

JAMMU AND KASHMIR LEGISLATIVE COUNCIL SECRETARIAT
SRINAGAR

REPORT

OF

**HOUSE COMMITTEE CONSTITUTED TO LOOK IN TO THE
ALLEGED BUNGLINGS AND EMBEZZELMENT OF PUBLIC
MONEY IN JAKFED**

**Presented to the J&K Legislative Council on
30-08-2014**

HOUSE COMMITTEE ON JAKFED

COMPOSITION

- | | | |
|----|------------------------------|---------------------------|
| 1. | Mr. Khalid Najib Suharwardy | Chairman of the Committee |
| 2. | Mr. Naresh Kumar Gupta | Member |
| 3. | Mr. Ravinder Kumar Sharma | Member |
| 4. | Syed Mohammad Rafiq Shah | Member |
| 5. | Mr. Mohammad Ashraf Mir | Member |
| 6. | Mr. Ali Mohammad Dar | Member |
| 7. | Mr. Mohammad Muzzafar Parray | Member |

SECRETARIAT

- | | | |
|----|--------------------------|-------------------------|
| 1. | Mr. Mohammad Ashraf Mir | Secretary |
| 2. | Mr. Mohammad Ashraf Wani | Additional Secretary |
| 3. | Mr. Ali Mohammad Rawat | Deputy Secretary |
| 4. | Mrs. Muni Koul | Under Secretary |
| 5. | Mr. Bansi Lal Pandita | Officer I/C Committees |
| 6. | Mr. Mohammad Akbar | Sr. Section Officer |
| 7. | Mr. Amit Khullar | Editor |
| 8. | M. Mubashir Ahmad Mir | Translator |
| 9. | Mr. Saqib Bashir | Reporter/ Record Keeper |

JAMMU AND KASHMIR LEGISLATIVE COUNCIL
SECRETARIAT JAMMU

No. PO/HCM/327/2013

Dated: 16-04-2013

ORDER

During the discussion raised under Rule 51 (I) of the Rules of Procedure and Conduct of Business in the Jammu and Kashmir Legislative Council on the points arisen out of Starred C. Q. No 297 taken up on 11-03-2013 regarding Cooperative Institutions a unanimous demand was made in the House for constitution of a House Committee to look into alleged bungling and embezzlement of public money worth crores of rupees in JAKFED from 1987 onwards including cases culmination in registration of case FIR 3/95 by State Vigilance Organization. I have examined the demand and keeping in view the seriousness of this matter and the sense of the House in this regard, I came to conclusion that the demand of the House is genuine and House Committee should be constituted.

I accordingly constitute a House Committee, which shall look into all aspects of the matter in question and submit its report to the House during the next session. The House Committee shall comprise of the following Members.

- | | |
|---------------------------------|----------|
| 1. Mr. Khalid Najeeb Suharwardy | Chairman |
| 2. Mr. Naresh Kumar Gupta | Member |
| 3. Mr. Ravinder Kumar Sharma | Member |
| 4. Syed Mohammad Rafiq Shah | Member |
| 5. Mr. Mohammad Ashraf Mir | Member |
| 6. Mr. Ali Mohammad Dar | Member |
| 7. Mr. Mohammad Muzaffar Parray | Member |

Sd/-
(Amrit Malhotra)

REPORT

This Committee was constituted to look into the alleged bunglings and embezzlements of public money worth crores In JAKFED in response to CQ No. 297 taken up on 11th March, 2013 in the House, raised by Hon'ble Member, Shri Naresh Kumar Gupta, following a discussion under Rule 51(1) of the Rules of Procedure and Conduct of Business in the Jammu and Kashmir Legislative Council. keeping in view the seriousness of the matter and the sense of the House, the Hon'ble Chairman constituted this House Committee to look into all aspects of this matter.

This House Committee took up the examination of the entire matter, during the course of its investigation spread over about one and a half years in view of the voluminous record pertaining to the issue and the long spell of period during which large scale bungalings appeared to have been made and a series of enquiries, investigations/probes having been conducted during all these years at different levels, including the then Additional Chief Secretary, Shri S. L. Sailovia, the then Principal Secretary to the Govt., Shri K. B. Pillai who replaced Shri S. L. Salovia as a Fact Finding enquiry Officer and some investigation by the State Vigilance Organization.

The Committee held several sittings since its constitution on 16th April, 2013 and issued directions for production of entire relevant record pertaining to the issue under investigation, including :

- (i) Pillai Committee Report;
- (ii) Summary of fact of all the events by the Secretary Cooperative Department.
- (iii) CAG Report of 1991-92 on JAKFED;
- (iv) Action Taken Report along with outcome of the Audit;
- (v) Copy of the FIR along with follow-up action;
- (vi) Any other report pertaining to the alleged embezzlement along with all relevant record; and
- (vii) Details of the officers/officials/non-officials/suppliers and all persons allegedly involved in such alleged embezzlement along with their present status.

