

Chapter-VIII

Social Welfare Department

8.1 Introduction

The Social Welfare Department came into existence in 1960 initially with a Directorate which was bifurcated subsequently (July 2003) into two Directorates, one each for Jammu and Kashmir Division. The main objective of the department is to ensure the development and welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes and underprivileged and weaker sections of the society. In pursuance of these objectives, the department implements various State and Centrally Sponsored Schemes* in the State. The department has two Public Sector Undertakings (PSUs) viz. “Jammu and Kashmir Women Development Corporation” and “Jammu and Kashmir SC/ST/OBC Development Corporation” and an Autonomous Body “Jammu and Kashmir State Social Welfare Advisory Board”.

8.2 Organisational set up

The department functions under the overall control of Principal Secretary, Social Welfare Department. The two Directors (Kashmir, Jammu) are responsible for implementation of various programmes/schemes who are assisted by Deputy Directors at divisional level, District Social Welfare Officers (DSWOs)/Programme Officers (POs) at district level and Child Development Project Officers (CDPOs) at the block level.

8.3 Manpower

The sanctioned and effective staff strength of the department as on December 2004 was as follows:

Table 8.1

	Directors	Dy. Directors/Asstt. Directors	CAOs	POs	Law Officers	DSWOs	CDPOs	Others[♥]
Sanctioned strength	2	12	2	9	2	14	132	2278
Effective strength	2	10	2	8	2	13	110	1880
Vacancies	-	2	-	1	-	1	22	398

There were 424 vacancies in different cadres in the department as of December 2004.

* Integrated Social Security Scheme, Pre-matric and Post-matric scholarship schemes for SC/ST/OBC students, National Social Assistance Programme, Integrated Child Development Services Scheme, etc.

♥ Non-Gazetted staff including TSWOs, SOs, Superintendents/Head Assistants, etc.

8.4 Allocation and Expenditure

The position of allocation of funds and expenditure incurred thereagainst during 2003-04 and 2004-05 by the department was as follows:

Table 8.2

(Rupees in crore)

Head of Account	2003-04		2004-05	
	Allocation	Expenditure	Allocation	Expenditure
Plan	39.28	38.36	74.35	69.31
Non-Plan	16.51	15.69	16.66	15.85
Centrally Sponsored Schemes	50.21	46.04	2.19	0.15
Total	106.00	100.09	93.20	85.31

The sub-head-wise break up of the above allocation and expenditure is given in the following table:

Table 8.3

(Rupees in crore)

S. No	Name of sub-head	2003-04		2004-05	
		Allocation	Expenditure	Allocation	Expenditure
1.	Salaries	11.33	10.91	5.31	5.10
2.	Material and supplies	10.09	8.98	10.07	8.96
3.	Machinery and equipment	0.11	0.11	0.11	0.11
4.	Other activities*	84.35	80.01	77.59	71.06
5.	Grant-in-aid	0.12	0.08	0.12	0.08
	Total	106.00	100.09	93.20	85.31

8.5 Audit coverage

Records of 76 DDOs (Kashmir: 23, Jammu: 53) out of 173 DDOs were scrutinised in audit during 2004-05. An expenditure of Rs. 42.56 crore (25 per cent) was test checked out of total expenditure of Rs. 169.68 crore incurred during the period ranging between April 1998 and February 2005 by these units.

Audit of Transactions

The cases of defective/non-implementation of programme activities, locking up of funds, delay in finalisation of rate contracts, irregular purchases, misappropriation of funds, unauthorised appointments, etc. were noticed in audit which are detailed in the succeeding paragraphs:

8.6 Defective implementation of Integrated Social Security Scheme

The Integrated Social Security Scheme aims at providing social cover to destitutes and handicapped persons having no source of livelihood by providing financial assistance of Rs. 200 per month as pension/relief to each identified beneficiary. The district level committees with District Development

* Other activities include, Old age pension, Scholarships, Book Bank Scheme, Construction works under centrally sponsored schemes, etc.

Commissioners as Chairperson sanction pension/relief to identified beneficiaries on the basis of verification. It was seen in audit that no data of eligible beneficiaries living below the poverty line had been maintained in eight district offices (Kashmir: 5; Jammu: 3) in the absence of which the genuineness of the recommended beneficiaries could not be ascertained. The district level committees were to undertake quarterly and annual review of all cases for weeding out ineligible beneficiaries who had become self-dependent. No such exercise had been conducted in any of the test-checked district offices during the year 2003-04.

The DSWOs draw funds on account of old age pension, scholarships, etc. and advance them to the Tehsil Social Welfare officers (TSWOs) who in turn deposit these funds in their respective bank accounts. The payments were charged off in the main cash book in lump where as substantial amounts were actually retained in bank accounts pending disbursement. During test check of records it was seen that the retention of funds in the bank accounts ranged between Rs. 0.40 lakh (TSWO Bishnah) and Rs. 98.42 lakh (TSWO Kupwara) in respect of 32 TSWOs (Kashmir Division: 18; Jammu Division: 14) during 2003-04 to 2004-05 (January 2005). The total funds retained in the bank accounts amounted to Rs. 4.57 crore (Jammu Division: Rs. 1.91 crore and Kashmir Division: Rs. 2.66 crore) as of January 2005. The retention of funds in the bank accounts affected the timely deliverance of relief to the underprivileged sections of the society.

