Chapter - II

Performance Audit

CHAPTER-II

PERFORMANCE AUDITS

Consumer Affairs and Public Distribution Department

2.1 Supply of subsidized food grains and kerosene oil under Targeted Public Distribution System (TPDS)

Public Distribution System (PDS), a Government of India (GoI) sponsored Scheme is a major instrument for ensuring timely availability and distribution of essential quantities of food grains to targeted consumers (card holders) of the State through Fair Price Shops (FPSs) at an affordable price. To strengthen the PDS, GoI introduced the 'Targeted Public Distribution System' (TPDS) in June 1997 for distribution of food grains for families classified as 'Above Poverty Line (APL)', 'Below Poverty Line (BPL)' and 'Antyodaya Anna Yojna (AAY)' and separate Ration Cards are issued to them to provide food grains at subsidized prices.

Highlights

- **The Department did not review the list of BPL families leading to issue of food grains valuing ₹17.89 crore to ineligible families while depriving eligible BPL families. Further 1.09 lakh MTs additional *adhoc* food grains allocated by GoI for 'not covered BPL families' had been distributed among existing BPL card holders during 2010-12.**

  (Paragraphs: 2.1.6 and 2.1.12.3)

- **Proforma accounts were in arrears since 1973-74. ₹2932.64 crore was released to Food Corporation of India (FCI) and the Department had not carried out any reconciliation with the FCI to ascertain the extent of actual advance payments made and quantum of food grains lifted.**

  (Paragraphs: 2.1.9.2 and 2.1.9.4)

- **Non-revision of sale rates of wheat bran for over seven years led to revenue loss of ₹15.45 crore. Further, lack of due diligence by the Department in benchmarking the price while procuring sugar led to loss of ₹31.14 crore.**

  (Paragraphs: 2.1.9.3 and 2.1.10)

- **Distribution of Kerosene oil to LPG consumers resulted in an avoidable burden of subsidy of ₹459.24 crore on Government exchequer.**

  (Paragraph: 2.1.12.3 (d))

- **Expenditure of ₹1.50 crore incurred on construction of laboratories turned unfruitful besides, ₹5.61 crore, released under end-to-end computerization of PDS scheme, remained un-utilized.**

  (Paragraphs: 2.1.13.3 and 2.1.14.2)

2.1.1 Introduction

The Consumer Affairs and Public Distribution Department (CAPD) is responsible for implementation of Public Distribution System (PDS) in the State of Jammu and Kashmir. The Department is responsible for providing food security to the public in general and vulnerable sections of the society in particular by distributing essential commodities[1] to the targeted consumers. To strengthen the PDS, GoI introduced (June 1997) the 'Targeted Public Distribution System' (TPDS) for families classified as 'Above Poverty Line (APL)', 'Below Poverty Line (BPL)' and '*Antyodaya Anna Yojna* (AAY)' and separate Ration Cards are issued to them to provide food grains at subsidized prices. The functioning of the Department involves procurement, storage and distribution of food grains and other essential commodities to the Ration Card holders at affordable prices and is regulated under the provisions of 'Public Distribution System (Control) Order, 2001'. The State had 19.72 lakh card holders as of March 2015 under various categories who were catered through a network of 2,233 Government Sale Depots (GSDs), 3,559 private Fair Price Shops (FPSs) and 4,265 Kerosene Oil sale outlets.

2.1.2 Organizational Set-up

The administrative control of the Department vests with the Secretary to State Government. The Department has two Directorate Offices, each at Srinagar and Jammu which are looked after by the respective Directors. The Directors are assisted by the Deputy Directors (Administration, Supplies, Rationing) and Chief Accounts Officers at divisional level. Functioning of the Department at District level is carried out by the Assistant Directors (ADs) who are assisted by Tehsil Supply Officers (TSOs) at Tehsil level.

2.1.3 Audit Objectives

The objectives of the performance audit were to assess whether:

- identification of beneficiaries was effective and coverage under PDS was adequate;
- financial management was effective and economical to ensure that adequate food grains were lifted and only eligible beneficiaries were covered under PDS;
- the system of allocation, lifting, procurement, storage and distribution of food grains was adequate and effective; and
- quality control, monitoring mechanism and internal control system was in place and was effective.

2.1.4 Scope of Audit and Methodology

The performance of the Public Distribution System was last reviewed for a period of three years from 2007-08 to 2009-10 which was not discussed by the Committee on Public Accounts (August 2015). The present performance review

[1] Rice, wheat, wheat flour (atta), sugar and kerosene oil

covered a period of five years from 2010-11 to 2014-15 and was conducted between December 2014 and May 2015. The activities of the Department were mainly reviewed at Directorate office at Srinagar and Jammu including Trade & Store Wings and Assistant Directors of eight[2] (out of 22) Districts of the State. An entry conference was held with Secretary of the Department on 26 November 2014 wherein audit objectives, criteria and scope of Performance Audit were discussed. Audit methodology included scrutiny and analysis of the records relating to the implementation of PDS, issue of questionnaires, audit memoranda, examination of responses of various functionaries and joint physical inspection.

An exit conference was held with Secretary of the Department on 1 September 2015. The replies furnished by the Department have been incorporated at appropriate places.

2.1.5 Audit Criteria

The audit criteria used for assessing the performance of PDS were derived from the following sources:

- Guidelines prescribed by the GOI for identification of beneficiaries;
- Provisions of the PDS (Control) Order, 2001; and
- Orders/ instructions issued by the State Government.

Audit Findings

2.1.6 Identification of beneficiaries

As per the PDS (Control) Order, 2001, the list of BPL and AAY families was to be reviewed by the Department every year for the purpose of deletion of ineligible families and inclusion of new eligible families.

The State Government ordered (June 2009) determination of BPL population and rectification of the BPL lists prepared earlier, through committees[3] constituted to jointly scrutinize and reconcile the existing BPL lists. The re-verification reports were required to be submitted to the Planning and Development Department within three months, which in turn had to make recommendations to the Government.

Audit noticed that the Department had completed (between January 2010 and June 2011) the identification process in only ten (of 22) districts in which 27,238 families[4] had been identified for deletion and 43,179 left out eligible families[5] were recommended for inclusion. No action had been taken by the

[2] Ramban, Reasi, Doda and Kishtwar (Jammu Division) and Budgam, Baramulla, Kupwara and Leh (Kashmir Division)

[3] Committees comprises of officers of the Departments of Consumer Affairs & Public Distribution, Rural Development (in rural areas), Housing and Urban Development (in urban areas) and Department of Revenue

[4] Jammu (R): 439, Samba: 2494, Kathua: 6430, Udhampur: 2445, Reasi: 6168, Doda: 2771, Ramban: 1463, Kupwara: 1985, Budgam: 883 and Leh : 2,160

[5] Jammu (R): 14799; Samba: 4237; Udhampur: 14089; Reasi: 6627; Doda: 559; Kupwara: 1985 and Budgam: 883

Department which resulted in issue of food grains worth ₹17.89 crore to the ineligible families from the date of their identification to March 2015.

The Department stated (September 2015) that the Planning and Development Department, being nodal agency, had neither completed the process nor issued any orders to delete the ineligible families from BPL lists. The reply is not acceptable as due to inaction of the Department undue benefit had been extended to the ineligible families.

2.1.7 Beneficiary Coverage

Allocation of food grains by GoI to the State continued to be on the basis of projected population of 99.45 lakh souls (18.02 lakh families) as on March 2000, despite the fact that the population of the State as per Census of 2001 and 2011 stood at 1.01 crore and 1.25 crore (22.73 lakh families) respectively. The allocation made during 2010-11 to 2014-15 is depicted in the **Table-2.1.1** below:

Table-2.1.1

	2010-11 to 2014-15					
	Wheat			Rice		
	APL	BPL	AAY	APL	BPL	AAY
Requirement as per 2011 Census (Lakh MTs)	2.33	0.72	0.33	4.34	1.74	0.92
Allocation (Lakh MTs)	1.52	0.50	0.21	2.95	1.52	0.86
Shortfall (Lakh MTs)	0.81	0.22	0.12	1.39	0.22	0.06
Percentage shortfall	35	31	36	32	13	7

Thus, taking into consideration the census figures of 2011, 26 *per cent* of the population in the State remained out of the TPDS coverage and the shortfall in allocation *vis-a-vis* requirement ranged between 31 and 36 *per cent* in respect of wheat and seven and 32 *per cent* in respect of rice under various schemes.

The Department stated (September 2015) that the matter had been taken up with GoI to enhance monthly allocation of food grains as per the figures of Census 2011.

2.1.8 Non-implementation of National Food Security Act (NFSA), 2013

National Food Security Act (NFSA) 2013, came into force on 5 July 2013. Under the Act, every person identified under 'AAY' shall have a right to receive 35 kilograms of food grains per ration card per month and 'priority household' at five kilogram per person per month at subsidized price of rupees three per kilo rice and rupees two per kilo wheat. In case of non-supply of entitled quantities of food grains to entitled persons, the Act guarantees the entitled persons to receive food security allowance from the concerned State Government. The entitlement of the persons belonging to the eligible households shall extend up to 75 *per cent* of the rural population and up to 50 *per cent* of the urban population calculated on published census population.

Audit scrutiny showed the following:

- The State Government was required to identify, within one year after the commencement of the Act, the eligible households to be covered under the AAY and the remaining households as the 'priority households'. The identification started belatedly in March 2014 and had not been completed as of March 2015, despite the fact that the Department sought six months extension from GoI which lapsed in October, 2014. Audit scrutiny in test checked districts showed that the forms seeking details of the beneficiaries had been received back, but the re-verification thereof had not been done as of March 2015.
- The Act required the State Government to constitute a State Food Commission (SFC) for the purpose of monitoring and reviewing the implementation of the Act. This had, however, not been done (March 2015).
- The Department had not initiated any action on various issues (as provided in the Act) like publication in public domain the lists of eligible households, reforms like door step delivery, full transparency of records, end-to-end computerization, transparent recording of transactions at all levels through IT tools, leveraging biometric information of entitled beneficiaries, preference to public institutions or public bodies in licensing of fair price shops, introducing schemes of cash transfer and food coupons to the targeted beneficiaries etc.

The Secretary of the Department stated (September, 2015) that a committee had been constituted to monitor the implementation of NFSA and efforts were on to implement other requirements of the Act. The reply is not convincing as despite lapse of two years of enactment of the Act, the Department had failed to even meet the extended deadline of October 2014.

2.1.9 Financial Management

2.1.9.1 Allocation and utilization of funds

State Government releases funds to the Department for procurement and transportation of food grains/ sugar. Food grains are lifted by the Department from FCI after making full advance payments towards the cost of food grains. The position of funds allocated for procurement and transportation and expenditure incurred during 2010-11 to 2014-15 is depicted in **Table-2.1.2.**

Table-2.1.2

(₹ in crore)

Year	Food grains/ Sugar			Transportation			Total unspent
	Allocation	Expenditure	Unspent	Allocation	Expenditure	Unspent	
2010-11	636.27	636.27	0.00	153.73	145.21	8.52	8.52
2011-12	709.35	709.35	0.00	138.15	137.81	0.34	0.34
2012-13	626.70	580.54	46.16	151.85	151.53	0.32	46.48
2013-14	503.14	503.14	0.00	154.94	153.31	1.63	1.63
2014-15	512.84	503.34	9.50	183.92	172.33	11.59	21.09
Total	**2988.30**[6]	**2932.64**	**55.66**	**782.59**	**760.19**	**22.40**	**78.06**

(*Source:* Information furnished by the Director CAPD Kashmir and Director CAPD Jammu)

The Department had been able to utilize the allotted funds except for the years 2012-13 and 2014-15. The Department stated (September, 2015) that the unspent amount could not be utilized due to non-availability of funds at Government Treasury. Figures of allocation of funds for procurement and transportation of food grains/ sugar communicated by the Administrative Department vis-a-vis the figures furnished by the Directorate Offices Srinagar and Jammu were at variance ranging between ₹0.70 crore and ₹84.32 crore during the years 2010-11 to 2013-14.

2.1.9.2 Non-preparation of Proforma Accounts

The Department is to prepare Proforma Accounts immediately after the close of each financial year but not later than 1st June for certification by Audit before 30th September each year. Despite recommendations (November 2009) of the Public Accounts Committee, accounts continued to remain in arrears since 1973-74 and 1974-75 in respect of Jammu and Kashmir Divisions, respectively. Due to non-preparation of accounts, the financial position and working results of the Department could not be ascertained in Audit.

Non-preparation of the accounts meant that the objectives of using accounts as an instrument of financial control could not be effectively fulfilled by the Department, risks of fraud and embezzlement could not be ruled out with a reasonable degree of confidence, and legislative oversight of public expenditure could not be ensured.

The Department stated that the Accounts were in arrears since 1973-74 and it would be futile to prepare Proforma Accounts from any year in the middle without authentic opening balances available. It was further stated that the matter being policy decision, the directive in this regard from the Government was awaited.

2.1.9.3 Non-revision of sale rate of wheat bran

In the process of wheat grinding, a bye product called 'wheat bran' is obtained. The Department had fixed a norm of five *per cent* of wheat grinded in the mills to be allowed as wheat bran. The wheat bran is sold to the millers on 'as is where is' basis @ ₹750 per quintal fixed by the Department in August 2007 (revised to ₹800 per quintal in March 2010 in Kashmir division).

6 Excluding cost of sugar with effect from September 2013 which is being procured by Administrative Department

Scrutiny of the records showed that the Department had not revised the rate of wheat bran during last seven years though market rates of wheat bran had increased threefold and reached to ₹2200 per quintal in May 2014. The rates were, however, revised by Director CAPD Kashmir in March 2013 to ₹1500 per quintal but the Mill owners obtained stay from the Court on the plea that rates had not been revised in Jammu.

Audit analysis showed that the Department had sold 2.06 lakh quintals[7] of wheat bran to the millers during the period from April, 2013 to March, 2015. Considering the fact that in Srinagar rates were fixed at ₹1500 per quintal in March 2013 (almost double increase), the Department sustained loss of ₹15.45 crore on sale of 2.06 lakh quintals of wheat bran at old rates (₹750). The Department had not taken adequate steps to consider revision of rates for the whole State and also to vacate the Court stay.

Thus, non-competitive administered pricing mechanism of sale rates and non-revision of sale rates of wheat bran for over seven years resulted in loss of ₹15.45 crore and consequent undue favour to the Mill owners of the State. The Department replied (September 2015) that revision of the sale rate of wheat bran was under active consideration of the Government.

2.1.9.4 Non-reconciliation of quantity lifted from FCI

- During 2010-15, the Department released ₹2932.64 crore[8] to FCI. However, the Department had not carried out any reconciliation with the FCI to ascertain the extent of actual advance payments made and quantum of food grains lifted. Continuation of advance payments in absence of periodic reconciliation to ascertain actual account balances is fraught with risk of fraud and embezzlement remaining undetected.
- Consolidated figures of lifting for the years 2010-13 furnished by Chief Accounts Office, Jammu to audit were at variance (23,575 MTs) with month-wise break up prepared by Audit from the records of the Department. The Department had also drawn a statement showing discrepancy (7,152 MTs) in the figures of lifting of food grains as appearing in departmental records and as shown in FCI records for the years 2010-11 and 2011-12.

The Department stated (September 2015) that process of reconciliation was being vigorously followed by the Department.

2.1.9.5 Locking up of funds with FCI

Under Hill Transport Subsidy Scheme (HTS) of GoI, the State is allowed reimbursement of the cost incurred on transportation of food grains/ sugar from FCI depots to the declared Principal Distribution Centers (PDCs). For this, claims were to be lodged by the Department with the FCI within 15 days following the month in which the food grains were transported.

[7] 1.48 lakh quintal in Jammu, 0.55 lakh quintal in Srinagar and 0.03 lakh quintal in Leh

[8] ₹1214.06 crore by Director CAPD Jammu and ₹1718.58 crore by Director CAPD Kashmir

Audit scrutiny showed the following:

- HTS reimbursement claims in respect of hilly districts of Jammu division for ₹22.78 crore (from 2008-09 to 2011-12) had been returned back (June 2014) by FCI Jammu to the Director, CAPD Jammu for want of requisite documents[9].The Director CAPD Jammu failed to submit the requisite documentation resulting in non-settlement of these claims as of March 2015 and blocking of funds to the tune of ₹22.78 crore. Audit noticed that the requisite records had not been maintained by the Department. Further, due to non-maintenance of basic records, veracity of payments made on account of carriage of food grains to PDCs and payments authorized on transportation of food grains could not be vouchsafed in audit.
- Despite a similar observations relating to Director CAPD Kashmir in the Report of the CAG for the year ended March 2013, the Department failed to submit the documentation in support of claims in respect of Bandipora and Kargil pertaining to the period from 2009-10 to 2012-13 to the tune of ₹10.97 crore as of March 2015. The reimbursement claim of transportation from the year 2013-14 onwards both for food grains and sugar had not been submitted to FCI till March 2015.

  The Department replied (September 2015) that a committee had been constituted in April 2015 to look into the matter and to arrange submission of left out documents to FCI in support of their claims.
- The transportation of food grains from FCI depots to PDCs is the responsibility of the Department for which the GoI provide Hill Transport Subsidy under HTS Scheme. For PDCs of Udhampur, Ramban, Doda and Kishtwar, food grains are lifted by the Department from base depots of FCI located at Khilani (Doda) and Udhampur. Audit noticed that, apart from lifting the food grains partially from the base depots of FCI at Udhampur and Khilani (Doda), the Department transported 85,813 MTs of food grains/ sugar[10] from stores of FCI located in Jammu to various stations of Doda, Kishtwar and Ramban Districts during the period from September 2010 to March 2014. This resulted in incurring of extra expenditure of ₹2.48 crore on transportation charges from Jammu to FCI depots of Udhampur and Khilani (Doda) which was avoidable.

The Department stated (September 2015) that due to non-availability of sufficient fleet of SRTC (carriage contractor) at Udhampur the food grains were lifted from Jammu. The reply of the Department is not acceptable as under given circumstances, the Department should have lifted food grains from base depots of FCI at Udhampur and Khilani (Doda) instead from Jammu.

[9] Copies of release orders of FCI, proof of payment made to transporters, copies of gate passes issued by FCI, copies of GRs of transporters, attested copies of approved transport rates and proof of receipt of food grains at PDCs along with their reimbursement claims to be enclosed with these claims

[10] Atta/ wheat: 21,685 MTs; Rice: 47,819 MTs and Sugar: 16,309 MTs

2.1.9.6 Irregularities noticed in test checked districts

Records of test-checked districts showed the following irregularities in authorizing payments on account of carriage/ loading/ un-loading and handling charges :

- AD Reasi, being DDO, had also not authenticated/ countersigned the Cash Books of TSOs under his jurisdiction for the years 2012-15 during which period payment to the tune of ₹22.94 crore was released by TSOs. This was in violation of Rule 2-10 (ii) of J&K Financial Code Vol I.
- AD Baramulla and AD Kupwara had not maintained any records viz., Muster Rolls etc., in support of disbursement of ₹1.68 crore made during 2012-13 to 2014-15 on account of loading/ un-loading/ handling charges to *'Hamals'*[11] of the Stores. The Director CAPD Kashmir stated that the muster rolls were prepared. The reply is not tenable as no such muster rolls had been prepared by the concerned ADs nor the same were produced to audit.

2.1.10 Allocation/ lifting and procurement of food grains

The position of allocation of food grains made by GoI under various categories viz., APL/ BPL/ AAY and lifting there-against during 2010-15 is depicted in **Table-2.1.3** below:

Table-2.1.3

(Figures in lakh MTs)

Year	Allocation/ Lifting					
	Wheat			Rice		
	APL	BPL	AAY	APL	BPL	AAY
2010-11	1.52/1.57	0.50/0.49	0.21/ 0.21	2.95/ 2.91	1.52/ 1.50	0.86/ 1.21
2011-12	1.52/1.46	0.50/0.52	0.21/ 0.22	2.95/ 2.84	1.52/ 1.47	0.86/ 1.21
2012-13	1.52/1.58	0.50/0.50	0.21/ 0.21	2.95/ 2.91	1.52/ 1.53	0.86/ 1.22
2013-14	1.52/1.48	0.50/0.48	0.21/ 0.21	2.95/ 2.90	1.52/ 1.50	0.86/ 1.22
2014-15	1.52/1.49	0.50/0.50	0.21/0.21	2.95/2.88	1.52/1.50	0.86/1.21
Total	**7.60/7.58**	**2.50/2.49**	**1.05/1.06**	**14.75/14.44**	**7.60/7.50**	**4.30/6.07**

Against total allocation of 37.80 lakh MTs of food grains during 2010-15, the Department had lifted 39.14 lakh MTs of food grain under all categories.

The Government of India (GoI) stopped allocation of levy sugar from sugar mills with effect from June 2013 and asked the States to devise a transparent system for procurement of sugar from the open market for which GoI agreed to provide subsidy @ ₹18.50 per kg. Accordingly, the Department concluded (July 2013) a contract for supply of 84,400 MT Grade (S-30/ 31 ISS) sugar with a supplier[12] at the negotiated rate of ₹38,400 per MT valid for one year (September 2013 to August 2014).

[11] Labourers engaged for handling food grains

[12] M/s Garden Court Distilleries Private Ltd. Andheri, Mumbai

Audit scrutiny brought out the following gaps and deficiencies having significant financial implications in awarding contracts for supply of sugar:

- The detailed Notice Inviting Tenders (NIT) contemplated sourcing procurement of sugar from "registered general suppliers/ reputed sugar manufacturers/ private or co-operative sugar mills/ Government undertakings within and outside the State". However, in abbreviated NIT published (25 June 2013) in newspapers invited "registered sugar importers/ reputed sugar manufacturers/ private or co-operative sugar mills/ Government undertakings within and outside the State", replacing unauthorisedly the 'Registered general suppliers' with 'Registered sugar importers'. The variation in eligibility conditions between abbreviated NIT and detailed NIT implied that 'registered general suppliers' were kept out of the competitive bidding.

- The NIT originally included a clause that the tenderer should enclose with tender registration certificate for quality certification by *"Agmark"*. This eligibility clause was deleted (15 July 2013) unauthorisedly and the Director Information and Publicity was approached on 18 July 2013 to arrange publication of the corrigendum in "leading National and State newspapers" for three consecutive days when the tenders were due to be received by 21 July 2013. Belated dilution of eligibility condition in the detailed NIT on the eve of receiving of the tenders was unexplained. Since "*Agmark*" certification had direct bearance on the quality, removal of this condition tantamount to compromising the quality of sugar.

- As per Department of Consumer Affairs, GoI (Price Monitoring Cell) records, the daily wholesale price of sugar ranged between ₹35000 and ₹36500 per MT at Jammu during July 2013 and prevailing local retail market rate was ₹34.60 per kilogram at the time of finalizing the tender. The Department, however, contracted supply of sugar at rates (₹38400 per MT i.e., ₹38.40 per Kg), which was higher than the prevailing rates. Audit noticed that the average daily whole sale price of Sugar from September 2013 to August 2014 (currency of contract) was ₹34.71 per Kg. Procurement of sugar at ₹38.40 per Kg imply lack of due diligence by the Department in benchmarking the price, thus, leading to loss of ₹31.14 crore to the Government exchequer on procurement of 84,400 MTs of sugar between September 2013 to August 2014.

- Moreover, the existing Retail Issue Price (RIP) of sugar through PDS is ₹13.50 per Kg and GoI is providing a subsidy of ₹18.50 per Kg, therefore procurement of sugar on anything more than ₹32 per Kg would put on an extra burden on the State Government exchequer. Procurement of 84,400 MTs of Sugar during September 2013 to August 2014 by the Department @ ₹38.40 per Kg has put on an extra burden on the Government exchequer to the tune of ₹54.02 crore.

The FA & CAO stated (February 2015) that the Department was in constant touch with Price Monitoring Cell (PMC) of GoI and the PMC quoted the rates of

₹39 per Kg and ₹40 per Kg at Jammu and Srinagar respectively. The reply is not acceptable as the rates stated to be quoted were retail price and not the whole sale price. Since the quantity purchased was huge (84,400 MTs), finalizing rates on the basis of retail price of per kg sugar was not prudent and led not only to undue favour to the supplier but also to huge loss to Government exchequer.

2.1.11 Store Management

2.1.11.1 Shortages of food grains/ sugar

As per Manual of the procedures, the Department is to conduct physical verification (PV) of all the stocks of Central godowns, various sale and storage centers at the close of every financial year. The PV reports are to be furnished to the accounts section within one month for verification. The Manual also provides that the officer in charge of the stores will ensure that the grains stored in Godowns are properly kept, stacked and priority in distribution is given to earlier receipts.

Audit scrutiny showed the following:

- Though teams were constituted to conduct physical verification of closing stocks in all the Godowns and sale outlets, PV reports had not been consolidated in Accounts Sections at respective Directorate offices and Ledger balances, as prescribed in the Manual, had not been maintained to verify the balances shown in the PV reports.

  The Department stated (September 2015) that Physical verification had been done but did not respond to audit observation regarding consolidation of the same at Directorate level as prescribed in the Manual.

- Stock registers showing in-date and out-date of each lot of food grains had not been maintained by the store-keepers. As a result, stacking and unloading of food grains according to the date of receipt and first-in-first-out (FIFO) method adopted, if any, in main stores could not be ascertained in audit.

  The Director CAPD Jammu stated (September 2015) that the concerned had been directed to adhere to FIFO method of stacking whereas Director CAPD Kashmir stated that adopting FIFO method was not feasible as it needs extra amount.

- In response to orders (March 2013) of Hon'ble Minister, CAPD, entire stock of food grains was cleared, between May and November 2013, to achieve zero balance at two main stores (Gulab Bagh and Lethpora) of Srinagar. As a result of this exercise, the Department detected huge shortage of 4166 quintals sugar valuing ₹56.24 lakh and 508.91 quintal rice valuing ₹5.09 lakh (August 2013) in case of Gulab Bagh store and shortage of 9605 quintals of A-grade rice valuing ₹96.05 lakh (November 2013) in case of Lethpora store on account of difference between ground balance and book balance.

- 619.38 quintal sugar valuing ₹8.36 lakh was found deteriorated (November 2013) in Gulab Bagh godown.

Thus, despite regular annual physical verification of the stores, the shortages/ deterioration in stocks of sugar and rice remained un-noticed indicating that the physical verification had not been done properly over the years and the mechanism adopted in conducting physical verification of stocks in respect of these stores was faulty.