It is worthwhile to mention that constant efforts to procure entire relevant record were made by the House Committee and the Council Secretariat. However, some of the record which ought to have been produced at the outset, were either delayed or not produced for the reasons best known to the department/organization. It was belatedly also stated by the department that some of the record which was specifically sought by the Committee, might have been gutted in some alleged fire incident which took place in July, 2013. This was communicated to the Council Secretariat vide letter No. Coop/SS/1/2-13, dated : 16-12-2013. Whereas, initial directions of the Committee in this regard were passed on 22-04-2013. It is not understandable as to why all that record was not made available at the very beginning when it was quite relevant to the subject matter before the Committee.

The voluminous report of Shri K. B. Pillai, the then Principal Secretary to the Govt., who submitted his report in August, 2000, pointing out shortages/misappropriations/retention of Govt. money/embezzlements against various individuals and officers of the institution to the tune of Rs. 299 crores, needs some examination and reference as under :

Introduction Background.

- 01.** Government of Jammu and Kashmir vide Govt. Order No. 26-GAD (Vig) of 1999 dated 11.03.1999 appointed Shri K. B. Pillai, Principal Secretary to Government as Enquiry officer to scrutinize the role of all concerned officers and officials posted in the J&K Cooperative Supply and Marketing federation Limited, Jammu (JAKFED) from the time of commencement of handling of fertilizer business on commercial lines by JAKFED and ascertain their responsibility and if so, the extent thereof for failure of the system which resulted in large scale embezzlement in JAKFED and whether these officer/officials were involved in embezzlement.
- 02.** JAKFED started handling of fertilizer business on commercial lines from the year 1976, in terms of Govt. Order No. 3-Agri (Coop) of 1976 dated 01.01.1976. the Fact Finding Enquiry Report submitted to the Govt, by Shri K. B. Pillai on 31.08.2000 thus covered the period from 1976-77 to 1999-2000. the Report was in two parts. Part-I covering the period 1976-1988 for which years the accounts of Federation audited by the Chartered

Accountants were available and Part-II covering the period 1988-2000 (1988-89 to 1999-2000) for which years balancing in the books of accounts had been done by JAKFED with the result that none of its account heads reflect clear/correct position of any payable or recoverable sums. The Enquiry Officer had reported that “a bare perusal of books of accounts was so shocking that the Federation despite having received funds in crores of rupees from Govt. Of India/State Govt/Registrar of Cooperative Societies from time to time has not projected the same in the books of accounts.” this proved that the records were kept incomplete and books of accounts left open and unauthenticated by CAOs/GMs etc. for the last 12 years such a state of affairs could not be without ulterior motives. Numerous back dated adjustments running into crores of rupees including some fictitious adjustments have come into notice of the Fact Finding enquiry Officer which required special attention of the Government especially as that practice was still in vogue even in 2000.

- 03.** The report had commented that the imbroglio of not balancing of account books since 1988 onwards and also not subjecting the accounts to audit by Chartered Accountants had emerged on account of financial improprieties, appropriation of funds, destruction and misplacement of records, furnishing of fictitious statements/data of the Administrative Department /Bankers/Sales Tax authorities and utter disregard and abuse of delegated administrative and financial powers by the various functionaries/management of JAKFED.
- 04.** In the year 1995, as a result of total bankruptcy, the Federation was left with no option but to switch over to a mechanism of “cash and carry” for conducting sales of various commodities and operate on the basis of payments being deposited in advance by the societies /dealers before lifting of fertilizer/stocks by the Marketing Societies etc.
- 05.** In its report, the Fact Finding Enquiry Officer had placed reliance also upon various other reports on the affairs of JAKFED given by senior functionaries of the Government, Chartered Accountants, Accountant General J&K, registrar of Cooperative Societies as also the senior functionaries of JAKFED itself. here is a list of some of these reports together with pointed out irregularities and financial mismanagement :-

i. Losses/shortages reflected in the Audit Reports furnished by the Chartered Accountants for the year 1976-77 to 1987-88.

	Rs. in Lacs.
- Non-existent fertilizer stocks of the period prior to 01.04.1975	- 136.42
- Shortage in fertilizer stocks during the period 1976-88	- 465.66
- Suspense Accounts appearing without any justification in the year 1987-88	- 84.08

ii. Report of Shri S. R. Sharma, RCS issued on 24.01.1984 (period covered 1980-81 to 1982-83)

- Recoverable on account of excess payments made to fertilizer and other companies.	- 56.16
- Pending payment recoverable by JAKFED from Indian Potash Limited and Nangal Fertilizer Limited for 975 Mts fertilizer supplied to their godowns.	- 82.41
- Amount recoverable by creditors from JAKFED (net shortfall between the creditors and debtors).	- 2419.68
- Shortages /embezzlements in food grains committed by 14 SKPs of JAKFED	- 47.59
- Shortages/embezzlements in rice stocks committed by Shri Virender Kumar, SKP.	- 11.23
- Retention /mis-appropriation of rice stocks by Rice Millers	- 237.47
- Payment of rice Millers on rice purchased at excessive rates	- 48.75
- Losses borne on sale of rice	<u>-11.10</u>
Total:	<u>- 2911.39</u>

iii. Report of NABARD on the functions of JAKFED issued on 21.10.1989 (period from 1985-1988)