8.7 Supply of nutritive items

The main objective of Integrated Child Development Services scheme (ICDS) is to improve nutrition and health status of children in the age group of 0-6 years for reducing the incidence of mortality, morbidity and malnutrition. The scheme *inter alia* envisages providing of nutrition at the *Anganwari* centres for 300 days in a year. Audit scrutiny revealed that due to delay in the finalisation of rate contract for purchase of nutritive items for the year 2003-04, the supplies of such items at *Anganwari* centres of eight projects of Kashmir division were considerably delayed. As a result nutrition could not be provided to the beneficiaries for periods ranging from 150 days to 225 days during 2003-04 thereby defeating the objective of improving nutrition and health status of children attending these centres. The CDPOs of these projects, without taking the fact into account, disbursed fuel charges amounting to Rs. 11.27 lakh to the *Anganwari* helpers of these centres for the periods for which no nutritive items were either cooked or served at these centres.

8.8 Functioning of Juvenile Home and Cottage Industries

The Government directed (1998-99) the setting up of a Juvenile Home at Srinagar. Accordingly the staff[♦] for managing the home was appointed/adjusted

♦ Superintendent: 1; Probation Officer: 1, Case Worker: 1, Sr. Assistant: 1, Caretaker: 3, Cook: 1, Orderly: 1, Junior Assistant: 1, Chowkidar: 1, Nursing orderly: 1

(1998-99) without arranging proper accommodation/identification of juvenile delinquents. The home was not established as of March 2005 and the staff appointed was deployed in other offices of the department, which had their staff in full strength. The department thus paid idle wages to the extent of Rs. 58.17 lakh to the staff so appointed/adjusted (December 2004). DSWO Srinagar stated that due to non-availability of building, the home could not be established and services of the staff were utilised in other residential institutions, which had already their sanctioned staff strength in order.

Poor women in the age group of 14 to 35 years were to be trained in various crafts and trades including carpentry, weaving, leather works, etc. in Cottage Industries Centres of the department. Test-check of records of two DSWOs (Udhampur and Jammu) revealed that seven Cottage Industries centres established in these districts remained non-functional since 1997-98 as no training was imparted in these centres.

8.9 Manpower management

The position of posts lying vacant in various subordinate offices of the department was not monitored. System of ascertaining the vacancy position from field offices and intimating the same to the recruitment agencies like State Subordinate Services Recruitment Board and departmental committees for making appointments of Class III and IV posts respectively was not followed by the department. Inadequate manpower management facilitated un-authorized appointments. It was noticed in audit that in addition to 10 appointments made in Kashmir division (detailed at Paragraph 8.10 below) eight more irregular appointments in Jammu Division against Class III and IV posts were made during January 1999 to March 2001. No departmental action had been taken against the officers who made these irregular appointments which were neither regularised by the department nor were these appointees discharged from the service.

8.10 Unauthorised appointments

The Government decided (December 1988) that appointments to non-gazetted posts should be made by the Subordinate Services Selection Recruitment Board (SSSRB) after following prescribed procedure. The Government directed (June 1993) all departments to desist from making *ad hoc* appointments. If it was unavoidable in public interest to do so, such appointments were to be got approved through Chief Secretary, but in no case, the *ad hoc* appointees were to be continued beyond the prescribed time limit. The Government directed (March 1998 and October 1998) all the Commissioners/Secretaries incharge of various departments to take disciplinary action against the officers who had made appointments in violation of rules and instructions.

Audit scrutiny (August 2004) of the records of Programme Officer ICDS^φ Baramulla (Kashmir) revealed that 10 persons were unauthorisedly appointed to

^φ Integrated Child Development Services

the posts of Supervisor (8) and Junior Assistant (2) by Deputy Director, Social Welfare Department, Kashmir, Programme Officer, ICDS, Baramulla and Child Development Project Officers, ICDS, Bandipora and Khag between April 1993 and June 1999. Since the recruitment to these posts fell within the purview of SSSRB, these appointments were unauthorised as they were made in contravention of rules and in disregard to administrative instructions issued from time to time. These unauthorised appointments resulted in irregular expenditure of Rs. 42.70 lakh on salaries of these employees during the period between October 1996 and October 2004. Further, no disciplinary action was taken against the officers who made such appointments.

The matter was reported to the Director, Social Welfare Department, Kashmir (January/April 2005) and the Government (May/June 2005); reply had not been received (September 2005).

8.11 Locking up of funds - construction of *Bal Ashram*

District Social Welfare Officer (DSWO), Kupwara without assessing the actual requirement, acquired (May 2002) land* for construction of *Bal Ashram* building (estimated cost: Rs. 1.03 crore) at Handwara (Kupwara) at a cost of Rs. 3.12 lakh. Since the acquired land was considered insufficient for the complex, the department made a requisition to the Collector, Land Acquisition, Handwara for acquisition of additional land♦ adjacent to the acquired land. The Collector, accordingly, demanded (June 2002) Rs. 3.20 lakh for payment of compensation to owner of the said land under provisions of State Land Acquisition Act.

Audit scrutiny (April 2005) of the records of DSWO, Kupwara revealed that without making arrangement for release of Rs. 3.20 lakh to the Collector, the DSWO illegally took over possession of the additional land at his own level and demarcated it for construction of the building. Further, instead of ensuring proper acquisition of land, the Director, Social Welfare released Rs. 43.75♥ lakh to the Executive Engineer, Roads and Buildings Division, Handwara who started construction of the building. The land owner objected to this and got the construction work stayed (July 2004) through the court order. As the department failed to acquire the said land in time, its cost had substantially increased and the Collector demanded (December 2004) Rs. six lakh for its acquisition. The department did not release the required amount to the Collector with the result the status-quo granted by the court was not vacated and construction of the building beyond slab level could not be continued by the Executive Engineer (April 2005).

