

CHAPTER-IV

AUDIT OF TRANSACTIONS

Election Department

4.1 Diversion/misutilisation of election funds

Non-observance of procedures and instructions regarding conduct of State Assembly elections, resulted in misutilisation of election funds amounting to Rs. 1.89 crore.

Expenses of election to the Lok Sabha and the State Legislative Assembly comprise pay and allowances of staff engaged with the election process, preparation and printing of scrolls, procurement/supply of ballot boxes, consumable/non-consumable material and TA/DA/honorarium to the poll parties. Expenditure incurred on election establishment/electoral offices, preparation/printing of electoral rolls is shared equally by the Central and the State Governments. Incurring expenditure from divisible pool of fund on creation of assets of capital nature such as construction of buildings, purchase of vehicles, generators, repair works, purchase of non-election related items viz. furniture, furnishings/fixtures, photocopier machines and pre/post poll items^β is prohibited.

Test-check of records (March/April 2004) of the Chief Electoral Officer, Divisional Commissioner, Jammu, Director General of Police, Additional Director General of Police (Armed), Jammu, five District Election Officers and 13 Senior Superintendents (SSP)/Commandants of Police revealed that Rs. 1.89 crore out of total expenditure of Rs. 9.08 crore (*Appendix-23*) incurred during the period from July 2002 to April 2003 on conduct (October 2002) of State Assembly elections, had been diverted/misutilised by these officers on construction and repair works (Rs. 29.50 lakh), purchase of inadmissible[#] items (Rs. 61.55 lakh), clearance of liabilities^ϕ (Rs. 14.32 lakh) and pre/post poll expenses (Rs. 83.93 lakh), which were not incidental to elections. On being pointed out (March 2004) the Commandants, Indian Reserve Police-IV Battalion, Jammu and Kashmir Armed Police-IV Battalion, Jammu and the SSP, Poonch stated (March 2004) that the expenditure had been incurred under orders of the Police Headquarters. The replies were not tenable as expenditure incurred was not incidental to elections. No reasons for the diversion of election funds were furnished by other 19 offices.

^β Transfer/Tour TA and DA, Hire charges of chairs/*shamiyanas* for police conference, POL and telephone charges, etc. not related to election process

[#] Colour Television sets, generators, furniture/fixtures, cordless phones, photocopier, fax machines, refrigerator, kitchen ware and books

^ϕ Expenditure on Amarnath *yatra* (July- August 2002): Rs. 14.07 lakh and past liability on account of purchase of furniture: Rs. 0.25 lakh.

Thus, non-observance of procedures and instructions regarding incurring of expenditure during conduct of State Assembly elections, resulted in misutilisation of election funds amounting to Rs. 1.89 crore.

The matter was referred to Government/Department in July 2004; reply had not been received (September 2004).

Health and Medical Education Department

4.2 Embezzlement of Government money due to lax supervision

Lax supervision and non-observance of prescribed control procedures by the Accounts Officer, SMHS Hospital, Srinagar and Resident Medical Officer (OPD) facilitated embezzlement of Rs. 12.48 lakh.

Rule 2.2 and 2.15 of Jammu and Kashmir Financial Code Volume-I envisage that all sums which a Government servant receives in his official capacity should immediately be remitted/paid directly into the treasury or through next higher officer maintaining the cash book. Audit scrutiny (December 2003) of records of the Superintendent, SMHS[¶] Hospital, Srinagar revealed that diagnostic/service charges of Rs. 12.48 lakh realised by the Resident Medical Officer (RMO), Out Patient Department (OPD), SMHS Hospital, Srinagar from February 2003 to November 2003 was misappropriated by two officials[&] by non-accountal of cash receipts (Rs. 7.08 lakh) and recording entries of fictitious remittance (Rs. 5.40 lakh) to DDO^{*} in his subsidiary cash book.

The embezzlement was facilitated due to laxity in supervision and non-observance of prescribed control procedure by the Accounts Officer (DDO) and RMO. Cash book was not checked, attested and closed (April to November 2003) by the RMO. Periodical verification of cash balances reflected in the cash book and reconciliation of remittances between RMO and DDO's office had not been conducted. Heavy cash balances were retained for two to four months and duties for receiving cash had been assigned to a Nursing Orderly. Stock account of receipt books had not been maintained by the RMO and receipts for revenue realised were not issued under his seal and signatures or by any other authorised officer.

On this being pointed out in audit (December 2003), the Medical Superintendent, SMHS Hospital, Srinagar stated (December 2003) that Rs. 3.29 lakh had been recovered, dealing officials placed under suspension and departmental inquiry proceedings instituted in this regard.

The matter was referred to Government/Department in March 2004 and another departmental committee was constituted (April 2004) to investigate the

[¶] Shree Maharaja Hari Singh

[&] One Senior Assistant and one Nursing Orderly

^{*} Drawing and disbursing officer

embezzlement, who opined (August 2004) that the case be referred to any prime investigating agency.

4.3 Unfruitful expenditure

Failure of the Department to acquire the land for construction of two Public Health Centre buildings resulted in unfruitful expenditure of Rs. 15.10 lakh.

