

# Overview



## OVERVIEW

This Report is in three parts. **Part-A** covers compliance audit findings of Revenue Sector comprising three paragraphs on Irregular allowance of input tax credit and Short levy of tax involving ₹ 2.14 crore. Some of the findings are mentioned below:

### Part A: Revenue Sector

#### General

During the year 2019-20, the overall receipts of the erstwhile State and Union Territory (UT) increased by 2.7 *per cent* over the previous year. The revenue raised by the erstwhile State and UT Government (₹ 13,726.60 crore) was 26 *per cent* of the total revenue receipts against 28 *per cent* in the preceding year. The balance 74 *per cent* of the receipts during 2019-20 came from the Government of India (GoI), of which, 82.50 *per cent* was received in the form of Grants-in-aid. These Grants-in-aid constituted 60.97 *per cent* of the total receipts of the erstwhile State/ UT.

*(Paragraph: 1.1.1)*

Test-check of the records of 82 units out of 398 auditable units of State Taxes, State Excise, Transport and Law Department conducted during the year 2019-20 showed under assessment/ short levy/ loss of revenue aggregating ₹ 127.72 crore in 14,572 cases. During the year, departments concerned accepted under assessment and other deficiencies of ₹ 3.36 crore identified in 72 cases pointed out by audit during 2019-20 and previous years. The Departments recovered ₹ six lakh during 2019-20 in seven cases pertained to audit findings of the period prior to 2019-20.

*(Paragraph: 1.10)*

#### Compliance Audit

Failure of the Assessing Authority, State Taxes Circle, Reasi, Jammu (Udhampur-II) to disallow the input tax credit claimed by the dealer during the period of suspension of his registration certificate resulted in short demand of ₹ 22.36 lakh.

*(Paragraph: 2.3.1)*

Assessing Authority, State Taxes Circle-C Jammu failed to detect the concealment of Interstate Purchases, verify the genuineness of outward stock transfer during 2013-14 which resulted in short levy of tax, interest and penalty to the extent of ₹ 1.38 crore.

*(Paragraph: 2.4.1)*

Assessing Authority, State Taxes Circle-L Jammu accepted the credit claims against the returned goods without verification of actual credit notes at the time of assessment of a dealer which resulted in short demand of ₹ 53.69 lakh.

*(Paragraph: 2.4.2)*

### Part B: Social, General and Economic Sectors (Departments)

Part B of the Report contains compliance audit observations on the Departments/ Autonomous Bodies under Social, General and Economic Sectors of the Government of UT of Jammu and Kashmir. This part of Report contains six paragraphs involving

financial implications of ₹ 230.27 crore related to compensatory afforestation, non-utilisation of funds, unfruitful expenditure, etc. Some of the major findings are mentioned below.

### **General**

The total expenditure of the erstwhile State and the UT was ₹ 62,961 crore during 2019-20. During the period 1 April 2019 to 30 October 2019, the total expenditure of the erstwhile state of Jammu and Kashmir was ₹ 34,782 crore and from 31 October 2019 to 31 March 2020, the expenditure of the UT of Jammu and Kashmir was ₹ 28,179 crore

*(Paragraph: 3.2)*

### **Compliance Audit**

The construction of a Poultry Breeding Farm and Hatchery project at Kupwara for subsidiary income generation of women/ weaker sections was taken up without administrative approval of the changed site. The expenditure of ₹ 1.78 crore incurred thus far on the project did not yield any benefits.

*(Paragraph: 4.1)*

Release of funds by the State Project Director (SPD) Sarva Shiksha Abhiyan (SSA) under civil works (capital component) plan 2016-17, to the Directors of School Education Jammu and Kashmir without any action plan for its utilisation resulted in blocking of ₹ 21.48 crore.

*(Paragraph: 4.2)*

The Compensatory Afforestation Fund Management and Planning Authority (CAMPA) did not conduct survey before preparation of Annual Plan of Operations (APOs) to collect physical data for identifying degraded forests. Alternate non-forest land was not transferred to forest department for compensatory afforestation as required under Jammu and Kashmir Forest Conservation Act. Site specific schemes were not prepared by the Forest Divisions for Compensatory afforestation at sites contiguous to or in the proximity of forest in respect of forest land of 2,757.78 hectares diverted for non-forest purpose. ₹ 9.24 crore (out of total expenditure of ₹ 140.25 crore) out of CAMPA funds were spent on inadmissible components such as purchase of office equipment, construction of office complex etc. There was irregular expenditure of CAMPA funds of ₹ 15.12 crore on establishment of two zoos.

