

Chapter-III

PERFORMANCE REVIEWS

Consumer Affairs and Public Distribution Department

3.1 Procurement and Distribution of Foodgrains/Sugar and Kerosene Oil

The Consumer Affairs and Public Distribution Department (CAPD), responsible for providing food security to public in general and vulnerable sections of society in particular, could not achieve its objectives fully, especially in respect of people living below poverty line (BPL), due to lack of co-ordination between various Departments. Gram Panchayats and Gram Sabhas had not been involved in the process of identification of BPL families as required under the guidelines of the Scheme. Thus, the lists of BPL families so prepared were deficient, resulting in passing of benefits under the Scheme to a large number of ineligible families. Due to other weaknesses in the implementation of the Scheme, the objective of ensuring food security among the people of the State remained unachieved.

Highlights

- The Department did not prepare its Accounts since 1973-74 and 1974-75 in respect of Jammu and Kashmir Divisions, respectively.
(Paragraph: 3.1.7)
- Benefits under PDS could not be provided to all the eligible families due to the failure of the Department to identify BPL families in accordance with the Central Government guidelines.
(Paragraph: 3.1.9)
- In Kashmir Division (Leh and Kargil Districts), foodgrains were lifted in excess of the requirement leading to accumulation of huge closing stocks at the end of each year during the period between 2002-03 and 2006-07.
(Paragraph: 3.1.10.3)
- Prolonged storage of food stocks led to destruction of 1,377 MTs of rice, 1,225 MTs of *atta* and 19.8 MTs of sugar, costing Rs. 1.50 crore. Besides, 4,248 MTs of sub-standard foodgrains had to be sold at reduced rates in the Kargil District leading to further loss of Rs. 1.03 crore.
(Paragraph: 3.1.10.3)
- In Leh and Kargil Districts, 2,441 MTs of rice, 2,077 MTs of *atta*, 267 MTs of sugar and 1,780 kilolitres of kerosene oil (aggregate cost: Rs. 4.38 crore) were irregularly charged off on account of driage/wastage and shortages during 2001-2007.
(Paragraphs: 3.1.12.1 and 3.1.12.2)

3.1.1 Introduction

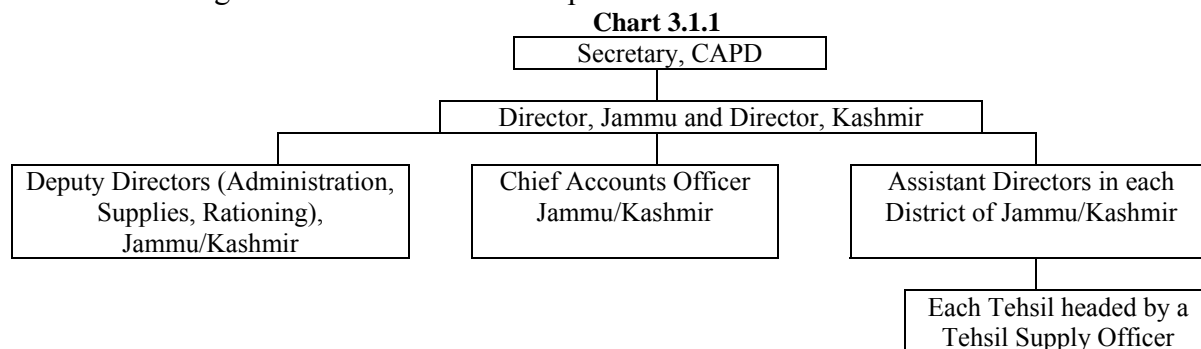
The Food Management strategy of the GOI involves procurement of foodgrains from farmers at Minimum Support Price (MSP) and its allocation amongst all

States for distribution to the targeted population at subsidised rates through the Public Distribution System (PDS).

The PDS has evolved as a major instrument to ensure food security to the public in general and to the vulnerable sections of society in particular, by providing foodgrains and other essential commodities to the population at affordable prices through sale outlets located in their vicinity. In Jammu and Kashmir, the Department of Food and Supplies, re-designated as Department of Consumer Affairs and Public Distribution (CAPD) from April 2003, is responsible for implementation of the PDS in the State.

3.1.2 Organisational set up

The organisational chart of the Department is as under:



3.1.3 Scope of audit

The performance review of the operations of the Department with regard to implementation of the PDS was reviewed in Audit between August 2006 and March 2007 and is based on a test-check of records of the Directorate and nine¹ out of fourteen districts of the State.

The review discusses the performance of the Department with regard to procurement and distribution of foodgrains, sugar and kerosene oil during 2002-07.

3.1.4 Audit objectives

The audit objectives were to assess the implementation of the PDS to gain assurance on:

- the extent to which the goals and targets fixed by the Central/State Government for making the State hunger-free were achieved;
- whether there existed an effective and adequate system for identification of beneficiaries in accordance with the norms;
- whether there was an efficient, economical and effective system in place for procurement and distribution of the foodgrains/sugar and kerosene oil and
- whether foodgrains and other essential commodities reached the beneficiaries for whom these were meant.

¹ Doda, Jammu, Kathua, Poonch and Rajouri (Jammu Division) and Anantnag, Baramulla, Kargil and Leh (Kashmir Division).

3.1.5 Audit Criteria

The performance of the Department was benchmarked against the following audit criteria:

- PDS (Control) order, 2001 and instructions issued thereunder;
- Directions of the Central Government in connection with the implementation of Centrally Sponsored Schemes;
- Directions of the State Government issued from time to time for implementation of the PDS;
- Policy for transportation of foodgrains and other essential commodities.

3.1.6 Audit Methodology

Before taking up the performance review, discussions were held with the Officers of the CAPD in an entry conference held on 11 January 2007, in which audit objectives, criteria and scope of audit were discussed. Audit evidence was collected through an examination of records and data maintained at Directorate, district/tehsil levels and replies furnished by various Departmental Officers to audit queries, questionnaires, etc. Simple random sampling method was adopted for selection of district and tehsil level offices. Audit observations and conclusions arrived at were discussed with the Secretary, CAPD in the exit conference held on 5 September 2007. The replies of the Department have been incorporated in the report at appropriate places.

Audit Findings

The important points noticed during the course of review are discussed in the succeeding paragraphs.

3.1.7 Non-preparation of Accounts

In pursuance of the recommendations (1962) of the Public Accounts Committee, the Department was required to prepare *pro forma* accounts immediately after the close of each financial year but not later than 1 June of each year. The accounts were required to be certified by Audit before 30 September, each year. Audit, however, observed (December 2006) that preparation of accounts by the Department was in arrears since 1973-74 and 1974-75 for Jammu and Kashmir Divisions, respectively.

Due to non-preparation of accounts, the financial health and the working results of the Department could not be ascertained in Audit. Non-preparation of accounts for such a long period is also fraught with the risk of frauds/embezzlements remaining undetected.

3.1.8 Non-submission of monthly Accounts

Despite repeated requests, the Department also failed to furnish monthly sale/store accounts to Audit from April 1984 and January 1989 in case of Jammu and Kashmir Divisions respectively. Therefore, the authenticity of receipt/despatch of foodgrains in the stores and sale depots of the Department could not be ascertained in Audit. The Secretary, CAPD stated (September 2007) that in

case of Jammu Division, action was being taken for submission of accounts. In case of Kashmir Division, the Chief Accounts Officer (CAO), CAPD stated (September 2007) that records are being maintained. However, these were not furnished to Audit.

3.1.9 Identification of beneficiaries

According to GOI guidelines, the State Government was required to make foolproof arrangements for identification of below poverty line (BPL) families. To work out the BPL population, the Central Government proposed (June 2001) adoption of the provisional estimates (7.36 lakh BPL families) arrived at by the Planning Commission for the year 1993-94. *Gram Panchayats* and *Gram Sabhas* were to be involved in the process of initial identification of eligible families. Final identification lists were to be prepared after verification of doubtful cases.

It was observed that, BPL families in the State were identified by the district rural/urban development agencies and tehsil supply officers concerned. *Gram Panchayats* and the *Gram Sabhas* were not involved in the identification process at any stage. As a result, the lists so prepared were deficient, as they did not contain information regarding income, address, name of the heads of the families, etc. The Department received complaints about wrong identification of BPL families. With a view to ensuring that the benefits under the scheme reached only the bonafide beneficiaries, the State Government ordered (April 1999) re-verification of the BPL lists through Committees² constituted for the purpose. These Committees had to associate the public/elected representatives of the area and seek assistance of the Lambardar/chowkidar of the villages, concerned. Periodical re-verification of BPL families was, however, made mandatory under PDS (Control) Order, 2001.

Audit observed that the Department had conducted verification twice (2002 and 2006) in Rajouri and Doda Districts and once (2003) in Jammu and Poonch Districts. No verification was conducted in Kathua District. During verification 4,622 bogus ration cards of BPL (out of total number of 2.36 lakh BPL families in Jammu Division) and Antyodaya Anna Yojana (10) category families were cancelled. Existence of similar shortcomings in other districts cannot be ruled out. The Secretary, CAPD stated (September 2007) that the Department had issued instructions to the Committees for verification of BPL lists on annual basis. However, the job could not be completed, due to lack of co-ordination between various departments.

Failure of the Department to involve grass root level agencies in the identification process and non-verification of doubtful cases before preparation of final BPL lists, resulted in inclusion of undeserving and bogus beneficiaries in the BPL lists, leading to passing of benefits to ineligible families.

² At the Tehsil Level the Committee was headed by the Tehsildar and Block Development Officers/Supervisors, while Assistant Director, CAPD and Inspector/Supervisor nominated by the Municipality, concerned were member of the Committee formed for the cities.

3.1.10 Financial Management

The details of allocation of funds and expenditure incurred against lifting of foodgrains from the Food Corporation of India (FCI) during 2003-04 to 2006-07 were as under:

Table 3.1.1

(Rupees in crore)

Year	Allocation of funds				Expenditure				
	Wheat	Rice	Sugar	Total	Wheat	Rice	Sugar	Total	Savings
2003-04	88.05	328.14	86.40	502.59	87.87	263.80	82.10	433.77	68.82
2004-05	133.18	387.57	77.22	597.97	123.35	325.50	67.39	516.24	81.73
2005-06	109.35	269.50	77.23	456.08	109.35	269.50	77.18	456.03	0.05
2006-07	115.38	327.41	92.69	535.48	113.33	289.24	92.23	494.80	40.68

(Source: Departmental records)

It would be seen from the table above, that there was sudden reduction in allocation of funds for the year 2005-06 in comparison to the previous years. The reason for such reduction in allocation was neither stated nor on record. The expenditure during 2005-06 was also less than 2004-05, indicating that during the year, lifting of foodgrains was less than the previous year.

3.1.10.1 Allocation and Lifting of foodgrains

The details of year-wise allocation of foodgrains by GOI and lifting against it by the State Government during 2002-2007 are given below:

Table 3.1.2

Year	Allocation						Lifting					
	(In lakh MTs)											
	Wheat			Rice			Wheat			Rice		
	APL	BPL	AAY	APL	BPL	AAY	APL	BPL	AAY	APL	BPL	AAY
2002-03	1.58	0.53	0.12	2.67	1.68	0.36	0.96	0.50	0.11	1.43	1.60	0.32
2003-04	1.63	0.62	0.12	2.77	1.99	0.36	1.14	0.59	0.11	1.50	1.90	0.35
2004-05	1.66	0.58	0.16	2.82	1.85	0.50	1.62	0.60	0.16	1.60	1.82	0.50
2005-06	1.43	0.54	0.21	2.81	1.69	0.67	1.49	0.53	0.21	1.65	1.58	0.67
2006-07	1.66	0.54	0.21	3.09	1.55	0.80	1.55	0.53	0.21	1.96	1.53	0.80
Total:	7.96	2.81	0.82	14.16	8.76	2.69	6.76	2.75	0.80	8.14	8.43	2.64

(Source: Departmental records)

The shortfall in lifting of foodgrains for all categories of beneficiaries over allotment was attributed (September 2006) by the AD, Planning and Stores to financial constraints and non-availability of stocks with the FCI. The reply is not tenable, as the Department had savings during all the years between 2003-04 and 2006-07. Supporting records in connection with non-availability of stocks with the FCI were not produced to Audit.

3.1.10.2 Distribution of foodgrains

The details of families and foodgrains issued by the Department during the period between 2002-03 and 2006-07 are as under:

Table 3.1.3

Year	Total number of BPL families (in lakh)			Total quantity of foodgrains (in lakh MTs)		
	Jammu	Kashmir	Total ³	Entitled	Issued	Excess (+)/ short (-) issued
2002-03	2.82	3.41	6.23	2.62	2.23	(-) 0.39
2003-04	2.82	3.13	5.95	2.50	2.37	(-) 0.13
2004-05	2.75	2.97	5.72	2.40	2.48	(+) 0.08
2005-06	2.51	2.81	5.32	2.23	2.30	(+) 0.07
2006-07	2.36	2.48	4.84	2.04	2.08	(+) 0.04

It will be seen from the above, that, there was less issue of foodgrains (0.52 lakh MTs) than the admissible quantity during 2002-04 depriving the beneficiaries, while an excess quantity of foodgrains (0.19 MTs) valuing at Rs. 11.88 crore was issued during 2004-07.

Following further points were noticed:

- Against 71,482 MTs of rice due to be issued for 30 months for 69,415⁴ BPL families between 2002-03 and 2005-06, a quantity of 71,751 MTs of rice was issued by the AD, CAPD Anantnag, thereby resulting in 269 MTs excess issue of rice. Since rice was issued at subsidised rate of Rs. 6,250/MT against the above poverty line (APL) rate of Rs. 9000/MT (Rs. 9500/MT from 2004-05), the Department was put to loss of Rs. 7.84 lakh. This also indicated inadequate control mechanism exercised by the Department. The Secretary, CAPD replied (September 2007) that debit had been raised against the defaulters who had issued excess ration. Information regarding recoveries, if any, made was awaited (September 2007).
- The Department noticed (July 2004) issuance of excess quantity of rice to the extent of 747 MTs (cost: Rs. 46.69 lakh) under the Antyodaya Anna Yojana (AAY) in the five⁵ districts of the Kashmir Division during 2003-04. It was observed (January 2007) that the Department had not investigated the circumstances leading to issuance of excess rice, fix responsibility or recover the cost from the defaulters. The CAO, CAPD, Srinagar asked (February 2007) the ADs concerned, to inquire into the matter. However, reasons as to why action was not taken in the matter despite the Department having the knowledge about issuance of excess rice since July 2004 were not intimated (September 2007).

3.1.10.3 Lifting of excess quantity

According to the departmental instructions, all District Level Officers (ADs) were required to assess requirement of foodgrains and sugar on rational basis, keeping in view the offtake trends of the previous year as also the availability of opening stocks at the beginning of each year. On the basis of requirement projected by the ADs, the Directorate issues them release orders for lifting foodgrains and sugar from the FCI. Audit observed that in disregard to these instructions, fresh stocks

³ Decrease in the number of BPL families from 6.23 lakh during 2002-03 to 4.84 lakh during 2006-07 is due to conversion of BPL families into APL families.

⁴ 63,686 families from August 2005.

⁵ Baramulla, Kargil, Kupwara, Leh, and Srinagar.

were lifted, despite availability of considerable quantity of foodgrains at the beginning of the each year. This resulted in accumulation of heavy closing stocks of foodgrains/sugar at the end of each year, leading to deterioration due to prolonged storage.

- Prolonged storage of stocks due to overstocking, coupled with non-adoption of first-in-first out (FIFO) method of issue, resulted in deterioration/rotting of foodgrains and sugar. Not being fit for human consumption, 1,377 MTs of rice (cost: Rs. 86.06 lakh), 1,225 MTs of *atta* (cost: Rs. 61.25 lakh) and 19.8 MTs of sugar (cost Rs. 2.67 lakh) had to be destroyed in Leh and Kargil districts⁶ between 2001-02 and 2005-06. This resulted in aggregate loss of Rs. 1.50 crore to the public exchequer (worked out at BPL rates⁷).

The AD, CAPD Leh stated (August 2006) that efforts would be made to reduce the storage of excess quantities of foodgrains and that instructions had been issued to all storekeepers not to store foodgrains in excess of the actual requirement. Whereas, the Secretary, CAPD stated (September 2007) that foodgrains had to be stocked to ensure their requirement at all sale centres and that these were issued on FIFO method. The reason for deterioration of foodgrains was stated to be poor topographical conditions. The reply is not tenable, as accumulation of stocks in excess of their requirement resulted in deterioration. The AD, CAPD Kargil (September 2007) in contradiction of the statement of the Secretary, however stated that FIFO method could not be adopted due to limited storage capacity.

- 4,248 MTs of sub-standard foodgrains (rice: 1,029 MTs; *atta*: 3,199 MTs; wheat: 20 MTs) were sold (2002-03 to 2005-06) in Kargil district at reduced rates⁸ leading to further loss of Rs. 1.03 crore worked out on the basis of differential selling rate⁹.

The AD, CAPD Kargil stated (July 2006) that foodgrains had become sub-standard, as these were stored in *kacha*/mud godowns due to non-availability of sufficient number of godowns required for their storage. The reply is not tenable as the Department had 448 rented and 44 departmentally owned godowns having storage capacity of 20,870 MTs of foodgrains, whereas, the closing stocks were ranging between 4,063 MTs and 4,732 MTs during 2002-07.

Thus, failure of the Department to arrange proper storage for foodgrains resulted in loss of Rs. 1.03 crore to the State exchequer.

- During the course of physical verification of the stores at Anantnag, Baramulla, Kargil and Leh (for the period ended March 2006), the

⁶ Rice: (Kargil: 239 MTs; Leh: 1138 MTs), *Atta*: (Kargil: 359 MTs; Leh: 866 MTs) and sugar: (Kargil: 10.2 MTs; Leh: 9.6 MTs)

⁷ Selling rate (BPL) of rice (Rs. 6250/MT), *Atta* (Rs. 5000/MT), wheat (Rs. 4750/MT) and sugar (Rs. 13,500/MT) was constant during the entire period between 2001-02 and 2005-06 according to the Departmental records.

⁸ Rice: Rs. 4000/MT; *Atta*: Rs. 2500/MT; Wheat: Rs. 3000/MT.

⁹ Rice: Rs. 2250/MT; *Atta*: Rs. 2500/MT; Wheat: Rs. 1750/MT.

Physical Verification Committees had identified 3,527 MTs of rice (cost: Rs. 2.20 crore), 2,108 MTs of *atta* (cost: Rs. 1.05 crore) and 33 MTs sugar (cost: Rs. 4.46 lakh) as sub-standard/rotten (costs worked out at BPL rates). Audit observed that these stocks are yet to be disposed off (September 2007).

The Secretary, CAPD stated (September 2007) that deteriorated stocks would be disposed off after the Committee constituted for the purpose ascertains reasons for their deterioration and fixes responsibility.

Thus, lifting of foodgrains without considering offtake trends of previous years and prolonged storage led to selling of food stocks at reduced rates and also resulted in their deterioration rendering them unfit for human/animal use with aggregate loss to the Government to the tune of Rs. 2.53 crore.

3.1.11 Non-availability of foodgrains at sale centres

The Department fixes monthly quota of foodgrains for issuance to sale centres. The quota is fixed on the basis of rationed population attached to the sale centres. Audit observed that during 2002-2007, 29 sale depots of Jammu, Poonch and Rajouri Districts did not have stocks for distribution among the beneficiaries for periods ranging between one to 13 months (*Appendix-3.1.1*), despite adequate foodgrains being available in the main stores of the Jammu Division.

The Secretary, CAPD replied (September 2007) that foodgrains were allocated to the sale centres on the basis of demand put forth by the district officers and that the ADs, Jammu, Poonch and Rajouri had been directed to ascertain reasons for non-issue of foodgrains to these sale centres. However, as of September 2007 no action was taken in this regard.

The Department's failure in ensuring availability of foodgrains for the rationed population defeated the basic objective of the PDS, envisaging food security to all.

3.1.12 Storage losses

Due to lack of proper monitoring and absence of clear policy regarding driage/wastage of foodgrains (including sugar)/kerosene oil, the Department suffered loss of Rs. 4.38 crore during 2002-2007, as discussed below:

3.1.12.1 Charging of driage/wastage in excess of norms

During 2002-2007, the storekeepers charged off large quantities of foodgrains (1,582 MTs of rice costing Rs. 98.88 lakh, 1,342 MTs of *atta* costing Rs. 67.10 lakh, and 155 MTs of sugar costing Rs. 20.93 lakh) on account of driage/wastage in their stock registers in excess of the prescribed norms¹⁰. Consequently, the Department was put to a loss of Rs. 1.87 crore (worked out on BPL rates). While driage/wastage norms for kerosene oil were not stipulated, the

¹⁰ Two per cent for rice/*atta* and 1.5 per cent for sugar.

ADs, CAPD Kargil and Leh charged off 1,603 kilolitres of kerosene oil (cost: Rs. 1.36 crore¹¹) as driage/wastage during 2001-02 to 2006-07¹².

The AD, CAPD, Leh stated (August 2006) that the Department had started to recover the cost of excess foodgrains adjusted in the accounts by the storekeepers as driage/wastage and that due to stay obtained (November 2005) by the storekeepers from the Court, the recovery proceedings were stalled and the matter was taken up with the higher authorities for further action. This is not tenable, as the Department had failed to recover any amount even up to November 2005, when the stay order was not in operation.

The Secretary, CAPD stated (September 2007) that matter regarding charging off the driage/wastage in excess had been taken up for framing the procedure for recovering the same from storekeepers. As of September 2007, the procedure for the proposed recovery had not been framed.

Thus, due to non-framing of policy regarding quantum of foodgrains, etc. allowable on account of driage/wastage, the Department was put to a loss of Rs. 3.23 crore.

3.1.12.2 Shortage of food stocks/kerosene oil

The storekeepers of Leh and Kargil irregularly adjusted in their accounts a quantity of 859 MTs of rice (cost: Rs. 53.69 lakh), 735 MTs of *atta* (cost: Rs. 36.75 lakh), 112 MTs of sugar (cost: Rs. 15.12 lakh) and 177 kilolitres of kerosene oil (cost: Rs. 9.48 lakh) during 2002-2006, as shortages. This resulted in loss of Rs. 1.15 crore to the public exchequer. As per ADs, CAPD Kargil/Leh (July/August 2006) the Department had to stop recovery proceedings against the storekeepers due to stay orders of the court. The matter was disposed off by the High Court on 4 December 2006, where it was held that recoveries on account of shortages be effected from the defaulters. However, despite Court verdict no recoveries had been made as of September 2007.

The Department, thus suffered loss of Rs. 1.15 crore due to inadequate control mechanism.

3.1.13 Destruction of foodgrains

The Government constituted (March 1997) a Committee to examine and recommend disposal of deteriorated stocks of foodgrains lying in various godowns of the CAPD. The Committee was required to submit its report to the respective Deputy Commissioners, who had to send proposal regarding disposal of the deteriorated stocks to the Administrative Department. It was observed that the AD, CAPD, Leh destroyed 2,013.6 MTs of rice (1,138 MTs), *atta* (866 MTs) and sugar (9.6 MTs) costing Rs. 1.16 crore¹³ by throwing it into river Sindhu between 2001-02 and 2004-05 on the orders of the Deputy Commissioner, Leh

¹¹ At Rs. 7500/kilolitre during 2001-02 and 2002-03, at Rs. 9000/kilolitre between 2003-04, 2005-06 and at Rs. 9500 during 2006-07.

¹² Between 2001-02/ 2002-03: 635 kilolitre; between 2003-04/ 2005-06: 721 kilolitre; 2006-07: 247 kilolitres.

¹³ Rice: Rs. 71.13 lakh, *Atta*: Rs. 43.30 lakh and Sugar: Rs. 1.30 lakh.

without referring the matter to the Administrative Department, thus violating Government instructions.

The Secretary, CAPD stated (September 2007) that the AD, Leh had been directed to submit a detailed report for consideration by the Government to write off the destroyed quantities of foodgrains. However, action taken to fix responsibility for violating the Government instructions was not intimated.

3.1.14 Distribution of kerosene oil

3.1.14.1 Malfunctioning of kerosene oil depots

Following receipt of complaints regarding black marketing of kerosene oil, its usage for adulterating other petroleum products and non-functioning of kerosene oil depots, the Department constituted (November 2005) three special squads to conduct inspection of kerosene oil retail outlets to weed out delinquent kerosene oil dealers. Scrutiny revealed that the special squads had conducted inspection of 337 (30 *per cent*) kerosene oil sale depots, out of total 1,111 sale depots in the Jammu City. Audit found that the squads had identified 46 dealers who had no shops, 26 depots were non-functional and 15 dealers had sublet their depots. However, no action was initiated against these erring dealers. The Deputy Director Supplies stated (September 2006) that special squads had been directed to re-examine the kerosene oil depots. On inspections, operation of all the 1,111 kerosene oil depots was suspended/cancelled during 2006-07.

Had the Department monitored the kerosene oil dealers regularly and activated its supervisory controls in earlier periods, such malpractices committed by the kerosene oil dealers could have been curbed.

3.1.14.2 Renewal of licences

According to the J&K Kerosene Oil (Licencing) Order, 1974, every stockist, dealer or a retailer is required to renew his license annually. In the event of default, the licensing authority could cancel or suspend the licence of the depot-holder.

Records of three¹⁴ test-checked Districts revealed that during 2002-2007, there was delay ranging between one to six months in 270 cases and above six months in 111 cases in the renewal of the licences, for which no reasons were on record. Although penalty for delay in renewal of licences was to be imposed at Rs. 100 per month or part thereof, it was seen that in most of the cases of delay, no penalty was charged except for a few cases, where only an amount of Rs. 4,200 was collected. The Department had continued to release kerosene oil to these dealers even after the expiry of their licences.

The Director, CAPD Jammu replied (September 2007) that instructions had been issued to all the ADs not to issue further allotment to the dealers without renewal of their licenses.

¹⁴ Kathua, Poonch and Rajouri.

3.1.15 Transportation of foodgrains/sugar

The CAPD hires vehicles from the J&K State Road Transportation Corporation (SRTC) for transportation of foodgrains to various destinations. In the event of non-availability of vehicles against the demand, the CAPD hires vehicles from private transporters. The Department approved (June 2005) hiring of private vehicles, subject to obtaining of a No Objection Certificate (NOC) from SRTC prior to hiring of vehicles.

Test-check of records of five¹⁵ ADs of Jammu Division revealed that the Department had incurred an expenditure of Rs. 5.22 crore during 2005-06 on hiring of vehicles from private transporters for movement of foodgrains, etc. It was observed that the vehicles were hired without obtaining NOC from the SRTC and calling tenders to ascertain reasonability of rates. The AD, Trade and Stores, Jammu replied (November 2006) that supply of foodgrains was of essential nature and could not be held back for obtaining of NOC from the SRTC. The Director, CAPD Jammu further added (September 2007) that the matter regarding invitation of tenders from the private transporters was being taken up with the Administrative Department.

Thus, despite huge amount being spent on transportation of foodgrains, the Department had followed an *ad hoc* approach and had yet to evolve a mechanism to streamline the procedure of hiring of vehicles to spend public money in an economical manner.

3.1.15.1 Inadequate Management System

Audit observed that 27.29 lakh quintals of wheat received from FCI during 2002-06, were first stored in departmental stores at Jammu and subsequently transferred to flour mills for grinding. This resulted in incurring of avoidable expenditure of Rs. 3.20 crore on transportation of wheat for internal movement during April 2002 to March 2006. The Secretary CAPD replied (September 2007) that steps had been taken now to dispatch wheat directly from the FCI to the mills for grinding.

Thus inefficient management system, led to an avoidable expenditure of Rs. 3.20 crore on transportation of foodgrains.

3.1.15.2 Pending reimbursement claims

The Union Ministry of Consumer Affairs, Food and Public Distribution introduced (August 1975) the Hill Transport Subsidy Scheme meant for predominantly hilly States with little or no railway connectivity and poor road communications. It was observed that reimbursement claims amounting to Rs. 16.99 crore were either pending recovery or were disallowed by the FCI, as discussed below:

Against the reimbursement claim of Rs. 20.54 crore lodged (2003-2006) by the Department with the FCI for transportation of foodgrains/sugar in Jammu Division, only Rs. 10.22 crore had been paid (2003-04 and 2004-05) by the FCI.

¹⁵ Assistant Directors, CAPD Doda, Kathua, Poonch, Rajouri and Trade and Stores, Jammu.

The balance amount of Rs. 10.32 crore was disallowed, as according to the Director, CAPD Jammu (September 2007) the FCI admitted claims only at SRTC/FCI rates or at rail freight, whichever is less. However, steps taken by the Department to settle the issue with the FCI were not intimated (September 2007).

Similarly, reimbursement claims of Rs. 6.67 crore on account of carriage of rice from Gulab Bagh to Kupwara and Bandipora during November 2001 to March 2006, were pending (February 2007) with the FCI, resulting in blocking up of funds, indicating inadequate follow up of reimbursement claims.

3.1.15.3 Allotment of stocks to FPSs

Test-check of performance of 15 Fair Price Shops (FPSs), out of 298 FPSs located in Jammu and Reasi Districts revealed as under:

- Beneficiary-wise ledger account indicating the quantity of foodgrains to which the beneficiary was entitled to, was not maintained by the FPSs. Hence it could not be ascertained whether the foodgrains were issued to the beneficiaries according to the quota.
- The FPSs were also required to furnish to the District Authority a monthly return indicating opening stock, quantity received/distributed under the provisions of the PDS (Control) Order 2001. It was observed that the FPSs had not furnished the requisite return to the District Office. The Department, on the other hand, had been releasing food stocks to these FPSs on the basis of previous offtake statements prepared by the dealers and signed by the area inspectors or on the basis of a certificate, issued by the Sarpanch/Panch/Lambardar, to the effect that previously allotted foodgrains had been utilised. Allotment of foodgrains in such a manner is fraught with the risk of leakage of foodgrains in the open market for black marketing, besides depriving the genuine beneficiaries of the benefits.

The Secretary, CAPD stated (September 2007) that directions had been issued to the ADs, Jammu and Reasi to ensure collection of information regarding distribution of foodgrains to beneficiaries from all FPSs. Instructions had also been issued to all district officers that the vigilance committees (VCs) functioning at the FPS level be assigned the job to certify the opening stock of foodgrains *vis-a-vis* their utilisation.

- The District Level Officers were required to conduct inspection of the FPSs once in six months to ensure transparency in their functioning. It was observed that the Department had failed to conduct inspection of any of the FPSs. The Secretary, CAPD stated (September 2007) that the AD, Reasi had been directed to furnish reasons for non-conducting of such inspection.

3.1.16 Disposal of empty gunny bags

The Departmental manual provides that gunny bags are to be stored in one main godown and physically verified at least twice a year and all discrepancies noticed must be properly investigated and brought to account immediately.

Test check revealed that 1.95 crore empty gunny bags (costing Rs. 13.65 crore at an average rate of Rs. 7 per bag) were not transferred to the main godowns by the storekeepers of the sale depots and were lying (January 2007) in various stores of Anantnag, Baramulla, Kargil, Leh and Srinagar. Failure to transfer the gunny bags to the main godowns for their disposal by way of sale resulted in loss of revenue and the Department bears the risk of possible deterioration in their quality with the passage of time. Reasons for not transferring the gunny bags to the main godown and non-conducting of physical verification were neither on record nor intimated (September 2007).

The Director, CAPD, Kashmir finalised (March 2003) a contract on the basis of tenders/negotiations for sale of empty gunny bags with a firm at an average rate of Rs. 7.31 per bag. It was observed that the Department had sold (September 2003 to March 2004) 72,74,875 empty gunny bags to National Consumer's Co-operative Federation of India (NCCF) at Rs. 2.74 per bag resulting in loss of Rs. 3.32 crore. The Department had also fixed sale rate of *Katta* (50 kilogram bag) at Rs. 7 each. The Department sold (December 2005) 91,70,120 bags to a private firm at Rs. 3.46 per bag, resulting in further loss of Rs. 3.25 crore. Audit analysis revealed that due to prolonged storage, the condition of these bags had deteriorated, resulting in effecting their sale at reduced prices. Though the matter was referred to the Director, CAPD Srinagar, reply had not been furnished (September 2007).

3.1.17 Antyodaya Anna Yojana

With a view to ensuring food security to the poorest of the poor, Antyodaya Anna Yojana (AAY) was launched (December 2000) by the GOI. The GOI set (June 2001) a target of 1,12,900 AAY families, constituting 15.33 *per cent* of 7.36 lakh BPL families (according to the 1991 census) for coverage in Jammu (50,600) and Kashmir (including Ladakh region) Divisions (62,300). The GOI expanded (April 2003) the scope of the scheme to cover other sections of the society like, old people, widows and displaced persons having no family or societal support. Consequently, GOI revised the target to cover 1,69,300 additional AAY families during 2003-04 to 2005-06, raising the total number of families to 2,82,200 (Jammu: 1,26,700; Kashmir including Ladakh region: 1,55,500). Audit observed that the Department identified (February 2007) only 2,23,500 families¹⁶ resulting in overall shortfall of 58,700 families¹⁷ (21 *per cent*).