The Department stated (September 2015) that the matter was under investigation with Crime Branch Kashmir and the outcome was awaited. The reply is not convincing as no departmental action was taken against the defaulters.

- Despite having noticed the above irregularities, the Department had not applied zero balancing method in Jammu in any of its major stores at Chattha store, Main store and Central store. In Chattha store even annual/ periodical physical verification of stocks from 2013-14 and onwards had not been done despite the verification teams constituted by the Director, CAPD Jammu. The Director CAPD Jammu had not taken cognizance of non-conducting of physical verification of closing stocks of Chattha store. The Director, CAPD Jammu stated (September 2015) that the zero balancing would be done in future.
- Store records viz Receipt register, Issue register and Stock Registers at Jammu Stores (Chatha and New Store) were not produced to Audit despite repeated requests (March 2015). Further, during physical verification of 2012-13, shortage valuing ₹29.49 lakh was noticed by the Department at New store and *Chattha* store but despite lapse of two years the Department had not made recovery from the defaulters in accordance with the Government order *ibid*. The Director, CAPD Jammu stated (September 2015) that serious view had been taken about non-production of records to audit.

2.1.11.2 Deterioration of food grains

Records of AD Baramulla showed that 1463 MTs of food grains valued at ₹1.26 crore lying at Hygam Granary (787 MTs) and Krankshivan Sopore stores (676 MTs) in the district had deteriorated. Audit noticed that the deterioration of food grains was caused due to low off take of PDS food grains. Responsibility for the loss due to deterioration of food grains had not been fixed. Besides, no action for disposal of deteriorated stocks had been taken as of March 2015.

2.1.11.3 Non-disposal of empty gunny bags

As per the standing instructions (January 2003) empty gunny bags were to be sold at prescribed rates[13] on 'as is whereas basis'. At the end of March 2014, 41.79 lakh empty gunny bags had accumulated over past four years in main stores at Lethpora and Gulab Bagh Srinagar. In addition to this, 29.33 lakh empty bags were also dumped at various district stores of Kashmir Division totaling to 71.12 lakh bags.

[13] Sugar bag ₹21 per bag, Rice/ wheat/ Atta ₹13 per bag and Katta ₹7 per bag

The Department put to auction (June 2009) 29.33 lakh empty bags lying at various districts. Only one bid[14] (Rate quoted: ₹3.71 per bag) for this lot was received (November 2009) which was not considered, being single quotation and the bags remained un-disposed off. After a gap of one year, the Department again invited (June 2010) tenders for sale of 28.75 lakh empty bags (out of 41.79 lakh) lying at Gulab Bagh and Lethpora stores and only for 19.63 lakh bags (out of 29.33 lakh bags) lying at various districts and received quotations from two firms[15] quoting rate of ₹1.14 and ₹0.99 per bag. Reasons for putting lesser quantity to tendering had neither been found on record nor were assigned to Audit. In view of lesser rates, fresh tenders were invited in February 2011. In response, bid of ₹1.64 and ₹3.53 per bag was quoted by two firms[16]. However, bidders of previous tender viz., M/s Ladakh Road Lines and M/s I. A Enterprises obtained stay (February 2011) against re-tendering. The Departmental purchase-cum-contract committee, however, awarded (October 2013) contract for sale of only 28.75 lakh gunny bags to M/s I. A Enterprises, on the condition to withdraw court case, at negotiated rate of ₹1.95 per bag despite the fact that rate of ₹3.53 per bag had been quoted by one of the participating firms earlier (February 2011). This action of the Department resulted in loss of ₹45.43 lakh[17] to the Government exchequer on sale of 28.75 lakh bags.

Audit further noticed that the Department failed to dispose of remaining 42.37 lakh[18] bags for over last five years as of September 2014 resulting in loss of ₹1.50 crore[19] as the same had deteriorated due to prolonged storage. The un-disposed stock of 12.45 lakh bags (valuing ₹43.95 lakh[20]) lying at Gulab Bagh had reportedly got destroyed in floods of September 2014. Thus failure of the Department in timely disposal of empty bags led to loss of ₹1.95 crore which could have been avoided had the Department accepted the first tender received in June 2009 at ₹3.71 per bag.

The Department replied (September 2015) that the delay in disposal of empty gunny bags was caused due to Court case. The reply is not acceptable as the Court case was lodged in February 2011 and the bid (for rate of ₹3.71 per bag) was received in November 2009.

2.1.11.4 Non-recovery of outstanding shortages

In order to minimize the chances of shortages/ misappropriation of food grains, the Government ordered (April 2000) that the recovery be made from the defaulting store-keeper/ salesman at the rate of 150 *per cent,* from Tehsil Supply Officer (TSO) concerned at the rate of 20 *per cent* and from the Assistant Director concerned at the rate of 10 *per cent* of the total embezzled amount out of salary of the erring official at the rate of monthly installment of minimum 50 *per cent* of the salary.

---

14 M/s Golden Valley
15 M/s I.A. Enterprises, (₹1.14) and M/s Ladakh Road Lines (₹0.99)
16 M/s Haji Goods Carriers (₹1.64), and M/s Ladakh Road Lines (₹3.53)
17 Calculated at differential rate of highest bid of ₹3.53 and negotiated rate of ₹1.95 which is ₹1.58
18 13.04 lakh bags at Gulab bagh and Lethpora stores and also 29.33 lakh bags at other district stores
19 Calculated at the highest bid rate of ₹3.53 per bag
20 Calculated at the highest bid rate of ₹3.53 per bag

Audit scrutiny showed the following:

- In Kashmir division, as against ₹12.86 crore recoverable, ₹1.34 crore (10.5 *per cent*) had been recovered and there was an outstanding amount of ₹11.52 crore, recoverable from 85 Store-keepers/ Salesman ending December 2014. The shortages pertained to the periods ranging between one and 18 years and the Department had not devised any effective mechanism for early detection and early recovery to stop its occurrence.
- In Jammu division, ₹1.18 crore was outstanding at the end of December 2014 against 29 store-keepers/ salesman on account of shortages/ misappropriation of food grains. As against ₹1.07 crore recoverable from 69 Store-keepers/ Salesman ending June 2013, ₹46.10 lakh (43 *per cent*) only had been recovered up to December 2014 whereas there was addition of shortages worth ₹57.02 lakh during July 2013 to December 2014. Analysis made in audit showed that ₹37.06 lakh was outstanding against eleven persons who had either retired or died and six cases involving ₹29.98 lakh were sub-judice for over 10 years.

Failure of the Department to recover outstanding amount of ₹12.70 crore from defaulting officials indicated lack of monitoring and weak internal controls. The Secretary to the Government assured (September 2015) that all necessary steps would be taken to affect the recoveries.

2.1.12 Distribution of food grains

2.1.12.1 Inequitable distribution of food grains

The allocation of food grains is made by GoI considering the number of card holders under APL/ BPL/ AAY categories. The Administrative Department further makes allocation to two Directorate Offices viz. Srinagar and Jammu. GoI releases 63,067 MTs food grains per month to State Government at the prescribed scale of 35 Kg per family per month for 18.02 lakh card holders (projected population as ending March 2000) of the State.

Audit scrutiny of records showed the following:

- Against a quota of 17.12 lakh MTs of food grains in respect of Jammu division, the Administrative Department allocated only 16.24 lakh MTs whereas against quota of 20.72 lakh MTs of food grains in respect of Kashmir Division, the Administrative Department allocated 21.60 lakh MTs during 2010-15. Thus 0.88 lakh MTs of food grains was less allocated to Jammu division thereby depriving card holders varying from 35,964 to 43,257 each month of the benefits of subsidized food grains.
- Despite less allocation of food grains as per prescribed scale, Director CAPD Jammu failed to ensure equitable distribution. Audit noticed that AD Reasi/ Kishtwar lifted/ issued 21,836 MTs of food grains[21] valuing ₹ 13.91 crore in excess of requirement (1,55604 MTs) as per quota during 2010-14. During

[21] Rice: 8,943 MTs and Wheat/ Atta: 12,893 MTs

2011-12 alone, AD Reasi had issued 8000 MTs food grains in excess of its annual requirement (38901 MTs) for which no specific justification was found on record. Since food grains are issued on subsidized rates under TPDS, issue of food grains in excess of fixed scale resulted in inequitable distribution of food grains.

The Director, CAPD Jammu admitted (September 2015) that short allocation was made by the Administrative Department. As regards excess issue of food grains in excess of requirement in Kishtwar and Reasi district, the Director stated that this would be rectified.

2.1.12.2 Grinding of Wheat

The Department engaged various Flour Mills of Srinagar and Jammu for grinding of wheat into whole meal Atta for distribution under PDS. Audit scrutiny of records showed that selection of mills for grinding of wheat was done during 2010-15 from among the mills empanelled in the year 2007. No empanelment by way of open tendering system had been carried out during 2008-15. This resulted in selection of mills in non-transparent manner as the scope of competition among the eligible millers was limited. The Secretary to Government informed (September 2015) that a committee had been constituted to review the possibility of tendering for grinding of wheat on annual basis and fix the rates of grinding charges.

Instructions were issued from time to time by Director, CAPD Jammu to AD Mills and AD Trade and Store Jammu to allocate PDS wheat to each Mill proportionate to their grinding capacity. Grinding charges payable by the Department are adjusted against the cost of wheat bran obtained as by-product during grinding of wheat. It was noticed that AD T&S and AD Mills had allocated PDS wheat to Mills disproportionate to their grinding capacity ranging between 10 *per cent* and 81 *per cent* of the grinding capacity of the Millers. Non-uniformity in allocation of wheat to Mills impacted payment of average monthly grinding charges as well as wheat bran cost which ranged between ₹1.19 lakh and ₹5.39 lakh and between ₹1.04 lakh and ₹4.70 lakh respectively during October 2013 to March 2015 as detailed in ***Appendix-2.1.*** The Director CAPD Jammu stated that some millers did not grind the wheat in prescribed time and hence were debarred and their quota was allotted to other Millers. The reply is not acceptable as there was nothing on record as regards issuance of notices debarring such Millers.

2.1.12.3 Irregular distribution of additional *adhoc* food grains

(a) GoI allocated (2010-13) 1.69 lakh MTs[22] of food grains as special *adhoc* additional allocation for distribution to left out BPL families of the State not covered under TPDS. For this, the Department was required to identify additional BPL families in all the districts of the State not covered under PDS. The Department was to give wide publicity so as to create awareness amongst the eligible TPDS beneficiaries, maintain separate records of the allocation/ lifting/ distribution and submit Utilisation Certificate (UCs) to GoI.

[22] 56,440 MTs, 56,440 MTs, 56,440 MTs, during 2010-11, 2011-12 and 2012-13 respectively

Audit scrutiny showed the following:

- The Department completed identification of left out BPL families (1,32,658)[23] between December 2012 and February 2013, till then additional allocation of 1.09 lakh MTs (65 *per cent*) lifted during 2010-12 continued to be distributed to existing BPL card holders.
- During 2012-13, the Department against allocation of 56,440 MTs lifted only 52,391 MTs of food grains, leading to short-lifting of 4,049 MTs which led to denying benefit of additional allocation to 9,640 families during 2012-13. Reasons of shortfall in lifting the entire allocated quantity during 2012-13 were not furnished to Audit.
- In test-checked districts, audit observed that the Department distributed 9,527 MTs[24] (Rice 7,225 MTs and wheat/ atta 2,302 MTs) of additional quota valuing ₹5.72 crore during 2011-12 and 2012-13 to already existing BPL/ AAY families.
- The Department had neither given any publicity nor had maintained separate records and UCs had not been submitted to GoI as required.

Thus, the food grain meant for 1,32,658 uncovered households was distributed to already covered households over their entitlement, thereby defeating the purpose of making additional allocations by GoI. Resultantly, the left out BPL families continued to be deprived of the benefits of subsidized food grains.

The Director CAPD Jammu admitted (April 2014) that due to paucity of time for identification of new families, the additional *adhoc* food grains were distributed among existing families by enhancing the scale. However in September 2015 the Director CAPD Jammu stated that no such irregularity was noticed. The reply furnished was contrary to the earlier admission of April 2014.

(b) The Hon'ble Supreme Court directed (May 2011) Union of India (UoI) to reserve adequate food grains for distribution to the extremely poor and vulnerable section of the society. Accordingly, 174 poorest and backward districts from 27 States were identified which included three districts viz. erstwhile Doda district (comprising Ramban, Doda and Kishtwar districts), Poonch and Kupwara districts from the State. The Department was to identify left out BPL/ AAY families in these poorest districts and provide 35 Kgs food grains at BPL/ AAY rates per family per month for which GoI had allocated 12857 MTs food grains (7362 MTs in 2011-12 and 5495 MTs in 2012-13).

Audit scrutiny showed that against quantity of 12,857 MTs food grains allocated by GoI, the Department lifted 12,015 MTs[25] during 2011-13 resulting in short lifting of 842 MTs. It was further noticed that during July/ August 2012, after one year of Court directive, 50,277 families[26] were identified as poorest families

[23] Jammu Division: 41,280; Kashmir Division including Ladakh: 91,378

[24] Reasi: 494 MTs; Ramban: 1,448 MTs; Budgam: 2,000 MTs, Baramulla: 2,400 MTs,; Doda: 1,812 MTs and Kishtwar: 1373 MTs

[25] 6520 MTs in 2011-12 and 5495 MTs in 2012-13

[26] 7800, 11114, 12020, 4900 and 14443 families were identified in Ramban, Poonch, Doda, Kishtwar and Kupwara Districts respectively

and 5599 MTs[27] were distributed to these families during 2012-13 whereas 3798 MTs were distributed to already existing BPL/ AAY families on the pretext that identification process was time consuming and the food grains so allocated had to be lifted within the validity period. Further, distribution of remaining 2618 MTs of food grains could not be ascertained in audit. Thus, 6416 MTs food grains were diverted which was in contravention to UoI instructions.

The Department admitted (September 2015) that pending identification, additional quota of food grains for poorest districts was distributed to the existing families and UCs were submitted to the Administrative Department for onward submission to GoI.

(c) The State Government accorded sanction (September 2014) for providing free ration for six months (35 Kg per month) to families affected by floods/ heavy rains of September 2014. The scale of ration was fixed @ 50 Kg for September 2014 and 32 Kg per month for remaining five months.

The GoI allotted (24 October 2014), 1,99,215 MTs of additional Rice and 10,137 MTS of wheat to the State, for lifting within 30 days i.e., by 23 November 2014. For the purpose, ₹172 crore[28] were provided by the State Government to the Department.

Audit noticed that against allotted quantity, the Department lifted only 51,713 MTs[29] (25 *per cent*) upto March 2015.

Following irregularities in distribution of free ration to flood affected people were noticed in test checked districts:

- In Budgam district, 91,414 families were identified as flood affected and were entitled to free ration for six months. Audit noticed that AD Budgam had issued 21,073 MTs rice from September 2014 to January 2015 (five months) as against requirement of 16,272 MTs food grains thereby issuing 4,801 MTs rice valuing ₹9.64 crore (worked out at MSP rate) in excess of requirement. Circle-wise lists of flood sufferers was also not available with the Department in absence of which correctness of issue of free ration amongst genuine flood sufferers could not be vouchsafed in audit. Further, in the month of September 2014, 1,146 quintals of Rice valued ₹22.93 lakh was issued to various agencies without orders and acknowledgements/ receipts of such despatches and utilization certificates had not been obtained from the recipients.

The AD Budgam stated (March 2015) that before receiving the order from Revenue authorities, relief had been distributed to households of the District. It was also stated that Rice was issued to various agencies on the verbal orders of District Administration as emergency prevailed and in some cases acknowledgement was received. The reply is not acceptable as the orders of Revenue Authorities were received by the AD in the month of September 2014

[27] Ramban: 1422 MTs; Poonch: 1100 MTs; Doda: 1134 MTs; Kishtwar: 834 MTs and Kupwara: 1109 MTs
[28] Kashmir: ₹108.72 crore and Jammu: ₹63.28 crore
[29] 26,223 MTs during September 2014 and November 2014 and 25,490 MTs in February 2015

in which 91,414 families had been declared as flood affected. Post-facto sanction for release of food grains to various agencies and UCs/ acknowledgement from the recipients could have been obtained later on.

- In test-checked districts, Kupwara 80 *per cent*, Baramulla 60 *per cent*, Ramban 87 *per cent* and Reasi 24 *per cent* affected families had been provided relief ration during September 2014 to February 2015. In Kishtwar and Doda districts the coverage was 89 and 81 *per cent* respectively during October 2014 to March 2015 (six months). The remaining families were deprived of relief ration due to failure of the Government to lift the allocated quantity in time.

The Secretary to Government stated (September 2015) that shortcomings pointed out by the audit would be looked into and action taken would be intimated to audit in due course.

(d) GoI allocates quota of Subsidized Kerosene Oil (SKO) to the State on the basis of population of 1991 Census (20 years back). The position of allocation made by GoI and quantity lifted during 2010-15 is depicted in **Table-2.1.4** below:

Table-2.1.4

(In Kilo-Litres)

Division	Allocation made (2010-15)	Lifting (2010-15)	Shortfall in lifting vis-a-vis allocation (2010-15)
Kashmir	2,24,682	2,24,562	(-) 120
Ladakh	24,343	24,080	(-) 263
Jammu	1,88,902	1,78,464	(-) 10,438
Total	**4,37,927**	**4,27,106**	**(-) 10,821**

Under the extant arrangement made by the Department, each card holder is entitled to five litres of SKO per month in Jammu division, five litres (summer)/ seven litres (winter) per months in Kashmir division, and ten litres quota per month for whole year in Ladakh division, irrespective of holding LPG connection. There were 19.72 lakh Ration Card holders in the State and number of LPG connection holders was 15.46 lakh[30] as of March 2015.

Audit noticed the following:

- Considering the short allocation of SKO by GoI, it was necessary for the Department to fix the scale taking into account the population not having LPG connections and also the number of LPG connection holders, who avail subsidy on purchase of one cylinder per month, so as to regulate distribution of available quota on need basis to deserving non-LPG families. This was not done by the Department. Besides, the scale fixed, by no means, could meet the cooking requirement of a non-LPG family for complete one month which also uses the same for lightening purposes in non-electrified far flung and snow bound hilly areas. This led to inequitable distribution of available quota of SKO.

[30] 7.03 lakh in Jammu division, 7.68 lakh in Kashmir division and 0.75 lakh in Ladakh division

- Against annual requirement of 29,578 KLs[31] (except Ladakh division[32]) in respect of non-LPG consumers as per the prescribed scale, the Department issued 4,03,026 KLs (84,929 KLs; 86,670 KLs; 88,220 KLs, 89,183 KLs and 54,024 KLs during 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15 respectively) to the consumers indicating that 2,55,136 KLs[33] SKO had been issued to LPG consumers. Issuing SKO to LPG consumers not only put an additional burden of subsidy on Government exchequer to the tune of ₹459.24 crore[34] during 2010-15 but also led to depriving the genuine non-LPG households of benefit of subsidy to that extent. Besides, pilferage of SKO shown issued to LPG consumers could also not be ruled out.

The Director CAPD Jammu stated (February 2015) that the Department had no instructions either from Administrative Department or from Oil Companies to distribute SKO only, to non-LPG consumers. The reply is not convincing as fixing uniform quota both for LPG and non-LPG consumers deprived non-LPG consumers of the benefit of subsidy on SKO.

(e) GoI introduced (October 2009) Open Market Sale Scheme (OMSS) under which States were required to lift wheat and rice from FCI @ ₹11000 and ₹16000 per MT, respectively which was to be sold to consumers by adding transportation cost @ ₹200 per quintal. The objective of the scheme was to make available food grains to consumers on competitive rates to check the inflationary trends of food items.

In test-checked districts[35], it was noticed that 2,112 MTs rice and 632 MTs wheat was sold during 2010-11 at cheaper rates (APL rates[36]) or free of cost as relief leading to loss of ₹1.50 crore[37] to Government exchequer. The State had, however, discontinued lifting of food grains under the scheme.

Director CAPD Jammu stated (September 2015) that the food grains of OMSS were distributed as per the directions of Administrative Department.

(f) Annapurna Scheme (APS) aims at providing food security to senior citizens (above 65 years of age) not covered under National Old Age Pension Scheme/ State Pension Scheme and other destitute having no regular means of subsistence. 10 Kg of food grains (Rice) per month per head is to be provided free of cost to the identified persons under the Scheme.

Audit scrutiny showed the following:

- The Department failed to provide food security under the Scheme to all the identified persons of the State during the period 2010-14 as is evident from

---

31 Number of Ration Card holders minus number of LPG connection holders x quota of SKO per month x 12 months

32 In respect of Ladakh division, it was seen that number of LPG connections exceeded the number of Ration Cards issued by the Department, reasons for which remained unexplained to Audit

33 SKO issued 4,03,026 KLs during 2010-15 minus requirement of four years 1,47,890 (29578x5)

34 2,55,136 KLs x ₹18000 per KL (Subsidy)

35 Ramban Rice 198 qtls & wheat/ atta 648 qtls, Budgam Rice 14783 qtls, Reasi Rice 1593 qtls & wheat/ atta 2536 qtls and Kishtwar Rice 4551 qtls & wheat/ atta 3138 qtls

36 Rice: ₹10000 per MT and Wheat: ₹7250 per MT

37 Rice 2112 MTs x ₹6000 per MT (differential) and Wheat 632 MTs x ₹3750 per MT (differential)

the data tabulated in **Table-2.1.5** below:

Table-2.1.5

(Qty in MTs)

Year	No of souls identified	Quantity required for full year	Quantity allocated by GoI	Un-utilized opening balance available	Total quantity available	Quantity issued	Quantity remained un-utilized	Souls covered (No.)	Souls not-covered (percentage)
2010-11	10220	1226.40	306.00	Nil	306.00	183.00	123.00	1525	8695 (85)
2011-12	10220	1226.40	1100.97	123.00	1223.97	946.97	277.00	7891	2329 (23)
2012-13	10220	1226.40	947.00	277.0	1224.00	923.79	300.21	7698	2522 (25)
2013-14	10220	1226.40	923.79	300.21	1224.00	722.56	501.44	6021	4199 (41)
2014-15	No allocation of food grains during 2014-15 has been made by the GoI under the scheme								

- As may be seen, quantity ranging between 123 MTs and 501.44 MTs remained un-utilized during 2010-14 leading to cut in the allocations by GoI to the extent the quantity of food grains (Rice) remained un-utilized. Thus, identified beneficiaries ranging between 23 and 85 *per cent* were deprived of the benefit of free ration under the Scheme. Percentage of identified souls not covered in test checked districts ranged between 40 and 94 in Baramulla, 25 and 81 in Budgam, 15 and 90 in Ramban, 47 and 92 in Reasi, 5 and 88 in Kupwara, 8 and 100 in Kishtwar, 23 and 100 in Doda and 12 and 37 in Leh districts during 2010-15.
- The Department had also not constituted Committee to oversee the implementation of the Scheme at District level.
- Due to failure of the Department to submit timely UC for 2006-07 to 2008-09, 100 *per cent* souls during 2009-10 and for nine months during 2010-11 were deprived of the benefits of the APS scheme.
- As against ₹143.47 lakh available with Director CAPD Kashmir during 2010-14 for procurement of Rice for APS, the Department lifted only 1846.70 MTs rice valuing ₹104.34 lakh. The remaining amount (₹39.13 lakh) had been diverted for procurement of Rice under other Schemes. Similarly, Director CAPD Jammu, out of available ₹99.25 lakh under the Scheme, utilized ₹48.92 lakh for lifting 866 MTs rice.

The Secretary to Government admitted (September 2015) the shortfall and assured that the Government was contemplating to upgrade the list of deserving souls and all possible steps would be taken to cover the deserving under the Scheme in near future.

2.1.13 Quality Control

2.1.13.1 Lack of Quality control

PDS (Control) Order, 2001 envisages that the representatives of the Department and FCI should conduct joint inspection of stocks intended for PDS to ensure that quality of food grains conformed to the prescribed quality specifications.

Audit noticed that there was no testing laboratory or trained manpower available with the Department for conducting quality inspection of food grains supplied through PDS. Neither had any joint inspections been held nor any stack/ lot-wise samples lifted. The Department had, however, collected some samples of PDS *Atta* and got quality check conducted by the Public Analyst, Jammu during 2012-13 and 2013-14. Non-adherence to the quality checks prescribed in the PDS (Control) Order 2001 indicated non-seriousness of the Department to supply quality food-grains to the consumers through PDS. As a result, risk of supplying contaminated/sub-standard food-grains to the public cannot be ruled out.

The Department replied (September 2015) that the quality control was maintained by the FCI as the Department had no earmarked professional manpower/laboratory facility and that only visual inspections were carried out.

2.1.13.2 Non-testing of quality of sugar procured

The agreement for supply of sugar provides for quality checks by the Quality control team at the destination point. Audit scrutiny showed that the eligibility clause of "*Agmark*" certification which had direct bearance on the quality of sugar was removed during the process of finalization of rate contract for supply of sugar. Further, the Administrative Department constituted sugar cells headed by Directors CAPD Srinagar/ Jammu and comprising officers like Dy. Director (Supplies), CAO, Dy. Director (P&S) and Assistant Director (Trade & Stores) from Jammu/ Kashmir Directorates. However, the Director(s), in turn constituted a sugar cell with Head Assistant, a senior assistant and Assistant Director (Trade & Stores) as members to receive the supplies of sugar as per specifications. The sugar cells so constituted had neither technical background nor the requisite infrastructure to carry out the requisite quality control checks. The teams, thus, accepted sugar consignments without testing each lot at receiving point and the Department released the payments to the supplier.

The agreement also provide that specifications of sugar to be supplied by the suppliers *inter-alia*, had to indicate certified phyto-sanitary, no radiation components and crop years. Audit noticed that test certificates issued by the Food Analyst of respective Municipal Corporations did not indicate these parameters of the specification of sugar. Thus the quality of sugar procured was not ensured properly.

The Department stated (September 2015) that payments had been authorized on receipt of test certificate issued by the Food Analyst of respective Municipal Corporations. The reply is not convincing as quality of sugar procured was not ensured as per the prescribed parameters of the specifications.

2.1.13.3 Delay in construction of Laboratories

GoI released (December 2009) ₹1.50 crore for setting up of six working standard laboratories @ ₹25 lakh each under Centrally Sponsored Scheme "Strengthening of infrastructure of Weights and Measures in States/ UTs" for the benefit of consumers, for completion by 2011-2012.

