सत्यमेव जयते

Report of the Comptroller and Auditor General of India on Revenue Sector and Public Sector Undertakings (Social, General and Economic Sectors) for the year ended 31 March 2017

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Government of Jammu and Kashmir

Report No. 1 of the year 2018

Report of the
Comptroller and Auditor General of India

on

Revenue Sector
and
Public Sector Undertakings
(Social, General and Economic Sectors)

for the year ended 31 March 2017

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PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2017, was prepared for laying in the Legislature of the (erstwhile) State of Jammu and Kashmir and sent to the Governor in April 2018, in accordance with Article 151 of the Constitution of India. As per the decision of the Government of India, Ministry of Finance (June 1994), wherever President's Rule is extended beyond one year, the C&AG's Report relating to the State would be placed in Parliament. Hence, this Report is being sent to the President for laying in the Parliament.

Consequent to the reorganisation of the State of Jammu and Kashmir, under the Jammu and Kashmir Reorganisation Act, 2019 the Report is being sent to the Lieutenant Governors of the successor Union Territory of Jammu and Kashmir and Union Territory of Ladakh.

The Report contains two parts.

Part A: Revenue Sector

This part contains significant findings of audit of receipts and expenditure of major revenue earning departments conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

Part B: Public Sector Undertakings

This part deals with the results of test audit of Government Companies and Statutory Corporations for the year ended March 2017.

The accounts of Government Companies (including companies deemed to be government companies as per provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act 1956 and Sections 139 and 143 of the Companies Act 2013. The audit of Statutory Corporations is conducted under their respective legislation.

The Government is required to submit this Audit Report to the Legislature under Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those which came to notice in the course of test audit during the period 2016-17 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports. Instances relating to the period subsequent to 2016-17 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

OVERVIEW

This Report is in two parts. Part-A covers audit findings of Revenue Sector comprising one Performance Audit on 'Levy, Assessment and Collection of Tax on Services', one follow-up Audit on 'Assessment and Levy of Stamp Duty and Registration Fee' of Audit Report 2010-11 and nine paragraphs on short levy of tax due to concealment of purchases, incorrect application of tax rates, irregular allowance of input tax credit, misclassification of turnover, short levy of stamp duty and registration fee, inadmissible reduction of stamp duty and misappropriation of Government money, involving ₹224.68 crore. Part-B covers audit findings of Public Sector Undertakings comprising one Performance Audit on 'Working of Jammu and Kashmir Projects Construction Corporation Limited', and six paragraphs relating to doubtful recovery of loans, undue favour to contractor and non-recovery of penalty/ performance guarantee involving ₹411.92 crore. Some of the major findings are mentioned below:

Revenue Sector

General

The total revenue receipts of the State Government for the year 2016-17 were ₹41,980.72 crore as compared to ₹35,780.60 crore during the year 2015-16 i.e. an increase of ₹6,200.12 crore. Out of this, 28 *per cent* of the total receipt was raised through tax revenue (₹7,819.13 crore) and non-tax revenue (₹4,074.44 crore) and the balance 72 *per cent* was received from the Government of India as State's share of divisible Union taxes and duties (₹9,488.60 crore) and Grants-in-aid (₹20,598.55 crore).

(Paragraph: 1.1)

Test-check of the records of 61 units out of total 261 auditable units of Sales Tax/ Value Added Tax, State Excise, Motor Vehicles and Law Departments conducted during the year 2016-17 showed under assessment/ short levy/ loss of revenue aggregating ₹316.16 crore in 763 cases. During the year, the Departments concerned accepted under assessment and other deficiencies of ₹5.88 crore involved in 104 cases which were pointed out in audit during 2016-17 and earlier years. The Departments collected ₹57.74 lakh in 25 cases pertaining to audit findings of previous years as well as of the year 2016-17.

(Paragraph: 1.10)

Performance Audit

A Performance Audit on **"Levy, Assessment and Collection of Tax on Services"** showed the following:

- Non-fixation of targets for collection of tax from the services as goods under J&K GST Act, 1962 and failure to widen the tax base by way of increasing the revenues from notified services other than works contracts revealed that tax planning was not adequate.

(Paragraph: 2.3.6)

- Tax rate was enhanced from 10.50 *per cent* to 12.60 *per cent* from 1 April 2015. 23 DDOs deducted tax on payment made during the period 1 April 2015 to 31 March 2016 at the lower rate of 10.50 *per cent* which resulted in short deduction of tax of ₹0.50 crore.

(Paragraph: 2.3.7.1)

- Tax at concessional rate of 4.2 *per cent* was to be deducted for centrally sponsored projects sanctioned/ allotted up to 31 March 2007. The applicable rate of tax is 10.5 *per cent*. Three DDOs had deducted tax at the lower rate of 4.2 *per cent* for contracts allotted after 31 March 2007 which resulted in short deduction of tax of ₹72.87 lakh.

(Paragraph: 2.3.7.2)

- TDS deducted shall be deposited in the treasury within 15 days. 12 DDOs deposited tax after a delay of 3 to 160 days for which they were liable to pay penalty of ₹4.64 crore.

(Paragraph: 2.3.7.3)

- The Act provides for penalty of ₹5,000 per contract if copy of works contract is not submitted to the Assessing Authority. Copies of 4,292 works contracts executed during the period 2013-14 to 2015-16 were not received from 23 DDOs and Assessing Authority had not imposed penalty of ₹2.15 crore.

(Paragraph: 2.3.7.4)

- Concealment of purchases by 31 dealers resulted in non-levy of tax, interest and penalty of ₹9.79 crore.

(Paragraph: 2.3.8.1)

- Details with regard to deposit of TDS into Government account of 26 dealers were not recorded on the TDS certificates which meant that these TDS certificates were not amenable to verification and risk of non-deposit cannot be ruled out.

(Paragraph: 2.3.8.2)

- Assessing Authorities had not imposed penalty of ₹46.44 lakh on 71 dealers for late filing of returns (266 returns) payable at the rate of 2 *per cent* per month of the tax payable or ₹1,000 per month, whichever is higher.

(Paragraph: 2.3.8.3)

- Assessing Authority did not levy interest of ₹33.36 lakh on delayed payment of tax by a dealer**.**

(Paragraph: 2.3.8.4)

- Due to lack of monitoring of returns/ recovery of the tax from a dealer, the Government had been put to a minimum revenue loss of ₹1.21 crore.

(Paragraph: 2.3.9.1)

- The Assessing Authority did not ensure payment of tax by main contractor which resulted in non-levy of tax demand of ₹55.32 lakh.

(Paragraph: 2.3.9.2)

- Details regarding total number of persons responsible for deduction of tax that were required to apply for TDNs were not available with the Department.

(Paragraph: 2.3.10.1)

- Database/records of quarterly returns of the TDN holders had not been maintained by the Department.

(Paragraph: 2.3.10.2)

Compliance Audit

Follow-up Audit of Performance Audit on 'Assessment and Levy of Stamp Duty and Registration Fee' of Audit Report 2010-11

Follow-up audit revealed that the Government had initiated only part measures to address the deficiencies pointed out in the Audit Report 2010-11. While the Government had issued notification for introducing e-stamping in the State, the same had not been implemented yet. Several lapses like application of pre-revised rates, incorrect application of rates, inadmissible grant of reduction in levy of stamp duty, which had resulted in loss of revenue and had been pointed out in audit had not been addressed yet and had continued to persist. No action had been taken to constitute Internal Audit Wing which meant that instances of mistakes/irregularities/short accountal of money, if any, remain unnoticed. Further, no progress had been made towards recovering short levy of stamp duty and registration fee, pointed out earlier.

(Paragraph: 2.4)

Levy, Collection and Utilisation of Water Usage Charges from Power Projects in the State of Jammu and Kashmir

Consolidated position of water usage charges assessed, collected and the balance outstanding against all the 29 power projects in the State was not available with the Department responsible for assessment and collection. Only ₹3,971.63 crore, 67 *per cent* of the assessed amount of ₹5,950.55 crore in respect of 17 power projects had been recovered. Out of the total expenses of ₹4,159.85 crore from the water usage charges fund, 2.40 *per cent* were allocated for creation of assets, 80.25 *per cent* were used for purchase of power. Purpose for which ₹721.56 crore (17.35 *per cent*) had been transferred to the Common Pool Account, could not be ascertained. The revenue from the water usage charges had proved to be only an Additional Resource Mobilisation (ARM) by the State Government especially for power purchase and has not served the purpose of establishment and buying back of Hydro Electric Projects and for capital investments in Transmission and Distribution network.

(Paragraph: 2.5)

Audit of Transactions

- Assessing Authorities did not detect concealment of purchases by two dealers, resulting in short levy of tax, interest and penalty of ₹37.62 lakh.

(Paragraph: 2.6)

- Application of incorrect rates (10.5 *per cent* instead of applicable rate of 13.5 *per cent)* of tax on sale of goods by the Assessing Authority, resulted in short levy of tax of ₹37.52 lakh and interest payable thereon of ₹39.77 lakh in the case of one dealer.

(Paragraph: 2.7)

- Assessing Authorities allowed the input tax credit claimed by three dealers during the period of suspension of their registration certificates which resulted in short demand of ₹30.78 lakh.

(Paragraph: 2.8)

- Assessing Authority did not detect concealment of turnover by one dealer, resulting in short levy of tax, interest and penalty of ₹5.07 lakh.

(Paragraph: 2.9)

- Two Sub-Registrars did not charge Stamp Duty and Registration Fee in 92 cases at the notified market rates of property, resulting in short levy of Stamp Duty and Registration Fee of ₹39.71 lakh.

(Paragraph: 2.10)

- Irregular allowance of 25 *per cent* reduction in the Stamp Duty for registration of 39 irrevocable power of attorneys by the Registering Authority resulted in short levy of stamp duty of ₹6.88 lakh.

(Paragraph: 2.11)

- Irregular allowance of 25 *per cent* reduction in the stamp duty for purchase of flats in 33 cases, by the Registering Authority, resulted in short levy of stamp duty of ₹11.58 lakh.

(Paragraph: 2.12)

- Inadequate supervision and observance of prescribed control procedures in Regional Transport Office, Jammu resulted in misappropriation of token tax of ₹5.09 lakh.

(Paragraph: 2.13)

Public Sector Undertakings (PSUs)

The State of Jammu and Kashmir had 30 working PSUs (27 Companies and three Statutory Corporations) and three non-working PSUs. The working PSUs recorded a turnover of ₹8,357.91 crore as per their finalised accounts as of 30 September 2017. As on 31 March 2017, the investment (paid up capital, free reserves and long term loans) in 33 State PSUs and Statutory Corporations was ₹7,426.67 crore. Power sector accounted for 43.47 *per cent* (₹3,228.68 crore) of the total investment as on 31 March 2017. The total investment consisted of 21.70 *per cent* towards paid up capital and 78.30 *per cent* as long-term loans. The investment has grown by 45.08 *per cent* from ₹5,119.04 crore in 2012-13 to ₹7,426.67 crore in 2016-17.

(Paragraphs: 3.1, 3.6 and 3.7)

Performance Audit

The Jammu and Kashmir Projects Construction Corporation Limited (the Company) was incorporated with the main objective of execution of construction works for the State/ Central Governments and Public Sector Undertakings, carry on the business of builders, contractors, engineers, architects, surveyors, estimators and designers in the State and curb monopoly of private contractors and provide healthy competition between private and public sectors. A performance audit of the Company for the period 2012-13 to 2016-17 brought out instances of financial mismanagement, delays in execution of works and lacunae in internal control. Some of the highlights of the performance audit are as under:

Jammu and Kashmir Projects Construction Corporation Limited

The Company had finalised its accounts upto 2010-11 only. The value of works done decreased from ₹364.19 crore during 2012-13 to ₹250.65 crore during 2016-17. It suffered loss of ₹3.95 crore and ₹11.69 crore during 2014-15 and 2015-16 respectively. Shortfall in achievement of targets of value of works done remained between 29 and 50 *per cent*. Funds ranging between 58.52 *per cent* and 75.55 *per cent* only were utilised on works during 2012-17.

(Paragraphs: 4.6.1 and 4.6.2)

Service tax of ₹5.14 crore paid in excess had neither been reconciled nor refund thereof received. The Company had not submitted revised cost offers, to the extent of ₹22.66 crore, to reflect enhanced rate of service tax and made payment of service tax at the enhanced rate without actual recovery of ₹3.45 crore from the project authorities.

(Paragraph: 4.6.3)

The Company was dependent on the State Government Departments/ agencies for works on nomination basis and had failed to secure any work on competitive tender basis. The quantum of new works obtained, declined during 2012-16 from ₹349.48 crore to ₹236.03 crore, but increased during 2016-17 to ₹696.64 crore.

(Paragraphs: 4.7.1 and 4.7.2)

Execution of works in excess of the funds released by the project authorities led to accumulation of outstanding balance of ₹188 crore as of March 2017 and loss of interest of ₹26.56 crore. Delay in completion of works led to increase in cost to the extent of ₹360.87 crore which was mainly due to poor monitoring by Company and slow progress.

(Paragraphs: 4.8.1 and 4.8.2)

The Company had not framed any recruitment/ promotion policy and staff had been deployed at different units in an *adhoc* manner.

(Paragraph: 4.11.1)

The Company did not devise any mechanism for ensuring continuous monitoring and internal control. Weak quality control, inadequacy of internal audit and variations amongst performance reports were observed.

(Paragraphs: 4.12.1, 4.12.3 and 4.12.4)

Audit of Transactions

Inappropriate internal rating system coupled with non-exercise of due diligence before investing in Commercial Paper of a Public Limited Company - a non-borrower customer - led to doubtful recovery of the principal of ₹48.37 crore and additional amount of ₹1.63 crore in Jammu and Kashmir Bank Limited.

(Paragraph: 5.1)

Inadequate due diligence by Jammu and Kashmir Bank Limited while assessing loan eligibility of a borrower led to doubtful recovery of ₹50.99 crore.

(Paragraph: 5.2)

Jammu and Kashmir Police Housing Corporation (JKPHC) allotted construction works without inviting tenders and despite delay/ non-completion of the works did not invoke clause of penalty and recover performance guarantee of ₹0.28 crore from the contractor. It had received advance of ₹7.50 crore from the indenting department but could not complete the works by the target date of February 2015.

(Paragraph: 5.4)

Failure of Jammu and Kashmir Small Scale Industries Development Corporation (SICOP) to assess the feasibility of the site selected for establishment of mini industrial estate at Majalta, which had to be shelved mid-way, resulted in infructuous expenditure of ₹46.65 lakh and blocking of ₹1.42 crore.

(Paragraph: 5.5)

Expenditure of ₹21.53 lakh on procurement of machinery for Sewage Treatment Plants (STPs) by Jammu and Kashmir Tourism Development Corporation remained unfruitful as civil works required for its commissioning were not available.

(Paragraph: 5.6)

PART 'A'

REVENUE SECTOR

Chapter-1
General

CHAPTER-1

GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenues raised by the Government of Jammu and Kashmir during the year 2016-17, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in **Table-1.1** below.

Table-1.1: Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	**Revenue raised by the State Government**					
	Tax revenue	5,832.43	6,272.74	6,333.95	7,326.19	7,819.13
	Non-tax revenue	2,160.19	2,869.69	1,978.05	3,912.79	4,074.44
	Total	**7,992.62**	**9,142.43**	**8,312.00**	**11,238.98**	**11,893.57**
2.	**Receipts from the Government of India**					
	Share of net proceeds of divisible Union taxes and duties	3,870.37	4,142.10	4,477.23	7,813.48	9,488.60
	Grants-in-aid	14,353.87	13,843.45	16,149.36	16,728.14	20,598.55
	Total	**18,224.24**	**17,985.55**	**20,626.59**	**24,541.62**	**30,087.15**
3.	**Total revenue receipts of the State Government (1 and 2)**	**26,216.86**	**27,127.98**	**28,938.59**	**35,780.60**	**41,980.72**
4.	**Percentage of 1 to 3**	**30**	**34**	**29**	**31**	**28**

(Source: State Finance Accounts 2016-17)

During the year 2016-17, the overall receipts of the State increased by 17.33 *per cent* over the previous year. The revenue raised by the State Government (₹11,893.57 crore) was 28 *per cent* of the total revenue receipts against 31 *per cent* in the preceding year. The balance 72 *per cent* of the receipts during 2016-17 was from the Government of India (GoI) of which 68.46 *per cent* came in form of grants-in-aid. The grants-in-aid from GoI constituted 49.07 *per cent* of the total receipts of the State.

1.1.2 The details of the tax revenue raised during the period 2012-13 to 2016-17 are given in **Table-1.2**.

Table-1.2: Details of Tax Revenue raised

(₹ in crore)

Sl. No.	Head of revenue	2012-13		2013-14		2014-15		2015-16		2016-17		Percentage of increase (+) or decrease (-) in Actual in 2016-17 over 2015-16
		Budget Estimate	Actual	Budget Estimate	Actual	Budget Estimate	Actual	Budget Estimate	Actual	Budget Estimate	Actual	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(m)= (k-i)÷i%
1.	Taxes on sales, trade etc.	4,218.57	4,174.39	4,799.00	4,578.81	4,530.00	4,601.52	5,985.00	5,276.54	6,237.65	6,011.98	13.94
2.	Taxes on Goods & Passengers	474.40	504.91	559.00	565.53	562.00	557.81	715.00	666.21	812.35	747.88	12.26
3.	State excise	413.00	421.28	442.00	440.06	462.00	466.08	485.00	532.82	536.00	569.26	6.84
4.	Taxes and duties on electricity	423.36	277.86	504.00	276.94	466.02	313.40	350.71	428.87	350.00	89.94	(-) 79.03
5.	Stamps and Registration fees	270.55	240.14	321.93	260.68	215.16	247.98	260.00	264.23	332.00	227.62	(-) 13.86
6.	Fee on Taxes on Vehicles	139.00	117.89	153.00	134.23	160.40	132.34	183.60	145.15	160.52	149.71	3.14
7.	Land revenue	35.60	95.45	40.80	15.97	42.22	14.58	8.68	12.18	9.19	16.89	38.67
8.	Others[1]	0.54	0.51	0.54	0.52	0.60	0.24	0.10	0.19	4.00	5.85	2,978.95
	Total	**5,975.02**	**5,832.43**	**6,820.27**	**6,272.74**	**6,438.40**	**6,333.95**	**7,988.09**	**7,326.19**	**8,441.71**	**7,819.13**	

(Source: State Budget 2017-18 and Finance Accounts 2016-17)

There was increase in actual receipts in 2016-17 over 2015-16 ranging between 3.14 *per cent* and 38.67 *per cent* under the heads 'Fee on Taxes on Vehicles, State Excise, Taxes on Goods and Passengers and Taxes on sales, trade, etc. Further, there was a decrease of about 79 *per cent* under the head 'Taxes and Duties on Electricity' during the year 2016-17 as compared to previous year. The reasons for the large decrease were not intimated by the Department (November 2017).

The details of the non-tax revenue raised during the period 2012-13 to 2016-17 are indicated in **Table-1.3**.

[1] Taxes and duties on commodities and services (Entertainment tax)

Table-1.3: Details of Non-Tax Revenue raised

(₹ in crore)

Sl. No.	Head of revenue	2012-13		2013-14		2014-15		2015-16		2016-17		Percentage of increase (+) or decrease (-) in Actual in 2016-17 over 2015-16
		Budget Estimate	Actual	Budget Estimate	Actual	Budget Estimate	Actual	Budget Estimate	Actual	Budget Estimate	Actual	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(m)= (k-i)÷i%
1.	**Power**	2,387.29	1,588.62	2,840.60	1,533.09	2,629.90	1,427.73	2,979.60	1,477.22	4,740.96	2,770.24	87.53
2.	**Forestry and wild life**	68.07	59.31	67.53	67.90	70.80	70.85	76.09	67.84	85.90	16.65	(-) 75.46
3.	**Police**	24.50	28.34	65.00	56.75	87.75	19.97	66.20	34.11	71.50	67.63	98.27
4.	**Non-ferrous, Mining and metallurgical Industries**	50.35	54.02	60.18	53.35	60.40	48.50	65.10	57.23	65.10	42.74	(-) 25.32
5.	**Water supply and Sanitation**	37.00	31.92	43.57	38.03	49.50	36.90	57.20	45.77	60.57	51.99	13.59
6.	**Public works**	24.97	27.19	26.49	23.57	27.80	23.13	23.87	27.55	25.26	21.14	(-) 23.27
7.	**Medical and Public Health**	20.25	18.08	22.63	15.70	23.77	22.69	24.99	22.53	26.02	21.86	(-) 2.97
8.	**Interest receipts**	21.94	16.38	21.50	12.80	23.19	13.58	22.77	96.35	2.43	18.62	(-) 80.67
9.	**Other non-tax receipts***	184.40	336.33	252.36	1,068.50	180.55	314.70	139.15	2,084.19	146.54	1,063.57	(-) 48.97
	Total	**2,818.77**	**2,160.19**	**3,399.86**	**2,869.69**	**3,153.66**	**1,978.05**	**3,454.97**	**3,912.79**	**5,224.28**	**4,074.44**	

(Source: State Budget 2017-18 and Finance Accounts 2016-17)

**0050-Dividends and Profits, 0056-Jails, 0058-Stationery and Printing, 0070-Other Administrative services, 0071-Contributions and recoveries towards Pension and Other retirement benefits, 0075-Miscellaneous general services, 0202-Education, Sports, Art and Culture, 0216-Housing, 0217-Urban Development, 0220-Information and Publicity, 0230-Labour & Employment, 0235-Social Security and Welfare, 0401-Crop Husbandry, 0403-Animal Husbandry, 0405-Fisheries, 0408-Food Storage and warehousing, 0425-Cooperation, 0435-Other Agriculture Programmes, 0515-Other Rural Development Programmes, 0575-Other Special Area Programmes, 0701-Major and Medium Irrigation, 0702-Minor Irrigation, 0851-Village and Small Industries, 1054-Roads and Bridges, 1452-Tourism and 1475-Other General Economic Service.*

There was an increase ranging between 13.59 *per cent* and 98.27 *per cent* in actual collections from Water Supply & Sanitation, Power and Police over the previous year. However, the receipt under Head Medical and Public Health, Public Works, Non-ferrous Mining and Metallurgical Industries, Other Non-Tax receipts, Forestry and Wild Life and Interest Receipts showed decrease in receipts ranging between 2.97 and 80.67 *per cent*.

The reasons given by the respective departments for decrease in the receipts are given below:

Interest Receipt: The decrease was mainly due to less receipt of interest on investment of cash balance.

Forestry and Wild Life: The decrease was due to less receipt under sale of timber and forest products.

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2017 on some principal heads of revenue amounted to ₹1,505.82 crore of which ₹743.77 crore was outstanding for more than five years, as detailed in the **Table-1.4.**

Table-1.4: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2017	Amount outstanding for more than five years as on 31 March 2017	Replies of Department
1.	Taxes on Sales/ VAT Trade etc.	1,425.52	675.59	The process of recovery is initiated through Deputy Commissioner Commercial Taxes, Recovery, who initiates recovery proceeding under the J&K VAT Act, 2005 and the J&K GST Act, 1962 read with the J&K Land Revenue Act Samvat, 1966.
2.	Passenger Tax	32.40	21.92	
3.	Entertainment Tax	0.21	0.21	Action has been taken under Land Revenue Act for recoverable arrears and most of the cases are pending in the Hon'ble High Court.
4.	Toll Tax	28.69	27.05	
5.	State Excise	19.00	19.00	
Total		**1,505.82**	**743.77**	

1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Commercial Taxes Department in respect of Sales Tax/VAT and Tax on Works contract are given below in **Table-1.5.**

Table-1.5: Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2016-17	Total assessments due	Cases disposed of during 2016-17	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
Sales Tax/ VAT	10,596	13,568	24,164	12,162	12,002	50
Tax on Works contract	28,082	19,964	48,046	17,790	30,256	37

(Source: Data provided by the Department)

Out of the total cases due for assessment, only 50 *per cent* of the assessments were completed in respect of Sales tax/ VAT and 37 *per cent* in the case of Tax on Works contract. Reasons for less assessments during 2016-17, though called for, were not intimated by the Departments (November 2017).

1.4 Evasion of tax detected by the department

The details of cases of evasion of tax detected, cases finalised and the demands for additional tax raised, as reported by the Department are given in **Table-1.6.**

Table-1.6: Evasion of Tax

(₹ in crore)

Sl. No.	Head of revenue	Cases pending as on 31 March 2016	Cases detected during 2016-17	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc. raised			Number of cases pending for finalisation as on 31 March 2017
					Number of cases	Amount of demand	Amount recovered	
1.	Sales Tax/ VAT	3,202	1,287	4,489	4,283	22.80	0.69	206
2.	Passenger Tax	398	120	518	518	0.03	0.03	0
Total		**3,600**	**1,407**	**5,007**	**4,801**	**22.83**	**0.72**	**206**

(Source: Data furnished by the Department)

Against total demand of ₹22.83 crore raised in 4,801 cases during the year 2016-17, an amount of ₹0.72 crore only had been recovered which is 3.15 *per cent* of the total recoverable amount. The reasons for slow pace of recovery were not furnished by the Department (December 2017).

1.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year 2016-17, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2016-17, as reported by the Department is given in **Table-1.7**.

Table-1.7: Details of pendency of refund cases

(₹ in crore)

Sl. No.	Particulars	Sales tax / VAT	
		No. of cases	Amount
1.	Claims outstanding at the beginning of the year	11	1.79
2.	Claims received during the year	1	0.15
3.	Refunds made during the year	4	0.01
4.	Balance outstanding at the end of year	8	1.93

(Source: Data furnished by the Department)

It is observed that though the number of cases have come down, refund pending has increased.

1.6 Response of the Government/departments towards audit

The Accountant General (Audit), Jammu and Kashmir, conducts periodical inspection of the Government Departments to test-check the transactions and verify the maintenance of important accounting and other records as prescribed in the rules and procedures. These inspections are followed up with the Inspection Reports (IRs) incorporating the audit findings which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of the offices/ Government are required to take necessary corrective action on the observations contained in the IRs, rectify the defects and omissions and report compliance to the Accountant General within four weeks from the date of receipt of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

A total of 3,875 paragraphs involving ₹1,176.45 crore relating to 775 IRs issued upto December 2016 in respect of Commercial Taxes, State Excise, Motor Vehicles and

Law Departments remained outstanding at the end of June 2017 as depicted in **Table-1.8** along with the corresponding figures for the preceding two years.

Table-1.8: Details of pending Inspection Reports

	June 2015	June 2016	June 2017
Number of IRs pending for settlement	643	711	775
Number of outstanding audit observations	2,870	3,400	3,875
Amount of revenue involved (₹ in crore)	1,186.05	1,276.83	1,176.45

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2017 and the amounts involved in respect of Commercial Taxes, State Excise, Motor Vehicles and Law Departments (Revenue Sector) are mentioned in the **Table-1.9**.

Table-1.9: Department-wise details of Inspection Reports/ Audit observations

(₹ in crore)

Sl. No.	Name of the Department	Nature of receipts	Numbers of outstanding IRs	Numbers of outstanding audit observation	Money value involved
1.	**Commercial Taxes**	Taxes on Sales, Trade etc.	472	2,833	961.15
		Passenger & Goods Tax (PGT)	11	45	2.02
2.	**State Excise**	State Excise	108	426	83.21
3.	**Motor Vehicles**	Taxes on motor vehicles	153	378	120.19
4.	**Law**	Stamp duty and Registration fee	31	193	9.89
	Total		**775**	**3,875**	**1,176.46**

Out of 51 IRs issued during 2016-17 replies in respect of only 11 IRs were received from the Head of the offices. This is indicative of the fact that the Heads of offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out in the IRs. Further, no Audit committee was constituted by the State Government for discussion of pending objections relating to tax revenue (Commercial Tax, State Excise, Motor Vehicles and Law Departments).

It is recommended that the Government should (a) ensure prompt action on audit observations and send replies to the Accountant General within the stipulated time and (b) advise the departments to constitute Audit Committees, hold its meeting, and monitor the progress of settlement of paragraphs.

1.7 Position of Inspection Reports

The summarised position of the Inspection Reports of the Departments of Commercial Taxes, State Excise, Motor Vehicles and Law (Revenue Sector) issued during the last five years, paragraphs included in these Inspection Reports and their status as on 31 March 2017 are tabulated below in **Table-1.10**.

Table-1.10: Position of Inspection Reports

(₹ in crore)

Sl. No.	Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance during the year			Percentage of paragraphs cleared
		IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(o)
1.	**2012-13**	515	2,296	972.26	67	389	277.21	7	213	225.70	575	2,472	1,023.77	8
2.	**2013-14**	575	2,472	1,023.77	56	515	180.29	14	157	15.77	617	2,830	1,188.29	5
3.	**2014-15**	617	2,830	1,188.29	59	553	67.00	8	194	24.93	668	3,189	1,230.36	6
4.	**2015-16**	668	3,189	1,230.36	70	494	76.86	7	140	25.90	731	3,543	1,281.32	4
5.	**2016-17**	731	3,543	1,281.32	51	403	329.16	28	237	424.04	754	3,709	1,186.44	6

The clearance and settlement of audit paragraphs at the end of each year was minuscule, ranging between four *per cent* and eight *per cent* of the total number of pending audit paragraphs. Lackadaisical approach of executive action on audit observations weakens accountability and raises the risk of avoidable loss of revenue. The continuous increase in the number of pending audit paragraphs merits the attention of the government to ensure effective mechanisms to regularly monitor and review the compliance and settlement of audit observations including constitution of audit committees in each department.

1.8 Follow-up on Audit Reports

1.8.1 Non-submission of Action Taken Notes

The State Government (Finance Department) issued instructions in June 1997 to all administrative departments to furnish Action Taken Notes (ATNs) on all the audit paragraphs featuring in the Audit Reports to Public Accounts Committee (PAC) irrespective of whether they were taken up for discussion by the Committee or not. These ATNs are to be submitted to the Committee duly vetted by the Accountant General (Audit) within a period of three months from the date of presentation of Audit Reports in the State Legislature.

It was noticed that out of 110 audit paragraphs featuring in the Chapters of Revenue Sector of Audit Reports from 2000-01 to 2015-16[2], ATNs in respect of 81 audit paragraphs had not been received upto 30 September 2017.

1.8.2 Action taken on recommendations of the PAC

Action Taken Notes, duly vetted by the Accountant General (Audit) on the observations/ recommendations made by the PAC in respect of the audit paragraphs discussed by them are to be furnished to these Committees within six months from the date of such observations/ recommendations. Out of 103 audit paragraphs featuring in the Revenue Sector of Audit Reports for the years from 2000-01 to 2014-15, only 17 audit paragraphs had been discussed by the PAC up to 30 September 2017. Recommendations in respect of 16 audit paragraphs, including 11 discussed partly, have been made by the PAC; however, ATNs on the recommendations of the Committees is pending from the State Government in respect of 13 paragraphs.

1.8.3 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last five years, those accepted by the Department and the amount recovered are mentioned in **Table-1.11**.

[2] Audit Report 2015-16 presented in the Jammu and Kashmir State Legislature on 4th July 2017

Table-1.11: Recovery of Accepted Cases

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted including money value	Money value of accepted paragraphs	Amount recovered during the year 2016-17	Cumulative position of recovery of accepted cases as of 31 March 2017
2011-12	7	80.10	7	80.10	Nil	0.42
2012-13	6	244.53	6	244.53	Nil	0.10
2013-14	5	9.28	5	1.11	Nil	0.04
2014-15	4	0.76	4	0.76	0.02	0.10
2015-16	7	124.10	6	88.76	0.07	0.07
Total		**458.77**		**415.26**	**0.09**	**0.73**

It would be seen from the above that in respect of paragraphs featured in the Audit Reports 2011-12 to 2015-16, the Department/ Government accepted audit observations involving ₹415.26 crore, of which only ₹0.73 crore (0.18 *per cent*) was recovered upto 2016-17. The department may take appropriate action to pursue and monitor recovery of the dues involved in accepted cases.

1.9 Audit Planning

The unit offices under various Departments are categorized into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which inter-alia include critical issues in government revenues and tax administration i.e. budget speech, white paper on state finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during past five years.

During the year 2016-17, there were 261 auditable units of revenue receipts (Commercial Taxes, State Excise, Transport and Law Departments) out of which 70 units were planned and 61 units had been audited.

1.10 Results of audit

1.10.1 Position of local audit conducted during the year

Test-check of the records of 61 units out of 261 auditable units of Commercial taxes (Sales Tax/ Value Added Tax), State Excise, Motor Vehicles and Law Departments conducted during the year 2016-17 showed under assessment/ short levy/ loss of revenue aggregating ₹316.16 crore in 763 cases. During the year, the Departments concerned accepted under assessment and other deficiencies of ₹5.88 crore involved in 104 cases of which the departments collected ₹57.74 lakh in 25 cases pertaining to audit finding of previous years as well as for the year 2016-17. Unit-wise details of under assessments pointed out in audit and the recoveries effected are detailed in ***Appendix-1.1.***

1.11 Coverage of the Revenue Chapter

This Report contains one Performance Audit on **"Levy, Assessment and Collection of Tax on Services"**, a follow-up audit on "Performance Audit on Assessment and Levy of Stamp Duty and Registration Fee of the Audit Report 2010-11" and nine paragraphs involving revenue implication of ₹224.68 crore relating to short levy of tax due to concealments of purchases, incorrect applications of tax rates, irregular allowance of input tax credit, misclassification of turnover, short levy of stamp duty/ registration fee, inadmissible reduction in stamp duty, misappropriation of Government money etc. The Departments/Government have accepted audit observations involving ₹22.62 crore out of which ₹0.21 crore have been recovered.

Chapter-2

Performance and Compliance Audit

CHAPTER-2

A. General

2.1 Tax administration

2.1.1 Sales Tax/Value Added Tax

Sales Tax/Value Added Tax are administered at the Government level by the Principal Secretary to Government, Finance Department. The Commissioner Commercial Taxes is entrusted with overall control and superintendence of the Commercial Taxes Department. He is assisted by three Additional Commissioners of Taxes (one each in Jammu and Kashmir Divisions and one for Tax Planning) and 13 Deputy Commissioners of Commercial Taxes (Jammu: 06; Kashmir: 05 and one each for headquarter and judicial matters). The State is divided into 52 Commercial Taxes Circles (Jammu: 25; Kashmir: 27) each headed by one Commercial Taxes Officer.

2.1.2 State Excise

The J&K State Excise Department is responsible for charging of excise duties under the J&K Excise Act 1901 and the rules made thereunder. The department is headed by the Excise and Taxation Commissioner who is assisted by five Deputy Excise Commissioners (04: Jammu; 01: Kashmir) and eight Excise and Taxation Officers (06: Jammu; 02: Kashmir). There are 20 Distilleries Bottling Plants which fall within the jurisdiction of the Excise and Taxation Officer, Distilleries, Jammu.

2.1.3 Taxes on Vehicles, Goods and Passengers

Receipts from the Transport Department are regulated under the Central and the State Motor Acts and rules made thereunder and are under the administrative control of the Transport Commissioner. The receipts from the goods and passengers tax are regulated under the Jammu and Kashmir Motor Vehicle Taxation Act 1957 and the Jammu and Kashmir Motor Vehicle Rules 1991 administered by the Transport Commissioner of the State.

