



SUPREME AUDIT INSTITUTION OF INDIA

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Report of the Comptroller and Auditor General of India for the period ended March 2023

Government of Union Territory of Jammu and Kashmir
Report No. 3 of 2026
(Composite Audit Report-Civil and PSEs)

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Comptroller and Auditor General of India
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PREFACE

This Report for the period ended 31 March 2023 has been prepared for submission to Lieutenant Governor of Jammu and Kashmir under Section 72 of the Jammu and Kashmir Reorganisation Act 2019 for laying in the Legislative Assembly.

This Report comprises three parts and includes seven chapters.

Part-A of this Report includes five chapters dealing with the summary of financial performance of Public Sector Enterprises, oversight role of Comptroller and Auditor General, corporate governance, corporate social responsibility in respect of Government companies and statutory corporations for the period ended 31 March 2023.

Part-B of this Report includes one chapter containing the significant audit findings noticed during the Performance Audit on Execution of Works under NABARD-RIDF by Public Works and Jal Shakti Departments.

Part-C of this Report includes one chapter containing the significant audit findings noticed during the Information Technology (IT) Audit of 'Integrated Financial Management System (IFMS)' in Jammu and Kashmir.

The instances mentioned in this Report are those which came to the notice in the course of test audit of the period 2022-23 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 2022-23 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.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

About the Report

This Report comprises three parts and includes seven chapters.

Part A of this Report deals with the summary of financial performance of Public Sector Enterprises, oversight role of Comptroller and Auditor General, corporate governance, corporate social responsibility in respect of Government companies and statutory corporations for the period ended 31 March 2023.

Part-B of this Report includes significant audit findings noticed during the Performance Audit on Execution of Works under NABARD-RIDF by Public Works and Jal Shakti Departments.

Part-C of this Report includes one chapter containing the significant audit findings noticed during the Information Technology (IT) Audit of Integrated Financial Management System (IFMS) in Jammu and Kashmir Government.

The primary purpose of this Report is to bring to the notice of the Legislature the important results of audit.

The Report has been organised in seven Chapters as under:

Chapter-I: Functioning of UT Public Sector Enterprises

This Chapter contains brief details of Union Territory Public Sector Enterprises (UTPSEs). As on 31 March 2023, there were 42 Public Sector Enterprises (PSEs) in Jammu and Kashmir under the audit jurisdiction of the CAG. These included 39 Government Companies, two Statutory Corporations¹ and one Government Controlled Other Company².

Chapter-II: Financial Performance of UT Public Sector Enterprises

Out of 42 UTPSEs in UT of Jammu and Kashmir including two Statutory corporations; six UTPSEs were inactive and 36 were active UTPSEs. The thrust of PSE investment was on power sector which attracted 78 *per cent* of the total investment. Eleven UT PSEs were profit making as per their latest finalized accounts and only one UTPSE (Jammu & Kashmir Bank Limited) had declared/ paid dividend. The reported profit increased to ₹ 1,286.79 crore in 2022-23 from ₹ 566.10 crore in 2021-22. Twenty UTPSEs had reported losses (₹ 252.53 crore in 2022-23) in their latest finalised accounts and net worth of 14 out of 19 PSEs had been completely eroded by their accumulated loss.

¹ Jammu and Kashmir Road Transport Corporation and Jammu and Kashmir and Ladakh Financial Corporation

² Chenab Valley Power Projects (Private) Limited (CVPPPL), a joint venture of Jammu and Kashmir Power Development Corporation (JKPDC), National Hydroelectric Power Corporation (NHPC) and Power Trading Corporation (PTC).

Recommendations

- *The UT Government may take an early decision regarding commencement of liquidation process in respect of the inactive PSEs as they are neither contributing to economy nor meeting the objectives for which they were set up.*
- *The UT Government may take remedial actions to improve the performance of loss making UTPSEs.*

Chapter-III: Oversight Role of CAG

Out of 34 UTPSEs in UT of Jammu and Kashmir for which accounts for 2022-23 were due for audit; only four UTPSEs presented their Financial statements for CAG's audit by 30 September 2023. Nineteen UTPSEs are those with accounts in arrears for three years and more. The accounts of two Statutory Corporations Jammu & Kashmir Road Transport Corporation and Jammu & Kashmir and Ladakh Financial Corporation were in arrears for two years and more as on 30 September 2023.

Recommendation

- *The Government may direct PSEs with arrear in accounts to ensure early finalisation of their Financial Statements as in the absence of their finalisation, Government investments in such PSEs remain outside the legislative oversight.*

Chapter-IV: Corporate Governance

Audit reviewed 33 UTPSEs and observed that although ten UTPSEs were required to appoint Independent Directors, only one UTPSE (J&K Bank Limited) had appointed the required number of Independent Directors during 2022-23. Out of 33 UTPSEs, ten UTPSEs were required to constitute an Audit Committee and Nomination and Remuneration Committee, however, only one UTPSE, J&K Bank limited had formed such committees. Only two out of eight eligible UTPSEs had appointed a whole time Company Secretary. In one UTPSE, the work of Company Secretary was being carried out by part-time Company Secretary and in remaining five UTPSEs, no Company Secretary had been appointed. Only nine out of 33 UTPSEs had conducted the required number of BoD meetings during 2022-23. AGM was not conducted in 24 out of 33 UTPSEs, during 2022-23.

Recommendation

- *The Government of Jammu and Kashmir may direct the respective Administrative Departments to ensure compliance with the Companies Act 2013 to achieve the objectives of Corporate Governance in UTPSEs. The Board of Directors of the respective UTPSEs may also ensure compliance with the relevant provisions of the Companies Act 2013.*

Chapter-V: Corporate Social Responsibility

Out of nine UTPSEs in UT of Jammu and Kashmir, which met the criteria required to undertake CSR activities as per the Act, only four UTPSEs have constituted CSR Committees and have their CSR policy. Seven UTPSEs were required to incur expenditure during 2022-23, of which only three UTPSEs had incurred expenditure on CSR activities.

Recommendations

- *All UTPSEs meeting the criteria may frame CSR Policy and constitute CSR Committee in compliance of provisions of the Companies Act, 2013 and CSR Rules.*
- *UTPSEs required to undertake CSR activities may ensure requisite allocations are made and utilised as per provisions of the Companies Act, 2013.*

Chapter-VI: Performance Audit on Execution of Works under NABARD-RIDF by Public Works and Jal Shakti Departments

Performance Audit on ‘Execution of Works under NABARD-RIDF by Public Works and Jal Shakti Departments’, covering the period from April 2018 to March 2023, was conducted to ascertain whether planning process for selection of projects for funding under NABARD was adequate and effective; funds were effectively utilised and projects were executed efficiently and effectively with due regard to economy; and internal controls and monitoring mechanisms were adequate and effective.

Against GoI consent for raising loans of ₹ 3,900 crore from NABARD, GoJ&K availed only ₹ 2,316.37 crore (59 *per cent*) during 2018-19 to 2022-23. Disbursement by NABARD ranged between 28 and 84 *per cent* of the loans sanctioned across tranches, primarily due to slow progress of works. In several cases, loans lapsed due to non-adherence to prescribed timelines.

There were instances of lapses by the Finance Department in managing the Mobilisation Advance (MA), including delays in its release to implementing departments, as well as cases of non-release or excess disbursement. Cases of non-utilisation of MA by implementing departments were also noticed. These deficiencies adversely affected cash flow and timely execution of projects.

Audit observed that project planning and prioritisation were weak across the executing departments. Baseline data and State/ UT-level planning frameworks envisaged under NABARD guidelines were either absent or not effectively used for project selection. Mandatory pre-requisites such as availability of encumbrance-free land, forest and statutory clearances, identification of viable water sources, and approval of technically sound DPRs were not ensured before sanction or execution, leading to stalled, abandoned or foreclosed projects.

Execution of projects suffered from systemic deficiencies, including delays in release of funds, non-commencement and slow progress of works, diversion and misutilisation of funds, execution without Technical Sanction, defective DPRs, improper site selection and inadequate contract management. Monitoring and inspection mechanisms were weak, as periodic field inspections were either not conducted or not documented.

As a result, 32 projects (12 *per cent*) out of 263 projects due for completion under NABARD as on March 2023 could be completed, while 231 projects were either not started or were incomplete as of March 2023. Further, against a total release of ₹ 844.17 crore during 2018-23, expenditure of ₹ 382.50 crore (45 *per cent*) was incurred, leaving ₹ 461.67 crore unutilised. The unutilised portion of released funds during each year ranged between four and 72 *per cent*.

Consequently, the intended objectives of irrigation and flood management, provision of safe drinking water and improvement of rural road connectivity were not achieved within the envisaged timeframes. Overall, there is need for strengthening institutional planning, financial discipline, inter-departmental coordination, technical scrutiny and monitoring mechanisms to ensure effective utilisation of NABARD assistance and timely delivery of intended benefits.

The citizen-centric objective of NABARD funding to provide low-cost funding to State/ UT Governments for completing delayed rural infrastructure projects, bridging the rural urban gap and promoting inclusive growth, covering areas like irrigation, roads, health, education and water, is yet to be realized.

Recommendations

The Government may:

- ***Prescribe timelines for release of Mobilisation Advance to Implementing Departments by Finance Department in sanction order, in consultation with NABARD.***
- ***Develop and implement system to prevent occurrence of release of Mobilisation Advance twice for same project.***
- ***Ensure pre-execution approvals from various authorities before initiating the projects.***

Chapter-VII: Information Technology (IT) Audit of Integrated Financial Management System (IFMS) in Jammu and Kashmir

The Integrated Financial Management System (IFMS) was envisaged under Mission Mode Project (MMP) of the National e-Governance Plan (NeGP). It is a comprehensive financial management system for ensuring effective financial management and real-time monitoring of the State's fiscal position. Government of Jammu and Kashmir (GoJ&K) took up (March 2010) the implementation of IFMS.

The Business Process Re-engineering process was deficient and GoJ&K had not formed Core Consultant Group as of March 2023 for implementation of IFMS in consideration of user requirements. Due to non-revision of DPR as per GoI's instructions and non-achievement of prescribed milestones of MMP-Treasury computerisation guidelines, the State/ UT had lost the central assistance of ₹ 11.88 crore for implementation of IFMS. Instead of carrying out upgradation of State Data Centre (SDC) for hosting/storage of IFMS applications, NIC irregularly hosted all the applications of IFMS on NIC Mini Data Centre at Jammu without any supporting backup site while the funding (₹ 5.26 crore) for the same remained misutilised.

The implementation of IFMS in J&K is characterised by various deficiencies and significant delays. As of March 2023, only four out of the twelve proposed modules were fully operational, leading to delay of more than a decade in full implementation of IFMS. In BEAMS and JKPaySys modules, there were shortcomings in data validation, which further compromise system integrity and usability. The lack of client-side and server-side validation may lead to submission of erroneous and incomplete data impacting overall data management. Lack of integration among key financial applications namely BEAMS and TreasuryNet reflect the technical inefficiency of the system in ensuring seamless data transfer. This not only resulted in excess expenditure over allocation but also rendered the system susceptible to unauthorised modifications in bill particulars.

There was absence of robust logical access controls, effective password recovery options and transaction log in which creates opportunities for unauthorised access and manipulation of sensitive information. System does not provide for complete trail of the transactions such as who inserted the records and who modified them. Lack of a comprehensive Disaster Recovery and Business Continuity Plan exposes the system to risks of data integrity and availability in case of unforeseen events like cyber-attacks and operational disruptions. Administrative control of IFMS was not taken over by the DGAT even after the lapse of over 12 years.

The absence of User Acceptance Testing (except in case of TreasuryNet in 2011) raises concerns about whether the software adequately meets user requirements and functions effectively. The inability of the department to secure certifications from the Standardisation Testing and Quality Certification agency indicates that the project did not adhere to industry standards for quality assurance, risk assessment, and management certification.

Recommendations

GoJ&K may consider:

- ***Establishing Core Consultant Group of experts and consultants for proper guidance, monitoring, and decision-making during the project's implementation.***

- *Conducting a comprehensive Business Process Re-engineering and Requirements Analysis to align the IFMS system with the modern business rules and practices.*
- *Ensuring strict compliance with established guidelines for user authentication, data submission and financial transactions.*
- *Ensure timely integration among IFMS applications for data integrity.*
- *Securing access controls by implementation of role-based access control and Multi-Factor Authentication.*
- *Maintaining Audit trail of all transactions or data modifications be maintained.*
- *Developing a Disaster Recovery Plan by introducing backup strategies, recovery time objectives and recovery point objectives.*
- *Ensuring certification from the Standardisation Testing and Quality Certification (STQC) agency to demonstrate adherence to industry-standard practices.*

PART-A
PUBLIC SECTOR ENTERPRISES

CHAPTER-I
FUNCTIONING OF UT PUBLIC
SECTOR ENTERPRISES

CHAPTER-I

FUNCTIONING OF UT PUBLIC SECTOR ENTERPRISES

1.1 General

Union Territory Public Sector Enterprises (UTPSEs) consist of UT Government Companies and Statutory Corporations. UTPSEs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the UT economy. This Report discusses the financial performance of UT Government of Jammu and Kashmir (GoJ&K) owned Companies, Statutory Corporations and Government Controlled Other Companies (GCOCs). Impact of significant comments issued after conducting supplementary audit of the financial statements of these Public Sector Enterprises (PSEs) by the Comptroller and Auditor General (CAG) of India for the year 2022-23 (or of earlier years which were finalised during the year 2023-24) has also been discussed in the Report. As on 31 March 2023, there were 42 PSEs in Jammu and Kashmir under the audit jurisdiction of the CAG. These included 39 Government Companies, two Statutory Corporations¹ and one Government Controlled Other Company². The 39 Government Companies included six³ inactive companies (including four under liquidation). One Company, Jammu & Kashmir Bank Limited, is listed on the National Stock Exchange and Bombay Stock Exchange. Eleven PSEs earned profit of ₹ 1,286.79 crore and 20 PSEs incurred loss of ₹ 252.53 crore as per the latest finalised accounts as of September 2023.

1.2 Accountability Framework

The procedures for audit of Government Companies are laid down in Section 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2 (45) of the Act 2013, 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 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. The Comptroller and Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government controlled other Company under Section 139 (5) and (7) of the Companies Act, 2013. Section 139 (5) of the Companies Act, 2013 provides that the Statutory Auditors in case of a Government Company or Government controlled other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013 provides that in case of a

¹ Jammu and Kashmir Road Transport Corporation and Jammu and Kashmir and Ladakh Financial Corporation.

² Chenab Valley Power Projects (Private) Limited (CVPPPL), a joint venture of Jammu and Kashmir Power Development Corporation (JKPDC), National Hydroelectric Power Corporation (NHPC) and Power Trading Corporation (PTC).

³ (1) Tawi Scooters Limited (2) Himalayan Wool Combers Limited (3) Jammu & Kashmir Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited) (4) Jammu & Kashmir Road Development Corporation Limited (5) Jammu & Kashmir International Trade Centre and (6) Jammu & Kashmir Asset Reconstruction Limited.

Government Company or Government controlled other Company, the first auditor is to be appointed by the CAG within 60 days from the date of registration of the Company and in case the CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

Further, as per sub-section 7 of Section 143 of the Act 2013, the CAG may, in case of any Company covered under sub-section (5) or sub-section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG.

Statutory Audit

The financial statements of the Government Companies (as defined in Section 2 (45) of the Act 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139 (5) or (7) of the Act 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143(5) of the Act 2013. These financial statements are also subject to supplementary audit by the CAG within 60 days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act 2013. Audit of Statutory Corporations is governed by their respective legislations. Out of two Statutory Corporations, the CAG is the sole Auditor for Jammu and Kashmir Road Transport Corporation. In respect of Jammu and Kashmir and Ladakh Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG.

1.3 Submission of Accounts by UTPSEs

Need for timely finalisation and submission of accounts

According to Section 394 and 395 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the House or both the Houses of State/UT Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the Companies from the Consolidated Fund of the State/UT. Section 96 of the Companies Act, 2013 requires every Company to hold AGM of the shareholders once in every calendar year and that AGM is held within 15 months of the previous/ last AGM.

Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the concerned financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including Directors of the Company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Role of Government and Legislature

The State/UT Government exercises control over the affairs of these PSEs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the State/UT Government. The State/UT Legislature also monitors the accounting and utilisation of Government investment in the PSEs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State/UT Government Companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the State/UT Legislature under Section 394 of the Act, 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government for placing before the State/UT Legislature under the provisions of Section 19A of the CAG's (Duties, Power and Conditions of Service) Act, 1971.

1.4 Investment by GoJ&K in UTPSEs

The UT Government of J&K (GoJ&K) has significant financial stake in the PSEs. These are mainly of three types:

Share capital and loans – In addition to the share capital contribution, GoJ&K also provides financial assistance by way of loans to the PSEs from time to time.

Special financial support – GoJ&K provides budgetary support by way of grants and subsidies to the PSEs as and when required.

Guarantees – GoJ&K also guarantees the repayment of loans with interest availed by the PSEs from Financial Institutions.

The thrust of PSE investment was on the power sector. The power sector had attracted 77.58 per cent (₹ 29,879.63 crore) of total investment of ₹ 38,516.67 crore. The GoJ&K had invested 46.84 per cent (₹ 2,593.54 crore) of its total investment of ₹ 5,536.96 crore in power sector PSEs.

This Part of the Report further contains Chapters on:

Chapter II: Financial Performance of UT Public Sector Enterprises

Chapter III: Oversight Role of CAG

Chapter IV: Corporate Governance

Chapter V: Corporate Social Responsibility

CHAPTER-II

**FINANCIAL PERFORMANCE OF
UT PUBLIC SECTOR ENTERPRISES**

CHAPTER-II

FINANCIAL PERFORMANCE OF UT PUBLIC SECTOR ENTERPRISES

2.1 Introduction

As on 31 March 2023, there were 42 PSEs in Jammu & Kashmir under the audit jurisdiction of the CAG. These included 39 Government Companies, two Statutory Corporations and one Government Controlled Other Company¹(*Appendix 2.1*).

The 39 Government Companies included six² inactive companies (including four under liquidation). The Government of Jammu and Kashmir and others had investment of ₹ 58.40 crore in these inactive companies (Capital: ₹ 57.57 crore and Long-Term Loans: ₹ 0.83 crore). This is a critical area and the Government may like to take an early decision to wind up the inactive PSEs as they do not contribute to the economic growth.

One Company, Jammu & Kashmir Bank Limited, is listed on the National Stock Exchange and Bombay Stock Exchange.

The ratio of turnover of the PSEs to the Gross State Domestic Product (GSDP) of J&K indicates the contribution of their activities in the economy of J&K. The details of turnover of PSEs are given in *Appendix 2.2*.

Table 2.1 provides the details of turnover of the PSEs and GSDP of J&K for a period of three years ending March 2023.

Table 2.1: Details of turnover of PSEs vis-à-vis GSDP of J&K

(₹ in crore)

Particulars	2020-21	2021-22	2022-23
Turnover as per latest finalised accounts	10,590.68	10,515.82	12,084.74
GSDP of J&K	1,67,651.77	1,99,917.42	2,27,927.30
Percentage of Turnover to GSDP of J&K	6.32	5.26	5.30

(Source: GSDP figures at Current prices as per Ministry of Statistics and Programme Implementation (MOSPI), GoI website and figures of turnover of PSEs as per their latest finalised accounts)

The contribution of PSEs to GSDP reduced from 6.32 per cent in 2020-21 to 5.30 per cent in 2022-23. The major contributors to turnover of PSEs in 2022-23 were Jammu & Kashmir Bank Limited (₹ 9,355.11 crore), Jammu & Kashmir Power Development Corporation Limited (₹ 1,037.85 crore) and Jammu & Kashmir Small Scale Industries Development Corporation Limited (₹ 629.36 crore).

¹ Chenab Valley Power Projects (Private) Limited (CVPPPL), a joint venture of Jammu and Kashmir Power Development Corporation (JKPDC), National Hydroelectric Power Corporation (NHPC) and Power Trading Corporation (PTC).

² (1) Tawi Scooters Limited (2) Himalayan Wool Combers Limited (3) Jammu & Kashmir Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited) (4) Jammu & Kashmir Road Development Corporation Limited (5) Jammu & Kashmir International Trade Centre and (6) Jammu & Kashmir Asset Reconstruction Limited.

2.2 Investment in PSEs and Budgetary Support

2.2.1 Equity Holding and Loans Given

Details of investment made in 42 PSEs in the form of equity and long-term loans upto 31 March 2023 are given in **Appendix 2.3**. Sector-wise summary of this investment is given in **Table 2.2**.

Table 2.2: Sector-wise investment of Government of J&K in PSEs

(₹ in crore)

Name of Sector	Number of PSEs	Investment				Total Investment	Total Investment of GoJ&K
		Equity		Long Term Loans			
		Total	GoJ&K	Total	GoJ&K		
Power Sector PSEs	6	6,510.62	2,593.54	23,369.01	0	29,879.63	2,593.54
Non-power Sector PSEs	36	1,296.32	1,109.48	7,340.72	1,833.94	8,637.04	2,943.42
Total	42	7,806.94	3,703.02	30,709.73	1,833.94	38,516.67	5,536.96

(Source: information provided by PSEs)

The thrust of PSE investment was on the power sector. The power sector had attracted 77.58 per cent (₹ 29,879.63 crore) of total investment of ₹ 38,516.67 crore. The GoJ&K had invested 46.84 per cent (₹ 2,593.54 crore) of its total investment of ₹ 5,536.96 crore in power sector PSEs.

2.2.2 Subsidy and Grant to PSEs

The GoJ&K provides financial support to the PSEs in various forms through the annual budget as equity, loans, grants/ subsidies, loans written off and loans converted into equity.

Summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity in respect of PSEs for the last three years ending March 2023 are given in **Table 2.3**.

Table 2.3: Details regarding budgetary support by GoJ&K to PSEs during the period 2020-21 to 2022-23

(₹ in crore)

Sl. No.	Particulars	2020-21		2021-22		2022-23	
		Number of PSEs*	Amount	Number of PSEs*	Amount	Number of PSEs*	Amount
1.	Equity Capital outgo	7	83.47	3	554.32 [#]	3	151.20
2.	Loans given	7	51.85	9	73.27	8	23.05
3.	Grants/Subsidy provided	11	3,016.38	14	2,845.52	15	1,995.48
Total outgo			3,151.70		3,473.11		2,169.73

Sl. No.	Particulars	2020-21		2021-22		2022-23	
		Number of PSEs*	Amount	Number of PSEs*	Amount	Number of PSEs*	Amount
4.	Loan repayment written off	-	-	-	-	-	-
5.	Loans converted into equity	2	152.42	-	-	1	4.86
6.	Guarantees issued	-	-	3	5,404.59	5	12,926.34
7.	Outstanding Guarantee Commitment	5	7,698.97	7	12,522.72	7	25,086.73

(Source: information provided by PSEs)

* Number of PSEs represents those PSEs which have received outgo from budget under one or more heads i.e. equity, loans and grants/ subsidies.

This includes ₹500 crore in respect of J&K Bank, 16,76,72,702 equity shares of ₹one (face value) each issued to GoJ&K on preferential basis at the issue price of ₹29.82 per share (including share premium of ₹28.82 per share)

During the year 2022-23, assistance in the form of grant was provided to Jammu and Kashmir Infrastructure Development Finance Corporation (₹ 238.77 crore), Srinagar Smart City Limited (₹ 127.04 crore), Jammu Smart City Limited (₹ 107.01 crore) and Jammu and Kashmir State Industrial Development Corporation Limited (₹ 42.05 crore). The overall decrease in assistance during 2022-23 was mainly due to lesser amount of grant/ subsidy given to two Power companies viz., Jammu and Kashmir Power Development Corporation Limited (from ₹ 600.78 crore in 2021-22 to Nil in 2022-23) and Jammu Power Distribution Corporation Limited (from ₹ 1,058.08 crore in 2021-22 to ₹ 659.99 crore in 2022-23).

The major guarantee commitments outstanding at the end of 2022-23 were in respect of Jammu and Kashmir Power Corporation Limited (₹ 21,613.62³ crore), Jammu and Kashmir Infrastructure Development Finance Corporation (₹ 2,297.90 crore), Jammu and Kashmir Power Development Corporation Limited (₹ 899.99 crore), Jammu and Kashmir SC, ST and Backward Classes Development Corporation Limited (₹ 104.38 crore) and Jammu & Kashmir Women's Development Corporation Limited (₹ 108.23 crore).

2.2.3 Reconciliation with the Finance Accounts of the Government of Jammu and Kashmir

The figures in respect of equity, loans and guarantees outstanding as per records of PSEs should agree with that of the figures appearing in the Finance Accounts of the GoJ&K. In case the figures do not agree, the concerned PSEs and the Finance Department should carry out reconciliation of the differences. The mismatch between

³ For loans raised from REC Limited and Power Finance Corporation Limited.

the figures furnished by the PSEs with those depicted in the Finance Account, as on 31 March 2023 is given in **Table 2.4** below:

Table 2.4: Equity and Loans outstanding as per Finance Accounts vis-à-vis records of PSEs upto March 2023

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records ⁴ of PSE	Difference
Share capital	3,034.27	3,080.09	45.82
Outstanding Loans	891.74	1,996.48	1,104.74
Guarantees	903.42	903.42	0

(Source: information provided by PSEs and Finance Accounts)

The differences were observed in respect of seven PSEs (**Appendix 2.4**). The issue of reconciliation of differences was also taken up with the PSEs and the Departments from time to time. Major difference in balances was observed in Jammu and Kashmir Power Development Corporation (₹ 646.85 crore), Jammu and Kashmir Minerals Limited (₹ 167.92 crore) and Jammu & Kashmir Road Transport Corporation (₹ 302.09 crore) relating to outstanding loans.

It is recommended that the GoJ&K and the respective PSEs should reconcile the differences in accounts in a time-bound manner.

2.2.4 Adequacy of assets to meet loan liabilities in PSEs

Ratio of total debt to total assets is one of the methods used to determine whether a Company can stay solvent. To be considered solvent, the value of that entity's assets must be greater than the sum of its loans/debts. The coverage of long term loans by value of total assets in 20 PSEs which had outstanding loans as per their latest finalised accounts as of 30 September 2023 is given in **Table 2.5**:

Table 2.5: Long term loans with total assets

Nature of PSE	Positive Coverage				Negative Coverage			
	No. Of PSEs	Long Term Loans	Assets Coverage	Percentage of Assets to Loans	No. of PSEs	Long Term Loans	Assets	Percentage of Assets to Loans
	(₹ in crore)				(₹ in crore)			
Statutory Corporation	2	727.40	1,656.54	227.73	0	0	0	0
Government Company	14	8,043.96	1,68,693.68	2,097.15	4	719.08	231.81	32.24
Total	16	8,771.36	1,70,350.22	1,942.12	4	719.08	231.81	32.24

(Source: latest finalised accounts of PSEs)

2.2.5 Market Capitalisation of equity investment in Government Companies

Market Capitalisation represents market value of shares of companies which are listed. As on 31 March 2023, there was only one PSE viz. Jammu and Kashmir Bank Limited,

⁴ Unaudited current figures up to March 2023.

having a total paid-up equity capital of ₹ 103.15 crore⁵. It is listed on the National Stock Exchange and Bombay Stock Exchange. The majority (63.41 *per cent*) of paid-up equity of ₹ 103.15 crore of the Bank is held by the Government of Jammu & Kashmir and the remaining (36.59 *per cent*)⁶ by Foreign Institutional Investors, Resident Individuals and others. The market value of shares of Jammu & Kashmir Bank Limited was ₹ 5,070.75⁷ crore as on 31 March 2023 as compared to ₹ 3,013.22 crore as on 31 March 2022.

2.2.6 Disinvestment, restructuring and privatisation

During the year 2022-23, there was no case of disinvestment, restructuring and privatisation of PSEs.

2.3 Returns from PSEs

There were 11 PSEs that reported profit in their latest financial statements (*Appendix 2.5*). The reported profit earned increased to ₹ 1,286.79 crore in 2022-23 from ₹ 566.10 crore in 2021-22.

The PSEs which contributed the most to profit (as per their finalised financial statements of the year 2022-23) are given in **Table 2.6**.

Table 2.6: PSEs which contributed the most to profit

Name of PSE	Net profit (₹ in crore)	Percentage of profit to total PSEs profit
Jammu & Kashmir Bank Limited	1,197.38	93.05
Chenab Valley Power Projects Private Limited	24.69	1.92
Total	1,222.07	

(Source: latest finalised accounts of PSEs)

The Principal Secretary Finance Department stated (May 2024) that the UT Government undertook a review of existing PSEs to streamline their functioning and improve profitability and quality of services. As a result, 11 PSEs have reported profits in their financial statements of 2022-23. Further, the UT Government is endeavoring to downscale/ close the PSEs which are making losses consistently. The divestment of J&K Cements Limited was undertaken in 2022-23. The contention of the Government is, however, not borne out of facts as the 11 PSEs which have reported profits (*Appendix 2.5*) are as per the latest available finalised accounts as of 30 September 2023. Out of the 11 PSEs, only three accounts pertain to the year 2022-23 while the rest eight accounts are of earlier financial periods, some of which are as earlier as 2013-14, 2015-16 and 2016-17. In case of divestment of J&K Cements Limited, the Government initiated the process during 2022-23.

⁵ Includes ₹ 65.41 crore of GoJ&K.

⁶ Indian Mutual Funds, Insurance Companies, Non-Resident Indian and Corporate Bodies.

⁷ 1031479861 shares @ ₹ 49.16 per share (closing price of one share on Bombay Stock Exchange).

2.3.1 Dividend payout by PSEs

The Jammu & Kashmir Bank Limited is the only PSE which had declared/ paid dividend⁸. It paid dividend of 50 *per cent* on its paid-up share capital for the year ending 31 March 2023.

2.4 Debt Servicing and legal compliances

2.4.1 Position of Long-Term Loans of PSEs

The details of long-term loans of PSEs during the period 2020-21 to 2022-23 are given in **Table 2.7**.

Table 2.7: Details of Long-Term Loans

(₹ in crore)

Year	Long term Loans at the end of the year		
	GoJ&K	Others	Total
2020-21	1,437.72	10,852.46	12,290.18
2021-22	1,539.42	16,621.43	18,160.85
2022-23	1,833.94	28,875.79	30,709.73

(Source: information furnished by PSEs)

Long term loans of the PSEs increased to ₹ 30,709.73 crore as on 31 March 2023 from ₹ 12,290.18 crore as at the end of March 2021 mainly due to the long term loans of ₹ 4,309.59 crore and ₹ 2,372.77 crore availed by Jammu & Kashmir Power Corporation Limited (JKPCL) and Jammu & Kashmir Infrastructure Development Finance Corporation respectively during 2021-22 and ₹ 11,291.79 crore⁹ and ₹ 424.92 crore availed by JKPCL and Chenab Valley Power Project (Pvt.) Limited (CVPPPL) respectively during 2022-23. The total long-term loan extended by GoJ&K to PSEs increased from ₹ 1,437.72 crore at the end of March 2021 to ₹ 1,833.94 crore at the end of March 2023. In percentage terms, the share of GoJ&K loans to total long-term loans declined from 11.70 to 5.97 *per cent*.

2.4.2 Interest Coverage in PSEs

Interest Coverage Ratio (ICR) is used to determine the ability of a Company to pay interest on outstanding debt and is calculated by dividing a Company's Earnings Before Interest and Taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser the ability of the Company to pay interest on debt. An ICR of below one indicates that the Company was not generating sufficient revenues to meet its expenses on interest.

⁸ Only those PSEs (04) were considered that had submitted accounts for the year 2022-23.

⁹ Special Long Term Transition Loan amounting to ₹ 2,0164.26 crore (Power Finance Corporation (PFC) Limited: ₹ 5,100.00 crore and ₹ 3,000.00 crore) and Rural Electrification Corporation (REC) Limited: ₹ 9,064.26 crore and ₹ 3,000.00 crore) sanctioned during the year 2022-23 in favour of Jammu & Kashmir Power Corporation Limited for clearing overdues on account of power purchased and transmission charges; out of which loan amounting to ₹ 5,443.58 crore (PFC Limited: ₹ 1,960.02 crore and from REC Limited: ₹ 3,483.56 crore) and ₹ 5,848.21 crore (PFC Limited: ₹ 2,993.74 crore and from REC Limited: ₹ 2,854.47 crore) has been availed during 2022-23 respectively.

The details of interest coverage ratio of PSEs, which had liability of loans from Government, banks and other financial institutions as per the latest finalised accounts during the period from 2020-21 to 2022-23 are given below in **Table 2.8**.

Table 2.8: Interest Coverage Ratio of PSEs*(₹ in crore)*

Year	Interest	EBIT	Number of PSEs having liability of loans from Government and Banks and other financial institutions	Number of PSEs having interest coverage ratio	
				More than 1	Less than 1
2020-21	529.36	1,031.19	14	7	7
2021-22	535.22	1,104.64	14	7	7
2022-23	545.30	1,768.03	16	7 ¹⁰	9 ¹¹

(Source: Latest finalised accounts of PSEs)

2.4.3 Age-wise analysis of interest outstanding on Government Loans

As on 31 March 2023, interest amounting to ₹ 3,126.84 crore was outstanding on the long term loans of nine PSEs provided by GoJ&K. The age-wise analysis of interest outstanding on Government loans in PSEs is depicted in **Table 2.9**.

Table 2.9: Interest outstanding on Government Loans*(₹ in crore)*

Sl. No.	Name of PSE	Outstanding Interest on GoJ&K Loan	Interest on GoJ&K loans outstanding for less than 1 year	Interest on GoJ&K loans outstanding for 1 to 3 years	Interest on GoJ&K loans outstanding for more than 3 years
1.	Jammu & Kashmir Minerals Limited	970.21	19.27	38.54	912.40
2.	Jammu & Kashmir Industries Limited	793.47	0	118.17	675.30
3.	Jammu & Kashmir Road Transport Corporation	1,101.95	61.59	123.18	917.18
4.	Jammu & Kashmir Handloom Development Corporation Limited	88.17	0	0	88.17
5.	Jammu & Kashmir Forest Development Corporation Limited	44.08	0	0	44.08

¹⁰ (1) Jammu & Kashmir Women's Development Corporation Limited (2) Jammu & Kashmir Small Scale Industries Development Corporation Limited (3) Jammu & Kashmir Industries Limited (4) Jammu & Kashmir Bank Limited (5) JKB Financial Services Limited (6) Jammu & Kashmir Power Development Corporation Limited; and (7) Chenab Valley Power Projects Private Limited.

¹¹ (1) Jammu & Kashmir Scheduled Castes, Scheduled Tribes and Backward Classes Development Corporation Limited (2) Jammu & Kashmir State Industrial Development Corporation Limited (3) Jammu & Kashmir Handicrafts (Sales and Export) Development Corporation Limited (4) Jammu & Kashmir Cements Limited (5) Jammu & Kashmir Minerals Limited (6) Jammu & Kashmir Tourism Development Corporation Limited (7) Jammu & Kashmir Road Transport Corporation (8) Jammu & Kashmir and Ladakh Financial Corporation; and (9) Jammu & Kashmir Horticulture Produce Marketing and Processing Corporation Limited.

Sl. No.	Name of PSE	Outstanding Interest on GoJ&K Loan	Interest on GoJ&K loans outstanding for less than 1 year	Interest on GoJ&K loans outstanding for 1 to 3 years	Interest on GoJ&K loans outstanding for more than 3 years
6.	Jammu & Kashmir Horticulture Produce Marketing and Processing Corporation Limited	2.01	0.25	1.76	0
7.	Jammu & Kashmir Tourism Development Corporation Limited	0.20	0	0	0.20
8.	Jammu & Kashmir Handicrafts (S&E) Development Corporation Limited	121.93	0	20.91	101.02
9.	Jammu & Kashmir Cements Limited	4.82	0.13	0.25	4.44
Total		3,126.84	81.24	302.81	2,742.79

(Source: information provided by PSEs)

2.5 Operating efficiencies of PSEs

2.5.1 Turnover

The details of turnover, total assets and capital employed¹², of all PSEs as per their latest finalised financial statements, during the three years 2020-21 to 2022-23 are given in **Table 2.10**.

Table 2.10: Turnover, total assets and capital employed during 2020-21 to 2022-23

(₹ in crore)

Year	Turnover	Total assets	Capital employed
2020-21	10,590.64	1,36,643.45	5,865.24
2021-22	10,515.82	1,48,646.69	7,381.74
2022-23	12,084.74	1,74,475.64	9,048.71

(Source: Latest finalised accounts of the PSEs)

The turnover recorded increase from ₹ 10,590.64 crore in 2020-21 to ₹ 12,084.74 crore in 2022-23. The total assets of PSEs recorded increase from ₹ 1,36,643.45 crore in 2020-21 to ₹ 1,74,475.64 crore in 2022-23. The assets had increased majorly in Jammu and Kashmir Bank Limited, Jammu & Kashmir Infrastructure Development Finance Corporation Private Limited, Kashmir Power Distribution Corporation Limited and Jammu Power Distribution Corporation Limited. The Capital employed in the PSEs increased from ₹ 5,865.24 crore in 2020-21 to ₹ 9,048.71 crore in 2022-23.

2.5.2 Return on Investment in Listed PSE

Return on investment (ROI) is a performance metric to evaluate the efficiency of investment over time in comparison to alternate investment opportunities or a benchmark investment opportunity. Only one PSE, Jammu & Kashmir Bank Limited,

¹² Capital Employed= Paid-up Capital + Free Reserves and Surplus + Long Term Loans - Accumulated Losses - Deferred Revenue Expenditure.

is listed on the stock exchange. Calculation of ROI along with compound annual growth rate is given in **Appendix 2.6**. The details of ROI during the last three years ending March 2023 are given in **Table 2.11**.

Table: 2.11 Return on Investment of Listed PSEs*(in per cent)*

	2020-21	2021-22	2022-23
ROI¹³	243.81	291.95	395.17

The ROI increased from 243.81 *per cent* in 2020-21 to 395.17 *per cent* in 2022-23. The compounded annual growth rate improved from (-) 0.67 *per cent* in 2020-21 to 1.41 *per cent* in 2022-23. The rise in ROI is primarily attributed to a significant increase in profitability driven by higher interest income in 2022-23 due to credit growth.

2.5.3 Return on Capital Employed and Equity in Listed PSE

The profitability of a Company is traditionally assessed through return on equity and return on capital employed. Return on Capital Employed (ROCE)¹⁴ is a financial ratio that measures the Company's profitability and the efficiency with which its capital is used and is calculated by dividing the Company's earnings before interest and taxes by capital employed. Return on Equity (ROE)¹⁵ is a measure of performance calculated by dividing the net profit after tax by shareholders' funds.

Details of ROCE and ROE of Jammu & Kashmir Bank Limited, the only listed Company, is given in **Table 2.12**:

Table 2.12: ROCE and ROE of Listed PSE*(in per cent)*

	2020-21	2021-22	2022-23
ROCE	15.50	14.56	24.07
ROE	21.00	20.47	37.95

The ROCE and ROE was high due to high Profit After Tax earned by the Jammu and Kashmir Bank Limited.

The ROCE worked out at realised value¹⁶ of investment in respect of Jammu & Kashmir Bank Limited is given in **Table 2.13**.

¹³ ROI= (Government's share of the Market Capitalisation of the Company as at 31 March of FY + Present Value of Dividend Receipts of the Government as at 31 March of FY + Present Value of Disinvestment Receipts of the Government as at 31 March of FY) – (Paid-up Equity of the Government as at Inception + Discounted Value of Equity infused by the Government as at Inception + Discounted Value of Subsidy/Grants infused for meeting Operational and Administrative Expenditure as at Inception)/ (Paid-up Equity of the Government as at Inception + Discounted Value of Equity infused by the Government as at Inception + Discounted Value of Subsidy/ Grants infused for meeting Operational and Administrative Expenditure as at Inception)/ Number of intervening annual periods.

¹⁴ ROCE = Earnings before Interest and Tax/ Capital Employed. Figures are as per the latest year for which accounts of the PSEs are finalized.

¹⁵ ROE=Profit after Tax/ Shareholders' Fund, Shareholders' Fund = Paid up capital + Free Reserves and Surplus less Deferred Revenue Expenditure and Accumulated Losses.

¹⁶ Investment including share premium.

Table 2.13: ROCE for Listed PSE considering share premium

(in per cent)		
2020-21	2021-22	2022-23
12.20	10.67	17.69

2.5.4 Return on Capital Employed and Equity of Non-Listed PSEs

The details of ROCE and ROE of non-listed PSEs¹⁷ during the period from 2021-22 to 2022-23 are given in Table 2.14.

Table 2.14: Return on Capital Employed and Equity of non-listed PSEs

₹ in crore						
Year	PBIT	PAT	Capital Employed	Shareholders Fund	RoCE	RoE
2021-22	523.29	47.50	9,462.74	6,194.20	5.53	0.77
2022-23	447.83	60.93	10,197.74	6,263.31	4.39	0.97

(Source: information provided by PSEs)

2.5.5 Rate of real return (RORR) of Government Investment in PSEs

In order to bring the historical cost of investment to its present value at the end of each year upto 31 March 2023, Present Value (PV) of money invested was computed where funds had been infused by GoJ&K as equity, interest free loan and interest free loan converted into equity. Grant/ subsidy given by the Government for operational and management expenses have not been considered as bifurcation of grant and subsidy for operational and management expenses and for other purpose was not available since inception of these companies till 31 March 2023.

The PV in these undertakings was computed on the following assumptions:

- Interest free loans have been considered as fund infusion. However, in case of repayment of loans by the PSEs, the PV was calculated on the reduced balances of interest free loans over the period.
- The average rate of interest on government borrowings for the concerned financial year was adopted as discount rate for arriving at Present Value since they represent the cost incurred by the Government towards investment of funds for the year.
- GoJ&K infused ₹ 5.00 crore as equity in JKPDCL. In addition to this, the GoJ&K also provided Plan funds since inception of the Company (1994-95) for creation of Capital Assets, which could not be bifurcated, has not been considered. Plan fund given to JKPDCL and Assets transferred to JKPDCL by

¹⁷ Excluding CVPPPL as all its projects are under construction. RoCE is calculated after excluding EBIT and Capital Employed figures of those PSEs whose Capital Employed was negative. RoE is calculated after excluding PAT and Shareholders Fund figures of those PSEs whose Shareholders Fund was negative.

GoJ&K, later converted into equity, has been added to the equity contribution in the year 2019-20.

- Jammu Power Distribution Company Limited (JPDCL), Kashmir Power Distribution Company Limited (KPDCL), Jammu and Kashmir Power Transmission Company Limited (JKPTCL) and Jammu and Kashmir Power Corporation Limited (JKPCL) started their operations with effect from 01 April 2020, hence, equity contribution was considered in the year 2020-21 for the purpose of PV calculation of GoJ&K investment.
- For the purpose of PV calculation of GoJ&K investment, the period from 2000-01 till 2022-23 has been taken for considering the investment of GoJ&K in PSEs.