Audit scrutiny showed the following:

- The Scheme was time bound and the expenditure was to be incurred by the end of 2011-12. The Department belatedly acquired land (2011-12) for setting up of two laboratory buildings. Till then funds amounting to ₹1.50 crore remained parked with Finance Department.
- Instead of constructing laboratories at six district headquarters, the Department decided to set up two laboratory buildings, one each at Srinagar and Jammu, without seeking the concurrence of the GoI.
- Work was allotted (March 2012) to Jammu and Kashmir Housing Board at an estimated cost of ₹102 lakh (Srinagar) and ₹95 lakh (Jammu). The Project was to be completed within the approved cost for which ₹1.50 crore were released to the Board. Thereafter the Department had not monitored the progress of execution of the Project and had not released the balance amount of ₹47 lakh. As a result, the Project had not been completed. As per the status report filed by the construction agency (June 2014), ground floor of Srinagar laboratory was completed and sanitary work was in progress whereas RCC slab had been laid for ground floor for laboratory at Jammu for which the value of work done was shown as ₹2.10 crore. The construction agency stopped the work stating that ₹1.50 crore had been exhausted and had demanded further funds of ₹1.54 crore for completion of remaining work of the Project. However, the Department had not taken any action to get the Project completed (August 2015).

Thus, due to lack of proper planning and monitoring, the project could not be completed despite lapse of almost five years. Besides, construction of two office-cum-laboratories instead of six Laboratories resulted in violation of GoI instructions and denial of testing facilities.

2.1.14 Monitoring mechanism and Internal control

2.1.14.1 Non-maintenance of records to monitor the movement of food grains

The Department had not maintained proper records at Directorate level (Srinagar and Jammu). Inter-department reconciliation of dispatches made to each district was also not done. Non existence of internal control to record transactions related to lifting, dispatches and distribution of food grains is fraught with the risk of misappropriation and frauds remaining undetected. The Department had also not put in place any system at Directorate Office level to monitor the remittances being made into the Treasuries. Non-availability of this system is fraught with the risk of embezzlement/ short-remittance of sale proceeds and pilferage of stocks remaining un-noticed. Besides, transportation of food grains by GPS enabled vehicles, as contracted with the carriage contractor, had not been ensured by the Department.

2.1.14.2 Failure to implement Computerization project

Pursuant to the direction of the Hon'ble Supreme Court of India regarding end-to-end computerization of PDS in all the States/ UTs, GoI issued (September 2011) guidelines in regard to the computerization of TPDS as a Mission Mode Project (MMP) to be implemented by end of March 2015. For achieving end-to-end computerization of TPDS, four key components[38] were identified for implementation.

Audit scrutiny showed the following:

- The State was to put in place an institutional mechanism by establishing two-tier Government structure, one as State Apex Committee with Chief Secretary as Chairman and second as State Project e-Mission Team (SPeMT) with Secretary of the Department as Mission leader. A dedicated nodal officer was to be appointed to monitor the project.
- Whereas State Apex Committee was constituted (November 2011), neither State Project e-Mission Team (SPeMT) had been framed nor a Nodal officer was appointed. Small Cells in the two Directorates as well as in the Administrative Department had also not been constituted for monitoring the progress as a result of which the Project had fallen far behind the timeline.
- As per Administrative Approval, the funds were to be shared between Centre and State Government on 50:50 basis. GoI approved the project cost at ₹20.38 crore. Of Centre's share of ₹10.19 crore (50 *per cent*), GoI released (June 2013) ₹6.11 crore (60 *per cent*). The State Government had, however, not sanctioned an equal matching grant. The Department transferred ₹2 crore[39] to Secretary Commissioner of IT Department of State Government between December 2012 and March 2014 as mobilization advance. GoI had not released the remaining (40 *per cent*) share as the Department failed to utilize ₹5.61 crore out of already released funds.
- The compilation and digitization of FP shops, Food Stores and rationees data was incomplete (March 2015) and was running behind schedule.
- Procurement/ installation of hardware, to be completed by April 2012, had not seen any progress and was delayed.
- Computerization of supply chain management scheduled for completion by May 2012 had not been initiated.
- The Department had not approached NIC for supply of these software applications like Smart Card Application Software, Supply-chain

[38] (a) Creation and Management of digitized beneficiary Database, (b) Supply-chain Management of food grains from FCI godowns to FPSs, (c) Sale of food grains at FPSs including identification and authentication of beneficiaries and recording transactions and (d) Transparency and Grievance Redressal Mechanism

[39] ₹1.50 crore as State Share and ₹50 lakh out of Centre Share

Computerisation and Food Coupon & Bar coded Ration Cards as was advised by the GoI.

The Secretary to Government admitted (September 2015) the delay in implementation of the Project and stated that the Project was taken up afresh on the basis of requirements suitable to window compatibility mode as the existing mode of implementation did not yield the desirable results.

2.1.14.3 Non-functioning of Consumer Redressal Forum

The State Government was authorized by Jammu and Kashmir Consumer Protection (Amendment) Act, 2002 to establish Consumer Redressal Forum at the District headquarter to seek speedy redressal of consumer grievances. Accordingly, State Government issued notification (December 2011) for establishment of Consumer Redressal Forum in each district of the State.

Audit observed that out of 22 districts, the Department had constituted District Consumer Redressal Forums in eight districts only up to June 2014. Even these forums had not started functioning as of March 2015 because of non-availability of proper building/ space for offices etc. Despite the fact that GoI had assured placement of sufficient funds (May 2011) at the disposal of the Department for construction of offices and meeting salary and other office expenditure, the Department had failed to submit the DPR as of March 2015.

The Department stated (September 2015) that toll free numbers stood installed to register complaints of the consumers for redressal in all the subordinate offices.

2.1.14.4 Non-functioning of Vigilance Committees

Under the PDS (Control) Order, 2001, the Department was required to constitute Vigilance Committees at all levels for monitoring receipt of food grains at Food stores/ Sale Depots and fair distribution to beneficiaries. These committees were also required to hold meetings on regular basis.

In test-checked districts, audit noticed that though constituted, Vigilance Committees had not been functional and had not held meetings[40].

The Department replied (September 2015) that meetings of these committees were regularly held at district level. The reply is not tenable as no record/minutes of such meetings were available at test checked districts.

2.1.14.5 Shortage of manpower

The Department was facing shortages of staff as nearly twenty four *per cent* posts were vacant **(Table-2.1.6)**, affecting the working of the Department.

[40] Not less than one meeting in a quarter at all levels

Table-2.1.6

S.No	Post	Sanctioned Strength	Men-in-Position	Shortage
1.	Administrative staff & others	2360	1783	577
2.	Storekeepers	559	431	128
3.	Asstt. Storekeepers/ dealing assistants	1514	1152	362
4.	Kanda man	442	357	85
	Total	**4875**	**3723**	**1152 (24%)**

As on 31st March 2015, against the sanctioned strength of 2073 storekeepers/ salesmen, only 1583 officials were in place to man 2233 Government sale depots.

Rule 2-1(b) and 2-10(viii) of J&K Financial Code Vol-I strictly prohibit engagement of Group 'D' employees to hold charge of stores and to handle Government money. Audit noticed in test checked districts that Government sale depots were manned by Group 'D' employees and also by daily wagers. Audit check also showed cases where a single Group 'D' official/ daily wager held charge of multiple sale depots and retained Government money on account of sale proceeds for complete one month instead of remitting the same in Government Treasury immediately. The Department had not taken measures to avoid violation of provisions of the Financial Rules.

No trainings had been prescribed by the Department for its officers/ staff and lack of technical manpower had impacted the testing mechanism as already commented in Paragraph 2.1.13.2.

The Department replied (September 2015) that due to shortage of staff, Group D employees were managing the activities of Store/ Sale depots. The reply was not acceptable as the Financial Rules had been violated by the Department.

2.1.15 Conclusion and Recommendations

Identification of BPL families was faulty to the extent that many eligible families were deprived of the benefits of TPDS. National Food Security Act (NFSA) 2013 was not implemented.

The Government/ Department may consider reviewing lists of BPL beneficiaries under TPDS every year to weed out ineligible beneficiaries and to ensure that left out genuine beneficiaries are included. The Government may take necessary steps for implementation of National Food Security Act (NFSA) 2013.

Accounts were in arrears since 1973-74 and huge payments were released to FCI without reconciliation. Financial Management was lacking desirable execution leading to huge losses to Government exchequer and blockade of funds. Government money was spent injudiciously while making procurement of sugar.

The Government/ Department may consider updating Accounts and making efforts to spend public money judiciously to avoid losses. The Government may take effective steps to recover shortages/ pilferage of food grains.

Distribution of food grains was not managed efficiently and a large number of targeted beneficiaries were deprived of the benefits of TPDS.

The Government/ Department may consider strengthening Distribution system for extending intended benefits of TPDS to targeted population.

No testing laboratory or trained manpower was available with the Department for conducting quality inspection of food grains supplied through PDS. The quality of sugar procured was not ensured properly.

The Government/ Department may consider strengthening quality control mechanism for ensuring supply of quality food grains/ sugar to consumers.

The Scheme of end-to-end computerization was lagging behind and vital records were not maintained to monitor movement of food grains. Monitoring was weak due to non-constitution/ non-functioning of vigilance committees and consumers redressal forum.

The Government/ Department may consider speeding up implementation of end-to-end computerization, establishing strong internal control mechanism and non-issuance of SKO to LPG consumers to avoid its pilferage.

Education Department

2.2 Mid Day Meal Scheme

The Government of India launched Mid Day Meal scheme with the objective of boosting primary education by increasing enrolment, retention and attendance of students in Government schools and Education Guarantee Scheme (EGS) centres.

Highlights

- **AWP&B was submitted to the Government of India without factoring in genuine requirements and basic data from schools/ zones.**

  (Paragraph: 2.2.6.1)

- **Shortage of cook-cum-helpers in schools resulted in involvement of teaching staff in running the Mid Day Meal scheme.**

  (Paragraph: 2.2.6.5)

- **Delay in release of funds to the implementing agencies resulted in non-providing of MDM to 1.31 lakh children during the year 2011. Further, the school authorities diverted ₹9.60 crore from local funds for running MDM scheme.**

  (Paragraph: 2.2.7.3)

- **The annual plan approved for allocation of quantity of food grains was higher than the required quantity and the excess allocation ranged between 26 *per cent* and 55 *per cent* despite the fact that there was no increase in enrolment of school children.**

  (Paragraph: 2.2.8.1)

- **Mid Day Meal to all eligible children for all days of attendance was not ensured and there was a shortfall of 29 *per cent* to 44 *per cent.***

  (Paragraph: 2.2.9.1)

2.2.1 Introduction

The Mid Day Meal Scheme (MDMS), a Centrally Sponsored Scheme (CSS)[41], was launched (August 1995) by the Government of India as a national programme of nutritional support to primary education. The Scheme aims to enhance enrolment, retention, attendance and simultaneously improve nutritional levels among children studying in classes I to V in a Government, Government aided or local body schools. The Scheme is also applicable for children studying in centres run under the Education Guarantee Scheme (EGS) and Alternative and Innovative Education (AIE) Scheme.

[41] CSS Components: (i) Food Grains (100 *per cent*), (ii) Cooking Cost (75:25), (iii) Honorarium to Cooks (75:25), (iv) Kitchen Sheds/ Kitchen Devices (100 *per cent*), (v) Management, Monitoring and Evaluation (MME) (100 *per cent*)

In Jammu and Kashmir State, till 2007-08, cooked Mid Day Meal was provided to primary students of classes I to V. However, from 2008-09, the scheme was also extended to Upper Primary Stage (upto class VIII).

The MDMS envisages providing cooked meals of food grains @ 100 grams per child up to Primary stage and 150 grams per child for the Upper Primary Stage with minimum nutrition value of 450 calories and 12 gram of protein content to primary level children and 700 calories and 20 gram of protein content to Upper primary level children respectively. Besides, adequate quantities of essential micronutrients and de-worming medicines should also be provided to all the children availing Mid Day Meal.

2.2.2 Organizational set-up

The Ministry of Human Resource Development (MHRD), GoI acts as the nodal ministry for overall implementation of the scheme and the Programme Approval Board (PAB) of the MHRD reviews the status and progress of the scheme in all the States. The Secretary, School Education, Government of J&K oversees implementation of scheme in the State. The Secretary is assisted by the respective Directors, School Education (for Jammu and for Kashmir), Chief Education Officers (CEOs) at district level and Zonal Education Officers (ZEOs) at block level. Head of a school and in-charge, MDM in the school, looks after the implementation of the scheme at the school level in the State. The Joint Director (Planning) in the Administrative Department is the Nodal Officer for preparation of Annual Work Plan and Budget (AWP&B) and coordination with the GoI.

2.2.3 Audit Objectives

The objectives of the performance audit of the scheme were to assess whether:

- the scheme was being implemented in a planned manner to cover all the eligible primary and upper primary level school children;
- financial management was efficient and funds allocated were utilized effectively and efficiently;
- the procurement and utilization of food grains was done in an efficient manner;
- the scheme achieved its objective of universalization of primary education by enhancing enrolment, retention and attendance, besides improving the nutritional status of children in the primary and upper primary classes; and
- implementation of the scheme was being effectively monitored.

2.2.4 Scope of Audit and Methodology

The performance audit of the scheme covering the period 2010-11 to 2014-15 was conducted by examination of records of the Administrative Department, two Directorates of School Education (Jammu and Kashmir), six[42] Chief Education Offices (out of 22 CEOs), 24 Zonal Education Offices and 180 schools/ EGS

[42] Baramulla, Kupwara, Anantnag, Rajouri, Kathua and Poonch

centres (out of 3205 selected schools/ EGS centres in 24 selected zones) between November-December 2014 and March-June 2015 selected on the basis of SRSWOR[43] method. Audit methodology included scrutiny and analysis of the records relating to the implementation of MDMS, issue of questionnaires, audit memoranda and examination of responses of various functionaries.

An entry conference was held (December 2014) with the Secretary, School Education wherein the audit objectives, audit criteria and scope of audit and methodology were discussed. The exit conference was held with Commissioner/ Secretary, Education Department on 29 September 2015 wherein Audit findings were discussed.

The audit was conducted as per the auditing standards/ guidelines issued by the Comptroller & Auditor General of India for performance audit.

2.2.5 Audit criteria

The audit criteria used for assessing the performance of MDMS were derived from the following sources:

- Guidelines of the MDM Scheme;
- Quality assurance norms of food grains and ingredients;
- Financial rules of the State Government; and
- Prescribed norms for monitoring mechanism of the Scheme.

2.2.6 Planning

2.2.6.1 Unrealistic Annual work plan and Budget

As per MDM guidelines, the State Government was to prepare a comprehensive Annual Work Plan and Budget (AWP&B) based on data furnished by the Schools, and aggregated at Zones, Districts and State level (Nodal Agency).

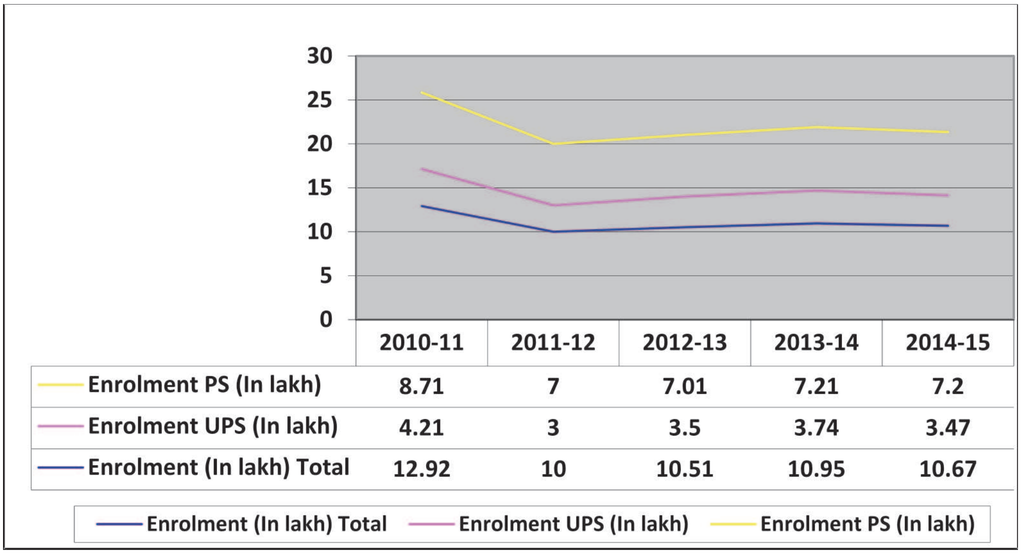
Audit noticed that the Nodal Agency prepared AWP&B on the basis of enrolment of school children as on 30 September of the preceding year and submitted to the Government of India (GoI) without factoring in genuine requirements and basic data from schools/ zones. As such, the AWP&B was not based on realistic data and could not take into account any future requirements. This impacted the provision of funds adversely for the components such as kitchen-cum-store shed, kitchen devices and engagement of cooks to the concerned schools.

2.2.6.2 Decline in enrolment of school children and drop out from schools

The position of enrolment of school children at the State level at the end of each year during 2010-11 to 2014-15 is given in **Chart-I**.

[43] Simple Random Sampling without Replacement (sampling that selects any records once from a finite number of records)

Chart-I



From the figure and graph above, it can be seen that there was decline in the number of enrolment of school children from 12.92 lakh in 2010-11 to about 10 lakh in 2011-12, a decline of about 23 *per cent.* Though there was increase in the enrolment to 10.95 lakh in 2013-14, about four *per cent*, it again decreased to 10.67 lakh in 2014-15.

Further, in the 180 test-checked schools, audit observed a decrease in the enrolment from 13,643 in 2010-11 to 12,920 in 2014-15, a decline of five *per cent.*

The position of drop out of children from school at State level during the years 2010-11 to 2014-15 was not available with the Department. However, in 50-61 test-checked schools, audit observed that the drop out of children ranged between six *per cent* and seven *per cent* during 2010-11 to 2014-15, as indicated in **Table-2.2.1** below:

Table-2.2.1

Year	No. of test-checked schools	Enrolment of children	Drop out of children (Percentage)
2010-11	59	5878	324 (6)
2011-12	58	6171	387 (6)
2012-13	61	5376	365 (7)
2013-14	60	4838	351 (7)
2014-15	50	4408	274 (6)

(*Source:* School records)

The decline in the number of school children due to decline in enrolment on the one side and dropping out on the other goes against the primary objective of the scheme of enhancing enrolment of school children and their retention. These objectives had not been fully achieved. In reply schools attributed decline in enrolment to preferring of admission by children in private schools and migration of nomadic children to hilly areas.

2.2.6.3 Average daily attendance of children

Despite implementation of MDMS, cent *per cent* attendance could not be maintained in all the selected schools during 2010-11 to 2014-15. The average daily attendance of children in the 180 test-checked schools ranged between 30 *per cent* and 99 *per cent,* as indicated in **Table-2.2.2** below:

Table-2.2.2

Year	Region	Test checked schools	Enrolment of school children	Percentage of average daily attendance
2010-11	Jammu	90	8240	37 to 96
	Kashmir	90	5252	30 to 99
2011-12	Jammu	90	8189	41 to 96
	Kashmir	90	5248	30 to 99
2012-13	Jammu	90	8064	38 to 95
	Kashmir	90	5232	40 to 99
2013-14	Jammu	90	7851	30 to 99
	Kashmir	90	5117	26 to 99
2014-15	Jammu	90	7954	28 to 99
	Kashmir	90	4808	41 to 99

(*Source:* School records)

Audit noticed that in 5 schools of Jammu region, there was cent *per cent* attendance during the years 2010-11 to 2012-13 and in 14 schools of Kashmir region cent *per cent* attendance was observed during the years 2010-11 to 2014-15.

2.2.6.4 Involvement of teachers in running the scheme

As per MDM guidelines (Quality and Safety Aspects) the teachers under no circumstances were to be assigned responsibilities that would impede or interfere with learning. Audit noticed that in 180 test-checked schools, 226 teachers were involved in running MDM scheme by devoting time ranging between one to full office hours towards it. This is affecting the teaching/ learning side of the education system adversely. The school In-charge confirmed that involvement of teachers in running MDM scheme had affected teaching in schools.

2.2.6.5 Shortage of cook-cum-helpers

The MDM guidelines of November 2009 provide for one cook-cum-helper for schools with children up to 25; two for schools having 26 to 100 children; and one additional cook-cum-helper for every school up to 100 additional students. Audit observed that 170 cook-cum-helpers were required for 4791 enrolled children in 90 test-checked schools in Kashmir Division. Against this there were only 108 cooks (March 2015). Further, in 90 test-checked schools of Jammu region, the position of cook-cum-helpers during the years 2010-11 to 2014-15 is indicated in **Table-2.2.3**.

Table-2.2.3

Year	No. of schools	Enrolment	No. of cook-cum-helpers required	No. of cook-cum-helpers engaged	Shortage of cook-cum-helpers
2010-11	90	8391	210	92	118
2011-12	90	8331	209	90	119
2012-13	90	8152	210	96	114
2013-14	90	8001	207	111	96
2014-15	90	8112	212	129	83

(*Source:* Departmental records)

The shortage of cook-cum-helpers ranged between 83 and 119 as against requirement of 207 and 212 during the period 2010-15 in Jammu region.

Due to shortage of cook-cum-helpers the services of existing teaching staff were utilized for running MDM scheme in these schools. The concerned schools admitted shortage of cook-cum-helpers.

2.2.7 Financial assistance and management

The scheme is mainly financed by the MHRD, GoI and central assistance is provided to the States by way of: (i) supply of free food grains (wheat/ rice) @ 100 grams or 150 grams per child per school day in primary or upper primary school respectively from the nearest FCI godown, (ii) reimbursement of actual cost incurred in transportation of food grains from nearest FCI godown to the School subject to the ceiling of ₹125 per quintal, (iii) assistance for cooking cost per child per school day at the prescribed rates, (iv) cooking cost, assistance of ₹1000 per month, honorarium to cook-cum-helper (to be shared between the Centre and State on 75:25 basis etc.).

The position of funds released by MHRD (GoI) and the State Government under the scheme and the expenditure incurred there against during the period 2010-11 to 2014-15 was as shown in **Table-2.2.4** below:

Table-2.2.4

(₹ in crore)

Year	Allocation	Opening balance (GoI)	Funds released		Total funds available	Expenditure incurred			Unspent balance at the close of year (GoI)	State share	Total	Excess allocation over expenditure (percentage)
			Central share (CS)	State share (SS) (State Government)		GoI	State Share	Total				
1		3	4	5	6	7	8	9	10	11	12	13
2010-11	108.16	13.04	40.47	17.37	70.88	42.91	16.05	58.96	10.60	1.32	11.92	49.20 (45)
2011-12	120.73	10.60	99.22	21.52	131.34	73.29	17.68	90.97	36.53	3.84	40.37	29.76 (25)
2012-13	122.74	36.53	116.54	22.56	175.63	88.68	20.38	109.06	64.39[44]	2.18	66.57	13.68 (11)
2013-14	127.99	-	84.55	20.17	104.72	78.70	20.29	98.99	5.85	-0.12	5.73	29.00 (23)
2014-15	123.74	5.85	58.67	18.72	83.24	40.46	12.29	52.75	24.06	6.43	30.49	70.99 (57)

(*Source:* AWP&B)

[44] The unspent balance of ₹64.39 crore at the close of year 2012-13 had not been revalidated as such no opening balance had been taken in 2013-14

As is evident from the table above, the non-utilization of funds had ranged between ₹5.85 crore and ₹64.39 crore during the years from 2010-11 to 2014-15.

Audit observed that due to retention of funds, the unreleased balances remained blocked with the CEOs and ZEOs. The unreleased balance ranged between ₹2.93 crore and ₹9.44 crore during 2010-11 to 2014-15 in selected CEOs. Similarly, the unreleased balances in 7 ZEOs ranged between ₹6.76 lakh and ₹50.26 lakh during 2010-11 to 2014-15.

The PAB, MHRD (GoI) approved excess allocation and fund release was increased during all these years, though the requirement remained less. The excess allocation over expenditure ranged from ₹13.68 crore (11 *per cent*) and ₹70.99 crore (57 *per cent*) despite decrease in the enrolment of children during all these years. This resulted in non-utilization and consequent blockade of funds. The reasons thereof were not intimated (June 2015).

2.2.7.1 Un-utilized funds not revalidated

An amount of ₹64.39 crore (Central Share) at the close of 2012-13 had not been revalidated (March 2015). Against the unutilized amount of ₹64.39 crore, ₹28.06 crore only were referred to Finance Department for revalidation from MHRD. The MHRD erroneously revalidated an amount of ₹28.51 crore in July 2013 as a result of which the State Finance Department retained the amount and could not be revalidated as of date. Reasons for non-revalidation though sought (April 2015) from the Government were awaited.

2.2.7.2 State share not released in full

The annual allocation of State Share (SS) was not released in full by the State Government and even the funds, which were released, were not spent in full by the Department as shown in **Table-2.2.5** below:

Table-2.2.5

(₹ in crore)

Year	Approved allocation		State Share released by the State Government	Expenditure (SS)	State Share lapsed at the end of the year	State share not released by the State Government
	Central Share (CS)	State Share (SS)				
2010-11	84.14	24.02	17.37	16.05	1.32	6.65
2011-12	95.45	25.28	21.52	17.68	3.84	3.76
2012-13	94.74	28.00	22.56	20.38	2.18	5.44
2013-14	100.06	27.93	20.17	20.29	-0.12	7.76
2014-15	92.80	30.94	18.72	12.29	6.43	12.22
Total						**35.83**

(*Source:* AWP&B)

As apparent from the table, the State Government did not release its share of ₹35.83 crore during 2010-11 to 2014-15. Even the funds released against approved allocation were also not utilized in full due to delayed release resulting in lapse of the funds at the close of each financial year. During 2013-14, excess expenditure of ₹11.84 lakh was met by diversion from school local funds. No reasons were assigned by the Department for not releasing the full share of the State.