2.2 Results of audit

Test-check of records of 61 units of Sales Tax/ Value Added Tax, State Excise, Motor Vehicles and Law Departments conducted during the year 2016-17 revealed under-assessment/short levy/loss of revenue aggregating ₹316.16 crore in 763 cases as detailed in **Table-2.1.**

Table – 2.1: Results of Audit

(₹ in crore)

Sl. No.	Categories	Number of cases	Amount
Taxes/VAT on Sales, Trade, etc.			
1.	Under-assessment of Tax	64	29.71
2.	Evasion of tax due to suppression of sales/purchase	154	13.68
3.	Irregular/incorrect/excess allowance of Input Tax Credit	44	3.00
4.	System of Collection of arrears of revenue	12	166.72
5.	Other irregularities	87	30.68
	Total	**361**	**243.79**
State Excise			
1.	Non/short realization of excise duty	1	0.55
2.	Non/short realization of licence fee/ interest/penalty	1	0.02
3.	Collection of Toll tax	1	2.29
4.	Other irregularities	37	1.48
	Total	**40**	**4.34**
Taxes on Vehicles, Goods and Passengers			
1.	**Non/short realization of** • Token tax and composite fee • Passenger and goods tax	8	12.93
2.	**Other irregularities** • Vehicle tax	79	54.01
	Total	**87**	**66.94**
Stamp Duty and Registration Fee			
1.	Under valuation of property/short levy	216	0.77
2.	Non-accountal/ less accountal/ short deduction	44	0.14
3.	Other irregularities	15	0.18
	Total	**275**	**1.09**
	Grand Total	**763**	**316.16**

During the year the department realised revenue of ₹57.74 lakh under various heads that had been pointed out in audit during 2016-17 and previous years.

B. PERFORMANCE AUDIT

Finance Department

2.3 Levy, Assessment and Collection of Tax on Services

Highlights

- **Non-fixation of targets for collection of tax from the services as goods under J&K GST Act, 1962 and failure to widen the tax base by way of increasing the revenues from notified services other than works contracts revealed that tax planning was not adequate.**

(Paragraph: 2.3.6)

- **Timely deposition of TDS into Government account and submission of copies of works contracts was not enforced which resulted in non-imposition of penalty of ₹6.79 crore. Further, incorrect application of rates for deduction of TDS resulted in short deduction of tax of about ₹1.23 crore.**

(Paragraph: 2.3.7)

- **Assessing Authorities allowed tax credits on defective TDS certificates and had not imposed penalty of ₹46.44 lakh for late filing of returns by the dealers. Concealment of purchases/ stocks and delay in payment of tax by the dealers had resulted in short levy of tax and interest of around ₹10.12 crore.**

(Paragraph: 2.3.8)

- **Due to lack of monitoring of returns/recovery of the tax from the dealers, the Government had been put to a minimum revenue loss of ₹1.21 crore, besides, non/short-levy of tax demand of around ₹59.97 lakh. The Department did not enforce the requirement that all the persons responsible for deduction of tax at source be allotted TDNs and all of them file quarterly returns.**

(Paragraphs: 2.3.9 & 2.3.10)

2.3.1 Introduction

Service tax levied by the Union Government on taxable services under Chapter-V of the Finance Act, 1994 does not extend to Jammu and Kashmir State. The State Government has brought taxation of services under the ambit of Jammu and Kashmir General Sales Tax (J&K GST) Act 1962 with effect from March 1997. Levy, assessment, collection and recovery of tax on services notified by the State Government is governed under the provisions of the J&K GST Act 1962, Rules framed there under and as per the administrative instructions issued from time to time. The Government had notified 31 services with effect from March 1997 to February 2017 for taxation under the provisions of J&K GST Act 1962, which included 11 services (***Appendix-2.1***) added during 2012-13 to 2016-17. The Services are taxed as goods under the J&K GST Act. Since the Union Services Tax Act was not applicable to J&K State, the State Government had brought different services under the ambit of tax through J&K General Sales Tax Act, 1962 by declaring services as goods under the Act.

2.3.2 Organisational set up

The Commissioner-cum-Secretary, Finance is responsible for overall working of the Commercial Taxes Department. The control and superintendence of Commercial Taxes Department vests with the Commissioner, Commercial Taxes and is assisted by the three[1] Additional Commissioners of Commercial Taxes and 11 Deputy Commissioners of Commercial Taxes for carrying various functions of the department. State has been divided into 52 Commercial Taxes Circles (CTCs)[2], each headed by a Commercial Taxes Officer (CTO). Out of these 52 CTCs, two CTCs ('H' Srinagar and 'O' Jammu) deal exclusively with the assessment of dealers engaged in providing of services in the shape of execution of works contract.

2.3.3 Audit Objectives

The objective of the Performance Audit was to assess:-

- the adequacy of statutory provisions in the Act, Rules and Notifications issued by the Government;
- extent to which provisions of the Act, Rules and Notifications were complied with;
- levy, assessment and collection of tax on services including increase of tax base *vis-a-vis* number of notified services;
- mechanism for receipt of returns, deduction and deposition of tax by the responsible persons; and
- adequacy of monitoring and control mechanism in the department.

2.3.4 Audit Criteria

The audit objectives were benchmarked against the following criteria:

- The Jammu and Kashmir General Sales Tax Act 1962 and Rules made thereunder.
- The Central Sales Tax Act 1956.
- The Central Sales Tax Act 1958.
- SROs[3]/ Notifications issued by the Government from time to time relating to tax on services.

2.3.5 Scope and Audit Methodology

A Performance Audit (PA) on 'Taxes on Services' covering period 2007-08 to 2011-12 was featured in the Report (No. 1 of 2013) of the Comptroller and Auditor General of India on Social, General, Economic (Non-PSUs) and Revenue Sectors for the year ended 31 March 2012, which has not been discussed by the Public Accounts Committee so far. The Records relating to levy, assessment and collection of tax on services for the period from 2012-13 to 2016-17 were test-checked in offices of the Commissioner/ Additional Commissioners (Kashmir/ Jammu), eight[4] sampled CTCs[5]

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[1] 1. Additional Commissioner of Commercial Taxes Kashmir. 2. Additional Commissioner of Commercial Taxes Jammu. 3. Additional Commissioner of Commercial Taxes (Planning)

[2] Jammu Division: 25; Kashmir Division: 27

[3] *Sadre Reyasat Orders*

[4] Circle 'O' Jammu, Kathua, Udhampur 'I' and 'II', 'H' Srinagar, Anantnag-I, Kupwara and Baramulla

[5] Based on number of assessments

during current PA. Selection of dealers for audit check was made on the basis of turnover and assessments made by the Assessing Authorities (AAs) of the CTCs.

An entry conference was held in January 2017 with the Commissioner, Commercial Taxes Department wherein the audit objectives, criteria, scope and methodology adopted for selection of units were explained/discussed. The draft Performance Audit Report was forwarded to the Government in August 2017. An exit conference was held on 17th November 2017 with the Commissioner Commercial Taxes Department and other officers. The replies received from the departmental authorities have been incorporated at appropriate places in the Report. We acknowledge the co-operation extended by the Commercial Taxes Department to Audit during the course of performance audit.

2.3.6 Tax administration issues

2.3.6.1 Status of notified services

Out of 31 notified services, 15 services had either been stayed by courts or were under litigation as of March 2017 and had been challenged mainly on the definition of goods as mentioned in the Act or on the issuance of notification SRO 117 as amended from time to time and their coverage in services in terms of goods. There were frequent changes for inclusion or exclusion of some of the services (as detailed in ***Appendix-2.2***) during the period from 2007 to 2017.

2.3.6.2 Revenue collection from tax on services

Targets for collection of tax from the services were neither fixed by the Government nor by the Commissioner Commercial Taxes Department, although the issue was brought to the notice of Government/ Department in the previous Audit Report for the year ended March 2012. As per departmental records, revenue collected by the department from the Tax on Services during the period 2012-13 to 2016-17 was as under:-

Table-2.3.1: Revenue collection from Taxes on services

Year	Number of services notified	Tax rate[6] applicable (*per cent*)	No. of registered dealers	Revenue realised[7] (₹ in crore)	Average revenue realised per dealer (₹ in lakh)	Revenue collected from works contracts	
						(₹ in crore)	As *per cent* of revenue realised
2012-13	23	10.50	20,548	1,001.65	4.87	931.51	93
2013-14	26	10.50	22,253	1,104.26	4.96	1,012.22	92
2014-15	26	10.50	23,775	884.52	3.72	785.86	89
2015-16	29	12.60	26,393	1,236.76	4.68	1,096.15	89
2016-17	31	12.60	27,059	1,686.81	6.23	1,408.84	84

(Source: Figures provided by the Department)

Collection of Tax from Services has decreased marginally during 2014-15 and remained almost stagnant during 2012-13 to 2015-16 despite increase in number of notified services, dealers and rate of tax. However, during 2016-17 there was an increase of 36 *per cent*. Service tax on works contracts, which is mainly deducted at

6 Includes surcharge of 5 *per cent*

7 Information as provided by the Department. The figures for the years 2012-13 and 2013-14 vary with those provided earlier by the Department and incorporated in the Reports on State Finances

source by the Government Departments on works contracts, comprised around 84 to 93 *per cent* of the total service tax collection during the period. The collection of tax from 30 other services was meager and ranged between 7 and 16 *per cent.* Although the proportion of service tax collected from services other than works contract increased from 11 *per cent* in 2015-16 to 16 *per cent* in 2016-17, there was scope for further improvement in tax penetration of these services.

Audit analysis revealed that:-

- There had been nil collection of tax from dealers providing services by way of TV and Radio programme productions despite having been notified and not being under litigation. Further, there was a meager collection of ₹0.15 lakh from broadcasting, Direct to Home (DTH) operators, that too during 2014-15 only.
- In Kashmir division, nil tax collection had been made from the services provided by the architects, advertising, hoardings and property dealers/ real estate agents while in the Jammu region, it had increased from ₹1.98 lakh in 2012-13 to ₹24.20 lakh in 2016-17 (upto January 2017).

2.3.7 Compliance Issues

Tax from the dealers providing services[8] in the State is deducted by the DDOs of the State/ Central Government Departments, Authorities, Local bodies, etc. as mentioned in Section 16 C of the J&K General Sales Tax Act, 1962. The annual assessment of turnover of these dealers is made by the jurisdictional Assessing Authorities of the Commercial Taxes Department. Timely deposition of TDS into Government account and submission of works contracts was not enforced which resulted in non-imposition of penalty of ₹6.79 crore. Further, incorrect application of rates for deduction of TDS resulted in short deduction of tax of about ₹1.23 crore. Details follow:

2.3.7.1 Short deduction of tax due to application of incorrect rate of tax

Section 16 C (4) of the J&K General Sales Tax Act, 1962 provides that the person responsible shall, at the time of the credit of sale price of taxable goods to the account of the dealer, deduct tax at the appropriate rate in cash, by issue of cheque or draft or any other mode as may be prescribed. The tax rate[9] of goods was enhanced[10] from 10.50 *per cent* to 12.60 *per cent* with effect from 1st April 2015.

Test-check (March 2017) of records of Additional Commissioners (Kashmir and Jammu) revealed that 23 DDOs/ persons responsible for deduction of tax at source had deducted tax of ₹2.41 crore instead of ₹2.91 crore, on payment of ₹23.08 crore made to the dealers/ contractors during the period 1st April 2015 to 31 March 2016 ***(Appendix-2.3)***. This has resulted in short deduction of service tax of ₹0.50 crore.

The Additional Commissioner (Kashmir) replied (July 2017) that matter has been taken up with the concerned and outcome of the same would be communicated to audit. The Additional Commissioner (Jammu), however, replied (August 2017) that

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8 Including works contracts
9 Including surcharge at the rate of 5 *per cent*
10 Under SRO 105 dated 31st March 2015

proceedings for recovery of amount deducted less and of penalty had been initiated by issuance of show cause notices.

2.3.7.2 Short deduction of tax from certain works contracts

In terms of the Government instructions[11] of 6th June 2008, tax[12] at the concessional rate of 4.2 *per cent* was to be deducted from the contractors involved in the execution of works contracts of centrally sponsored projects[13] sanctioned and/ or contracted (allotted) up to 31st March 2007 only. This concession was not extended to works contracts in respect of projects sanctioned and/ or contracted under these schemes from 01st April 2007 onwards.

During test-check of records of the Additional Commissioners Kashmir/ Jammu, it was noticed that two[14] DDOs had deducted tax at the concessional rate of 4.2 *per cent* during 2012-13 and 2013-14, on Pradhan Mantri Gram Sadak Yojana (PMGSY)/ Asian Development Bank (ADB) works contracts which had been sanctioned/ allotted after the prescribed date of 31st March 2007. Deduction of tax at concessional rate of 4.2 *per cent* instead of 10.5 *per cent* has resulted in short deduction of tax of ₹39.22 lakh. Additional Commissioner, Kashmir replied (July 2017) that the matter has been taken up with the concerned and outcome of the same shall be communicated to audit. However, no reply was furnished by Additional Commissioner, Jammu.

Audit Scrutiny (March 2017) of records of Additional Commissioner Jammu also revealed that while making payment of ₹5.34 crore to a contractor during December 2013 and March 2014 in respect of works relating to "Removal of slips and slides" allotted in October 2013, the Executive Engineer, Mughal Road Division, Poonch had deducted tax at the rate of 4.2 *per cent* against the applicable rate of 10.5 *per cent*. This has resulted in short deduction of tax of ₹33.65 lakh. The Additional Commissioner, Jammu replied (August 2017) that proceedings for recovery of amount and for penalty had been initiated.

2.3.7.3 Non-imposition and non-recovery of penalty for delay in deposit of tax

Section 16 C (6) provides that the tax deducted under Sub-section 4 shall be deposited in the treasury within 15 days of the deduction and Section 16 C (11) further envisages that if the person after deduction fails to pay the tax as required under Sub-section 4, he shall, without prejudice to any other consequences, which he may incur, be liable to pay a sum by way of penalty equal to the double of the amount of tax that was deducted and all the provisions of the Act shall in so far as may be applicable, apply to the recovery of such sum.

[11] Issued vide SRO 170 dated 6 June 2008

[12] Including surcharge at the rate of 5 *per cent*

[13] Under PMGSY, National Urban Renewal Mission (NURM), Mughal Road, National Highway Development Project (NHDP) and Asian Development Bank (ADB) funded projects

[14] Executive Engineer PMGSY Division Udhampur: ₹24.99 lakh; Chief Accounts Officer J&K, ERA: ₹14.23 lakh

Audit scrutiny (March 2017) of the quarterly returns filed by the persons deducting tax at source in the Additional Commissioner's Office Jammu revealed that twelve[15] persons had not deposited the tax of ₹2.32 crore within the prescribed time frame of 15 days, and delays had ranged between 3 days and 160 days, for which they were liable to pay penalty of ₹4.64 crore. However, the penalty under the provisions of the Act was not imposed by the department. The Additional Commissioner, Jammu replied (August 2017) that proceedings for recovery of penalty had been initiated and show cause notices issued to the concerned.

2.3.7.4 Non-furnishing of copies of works contracts and non-imposition of penalty

Section 16(C) (15) of the J&K General Sales Tax Act, 1962 provides that, if any person without any reasonable cause fails to submit copy of the works contracts to the Assessing Authority, she/ he shall be liable to pay, by way of penalty, a sum of ₹5,000 per contract.

Test-check (March 2017) of the records of Additional Commissioner, Jammu revealed that the copies of 4,292 works contracts executed during the period 2013-14 to 2015-16 were not received from 23 DDOs and the Assessing Authority had not imposed penalty of ₹2.15 crore[16] against these defaulting DDOs. The Additional Commissioner, Jammu replied (August 2017) that notices have been issued to the DDOs to submit copies of the works contracts.

2.3.8 System of assessments of dealers

Rule 15 of the J&K GST Rules, 1962 provides that annual return, as required by Section 7 filed by the dealers (service provider), shall be in Form ST-12 and shall be accompanied by Balance Sheet in Form ST-12A, Manufacturing and Profit and Loss Account in Form ST-12B (wherever applicable) and Trading and Profit and Loss Account in Form ST-12C. The assessments made by the Assessing Authorities merely on the basis of returns and TDS certificates without obtaining the mandatory records like balance sheets, trading/ profit loss accounts/ purchase statements of the dealers were susceptible to the risk of concealments of turnover. It was noticed that some Assessing Authorities had allowed tax credits on defective TDS certificates and had not imposed penalty of ₹46.44 lakh for late filing of returns by the dealers. Concealment of purchases/ stocks and delay in payment of tax by the dealers has resulted in short levy of tax and interest of ₹10.12 crore as detailed below:

2.3.8.1 Concealment of purchases by the dealers

Cross check of 'C' Form consumption statements with the purchase statements and trading accounts of 31 dealers conducted by audit in eight[17] CTCs revealed that purchases and stocks worth ₹24.60 crore pertaining to the years 2010-11 to 2012-13,

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15 J&K SICOP, Executive Engineer Special Sub-Division (PIU) Marwah, Mechanical Engineering Division Khellani Doda, G.E Projects Udhampur, Executive Engineer PMGSY Ramban, Baba Ghulam Shah Badshah University, Municipal Committee Doda, Executive Engineer EM&RE Division-III Jammu, Executive Officer Municipal Committee Reasi, Executive Engineer PMGSY Udhampur-II Reasi, Garrison Engineer Basohli, Executive Engineer PWD R&B Division Chattru

16 At the rate of ₹5,000 per contract

17 Circle 'O' Jammu, Udhampur 'I' & 'II', Kathua, 'H' Srinagar, Kupwara, Baramulla and Anantnag-I

assessed during 2015-16 and 2016-17 had not been accounted for in the purchase statements/ trading accounts. The concealment of purchases and stocks has resulted in non-levy of tax, interest and penalty of ₹9.79 crore[18] in these 31 cases.

On this being pointed out, the CTO Circle 'O' Jammu replied (May 2017) that interstate purchase statement *vis-a-vis* consumption statement of 'C' Forms cannot be considered as concealment as 'C' Form declaration is submitted by the dealer and is placed on record.

The reply furnished by the Assessing Authority is not tenable in view of the fact that declared purchases made against 'C' Forms had not been accounted for by the dealer in his books of accounts during the years 2011-12 and 2012-13. CTO Udhampur-II, however, stated (June 2017) that the matter would be looked into and action as warranted under the Act be taken. CTOs circle Kupwara and Baramulla stated (May 2017 and July 2017) that demands shall be raised against the concerned dealers. The CTO circle 'H' Srinagar stated (September 2017) that statutory notices have already been issued against the dealers.

2.3.8.2 Allowance of tax credit on defective TDS certificates

Test-check of assessment records revealed that the Assessing Authorities of four[19] CTCs had accepted TDS certificates (ST-60) for an amount of ₹7.59 crore from 26 dealers during 2011-12 to 2013-14 without verifying whether the amount deducted had been remitted into the Government account. Details with regard to deposit of TDS into Government account were not recorded on these certificates, which meant that these TDS certificates were not amenable to verification.

2.3.8.3 Non-imposition of penalty for late filing of returns by dealers

In terms of the Section 7 of the J&K GST Act, 1962, every dealer liable to pay tax under the Act is required to file quarterly and annual returns of his/ her turnover along with proof of having paid tax due on that return within a period of 30 days and 120 days respectively from expiry of the quarter and the accounting year. Section 17 (1) (b) of the Act provides that if any person without reasonable cause fails to furnish the returns, as required under Sub-Section (1), (2) or (3) of the Section 7 or fails to furnish it within the time allowed, the appropriate authority shall direct such person to pay, in addition to tax, a sum of two *per cent* per month of the tax payable, as reduced by the amount of tax paid during the period prescribed under Sub-Section(3) of Section 8 of the Act for the period of default or ₹1,000 per month for the default, whichever is higher.

18 CTOs Circle 'O' Jammu: 10 cases, ₹4.43 crore; Udhampur-I: 2 cases, ₹0.19 crore; Udhampur-II: 2 cases, ₹2.25 crore; Kathua: 10 cases, ₹1.40 crore; 'H' Srinagar: 2 cases, ₹0.91 crore; Kupwara: one case, ₹0.01 crore; Baramulla: one case, ₹0.01 crore and Anantnag-I: 3 cases, ₹0.59 crore

19 CTOs Circle 'O' Jammu: 4 cases, ₹4.44 crore; Udhampur-I: 8 cases, ₹0.66 crore; Udhampur-II: 3 cases, ₹0.84 crore; Kathua: 11 cases, ₹1.65 crore

Test-check of assessment records of seven[20] CTOs revealed that 71 dealers had not filed 266 returns for the accounting years 2011-12 to 2013-14 within the prescribed time period and no penalty, as required under the provisions of the Act had been imposed on the dealers, resulting in non-levy of penalty to the extent of ₹46.44 lakh. The CTO, Baramulla stated (July 2017) that GST Act, 1962 shall be followed strictly in future. The Assessing Authority Circle 'O' Jammu accepted late filing of returns by the dealers but informed that no penalty for late filing of return is to be imposed on the ground that as per the decision of Hon'ble High Court of Rajasthan levy of penalty is not mandatory but discretionary. Reply is not tenable as the J&K GST Act is silent regarding the discretionary powers of the Assessing Authority and it should have been applied to protect Government money.

2.3.8.4 Non-levy of interest for delay in payment of tax

The Section 7 (2) and 8 (3) of J&K GST Act 1962 provides that quarterly tax due shall be paid by a dealer before furnishing of the quarterly returns, not later than 30 days from the expiry of that quarter. For delay in payment of tax, the dealer is liable to pay interest at the rate of two *per cent* per month under Section 8 (2) of the Act.

Audit scrutiny (April/ May 2017) of the assessment records of a dealer in CTC Udhampur-I, revealed that tax of ₹16.68 crore for the 1st quarter of 2011-12 was deposited by the dealer on 1st August 2011 after due date prescribed for depositing of tax. The Assessing Authority, while making assessment (March 2016) of the dealer, did not charge interest on the belated payment of tax, which resulted in non-levy of interest of ₹33.36 lakh.

2.3.9 Individual cases involving short/ non-levy of tax

Due to non-monitoring of returns/ recovery of the tax from the dealers, the Government had been put to a minimum revenue loss of ₹1.21 crore, besides, non/ short-levy of tax demand of ₹59.97 lakh in the instances as detailed below:

2.3.9.1 Loss of revenue due to non-monitoring of returns and non-recovery of tax

Test-check (April 2017) of records in CTO Circle 'O' Jammu revealed that a dealer, registered for execution of works contract with effect from 18th March 2011, changed its name on 1st May 2012. The dealer received works orders of ₹11.54 crore[21] during 2012-13 from a private limited firm for interior works of a shopping Mall at Jammu. It was specifically mentioned in the works order that TDS shall be deducted from running bills of the dealer. The work site of the Mall and material required for execution of this contract was inserted in Registration Certificate (RC) of the dealer.

Audit noticed that permission to import material for execution of the contracts had been allowed to the dealer on the recommendations of the private firm. The value of

[20] Circle 'O' Jammu: 15 cases, 39 returns, penalty: ₹10.84 lakh; Udhampur-I: 18 cases, 67 returns, penalty: ₹12.69 lakh; Udhampur-II; 10 cases, 46 returns, penalty: ₹7.49 lakh; Kathua: 8 cases, 34 returns, penalty: ₹11.42 lakh; 'H' Srinagar: one case, 4 returns, penalty: ₹0.20 lakh; Baramulla: 5 cases, 20 returns, penalty: ₹1.00 lakh; Anantnag-I: 14 cases, 56 returns, penalty: ₹2.80 lakh

[21] ₹10.25 crore in September 2012 and ₹1.29 crore in January 2013

work done by the contractor including service taxes as of August 2014 was ₹8.14 crore[22]. Dealer claimed that the private firm had deducted tax at source (₹70.25 lakh) from the payments up to August 2014, but the firm claimed that it had reimbursed this amount to the contractor against the challans. The tax deducted at source or reimbursed against challans had not been deposited into the Government account.

Audit scrutiny of records revealed that the dealer had filed returns with 'Nil' turnover during the period from 2010-11 to 2013-14. The Assessing Authority had accordingly proceeded (14th April 2014) to provisionally assess the dealer for the year 2013-14 under Section 7(18) of the J&K GST Act. Dealer had been charged with tax liability of ₹89.17 lakh but nobody appeared for the assessment. Regular assessment of the dealer for the accounting years 2010-11 to 2012-13 under Section 7 (9) was made on the best judgment basis after taking into account the purchases[23] as reflected in his computer folder. In view of no response of the dealer, the chances of recovery of tax under these circumstances are bleak. The mechanism adopted for granting permission to purchase of material to the dealer on the recommendations of the private limited firm was not prudent. Keeping in view the value of contracts, the Government had been put to a minimum loss[24] of ₹1.21 crore.

The CTO Circle 'O' Jammu replied (May 2017) that the tax demand including interest for the year 2011-12 to 2013-14 for ₹1.35 crore of the dealer had been raised and rest of the works executed would be taken into cognizance during the assessment of accounting year 2014-15.

The reply furnished by the Assessing Authority is not tenable since all the assessments for the years 2011-12 to 2013-14 had been made on the best judgment basis after taking into account the inter-state purchases reflected in the Computer folders plus 20 *per cent* incidentals, without taking into account the local purchases and labour component. By raising demands unilaterally does not confirm that the recovery of tax from the dealer could be made under these circumstances. Besides, deduction of tax by the private firm, not being responsible person, was not justified under the provisions of the J&K GST Act.

2.3.9.2 Blocking of tax and loss of interest

Clarifications[25] issued (August 2006) by the Commissioner Commercial Taxes, stipulated that where main contractor executes whole or part of the work by engaging sub-contractors, the portion of contract is not chargeable at the hands of the registered sub-contractors if they satisfy the Assessing Authority that tax on the portion of the contract has already been paid by the main contractor. For this purpose tax paid by the

[22] Work done: ₹7.36 crore; Service Tax at the rate of 10.5 *per cent*: ₹77.32 lakh
[23] 2010-11: Nil; 2011-12: ₹15.52 lakh; 2012-13: ₹1.10 crore
[24] Tax at the rate of 10.5 *per cent* of the contract value of ₹11.54 crore (₹10.25 crore and ₹1.29 crore) and does not include interest
[25] Clarification No. 8 of 2006 dated 14 August 2006

main contractor is to be treated as payment of tax on behalf of registered sub-contractor.

Scrutiny (April 2017) of the assessment records of four[26] contractors in the Commercial Taxes Circle 'O' Jammu revealed that Kargil Renewable Energy Development Agency (KREDA) and Leh Renewable Development Agency (LREDA) had allotted works contracts to two contractors/ dealers during the year 2012-13. These contractors sub-let these works to sub-contractors who, in turn, again sub-let these works to sub-contractors and received payments in the sequence mentioned below.

Table-2.3.2: Details of payments received by main/ sub-contractors

(₹ in crore)

Levels	**Amount received in respect of project-I of KREDA**	**Amount received in respect of project-II of LREDA**	**Remarks**
Main contractor	Nil	Nil	Contracts allotted to two different Main contractors.
Sub-contractor (1)	0.88	2.33	Both projects sub-let to same sub-contractor-1.
Sub-contractor (2)	1.04	Nil	Both projects sub-let to same sub-contractor-2.

Test-check (April 2017) of assessment records of these dealers for the accounting year 2012-13 revealed that the Assessing Authority had made assessment of the main contractors at nil taxable turnover (TTO) declared in their returns. The assessment of the sub-contractors was also made at nil TTO on the plea that the payments received by sub-contractors from the main contractors are not liable to tax. The Assessing Authority while making assessment of sub-contractors for the accounting year 2012-13 had not ensured that the tax on their behalf had actually been paid by the main contractor. This had resulted in non-levy of demand of ₹55.32 lakh[27].

The CTO Circle 'O' Jammu replied (May 2017) that the tax liability lies on the shoulders of the main contractor, which would be deducted at source by LREDA and KREDA as and when payment would be made to them but accepted blocking of tax in the case.

The fact of the matter is that the Assessing Authority has not ensured that the tax had been paid on behalf of the sub-contractors due to which the revenue earned by the Government through the sale of goods had remained unrealised from the contractors.

2.3.9.3 Non-levy of tax on Annual Maintenance Contract (AMC) charges

Test-check (May 2017) of assessment records of a dealer in Commercial Taxes Circle Udhampur-I for the accounting year 2012-13 revealed that dealer had shown contract

[26] (1) M/s IMP Power Projects (01301183321) (2) M/s IMP Energy Limited (01651183274) (3) M/s Crossbow Consultants and Engineers Limited (01211183322) and (4) M/s Kashmiri Lal constructions

[27] Tax at the rate of 10.50 *per cent* on the TTO of ₹4.25 crore: ₹44.60 lakh and interest: ₹10.72 lakh

receipts of ₹12.60 crore[28] in the profit and loss account. But the Assessing Authority, while making assessment of the dealer for the accounting year 2012-13, charged contract receipts of ₹12.40 crore only to tax. Annual Maintenance Contract Receipts worth ₹19.75 lakh received by the contractor had not been charged to tax despite the fact that the AMC services had been included in the notified service with effect from April 2012. This had resulted in short levy of tax and interest of ₹4.65 lakh[29]. Reply to the observation was awaited.

2.3.10 Monitoring and Control

The Department had not enforced that all the persons responsible for deduction of tax at source were allotted with Tax Deduction Numbers (TDNs) and all of them file the quarterly returns as detailed in the succeeding paragraphs.

2.3.10.1 Identification and allotment of Tax Deduction Number to responsible persons (DDOs)

Section 16 C[30] of the J&K GST Act, 1962 provides that any person responsible for paying any sum being sale price of taxable goods to a dealer in pursuance of a contract, on behalf of (a) any department of the Government or Central Government, (b) local authority, (c) Corporation or a Government company established by or under Central or State Act, (d) Co-operative Society or (e) Board constituted by or under Central or State Act, shall apply to the prescribed authority in the prescribed manner for allotment of a TDN. If the person, referred to above without a reasonable cause, fails to obtain TDNs, he shall be liable to a penalty of ₹5,000.

Details regarding total number of persons responsible for deduction of tax that were required to apply for TDNs were not available with the department. However, as per information provided by Additional Commissioners Kashmir and Jammu, only 730 persons had applied for and were allotted TDNs during 2012-17. Department had not ensured that all the persons responsible for deduction of tax at source were allotted with TDNs and has not taken adequate action for imposing Penalty under Section 16 C against the defaulters.

Additional Commissioner (Admn.), Kashmir, stated (April 2017) that penalty had been imposed and recovered from 59 persons who had not applied for TDN. While as Additional Commissioner (Admn.), Jammu replied (August 2017) that un-registered DDOs are being identified and notices being issued to get these registered at the earliest.

2.3.10.2 Non-filing of quarterly returns by Tax Deductors/ responsible persons

Section 16 C (8 and 9) of the J&K GST Act stipulates that the person responsible for deduction of tax is to file a quarterly return in the prescribed manner within one month of the expiry of each quarter of the financial year. Failure to file such return

[28] IRCON international Limited: ₹12.23 crore; Northern Railway Maintenance Cheque: ₹19.75 lakh and Northern Railway Sales Account: ₹17.50 lakh

[29] Tax: ₹2.08 lakh, interest: ₹2.57 lakh (April 2012 to May 2017: 62 months at the rate of two *per cent*)

[30] Substituted vide amendment dated 27.04.2012 with effect from 07.05.2012

shall make him liable for a penalty of ₹1,000 per month per return subject to a maximum of ₹5,000.

Audit noticed (March 2017) that database/ records of quarterly returns of the TDN holders had not been maintained by the department. Year-wise position of quarterly returns due to be received from the TDN holders and those received in the Department during the years 2014-17 is as under:

Table-2.3.3: Year-wise returns due and returns received

Year	Total No. of returns due at the rate of four per year			No. of returns received			Returns not furnished		
	Jammu	Kashmir	Total	Jammu	Kashmir	Total	Jammu	Kashmir	Total
2014-15	1,452	1,256	2,708	1,252	880	2,132	200	376	576
2015-16	1,548	1,360	2,908	1,299	1,008	2,307	249	352	601
2016-17	1,572	1,380	2,952	1,049	1,020	2,069	523	360	883
Total			**8,568**			**6,508**			**2,060**

As against 8,568 returns due to be received from 730 DDOs during 2014-17, only 6,508 returns were received and 2,060 quarterly returns were not received from the persons responsible for deduction of tax and allotted with TDNs. However, penalty[31] for non-filing of quarterly returns had not been imposed by the Department against defaulting persons.

Additional Commissioner, Kashmir stated (April 2017) that penalty has been imposed on four DDOs and action will be initiated against 51 DDOs. However, position about action taken against the remaining 675 DDOs was not intimated (November 2017).

2.3.11 Conclusion

Non-fixation of targets for collection of tax from the services as goods under J&K GST Act, 1962 and failure to widen the tax base by way of increasing the revenues from notified services other than works contracts revealed that tax planning was not adequate. Department had not enforced that all the persons responsible for deduction of tax at source were allotted with TDNs and all of them file the quarterly returns. Timely deposition of TDS into Government account and submission of copies of works contracts was not enforced by way of imposition of penalties. Incorrect application of rates for deduction of TDS resulted in short deduction of tax at source. The assessments made by the Assessing Authorities merely on the basis of returns and TDS certificates without obtaining the mandatory records were doubtful, with a risk of concealments of turnover. Assessing Authorities allowed tax credits on defective TDS certificates and had not imposed penalty for late filing of returns by the dealers. Concealment of purchases/stocks and delay in payment of tax by the dealers has resulted in short levy of tax and interest. Non-monitoring of returns/recovery of the tax from the dealers has put Government to revenue loss and also resulted in non/short-levy of tax demand.

[31] At the rate of ₹5,000 per return

C. Compliance Audit

Law Department

2.4 Follow-up Audit of Performance Audit on 'Assessment and Levy of Stamp Duty and Registration Fee' of Audit Report 2010-11

2.4.1 Introduction

A Performance Audit (PA) on Assessment and Levy of Stamp Duty and Registration Fee in Jammu and Kashmir State for the period 2006-07 to 2010-11 was featured in the Report (No. 3) of the Comptroller and Auditor General of India for the year ended 31st March 2011 (Government of Jammu and Kashmir). The Performance Audit contained recommendations which were accepted by the Department. The Performance Audit had not been discussed by the Public Accounts Committee (PAC) of the State (December 2017).

2.4.2 Summary of previous recommendations

A summary of previous recommendations is given as under:-

- Instructing the Department for preparing a Departmental Manual indicating the procedure and responsibilities of the persons responsible for registering the documents.
- Setting up of an Internal Audit Wing (IAW) to watch the correctness of levy and collection of revenue and its timely remittance to Government account in view of the substantial revenues collected by these offices.
- Implementing computerization of Registering offices, e-stamping for registration deeds and proper maintenance of records.
- Instructing Department for strictly adhering to the provisions of the Act and Rules made there under and ensure that correct rates as notified by the Government from time to time are applied.
- Department to put in place a system for updating the norms on the basis of which stamp duty is being levied.

2.4.3 Objective of follow-up audit

The follow-up audit was conducted to assess the extent of implementation of the above recommendations.

2.4.4 Scope of follow-up audit and Methodology

Follow-up audit commenced by issuing audit questionnaire to Secretary Law, Justice and Parliamentary Affairs Department to obtain the status about the action taken on the recommendations of the previous Performance Audit. Further, out of 42 registration offices audited during the previous Performance Audit, records of 18 registration offices[32] that had audit findings were test-checked in follow-up audit.

2.4.5 Audit findings

2.4.5.1 Implementation of audit recommendations of PA

The status of implementation of four audit recommendations of PA is given below:

A: Insignificant or no progress on audit recommendations of PA

Audit findings made in earlier Report	Recommendations made	PAC/COPU Recommendation, if any	Current Status	Audit findings/ comments
Para 5.5.10.1 Manuals and compendium of Instructions not prepared **Para 5.5.10.2** Administrative Inspections not carried out	Government may consider instructing the department for preparing a Departmental Manual indicating the procedure and responsibilities of the persons responsible for registering documents.	Not discussed	Departmental Manual not prepared.	During check of records of units, audit observed that the department had not prepared any Manual prescribing the procedures necessary for conducting office work relating to registration of Instruments. Besides, no compendium of instructions was found prepared. On being pointed out, Financial Advisor/CAO Department of Law, Justice & Parliamentary Affairs stated that as the job of registration of documents was being done by the judicial officers who were under the administrative control of the Hon'ble High court so the concerned authorities had already been requested for the same. However, when the matter was brought to the notice of Inspector General of Registrations, it was stated that High Court issues circulars from time to time and rules governing subordinate courts were in place which provided for inspection of office of Sub-Registrars. The reply furnished was, however, not found supported by the records checked by audit as it was noticed in 18 test-checked registration offices that no administrative inspection had been conducted by any higher authorities for period of 2010-11 to 2016-17. Besides, no file containing circulars issued by the higher authorities was found maintained in the registration offices. This indicated that no action had been taken to prepare Manual as recommended by Audit.

