

CHAPTER – II

AUDIT OF TRANSACTIONS

Embezzlements/Losses/non-recovery of dues

Public Works Department

2.1 Non-recovery of supervision charges

Non-recovery of supervision charges for works executed on behalf of Northern Railways resulted in loss of Rs. 8.28 crore.

J&K Public Works Account Code provides for the Public Works Divisions to recover cost of establishment and tools and plant at 7½ per cent and ½ per cent, respectively, as supervision charges on works costing Rs. five lakh and above, not financed out of the Consolidated Fund of the State, unless there are special orders of the Government to the contrary. The percentage charges are also to be levied on the cost of land acquired as part of the cost of such works.

Construction of approach roads to the 15 newly constructed Railway Stations on the Qazigund-Baramulla section was entrusted (September 2007) by the Northern Railways to the State PWD at an estimated cost of Rs. 177.26 crore. The Executive Engineer, Truck Terminal Division, Srinagar, who was assigned the job, incurred an expenditure of Rs. 103.51 crore (land acquisition: Rs. 62.53 crore and expenditure on works: Rs. 40.98 crore) till March 2009.

Audit scrutiny (October 2008) showed that the Department, in contravention of the rules, had not made any provision for supervision charges in the detailed project reports (DPRs) which resulted in non-recovery of Rs. 8.28 crore (cost of establishment: Rs. 7.76 crore and tools and plant charges: Rs. 51.75 lakh) from the Northern Railways, resulting in loss to the State to that extent.

The Executive Engineer stated (October 2008/May 2009) that the division had charged three per cent contingency charges in the DPRs. The reply is not correct as the charges levied were for testing, quality control, work charged contingencies, etc. forming part of the overall project cost and not supervision charges.

The matter was referred to Government/Department in June 2009; reply had not been received (October 2009).

Idle investment/blocking of funds/unfruitful expenditure/avoidable expenditure

Agriculture Production Department

2.2 Avoidable payment of escalation charges

Sher-e-Kashmir University of Agricultural Sciences and Technology, Jammu failed to get the HT line shifted and have the drawings and the key construction material issued to the contractor in time, resulting in avoidable expenditure of Rs. 1.76 crore.

The Estates Officer, Sher-e-Kashmir University of Agricultural Sciences and Technology, Jammu issued (September 2003) a letter of intent to a contractor for

construction of veterinary clinic complex including electric and sanitary works at a cost of Rs. 7.40 crore, for completion in two years. In anticipation of the issuance of formal orders, the contractor took up (December 2003) execution of the work. The formal order was, however, issued to the contractor only in October 2004 after a delay of nearly a year, due to disagreement with the contractor regarding the dates from which the escalation cost on the work done was to be allowed. As per the clause agreed upon, escalation was to be allowed to the contractor only for the delayed period, and that too in case the delay was attributable to the University.

Scrutiny (March 2009) of the records of the University showed that the University delayed procurement of key construction material like steel, cement, etc. for issuance to the contractor, shifting the high tension (HT) lines and providing drawings to the contractor in time, which delayed the completion of the building. The work was completed by the contractor in January 2007 at a cost of Rs. 9.57 crore after a delay of 17 months. As the delay was on the part of the University, it had to pay Rs. 1.76 crore as escalation to the contractor as per the stipulation in the contract. The University, while accepting the audit contention, stated that key material could not be procured due to paucity of funds and it took time to get the HT lines shifted. It was further stated that the Architect, who had to supply the drawings during execution of the work, failed to do so. The reply should be viewed in the light of the fact that the University had enough funds overall to procure the key material. Also the University should have ensured clearance of site before taking up construction. The reply of the Department that the drawings had to be supplied by the Architect does not stand to reason as the drawings are essential requirement for commencement and smooth progress which the university did not ensure, causing delay and resulting in escalation in the cost of construction.

Inaction of the Estates Officer of the University to have the drawings and the key construction material issued to the contractor in time and settle the rates of shifting the HT line with the Power Development Department resulted in avoidable extra expenditure of Rs. 1.76 crore.

Health and Medical Education Department

2.3 Wasteful expenditure due to change of Executing Agency

Change of executing agency, engaged for construction of a 300 bedded hospital at Anantnag resulted in wasteful expenditure of Rs. 21.55 lakh incurred on drawings/conceptual plan.