2.2.7.3 Fund unavailability resulting in expenditure from unauthorized sources

For successful implementation of the scheme, it is imperative that the funds are made available to the implementing agency in time and released within one month from the apex level to the implementing agency as per the guidelines of the scheme. Audit noticed that at various levels, ₹331.82 crore were retained beyond periods ranging from one month to 13 months during the years 2010-11 to 2014-15 as indicated in **Table-2.2.6** below:

Table-2.2.6

From whom funds received	To whom funds released	Amount involved (₹ in crore)	Range of delay (Months)
State Finance Department	Administrative Department	100.48	01 to 13
Administrative Department	Directorates of School Education	105.18	01 to 08
Directorates of School Education.	Selected Chief Education officers	80.62 (J= 38.37 K=42.25)	01 to 05
Chief Education officers	Selected Zones	31.57 (J=12.44 K=19.13)	01 to 09
Selected Zones (Jammu)	Selected Schools (Jammu)	13.97	01 to 08
Total		**331.82**	

(*Source:* Records of Administrative Department, Directorate school Education)

Audit observed that delay in release of funds resulted in MDM being not available to 1.31 lakh children in Kathua and Poonch districts during April 2011 to August 2011. This happened due to CA&PD refusing to allow lifting of food grains as per allocation because of non-payment of their pending Handling and Transportation bills of ₹1.17 crore for 2010-11.

The Chief Education Officer, Kathua admitted that the treasury could not clear certain bills due to non-receipt of funds by them.

In 90 selected schools each of Kashmir and Jammu Divisions, ₹1.02 crore and ₹62.90 lakh respectively were spent by raising loan from local funds, from own pocket by teachers and on credit from shopkeepers during 2010-11 to 2014-15. Despite this, the meals could not be provided to children of such schools on all school days during 2010-11 to 2014-15.

The test-check also showed that the school authorities diverted local funds of the schools towards running of MDMS as instanced in the following cases:

- In Srinagar, Kupwara, Leh and Kargil districts of Kashmir region, ₹1.76 crore was diverted from School local funds to cooking cost component of the MDM scheme during 2010-11. Similarly, in Jammu region, funds to the extent of ₹7.84 crore were spent out of the school local funds on cooking cost component during 2010-11 despite sufficient fund balances of ₹11.91 crore available with the Department at the close of year 2010-11.

- An expenditure of ₹3.61 crore towards honorarium to cook-cum-helpers in Jammu region was met out of the school local funds during 2010-11.

The diversion of school local funds towards MDMS was irregular and deprived children of various activities for which the amount was received by the school authorities. In reply, the schools stated that for keeping the scheme alive they were constrained to divert school funds.

2.2.7.4 Irregular expenditure

MHRD guidelines (September 2007 and July 2013) on MDMS provide for two types of cooking costs; one, for Primary school children and another, for Upper Primary school children per day with different quantities/ scales of ingredients. The position of cooking cost due and cooking cost paid during the years 2010-11 to 2014-15 in 180 test checked schools was as shown in **Table-2.2.7** below:

Table-2.2.7

Excess/ less payment on account of cooking cost

(₹ in lakh)

Year	No. of schools		No. of meals provided	Cooking cost due as per norms	Cooking cost spent	Excess payment	No. of schools		No. of meals provided	Cooking cost due as per norms	Cooking cost spent	Less payment
2010-11	Primary	57	399093	10.71	13.07	2.36	Primary	90	582258	15.65	13.29	2.36
	Upper Primary	20	242825	9.79	11.67	1.88	Upper Primary	31	328216	13.23	9.97	3.26
2011-12	Primary	80	450721	12.96	16.59	3.63	Primary	76	492520	14.21	12.83	1.38
	Upper Primary	20	213496	9.24	10.87	1.63	Upper Primary	29	248886	10.78	9.30	1.48
2012-13	Primary	122	806360	24.72	26.52	1.80	Primary	48	370829	12.52	11.19	1.33
	Upper Primary	34	371797	16.66	18.25	1.59	Upper Primary	21	255759	12.14	10.02	2.12
2013-14	Primary	82	535162	16.27	19.48	3.21	Primary	84	625951	21.27	18.27	3.00
	Upper Primary	28	279490	12.95	14.18	1.23	Upper Primary	27	332699	17.19	13.98	3.21
2014-15	Primary	85	462176	15.34	19.00	3.66	Primary	74	520831	18.08	16.52	1.56
	Upper Primary	25	186390	9.11	11.43	2.32	Upper Primary	29	361319	19.05	16.90	2.15
Total			**3947510**	**137.75**	**161.06**	**23.31**			**4119268**	**154.12**	**132.27**	**21.85**

(*Source:* School proforma)

An excess payment of ₹23.31 lakh on cooking cost was noticed in 77 (2010-11) to 156 (2012-13) schools (out of 180 selected schools) during 2010-11 to 2014-15. Further, less payment of ₹21.85 lakh on cooking cost was noticed in 69 (2012-13) to 121 (2010-11) schools during 2010-11 to 2014-15.

2.2.7.5 Blockade of funds, unpaid and excess payment with regard to Transportation charges

The Director, School Education, Jammu released ₹15.86 lakh during July 2010 and February 2011 in favour of CEO, Poonch for transport charges. The amount was drawn (March 2011) and kept in current Bank account without utilization, resulting in blockade of Government funds since March 2011.

During 2010-15, against an availability of ₹12.07 crore for transportation charges under the scheme, an amount of ₹9.19 crore (76 *per cent*) was spent. Audit noticed that despite availability of funds with the Department, transportation charges of ₹27.13 lakh for the carriage of food grains in four districts (Kathua, Poonch, Baramulla and Kupwara) remained unpaid as of March 2015.

MHRD guidelines (September 2007) fixed a rate of ₹75 per quintal as transport charges for carriage of food grains. Test-check of records, however, showed that an excess payment of ₹3.99 lakh was made on transportation charges for carriage of rice from FCI/ CAPD depot to Baramulla and Kupwara of Kashmir Division during 2010-11 to 2014-15, as the payment was made beyond the prescribed limit of ₹75 per quintal.

2.2.8 Allocation, lifting and utilization of food grains

As approved by the PAB, the MHRD conveys to the State Nodal Department and the Food Corporation of India (FCI) the district-wise allocation of food grains, cooking costs, construction of kitchen-cum-store, cooking cum kitchen devices and MME allocations. Food grains are to be provided by the FCI which is responsible for continuous availability of food grains. The State Government is required to make arrangements to ensure supply of food grains to each school in a timely manner.

2.2.8.1 Excess allocation of food grains

As per the scheme guidelines, the State Government is required to prepare a comprehensive Annual Works Plan and Budget (AWP&B) after obtaining district-wise information on the average number of children who have availed of MDM in the previous year based on school level attendance and aggregated for the zone, district and State level. Audit noticed that AWP&B had been prepared on the basis of enrolment of school children as of 30 September of previous year.

The allocations of food grains (rice) demanded by the State Government and approved by the Programme Approval Board (PAB) was much higher than the actual consumption in the State. As a result, the full quantity of rice could not be lifted from the Food Corporation of India (FCI), leaving a huge quantity of food grains with the FCI during the period from 2010-11 to 2014-15 (even beyond provision of buffer stock for one month) as per details indicated in **Table-2.2.8**.

Table-2.2.8

(Quantity in MTs)

Year	Opening Balance	Allocation of rice by MHRD (GOI)	Quantity of rice lifted from FCI	Quantity of rice consumed	Closing balance of rice	Excess allocation approved over required/ consumed quantity	Percentage of excess allocation over and above the quantity allocated	Enrolment in numbers primary school and upper primary school
1	2	3	4	5	6	7	8	9
2010-11	2142.66	26730.00	16290.35	17078.77	1354.24	9651.23	36	1291758
2011-12	1480.30	25307.68	17422.25	16600.89	2301.66	8706.79	34	1000246
2012-13	2301.66	25602.31	22288.23	18974.36	5615.53	6627.95	26	1050915
2013-14	4902.35	28211.99	17638.18	19892.46	2648.07	8319.53	29	1094641
2014-15	2648.07	24115.88	15395.14	15599.53	2443.68	8516.35	55	1066648

(*Source:* UCs)

It was noticed that the Opening Balance of rice shown in the UCs for 2011-12 and 2013-14 did not match with the Closing Balance of 2010-11 and 2012-13 respectively. Reasons were called for from the Department. Response thereof was awaited.

The annual plan approved for allocation of quantity of food grains was higher than the required quantity though there was no increase in enrolment of school children. The excess allocation ranged between 26 *per cent* and 55 *per cent* during 2010-11 to 2014-15. Further, even the quantity of rice lifted by the Department during 2012-13 was abnormally high as compared with the quantity of rice consumed.

2.2.8.2 Excess stocking/ buffering of food grains

As per scheme guidelines, a provision of one month's buffer stock of food grains is to be kept at the end of the financial year. Audit observed that unutilized quantity or buffer was always higher than one month's buffer at the close of each financial year. The un-utilized stock of rice at the close of a year in excess of the buffer stock ranged between 37 *per cent* and 72 *per cent* during 2011-12 to 2014-15. The excess quantity lifted and lying in the stores of schools has the risk of damage and spoilage, pilferage, and even contamination.

Photograph showing rotten/ pilferaged rice (March 2015) at MS Kalibari, Kathua

2.2.8.3 Unbalanced supply of food grains

As per the guidelines of the Scheme, 100 gms and 150 grams of rice is to be provided to each student per day in Primary School and Upper Primary respectively. The MHRD approves allocation of rice on the basis of this criterion. Audit scrutiny of records of 180 schools showed that rice was provided as per the prescribed scale in 6 to 25 schools. However, in 155 to 174 schools, rice provided was either in excess or in deficit of the prescribed scale during 2010-11 to 2014-15 as detailed in **Table-2.2.9** below:

Table-2.2.9

(Quantity in quintals)

Year	No. of schools test-checked	No. of meals served by schools	Quantity of Rice due as per scale	Rice shown consumed	Excess quantity shown consumed	No. of schools test-checked	No. of meals served by schools	Quantity of rice due as per scale	Rice shown consumed	Quantity of rice short served
2010-11	48	375992	430.436	491.758	61.322	108	854480	1037.685	820.531	217.154
2011-12	52	314368	350.461	395.356	44.895	103	797577	967.106	766.740	200.366
2012-13	50	412745	487.353	550.210	62.857	115	932999	1115.301	918.496	196.805
2013-14	48	375542	431.265	481.317	50.052	118	930264	1084.226	906.794	177.432
2014-15	50	385098	448.028	520.555	72.527	124	803998	941.241	748.092	193.149
Total			**2147.543**	**2439.196**	**291.653**			**5145.559**	**4160.653**	**984.906**

(*Source:* Proforma)

As is evident, in 48 to 52 schools, rice was consumed in excess of the prescribed quantity of 100/ 150 grams per child while in 108 to 124 schools rice was consumed less than the scale. In 52 schools, 291.65 quintals of rice (value: ₹1.65 lakh) was consumed in excess of the prescribed scale; in 124 schools, 984.90 quintals of rice was short supplied to the children. Short supply of food grains deprived the children of the minimum nutrition value of 450 / 700 calories and 12 / 20 grams of protein content.

2.2.8.4 Absence of control mechanism, including quality control

Audit noticed that in all 180 test-checked schools, 9744.56 quintals of rice was lifted from CAPD Sale depots without weighment and also 9046.91 quintals of rice was issued for cooking without weighment. The concerned In-charge schools stated that the rice was issued to cooks by Jugs/ buckets/ bowls for cooking by presuming that the size of the jug/ bucket/ bowl carries a particular quantity in kilograms.

As per scheme guidelines, the CEO was supposed to ensure that food grains issued by FCI are at least of Fair Average Quality (FAQ). Audit, noticed that the inspection of food grains had not been carried out in any of the selected schools. In one[45] of the test-checked schools, the records showed that 4.50 quintals of rice found below FAQ in July 2012 was destroyed. In reply it was stated that the matter would be looked into and factual position would be intimated.

[45] Government Boys Middle School, Channipora Payeen (Kupwara)

2.2.9 Supply of cooked meals in schools

2.2.9.1 Interruption/ stoppage in supply of cooked meals

The performance in supply of cooked meals to the school children during the period from 2010-11 to 2014-15 was low, as the meals were not served on all school days as shown in **Table-2.2.10** below:

Table-2.2.10

Year	School category	No. of schools in the State	No. of children as per approved plan	No. of meals to be served as per plan	No. of meals actually served	Shortfall in meals served (percentage)	No. of days meals provided
2010-11	PS	13834	750000	165000000	92075202	72924798 (44)	171
	UPS	7669	310000	68200000	43222955	24977045 (37)	168
2011-12	PS	13681	700246	154054120	95590109	58464011 (38)	180
	UPS	8737	300000	66000000	46935581	19064419 (29)	183
2012-13	PS	13409	700615	154135300	109834182	44301118 (29)	179
	UPS	9408	350000	77000000	53277261	23722739 (31)	180
2013-14	PS	13221	720000	158400000	111953071	46446929 (29)	195
	UPS	9479	374195	82322900	58102195	24220705 (29)	195
2014-15	PS	13448	615299	135365780	93731042	41634738 (31)	180
	UPS	9717	319714	70337080	46456581	23880499 (34)	180

(*Source:* AWP&B)

Against the provision of cooked meals to be provided for 220 days (on the basis of which the annual plans and number of meals to be served are determined), the Department had provided meals to the children for 168 days to 195 days, during the years 2010-11 to 2014-15. There was a shortfall of 29 *per cent* to 44 *per cent* in the number of meals served during the period. The low coverage indicated that implementation of the scheme in the State was not satisfactory despite availability of sufficient funds and food grains with the Department.

Test-check of records of selected 180 schools showed that the cooked meals had not been served on all school days and the gap ranged between six days and 183 days during 2010-11 to 2014-15, as shown in **Table-2.2.11** below:

Table-2.2.11

Year	No. of test-checked schools	Total en-rolment in test-checked schools	School open days	No. of days MDM not served (In days)	No. of schools where non-serving days were 151 and above	No. of schools where non-serving days were between 150 and 101	No. of schools where non-serving days were 51 and 100	No. of schools where non-serving days were 1 and 50
2010-11	180	13643	231	6 to 183	20	39	26	85
2011-12	180	13579	238	3 to 170	03	43	59	67
2012-13	180	13393	220	2 to 127	00	06	59	114
2013-14	180	13118	219	3 to 119	00	03	30	146
2014-15	180	12920	207	3 to 121	00	11	63	105

(*Source:* School Proforma)

The concerned In-charge Schools attributed the gap in providing of meals to inadequate funding and non-receipt of food grains in time from CAPD. The delay by the Department in releasing funds in time to the end users and failure in ensuring availability of food grains affected smooth implementation of the scheme.

2.2.9.2 Non-assurance of quality and wholesomeness of the meal

The Scheme guidelines of July 2013 provide that in order to ensure quality, safety and hygiene under the MDMS, the State Government was supposed to engage CSIR institutes/ National Accreditation Board for Laboratories, recognized labs for carrying out sample checking of meals. Audit noticed that no such exercise was carried out by the Department and as a result there was no assurance of the quality food provided to the school children.

The scheme guidelines stipulate that teachers and mothers of the children should be involved to ensure (a) good quality, wholesome food was served to children, (b) actual serving and eating was undertaken in a spirit of togetherness under hygienic conditions and in an orderly manner, and (c) food prepared was tasted by two to three adults, including at least one teacher, before it was served to children. Audit noticed that in none of the test-checked schools mothers of the enrolled children were involved in the activities of MDM.

2.2.10 Issues relating to nutritional level, micronutrients and health check ups

One of the objectives of the scheme was to improve the nutritional status of the primary and upper primary school children. It is required to provide necessary intervention such as regular health check-ups, supplementation of micro-nutrients, de-worming medicines, etc.

Audit noticed that no basic indicators or specific norms to monitor the incremental improvement in health levels in the children (height and weight etc.) for requirement of nutritional status of the children were set by the Department to serve as a benchmark. No action was taken to ascertain the improvement in nutritional status.

As against the requirements under the MDM guidelines regarding services out of MME funds for procurement of weighing machines and height recorders, in 90 test-checked schools of Jammu Division, weighing machines and height recorders were not provided. However, weighing machines were available in eight schools in Kashmir Division but had not been put to use.

The concerned ZEOs/ In-charge schools stated that the nutritional levels of children had not been ascertained. The Joint Director (Planning) of Administrative Department stated that no parameters/ modalities to ascertain improvement in children's nutritional status had been fixed by the Department.

The programme was required to be implemented in close convergence with several other developmental programmes which included convergence with the National Rural Health Mission (NRHM) for providing necessary intervention for improvement in nutritional status and health, etc.

Audit noticed that no such convergence with NRHM has been established. There was no regular health check-ups and micro-nutrients/ de-worming medicines etc. provided to the children.

The scheme guidelines provide for appropriate intervention for micro-nutrient supplementation and de-worming through administration of (a) six monthly dose for de-worming and vitamin-A supplementation (b) weekly supplement of iron Folic Acid and Zinc and (c) other appropriate supplementation depending on common deficiencies.

Audit noticed that no health-care facility had been provided to the children in the selected schools. Only during September-October 2014, two tablets viz. Folic acid and Albandazole numbering 18560 and 768 respectively were provided to the students in two schools out of 180 test-checked schools. Reasons for non-provision thereof were not intimated by the Department.

The MDM guidelines (July 2013), provides for an emergency medical plan to afford medical treatment to school children in case of any untoward incident in the school.

Audit observed that in none of the test checked schools such emergency medical plan was in existence which was accepted by the schools in their reply.

2.2.11 Issues relating to cooking infrastructure

2.2.11.1 Inadequate facilities of kitchen sheds and drinking water

The MDM guidelines envisage construction of kitchen-cum-store for safe storage of food grains and ingredients and for cooking of meals in a hygienic environment. The Department has not maintained any information on position and availability of kitchen sheds in 23,165 Primary as well as Upper Primary Schools in the State. An amount of ₹49.05 crore was released (February 2012) as central assistance by the MHRD for construction of 6,000 kitchen sheds. Against this, 1,605 kitchen sheds were constructed during 2012-13 after which no construction was taken up by the Department. Moreover, 107 kitchen sheds, which were under construction during 2012-13 had not been completed as of March 2015 despite availability of funds of ₹36.04 crore. The Department had incurred expenditure of ₹13.01 crore on construction of kitchen sheds during 2012-13 leaving a balance of ₹36.04 crore un-utilized since then.

Audit also noticed that 2422[46] schools in the State were without drinking water facility.

The position in the 180 selected schools showed that 85 schools (47 *per cent*) were without kitchen sheds and 77 schools (43 *per cent*) were without the facilities of drinking water. Further, in Jammu Division, out of 90 test checked schools, in 22 schools, the meals were cooked under open sky and even in class rooms in eight schools.

[46] Jammu-2265 and Kashmir-157

2.2.11.2 Inadequate facilities of kitchen devices and wares

The scheme guidelines provide for assistance in a phased manner for provisioning and replacement of kitchen devices which include cooking devices (stove, *chullah* etc.), containers for storage of food grains/ ingredients and utensils for cooking and serving. During 2010-15, a total of 3593 kitchen devices (units) were sanctioned (2012-13: 1839 units and 2014-15: 1754 units). Against this, 1529 units (2012-13: 1252 units and 2014-15: 277 units) were procured by the Department. As such, there was a shortfall of 2064 units (2012-13: 587 units and 2014-15: 1477 units (57 *per cent*).

In 180 test-checked schools audit observed that in 65 schools, no cooking gas facilities were provided due to which the schools used firewood for cooking. This was in contravention of the scheme guidelines, which provide that firewood should not be used in the interest of environment protection to the extent possible.

Further, against an enrolment of 8,112 children in 90 schools (Jammu province), only 4203 serving plates and 2983 tumblers were available.

During a visit (May 2015) to Government Middle School Draba, Bufliaz, audit found two children sharing their meal in a single plate due to shortage of serving plates.

(Photograph showing two children taking meals in a single plate in GMS Draba, Bafliaz

Out of 90 selected schools in Jammu region, audit found that in 62 schools there were no containers for safe storage of food grains and ingredients. In reply, the schools admitted non-availability of containers.

2.2.12 Monitoring and Evaluation

2.2.12.1 Steering-cum-Monitoring Committee not regular/ grievance redressal mechanism not put in place

The scheme guidelines provide for regular monitoring of programme implementation and its impact. For this purpose, the modalities were to be developed by the State Government/ State level Steering-cum-Monitoring Committee (SMC). Audit noticed that SMC had not held any meeting during

2010-11, 2011-12 and 2014-15; only two meetings were held in 2012-13 and 2013-14. This indicated weak monitoring of implementation of the scheme in the State.

Further, as against the mandatory provision of the scheme guidelines, no grievance redressal mechanism was found to have been established by the Department (March 2015). In reply, the Department admitted that no such redressal mechanism was put in place.

2.2.12.2 No Inspections or evaluation of the Scheme

As per Scheme guidelines, the scheme is required to be monitored to assess: (a) that all children are getting a meal of satisfactory quality regularly; and (b) effect of meal on improving children's nutritional status, regularity of attendance, and retention in schools.

The guidelines also required evaluation of the scheme by an independent agency at the State level in addition to the evaluation for drop-out of school children to be conducted by the Department.

Audit noticed that in none of the selected 180 schools, any inspections were conducted to monitor the implementation of the scheme for assessing the required parameters. Further, no evaluation was carried out by the Department or any third party / independent agency during 2010-11 to 2014-15. In reply, it was admitted by the State Government that no action had been taken in this regard.

2.2.12.3 Management Monitoring and Evaluation (MME) grant not released to schools

The MDM guidelines of 2006 (with subsequent modifications of June 2010) envisage central assistance to States/ UTs for MME at the rate of 1.8 *per cent* of the total assistance. The MME grant is not meant for: (a) cost of food grains, (b) transport cost, (c) cooking cost, and (d) honorarium to cook-cum-helper. Further, as per guidelines of the scheme, 50 *per cent* of the funds were required to be spent by the implementing agencies (schools). Against ₹6.68 crore available under this component during 2010-11 to 2014-15, expenditure of ₹5.48 crore was incurred by the Department. Test-check of records showed that in none of the selected schools, the funds were allotted by the funds releasing agencies and the whole expenditure had been incurred at Directorate, District and Zonal levels depriving the schools in taking measures on MME component of the scheme.

2.2.13 Conclusion and Recommendations

The AWP&B was not based on realistic data and could not take into account any future requirements which impacted the provision of funds adversely for the components such as kitchen-cum-store shed, kitchen devices and engagement of cooks to the concerned schools.

The Government may consider ensuring preparation and submission of APW&B to the GoI on the basis of actual requirements of the schools under

various components of the scheme including identification of disadvantaged children.

The scheme was implemented without ensuring accurate data relating to enrolment of students in the primary and upper primary classes. As a result, there was projection of excess requirement and excess allocation of food grains with consequent short lifting and short utilization.

The Government may consider conducting yearly review of status of enrolment, dropout and retention of school children.

Quality of food supplied to the students was not assured and no action was taken to ascertain improvement in nutritional status.

The Government may consider ensuring conformity of food grains with the prescribed standards of nutritive value.

The monitoring system of the scheme was inadequate and funds were not released timely to the implementing agency. Food grains were stocked in excess of the prescribed limit resulting in accumulation of food grains in the stores of schools.

The Government may consider ensuring timely release of funds at all levels and strengthening monitoring, inspection and evaluation mechanisms to facilitate smooth implementation of the scheme.

Convergence with other Social sector schemes was non-existent for overcoming deficiencies in the infrastructural facilities such as provision of kitchen sheds and drinking water facility and also to ensure prescribed regular health checks.

The Government may consider taking up convergence activities with other Departments/ schemes.

The matter was referred to the Government/ Department in July 2015; reply thereof was not received (November 2015).

Estates Department

2.3 Working of Estates Department

The Estates Department came into existence in the year 1968. The main functions of Estates Department are to allot accommodation in different Estates colonies to move and non-move employees, revenue realization from Government quarters, other commercial properties and regular repair/ renovation of Government buildings by engineering wing of the Department.

Highlights

- **The Department had not formulated any long term Perspective Plan for development of Government colonies.**

(Paragraph: 2.3.6.1)

- **Non-adherence to prescribed allotment norms/ policy for accommodation in private hired hotels resulted in avoidable/ extra expenditure of ₹19.02 crore during the period 2010-11 to 2014-15. Also, non-eviction of unauthorized occupants resulted in avoidable expenditure of ₹13.95 crore for hiring of private hotels/ houses.**

(Paragraphs: 2.3.7.4, 2.3.7.5, 2.3.7.6, 2.3.13.2 and 2.3.8)

- **Due to non-existence of a system to ensure recovery of license fee and rent of shops, ₹5.38 crore were outstanding.**

(Paragraph: 2.3.9)

- **199 shops owned by the Department had been transferred by the original allottees and the Department had failed to take action against these allottees/ unauthorized occupants.**

(Paragraph: 2.3.14.3)

- **Lack of effective internal control mechanism and non-maintenance of records led to non-detection of shortage of stores (₹2.44 crore) and non-accountal of items purchased (₹3.79 crore).**

(Paragraph: 2.3.15.3)

2.3.1 Introduction

The Estates Department is mandated to carry out functions of construction and maintenance of Government residential quarters/bungalows for allotment to Government functionaries and others categories of persons. Besides, construction of commercial establishment and allotment thereof and revenue realization from Government quarters/ commercial properties is also carried out by the Department. The above activities are, however, restricted to two capital cities viz., Srinagar and Jammu. The position of allotment of funds and expenditure incurred there against under Security Related Expenditure (SRE), Plan and Non-Plan during 2010-11 to 2014-15 by the Department is tabulated in **Table-2.3.1.**

Table-2.3.1

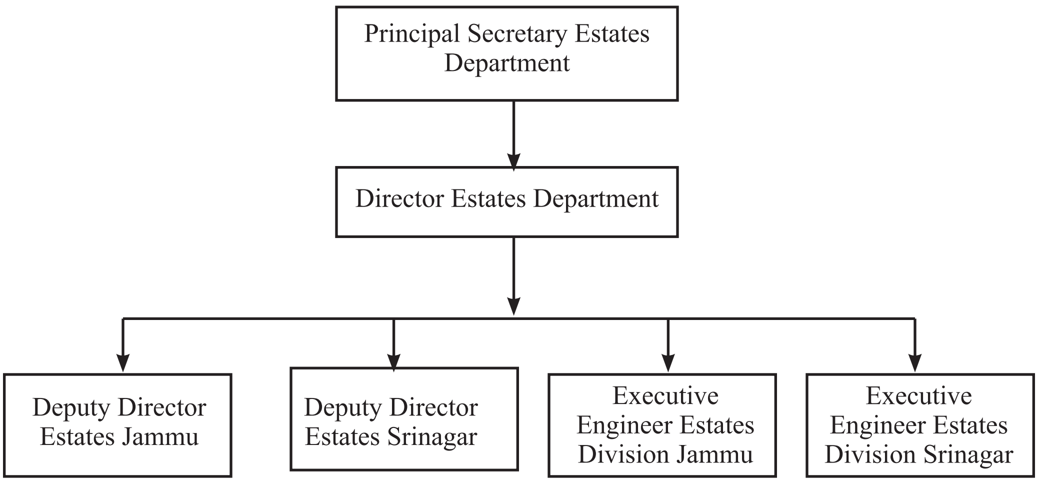
(₹ in crore)

Year	SRE		Plan		Non-Plan	
	Allotment	Expenditure	Allotment	Expenditure	Allotment	Expenditure
2010-11	47.00	47.00	50.63	49.90	39.37	37.28
2011-12	50.00	50.00	44.80	44.77	46.07	42.85
2012-13	62.72	62.71	40.19	40.11	53.03	50.09
2013-14	82.50	76.17	40.60	40.58	65.07	55.21
2014-15	82.73	60.07	23.80	23.77	59.50	53.18
Total	**324.95**	**295.95**	**200.02**	**199.13**	**263.04**	**238.61**

2.3.2 Organizational Structure

The organizational set-up of the Department is as under:

Chart-I



2.3.3 Audit objectives

The Performance audit of working of Estates Department was conducted to assess whether:-

- the Department has formulated any perspective and long term planning for creation of infrastructure for accommodation of Government functionaries;
- the Department had prescribed and followed any norm for allotment of residential accommodation to Government employees;
- the Department had recovered prescribed license fee and rent of furniture of residential quarters/ shops; and
- reasonability of rates by way of invitation of tenders was ascertained with regard to hiring of private hotels/ houses and procurement of furniture and furnishing items.