Despite the fact that funds released earlier remained blocked with the Executive Engineer and that further construction of the building was impossible

* 3 kanals 8 marlas

♦ 2 kanals 9 marlas

♥ Rs. 25 lakh: December 2002; Rs. 18.75 lakh: March 2004

till proper acquisition of land and vacation of court stay, the Director injudiciously released (March 2005) an additional sum of Rs. 15 lakh to the Executive Engineer. Thus, defective planning and illegal action in construction of *Bal Ashram* building at Handwara (Kupwara) resulted in locking up of Rs. 58.75 lakh.

The matter was referred to Government/department in June 2005. Director Social Welfare stated (July 2005) that Rs. six lakh would be released to the Collector for making payment to the land owner and the construction work of *Bal Ashram* would be resumed shortly.

8.12 Locking up of funds due to non-acquisition of land

Without acquisition of suitable land for construction of *Nari Nekatan* building at Tikker Kupwara, Director, Social Welfare Department, Kashmir released Rs.21[^] lakh to the Executive Engineer, R&B Division, Kupwara. Audit scrutiny (March 2005) of the records of District Social Welfare Officer, Kupwara revealed that construction of the building (initial estimated cost: Rs. 70.25 lakh revised to Rs. 82.06 lakh in January 2003) was to be completed in one working season^{*}. The site at Tikker Kupwara identified for the purpose was found (September 2003) inadequate by the Executive Engineer as no land was available for lawn and compound. Moreover, a sizeable portion of land was to be kept vacant for widening of the road. In view of this, the execution of work on the building could not be taken up. Meanwhile, an alternate site at Gulgam Kupwara was identified and allotted to the department in November 2003 by the District Administration. The administrative approval for construction of the building was not obtained and the funds continued to remain locked up.

Thus injudicious action of the Director to release funds without acquisition of land and without accord of administrative approval for construction of building resulted in locking up of Rs. 21 lakh for over two years. Delay in execution of work was likely to result in cost escalation, thereby raising further the cost of the building.

The matter was referred to Government/department in May 2005; reply had not been received (September 2005).

Public Sector Undertakings and Autonomous Bodies

8.13 The department is assisted by one Autonomous Body (Jammu and Kashmir State Social Welfare Advisory Board) and two PSUs (Jammu and Kashmir State Women's Development Corporation and Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited) in achieving its objective.

[^] Rs. 15 lakh: January 2003 and Rs. 6 lakh: March 2003

^{*} April to November during the year

The State Social Welfare Advisory Board was established in the State for promotion of voluntary sector and is concerned with active participation of women, children and special groups like the aged and the handicapped for their upliftment through various Centrally Sponsored Socio-Economic Programmes. The Board was registered as a Society in November 1998. The Board received grants from the State Government and the Central Social Welfare Board New Delhi for the implementation of various schemes/programmes.

The Jammu and Kashmir State Women Development Corporation was incorporated in May 1991 with the main objective of socio-economic upliftment and empowerment of poor women. The women living below poverty line and belonging to minorities, backward classes, and handicapped category are to be benefited under various schemes introduced by the company. Against an authorised capital of Rs. 5 crore, the paid-up-capital of the company at the end of 2004-05 stood at Rs. 3.34 crore. The entire paid up capital was subscribed by the State Government. The Company has finalised its accounts up to 1993-94.

PERFORMANCE REVIEW

8.14 Working of Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited

Highlights:

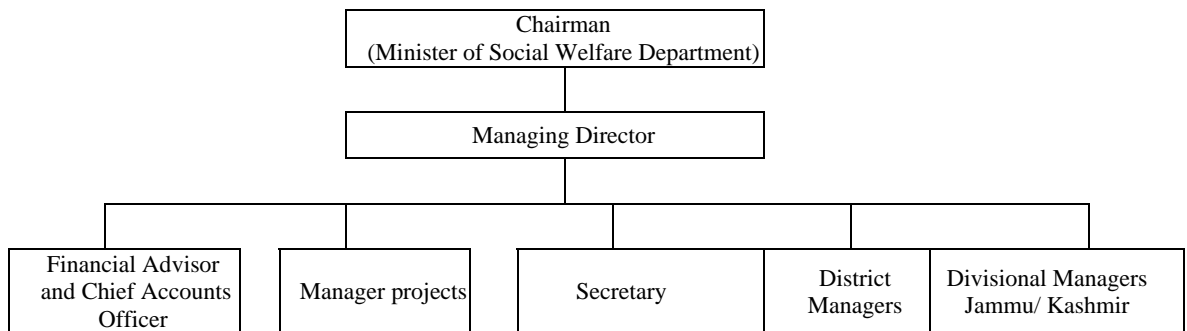
- **The Company failed to achieve the targets of providing financial assistance to the beneficiaries under the Bank Tie-Up Scheme. The shortfall varied between 65 and 82 per cent during 2000-2005.**
(Paragraph: 8.14.6)
- **There were delays ranging between 15 days and over a year in releasing subsidy by the Company.**
(Paragraph: 8.14.8)
- **Funds provided by the Apex Corporations were not utilised fully by the Company and amounts aggregating Rs. 1.41 crore were refunded during 2000-2005 to the apex corporations.**
(Paragraph: 8.14.11)
- **The recovery performance of the Company was poor and the percentage of recovery to the amounts due varied between 2 and 25 during 2000-2005.**
(Paragraph: 8.14.13)
- **The Company had not evolved any system to conduct post-disbursement monitoring of the assisted units. In absence of this, the Company did not know the status of the units assisted under various schemes.**
(Paragraph: 8.14.15)

