

Preface

- 1 This Report has been prepared for submission to Governor under Article 151 of the Constitution.
- 2 Chapters I and II of this Report respectively contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2010.
- 3 Chapter III on 'Financial Reporting' provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.
- 4 Audit observations on matter arising from performance reviews and audit of transactions in various departments including the Public Works and Irrigation Departments, audit of stores and stock, audit of autonomous bodies, audit of revenue receipts and departmentally run commercial undertakings for the year ended 31 March 2010 are included in separate Reports.
- 5 The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

EXECUTIVE SUMMARY

The period of Twelfth Finance Commission (TFC), is over and the State of Jammu and Kashmir did well in introducing Fiscal responsibility and Budget Management (FRBM) Act in August 2006 during its currency and framed rules thereunder. The State Government took some important decisions like introduction of new pension scheme, bringing more items under the ambit of VAT and a host of other institutional and sectoral reform measures as announced in the annual budgets subsequently. The reforms undertaken have shown signs of improvement in the financial health of the State as the State has done well in maintaining revenue surplus and there has also been increase in capital expenditure which is encouraging.

The State Government has done well in establishing an institutional mechanism on fiscal transparency and accountability by bringing out Macro Economic Framework Statement/ Medium Term Fiscal Policy Statement. Although the recommendations of Twelfth commission were not achieved in full yet the State was able to maintain revenue surplus. The budget outcomes indicators tend to serve the limited purpose of measuring the department-wise performance against the targets. They do not, however, give the macro picture of the status of financial management including debt position for the benefit of the State Legislature and other stake holders.

The Report

Based on the audited accounts of the Government of Jammu and Kashmir for the year ending March 2010, this report provides an analytical review of the Annual Accounts of the State Government. This report is structured in three Chapters.

Chapter 1 is based on audit of Finance Accounts and makes an assessment of the State Government's fiscal position as on 31 March 2010. It provides an insight into trends in committed expenditure, borrowing pattern besides a brief account of central funds transferred directly to the State implementing agencies through off budget route.

Chapter 2 is based on audit of Appropriation Accounts and it gives the grant-by-grant description of appropriations and the manner in which the allocated resources were managed by service delivery departments.

Chapter 3 is an inventory of the State Government's compliances with various reporting requirements and financial rules. The report also has an appendage of additional data collected from several sources in support of the findings. Appendix 1.2 at the end gives a glossary of selected terms related to State economy, as used in this report.

Audit findings and recommendations

The expenditure pattern of the State reveals that the revenue expenditure

(2005-10) continued to share a dominant proportion in the total expenditure of the State and was around 71 per cent during 2009-10. Moreover, within the revenue expenditure, the non-plan revenue expenditure at ₹14,771 crore constituted about 96 per cent of the total expenditure. The continued prevalence of fiscal and primary deficits indicates the increasing reliance of the State on borrowed funds. This coupled with non collection of revenue arrears for the past several years have affected the revenue receipts of the State Government.

The State had attached low fiscal priorities towards development expenditure as the ratio of development expenditure to aggregate expenditure had decreased in 2009-10 as compared to 2005-06. The growth rate of fiscal liabilities was 18.31 per cent during 2009-10 over the previous year. The ratio of fiscal liabilities to GSDP also increased from 63.31 per cent in 2005-06 to 75.02 per cent in 2009-10.

The debt sustainability of the State was dismal. The resource gap also increased during 2009-10.

Review of Government Investment

The State Government had invested ₹ 422.82 crore in its Statutory Corporations (₹ 181.91 crore), Government Companies (₹211.49 crore), Joint Stock Companies (₹ 34.40 lakh) and Cooperative Societies (₹ 22.62 crore), others (₹ 6.46 crore) as on 31 March 2010. The return on investment of ₹ 44.16 crore accrued to

the State Government during 2009-10 from the Jammu and Kashmir Bank Limited (₹ 43.56 crore), and from the Jammu and Kashmir Cements Limited ₹ 60 lakh. The average return of interest on Government borrowings during 2005-09 was nine per cent which was reduced to eight per cent in 2009-10.