The year- wise position of investment made by GoJ&K in PSEs and calculation of Net Present Value of the investment relating to those PSEs wherein the GoJ&K had made investment is indicated in **Appendix 2.7**.

The historical cost of investment by GoJ&K in these PSEs at the end of 2022-23 increased to ₹ 4310.94 crore¹⁸ from ₹ 352.29 crore at the beginning of 1999-2000. Besides, GoJ&K made investment of ₹ 522 crore¹⁹ in JKPDC in the shape of plan fund up to March 2022.

The PV of the investment infused by GoJ&K as on 31 March 2023 amounted to ₹ 8,345.92 crore. The net earnings of PSEs as per their latest finalised accounts was ₹ 1,034.26 crore²⁰.

An analysis of the earnings *vis-à-vis* investments in respect of 31²¹ PSEs where funds had been infused by GoJ&K was carried out to assess the profitability of these PSEs which is given in **Table 2.15**.

Table 2.15: Real Rate of Return

(₹ in crore)

Financial year	PV of total investment at the beginning of the year	Total investment during the year	Total investment at the end of the year	Average rate of interest	PV of total investment at the end of the year	Total Earning ²²	RoRR
2020-21	5,800.80	130.57	5,931.37	7.82	6,395.20	306.12	4.79
2021-22	6,395.20	570.95	6,966.15	7.94	7,519.26	372.64	4.96
2022-23	7,519.26	174.25	7,693.51	8.48	8,345.92	1,008.36	12.08

(Source: information furnished by the respective PSEs as of March 2023)

¹⁸ Opening balance: (₹ 352.29 crore) + Equity: (₹ 3,813.31 crore) + Interest free loans: (₹ 162.84 crore) less Interest free loan converted into equity: (₹ 17.5 crore).

¹⁹ This investment was made from 2018-19 to 2021-22 and investment before this period had been converted into equity of GoJ&K.

²⁰ Includes earnings of JKB Financial Services Limited (₹ 1.21 crore), CVPPPL (₹ 24.69 crore)

²¹ Excluding JKB Financial Services Limited and CVPPPL wherein the GoJ&K had not made any investment, six government companies are inactive and three companies have not submitted their first accounts as on 30 September 2023.

²² As per the latest finalised accounts.

2.6 PSEs incurring losses

There were PSEs that reported losses as per their latest finalised accounts as detailed in **Appendix 2.8**. The losses incurred by PSEs decreased from ₹ 214.51 crore in 2020-21 to ₹ 186.28 crore in 2021-22 and increased to ₹ 252.53 crore in 2022-23 as per their latest finalised accounts as given in **Table 2.16**.

Table 2.16: Summary of PSEs that incurred losses during 2020-21 to 2022-23

(₹ in crore)

Year	No of PSEs incurred loss	Net loss for the year	Accumulated Profit/ Loss	Net Worth ²³
A. Statutory Corporations				
2020-21	1	117.62	(-)1,634.94	(-)1,426.98
2021-22	1	117.62	(-)1,634.94	(-)1,426.98
2022-23	2	122.23	(-) 1,818.88	(-)1,438.03
B. Government Companies				
2020-21	14	93.71	(-)1,780.54	(-)1,643.83
2021-22	16	68.66	(-)1,120.30	(-)986.72
2022-23	18	130.30	(-) 2,422.46	(-)2,253.33
C. Government Controlled Other Company				
2020-21	1	3.18	49.34	2,773.00
2021-22	0	-	-	-
2022-23	0	-	-	-
Total PSEs				
2020-21	16	214.51	(-)3,366.14	(-)297.81
2021-22	17	186.28	(-)2,755.24	(-)2,413.70
2022-23	20	252.53	(-)4,241.34	(-)3,691.36

(Source: Latest finalised accounts as on 30 November 2021, 30 September 2022 and 30 September 2023)

Out of the total loss of ₹ 252.53 crore incurred by 20 PSEs in 2022-23, loss of ₹ 234.15 crore was in respect of ten PSEs listed in **Table 2.17** which reported losses of more than ₹ five crore as per their latest information provided.

Table 2.17: PSEs (other than power sector) that incurred losses of more than ₹ five crore

Sl. No.	Name of the PSE	Net loss (₹ in crore)
1.	Jammu & Kashmir State Road Transport Corporation	117.62
2.	Jammu & Kashmir State Industrial Development Corporation Limited	20.54
3.	Jammu & Kashmir Cements Limited	25.46
4.	Jammu & Kashmir Tourism Development Corporation	14.72
5.	Jammu & Kashmir Scheduled Castes, Scheduled Tribes and Backward Classes Development Corporation Limited	10.10
6.	Jammu & Kashmir Handicrafts (Sales and Export) Development Corporation Limited	8.60
7.	Jammu & Kashmir Minerals Limited	18.08

²³ Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision.

Sl. No.	Name of the PSE	Net loss (₹ in crore)
8.	Jammu & Kashmir Horticulture Produce Marketing and Processing Corporation Limited	7.35
9.	Jammu & Kashmir Industries Limited	5.95
10.	Jammu & Kashmir Handloom Development Corporation Limited	5.73
	Total	234.15

(Source: Latest finalised accounts as on 30 September 2023)

GoJ&K may like to review the functioning of its loss-making PSEs and initiate measures to improve their efficiency as they are causing substantial drain on the public exchequer.

2.6.1 Erosion of Capital in PSEs

As on 31 March 2023, there were 19 PSEs with accumulated losses of ₹ 4,241.34 crore (*Appendix 2.9*). These 19 PSEs had reported losses amounting to ₹ 250.51 crore in their latest finalised accounts. The net worth of 14 out of 19 PSEs had been completely eroded by their accumulated loss. Out of these 14 PSEs, the networth of one PSE was negative for the last one year, of two PSEs for two years, another one for three years and the remaining 10 PSEs for the last five or more than five years. The net worth of these 14 PSEs was (-) ₹ 3,699.38 crore against equity investment of ₹ 537.12 crore as on 31 March 2023. The details of these 14 PSEs are given in *Appendix 2.10*.

Further as per latest finalised accounts of these 14 PSEs, against their total income of ₹ 728.19 crore, the total expenditure was ₹ 976.93²⁴ crore, resulting in gap of ₹ 248.74 crore. The total borrowings of these PSEs stood at ₹ 2,560.26 crore at the end of that year.

2.7 Conclusion

Out of 42 UTPSEs in UT of Jammu and Kashmir including two Statutory corporations; six UTPSEs were inactive and 36 were active UTPSEs. The thrust of PSE investment was on power sector which attracted 78 per cent of the total investment. Eleven UT PSEs were profit making as per their latest finalized accounts and only one UTPSE had declared/ paid dividend. Twenty UTPSEs had reported losses in their latest finalised accounts and net worth of 14 out of 19 PSEs had been completely eroded by their accumulated loss.

²⁴ Out of total expenditure of ₹ 976.93 crore, ₹ 812.32 crore was incurred on indirect expenditure viz Employees benefits, administrative expenses and other expenses etc.

2.8 Recommendations

- *The UT Government may take an early decision regarding commencement of liquidation process in respect of the inactive PSEs as they are neither contributing to economy nor meeting the objectives for which they were set up.*
- *The UT Government may take remedial actions to improve the performance of loss making UTPSEs.*

CHAPTER-III
OVERSIGHT ROLE OF CAG

CHAPTER-III

OVERSIGHT ROLE OF CAG

3.1 Audit of Public Sector Enterprises (PSEs)

Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a State Government Company and State Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Statutes governing some Corporations require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

3.2 Appointment of statutory auditors of PSEs by CAG

Section 139(5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year.

3.3 Submission of accounts by PSEs

3.3.1 Need for timely submission

According to Section 394 of the Companies Act, 2013 Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before both the Houses of Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State/UT.

Section 96 of the Companies Act, 2013 requires every Company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration by the shareholders.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on persons including Directors of the Company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Despite the above, annual accounts of various PSEs were pending as on 30 September 2023, as detailed in the following paragraph.

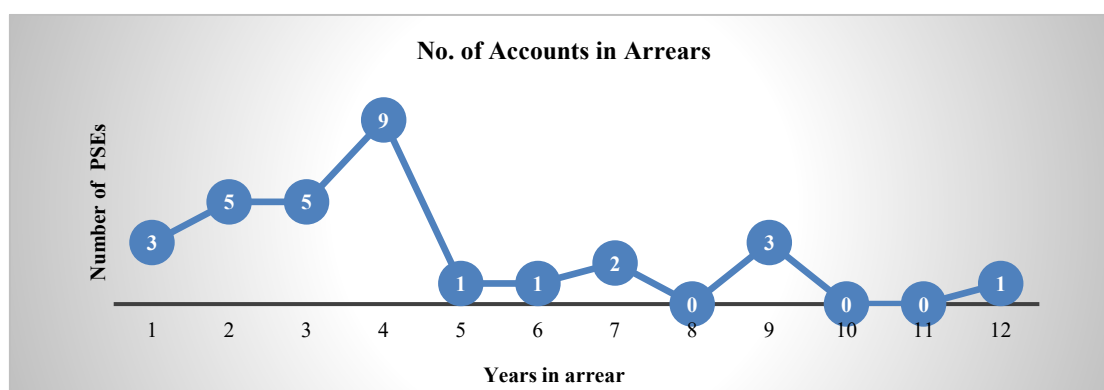
3.3.2 Timeliness in preparation of accounts by Government Companies

As of 31 March 2023, there were 40 Government Companies under the purview of CAG's audit. Of these, accounts for the year 2022-23 were due¹ from 34 Government Companies². However, only four Government Companies submitted their accounts for the financial year 2022-23 for supplementary audit by CAG on or before 30 September 2023. Accounts of 30 Government Companies were in arrears. Forty-nine accounts of 14 companies, whose net worth had been eroded, were in arrears. Details of arrears in submission of accounts of these are given in **Table 3.1 (A)** below:

Table 3.1 (A): Details of arrears in submission of accounts

Particulars		Total
Total number of Companies under the purview of CAG's audit as on 31.03.2023		40
Less: New Companies from which accounts for 2022-23 were not due		0
Less: Companies under liquidation/ inactive ³		6
Number of companies from which accounts for 2022-23 were due		34
Number of companies which presented the accounts for CAG's audit by 30 September 2023		4
Number of companies with accounts in arrears		30
Breakup of Arrears	(i) Defunct	0
	(ii) First Accounts not submitted	3 ⁴
	(iii) Others	27
Age-wise analysis of arrears against 'Others' category	Up to one year (2022-23)	3
	Up to two years (2021-22 and 2022-23)	5
	Three years and more	19

Details of these companies along with the position of GoJ&K investment in these PSEs during the period of arrear accounts are indicated in **Appendix 3.1**.



In case of eight PSEs, the pendency in finalisation of financial statements ranged from five to 12 years as shown in **Table 3.1 (B)**.

¹ The due date for submission of accounts has been considered as 30 September 2023.

² Excluding six inactive Companies.

³ Jammu & Kashmir Asset Reconstruction Limited, Tawi Scooters Limited, Himalayan Wool Combers Limited, Jammu & Kashmir State Handloom Handicrafts Raw Materials Supply Organisation Limited (under liquidation); Jammu & Kashmir State Road Development Corporation Limited and Jammu & Kashmir International Trade Centre (inactive).

⁴ Three PSEs (AIC- Jammu & Kashmir EDI Foundation, Jammu Mass Rapid Transit Corporation Pvt. Ltd. and Srinagar Mass Rapid Transit Corporation Pvt. Ltd.).

Table 3.1 (B): Instances of large pendency in finalisation of accounts

Sl. No.	Name of the PSE	No. of accounts pending finalisation
1	J&K State Industrial Development Corporation Limited	9
2	J&K Police Housing Corporation Limited	6
3	J&K Minerals Limited	9
4	J&K Cable Car Corporation Limited	9
5	J&K Overseas Employment Corporation Limited	12
6	J&K Power Development Corporation Limited	7
7	J&K Medical Supplies Corporation Limited	7
8	AIC-Jammu & Kashmir EDI Foundation	5

3.3.3 Timeliness in preparation of accounts by Statutory Corporations

As of 31 March 2023, there were two Statutory Corporations under the purview of CAG's audit. Audit of Statutory Corporations is governed by their respective legislations. Out of the two Statutory Corporations, the C&AG is the sole auditor for Jammu & Kashmir Road Transport Corporation. In respect of Jammu & Kashmir and Ladakh Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the C&AG.

The accounts of Jammu & Kashmir Road Transport Corporation for the period from 2019-20 to 2022-23 and Jammu & Kashmir and Ladakh Financial Corporation for the years 2021-22 to 2022-23 were awaited as on 30 September 2023.

Details of these Corporations along with the position of GoJ&K investment in these Corporations during the period of arrear accounts are indicated in *Appendix 3.1*.

During the exit conference (April 2024), the Departmental representatives assured that all the PSEs shall be directed to comply with the statutory provisions regarding submission of accounts.

3.4 CAG's oversight - Audit of accounts and supplementary audit

3.4.1 Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The statutory corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such corporations.

3.4.2 Audit of accounts of Government Companies by Statutory Auditors

The statutory auditors appointed by the CAG under Section 139 of the Companies Act, 2013 conduct audit of accounts of the Government Companies and submit their reports thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of public sector undertakings with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power:

- to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013 and
- to supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

3.4.3 Supplementary Audit of accounts of Government Companies

The responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity.

The statutory auditors appointed by the CAG under Section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under Section 143 of the Companies Act, 2013 based on independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the Annual General Meeting.

3.5 Result of CAG's oversight role

Position of supplementary audit of the financial statements of the PSEs conducted by the Comptroller and Auditor General (CAG) of India for the year 2022-23 (or of earlier years which were finalised during the current year) is discussed in the next paragraph.

3.5.1 Audit of accounts of Government Companies under Section 143 of the Companies Act, 2013

Financial statements for the year 2022-23 were received from three⁵ Government Companies and one Government Controlled Other Company⁶ by 30 September 2023. They were all reviewed in audit.

37 accounts of previous years in respect of 17 PSEs were also received during the period 1 October 2022 to 30 September 2023, of which comments were issued in case of 19 accounts and 18 accounts were pending finalisation as of 30 September 2023. Further, 46 accounts of 17 PSEs relating to previous years which were received before 1 October 2022 were also reviewed during the current year and comments were issued for all these 46 accounts of 17 PSEs. The important results of the review are detailed in **Table 3.2:**

Table 3.2: Significant comments issued on Financial Statements

Sl. No.	Name of PSE	Year of Accounts	Impact of Audit
1.	Chenab Valley Power Projects Pvt Limited	2022-23	Provision for committed capital expenditure did not include ₹ 30.83 crore of cost of land pronounced (August 2018) by Government of J&K under Resettlement and Rehabilitation Plan for project-affected families in respect of construction of Kwar Hydro Electric Project which resulted in understatement of Leasehold land (Assets) by ₹ 35.83 crore, understatement of provisions for committed capital expenditure (Provisions) by ₹ 30.83 crore and overstatement of capital advances under Non-Current Assets by ₹ 5.00 crore.
2.	J&K Industries Limited	2020-21	The Company treated ₹ 29.12 crore received from District Collector, Land Acquisition, Srinagar against the transfer of 146 kanal land through the Company to the J&K Police Department as its income. The land was transferred (October 2017) by Industries & Commerce Department to the Company with the direction to transfer the same to the J&K Police Department against payment of ₹ 94.90 crore. As the land was not an asset of the Company, the transfer proceeds of ₹ 94.90 crore received by the Company from J&K Police Department was a liability/

⁵ Jammu and Kashmir Bank Limited, Jammu & Kashmir Trade Promotion Organisation and JKB Financial Services Limited.

⁶ Chenab Valley Power Projects Private Limited.

Sl. No.	Name of PSE	Year of Accounts	Impact of Audit
			payable to Govt. of J&K instead of booking the same as income of the Company resulting in overstatement of other income for the current year by ₹ 29.12 crore (Previous years ₹ 65.78 crore), understatement of current liabilities by ₹ 94.90 crore, understatement of the loss for the year by ₹ 29.12 crore and accumulated loss by ₹ 94.90 crore.
3.	J&K IT Infrastructure Development Limited	2021-22	The Company treated unutilised amount of grants for construction of IT Towers in Jammu and Srinagar as Capital Grants despite non-fulfillment of attached terms and conditions instead of as Current Liabilities.

3.6 Conclusion

Out of 34 UTPSEs in UT of Jammu and Kashmir for which accounts for 2022-23 were due for audit; only four UTPSEs presented their Financial statements for CAG's audit by 30 September 2023. Nineteen UTPSEs are those with accounts in arrears for three years and more. The accounts of two Statutory Corporations viz. Jammu & Kashmir Road Transport Corporation and Jammu & Kashmir and Ladakh Financial Corporation were in arrears for two years and more as on 30 September 2023.

3.7 Recommendation

- *The Government may impress upon those PSEs with arrear in accounts to ensure early finalisation of their Financial Statements as in the absence of their finalisation, Government investments in such PSEs remain outside the legislative oversight.*

CHAPTER-IV
CORPORATE GOVERNANCE

CHAPTER-IV

CORPORATE GOVERNANCE

4.1 Corporate Governance

Corporate Governance generally refers to practices by which organisations are directed, controlled and held to account. The absence of good governance structure or the non-adherence to the governance principles would increase the risk of public corruption and misuse of entrusted power by the management in the public sector.

4.1.1 Provisions as contained in the Companies Act, 2013

The Companies Act, 2013 was enacted on 29 August 2013 replacing the Companies Act, 1956. In addition, the Ministry of Corporate Affairs has also notified (31 March 2014) Companies Rules, 2014 on Appointment and Qualification of Directors, Meetings of Board and its powers and Accounts. The Companies Act, 2013 together with the Companies Rules provide a robust framework for Corporate Governance. The requirements inter-alia provide for:

- Qualifications for Independent Directors along with the duties and guidelines for professional conduct (Section 149(6) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014.
- Mandatory appointment of at least one-Woman Director on the Board. Section 149 (1) of the Companies Act, 2013, read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules 2014, provides that every listed Company and every other Public Company having paid up share capital of ₹ 100 crore or more; or turnover of ₹ 300 crore or more shall appoint at least one woman Director on its Board.
- Mandatory establishment of Audit Committee (Section 177(1) of Companies Act, 2013) and Nomination and Remuneration Committee (Section 178(1) of Companies Act, 2013).
- Holding of a minimum of four meetings of Board of Directors every year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board {Section 173(1)}.

4.1.2 SEBI's guidelines on Corporate Governance for listed companies

With the enactment of Companies Act, 2013, Securities and Exchange Board of India (SEBI) amended (April and September 2014) Clause 49 of the Listing Agreement to align it with the Corporate Governance provisions specified in the Companies Act, 2013.

SEBI, further issued (13 October 2015) a uniform listing agreement format for all types of securities which required the listed entity to comply with the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

4.2 Scope of Audit

As on 31 March 2023, there were 42 UT Public Sector Enterprises (UTPSEs) in Jammu and Kashmir under the audit jurisdiction of the CAG. These included 39 Government Companies (Public Limited: 21; Private Limited: 18), one Government controlled other Company¹) and two Statutory Corporations.

The 39 Government Companies included six² inactive/ non-operational Companies. One Company, Jammu and Kashmir Bank Limited, is listed on the National Stock Exchange and Bombay Stock Exchange.

For corporate Governance, an assessment framework was prepared based on the provisions contained in the Companies Act 2013. Guidelines/ regulations issued by SEBI (April and September 2014) were also reflected in the assessment framework. Out of 40 companies, the review covers 33 active Government companies (Public Limited: 17 including one listed Company³, Private Limited: 15 and one J&K Government controlled other Company) for the year ended 31 March 2023. Six inactive companies and one Public Limited Company viz. J&K Cement Limited, being non-operational, have not been covered.

4.3 Composition of Board of Directors

Section 2 (10) of the Companies Act, 2013 defined that “Board of Directors” (BoDs) or “Board”, in relation to a Company, means the collective body of the Directors of the Company.

4.3.1 Independent Directors on the Board

As per Regulation 17(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, at least half of the BoDs of the listed entity shall consist of Independent Directors. Further, Section 149(4) of the Companies Act, 2013 prescribes that every listed Public Company is mandatorily required to have at least one-third of the total number of Directors as Independent Directors (IDs).

¹ Chenab Valley Power Projects (Private) Limited (CVPPPL), a joint venture of Jammu and Kashmir State Power Development Corporation Limited, Power Trading Corporation and National Hydroelectric Power Corporation Limited.

² Inactive companies: (1) Tawi Scooters Limited (2) Himalayan Wool Combers Limited, (3) Jammu & Kashmir Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited), (4) Jammu & Kashmir Road Development Corporation Limited, (5) Jammu & Kashmir International Trade Centre, (6) Jammu & Kashmir Asset Reconstruction Limited; Non-operational Company: (6) J&K Cement Limited.

³ Jammu & Kashmir Bank Limited.

Moreover, Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014, stipulates that unlisted public companies must appoint at least two Independent Directors in the following circumstances:

- i. If the paid-up share capital is ₹ 10 crore or more; or
- ii. if the turnover is ₹ 100 crore or more; or
- iii. if the aggregate of all the outstanding loans, debentures and deposits exceeds ₹ 50 crore.

Audit noted that out of 17 Public Limited UTPSEs, one listed Public Company Jammu and Kashmir Bank Limited falls under the purview of Regulation 17(1) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 whereas nine UTPSEs were governed by the provisions of Section 149 (4) of the Companies Act, 2013, as per details given in *Appendix 4.1*. However, only one UTPSE had appointed Independent Directors as detailed in **Table 4.1**.

Table-4.1: UTPSE having required number of Independent Directors (IDs)

Sl. No.	Name of UTPSE	Year	Minimum requirement of IDs in BoDs	Actual number of IDs in the BoDs
1	J&K Bank Limited	2022-23	6	6

(Source: As per the information furnished by the J&K Bank Limited)

As can be seen, only J&K Bank Limited had appointed the minimum number of Independent Directors during 2022-23.

The remaining nine UTPSEs were required to appoint Independent Directors, however, none of the UTPSEs had appointed Independent Directors in BoDs during 2022-23.

4.3.2 Woman Director on the Board

Section 149 (1) of the Companies Act, 2013, read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules 2014, provides that every listed Company and every other Public Company having paid-up share capital of ₹ 100 crore or more; or turnover of ₹ 300 crore or more shall appoint at least one-Woman Director on its Board.

As per the requirement of the aforesaid provisions, Woman Directors were to be appointed in one Public Limited UTPSE as mentioned in **Table 4.2**.

Table-4.2: Detail of UTPSEs which were required to appoint Woman Director on the Board
(₹ in crore)

Sl. No.	Name of UTPSEs	2022-23	
		Paid up capital	Turnover
1	J&K Bank Limited	103.15	9,355.11

(Source: information furnished by the PSEs)

Audit noticed that J&K Bank Limited had appointed one Woman Director on the Board during 2022-23.

4.4 Meetings of the Board of Directors and Board Committees

4.4.1 Meetings of the Board of Directors

Section 173(1) of Companies Act, 2013 stipulates that the Board shall meet at least four times in a year with a maximum time gap of 120 days between two consecutive meetings.

Audit observed that only nine UTPSEs⁴, out of 33 UTPSEs, had conducted the required number of BoDs meetings during 2022-23.

The shortage of required number of BoDs meetings in the remaining 24 UTPSEs ranged between 50 *per cent* and 100 *per cent*. The details are given in **Appendix 4.2**.

4.4.2 Participation of Independent Directors in Board of Directors/ Board's Committee meetings

Schedule IV (III) (3) of the Companies Act, 2013 states that Independent Directors should strive to attend all the general meetings of Board of Directors and of Board Committees of which he/ she is a member. Audit noticed that J&K Bank Limited had appointed required number of Independent Directors on the board, however, some of the Independent Directors did not attend Board/ Committee meetings as indicated in **Table 4.3**.

Table-4.3: Participation of Independent Directors in the Board/Committee meetings

Sl. No.	Name of UTPSEs	Year	No. of IDs who did not attend some Board meetings	No. of meetings not attended	No. of IDs who did not attend some Committee meetings (Audit Committee)	No. of meetings not attended
1	J&K Bank Limited	2022-23	3	4	Nil	Nil

(Source: information furnished by the J&K Bank Limited)

4.4.3 Conducting of Annual General Meetings

As per Section 96 of the Companies Act, 2013, every Company shall in each year hold in addition to any other meetings, a general meeting as its Annual General Meeting (AGM) and shall specify the meeting as such in the notices calling it.

⁴ (1) Chenab Valley Power Projects (Private) Ltd. (2) Jammu & Kashmir Bank Limited (3) JKB Financial Services Limited (4) Jammu and Kashmir Power Development Corporation Ltd. (5) Jammu Power Distribution Company Ltd. (6) Kashmir Power Distribution Corporation Ltd. (7) Jammu and Kashmir Power Trading Company Ltd. (8) Jammu and Kashmir Horticulture Produce Marketing and Processing Corporation Ltd. and (9) Jammu & Kashmir Trade Promotion Organisation (Company is required to conduct two meetings in a year being registered under Section 8 of Companies Act 2013).

Audit observed that AGM was not conducted in 24 out of 33 UTPSEs, during 2022-23 as listed in *Appendix 4.3*.

4.5 Audit Committee

4.5.1 Formation of Audit Committee

Section 177 of the Act read with Rule 6 of the Companies (Meetings of the Board and Powers) Rules, 2014 stipulates that the Board of Directors of every listed Company and the following classes of Companies are required to constitute an Audit Committee of the Board:

- All Public Companies with a paid-up capital of ₹ 10 crore or more;
- All Public Companies having turnover of ₹ 100 crore rupees or more;
- All Public Companies, having in aggregate, outstanding Loans or Borrowings or Debentures or Deposits exceeding ₹ 50 crore or more.

Audit observed that out of 17 Public Limited UTPSEs, 10 UTPSEs were required to constitute an Audit Committee (*Appendix 4.1*), however, only one Company viz. Jammu & Kashmir Bank Limited had constituted Audit Committee during 2022-23.

4.5.2 Other Committee - Nomination and Remuneration Committee

Section 178 (1) of the Companies Act, 2013 read with Rule 6 of the Companies (Meeting of Boards and its Powers) Rules, 2014 provides that the following classes of Companies are required to constitute a Nomination and Remuneration Committee:

- All Public Companies with a paid-up capital of ₹ 10 crore rupees or more;
- all Public Companies having turnover of ₹ 100 crore rupees or more;
- all Public Companies, having in aggregate, outstanding Loans or Borrowings or Debentures or Deposits exceeding ₹ 50 crore or more.

Audit observed that out of 17 Public Limited Companies, 10 Companies were required to constitute a Nomination and Remuneration Committee (*Appendix 4.1*). However, only one Company viz. Jammu & Kashmir Bank Limited had constituted Nomination and Remuneration Committee during 2022-23.

4.6 Appointment of Company Secretary

Section 203(1) of Companies Act, 2013 read with Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 provides that every listed/ Public Company having a Paid-Up Share Capital of ₹ 10 crore or more shall have a whole-time Company Secretary.

Audit observed that eight UTPSEs were required to appoint a whole time Company Secretary. However, only two UTPSEs appointed a whole-time Company Secretary, no

Company Secretary was appointed in five UTPSEs and in the remaining one UTPSE, a part-time Company Secretary, was engaged as per the details given in **Table 4.4**.

Table-4.4: Detail of appointment of Company Secretary in UTPSEs

Sl. No.	Name of the Company	Paid up Capital (₹ in crore)	Company Secretary (Part Time/ Whole Time)
1.	Jammu & Kashmir Horticulture Produce Marketing and Processing Corporation Limited	10.00	No
2.	Jammu & Kashmir Small Scale Industries Development Corporation Limited	89.91	No
3.	Jammu & Kashmir State Industrial Development Corporation Limited	17.64	No
4.	Jammu & Kashmir Industries Limited	16.27	No
5.	Jammu & Kashmir Cable Car Corporation Limited	23.57	Yes (Part time)
6.	Jammu & Kashmir Bank Limited	103.15	Yes (whole time)
7.	JKB Financial Services Limited	40.00	Yes (Whole time)
8.	Jammu & Kashmir Scheduled castes, Scheduled Tribes and Back-ward Classes Development Corporation Limited	51.22	No

(Source: information provided by PSEs)

4.7 Establishment of vigil mechanism

Section 177 (9) of the Companies Act, 2013 and Rule 7 of the Companies (Meeting of Boards and its Powers) Rules, 2014 stipulate that every listed Company and the Companies belonging to the following class or classes shall establish a vigil mechanism for their Directors and employees to report their genuine concerns or grievances-

- the Companies which accepts deposits from the public;
- the Companies which have borrowed money from banks and public financial institutions in excess of ₹ 50 crore rupees.

Audit observed that out of 33 UTPSEs, five UTPSEs were required to establish vigil mechanism. Out of five, only two UTPSEs had established a vigil mechanism during 2022-23 as listed in **Table 4.5**.

Table-4.5: List of UTPSEs having/ not having vigil mechanism

Sl. No.	Name of the Company	Outstanding loan from banks/ public financial institutions (₹ in crore)	Vigil mechanism exist
1	Jammu & Kashmir Bank Limited	2,892.31	Yes
2	Jammu & Kashmir Power Development Corporation Limited	731.90	Yes
3	Jammu & Kashmir Power Trading Company Limited	21,613.62	No
4	Jammu & Kashmir Infrastructure Development Finance Corporation Limited	2,297.90	No

Sl. No.	Name of the Company	Outstanding loan from banks/ public financial institutions (₹ in crore)	Vigil mechanism exist
5	Jammu & Kashmir Scheduled Castes, Scheduled Tribes and Back-ward Classes Development Corporation Limited	104.38	No

(Source: information provided by PSEs)

4.8 Conclusion

Audit reviewed 33 UTPSEs and observed that although ten UTPSEs were eligible to appoint Independent Directors, only one UTPSE (J&K Bank Limited) had appointed the required number of Independent Directors during 2022-23. Out of 33 UTPSEs, ten UTPSEs were eligible to constitute an Audit Committee and Nomination and Remuneration Committee, however, only one UTPSE, J&K Bank limited had formed such committees. Only two out of eight eligible UTPSEs had appointed a whole time Company Secretary, in one UTPSE, the work of Company Secretary was being carried out by part-time Company Secretary and in remaining five UTPSEs, no Company Secretary had been appointed. Only nine out of 33 UTPSEs had conducted the required number of BoD meetings during 2022-23. AGM was not conducted in 24 out of 33 UTPSEs, during 2022-23.

4.9 Recommendation

The Government may:

- *The Government of Jammu and Kashmir may direct the respective Administrative Departments to ensure compliance with the Companies Act 2013 to achieve the objectives of Corporate Governance in UTPSEs. The Board of Directors of the respective UTPSEs may also ensure compliance with the relevant provisions of the Companies Act 2013.*

CHAPTER-V
CORPORATE SOCIAL
RESPONSIBILITY

CHAPTER-V

CORPORATE SOCIAL RESPONSIBILITY

5.1 Introduction

Corporate Social Responsibility (CSR) is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the local community at large. It recognises the interests of its stakeholders and the general community at large by covering sustainability, social impact and ethics. By performing the task of CSR activities, the Companies are giving something back to the society. The inclusion of CSR mandate under the Companies Act, 2013 is an attempt to supplement the Government's efforts of equitably delivering the benefits of growth and engage the corporate world with country's development agenda.

Legal Framework: Section 135 of the Companies Act, 2013 (Act) deals with the subject of Corporate Social Responsibility and lays down the qualifying criteria based on net worth, turnover and net profit during immediately preceding financial year for companies which are required to undertake CSR activities and specifies the broad modalities of selection, implementation and monitoring of the CSR activities by the Board of Directors of the Company. The activities which may be included by the Companies in their CSR policies are listed in Schedule VII of the Act. The provisions of Section 135 of the Act and Schedule VII of the Act are applicable to all companies including UT Public Sector Enterprises (UTPSEs).

The Act makes it mandatory for any Company to spend, annually at least two *per cent* of average net profit¹ of three immediately preceding financial years towards CSR activities. In February 2014, Ministry of Corporate Affairs (MCA) issued Companies (Corporate Social Responsibility Policy) Rules, 2014 made applicable to all companies including UTPSEs w.e.f. 1 April 2014. Accordingly, the compliance of the provisions of CSR under the Act *i.e.* constitution of CSR Committee, formulation of CSR Policy and spending of prescribed amount on CSR activities came into force from 01 April 2014.

As per criterion specified under Section 135 (1) of the Act, out of 33 active UTPSEs in 2022-23, nine UTPSEs (**Appendix 5.1**) met the criteria required to undertake CSR activities. It was seen that the CSR activities were carried out by three UTPSEs (**Appendix 5.3**) during the year 2022-23. All of these three UTPSEs² had provided budget for undertaking CSR activities during the year 2022-23.

¹ Calculated as per Section 198 of the Companies Act, 2013.

² Jammu and Kashmir Bank Limited, Jammu and Kashmir State Power Development Corporation Limited and Chenab Valley Power Projects Private Limited.

5.2 Audit findings

Audit findings on extent of compliance with the provisions of the Act with regard to constitution of CSR Committee; formulation and compliance of policy; planning and execution of CSR activities; and monitoring and reporting thereof by the UTPSEs are given in the succeeding paragraphs.

Planning

5.2.1 Constitution of CSR Committee

As per Section 135 (1) of the Act, every company having a net worth of ₹ 500 crore or more; or turnover of ₹ 1,000 crore or more; or a net profit of ₹ 5 crore or more during immediately preceding financial year shall constitute a CSR committee of the Board of Directors (BoDs).

It was seen that out of nine UTPSEs, only four UTPSEs³ had constituted the CSR committee for undertaking CSR activities during 2022-23.

5.2.2 Independent Directors in Committee

As per Section 135 (1) of the Act, the CSR committee shall have at least one Independent Director⁴. Out of the four UTPSEs which had formulated the CSR committee, two UTPSEs (Chenab Valley Power Project Private Limited and Jammu and Kashmir State Power Development Corporation Limited) were not required to appoint an Independent Director, one UTPSE (Jammu and Kashmir Bank Limited) had complied with the requirement of having at least one Independent Director in the committee and other one UTPSE (Jammu and Kashmir Police Housing Corporation) did not comply with the requirement of having Independent Director in its CSR committee during 2022-23.

5.2.3 Framing of CSR policy

Section 135 (3) of the Act requires that Company's CSR Committee shall formulate and recommend to the Board, a CSR Policy. It was seen that out of nine UTPSEs, four UTPSEs framed their CSR policy on recommendation of the CSR Committee while the remaining five UTPSEs⁵ did not have any CSR Policy in place.

5.2.4 Annual CSR Plan and Budget

Role of the CSR Committee is to recommend to the Board, the CSR activities and the amount to be spent in the financial year. The Board has to ensure implementation of the

³ (1) Jammu and Kashmir Bank Limited (2) Chenab Valley Power Project Private Limited (3) Jammu and Kashmir State Power Development Corporation Limited and (4) Jammu and Kashmir Police Housing Corporation Limited.

⁴ Provided that where a company is not required to appoint an independent director under Section 149(4), it shall have in its CSR committee two or more directors.

⁵ (1) Jammu and Kashmir Cable Car Corporation Limited (2) Jammu and Kashmir Forest Development Corporation Limited (3) Jammu and Kashmir Medical Supplies Corporation Limited (4) Kashmir Power Distribution Corporation Limited and (5) Jammu Power Distribution Company Limited.

CSR activities. As a best practice, the expenditure on CSR activities is to be incurred evenly during the whole year so as to avoid rush of expenditure to exhaust the funds at the end of the year.

It was seen that out of total expenditure of ₹ 3.05 crore incurred on CSR activities during 2022-23, ₹ 2.73 crore (89 *per cent*) was incurred in 4th quarter of 2022-23 by three UTPSEs.

5.3 Financial component

5.3.1 Allocation of funds and utilisation thereof

Section 135 (5) of the Act makes it mandatory for any Company to spend, annually, at least two per cent of average net profit made during the three immediately preceding financial years.

As worked out by Audit, out of nine UTPSEs; seven UTPSEs were required to incur expenditure on CSR activities to the extent of ₹ 12.64 crore (*Appendix 5.2*). Remaining two UTPSEs were not required to incur expenditure on CSR activities due to the reasons that these two UTPSEs⁶ had incurred losses during the three immediately preceding financial years.

Audit noticed that only three UT PSEs (out of seven) incurred expenditure on CSR activities aggregating to ₹ 3.05 crore, however, allocation of ₹ 27.42 crore (including ₹ 16.34 crore of previous years brought forwarded) was made (*Appendix 5.3*).

Against the required spending of ₹ 27.42 crore by three UTPSEs, the actual spending was ₹ 3.05 crore leaving unspent amount of ₹ 24.37 crore by two UTPSEs (*Appendix 5.3*). Jammu and Kashmir Bank Limited had fully utilised the CSR funds allocated during 2022-23. Against allocated funds of ₹ 25.80 crore by the Jammu and Kashmir State Power Development Corporation Limited, expenditure of ₹ 1.57 crore only was incurred i.e. shortfall of ₹ 24.23 crore (94 *per cent*). Similarly, against the allocated funds of ₹ 0.44 crore by Chenab Valley Power Projects Private Limited, expenditure of ₹ 0.30 crore only was incurred i.e. there was a shortfall of ₹ 0.14 crore (32 *per cent*).

As per Section 135(5) of the Act, if the company is unable to spend such amount, unless the unspent amount relates to any ongoing project, it needs to transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial years.

It was seen that out of total unspent amount of ₹ 24.23 crore in Jammu and Kashmir State Power Development Corporation Limited (*Appendix 5.3*), the unspent amount (not related to ongoing project) of ₹ 7.60 crore of 2020-21, ₹ 8.54 crore of 2021-22 and ₹ 8.09 crore of 2022-23 was transferred in October 2024 (for 2020-21 and 2021-22) and in June 2025 (for 2022-23) to Swachh Bharat Kosh (a fund specified in

⁶ (1) Kashmir Power Distribution Corporation Limited and (2) Jammu Power Distribution Company Limited.

Schedule VII) after a delay of three years, two years; and one year and nine months, respectively.

5.4 Monitoring framework

As per Rule 8 (3) of the Companies (Corporate Social Responsibility Policy) Rules, 2014, every company having average CSR obligation of ₹ 10 crore or more in pursuance of the Section 135 (5) of the Act, in the three immediately preceding financial years, shall undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees or more, and which have been completed and not less than one year before undertaking the impact study.

It was seen that all four UTPSEs⁷, which had framed CSR policy had specified the monitoring mechanism in the policy.

It was further seen that the rule to carry out impact assessment through an independent agency for spending on CSR project/ activity was not applicable to any of the UTPSEs during 2022-23 as average CSR obligation was less than ₹ 10 crore in the three immediately preceding financial years.

5.5 Reporting and disclosure

As per Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, the BoDs shall mandatorily disclose the composition of the CSR committee and CSR Policy and Projects approved by the Board on their website, if, any, for public access. The Companies have to disclose the following in the prescribed format:

- Disclose contents of CSR policy, web link of CSR policy, average net profit, composition of CSR Committee, administrative overheads, prescribed amount, unspent amount, reasons for unspent amount.
- Include a responsibility statement signed by the CSR Committee that the implementation and monitoring of CSR Policy was in compliance with the CSR objective and Policy of the Company.

It was seen that out of three UTPSEs⁸; compliance of above provisions was done by two UTPSEs (Jammu and Kashmir Bank Limited and Chenab Valley Power Projects Private Limited).

5.6 Conclusion

Out of nine UTPSEs in UT of Jammu and Kashmir, which met the criteria required to undertake CSR activities as per the Act, only four UTPSEs has framed their CSR policy.

⁷ (1) Chenab Valley Power Projects Private Limited (2) Jammu and Kashmir State Power Development Corporation Limited (3) Jammu and Kashmir Bank Limited and (4) Jammu and Kashmir Police Housing Corporation Limited.

⁸ (1) Chenab Valley Power Projects Private Limited (2) Jammu and Kashmir State Power Development Corporation Limited and (3) Jammu and Kashmir Bank Limited.

Seven UTPSEs were required to incur expenditure during 2022-23, of which only three UTPSEs had incurred expenditure on CSR activities.

5.7 Recommendations

- *All UTPSEs meeting the criteria may frame CSR Policy and constitute CSR Committee in compliance of provisions of the Companies Act, 2013 and CSR Rules.*
- *UTPSEs required to undertake CSR activities may ensure requisite allocations are made and utilised as per provisions of the Companies Act, 2013.*

PART-B

PERFORMANCE AUDIT

CHAPTER-VI

**PA ON EXECUTION OF WORKS
UNDER NABARD-RIDF BY PUBLIC
WORKS AND JAL SHAKTI
DEPARTMENTS**

CHAPTER-VI

PERFORMANCE AUDIT ON EXECUTION OF WORKS UNDER NABARD-RIDF BY PUBLIC WORKS AND JAL SHAKTI DEPARTMENTS

6.1 Finance Department

6.1.1 Introduction

The Government of India (GoI) introduced the Rural Infrastructure Development Fund (RIDF) in 1995-96 under the National Bank for Agriculture and Rural Development (NABARD) to provide funds for projects initiated but left incomplete due to inadequate resources of State/Union Territory Governments. The main objective of NABARD funding is to provide low-cost funding to Indian State Governments for completing delayed rural infrastructure projects, bridging the rural urban gap and promoting inclusive growth, covering areas like irrigation, roads, health, education and water. RIDF loans are available up to 95 *per cent* of project cost for agriculture and allied activities, and up to 90 *per cent* of project cost for social sector and rural connectivity projects in hilly and north-eastern States. RIDF follows a project-based lending model. Implementing Departments of the Government of Jammu and Kashmir (GoJ&K) submit Detailed Project Reports (DPRs), containing technical and financial details, drawings and maps, to NABARD through the Finance Department, which is the nodal department. Eligible project proposals are considered for sanction by the NABARD sanctioning committee. After sanction, funds received from NABARD are released by the Finance Department to the Implementing Departments for execution. As of 31 March 2023, a total of 28 RIDF tranches have been sanctioned for Jammu and Kashmir.

6.1.2 Audit Objectives

This Performance Audit (PA) was conducted to ascertain whether:

- Planning process for selection of projects for funding under NABARD was adequate and effective;
- Funds were effectively utilised and projects were executed efficiently and effectively with due regard to economy so that the intended benefits reached the targeted areas and population;
- Internal controls and monitoring mechanisms were adequate and effective.

