanced under NCDC funded schemes, the amount due from the cooperative societies was required to be recovered along with interest after completion of their projects and remitted to the State Finance Department to recoup the State Exchequer. Audit noticed that an amount of ₹1.30 crore recovered from 56 societies[13] was deposited (December 2011 to December 2013) in the official account of the RCS and had not been remitted to the State Finance Department as of January 2014. The Director Finance (Cooperative Department) stated that the accounts section is being directed to remit the amount to the State Finance Department.

3.4.2.6 Non-mortgaging of assets

As per the operational guidelines of the NCDC framed by the State Government, all the assets raised using NCDC and State Government funds were required to be mortgaged to the State Government so that in the event of default, if any, by the societies, these assets shall be put to sale by the Cooperative Bank under the provisions of Securitization Act, 2002.

Audit noticed that in none of the cases, the assets had been mortgaged by the societies. No action had ever been initiated by the Department to comply with the provisions of the operational guidelines issued. The Government stated that the land on which the asset was raised was mortgaged by the concerned society thereby not complying with the guidelines ibid. The fact remains that the built up assets should also have been mortgaged.

3.4.3 Regulation of Cooperatives and Cooperative Societies

3.4.3.1 Deficient Auditing mechanism and lack of oversight

In accordance with the provisions contained in Section 64 of the J&K Cooperative Societies Act 1989, the RCS shall audit or cause to be audited by a person authorized by him, the accounts of every Cooperative Society at least once in each year. The Registrar Cooperative Societies has a separate audit wing for conducting the audit of the cooperative societies headed by a Joint Registrar, one each at Jammu and Kashmir

[13] ₹98.78 lakh received from 53 projects under ICDP and ₹31.11 lakh received from three societies under Poultry Projects

Province. They are further assisted by District Audit Officers (one at each district) and other subordinate staff.

Audit scrutiny showed as follows:

- The department had not prepared any audit plan. There was no system of pre-defined norms about the mandays required for conducting audit of a particular society.
- There was huge shortfall ranging between 45 *per cent* and 50 *per cent* in audit of the cooperative societies during the period 2009-10 to 2012-13. Shortfall in audit was attributed by the Director Finance (Cooperative Department) to non-preparation and non-production of accounts by the societies. No action was found to have been initiated by the Department against such societies.
- The Department had not maintained any record to show that the defects pointed out during the course of audit of the cooperative societies had been rectified by the concerned societies as required under Section 65 of the Act. The Director Finance (Cooperative Department) stated that such records are being maintained at the District/ Divisional level. The reply is not tenable as no such records were found to have been maintained by the Joint Registrar (Audit) Jammu.
- An amount of ₹31.92 lakh was outstanding against various Cooperative Societies on account of Audit fee as of March 2013. Apart from this, ₹72.72 lakh was outstanding on account of audit fee (ending March 2013) from eight Apex Institutions[14] pertaining to District Jammu only.
- The number of defunct/ non-existent societies had increased from 602 during 2009-10 to 701 in 2012-13. However, break-up of societies in terms of non-existent or non-functional, which could have enabled the Department to take appropriate action under the provisions of the Act, was not available with the Department. It was also noticed that the matter had never been taken up by the District/ Provincial level officers with the RCS for initiating appropriate action against such societies. The Director Finance (Cooperative Department) stated that the steps were being taken to revive the defunct cooperative societies.

3.4.3.2 Unrecovered embezzled amount of the Cooperative Societies

The embezzlements in the cooperative societies had been detected by the internal audit wing of the Department and an amount of ₹6.75 crore was recoverable (ending March 2013). The percentage of recovery during the period 2009-10 to 2012-13 ranged between 0.47 *per cent* and 6.12 *per cent*. The Director Finance (Cooperative Department) stated that the cases of embezzlement are very old. The reply furnished is not tenable as there had been fresh cases of embezzlement involving ₹25.49 lakh

[14] Cooperative School of Education and Research, Deeli Jammu; Jammu Central Cooperative Bank; Citizen Cooperative Bank; Housing Corporation Limited; Jammu and Kashmir Cooperative Federation (JAKFED); Jammu and Kashmir Ex-servicemen Cooperative/ Store Limited; Super Bazar; and Cooperative Union.

during the period 2009-13, out of which an amount of ₹23.72 lakh pertained to the period 2011-13.

3.4.3.3 Delay in processing of liquidation proceedings

The Cooperative Societies Act envisages appointment of a liquidator in case of winding up of a Cooperative Society, who shall finalize the liquidation proceedings within a period of six months in case of primary society and one year in case of other societies from the date of his taking over as a liquidator.

Audit noticed that during the period 2008-13, liquidators had been appointed by the Registrar Cooperative Societies in respect of 77 Cooperative Societies but in none of the cases had the liquidation proceedings been finalized by the liquidators despite a lapse of a considerable period ranging between one year and five years.

3.4.4 Non-furnishing of returns

The J&K Self Reliant Act 1999 envisages that every cooperative, within thirty days of holding of the Annual General Meeting, shall file returns relating to annual report of activities, audited annual accounts and other statistical information regarding liabilities, surpluses etc., with the RCS.

Audit noticed that neither the returns were filed by the Cooperatives nor was any action taken against the defaulters by the RCS. Even the State Government had never been apprised of the facts regarding non-filing of returns by the Cooperatives. The Director Finance (Cooperative Department) stated that a large number of Cooperatives had not started their business and as such had not filed their returns.

EDUCATION DEPARTMENT

3.5 Undue benefit to private institutions

Payment of unjustified cash assistance to private schools from out of Special Plan Assistance received from the Government of India for improvement and upgradation of the infrastructure in schools resulted in misutilisation of ₹1.73 crore.

The State Government rescinded (July 2004 with effect from April 2004) the Grant-in-Aid scheme, which was promulgated by the Government in January 1975, in respect of Private schools citing the public concern connected with the commercial character of the private schools which were being run as more of an economic or commercial venture.

The Government of India released (September 2010) ₹100 crore as Special Plan Assistance (SPA) for grants to schools and colleges for improvement and additions to the existing infrastructure of which ₹60 crore were approved (October 2010) in favour of School Education Department and ₹40 crore in favour of Higher and Technical Education Department.

Audit scrutiny (December 2011) of records of Education Department showed that the action plans for ₹60 crore prepared (November 2010/March 2011) *inter-alia* included

provision of assistance to the tune of ₹2.03 crore for reconstruction of three[15] private institutions. The release to private institutions was subject to conditions stipulated by the Education Department in its action plan, which provided for construction of school buildings by the respective school management with a representative from the Government for proper utilization and monitoring of funds. A total assistance of ₹1.73 crore[16] (from out of the approved assistance of ₹2.03 crore) was disbursed to these three private institutions during March 2011 to May 2012.

