

EXECUTIVE SUMMARY

Background

A comprehensive reconstruction plan for the erstwhile State of Jammu & Kashmir (J&K), was announced by the Prime Minister of India on 07 November 2015. The Prime Minister's Development Package (PMDP), included 63 projects with a total outlay of ₹ 80,068 crore under following five sectors (pillars):

- Humanitarian Relief¹,
- Crisis Management²,
- Social Infrastructure³,
- Development Projects⁴ and
- Economic Infrastructure⁵

The core objective of the PMDP, a Reconstruction Plan was to expand the economic infrastructure; provide basic services; give thrust to employment and income generation; provide relief and rehabilitation to the victims of September 2014 floods and to strengthen the Disaster Management Framework of the erstwhile State. The PMDP also seeks to strengthen the economic and social infrastructure to provide for the balanced development of the three regions, Jammu, Kashmir and Ladakh of the erstwhile State of J&K.

Under the PMDP, six Ministries/ Agencies of the Government of India are implementing 24 projects with project outlay of ₹ 44,083 crore and 14 Departments/ Agencies of Government of Jammu & Kashmir (GoJ&K) are implementing 39 projects with project outlay of ₹ 35,985 crore. A total amount of ₹ 11,100.28 crore was released and an expenditure of ₹ 9,282.84 crore was incurred, till March 2019 in relation to these 39 projects.

The Audit objectives were to assess whether for implementation of the projects:

- Funds were released, accounted for and utilised by the implementing agencies;
- Structural mechanisms were in place; Infrastructural facilities and staff requirements for implementation of the projects were adequate and effective;
- Compliance with the provisions of applicable financial rules and standing orders/ instructions;
- Employment had been achieved and whether it was in accordance with laid down norms;
- Eligible beneficiaries were identified properly and financial assistance had been paid to them as per laid down norms;

¹ With an outlay of ₹ 6,313 crore.
² With an outlay of ₹ 5,858 crore.
³ With an outlay of ₹ 8,057 crore.
⁴ With an outlay of ₹ 5,521 crore.
⁵ With an outlay of ₹ 54,319 crore.

- Execution of the works was carried out economically and efficiently; and
- Monitoring of flood management works of Jhelum river and Mechanism for restoration of damaged infrastructure was in place.

The Audit Sample was drawn up based on the physical and financial targets *vis-a-vis* their achievements including risk and materiality factors. Accordingly, 16 projects out of 39 projects of PMDP being implemented by the GoJ&K, under four sectors, Humanitarian Relief, Crisis Management, Social Infrastructure and Development Projects (**Appendix 1.2**) were test-checked by audit, during the period from April 2019 to November 2019.

An Entry Conference was held with the Principal Secretary, Planning Development and Monitoring Department, GoJ&K on 20 May 2019, wherein the objective, scope, criteria and methodology of audit were discussed. The Audit findings were discussed in an Exit Conference held with the Financial Commissioner, Department of Finance, GoJ&K on 20 August 2020 which was attended by all Heads of Departments/Implementing agencies of the GoJ&K. The replies of the Department have been suitably incorporated in the report, as appropriate.

While the total financial implication of this audit intervention is ₹ 2,125.21 crore, significant findings and related recommendations relating to different Sectors, have been abstracted in the following paragraphs.

Humanitarian Relief

Assistance for completely damaged, severely damaged and partially damaged houses

The Government of Jammu & Kashmir (Finance Department) had retained ₹ 102.80 crore out of ₹ 1,194.85 crore released by the GoI. The flood affected residential houses had been categorised on the basis of initial reports of non-technical officials in making assessment of damages. In seven test checked districts, out of 1.69 lakh houses identified as damaged immediately after floods of September 2014, 1.58 lakh households were paid assistance under SDRF, 1.46 lakh households under PMNRF and 1.40 lakh households under the PMDP as on March 2019. The financial assistance of ₹ 63.45 lakh in 184 cases has been provided in Jammu and Rajouri districts, for households which were not on the list prepared post the floods of September 2014. In six districts, excess financial assistance of ₹ 73.85 lakh was paid to 85 affected households into their Bank accounts. The Assistant Commissioner (Revenue), Rajouri, had diverted, ₹ 16.10 lakh without authorisation, for purchase of articles and restoration works/ clearance of work done liabilities. There was delay in release of funds ranging between 47 days to 31 months by the Finance Department to the Department of Disaster Management, Relief, Rehabilitation and Reconstruction.