Introduction

8.14.1 The Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited (Company) was incorporated on 1 April 1986 under the Companies Act, 1956 with the main objective of bringing socio-economic upliftment of the members of the Scheduled Castes (SCs), Scheduled Tribes (STs) and Other Backward Classes (OBCs) by providing financial, technical, managerial, marketing assistance/guidance in establishment of income-generating units. To achieve this objective, the Company provides them loan under an arrangement with the banks under the Bank Tie-Up Scheme and acts as a channelising agency for flow of funds from the five* Apex Level Corporations for disbursement.

The Company pays subsidy of 50 *per cent* of the cost of the unit to the SC/ST beneficiary and 33.33 *per cent* to the backward class beneficiary, subject to a maximum of Rs. 10,000 and Rs. 3,000 per case[^], respectively. The remaining amount being the bank loan portion is to be repaid by the beneficiaries in easy instalments. Till March 2005, the Company extended financial assistance aggregating Rs. 10.04 crore to 21060 beneficiaries under the Bank Tie-up Scheme and Rs. 19.54 crore in collaboration with Apex Level Corporations to 1570 beneficiaries.

The management of the Company is vested with the Board of Directors comprising 14 directors (10 officials and four non-officials) including the Chairman and the Managing Director. The organisational structure of the Company is given in the following chart:



The Managing Director, who is also the Chief Executive, manages the day-to-day affairs of the Company.

* National Scheduled Castes Finance and Development Corporation (NSFDC), National Scheduled Tribes Finance and Development Corporation (NSTFDC), National Backward Classes Finance and Development Corporation (NBCFDC), National Minorities Finance and Development Corporation (NMDFC) and National *Safai Karamchhari* Finance and Development Corporation (NSKFDC).

[^] Rs. 6000 on uniform basis up to June 2002.

Scope of audit

8.14.2 Performance of the Company with regard to its financing under Bank Tie-Up Scheme and in collaboration with Apex Level Corporations, covering the period from 2000-01 to 2004-05, was reviewed through examination of records at the Head Office and records relating to eight* districts selected on the basis of number of beneficiaries assisted. In addition, test-check of 210 cases was also conducted. The audit findings were reported to the Government/Company in May 2005 and discussed at the meeting of Audit Review Committee for Public Sector Enterprises (ARCPSE) held on 23 August 2005, where the Company Secretary and Manager Finance represented the Company. The review was finalised after taking into account the views of the Management. Government view point could not be incorporated due to non-participation of its representative despite having been invited.

Audit objective

8.14.3 Audit was undertaken with a view to assessing whether:

- the system of identifying targeted beneficiaries was in place and was working efficiently.
- the mechanism of targeting beneficiaries each year and providing timely financial assistance to them was effective and there was no delay in disbursement and there was no diversion of funds.
- scheme funds were optimally utilised for the benefit of interested beneficiaries.
- the system of recovery and action taken in case of default was effectively ensured for timely recovery of the principal and interest thereon.
- the pre-disbursement inspection and formalities to be completed by the beneficiaries were in place and were working effectively.
- impact of implementation of the schemes was analysed to assess the extent of economic and social upliftment of beneficiaries on sustainable basis.
- the Company had standardised procedures and the transactions were promptly recorded.

Audit criteria

8.14.4 The performance of the Company was assessed against the following audit criteria:

- achievement of targets relating to coverage of beneficiaries under Bank Tie-up Scheme and in collaboration with the apex corporations

* Anantnag, Budgam, Jammu, Kupwara, Kathua, Rajouri, Srinagar and Udhampur

- number of beneficiaries actually financed, vis-à-vis selection process
- utilisation of funds released by the apex corporations with reference to annual plans
- adherence to the repayment schedule set by the apex corporations
- directions of the State Government, Board, rules and procedures of the Company

Audit methodology

8.14.5 Audit evidence was collected through examination of records relating to correspondence exchanged by the Company with the apex corporations, provisional accounts, cash-books/ledgers and files pertaining to loan/recovery cases.

Based on the preliminary findings of the pilot study conducted during December 2004 to March 2005 it was observed that thrust areas were the coverage of lesser number of beneficiaries as compared to total SC/ST and OBC population, processing of cases without conducting proper surveys, non-recovery of margin money, underutilisation of funds, non-conducting of post-disbursement inspections, increasing trend in overdues and lack of effective and efficient monitoring mechanism, etc.

Audit findings

Fixation of targets

8.14.6 The targets for coverage of the beneficiaries are fixed under the Lead Bank Scheme in the Block/District Level Banker’s Committee Meetings held in each block/district under the chairmanship of the Lead Bank Officer. The targets are, thereafter consolidated at the district level in the District Level Consultative Committee meetings, under the chairmanship of the respective District Development Commissioners.

The targets set and achievements thereagainst during the five-year period ended 31 March 2005 are detailed below:

Table 8.4

Year	Target	Achievement	Shortfall (Percentage)
	(Number of cases)		
2000-01	3900	735	81
2001-02	3790	1028	73
2002-03	3817	655	83
2003-04	2862	1000	65
2004-05	2745	482	82

It can be seen from the above table that the Company failed to achieve its targets and the shortfall varied between 65 and 82 *per cent* during this period. The

Management attributed (February 2005) the shortfall to (i) insufficient grant of funds by the Government for release of subsidy component to the beneficiaries and (ii) release of funds by the Administrative Department towards the close of the year. The Management assured (August 2005) that in future targets will be fixed on realistic basis.