As on 31 March 2010, there were 20 Government companies (17 working and three non-working companies) and three Statutory corporations (all working) under the control of the State Government. The total capital investment made by the State Government in the working PSUs at the end of March 2010 was ₹ 390.83 crore. Besides this, the loan of ₹ 6152.84 crore was also outstanding against the companies/corporations. Out of 17 working companies, only one company (J&K bank) had finalised its accounts for 2009-10 and earned a profit of ₹ 512.38 crore. During the year 2009-10 out of 20 working PSUs, four PSUs earned profit of ₹ 514.89 crore and 14 PSUs incurred loss of ₹ 158.86 crore. One working PSU (Jammu and Kashmir Cable Car Corporation Limited) had not prepared the Profit and Loss Account while one PSU (Jammu & Kashmir State Forest Corporation) had not submitted its accounts since 1996-97 when its audit was entrusted to CAG. The major contributors to profit were Jammu and Kashmir Bank Limited. (₹ 512.38 crore) and Jammu and Kashmir cements Ltd. (₹ 1.53 crore). The heavy losses were incurred by Jammu and Kashmir State

Road Transport Corporation (₹ 54.67 crore), Jammu and Kashmir Power Development Corporation Limited (₹ 39.05 crore), and Jammu and Kashmir Industries Limited (₹ 36.23 crore).

Cash management

The State Government has no agreement with RBI for carrying out State transactions. These activities are carried out by the State through Jammu and Kashmir Bank Limited. Government obtains temporary loan from Jammu and Kashmir Bank for its ways and means requirements. The State Government took temporary loan from the Bank for all the 365 days of the year. The maximum temporary loan obtained was ₹ 2974.33 crore on 31 March 2010. The total temporary loans raised during the year amounted to ₹ 3517.55 crore. A balance of ₹ 2290.25 crore was also outstanding as on 1st April 2009. Government repaid ₹ 2842.74 crore during the year leaving a balance of ₹ 2965.06 crore as of 31 March 2010. During the year 2009-10, ₹ 234.15 crore was paid as interest by the Government.

The cash balances of the State Government decreased by ₹ 4.10 crore during 2009-10 as compared to previous year. Details of ₹ 37.39 crore investments held in the cash balance investment Account were not intimated by the State Government and continued in the books for over eleven years.

Funds transferred directly by GOI to the State implementing agencies

The Central Government has been transferring sizeable quantum of funds directly to the State Implementing Agencies for various schemes/programmes in social and economic sectors. An approximate amount of ₹ 1395 crore was transferred by the GOI directly to the implementing agencies during 2009-10. As these funds are not routed through the State Budget/Treasury System, the Annual Finance Accounts do not capture the flow of these funds and to that extent State's receipts and expenditure as well as other fiscal variables/parameters derived from them are understated.

Consolidated data-base at the apex level was not maintained by the State Government. A system has to be urgently put in place to ensure proper accounting of these funds and the updated information should be validated by the State Government and sent to the Principal Accountant General (Accounts & Entitlement).

Financial management and budgetary control

The overall excess of ₹ 1390.54 crore was the result of excess of ₹ 4062.58 crore in five grants and one appropriation under Revenue Section and nine grants and one appropriation under Public Debt-Repayments (Loan Section), offset by saving of ₹ 2,672.03 crore in 24 grants and five

appropriations under Revenue Section and 19 grants under Capital Section.

There were also instances of persistent savings in some grants, excessive expenditure, expenditure without provision of funds, drawal of funds to avoid lapse of budget grant, unnecessary supplementary provisions, etc.

There was also significant pendency in submission of detailed countersigned bills against abstract contingent bills. A total amount of ₹ 1922.23 crore was drawn on AC bills by various DDOs (34 departments) during March 1996-2010 for which corresponding DC bills have not been submitted (June 2010) to the Principal Accountant General. Non-remittance of AC bills for such a huge amount over a very long period is fraught with the risk of misappropriation.

Non-reconciliation of expenditure by State Offices with the Principal

Accountant General (Accounts & Entitlement) is the area requiring attention. 104 Controlling Officers did not reconcile the expenditure amounting to ₹ 12731.08 crore as of October 2010 which constituted 59 per cent of the total net revenue and capital expenditure.

Errors in the budgeting process were also noticed.

Financial reporting

State Government's compliance with various rules, procedures and directives was unsatisfactory as is evident from delays in furnishing of utilisation certificates against the loans/grants from various institutions. There was also delay in submission of annual accounts by some autonomous bodies. Accounts of Ladakh Autonomous Hills District Councils', Leh and Kargil have not been prepared since their formation.