Executive Engineer, R&B Division, Poonch took up (May 1998/February 1999) the work for construction of building for Public Health Centres on the sites identified by Chief Medical Officer (CMO), Poonch at Sawjian (estimated cost: Rs. 9.50 lakh) and Chattral (estimated cost: Rs. 10.65 lakh).

Test-check of records of Public Works Division (R&B), Poonch revealed that after incurring expenditure of Rs. 15.10* lakh on part construction of buildings further execution was held up (Sawjian: January 1999; Chattral: March 2001) as the land owners stopped the work due to non-payment of land compensation by the Health and Medical Education Department. The CMO, Poonch stated (February 2004) that land owners were being persuaded to settle the dispute and action for payment of land compensation would be taken accordingly.

Thus, non-acquisition of land by CMO, Poonch for construction of two Public Health Centre buildings resulted in unfruitful expenditure of Rs. 15.10 lakh.

The matter was referred to Government/Department in July 2004; reply had not been received (September 2004).

Home Department

4.4 Inadmissible payment of House Rent Allowance

Non-adherence to prescribed rules/instructions by 20 Drawing and Disbursing Officers of Police Department resulted in irregular payment of House Rent Allowance of Rs. 24.31 lakh to 184 employees occupying Government accommodation.

Jammu and Kashmir Civil Services (House Rent and City Compensatory Allowances) Rules 1992, lays down that House Rent Allowance (HRA) is not admissible to those Government Servants who are either provided with Government accommodation or occupy/reside/share the Government accommodation allotted to some other person. Finance Department issued instructions in 1998 and 1999 to all the Drawing and Disbursing officers (DDOs)

* Sawjian: up to roof level (construction cost: Rs. 4.25 lakh, January 1999), Chattral: building complete except furnishing items (construction cost: Rs. 10.85 lakh; March 2001)

and Treasury Officers (TOs) that HRA, if any, paid to such Government Servants who occupy Government accommodation should be recovered forthwith.

Test-check of establishment bills of 20 DDOs (*Appendix-24*) of Police Department revealed that HRA amounting to Rs. 24.31 lakh was irregularly drawn and paid to 184 employees occupying Government accommodation during the period from April 1999 to February 2004 in contravention to above rules/instructions. Non-adherence to prescribed rules/instructions by these DDOs resulted in irregular payment of HRA of Rs. 24.31 lakh to the employees occupying Government accommodation.

The matter was referred to Government/Department in September 2004 and the Government issued instructions to the Director General of Police (DGP) for taking immediate remedial measures and disciplinary action against the defaulting officers. The DGP directed (October 2004) the concerned DDOs to effect recovery of excess payments immediately.

4.5 Avoidable extra expenditure due to purchase at higher rates

Purchase of uniform cloth at higher rates from a local firm by the Director General of Police, resulted in avoidable extra expenditure of Rs. 19.09 lakh.

Director General of Police (DGP) invited (March 2002) tenders for supply of 70,000 metres of uniform cloth* (*terricot khaki*). The State Level Purchase Committee in its meeting (July 2002) rejected 34 offers out of 36 received in response to the above tender notice due to non-fulfilment of required terms and conditions of the tender (17) and poor quality samples (17). Of the remaining two offers, the Committee did not consider offer of Rs. 72.90 per metre of a Delhi based firm on the pretext that the firm had changed (May 2002) its nomenclature[♦], intimation of which had been received (June 2002) after opening of tenders and instead approved rate of Rs. 88.20 per metre of cloth offered by the local firm. The Committee, however, in the same meeting approved another offer of shirting[♠] cloth in favour of the same Delhi based firm contrary to their earlier decision.

Test-check (March 2004) of records revealed that orders for supply of 1,24,800 metres uniform cloth was placed (August/November 2002) by the DGP with the local firm which supplied (November 2002 to March 2003) 1,24,795 metres of the cloth for which an amount of Rs. 1.10 crore was paid (January 2003 to June 2003) resulting in extra expenditure of Rs. 19.09 lakh. On being pointed out in audit, the DGP stated (March 2004) that offer of the Delhi based firm was rejected by the purchase committee due to poor quality shade/colour of its sample

* 138 cm width, Ist Grade quality conforming to IS No. 11248/1995
♦ From Private Limited Company to Public Limited Company
♠ Cellular *khaki* 81/84 cm width (IS No 1144/1980)

cloth. This was not based on facts as the offer of the firm was ignored by the Purchase Committee merely on the basis of change of nomenclature of the firm.

Thus, purchase of uniform cloth at higher rates from a local firm resulted in avoidable extra expenditure of Rs. 19.09 lakh.

The matter was referred to Government/Department in June 2004; reply had not been received (September 2004).

4.6 Unfruitful expenditure due to wrong planning

Wrong planning by the Director General of Police to purchase part machinery/equipment for printing press, Srinagar and without ensuring trained manpower to operate it, resulted in unfruitful expenditure of Rs. 43.97 lakh besides defeating the objective of upgrading the press.

