

Overview

OVERVIEW

This Report is in two parts. The part-A of the Report comprises of seven paragraphs relating to short levy of VAT, Toll tax and Arrears of revenue, involving revenue implication of ₹124.10 crore. The part-B contains one Performance Audit on 'Jammu and Kashmir State Power Development Corporation Limited' and six paragraphs with financial implication of ₹2,346.68 crore relating to doubtful recovery of loan, loss of revenue, non-recovery of interest, avoidable loss, idle investment not meeting statutory obligations and avoidable payment of rent. Some of the major findings are mentioned below:

Revenue Sector

General

The total revenue receipts of the State Government for the year 2015-16 was ₹35,780.60 crore as compared to ₹28,938.59 crore during the year 2014-15 i.e. an increase of ₹6,842.01 crore. Out of this, 31 *per cent* of the total receipt was raised through tax revenue (₹7,326.19 crore and non-tax revenue (₹3,912.79 crore) and the balance 69 *per cent* was received from the Government of India as State's share of divisible Union taxes and duties (₹7,813.48 crore) and Grants-in-aid (₹16,728.14 crore).

(Paragraph: 1.1)

Test-check of the records of 66 units of Sales tax/Value Added Tax, State Excise, Motor Vehicles and Stamp Duty and Registration fee conducted during the year 2015-16 revealed under assessment/short levy/loss of revenue aggregating ₹208.71 crore in 635 cases. During the year, the Departments concerned accepted under assessment and other deficiencies of ₹0.76 crore involved in 101 cases which were pointed out in audit during 2015-16 and earlier years. The Departments collected ₹40.74 lakh in 70 cases pertaining to audit findings of previous years as well as of the year 2015-16.

(Paragraph: 1.9)

Compliance Audit

Collection of Toll Tax in the State

Non-adherence to the provisions of the Jammu and Kashmir Levy of Toll Tax Act 1995, resulted in non/short levy of toll tax amounting to ₹35.35 crore. Further,

the efficacy of internal control mechanisms and procedures that would have enabled effective monitoring and supervision of toll collection was undermined by poor maintenance of mandatory records including assessment note book, cash book and stock account.

(Paragraph: 2.3)

System of Collection of Arrears of Revenue

Audit review of system of collection of arrears of revenue revealed non-adherence to statutory provisions for recovery of arrears resulting in revenue loss of ₹85.24 crore. Efforts of the departments in pursuing recovery of arrears of government dues was characterised by lack of seriousness as reflected in undue delays in initiating actions provided for under the relevant Acts and non-enforcement or non-adherence of statutory provisions and the rules made thereunder. Delay in issue of recovery certificates, non-maintenance of requisite details of moveable/immoveable property and addresses that could facilitate appropriate recovery action coupled with non-enforcement of penal actions in case of persistent defaults cumulatively resulted in overall 16 *per cent* increase in the arrears across four departments from ₹2,668.05 crore in 2011-12 to ₹3,086.77 crore in 2015-16.

(Paragraph: 2.4)

Assessing Authority incorrectly allowed input tax credit during a period of suspension of registration resulting in short levy of tax of ₹7.39 lakh, including interest and penalty.

(Paragraph: 2.5)

Failure of the Assessing Authority to detect concealment of stock/purchases by the dealers at the time of his assessment resulted in short levy of service tax of ₹33.77 lakh, including interest/penalty.

(Paragraph: 2.6)

Failure of the Deputy Commissioner Commercial Taxes (Recovery) Jammu to correctly work out interest on the amount of tax payable by dealers resulted in short levy of interest of ₹8.95 lakh.

(Paragraph: 2.7)

Concealment of purchases/stock at the time of assessment resulted in short levy of Tax, Interest and Penalty of ₹5.45 lakh.

(Paragraph: 2.8)

Irregular grant of remission of tax to two dealers by the Assessing Authorities resulted in short levy of tax and interest of ₹2.96 crore.

(Paragraph: 2.9)

Public Sector Undertakings (PSUs)

The State of Jammu and Kashmir had 30 working PSUs (27 Companies and three Statutory Corporations) and three non-working PSUs which employed 23,876 employees. As on 31 March 2016, the investment (capital and long-term loans) in 33 State PSUs and Statutory corporations was ₹7,699.94 crore. Power sector accounted for 35.14 *per cent*, i.e. ₹2,705.44 crore of the total investment as on 31 March 2016. The total investment consisted of 11.39 *per cent* as capital and 88.61 *per cent* as long-term loans. The investment has grown by 56.90 *per cent* from ₹4,907.42 crore in 2011-12 to ₹7,699.94 crore in 2015-16.