[32] Jammu Division: 11; Kashmir Division: 7

Audit findings made in earlier Report	Recommendations made	PAC/ COPU Recommendations, if any	Current Status	Audit findings/comments
Para 5.5.10.3 Absence of Internal Audit Wing (IAW) **Para 5.5.10.3.1** Embezzlement of Government money	Government may consider setting up of an IAW to watch the correctness of levy and collection of revenue and its timely remittance to Government account, in view of substantial revenue collected by these offices.	Not discussed.	Internal Audit Wing not constituted. Further, no recovery of balance amount of ₹700 out of pointed out embezzled amount of ₹0.20 lakh, was found made. However, no appreciable delay in remittance of revenue to Government account was noticed during test-check of registration offices.	No Internal Audit Wing (IAW) has been constituted by the department. Besides, no audit was found conducted by Finance department or any other office. When matter regarding creation of IAW was brought to the notice of Department, it was stated that the matter was under the active consideration of the department and same shall be done in consultation with the Hon'ble High Court. The reply furnished, however, did not give any timeframe during which the process of creation of IAW will be completed. Non-conduct of internal audit of registration offices was fraught with risk of many discrepancies remaining undetected as during follow-up audit it was observed that in City Judge JMIC Jammu as against ₹1.06 lakh collected as registration fee, on dates 30 May 2013, 06 June 2013, 03 March 2014, 19 April 2014, 23 April 2014 and 21 July 2015 only ₹0.42 lakh had been accounted. This had resulted in short accountal of registration fee by ₹0.64 lakh. Similarly, in the office of Sub-registrar Munsiff JMIC Hiranagar, as against ₹0.29 lakh received as registration fee on 22 July 2014, 28 August 2014, 10 December 2014 and 11 December 2014, an amount of ₹0.22 lakh only had been accounted for in the cash book. This had resulted in short accountal of registration fee of ₹0.07 lakh. As no internal audit had been conducted, the short accountal of registration fee had remained undetected. After the said short accountal was pointed out, City Judge JMIC Jammu and Sub-Registrar Munsiff JMIC Hiranagar stated that matter will be looked into.

Audit findings made in earlier Report	Recommendations made	PAC/ COPU Recommendations, if any	Current Status	Audit findings/comments
Para 5.5.11 Short realization of Stamp Duty and Registration fee due to application of incorrect rates on lease deeds of over three years **Para 5.5.11.1** Incorrect classification of sale deeds as sale agreement **Para 5.5.11.2** Non-levy of Stamp Duty and Registration Fee at the market value of land **Para 5.5.12** Non-levy of stamp duty and registration fee at applicable rate	Instructing the Department for strictly adhering to the provisions of the Act and Rules made there under and ensure that correct rates as notified by the Government from time to time are applied.	Not discussed.	Out of 2,225 cases involving 29 sub-registrar offices, short/ non-levy of stamp duty and Registration fee of ₹8.23 crore pointed out by audit in the PA report, recovery was not found made in any case.	In order to arrest revenue loss caused due to undervaluation of properties for the purpose of levy of stamp duty, Government vide SRO 303, dated 04.10.2011 enacted the Jammu and Kashmir Preparation and Revision of Market Value Guidelines where under Government constituted divisional/ district/ sub-district valuation board/ committees for each division/ district of State and mandated the board/ committee to evolve norms for fixation of market value in respect of valuation of land, buildings and various kinds of interests in the immovable property and thereafter issue market value guidelines and rates annually from April every year. In test-checked offices audit observed cases of short levy of stamp duty/ registration fee on account of application of old rates, incorrect calculations, misclassification of urban/ rural areas and incorrect grant of exemption/reduction from payment of stamp duty on registration of sale deeds/ gift deeds/ lease deeds details of which are given in paragraphs 2.4.5.2 to 2.4.5.5.

B: Partial implementation on audit recommendations of PA

Audit findings made in earlier Report	Recommendations made	PAC/COPU Recommendations, if any	Current Status	Audit findings/comments
Para 5.5.10.4 Non-Reporting of Deeds executed **Para 5.5.10.5** Non-computerization of the registration records **Para 5.5.10.6** Incomplete maintenance of records	Department may consider implementation of computerization of the registration offices, e-stamping for registration deeds and proper maintenance of records.	Not discussed.	Computerization of records was not found done in the test-checked offices. As regards e-stamping for registration deeds, Government notification issued under SRO 402 of 2013 dated 16 September 2013 by the Finance Department, implemented e-stamping system in the State. For the purpose, the Stock Holding Corporation of India Ltd. was authorised as Central Record Keeping Agency on commission basis at the rate of 0.65 *per cent* for every rupees hundred of value of stamp duty collected through this mechanism.	Test-check of records however revealed that despite Government orders issued in September 2013, e-stamping procedure had not been adopted and registrations were still being made by manual procedure. When non-computerization of records and non-adhering e-stamping mode was brought to the notice of department, it was stated that matter was sub-judice. However, office of Inspector General of Registrations while accepting that offices of Registrar/ Sub-Registrars were not computerized yet, stated that the proposal in this regard was under active consideration of the Hon'ble High Court. Further, in test-checked offices, audit observed that while entertaining registrations the serial number of stamp papers utilized and denomination wise details of stamp papers was not found recorded by all the registration offices. Thus, audit could not vouchsafe the value of stamp papers actually utilized. Besides, document registers were not found closed under signatures of the Registering Officers as was required under rule 30 of Registration Act, *Samvat* 1977. No exercise to ascertain non-use of stamp papers second time or use of duplicate stamp papers was found done ever.

C: Full implementation on audit recommendations of PA

None of the recommendations has been fully implemented.

2.4.5.2 Short levy of Stamp Duty and Registration Fee on registration of sale deeds due to non-application of revised rates

Government of Jammu and Kashmir enacted[33] the Jammu and Kashmir preparation and revision of market value guidelines whereunder Government constituted divisional/ district/ sub-district valuation board/ committees for each division/ district of State and mandated the board/ committee to evolve norms for fixation of market value in respect of valuation of land, buildings and various kinds of interests in the

[33] Vide SRO 303, dated 4th October 2011

immovable property and thereafter issue market value guidelines and rates annually from April every year.

During follow-up audit, test-check of records revealed that in seven Sub-Registrars, the revised market rates notified by the concerned authorities for charging the stamp duty and registration fee in 80 cases during 2013-14 to 2016-17 were not applied. Against the leviable amount of ₹56.26 lakh, only ₹48.54 lakh was levied by the Registering Authorities. This has resulted in short levy[34] of Stamp Duty and Registration Fee of ₹7.72 lakh[35].

On this being pointed out (March-May 2017), it was stated that the matter will be looked into.

2.4.5.3 Short levy of Stamp Duty and Registration Fee on registration of sale deeds due to mistake in calculations/ misclassification

During follow-up audit, test-check of records of 12 Registering authorities revealed wrong computation or misclassification of the documents and short charge of stamp duty and registration fee in case of 71 sale deeds due to lesser valuation of the property. Against the Stamp Duty and Registration Fee of ₹39.02 lakh leviable in respect of these cases, only ₹20.65 lakh was levied. Further, four Registering authorities had incorrectly levied Stamp Duty at the rate of 5 *per cent* in four cases and one Registering authority has irregularly allowed 25 *per cent* reduction on the Stamp Duty in two cases to male persons, which was admissible only to female family members for purchase of land which resulted in short levy of Stamp Duty of ₹1.26 lakh. This has resulted in short levy of Stamp Duty and Registration Fee of ₹19.63 lakh[36].

On this being pointed out, it was stated that matter will be looked into.

2.4.5.4 Short levy of Stamp Duty on registration of Gift deeds due to grant of inadmissible reduction and incorrect valuation of property

Section 3 of Jammu and Kashmir Stamps Act, 1977 envisages levy of Stamp Duty on Instruments mentioned in Schedule-I to the said Act. As per Article 27 of the Schedule, Gift, Instrument, not being settlement (No. 50) or will or transfer (No. 54), is to be subjected to levy of same stamp duty as a conveyance (No.18) on the market value of the property, which is the subject matter of the gift. Government of Jammu

[34] Stamp duty: ₹6.95 lakh; Registration fee: ₹0.77 lakh

[35] Sub-Judge JMIC Jammu: 17 cases, ₹4.11 lakh; Sub-Registrar JMIC Jammu: 05 cases, ₹0.49 lakh; Sub-Registrar, City Judge Jammu: 04 cases, ₹0.32 lakh; Sub-Judge CJM Samba: one case, ₹0.04 lakh; Sub-Judge CJM Kathua: 24 cases, ₹2.14 lakh; Munsiff Kathua: 28 cases, ₹0.46 lakh; Munsiff JMIC Ganderbal: one case, ₹0.16 lakh.

[36] Wrong computation or misclassification of the documents: (Sub-Registrar JMIC Jammu: 08 cases, ₹1.28 lakh; Special Municipal MGT Jammu: 7 cases, ₹3.95 lakh; Sub-Registrar City Judge Jammu: 9 cases, ₹5.61 lakh, Munsiff JMIC Jammu: 3 cases, ₹0.06 lakh; Munsiff JMIC Samba: 2 cases, ₹0.10 lakh; Musniff Hiranagar: 7 cases, ₹0.67 lakh, Sub-Judge CJM Samba: 11 cases, ₹1.63 lakh, Munsiff JMIC Kathua: 5 cases, ₹2.15 lakh; Sub-Judge CJM Reasi: 2 cases, ₹0.04 lakh; Sub-Registrar Quazigund: 4 cases, ₹0.16 lakh, Sub Judge CJM Shopian: 12 cases, ₹2.54 lakh; Munsiff JMIC Ganderbal: one case, ₹0.18 lakh); Incorrect levying of stamp duty: (Sub-Registrar Munsiff Hiranagar: one case, ₹1.03 lakh; Sub-Judge CJM Kathua: one case, ₹0.08 lakh; Sub-Judge CJM Samba: one case, ₹0.04 lakh; Munsiff JMIC Kathua: one case, ₹0.08 lakh); Inadmissible reduction on the stamp duty: (Sub-Registrar CJM Samba: 2 cases, ₹0.03 lakh)

and Kashmir vide SRO 152 dated 31st March 2010 allowed reduction of 25 *per cent* in respect of stamp duty leviable on land purchased in the name of a female member of the family. This reduction was applicable only to land purchased in the name of females and was not applicable to gift deeds where donee was female.

During follow-up audit it was observed that nine Sub-Registrars had not levied proper stamp duty on gift deeds in 35 cases registered during 2011-12 to 2016-17. Against leviable Stamp Duty of ₹23.12 lakh, Stamp Duty of ₹13.30 lakh was levied. This resulted in short levy of Stamp Duty of ₹9.82 lakh[37] due to inadmissible reduction of 25 *per cent* in stamp duty allowed in respect of gift deeds registered in the names of females, incorrect valuation of property and wrong calculations, as reduction of 25 *per cent* stamp duty was admissible only in the cases of purchase of land.

On being pointed out, eight Sub-Registrars stated that matter will be looked into. Sub-Registrar Kulgam recovered ₹0.86 lakh in seven cases and recovery from one case could not be made due to donee being untraceable.

2.4.5.5 Short levy of Stamp Duty on Lease deeds

Section 3 of Jammu and Kashmir Stamps Act, 1977 envisages levy of Stamp Duty on Instruments mentioned in schedule-I to the said Act. As per Article 29 of the Schedule, Lease or sub-Lease and any agreement to let or sub-let or any renewal of Lease is subject to levy of Stamp Duty at rates as mentioned in the Article.

During follow-up audit it was observed that lease deeds executed and registered in ten Sub-Registrar offices have not been charged Stamp Duty at rates applicable as per the schedule. As against leviable Stamp Duty of ₹17.60 lakh in 30 cases during 2013-14 to 2016-17, the Stamp Duty of ₹12.35 lakh only was levied, which resulted in short levy of Stamp Duty of ₹5.25 lakh[38] due to incorrect market valuation of property and wrong calculations.

On being pointed out, it was stated that matter will be looked into.

2.4.6 Conclusion

The Government had initiated only part measures to address the deficiencies pointed out in the Audit Report 2010-11. While the Government had issued notification for introducing e-stamping in the State, the same had not been implemented yet. Several lapses like application of pre-revised rates, incorrect application of rates, inadmissible grant of reduction in levy of stamp duty, which had resulted in loss of revenue and had been pointed out in audit had not been addressed yet and had continued to persist. No action had been taken to constitute Internal Audit Wing which meant that

[37] Sub-Judge JMIC Jammu: one case, ₹0.93 lakh; City Judge JMIC Jammu: 2 cases, ₹2.20 lakh; Munsiff JMIC Hiranagar: 5 cases, ₹0.39 lakh; Sub-Judge CJM Samba: 2 cases, ₹0.12 lakh; Sub-Judge CJM Kathua: 2 cases, ₹2.04 lakh; Munsiff JMIC Kathua: 2 cases, ₹0.03 lakh; Sub-Registrar CJM Shopian: 9 cases, ₹2.57 lakh; Munsiff JMIC Ganderbal: 4 cases, ₹0.42 lakh; Sub-Registrar Kulgam: 8 cases, ₹1.12 lakh

[38] Sub-Registrar JMIC Jammu: 3 cases, ₹1.60 lakh; Sub-Judge JMIC Jammu: 5 cases, ₹1.51 lakh; Special Municipal Magistrate Ist Class Jammu: 5 cases, ₹0.18 lakh; Sub-Registrar City Judge Jammu: 2 cases, ₹0.91 lakh; Munsiff JMIC Jammu: 3 cases, ₹0.81 lakh; Munsiff JMIC Samba: one case, ₹0.06 lakh; Sub-Judge CJM Kathua: 7 cases, ₹0.08 lakh; Sub-Registrar CJM Qazigund: one case, ₹0.01 lakh; Sub-Registrar JMIC Shopian: one case, ₹0.07 lakh; Munsiff JMIC Anantnag: 2 cases, ₹0.02 lakh

instances of mistakes/irregularities/short accountal of money, if any, remain unnoticed. Further, no progress had been made towards recovering short levy of stamp duty and registration fee, pointed out earlier.

Public Health Engineering, Irrigation and Flood Control Department

2.5 Levy, Collection and Utilisation of Water Usage Charges from Power Projects in the State of Jammu and Kashmir

Consolidated position of water usage charges assessed, collected and the balance outstanding against all the 29 power projects in the State was not available with the Department responsible for assessment and collection. Only ₹3,971.63 crore, being 67 *per cent* of the assessed amount of ₹5,950.55 crore in respect of 17 power projects, was recovered. Inconsistent system of measuring the water usage data and failure to levy the water usage charges led to short/non-levy of ₹201.69 crore. Out of the total expenses of ₹4,159.85 crore from the Water Usage Charges Fund, 2.40 *per cent* were allocated for creation of assets and 80.25 *per cent* were used for purchase of power. Purpose for which ₹721.56 crore (17.35 *per cent*) was transferred to the Common Pool Account, could not be ascertained. The revenue from the water usage charges had proved to be only an Additional Resource Mobilisation (ARM) by the State Government for revenue expenditure, especially for power purchases, and has not served the purpose of establishment and buying back of Hydro Electric Projects and for capital investments in Transmission and Distribution network.

2.5.1 Introduction

The Jammu and Kashmir State Water Resources Regulation and Management (WRRM) Act, 2010, came into force with effect from 10 November 2010. The Act provides for levy of water usage charges for water used, amongst others, by the Hydro Electric Projects in the State. Pursuance to Section 197 of the Act, the Jammu and Kashmir WRRM Rules, 2011 were framed in January 2011. As per Rule 56 of WRRM Rules, 2011, Public Health Engineering, Irrigation & Flood Control (PHE, I&FC) Department was responsible for assessment and collection of water usage charges on account of water supplied to the Power Projects. The Assistant Executive Engineer (AEE) of the Division, having jurisdiction over the area where the Power Project is located, was required to assess and demand the water usage charges in respect of water used by the licensee (Power Projects). There are 29[39] hydroelectric power projects in the Jammu and Kashmir State run by the NHPC[40] and JKSPDC[41] to which water usage charges are applicable. Assessment records relating to levy of

[39] Seven projects of NHPC (Salal, Uri-I, Dulhasti, Sewa-II, Chutak, N. Bazgo, Uri-II) and 22 projects of JKSPDC (Baghlihar-I & II, Chenani-I, II & III, Sewa-III, Lower Jhelum, Upper Sindh-I & II, Ganderbal, Pahalgam, Karnah, Iqbal, Hunder, Sumoor, Igo-Mercilong, Haftal, Marpachoo, Bazgo, Satkna, Sanjak, Baderwah)

[40] National Hydroelectric Power Corporation

[41] Jammu and Kashmir State Power Development Corporation

water charges were test-checked during January 2017 to April 2017 in seven[42] projects out of 29 projects and four[43] Assessment divisions covering period from November 2010 to March 2017. The audit was conducted to assess whether the system of assessment and collection of water usage charges from power generation units are as per the requirements of the Act and the Rules and are adequate and efficient and also to see whether the water usage charges collected from power generation units are utilised as per the provisions of the Act/Rules.

2.5.2 Constitution of Jammu and Kashmir State Water Resources Regulatory Authority

In terms of section 139 of the Act, the State Government was required to establish Jammu and Kashmir State Water Resources Regulatory Authority (JKSWRRA) within three months from the date of commencement of Act, i.e. by February 2011. The main function of the JKSWRRA, included *inter alia* establishment of water tariff system and regulation of use of water by the users and licensees from all water sources in the State. Administrative Secretary of PHE, I&FC Department was to exercise the powers and discharge the functions of JKSWRRA till the time it was established. The JKSWRRA, comprising Chairperson and two members, was constituted in October 2012 with a term of three years. Although JKSWRRA completed its term in September 2015, new authority, is yet to be reconstituted (April 2017).

2.5.3 Assessment and demand collection

In accordance with the provisions of the Water Resources Regulation and Management Act/Rules, the concerned AEEs are required to serve demand notices for usage of water on the Power projects on six monthly basis[44]. Scrutiny of records in four test-checked divisions revealed that these divisions were not maintaining complete records with regard to water usage charges assessed in respect of the power projects, recoveries made thereagainst and the balances outstanding. Consolidated data regarding water usage charges assessed, collected from power projects and balances outstanding was not even maintained in the PHE, I&FC Department. As such, the exact amount of water usage charges due to the Government and balances outstanding against various power projects could not be ascertained in audit. Although, Chief Engineer (I&FC) Jammu provided the details of water usage charges assessed in respect of power projects situated in Jammu division, complete information in respect of power projects of Kashmir division was not available with the Chief Engineer (I&FC) Kashmir, who stated (January 2017) that the records have been damaged in the floods.

On the basis of data obtained from NHPC and information provided by Chief Engineers I&FC, it was seen that against an amount of ₹5,950.55 crore assessed in

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42 Baghlihar - I & II, Salal, Chenani - I, II & III and Sewa - II

43 Ramban, Dharmari, Udhampur, Kathua

44 On 1st of April and October every year

respect of seven[45] projects of the NHPC (₹3,958.42 crore) and ten[46] projects of the JKSPDC (₹1,992.13 crore), during November 2010 to September 2016, only ₹3,971.63[47] crore have been collected from the NHPC (₹3,951.63 crore) and JKSPDC (₹20 crore), leaving unrecovered amount of ₹1,978.92 crore[48] (33 *per cent*). JKSPDC had not made any payment of water usage charges after June 2011 despite being reminded by the Department. Since complete details of the amount assessed in respect of all the projects was not available, the exact amount of unrealized bills could not be ascertained in audit. However, the un-recovered amount of ₹1,972.13 crore against the ten projects of the JKSPDC comprised around 99 *per cent* of their assessed amount. Effective steps have not been taken to ensure the recovery of outstanding amounts from the JKSPDC.

Although, NHPC claimed that it had paid ₹3,958.42 crore[49] on account of water usage bills and license fee of ₹0.35 crore, as per the departmental records, only ₹3,951.63 crore have been received. Department had not carried out any reconciliation either with the NHPC or with the bank to sort out the variation and ensure recovery of ₹7.14 crore, which had remained unaccounted in the Government accounts.

Although, Rule 57 of WRRM Rules, 2011 provides that where the user is engaged in generation of electricity and makes a default in the payment of such water charges, the AEE shall recommend to the District Magistrate concerned for disconnection, or stopping the supply of water to such user, there was no provision with regard to imposition of penal charges or surcharge on the user for non-payment or delayed payment of water usage charges. Thus, despite non-payment of water usage charges by the JKSPDC, the Department could not initiate any action against the defaulter.

2.5.4 Non-installation of Flow Meter for measuring the quantity of water used

Section 124 of WRRM Act, 2010 provides for installation of flow meters by the I&FC Department for measuring the quantity of water used by the power projects. Further, Rule 56 of WRRM Rules, 2011 provides for assessment of water usage charges on the basis of meter readings recorded by the Junior Engineer in-charge of the area relating to usage of water by the user.

Audit scrutiny in test-checked divisions and power projects revealed that I&FC Department had not installed any equipment/ meter at Project sites[50] to measure the quantity of water used by these Power Projects. Metering system/ equipment to

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45 Salal: ₹2,132.63 crore; Uri-I: ₹749.06 crore; Dulhasti: ₹618.81 crore; Sewa-II: ₹57.33 crore; Chutak: ₹23.09 crore; N. Bazgo: ₹61.84 crore; Uri-II: ₹316.01 crore (Payment includes license fee of ₹0.35 crore at the rate of ₹0.05 crore per project for seven projects)

46 Baghlihar: ₹1,345.68 crore; Chenani-I, II & III: ₹103.61 crore; Sewa-III: ₹7.31 crore; Lower Jhelum: ₹470.94 crore; Upper Sindh-I: ₹17.26 crore; Upper Sindh-II: ₹24.09 crore; Ganderbal: ₹6.73 crore; Pahalgam: ₹16.51 crore

47 2010-11: Nil; 2011-12: ₹553.50 crore; 2012-13: ₹585.49 crore; 2013-14: ₹567.47 crore; 2014-15: ₹757.03 crore; 2015-16: ₹710.12 crore; 2016-17: ₹798.02 crore

48 NHPC: ₹6.79 crore and JKSPDC ₹1,972.13 crore

49 Excluding license fee of ₹0.35 crore

50 Baghlihar Hydro Electric Project (Chanderkote), Chenani Hydro Electric Project (Chenani), Salal Hydro Electric Project (Reasi) and Sewa-II Hydro Electric Project (Basohli)

measure the quantity of water used for generation of electricity was not available even with the Power Projects. AEEs responsible for raising bills were relying merely on the water usage data provided by the Power Projects and there was no system in place to verify the correctness of water usage data provided by the projects. The Power Projects prepared the water usage data by applying formulae based on technical specifications[51] of each project which varied in each project. There was no uniform methodology for computation of water usage in four test-checked Power Projects as detailed below:

Table-2.5.1: Varying methodology of calculating water usage charges

Sl. No.	Name of the Power Project	Division of I&FC Department responsible for levy of Water Usage Charges	Methodology of calculating water usage data
1.	Salal	Dharmari Irrigation Division	Based on rated discharge and rated output of turbine after considering actual power generation.
2.	Sewa-II	Kathua Irrigation Division	Based on rated discharge and rated output of generator after considering actual power generation.
3.	Baglihar I & II	Ramban Hydraulic Division	Based on rated discharge and rated output of generator after considering actual power generation.
4.	Chenani I, II & III	Udhampur Irrigation Division	Based on carrying capacity of water conductors without considering actual power generation.

Impact of adoption of inconsistent system of measuring water usage data on revenue of the State has been discussed in succeeding paras.

2.5.4.1 Short Levy of Water Usage Charges of ₹61.87 crore

The Salal Hydroelectric Power Project, a unit of the NHPC Limited, with installed capacity of 690 MW consisted of six turbines of rated output of 117.5 MW each and six generators with installed capacity of 115 MW each. The Dharmari Irrigation Division, responsible for raising the bills for water usage charges relied on the water usage data provided by the Power Project. While computing the water usage data, the Project authorities considered the rated output of the turbines (117.5 MW) instead of rated output of generators (115 MW) for calculating the quantity of water used. The Sewa-II, another Power project of NHPC had considered rated output of generator instead of rated output of turbine to work out the water usage data. Thus, incorrect computation of water usage data based on the rated output of the turbines instead of rated output of generators has resulted in short levy of Water Usage Charges of ₹46.46 crore against the Salal Hydroelectric Power Project between November 2010 and September 2016.

Audit further noticed that while filing (August 2014) the Tariff Petition with the Central Electricity Regulatory Commission, the Salal Hydroelectric Power Project

[51] Technical specifications included Rated Output of Turbine (the amount of mechanical energy a turbine can produce), Rated Output of Generator (the amount of electrical energy the generator can produce) and Rated Discharge (the volume of water flow required to produce a given amount of energy)

had depicted the rated water discharge of turbines at 140 cubic metre per second. But for calculating the water usage data, the rated discharge of each turbine at 139 cubic metre per second was taken into consideration. Thus, by considering the incorrect rated discharge of turbine at 139 cubic metre per second the quantum of water usage was computed incorrectly, which resulted in short levy of water usage charges of ₹15.41 crore. On this being asked, the Department had not furnished any reply.

2.5.4.2 Non-levy of Water Usage Charges of ₹139.82 crore

Audit observed that the Executive Engineer, Hydraulic Division, I&FC, Ramban had not levied water usage charges on Stage-II of the Baghlihar Hydroelectric Power Project (BHEP) despite the fact that the Power Project was commissioned in September 2015 and had utilized 5,592.44 million cubic metre of water during the period between September 2015 and September 2016. Since the head of the Stage-II of the BHEP was more than 90 metres, the Division was required to impose water usage charges at the rate of ₹0.25 per cubic metre in accordance with the Tariff notified (December 2014) by the JKSWRRA. Division had not levied water usage charges of ₹139.82 crore on the BHEP Stage-II. Reasons for non-levy of water usage charges sought from the concerned Division were awaited (December 2017).

2.5.4.3 Levy of water usage charges without any record of water usage data

Irrigation Division, Udhampur responsible for levying the water usage charges in respect of the Chenani Hydroelectric Power project had not maintained a month-wise data regarding quantity of water used by the Project. The Division had raised water usage bills on the basis of carrying capacity of the water conductor of the project, without considering the actual usage of water or generation of power by the Power Project. Since the data regarding water usage by the Project was not available, audit could not verify the correctness of bills of ₹103.61 crore raised during 2010-11 to 2016-17 by the Irrigation Division, Udhampur against this project. Irrigation Division, Udhampur replied (April 2017) that the exact quantity of water used for generation of electricity can only be worked out as and when flow meters are installed and the issue has been taken up with the higher authorities.

2.5.5 Management of Water usage charges fund

The WRRM Act was amended in October 2012, and Finance Department was authorised to constitute a 'Fund' in which the amount realised as water usage charges from such users generating power from Hydroelectric Projects in the State was to be deposited. The Fund was to be operated by the Finance Secretary, with prior approval of Government, exclusively for the purpose of establishment of Hydel Projects, Hydroelectric Projects, Multi-purpose Hydroelectric Projects and buying back Hydroelectric Power Projects already established in the State and for capital investment in electric transmission and distribution network in the State. The Act was again amended (October 2014) to include purchase of power by State Government and its entities as one of the purposes for which fund can be utilized.

Water Usage Charges of ₹3,971.63 crore collected during 2010-11 to 2016-17 were deposited in a Savings Bank Account[52] maintained by Secretary, PHE, I&FC Department, since June 2011. After earning an interest of ₹45.28 crore, the PHE, I&FC Department remitted ₹4,010.92 crore[53] to the Finance Department, leaving a balance of ₹5.99 crore in the bank account as of March 2017.

In accordance with the provisions of Section 185A[54] of the Act, the Finance Department opened (January 2013) a Savings Bank Account[55] wherein all the revenue realized on account of water usage charges transferred by the PHE, I&FC Department was deposited. The Finance Department has allocated ₹4,159.85 crore[56] out of this fund for certain activities[57] and there was a closing balance of ₹4.11 crore in this savings bank account as of March 2017.

2.5.5.1 Delayed remittance and poor management of fund

Audit observed that the revenue collected by the PHE, I&FC Department was retained in their saving account and was remitted to the Finance Department with a delay up to 342 days. Year-wise delay in remittance of revenue by PHE, I&FC department to Finance department is indicated in the table below:

Table-2.5.2: Profile of remitting the revenue

(₹ in crore)

Year	Amounts remitted to Finance department after delays of				
	up to 3 months	3 to 6 months	6 to 9 months	9 to 11 months	Total
2011-12	52.96	348.71	131.83	0	533.50
2012-13	158.02	427.47	0	0	585.49
2013-14	567.47	0	0	0	567.47
2014-15	0.00	529.09	0	227.94	757.03
2015-16	496.60	9.59	203.93	0	710.12
2016-17	798.02	0	0	0	798.02
Total	**2,073.07**	**1,314.86**	**335.76**	**227.94**	**3,951.63**

As evident from table above, ₹227.94 crore were retained by PHE, I&FC Department for a period ranging between 9 to 11 months during 2014-15. Besides, ₹335.76 crore were retained for a period ranging between six to nine months and ₹1,314.86 crore were remitted to the Finance Department with a delay ranging between three to six months. The delay in remittance led to non-availability of these funds for utilization by the Finance Department for the purposes intended by the Act/ Rules.

2.5.5.2 Efficiency and Effectiveness of utilisation of fund for the stated purposes

The revenue collected on account of water usage charges from Power Projects was to be utilised by the Finance Department on specific purposes[58] defined in the WRRM

52 Account No. 0110040500000014 in Jammu and Kashmir Bank, moving secretariat branch

53 Includes ₹20 crore received from JKSPDC and credited directly to Finance Department

54 Inserted by amendment to Act in October 2012

55 Account No. 0110040500000031 at Jammu and Kashmir Bank, moving secretariat branch

56 Includes interest earned on saving/ fixed deposits, complete details whereof are not available

57 ₹100 crore on creation of assets, ₹3,338.29 crore on power purchase and ₹721.56 crore in the common pool account for unknown purpose

58 For establishment of Hydel Projects, Hydroelectric Projects, Multipurpose Hydroelectric Projects, buying back Hydroelectric Power Projects already established in the State, Capital investment in electric transmission and distribution network within the territory of the State and the purchase of power by the State Government or its entities

Act[59], with prior approval of the Government. Scrutiny of records revealed that Finance Department allocated ₹4,159.85 crore[60] for various activities which included ₹100 crore[61] (2.40 *per cent*) transferred to JKSPDC as State Equity towards JV Chenab Valley Power Projects Private Limited and ₹3,338.29 crore[62] (80.25 *per cent*) on power purchase. An amount of ₹721.56 crore[63] (17.35 *per cent*) was transferred to the Common Pool Account managed by Finance Department, but the purpose for which this amount was allocated could not be ascertained in audit. This amount was transfered to common pool during June 2011 to August 2012 when the Act had not provided for such expenditure.

Table-2.5.3: Details of utilization of funds

(₹ in crore)

Year	Capital Expenditure	Revenue Expenditure (Power Purchase)	Others (transferred to common pool)	Total
2010-11	-	-	-	-
2011-12	-	-	563.35	563.35
2012-13	-	-	158.21	158.21
2013-14	100.00	-	-	100.00
2014-15	-	600.00	-	600.00
2015-16	-	1,945.29	-	1,945.29
2016-17	-	793.00	-	793.00
Total (Percentage)	**100.00 (2.40)**	**3,338.29 (80.25)**	**721.56 (17.35)**	**4,159.85**

Allocation of 80.25 *per cent* funds for purchase of power, 17.35 *per cent* for unknown purposes and 2.40 *per cent* for creation of assets indicated that the fund is being mainly used for Power Purchase. State could not acquire additional hydro-electric power projects or strengthen the electric transmission and distribution system through operation of the fund.

In terms of the Section 185-A of the WRRM Act (amended-2012) the Administrative Secretary, Finance Department was authorised to operate the Fund and same were released on the basis of the authority letters issued by the Finance Secretary which did not mention the purpose for which the funds were released.

2.5.6 Conclusion

The objectives of establishment and buying back of Hydro Electric Power Projects and capital investment in Transmission and Distribution network were not achieved although the revenue from water usage charges had proved as additional resource mobilisation for meeting the expenditure on power purchase. The flow meters to measure the quantity of water used by Power Projects had not been installed and there was no consistent system in place to measure the water usage by power projects.

The matter was referred to the Government/ Department in June 2017; reply thereof was awaited (December 2017).

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59 As amended in October 2012 and October 2014

60 ₹4,010.92 crore received from I&FC department and interest earned from the saving account/ fixed deposits

61 2013-14: ₹100 crore

62 2014-15: ₹600 crore; 2015-16: ₹1,945.29 crore; 2016-17: ₹793 crore

63 2011-12: ₹563.35 crore; 2015-16: ₹158.21 crore

Finance Department

2.6 Short levy of tax due to concealment of purchases

Assessing Authorities did not detect concealment of purchases by two dealers, resulting in short levy of tax, interest and penalty of ₹37.62 lakh.

Section 42 of the Jammu and Kashmir Value Added Tax (VAT) Act, 2005 stipulates that where after a dealer is assessed under sections 37 to 40 for any year or part thereof and the Assessing Authority has reason to believe that whole or any part of the turnover of the dealer in respect of any period has escaped assessment, the Assessing Authority may after giving a reasonable opportunity of being heard and making such enquiries as it considers necessary, proceed to assess to the best of its judgement, the amount of tax due from the dealer in respect of such turnover and the provisions of the Act, shall so far as may be, apply accordingly. Further, section 69 (1) (f) of the Act stipulates that if any person conceals his turnover or furnishes inaccurate particulars thereof, the appropriate authority shall direct such person to pay in addition to the fee or tax by way of penalty, a sum equal to double the amount of tax attempted to be evaded. For default in making the payment under sections 37 to 40, dealer is liable to pay interest on such amount at the rate of two *per cent* per month under section 51 (4) of the Act.

I. Test-check of the records (February 2015) of Commercial Taxes Circle 'E' Jammu, revealed that a dealer[64], disclosed inter-state stock transfer of ₹73.72 lakh in his annual return and trading account for the year 2010-11. However, cross examination of purchase/ stock transfer statement with the consumption statement of 'F' Forms and VAT 65 filed by the dealer revealed that purchases worth ₹40.60 lakh were not accounted for by the dealer in his purchase statement. The Assessing Authority while passing assessment order (March 2014) under section 39(5) of the Act failed to notice the concealment of purchases which resulted short levy of tax, interest and penalty of ₹8.14 lakh[65].

On being pointed out (February 2015), the Assessing Authority re-assessed (February 2017) the dealer under section 42 of the Act and raised a demand of ₹8.94[66] lakh. The Assessing Authority also stated (August 2017) that the dealer has not paid the demand and has also not filed any appeal before the Appellate Authority. The matter was referred to the Government/ Department in June 2017 and in reply Deputy Commissioner Commercial Taxes Judicial, Srinagar stated (June 2017) that the demand of ₹8.94 lakh was served upon the dealer which he failed to deposit within the prescribed time period. The demand has been referred to Collector for effecting the recovery under Land Revenue Act.

64 Dealing in the purchase/ sale of uniforms
65 Tax at the rate of five *per cent* of ₹40.60 lakh: ₹2.03 lakh; Interest: ₹2.05 lakh; Penalty: ₹4.06 lakh
66 Tax: ₹2.03 lakh; Interest: ₹2.84 lakh; Penalty: ₹4.06 lakh

II. Test-check of the records (August 2016) of Commercial Taxes Circle 'J' Jammu, revealed that a dealer had concealed inter-state purchases of ₹3.69 lakh made as per his 'C' Form consumption account during the 3rd and 4th quarters of 2011-12 in his purchase statement for that period. The dealer had made inter-state purchase of 79,189.50 quintals of cement for which he was liable to pay toll tax of ₹43.55 lakh[67] which was not reflected in his trading account. The Assessing Authority while passing assessment order (June 2014) under section 39(5) of the Act failed to notice the concealment of purchases, which resulted in short levy of tax, interest and penalty of ₹29.48 lakh[68].