Audit scrutiny further showed as follows:

- One of the private beneficiaries[17] after receipt (March/July 2011) of first ₹one crore, had placed (April/July 2011) ₹83 lakh in fixed deposit accounts. Utilisation certificate for ₹25 lakh was furnished on 19 April 2011 and utilization certificate of ₹75 lakh was pending as of March 2014. Audit further, noticed that apart from placing the assistance received in FDRs, the school had raised an insurance claim of ₹1.29 crore (March 2012) and that the School was provided (May 2011) 25 prefabricated huts meant for Disaster Management programme of the State by the District Development Commissioner Baramulla. These prefabricated huts were installed at the site and the institution continued to be housed in these huts (November 2013).
- Another beneficiary[18] was housed in rented accommodation. The assistance amount of ₹10 lakh was distributed (May 2012) by the Assistant Commissioner (Development), Pulwama between the building owner (₹4.50 lakh) and the school management (₹5.50 lakh) without either carrying out proper survey of damages or ascertaining as to whether the owner was having any insurance claim. Apart from this, the school had shifted to another place immediately after disturbances and had not returned to the old location.
- In respect of the third beneficiary[19] it was seen that the area in which school falls was free from any turmoil. The payment of grant in aid was in contravention to the statement of Joint Director (Planning) of the School Education Department who in the context of two valley schools had stated (January 2012) that the grant was paid due to the reasons that these schools had received heavy damages during the turmoil.

Apart from above, there was nothing on record to suggest that a representative of the Government had monitored proper utilization of funds on the construction of school buildings by the respective school management. Thus, payment of assistance meant for Government schools to private schools and subsequent non-monitoring of the

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15 Tyndale Bisco School Tangmarg: ₹one crore and Good Shepherd School Pulwama: ₹40 lakh, Islamia Public School, Leh (₹ 63 lakh)

16 Tyndale Bisco School Tangmarg: ₹25 lakh (March 2011) + ₹75 lakh (July 2011); Good Shepherd School Pulwama: ₹10 lakh (May 2012) and Islamia Public School, Leh: ₹63 lakh (November 2011)

17 Tyndale Bisco School Tangmarg

18 Good Shepherd School, Pulwama

19 Islamia Public School, Leh

utilization thereof resulted in misutilisation of ₹1.73 crore and undue benefit to the recipient private schools.

The matter was referred to the Government/ Department (March 2014). The Department stated (May 2014) that the assistance had been provided to two private schools in the valley as their buildings were gutted by a mob during turmoil. It was also stated that a notice had been served to one of the schools for not utilizing the amount for the intended purpose and for submitting a false utilization certificate and that further course of action would be decided by the Department after the reply of the school was received.

The reply was not convincing as the payment of assistance to Private schools, in violation of the Government order of July 2004 rescinding the Scheme in respect of private schools being run as commercial venture, from out of funds meant for Government schools apart from being irregular diversion at the cost of Government institutions, had resulted in extension of undue benefit to the private institutions who even had not utilized the funds for intended benefits.

Health and Medical Education Department

3.6 Blockade of funds

Failure of the Department to acquire land for construction of PHCs at Bharath and Gundna (Doda) before sanction of the Project/ release of funds resulted in blockade of ₹1.55 crore for over three years.

The Director Health Services (DHS) Jammu projected (2008-09) need for the construction of Primary Health Centres (PHCs) at Bharath and Gundna in Doda District for providing immediate medical treatment to the patients. The Jammu and Kashmir Project Construction Corporation Limited (JKPCC) submitted (February 2009) Detailed Project Reports (DPRs) of these PHCs for the purpose of funding the Project. The Project was sanctioned (October 2009) under loan assistance from NABARD[20] (Rural Infrastructure Development Fund (RIDF)-XV) at a cost of ₹2.40 crore (Loan: ₹2.16 crore and State Government contribution: ₹23.97 lakh) for each PHC. The NABARD released (2009-10) first installment of ₹64.72 lakh for each PHC as mobilisation advance which was further placed (November 2009) by it at the disposal of District Development Commissioner Doda for further release in favour of JKPCC DHS, Jammu. An amount of ₹1.29 crore was released in favour of JKPCC in December 2009. The State contribution of ₹12.94 lakh for each PHC was also released to JKPCC in January 2010 (₹6.47 lakh) and March 2011 (₹6.47 lakh).

[20] National Bank for Agriculture and Rural Development

Audit scrutiny (May 2012) of records of Chief Medical Officer (CMO) Doda showed that works of PHCs Bharath and Gundna could not be started by the JKPCC as the land identified by the Department for these PHCs had not been acquired resulting in blockade of funds to the extent of ₹1.55 crore[21].

The matter was referred to the Government/Department in March 2014. The Department endorsed (June 2014) the reply of Director Health Services, Jammu wherein it was stated that the people of Bharath were reluctant to provide land and that it had been decided to submit the case to the Administrative Department for utilization of available funds for construction of PHC at some other location. It was further stated that for construction of PHC Gundna, land had been acquired by the revenue authorities but there being no approach road it was decided by the District Administration to identify the land in an area having road connectivity. The reply is indicative of the fact that the Department did not ensure acquisition of land before sanction of the projects.

3.7 Non-recovery of rent of parking spaces

Inaction of the Medical Superintendent SMHS Hospital Srinagar to recover rent of parking spaces from the contractors resulted in non-recovery of revenue to the extent of ₹18.29 lakh.

The contract for use of parking spaces in Government Medical College (GMC) Srinagar and Shri Maharaja Hari Singh (SMHS) Hospital Srinagar for the year 2007-08 was allotted (February 2007) by the purchase sub-committee of GMC Srinagar in favour of contractor[22] at a monthly rent of ₹23,000 with interest at the rate of 10 *per cent* in case of default in payment by the contractor. As the Department failed to finalise contract for the years 2008-09 and 2009-10, the contractor continued to hold the parking spaces up to September 2009.