2.3.4 Scope of Audit and Methodology

The performance audit was conducted between December 2014 and May 2015 by test-check of records of the Director Estates, Deputy Director Estates Jammu and Srinagar[47], Executive Engineer Estates Divisions Jammu and Srinagar[48] covering period from April 2010 to March 2015. An entry conference was held with the Principal Secretary, Estates Department on 19 December 2014 wherein audit scope and methodology was discussed. Audit methodology included scrutiny and analysis of the records of the Department, issue of questionnaires, audit memoranda, examination of responses of various functionaries.

An exit conference was held by the Accountant General (Audit) with the Principal Secretary and other departmental authorities on 29 July 2015. The replies and responses of the Department have been incorporated at appropriate places in the report.

2.3.5 Audit criteria

The audit criteria applied for assessing the performance of working of Estates Department was derived from the following sources:-

(i) The Jammu and Kashmir Estates Department (Allotment of Government Accommodation) Regulation 2004;

(ii) Public Premises (Eviction of unauthorized occupants) Act, 1988; and

(iii) State Financial Rules.

Audit Findings

2.3.6 Planning

2.3.6.1 Perspective planning for creation of Government infrastructure

In order to provide suitable accommodation to Government functionaries like Hon'ble Ministers, Hon'ble Judges of High Court, Legislators, different categories of move/ non-move employees, and others like ex-Legislators, political persons, freedom fighters, journalists etc., and also to reduce huge expenditure on hiring of private hotels/ private houses, long term Perspective Plan indicating actual requirement of accommodation and modalities for development of colonies was needed to be formulated by the Department. It was, however, seen that the Department had not formulated any long term Perspective Plan for development of colonies at Srinagar and Jammu.

The Government constituted (October 2011) a Committee of group of officers under the Chairmanship of Principal Secretary Estates Department for framing a Comprehensive Accommodation Policy for Secretariat employees. The Committee was to examine all aspects of housing requirements/ developing

[47] The records of stores could not be audited as the records were reportedly destroyed in floods

[48] The records (2010-11 to September 2014) of the Executive Engineer, Estates Division Srinagar were reportedly destroyed in floods

of colonies for move/ non-move employees and other aspects including land acquisition. It was seen that the Committee had not formulated any such policy as of March 2015. The Principal Secretary stated in the exit conference that long term perspective plan would be taken up urgently for implementation.

Audit scrutiny further showed cases of non-utilisation of available land, delay in acquisition of additional land and non-completion of colonies within targeted time frame as discussed below:

(i) Government quarters constructed on 18 *kanals* and nine *marlas* of land at Khazir Manzil and Dalgate Srinagar were gutted during 1989-90. However, no plan was formulated for re-development of these colonies during last 25 years. The Director Estates stated (July 2015) that construction of Khazir Manzil had been delayed due to objections raised by the Lakes and Waterways Development Authority (LAWDA) and private hotels. The reply furnished by the Department was, however, not accompanied by any documentary evidence of objections raised by the LAWDA and private hotels.

(ii) Land measuring 99.13 *kanals* identified (January 2012) at Sidhra, Jammu for construction of 400 flats had not been taken over from the Jammu Development Authority (JDA) due to non-payment of cost of land (₹16.95 crore), despite lapse of three years.

(iii) The work on construction of 400 residential flats (approved in June 2012) for move/ non-move employees at Pampore taken up (June 2012) at an estimated cost of ₹85.92 crore for completion within three working seasons, had not been completed as of March 2015 due to insufficient funding. Audit scrutiny showed that the Government had released ₹5.30 crore (six *per cent*) during 2012-15 and against the targeted construction of 25 blocks (400 flats), work in three blocks had been completed to the extent of only 40 to 95 *per cent* whereas work on remaining 22 blocks (352 flats) was not started as of March 2015. The Director Estates stated (July 2015) that 48 flats were expected to be completed by August 2015 and construction of pending flats could not be taken up due to non-release of funds by the Planning and Development Department. Further progress in the matter was awaited (November 2015).

2.3.7 Government residential accommodation

The Department is to ensure provision of quality accommodation in an efficient and transparent manner through rationalization of allotment procedure, maintenance of IT enabled database of assets, augmentation of residential as well as office accommodation, asset mapping and to minimize unauthorized occupation/ subletting.

Audit scrutiny showed that an efficient and transparent procedure for allotment of residential accommodation had not been adopted and IT enabled database of assets had not been maintained.

2.3.7.1 Non-maintenance of Asset Register

For efficient maintenance of housing stock, the Department needs to maintain asset register indicating location of quarters and numbers of quarters.

Audit check showed that asset register had not been maintained by the Department. As a result, the actual number of quarters available with the Department could not be ascertained. As per information provided by the Department, availability of Government accommodation in Jammu and Srinagar was as depicted in **Table-2.3.2** below:

Table-2.3.2: Category-wise Government Accommodation

Jammu								
Type-I 1 room	**Type-II 2 room**	**Type-III 3 room**	**Type-IV 3 room**	**Type-V 4 room**	**Type-VI (Ind.)**	**Type-VII (Ind.)**	**Sheds**	**Total**
1356	1177	351	106	46	56	64	56	3212
Srinagar								
Type-I 1 room	**Type-II 2 room**	**Type-III 3 room**	**Type-IV 3 room**	**Type-V 4 room**	**Type-VI (Ind.)**	**Type-VII (Ind.)**	**Sheds**	**Total**
237	579	260	36	75	56	56	Nil	1299

(*Source:* Data furnished by the Department)

A cross-check of above data with the list of categorization carried out (October 2002) by the Government and allotment list/ ledgers of assessment of license fee/ furniture rent maintained by the Department showed that the following assets were not appearing in the records of the Department as shown in **Table-2.3.3** below:

Table-2.3.3

Location	Type	Number
Jammu		
VIP Bungalows	VII	08
Poonch House Talab Tillo	VII	01
Ahata Farman Ali	I	08
City Sector	I	42
Mohalla Naraian	II	Number not indicated
Srinagar		
Nehru Helipad	VII	Staff Quarter 3
Nehru Helipad	VII	Commissioner building
Nehru Helipad	VI	Staff Quarter 1 & 4
Nehru Helipad	IV	Qtr. No. 4 & 5

The Dy. Director Estates Srinagar accepted (March 2015) that these quarters had never been on records of the office. The reply indicated that the Department was not aware of exact number and location of its assets.

2.3.7.2 Allotment process of Government residential quarters

The Department is to adhere to the provisions of the Jammu and Kashmir Estates Department (Allotment of Government Accommodation) Regulation 2004 while making allotment of Government residential quarters. Audit, however, observed the following deficiencies in the allotment process.

- On-line waiting list of applicants for each category of residential accommodation according to entitlement and allotment thereof to the applicants on the pattern of Directorate of Estates, Government of India as envisaged in the allotment regulations had not been maintained, even after lapse of more than 11 years. No efforts to adopt *e-Awas* application software, developed by the NIC for the Directorate of Estates (GoI), which had received National e-Governance award 2011-12, had been made so far.
- Manual waiting list and allotment status for Government quarters were also not maintained either for quarters at Srinagar or Jammu as of March 2015 except for a brief period between April 2013 and December 2013.

The Director Estates stated (July 2015) that the Department was taking steps to provide accommodation in an efficient and transparent manner.

Audit analysis showed cases of allotments in violation of prescribed criteria/ norms, in relaxation of allotment rules, irregular retention of accommodation, etc. as discussed below:

2.3.7.3 Allotment of accommodation in violation of prescribed criteria

(i) As per practice, the allotment of Government residential quarters during *Darbar* move either at Jammu or Srinagar is done on repeat orders of allotment of previous years, as the occupants of these quarters do not surrender their quarters during *Darbar* move. Fresh allotment of Government residential quarters is made only in respect of quarters vacated due to transfer, retirement of employees or other reasons. For this purpose, repeat/ fresh allotment approval of the Competent Authority (Hon'ble Chief Minister) is obtained.

Audit scrutiny of the repeat order approvals sought for the years 2013-14 and 2014-15 showed that instead of only repeating the names of last year's occupants in these lists, 456 fresh allotments had been inserted. The approval of fresh allotments of Government accommodations had not been obtained separately.

The Director Estates stated (July 2015) that repeat order was to be issued after every six months and the allotment/change made during the course of six months was to be included in the order. It was further stated that such order was issued after fulfilling the required formalities and obtaining approval of the Competent Authority. The reply was not convincing as the Department had not furnished allotment orders of fresh allotments inserted in the repeat order list.

(ii) Audit analysis further showed the following:

- none of the 267 applicants appearing in the wait list prepared during April 2013 to December 2013 had been provided residential accommodation during 2013-14 and 2014-15.

- allotment of Government residential quarters was not done as per entitlement of officers/ officials. Non-adherence to the provisions of allotment rules led to allotment of residential quarters to 181 officers/ officials who were not entitled for such residential quarters, while 182 officers had been provided residential accommodation in quarters below their entitlements.

The Chief Accounts Officer, Estates Department stated (February 2015) that accommodation had been provided strictly in accordance with entitlement of concerned employee. The Director Estates also stated (July 2015) many employees out of 267 had been provided accommodation according to waiting list. The reply was not acceptable as no Government accommodation had been allotted in favour of these wait list applicants.

(iii) SRO 599 prohibits dual allotment of accommodation to Member of Legislature either at Srinagar or at Jammu or at both places.

Audit scrutiny showed that 55 Members of Legislature including Ministers/ Chairman of various boards/ Chairman Legislative Council and other legislators who have been allotted Government accommodation by the Estates at Jammu and Srinagar cities were occupying accommodation at MLAs hostels at Jammu and Srinagar provided by the Legislative Assembly Secretariat. This had resulted in dual occupation of Government accommodation. It was also seen that two legislators had been provided accommodation by the Custodian Department apart from accommodation by the Estates Department and Legislative Assembly Secretariat.

2.3.7.4 Imbalance allotment of accommodation to employees

The Departmental Regulation 2004 envisages 84 *per cent* reservation of allotment of residential accommodation available with the Estates Department for move employees (60 *per cent* for Secretariat employees and 40 *per cent* for non-Secretariat move employees). Audit analysis showed that criteria of reservation of 84 *per cent* of the total residential accommodation for move employees had not been followed as indicated in **Table-2.3.4** below:

Table-2.3.4

Division	Quarters Type	Quarters available	To be reserved as per regulation for Move Employees	Actually Allotted to Move employees (percentage)				
				2010-11	2011-12	2012-13	2013-14	2014-15
Srinagar	IV,V,VI	167	140	31 (19)	24 (14)	27 (16)	27 (16)	27 (16)
Srinagar	I, II & III	1068[49]	897	559 (52)	572 (54)	593 (56)	614 (57)	576 (54)
Jammu	IV,V,VI	208	175	86 (41)	93 (45)	97 (47)	87 (42)	80 (38)
Jammu	I, II & III	2940[50]	2470	1835 (62)	1904 (65)	1941 (66)	1952 (66)	1935 (66)

[49] In addition there were 8 Type-II quarters (Dalgate Srinagar) which had been gutted in fire

[50] Includes 56 sheds

As can be seen the actual allotment to move employees ranged between 14 and 66 *per cent* only. The Director Estates stated (July 2015) that reservation of 84 *per cent* of total residential accommodation for move employees could not be maintained due to litigations, unauthorized occupations and threat perception to political persons in the prevailing security scenario.

The Departmental Regulation 2004 further envisages allotment of seven *per cent* of the available accommodation to non-move Government employees. Audit analysis showed that at Srinagar, against admissibility of 91 quarters, the Department had allotted 383 quarters to non-move employees thereby exceeding the allotment by 321 *per cent.* The excess allotment of 292 residential quarters to non-move employees led to hiring of hotels for as many move employees resulting in avoidable expenditure of ₹6.73 crore during 2010-11 to 2014-15. The Director Estates stated (July 2015) that allotment in favour of non-move employees exceeded due to prevailing security scenario and that the Department was in the process to restore the quota to its original form and a special drive had been initiated against illegal occupants.

2.3.7.5 Discretionary quota

The Departmental Regulation 2004 envisages placement of five *per cent* discretionary quota at the discretion of the Minister Estates for persons other than Government employees which will include freedom fighters, ex. Legislators and media persons. The allotment to media persons is subject to recommendation of the Information Department. However, there is no defined scale/ type of accommodation to be provided to these categories of persons.

Records showed that the ceiling of discretionary allotment of five *per cent* had not been maintained and remained in the range of 191 to 617 *per cent* as tabulated in **Table-2.3.5** below:

Table-2.3.5

Type	**VII**	**VI**	**V**	**IV**
Quarters	120	112	121	660[51]
Available for discretionary Quota (5 *per cent*)	06	06	06	33
MLAs/ MLCs	11	Nil	Nil	Nil
Ex. Legislatures	06	12	11	11
MPs	02	Nil	Nil	Nil
Ex. MPs	Nil	06	02	02
Media persons	01	18	18	47
Political persons/ political offices/other offices	08	07	05	36
Total allotment (*per cent*)	**28 (*367*)**	**43 (*617*)**	**36 (*500*)**	**96 (*191*)**

Non-adherence to norms of discretionary allotment led to non-allotment of Government residential accommodation to 152 officers and other dignitaries of the Government. Detailed audit scrutiny showed that the Department had incurred

[51] 518 Type-III quarters (Jammu: 306 and Srinagar: 212) were categorised as Type-IV quarters by the State Government in October 2002

avoidable expenditure of ₹4.66 crore on hiring of 152 private houses/ rooms in hotels of Tourism Department during 2014-15. Further, there was nothing on record to suggest that requisite recommendation from the State Information Department had been obtained for allotment of accommodation to the media persons. The Director Estates stated (July 2015) that due to security scenario in the State many political persons under threat perception and media persons were accommodated by the Estates Department.

2.3.7.6 Non-allotment of vacant quarters

(i) The position of vacant quarters had not been updated by the Department every month and as a result, action to allot these vacated quarters could not be taken by the Department. It was seen from the allotment/rent register of the year 2014-15 that 49 quarters at Jammu and five quarters at Srinagar had remained vacant since April 2014. The possibility of vacancy position of these quarters prior to March 2014 could not be ruled out as the exact date of vacation of these quarters was neither indicated in the records nor were the registers prior to 2014-15 produced to audit. Non-allotment of vacant quarters resulted in avoidable expenditure of ₹35.94 lakh on hiring of 54 rooms (Jammu: 49; Srinagar: 05) in private hotels during the year 2014-15 for six monthly period and loss of revenue of ₹0.40 lakh in the shape of license fee. The Dy. Director Estates Srinagar stated (March 2014) that the position of vacant quarters had been maintained and submitted to the Director Estates J&K for allotment. The Director Estates stated (July 2015) that physical verification report had been prepared on yearly basis and some quarters might have been shown vacant in the report. The reply is not based on facts as according to the allotment/rent register, these quarters had remained vacant, a fact also accepted by the Dy. Director, Estates.

(ii) The Department had hired 30 flats on Evacuee Property land at Meen Sarkar at Bari Brahmna from the Custodian Department during 2010-11 for proposed allotment of 29 flats in favour of seven gazetted and 43 non-gazetted/ class-IV employees by keeping one flat reserved for staff of Estates Department.

Records showed that possession of five to eight flats was taken by six to 13 employees during the period 2011-15 against the proposal of accommodating 50 officers/ employees. As a result of non-utilisation of these flats, the Government had to suffer a loss of ₹1.65 crore[52]. The Chief Accounts Officer, Estates Department stated (February 2015) that the employees did not possess these quarters on the plea that quarters were far away from Civil Secretariat and the Department had taken a decision to de-hire these flats.

Thus, allotment of residential quarters in violation of norms had resulted in avoidable expenditure of ₹11.75 crore incurred on hiring of private hotels and houses for accommodation of the employees and other entitled Government functionaries.

[52] ₹97.42 lakh on account of hiring of rooms in private hotels, ₹65.37 lakh on account of payment of rent charges payable to Custodian Department and ₹1.85 lakh on account of non-realization of license fee and rent of furniture in respect of these 30 flats

2.3.8 Non-eviction of unauthorized occupants and subletting of residential accommodation

Audit scrutiny showed the following:

- 146 Government residential quarters of various categories had remained under the occupation of retired persons, family of allottees in case of death of allottees, ex-MLAs/ MLCs and had not been vacated even after a lapse of prescribed permissible retention period as per details given in **Table-2.3.6** below:

Table-2.3.6

Particulars	Permissible limit	Quarters under unauthorized occupation							
		I	II	III	IV	V	VI	VII	Total
Retired allottee	One month	22	54	Nil	30	04	Nil	Nil	110
Death of allottee	Two month	Nil	05	Nil	06	Nil	Nil	Nil	11
Allottee other than Government employee i.e. MLAs/ MLCs/ MPs	One month after relinquishing office	Nil	Nil	Nil	07	09	04	05	25

Age-wise analysis of retention beyond permissible limits could not be ascertained as the details like date of retirement/ death/ relinquishment of office of the allottees other than Government employees were not maintained. Failure of the Department to evict the unauthorized occupants led to hiring of private hotel rooms and consequently led to incurring of an avoidable expenditure of ₹2.91 crore during 2014-15. The Director Estates stated (July 2015) that eviction drive had been started and notices issued to the unauthorized occupants.

- The Department had not implemented the order (November 2009) of Hon'ble Supreme Court to evict 375 Government quarters occupied by the migrants in Jammu in an unauthorized manner. Even eviction notices under Section 4 of the Public Premises (Eviction of Unauthorized Occupants) Act, 1988 had not been issued despite a lapse of more than five years of the judgment. Non-eviction of quarters led to incurring of expenditure of ₹11.04 crore on hiring of 375 private hotel rooms during 2010-11 to 2014-15. Further, it led to revenue loss of ₹38.73 lakh on account of license fee and rent of furniture during the period 2010-15. Further, out of these quarters, 74 quarters were sublet to other families by the occupants. It was seen in audit that the Department had not taken any action against these defaulters under Rule 19 (3) of the Jammu and Kashmir Estates Department (Allotment of Government Accommodation) Regulation 2004 and had not levied rent at a rate of 10 times the normal rent thereby leading to non-levy of ₹86.58 lakh during the period 2010-15. The Chief Accounts Officer, Estates Department stated (February 2015) that instructions had been issued to the Dy. Director Estates Jammu to implement the judgment of Hon'ble Supreme Court in letter and spirit for eviction of accommodation.

Thus, non-eviction of unauthorised occupants had resulted in avoidable expenditure of ₹13.95 crore incurred on hiring of private hotel rooms and houses for accommodation of the employees and other entitled Government functionaries. It was further seen that there was no defined provisions in the Jammu and Kashmir Estates Department (Allotment of Government Accommodation) Regulation 2004 to discourage retention beyond permissible limits.

The Departmental Regulation 2004 prohibit sharing and subletting of residential accommodation. It was seen in audit that the Department had not devised any mechanism such as constitution of squads for on spot verification of residences to ensure non-subletting of residential accommodation.

2.3.9 Non-recovery of license fee and rent of furniture/ shops

Records showed that the allottees had not paid license fee and rent of furniture of residential accommodation and rent of shops as applicable on monthly/ yearly basis and the Department had not devised a proper mechanism to ensure regular recovery from the occupants. It was seen that ₹5.38 crore[53] were outstanding as of December 2014 against the allottees. Records further showed that:

- License fee of ₹2.63 crore was outstanding against 984 allottees of Government accommodation and private houses for more than one year.
- Rent of ₹0.99 crore was outstanding against 222 allottees of commercial shops for more than one year.
- 837 employees/ legislators/ other persons had vacated the accommodation owing to retirement/ transfer/ relinquishment of office without payment of license fee and rent of furniture amounting to ₹0.80 crore. Non-recovery of dues exposed the loopholes in the system of issue of NOCs by the Department in favour of occupants at the time of surrender of accommodation. In the absence of any specific rules, the chances of recovery of the amount were bleak.

The Department had not initiated any action to recover the license fee, rent of furniture/ shops from the allottees resulting in continuation of undue benefits to allottees. The Director Estates stated (July 2015) that a drive had been started by the Department for recovery of outstanding rent.

2.3.10 Incorrect assessment of license fee and rent of furniture

As per the rules, license fee and furniture rent for Type VI accommodation was to be recovered @ ₹850 per month for Government employee and @ ₹1700 per month for persons of other categories including legislators and at the revised rates (Government servants: ₹1200, Legislators: ₹2200 and persons of other category: ₹4400) from January 2012. Further, the Department categorized the hired private houses as Type VI and had levied license fee of ₹750 per month and furniture rent of ₹100 per month applicable to Type-VI Government residential accommodation.

Audit scrutiny showed that the Department had assessed and recovered license fee and furniture rent at lesser and pre-revised rate of ₹850 per month in respect

[53] Government Quarters: ₹3.76 crore, Private houses: ₹0.52 crore, Shops: ₹1.10 crore

of 205 occupants[54] of Government accommodations resulting in short recovery of ₹32.33 lakh during 2010-15. The Director Estates stated (July 2015) that license fee and rent of furniture was being charged according to Government orders. The reply was not convincing as instead of charging license fee and furniture rent at revised rates, pre-revised and lesser rates were applied by the Department.

2.3.11 Renovation/ up-gradation works of Government accommodation

The Government Order (November 2009) envisages upper limit of cumulative expenditure on new works/ renovation/ up gradation to be taken up in phases over a period of six years on the basis of need in the houses occupied by the Hon'ble Ministers and other officers. The Order further envisages that no new work/ renovation/ up-gradation will be taken up for execution without the prior approval of the competent authority and the expenditure during the year will be restricted within the approved budgetary limits.

It was, however, seen that bungalow-wise/ house-wise records showing expenditure incurred on renovation/ up-gradation works had not been maintained by the Executive Engineer, Estates Division Jammu. Audit analysis of 42 cases of renovation/ up-gradation works showed that the Department had executed works in Type V to VII quarters during 2010-11 to 2014-15 (December 2014) in excess of upper limit to the extent of ₹14.68 crore without approval of the competent authority. The execution of such works in excess of upper limit in individual cases was in the range of ₹2.96 lakh to ₹4.30 crore. Further, upgradation/ renovation works amounting to ₹1.86 crore were executed on quarters of seven Ex. MLAs/ Ex. MLCs, Ex. MPs and journalists without any approval of the competent authority.

Audit also noticed that no work plans had been formulated for renovation/ re-construction of 135 quarters which had been declared unsafe and Government employees had been residing in these houses. The Director Estates stated (July 2015) that instructions stand issued for maintenance of bungalow-wise records of expenditure on renovation. The matter of construction of new residential accommodations/ re-construction of 135 quarters which had been declared unsafe was under examination. The Director further stated that the Government Order of 2009 envisaged that expenditure in excess of upper limit needed administrative approval of the Competent Authority which had been done as Estates Divisions had sought administrative approval of all such works. The reply was not convincing as neither there was any such provision in the aforementioned Government order nor the administrative approval was obtained in respect of these works.

2.3.12 Hiring of private houses for accommodation of officers

2.3.12.1 Allotment of private houses to ineligible persons

Owing to shortage of adequate accommodation, the Department hires private houses for accommodating officers. These houses are considered as Type-

[54] 60 private persons, 119 Government employees and 26 Legislators

VI accommodation[55] by the Department. However, the Department had not formulated any rules for admissibility of allotment of private houses. In absence of these rules, it was seen that hired private houses were allotted to as many as 37 officers who were not eligible for Type VI accommodation. Records showed that 37 private houses were allotted to inadmissible officers/ officials as tabulated in **Table-2.3.7** below:

Table-2.3.7

Sl. No.	Details of officers/officials	Entitlement of accommodation	Number of cases	Details of Accommodation provided
1.	Director Finance, Assistant Development Commissioner, Installation Officer	Type- III	04	Independent private houses
2.	Director, Joint Director, Superintendent of Police, Addl. Chief Executive officers	Type III to Type IV	20	Independent private houses
3.	Ex. Legislatures, journalists, political workers	Not entitled for private houses	13	Independent private houses

The Department had not fixed maximum covered area, number of rooms, area of land, and maximum rent of private houses to be hired by the Government. The Director Estates stated (July 2015) that allotment of private houses to officers based on their entitlement was being made after obtaining approval from the Competent Authority. The reply was not acceptable in the light of allotment of private houses to ineligible persons as indicated in the table above.

2.3.12.2 Disparity in scale of hiring of private houses

In absence of any ceiling, test check of 65 cases showed that private houses with area of land ranging from five *marlas* to 4.50 *kanals*, covered area ranging from 1316 sft to 8242 sft and rent ranging from ₹13300 to ₹70000 per month were hired by the Department without any justification on record. The Director Estates stated (July 2015) that assessment of rent in respect of private houses was entrusted to the committee constituted for the purpose. The reply was silent on the issue of disparity in scale of hiring of private houses and absence of ceiling with regard to area of land and rent of such houses.