- Amount involved in embezzlements, frauds, losses and retentions etc. - 178.85
- Amount recoverable on account of cost of fertilizer from marketing societies not traceable or for which no details were provided - 1401.85
- Credit sales to individuals - 8.25
- Pending settlement of claims from the Govt. - 794.19
- Pending settlement of claims in respect of Taccair loan - 314.87
- Pending settlement of claims with CONFED - 249.00
- Amount recoverable from other agencies on account of cost of fertilizer - 1050.82

iv. Report from Joint registrar Audit and District Audit Officer, Cooperative Societies, Jammu (covering period upto 28.02.1988)

- Outstanding dues from various Marketing Societies on account of non-existent fertilizer stocks as established on reconciliation with them - 1402.00
- Payment not received on account of fertilizer stocks lying with Marketing Societies as physically verified during reconciliation. - 369.00

v. Audit Report of Accountant General, J&K (7/88 to 3/95) on the functioning of JAKFED/involvement of funds worth Rs. 4855.79 lacs.

- **Missing fertilizer of 1380 trucks** - **422.00**
- Fertilizer stocks reconsigned by various stores of federation - 48.96
- Short accountal of fertilizer in consignee offices. - 7.34
- **Stagnant losses on account of pending recovery of handling charges, stocks non-existent and damaged stocks.** - **4377.49**

Besides it has also been reported by the Audit Officer that **52 trucks of fertilizer meant for Valley are shown not to have been received there as per JAKFED records.** Circumstances leading to this huge loss, determining of fault liability and status of the same was not disclosed by the present management. **In addition, fertilizer stocks worth Rs. 67.00 lacs have been shown as received by regional Office, Srinagar** and field officers, Pulwama and Anantnag , between the period July, 1988 and March 1994, **but these stocks as per the books of the Head Office of the Federation are not shown to have been dispatched.** Neither clarifying details were made available to Audit nor the Fact Finding Enquiry Officer.

vi. Report of voluntary inspection by NABARD regarding financial position of JAKFED as on 31.03.1993.

- Default in repayment of installment on account of borrowing by JAKFED from State Govt./JCC Bank/ NCDC, upto 31.03.1993. - 3770.00
- Accrual of bad and doubtful debts as up to 31.03.1993 - 1936.16
 - a. Non-existent stocks of fertilizer - 1431.84
 - b. Amount involved in litigation with mktg. societies. - 504.32.

Federation had no provision for such bad and doubtful debts.

- Upto March 1993, the Federation had sustained accumulated losses worth Rs. 970.45 lacs.
- Federation has to recover Rs. 4256.30 lacs from its debtors in respect of which no details are forth coming.

vii. Report of Shri O. P. Nargotra, Accounts Officer for the period 1990-91 on the functioning of JAKFED.

- **Procurement of stocks in excess of genuine requirements leading to damage of fertilizer stocks** in the years 1987-88 and 1988-89. - 137.00
- **fake cheques received** from different societies

- of Jammu returned back by banks as unhonoured. - 34.34
- **Avoidable re-handling of fertilizer from Jammu to Kathua** for requirement at Kathua resulted in handling and carriage loss of fertilizer. - 3.97
- Mis-appropriation committed by societies in Kashmir - 677.63
- **Payment not made by CONFED against credit supplies of fertilizer made by JAKFED** - 249.00
- **Fictitious payment of carriage of fertilizer from Jammu to Zanskar vide cash Voucher No. 5699 dated : 09.02.1991** - 1.52
- **Mis-utilization of imprest advances made to various officials of Federation and private persons as no utilization details are forthcoming.** - 700.00
- Un-authorized payment made to attorney holder for the acquiring of land at Shalipora for the Federation. - 15.00

viii. Report of Managing Director JAKFED regarding misappropriation of fertilizer stocks during the period April 1995 to December 1995.

Misusing of 85 challans of fertilizer in the Valley shown dispatched by the Head Office, Jammu. Freight paid to truck drivers in advance. - 37.62

ix. Reports of audit conducted by the office of Registrar Cooperative Societies from March, 1993 onwards to November, 1996.

All these reports point out at total financial mismanagement in the Federation including falsification of accounts, mis-appropriations, embezzlements, fictitious adjustments etc. running into crores of rupees.

