

CHAPTER-IV
AUDIT OF TRANSACTIONS

4.1 Embezzlements/losses/non-recovery of dues

Housing and Urban Development Department

4.1.1 Presumptive fraud

Lax supervision and non observance of prescribed control procedures by Chief Accounts Officer and various revenue realising wings of Jammu Municipal Corporation resulted in embezzlement of Rs. 12.71 lakh.

Rule 2.4 of Jammu and Kashmir Financial Code Vol. I envisage that a Government Officer receiving money on behalf of the Government must give the payer a receipt in prescribed form signed by a duly authorised officer who will satisfy himself at the time of signing the receipt and initialing its counterfoil that the amount has been properly entered in the cash book. As per the procedure in vogue in the Municipal Corporation, Jammu (MCJ), revenue realised by different wings on account of various charges/fees is deposited with the main Cashier who incorporates the same in the cash book and subsequently remits the money into the treasury.

Scrutiny (November/December 2007) of the records of Health Section (HS), Chief Transport Officer (CTO) and the Municipal Veterinary Officer (MVO) of the MCJ revealed that against the revenue receipts¹ of Rs. 19.05 lakh², the three wings deposited Rs. 11.66 lakh³ only with the Chief Revenue Officer (CRO) for deposit in the treasury during 2005-07, thereby retaining Rs. 7.39 lakh. Also, the CRO deposited Rs. 2.14 lakh in the treasury out of the total receipts of Rs. 7.46 lakh received during the same period resulting in short remittance of Rs. 5.32 lakh. The non-deposition of the entire amount received by the three wings and the CRO into the treasury amounts to misappropriation/embezzlement of Rs. 12.71 lakh which had occurred due to non-accountal of the actual receipt in the cash book and short remittance of accounted-for-money into the MCJ account. This was facilitated due to lack of prescribed control procedure in different wings of the Corporation.

The Chief Accounts Officer, MCJ intimated (June 2008) that the services of two dealing officials had been terminated and that the matter has been taken up with the Collector, Jammu for effecting the recovery of embezzled amounts from the terminated employees.

The matter was referred to the Government/Department in July 2008; reply had not been received (September 2008).

¹ Receipts on account of sale of forms, licence fee, clearance charges of septic and water tanks, building permission, rent of open spaces, etc.

² Health section (Rs. 8.15 lakh), CTO: (Rs. 21,800.00), MVO: (Rs. 10.68 lakh)

³ Health section: (Rs. 3.11 lakh); CTO: (Rs. 700.00); MVO: (Rs. 8.55 lakh)

4.2 Idle investment/blocking of funds/unfruitful expenditure/ avoidable expenditure, etc.

Health and Medical Education Department

4.2.1 Idle investment and blocking of funds

Departmental failure to settle the land compensation issue before taking up the construction of PHC resulted in idle investment of Rs. 98.50 lakh and blocking of Rs. 42.50 lakh.

Scrutiny of the records of the Chief Medical Officer (CMO) Anantnag revealed (May 2008) that construction of Primary Health Centre (PHC) building at Vessu, estimated to cost Rs. 1.51 crore, was taken up (November 2003) through Jammu and Kashmir Projects Construction Corporation (JKPCC) on a piece of land measuring five *kanals*, donated by the local Auqaf⁴ (4 *kanals*) and a land owner (1 *kanal*), identified by the Health Department, without getting the title of the land transferred. The project works included construction of main building, staff quarters besides approach roads and compound wall. While the work was in progress, the land owner, whose land (1 *kanal*) came under the project, approached (July 2006) the court contending that the Department had promised him payment of compensation and engagement of his son as Class-IV in the Department. The court restrained (September 2006), the Department from making any construction on spot. An amount of Rs. 98.50 lakh had been incurred on the execution of works upto September 2006. No action was taken by the Department to get the stay vacated and resume the work (September 2008). The Department, had advanced Rs. 1.41 crore to JKPCC during 2004-05 to 2007-08. A revised cost offer of Rs. 1.98 crore for completion of the project works was submitted (September 2007) by JKPCC to the Director Health Services, Kashmir.

CMO Anantnag stated (September 2008) that the completed Doctors' quarters could also not be taken over by the Department as the doctors were required to work in the centre which was still incomplete.

Thus, the departmental failure to settle the issue of land compensation before taking up the construction of PHC building Vessu has resulted in idle investment of Rs. 98.50 lakh and blocking of Rs. 42.50 lakh with JKPCC for around three years.

The matter was referred to the Government/Department in September 2008; reply had not been received.

4

Muslim Trust

Higher and Technical Education

4.2.2 Idle investment due to non-utilisation of leather technology equipment

Departmental failure to sequence the procurement of leather technology equipment with the Civil Works Construction Schedule resulted in idle investment of Rs. 1.01 crore.

Guidelines on implementation of World Bank assisted 'Technician Education Project-III' provided that procurement of machinery and equipment should be closely sequenced with the Civil Works Construction Schedule.

Scrutiny of the records of the State Project Implementation Unit (SPIU) and the Principal, Kashmir Government Polytechnic (KGP), Srinagar revealed that machinery and equipment (ME) valued at Rs. 1.01 crore were purchased (July 2005 to October 2005) for leather technology course introduced (2004) in KGP. However, the construction of Leather Technology (LT) Block to install the ME, approved⁵ at a cost of Rs. 60 lakh, was not taken up, as the rates offered (Rs. 93.16 lakh) in the national competitive bidding were high. It was decided (June 2006) that the LT Laboratory would be accommodated in the existing space that would become available through new constructions or by readjustment of laboratories. However, due to lack of space, the machinery and equipment could not be installed (March 2008) in the institute and the department approached the Managing Director, SIDCO⁶ for providing space at Lassipora, Pulwama. The detailed project report in this regard had not been finalised as of March 2008. Due to procurement of ME in anticipation of creation of infrastructure necessary to install it, the investment of Rs. 1.01 crore remained idle. Thirty two students enrolled (March 2007) for the leather technology diploma course also could not benefit from the equipment.

Further, the terms and conditions of the supply order for procurement of the machinery provided that 80 *per cent* cost should be released at the time of delivery and the balance 20 *per cent* after proper installation, commissioning and training of staff. Scrutiny, however, revealed that the second and final installment of Rs. 20.19 lakh on account of 20 *per cent* contract price of the above equipment was released by the Project Coordinator, SPIU to the suppliers in March 2006 on the basis of Acceptance Certificate and misreporting by the Principal, KGP that the equipment supplied had been successfully installed and commissioned by the suppliers and training to staff imparted. Twenty *per cent* cost (Rs. 20.19 lakh) of machinery and equipment which were yet to be installed/commissioned had been paid irregularly without safeguarding the departmental interests.