(Paragraphs: 2.2.2, 2.2.2.1, 2.2.2.2, 2.2.4, 2.2.4.2 and 2.2.4.3)

Rehabilitation package for Jammu migrants

The database of Jammu migrants and their families had not been prepared and were further not updated on account of births, deaths, separation etc. despite the Criminal Investigation Department (CID) of J&K identifying the eligible beneficiaries, after due verification of the migrant families. Payment of arrears amounting to ₹ 78.63 lakh was made to 72 migrant families, who were neither in list prepared by the CID of J&K nor were they on the list prepared on the directions of Courts. Excess disbursement of cash assistance of ₹ 67.14 lakh to 84 migrant families and inadmissible payment of arrears of ₹ 75.53 lakh was made to 49 migrant families for the period prior to their registration as migrants. Besides, excess payment of arrears of ₹ 28.99 lakh to 159 migrant families on account of interest on cost of ration was also observed. No cash assistance was paid to 20 migrant families after their registration as migrants, although free ration to these families was allowed.

(Paragraphs: 2.3.3, 2.3.4, 2.3.5, 2.3.6 and 2.3.7)

Rehabilitation package for one time settlement for families from Pakistan occupied Jammu and Kashmir (POJK) and Chhamb Displaced persons

Under this package assistance of ₹ 2,000 crore from the GoI for a one-time settlement was to be provided to 36,384 families displaced from Pakistan occupied Jammu and Kashmir (POJK) in 1947 and from Chhamb during the years 1965 and 1971. However, no survey was carried out/ data base maintained for establishing the identities of displaced persons including families residing outside Jammu and Kashmir. Sixty four ineligible or doubtful cases were paid financial assistance of ₹ 3.52 crore. In addition to the above, in 40 cases involving 80 applicants, copies of same documents were used twice and assistance had been claimed twice separately by individuals by splitting families or by misrepresentation of facts, which led to undue/ wrong payment of ₹ 2.31 crore.

(Paragraphs: 2.4.1, 2.4.2, 2.4.6, 2.4.7 and 2.4.9)

Interest subvention on assistance for restoration of livelihood of traders/ self employed/ business establishments

The main objective of the Scheme was to provide financial assistance for restoration of livelihood of traders/ the self-employed/ business establishments etc; affected during floods of September 2014 in Jammu and Kashmir. However, interest subvention to the extent of ₹ 0.75 crore was provided by Banks for 107 accounts which were not eligible. An amount of ₹ 456.26 crore (57 per cent) had been diverted from the funds released for the project towards settlement of outstanding loan of 19 houseboat owners not affected by the floods of September 2014 (₹ 1.47 crore), outstanding balance of interest on Artisan Credit Cards (₹ 26 crore), Kisan credit card scheme (₹ 244.10 crore), Chief Minister's Business Interest Relief Scheme (₹ 180 crore), towards a private trust (₹ 0.55 crore) and towards destitute women/ damaged houses (₹ 4.14 crore). Financial assistance of ₹ 39.15 lakh was disbursed to 425 business units/ traders in excess of the prescribed limit, out of which ₹ 0.35 lakh was recovered.

(Paragraphs: 2.5.1, 2.5.3.2, 2.5.4.1, 2.5.4.2, 2.5.5, 2.5.5.1 and 2.5.5.2)

Raising of Five India Reserve Battalions in J&K

To cater to deployments arising out of sudden and widespread eruption of unrest, Ministry of Home Affairs, GoI sanctioned (February 2016) a project for 'Raising of Five India Reserve (IR) Battalions' under the PMDP. An expenditure of ₹ 116.21 crore had been incurred on the project and utilisation of funds was 58 *per cent* ending March 2019. However, there was overall shortage of 1,238 personnel (25 *per cent*) against the sanctioned strength of 5,035 Police personnel for the newly created five IR Battalions. The shortages in senior ranks (Head Constable onwards) was 88 *per cent*.