On being pointed out (August 2016) in audit, the Assessing Authority re-assessed (February 2017) the dealer under section 42 of the Act and raised a demand of ₹27.20[69] lakh. The matter was referred to the Government/ Department in June 2017 and in reply Additional Commissioner Commercial Taxes (Headquarters), Srinagar stated (October 2017) that the dealer has availed the amnesty scheme and has so far liquidated ₹6.54 lakh in seven installments. However, the fact remains that the amnesty scheme under SRO 30 of 1st February 2017, was to facilitate voluntary payment of tax arrears payable under J&K VAT Act, 2005 and remission of penalty and interest on arrears of tax was admissible in respect of dealers who paid tax arrears in six equal monthly installments, with first installment to be paid within one month of the publication of notification. Default in payment of first installment entailed outright disqualification from the scheme. In the instant case the dealer was reassessed only on 28 February 2017 after the amnesty scheme came into force.

2.7 Short levy of tax due to incorrect application of tax rates

Application of incorrect rates (10.5 *per cent* instead of applicable rate of 13.5 *per cent*) of tax on sale of goods by the Assessing Authority resulted in short levy of tax of ₹37.52 lakh and interest payable thereon of ₹39.77 lakh in the case of one dealer.

Section 8(2) of the Central Sales Tax (CST) Act, 1956 stipulates that the tax payable by any dealer on his turnover or any part thereof which, relates to sale of goods in the course of interstate trade or commerce, not falling within sub section (1) of Section 8 shall be charged at the rates applicable to the sale or purchase of such goods inside the appropriate State under the sales tax law of that State. Further, Section 8(2) of the Jammu and Kashmir General Sales Tax (GST) Act, 1962, provides that if the tax or any other amount due under the Act is not paid by the dealer or any other person, by whom it is payable within the period allowed, the dealer or such other person is liable to pay interest on the tax or other amount from the date it was payable to the date of actual payment at the rate of 2 *per cent* per month.

67 In terms of SRO 119 of 2011 at the rate of ₹55 per quintal
68 Tax: ₹7.33 lakh; Interest: ₹7.48 lakh; Penalty: ₹14.67 lakh
69 Tax: ₹6.54 lakh; Interest: ₹7.58 lakh; Penalty: ₹13.08 lakh

Scrutiny of records of Commercial Taxes Circle Udhampur-I revealed that a dealer executing works contracts had made sale of goods worth ₹12.51 crore during accounting year 2010-11. The Assessing Authority in the assessment (March 2015) charged tax at the rate of 10.5 *per cent*, which was paid by the dealer, instead of applicable rate of 13.5 *per cent*. This has resulted in short levy of tax of ₹37.52 lakh and interest payable thereon of ₹39.77 lakh[70].

On being pointed out (September 2015 and January 2017), the Assessing Authority reassessed (January 2017) the dealer and raised a demand of ₹95.30 lakh[71] against the dealer.

The matter was referred to the Government/ Department in April 2017 and in reply Deputy Commissioner Commercial Taxes Judicial, Jammu stated (May 2017) that, despite service of notice the dealer had not deposited the outstanding arrears and arrears were referred (April 2017) to Collector for recovery under Land Revenue Act. However, the dealer preferred an appeal before the Deputy Commissioner, Appeals and the Appellate Authority has set aside (May 2017) the order of the Assessing Authority on the grounds that reasonable opportunity was not given to dealer. It was also stated that the further progress shall be communicated after the Assessing Authority re-assesses the case afresh.

2.8 Short demand due to irregular allowance of input tax credit

Assessing Authorities allowed the input tax credit claimed by three dealers during the period of suspension of their registration certificates which resulted in short demand of ₹30.78 lakh.

Section 27(7) of the Jammu and Kashmir Value Added Tax (VAT), 2005, stipulates that when any dealer to whom a certificate of registration is granted, fails to furnish any return or fails to pay any tax, penalty or interest payable under the Act, the certificate of registration of such dealer may be suspended by the prescribed Authority. Section 27(8) of the above Act provides that suspension of certificate of registration will be withdrawn and registration certificate shall be restored on an application made by the dealer on furnishing evidence of payment of all taxes and on furnishing of overdue return(s) within 90 days of suspension. During the period the certificate of registration of a dealer remains suspended, he shall not be entitled to any benefits that a dealer whose certificate of registration is in force, is entitled to. The dealer is liable to pay interest and penalty under Sections 51(4) and 69(1) (m) of VAT Act 2005.

I. Scrutiny of records (January 2017) of Commercial Taxes circle 'A' Jammu revealed that registration certificate of a dealer[72] was suspended on 18 October 2011 for non-payment of tax for the year 2007-08 and was not restored as of January 2017. During the period of suspension of his registration, the dealer was not entitled to avail

70 At the rate of 2 *per cent* per month for 53 months (April 2011 to August 2015)
71 Tax: ₹37.52 lakh; Interest: ₹57.78 lakh
72 Dealing in purchase/ sale of motor vehicles and spare parts

the input tax credit under section 21 of the Act. The dealer, however, claimed input tax credit of ₹2.83 lakh during the year 2012-13 and the same was allowed by the Assessing Authority while passing (March 2016) the assessment order under section 39(5) of the Act. Thus, the failure to disallow the input tax credit resulted in short demand of ₹11.33 lakh[73].

On being pointed out (January 2017) the Additional Commissioner Commercial Taxes (Headquarters), Srinagar stated (September 2017) that a demand of ₹5.71 lakh on account of tax and interest has been raised against the dealer. As per the Sections 51(4) and 69(1)(m) of VAT Act 2005, penalty was also to be imposed.

II. Scrutiny of records (August 2016) of Commercial Taxes circle 'L' Jammu revealed that the registration certificate of a dealer was suspended from 28 March 2011 to 13 May 2011 and from 07 December 2013 to 30 January 2014 by the Assessing Authority. The dealer, however, claimed input tax credit of ₹1.86 lakh[74] during the period when his registration was under suspension and the same was allowed by the Assessing Authority while assessing (February 2015) the dealer for the Accounting year 2011-12 and under self assessment for the year 2013-14. Thus, the failure to disallow the input tax credit resulted in short demand of ₹7.14 lakh[75].

On this being pointed out (August 2016), the Assessing Authority re-assessed (March 2017) the dealer for accounting years 2011-12 and 2013-14 under section 42 of the Act and raised a demand of ₹7.35 lakh[76]. The matter was referred to the Government/ Department in June 2017 and in reply Deputy Commissioner Commercial Taxes Judicial, Srinagar stated (June 2017) that, the dealer failed to deposit the demand in due time and arrears were referred to Collector for recovery under the provision of Land Revenue Act.

III. Scrutiny of records of Commercial Taxes Circle 'J' Jammu revealed that the registration certificate of a dealer was suspended by the Assessing Authority on 7th September 2011 which was not restored. However, the dealer in his annual return for the year 2011-12, availed input tax credit of ₹3.04 lakh on purchases made during the period 7 September 2011 to 31 March 2012 when his registration was under suspension. The Assessing Authority while assessing (August 2014) the dealer for the Accounting year 2011-12, failed to disallow the ITC to the dealer which resulted in short demand of ₹12.31 lakh[77].

On being pointed out (August 2016), the Assessing Authority re-assessed (March 2017) the dealer for accounting year 2011-12 under section 42 of the Act and raised (May 2017) a demand of ₹12.42 lakh[78]. The matter was referred to the Government/Department in June 2017 and in reply Additional Commissioner Commercial Taxes (Headquarters), Srinagar stated (August 2017) that, the dealer

73 Tax: ₹2.83 lakh; Interest: ₹2.85 lakh; Penalty: ₹5.65 lakh
74 ₹0.55 lakh during 28 March 2011 to 13 May 2011; ₹1.31 lakh during 07 December 2013 to 30 January 2014
75 Tax: ₹1.86 lakh; Interest: ₹1.56 lakh; Penalty: ₹3.72 lakh
76 Tax: ₹1.86 lakh; Interest: ₹1.74 lakh; Penalty: ₹3.75 lakh
77 Tax:₹3.05 lakh; Interest: ₹3.17 lakh; Penalty: ₹6.09 lakh
78 Tax:₹2.97 lakh; Interest: ₹3.50 lakh; Penalty: ₹5.94 lakh

failed to deposit the demand and the Assessing Authority has referred the case to Collector for effecting recovery under Land Revenue Act. The Collector has issued statutory notice to the defaulting dealer for hearing of the case.

2.9 Short levy of tax, interest and penalty due to concealment of turnover

Assessing Authority did not detect concealment of turnover by one dealer, resulting in short levy of tax, interest and penalty of ₹5.07 lakh.

Sections 7, 8 and 17(f) of the Jammu and Kashmir General Sales Tax Act, 1962 (Amended 03/2009) stipulate that every dealer shall submit a true and correct return of his turnover in a manner as prescribed under the Act. Further, if a dealer has without any cause, failed to furnish the correct return of his turnover, or concealed the particulars of his turnover, the Assessing Authority shall direct him to pay in addition to tax, penalty of not less than the amount of tax evaded but not exceeding double the amount of such tax. Besides, the dealer is also liable to pay interest at prescribed rates on the tax due from the date it was payable to the date of actual payment.

Scrutiny of records of Commercial Taxes Circle, Udhampur-II, revealed that a liquor dealer in his first two quarterly returns of the year 2009-10 had declared taxable turnover of ₹33.47 lakh upto 31 August 2009 for which he was liable to pay tax at the rate of 20 *per cent*. From 01 September 2009 onwards, the rates of sales tax on liquor were raised to 25 *per cent*. In his annual return, the dealer declared a total taxable turnover of ₹1.17 crore during the year 2009-10, which indicated that during 01 September 2009 to 31 March 2010 the taxable turnover of the dealer was ₹83.64 lakh for which he was liable to pay tax at the rate of 25 *per cent*. However, the dealer had overstated the sales at lower rates and concealed the quantum of sales to be charged at higher rates of tax and paid sales tax at the rate of 25 *per cent* on taxable turnover of ₹47.30 lakh only. Assessing Authority while assessing the dealer failed to notice the concealment, which has resulted in short levy of tax, interest and penalty of ₹5.07 lakh[79].

On this being pointed out (January 2015) the Assessing Authority, re-assessed the dealer after taking into account average daily sales and determined the taxable turnover of ₹1.21 crore under two categories as (20 *per cent*: ₹50.46 lakh; 25 *per cent*: ₹70.65 lakh) respectively and raised (September 2016) an additional demand of ₹29.55 lakh[80] against the dealer.

The matter was referred to the Government/ Department in February 2017 and Deputy Commissioner Commercial Taxes, Jammu replied (April 2017) that after the demand notice of ₹29.55 lakh was served on the dealer, the dealer opted for waiver of interest and penalty under the Amnesty Scheme[81] and agreed to pay principal tax of ₹1.15 crore relating to the assessment years 2009-10 to 2015-16 in six equal

79 Tax: ₹1.20 lakh; Interest: ₹1.47 lakh and Penalty: ₹2.40 lakh

80 Tax: ₹8.30 lakh; Interest: ₹12.95 lakh and Penalty: ₹8.30 lakh

81 SRO notification 360 dated 13 November 2016 read with SRO 392 dated 10 December 2016 under Jammu and Kashmir General Sales Tax Act, 1962

installments. Assessing Authority confirmed (June 2017) that the dealer has applied under Amnesty Scheme and paid ₹1.38 lakh relating to the assessment year 2009-10. However, the dealer failed to pay the whole amount of tax within the prescribed time under Amnesty Scheme and the Assessing Authority rejected (August 2017) his application for remission of interest and penalty.

Law Department

2.10 Short levy of Stamp Duty and Registration Fee

Two Sub-Registrars did not charge Stamp Duty and Registration Fee in 92 cases at the notified market rates of property, resulting in short levy of Stamp Duty and Registration Fee of ₹39.71 lakh.

Sections 3, 4 and 5 of Stamp Act stipulate the instruments that are chargeable to stamp duty. In terms of article 18 of Schedule-I of the Act, stamp duty is to be charged at the rate of 7 *per cent* of the market value for conveyance where land or estate is within the urban area and 5 *per cent* of market value where the land or estate is within rural area. Registration fee at prescribed rates is also to be charged from sale deeds and mortgage deeds, under Section 78 of Registration Act. Rules 5 to 8 of J&K Preparation and Revision of Market Value Guideline rules 2011[82] provide that the Divisional Valuation Boards shall issue annually the Market Value Guidelines and approved rates of property transactions applicable from the 1st April every year which shall be made available to Registering officers for the purpose of charging the stamp duty.

Scrutiny of the records of the Sub-Registrar, Shopian and Sub-Registrar, Ashmuqam Pahalgam revealed that the two Registering Authorities had not charged the stamp duty and registration fee in 92 cases at the revised market rates notified (March 2014, April 2014 and March 2015) on the instruments of sale deeds registered during 2014-15 and 2015-16 which resulted in short levy of Stamp Duty and Registration Fee of ₹39.71 lakh[83].

On being pointed out in audit (July 2015), the Sub-Registrar Shopian stated (July 2015, March 2016 and February 2017) that the Stamp duty and Registration Fee of ₹5.46 lakh[84] stands realized in 24 cases[85] and notices have been issued in remaining cases. Further, recovery of ₹2.59 lakh[86] was awaited (September 2017). Sub-Registrar, Ashmuqam Pahalgam stated (July 2017) that recovery notices in respect of all the 63 short levied vendees have been issued in June 2017, the acknowledgements in respect of 10 witnesses have been received from the concerned

[82] SRO 303 dated 04 October 2011

[83] Sub-Registrar Shopian (No. of cases: 29; Stamp duty: ₹6.85 lakh; Registration fee: ₹1.20 lakh); Sub-Registrar Ashmuqam Pahalgam (No. of cases: 63; Stamp duty: ₹26.16 lakh; Registration fee: ₹5.50 lakh)

[84] Stamp duty: ₹4.56 lakh; Registration fee: ₹0.90 lakh

[85] Fully in 22 cases and partly in 2 cases

[86] Stamp duty: ₹2.30 lakh; Registration fee: ₹0.29 lakh

vendees and most of them have come for depositing the short levied amount in the court. However, the details of recovery were awaited (September 2017).

The matter was referred to the Government/ Department in April 2017; reply thereof was awaited (December 2017).

2.11 Short levy of Stamp Duty

Irregular allowance of 25 *per cent* reduction in the Stamp Duty for registration of 39 irrevocable power of attorneys by the Registering Authority resulted in short levy of stamp duty of ₹6.88 lakh.

Sections 3, 4 and 5 of Stamp Act, 1977 stipulate the instruments that are chargeable to Stamp Duty. In terms of Article 42(c) of schedule-I of the Act, when a power of attorney is given for consideration and authorising the agent to sell any immovable property, the Stamp Duty is to be charged at the rate of 7 *per cent* of the market value for conveyance where land or estate is within the urban area and 5 *per cent* of market value where the land or estate is within rural area. Jammu and Kashmir Government vide SRO 152 dated 31st March 2010 allowed reduction of 25 *per cent* in respect of stamp duty leviable on land purchased in the name of a female member of a family.

Audit scrutiny of the records of the Sub-Registrar Ganderbal revealed that instead of charging the full amount of Stamp duty, the Registering Authority had allowed 25 *per cent* reduction in the stamp duty for registration of irrevocable power of attorneys in 39 cases where the attorney holder was a female member. This was not allowable in the case of irrevocable power of attorney as 25 *per cent* rebate was applicable in case of purchase of land in the name of a female member. This has resulted in short levy of Stamp Duty of ₹6.88 lakh.

On being pointed out, the Sub-Registrar stated (May 2017) that concerned parties and stamp venders have been directed to deposit the short levy of stamp duty. It was further stated (August 2017) that ₹0.30 lakh have been recovered in three cases and notices have been issued in the remaining cases.

The matter was referred to the Government/ Department in June 2017; reply thereof was awaited (December 2017).

2.12 Inadmissible reduction of Stamp Duty

Irregular allowance of 25 *per cent* reduction in the stamp duty for purchase of flats in 33 cases, by the Registering Authority, resulted in short levy of stamp duty of ₹11.58 lakh.

Sections 3, 4 and 5 of Stamp Act, 1977 stipulate the instruments that are chargeable to stamp duty. Jammu and Kashmir Government vide SRO 152 dated 31st March 2010 directed that there shall be a reduction of 25 *per cent* in respect of stamp duty leviable on land purchased in the name of a female member of a family. However, this reduction was not applicable on purchase of flats in the name of a female.

Audit scrutiny of the records of the Sub-Registrar Judicial Magistrate 1st Class Jammu revealed that instead of charging the full amount of Stamp duty, the Registering Authority had allowed 25 *per cent* reduction in the stamp duty for purchase of flats in 33 cases by a female member, which was not allowable for purchase of flats and allowable only for purchase of land. This has resulted in short levy of stamp duty of ₹11.58 lakh.

On being pointed out, the Sub-Registrar Judicial Magistrate 1st Class Jammu stated (April 2017) that the matter will be looked into.

The matter was referred to the Government/ Department in July 2017; reply thereof was awaited (December 2017).

Transport Department

2.13 Misappropriation of Government money

Inadequate supervision and observance of prescribed control procedures in Regional Transport Office, Jammu resulted in misappropriation of token tax of ₹5.09 lakh.

Rules 2.1 to 2.15 of Jammu and Kashmir Financial Code (JKFC) Volume-I, prescribe the general principles regarding duties in respect of cash and accounts, receipt of Government money, its custody and payment into treasury and maintenance of accounts cash book. Rule 2.4 (1) of JKFC stipulates that an officer receiving money on behalf of Government is to give the payer receipt in form FC-I, duly signed by the authorised officer who shall satisfy at the time of signing the receipt and initialing its counterfoil that the amount has been properly entered in the cash book.

Audit scrutiny of the records of the Regional Transport Officer (RTO), Jammu for the accounting year 2015-16 revealed certain discrepancies in maintenance of counterfoils of form FC-I and subsidiary cash book. Audit came across instances where important details like the particulars of the payer, amount in words, purpose and period for which amount was received, class of vehicle, rate at which the fee/ tax was received, etc. were neither recorded in the counterfoil of the form FC-I issued by the office nor in the subsidiary cash book and involved risk of misappropriation of revenues collected. The entries made in the subsidiary cash book were not correlated with the forms FC-I and tax collected was not reconciled with the prescribed rates. The subsidiary cash book was not checked and countersigned by any responsible officer before adopting figures in the main cash book. During cross-check of counterfoils of form FC-I receipt books with the subsidiary cash book, audit noticed that government receipts collected by the dealing assistant on account of token tax had been interpolated/ erased which facilitated misappropriation of token tax of ₹5.09 lakh. The receipt and consumption of FC-I books had not been monitored and used books were not recovered from the concerned dealing assistants and kept in the custody of any responsible person other than the dealing assistants.

The assignment of token tax certificates renewals had not been entrusted to any responsible officer other than the dealing assistant and token tax renewal approvals were granted in favour of vehicle owners without countersignature of ARTO[87]/ RTO. Besides, no subsidiary records were maintained so as to reconcile and correlate the amount received as per FC-I counterfoils with the service provided by way of renewal/extension of token. In absence of recording full particulars in FC-I books, the exact amount of revenue loss and the period for which validity renewal of vehicles had been granted could not be ascertained in audit.

On being pointed out in audit, the RTO Jammu stated (January 2017/ September 2017) that the dealing assistant has remitted ₹5.09 lakh into the treasury and after further scrutiny a recovery of ₹1.18 lakh was effected from him during March 2017 and July 2017. A committee constituted (January 2017) to inquire into the matter has not finalized its report so far.

The matter was referred to the Government/ Department in June 2017 and Director Finance, Transport Department asked (July 2017) the Transport Commissioner to submit the reply on audit observation immediately. However, the reply was awaited (December 2017).

[87] Assistant Regional Transport Officer

PART 'B'
PUBLIC SECTOR UNDERTAKINGS

Chapter-3
Functioning of State Public Sector Undertakings

CHAPTER - 3

3. Functioning of State Public Sector Undertakings

3.1 Introduction

State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2017, there were 33[1] PSUs. Of these, one PSU i.e. Jammu and Kashmir Bank Limited is listed (July 1998) on the stock exchange. Of the total paid-up equity of the Bank, 56.45 *per cent* is held by the State Government and remaining 43.55 *per cent* is held by the Foreign Institutional Investors, Resident Individuals and others[2]. During the year 2016-17, no PSU was incorporated/ closed down. The details of the State PSUs in Jammu and Kashmir as on 31 March 2017 are given in **Table-3.1** below:

Table-3.1: Total number of PSUs as on 31 March 2017

Type of PSUs	Working PSUs	Non-working PSUs[3]	Total
Government Companies[4]	27	3	30
Statutory Corporations[5]	3	Nil	3
Total	**30**	**3**	**33**

The working PSUs registered a turnover of ₹8,357.91 crore as per their latest finalised accounts as of 30 September 2017. This turnover was equal to 8.46 *per cent* of Gross State Domestic Product (GSDP) of ₹98,826 crore for 2016-17. The working PSUs suffered aggregate loss of ₹1,398.25 crore as per their latest finalised accounts as of 30 September 2017. They had 24,852 employees as at the end of March 2017.

As on 31 March 2017, the three non-working PSUs had an investment of ₹3.40 crore.

3.2 Accountability Framework

The audit of Government Companies is governed by Sections 139 and 143 of the Companies Act, 2013 (Act). According to Section 2 (45) of the Act, a Government Company means any Company in which not less than 51 *per cent* of the paid-up share capital is held by the Central Government, or by any State Government or

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1 Including seven PSUs incorporated during the period from March 2013 to March 2014 viz., Jammu & Kashmir Power Trading Company Limited, Jammu & Kashmir Power Transmission Company Limited, Jammu Power Distribution Company Limited, Kashmir Power Distribution Company Limited, Jammu & Kashmir Medical Supplies Corporation Limited, Jammu & Kashmir State Road Development Corporation Limited and Jammu & Kashmir International Trade Centre. These PSUs though have been incorporated, however, only J&K Medical Supplies Corporation Limited has started its operations and the rest have yet to become operational

2 Indian Mutual Funds, Insurance Companies, Non-Resident Indian and Corporate Bodies

3 Non-working PSUs are those which have ceased to carry on their operations

4 Government PSUs includes other Companies referred to in Section 139 (5) and 139 (7) of the Companies Act 2013

5 Namely, Jammu and Kashmir State Road Transport Corporation, Jammu and Kashmir State Forest Corporation and Jammu and Kashmir State Financial Corporation

Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Further, as per sub-section 7 of Section 143 of the Act, in case of any company covered under sub-section (5) or sub-section (7) of Section 139, the C&AG may, if considered necessary, cause an audit to be conducted of the accounts of such Company and section 19 A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, shall apply to the such audit. The audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

3.3 Statutory Audit

The financial statements of the Government Companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by C&AG as per section 139 (5) or (7) of the Act. The Statutory Auditors shall submit a copy of the Audit Report to the C&AG which, among other things, include the directions issued by C&AG, the action taken thereon and its impact on the accounts and financial statements of the Company under Section 143 (5) of the Act. These financial statements are subject to supplementary audit by C&AG within 60 days from the date of receipt of the Audit Report under the provisions of Section 143 (6) of the Act.

Audit of Statutory Corporations is governed by their respective legislations. Out of the three Statutory Corporations, C&AG is the sole auditor for Jammu and Kashmir State Road Transport Corporation. The audit of Jammu and Kashmir State Forest Corporation is conducted by Chartered Accountants appointed by State Government as per the Jammu and Kashmir State Forest Corporation Act, 1978 and supplementary audit is conducted by the C&AG as per section 19 (3) of C&AG's (DPC) Act, 1971. In respect of State Financial Corporation, the audit is conducted by Chartered Accountants appointed by the shareholders in their Annual General Meeting from the approved panel of Reserve Bank of India and supplementary audit is conducted by the C&AG as per the State Financial Corporation Act, 1951.

3.4 Role of Government and Legislature

The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature monitors the accounting and utilisation of Government investment in the PSUs. For this purpose, the Annual Reports together with the Statutory Auditors' Reports and comments of the C&AG, in respect of State Government Companies and Separate Audit Reports of the C&AG in case of Statutory Corporations, are to be placed before the State Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of C&AG are submitted to the Government under Section 19A of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971.

3.5 Stake of State Government in the Public Sector Undertakings

The State Government has substantial financial stake in these PSUs which is mainly of three types:

- **Share Capital and Loans-** In addition to Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees-** State Government guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

3.6 Investment in State PSUs

As on 31 March 2017, the Investment (Paid up capital, Free Reserves and Long-term loans) in 33 PSUs was ₹7,426.67 crore[6] as given in **Table-3.2** below:

Table-3.2: Total Capital employed in PSUs

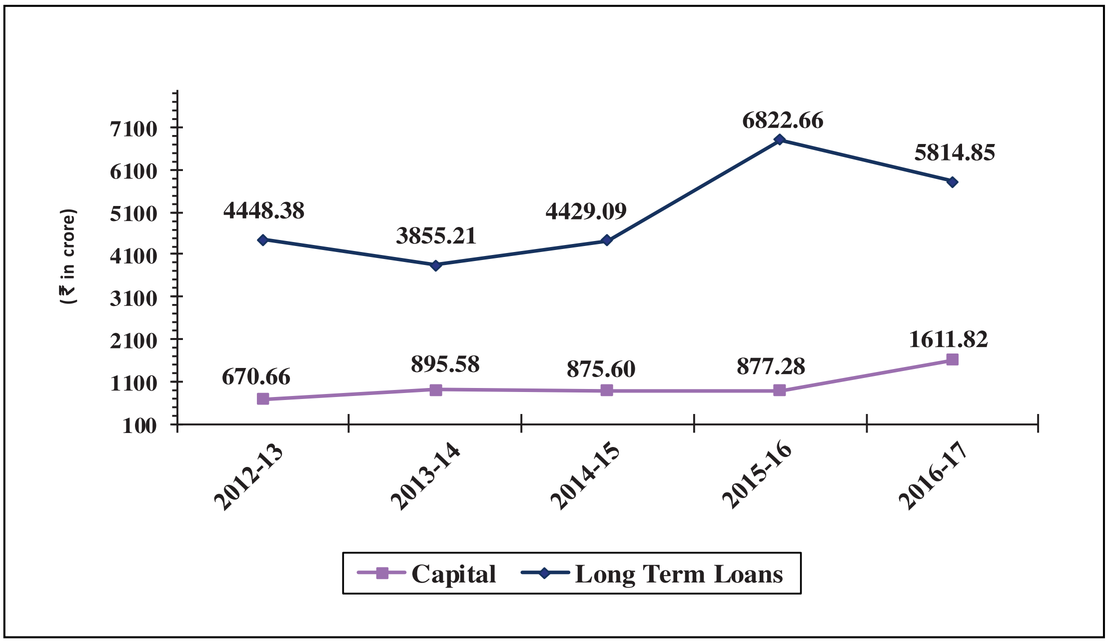
(₹ in crore)

Type of PSUs	Government Companies				Statutory Corporations				Grand Total
	Paid up Capital	Long Term Loans	Free Reserves	Total	Paid up Capital	Long Term Loans	Free Reserves	Total	
Working PSUs	1,287.93	5,135.62	00	6,423.55	321.32	678.40	00	999.72	7,423.27
Non-working PSUs	2.57	0.83	00	3.40	Nil	Nil	Nil	Nil	3.40
Total	**1,290.50**	**5,136.45**	**00**	**6,426.95**	**321.32**	**678.40**	**00**	**999.72**	**7,426.67**

As on 31 March 2017, Investment in working PSUs was 99.95 *per cent* of the total Investment in the State PSUs. ₹3.40 crore was the investment in non-working PSUs. This total investment consisted of 21.70 *per cent* towards paid up capital and 78.30 *per cent* in long-term loans. The investment has grown by 45.08 *per cent* from ₹5,119.04 crore in 2012-13 to ₹7,426.67 crore in 2016-17 as shown in the **Graph-3.1** below.

[6] Includes the investment in seven newly incorporated PSUs: Jammu and Kashmir State Road Development Corporation - ₹5 crore, Jammu and Kashmir International Trade Centre - ₹48 crore, Jammu and Kashmir Power Transmission Company Limited - ₹0.05 crore, Jammu and Kashmir Power Trading Company Limited - ₹0.05 crore, Jammu Power Distribution Company Limited - ₹0.05 crore, Kashmir Power Distribution Company Limited- ₹0.05 crore and Jammu and Kashmir Medical Supplies Corporation Limited - ₹0.05 crore

Graph-3.1:Total Investment in PSUs



3.7 The sector-wise summary of investment in the State PSUs as on 31 March 2017 is given in **Table-3.3** below:

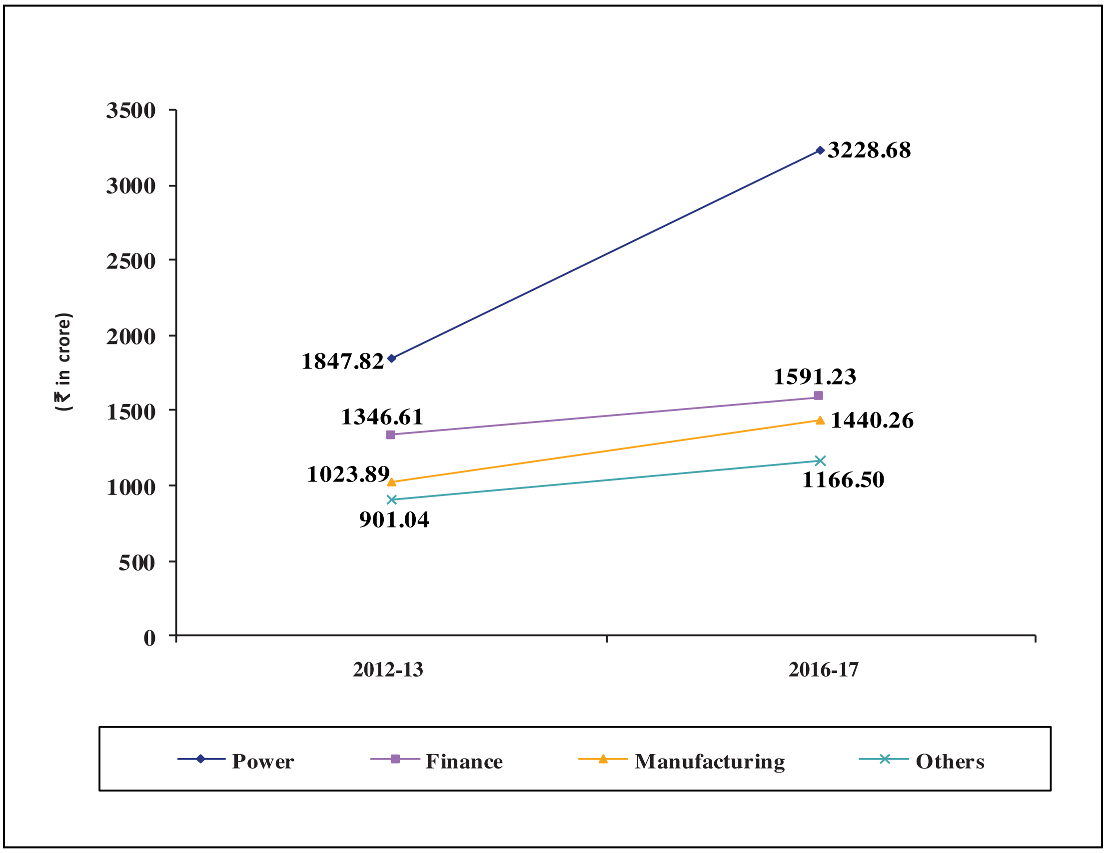
Table-3.3: Sector-wise investment in PSUs

(₹ in crore)

Name of Sector	Government companies		Statutory corporations	Total Investment
	Working	Non-Working	Working	
Power	3,228.68	Nil	Nil	3,228.68
Finance	1,492.23	Nil	99.00	1,591.23
Manufacturing	1,437.26	3.00	Nil	1,440.26
Service	51.33	Nil	829.55	880.88
Agriculture & Allied	114.51	Nil	71.17	185.68
Infrastructure	95.43	Nil	Nil	95.43
Miscellaneous	4.11	0.40	Nil	4.51
Total	**6,423.55**	**3.40**	**999.72**	**7,426.67**

The investment in four significant sectors and percentage thereof at the end of 31 March 2013 and 31 March 2017 are indicated below in the **Graph-3.2**. The highest investment during 2016-17 was in power sector (43.47 *per cent*) and percentage share of power sector increased from 36 *per cent* in 2012-13 to 43.47 *per cent* in 2016-17.

Graph-3.2: Sector-wise Investment in PSUs



3.8 Special Support and Returns during the year

The State Government provides financial support to PSUs in various forms through its annual budget. The summarized details of budgetary outgo towards share capital, loans, grants/ subsidies, loans written off and interest waived in respect of State PSUs are given in **Table-3.4** below for three years ended 31 March 2017.

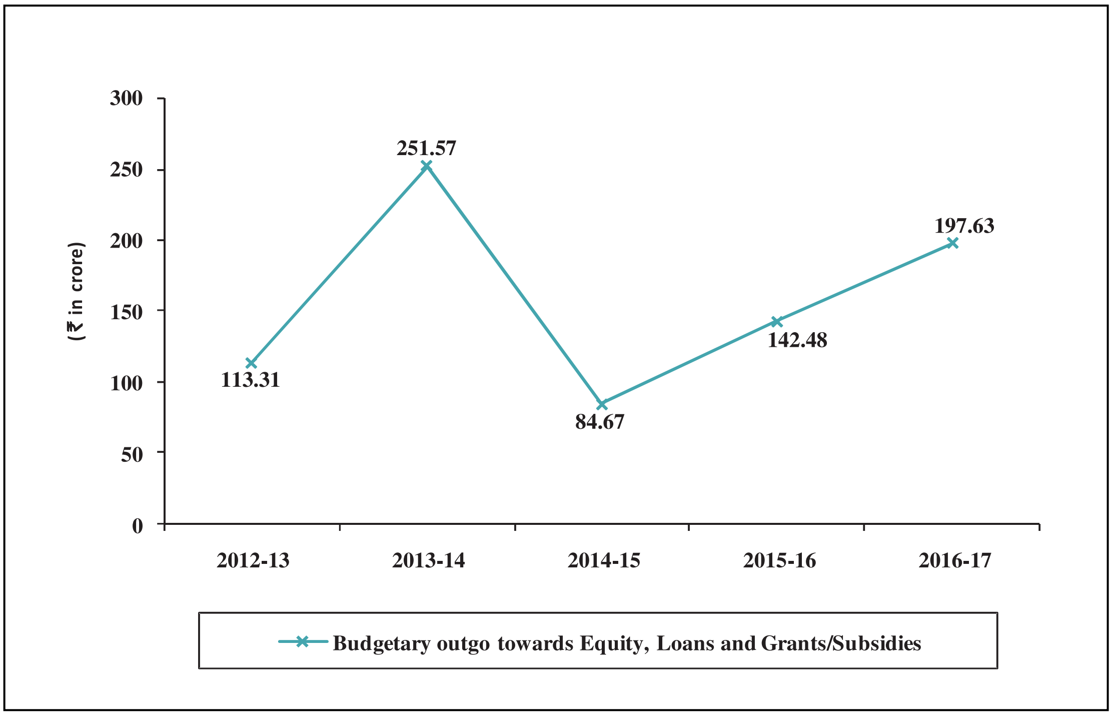
Table-3.4: Details regarding budgetary support to PSUs

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Share Capital outgo from budget	2	1.21	2	6.85	3	9.56
2.	Loans given from budget	8	54.76	10	69.19	8	54.77
3.	Grants/Subsidy from budget	7	28.70	8	66.44	9	133.30
4.	**Total Outgo (1+2+3)**		**84.67**		**142.48**		**197.63**
5.	Waiver of loans and interest	Nil	Nil	Nil	Nil	Nil	Nil
6.	Guarantees issued	0	0	1	2.00	1	2.00
7.	Guarantee Commitment	5	2,574.78	4	2,546.97	4	2,360.00
8	Guarantee Fee	Nil	Nil	1	0.04	Nil	Nil

The details regarding budgetary outgo towards share capital, loans and grants/ subsidies for past five years are given in **Graph-3.3** below:

Graph-3.3: Budgetary outgo towards Share Capital, Loans and Grants/Subsidies



During the period 2012-13 to 2016-17, the budgetary outgo of the State Government towards share contribution, loan, grant and subsidy was all time high in 2013-14 at ₹251.57 crore. The budgetary outgo was ₹84.67 crore in 2014-15 which increased to ₹142.48 crore during 2015-16 and further increased to ₹197.63 crore during 2016-17.