For modernising and upgrading Police Printing Press Srinagar, on the basis of decision (July 2001) of the high level departmental committee, the Director General of Police (DGP) placed (December 2001) an order for supply of colour offset printing machine (cost: Rs. 32.32 lakh) with Hindustan Machine Tools (HMT) Limited. Orders for supply of three equipments* (cost: Rs. 7.66 lakh) were placed in December 2001/January 2002 and for further six equipments♦ (cost: Rs. 10.86 lakh) in June 2003, after delay of 18 months, with other suppliers. The printing machine and three equipment were received in March 2002 but the remaining equipments were yet to be received (April 2004). Payment of Rs. 36.75 lakh was released to the concerned in March 2002 after withholding Rs. 3.23 lakh against performance of the machine. Further expenditure of Rs. 3.99 lakh was incurred on carriage/toll charges, etc. (Rs. 0.78 lakh), foundation/allied works (Rs. 2.92 lakh) and purchase of a stabilizer (Rs. 0.29 lakh) during 2002-03 for installation of the printing machine. The machine installed in May 2002 could not be made functional due to non-availability of trained manpower to operate it. The firm offered (May 2002) training to staff free of cost which was not availed of by the Department (March 2004). Balance Rs. 3.23 lakh was released to the firm in October 2002 before expiry (May 2003) of the warranty period of the machine.

On being pointed out (January 2004) in audit, the DGP stated (March 2004) that the required training would be given to the concerned staff and remaining equipments would also be procured to make the machine operational. Further progress made in the matter was awaited (May 2004).

Thus, wrong planning by the DGP to purchase part machinery/equipment for Police Printing Press, Srinagar and without ensuring availability of trained

* Automatic cutting Machine, Automatic Stitching Machine, Semi-Automatic Perfect Binder
♦ Plate exposure, Agfa scanner, Xinte Laser Printers, Plate developing sink, Planning Table and Automatic Granning Machine

manpower to operate it, resulted in unfruitful expenditure of Rs. 43.97 lakh besides defeating the objective of upgrading the press.

The matter was referred to Government/Department in June 2004; reply had not been received (September 2004).

4.7 Idle investment due to injudicious action

Injudicious purchase of radio equipment by DGP without ascertaining the actual requirement of accessories vital for their installation resulted in idle investment of Rs. 12.27 lakh. The cost of financing the idle investment worked out to Rs. 5.93 lakh.

Director General of Police (DGP) placed (October 1998) order with a Delhi based firm for supply of two UHF Repeaters* (Radio equipment) on the basis of indent (May 1998) of Director, Police Telecom (DPT) for monitoring security of the Chief Minister. The equipment (cost: Rs. 12.27 lakh) was received in October 1999. The departmental survey committee could not conduct field trials of the equipment on its inspection (January 2000) due to non-availability of the accessories required for its installation. Payment of Rs. 11.77 lakh was made (June 2000) to the firm after withholding Rs. 0.50 lakh as security deposit.

Test-check (March 2004) of records revealed that the DGP belatedly initiated process (December 2000) for purchasing the accessories* of the equipment from the firm. The firm, however, communicated (August 2001/ November 2002) prices for only two accessories^ sufficient for installation of the equipment and impressed (March 2004) that other accessories were not required at all. The DGP before successful commissioning and instead of getting the warranty period of the equipment extended, released (March 2001) security deposit of Rs. 0.50 lakh to the firm. On being pointed out in audit, the DGP stated (March 2004) that the equipment would be made functional by procuring these two accessories. This indicated that the DGP and DPT had not assessed the actual requirement of accessories vital for installation of the equipment before placing supply order with the firm.

Thus, injudicious purchase of radio equipment by the Director General of Police without ascertaining the actual requirement of accessories vital for its installation resulted in idle investment of Rs. 12.27 lakh for over four years. The cost of financing the idle investment worked out to Rs. 5.93 lakh.

The matter was referred to Government/Department in June 2004; reply had not been received (September 2004).

* 800 MHZ, Model: MTR-2000

^ Antenna system, R. F. Feeder UHF, Hand set, Speaker, Mounting rack and D. C. Battery cable

^ Antenna system and L.D.F. Cable

Housing and Urban Development Department

4.8 Blocking of funds

Drawal of Rs. 3.50 crore by the Director, Local Bodies, Jammu without any immediate requirement, resulted in locking of the amount for the period ranging between nine and 40 months. Cost of blocked funds to Government worked out to Rs. 53.48 lakh.

Financial rules of the Government envisage that no money should be withdrawn from the treasury unless it is required for immediate disbursement. Director, Local Bodies, Jammu drew Rs. 3.50 crore (Rs. one crore between January and July 1999 and Rs. 2.50 crore in August 2000) for implementation of State/Centrally sponsored schemes^ϕ and invested them in fixed deposits[♥] (Rs. one crore: July 1999 to May 2000 and Rs. 2.50 crore: September 2000 to January 2004) of a bank^{*} outside Government account. Drawal of funds from the Government Account and keeping these in FDRs of a bank resulted in interest liability of Rs. 53.48 lakh on the overdrafts taken by the Government from the same bank. The interest liability on the locked up amount at the borrowing rate of the Government worked out to Rs. 1.19 crore against which Rs. 65.66 lakh only were earned as interest on the FDRs. The Finance Department had also directed (March 2003) that unspent balances of Centrally sponsored schemes in bank accounts, at the end of March 2003, be credited to Consolidated Fund of the State. This was also not done as of January 2004.