The State Government sanctioned (March 2007), engagement of J&K Police Housing Corporation (JKPHC) as the executing agency for construction of a 300 bedded hospital at Anantnag at an estimated cost of Rs. 62.53 crore. Health and Medical Education Department (H&MED) released (March 2007) Rs. five crore to JKPHC through EE, Roads and Buildings, Truck Terminal Division, Srinagar after deducting Rs. 11.25 lakh as Income Tax. However, the Chief Minister, in a review meeting (13 June 2007), decided to change the executing agency from JKPHC to the Jammu and Kashmir Projects Construction Corporation (JKPCC). The minutes of the review meeting were not, however, available with the Department. In absence thereof, audit was not in a position to assess the justification for change in the executing agency.

Audit scrutiny (October 2008/February 2009) showed that the decision regarding change of executing agency was conveyed belatedly (September 2007) and by the time the decision had been conveyed, the JKPHC had spent Rs. 21.55 lakh towards fee of a consultant engaged (16 June 2007) by it for providing architectural/conceptual designs. In compliance with the decision taken in the review meeting, JKPHC was requested to refund the money advanced to it, which the latter complied with, after deducting an amount of Rs. 21.55 lakh spent by it on drawings etc. The drawings were also not handed over to JKPC on the ground that these were the property of JKPHC. As a result, JKPC engaged three agencies¹ for providing drawings and Rs. 13.68 lakh had been paid to them as of July 2009. The likelihood of using these drawings for any work is remote as the requirements differ from work to work. The construction was in progress as of July 2009.

Delay in intimating the decision relating to change of the executing agency to JKPHC and also non-utilisation of the conceptual designs, thus, resulted in wasteful expenditure of Rs. 21.55 lakh.

The matter was referred to Government/Department in June 2009; reply had not been received (October 2009).

**Housing and Urban Development Department
(Srinagar Municipal Corporation)**

2.4 Improper contract management

The department did not invoke the contract clause after abandonment of work by the contractors and not resorting to re-tendering of the works resulted in idling of expenditure of Rs. 3.43 crore

To re-locate vegetable vendors and enhance the financial resources of Srinagar Municipal Corporation, administrative approval was accorded (June 2001) by the Housing and Urban Development Department for construction of a shopping complex with 10 two storied blocks comprising 296 shops at a cost of Rs. 4.31 crore, to be raised by the Corporation under self-financing scheme. 316 vegetable vendors were to be accommodated by way of allotment of one shop to two vendors on payment of a premium of Rs. 1.23 lakh each and the remaining shops were to be auctioned. Allotment orders for construction of 10 blocks were issued (November 2001: 08 blocks and August 2002: 02 blocks) to various contractors at a cost of Rs. 4.91 crore for completion within three and four months.

Audit scrutiny showed (July 2006) that the work on nine blocks was taken up during 2001-04 whereas the work on one block was not taken up by the contractor. After executing 43 to 91 *per cent* of works on nine blocks (value of work executed: Rs. 3.43 crore), and after receiving the full payment of Rs. 3.43 crore, the contractors abandoned the works between 2003 and 2006 demanding escalation of rates. The works have since been lying unattended (September 2009). The Municipal Corporation neither invoked the contract clause, which provided for penal action, nor re-tendered the balance works. It was also seen that the Corporation had surprisingly released (2002-05) Rs. 3.43 crore-100

¹ M/s Archigroup Architects, New Delhi: Rs. 10.08 lakh; M/s Structural Consultant, Srinagar: Rs. 2 lakh; M/s Creations Architects, Srinagar: Rs. 1.60 lakh

per cent payments for value of work done before stoppage to the contractors in violation of the contract. The balance work had not been taken up as of March 2009.

The Executive Engineer, Left River Works Division of the Corporation informed (April 2009) that the matter had been referred to higher authorities for a decision. However, no reasons for non-initiation of action against the contractors and delay in re-tendering were offered.

Thus, inaction on part of the Corporation has resulted in idling of expenditure of Rs. 3.43 crore besides, likely increase in the cost of the project on account of cost escalation on re-tendering the balance works. The questionable action of the Corporation in releasing full payment to contractors who had abandoned the works needs to be investigated. Also, deterioration of the building structure constructed till stoppage can not be ruled out due to passage of time, without proper care and maintenance.

The matter was referred to Government in July 2009; reply had not been received (October 2009).

Industries and Commerce Department

2.5 Avoidable interest payment

Lack of clear and timely decision on land compensation resulted in avoidable expenditure of Rs. 1.58 crore as interest.