06. Broadly speaking, House Committee do not draw the satisfaction that credible action has been taken by the management of JAKFED and/or Cooperative Department in recovering the misappropriated /embezzled amounts clearly brought out in these reports and also have observed that no other corrective/remedial measures were taken to set the systems in order. **The amounts embezzled/misappropriated more than three decades back would simply swell by 40 times if 18% annual rate of interest is applied to such outstanding recoverable amounts. Efforts, it is deplorable, have not been made by the Cooperative Department/management of JAKFED to recover even the principal amounts. Functionaries of JAKFED who were clearly found involved in mis-appropriations and embezzlements were the most favorites of successive managements of JAKFED and enjoyed full patronage and back of authorities at the helm of affairs by enlarging scope of their duties and also continuing them in the same pace instead of rebuking or reprimanding them in any ways.**

Glaring findings of Pillai Report.

07. Siphoning of Rs. 135.70 lacs by Manager Agriculture (Shri G. L. Abrol) and Store Keeper (Shri Om Prakash) over a period of 8 years i.e., 1987-88 to 1994-95 under the pretext of obtaining imprest advance from JAKFED management as handling expenses and in respect of which no accounts were forthcoming. Another attempt had been made to embezzle an amount of Rs. 51.00 lacs (stated to be a technical error when pointed out by Fact Finding enquiry Officer to the JAKFED management). Shri Om Prakash, SKP rendered an account of Rs. 5,64,883.50 for adjustment against imprest but the same was shown adjusted for an amount of Rs. 56,64,883.50 in various books of accounts handled by different functionaries of JAKFED. How the same error could have got reflected by all the dealing hands unless they connived? So, calling it a technical error does not appeal to reasoning and it was a clear case of duping JAKFED of a half a crore of rupees. Moreover, the balance of imprest outstanding against Shri Om Prakash, SKP in the personal ledger was reduced by an amount of Rs. 51.00 lacs at the close of the year 1991-92 and the ledger

balancing was done with pencil and it was never inked. why this was not checked by any authority like Accounts Officer, FA &CAO or General manager all these years is a question that has not been answered by the management of JAKFED.

- 08.** In the case of head load (freight payments of Rs. 90.75 lacs made by JAKFED office, Doda from out of sale proceeds for which no adjustment had been taken place for reasons best known to the management of JAKFED, it is crystal clear that it was an unauthorized utilization of sale proceeds and also that the non-adjustment of such charges even after a lapse of 9 years (the accounts pertain to the period 1990-95) is nothing but a clear case of embezzlement by the functionaries of JAKFED office, Doda with the connivance of management of JAKFED. What is the fate of these accounts lying unadjusted in the JAKFED head office, was required to be brought out clearly for the information of the House Committee along with the action taken in the matter by the JAKFED Management.
- 09. Fact Finding enquiry Report had also pointed out cases of fake movements of fertilizer where huge amounts have been drawn by the transporters with the connivance of JAKFED functionaries as is clearly borne out by the fact that same vehicles loaded for far off destinations like Rajouri, Poonch, Surankote, Kotranka, Doda, Udhampur, Kathua, Anantnag from JAKFED godown at Bishnah and Jammu., have taken delivery of stocks from the same/other godowns on the same day twice, thrice or even four times.** As a test check conducted by the FEE, the total amount involved in fake movements taken place during the period 4/98 to 7/98 was of the order of Rs. 29.78 lacs. A test check of fertilizer stocks dispatched to Rajouri and Poonch during 1997-98 and 1998-99 vis-avis entry of trucks at concerned toll posts revealed an embezzlement of Rs. 151.08 lacs. Likewise, fertilizer dispatch made to Valley during the period 7/87 to 4/1998 points to an embezzlement of the order of Rs. 397.98 lacs. In yet another case of inspection conducted by DGM, JAKFED of the Poonch Office in June 1999, it had been observed by the DGM, JAKFED that something very serious had been going on in Poonch district to confirm fake movements of fertilizers. Movement of fertilizer was allowed only through selective

trucks of private transporters bearing No. 9095-02C, 465-02H, 7291-U, 643-Q, 2377-02, 6153-U, 2405-02C, 7387-02H and 1495-02A. In Warwan Block of Doda District, the society had supplied 50 qntls of fertilizer in 5 years, whereas the JAKFED functionaries of Doda District had shown 426 qntls of fertilizer dispatched to the block. The freight rates in the Block rae Rs. 400 per qntls. FEE could not take the probe regarding fake movements of fertilizer to the desired extent in the absence of balance freight register and allied record which management of JAKFED did not provide to the enquiry Officer and as such the matter was left for a thorough probe by management of JAKFED for ascertaining the amounts usurped in this manner and establish specific liability and accountability. Cooperative Department was enjoined to report to the House Committee whether further probe was undertaken and with what outcome. What action has been taken to recover the embezzled amount and to punish the guilty officers/officials of JAKFED. And if no further probe has been got conducted in the matter, why, which reflects as to how this serious matter has been dealt with all these years.