6.1.3 Audit Criteria

Audit objectives were benchmarked against the following criteria:

- Handbook on Rural Infrastructure Development Fund (RIDF) issued by NABARD;
- Jammu and Kashmir Financial Code 2006/ General Financial Rules 2017;

- Jammu and Kashmir Public Works Account Code 2008/ Central Public Works Manual, 2022;
- Jammu and Kashmir Engineering Manual (2020);
- Rural Roads Manual of Indian Road Congress (IRC) Special Publications 20.

6.1.4 Audit Scope, Sample and Methodology

The Performance Audit covered the period from April 2018 to March 2023. Information and data were collected from NABARD Regional Office, Jammu. Records were examined in the Finance Department of GoJ&K (Nodal Department) and three selected executing Departments, namely Public Works Department (Roads and Buildings/ R&B), Jal Shakti Department (Public Health Engineering/PHE) and Jal Shakti Department (Irrigation and Flood Control/I&FC).

During 2018-19 to 2022-23, a total of 1,970 projects¹ were implemented across all Departments, of which 1,746 projects pertained to the three selected Departments. Out of these, 700 projects (40 *per cent*)² were selected for examination at the Apex Level (Chief Engineers and Finance Department, GoJ&K). Further, execution of 470 projects was examined in detail at Division Level across 16 districts³ of J&K to ensure a geographically representative sample. Joint physical inspections were also conducted in selected districts along with Departmental authorities.

An Entry Conference was held by the Principal Accountant General (Audit) with the Principal Secretary, Finance Department, GoJ&K in October 2023 to discuss the audit objectives, scope and methodology. An Exit Conference was held on 14 October 2025 with the Jal Shakti Department (PHE and I&FC). The dates for holding Exit Conference were not confirmed by the Public Works (R&B) Department, despite repeated reminders⁴. However, reply was received from Public Works (R&B) Department on 16 December 2025 and the replies have been suitably incorporated in this report.

6.1.5 Status of Sanctioned Loans

The borrowings of State/ UT Government under RIDF are governed by Article 293(3) of the Constitution of India. Under this article, Government of India (GoI) grants consent of borrowing to State/ UT Government for a financial year. Loans under RIDF projects are disbursed only after the State/ UT Government has obtained consent of borrowing from GoI. The position of consent of borrowings granted by GoI and loan availed by GoJ&K during 2018-19 to 2022-23 is given in **Table 6.1.1**.

¹ Agriculture: 55; Animal Husbandry: 108; Health: 61; I&FC: 52; PHE: 344; PWD (R&B): 1,350.

² The projects at Apex level were selected based on Simple Random Sampling without Replacement (SRSWOR) method, with the aid of IDEA Software.

³ Kashmir Division: Anantnag, Bandipora, Budgam, Baramulla, Ganderbal, Pulwama, Kupwara and Shopian
Jammu Division: Doda, Jammu, Kathua, Poonch, Ramban, Rajouri, Reasi, and Udhampur.

⁴ Issued on 11 June 2025, 25 July 2025, 29 July 2025 and 20 August 2025.

Table 6.1.1: Year-wise and tranche-wise Loans availed by GoJ&K from NABARD

(₹ in crore)

Year-wise NABARD loan received by GoJ&K					Tranche-wise NABARD loan received by GoJ&K			
Sl. No.	Year	Consent given by GoI under Article 293 (3)	Loan availed by GoJ&K	Percentage of loan availed by GoJ&K	RIDF tranche	Loan amount sanctioned	Loan availed up to March 2023	Percentage of loan availed by GoJ&K
1	2018-19	600.00	399.99	67	XXIV	453.45	378.96	84
2	2019-20	775.00	384.14	50	XXV	462.64	227.72	49
3	2020-21	550.00	319.06	58	XXVI	624.40	279.19	45
4	2021-22	975.00	533.18	55	XXVII	1,542.07	578.15	37
5	2022-23	1,000.00	680.00	68	XXVIII	1,341.22	381.10	28
Total		3,900.00	2,316.37	59	--	4,423.78	1,845.12	42

(Source: Data provided by NABARD and Finance Department)

It is seen from **Table 6.1.1** that against GoI consent for raising loans of ₹ 3,900 crore from NABARD, GoJ&K availed only ₹ 2,316.37 crore (59 per cent) during 2018-19 to 2022-23. The extent of loan availed ranged between 50 per cent and 68 per cent of the consent granted by GoI during the period. Further, only 28 to 84 per cent of the loan sanctioned against each tranche during 2018-19 to 2022-23 was availed by GoJ&K up to March 2023. The shortfall in availing the sanctioned loan was mainly due to slow execution of works and non-submission of Utilisation Certificates (UC) by the implementing Departments.

6.1.6 Inordinate time lag in disbursement of Mobilisation Advance by Finance Department

For release of loans from NABARD, the Finance Department, GoJ&K submits a Time Promissory Note (TPN)⁵ in the prescribed format to NABARD. After submission of TPN by the Finance Department, NABARD disburses Mobilisation Advance (MA) within two to three days to Finance Department, GoJ&K.

(i) There were time-lags in release of Mobilisation Advance by the Finance Department to the implementing departments, which ranged between 03 and 372 days⁶ during 2018-19 to 2022-23. If the Finance Department maintained similar timelines for release as maintained by NABARD, GoJ&K could have avoided interest burden of ₹ 4.88 crore⁷ for the period during which the loan funds were retained by the Finance Department as detailed in **Table 6.1.2**.

⁵ The Time promissory note is a formal document vide which the Lieutenant Governor of UT of J&K requests NABARD to release the loan and promises to pay NABARD the loan amount and interest on the loan on fix dates and at the fixed rate of interest.

⁶ Time-lag was calculated after allowing three days since NABARD had released funds within two to three days to GoJ&K after submission of TPNs by the Finance Department.

⁷ [(Amount held by Finance Department x Rate of Interest (Range: 2.75 per cent to 5.25 per cent) x Number of days held by Finance Department)/ 365] x 100.

Table 6.1.2: Time-lag in release of funds to the implementing Departments

(₹ in crore)

Year	RIDF tranche	Loan sanctioned by NABARD		Loan disbursed by NABARD as MA	MA release sanctions examined in Audit		MA released by Finance Department with time-lag		Time-lag/ Range (days)
		Amount	No. of projects		Amount	No. of projects	Amount	No. of projects	
2018-19	XXIV	453.45	179	136.04	132.46	167 ⁸	128.55	163	25 and 182 days
2019-20	XXV	462.64	139	138.79	138.79	139	109.19	119	119 to 372 days
2020-21	XXVI	624.60	166	187.38	186.39	165 ⁹	171.10	155	39 to 115 days
2021-22	XXVII	1,542.07	421	462.62	462.62	421	298.54	275	09 to 165 days
2022-23	XXVIII	1,341.22	290	402.37	402.37	290	166.35	133	03 to 39 days
Total		4,423.98	1,195	1,327.20	1,322.63	1,182	873.73	845	03 to 372 days

(Source: Data provided by NABARD)

In case of 106 projects, there was time-lag of more than six months. Reasons for time-lags were not evident from records. The Finance Department should have coordinated with the Departments to avail the funds for MA (executed the TPN with NABARD) when these funds were likely to be released to implementing departments, as interest started accruing as soon as the loan is released by NABARD.

Para 7.7 of the NABARD RIDF Handbook prescribes timeline for grounding of projects. However, Audit noted (February 2024) that the NABARD has not prescribed timelines for release of Mobilisation Advance by the Finance Department to respective Administrative Departments/ implementing units/ agencies of the Government due to which High-Powered Committee (HPC) could not take timely action.

(ii) In respect of 233 projects, the Finance Department did not release ₹ 293.03 crore, received from NABARD during 2019-20 to 2022-23 (under RIDF-XXV to RIDF-XXVIII), to the Implementing Departments. As of March 2023, ₹ 293.03 crore had been retained by the Finance Department, GoJ&K which resulted in interest burden of ₹ 6.22 crore¹⁰. Besides, this resulted in delays in timely execution of the projects and the intended benefits of projects could not be derived timely.

(iii) As per the RIDF Handbook (2021), a project is to be treated as a non-starter if it is not started within 12 months from the date of issue of the sanction letter, irrespective of whether Mobilisation Advance (MA) has been availed. A project is considered as started only after issue of the work order and commencement of physical work. The entire MA released in respect of a non-starter project is required to be adjusted or recalled.

Audit examination (February 2024) revealed that 68 out of 587 projects sanctioned during 2020-21 and 2021-22 under RIDF-XXVI and RIDF-XXVII had not been started as of March 2023, despite release of MA amounting to ₹ 96.42 crore. As execution of these projects had not commenced as of March 2023, the MA of ₹ 96.42 crore remained

⁸ Records pertaining to 12 projects of Animal Husbandry Department were not provided to Audit.

⁹ One project pertaining to PHE Department was shifted under JJM scheme on the request of UT Government.

¹⁰ [(Amount held by Finance Department x Rate of Interest (Range: 2.75 per cent to 5.25 per cent) x Number of days held by Finance Department)/ 365] x 100.

unutilised, resulting in interest liability of ₹ 3.90 crore on GoJ&K. Besides contravention of the above provisions, this indicated deficient financial management by the Finance/ implementing Department. Reasons for not starting these projects were not available on record.

(iv) In respect of five projects, against disbursement (October 2020) of ₹ 11.46 crore as Mobilisation Advance by NABARD, the Finance Department released ₹ 20.03 crore (175 per cent) thereby releasing extra amount of ₹ 8.57 crore during 2020-21 and 2021-22, as detailed in **Table 6.1.3**.

Table 6.1.3: Extra release of funds during 2020-22

(₹ in crore)

Project	Loan (MA) released by NABARD		Funds released by Finance Department		Extra release by Finance Department
	Amount	Date of release	Amount	Amount and date of release	
Development of Fruit & Vegetable Market (F&V) Jablipora Anantnag (Phase-III) (RIDF XXVI)	2.66	09.10.2020	3.96	₹ 2.66 crore: 20.11.2020 and ₹ 1.30 crore: 28.09.2021	1.30
Development of F&V (Fruit & Vegetable) Market Jablipora Anantnag (Phase-IV) (RIDF XXVI)	2.33	09.10.2020	4.66	₹ 2.33 crore: 20.11.2020 and ₹ 2.33 crore: 28.09.2021	2.33
Development of F&V Market Algar Shopian (Phase-III) (RIDF XXVI)	2.68	09.10.2020	3.84	₹ 2.68 crore: 20.11.2020 and ₹ 1.16 crore: 28.09.2021	1.16
Development of F&V Market Algar Shopian (Phase-IV) (RIDF XXVI)	1.85	09.10.2020	3.69	₹ 1.85 crore: 20.11.2020 and ₹ 1.84 crore: 28.09.2021	1.84
Development of F&V Market Pachhaara Pulwama (RIDF XXVI)	1.94	09.10.2020	3.88	₹ 1.94 crore: 20.11.2020 and ₹ 1.94 crore: 28.09.2021	1.94
Total	11.46	--	20.03	--	8.57

(Source: information provided by NABARD)

Release of excess Mobilisation Advance indicated weak oversight and financial control mechanism of Finance Department, GoJ&K. Audit further noticed that Finance Department has not marked the sanction order of MA to NABARD due to which the fact of excess release of MA was not in the knowledge of NABARD.

Audit Findings related to Implementing Departments

Audit examined the records of three departments of GoJ&K i.e., Public Works Department, Jal Shakti Irrigation and Flood Control Department (I&FCD), and Jal

Shakti Public Health Engineering Department (PHED). The Department wise findings are discussed in the succeeding paragraphs.

6.2 Public Works (R&B) Department

As per J&K Economic Survey (2023), out of 41,140 km road length in J&K, 38,710 km (94 *per cent*) were Rural/ Village/ District roads. Projects of Major District Roads, Other District Roads and Village roads are eligible for loan under NABARD funded Rural Infrastructure Development Fund (RIDF).

Out of 1,350 projects¹¹ sanctioned during 2012-13 to 2022-23 under RIDF XVIII to XXVIII, Audit sampled 348 projects¹² executed during 2018-23 in 24 Divisions across 10 Districts. Of these, DPRs for only 310 projects were produced to Audit by the executing divisions.

Further, execution of 309 projects in 24 Divisions and 10 Districts was test-checked for detailed scrutiny, as 39 projects could not be examined due to technical issues¹³.

6.2.1 Planning for selection of projects

Paragraph 2.1.4 of manual on RIDF provides that State/ UT Governments are expected to prioritize projects under a tranche and submit suitable proposals of eligible activities/projects with DPRs to NABARD for sanction.

6.2.1.1 Execution of Works not based on Master Plan

According to RIDF guidelines, norms specified by Indian Road Congress (IRC) have to be followed for appraisal of road projects. IRC-20 (Rural Roads Manual, 2002) envisages preparation of Master Plan for rural roads by building a comprehensive database for all habitations and existing networks of all types of roads and tracks. Further, Annexure-IV: Checklist for preparation of DPRs for loans under RIDF provides for preparation of State Master Plan and prioritisation of projects therein. The Master Plan data for rural road network should be collected/prepared at Block level and then integrated for a District level Master Plan. The Master Plan will provide rationality of choice and can save any wastage of resources.

Audit check of records of 348 projects of all 24 sampled R&B Divisions¹⁴ showed non-compliance of method prescribed in Para 7.4.1 of NABARD-RIDF Handbook as

¹¹ Jammu: 763 projects and Kashmir: 587 projects; Closed projects: 300 and Ongoing projects: 1,050.

¹² 281 ongoing projects (Jammu: 148 projects and Kashmir: 133 projects) and 67 closed projects (Jammu: 38 projects and Kashmir: 29 projects).

¹³ Under technical evaluation: 36, sanctioned twice: 2, and not traceable: 1.

¹⁴ **Jammu: 11 Divisions** (Construction Division-I Jammu, Construction Division-II Jammu, Construction Division-III Jammu, R&B Division Rajouri, R&B Division Nowshera, R&B Division Poonch, R&B Division Udhampur, Special Sub- Division Doda, R&B Division Bhaderwah, R&B Division Ramban, R&B Division Kishtwar), **Kashmir: 13 Divisions** (R&B Division Khanabal, R&B Division Vailoo, R&B Division Qazigund, R&B Division Sopore, R&B Division Baramulla, R&B Division Uri, R&B Division Tangmarg, R&B Division Kupwara, R&B Division Handwara, R&B Division Tangdar, R&B Division Budgam, R&B Division Chadoora, and R&B Division Shopian).

works were taken up randomly without preparation of Master Plans. Hence, execution of works not based on Master Plan affected the objective of developing optimal network of roads.

In reply, the Department stated (December 2025) that the projects were primarily taken up on the basis of urgent public demand and recommendations received from the District Administration/ MLAs/ PRIs/ field staff. However, the mapping of roads and other infrastructure facilities is being carried out through the JKPWDOMS portal which will facilitate preparation of a comprehensive Master Plan and assist in planning and selection of projects.

The reply does not address the reason for the works executed without the Master Plans during the period April 2018 to March 2023.

6.2.2 Preparation of DPRs

According to Para 7.3 of NABARD (RIDF) handbook, the DPRs are to be submitted for projects which are technically feasible and economically viable. Out of 348 sampled projects, DPRs of 38 projects were not available on records in nine test-checked divisions of seven Districts. It was further noticed that certain important norms were not followed in the selected 310 projects of 24 Divisions:

(i) **Benefit-Cost ratio:** As per para 7.3 of Handbook on RIDF, the projects should be technically feasible and financially viable, and the Benefit-Cost-Ratio (BCR) should be more than one at a discounting factor of 10 *per cent*. In respect of DPRs of 310 sampled projects, reliable data had not been obtained for calculation of BCR from Agriculture Production Department (agriculture production), Revenue Department (population, wage rates) and Department of Rural Development and Panchayati Raj Institutions (generation of additional employment). R&B Divisions had used approximated/ self-assessed figures which had no reliable basis.

Executive Engineers of R&B Divisions accepted that BCR had been worked out based on approximate data of population, length of roads and operational cost of vehicles and stated that instructions have been noted for obtaining actual data from the concerned Departments.

(ii) **Earthquake zonal regulation:** As per RIDF Manual, the project has to be designed as per earthquake zonal regulation stipulated in BIS code¹⁵. A certificate to this effect is to be furnished by the competent authority. In respect of 310 sampled projects, such certificates of the competent authority were not found on record. Though areas of Jammu and Kashmir fall under high seismic zone (Zone IV or greater), the critical aspect of structural safety was not duly considered prior to execution of the works.

Executive Engineers, R&B Divisions noted the instructions for compliance.

¹⁵ Bureau of Indian Standards.

(iii) Geographical Information System (GIS) Maps: Paragraph 1.2.5 of IRC Special Publications 20 guidelines provide that digital maps with proper registration etc. should be prepared when master planning is done. Further, Para 7.1 of Handbook on RIDF provide that DPRs to be submitted for approval under NABARD should contain technical and financial parameters, drawings, maps, etc. by project implementing Departments. It was noticed that 300 DPRs (97 *per cent*) out of 310 sampled projects¹⁶ did not contain requisite maps with GIS location.

Executive Engineers of R&B Divisions stated (September 2023 to March 2024) that henceforth Global Positioning System (GPS) map would be attached in all DPRs.

(iv) Length of multilink roads in projects: Appendix 1.4 of IRC (SP20.2002) envisages that total length of road has to be given accurately in the DPRs with the name of starting and ending habitation. Out of 310 sampled projects, multi-road links across various directions and locations were involved in 33 projects. Out of these, in 32 projects in 11 divisions of seven districts, the desired length of each road link was not specified in DPRs. The measurement of each link road could not be verified with the roads proposed, approved and constructed by Public Works (R&B) Department. As such the possibility of wrong inclusion/ exclusion of link roads could not be ruled out.

Department in its reply stated (December 2025) that the projects taken up during the review period were based on preliminary feasibility assessment and urgent infrastructure needs, necessitated by connectivity gaps in remote areas. It was added that with the introduction of GIS mapping in the Department, the process of project identification, formulation and monitoring has been significantly strengthened ensuring complete transparency and technical robustness.

The reply of the Department is not acceptable as reliance on preliminary feasibility and urgent connectivity needs cannot substitute the mandatory requirement of preparing DPRs in accordance with RIDF and IRC guidelines.

6.2.3 Sanction of Projects

6.2.3.1 Slow progress due to non-compliance of obtaining pre-execution approvals

Annexure IV of the Handbook of RIDF Guidelines prescribes checklist for clearances to be obtained from various authorities including the Ministry of Environment and Forests. Audit noticed certain deficiencies in planning of the following road projects before getting these sanctioned under NABARD loan.

(I) The project “Construction of road from Lali Dabbar to Tote Phase-3” in Udhampur district was sanctioned in 2021-22 under NABARD at a cost of ₹ 4.20 crore (Loan: ₹ 3.78 crore; State share: ₹ 0.42 crore). In the DPR of 3rd phase of the project, it was stated that the work of Phase-1 of the road project was in progress while forest

¹⁶ Jammu: 180 projects; Kashmir: 130 projects.

clearance was awaited for Phase-2 of the project. R&B Division Udhampur had allotted (September 2022) construction of Phase-2 of the road project to a contractor with a completion period of 24 months.

Audit noticed (December 2023) that R&B Division Udhampur allotted (November 2022) construction of Phase-3 of the road project without ensuring the completion of Phase 2 due to which the contractor could not mobilize machinery to the site. As a result, only 5 *per cent* work of Phase-3 could be completed after incurring an expenditure of ₹ 12.62 lakh during 2022-23. Further, commencement of Phase-3 work without forest clearance of Phase-2 was not guided by prudent planning.

(II) As per RIDF Manual, “Annexure – IV, Checklist for preparation of DPRs to be submitted for loans under RIDF”, clearance from Department of Environment and Forests is to be obtained, wherever necessary, by the State/ UT Government to ensure smooth progress of the work.

The project “Construction of link road from Kathar bridge to Ball Saroh” in Jammu was sanctioned in 2010-11 under NABARD¹⁷. R&B Construction Division-III Jammu allotted (December 2012) the road work to a contractor for ₹ 39.87 lakh. The status of the project was not found on record. Audit noticed that the project “Construction of Road from Kathar to Bali Saroh Phase-I (Kund Kanyari) Akhnoor” was again sanctioned in 2012-13 under NABARD (RIDF XVIII) at a cost of ₹ 3.96 crore for km 1 to 3. The contractor constructed the road up to 1.175 km and thereafter abandoned the work after incurring expenditure of ₹ 2.15 crore (March 2019) due to involvement of forest land.

The project “Up-gradation and widening of link road Kathar Bridge to Ball Saroh (length 3 km)” was once again sanctioned (2022-23) under NABARD (RIDF XXVIII) at a cost of ₹ 6.85 crore without ascertaining the status of forest clearance. Though the forest clearance, which had earlier led to abandonment of the project, was not available, the division floated (June 2023) the tenders for the said work at a cost of ₹ 6.66 crore. The forest clearance was finally received in November 2023 resulting in delay in execution of the project.

Hence, in both the cases, executing departments did not comply with the directions of NABARD.

In reply, Department stated (December 2025) that work beyond 1.175 KM could not be proceeded solely because of pending statutory clearance from Forest Department. It was added that after seeking the forest clearance and technical updation, fresh tenders were floated in June 2023 at a cost of ₹ 6.85 crore and work is in progress.

The reply does not explain the reasons for not obtaining pre-execution approvals before the start of work.

¹⁷ RIDF XVI for km 2nd RD 200-1000 and km 3rd RD 0-1000 (1.80 km).

6.2.4 Financial Management

The details of funds released under NABARD by PW (R&B) Department and expenditure incurred there against during 2018-19 to 2022-23 are given in **Table 6.2.1**.

Table 6.2.1: Funds released and expenditure incurred by PW (R&B) Department

(₹ in crore)

Year	Funds released			Expenditure			Utilisation of funds (per cent)
	State/ UT Share	Loan	Total	State/UT Share	Loan	Total	
2018-19 [#]	7.32	136.03	143.35	6.47	86.61	93.08	65
2019-20 [#]	14.67	139.25	153.92	4.40	71.68	76.08	49
2020-21	0	212.80	212.80	0	98.63	98.63	46
2021-22	40.87	554.96	595.83	22.46	173.15	195.61	33
2022-23	14.35	854.73	869.08	7.10	504.24	511.34	59
Total	77.21	1,897.77	1,974.98	40.43	934.31	974.74	49

[#] Figures of 2018-19 and 2019-20 pertain to Chief Engineer, Jammu alone. The records of Chief Engineer PW (R&B) Department Kashmir for these years had gutted in fire.

6.2.4.1 Utilisation of Funds

The NABARD funds released by the PW (R&B) Department, including loan and State/ UT share, were not fully utilised, with expenditure ranging between 33 and 65 per cent during 2018-19 to 2022-23. Further, the UT share was not released during 2020-21. In 21 out of 24 sampled divisions, utilisation of NABARD funds during certain years was below 50 per cent, ranging from one to 49 per cent (*Appendix 6.1*).

After being pointed out in Audit, the Chief Engineer (CE), PW (R&B) Department Jammu stated (July 2023) that full utilization of funds was not practically possible as the execution of projects on ground entails various not ideal and unforeseen situations such as delayed forest clearance, land disputes, court cases, poor response to NIT (notice inviting tenders), compensation issues, utility shifting by other departments, hilly terrain, availability of raw material, weather conditions etc.

In addition to above reasons for less expenditure, the Department in its reply added (December 2025) that the percentage utilisation of funds during 2018-19 to 2022-23 was influenced by several external factors like re-organisation of State and Covid-19 pandemic. It was added that with normalization of field conditions, expenditure has consistently improved from 2022-23 onwards.

Providing encumbrance free site is imperative before commencement of work, otherwise, the Department would continue to get embroiled in the vicious cycle of stoppage of work and time and cost overrun.

6.2.4.2 Irregular expenditure on contingencies

Para 7.2.2 of Handbook on RIDF envisages that contingency charges under a project are permitted up to a maximum limit of 3 per cent of provision for civil works. Government also instructed (January 2021) that contingency charges claimed should be incidental and related to works only, and should not be used for hiring of casual

labour (skilled/unskilled) and for payment of wages to need based or work charged staff etc. Audit noticed (July to October 2023) in 11 Divisions¹⁸ (out of 24 test-checked divisions) that ₹ 1.68 crore was spent on wages, furniture items, biometric equipment etc. in contravention to the Government instructions.

In reply, Department stated (December 2025) that it has taken cognizance of the audit observation and has already sought detailed factual reports from all the concerned Chief Engineers to verify such instances and ensure that the responsibilities, if any, are appropriately fixed. Besides, instructions have been issued (September 2025) to all field offices to prevent recurrence of such deviations.

6.2.4.3 Diversion of Funds

As per terms and conditions of Project sanction orders, the funds released are not available for re-appropriation/ diversion at any level and should be utilised after fulfilling all codal procedures.

Audit noticed (October 2023) that in 15 road projects (out of 309 test-checked projects) in six divisions of five districts¹⁹, ₹ 3.09 crore was diverted (2012-13 to 2022-23) to other projects in contravention to the terms and conditions of the sanction orders. Similarly, against allotted cost of ₹ 139.98 crore, an expenditure of ₹ 1.33 crore was incurred (October 2014 to March 2023) on components (culverts, approach wall to culvert etc.) outside the scope of DPRs of 14 projects²⁰.

In reply, Department stated (December 2025) that it has taken firm cognizance of these instances. It was also stated that such occurrences were legacy issues of earlier years when system-based financial controls were not fully operational. With the launch of the Budget Estimation and Management & Allocation System (BEAMS) integrated with JKPaySys, Treasury Net, and JKPWDOMS, diversion of funds has now become technically impossible, as the system restricts expenditure strictly to the sanctioned project head.

6.2.5 Contract Management

Para 6 of Annexure III A: General Terms and Conditions of the Handbook on Rural Infrastructure Development Fund (RIDF) outlines specific pre-qualification requirements for contractors. Some of the requirements are satisfactory track record of the contractor, experience of similar projects executed earlier; contractor not blacklisted earlier, adequate banking facilities/ credit limits availed. Further, Para 7.4.2 of Handbook on RIDF provides that for road projects, the defect liability period of minimum five years is mandatory.

¹⁸ Construction Division I Jammu, Construction Division III Jammu and R&B Divisions Poonch, Doda, Nowshera, Sopore, Kupwara, Tangdar, Vailoo, Khanabal, Qazigund.

¹⁹ Kashmir: Projects: 13, Division: 4, Districts: 3, ₹ 1.40 crore; Jammu: Projects: 2, Divisions: 2, Districts: 2, ₹ 1.69 crore.

²⁰ Shopian (4), Budgam (7), Chadoora (2) - 13 projects, ₹ 1.22 crore; Udhampur – 1 project- ₹ 0.11 crore.

6.2.5.1 Allotment of excess maintenance cost

As per Para 3.2.7 of the RIDF Manual, maintenance cost for road projects is admissible at 10 *per cent* of construction cost. Further, the notice inviting tender (NIT) for the works also provided that the maintenance cost of the project should be fixed at 10 *per cent* of the construction cost.

Audit noticed (July-September 2023) that in 49 out of 309 test-checked projects, while allotting works during June 2021 to June 2023, maintenance cost was added at rates ranging from 11 to 18 *per cent*, exceeding the prescribed limit. This resulted in excess allotment of maintenance cost amounting to ₹ 3.98 crore.

In reply, the Superintending Engineers, Rajouri and Doda Circles stated (September 2023) that due to competitive bidding, rates quoted were below the advertised cost and maintenance cost was added as per NIT conditions. The reply is not satisfactory, as addition of maintenance cost in excess of the prescribed 10 *per cent* limit was irregular.

6.2.5.2 Allotment of contracts without additional performance security

As per the Jammu and Kashmir Engineering Manual-2020 (J&KEM), in cases of unbalanced bids²¹, the successful bidder (L1) is required to deposit additional performance security, ranging from 5 to 20 *per cent* of the advertised cost, depending on the extent to which the bid is below the advertised cost²².

In December 2020, GoJK issued circular on performance security, reducing the percentage of performance security for all existing contracts to 3 *per cent* (from existing 5-10 *per cent*) and directing that no provisions for Additional Security Deposit to be kept in the Bid Documents in case of 'Abnormally Low bids'. The validity of the circular was later (February 2022) extended till 31.03.2023.

Audit noticed (June–September 2023) that in nine out of 309 test-checked projects, bids were 20 to 30 *per cent* below the advertised cost. Though the validity of the circular was till March 2023, these unbalanced bids were accepted and contracts were awarded (April 2023 to September 2023) without obtaining additional performance security amounting to ₹ 6.52 crore, resulting in undue benefit to contractors.

On being pointed out, the Superintending Engineer, Baramulla stated (February 2024) that a Government of J&K circular (December 2020), applicable up to March 2023, dispensed with the requirement of additional performance guarantee for abnormally low bids. Further, Department stated (December 2025) that no such corresponding provision existed in the GFR 2017 and concerned Superintending Engineer did not seek Annual Performance Security at the time of allotment. It was added that most of these works stand completed satisfactorily, and no risk or loss has arisen to the Government

²¹ When bid of the successful contractor is more than 15 *per cent* below of the advertised cost, then it is called unbalanced bid.

²² Additional performance security: Nil ($\leq 15\%$ below); 5% ($>15\%$ – 20% below); 10% ($>20\%$ – 25% below); 15% ($>25\%$ – 30% below); 20% ($>30\%$ below the advertised cost).

on account of the omission. It was also stated that audit observation has been duly noted, and instructions have been explicitly reiterated to all Chief Engineers and field formations to ensure strict adherence to the APS requirement under J&KEM in all future tendering processes.

The reply is not satisfactory as the tenders for these works were floated after March 2023 i.e., after the expiry of GoJ&K circular and the department should have obtained additional performance security from the contractors.

6.2.5.3 Lesser Defect Liability period

As per Para 7.4.2 of the RIDF Handbook, a Defect Liability Period (DLP) of five years is mandatory for projects sanctioned after 01 April 2020. Audit noticed (August 2023 to March 2024) that in 39 projects²³ out of 309 test-checked projects sanctioned after this date, the DLP specified in NITs floated between October 2020 and August 2023 ranged from 18 months to three years, instead of the prescribed five years. Inability of the PW (R&B) Department to incorporate the mandated DLP in contracts had the potential risk of non-maintenance of road projects for the required five-year period after completion.

In reply Department stated (December 2025) that the said instructions regarding the Defect Liability Period (DLP) are being strictly adhered to across all zones after August 2023. Before August 2023, DLP of works under NABARD was kept less than five years on analogy of other roads works. It was added that the Department is in the process of issuing Standard Operating Procedures (SOPs) for the maintenance and upkeep of NABARD roads that fall within the DLP as well as beyond it.

6.2.5.4 Allotment of contracts to ineligible bidder

As per Para 6(c) of Annexure III-A of the RIDF Handbook, contractors are required to have experience of executing similar works. Further, the J&K Engineering Manual (J&KEM) provides for two-bid system, wherein only technically qualified bidders are eligible for opening of financial bids.

Two projects, “Construction of road from Eid-gah Marhote to Solian, Poonch” and “Construction of road from Kaloona to Haji, Shark Harayala via Dharana, Poonch”, were sanctioned under NABARD (RIDF-XXVI) during 2020-21 at a cost of ₹ 2.92 crore and ₹ 2.61 crore, respectively. Audit scrutiny (August 2023) revealed that contracts for both projects were allotted (March 2022) to a single contractor who had not furnished mandatory evidence of similar work experience and whose technical bids had been declared unresponsive, rendering him ineligible for participation in financial bids. Despite this, the works were allotted to the ineligible bidder at a cost of ₹ 1.44 crore

²³ Jammu: 20 projects; Kashmir: 19 projects.

and ₹ 1.26 crore against advertised costs of ₹ 2.84 crore and ₹ 2.61 crore, respectively. An expenditure of ₹ 0.62 crore²⁴ had been incurred on these projects as of March 2023.

In reply, the Department stated that the initial allotment in favour of the erstwhile contractor was cancelled due to non-performance and the Bank Guarantee amounting to ₹ 3.76 lakh was forfeited as per codal provisions. It was further stated that the balance work was re-tendered and allotted (October 2025) to a new contractor and the work is in progress.

The Departmental reply, however, was silent regarding allotment of work to an ineligible contractor.

6.2.5.5 Excess payment to contractors

Audit noticed that excess payment of ₹ 10 lakh had been made to contractors in respect of two projects in two divisions as detailed in the following paragraphs.

In respect of road project 'Dessean to S.K. Bair' in Udhampur District, Executive Engineer, R&B Division Udhampur had made (March 2021 to February 2023) an excess payment of ₹ 10 lakh to the contractor by adding 4.88 *per cent* above Sanctioned Schedule of Rates (SSR) to work done claims. Executive Engineer, R&B Division, Udhampur stated (December 2023) that details were being scrutinized in this regard and outcome thereof would be intimated to audit. Further, Department stated (December 2025) that the work was awarded to the lowest responsive bidder for ₹ 2.14 crore²⁵ and the release of ₹ 2.13 crore is within the awarded amount and within the approved project cost. As such, no excess payment has been made.

The reply is not acceptable as the contractor submitted bills amounting to ₹ 2.05 crore, on which the Department added 4.88 *per cent* without any contractual or statutory basis. Addition of 4.88 *per cent* over the billed amount resulted in excess payment of ₹ 10 lakh (4.88 *per cent* of ₹ 2.05 crore) to contractor.

6.2.5.6 Irregular excess expenditure

(I) Two projects (out of 309 test-checked projects) were sanctioned (2016-17 to 2019-20) under NABARD (RIDF XXII to XXV) at a cost of ₹ 5.16 crore in Baramulla and Kupwara districts. An expenditure of ₹ 4.64 crore was incurred on these projects during 2016-17 to 2022-23.

Audit observed that in respect of these projects, similar components of works such as earthwork, GSB-filling, WBM-G-II and protection works were again allotted (between February 2020 and March 2022) to contractors at a cost of ₹ 52.50 lakh under NABARD. An expenditure of ₹ 38.08 lakh was shown incurred on these works during

²⁴ Construction of road from Eid-gah Marhote to Solian: ₹ 0.31 crore and Construction of road from Kaloon to Haji, Shark Harayala via Dharana: ₹ 0.31 crore.

²⁵ On the quoted rate of 4.88 *per cent* above the estimated cost.

2021-23. Depiction of double execution of components of works was indicative of irregular excess expenditure of ₹ 38.08 lakh as detailed in **Table 6.2.2**.

Table 6.2.2: Irregular excess expenditure on two NABARD assisted projects

Sl. No.	Project/ Sanctioned Amount	Irregular expenditure	Observations
1	Bomai Darpura Goripora Zonipora and Logripora Road: ₹ 2.47 crore	₹ 21.17 lakh	R&B Division Sopore allotted (December 2020) 05 km road project sanctioned (January 2020) under NABARD (RIDF-XX) to a contractor at a cost of ₹ 2.02 crore. The work of the project was completed (March 2022) after incurring an expenditure of ₹ 2.22 crore. Subsequently, the division again allotted (March 2022) the same work to the same contractor at a cost of ₹ 35.59 lakh and made a payment of ₹ 21.17 lakh to the contractor as of March 2023. In reply, Department stated (December 2025) that in view of consistent demand from the local residents, additional macadamisation on 1.2 kms was allotted at the cost of ₹ 35.59 lakh out of savings of the project and that the total expenditure was within approved outlay. Reply is not tenable as though the sanctioned cost of the project was ₹ 2.47 crore against which ₹ 2.22 crore was expended resulting in saving of ₹ 0.25 lakh. As such award of ₹ 35.59 lakh exceeded the sanctioned cost. Further, RIDF guidelines do not prescribe savings from projects to be utilised for execution of additional items of work.
2	Rantsinard Batagogal Road Construction/ Upgradation Project: ₹ 2.69 crore	₹ 16.91 lakh	R&B Division Kupwara awarded (November 2017) contract for the road project sanctioned (2016-17) under NABARD (RIDF-XXII) to a contractor for ₹ 2.04 crore. Already executed components of earthwork, drainage and protection works were again allotted (February 2020) to another contractor at a cost of ₹ 16.91 lakh. The contractor was paid (March 2020 to December 2021) ₹ 16.91 lakh for this work.
Total		₹ 38.08 lakh	

(II) Test-checked project “Construction of road along old Brengi road Vailoo” in district Anantnag was sanctioned (March 2017) under NABARD (RIDF-XXII) at a cost of ₹ 2.84 crore. As per DPR, the cost included construction cost of ₹ 25.83 lakh for four culverts. R&B Division, Vailoo incurred an expenditure of ₹ 20.85 lakh as of March 2020 on construction of culverts. However, physical inspection of the project conducted (August 2023) by audit revealed that only two culverts had been constructed. As such, the excess expenditure of ₹ five lakh²⁶ booked on two non-existent culverts was irregular.

²⁶ Total expenditure incurred (₹ 20.85 lakh) less cost of one 1.5 metre (₹ 4.99 lakh) and 4.5 metre span culvert (₹ 10.86 lakh).

In reply, the Department stated (December 2025) that only two structures were constructed due to ground realities encountered during execution. At the location of the second culvert, the actual site conditions required a structure of greater length and height, resulting in its construction as a nano-bridge. Accordingly, the cost earmarked for the remaining two culverts was appropriately utilized in constructing this technically essential nano-bridge.

The reply is not satisfactory as substitution of two sanctioned culverts with a nano-bridge constitutes a change in scope, which required prior approval of NABARD through a revised DPR and sanction. Accordingly, expenditure of ₹ five lakh booked on two unexecuted culverts remains irregular.

6.2.6 Execution of Projects

Para 3 of Handbook on RIDF envisages that the implementation phase for sanctioned projects is generally spread over two to five years. A phasing period of four years is permitted for projects in J&K. Therefore, Projects sanctioned up to 2018-19 should have been completed by March 2023.

Audit however, noticed that out of 399 projects sanctioned for J&K, PW (R&B) Department under NABARD (RIDF-XX to RIDF-XXIV) at a cost of ₹ 1,368.27 crore during 2014-15 to 2018-19, only 270 projects (68 *per cent*) had been completed, while 122 projects were still ongoing as of March 2023. An expenditure of ₹ 1,097.91 crore was shown incurred on these 392 projects. The remaining 7 projects were non-starter as of March 2023.

Further, out of 348 sampled projects, 115 projects were sanctioned under NABARD (RIDF-XVIII to RIDF-XXIV) during 2012-13 to 2018-19 at a cost of ₹ 422.77 crore. Out of these 115 projects, four projects were transferred to other schemes. Considering the phasing period of four years, these 111 projects should have been completed by March 2023. Audit noticed that 73 projects were completed while 38 projects (34 *per cent*) could not be completed within the stipulated period of 4 years. These projects had experienced delay ranging between one year and six years.

In reply, Department stated (December 2025) that out of 399 projects sanctioned under NABARD (RIDF-XX to RIDF-XXIV) during 2014-15 to 2018-19 at a cost of ₹ 1,368.27 crore, 273 projects (68 *per cent*) have been completed as of December 2025.

The reply, however, did not provide specific reasons for delayed execution of projects.

6.2.6.1 Lapse of Loan under closed tranches

NABARD had sanctioned 145 projects²⁷ under RIDF XX (2014-15) and XXI (2015-16) in PW (R&B) Department sector for J&K and reimbursement for these tranches was allowed up to June 2022 and December 2022 respectively. Audit noticed

²⁷ RIDF-XX (2014-15): 59 projects; RIDF- XXI (2015-16): 86 projects.

(March 2024) that 28 projects²⁸ were still incomplete (March 2023) under these closed tranches. As a result, GoJ&K was deprived of balance NABARD loan of ₹ 34.60 crore for these incomplete projects. Further, the public were deprived of the benefits of rural connectivity due to these incomplete projects.

In reply, Department stated (December 2025) that out of 145 projects sanctioned during 2014-15 and 2015-16 under NABARD (RIDF-XX and RIDF-XXI), 114 projects (79 per cent) have been completed. The funds which were received under NABARD loan projects have been utilised as per fund projection for particular financial year. No funds under closed trenches got lapsed which could have resulted in denial of benefits of rural connectivity to the people.

The reply, however, does not address the issue of inability to obtain the ₹ 34.60 crore due to projects remaining incomplete as of March 2023.

Moreover, non-completion of these projects also led to deferment of intended benefits of rural connectivity to the public.

6.2.6.2 Abandoned Road Projects

Four road projects (out of 309 test-checked projects) sanctioned under NABARD (RIDF-XVIII: 2012-13 to RIDF-XXVII: 2021-22) at a cost of ₹ 11.07 crore were abandoned during 2017-18 to 2023-24 (August 2023) after an expenditure of ₹ 4.27 crore during 2012-13 to 2022-23. The expenditure incurred on these projects was rendered partially unproductive as intended road connectivity could not be provided to the rural population as detailed in **Table 6.2.3**.

Table 6.2.3: Details of abandoned road projects

Sl. No.	Project	Sanctioned cost/ Expenditure incurred	Remarks
1	Main road Choolan to Daragutliyan to Bosian Phase 1 st (XXV) Uri Baramulla	₹ 2.49 crore; ₹ 0.98 crore	The contractor abandoned the work of the project in March 2022. R&B Division, Uri did not assign reasons for abandonment of work though it had issued notices to the contractor to resume the work. In reply, Department stated (December 2025) that after several unsuccessful notices for resumption, the contract was foreclosed and the balance work was re-tendered at the contractor's risk and cost for ₹ 61.82 lakh. The balance work was allotted at ₹ 49.46 lakh and executed on priority. Funds amounting to ₹ 25.75 lakh were released during 2025-26 and were fully utilised.

²⁸ Ongoing projects: 26; Non-Starter projects: 2.

Sl. No.	Project	Sanctioned cost/ Expenditure incurred	Remarks
2	Construction/ up-gradation of Hanga Dilmarg road (XXII) Handwara, Kupwara	₹ 2.51 crore; ₹ 0.68 crore	The contractor abandoned the project works in March 2018 due to continuous plying of heavily loaded trucks and tippers engaged in extraction and transportation of construction materials from nearby areas, which caused repeated damage to the upgraded road surface. The R&B Division, Handwara had not anticipated this issue at the DPR stage, indicating deficient planning. In reply, Department stated (December 2025) that in view of the irreparable damage and with a view to prevent further deterioration, the project was abandoned.
Total		₹ 5.00 crore; ₹ 1.66 crore	

6.2.6.3 Excess Execution of items of works

As per Para 3.2.23 of the RIDF Manual, only minor deviations that do not affect the scope or benefits of a project may be permitted by NABARD. Further, the conditions of allotment stipulate that quantities of individual items shall not exceed the advertised quantities, the total cost shall not exceed the allotted cost, and no change in proposals or specifications is permissible without prior written approval of the competent authority.

