CHAPTER – II

AUDIT OF TRANSACTIONS

Embezzlements/Losses/non-recovery of dues

Public Works Department (Roads and Buildings)

2.1 Wasteful expenditure on execution of foot suspension bridge

The Executive Engineer (EE), Public Works Department (R&B) Basohli commenced construction of foot-suspension bridge without obtaining administrative approval/technical sanction and finalization of structural designs and as a result, work had to be abandoned midway rendering expenditure of ₹ 26 lakh incurred on it wasteful.

The Executive Engineer (EE), Public Works Department (R&B) Basohli, took up (2001-02) construction of a 150 mtrs foot suspension bridge over Ujh Nallah at Ludhera in Billawar block of Kathua district without administrative approval (AA)/technical sanction (TS) and finalisation of the structural designs. The bridge was to provide connectivity to village Guddu Flail and its surrounding villages.

Scrutiny of records of the Division revealed (October 2009) that after incurring (February 2002) an expenditure of ₹ 2.38 lakh on construction of approach road leading to the right abutment, the work was stopped (March 2002) due to local dispute. The EE, again in anticipation of AA/TS and structural designs, restarted the construction of the foot suspension bridge at village Birdhat and an amount of ₹ 21.69 lakh was incurred by the Division on construction of right and left abutments and the right side approach road in piece-meal from 2002 upto 2005-06. However, the abutments were reportedly damaged (November 2005) due to change in the course of the river resulting in increase in the river expanse and deposition of *malba/debris* over the abutments. A fresh survey conducted (November 2005/June 2006) concluded that the change in river course had resulted in increase of the span of the proposed bridge to 260 m. Subsequently, the department proposed (October 2007) construction of a 220 m foot suspension bridge at a cost of ₹ 3.40 crore. The proposal was revised (April 2009) to construction of motorable bridge at the same site at a cost of ₹ 7.00 crore. In the meanwhile, the Division booked an amount of ₹ two lakh[1] during 2006-08 to the work.

The EE informed (March 2010) that the work for construction of the motorable bridge had been entrusted (December 2009) to Jammu and Kashmir Projects Construction Corporation Limited (JKPCC) at an estimated cost of ₹ 7.00 crore and the division was not in a position to ascertain whether already constructed right side abutment would be utilized for construction of a motorable bridge as the site plan and design were to be decided by JKPCC. However, the abutments constructed for a foot suspension bridge would not sustain the load of a motorable steel bridge which is

[1] ₹ 1.50 lakh (2006-07) on other works and ₹ 0.48 lakh (2007-08) on material for works not connected with the bridge.

evident from the fact that the Department in the revised project report had proposed new abutments.

Thus, taking up construction of the bridge without technical sanction and finalisation of structural designs, resulted in wasteful expenditure of ₹ 26 lakh. Besides, the targeted population was deprived of connectivity which would have contributed to economic upliftment of the people of the area.

The matter was referred to Government in July 2010. The Government in response thereto, endorsed (October 2010) the reply of the Chief Engineer which is based on the reply furnished by the Executive Engineer.

Power Development Department

2.2 Excess payment due to application of incorrect rates of excise duty

Failure of the department to apply correct rates of excise duty led to excess payment of ₹ 1.26 crore.

The Chief Engineer, System and Operation Wing, Power Development Department (PDD) awarded contract for construction of three 132 KV transmission lines[2] and three Grid Stations[3] under the jurisdiction of Executive Engineer (EE), Grid Construction Division, Jammu and EE, Transmission Line, Maintenance Division-III, Udhampur to M/S K.E.C International Limited, Mumbai on turnkey basis between December 2007 and April 2008. The relevant clause governing payment for supply of material, *inter-alia*, provided for 100 *per cent* payment of admissible taxes/duties and levies, if any, on receipt of goods at site.

Scrutiny of the records of the EEs showed (January and February 2010) that while making payments for the material between August 2008 and January 2010, EEs allowed excise duty at a uniform rate of 16 *per cent* against the admissible rates of 14, 10 and eight *per cent* effective from 01 March 2008, 07 December 2008 and 24 February 2009, respectively, resulting in excess payment of ₹ 1.26 crore (i: EE, Transmission Line Maintenance Division, Udhampur: ₹ 1.01 crore ii: EE, Grid Construction Division Jammu: ₹ 25.00 lakh).

The EE Grid Construction Division, Jammu stated (January 2010) that the issue of revision of excise duty from time to time would be looked into and recovery effected from the firm. The EE Transmission Line Maintenance Division, Udhampur however, stated (February 2010) that the matter regarding recovery of excise duty paid in excess had been taken up with the higher authorities of System and Operation Wing and any progress achieved in this regard would be reported to audit. The excess payment made to the contractor had not, however, been recovered as of April 2010.