The Secretary, CAPD stated (September 2007) that identification of 70 *per cent* uncovered families (26,500) had already been completed and the process of identifying the remaining 30 *per cent* would be completed shortly. It was further stated that in case of Kashmir Division, the Revenue Authorities took longer time in identification of beneficiaries which resulted in shortfall in the coverage, and that the process of identification had now been taken up by the Department itself to accelerate the pace. The argument is not tenable, as it defeated the very objective of the Scheme. Apart from this, it also showed lack of seriousness on

¹⁶ Jammu: 1,00,200; Kashmir including Ladakh region: 1,23,300

¹⁷ Jammu: 26,500; Kashmir including Ladakh region: 32,200

part of various functionaries of the State Government to address the sensitive issue of hunger.

Thus, failure of the Department to cover all deserving beneficiaries resulted in denial of intended benefit to the target group.

3.1.18 Internal controls

The Department did not institute any mechanism to exercise proper control over the issue and distribution of food stocks as discussed below:

3.1.18.1 Non-reconciliation of foodgrains

AD (Trade and Stores) issues foodgrains to the Tehsil Supply Officer, Jammu for distribution among rationed population through private dealers. Audit noticed variation of 0.46 lakh MTs of foodgrains (cost: Rs 17.25 crore) during 2002-03 and 2005-06, between the records of the AD (Trade and Stores), Jammu and the Tehsil Supply Officer, Jammu.

Thus, due to improper controls, possibility of misappropriation of foodgrains cannot be ruled out. The Secretary CAPD Jammu stated (September 2007) that reconciliation of the figures of supply/receipt would be taken up shortly and report thereof would be furnished to Audit.

3.1.18.2 Utilisation certificates

The PDS (Control) Order, 2001 stipulated that future allocation of foodgrains under APL, BPL, and AAY was subject to furnishing of Utilisation Certificates (UCs) by the respective States to the GOI within a period of two months from the month of allocation. It was observed that there was delay in submission of the UCs by the Department. It was seen that the UCs covering the period April 2002 to August 2003 and August 2003 to July 2004 were submitted to the Administrative Department during April 2004 and August 2004 respectively, while those for the subsequent period were submitted during March 2007. The Secretary, CAPD stated (September 2007) that the UCs had been submitted to the Central Government and that efforts were being made to submit UCs according to the fixed schedule.

3.1.18.3 Non-issuance of distinctive ration cards to APL/BPL families

In order to strengthen the PDS, the Central Government notified (September 2001) PDS (Control) Order, 2001 envisaging issuance of distinctive ration cards to APL and BPL families.

It was observed that no distinctive ration cards were issued to APL and BPL families in the three test-checked Districts of Kathua, Poonch and Rajouri, for which no reasons were on record.

3.1.18.4 Quality inspection

Efficient Food Management envisages that the foodgrains distributed to consumers are of good quality and fit for human consumption. Audit noticed that there was no testing laboratory or trained manpower for conducting quality inspection of foodgrains supplied through the PDS. In the absence of a testing

laboratory and trained manpower, there is risk of supply of contaminated/sub-standard foodgrains to the public.

The Department stated that while lifting foodgrains from FCI, a physical check of the quality was made by the supervisory staff and that the Drug and Food Control Department was also being requested to conduct quality checks of *atta*. The Secretary, CAPD assured (September 2007) that necessary steps would be taken to ensure the quality of the foodgrains.

3.1.18.5 Non-conducting of physical verification

Financial Rules provide that physical verification of store/stock articles be conducted at least once a year and discrepancies, if any, noticed be settled immediately.

Test-check of records of four¹⁸ Districts of Jammu Division and AD (Trade and Stores) Jammu revealed (February 2007) that there was shortfall in conducting physical verification of stores and sale depots during 2002-03 to 2006-07 with percentage shortfall ranging between 6 and 100 in case of sale depots and between 10 and 100 in case of stores. Similarly, no physical verification of stocks was conducted in Leh District during 2005-06 and in respect of Anantnag District from 2002-03 to 2005-06, in the absence of which, correctness of the closing balances could not be vouchsafed in Audit.

The Secretary, CAPD stated (September 2007) that the AD, Leh had been directed to conduct physical verification of kerosene oil and to submit a report. In case of Jammu Division, the AD, CAPD Jammu stated (February 2007) that matter would be taken up with the Directorate for conducting physical verification as per rules.

Non-conducting of physical verification periodically, besides, violating provisions of the Financial Rules is also fraught with the risk of shortages, frauds, etc. remaining undetected entailing loss to the Government.

3.1.18.6 Outstanding recoveries

Test-check of records of the six¹⁹ Districts of Kashmir Division revealed (December 2006) that Rs. 4.28 crore were outstanding (December 2006) against various storekeepers/sale depots on account of shortages in foodgrains, etc. pointed out against storekeepers by various physical verification committees. Out of Rs. 4.28 crore, an amount of Rs. 2.28 crore was outstanding against 26 persons for more than 10 years. Rupees 49 lakh were outstanding against nine retired persons, out of which pensionary benefits were withheld against three persons only. In case of Leh and Kargil districts, Rs. 1.01 crore (Leh: Rs. 68.25 lakh and Kargil: Rs. 33.19 lakh) was outstanding at the end of March 2006. According to the AD, CAPD Leh (August 2006) decline in the recovery proceedings was due to court stay obtained by the defaulters. It was further stated that efforts were afoot to get the stay vacated. The Secretary, CAPD stated (September 2007) that

¹⁸ Doda, Kathua, Poonch and Rajouri.

¹⁹ Anantnag (Rs. 3.15 crore), Baramulla (Rs. 47 lakh), Budgam (Rs. 6 lakh), Kupwara (Rs. 44 lakh), Pulwama (Rs. 14 lakh) and Srinagar (Rs. 2 lakh).

effective measures would be taken to recover the amounts on account of shortages.

Similarly, in Jammu Division, Rs. 1.20 crore were outstanding (March 2006) against 195 persons, of which Rs. 75 lakh (against 113 persons) were outstanding for more than 10 years, Rs. 16 lakh (against 19 persons) for more than 5 years and Rs. 29 lakh (against 63 persons) for more than three years. Rupees 30 lakh were outstanding against 19 retired persons (Rs. 25 lakh) and eight deceased persons (Rs. 5 lakh). On this being pointed out in Audit, the CAO, CAPD Jammu did not indicate reasons for the lapse. Latest developments were awaited (September 2007).

Thus due to laxity in effecting recovery of outstanding amounts, Rs. 6.49 crore (as detailed above) remained under unauthorised retention outside the Government account. The Department had also not devised any mechanism for detection of shortages/embezzlement and effecting recovery thereof in the early stages to stop their occurrence. This indicated lack of monitoring and weak internal controls.

3.1.18.7 Unauthorised retention of money

Between 2002-03 and 2006-07 (up to December 2006), the Department issued 23,43,573 new ration cards to supervisors/storekeepers for their distribution among APL, BPL and AAY families (APL/BPL: 20,80,085; AAY: 2,63,488) at a sale price of Rs. 10 for APL/BPL card and at Rs. 5 for an AAY card. Audit observed that the sale proceeds of the ration cards were not credited to the Government account regularly by the officials concerned. Against the sale proceeds of Rs. 2.21 crore, the officials concerned had deposited (December 2006) only Rs. 72.27 lakh.

According to the CAO (February 2007) amounts credited to the Government account by the officials concerned and the balance outstanding against them as worked out by the Department was tentative and un-reconciled and that there were cases where sale proceeds of the ration cards deposited into treasuries had not been intimated to the Accounts Section. This reflected lax control mechanism of the Department in financial matters. Moreover, non-reconciliation of accounts could lead to embezzlements/frauds remaining undetected.

The Secretary, CAPD replied (September 2007) that debit had been raised against the storekeepers who had also been asked to render adjustment account.

3.1.18.8 Outstanding advances

The Department makes advance payments (through cheques and cash) to the officers/officials for making payments to FCI for purchase of foodgrains/sugar and meeting handling expenses. It was observed that besides making advance payments in cash, which was irregular *ab-initio*, the Department had been making fresh advance payments without adjusting the previous advances. As a result, advances outstanding against various departmental officers/officials had accumulated to Rs. 3.57 crore as on 31 March 2006. The age-wise analysis of the outstanding advances is given below:

Table 3.1.4

Period of outstanding	Amount outstanding (Rupees in lakh)
Less than 3 years	248.35
Above 3 years	22.35
Above 5 years	85.15
Above 10 years	0.76
Total	356.61

The CAO, CAPD Jammu stated (November 2006) that the officers concerned had been directed to render pending accounts for adjustment. Though this was reported to the Secretary, CAPD/Department, no reply was received (September 2007).

Non-adjustment of outstanding advances for long periods constituted financial impropriety and is fraught with the risk of irregularities remaining undetected.

3.1.18.9 Constitution of Vigilance Committees

In accordance with the PDS (Control), Order 2001, the Department was required to constitute Vigilance Committees to review the functioning of schemes at State, District, Block and FPS levels, so as to make PDS more effective. These Committees were to supplement the administrative control exercised at various levels. The Committees were also to monitor receipt of foodgrains at the designated Food Stores/Sale Depots and their further distribution to the beneficiaries. According to the Central Government guidelines, the Committee was to involve *inter alia* a few card holders, consumer activists, social workers of repute, etc. in the exercise.

It was observed that the Department constituted (August 2006) six District level, 40 Tehsil/Block level and 1,967 FPS/Panchayat level Committees in the Jammu Division, belatedly after about eight years of issuance of aforementioned orders. There was no representation of the grass root level BPL beneficiaries, consumer activists or social workers in the constitution of these Committees, which was mandatory according to the orders, *ibid*. It was also observed that the Committees (except for those formed at the FPS level) had not started functioning as of July 2007. The Director, CAPD Jammu stated (July 2007) that matter to activate these Committees had been taken up with the Administrative Department.

In Kashmir Division no such Committees were constituted at any level. The AD, CAPD Kashmir stated (March 2007) that orders for formulation of the Committees were received belatedly in August 2006 and as such, no action could be taken in this regard. The reply is not tenable, since the PDS (Control) Order was notified in 2001, the Department was expected to implement the same. The Secretary, CAPD stated (September 2007) that these Committees had now been constituted by the Department.

Thus, due to non-formation of Committees in the prescribed manner and non-representation of the users in these Committees, the whole exercise was rendered a non-starter.

3.1.18.10 Cases pending investigation with Police/Vigilance Organisation

The Department had not maintained records indicating details of cases pending investigation with Vigilance/police. Test-check of seven cases, under investigation with the State Vigilance Organisation, revealed that detailed report in respect of two cases as asked for (September-October 2005) by the Organisation had not been furnished as of June 2007, thereby hampering the investigation process. On this being pointed out, the AD (Administration), CAPD Jammu stated (June 2007) that Inquiry Officers were being directed to furnish the requisite report.

3.1.19 Grievance redressal

Audit observed (June 2007) that the Department had not maintained records to register the complaints received and those disposed off. The AD (Grievances) stated (June 2007) that the Department was dealing with the redressal of grievances/complaints of consumers on a day-to-day basis. It was further stated that the Grievances Cell was being activated to function under the supervision of AD (Grievances) and that complaint registers would be maintained in future.

3.1.20 Manpower

Against the sanctioned staff strength of 5,381, the effective strength of the Department was 4,742 as on 31 March 2007, indicating shortfall of 639 employees. It was observed that the shortfall was mainly (342) in the Class-III cadre, comprising salesmen, storekeepers, godown-keepers, etc. Due to shortfall in the cadre, the stores/sale depots were manned by Class-IV employees, which was bound to adversely affect the smooth functioning of the sale depots. Test-check of the records of six²⁰ Districts of Jammu/Kashmir Divisions revealed that 201 Class-IV employees were functioning as storekeepers/salesman. The Secretary, CAPD stated (September 2007) that Class-IV employees had been working as storekeepers in view of shortage of staff to man sale centres. However, remedial action taken to solve the problem was not intimated.

3.1.21 Conclusion

The CAPD had largely failed in its objectives to evolve as a major instrument for ensuring food security to the public, especially in case of people living below the poverty line. Its failure is evidenced by the faulty identification of beneficiaries, absence of an effective control mechanism within the Department and lack of co-ordination with the Revenue Department in the identification process. As a result, benefits accruing under the PDS were passed on to a number of ineligible families, while genuine beneficiaries were deprived of intended benefits. The process of identification without involving grass-root level beneficiaries-the real stake holders, is questionable. Lack of effective planning and *ad hoc* approach adopted by the Department in its operational activities was visible, as foodstocks were lifted without considering previous offtake trends resulting in accumulation of large quantities of stocks and their consequent deterioration. Non-fixation of norms of driage/wastage in respect of foodstocks/ kerosene oil in Ladakh

²⁰

Budgam, Doda, Jammu, Kathua, Poonch and Rajouri.

Division and issuance of excess quantities of foodgrains indicated absence of control mechanism and lax monitoring system in the Department. Its failure to stamp out ration cards, defeated the purpose of making kerosene oil available exclusively to non-LPG connection holders. Internal controls including monitoring and inspections, quality inspection of foodstocks, market checking, vigilance, monitoring of recovery of outstanding amounts, etc. were found to be defective. Also, there was no evidence of any serious effort having been made by the Department to reduce mounting arrears in finalisation of accounts, indicating its non-serious attitude in financial matters.

3.1.22 Recommendations

- The system of identification of beneficiaries should be streamlined as per the instructions in the PDS (Control) Order. Identification of beneficiaries under BPL/AAY schemes should be completed immediately. Efforts should also be made to weed out bogus/illegal ration cards periodically.
- The Department should plan its operational activities in a manner to ensure that foodgrains are lifted in accordance with the actual needs. First-in-first out method should be adopted in the distribution process.
- An effective mechanism should be evolved to exercise better control over its operations especially in issuance of foodgrains/kerosene oil for distribution among beneficiaries.
- Ration cards of beneficiaries having LPG connection should be stamped out immediately to prevent misuse of kerosene oil.
- Efforts should also be made to ensure immediate finalisation of arrear accounts so that there is transparency in the system.

Forest Department

3.2 Review of Forest Department

The Jammu and Kashmir Forest Department is guided by the National Forest Policy which aims at preserving natural forests to maintain environmental stability and increase forest cover through massive afforestation and social forestry programmes especially on denuded, degraded and non-productive lands. The Department is supposed to carry out compensatory afforestation in case of diversion of forest land for non-forest purposes. Effective steps are also to be taken to prevent encroachment of forest land. The objectives were, however, not achieved mainly due to non-formulation of policies, non-approval of working plans, non-utilisation of funds meant for compensatory afforestation and laxity in management of manpower.

Highlights

- **There was no approved Forest Policy. Out of 28 Forest Divisions, the working plans of only four Divisions were approved.**
(Paragraphs: 3.2.9 and 3.2.9.1)
- **No projects were formulated for afforestation against the availability of compensatory afforestation funds amounting to Rs. 79.34 crore.**
(Paragraph: 3.2.9.3)
- **There was no noticeable impact of rehabilitation of degraded forests despite expending Rs. 18.11 crore during the 10th Plan.**
(Paragraph: 3.2.9.6)
- **There was no approved control policy of resin. Indecisiveness of the Department to sell resin in time resulted in loss of Rs. 1.16 crore.**
(Paragraphs: 3.2.9.9 and 3.2.9.10)
- **The rules governing service conditions, area of activity and handling of arms and ammunition in Forest Protection Force were not approved resulting in an unfruitful investment of Rs. 84.69 lakh.**
(Paragraph: 3.2.10)

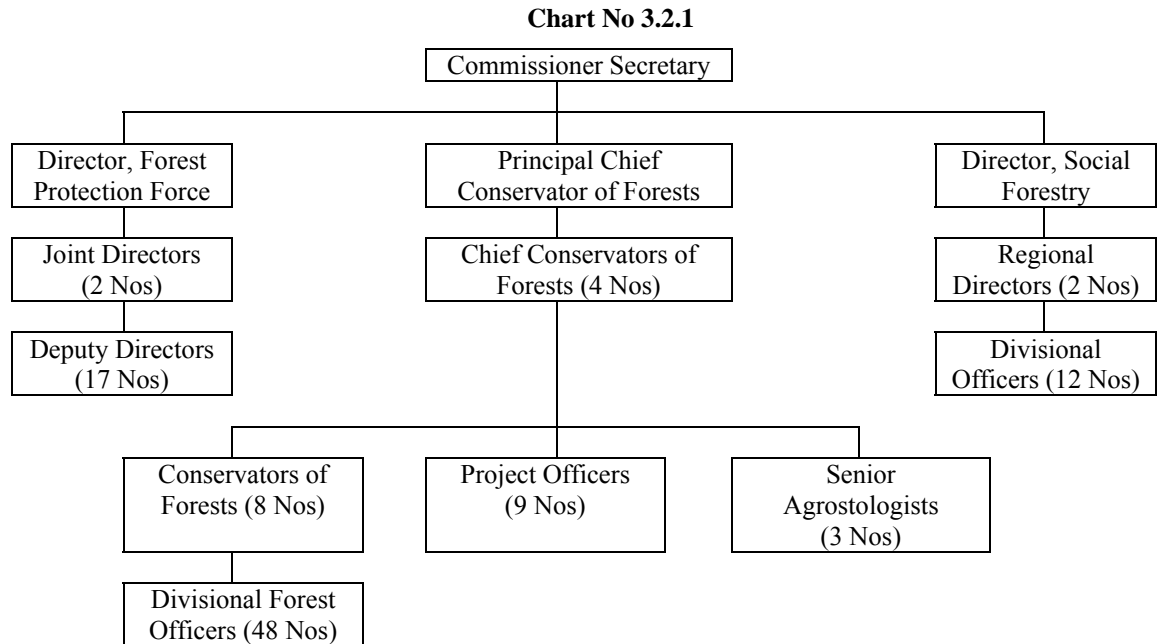
3.2.1 Introduction

The State of Jammu and Kashmir is spread over a geographical area of about 101 lakh hectares with a forest area of 20 lakh hectares (19.80 *per cent*) against the norm of 66.66 lakh (66 *per cent*) prescribed under the National Forest Policy. In the 10th Five-Year Plan, emphasis was laid on rehabilitation of degraded forests, which was about five–seven lakh hectares, by planting trees and raising nursery saplings. The Forest Protection Force was created in December 1996 to assist the Department in protecting the forests against encroachments, forest fires, armed smugglers and poachers etc. With a view to reducing pressure on the forests, the Government converted (October 2004) the erstwhile Social Forestry

Project (World Bank Aided) into the Social Forestry Department for taking up plantation in degraded forests and waste lands by raising strip/institutional plantation and farm forestry.

3.2.2 Organisational set up

The Organisational set up of the Forest Department is as under:



3.2.3 Scope of Audit

The performance review of three¹ wings of the Forest Department was conducted during July 2006 to March 2007 by a test check of 65² units (out of 108 units) covering an expenditure of Rs. 285.04 crore (36 per cent) for the period 2002-03 to 2006-07.

3.2.4 Audit objectives

The performance review of the Department was conducted to assess as to whether:

- a viable Forest policy was in place to protect and restore forests;
- programmes, projects were framed/implemented as per policy/working plans and restoration of degraded forest area was carried out in an efficient, effective and economical manner;
- timely extraction of dry, diseased timber and minor forest products was carried out and royalty received;
- the Forest Protection Force provided the requisite protection efficiently and effectively;
- management of manpower was effective;

¹ Forest Territorial, Forest Protection Force, Social Forestry

² Forest Territorial: 45 units; Forest Protection Force: 10 units; Social Forestry: 10 units

- funds received for compensatory afforestation were effectively utilised in a time bound manner and
- monitoring and evaluation mechanism was in place to assess achievements.

3.2.5 Audit Criteria

Audit findings were bench marked against the following criteria:

- National Forest Policy.
- Provisions of Jammu and Kashmir Forest Act 1987 (amended 1997) and Forest Protection Force Act, April 2001.
- State Forest Conservation Act and policy directions flowing from them.
- Working Plans, Technical Sanctions, Administrative Approvals.
- Prescribed monitoring mechanism.

3.2.6 Audit Methodology

Three wings of the Forest Department were taken up for detailed scrutiny and a random sample of transactions of 65 out of 108 units was taken for audit. An entry conference was held on 24 August 2006 with the Principal Chief Conservator of Forests (PCCF) and Director, Forest Protection Force, wherein the audit objectives and methodology were discussed. An exit conference was held on 20 September 2007 with Special Secretary, PCCF, and the Director, Forest Protection Force wherein the audit findings were discussed. The replies of the Department were incorporated in the review at appropriate places.

3.2.7 Audit Findings

The important points noticed during the course of audit are discussed in the succeeding paragraphs.

3.2.8 Financial Management

The position of allocation of funds under State Plan and expenditure thereagainst for the three wings of the Department is tabulated below:

Table 3.2.1

(Rupees in crore)

Year	Allotment ³				Expenditure				Saving (per cent)
	Forest Territorial	Forest Protection	Social Forestry	Total	Forest Territorial	Forest Protection	Social Forestry	Total	
2002-03	110.50	14.90	18.83	144.23	108.29	14.28	18.83	141.40	2.83 (2)
2003-04	116.37	15.75	22.89	155.01	114.54	14.67	22.64	151.85	3.16 (2)
2004-05	134.92	16.96	23.81	175.69	112.58	16.74	23.81	153.13	22.56 (13)
2005-06	131.37	19.84	26.85	178.06	119.81	19.49	26.72	166.02	12.04 (6)
2006-07	140.33	25.88	28.91	195.12	132.73	23.42	28.80	184.95	10.17 (5)
Total	633.49	93.33	121.29	848.11	587.95	88.60	120.80	797.35	

(Source: Departmental Records)

As can be seen from the above table there were savings every year, ranging from two to 13 *per cent*. The PCCF attributed (June 2007) the savings to procedural

³ Full releases were made against the allotments

delays. During the exit conference it was stated that no budget projections are being made by the Department and the works are planned/executed as per the funds released by the Government. Non-framing of budget estimates by the Department, besides being against rules, has a bearing on project formulation/execution as well.

The main components of expenditure were establishment charges: Rs. 610.86 crore (76.61 *per cent*); rehabilitation of degraded forests: Rs. 18.11 crore (2.27 *per cent*); creation of infrastructure for Forest Protection Force: Rs. 15.75 crore (1.97 *per cent*); resin extraction: Rs. 33.86 crore (4.25 *per cent*); framing of Working Plans: Rs. 0.61 crore (0.08 *per cent*) and other activities: Rs. 118.16 crore (14.82 *per cent*). This shows that for each rupee spent by the Department on its programmes and activities, the establishment cost was Rs. 3.27. Despite high establishment costs there were savings in the programme.

3.2.8.1 Outstanding Forest advances

For carrying out various Departmental works DFOs disburse advances through cheques to subordinate officers, who are required to render adjustment accounts against the work done by March each year. Test check of records of nine⁴ divisions revealed that Rs. 26.82 lakh advanced to various sub-ordinate officers remained unadjusted (March 2007) for periods ranging between four and 21 years. The advances were outstanding against the retired (Rs. 4.18 lakh), transferred/migrant (Rs. 18.73 lakh) and expired (Rs. 3.91 lakh) officers. Failure of the DFOs to obtain the adjustment accounts from the subordinate officers revealed poor monitoring and was fraught with the risk of misutilisation of these funds. The PCCF stated (August 2007) that directions were being issued to DFOs for clearance of advances.

3.2.9 Programme Implementation

The forest sector is guided by the National Forest policy, 1988. The recorded forest area of the State was 20 lakh hectares at the end of 9th Plan (March 2002) but actual cover was only 17 lakh hectares, of which 50 *per cent* was open with tree density ranging up to 40 *per cent*. Forest productivity was poor and natural regeneration was only 10 *per cent* (December 2006). Despite the dismal picture of the forest development and change in the objectives of forestry since 1988, no State specific policy was formulated (September 2007) by the Department to address the specific conditions of the State though impressed upon (December 2006) by the Central Government. Further, there was no apex/steering committee at State level to ensure formulation and implementation of plans.

In the absence of any viable vision policy, the area of degraded forests increased due to unrestricted grazing, encroachment of forest land, imprudent management of afforestation funds, non existence of resin policy, non-settlement of royalty, mismanagement of manpower, etc. as discussed in the succeeding paragraphs.

⁴ Urban Forestry Srinagar, Sind Division, Ganderbal, Pirpanchal Budgam, Anantnag, Lidder Bijbehara, JV Division Baramulla, Langate Division Khemil Bandipora, Kamraj Division Kupwara

3.2.9.1 Non-preparation/revision of working plans

Working plans for forest management were prepared by only 12⁵ out of 28 divisions. Of these, the plans of only four⁶ divisions were approved and plans of eight⁷ divisions prepared between 1996-97 and 2004-05 were pending for approval with the Chief Conservator of Forest (CCF) for a period ranging between two to 10 years as of March 2007. Working plans of 14⁸ divisions were not prepared at all. The two divisions of Leh and Kargil do not require preparation of working plans.

The Government stated (September 2007) that the Department is taking up the revision of working plans but is constrained by acute shortage of officers and field staff.

3.2.9.2 Non-recovery and non reconciliation of afforestation funds

As per the State Forest Conservation Act, 1997 forests were to be raised over degraded area equal to/twice⁹ the area diverted for non-forest purposes. The rules further provide that the agency using the forest area should deposit the compensation for compensatory afforestation with PCCF for loss of forest land, trees and other charges. Scrutiny of the records (August 2006) revealed that against 2,243.32 hectares of forest land diverted (April 2002 to August 2006) for non-forest purposes, only 719 hectares (32 *per cent*) of forest area was raised. Also, no records were maintained at apex level to monitor the amount outstanding against various agencies on account of compensation for compensatory afforestation. In ten¹⁰ divisions test checked, an amount of Rs. 188.55 crore was outstanding against various agencies (*Appendix-3.2.1*) on account of compensation for a period ranging between 10 months and 20 years. The PCCF stated (June 2007) that reconciliation with different agencies with regard to outstanding amounts was under process. It was also stated (August 2007) that a committee headed by CCF (Central) has been constituted (June 2007) for the purpose and its report is expected within three months. Non-raising of forests area against the diverted land was attributed by DFOs to non-allotment of funds. The reply is not tenable as the Department had sufficient time to reconcile/recover the dues. Besides, user agencies are first required to deposit compensation.

3.2.9.3 Imprudent Management of compensatory afforestation funds

As per the directions (April 2005) of the Central Government, all money received from user agencies on account of compensatory afforestation, was required to be transferred to CAMPA¹¹. However, the State Government decided

⁵ Batote, Billawar, Doda, Jammu, Kathua, Langate, Nowshera, Rajouri, Ramnagar, Reasi, Sindh, Udhampur

⁶ Jammu, Langate, Ramnagar, Reasi

⁷ Batote, Billawar, Doda, Kathua, Nowshera, Rajouri, Sindh, Udhampur

⁸ Anantnag, Badarwah, Bandipora, JV Baramulla, Kamraj, Khemil, Kishtwar, Lidder, Mahore, Marwah, Pirpanchal, Poonch, Ramban, Shopian

⁹ Where forest land was not available

¹⁰ Batote, Doda, Jammu, Kishtwar, Kupwara, Marwah, Poonch, Ramnagar, Sopore, Udhampur

¹¹ Compensatory Afforestation Management Planning Authority, an adhoc body, Chairman of which is the Director General of Forest and Special Secretary, Ministry of Environment and Forest

(February 2006) to utilise the amount within the State itself for afforestation through annual plans of operation. The funds received on this account were to be deposited with PCCF for implementation of schemes/projects framed for afforestation. No projects/annual plans were formulated during 1992 to June 2007 by the Department for afforestation against the availability (June 2007) of Rs. 79.34 crore collected during the same period. Out of this Rs. 52.24 crore were placed in fixed deposit¹² (March 2007) in a bank while Rs. 27.10 crore remained in current account. Despite non-formulation of projects, Rs. 3.34 crore (out of Rs. 27.10 crore) were released to 20 Divisions (up to March 2005) for compensatory afforestation. Against this, adjustment account was received for only Rs. 71.04 lakh (September 2007). The PCCF stated (June 2007) that projects for compensatory afforestation have been received from most of the territorial forest divisions and that the annual plans would be prepared for submission to the State Level Steering Committee for approval. Belated action by the Department indicated lack of initiative in this crucial area of compensatory afforestation. Government stated (September 2007) that necessary steps have been taken for rendition of accounts against balance amount. Thus due to departmental mismanagement, the objective of compensatory afforestation got defeated.

3.2.9.4 Non-utilisation of compensatory afforestation funds

For diversion of 265.10 hectares of forest land for construction of Lakhampur-Jammu high-way, two Social Forestry Divisions received (2005-06) the compensation of Rs. 5.11 crore¹³, as fixed by the State Government, from National Highways Authority of India (Rs. 5.03 crore) and Railways (Rs. 8.47 lakh). However, compensatory afforestation was not undertaken (March 2007) as no project report was framed in this regard. Out of the total amount, an amount of Rs. 2.19 crore received (June 2005 to August 2005) by the Social Forestry Division, Jammu was kept in current account (July 2005 to June 2006) and thereafter in fixed deposit. The remaining amount (Rs. 2.92 crore) received (July/August 2005) by Social Forestry Division, Kathua was kept in savings account and later on invested in fixed deposit. Non-formulation of projects for afforestation and retention of money in current account instead of fixed deposits resulted in interest loss of Rs. 21.66 lakh¹⁴ besides non-utilisation of Rs. 5.41 crore¹⁵ thereby defeating the objective of compensation. The Regional Director, Social Forestry Jammu stated (May 2007), that DFOs have been asked to come up with site proposals for afforestation. PCCF stated (August 2007) that Social Forestry Divisions, Jammu and Kathua shall be asked to deposit the money in his office for deposition in Compensatory Afforestation Fund Account for further utilisation. Departmental failure in not framing the project reports and not taking up the compensatory afforestation on account of forest area diverted for non-forestry purposes despite availability of funds revealed lack of seriousness of the department in maintaining the available forest cover of the State.

¹² Rs. 75.05 lakh was earned as interest as of June 2007

¹³ Compensation of trees Rs. 4.24 crore; Compensatory afforestation: Rs. 0.87 crore

¹⁴ Worked out at lowest rate of 6.5 per cent per annum simple interest allowed by banks

¹⁵ Including the interest of Rs. 30.39 lakh earned on amount invested in fixed deposits

3.2.9.5 Short recovery of compensation

For widening the existing (Chowikbal-Tangdhar) border road, the Government sanctioned (October 1999) diversion of 14.7 hectares of forest land in Kehmil Division against total compensation of Rs. 80.15 lakh. Scrutiny of records revealed that the user agency Border Roads Task Force (BRTF) took possession of the land but deposited only Rs. 8 lakh (March 2001) leaving a balance of Rs. 72.15 lakh unpaid for about eight years. Government stated that user agency is being reminded for payment of Rs. 72.15 lakh. Departmental failure in not pursuing the matter actively with the BRTF resulted in non-recovery of compensation over a period of eight years, besides failure to ensure compensatory afforestation.

3.2.9.6 Non rehabilitation of degraded forests

The scheme of rehabilitation of degraded forests envisages rehabilitating degraded forest land by plantation, construction of check dams, water harvesting structure and natural regeneration. The major items of works undertaken include fencing, plantations and other engineering works. Despite expending Rs. 18.11 crore during 2002-03 to March 2007, there was no reduction of degraded forests. Rather, the area of degraded forest increased by 43 *per cent* from 7 lakh (April 2002) to 10 lakh hectares (February 2007) and it constituted half of the total forest area of the State. The Department stated (September 2007) that against the requirement of Rs. 2,500 crore for rehabilitation of degraded forests, only Rs. 3.36 crore was received annually, which was too meagre to address the issue. The reply is not tenable, as Rs. 79.34 crore received for compensatory afforestation were also not utilised due to non-formulation of project reports.

Test check (November 2006) of 16 Divisions¹⁶ revealed that against the total degraded area of 5.13 lakh hectares, only 10,551 hectares (2 *per cent*) was rehabilitated between 2002-03 and 2005-06 by incurring an expenditure of Rs. 12.31 crore. Plans for rehabilitation of remaining 98 *per cent* degraded forest were not framed. Records showing year wise/compartments wise (area covered for plantation) coverage of degraded forests, plantation raised, etc. were not maintained. In the absence of basic records, the veracity of expenditure incurred on rehabilitation could not be assessed in audit. The Divisions assured (December 2006) that records will be maintained.

3.2.9.7 Non framing of grazing policy

In order to promote natural regeneration and vegetative growth for restoration of forest cover, it is essential to check un-restricted grazing in the forest area. In the absence of any approved grazing policy, the natural regeneration was only 10 *per cent*. Test check in nine¹⁷ divisions revealed that against forest area of 7.84 lakh hectares, the degraded area was 3.08 lakh hectares (39 *per cent*). The DFOs stated that no forest area was closed to check unrestricted grazing during

¹⁶ Jammu: 8; Kashmir: 8

¹⁷ Batote, Doda, Jammu, Kathua, Kishtwar, Marwah, Poonch, Ramnagar, Udhampur

2002-03 to 2006-07. The Department however, stated (September 2007) that 4,549 hectares have been closed for grazing in the test checked cases indicating poor management information system.