Identification/selection of beneficiaries

8.14.7 According to the guidelines, the Company was required to conduct survey of a cluster area to identify the beneficiaries, keeping in view their skills before sponsoring their cases to the banks for financial assistance. It was noticed in Audit that the Company, without conducting surveys processed the cases of the individual beneficiaries who had applied for the loan assistance. As a result, the objective of the Scheme to uplift skilled persons living in clusters was defeated.

As per the procedure in vogue, the district managers of the Company receive applications from the eligible beneficiaries desirous of establishing income-generating units. The district managers, after conducting survey to determine genuineness of the beneficiaries with regard to his/her caste, income, etc., submit these applications to the Company. The Company, on the basis of the reports furnished by the district managers, makes selection of the beneficiaries.

Delay in release of subsidy

8.14.8 The Company is required to release the subsidy component within 15 days from the date of sanctioning of loan by the banks. Audit scrutiny revealed that in 210 cases pertaining to the districts of Jammu, Kathua, Poonch, Rajouri and Udhampur, where the banks had sanctioned financial assistance during 2002-03, there had been delays ranging between 15 days and over a year in releasing the subsidy by the Company as detailed below:

Table 8.5

Time taken	Number of cases
Between 15 days and two months	107
Between two and four months	63
Between four and six months	17
Between six months and one year	22
More than one year	1
Total:	210

The Company attributed (February 2005) the delay to the shortage of staff. The reply is not tenable as the Company had a staff strength of 107 to 108 persons during 2002-2005.

The Management assured (August 2005) that steps would be taken to avoid delays in disbursement of subsidy in future.

Non-recovery of margin money loan

8.14.9 The Company disbursed margin money loans to the beneficiaries up to March 1992. The loans, carrying interest at the rate of four *per cent*, were to be recovered by the Company and the bank through which the loan had been advanced. It was noticed in audit that out of Rs. 52.22 lakh recoverable (April 1992) from the beneficiaries, Rs. 9.19 lakh (17.6 *per cent*) only had been recovered leaving Rs. 43.03 lakh excluding interest^r of Rs. 22.22 lakh outstanding (February 2005) against beneficiaries, for which no reasons were recorded. The Management stated (August 2005) that steps were being initiated to effect recovery.

The reasons for non-recovery of the outstanding amount, as analysed in audit were as under:

The banks were required to issue pass books to the beneficiaries for recording the entries of recovery. These pass books had to be checked by a functionary of the Company at regular intervals to ascertain the regularity in repayment of margin money loan by the beneficiaries. It was noticed that the pass books had not been issued to any beneficiary. The Company failed to ensure issuance of pass books by the Banks and could not, thus exercise any check in regularity in repayments by the beneficiaries.

With a view to monitoring the recovery position and to take remedial measures in cases of default, the data indicating details about the disbursement of loan, number of cases sponsored to banks, units established and the recovery position, was required to be consolidated at district level and sent to the Managing Director by the tenth of every month. No such exercise had, however, been conducted.

Financing in collaboration with apex level corporations

8.14.10 The Company started various financing schemes in collaboration with the apex corporations from 1993-94. It formulates Annual Action Plans on the basis of demand/potential of the scheme to be submitted to the Apex Corporations with specific scheme proposals. After appraisal of these plans, the apex corporations sanction funds to the Company (subject to the terms and conditions indicated in the Letter of Intent) for onward distribution to the members of the SC/ST, OBC and minority communities living below double the poverty line^v. The apex corporations release funds after the Company provides security in the shape of Government/Bank guarantee. The amounts received from the apex corporations, carrying interest at rates between 4 and 7.5 *per cent*, are to be repaid to these corporations in 20 quarterly instalments, after effecting recovery from the beneficiaries. The Company charges interest at rates between 6 and 12 *per cent* on the amounts disbursed to the beneficiaries.

^r Calculated at four *per cent* simple interest for 12 years and 11 months.

^v Having income below Rs. 39500 per annum in rural areas and Rs. 54500 per annum in urban areas.

Audit scrutiny revealed that the funds provided by the apex corporations were not fully utilised and were, in some cases, refunded to the corporations, as discussed in the succeeding paragraphs.

The Management attributed (August 2005) poor response of the beneficiaries as the reason for underutilisation of the funds. The Management assured (August 2005) to take all necessary steps to identify the eligible beneficiaries and provide financial assistance to them for establishing income-generating units.

Receipts and disbursement of funds

8.14.11 Funds received from the apex corporations (excluding NSKFDC) and utilisation thereagainst during the five-year period ended March 2005 are detailed below:

Table 8.6

(Amount: Rupees in lakh)

Year	Funds received by the Company from			Funds disbursed under		
	NSFDC/NSTFDC	NBCFDC	NMDFC	NSFDC/NSTFDC	NBCFDC	NMDFC
2000-01	88.53	Nil	100.00	68.92	2.55	171.41
2001-02	330.42	Nil	100.00	14.52	Nil	51.53
2002-03	65.20	Nil	Nil	77.23 [▲]	Nil	26.85
2003-04	Nil	Nil	Nil	264.00	Nil	5.76
2004-05	101.56	10.00	Nil	12.00	Nil	10.75
Total:	585.71	10.00	200.00	436.67	2.55	266.30[Ⓟ]

The following points were noticed in audit:

Against Rs. 5.86 crore received by the Company from NSFDC/NSTFDC during the above period, only Rs. 4.37 crore were released to the beneficiaries. During 2001-02 and 2004-05, the Company refunded unutilised funds of Rs. 1.41 crore to the apex corporations, so as to avoid payment of interest. This deprived the beneficiaries of the envisaged benefits accruing under the Schemes.