Audit noticed that in 30 projects (out of 309 test-checked projects) sanctioned under NABARD (RIDF-XX to RIDF-XXVII), quantities of works amounting to ₹ 2.96 crore were executed (2014-15 to 2021-22) in excess of the allotted works in the range from 11 per cent to 1,028 per cent and 4,414 per cent in one case without prior approval of NABARD (*Appendix 6.2*).

In reply Department stated (December 2025) that due to unforeseen site conditions and urgent operational requirements, minor adjustments were made during execution to ensure structural safety without altering project scope or exceeding the sanctioned cost. It was also stated that the Department acknowledges that such deviations should have been routed through the regional office of NABARD as prescribed under Manual on RIDF and as stipulated in the conditions of the allotment orders. Accordingly, instructions have already been reiterated to all Executive Engineers to seek prior approval for any variation in quantities or design changes. Further, a compliance report, detailing corrective measures and vetting of deviations, shall be submitted to NABARD for confirmation. The Department will ensure strict adherence to the stipulated procedures in future.

6.2.6.4 Project completion certificates and Project Completion Reports

According to Para 23(b) of Handbook on RIDF, the implementing department has to submit a Project Completion Certificate (PCC) to the NABARD within one month on completion of the project and based on receipt of PCC, NABARD is to treat the project as complete in its records. Further, as per Para 13.2, the Project Completion Report (PCR)²⁹ is a document of information, which is to be submitted by the implementing department in the prescribed format to the regional office of NABARD within six months from the date of completion of a project. Further, a State/ UT has to assess the potential created for generation of income and employment in the areas where the projects have been executed and the same is to be reflected in PCRs along with expected and indirect benefits.

Audit noticed that out of 81 completed projects³⁰(out of 348 test-checked projects), PCC of only one project had been submitted within the prescribed time of one month while PCCs of 16 completed projects had been submitted by six Implementing Divisions³¹ with delay ranging from two months to four years. PCCs were not submitted for the remaining 64 completed projects.

PCRs of 11 completed projects out of 81 completed projects were submitted without complete details as envisaged in NABARD guidelines and PCRs of the 70 projects were not submitted at all. Therefore, the potential created by NABARD projects for generation of income and employment in the areas where projects were executed could not be estimated.

In reply, Department stated (December 2025) that it has taken cognizance of audit observation and now it has become a regular feature to submit PCC/ PCR to NABARD within one month.

6.2.6.5 Projects transferred to other Schemes

Six projects (out of 309 test-checked projects) with a sanctioned cost of ₹ 21.82 crore, on which expenditure of ₹ 6.81 crore was incurred under NABARD during 2012-13 to 2022-23, were subsequently transferred by the PW (R&B) Department to the Pradhan Mantri Gram Sadak Yojana (PMGSY). Transfer of projects after availing NABARD loans diluted scheme-specific funding objectives, resulted in interest liability on the loans drawn, and indicated weak internal controls.

Further, the project “Improvement/ Upgradation of Tutian Di Khui to Khada Madana road Phase-II (km 9 to 11)” was sanctioned under NABARD during 2019-20 at a cost of ₹ 2.97 crore (Loan: ₹ 2.67 crore; UT share: ₹ 29.72 lakh), despite having already

²⁹ Containing type of project, location of the project, implementing agency, date of AA/ TS, date of commencement, stipulated date of completion, actual date of completion, project cost, expenditure incurred, employment generated, population benefitted, market centers connected etc.

³⁰ Jammu: (39 projects, PCC-17); Kashmir: (42 projects, PCC:0).

³¹ Construction Division-I Jammu: 3 Construction Division-II Jammu: 3, Construction Division-III Jammu: 2, R&B Division Nowshera: 3, R&B Poonch: 4, R&B Division Bhaderwah: 01.

been proposed (September 2017) under the World Bank-aided Jehlum Tawi Flood Recovery Project (JTFRP). The work under JTFRP was awarded (November 2020) for ₹ 26.12 crore and expenditure of ₹ 9.35 crore was incurred during January 2021 to April 2023. Notwithstanding this, a NABARD loan of ₹ 80.25 lakh was released during 2020-21.

The above indicates significant lapses in internal controls, as the same project was sanctioned under different schemes, resulting in avoidable interest liability on NABARD loan funds.

In reply, Department stated (December 2025) that project sanctioned under other schemes has been de-sanctioned by the NABARD and loan availed in respect of the projects transferred to other schemes has not been utilized and NABARD has adjusted the loan amount of the de-sanctioned projects against other ongoing projects.

The reply is not satisfactory as transfer of projects to other schemes after sanction and partial drawal of NABARD loans diluted the scheme-specific funding objective and resulted in avoidable interest liability, irrespective of subsequent adjustment of loan amounts by NABARD. Further, sanction of the same project under NABARD and JTFRP reflects weak internal controls in project planning and scheme selection.

6.2.6.6 Projects with forest, land and other issues

Para 22 of Handbook on RIDF stipulates that (a) the State/ UT Government shall take all necessary steps to remove any legal or other procedural hurdles in the smooth implementation of the projects and (b) State/ UT Government shall ensure completion of all processes including land acquisition and obtaining necessary clearances from the concerned authorities to enable timely completion of sanctioned projects.

Audit noticed that 36 sampled projects (initiated during January 2013 to March 2013) out of 309 test-checked projects in 16 divisions of 8 districts with project cost of ₹ 136.72 crore (Loan: ₹ 122.86 crore and UT share: ₹ 13.86 crore) had not fulfilled formalities like forest clearance, land acquisition and others. Consequently, these projects remained incomplete (March 2023). Against release of loan of ₹ 63.74 crore for these projects, an expenditure of ₹ 37.53 crore was incurred during 2012-13 to 2022-23.

In reply, Department stated (December 2025) that the delays primarily arose from external regulatory constraints, especially prolonged forest clearances, local land disputes, and court interventions, which are common in ecologically sensitive regions of UT of J&K and were not attributable to departmental inefficiencies. While ensuring adherence to environmental safeguards, it was stated that the Department pursued resolution through regular follow-up with the Forest Department via the PARIVESH portal and engagement with local authorities, and that most impediments have since been resolved, enabling completion of several projects now open to traffic.

The fact remained that RIDF clearly requires the State/ UT Government to complete land acquisition and obtain all statutory clearances to ensure timely completion of projects. The fact that 36 projects remained incomplete due to pending forest clearance, land acquisition, and related issues indicates inadequate pre-sanction planning and weak project preparedness.

6.2.7 Quality Control

According to Para 23 of Handbook on RIDF, the Project Implementing Authority is to undertake desk/ field monitoring and quality control tests³² on material and finished works. The reports of the inspecting officer, quality control tests and compliance thereto are to be retained on records by the concerned work Executing division. Further, Para 1(4) of Annexure III B: Other Conditions of Handbook on RIDF provides that State/UT Government has to ensure availability of technical personnel and well equipped laboratory system for quality control. Periodic tests on material and finished works are to be conducted as per IRC/Ministry of Road Transport and Highways. Moreover, the UT Government has to ensure availability of adequate number of mobile testing vans with a laboratory.

Audit noticed (July 2023 to January 2024) that the results of quality control tests had not been maintained for 288 sampled projects³³. Mandatory tests required to be conducted had not been prescribed in the tender documents and test reports of mandatory tests were not enclosed with the final bills of 81 completed projects. Only in respect of one project in PW Construction Division-I Jammu, three types of test reports³⁴ were attached with the works bills.

In reply, the Department while acknowledging the audit observation stated (December 2025) that non-availability of quality control test records was due to legacy deficiencies in record-keeping, limited laboratory infrastructure in remote divisions, and absence of a unified quality monitoring framework during the earlier period. It was added that field engineers were conducting routine inspections and material checks, however documentation of test results were not standardized across divisions. It was stated that a Two-Tier Quality Control Mechanism, including third-party inspections, has been instituted (February 2022), with DIQC designated as the nodal agency, and that field laboratories are being strengthened to ensure proper testing and documentation in future.

6.2.8 Monitoring and Inspections

Para 23 of Handbook on RIDF provides that monitoring of progress of works is also to be done by NABARD through prescribed returns, review meetings, high power

³² Embankment and sub-grade soil: 3 types tests; Coarse aggregate for WBM sub base/ base: 3 types of tests; Road construction material- cement: 1 type; Coarse and fine aggregate: 4 types; Coarse aggregate: 3 types; and water: 1 type as per Annexure III B Other conditions, section 1(4) of handbook.

³³ Records related to selective Quality tests conducted were found in respect of 21 projects of PW Division, Udhampur.

³⁴ Compressive tests after 7 and 28 days; and Bitumen content test.

committee meetings and periodic field visits. Further, Para 4.4 of Manual on RIDF states that the UT/ State Governments have their own mechanism for monitoring which includes monitoring by their Engineers/ Officers and maintenance of visit registers, test reports etc.

Audit observed that periodicity of field visits was neither specified in NABARD guidelines nor prescribed by the Departmental authorities. In respect of 191 sampled projects³⁵ jointly inspected by Audit with Departmental officers, the inspection notes and site order books/ visit register detailing inspections carried out by Departmental authorities (Executive Engineers, Superintending Engineers, Chief Engineers) had not been prepared indicating that inspections carried out, if any, were not documented properly. Further, no monitoring of projects was carried out by the NABARD officials in any of the sampled divisions.

In reply, the Department stated (December 2025) that departmental engineers conducted regular site inspections, but in some cases inspection notes and visit registers were not formally recorded, resulting in documentation gaps rather than lack of field monitoring. It was further stated that a work-wise Quality Control Register is being introduced at the Division level and instructions have been issued to ensure proper maintenance of inspection records in compliance with RIDF guidelines.

6.2.8.1 Third party Monitoring

Para 1(4)(h) of Annexure III B of Handbook on RIDF provides that to ensure quality control third party monitoring (TPM) of projects is to be insisted during execution stage at regular intervals. Government of Jammu and Kashmir appointed (January 2020) Directorate of Inspection and Quality Control (DIQC) for TPM which was to conduct full physical verification of roads and bridges projects with sanctioned cost of ₹ five crore and above and on test-check basis of projects with sanctioned cost less than ₹ five crore.

Audit noticed that TPM was not carried out by DIQC or any other authority in the sampled R&B Divisions.

Department stated (December 2025) that although DIQC was designated as the nodal agency in 2020, third-party monitoring across PW (R&B) was operationalised from February 2022, and inspections of NABARD projects are now being carried out accordingly. It was added that the strengthened framework ensures compliance with Para 1(4)(h) of Annexure III-B of the Handbook on RIDF and safeguards quality control requirements.

6.2.8.2 Public Disclosure Requirements not complied

Para 14 of the Handbook on RIDF stipulates that to bring the basic details of projects in public domain and generate awareness among ultimate beneficiaries, media,

³⁵ Jammu -82 projects (closed-29, active-53), Divisions-11, Districts-5; Kashmir -109 projects (closed-25, active-84), Divisions-13, Districts-5.

bank etc., suitable project boards detailing physical and financial particulars of the projects in local language and Hindi/English with NABARD name are to be displayed at prominent places. The boards are to be affixed at project sites within 15 days of commencement/ completion of tendering process for execution of the projects.

During joint physical inspection of 191 projects (out of 309 test-checked) with departmental authorities, audit noticed that the project boards were not installed at 187 project sites. Though project boards were installed at sites of remaining four projects³⁶, details thereon were not in prescribed format.

Department stated (December 2025) that observation has been noted and instructions are being issued to the field executing divisions.

6.2.9 Non production of records

(I) Records of tendering process undertaken in respect of 27 test-checked projects³⁷ with sanctioned cost of ₹ 100.12 crore under NABARD [RIDF-XX to XXVIII (2014-15 to 2022-23)] were not produced by Superintending Engineers of Jammu and Rajouri-Poonch Circles during course of Audit. Expenditure of ₹ 46.95 crore (March 2023) had been incurred on the execution of these 27 projects.

While submitting the reply in December 2025, the Department forwarded the records pertaining to NABARD as provided (September 2025) by Superintendent Engineer Rajouri to Chief Engineer Jammu. However, reply was silent with regard to delay of more than two years in submission of documents and non-furnishing of documents by the Superintending Engineer Jammu Circle.

(II) Para 20 of the General Terms and Conditions of handbook on RIDF envisages that on receipt of funds for a project from Finance Department, project Implementing Department has to maintain separate accounts of expenditure incurred on the project.

Audit noticed (July to December 2023) that in respect of 348 test-checked projects, project-wise records of expenditure incurred were not maintained properly. The vouchers in respect of 65 projects in 10 divisions in six districts³⁸ for an expenditure of ₹ 78.30 crore incurred during 2012-13 to 2021-22 were not made available to Audit for detailed scrutiny. The matter was brought to the notice of Principal Secretary, Finance Department during entry conference (October 2023) and to the Principal Secretary, PW (R&B) Department in January 2024.

In reply, the Department stated (December 2025) that the observation has been noted with seriousness and the concerned Executive Engineers have been directed (September 2025) to trace, compile, and furnish all pending vouchers. Besides,

³⁶ Jammu: 2 projects, Kashmir: 2 projects.

³⁷ Jammu: 06, Rajouri: 21 projects.

³⁸ Jammu: 14 projects- ₹ 12.55 crore; Rajouri: 10 projects- ₹ 7.28 crore; Poonch: 12 projects- ₹ 21.06 crore; Doda/ Kishtwar: 1 project- ₹ 0.06 crore; Budgam: 17 projects- ₹ 22.21 crore; Shopian: 11 projects- ₹ 15.14 crore.

Department has sought (September 2025) explanation from the concerned divisions for not producing the requisite vouchers to audit team.

6.3 Jal Shakti Irrigation and Flood Control Department (I&FCD)

A total of 52 projects³⁹ were being executed in Jal Shakti Irrigation and Flood Control Department (I&FCD) during 2018-23 (under RIDF-tranche XVII to XXVII⁴⁰). Of these, execution of 20 projects⁴¹ spread across selected 12 Divisions⁴² in 10 districts⁴³ of J&K, was examined in Audit. The findings are discussed in the succeeding paragraphs.

6.3.1 Planning for selection of projects for funding under NABARD

Paragraph 2.1.4 of Manual on RIDF provides that State/ UT Governments are expected to prioritize projects under a tranche and submit suitable proposals of eligible activities/ projects with DPRs to NABARD for sanction.

Audit noticed that none of the 12 selected Divisions of I&FCD maintained baseline data or a documented mechanism for selection and prioritisation of projects in line with the provisions of RIDF, or for deciding whether projects should be taken up under NABARD, Capex Budget or Centrally Sponsored Schemes such as AIBP. Instead, NABARD proposals were made on an *ad hoc* basis, largely driven by requests from local farmers and recommendations of public representatives.

During the Exit Conference (October 2025), the Department stated that project selection was influenced by availability of funds from different sources and recommendations of public representatives. It further stated that priority projects had been proposed for NABARD funding in recent years.

6.3.2 Financial Management

The funds released by the Administrative Secretary, Jal Shakti I&FCD to two Chief Engineers of Jammu and Kashmir for execution of 52 NABARD- sanctioned loan projects during 2018-23, is detailed in **Table 6.3.1**.

Table 6.3.1: Funds released by I&FCD to the Chief Engineers of Jammu and Srinagar

(₹ in crore)

Year	Funds Released to the Chief Engineers (CEs)			Expenditure incurred (per cent)	Unutilised Funds (per cent)
	Loan	State/ UT Share	Total		
2018-19	10.58	0.85	11.43	8.39 (73)	3.04 (27)
2019-20	8.81	0.59	9.40	5.70 (61)	3.70 (39)

³⁹ Jammu: 30 projects and Kashmir: 22 projects (Completed: 19 and Ongoing: 33 as of March 2023).

⁴⁰ No projects were sanctioned during 2022-23 under I&FCD.

⁴¹ 12 ongoing projects: Jammu: 5; Kashmir: 7 projects and 8 closed projects Jammu: 6 projects; Kashmir: 2 projects.

⁴² **Jammu:** 1. Irrigation Division Dharmari 2. I&FC Doda 3. I&FC Bhaderwah 4. Flood Protection Work Kathua 5. Irrigation Division Udampur 6. Ravi Canal C Upper Division Kathua 7. Hydraulic Division Ramban; **Kashmir:** 8. I&FC Anantnag 9. I&FC Baramulla 10. I&FC Ganderbal 11. Irrigation Division Pulwama and 12. Irrigation Division Shopian.

⁴³ Kashmir Province: Anantnag: 3, Baramulla: 1, Ganderbal: 3, Pulwama: 1 and Shopian: 1; Jammu Province: Doda: 3, Kathua: 2, Ramban: 3, Reasi: 1 and Udampur: 2.

Year	Funds Released to the Chief Engineers (CEs)			Expenditure incurred (per cent)	Unutilised Funds (per cent)
	Loan	State/ UT Share	Total		
2020-21	17.88	0.00	17.88	7.42 (41)	10.46 (59)
2021-22	27.56	0.00	27.56	15.00 (54)	12.56 (46)
2022-23	26.50	0.00	26.50	17.07 (64)	9.43 (36)
Total	91.33	1.44	92.77	53.58 (58)	39.19 (42)

As seen from **Table 6.3.1**, against a total release of ₹ 92.77 crore during 2018-23, expenditure incurred was ₹ 53.58 crore (58 *per cent*), leaving ₹ 39.19 crore unutilised. The unutilised portion of released funds during each year ranged between 27 and 59 *per cent*. Reasons for savings were neither provided to audit nor evident from records.

Audit further noted that the Chief Engineer (CE), I&FCD Jammu released ₹ 4.43 crore during 2018-19 to 2021-22 for execution of five out of eleven selected projects of Jammu Division to five executing Divisions⁴⁴ after time-lags⁴⁵ ranging from two to 46 days, whereas no such delay occurred during 2022-23. Similarly, the CE, I&FCD Kashmir released ₹ 77.49 crore during 2018-19 to 2022-23 to executing Divisions with time-lags of up to 60 days. These delays in release of funds affected execution of projects to that extent.

In reply, the Jal Shakti Department stated (July 2025/ October 2025) that underutilisation of funds during 2018-19 to 2022-23 was due to extraordinary circumstances, namely abrogation of Article 370, the COVID-19 pandemic, and manpower shortages. The Department further stated that delays in fund release were unintentional and attributable to administrative procedures and inter-departmental coordination.

6.3.2.1 Non-Utilisation of Mobilisation Advance

Six NABARD-assisted projects⁴⁶ under I&FCD were sanctioned (December 2020 to March 2022) at a cost of ₹ 35.09 crore, with loan assistance of ₹ 31.60 crore. NABARD released Mobilisation Advance of ₹ 9.48 crore to the Finance Department of GoJ&K for these six projects during the said period.

Audit noted that the Finance Department released only ₹ 3.82 crore (40 *per cent*) in September 2021 and January 2023 to I&FCD whereas ₹ 5.66 crore was not released. Out of ₹ 3.82 crore⁴⁷, the concerned Divisions utilised only ₹ 0.05 crore (one *per cent*) as of March 2023. Thus, ₹ 9.43 crore of the NABARD loan released could not be utilised.

⁴⁴ I&FC Bhaderwah, Hydraulic Division Ramban, I&FC Poonch, Irrigation Division Udhampur, Flood Control Division Kathua.

⁴⁵ Delay calculated after allowing three days since NABARD had released funds within two to three days to GoJ&K after submission of TPNs by the Finance Department.

⁴⁶ Kashmir: 5 (Karz Nallah, LIS Gantmulla, Keegam Canal, Akhal Najwan Canal, Said Ladi) and Jammu:01 (Ravi Canal).

⁴⁷ Chief Engineer, Jammu: ₹ 1.00 crore; Chief Engineer, Kashmir: ₹ 2.82 crore.

In reply, Jal Shakti Department stated (July 2025) that Karz Nallah project was delayed due to legal and site-specific constraints, while the MA for LIS Nikloora could not be utilised due to site dispute. The Department added that administrative, legal and procedural delays contributed collectively to low utilisation in case of other projects.

The reply does not explain inadequate pre-execution planning.

6.3.2.2 Short Release of State/ UT share

Against the required State/ UT Share of ₹ 7.92 crore for 35 projects sanctioned during 2018-20, only ₹ 1.42 crore (18 *per cent*) was released by GoJ&K, resulting in short-release of ₹ 6.50 crore as of August 2023. This short-release of State/ UT share adversely impacted the timely execution of these projects. Further, no State/ UT share amount was released by GoJ&K during 2020-23.

6.3.3 Project execution

Audit findings relating to execution of 20 selected projects of I&FCD are discussed in the succeeding paragraphs.

6.3.3.1 Deficiencies in preparation of DPRs

As per the RIDF Manual of NABARD, the State/ UT Government has to ensure completion of all processes including land acquisition, obtaining necessary clearances from the concerned authorities etc. to enable timely completion of the sanctioned projects. The projects should be technically feasible, financially viable and have an Economic Rate of Return (ERR)⁴⁸ greater than 10 *per cent* and the Benefit- Cost Ratio (BCR)⁴⁹ has to be more than one at a discounting factor of 10 *per cent*.

Audit noted that in nine (45 *per cent*) out of 20 selected projects, No Objection Certificates (NOCs) of Forest Department and State Ground Water Authority and rainfall hydrology data were not obtained before sanction of their DPRs. Further, in three projects⁵⁰, Benefit-Cost Ratio had been incorrectly calculated⁵¹.

In reply, the Jal Shakti Department stated (July 2025) that the NOC from the Forest Department had been obtained and those from other departments were under process. It also attributed the BCR discrepancy to human error during data compilation and stated that the recalculated BCR of 2.89 is above the prescribed threshold of 1.5.

During the Exit Conference (October 2025), the Department assured that the deficiencies pointed out would be examined and necessary corrective measures would be undertaken.

⁴⁸ Economic Rate of Return (ERR) provides a single metric showing a project's economic benefits compared to its costs.

⁴⁹ Benefit- Cost ratio analysis is a process of evaluating a project by systematically comparing its expected benefits against its costs. It helps determine whether the potential gains outweigh the financial and other costs.

⁵⁰ Said Ladi Canal of ID Shopian, Mirpora Dugpora Canal and Sumbal Canvas Canal of I&FC Division Ganderbal.

⁵¹ Benefit-Cost Ratio (BCR) was calculated on gross production at the post-construction stage, whereas it should have been calculated on additional production.

6.3.3.2 Non-compliance of rules in seeking approval of the Projects from J&KWRRRA

Paragraph 51 of Chapter V of J&K State Water Resources Regulatory Authority (Regulations for Water Usage Charges and Approval of Schemes) prescribes that any user intending to install a unit requiring usage of water for the purpose of generation of electricity; irrigation of land; drinking purposes (domestic, commercial, industrial or institutional); running of water mills; and exploration and exploitation of ground water shall prepare a scheme and submit to the J&K Water Resources Regulatory Authority (J&KWRRRA) accompanied by such fee and service charges as may be fixed by the authority for approval.

Audit noted that the approval of J&KWRRRA was not obtained by the concerned Executive Engineer, I&FCD Division for any of the 80 I&FC projects (Jammu: 62; Kashmir: 18) submitted for sanction under NABARD during 2018-23. This indicates required importance was not accorded to the prescribed rules.

J&KWRRRA also confirmed (January 2024) to Audit that it is responsible to approve and review water resources schemes/ projects and it is binding upon all utilities to submit projects to the authority for approval. It added that the matter was brought to the notice of the Principal Secretary to GoJ&K, JSD in May 2022 but response was awaited.

During the Exit Conference, the Department assured that a circular would be issued making it mandatory to obtain the approval of J&KWRRRA for all relevant projects.

6.3.3.3 Indiscriminate splitting of works

As per Para 1.10 (iii) of Manual of Procurement of Works 2019, Department of Expenditure, GOI, no project or work will be split up to bring it within the sanctioning powers of a lower authority.

Audit noticed that during the period from August 2011 to May 2023, in 13 out of the 20 selected projects⁵² executed across 12 Divisions, the Department split them into multiple smaller works and allotted among 276 contractors at a total cost of ₹ 21.14 crore instead of awarding them as a single contract. The amounts of individual contracts ranged between ₹ 0.07 lakh and ₹ 94.57 lakh. This splitting of works resulted in fragmented execution and monitoring. The details of splitting of works are given in *Appendix 6.3*.

Jal Shakti Department stated (July 2025) that fragmentation of tenders was done with the intent to ensure timely utilisation of funds and simultaneous commencement of works at multiple spots to ensure timely completion of projects. The decision to split the works was not intentional avoidance of composite tendering but rather aligned with the Department's established practices at that time.

The reply does not explain the reason for non-compliance of the prescribed rules.

⁵² Jammu: 09; Kashmir: 04.

6.3.3.4 Execution of works for the project “Sandran and Vethvethroo”

The project “Flood protection works on tributaries of Sandran and Vethvethroo Nallah” was approved (January 2017) under NABARD funding at a cost of ₹ 5.64 crore and executed by the Executive Engineer, FCD, Anantnag. Following site visits, the Executive Engineer reported (August 2020) that changes in the course of tributaries necessitated modification of the DPR, and the Chief Engineer simultaneously directed that tenders should not be invited without approval of the Administrative Department. However, a committee headed by the same Chief Engineer allowed (October 2020) adoption of the modified proposals without NABARD approval, and a revised DPR for ₹ 5.23 crore was submitted in January 2021.

Subsequently, tenders were invited (February 2021), work was allotted (March 2021) for ₹ 3.25 crore, and Technical Sanction was accorded by the CE belatedly (April 2021). An expenditure of ₹ 3.14 crore (Loan: ₹ 3.06 crore; UT share: ₹ 7.76 lakh) was incurred as of October 2023.

In reply, the Department stated (July 2025) that modifications were necessary and that Technical Sanction had been accorded.

However, approval of the revised proposal from the Administrative Department/ NABARD had not been obtained as of July 2025, rendering the expenditure irregular.

Joint Physical Verification revealed that works were executed at scattered locations across different tributaries and did not constitute a composite flood protection project. No signage boards indicating NABARD funding were installed at the sites, and in some locations, signage of the Rural Development Department was found, obscuring project ownership. The works identified at site were mainly erosion control works, such as cement concrete, crate and stone works, and were not of flood protection or critical nature.

In reply, the Department stated (July 2025) that erosion control works were executed at vulnerable locations susceptible to flash floods and that signage boards would be installed in future.

Audit further noticed that no evidence of change in the course of Sandran and Vethvethroo Nallah was found at the sites, as claimed by the Executive Engineer. Site/work-wise estimates and drawings were not prepared, and Measurement Books were not maintained for individual works. The Executive Engineer stated (April 2024) that estimates were prepared for aggregated quantities and therefore Measurement Books were not maintained for works executed at different locations.

6.3.3.5 Execution of project “Sumbal Canvas Canal” along slide prone areas

A project “Construction/ Modernisation of Sumbal Canvas Canal” was sanctioned (July 2011) at a cost of ₹ 2.24 crore by NABARD for irrigation of surrounding villages. The I&FC Division Ganderbal received (2011-12 to 2017-18) loan and State share of

₹ 2.24 crore⁵³ which was spent. Out of this, during 2015-16 to 2017-18, an expenditure of ₹ 1.31 crore⁵⁴ was booked in the name of Sumbal Canvas Canal, on construction of the conduits, conductor/ cunette cutting, construction of supply channel, removal of *malba*, making good damaged site, etc.

Audit examination revealed that neither Administrative Approval nor Technical Sanction had been accorded for the project, and the work was allotted in a piecemeal manner at Division level to 58 contractors. Further, a fresh DPR for “Construction/ Modernisation of Sumbal Canvas Canal” costing ₹ 60.38 lakh was submitted (December 2018) to the Chief Engineer/ Government for sanction under NABARD; however, approval was awaited as of November 2023.

Joint Physical Verification (August 2023) revealed that 2-3 km of the canal lay in slide-prone areas, remained earthen with crate work, was blocked by heavy debris, and had been defunct since 2014, casting doubt on the authenticity of reported works. Additionally, construction of a PMGSY road altered the canal alignment over about 1,800 metres, and in the absence of a flume⁵⁵ over the Nallah, the canal could not function as intended.

Thus, improper selection of gravity project along slide prone area had rendered expenditure of ₹ 2.24 crore idle, besides depriving farmers of intended benefits of the project for over one decade.

In reply, the Department stated (July 2025) that sanction of projects without formal Administrative Approval was a prevailing practice up to 2019 and that relevant records were not available as the Directorate office was inundated during the 2014 floods. The project had achieved 41.54 *per cent* financial progress up to March 2015, continued up to 2017-18, and that efforts were underway to revive the canal. It stated that a DPR for restoration was framed in December 2018, which is still awaiting approval.

6.3.4 Miscellaneous observations

(I) A total of ₹ 75.71 lakh pertaining to 15 works executed prior to commencement (April 2018) of NABARD assisted project “Lidder Nallah” in I&FC Division Anantnag, was irregularly debited to the project funds.

In reply, Jal Shakti Department stated (July 2025) that the projects were funded from NABARD resources due to absence of alternative funding sources. Further, these works were duly approved by the authority. The reply is not satisfactory as the fund was specifically allotted for the NABARD assisted projects.

(II) No Objection Certificate of Forest Department was not obtained prior to sanction (2021-22) of the project “LIS Gantmulla” in I&FC Division Baramulla

⁵³ Loan: ₹ 2.03 crore; State Share: ₹ 21.27 lakh.

⁵⁴ Works: ₹ 1.09 crore; contingencies/ material supply: ₹ 21.73 lakh.

⁵⁵ A flume is a specially constructed open channel or passage that carries water from one place to another, usually across an obstruction like a road, railway, or another stream.

resulting in delay in forest clearance and not commencing the construction for more than 18 months of its sanction as of July 2023.

In reply, Jal Shakti Department stated (July 2025) that initially there was delay in forest clearance as the process of obtaining NOCs transitioned from offline to online with effect from 9th August 2023. Now, the clearance has been granted by the Forest Department and the project is now moving on smoothly.

The fact remained that NOC from Forest Department was not obtained prior to sanction of the project.

6.4 Public Health Engineering Department

A total of 344 NABARD assisted rural water supply projects were implemented in the Jal Shakti (Public Health Engineering/PHE) Department (JSD) during 2018-2023. These projects included 263 projects⁵⁶ sanctioned under NABARD (RIDF-tranche XXII to XXVI) during 2016-17 to 2020-21⁵⁷. Out of total 344 projects, 102 projects⁵⁸ with sanctioned cost of ₹ 242.49 crore across 23 Divisions⁵⁹ in 10 districts of J&K were selected for audit. The audit findings are discussed in the succeeding paragraphs.

6.4.1 Planning for selection of projects

As per NABARD Guidelines (September 2021), the State/UT Government is required to prepare a Plan of Action (State Plan) for ensuring supply of safe drinking water to the designed population, including uncovered rural areas. Projects are to be prioritised on the basis of this State Plan and supported by DPRs before being submitted to NABARD through the Nodal Department for loan sanction.

Audit noted that no State/ Union Territory plan for providing safe drinking water to uncovered rural areas had been prepared by the JSD (PHE) as of March 2023.

In reply, the Department stated (August 2025) that the DPRs of the Schemes were prepared on the basis of actual requirements and were prioritised in order of the level of necessity. It was added that the recommendations made by the Hon'ble CM, Hon'ble Ministers, Hon'ble MLAs and elected representatives of PRIs were helpful in identifying the priority areas.

During the Exit Conference (October 2025), the Department stated that the project selection was influenced by availability of funds from various funding sources and added that in recent years, priority projects had been proposed for NABARD funding.

⁵⁶ Jammu province: 131 projects and Kashmir province: 132 projects.

⁵⁷ No projects were sanctioned during 2021-22 and 2022-23 under JSD (PHE).

⁵⁸ Ongoing projects: 75; Closed Projects: 27.

⁵⁹ **Jammu province:** City-I Jammu, City-II Jammu, Rural Jammu, Samba, Kathua, Rajouri, Nowshera, Reasi, Doda, Dharmari and Ramban. **Kashmir province:** Bijbehara, Qazigund, Bandipora, Gurez, Baramulla, Sopore, Tangmarg, Uri, Budgam, Chadoora, Awantipora and Pulwama.

While such recommendations may be useful in identifying priority areas, they do not substitute the requirement of a comprehensive State Plan envisaged under NABARD guidelines.

6.4.2 Status of execution of projects

Para 3 of Handbook on RIDF envisages that the implementation phase for sanctioned projects is generally spread over two to five years.

At the beginning of the year 2018-19, a total of 53 projects⁶⁰ were in progress under NABARD in the State/ UT. During the period 2018-23, 210 projects were sanctioned.

Table 6.4.1: Details of Projects under NABARD as of March 2023

RIDF-Tranche	Year of sanction	Date of completion as per NABARD	Total Projects	Projects due for completion	Projects completed ⁶¹	Ongoing Projects ⁶²
XXII	2016-17	31.03.2020	42	42	14	28
XXIII	2017-18	31.03.2021	11	11	2	09
XXIV	2018-19	31.03.2021	136	136	16	120
XXV	2019-20	31.03.2023	38	38	0	38
XXVI	2020-21	31.03.2023	36	36	0	36
Total	--		263	263	32	231

Out of total 263 projects⁶³ (under tranche XXII to XXVI) being implemented by the Department, only 32 projects were completed and 231 projects were incomplete as of March 2023 as detailed in **Table 6.4.1**.

Reasons for delay in completion of project as noticed by audit included delay in release of funds, execution of projects without encumbrance free land, feasible sites and without technical sanctions as highlighted in **Paragraphs 6.4.3.1, 6.4.4.3, 6.4.4.4 and 6.4.6** which indicated deficiencies in the execution of works and lack of regular monitoring at different levels as discussed in the succeeding paragraphs of the report.

In reply, Department stated (August 2025) that initially there was delay in execution of NABARD projects due to composite tendering, land disputes, COVID-19 pandemic and not releasing of funds. It was added that all the pending issues have been sorted out and the execution is going on smoothly and 72 projects have been completed as of March 2025. During the Exit Conference (October 2025), the Department acknowledged that certain projects might have been proposed with over-optimistic timelines and delays were primarily due to factors such as re-organisation of the State, the Covid-19 pandemic, and law and order disturbances in the Valley.

The fact, however, remained that out of 263 projects stipulated to be completed by March 2023, only 72 projects (27 *per cent*) could be completed as of March 2025.

⁶⁰ RIDF-XXII: 42 and RIDF-XXIII: 11.

⁶¹ Jammu: 11 and Kashmir: 21.

⁶² Jammu: 120 projects and Kashmir: 111 projects.

⁶³ Kashmir province: 132, Jammu province: 131.

6.4.3 Financial Management

As per NABARD guidelines, the expenditure up to 90 *per cent* of the approved project cost in respect of Social sector projects was to be reimbursed by NABARD. The position of funds released to JSD (PHE), GoJ&K for NABARD assisted projects and the expenditure incurred during 2018-23 is given in **Table 6.4.2**.

Table 6.4.2: Position of funds on NABARD assisted projects of JSD (PHE) during 2018-23

(₹ in crore)

Sl. No.	Year	Funds Released by PHE Department			Expenditure incurred by PHE Department			Savings		
		Loan	State/ UT Share	Total	Loan	State/ UT Share	Total	Loan	State/ UT Share	Total (per cent)
1	2018-19	145.48	5.98	151.46	140.39	5.57	145.96	5.09	0.41	5.50 (4)
2	2019-20	300.38	22.85	323.23	89.88	17.40	107.28	210.50	5.45	215.95 (67)
3	2020-21	181.17	0.00	181.17	51.35	0.00	51.35	129.82	0.0	129.82 (72)
4	2021-22	85.65	0.00	85.65	32.70	0.00	32.70	52.95	0.00	52.95 (62)
5	2022-23	102.66	0.00	102.66	45.21	0.00	45.21	57.45	0.0	57.45 (56)
Total		815.34	28.83	844.17	359.53	22.97	382.50	455.81	5.86	461.67 (55)

6.4.3.1 Utilisation of funds

It can be seen from **Table 6.4.2** that there was poor utilisation of funds during 2018-19 to 2022-23, as against release of ₹ 844.17 crore, JSD (PHE) incurred an expenditure of only ₹ 382.50 crore (45 *per cent*) resulting in savings of ₹ 461.67 crore (55 *per cent*). The year-wise savings during 2018-23 ranged between 4 and 72 *per cent*.

Due to poor utilisation of funds, there was no substantial progress in completion of projects, as only 32 out of 263 projects were completed which were due for completion by March 2023. Audit noted that the delay in release of funds to the implementing divisions contributed to poor utilisation of funds.

Further, against the total amount of ₹ 805.17 crore⁶⁴ released by Chief Engineers (Kashmir and Jammu), 34 implementing divisions reported savings of ₹ 422.70 crore⁶⁵ during 2018-23, indicating utilisation of only 47 *per cent* of the released funds. The savings of such significant funds were indicative of poor financial management and inadequate monitoring by the Department. As a result, the projects could not be completed within stipulated time-frame, besides putting undue interest burden on the State exchequer.

It was also noticed that, the ₹ 39 crore⁶⁶ not released by the Chief Engineers, PHE, Jal Shakti Department (Kashmir and Jammu) during 2018-23 to the implementing divisions.

⁶⁴ ₹ 844.17 crore – ₹ 39 crore (amount withheld by CEs) = ₹ 805.17 crore.

⁶⁵ Jammu: ₹ 246.64 crore and Kashmir: ₹ 176.06 crore.

⁶⁶ Jammu: ₹ 2.90 crore and Kashmir: ₹ 36.10 crore.

In reply, Department stated (August 2025) that poor response to composite tendering and COVID-19 pandemic resulted in non-commencement of projects and consequently funds remained unutilised.

Reply was not tenable as savings were noticed both during the pre-pandemic (2018-19) and post-pandemic periods (2022-23). Further, the observation regarding retention of ₹ 39 crore by the Chief Engineer, without any recorded reasons/documentation was not addressed.

6.4.3.2 Utilisation of loan

As per NABARD guidelines, a project is treated as a non-starter if work is not commenced within 12 months of sanction, irrespective of release of Mobilisation Advance (MA). A project is considered grounded only after issue of work order and commencement of physical work; in absence of which, the sanction lapses after 18 months and any MA released is required to be adjusted or recovered.

Audit noticed that NABARD had sanctioned (2018-23) 19 water supply projects⁶⁷ (out of the total 263 sanctioned) at a cost of ₹ 81 crore⁶⁸, to be completed by March 2023 and aimed to provide safe drinking water to a population of 1.93 lakh. However, these 19 projects were not started despite NABARD releasing loan of ₹ 32.01 crore. Consequently, GoJ&K could not receive further funding of ₹ 49 crore from NABARD.

In reply, Department stated (August 2025) that due to composite tendering the projects could not be started. It was added that in October 2023, condition of the composite tendering was relaxed and these works are now at final stage of completion.

Not ensuring timely initiation of the projects within the stipulated period of 18 months despite availability of funds deprived the beneficiaries of the intended benefits.

6.4.3.3 Irregular expenditure of project funds

In 10 Divisions⁶⁹, a total expenditure of ₹ 52.09 crore was incurred on 24 water supply projects⁷⁰ sanctioned during 2018-23 under NABARD. Out of this, ₹ 0.70 crore⁷¹ (1.34 *per cent*) was incurred on items of works (maintenance, repairs and other works⁷²) which did not form part of approved DPRs for these projects. Further, ₹ 1.24 crore⁷³

⁶⁷ Including 05 sampled project (Kashmir: WSS Gulabdaji poskar; Jammu: WSS Upper Bhajwal; WSS Narwal; WSS Batala and WSS Ambaran).

⁶⁸ Under RIDF-XXV (2019-20: 04 Projects) and RIDF-XXVI (2020-21: 15 projects).

⁶⁹ Kashmir Division: Chadoora, Budgam, Bandipora, Awantipora, Jammu Division: Doda, Reasi, Kathua, Rural Jammu, Samba and Nowshera.

⁷⁰ Kashmir: 9 and Jammu: 15.

⁷¹ Reasi: ₹ 15.74 lakh, Rural Jammu: ₹ 12.82 lakh, Nowshera: ₹ 10.44 lakh, Chadoora: ₹ 6.75 lakh, Budgam: ₹ 5.82 lakh, Bandipore: ₹ 14.13 lakh and Awantipora: ₹ 3.87 lakh.

⁷² Disposable chamber, Sludge disposal, fitting items, store items, construction of production well, construction of sump tank, boundary wall and chowkidar quarters etc.

⁷³ Doda: ₹ 2.79 lakh, Kathua: ₹ 38.55 lakh, Rural Jammu: ₹ 23.09 lakh, Samba: ₹ 9.90 lakh, Nowshera: ₹ 11.95 lakh, Chadoora: ₹ 19.35 lakh, Budgam: ₹ 3.10 lakh, Bandipore: ₹ 3.92 lakh and Awantipora: ₹ 11.16 lakh.

was diverted for execution of works outside the respective schemes, which were beyond the scope of NABARD funding.

In reply, Department stated (August 2025) that some of the emergent works which were not incorporated in the DPRs and were necessary for successful completion of the scheme had been executed as per site requirements.

The reply is not satisfactory as the expenditure was incurred on the works outside the scope of DPRs. This indicated DPRs were prepared without proper assessment of site requirements.

6.4.3.4 Blockade of funds

The Executive Engineer, PHE Division Doda credited (March 2018) ₹ 20.46 lakh pertaining to the NABARD project “Water Supply Scheme (WSS) Bari” to the Deposit Head (Major Head-8443 Civil Deposits). The amount remained parked under the deposit head, resulting in non-completion of the project as of March 2023 against the scheduled completion of March 2020. The records did not indicate the reasons for crediting the funds to the deposit head; however, this may have been done to avoid surrender of funds.

On being pointed out in Audit, Department stated (August 2025) that amount was deposited in civil deposit head in March 2018, but due to dispute among the local people, the work was delayed. The dispute was resolved in February 2022 and 90 per cent of work was completed.

The reply was, however, silent on utilisation of funds deposited in civil deposit head.

6.4.4 Project implementation

NABARD guidelines stipulate that projects should be selected after comprehensive study of technical, economic, financial, and organisational aspects to ensure that capital resources are used to create productive assets, which are expected to realise benefits over a period of time. Risk factors in project implementation such as land acquisition, forest clearance and other bottlenecks are to be identified at the time of project proposals and suitable steps taken for mitigation of risks for timely completion of projects. The normal phasing for implementation of projects under RIDF is four years for J&K. Instances of not observing these requirements in 23 test-checked divisions of JSD (PHE) and their impact are discussed in the succeeding paragraphs.

6.4.4.1 Allotment of project without approved design

The JSD accorded (February 2018) administrative approval to the project “WSS Bagh-i-Nowgam”, Anantnag at a cost of ₹ 2.95 crore, targeted for completion by March 2021, to provide safe drinking water to six habitations with a population of 2,710.