3.2.9.8 Erection of boundary pillars

To ensure protection of existing forest area, the Department conducts survey and demarcates the existing forests by putting up permanent boundary pillars which besides discouraging encroachments, seals the forest area, which is otherwise prone to grazing. Against the target of 64,000 pillars set for erection in 10th plan (2002-07) with an outlay of Rs. 4 crore (released Rs. 1.48 crore), only 20,705 pillars were erected during the period at a cost of Rs. 1.42 crore. Slow pace of work was attributed to short release of funds. The reply is not tenable as the Department had not been able to utilise Rs. 50.76 crore during 2002-07. The shortfall (68 *per cent*) in achievement of targets facilitated encroachment of forest area of 3,378 hectares in nine¹⁸ test-checked divisions. Out of this only 29.40 hectares (one *per cent*) was got vacated as of March 2007. Year wise details of area surveyed with respect to revenue records, area identified as forest land and area encroached upon was not maintained. The DFOs¹⁹ assured (September/October 2006) that effective steps were being taken to evacuate the encroached land.

3.2.9.9 Resin Management Policy

The Department does not have a long-term policy for resin extraction and sale. While policies have been framed intermittently, absence of a long-term policy in this regard resulted in loss and short realisation of revenue on account of sale of resin as discussed below.

3.2.9.10 Loss of revenue

Test check of records of CCF Jammu revealed that auction for sale of 752.76 MTs of resin crop (2005-06) was held on 23 May 2006. The highest bid of Rs. 41.58 per kilogram was accepted and forwarded (May 2006) to PCCF for approval. The approval was not accorded, as the President of Resin Management Association, Hoshiarpur alleged (May 2006) that date of auction was not intimated to the Association. On this plea, the auction was cancelled by the PCCF, without the approval of Administrative Department. However, the President of the Association was offered the lot (June 2006) and asked to deposit Rs. five per kilogram extra over and above the highest bid (Rs. 41.58 per kilogram) by 10 June 2006. There was no response from the Association. The successful bidder was not, however, approached. Government ordered (August 2006) re-tendering to ensure maximum competition in auction. Scrutiny further revealed that out of 752.76 MTs of resin, only 741.95 MTs was sold in open auction (March 2007) at Rs. 25.99 per kilogram against the offered rate of Rs. 41.58 per kilogram in its first auction resulting in loss of Rs. 1.16 crore²⁰. The balance quantity of 10.81 MTs remained unsold (March 2007) with a risk of

¹⁸ Batote, Doda, Jammu, Kathua, Kishtwar, Marwah, Poonch, Ramnagar, Udhampur

¹⁹ Doda, Kathua, Kishtwar, Ramnagar, Udhampur

²⁰ Calculated at differential rate of Rs. 15.59 (Rs. 41.58-Rs. 25.99) with stock sold 741.950 MTs

deterioration both in quality and quantity. No action was taken to fix the responsibility. CCF stated (May 2007) that small quantity of resin is left which shall be disposed off at the earliest. The Government stated (September 2007) that as the rate of resin continued to fall, the bids of lower rates were accepted. The reply is not tenable as departmental failure in not selling resin to the highest bidder in its first auction and cancelling the bid on mere representation of an Association, which had not participated in the auction, resulted in loss of Rs. 1.16 crore to the Department.

3.2.9.11 Failure of Plantation

The survival rate of plants depends upon the climatic condition of the area, kind of plantation and its after care. Optimum survival rate of plants raised in nurseries/compartments was not fixed by the Department and the plantation journals were not maintained properly. As a result, the survival rate of plants was neither monitored nor evaluated. In the absence of any fixed mortality rate of plants, the prudence of expenditure of Rs. 17.39 crore against allocation of Rs. 17.59 crore incurred during 2002-03 to 2006-07 by Social Forestry Divisions for plantation of 106.34 lakh plants could not be assessed in audit.

Test check in five²¹ divisions revealed cases of high mortality in seven²² nurseries, which resulted in wasteful expenditure of Rs. 17.07 lakh during 2002-03 to 2005-06.

Scrutiny of records further revealed that in five²³ nurseries of Social Forestry Division, Anantnag, against 4.13 lakh plants raised in 2005-06, only 2.02 lakh (49 *per cent*) plants actually existed on physical verification. The 51 *per cent* mortality of plants was attributed (June 2006) by the Divisional/Territorial Heads to dry weather spells, floods, attack by insects and pests on plants, etc.

The reasons for low rate of survival of the plants in Social Forestry Divisions were mainly due to improper fencing, planting of root suckers, undersize (prickings) plants, poly-bags not cut at the base and planting of deodar plants without shade/cover. The Government stated (September 2007) that recoveries have already been ordered against the negligent staff in case of Sirchi Kowbal and Astanpora plantation units.

3.2.9.12 Royalty

It is mandatory to hand over marked volume of timber by Forest Department to State Forest Corporation (SFC) for its extraction and sale. Scrutiny of records revealed that forest divisions handed over timber to SFC without any agreement specifying therein the terms and conditions for payment of royalty and management of its operations, etc. since its inception (1978). Test check revealed that Rs. 532.73 crore²⁴ was outstanding against the SFC, and no reconciliation was conducted (August 2007) by the Department with the Corporation. The

²¹ Territorial divisions: Batote, Doda, Sindh, Social Forestry divisions: Pulwama, Srinagar

²² Asthanpora, Fatehpur, Kargal, Malhar, Sarga, Shirkagha and Sirchi Kawabal

²³ Brariangan, B-Lammer, Central Nursery Qazigund, Manandagi and 2 LDR

²⁴ Jammu Division: Rs. 314.82 crore (March 2007); Kashmir Division: Rs. 217.91 crore (March 2006)

Regional Manager (SFC) stated (April 2007) that the Forest Department was raising the bills at inflated rates which were neither paid nor accepted by the Corporation as the rates charged by the Department and approved by Government related to green fell trees while the Corporation was allowed to extract only the dry, decayed and diseased trees from the forests. The dispute over the fixation of rates was not settled despite directions (41st report) of the Committee on Public Undertakings. PCCF stated (August 2007) that issue regarding fixation of royalty is under active consideration.

The Department not only failed to raise the royalty bills timely but also suffered loss on account of prolonged retention of timber/minor forest products as discussed below.

3.2.9.13 Non raising of royalty bills of timber

To handover marked timber to SFC against payment of royalty for extraction and sale, administrative approval and technical sanction was to be accorded by the administrative Department.

➤ Scrutiny of records of DFO, Doda revealed that 43.10 lakh cfts of timber marked during 1997-98 and 2002-03 with expected outturn of 22.49 lakh cft was not handed over to SFC for want of administrative approval and technical sanction. As timely sanction was not granted, the expected outturn of marked volume was reassessed (April 2006) at 4.84 lakh cft as the quality of wood deteriorated due to prolonged retention which resulted in revenue loss of Rs. 8.38 crore²⁵ on account of royalty.

➤ Test check of the records of DFO, Poonch revealed (February 2007) that bills amounting to Rs. 80.94 lakh for marked volume of 3.34 lakh cft of timber handed over to SFC during 2003-04 to 2005-06 was not raised against the Corporation. On being pointed out, the Department raised (March 2007) bill for Rs. 48.30 lakh. However, bills for standing volume of 0.82 lakh cft²⁶ for the year 2005-06 were not raised (March 2007).

➤ Scrutiny of records also revealed that in 2004-06 an amount of Rs. 9.18 lakh was charged less on account of royalty by DFO, Bijbehara due to incorrect application of volume conversion table. The DFO stated (February 2007) that revised bills would be issued to SFC.

3.2.9.14 Non-recovery of royalty of Minor Forest Produce

➤ The Department sanctioned (December 1993) leasing out of 45 hectares of forest land falling in Shopian and Pirpanchal Division to a Srinagar based firm for cultivation of aromatic and medicinal plants for a period of 25 years at an annual rent of Rupee one per acre. The firm was also to pay royalty of Rs. one lakh per year, which was to be increased by 10 *per cent* every five years. The agreement was executed (March 1994) against a bank guarantee of Rs. 0.50 lakh with a stipulation that if the lessee failed to pay the royalty/rent or part thereof, the

²⁵ Calculated at expected outturn of 75 *per cent* (2.74 lakh cft) for Deodar, 50 *per cent* for (4.75 lakh cft) Kail and (30.75 lakh cft) Fir at royalty rate of Rs. 94.23 (Deodar), Rs. 44.77 (Kail), Rs. 35.02 (Fir) per cft

²⁶ For compartment No 4,5,6 and 9 of Swarankot range

Department was free to get the land vacated from the lessee. Scrutiny of records of the DFO Budgam revealed that against Rs. 19.20 lakh payable as royalty/rent, the firm deposited (February 1997) Rs. 1,000 only. Though the firm raised (March 2005) rose plantation on the area against the conditions of the agreement, yet no action was taken in this regard. This resulted in non-recovery of Rs. 19.20 lakh. The Government stated (September 2007) that final opportunity to liquidate the outstanding within the specified period has been given to the firm failing which, process for termination of lease and recovery by taking legal action shall be initiated.

➤ PCCF allotted (June 2003) a contract for extraction of 515 quintals of Minor Forest Produce (MFP) in *Lidder* Division, Bijbehara against a deposit of Rs one lakh. The extraction work of MFP was to be completed by December 2003 and would have to be lifted by the contractor by the end of March 2004 after obtaining permission of the Forest authorities. Records revealed that out of the extracted quantity of 278 quintals of MFP, the contractor lifted 73.79 quintals unauthorisedly which was seized during transportation for want of documents by authorities. The retained quantity of the seized MFP reduced to 28.43 quintals (39 per cent) due to driage and Bardana²⁷. The value of deteriorated produce was assessed at Rs. one lakh. The balance quantity was neither lifted by the contractor nor the extraction work re-allotted resulting in loss of Rs. 4.09 lakh on account of royalty alone. The Government stated that balance quantity could not be allotted due to ban imposed (July 2007) by the Government to lift MFP. The reply is not tenable as the Department had ample time to auction/sell the balance quantity before the ban was imposed. Failure of the Department to recover the royalty, re-allot the work and retain the balance MFP, thus, resulted in loss of Rs. 18.55 lakh to the Department.

3.2.10 Forest Protection Force

To check damages to forests and tackle armed intrusion, Government sanctioned (December 1996) 30 units of Forest Protection Force (FPF) with adequate infrastructure by the end of 9th plan (2001-02). However, only 17 units were established as of March 2007. The rules governing the service conditions of the FPF, its area of activity and handling of arms and ammunition were not framed (February 2007) by the Government. Due to non-framing of these rules the objective of checking the forest damages and tackling the armed intrusion was not achieved and there were 15,895 forest damage cases during 2002-03 to 2005-06.

Further infrastructure²⁸ costing Rs. 84.69 lakh created during 2002-05 for storage of arms/ammunition in four²⁹ FPF divisions as well as nine barracks (Rs. 9.85 crore) constructed for Gamma unit of FPF during 2002-06 were also not put to any use (March 2007) and expenditure incurred thereon was rendered infructuous.

²⁷ Weight of bags and containers

²⁸ Two quarter guard buildings and three armoury buildings

²⁹ Deputy Directors FPF: Anantnag, Kathua, Srinagar, Udhampur

Besides, the Government also sanctioned (March 2002) purchase of 200 each of Bullet Proof (BP) jackets and helmets for FPF. Test check revealed that against Rs. 43 lakh advanced (April 2002) by Director FPF to DRDO³⁰ for supply of 127 BP jackets and helmets within 8 to 10 weeks, only 127 helmets were received (November 2002). The 127 jackets for which Rs. 41.91 lakh were advanced were reportedly not received (March 2007), due to non-issuance of custom duty exemption certificate by the Union Home Ministry. Out of 127 BP helmets received (November 2002) in stores, only 57 were issued (June 2005) while remaining 70 (cost: Rs. 0.60 lakh) were lying unutilised. Laxity to pursue the supply of BP jackets resulted in blocking of funds of Rs. 41.91 lakh apart from non utilisation of the potential of the Force.

3.2.11 Forest damage cases

The position of illicit felling/damage cases during 2002-03 to 2005-06 is tabulated below.

Table 3.2.2

Year	Opening balance	Additions	Total	Settled	Closing Balance
2002-03	137624	4490	142114	2065	140049
2003-04	140049	4450	144499	2432	142067
2004-05	142067	3580	145647	2586	143061
2005-06	143061	3375	146436	2624	143812

As can be seen from the above table the incidence of illicit felling and consequently the outstanding damage cases increased year after year. The number of unsettled cases rose from 1.38 lakh to 1.44 lakh during the period 2002-03 to 2005-06 indicating slackness on the part of the Department in settling the cases. In reply the PCCF stated (August 2007) that the matter is under consideration of the Department.

The Supreme Court imposed a ban on establishment of band saw mills within eight kms of the forest area. Audit scrutiny revealed that in contravention of Court orders, 464 *band* saw mills out of 481 operating in *Lidder* Forest Division were established within the prohibited area of eight kms which facilitated forest damages. In reply, the DFO, Bijbehara stated (February 2007) that matter would be taken up with higher authorities.

3.2.12 Manpower Management

There were 15,490 posts sanctioned for different cadres in the three wings of the Forest Department against which the effective strength (March 2007) was 15,114 (*Appendix-3.2.2*). Audit observed that the manpower management was irregular as the available staff with the forest territorial wing was deployed in different projects³¹ being managed by the PCCF without any sanctioned staff strength.

³⁰ Defence Research and Development Organisation

³¹ Conservation of Forest Research, Chenab Basin Projects, Shivalik (UJH) Projects, etc.

3.2.12.1 Irregular appointments

Forest Protection Force (FPF) was established (December 1996) on the pattern of Police Force. In order to have trained staff capable of handling arms, communication equipment and for other activities, 1,500 posts of forest guards were created for 30 units. As the Force was to be armed, no posts of watchers were to be created. Audit scrutiny, however, revealed that against the sanctioned posts of 1,500 guards, the Department engaged 696 watchers from time to time up to March 2005 without securing selection/recommendation of competent authority/Service Selection Recruitment Board/Competent authority. This resulted in irregular expenditure of Rs. 6.39 crore³² on pay and allowances of these employees during the period from 2005-06 to 2006-07. The Government stated (September 2007) that an enquiry for ascertaining the responsibility for this irregularity has been ordered.

3.2.13 Internal control

3.2.13.1 Administrative Inspections

In order to exercise check over the use of resources and functioning of the Department, administrative inspection of each subordinate office is required to be conducted annually by the next higher authority. Audit observed that Annual Administrative Inspection of 57 units (out of 108 units) was not conducted by the competent authority for a period of five years (March 2006) indicating laxity in enforcing necessary controls. The PCCF stated (August 2007) that all the Controlling Officers would be directed to be punctual in conducting inspections.

3.2.13.2 Physical verification

Financial rules provide that physical verification of stores is to be conducted at least once a year and discrepancies, if any, noticed should be adjusted in accordance with the financial rules. Physical verification of stores for the last five years had not been conducted in 65 offices (out of 107), which is fraught with the risk of pilferage going undetected. The PCCF replied (August 2007) that CCFs and other Heads of Department of the Forest Department are being directed to adhere to the instructions.

3.2.14 Conclusion

The Forest sector in the State gave a picture of neglect and over exploitation. The objectives of all the three sectors of the Department concerning conservation, protection, and restoration were not achieved. This was due to lack of State specific Forest Policy, non approval of working plans of most of the Forest Divisions and non formulation of projects for afforestation programmes. While a sizable amount of forest land was transferred for non forest purposes, there appeared no determined effort to compensate the loss through formulation and implementation of compensatory afforestation/social forestry projects for which, funds were available. Similarly, there was no noticeable rehabilitation of degraded forests, no check on grazing, forest encroachments were rampant and

³² Calculated at minimum time scale

cases of illicit felling of timber had increased over the years. Mortality rate in the plantations was very high and there was no monitoring of the plants in the nurseries. Instances of loss to the Government were many; reconciliation had not been conducted with the State Forest Corporation to work out the royalty recoverable and there was delay in handing over timber. Payment of idle wages, irregular appointment/ deployment reflected poor manpower management. Forest protection did not receive due priority. The internal control system and monitoring were ineffective.

3.2.15 Recommendations

- The State should formulate a comprehensive State specific Forest Policy.
- Working plans should be formulated encompassing all aspects of protection, preservation, regeneration and afforestation of all divisions. Otherwise the area of degraded forest will match the forest area.
- Projects/schemes should be formulated/implemented for utilisation of compensatory afforestation funds immediately and effectively.
- Service rules and rules governing handling of arms/ammunition in respect of Forest Protection Force should be finalised.
- Encroachment of forest land should be cleared expeditiously.
- Internal controls and monitoring mechanism should be strengthened to ensure development and protection of forests.

Housing and Urban Development Department

(Jammu Development Authority)

3.3 Developmental Activities of Jammu Development Authority

The main objective of promoting and securing planned development of the local area of Jammu City was not achieved due to non-implementation of Master Plans. The developmental projects undertaken in piecemeal and adhoc manner revealed unplanned and unauthorized executions, resulting in time and cost overruns. Inability to identify and demarcate the land and non maintenance of basic records thereof led to land encroachments. Double allotment of land and other built-up assets resulted in loss of revenue. Thus, Jammu Development Authority had largely been unable to achieve its objective of providing quality life to the intended population.

Highlights

- Annual accounts of the Authority were in arrears from 1985-86 onwards. Balance Sheets prepared by external auditors on year to year basis from 2002-03 onwards did not reflect the true and fair view of the assets and liabilities for want of balances of left over years.
(Paragraphs: 3.3.7.1 and 3.3.7.3)
- Non-preparation of Divisional/Zonal plans delayed the implementation of the Master Plan.
(Paragraph: 3.3.8.1)
- Mismanagement in land acquisition for Satellite Township at Sidhra resulted in unfruitful expenditure of Rs.11.86 crore.
(Paragraph: 3.3.9.1)
- Non-allotment of 305 dwelling units out of 550 units constructed for weaker sections of society resulted in idling of Rs. 1.81 crore.
(Paragraph: 3.3.10.3)
- Non-maintenance of property register of built up assets and allotments resulted in double and irregular allotments besides revenue loss of Rs. 2.05 crore.
(Paragraphs: 3.3.14.1 to 3.3.14.3)
- Lack of internal control and monitoring mechanism resulted in non/short realisation of premia and rent of built up assets to the extent of Rs. 56.61 crore.
(Paragraph: 3.3.14.4)

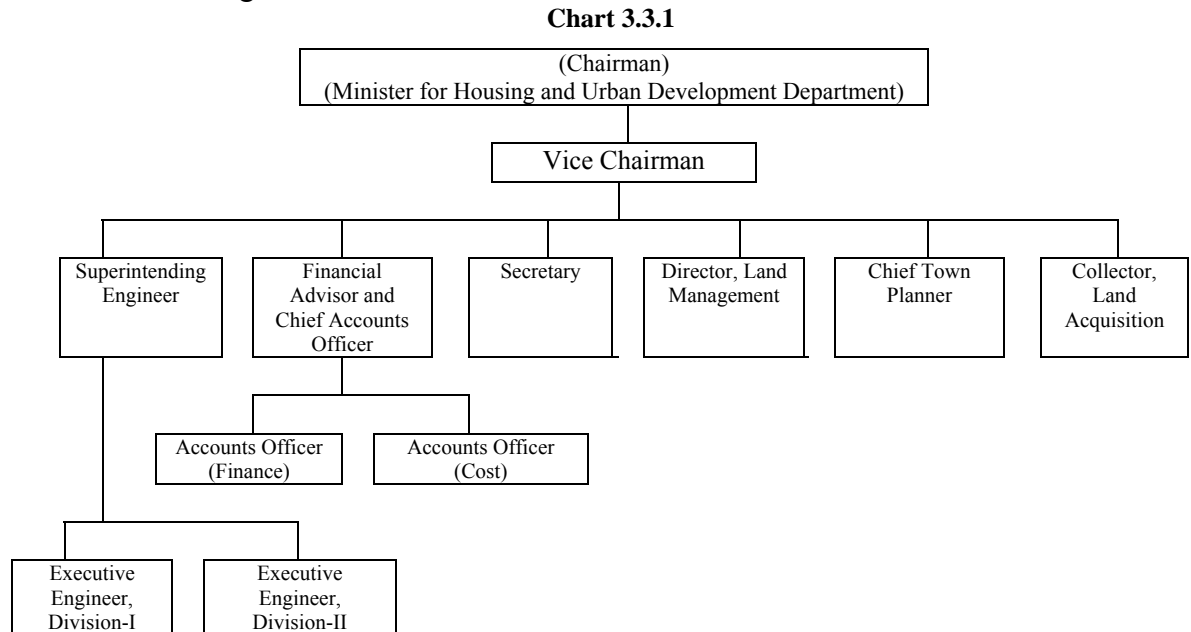
3.3.1 Introduction

The Jammu and Kashmir Government constituted (February 1971) Jammu Development Authority (Authority) in pursuance of Section 3(1) of the Jammu and Kashmir Development Act 1970. The objectives of the Authority are to promote and secure the development of the local area of Jammu city according to the approved Master Plans for which it is vested with powers to acquire, hold, manage and dispose of land and other property and carry out building and engineering operations and execute allied works. The First Master Plan (1974-94)

with a twenty year perspective was approved by the State Government in the year 1979. Another Master Plan (Jammu 2021) prepared in 1999 was approved for implementation by the State Government in August 2004. The plan envisaged development of 28,792 hectares (71,980 *kanals*¹) land for accommodating the projected population of 19.29 lakh by the year 2021 under 10 Divisions in three phases in order of priority outlined in the plan.

3.3.2 Organisational set up

The Organisational set up of the Jammu Development Authority is indicated in the following chart.



3.3.3 Scope of Audit

The performance review of the activities of the Authority was conducted during December 2006 to March 2007 and covers the period 2002-03 to 2006-07. The review has taken into account past developments also, where necessary. The audit was conducted on the basis of a test check of records of five² out of seven Drawing and Disbursing Officers (DDOs) involving an expenditure of Rs. 94.02 crore which forms 97 per cent of the total expenditure of Rs. 97 crore.

3.3.4 Audit Objectives

The performance audit of the Authority was undertaken to assess whether:

- the objectives of setting up the Authority were achieved,
- financial management was efficient and effective,
- short and long term plans for developmental activities were formulated keeping in mind the parameters of efficiency, economy and effectiveness,

¹ *Kanal* is a measure of land area of 5,400 square feet

² Collector Land Acquisition, Director Land Management, Financial Advisor and Chief Accounts Officer (FA&CAO), Executive Engineer Division-I, Executive Engineer Division-II

- land was acquired efficiently and economically for carrying out development in a planned manner,
- policy for disposal of developed infrastructure was transparent and efficient,
- monitoring and internal control system was effective for timely redressal of public grievances.

3.3.5 Audit Criteria

The performance of the Authority was assessed against the following audit criteria:

- Jammu and Kashmir Development Act 1970 and rules framed thereunder.
- Master/Divisional/Zonal and Annual Plans.
- Jammu and Kashmir Financial Rules.
- Decisions of the Board of the Authority.

3.3.6 Audit Methodology

Audit objectives and the criteria were discussed in an entry conference with the Vice Chairman (VC) of the Authority on 30 November 2006. The projects and transactions were selected on simple random sampling basis. The performance review was discussed (6 September 2007) in the exit conference with the Secretary, Housing and Urban Development Department. Replies of the Authority have been incorporated at appropriate places in the report.

Audit Findings

Important points emerging from the performance audit are brought out in the succeeding paragraphs.

3.3.7 Financial Management

3.3.7.1 Non-preparation of Annual Accounts

The Authority, in terms of J&K Development Act and rules made thereunder, was required to prepare annual accounts and submit the same to the Auditor appointed by the Government for certification. The certified accounts alongwith the Audit Reports are required to be presented before the State legislature. The Authority had not prepared its annual accounts for the period 1985-86 to 2001-02. The accounts for 2002-06 were prepared by engaging private auditors on an annual basis. However, these accounts did not reflect a true and fair view of the financial position of the Authority due to non-accountal of balances of assets and liabilities of the previous years. On account of non preparation of annual accounts, the true financial position of the Authority could not be vouchsafed and the possibility of irregularities, frauds etc. remaining undetected cannot be ruled out. The VC intimated (September 2007) that the task being enormous, would take time to complete.

3.3.7.2 Allocation and Expenditure

The main sources of funds for undertaking developmental activities include revenue generated through internal resources (premia and rent of plots and other built up assets), funds provided by the State and Central Governments for State

Plan and Centrally sponsored schemes respectively and loans raised by the Authority. The availability of resources and expenditure incurred during the period 2002-03 to 2006-07 was as under:

Table 3.3.1

(Rupees in crore)

Year	Opening balance	Funds Received from		Internal receipts	Total funds available	Total expenditure	Unspent balance ³	Funds Unutilised (per cent)
		State Government	Central Government					
2002-03	39.20	0.87	2.01	19.19	61.27	16.40	44.87	73
2003-04	44.87	0.29	1.48	16.73	63.37	20.03	43.34	68
2004-05	43.34	1.32	0.47	23.99	69.12	22.03	47.09	68
2005-06	47.09	0.21	0.65	34.62	82.57	22.35	60.22	73
2006-07	60.22	0.60	-	32.39	93.21	16.20	77.01	83

(Source: Figures provided by the Authority)

As can be seen from the above table, utilisation of available funds during the period from 2002-2007 was between 17 and 32 *per cent* only indicating poor financial management. With savings ranging between 68 and 83 *per cent* during the period, obviously the Authority had not carried out a large part of the developmental activities as brought out in the succeeding paragraphs. The reasons for poor utilisation of resources were attributed (September 2007) by the Authority to release of funds at the fag end of each year and that the unspent balances included an amount of Rs. 13.74 crore pledged in fixed deposits on court orders. The contention is not acceptable, as the unspent balance in all the years was more than the expenditure and also much more than what the Authority was supposed to pledge. Further, the unspent balances were much more than the receipts and Authority had sufficient cushion for expenditure instead of allowing funds to remain idle.

3.3.7.3 Unapproved budgetary estimates

The Authority was required to prepare its annual budget estimates indicating its financial plan including the annual works programme for the year and seek approval of Board of Directors (BOD) in February each year before incurring the expenditure. Audit scrutiny revealed that in contravention of rules, the Authority incurred expenditure without approval of annual budgets since 2002-03. The annual budgets for 2002-03 and 2006-07 had not been approved (March 2007), whereas, the budget for 2003-04 to 2005-06 had been approved in January 2007 after the closure of the respective financial years with delays ranging between two to four years. Non approval of the budgets indicates that there was mismanagement with regard to exercising control over receipts and expenditure in a systematic and methodical manner. In reply, the Financial Advisor and Chief Accounts Officer (FA&CAO) stated (April 2007) that instructions had been noted for future and that the approval of BOD would be sought for the budget estimates for 2006-07.

3.3.7.4 Unadjusted advances

All advances including temporary, travelling and miscellaneous should be adjusted in the accounts as soon as possible and not left unadjusted beyond the

³ Includes interest on savings

close of the financial year in which these are paid. It was observed that Rs. 7.31 crore advanced by the Authority during 1994-95 to 2006-07 to its 42 officers/officials had not been adjusted as of March 2007. Out of this amount, Rs. 7.20 crore⁴ was pending adjustment from Collector, Land Acquisition (CLA) and Rs. 11.48 lakh against other officials, most of whom had either been transferred or had retired from service. The Authority had not maintained any Register of Advances to keep a watch over un-adjusted advances before issue of last pay certificates/no demand certificates at the time of their transfer/retirement. Possible misuse of the amounts by the concerned officers/officials cannot, as such, be ruled out. The VC stated (September 2007) that the adjustment of amount paid to CLA for land compensation is pending, as the possession of land is yet to be taken by the Authority and that recovery of amounts from other officials had been initiated (August 2007). The reply regarding adjustment from CLA is not tenable, as the amount had already been disbursed to the land owners and the adjustment accounts should have been obtained from the CLA without waiting for actual land possession.

3.3.8 Long and Short term planning

3.3.8.1 Failure to Implement the Master Plans

The Authority was to have prepared Master/Zonal Plans under the provisions of J&K Development Act to ensure visible and effective development of local area. The implementation of the First Master Plan (1974-94) suffered (only 10-15 *per cent* of proposals were implemented) to a large extent due to non-preparation of Zonal Plans. The current Master Plan envisaged development of 28,792 hectares (71,980 *kanals*) of land for accommodating the projected population of 19.29 lakh by the year 2021 under 10 Divisions⁵ in three⁶ phases in order of priority outlined in the plan. The Plan however had remained a non-starter, due to the inability of the Authority to prepare Divisional/Zonal Plans for any of the 10 Divisional/Zonal Plans under the Master Plan (March 2007) and the developmental activities continued to be executed in a piece-meal and *ad hoc* manner. The VC attributed (September 2007), the delay to inadequate budgetary support, lack of legal backing and lacunae in the Act preventing smooth implementation. The argument is not tenable, as adequate steps should have been taken to enable timely implementation of the Master Plan. The purpose of having a Master Plan for planned development of the local area of Jammu city was thus, defeated.

3.3.9 Acquisition of land

3.3.9.1 Unfruitful investment

The State Government approved (January 1993) development of a new satellite township at Sidhra, to ease population pressure on the old Jammu city. The

⁴ Out of 15 advances on account of Land compensation ranging between Rs 1.64 lakh to Rs 1.40 crore paid during 1994-95 to 2003-04

⁵ Division A to K (except Division I)

⁶ Phase-I (Divisions E & K), Phase-II (Divisions A, B & C) and Phase-III (Divisions D, F, G, H & J)

township was proposed to be developed on a total land area of 19,154 *kanals* and 16 *marlas*⁷ of land which included private, State and forest land. The Authority initiated (1993) acquisition of 5,036 hectares (12,590 *kanals*) of land in three villages of Sidhra, Majeen and Rangoora. The project for development of colony, estimated to cost Rs. 222.83 crore involving land use of 648 hectare (1,620 *kanals*) with completion period of 10 years was approved in April 1997. The project expenditure was to be met from internal resources and loan assistance from Housing and Urban Development Corporation (HUDCO). The project remained a non-starter even after incurring an expenditure of Rs. 11.86 crore between 1994-95 and 2006-07 as discussed below:

The Collector, Land Acquisition (CLA), released (April 1994 to November 2005) land compensation payments of Rs. 7.48 crore to the owners in all the three villages for acquisition of 2,530 *kanals* and nine *marlas* of private land. While title of the land was transferred to the Authority on record, the Authority was not allowed (May 1998) to take over the physical possession of the land by the owners, on the grounds of inadequate compensation. The CLA stated (April 2007) that the land acquired stands transferred in revenue records in the name of the Authority. The reply is not tenable, as transfer of title of land in the name of the Authority without taking physical possession of land is of no consequence as no developmental work was undertaken. The Vice-Chairman stated (September 2007), that the township project had remained a non-starter as the decisions for final action had not been taken by the Government.

Further, in anticipation of administrative approval/technical sanction and even physical possession of private land, the Authority incurred an expenditure of Rs. 2.57 crore on pre-developmental infrastructure of the satellite township on survey work, construction of roads, tube well and police barracks between 1996-97 and 2006-07. In fact the Authority could not utilise the loan amount obtained from HUDCO due to non possession of land. The loan was repaid along with avoidable interest of Rs. 1.81 crore (2000-01). Since the project remained a non-starter (March 2007), investment made had been rendered unfruitful. The VC stated (September 2007), that the barracks, road and tube well were constructed for housing security forces and providing road connectivity and drinking water to the area. The argument is not tenable as the assets created have remained unutilised due to non-development of the satellite township.

3.3.9.2 Avoidable payments of interest

For construction of parking place in Kacchi Chowni area, the Authority entered (August 1996) into an agreement with owners/caretakers of Lakshmi Narayan Dewan Mandir, Jammu for acquisition of six *kanals* of temple land at a compensation of Rupees eight lakh per *kanal*. The rate of compensation was however, subject to approval of Revenue authorities. The Authority without any notification and payment of compensation to owners took over (1996) the land and constructed a parking space. It was observed (January 2007), that non-payment of compensation of the land had resulted in the owners approaching

⁷

Marla is a measure of land area of 272 square feet

the Court of law (March 2006). On the basis of Court decision (January 2007) the Authority apart from compensation had to pay an additional amount of Rs. 55.57 lakh as interest for the delayed period (August 1996 to December 2006). The VC attributed (September 2007) non-payment of compensation to the dispute among the claimants. The argument is not tenable as the Court had directed (December 2006) the Authority to pay the amount of interest as it failed to make timely payment of compensation to the land owners.

3.3.10 Execution of developmental works

Development of housing colonies, built-up flats, commercial, institutional buildings, shops, halls, complexes and parking lots are carried out by the two Executive Engineers under the administrative control of the Superintending Engineer of the Authority. As already discussed in Para 3.3.8.1, the non preparation of Divisional/Zonal Plans for implementation of two Master Plans had resulted in execution of works in an *ad hoc* manner and as such, whatever developmental activities had been undertaken were outside the Master Plans. Audit scrutiny revealed cases of unplanned/unauthorised execution of development works as discussed below:

3.3.10.1 Execution of works without Administrative Approvals (AA) and Technical Sanctions (TS)

The Authority had 75 works costing Rs. 348.37 crore in progress during 2002-07 on which an expenditure of Rs. 100 crore was incurred as of March 2007. 73 out of 75 works (valuing Rs. 340.99 crore) had been taken up departmentally for execution without obtaining AA and TS. Execution of works without AA and TS is fraught with the risk of unauthorised expenditure, revision of estimates, cost and time overruns.