Audit check (August 2012) of records of Medical Superintendent SMHS Hospital Srinagar showed that during the period April 2007 to September 2009, against ₹6.90 lakh payable by the contractor to the Department on account of rent of parking spaces, ₹3.08 lakh only had been deposited by him. The Principal GMC Srinagar subsequently allotted (October 2009) the parking contract for a period of six months upto March 2010 in favour of another contractor[23] at a monthly rent of ₹62,500. This contractor too, however, did not deposit rent of ₹1.87 lakh for the period from October 2009 to December 2009. The Principal GMC Srinagar thereafter allotted (January 2010) the parking contract for the remaining period of three months (January 2010 to March 2010) to another contractor[24] at a monthly rent of ₹45,000. The said contractor after remitting the monthly rent for three months, continued to collect parking charges from the public unauthorizedly which accumulated to ₹12.60 lakh for

[21] ₹ 64.72 lakh (NABARD component) plus ₹12.94 lakh (State share) for each PHC (₹77.66 lakh x 2 PHCs = ₹1.55 crore)
[22] M/s Friends Handicrafts Srinagar
[23] M/s. Beigh Provision Store Srinagar
[24] M/s Suhail Raffal Garments Srinagar

the period from April 2010 to July 2012 as the Department neither allotted nor extended the contract and the contractor did not remit the parking charges to the Government.

Thus, failure of the Medical Superintendent SMHS Hospital Srinagar to enforce recovery of monthly rent of parking spaces and delays in finalization of regular contracts resulted in unauthorized retention of ₹18.29 lakh and consequent non-recovery of revenue to that extent.

The matter was referred to the Government/ Department in March 2014. The Department stated (June 2014) that despite a number of reminders the contractors had failed to deposit the outstanding amount which prompted the Department to approach the concerned Tehsildar for recovery and that the Principal GMC, Srinagar had been asked to follow the recovery proceedings with the Tehsildar. Further progress in the matter was awaited (July 2014).

3.8 Unfruitful expenditure

Failure of the Department to ensure encumbrance free land before taking up construction of Allopathic Dispensary at Tarore, Jammu resulted in unfruitful expenditure of ₹77.90 lakh.

With a view to providing health care facilities to the inhabitants of Tarore town (Block Purmandal), Jammu and surrounding villages, the Department proposed (January 2009) construction of a double storey Allopathic dispensary with residential quarters at Tarore on a piece of land identified by the Block Medical Officer at a cost of ₹95.20 lakh. The project was sanctioned (July 2009) under the loan assistance from NABARD Rural Infrastructure Development Fund XV at a cost of ₹91.57 lakh (Loan Assistance: ₹79.57 lakh and State share: ₹12 lakh).

Test-check (July 2012) of records of the Director Health Services, Jammu showed that the land identified by the Department for construction of the Dispensary had previously been in possession of the Education Department. The construction of the building was allotted (February 2010) by the Executive Engineer PW (R&B) Division Samba to the contractor at a cost of ₹58.01 lakh for completion within six months. The construction of the building was started in April 2010. However, a private individual who had earlier claimed the ownership of land while it was under the possession of Education Department, obtained stay order (June 2010) from the Court for maintaining status quo. The Department without taking cognizance of the stay order continued construction of the building till September 2011 when the Court passed a decree in favour of the land owner. The construction work was stopped in September 2011. An expenditure of ₹77.90 lakh[25] was incurred on the construction of building during the period from 2009-10 to 2012-13 which was rendered unfruitful.

[25] Expenditure incurred on work ₹59.88 lakh, material booked ₹11.91 lakh (2012-13) and amount held under deposit ₹6.11 lakh (2012-13)

The matter was referred to the Government/ Department in March 2014. The Department stated (June 2014) that the construction work had got delayed due to litigation and not because of deliberate departmental inaction. The reply was not appropriate as encumbrance free land was not ensured before taking up construction of allopathic dispensary

Thus, failure of the Department to ensure availability of encumbrance free land before taking up construction of Allopathic Dispensary at Tarore, Jammu resulted in unfruitful expenditure of ₹77.90 lakh.

3.9 Non-redeployment of medical/ paramedical staff of the Government Leper Hospital Srinagar

The medical/ paramedical staff of Government Leper Hospital, Srinagar had not been redeployed even after the inmates had been declared infection free in November 1997. An expenditure of ₹2.34 crore was incurred on the salary of staff deployed in the hospital during April 2008 to November 2013.

A separate State Leper Hospital was established in 1891 under the management of the Church Missionary Society and presently the hospital is under the administrative control of Health Department of the State Government. The number of inmates/ patients in the hospital varied from 144 to 109 during the period December 2003 to December 2013. The disease was not curable prior to the year 1995. However, with the introduction of Multi Drug Therapy (MDT) in the year 1995, the disease became curable. All the inmates of the Leper Hospital completed their medical treatment in November 1997 and from then the inmates of the hospital were declared infection free.

Audit examination (January 2014) of records showed that even after the inmates had been declared infection free, the Department did not redeploy the medical and para-medical staff consisting of seventeen persons including two doctors and three pharmacists. An expenditure of ₹2.34 crore was incurred on their salaries during the period from April 2008 to November 2013. Non-deployment of the staff elsewhere deprived the needy public of their services.

The matter was referred to the Government/ Department in March 2014. The Department stated (June 2014) that the beneficiaries could not be ignored owing to the socio-economic conditions connected with the disease and that if the Department did not maintain the patients they would come to streets for begging to sustain their day to day life. The fact however remains that as the patients had become infection free there was a need to redeploy the medical and para-medical staff posted in the hospital.

3.10 Blockade of funds

Injudicious action of the Director Health Services Kashmir to park funds meant for purchase of C.T scanners in Bank and Deposit Head in violation of conditions of sanction for advance drawal and in absence of finalization of rate contract resulted in blockade of funds to the extent of ₹7.31 crore.

The proposal (October 2010) of Director Health Services (DHS) Kashmir for purchase of five C.T Scan machines for as many hospitals in the valley was accepted by the Government and funds to the tune of ₹7.31 crore were released (November 2010: ₹6.41 crore and February 2011: ₹90 lakh) in favour of the DHS. The DHS Kashmir placed (November 2010, December 2010 and February 2011) supply orders for purchase of five Single/ double Slice C.T Scan machines on two firms. The Government accorded (March 2011) sanctions for advance drawal of funds for the purpose wherein it questioned the decision of DHS Kashmir to go in for procurement of Single Slice C.T Scan machines which had become obsolete in comparison with Double Slice or other high end machines when the cost differential was also not too significant. The sanction order for advance drawal also required that the amounts should be withdrawn only after DHS Kashmir shared with the Administrative/ Finance Department the rationale for procuring Single Slice C.T Scanners.

Audit scrutiny (August 2012) of records of DHS showed that instead of first adhering to the conditions put by the Government for advance drawal of funds, the DHS withdrew (March 2011) ₹7.31 crore and placed ₹4.69 crore with J&K Bank, Ltd. International Banking Division Srinagar and ₹2.62 crore under Civil Deposits of Government Account in Additional Treasury Tankipora Srinagar.