The NMDFC had released Rs. 5.77 crore to the Company during 1996-97 (Rs. 77 lakh), 1998-99 (rupees three crore) and 2000-2002 (rupees two crore). It was noticed in audit that the Company failed to utilise the funds in full and an amount of Rs. 85 lakh was lying unutilised with it as on March 2005, for which the Apex Corporation issued Red Card to the Company. In view of the poor fund utilisation, the Apex Corporation did not release further funds to the Company between 2002-03 and 2004-05, thereby depriving the beneficiaries of the benefits under the Scheme. The Management stated (April 2005) that the mounting overdue amounts to the Apex Corporation had restricted the flow of funds.

[▲] The funds utilised are more than those received. This is due to availability of unutilised funds of previous years.

[Ⓟ] Disbursements exceed the receipts due to release of loan assistance by the Company to the beneficiaries against receipts of the period prior to 2000-01.

Coverage of beneficiaries under NBCFDC was poor and only six units (involving financial assistance of Rs. 2.55 lakh) against the target of 547 had been assisted during the five-year period ended 31 March 2005. Moreover, out of Rs. 61.87 lakh received from the Apex Corporation between 1995-96 and 1998-99, the Company refunded Rs. 35.65 lakh in 2001-02. The Company attributed non-availability of the "Backward Class Certificate" with the beneficiaries as a bottleneck for disbursement of loan assistance to them.

Non-release of funds by NSKFDC

8.14.12 National *Safai Karamchari* Finance and Development Corporation (NSKFDC) was set up by the Government of India to finance income-generating units/schemes for scavengers and *safai karmcharies*. Under the scheme, the Apex Corporation sanctioned Rs. 5.97 crore between 1999-2000 and 2003-04. It was noticed in audit that the Company failed to forward any proposal to the corporation for release of funds and had, therefore, not been able to make use of the financial allocations.

The Management stated (August 2005) that the requisite guarantee had since been received from the Government and the Apex Corporation had sanctioned an amount of Rs. 2.57 crore to the Company. The steps taken to release the amount to the eligible beneficiaries were, however, neither on record nor intimated to audit.

Recovery performance

8.14.13 The position of overdue amounts from the beneficiaries at the beginning of the year, recoveries effected during the year and the amounts overdue for recovery at the close of each year during 2000-01 to 2004-05 based on the recovery statements prepared by the Company, is indicated below:

Table 8.7

(Amount: Rupees in lakh)

Particulars	Name of the Apex Corporation	2000-01	2001-02	2002-03	2003-04	2004-05
Amount overdue for recovery at the beginning of the year	NSFDC/NSTFDC	572.40	600.49	575.82	588.27	601.95
	NMDFC	137.38	212.35	310.14	387.97	483.86
	NBCFDC	25.04	25.97	26.72	27.08	27.12
Total:		734.82	838.81	912.68	1003.32	1112.93
Amount recovered during the year	NSFDC/NSTFDC [∞]	83.16	94.29	57.37	105.81	103.42
	NMDFC	33.79	41.24	34.72	42.20	44.03
	NBCFDC	0.61	0.82	1.01	1.46	1.85
Total:		117.56	136.35	93.10	149.47	149.30
Percentage of recovery to the amount due	NSFDC/NSTFDC	15	16	10	18	17
	NMDFC	25	19	11	11	9
	NBCFDC	2	3	4	5	7
Overdue amount recoverable at the close of the year [♦]	NSFDC/NSTFDC	489.24	506.20	518.45	482.46	498.53
	NMDFC	103.59	171.11	275.42	345.77	439.83
	NBCFDC	24.43	25.15	25.71	25.62	25.27
Total:		617.26	702.46	819.58	853.85	963.63

[∞] In case of NSTFDC, balance sheet figures have been adopted due to non-availability of relevant data in the recovery statements.

[♦] Closing balances of overdue amounts at the end of the years do not tally with the opening balances of the following years as additional amounts become due for recovery at the beginning of the year.

The recovery performance of the Company was poor and the percentage of recovery to the amounts due varied between 2 and 25 during the above period. As a result, the amounts overdue for recovery increased from Rs. 7.35 crore at the beginning of 2000-01 to Rs. 9.64 crore at the end of 2004-05. The Management assured (August 2005) that effective steps would be taken to improve the recovery performance of the Company.

The following further points were also noticed:

With a view to increasing milk production and providing employment to the population belonging to the SC/ST communities, the Company disbursed Rs. 1.35 crore between January 1994 and June 1998 as term loan to 300 dairy units under financing Scheme of NSDFC. The loan recoverable in 54 equal instalments carried interest at the rate of six *per cent*, and in case of default in the repayment, penal interest at the rate of 15 *per cent* was to be levied.

Audit scrutiny revealed that out of Rs. 1.35 crore, Rs. 5.21 lakh only had been recovered as of March 2000, leaving Rs. 1.30 crore (excluding interest/penal interest) recoverable from these units as on March 2005. The Management stated (February 2005) that the recovery could not be affected, as the Vigilance Organization had seized the relevant records in connection with the investigation of a complaint case. The fact remains that the Management did not take any action for recovery of outstanding dues, despite having photocopies of the records available with it.