The matter was referred to the Government/Department in July 2008; reply had not been received (September 2008).

⁵ During the 7th Joint Review Mission (JRM)

⁶ State Industrial Development Corporation

4.2.3 Idle investment due to non completion of Textile Blocks

Non-completion of textile block buildings due to changes in their designs after the allotment of contract, and non-installation of machinery purchased for the course led to idle investment of Rs. 94.40 lakh.

A diploma course in textile designing was started at two Government Women's Polytechnics, Jammu and Srinagar during 2004 under the World Bank assisted 'Technician Education Project-III'. The Project Coordinator, State Project Implementation Unit (SPIU) allotted (June 2005) construction of Textile Blocks at these polytechnics to two contractors at an estimated cost of Rs. 98.63 lakh⁷ for completion in six months. However, during the execution, the designs of the buildings were changed, which necessitated upward revision in the cost as well as change in the material to be used. The contractors, as such, left (December 2006) the works incomplete. An expenditure of Rs. 84.96 lakh⁸ was incurred on these works upto March 2007. The project was closed in October 2007 and the construction work had not been resumed (September 2008), thereby rendering the entire investment futile. The Project Coordinator accepted that the construction work of the buildings was incomplete due to change in designs.

Further, due to non-completion of the buildings, machinery and equipment valued at Rs. 9.44 lakh⁹, procured¹⁰ by the Project Coordinator, SPIU for the Textile Design Diploma Course in advance could not be installed in these institutions. Due to incomplete construction works and non-installation of equipment, 77 students enrolled in the newly introduced Textile Design diploma course could not benefit from the same.

The Principals of the institutions stated (February 2008) that action for installation of the equipment would be taken immediately after completion of the buildings.

Non-completion of textile block buildings due to changes in their designs after the allotment of contract, and non-installation of machinery purchased for the said course led to idle investment of Rs. 94.40 lakh.

The matter was referred to the Government/department in July 2008; reply had not been received (September 2008).

⁷ Women's Polytechnic, Jammu: Rs. 57.19 lakh; Women's Polytechnic Srinagar: Rs. 41.44 lakh

⁸ Rs. 21.61 lakh at Government Polytechnic for Women, Jammu and Rs. 63.35 lakh at Government Polytechnic for Women, Srinagar

⁹ Government Women's Polytechnic Jammu: Rs. 4.15 lakh; Government Women's Polytechnic Srinagar: Rs. 5.29 lakh

¹⁰ In March 2003, September 2004, March 2005 and August 2005

Housing and Urban Development Department

4.2.4 Idle Investment

Misreporting of facts to the Government of India and utilisation of available money on part completion of a bus stand resulted in idle investment of Rs. 31.76 lakh.

In order to slow down urban influx due to migration of people from rural areas and smaller towns to large cities, the GOI introduced (1979-80) a Centrally Sponsored Scheme “Integrated Development of Small and Medium towns (IDSMT).” Under this scheme, a project for Development of Udhampur town was approved (2002-03) by the GOI for Rs. 3.86 crore with a Central share of Rs. 1.50 crore, State share of Rs. one crore and loan of Rs. 1.36 crore to be raised by the local body executing the work. The project, *inter-alia*, included construction of a new bus stand at Udhampur at an estimated cost of Rs. 1.02 crore, which was to fetch the Department Rupees eight lakh per annum as *Adda fee*¹¹. On the basis of the information that 28 *kanals* of land was available for the proposed bus stand, the GOI released (April and December 2003) Rs. 65 lakh to the Notified Area Committee, Udhampur.

Scrutiny (July 2007) of the records of the EE-II, Urban Local Bodies, Jammu and Director Local Bodies, Jammu revealed that against the requisition of 30 *kanals* of land, the Municipal Council, Udhampur could acquire only 12 *kanals* and 13 *marlas* which had been developed, upto December 2005, at a cost of Rs. 31.76 lakh (which included Rs. 12 lakh raised by the MC from other sources). The balance land required by the Department was under dispute, as the land owners had challenged the acquisition proceedings in the court of law. The developed portion of the bus stand was being used for parking of idle vehicles. The Director Local Bodies Jammu stated (March 2008) that the matter regarding acquisition of balance land was sub-judice.

Departmental action in getting the funds released from the GOI initially by misreporting of facts and utilisation of available funds subsequently on part completion of the bus stand rendered the expenditure of Rs. 31.76 lakh incurred on the project idle.

The matter was referred to the Government/Department in June 2008; reply had not been received (September 2008).

¹¹ Parking fee

Power Development Department

4.2.5 Loss of Government Money

Departmental failure to provide funds for Bus-in Bus-out arrangement resulted in wasteful expenditure of Rs. 96.46 lakh and idle investment of Rs. 28.09 lakh.

Rural Electrification Corporation (REC) approved (January 1999) a 'System Improvement Scheme' for Mandal (Kishtwar Block) and Gulabgarh (Padder Block) at an estimated cost of Rs. 2.21 crore. The scheme envisaged erection of 28.5 Km. 33 KV line from Mandal to Galhar (TL) and construction of two¹² Receiving Stations (RS) at Mandal and Gulabgarh, with the objective of regulating voltage, reducing line losses and to accommodate future load growth. The scheme, to be completed within two years, was extended upto March 2004.

Scrutiny (November 2007) of the records of the EE, Sub-Transmission Division, Udhampur revealed that the scheme was got approved by the EE from the REC without provision of a Bus-in Bus-out (BIBO) arrangement in the project, which was required to connect the main system to the 33-KV TL to Padder. It was also seen that the EE incurred Rs. 65.41 lakh (2001-04) on construction of RS at Mandal, Rs. 28.09 lakh (2002-03) on construction of RS at Gulabgarh and Rs. 96.46 lakh (2000-01) on laying of 26 Km. of TL. Whereas the RS at Mandal was commissioned in 2004, the TL remained uncharged due to non-provision of the BIBO system. This further resulted in non-charging of RS Gulabgarh. No efforts to procure the BIBO were made by the Department upto March 2004. It was only in April 2004 that action to procure BIBO was initiated. As a result, the TL and RS Gulabgarh continued to remain uncharged/idle and got extensively damaged and washed away at some portions due to snowfall/rains from time to time. The damaged material was stated (February 2008) to have been pilfered and FIR had been lodged (2003-06). The scheme was closed in February 2007. Departmental proposals (April 2004/ July 2005/February 2008) for procurement of BIBO system and re-erection/stabilisation of TL, estimated to cost Rs. 2.06 crore (February 2008), had not been approved/funded as of May 2008.