2.3.12.3 Procedure of hiring of private houses

The Department had not formulated any procedure for hiring of these private houses. Tenders were not invited by the Department from interested private house owners to ensure transparent hiring and to benefit from competitiveness in rent rates. The Department had only invited offers from the interested private owners and rent of private houses was fixed by the Rent Assessment Committee of the Department. The Dy. Director Estates Srinagar is inviting offers from the interested private house owners every year for Srinagar while the Dy. Director Estates Jammu had for the first time invited offers during 2014-15.

[55] Based on rate of recovery of license fee

Audit analysis showed that of the 176 private houses hired by the Department in Srinagar and Jammu during 2014-15, only 21 houses were hired on the basis of offers received from various private owners and the remaining 155 were hired without receipt of any offers. In test checked cases, Audit found that the houses were selected by the officers of the Department themselves before hiring. The process adopted thus was indicative of lack of transparency in hiring of private houses. The Director Estates stated (July 2015) that offers for hiring of private houses were evaluated and considered as per requirement and that the houses were hired on the recommendations of Deputy Director Estates and after obtaining approval from the Competent Authority. The reply was, however, silent on hiring of 155 private houses without receipt of any offers.

2.3.12.4 Assessment of rent of private houses

Review of records of assessments of rent of 64 private houses (selected on the basis of availability of complete papers of land, covered area and assessments of the Rent Assessment Committee) hired by the Department for providing accommodation to the officers, MLAs/ MLCs, offices etc. showed discrepancy in assessment of rent by the Rent Assessment Committee of the Department as indicated below:

- Rent on cost of land had been calculated at a rate of two *per cent* of the total cost of land in respect of private houses hired at Srinagar whereas it had been calculated at a rate of 6.5 *per cent* of the total cost of land in respect of private houses hired at Jammu.
- Area of land was also not worked out on the basis of revenue records as noticed in 23 test-checked cases.
- Items of common utilities in the houses such as area of land, pacca pavement, compound wall, house gate, water tank, sump tank, septic tank & soakage pit were not worked out proportionally between the tenant and the owner in 12 test-checked cases.
- It was seen that depreciation cost of the building had not been assessed as per recognized principles of valuation. The depreciation cost was calculated at an annual rate of one *per cent* in 41 cases and half *per cent* in 13 cases and as such uniform rate of depreciation was not applied.
- Inadmissible item of lawn development was taken into account in 18 test-checked cases.

The discrepancy in assessment of rent in respect of 64 test checked cases led to sanction of incorrect rent of private houses which consequently resulted in extra expenditure of ₹1.14 crore on account of rent during January 2012 to August 2014**.** The Director Estates stated (July 2015) that assessment of rent of private house was being done by the State Level Rent Assessment Committee. The reply was silent on the discrepancies noticed in assessment of rent in 64 cases which had resulted in extra expenditure of ₹1.14 crore.

2.3.13 Hiring and allotment of hotels

The Estates Department had hired private hotels to accommodate move/ non-move employees at Srinagar and Jammu. The details of hotels and rooms hired during 2010-11 to 2014-15 are tabulated in **Table-2.3.8** below:

Table-2.3.8

Year	Jammu		Srinagar	
	Hotels hired	Rooms hired	Hotels hired	Rooms hired
2010-11	18	295	104	3042
2011-12	18	318	110	3052
2012-13	17	355	116	3264
2013-14	23	473	122	3344
2014-15	25	569	135	2887

2.3.13.1 Procedure of hiring of hotels

The Department invites offers from private hoteliers which are registered with the Tourism Department and are willing to rent out their hotels/ guest houses. On receipt of offers from hoteliers, a Committee inspects hotels/ guest houses and prepares a list of selected hotels in order of merit based on terms and conditions of Notice Inviting Offers and suitability of the hotels/ rooms with reference to availability of basic facilities.

Audit noticed shortcomings in the process adopted for hiring of hotels as discussed below:

(i) The Department had not invited tenders for rates of room rent and catering charges to ascertain the reasonability of rates on the basis of minimum facilities required for the employees and approved menu of food for employees. It was seen that uniform rates of room rent and catering charges were fixed for all categories of hotels on the recommendation of the Constituent Committee without adopting the bidding process.

(ii) It was seen that though the selection of hotels in Srinagar was being done through a committee on the basis of 'Notice Inviting Offers', no such practice was in vogue in selection of hotels in Jammu.

(iii) The committee had to select the hotels after benchmarking the facilities available in the hotels with that of the criteria prescribed by the Department. However, it was seen that the benchmark[56] against which the Constituent Committee needed to inspect suitability of hotels prior to their recommendation had not been specified by the Department. The Constituent Committee had not elaborated upon scale and quantum of each of the facilities available in the inspected hotels. As a result, the minimum basic facilities available in these hotels could not be ascertained. Besides, providing of fire fighting systems in

[56] Size of rooms, details of furniture and furnishing to be provided in a room, availability of TV in rooms, details of quality/ standard of building, drinking water facility with installation of water purifiers, minimum size of attached lawn/ garden, parking areas, type of power backup facility and other services

every hired hotel was not ensured despite being recommended (April 2010) by the Committee constituted for security clearance of these hotels.

(iv) Audit analysis of records showed that majority of the hotels hired by the Department had not fulfilled the terms and conditions specified in the Notice Inviting Offers as tabulated in **Table-2.3.9** below:

Table-2.3.9

Year	Hotels hired	Terms and conditions not fulfilled						
		Lawn	Parking	Food license	NOC from PDD	VAT registration	VAT clearance certificate from Commercial Taxes	Rooms with attached bathrooms
2010-11	104	N.A	N.A	N.A	N.A	21	N.A	N.A
2011-12	110	92	91	14	94	01	96	02
2012-13	116	Details of facilities/ deficiencies available/found in hotels not maintained						
2013-14	122	65	65	16	Deleted from scrutiny	11	14	Nil
2014-15	135	All terms and conditions were shown as fulfilled in respect of all hotels. The scrutiny of offers was doubtful as Parking and lawn/ garden facilities could not be constructed all of sudden.						

NA: Data not available

From the above, it was clear that majority of the hotels hired by the Department did not fulfill terms and conditions of the Notice Inviting Offers. Audit analysis further showed the following:

- The requirement of lawn and parking facilities were not ensured by the Department as these facilities were not available in 183 hotels (Lawn: 92; parking: 91) during 2011-12 and 130 hotels (Lawn: 65; parking: 65) during 2013-14. Further, scrutiny of offers by the constituent Committee was doubtful in the light of availability of lawn and parking facilities shown in all the hotels during 2014-15 despite the fact that these facilities were not available in the hotels in the previous years.
- Physical verification carried out by Audit in 17 Hotels showed that lawn/ garden facilities were not available in 10 hotels and parking facility was not available in 15 hotels.
- Hiring of 33 hotels in absence of VAT registration with the Commercial Taxes J&K was violation of Notice Inviting Offers.
- Hiring of hotels (2011: 14; 2013: 16/ housing: 1193 persons) in absence of food licence certificate was clearly indicative of undue benefits to the hoteliers and was in violation of Food Safety and Standard (licensing and registration of food business) Regulation 2011.
- 'No Demand Certificate' from the PDD to ensure nil outstanding electricity charges had neither been obtained from the hoteliers nor had been scrutinized by the Committee since 2011-12 in violation of Notice Inviting Offers.

(v) The main purpose to make arrangements of lodging and boarding for the move/ non-move employees was security concerns at Srinagar. It was, however, seen that the security of 390 employees was put to risk by hiring 10 private hotels which had been rejected on the basis of security concerns by the Committee for Security.

- The Department had hired three hotels (Fiza Guest House: 18 rooms; Libnan Guest House: 18 rooms; Hotel National: 25 rooms) during May 2013 despite the fact that these hotels had not submitted offers in response to Notice Inviting Offer of the Department. Besides, security clearance had not been obtained by these hotels. Similarly, four hotels (Happy Home: 32 rooms; Raj Guest House: 15 rooms; Darul Iqbal: 14 rooms and Degal Guest House: 16 rooms) were hired during May 2012 in spite of the fact that they had submitted offers after expiry of the last date for their submission. This was indicative that undue benefit had been given to these hoteliers.
- Hotels Shamas, Almond (2010-11), Al-Hamara (2011-12), New River View, Libnan Guest House (2013-14), Top Notch, Mountain View Residency, New River View, New Ahmad (2014-15) were hired in violation of the Government Policy as these hotels were not registered with the Tourism Department.
- Hotel Wazir Palace (17 rooms) was hired during 2013 despite being not recommended by the Constituent Committee.

From the above, it can be concluded that the constituent Committee had not done due diligence in recommending hiring of hotels. The Department had selected hotels in a non-transparent and arbitrary manner thereby provided undue benefits to hotel owners.

The Director Estates stated (July 2015) that private hotels were being hired by the Department after completing all codal formalities such as wide publicity given through print media and rates fixed by the Government and that the Government had constituted a committee for selecting hotels at Jammu/ Srinagar from time to time. The reply furnished did not address the issues raised by Audit in the above cited cases.

2.3.13.2 Extra payment on account of extra hiring of rooms

(i) As per the Department policy, one full room is to be allotted to Gazetted officers/ female employees and one room is to be provided to two non-gazetted male officials.

The Department had provided one full room to non-gazetted officials in private hired hotels at Jammu leading to hiring of extra 1124 rooms which resulted in extra expenditure of ₹6.75 crore during the period 2010-11 to 2014-15.

The Chief Accounts Officer Estates Department stated (February 2015) that single room accommodation had been provided enabling employees to prepare their meals in allotted rooms. The reply is not convincing as allotment of one full room to non-Gazetted officials was in violation of the laid down norms.

(ii) Audit noticed that 122 to 172 rooms were hired in private hotels at Srinagar during 2011-2014[57] in excess of requirements and had remained vacant resulting in extra payment of rent of ₹51.59 lakh[58]. The Director Estates stated (July 2015) that the vacancy was due to transfer/ retirement/ death of any allottee or cancellation of allotment due to one or the other reasons. It was also stated that no excess payment was made for vacant rooms. The reply was not acceptable as these rooms remained vacant for the entire hired period of six months during the particular year. The Dy Director Estates Kashmir after re-verification of the facts stated (September 2015) that some of the Non-Gazetted officials got transferred outside Srinagar city due to which the rooms remained deficient by one occupant and the Department had to pay room rent for full room even occupied by single official. The reply is not convincing as non-Gazetted officials were not entitled for single room in private hotels and the staff lodged in hotels were to be adjusted as per the prescribed norms.

2.3.13.3 Excess payment of unregistered rooms

The Government Order (October 2012) restricted rent of rooms not registered with the Tourism Department at 80 *per cent* of the normal rent of registered rooms fixed by the Department. While the rent of unregistered rooms had been paid at 80 *per cent* of the normal rent of registered rooms in respect of hotels hired at Srinagar, the order had not been implemented in respect of unregistered rooms of hotels hired at Jammu.

Records showed that the Department had hired 219 unregistered rooms (2012-13: 42 rooms; 2013-14: 52 rooms and 2014-15: 125 rooms) in eight hotels and paid room rent at normal rate (₹356 per day) against the admissible of ₹285 per day resulting in excess payment of ₹27.99 lakh on account of rent of 219 unregistered rooms hired during 2012-13 to 2014-15. The Director Estates stated (July 2014) that there was no such Government order for making less payment in respect of unregistered rooms. The reply was not based on facts as the Government order of October 2012 envisaged payment of rent for unregistered rooms to the extent of 80 *per cent* of the approved rates in vogue in the Department.

2.3.13.4 Extra payment of catering charges

As per the Department Policy, one full room is to be allotted to Gazetted officers/ female employees and one room is to be provided for two non-gazetted male officials. In addition the occupants are provided catering services on daily basis. Since the rooms are shared by two individuals, the catering days during a particular month should not be more than double the room days.

Audit scrutiny showed that hoteliers had billed catering charges in excess of double the room days and this fact had been overlooked while making payments. It was seen that 151 hotels[59] had claimed excess catering charges with excess ranging between 20 and 2926 catering days during 2010-11 to 2013-14 resulting

[57] 2011:43 to 63; 2013: 38 to 62; and 2014: 41 to 47
[58] 2011: ₹17.09 lakh; 2013: ₹22.40 lakh; and 2014: ₹12.10 lakh
[59] 2010-11:26, 2011-12: 25, 2012-13:49, 2013-14: 24, 2014-15: 27

in an extra expenditure of ₹3.40 crore. It was clearly indicative of undue benefits to hoteliers. The Director Estates stated (July 2015) that extra catering charges pointed out by the audit held true in case of hotels allotted to Police Headquarters (PHQ) and that the Police Department provided boarding facilities only in respect of static Guard/ Escort personnel with Senior Police officers.

2.3.13.5 Hiring of halls in private hotels

The Department had hired 57 halls in 57 hotels of Srinagar during the year 2010 and incurred an expenditure of ₹44.07 lakh on payment of rent of these halls. The verification report (March 2012) of hotels of Srinagar furnished by the Tourism Department showed that no hall was available in 50 out of 57 hotels in which halls were hired by the Department. Thus, the expenditure of ₹44.07 lakh shown on hiring of halls was doubtful. The Director Estates stated (July 2015) that no such halls in private hotels had been hired by the Estates Department. The reply is not acceptable as the Department had hired halls in these hotels and made payment on account of rent.

2.3.13.6 Deduction of catering charges

The Government order (February 2001) envisaged that Darbar Move Employees who are staying in Security zones and are provided food by the Department would be charged catering charges at prescribed rates. Further, the Government order (August 2001) envisaged that all Jammu based employees who are posted in Srinagar in non-move offices and are lodged together in hotels by the Estates Department will only be provided lodging facilities. The meal charges shall be settled directly between the employees and the concerned hotel management. However, where such non-move employees are lodged in such hotels hired for move employees, the prescribed catering charges shall be recovered from time to time. These catering charges were required to be deducted by the Drawing and Disbursing Officers (DDOs) from their salaries.

Audit observed that copies of allotment orders of hotel accommodations in favour of officers/ employees were not issued to their DDOs with instructions to deduct the catering charges at the prescribed rates from their salaries. Audit check of records of seven Departments showed that catering charges to the extent of ₹11.51 crore (move employees: ₹4.68 crore; Non-move employees: ₹6.83 crore) had not been recovered from such officers/ officials during the period 2010-11 to 2014-15. The Director Estates stated (July 2015) that onus of deduction of catering charges lay on the DDOs and not the Estates Department. The reply is not convincing as the Estates Department was responsible for ensuring deduction of catering charges from the salaries of the concerned employees by their DDOs.

2.3.13.7 Short remittance of VAT

The Department paid VAT at a rate of 13.5 *per cent* on payments made to private hoteliers on account of catering charges during the period 2010-11 to 2012-13. The rate of VAT was reduced to five *per cent* with effect from April 2013.

Audit analysis showed that the Department had not obtained quarterly return of VAT from the hoteliers to ensure remittance of entire amount of VAT paid on catering charges. Comparison of quarterly returns of VAT filed by 70 test-checked hoteliers with the amounts of VAT received from the Department showed that 42 hoteliers had not remitted an amount of ₹1.01 crore representing VAT (range between ₹0.17 lakh and ₹7.60 lakh) during 2010-15. The Director Estates (July 2015) stated that the matter was being sorted out with Taxation Department and less remittance of VAT, if any, would be recovered from the concerned hoteliers.

2.3.14 Shops and commercial properties

2.3.14.1 Maintenance of asset registers

It was seen in audit asset registers of shops and other commercial spaces had not been maintained. As a result, the actual number of shops and other spaces belonging to the Department could not be ascertained and possibility of encroachment/ unauthorized occupation could not be ruled out. Further, dimensions of these commercial properties had not been worked out by the Department since inception.

2.3.14.2 Illegal construction

Section 6 (1) and 6 (2) of the Public Premises (Eviction of Unauthorized Occupants) Act 1988 prohibits erecting or placing or raising any building or any movable or immovable structure or fixture on any public premises. Test check of records in respect of 180 shops showed that allottees of 17 shops had made illegal constructions in their shops such as construction of basement, erection of walls, partition/ merger of two shops etc. Audit found that the Department, instead of taking action in these cases under the provisions of Section 6 of the Act, had regularized (September 2009 and July 2012) these unauthorized constructions by imposing penalty and fixing rent of these basements. While as ₹10 lakh had been recovered from three allottees the penalty of ₹23 lakh had not been recovered from 14 allottees even after lapse of more than five years (August 2015). Further, the Department had not recovered rent of basements constructed illegally by the allottees in their shops due to non-working out of dimensions of these shops though the Shops Allotment Committee had fixed rates for each sft of area. This indicated casual approach of the Department to take action against defaulters and was indicative of undue benefits to allottees. The Director Estates attributed (July 2015) non-charging of rent to non-submission of dimension/ measurement by the engineering wing of the Estates Department. It was also stated that the rent would be charged as and when measurements were received. The reply is not acceptable as the engineering wing of the Department was directly under supervision of the Director Estates.

2.3.14.3 Illegal transfer of shops

According to Sections 4 and 5 of the Jammu and Kashmir Public Premises (Eviction of Unauthorized Occupants) Act, 1988 action was to be taken by the

Department against unauthorized occupants. Records showed that 199 shops owned by the Department had been transferred by the original allottees and the Department had failed to take action against these allottees/ unauthorized occupants. The modus operandi adopted by the original allottees in selling shops included (i) execution of Partnership Deed with negligible (5 to 30 *per cent*) share of the original allottees and (ii) dissolution of Partnership Deed after few months with original allottee surrendering rights, title and interest in the business including premises in favour of other partner.

It was seen that the Department had failed to detect this modus operandi adopted by the allottees and instead of taking action for eviction of these shops regularized the transfer of these shops with meager transfer fee of ₹0.50 lakh to ₹5 lakh**.** The action of the Department to regularize the unauthorized occupants of these shops had the potential of encouraging illegal transfer of Government properties by allottees. In respect of 83 shops transferred in Srinagar, the change of tenancy was pending as the unauthorized occupants had not submitted necessary formalities and deposited premium (₹1.99 crore) as prescribed by the Department. It was seen that the Department had not initiated any action against these unauthorized occupants despite the fact that these occupants had not deposited premium prescribed by the Department and was indicative of undue benefits to unauthorized occupants.

The Director Estates stated (July 2015) that Shops Allotment committee had prescribed transfer fee of approximately 10 *per cent* of the value of the property. The reply was not convincing as there was no provision of transfer of shops/ commercial property in the Rules. Besides, the value of property was not assessed by the Department while levying the transfer fee.

2.3.15 Store Management

2.3.15.1 Provision of furniture and fixtures

The Departmental Regulation 2004 envisaged items of furniture and fixtures to be provided to different category of officers for use at their allotted residential accommodation as per entitlement depicted in Annexure-II of the regulations.

Due to non-availability of Annexure-II of the Regulations *ibid* with the Department, the entitlement of officers for furniture and fixtures could not be ascertained in Audit. However, it was seen that the Department had issued furniture and fixtures of ₹20 crore (Jammu: ₹11.15 crore; Srinagar: ₹8.85 crore) to officers without ascertaining their entitlement during the period 2010-11 to 2014-15.

2.3.15.2 Procurement of furniture items

(i) Records showed that that the Department had procured furniture items such as beds, sofa sets, wooden showcases, dining tables etc worth ₹78.85 lakh (Dy. Director Estates Jammu: ₹65.53 lakh; Director Estates: ₹13.32 lakh) during the period 2010-11 to 2014-15 from open market without ascertaining the reasonability of rates by way of invitation of tenders etc.

(ii) Test-check of supply orders and other documents such as letters of the suppliers indicated that these items were purchased by the occupants of the Government quarters at their own level and bills thereof had been submitted to the Department for payments. In two test-checked cases furniture items valuing ₹1.20 lakh were supplied on 2 December 2012 and 5 April 2013 whereas supply orders were placed with the firm on 18 December 2012 and 5 June 2013 respectively. It was seen that the Department had made payments in such cases without ensuring/ verifying actual purchase and existence of the purchased items at Government quarters.

2.3.15.3 Suspected misappropriation of furniture items

According to Rule 8.28 of J&K State Financial code Volume-1, physical verification of all stores must be made by a responsible Government Servant at least once every year. All discrepancies noticed must be properly investigated and brought to account immediately. Loss caused to the Government through a deficiency due to misconduct or culpable negligence on the part of any Government servant, loss should be made good from the defaulter. Further Rule 8.26 (i) of the aforementioned code provides that a copy of handing over/ taken over report should be submitted to next higher authority.

Audit scrutiny showed that the physical verification of furniture stores and electrical item stores at Jammu had never been conducted by the Department. As a result, the actual ground balance of store items had never been reconciled with the book balance of store items. Further, the store records had never been authenticated by the Dy. Director Estates or Assistant Accounts Officer.

Audit came across instances of non-detection of shortages, non-accountal of items purchased etc., as discussed below:

(i) In the course of detailed audit scrutiny of store records, it was noticed that during transfer of the charge by the store-keeper (December 2012), the new incumbent had found that large number of furniture and furnishing items were not physically present and thus a note to this effect was recorded in the Stock Register and shown under the category ‘shortages’. Audit scrutiny further showed that as required, the matter had not been brought to the notice of the higher-authorities. Non-reporting of the shortages of large magnitude was in violation of the financial rules.

Detailed Audit check of major items of stores (40 items) showed that there was a huge shortage of stores valuing ₹2.44 crore (worked out on the basis of rates of 2010-11). Similarly, the closing balance of furniture items of ₹33.49 lakh (2012-13: ₹10.95 lakh; 2013-14: ₹22.54 lakh) were not carried forward and adopted as opening balance in the next years. The Director Estates stated (July 2015) that a Committee headed by the Executive Engineer Estates Division Jammu had been constituted to ascertain the factual position and that the verification of stores by the Committee was under process.

(ii) It was seen in audit that maintenance of stores records relating to electric items had been stopped since July 2013 as detailed below:

- Electrical items (value: ₹36.62 lakh) procured during 2011-12 and 2012-13 were not accounted for in the store ledgers of the Division.
- The status of huge quantities of electrical items (value: ₹41.81 lakh) lying in the stores at the end of June 2013 could not be ascertained.
- Electrical items (value: ₹29.15 lakh) procured during 2013-14 and 2014-15 had not been accounted for.
- Records of electrical items received back from Government quarters and as such position of these items could not be ascertained in audit.

(iii) It was further seen that various items of furniture such as modular furniture/ fittings, storage cabinets/ work stations, vertical blinds etc. valuing ₹2.80 crore (Jammu: ₹0.79 crore; Srinagar: ₹2.01 crore) procured for Civil Secretariat Jammu and Srinagar during 2010-15 had not been accounted for in the store records.

2.3.15.4 Issue of furniture items in excess of norms

The Department issues furniture items for use by the allottees of Government accommodation as per entitlements. The annual maintenance of furniture issued is also the responsibility of the Department.

Records showed that the Department had not adhered to upper limit of annual expenditure on issue of furniture/ furnishings and furniture items were issued in excess of norms laid down by the Government without obtaining approval of the Principal Secretary to the Government, Estates Department. Out of 156 cases of issuance of furniture to Type IV, V, VI and VII quarters test checked by audit, it was found that the Department had issued furniture of ₹One crore during 2010-15 in excess of fixed upper limit in 78 cases and the excess issuance of furniture was in the range of ₹6656 and ₹9,19,797. The Director Estates attributed (July 2015) issuance of furniture exceeding the prescribed norms to non-revision of the limit thereof since 2009. The reply was not convincing as the prescribed norms were required to be revised periodically and till then the existing norms were to be adhered.

2.3.15.5 Issue of furniture to personal residences

(i) Due to non-availability of Government accommodation eight Ex-Ministers etc. were paid monthly House Compensatory Allowance of ₹15000 for residing in their own houses and were not therefore entitled for any furniture items from the Government. Records showed that the Department had issued furniture and furnishing items of ₹19.66 lakh to these dignitaries during April 2010 to December 2014.

(ii) Records further showed that the Department had issued furniture valuing ₹3.34 lakh to personal residences of 14 officers/ officials during 2010-11 to 2012-13.

(iii) The Department had issued furniture items (cost: ₹2.19 lakh) in the name of Sh. Mubark Gul (Former Hon'ble Speaker Legislative Assembly) for his residence during November 2011 to June 2013. In addition to this, furniture items (cost: ₹2.09 lakh) were issued in the name of the House at Arora Abad Sidhra Jammu belonging to Sh. Mubark Gul during April 2013. The said house was converted into Mount View Guest House which was hired by the Department for providing accommodation to the Darbar Move employees during 2013-14 and 2014-15 and these furniture items were not taken back by the Department. This indicated that furniture items had been issued for furnishing of rooms of the Guest House.

The Director Estates stated (July 2015) that the Ex-Ministers would be intimated for return of furniture items or in the alternative their NDC would be stopped.

2.3.15.6 Issue of furniture to defaulters of license fee

Records of 66 test-checked licensees (outstanding rent ranged between ₹13120 and ₹258150) selected randomly on the basis of rent outstanding exceeding ₹10,000 showed that large number of furniture were issued to these licensees. It was seen that the Department instead of taking action to recover huge outstanding rent of ₹43.84 lakh from these licensees had issued furniture items (cost: ₹61.02 lakh) to these licensees during the period 2013-14 to 2014-15. The Director Estates stated (July 2015) that no furniture was being issued to defaulters of license fee and that the Department had initiated steps to recover license fee from the defaulters and in this regard notices had already been issued.

2.3.16 Conclusion and Recommendations

The Department had not formulated any long term Perspective Plan for development of colonies at Jammu and Srinagar to meet requirement of accommodation for Government functionaries and to reduce huge expenditure on hiring of private hotels/ private houses.

The Government may consider preparing perspective plan for development of colonies to meet housing needs of the employees and other State functionaries.

The provisions of the allotment rules were not adhered to by the Department thereby leading to imbalanced allotment of accommodation to move as well as non-move employees, allotment in excess of discretionary quota and non-allotment of vacant quarters. The Department had not initiated any action to evict occupants from residential quarters beyond permissible period.

The Government may consider to put in place transparent system for allotment of accommodation and ensure adherence to Allotment norms and to carry out thorough analysis of the requirement for hiring hotels and private houses to avoid excessive and irregular expenditure thereon.

Mechanism to ensure regular recovery of license fee was not devised. Transparent and competitive procedure for hiring of private houses was not adopted. Store management was poor and instances of non-detection of stores shortages, non-accountal of items purchased and non-maintenance of proper stores accounting records were noticed.