Thus, injudicious drawal of Rs. 3.50 crore by the Director without any requirement and retaining the funds outside Government account for the period ranging between nine and 40 months was irregular and resulted in interest loss of Rs. 53.48 lakh.

The matter was referred to the Government/Department in May 2004; reply had not been received (September 2004).

4.9 Idle investment on construction of shops

Poor selection of sites for construction of shops by the Housing and Urban Development Department, resulted in idle investment of Rs. 83.16 lakh.

Housing and Urban Development Department approved (October 1999/March 2001) construction of shopping complexes comprising 260 shops (90: Kashmir; 170: Jammu) under the 10th Finance Commission Award at an estimated cost of Rs. 1.83 crore, in 40 Town/Notified Area Committees of the

^ϕ Central schemes: IDSMT, NSDP, 10th Finance Commission; State schemes: IDMT, LCS and EIUS

[♥] Two FDRs for Rs. 50 lakh each from July 1999 to April 2000/May 2000 and five FDRs for Rs. 50 lakh each from September 2000 to January 2004

^{*} Jammu and Kashmir Bank Limited

State. These shops were to be allotted through open auction at market rates to be determined by standing committees constituted (March 1997) for this purpose. The Minimum Reserve Price (MRP) for auctioning these shops was fixed (March 1997) by the Department at 50 *per cent* above the construction cost plus land cost of each shop. In addition to premium, monthly rent was also to be recovered from the allottees at the rates to be determined by the respective committees.

Test-check (September 2003/February 2004) of the records of Directors, Local Bodies, Jammu/Kashmir revealed that out of 212 shops^ψ (cost: Rs. 1.40 crore) constructed (October 2003/March 2003), only 92 shops[♦] (construction cost: Rs. 56.91 lakh) had been allotted (March 2004) leaving 120 shops (Jammu: 94; Kashmir: 26; cost: Rs. 83.16 lakh) unallotted. The Directors, Local Bodies Jammu/Srinagar attributed (October 2003/March 2004) non-allotment of shops to poor response in realisation of the MRP. The Director Local Bodies, Jammu also attributed it to selection of sites having low market potential for shops. This indicated that the sites for the shops had been selected without feasibility study and ascertaining their market viability.

Thus, poor selection of sites for construction and irrational fixing of MRP of the shops by the Department resulted in idle investment of Rs. 83.16 lakh.

The matter was referred to the Government/Department in May 2004; reply had not been received (September 2004).

Industries and Commerce Department

4.10 Idle investment on purchase of land

Selection of an unsuitable site for establishing an Industrial Park at Ompora, Budgam rendered investment of Rs. 4.82 crore idle for over six years. Cost of idle funds to Government worked out to Rs. 6.32 crore.

Director, Industries and Commerce, Srinagar advanced (March 1991) Rs. 1.40 crore to the Collector Land Acquisition, Budgam through General Manager, District Industries Centre, Budgam for acquisition of 1,000 *kanals* of land at Ompora, for establishing an Industrial Park under the Centrally sponsored "Export Promotion Industrial Park" (EPIP) scheme. The site for the park was selected (July 1991) by the Dy. Project Engineer, State Industrial Development Corporation (SIDCO) through which the project was to be implemented. A further amount of Rs. 3.50 crore was advanced (March 1997) to the Collector for the purpose. Acquisition of additional 12 *kanals* of land was sanctioned by the Government in September 1998. The land (1,008 *kanals*) acquired against 1,012 *kanals* requisitioned by the Department at a cost of Rs. 4.82* crore was handed

^ψ Kashmir: 65; Jammu: 147

[♦] Kashmir: 39; Jammu: 53

^{*} Rs. 7.50 lakh were lying with Collector Land Acquisition, Budgam

over to SIDCO in August^β 1997 and November[#] 2000. The project, however, could not take off as the site was not found (July 1999) suitable for sinking a tube well for supply of water to the industrial units by the State Geology and Mining Department. The Managing Director, SIDCO after lapse of about three years requested (April 2002) the Government for shifting of the project to an alternate site at Ply-Board Complex, Pampore. Further progress in the matter was awaited (January 2004). Meanwhile, the land acquired at Ompora continued to remain idle (June 2004).

Thus, defective selection of the site for the EPIP, Ompora rendered the investment of Rs. 4.82 crore idle for over six years. The Department had also not sought refund of balance Rs. 7.50 lakh from the Collector Land Acquisition, Budgam. The cost of idle funds to Government worked out to Rs. 6.32^ψ crore.

The matter was referred to Government/Department in February 2004; reply had not been received (September 2004).

Irrigation and Public Health Engineering Department

4.11 Unfruitful expenditure

Failure of the Superintending Engineer/Executive Engineer to ensure unencumbered source of water before execution of work resulted in unfruitful expenditure of Rs. 12.70 lakh.