For acquisition of about 1000 *kanals*² of land required for establishment of Industrial Estate at Ompora, Budgam the Collector, Land Acquisition, Budgam in his tentative award (October 1992) had fixed the rates of compensation to land owners for two types of land, viz. *Baghi Khushki* and *Baghi Maidani* at Rs. 75,000 and Rs. 65,000 per *kanal* respectively and referred the rates (July 1996) to the Government for approval. While approving the rates (April 1997), the Government scaled down the land compensation rates to Rs. 40,000 and Rs. 35,000 per *kanal* for *Baghi Khushki* and *Baghi Maidani* land, respectively, without any recorded justification. The payments to the land owners were made (April 1997) in accordance with the lower rates determined by the Government. The land owners, not satisfied with the rates fixed by the Government, received the payment under protest and approached the court of law.

While defending the case in the court, the Department was not able to give plausible reasons for scaling down the rates. The District Judge, Budgam accordingly decided (20 November 2000) that the petitioners were entitled to compensation at the rates of Rs. 75,000 and Rs. 65,000 for *Baghi Khushki* and *Baghi Maidani*, respectively, with interest at the rate of six *per cent* for the enhanced amount from 20 November 2000 to September 2008.

The Industries Department approached the High court in May 2001 which upheld (June 2008), the judgement given by the lower court. On its direction, the Department paid land compensation (Rs. 3.85 crore) at enhanced rates³ and an interest of Rs. 1.58 crore thereon in terms of the court judgement.

² *Baghi Maidani*: 297 *kanals*, 10.5 *marlas* and *Baghi Khushki*; 702 *kanals* and 9 *marlas*.

³ Rs. 75,000 for *Baghi Khushki* and Rs. 65,000 for *Baghi Maidani*

The matter was referred to the Government/Department in July 2009. The Director, Industries and Commerce stated (August 2009) that all the levels of the Revenue Department from Collector to the Administrative Department were responsible for the extra payment to the landowners, which had to be paid by the Industries and Commerce Department for no fault on its part. The Government endorsed the reply of the Director.

Power Development Department

2.6 Delay in completion of transmission line due to improper planning

Improper planning of the Department resulted in idle expenditure of Rs. 16.86 crore and non-completion of transmission line for 27 years.

In order to provide an additional strong and dependable link to ensure availability of power to Jammu city and adjoining areas, the Executive Engineer (EE), Transmission Line Construction Division-I, Jammu had proposed (January 1980) construction of 50 Km long 220 KV Single Circuit Gladni-Udhampur line, at an estimated cost of Rs. 2.92 crore, for completion in two years. The work was taken up for execution in November 1982. After laying 133 foundations and erecting 22 towers upto 1987-88, at a cost of Rs. 2.76 crore, further execution remained suspended upto 1994-95 due to non-supply of tower material by the contractor. The contractor could supply only 25 per cent of the ordered quantity upto 1988-89. The matter regarding non-supply of the material by the contractor was referred to an Arbitrator who issued (November 1993) an award which is pending before the High Court.

Due to extremely meager funding during 1989-95, the Department could procure material worth only Rs. 16.64 lakh. With a further allotment of Rs. 1.21 crore received during 1995-97, against the revised cost of Rs. 7.16 crore, the Department erected four towers, executed protection works to some (75 per cent) tower foundations and also procured line material. The delay in completion of the project resulted in damage to 16 tower foundations and also large scale encroachments on the right of way of the line necessitating revision in cost to Rs. 12.16 crore (September 2000) and then to Rs. 17.56 crore (November 2002).

After incurring a further expenditure of Rs. 12.72 crore from the funds received between 1999-2005, the Department executed works relating to laying of 164 foundations, erection of 161 towers and stringing of 38.40 Kms conductor. No funds were allotted by the Government during subsequent years and only in 2007-08, the Government released Rs. 20 lakh, which the Department used for procurement of material.

For execution of the balance work (laying of one tower foundation, erecting of four towers and stringing/restringing of 43 Kms of conductor including 4.63 Kms stolen conductor), the project was revised to Rs. 20.75 crore which had not been approved as of June 2009. During the 27 years that the project has remained under execution, conductor of 4.635 Kms valued at Rs. 11.36 lakh had been stolen. Also Rs. 21.92 lakh was spent on recasting of 16 damaged tower foundations.