Non-completion of the scheme was attributed (May 2008) by the EE to non-provision of BIBO in the original estimates of the scheme and delay in release of funds. The Department had actually made no efforts to procure the system for about four years (2000-04).

Thus, departmental failure to provide funds for BIBO resulted in wasteful expenditure of Rs. 96.46 lakh incurred on the TL which got damaged and idle investment of Rs. 28.09 lakh on construction of RS Gulabgarh which remained uncharged.

The matter was referred to the Government in May 2008; reply had not been received (September 2008).

¹²

1.6 MVA, 33/11 KV Receiving Station at Gulabgarh and 3.15 MVA, 33/11 Receiving Station at Mandal.

4.2.6 Avoidable Liability

Failure of the Department to arrange funds for liquidation of loan despite acquisition of huge infrastructure resulted in avoidable interest liability of Rs. 13.70 crore.

The Rural Electrification Co-operative Society was established in 1978 for providing electricity to the rural areas of the Samba District including Government departments. The Society was financed by loan assistance from Rural Electrification Corporation of India (REC) and the revenue realised through consumers. Consequent upon the default by Government departments in payment of dues and stoppage of loan by the REC, the Society was dissolved (1997) and taken over by the State Power Development Department (PDD) designating it as Maintenance & Rural Electrification Division, Samba. As per the Government order, all the assets and liabilities of the erstwhile Society rested with the PDD following its dissolution.

Scrutiny (May 2008) of the records of the Chief Engineer (CE), Electric Maintenance and Rural Electrification Wing (EM&RE), Jammu revealed that the total value of assets amounting to Rs. 27.13 crore¹³ taken over by the Department, was considerably higher than its liabilities amounting to Rs. 8.92 crore, which included REC loan of Rs. 2.34 crore, guaranteed by the State Government. Although a new Division was created by the Department with the acquired assets, steps were not initiated to liquidate the loan which swelled to Rs. 16.04 crore including interest/penalty of Rs. 13.70 crore (March 2008). Though the REC has been sending quarterly demands to the Department to repay the loan, yet funds were not provided by the Government for the purpose.

The CE, EM&RE, Jammu stated that the matter regarding liquidation of REC loan has been pursued right from the take over of the Society, but no decision has been taken by the Government (PDD), which has added to the liability due to delay in repayment. The CE, further stated that efforts were on to settle the issue to avoid addition of interest/penal interest on loan.

Thus, failure of the Department to arrange funds for liquidation of the loan despite acquisition of huge infrastructure resulted in avoidable interest liability of Rs. 13.70 crore.

The matter was referred to the Government/Department in June 2008; reply had not been received (September 2008).

¹³ Excluding revenue arrears of Rs 6.42 crore outstanding against Government Department and Consumers

4.2.7 Blocking of funds

Departmental failure to ensure availability of the equipment and misreporting of the facts to the REC resulted in blocking /idle investment of Rs. 1.36 crore.

System Improvement Schemes (SIS) were taken up with funding from the Rural Electrification Corporation (REC) to improve voltage, save energy losses and accommodate future load growth.

Scrutiny of records revealed that the following two SISs were not completed by the two Divisions due to non-procurement of equipment, clearance of Railways and misreporting of facts to the REC, resulting in blocking/idle investment of Rs. 1.36 crore.

- A composite SIS envisaging construction of eight sub-stations and laying of transmission lines, estimated to cost Rs. 10.10 crore was approved in March 1999. The scheme *inter-alia* proposed construction of one 66 KV-3.15 MVA Receiving Station at Rayian and laying of 11 Kms. of 66 KV/11KV transmission line from Hira Nagar-Samba to Rayian and IGC, Samba to Samba (Tehsil Samba) at an estimated cost of Rs. 1.68 crore. The scheme was to be completed within two years from the date of release of first installment by the REC.

Scrutiny of the records of the EE, Sub Transmission Division (STD)-II, Jammu revealed (November 2005) that against the total release of Rs. 8.11 crore for the composite scheme, Rs. 99.37 lakh was incurred (2000-01 to 2005-06) on part works¹⁴ of the sub-station, Rayian and on laying of a portion¹⁵ of the transmission line. The balance works of the sub-station were left incomplete due to the inability of the Department to procure a 66-KV level equipment and obtain clearance from the Railway authorities for crossing of transmission line¹⁶ over the rail track near Samba. The scheme was closed in March 2007 leaving the sub-station incomplete.

The EE stated (April 2008) that a fresh proposal has been submitted (December 2007) to the railway authorities.

Thus, laxity on the part of the Department to ensure availability of the equipment required for the sub-station and obtain clearance from the Railway Authorities in advance resulted in idle investment of Rs. 99.37 lakh for over two years and non-accrual of intended benefits of the scheme.

The matter was referred to the Government/Department in June 2008; reply had not been received (September 2008).

¹⁴ Out of 21 components, only five were fully completed and the physical progress of remaining components ranged between zero and 90 per cent.

¹⁵ 90 per cent of Hira Nagar-Samba line to Rayian and IGC Samba to Samba 2 Km line

¹⁶ Hiranagar Samba to Rayian

- The EE, Sub-Transmission Division (STD), Udhampur had proposed (March 1999) a system improvement scheme for construction of 3.15 MVA Receiving Station at Chanderkote Block and augmentation of Sub-Station at Banihal (District Ramban) from 3.15 MVA to 6.3 MVA. The scheme was approved (2002-03) by REC for an amount of Rs. 1.72 crore. The project was to be completed within a period of 24 months.

Scrutiny of records (November 2007) of STD, Udhampur revealed that the loan sanctioned by the REC was not availed of by the Department due to non-acquisition of the land for the scheme. The REC intimated (December 2004) the Department that if the land was not acquired, the project could be included in the list of schemes to be closed. The Chief Engineer, however, informed REC that land for the scheme was available. On this certification, REC released a loan of Rs. 34.34 lakh out of which Rs. 34.17 lakh was released (June 2006) by the Administrative Department to the EE. Scrutiny also showed that the EE procured (March 2007) a transformer and line material worth Rs. 34.13 lakh which has not been utilised as of March 2008. The EE also advanced (March 2005) Rs. 2.55 lakh out of State Funds to the Additional Commissioner, Revenue, Ramban for acquisition of land which had not been acquired (April 2008) as the land owner whose land was identified, refused to part with the piece of land¹⁷ and wanted the department to acquire the entire land in his possession. The EE, stated (November 2007/April 2008), that the material would be utilised as and when the land is acquired. However, the land could not be acquired as of June 2008. The Financial Commissioner (Revenue) directed (June 2008) the Department to identify an alternate land for the construction of the Receiving station.