Executive Engineer, Public Health Engineering Division, Kargil took up (1996-97) the work for reactivation/upgradation of water supply scheme Gundmangalpora (estimated cost: Rs. 20.45 lakh) with spring as source. After incurring an expenditure of Rs. 12.70[≠] lakh further execution was stopped (1999-2000) as the residents of nearby village did not allow use of identified spring as source for proposed water supply scheme. Meanwhile, Superintending Engineer accorded administrative approval belatedly in February 2001. Audit scrutiny (August 2003) revealed that Executive Engineer had not ensured that the source was unencumbered before taking up the execution work. On being pointed out in audit, Executive Engineer stated (July 2004) that alternate arrangements were being made to tap substitute source. The reply was not tenable as the Department had failed to identify the substitute source of water for the last four years.

Thus, failure of Superintending Engineer/Executive Engineer to ensure unencumbered source of water before execution of work resulted in unfruitful

^β August 1997: 999 kanals and 19½ marlas

[#] November 2000: 8 kanals and 2 marlas

^ψ Worked out at the borrowing rate of State Government from April 1991 to January 2004

[≠] Construction of collection chamber: Rs. two lakh; Installation of missing pipes due to snow avalanches and flood, etc: Rs. 3.15 lakh; replacement of damaged pipes at gravity main and distribution system: Rs. 7.55 lakh

expenditure of Rs. 12.70 lakh for over four years, besides non-achievement of intended benefits.

The matter was referred to Government/Department in September 2004; reply had not been received.

4.12 Unfruitful expenditure on an overhead tank

Executive Engineer, Public Health Engineering Division, Udhampur defaulted in releasing payments to the contractor engaged for construction of overhead tank at Nagrota-Kallar, Udhampur which led to suspension of work and consequent unfruitful expenditure of Rs. 22.84 lakh.

Chief Engineer, Public Health Engineering Department, Jammu allotted (October 1998) the work of construction of a two lakh gallon capacity overhead tank (OHT) at Nagrota-Kallar, Udhampur on turnkey basis to a contractor at a cost of Rs. 33.59 lakh. The work was to be completed within one year reckoned after 15 days from the date of approval of the drawings/designs by the Directorate of Designs. Specified* percentage of the total cost of the work was to be paid to the contractor on completion of each stage of the work.

Audit scrutiny (January 2003) of the records of the Executive Engineer, Public Health Engineering Division, Udhampur revealed that the contractor started the work in September 1999, after approval of the drawings/designs by the Design Directorate. The contractor preferred four running bills for Rs. 22.84 lakh during the period from November 1999 to May 2000 against which Rupees three lakh only were released to him in February 2000. The contractor suspended (May 2000) the work and sought release of his balance claim. A further amount of Rs. 14.53 lakh was released to the contractor during September 2000 to February 2002 after adjusting Rs. 5.31 lakh towards cost of departmental material, income tax, service charges, etc. The contractor, however, refused resumption of work at the existing rate and demanded 50 *per cent* increase, which was not accepted by the Department. The contractor also claimed interest/compensation for losses caused due to delay in payments/suspension of the work and sought arbitration. As of December 2003, the case was pending with the arbitrator.

On being pointed out in audit, the Executive Engineer stated that full payment could not be made to the contractor due to financial crunch. This was not tenable as Rs. 20 lakh and Rs. five lakh were specifically allotted for the work during the years 1999-2000 and 2000-01, respectively.

Thus, failure of the Executive Engineer in releasing payments to the contractor as per contractual stipulations, rendered expenditure of Rs. 22.84 lakh on the OHT unfruitful, besides denying the facility of enhanced water supply to

* Approval of design, excavation and laying of PCC: 10 *per cent*, Foundation of shaft: 25 *per cent*; Completion of first half of staging: 15 *per cent*; second half of staging: 15 *per cent*; Ring Beam, bottom dome and balcony: 15 *per cent*; stair case and other accessories: 3 *per cent*; vertical wall: 7 *per cent*; top dome: 8 *per cent* and testing: 2 *per cent*

the population of the concerned area of Udhampur. The cost of finance on the incomplete asset worked out to Rs. 9.18^ψ lakh.

The matter was referred to Government/ Department in February 2004; reply had not been received (September 2004).

4.13 Unfruitful investment

Defective planning in execution of works on Water Supply Scheme, Kud by Executive Engineer, Public Health Engineering Division, Udhampur without first ensuring the right to use the water source resulted in unfruitful investment of Rs. 66.67 lakh.

Water supply improvement, augmentation and extension scheme Kud was taken up for execution (February 2000) at an estimated cost of Rs. 76.76 lakh to be completed within one year. It was contemplated to augment the existing sources[≠] (capacity: 1.68 lakh GPD) with a new source[▲] (capacity: 1.02 lakh GPD) so as to raise the capacity of upgradation scheme to 2.70 lakh GPD. It was also envisaged to increase the available requirement for 6,813[▼] persons from 4,225[◆] persons.