The Department stated (November 2008) that a project report had been submitted to the techno-economic committee for accord of technical sanction and the pending works would be completed in six months provided funds were made available and added that it was difficult for the Department to make fool-proof arrangements to avoid thefts as the

line was passing through tough terrain and forest area. The reply of the Department should be viewed in the light of the fact that the Department did not ensure regular supply of ordered quantity of material to erect the required number of towers with the result that the line could not be energized and the line already laid had become prone to thefts.

Thus, the project progressed by fits and starts and is still far from completion even after incurring an expenditure of Rs. 16.86 crore (nearly six times the original cost). There has also been an avoidable expenditure of Rs. 33.28 lakh on recasting damaged tower foundations and restringing of stolen conductor. Non-completion of the project in 24 years renders the very necessity of the transmission line questionable. Any more delays in the completion of the line is fraught with risk of thefts of conductor already strung as admitted by the Department itself, which would further delay the completion and also escalation in cost.

The matter was referred to Government/Department in July 2009; reply had not been received (October 2009).

2.7 Poor Planning

The Department took up construction of the Sub-station without taking into consideration the meteorological report and advice of the Geologist resulting in wasteful expenditure of Rs. 68.93 lakh.

To provide independent, reliable and uninterrupted power supply to BEACON, Defence and other installations at Jawahar Tunnel, the Chief Engineer, Systems and Operation Wing, Kashmir proposed (October 2003) construction of a 12.5/15 MVA 132/33 Grid Sub-station at an estimated cost of Rs. 2.67 crore to be completed by June 2004. The work, proposed to be taken up at the North portal of the tunnel, was later on taken up at the South portal, as the original site selected for the purpose was not found stable by the Geologist who conducted the investigation. The Geologist advised (December 2003) designing the protection walls in such a way that the wall, which was close to steep slopes could bear the thrust/push generated by the snow and debris during heavy snowfall. The Scientist, Snow and Avalanche Study Establishment (SASE), Chandigarh, also opined (February 2004) that there was no noticeable difference in the meteorological parameters of North and South portal.

Scrutiny (January 2009) of the records of the Executive Engineer (EE), Grid Construction Division, Srinagar showed that the construction work at South portal was taken up (March 2004) for execution without carrying out protection works advised by the Geologist. While construction was in progress, it was extensively damaged (February 2005) due to snowfall and avalanche. The site was abandoned (March 2005) and a new site at Tethar (Banihal Town) was selected where the Sub-station with an enhanced capacity is proposed to be constructed. Out of the amount of Rs. 1.40 crore spent on the work at the South portal, material/equipment valued at Rs. 71.05 lakh was available with the Department for utilisation on the newly proposed site. The EE's justification (June 2009) that the work was taken up on the South portal on the basis of the Meteorological report did not take into account the fact that the opinion of the Scientist (SASE) and the Geologist, underscoring the need for undertaking protection works before taking up the execution, had been overlooked.

The decision of the Department to construct the Sub-station at South portal without taking cognizance of expert advice resulted in wasteful expenditure of Rs. 68.93 lakh. The matter was referred to Government/Department in July 2009; reply had not been received (October 2009).

2.8 Avoidable extra expenditure and undue benefit to the contractor

Non-recovery of avoidable extra expenditure of Rs. 86 lakh from defaulting contractors is tantamount to a direct loss for the Department.

On the requisition of Chief Engineer, Electric Maintenance & Rural Electrification (CE, EM & RE) Wing Jammu, the CE, Procurement & Material Management Wing (CE, P&MM), Jammu placed orders (November 2007) for supply of 7,518 steel tubular (ST) poles of different sizes⁴ with three local firms (Firm A⁵: 5994, Firm B⁶: 762 and Firm C⁷: 762 poles). The contract stipulated that in case of failure to deliver full or part of the supply, the purchaser would have the right to make purchase from other sources at the risk and cost of the defaulting suppliers.

Scrutiny (June 2009) of the records of the EE, Electric Central Store Division, Jammu showed that the firms A and B supplied (December 2007 to March 2008) only 3,247 and 444 poles against the ordered quantity, while firm 'C' had not supplied any material. This left 3,827 poles⁸ (order value of Rs. 2.80 crore) out of the ordered quantity unsupplied. To meet the requirements, the Department procured (July 2008 to December 2008) a lesser quantity of 3,252 poles⁹ (order value: Rs. 2.03 crore as per supply orders placed upon the defaulting firms) from other sources at a cost of Rs. 2.89 crore out of the undelivered quantity, thereby incurring an avoidable extra cost of Rs. 86 lakh¹⁰. It was seen in audit that the Department, apart from forfeiture of the security deposits (Rs. five thousand each) of firms 'B' and 'C', had not initiated any action against the defaulting firms to recover the cost of the risk purchases in accordance with the terms of the supply.