Departmental action in getting the funds by misrepresentation of facts resulted in locking up of Rs. 36.68 lakh.

The matter was referred to the Government/Department in May 2008; reply had not been received (September 2008).

Public Health Engineering Department

4.2.8 Blocking of funds

Failure of the EE, Public Health Engineering, Ground Water Division, Srinagar to assess requirement of stores and resorting to injudicious purchase of stainless steel screens and collars that could not be put to any use, resulted in blocking of Rs. 27.05 lakh for over three years.

Scrutiny (November 2006) of the records of the EE, Public Health Engineering (PHE), Ground Water Division (GWD), Srinagar revealed that based on his requisition (May 2004), EE Mechanical & Procurement (M&P), Srinagar purchased (July 2004) stainless steel screens of various dimensions and collars

¹⁷ Department needed 4 *kanals* of land whereas the land owner wanted the Department to acquire the whole piece of land measuring 6 *kanals* and 18 *marlas*

(Material), valued at Rs. 27.05 lakh, for construction of production tube wells. The material, lifted after a gap of 14 months (September 2005) had not been put to any use in PHE, GWD, Srinagar as of December 2007. A negligible quantity of material (value: Rs. 4.35 lakh) was utilised by the Department on the works executed by it during April 2005 to December 2007 out of the available stocks (value: Rs. 14.44 lakh), purchased prior to May 2004. Thus, there was no need for purchase of fresh material (July 2004) which resulted in unnecessary blocking of funds.

On this being pointed out in audit, the Chief Engineer PHE, Srinagar stated (May 2007) that the material could not be utilised, as contract for construction of production tube wells had expired and there was no response to the fresh NITs¹⁸. The reply is not tenable, as in view of poor response to NITs, the Department could have undertaken construction of tube wells departmentally as was done during 2005-07.

Thus, the failure of the EE, PHE, GWD, Srinagar to assess requirement of stores and resorting to injudicious purchase of stainless steel screens and collars, that could not be put to any use, resulted in blocking of Rs. 27.05 lakh for over three years.

The matter was referred to the Government/Department in June 2008; reply had not been received (September 2008).

Public Works Department (Roads and Buildings)

4.2.9 Idle investment

Taking up of work without AA/TS resulted in irregular expenditure of Rs. 46.33 lakh spent on the bridge, which had been rendered idle due to non construction of approaches.

To provide road connectivity to five villages having a population of 4000, the EE, R&B Division, Handwara proposed (June 2001) construction of a 15.30 metres span Steel Girder bridge over Dangerwari Khul at Neelipora, Babagund, at an estimated cost of Rs. 49.98 lakh for completion in two working seasons.

Scrutiny (October 2007) of the records of the EE revealed that in anticipation of Administrative Approval (AA) and Technical Sanction (TS), the construction of the bridge was taken up (December 2002) and got completed (August 2005) through the contractor, at a cost of Rs. 46.33 lakh which included Rs. 9.61 lakh spent on construction of four wing walls, not provided in the original estimates. Due to execution of the extra items of work not provided in the original estimates, the work on the construction of approaches/retaining walls, estimated to cost Rs. 16 lakh, could not be taken up. In order to complete the bridge, a revised estimate for Rs. 42.35 lakh for completion of the left over works had been submitted only in March 2008 after a delay of more than 2 ½ years of completion of the bridge, which had not been approved as of April 2008. The EE stated (April 2008) that the wing walls were constructed as per necessity at site and

¹⁸ Notice Inviting Tenders

approvals shall be obtained on completion of approaches. The reply is not tenable as the failure to obtain the technical sanction in advance before taking up the construction work, led to execution of extra items of work not provided in the estimates and consequent non-completion of the approaches as well as non operationalisation of the bridge.

Taking up of the work by the Department without accord of AA/TS and execution of unapproved works resulted in irregular expenditure of Rs. 46.33 lakh spent on the bridge which had been rendered idle for the last over three years due to non completion of the approaches.

The matter was referred to the Government/Department in June 2008; reply had not been received (September 2008).

4.2.10 Blocking of funds

Funds were advanced to the Collector, Land Acquisition without adhering to the rules and material was procured without assessment resulting in blocking of Rs. 1.50 crore.

The Jammu and Kashmir Public Works Account Code provides that a Divisional Officer should make an advance payment to the Collector, Land Acquisition (CLA), on the basis of estimates furnished by the CLA, for acquisition of land. Further, financial rules provide that a Government servant who has to purchase stores for public service should ensure that these are made in a most economical manner and in accordance with the definite requirement of the service and should not lead to locking up of Government money.

On the directions (February 2003) of the Chief Minister, EE, PWD (R&B) Construction Division-IV Jammu prepared a Project report for construction of a railway-over-bridge (ROB) at Channi Himmat, Jammu at an estimated cost of Rs. 8.05 crore¹⁹ which was subsequently revised (April 2004) to Rs. 10.58 crore²⁰. The project, envisaged to be completed within one calendar year, was proposed to be funded by the Railways and State Government on cost sharing basis in equal proportions. The cost of land coming under the alignment was to be borne by the State Government. However, after the joint inspection by the Railway and R&B authorities, the proposed site for construction of ROB was shifted, as the site identified initially was not found feasible due to steep gradient and presence of HT Line.

Scrutiny (November 2006) revealed that in anticipation of accord of administrative approval and technical sanction and without receipt of estimates from the CLA, the EE, R&B Division-IV, Jammu advanced (December 2005) Rs. 1.05 crore to the CLA. The residents of the area whose land was coming under the alignment of the flyover, however, resented (December 2005) construction of the flyover and did not allow evaluation of compensation to be paid. The EE, also, without assessing actual/immediate requirement, procured material worth Rs. 44.65 lakh and expended Rs. 0.35 lakh on miscellaneous items

¹⁹ Including Rs. 45 lakh for land acquisition

²⁰ Including Rs. 56.30 lakh for land acquisition and Rs. 70 lakh for compensation of houses/shops

during November 2005 to March 2007. In the meanwhile, the cost of the project was revised (March 2006) to Rs. 14.31 crore²¹, but the construction work had not been started as of May 2008.

The EE stated (May 2008) that negotiations were in progress for acquisition of land and the material procured would be consumed, as and when the work starts.