The VC stated (September 2007), that the AA of works had remained in the process of scrutiny and verification at various levels and the same were being re-examined. The argument is not tenable as the execution of the works should have been initiated only after accord of both AA and TS.

3.3.10.2 Unplanned development of Housing Colonies

The Authority took up (1987 to 1996) development of 1,992 plots in three⁸ housing colonies at an estimated cost of Rs. 4.89 crore for completion within a maximum period of one year. The works were undertaken departmentally and the initial cost of the development was borne by the Authority to be subsequently received from the allottees of the plots in the form of premia. The estimates included provision for drinking water, electricity, roads and drainage, etc. Scrutiny of records revealed that despite an expenditure of Rs. 4.76 crore (financial progress of the colonies ranging between 34 and 58 *per cent*) and lapse of 11 to 19 years, the development of the colonies remained incomplete (March 2007). The execution of works had suffered on account of land disputes and encroachments, which forced the Authority to revise (1997) the original

⁸ Bantalab Housing Colony Phase I and II (1987-88/1989-90), EWS Housing Colony Paloura, Phase I, II and IV (1995), EWS Housing colony Udheywala (1992-93/1997)

estimates to Rs. 8.59 crore. The Authority had developed 1,593 plots up to 2005-06, out of which, possession of only 683 plots (43 *per cent*) had been handed over to the allottees as of March 2007. 760 plots were allotted but were not taken possession of, since the basic amenities like water, electricity, sewerage, lanes and drains had not been provided. The remaining 150 plots (10 *per cent*) were lying un-allotted (March 2007). Thus, unplanned execution of housing colonies without clear title of land resulted in cost overrun of Rs. 3.70 crore and time overrun of 9 to 17 years, besides loss of revenue due to non-allotment of developed plots. The VC (September 2007) confirmed the above facts but offered no reasons for initiating the projects without ensuring land free from encumbrances.

3.3.10.3 Idle investment

Valmiki Ambedkar Awas Yojana (VAMBAY) scheme was launched (August 2001) by the GOI with the objective of providing shelter to the people living below poverty line (BPL) in urban slums including members of economically weaker sections (EWS) who do not possess adequate shelter. The expenditure on the scheme was to be shared between the Central and State Government on a 50:50 basis. As per the scheme guidelines, adequate drinking water, sanitation and drainage facilities were to be provided to these dwelling units.

The Authority constructed (December 2004-March 2005) 550⁹ dwelling units under the scheme at a cost of Rs. 3.27 crore but without adequate toilet and drinking water facilities¹⁰. The Authority had allotted only 245 dwelling units (March 2007) constructed at a cost of Rs. 1.46 crore and the remaining 305 units costing Rs. 1.81 crore remained (March 2007) un-allotted due to non-identification of beneficiaries and non-availability of drinking water and toilet facilities. It was further revealed that of the un-allotted units, 150 units were under unauthorized occupation, which had not been vacated as of March 2007. The construction of dwelling units without provision of basic amenities and identification of the beneficiaries and inadequate watch and ward of finished units had resulted in idling of Rs. 1.81 crore. The EE concerned stated (April 2007) that the matter regarding provision of drinking water was being taken up with the PHED and the Chief Khilafwarzi Officer had been requested (April 2007) for getting 150 dwelling units vacated from illegal occupants. However, the VC intimated (September 2007) that 150 units had actually been allotted (2005 and 2006). Since the statement differed with that of the EE, the Authority was asked (September 2007) to clarify the matter and to intimate the exact position but the reply is awaited (September 2007).

⁹ Executive Engineer Division-I (150 units at Rajiv Nagar) in September 2004 for completion within 6 months) and Executive Engineer Division-II (400 units at Khanpur Nagrota in December 2002 for completion within 2 years)

¹⁰ Only two toilet blocks (cost: Rs. 10.50 lakh) against a provision of five blocks (cost: Rs. 28.58 lakh) were constructed. No provision for drinking water was kept in estimates.

3.3.10.4 Encroachment of dwelling units

The Authority, with the approval of Government, took up (1996) construction of 200 dwelling units for people belonging to EWS at Kot Bhalwal, Jammu at an estimated cost of Rs. 1.03 crore for completion within a year. Scrutiny of records revealed (February 2007) that the Authority had been able to construct only 56 dwelling units after incurring an expenditure of Rs. 34.40 lakh ending March 2000. Further, the units constructed were not found suitable for human habitation as no arrangements for basic amenities of electricity, drinking water, and schooling for children, healthcare and shopping complex were provided. Due to non-allotment, the units were occupied by border migrants. The BOD, while taking strong exception (July 2002) to the implementation of the project without ensuring basic facilities, had directed the VC to undertake a thorough inquiry to pinpoint responsibility for wastage of money and to explore the possibility of selling these units to Police Housing Corporation for accommodation of the jail staff of Kot Bhalwal Jail. No action on the directions of Board had been taken (March 2007) and the units continued to be occupied by encroachers thereby rendering the expenditure of Rs. 34.40 lakh unfruitful besides defeating the purpose of construction of these dwelling units. On this being pointed out, the Secretary stated (April 2007) that steps would be taken to get the dwellings vacated from the encroachers.

3.3.10.5 Unfruitful expenditure due to abandonment of works

The Authority undertook construction of a 3-tier parking complex (June 2004), and a shopping complex (August 2005)¹¹, at an estimated cost of Rs. 6.90 crore. The works were abandoned/deferred after incurring an expenditure of Rs. 36.53 lakh up to March 2007 due to land dispute (shopping complex) and absence of feasibility/detailed project report and Government sanction (parking complex). Thus, starting of work without ensuring clear title of land resulted in abandonment of the two projects midway as well as infructuous expenditure of Rs. 36.53 lakh. The EEs concerned confirmed (March and April 2007) the above facts.

3.3.10.6 Irregular payments

For the construction of major projects, works are to be executed at lowest competitive rates after invitation of tenders. It was observed (March 2007) that the civil works of two prestigious buildings i.e. Bahu Plaza-II and Kala Kendra were executed (September 1999 to March 2006) departmentally through piecemeal workers and payment of Rs. 1.17 crore had been made on hand receipts instead of muster rolls. Since the use of hand receipts is permissible only when the use of standard forms is not applicable, payments made on hand receipts were irregular and fraud and misappropriation cannot be ruled out. On this being pointed out, the VC stated (September 2007), that rates paid to piece workers were at par with approved rates of JKPCC. The reply is not tenable as muster roll payments connected to work in progress were not verifiable or vouchsafed.

¹¹

To be completed within six months from commencement

3.3.10.7 Idle investment on tube well

In anticipation of AA/TS the EE Division No-I initiated (1999) construction of one tube well at Rail Head complex, Jammu at an estimated cost of Rs. 16 lakh for providing drinking water facilities in the area. The estimate was subsequently (2004-05) revised to Rs. 72 lakh by including works for construction of over head tank, purchase of machinery, and laying of distribution system. The Authority had incurred an amount of Rs. 15 lakh up to March 2002 on boring of tube well (depth 130 feet below ground level) and entire works covered under the revised estimates were pending (March 2007) due to non-provision of funds. Non-execution of balance works had resulted in idling of the expenditure of Rs. 15 lakh for more than five years besides non provision of drinking water facilities to the people in the area. The EE, stated (April 2007), that the matter would be taken up with the higher authorities for redevelopment of the tube well. Taking up of the work by the EE without AA/TS was irregular.

3.3.11 Land encroachment

The State Government transferred (1973 and 2004), 32,534 hectare (81,334 *kanals*)¹² of land to the Authority for all round development of Jammu city. The Authority had not been able to get the entire land transferred in its name or take the physical possession (March 2007). Land measuring 9,483 *kanals* and valuing approximately Rs. 900.89 crore¹³ in actual possession of the Authority had been encroached upon illegally due to lack of clear demarcation/fencing. Due to non-maintenance of basic records of land transferred by the State, audit could not ascertain the exact quantity of land transferred/physically possessed/demarcated/developed and under encroachment. The Vice-Chairman stated (September 2007) that the encroachment of land could not be vacated due to non-cooperation from the Revenue Department. The argument is not tenable, as the Authority has neither maintained any records of land transferred by the State nor has it been able to have the land demarcated despite lapse of considerable time.

3.3.12 Non-allotment of land patches/strips

The State Government approved (1989) modification of the existing plan of the Roop Nager colony for carving out 74 plots (size 60' x 90') for allotment to VVIPs. While carving out plots, 19 strips/patches of land (size 360 sft to 5,940 sft) came into existence. Scrutiny of records revealed (February 2007) that seven strips/patches (out of 19) were allotted (February 2000 and May 2002) to the plot holders adjacent to these strips and remaining 12 strips/patches (24,390 sft) remained un-allotted. As against a premia of Rs. 8.54 lakh recoverable from the allottees of seven strips, the Authority had received Rs 1.40 lakh only as of March 2007 resulting in loss of Rs. 7.14 lakh. Failure to

¹² Year 1973: 46,932 *kanals* and Year 2004: 34,401 *kanals*

¹³ Calculated at the average rate of Rs.9.50 lakh per *kanal* on the basis of latest notices issued for auction of plots at Roop Nagar Housing Colony at the rate of Rs.13 lakh per *kanal* (highest) and Gole Gujral Colony at the rate of Rs. 6 lakh per *kanal* (lowest)

allot the remaining 12 strips resulted in loss of premia of Rs. 58.72 lakh¹⁴ as of April 2007. On this being pointed out in audit, the VC stated (September 2007) that a fresh survey was under process and action would be taken to recover the balance premium and allotment of vacant strips.

3.3.13 Non-handing over of possession of shops and non-regularisation of un-authorized colonies

- 36 shops at Rail Head Complex Jammu were offered (1974) for allotment to the public. Test check of records revealed that while the possession of 18 shops was handed over (1980 to 1993) to the allottees, the remaining 18 shops had not been handed over as of March 2007. The negligence of the Authority towards its saleable assets for the last over 30 years resulted in potential loss of revenue of Rs. 33.92 lakh on account of recoverable premia¹⁵ (Rs. 27.65 lakh) and rent (Rs. 6.27 lakh), fixed by the Authority from time to time, from the un-allotted shops, located at prime commercial site of Jammu. The VC attributed (September 2007) the reasons for non allotment of 18 shops to the poor location of shops due to which there were no takers for these shops. The argument is not convincing as the Authority was considering construction of a Shopping Mall in the vicinity of the existing shops.
- The State Government had approved (1974, 1989 and 2005) regularisation of 28 un-authorized housing colonies. The regularization was subject to payment of development charges as fixed by the Government. Scrutiny of records revealed (April 2007) that out of a total area of 3,393 *kanals* and two *marlas* of land to be regularised, 1,407 *kanals* and 8 *marlas* (41 *per cent*) were yet to be regularised in these colonies (March 2007). The non-regularisation had resulted in non- realisation of revenue of Rs. 3.28 crore, in respect of 17 colonies (1,140 *kanals*) (*Appendix 3.3.1*), otherwise receivable as development charges as of March 2007. Rates of regularisation in respect of 11 colonies, though called for were not made available to audit. The VC stated (September 2007), that the process of regularisation would be taken on priority to realise the outstanding fees/charges.

3.3.14 Internal control mechanism

The Authority had not evolved any internal control mechanism for conducting internal audit of accounts, administrative inspection of subordinate offices, review meetings, quality control, test check of progress of works at sites, vigilance, checks on receipt and disposal of letters, adjustment of advances, disposal of un-serviceable and obsolete machinery/material and above all, disaster management plan, especially for multi storied buildings. A few deficiencies in the internal control system noticed during audit are discussed below:

¹⁴ Calculated at prevailing (2006-07) market rate of Rs. 13 lakh per *kanal* (60x90) fixed by the Authority in respect of Roop Nagar Colony

¹⁵ Premia for 18 shops: at the rate of Rs. 1,600 per sft for 1,728 sft; Rent for 18 shops: at varying rates from July 1980 to March 2007

3.3.14.1 Non-Maintenance of basic records

The Authority had not maintained basic records (Land Register, etc.) of land actually acquired, vacant land, land developed, etc. As a result, the factual position of fixed assets of land was not ascertainable. Similarly, Register of Assets containing details of total number of residential plots, flats, shops, commercial complexes, halls and parking lots developed within the local area had not been maintained. In its absence, audit could not ascertain the position of assets created, allotted/sold and lying unsold at the close of March 2007. Non-maintenance of records is fraught with chances of double, irregular and preferential allotment of created assets. The VC intimated (September 2007) that necessary land records would be maintained in future.

3.3.14.2 Double Allotment of plots

Test check of allotment files of Roop Nagar housing colony revealed that five¹⁶ plots allotted and handed over in 1986 (1-plot), 1988 (1-plot) and 1997 (3-plots) were again allotted to other applicants during 1997 (1-plot) and 2006 (4-plots) resulting in double allotment of plots. Allotment of same plot to two different applicants could have been avoided had a property register of assets containing dates of allotment and particulars of allottees been maintained by the allotment wing. This not only resulted in denial of plots to the genuine allottees but also creation of liability for arranging alternate plots for the subsequent allottees. The VC admitted (September 2007) that problem of double allotments had arisen due to non-maintenance of basic records of allotments.

3.3.14.3 Double Allotment of shops

In accordance with the State Government's decision (May 1987) to shift transport related business from Warehouse, Old Transport Yard, Nehru Market to New Transport Nagar, the allottees of 28 shops at Warehouse were allotted (April 1991 to October 1993) alternate shops at New Transport Nagar, Jammu. The allotment was made on the condition that the old shops would be vacated by them within seven days of completion of construction of shops at the new place. However, the allottees after taking possession of new shops, instead of vacating old shops approached the Courts (1997) for continuation of possession of shops at old place. The petition was dismissed (February 1997) by the Court and a subsequent petition in Hon'ble High Court was also dismissed (August 1999). Audit scrutiny revealed (February 2007) that despite Court directions, the Authority failed to retrieve the possession of the old shops (March 2007). The non-vacation of old shops resulted in loss of Rs. 2.05 crore¹⁷ to the Authority on account of premia, otherwise receivable from auction of these shops. The Vice-Chairman stated (September 2007) that the process of cancellation/eviction of shops and their re-allotment was under process.

¹⁶ Plot No's: N-9/3, 251/9, N-13/4,140/9 and 121/9

¹⁷ Calculated at Minimum Reserve Price of Rs. 3,000/- per sq ft (fixed by the Authority (January 2007) for 28 shops (13 shops of 260 sft, 10 shops of 235 sft, 4 shops of 184 sft and 1 shop of 358 sft.)

3.3.14.4 Non realisation of revenue

Test check of records of the Secretary and the Director Land Management (DLM) revealed that huge arrears of revenue amounting to Rs. 56.61 crore remained unrecovered as of March 2007 as per details given below:-

- Even after having a full fledged recovery wing functioning under the DLM, arrears on account of rent to the extent of Rs. 8.16 crore pertaining to period from April 1996 to March 2007 were outstanding against the allottees of commercial sites, buildings, shops, institutions, halls, shopping centres and transport yards, etc. as of March 2007. Similarly, an amount of Rs. 48.02 crore was receivable on account of premia of the allotted assets (plots/shops/commercial and institutional sites/flats) as of March 2007. The Authority stated (March/April 2007) that notices for recovery of outstanding rent had been issued (March 2007) to the respective allottees and that steps would be taken to recover the outstanding premium.
- The Authority (November 2004) enhanced the rate of rent of let out property in case of two allottees¹⁸. Audit scrutiny revealed that the Authority, in both the cases, instead of recovering the rent at enhanced rates continued to recover the rent at pre-revised rates, resulting in short recovery of Rs. 42.89 lakh (Rs. 14.91 lakh and Rs. 27.98 lakh respectively) as of March 2007. On this being pointed out, the Director Land Management stated (April 2007) that steps would be taken to set the discrepancy right.

The VC intimated (September 2007) that an amount of Rs 2.57 crore only, was to be recovered by the DLM section on account of arrears of rent. However, during the exit conference, audit pointed out that the amount of Rs 56.61 crore included unrecovered premia from shops/plots/flats and commercial institutions etc. The VC agreed to ascertain the factual position.

3.3.14.5 Inaction on cases of Irregular allotments

The Authority had constituted (January 2005) an enquiry committee for verification of genuineness of the allottees of plots in different housing colonies. The committee had reported (March 2006) 148 cases of allotments made in violation of allotment norms¹⁹ and had recommended cancellation of these allotments. Audit scrutiny revealed (February 2007) that despite lapse of considerable time, the Authority had not cancelled any allotment. In reply to audit query, the Secretary stated (April 2007) that cancellation of allotments were being made after verification of factual position which is not tenable as steps for cancellation should have been taken immediately after receipt of recommendations. However, the VC stated (September 2007) that there were 273 cases of irregular allotments out of which, 158 cases shall be regularized on case to case basis.

¹⁸ Jammu and Kashmir Bank Limited, Gandhi Plaza, Gandhi Nagar, Jammu and M/S Bharati Cellular Ltd. (Airtel)

¹⁹ Allotment by draw of lots/auction. Submission/verification of requisite documents like Permanent Resident Certificate, Income certificate, Certificate to the effect that the applicant does not own any house/plot in his name

3.3.14.6 Non-establishment of monitoring cell

In accordance with the provisions of Master Plan 2001-2021, the Authority was required (August 2004) to establish a monitoring cell for monitoring various developmental activities and exercising supervisory controls on the basis of the feedback obtained from people and on the spot inspection of respective sections by the functionaries of the Authority. No such monitoring cell had been set up so far. The Secretary stated (April 2007) that it was not set up due to the absence of divisional/zonal plans.

The Chairman of the Authority, in the meeting of the Board of Directors (January 2005), had passed orders for submission of month-wise data on disposal of public grievance cases etc. within one month, to the Board of Directors. Audit observed (February 2007), that neither any mechanism was evolved for registration and disposal of public grievances nor any complaint cell created. The Secretary assured (April 2007) that steps would be taken to establish public grievance cell for speedy redressal of public grievances.

3.3.15 Conclusion

The Authority, which was established for planned development of the city and to improve the quality of life of its inhabitants, failed to achieve its objectives to a large extent. It neither planned nor prioritised its operations as is evidenced in non-preparation of detailed plans at micro level, resulting in execution of unplanned, piecemeal and *ad hoc* projects. Works were taken up in anticipation of administrative approval and technical sanction and without acquisition of land, Survey etc. Consequently, the projects were either abandoned midway or stretched beyond stipulated completion periods resulting in time/cost overruns, unauthorized, irregular, avoidable, wasteful, unfruitful/idle investments. The Authority lacked focus and direction, which was reflected in non-maintenance of basic records of developed assets and their disposal, resulting in double and irregular allotments besides loss of revenue. Similarly, non-existence of internal control mechanism deprived the Authority of an effective tool of monitoring its performance. Non-existence of a public grievance redressal mechanism was indicative of the lack of seriousness of the Authority in handling its mandate.

3.3.16 Recommendations

- Compilation and preparation of annual accounts since 1985-86 should be done on priority. Budget should be prepared and approved before the commencement of financial year.
- The Authority should prepare divisional/zonal plans for execution of projects as outlined in the approved Master Plan 2001-2021.
- Execution of works/schemes should be taken up after obtaining requisite approvals and ensuring acquisition of land free from encumbrances.
- Basic records of land and other assets should be maintained for keeping proper inventory. Area-wise and colony-wise allotment records should be maintained for disposal of assets in a systematic and transparent manner.
- A separate cell for Public grievance and Citizens charter should be established.
- Effective internal control and monitoring mechanism should be put in place.

Public Health Engineering Department

3.4 Accelerated Rural Water Supply Programme (ARWSP)

Accelerated Rural Water Supply Programme was introduced in 1972-73 with cent per cent grants-in-aid from the GOI with the objective of ensuring safe drinking water to all rural habitations. The extent of achievement of programme objectives ranged between 3 and 48 per cent. Most of the schemes could not be completed due to poor planning, delayed release of funds and lack of internal control mechanism. Implementation of programme also suffered due to incurring of unfruitful expenditure, idle investments and diversion of funds.

Highlights

- **The State lost Central Assistance of Rs. 41.51 crore due to shortfall in its matching share under Minimum Needs Programme (MNP) and excessive closing balance.**
(Paragraph: 3.4.7.2)
- **Financial liability of Rs. 3.81 crore was created due to execution of works without availability of funds.**
(Paragraph: 3.4.7.5)
- **Incomplete water supply schemes were to be prioritised over New Schemes to avoid delay and cost overrun. There was cost escalation of Rs. 91.57 lakh due to non-prioritisation.**
(Paragraph: 3.4.8.3)
- **Inspite of additional funding of Rs. 72.71 crore, there was shortfall in coverage of ‘Not Covered’ (NC) and ‘Partially Covered’ (PC) habitations which ranged between 52 to 91 and 44 to 97 per cent respectively during 2002-07.**
(Paragraph: 3.4.9.1)
- **Unplanned execution of 23 water supply schemes without identifying source etc. resulted in idle/unfruitful expenditure of Rs. 12.26 crore.**
(Paragraph: 3.4.9.3)
- **Failure of Government in providing matching share delayed completion of schemes under “Kandi Action Plan” resulting in idle investment of Rs. 37.27 crore.**
(Paragraph: 3.4.11)

3.4.1 Introduction

In order to accelerate the pace of coverage of rural villages with safe drinking water, the GOI introduced the Accelerated Rural Water Supply Programme (ARWSP) in 1972-73 to supplement the ongoing efforts of the State Governments with *cent per cent* grants-in-aid. In 1986, the programme was given a mission approach with the creation of National Drinking Water Mission (NDWM), which was rechristened as Rajiv Gandhi Drinking Water Mission in 1991. Since the continued implementation of programme could not achieve envisaged objectives

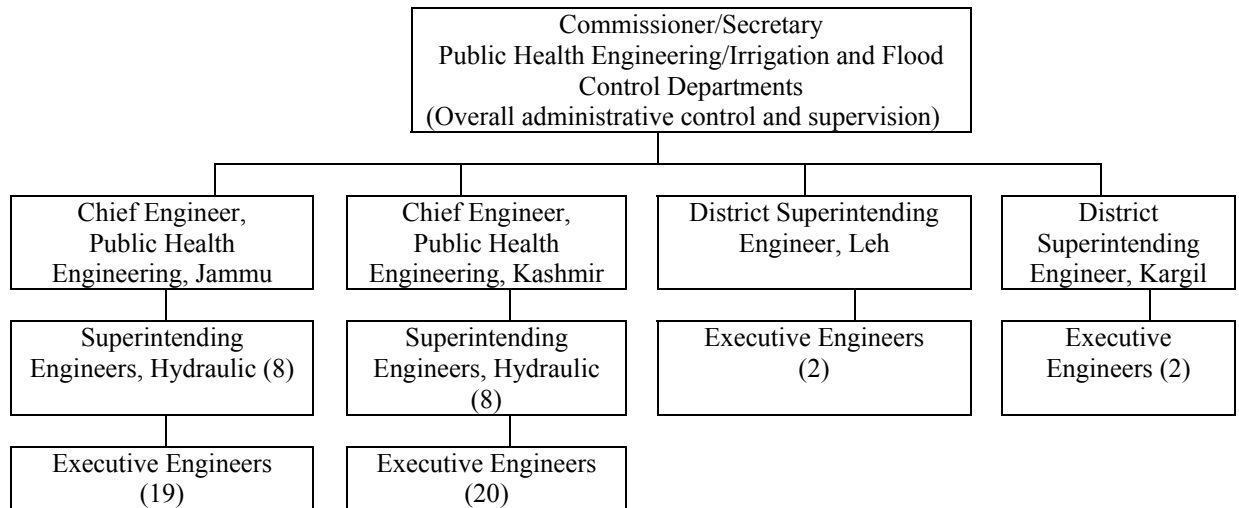
due to inadequate funds and surfacing of ‘not covered’ habitations, the programme was further revamped in the year 2000 for implementation under ARWSP-Normal programme and its Sub-Missions, ARWSP-DDP¹ Areas, Special assistance i.e. Prime Minister’s Package under Kandi Action Plan and other support services with the following objectives:-

- Ensure coverage of all rural habitations, especially to reach the unreached with access to safe drinking water;
- Ensure sustainability of the systems and sources; and
- Preserve the quality of water by institutionalising water quality, monitoring and surveillance through a Catchment Area Approach.

3.4.2 Organisational set up

Organisational set up for implementation of the programme in the State was as under:

Chart 3.4.1



3.4.3 Scope of Audit

Implementation of ARWSP covering the period 2002-03 to 2006-2007 was reviewed during August 2006 to March 2007. Records of the Administrative Department, two provincial Chief Engineers (CEs) and twelve out of 43 implementing Divisions were test checked, covering 26 per cent (Rs. 210.32 crore) out of the total expenditure of Rs. 807.36 crore.

3.4.4 Audit Objectives

The review of the programme was conducted to assess whether:

- Projects under ARWSP were formulated in conformity with programme guidelines and implemented in an efficient, economical and effective manner.
- Coverage of all rural habitations including SC/ST population, sustainability of systems and sources and preservation of quality of water, have been ensured.

¹ Accelerated Rural Water Supply Programme-Desert Development Programme

- There were avoidable delays in completion of schemes resulting in cost overruns, diversion outside the scope of the programme and improper, wasteful and unfruitful expenditure.
- The implementation of the programme was monitored and evaluated as envisaged in guidelines.
- Adequate internal control mechanism was in place.

3.4.5 Audit Criteria

Performance of the programme was assessed against the following audit criteria:-

- Guidelines for implementation of ARWSP
- Annual Action Plans
- Project Reports
- Budget Speech relevant to programme implementation
- Delegation of financial powers
- Prescribed quality assurance norms for drinking water.

3.4.6 Audit Methodology

Performance audit of implementation of ARWSP was conducted by examination of records of implementing divisions selected on random sampling basis keeping in view the number of water supply schemes involved and risk analysis of expenditure incurred. Entry conference was held (January 2007) with the Commissioner/Secretary PHE Department, wherein the audit objectives were discussed. The audit findings were discussed in the exit conference held on 7 September 2007 with the Commissioner Secretary and the replies of the Department have been appropriately incorporated in the review.

Audit Findings

The important points noticed during the course of review are discussed in the succeeding paragraphs.

3.4.7 Financial Management

3.4.7.1 Allocation and Expenditure

While *cent per cent* assistance (excluding the assistance for Desert Development Programme under the scheme) for implementation of ARWSP and its support services² is provided to the States by the GOI, matching contribution is required to be made by the State under Minimum Needs Programme (MNP), Sub-Mission schemes³ and other activities⁴ under ARWSP are funded on 75:25 and 50:50 sharing basis between Central and State Governments respectively. The year-wise position of availability of GOI funds and the expenditure incurred thereagainst by the Department during 2002-2007 was as under:

² Water Quality Monitoring, Research and Development, Management Information System, Human Resource Development, Information Education Communication

³ Quality control of drinking water, solar photovoltaic pumping system and water harvesting structures

⁴ Purchase of Rigs, water supply to schools, monitoring and investigation units.

Table 3.4.1

(Rupees in crore)

Year	Opening balance	Funds released by the GOI during the year	Total available funds	Expenditure incurred	Closing balance (Savings)	Percentage of savings of funds
2002-03	4.43	111.96	116.39	61.21	55.18	47
2003-04	54.89*	128.51	183.40	145.69	37.71	21
2004-05	37.71	128.34	166.05	132.62	33.43	20
2005-06	31.68*	236.71	268.39	193.38	75.01	28
2006-07	75.01	232.07	307.08	274.46	32.62	11
Total	-	837.59#	1,041.31	807.36	-	

*Unexplained variation (Source: utilisation certificates, expenditure figures of the department)

#Includes funds for DDP: Rs. 4.99 crore, Natural Calamity: Rs. 16.81 crore and Rs. 72.71 crore as additional funds

It is thus obvious that availability of funds was not a constraint to programme implementation as savings ranged between 11 and 47 *per cent* during the years 2002-07. Underutilisation of funds was attributed by the Administrative Department to delay in their release by the Finance Department. The reply is not acceptable as savings were always available with the Department at the beginning of the financial year.

In order to speed up the implementation of the programme, the GOI guidelines envisaged release of funds to implementing agencies within 15 days from their receipt by the State Government. Audit observed delays ranging between 30 and 210 days in release of funds by the Department during 2002-2007 as tabulated below:

Table 3.4.2

(Rupees in crore)

Year	Amount released by GOI		Amount released by State Government		Delay (days)
	Amount	Date of release	Amount	Date of release	
2002-2003	111.96	10.5.2002 to 18.11.2002	61.93	3.7.2002 to 30.1.2003	38 to 156
2003-2004	128.51	16.07.2003 to 25.3.2004	72.97	5.9.2003 to 19.10.2004	30 to 209
2004-2005	128.34	21.6.2004 to 11.1.2005	127.72	6.8.2004 to 29.3.2005	30 to 126
2005-2006	236.71	25.5.2005 to 27.12.2005	197.37	20.7.2005 to 6.1.2006	36 to 210
2006-2007	232.07	24.5.2006 to 22.3.2007	208.93	31.7.2006 to 30.3.2007	53 to 127
Total	837.59		668.92		

(Source: UCs, Release orders (GOI, Administrative Department))

Delayed releases resulted in not only non-utilisation of programme funds, but, also slowed down the implementation of the programme. Test check of the records of three divisions⁵ revealed that eight schemes had not been completed due to non-utilisation of funds released for these schemes. The Principal Secretary, PHE Department attributed (September 2007) the delay to late authorisation of funds by the Finance Department. The reply is not tenable, as the delay occurred in the Finance as well as the PHE Department.

⁵ Doda, Kathua and Udhampur

3.4.7.2 Loss of Central Assistance

Shortfall in release of matching share by the State for MNP under the State Sector and unspent closing balances carried forward in excess of 15 *per cent* of total allocation for the year upto March 2005 and 10 *per cent* thereafter, resulted in deduction of Rs. 41.51 crore⁶ by the GOI from final instalments released during 2002-07. Thus, poor management of ARWSP funds not only caused a set back to the implementation of the programme but also deprived the rural areas of the State of safe drinking water. The Government stated (April 2007) that no cut other than Rs. 29.56 crore (2006-07) has been imposed by the GOI. The reply is not acceptable as it is not based on facts.

3.4.7.3 Diversion of funds earmarked for SC/ST population

The programme guidelines envisaged earmarking 35 *per cent* ARWSP funds for providing drinking water to SC/ST habitations (25 *per cent* for SC and 10 *per cent* for ST). Contrary to this, the Department utilised only 18.18 *per cent* (Rs. 146.81 crore) of the total expenditure of Rs. 807.36 crore on providing drinking water to SC/ST habitations, thereby causing diversion of 16.82 *per cent* funds (Rs. 135.77 crore) to other schemes meant for general category population. Similarly, the expenditure under MNP was only 16.59 *per cent* against the SC/ST requirement of 35 *per cent* which was also far from satisfactory. The Department stated (April 2007) that population of SC/ST and general category was mixed and the schemes were designed accordingly to provide drinking water facility to all. The reply contradicted the figures intimated to the Central Government, regarding expenditure incurred and SC/ST population covered, through utilisation certificates at the end of each year. The population of SC/ST was neither indicated in any of the projects or schemes test checked, nor separate records maintained to monitor expenditure incurred on providing drinking water to SC/ST population. Also the State Government had not intimated the GOI at the project formulation stage or later, about the people belonging to general and SC/ST categories being indistinguishable.

3.4.7.4 Overstatement of Matching Grant under MNP

An amount of Rs. 815.79 crore (excluding funds of Rs. 4.99 crore for DDP and Rs. 16.81 crore for Natural Calamity) was released by the GOI during 2002-07 under ARWSP. The State Government instead of providing *cent per cent* matching grant under State Sector MNP, released only Rs. 482.30 crore. Further, the expenditure under MNP also included routine administrative charges of the Department amounting to Rs. 233.59 crore, reducing the State share effectively to only Rs. 248.71 crore⁷. Reason for short release of matching grants was attributed by the Government (September 2007) to constraint of resources.

⁶ Shortfall under MNP: 2002-03: Rs. 11.60 crore, 2003-04: Rs. 0.33 crore, 2004-05: Rs. 0.02 crore and excess carry forward; 2006-07: Rs. 29.56 crore.

⁷ Rs. 482.30 crore - Rs. 233.59 crore = Rs. 248.71 crore

3.4.7.5 Financial liability

As per the J&K State Financial Rules, no work should be taken up until funds to cover the charge for the year have been provided. Test check of records of the Executive Engineer (EE), PHE Division, Kathua revealed (January 2007) that 35 schemes costing Rs. 5.65 crore were executed (2004-2005) under Kandi Area Action Plan (under ARWSP) without availability of funds. Subsequently, funds amounting to Rs. 1.84 crore were provided during 2006-2007 and the liability was reduced to Rs. 3.81 crore. The EE stated (February 2007) that the creation of such liability was communicated to the Superintending Engineer (SE) and balance funds to clear the same were awaited. The Government stated (September 2007) that no schemes were taken up in anticipation of funds. The reply is not tenable as it is not borne out by the facts and contradicts the statement of the EE.