(Paragraphs: 3.1, 3.6 and 3.7)

Performance Audit

Jammu and Kashmir State Power Development Corporation Limited

A performance audit of the Jammu and Kashmir State Power Development Corporation Limited brought out financial mismanagement and creation of avoidable liabilities that adversely impacted the financial position of the Company. Some of the significant findings include the following:

There was delay in receipt of plan funds and power dues of ₹2,808.04 crore were pending from the State Government resulting in dependence on loans from financial institutions and extra interest burden of ₹58.24 crore. Statutory liabilities on account of water usage charges and labour cess accumulated to ₹1,573.19 crore.

(Paragraphs: 4.8.3, 4.8.4 and 4.8.6)

Failure of Company to provide requisite information to the Jammu and Kashmir State Electricity Regulatory Commission led to non-inclusion of income tax of ₹96.96 crore in tariff fixation. Due to non-achievement of design energy, the Company was not able to recover expenditure of ₹275.85 crore through tariff.

(Paragraph: 4.8.7)

The Company failed to achieve status of Mega Power Project in respect of BHEP-II due to which benefit of ₹105.80 crore could not be availed.

(Paragraph: 4.9)

The Company had not achieved design energy, except in BHEP-I, leading to loss of generation of 2,520 MUs during 2011-16. There was low Plant Load Factor ranging between 22 *per cent* and 29 *per cent*, low Plant Availability Factor

between 64.34 *per cent* and 76.66 *per cent* and excess forced outages over Central Electricity Authority norms to the extent of 7,91,630 hours resulting in low power generation.

(Paragraph: 4.10)

Delay in completion of Renovation, Modernisation and Uprating resulted in loss of generation of 33.85 MUs valuing ₹6.77 crore annually in CHEP-I. Delay in undertaking repairs and maintenance of Hydro Electric Projects led to loss of generation.

(Paragraph: 4.11)

Audit of Transactions

Disbursement of loan by the Jammu and Kashmir State Financial Corporation Limited decreased from ₹15.23 crore in 2012-13 to ₹8.87 crore in 2015-16. The total loan assets of the Company also decreased from ₹100.52 crore in 2012-13 to ₹66.95 crore in 2015-16. The percentage of recovery of overdues of principal amount ranged between 20-22 *per cent* which too could be achieved only after sacrificing interest of ₹165.79 crore.

(Paragraph: 5.1)

Lack of due diligence in Jammu and Kashmir Bank Limited in verification of genuineness of security before release of loans and credit facilities resulted in recovery of ₹3.22 crore being rendered doubtful.

(Paragraph: 5.2)

Injudicious decision by the Jammu and Kashmir State Industrial Development Corporation Limited in releasing soft and term loans out of own resources to a defaulter company for settlement of its Non Performing Assets account led to subsequent default by the borrower company and non-recovery of term loan and interest of ₹1.04 crore.

(Paragraph: 5.3)

Failure of the Jammu and Kashmir State Industrial Development Corporation Limited to invoke terms of lease agreement providing for levy of penal interest and eviction proceedings for default in payment of ground rent resulted in non-recovery of ₹2.17 crore and interest of ₹71.40 lakh.

(Paragraph: 5.4)

Despite clear instructions of competent authority to restrict the value of a work of construction of a bridge along with approach road to the approved estimates,

the Jammu and Kashmir Projects Construction Corporation Limited exceeded the approved cost of estimates by ₹2.48 crore. This was aggravated by construction of approach road without requisite protection works resulting in avoidable expenditure of ₹2.01 crore.

(Paragraph: 5.5)

The Jammu and Kashmir State Cable Car Corporation Limited acquired a plot of land at a cost of ₹1.25 crore for construction of a building that was also to house its head office which was in a rented building. However, no progress could be achieved in construction of the building despite lapse of five years thereby defeating the objective of the expenditure on land acquisition as well as resulting in avoidable payment of rent ₹57.70 lakh.

(Paragraph: 5.6)