CHAPTER – I: FINANCES OF THE STATE GOVERNMENT

Profile of Jammu and Kashmir

The State of Jammu and Kashmir is treated as Special Category State¹. The State shares its borders with two countries China and Pakistan and two States Himachal Pradesh and Punjab. The State accounts for 3.2 *per cent* of the total geographical area and one *per cent* of the total population of the country. However, the contribution to national income is just 0.7 *per cent*. The State income has grown at a lower rate of six *per cent* as compared to national income of 8.2 *per cent* during the last five years. The population growth of the State during 2001-2010 was 13.77 *per cent* and now provides shelter to 1.15 crore population. As per the census of 2001 the percentage of population below poverty line was 5.40 *per cent*. During 2009-10, due to economic slowdown across the country, coupled with implementation of State Pay Commission, the State had shown signs of financial stress. Despite this, the growth rate of GSDP in the State at current price stood at 10.03 *per cent*. The literacy rate stood at 55.52 *per cent* and the infant mortality rate was 49 (per thousand).

This chapter provides a broad perspective of the finances of the State Government during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years. The Finance Accounts of the State Government are laid out in 19 statements, the structure and the layout of which are depicted in **Appendix 1.1**. This chapter provides a broad perspective of the finances of the Government of Jammu and Kashmir during the current year and analysis critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years. **Appendix 1.2** of this chapter briefly outlines the methodology adopted for the assessment of the fiscal position of the State and **Appendix 1.3** presents the time series data on key fiscal variables/parameters and fiscal ratios relating to the State Government finances for the period 2005-10.

1.1 Summary of Current Year's Fiscal Transactions

Table 1.1 presents the summary of the Jammu and Kashmir Government's fiscal transactions during the current year (2009-10) vis-à-vis the previous year while **Appendix 1.4** provides details of receipts and disbursements as well as overall fiscal position during the current year.

¹ The Special Category Status gives privileges to State include enhanced financial assistance as compared to other States besides significant excise duty concessions persuading industry to relocate/relocate manufacturing within its territory are also available.

Table 1.1 Summary of Current Year's Fiscal Operations

(₹ in crore)

Receipts			Disbursements				
2008--09		2009-10	2008-09		2009-10		
Section-A: Revenue							
					Non Plan	Plan	Total
14302.51	Revenue receipts	17587.82	12047.45	Revenue expenditure	14770.64	553.25	15323.89
2682.96	Tax revenue	3027.32	5272.40	General services	6439.96	5.28	6445.24
837.16	Non-tax revenue	955.03	3017.69	Social services	3770.72	486.86	4257.58
1826.95	Share of Union Taxes/Duties	1914.76	3757.36	Economic services	4559.96	61.11	4621.07
8955.44	Grants from Government of India	11690.71					
Section-B: Capital							
			4964.23	Capital Outlay	98.60	6135.16	6233.76
-	Miscellaneous Capital Receipts	28.09		Grants-in-aid and Contributions			
3.69	Recoveries of Loans and Advances	1.62	42.41	Loans and Advances disbursed			49.12
2948.36	Public Debt receipts*	2852.36	703.15	Repayment of Public Debt*			731.15
0.16	Contingency Fund	0.11	0.29	Contingency Fund			1.07
36148.59	Public Account receipts	45173.56	35696.45	Public Account disbursements			43300.47
113.77	Opening Cash Balance	63.10	63.10	Closing Cash Balance			67.20
53517.08	Total	65706.66	53517.08	Total			65706.66

*Excludes net transactions under ways and means advances and overdraft.