Audit examination of records of the Executive Engineer, JSD Bijbehara revealed that the key component of the project, construction of the Overhead Tank (OHT), was allotted (June 2019) to a contractor at a cost of ₹ 0.65 crore without an approved design, due to which the work could not be started. The design was subsequently approved in February 2020, increasing the cost of the OHT to ₹ 0.91 crore, and the contractor commenced work in August 2020. However, the Department decided (March 2023) that the contractor would execute the work only at the originally allotted cost of ₹ 0.65 crore, and the remaining works would be re-tendered. As of March 2023, expenditure of ₹ 2.55 crore had been incurred on the project, which was only 76 *per cent* physically completed. The project could not be commissioned as of August 2025.

While accepting the audit observation, the Department stated (August 2025) that the work was allotted without approved design as the same was awaited from the Design, Inspection and Quality Control Department (DIQC), and that the design was approved later with cost escalation due to bearing capacity considerations. It was added that the remaining portion of work was taken up under JJM and delayed due to pending land compensation.

Thus, inability of the Department to obtain approved design before allotment of work resulted in significant delay, leaving the project incomplete even after two years beyond the stipulated completion date, led to cost escalation of ₹ 0.26 crore, and deprived six habitations with a population of 2,710 of safe drinking water during the period of delay.

6.4.4.2 Defective Detailed Project Reports

According to NABARD's RIDF guidelines, the DPRs are to be submitted for all projects and the projects must be technically feasible and economically viable. Audit noted the following deficiencies in this regard:

(I) The project "WSS Nagbani" was sanctioned (August 2018) under NABARD (RIDF-XXIV) at a cost of ₹ 3.92 crore, with stipulated completion by March 2021.

Audit examination disclosed that although the DPR proposed drilling of a tube well near the existing one, no provision was made for acquisition of land. Nevertheless, funds were advanced (November 2018 to January 2019) by the Chief Engineer, Jammu to the Mechanical Division for procurement of material and to the Ground Water Drilling Division for drilling of the tube well. An expenditure of ₹ 1.28 crore was booked in 2018-19 and 2019-20 as advances to sister divisions and Small-Scale Industries Development Corporation Ltd. (SICOP) for procurement of material. However, no progress was made in construction of the tube well due to absence of land acquisition provision in the DPR.

In reply, the Department stated (August 2025) that the scheme was foreclosed and its scope covered under the Jal Jeevan Mission (JJM). It further stated (October 2025) that ₹ nine lakh paid to SICOP for procurement of Tar Steel would be utilised in

forthcoming tenders, and that ₹ 57 lakh advanced to the Executive Engineer, Jal Shakti (PHE) Mechanical Ground Water & Drilling Division, Jammu could not be utilised for drilling at Nagbani due to site-related issues and was instead utilised for drilling tube wells under other ongoing NABARD schemes.

The fact remains that the funds were not utilised on the intended scheme.

(II) The project “WSS Batala” was sanctioned (September 2020) under NABARD (RIDF-XXVI) at a cost of ₹ 10.59 crore, and administrative approval was accorded (November 2020) at ₹ 10.57 crore. The DPR proposed a bore well with an anticipated discharge of 35,000 gallons per hour. However, the selected site (CPS Boria) already had six tube wells supplying other WSSs, none of which had a discharge of 35,000 gallons per hour, and drilling of an additional tube well would have adversely affected the existing sources.

Further, the proposal to lay a 200 mm rising main of 6,800 m length up to a head of 275 m for direct conveyance of water to the existing Ground Service Reservoir (capacity: one lakh gallons) without any intermediate stage was found to be practically unviable.

Consequently, a revised DPR for ₹ 10.28 crore was prepared proposing two tube wells of 10,000 gallons per hour at two locations (Gladni and near Ravidass Temple, Boria) with staged lifting. Although technical sanction was accorded (November 2022), execution had not commenced as of March 2023, resulting in non-utilisation of ₹ 3.61 crore released during 2020-21 and 2021-22 due to preparation of a faulty DPR.

While accepting the audit observation, the Department stated (August 2025) that execution was delayed due to non-availability of a viable water source as envisaged in the DPR, and that drilling of one tube well under the revised DPR was under progress. During the Exit Conference (October 2025), the Department assured corrective action.

6.4.4.3 Execution of projects without ensuring encumbrance free land

Audit noted that in respect of three sampled WSSs, execution of projects had been started without ensuring encumbrance free land. As a result, safe drinking water could not be provided to a population of 9,596 despite expenditure of ₹ 7.24 crore as detailed in **Table 6.4.3**.

Table 6.4.3: Execution of projects without providing encumbrance free land

Name of the WSS	Year of sanction/ Cost/ Executing Division	Expenditure details	Status of work
WSS Shiva Bajarni (for providing safe drinking water to population of 1,445 in five habitations of Shiva Bajarni areas)	August 2018/ ₹ 3.67 crore; PHE Doda	₹ 3.38 crore was spent on construction of 0.20 lakh gallon Ground Service Reservoir (GSR), gravity main and distribution system during 2018-23.	The PHE Division Doda started the work on the project in 2018-19 on private land without transfer of title of the land in favour of the implementing division. The landowner got the work stopped midway for land compensation. In reply, Department stated (August 2025) that the land dispute had been settled, the work was in progress and expected to be completed during 2025-26. The fact, however, remained that work was started without ensuring encumbrance free land, which led to stoppage and delay in completion of work.
WSS Rehan Tralla (for providing safe drinking water to 4,374 inhabitants of village Rehan and Trala Gujuran)	September 2020/ ₹ 3.71 crore; PHE Rajouri	₹ 2.12 crore spent on construction of two 30,000 gallons GSRs, two 15,000 gallon GSRs, Slow Sand Filtration Plant, Rising main (80 per cent) during 2018-23.	The project work was commenced on private land in 2021-22 without legal acquisition of land, due to which the landowner stopped further execution of works relating to the Filtration Plant and other infrastructure. In reply, the Department accepted (August 2025) that the balance work remained incomplete due to land dispute and stated that the scheme was partially functional. The reply needs to be viewed in light of the fact that, in the absence of a functional filtration plant, supply of potable drinking water was not feasible.
WSS Navade Chak (to provide safe drinking water to population of 3,777)	Year 2018 at a cost of ₹ 3.46 crore; PHE Rural Division Jammu	₹ 1.74 crore was spent on drilling of tube well and construction of electric sub-station etc. during 2018-20.	The project work was commenced at the approved site in 2018-19; however, the site for drilling of the tube well was changed (August/September 2019). As the land at the new site at village Chak Sardar Desa Singh was not legally acquired, the landowner stopped further execution of the project from 2020-21. In reply, the Department accepted (August 2025) that the balance work remained incomplete due to land dispute.

6.4.4.4 Execution of project without identification of feasible site

Audit noted that projects were executed without identification of feasible sites as discussed in the following paragraphs:

(I) The project “WSS Rakyen” was sanctioned (February 2017) under NABARD (RIDF-XXII) at a cost of ₹ 3.19 crore, with a target date of completion of March 2020, to provide safe drinking water to four villages (Balkote, Silikote, Mothal and Thandi Kasse) having a population of 3,159. Audit examination revealed that construction of a key component, the filtration plant, was allotted (January 2018) but could not be commenced due to landslide in the area. During 2016-17 to 2022-23, JSD (PHE) Uri incurred an expenditure of ₹ 2.45 crore on other components such as service reservoir and pipe networks; however, the project was only 77 *per cent* complete. Despite lapse of six years since allotment of work, alternate land for construction of the filtration plant had not been identified as of February 2024, rendering the scheme non-functional.

In reply, the Department stated (August 2025) that the project had been physically and financially closed and that the infrastructure created under NABARD was integrated with a retrofitting scheme under JJM (“WSS Soura Hathlanga”) to provide potable water.

However, in the monthly progress report of March 2026, the Department has shown the work of “WSS Rakyen” as ‘still in progress’ which is contrary to reply furnished in August 2025.

(II) The project “WSS Narwal” was sanctioned (February 2020) under NABARD (RIDF-XXV) at a cost of ₹ 4.74 crore, with completion targeted for March 2023. Audit noticed that funds of ₹ 1.03 crore (2021-22) and ₹ 1.50 crore (2022-23) were released to PHE-II, Jammu and the Ground Water Drilling Division (GWDD), Jammu for civil works and drilling of tube well, respectively. However, the GWDD could not drill the tube well as the selected site (*Panchayat Ghar*) was not approachable for heavy machinery due to inadequate road width. Consequently, no work for development of the water source could be executed and ₹ 2.53 crore remained unutilised as of August 2023.

In reply, the Department stated (August 2025) that a fresh survey was conducted, a new site was identified, drilling was completed and remaining works were under progress.

The fact, however, remained that due to wrong selection of site for development of the water source, the project remained incomplete as of August 2025.

6.4.4.5 Deficient execution of projects

Audit noticed that deficiencies in execution of projects resulted in not providing of safe drinking water to targeted population, as discussed in the following paragraphs:

(I) The project “WSS Neejbal Markundal” was sanctioned (March 2018) under NABARD (RIDF-XXIII) at a cost of ₹ 3.98 crore for providing safe drinking water to

six habitations of Neejbal, Markundal areas having population of 4,500. The stipulated date of completion of project was March 2021.

Audit examination disclosed that the division incurred an expenditure of ₹ 1.32 crore⁷⁴ on the project during 2017-23. The execution of the project was stopped as the cost of the work had escalated due to preparation of estimates based on outdated Schedule of Rates (SoR) of 2012. One of the key components of the scheme i.e., clear water sump cum pump house, without which the scheme cannot be commissioned, was not incorporated in the original DPR. This component was subsequently proposed (June 2023) for execution under Jal Jeevan Mission (JJM) scheme. Thus, the project could not be commissioned despite incurring an expenditure of ₹ 1.32 crore.

In reply, Department accepted (August 2025) the audit finding and stated that remaining component had been taken up under retrofitting in JJM. It was also stated that the work was expected to be completed soon.

(II) The project “WSS New Colony Mamath”, Budgam was sanctioned (August 2018) under NABARD (RIDF-XXIV) at a cost of ₹ 1.12 crore to provide drinking water to two areas with a population of 1,350, with stipulated completion by March 2021. Audit noted that, in violation of NABARD guidelines mandating e-tendering, the pipe distribution system was allotted (June–October 2019) to five contractors through manual tendering. Pipe material of 2,800 metres of 100 mm GI pipes valuing ₹ 21 lakh was issued (2019-20) to the contractors. However, in view of Government instructions (December 2019) requiring adoption of e-tendering, payments could not be made to the manually selected contractors.

Although the Department issued repeated notices, latest in August 2023, for return of the pipe material, the contractors demanded payment for handling and shifting of pipes, and no action was taken till February 2024 to cancel the contracts and re-tender the works. Consequently, no further work was executed and expenditure of ₹ 0.87 crore incurred during 2018-23 was rendered unfruitful, depriving a population of 1,350 of safe drinking water.

In reply, the Department accepted (August 2025) that the pipe material had been issued but not laid, resulting in non-completion of the scheme. It further stated (October 2025) that the matter for recovery of pipe material had been taken up with the Police Department, with a copy endorsed to the Deputy Commissioner, Budgam, and that the process of blacklisting the contractors had been initiated. The Department also stated that part of the population was covered under Jal Jeevan Mission and the remaining coverage was proposed under District CAPEX.

(III) The project “Improvement and augmentation of WSS Tandwal, Rajouri” was sanctioned (August 2018) under NABARD (RIDF-XXIV) at a cost of ₹ 3.73 crore, with stipulated completion by March 2021, to provide adequate water supply to a

⁷⁴ ₹ 54.96 lakh on procurement of pipes, Chain link fencing and laying of 1,000 m rising main of 150 mm and ₹ 76.60 lakh on purchase of mechanical equipment and machinery.

population of 2,202 in five areas (Tandwal, Patan Mohra, Karian, Mubarakpura and Chawa), including augmentation for areas facing depletion of discharge from the existing dug well.

Audit examination revealed that although the DPR proposed Sukh Tawi River as the water source, the scheme was modified to drilling of two bore wells due to non-availability of land for a filtration plant. As of March 2023, expenditure of ₹ 2.78 crore had been incurred on drilling of two bore wells, installation of pumping machinery, construction of pump rooms and electric substations. While bore well No. 2 was made functional, bore well No. 1 remained non-functional as of August 2023 due to non-installation of mechanical components and non-laying of the rising main, resulting in inability to achieve the intended objective even after lapse of over two years beyond the stipulated completion date.

In reply, the Department stated (August 2025) that the electric substation had been installed at bore well No. 1 and installation of mechanical components was under progress, with overall physical progress at 70 *per cent*. The reply, however, needs to be viewed in light of the fact that despite lapse of more than four years beyond the stipulated completion date, the project was only 70 *per cent* complete.

(IV) The project “WSS Labertal Chandpore”, Budgam was sanctioned (August 2018) under NABARD (RIDF-XXIV) at a cost of ₹ 1.74 crore to provide water to four habitations (Labertal, Latipora, Garindcheck and Chandpore) with a population of 5,486, using Sukhnag Nallah as the water source, with stipulated completion by March 2021. Audit examination revealed that JSD (PHE) Division Budgam incurred an expenditure of ₹ 1.64 crore and reported the project as 92 *per cent* complete as of December 2023. However, against the DPR requirement of 24,850 metres of pipeline, only 6,072 metres had been issued to contractors, leaving 18,778 metres (76 *per cent*) unissued, indicating either incorrect reporting of physical progress or a defective DPR.

In reply, the Department stated (August 2025) that the scheme was completed and commissioned except one habitation (Latipora), where distribution lines could not be laid due to conflict among villagers. However, fact remains that the scheme was reported as completed without laying the envisaged 76 *per cent* of pipeline.

6.4.5 Incorrect reporting on completion of project

The project “WSS Hanjura” was sanctioned (February 2017) under NABARD (RIDF-XXII) at a cost of ₹ 3.27 crore and scheduled to be completed by March 2020. The Executive Engineer, JSD (PHE) Division Chadoora incurred an expenditure of ₹ 2.91 crore during 2018-23 on the project. It was noted that land compensation of ₹ 0.50 lakh was disbursed to the landowner against the provision of ₹ 25 lakh in the DPR. Due to inability to pay land compensation, landowner did not allow further execution of works. As such, project could not be made functional. However, the project was wrongly shown as completed in the records of the Division as on October 2023.

In reply, Department accepted (August 2025) that the scheme was still incomplete and erroneously shown as completed.

6.4.6 Execution of projects without Technical Sanction

As per NABARD Guidelines, Technical Sanction (TS) is required to be accorded within three months of project sanction to ensure that estimates are based on proper surveys and that designs are technically feasible. Audit noticed that out of 263 projects implemented during 2018–23, TS had not been accorded in 232 projects (88 *per cent*), indicating that execution of these works lacked assurance of accurate estimates and proper surveys.

In reply, the Department stated (August 2025) that, except for a few turnkey projects, almost all NABARD projects were executed after accord of TS. The reply is not satisfactory, as TS had not been granted in the majority of projects up to March 2023 and no documentary evidence was furnished to substantiate the contention.

6.4.7 Monitoring and inspections

NABARD guidelines provide for monitoring of projects by both NABARD and the departmental authorities through periodic field visits.

Audit noted that inspection notes or site order books in support of the inspections carried out by departmental authorities (Executive Engineers, Superintending Engineers and Chief Engineers) were not prepared/ maintained by work executing divisions. This indicates that inspections, if any, carried out by higher authorities were not documented. Besides, NABARD had also not carried out any inspection in respect of 75 ongoing sampled projects during the period 2018-19 to 2022-23.

In reply, Department stated (August 2025) that the robust monitoring and inspection system exists in the Department and proper documentation process was in place. However, no supporting documents were furnished with reply.

6.5 Conclusion

Against GoI consent for raising loans of ₹ 3,900 crore from NABARD, GoJ&K availed only ₹ 2,316.37 crore (59 *per cent*) during 2018-19 to 2022-23. Disbursement by NABARD ranged between 28 and 84 *per cent* across tranches, primarily due to slow progress of works. In several cases, loans lapsed due to non-adherence to prescribed timelines.

Delays in release of Mobilisation Advance (MA), retention of MA by the Finance Department, excess release in some projects, and non-utilisation of MA were noticed. These deficiencies adversely affected cash flow and timely execution of projects.

Project planning and prioritisation were weak across the executing departments. Baseline data and State/ UT-level planning frameworks envisaged under NABARD guidelines were either absent or not effectively used for project selection. Mandatory

pre-requisites such as availability of encumbrance-free land, forest and statutory clearances, identification of viable water sources, and approval of technically sound DPRs were not ensured before sanction or execution, leading to stalled, abandoned or foreclosed projects.

Execution of projects suffered from systemic deficiencies, including delays in release of funds, non-commencement and slow progress of works, diversion and misutilisation of funds, execution without Technical Sanction, defective DPRs, improper site selection and inadequate contract management. Monitoring and inspection mechanisms were weak, as periodic field inspections were either not conducted or not documented.

As a result, a significant proportion of projects remained incomplete, with substantial time and cost overruns, and the intended objectives of irrigation and flood management, provision of safe drinking water and improvement of rural road connectivity were not achieved within the envisaged timeframes. Overall, there is need for strengthening institutional planning, financial discipline, inter-departmental coordination, technical scrutiny and monitoring mechanisms to ensure effective utilisation of NABARD assistance and timely delivery of intended benefits.

The citizen-centric objective of NABARD funding to provide low-cost funding to State/UT Governments for completing delayed rural infrastructure projects, bridging the rural urban gap and promoting inclusive growth, covering areas like irrigation, roads, health, education and water, is yet to be realized.

6.6 Recommendations

The Government may consider that the:

- *Timelines for release of Mobilisation Advance to Implementing Departments by Finance Department may be prescribed in sanction order in consultation with NABARD.*
- *System may be developed to prevent occurrence of release of Mobilisation Advance twice for same project.*
- *Pre-execution approvals from various authorities before initiating the projects are ensured.*

PART-C
INFORMATION TECHNOLOGY (IT)
AUDIT

CHAPTER-VII

**IT AUDIT OF INTEGRATED
FINANCIAL MANAGEMENT SYSTEM
IN JAMMU AND KASHMIR**

CHAPTER-VII

INFORMATION TECHNOLOGY AUDIT OF INTEGRATED FINANCIAL MANAGEMENT SYSTEM IN JAMMU AND KASHMIR

Finance Department

7.1 Integrated Financial Management System in Jammu and Kashmir

7.1.1 Introduction

The Integrated Financial Management System (IFMS) was envisaged under Mission Mode Project (MMP) of the National e-Governance Plan (NeGP). It is a comprehensive financial management system for ensuring effective financial management and real-time monitoring of the fiscal position of the State. To attain these objectives, the Government of Jammu and Kashmir (GoJ&K) took up (March 2010) implementation of IFMS.

GoJ&K selected National Informatics Centre (NIC), New Delhi to formulate a proposal for implementation of Integrated Financial Management System (IFMS) in Jammu and Kashmir. The selection was made after reviewing the scope of work done by NIC in Maharashtra and Karnataka and its prior experience in implementing IFMS in other States.

Accordingly, NIC submitted (April 2010) the draft project proposal which *inter-alia* included electronic integration with external stakeholders like Reserve Bank of India (RBI), Banks, Accountant General's office, Life Insurance Corporation, Income Tax Department and others.

After incorporating the requirements of the erstwhile State in the project proposal, Finance Department (FD), GoJ&K prepared (January 2011) a Detailed Project Report (DPR) for implementation of project. The DPR was vetted by the Information & Technology Department of GoJ&K and was submitted (January 2011) to Ministry of Finance, Government of India by FD, GoJ&K for approval.

The Ministry of Finance, Government of India (GoI) approved the project and released the first instalment of funds for implementation of project in March 2011. In terms of cabinet decision dated 19 October 2011, the Implementation of IFMS in 121 treasuries¹ was planned in three² phases.

¹ Implemented in 121 treasuries as per Revised GoJ&K Treasury Code notified vide no. S.O. 53 dated 17 February 2021 of Finance Department, GoJ&K.

² Phase-I: District level and Muffasil treasuries; Phase-II: Sub-treasuries and Phase-III: Remote Sub-treasuries.

The objectives of IFMS project are as follows:

- Monitoring and controlling of State revenue and expenditure.
- Effective management of the State's finances so that funds are optimally utilised for various citizen centric projects.
- Effective and improved delivery of services related to pension processing, fund accounting and maintenance of House Building Advance/ Motor Car Advance (MCA) accounts.
- Managing the Budget process and timely release of grants/ funds to Government departments/ organisations.
- Effective support and coordination with other departments.
- Interfacing with Jammu and Kashmir Bank Limited (J&KBL)/ Reserve Bank of India and Accountant General's office regarding payments/ receipts, finalisation of State accounts and managing grants/ funds received from Government of India (GoI) and other agencies.
- Facilitating the Drawing and Disbursing Officers (DDOs) to track their budget allotment and payments.
- Putting in place an effective Management Information System (MIS) for decision making.
- Maintaining financial accounting and facilitating automated account generation across the State/ Union Territory (UT).

Twelve modules initially incorporated in Detailed Project Report are listed in **Table 7.1.1**. While the Mission Mode Project guidelines proposed inclusion of four additional modules out of which C&AG interface module and E–Audit were not implemented.

Table 7.1.1 Details of IFMS Modules as per DPR and MMP

Modules as listed in the DPR	
1.	Budget Management Module
2.	Online Bill Submission
3.	Online Challan System
4.	Stamp Module
5.	Inventory Management
6.	Personal Deposit Accounts
7.	Works Department
8.	Pension Module
9.	Linkage with other deduction agencies
10.	Letter of Credit Management
11.	New Pension Scheme
12.	Reconciliation with RBI
Additional Modules as listed in the MMP	
13.	C&AG Interface
14.	E-Audit

Additional Modules as listed in the MMP	
15.	E-Status Enquiry
16.	Financial Data Warehouse

(Source: Detailed Project Report – IFMS and Mission Mode Project Guidelines)

7.1.2 Broad technical features of IFMS

In J&K, IFMS comprises separate web-based portals for distinct functions such as:

Table 7.1.2 Details of technical specifications of the system

S. No.	Name of Application	Function	Source Technology	
			Front-end	Back-end
1	BEAMS	Budget Estimation, Allocation & Monitoring System for budget allocation	MS .Net	MS SQL
2	JKPaySys	J&K Payment System for bill preparation	MS .Net	MS SQL
3	TreasuryNet	For Treasury operations	PHP	POSTGRES SQL
4	GRAS ³	Government Receipt & Accounting System for generating online challan.	PHP	POSTGRES SQL

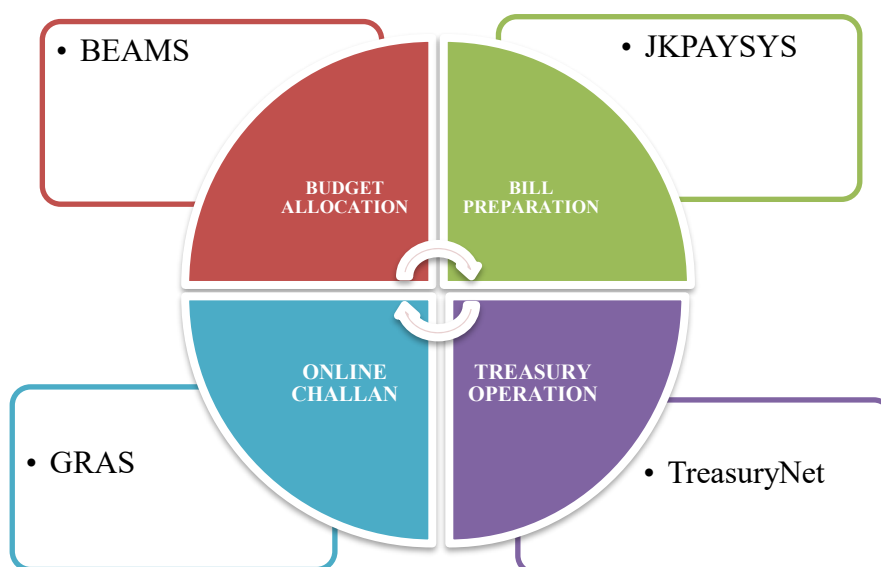
(Source: Information furnished by Director General, Accounts and Treasuries)

Except TreasuryNet, these portals are accessible over internet for its end-users. TreasuryNet application, however, is accessible only to treasury users through NIC Net/ Intranet. These internet portals act as a web interface for delivering services for departmental users and citizens. Users are provided access to the services based on their roles using login Id and Password. State Wide Area Network (SWAN) was supposed to be implemented for providing connectivity to the IFMS applications, which was not done as of March 2023, instead NIC Net is being used for providing the connectivity.

The distinct functions of the four web-based portals of IFMS are given in the **Chart 7.1.1:**

³ GRAS Application is currently being used only by seven Departments out of total 36 Departments while onboarding of two is under progress.

Chart 7.1.1: Applications under IFMS

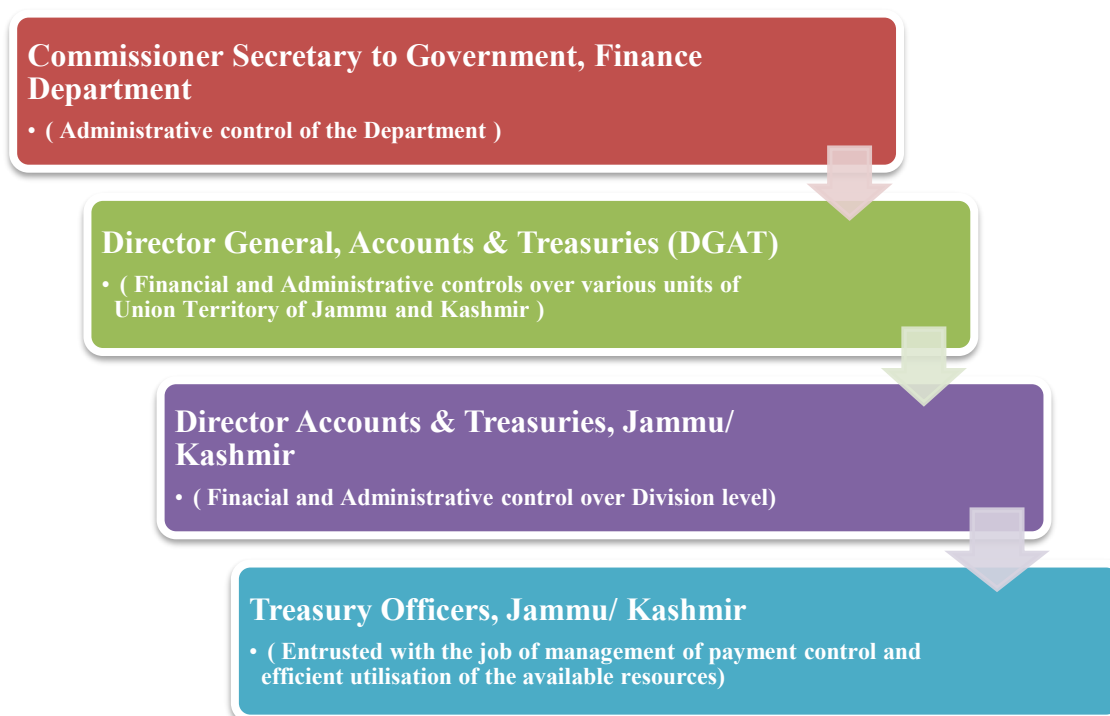


7.1.3 Organisational structure

The Commissioner Secretary (CS) to GoJ&K, Finance Department is responsible for taking broad policy decisions regarding IFMS. The Department of Treasuries (DoT) headed by the Director General, Accounts & Treasuries (DGAT) under the Chief Secretary (CS), Finance Department is responsible for implementation of IFMS.

The organisational structure of Finance Department which is responsible for implementation of IFMS is illustrated in the flow **Chart 7.1.2:**

Chart 7.1.2: Organisational Structure of Finance Department and their functions



(Source: DGAT-JK)

7.1.4 Audit Objectives

The Audit of IFMS was conducted to ascertain whether:

- Requirement for implementation of IFMS has been put forward in complete form for each of its module with stakeholder consultation.
- Implementation and effectiveness of the IFMS in the erstwhile State/ UT of Jammu and Kashmir enhanced financial management and decision making efficiency.
- Development of IFMS has been carried out in accordance with the work order and Master Service Agreement (MSA).
- Adequate internal controls are in place during the implementation of IFMS.
- Implementation of IFMS has been able to secure assets, ensuring data integrity and provided for secure and uninterrupted operations, and to check whether process of the implementation from the beginning has been documented comprehensively.

7.1.5 Audit Criteria

The criteria for audit were derived from the following:

- J&K Treasury Codes 2021;
- JK Financial Codes Volume -1 and J&K Budget Manual;
- The Memoranda of Understanding between Finance Department, GoJ&K, NIC, New Delhi and National Informatics Centre Services Incorporated (NISCI);
- Project Proposal of IFMS submitted (April 2010) by NIC and approved (October 2011) by J&K Cabinet;
- Mission Mode Project-Computerisation of Treasuries guidelines (July 2010);
- Detailed Project Report of IFMS;
- Guidelines and Notifications by Ministry of Electronics and Information Technology (MeitY), GoI and
- System Design and Development documents provided by NIC.

7.1.6 Audit Scope and Methodology

The Audit covered the period since inception of the project in 2011-12 to 2022-23. As the integration of modules of IFMS, which were running independently initially, was done in April 2020, the database for the years 2021-22 and 2022-23 were analysed in audit. Audit was conducted during May 2023 to March 2024 and examination of

modules developed out of the proposed 12 modules as of March 2023 were selected for detailed check.

The audit methodology involved analysis of:

- Documents relating to project implementation.
- Analysis of the Application Control and User Interface.
- The Memorandum of Understanding and Service Level Agreements.
- Analysis of databases using data dump provided.
- Network performance and security controls with the growing number of users and related change in the hardware/software.
- Availability of Information Technology (IT) infrastructure.

An entry conference was held on 12 May 2023 with the Director General, Accounts and Treasuries (DGAT), Finance Department, GoJ&K in which the audit objectives, methodology, scope and criteria were explained. An Exit Conference was held on 15 October 2025 with Principal Secretary Finance Department, GoJ&K during which, the recommendations made by audit were accepted by the Department. The replies given to the audit observations have been suitably incorporated in the report.

7.1.7 Acknowledgement

Audit acknowledges the cooperation and assistance extended by the office of Director General, Accounts & Treasuries (DGAT) and staff of NIC - J&K in conducting the Audit.

7.2 Planning and Financial Management

7.2.1 Project Planning

The Project Planning for implementation of IFMS in J&K started with the Finance Department (FD), GoJ&K directing (March 2010) the erstwhile State unit of NIC i.e. NIC-J&K to submit a project proposal for implementing the project. The FD also deputed a team of officers of its department as well as of NIC to Pune to acquaint themselves with the IFMS model adopted by the Karnataka and Maharashtra Governments.

7.2.1.1 Preparation of Project Proposal: Implementation of IFMS without proposing actual and comprehensive requirements

As per the decision taken (February 2010) during meeting of Finance Department, GoJ&K⁴, DGAT had to submit requirements to NIC for software development, within one month, after going through the Karnataka IFMS model. Further, NIC was to prepare

⁴ Under the Chairmanship of Commissioner Secretary.

the Project Report within a period of one and half months, so that further action could be taken regarding projection of requirement of funds to GoI/ GoJ&K.

However, DGAT, J&K failed to submit any requirements of IFMS to NIC-J&K. In absence thereof, the actual and comprehensive IFMS requirements of J&K containing the vital information such as tasks to be performed, budget and costing, additional services to be rendered, terms and conditions of the contract, penalties in case of violations etc. could not be proposed for implementation.

Subsequently, NIC-J&K submitted (April 2010) a project proposal based on Maharashtra IFMS model for implementation of IFMS in J&K. Based on the proposal of NIC, FD, GoJ&K formulated the DPR for ₹ 25.50 crore which was approved by J&K Cabinet in October 2011.

Thus, DGAT relied entirely on NIC-J&K to implement IFMS in J&K potentially leading to inefficiencies and sub-optimal outcomes as discussed in succeeding Paragraphs of the report. No minutes of Steering Committee were provided to audit, in the absence of which audit could not ascertain if the overall supervision of the project was done properly.

Non-projection of overall requirement of J&K regarding IFMS was also evident from inclusion of unrelated URL ⁵ of Arthvahini modules of Maharashtra in Software Requirement Specification (SRS) of GRAS, which had no functional utility in J&K.

On being pointed out, Department stated (November 2024) that prior to implementation of project, comments were solicited from Planning and Development Department and IT Department for clearance. Decisions regarding implementation of IFMS and its customisation and design were made through discussion and meeting involving Finance Department, DGAT, NIC and Principal Accountant General. It was further stated that proposal submitted by NIC was thoroughly discussed in multiple meetings of Finance Department and the concerned stakeholders.

However, no such documentation or minutes of these meetings were provided to Audit. Further, shifting the entire responsibility of formalising the requirements of the erstwhile State and implementation of IFMS onto NIC does not absolve the DGAT, J&K of its responsibility to submit the actual and comprehensive project requirements.

7.2.1.2 Non-formation of the Core Consultant Group (CCG) for implementation of IFMS

As per DPR, experts from the all stakeholders were expected to guide NIC for preparation of Systems Requirement Specification and Business Process Re-engineering related efforts to ensure that the user interface fulfils the usability requirements. A Core Consultants Group (CCG) should have been formed by the user

⁵ Resolution (No. Seva Pra. 2008/ Pra kra 79/1/kosha (pra-3) dated 28 May 2008 of Government of Maharashtra for URL of Arthvahini (Maharashtra Module) module as <https://arthvahini.J&K.gov.in/EChallan/frmBank/Response.php>

department and should have remained active until the completion of the IFMS Project. CCG was mandated to have included the experts from all groups of stakeholders such as Accountant General's office, Reserve Bank of India, ITD and other financial institutions conducting Government business. NIC would complete the system design and development as per stipulated timelines and would make the system available for Acceptance Testing to the CCG and other team specifically designated by Finance department for this purpose.

Audit noted that GoJ&K had not formed CCG as of March 2023 for implementation of IFMS. In absence of CCG, the audit could not ascertain whether expert recommendations and user requirements, for the design and development, were taken into consideration and were adequately tested before being deployed. This raises doubt regarding project's effective implementation.

Department stated in its reply (November 2024) and Exit Conference (October 2025) that various committees were constituted over the time for smooth implementation of project such as State Level Committee (SLC) and Treasury Core Group (TCG), Purchase Committee, Committee for purchase of Hardware, Application Certification Team and working Group. It was informed in the Exit Conference that department will constitute a Project Steering Committee with the representatives from DGAT, NIC, IT Department and AG Office for regular review and functional alignment.

These committees, however, did not include any provision for representation of said stakeholders and only included members of DGAT and NIC. With respect to the Application Certification Team, no User Acceptance Testing (UAT) was conducted except for TreasuryNet in 2011 (further discussed in **Paragraph 7.5.1.1**). No CCG was constituted as per the requirements of project proposal and the minutes of meetings of these committees were not made available to audit.

7.2.2 Financial Management

The status of allotment of funds (Central and State/ UT share) for implementation of IFMS under GoI's approved (July 2010) Mission Mode Project (MMP)- Computerisation of Treasuries under National e-Governance programme as of March 2023 is given in **Table 7.2.1**.

Table 7.2.1: Allotment of funds for implementation of IFMS as of March 2023

(₹ in crore)

Particulars	GoI Share		State/UT Share		Total
IFMS Funds sanctioned	7.92		35.47		43.39
Funds released to DGAT	7.20		35.47		42.67
Balance funds with GoJ&K	0.72		Nil		0.72
	NICSI	Others ⁶	NICSI	Others	
Funds released by DGAT	1.19	6.01	33.27	2.20	42.67

⁶ DGS&D, J&K Bank, MeitY, BSNL and J&K Police Housing Corporation.

Particulars	GoI Share		State/UT Share		Total
Balance funds with DGAT	Nil	0.31 ⁷	Nil	Nil	0.31
Net Release by DGAT	1.19	5.70	33.28	2.20	42.36

(Source: Information furnished by DGAT)

The issues related to the funding are further discussed in the subsequent paragraphs:

7.2.2.1 Non-fulfilment of required conditions: Loss of central assistance of ₹ 11.88 crore

As per MMP, the implementation of project was to span two years after which NIC was to do handholding through Annual Maintenance Contract for another three years. The expenditure of ₹ 8.56 crore of AMC was to be met by GoJ&K. In October 2011, the J&K cabinet approved the DPR of IFMS by NIC-J&K.

As per the MMP–Treasury computerisation scheme, the Central share was to be released to the designated State/Union Territory (UT) in three instalments of 40 per cent, 30 per cent and 30 per cent respectively.

The States/UTs were required to complete their project in three years and any residual components were allowed to be spilled over into the fourth year. However, the release of second and third instalments was contingent upon achieving stipulated milestones as outlined in **Table 7.2.2**.

Table 7.2.2: Milestones prescribed for release of central assistance

Instalment	Prescribed Milestone
1 st instalment	On approval of treasury computerisation plan
2 nd instalment	- Utilisation of the amount released earlier. - Purchase or part purchase of hardware/upgradation of hardware. - Purchase/development of software. - Completion of Business Process Re-engineering (BPR) exercise. - E-connectivity (at least through e-mail) between district treasuries and Finance Department of State/UT. - Commencement of training of staff. - Achievement of milestones as per approved plan
3 rd instalment	- Utilisation of the CS/ State/UT share. - Completion of code amendment exercise. - Demonstration of connectivity with RBI, Accountant General (AG), Controller of Government Accounts and agency banks. - Operationalisation of all the modules in accordance with the guidelines

(Source: MMP Guidelines for Computerisation of Treasuries)

Audit noted that no further Central Share was released as GoJ&K failed to fulfil the following prescribed milestones as of March 2023:

⁷ ₹ 79.80 lakh was refunded by DGS&D (December 2014) out of which 82 VSATs were purchased for ₹ 49 lakh leaving refund amount of ₹ 30.80 lakh.

- DPR was not modified by GoJ&K in accordance with the instructions of GoI.
- Business Process Re-engineering (BPR) was neither defined nor implemented.
- No strategy was prepared to integrate J&KSWAN, State Data Centre, State Service Delivery Gateway and Common Services Centres.
- IFMS continued to operate on NIC-Net, for which lease line connectivity was provided by Bharat Sanchar Nigam Limited (BSNL).
- Key deliverables such as Pensions, Financial Data warehousing module, e-status enquiry by stakeholders and e-audit modules were not implemented in the IFMS.

During Exit Conference (October 2025), the Department stated that main reason for delay for not being able to achieve the milestones was inability to provide the internet connectivity to the treasuries located in the far-flung areas.

The reply is not tenable as, not releasing of further central share was due to non-revision of DPR as per GoI's instructions and non-achievement of prescribed milestones of MMP-Treasury computerisation guidelines, the erstwhile State/ UT had lost the central assistance of ₹ 11.88 crore for implementation of IFMS.

7.2.3 Project Execution

A Memorandum of Understanding (MoU) was signed (17 May 2012) between the Finance Department, GoJ&K, NIC, J&K and NICSI for implementation of IFMS in J&K. According to Clause IV of MoU, the date of start of the project was date of transfer of funds to NICSI (04 June 2010) or signing of MoU (17 May 2012), whichever was later. The MoU was valid for a period of five years from the date of start of the project. The MoU was to be considered for further extension based on the mutual consent of all co-signatories of the MoU. Audit observed the following deficiencies in the project execution:

7.2.3.1 Non-Execution of Service Level Agreement with System Integrator (NIC-J&K)

As per Guidelines for Technical and Financial Support for Establishment of State Data Centre issued by Ministry of Electronics and Information Technology (MeitY), GoI, Service Level Agreement (SLA) is a document which clearly defines the levels of service which shall be provided by the implementing agency to its users.

The standard level of service that would be rendered by the implementing agency within the framework of security includes performance criteria, availability of services, action to be taken in cases of a service failure and response and repair time.

Audit observed the following in this regard:

- DGAT had not entered into SLA for service availability and its monitoring with the implementing agency (NIC-J&K).
- Further, the MoU signed (17 May 2012) between FD, GoJ&K, NIC and NICSI was also silent about SLA and the levels of service that shall be provided by NIC-J&K to its users.

In absence of SLA, NIC-J&K cannot be held responsible by the user department for failure to implement, repair or delay of any of the services provided by them. Negligence of the Finance Department, GoJ&K (DGAT) to not execute SLA with the implementing agency, deliverables and timelines for the implementation of the IFMS system and it's further maintenance were not fixed.

Finance Department, GoJ&K in the Exit Conference accepted the Audit observation and assured (October 2025) that adequate steps would be taken to ensure the execution of SLA going forward.

7.2.3.2 Business Process Re-engineering exercise not undertaken

Paragraph 4 of Mission Mode Project-computerisation of Treasuries guidelines of July 2010 prescribes some indicative minimum deliverables such as Business Process Re-engineering (BPR): Re-engineering of existing processes and introduction of new processes where necessary to ensure synergy of processes with electronic systems.

Audit examination disclosed the following:

- The Finance Department, GoJ&K had not prepared an action plan for BPR and the failure to do so despite being a condition for release of central grants, as detailed in **Paragraph 7.2.2.1** indicates deficient project implementation.
- Instead of releasing of funds for BPR to NICSI in the initial phase of project implementation, the ₹ 30 lakh were released after a delay of over 12 years in March 2023. However, as of June 2024, no action was taken to complete the same by NIC.

In reply, DGAT accepted (June 2024) that BPR has not been undertaken yet and that in new module/ version, due care would be taken regarding BPR. Further, Department stated (November 2024) that BPR is a continuous process and for this purpose, an amount of ₹ 30.00 lakh were released to NICSI in March 2023.

Reply was not acceptable for the fact that the Finance Department had neglected the BPR process and developed the IFMS applications on *ad hoc* basis without taking into consideration requirements of the erstwhile State/ UT and making corresponding changes in the codes and manuals to cater to the needs of digital systems. Audit observation noted in this regard were discussed in **Paragraph 7.3.3.2, 7.3.4.1, 7.3.4.3, 7.3.4.5 and 7.3.5.1.**

7.2.3.3 Diversion of funds of upgradation of State Data Centre

As per the Paragraph 1.6.4 of DPR, strategy to integrate with other State Services viz. With State Data Centre - IFMS Central Server is to be located at NIC Data Centre Jammu, and once the State Data Centre becomes operational, the IFMS applications will be migrated/ switched over to State Data Centre.

The estimated costs proposed (April 2010) by NIC-J&K for establishing IFMS Central Server at SDC was ₹ 39 lakh. However, the cost of Server Infrastructure was revised (January 2011) to ₹ 3.26 crore in DPR prepared by FD, GoJ&K. The GoJ&K released ₹ 5.26 crore (up-to March 2023) to NICS I for upgradation of SDC for hosting/ storage of IFMS applications.