[2] (i) 132 KV D/C Barn-Siot-Kalakot Transmission Line alongwith LILO of one circuit at 132/33 KV Grid Station Akhnoor (ii) 132 KV D/C Ramban-Khellani-Kishtwar Transmission Line (iii) 132 KV S/C Thathri-Bhallesa Transmission Line

[3] (i) 2x10 MVA, 132/33 KV Grid Station at Bhallesa (ii) 3x40 MVA, 132/33 KV Grid Station at Ramban (iii) 132/33 KV, Grid Station at Kishtwar

Thus, failure of the department to apply admissible rates of excise duty led to an excess payment of ₹ 1.26 crore.

The matter was referred to Government/Department in July 2010; reply had not been received (November 2010).

Public Health Engineering Department

2.3 Excess payment due to wrong application of rates

Due to wrong application of rates by the Public Health Engineering Department, two suppliers got excess payment of ₹ 40.33 lakh for supply of GMS tubes supplied by them.

On the demand of Kashmir-based Public Health Engineering (PHE) Divisions, the Chief Engineer (CE), PHE Department, Srinagar placed ten supply orders with six suppliers in October 2008 and March 2009 for supply of 1,856.58 MT of GMS tubes of different diameters at a cost of ₹ 10.98 crore at the lowest uniform negotiated rates inclusive of all taxes and duties.

Scrutiny of the records of the Executive Engineer (EE), Material and Procurement Division, Srinagar (consignee) revealed (September 2009) that two Delhi-based suppliers[4], exempted from payment of Excise Duty (ED), were also allowed to supply the material at the composite rates inclusive of all taxes and duties irrespective of the fact that both the suppliers had categorically mentioned in the price bids about their firms being exempted from payment of Excise Duty. For the 820.404 MT of GMS tubes supplied by these firms, excess payment of ₹ 40.33 lakh had been made to the two excise duty exempted firms, when compared to the basic rates at which the suppliers in the fray had been paid.

The CE stated (January 2010) that rates quoted by both the suppliers were higher in most of the cases. However, in certain cases their quoted rates were lowest which were considered for negotiation with other tenderers and the uniform rates were allowed to all the suppliers on 'all told' basis. The plea of the department is not acceptable as the negotiations should have been held on the basic ex-factory rates, in which case the department would have got better prices.

Action of the department in not negotiating with the suppliers the basic (Ex-factory) rates and treating all the suppliers including those exempted from payment of Excise Duty at par with others, thus, resulted in excess payment of ₹ 40.33 lakh.

The matter was referred to the Government/Department in July 2010; reply had not been received (November 2010).

[4] M/S H.M Steels Limited; Punjab; M/S Parshotam Industries Limited New Delhi

Idle investment/blocking of funds/unfruitful expenditure/avoidable expenditure

Health and Medical Education Department

2.4 Blocking of funds due to improper planning and denial of healthcare facility

Improper decision of Director, Health Services, Jammu to place ₹ 7.02 crore for the procurement of CT Scanners at the disposal of Jammu and Kashmir Projects Construction Corporation Limited, which has no expertise in procurement of medical equipment, resulted in blocking of funds for over two years; besides denial of much needed healthcare facility to the needy.

Director Health Services (DHS), Jammu, in March 2008, released ₹ 1.17 crore each in favour of Medical Superintendent, Gandhi Nagar Hospital, Jammu, and the Chief Medical Officers (CMOs) of five District Hospitals (Kathua, Doda, Rajouri, Udhampur and Poonch) for purchase of six CT Scanners. The release order, *inter-alia,* stipulated placement of the allotted funds at the disposal of the Jammu and Kashmir Projects Construction Corporation Limited (JKPCC) – a State owned Construction Company.

Scrutiny of the records of the CMOs, Poonch and Kathua revealed that ₹ 1.17 crore was drawn (March 2008) and placed at the disposal of JKPCC for supply of CT scanner. However, as of December 2009, JKPCC had not supplied the CT scanners. Also, CMOs, Udhampur and Doda intimated that the funds had been placed at the disposal of the JKPCC in accordance with the directions contained in the sanction order.

On this being pointed out by audit, JKPCC admitted (March 2010) that an amount totaling ₹ 7.02 crore deposited by one Medical Superintendent and five CMOs was lying with the Corporation and the same would be refunded to the DHSJ, as the Corporation did not have any technical expertise for purchase of such equipment. The reasons for instructing the CMOs for placing the money with the JKPCC, though called for (December 2009 and February/March/May 2010) from the DHSJ, were not intimated.

Thus, improper decision of the DHS Jammu to place the funds at the disposal of an agency which has no expertise in purchase of medical equipment resulted in blocking of ₹ 7.02 crore for over two years defeating the intention of the Government to provide modern/improved medical facilities to the beneficiaries at the State run medical institutions at an affordable cost. The cost of blocked funds works out to a minimum of ₹ 1.52 crore[5] as the State Government through out the period has availed overdraft facilities to meets it expenses.

The matter was referred to the Government/Department in July 2010; reply had not been received (November 2010).