The DHS Kashmir placed (May 2012) supply order on M/s Erbis Engineering Company Limited Tokyo Japan for purchase of two units of whole body multi slice C.T Scanner. The supply order was however kept in abeyance as it was objected to by the Government since it was placed on the basis of financial bid of a single tender as other two tenders were rejected on technical grounds. The Department issued fresh rate contract (February 2013) for whole body multi slice C.T Scanners and placed orders for supply of these four equipment in favour of the same Company. The equipment had not been received and the funds continued to remain blocked as of June 2014.

Thus, drawal of funds without adhering to the condition of sanction for advance drawal and in absence of finalization of rate contract resulted in blockade of funds of ₹7.31 crore for a period of over two years besides defeating the intention of the Government to provide modern medical facilities to the intended beneficiaries.

The matter was referred to the Government/ Department in March 2014. The Department stated (June 2014) that funds had not been parked in the deposits unnecessarily but as per the requirement and in the larger interest of the patient care. The fact remains that the funds had remained blocked for more than two years leading to non-accrual of intended benefits.

3.11 Serious financial irregularities in Government Hospital, Gandhi Nagar, Jammu

Lack of internal control and monitoring in Government Hospital, Gandhi Nagar, Jammu facilitated serious financial irregularities including fraudulent double drawals (₹7.80 lakh), suspected double drawal (₹2.83 lakh), and short credit of hospital revenue (₹7.81 lakh) into Hospital Development Fund.

The Health and Medical Education Department provides diet (through contractors) to indoor patients admitted in hospitals. Besides, free diet is provided to pregnant women during their stay in hospitals under the *Janani Shishu Surakshu Karyakaram* (JSSK) component of the Centrally Sponsored Programme "National Rural Health Mission" (NRHM).

A Government Hospital has access to three sources for funding its expenditure: (a) Funds drawn from the State Treasury provided by the State Government (b) Funds directly provided by the Union Ministry of Health and Family Welfare under NRHM and kept in a separate bank account and (c) Hospital Development Fund (HDF) that has been authorized to be created by the Government out of sundry revenue of the Hospital (like moneys collected from sale of OPD tickets, use of medical facilities and diagnostic investigations etc.) and kept in a separate bank account. HDF is meant to be used only for developmental activities. The Hospital is required to maintain three different cashbooks. All moneys collected by the Hospital are supposed to be promptly and regularly remitted to the bank or Treasury, as the case may be.

Audit scrutiny (June-July 2013) of the records of Medical Superintendent (MS), Government Hospital Gandhi Nagar, Jammu brought out the following serious financial irregularities:

(i) A total amount of ₹10.63 lakh were drawn (February 2012 to March 2013) towards payment of diet charges on the basis of xerox copies of bills for payment to the diet contractor. Audit found that diet charges of ₹7.80 lakh pertaining to various periods (March 2009 to June 2009, March 2010, June 2010 and November 2011 to September 2012) had already been drawn (August 2009 to March 2013) on the basis of original bills. The balance diet charges of ₹2.83 lakh for the period July 2010 to September 2010 were drawn from the Hospital Development Fund on xerox copies of three bills and the original bills thereof were not produced to Audit. The Medical Superintendent had not maintained a bill register to keep a watch on the period(s) for which bills were preferred by the diet contractor and payments made to him from time to time against the bills preferred. After this was pointed out in Audit, the Medical Superintendent, got ₹6.41 lakh[26] recovered from the contractor.

(ii) Rule 2.2 of the Jammu and Kashmir Financial Code Volume-I envisages that all sums of money, which a Government servant receives in official capacity, must immediately be paid in full into the nearest treasury/ bank. Audit noticed that against actual revenue of ₹60.92 lakh realised (April 2008, October 2009 and November 2011 to March 2013) by various revenue generating sections of the hospital and deposited

[26] ₹3.36 lakh in June/ July 2013 and ₹3.05 lakh in August 2013

with the cashier for credit into the Hospital Development Fund (HDF) Account, only ₹53.11 lakh was deposited by the cashier into the Account resulting in short credit of ₹7.81 lakh. Audit further observed that out of revenue receipts of ₹60.92 lakh only ₹36.65 lakh was recorded as receipts in the cash book and ₹16.46 lakh was directly deposited into bank without routing through cash book.

The HDF is not to be utilized for providing diet to patients admitted in the Hospital. However, under special orders of the Minister-in-charge, use of HDF was allowed for meeting the expenditure on diet charges owing to lack of non-Plan budget allotment. Audit noticed that this deviation from standard procedure coupled with lack of internal control to keep a watch against funding of diet charges from multiple sources facilitated the double drawal of diet charges. Further, absence of effective surprise check of cash chest facilitated delays in deposit of amount collected into appropriate bank account or into treasury as well as short-credit of money collected.

Thus lack of internal controls and monitoring facilitated financial irregularities of proven double drawal of ₹7.80 lakh, suspected double drawal of ₹2.83 lakh and short credit of ₹7.81 lakh into HDF.

The matter was referred to the Government/ Department in March 2014. The Director Finance of the Department, informed (June 2014) that a Committee had been constituted (December 2013) to inquire into the matter and that the proceedings thereof would be submitted shortly. Further progress in the matter was awaited (July 2014).

Home Department

3.12 Idle investment on unutilized equipment

Non-utilisation of equipment supplied under Police modernization scheme for a forensic laboratory resulted in infructuous expenditure of ₹54.75 lakh.

Ministry of Home Affairs, Government of India (GoI) supplied (February 2006) a Gas Chromatograph with Mass Spectrograph (GCMS), purchased during the year 2004-05 under "Police Modernization Scheme", to the State Forensic Science Laboratories (FSL), Jammu. The equipment of the value of ₹54.75 lakh was to be used to study the separation, identification and quantification of forensic samples.

Audit scrutiny (March 2013) of the records of Director, FSL J&K showed that the equipment (GCMS) had not been put to use since February 2006 despite its installation and demonstration to the staff of FSL by Service Engineer of the Supplier Firm in June 2009. The equipment had not been made functional due to absence of optimum cooling atmosphere in the room where the equipment was installed. The prolonged non-use had resulted in technical snag to the equipment, which had not been rectified as of July 2013.

The matter was referred to the Government/ Department in March 2014. In response the Home Department, Jammu endorsed the reply of Director Forensic Science Laboratory, J&K Jammu, stating therein (March 2014) that concerned Scientific Officer had never made efforts either to install a two ton AC issued for the room in

which the equipment was installed or to use the equipment in winter season when temperature remained low and that efforts were on for repairing the equipment at the earliest. Thus non-utilisation of GCMS resulted in idle investment of ₹54.75 lakh and non-accrual of intended benefits of the scheme for over eight years.