- 10.** FFE Report also pointed out that during the period 1988-89 to 1998-99, a total of Rs. 8.07 crores was outstanding out of imprest advances made to Manager and above level officers and one SKP. The names are :

S/Shri

1. B. K. Bakshi, Manager;
2. S. K. Sharma, Manager;
3. M. R. Choudhary, AGM;
4. Om Prakash, SKP;
5. S. L. Sharma, Manager;
6. J. D. Dar, Recovery Officer and
7. S. B. Gandotra, Manager.

Clearly, the imprest were advanced far in excess of the genuine requirements. Over a number of years these have culminated in permanent retentions in respect of which while the JAKFED had not realized any return, the concerned imprest holders might have had swindled away most of the outstanding imprest amount of Rs. 8.07 crores. Cooperative Department will have to come out clearly that every penny of

the outstanding imprest was duly accounted for in subsequent years and retention beyond genuine requirements was reduced without any further loss of time.

11. FFE officer has brought out in the report that adjustment of accounts in the books of JAKFED, a good number of cases, had been carried out with signatures of only Cashier on the relevant voucher passed for adjustment. The voucher could have attained finality for adjustment only when it would have been examine and signed also by the Accounts Officer, FA & CAO and the General Manager. The enquiry Officer has further observed that the practice of adjustment on the authority of single signatory (the Cashier) went on even after it was pointed out to the Management of JAKFED. Such has been the level of financial irregularities being committed unabated by the JAKFED officers/officials. A total collapse of systems resulting in chaos. Cooperative Department will vouchsafe that such a practice was no longer in vogue in the JAKFED and such earlier irregularities have been duly regularized by obtaining signatures of other officers as well on the vouchers carrying such a deficiency in the past.

12. **It had also been observed in the Report that back dated adjustments had been made which has not only weakened the financial system in the institution but has also encouraged the officials to resort to fictitious/fake accounting thus throwing all accounting principles to winds. Accounts records are further full of unauthenticated cuttings and over writings. Books of Accounts have been left open for more than a decade to facilitate such back dated adjustments, opposed to all accounting practices and procedures, obviously with ulterior motives.** Has Cooperative Department ensured that management of JAKFED took necessary and credible steps to stem this rot and will vouchsafe that a well oiled financial system is now in place in JAKFED, account books are closed every year, physical verification of stocks and stores being conducted annually and shortages recovered/written off as the case may be, concurrent audit cell of JAKFED vibrant and fully functional, accounts of JAKFED are being audited regularly by RCS office as also by the Chartered Accountant, AGMs are being held annually to adopt the accounts, imprest advances and availing of CC limit are under check and imprest do not remain with the sub-disbursers for unduly

longer times. The House Committee registers its complete dis-satisfaction over the manner in which all these adjustments and fictitious, fake accounting was allowed to be done without any check and against norms reflecting a complete connivance and criminal intent.

- 13.** Disposal of deteriorated fertilizer stocks rendered unfit for sale over period of time for the reason that no regular system of annual physical verification of stores was in vogue in JAKFED. Physical verification had been conducted but only randomly after long intervals. It also pointed out that SKPs remained posted in the same store for periods between 8 and 15 years. Had regular physical verifications been conducted and SKPs transferred every 2-3 years to provide automatically an occasion for physical verification at each transfer, the situation of deteriorating fertilizer stocks due to improper storage conditions would have got detected much earlier and brought to the notice of JAKFED management for taking effective steps in saving the stocks from further damage and deterioration. But this was not done. As a result, Fact Finding Enquiry Officer has come to the conclusion that up to 2000, the old and deteriorated stocks unfit for sale had accumulated for a value of Rs. 519.24 lacs. Although, steps were being taken to dispose of the unsaleable fertilizer stocks, but that exercise was also proceeding with fits and starts. House Committee have the apprehension that no effective steps have been taken to dispose off the unsaleable stocks, to transfer SKPs after a stay of 2-3 years in a particular store, to save fertilizer stocks from further deterioration, to make judicious purchase of fertilizer so as to find sale before it got damaged and became unsaleable and all. House Committee is of the view that the concerned department has failed to take necessary steps to stem these rot.
- 14.** Huge imprest amounting to Rs. 1102.62 lacs was outstanding against the officers/officials of JAKFED as on 31.03.1999. Individual details drawn in this regard by the FFE officer, reflect such outstanding against 66 officers/officials out of which accounts worth Rs. 748.80 lacs had been reportedly rendered by the imprest holders, still leaving a balance of Rs. 353.73 lacs. As regards the fate of Rs. 353.73 lacs, no records were forthcoming to establish the identity and existence of this sum. Besides what had been done to the accounts statedly rendered for an amount of Rs.