Non-recovery of extra expenditure of Rs. 86 lakh from defaulting contractors tantamount to a direct loss for the Department and extending of undue benefits to contractors.

The matter was referred to Government/Department in September 2009; reply had not been received (October 2009).

2.9 Inadmissible payment of HRA and CCA

Failure of the Department to adhere to rules resulted in excess payment of HRA and CCA amounting to Rs. 24.46 lakh.

As per rules, a Government servant whose place of posting falls within the qualifying limits of a city shall be eligible for both House Rent Allowance (HRA) and City

⁴ 8mt: 3,550 poles, 9mt: 1,800 poles, 11mt: 1,177 poles and 13mt: 1,041 poles

⁵ M/S SICOP, Jammu: 8mt: 2,662 poles, 9mt: 1,512 poles, 11mt: 945 poles and 13mt: 875 poles

⁶ M/S Trikuta Steel Industries, Jammu: 8mt: 444 poles, 9mt: 144 poles, 11mt: 91 poles and 13mt: 83 poles

⁷ M/S AAR GEE Industries, Jammu: 8mt: 444 poles, 9mt: 144 poles, 11mt: 91 poles and 13mt: 83 poles

⁸ Firm A: 8mt: 1,400 poles, 9mt: 915 poles, 11mt: 32 poles and 13mt: 400 poles (Total: 2,747 poles), Firm B: 8mt: nil, 9mt: 144 poles, 11mt: 91 poles and 13mt: 83 poles (Total: 318 poles), Firm C: 8mt: 444 poles, 9mt: 144 poles, 11mt: 91 poles and 13mt: 83 poles (Total: 762 poles)

⁹ 8mt: 1,844 poles, 9mt: 1,203 poles, 11mt: 201 poles and 13mt: four poles

¹⁰ Includes Rs. 45 lakh paid as escalation

Compensatory Allowance (CCA) at higher rates prescribed for classified cities, whereas in the rest of the cases the Government servant shall be eligible to HRA and CCA at lower rates.

Scrutiny of the records (February/March 2009) of Executive Engineer, Electric Maintenance and Rural Electrification (EM & RE) Division-II, Jammu revealed that HRA and CCA aggregating Rs. 24.46 lakh¹¹ were irregularly drawn at higher rates admissible for classified localities and paid (April 2007 to February 2009) to 195 employees¹² posted outside the qualifying limits of Jammu city. The Department intimated (April 2009) that the HRA and CCA being paid had been stopped (March 2009). The EE intimated (November 2009) that Rs. 4.70 lakh had been recovered from the concerned employees.

The Department did not adhere to the extant rules which resulted in excess payment of HRA and CCA amounting to Rs. 24.46 lakh.

The matter was referred to Government/Department in June 2009; reply had not been received (October 2009).

Public Health Engineering Department

2.10 Avoidable extra expenditure

Injudicious action of the Department resulted in avoidable extra expenditure of Rs. 1.50 crore on purchase of pipes.

As per the Industrial Policy (2004), a price preference up to 15 *per cent* can be allowed to Small Scale Industrial (SSI) Units of the State vis-à-vis the rates quoted by other suppliers. The Executive Engineer (EE), Public Health Engineering, Mechanical and Procurement Division, Srinagar had invited tenders (April 2005) for supply of Galvanised Mild Steel (GMS) tubes for the year 2005-06. As per the terms and conditions of the NIT, rates finally approved were to remain valid from June 2005 to May 2006 or till the time the rate contract (RC) was awarded by the Director General of Supplies and Disposals (DGS&D), whichever was earlier, after which the lower of the two rates would be applicable. It also envisaged that in the event of failure of the successful tenderer to execute the supply order, the Department would, without prejudice to any other remedy, recover the extra cost, if any, involved in arranging the material through other agency and the defaulting contractor would also not be eligible to bid for any contract in future.