Fire and Emergency Services

3.13 Fraudulent drawal of pay and allowances

Lack of internal control mechanism resulted in fraudulent drawal of pay and allowances of ₹18.89 lakh by inflating the gross/ net amount of salary bills.

Rules 4 and 6 of the Jammu and Kashmir Financial Code (Volume-I) prescribe the manner in which the pay, leave salary and allowances due to persons borne on the establishment are to be regulated. The rules inter-alia provide that the Head of Office is personally responsible for all moneys drawn on establishment bills signed by him or on his behalf until he has paid them to the persons who are entitled to receive them and has obtained their dated acknowledgment duly stamped where necessary.

Test-check (February 2014) of records of the Dy. Director Fire & Emergency Services Command Kulgam, showed that an amount of ₹18.89 lakh was fraudulently drawn on the monthly establishment bills during the period from March 2012 to November 2013 by inflating the totals in the bills. The excess amount thus drawn was credited to the Bank account of the acting cashier (₹9.82 lakh) of the Command and to the Bank accounts of three non-existent/ fictitious employees (₹7.07 lakh). The fate of balance amount of ₹ two lakh drawn from the official account could not be traced/ verified.

Audit observed that the fraudulent drawal of funds was facilitated due to lack of proper internal control and monitoring mechanism in the Command and evident negligence of the Drawing and Disbursing Officer (DDO) to check the correctness of the monthly pay bills or to get them verified by the Superintendent of the office in accordance with the standing Financial Rules and Regulations.

Thus, lack of proper internal control and monitoring mechanism resulted in fraudulent drawal of ₹18.89 lakh in the test-checked months and possibility of existence of more such drawals could not be ruled out.

The matter was referred to the Government/ Department in May 2014. The Director Finance, of the Department endorsed the reply of the Director General, Fire & Emergency Services, wherein it was stated (June 2014) that the Cashier in the Command office, Kulgam had been placed (May 2014) under suspension and a departmental enquiry was ordered to investigate the fraudulent drawals including the role of DDOs concerned besides the matter was also referred to the Crime Branch of the Police Department for detailed enquiry. Further the Joint Director Fire & Emergency Services J&K stated (August 2014) that out of the embezzled amount ₹16.74 lakh had been recovered from the cashier.

3.14 Blocking of funds

Non-establishment of two District Mobile Forensic Science Laboratories resulted in blocking of funds to the extent of ₹83 lakh.

With a view to ensuring quick breakthrough by law enforcement agencies in crime investigation, crime scene management and evidence analysis the Directorate of Forensic Sciences Services (DFSS), Ministry of Home Affairs (MHA) felt the requirement of at least one District Forensic Unit (DFU) in each district. The cost of land required for establishment of RFSLs/ DUs was to be borne by the State Government(s)/ UTs and manpower proposed to be created too was to be maintained by the State Government(s)/ UTs after the completion of XI plan period (2007-12). The allotment of one RFSL and five DUs was proposed for Jammu and Kashmir State and Director, State Forensic Laboratory J&K was informed (January 2008) to intimate his proposal/ consent after identifying the land and place(s) to open RFSL/ DUs. In the first instance two DUs with financial assistance of ₹one crore each was approved (March 2010) for the State during XI Five Year plan. A Memorandum of Understanding (MOU), Detailed Project Report (DPR), schedule of release of funds, action plan for implementation in addition to assistance needed in procurement of machinery and equipment, hiring of manpower and training was to be furnished to DFS, MHA by the State Government. After a meeting of nodal officers of beneficiary State/ UTs held (January 2011) by GOI MHA, the State Government signed MOU.

The MHA after according sanction (December 2011) released (March 2012) ₹83 lakh to the State Designating Agency[27] as first instalment for setting up of two DUs in the State.

Audit scrutiny (November 2013) of records of the Deputy Director FSL, J&K Jammu showed that for establishment of DU at Jammu the Department reported in the Detailed Project Report (DPR) that land at village Bahu had been identified and its allotment by the concerned authority was under process. Further for DU at Srinagar, the identification of land was reported to be under process. The providing of land for establishment of DMU at Srinagar (Bemina) and Jammu (village Bahu) though taken up by the Department with Srinagar Development Authority (SDA) and Jammu Development Authority (JDA) respectively could not mature as both SDA and JDA intimated that land could be allotted only as per the market rate of the location or otherwise under the provision of Development Act which provided for transfer of land by issue of notification in Government Gazette. Audit observed that despite lapse of about two years after release of funds by GoI, two DUs could not be established by the Department and ₹83 lakh remained locked up in the current account of J&K bank (December 2013).

The matter was referred to the Government/ Department in March 2014. The Department endorsed the reply of the Director, Forensic Science Laboratory, J&K Jammu, wherein it was stated (March 2014) that a proposal to use the amount to

[27] Jammu and Kashmir Police Housing Corporation Limited.

strengthen Forensic Science Services was being prepared for submission to DFSS as desired by the MHA. Further progress in the matter was awaited (July 2014).

3.15 Short deduction of labour cess

Failure of the Police Construction Division to comply with the provisions of the Act/ Rules resulted in short deduction of cess of ₹68.59 lakh.

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

Test-check (February 2013) of records of the Executive Engineer, Police Construction Division, Police Headquarters, J&K, Jammu showed that the Division, despite having executed the works to the tune of ₹68.59 crore during the period from April 2008 to December 2011 had neither levied nor paid the minimum cess (one *per cent*) to Cess Collector on the value of work done. Non-adherence to the provisions of the Act had resulted in non-recovery of labour cess of ₹68.59 lakh from the contractors.

The matter was referred to the Government in March 2014. The Department endorsed (May 2014) the reply of the Executive Engineer which stated that due to lack of awareness labour cess could not be deducted. The reply thus confirms that there was non-compliance with the provisions of the Cess Act.

Hospitality and Protocol Department

3.16 Non-recovery of water usage charges

Absence of any mechanism to ensure recovery of water usage charges from the licensees resulted in undue benefit to the occupants and creation of liability of ₹12.97 crore.

The Estates Department is the custodian of buildings meant for providing residential accommodation to Government officers/ staff and other functionaries. The allotment of accommodation is carried out by the Director Estates and at the time of allotment, a license deed called 'License for occupation of residential accommodation' is drawn between the grantor (Estates Department) and the licensee (the occupant Government employee). The deed *inter-alia* includes a clause for payment of electricity and water usage charges by the licensee.