748.89 lacs bore a big question mark about their authenticity, since proper adjustment in the books of accounts had not been made till the submission of report by Shri K. B. Pillai in August, 2000. On the recommendations of Pillai Enquiry report, subsequently a special audit was got conducted through Addnl. Registrar Cooperative, Jammu in 2002. Special Audit reported on o/s of Rs. 1145.87 lacs against 79 employees. Out of that imprest, account worth Rs. 893.42 lacs were pending adjustments while no account had been rendered for the remaining outstanding of Rs. 252.45 lacs. However, the position of rate has been reported as adjustment of only Rs. 386.64 lacs against 893.42 lacs and Rs. 8.74 lacs against Rs. 252.45 lacs. What is the fate of balance amount of Rs. 750.49 lacs. House Committee fails to understand as to how an amount of Rs. 750.49 lacs is still lying with imprest holders since 31.03.1999. why such huge amounts aggregating to Rs. 11.00 crores approximately were advanced to these 79 imprest holders, apparently without justification for the same and why the accounts worth Rs. 893.42 lacs rendered by some of them remained unadjusted, still for an amount of Rs. 506.78 lacs, are the issues that needed a deeper probe.

- 15.** Default by Rice Millers in Jammu Division and consequential retention of JAKFED funds amounting to Rs. 801.88 lacs also gets revealed through the Pillai report. Between the period 1982 to 1989, there was a willful and deliberate act of all the 60 Rice Millers with whom JAKFED had dealings before the closure of rice procurement activity to eat up the sale proceeds money. The amount has been suspectedly siphoned out of sale proceeds of fertilizer which was not possible without the active connivance/laxity of the functionaries/management of JAKFED. Subsequently, however, JAKFED initiated cases against the Mills in various courts. In 24 cases, the awards have been announced for an aggregate amount of Rs. 156.896 lacs and 18 cases involving an amount of Rs. 254.39 lacs were still in courts. Cases against 9 employees involving an aggregate amount of Rs. 389.91 lacs are also in courts. However, out of awarded amount of Rs. 156.896 lacs in 24 cases, recovery only of an amount of Rs. 22.80 lacs has been made in 10 cases (full award amount in 7 cases). Who is sleeping over the matter of recovery in awarded cases and why no action has been initiated against those responsible for this derelictions is what House Committee

are looking for alongwith steps taken taken to get awards expeditiously in the remaining cases against Mill owners and the JAKFED staff.

- 16.** It had been brought out in the FFE Report that there were huge outstanding of sale proceeds of fertilizers with Marketing Societies in both Kashmir and Jammu Divisions involving about Rs. 14.00 crores. Special Audit conducted by Addnl. Registrar Cooperative Jammu on the recommendations of Pillai report has found that JAKFED has initiated arbitration cases against 32 Marketing Societies of Jammu Division involving an amount of Rs. 728.79 lacs and 47 Marketing Societies of Kashmir Division for an amount of Rs. 695.15 lacs, making a total of 79 Marketing Societies involving an amount of Rs. 1387.94 lacs. While it is satisfying to note that though late, some action has been initiated by JAKFED, but now the management of JAKFED should maintain a close follow up for expediting award by the arbitrators. JAKFED in these cases before the arbitrators should also claim interest on the amounts of sale proceeds retentions by Marketing Societies for such a long time if that has not been already claimed.
- 17.** House Committee also appreciate the effort of present management of JAKFED in recovering an amount of Rs. 196.07 lacs from employees of JAKFED by way of cash (Rs. 35.27 lacs) and adjustment (Rs. 160.80 lacs) against shortage outstanding of Rs. 349.76 lacs on account of materials pointed out by the Special Audit Team of Cooperative Department. Steps on war footing could have been taken to recover the balance amount of Rs. 153.69 lacs including also from those employees who have left the service without having being required to clear the outstanding by the management of JAKFED. However the question arises as to how and for how long adjustments should have been allowed for the amount misappropriated/embezzled by such officials with a criminal intention.
- 18.** Special audit Team has provided a list of 10 FIRs against 40 employees of JAKFED which were under investigation with the Vigilance Organization/Vigilance Court. as on 15.02.2012 and were ordered for departmental enquiry. out of these 10 cases, departmental enquiry has been conducted only in case FIR 3/95 (11 employees). the status of

departmental enquiry whether initiated and outcome, if initiated, in the remaining 9 cases has not been submitted to the House Committee. Enquiry in those 9 cases has not been initiated yet, the officer responsible for ordering departmental enquiry need to be reprimanded for dereliction of duty and enquiries initiated in the right earnest. Here the role of the investigating agency is also under scanner.

- 19.** In the year 1998, Board of Directors of JAKFED, under the Chairmanship of the then Minister for Agriculture and Cooperatives , resolved that sanction for the prosecution of 10 officials be granted in report mentioned therein besides resolving that a that an enquiry be got conducted in respect of following officials for ascertaining their involvement in misappropriation of fertilizer :

S/ Shri

- i. Sham Lal Sharna, Manager;
- ii. Girdhari Lal Abrol, AGM;
- iii. Shivdev Singh, Chief Accountant and
- iv. Mohinder Singh, Chief Accountant.