Scrutiny (April 2008) of the records showed that on the basis of tenders (May 2005), the EE found the rates of two local SSI units¹³ to be the lowest which worked out to Rs. 2.97 crore each after allowing the price preference of eight *per cent*. The rates were accepted by the Small Scale Industrial (SSI) units. While the supply orders to the two units were being processed, the Director General, Supplies and Distribution (DGS&D) issued (December 2005) the rate contract for the year specifying therein the rates to be allowed to the suppliers for various items. On the basis of the rate contract, supply orders

¹¹ Sub-Division Bishnah: Rs. 10.99 lakh (HRA: Rs. 10.30 lakh; CCA: Rs. 0.69 lakh) and Sub-Division, Miran Sahib (R.S.Pura): Rs. 13.47 lakh (HRA: Rs. 12.62 lakh; CCA: Rs. 0.85 lakh)

¹² (Bishnah: 87 and Miran Sahib: 108)

¹³ M/S Kashmir Tubes, Jammu and M/S Samrat Ferro Alloys Private Ltd. Jammu

were issued (April 2006) by the Chief Engineer, Kashmir to the two suppliers at a rate of Rs. 2.83 crore each. The suppliers, however, refused to execute the supply orders due to variance with the rates offered by them.

The Department, instead of exploring the option of issuing the supply order in favour of the second lowest tenderer (quoted rate: Rs. 2.74 crore), re-tendered (May 2006) the items along with the requirements for the subsequent year. In contravention of the terms and conditions of the earlier supply orders, the Departmental Purchase Committee selected the same suppliers, as a result of which the Chief Engineer placed the supply order for Rs. 5.85 crore each (which included cost of GMS tubes earlier ordered - Rs. 3.72 crore) on the same suppliers who refused to supply at rates offered. As a result, the material ordered (April 2006) and not supplied by the suppliers earlier was purchased by the Department at a higher rate, thereby incurring extra cost of Rs. 1.50 crore. The CE/EE stated (April 2008/May 2009) that non-execution of earlier supply orders upset the Departmental yearly plans and imposition of penalty against the SSI units has been taken up with the Administrative Department.

Injudicious action of the Department in not accepting the rates quoted by the second lowest tenderer or those approved prior to declaration of DGS&D rates resulted in avoidable extra expenditure of Rs. 1.50 crore on purchase of pipes.

The matter was referred to Government in June 2009; reply had not been received (October 2009).

2.11 Unfruitful expenditure due to non-completion of drinking water scheme

Taking up allied works without first ensuring the development of source and failure of the Department in resolving dispute resulted in unfruitful expenditure of Rs. 6.86 crore.

For augmenting safe drinking water to the inhabitants of Kupwara Town and its adjoining areas, the Executive Engineer (EE), Public Health Engineering Division, Kupwara took up (August 2004) construction of Regional Water Supply Scheme under Accelerated Urban Water Supply Programme at an estimated cost of Rs. 7.33 crore. The scheme, envisaged to cover a projected population of 39,605 people was to be completed within two working seasons. Development of existing source (*nallah*), construction of a treatment plant, a service reservoir and an office building, besides laying of distribution system were the main components of the scheme.

Scrutiny (June 2008) of the records of the Division revealed that without ensuring the development of water source, the Department took up (April 2004) allied works for execution. After incurring an expenditure of Rs. 6.86 crore¹⁴ (March 2008) on completion of 61 *per cent* of works, the execution was stopped (December 2006) by the district administration due to objections raised by local farmers, apprehending its adverse impact on irrigation in the area. A committee constituted (December 2006) to look into the grievances of the local farmers had not settled the issue as of July 2009 though it had been in touch with the local farmers. Despite a ban on execution of further works, the

¹⁴ Laying of distribution system :Rs. 5.32 crore; Pre-settling tank: Rs. 12.14 lakh; Construction of service reservoir: Rs. 19.40 lakh; office building and land acquisition Rs. 37.88 lakh; Others: Rs. 85 lakh

Department spent Rs. 95.01 lakh from January 2006 to March 2008 on acquisition of land and construction of the Divisional Office.

The EE stated (July 2008/July 2009) that steps were being taken to complete the scheme and that there was close contact with the district administration to lift the ban.

Taking up allied works without ensuring development of the source in the first instance and not resolving the dispute for more than two years subsequently has resulted in unfruitful expenditure of Rs. 6.86 crore, besides depriving the inhabitants of the area of the intended benefits.

The matter was referred to Government/Department in June 2009; reply had not been received (October 2009).

Irrigation and Flood Control Department

2.12 Non-completion of an irrigation project

Failure to get clear title of a piece of land in favour of the Department before taking up execution of the work resulted in non-completion of irrigation project on which Rs. 75.16 lakh has been incurred.