3.4.7.6 Irregular release of funds

Audit scrutiny revealed that against eleven schemes⁸ (six Divisions) approved for execution during 2006-07 at an estimated cost Rs. 5.60 crore, the Department released (July 2006) Rs. 19.71 crore for 40 schemes, out of which 29 schemes costing Rs. 14.11 crore were not approved in the annual programme.

3.4.7.7 Rush of expenditure

State Financial rules provide that expenditure should be incurred evenly throughout the year. In nine out of 12 test checked Divisions, the expenditure incurred during last quarter of the years 2003-2007 ranged between 52 and 63 *per cent*. In the month of March every year, the percentage of expenditure ranged between 30 and 47 as tabulated below:

Table 3.4.3

(Rupees in crore)

Year	Total Expenditure	Expenditure during the last quarter (percentage)	Expenditure in the month of March (percentage)
2003-04	37.79	23.65 (63)	17.84 (47)
2004-05	34.78	18.42 (53)	10.44 (30)
2005-06	49.34	26.39 (53)	19.11 (39)
2006-07	71.42	37.36 (52)	31.06 (43)

(Source: Expenditure Statements of Divisions)

Rush of expenditure at the fag end of each year was attributed to belated release of funds which indicates failure of Department to regulate timely flow of funds causing financial indiscipline, besides affecting the implementation of programme.

3.4.7.8 Irregular parking of funds under deposits

To avoid lapse of funds, the EE, PHE Division (Civil), Kathua advanced (March 2004) Rs. 75 lakh, for mechanical works of schemes, to the EE, PHE Mechanical Division, Kathua. The Mechanical Division spent Rs. 8.70 lakh and refunded (December 2004) Rs. 66.30 lakh to the EE, PHE (Civil), Kathua who

⁸ WSS: Karewa Juddi, Rampathri (PHE Shopian); WSS: Bajwaim Tral, Karduck Laroo (PHE Awantipora); WSS: Paddar Gund/Bunger Gund, Sonmulla Tulwari, Vodhporar (PHE Handwara); WSS: Kangan Wudda, Wandhama Sainik School (PHE Ganderbal-Rural); WSS: Syed Samleh Khansahib (PHE Budgam); WSS: Brampathri Baldora (PHE Chadoora)

credited (December 2004) the amount to Deposits. Out of this, Rs. 35.10 lakh had been utilised (January 2007) on the execution of the schemes and balance Rs. 31.20 lakh was still parked under deposits. The EE replied (February 2007) that the available funds shall be utilised on procurement of machinery/material to be used for ARWSP schemes.

3.4.8 Project formulation and planning

3.4.8.1 Defective planning under Desert Development Programme (DDP)

Norms for providing potable drinking water envisaged provision of 40 LPCD⁹ for human beings and 30 LPCD for animals. The norms also include one hand pump or stand post (12 litre per minute out put) for every 250 persons and availability of water source in the habitations within 1.6 kilometres in the plains and 100 metre elevation in hilly areas in the mission statement under ARWSP. It was observed that in case of water supply to human beings, the project reports were devised as per norms. However, these reports did not contain any provision of water to animals and installation of hand pumps/public stand posts, indicating flawed planning in project formulation by the Department. No reasons were assigned.

3.4.8.2 Non-preparation/non-prioritisation of schemes

To provide definite direction to the programme and to ensure timely monitoring of implementation, Annual Action Plans (AAPs) were required to be prepared six months before the commencement of the year on the basis of shelf of water supply schemes for submission to the Rajiv Gandhi National Drinking Water Mission. Audit observed that during the period under review, the Department neither prepared shelf of schemes nor submitted AAPs as required. The schemes were taken up without proper survey and planning resulting in inadequate scoping and revision of costs.

Similarly, prioritisation in coverage of 'No Safe Source' and upgradation (less than 40 to 40 LPCD) of safe source habitations exclusively inhabited by SC/ST population was to be ensured. Scrutiny revealed that the Department had not prioritised the areas though provided in the guidelines. The Government stated (September 2007) that the schemes were prioritised on the basis of scarcity of water in NC/PC¹⁰ areas and that funds are not earmarked for SC/ST population as the population is mixed in all habitations unlike other states.

3.4.8.3 Non-prioritisation of incomplete schemes

Priority was to be accorded to completion of incomplete schemes over new ones to ensure timely completion and contain cost escalation.

AAPs for 2006-07 indicated that 484 (85 *per cent*) schemes (estimated cost: Rs. 398.42 crore), out of 569 schemes (estimated cost: Rs. 402.57 crore) taken up under Phase-IV of the programme upto 2003-04 to be completed within the envisaged period of three years, were incomplete as of March 2007 necessitating

⁹ Litre per capita per day

¹⁰ NC: Not Covered, PC: Partially Covered

revision of the cost estimates of the schemes to Rs. 489.99 crore, resulting in cost over run of Rs. 91.57 crore. Further, instead of ensuring completion of these schemes, the Department released (July/August 2006) Rs. 19.56 crore for taking up 50 new unapproved schemes which were not envisaged under the scheme and taken up for execution on the recommendations of local MLAs. Thus, faulty planning of the Department resulted in denying provision of adequate drinking water to 1,552 out of 2,064 rural habitations, besides cost escalation of Rs. 91.57 crore as tabulated below:-

Table 3.4.4

(Rupees in crore)

	Number of incomplete schemes	Coverage (Habitations)	Estimated cost (original)	Estimated cost (Revised)	Escalation in cost
PHE Kashmir	165	788	185.96	192.58	6.62
PHE Jammu	319	764	212.46	297.41	84.95
Total	484	1,552	398.42	489.99	91.57

(Source: Action plans, progress reports)

In addition, Rs. 11.78 crore were released (October 2006) for taking up 28 water supply schemes in Kashmir region, for which detailed survey reports, project reports were yet to be prepared and approved. The Department stated (April 2007) that new schemes were approved on the recommendations of MLAs whereas no reasons were assigned for taking up schemes in anticipation of Detailed Project Reports. The Government however, stated (September 2007) that the new schemes were taken up in certain areas facing grave scarcity of water. The argument is not tenable and is indicative of flawed planning as detailed project reports were to be prepared after proper survey and got approved.

3.4.8.4 Formulation of projects with inadequate data

As per the guidelines, AAPs should indicate the targets of coverage of NC/PC habitations with their names, block, district, etc. with reference to serial number from survey lists, population to be benefited (SC/ST separately) and whether habitations should be covered fully or partially. Though the annual targets for NC/PC habitations were fixed, yet the proposals submitted by the implementing Divisions did not contain this vital supporting information which is indicative of defective planning.

3.4.8.5 Non-involvement of Women and Panchayati Raj Institutions (PRIs)

Participation of women and PRIs at all stages of implementation of the programme is mandatory as per guidelines. Scrutiny of records revealed that women or PRIs were not involved at any stage of the implementation of the programme. The Department replied (April 2007) that since there was partial implementation of Panchayati Raj System in the State, the Panchayats could not be involved and that women representatives would be co-opted in future.

3.4.9 Programme Implementation

3.4.9.1 Shortfall in achievement of targets

As per Comprehensive Action Plan (CAP) 1999, there were 11,184 problem habitations in the State, out of which 5,899 habitations (53 per cent) were fully covered (FC)¹¹, 3,576 habitations (32 per cent) partially covered (PC) and the remaining 1,709 habitations (15 per cent) were not covered (NC) as on 1 April 2002. However, as per survey conducted in 2003 the status of 1,629 habitations which were initially fully covered were classified as PC (224) and NC (1,405) due to drying up of sources, unprecedented floods and increase in population. Scrutiny revealed that the position of coverage of NC/PC (including re-classified ones) habitations did not improve despite grant of additional fund of Rs. 72.71 crore under the programme during the period 2002-2007 for NC/PC habitations as there was huge shortfall ranging between 52 to 91 and 44 to 97 per cent in respect of coverage of NC and PC habitations respectively as tabulated below:-

Table 3.4.5

Year	Target ¹²			Achievements			Percentage of shortfall	
	NC	PC	Total	NC	PC	Total	NC	PC
2002-03	850	1644	2494	409	67	476	52	96
2003-04	1511	3476	4987	208	95	303	86	97
2004-05	1300	1300	2600	117	223	340	91	83
2005-06	330	1251	1581	65	368	433	80	71
2006-07	203	800	1003	89	452	541	56	44

(Source: Target/Achievement File/Notings)

Thus, the coverage of NC and PC habitations was far from satisfactory which indicated failure of the Department to provide drinking water to the needy. The Department attributed (September 2007) shortfall in achievement of targets to non-provision of matching State share. The contention of the Department is not tenable considering its inability to utilise the available funds as borne out by huge savings year after year.

3.4.9.2 Cost overrun

Programme guidelines envisage completion of schemes within 3 years and a certificate that no scheme was incomplete, to be furnished with the proposal for release of the second instalment by the Central Government. Scrutiny revealed that completion certificates furnished by the State Government were not factual because 73 per cent schemes taken up more than three years back in six¹³ implementing Divisions, were incomplete as of March 2006. Besides, out of 345 schemes executed between 2002-06 only 33 schemes (10 per cent) could be completed within the stipulated period and there was delay of one to four years in

¹¹ Not Covered (NC): The habitations where drinking water source/point does not exist within 1.6 kms. in plains or 100 metre in hilly areas; Partially Covered (PC): Habitations having safe drinking water/source/point with capacity ranging from 10 to 40 LPCD; Fully Covered (FC): Other habitations not covered in above (NC and PC)

¹² Targets include left over habitations of the previous year

¹³ PHE Divisions: Akhnoor, Budgam, Doda, Kathua, Reasi and Samba

remaining 312 schemes (59 schemes completed and 253 in progress) ending December 2006. Inordinate delay in completion of the schemes resulted in cost overrun of Rs. 5.20 crore relating to 44 schemes (six schemes completed and 38 ongoing). The delay was attributed (September 2007) by the EEs/Government to various factors like escalation in cost of material/labour, change in proposals and delay in release of funds by the State/GOI. The reply is not tenable as the Government had sufficient programme funds at the close of each year, which could be utilised fruitfully.

3.4.9.3 Idle/unfruitful investment

Scrutiny revealed that 23 Water Supply Schemes (*Appendix-3.4.1*) taken up for execution (1999-05) by 10 Divisions¹⁴ at an estimated cost of Rs. 13.08 crore were not completed due to non-development of source (17 schemes), depletion of source (4 schemes), land dispute and price escalation (two schemes), resulting in unfruitful expenditure of Rs. 9.54 crore and idle investment of Rs. 2.72 crore with consequent non-coverage of 77 habitations.

The Government stated (September 2007) that there is no unplanned execution now as development of source is the first consideration and that, instructions have been issued for ensuring sustainability/development of source as first charge and incurring expenditure on schemes, which are free from dispute.

3.4.9.4 Extra cost due to unplanned execution

A network of schemes under ARWSP was to be laid as per approved plan and any change in design of the plan was to be reported to the State Government/GOI. Scrutiny revealed that against the approved quantity of 21,198 metres for laying of pipes, (estimated to cost Rs. 36 lakh) 34,090 metres of pipes were actually laid at a cost of Rs. 57 lakh by EE, PHE Division, Doda, while executing network system of Water Supply Schemes Karora Parri and Humbal during 2005-06. Laying of distribution network far in excess of approved quantities resulted in extra expenditure of Rs. 21 lakh and consequent exhaustion of funds for the scheme. The laying of extra pipes was attributed to increase in length of pipes required to cover scattered areas of the scheme. Failure of the Department to conduct proper survey for assessment of material (pipe) required for the schemes resulted in extra expenditure and non-completion of the scheme. On this being pointed out, the EE stated (March 2007) that the population of the villages, residing at higher contours, had settled in scattered locations in safer places down site due to militancy, necessitating change in line plan. The fact, however, remains that approval for change in design of the distribution network was not obtained by the EE as per guidelines.

3.4.9.5 Diversion of funds

Funds aggregating Rs. 11.66 crore were diverted and misutilised for execution of works outside the scope of the programme by two CEs and four EEs during 2002-07. As a result of misutilisation of ARWSP funds, the rural inhabitants for

¹⁴

Akhnoor, Budgam, Doda, Kathua, Kishtwar, Leh, Poonch, Reasi, Samba, Shopian

whom the scheme is meant, were deprived of potable drinking water facilities to the extent that could have been achieved by spending the amount so misutilised. The EEs attributed (September 2006/March 2007) this to non-availability of funds under normal grants (two Divisions¹⁵) and action being taken on direction of the Minister (one Division¹⁶). The Chief Engineer, PHE Department, Kashmir stated (March 2007) that the scheme was approved by the Administrative Department. The reply is not tenable as these schemes were outside the purview of the programme guidelines. The EE, Ground Water and Drilling Division, Srinagar did not furnish any reply.

3.4.9.6 Irregular expenditure

Programme guidelines envisage execution of schemes as per approved AAP. Scrutiny revealed that PHE Divisions Akhnoor and Kathua incurred expenditure of Rs. 33 lakh on dismantling and relaying of system network of seven schemes¹⁷ necessitated due to unplanned laying of pipes (2004-2006) in stretches not provided in the project reports. Execution of works beyond the scope of the projects resulted in irregular expenditure. Besides, the dismantled pipes valued at Rs. 60 lakh were not accounted for in respect of three Divisions (Kathua, Akhnoor and Reasi). The EE stated (November 2006/January 2007) that dismantled material was accounted for in material-at-site accounts of concerned JEs. The reply is not tenable, as the Divisions maintained no JE-wise material-at-site accounts.

3.4.9.7 Execution of works without ensuring reasonability of rates

Financial rules envisage execution of works after ensuring reasonability of rates and economy by inviting tenders. Execution of works departmentally is prohibited except in the cases where rates quoted are unreasonably high. Audit scrutiny in six implementing Divisions revealed that works costing Rs. 4.95 crore were executed (2002-06) by the EEs departmentally, without observing financial rules. Labour was engaged on hand receipts instead of muster rolls and payments made through mates without indicating details of labour actually engaged. In PHE Division, Budgam 93 works valued at Rs. 1.18 crore were allotted (2004-06) on 'Approval Basis' without invitation of tenders. The EEs stated that the action was taken to ensure immediate execution and that the labour was not readily available at site. The Department stated during exit conference (September 2007) that the practice will be discontinued.

3.4.10 Loss due to poor implementation of ARWSP in DDP Areas

The ARWSP-DDP¹⁸ is funded by the GOI and achievement of programme objectives directly depended upon cent *per cent* utilisation of programme funds. The implementation of ARWSP-DDP in J&K was rated (December 2004) very poor by the GOI Standing Committee of Rural Development. However, no

¹⁵ PHE: Doda, Leh

¹⁶ PHE Mechanical Division Srinagar

¹⁷ WSS: Amb, Dumi, Gurah Pattan, Kot-II, Patta Marjali, Simbliwalla (PHE Akhnoor); WSS: Bhaiya (PHE Kathua)

¹⁸ Desert Development Programme

corrective measures were taken and the GOI deducted Rs. 1.62 crore from approved allocations for the years 2002-2006, for non/late submission of proposals. The Department attributed (September 2007) the delay to non-authorisation of drawal of funds by the Finance Department.

3.4.11 Idle investment under ‘Kandi Action Plan’

Under the package announced (April 2003) by the Prime Minister for providing drinking water in Kandi Areas¹⁹, the State Government formulated (August 2003) a project for coverage of 955 habitations, 1,262 schools and installation of 2,992 hand pumps in the targeted area in three years (2003-06) time at an estimated cost of Rs. 175.10 crore. The project was revised (March 2004) to cover 1,673 habitations, 1,527 schools, installation of 741 hand pumps²⁰ and purchase of three rigs at a revised cost estimate of Rs. 354.75 crore. An amount of Rs. 20 crore was released (February 2004) by the GOI for the project. Since no matching share (50 per cent) was released by the State Government, no further funds were released by the GOI during 2004-05. Out of the funds released, the Department installed 229 hand pumps and provided drinking water to 100 schools at a cost of Rs. 2.73 crore and remaining works, on which Rs. 17.27 crore had been spent, remained suspended.

On the assurance that the State Government would release the matching share, the GOI released (March 2006) an additional grant of Rs. 20 crore which had been utilised without completion of any scheme.

Thus, failure of the State Government in providing matching funds for completion of the schemes under ‘Kandi Action Plan’ resulted in idle investment of Rs. 37.27 crore²¹. The Department confirmed (September 2007) that the schemes could not be completed due to non-release of matching State share of Rs. 151 crore by the State Government.

3.4.12 Water Quality Control

3.4.12.1 Water quality monitoring and surveillance

Water quality monitoring and surveillance was to be institutionalised and a ‘Catchment Area Approach’ adopted by involving grass root level educational and technical institutions in establishing water quality laboratories to carry out preliminary water testing. Increased involvement of Health Department officials was also to be ensured in surveillance activities. As per standard norm for water quality monitoring, surface and ground water samples are to be tested at least two to four times in a year. In J&K, the source of drinking water in most of the rural schemes is surface and ground water, which remains untested. Out of 14 districts²² (including Leh and Kargil), 10 districts²³ (71 per cent) had no water

¹⁹ Rain fed area falling between the hill and plain

²⁰ The number of hand pumps was reduced due to low water table in Kandi Areas

²¹ Suspended works: Rs. 17.27 crore and Incomplete works: Rs. 20 crore

²² Anantnag, Baramulla, Budgam, Doda, Jammu, Kargil, Kathua, Kupwara, Leh, Poonch, Pulwama, Rajouri, Srinagar, Udhampur

²³ Anantnag, Baramulla, Budgam, Doda, Kargil, Kathua, Kupwara, Leh, Poonch, Pulwama

testing facility. In Budgam district, a laboratory existed but no water sample had been tested (May 2002 to September 2006) despite presence of technical staff who were paid idle wages of Rs. 4.95 lakh. No water testing facility was set up in Doda district despite water quality problems. The Government stated (April 2007) that water testing laboratories in Srinagar, Jammu, Udhampur and Rajouri are functional and laboratories in other districts would be made functional during the current year.

3.4.12.2 Sub-Mission Scheme Projects

Upto 15 *per cent* of programme funds were to be earmarked for utilisation on providing safe drinking water to rural habitations facing water quality problems like fluorosis, arsenic, brackishness, excess iron content etc; another five per cent for ensuring source sustainability through rain water harvesting and artificial recharge. Despite directions from the GOI to utilise Rs. 75 crore of ARWSP funds released (February 2004 to March 2007) on sub-mission projects, the Department spent the money on other ARWSP schemes in hand.

3.4.13 Internal controls

3.4.13.1 Information Education and Communication (IEC)

IEC programme aimed at front loading software for managing increased demand for safe drinking water and better sanitation facilities and spreading of awareness concerning water borne diseases and symptoms and emphasis on use of safe drinking water to overcome water borne diseases. It was required to be disseminated using services of State Publicity/Public Relation Department. Nothing has been done by the Department in this regard except for development of a software, which is yet to be put to use.

3.4.13.2 Monitoring, investigation and evaluation

A special monitoring cell and investigation unit was required to be created at State Headquarters for monitoring and investigation of water supply schemes by regulating and ensuring quality of construction works and maintenance of water quality data. No such unit has been set up at State level, with the result, there was no mechanism for monitoring the ARWSP works.

Guidelines provide that monthly/quarterly progress monitoring reports are to be sent to the GOI. It was observed that the reports were sent belatedly.

For effective planning, monitoring and implementation of various schemes under the programme, an information technology based management information system was required to be developed. This was to be funded *cent per cent* by Central assistance. Audit scrutiny revealed that no such project had been developed as of March 2007. As a result thereof, the State failed to cash in on the opportunity of building its own Management Information System.

Monitoring and evaluation studies on implementation of rural water supply programme were to be taken up through reputed organisations/institutions. Not a single evaluation study had been taken up as of March 2007. The Government stated (August 2007) that proper monitoring was being done by different tiers of

the Department and a Task Force headed by the Chief Secretary is in place for monitoring all Centrally Sponsored Schemes. The reply is not tenable as not a single monitoring report as envisaged in the guidelines was produced to audit.

3.4.13.3 Records of assets

As per guidelines, an inventory of assets created under different programmes²⁴ were to be maintained by the implementing Department at Divisional/Sub-Divisional levels. Test check of records of six Divisions²⁵ revealed that inventories of assets were not maintained (March 2007). The EEs assured (November 2006-March 2007) that inventories shall be maintained in future.

3.4.13.4 Irregular expenditure

Financial rules provide that no work should be taken up for execution without accord of administrative approval (AA) and technical sanction (TS). Scrutiny revealed that out of 341 schemes taken up under ARWSP by eight implementing Divisions²⁶, 251 schemes (74 per cent) had been executed without accord of AA/TS after incurring an expenditure of Rs. 117.10 crore during the period 2002-06. Execution of works without approvals and sanctions is indicative of administrative laxity and absence of internal control mechanism in the Department. Despite assurance given by the Government in Legislative Assembly while presenting the budget for 2005-06, that accord of AA/TS would be ensured before spending public money, the Department continued to incur irregular expenditure in anticipation of AA/TS. The Principal Secretary, PHE assured (September 2007) during exit conference that necessary instructions in this regard would be issued to the concerned executing Divisions.

3.4.14 Conclusion

The programme objectives of ensuring coverage of all rural habitations, especially to reach the unreached with access to safe drinking water, sustainability of the systems and sources and preservation of quality of water by institutionalising water quality monitoring and surveillance, could not be achieved due to defective planning. Implementation of the schemes was marred by unplanned and delayed execution leading to unfruitful expenditure and idle investments, delayed release of funds by the Department, etc. State Government's failure to provide matching funds under State Sector MNP, diversion of funds earmarked for providing safe drinking water to SC/ST population and non-involvement of women in selection of source and public stand post also added to the ineffectiveness of the programme. The State Government failed to make a success of the programme of providing safe drinking water to its rural habitations.

3.4.15 Recommendations

- The Department should prepare annual action plans on the basis of a comprehensive survey, indicating allocation, period of completion and

²⁴ ARWSP, Calamity Relief Fund, Community Development, MNP and Panchayat Funds

²⁵ Akhnoor, Budgam, Doda, Kathua, Reasi and Samba

²⁶ Akhnoor, Budgam, Doda, Kargil, Kathua, Leh, Reasi and Samba

name of implementing agency for each water supply scheme. Administrative approval and expenditure sanctions should be obtained in all cases.

- The Department should prioritise coverage of 'No Safe Source' habitations including those inhabited exclusively by the SC/ST population. Execution of incomplete schemes should also be accorded priority over the new ones.
- Water quality should be monitored by involving grassroot level educational and technical institutions.
- The Department should ensure involvement of rural women and Panchayati Raj Institutions at all stages of implementation and should ensure timely release of funds to implementing Divisions so that works do not suffer.
- Effective monitoring through information technology based Management Information System (MIS) should be developed and put to use at all levels.
- Internal control mechanism should be strengthened to ensure economic, efficient and effective implementation of the programme.

Revenue Department

3.5 Earthquake Relief and Rehabilitation

There was no disaster management authority in place when an earthquake struck Jammu and Kashmir on 8 October 2005. However, the relief and rehabilitation work was carried out by various Government and Non-Government Organisations. Performance review of the relief and rehabilitation works revealed imprudent cash management, excess, undue and irregular payment of relief as well as avoidable expenditure.

Highlights

- **Payment of Rs. 11.06 crore was made to 819 ineligible persons due to non- verification of genuineness of claims.**
(Paragraph: 3.5.8.2)
- **Payment of relief to 10,920 beneficiaries in Baramulla district without taking into account the actual damages assessed by the assessment committees resulted in overpayment of Rs. 15.58 crore.**
(Paragraph: 3.5.8.6)
- **In four test checked DDOs, undue relief of Rs. 2.44 crore was disbursed to 585 persons.**
(Paragraph: 3.5.8.12)
- **In 19 vulnerable villages of Uri and Tangdhar, the victims constructed houses at the same location exposing themselves to future risks.**
(Paragraph: 3.5.9.3)
- **Relief material and 1,100 prefabricated huts arranged (December 2005) by Defence Ministry under operation IMDAD¹ were not fully utilised (April 2007).**
(Paragraph: 3.5.9.6)

3.5.1 Introduction

An earthquake measuring 7.4 on the Richter scale struck Jammu and Kashmir on 8 October 2005 with around 100 aftershocks, dozens of which measured more than 6 plus on the Richter scale. Since the epicentre was located near Muzaffarabad, there was extensive damage to life and property in Jammu and Kashmir especially Poonch in Jammu Division, Uri in Baramulla district and Karnah in Kupwara district of Kashmir Division. According to initial estimates, around 5.78 lakh persons across the State were affected by this calamity that left 970 dead and 6,200 injured, besides damages to 2,18,256² dwelling units and destruction of physical and social infrastructure in the State. The State Government sought (December 2005) financial support of Rs. 1,342.42 crore from the GOI against which, Rs. 584.33 crore were released by the latter, as of March 2007.

¹ Relief

² Fully damaged: 26,188; Partially damaged: 1,92,068

3.5.2 Implementing Agencies

There was no Disaster Management Authority in place in the State. However, the Department of Revenue, Relief and Rehabilitation looked after the work of providing relief and rehabilitation in the event of occurrence of natural calamities. Other Government departments/agencies like Police, Public Works, Power Development, Public Health, Army and Non-Government Organisations (NGOs) etc. also helped in mobilisation of relief material and restoration of damages.

3.5.3 Scope of Audit

Performance review of 'Earthquake relief and rehabilitation' was conducted during December 2006 to April 2007 by a test check of the records of the Commissioner Secretary, Revenue Department, Divisional Commissioners Jammu (DCJ) and Kashmir (DCK), Director Budget, Finance Department, four³ Deputy Commissioners (DC), two⁴ Sub-Divisional Magistrates (SDM), 12⁵ Tehsildars, Chief Engineer, Public Works (R&B) Srinagar, three⁶ Executive Engineers (EEs) and Senior Superintendent of Police, Police Control Room (SSP, PCR) Srinagar. Out of the total expenditure of Rs. 600.53 crore incurred on earthquake relief and rehabilitation during 2005-06 and 2006-07, around 37 per cent (Rs. 222.25 crore) was test checked in audit.

3.5.4 Audit Objectives

The objectives of the performance audit were to verify whether:-

- the affected families were rehabilitated appropriately and promptly;
- proper policies had been formulated for disaster management;
- the system of identification of beneficiaries, assessment of damage and flow of immediate assistance to the beneficiaries and planning of rehabilitation activities was effective ;
- cash assistance received from Calamity Relief Fund/National Calamity Contingency Fund (CRF/NCCF) and relief from NGOs was utilised properly;
- post disaster activities relating to restoration of infrastructural services in social and economic sectors were planned and executed efficiently and economically and
- monitoring of the relief and rehabilitation activities was effective.

3.5.5 Audit Criteria

In the absence of any disaster management plan and supporting rules and procedures, the following audit criteria had been adopted:

- Jammu and Kashmir State Financial rules.
- Government Orders (GO) issued from time to time for carrying out the relief and rehabilitation activities.

³ Baramulla, Budgam, Kupwara and Poonch

⁴ Karnah, Uri

⁵ Bandipur, Baramulla, Handwara, Karnah, Kupwara, Pattan, Poonch, Rafiabad, Sonawari, Sopore, Tangmarg, Uri

⁶ R&B Baramulla Division, R&B Special Sub-Divisions Tangdhar and Uri

- Rules and procedures governing financial propriety and the principles of economy, efficiency and effectiveness.

3.5.6 Audit Methodology

The audit objectives and approach were discussed with Secretary, Revenue department in an entry conference held on 9 March 2007. Audit conclusions were drawn after scrutiny of the records for the period October 2005 to April 2007. The audit findings were discussed with Additional Secretary, Revenue department in an exit conference on 3 October 2007 and the Departmental replies have been appropriately incorporated in the report.

Audit Findings

Important audit findings are discussed in the succeeding paragraphs.

3.5.7 Financial Management

The State Government sought (December 2005) financial support of Rs. 1,342.42 crore from the GOI against which, Rs. 584.33 crore (44 per cent) had been released as of March 2007. The position of funds allocated for carrying out the relief and rehabilitation of earthquake victims and the expenditure incurred thereagainst during 2005-07 as provided by the State Government (Revenue Department) was as under:

Table 3.5.1

(Rupees in crore)

Financial year	Funds released by Finance Department	Expenditure
2005-06	400.35	400.35
2006-07	200.18	200.18
Total	600.53	600.53

(Source: Revenue Department)

3.5.7.1 Imprudent cash management

Audit scrutiny in six⁷ test checked offices revealed that the cash book entries were not made in respect of an amount of Rs. 240.36 crore drawn from the treasuries during October 2005 to March 2007. Neither the amount was taken into the cash book, nor disbursements out of this amount were reflected in the cash book. Besides, no reconciliation was carried out with the banks to ascertain the correctness of the balance reflected in the accounts.

Relief funds to the tune of Rs. 2.88 crore were retained (March 2006-November 2006) by four⁸ DDOs in the bank accounts as unspent balance for periods ranging between 4 and 11 months. The Divisional Commissioner, Kashmir (DCK) stated (May 2007) that the amount was retained to clear the pending liabilities on account of transportation charges. Tehsildar Baramulla stated (April 2007) that the amount held in the bank account was meant for disbursement to 3,700

⁷ DCK: Rs. 27 crore, SDM Uri: Rs. 176.56 crore, Tehsildar Baramulla: Rs. 20.66 crore, Tehsildar Sonawari: Rs. 1.64 crore, Tehsildar Sopore: Rs. 12.50 crore, Tehsildar Tangmarg: Rs. 2.00 crore

⁸ DCK: Rs. 35.13 lakh (March 2006); Tehsildar Baramulla: Rs. 208.47 lakh (November 2006); Tehsildar Pattan: Rs. 16.32 lakh (November 2006); Tehsildar Tangmarg: Rs. 27.96 lakh (October 2006)

earthquake victims of 18 villages who had obtained court stay for enhancement of relief.

These replies are not tenable, as holding of these funds in current accounts reflects imprudent cash management, as the Government pays interest at the rate of 10 *per cent* on overdrafts from the Jammu and Kashmir Bank (JK Bank) for meeting its cash requirements. Besides, this also created an avoidable potential interest liability of Rs. 16 lakh⁹. DCK admitted the procedural shortcomings and stated (September 2007) that the DCs and DDOs have been directed to reconcile the accounts in the banks.

3.5.7.2 Delay in release of funds

In order to ensure effective relief distribution, resources and material are to be released to the field agencies promptly. Scrutiny of the records of DCK revealed that out of Rs. 197.40 crore allotted (October 2006 to September 2007) for relief and rehabilitation of earthquake victims, Rs. 25.46 crore (13 *per cent*) were released to various DDOs with delays ranging between 7 and 89 days. The DCK stated (September 2007) that, had the funds been placed at the disposal of DCs in full, these would have remained unutilised and as such, some amounts were held back as buffer reserve to meet emergent requirements. The reply is not tenable, as the funds were meant for urgent items like payment of exgratia to the next of kin of those killed or injured, construction of temporary shelter units and other rehabilitation works.

3.5.7.3 Unadjusted advances

Rules provide that the DDOs should render adjustment accounts within one month in support of payments advanced to them. It was, however, observed that relief funds of Rs. 364.42 crore drawn (October 2005 to March 2007) in advance by five DDOs¹⁰ remained unadjusted (July 2007) for periods ranging between 3 and 20 months. The DCs of Baramulla, Kupwara, Poonch and DCK stated (January/February/September 2007) that the payment of relief is in progress and that the accounts would be submitted on its completion. The arguments are not acceptable, as the DDOs were required to furnish the adjustment accounts within one month. Non-adjustment of amounts is fraught with the risk of fraud and misutilisation of funds.

3.5.8 Programme implementation

No Disaster Management Act had been enacted by the State Government despite directions of the GOI in the aftermath of Tsunami that hit various parts of India during December 2004. In the absence of a disaster management policy and an administrative setup, it took the State Government 10-11 days in fixing the quantum of relief to be paid to victims and appointment of Relief Commissioners to oversee the relief works, which delayed immediate commencement of relief and rehabilitation work. A Disaster Management Committee was, however,

⁹ Simple interest at the rate of 10 *per cent*

¹⁰ DCK: Rs. 26.75 crore, DC Baramulla: Rs. 204.65 crore, DC Budgam: Rs. 0.50 crore, DC Kupwara: Rs. 90.95 crore, DC Poonch: Rs. 41.57 crore

constituted (January 2006) by the State Government and Disaster Management Rules were notified (April 2007). Shortcomings noticed in implementation of relief and rehabilitation measures are discussed in the succeeding paras.

3.5.8.1 Relief packages and identification of beneficiaries

The overall position of occurrence of deaths, damages to houses, both full and partial, and the quantum of relief and rehabilitation undertaken by the Government in the aftermath of the calamity are detailed below:

Table 3.5.2

Nature of case	Rate of cash relief per beneficiary (Rupees)	Total No. of identified cases	No. of cases in which cash relief was paid ¹¹	No. of cases in which cash relief was not paid
Death	50,000	970	966	4
Fully damaged houses				
First Instalment	40,000	25,492	25,492	-nil-
Second Instalment	60,000	25,492	23,512	1,980
Construction of temporary shelter shed Units (TSUs)	30,000	25,492	18,855	6,637
Partially damaged houses	1,000 to 30,000	2,08,254	1,63,874	44,380

(Source: Departmental records)

As can be seen from the table, no exgratia was paid to the next of kin in respect of four death cases (October 2005) and cash assistance for construction of temporary shelter units (TSUs) has not been paid in respect of 6,637 cases (December 2006). Besides, the second instalment in respect of 1,980 fully damaged houses and cash assistance for 44,380 partially damaged houses had not been paid as of September 2007.