[5] Calculated at the interest rate charged by the Jammu and Kashmir Bank on overdraft during the period April 2008 to March 2010

Revenue Department

2.5 Unfruitful expenditure on construction of residential flats at Jammu

The Custodian, Evacuees Property, Jammu constructed 30 flats by investing ₹ two crore without assessing the potential to generate income. This resulted in an unfruitful investment as the flats remained unoccupied even after a lapse of more than two years of its construction.

The Jammu & Kashmir Evacuees (Administration of Property) Act wherein the powers and duties of the Custodian (Evacuee Property) are enumerated, *inter alia*, authorizes the Custodian to improve, with the previous sanction of the Government, any evacuee property by way of erection of building including renewal, reconstruction and any addition/alteration therein. With a view to creating income generating assets for the department by leasing/renting out, the Custodian (Evacuees Property) Jammu proposed (December 2004) construction of 42 residential flats at an estimated cost of ₹ 2.16 crore, on the land measuring 21 *kanals* belonging to the department at Meen Sarkar, Tehsil Samba.

Scrutiny (January 2010) of the records of the Custodian General, Jammu showed that the construction of 30 flats was started in October 2005 in anticipation of the Administrative Approval (AA), which was accorded only in February 2008 when the construction was nearing completion. The construction was completed in June 2008 at a cost of ₹ two crore, met out of local funds of the department. The department issued advertisement notices from time to time, latest in December 2009 to lease/rent out the residential flats. The flats remained un-allotted as of January 2010 due to poor response. The poor response from the public was indicative of the fact that these flats had been constructed without assessing the demand for residential units in the area, a view endorsed (March 2009) by the Custodian General after an on-the-spot assessment of the premises.

On this being pointed out, the department stated (January 2010) that the construction works were taken up to safeguard the evacuee property which had been encroached upon by some vested interests. The reply is an after thought and is an attempt to deflect the failure of the department to correctly assess the potential for commercial exploitation of the property. The department ought to have made appropriate arrangement to secure the property and the problem of encroachment could not be overcome just by constructing the flats on the land; in fact it may attract further encroachments unless it is properly secured.

Thus, the department's action in constructing flats without ascertaining the potential to generate income has resulted in an unfruitful investment of ₹ two crore.

The matter was reported to Government/Department in August 2010; reply had not been received (November 2010).

Industries and Commerce Department

2.6 Idle expenditure due to unplanned purchase of drilling rig

Unplanned purchase of a drilling rig and its subsequent non-testing resulted in the rig not being utilised leading to an idle investment of ₹ 2.73 crore.

Based on a proposal submitted (November 2003) by the Senior Drilling Engineer of the Department, the Director, Geology and Mining, J&K placed (July 2004) a supply order for purchase of a Rotary-cum-Concentrix-cum-DTH hydraulically operated combination Drilling Rig, from M/S Revathi Equipment Limited, Coimbatore at a cost of ₹ 2.15 crore (excluding taxes, duties, freight and transit insurance etc.) after due process of tendering. The main aim of the procurement was to supplement the already existing rotary and percussion drilling rigs with one capable of performing multiple drilling jobs. The conditions of the supply order *inter-alia* included 90 *per cent* payment to the supplier at the time of receipt of the rig and release of the balance after live demonstration of one complete job of drilling of Tube Well to the maximum size and depth in accordance with the specification[6] of the rig, in the presence of suppliers, at a place identified by the Department.

Scrutiny (December 2009) of the records of the Director revealed that after receipt (March 2005), the rig was put to performance tests during 2005-09 at four different sites[7] in Kashmir valley, but the rig had not performed to the prescribed/desired capacity owing to limitations in operation in the encountered strata formations. Against the expected drilling of any strata formation[8], combination and sequence, it was noticed that the rig did not operate in different sequences and that at one of the drilling sites[9], the drilling had to be shelved after one of the accessories viz., ODEX bit got snapped, at 85 feet depth, from the drill string and was lost in the well. Testing of drilling rig at a site[10] identified in 2006 having the requisite strata combination for full performance testing of the rig, had not been carried out as of May 2010, even after a lapse of nearly four years of its purchase. Records made available to Audit showed that issues like non-identification of a proper test site containing strata appropriate for full capacity testing of the rig, absence of information about requirement of lithology[11] of a particular site, delay in procurement of consumable parts/accessories such as bits, casing pipes of proper specifications, oil filters etc., required during test runs, were the main impediments in conducting the test. Though the issue of non-testing of the rig to the full capacity has been actively followed up, yet the ultimate performance testing had not been carried out as two (ODEX and

6 The Rig as per the specification is capable of drilling in (i) DTH Drilling : Bore hole diameter= 165-270 mm, Depth of bore hole: 275 meters (ii) ODEX drilling: Bore hole diameter= 199mm & 140 mm, Depth of bore hole: 199mm-80 meters and for 240mm-70 meters deep (iii) Mud Rotary drilling: Bore hole diameter= 250mm to 311mm, Depth of bore hole: 200 meters

7 Damjan Qazigund, Chowgam Qazigund, Lassippora Pulwama and Ompora Budgam.

8 Clay, Loam, Boulders, Boulders with sand etc

9 Lassipora Pulwama

10 Khrew, Pulwama.

11 The microscopic study, description and classification of a rock or rock formation.

DTH) out of three (Rotary-ODEX and DTH drilling) systems were pending testing as of May 2010.