In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, State Government provides guarantees and charges guarantee fee/ commission at two *per cent*. The guarantee commitment against amount guaranteed by the State Government in favour of PSUs had decreased to ₹2,546.97 crore in 2015-16 from ₹2,574.78 crore during 2014-15 which further decreased to ₹2,360 crore in 2016-17.

3.9 Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2017 is given in **Table-3.5** below:

Table-3.5: Equity, loans, guarantees outstanding as per Finance Accounts vis-a-vis records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Share capital	752.72	488.71	264.01
Loans	809.40	2,107.01	(-) 1,297.61
Guarantees	2,363.23	2,363.23	00

There was a mismatch between figures furnished by the PSUs with those depicted in the Finance Accounts. Audit observed that the differences occurred in respect of 16 PSUs and some of the differences were pending reconciliation since 2008-09. Non-reconciliation of the figures lead to correct governmental expenditure being not available for legislative purview and other users. The Government and the PSUs should take concrete steps to reconcile the difference in a time bound manner.

3.10 Arrears in Finalisation of Accounts

The financial statements for every financial year are required to be finalised by the Companies within six months from the end of the relevant financial year i.e. by September end in accordance with the Section 96 (1) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of the Act. In case of Statutory Corporations, their accounts are finalised, audited and presented to the State Legislature as per the provisions of their respective Acts.

The details of progress made by working PSUs in finalisation of accounts as of 30 September 2017 are given in **Table-3.6**.

Table-3.6: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Number of Working PSUs	23	23	23	23	23[7]
2.	Number of accounts finalised during the year	38	14	12	29	24
3.	Number of accounts in arrears	195	187	189	183	181[8]
4.	Number of Working PSUs with arrears in accounts	20	20	18	19	19
5.	Extent of arrears (numbers in years)	2 to 18	1 to 19	1 to 19	1 to 19	1 to 20

The administrative departments have the responsibility of overseeing the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. The number of accounts in arrears has decreased from 195 (2012-13) to 181 (2016-17). This office has been persistently requesting the State Government for reduction of arrears and in the latest correspondence, the Accountant General requested (May 2017) the Chief Secretary, J&K Government to frame a time bound schedule to finalise the accounts which were in arrears.

3.11 The State Government had invested ₹925.37 crore in 15 PSUs, (share capital: ₹39.84 crore in five PSUs, loans: ₹368.97 crore in nine PSUs and grants ₹516.56 crore in 12 PSUs) during the years for which accounts have not been finalised as detailed in ***Appendix-3.1***. In the absence of finalisation of accounts and their audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and whether the purpose for which the amount was invested had been achieved or not. Thus, Government's investment in such PSUs has remained outside the oversight of State Legislature.

3.12 As on 30 September 2017, there were also arrears in finalisation of accounts by non-working PSUs as depicted in **Table-3.7** below. Out of three non-working PSUs, two namely, Himalayan Wool Combers Limited and Handloom Handicraft Raw Material Supplies Organisation Limited were in the process of liquidation and their accounts were in arrears for 17 to 25 years. The remaining one non-working PSU, Tawi Scooters Limited, had arrears of accounts for 27 years.

Table-3.7: Position relating to arrears of accounts in respect of non-working PSUs

Name of non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
Tawi Scooters Ltd.	Since 1990-91	27
Himalayan Wool Combers Ltd.[9]	Since 2000-01	17
Handloom Handicraft Raw Material Supplies Organisation Ltd.[9]	Since 1992-93	25

7 Does not include seven newly incorporated Government companies who had never submitted Accounts since their incorporation

8 Does not include arrears of J&K State Forest Corporation who had not submitted Accounts for 1996-97 onwards after its audit was entrusted to C&AG

9 Under process of liquidation

Though the Chief Secretary was informed (May 2017) of the arrears in finalisation of accounts, no remedial measures were taken. As a result, the net worth of these PSUs could not be assessed in audit.

3.13 Placement of Separate Audit Reports

The status of placement of Separate Audit Reports (SARs) issued by the C&AG (up to 30 September 2017) on the accounts of Statutory Corporations in the Legislature is given in **Table-3.8** below:

Table-3.8: Status of placement of SARs in Legislature

Sl. No.	Name of statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue of SAR to the Government/Present Status
1.	J&K State Financial Corporation	2014-15	2015-16	18 October 2016
2.	J&K State Road Transport Corporation Ltd.	2011-12	2012-13 and 2013-14	4 August 2017
3.	J&K State Forest Corporation	-	-	Accounts not submitted by the Corporation since 1996-97

3.14 Impact of Non-Finalisation of Accounts

Delay in finalisation of accounts has the risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the arrears of accounts, the actual contribution of PSUs to the GSDP for the year 2016-17 could not be ascertained.

3.15 Performance of PSUs as per their latest Finalized Accounts

The financial position and working results of working Government companies and Statutory Corporations are detailed in ***Appendix-3.2***. A ratio of PSUs turnover to State GDP shows the extent of PSUs activities in the State economy. **Table-3.9** below provides the details of working PSUs turnover and GSDP for a period of five years ending 2016-17.

Table-3.9: Details of working PSUs turnover vis-a-vis GSDP

(₹ in crore)

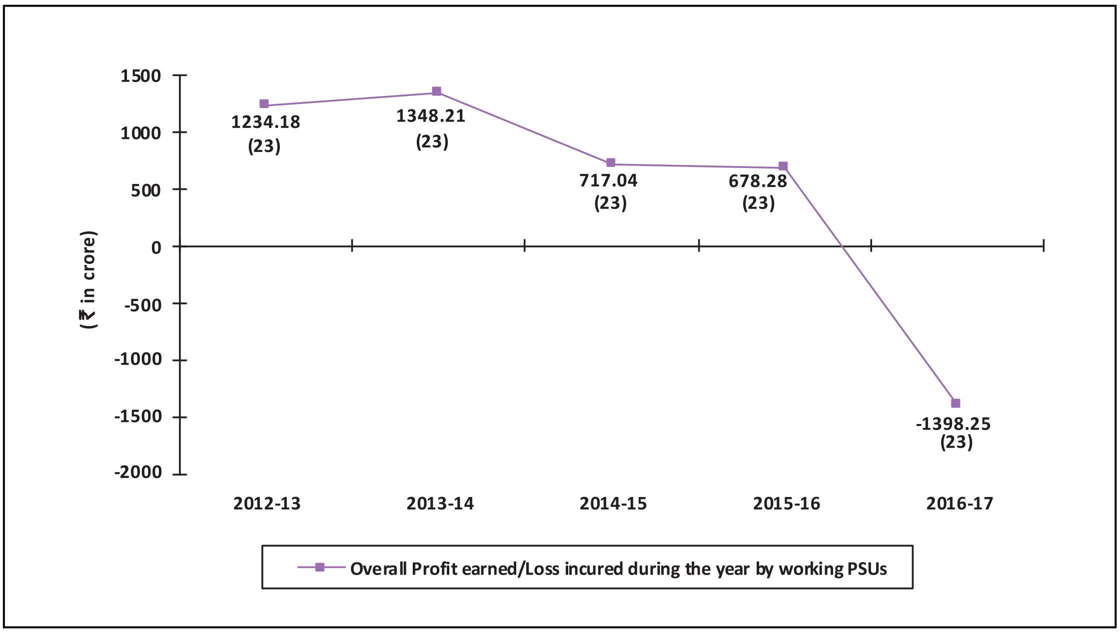
Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Turnover[10]	8071.43	8272.38	8652.40	8416.54	8357.91
GSDP	76916	87570	87921	91850	98826
Percentage of Turnover to GSDP	10.49	9.45	9.84	9.16	8.46

[10] Turnover as per the latest finalised accounts as of 30 September

During the last five years the turnover of working PSUs increased from ₹8,071.43 crore to ₹8,357.91 crore ending 2016-17 and its percentage to the GDP of the State decreased from 10.49 *per cent* in the year 2012-13 to 8.46 *per cent* at the end of the year 2016-17.

3.16 Overall profit (losses) earned (incurred) by State working PSUs during 2012-13 to 2016-17 are given in **Graph-3.4** below:

Graph-3.4: Profit/ Loss of working PSUs



(Figures in brackets show the number of working PSUs in respective years)

During the year 2016-17, out of working PSUs, nine PSUs earned profit of ₹423.96 crore and 12 PSUs incurred a loss of ₹1,822.21 crore. One PSU, J&K State Overseas Employment Corporation Limited did not prepare its profit and loss account, while seven newly formed PSUs had not submitted their Accounts since incorporation[11]. Further, one PSU 'Jammu and Kashmir State Forest Corporation' had not submitted its accounts since 1996-97 after its audit was entrusted to C&AG. The major contributors to profit in 2016-17 were Jammu and Kashmir State Power Development Corporation Limited (₹403.29 crore), Jammu and Kashmir Cable Car Corporation Limited (₹6.23 crore) and Chenab Valley Power Projects Private Limited (₹5.50 crore). The heavy losses were incurred by Jammu and Kashmir Bank Limited (₹1,632.29 crore), Jammu and Kashmir State Road Transport Corporation (₹92.90 crore) and Jammu and Kashmir Industries Limited (₹46.83 crore).

[11] Statutory Auditors have not been appointed for six of them whereas the Statutory Auditor of J&K Medical Supplies Corporation for 2014-17 has been appointed by C&AG in August 2016

3.17 Some other key parameters of PSUs are given in **Table-3.10** below:

Table-3.10: Key Parameters of State PSUs

(₹ in crore)

Parameter	2012-13	2013-14	2014-15	2015-16	2016-17
Equity	(-) 2,358.49	(-) 2,021.78	(-) 2,102.44	(-) 1,715.10	(-) 1,134.73
Investment	3,110.23	3,538.72	4,547.73	3,612.72	3,454.56
Profit before Interest, Tax and Dividend	2,143.22	2,226.12	1,322.85	1,160.80	(-) 999.75
Net profit after tax less Preference dividend	664.75	1,349.12	685.07	678.37	(-) 1,398.17
Return on Equity[12] (*per cent*)	(-) 28.19	(-) 66.73	(-) 32.58	(-) 39.55	0*
Return on Investment[13] (*per cent*)	14.86	13.90	7.59	7.03	(-) 6.40
Debt	4,448.38	3,855.21	4,429.09	5,328.65	4,590.12
Turnover	8,071.43	8,272.38	8,652.40	8,416.54	8,357.91
Debt/ Turnover Ratio	0.5511	0.4660	0.5118	0.6331	0.5492
Interest Payments	4,202.74	4,431.88	4,762.65	4,462.23	4,512.60
Accumulated Profits (losses)	(-) 2,909.13	(-) 2,697.69	(-) 2,907.29	(-) 2,433.70	(-) 2,591.73

*** The return is not measurable. The return on equity as well as the equity are in negative.**
Above figures are in respect of working PSUs as per the latest finalised accounts as of 30 September of respective year

The Return on Equity (RoE) was consistently negative during the period 2012-13 to 2016-17. The Return on Investment (RoI) declined over the five years and was recorded at (-) 6.40 *per cent* during 2016-17.

3.18 As per their latest finalised accounts, nine PSUs earned an aggregate profit of ₹423.96 crore, however, dividend has not been declared by any of the PSUs. Further, the dividend policy of the State Government is awaited in Audit.

3.19 Winding up of Non-working PSUs

There were three non-working PSUs as on 31 March 2017. The numbers of non-working PSUs during past five years have remained at three. The non-working PSUs are not contributing to the State economy and are not meeting the intended objectives.

3.20 The stage of closure in respect of non-working PSUs are given in **Table-3.11**.

12 Return on Equity = (Net Profit after tax minus Preference dividend) / Equity where Equity = Paid up capital + Free Reserves and Surplus minus Accumulated Losses minus Deferred Revenue Expenditure

13 Return on Investment = Profit before dividend, tax and Interest/ Investment where Investment = Paid up Capital + Free Reserves + Long term loans

Table-3.11: Closure of Non-working PSUs

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working PSUs	3	Nil	3
2.	Of (1) above, the No. under			
(a)	Liquidation by Court (liquidator appointed)	2[14]	Nil	2
(b)	Voluntary winding up (liquidator appointed)	0	Nil	0
(c)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	1[15]	Nil	1

During the year 2016-17, no Company/ Corporation was finally wound up. Two Companies which have taken the route of winding up by Court order are under liquidation for more than 11 years. The Government may take a decision regarding commencement of liquidation process in respect of the remaining Company[14] where closing instructions have been issued.

3.21 Accounts Comments

Thirteen working companies forwarded their 30 audited accounts to Accountant General during the period between October 2016 and September 2017. Accounts of the 13 Companies were selected for supplementary audit. The audit reports of statutory auditors appointed by C&AG and the supplementary audit of C&AG indicated that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and C&AG are given in **Table-3.12** below:

Table-3.12: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	1.03	5	517.82	3	2.33
2.	Increase in loss	1	1.57	8	12.10	3	0.06
3.	Non-disclosure of material facts	2	0.36	9	16.83	4	2.56
4.	Errors of classification	4	11.50	12	1,249.07	11	30.98

14 Himalayan Wool Combers Limited and Jammu and Kashmir State Handloom Handicraft Raw Material Supplies Organisation Limited

15 Tawi Scooters Limited

During the period, the Statutory Auditors had given unqualified certificates for three accounts; qualified certificates for 18 accounts, no adverse certificates/ disclaimers were issued by the Statutory Auditors. The compliance of companies with the Accounting Standards needs improvement as there were ten instances of non-compliance in five accounts during the year.

3.22 Similarly, two working Statutory Corporations viz. J&K State Financial Corporation and J&K State Road Transport Corporation submitted their three Accounts between October 2016 and September 2017. One account of Jammu and Kashmir State Financial Corporation for 2015-16 which was submitted between October 2015 and September 2016 was finalized between October 2016 and September 2017 while Account for 2016-17 was under finalization as of 30 September 2017. The Jammu and Kashmir State Forest Corporation had never submitted its accounts since 1996-97 after its audit was entrusted to C&AG. The Audit Reports of Statutory Auditors and the sole/ supplementary audit of C&AG indicated that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and C&AG are given in **Table-3.13** below:

Table-3.13: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	0.50	-	-	1	23.51
2.	Increase in loss	1	58.05	-	-	2	49.95
3.	Non-disclosure of material facts	1	24.48	-	-	2	8.58
4.	Errors of classification	2	38.10	1	61.50	3	60.73

During audit of these accounts conducted by the Statutory Auditors and supplementary audit by Accountant General, the impact of ₹60.73 crore by way of errors in classification indicated deficiency in proper accounting practices being followed and needs to be brought down substantially.

3.23 Response of the Government to Audit

Performance Audit and Paragraphs

For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2017, one performance audit and six compliance audit paragraphs involving money value of ₹411.92 crore were issued to the Principal Secretaries of the respective Departments/ Management of the respective Companies with request to furnish replies within six weeks. However, replies in respect of compliance audit paragraphs were awaited from the State Government (November 2017).

3.24 Follow-up action on Audit Reports

The Report of the Comptroller and Auditor General (C&AG) of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Jammu and Kashmir issued (June 1997) instructions to all Administrative Departments to submit replies/ explanatory notes to paragraphs/ reviews included in the Audit Reports of the C&AG of India within a period of three months of their presentation to the legislature, in the prescribed format without waiting for any questionnaires from the COPU.

Table-3.14: Explanatory notes not received (as on 30 September 2017)

Year of Audit Report (Commercial/ PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs) and paragraphs in the Audit Report		Number of PAs/ paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2000-01	06 April 2002	1	3	-	-
2001-02	21 June 2003	1	4	-	-
2002-03	23 August 2004	1	3	-	-
2003-04	23 March 2005	-	3	-	-
2004-05	27 March 2006	1	4	1	-
2005-06	08 February 2007/ 31 August 2009	3	2	1	-
2006-07	30 January 2008	1	5	-	-
2007-08	05 March 2009	1	3	-	-
2008-09	30 March 2010	1	3	-	2
2009-10	31 March 2011	1	3	-	-
2010-11	04 April 2012	1	5	-	-
2011-12	05 April 2013	2	-	1	-
2012-13	04 March 2014	-	3	-	1
2013-14	27 March 2015	1	6	-	3
2014-15	27 June 2016	1	7	-	-
2015-16	04 July 2017	1	6	1	5
Total		**17**	**60**	**4**	**11**

From the above, it could be seen that out of 77 paragraphs/ performance audits, explanatory notes to 15 paragraphs/ performance audits in respect of six departments, which were commented upon, were awaited (September 2017).

3.25 Discussion of Audit Reports by COPU

The status as on 30 September 2017 of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) and discussed by the Committee on Public Undertakings (COPU) was as under.

Table-3.15: Reviews/ Paras appeared in Audit Reports vis-a-vis discussed as on 30 September 2017

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2000-01	1	3	1	3
2001-02	1	4	1	4
2002-03	1	3	1	3
2003-04	-	3	-	3
2004-05	1	4	1	3
2005-06	3	2	2	2
2006-07	1	5	1	4
2007-08	1	3	1	3
2008-09	1	3	1	1
2009-10	1	3	1	3
2010-11	1	5	1	5
2011-12	2	-	1	-
2012-13	-	3	-	2
2013-14	1	6	1	3
2014-15	1	7	1	7
2015-16	1	6	-	1
Total	**17**	**60**	**14**[16]	**47**[16]

Out of 77 audit paragraphs (PAs: 17, paragraphs: 60) featuring in the Audit Reports for the years 2000-01 to 2015-16, 16 audit paragraphs (PAs: 3, paragraphs: 13) have not been taken up for discussion by COPU as on 30 September 2017. Out of these 16 audit paragraphs, six audit paragraphs (PAs: 2, paragraphs: 4) that appeared in Audit Reports for the years 2004-05 to 2011-12 were pending discussion for more than five years.

3.26 Compliance to Reports of Committee on Public Undertakings (COPU)

Action Taken Notes (ATN) to 36 paragraphs pertaining to eight Reports of the COPU presented to the State Legislature between April 2005 to March 2017 had not been received (September 2017) as indicated in **Table-3.16**.

[16] Includes partly discussed paragraphs

Table-3.16: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total number of recommendations in COPU Report	Number of recommendations where ATNs not received
2004-05 (40th Report)	01	06	05
2005-06 (41st Report)	01	06	Nil
2009-10 (42nd Report)	01	17	06
2010-11 (43rdReport)	01	02	02
2011-12 (44th Report)	01	06	02
2012-13 (45th Report)	01	06	Nil
2013-14 (46th Report)	01	15	06
2015-16 (47th Report)	01	17	15
Total	**08**	**75[17]**	**36**

These Reports of COPU contained recommendations in respect of paragraphs pertaining to 10 departments, which appeared in the Reports of the C&AG of India for the years 2000-01 to 2013-14.

It is recommended that the Government may ensure: (a) sending of replies to inspection reports/ draft paragraphs/ performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule; (b) recovery of loss/ outstanding advances/ overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations.

17 Pertains to 49 paragraphs/ performance audits that featured in the Audit Reports for the years 2000-01 to 2011-12

Chapter-4

Performance Audit

CHAPTER-4

Public Works Department

4. Working of Jammu and Kashmir Projects Construction Corporation Limited

The Jammu and Kashmir Projects Construction Corporation Limited (the Company) was incorporated with the main objective of execution of construction works for the State/ Central Governments and Public Sector Undertakings, carry on the business of builders, contractors, engineers, architects, surveyors, estimators and designers in the State and curb monopoly of private contractors and provide healthy competition between private and public sectors. A performance audit of the Company for the period 2012-13 to 2016-17 brought out instances of financial mismanagement, delays in execution of works and lacunae in internal control. Some of the highlights of the performance audit are as under:

Highlights

- **The Company had finalised its accounts upto 2010-11 only. The value of works done decreased from ₹364.19 crore during 2012-13 to ₹250.65 crore during 2016-17. It suffered loss of ₹3.95 crore and ₹11.69 crore during 2014-15 and 2015-16 respectively. Shortfall in achievement of targets of value of works done remained between 29 and 50 *per cent*. Funds ranging between 58.52 *per cent* and 75.55 *per cent* only were utilised on works during 2012-17.**

  (Paragraphs: 4.6.1 and 4.6.2)

- **Service tax of ₹5.14 crore paid in excess had neither been reconciled nor refund thereof received. The Company had not submitted revised cost offers, to the extent of ₹22.66 crore, to reflect enhanced rate of service tax and made payment of service tax at the enhanced rate without actual recovery of ₹3.45 crore from the project authorities.**

  (Paragraph: 4.6.3)

- **The Company was dependent on the State Government Departments/ agencies for works on nomination basis and had failed to secure any work on competitive tender basis. The quantum of new works obtained, declined during 2012-16 from ₹349.48 crore to ₹236.03 crore, but increased during 2016-17 to ₹696.64 crore.**

  (Paragraphs: 4.7.1 and 4.7.2)

- **Execution of works in excess of the funds released by the project authorities led to accumulation of outstanding balance of ₹188 crore as of March 2017 and loss of interest of ₹26.56 crore. Delay in completion of works led to increase in cost to the extent of ₹360.87 crore which was mainly due to poor monitoring by Company and slow progress.**

  (Paragraphs: 4.8.1 and 4.8.2)

- **The Company had not framed any recruitment/ promotion policy and staff had been deployed at different units in an *adhoc* manner.**

(Paragraph: 4.11.1)

- **The Company did not devise any mechanism for ensuring continuous monitoring and internal control. Weak quality control, inadequacy of internal audit and variations amongst performance reports were observed.**

(Paragraphs: 4.12.1, 4.12.3 and 4.12.4)

4.1 Introduction

The Jammu and Kashmir Projects Construction Corporation Limited (the Company) was incorporated in May 1965 under the Jammu and Kashmir Companies Act, 1977 (Samvat) as a wholly owned State Government Company. The provisions of the Companies Act, 1956 were extended to the State with effect from 15th August 1968. As on 31st March 2017, the Company had 24 units (Civil executing Units: 20; Mechanical Units: two and Electrical Units: two) in different districts of the State.

The Company is engaged in activities of construction of bridges, buildings, roads, etc., entrusted to it mainly by the State Government, as deposit works, on cost plus basis.

4.2 Organisational structure

The management of the Company is vested in a Board of Directors (BoDs) comprising of six Directors including the Managing Director who is the Chief Executive Officer. The Minister for Public Works (Roads and Buildings) Government of Jammu and Kashmir is its Chairman and the Minister for State, Public Works, Roads and Buildings (R&B) is its Vice-chairman. The Company functions under the administrative control of the Public Works, R&B Department.

4.3 Scope of audit

The working of the Company for the period 2007-08 to 2011-12 was reviewed and featured in the Report of the Comptroller and Auditor General of India on Social, General and Economic sectors (Public Sector Undertakings) – Government of Jammu and Kashmir for the year ended 31st March 2012 (Report no. 2 of the year 2013). The report was partly discussed in the Committee on Public Undertakings (COPU) of the State Legislature and the part recommendations on the Audit Report were brought out in the 46th and 47th Reports of the COPU.

The COPU had made recommendations that:

(i) the Company should go for global tendering;

(ii) no work should be started/ taken up in hand unless the requisite formalities are completed and funds released; and

(iii) the revised cost offers should immediately be sent to the intending Departments for favour of early release of funds.

The present Audit, conducted between December 2016 and April 2017, analysed the activities undertaken by the Company during the years 2012-13 to 2016-17. The audit examination involved test-check of records at the Head Office and 12 units[1], out of 24 units, of the Company, selected on the basis of quantum of works executed by civil units. A total of 115 works[2] having estimated cost of ₹2,244.74 crore (42 *per cent* of the total estimated cost) out of 550 works[3] having estimated cost of ₹5,338.24 crore executed/ under-execution during the review period were selected for review on the basis of value of work, receivables outstanding against the Project Authorities (PAs) and delay in execution of works.

The Audit methodology included examination of records relating to the execution of works and analysis of data/ information collected from the Company, Government orders/ circulars governing the activities undertaken by the Company and discussion on Audit findings with the Management/ Government.

An entry conference for the Performance Audit was held in December 2016 where the objectives of the performance audit were discussed. The Audit findings were reported to the Company and State Government in July 2017 and discussed in an exit conference (November 2017) which was attended by Commissioner Secretary, Public Works Department, Government of Jammu and Kashmir and the Managing Director, JKPCC. The views expressed by the Government and Company in the exit conference, alongwith their replies, have been considered while finalising the performance Audit.

4.4 Audit objectives

The objectives of the performance audit were to ascertain whether:

- financial management of the Company was efficient and it had effective mechanism to realise pending dues/ funds.
- system of securing works from the project authorities and on tender basis was effective and Company had been able to secure works commensurate with its capacity of execution of works.
- prescribed system of project management including sub-contracted works existed and the Company followed the prescribed system of allotment of works, procured key construction material after following codal formalities and executed works economically, efficiently and effectively.
- human resources requirement was realistic and their deployment was effective.
- adequate monitoring, evaluation and internal control systems were in place and implemented effectively.

4.5 Audit criteria

The audit findings were evaluated against audit criteria sourced from the following:

- Financial rules and regulations and terms and conditions in the cost offers submitted to the project authorities.

1 Kashmir Province unit: 1st, 2nd, 3rd and Electrical unit (Srinagar), Kulgam: 11th, Baramulla: 8th and Jammu Province unit: 2nd, 4th and Mechanical unit (Jammu), Kathua: 5th, Doda: 9th, Kishtwar

2 Jammu: 50; Kashmir: 65

3 Jammu: 186; Kashmir: 364

- Prescribed procedures and norms for execution of works.
- Instructions and directions issued by the State/ Central Government.
- Decisions of Board of Directors of the Company.
- Budget and targets fixed.

Audit findings

4.6 Financial management

4.6.1 Financial position and working results

The Company had finalised its accounts upto the financial year 2010-11 and were in arrears thereafter as of November 2017. Major financial parameters of the Company during the period 2012-13 to 2016-17 (based on provisional accounts) are as under:

Table-4.1: Financial Performance of the Company (as per provisional accounts)

(₹ in crore)

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Paid up Capital[4]	1.52	1.52	1.52	1.52	1.52
2.	Reserves & Surplus	56.80	61.57	57.62	45.93	47.01
3.	Targets of value of works done	531.17	569.29	532.47	446.66	500.85
4.	Revenue from operations (Value of work done)	364.19	402.12	291.84	254.81	250.65
5.	Shortfall (3-4)	166.98	167.17	240.63	191.85	250.20
6.	Percentage of shortfall(5/3*100)	31	29	45	43	50
7.	Year over Year growth (*per cent*)	6.35[5]	10.41	-27.42	-12.69	-1.63
8.	Direct cost[6]	276.06	302.46	205.41	172.32	154.06
9.	Employee benefit expenses	49.75	54.61	55.15	63.91	62.64
10	Direct cost to value of work done (*per cent*)	75.80	75.22	70.38	67.63	61.46
11.	Employee benefit expenses to value of work done *(per cent)*	13.66	13.58	18.90	25.08	24.99
12.	Profit (+)/ Loss (-) before tax	15.54	7.77	-3.95	-11.69	3.53
13	Net Profit/ loss for the year (after tax)	13.04	4.78	-3.95	-11.69	3.53
14.	Net Profit/ Loss to Value of work done (*per cent*)	3.58	1.19	-1.35	-4.59	1.41
15.	Capital employed[7]	59.10	63.87	59.92	48.23	48.81
16.	Return (Profit)	13.04	4.78	-3.95	-11.69	3.53
17.	Return on Capital Employed (*per cent*)	22.06	7.48	-6.59	-24.24	7.23
18.	Net worth[8]	58.32	63.09	59.14	47.45	48.53

We observed:

(i) The Company had not been able to achieve its annual targets of turnover during any of the years of performance audit. The shortfall ranged between 29 *per cent* and 50 *per cent*. The Company had achieved annual turnover (revenue from operations) during 2012-13 of ₹364.19 crore which increased to ₹402.12 crore during 2013-14. However, it decreased to ₹250.65 crore during 2016-17. The decline in turnover was due to execution of lesser value of work.

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4 Excluding capital account of Brick and Tile Factory (BTF): ₹0.45 crore
5 Value of work done during 2011-12: ₹342.46 crore
6 Direct cost: Cost of material consumed plus direct expenses
7 Net Fixed Assets plus Working Capital
8 Paid up capital plus reserves and surplus

(ii) The Company had not fixed any norms to regulate its direct cost on works, as a proportion of value of work done. The proportion ranged between 61.46 *per cent* and 75.80 *per cent* during 2012-17. In ten test-checked civil units, the percentage of direct cost to the value of work done ranged between 48.57[9] and 113.39[10] *per cent* during the period 2012-13 to 2016-17.

(iii) The Company had booked profits of ₹13.04 crore and ₹4.78 crore in 2012-13 and 2013-14 respectively and suffered losses of ₹3.95 crore and ₹11.69 crore during 2014-15 to 2015-16 respectively, as per provisional accounts, which was mainly due to execution of lesser value of works and increased employee costs. The Company earned a profit of ₹3.53 crore during 2016-17.

The Management stated (November 2017) that the value of work done declined mainly due to less receipt of works as well as less receipt of funds which affected the profitability. The reply is not acceptable due to the fact that despite sufficient availability of funds from the project authorities, the progress of works was slow leading to reduced value of work done.

4.6.2 Fund management

The Company executes projects awarded to it as Deposit Works and charges Company Overheads (generally to the extent of 15 *per cent*). The position of funds received for execution of works vis-a-vis, funds utilised and the funds remaining unspent with the Company during the period 2012-13 to 2016-17 is tabulated below:

Table-4.2: Availability and utilisation of funds

(₹ in crore)

Year	Opening balance of funds	Funds received	Total funds available	Funds utilised	Closing balance (CB) of funds	CB in cash/ bank	CB in FDRs	Percentage of funds utilised to total funds available during the year
2012-13	314.25	295.34	609.59	363.01	246.58	46.50	200.08	59.55
2013-14	246.58	276.37	522.95	380.78	142.17	46.89	95.28	72.81
2014-15	142.17	226.74	368.91	278.70	90.21	23.06	67.15	75.55
2015-16	90.21	296.88	387.09	240.78	146.31	38.23	108.08	62.20
2016-17	146.31	293.40	439.71	257.30	182.41	37.71	144.70	58.52

(Source: Information furnished by the Company)

The Company utilised funds ranging between 58.52 and 75.55 *per cent* of total available funds for execution of works during the period 2012-17. It had unspent balances ranging between ₹90.21 crore and ₹246.58 crore from the project authorities, during the period 2012-17 which was mainly due to delay in completion of projects. Out of the surplus funds, the Company kept a portion in Fixed Deposit with banks. However, the Company had not devised any system to identify the surplus investible funds so as to ensure optimum returns.

The Management stated (November 2017) that they receive huge flow of funds in the last month of the financial year, resulting in a slightly disproportionate balance at the end of each year. The Management contention is not acceptable as delay had been noticed in execution of works, as discussed elsewhere, which resulted in funds

[9] Baramulla during the year 2016-17
[10] Kulgam during the year 2015-16

remaining unspent with the Company (detailed in Table-4.2) and only five to 32 *per cent* of total funds were received during the month of March during the period 2012-17.

4.6.3 Service tax matters

Under the provisions of Jammu and Kashmir General Sales Tax Act, 1962, all drawing and disbursing officers (DDOs) are required to deposit the service tax, on works contracts, into the treasury within 15 days of the end of each quarter, failing which DDOs are liable to pay penalty at the rate of two *per cent* per month for each month of delay in remittance of tax or ₹1,000, whichever is higher.

Audit observed that:

(i) The Assessing Authority had determined (March 2012/ 2013) the annual turnover of the Company, for the accounting years 2007-08 and 2008-09, at ₹198.56 crore and ₹271.82 crore respectively and computed service tax of ₹16.68 crore and ₹22.83 crore. Against this the Company had paid ₹17.36 crore[11] and ₹27.29 crore[12], resulting in excess payment of ₹0.68 crore and ₹4.46 crore respectively. However, this had neither been adjusted in the succeeding assessment orders nor refunded.

(ii) The Company failed to deposit service tax amounting to ₹1.27 crore during the first two quarters of 2009-10 and the assessing authority imposed (March 2014) a penalty of ₹1.72 crore, as interest for delay in remittance of tax.

The Management stated (May 2017) that the matters are under reconciliation with the Sales Tax Department.

(iii) The Company adds up an element of service tax at the existing applicable rate in its cost offers of works. The rates of service tax were revised (April 2015) from 10.50 *per cent* to 12.60 *per cent* by the State Government. It was noticed that in 134 test-checked cases, in the 10 selected civil units, the Company had not revised the cost offers to the extent of ₹22.66 crore owing to enhancement of service tax and submitted them to the PAs for approval. The Company had, however, made payment of service tax of ₹3.45 crore[13].

The management stated (November 2017) that the executing units would be directed to prefer the revised cost offers with the respective project authorities.

4.7 Planning

4.7.1 Business outlook

The Company to achieve its objective of execution of works for Central and State Governments should have made its annual/ long term plans in line with that of the Government. However, Audit did not notice any long term action plan of the Company to ensure achievement of the objectives, as laid down in the Memorandum

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[11] ₹15.37 crore paid in cash and ₹1.99 crore deducted by the Project Authorities at source

[12] ₹22.57 crore paid in cash and ₹4.72 crore deducted by the Project Authorities at source

[13] Difference of service tax paid (12.60 *per cent*) and service tax loaded in the cost offer (10.50 *per cent*) in respect of value of work done in case of 134 test-checked cases

of Association. The Company was dependent on the works entrusted to it by the State Government Departments/ Public Sector Undertakings for its survival. The COPU, in its 47th Report, while discussing the performance audit of the Company featured in Audit Report of Comptroller and Auditor General of India (Report No. 2 of 2013) had directed (June 2016) that the Company should go for global tendering. However, the Company failed to secure any work through participation in open tendering process during the period 2012-13 to 2016-17.

The State Government instructed (February 2013) that all civil works of Government Departments/ Corporations costing more than rupees seven crore, as against earlier floor of rupees one crore (July 2005), were required to be allotted to the Company and in case the Company was not in a position to execute the work for any reason, the Public Works Department (PWD) was to execute the work after following codal formalities.

Audit reviewed the position of works costing more than rupees seven crore and found that out of 183 works costing ₹4,038.88 crore allotted by five[14] Departments during 2013-17, only 40 works (22 *per cent*) having estimated cost of ₹1,122.85 crore were awarded to the Company. Out of 96 works tendered by the Economic Reconstruction Agency (23) and the Public Works Department (R&B) under the Pradhan Mantri Gram Sadak Yojana (73) during 2013-17, the Company did not participate in the tendering process in any of the works which is indicative of the fact that the Company was dependent on works awarded on nomination basis.

The Management stated (November 2017) that the matter has been taken up in February 2017 with various indenting departments for strict compliance of Government order and it has secured two works on tender basis during 2017-18.