Non disbursement of cash relief in respect of death cases, fully and partially damaged houses was attributed (October 2007) by DCK to non-availability of funds. However, in respect of construction of temporary shelter sheds, it was stated that the grant of additional assistance was restricted to fully damaged houses of Uri and Tangdhar only. These arguments are not justified as there were unspent balances amounting to Rs. 2.88 crore¹² (March 2006-March 2007) lying in the bank accounts. Besides, Government orders provided for payment of Rs. 30,000 for construction of a TSU to all those victims whose houses were completely damaged in the earthquake hit areas of the State.

The relief and rehabilitation measures undertaken by the State Government with regard to fully and partially damaged houses are detailed below.

Fully Damaged Houses

3.5.8.2 Irregular payment

In terms of the Government orders issued from time to time, a maximum compensation of Rs. 1.35 lakh¹³ was to be paid for each fully damaged residential

¹¹ Position as on September 2007 in respect of Kashmir province and January 2007 in respect of Jammu province

¹² DCK: Rs. 35.13 lakh; Tehsildar Baramulla: Rs. 208.47 lakh; Tehsildar Pattan: Rs. 16.32 lakh; Tehsildar Tangmarg: Rs. 27.96 lakh

¹³ Rs. 1 lakh for construction of permanent shelter, Rs. 30,000 for construction of temporary shelter unit and Rs. 5,000 as incentive for construction of TSU before 10 December 2005

house. Records of DC Kupwara revealed that against a relief of Rs. 7.34 crore due for 544 fully damaged residential structures (Tehsil Karnah: 244; Tehsil Kupwara: 300) an amount of Rs. 18.40 crore was paid (January 2007) by the district administration in respect of 1,363 persons (Tehsil Karnah: 683; Tehsil Kupwara: 680) without supporting claims of beneficiaries to ascertain the ownership and genuineness of the claims. This action led to irregular payment of relief of Rs. 11.06 crore (Tehsil Karnah: Rs. 5.93 crore; Tehsil Kupwara: Rs. 5.13 crore) to 819 ineligible persons. Similarly, in Tehsil Uri, irregular payment of relief of Rs. 4.93 crore was made in respect of 365 persons for 211 fully damaged structures. DC, Kupwara stated (January 2007) that the patwaris of the concerned area, who were aware of the ownership rights were associated with Assessment Committees. DCK, replied (September 2007) that DC Kupwara has been directed to get the matter re-verified and identify the cases where wrong payments have been made.

3.5.8.3 Wrong categorisation of damaged houses

In Poonch District, 63 structures identified (October 2005) as fully damaged by the Assessment Committees, were paid relief for construction of TSUs as well as new houses. It was observed that while forwarding technical reports in respect of re-construction of fully damaged houses, the EE, PWD (R&B) Division, Poonch reported (October 2006 to December 2006) that these beneficiaries had actually repaired/renovated their houses which indicated that the houses were damaged partially and were wrongly categorised as fully damaged. This resulted in payment of excess relief of Rs. 63 lakh. Scrutiny also revealed that some structures categorised (October 2005) by the Assessment Committees as partially damaged were declared (November 2005) fully damaged by the Relief Commissioner after spot verification. It was noticed that the final instalment of relief in respect of 11 houses had been released merely on the basis of the reports of EEs that the houses had been repaired and renovated. This shows that these houses had sustained partial damage and were provided undue benefit of Rs. 11 lakh. DC, Poonch admitted (February 2007) the audit contention and stated that the matter would be got re-verified through a committee.

Scrutiny of records in Kupwara and Karnah Tehsils revealed that 214 repaired/renovated¹⁴ (upto August 2006) damaged residential structures were categorised (October 2005 to August 2006) as fully damaged and the owners had irregularly been paid (October 2005 to August 2006) Rs. 39.60 lakh as first instalment of cash assistance for construction of new house as well as TSU. DCK, replied (September 2007) that the DC Kupwara has been asked to furnish the verification report in this regard.

3.5.8.4 Mutilation of damage assessments

Scrutiny (May 2007) in Tehsil Handwara revealed that 40 cases of partially damaged houses were converted into fully damaged ones and assessment of damage in respect of 573 test checked cases was overwritten/mutilated which

¹⁴ Karnah: 52 beneficiaries, Rs. 23.40 lakh, Kupwara: 162 beneficiaries, Rs. 16.20 lakh

resulted in excess payment of Rs. 44.01 lakh. The reply furnished (May 2007) by the Tehsildar Handwara that the amount was enhanced in view of damage to residential structures due to after shocks is not tenable as the corrections made had not been got authenticated by the Assessment Committees. Besides, the amount of damage was not recorded initially both in words and figures which facilitated mutilation. DCK, replied (September 2007) that DC Kupwara has been directed to address the matter on top priority.

Partially Damaged Houses

3.5.8.5 Increased number of beneficiaries

DC Baramulla initially disbursed cash relief of Rs. 14.40 crore upto December 2005 for 4,799 partially damaged houses. Subsequently, the High Court extended the date of receipt of applications to 31 December 2005. Consequently, the number of partially damaged houses went up to 19,788 for which an additional amount of Rs. 9.71 crore was demanded in March 2006. Scrutiny however, revealed that in the monthly progress report ended February 2007, submitted by Tehsildar Baramulla to DCK, the number of partially damaged houses was put at 23,095 for which an amount of Rs. 31.15 crore¹⁵ was drawn. The increase of 3,307 beneficiaries, thus, put an extra burden of Rs. 7.04 crore on the State exchequer. Tehsildar, Baramulla and DCK stated (April/September 2007) that enhancement of relief cases was due to general survey and re-verification. The reply is not tenable, as actual number of beneficiaries whose residential houses were partially damaged were already communicated (February/March 2006) by Tehsildar to the DC Baramulla and there were no valid grounds for conducting the general survey.

3.5.8.6 Undue payment

In terms of Revenue Department order (October 2005), relief of Rs. 10,000 was to be paid for each partially damaged house. Without consulting the Revenue Department, General Administration Department issued an order (November 2005) for enhancement of relief to Rs. 30,000 for each partially damaged house irrespective of the loss assessed by the loss assessment teams. This was modified (December 2005) by the Revenue Department and the minimum and maximum amount of relief for the partially damaged houses was fixed between Rs. 1,000 and Rs. 30,000, depending upon the value of loss assessed by the Assessment Committees. It was however, seen that in Baramulla district, relief of Rs. 32.76 crore was paid to 10,920 beneficiaries of 156 villages¹⁶ at the rate of Rs. 30,000 per beneficiary without taking into account the actual damages of Rs. 17.18 crore assessed by the loss Assessment Committees, resulting in overpayment of Rs. 15.58 crore. DCK replied (September 2007) that recoveries are being effected and that the concerned DDOs have been directed to complete the recovery process in a time bound manner.

¹⁵ Includes Rs. 2.08 crore held in bank account drawn for 3700 cases who approached the Court for enhancement of the Relief

¹⁶ Tehsildar Baramulla: 81 villages, Rs. 8.23 crore; Tehsildar Rafiabab: 43 villages, Rs. 3.99 crore; Tehsildar Sopore: 32 villages, Rs. 3.36 crore

3.5.8.7 Inadmissible payment

According to Revenue Department order (December 2005), cash relief between Rs. 1,000 to Rs. 30,000 for partially damaged houses was to be paid as per assessment reports. However, scrutiny in four tehsils¹⁷ revealed that cash relief of Rs. 82.74 lakh was disbursed to 14,292 individuals at the rates ranging from Rs. 100 to Rs. 950, which was below Rs. 1,000. On this being pointed out, the Tehsildars stated (March/May 2007) that the relief was paid as per the loss assessed by the loss assessment committees. DCK replied (September 2007) that the payment of relief was restricted to the actual assessed amount despite the fact that the loss assessed was below the admissible relief of Rs. 1,000. The reply is not tenable, as no cash relief was to be paid for the loss assessed below Rs. 1,000.

3.5.8.8 Reassessment of damages

On the basis of Reports of the Assessment Committees, DC, Kupwara sanctioned (January 2006) relief of Rs. 33.27 lakh for 18 fully and 200 partially damaged residential houses of village Kukrosa of Tehsil Handwara. Subsequently, on the basis of complaints of earthquake victims, the damage was reassessed by the Assistant Commissioner (Revenue). Based on this reassessment, the cash relief was increased (October 2006) by Rs. 2.56 lakh. In Tehsil Handwara, the Assessment Committee identified 102 partially damaged cases and assessed the loss at Rs. 11 lakh. However, after re-verification, the number of cases increased to 256 for which loss was assessed at Rs. 76 lakh, thereby resulting in increase of Rs. 65 lakh in the quantum of relief. In the villages of Anone and Pandipora, the loss of residential property was initially assessed (October 2005) at Rs. 1.54 lakh, which was increased (December 2005) to Rs. 9.14 lakh after re-verification by the concerned Patwari, thus resulting in increase of Rs. 7.60 lakh in the quantum of relief. Tehsildar Handwara stated (May 2007) that the matter was under investigation and orders for recovery of excess amount paid had been issued in some cases. Similarly, in 25 villages of Tehsil Uri, 61 damage cases were declared fully damaged on re-verification, to whom cash relief of Rs. 61 lakh was disbursed without taking recourse to verification of ownership records, title to property, etc. DCK replied (September 2007) that the re-verifications in most of the cases was conducted on complaints of underassessment by the public and were found genuine. Enhancement in the extent of damage after re-verifications revealed deficiency in initial assessments.

Construction of Temporary Shelter Units

3.5.8.9 Delay in disbursement of relief

For construction of TSUs, Rs. 61.80 lakh¹⁸ was disbursed (March to December 2006) to 788 victims in Poonch and Karnah after delays ranging between three and 13 months. DC Kupwara admitted (January 2007) the delay and stated that it was due to huge work load on verification teams and the officers dealing with the

¹⁷ Bandipore: 13 victims, Rs. 0.09 lakh, Pattan: 9211 victims, Rs. 56.69 lakh; Sonawari: 741 Victims, Rs. 5.51 lakh; Tangmarg: 4,327 victims, Rs. 20.45 lakh

¹⁸ Karnah: 696 beneficiaries, Rs. 34.80 lakh; Poonch: 92 Beneficiaries, Rs. 27.00 lakh

release of relief. However, DC Poonch attributed (February 2007) delay to non-availability of funds and fulfillment of various formalities after verification. These arguments are not tenable as delays in distribution of relief not only puts the affected parties to distress but is also fraught with the risk of manipulation of relief material. DCK replied (September 2007) that DCs have been asked to verify the delay in payment through senior officers and ascertain the genuineness. DCs were also directed to exercise caution while handling such situations in future.

3.5.8.10 Inadmissible payment

Scrutiny in Poonch and Uri revealed that out of 1,328 TSUs constructed by two NGOs (SEEDS: 404, Oxfam India Trust: 924), 949 TSUs¹⁹ were allotted to earthquake victims. No cash assistance for construction of TSUs was due to these victims. It was, however, observed that an amount of Rs. 3.15 crore²⁰ had also been paid as relief for construction of TSUs to these victims. Further, in Tehsil Karnah, 21 families accommodated in prefabricated structures were irregularly paid Rs. 7.35 lakh as relief and incentive for construction of TSUs. In Tehsil Uri, 51 beneficiaries who were not disbursed any relief towards reconstruction of houses were paid relief and incentive for construction of TSUs leading to an inadmissible payment of Rs. 15.65 lakh. DC, Poonch stated (February 2007) that there were no instructions in this regard but the matter is being taken up with the Government through DC, Jammu and further action will be taken accordingly. DCK replied (September 2007) that TSUs provided by NGOs were used by victims as additional accommodation and there was no reason for disallowing the assistance in cases where they raise their own TSUs. The reply is not acceptable, as no cash relief for construction of TSUs was admissible to beneficiaries who were accommodated in temporary shelter sheds. The disbursement of cash relief, as such, resulted in an inadmissible payment of Rs. 3.38 crore to 1,021 beneficiaries.

3.5.8.11 Supplementary cases

Applicants not registered initially by the Assessment Committees for grant of cash relief and who applied to the Revenue authorities subsequently²¹ were termed as supplementary cases. It was observed that in Tehsils Kupwara and Handwara, Rs. 4.97 crore²² were disbursed (August 2006) to 4,890 supplementary cases that were reportedly omitted in the original assessment. Spot verification of these cases was made (June 2006) eight months after the occurrence of earthquake by the concerned Tehsildar/Naib Tehsildar. However, before sanction and payment of relief to the beneficiaries, the comments of the Assessment Committees were not obtained to ascertain the reasons for exclusion of these cases initially. Besides, the claims made by the beneficiaries together with

¹⁹ Poonch: 338, Uri: 611

²⁰ Poonch: Rs. 1.01 crore, Uri: Rs. 2.14 crore

²¹ On the directions of the High court DC Kupwara and Baramulla were directed to receive the applications for reassessment upto 31 December 2005 and complete all the proceedings and ensure the encashment of cheques by 7 April 2006

²² Handwara: 3,087 cases, Rs. 1.58 crore, Kupwara: 1,803 cases, Rs. 3.39 crore

supporting documents like title to damaged property, ownership rights, etc. were also not on record. The authorities did not verify that the damages had actually been caused due to earthquake, to rule out the possibility of tampering of structures by the owners after a lapse of eight months. The claims of the beneficiaries were also not documented at any stage to ascertain that they were received within the cut off date (31 December 2005) fixed by the High Court.

In terms of Government orders (December 2005), marginally damaged residential structures did not qualify for any relief.

➤ Test check revealed that after a gap of eight months from the occurrence of the earthquake, Tehsildar Kupwara converted 120 marginally damaged cases into partially damaged and irregularly paid (August 2006) relief of Rs. 29.19 lakh. Scrutiny also revealed that without any assessment of loss sustained to residential property by any technical authority or Assessment Committee nominated for the purpose, the Tehsil authorities recommended (February 2006) 273 supplementary cases of 10 villages of Kupwara Tehsil for payment of relief and an amount of Rs. 62.65 lakh was sanctioned (August 2006) by DC Kupwara in these cases.

➤ The basic records from where the list of beneficiaries was drawn in the office of Relief Commissioner, Uri were not produced to audit. As such, the system adopted for identification of beneficiaries for payment of relief in Tehsil Uri could not be ascertained in audit

DCK replied (September 2007) that in the absence of any records of residential and other structures, recourse to census records, *chulla* registers, ration cards etc. was taken by the assessment committees. It was also stated that the DC Kupwara has been asked to identify the cases regarding conversion of marginal loss to partially damaged cases. The reply is not tenable, as the basic records like *chulla* registers, ration cards, census records, etc. were not produced to audit and as such the veracity of payments could not be verified.

3.5.8.12 Excess payment

Scrutiny in four test checked DDOs revealed that due to poor and defective system adopted for identification of beneficiaries, undue relief of Rs. 2.44 crore was disbursed to 585 persons as depicted in the below table.

Table 3.5.3

(Rupees in crore)

Name of Drawing and Disbursing officer	No. of beneficiaries	Excess Cash Relief paid	Remarks
Sub Divisional Magistrate Karnah	358	1.98	Double payments
Sub Divisional Magistrate Uri	39	0.10	Payment against fake cases
Deputy Commissioner Poonch	42	0.15	Double payments
Tehsildar Handwara	146	0.21	Double payments
Total	585	2.44	

An amount of Rs. 1.99 lakh (Tehsildar Handwara: Rs. 1.01 lakh and DC Poonch: Rs. 0.98 lakh) has been recovered leaving Rs. 2.42 crore yet (February 2007) to be recovered. DC Poonch stated (February 2007) that a committee will be constituted to look into the matter. DCK replied (September 2007) that the DCs Baramulla and Kupwara have been directed to complete the re-verification and

recovery process in a time bound manner, besides identifying the delinquent officers.

3.5.9 Other points of interest

In addition to the points discussed in the preceding paras, some other points of interest were also noticed in the course of review, which are discussed in the subsequent paras.

3.5.9.1 Wrong identification of beneficiaries

The success of relief and rehabilitation efforts are dependent mainly on identification of genuine beneficiaries. No guidelines thereof had been issued by the Government. It was observed that the beneficiaries were identified by the Inter-departmental Assessment Committees constituted by the DCs, for inspection of the area without linking their findings to reliable records viz. census reports (Central or State) or ownership rights to property so as to have accuracy and transparency in the system of identification of the beneficiaries. A test check of records of six DDOs²³ revealed that survey conducted for identification of beneficiaries and assessment of damage to residential property was deficient, and 1,838 cheques amounting to Rs. 4.07 crore were returned to controlling officers for cancellation, as the beneficiaries in whose favour the cheques had been issued had either already received the payment or the beneficiaries did not exist. DCK admitted (September 2007) that the damages assessed were got re-verified by special teams to avoid double payments and payments to non-existent beneficiaries.

3.5.9.2 Reconstruction of houses

In order to develop earthquake resistant infrastructure in the earthquake hit areas of the State, “Illustrated Guidelines on Earthquake Resistant Reconstruction and New Construction of Masonry Buildings in the State” prepared (November 2005) by National Seismic Advisor, Union Ministry of Home Affairs, were to be adhered to while undertaking construction of permanent houses and community buildings. Compliance with these guidelines was not ensured during reconstruction programme. In three tehsils²⁴ of district Kupwara, second instalment for reconstruction of damaged houses amounting to Rs. 37.34 crore was disbursed (September 2006) to 6,223 beneficiaries simply on the report of the Junior Engineers that the house had been reconstructed up to plinth, lintel or roof levels. DC Kupwara stated (January 2007) that the second instalment had been released on the recommendations of teams nominated by the SDM and Assistant Commissioner Revenue, Handwara.

Audit examination in the office of DC Poonch revealed that without ensuring compliance with the above guidelines, 162 beneficiaries were paid (September 2006) relief of Rs. 96.40 lakh for construction of kucha houses.

²³ DC Poonch: 65 cheques, Rs. 0.20 crore; SDM Karnah: 146 cheques, Rs. 0.39 crore; Tehsildar Bandipore: 127 cheques, Rs. 0.08 crore; Tehsildar Baramulla: 339 cheques, Rs. 1.09 crore; Tehsildar Handwara: 986 cheques, Rs. 2.27 crore; Tehsildar Sonawari: 175 cheques, Rs. 0.04 crore

²⁴ Handwara: 839 beneficiaries, Rs. 5.04 crore; Karnah: 4,317 beneficiaries, Rs. 25.90 crore; Kupwara: 1,067 beneficiaries, Rs. 6.40 crore

Similarly, in Tehsil Karnah Rs. 3.25 crore were paid (September 2006) to 325 beneficiaries for construction of kucha houses and the Junior Engineers concerned had not certified that the structures raised were earthquake resistant. DC Poonch stated (February 2007) that affected sites will be re-verified through EE, Public Works (R&B) and wherever necessary, technical guidelines to make structures seismic resistant will be adhered to. However, DC Kupwara stated (January 2007) that as per technical opinion, kucha plinth with proper binding by way of timber are also earthquake resistant, but the plinth shown to be kucha by the field staff would be looked into.

Test check also revealed that without getting the reconstructed structures verified by technical experts, an amount of Rs. 12.95 crore was disbursed (July 2006 to March 2007) to 1,954 beneficiaries in four tehsils²⁵ merely on verification reports of the revenue authorities. As such, audit could not ascertain as to how far the laid down guidelines for construction of earthquake resistant structures had been followed in these cases. DCK replied (September 2007) that training in seismic resistant technology was provided to masons, carpenters and teams of Engineers and that the report of Engineers that the construction work has been completed upto certain level meant that they conform to the standard guidelines. The reply is not tenable, as mere certificate of the stage of construction work does not mean that the prescribed guidelines were followed.

3.5.9.3 Ineffective reconstruction programme

Based on the findings (November 2005) of the team of Geology and Mining Department, 19 villages of Tangdhar and Uri were declared vulnerable after the earthquake. However, no action was taken for relocation of the population of the endangered villages of Tehsil Uri to safer places and instead cash relief of Rs. 27.24 crore was disbursed among the villagers. A proposal for relocation of earthquake victims of 11 villages of Tangdhar to a considerably safer place at Jabri Tangdhar in a forest area, was mooted in April 2006. As sanction for diversion of forest land for the said purpose was accorded belatedly (October 2006), the victims of the endangered villages had reconstructed their houses at their native places by that time. Relief of Rs. 13.87 crore was disbursed for this purpose on production of affidavits that the construction had been raised by them in their native places at their own risk and responsibility. DCK stated (September 2007) that the inhabitants had not agreed to leave their place of original residence because of their livelihood concerns. The reply is not acceptable, as reconstruction of houses in risk prone areas defeated the entire purpose of the rehabilitation programme. Improper monitoring and implementation of post rehabilitation efforts and lack of futuristic planning had rendered the whole exercise unproductive, apart from sinking of resources in these areas.

²⁵ Baramulla: 970 beneficiaries, Rs. 6.98 crore; Handwara: 803 beneficiaries, Rs. 4.82 crore; Rafiabad: 72 beneficiaries, Rs. 0.50 crore; Sopore: 109 beneficiaries, Rs. 0.65 crore

3.5.9.4 Unfruitful expenditure

Out of 870 prefabricated structures²⁶ (PS) supplied (December 2005/January 2006) by 'Bhartiya Jain Sangathan', an NGO, for temporarily accommodating the victims in Tangdhar and Uri areas, 270 PS had been damaged in transit. Rupees one crore was allotted (February, 2006) by the Revenue Department for erection of these prefabricated huts. 46 huts erected by EE, Special Sub-division, Tangdhar at Bukhaiyan at a cost of Rs. 11.64 lakh could not be put to any use due to incomplete roofing and side sheets. Further, two huts erected at Teetwal at a cost of Rs. 7.96 lakh also remained unutilised (April 2007). Thus, the expenditure of Rs. 19.60 lakh was rendered unfruitful. On this being pointed out in audit (April 2007), Executive Engineer, Special Sub Division, Tangdhar stated that except for earth filling these huts were complete and the allotment and distribution of these huts rested with the revenue authorities.

3.5.9.5 Restoration of basic infrastructure

Test check in audit revealed that an expenditure of Rs. 50.57 lakh was incurred upto March 2006 for reconstruction of six Government buildings in Uri. However, no funds were allocated during 2006-07 and the reconstruction work could not be completed. The expenditure of Rs. 50.57 lakh incurred on these incomplete buildings thus proved unfruitful. The EE, (R&B) Uri replied (April 2007) that all the buildings pointed out by Audit will be completed in the current financial year.

3.5.9.6 Inadequate storage of relief material

The Defence Ministry arranged (December 2005) 1,100 prefabricated huts of different dimensions under 'Operation IMDAD²⁷', through its Field Ordnance Depot (FOD), Srinagar. The material was not utilised and was lying in open fields. The Divisional authorities informed (October 2006) the Government that relief material costing Rs. 30 crore received (October-November 2005) from Defence Ministry was scattered at various places and was subject to damage due to vagaries of weather. An amount of Rs. 3 crore requisitioned (November 2006, January 2007) by DCK for construction of Disaster Management Sheds for storage of unutilised relief material for future use evoked no response from the Government as of April 2007. DCK stated (September 2007) that non-utilisation of the prefabricated material was due to belated receipt of material and the huts will be gainfully utilised for constructing disaster management stores to meet the infrastructure requirement in the affected areas. The argument is not tenable as almost two years have passed during which the stores were lying unused and disaster management stores had not been set up.

Further, relief material comprising Mattress Coir 6.24' x 4.0' (10,000), Floor covering polyvinyl 4 M width (50,000), blankets (10,000), Coat Woolen/Jacket (14,000), Trouser and Serge (25,000), Vest woollen (20,000), Sintex Tank

²⁶ Tangdhar: 522, Uri: 348

²⁷ Relief

(1,000), CGI Sheets (5,000), etc. supplied (October 2005 to January 2006) under 'Operation IMDAD' was not distributed amongst the earthquake victims and was prone to deterioration because of storage problem. DCK admitted (November 2006) that these stores are lying scattered in open at various places due to lack of disaster management stores. However, on receipt of funds from the Government the construction work on storage sheds was taken up but it had to be stopped (January 2007) for want of sufficient funds. DCK also stated (May 2007) that relief material was received in piece meal and was distributed as per requirement. It was further stated that the remaining material was being utilised for meeting the contingencies arising out of natural calamities and three disaster management stores are being set up where these items will be stored. The reply is not tenable as the relief material was lying outside for long and the disaster management stores had not been constructed (March 2007).

3.5.9.7 Non maintenance of stock accounts

The stock account of relief material comprising CGI/ply wood sheets (1,48,080), iron rods (45,344), pickets (1,00,074) and wooden poles (24,659) supplied by the NGOs to Tehsil Uri was not maintained by the SDM, Uri. Store/stock accounts of relief material received and distributed were also not maintained by the DCs Kupwara and Poonch. In addition tents (100), polythene tarpaulin (100), blankets (510), canvas tarpaulin (100), under pants (2,100), sweaters (2,007), jackets (2,058) and caps (2,000) were issued to 56 Rashtriya Rifles Camp Office, Uri in November 2005. Its distribution was, however, not monitored. It was stated (September 2007) by SDM Uri that the matter of store/stocks accounts will be taken up with the ex-storekeeper. The DCK replied (September 2007) that DC Baramulla and SDM Uri has been asked to fulfill necessary requirements.

3.5.9.8 Idle investment

In order to provide CGI sheets²⁸ in earthquake affected areas for expeditious completion of shelter sheds before the onset of winter, Union Ministry of Home Affairs purchased (November 2005) 7,997.11 MTs of CGI sheets for the State at a cost of Rs. 32.90 crore from Steel Authority of India Limited. The J&K Small Scale Industries Development Corporation (SICOP) was nominated as nodal agency for receipt and sale of these CGI sheets. An amount of Rs. 1.62 crore was spent on handling and transportation of these CGI sheets from Jammu to the earthquake affected areas. The nodal agency claimed (December 2005) that there was no off take of the CGI sheets as they were of higher specification with a higher cost of Rs. 4,775 per MT in comparison to the CGI sheets sold previously out of its own stocks in earthquake affected areas. Thus, lack of coordination between the Central and the State Governments in procuring the CGI sheets and ensuring their proper utilisation resulted in blocking of Rs. 34.52 crore²⁹. DCK admitted (April 2007) that the low off take of CGI sheets was because the affected population utilised the salvaged CGI sheets of the damaged houses,

²⁸ Corrugated Galvanized Iron

²⁹ Including handling and transportation charges met out of relief funds

donations made by the NGOs and used comparatively cheaper material of lower specification available in the market.

3.5.10 Conclusion

An institutional mechanism for disaster management was not in place which resulted in lack of coordination among various agencies in taking up immediate relief measures. Experience gained from earlier natural disasters did not result in any improvement in the regulation and implementation of relief and rehabilitation measures. The present disaster management was mainly guided by 3Rs-Rescue, Relief and Rehabilitation rather than 3Ps-Prevention, Preparedness and Prognosis. The mechanism of assessment of the extent of damage and financial assistance required needs to be made transparent by notifying general criteria of assessment so that over pitched assessments are avoided. The process of identification of beneficiaries was deficient resulting in ineligible persons receiving relief and eligible persons being deprived of financial assistance. Deficiencies in financial management were reflected in cases of irregular, excess and avoidable expenditure. There were delays in rehabilitation activities for reconstruction of houses and basic infrastructure. Imprudent procurement of material led to its non-utilisation and consequent deterioration. There was lack of monitoring of relief and rehabilitation both at divisional as well as state level.

3.5.11 Recommendations

- A centralised mechanism should be created for monitoring the relief, rehabilitation and re-construction work in the earthquake hit areas in a time bound manner.
- Basic records regarding beneficiary identification, loss assessment and proper accounting of funds need to be maintained. Timely rendition of accounts and reconciliation with the banks at periodical intervals needs to be ensured.
- The State Government should maintain and update the records of annual census of residential houses, cow sheds, other structures, multiple chulas under each Patwar Halqa to enable proper identification of beneficiaries easily in the event of a disaster.
- Adequate training should be imparted on disaster management to the employees of the Department concerned.

DCK stated (September 2007) that the recommendations are being implemented and that directions have been issued to the implementing agencies in this regard. The Government endorsed (October 2007) the reply of DCK and stated that a detailed reply pertaining to Jammu division will be submitted after it is received from DCJ.

Rural Development Department

3.6 Sampoorna Grameen Rozgar Yojana (SGRY)

Sampoorna Grameen Rozgar Yojana (SGRY) was launched with the objective of providing additional wage employment and food security to rural poor, besides creation of durable community, social and economic assets. A review of the programme revealed that employment opportunities reported as having been generated from the programme were fictitious, and not based on data worked out from muster rolls. Food security to rural poor was not ensured due to non-maintenance of proper ratio between payment of wages in cash and in kind in the form of foodgrains. The objective of creating durable community assets under the programme suffered due to non-completion of priority works, blocking of funds, unfruitful investments, diversion/ misutilisation of funds and execution of works prohibited under the programme.

Highlights

- **Non-adherence to guidelines for implementation of the programme by the State Government deprived people in 12 districts of Central cash assistance of Rs. 3.54 crore and 1,500 tons of foodgrains.**
(Paragraph: 3.6.7.2)
- **In ten blocks 345 works (estimated cost: Rs. 1.29 crore) approved in the Annual Action Plans during 2002-06 were not executed. However, an expenditure of Rs. 1.46 crore was incurred on 314 unapproved works.**
(Paragraph: 3.6.8.1)
- **The objective of creating economic assets for sustainable employment was not achieved. As against the requirement of Rs. 3.89 crore to be spent on individual beneficiaries/group schemes for SC/ST, only Rs. 3.68 lakh were spent during 2002-06. Against a financial target for expenditure of Rs. 6.01 crore for creation of need based infrastructure in SC/ST areas, only Rs. 1.96 crore were spent during 2002-06.**
(Paragraphs: 3.6.8.2 and 3.6.8.3)
- **281.63 lakh mandays shown generated through execution of programme works during 2002-07 as communicated to GOI were arrived at arbitrarily and were not based on data worked out from muster rolls.**
(Paragraph: 3.6.9.2)
- **Rupees 67.46 lakh were spent on execution of 112 works prohibited under the programme. Besides, programme funds of Rs. 1.24 crore were diverted to activities not related to the programme.**
(Paragraphs: 3.6.12 and 3.6.7.3)
- **Less distribution of foodgrains in far-flung areas defeated the objective of providing food security to rural poor, besides disturbing the proportion of cash and foodgrains in other blocks.**
(Paragraph: 3.6.15.2)

3.6.1 Introduction

Sampoorna Grameen Rozgar Yojana (SGRY) was launched by the GOI in September 2001 by merger of the ongoing schemes of 'Employment Assurance Scheme' (EAS) and 'Jawahar Gram Samridhi Yojna' (JGSY). The primary objective of the scheme was to provide additional wage employment and thereby provide food security and improve nutritional levels of the rural people. The secondary objective was to create durable community, social and economic assets for infrastructure development. Preference in employment was to be given to agricultural wage earners, non-agricultural un-skilled wage earners, marginal farmers, women, members of scheduled castes/scheduled tribes (SC/ST), etc. The wages were to be paid partly in foodgrains¹ and partly in cash. The cash component of the programme was shared between Centre and State in the ratio of 75:25 and the foodgrains were provided free of cost by the GOI. The cost of transportation of foodgrains was, however, to be borne by the State Government.

The GOI and the State Government release funds to Assistant Commissioners, Development (ACD) of each District for the implementation of SGRY, who in turn release funds to the Block Development Officers (BDOs) and other programme implementing agencies. The Union Ministry of Rural Development determines the district-wise allotment of funds (Central share) and foodgrains. The State share of funds is allocated to each ACD through District Development Commissioners.

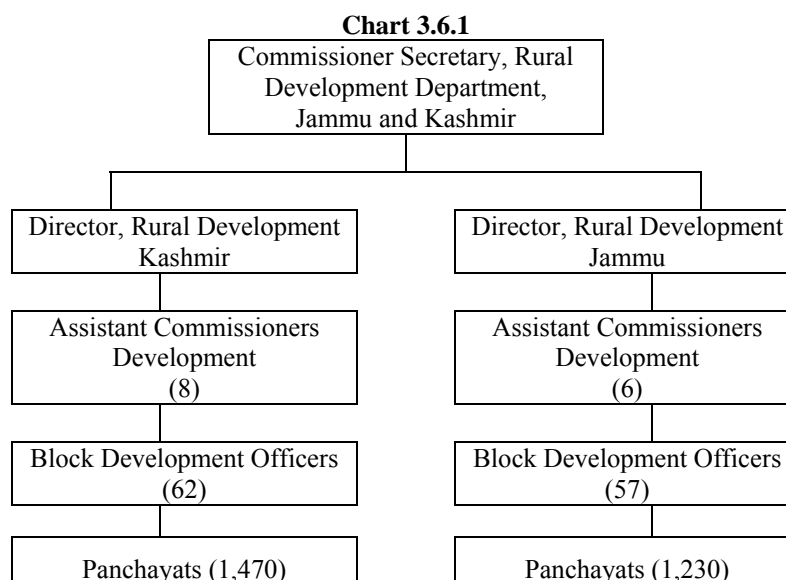
The resources in the shape of funds and foodgrains allocated to a district were to be distributed among three tiers of panchayats-village panchayats, intermediate panchayats (Block Development Councils) and district panchayats (District Planning and Development Board) in the ratio of 50:30:20. The District Development Board was to determine the allocation of funds and foodgrains to various *Halqa*² panchayats.