Further, there are doubts about the performance of the rig in any strata formation as is evident from the opinion expressed by the service engineer of the supplier, in the meeting held in May 2008, after examining a typical lithology of 96 meters approximately that the DTH rig could not bore in a formation of strata comprising boulders followed by clay/silt and further by boulders and so on. Except for testing, the rig had not been put for economic utilisation thereby rendering it almost idle for the last five years. The Director, Geology and Mining despite having been approached (December 2009, February/March/April/May 2010), did not offer any comment on the whole issue.

It is evident that the Department had not properly planned the purchase of the rig and its subsequent testing. As a result, the Department had not been able to derive any tangible benefits from the rig on which ₹ 2.73 crore (90 *per cent* of the cost of the rig paid to supplier plus taxes, duties, freight and insurance) had already incurred. In addition, a liability of ₹ 8.30 lakh on purchase of different consumables for test runs of the rig purchased from the supplier of the rig is yet to be settled. Also, the non-utilisation had resulted in loss of warranty and a considerable period of life of the machinery and equipment.

The matter was referred to the Government/Department in July 2010; reply was awaited (November 2010).

Power Development Department

2.7 Avoidable extra expenditure

Injudicious decision of Purchase Committee in resorting to fresh tendering resulted in an avoidable extra expenditure of ₹ 2.94 crore.

On the requisition of the Chief Engineer, System and Operation (CE, S&O) wing, Jammu and Srinagar, the Superintending Engineer, Electric Planning and Design Circle (SE, P&D), Jammu invited (February 2005) tenders (NIT) for supply of four 40/50MVA transformers. The terms and conditions of the NIT stipulated that the purchaser reserved the right to increase or decrease the quantities of the items at the time of placing the orders.

Scrutiny (May 2008/January 2010) of records of the CE, P&D wing, Jammu showed that by the time the tenders were received (April/May2005), the demand for the transformers had increased to 16. The additional demand was to meet the requirements for the works undertaken under PM’s Reconstruction Programme. Accordingly, on the authorisation (October 2005) of the Purchase Committee (PC), a letter of intent (LOI) was issued by the CE, P&D to M/S Bharat Heavy Electrical Limited (M/s BHEL), being the lowest tenderer, for purchase of 20 transformers which was accepted by the firm. During the deliberations, the decision to procure the entire quantity of transformers was struck down by the PC without assigning any reasons. As a result, only four transformers were procured at a cost of ₹ 2.59 crore each, ignoring the actual requirement.

To meet the additional requirement, a fresh NIT was issued (August 2007) after a lapse of two years for purchase of seven transformers of 40/50 MVA capacity against the requirement of 16 transformers. The requirement was subsequently increased to 11 during the PC deliberations which approved purchase of 11 transformers at ₹ 3.15 crore (all inclusive) each from M/S Vijay Electrical Limited, Hyderabad. This resulted in a cost difference of ₹ 56 lakh per transformer compared to the rates approved for M/s BHEL. It was seen that out of the ordered quantity, only 10 transformers, including the one damaged during transit, had been received by the consignees. Against the due payment of ₹ 28.35 crore for nine transformers, the department had paid ₹ 26.23 crore as of January 2010. Compared to the rates on which the transformers were supplied by M/s BHEL, the department had so far (January 2010) incurred an avoidable extra expenditure of ₹ 2.94 crore which was likely to go up by a further amount of ₹ 2.10 crore after full payment for the nine transformers is made. The payment had not, however, been made by the department for defective and unsupplied transformers.

The CE, P&D wing, Jammu stated (June 2009/August 2010) that the decision to procure the entire quantity of transformers was struck down by the PC which recommended for purchase of the tendered quantity only. The reply highlights shortsightedness of the PC which was aware of the increase in requirement but did not recommend the purchase of enhanced quantity.

The matter was referred to Government in April 2010; reply had not been received (November 2010).

2.8 Idle investment/blocking of fund on purchase of transformer

Injudicious decision of the Chief Engineer to purchase a transformer in advance of requirement for a grid station resulted in locking up of ₹ 1.38 crore.

Financial rules provide that purchase of stores for public service should be made in accordance with definite requirement during a year and purchases in advance or in excess of requirement involving locking up of money should be avoided.

Scrutiny (September 2008) of records of the Executive Engineer (EE), Transmission Line Maintenance Division-III, Udhampur showed that the Chief Engineer (CE), Planning and Design Wing, Jammu in anticipation of start of work for construction of a 132/33 KV Grid Station at Kishtwar, placed (November 2005) an order for purchase of one 20 MVA transformer for the proposed Grid Station. The transformer costing ₹ 1.38 crore, with a warranty of 12 months from the date of commissioning or 18 months from the date of receipt, whichever was earlier, was received in February 2007. The work on construction of the Grid Station was, however, allotted only in April 2008 i.e., after more than one year of procurement of the transformer, to a firm on turnkey basis at a cost of ₹ 15.47 crore, which had not been completed as of August 2010. As such the transformer was not put to use and continued to lie idle.