4.7.2 Position of works in hand

The details of works pending execution at the beginning of the year, works received and executed during the year and pending execution at the end of the year during 2012-13 to 2016-17 are as under:

Table-4.3: Details of works

(₹ in crore)

Year	Works pending at the beginning of the year		Works obtained during the year		Total		Works completed during the year		Works pending at the end of the year	
	No.	Values	No.	Values	No.	Values	No.	Values	No.	Values
2012-13	533	3,925.13	53	349.48	586	4,274.61	43	211.29	543	4,063.32
2013-14	543	4,063.32	21	286.85	564	4,350.17	26	350.39	538	3,999.78
2014-15	538	3,999.78	25	133.25	563	4,133.03	13	252.11	550	3,880.92
2015-16	550	3,880.92	32	236.03	582	4,116.95	13	132.49	569	3,984.46
2016-17	569	3,984.46	36	696.64	605	4,681.10	10	119.11	595	4,561.99
Total			**167**	**1,702.25**			**105**	**1,065.39**		

(Source: The information in respect of opening balance of work had been taken from the Progress Reports of both the provinces (Jammu and Kashmir) ending March 2012 as opening as on April 2012 and the addition of the works and works completed as furnished by the Company)

14 Public Works Department: 54; Technical Education Department:16; Health and Medical Education Department: 17; Economic Reconstruction Agency: 23 and Pradhan Mantri Gram Sadak Yojana: 73

(i) As against 533 works with estimated cost of ₹3,925.13 crore (Jammu Province: 192 works costing ₹1,602.72 crore and Kashmir Province: 341 works costing ₹2,322.41 crore) pending execution at the beginning of the year 2012-13 and 167 works with estimated cost of ₹1,702.25 crore (Jammu Province: 71 works costing ₹631.53 crore and Kashmir Province: 96 works costing ₹1,070.72 crore) obtained during 2012-17, only 105 works valuing ₹1,065.39 crore (Jammu Province: 26 works valuing ₹401.15 crore and Kashmir Province: 79 works valuing ₹664.24 crore) could be completed by the Company. The low rate of completion is indicative of the tardy progress of works.

(ii) The award of fresh works to the Company by the Government decreased from ₹349.48 crore during 2012-13 to ₹133.25 crore during 2014-15 and was at ₹236.03 crore during 2015-16. It was highest at ₹696.64 crore during 2016-17, mainly due to award of two works of ₹189 crore each of the Health and Medical Education Department[15]. The awarding of lesser number of new works and non-timely completion of works in hand resulted in decrease of execution of work i.e., value of work done during the years 2012-13 to 2016-17. The value of work done decreased from ₹402.12 crore during 2013-14 to ₹250.65 crore during 2016-17 (Table-4.1 refers). All the 167 new works (estimated cost of ₹1,702.25 crore), during 2012-17, were given by State Government/ Departments/ PSUs on nomination basis. The Company did not plan for and secure any work on competitive basis.

The Management stated (November 2017) that works are executed as per availability of funds and efforts are made to complete the works in time bound manner to avoid cost escalation and that the time span for completion of works ranged between three and five years. As such works remained unexecuted/ incomplete at the end of each year. The reply is not borne out of facts as the total number of works completed, during 2012-17, were 105 as compared to 700 works under execution.

4.8 Execution of works

The Company had not prepared its Works Manual even after 52 years of its incorporation. The works awarded to the Company as deposit works by the various Government Department/ Autonomous Bodies/ Corporations were executed by engaging Piece Workers[16]. The Company prepares cost offer/ detailed project report for execution of work and submits the same to the Project Authority (PA) for their approval. The works are started after release of funds by the PA.

15 New Medical College at Baramulla and Anantnag

16 Piece worker is an individual who arranges for labour and manages to take work on output basis while material and equipment are provided by the Company

4.8.1 Execution of works in excess of the funds received and accumulated receivables

The State Government instructed (January 1988) that a cost estimate for a work should be prepared by the Company and forwarded to the PA for acceptance and release of funds and thereafter the work is to be executed by the Company. Further, as per directions of the Board of Directors of the Company, the work was to be restricted to funds released by the PAs and a Memorandum of Undertaking (MoU) invariably be signed with the PAs. The COPU in its 46th Report also directed (February 2014) that no work should be started/ taken up unless funds are released. Audit observed that the Company had executed works in excess of the funds received. The outstanding had accumulated to ₹188 crore as on March 2017 in respect of 373 completed/ handed over works in respect of 61 PAs. This outstanding amount was ₹62.09 crore as on March 2012. The age-wise analysis of the outstanding against the PAs is as tabulated below:

Table-4.4: Receivables outstanding from PAs

(₹ in crore)

Period	No. of PAs	No. of works	Outstanding amount
More than 3 years	42	333	100.96
2-3 years	9	18	56.00
1-2 years	5	9	27.76
Less than one	5	13	3.28

The Company has been taking up the matter with State Government/ the concerned PAs for release of funds without any encouraging response. The outstanding amount had neither been reconciled nor had any confirmation been obtained from the concerned PAs. The amount outstanding for the period more than three years which stood at ₹105.28 crore as of March 2016 had marginally come down to ₹100.96 crore (54 *per cent* of outstanding) as on March 2017. This had not only resulted in blocking of funds of ₹188 crore but also led to loss of interest of ₹26.56 crore[17].

No final bills, recording Bills of quantity or plinth area actually executed against the cost offer was submitted to the PAs. Also, the basic records of working out the value of work done as recorded in the performance reports and progress reports were not maintained. The Company had only submitted funds utilisation certificates (UCs) to the project authorities.

Contrary to the directions of the BoDs as above and order sanctioning release of funds stipulating that funds should be utilised on the work for which they were allotted, the Head Office of the Company transferred funds to the respective units in excess of the funds received from the PAs. As on March 2017, in case of 23 works in Jammu province, excess funds to the extent of ₹33.70 crore and in case of 53 works in Kashmir province, excess funds to the extent of ₹23.21 crore were transferred to

[17] Calculated at a rate of six *per cent* per annum for three years/ two years/ one year as per periodicity of outstanding with reference to Table-4.4

various units by diverting the funds from other works. Major instances of diversion were ₹14.87 crore towards 4th Tawi Bridge at Jammu, ₹3.04 crore towards Motorable Bridge at Ujhan and ₹3.01 crore towards Tehzeeb Mahal Srinagar. Utilisation of funds by diverting from other works resulting in execution of excess work than the funds released for by the PAs was against the terms of the sanction and the instructions of the BoDs. This diversion of funds without approval of the PAs had led to outstanding recoverable of ₹188 crore as on March 2017.

Further, Audit test-checked 12 works (as detailed in ***Appendix-4.1***) wherein the Company had executed work of ₹189.98 crore against which funds of ₹135.41 crore were received from PAs leading to outstanding recoverable amount of ₹54.57 crore. These works had been completed and suspended for want of funds and change of site for the period ranging between one and five years.

The Management admitted the facts and stated (November 2017) that matter had been taken up with the concerned PAs, their Administrative Departments and also with the Finance Department. Further, as per mandate, only UCs had to be furnished to the PAs except where the works were secured on tender basis. It was also stated that due to top most priority of prestigious works and to avoid penalty as per agreement with the sub-contractors, funds were utilised in excess of those released by the PAs.

The point stays that efforts made by the Company to realise the outstanding were not fruitful as recovery was meager. Though as per mandate, only UCs are required to be submitted by the Company to the PAs to close the contract and ascertain the profitability, yet the Company had to work out the actual work executed to arrive at actual cost incurred and booking of value of work done. Further, being a commercial organisation, the Company should have restricted the execution of work to the extent of funds released as the recovery of outstandings after completion of works was not effective and prompt.

4.8.2 Delay in execution of works

It is imperative that the Company completes its projects in time so that intended benefits are derived by the community in full. The Company generally stipulates the time period for completion of work in the cost offer. However, the Company had not established any Cell/ Wing to monitor the execution of work. In absence of regular and timely monitoring mechanism, the execution of works was delayed. As a result, time and cost overrun as well as non-achievement of the intended benefits of the building/ structures were noticed.

In 111 test-checked works, the Company revised the cost offer once in 41 cases, twice in 17 cases and thrice in two cases. The detail of revision is tabulated as under:

Table-4.5: Cost revision and cost overrun

(₹ in crore and number of cases in bracket)

Revision	Estimated cost		Cost (Increase cases)		Cost (Decrease cases)	
	Before Revision	After Revision	Before Revision	After Revision	Before Revision	After Revision
1st Revision (41 cases)	513.03	662.38	505.79 **(40)**	656.65	7.24 **(1)**	5.73
2nd Revision (17 cases)	295.11	440.82	246.68 **(14)**	403.88	48.42 **(3)**	36.95
3rd Revision (two cases)	105.33	158.14	105.33 **(2)**	158.14	Nil	Nil
Total	**913.47**	**1,261.34**	**857.80**	**1,218.67**	**55.66**	**42.68**
Difference after Revision		**347.87**		**360.87**		**-12.98**

As could be seen, revision in cost offers led to overall increase in cost to the extent of ₹360.87 crore (42 *per cent*). The necessity of revision of costs was mainly due to increase in cost of material, labour and taxes on account of time overrun due to non-completion of projects in time.

(a) Delay in execution of works were noticed. The case studies, showing the factors which affected the constructions of projects, the consequential events and the impacts, are described in the following table:

Table-4.6: Summary of delay in execution of works and its impact

Sl. No.	Name of the work	Factors which affected the construction	Consequential impacts/ events	Audit Remarks
1.	Construction of Motorable RCC Bridge at Ganpat, Doda, Jammu. DoS: February 2007 Target DoC: February 2009 Actual DoC: Work of approach roads in progress Estimated cost: ₹29.95 crore Revised cost: ₹46.70 crore Funds released: ₹29.70 crore VWD: ₹46.17 crore Balance funds with PA: ₹16.47 crore	• Sub-contractor failed to arrange gantry. • Slow pace in execution of works with effect from 29.11.2008 to 17.12.2009 and from April 2010 to September 2010. • Litigation between the Company and its sub-contractors and additional land issues with the JKPDC. • Changed the structural design of the bridge.	• Work remained suspended from 09.06.2008 to 28.11.2008 and from 18.12.2009 to 30.03.2010. • The work remained suspended for one and half year. • It took 42 months to modify the structural design of the bridge.	• Work estimated to be completed by February 2009 was finally completed after a lapse of more than seven years and the cost of work escalated by ₹16.22 crore. • Company had not imposed any penalty for delay against the sub-contractor as warranted in terms of the allotment. • Interest free mobilization advance of ₹2.04 crore remained lying with the sub-contractor for more than ten years.
2.	Construction of New Assembly complex at, Jammu. DoS: April 2012 Target DoC: March 2016 Actual DoC: Work in progress Estimated cost: ₹104.40 crore Revised cost: ₹150.58 crore.	• Work was taken up without adopting safety measures while excavation which caused cracks to Old Assembly Hall.	• Company suffered a loss of ₹1.44 crore on restoration of cracks in the Old Assembly Hall due to sliding of soil strata. .	• Estimates were revised three times, first ₹104.40 crore (June 2011); then ₹166.75 crore (December 2015) and finally ₹150.58 crore (December 2016). • Execution of work without taking permanent measures and without getting the condition survey by an expert as directed (May 2014) by the Estates Department.

Sl. No.	Name of the work	Factors which affected the construction	Consequential impacts/ events	Audit Remarks
	Funds released: ₹56.70 crore VWD: ₹52.69 crore			• Company could achieve only 35 *per cent* of financial progress despite lapse of more than five years of start of the project.
3.	Construction of Steel truss girder Motorable bridge over river Chenab at Thathri, Doda, Jammu. DoS: December 2007 Target DoC: December 2008 Actual DoC: November 2015 Estimated cost: ₹11.52 crore Revised cost: ₹11.78 crore Funds released: ₹11.53 crore VWD: ₹11.53 crore	• The sub-contractor executed the work with slow pace.	• The work of superstructure (Fabrication and launching) which was allotted in February 2011 and was required to be completed by September 2011 was finally completed by the sub-contractor in September 2015, thereby delayed the work by four years.	• Allotment of work of fabrication and launching of superstructure to the sub-contractor valuing ₹1.29 crore without tendering. • The work of bridge was completed in November 2015 after a delay of more than seven years. No action could be taken against the sub-contractor as allotment letter lacked any penalty clause for non-completion of work in time.
4.	Construction of Multi Sports Activity Centre at Gindun, Rajbagh. DoS: November 2009 Target DoC: December 2013 Actual DoC: Work retrieved by the PA. Estimated cost: ₹18.91 crore Revised cost: ₹46.48 crore Funds released: ₹10.20 crore VWD: ₹11.81 crore Balance funds with PA: ₹1.61 crore.	• Additional work entrusted and design of swimming pool changed after submitting the cost offer.	• The work was retrieved (June 2014) by the State Sports Council.	• Execution of work in absence of AA. Delay in submission of technically vetted estimates to the State Sports Council resulted not only in delay but also blockade of funds of ₹1.61 crore.
5.	Construction of 146.50 Mtrs. Span Steel Girder bridge at Shiva Dal, Doda. DoS: October 2014 Target DoC: April 2016 Actual DoC: Work in progress Estimated cost: ₹10.94 crore Revised cost: ₹15.87 crore Funds released: ₹6.08 crore VWD: ₹5.45 crore	• Work was not taken up by the Company at its own on the plea that most of the machinery and equipment were deployed at various other works and finally the Company sub-let the work in October 2014 after a delay of more than four years from the date of allotment (March 2010).	• Span of the bridge was increased from 110 meters to 146.50 meters and carriage way was also increased.	• Work of right approach road (estimated value of ₹3.16 crore as per cost offer) was allotted to the same sub-contractor without calling for tenders and in absence of any approved rates. • No action had been taken by the Company to recover Liquidated Damages/ penalty from the sub-contractor for delay in completion of the work at a rate of ₹5000 per day of delay subject to maximum of 10 *per cent* of the contract value.
6.	Construction of Steel Plate Girder Bridge including approaches over Tarnah Nallah at Magloor, Kathua. DoS: February 2010 Target DoC: February 2012 Actual DoC: February 2014 Estimated cost: ₹12.75 crore Revised cost: ₹17.18 crore Funds released: ₹13.75 crore VWD: ₹15.91 crore Balance funds with PA: ₹2.16 crore.	• Non-receipt of funds from PA. • Changed the design of the bridge from steel plate girder to pre-stressed concrete bridge	• The work remained suspended for almost 5 years (2005 to 2010) for want of funds. • Cost offer was revised (December 2010) from ₹12.75 crore (June 2005) to ₹17.18 crore. Work was delayed by the contractor by two years as per revised cost offer.	• Execution of work without Administrative Approval. •Execution of work in excess of funds received from the PA-blocking of ₹2.16 crore for the last more than three years. • Construction work valuing ₹3.63 crore of sub-structure was allotted to the same sub-contractor without calling for tenders.

Sl. No.	Name of the work	Factors which affected the construction	Consequential impacts/ events	Audit Remarks
7.	Construction of New Zero Bridge over River Jhelum by dismantling existing old Zero Bridge under CRF. DOS: March 2012 Target DoC: November 2015 Actual DoC: Work in progress Estimated cost: ₹12.15 crore (originally as per CRF Scheme) Rehabilitation of old Zero Bridge: Estimated cost: ₹17.39 crore (PWD and Tourism component) Funds released: ₹9.05 crore VWD: ₹17.39 crore Balance funds with PA: ₹8.34 crore	• Change of location of the bridge near Convent school and rehabilitation of old zero bridge. • Again changed the site of construction of bridge from Convent school to Handicraft Emporium building.	• Initial cost of rehabilitation of old bridge of ₹2.12 crore was revised to ₹6.42 crore and the State Government also proposed to construct food court alongwith allied works of ₹10.98 crore at the site. • Due to flood of September 2014, the High flood level of river Jhelum increased by 1.68 meters with the result the requisite length of the approach road was not available on either side of the bridge. State Government further proposed to construct a new bridge near Handicraft emporium building for which the Company submitted the cost offer of ₹45.22 crore.	• Company executed work of ₹17.39 crore against funds receipt of ₹9.05 crore leading to blocking of funds of ₹8.34 crore (November 2017). • The three lane bridge near convent school is now proposed to be converted as pedestrian bridge with the result, the differential expenditure incurred up to sub-structure level for three lane bridge and pedestrian bridge becoming unfruitful expenditure. As of June 2016 the Company executed work of ₹10.34 crore on the above work. • Due to ill-conceived planning of the State Government, the Bridge which was sanctioned in March 2011 at ₹12.15 crore was still unexecuted, though expenditure of ₹16.76 crore[18] was incurred and further ₹45.22 crore was proposed for construction of bridge at new site.
8.	Construction of office complex/ guest house, J&K Public Service Commission, Rajbagh Srinagar. DoS: July 2008 Target DoC: January 2010 Actual DoC: Work in progress Estimated cost: ₹18.52 crore Revised cost: ₹26.59 crore Funds released: ₹25.18 crore VWD: ₹26.04 crore	• Slow progress by the executing unit despite sufficient funds released by the PA.	• Revision of cost from ₹18.52 crore to ₹26.59 crore (including cost escalation/ enhancement of taxes to the extent of ₹4.50 crore and additional construction of staff quarters having estimated cost of ₹3.57 crore).	• Delay in completion of works by seven years mainly due to slow progress of work by the executing unit. The financial progress was only 39 *per cent* by February 2011 i.e. after one year of scheduled date of completion which increased to 97.93 *per cent* by the end of March 2017.
9	Construction of 4th Tawi Bridge at Jammu including work of Restoration of approach roads after flood of September 2014 DoS: December 2009 Target DoC: June 2012 Actual DoC: March 2013 (Work of restoration of approach roads in progress) Estimated cost: ₹89.10 crore plus ₹18.70 crore Funds released: ₹61.85 crore plus ₹12 crore VWD: ₹87.87 crore plus ₹8.55 crore	• Non-completion of protection work on up-stream side of barrage by the Irrigation and Flood Control Department (I&FC).	• Erosion of approach road behind the abutment of 4th Tawi Bridge in floods of September 2014.	• Execution of work by the Company in excess of funds released to the extent of ₹26.02 crore, recovery of which was doubtful as the work was completed in March 2013. • For permanent restoration of damages, cost estimates were prepared at ₹17.10 crore (excluding works executed to the extent of ₹0.55 crore for temporary restoration) and as on March 2017, work to the extent of ₹8 crore was executed which could have been avoided had the protection work been

18 Aggregate of cost of Rehabilitation of old Zero Bridge (₹6.42 crore) and expenditure incurred on Convent Bridge (₹10.34 crore)

Sl. No.	Name of the work	Factors which affected the construction	Consequential impacts/ events	Audit Remarks
	Balance funds with PA: ₹26.02 crore (excess funds of ₹3.45 crore in respect of restoration work)			completed by the I&FC Department.

(DoS: Date of start; DoC: Date of completion; VWD: Value of work done)

Thus, execution of works in excess of funds released by the PAs resulted in blocking of funds of ₹54.60 crore[19] and slow execution of works delayed the project completion ranging between one year and eight years. Allotment of work of ₹8.08 crore[20] to the sub-contractors without tenders was in contravention of financial rules and contracting procedure.

(b) Delay in execution of road works

(i) The GoI, under Central Road Fund (CRF) scheme, sanctioned (December 2006 and March 2009/ 2010) the construction and improvement/ up-gradation of six roads in Kishtwar District and the works were allotted by the Public Works Department to the Company. The status of execution of works as on December 2016 is as under:

Table-4.7: Status of works of construction of roads under Central Road Fund

(₹ in crore)

Sl. No.	Name of Work	Estimated/ Allotted cost	Date of allotment to the Company	Schedule date of completion	Funds released by the PA	Value of work executed (*percent-age* of financial progress)	Balance funds with the PA as per estimated/ allotted cost	Balance funds with the Company out of funds released by the PA	Work to be executed within the allotted cost *(As per estimates prepared)*	Estimated total cost to complete the work (percent-age increase)
1.	Changa Kaljugsar road (12 Kms)	21.81	February 2008	February 2011	18.72	17.94 (82)	3.09	0.78	Partial completion of 1.5 km against 12 km	32.42 (49)
2.	Gandoh Jai road (15 Kms)	23.72	February 2008	February 2011	17.23	15.27 (64)	6.49	1.96	Partial completion of 7 km against 15 km	36.01 (52)
3.	Bhatyas Manu road (17 Kms)	28.26	October 2009	October 2012	11.08	7.48 (26)	17.18	3.60	Only one grade of WBM against four grades	42.74 (51)
4.	Dunadi Bunjwah road (13 Kms)	11.48	March 2010	March 2013	10.41	9.27 (81)	1.07	1.14	Partial completion of 2 km against 13 km	13.97 (22)
5.	Kurya Keshwan road (10 Kms)	15.31	May 2010	May 2013	13.26	12.73 (83)	2.05	0.53	Not furnished by the Company	16.69 (9)
6.	Singhpora to Singhpora tunnel road (3.5 Kms)	8.69	August 2010	August 2013	8.19	7.20 (83)	0.50	0.99	There would be saving in the cost for completion of the work	7.21
	Total	**109.27**								**149.04**

[19] Construction of Motorable RCC bridge at Ganpat, Doda, Jammu (₹16.47 crore), Construction of Multi Sports Activity Centre at Gindun (₹1.61 crore), Construction of Steel Plate Girder Bridge including approaches over Tarnah Nallah at Magloor, Kathua (₹2.16 crore), Construction of New Zero Bridge over River Jhelum by dismantling existing old Zero Bridge under CRF (₹8.34 crore) and Construction of 4th Tawi Bridge at Jammu including work of Restoration of approach roads after flood of September 2014 (₹26.02 crore)

[20] Construction of Steel truss girder Motorable bridge over river Chenab at Thathri, Doda (₹1.29 crore), Construction of 146.50 Mtrs. Span Steel Girder bridge at Shiva Dal, Doda (₹3.16 crore) and Construction of Steel Plate Girder Bridge including approaches over Tarnah Nallah at Magloor, Kathua (₹3.63 crore)

There was delay in completion of the works ranging between three and six years due to non-settlement of compensation cases, forest clearances and lack of close monitoring. The estimated cost in the above projects of CRF had increased from ₹109.27 crore to ₹149.04 crore. Though the financial progress in all the six works (except the work at Sl. No 3 where it was 26 *per cent*), was more than 60 *per cent*, the physical progress was far less in case of four works from Sl. No. 1 to 4. For further execution of work on roads, the Company invited (August 2016) tenders which were cancelled due to no response. However, one work (serial no. 5 above) for which Company had received bids, was under consideration for allotment.

The Management attributed (November 2017) the delay to settling cases of land/ structure compensation, forest clearance, frequent stoppage of works by the land owners and change of alignment to delay in execution of works.

Thus, the intended benefits to provide road infrastructure to the inhabitants of the areas were not realised even after the passage of a significant time since the scheduled date of completion of various projects.

(ii) Under the Pradhan Mantri Gram Sadak Yojana (PMGSY), the State Government after inviting tenders, allotted (March 2010) construction of road from Parna to Bunda and Gandoh Dhadkai (4.5 Kms length each) to the Company at a cost of ₹3.76 crore and ₹4.41 crore and the Company started the works in May and August 2010 respectively. In case of Parna Bunda Road, the pace of execution of work remained slow on account of non-settlement of compensation case for land/trees etc., and the usage of forest land, which was sanctioned (August 2012) after more than two years. The Project Authority (PMGSY) did not provide encumbrance free land to the Company. As of December 2016, work of ₹2.94 crore was executed.

In case of Gandoh Dhadkai road, only 39 *per cent* of work (valuing ₹1.74 crore) was completed by December 2016 despite change in sub-contractors. Delay in completion of work led to non-providing of the connectivity to the inhabitants of that area.

The Management accepted (November 2017) the facts.

4.9 Realisation of overheads

The BoDs decided (2007) to charge 15 *per cent* as Company's overheads while preparing cost estimates. These rates were revised (August 2012) to 15 *per cent* in case of projects of cost up to ₹50 crore, 10 *per cent* for projects costing up to ₹100 crore and 7.5 *per cent* for projects of more than ₹100 crore.

(i) Of the 71 test-checked on-going works, in 34 cases, it was observed that the Company over realised its overheads, at more than prescribed rate of 15 *per cent* (15.08 *per cent* to 56.43 *per cent).* In 37 cases, the realisation of overheads was lower than 15 *per cent.* Audit observed that where overheads were charged at rates lower than 15 *per cent*, in three cases[21], the expenditure was even more than value of the work done, which resulted in loss of ₹1.04 crore.

[21] Tehzeeb Mahal Srinagar (₹69.34 lakh), Chandanwari Bridge Boniyar Uri (₹7.03 lakh) and Steel Bridge over Nallah Vishow from Kelam Gund to Ashimuji Kulgam (₹27.62 lakh)

The Management admitted and stated (November 2017) that the works are still ongoing and efforts shall be made to realise overheads as envisaged.

(ii) It was further observed that in 17 out of 105 completed works, during 2012-17, the Company realised overheads at rates more than the prescribed limit of 15 *per cent,* ranging between 16.31 *per cent* and 61.77 *per cent*. In 13 cases, the Company realised its overheads at less than the prescribed rate (ranging between zero and 14.44 *per cent*), which resulted in non-realisation of corporation overheads to the extent of ₹10.06 crore. Further, in two works (Hostel block IMPA Jammu and Judicial Academy), the Company instead of recovering its overheads, incurred expenditure of more than the value of work done. As a result, it suffered loss of ₹1.54 crore, besides, non-realisation of corporation overheads of ₹2.74 crore. The BoDs directed (July 2007) that the costing wing of the Company should determine the final cost accounts on the basis of approved cost offer and approved job estimates to arrive at net profit/ loss position of the project on completion of the projects. It was seen in Audit that no costing wing was in existence in the Company and no exercise was made by the Company to determine the final cost for arriving at the Net Profit/ Loss of the project. As a result, the Company failed to analyse and ascertain the reasons for losses and non-realisation of prescribed corporation overheads and no remedial measures were taken to improve the execution of works.

The Management stated (November 2017) that in some cases the Company could not realise overheads as envisaged due to cost and time overrun and in case of excess realisation, the process of booking and reconciliation of all expenditure had not been completed. The reply is not tenable in view of the facts that the Company generally submits revised cost offer in case of time and cost overrun. Further, it was failure on the part of the Company to book and reconcile all the expenditure though periods ranging between one year and five years had elapsed since completion of works, to arrive at the actual realisation of the overheads.

Audit examination of three completed works where there was less realisation of overheads and loss in execution showed:

- The work of construction of Excise and Taxation Complex at Lakhanpur was completed (January 2013) against value of work done of ₹30.48 crore. The Company had incurred expenditure of ₹29.90 crore and recorded vaue of work done of ₹30.48 crore, resultantly realised overheads of ₹0.58 crore only, instead of ₹4.48 crore (15 *per cent* of ₹29.90 crore). As such, the Company failed to realise overheads to the extent of ₹3.90 crore (₹4.48 crore minus ₹0.58 crore). The Company did not analyse the causes of excess expenditure.

The Management stated (November 2017) that the work was obtained on tender basis on competitive rates. The reply could be viewed in light of the facts that the Company received the funds as per the booked value of work done and failure on the part of the Company to timely execute the work with economy and efficiency led to non-realisation of overheads as the work which was required to be completed in 15 months was actually completed by the Company in 58 months.

- The construction work at Institute of Management and Public Administration (IMPA), Jammu was completed at ₹10.59 crore[22] against which it received funds of ₹8.41 crore, leaving ₹2.18 crore receivable against the PA. Further, expenditure of ₹11.97 crore was incurred against the value of work done of ₹10.59 crore, thereby incurring extra expenditure of ₹1.38 crore. This resulted in, besides, non-realisation of corporation overhead of ₹1.80 crore[23] due to failure of the Company to execute work with economy and efficiency, blockade of ₹2.18 crore.

The Management stated (November 2017) that the work is still in progress and actual realisation shall be recorded after reconciliation. The reply is not correct to the extent that after March 2016 no further work was executed and the building was also occupied.

- For construction of a Judicial Academy at District Court Complex, Srinagar, the Company booked value of work done of ₹6.14 crore against which it had incurred expenditure of ₹6.30 crore, thereby, incurring loss of ₹0.16 crore, besides, non-realisation of corporation overheads of ₹0.94 crore (15 *per cent*). This cost overrun was indicative of non-monitoring of work to ensure economy and efficiency.

4.10 Procurement of construction material

(i) The BoDs approved (July 2007) the procurement of construction material like bricks directly from brick kilns, stone aggregate from crusher plant, sand from river bed sources, steel from SAIL/ ISPAT/ TISCON, cement from J&K Cements Limited and other original manufacturers, sanitary items from original manufacturers, etc.

Audit observed that during the period of performance audit, the sanitary items used in buildings works were procured from the open market, without inviting tenders, as directed from the original manufacturers. The Company had procured bricks from the suppliers at rates fixed by the Deputy Commissioners of respective districts and did not negotiate its rate with the brick kilns.

The Management stated (November 2017) that rates for sanitary items have now been finalised after inviting tenders.

(ii) After inviting tenders, the Company procured (September 2013 to April 2014) cement from M/s Jaiprakash Associates Ltd. (JAL) at the rate of ₹246 per bag (excluding toll tax of ₹32.50 per bag). Terms of notice inviting tenders (NIT) provided that the supplier was required to supply cement at the rates finalised, till March 2014 or the next finalised tender. The tenders for supply of cement during 2014-15 was not finalised and the Company, without recording any reasons, discontinued (April 2014) procurement of cement from M/s JAL and procured (May to November 2014) 19,205 bags of cement from J&K SICOP/Stores & Procurement Department (SPD), at rates ranging between ₹360 and ₹400 per bag, which resulted in extra cost of ₹16.02 lakh[24] which could have been avoided.

[22] Administrative block (₹10.18 crore) and Hostel block/ Battery Room/ Air conditioning (₹0.41 crore)
[23] 15 *per cent* of the expenditure of ₹11.97 crore
[24] Calculated at the rate of ₹295.50 per bag procured from JAL in October 2014

The Management stated (November 2017) that the non-execution of agreement with the supplier was due to tardy realisation of funds from respective projects and regarding non-finalisation of tenders for 2014-15, the delay was attributed to the election code of conduct being in force. Therefore, keeping in view the urgencies, cement was procured from other agencies. The Management reply is not tenable as ample funds were available with the Company and that the code of conduct for the Lok Sabha Elections was over by May 2014.

(iii) Procurement Unit/ Wing of the Company at Jammu is responsible for procurement and supply of cement to various civil units of the Jammu province and in turn civil units were required to put demand of cement in time to the Procurement Unit/ Wing. No direct procurement of cement by the civil units was to be made without obtaining Non-Availability Certificate (NAC) from the procurement unit. Test-check of records of 5 units in Jammu province revealed that 1,35,241 bags of cement were procured directly from JKSICOP/ SPD without obtaining NAC[25] and that too at higher rates than supplied by the Procurement Wing resulting in incurring of extra cost of ₹91.47 lakh.

The Management stated (November 2017) that all the units are being directed to obtain NAC from procurement wing prior to purchasing cement from SICOP/SPD and also directed to furnish requirement in advance so that cement shall be arranged in time.

(iv) As per practice, civil units of the Company procure steel from the open market. The BoDs approved the procurement of steel from SAIL/ ISPAT/ TISCON. The rate of Tata TISCON was higher than the rate of SAIL ranging between ₹4,382 and ₹7,438 per metric tonne (MT). In three test checked civil units, during the period 2012-13 to 2015-16, 2,461 MTs of SAIL make steel and 936 MTs of Tata TISCON make steel was procured. Had the Company procured steel from SAIL only, it could have avoided at least ₹41.02 lakh paid extra on purchase of 936 MTs of steel procured from TISCON.

The Management stated (November 2017) that, in the first instance, the Company approached SAIL for supply of steel and due to its non-availability, procurement from TISCON was undertaken. It was also stated that now a Memorandum of Understanding has been executed with SAIL. However, Audit observed that no NAC was obtained from SAIL prior to undertaking procurement from TISCON.

4.11 Human resources

4.11.1 Since its incorporation, the Company had not framed any recruitment/ promotion policy. Audit observed that staff had been deployed at different units in an *adhoc* manner. The sanctioned strength (SS) and actual Person-in-Position (PIP) of regular staff during the period of performance Audit was as under:

[25] No stock of cement for only seven months during May to November 2014 and September 2015 at Keran Store Jammu

Table-4.8: Sanctioned strength vis-à-vis person-in-position

Sl. No.	Cadre	2012-13		2013-14		2014-15		2015-16		2016-17	
		SS	PIP	SS	PIP	SS	PIP	SS	PIP	SS	PIP
1.	MD/ ED/ GM	5	3	5	4	5	4	5	4	5	5
2.	DGMs	28	28	28	30	28	30	27	27	29	26
3.	Manager/ Dy./ Assistant Managers	214	190	214	191	214	191	214	204	214	185
4.	Other cadres	1,139	852	1,139	764	1,139	876	1,059	880	1,057	785
	Total	**1,386**	**1,073**	**1,386**	**989**	**1,386**	**1,101**	**1,305**	**1,115**	**1,305**	**1,001**
5.	Shortage of staff (Percentage of shortage)		313 (23)		397 (29)		285 (21)		190 (15)		304 (23)
6.	Engineering staff		221		225		225		235		216
7.	Non-engineering staff		852		764		876		880		785
8.	Ratio of engineering staff to non-engineering staff		1:3.86		1:3.40		1:3.89		1:3.74		1:3.63

(Source: As per information furnished by the Company)

The PIP remained below the sanctioned strength and shortfall ranged between 15 and 29 *per cent* during the period 2012-13 to 2016-17. The Company had not assessed unit-wise sanctioned staff strength. The ratio of engineering staff to non-engineering staff was 1:3.86 during the year 2012-13 and stood at 1:3.63 during 2016-17. The Company had constituted (February 2016) an Establishment Sub-Committee (ESC) for rationalisation of sanctioned strength and framing of recruitment rules.

Further, the Company had 1,043 casual workers (watch and ward staff), as on November 2016, who were engaged from time to time without assessing any actual requirement. In Kashmir province, 886 numbers of casual workers were engaged and in Jammu province 157 casual workers were engaged. Moreover, more than 100 casual workers were engaged in Unit-2 at Srinagar[26], Unit-10 at Kupwara and Unit-12 at Pulwama, while on other hand, numbers lesser than ten were engaged in 8 units[27] of Jammu Province. The Company has not followed any reasonable basis such as quantum or volume of work, turnover or number of technical and non-technical staffs for deployment of casual workers.

The Management assured (November 2017) to depute staff in accordance with the output of the unit. It was also stated that the Company had decided to come up with an ideal establishment model for all the executing units, having balanced proportion of human resources in different wings i.e. Engineering, Finance, Administrative, etc. and that the casual labourers were engaged at units as per the requirement of site and more casual labourers were deployed in Kashmir Province in view of more projects than Jammu province.

The Management reply may be seen in light of the facts that the number of works under execution during 2012-17 were 186 in Jammu province and 364 in Kashmir province which worked out to 1:2, however, deployment of casual labourers was 1:5.6 respectively and in three units in Kashmir province more than 100 casual labourers were deployed.

26 165 casual workers

27 5th Kathua (6), 6th Udhampur (8), 7th Jammu (7), Unit at Reasi (3), Electrical Unit at Jammu (5), Unit at Leh (5), Electrical unit at Pampore (7) and Mechanical Unit at Jammu (8)

4.11.2 Employee productivity

The relation of human resources to value of work done is considered for evaluation of employee productivity in the Company. Table-4.9 indicates the value of work done, number of employees and employee cost of the Company for the period 2012-13 to 2016-17.

Table-4.9: Employee productivity

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Value of work done (₹ in crore)	364.19	402.12	291.84	254.81	250.65
Men-in-position (Regular staff) (in number)	1,073	989	1,101	1,115	1,001
Per employee value of work done (₹ in crore)	0.34	0.41	0.27	0.23	0.25
Employee cost (₹ in crore)	49.75	54.61	55.15	63.91	62.64
Employee cost to value of work done (*per cent*)	13.66	13.58	18.90	25.08	24.99

Per employee value of work done decreased over the period of 2012-17 from ₹0.34 crore to ₹0.25 crore, whereas employee cost to value of work done increased over the period of 2012-17 from 13.66 to 24.99 *per cent*.