The Government may consider putting in place an efficient license fee/ rent recovery mechanism and effective tendering system for hiring of property besides ensuring efficient management of stores.

Health and Medical Education Department

2.4 Procurement of Medicines and Medical Equipment

Availability of adequate medicines and equipment in the health institutions is a pre-requisite for the betterment of health care facilities in the State. The Health and Medical Education (H&ME) Department of the State Government is entrusted with the responsibility of extending health care facilities in the State.

Highlights

- **Purchase Manual had not been prepared by the Department. Even after lapse of about three years of adoption of Drug Policy, a drug formulary had not been prepared. No specific policy guidelines were put in place for testing of drugs before these are administered to patients.**

(Paragraphs: 2.4.5 and 2.4.6)

- **Expenditure on procurement of medicines and equipment ranged between five and seven *per cent* of the total allocation to the Department. 59 *per cent* of NRHM funds provided for procurement of medicine, machinery and equipment remained unspent.**

(Paragraph: 2.4.7)

- **Purchases Committees had repeatedly been restructured/ reconstituted affecting their working adversely, as no comprehensive Annual Rate Contracts had been finalised during 2010-15. Medical Supplies Corporation constituted in May 2013 had not been made functional.**

(Paragraphs: 2.4.8.1 and 2.4.8.3)

- **Rate Contracts finalized by the Purchase Committees showed cases of non-adherence to codal provisions, non-adoption of best practices and irregularities in finalization of individual Rate Contracts.**

(Paragraphs: 2.4.9.1 and 2.4.9.2)

- **Large scale procurements (Medicines: ₹44.28 crore; Equipment: ₹34.80 crore) were made on the basis of expired rate contracts/ outside health institutions and from the local market.**

(Paragraphs: 2.4.10.2 and 2.4.13)

- **50.95 lakh tablets/ capsules/ injections, etc. (value: ₹82.74 lakh) declared 'Not of Standard Quality' had been issued for supply to patients.**

(Paragraph: 2.4.12.3)

- **Procurement of machinery/ equipment to the extent of ₹1.17 crore had been made on the basis of fake/ forged supply orders of the Outside Health Institutions.**

(Paragraph: 2.4.13.2)

- **Machinery/ equipment valuing ₹1.21 crore had not been installed due to non-availability of infrastructure, trained manpower etc.**

(Paragraph: 2.4.14.1)

2.4.1 Introduction

Availability of adequate medicines and equipment in the health institutions is a pre-requisite for the betterment of health care facilities in the State. The State Government is to provide necessary policy frame work, institutions and resources in the shape of finances, personnel, drugs and equipment for the delivery of public health care services in the State. The Health and Medical Education Department of the State Government is entrusted with the responsibility of extending health care facilities in the State.

2.4.2 Audit Objectives

The performance audit was taken up with the objective of assessing whether:

- Adequate policy and institutional framework including financial management was in place for procurement of medicines and medical equipment;
- Functioning of the Purchase Committees was sound to ensure transparency, efficiency and economy in the procurement process;
- Rules, procedures and Best Practices were adopted for assessment of requirements, placement of supply orders and ensuring quality medicines/ medical equipment and optimal utilization thereof; and
- An efficient internal control mechanism to ensure proper accounting of medicines/ equipment existed.

2.4.3 Scope of Audit and Methodology

Management of Stores including Machinery and Equipment in Associated Hospitals under Health and Medical Education Department was last reviewed and commented upon in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001. However neither any Action Taken Note was received from the Department nor the Public Accounts Committee had discussed the Performance Review. The performance audit covering period from 2010-11 to 2014-15 was conducted during November 2014 to May 2015 by test-check of records of the Administrative Department, two Purchase committees, Five Associated Hospitals, One Dental College Hospital and two Directors of Health Services, Kashmir/ Jammu, responsible for finalisation of Rate Contracts and undertaking the procurement. Besides, records of 40 end-user health institutions viz., six out of 22 Chief Medical Officers, six out of 22 District Hospitals and 28 CHCs/ PHCs, selected on Simple Random Sample basis, were also checked in Audit. Information/ data relating to testing of drugs was collected from the Controller Drug and Food Organisation J&K. Audit evidence was collected through cross verification of supply orders and examination of related documents besides conducting beneficiary survey. Audit of two Purchase Committees, Government Medical College Srinagar and its Associated Hospitals and Government Dental College, Srinagar, could not be conducted as the records of these institutions had reportedly got destroyed in floods.

Entry/ Exit Conference

The Scope and Objectives of the Performance Audit was discussed in an entry conference held on 26 November 2014 with the Commissioner Secretary, Health and Medical Education Department. The findings of the performance audit were discussed with the Commissioner Secretary, Health in an Exit conference held on 31 August 2015. Replies thereof have been incorporated at appropriate places.

2.4.4 Audit criteria

The Audit criteria relating to the activities of the Department with regard to procurement were derived from the following sources:

- Provisions of the Jammu and Kashmir Financial Code and J&K Book of Financial Powers;
- Instructions/ orders issued by the Government from time to time;
- State Drug Policy; and
- Best practices prescribed by the GoI/ CVC guidelines.

Audit Findings

2.4.5 Lack of a sound Regulatory Framework

2.4.5.1 Non-existence of Departmental Regulations/ Procurement Manual

An efficient procurement system requires that the organization has a uniform and well documented Regulatory framework in the shape of rules, regulations and guidelines so that procurement of the Government stores is done in a fair and just manner and at most competitive rates while meeting the parameters of efficiency, economy and accountability.

Scrutiny of records of the Administrative Department showed that codified Purchase Manual had not been prepared by the Department. Audit noticed that neither any Standards have been put in place nor instructions issued by the Government from time to time were readily available or compiled in the form of a compendium in the Administrative Department and no Best Practices had either been laid down or adopted by the Department. Audit further observed that due to absence of a Procurement Manual, a uniform procedure while undertaking the purchases had not been followed, resulting in lapses which are highlighted in the subsequent paragraphs.

The Director Finance, H&ME Department stated (September 2015) that purchase of stores was being made in accordance with the provisions of Financial Code of the State and as per delegation of powers prescribed in the Book of Financial Powers.

The matter regarding existence of approved Purchase Manual in the State was also taken up by the Audit with the Finance Department, J&K Government. The Director (Codes) Finance Department, while confirming that no procurement manual had been prepared in the State informed that efforts would be made to prepare a manual for the guidance of the State Departments in near future.

2.4.6 Policy Frame work

2.4.6.1 Non-implementation of drug policy

The State adopted a Drug Policy in February 2012. The policy, *inter-alia* provided for completion of certain formalities for preparation of a drug formulary.

Audit scrutiny (November 2014) of records in the Administrative Department showed that procurement of medicines/ drugs was being made without having any formulary of common generic drugs. The Government had, however, constituted (November 2013) a State Drugs Formulary Committee for preparation of formulary of common generic drugs and medicines. The committee had endorsed (August 2014) a copy of the National formulary of GoI and without taking into consideration effects of local diseases, food habits, sensitivity, climate etc., as required under the Drug Policy.

The Director Finance stated (September 2015) that the drug policy had been adopted by the Department in the year 2012 and that the drug formulary was in the final stage of consideration of the Government and would be notified soon.

In absence of a drug formulary, the State Government instructions (May 2000) envisaged finalization of Rate Contracts for drugs/ medicines by the Purchase Committees *inter-alia* on the basis of National Essential drugs List issued by the GoI on the pattern of World Health Organization guidelines.

Analysis of the Rate Contracts of drugs finalized by Purchase Committees (1) and (2) showed that out of 306 drugs finalized during 2010-11 to 2014-15, 165 drugs were outside the National Essential Drug List of the GoI. Reasons for non-adherence to instructions of the Administrative Department were awaited.

2.4.6.2 Non-existence of a policy for Testing of drugs/ medicines

Health institutions procure drugs/ medicines in bulk through approved Rate Contracts and from the local market. A policy mechanism of testing is required to be put in place to ensure quality of the supplies before these are administered to patients.

Audit noticed (November 2014) that no policy guidelines were put in place for testing of drugs before these are administered to patients. Though the Rate Contracts finalized by various Purchase Committees for procurement of drugs provide for furnishing of the Analytical Reports by the suppliers, however, audit observed that there was no mechanism in place for referral of samples by the health institutions for testing to the Drug Controller or to third party accredited laboratories. Audit came across instances where large scale drugs procured by the Department had been issued for supply to patients before they were lifted for testing by Drug and Food Control Organisation (DFO) and declared as 'Not of Standard Quality' as brought out in Paragraph 2.4.12.3.

The Director Finance, stated (December 2014) that the role of the DFO was purely regulatory in nature and was restricted to lifting of samples on random basis by means of regular surveillance and of late, steps had been taken to enhance the testing capacity by roping labs in the Public sector. The Director Finance further stated (September 2015) that the Controller, DFO had been made vibrant and proactive to ensure optimal testing of drugs/ medicines to the best of its capacity. The reply was not convincing as lack of policy guidelines for ensuring third party testing of drugs/ medicines procured was an area of concern which had resulted in issuance of sub-standard drugs/ medicines for supply to patients as brought out in Paragraph 2.4.12.3.

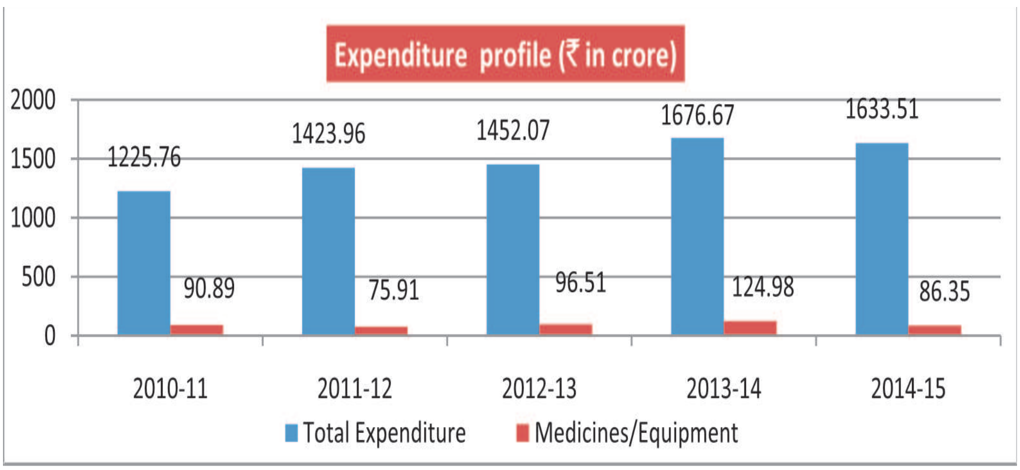
2.4.7 Financial Management

The position of funds allocated and expenditure incurred by Health and Medical Education Department on procurement of medicines, machinery and equipment during the period from 2010-11 to 2014-15 is given in **Table-2.4.1** below:

Table-2.4.1

(₹ in crore)

Year	Total Allocation (A) and Expenditure (E)		Allocation (A)/ Expenditure (E) on Medicines/equipment							
			Plan		Non-Plan		NRHM (CSS)		Total	
	A	E	A	E	A	E	A	E	A	E
2010-11	1369.49	1225.76	33.55	32.69	52.17	51.89	12.30	6.31 (51)	98.02	90.89
2011-12	1630.83	1423.96	23.02	18.17	55.60	55.36	11.70	2.38 (20)	90.32	75.91
2012-13	1659.90	1452.07	37.79	19.74	61.35	60.14	30.71	16.63 (54)	129.85	96.51
2013-14	1895.68	1676.67	32.31	27.58	71.17	60.52	71.07	36.88 (52)	174.55	124.98
2014-15	1874.17	1633.51	24.77	14.30	72.64	66.01	41.51	6.04 (15)	138.92	86.35
Total							**167.29**	**68.24**	**631.66**	**474.64**



Audit scrutiny showed the following:

- Expenditure on procurement of medicines and equipment ranged between five and seven *per cent* of the total allocation to the Department.
- The overall utilization of funds allocated for procurement of medicines, and equipment ranged between 62 and 93 *per cent*.

Against total allocation of ₹167.29 crore for procurement of medicine, machinery and equipment under NRHM (CSS), ₹99.05 crore (59 *per cent*) remained unspent resulting in non-extension of intended benefits to the patients. Of the unutilized amount, ₹20.82 crore remained blocked for a period ranging from two to five years. The Director Health Services, Jammu stated (July 2015) that the funds could not be utilized in full due to non-approval of rate contracts in time and release of funds at the fag end of the financial year. The Director Finance stated (September 2015) that the Department takes all efforts to ensure full utilization of funds and the Purchase Committees sometimes take recourse to the RCs of other organizations like All India Institute of Medical Sciences (AIIMS) and Sher-i-Kashmir Institute of Medical Sciences (SKIMS) to ensure timely utilization of funds.

2.4.8 Institutional mechanism

The Health Department procures medicines/ drugs for use in the health institutions through Purchase Committee mode, which are entrusted with the responsibility of finalization of rate contracts. In the existing institutional set-up there are two types of Purchase Committees operative in the State as detailed below:

(i) Provincial level purchase committees

The procurement of medicines, machinery and equipment is made centrally by Directorate of Health Services, Kashmir/ Jammu for Health institutions located at provincial, district and block levels, the procurement for Medical Colleges and Associated Hospitals is done by respective Principal/ Medical Superintendents, after finalization of rate contracts by respective Purchase Committees.

(ii) District level purchase committee

District level purchase committees are being constituted for implementation of various interventions of the National Health Mission (NHM) and these are being administered by the *Rogi Kalyan Samitis* (RKS). The Purchase committees formed under RKS are mandated to approve the drugs/ medicine and machinery/ equipment to be procured for a particular health institution (District Hospitals/ CHCs/ PHCs) of a particular district. Local Purchase Committees are constituted at the level of Chief Medical Officers for the drugs/ medicines to meet the local needs and by the District Hospitals for purchase of Machinery/ Equipment, whenever, Centralized Rate Contracts at the Provincial Level are not available.

2.4.8.1 Frequent changes in structure of Provincial level Purchase Committees

(i) The Purchase Committees are supposed to finalise annual Rate Contracts for medicines and machinery/ equipment well in time so as to ensure procurement by the field health institutions in a timely manner to avoid shortages in the user institutions.

Scrutiny of records showed that the Department had repeatedly restructured/ reconstituted the Purchase Committees by shifting from decentralized to centralized and back to decentralized forms during the period 2000-01 to 2014-15 as depicted in the **Table-2.4.2** below:

Table-2.4.2: The structure of the Purchase Committees during the period from 2000-01 to 2014-15

Sl. No	Year	Number of Committees	Purchase Committee for finalization of NIT	Group items
1.	2001	Six (06)	Purchase Committee for Government Medical College, Jammu	All items
			Purchase Committee for Directorate of Health Services, Jammu	
			Purchase Committee for Government Medical College, Srinagar	
			Purchase Committee for Government Dental College, Srinagar	
			Purchase Committee for Directorate of Health Services, Kashmir	
			Purchase Committee for Directorate of Indian System of Medicines	
2.	2003	One (01)	Central Purchase Committee, headed by Commissioner Secretary H&ME	All Items
3.	2007-08	One (01)	Central Purchase Committee with Sub Committees: 02 (Kashmir: 1 Jammu : 1) and Expert groups: 04 (A[60], B[61], C[62], D[63])	Groups A, B, C and D
4.	2008-09 to 2012-13	Four (04)	Purchase Committee –1: (Medical College Srinagar)	Groups A
			Purchase Committee –2: (Medical College Jammu)	Group B
			Purchase Committee –3: (Dental College Srinagar)	Group C
			Purchase Committee –4 : (Director Indian System of Medicines, J&K)	Group D
5.	2013-14 to 2014-15	Seven (07)	Purchase Committee for Government Medical College, Jammu	All Items
			Purchase Committee for Government Medical College, Srinagar	All items
			Purchase Committee for Government Dental College, Jammu	All Items
			Purchase Committee for Government Dental College, Srinagar	All Items
			Purchase Committee for Directorate of Health Services, Kashmir	Group B
			Purchase Committee for Directorate of Health Services, Jammu)	Group A
			Purchase Committee for Directorate of Indian System of Medicines	Group D

With an aim of dispensing with the system of PCs, the Government had envisioned (June 2003) formation of a Medical Supplies Corporation. However, till the time the Corporation was formed, a Central Purchase Committee was constituted (June 2003) as a temporary measure. Since no progress was made in establishing the proposed Corporation till May 2013, the system of PCs continued and it was seen that the number and mandate of PCs had been repeatedly changed in the years 2003, 2007, 2008 and finally in March 2013. The Director Finance of the Department stated (September 2015) that the Purchase Committees of the Health

[60] Group A Items: 1. Surgical Instruments and implants, 2. Hospital General items, 3. Drugs and Instruments, 4. Hospital Security/ Sanitation/ Diet/ Uniforms (Kashmir Province only), 5. X-Ray films and Chemicals, 6. Carriage of LDO, 7. Radio-diagnosis equipment

[61] Group B Items: 1. Machinery and Equipment 2. Laboratory, chemicals, reagents, glassware, blood bank items 3. Miscellaneous and Disposable 4. Hospital Security/ sanitation/ diet (Jammu province) 5. Dressing and sutures 6. Hospital furniture 7. Electric appliances and Air conditioner 8. Linen and Bedding

[62] Group C Items: 1. Dental Equipment 2. Dental Material

[63] Group D Items: 1. Ayurvedic and Unani Medicines 2. Ayurvedic and Unani Machinery Equipment

as well as Medical Education Department had been constituted after a gap of almost five years in March and February 2013 respectively and as such it could be inferred that the Department had not effected frequent changes in the structure of Purchase Committees. The reply was not convincing as the Department had carried out frequent change in the mandate of PCs as depicted in the **Table-2.4.2**.

(ii) Audit scrutiny of the working of the Purchase Committees showed that frequent changes in the mandate had made the PCs virtually defunct as no comprehensive Annual Rate Contracts had been finalized by any of these committees during the last five years. The position of NITs issued and Contracts finalized for Drugs/ Medicines/ disposables and Machinery/ Equipment, by various Purchase Committees operational during 2010-15 is indicated in **Table-2.4.3** below :

Table-2.4.3: Rate Contracts for Drugs/Medicines/ disposables and Machinery/ Equipment finalized during 2010-15

Sl. No	Purchase Committee	Year	Tenders issued	Rate Contracts finalized[64]
1.	PC No 1 (Medical College Srinagar)	2010-11 to 2014-15	23	16
2.	PC No 2 (Medical College Jammu)	2010-11 to 2014-15	34	17
3.	PC No 3 (Dental College Srinagar)	2010-11 to 2014-15	4	4*
4.	PC for Government Dental College, Jammu	2013-14 to 2014-15	1	0
5.	PC for DHS, Kashmir	2013-14 to 2014-15	33	7
6.	PC for DHS, Jammu	2013-14 to 2014-15	4	0
	Grand Total		**99**	**44 (44%)**

*: *Two RCs finalised partially*

Audit scrutiny showed the following:

- The Purchase Committees had invited 99 NITs for procurement of medicines, machinery/ equipment during the period 2010-11 to 2014-15, out of which 44 Rate Contracts (44 *per cent*) only had been finalized.
- The finalization of rate contract had decreased during the years 2013-14 and 2014-15, after reconstitution of purchase committees, as against 68 tenders, the Purchase Committees had been able to finalize 21 (31 *per cent*) Rate contracts only.
- Two purchase committees could not finalize any rate contract of medicine, machinery/ equipment during the period from 2013-14 to 2014-15.

Due to non-finalization of rate contracts, the PCs had been resorting to issue of periodic permissions for procurement of medicines/ machinery on the basis of expired Rate Contracts or on the basis of RCs finalized by outside health institutions like AIIMS New Delhi/ PGI Chandigarh/ SKIMS etc.

[64] Only Item specific Rate Contracts were finalised

2.4.8.2 Abnormal delay in finalization of Rate Contracts

Audit analysis showed abnormal time of more than four months taken in finalization of the Rate Contracts by the PCs as depicted in **Table-2.4.4** below:

Table-2.4.4: Time taken in finalization of Rate Contracts

Sl. No	Particulars of NIT	Date of issue of NIT	Date of finalization of Rate Contract	Time taken in finalisation (Days)
1.	High power electronic oscillator system	19.02.2010	20.08.2010	183
2.	Medical Mobile unit	13.10.2011	27.02.2012	138
3.	Anesthesia equipment	19.07.2013	18.01.2014	184
4.	Machinery and equipment (5 of 2010)	12.07.2010	28.07.2011 15.10.2011 15.12.2011	382 430 491
5.	Machinery and equipment (additional items) NIT 12 of 2010	19.11.2010	28.07.2011 15.10.2011	252 331
6.	Machinery and equipment (Phase II) 18 of 2014	17.09.2014	28.02.2015	165
7.	Oxygen concentrator 03.03.2014		31.10.2014	243
8.	Surgical dressing items	16.11.2013	24.05.2014	190

The time taken in finalization, thus, ranged between 138 and 491 days, resulting in non-provision of the requisitioned Equipment in time. The Principal, Government Medical College stated (August 2015) that measures would be adopted to finalize the tenders in a time bound manner.

2.4.8.3 Delay in operationalisation of Procurement Corporation

Despite the fact that the Government had envisioned (June 2003) formation of a Medical Supplies Corporation, Audit noticed that the Government, belatedly, accorded (May 2013) sanction to the Constitution of the J&K Medical Supplies Corporation Limited. After a gap of more than one year, the Government accorded (August 2014) sanction to the constitution of State Level Purchase Committee for the Corporation and directed all the Heads of Department to transfer 75 *per cent* of their budgetary allocation under 'Drugs and Instruments and Equipment' for the financial year 2014-15 to the Corporation so that procurement of medicines/ drugs, machinery and equipment is made by the Corporation. Audit, however, noticed that no funds had been transferred to the Corporation as of December 2014 and applicability of the Government order of August 2014 had been extended to August 2015.

Despite there being no activity in the Corporation, the Department had incurred an amount of ₹1.38 crore on administrative expenses of the Corporation during the period May 2013 to December 2014.

The Director Finance stated (September 2015) that the Corporation would be made fully operational in due course and it was expected that it would start procurement of medicine/ equipment from January 2016.

2.4.9 Working of the Purchase Committees

Of the six PCs functional during 2010-11 to 2014-15, records of two PCs were reportedly destroyed in the floods and two PCs had not finalized any Rate Contracts. Records of remaining two PCs (PC- 2 Medical College Jammu and PC Directorate of Health Services, Kashmir) which had finalized 24 Rate Contracts were test-checked in audit.

2.4.9.1 Deficiencies in finalization of Rate Contracts

Audit scrutiny of various stages of tendering process, contract clauses and terms and conditions of 15 out of 24 RCs finalized by the PCs during 2010-15 showed as under:

- No periodical/ annual requirement had been received by the PCs during 2010-11 to 2014-15. Records showed that no directions for furnishing the requirement were ever sent from the PCs. The requirements for medicines/ equipment were received on *adhoc* and need basis from the individual units without any annual assessment.
- 15 test-checked NITs issued by the purchase committee neither depicted the anticipated quantities to be procured nor the anticipated overall drawal against the proposed rate contract.
- As per the Compulsory Enlistment Scheme of the GoI and DGS&D Manual, it is compulsory for Indian agents who desire to quote directly on behalf of their foreign manufacturers/ principals, to get themselves enlisted with the Department of Expenditure, through the Central Purchase Organization (e.g. DGS&D). Requirement of such enlistment had never been asked for by the PCs nor had this been prescribed as a requirement for submission of bids by traders/ agents on behalf of their foreign principals.
- In respect of imported goods, the tenderers shall specify separately the total amount of custom duty included in the quoted price. Further, the GoI has allowed exemption from payment of customs duty in respect of certain types of goods which *inter-alia* include hospital equipment imported by Government Hospitals. It was seen that actual amount of custom duty payable was neither specified in monetary terms nor any custom tariff number was indicated in the bids. Also, no attempt to avail such exemption had ever been made with the result the benefit of Custom duty exemption had been denied to the State.
- No performance security clause was included in respect of six of the 15 medicine/ equipment contracts. Further, in two Rate Contracts only five *per cent* of the performance security as against a 10 *per cent* in all other cases had been specified.

- Rate contracts finalized for procurement of drugs/ medicines did not contain any clause on necessary production of analytical reports from the manufacturers even though a condition to this effect was included in NIT. Depiction of condition in rate contract is necessary for the guidance of the purchasing officers.
- The PCs had not carried out any rate analysis on the basis of prevailing market rate, last purchase prices or by comparison of rates *vis-a-vis* other health institutions procuring similar commodities through exchange of information before issue of NITs or finalization of the rate contracts.
- The suppliers registered with the PC were mostly the traders acting on behalf of their principal manufacturers. In the test check contracts, it was seen that almost all the contracts have been finalized in favour of traders even for the imported equipment. However, a certificate from the principal manufacturer to the effect that rates would have been same had the principal manufacturer participated in the tender directly, had not been obtained.
- A scrutiny of the Ernest Money Deposits (EMDs) held by the PCs during 2010-15 showed that the validity of 31 out of 83 EMDs had expired well before the contract validity period and no effort to have the EMDs renewed by the bidders had ever been made**.**
- No details of inspection and tests to be carried had been included in any of the NITs issued for machinery and equipment, even though a large number of these NITs included procurement of highly sophisticated machinery to be imported.

The Principal (GMC) Jammu replied that in future tenders would be floated by indicating the approximate requirement of items.

2.4.9.2 Irregularities in finalization of Rate Contracts

The instructions issued by the Government for finalization of rate contracts provide that Purchase Committees shall *inter-alia* ensure possession of minimum annual turnover of ₹15 crore and Authority letter of the Principal/ Original manufacture of the machinery/ equipment. Detailed Audit scrutiny of 11 out of 24 Rate contracts finalized by the two purchase Committees during the period from 2010-11 to 2014-15 showed cases of uncompetitive and non-transparent contract finalization as elaborated in ***Appendix-2.2.***

(i) Irregularities in finalization of RC for Mobile Medical Units

Based on a request (July 2011) from the State Health Society (NRHM), the Administrative Department constituted (October 2011) a committee for finalization of technical specifications of Mobile Medical Units (MMU). The rate contract was finalized (February 2012) by the Purchase Committee-II in favour of a firm at a cost of ₹27.24 lakh per unit. Supply order for purchase of 11 MMUs was placed (July 2012) by the Director Health Services, Jammu and entire fleet of MMUs was received during 2013-14 at a cost of ₹2.45 crore. Audit scrutiny of records of Purchase Committee-II and the DHS, Jammu showed following irregularities in the tendering and procurement process.