The Department should have advanced funds to the CLA only after obtaining the estimate and after getting the required approvals from the competent authorities for taking up the work. Not doing so, has resulted in locking up of Rs. 1.50 crore.

The matter was referred to the Government in August 2008; reply was awaited (September 2008).

4.2.11 Unfruitful expenditure due to failure to acquire land

Failure of the Department to acquire land before allotment of work for construction of a road rendered an expenditure of Rs. 67.09 lakh unfruitful.

In order to provide motorable road connectivity to more than 500 inhabitants of five villages situated on the left bank of *Kandyar Nullah* (Tehsil Katra), EE, Public Works Department (R&B) Division, Katra took up construction of a motorable bridge (February 2004) over *Kandyar Nullah* and 1.3 KM road from the bridge (May 2005) to village Tareen for completion in 3 and 4 months, respectively. The works were taken up for execution without administrative approval (AA) and technical sanction (TS). The estimated cost of the bridge was Rs. 65.26 lakh and that of the road was Rs. 28.60 lakh.

Scrutiny (December 2007) of the records of the EE revealed that the bridge was completed (May 2005) at a cost of Rs. 65.70 lakh but could not be put to use as work on the execution of road, on which Rs. 1.39 lakh had been spent (September 2007) aligning the bridge with villages, was held up due to dispute, rendering the entire expenditure of Rs. 67.09 lakh unfruitful.

The EE stated (December 2007) that the land owner was being persuaded to hand over the required land for construction of the road.

Thus, failure of the department in obtaining AA/TS and to ensure that the land, on which the road was to be constructed, was free from encumbrances before taking up the work rendered the expenditure of Rs. 67.09 lakh unfruitful.

The matter was referred to the Government in February 2008; reply had not been received (September 2008).

4.2.12 Unfruitful expenditure

Taking up the execution of the work without clearance from Forest authorities and the requisite approvals from competent authorities resulted in an unfruitful expenditure of Rs. 20.55 lakh.

The Jammu and Kashmir Forest Conservation Act (1997) and the Rules framed thereunder in 2000 provide that the works on projects involving use of forest land

²¹ Excluding the cost of land

should not be started till the State Government has accorded its approval to release of such land. The guidelines further provide that proposals for seeking *ex post facto* sanction of the Government to clearance of the land would not be entertained.

Scrutiny (March 2008) of the records of the EE, PWD (R&B) Division, Basohli, revealed that the EE took up (January 2002) construction of a road from Machedi to Duggian, without framing estimates and in anticipation of clearance by the Forest Department for the use of forest land. The Department incurred an expenditure of Rs. 20.55 lakh on earthwork excavation, when the work was stopped (July 2004) by the Forest Department due to not obtaining clearance from it for use of forest land.

A joint inspection of the road alignment was carried out (September 2004) by the Forest and the Departmental officers. Based on their report, an amount of Rs. 17.94 lakh was demanded (September 2006) by the Forest Department as compensation for land and trees. The amount had not been paid as of May 2008. The Department in the meantime submitted (March 2006) a revised Project Report for Rs. 2.47 crore to the SE, which had not yet been approved.

Taking up the execution of the work without clearance from Forest authorities and the requisite approvals from competent authorities thus, resulted in an unfruitful expenditure of Rs. 20.55 lakh.

The matter was referred to the Government/Department in June 2008; reply had not been received (September 2008).

4.2.13 Unfruitful expenditure and blocking of Government money

Frequent changes in the construction proposals rendered the expenditure of Rs. 13.87 lakh incurred on construction of abutments, unfruitful and blocked Rs. 52.40 lakh on procurement of material, etc.

Construction of 66 metre vented causeway/composite RCC²² bridge at Jahama over Kalamchakla-Jahama-Shahnagri road in R&B division Handwara, was approved (March 2002) under RIDF²³-VII of NABARD²⁴ at an estimated cost of Rs. 20 lakh. The Superintending Engineer (SE) PWD (R&B) Circle Baramulla allotted (July 2002) the construction of the abutments of 1x9 metre span composite RCC bridge/causeway to a contractor at a cost of Rs. 8.05 lakh. However, due to change in the course of the *nallah*, it was decided (May/June 2003) to construct a 1x30 metre span bridge. Accordingly, the estimated cost of construction of the abutments was increased (July 2003) to Rs. 14.56 lakh and the contractor raised both the abutments of the bridge upto the *nallah* bed level at a cost of Rs. 13.87 lakh.

On the basis of joint inspection (July 2003) of the site by the SE and EE, the construction of vented causeway was not considered feasible. The EE, therefore,

²² Reinforced Cement Concrete

²³ Rural Infrastructure Development Fund

²⁴ National Bank for Agriculture and Rural Development

framed a revised proposal (January 2004) for construction of a 1x33 metre span steel decked bridge at an estimated cost of Rs. 73.10 lakh. Later (February 2006) he suggested abandoning it, as the foundations were not designed properly and the depth had not gone beyond the scour level.

A revised proposal for construction of a vented causeway for the designed length of 93 metre, at an estimated cost of Rs. 57.61 lakh, to be funded under State Sector was framed (June 2007) and Rs. 30 lakh allotted during 2007-08 were spent (March 2008) on procurement of cement (Rs. 10 lakh) and Tor steel (Rs. 20 lakh). After analysing the different hydraulic parameters encountered at site, the EE, in consultation with the consultants²⁵, once again framed (April 2008) a revised proposal for construction of 2x25 metre composite decked bridge at an estimated cost of Rs. 1.57 crore. The same was not approved (June 2008).

Audit scrutiny showed that an expenditure of Rs. 66.27 lakh²⁶ had been incurred during 2002-08 on construction of abutments (Rs. 13.87 lakh) and procurement of materials (Rs. 52.40 lakh²⁷), mostly at the fag end of financial years to avoid the lapsing of funds, which resulted in unfruitful expenditure and blocking of funds. The EE stated (June 2008) that possibilities of making use of the existing structure, raised at a cost of Rs. 13.87 lakh, would be explored after the accord of the administrative approval to the fresh proposal. The reply is not acceptable, as the foundations of these abutments had not been designed properly. Besides, in view of the change in the span of the proposed bridge, possibilities of utilising both the existing abutments constructed for 1x30 metre span bridge in the proposed 2x25 metre span composite decked bridge appear to be remote.

Thus, due to frequent changes in construction proposals the expenditure of Rs. 13.87 lakh incurred on construction of abutments proved unfruitful. Also, Rs. 52.40 lakh incurred on procurement of material remained blocked.