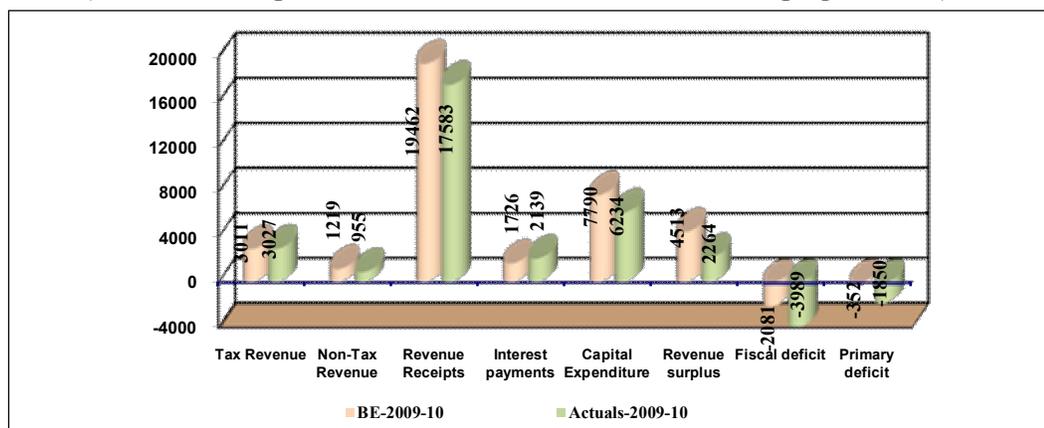
- Revenue receipts grew by around 23 per cent (₹ 3285.31 crore) over the previous year. The growth mainly came from increased grants from Government of India² (₹ 2735.27 crore) for being a special category state. Increases in tax revenue (₹ 344.36 crore), non-tax revenue (₹ 117.87 crore) and share of union taxes/duties (₹ 87.81 crore) also contributed to the growth.
- Revenue expenditure increased by ₹ 3276.44 crore (27 per cent) over the previous year. Increases in salary, purchase of power and payment of interest on internal debt and previous adjustments mainly contributed to the increase in revenue expenditure.
- Capital expenditure registered a growth of around 26 per cent (₹ 1269.53 crore) over the previous year mainly due to increase in spending on Transport Sector (₹ 389.30 crore) which accounted for 31 per cent of the growth in capital expenditure.

² Grants from GOI accounted for 66 per cent of the total Revenue Receipts in 2009-10

- Public Accounts receipts and disbursements increased by ₹ 9024.97 crore and ₹ 7604.02 crore respectively over the previous year.
- While Public Debt receipts marginally decreased, repayment of Public Debt increased marginally over the previous years.
- Cash balance of the State, as a result of the aforesaid inflow/outflow, increased by ₹ 4.10 crore over the previous year.

As per the Twelfth Finance Commission (TFC), the revenue deficit of the State was to be brought down to zero (2008-09). The State has revenue surplus of ₹ 2263.93 crore during 2009-10.

(Chart 1 showing actual realisation of revenue vis-a-vis budget provisions)



There were huge variations in the revenue surplus, fiscal and primary deficits vis-à-vis their budget estimates. The revenue surplus was less by ₹ 2249 crore than that estimated. The fiscal deficit was ₹ 3989 crore against the estimate of ₹ 2081 crore and primary deficit ₹ 1850 crore, against the estimated ₹ 352 crore (March 2010). Reasons for variations between the budget estimates and actual realization were, however, neither intimated by the Government nor were on record.

The projection made by State Government in its Macro Economic Framework Statement (MEFS)/Medium Term Fiscal Policy Statement (MTFPS)/Fiscal Policy Strategy Statement (FPSS) had mostly not been achieved as indicated in **table 1.2** below:

(Table 1.2)

Indicators	Assessment	Actual
Tax revenue/GSDP (ratio)	12.94	7.90
Power Receipts (₹ in crore)	1002	723
Own Tax revenue	3075	3027
Non-tax revenue (₹ in crore)	1294	955
Revenue Receipts (₹ in crore)	19681	17588
Total receipts (₹ in crore)	22885	17616 ³

³ Revenue receipts plus capital receipts

Indicators	Assessment	Actual
Pension/Revenue receipts (ratio)	7.60	8.91
Transfer from centre to revenue receipts (ratio)	68.00	77.35 ⁴
States own non tax revenue as <i>per cent</i> of TRR (ratio)	6.57	5.43
Revenue surplus (₹ in crore)	4356	2264
Revenue surplus/Total revenue receipts (ratio)	22.13	12.87
Revenue surplus/GSDP <i>per cent</i> (ratio)	11.37	5.91
Own tax revenue receipts to revenue expenditure (ratio)	20.06	19.75
Interest payment/revenue receipts <i>per cent</i> (ratio)	10.27	12.17
Salary expenditure/revenue receipts (ratio)	56.46	35.97

As per the recommendation of the Twelfth Finance Commission the Centre and State had to improve the combined tax-GSDP ratio to 17.6 per cent by 2009-10 which stood at 7.9 per cent only at the end of 2009-10. The State had not improved the tax revenue/GSDP ratio. The power receipts fell short of assessment by 28 per cent.