Audit scrutiny (November 2012) of the records of Executive Engineer, Estates Division Jammu showed that instead of raising bills on account of water usage charges against the licensees the bills had been raised by the PHE Department against

the Estates Department for bulk water supplied to buildings/ premises under the control of Estates Department. The Estates Department had not put in place any mechanism to ensure that the water usage charges for the bulk water supplied by the PHE were actually recovered from the licensees. The cumulative outstanding bills raised by the PHE Department against the Estates Department stood at ₹12.97 crore (₹8.09 crore PHE Division-I Jammu as of March 2014 and ₹4.88 Division-II Jammu as of September 2012). Audit also noticed that 'No Demand Certificates' (NDC) were issued by the Estates Department in favour of licensees who had retired from services without paying the water usage charges.

On being pointed out in audit, the Dy. Director, Estates, Jammu without specifying any reasons for lack of a mechanism to recover the charges from the licensees stated (November 2012) that the NOC to the licensees had been issued only for rent/ furniture/ fixtures and that the charges for water usage had to be met by the individual licensees. The reply is not appropriate as the Bills were being raised by the PHE against the Estates Department for bulk water supply and neither PHE nor the Estates Department had put in place a system either by providing water consumption meters or other wise to apportion the cost of bulk supply to individual consumers.

Thus, absence of any mechanism to ensure recovery of water usage charges from the licensees resulted in extending undue benefit to them due to non-recovery of ₹12.97 crore with bleak prospect of recovery of dues in future.

The matter was referred to the Government/ Department in March 2014. The reply was not received as of July 2014.

Housing and Urban Development Department

Jammu Municipal Corporation

3.17 Shortage of stores

Non-accountal of shortages of stores while carrying forward the balances resulted in concealment of ₹92.80 lakh.

Rule 8.13 of Jammu and Kashmir Financial Code Volume-I envisages that the Head of an office or any other officer entrusted with the stores of any kind should take special care for arranging for their safe custody, for keeping them in good and efficient condition and for protecting them from loss, damage or deterioration. The officer should maintain suitable accounts and inventories and prepare correct returns in respect of stores in his charge with a view to preventing losses through accident, fraud or otherwise and to make it possible at any time to check the actual balances with the book balances. Further Rule 8.29 of the *ibid* code provides that physical verification must be made in the presence of Government servant responsible for the custody of stores or of a responsible person deputed by him and all discrepancies noticed must be properly investigated and brought to account immediately and shortage/ damages must be reported immediately to the authority competent.

Audit examination (October 2013) of records of the Jammu Municipal Corporation (JMC) showed that the divisional store of Municipal Corporation Division Jammu had been locked following seizure of steel (iron bars) and arrest of one contractor by the

Police on 17 August 2011. The divisional store was opened (22 August 2011) by police in presence of Technical Officer of the Division along with the Magistrate. The storekeeper was placed (27 August 2011) under suspension and a new storekeeper posted (27 August 2011) to the Division. The details of shortages against ex-store keeper were reflected in the Priced Store Ledger (PSL). The ex-storekeeper was reported absconding since August 2011 and the Audit further reflected pilferage/ shortage of stores to the tune of ₹92.80 lakh against ex-storekeeper.

Further, after placing the ex-storekeeper under suspension, the Corporation did not initiate any enquiry to assess shortages against the ex-store keeper. The officer who conducted (June 2013) physical verification of stores for the period 02 July 2012 to 01 June 2013 adopted book balances as on 02 July 2012 after ignoring the shortages and did not highlight these shortages in its report. Stock clerk of the Division too while opening new PSL with effect from April 2013 left out the shortages while carrying forward the closing balances of old PSL to new PSL.

Thus, non-accountal of shortages of stores while carrying forward the balances resulted in concealment of stores valuing ₹92.80 lakh.

The matter was referred to the Government/ Department in March 2014. The Secretary stated (May 2014) that an FIR stood lodged at the Police station and the case was sub-judice. It was also stated that the Department was likely to take further action after receipt of report from the JMC. Further progress in the matter was awaited (July 2014).

3.18 Blockade of funds

Failure of the Department to provide land to NBCC, which was pre-requisite as per MOU with the Central Government, for taking up Solid Waste Management (SWM) projects of three towns resulted in blockade of ₹2.23 crore for over six years besides, defeating the aim of the SWM Programme.

With a view to providing better civic amenities in small and medium towns, Government of India (GoI) launched (2005-06) a scheme 'Urban Infrastructure Development Scheme for Small and Medium Towns' (UIDSSMT) with duration of seven years. In Jammu and Kashmir State, UIDSSMT was started in the year 2007-08. One of the components under the scheme was Solid Waste Management (SWM) under which SWM projects of seven towns of Jammu division namely Akhnoor, Sunderbani, Samba, Doda, Bhaderwah, Poonch and Kathua) were sanctioned at a cost of ₹10.34 crore. On the basis of an agreement executed (August 2007) between the National Buildings Construction Corporation[28] (NBCC) and the State Government, the NBCC was authorised (September 2007) to go ahead with the execution.

Audit check (May 2013) of records of Director Urban Local Bodies (ULB) Jammu showed that the SWM works of three towns (Samba, Poonch, and Kathua) for which ₹2.23 crore[29] had been released to the NBCC during January 2008 to July 2009 could

[28] A Government of India enterprise
[29] Including state share of ₹22.29 lakh

not be taken up due to non-provision of land by the State Government/ Local Bodies to NBCC as the land originally identified by the State Government for SWM projects were found incompatible with site conditions by the NBCC.

Audit noticed that the SWM projects for ₹10.34 crore were approved by the State Government on the basis of Detailed Project Reports (DPRs) formulated by the Directorate of Urban Local Bodies (ULB) Jammu without identifying sites. The NBCC after taking up the projects conducted survey of project sites and prepared revised DPRs for a sum of ₹23.30 crore and submitted (October 2008) them for the approval of Government. As the revised cost estimates were not approved, Director, ULB intimated (October 2008) the NBCC to submit cost estimates of only core items of work required to be executed in each town for making the SWM projects functional on bare minimum requirement. Accordingly, NBCC submitted (December 2008) additional cost estimate of ₹4.14 crore over and above the available cost of ₹9.86 crore[30]. Audit observed that approval to additional cost was also not accorded by the State Government and the NBCC finally foreclosed the contract with the contractors intimating the Department to hand over all the four sites (Akhnoor, Samba, Kathua and Poonch) to it in one go so that it would conduct site surveys to formulate detailed estimate for each town considering market rate prevailing at that point of time and furnish detailed estimates for approval of State Government. The NBCC further intimated (November 2013) the Department that it would not be able to take up any of SWM work of the remaining towns until the additional cost as per latest cost index was provided.