(Paragraphs: 2.6.1, 2.6.2 and 2.6.4)

Crisis Management

Construction of Additional Girls Hostels in Higher Education Institutions

The construction work of Girl's Hostels in Government Degree Colleges was allotted, in four out of the five selected colleges to the Jammu and Kashmir Housing Board on nomination basis. The construction of hostels which was scheduled to be completed within eight months from the date of award (February 2018) was yet to be completed (October 2020), depriving hostel facilities to girl students of selected Colleges. This was despite ₹ 23.75 crore being released directly (July 2017 to October 2018) into the Bank accounts of seven Government Degree Colleges by the University Grants Commission, against the sanctioned cost of ₹ 50 crore. An expenditure of only ₹ 15.29 crore (including the funds released under the erstwhile State Plan) was incurred (September 2020).

(Paragraphs: 3.2.1 and 3.2.3)

High End Security and Law and Order System in Jammu and Kashmir

Procurement of non-proprietary Medium Bullet Proof Vehicles (MBPVs) stated to be proprietary, despite the urgency projected, with delays from two manufacturers at different and higher rates, resulted in additional expenditure of ₹ 9.20 crore and non procurement of the required number of vehicles sanctioned.

(Paragraph: 3.3.2.2)

Comprehensive Plan for Flood Management of River Jhelum and its tributaries Phase I

There was a shortfall of targets in terms of dredging that was required under the Project to increase the carrying capacity of flood waters of the Jhelum river and through the Flood Spill Channel (FSC). The critical areas of the FSC to increase the evacuation capacity of flood waters were still under excavation.

(Paragraph: 3.4.6.1)

The Department did not forfeit any amount from the performance bank guarantee of the contractor engaged for dredging for failure to adhere to the terms and conditions of the contract.

(Paragraphs: 3.4.6.1 (I and II))

Permanent Restoration of Damaged Infrastructure

The main objective of the project 'Permanent restoration of damaged infrastructure' was to restore infrastructure damaged due to floods of September 2014. Under the project, 9,076 works/ schemes were taken up for execution in selected seven Departments.

An expenditure of ₹ 610.85 crore had been incurred on 5,707 works which were taken up for execution without obtaining requisite administrative approvals and technical sanctions. Further an expenditure of ₹ 328.88 crore was also incurred for execution of 5,285 works without invitation of tenders in a non-transparent manner.

(Paragraphs: 3.5.1, 3.5.3 and 3.5.4)

Social Infrastructure

Stepping up efforts under Himayat scheme

The Jammu & Kashmir State Rural Livelihood Himayat Management Mission (JKSRLM), prepared the three years plan for 2016-19 and 2019-22 without any baseline survey and analysis to map the skill gap. In the implementing Unit (HMMU), against 340 sanctioned posts there was a shortfall of 63 *per cent* of posts at the Apex level, with 100 *per cent* shortfall at district and block levels. There were significant delays in start of projects by 20 Programme Implementing Agencies, with respect to deemed date and actual date of commencement. Against a target of 53,547 youth to be trained, only 4,494 youth (8 *per cent*) were trained, during the period from 2016-17 to 2018-19. Further, out of 4,494 trained youth, only 732 youth (16 *per cent*) were placed in jobs. The teams were not in place to monitor the process.

(Paragraphs: 4.2.5, 4.2.7, 4.2.7.1, 4.2.8 and 4.2.9)

Enhanced rate of remuneration to Special Police Officers (SPOs) from ₹ 3,000 per month to ₹ 6,000 per month

The main objective of the Project was to improve the living conditions of Special Police Officers (SPOs). The adhoc approach adopted in selection of SPOs by the Department, resulted in 2,650 SPOs which had to be disengaged. Further, in the test checked districts, excess manpower was retained without regularisation.

(Paragraphs: 4.3.1 and 4.3.2)

Development Projects

Atal Mission for Rejuvenation and Urban Transformation (AMRUT)

The water distribution network under the Water Supply Scheme in Leh project although laid for an area which was a dumping site, had remained incomplete. Non-acquisition of land before taking up works of water supply project, Anantnag resulted in delayed execution of the scheme and idling of machinery/ equipment, rendering expenditure of ₹ 4.14 crore unproductive.

(Paragraphs: 5.2.4.1 (I and II))

There was a delay in tendering, execution of works and pendency in acquisition of land for construction of Sewerage Treatment Plant in Jammu city, which remained incomplete, despite incurring an expenditure of ₹ 6.36 crore.