Test-check (February 2002) of the records of the Executive Engineer, Public Health Engineering Division, Udhampur revealed that an expenditure of Rs. 66.67 lakh was incurred (November 2001) on construction of two service reservoirs and laying of pipes, etc. without obtaining technical sanction and administrative approval on the augmentation scheme. The scheme was not made functional as the new source could not be tapped by the Department due to objection raised by the local population. On this being pointed out in audit, the Executive Engineer stated (February 2004) that new pipes laid were being used by connecting them to the old source (Shivgarh II). This was not tenable, as there was no increase in the intake capacity due to non-tapping of additional source.

Thus, defective planning in execution of the works of water supply augmentation scheme, Kud by Executive Engineer, Udhampur without first ensuring the right to use the water source resulted in unfruitful investment of Rs. 66.67 lakh.

The matter was referred to Government/ Department in February 2004; reply had not been received (September 2004).

^ψ Worked out at borrowing rate of Government from Jammu and Kashmir Bank Limited from February 2000 to March 2004

[≠] Nallah Shivgarh-II: 1.32 lakh GPD; Swami Bowli: 0.12 lakh GPD; Bowli Bazar: 0.24 lakh GPD

[▲] Shivangi-III

[▼] Design requirements for the year 2014

[◆] At the rate of 40 litres per soul

4.14 Locking up of funds due to inadequate control mechanism

Superintending Engineer (Mechanical Circle), Irrigation and Flood Control Department, Srinagar placed Rs. 25 lakh at the disposal of Executive Engineer, Flood Mechanical Division, Baramulla at fag end of year. The amount was subsequently deposited in deposit account which resulted in locking up of Rs. 22.78 lakh.

Executive Engineer, Flood Mechanical Division, Baramulla projected (June 2001) requirement of Rs. 19.28 lakh, in its annual works plan for 2001-02, for shifting the existing idle dredging machinery and their repairs/maintenance. The machines after repairs/maintenance were to be given on hire to contractors, army and locals with a view to earn revenue. The Superintending Engineer (Mechanical Circle), Irrigation and Flood Control Department, Srinagar provided (March 2002) Rs. 2.77 lakh only for maintenance and repair of assets and Rs. 25 lakh for purchase of an excavator cum loader for use on desilting operations. The amount of Rs. 25 lakh was drawn (27 March 2002) by the Executive Engineer, Flood Mechanical Division, Baramulla and passed on (April 2002) to Executive Engineer, Mechanical Irrigation Construction Division (MICD), Srinagar for purchase of the machine. The latter deposited the amount in deposit account. As of January 2004, Rs. 22.78 lakh were locked up in the deposit account, while Rs. 2.22 lakh were diverted on procurement of POL. On this being pointed out in audit, the Executive Engineer (MICD), Srinagar stated (January 2004) that the machine could not be purchased due to non-receipt of specifications of the machine from the indenting division.

Release of funds by the Superintending Engineer at the fag end of the financial year and subsequent non-utilisation thereof indicated inadequate financial control mechanism in his circle, leading to locking up of Rs. 22.78 lakh for about two years, besides diversion of Rs. 2.22 lakh. The cost of locked up funds worked out to Rs. 5.03[€] lakh at the borrowing rate of Government for the relevant period.

The matter was referred to Government/Department in March 2004; reply had not been received (September 2004).

[€] April 2002 to December 2002 at the rate 13 *per cent* : Rs. 2.22 lakh; January 2003 to August 2003 at the rate of 12 *per cent*: Rs. 1.82 lakh; September 2003 to January 2004 at the rate of Rs. 10.5 *per cent*: Rs. 0.99 lakh

Power Development Department

4.15 Unfruitful expenditure on purchase of transformer oil

Failure of the Chief Engineer, Systems and Operations (PDD), Jammu for not making prior funding arrangements for reconditioning of the transformers rendered the expenditure of Rs. 36.12 lakh on purchase of transformer oil unfruitful for more than three years.

Techno Economic Committee of the Power Development Department, in view of deteriorated quality of the transformer oil, recommended (August 2000) reconditioning and replacement of oil of four transformers (24/40 MVA) at Gladni Grid Station. The job was estimated to cost Rs. 47.50 lakh. Chief Engineer, Systems and Operations (PDD), Jammu placed (December 2000) Rs. 36.12 lakh at the disposal of Chief Engineer, Procurement and Material Management, Jammu for purchase of 100.32 Kilo litres of transformer oil.

Audit scrutiny (December 2003) of the records of the Executive Engineer, Transmission Line Maintenance Division-II (TLMD), Jammu revealed that entire quantity of transformer oil purchased by Chief Engineer, Procurement and Material Management, Jammu was lifted (January 2001) by the Division from the Electric Central Store, Jammu. The reconditioning of the transformers was, however, not done and the oil purchased remained unutilised (March 2004). After being pointed out in audit to the Government, the Executive Engineer stated (May 2004) that the transformers were got reconditioned but not re-commissioned.

Thus, failure of the Chief Engineer, Systems and Operations for not making prior funding arrangements for reconditioning of the transformers rendered expenditure of Rs. 36.12 lakh on purchase of transformer oil unfruitful for more than three years.