3.6.2 Organisational set-up

The organisational structure in the State Rural Development Department (RDD) for implementation of the scheme is as follows.

¹ Five kg per manday revised to 3 kg per manday with effect from November 2005

² Village



3.6.3 Scope of Audit

The performance review was conducted during August 2006 to March 2007 by a test check of the records of the Commissioner Secretary, RDD, two Provincial Directors, six out of 14 ACDs and 34 out of 119 BDOs. Out of the total expenditure of Rs. 311.13 crore incurred on implementation of the programme during 2002-03 to 2006-07, around 25 per cent (Rs. 78.79 crore) was test checked in audit.

3.6.4 Audit Objective

Performance audit of SGRY was conducted to assess as to whether:-

- the primary objective of providing additional wage employment was achieved as envisaged;
- preference groups were identified after survey and targets for providing wage employment were fixed after careful planning;
- resources were distributed/utilised fairly and special safeguards for weaker sections of society/women as per programme were actually in place and
- objective of creation of socio-economic assets was achieved.

3.6.5 Audit Criteria

Performance of the programme was assessed against the following audit criteria:

- Guidelines and instructions issued by the GOI and State Government from time to time on implementation of the programme.
- Jammu and Kashmir State Financial Rules.

3.6.6 Audit Methodology

Selection of districts and blocks was made on the basis of random sampling and risk analysis. Entry conference was held³ with the ACDs of the selected districts wherein audit objectives, scope and criteria were discussed. Audit observations

³ With ACDs Anantnag and Udhampur in August 2006, ACD Leh in October 2006, ACD Doda in November 2006, ACD Baramulla in December 2006 and ACD Rajouri in January 2007

regarding implementation of the scheme were discussed with the BDOs of the test checked blocks. Audit findings were discussed with the Secretary, RDD in an exit conference on 7 September 2007. The replies of the Department have been incorporated in the report at appropriate places.

Audit Findings

Important points noticed during the course of audit are discussed in the succeeding paragraphs.

3.6.7 Financial Management

The overall position of funds released and the expenditure incurred thereagainst during 2002-03 to 2006-07 on implementation of SGRY as reflected in the annual progress reports was as under.

Table 3.6.1

(Rupees in crore)

Year	Funds released ⁴ /available					Expenditure (per cent)	Unspent closing balance
	Opening balance	Central share	State share	Miscellaneous receipts	Total		
2002-03	2.37	25.55	14.22	0.43	42.57	38.96 (92)	3.61
2003-04	3.64	25.96	13.67	0.28	43.55	41.95 (96)	1.60
2004-05	1.51	27.61	14.54	0.35	44.01	41.98 (95)	2.03
2005-06	2.08	30.53	14.62	0.28	47.51	45.71 (96)	1.80
2006-07	1.82	25.81	11.81	0.22	39.66	37.46 (94)	2.20
		135.46	68.86	1.56		206.06	

(Source: Progress reports of Administrative Department. Figures in parenthesis indicate percentage)

As can be seen from the above table, utilisation of available funds during 2002-03 to 2006-07 ranged between 92 and 96 *per cent*. Scrutiny of the progress reports furnished by the Administrative Department to the GOI revealed that there was variation between the unspent closing balances and the opening balance of the succeeding year in all the years during 2002-06. The Secretary RDD stated (September 2007) that the variations were due to late accounting of interest allowed by banks, in the departmental books and un-reconciled entries with banks. The reply is not tenable, as against the closing balance of Rs. 1.60 crore during 2003-04, only Rs. 1.51 crore were shown as opening balance during 2004-05 and decrease of Rs. 9 lakh could not be explained.

In addition to the above, an expenditure of Rs. 105.07 crore out of Rs. 108.76 crore⁵ provided under Prime Minister's Special Package (PMSP) for generation of additional employment opportunities and creation of durable assets in the State had been incurred during 2003-06.

3.6.7.1 Delays in Release of Funds

Programme guidelines provided that the resources to the intermediate and village panchayats should be released within fifteen days of the receipt of funds from the Central or the State Government. The disbursement of Central share should not

⁴ State and Central share of funds released during the year also include the releases of previous year released during the year

⁵ Central share: Rs. 81 crore; State share: Rs. 27 crore; Miscellaneous receipts: Rs. 0.76 crore

wait for the matching State share. Test check of four⁶ ACDs revealed that the Central share of Rs. 34.87 crore and 75,710 quintals of foodgrains were released to the BDOs during 2002-06 belatedly. The delay ranged between five and 301 days. The delay in release of cash component in Udhampur, Doda and Rajouri districts was attributed to delay in receipt of bank drafts from Administrative Department/Director Rural Development, Jammu and late approval of annual plans. ACD, Leh attributed the delay to non-placing of demand for funds by BDOs in time.

Test check also revealed that an amount of Rs. 33.47 lakh meant for the transportation of foodgrains was withdrawn (March 2002) from treasury and kept in civil deposit by Financial Advisor and Chief Accounts Officer, RDD. The amount was held in deposit account unnecessarily for a period of 25 months and thereafter released to two Directors⁷ in May 2004. Out of the funds released (Rs. 22.47 lakh) to Director, RDD Kashmir, an amount of Rs. 22.41 lakh was released (June 2004 to August 2005) to various ACDs. Secretary RDD stated (September 2007) that due to late release of State share in March 2002 and also cash crunch, the funds were held in deposit account. After receipt of necessary feed back/details, the amount was withdrawn (March 2004) from deposits for placement with Directors. This indicated that the funds were withdrawn (March 2002) without any immediate requirement and transferred unnecessarily to deposit account, which amounted to breach of financial propriety.

3.6.7.2 Loss of Central Assistance

Programme guidelines laid down certain conditions for release of funds by the GOI and in case these conditions were not adhered to, the GOI was to impose cuts from the subsequent instalments due to the State.

Scrutiny revealed that Rs. 3.54 crore and 1,500 tons of foodgrains were deducted by the GOI, during 2002-03 to 2006-07 from the releases due to 12⁸ districts, owing to late submission of proposals (Rs. 1.35 crore), incurring of less expenditure on SC/STs (Rs. 1.25 crore and 1,500 tons of foodgrains), short release of State share (Rs. 46.20 lakh), diversion of funds to other activities (Rs. 31.27 lakh), excess spending on administrative contingency (Rs. 11.88 lakh) and retention of excess opening balances (Rs. 4.75 lakh). Thus, non adherence to laid down conditions for implementation of the programme by the State Government deprived people in these districts of the Central cash assistance of Rs. 3.54 crore and 1,500 tons of foodgrains with possible loss in creation of an employment opportunity of 3.97 lakh mandays. Director RDD, Jammu, attributed (September 2007) belated formulation of annual plans, delay in submission of utilisation certificates (UCs) and short release of State share as the reasons for non-adherence to the laid down conditions. Director, RDD Kashmir, stated

⁶ Doda, Leh, Rajouri and Udhampur

⁷ Director Jammu: Rs. 11 lakh, Director Kashmir: Rs. 22.47 lakh

⁸ Anantnag, Baramulla, Budgam, Doda, Jammu, Kargil, Kathua, Kupwara, Poonch, Pulwama, Rajouri and Srinagar

(September 2007) that efforts were being made to ensure timely submission of UCs. Through concerted efforts all these reasons can be overcome.

3.6.7.3 Diversion of funds to activities not related to the programme

- Out of the funds received for programme implementation by four ACDs⁹ and 20 BDOs¹⁰ during 2002-06, an amount of Rs. 1.24 crore was diverted/utilised by them on activities not related to the programme like purchase of new vehicles, computers, photostat machines, office furniture, POL, repairs of vehicles, depositing of court fees, serving of refreshments, office expenses, payment of wages to daily rated staff, etc.
- Records of seven blocks¹¹ revealed that additional assistance of Rs. 12.09 lakh received under Prime Minister's Special Package (PMSP) during 2003-05 for implementation of various SGRY works was utilised during 2003-06 for carriage of foodgrains, purchase of computers, generator sets, repairs of vehicles including diversion to other programmes and execution of works outside the scope of programme guidelines.
- Records of seven¹² BDOs and ACD Doda revealed that Rs. 8.43 lakh and material worth Rs. 3.60 lakh meant for implementation of SGRY/PMSP was irregularly utilised for execution of works under other¹³ programmes. No approval for such diversion of money and material was taken from the Government.

The respective ACDs/BDOs attributed (September 2006-April 2007) diversion/utilisation of funds to non-provision of adequate funds by the State Government required by them for the purpose, which is unacceptable. The Director, RDD, Jammu stated (September 2007) that the expenditure on items which are not legitimate charge on the scheme, shall be investigated and appropriate action shall be initiated against the defaulters. Fact is that terms and conditions of GOI assistance do not allow diversion and make the State Government liable for cuts in future grants by the GOI. Thus diversion of Rs. 1.48 crore defeated the purpose of the scheme and deprived the targeted group of benefits to that extent.

3.6.8 Programme implementation

3.6.8.1 Execution of un-approved schemes

In order to ensure people's involvement in implementation of the programme, the SGRY guidelines provided that before the beginning of each financial year each district, intermediate and village panchayat shall independently prepare and approve an Annual Action Plan (AAP). No work was to be taken up unless it formed part of the Annual Action Plan.

⁹ Baramulla, Doda, Rajouri and Udhampur

¹⁰ Achabal, Assar, Baramulla, Bhadarwah, Bhalwal, Boniyar, Chenani, Dansal, Kalakote, Kishtwar, Mahore, Manjakote, Nowshera, Pattan, Ramban, Rohama, Sunderbani, Tangmarg, Vijaypur and Zaingair

¹¹ Assar, Bhadarwah, Bhalwal, Chenani, Kishtwar, Ramnagar, Reasi

¹² Bhadarwah, Bhalwal, Chenani, Dansal, Kalakote, Mahore, Sunderbani

¹³ MPLAD, Rural sanitation, 11th F.C, BADP, PMGSY

During test check of records of 10 BDOs¹⁴ of Jammu and Leh divisions, it was seen that 345 works estimated to cost Rs. 1.29 crore approved in the AAPs during 2002-06 were not executed. However, 314 works not included in AAPs were executed unauthorisedly and an expenditure of Rs. 1.46 crore was incurred on these unapproved works. Similarly, in Achabal and Qaimoh blocks of Kashmir Division, 41 works not included in the AAPs were executed on which an expenditure of Rs. 17.46 lakh was incurred between 2003-06.

The BDO Achabal stated (September 2006) that works were taken up on the instructions of ACD and that instructions have been noted for future guidance. Other BDOs as well as two Directors attributed (September 2006-September 2007) the execution of such works to changes on local demand, thus defeating the very purpose of advance planning and people's involvement at various levels of Panchayati Raj Institutions. Director RDD, Kashmir replied (September 2007) that instances of execution of works outside the plan are now being regularly watched. Execution of unapproved works and ignoring the approved works revealed improper planning and defeated the very purpose of advance planning.

3.6.8.2 Inadequate coverage of weaker sections of the community

In terms of the programme guidelines, 22.5 *per cent* of the annual allocation of the District and block panchayat level was to be spent on identified individual beneficiary/group schemes for SC/ST below the poverty line. Diversion of funds meant for SC/ST to other works was not permitted. Scrutiny of the records of 20 BDOs¹⁵ and ACD Leh revealed that against the envisaged requirement of Rs. 3.89 crore to be spent on individual beneficiaries/group schemes for SC/ST during 2002-06, only Rs. 3.68 lakh (one *per cent*) was spent. BDOs as well as Director RDD Jammu attributed (September 2007) the irregularity to non-framing of SC/ST individual beneficiary/group schemes by concerned Panchayats. However, ACD Leh stated (October 2006), that no separate allocation was kept for individual beneficiary schemes of SCs/STs below the poverty line, as 90 *per cent* population of the district were STs and that most of the rural population was poor. The replies are not tenable, as by not executing individual beneficiary schemes for the poor SC/STs, the objective of creating economic assets for sustainable employment of individual beneficiaries was not achieved. Director (RDD) Kashmir stated (September 2007) that adherence to guidelines may not be possible in letter and spirit as there is no SC population in the valley and population of STs is far less than at national level. The reply is not tenable, as no expenditure had been incurred on individual beneficiary schemes in the test checked blocks of districts Anantnag and Baramulla of the Kashmir valley where ST population was 9 *per cent* and 7 *per cent* respectively. As such the benefits of individual beneficiary/group schemes could not reach the deserving poor STs of these districts.

¹⁴ Assar, Bhadarwah, Chenani, Darhal, Kalakote, Khaltsi, Ramban, Ramnagar, Reasi, Sunderbani

¹⁵ Achabal, Assar, Baramulla, Bhadarwah, Chenani, Darhal, Kalakote, Kishtwar, K.Pora, Kulgam, Nowshera, Qaimoh, Ramnagar, Reasi, Rohama, Shahbad, Sumbal, Sunderbani, Tangmarg, Zaingair

3.6.8.3 Non-allocation of resources for SC/STs in village panchayats

As per the scheme, a minimum of 50 *per cent* of the village Panchayat share of allocation (inclusive of foodgrains) under SGRY was to be earmarked for the creation of need based infrastructure in SC/ST habitations/wards. In 19¹⁶ test checked blocks, against an admissible amount of Rs. 6.01 crore (Jammu: Rs. 2.28 crore; Kashmir: Rs. 3.73 crore) to be allocated/spent for creation of need based infrastructure in SC/ST areas, only Rs. 1.96 crore {Jammu: Rs. 76.71 lakh (34 *per cent*); Kashmir: Rs. 1.19 crore (32 *per cent*)} was spent in SC/ST areas during 2002-06.

Ten BDOs¹⁷ of Kashmir province stated (September 2006 to March 2007) that because of the small size of SC/ST population in these blocks, less expenditure had been incurred. The reply is not tenable, as the funds were not given on rational basis. Director, RDD, Jammu admitted (September 2007) that less expenditure was due to approval of lesser number of SC/ST schemes by the concerned panchayats. Thus allocation of lesser resources in these habitations, the programme objective of creating need based infrastructure in SC/ST habitations was not achieved.

3.6.9 Wage employment

3.6.9.1 Non-fixation of targets for employment generation

No survey had been conducted in test-checked¹⁸ districts as of June 2007, to ascertain the number of need-based beneficiaries/groups to be covered, under SGRY, with the result that, preference wage earners in the agriculture, non-agricultural sectors were not identified. The targets/performance indicators for providing wage employment, improving nutritional status and infrastructure development were not fixed. The plans had however, been formulated as per availability of funds in each block, which were placed before the District Development Boards for approval. Director RDD, Kashmir stated (September 2007) that they can not set targets for employment generation, since these would depend on the availability of funds from the Centre and the corresponding State share. The reply is not tenable, as survey is a pre-requisite to assess the employment and infrastructure requirement and targets have to be fixed in the annual action plans so as to measure achievement in concrete terms.

Further, in 23 test-checked blocks of five districts¹⁹, against 29.23 lakh employment person days shown to have been generated during 2002-07²⁰, the work-wise details of the employment person days provided had not been maintained. The Director RDD, Jammu, stated (September 2007) that reasons for non-maintenance of work-wise details of the employment mandays provided to

¹⁶ Achabal, Assar, Baramulla, Bhaderwah, Chenani, Kalakote, Kishtwar, K.Pora, Kulgam, Nowshera, Qaimoh, Ramban, Reasi, Rohama, Shahbad, Sumbal, Sunderbani, Tangmarg, Zaingair

¹⁷ Achabal, Baramulla, K.Pora, Kulgam, Qaimoh, Rohama, Shahbad, Sumbal, Tangmarg, Zaingair

¹⁸ Anantnag, Baramulla, Doda, Leh, Rajouri, Udhampur

¹⁹ Anantnag, Baramulla, Doda, Rajouri and Udhampur

²⁰ Upto December 2006 in respect of Rajouri district while in respect of other districts upto 2005-06 only

preference groups are being ascertained for taking disciplinary action against defaulters. In the absence of these basic records, the impact of the programme in providing wage employment to the rural beneficiaries could not be ascertained.

3.6.9.2 Non-maintenance of employment registers

SGRY guidelines provided that each tier of Panchayat shall maintain an employment register for the works being implemented within its jurisdiction, giving details of the number of persons employed including number of SC/ST, gender and mandays generated for each work. The details were to be based on the muster rolls to be maintained work-wise and the register was to be kept open to public for scrutiny. Test check of records in 27 blocks²¹ in five districts revealed that the requisite employment registers were not maintained since 2002-03. In the absence of these basic records, audit could not vouchsafe the genuineness of the number of persons engaged, mandays generated and whether benefits accrued to weaker sections of society like women and SC/ST.

It was stated (January 2007 to March 2007) that the figures of “employment shown generated” in the monthly/annual progress reports were arrived at tentatively by dividing the average wage component of the works (funds) with average labour rates. Thus, 281.63 lakh mandays shown generated through execution of programme works, for which a minimum Rs. 126.73 crore had been paid during 2002-07 and communicated to GOI, had been arrived at arbitrarily and were not based on data worked out from muster rolls. The Director RDD, Jammu, replied (September 2007) that reasons for non-maintenance of such important documents are being ascertained for eventual action. The Director, RDD, Kashmir stated (September 2007) that this aspect is given due attention and will be followed regularly, besides emphasis is being laid on scientific preparation of muster rolls. Communication of tentative figures of employment generation not based on data worked out from muster rolls revealed wrong reporting. Besides, the real impact of the programme in providing the wage employment to the rural beneficiaries also could not be assessed.

In reference to the above, test check revealed the following:

3.6.9.3 Incorrect reporting of “Employment generation figures”

Programme guidelines provided that muster rolls should be maintained for every work separately showing therein the details of wages paid to workers and foodgrains distributed including the number and details of SC/STs/women and others who have been provided employment in each work. Muster rolls were to be made available to public on demand to ensure transparency. For works taken up by the village panchayats, copies of muster rolls duly certified by the panchayat Sarpanch were to be placed before the Gram Sabha.

²¹ Achabal, Assar, Bandipur, Baramulla, Bhadarwah, Boniyar, Chenani, Darhal, Hajin, Kalakote, Kishtwar, K.Pora, Kulgam, Nowshera, Pattan, Qaimoh, Ramban, Ramnagar, Reasi, Rohama, Shahbad, Shangus, Sumbal, Sunderbani, Tangmarg, Uri, Zaingair

- Audit observed that for 1,486 works costing Rs. 6.92 crore test checked in 11 blocks²², the muster rolls in support of 1,026 works costing Rs. 4.29 crore had not been received from the Panchayat Incharge (VLWs)²³ who supervised these works. In five blocks²⁴ of Kashmir Division for 114 works costing Rs. 52.27 lakh executed during 2002-07 muster rolls were not produced to audit on the plea that these were lying with the VLWs.
- The muster rolls in seven blocks²⁵ revealed that against 28,878 mandays actually generated from 107 works (Rs. 42.45 lakh) during 2002-06, the BDOs reported generation of 40,984 mandays. Similarly, against the 44,731 mandays generated from another 106 works (Rs. 60.22 lakh) during 2002-06, only 33,887 mandays were reported in the progress reports. These huge variations between actual mandays generated as per muster rolls vis-a-vis those communicated in the progress reports is indicative of fictitious reporting. Possibility of misutilisation of funds, as such, cannot be ruled out.
- In BDO Bhadarwah Rs. 4.41 lakh were paid for 3,773 mandays generated from 13 works during 2004-05. However, the payee's acknowledgement for disbursement of Rs. 4.31 lakh and attendance of the workers against the labour payment of Rs. 10,000 had not been recorded in the muster rolls.
- In the annual progress report for the year 2005-06, BDO Ramnagar reported generation of 4,600 mandays on construction of a *tanki* at Kheen (cost: Rs. 0.20 lakh). The muster rolls in support of the work were not available. Keeping in view the minimum labour rate of Rs. 66 per manday during the year, the total payment worked out to Rs. 3.04 lakh and 4,600 mandays shown generated from the work were therefore unrealistic.
- For construction of Community Facility Centre, Matta in Kishtwar block (approved cost: Rs. 10 lakh²⁶), payment of Rs. 37,400 on account of 327 mandays was made during February 2004 on muster roll. However, labour was shown employed for 30 days during February 2004 when only 29 days were actually available during the month. This indicated manipulation of muster rolls and payments without any physical work having been done.

Due to non-maintenance of muster rolls, audit was unable to verify whether works were actually executed and whether dues were actually paid to the beneficiaries. Director RDD, Jammu, replied (September 2007) that the matter regarding perfunctory reporting of mandays generated and its mismatch with muster rolls is being investigated and that, disciplinary action as warranted under rules would be initiated against the defaulters. Director RDD, Kashmir, stated (September 2007) that emphasis is being laid on scientific preparation of muster rolls.

²² Assar, Bhadarwah, Chenani, Darhal, Kalakote, Kishtwar, Nowshera, Ramban, Ramnagar, Reasi and Sunderbani

²³ Village Level Workers

²⁴ Bandipora, Baramulla, Boniyar, Rohama and Sumbal

²⁵ Assar, Bhadarwah, Chenani, Ramban, Ramnagar, Reasi and Sunderbani

²⁶ Expenditure: Rs. 9.50 lakh incurred ending March 2006

3.6.9.4 Non-provision of employment opportunities to women

As per guidelines, efforts were to be made by programme implementing agencies to provide 30 *per cent* of the employment opportunities to women. However, in five test-checked districts²⁷ for 122.17 lakh mandays generated during 2002-07 under the programme, women had not been provided employment and were deprived of 36.65 lakh persondays. Three ACDs²⁸, respective BDOs as well as two Directors RDD attributed (September 2007) non-participation of women to their un-willingness to work as labourers as per the local traditions of these areas. Non-availing of employment opportunities was, however, reported through the progress reports submitted to GOI/State Government. But no action was taken in this regard.

3.6.9.5 Extra payment of wages to workers

The guidelines provided that the minimum wages fixed by the State authorities shall be paid to the skilled and unskilled labourers. Test check of 493 works executed in 12²⁹ blocks revealed that an amount of Rs. 28.93 lakh was paid during 2002-03 to 2005-06 in excess of the notified³⁰ labour rates for 1.31 lakh mandays to various categories of workers engaged in execution of works. Payment made in excess of notified rates was neither reported to the GOI/State Government nor any approval was sought in this regard.

After being pointed out, the BDOs and Director, RDD Jammu stated (October 2006–September 2007) that extra payment had to be made due to un-willingness of the workers to perform jobs on the Government approved rates which are lower than that of market rates and urgency for completion of approved works programme. The reply is not tenable as it violated the programme guidelines, which provided for payment of wages to the workers at prescribed rates. Director RDD, Jammu assured (September 2007) that excess payment shall be recovered from defaulters. Director RDD, Kashmir, stated (September 2007) that detailed comments would be furnished after the response from districts is received. Due to extra payment of wages to workers in these cases the Department could not execute works to cover additional beneficiaries to the extent that could have been implemented by spending the amount paid in excess. The irregular payment of excess wages was not intimated to the State Government or the GOI.

3.6.10 Execution of schemes without Panchayat approval

In order to ensure people's involvement in programme implementation, each SGRY work taken up for execution was to be approved by the resolution of the Dehi majlis/village committee. Scrutiny in nine blocks³¹ revealed that the

²⁷ Anantnag, Baramulla, Doda, Rajouri and Udhampur

²⁸ Doda, Rajouri and Udhampur

²⁹ Assar, Bhadarwah, Hajin, Kalakote, Kishtwar, Pattan, Ramban, Ramnagar, Rohama, Shangus, Sunderbani, Zaingeer

³⁰ The rates for unskilled, semi-skilled and skilled labour were Rs. 45, Rs. 60 and Rs. 100 respectively upto June 2005 and Rs. 66, Rs. 88 and Rs. 147 thereafter.

³¹ Assar, Chenani, Darhal, Kalakote, Kishtwar, Nowshera, Ramban, Ramnagar, Reasi

resolutions of the Dehi Majlis/village level committee were not on record in respect of 231 works costing Rs. 123.73 lakh and 110 works costing Rs. 41.46 lakh. These had been executed during 2002-06 on the orders of higher authorities. Director, RDD, Jammu, replied (September 2007) that works have been executed as per requirement/demand of locals within the purview of the SGRY. The reply is not tenable, and the panchayat approval was to be invariably obtained.

3.6.11 Execution of works without Administrative Approval/Technical Sanction

Programme guidelines provided that administrative approval (AA) and technical sanction (TS) for the works under the AAP would be accorded by the competent authorities as per rules of the State Government. However, in seven³² test checked blocks, 34 works costing Rs. 83.60 lakh were executed during 2002-06 without AA. Likewise, in eight³³ test checked blocks, 42 works costing Rs. 117.74 lakh were executed during 2002-06 without TS. Reasons for not obtaining AA/TS were not stated. The BDOs admitted the omission and stated that sanction would be obtained. Director RDD, Jammu, stated (September 2007) that factual position is being verified and disciplinary action shall be initiated in all cases where the officers/officials are found guilty. Director RDD, Kashmir, intimated (September 2007) that action has already been taken against some BDOs and one BDO has been placed under suspension. Execution of works without AA and TS is fraught with risk of unauthorised expenditure, revision of estimates and cost and time over-runs.

3.6.12 Execution of works prohibited under the Yojana

Construction of buildings for religious purposes, monuments, memorials, bridges, black topping of roads, etc. is not permissible under the programme. In 12³⁴ test-checked blocks, Rs. 67.46 lakh had been diverted for execution of 112 such works during 2002-06. Execution of prohibited works was neither reported to the GOI/State Government nor any approval was sought for in this regard. The respective BDOs as well as Director, RDD Jammu, stated (September 2006-September 2007) that these works were taken up for execution on the demand of local people. The reply is not tenable, as the programme guidelines prohibited execution of such works. Director, RDD Kashmir, however, stated (September 2007) that this aspect would be looked into in detail.

3.6.13 Unfruitful expenditure and blocking of funds

➤ In six blocks³⁵ 11 works costing Rs. 39.69 lakh were taken up for execution during 2002-05. However, after incurring an expenditure of Rs. 11.80 lakh, the works were abandoned due to land dispute, disputes with the *mates*³⁶ or other reasons thus rendering the expenditure on these works unfruitful.

³² Assar, Bhadarwah, Chenani, Kalakote, Nowshera, Ramban, Reasi

³³ Assar, Bhadarwah, Bhalwal, Dansal, Kalakote, Kishtwar, Nowshera, Ramban

³⁴ Achabal, Bhadarwah, Bhalwal, Chenani, Dansal, Khoverpora, Kishtwar, Mahore, Manjakote, Qaimoh, Shahbad, and Vijaypur

³⁵ Achabal, Bandipora, Khalsti, Khoverpora, Kulgam and Qaimoh

³⁶ Labour contractors

As per rules works are not to be commenced if there is no clear title to land. Director RDD, Kashmir replied (September 2007) that some times local disputes result in delay in completion of works and their abandonment also.

➤ Further, in anticipation of actual start of works, an expenditure of Rs. 29.59 lakh was incurred on purchase of steel doors, windows and trusses during 2003-2005 in seven³⁷ blocks. But the material was not put to use as the 10 works³⁸ (estimated cost: Rs. 68.42 lakh) for which the material was procured, were either not taken up for execution or left midway thereby resulting in avoidable blocking of funds. Director RDD, Kashmir, replied (September 2007) that blocking of funds was necessitated by the climatic conditions, which require advance procurement. The reply is not tenable as the blocking of funds revealed improper financial planning. Director RDD, Jammu stated (September 2007) that efforts would be made to settle the land dispute.

3.6.14 Non-maintenance of records of assets created

All the three tiers of Panchayats were required to maintain complete inventory of the assets created under the programme, giving details of date of start, date of completion of project, cost involved, benefits obtained, employment generated, etc. The signboards in respect of each work were to be displayed near the work site and the complete photographic record at various stages of execution was to be maintained. Test check in audit revealed that the records of assets created under SGRY were not maintained in 19³⁹ test-checked blocks. In 10⁴⁰ test-checked blocks of Jammu Division, photographic record of the works at various stages of construction was not on record and signboards were not displayed near work sites. For 7,754 works completed in these blocks during 2002-06, only 506 signboards had been issued for display out of 678 signboards procured/available. Director RDD, Kashmir, stated (July 2007) that directions have been issued in this regard. Director RDD, Jammu replied (September 2007) that disciplinary action shall be taken against those who have not maintained an inventory of assets. Non-maintenance of inventory of assets and other records prescribed under the guidelines is fraught with the risk of misutilisation of funds.

3.6.15 Foodgrains

The position of foodgrains available and utilised during 2002-07 as communicated in the annual progress reports by the Administrative Department and Provincial Directors is as under:

³⁷ Achabal, Bandipora, Hajin, Kishtwar, Kulgam, Qaimoh and Uri

³⁸ One work was to be taken in December 2003 and completed in March 2005 and nine works were to be taken in March 2004 and completed in March 2006.

³⁹ Achabal, Assar, Baramulla, Bhadarwah, Boniyar, Chenani, Darhal, Hajin, Kalakote, Kishtwar, Kulgam, Nowshera, Pattan, Qaimoh, Ramnagar, Reasi, Rohama, Shangus, Zaingeer

⁴⁰ Assar, Baramulla, Bhadarwah, Chenani, Darhal, Kalakote, Ramban, Ramnagar, Reasi and Sunderbani

Table 3.6.2

(In Metric Tonnes)

Year	Opening stock (balance of foodgrains)			Lifting from FCI			Utilisation			Closing Stock of foodgrains		
	1	2		3			4			5		
	W	R	T	W	R	T	W	R	T	W	R	T
2002-03	1373	3977	5350	8790	26039	34829	8441	23926	32367	1722	6090	7812
2003-04	1722	6090	7812	9000	24494	33494	8845	23799	32644	1877	6785	8662
2004-05	1877	6785	8662	8486	22883	31369	8554	22593	31147	1809	7075	8884
2005-06	1809	7075	8884	6153	18884	25037	6099	18123	24222	1863	7836	9699
2006-07	1863	7836	9699	73	16457	16530	58	15154	15212	1878	9139	11017
Total				32502	108757	141259	31997	103595	135592			

(Source: Departmental records)

(W: Wheat, R: Rice, T: Total)

As can be seen from the above table, against 1,46,609 MTs⁴¹ of foodgrains available during 2002-07 under the programme, actual utilisation was 1,35,592 MTs (92 per cent) only.

3.6.15.1 Excess reporting and shortages/pilferage of foodgrains

Based on the data provided by each BDO, the ACDs frame the monthly and annual progress reports, which are forwarded to the Administrative Department and the GOI.

➤ Against 12,783.53 quintals of wheat and 18,904.37 quintals of rice lifted and utilised for distribution in five blocks (Bhadarwah, Kalakote, Nowshera, Ramban, Sunderbani) during 2002-06, the respective ACDs (Doda and Rajouri) in their annual progress reports reported that 13,160.83 quintals of wheat and 20,659.02 quintals of rice had been lifted and utilised in these blocks, resulting in short accountal of 377.30 quintals of wheat and 1,754.65 quintals of rice costing Rs. 12.76 lakh at BPL rates.

➤ In Assar and Chenani blocks the closing balance ended March 2004, of 1,422.65 quintals of wheat and 698.57 quintals of rice costing Rs. 11.12 lakh had not been carried forward in the stock registers of the subsequent years of these blocks. On this being pointed out, the BDOs stated (August 2006/March 2007) that the position would be looked into and reconciled with concerned ACDs. Director RDD, Jammu, stated (September 2007) that concerned BDOs have been directed to carry forward the short accountals in their books till its reconciliation with ACD.

➤ Scrutiny of the records of ACD Baramulla and three BDOs (Hajin, Shangus, Zaingair) of Kashmir Division revealed that due to incorrect carry forward of balances, short or non-accountal of stocks in the stock registers, 1,567.12 quintals of rice meant for distribution among beneficiaries had been pilfered during 2002-03 to 2005-06. Against the average⁴² landed cost of Rs. 1200 per quintal during the period, the cost (Rs. 4.92 lakh) of 788.10 quintals of rice was recovered from the defaulters at the subsidised rate of Rs. 625 only. This resulted in undue benefit of Rs. 4.53 lakh to the defaulters and non-recovery of Rs. 9.35 lakh as cost of 779.02 quintals of rice. It was stated that the matter regarding recovery would be taken up with the higher authorities.

⁴¹ Opening stock: 5350 MTs, Lifting: 141259 MTs

⁴² FCI supplied rice at the rate of Rs. 1180 per quintal on 15 February 2002, 13 March 2002, 26 June 2002, 17 September 2002; Rs. 1210 per quintal on 1 July 2003, 10 March 2003, 30 January 2003 and Rs. 1235 on 14 January 2004

Short accountal of foodgrains and non-recovery of full cost of pilfered foodgrains revealed inadequate monitoring and undue favour to the defaulters.