The purchase of the transformer much in advance of allotment of the work, thus, apart from loss of warranty resulted in idle investment of ₹ 1.38 crore with possible deterioration of its critical components. On further enquiry (August 2010/October 2010), the EE stated that the transformer had been dispatched (July 2010) for installation at Grid Station, Ramban, which, was yet (October 2010) to be commissioned.

Thus, injudicious decision taken by the CE (November 2005) to purchase the transformer much in advance for Grid Station, Kishtwar not only resulted in idle investment of ₹ 1.38 crore for over three years but also loss of optimum operational utility of the transformer due to non-installation within the warranty period.

The matter was referred to the Government/Department in August 2010; reply had not been received (November 2010).

Public Works Department

2.9 Avoidable burden on State exchequer

Non-compliance with the instructions of the Government regarding engagement of private architect by Chief, Engineer, Public Works Department (Roads and Buildings), Srinagar for the building project of the District Court Complex, Srinagar resulted in avoidable burden of ₹ 44.12 lakh on public exchequer.

The Jammu and Kashmir Government had directed (December 1989) all its departments and corporate bodies to provide details of their building programmes to the State Architect Organisation, headed by the State Chief Architect (SCA), for preparation of architectural designs and structural drawings etc. Further, cases where engagement of private architect for prestigious projects was deemed necessary, private architect was to be hired in consultation with the SCA. The aim was to avoid unnecessary burden on public exchequer as a result of hiring of private architects. Apart from this, codal provisions require that hiring of private firms for Government projects should be hired only after undertaking competitive bidding process.

Scrutiny of the records of the Executive Engineer (EE), PWD (R&B) Project Circle Division-I, Srinagar showed (September 2009) that violating these instructions, the Chief Engineer, PWD (R&B) Department, Srinagar engaged a private architect for the for building project of the District Court Complex, Srinagar without consulting SCA and that too without following the codal formalities. The architects consultancy fee of 2.5 *per cent* of the total cost (₹ 74.35 crore) of the project worked out to ₹ 1.86 crore. The department had paid ₹ 44.12 lakh to the architect between March 2007 and March 2009.

The EE stated (October 2009) that the private architect was engaged with the concurrence of the Administrative authorities of the District Court, Srinagar. The reply was not based on facts as the authorities had at no stage recommended or approved hiring of a private architect. Even the Principal, District Court, Srinagar had pointed out (January 2006) that the powers to engage architects had been conferred by the Government upon the PWD and it was exclusively the domain of the works department to settle the terms and conditions with the architect within the rules prescribed on the subject.

As the State had its own Architect Organisation headed by a SCA, for preparation of architectural designs and structural drawing etc., the non-compliance with the instructions of the Government resulted in unnecessary burden of ₹ 44.12 lakh on public exchequer so far (October 2010) and an avoidable burden of ₹ 1.42 crore that required to be liquidated as the project progress.

The matter was referred to Government/Department in June 2010. In response the Government stated (October 2010) that the decision with regard to engagement of the consultant was taken in the presence of the Hon'ble Chief Justice of a High Court in a meeting held in August 2005. The reply is not acceptable, as being the executing department, it was the responsibility of the CE to follow the instructions of the Government. Further, there is nothing on record to indicate that the CE had appraised the Administrative authorities about the instructions of the Government with regard to engagement of consultants.

Public Health Engineering Department

2.10 Unfruitful expenditure on computerisation of Water Supply Schemes

Unplanned project execution and subsequent delays in computerisation of Water Supply Schemes rendered ₹ 90.51 lakh spent on the scheme unfruitful.

On the basis of tenders, the Public Health Engineering Department (PHED) awarded a contract to M/S Pricewaterhouse Coopers (PWC) Private Limited for computerisation of various Water Supply Schemes in the State, under Rajiv Gandhi National Drinking Water Mission (RGNDWM), for ₹ 88.50 lakh to be completed in two years reckoned from the date of signing (May 2006) of an agreement with the firm. As per the agreement, the firm had to develop web-based application software and recommend appropriate framework for hardware, system software, networking and training of personnel. The agreement, *inter alia*, laid down the mode of payment for completion of each of the five milestones.

Scrutiny (September 2009) of the records of the Executive Engineer, PHE, Procurement and Material (P&M) Div, Srinagar, the designate authority to make payments, showed that the Department after entering into the agreement for development of the application software did not initiate any parallel action for procurement/creation of necessary infrastructure, a pre-requisite, for completion of the project. It was seen that ₹ 90.51 lakh had been spent on the project by March 2009 (development of software- ₹ 39 lakh, part procurement of hardware ₹ 24.36 lakh, training of personnel- ₹ 22.15 lakh and site preparation- ₹ five lakh). The software developed worked satisfactorily on the available servers and hardware during demonstration. The system due for completion in May 2008 could not 'go live' due to non-establishment of data-centre, non-procurement of 86 desktops and non-receipt of requisite data from the field offices of the department. The status report (May 2010) of the project showed that the issue regarding purchase of balance hardware and placement of servers in an established data centre had been taken up with the Government and the State National Institute of Technology. No action had been taken thereon by the Government as of May 2010.