It has been reported by present management of JAKFED That no enquiry was conducted all these years and now when the matter came to the notice of current management, enquiry has been initiated against these officers vide Order No. 612/Adm/FIR/3/95/Enquiry/12/252-57, dated : 28.01.2012. It is unfortunate and a matter of grave concern that even after the decision of Board of Directors, no enquiry was conducted for more than 14 years, what else could be said about the state of affairs of the department concerned and JAKFED, as it itself speaks volumes about the functioning and probably the patronage enjoyed by such officers/officials. The present management while admitting this fact that no enquiry has been initiated against these officers vide order dated 28-1-2012. However what action was taken or initiated against the Managing Directors of JAKFED who held the office during this period.

- 20.** Special Audit Team has reported that services of 35 employees of JAKFED had been terminated during the period from 1991 to 2009. It

was required to be disclosed as to what was the nature of their involvement, amount mis-appropriated/embezzled by each one of them, the extent of recovery made from them before termination orders and steps taken to recover the balance amount after termination of their services, as arrears of land revenue or otherwise.

- 21.** Pillai enquiry Committee has also highlighted the fact that there was blatant misuse of withdrawals against authorized CC limit, understandably with the active connivance of JCC bank functionaries/officials without verifying actual stocks held on ground by JAKFED, that had ultimately resulted in default in repayments of the withdrawals against CC limit to the extent of Rs. 4314.16 lacs up to March, 1999. Clearly, this provided ground for unscrupulous elements in JAKFED to exploit the situation to their advantage by not depositing sale proceeds of fertilizer towards repayment of amounts withdrawn against the unauthorized excess over and above the sanctioned CC limit. Cooperative Department was required to report to the House Committee in a lucid and convincing manner about the account of this amount of over Rs. 43.00 crores for which CC limit was not recouped and the sale proceeds of fertilizer were retained clandestinely by employees of JAKFED.
- 22.** FFE report had also unearthed concealment in the accounts of JAKFED of the fact that it was under loan repayment obligation of the order of 2468.70 lacs to GOI and RCS on account of loans received which were not paid back. The status obtaining now in the matter of repayment of this amount to GOI and RCS is only known to the Cooperative Department.
- 23.** A shortage of 650 MTs in the commercial handling of fertilizer (Urea: 583 MTs, DAP : 66 MTs, MOP 1 MT) during the period 1977-78 to 1987-88 had also been brought out in the Pillai Report for recovery of which from Railways, Transporters and Store Keepers no action has been taken.

24. Outcome of Departmental enquiry conducted by the Management of JAKFED in 2011, 2012 and 2013 against 11 officials of JAKFED involved in the case FIR 3/95 Police Station : VOJ regarding misappropriation of fertilizer between 1988 and 1994 has been as under :

S. No.	Name of the official	Amount Misappropriated	Recommendation
	S/Shri		
1.	Mushtaq Ahmad Mir	22,000.00	Charges be dropped. Recovery to be effected from concerned Societies. Since expired. No action could be taken in the case.
2.	S. Harcharan Singh	22,000.00	Since expired. No action could be taken in the case.
3.	Bashir Ahmad Bhat	59,290.00	Cost of Qtls of Urea to be recovered from the employee and of 110 Qtls MOP from DCS, Budgam.
4.	Muzzafer Ahmad Banday	22,000.00	Recovery to be effected from employee.
5.	R. K. Wali	2,28,400.00	Cost of 100 qtls. Each of DAP, Urea and Urea be recovered from S&S Dangiwachha, DCS Baramulla and CMS Sumbal. Rest of recovery to be effected from the employee.
6.	Abdul Rashid Shah	6,11,462.00	Charged dropped. Recovery to be effected from concerned societies.
7.	S. M. Andrabi	2,74,300.00	Charges be dropped. Recovery of cost differential between cost of 100 qtls of DAP and Urea be made from the employee and

			the balance recovery to be effected from concerned societies.
8.	Nazir Ahmad Shah	85,115.00	Charges be dropped. Recovery to be effected from concerned societies.
9.	Muzaffar Ahmad Razvi	8,02,748.00	Recovery to be made from the employee, if required, even as arrears of land revenue.
10.	Bashir Ahmad Thakur	4,19,496.00	Same as against S. No. 7. Here, however, cost differential between Urea and DAP.
11.	Showkat Hussain	87,54,592.00	Same as against S. No. 9.
	Total	1,13,01,403	

House Committee is quite concerned about the status of recovery in these cases both from the employees and the societies concerned as already large amounts have remained with them for inordinately longer periods of time and any further hiatus in the recovery of misappropriated amounts tantamount to affording too much laxity for which Cooperative Department is squarely responsible and also accountable. Committee would suggest also recovering interest @ 9% for the period for which the involved amounts remained with employees and societies.