3.6.15.2 Non-allocation of sufficient foodgrains

In order to maintain proper ratio of foodgrains in the wage component, the foodgrains available at the district level were to be allocated to each block in proportion to the cash component. During test check it was seen that against a requirement of 43,651.41 quintals of foodgrains in seven⁴³ blocks of Doda District, only 34,775.60 quintals was allocated during 2002-06. Also against a requirement of 37,759.81 quintals of foodgrains in seven⁴⁴ other blocks during 2002-06, only 46,243.42 quintals were provided. This resulted in allocation of substantially lesser or excess quantities of foodgrains in these blocks, due to which the required proportion of cash and foodgrains in the wage payments of workers could not be maintained. ACD, Doda admitted (November 2006) that lesser foodgrains were provided to the far-flung areas⁴⁵ due to higher cost of transportation. The reply is not tenable as the programme guidelines aimed at improving nutritional status of the beneficiaries and the State Government was to meet the transportation cost of foodgrains. Less distribution of foodgrains to these far-flung areas deprived the workers of these areas of food-security besides disturbing the proportion of cash and foodgrains in other blocks. The intended objective of providing food security to far-flung areas was, thus, defeated. The Director, RDD, Jammu stated (September 2007) that facts are being ascertained and that action as warranted under rules shall be initiated.

3.6.15.3 Less/non-distribution of foodgrains as part of wages

In order to protect the real wages of the workers and improve their nutritional standards the guidelines provided that subject to minimum 25 *per cent* payment of wages in cash, foodgrains at the rate of 5 kg per manday (revised to 3 kg from November 2005) was to be distributed to the workers. Audit scrutiny revealed that the ratio of distribution of cash and foodgrains was not maintained in accordance with the programme guidelines as discussed below.

- In 11 blocks⁴⁶ the muster rolls of 460 works costing Rs. 2.63 crore undertaken during 2002-06, the quantity of foodgrains and cash received by each worker was not mentioned in payees acknowledgements obtained in support of distribution of wages.
- In five BDOs⁴⁷ against 23,260 mandays generated from 75 works costing Rs. 36.36 lakh during 2002-03 to 2005-06, the required quantity of foodgrains (1,014.65 quintals) was not distributed as part of wage to the workers. In 14 blocks⁴⁸ no foodgrains were issued for execution of 545 works costing

⁴³ Banihal, Doda, Kishtwar, Marwah, Ramban, Ramsoo, Warwan

⁴⁴ Assar, Bhadarwah, Bhalesa, Dachhan, Drabshella, Nagsani, Thathri

⁴⁵ Kishtwar, Marwah, Ramban, Ramsoo and Warwan blocks

⁴⁶ Assar, Bhadarwah, Chenani, Darhal, Kalakote, Kishtwar, Nowshera, Ramban, Ramnagar, Reasi, and Sunderbani

⁴⁷ Assar, Bhadarwah, Khaltsi, Kishtwar, Ramban

⁴⁸ Achabal, Bandipora, Baramulla, Dansal, Darhal, Kalakote, Manjakote, Nowshera, Pattan, Rohama, Shangus, Sunderbani, Vijaypur, and Zaingair

Rs. 1.47 crore, and labour payments were made in cash only. But due to non-availability of muster rolls, actual number of mandays generated from these works and the number of workers deprived of foodgrains could not be vouchsafed. In four Block Development Offices⁴⁹ against an admissible quantity of 206.97 quintals of foodgrains to be distributed for 4,140 mandays generated from 16 works, only 120.13 quintals were distributed to the workers. Short distribution of 86.84 quintals of foodgrains for execution of these works thus revealed that the real wages for 4,140 mandays were paid less by Rs. 0.41 lakh⁵⁰.

➤ In Khaltsi Block against the available quantity of 10.04 quintals of foodgrains in the stocks, 318.48 quintals (Rs. 1.91 lakh) were shown to have been issued (July 2005 to February 2006) to labourers. Distribution of 308.44 quintals of foodgrains in excess of available stock appeared unrealistic. The BDO stated (October 2006) that acknowledgements were obtained from the labourers at the time of execution of work but the foodgrains were issued only after the receipt of fresh stock. The reply is not tenable as the programme guidelines provided that the wages in the shape of cash and foodgrains were to be made on a fixed day in a week and it is irregular to take acknowledgement from the labourers without actually paying their dues.

In view of non/less distribution of the foodgrains to various workers employed for execution of works, the programme objective of improving the nutritional levels in the rural area could not be ensured. Director RDD, Jammu replied (September 2007) that non-distribution of foodgrains to workers shall be investigated. Director RDD Kashmir stated (September 2007) that detailed instructions regarding distribution of foodgrains have been issued.

3.6.15.4 Excess distribution of foodgrains

➤ Records of five BDOs⁵¹ revealed that against the due quantity of 1,936.13 quintals of foodgrains to be distributed for 42,672 mandays generated from 172 works executed during 2002-06, 3,872.08 quintals were issued, which resulted in excess distribution of 1,935.95 quintals of foodgrains (costing Rs. 18.39 lakh⁵²) in these works.

➤ In six test-checked blocks⁵³, against 7,150.11 quintals of foodgrains to be distributed for 1,51,893 mandays generated during 2002-06 from 550 works, a quantity of 15,306.86 quintals was issued. Distribution of excess quantity of 8,156.75 quintals (costing Rs. 1.02 crore⁵⁴) of foodgrains in respect of these works resulted in undue benefit to the *mates*⁵⁵ who executed these works. Excess

⁴⁹ Assar, Bhadarwah, Kishtwar, Ramban

⁵⁰ Approximate value worked out on the presumption that the actual cost was twice the BPL rate and all these foodgrains comprised wheat only.

⁵¹ Assar, Bhadarwah, Kishtwar, Ramban and Sunderbani

⁵² Approximate value worked out on the presumption that the actual cost was twice the BPL rates and all these foodgrains comprised wheat only.

⁵³ Bandipora, Baramulla, Boniyar, Rohama, Shangus and Zainagair

⁵⁴ Approximate value worked out on the presumption that the actual cost was twice the BPL rates and all these foodgrains comprised rice only.

⁵⁵ Labour contractors

distribution of 10,092.70 quintals of foodgrains in lieu of cash thus resulted in excess payment of Rs. 60.17 lakh to workers/mates for 1,94,565 mandays.

➤ In four blocks⁵⁶, full wage component of Rs. 42.04 lakh was issued in foodgrains (7,066 quintals). Test check in three blocks⁵⁷ revealed that in contravention to the programme guidelines, minimum 25 per cent wages were not paid in cash for 8,158 mandays generated during 2002-03 to 2005-06. As against the minimum cash payment of Rs. 1.53 lakh in the total wages of Rs. 6.13 lakh, an amount of only Rs. 79,546 was paid in cash and the balance was paid as foodgrains. In Khaltsi and Durbuk blocks cost of C.V pipes and chainlink fencing (Rs. 1.41 lakh) used on four works was paid in the form of foodgrains at BPL rates to the suppliers instead of cash, which resulted in loss of Rs. 1.41 lakh⁵⁸.

Reasons for non-maintenance of proper ratio between cash and foodgrains in the wages was attributed (March 2007) by BDOs Sunderbani and Manjakote to non-availability of State share of funds in time, while the BDO Khalsti stated (October 2006) that the wages were paid in cash only to avoid surrender of funds at the close of the year. Seven⁵⁹ BDOs attributed (August 2006-March 2007) it to non-availability of adequate stocks/short procurement of foodgrains. Three⁶⁰ BDOs stated (August 2006 - March 2007) that workers in some areas refused to accept foodgrains as wages while people in some areas demanded only foodgrains as wages. The reply is not tenable as the Department failed to ensure timely availability of funds and foodgrains for payment of wages. Further, for improvement of nutritional levels of workers in all the rural areas, proper ratio between cash and foodgrains in the wages was to be ensured.

3.6.15.5 Transportation/handling charges of foodgrains

Transportation, handling and other charges like sales tax, octroi and other taxes were to be borne by the State Government out of its own resources. Central cash component was not to be used for the purpose. Test check of records of 14 BDOs revealed that the Central cash assistance of Rs. 55.99 lakh received during 2002-06 for programme implementation was spent on carriage of foodgrains, handling charges, rent of godowns, etc. thereby depriving employment opportunities to the needy. The BDOs had neither taken approval of higher authorities against such expenditure nor informed the GOI to avoid cut in future grants. The BDOs attributed (September 2006 - March 2007) it to non-provision of adequate funds under State sector for the purpose. Director, RDD Jammu stated (September 2007) that reasons for paying such charges from Central cash assistance shall be ascertained, while Director RDD Kashmir stated (September 2007) that clear directions have been given in this regard.

⁵⁶ Darhal, Durbug, Kalakote and Vijaypur

⁵⁷ Assar, Ramban and Sunderbani

⁵⁸ Presumed that the actual cost of foodgrains was twice the BPL rate

⁵⁹ Assar, Dansal, Kishtwar, Nowshera, Ramban, Reasi, Vijaypur

⁶⁰ Bhadarwah, Darhal, Kalakote

3.6.15.6 Disposal of Empty Gunny Bags

- The gunny bags in which foodgrains were received for distribution under the programme were to be disposed off in accordance with the procedure prescribed in the State and sale proceeds thereof were to be used for making payment towards the transportation cost/ handling charges. Scrutiny of records of 11 BDOs⁶¹ revealed that stock account of empty gunny bags was not maintained and sale proceeds of approximately 1,09,699 empty gunny bags⁶² were not realised. Seven BDOs, while admitting the irregularity stated (September 2006 to March 2007), that stock accounts of gunny bags would be maintained in future. However, three BDOs stated (January/March 2007) that gunny bags issued to the Panchayat Incharges/mates were not received back.
- In two blocks of Leh, 17,326 empty gunny bags were distributed free of cost to the labourers during 2002-04.
- In five blocks (Baramulla, Bandipora, Boniyar, Pattan and Tangmarg) sale proceeds (March 2006) of Rs. 1.30 lakh on account of empty gunny bags had not been remitted (March 2007) to ACD Baramulla. The respective BDOs stated (November 2006, March 2007, April 2007) that the amount would be remitted to ACD, Baramulla.

After the matter was referred to Government, the Director RDD, Jammu, stated (September 2007) that concerned ACDs are being asked to remit the sale proceeds of empty gunny bags. Director RDD, Kashmir stated (September 2007) that records of empty gunny bags are now being maintained properly.

3.6.16 Incomplete works under PM package

For creation of additional wage employment opportunities and durable assets, additional Central assistance of Rs. 81 crore⁶³ was provided by the GOI under PMSP during 2003-05 and the State Government contributed (2004-06) its share of Rs. 27 crore. The works relating to construction of panchayat ghars in respect of left over Halqa Panchayats, godowns⁶⁴/storage facilities, multi purpose centres,⁶⁵ primary school buildings as per requirement, medical aid centres wherever possible, etc. were identified to be of priority nature. Further, in order to ensure creation of durable assets that would create impact under PMSP, works costing less than Rs. 0.50 lakh were not to be included in the action plans. The works undertaken under PMSP were to be completed by March 2005. Audit observed that due to late preparation of work plans and other connected groundwork for programme implementation, most of the works relating to creation of priority infrastructure works were not completed by March 2005.

⁶¹ Assar, Bhalwal, Bhadarwah, Chenani, Darhal, Kalakote, Kishtwar, Nowshera, Ramban, Reasi, Sunderbani

⁶² Worked out on the basis that approximately one quintal of foodgrains was contained in one gunny bag.

⁶³ At the rate of Rs. 3 lakh per panchayat for 2700 panchayats

⁶⁴ For storage of foodgrains received under SGRY at block level

⁶⁵ To meet accommodation requirements of Block Development Councils, training facilities for sarpanches/panches and accommodation facilities for Inspecting Officers at block level

➤ In 11 test checked blocks of Doda, Rajouri and Udhampur districts it was seen that out of Rs. 8.88 crore provided to these blocks under PMSP during 2003-06, only Rs. 3.96 crore (45 *per cent*) were spent on execution of 83 schemes relating to the creation of priority infra-structure and balance Rs. 4.92 crore (55 *per cent*) were spent on other works including Rs. 4.08 crore spent on execution of 708 small works each costing Rs. 0.50 lakh or less. As a result, the objective of creation of durable assets under the package was not achieved. The BDOs attributed (September 2006 to March 2007) the non-execution of infrastructural works and execution of works costing Rs. 0.50 lakh or less to local demands and passing of plans to execution of such works by the panchayats. Out of 83 priority infrastructure works, only 25 schemes were completed by the target date (March 2005) and 30 works were completed belatedly during 2005-06. The balance 28 priority works on which an expenditure of Rs. 1.71 crore had been incurred could not be completed due to non-release of funds during 2006-07 and as such the investment proved unfruitful.

➤ In two test-checked districts (Baramulla and Anantnag) it was seen that out of the total expenditure of Rs. 22.89 crore⁶⁶ incurred under the PMSP, in these districts during 2004-05 and 2005-06, only Rs. 10.61 crore (46 *per cent*) was spent on execution of 183 priority infrastructure works of the programme and Rs. 11.93 crore (52 *per cent*) were spent on execution of 2,027 other small works. However, only 2,055 works (priority works: 36; others: 2,019) were completed and the balance 155 works including 147 priority works (80 *per cent*) could not be completed (March 2006). The closing balance of Rs. 29.16 lakh available with the two ACDs was inadequate and required additional Rs. 97.01 lakh for their completion. The balance funds were not released to the implementing agencies due to non-continuation of the scheme beyond 2006-07. Thus, due to non-completion of priority infrastructure works, the objective of creation of durable assets could not be achieved.

3.6.17 Defective Purchase System

Divisional/State Level Purchase Committees were to approve the rates of key construction material after ascertaining the annual requirements from the BDOs/ACDs. Audit scrutiny revealed that except for cement, the rates of key construction material were not approved by the State and divisional level purchase committees during 2002-06.

Secretary, RDD, directed (March 2005) that the key construction material be purchased through Government/semi-Government agencies⁶⁷ at competitive rates after obtaining quotations and without compromising on the quality/standards. Test check of the records in 12 offices (11 blocks and 1 ACD) revealed that key construction material⁶⁸ was procured from numerous Government/semi-Government agencies without ascertaining competitive rates, quality and standard of the material. It was noticed that during 2004-06 cement was not supplied by suppliers at the rates approved by the Divisional/State Level purchase committees

⁶⁶ Including administrative charges of Rs. 35.05 lakh

⁶⁷ Such as SICOP, JAKFED, CONFED, JK Cements etc.

⁶⁸ Excluding cement

and the concerned officers made an extra payment of Rs. 32.18 lakh to these agencies above the approved rates. No agreements had been executed with these agencies for the supply of the ordered quantity. BDOs attributed extra payments to non-supply of cement at approved rates by these agencies and urgency to complete the works programme.

Director, RDD, Jammu, stated (September 2007) that action against defaulters is being initiated while Director RDD, Kashmir, intimated (September 2007) that transparent policy of purchase has been adopted and system will be further streamlined.

3.6.18 Monitoring and Evaluation

3.6.18.1 Social Audit and vigilance at grass root level

Programme guidelines provided that “Monitoring Committee” of the villagers of the area belonging to the locality/village where work was undertaken had to closely monitor the progress and quality while the work was in progress. No work was to be started unless Monitoring Committee had been framed. Reports of Monitoring Committees regarding progress/quality of work had to be obtained before releasing the final payment of works bills. Audit observed that no monitoring committees had been established in any of the test-checked districts. Due to non-existence of these committees proper monitoring on implementation of works under the programme could not be ensured.

3.6.18.2 Supervision and monitoring of the works

As per schedule of inspection drawn by the State Government (June 2002) out of the total works taken up under the programme, five *per cent* had to be physically inspected by Director, RDD, 25 *per cent* by ACD and 15 *per cent* of the completed works for which payments were made, were to be inspected by ACD. Audit scrutiny revealed that the SGRY works, undertaken in the test-checked blocks were neither inspected by Director nor by the respective ACDs. In February 2006 Secretary, RDD nominated Additional Secretary, RDD as nodal officer for monitoring the implementation of various works under SGRY and to submit monthly monitoring reports. However, no monitoring reports were furnished (April 2007).

Director, RDD, Kashmir constituted (March 2006), six committees, for verifying the works executed and payments made during February and March 2006 in six districts of Kashmir province, by April 2006 but the same were not done upto August 2006. On this being pointed out, it was stated (August 2006) that the concerned officers would be asked to expedite the verification work. This was indicative of the fact that the execution of the works was not being monitored properly. Director RDD Kashmir replied (September 2007) that measures including constitution of village level monitoring committees, involvement of general public, field visits by the Director/technical officers, and monitoring at Secretariat level etc. have been enhanced to strengthen monitoring and supervision.

3.6.18.3 Evaluation

Programme guidelines provided for conducting periodical evaluation studies through Government or reputed institution/organisation on the issues meriting detailed studies. Evaluation of the programme had not been conducted by any agency in any of the test-checked districts/blocks.

3.6.19 Conclusion

The programme planning was inadequate as numerous unapproved works were taken up for execution and the works approved in the annual action plans were ignored. Besides, survey to identify the beneficiary groups was not conducted. Targets for employment generation were not fixed. Employment opportunities claimed to have been generated from the programme were fictitious, and were not based on data worked out from muster rolls. The genuineness of the number of persons engaged, mandays generated, assets created and benefits accrued from the scheme could not be vouchsafed in audit as the fundamental records like muster rolls, employment registers and asset registers were not maintained properly. Special safeguards under the programme were not provided to the weaker sections of society like SCs and STs. Food security to rural poor was not ensured due to non-maintenance of proper ratio between cash and foodgrains in the wage payments and short allocation of foodgrains in far flung areas because of high transportation cost. The objective of creating durable community assets under the programme suffered due to non-completion of priority works, blocking of funds, unfruitful investments, diversion/misutilisation of funds and execution of prohibited works.

3.6.20 Recommendations

- A baseline survey should be conducted to identify the beneficiary groups as well as areas for employment generation.
- Annual action plans should be framed timely as per the guidelines and emphasis should be laid on creation of durable assets.
- Allocation of resources should be made strictly as per criteria of programme guidelines and targets for employment generation should be fixed. Funds earmarked for SC/STs should be spent exclusively for them as per programme guidelines.
- Proper registers should be maintained indicating the details of persons employed, employment generated and assets created.
- Apart from strengthening the regular monitoring of the programme works, monitoring and concurrent evaluation by an independent agency should also be conducted.

The Secretary, RDD accepted (September 2007) the recommendations in principle and assured implementation of these recommendations and necessary instructions in this regard were issued by Directors, RDD, Jammu and Kashmir.

Information and Technology Department

3.7 Information technology review of e-readiness of Government of Jammu and Kashmir

Highlights

- **Lack of Planning in setting up and assigning the role to Information Technology Unit (ITU) and Department of Information Technology (DIT) resulted in non-achievement of intended benefits.**
(Paragraph: 3.7.6)
- **Delay in implementation of SKIMS project of computerisation of working of Secretariat resulted in unfruitful expenditure of Rs. 5.67 crore.**
(Paragraph: 3.7.7)
- **Under utilisation of Community Information Centres (CICs) resulted in non-achievement of intended benefits.**
(Paragraph: 3.7.8)
- **Failure to implement State Wide Area Network (SWAN) project resulted in unfruitful expenditure of Rs. 21.26 lakh.**
(Paragraph: 3.7.9)
- **Non-utilisation of funds received from GOI for National e-governance plan (NeGP) resulted in locking and surrender of funds to the tune of Rs. 13.84 crore.**
(Paragraph: 3.7.10)

3.7.1 Introduction

Government of Jammu and Kashmir took various e-Governance initiatives in the State during the last decade with the objective of using Information Technology (IT) in the process of Government functioning and to bring about simple, moral, accountable, responsive and transparent governance to its citizens.

An Information Technology Unit (ITU) was created in 1998 which was subsequently replaced by the Department of Information Technology (DIT) in 2002. The main objective of the ITU and DIT was to provide consultative and guiding role for various e-governance projects of the State Government and to implement the e-governance projects sponsored by GOI. Information Technology policy of the Government of Jammu and Kashmir was formulated in January 2004 which inter-alia laid the Policy Mission on e-governance.

The e-governance initiatives undertaken by the State included those initiated at the Secretariat level by the DIT and those initiated at the individual departmental level.

3.7.2 Audit Objectives

The audit of computerisation initiatives of the DIT was taken up with the objective of assessing;

- The efficacy of the Government's IT planning.
- Whether DIT had been effective in formulating policies and rendering consultative and guiding services to e-governance projects of the State.

3.7.3 Audit Criteria

- IT Policy of the State Government.
- Circulars issued and mandate documents prescribed by the Government.
- Instructions of the GOI on implementation of e-governance schemes.

3.7.4 Audit methodology

The IT policies and control structure were examined with reference to the following:-

- Scrutiny of IT policy adopted by the Government.
- Discussions with Management at all levels.
- Analysis of the databases and study of the IT systems.

3.7.5 Scope of Audit

The IT audit conducted between February and June 2007 covered the IT environment in the Department of Information Technology. The review was issued to the Government in August 2007 and the findings were also discussed with the Principal Secretary to the Government, Department of Information Technology in August 2007. The replies furnished by the Department and results of discussions have been incorporated in the review.

Audit Findings

3.7.6 Lack of planning in setting up of DIT

The Government envisaged (1994) computerisation of various activities and created (May 1998) an Information Technology Unit (ITU) under State Information department. The unit was subsequently brought (2000) under the control of General Administrative Department (GAD) and finally replaced (December 2002) by the Department of Information Technology (DIT). The main objectives of the ITU/DIT, *inter-alia* included formulation of Long and Short Term Policy for introduction of Information Technology in the State and providing consultation and assistance to the State Government Departments in matters relating to computerisation.

Audit scrutiny revealed (February 2007) that the DIT had not formulated any short or long term structured IT plan fulfilling the Government's mission. The ITU, created after four years of conception of the e-governance initiative, remained without identification of any roles and responsibilities for about two

years (1998-2000). Similarly the DIT after replacing the ITU in 2002, did not have a Directorate (September 2007) with the result, the role assigned could not be fulfilled so far as setting standards for Operating Systems, Application software as well as hardware, setting up of data centre, laying down frame work of personnel policy in IT, formulating an IT Security Policy and to carve out a broad frame for IT requirements of the State Government is concerned. Due to lackadaisical approach, the pace of implementation of IT initiatives has been tardy with no visible change in the IT scenario of the State, despite the DIT having been in existence for almost a decade (September 2007).

On this being pointed out in audit, the Department (August 2007) stated that the process is slow and that efforts like creation of Directorate, staffing, improvement in connectivity, etc. are in progress. The reply is not tenable as the DIT has not been serious about fulfillment of its role which has a cascading effect on the overall pace of computerisation in the state.

3.7.7 Unplanned implementation of IT within Secretariat

As part of government effort to introduce e-governance in the State of J&K, Government approved (April 2002) implementation of e-governance programme in the Secretariat. The project objectives included enhancement in efficiency, bringing about transparency, improvement of turnaround of files and monitoring of Secretariat functioning. For this the Department acquired a software solution SKIMS Triple Plus¹ developed by M/S Tata Consultancy Services (TCS). The key features of the application included electronic work flow,² document/knowledge management system and monitoring system. The Department entered (May 2002) into an agreement with TCS for implementation of the project by 31st August 2002 at a cost of Rupees three crore. The agreement provided for installation and configuration of software on 'as is' basis, post configuration support up to 28 February 2003, training of staff and a Gap Analysis for customization of the software in tune with requirements of the J&K Civil Secretariat.

Audit observed (April 2007), that the software package (SKIMS Triple Plus) had been developed by the TCS for the State of Andhra Pradesh and the DIT had accepted the product on an "as is" basis without first ensuring its customization as per the requirements of the State. The agreement with TCS provided for only the Gap analysis of the software and the customization part was kept out of purview of the agreement. The product in 'as is' form did not cater to all the requirements of the State, as out of 430 applications only 274 were applicable to J&K and the remaining applications were specific to the Government of Andhra Pradesh. Of the 274 applications, only 18 were identified to be implemented 'as it is' and the balance required customization which was pending (June 2007). Out of 18 applications which could have been implemented at Srinagar and Jammu, attendance module was the only application put live. However, audit scrutiny revealed (April 2007) that the application had been used by only 25 employees

¹ Secretariat Knowledge Information and Management System (SKIMS)

² Movement of files through computer

out of 308 employees populated in the master table against a total of over 2000 employees in the Secretariat. The GAP analysis report submitted by TCS in October 2002 identified further specific applications which were required to be developed as part of customization of the product which had not been done (June 2007). The Department had been availing post configuration support of TCS from 2002-03 and despite incurring an amount of Rs. 2.67 crore as effort charges (paid to TCS from 2002-03 to March 2007), the project continues to be un-implemented (September 2007). Thus, the procurement of software without actually ensuring its applicability indicated lack of planning and *ad hoc* approach in initiating project of such a magnitude.

Further, while formats and other technical guidelines had been communicated in March 2002, for digitisation of old records, Audit observed (March 2007), that the Department had started the digitization process belatedly (May 2004), without carrying out any feasibility study about the technical specifications, volume of work to be digitized and fixing of time frame, with the result digitization continued to be incomplete (September 2007).

On this being pointed out in audit, the Department stated (July 2007) that in view of the similarity in Government functioning, the software developed for Government of Andhra Pradesh was adopted instead of getting a fresh software developed from the market and the software was configured at both the places i.e. Jammu and Srinagar Secretariat. The Department, further stated (September 2007), that change management is a slow process, re-engineering of old processes was taking a lot of time and project has to be driven by champions at different departments and DIT can at best do hand holding. The reply is not convincing as the delay in implementation of the project had been primarily due to procurement of un-customized software, non-availability of the requisite infrastructure and unplanned project implementation.

Thus, lack of planning in procurement of software, delay in creation of infrastructure and unplanned digitization of old records resulted in non fulfillment of the objective of initiating computerisation within the Secretariat. This rendered an expenditure of Rs. 5.67 crore³ unfruitful besides idling of hardware and supporting software worth Rs. 7.69 crore for last six years.

3.7.8 Setting up of Community Information Centres

The GOI launched (February 2002) a pilot project for setting up of Community Information Centres (CICs) at block level in the State of J&K. The objectives of the project included creation of IT awareness by providing internet access and connectivity at block level, providing IT trainings, facilitating public related services and dissemination of information on plan initiatives, state/national programmes through e-centric web based applications. A Memorandum of Understanding (MOU) was signed (March 2004) between the GOI and the Government of Jammu and Kashmir, for establishment of 139 CICs (subsequently reduced to 135) which became operational by October 2005. The content for the web based application had to be provided by the State Government

³ Cost of Application Software: Rs. 3.00 crore and Payment to TCS for effort charges: Rs. 2.67 crore

and NIC was responsible for preparation of necessary software based on the requirements identified in the Content Development Plan. The control and management of these centres had to be transferred to State Government after expiry of 5 years from the date of commissioning.

Audit scrutiny of 17 test checked CICs⁴ revealed (April/May 2007) that the objectives of setting up of these CICs had not been fully achieved due to non-implementation of the activities identified in the MOU signed with GOI. One of the major activities to be given thrust was to implement citizen centric e-governance application. The State had prepared a Content Development Plan (CDP) and identified about 20 citizen centric services (*Appendix 3.7.1*) on which information had to be made available to local populace at block level through these centres. However, except for information on *Haj* pilgrims and data on Below Poverty Line population in two⁵ of the visited CICs, none of the CICs had implemented any of the application identified in the CDP (June 2007). The Department failed to facilitate integrated information collection and dissemination for Content Development Plan even after five years reducing these centres to cyber cafes. This also resulted in non-achievement of identified objective of Government to Citizen interface and consequent failure of the DIT to perform its assigned role.

Thus, non-implementation of activities actually required to be undertaken had led to under utilisation of the resources (Hardware worth Rs. 5.04 crore) of these CICs apart from denying the people of the State an interface with the Government policies/schemes.

The Department in reply admitted (September 2007) that objective of setting up of the CICs has not been fully achieved. It further stated that a high level meeting was organised and departments were asked to give contents of the development schemes of GOI and other information to the IT Department. It also stated that steps were being taken to create a nodal agency to facilitate information dissemination.

3.7.9 Establishment of Jammu & Kashmir Wide Area Network (JKSWAN)

The Department envisaged (March 2000) establishing a State wide network (JKSWAN) that would serve as a physical telecommunication infrastructure for e-governance and further catalyze economic development in the State of Jammu and Kashmir.

A perusal of records, however, revealed (March 2007) that ITU had appointed (March 2000) M/S Telecompetence (India) Pvt. Ltd., New Delhi as consultant for undertaking feasibility study for creation of State Wide Area Network (SWAN) for e-governance. The Department paid (March 2000) an amount of Rs. 21.26 lakh as consultancy fee and the agency submitted its report in

⁴ Akhnoor, Bishnah, Breng-Kokernag, Budgam, Ganderbal, Kakpora-Pulwama, Khour, Marh, Narbal, Pampore, Phallian-Satwari, Purmandal, R.S Pura, Samba, Srinagar, Udhampur and Vijaypur

⁵ CIC Breng (Kokernag) and Ganderbal

June 2000. The Department, however, had not taken any follow up action on the report.

Non follow up of feasibility report even after seven years resulted into unfruitful expenditure of Rs. 21.26 lakh besides delay in establishment of SWAN and consequently, affecting the e-governance initiative of the Government.

In reply the Department agreed that the feasibility report was not followed up and the expenditure had been rendered unfruitful.

3.7.10 Non-utilisation of funds received from GOI

The GOI under a national level initiative of National e-Governance Plan (NeGAP) identified (2004) computerization of Central subjects like Passport, Income Tax and ten other Projects within the domain of State Government. The Central Assistance provided under this scheme was explicitly meant for capacity building (in terms of people, processes and tools/system/technology) through which business process re-engineering; financial viability and change management aspects of e-governance project were to be provided thrust during conceptualization and development phase. A central assistance of Rs. 13.84 crore⁶ was received by the Department during the period 2004-2007. Under the programme the State Government had to designate a nodal agency for operationalisation of the capacity building initiatives by 31st March 2005 and release the entire payments in favour of the agency so as to enable it to carry out the programme in a phased manner.

Audit Scrutiny revealed (March 2007) that, the Department had not designated any nodal agency for implementation of the programme. The Department had engaged (June 2005) M/S Wipro Limited as consultants for preparation of a Road Map and Detailed Project Report (DPR) for development of e-governance in the State at a cost of Rs. 11.19 lakh. The firm submitted its report in February 2006. Despite receipt of DPR, the Department did not set targets for capacity building vis-à-vis identified capacity gaps (June 2007). The Department had thus, spent an amount of Rs. 13.74 lakh only out of the released funds till March 2007. Unspent Central Assistance amounting to Rs. 1.53 crore was kept in Civil Deposit with Jammu and Kashmir Energy Development Agency (JAKEDA), which continues to be so as of September 2007. Further, the Central Assistance of Rs. 12.17 crore received during 2005-07 was surrendered by the Department (March 2006 and March 2007).

Failure of the Department to fulfill its mandated role and designate a nodal agency for implementation of the project resulted into blocking of Central funds to the tune of Rs. 1.53 crore and surrender of Rs. 12.17 crore of the Central Assistance, thereby depriving the society of the benefits of scheme.

The Department admitted the audit contention by stating that no agency could be identified for undertaking the project and in order to avoid lapse of funds, Rs. 1.53 crore was kept in Civil Deposit with the concurrence of the Finance

⁶ 2004-05: Rs. 1.67 crore; 2005-06: Rs. 5.92 crore and 2006-07: Rs. 6.25 crore

Department and Rs. 12.17 crore allocated during 2005-07 could also not be utilised.

3.7.11 Conclusion

Though the State had initiated the e-governance process well in time, the implementation has been less than satisfactory due to lack of a planned approach in completion of the conceived projects and programmes. The initiatives taken at the Secretariat level were marred by *ad hocism* due to non-structured approach and lack of procedures and policies. Though there were no constraints of funds for this purpose, the actual implementation has been slow. The implementation of centrally funded projects/programmes too had been slow with the result the intended benefits could not reach the target populace.

Efforts for realising policy mission on e-Governance laid down in the IT policy of the State for encouraging e-tourism, e-health and e-commerce in the state are yet to be initiated. There is a lot to be done in terms of achieving e-governance in all its forms, viz. G-G, G-C & G-B (Government-to-Government, Government-to-Citizen and Government-to-Business)

3.7.12 Recommendations

- There is an urgent need of alignment of the IT policy of State Government with National e-Governance Programme (NeGP) by Department of Information and Technology (GOI) and prioritize State Mission Mode Projects (SMMP)⁷.
- An Information Technology Steering Committee having representatives from the DIT and User Departments should be formed for better coordination and implementation of the projects.
- Full time skilled resource needs for monitoring and management of e-Governance initiative need to be addressed immediately both at State and departmental levels. Available work force should be trained immediately for smooth running of SKIMS in Civil Secretariat and other applications in Departments to avoid continued dependence on software providers.
- An urgent consolidation of various IT related activities including staffing and trainings to derive a meaningful and healthy State Information Management System should be taken up.

⁷ Agriculture, Commercial Taxes, Employment Exchanges, Gram Panchayats, Land Records, Municipalities, Police, Property Registration, Road Transport and Treasuries