

Executive Summary

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Background

This Report on the finances of the Government of Jammu and Kashmir is brought out to assess objectively the financial performance of the State during the year 2014-15 *vis-à-vis* the Budget Estimates and the targets set under the Fiscal Responsibility and Budget Management Act, 2006, to provide the State Government and State Legislature with timely inputs based audit analysis of financial data. The report analyses the dominant trends and structural profile of Government's receipts and disbursement.

The Report

Based on the audited accounts of the State Government for the year ending 31 March 2015 and additional data such as the Economic Survey brought out by the State government and Census, this report provides an analytical review in three Chapters.

Chapter-1 is based on the Finance Accounts and makes an assessment of Government's fiscal position as on 31 March 2015. It provides an insight into trends and profile of key fiscal aggregates, committed expenditure, borrowing pattern, besides a brief account of central funds transferred directly to State implementing agencies through Off Budget route.

Chapter-2 is based on Appropriation Accounts and gives grant-wise description of appropriations and the manner in which the allocated resources were managed by the service delivery departments. Comments arising out of inspection of treasuries have also been made in the chapter.

Chapter-3 is an inventory of Government's compliance with various reporting requirements and financial rules and non-submission of accounts.

Audit findings and recommendations

Trends in key fiscal aggregates: The State's share in Union taxes & duties and grants from the Union Government together constituted 79.42 *per cent* of the total revenue receipts of the State during 2010-11 but it declined to 71.28 *per cent* in 2014-15. The non-debt resources transferred by the Central Government through the State Government accounts financed on 72 *per cent* of total expenditure of the State Government during 2010-11, 73 *per cent* in 2011-12, 60 *per cent* in

2012-13, 57 per cent in 2013-14 and 60 per cent in 2014-15, showing decline in the States dependence on transfer of Central resources.

(Para 1.2.1)

The State could not maintain revenue surplus during 2014-15 due to shortfall of State's own non tax revenue and grant-in-aid viz-a-viz projected estimates. The opening cash balance for the year 2014-15 was increased by ₹338 crore from ₹1063 crore to ₹1401 crore.

(Para 1.2 and 1.2.2)

The States own tax revenues has shown a steady increase particularly in Tax on sale of goods and services which increased from ₹3414 crore in 2011-12 to ₹4602 crore during 2014-15.

(Para 1.4.1)

The total expenditure, Capital Expenditure and Revenue Expenditure of the State increased from ₹31686 crore to ₹34550 crore, ₹4628 crore to ₹5221 crore and ₹27058 crore to ₹29329 crore during 2013-14 to 2014-15 respectively.

(Para 1.2.2)

The percentage of Developmental Capital Expenditure to Total Expenditure declined from 22.8 per cent in 2010-11 to 13.10 per cent in 2014-15.

(Para 1.8.2)

There were 671 projects/works with sanctioned cost of ₹3137.38 crore revised to ₹3362.30 crore constituting ₹1 crore and above each, which had overshot their scheduled completion dates. An amount of ₹1901.52 crore had been expended on these incomplete projects by 31st March 2015.

(Para 1.9.1)

Fiscal consolidation and regulation of debt/deficit: As per the customised fiscal correction path recommended by the 13th Finance Commission specifically for Jammu and Kashmir and the corresponding amendment made in the FRBM Act, the targeted fiscal deficit during 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15 was 5.3, 4.7, 4.2, 3.6 and 3 per cent of GSDP of respective years. The actual fiscal deficit was 5.0, 5.9, 5.5, 5.2 and 6.38 per cent respectively. Thus, the fiscal deficit target was not met during these years except 2010-11.

(Para 1.13.1)

The percentage of market loans to total liabilities increased from 36.1 *per cent* in 2010-11 to 37.92 *per cent* in 2014-15.

(Para 1.11.3)

Targets for collection of Power Departments' tariff were not achieved. The shortfall in collection of revenue was ₹1202 crore viz-a-viz targets and shortfall viz-a-viz expenditure on power purchased was ₹2976 crore.

(Para 1.7.2.1)

Financial management and budgetary control: During 2014-15, in 13 cases, expenditure aggregating ₹20989.20 crore exceeded by ₹1099.28 crore the total approved provisions of ₹19889.92 crore putting pressure on State finances. This requires regularization from State Legislature too.

(Para 2.2 and 2.3.1)

There were persistent errors in budgeting, savings, excess expenditure and expenditure without provision.

(Para 2.3.2 and 2.3.8)

Excess expenditure of ₹100508.81 crore till March 2015 over the approved provision ending March 2015 required regularization under section 82 of the constitution of Jammu & Kashmir.

(Para 2.3.3)

Financial reporting: There were delays in furnishing utilisation certificates against the loans and grants from various grantee institutions. Abnormal delays were noted in submission of annual accounts by some of the departmental commercial undertakings and Autonomous Bodies.

(Para 3.2 and 3.3)