Non-reconciliation of figures

8.14.14 Scrutiny of records revealed variations in the figures of recovery adopted in the provisional balance sheets with those depicted in the recovery statements. The variations pointed out in audit had not been reconciled as of March 2005. The details of variations are indicated in the table below:

Table 8.8

(Amount: Rupees in lakh)

Year	NSFDC		NSTFDC		NMDFC	
	Balance sheet figures	Figures adopted in the recovery statement	Balance sheet figures	Figures adopted in the recovery statement	Balance sheet figures	Figures adopted in the recovery statement
2000-01	90.55	83.16	-	-	35.68	33.79
2001-02	93.02	36.59	57.70	Nil	38.54	41.24
2002-03	64.19	25.36	32.01	Nil	36.08	34.72

The Management stated (August 2005) that the variations pointed out by Audit would be looked into and settled.

Monitoring and control mechanism

8.14.15 The Company did not evolve any system to conduct post-disbursement monitoring of the assisted units. In the absence of this, the Company did not

know the status of the units assisted under various schemes. Fifty dairy units financed by the Company under NSDFC in Rajouri District were not traceable. This indicated laxity in monitoring and weak control mechanism existing in the Company. The Management stated (August 2005) that effective steps had been initiated to improve its monitoring/control mechanism.

Absence of accounting manual

8.14.16 The Company had not prepared its accounting manual. In absence of this, no prescribed procedure for recording transactions existed in the Company. The Management stated (August 2005) that the Accounting Manual framed in the year 1993-94 would be updated after incorporating in it the up-to-date directions/instructions issued by the Government, Board, etc.

Non-maintenance of records

8.14.17 The Company did not maintain any records to indicate the date of receipt of loan applications from beneficiaries, amount of loan applied for, date of sanction of loan, loan applications rejected and those pending with the Company. Also, no records to indicate the number of cases sponsored/rejected by the banks were maintained. In the absence of such details, cases of under/over financing, injudicious release of subsidy, wrong selection of beneficiaries, rejection of applications of genuine beneficiaries, etc. could not be examined in audit.

Avoidable expenditure

8.14.18 The Funds received by the Company from NMDFC/NBCFDC were to be repaid to the Apex Corporations, along with interest, in 20 equal quarterly instalments. Delay in repayment of dues entailed payment of compound/penal interest at the rate of 12/10 *per cent*. Audit scrutiny revealed that during 2002-03 and 2003-04, the Company failed to make timely repayments of dues to the apex corporation. As a result, the Company incurred avoidable expenditure of Rs. 33.20 lakh on payment of compound/penal interest to the Apex Corporations. The Management stated (August 2005) that repayments to Apex Corporations were delayed due to shortfall in the recovery of outstanding amounts from the beneficiaries. The Company did not intimate its future plans and steps taken to make timely repayments to the Apex corporations.

Diversion of funds

8.14.19 The Company, without obtaining prior approval of the NMDFC, utilised Rs.1.15 crore during 2000-01 (Rs. 67 lakh), 2001-02 (Rs. 33 lakh) and 2002-03 (Rs. 15 lakh) to finance carpet weaving units. This resulted in unauthorised diversion of funds to the carpet sector and underfinancing of other sectors for which the Apex Corporation had released funds. The Management could not put forth specific reasons for the irregularity.

8.15 Internal Control mechanism

There was no effective internal control mechanism regarding management of funds/stores in the department as a result of which there were cases of misappropriation/double drawal of funds, short accountal of stores, etc. A few test instances are indicated in the succeeding paragraphs:

8.15.1 Misappropriation of funds

One Junior Assistant posted in ICDS Project Bagat-Kanipora Srinagar remained absent unauthorisedly from duty with effect from 25 January 1999. The CDPO issued notices to the official directing her to resume duty. The official however, did not respond and her services were terminated (June 2004) by the Director Social Welfare Kashmir. Test-check of records revealed that salary of the official for the period of her absence from January 1999 to June 2000 and October 2000 to February 2001 amounting to Rs. 1.03 lakh was drawn and shown disbursed by way of recording fake acquittances. On being pointed out in audit the CDPO refunded Rs. 0.24 lakh (salary from October 2000 to February 2001) and intimated that the official was actually absent from duty with effect from 1 July 2000 and that corrigendum to the termination order would be issued separately. The reply was not tenable as the official was actually absent from 25 January 1999. She never reported for duty thereafter and her period of absence was not regularised.

8.15.2 Double/irregular drawal of funds

Test-check (January 2005) of records of CDPO Ghagwal revealed that honorarium of Rs. 0.19 lakh in respect of 38 Anganwari helpers for the month of September 2003 was drawn twice in October 2003 and March 2004. This was facilitated due to lack of exercise of proper checks and controls by the CDPO.

One cook appointed (August 1998) in Gujjar and Bakerwal Hostel Pulwama was absent from duty unauthorisedly. Notices directing the official to resume duty did not evoke any response. The Warden of the Hostel drew salary of Rs. 0.80 lakh of the official irregularly for the period from July 2001 to January 2003. The official, had not resumed duties as of August 2004.

Special pay was withdrawn from all categories of posts by the Government with effect from September 1999. Test-check of records revealed that 20 CDPOs (Kashmir Division: 5, Jammu Division: 15) unauthorisedly drew special pay to the extent of Rs. 1.66 lakh in violation of the Government orders.