Audit noted the following deficiencies in this regard:

- Instead of carrying out upgradation of SDC for hosting/storage of IFMS applications, NIC irregularly hosted all the applications of IFMS on NIC Mini Data Centre at Jammu, as detailed in **Table 7.2.3**, which was originally meant to be used as a backup site.

Table 7.2.3: Details of hosting of application in NIC Mini Data Centres

Name of Application	Data Centre where application is hosted	Remarks
BEAMS	State Data Centre, Jammu	Up to August 2023 on NIC Mini Data Centre, Jammu and thereafter on SDC.
JKPaySys	NIC Mini Data Centre, Jammu	Continued hosting on NIC Mini Data Centre, Jammu
TreasuryNet	NIC Mini Data Centre, Jammu	
GRAS	NIC Mini Data Centre, Jammu	

(Source: Information furnished by DGAT)

- Despite the release of ₹ 5.26 crore (up to March 2023) by DGAT, progress of work done on upgradation of SDC for hosting/storage of IFMS applications was not available with DGAT as of April 2024.
- As of April 2024, NIC Mini Data Centre was being used as main IFMS central data centre without a supporting backup site. This poses a potential threat to the security and integrity of sensitive data such as budget figures, personnel information, and payrolls etc. of the IFMS project.
- Further, the continued possession of IFMS data by NIC instead of by DGAT/Finance Department, GoJ&K, has the potential to thwart regular operations in case of an adverse event.

Department stated (November 2024) that the funds released to NICS I were for upgradation of Data Centre and strengthening the IT infrastructure under IFMS and have been utilised for recurring operational needs. It was stated in the reply that no funds were released for State Data Centre and the department was in discussions with NIC and IT Department for migration to SDC or Megraj 2.0.

The reply indicates that the funds were utilised for meeting recurring operational needs by NICS instead of using for the intended purpose of State Data Centre. Further, the fact remained that IFMS applications were hosted on NIC mini data centre instead of on SDC.

7.3 Project Implementation

7.3.1 Status of Modules

The bulk of erstwhile State/ UT's financial transactions pass through treasuries as such computerisation of treasuries is crucial for achieving greater efficiencies, reducing cost, eliminating redundancies and adopting modern public expenditure practices. The guidelines (July 2010) for Treasury Computerisation, a Mission Mode Project (MMP) under National e-Governance Plan (NeGP), envisioned minimum set of deliverables (**Table 7.3.1**) as outcomes of treasury computerisation/IFMS.

The status of common IFMS modules that were initially incorporated in the Project Proposal, prepared (April 2010) by NIC and later included in the approved (January 2011) Detailed Project Report (DPR) prepared by NIC in consonance to the MMP Guidelines and vetted by ITD, GoJ&K is given in **Table 7.3.1**.

Table 7.3.1: Status of Modules implementation of IFMS as of March 2023

Name of Module as per MMP guidelines (July 2010)	Module as per Project Proposal/ DPR (January 2011)	Application developed under the name	Present status
E – Audit	Not mentioned.	Audit & Inspection Portal	Not implemented
Pension module	Pension	Online Diary Management System	
	New Pension Scheme Management		
Budget module	Budget Module	BEAMS	Partially Implemented
Accounts Module		TreasuryNet	Implemented
Fund Management module			
Banking Interface module	Reconciliation with RBI		
Not mentioned.	Stamp		
	Inventory Management		
Financial Data Warehouse module			
E – Status enquiry	Not mentioned.	JKPaySys	
Personnel management and Payroll module	Works department		
	Online Bill Submission		Partially Implemented
Receipt Module	Online challan submission	GRAS	
Virtual Treasury Module			

Name of Module as per MMP guidelines (July 2010)	Module as per Project Proposal/ DPR (January 2011)	Application developed under the name	Present status
C&AG interface module	Linkage with other deduction agencies	DAT Portal	
Banking Interface module	Letter of Credit (LC) Management	Not Applicable	
	Principal Deposit Accounts		

(Source: Information furnished by DGAT)

It can be seen from the **Table 7.3.1** above that as of March 2023, out of 12 modules which were to be made functional as part of the IFMS:

- Only four⁸ modules have been implemented completely.
- Four⁹ modules have been partially implemented;
- Two¹⁰ modules have not been implemented;

Due to partial or non-implementation of six modules, the following deficiencies were observed:

- Due to partial implementation of BEAMS application, the functions of Reappropriation and Surrender of funds are being done manually. The related observations are discussed in **Paragraph 7.3.3.2**.
- Due to partial implementation of JKPaySys application, the DDOs are unable to submit utilisation certificates/ detailed accounts online which hampers transparency and efficiency. Further, individual sanctions for incurring the expenditure at DDO level/ different sanctioning authorities are not system generated on IFMS. The related observations are discussed in the **Paragraphs 7.3.4.1 and 7.3.4.3**.
- Due to non-implementation of Pension module, the pension cases are not being submitted online to AG (A&E) by the UT of J&K as envisioned in the MMP Guidelines. The timeline for the implementation of the pension module was not adhered to, even after the period of 11 years and 05 months¹¹ as of March 2023.

Thus, despite lapse of over a decade since the inception of the IFMS project, many of its intended objectives and outcomes remain unachieved, due to the non/ partial implementation of key modules as of March 2023.

While accepting the observation, the Department stated (November 2024) that BEAMS was partially implemented, while module for Pension functions was under development

⁸ Works Department Module, Stamp, Inventory Management, Reconciliation with RBI.

⁹ Online bill submission, Budget module, Online challan submission and Linkage with other deduction agencies.

¹⁰ E – Audit and Pension Scheme Management.

¹¹ Calculated from Date of signing of MoU in October 2011 to March 2023.

stage. Further, it was also stated that modules for Letter of Credit Management and Principal Deposit Account Maintenance were not in use since 2016.

7.3.2 Delay in Implementation of IFMS

As per DPR, the project was to be implemented in 14 months from the date of signing the MoU i.e. 17 May 2012.

As of March 2024, there was considerable delay in implementation of various applications of IFMS ranging between 42 months and 127 months against the scheduled timeline fixed in the DPR, as detailed in **Table 7.3.2**.

Table 7.3.2: Application-wise delay in implementation of IFMS applications

Sl. No.	Name of application	Scheduled Date of Rollout	Actual Date of Rollout	Delay
1.	BEAMS	August 2013	February 2017	42 Months
2.	JKPaySys		April 2020	80 Months
3.	GRAS		January 2021	89 Months

(Source: Information furnished by DGAT)

Though the TreasuryNet application was rolled out on 01 April 2013 but it was initially rolled out only for two treasuries. And out of a total 121 treasuries¹² in J&K, the TreasuryNet was rolled out for only 80 treasuries in 2016, and out of which, only 68 were functioning at that time.

In reply, the Department stated (November 2024) that necessary steps were taken by Department for timely implementation of IFMS and modules like GRAS, BEAMS and Bill Discounting System (BDS) were timely implemented.

Reply was not acceptable as already discussed in **Paragraph 7.3.1** many of the modules of the IFMS system were not implemented. The protracted delay of over a decade in fully implementing the IFMS in the UT has impacted on the objectives of integrating erstwhile State/UT finances like real time access of state finances, processing of bills without manual intervention as discussed in **Paragraphs 7.3.3.2 and 7.3.5.1**.

7.3.3 Implementation of Budget Module (BEAMS application)

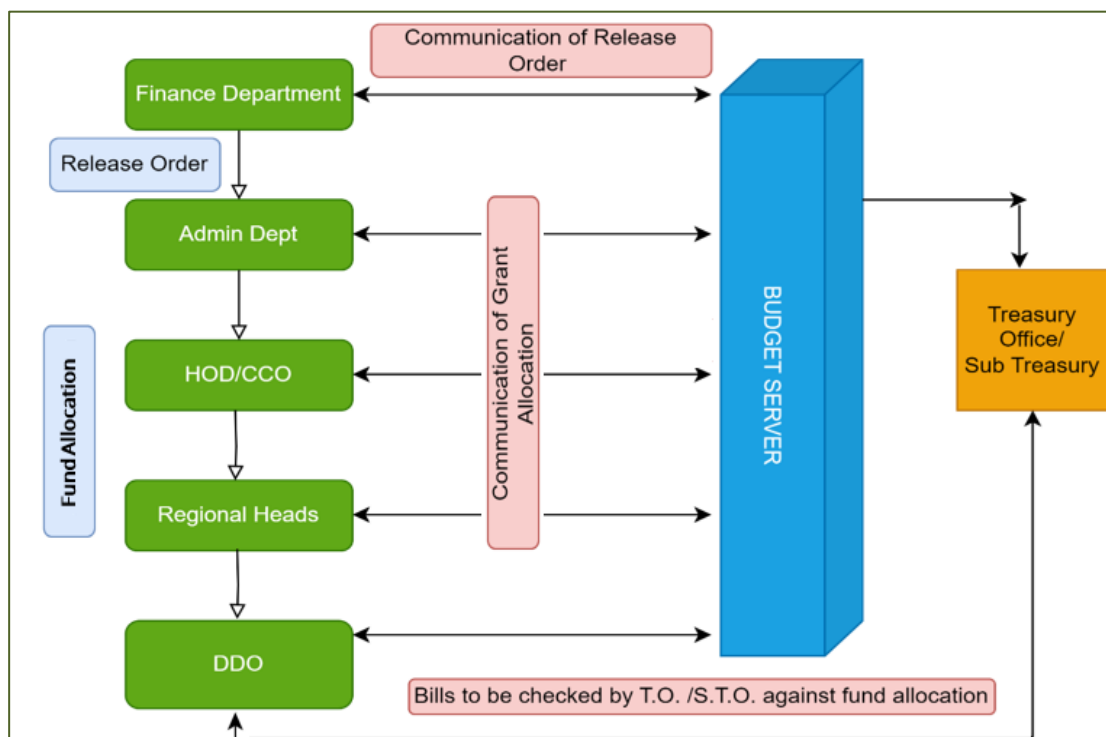
As per the DPR approved (January 2011) by Ministry of Finance, GoI for implementation of IFMS, the BEAMS application was to be used for:

- Estimation / distribution of budget and authorisation of expenditure in online mode.
- Reappropriation of funds within prescribed limits and withdrawal/ surrender of budget grants.
- Real-time monitoring of expenditure.

¹² As per the letter No NIC/JK/2015/577-578 (January 2016).

The workflow of Budget Module in BEAMS application is given in **Chart 7.3.1**.

Chart 7.3.1: Workflow of Budget Module in BEAMS application



Audit observations regarding the development and implementation of BEAMS application are detailed in **Paragraph 7.3.3.1 to 7.3.3.3**.

7.3.3.1 Internal Control of BEAMS Application- Absence of Client-side and Server-side validation

Audit examination of the front-end of the BEAMS application identified a few issues even after 10 years of implementation in the budget allocation process within the login of Finance Department as detailed below:

- The system allowed the budget sanctioning authority to input a quarterly percentage of budget allocation exceeding 100 *per cent*. Although Audit did not observe any such mistake in the database but this loophole might lead to the insertion of erroneous data into the database.
- The absence of both client-side and server-side validation to not being able to validate the above discussed entry means errors may not get flagged until they result in erroneous calculations or grant of demand.
- Users receive no warning if they mistakenly enter invalid data, compromising the system's ability to minimise human error and no warning is given to user in case an error is committed while saving data in the database.

While accepting the audit observation, Finance Department stated (June/ November 2024) that at the initial stage there was possibility of release of more than

100 *per cent* funds but now the system has been improved and there is no such chance as budget figures under a scheme or detailed head are freezed at all the levels.

7.3.3.2 Non-implementation of functionalities of BEAMS

Audit noted following deficiencies due to non-implementation/ partial implementation of the functionalities in BEAMS:

- a) Budget Estimates once prepared are submitted to the Administrative Departments and later to Finance Department (FD) for finalisation. However, the scrutiny of discussion sheets revealed that justification for sharp increase or decrease in the final budget figures are not being recorded in the discussion sheets generated on BEAMS.

Chart 7.3.2: Procedure for submission of Budget Estimates



Test check of the discussion sheets reveals that budget estimates of demands for the financial year 2022-23 were reworked by the UT Finance Department in a range of (-) 80 *per cent* to 43 *per cent*.

General Administrative Department (Demand– 01), the Budget Estimates for Object Head - 037 (Professional and Special Service Charges) under Sub-Head 1825– Planning Department were submitted ‘Zero’ by the Department. However, the Finance Department GoJK reworked the Budget Estimates to ₹ 63.00 lakh.

Thus, the budget estimates were increased/decreased by Finance Department without any justification of any such decrease and increase in the initial budget estimates submitted by DDOs.

In reply, DGAT/ Department accepted the audit observation and stated (March 2025) that option for recording the justification/ remarks would be incorporated for the budget estimates for the coming financial years.

- b) Immediately after the budget is passed by the Parliament/ Legislative Assembly with the approval of Appropriation Act, the allocations are updated for the next financial year.

Chart 7.3.3: Procedure for Allocation of Budget



Audit noticed that, to achieve this, the next financial year is manually initiated in the financial year table by executing an update command directly into the database by Project Management Unit (PMU cell) which should have automatically been done by the IFMS system.

Non-implementation of the business-rules in the BEAMS module does not facilitate the allocation of funds for the next financial year through a dedicated user interface for the Finance Department and running direct operations on the database by the PMU Cell creates a risk for data integrity and security.

During Exit Conference Department (October 2025) accepted the audit observation and stated that NIC has been asked to implement mandatory validation fields and version control for budget updates.

- c) As per the records produced, funds amounting to ₹ 220.98 crore for the financial year 2023-24 and ₹ 624.77 crore for 2024-25 were reappropriated.

Chart 7.3.4: Procedure for Reappropriation of Funds



Audit noticed that the reappropriation of funds was being processed through physical files instead of through BEAMS and amounts of reappropriations were being manually updated in the system at the backend and directly into the database.

A test check of the manual reappropriation orders revealed that out of total funds of ₹ 624.77 crore reappropriated for the FY 2024-25, an amount of ₹ 515.72 crore found to be approved after the close of the financial year i.e. during the year 2025-26

Thus, due to non-implementation of reappropriation of funds through frontend system in BEAMS and non-availability of any tracking or approval process in the IFMS for reappropriation of funds, the system could not ensure if these funds were made available in time to facilitate intended expenditures, and the expenditure was incurred after due approval of reappropriation of funds.

No specific reply has been given by the Department on this issue.

d) Audit noticed that the surrender functionality for the funds allocated has not been developed in the BEAMS application. Further, it has been observed that surrender statement was prepared at DDO level manually, but no surrender statement was prepared at the level of Finance Department until May 2025 and was not being submitted for accounting purposes.

In reply, DGAT accepted the audit observation and stated (March 2025) that surrenders are not processed through IFMS and Budget Estimated (BE)/ Revised Estimates (RE) of a particular year, figures adopted under BE minus the figures adopted under RE are considered as surrender.

The reply is not acceptable as treating the difference between BE and RE as surrender is a notional adjustment, not an accounting process. As per prescribed procedure, surrenders should be compiled from DDO-level statements, consolidated by the Finance Department, and recorded in accounts. The absence of any such statements since the formation of the UT reflects both a control deficiency in BEAMS (absence of surrender functionality) and a systemic lapse in capturing actual savings, affecting budget discipline and financial accuracy.

Thus, due to non-implementation of the surrender facility in BEAMS, the objective of real-time accounting of surrenders and reallocations has not been achieved, and manual compilation continues without reliable surrender figures.

7.3.3.3 Data analysis of BEAMS

As per the provisions of Jammu Kashmir Budget Manual issued by the Finance Department, the expenditure by Disbursing Officer should in no case exceed the total allotment. However, data analysis revealed as under:

a) **Demand wise excess expenditure:** Analysis of expenditure data from the IFMS database, corroborated with State Finance Reports for various Grants/ Demands, revealed instances of expenditure in excess of the budget allotments under several Heads of Account. The summary of cases during 2021-22 and 2022- 23 is depicted in **Table 7.3.3:**

Table 7.3.3: Demand-wise excess expenditure

(₹ in crore)

S. No.	Financial Year	Grant No & Description	Budget	Expenditure	Excess Expenditure
1	2021-22	08- Finance	4,205.66	13,992.90	9,787.24
2	2022-23	08-Finance	3,623.84	12,816.42	9,192.58

(Source: IFMS database)

b) **Major Head wise excess expenditure:** The expenditure was incurred under the Major Heads for which no or less budget was allotted. The summary of the cases during the years 2021-22 and 2022-23 is depicted in **Table 7.3.4:**

Table 7.3.4: Major Head wise excess expenditure

(₹ in crore)

Sl. No.	Financial Year	Major Head	Description of Major Head	Budget	Expenditure	Excess Expenditure
1	2021-22	2071	Pensions and Other Retirement benefits	1,664.89	11,585.52	9,920.63
2	2021-22	2075	Miscellaneous General Services	0	0.36	0.36
3	2022-23	2071	Pensions and Other Retirement benefits	1,842.45	11,160.95	9,318.50
4	2022-23	2075	Miscellaneous General Services	0	0.27	0.27

(Source: IFMS database)

c) **Excess expenditure for the combination of DDO and Scheme:** DDOs are allotted budget through scheme codes for both voted and charged expenditures, which is a 21-digit code. A DDO can operate on multiple scheme codes for incurring expenditures and there are three types of budget allotments viz. Release, Transfer and Withdrawal. It was observed in various DDOs that withdrawal from the allotted budget was more than that of budget allotment as depicted in **Table 7.3.5:**

Table 7.3.5: Excess expenditure for the combination of DDO and Scheme

(₹ in crore)

Sl. No.	Financial Year	Total DDO	Total Schemes	Budget	Expenditure	Excess Expenditure
1	2021-22	64	25	34.21	111.56	77.35
2	2022-23	73	21	134.16	189.54	55.38

(Source: IFMS database)

No budget was released to DDO ATTED****2/ District Institute of Education and Training, Srinagar of Education Department for scheme 07-2202-01-104-0099-0214-1-V (Director School Education Kashmir). However, data analysis of the same revealed that an amount of ₹ 4.10 lakh was withdrawn.

These DDOs prepared bills without allocation resulting negative budget balances, and these bills were also passed by the treasury against the negative budget balances. This shows lack of adequate system controls in the existing system.

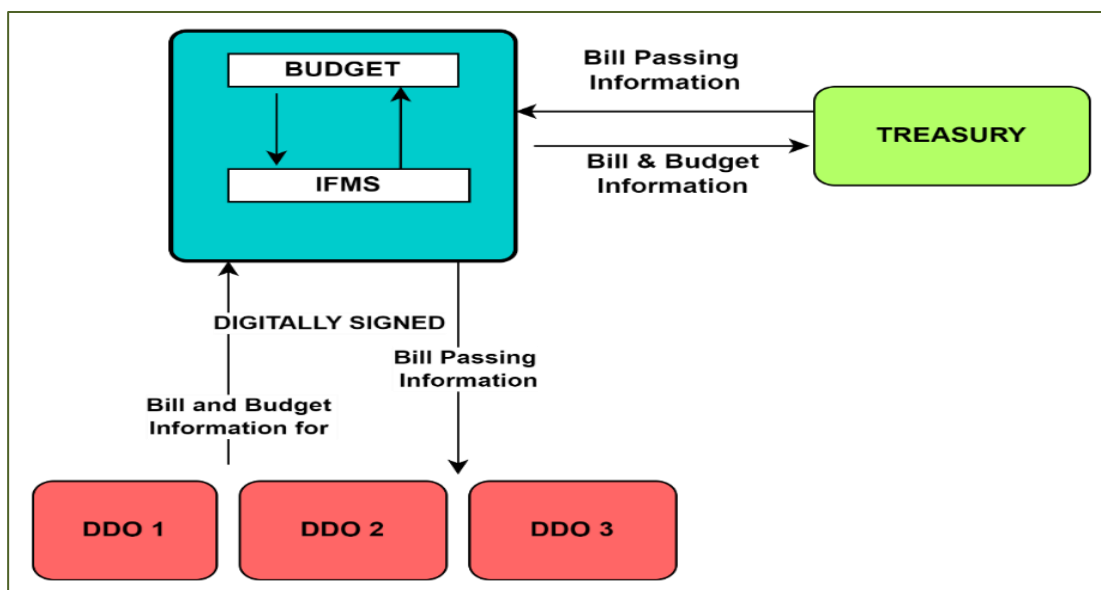
During Exit Conference Department accepted the audit observation and stated (October 2025) that excess expenditure occurred due to supplementary demands processed post-budget finalisation. Further, NIC has been asked to implement mandatory validation fields for budget updates.

7.3.4 Implementation of Bill Preparation Module (JKPaySys application)

NIC-J&K developed JKPaySys application for State/ UT for implementation of Bill Preparation module (BPM) of IFMS. JKPaySys is used to prepare various types of bills,

through Maker and Checker¹³, for sending them to treasuries for realisation. The workflow of BPM is given in **Chart 7.3.5**.

Chart 7.3.5: Workflow of Bill Preparation Module



Audit observations regarding the development and implementation of JKPaySys application are detailed in **Paragraph 7.3.4.1 to 7.3.4.5**.

7.3.4.1 Internal Control of JKPaySys Application

(I) Improper implementation of Suspension functionality in JKPaySys

Data analysis of the dataset for the financial year 2021-22 and 2022-23 containing 1,688 and 2,470 records respectively relating to suspension and revocation orders highlights the following anomalies and inconsistencies:

- Suspension order numbers are missing in 1,064 records (63 *per cent*) and 1,133 records (46 *per cent*) during the financial year 2021-22 and 2022-23 respectively.

During 2021-22, DDOs - Block Mawar, Deputy Inspector General of Police Rajouri & Poonch and Regional Director Social Forestry suspended employees for which audit noted these suspensions have unreasonable order dates i.e. 12 June 1935, 06 April 1920, 15 May 1900 respectively reflecting poor data validation.

- Out of 1,162 and 1,785 reinstated employees during the financial year 2021-22 and 2022-23, revocation order numbers were missing in 339 records (29 *per cent*) and 437 records (24 *per cent*) respectively.

¹³ Maker is responsible for initiating or drafting a transaction while the Checker reviews the Maker's submission ensuring compliance, accuracy, completeness and availability of budget.

During 2021-22, DDOs - Accounts Officer Office of Divisional Commissioner, Joint Director Fisheries Projects Kashmir Division, Public Health Engineering Department filled the future revocation and revocation order date i.e. 10 June 2050, 01 March 2030, 01 March 2029 for the employees suspended in 14 June 2019, 01 June 2014, 20 September 2021 respectively without restoring i.e. restoration flag in the system was set to Zero.

- Suspension of employees was revoked before the actual suspension date in 08 cases during 2021-22 and in 17 cases during 2022-23.

Above shows that the functionality of suspension is implemented without analysing the business process and not placing enough control in the system. Further, the business rule for the suspension facility is not implemented properly as the suspension of employees does not deactivate suspended employee in the system and the same is being carried out manually through “Employee Info Page”.

Further, Audit scrutiny of the “Suspension Page” of JKPaySys application revealed that there was an absence of client-side or server-side validation as illustrated below:

- There are four¹⁴ different functional dates on the web page, if user errs in filling the date, the user is unable to delete the same in the frontend once chosen. The facility for deletion/ modification of “these Dates” could only be done by support team of NIC from the backend.
- Further, if a user selects “No” from the option provided under the option “Whether Restored” the related fields such as “Order Number of Restoration¹⁵”, “Order Date of Restoration” and “Date of Restoration” are not disabled. These fields should ideally get disabled so that no data is stored for these fields in the database. However, audit noted entries in these fields. Also, “date of restoration” field in the table was automatically getting filled with a default date of 01 January 1900 even in case of a null value.

This indicated absence of the following conditional input controls:

- Control Weakness:** The system fails to disable or block dependent fields (“Order Number of Restoration,” etc.) when “Whether Restored” is marked as “No.” This indicates missing validation and business rule enforcement.
- Data Integrity Issue:** The field auto-filling with “01 January 1900” reflects poor null handling at the database level, leading to misleading records.
- Real-World Risk:** Such entries can distort restoration status in MIS reports and audit trails.

¹⁴ Suspension Order Date, Suspension Date, Revocation/ Restoration Order Date and Restoration/Revocation Date.

¹⁵ Reinstatement/ Revocation of suspension.

The “Suspension Page” depicting the above-mentioned deficiencies is shown below:

Emp ID	Date of Suspension	Order No	Order Date	Basic(%)	Whether Restored	Date of Restoration	Restoration Order No	Date of Order No of Restoration
Select	04 12/27/2023	1111	12/27/2023	50	No	12/13/2023	2222	01/03/2024
Select	08 12/27/2023	1111	12/27/2023	50	No	12/13/2023	2222	01/03/2024
Select	13 12/27/2023	1111	12/27/2023	50	No	12/13/2023	2222	01/03/2024
Select	14 12/27/2023	1111	12/27/2023	50	No	12/13/2023	2222	01/03/2024
Select	15 12/27/2023	1111	12/27/2023	50	No	12/13/2023	2222	01/03/2024
Select	16 12/27/2023	1111	12/27/2023	50	No	12/13/2023	2222	01/03/2024
Select	08 11/01/2023	1111	11/12/2023	50	No			01/01/1900
Select	16 01/03/2024	1	01/04/2024	10	No			01/01/1900
Select	06 01/05/2024	10	01/03/2024	10	No	01/06/2024	111	01/06/2024

During Exit Conference, Department accepted the audit observation and stated (October 2025) that necessary corrective measures for integration and up-dation of data shall be taken-up in co-ordination with all the stakeholders.

(II) Absence of input validation in respect of employees getting service extension

As per Department of Personnel and Training (DoPT), Ministry of Finance (MoF), GoI Circular (01 December 2022) on retirement and extension of service, every Government servant shall retire from service on the afternoon of the last day of the month in which he attains the age of 60 years and no government servant shall be granted extension in service beyond the age of retirement of 60 years except in special conditions.

The JKPaysys application provides the facility of extension of service to retired employees through “Service Extension” module. Data analysis of the data set obtained for the financial year 2021-22 and 2022-23 having 153 and 374 records respectively revealed that necessary fields like duration of extension, expiry of extension and superannuation date etc., were not recoded in the database. In the available database following abnormalities and inconsistencies were noted by audit:

- In 11 cases and 26 cases during financial year 2021-22 and 2022-23 respectively the date of recording the extension was found to be later than the date of extension.
- In 70 cases and 183 cases of 2021-22 and 2022-23 respectively, extension was granted in far advance of date of extension, ranging from 365 days to 10,658 days.
- During 2022-23 in 5 active cases the duplication of the extension was noted where both the extension was active.

Above issues show that the functionality of service extension is implemented without analysing the business process and not placing enough controls in the system.

Further, Audit scrutiny (March 2024) of “Service Extension page” of JKPaySys application revealed that instead of showing only superannuated employees in the “Service Extension page”, the page was listing both serving and superannuated employees under Active and Inactive tab respectively.

The system should not allow any serving employee¹⁶ to be listed for service extension even before superannuation. Audit, upon testing, noted that if a serving employee was selected for extension i.e. before the date of superannuation, the system readily accepts the values and stores them.

Thus, there was no internal validation both on the client side and server side to restrict the service extension feature only to superannuated employees. Absence of such internal controls could lead to entry of misleading and wrong data in the database.

While accepting the audit observation, the Department stated (November 2024) that validation of the record for employees retiring in next three years shall be done shortly.

(III) Non-Functional Utilisation Certificates facility in JKPaySys

Audit noticed that although a link for submission of Utilisation Certificates (UCs) was included in the JKPaySys application, the user interface does not facilitate (as of March 2024) any functionality to the DDOs to upload the Utilisation Certificates.

Analysis of data revealed that out of 6,728 DDOs, only 26 and 08 Utilisation Certificates were uploaded by 12 and 07 DDOs during 2021-22 and 2022-23 respectively (though the functionality of uploading UCs was not found functional during audit). And, in respect of these 34 submitted UCs, the amount of UCs was not recorded in the database and 14 UCs did not accompany any supporting documents.

The above issues highlight the improper implementation of business rule for the submission of Utilisation Certificates where amount, due date for submission and actual date of UC submission were not being recorded while the feature of entering the details of the UCs was functional in JKPaySys. Further system failed to stop the submission

¹⁶ (CPIS ID: KXXXXXXXXXX4, Date of birth: 22 February 1993 and Date of superannuation: 28 February 2053).

of UC without uploading necessary documentation which indicates the weak validation control in place.

In reply, DGAT/ Department stated (June 2024/ November 2024) that the facility was provided for uploading the UC/ Red Account in respect of Grant in Aid received by Departments/ Bodies. It further stated that although facility was operational, no UC was uploaded by these departments/ bodies.

The reply is not acceptable, as the UC upload functionality was not operational as of March 2024, indicating a lapse in enforcing necessary application controls in IFMS to ensure proper accounting and monitoring of expenditure.

During Exit Conference, the Department stated (October 2025) that UC submission facility is being upgraded and will be made available in the next phase.

7.3.4.2 Discrepancies in Database of JKPaySys Application

The JKPaySys application uses data from several master tables such as “DDO Master Table”, “DDO Office Details”, “Departmental Master Table” etc.

Audit scrutiny of data of these master tables brought out the deficiencies detailed in **Table 7.3.6**.

Table 7.3.6: Details of deficiencies in the master tables of the database

Sl. No.	Name of the database table field	No of Records
1	Mobile number was either blank or was having null value	32
2	Email ID was blank	23
3	TAN number was either blank or was having null value	46
4	PAN number was either blank or was having null value	13
5	GST number was either blank or having null value	841
6	Account number was either blank or having null value	50

(Source: JKPaySys Data)

In the absence of proper format and validation checks, the system allowed storage of invalid or incomplete data in key fields such as PAN, account number, and contact details. This resulted in the presence of erroneous (“garbage”) values in the database. Such weak data validation controls carry the risk of affecting multifactor authentication or user identification if mobile numbers or emails are incorrect, and may also impair the functioning of dependent modules related to tax and accounting as further discussed in **Paragraph 7.3.4.5**.

In reply, DGAT/ Department stated (June 2024/ November 2024) that the GST, TAN numbers, email IDs and mobile numbers of DDOs are not mandatory at present, but they have been kept for any future requirement. It was further stated that after integration with the GST portal (started in 2024), the DDO cannot generate bill without a GST number. With regards blank account numbers of DDO, it was stated (November 2024) that these particular DDOs were not operating in the treasury as no payment was made by these DDOs and they were created solely for treasury receipts.

However, no documentation was provided to audit to substantiate the claim regarding such DDOs or to confirm that these data fields were genuinely not required.

7.3.4.3 Non-implementation of functionalities of JKPaySys

a) Non implementation of e-Sanctions: As per provisions 12.4.0 of the Jammu and Kashmir Budget manual, sanction of the competent authority to the incurring of expenditure remains valid until the funds necessary to make the sanction operative have not been refused.

It was observed that, Executive engineer/ Deputy Director Mechanical & Works. (M&W), has power to grant contracts for individual works up to ₹ 40 lakh and the works above ₹ 40 lakh could only be granted by the Chief Engineer. However, it was observed that the contract of the work valuing ₹ 954 lakh was awarded by the Deputy Director (M&W) Jammu which is beyond its financial power.

In reply, DGAT/ Department stated (March 2025) that the sanction orders were generated at the time of release of funds. Further, the delegation of power can be checked at treasury and PaySys level manually.

Thus, the reply confirms that the system lacks the requisite business rule and is not able to enforce the control of the delegation of financial powers.

It was noted that Budget Release/Sanction order is generated from IFMS (BEAMS) application at time of release of budget or additional budget to DDOs or transfer of Funds from one DDO to another.

Audit also noted that these releases were being considered as the final sanction for expenditure by the DDOs. Further, due to the non-implementation of e-sanctions module in the bill preparation module (JKPaySys) of IFMS, no such facility for generating the financial sanctions against each expenditure was available. The facility for linking the manually generated financial sanctions containing order/number date with the bills in JKPaySys was not implemented.

b) Non implementation of AC/DC bill facility: An Abstract Contingent (AC) bill is used when DDO requires money in advance for meeting the expenditure of contingent nature, where the final classification and supporting vouchers were not available at the time of drawl. It requires the submission of detailed accounts within specified time.

Detailed Contingent (DC) bills are prepared in support of a charge already drawn on AC Bill and is subjected to countersigned by a Controlling Authority. However, audit noted that the functionality for submission of Detailed Contingent Bill for adjustment of Abstract Contingent Bill previously drawn was not implemented in IFMS. In the absence of these functionalities in the IFMS system, the system was not able to enforce the necessary business rules in the workings of the DDOs.

During the Exit Conference Department accepted the audit observation and stated (October 2025) that interface for submission of Red Account (DC Bill) for AC bills through JKPaySys and submission of the same to Accountant General Office shall be developed by NIC.

7.3.4.4 Bill generation on JKPaySys without Budget allotment through BEAMS

The provisions of the Jammu Kashmir Budget Manual prescribes the control over expenditure by drawing and disbursing officers. It envisages that the bills submitted to the treasury should be properly and correctly classified according to the budget allocations made to them by respective Budget Controlling Officers.

Further, the JKPaySys user manual envisages that sending of bill to Checker is enabled only when the required budget is available. However, data analysis of the transactions generated through the JKPaySys application based on the condition of non-availability of budget reveals the following missing controls in JKPaySys application:

- During the financial year 2021-22, five DDOs for a combination of 47 schemes were able to generate bill amounting to ₹ 75.06 crore; and
- During 2022-23, six DDOs were able to generate bill amounting to ₹ 83.23 crore for a combination of 51 schemes in the absence of proper allocation of funds through BEAMS.

This indicates that there was an ineffective mechanism within IFMS applications to exercise the control over expenditure. This defeats the overall purpose of having an integrated system.

No specific reply has been furnished by the Department as of January 2026.

7.3.4.5 Review of Agency Master under JKPaySys

Agency Master is the master table that stores details of all agencies (Departments, contractors, vendors, beneficiaries, etc.) that receive or make payments through the system.

Analysis of the data obtained for the financial year of 2021-22 and 2022-23 revealed the following irregularities and inconsistencies:

- In 2021-22, a total of 24,023 agencies/ beneficiaries were found duplicated in the database, while in 2022-23, the number of duplicates increased to 34,188. This happened due to absence of master data of beneficiary/ agencies in the database.

On test check of the records of DDOs, the following discrepancies were noted due to non-validation of GST rules in the IFMS system:

a) Multiple GST numbers for same GST vendor:

The agency 'Jammu Co-Operative Wholesale Ltd Super Bazar' with account number 12030401000****2 was found repeatedly entered 458 times in the database. Further, the agency was linked to 40 different GST numbers and payments of ₹ 12.59 lakh and ₹ 11.25 lakh were made during 2021-22 and 2022-23 respectively. This indicates the absence of integration between GST Department and IFMS.

b) Use of wrong GST numbers not belonging to the GST vendor:

Agency 'N J Traders' with account number 94140****7 was found to be entered 31 times in the database with five different GST numbers. A total payment of ₹ 13.89 lakh and ₹ 25.11 lakh were made to agency during 2021-22 and 2022-23. Further, analysis of the GST numbers revealed that these GST numbers pertain to different agencies or were invalid. As GST number '01BLWPJ955****P' was found to be of the N J Trader, whereas the GST number '01BHUPG234****V' was found to be of RSR VENTURES and Other three GST numbers were found invalid. Thus, IFMS JK has failed to place any control to check these account numbers and enforce the rules of GST tax collection on the contractors/ agencies.

c) Use of cancelled GST number by the non-GST compliant vendor:

As per the extant GST Rules, a non-GST compliant vendor cannot issue tax invoices. GST number 01AYCPA595****5 associated with the vendor M/S KHAN COMPUTERS MOBILE SALE & SERVICE was registered on 22 December 2017 and cancelled suo-moto from 12 February 2020. The vendor last filled the GSTR3B on 01 January 2020. Analysis of the GST number revealed that despite having cancelled GST number the vendor continued to make the taxable supply to the "Deputy Commissioner Poonch". Taxable supplies of ₹ 4.24 lakh during 2021-22 and ₹ 40.69 lakh (altered rates of GST) during 2022-23 respectively was made by agency. Thus, non-integration of GST with IFMS has failed to restrict the trading activity as well as evasion of GST amounting to ₹ 6.90 lakh.

- Further, audit noted that 79 bills of 18 agencies/ beneficiaries amounting to ₹ 20.21 crore and 377 bills of 12 agencies/ beneficiaries amounting to ₹ 7.09 crore were paid respectively during the financial year 2021-22 and 2022-23 for which records of the agencies were not found in the system.

This reflects the lack of integration of IFMS with external systems such as GST. Further, allowing payments for the vendors outside the Agency Master or multiple recording of same vendor with multiple GST numbers undermines the objective of an integrated payment mechanism within IFMS.

While accepting the audit observation, DGAT/ Department/NIC-JK stated (September 2025) that IFMS was not integrated with the GST system initially. Integration began in 2024. Before that, DDOs manually entered GST numbers, and no automated validation or duplication check existed.

The reply is not acceptable as audit noted instances of the same vendor or agency listed multiple times with different GSTINs in the agency master table (JKPaySys). Further, the system only verified if the GSTIN is valid and active. It does not fetch the details such as the Name/ Type of taxpayer nor does the system stop the duplication of vendors in the JKPaySys system's agency master.

7.3.5 Integration among BEAMS, JKPaySys and TreasuryNet application

One of the main objectives of IFMS was to ensure that allocations made under BEAMS, expenditure booked under JKPaySys and actual expenditure incurred under TreasuryNet were all seamlessly integrated leaving no transaction untraceable across these applications.

After allotment of budget by GoJ&K through BEAMS, DDOs submit the bills to Treasury Officers through JKPaySys. Treasury Officers scrutinise the bills submitted by the DDOs and authorise the payment through TreasuryNet.

Audit observations regarding integration among BEAMS, JKPaySys and TreasuryNet application are detailed in succeeding Paragraphs:

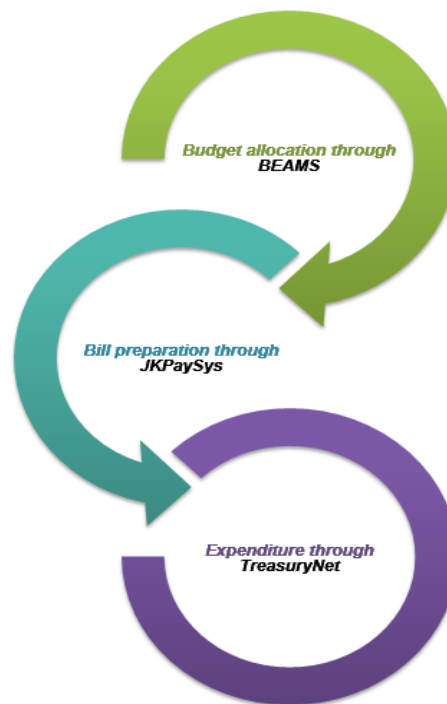


Chart 7.3.6: IFMS Integration Workflow

7.3.5.1 Review of Integration of different IFMS applications

Audit scrutiny of JKPaySys and TreasuryNet applications data for the years 2021-22 and 2022-23 to check the integration of the applications revealed the following issues:

Manual processing of bills: When a bill is prepared in JKPaySys, a unique identifier “Bill ID/No” along with a bar code on the hard copy of bill is generated. This id is meant to be a unique identifier of the bill for both JKPaySys and TreasuryNet.

- **Non-recording of essential information in the IFMS system:** It was observed that Treasury officials could not fetch bills submitted by DDOs online unless physical copies of the bills containing barcode and supporting documents were received in Treasuries from DDOs as per the design requirement in the Software Requirements Specification (SRS).

Upon scanning the barcode from the physical copy of the bill, only details such as amount of bill, DDO name, head of account to which the payment is to be debited, deductions to be made from the bills etc. are fetched in the TreasuryNet interface.

Since the physical copies of bills are required to be submitted to treasury to fetch the details of bills, the objective of submission of bills/ vouchers online and complete digitisation of the workflow for bill processing was not achieved as all these different applications were not fully integrated. Further, the circular (April 2019) of Finance Department¹⁷, GoJ&K envisages that with implementation of JKPaySys, only e-bills would be processed by Treasuries and no manual bill would be entertained with effect from 1 May 2019.

- **Preparation of Bill outside the IFMS system:** It was observed that out of total 11.50 lakh bills, 11,534 non-pension bills were manually processed by 317 DDOs during 2021-22 and out of total 12.94 lakh bills, 2,281 non-pension bills were manually processed by 158 DDOs in the year 2022-23.

During test-check 2,564¹⁸ non-pension bill processed from TreasuryNet during 2021-22 and 2022-23, 98 bills were found without “Bill ID/No” in TreasuryNet database. This indicates that the system had allowed manual processing of the bills in TreasuryNet which were not generated on JKPaySys in violation of directions of Finance Department. Resultantly, the amount of bills booked under TreasuryNet application was higher than that in JKPaySys. These instances are detailed in Table 7.3.7.

Table: 7.3.7 - Difference in amounts booked under JKPaySys and Treasury amount

Sl. No	Department (DDO)	DDO Code	Year	Total No. of Bills	JKPaySys Amount (₹ in crore)	Treasury Amount (₹ in crore)	Difference (₹ in crore)	No. of bills without Bill ID
1	PHE/ Irrigation Department	CSTGA****6	2021-22	254	6.20	6.43	0.23	25
2	GAD/ Secretariat	CSTGA****0	2021-22	499	13.59	13.94	0.35	12
3	Law Department/Chief Electoral Officer	CSTLA****7	2021-22	483	32.52	32.75	0.23	11
4	PHE/ Irrigation Department	CSTGA****6	2022-23	278	7.76	8.05	0.29	26
5	GAD/ Secretariat	CSTGA****0	2022-23	442	13.38	13.76	0.38	12
6	Law Department/ Chief Electoral Officer	CSTLA****7	2022-23	519	18.88	18.91	0.03	2
7	Law Department/ Chief Electoral Officer	CSTLA****8	2022-23	89	1.55	1.71	0.16	10
	Total			2,564	93.88	95.55	1.67	98

(Source: TreasuryNet and JKPaySys Data)

¹⁷ Circular No. 111-F of 2019.

¹⁸ Out of total 13,815 non-pension bills processed.

It can be seen from the above table that 98 bills amounting to ₹ 1.67 crore were paid through TreasuryNet. However, no record pertaining to these bills was found on JKPaySys database.

In reply, DGAT/ Department stated (June 2024/ November 2024) that the implementation of JKPaySys application was carried out in phased manner. DGAT further added that after payment is made at treasury, the data is transferred to JKPaySys in which T.V. (treasury voucher) number is updated and due to network/ other technical issues, the data transfer sometimes fails resulting in difference in figures of JKPaySys and TreasuryNet.