Thus, unplanned project implementation and subsequent delays in the procurement of hardware/software and data collection from field units, led to the scheme having remained a non-starter even after a lapse of four years which has rendered the expenditure of ₹ 90.51 lakh incurred on the project unfruitful and also resulted in non-utilisation of the services of the skilled officials who had been imparted training.

The matter was referred to Government/Department in July 2010; reply had not been received (November 2010).

Irrigation and Flood Control Department

2.11 Unfruitful expenditure due to defective execution of work

Lapse on part of the Department to provide a proper regulatory system at the head-works coupled with construction of a channel of unsuitable design resulted in an unfruitful expenditure of ₹ 1.36 crore. The Department did not rectify the deficiencies pointed out in an enquiry report even after a lapse of two years.

To provide irrigation to 272 acres of land in five villages of Pulwama, the Executive Engineer (EE), Irrigation Construction Division, Pampore took up (2003-04) construction of Neehama-Benagund Lift Irrigation Scheme, at an estimated cost of ₹ 1.07 crore, under Accelerated Irrigation Benefit Programme. The proposed scheme was to be fed from the existing Neehama minor scheme at RD 500. The water to be carried by the channel was to be lifted at tail-end (RD 4200) at village Lolipora by construction of a sump and installation of a pump house. The pump house was to lift the water into a delivery tank for eventual feeding of Honipura *khul* and the old Lolipora *khul*.

Scrutiny (December 2009) of the records of the EE showed that the scheme stated to have been completed (2007-08) at a cost of ₹ 1.32 crore had not been made operational (March 2010) as the channel was not able to carry the water as intended as is evident from the fact that the pump at RD 4200 had been put to use for brief durations aggregating 12 and 13 hours during 2007-08 and 2008-09 respectively. The main reason for failure of the channel to carry water was attributed (September 2007) by an enquiry officer to the channel design which apart from being open had varying depths. Also, the initial starting bed level of the channel being higher by two feet than the bed level of the feeder Neehama canal proved to be a major impediment in smooth water regulation at the mouth of the channel as per the enquiry report. The problem had increased over a period of time due to dumping of garbage and other waste by the locals into the channel. Adoption of a design lacking proper regulation mechanism coupled with execution of defective works were the reasons for failure of the scheme which is attributable to faulty execution of the project and lack of effective monitoring by the Department.

Other than de-silting of the channel carried out (September 2008-October 2009) at a cost of ₹ 3.99 lakh, which had not borne any fruit, no remedial measure like laying of underground pipe up to RD 1500, the point beyond the residential area, and installation of pump-set at the take-off point of the channel as suggested in the technical report had been undertaken as of March 2010. There were no records to show that any action had been taken against the officers responsible for faulty execution of this work.

Thus, lapse of the Department to provide an efficient regulatory system at the head-works coupled with construction of channel of unsuitable design resulted in unfruitful expenditure of ₹ 1.36 crore besides denial of irrigation facilities to the targeted beneficiaries for the last two years.

The matter was referred to the Government/Department in July 2010; reply had not been received (November 2010).

Agriculture Production Department

Sher-e-Kashmir University of Agricultural Science and Technology, Jammu

2.12 Blocking of funds due to injudicious purchase of steel tubular poles

Injudicious purchase of Steel Tubular poles by Sher-e-Kashmir University of Agricultural Science and Technology, Jammu resulted in blocking of ₹ 1.93 crore.

The Sher-e-Kashmir University of Agricultural Science and Technology (SKUAST) Jammu assessed (October 2005) a requirement of 10,000 Steel Tubular (ST) poles for electrification of its campuses and research stations pending acquisition of the required land on which electrification was to be carried out. The cost of electrification was estimated by the University at ₹ 19 crore.

Scrutiny of the records of the University showed (May 2010) that based on the supply orders (November 2005; December 2006) placed on M/S R.G. Industries, Jalandhar for supply of 2500 poles, the University received (between January and July 2006) 2499 poles of different sizes valued at ₹ 2.96 crore at the rates approved by DGS&D. Out of the poles received, the University installed 1420 poles valued at ₹ 1.53 crore up to July 2008 after incurring an expenditure of ₹ 1.88 crore. The remaining 1079 poles valued at ₹ 1.43 crore along with the electric material worth ₹ 50.57 lakh, procured for electrification, were lying unutilized as of May 2010.

The Executive Engineer (EE), Estates Division, SKUAST stated (June/July 2010) that the remaining poles could not be utilised for want of funds and due to non-availability of land which had been demarcated as late as March 2010. The reply of the EE should be viewed in the light of the fact that the University authorities had procured the poles injudiciously without ensuring availability of funds and acquisition of the land on which electrification was to be carried out.