4.16 Idle investment

Failure of Executive Engineer, Sub-Transmission Division-II, Jammu to submit reimbursement claims to REC and non-prioritisation of scheme in annual works programme 2002-03 and 2003-04 resulted in idle investment of Rs. 42.57 lakh, besides non-achievement of objective of saving annual energy losses of Rs. 38.17 lakh. Cost of idle investment worked out to Rs. 12.77 lakh.

To improve the existing system and to save the energy losses, Rural Electrification Corporation (REC) approved (March 1998) "System Improvement Scheme Chakroi District Jammu" for completion in two years (extended March 2001). The scheme estimated to cost Rs. 88.10 lakh was to be financed through loan* from REC and involved construction of 33/11 KV sub-station at Chakroi, laying of six kilometres, 33 KV transmission line and two kilometres, 11 KV HT Line for interconnection and re-orientation of existing 11 KV feeders.

* Annual interest 15 per cent, repayable in seven years

Twenty *per cent* of the loan was to be released by REC on completion of loan document and balance on reimbursement basis.

Test-check (May 2003) of the records of Executive Engineer, Sub-Transmission Division-II, Jammu revealed that work on the scheme taken up (October 1998) was partly completed (March 2002) at a cost of Rs. 42.57 lakh. Further execution of work was suspended owing to non-submission of reimbursement claims to REC and non-availability of funds, as there was no progress under the scheme and it was also not included in the annual works programme 2002-03 and 2003-04. Meanwhile 41 poles of 33 KV Transmission Line damaged (May 2000) had not been restored (April 2004). On this being pointed out in audit, Executive Engineer stated that the balance work of the scheme had been proposed under APDRP[♦] for which approval was awaited and the work continued to remain suspended (April 2004).

Thus, failure of Executive Engineer to submit reimbursement claims to REC and non-prioritisation of the scheme in annual works programme 2002-03 and 2003-04 resulted in idle investment of Rs. 42.57 lakh, besides non-achievement of objective of saving annual energy losses of Rs. 38.17 lakh. Cost of idle funds worked out to Rs. 12.77 lakh[⇒].

4.17 Idle investment

Chief Engineer, EM & RE, Jammu approved System Improvement Scheme for Ghomanhasa for erection of receiving station without upgrading the existing transmission system which resulted in idle investment of Rs. 46.79 lakh on the receiving station. The objective of saving energy losses of Rs. 1.09 crore annually was also not achieved.

Chief Engineer, Electric Maintenance and Rural Electrification, Jammu approved (March 1995) construction of a receiving station at Ghomanhasa at an estimated cost of Rs. 67.78 lakh, to reduce line losses and relieve Trilokpur station from overloading. The scheme involved erection of 3.15 MVA receiving station at Ghomanhasa, laying of 33 KV Line and 11 KV tapping line for different feeders for completion in two years. The scheme was approved (March 1995) by Rural Electrification Corporation for financing under System Improvement Scheme. Twenty *per cent* of loan was payable on completion of loan documents by the Department and balance on reimbursement basis. The loan was to be repaid in seven years and carried an interest of 16 *per cent* per annum.

Audit scrutiny (July 2003) of the records of Executive Engineer, Sub-Transmission Division No. I, Jammu revealed that the Department had not made any provision for conversion of existing transmission system from 6.6 KV to 11 KV in the system improvement scheme, a pre-requisite for making the scheme operational. As a result, the receiving station at Ghomanhasa completed at a cost

[♦] Accelerated Power Development Reforms Programme

[⇒] Interest at the rate of 15 *per cent* from April 2002 to March 2004

of Rs. 46.79 lakh in September 2001, could not be made functional rendering the investment idle. The Department, however, framed (January 2003) another scheme (estimated cost: Rs. 66.49 lakh) for conversion of 6.6 KV system to 11 KV system, for which techno-economic clearance was awaited (January 2004).

Thus, defective planning by not providing upgradation of the existing transmission system in the scheme resulted in idle investment of Rs. 46.79 lakh. The objective of saving energy losses of Rs. 1.09 crore annually was also not achieved. The interest liability on the idle investment worked out to Rs. 52.41 lakh.

The matter was referred to Government/Department in April 2004; reply had not been received (September 2004).

Roads and Buildings Department

4.18 Unfruitful expenditure on a road

Injudicious action of Executive Engineer, R&B Division, Basholi in taking up construction of Machedi-Badnota road without obtaining administrative approval or clearance of the Forest Department and ignoring the land compensation component, led to unfruitful expenditure of Rs. 27.73 lakh.

Construction of the roads passing through forest land are to be taken up after obtaining prior approval of the Forest Department.