The reply is not acceptable as audit observation pertains to manual processing of non-pension/NPS bills pertaining to the period 2021-23 i.e. during which electronic processing of bills was made completely mandatory and the complete rollout of the application was done in April 2020.

Further, the reply highlights the subpar integration among various IFMS applications and the technical inefficiency of the system in ensuring seamless data transfer.

(i) Alterations in the bills submitted

The details of a bill submitted by a DDO to the Treasury Officer through JKPaySys should not be changed by the Treasury Officer. The bill should either be accepted or rejected by the Treasury Officer.

Audit noted that the DDO code associated with the bill was different at the treasury stage, indicating that the DDO code was changed after bill generation. This indicates the unauthorised alterations in the IFMS applications. The discrepancies noted during data analysis of the bills generated by the DDOs on JKPaySys with the bills passed by the Treasury officer on TreasuryNet are depicted in **Table 7.3.8:**

Table 7.3.8: Difference in DDO code on JKPaySys and on TreasuryNet

Sl. No.	Financial Year	Bill No	DDO on TreasuryNet	DDO on JKPaySys	Treasury
1	2021-22	2C00UDHEDU00030821SA****6	UDHED****3	KUPFS****1	UDHAMPUR
2	2021-22	2A00PAOHED00180921GP****2	PAOHE****8	ATJYS****1	SADDAR JAMMU
3	2022-23	9A00PAOFOR00071122GP****5	PAOFO****7	CSTFO****8	CIVIL SECT.

(Source: IFMS database)

During 2021-22, Zonal Education officer, Udhampur, DDO Code UDHED****3 generates a bill having system generated bill No 2C00UDHEDU00030821SA****7 for the claim of travelling allowance reimbursement, the details of the bill were changed both on physical bill by modifying the system generated Bill No to 2C00UDHEDU00030821SA****6 manually by ink and on database level by deleting the 2C00UDHEDU00030821SA****7.

As such, not taking over the administrative functions of Database in IFMS by GoJK and non-implementation of Database Management policy discussed in **Paragraph 7.4.4** had led to tampering with the transactions.

In the absence of log/ Audit trails for the modification in the database, audit could not ascertain in how many cases tampering as discussed above of bill both on physical voucher and on database level has taken place. Manual interventions like these makes the IFMS transactions unreliable.

In reply, DGAT/ Department/NIC-JK stated (September 2025) that, initially, corporations and autonomous bodies were given PAO codes as they operated off-treasury. Later, to ensure full treasury operations, the AG office allotted them AG codes, converting all PAO codes accordingly.

The reply is not acceptable, as the issue pertains to unauthorised changes in DDO/AG codes where no corporations or autonomous bodies were involved. The matter clearly indicates manipulation in DDO/AG codes, which cannot be justified by the cited reason of conversion from PAO to AG codes.

(ii) Difference in amounts in bill generated on JKPaySys and passed on TreasuryNet

During data analysis and further test check it was noted that two bills of 2022-23 were generated for ₹ 17,090 and ₹ 25,800 on JKPaySys, but passed for ₹ 17,190 and ₹ 48,512 respectively. This clearly indicates the bills data is being manipulated at database level. In absence of database log, audit could not ascertain the reliability of transactions generated through IFMS applications.

In reply, DGAT/ Department stated (June 2024/ November 2024) that due to increase in number of transactions during March, incorrect data was being transferred to TreasuryNet application from JKPaySys. It was further stated that the issue was identified and fixed.

The stated reason of data transmission error due to heavy transaction load is not plausible, as modern financial applications are designed to ensure data integrity irrespective of transaction volume. Moreover, one of the affected bills pertains to January, not March, contradicting the explanation. In the absence of database logs, the possibility of unauthorised or uncontrolled alteration of bill data during transmission or at the database level cannot be ruled out, indicating inadequate integrity controls within the IFMS environment.

(iii) Difference in Detailed Head on JKPaySys than on TreasuryNet:

Audit observed that the detailed head associated with a bill in the JKPaySys application differed from the one recorded in the TreasuryNet application for the same transaction in many cases. Such discrepancies indicate a lack of data integrity between systems and raise concerns of unauthorised modifications in the transaction using the database.

Analysis of database revealed that there were different detailed head in respect of nine transactions on JKPaySys and TreasuryNet during 2021-23 as detailed in **Table 7.3.9**.

Table 7.3.9: Transactions with different Detailed Head on JKPaySys and TreasuryNet

S. No.	Financial Year	DDO Code	Bill No	Detailed Head on JKPaySys	Detailed Head on TreasuryNet	Treasury
1	2021-22	DWHHE****1	3422300200100991****V	002	007	Ruhama
2	2021-22	STJHM****3	1128510000100992****V	029	007	Saddar Jammu
3	2021-22	CSTHO****1	2124060100100990****V	002	023	Civil Sect
4	2021-22	KUPED****9	0854750011500110****V	115	017	Kupwara
5	2021-22	KUPFO****2	0854750011500110****V	115	010	Kupwara
6	2021-22	PCHAG****1	1630548000100991****V	023	115	Poonch
7	2021-22	ATTHM****8	1722100510500990****V	079	036	Tankipora
8	2021-22	PULHO****1	3244010011900112****V	115	020	Pulwama
9	2022-23	DODHO****1	0220550010900990****V	2	10	Doda

(Source: IFMS database)

In reply, DGAT/ Department/NIC-JK stated (September 2025) that initially, server-to-server integration was in a nascent stage, leading to the system bug rightly pointed out by the audit. The issue has since been identified and fixed.

(iv) Difference in Scheme Code on JKPaySys and TreasuryNet:

It was observed that the scheme code associated with a bill in the JKPaySys application was different from that recorded in the TreasuryNet application for the same transaction. During analysis of database, it was noted that scheme code of nine transactions of 2021-22 were different in JKPaySys and TreasuryNet database.

In reply, DGAT/ Department/NIC-JK stated (September 2025) that initially, server-to-server integration was in a nascent stage.

The reply is not acceptable as variations in transactional fields such as scheme codes cannot be attributed to integration maturity issues, as these involve alteration of core accounting data at the database level. Such changes in scheme codes compromise the integrity of transaction records and may lead to misclassification of budget and expenditure figures at both DDO and treasury levels. This reflects inadequate validation and control mechanisms within the IFMS environment.

(v) Difference in Treasury Voucher (TV) Number on JKPaySys and TreasuryNet:

Bills that are presented and passed at the treasury are provided with a unique treasury voucher number (TV number) with the bills. Later these TV numbers are updated in the JKPaySys system for each successful bill.

The analysis of data shows that the voucher numbers that were generated and associated with the bills on TreasuryNet application were found to be different than the reported

on the JKPaySys application. The details of the vouchers are mentioned in **Table 7.3.10:**

Table 7.3.10: Vouchers with different treasury voucher number

S. No.	Financial Year	DDO Code	Bill No	TV No on JKPaySys	TV No on TreasuryNet
1	2021-22	BUDHO****1	1C00BUDHOM00010921WD****0	5	4
2	2021-22	NGMED****6	1C07NGMEDU00060621CE****1	120	32
3	2021-22	RESAH****1	2D00RESAHD00010621Sa****7	65	17
4	2021-22	STJPW****6	2A00STJPWD00161021W****8	1	55
5	2021-22	SHPIR****1	1G00SHPIRR00011221W****8	57	4
6	2021-22	SPRSW****1	1H05SPRSWD00010921GP****4	3	236

(Source: IFMS database)

This clearly indicates the bills data is being manipulated at database level and in absence of database log the audit could not ascertain the reliability of transactions generated through IFMS applications.

In reply, DGAT/ Department/NIC-JK stated (September 2025) that initially, server-to-server integration was in a nascent stage due to which such system bugs were present.

The reply is not acceptable as variations in transactional fields such as scheme codes cannot be attributed to integration maturity issues, as these involve alteration of core accounting data at the database level. Such changes in voucher numbers compromise the integrity of transaction records and may lead to misrepresentation of budget and expenditure figures at both DDO and treasury levels. This reflects inadequate validation and control mechanisms within the IFMS environment.

7.3.6 Implementation of C&AG Module

MMP- Treasury Computerisation guidelines issued (July 2010) under the National e-Governance Plan (NeGP) stipulate that computerisation of treasuries shall facilitate audit of government offices. For this purpose, data samples are to be provided to audit for verification and ensure quick availability of audit reports of C&AG along with reference data for Legislative oversight.

Audit observed that the Finance Department, GoJ&K had not developed a dedicated portal for the office of AG (Audit) J&K to facilitate audit parties by on boarding them to an Interface where they can easily access the basic records¹⁹ of the auditee department.

¹⁹ Budgetary allocations, administrative approvals, technical sanctions, sanction orders, digitally signed vouchers/bills, cash books, geo tagging of works, current status of works, stock registers, sanction/effective strength etc.

In reply, Department stated (November 2024) that NIC was prepared to share data through Application Programming Interface (APIs) with the AG office as and when directed.

The reply is not acceptable as API based access to the IFMS data is not yet provided to AG (Audit). Thus, despite lapse of ten years since the initiation of IFMS project, the audit module of IFMS project has not been designed and developed in consultation with the office of AG (Audit) J&K and digital infrastructure has not been created by GoJ&K to enable conducting audit online.

7.4 IT Security

Information Security relates to the protection of information assets against the risk of unauthorised access, operational discontinuity, misuse, unauthorised disclosure, modification, or damage. Information is considered as valuable asset of the organisation and should therefore be protected by ensuring confidentiality, integrity, and availability.

7.4.1 Access of IFMS Applications

7.4.1.1 Weak logical access control of IFMS Applications

Audit noted following deficiencies in logical access control in IFMS applications:

- To access both BEAMS and JKPaySys applications, a valid login id and a password is required. For the new users the log in id and password (system generated-one time) is shared on email. Upon logging in, the applications prompt users to mandatorily change the system generated password before carrying out any business or transaction. There were mainly two types of users of these applications namely 1. The Maker and 2. The Checker, whose roles²⁰ were defined as per the application manuals of GoJ&K.

Audit observed that the Maker and Checker both were using the same Log-in ids but different passwords implying that they were differentiated/ identified solely on the basis of the password.

In reply, DGAT/ Department stated (June 2024/ November 2024) that user ID contains two fields for the passwords of Maker and Checker and these cannot be identical.

The reply is not acceptable as it does not address the core issue of both roles operating under a single user ID, which violates basic access control principles and weakens user accountability.

- Audit examination of master data of TreasuryNet Application revealed that passwords in respect of 1,010 users had never been changed as of January 2024 in contravention to the MeitY Guidelines that the passwords should be changed at least once every three months and that users shall not be able to reuse previous passwords.

²⁰ Maker drafts the budget estimation and checker approves the budget estimation. The draft can only be generated or modified by the Maker while the Checker can either approve or reject the draft.

Without periodic password changes, users' credentials may remain unchanged for extended periods, making them susceptible to credential stuffing attacks where attackers use leaked username/password combinations to gain unauthorised access to accounts.

Further, multi-factor authentication such as biometric, web/app-based authenticator, One Time Password etc., which is an extra layer of security that is used to establish the identity of a valid user, was not in place. This renders the system more vulnerable to potential fraud where a person with malicious intension unethically obtains the credentials and commits unauthorised transactions.

In reply, Department stated (November 2024) that password change facility for Maker was granted to Checker so as to assign role of Maker to any employee in the office. In case of Maker password, change default password was sent via mail with confirmation via phone call. It was further added that in next phase, password change will be made OTP-based to enhance security.

However, reply was silent about non-implementation of mandatory periodic change policy.

- Audit noted that “forgot password” facility of BEAMS application is improperly implemented as it requires the current password to create a new password.

Further, forgot password facility entails following deficiencies:

- (i) As discussed earlier, enabling the Checker to change the password of the Maker and not allowing the latter to change it himself/ herself is in violation of IT password policy of not sharing the user’s credentials. Further, issues related to using single User ID is noted in the **Paragraph 7.4.1.2**.
- (ii) If the NIC/ Checker changes the password of the Maker, the system does not provide for an audit trail to identify the person who had made such a change and whether any change was made or not.
- (iii) If the Checker forgets password, the system does not provide for setting a new password for Checker and instead the Checker has to rely on NIC support team/ Budget Controlling authorities for setting a new password.

While accepting the audit observation, Department stated (November 2024) that “forgot password” option for maker was provided to checker to change password. It was further stated that “Forgot Password” facility for the Checker was available with Budget Controlling authorities and NIC support team had no role in it.

The reply of the department is not acceptable for the fact that there was improper implementation of the Password policy for the various systems implemented. Also, the reply was silent about missing audit trail of the password change events.

7.4.1.2 Access Authorisation Failure: Simultaneous access to the Maker and the Checker without password

While reviewing the Checker login of the JKPaySys application, audit noted that clicking on a one particular link in the checker login allows the Checker to perform all the Maker functions.

For instance, when an authorised Checker logs in on the home page of the JKPaySys under the Masters tab and clicks the option of “Add Bulk Allowances”, the system changes his/ her role to Maker for all subsequent functions in the session without using Maker login credentials.

Thus, failure of the NIC-J&K to guard against simultaneous access of the Checker and the Maker without need for password may lead to critical risks relating to Data security, User privacy and system integrity.

While accepting the audit observation, the Department stated (November 2024) that the issue was taken up with the NIC who acknowledged to correct it promptly.

7.4.2 Non-providing of transaction log and data Modification Log in the database

Guidelines for Indian Government Websites and Applications (GIGW) guidelines stipulate that for secure database, audit trail logs should be enabled i.e. every transaction should be properly trailed and shown to the intended user whenever required. The transaction should always accompany its creator and modifier/updater on user interface. Facilitating such event through database helps the system to auto identify the user who entered the particular transaction and the modifier, if it has been modified at any stage during the process.

Audit examination of the structures of Database tables used in BEAMS, JKPaySys and TreasuryNet applications revealed that though the audit trail table was available in each of these applications, the system does not record the complete trail of the transactions such as who inserted the records and who modified them.

The Grey box security audit²¹ conducted on BEAMS in the year 2018 also raised this issue but the issue was shown resolved just by providing the Login and logout trail. Thus, by not providing the transactional logs or data modification logs on the user interface, the system would encourage the unauthorised insertion, deletion or updation in the database without any accountability.

In reply, DGAT/ Department accepted (June 2024/ November 2024) the audit observation and assured that corrective action would be taken in next version of IFMS.

²¹ Security audit conducted by empaneled Agencies as per the Guidelines of MeitY.

7.4.3 Formulation of Disaster Recovery and Business Continuity plan

A Disaster Recovery (DR) plan focuses on bringing the system back online ensuring data protection and preventing damages to the system while a Business Continuity plan (BCP) aims at developing a proactive process that would keep the system alive and operating in case of a major crisis.

Mission Mode Project (MMP) guidelines lay emphasis on “Disaster Recovery and Business Continuity plan” to ensure that the system runs even in the case of long power outages, floods, earthquake, virus attacks and situations like vendor abandoning the project etc.

As per DPR – Security Feature, IFMS Data and application will be kept at the NIC/ State Data Centre. Provision for secure network access to the data and application would be through various firewall and other security tools. Provision for disaster recovery infrastructure, regular backup scheduling and data would be kept at multiple locations.

For this, funds amounting to ₹ 97.50 lakh were proposed in the DPR for BCP and Disaster Recovery Site. Audit observed that as of March 2024, the IFMS system was running at NIC Mini Data Centre without proposed State Data Centre for DR and BCP leaving the system exposed to the data loss risks.

While accepting the audit observation, DGAT/ Department stated (June 2024/ November 2024) that the applications are running in the NIC Mini Data Centre, Jammu where backup of the data is regularly maintained, and one copy of the data is safely retained at the Civil Secretariat. It was further stated that the plan for shifting the application to SDC or National Cloud with facility of DR was under consideration.

The reply is not acceptable as the backups taken by the NIC were kept in the same premises as NIC Mini Data Centre, in which the application was hosted. Non-sensitivity towards such critical aspect may result in the implementing agency not having any fall-back point to restore the system in the event of a disaster or any cyber threat.

7.4.4 Over-reliance on NIC-J&K for System Administration

As per the MoU entered (May 2012) between Finance department, GoJ&K, NIC and NICSI- New Delhi, maintenance of IFMS applications viz. (BEAMS, JKPaySys, TreasuryNet and GRAS) and administrative functions were to be controlled by Director General Accounts and Treasuries (DGAT), Finance Department, GoJK, and NIC-J&K was designated as system integrator/developer. NIC was also responsible to provide hosting space in its Data Centre at Jammu on mutually agreeable terms until the State Data Centre (SDC) became operational.

A Project Management Unit (PMU) was established (February 2012) to oversee the monitoring the Application deployment, Hardware installation, Networking, Data centre setup, support and maintenance throughout the project period. As per MoU, the manpower for PMU shall be decided through tender amongst NICSI empanelled

agencies under the aegis of NIC-JK and Information Technology Department of the State Government.

The SDC was made operational in June 2022 by the IT Department, J&K, which is the nodal department for implementation of IT related projects in the State/ UT. However, as per DGAT, the IT Department, J&K did not take up the IFMS project for computerisation of treasuries, and migration of applications to SDC for better utilisation of cloud-based infrastructure.

Consequently, a new Project Monitoring Unit (PMU) in Finance Department was created (May 2023) for maintenance, up-gradation and modifications of IT enabled systems being implemented in the Finance Department²².

Audit observed that only BEAMS application was shifted to new Project Monitoring Unit (PMU) in Finance Department from the earlier PMU under the aegis of NIC-JK. However, other IFMS applications²³ are still being managed by PMU NIC-JK and continued to be hosted on NIC mini-Data Centre which is not a dedicated data centre for IFMS application. Consequently, maintenance, up-gradation and modifications for these applications remained with NIC-JK.

With respect to the administration control of the system, NIC-JK did not provide any user interface for the Finance Department to perform the administrative functions such as onboarding/ deboarding of users of the IFMS application, resetting of user's login, inserting/updating/deleting master data of IFMS applications etc.

Therefore, the continuous reliance and exposure of sensitive data to system integrator/ developer/ support team (PMU-NICJK) poses threat to the security of system and the applications remain to be hosted on the NIC Mini data centre even after the lapse of 12 years. Additionally, transactional or data modification logs are not being maintained.

DGAT admitted (March 2025) that onboarding/ deboarding of users of BEAMS was done by Budget controlling authorities while in respect of other application the same was done by NIC on request from the Department.

Thus, the key administrative functions of IFMS application had not been taken over by the GoJ&K.

²² BEAMS, JKPaysys, PROOF, EMPOWERMENT portal, E-Audit portal, Mera Vetan, GRAS, GPF. system, DBT, PFMS and E-Billing System etc.

²³ JKPaySys, GRAS, E-Audit and TreasuryNet.

7.5 Monitoring and Evaluation

7.5.1 Monitoring and evaluation of IFMS applications

7.5.1.1 Non conduct of testing of applications

As per DPR, a Core Consultants Group (CCG) shall be formed by the user Department, comprising Subject Experts who shall ensure that the user interface fulfils the usability requirements.

Audit observed that no User Acceptance Testing (UAT) had been conducted except in case of TreasuryNet in 2011 as of March 2024. In absence of testing, it could not be ensured whether the software application meets the user requirements and is free of defects. Frequent additions of modules were indicative that the system was made live without testing.

Without UAT, there is a higher risk that the application may not fully meet the needs or expectations of the users. This misalignment can lead to dissatisfaction and reduced productivity. Further, UAT helps identify bugs and issues that might not be uncovered during earlier testing phases. Without it, users might encounter critical errors post-deployment, impacting the software's functionality and reliability as discussed in **Paragraph 7.3.4.1 (III)**.

In reply, DGAT/ Department stated (June 2024/ November 2024) that the implementation of applications was done in a phased manner after successful and satisfactory response of the pilot project implemented in five Treasuries. It was further stated that after thorough testing by the PMU and fixing of bugs as reported by the end users, the PMU constituted (December 2011) a committee for implementation of the project and all modifications were carried out on the recommendations of the committee.

The reply is not acceptable as documents related to User Acceptance Testing were not produced to audit except in case of TreasuryNet application. Further, since no UAT was conducted, the effectiveness and user satisfaction of various modules and applications developed in IFMS could not be assessed.

During Exit Conference Department accepted the audit observation and (October 2025) assured that future enhancements will follow formal UAT documentation and business process mapping before deployment.

7.5.1.2 Non-Certification by Standardisation Testing and Quality Certification

Paragraph 1.6.3 of DPR provides the need of certification and testing of IFMS applications by an independent agency like Standardisation Testing and Quality Certification (STQC) to ensure quality standards.

For conformity of the product to the requirement and the demonstrability of its quality, following management certification scheme/ certification were to be provided by the STQC of IT related projects:

- ISO 9001 Quality Management System (QSM) Certification
- ISO 14001 Environment Management System (EMS) Certification
- ISO 27001 Information Security Management System (ISMS) Certification
- ISO 20000 IT Service Management (ISMS) Certification

Further, the several website in J&K (May 2025) were taken down by the GoJK including JKPaySys due to non-compliance to the cyber security protocols and vulnerability assessment and penetration testing guidelines.

Audit observed the following in this regard:

- Neither the implementing agency i.e. NIC-JK nor the GoJ&K put any efforts towards making the IFMS tested against industry and safety standards and for certification as per provision of DPR.
- The process of identifying, classifying and valuing the assets and estimating expected loss due to risks was not undertaken.
- The risk register had also not been prepared by the Project Management as required under ISO 20000 IT Service Management (ISMS) Certification.

As per IT Act 2008, it is mandatory to have security audit of all the application and web services to be eligible for hosting in State Data Centre (SDC). Failure to obtain these certificates forces the department to host IFMS on NIC Mini Data Centre. Also unofficial email IDs are being used by the users like G-mail, dummy e-mails etc. thereby increasing the risks.

In reply, Department stated (November 2024) that matter was taken up with NIC who assured that necessary step would be taken in next version of IFMS.

7.5.2 Conclusion

The Business Process Re-engineering process was deficient and GoJ&K had not formed Core Consultant Group as of March 2023 for implementation of IFMS in consideration of user requirements. Due to non-revision of DPR as per GoI's instructions and non-achievement of prescribed milestones of MMP-Treasury computerisation guidelines, the State/ UT had lost the central assistance of ₹ 11.88 crore for implementation of IFMS.

Instead of carrying out upgradation of SDC for hosting/storage of IFMS applications, NIC irregularly hosted all the applications of IFMS on NIC Mini Data Centre at Jammu without any supporting backup site while the funding for the same remained mis utilised.

The implementation of IFMS in J&K is characterised by various deficiencies and significant delays. As of March 2023, only four out of the twelve proposed modules were fully operational, leading to delay of more than a decade in full implementation of IFMS. In BEAMS and JKPaySys modules, there were serious shortcomings in data validation, which further compromise system integrity and usability. The lack of

client-side and server-side validation has led to submission of erroneous and incomplete data, negatively impacting budget allocation and overall data management. Lack of integration among key financial applications namely BEAMS and TreasuryNet reflect the technical inefficiency of the system in ensuring seamless data transfer. This not only resulted in excess expenditure over allocation but also rendered the system susceptible to unauthorised modification in bill particulars like amount of bill, DDO code, Major Head, Detailed Head, Scheme code and Treasury voucher Numbers.

There was absence of robust logical access controls, effective password recovery options and transaction log in which creates opportunities for unauthorised access and manipulation of sensitive information. System does not provide for complete trail of the transactions such as who inserted the records and who modified them. Lack of a comprehensive Disaster Recovery and Business Continuity Plan exposes the system to risks of data integrity and availability in case of unforeseen events like cyber-attacks and operational disruptions. Administrative control of IFMS was not taken over by the DGAT even after the lapse of over 12 years resulted in continuous exposure of sensitive data.

The absence of User Acceptance Testing (UAT) raises concerns about software fulfilling user requirements and functioning effectively. The failure of the department to secure certifications from the Standardisation Testing and Quality Certification (STQC) agency indicates that the project did not adhere to industry standards for quality assurance, risk assessment, and management certification.

7.5.3 Recommendations

In light of the audit findings, GoJ&K may consider:

- *Establishing Core Consultant Group of experts and consultants for proper guidance, monitoring, and decision-making during the project's implementation.*
- *Conducting a comprehensive Business Process Re-engineering and Requirements Analysis to align the IFMS system with the modern business rules and practices.*
- *Establishing a clear timeline and task force for early completion of the remaining eight modules to ensure full system functionality.*
- *Implementing both client-side and server-side validation across all modules of IFMS.*
- *Ensuring strict compliance with established guidelines for user authentication, data submission and financial transactions.*
- *Ensure timely integration among IFMS applications for data integrity.*
- *Securing access controls by implementation of role-based access control and Multi-Factor Authentication.*

- *Strengthening of Password Management policy by implementing auto password expiry and password recovery options.*
- *Audit trail of all transactions or data modifications be maintained.*
- *Developing a Disaster Recovery Plan by introducing backup strategies, recovery time objectives and recovery point objectives.*
- *Ensuring that UAT processes are thoroughly documented, capturing all test cases, results, issues identified and their resolutions.*
- *Engaging end-users and stakeholders during the design and development stages of remaining eight modules to ensure their requirements are well understood and reflected in the system.*
- *Ensuring certification from the Standardisation Testing and Quality Certification (STQC) agency to demonstrate adherence to industry-standard practices.*

Srinagar/Jammu
Dated: 03 July 2026



(J.P.N. Singh)
Principal Accountant General (Audit),
Jammu and Kashmir

Countersigned

New Delhi
Dated: 10 July 2026



(K. Sanjay Murthy)
Comptroller and Auditor General of India

APPENDICES

Appendix 2.1
(Reference Paragraph: 2.1)
Detail of PSEs in Jammu & Kashmir under the audit jurisdiction of the CAG as on 31 March 2023

Sl. No.	Sector type and Name of PSE	Remarks
A	Power Sector	
I	Working Government Companies	
1.	Jammu & Kashmir Power Development Corporation Limited	-
2.	Jammu & Kashmir Power Transmission Corporation Limited	-
3.	Jammu Power Distribution Corporation Limited	-
4.	Kashmir Power Distribution Corporation Limited	-
5.	Jammu & Kashmir Power Corporation Limited	-
II	Working Government Controlled Other Company	
6.	Chenab Valley Power Projects Private Limited	-
B	Social Sector	
I	Working Government Companies	
7.	Jammu & Kashmir Agro Industries Development Corporation Limited	-
8.	Jammu & Kashmir Horticulture Produce Marketing and Processing Corporation Limited	-
9.	Jammu & Kashmir Scheduled castes, Scheduled Tribes and Back-ward Classes Development Corporation Limited	-
10.	Jammu & Kashmir Women's Development Corporation Limited	-
11.	Jammu & Kashmir Small Scale Industries Development Corporation Limited	-
12.	Jammu & Kashmir State Industrial Development Corporation Limited	-
13.	Jammu & Kashmir Industries Limited	-
14.	Jammu & Kashmir Overseas Employment Corporation Limited	-
15.	Jammu & Kashmir Handicrafts (Sales and Export) Development Corporation Limited	-
16.	Jammu & Kashmir Handloom Development Corporation Limited	-
17.	Jammu & Kashmir Trade Promotion Organisation	-
18.	Jammu & Kashmir Infrastructure Development Finance Corporation Pvt. Limited	-
19.	Jammu & Kashmir I.T. Infrastructure Development Pvt. Limited	-
20.	Jammu & Kashmir Forest Development Corporation Limited	The Company was incorporated under the Companies Act, 2013 in December 2020 after repeal of J&K State Forest Corporation Act, 1978.
21.	Jammu & Kashmir Medical Supplies Corporation Limited	The Company has not submitted its accounts since inception.
22.	AIC-Jammu & Kashmir EDI Foundation	The Company has not submitted its accounts since inception.

Composite Audit Report (Civil and PSEs) for the period ended March 2023

Sl. No.	Sector type and Name of PSE	Remarks
II	Inactive Government Companies	
23.	Jammu & Kashmir Asset Reconstruction Limited	The Govt. has accorded sanction to voluntary winding up of the Company vide order no FD 453 of 2019 dated 24 October 2019.
24.	Jammu & Kashmir Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited)	The Company is under liquidation
C	Competitive Environment Sector	
I	Working Government Companies	
25.	Jammu & Kashmir Cements Limited	-
26.	Jammu & Kashmir Minerals Limited	-
27.	Jammu & Kashmir Cable Car Corporation Limited	-
28.	Jammu & Kashmir Bank Limited	-
29.	JKB Financial Services Limited	-
30.	Jammu & Kashmir Tourism Development Corporation Limited	-
II	Working Statutory Corporation	
31.	Jammu & Kashmir and Ladakh Financial Corporation	-
32.	Jammu & Kashmir Road Transport Corporation	-
III	Inactive Government Companies	
33.	Tawi Scooters Limited	The Company is under liquidation
34.	Himalayan Wool Combers Limited	The Company is under liquidation
D	Others	
I	Working Government Companies	
35.	Jammu & Kashmir Projects Construction Corporation Limited	-
36.	Jammu & Kashmir Police Housing Corporation Limited	-
37.	Srinagar Smart City Limited	-
38.	Jammu Smart City Limited	-
39.	Jammu Mass Rapid Transit Corporation Pvt. limited	The Company has not yet started its business operations
40.	Srinagar Mass Rapid Transit Corporation Pvt. limited	The Company has not yet started its business operations
II	Inactive Government Companies	
41.	Jammu & Kashmir Road Development Corporation Limited	The Company has not yet started its business operations
42.	Jammu & Kashmir International Trade Centre	The Company has not yet started its business operations

Appendix 2.2
(Reference Paragraph: 2.1)
Detail of turnover of PSEs as per their latest finalised accounts as of 30 September 2023

Sl. No.	Sector type and Name of PSE	Period of accounts	Year in which finalised	Turnover (₹ in crore)
A	Power Sector			
I	Working Government Companies			
1.	Jammu & Kashmir Power Development Corporation Limited	2015-16	2020-21	1,037.85
2.	Jammu & Kashmir Power Corporation Limited	2018-19	2021-22	0
3.	Jammu & Kashmir Power Transmission Corporation Limited	2018-19	2020-21	0
4.	Jammu Power Distribution Corporation Limited	2019-20	2022-23	204.66
5.	Kashmir Power Distribution Corporation Limited	2019-20	2023-24	0
II	Working Government Controlled Other Company			
6.	Chenab Valley Power Projects Private Limited	2022-23	2023-24	0
B	Social Sector			
I	Working Government Companies			
7.	Jammu & Kashmir Agro Industries Development Corporation Limited	2021-22	2022-23	38.01
8.	Jammu & Kashmir Horticulture Produce Marketing and Processing Corporation Limited	2018-19	2023-24	3.00
9.	Jammu & Kashmir Scheduled Castes, Scheduled Tribes and Back-ward Classes Development Corporation Limited	2019-20	2022-23	2.10
10.	Jammu & Kashmir Women's Development Corporation Limited	2020-21	2021-22	4.10
11.	Jammu & Kashmir Small Scale Industries Development Corporation Limited	2018-19	2022-23	629.36
12.	Jammu & Kashmir State Industrial Development Corporation Limited	2013-14	2019-20	19.16
13.	Jammu & Kashmir Industries Limited	2020-21	2023-24	8.55
14.	Jammu & Kashmir Overseas Employment Corporation Limited	2010-11	2013-14	0
15.	Jammu & Kashmir Handicrafts (Sales and Export) Development Corporation Limited	2018-19	2020-21	11.12
16.	Jammu & Kashmir Handloom Development Corporation Limited	2020-21	2022-23	23.46
17.	Jammu & Kashmir Trade Promotion Organisation	2022-23	2023-24	0
18.	Jammu & Kashmir Infrastructure Development Finance Corporation Pvt. Limited	2020-21	2023-24	0
19.	Jammu & Kashmir I.T. Infrastructure Development Pvt. Limited	2021-22	2022-23	0
20.	Jammu & Kashmir Forest Development Corporation Limited	2019-20	2021-22	148.71
21.	Jammu & Kashmir Medical Supplies Corporation Limited	2015-16	2023-24	0

Composite Audit Report (Civil and PSEs) for the period ended March 2023

Sl. No.	Sector type and Name of PSE	Period of accounts	Year in which finalised	Turnover
22.	AIC-Jammu & Kashmir EDI Foundation	-	-	-
II	Inactive Government Companies			
23.	Jammu & Kashmir Asset Reconstruction Limited	-	-	-
24.	Jammu & Kashmir Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited)	1991-92	1999-2000	-
C	Competitive Environment Sector			
I	Working Government Companies			
25.	Jammu & Kashmir Cements Limited	2021-22	2023-24	0
26.	Jammu & Kashmir Minerals Limited	2013-14	2023-24	9.70
27.	Jammu & Kashmir Cable Car Corporation Limited	2013-14	2021-22	37.20
28.	Jammu & Kashmir Bank Limited	2022-23	2023-24	9,355.11
29.	JKB Financial Services Limited	2022-23	2023-24	9.42
30.	Jammu & Kashmir Tourism Development Corporation Limited	2020-21	2023-24	35.34
II	Working Statutory Corporation			
31.	Jammu & Kashmir and Ladakh Financial Corporation	2020-21	2022-23	6.20
32.	Jammu & Kashmir Road Transport Corporation	2018-19	2020-21	79.71
III	Inactive Government Companies			
33.	Tawi Scooters Limited	1989-90	1991-92	-
34.	Himalayan Wool Combers Limited	1999-2000	2000-01	-
D	Others			
I	Working Government Companies			
35.	Jammu & Kashmir Projects Construction Corporation Limited	2018-19	2020-21	409.06
36.	Jammu & Kashmir Police Housing Corporation Limited	2016-17	2023-24	12.92
37.	Srinagar Smart City Limited	2018-19	2021-22	0
38.	Jammu Smart City Limited	2019-20	2021-22	0
39.	Jammu Mass Rapid Transit Corporation Pvt. limited	-	-	-
40.	Srinagar Mass Rapid Transit Corporation Pvt. limited	-	-	-
II	Inactive Government Companies			
41.	Jammu & Kashmir Road Development Corporation Limited	-	-	-
42.	Jammu & Kashmir International Trade Centre Corporation Limited	-	-	-
	Total			12,084.74

(Source: Latest finalized accounts of PSEs)

Appendix 2.3
(Reference Paragraph: 2.2.1)
Statement showing position of equity and outstanding loans relating to PSEs as on 31 March 2023

(₹ in crore)

Sl. No.	Sector and Name of PSE	Name of Department	Month & year of Incorporation	Equity at the end of year 2022-23				Long term Loans at the end of year 2022-23			
				GoJ&K	Gol	Others	Total	GoJ&K	Gol	Others	Total
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
A.	Power Sector										
	I. Working Government Companies										
1.	Jammu & Kashmir Power Development Corporation Limited	Power Development Department (PDD)	Feb-1995	2,593.34	0	0	2,593.34	0	0	731.90	731.90
2.	Jammu Power Distribution Corporation Limited	PDD	June-2013	0.05	0	0	0.05	0	0	0	0
3.	Kashmir Power Distribution Corporation Limited	PDD	June-2013	0.05	0	0	0.05	0	0	0	0
4.	Jammu & Kashmir Power Transmission Corporation Limited	PDD	March-2013	0.05	0	0	0.05	0	0	0	0
5.	Jammu & Kashmir Power Corporation Limited	PDD	March-2013	0.05	0	0	0.05	0	0	21,613.62	21,613.62
	II. Working Government Controlled Other Company										
6.	Chenab Valley Power Projects (Pvt.) Ltd.	PDD	June-2011	0	0	3,917.08*	3,917.08	0	1,023.49	0	1,023.49
	Total A			2,593.54	0	3,917.08	6,510.62	0	1,023.49	22,345.52	23,369.01
B.	Social Sector										
	I. Working Government Companies										
7.	Jammu & Kashmir Agro Industries Development Corporation Limited	Agriculture production	30-Jan-70	2.60	0.94	0	3.54	25.19	0	0	25.19

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Sl. No.	Sector and Name of PSE	Name of Department	Month & year of Incorporation	Equity at the end of year 2022-23				Long term Loans at the end of year 2022-23			
8.	Jammu & Kashmir Horticulture Produce Marketing and Processing Corporation Limited	Agriculture production	10-Apr-78	6.80	3.20	0	10.00	14.75	0	0	14.75
9.	Jammu & Kashmir Scheduled castes, Scheduled Tribes and Other Back-ward Classes Development Corporation Limited	Social Welfare	01-Apr-86	23.17	28.05	0	51.22	67.34	0	104.38	171.72
10.	Jammu & Kashmir Women's Development Corporation Limited	Social Welfare	10-May-96	10.00	0	0	10.00	27.66	0	108.22	135.88
11.	Jammu & Kashmir Small Scale Industries Development Corporation Limited	Industries and Commerce	28-Nov-75	89.91	0	0	89.91	0	0	0	0
12.	Jammu & Kashmir State Industrial Development Corporation Limited	Industries and Commerce	17-Mar-69	17.64	0	0	17.64	22.72	0	0	22.72
13.	Jammu & Kashmir Industries Limited	Industry and Commerce	04-Oct-60	16.27	0	0	16.27	264.99	0	0	264.99
14.	Jammu & Kashmir Overseas Employment Corporation Limited	Finance	10-Oct-10	4.06	0	0	4.06	0	0	0	0
15.	Jammu & Kashmir Handicrafts (Sales and Export) Development Corporation Limited	Industries and Commerce	06-Jan-70	7.08	0.89	0	7.97	65.16	0	0	65.16
16.	Jammu & Kashmir Handloom Development Corporation Limited	Industries and Commerce	29-Jun-81	3.49	1.50	0	4.99	72.09	0	0	72.09
17.	Jammu & Kashmir Trade Promotion Organisation	Industries and Commerce	30-May-18	2.55	2.68	0	5.23	2.34	0	0	2.34
18.	Jammu & Kashmir Infrastructure Development Finance Corporation Pvt. Limited	Finance	25-Sep-18	0.50	0	0	0.50	250.00	0	2,297.90	2,547.90
19.	Jammu & Kashmir Medical Supplies Corporation Limited	Health	31-Mar-14	0.05	0	0	0.05	0	0	0	0
20.	AIC-Jammu & Kashmir EDI Foundation	Industries and Commerce	07-Sep-18	130.46	7.34	0	137.80	0	1.03	0	1.03

Sl. No.	Sector and Name of PSE	Name of Department	Month & year of Incorporation	Equity at the end of year 2022-23				Long term Loans at the end of year 2022-23			
21.	Jammu & Kashmir I.T. Infrastructure Development Pvt. Limited	IT and Communication	07-Mar-19	0.50	0	0	0.50	0	0	0	0
22.	Jammu & Kashmir Forest Development Corporation Limited	Forest	03 Dec-20 (incorporated as a statutory corporation in Jul-79)	9.03	0	0	9.03	18.00	0	0	18.00
	Total I B			324.11	44.60	0	368.71	830.24	1.03	2,510.50	3,341.77
	II. Inactive Company										
23.	Jammu & Kashmir Asset Reconstruction limited	Finance	28-Apr-17	1.02	0	0.98	2.00	0	0	0	0
24.	Jammu & Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited)	Industries and Commerce	29-Nov-91	0.40	0	0	0.40	NA	NA	NA	NA
	Total II B			1.42	0	0.98	2.40	0	0	0	0
	Total B(I+II)			325.53	44.60	0.98	371.11	830.24	1.03	2,510.50	3,341.77
C.	Competitive Sector										
	I. Working Government Companies										
25.	Jammu & Kashmir Cements Limited	Industries and Commerce	24-Dec-74	49.86	0	0	49.86	17.98	0	36.42	54.40
26.	Jammu & Kashmir Minerals Limited	Industries and Commerce	05-Feb-60	8.00	0	0	8.00	169.78	0	0	169.78
27.	Jammu & Kashmir Cable Car Corporation Limited	Tourism	28-Nov-88	23.57	0	0	23.57	0	0	0	0
28.	Jammu & Kashmir Bank Limited	Finance	10-Oct-38	65.41	0	37.74	103.15	0	0	2,892.31	2,892.31

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Sl. No.	Sector and Name of PSE	Name of Department	Month & year of Incorporation	Equity at the end of year 2022-23				Long term Loans at the end of year 2022-23			
29.	Jammu & Kashmir Bank Financial Services Limited	Finance	27-Aug-09	0	0	40.00	40.00	0	0	7.84	7.84
30.	Jammu & Kashmir and Ladakh Financial Corporation	Finance	02-Dec-59	172.35	0	0.53	172.88	18.03	0	58.68	76.71
31.	Jammu & Kashmir Road Transport Corporation	Transport	01-Sep-76	389.86	15.01	49.88	452.85	788.82	0	0	788.82
32.	Jammu & Kashmir Tourism Development Corporation Limited	Tourism	13-Feb-70	15.96**	0	0	15.96	8.26	0	0	8.26
	Total I C			725.01	15.01	128.15	866.27	1,002.87	0	2,995.25	3,998.12
	II. Inactive Companies										
33.	Tawi Scooters Limited	Industries and Commerce	15-Dec-76	0.80	0	0	0.80	0.83	0	0	0.83
34.	Himalayan Wool Combers Limited	Industries and Commerce	24-Jan-78	1.37	0	0	1.37	0	0	0	0
	Total II C			2.17	0	0	2.17	0.83	0	0	0.83
	Total C (I+II)			727.18	15.01	128.15	868.44	1,003.70	0	2,995.25	3,998.95
D.	Others										
	I. Working Government Companies										
35.	Jammu & Kashmir Projects Construction Corporation Limited	Public Works	22-May-65	1.53	0	0	1.53	0	0	0	0
36.	Jammu & Kashmir Police Housing Corporation Limited	Home	26-Dec-97	2.00	0	0	2.00	0	0	0	0
37.	Jammu Smart City Limited	Urban Development	08-Sep-17	0.10	0	0	0.10	0	0	0	0
38.	Srinagar Smart City Limited	Urban Development	08-Sep-17	0.10	0	0	0.10	0	0	0	0

Sl. No.	Sector and Name of PSE	Name of Department	Month & year of Incorporation	Equity at the end of year 2022-23				Long term Loans at the end of year 2022-23			
39.	Jammu Mass Rapid Transit Corporation Pvt. Limited	Urban Development	12-Mar-19	0.02	0	0	0.02	0	0	0	0
40.	Srinagar Mass Rapid Transit Corporation Pvt. limited	Urban Development	13-Mar-19	0.02	0	0	0.02	0	0	0	0
	Total I D			3.77	0	0	3.77	0	0	0	0
	II. Inactive Companies										
41.	Jammu & Kashmir Road Development Corporation Limited	Public Works	31-Mar-14	5.00	0	0	5.00	0	0	0	0
42.	Jammu & Kashmir International Trade Centre Corporation Limited	Industries and Commerce	01-Feb-14	48.00	0	0	48.00	NA	NA	NA	NA
	Total II D			53.00	0	0	53.00	0	0	0	0
	Total I D (I+II)			56.77	0	0	56.77	0	0	0	0
	Grand Total (A+B+C+D)			3,703.02	59.61	4,046.21	7,806.94	1,833.94	1,024.52	27,851.27	30,709.73

(Source: Compiled based on information received from PSEs)

*This includes ₹ 224.69crore share application money pending allotment.