The unit-wise PIP (as on March 2017) and the value of work done (2012-13 to 2016-17) are shown in the ***Appendix-4.2***, the analysis of which revealed that per employee value of work done was at variance in each unit. In Jammu province, per employee value of work done for the period of five years was the highest in Kishtwar Unit at ₹5.15 crore while in Kathua, it stood at only ₹0.63 crore. Similarly, in Kashmir province, in Unit-II at Srinagar, it was the highest at ₹2.91 crore while in Unit XII Pulwama, it stood at only ₹1.42 crore. This indicated deployment of staff without any technical/ rational assessment and without considering the quantum of work at different units, which might cause deployment of excess staff in one unit while shortage at another, thereby, leading to overburdening/ inefficiency of staff.

4.12 Monitoring and internal control mechanism

Internal control mechanism within the Company is required to ensure that its activities are carried out in an economical, effective and efficient manner and the system could identify and deal with any risk to realisation of the Company's objectives. Audit noticed that the Company did not devise any mechanism for ensuring continuous monitoring and control of its units.

4.12.1 Weakness in quality control

To ensure quality in its works the Company needs to put in place control measures. However, the Company had not framed any quality control manual spelling out parameters or standards for various kinds of tests. The Board of Directors had approved (February 2012) establishment of site laboratory at all major projects for ensuring quality in works executed. However, no laboratories had been established at any work site. The Company had two quality control wings, one each at Srinagar and Jammu, headed by Deputy General Managers, who are entrusted with the responsibility to conduct all relevant tests at field/ work sites as well as in laboratory. Records showed that out of 467 numbers of quality control tests of 6 types (soil investigation, physical test of cement, bricks, aggregate, cement concrete cube and design mix), conducted at Quality Control Wing at Srinagar during 2012-16, in eleven cases reports were negative. In Jammu laboratory, only one kind of test viz., cement concrete cube was carried out. Out of 168 tests conducted during 2012-16, failure was observed in six instances.

The Management stated (November 2017) that Company shall make endeavour to frame a quality control manual, direct the Quality Control wing at Jammu to conduct other tests also and in case of negative test results, the site in-charges have been directed to ensure quality execution of works.

4.12.2 Shortfall in convening of meeting of Board of Directors

Against the requisite 20 numbers of meetings of Board of Directors for the period of 2012-13 and 2016-17 (four in each year), as per provisions of Section 285 of the Companies Act, 1956 and Section 173 of the Companies Act, 2013, only six meetings[28] were held.

The Management stated (November 2017) that the required number of meetings could not be held due to various reasons not under control of the Company such as unrest in Kashmir valley during 2012-13, floods in 2014, etc.

4.12.3 Internal Audit

Internal Audit is an arm of top management of the Company for an independent appraisal activity within an entity to examine, evaluate and monitor the adequacy and effectiveness of accounting, financial reporting and other internal control systems. Since inception of the Company, there was no internal audit mechanism. In 2015-16 the Company started internal audit of the units, by constituting two teams of six personnel each for Kashmir and Jammu provinces. They conducted audit of six units out of 24 units for the period upto 2015-16. However, no annual audit plan for internal audit wing had been formulated. The internal audit reports generated, studied by Audit, highlighted only financial management issues. No aspects of the execution of works were taken up in the internal audit reports.

The Management stated (November 2017) that other areas shall also be included in the Internal Audit in future.

4.12.4 Management Information System

There was no standard format for recording information on various operational activities at the unit level and their monitoring at the Head Office level. As a result, the benefit of effective Management Information System (MIS) to analyse business activities, including delay in completion of projects, non-achievement of targets, recovery of outstanding, etc., could not be achieved as have been highlighted in the preceding paragraphs.

Audit noticed deficiencies in the reporting parameters as below:

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[28] One during 2012-13, one during 2013-14, two during 2015-16 and two during 2016-17

(i) Variation in figures of Utilisation Certificates and performance reports

The Company issues Utilisation Certificates (UCs) to the respective PAs as per prescribed format. Audit examination of records showed that the value of work done recorded in the performance reports and the UCs issued to the project authorities for the corresponding period was at variance in 49 out of 61 test-checked works (list as per ***Appendix-4.3***) of the 10 civil units. The value of work done as per UCs was higher than as recorded in the performance reports in 33 works, which ranged between ₹0.33 lakh and ₹4.84 crore. Major works were Thathri Bridge at Doda (₹3.35 crore) and Physical Education College Ganderbal (₹4.84 crore). Further, the value of work done as per UCs was less than as recorded in performance reports in 16 cases, ranging between ₹0.01 crore and ₹7.38 crore. Major works were Permanent Restoration work of 4th Tawi Bridge at Jammu (₹4.05 crore) and addition/ alteration work of Tagore Hall at Srinagar (₹7.38 crore).The differences indicated that the funds shown as utilised in the UCs were not factual to that extent.

The Management admitted the facts and stated (November 2017) that instructions have been issued to all the unit Heads to ensure conformity between the figures of UCs and performance report.

(ii) Variations in figures of value of work done in the annual accounts/ performance reports and the progress reports

The Company prepares performance report on quarterly intervals depicting value of work done, expenditure incurred and funds received from the PAs forming basis for accounting/ key documentation. The Company also prepares progress reports showing the physical and financial position in terms of value of work done, funds received and physical status of the work. The value of work done should be reflected uniformly in all the documents prepared and submitted to various authorities viz. taxation/ PAs and other intended users. However, review of progress reports and performance reports in 93 test-checked cases of 10 civil units revealed that the value of work done depicted in both the reports was at variance. In 38 cases, the value of work done as per progress report was higher than as recorded in performance report to the extent of ₹41.86 crore; the major instances were New Legislative Assembly at Jammu (₹5.36 crore) and Sub-district Hospital Sopore (₹3.33 crore). In 37 cases, the value of work done as per progress report was less than the performance report to the extent of ₹25.68 crore; major instances were District Administrative Complex Kishtwar (₹3.36 crore) and Mini Secretariat/ DC office Kulgam (₹5.01 crore). In remaining 18 works, no variation was noticed.

Figures of value of works done as per consolidated physical and financial progress reports of the Company were more than that as per annual accounts, ranging between ₹6.03 crore and ₹33.16 crore during the period 2012-13 to 2015-16 and it was less to the extent of ₹31.17 crore during 2016-17.

Thus, authenticity of reports could not be ascertained in audit which indicated poor accounting/ reporting and MIS.

The Management stated (November 2017) that figures reflected in progress reports are indicative of a particular time and cannot be accurate as work remains in continuous state of execution whereas performance reports are worked out on actual billed expenditures and as such a variation with progress reports is evident. The reply is not tenable as both are the basic records for recording performance progress of the works and need to be reconciled at the end of the year. As pointed out, the reconciliations had not been done and variation in figures continuously existed over the period of time. **The variation in two set of figures carries the risks of misrepresentation of facts and fraud.**

4.13 Conclusion

The Company failed to secure any work on tender basis though directed by the Committee on Public Undertakings of the Legislature and was entirely dependent on the State Government Departments/ agencies for works which were awarded on nomination basis. There was shortfall in achievement of targets of value of works done which was between 29 and 50 *per cent.* The value of work done decreased from ₹364.19 crore during 2012-13 to ₹250.65 crore during 2016-17. The Company failed to reconcile the service tax payments and paid ₹5.14 crore in excess, besides, non-revision of cost offers led to payment of service tax of ₹3.45 crore from its own sources. Delay was noticed in execution of works which resulted in funds ranging between ₹90.21 crore and ₹246.58 crore remaining unspent with the Company. Execution of works in excess of the funds released by the project authorities, in contravention to the directions of the State Government as well as Board of Directors, led to accumulation of outstanding balance of ₹188 crore as of March 2017. Non-monitoring of the execution of works closely led to slow progress which resulted in delay in completion of works and time and cost overrun. The Company failed to realise overheads of ₹12.80 crore in 15 completed works. The Company had not made assessment of human resources required and staff was deployed in the field units in *adhoc* manner. Weak quality control, ineffective internal audit and variations in figures of utilisation certificates/ progress reports and performance reports were noticed indicating deficient internal control and monitoring mechanism.

4.14 Recommendations

The Company may ensure:

- speedy finalisation of pending works and secure works through participation in competitive tenders to improve the financial health of the Company;
- works are closely monitored so as to avoid time and cost overruns;
- a system to identify the surplus investible funds is devised early so as to ensure optimum returns;
- recovery of outstanding dues especially in completed works and avoid execution of works in anticipation of approval of cost offers and receipt of funds;
- early resolution of tax matters; and
- strengthen its internal controls and monitoring mechanism.

Chapter-5
Audit of Transactions

CHAPTER-5

AUDIT OF TRANSACTIONS

Finance Department

Jammu and Kashmir Bank Limited

5.1 Doubtful recovery of investment

Inappropriate internal rating system coupled with non-exercising of due diligence before investing in Commercial Paper of a Public Limited Company - a non-borrower customer - led to doubtful recovery of the principal of ₹48.37 crore and additional amount of ₹1.63 crore.

The Reserve Bank of India (RBI) guidelines, 2001 regarding non-Statutory Liquidity Requirement (SLR) investment of Banks stipulate that investment proposals should be subjected to the same degree of credit analysis as any loan proposal; Bank should make their own internal credit analysis and rating even in respect of rated issues; should not entirely rely on the ratings of external agencies; and the appraisal should be more stringent in respect of investments in instruments issued by non-borrower customers. Further, for issues of Companies who are not their borrower customers, banks should have an internal system of rating.

The Jammu and Kashmir Bank Limited (Bank) made (27 March 2012) an investment of ₹48.37 crore for a period of 91 days in Commercial Papers (CP) of a Public Limited Company (Company) through HDFC Bank Limited, being its issuing and paying agent. The CP were due (26 June 2012) for redemption with maturity value of ₹50 crore. However, the Company failed to pay the redemption amount and the Bank declared (September 2012) the investment as a Non-Performing Investment (NPI). The Bank filed (November/ December 2012) an application for recovery of dues in Debt Recovery Tribunal-1 (DRT), Mumbai and winding up petition at National Company Law Tribunal which were pending for hearing and verdict (April 2017). Meanwhile, the Company's reference to Board for Industrial and Financial Reconstruction and Appellate Authority for Industrial and Financial Reconstruction had been rejected.

Scrutiny of the records revealed that the Bank in contravention of RBI guidelines, made an investment in CP of the Company by relying on the credit analysis and rating of 'A1+' accorded to short term instruments of the Company by an external rating agency, M/s Credit Analysis & Research Limited (CARE). No internal credit analysis and rating had been carried out by the Bank at their own level by quoting the reasons that as per its investment policy, investments in money market instruments would not be subjected to internal rating when they have an eligible external rating.

Further, the Bank did not exercise due diligence before investing in CP when CARE while assigning the rating in November 2011, had, as a part of rating rationale *inter alia* reported that:

- The rating was constrained by higher collection days leading to stretched working capital cycle.
- The rating was also constrained by existence of loss making divisions (viz. Indian Premier League franchise and retail business) leading to a decline in the profitability margins and inherent industry risk.
- The Company's ability to grow amidst the political uncertainty in Andhra Pradesh for its publication business, ensuring lower reliance on debt to fund its expansions and maintenance of liquid investment were key rating sensitivities.
- The Company's current ratio[1] declined from 2.35 to 2.01 and quick ratio[2] declined from 2.13 to 1.79 between March 2010 and March 2011. Further, the Company posted decline of 11.15 *per cent* in 2010-11 in Publication Division which was the core business of the Company.

Had the management taken cognizance and impact of these qualifications reported by the credit rating agency, investing in CP to the extent of ₹48.37 crore could be avoided.

Further, Audit analysis revealed that:

- Financial results of the Company for the third quarter of the year 2011-12, ending December 2011, when compared with the corresponding figures for quarter ending December 2010 showed that Company's profit decreased from ₹209.02 crore to ₹54.60 crore (decrease of 73.87 *per cent*).
- The stocks of the Company which were trading at ₹180 in Mumbai Stock Exchange during April 2010, fell to ₹49.20 in December 2011.
- There was an issue of Commercial Paper (CP) of the same value i.e. of ₹50 crore by the Company, subscribed by the Bank, which carried a settlement date of 27 March 2012 which is the commencement date of the current CP, i.e. roll over, that met with default. This indicated that the fresh issue of CP has been a renewal or as a means of providing funds to the Company to honour its repayment commitment in the earlier CP.

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1 Ratio of current assets to current liabilities - used by the investor to assess the Company's ability to pay short term liabilities with its short term assets

2 Ratio of liquid assets to current liabilities - symbolises the Company's ability to pay current liabilities with quick assets immediately

Thus, investment in CP in violation of the RBI guidelines and by placing complete reliance on the ratings of CARE, despite CARE disclaimer that "CARE ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE had based on its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/ instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/ instruments", was not correct.

The Management stated (November 2016) that they did not deviate from guidelines set by Reserve Bank of India - the regulator. The RBI stipulates minimum A2 rating for CP issuance whereas the investment policy of the bank stipulates A1+ rating, which was the highest credit rating for short term papers, indicating strong degree of safety to ensure lowest credit risk. The Bank further stated that Audit highlighted only the constraints of rating and ignored the various strengths enlisted in the rationale for rating.

The reply of the Management that the Bank did not deviate from guidelines set by RBI while making this investment is not correct as the regulator had advised all commercial banks for internal credit analysis also, of the investment proposals, irrespective of the rating awarded by the external rating agencies. As such, the investment policy of the Bank which pre-empts/ deters the scope for internal scrutiny and evaluation of an investment decision through due diligence process specifically for non-borrower customer was deficient and therefore, requires a revisit. Further, the audit observation was about flip side of the financials of the Company as highlighted in the rating rationale, which was a crucial factor for consideration before making investment. However, the same had been ignored, in absence of an appropriate internal rating system. The Management did not offer its comments on the audit observation that the new CP issue was a roll over instrument, to provide liquidity to the Company, for the earlier instrument.

The matter was referred (June 2017) to the Government; their reply was awaited (November 2017).

5.2 Doubtful recovery of loan

Inadequate due diligence while assessing loan eligibility of a borrower led to doubtful recovery of ₹50.99 crore.

The Jammu and Kashmir Bank Limited (Bank) sanctioned (July 2014) a long term working capital facility of ₹40 crore (Facility-I) in favour of a land developer to be repaid in 16 equated quarterly installments of ₹2.50 crore commencing from 12 months from the date of first disbursement and interest to be charged separately. The credit facility was secured against the primary security of hypothecation of future receivables of project assets titled 'Aspen Gardens, Meerut' amounting to ₹68.44 crore. The facility was collaterally secured by way of equitable mortgage of parcel of land valuing ₹8.50 crore (not owned) and extension of charge on wind energy generators (wind mills) of the land developer, installed in Gujarat, valuing ₹34.50 crore. The sanctioned amount of ₹40 crore was disbursed between September and October 2014. The Bank also sanctioned (July 2014) a term loan facility of ₹10 crore (Facility-II) in favour of the land developer for augmenting long term working capital requirement against the primary security of hypothecation of above receivables from six wind mills from supply of electricity with total cash accruals of ₹16.63 crore. The loan was collaterally secured by hypothecation of wind mills valuing ₹34.50 crore (March 2014) and extension of charge on above land valuing ₹8.50 crore. The term loan (Facility-II) was repayable in 60 monthly installments of ₹16.67 lakh each commencing one month after date of release of first installment. The loan was disbursed in two installments of ₹3.01 crore (September 2014) and ₹6.99 crore (October 2014).

The pre-disbursement terms and conditions of the sanction *inter alia* stipulated (a) returning of existing loan of ₹2.38 crore availed by land developer from Bank of Maharashtra (BoM) for the Project 'Aspen Gardens Meerut' from their own resources (b) to obtain inspection report from a Chartered Engineer to verify the physical status of the Project 'Aspen Gardens Meerut' and Chartered Accountant's certificate to verify the financial status regarding development and sale of plots and other commercial spaces.

Audit observed (November 2016), that as the land developer could not service the loan installments, the Bank declared the account as non-performing asset (NPA) in December 2015, with an outstanding NPA balance of ₹50.99 crore (Principal: ₹43.72 crore and unapplied interest: ₹7.27 crore). The Bank issued notice to the developer under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFASEI) in March 2016 for the defaulted amount.

Audit observed that:

- The Bank extended the loan without the developer first returning the outstanding loan with the BoM, with the result that the principal amount of ₹2.38 crore continued to be outstanding as of September 2016 with the BoM also. Further, no inspection report had been obtained from Chartered Engineer to verify the physical status of the Project 'Aspen Gardens Meerut' and Chartered Accountant's certificate to verify the financial status regarding development and sale of plots and other commercial spaces.

- Bank ignored the orders (June 2014) of the Securities and Exchange Board of India (SEBI) directing the land developer to not collect any fresh money from investors under its existing schemes and not to launch any new schemes. The SEBI had further directed the land developer's past and present Directors to desist from further carrying on with its fund mobilizing activity without obtaining registration from SEBI. However, the Bank extended (September 2014) the credit facilities in favour of the land developer for the project 'Aspen Gardens Meerut' scheme without verifying the antecedents, thereby, exposing itself to risk of doubtful recovery of loan as the realization of future receivables of ₹68.44 crore, held by the Bank as primary security, was uncertain.

- The projections submitted by the land developer and accepted by the Bank while approving the proposal of credit facility were found to be incorrect as the future receivables from Project 'Aspen Gardens Meerut' worked out to be ₹55.81 crore instead of ₹68.44 crore[3] as approved by the Bank. Further, the surplus cash flow projections of ₹9.70 crore (2015-2019) were also not found to be in order as the cash flows (2015-19) as worked out during audit analysis was ₹2.93 crore (deficit).

Thus, the Bank failed to evaluate the projections properly. Failure of the Bank to (a) undertake analytical credit appraisal, (b) to verify antecedents of the Company before disbursing the credit facility and (c) failure to comply with pre-disbursement conditions of the credit facility resulted in recovery of ₹50.99 crore being rendered doubtful.

The matter was referred to the Government and Management (April 2017); their reply was awaited (November 2017).

[3] Receivables were calculated incorrectly

5.3 Overpayment due to non-observance of agreement conditions

Release of payments without observance of agreement conditions resulted in an overpayment of ₹28.70 lakh to service providers.

Jammu and Kashmir Bank Limited (Bank) entered (21st January 2014) into an agreement with two[4] security firms for providing security services at various sites of the Bank, for a period of three years commencing from 1st February 2014. In terms of the clause 3 of the agreements, the rates agreed to be paid were inclusive of all the expenses incurred by the security agency including all taxes, mandatory contributions to be made to various Government and other organisations under various Acts including but not limited to the Employees Provident Fund Act, 1952, the Employees State Insurance Act, 1948, Service Tax Act, etc.

Audit scrutiny of records of the Zonal Office, Jammu Central-II, Kathua revealed that in addition to the agreed rates, the service providers in their bills for the period October 2015 to November 2016 charged additionally service tax of ₹28.70 lakh at the rate of 12.60 *per cent* which was also released by the bank. Thus, non-observance of the terms of the agreement by the bank resulted in an overpayment of ₹28.70 lakh to the service providers.

On being pointed out (December 2016) in Audit, the Management stated (January 2017) that the service tax for security services was paid in accordance with the sanction order issued by the Corporate office in December 2013, which stated that security agencies will be entitled to service tax as applicable from time to time in addition to the detailed wages of the security guards. Reply is not tenable as the sanction order issued in December 2013 was internal instruction issued by the Corporate office to the Zonal office (Jammu Central) prior to execution of formal agreement (January 2014) with the service provider.

They added (July 2017) that the agreement clause pertaining to payment of rates including taxes was wrongly framed/ drafted and the Bank has not released any excess payment in favour of the service providers.

However, the fact remains that the release of service tax for the period October 2015 to November 2016 to the service providers was not as per terms of the agreement of 21st January 2014.

[4] (1) M/s Dogra Placement & Security (2) M/s Trikuta Securities (Service Providers)

Home Department

Jammu and Kashmir Police Housing Corporation

5.4 Undue favour to contractor and non-recovery of penalty/ performance guarantee

The Company allotted construction works without inviting tenders and despite delay/ non-completion of the works did not invoke clause of penalty and recover performance guarantee of ₹0.28 crore from the contractor. It had received advance of ₹7.50 crore from the indenting department but could not complete the works by the target date of February 2015.

On the basis of project reports received from the J&K Police Housing Corporation (Company), an amount of ₹7.50 crore was released (December 2013) by Director Health Services, Jammu for construction of Auxiliary Nursing Midwifery (ANM) School at Ramban (₹2.50 crore) and General Nursing Midwifery (GNM) School at Udhampur (₹5 crore) under Centrally Sponsored Scheme "Upgradation/ strengthening State Nursing Services". Jammu and Kashmir, Health and Medical Education Department subsequently granted (October 2014) the administrative approval for execution of these works at a cost of ₹6.27 crore[5] with directions to complete these works as per the design approved by the Chief Engineer (CE), Design, Inspection & Quality Control (DIQC) J&K Government within three months, i.e. by February 2015. The Company allotted the construction works, to be executed in the pre-engineered mode, to a contractor at the negotiated cost of ₹5.72 crore[6] without inviting tenders. As per terms of the agreement (November 2014) executed with the contractor, mobilization advance equal to 25 *per cent* of the negotiated cost was to be provided against the bank guarantee of equal amount, to be recovered proportionately from the running bills. Completion of the projects was to be ensured within five months from the date of providing mobilization advance and in case of failure or default a penalty of ₹10,000 per day upto 5 *per cent* of the negotiated cost for delay beyond time specified was to be levied. Defect liability period of the project was two years and a performance guarantee equal to 5 *per cent* of the offered cost was to be deducted from the running bills and it was to be released in four equal installments after every six months from the date of handing over the project.

Audit scrutiny (August 2016) of the records revealed that the company released (November 2014) mobilization advance of ₹1.33 crore[7] to the contractor for execution of these works against the Bank guarantee of equal amount valid up to 25th July 2015. The construction work relating to the ANM School, Ramban could not be started (August 2016), due to change of site from Ramban to Banihal and again from Banihal to Ramban. The construction work on GNM School, Udhampur taken

[5] ANM School Ramban: ₹1.85 crore; GNM School Udhampur: ₹4.42 crore
[6] ANM School Ramban: ₹1.70 crore; GNM School Udhampur: ₹4.02 crore
[7] ₹100.60 lakh for GNM Udhampur and ₹32.42 lakh for ANM Ramban

up in December 2014 was also left incomplete, after incurring an expenditure of ₹2.33 crore. The contractor stopped (August 2015) its further execution. The Company recovered (June 2015) mobilization advance of ₹0.50 crore, by the time Bank guarantee against which it was paid got expired (July 2015). The balance mobilization advance of ₹0.83 crore was retained by the contractor without any bank guarantee and was recovered only in March 2017. Efforts to recover the mobilization advance by way of revalidation or encashment of the bank guarantee within its validity period were not taken by the Company and clause of penalty[8] for delay/ non-completion of works was not invoked as well as performance guarantee[9] of ₹0.28 crore was not recovered. Despite receiving the advance of ₹7.50 crore the Company could not complete the works of the indenting department by the target date of February 2015 and there was a delay of more than 30 months.

On being pointed out the Executive Engineer, PHC Division, Jammu stated (August 2016) that the work of ANM School, Ramban could not be taken up due to many factors including change from pre-fabricated structure to RCC frame structure and that the work of GNM School, Udhampur, is in progress. Regarding non-renewal of Bank guarantee they stated that matter was taken up (August 2016) with the contractor and Head office, i.e, after the expiry of validity of the bank guarantee. It was also stated (September 2017) that contract was cancelled on 27 July 2017 and the construction of ANM School, Ramban has now been taken up through piece contactors, while the work of GNM School Udhampur was being executed by the Company departmentally, the total value of work done as of September 2017 was ₹5 crore[10].

The fact remains that the contractor retained the mobilization advance of ₹0.83 crore, during July 2015 to March 2017, without any bank guarantee and without completing the works. The Company also failed to take penal action against the contractor for non-completion of works and it had to make the alternate arrangements for execution of these works. Company could not deliver the project to indenting department in time and could not complete the works at the risk and cost of the contractor as no such provision was kept in the agreement. Since the company was not having any experience regarding construction in pre-engineered mode, there is a risk as to whether the design conditions approved by DIQC can be adhered to by the Company.

The matter was referred to the Government/ Management in April 2017; their reply was awaited (November 2017).

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8 At the rate of 5 *per cent* of negotiated cost of ₹4.02 crore of GNM Udhampur only: ₹20.10 lakh

9 Performance guarantee due at the rate of 5 *per cent* of value of work done of ₹2,33,40,360: ₹11.67 lakh, less amount recovered in running bills of the contractor: ₹3.89 lakh, Short deducted: ₹7.78 lakh

10 ANM School Ramban: ₹2 crore (building completed, finishing in progress); GNM School Udhampur: ₹3 crore (structure completed)

Industries and Commerce Department

Jammu and Kashmir Small Scale Industries Development Corporation Limited

5.5 Infructuous expenditure and blocking of funds

Failure of Jammu and Kashmir Small Scale Industries Development Corporation (SICOP) to assess the feasibility of the site selected for establishment of mini industrial estate at Majalta, which had to be shelved mid-way, resulted in infructous expenditure of ₹46.65 lakh and blocking of ₹1.42 crore.

The Directorate of Industries and Commerce based on a decision taken in District Development Board meeting held (July 2010) at Samba, directed setting up of a mini industrial estate at Majalta in District Udhampur. The District Industries Centre (DIC) identified (August 2010), 200 *kanals* of land in village Tajoor for the project which was transferred (September 2012) to Industries and Commerce Department and in turn handed over to SICOP for development of the industrial estate. The identified land was connected to highway through a narrow road and it was proposed to acquire private land (approximately 30 *kanals*) for creation of separate link road. In the meantime, the SICOP conducted (June 2011) a feasibility study and found the land suitable for setting up of the industrial estate and submitted (March 2013) a Detailed Project Report (DPR) at an estimated cost of ₹22.62 crore[11].

Scrutiny of records revealed that the State Government released (March 2013) ₹46.65 lakh which was used[12] during 2012-16 for constructing boundary wall of the land. The Project cost was revised (April 2014) to ₹23.60 crore on account of revision of power and water supply, besides an additional amount of ₹3 crore for construction of 3.3 Km approach road was also projected to the Industries and Commerce Department. The Industries and Commerce Department constituted (June 2014) a team of officers[13] to prepare the feasibility report regarding conversion of the proposed land into industrial estate again and also explore possibilities of identifying any substitute site for the said purpose. The team in its report (June 2015) opined, that the proposed land is not likely to serve the purpose for establishment of Small Scale Industry (SSI) and major industrial houses need to be roped in for its development and establishment of Mega Industrial parks. However, no interest was received to join the Public Private Partnership (PPP) mode, for development of the said project (December 2016).

The State Government advanced ₹142.25 lakh[14] to Land Acquisition Officers (LAOs) Udhampur (₹80 lakh) and Jammu (₹62.25 lakh) for acquisition of 75.60 *kanals*[15] of

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11 Includes ₹50 lakh for construction of boundary wall

12 2012-13: ₹0.44 lakh; 2013-14: ₹13.37 lakh; 2014-15: ₹29.23 lakh; 2015-16: ₹0.20 lakh; 2016-17: ₹0.50 lakh; Liability: ₹2.91 lakh

13 Comprising of District Development Commissioner, Udhampur; Director Industries and Commerce Jammu and Managing Director, SICOP

14 LAO, Udhampur: ₹80 lakh during 2014-15; LAO, Jammu: ₹62.25 lakh in March and December 2016

15 Udhampur District: 63.15 *Kanals*, Jammu District: 12.45 *Kanals*

land for construction of the approach road. However, possession of only 28.90 *kanals* of land was handed over to the Department after making the payment of ₹28 lakh and the balance ₹114.25 lakh were lying with the LAOs.

Thus, the failure of SICOP to assess the business feasibility of the site selected for establishment of mini industrial estate at Majalta, resulted in expenditure of ₹46.65 lakh not yielding desired benefits and also blocking of ₹1.42 crore.

The Director Finance, Industries and Commerce Department replied (June 2017) that in view of huge development cost of the industrial estate, the State Government constituted (June 2014) a committee to prepare a feasibility report again. The recommendations of the committee are being considered by the competent authority. It was also stated that the expenditure incurred on construction of boundary wall was not infructuous as it prevented the Government land from being encroached. Thus, the point stays that proposed industrial estate could not be established and amount advanced for acquisition of land continued to remain blocked and the funds were meant for development of Industrial Estate and create employment and not to arrest the encroachment.

Tourism Department

Jammu and Kashmir Tourism Development Corporation Limited

5.6 Unfruitful expenditure on procurement of machinery

Expenditure of ₹21.53 lakh on procurement of machinery for Sewage Treatment Plants (STPs) remained unfruitful as civil works required for its commissioning were not available.

Jammu and Kashmir Pollution Control Board (JKPCB) under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 and sections 25/ 26 of the Water (Prevention and Control of Pollution) Act, 1974 had directed (October 2013) that all hotels in the State, with capacity of 20 or more rooms, are required to treat the effluent/ sewage generated by installing Sewage Treatment Plants (STPs) of required capacity.

The Jammu and Kashmir Tourism Development Corporation Limited (Company) violated these instructions and PCB ordered (February 2014) immediate suspension of commercial operations of one of its units at Katra. Despite order of JKPCB, the unit continued to carry on its operations.

In order to comply with the statutory provisions, the Company, after lapse of more than one year, issued (June/ October 2015) work/ supply order to a firm for design, supply, installation and commissioning of STPs in three of its units[16]. The firm supplied (September 2015) the components and was paid ₹21.53 lakh[17] for the same. As per the terms and conditions of the supply order, the plant supplied had a

[16] Hotel Alpine, Patnitop; Tourist Bunglow, Katra and Tourist Centre, Yatri Niwas, Katra
[17] 60 *per cent* against supply of machinery of ₹35.88 lakh

guarantee against manufacturing defects for a period of 12 months from the date of commissioning or 15 months from the date of supply whichever was earlier.

Audit scrutiny (March 2017) of the record showed that though the guarantee period of the supplied machinery was over by November 2016, it was yet to be commissioned as the civil works required for commissioning of STPs were not available. Records further showed that tenders for civil component were floated to connect the main plant with disposal tank but financial concurrence for these works was not accorded due to non-availability of funds. This indicated improper planning as the financial sanction for commissioning of STPs should have been provided for while ordering the machinery.

Thus, the expenditure of ₹21.53 lakh remained unfruitful for more than 20 months which resulted in non-compliance to statutory provisions and led to the risk of forced closure of the unit by the JKPCB.

The Management stated (March 2017) that tenders for civil component were floated to connect the plant with disposal tank but financial concurrence for these works were not accorded due to non-availability of funds. The reply was not tenable as financial needs for commissioning of the STPs too should have been provided for while ordering the machinery, the non-availability of which resulted in expenditure of ₹21.53 lakh remaining unfruitful besides non-compliance of the orders of the JKPCB.