During the course of proceedings of the Committee, while conducting examination of record as well as oral deposition of the concerned officers of the JAKFED in Cooperative Department, it was disclosed before the Committee that the transaction of more than Rs 50 crores has taken place in a single day on 30th of June, 1992, the xerox copies of the vouchers bear no signatures. Who has prepared it and how the money was drawn/adjusted against those vouchers, it reflects that the entire system appears to be collapsed. Detail of vouchers amounting to Rs 50,28,26,751.15 is also available in the record produced.

It also came to the notice of the committee that bounced cheques totally 129 (in number) pertaining to the period 1990-91 to 1991-92

amounting to Rs 72.80 lakhs approximately were also recovered by the then Managing Director, JAKFED, who reported the matter to the Secretary, Cooperative Department vide letter dated 12-11-2010 for necessary action besides referring the issue to the Vigilance Commissioner for probe vide his letter no PS/MD/2010/357-59 dated 2-12-2010. How all these bounced/ dishonored cheques have remained without any appropriate legal action is a big question mark and reflects about the mode of functioning and connivance at various levels. As no action appears to have been taken by Vigilance Organisation, creating doubts about its role in the matter.

It has also come to the notice of the Committee during examination of the relevant reports/record that out of 21 FIR's registered in matter, 12 were closed as not proved. While in most of other cases, departmental enquiries were recommended, where as in 3 FIR's i.e. 10/98, 30/96 and 38/98, investigation was stated to be still in progress after a lapse of around 15 years in one case, while in another case it is under trial, in 3rd FIR also Vigilance Organization has concluded the investigation as not proved, which cast doubt about the fairness of the investigation.

It is astonishing that in such a huge scandal, where there appears fool proof evidence of the connivance/involvement of very senior officers/officials and other individuals connected with the supply, handling of fertilizer and other affairs of the organization, which have been reflected very candidly and categorically by the strenuous efforts of the then Principal Secretary/ Fact Finding Enquiry Officer, Sh. K. B. Pillai, in the year 2000 who brought out startling, brazen loot of public money, but surprisingly no one could be brought to book all these years.

Apart, the report had brought out certain surprising facts like missing fertilizer of 1380 trucks, fake movement of fertilizer beared by some vehicles loaded for far off destinations like Rajouri, Poonch, Surankote, Kotranta, Doda, Udhampur, Kathua and Anantnag from JAKFED godowns at Bishnah and Jammu have taken delivery of stock from the same/ other godowns on the same day twice/ thrice or even four times for which huge amounts have been drawn by the transporters with the convince of JAKFED functionaries.

CONCLUSION

25. House Committee is of the view that successive managements of JAKFED have only ensured that the Federation goes from bad to worse, except probably for a brief period of Shri Jeet Lal Gupta when things started little looking up. The employees of JAKFED, serving at various levels, and almost all of them, made fortunes as per their grit and capacity to loot the Federation., Even deputationists have not desisted from becoming accomplices. All rules, norms, procedures, practices, accounting principles were given a good bye with impunity and ulterior motives. The higher rungs of managements aided and abetted the lower and middle level functionaries of JAKFED in their nefarious designs. Cooperative Department has also failed in even initiating any disciplinary action against the management at the top not to speak of having taken any action against those senior functionaries for their involvement. In the name of follow up action on the recommendations of Pillai Report also very little has been done and the progress thereof really does not enthuse the House Committee. Against an amount of Rs. 300.00 crores estimated in the Report on account of mis-appropriations/embezzlements/shortages/pilferages/falsification of accounts/retention of imprest amounts and sale proceeds/disregard and abuse of delegated administrative and financial powers/non-repayment of loans/withdrawals far in excess of sanctioned CC limit, not even Rs. 30 crores have been recovered. The Management of JAKFED went even to the extent of tweaking court directions in one case and continued to position the officials facing grave charges of corruption on sensitive postings whereas the direction was to assign such duties as do not allow access to the records. House Committee have in this report clearly identified critical gaps in the follow up action on the Pillai Report and a lot needs to be done still to recover the mis-appropriated/embezzled amounts including the outstanding from various fertilizer companies borne out from the record.

In view of these circumstances enumerated above, the House Committee is of a definite view that this appears to be a brazen case of loot of the public money running into crores of Rupees involving very influential officers/officials and others who have remained associated

with affairs of this organization, all these years, enjoying all kind of patronage from various quarters and must have accumulated huge wealth at the cost of public ex-chequer. In order to unearth the entire scam and to bring all the culprit to justice, the House Committee is left with no option to recommend for a thorough and deep probe by the premier investigation agency of the country – CBI, while it is essential to restore the confidence of the general public in the administration of justice.

Sd/-

Khalid Najeeb Suharwardy,
Chairman of the Committee.

Sd/-

Ravinder Kumar Sharma,
Member.

Sd/-

Naresh Kumar Gupta,
Member.

Sd/-

Syed Mohammad Rafiq Shah,
Member.

Sd/-

Mohammad Ashraf Mir
Member

Sd/-

Ali Mohammad Dar
Member

Sd/-

Mohammad Muzaffar Parray
Member