Injudicious purchase of ST poles by the SKUAST in the absence of an immediate requirement, thus, resulted in blocking of ₹ 1.93 crore for about four years.

The matter was referred (June 2010) to the Government/University. In his reply, the Vice Chancellor while admitting the audit contention, attributed (August 2010) the blocking of funds to lack of foresight on the part of the University authorities in purchase of ST poles without getting the land handed over to the University. The Vice Chancellor also stated that the ST poles and other electrical accessories, already installed, were also not working properly. Reply from the Government was, however, awaited as of July 2010.

2.13 Unfruitful expenditure on establishment of e-learning facility

Due to improper planning, the multipurpose e-learning system established by Sher-e-Kashmir University of Agriculture Science and Technology was not made operational even after three years of its inauguration. As a result, the entire expenditure of ₹ 3.65 crore incurred on its creation has remained unfruitful.

Based on the proposals submitted by vendors[12], Sher-e-Kashmir University of Agricultural Science and Technology (SKUAST), Jammu decided (November 2006) to establish a state-of-the-art e-learning system for dissemination of agriculture related information to the farmers. Apart from the prime objective of disseminating scientific information to the farming community, the network envisaged data-sharing between the main campus and research stations. The system involved setting up of a Studio in the main campus at Chatha, Jammu and connecting it with multipurpose e-learning kiosks in various campuses, research stations and *Krishi Vigyan Kendras* in six districts of Jammu Division with interlinking through VSATs manned from main satellite HUB at Gurgaon. The mode and interface of delivery was both online and offline through interactive live lectures and other forms of simple-to-operate multimedia presentations, to be developed through the vendors and also by the SKUAST itself. The operationalisation of the facility required a provision for VSAT bandwidth and 512 Kbps MPLS[13] bandwidth for linking of Studio and the kiosks with the main HUB. Also, trained manpower[14] was required for content development and to run the system successfully.

Scrutiny of the records of SKUAST revealed that a contract was awarded in February 2007 to M/S Indian Telephone Industries Limited (a Government of India Undertaking) for setting up of the Studio and 20 Kiosks at a total cost of ₹ 3.37 crore (taxes extra) which included ₹ 11.79 lakh for VSAT bandwidth charges for a year payable to M/S Hughes Communications (I) Limited. The project was to be completed within 6 weeks from the date of placement of the order, failing which a penalty @ five *per cent* per week was to be imposed subject to a maximum of six *per cent* of the value of the purchase order. Also, a contract was entered into with M/S Bharti Airtel Limited in July 2007 for providing 512 Kbps MPLS Bandwidth from

12 M/S Telecommunication Consultants India Limited (TCIL) and M/S Indian Telephone Industries Limited (ITI)

13 Multi-Protocol Label Switching

14 Cameramen (2), studio operators/helpers (4), Video Jockey/Comperer (2), Technical Assistants for kiosks (20) Technical Assistants/Computer Operators (6), Network System Administrator (01) and Project Coordinator (01)

Jammu to Gurgaon with one time charge of ₹ 1.25 lakh and annual recurring charges of ₹ 1.70 lakh for MPLS.

Audit scrutiny revealed the following:

- With the Studio and only five out of 20 kiosks in place, the facility was inaugurated in August 2007.
- In all, 18 kiosks had been setup and the remaining two kiosks[15] could not be set up due to non availability of concrete roof for fitting of VSATs. The uninstalled hardware of two sites was lying at the SKUAST main campus in Jammu.
- The connectivity among all the installed sites had not been tested except for the purpose of demonstration to the VIPs on a few occasions and that too interacting with four or five locations.
- The connectivity with both M/S Hughes and M/S Airtel for VSAT and MPLS, respectively, obtained for the first year, expired in December 2008 and had not been renewed since.
- Four Kiosks located in private buildings at four locations had been closed down since December 2009 to avoid payment of rent.
- No technical staff to run the facility had been appointed.

As of August 2010, a total expenditure of ₹ 3.65 crore had been incurred on establishing the facility (₹ 3.26 crore for supply of equipment and other material by M/S ITI Limited; ₹ 11.79 lakh for VSAT bandwidth by M/S Hughes; ₹ 2.26 lakh for MPLS bandwidth and allied hardware by M/S Airtel; ₹ 22.50 lakh on the uninterrupted power supply (UPS), computers, etc. for the studio and the kiosks, and ₹ 1.50 lakh as rent for the accommodation till their de-hiring). The proposal for appointment of technical staff to run the facility, sent to the Government in March 2008, had not been approved as of May 2010.

Even after a lapse of three years of the inauguration, the multipurpose state-of-the-art e-learning facility had not been put to use except on a few occasions for the purpose of demonstration to VIPs. Thus, the entire expenditure of ₹ 3.65 crore incurred on creation of the facility had remained unfruitful and the envisaged benefits had not accrued to the targeted group.