1.1.1 The Fiscal Responsibility and Budget Management (FRBM) Act

To ensure prudence in fiscal management and fiscal stability by progressive strengthening of revenue surplus, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability and greater transparency in fiscal operations of the Government and conduct a fiscal policy in a medium term frame work and for matters connected therewith or incidental thereto, the Jammu and Kashmir Fiscal responsibility and Budget Management (FRBM) Act was enacted on 09 August 2006. Though the act had been enacted in August 2006, the rules were framed belatedly. **(Appendix 1.2).**

The Finance Minister made a mention in his budget speech that as the State Government did not meet the FRBM targets by the prescribed deadline of 31 March 2009, the State was denied a debt relief of ₹ 473 crore recommended under the TFC award. Also, the State had lost ₹ 229 crore due to non-holding of the Panchayati elections.

1.2 Resources of the State

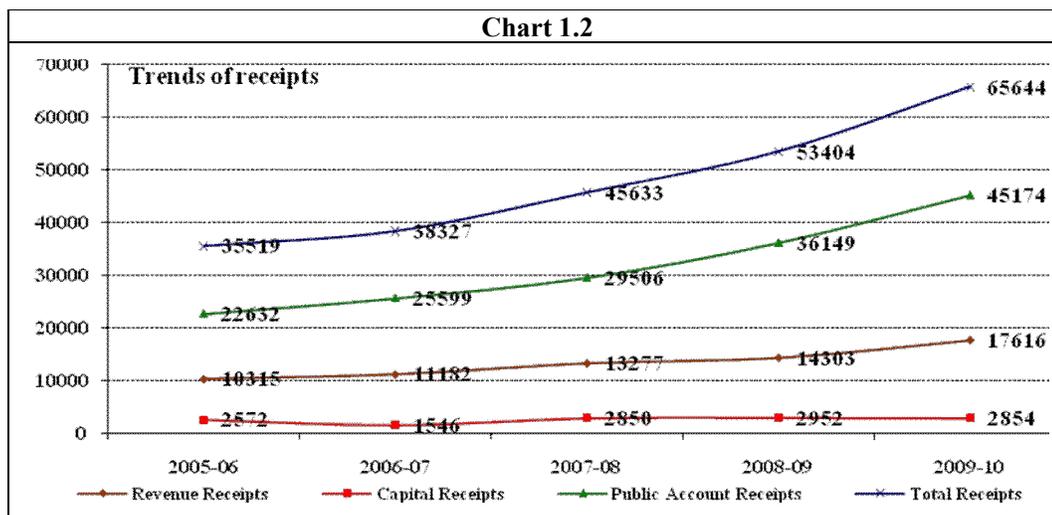
1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and capital are the two streams⁵ of receipts that constitute the resources of the State Government. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Government of India (GOI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account. **Table-1.1** presents the receipts and disbursements of the State during the current year as

⁴ States share of union taxes and duties plus grants from GOI

⁵ Revenue Receipts: These includes own tax revenue, non-tax revenue, States share of union taxes and duties and grants-in-aid from GOI. Capital Receipts: These comprise proceeds from disinvestments recovery of loans and advances, debt receipt from internal resources market loan, borrowings from financial institutions/commercial banks and loans and advances from GOI as well as accrual from public account.

recorded in its Annual Finance Accounts while **Chart 1.2** depicts the trends in various components of the receipts of the State during 2005-10.



The revenue receipts which formed 29 *per cent* of the total receipts at an average during 2005-09 declined to 27 *per cent* during 2009-10. The capital receipts also decreased by one *per cent*, on an average of the total receipts during the above period over the average of last four years, and formed only 4 *per cent* of the total receipts during 2009-10. The public account receipts were 69 *per cent* of the total receipts (2009-10) against the average of 66 *per cent* during 2005-10.