The matter was referred to Government/Department in July 2008; reply had not been received (September 2008).

4.2.14 Unfruitful expenditure

The Department took up construction of a bridge without obtaining AA and TS and incurred an unauthorised expenditure of Rs. 12.08 lakh.

To provide road connectively to 10 villages falling on left side of Rajouri river with Rajouri town, the EE, PWD (R&B) Division, Rajouri had proposed (January 2001) construction of a 134 M Span foot suspension bridge (FSB) at Dhanwan Chakli over Rajouri river at an estimated cost of Rs. 79.31 lakh.

Scrutiny (January 2008) of records of the EE, PWD (R&B) Division, Rajouri revealed that in anticipation of accord of Administrative Approval/Technical Sanction the work on the construction of abutments of the bridge was allotted

²⁵ M/S Structural Engineers, Polo view Srinagar

²⁶ 2002-03: Rs. 5.40 lakh, 2003-04: Rs. 8.28 lakh, 2004-05: Rs. 2.02 lakh, 2005-06: Rs. 15.57 lakh, 2006-07: Rs. 5 lakh, and 2007-08: Rs. 30 lakh

²⁷ Cement: Rs. 12.43 lakh, Tor steel: Rs. 25.72 lakh, Bitumen: Rs. 2.18 lakh, Advance for steel decking: Rs. 12 lakh, and Contingencies: Rs. 0.07 lakh

(December 2001) to a contractor for Rs. 21.97 lakh for completion in nine months. The contractor took up (December 2001) the work for execution and after executing part work of raising right abutment up to bed plate level at a cost of Rs. 9.34 lakh, stopped the work (March 2005) as the Member Legislative Assembly of the area proposed construction of a motorable bridge instead of the FSB. The contractor also executed other works (diversion of *nallah*, construction of trenches and approach roads) at a cost of Rs. 1.36 lakh. Besides, the department incurred Rs. 1.38 lakh on contingent payments. Material valued at Rs. 5.97 lakh procured by debit to the work had also not been consumed as of July 2008.

The EE stated (April 2008/July 2008) that the bridge was not completed due to non-approval of the proposal for construction of the proposed motorable bridge by the higher authorities, as it involved huge cost. It was also stated that the above contractor refused to execute the work at the old rates. The division has invited fresh tenders for the construction of the FSB in May 2008.

Thus, failure of the Department in deciding about the type of the bridge that was to be constructed and unauthorisedly incurring Rs. 12.08 lakh thereon resulted in unfruitful expenditure of Rs. 12.08 lakh and locking up of Rs. 5.97 lakh.

The matter was referred to the Government/Department in July 2008; reply had not been received (September 2008).

Rural Development Department

4.2.15 Idle expenditure

Departmental failure in seeking prior approval from the Forest Department/Government and taking up the construction work on a demarcated Forest land resulted in idle expenditure of Rs. 18.94 lakh.

The Jammu and Kashmir Forest Conservation Act (1997) and the Rules framed thereunder in 2000 provide that the works on projects involving use of forest land should not be started till the State Government has accorded its approval to release of such land. The guidelines further provide that proposals for seeking *ex post facto* sanction of the Government to clearance of the land would not be entertained.

Scrutiny (February 2008) of the records of the Assistant Commissioner, Development (ACD) Poonch revealed that the work on construction of a Common Facility Centre (CFC) and development of a children's park at Gali Maidan in Model Village Gagrian was taken up (February/March 2006) at an estimated cost of Rs. 24.97 lakh²⁸ under the Prime Minister's reconstruction programme. The work was taken up on a demarcated forest²⁹ land without the prior approval of the Forest Department/Government. After incurring an expenditure of Rs. 18.94 lakh³⁰, further execution of the work was stopped

²⁸ Construction CFC: Rs. 21.47 lakh, Development of children park: Rs. 3.50 lakh

²⁹ Compartment No. 131 of Sawjian village in Haveli Range

³⁰ Construction CFC: Rs. 16.39 lakh, Development of children park: Rs. 2.55 lakh

(November 2007) by the Divisional Forest Officer (DFO), Poonch on account of unauthorised/illegal occupation of forest land. The Estates Officer, DFO Poonch issued (November 2007) a show cause notice to the ACD Poonch and three³¹ other officers of the Rural Development Department asking as to why they should not be evicted from the demarcated forest land and to clarify as to why the building constructed in the forest area should not be dismantled. The construction work has not been resumed (May 2008) and the entire expenditure proved to be idle.

The Block Development Officer, Mandi stated (May 2008) that prior approval of the Forest Department was not obtained, in view of the verbal assurance from the local MLA. The reply is not tenable, as non-obtaining of prior approval of the Forest Department was in violation of the rules/guidelines.

Thus, the Departmental failure in taking up the construction work on a demarcated forest land without seeking prior approval from the Forest Department/Government has resulted in idle expenditure of Rs. 18.94 lakh.

The matter was referred to the Government/Department in June 2008; reply had not been received (September 2008).

Social Welfare Department

4.2.16 Irregular payment of Post Matric Scholarship (PMS)

Non-adherence to scheme guidelines resulted in payment of Rs. 2.64 crore as scholarship to undeserving students

The GOI guidelines envisage payment of Post-Matric Scholarship (PMS) to the students belonging to Scheduled Tribe (ST) category for studies in all recognised post matriculation or post secondary courses. The conditions of eligibility, *inter-alia*, include the following:

- a. the payment should be made for pursuing a recognized post matriculation/post-secondary course in recognized institutions;
- b. a scholarship holder under the scheme will not hold any other scholarship/stipend;
- c. the PMS amount on account of fees for seats in private colleges will be the same as for the students studying in Government institutions. Any extra amount will have to be borne by the student himself and
- d. refundable deposits like caution money, security deposit will not form part of the fee paid under the scheme.

Scrutiny (July 2007/June 2008) of the records of the Director, Social Welfare Department, Kashmir revealed that five³² District Social Welfare Officers (DSWOs) had, in contravention of the guidelines, disbursed scholarship of Rs. 2.64 crore during 2004-08, to undeserving beneficiaries as detailed below:

³¹ Block Development Officer Mandi, Junior Engineer I/C Works and Secretary Panchayat, Gagrian
³² Srinagar, Budgam, Baramulla, Leh and Kargil

- Rs. 2.60 crore had been disbursed to 1,263 students for pursuing courses in unrecognised institutions.
- Rs. 0.76 lakh had been disbursed to nine students who were in receipt of Frontier scholarships.
- Excess amount of Rs. 2.94 lakh had been disbursed in 152 cases either due to non-deduction of refundable fee (security deposit) from the scholarship amount or disbursement of scholarship in excess of fee actually charged by the institutions.