On being pointed out in audit, Director, ULB Jammu stated (May 2013) that SWM works at Akhnoor, Poonch, Samba and Kathua towns could not be started due to non-availability of land and for want of approval of the Administrative Department for the revised cost. The Director, ULB Jammu also stated (March 2014) that Administrative Department had been requested (December 2013) either to approve the revised DPRs as per the present market rates or else the Director, ULB be authorised to take up SWM Projects by incorporating the most essential components within the approved cost of the project. The reply should be seen in light of the fact that availability of land compatible with site conditions should have been ensured before handing over implementation of SWM projects to the NBCC.

Thus the Department failed to ensure availability of land for implementation of SWM projects for safe dumping of garbage/ solid waste of Samba, Poonch, and Kathua towns for over six years resulting in blockade of ₹2.23 crore besides defeating the aim of the SWM Programme.

The matter was referred to the Government/ Department in March 2014. The reply was awaited (July 2014).

[30] Sanctioned cost of ₹1033.77 lakh reduced by cost of land of ₹48 lakh

Law Department

3.19 Blocking of funds

Failure of the Department to identify the land for construction of court complex before release of funds to the executing agency resulted in blockade of funds of ₹2.12 crore for seven years.

In order to address the insufficient accommodation of the existing court building and to have a centralized court complex after the creation of the court of District and Session Judge at Doda, the Chief Engineer, Public Works Department, Jammu submitted (September 2005) a project for the construction of court complex at Doda at a cost of ₹2.38 crore. The administrative approval to the project was accorded by the Law Department in July 2006 at a cost of ₹2.12 crore. The Executive Engineer Public Works (R&B) Sub-Division Doda while entrusting (February 2007) the work to Jammu and Kashmir Project Construction Corporation Limited (JKPCC), released[31] ₹2.12 crore to the JKPCC and ₹36 lakh was released (February 2010: ₹30 lakh; November 2010: ₹6.47 lakh) to revenue authorities for land compensation. The work was to be completed within two years.

Audit scrutiny (March 2013) of the records of Executive Engineer (EE), Public Works (R&B) Special Sub-Division, Doda showed that the work could not be taken up as the identified site for the court complex was not found suitable. The executing agency proposed (January 2011) to revise the cost of the project to ₹12.07 crore, due to change in the site of construction.

Thus, failure of the Department to identify land before releasing the funds to the executing agency resulted in blockade of funds amounting to ₹2.12 crore for about seven years.

The matter was referred to the Government/ Department in April 2014. The Department stated that after handing over (January 2011) possession of another piece of land to the Principal District and Sessions Judge, Bhaderwah a fresh cost offer for construction of Court complex at the new site was forwarded by the Hon'ble J&K High Court for ₹17.79 crore for which the Law Department accorded (March 2014) administrative approval for construction at an estimated cost of ₹17.41 crore and that the work on the project was in progress (April 2014). It was also stated that acquisition of land require number of formalities and due to change of site some delay occurred in the construction. The fact remained that failure to identify and acquire the land before release of funds by the Department had resulted in blockade of funds besides cost escalation of the Project.

Power Development Department

3.20 Inadmissible payment

Unauthorised action of the Executive Engineer in making payment of incentive of two and half days pay per month to ineligible employees of Electric Division, Budgam, Kashmir resulted in inadmissible payment to the extent of ₹77.46 lakh.

Government Order (October 1994) of the Power Development Department stipulated that a two and a half days pay per month shall be allowed to such employees from the

[31] February 2007: ₹50 lakh; March 2008: ₹60 lakh; November 2011: ₹52 lakh; and December 2011: ₹50 lakh.

executive cadre of the Department who do not avail of Sundays and gazetted holidays and were required to remain on duty round the clock. Accordingly the Government notified (February 1995) 15 categories of posts entitled to the benefit, with a further stipulation, entitling those employees from the executive cadre, as did not belong to the said categories but performed the duties within the ambit of the benefit may represent to their respective Chief Engineers who in turn shall forward such cases with cogent reasoning for consideration of the Government.

Audit scrutiny (May 2010) of records of the Executive Engineer (EE), Electric Division, Budgam (Kashmir) showed that contrary to the orders of the Government, the EE allowed the payment of two and half days pay to 152 ineligible employees of the Division which included Helpers, Attendants, Gate-keepers, Orderlies, Meter-readers and Fitters. As a result of this an inadmissible payment of ₹77.46 lakh was made to the ineligible employees during the period from April 2007 to January 2013.

The matter was referred to the Government/ Department in April 2014. The Department stated (May 2014) that recovery of the excess payment has been ordered.

Public Works (Roads and Buildings) Department

3.21 Unplanned execution of road project

Wrong reporting by the Executive Engineer and failure of the Department to ensure encumbrance free land before commencement of a road project resulted in unproductive expenditure of ₹6.78 crore, besides depriving the local populace of the area of the full benefits of road facility.

To provide assured road connectivity to four villages[32] of block Lohai Malhar in district Kathua, a project for construction of 13 Km long road from *Katli* to *Dhera Galla via Chew* proposed by the Executive Engineer (EE), Public Works Division Basohli was sanctioned (August 2006) under the NABARD assisted scheme (RIDF-XII) at a cost of ₹8.99[33] crore targeted for completion by March 2008. The EE had certified in the detailed project report (DPR) that no forest land was involved in the alignment of the road.

Audit scrutiny (December 2012) of records of EE Public works (R&B) Division Basohli showed that the work on the project was taken up in December 2006 and after part execution of work[34] at an expenditure of ₹3.53 crore during the period 2006-07 to 2010-11 further work on the project got held up for want of clearance from the Forest Department as the road alignment passed through the forest area. The certificate regarding non-involvement of forest land in the proposed road alignment made in the DPR by the EE thus turned out to be incorrect. Further, an order (February 2011) from the Court of law (Sub-Judge Kathua) restrained the Department from assembling/ dumping any material in the land of private persons falling in the alignment of the road and as a result execution of the work was stopped (September

32 Claie, Chew, Plunge Mangnoo Sathle and Malad Bund

33 NABARD loan: ₹8.09 crore and State share: ₹0.90 crore

34 Earth work: 6.65 Km (Km 1 to 6th: upto RD 650, Km.7th: RD 500 to 1,000 and Km. 8th: RD 0 to 500), shingling: 3 Km., metalling: 0.5 Km., minor x-drainage: 10 nos., retaining wall/ boundary wall: 273 meters, side drain: 185 Rmt. and crate work: 275 meters.