(Paragraph: 5.2.4.2 (I))

The Department had taken up construction of Septage Treatment Plant in Jammu city without ascertaining realistic values of septage in the field, without resolving technical issues and in absence of environmental clearance. As a result, the project could not be completed rendering an expenditure of ₹ 4.16 crore unfruitful. The Septage management scheme in Srinagar city could not be completed due to non-finalisation of contract for procurement of suction-cum-jetting machines for about three years, with expenditure of ₹ 7.67 crore having been incurred on the project.

(Paragraphs: 5.2.4.3 (I and II))

The purpose of installation of Intelligent Lighting System in Jammu city could not be achieved due to non-execution of certain essential components of the project (Red Light Signal Violation Detection (RLVD) system) and non existence of mechanism for monitoring violation of traffic signals at 64 intersections, which defeated the objective of the project. The site selection related issues severely hampered the multi car parking projects in Anantnag, Jammu and Srinagar.

(Paragraphs: 5.2.4.5 (I) and 5.2.4.6)

Balance Central Share Liability of ongoing Jawaharlal Nehru National Urban Renewal projects for the State of Jammu and Kashmir

Non-acquisition of land in time bound manner coupled with the delays in settlement of issues and improper planning in execution of work by the Department, resulted in the project of 'Solid Waste Management' in Leh remaining incomplete, despite availability of funds and this led to disposal of the waste of the town in open fields posing threat to environment and public health. Besides an expenditure of ₹ 9.18 crore had remained largely unfruitful.

(Paragraph: 5.3.3.2)

Failure of the Department to acquire land for construction of tube wells for 'Water supply scheme Leh', led to non-establishment of its source which resulted in idle investment of ₹ 51.10 crore. An amount of ₹ 10.48 crore was diverted from the project 'Improvement of road network at Leh' for execution of unapproved items/works.

(Paragraphs: 5.3.3.3 and 5.3.3.4)

Externally Aided Project of Jammu and Kashmir Urban Sector Development Investment Programme and Completion of pending projects under PMRP 2004: Counterpart Funding - ADB II

The aggregate increase over original contract amount of eight sub-projects ranged between 24 *per cent* and 80 *per cent* and the cost of these sub-projects was revised without obtaining approval of the Asian Development Bank. The objective of sub-projects ‘(i) Assessment and analysis of Non Revenue Water (NRW) by way of supply, installation and removal of domestic water meters and (ii) Management for reduction of NRW by installation of water meters with automated meter readers’ to reduce water losses in identified locations and to prepare a comprehensive Non-Revenue Water reduction plan was not achieved, as the extent of water losses could not be assessed because of gaps in project execution and lack of basic data regarding water supply distribution network, updated pipeline network and customer database not being provided by the line Department to the Contractor.

(Paragraphs: 5.4.5.3 and 5.4.7)

Construction of Government Tourist assets in lieu of damaged/ destroyed assets

The Department had no plans in place for Operation and Management of the tourist assets reconstructed under this project. As of September 2020, out of 23 sub-projects, 15 sub-projects had been completed and one sub-project was dropped while seven sub-projects were under execution.

(Paragraphs: 5.5.1 and 5.5.4)

Recommendations

The Government should:

- *Take steps to recover inadmissible and extra payments disbursed to ineligible beneficiaries to whom financial assistance has been provided;*
- *Prepare a sustainable database of migrants, to capture and update details of migrants so as to provide assistance to genuine migrant families in time;*
- *Recoup the funds diverted from the Interest Subvention Project for payment to beneficiaries under other schemes/ programmes and commitments of GoJ&K;*
- *Take effective steps to address issues of land acquisition, delays, land compensation involved in these projects;*
- *Streamline the process of procurement for vehicles/ equipment under High End Security Project so that purchases are made timely and for required numbers;*
- *Provide adequate manpower to Battalions to make them fully operational;*
- *Put in place mechanism to prevent misuse of funds including temporary embezzlement and provide proper structural support by recruiting staff at district and block levels for effective implementation, including liaison and monitoring of the technical support agency of the Himayat scheme;*

- *Adhere to time frames for submission of Utilisation Certificates to the Government of India, financial closure and preparation of project completion reports;*
- *Coordinate and dovetail efforts of all involved Agencies/ Departments for timely completion of projects, especially those involving external aid;*
- *Engage domain experts for assistance in terms of technical and heavy engineering involved projects; and*
- *Fix responsibility and take appropriate action against officials responsible for lapses like diversion of funds, execution of work without tender etc.*