The Director, Social Welfare Department, Kashmir stated (July 2008) that the matter would be looked into and remedial measures including recovery of excess amounts paid, wherever necessary, would be affected.

The matter was referred to Government in October 2008; reply had not been received (October 2008).

Tourism Department

4.2.17 Idle investment on Battery Powered Road Vehicles

Injudicious action of CEO, PDA in taking delivery of vehicles without inspection and failure to rectify defects resulted in idle investment of Rs. 15.60 lakh.

To provide environment friendly transport at Patnitop, besides earning revenue, the Patnitop Development Authority (PDA) approached (December 2003) Bharat Heavy Electricals Limited (BHEL) against their offer, for supply of two³³ Battery Powered Road Vehicles (BPRV) at Patnitop. As per the terms of the offer (January 2004), 50 *per cent* cost of the vehicles was to be paid as interest free advance along with the purchase order and the balance amount including taxes and duties was to be paid against delivery and inspection of the vehicles.

Scrutiny (May 2007) of records of the Chief Executive Officer (CEO) PDA showed that an amount of Rs. 27.39 lakh was paid (March/June 2004) to the suppliers in two³⁴ installments. The inspection clause was waived (March 2004) by the CEO in lieu of early supply of vehicles. The vehicles were supplied in April 2004 but were not operated for a year due to non-registration with the Regional Transport Office. An expenditure of Rs. 3.80 lakh was also incurred on payment of toll tax, fixing of sheets and fabrication of cabins. The vehicles were put to operation in May 2005. After plying for a brief period of five months, the vehicles were grounded (October 2005) as they developed some defects.

The CEO stated (April 2008) that the vehicles could not ply as the defects had not been set right by BHEL which inspected the vehicles in October/November 2007.

After the matter was referred to Government/Department in May 2008, the CEO contradicted his earlier reply (April 2008) and stated (September 2008) that

³³ One for 70 Km range (Rs. 11.12 lakh) and another for 140 Km range (Rs. 13.27 lakh), local taxes and duty extra as applicable

³⁴ First installment (50 *per cent* cost of the vehicles) along with the purchase order: Rs. 12.50 lakh, Second installment: Rs. 15.20 lakh

BHEL officials had rectified one vehicle in November 2007 and the second vehicle could not be set right due to non-availability of spares. The investment of Rs. 15.60 lakh on procurement of the vehicles has thus, proved idle.

4.2.18 Idle investment

Phalagam Development Authority took up execution of the works without ensuring availability of funds resulting in idle investment of Rs. 28.87 lakh.

With a view to rehabilitating the dislocated shopkeepers whose vends got demolished during beautification drive at Aishmuqam, the Government decided (June 2004) to construct a double-storeyed shopping complex comprising 86 shops (43 in each floor) in two phases at an estimated cost of Rs. 1.12 crore (Phase-I: Rs. 53.59 lakh; Phase-II: Rs. 57.91 lakh). Forty three shops, so constructed, were to be allotted to dislocated shopkeepers at a subsidised rate of Rs. 0.50 lakh per shop and the remaining 43 shops were to be allotted, under general category, by way of auction, with a minimum reserve price of Rs. 1.25 lakh per shop. The Chief Executive Officer (CEO), Pahalgam Development Authority (PDA) proposed construction of Phase-I of the project in the first instance with State funds to the tune of Rs. 32 lakh and Rs. 21.50 lakh by way of recoveries from the displaced shopkeepers at the rate of Rs. 50,000 each.

Scrutiny of records (February 2008) of the CEO, PDA revealed that without Administrative Approval/Technical Sanction and in anticipation of receipt of full amount from the beneficiaries, the PDA invited tenders (February 2005) for Phase-I (43 shops) at an advertised cost of Rs. 41.80 lakh and allotted (April and July 2005) the work to five contractors for Rs. 39.52 lakh for completion within three months. The work was stopped (April 2006) by the contractors due to non availability of funds, by which time an expenditure of Rs. 38.07 lakh (Rs. 32 lakh from plan funds and Rs. 6.07 lakh out of the contribution (Rs. 6.91 lakh) made by 20 dislocated shopkeepers) was incurred. As a result only 10 shops were completed (without electrification) and allotted to the beneficiaries. The work has not been resumed as of June 2008. It was also observed that against Rs. 21.50 lakh recoverable from 43 dislocated shopkeepers, the PDA received only Rs. 6.91 lakh from 20 shopkeepers.

Action of the PDA in taking up execution of the works without obtaining approvals and ensuring availability of funds by way of recovery of the full amount from the beneficiaries resulted in idle investment of Rs. 28.87 lakh³⁵.

The matter was referred to the Government/Department in June 2008; reply had not been received (September 2008).

³⁵ Worked out on pro-rata basis (total expenditure incurred on construction: Rs. 38.07 lakh less by the prorata allotted cost of 10 shops: Rs. 9.20 lakh)

4.3 Regularity and other issues

Education Department

4.3.1 Irregular utilisation of school funds

CEO, Anantnag irregularly utilised Rs. 17.10 lakh meant for improvement of schools, to meet day-to-day expenditure.

Rule 2-2 (b) of the J&K Financial Code provides that money relating to the fees of the students in Government Educational Institutions on extra-curricular activities shall not be utilised for any purpose other than that for which these have been received except with the sanction of the Head of the Department concerned.

Scrutiny (October 2007) of the records of the Chief Education Officer (CEO), Anantnag revealed that out of Rs. 33.16 lakh received (October 2004 to August 2007) by the CEO on account of common pool/building funds, Rs. 18.45 lakh had irregularly been utilised to meet the day to day expenses viz purchase of POL/Stationery, payment of telephone/mobile bills etc. The CEO stated that the funds were utilised due to short release of funds by the Government to meet its requirements necessitating utilisation of pool funds towards such expenditure which was being recouped subsequently. The reply of the CEO is not acceptable as the sanction of the Head of the Department for diverting the amount for any purpose other than that for which these were received had not been obtained. Besides, only Rs. 1.35 lakh were adjusted during the period and Rs. 17.10 lakh had not been recouped as of February 2008.

Failure of the CEO to limit its expenditure within the budget allocation resulted in irregular utilisation Rs. 17.10 lakh meant for improvement of schools.

The matter was referred to the Government/Department in June 2008 and the Government replied (September 2008) that the department would initiate steps to allocate the requisite budget to the concerned CEO so that the amount was recouped. The Government also assured (October 2008) that strict instructions would be issued to all the educational institutions to avoid misuse of funds.