Audit scrutiny (November 2003) of the records of the R&B Division, Basholi revealed that the Chief Engineer, R&B, Jammu recommended accord of administrative approval to the Administrative Department for the construction of 12 Km Machedi-Badnota road (estimated cost: Rs. 2.82 crore) passing through forest land without obtaining clearance of the Forest Department. The Executive Engineer, R&B, Basholi also without obtaining administrative approval took up (1997-98) construction of first five Kms (estimated cost: Rs. 36.70 lakh) of the road. After incurring an expenditure of Rs. 27.73 lakh on scattered sections of the road, the construction work was stopped (2001-02) for want of mandatory clearance from the Forest Department and non-settlement of land compensation claims of the land owners falling under the road alignment. Audit scrutiny further revealed that the component of land compensation was ignored while projecting the estimated cost in the application for administrative approval. On this being pointed out in audit, the Executive Engineer stated (January 2004) that clearance of the Forest Department shall be obtained in due course of time.

Action of the Executive Engineer in taking up the construction work without obtaining administrative approval, clearance of the Forest Department and ignoring the land compensation component was injudicious which led to unfruitful expenditure of Rs. 27.73 lakh. The Chief Engineer had also not acted

prudently by recommending accord of administrative approval without clearance of the Forest Department.

Rural Development Department

4.19 Unfruitful expenditure and blocking of funds on purchase of land

Injudicious action of the Director to advance funds to the J&K Projects Construction Corporation for construction of training centre without acquiring land, resulted in unfruitful expenditure of Rs. 24.22 lakh and locking up of Rs. 15.78 lakh, besides diversion of Rs. 50 lakh.

In anticipation of administrative approval/technical sanction and without acquiring the land, Director, Rural Development Department, Kashmir advanced (March 1998) Rs. 50 lakh out of 10th Finance Commission award to Jammu and Kashmir Projects Construction Corporation (JKPCC) for construction of the Rural Extension Training Centre (RETC) at Chadoora, Budgam for imparting training to the grass root level workers of the Department. Rupees 40 lakh were subsequently[^] advanced to Collector Land Acquisition, Budgam for acquiring land measuring 21 *kanals* 10 *marlas* identified by the Department for the said purpose.

Audit scrutiny (September 2002) of the records of the Director, Rural Development Department, Kashmir revealed that only 14 *kanals* 19 *marlas* of land (cost: Rs. 24.22 lakh) was acquired by the Collector, possession whereof had not been taken by the Department. The balance Rs. 15.78 lakh was lying unutilised (February 2004) with the Collector. Meanwhile, Rs. 50 lakh advanced for construction of the RETC were diverted for construction of Rural Development Department office complex at Lal Mandi, Srinagar.

Thus, injudicious action of the Director to advance funds to the JKPCC for construction of training centre without acquiring land for it and subsequent failure in taking possession of the land for over four years, resulted in unfruitful expenditure of Rs. 24.22 lakh and locking up of Rs. 15.78 lakh, besides diversion of Rs. 50 lakh for other purposes and non-achievement of the intended objectives.

The matter was referred to the Government/Department in May 2004; reply had not been received (September 2004).

[^] November 1998: Rs. 10 lakh; January 1999: Rs. 10 lakh; February 1999: Rs. 8 lakh and November 1999: Rs. 12 lakh

Tourism Department

4.20 Extra avoidable payment of land compensation and registration fee

Non-observance of rules and procedures by the District Tourist Officer, Kargil for acquisition of land for establishing a Tourist Adventure Centre at Kargil, resulted in extra avoidable payment of Rs. 14.52 lakh on compensation to the land owners and registration fee.

Director General, Tourism released (October 2000) an amount of Rs. 25 lakh to the District Development Commissioner (DDC), Kargil for establishing Tourist Adventure Centre at Panikhar Suru (Choskooor Thang), Kargil. Land for the said Centre was identified (January 2001) by the Director General. The DDC in turn sanctioned (January 2001) advance drawal of Rs. 25 lakh to the District Tourist Officer (DTO), Kargil for acquiring land for the said Centre. For this purpose land was to be acquired by the Collector, Land Acquisition after fulfilling requirements of the State Land Acquisition Act. The DTO in violation of the Act, acquired (April 2001) land measuring 106 *kanals* for the Centre directly from the land owners without involving the Revenue Department. The land acquired was *khalsa sarkar*^{*} and according to the Act, the owners in possession of such land were to be paid one third of its compensation cost. The DTO instead paid full compensation of Rs. 21.20^Φ lakh to the land owners against Rs. 7.06 lakh payable to them. This resulted in extra payment of Rs. 14.14 lakh to the land owners. The DTO further paid registration fee of Rs. 0.38 lakh for executing sale deeds with the land owners which was not required under the Act. On this being pointed out (September 2003/February 2004), the Assistant Director Tourism (Planning) stated (April 2004) that a departmental enquiry had been instituted to investigate the matter. The unspent balance of Rs. 3.42 lakh kept (March 2001) in civil deposit by the DTO, continued to remain there (April 2004).

Thus, non-observance of rules and procedures by the DTO, Kargil for acquiring land for the Tourist Adventure Centre resulted in extra avoidable payment of Rs. 14.52 lakh on account of compensation (Rs. 14.14 lakh) to the land owners and registration fee (Rs. 0.38 lakh).

The matter was referred to Government / Department in May 2004; reply had not been received (September 2004).

^{*} State Government land allotted to tillers without absolute ownership/title to land
^Φ At the rate of Rs. 20,000 per *Kanal*