** This includes ₹ 10.96 crore share application money pending allotment.

Appendix 2.4

(Reference Paragraph: 2.2.3)

Equity and Loans outstanding as per Finance Accounts vis-à-vis records of PSEs up to 31 March 2023

(₹ in crore)

Sl. No.	Name of PSE	As per records of PSE			As per Finance Account			Difference		
		Paid up Capital	Loans Outstanding	Guarantee Committed	Paid up Capital	Loans Outstanding	Guarantee Committed	Paid up Capital	Loans Outstanding	Guarantee Committed
1	Jammu & Kashmir Power Development Corporation Ltd.	2,593.34	731.90	899.99	2,593.34	85.05	899.99	0	646.85	0
2	Jammu & Kashmir Horticulture Produce Marketing and Processing Corporation Limited	6.80	14.75	0	6.80	12.67	0	0	2.08	0
3	Jammu & Kashmir Cements Limited	49.86	17.98	3.43	15.00	0	3.43	34.86*	17.98	0
4	Jammu & Kashmir Minerals Limited	8.00	169.78	0	8.00	1.86	0	0	167.92	0
5	Jammu & Kashmir Tourism Development Corporation	15.96	8.26	0	5.00	0	0	10.96*	8.26	0
6	Jammu & Kashmir Road Transport Corporation	389.86	788.82	0	389.86	486.73	0	0	302.09	0
7	Jammu & Kashmir Industries Limited	16.27	264.99	0	16.27	305.43	0	0	-40.44	0
	Total	3,080.09	1,996.48	903.42	3,034.27	891.74	903.42	45.82	1,104.74	0

(Source: Compiled based on information received from PSEs and Finance Accounts of Government of Jammu and Kashmir – for the year ended 2022-23)

* Variation is due to share application money against which allotment is pending

Appendix 2.5
(Reference Paragraph: 2.3)
Statement of Profit-making PSEs as per their latest finalised accounts as of 30 September 2023

Sl. No.	Name of PSE	Period of accounts	Year in which finalized	Net Profit after interest and tax
1.	Jammu & Kashmir Women's Development Corporation Limited	2020-21	2021-22	0.25
2.	Jammu & Kashmir Small Scale Industries Development Corporation Limited	2018-19	2022-23	1.09
3.	Jammu & Kashmir Cable Car Corporation Limited	2013-14	2021-22	9.94
4.	Jammu & Kashmir Bank Limited	2022-23	2023-24	1,197.38
5.	JKB Financial Services Limited	2022-23	2023-24	1.21
6.	Jammu & Kashmir Projects Construction Corporation Limited	2018-19	2020-21	3.16
7.	Jammu & Kashmir Police Housing Corporation Limited	2016-17	2023-24	14.99
8.	Jammu & Kashmir Power Development Corporation Limited	2015-16	2020-21	20.42
9.	Chenab Valley Power Projects Private Limited	2022-23	2023-24	24.69
10.	Jammu & Kashmir Medical Supplies Corporation	2015-16	2023-24	0.11
11.	Jammu Power Distribution Company Limited	2019-20	2022-23	13.55
	Total			1,286.79

(Source: Compiled based on latest finalised accounts of PSEs)

Appendix 2.6
(Reference Paragraph: 2.5.2)
Return on Investment-Jammu & Kashmir Bank Limited (Listed PSE)

(₹ in lakh)

Year	Equity	Equity added	Grants\ Subsidy	Dividend receipts	Disinvestments receipts	No. of Years	Rate of interest I	1+r	Inception value of equity added	Inception value of Grants\ Subsidy	PV of Disinvestments receipts	PV of Dividend receipts	Cost of investment	No. of Shares	Market Price per Share (Rs.)	Market Value of Share	Current Value of Investment	ROI	CAGR
a	B	c	d	e	f	g	h	i	j	k	l	m	n	O	p	q	r	s	t
								(1+h)	c/product of i since inception to year value of (g-1)	d/product of i since inception to year value of (g-1)	f*product of i from the year to the last year	e*product of i from the year to the last year	b+Σj+Σk			o*p	q+Σl+Σm	((r-n)/n)/g	((Current year ROI/ROI of 1999-2000)^(1/(g-1)-1))*100
1998-99	4,847.78	0	0	773.26	0	1	0.1088	1.11	0	0	0	4,967.65	4,847.78	4,84,77,802	28.00	13,573.78	18,541.43	282.47	
1999-2000	4,847.78	0	0	902.13	0	2	0.1196	1.12	0	0	0	5,226.90	4,847.78	4,84,77,802	36.15	17,524.73	27,719.28	235.90	-16.49
2000-01	4,847.78	0	0	1,031.01	0	3	0.0923	1.09	0	0	0	5,335.48	4,847.78	4,84,77,802	37.30	18,082.22	33,612.25	197.78	-16.32
2001-02	4,847.78	0	0	1,288.76	0	4	0.1120	1.11	0	0	0	6,105.78	4,847.78	4,84,77,802	73.35	35,558.47	57,194.28	269.95	-1.50
2002-03	4,847.78	0	0	1,546.52	0	5	0.1054	1.11	0	0	0	6,588.98	4,847.78	4,84,77,802	113.85	55,191.98	83,416.77	324.14	3.50
2003-04	4,847.78	0	0	2,577.53	0	6	0.1095	1.11	0	0	0	9,934.53	4,847.78	4,84,77,802	493.15	2,39,068.28	2,77,227.60	936.44	27.09
2004-05	4,847.78	0	0	2,062.02	0	7	0.0897	1.09	0	0	0	7,163.25	4,847.78	4,84,77,802	363.05	1,75,998.66	2,21,321.23	637.92	14.54
2005-06	4,847.78	0	0	2,062.02	0	8	0.0815	1.08	0	0	0	6,573.60	4,847.78	4,84,77,802	450.80	2,18,537.93	2,70,434.09	684.81	13.49
2006-07	4,847.78	0	0	2,964.16	0	9	0.1166	1.12	0	0	0	8,737.44	4,847.78	4,84,77,802	643.15	3,11,784.98	3,72,418.59	842.47	14.64
2007-08	4,847.78	0	0	3,995.17	0	10	0.1407	1.14	0	0	0	10,546.80	4,847.78	4,84,77,802	678.55	3,28,946.13	4,00,126.52	815.38	12.50
2008-09	4,847.78	0	0	4,256.02	0	11	0.0794	1.08	0	0	0	9,849.58	4,847.78	4,84,77,802	314.80	1,52,608.12	2,33,638.10	429.04	4.27

Year	Equity added	Equity Grants\ Subsidy	Dividend receipts	Disinvestments receipts	No. of Years	Rate of interest 1	1+r	Inception value of equity added	Inception value of Grants\ Subsidy	PV of Disinvestments receipts	PV of Dividend receipts	Cost of investment	No. of Shares	Market Price per Share (Rs.)	Market Value of Share	Current Value of Investment	ROI	CAGR
2009-10	4,847.78	0	5,670.56	0	12	0.0945	1.09	0	0	0	12,157.87	4,847.78	4,84,77,802	681.70	3,30,473.18	4,23,661.03	719.94	8.88
2010-11	4,847.78	0	6,701.57	0	13	0.0903	1.09	0	0	0	13,127.82	4,847.78	4,84,77,802	874.00	4,23,695.99	5,30,011.67	833.31	9.43
2011-12	4,847.78	0	8,634.71	0	14	0.0828	1.08	0	0	0	15,513.79	4,847.78	4,84,77,802	919.00	4,45,511.00	5,67,340.47	828.79	8.63
2012-13	4,847.78	0	12,887.63	0	15	0.0819	1.08	0	0	0	21,384.30	4,847.78	4,84,77,802	1,191.00	5,77,370.62	7,20,584.39	984.28	9.33
2013-14	4,847.78	0	12,887.63	0	16	0.0714	1.07	0	0	0	19,765.50	4,847.78	4,84,77,802	1,538.00	7,45,588.59	9,08,567.86	1,165.12	9.91
2014-15	4,847.78	0	5,412.81	0	17	0.0768	1.08	0	0	0	7,748.28	4,847.78	48,47,78,020	95.05	4,60,781.51	6,31,509.06	760.40	6.38
2015-16	4,847.78	0	4,510.67	0	18	0.0725	1.07	0	0	0	5,996.38	4,847.78	48,47,78,020	60.50	2,93,290.70	4,70,014.64	533.08	3.81
2016-17	4,847.78	3,655.51	0	0	19	0.0783	1.08	705.30	0	0	0	5,553.08	52,13,33,071	75.00	3,90,999.80	5,67,723.74	532.82	3.59
2017-18	4,847.78	3,525.00	0	0	20	0.0723	1.07	630.73	0	0	0	6,183.81	55,68,58,392	60.35	3,36,064.04	5,12,787.97	409.61	1.98
2018-19	4,847.78	0	0	0	21	0.0720	1.07	0	0	0	0	6,183.81	55,68,58,392	53.70	2,99,032.96	4,75,756.89	361.60	1.24
2019-20	4,847.78	1,566.00	0	0	22	0.0720	1.07	243.76	0	0	0	6,427.57	71,34,50,938	12.36	88,182.54	2,64,906.47	182.79	-2.05
2020-21	4,847.78	0	0	0	23	0.0672	1.07	0	0	0	0	6,427.57	71,34,50,938	26.65	1,90,134.67	3,66,858.61	243.81	-0.67
2021-22	4,847.78	2194.36	0	0	24	0.0690	1.07	299.12	0	0	0	6,726.69	93,28,86,594	32.30	3,01,322.37	4,78,046.30	291.95	0.14
2022-23	4,847.78	985.93	0	0	25	0.0848	1.08	125.60	0	0	0	6,852.30	103,14,79,861	49.16	5,07,075.50	6,83,799.43	395.17	1.41

Appendix 2.7

(Reference Paragraph: 2.5.5)

Year-wise investment by the Government and present value (PV) of Government investment in non-listed PSEs for the period from 1999-2000 to 2022-23

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the GoJ&K during the year	Net Interest free loan given by the GoJ&K during the year	Interest free loan converted into Equity during the year	Total investment during the year	Total investment at the end of the year	Average rate of interest	Present value of total investment at the end of the year
A	B	C	D	E	F=C+D-E	G=B+F	H	I=G*(1+H/100)
Upto 1999-2000	352.29	7.14	0	0	7.14	359.43	11.96	402.42
2000-01	402.42	4.56	0	0	4.56	406.98	9.23	444.54
2001-02	444.54	1.82	0	0	1.82	446.36	11.2	496.35
2002-03	496.35	13.29	0	0	13.29	509.64	10.54	563.36
2003-04	563.36	2.80	0	0	2.8	566.16	10.95	628.16
2004-05	628.16	4.03	0	0	4.03	632.19	8.97	688.89
2005-06	688.89	7.55	0	0	7.55	696.44	8.15	753.20
2006-07	753.20	2.50	0	0	2.5	755.70	11.66	843.82
2007-08	843.82	1.20	11.55	0	12.75	856.57	14.07	977.09
2008-09	977.09	7.63	0	0	7.63	984.72	7.94	1,062.90
2009-10	1,062.90	17.09	0	0	17.09	1,079.99	9.45	1,182.05
2010-11	1,182.05	11.06	0	0	11.06	1,193.11	9.03	1,300.85
2011-12	1,300.85	6.09	0	0	6.09	1,306.94	8.28	1,415.16
2012-13	1,415.16	7.00	0	0	7.00	1,422.16	8.19	1,538.63
2013-14	1,538.63	78.08	0	0	78.08	1,616.71	7.14	1,732.14
2014-15	1,732.14	1.21	3.62	0	4.83	1,736.97	7.68	1,870.37
2015-16	1,870.37	6.85	0	0	6.85	1,877.22	7.25	2,013.32
2016-17	2,013.32	9.56	0	0	9.56	2,022.88	7.83	2,181.27

Financial year	Present value of total investment at the beginning of the year	Equity infused by the GoJ&K during the year	Net Interest free loan given by the GoJ&K during the year	Interest free loan converted into Equity during the year	Total investment during the year	Total investment at the end of the year	Average rate of interest	Present value of total investment at the end of the year
2017-18	2,181.27	97.30	21.83	17.5	101.63	2,282.90	7.23	2,447.96
2018-19	2,447.96	120.74	23.18	0	143.92	2,591.88	7.20	2,778.49
2019-20	2,778.49	2,616.82	15.88	0	2,632.7	5,411.19	7.20	5,800.80
2020-21	5,800.80	83.47	47.1	0	130.57	5,931.37	7.82	6,395.20
2021-22	6,395.20	554.32	16.63	0	570.95	6,966.15	7.94	7,519.26
2022-23	7,519.26	151.20	23.05	0	174.25	7,693.51	8.48	8,345.92
Total		3,813.31	162.84	17.50	3,958.65			

(Source: Compiled based on latest information furnished by the respective PSEs as of March 2023)

Appendix 2.8
(Reference Paragraph: 2.6)
Details of Loss-making PSEs as per the latest finalised accounts as of 30 September 2023

(₹ in crore)

Sl. No.	Sector type and Name of PSE	Period of accounts	Year in which finalised	Net Profit(+) / Loss(-) after interest and tax	Paid up Capital	Long Term Loan	Free Reserves	Accumulated Profit/Loss	Capital employed	Net worth
I	Government Companies									
1.	Jammu & Kashmir Agro Industries Corporation Limited	2021-22	2022-23	-2.77	3.54	25.19	0	-55.99	-27.26	-52.45
2.	Jammu & Kashmir Horticulture Produce Marketing and Processing Corporation Limited	2018-19	2023-24	-7.35	9.20	3.14	0	-150.46	-138.12	-141.26
3.	Jammu & Kashmir Scheduled castes, Scheduled Tribes and Back-ward Classes Development Corporation Limited	2019-20	2022-23	-10.10	47.62	111.99	0	-59.45	100.16	-11.83
4.	Jammu & Kashmir State Industrial Development Corporation Limited	2013-14	2019-20	-20.54	17.64	24.36	0	-146.99	-104.99	-129.35
5.	Jammu & Kashmir Industries Limited	2020-21	2023-24	-5.95	16.27	979.68	0	-871.60	124.35	-855.33
6.	Jammu & Kashmir Handicrafts (Sales and Export) Development Corporation Limited	2018-19	2020-21	-8.60	8.52	154.66	0	-170.06	-6.88	-161.54
7.	Jammu & Kashmir Handloom Development Corporation Limited	2020-21	2022-23	-5.73	4.99	155.33	0	-146.19	14.13	-141.20
8.	Jammu & Kashmir Trade Promotion Organisation	2022-23	2023-24	-1.20	5.23	2.34	0	-3.87	3.70	1.36
9.	Jammu & Kashmir Infrastructure Development Finance Corporation Pvt. Limited	2020-21	2023-24	-0.23	0.50	1,277.37	0	-0.39	1,277.48	0.11
10.	Jammu & Kashmir I.T. Infrastructure Development Pvt. Limited	2021-22	2022-23	-0.33	0.50	0	0	-0.36	0.14	0.14
11.	Jammu & Kashmir Forest Development Corporation Limited	2019-20	2021-22	-3.99	9.03	18.05	0	-249.13	-222.05	-240.10
12.	Jammu & Kashmir Cements Limited	2021-22	2023-24	-25.46	15.50	59.10	0	-234.44	-159.84	-218.94

Sl. No.	Sector type and Name of PSE	Period of accounts	Year in which finalised	Net Profit(+) / Loss(-) after interest and tax	Paid up Capital	Long Term Loan	Free Reserves	Accumulated Profit/Loss	Capital employed	Net worth
13.	Jammu & Kashmir Minerals Limited	2013-14	2023-24	-18.08	8.00	297.10	0.16	-312.14	-6.88	-303.98
14.	Jammu & Kashmir Tourism Development Corporation Limited	2020-21	2023-24	-14.72	15.96	4.26	0	-18.08	2.14	-2.12
15.	Jammu Smart City Limited	2019-20	2021-22	-2.02	0	0	6.37	0	6.37	6.37
16.	Jammu & Kashmir Power Transmission Corporation Limited	2018-19	2020-21	-0.0035	0.05	0	0	-0.03	0.02	0.02
17.	Kashmir Power Distribution Corporation Limited	2019-20	2023-24	-3.22	0	0	0	-3.25	-3.25	-3.25
18.	Jammu & Kashmir Power Corporation Limited	2018-19	2021-22	-0.0035	0.05	0	0	-0.03	0.02	0.02
	Total			-130.30	162.60	3,112.57	6.53	-2,422.46	859.24	-2,253.33
II	Statutory Corporation									
19.	Jammu & Kashmir Road Transport Corporation	2018-19	2020-21	-117.62	207.96	676.02	0	-1,634.94	-750.96	-1,426.98
20.	Jammu & Kashmir and Ladakh Financial Corporation	2020-21	2022-23	-4.61	172.89	51.38	0	-183.94	40.33	-11.05
	Total			-122.23	380.85	727.40	0	-1,818.88	-710.63	-1,438.03
	Grand Total			-252.53	543.45	3,839.97	6.53	-4,241.34	148.61	-3,691.36

Appendix 2.9

(Reference Paragraph: 2.6.1)

Details of PSEs having accumulated losses as per their latest finalised accounts as of 30 September 2023

(₹ in crore)

Sl. No.	Sector type and Name of PSE	Period of accounts	Year in which finalized	Net Profit(+) / Loss(-) after interest and tax	Paid up Capital	Long Term Loan	Free Reserves	Accumulated Profit/Loss	Capital employed	Net worth
I	Government Companies									
1.	Jammu and Kashmir Agro Industries Development Corporation Limited	2021-22	2022-23	-2.77	3.54	25.19	0	-55.99	-27.26	-52.45
2.	Jammu and Kashmir Horticulture Produce Marketing and Processing Corporation Limited	2018-19	2023-24	-7.35	9.20	3.14	0	-150.46	-138.12	-141.26
3.	Jammu and Kashmir Scheduled Castes, Scheduled Tribes and Backward Classes Development Corporation Limited	2019-20	2022-23	-10.10	47.62	111.99	0	-59.45	100.16	-11.83
4.	Jammu and Kashmir State Industrial Development Corporation Limited	2013-14	2019-20	-20.54	17.64	24.36	0	-146.99	-104.99	-129.35
5.	Jammu & Kashmir Industries Limited	2020-21	2023-24	-5.95	16.27	979.68	0	-871.60	124.35	-855.33
6.	Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited	2018-19	2020-21	-8.60	8.52	154.66	0	-170.06	-6.88	-161.54
7.	Jammu and Kashmir Handloom Development Corporation Limited	2020-21	2022-23	-5.73	4.99	155.33	0	-146.19	14.13	-141.20
8.	Jammu & Kashmir Trade Promotion Organisation	2022-23	2023-24	-1.20	5.23	2.34	0	-3.87	3.70	1.36
9.	Jammu & Kashmir Infrastructure Development Finance Corporation Pvt. Limited	2020-21	2023-24	-0.23	0.50	1,277.37	0	-0.39	1,277.48	0.11
10.	Jammu & Kashmir I.T. Infrastructure Development Pvt. Limited	2021-22	2022-23	-0.33	0.50	0	0	-0.36	0.14	0.14
11.	Jammu and Kashmir Forest Development Corporation Limited	2019-20	2021-22	-3.99	9.03	18.05	0	-249.13	-222.05	-240.10
12.	Jammu and Kashmir Cements Limited	2021-22	2023-24	-25.46	15.50	59.10	0	-234.44	-159.84	-218.94

Sl. No.	Sector type and Name of PSE	Period of accounts	Year in which finalized	Net Profit(+) / Loss(-) after interest and tax	Paid up Capital	Long Term Loan	Free Reserves	Accumulated Profit/Loss	Capital employed	Net worth
13.	Jammu and Kashmir Minerals Limited	2013-14	2023-24	-18.08	8.00	297.10	0	-312.14	-6.88	-303.98
14.	Jammu and Kashmir Tourism Development Corporation Limited	2020-21	2023-24	-14.72	15.96	4.26	0	-18.08	2.14	-2.12
15.	Jammu and Kashmir Power Transmission Corporation Limited	2018-19	2020-21	-0.0035	0.05	0	0	-0.03	0.02	0.02
16.	Kashmir Power Distribution Corporation Limited	2019-20	2023-24	-3.22	0	0	0	-3.25	-3.25	-3.25
17.	Jammu and Kashmir Power Corporation Limited	2018-19	2021-22	-0.0035	0.05	0	0	-0.03	0.02	0.02
	Total			-128.28	162.60	3,112.57	0.16	-2,422.46	852.87	-2,259.70
II	Statutory Corporation									
18.	Jammu and Kashmir State Road Transport Corporation	2018-19	2020-21	-117.62	207.96	676.02	0	-1,634.94	-750.96	-1,426.98
19.	Jammu & Kashmir and Ladakh Financial Corporation	2020-21	2022-23	-4.61	172.89	51.38	0	-183.94	40.33	-11.05
	Total			-122.23	380.85	727.40	0	-1,818.88	-710.63	-1,438.03
	Grand Total			-250.51	543.45	3,839.97	0.16	-4,241.34	142.24	-3,697.73

Appendix 2.10

(Reference Paragraph: 2.6.1)

Details of PSEs whose net worth has been eroded as per their latest finalised accounts

(₹ in crore)

Sl. No.	Name of PSE	Period of accounts	Paid up Capital	Net Profit (+)/ Loss (-) after interest and tax	Accumulated Profit/Loss	Net worth	Period since when Net worth has remained negative (no. of years)	State Government Equity (as on 31 March 2023)	State Government Loans (as on 31 March 2023)
1	2	3	4	5	6	7	8	9	10
1.	Jammu and Kashmir Agro Industries Development Corporation Limited	2021-22	3.54	-2.77	-55.99	-52.45	2017-18 (5)	2.60	25.19
2.	Jammu and Kashmir Horticulture Produce Marketing and Processing Corporation Limited	2018-19	9.20	-7.35	-150.46	-141.26	2014-15 (5)	6.80	14.75
3.	Jammu and Kashmir Scheduled Tribes and Back-ward Classes Development Corporation Limited	2019-20	47.62	-10.10	-59.45	-11.83	2018-19(2)	23.17	67.34
4.	Jammu and Kashmir State Industrial Development Corporation Limited	2013-14	17.64	-20.54	-146.99	-129.35	2009-10 (5)	17.64	22.72
5.	Jammu & Kashmir Industries Limited	2020-21	16.27	-5.95	-871.60	-855.33	2016-17 (5)	16.27	264.99
6.	Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited	2018-19	8.52	-8.60	-170.06	-161.54	2014-15 (5)	7.08	65.16
7.	Jammu and Kashmir Handloom Development Corporation Limited	2020-21	4.99	-5.73	-146.19	-141.20	2016-17 (5)	3.49	72.09
8.	Jammu and Kashmir Forest Development Corporation Limited	2019-20	9.03	-3.99	-249.13	-240.10	2015-16 (5)	9.03	18.00

Sl. No.	Name of PSE	Period of accounts	Paid up Capital	Net Profit (+)/ Loss (-) after interest and tax	Accumulated Profit/Loss	Net worth	Period since when Net worth has remained negative (no. of years)	State Government Equity (as on 31 March 2023)	State Government Loans (as on 31 March 2023)
1	2	3	4	5	6	7	8	9	10
9.	Jammu & Kashmir Cement Limited	2021-22	15.50	-25.46	-234.44	-218.94	2017-18 (5)	49.86	17.98
10.	Jammu and Kashmir Minerals Limited	2013-14	8.00	-18.08	-312.14	-303.98	2009-10 (5)	8.00	169.78
11.	Jammu and Kashmir Tourism Development Corporation Limited	2020-21	15.96	-14.72	-18.08	-2.12	2020-21(1)	15.96	8.26
12.	Kashmir Power Distribution Corporation Limited	2019-20	0	-3.22	-3.25	-3.25	2018-19 (2)	0.05	0
13.	Jammu and Kashmir State Road Transport Corporation	2018-19	207.96	-117.62	-1,634.94	-1,426.98	2014-15 (5)	389.86	788.82
14.	Jammu & Kashmir and Ladakh Financial Corporation	2020-21	172.89	-4.61	-183.94	-11.05	2018-19(3)	172.35	18.03
	Total		537.12	-248.74	-4,236.66	-3,699.38			

(Source: Latest finalised accounts as on 30 September 2023 and information received from PSEs)

Note: Column 9 and 10 figures are obtained from respective PSEs.

Appendix 3.1

(Reference Paragraphs: 3.3.2 and 3.3.3)

Statement showing position of GoJ&K investment in working PSEs/ Statutory Corporations accounts of which are in arrears as of
30 September 2023

(₹ in crore)

Sl. No.	Name of the PSE/ Statutory Corporation	Year up to which accounts finalised	Paid-up capital	Period of accounts pending finalisation	Investment made by Government of J&K during the period for which accounts are in arrears				
					Equity	Loans	Grant	Subsidy	Total
A	Working Government Companies								
1	J&K Agro Industries Development Corporation Limited	2021-22	3.54	1	0	0	0	0	0
2	J&K Horticultural Produce Marketing and Processing Corporation Limited	2018-19	9.20	4	0.80	11.40	3.56	0.02	15.78
3	J&K Small Scale Industries Development Corporation Limited	2018-19	89.91	4	0	0	1.37	0	1.37
4	J&K State Industrial Development Corporation Limited	2013-14	17.64	9	0	0	314.63	0	314.63
5	J&K Project Construction Corporation Limited	2018-19	1.97	4	0	0	0	0	0
6	J&K Police Housing Corporation Limited	2016-17	2.00	6	0	0	0	0	0
7	J&K Handloom Development Corporation Limited	2020-21	4.99	2	0	4.88	0.55	0	5.43
8	J&K Handicrafts (Sale and Export) Development Corporation Limited	2018-19	8.52	4	0	11.69	19.17	0	30.86
9	J&K Industries Limited	2020-21	16.27	2	0	0	13.30	0	13.30
10	J&K Minerals Limited	2013-14	8.00	9	0	8.60	21.79	0	30.39
11	J&K Tourism Development Corporation Limited	2020-21	15.96	2	0	0	11.99	0	11.99
12	J&K Scheduled Castes, Scheduled Tribes and Backward Classes Development Corporation Limited	2019-20	47.62	3	3.60	21.54	2.25	0	27.39
13	J&K Women's Development Corporation Limited	2020-21	10.00	2	0	4.50	0	0	4.50
14	J&K Cements Limited	2021-22	15.50	1	0	0	0	0	0
15	J&K Cable Car Corporation Limited	2013-14	23.57	9	0	0	26.19	0	26.19
16	J&K Overseas Employment Corporation Limited	2010-11	2.56	12	0	0	0	0	0
17	J&K Infrastructure Development Finance Corporation Limited	2020-21	0.50	2	0	0	454.83	0	454.83

Sl. No.	Name of the PSE/ Statutory Corporation	Year up to which accounts finalised	Paid-up capital	Period of accounts pending finalisation	Investment made by Government of J&K during the period for which accounts are in arrears			
					Equity	Loans	Grant	Subsidy
18	J&K I.T. Infrastructure Development Private Limited	2021-22	0.50	1	0	0	0	0
19	J&K Power Development Corporation Limited	2015-16	5.00	7	0	0	745.74	0
20	J&K Power Transmission Corporation Limited	2018-19	0.05	4	0.05	0	607.03	0
21	Kashmir Power Distribution Corporation Limited	2019-20	0	3	0	0	1,684.19	0
22	J&K Forest Development Corporation Ltd.	2019-20	9.03	3	0	0	0	0
23	Srinagar Smart City Limited	2018-19	0.10	4	0	0	211.24	0
24	J&K Power Corporation Limited	2018-19	0.05	4	0	0	4,185.13	0
25	Jammu Power Distribution Corporation Limited	2019-20	0.05	3	0.05	0	1,550.14	600.00
26	Jammu Smart City Limited	2019-20	0	3	0.10	0	213.28	0
27	J&K Medical Supplies Corporation Limited	2015-16	0.05	7	0	0	0	0
28	AIC-Jammu & Kashmir EDI Foundation	*	*	5	0	0	0	0
29	Jammu Mass Rapid Transit Corporation Private Limited	*	*	4	0	0	0	0
30	Srinagar Mass Rapid Transit Corporation Private Limited	*	*	4	0	0	0	0
	Total A		292.58	128	4.60	62.61	10,066.38	600.02
B	Working Statutory Corporations							
31	J&K State Road Transport Corporation	2018-19	207.96	4	148.96	113.00	0	0
32	J&K and Ladakh Financial Corporation	2020-21	172.89	2	0	7.55	0	0
	Total B		380.85	6	148.96	120.55	0	0
	Total (A+B)		673.43	134	153.56	183.16	10,066.38	600.02

(Source: Latest finalised accounts of the companies for paid up capital and information provided by the Companies for Investment made by Government of J&K during the period for which accounts are in arrears)

*These companies have not submitted their first account.

Appendix 4.1

(Reference Paragraphs: 4.3.1, 4.5.1, 4.5.2)

Details of Paid-up Capital, Turnover and outstanding loan of the Public Companies meeting the eligibility criteria of Corporate Governance

(₹ in crore)

Sl.No.	Name of UTPSE	Nature of Company	2022-23		
			Paid up capital	Turnover	Outstanding Loan
1	Jammu & Kashmir Horticulture Produce Marketing and Processing Corporation Limited	Public	10.00	5.36	14.75
2	Jammu & Kashmir Small Scale Industries Development Corporation Limited	Public	89.91	248.61	0
3	Jammu & Kashmir State Industrial Development Corporation Limited	Public	17.64	87.48	22.72
4	Jammu & Kashmir Industries Limited	Public	16.27	4.23	264.99
5	Jammu & Kashmir Handicrafts (Sales and Export) Development Corporation Limited	Public	7.97	10.77	65.16
6	Jammu & Kashmir Handloom Development Corporation Limited	Public	4.99	2.97	72.09
7	Jammu & Kashmir Cable Car Corporation Limited	Public	23.57	96.18	0
8	Jammu & Kashmir Bank Limited	Public	103.15	9,355.11	2,892.31
9	JKB Financial Services Limited	Public	40.00	10.46	7.84
10	Jammu & Kashmir Police Housing Corporation Limited	Public	2.00	127.91	0

(Source: Compiled based on information received from PSEs)

Appendix 4.2
(Reference Paragraph: 4.4.1)
List of UTPSEs where less than four meetings were held

Sl. No.	Name of the UTPSE	Number of BoDs meetings held during 2022-23
1	Jammu & Kashmir Power Transmission Company Limited	2
2	Jammu & Kashmir Agro Industries Development Corporation Limited	2
3	Jammu & Kashmir Scheduled Castes, Scheduled Tribes and Back-ward Classes Development Corporation Limited	1
4	Jammu & Kashmir Women's Development Corporation	0
5	Jammu & Kashmir Small Scale Industries Development Corporation Limited	0
6	Jammu & Kashmir State Industrial Development Corporation Limited	0
7	Jammu & Kashmir Industries Limited	0
8	Jammu & Kashmir Overseas Employment Corporation Limited	0
9	Jammu & Kashmir Handicrafts (Sales and Export) Development Corporation Limited	1
10	Jammu & Kashmir Handloom Development Corporation Limited	1
11	Jammu & Kashmir Infrastructure Development Finance Corporation Private Limited	1
12	Jammu & Kashmir Medical Supplies Corporation Limited	1
13	AIC-Jammu & Kashmir EDI Foundation	0
14	Jammu & Kashmir I.T. Infrastructure Development Private Limited	1
15	Jammu & Kashmir Forest Development Corporation Limited	1

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Sl. No.	Name of the UTPSE	Number of BoDs meetings held during 2022-23
16	Jammu & Kashmir Minerals Limited	0
17	Jammu & Kashmir Cable Car Corporation Limited	0
18	Jammu & Kashmir Tourism Development Corporation Limited	1
19	Jammu & Kashmir Projects Construction Corporation Limited	1
20	Jammu & Kashmir Police Housing Corporation Limited	1
21	Jammu Smart City Limited	2
22	Srinagar Smart City Limited	1
23	Jammu Mass Rapid Transit Corporation Private Limited	0
24	Srinagar Mass Rapid Transit Corporation Private Limited	0

(Source: Compiled based on information received from PSEs)

Appendix 4.3
(Reference Paragraph: 4.4.3)
List of UTPSEs where no AGM was conducted during 2022-23

Sl. No.	Name of SPSEs
1.	Kashmir Power Distribution Corporation Limited
2.	Jammu & Kashmir Power Transmission Corporation Limited
3.	Jammu & Kashmir State Power Trading Company Limited
4.	Jammu & Kashmir Scheduled Castes, Scheduled Tribes and Back-ward Classes Development Corporation Limited
5.	Jammu & Kashmir State Industrial Development Corporation Limited
6.	Jammu & Kashmir Industries Limited
7.	Jammu & Kashmir Overseas Employment Corporation Limited
8.	Jammu & Kashmir Medical Supplies Corporation Limited
9.	AIC-Jammu & Kashmir EDI Foundation
10.	Jammu & Kashmir I.T. Infrastructure Development Private. Limited
11.	Jammu & Kashmir Forest Development Corporation Limited
12.	Jammu & Kashmir Cable Car Corporation Limited
13.	Jammu & Kashmir Tourism Development Corporation Limited
14.	Jammu & Kashmir Projects Construction Corporation Limited
15.	Jammu Smart City Limited
16.	Srinagar Smart City Limited
17.	Jammu Mass Rapid Transit Corporation Private Limited
18.	Srinagar Mass Rapid Transit Corporation Private limited
19.	Jammu & Kashmir Power Development Corporation Limited
20.	Jammu & Kashmir Women's Development Corporation Limited
21.	Jammu & Kashmir Handicrafts (Sales and Export) Development Corporation Limited
22.	Jammu & Kashmir Handloom Development Corporation Limited
23.	Jammu & Kashmir Infrastructure Development Finance Corporation Private. Limited
24.	Jammu & Kashmir Police Housing Corporation Limited

Appendix 5.1
(Refer Paragraph: 5.1)
Details of UTPSEs meeting the eligibility criteria of Corporate Social Responsibility

(₹ in crore)

Sl. No.	Name of UTPSE	Period of accounts	Net profit/ loss after interest and tax	Turnover	Net worth	Remarks
1.	Jammu and Kashmir Bank Limited	2021-22	501.56	8013.48	7063.82	
2.	Jammu and Kashmir State Power Development Corporation Limited	2021-22	464.71	1418.62	5,980.18	
3.	Chenab Valley Power Projects Private Limited	2021-22	4.67	0.00	3,490.46	
4.	Jammu and Kashmir Police Housing Corporation Limited	2021-22	11.29	116.84	166.78	
5.	Jammu and Kashmir Cable Car Corporation Limited	2021-22	18.24	41.11	118.63	
6.	Jammu and Kashmir Medical Supplies Corporation Limited	2021-22	53.99	826.97	104.40	
7.	Jammu and Kashmir Forest Development Corporation Limited	2021-22	18.81	184.87	(-) 189.27	
8.	Kashmir Power Distribution Corporation Limited	2021-22	(-) 155.59	0.00	4,523.17	Management stated that CSR provisions do not apply to our company as KPDCL is a loss making company. Further, Net worth of the company includes ₹ 3,215.89 crore of Capital reserve and ₹ 1,593.97 crore of Capital Grant in Aid.

Sl. No.	Name of UTPSE	Period of accounts	Net profit/ loss after interest and tax	Turnover	Net worth	Remarks
9.	Jammu Power Distribution Company Limited	2021-22	(-) 223.44	464.68	3,545.56	Management stated that JPDCL does not fall under the applicability of CSR provisions. Further, net worth of the company includes ₹ 3,982.44 crore of Capital reserve.

(Source: Finalised/ Provisional Accounts)

Appendix 5.2
(Refer Paragraph: 5.3.1)
Detail of UTPSEs which were required to incur expenditure on CSR activities

Sl. No.	Name of UT PSE	Net profit for the year 2019-20	Net profit for the year 2020-21	Net profit for the year 2021-22	Average net profit for the year 2019-20 to 2021-22	2 per cent of average net profit for the year 2019-20 to 2021-22
1.	Jammu and Kashmir Bank Limited	(-) 1,100.05	534.07	742.70	58.91	1.18
2.	Jammu and Kashmir State Power Development Corporation Limited	478.20	464.21	510.92	484.44	9.68
3.	Chenab Valley Power Projects Private Limited	19.48	1.25	12.47	11.07	0.22
4.	Jammu and Kashmir Police Housing Corporation Limited	22.71	17.95	16.66	19.11	0.38
5.	Jammu and Kashmir Cable Car Corporation Limited	1.92	0.07	25.75	9.25	0.18
6.	Jammu and Kashmir Medical Supplies Corporation Limited	14.84	45.82	67.10	42.59	0.85
7.	Jammu and Kashmir Forest Development Corporation Limited*	-	(-) 10.92	26.55	7.82	0.15
8.	Kashmir Power Distribution Corporation Limited	(-) 3.22	(-) 127.90	(-) 155.59	(-) 95.57	0.00
9.	Jammu Power Distribution Company Limited	13.55	(-) 227.00	(-) 223.44	(-) 145.63	0.00
Total						12.64

(Source: Finalised/ Provisional Accounts)

*Jammu and Kashmir Forest Development Corporation Limited was incorporated on 03 December, 2020 under the Companies Act, 2013 in pursuance to Govt. Order No. 669-JK (GAD), dated 22.06.2020.

Appendix 5.3
(Refer Paragraphs: 5.1, 5.3.1)
Detail of UTPSEs carrying out CSR activities

Sl. No.	Name of UT PSE	Average profit of preceding three years	2 per cent of Col. 3 to be spent on CSR	Carry-over from previous year	Total amount to be spent	Actual spent	Difference	Unspent amount carried forward	Whether expenditure was approved by the Board or not
1	2	3	4	5	6 = 4 + 5	7	8 = 6 - 7	9	10
1.	Jammu and Kashmir Bank Limited	58.91	1.18	0.00	1.18	1.18	0.00	0.00	Approved
2.	Jammu and Kashmir State Power Development Corporation Limited	484.44	9.68	16.12	25.80	1.57	24.23	24.23	Approved
3.	Chenab Valley Power Projects Private Limited	11.07	0.22	0.22	0.44	0.30	0.14	0.14	Approved
Total		554.42	11.08	16.34	27.42	3.05	24.37	24.37	

(Source: Information provided by the UTPSEs)

Appendix 6.1
(Reference: Paragraph 6.2.4.1)
Underutilisation of NABARD Fund in Sampled Districts

Sl. No.	District	Division	Percentage of Loan utilisation	Years
1	Jammu	Construction Division I Jammu	41 and 49	2020-21 and 2022-23
		Construction Division II Jammu	42 and 25	2020-21 and 2022-23
		Construction Division III Jammu	27	2022-23
2	Rajouri	Rajouri	33	2021-22
		Nowshera	46 and 49	2019-20 and 2021-22
3	Poonch	Poonch	42	2022-23
4	Doda	Doda	24	2022-22
		Bhaderwah	38 and 7	2020-21 and 2022-23
5	Udhampur	Udhampur	23 and 41	2019-20 and 2020-21
6	Anantnag	Khanabal	37	2021-22
		Vailoo	48 and 37	2020-21 and 2021-22
		Qazikund	37	2021-22
7	Kupwara	Kupwara	20	2020-21
		Handwara	1	2020-21
		Tangdar	26 and 47	2018-19 and 2021-22
8	Baramulla	Uri	40 and 33	2020-21 and 2022-23
		Baramulla	41 and 37	2021-22 and 2022-23
		Tangmarg	3	2020-21
9	Budgam	Budgam	24	2020-21
		Chadoora	19 and 43	2019-20 and 2020-21
10	Shopian	Shopian	37	2020-21

Appendix 6.2
(Reference Para 6.2.6.3)
Excess execution of items of works (based on quantity)

Sl. No.	District	Division	No. of projects	Expenditure (in ₹ lakh)	Excess quantity (per cent)
1	Jammu	CD-I Jammu	5	51.98	11 to 975
2	Rajouri	Nowshera	1	51.78	11 to 45
3	Doda	Doda	2	11.72	18 to 52
5	Budgam	Budgam	13	59.31	11 to 502
		Chadoora	3	29.73	20 to 271
6	Shopian	Shopian	5	72.7	12 to 4,414
7	Kupwara	Kupwara	1	18.73	85
Total			30	295.95	

Appendix 6.3
(Reference Para 6.3.3.3)

Project works split for allotment to multiple contractors

(₹ in lakh)

Sl. No.	Project	RIDF	Total Cost of Project	Number of contractors	Allotted cost (Range)	Period of allotment of works
1	Lower Pai Canal Reasi	RIDF-XVII	240.52	19	1.88 and 37.18	August 2011 to June 2018
2	Lower Amroth Khul Udhampur	RIDF-XXIII	64.39	7	6.93 and 13.61	January 2018 to February 2021
3	Balandh Khul Udhampur	RIDF-XVII	36.64	5	5.64 and 11.32	March 2012 and March 2014
4	Shai Bari Khul Doda	RIDF-XVII	122.20	18	1.97 and 12.89	May 2012 to November 2016
5	Dounli Khul Doda	RIDF-XVII	21.70	4	0.35 and 11.14	May 2012 and April 2016
6	Chah Khul Doda	RIDF-XXIII	35.90	8	1.25 and 8.02	October 2018 to December 2021
7	Maswah Khul Ramban	RIDF-XXIII	71.15	6	6.97 and 22.41	October 2017 to May 2023
8	Naj and Bhini River Kathua	RIDF-XXV	178.854	4	27.17 and 69.73	December 2020 to February 2023
9	Modernisation of Mirpora- Dugpora Canal of LIS, Ganderbal	RIDF-XVII	51.02	26	0.33 to 4.81	March 2012 to March 2014
10	Construction/modernization of Sumbal Kanvas Canal, Tehsil Kangan Ganderbal	RIDF-XVII	224.48	58	0.066 and 12.10	October 2012 to August 2017
11	Erosion Control Works on Lidder Nallah, Anantnag	RIDF-XXIII	399.39	82	0.21 and 20.99	May 2016 to February 2021
12	Modernization of Koil Canal, Pulwama	RIDF-XXIII	572.88	38	0.386 and 58.072	January 2019 to March 2022
Total			2,019.12	275	--	--

(Source: data provided by Finance Department and I&FCD of GoJ&K)

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