Srinagar/Jammu	**(SUSHIL KUMAR THAKUR)**
The 8th February 2020	**Accountant General (Audit)**
	Jammu & Kashmir and Ladakh

Countersigned

New Delhi	**(RAJIV MEHRISHI)**
The 13th February 2020	**Comptroller and Auditor General of India**

APPENDICES

Appendix–1.1
(Refer Paragraph: 1.10.1; Page: 8)

Unit-wise details of under assessments pointed out in Audit and recoveries effected

(₹ in lakh)

Sl. No.	Name of the unit	Recovery accepted cases		Recovery made	
		No. of cases	Amount of recovery accepted	No. of cases	Amount recovered
1.	Commercial Taxes Officer, Circle-B, Srinagar	4	2.02	-	-
2.	Commercial Taxes Officer, Circle-I, Srinagar	5	4.50	-	-
3.	Commercial Taxes Officer, Circle-I, Anantnag	2	0.71	1	0.07
4.	Commercial Taxes Officer, Circle-A, Srinagar	3	18.65	2	16.79
5.	Commercial Taxes Officer, Circle-I, Jammu	1	13.34	1	0.02
6.	Commercial Taxes Officer, Circle-N, Jammu	11	28.21	-	-
7.	Commercial Taxes Officer, Circle-E, Srinagar	1	268.37	-	-
8.	Commercial Taxes Officer, Circle-H, Srinagar	1	81.71	-	-
9.	Commercial Taxes Officer, Circle-II, Anantnag	1	26.87	-	-
10.	Commercial Taxes Officer, Circle-Kargil	1	0.96	-	-
11.	Commercial Taxes Officer, Circle Baramulla	5	3.23	-	-
12.	Commercial Taxes Officer, Circle-Sopore	9	3.48	-	-
13.	Commercial Taxes Officer, Circle-B, Srinagar	5	6.43	-	-
14.	Commercial Taxes Officer, Circle-D, Srinagar	3	3.01	-	-

Sl. No.	Name of the unit	Recovery accepted cases		Recovery made	
		No. of cases	Amount of recovery accepted	No. of cases	Amount recovered
15.	Commercial Taxes Officer, Circle-F, Jammu	1	0.10	-	-
16.	Commercial Taxes Officer, Circle-II, Udhampur	7	38.06	-	-
17.	Commercial Taxes Officer, Circle-J, Jammu	3	1.07	3	1.07
18.	Commercial Taxes Officer, Circle-L, Jammu	10	23.67	9	6.68
19.	Commercial Taxes Officer, Circle-Leh	1	6.44	1	8.56
20.	Commercial Taxes Officer, Circle-C, Jammu	13	10.24	2	12.30
21.	Commercial Taxes Officer, Circle-A, Jammu	1	0.47	-	-
22.	Commercial Taxes Officer, Circle-Doda	1	0.47	-	-
23.	Commercial Taxes Officer, Circle-L, Srinagar	2	0.25	-	-
24.	Commercial Taxes Officer, Circle-E, Jammu	3	12.33	-	-
25.	Commercial Taxes Officer, Circle Pulwama	3	2.76	-	-
26.	Commercial Taxes Officer, Circle-II, Anantnag	7	30.46	-	-
27.	Commercial Taxes Officer, Circle-K, Srinagar	-	-	1	0.5
28.	Commercial Taxes Officer, Passenger Side, Jammu	-	-	1	0.22
29.	Regional Transport Officer, Jammu	-	-	2	5.32
30.	Sub-Judge, Shopian	-	-	1	5.93
31.	Sub-Judge, Kulgam	-	-	1	0.28
	Total	**104**	**587.81**	**25**	**57.74**

Appendix–2.1

(Refer Paragraph: 2.3.1; Page: 13)

List of services notified by the Jammu and Kashmir Government for taxation under Jammu and Kashmir General Sales Tax Act, 1962, as of March 2017

Sl. No.	Name of the notified service[1]
1.	Services provided in the shape of works contract
2.	Services provided by the telecom/ cellular phone agencies
3.	Services provided in the shape of photofinishing including developing, printing and enlarging
4.	Services provided in the form of lodging provided by Hotels
5.	Services provided by beauty saloons
6.	Services provided by private nursing homes
7.	Services provided by advertisers
8.	Services provided by Courier agencies
9.	Banquet Hall services
10.	Catering services
11.	Services provided by Cable operators
12.	Commercial/ Professional training and coaching services provided by private educational institutions
13.	Banking services
14.	Insurance services
15.	Services provided by Commercial concerns in relation to new construction, repairs, alterations or restoration of buildings, civil structures or parts thereof
16.	Services provided by way of TV and Radio programme productions
17.	Services provided by the architects
18.	Services provided by inter decorators
19.	Services provided by the Chartered Accountants only in the shape of accounts and auditing services when their annual turnover exceeds ₹10 lakh
20.	Advertising services by providing hoardings
21.	Security and placement services
22.	Pandal and Shamiana service
23.	Annual Maintenance contracts
24.	Services provided by Authorized Automobile service stations
25.	Services provided by the Property dealers/ Real Estate Agents
26.	Services provided by the Consultants other than those already in this schedule
27.	Broadcasting services provided by the Direct to Home (DTH) operators
28.	Services provided by ropeway/ cable car operators
29.	Commercial Helicopter services operating within the State
30.	Services provided in the shape of Body Building on Trucks, Buses and other vehicles
31.	Services provided in the shape of installation/ erecting of pre-fabricated structures

[1] Services mentioned at Sl. No. 21 to 31 notified during the period 1st April 2012 to 31 March 2017. Fifteen services mentioned at Sl. No. 1, 2, 3, 7, 9, 10, 11, 12, 14, 19, 20, 21, 22, 27 and 29 have either been stayed or under litigation as of March 2017

Appendix–2.2
(Refer Paragraph: 2.3.6.1; Page: 15)
List of Services added/ deleted/re-casted from time to time

SRO No.	Name of the Services and change regarding their taxation							
	1	2	3	4	5	6	7	8
	Entry No. 4	**Entry No. 5**	**Entry No. 6**	**Entry No. 7**	**Entry No. 12**	**Entry No. 19**	**Entry No 21**	**Entry No. 22**
117 dated 30.03.2007	Services provided in the form of lodging provided by hotels	Services provided by beauty saloon	Services provided by private nursing homes	Services provided by advertisements	Commercial/ Professional training and coaching services provided by private educational institutions.			
282 of 2009 dated 03.09.2009	Exempted from tax			Services provided by advertisements other than newspapers				
114 dated 31.03.2011	Exempted from tax					Services provided by the Chartered Accountants only in the shape of accounts and auditing services when their annual turnover exceeds ₹10 lakh		
126 dated 31.03.2012	Exempted from tax		Services provided by private nursing homes deleted		Except the services provided by IT institutes, IT coaching centres and IT educational institutions.		Security and placement services	
142 dated 28.03.2013	Exempted from tax							Services provided by consultants other than those included in this schedule
105 dated 31.03.2015	Exempted from tax	Substituted by services provided by beauty saloons, health clubs, gymnasium , fitness/ wellness centres, slimming centres	Services provided by nursing homes inserted	Re-casted as Services provided by advertising agencies other than newspapers		Services provided by the Chartered Accountants, Cost and Works Accountants only in the shape of Accounting and Auditing Services	Security and placement services including manpower recruitment and /or supply agency services	Services provided by consultants, including survey feasibility, exploration and impact assessment including testing/ analysis services other than those included in this schedule

SRO No.	Name of the Services and change regarding their taxation							
	1	2	3	4	5	6	7	8
	Entry No. 4	**Entry No. 5**	**Entry No. 6**	**Entry No. 7**	**Entry No. 12**	**Entry No. 19**	**Entry No 21**	**Entry No. 22**
296 dated 2.09.2015	Exempted from tax							
167 dated 29.06.2016	Exempted from tax	Entry health clubs, gymnasium, fitness/ wellness centres, slimming centres deleted	Services provided by nursing homes deleted			Recast as Services provided by the Chartered Accountants, Cost and Works Accountants only in the shape of Accounting and Auditing Services when their turnover exceeds ₹10 lakh		

Appendix–2.3

(Refer Paragraph: 2.3.7.1; Page: 16)

Statement showing details of persons/ DDOs, who had short deducted tax at source

Sl. No.	Name of the department (TDN)	Amount paid to contractors	Period of payment	Tax due	Tax deducted	Short deduction
1.	Accounts Officer Patnitop Development Authority (10010089)	1,07,08,706	06.04.2015 to 12.06.2015	13,49,296.96	11,42,555	2,06,741.96
2.	Executive Officer Municipal Committee Ramban (10010376)	9,96,600	01.04.2015 to 30.06.2015	1,25,571.60	1,05,228	20,343.60
3.	Executive Officer Municipal Committee Ram Nagar (10010356)	16,50,800	2nd Quarter 2015-16	2,08,000.80	2,06,919	1,081.80
4.	Chief Pay & Accounts Officer JKSPDC Parnia Hydel Project Draba Surnkote (10010141)	2,66,52,171	2nd Quarter 2015-16	33,58,173.55	31,62,546	1,95,627.55
		4,70,730	1st Quarter 2015-16	59,311.98	44,730	14,581.98
5.	Garrison Engineer Basoli (10010128)	1,13,18,344	17.04.2015 to 09.06.2015	14,26,111.34	6,14,464	8,11,647.34
6.	Executive Officer Municipal Committee Billawar (10010277)	18,57,346	27.04.2015 to 29.06.2015	2,34,025.60	2,03,464	30,561.60
7.	FA & Chief Accounts Officer Shri Amarnathji Shrine board (10010080)	62,42,548	25.05.2015 to 27.05.2015	7,86,561.05	6,55,477	1,31,084.05
8.	Executive Engineer EM&RE Division Jammu (10010274)	1,21,77,394	18.02.2016 to 31.03.2016	15,34,351.64	11,91,429	3,42,922.64
9.	Accounts Officer SMGS Hospital Jammu (10010412)	25,80,898	25.05.2015 to 25.06.2015	3,25,193.15	2,80,773	44,420.15
		88,11,638	20.07.2015 to 01.09.2015	11,10,266.39	9,93,156	1,17,110.39
10.	Executive Engineer J&K SIDCO Construction Division Ghati Kathua (10010073)	4,03,628	05.08.2015	50,857.13	42,381	8,476.13
11.	Executive Engineer Hydraulic Division Kishtwar (10010120)	1,86,016	1st Quarter 2015-16	23,438.02	22,395	1,043.02

Sl. No.	Name of the department (TDN)	Amount paid to contractors	Period of payment	Tax due	Tax deducted	Short deduction
12.	Municipal Committee Batote (10010351)	7,29,600	2nd Quarter 2015-16	91,929.60	76608	15,321.60
		2,83,324	1st Quarter 2015-16	35,698.80	29,749	5,949.80
13.	Municipal Committee Doda (10010373)	6,98,800	1st Quarter 2015-16	88,048.80	73,374	14,674.80
		44,75,000	1st Quarter 2015-16	5,63,850	4,69,875	93,975
		25,000	1st Quarter 2015-16	3,150	2,625	525
14.	Executive Officer Municipal Committee Kalakote	9,65,100	1st Quarter 2015-16	1,21,602.60	1,05,835	15,767.60
15.	Executive Engineer Right River Circular Road Srinagar	1,69,02,185	2nd Quarter 2015-16	21,29,675.31	17,74,733	3,54,942.31
	Executive Engineer Right River Circular Road Srinagar	19,36,000	2nd Quarter 2015-16	2,43,936	2,03,280	40,656
16.	Executive Engineer Flood Control Division Anantnag	28,25,000	2nd Quarter 2015-16	3,55,950	2,96,625	59,325
17.	Executive Officer Municipal Committee Kulgam	35,86,573	1st & 2nd Quarter 2015-16	4,51,908.20	3,76,591	75,317.20
18.	Executive Engineer City Drainage Division Srinagar	1,56,55,411	1st, 3rd & 4th Quarter 2015-16	19,72,581.79	16,47,426	3,25,155.79
19.	Executive Engineer PMGSY Division Srinagar	3,53,03,526	1st, 2nd & 3rd Quarter 2015-16	44,48,244.28	37,06,870	7,41,374.28
20.	Executive Engineer R&B Division-I Srinagar	92,46,084	2nd Quarter 2015-16	11,65,006.58	9,47,759	2,17,247.58
21.	FA & CAO SICOP Srinagar	25,261,674	1st Quarter 2015-16	31,82,970.92	26,52,476	5,30,494.92
22.	Executive Engineer PMGSY Division Anantnag	2,78,74,657	1st & 2nd Quarter 2015-16	35,12,206.78	29,26,839	5,85,367.78
23.	FA&CAO, SICOP Anantnag	10,21,885	1st Quarter 2015-16	1,28,757.51	1,07,298	21,459.51
	Total	**23,08,46,638**		**2,90,86,676.38**	**2,40,63,480**	**50,23,196.38**

Appendix-3.1

(Refer Paragraph: 3.11; Page: 56)

Statement showing investments made by State Government in PSUs whose accounts are in arrears

(Figures in columns 4 & 6 to 8 are ₹ in crore)

Sl. No.	Name of the Public Sector Undertakings	Year up to which accounts finalised	Paid-up capital	Period of accounts pending finalisation	Investment made by the State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A	**Working Government Companies**						
1.	J&K State Agro Industries Development Corporation Limited	2003-04	3.54	13	0.00	6.05	0.87
2.	J&K State Horticultural Produce Marketing and Processing Corporation Limited	2000-01	9.20	16	0.00	21.44	4.01
3.	J&K State Handloom Development Corporation Limited	1999-2000	3.00	17	2.21	39.32	22.98
4.	J&K Handicrafts (Sale and Export) Development Corporation Limited	1999-2000	5.71	17	1.53	26.11	10.51
5.	J&K Industries Limited	2005-06	16.27	11	0.00	92.62	34.32
6.	J&K Small Scale Industries Development Corporation Limited	2002-03	3.12	14	0.00	0.00	40.95
7.	J&K State Industrial Development Corporation Limited	2010-11	17.65	06	0.00	0.00	164.08
8.	J&K Minerals Limited	1996-97	8.00	20	0.00	61.01	43.99
9.	J&K Cements Limited	2007-08	34.50	09	11.27	0.00	0.00
10.	J&K State Power Development Corporation Limited	2011-12	5.00	05	0.00	0.00	123.58
11.	J&K State Cable Car Corporation Limited	2010-11	23.57	06	0.00	0.00	40.07
12.	J&K Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited	2001-02	10.63	15	13.88	19.37	26.20

Sl. No.	Name of the Public Sector Undertakings	Year up to which accounts finalised	Paid-up capital	Period of accounts pending finalisation	Investment made by the State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
13.	J&K State Women's Development Corporation Limited	2015-16	10.00	01	0.00	1.97	0.00
	Total A (Working Government Companies)				**28.89**	**267.89**	**511.56**
(B)	**Working Statutory Corporations**						
14.	J&K State Road Transport Corporation	2013-14	178.36	03	10.95	101.08	0.00
15.	J&K State Financial Corporation	2015-16	98.19	01	0.00	0.00	5.00
	Total (B) (Working Statutory Corporation)				**10.95**	**101.08**	**5.00**
	Grand Total (A)+(B)				**39.84**	**368.97**	**516.56**

(Figures based on the data furnished by the PSUs from time to time subject to reconciliation and as incorporated in the Audit Reports of the respective years)

Appendix-3.2

(Refer Paragraph: 3.15; Page: 57)

Summarised financial position and working results of Government Companies and Statutory Corporations as per their latest finalised financial statements/ accounts

(Figures in columns (5) to (12) are ₹ in crore)

Sl. No.	Sector/ Name of the Company	Period of Accounts	Year in which Accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit (+)/ loss (-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments*	Investment@	Net profit/Loss before Dividend, Tax and Interest	Return on Investment	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
A. WORKING GOVERNMENT COMPANIES													
AGRICULTURE AND ALLIED													
1.	Jammu and Kashmir State Agro Industries Development Corporation Limited	2003-04	2015-16	3.54	11.48	(-) 18.46	44.45	(-) 3.52	0.00	15.02	(-) 3.52	1.03	77
2.	Jammu and Kashmir State Horticulture Produce Marketing and Processing Corporation Limited	2000-01	2015-16	9.20	43.20	(-) 78.54	3.17	(-) 2.03	Disclaimer	52.40	(-) 1.90	0.07	222
Sector Wise Total				**12.74**	**54.68**	**(-) 97.00**	**47.62**	**(-) 5.55**	**0.00**	**67.42**	**(-) 5.42**		**299**
FINANCE													
3.	Jammu and Kashmir Bank Limited	2016-17	2017-18	52.15	1,276.05	0.00	6,685.80	(-) 1,632.29	0.00	1,328.20	(-) 1,391.74	(-) 1.05	10,021
4.	Jammu and Kashmir Bank Financial Services Limited	2016-17	2017-18	20.00	0.00	(-)3.60	4.39	(-) 0.48	0.00	20.00	(-) 0.70	(-) 0.04	54
5.	Jammu and Kashmir Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	2001-02	2016-17	10.63	10.76	(-)5.00	0.11	(-) 1.27	0.00	21.39	(-) 0.85	(-) 0.05	107
6.	Jammu and Kashmir State Women's Development Corporation Limited	2015-16	2017-18	10.00	78.61	7.98	5.05	0.74	(-) 2.31	88.61	4.10	0.04	50

Sl. No.	Sector/ Name of the Company	Period of Accounts	Year in which Accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit (+)/ loss (-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments*	Investment@	Net profit/Loss before Dividend, Tax and Interest	Return on Investment	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Sector Wise Total				**92.78**	**1,365.42**	**(-) 0.62**	**6,695.35**	**(-) 1,633.30**	**(-) 2.31**	**1,458.20**	**(-)1,389.19**		**10,232**
INFRASTRUCTURE													
7.	Jammu and Kashmir Small Scale Industries Development Corporation Limited	2002-03	2016-17	3.12	8.99	(-) 18.15	29.53	(-) 1.08	0.03	12.11	(-) 0.16	(-) 0.3	281
8.	Jammu and Kashmir State Industrial Development Corporation Limited	2010-11	2016-17	17.65	31.18	(-) 107.51	27.53	(-) 3.95	(-) 1.37	48.83	(-) 3.95	0.07	510
9.	Jammu and Kashmir Projects Construction Corporation Limited	2007-08	2016-17	1.97	0.61	4.56	198.31	0.82	(-) 0.08	2.58	0.82	0.11	1,001
10.	Jammu and Kashmir Police Housing Corporation Limited	2008-09	2017-18	2.00	0.00	12.58	3.28	4.73	0.00	2.00	8.00	0.55	71
11.	Jammu and Kashmir State Road Development Corporation	-	-	5.00	The company though incorporated in March 2013, has not yet submitted its accounts to this office for supplementary audit								NA
12.	Jammu and Kashmir International Trade Centre	-	-	48.00	The company though incorporated in February 2014, has not yet submitted its accounts to this office for supplementary audit								NA
Sector Wise Total				**77.74**	**40.78**	**(-) 108.52**	**258.65**	**0.52**	**(-) 1.42**	**65.52**	**4.71**		**1,863**
MANUFACTURE													
13.	Jammu and Kashmir Industries Limited	2005-06	2012-13	16.27	384.92	(-) 447.47	6.44	(-) 46.83	(-) 13.37	401.19	(-) 18.59	0.40	480
14.	Jammu and Kashmir Handicrafts (Sales and Export)Development Corporation Limited	1999-2000	2016-17	5.71	26.54	(-) 36.03	2.39	(-) 5.40	0.00	32.25	(-) 3.15	0.83	233

Sl. No.	Sector/ Name of the Company	Period of Accounts	Year in which Accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit (+)/ loss (-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments*	Investment@	Net profit/Loss before Dividend, Tax and Interest	Return on Investment	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
15.	Jammu and Kashmir State Handloom Development Corporation Limited	1999-2000	2012-13	3.00	21.28	(-) 13.59	5.36	(-) 3.54	(-) 0.03	24.28	(-) 2.18	(-) 0.20	187
16.	Jammu and Kashmir Cements Limited	2007-08	2015-16	34.50	48.94	(-) 16.62	81.36	1.93	0.00	83.44	6.34	0.09	750
17.	Jammu and Kashmir Minerals Limited	1996-97	2016-17	8.00	68.17	(-) 72.03	4.16	(-) 28.92	(-) 5.20	76.17	(-) 5.44	(-)1.31	837
Sector Wise Total				**67.48**	**549.85**	**(-) 585.74**	**99.71**	**(-) 82.76**	**(-) 18.60**	**617.33**	**(-) 23.02**		**2,487**
POWER													
18.	Jammu and Kashmir State Power Development Corporation Limited	2011-12	2016-17	5.00	1,493.55	(-) 519.06	1,119.90	403.29	(-) 509.77	1,498.55	441.78	0.45	2,517
19.	Chenab Valley Power Projects Private Limited (Deemed Government Company)	2016-17	2017-18	924.08	0.00	21.20	0.00	5.50	0.00	924.08	9.15	0.01	204
20.	Jammu and Kashmir Power Transmission Company Limited	-	-	0.05	The company though incorporated in March 2013, has not yet submitted its accounts to this office for supplementary audit								NA
21.	Jammu and Kashmir Power Trading Company Limited	-	-	0.05	The company though incorporated in March 2013, has not yet submitted its accounts to this office for supplementary audit								NA
22.	Jammu Power Distribution Company Limited	-	-	0.05	The company though incorporated in June 2013, has not yet submitted its accounts to this office for supplementary audit								NA
23.	Kashmir Power Distribution Company Limited	-	-	0.05	The company though incorporated in June 2013, has not yet submitted its accounts to this office for supplementary audit								NA
Sector Wise Total				**929.28**	**1,493.55**	**(-)497.86**	**1,119.90**	**408.79**	**(-) 509.77**	**2,422.63**	**450.93**		**2,721**

<table>
<tr><th>Sl. No.</th><th>Sector/ Name of the Company</th><th>Period of Accounts</th><th>Year in which Accounts finalised</th><th>Paid-up capital</th><th>Loans outstanding at the end of year</th><th>Accumulated profit (+)/ loss (-)</th><th>Turnover</th><th>Net profit (+)/ loss (-)</th><th>Net impact of Audit comments*</th><th>Investment@</th><th>Net profit/Loss before Dividend, Tax and Interest</th><th>Return on Investment</th><th>Manpower</th></tr>
<tr><td>(1)</td><td>(2)</td><td>(3)</td><td>(4)</td><td>(5)</td><td>(6)</td><td>(7)</td><td>(8)</td><td>(9)</td><td>(10)</td><td>(11)</td><td>(12)</td><td>(13)</td><td>(14)</td></tr>
<tr><td colspan="14">SERVICE</td></tr>
<tr><td>24.</td><td>Jammu and Kashmir State Tourism Development Corporation Limited</td><td>2012-13</td><td>2015-16</td><td>15.96</td><td>4.26</td><td>(-) 3.88</td><td>30.74</td><td>0.26</td><td>Disclaimer</td><td>20.22</td><td>0.26</td><td>0.02</td><td>1,017</td></tr>
<tr><td>25.</td><td>Jammu and Kashmir State Cable Car Corporation Limited</td><td>2010-11</td><td>2013-14</td><td>23.57</td><td>0.00</td><td>(-) 3.98</td><td>12.50</td><td>6.23</td><td>(-) 0.15</td><td>23.57</td><td>6.23</td><td>0.32</td><td>119</td></tr>
<tr><td colspan="2">Sector Wise Total</td><td></td><td></td><td>39.53</td><td>4.26</td><td>(-) 7.86</td><td>43.24</td><td>6.49</td><td>(-) 0.15</td><td>43.79</td><td>6.49</td><td></td><td>1,136</td></tr>
<tr><td colspan="4">MISCELLANEOUS</td><td colspan="10"></td></tr>
<tr><td>26.</td><td>Jammu and Kashmir State Overseas Employment Corporation Limited</td><td>2010-11</td><td>2013-14</td><td>2.56</td><td colspan="5">The Company has submitted its accounts for the period ending July 2011 to this office for supplementary check under section 619 (4) of the Companies Act, 1956. The Company has not prepared Profit and Loss account being the first Balance Sheet after its incorporation.</td><td>2.56</td><td>--</td><td>--</td><td>2</td></tr>
<tr><td>27.</td><td>Jammu and Kashmir Medical Supplies Corporation Limited</td><td>-</td><td>-</td><td>0.05</td><td colspan="8">The company though incorporated in March 2014 has not yet submitted its Accounts to this office for supplementary audit.</td><td>97</td></tr>
<tr><td colspan="2">Sector Wise Total</td><td></td><td></td><td>2.61</td><td>--</td><td>--</td><td>--</td><td>--</td><td>--</td><td>2.56</td><td>--</td><td>--</td><td>99</td></tr>
<tr><td colspan="2">Total A (All sector wise working Government Companies)</td><td></td><td></td><td>1,222.16</td><td>3,508.54</td><td>(-) 1,297.60</td><td>8,264.47</td><td>(-)1,305.81</td><td>(-) 532.25</td><td>4,677.45</td><td>(-) 955.50</td><td></td><td>18,837</td></tr>
<tr><td colspan="14">B. Statutory corporations</td></tr>
<tr><td colspan="14">AGRICULTURE & ALLIED</td></tr>
<tr><td>1.</td><td>Jammu and Kashmir State Forest Corporation Limited</td><td>-</td><td>-</td><td>9.03</td><td colspan="8">Accounts for the years 1996-97 and onwards not received. (The Corporation was incorporated in 1978-79, however, its audit was entrusted to the CAG from 1996-97).</td><td>3032</td></tr>
<tr><td></td><td>Sector Wise Total</td><td></td><td></td><td>9.03</td><td>--</td><td>--</td><td>--</td><td>--</td><td>--</td><td>--</td><td>--</td><td>--</td><td>3,032</td></tr>
</table>

Sl. No.	Sector/ Name of the Company	Period of Accounts	Year in which Accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit (+)/ loss (-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments*	Investment@	Net profit/Loss before Dividend, Tax and Interest	Return on Investment	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
FINANCE													
2.	Jammu and Kashmir State Financial Corporation	2015-16	2016-17	98.19	1.30	(-) 134.48	6.26	0.46	(-) 23.51	99.49	0.51	-0.01	177
Sector Wise Total				**98.19**	**1.30**	**(-) 134.48**	**6.26**	**0.46**	**(-) 23.51**	**99.49**	**0.51**		**177**
SERVICE													
3	Jammu and Kashmir State Road Transport Corporation	2013-14	2017-18	178.36	1,079.45	(-) 1,148.12	87.18	(-) 92.90	(-) 44.21	1,257.81	(-) 44.74	(-) 0.41	2,806
	Sector Wise Total			**178.36**	**1,079.45**	**(-) 1,148.12**	**87.18**	**(-) 92.90**	**(-) 44.21**	**1,257.81**	**(-) 44.74**		**2,806**
Total B (All sector wise working Statutory Corporations)				**285.58**	**1,080.75**	**(-) 1,282.60**	**93.44**	**(-) 92.44**	**(-) 67.72**	**1,357.30**	**(-) 44.23**		**6,015**
Grand Total (A+B)				**1,507.74**	**4,589.29**	**(-) 2,580.20**	**8,357.91**	**(-) 1,398.25**	**(-) 599.97**	**6,034.75**	**(-) 999.73**		**24,852**
C. Non working Government companies													
	MANUFACTURING												
1.	Tawi Scooters Limited	1989-90	1991-92	0.80	0.83	(-) 1.04	0.00	(-) 0.06	0.00	1.63	(-) 0.06	--	0
2.	Himalyan Wool Combers Limited	1999-2000	2000-01	1.37	0.00	(-) 10.49	0.00	(-) 1.29	0.00	1.37	(-) 1.29	--	0
Sector Wise Total				**2.17**	**0.83**	**(-) 11.53**	**0.00**	**(-) 1.35**	**0.00**	**3.00**	**(-) 1.35**		**0**
	MISCELLANEOUS												
3.	Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies	1991-92	1999-2000	0.40	Info N/A	0.00	0.00	0.00	0.00	0.40	0.00	--	0

Sl. No.	Sector/ Name of the Company	Period of Accounts	Year in which Accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit (+)/ loss (-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments*	Investment@	Net profit/Loss before Dividend, Tax and Interest	Return on Investment	Manpower
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Organisation Limited (a subsidiary of Himalyan Wool Combers Limited)												
Sector Wise Total				**0.40**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.40**	**0.00**	**--**	**0**
Total C (All sector wise non working Government companies)				**2.57**	**0.83**	**(-) 11.53**	**0.00**	**(-) 1.35**	**0.00**	**3.40**	**(-) 1.35**		**0**
Grand Total (A+B+C)				**1,510.31**	**4,590.12**	**(-) 2,591.73**	**8,357.91**	**(-) 1,399.60**	**(-) 599.97**	**6,038.15**	**(-) 1,001.08**		**24,852**

*Net impact of comments of Statutory Auditors and C&AG is denoted by (+) increase in profit/decrease in losses (-) decrease in profit/increase in loss

@ Investment represents Paid-up capital, Free Reserves and Long Term Loans

Appendix-4.1
(Refer Paragraph: 4.8.1; Page: 74)
Summary of cases of doubtful recovery of outstanding funds

(₹ in crore)

Sl. No.	Name of the work	Date of start/ scheduled date of completion	Original/ revised estimated cost	Funds released (Name of PA)	Value of work executed	Balance funds with the PA/ Audit remarks
1.	Construction of 4th Tawi Bridge, Jammu	December 2009/ June 2012	148.45/89.10	61.85 (PWD)	87.87	Doubtful recovery of ₹26.02 crore (Work completed in March 2013)
2.	Construction of shopping/ Commercial complex at Jehangir Chowk Srinagar	April 2011/ NA	48.93/ -	35.00 (ERA)	46.00	Doubtful recovery of ₹11.00 crore (Work completed in August 2014) Execution of work in absence of approval of cost offer.
3.	Construction of double lane steel plate Girder Bridge at Rambiarah Nallah Shopian	March 2010/ September 2012	6.71/ -	4.03 (PWD)	6.30	Doubtful recovery of ₹2.27 crore (Work completed in October 2012) Execution of work without Administrative Approval.
4.	Construction of Ladoora Jahama Bridge over Jhelum	January 2010/ January 2012	11.64/ 13.11	10.87 (PWD)	13.11	Doubtful recovery of ₹2.24 crore (Work completed in October 2014) Execution of work without approval of revised cost by the PA.
5.	Construction of Tehzeeb Mahal	January 2013/ January 2016	64.89/ 88.69	4.35 (Tourism)	8.07	Doubtful recovery of ₹3.72 crore. (Work abandoned since May 2016 due to change of usages of the land on which the construction was proposed)
6.	Construction of Mini Secretariat, Tangmarg	July 2011/ July 2014	41.67/ -	3.00 (Revenue)	4.65	Doubtful recovery of ₹1.65 crore. Value of work done which stood ₹5.92 crore ending March 2015 was reduced to ₹4.65 crore ending March 2016 without recording any reasons. (Work stopped since 2013)
7.	Construction of Julla Bridge, Uri	March 2011/ March 2013	5.07/ -	0.73 (R&B)	2.17	Doubtful recovery of ₹1.44 crore (Work suspended since March 2015)
8.	Construction of Engineering complex, Block-III, Rajbagh Srinagar	December 2008/ November 2009	11.60/ -	8.13 (PWD)	8.89	Doubtful recovery of ₹0.76 crore. Execution of work in absence of AA/ TS (Work suspended for the last four years)
9.	200 Metre Motorable bridge over Nallah Ujh at Guddu flail	October 2010/ October 2012	12.80/ -	1.86 (PWD)	3.70	Doubtful recovery of ₹1.84 crore. (No funds were released by the PA since March 2015 and the work remained suspended since March 2016)
10.	65 Metre span Motorable Steel Bridge at Lopa.	August 2010/ August 2013	7.27/ -	1.55 (PWD)	2.60	Doubtful recovery of ₹1.05 crore. (No funds were released by PA since March 2016 and the work remained suspended since then)
11.	Yachama Kangan Bridge	April 2010/ December 2013	7.84/ -	2.54 (PWD)	3.97	Doubtful recovery of ₹1.43 crore. (No funds were released by the PA since March 2016 and the work remained suspended since then)
12.	Old age home at Saidapora Eidgah	September 2011/ August 2013	4.10/ -	1.50 (Social Welfare)	2.65	Doubtful recovery of ₹1.15 crore. (Work suspended for want of funds since April 2015)
	Total			**135.41**	**189.98**	

Appendix-4.2
(Refer Paragraph: 4.11.2; Page: 84)
Unit-wise person-in-position and value of work done

Name of the Units	Value of work done (2012-13 to 2016-17) (₹ in crore)	Manpower (Regular)	Per employee value of work done (2012-13 to 2016-17) (₹ in crore)
Jammu Province			
Unit II Jammu	106.43	49	2.17
Unit III Jammu	39.20	30	1.31
Unit IV Jammu	81.56	30	2.72
Unit V Kathua	38.48	61	***0.63***
Unit VI Udhampur	37.00	17	2.18
Unit VII Jammu	40.75	29	1.41
Unit VIII Rajouri	33.88	35	0.97
Unit IX Doda	85.98	17	5.06
Unit Kistwar	66.99	13	***5.15***
Unit Reasi	40.50	12	3.38
Kashmir Province			
Unit I Srinagar	90.06	51	1.77
Unit II Srinagar	195.03	67	***2.91***
Unit III Srinagar	72.30	46	1.57
Unit V Anantnag	85.88	49	1.75
Unit VI Srinagar	64.73	43	1.51
Unit VIII Baramulla	109.69	41	2.68
Unit X Kupwara	64.78	34	1.91
Unit XI Kulgam	52.88	37	1.43
Unit XII Pulwama	73.68	52	***1.42***
Leh			
Leh unit	35.51	8	4.44

Appendix-4.3
(Refer Paragraph: 4.12.4; Page: 86)
Variation in figures of utilisation certificates and performance reports

Name of the unit	Name of the work	Value of Work done (₹ in lakh)			
		As per the UCs furnished to the PAs		As per the performance reports	Difference as per the UCs and performance reports
		As on	Amount	Amount	Amount
Value of work done higher in UCs than performance reports					
Unit-IX Doda	Construction of Ganpat Bridge Across River Chenab at Doda.	March 2015	2,708.43	2,564.16	144.27
	Construction of Thathri Bridge at Thathri (CRF)	March 2016	1,182.64	847.16	335.48
	Construction of Shiva Dal Bridge at Doda.	March 2016	347.03	330.70	16.33
	Const. of 54 metre Span Motorable Steel Bridge over Neeru Nallah at Kulsari (Bhaderwah)	March 2016	191.30	186.26	5.04
	Const. of 40 Mtr. Span Motorable Steel Girder Bridge over Neeru Nallah at Dherja (Bhaderwah)	March 2016	44.67	43.98	0.69
	Construction of Trauma Hospital at Khellani.	March 2016	355.69	349.81	5.88
Unit-II Jammu	Const of additional block of Dental College Jammu	March 2016	550.00	545.00	5.00
	Construction of Government. Polytechnic College at Samba.	March 2016	1,055.00	891.00	164.00
	Library Block for GCET Complex.	March 2015	198.40	185.00	13.40
Unit-V Kathua	New Polytechnic College at Kathua.	March 2015	822.33	822.00	**0.33**
Unit-Kishtwar	Changa Kahal Jugassar upto village Saroo in District Doda.	March 2015	1,549.60	1,521.95	27.65
	Gandoh Jai Road Vai Sinoo upto village Rajpura	March 2015	1,282.19	1,200.38	81.81
	Construction of Batyas Manu Road Via Chilly from K.M 1st to 23rd	March 2015	673.08	605.35	67.73
	Construction of 65 Metre span Motorable Steel Bridge at Lopa (State Sector)	March 2015	283.27	250.57	32.70
	Construction of Road From Singhpora to Singhpora Tunnel (CRF)	March 2015	577.21	515.51	61.70
	Gandoh Dhadkai road(Stage-1) Package No JK04-48	March 2014	109.00	95.92	13.08
	Parna Bunda road (4.50 K.M)	March 2014	151.00	143.91	7.09
	Community Hall Khalotran	March 2016	95.70	94.82	0.88
Unit- IV Jammu	Construction of 750 metre span Four lane Bridge over River Tawi at Jammu	March 2015	8,920.00	8,787.43	132.57
	Construction of New Legislative Complex at Jammu	March 2014	2,903.00	1,183.00	1720
	Construction of IMPA complex at Sidhra Admn. Block.	March 2013	977.58	900.94	76.64
	P.H.C at Sohal Akhnoor	March 2015	180.24	174.60	5.64
Unit- I Srinagar	Additional Block Civil Secretariat at Srinagar.	March 2016	2,147.77	2,142.12	5.65

Name of the unit	Name of the work	Value of Work done (₹ in lakh)			
		As per the UCs furnished to the PAs		As per the performance reports	Difference as per the UCs and performance reports
		As on	Amount	Amount	Amount
Value of work done higher in UCs than performance reports					
Unit-III Srinagar	Lawyers Chambers	March 2015	943.68	688.46	255.22
	Physical Education College Gadoora Ganderbal	March 2015	1,943.00	1,459.43	**483.57**
	Admn. Block Advocate General, High Court Srinagar	March 2016	192.11	136.66	55.45
Unit-II Srinagar	Engineering Complex at Raj Bagh, Srinagar.	March 2015	965.00	888.70	76.30
	Psychiatric Disease Hospital at Badamwari	March 2016	505.00	263.33	241.67
	OPD Block at Maternity Hospital Soura.	March 2016	850.00	807.00	43.00
	Academic Block, IMPA	March 2015	530.00	435.00	95.00
	DATA Centre at Bemina	March 2016	115.00	106.48	8.52
Unit-VIII Kulgam	Government Degree College, Kilam(State Plan)	March 2015	890.00	857.00	33.00
	PHC Cheki Wangund	March 2012	196.00	186.00	10.00
Unit-IX Doda	Construction of New District Hospital Complex at Doda	March 2016	2,842.76	2,889.94	-47.18
	Construction of Sub Distt. Hospital Complex at Bhaderwah (NRHM)	March 2016	1,983.23	1,986.25	-3.02
Unit-II Jammu	Dental Hospital Jammu	March 2015	3,035.00	3,450.00	-415.00
	260 Mtr Span Foot Suspension Bridge at Katal Batal over Tawi Jammu(NABARD)	March 2015	526.00	527.00	**-1.00**
	Disaster Recovery Centre Narwal Jammu	March 2014	450.00	451.74	-1.74
Unit-Kishtwar	Improvement & Upgradation of Dunadi Bunjwah road (length KM 1st to 13th) 13 K.M.(CRF)	March 2015	779.44	806.62	-27.18
	Improvement & upgradation of Kurya Keswan Road.	March 2015	947.90	980.34	-32.44
	Construction of District Administrative complex at Kishtwar	March 2015	2,974.74	3,124.40	-149.66
	Construction of Foot suspension bridge at Atholi Padder.(State Sector)	March 2015	105.42	113.06	-7.64
Unit-IV Jammu	Divisional Commissioner Office Complex at Rail Head Jammu	March 2016	1,093.00	1,143.43	-50.43
	Permanent restoration of 750 metre bridge over river Tawi at Jammu	March 2015	0.00	404.75	-404.75
Unit-I Srinagar	Addition & Alteration / Renovation of Tagore Hall Complex Srinagar.	March 2016	969.70	1,707.30	**-737.60**
Unit-III Srinagar	Office Complex Public Service Commission at Solina	March 2016	2,216.24	2,400.97	-184.73
	District Hospital Ganderbal	March 2015	2,487.50	2,680.21	-192.71
Unit-II Srinagar	Rehabilitation of Old Zero Bridge	March 2015	410.16	414.13	-3.97
	Migrant Colony Sheikh Pora Budgam	March 2016	2,272.00	2,290.00	-18.00
Unit-IX Doda	Construction of Court Complex at Doda.	March 2015	184.66	184.66	0
	Approach road to Mounda Bridge	March 2016	21.89	21.89	0

Name of the unit	Name of the work	Value of Work done (₹ in lakh)			
		As per the UCs furnished to the PAs		As per the performance reports	Difference as per the UCs and performance reports
		As on	Amount	Amount	Amount
Value of work done higher in UCs than performance reports					
Unit-II Jammu	Lawyers Chambers at Court complex	March 2015	1,116.00	1,116.00	0
Unit-V Kathua	New District Hospital Kathua	March 2012	1,935.00	1,935.00	0
Unit-III Srinagar	Tehzeeb Mahal at TRC Srinagar	March 2015	807.00	807.00	0
	Sub-district hospital Pakherpora	March 2015	523.75	523.75	0
	Community Health Centre Nagam	March 2015	570.00	570.00	0
Unit-VIII Baramulla	Degree College Sumbal	March 2016	1,849.00	1,849.00	0
	District Hospital Baramulla, OPD/ Causality Block Phase-I	March 2015	4,400.00	4,400.00	0
	Degree college Uri	March 2013	1,000.00	1,000.00	0
Unit-VIII Kulgam	Emergency Hospital, Qazigund	March 2012	908.00	908.00	0
	Emergency Hospital, Qazigund	March 2015	2,198.00	2,198.00	0

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