Housing and Urban Development Department

4.3.2 Irregular appointments

Director Local Bodies, Jammu/Kashmir irregularly appointed 11 persons and incurred unauthorised expenditure of Rs. 26.31 lakh on payment of wages to them.

In terms of the State Subordinate Services Recruitment Rules, appointments to non-gazetted posts are to be made by the Service Selection Board (SSB), after vacancies existing in a department are referred to it by the Administrative Department concerned. Further, in terms of the Municipal Act, 2000, municipalities are required to obtain Government approval prior to filling up of vacancies.

Scrutiny of records (May 2007) of the EE, Local Bodies Division-I, Jammu revealed that the Director, Local Bodies, Jammu, in violation of the

aforementioned procedure, appointed two persons-a Junior Engineer and a Computer Assistant, in June 2002 and February 2005 respectively, without referring the vacancies to the SSB.

Further, scrutiny of records of the Directorate, Local Bodies, Kashmir revealed that Municipal Committees, Sumbal/Kunzer/Lakhanpur had also made nine³⁶ appointments irregularly in various cadres between February 2003 and March 2007, without obtaining prior approval of the Government.

An expenditure of Rs. 26.31 lakh had been incurred, between July 2002 and August 2008, on account of pay and allowances to the 11 persons so appointed.

The Director, Urban Local Bodies, Kashmir accepted the audit observation and stated (July/August 2007) that instructions had been issued to all the Municipal Committees not to make such appointments. It was also stated that the appointments made by the Municipal Committee, Sumbal, were under investigation. However, reply was silent about disciplinary action taken against the officers/officials responsible for making irregular appointments. The EE, Local Bodies Division-I, Jammu, stated (May 2007) that the appointments were regularised by the Director, Urban Local Bodies. The reply is not acceptable, as the Director was neither vested with powers to regularise the appointments made in violation of the prescribed recruitment rules nor was competent to make appointments without referring the vacancies to the SSB.

The matter was referred to the Government/Department in July 2008; reply was not received (September 2008).

Industries and Commerce Department

4.3.3 Parking of funds

Advancing money without ascertaining the status and cost of the land in order to avoid lapse of funds resulted in non-utilisation of Rs. 50 lakh for more than four years besides non-establishment of Industrial Complex.

Under the Land Acquisition Rules, the Collector of a District, on application of a departmental officer, is required to supply the data necessary for an estimate of the value of land to be acquired, for which compensation is to be paid. The rules also provide that if the award is not made within two years, the entire proceedings for the acquisition would lapse.

Scrutiny (December 2005/January 2008) of records of the General Manager, District Industries Centre (GM, DIC) Baramulla revealed that in anticipation of receipt of data for estimating the value of land to be acquired from the Collector and to avoid lapse of funds, an amount of Rs. 50 lakh was advanced (March 2004) by the GM to the Collector for acquisition of 302 *kanals* and 3 *marlas* of land required for establishment of three Industrial Estates at Johama, Watergam and Utikoo. It was observed in audit that the land identified (February 2004) by GM, DIC and Revenue Officer jointly, could not be acquired, as the land owners

³⁶

Sumbal: 5 (Death and Birth Reporters-3, Plantation Watcher and Works Supervisor- 1 each);
Kunzar: 3 (JCB Operator, Tipper Driver and Mali- 1-each); Lakhanpur: 1 (Computer Assistant – One)

at Utikoo showed reluctance in handing over their land and the proposal for acquisition of land at Watergam was rejected by Financial Commissioner (Revenue). Besides, Irrigation and Flood Control Department also objected to the use of the identified land at Johama for the requisite purpose as the same was being used for dumping of dredged material from river Jhelum. As a result, the entire amount of Rs. 50 lakh remained blocked from March 2004.

The Collector, Land Acquisition Baramulla stated (April 2008) that the proceedings of acquisition had lapsed and that fresh proceedings were being initiated. The GM, DIC Baramulla however, replied (March 2008) that the process of law has hampered the acquisition and there was no fault on the part of his department as the departments in possession of the land had shown a casual approach for the last three years while the private land owners had approached the court of law. The reasons given by the GM, DIC Baramulla does not absolve him of the failure on his part to ascertain the status of the land to be acquired and likely cost of its acquisition before advancing money for acquisition of land.

Thus, advancing of money without ascertaining the status and cost of the land in order to avoid lapse of funds resulted in blocking of Rs. 50 lakh for over four years besides non-establishment of Industrial complex.

The matter was referred to Government/Department in May 2008; reply had not been received (September 2008).

4.4 General

4.4.1 Follow-up on Audit Reports

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

As per the instructions issued by the State Government (Finance Department) in June 1997, the administrative departments are required to furnish to PAC/COPU *suo-moto* Action Taken Notes (ATNs) on all the audit paragraphs featuring in the Audit Reports irrespective of the fact that these are taken up for discussion by these Committees or not. These ATNs are to be submitted to these Committees duly vetted by the Accountant General (AG), within a period of 3 months from the date of presentation of Audit Reports in the State Legislature.

It was, however, noticed that none of the Departments had submitted *suo-moto* ATNs in respect of their paragraphs/reviews featuring in the Audit Reports for the years 1990-91 to 2006-07.

4.4.2 Action taken on recommendations of the PAC/COPU

Action Taken Notes, duly vetted by the AG on the observations/recommendations made by the PAC/COPU in respect of the paragraphs discussed by them are to be furnished to these Committees within 6 months from the date of such observations/recommendations. The PAC/COPU reconstituted (November 1996) after the expiry of President's rule in the State decided to skip over the discussion of Audit Reports prior to the year 1990-91. Out of 785 paragraphs featuring in the Audit Reports for the years 1990-91 to 2006-07, only 262 paragraphs have been discussed by the PAC/COPU up to March 2008. Recommendations in respect of

170 paragraphs have been given by the Committees (PAC/COPU) but ATNs on the recommendations of the Committees have not been furnished by the Administrative Departments despite the AG taking up the matter with the Chairpersons of the two committees and the Chief Secretary.

4.4.3 Lack of response to Audit

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

Four Audit Committee meetings were held during 2007-08 in respect of paragraphs contained in IRs pertaining to the civil wing, wherein 115 transaction audit paragraphs were discussed. 41 paragraphs were settled fully and 18 were partially settled.

At the end of March 2008, 8,290 IRs involving 32,356 paragraphs pertaining to the period 1998-08 were not settled.

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

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