- The technical committee was constituted on 12.10.2011 and without finalization of technical specifications of MMU, the NIT was floated on the very next day of the constitution of technical specification committee viz., 13 October 2011.
- The approved Programme Implementation Plan PIP (2011-12) for the State specifically mentioned that 11 MMUs were to be procured for as many districts at a cost of ₹5.02 crore (capital and recurring). However, despite knowing the scope of the contract to be allotted, quantity to be procured was not mentioned in the NIT.
- There was nothing on record (except for receipt in the form of GR issued by Information Department) to suggest that adequate publicity had been given to the NIT.
- The PC met on 19.11.2011 wherein after opening of tenders two out of five bidders were rejected. However, despite a pre-bid meeting (31.10.2011) and three (17.12.2011/ 22.12.2011/ 05.01.2012) post bid meetings/ power point presentations (all attended by three bidders also), the Committee had not been able to finalise the specifications of the MMU and due to non-clarity about various issues, the committee in its meeting of 05.01.2012 had to conclude that the actual compliance vis-à-vis tender notice could be ascertained only after obtaining a sample supply to be produced by the successful tenderer before executing the whole order quantity.

The conclusion on part of the committee could be attributed to deficiencies in the overall requirement details of the NIT, which had been issued one day after constitution of the technical committee and without consultation.

- All the three bidders were again called on 22/ 23.02.2012 and based on a power point presentation, two firms were rejected on technical specifications and tender of M/S Esteem Industries, Baddi was accepted, financial bid of the bidder was opened and declared successful with following conditions:

(a) The firm had to submit an undertaking that they have not supplied same type of MMU anywhere in the country on rates lesser than quoted ones, and

(b) The firm shall fabricate one vehicle as a sample which shall be displayed before the committee and on the successful checking and verification of sample MMU, by the committee, the firm shall become entitled/ competent to execute the supply of MMUs as per approved sample.

It was however, seen that:

- Against the requirement of annual turnover of ₹15 crore, a perusal of the tender documents submitted by the successful bidder showed that there was variation in the figures of annual turnover of the firm as per the certificates of registration issued by different bodies and that issued by the Chartered Accountants of the firm with the tender.
- The rejection of two bidders on the basis of power point presentation

thereby leaving only one bidder for the financial evaluation, resulted in non-assessment of reasonability of rates quoted by the bidder both for fabrication and the equipment of the MMU.

- Despite insisting on Re-locatable Box in the NIT and throughout the bidding process, which even was declared as one of the ineligibility factors, the technical specification in the Rate Contract issued was for 'Complete fixed Box container'.
- At no stage of the whole process of Contract finalization, had the PC disclosed the exact number of MMUs. However, it was seen that the financial bid of the successful tenderer had indicated the rates for 11 MMUs. It was not clear how the successful bidder quoted for the required number in its financial bid.
- In contravention to terms and conditions of the contract, it was seen that the DHS, Jammu placed supply order for all the eleven (11) MMUs in one go and there was nothing on record to suggest that the condition of fabrication of only one vehicle in the first instance and execution of remaining MMUs only after approval of the sample MMU by the Purchase Committee had been adhered to.
- Comparison of supply order with the Rate Contract showed that of the 58 items of equipment/ accessories approved for the MMU, only 14 items had been included in the supply order and remaining 44 items had been excluded, defeating whole purpose of having a MMU.

The Principal (GMC) Jammu stated (August 2015) that the matter was being looked into and outcome would be communicated to audit and that the instructions of audit had been noted for future compliance. The Director Health Services Jammu however stated (July 2015) that due to scarcity of funds some accessories were not ordered.

2.4.10 Procurement Process in Health Institutions

2.4.10.1 Lack of mechanism for assessment of Annual requirements

Audit scrutiny of records showed that a mechanism for annual assessment of drugs/ medicines and Machinery equipment for the province and the State as a whole for projection to the Purchase Committees and for guidance of the purchasing officers was not in place in the Department. Audit examination of records of the test checked Associated Hospitals/ CMOs/ Directorates/ District Hospitals/ CHCs/ PHCs showed the following:

- The test-checked health institutions did not have a system of annual assessment of Medicines and Equipment. Entire procurement of Medicines was being done on need basis with the result that the institutions had to place multiple small value supply orders throughout the year. Procurement of Machinery/ equipment too had been made in *adhoc* and unplanned manner.
- The Director Health Jammu had projected requirement for 249 drugs/

medicines annually during the years from 2010-11 to 2014-15 without feedback from field units. It was seen that the quantities projected against each drug had been kept at a uniform level during all the five years except for the year 2011-12 in which quantities of 35 medicines/ drugs had been enhanced by 100 *per cent*, 12 medicines/ drugs by 500 *per cent* and seven medicines by 1000 *per cent* over previous year 2010-11. Against the assessed requirement of 249 medicines/ drugs for 2012-13 and 2013-14, only 48 and 41 medicines had been purchased respectively.

- Similarly, data in Provincial Medical Stores, Kashmir for the years 2010-11 to 2014-15, showed that an annual requirement of 173 drugs/ medicines had been kept almost same during the period from 2010-11 to 2014-15 excepting for the year 2012-13 where quantity of 51 medicines/ drugs projected had been enhanced by 100 *per cent* to 500 *per cent*.

  The Director Health services Jammu stated (July 2015) that all the items projected by the CMO's were either not quoted by the tenderers or not approved by the rate contract committees.

- Audit in the course of scrutiny of records in the field health institutions came across instances where the Machinery/ Equipment purchased by the Directorates of Health Kashmir/ Jammu had been supplied to the Health Institutions without any requisitions with the result that large scale Machinery/ Equipment had been lying idle across the sampled health institutions as brought out in Paragraph 2.4.14.1

2.4.10.2 Purchase of Drugs/ Medicines/ Consumables

The summarized position of medicines/ drugs purchased by the test-checked health institutions during the period from 2010-11 to 2014-15 is depicted in ***Appendix-2.3.***

Audit analysis showed the following:

- Of the 9782 supply orders (Value: ₹108.52 crore) placed by the test-checked health institutions, 1898 supply order (19 *per cent*) (Value: ₹64.25 crore) had been placed on the basis of Rate Contracts finalized by the Purchase Committees.
- 797 supply orders (value ₹27.14 crore) were placed on the basis of Rate Contracts the validity of which had expired, resulting in purchase on repeat order basis and extension of undue benefits to the suppliers.
- 168 supply orders (value ₹3.62 crore) had been placed with Jan Aushudi Stores/ Red Cross/ Super Bazar/ Outside Health Institutions.
- 6919 supply orders (71 *per cent*) out of a total of 9782 supply orders (value: ₹13.52 crore) had been issued for procurement from the local open market during 2010-11 to 2014-15 without inviting tenders.

Large scale procurements (₹44.28 crore) on the basis of expired rate contracts and from the local market was due to the fact that Purchase Committees had not been able to finalize Annual Rate Contracts. The Principal (GMC) Jammu stated (August 2015) that due to non-finalization of rate contracts the hospital had got no option else to explore other sources to avoid any loss of precious lives.

Further implications of the existing system of drugs/ medicines procurement as analysed in Audit are elaborated below:

2.4.11 Local Purchase of medicines

2.4.11.1 Expenditure in excess of delegation

Delegation of financial powers provide for local purchase of medicines/ disposable in certain conditions including emergent circumstances. In contravention of existing delegation, it was seen that the annual ceiling had been exceeded by all the test checked health institutions by placing 71 *per cent* (6919 out of 9782 supply orders) as detailed in **Table-2.4.5** below:

Table-2.4.5

Institution	Expenditure Incurred on Local Purchases				
	2010-11	2011-12	2012-13	2013-14	2014-15
Permissible Annual Limit as per delegation of Financial Powers (₹ in lakh)	0.50	0.50	0.50	1.00	1.00
Medical College Hospital Jammu	27.91	21.45	21.09	46.13	47.17
Dental College Hospital Jammu	4.33	3.60	6.73	11.00	3.79
SMGS Hospital Jammu	31.12	18.86	23.32	55.26	90.44
Chest Disease Hospital Jammu	2.64	4.35	6.71	10.14	12.96
Bone and Joint Hospital Srinagar	19.75	11.26	5.53	3.27	7.19
Chest Disease Hospital Srinagar	76.56	34.21	47.37	6.69	5.56

Incurring of expenditure in excess of the delegation is irregular and action taken by the Medical Superintendents to have the excess over the delegations regularized from the Competent Authority was neither on record nor intimated to Audit. The department attributed reasons for excess delegation of powers to absence of approved rate contract, attending to the patients of road accident, border firing etc.

2.4.11.2 Purchase of a single medicine at different rates

Audit analysis showed that as a result of local purchases same medicines had been purchased by different health units at significantly varying rates. A graphical representation of huge variation in the case of four drugs/ medicines analysed by the Audit in test checked units is depicted in ***Appendix-2.4***. The cases are illustrative and large scale variation in the purchases across the health institutions in the State with huge financial implications cannot be ruled out.

2.4.12 Sample Check of Supply orders of medicines/ drugs

In order to ascertain the extent to which the purchasing officers are adhering to the codal procedures as set out in the financial rules and terms and conditions of the Rate Contracts, through various procurement stages from placement of orders, receipt of supplies, accounting of stores up to release of payments to the suppliers, Audit carried out a test check of 426 sample supply orders (Rate contracts/ DGS&D and Local Purchases) valuing ₹36.48 crore, selected on Random Sample basis, placed by the sampled health institutions. Audit scrutiny showed as below:

2.4.12.1 Purchase of Propriety Medicines

It was seen that in the absence of RCs the purchasing Officers of test-checked units had been placing supply orders directly on the dealers/ manufacturers. It was seen that the requisitions for such purchases were being received by the purchasing officers from the Heads of Departments (HODs) in piece-meals throughout the year which had resulted in frequent small procurements throughout the year. The institutions in order to avoid large scale purchases had restricted the supply orders below the permissible limits as provided in the Delegation of Financial Powers for purchases in unforeseen/ emergent situations. The Principal (GMC) Jammu stated (August 2015) that propriety name was being mentioned on supply orders so that supplies were accepted in stores in accordance with quality/ manufacturer.

2.4.12.2 Non-submission of Analytical Reports

The department is required to ensure that Analytical Reports of drugs/ disposables are received with each lot/ batch of drugs/ medicines/ disposable at the time of receipt of supplies so that medicine/ drug of standard quality is received.

It was, however, seen that though the medicines/ disposable received against Rate Contracts had been received with Analytical Reports in the test checked units, no such reports had been insisted upon in the case of local purchases. Test check showed that no analytical reports had been obtained in respect of 160 (38 *per cent*; Value: ₹1.87 crore) out of 426 sampled supply orders. Non-receipt of Analytical Reports is fraught with the risk of providing sub-standard/ spurious drugs/ medicines to the patients. The Principal (GMC) stated (August 2015) that the receipt of analytical reports would be ensured in respect of laboratory kits also.

2.4.12.3 Issuance of sub-standard drugs for supply to patients

The health institutes are required to send the samples of the drugs/ disposables for testing to the Drug Controller or an accredited laboratory on regular basis for ensuring independent quality check of the drugs.

It was, however, seen that none of the test checked health institutions had a mechanism of regular referral of drugs/ medicines/ disposables for testing.

Data collected from the State Drug and Food Controller Organisation, Srinagar/ Jammu showed that the Organisation had lifted 1833 samples from health institutions during 2010-15, out of which 43 samples were declared as 'Not of Standard Quality'.

However, cross check of data in the sampled health institutions showed that 50.95 lakh tablets/ capsules/ injections etc.(value: ₹82.74 lakh) declared 'Not of Standard Quality' by the testing organisation had been issued for supply to patients ***Appendix-2.5*** This was due to absence of a proper mechanism for monitoring of Reports once the samples were lifted by the Drug and Food Controller organisation as by the time test reports had been received by the hospitals entire quantity of drugs/ medicines of the sampled drugs/ medicines had been administered either fully or partly to the patients. The Principal (GMC) Jammu stated (August 2015) that the test reports of the samples lifted by Drug controller authorities were not received by the department by the time the hospital consumes medicines/ drugs and that the matter for delivering test reports immediately would be taken up with the concerned authority.

2.4.12.4 Non-depiction of Batch Number and Manufacturing/ Expiry dates in the stores records

Supplies ordered by the purchase section are received in the Central Stores of the hospitals and are entered in the consignment register and subsequently in the stock registers and sub-stocks of the stores for further issue to end-users.

Test-check of store records of the sampled health institutions showed that no such details had been recorded in main stock register at the Central Stores, indents and sub-stores. In absence of these details, Audit could not analyse the system of issue of stocks of medicines from the stores in any of the test checked units as the system to be adopted should follow the FIFO (First-in First-out) pattern of issue to ensure that the drugs/ medicines with shorter shelf life are consumed first. This also ensures identification of the drug/ medicines in the event of any drug/ medicine being declared sub-standard. The Principal GMC and DHS, Jammu replied that instruction of audit had been noted and would be forwarded to Medical Officer Stores for immediate compliance.

2.4.12.5 Non-maintenance of end user records

Records to identity end-user patient to whom the medicines were issued had not been maintained in any test-checked health institution. In absence of which it could not be ascertained as to whether the medicines/ drugs had actually been received by the patients visiting these Health institutions.

In view of the fact that none of the test checked health institutions from the level of Medical College Hospital down upto PHCs levels had maintained any verifiable end-user medicine distribution and consumption records, distribution of drugs/ medicines and other consumables worth ₹108.53 crore purchased by these units during the period 2010-11 to 2014-15 to the patients, could not be vouchsafed in Audit.

In reply the Medical Superintendents/ Block Medical Officers, while admitting that no verifiable end-user records were being maintained, attributed same to lack of adequate manpower in IPD/ OPD wings of the hospitals. The Principal (GMC) Jammu and DHS, Jammu replied that the instruction had been noted and measures would be adopted to formulate a policy for making proper records of end-users.

Beneficiary Survey

In order to assess the extent of availability of drugs/ medicines in the Health institutions, Audit carried out a beneficiary survey of a random sample of 75 patients in two test-checked health institutions.

The survey data showed that, of the 562 medicines prescribed for the patients, only 323 (57 *per cent*) drugs/ medicines were provided free by these health institutions and 43 *per cent* medicines had to be procured by patients from the market.

Further, 11 out of 75 patients felt that the drugs/ medicines being provided by the hospitals were not adequate. The Principal (GMC) Jammu stated that due to financial constraints all the drugs could not be supplied to each patient.

2.4.13 Purchase of machinery/ Equipment

The summarized position of machinery/ equipment purchased by the test checked units during 2010-11 to 2014-15 is depicted in ***Appendix-2.6***.

Audit analysis showed the following:

- Out of 1014 supply orders (value: ₹81.57crore) issued by the test check health institutions for the procurement of machinery/ equipment during the period from 2010-11 to 2014-15, 93 supply orders (value: ₹11.41 crore) had been placed against Rate contracts the validity of which had expired. Placement of supply orders on expired Rate Contracts resulted in placement of repeat orders and extension of undue benefit to suppliers.
- 581 supply order (Value: ₹19.17 crore) had been placed on the basis of Rate Contracts finalized by the outside health institutions and on the DGSD rate contracts.
- Out of 236 supply orders (₹5.81 crore) placed by the District Hospitals, supplies worth ₹4.22 crore involving 193 supply orders had been procured from the open market.

The Principal (GMC) Jammu stated (August 2015) that due to non-finalization of rate contracts, the department had made procurement of equipment on the basis of previous rate contracts or rate contracts of other reputed Health institutions.

Large scale procurements (₹34.80 crore) done on the basis of expired rate contracts/ RC of outside health institutions/ DGSD rate contracts was due to the fact that Purchase Committees had not been able to finalise Annual Rate Contracts. Audit examination of records showed deficiencies in the whole procurement process as elaborated below.

2.4.13.1 Purchase on the basis of RCs/ Supply orders of other health institutions

Due to non-finalisation of Rate Contracts for Machinery/ Equipment, the Purchase Committees permitted procurement of Machinery/ Equipment by the Medical Superintendents/ Directors on the basis of RCs/ Supply Orders finalized/ placed by the other health institutions like SKIMS/ AIIMS/ PGI Chandigarh.

Audit check of the records in the sampled health institutions showed the following:

- The orders were placed on the basis of photocopy of supply orders/ rate contract placed by the outside health institutions. However, neither any cross checking/ confirmation of genuineness of the supply orders nor efforts to obtain full details of the Contract from the respective institutions had ever been made.
- The Purchase Committee approval was with the condition that the purchases should be undertaken on the lowest approved rates of AIIMS/ SKIMS/ PGI. However, no enquiry of rates from any of these institutions for the item to be purchased had ever been made.
- An undertaking or agreement to bind the original manufacturer/ supplier for after sale Guarantee/ warranty, Uptime Guarantee, Maintenance of equipment, availability of spares, Comprehensive Maintenance Contract (CMC), etc., had not been obtained by the health institutions, thus exposing the institutions to the risk of lack of after sale service. Due to this, in most of purchases, the original manufacturer/ authorized distributor was not involved in the transaction.

The Principal (GMC) Jammu stated (August 2015) that instruction of audit would be taken into consideration while placing such orders.

2.4.13.2 Suspected Fraud by Procurement based on Fake/ Tampered Supply Orders

Since the health institutions had placed supply orders on the basis of photocopies of the outside health institutions, Audit carried out cross verification of a sample of 24 supply orders issued by the AIIMS, New Delhi and PGI Chandigarh, which had been used by the test checked Health institutions for procurement of different types of Machinery/ Equipment, to ascertain the genuineness of the supply orders.

The cross verification showed that six supply orders (25 *per cent*) claimed to have been issued by the AIIMS New Delhi, had either not been issued by AIIMS or had been tampered with resulting in procurement of machinery/ equipment to the extent of ₹1.17 crore on the basis of fake/ forged supply orders by the institutions as detailed in ***Appendix-2.7.***

Since the above exercise has been conducted by the Audit in a test check manner, possibility of such procurement on large scale and by the other health institutions cannot be ruled out.

The matter was referred (April 2015) to Commissioner-Secretary of the

Department. Further progress in the matter was awaited. The Director Health services Jammu stated (July 2015) that the concerned firm had been asked to explain position in this regard. The Director Finance of the Department stated (September 2015) that the Department had knowledge about the fake supply order before it was observed by the audit and had asked (November 2013) the Principal Government Medical College Srinagar to take appropriate action in the matter. The Director Finance further quoted the information furnished by the Director Health Services Kashmir wherein it was stated that no payment had been released except ₹14.17 lakh in favour of the supplier during 2012-13 and that all the subordinate offices had been directed not to release any payment in favour of the supplier for the items procured during 2012-13. It was also stated that Police action had been initiated into the matter and lifetime ban had been imposed on the supplier against participating in the tendering process. The reply was not convincing as the fraud had occurred due to non-finalisation of Rate Contracts for Machinery/ Equipment and procurement thereof on the basis of RCs/ Supply Orders finalized/ placed by the other health institutions.

2.4.13.3 Sample Check of Supply orders of Machinery/ Equipment

The procurement of machinery/ equipment is made by Medical Superintendents and Directors of Health Services Jammu/ Kashmir by issuance of supply order. During the period from 2010-11 to 2014-15, 754 supply orders have been issued by the Purchasing authorities for procurement of machinery/ equipment, of which audit conducted test check of 189 supply orders (Rate Contract/ DGS&D and Local purchase) valuing ₹26.25 crore, selected on simple random sample basis. Following was observed in audit.

(i) Purchase without execution of agreements and obtaining Performance Security

The J&K Financial code and terms of the rate contract/ supply orders stipulate that successful bidders will have to execute an agreement in the prescribed form and deposit performance security in the form of Bank guarantees for the due performance of the contract.

Test-checked supply orders showed the following:

- No agreements stipulating terms and conditions therein to safeguard Government interest were entered into with the suppliers/ manufacturers against 150 supply orders (₹15.36 crore) issued by seventeen Purchasing officers. Reasons for non-execution of agreement with the suppliers though called for were not assigned.
- The purchasing officers had not obtained performance security in the shape of bank guarantee from the suppliers while effecting purchase of machinery/ equipment worth ₹13.76 crore (132 Supply orders) thereby keeping no safeguards for after sale services of these machinery/ equipment.

The Principal (GMC) Jammu stated (August 2015) that most of the agreements were available and that instructions stood issued not to release payment till execution of agreements/ obtaining bank guarantee as per supply orders.

(ii) Non-depiction of Make, Model and Serial Number on the body of Supplier Invoice/ Bill

Full specification of the equipment purchased should be recorded on the body of the bill by the supplier so as to enable the verification committee to verify the supplies and enforce post-contract terms and conditions.

It was, however, seen that no details of the Make, Model and Serial Number on the body of Supplier Invoice/ Bill had been depicted by the suppliers in supply order/ bills in test checked cases. The department replied that instructions had been noted and would be adhered in future.

(iii) Procurement without ensuring submission of adequate documents

Audit scrutiny showed that majority of the suppliers who had supplied Machinery/ equipment to the test checked health institutions were traders/ local authorized agents acting on behalf of the Principal manufacturers or their subsidiaries operating in India. In order to safeguard the interest of the Government and to ensure purchase of genuine and quality item, submission of documents/ certificates to establish genuineness of the equipment was to be ensured before release of payments.

The test-checked units had made purchase of machinery/ equipment worth ₹54.45 crore during the period from 2010-11 to 2014-15. However, it was seen that neither any of above conditions were included in the Rate Contracts finalized by the Purchase Committees nor had these been included in the supply order and none of the above certificates had been obtained before releasing the payment to the suppliers. Due to lack of adequate documentation/ certificates as above, genuineness of the source and quality of machinery/ equipment purchased by the health institutions could not be vouchsafed in Audit. The department replied that instructions of the audit would be taken care of and incorporated in the future tenders.

(iv) Non-adherence to DGS&D rates contracts terms and conditions

Test-check of records of five Purchasing officers showed that supply orders for procurement of equipment worth ₹3.77 crore had been placed directly with the suppliers during 2010-11 to 2014-15 on the basis of Rate Contracts approved by the DGS&D.

It was seen that:

- the terms and conditions as attached with the DGS&D rate contracts for placing supply orders, intimation thereof to the DGS&D, confirmation of payment of requisite departmental charges by the firms before making payments had not been adhered to before undertaking the purchases.
- since the orders have been placed directly on the suppliers without adhering to DGS&D terms and conditions, agreement to bind the suppliers for after

sale service and post contract liabilities had not been entered into.

The Principal GMC Jammu stated (August 2015) that the directions of the audit had been noted and presently departmental charges were being deposited by the supplier firm.

2.4.14 Post Procurement issues

2.4.14.1 Idle Machinery/ equipment

Audit noticed that purchase of machinery/ equipment had been made by both the Directorates without obtaining requirements, ensuring availability of trained manpower, infrastructure facilities etc in the health institutions. It was also noticed that equipment purchased had been sent to these health institutions just to avoid their retention in the Provincial stores after procurement. Audit scrutiny of records showed that machinery/ equipment valuing ₹1.21 crore (***Appendix-2.8)*** had not been installed or put to use by the end-user Health institutions due to non-availability of infrastructure, trained manpower or other accessories in the health institutions. The Director Health Services Jammu stated (July 2015) that efforts were being made to get the equipment installed.

2.4.14.2 Non-maintenance of log books and lack of AMC

It was seen that log books of the Machinery/ equipment had not been maintained in any of the test checked institutions with the result no details pertaining to individual items of machinery/ equipment from the point of purchase of machinery to track its use, downtime, repairs etc., were being maintained. Further, it was seen that no system of ensuring CMC/ AMC of the equipment beyond warranty period, was in place in any of the test checked health institutions. The department replied that instructions had been given to all the incharges to maintain a log book of all the equipment installed in their respective institutes.

2.4.15 Monitoring and evaluation

2.4.15.1 Lack of Monitoring by Administrative Department

Audit scrutiny showed that a monitoring mechanism to oversee the procurement by the Purchases Committees and in the health institutions from the level of Administrative Department was absent. No periodic data relating to procurement was being compiled at the Administrative Department level.

2.4.16 Conclusion/ Recommendations

Purchase Manual had not been prepared by the Department.

The Government may consider ensuring preparation of Procurement Manual for adoption of a uniform procedure for making purchases of medicines and equipment.

Even after lapse of about three years of adoption of Drug Policy, the Department had not been able to put in place a drug formulary for the guidance of health institutions.

The Government may consider ensuring Implementation of the Drug Policy for preparation of drug formulary of common generic medicines.

No specific policy guidelines were put in place for testing of drugs before these are administered to patients.

The Department needed a robust mechanism for regular testing of drugs before they are administered to the patients.

Expenditure on procurement of Medicines and Equipment ranged between five and seven *per cent* of the total allocation to the Department. 59 *per cent* of NRHM funds provided for procurement of medicine, machinery and equipment remained unspent.

The Government may consider ensuring rationalisation of expenditure to be incurred on procurement of medicines and equipment.

The Department had repeatedly restructured/ reconstituted the Purchase Committees by shifting from decentralized to centralized and back to decentralized forms affecting the working of the Committees as no comprehensive Annual Rate Contracts had been finalised during 2010-15. Medical Supplies Corporation had not been made functional despite lapse of 10 years.

The Government may consider operationalisation of Procurement Corporation.

Due to non-finalization of comprehensive Annual Rate Contracts of Medicines/ Equipment, Health institutions had resorted to large scale procurements (Medicines: ₹44.28 crore; Equipment: ₹34.23 crore) on the basis of expired rate contracts/ outside health institutions and from the local market. Audit analysis showed that as a result of local purchases same medicines had been purchased by different health units at significantly varying rates. ₹50.95 lakh tablets/ capsules/ injections etc. (value: ₹82.74 lakh) declared 'Not of Standard Quality' by the testing organisation had been issued for supply to the patients.

Procurement of machinery/ equipment to the extent of ₹1.17 crore had been made on the basis of fake/ forged supply orders of the Outside Health Institutions. Machinery/ equipment valuing ₹1.21 crore had not been installed or put to use by the end-user Health institutions due to non-availability of infrastructure, trained manpower or other accessories in the test checked health institution.

The Department should consider ensuring proper accounting and optimum utilization of Medicines/ Equipment.