*(Paragraph: 4.3)*

Failure of SSP, Udampur to ascertain functionality of existing pipeline for supply of water before taking up construction of Overhead Tank resulted in unfruitful expenditure of ₹ 0.64 crore.

*(Paragraph: 4.4)*

The unspent balances on account of labour cess had increased from ₹ 296.19 crore to ₹ 622.05 crore during the five-year period ended March 2020. Out of 1,09,915 beneficiaries registered in the sampled districts up to the date of launch (June 2017) of the digitisation process, the registration records of only 27,853 workers (25 per cent) were uploaded as of September 2020. The registrations were made without submitting the valid age proof, employment certificates. The Board failed to renew the insurance policy taken from LIC, to provide assistance to nominees/dependents of workers on their disability/ death. Out of 89,800 workers recommended for micro credit facility, only 148 workers were issued credit cards and no worker had availed the credit facility as of March 2020 resulting in non-utilisation of ₹ 30 crore deposited with the Bank as security. The Board failed to implement pension scheme for workers who had attained the age of 60.

*(Paragraph: 4.5)*

The Department prepared detailed project reports (DPR) for construction of roads without undertaking proper surveys of the area. The DPRs did not include requirements of bridges and compensation for houses coming in proposed alignment of roads resulting in unfruitful expenditure of ₹ 2.57 crore incurred on works besides not achieving intended connectivity benefits.

*(Paragraph: 4.6)*

### **Part C: Social, General and Economic Sectors (Public Sector Undertakings)**

Part C of the Report covers the audit findings of the Public Sector Undertakings of all sectors of the Government of Jammu and Kashmir comprising compliance audit on 'Activities of Extraction and sale of Timber in Jammu and Kashmir Forest Development Corporation Limited' having financial implication of ₹ 186.14 crore.

Some of the major findings are mentioned below:

As on 31 March 2020, there were 42 PSUs (six in Power Sector and 36 in Sectors other than Power Sector), including three Statutory Corporations under the audit jurisdiction of the Comptroller and Auditor General of India (C&AG); Out of these 42 PSUs, 32 are working and 10 are non-working (four in Power Sector and six in Sectors other than Power Sector). One PSU, Jammu and Kashmir Bank Limited, having a total paid-up equity of ₹ 71.36 crore is listed on the stock exchange since July 1998. During the year 2019-20, no PSU was incorporated whereas Government (erstwhile State/UT) of Jammu and Kashmir (GoJ&K) decided (24 October 2019) to wind up one PSU viz. J&K Asset Reconstruction Limited which was incorporated on 28 April 2017. The working PSUs registered an annual turnover of ₹ 11,298.17 crore as per their latest finalised accounts. There are 10 non-working PSUs, with an investment of ₹ 57.57 crore towards share capital (₹ 56.74 crore) and long term loans (₹ 0.83 crore), by the GoJ&K which are non-operational for the last six to 30 years.

*(Paragraph: 5.1)*

Out of 32 working PSUs, five government companies submitted their accounts of the year 2019-20 for audit. Accounts of 24 Government Companies and three Statutory Corporations were in arrears.

*(Paragraph: 5.9)*

As per the latest finalised accounts, eleven PSUs were profit making, while 13 PSUs were loss making. One PSU had not prepared its Profit and Loss account and remaining 17 PSUs were either non-working or had not submitted their annual accounts.

*(Paragraph: 5.10(A) and (B))*

### **Compliance Audit**

The accumulated losses of the Company was ₹ 249.13 crore as of March 2020. Royalty of ₹ 395.67 crore was payable by the Company to State Forest Department for markings of trees. Forest area was categorised on unrealistic parameters leading to incorrect fixation of rates for extraction/ transportation of timber. Contactors/ *Amanis* had abandoned work without converting the markings. Accumulated losses on account of timber was ₹ 283.89 crore which were neither made good nor written off. In East Marketing Division, Jammu physical verification was not conducted in the Sales Depots and Stores at regular intervals.

*(Paragraphs: 6.1.2.2, 6.1.2.3, 6.1.3.2, 6.1.3.4 and 6.1.5)*