8.15.3 Short accountal/sub standard stores

Test check of store accounts of the Director Kashmir revealed that against 4,500 office chairs purchased in March 2003 for Rs. 11.20 lakh, only 4,272 chairs were accounted for resulting in short accountal of 228 chairs valuing

Rs. 0. 57 lakh. No action for short accountal of these chairs was taken by the department.

2,700 buckets valuing Rs. 1.13 lakh received (October 2003) by the Programme Officer Baramulla from the Central Store Srinagar were returned to the Central Store in January 2004 as these were sub-standard. The material was further returned by the Central Store Srinagar to the Central Store Jammu but further disposal was awaited (March 2005).

8.15.4 Purchase in advance of requirements

1790 sign boards (cost: Rs. 17.36 lakh) procured (March 2004) by the Director Jammu were received during April 2004 to June 2004. As per terms of contract, the supplier had to install these signboards at the *Anganwari* centres and only 70 per cent of the payment was to be released to the supplier on receipt of the sign boards and balance 30 per cent after installation. Director Jammu however, withheld Rs. 1.57 lakh only from the supplier against the 30 per cent to be withheld (Rs. 5.20 lakh) and released payment of Rs. 15.79 lakh to him. The sign boards had not been installed and were lying in the stores (December 2005) blocking the investment of Rs. 15.79 lakh.

8.16 Action Taken Notes

Nine^β audit paragraphs pertaining to the department including its Public Sector Undertakings featured in the Reports of the Comptroller and Auditor General of India for the period from 1990-91 to 2003-04. Out of these, five audit paragraphs were discussed by the Public Accounts Committee/Committee on Public Undertakings and recommendations in respect of four audit paragraphs were made. The department neither furnished the *suo-moto* action taken notes on these audit paragraphs nor the action taken notes on the recommendations made by the Committees.

8.17 Outstanding Inspection Reports

At the close of the year 2004-05, 742 audit paras (202 Inspection Reports) were outstanding against the department as detailed below:

Table 8.9

No. of Inspection Reports (with Audit Paras) outstanding at the beginning of the year 2004-05		Inspection Reports issued during the year 2004-05 (with Audit Paras)		No. of Inspection Reports/Audit Paras settled during the year 2004-05		No. of Inspection Reports/Paras outstanding at the close of the year 2004-05	
AIRs	Paras	AIRs	Paras	AIRs	Paras	AIRs	Paras
144	464	76	467	18	189	202	742

^β CAG's Audit Reports: 1990-91: 1; 1991-92: 1; 1993-94: 1; 1995-96: 2; 1997-98: 1; 1998-99: 1; 1999-2000: 1 and 2000-01: 1

Out of 742 audit Paras, 151 audit paras involved cases of wasteful/infructuous expenditure, avoidable/excess expenditure, idle investment/locking up of funds and non-achievement of objectives of the schemes/programmes implemented by the department (Rs 16.80 crore) which constituted 34 *per cent* of the total amount (Rs 49.11 crore) held under objection by Audit.

8.18 Conclusions

The department had not maintained the data of beneficiaries living below poverty line who were eligible for pension/relief under the welfare schemes. In absence of this data, the genuineness of the beneficiaries drawing pension/relief, etc. could not be ascertained. Retention of huge funds in bank accounts by the Tehsil Social Welfare Officers affected the timely deliverance of relief to the underprivileged sections of the society. No nutrition was provided for the period ranging between 150 days to 225 days during 2003-04 in *Anganwari* centres of eight projects due to delay in finalisation of rate contract thereby defeating the objective of improving nutrition and health status of children attending these centres. There were cases of defective/non-implementation of programme activities, irregular purchases, locking up/misappropriation of funds, unauthorised appointments, etc. in the department.

The Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited failed to achieve its main objective of bringing socio-economic up-liftment of the members of the Scheduled Castes, Scheduled Tribes and Other Backward Classes. Under the Bank Tie-Up Scheme, the beneficiaries assisted by it varied between 17 and 35 *per cent* of the targets fixed during 2001-02 and 2004-05. Procedure for identification/selection of beneficiaries was faulty. The funds provided by the apex corporations during 2001-02 to 2004-05 were not utilised fully and were in some cases, refunded to the corporations. Coverage of beneficiaries was poor. No assistance/guidance was provided to deserving beneficiaries for completing various formalities for obtaining loan from the Company. Deficiencies in fund management coupled with diversions severely affected the performance of the Company, besides causing avoidable burden of interest. Recovery performance of the Company was not satisfactory. Monitoring and control mechanism to know status of the units assisted under various schemes was non-existent.

8.19 Recommendations

- Reliable data of the beneficiaries living below poverty line on the basis of lists prepared by the Consumer Affairs and Public Distribution Department should be maintained to ensure percolation of benefits under Welfare Schemes to genuine beneficiaries in the State.
- The department should ensure timely payment of cash assistance to the beneficiaries without undue retention of the funds in bank Accounts.

- Effective measures should be taken for supply of nutrition to the children in the *Anganwari* centres for 300 days in a year.
- Responsibility for making unauthorised appointments should be fixed and action taken against the officers of the department who had made such appointments.

The Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited should:

- gear up its machinery to improve its performance with regard to its objective.
- strengthen its procedure for identification/selection of beneficiaries by conducting survey of a cluster area.
- ensure availability of sufficient funds for timely assistance.
- work out strategy for bringing improvement in its recovery performance.
- evolve a system to monitor the improvement in the economic status of beneficiaries derived out of assistance provided by the Company.