To provide irrigation facilities to about 155 hectares of agricultural land of four villages of Tehsil Reasi, the Executive Engineer (EE), Mahore Irrigation Division, Dharmari took up (September 2002) construction of three Kms Panasa Canal, under NABARD loan assistance, at an estimated cost of Rs. 79.33 lakh for completion in three years.

Scrutiny (July 2008) of records of the EE showed that the work was started (December 2003) on simple affidavits of the land-owners for use of land, coming under the canal alignment, free of cost. There was no recorded attempt by the Department to obtain title to the land required for the canal. After an amount of Rs. 75.16 lakh¹⁵ had been spent on construction of 2,691 Mtrs of the canal¹⁶, further execution had to be stopped (April 2007) due to dispute with a land owner over non-payment of compensation for the land coming under the canal alignment at RD 1526 to 1,660 Mtrs. It was also seen that despite refusal of the land owner to part with the piece of land, the Department had spent Rs. 21.63 lakh on execution of the work between June 2004 and March 2007. The matter regarding that particular stretch of land had also not been resolved as of May 2009. It may be noted here that the Department had done nothing to obtain title to land for the canal for over five years.

On this being pointed out, the EE stated (July 2008 and May 2009) that the matter had been taken up with the Collector, Land Acquisition and the case was under process.

The action of the EE in taking up the work for execution without ensuring transfer of land in favour of the Department resulted in non-completion of the irrigation project, targetted to irrigate 155 hectares of land in four villages, thereby, depriving the targetted beneficiaries of irrigation and rendering the investment of Rs. 75.16 lakh unfruitful.

The matter was referred to the Government/Department in June 2009; reply had not been received (October 2009).

¹⁵ Includes past liability of Rs. 1.17 lakh cleared during March 2009

¹⁶ On achieving physical progress of 90 *per cent*

Public Works Department

2.13 Unfruitful expenditure due to non-completion of renovation work

Unplanned and unauthorised execution of works without adhering to the laid down procedure rendered the expenditure of Rs. 24.90 lakh unfruitful besides avoidable expenditure of Rs. 33.62 lakh as rent.

To provide a suitable office accommodation to the State Human Rights Commission (SHRC), the State Government had decided (March 2001) to renovate/repair the old *Muhafiz Khana* building in Srinagar at an estimated cost¹⁷ of Rs. 18.35 lakh. The work was proposed to be completed within two months.

Audit scrutiny (November 2006, January 2009) of the records of the Executive Engineer (EE), R&B Division II, Srinagar showed that in anticipation of a formal allotment order, the work for dismantling of ground floor, including its reconstruction and remodeling, was taken up for execution by a contractor in August 2001. The work was subsequently allotted (June 2002) by the Assistant Executive Engineer (AEE), at a cost of Rs. 13.19 lakh, to the selected contractor without following the system of competitive tendering. After executing the allotted work, the contractor was allowed to execute the work of raising the first floor also without formal order of the competent authority. No formal allotment had been made for the work and the contractor was paid Rs. 14.54 lakh which included the payments for work relating to ground floor. As no further payment was made to the contractor for the work done in first floor, the contractor stopped the work and approached the court for release of payment. Audit scrutiny showed that an amount of Rs. 24.90 lakh¹⁸, which included electrical works amounting to Rs. 3.32 lakh, had been spent on the work ending March 2009. The case had not been settled as of April 2009.

Meanwhile the office of the SHRC continued to be housed in a private building for which an amount of Rs. 33.62 lakh had been paid as rent from October 2001 to July 2008.

The EE stated (November 2008) that a revised proposal, estimating a cost of Rs. 88.20 lakh, had been submitted (May 2007) to higher authorities and its approval was awaited (April 2009). The EE also stated that the allotment was made without resorting to tendering in view of urgency shown by the higher authorities. The reply should be viewed in the light of the fact that no authority is vested with the power to award work without following the laid down procedure of awarding the work to the lowest tenderer after obtaining competitive quotes whatsoever is the urgency. Further, the fact that the Department had not restarted the work even after a lapse of five years clearly indicates the lack of urgency in the matter.

Thus, unplanned and unauthorised execution of work without adhering to the laid down procedure has resulted in unfruitful expenditure of Rs. 24.90 lakh besides an avoidable expenditure of Rs. 33.62 lakh as rent.

The matter was referred to Government/Department in June 2009; reply had not been received (October 2009).

¹⁷ Ground floor area: 3,546 sqft; Rs. 500/- per sqft including cost of toilets and electrification.