The Director, Extension Education, SKUAST, while accepting the facts, stated that the project was at the connectivity stage only and did not reach the actual implementation stage. He further added that the efforts to make e-learning facility functional were continuous and once the manpower and funds for meeting the recurring expenses were made available, the envisaged activities would be resumed after renewal of connectivity from the concerned service providers.

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[15] Kishtwar and Poonch

The reply has to be viewed in the backdrop of the fact that even after nearly three years of inauguration, the facility had not been made operational as the University did not plan the project properly and the appointment of technical manpower required for making the facility functional, which was a primary requirement, had not been contemplated when initiating the project.

Regularity issues

Power Development Department

2.14 Undue benefit to the suppliers due to non-recovery of risk purchase costs

Non-enforcement of contract clause for recovery of risk purchase costs from the suppliers for short supply resulting in loss of ₹ 44 lakh.

Chief Engineer, Procurement and Material Management Wing, Jammu placed orders (2005-06) for supply of conductors[16] with four firms[17]. The agreement executed with the suppliers, *inter-alia*, stipulated that in the event of failure to supply the stores (conductors), the Department could make alternate arrangements for supply of the equipment/stores and the supplier would reimburse the Government for losses sustained as a result of the same.

Scrutiny (June 2008) of the records of the Executive Engineer (EE), Electric Central Store Division, Jammu showed that three firms (Firms: A, B and D) had made only partial supplies of ACSR *Panther* conductors (150.772 kms.) and ACSR *Zebra* conductors (82.474 kms.) against the ordered quantities, leaving the quantity of 373.724 km[18] conductors, valued at ₹ 4.48 crore, unsupplied. The Department floated fresh NITs during the years 2005-07 for supply of the conductors and short closed (July 2007) the purchase orders placed as per the NIT of 2004-05. Further, it was seen that fresh orders (July 2007 and August 2007) had been placed, *inter-alia,* on two firms A and B, ignoring the fact that these same firms had failed to deliver the complete quantity ordered earlier in July 2005. A total of 464 km *Panther* conductor had been procured from these firms (firm-A: 182 km and Firm-B: 182 km).

Audit analysis revealed that the quantity supplied short (value: ₹ 4.48 crore) had been procured at a higher cost of ₹ 4.92 crore, thereby incurring an extra expenditure of ₹ 44 lakh, which as per the terms of the agreement was recoverable from the defaulter supplier. However, while short-closing the earlier supply orders, the Department except for forfeiting the paltry security deposit of ₹ five thousand from each supplier, had not initiated any action for recovery of the loss sustained due to short supply of the item ignoring the terms of the agreement executed with the suppliers.

The Deputy Financial Advisor & Chief Accounts Officer, Procurement and Material Management Wing, Jammu intimated (February 2010) that the case had been

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16 ACSR *Panther*: 1055 kms and ACSR *Zebra*: 298 kms.

17 Firm-A: M/s. E.H.V. Power Cables &Wires Private Limited, Jammu (ACSR *Panther*: 400 kms),
Firm-B: M/s. New India Wire &Cable Industries, Jammu (ACSR *Panther*: 415 kms and *Zebra*: 99 kms),
Firm-C: M/s. Oswal Cables (P) Limited, Jaipur (ACSR *Panther*; 240 kms. and *Zebra*: 100 kms),
Firm-D: M/s Payal Enterprises, Jammu (*Zebra*: 99 kms)

18 ACSR *Panther*: 324.228 kms. and ACSR *Zebra* 49.496 kms.

disposed off as per the terms of the NIT/purchase orders by forfeiture of security deposits of the firms. The reply was not acceptable as the agreement specifically provided for recovery of loss due to non-supply of the material from the suppliers and action of the department has to be viewed as extending undue benefit to the firms. Thus, Departmental failure to invoke the terms of the agreement executed with the contractors had resulted in a loss of ₹ 44 lakh.

The matter was referred to Government/Department in August 2010; reply had not been received (November 2010).

General

2.15 Follow-up on Audit Reports

Non-submission of suo-moto Action Taken Notes

To ensure accountability of the executives to the issues dealt with in various Audit Reports, the State Government (Finance Department) issued instructions in June 1997 to the administrative departments 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 three 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 2008-09.

2.16 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 six 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 858 (Civil: 623; Revenue Receipts: 153; Commercial: 82) paragraphs featuring in the Audit Reports for the years 1990-91 to 2008-09, only 271 (Civil: 190; Revenue Receipts: 22; Commercial: 59) paragraphs have been discussed by the PAC/COPU up to March 2010. Recommendations in respect of 258 (Civil: 179; Revenue Receipts: 22; Commercial: 57) 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 PAG taking up the matter with the Chairpersons of the two committees and the Chief Secretary.

2.17 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.

Twelve Audit Committee meetings were held during 2009-10 in respect of paragraphs contained in IRs pertaining to the civil wing, wherein 1,036 transaction audit paragraphs were discussed and 571 paragraphs were settled.

At the end of March 2010, 5,899 IRs involving 20,714 paragraphs pertaining to the period 1998-2010 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.

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.