2011) by the contractors. Moreover, an amount of ₹3.25 crore released for the project during 2011-12 and 2012-13 was utilized by the EE for procurement of material and on some minor works. Even after obtaining clearance (September 2011) from the Forest Department the work on the project remained suspended (August 2013) under orders of the Court.

Thus, wrong reporting by the EE of the Division and further failure of the Department to provide encumbrance free land for a road project resulted in unplanned execution of road project at an expenditure of ₹6.78 crore, besides depriving the local populace of the area of the full benefits of road facility.

The matter was referred to the Government/ Department in March 2014. The Department stated (April 2014) that all the hindrances including forest clearance had been cleared and the work stood taken up for early completion of the road project. The fact remains that wrong reporting and subsequent failure to provide encumbrance free land had delayed the completion of the project by more than six years, for which the Department needs to fix responsibility.

3.22 Under-utilisation of Government transport fleet

Irregular hiring of private transport and under-utilisation of the departmental trucks/vehicles by the Public Works Divisions.

The Mechanical Engineering Department is responsible for providing road construction and earth moving machineries/ trucks and other infrastructure meant for use by all engineering/non-engineering departments for carrying out various road construction material and other developmental activities on hire charge basis to the user divisions especially Divisions of the Public Works Department (PWD) for carriage of departmental material. According to the standing instructions (September 2004) of the Government all divisional authorities are required to utilize the service of the machinery available with Mechanical Engineering Department (MED) against the charges fixed by the Government for the purpose. The instructions *inter-alia* provide that private transport be opted only after getting 'No Objection Certificate' (NOC) from MED to the effect that such machinery/ trucks were not available with MED.

The Chief Engineer PWD (R&B), Kashmir, Srinagar observed that some Departments/ Corporations were irregularly hiring road construction equipment from private agencies which renders the machinery idle and also results in loss of revenue to the Government exchequer and reiterated the instruction in September 2012 for utilization of equipment of MED on the approved hire charge rates instead of resorting to hiring of private vehicles.

Audit scrutiny (July 2013) of records of EE Mechanical Engineering Division, Anantnag showed that 12 to 15 trucks available with the Division during the period 2010-13 remained mostly idle as against the available 11,200 working days the Division deployed its trucks for only 3,141 days (28 *per cent*) resulting in non-deployment of trucks for 8,059 working days. The EE, Anantnag stated (July 2013) that revenue earnings of the Division depend upon the utilization of machinery/fleet by other user Departments. Further check of records (November

2013) in three[35] user divisions of Mechanical Engineering Division, Anantnag showed that these user divisions had hired private trucks at the rates ranging between ₹3500 to ₹6940 per trip without obtaining NOC from the MED and had incurred an expenditure of ₹47.27 lakh on this account during the period 2010-13.

Thus, non-adherence to the standing Government instructions and the practice of hiring departmental trucks/ vehicles from private operators on comparatively higher rates by the user divisions/ departments resulted in under utilisaton of the transport fleet of the MED and consequential strain on the State exchequer.

On being pointed out in audit, the EE, Mechanical Engineering Division, Anantnag attributed (July 2013) non-deployment of trucks/ vehicle to non-adherence of instructions by the user divisions whereas the user divisions attributed (November 2013) non-utilization of the departmental vehicles to resistance from private truck unions. The fact remains that the Department has failed to implement its own orders resulting in under-utilisation of the Government transport fleet on one hand and extra expenditure by the user divisions on the other.

The matter was referred to the Government/ Department in June 2014. The reply was not received as of August 2014.

Rural Development Department

3.23 Suspected mis-appropriation of funds

Non-compliance with the guidelines of MGNREGA and false claim of credit of wages into non-existent Bank accounts leading to suspected embezzlement of ₹40.24 lakh.

The Mahatma Gandhi National Rural Employment Guarantee Act, 2005 (MGNREGA) guarantees 100 days of employment to every household whose adult members are willing to undertake manual unskilled labour. The operational guidelines of the MGNREGA prescribe payment of wages through banks or post offices, for which the individual accounts are to be opened in respect of every MGNREGA worker and the wages earned are to be credited to this account to ensure fairness and transparency in disbursement of wages. The Block Development Officers (BDOs) were required to carry out reconciliation of their accounts with bank accounts to ensure transparency in the day to day transactions.

Audit examination (November 2013) of records of the BDO Sopore and Wagoora in District Baramulla showed that instead of crediting wages directly into the bank accounts of the job card holders engaged in MGNREGA works, the funds were released to Panchayat Halqas through cheques for further disbursement to the workers by deposit in respective Bank accounts during the period 2011-14.

However, cross check of records[36] of Panchayat Halqas with bank records by Audit showed that 309 bank accounts[37], to which the Panchayat Secretaries/ Gram Sevaks

[35] PW (R&B) Division Kulgam: ₹14.81 lakh; PW (R&B) Division Shopian: ₹17.37 lakh; PW (R&B) Division Qazigund: ₹15.09 lakh

[36] Panchayat level Data (MGNREGA bank account details) uploaded by the respective BDOs

[37] Sopore: 125 and Wagoora: 184

claimed to have credited wages to the tune of ₹35.52 lakh for 27,558 mandays[38] of MGNREGA works, were found to be non-existing in the Bank records. This showed that the concerned Panchayat Secretaries/ Gram Sevaks had charged off the amount from the account books by credit to the fictitious accounts. Similarly, in the case of 55 banks accounts[39], no entries of credit/ debit existed even though the Panchayat Halqa records showed that ₹4.72 lakh had been credited into these bank accounts as payment of wages for 4,218 mandays.

The BDOs had neither ensured the reconciliation of their accounts with those of Panchayat Halqas on one hand and between accounts of Panchayat Halqas and Bank accounts on the other nor the genuineness of beneficiaries and payment of wages made by the concerned Panchayat authorities had been got verified at any stage. Lack of internal control and proper monitoring of transactions had caused a suspected misappropriation of ₹40.24 lakh[40] during the period 2011-14.

After being pointed out in Audit, the Director Rural Development Department ordered (April 2014) an inquiry into the matter. Further progress was awaited (April 2014).

The matter was referred to the Government/ Department in May 2014 and reply thereof was not received (July 2014).

Srinagar/Jammu
The 12 DEC 2014

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

Countersigned

New Delhi
The 18 DEC 2014

(Shashi Kant Sharma)
Comptroller and Auditor General of India

38 Sopore: 10,531 and Wagoora: 17,027
39 Sopore: 32 and Wagoora: 23
40 Sopore: ₹16.40 lakh and Wagoora: ₹23.84 lakh