¹⁸ Includes Rs. 10.36 lakh passed for payment in March 2005 but kept in deposit by the department as the case was sub-judice

2.14 Idle investment due to change in specification of a bridge

Incorrect assessment of the Department regarding type of the bridge to be constructed resulted in idle investment of Rs. 27.29 lakh.

For providing connectivity to eight¹⁹ villages, the Executive Engineer (EE), R & B Division, Udampur had proposed (August 1997) construction of a 48 metre span foot suspension bridge over river Ujh at Sai Merry at an estimated cost of Rs. 32.66 lakh. Without obtaining administrative approval and technical sanction, the EE took up (October 1997) construction of left side abutment and anchor block of the bridge and got it completed through a contractor at a cost of Rs. 11.99 lakh.

It was seen in audit (December 2008) that after the construction of the Abutment and Anchor Block had been completed, the specification of the bridge was changed (November 2002) from that of foot suspension to a motorable one due to demands of the local population. The change in specifications, *interalia*, required construction of the right side abutments as per the revised drawings and strengthening of the abutment already constructed, which necessitated revision of the project cost to Rs. 68.69 lakh. These works were got completed (July 2006) through another agency at a cost of Rs. 15.30 lakh which included Rs. 2.25 lakh released in 2006-07 and 2008-09 which had been utilized for clearance of the past liability. The work, suspended in July 2006, is yet (May 2009) to be resumed due to non-release of funds in the subsequent years.

The EE stated (December 2008, May 2009) that the work is proposed to be taken up under NABARD and would be completed after release of funds from the agency. The reply should be viewed in the light of the fact that the EE did not ascertain the requirement of the population of the area being benefited under the scheme before commencing the work and as a result the specification of the bridge had to be changed.

Thus, wrong assessment of the Department regarding the type of bridge to be constructed necessitating change in specification of the foot suspension bridge to a motorable one has resulted in idle investment of Rs. 27.29 lakh besides, the inhabitants of the targeted villages being deprived of the envisaged benefits.

The matter was referred to Government/Department in September 2009; reply had not been received (October 2009).

General

2.15 Follow-up on Audit Reports

Non-submission of *suo-moto* Action Taken Notes

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

¹⁹ Bhadwal, Bhagani, Chakal, Majouri, Reshian, Serial, Sia and Sia Merry

period of three months from the date of presentation of Audit Reports in the State Legislature.

It was, however, noticed that none of the Departments had submitted *suo-moto* ATNs in respect of their paragraphs/reviews featuring in the Audit Reports for the years 1990-91 to 2007-08.

2.16 Action taken on recommendations of the PAC/COPU

Action Taken Notes, duly vetted by the AG on the observations/recommendations made by the PAC/COPU in respect of the paragraphs discussed by them are to be furnished to these Committees within six months from the date of such observations/recommendations. The PAC/COPU reconstituted (November 1996) after the expiry of President's rule in the State decided to skip over the discussion of Audit Reports prior to the year 1990-91. Out of 825 paragraphs featuring in the Audit Reports for the years 1990-91 to 2007-08, only 262 paragraphs have been discussed by the PAC/COPU up to March 2009. Recommendations in respect of 170 paragraphs have been given by the Committees (PAC/COPU) but ATNs on the recommendations of the Committees have not been furnished by the Administrative Departments despite the PAG taking up the matter with the Chairpersons of the two committees and the Chief Secretary.

2.17 Lack of response to Audit

The Hand Book of Instructions for speedy settlement of Audit observations/Inspection Reports (IRs), etc., issued by the Government (Finance Department) provides for prompt response by the executive to the IRs issued by the AG to ensure remedial/rectification action in compliance with the prescribed rules and procedures and accountability for the deficiencies, lapses, etc. brought out in the IRs. The Heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects promptly and report their compliance to the Accountant General.

Fifteen Audit Committee meetings were held during 2008-09 in respect of paragraphs contained in IRs pertaining to the civil wing, wherein 1,128 transaction audit paragraphs were discussed and 644 paragraphs were settled.

At the end of March 2009, 6,011 IRs involving 26,924 paragraphs pertaining to the period 1998-2009 were not settled.

Lack of response to Audit indicated inaction against the defaulting officers, and facilitated continuation of serious financial irregularities and loss to Government even after being pointed out in audit.

The Government should look into this matter and revamp the system to ensure proper response to the audit observations from the departments in a time-bound manner.