1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies for implementation of various schemes/programs in social and economic sectors recognized as critical. As these funds are not routed through the State Budget/State Treasury System, Annual Finance Accounts do not capture the flow of these funds and to that extent, State's receipts and expenditure as well as other fiscal variables/parameters derived from them are underestimated. To present a holistic picture on available aggregate resources, funds directly transferred to State Implementing Agencies are detailed in **Appendix 1.5**. Funds provided to major programme/schemes out of total ₹ 1395.14 crore during 2009-10 are detailed in **Table 1.3**.

Table 1.3 Funds Transferred Directly to State Implementing Agencies

(₹ in crore)

Name of the Programme/scheme	Name of the Implementing Agency in the State	Total Funds released by GOI during	
		2008-09	2009-10
Accelerated Rural Water Supply Programme	SGO Secretary Finance	403.73	289.90
National Rural Health Mission (NRHM)	State Health Department and other agencies	64.69	90.00
Sarva Shiksha Abhiyan	Ujala Society	205.32	373.63
Setting up of 6000 model schools at block level		-	25.82
NREGS	Assistant Commissioners DRDA	105.36	173.24

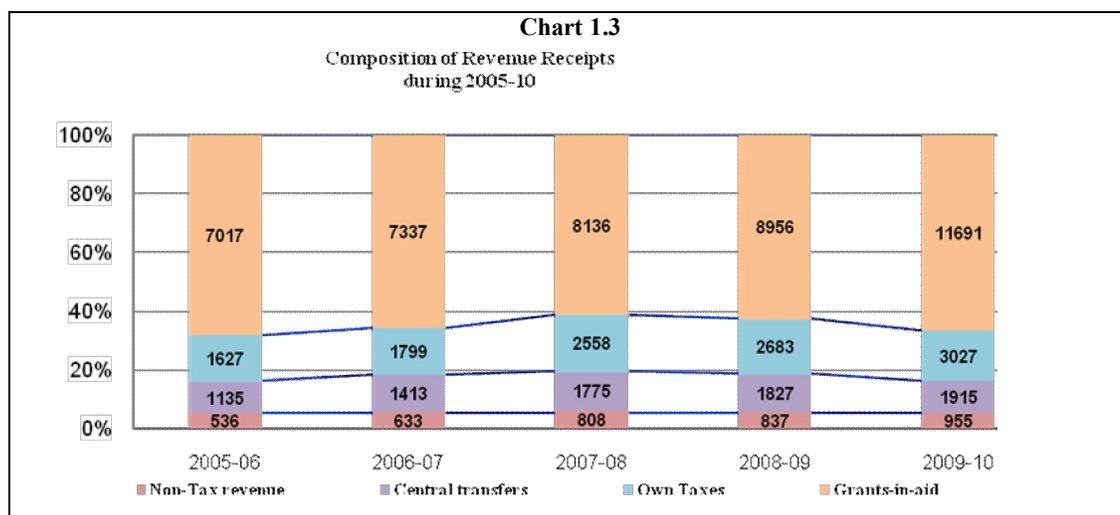
Name of the Programme/scheme	Name of the Implementing Agency in the State	Total Funds released by GOI during	
		2008-09	2009-10
Pradhan Mantri Gram Sadak Yojana (PMGSY)	State Rural Roads Agency	191.36	144.70
Integrated Child Development Programme	State Social Welfare Department	37.92	-
Macro Management of Agriculture Schemes	Agriculture Department	18.30	-
Rural Housing (IAY)	Assistant Commissioners DRDA	71.29	57.25
Local Area Development Schemes (MPLADS)	District Development Commissioners	25.00	17.00
National e-Governance Action Plan	State Department for e Governance	17.28	-
Total		1140.25	1171.54

(Source: CPMS of CGA's website)

₹ 289.90 crore (25 per cent) was given under Accelerated Rural Water Supply Programme, ₹ 90.00 (8 per cent) under NRHM, ₹ 373.63 (32 per cent) under Sarva Shiksha Abhiyan, ₹ 173.24 (15 per cent) under NREGS, ₹ 144.70 (12 per cent) under PMGSY, ₹ 57.25 crore (5 per cent) under Rural Housing, ₹ 25.82 crore (2 per cent) under setting up of schools at block level. These data are yet to be verified by the Implementing Agencies. The consolidated data base at apex level was not maintained by the State Government.

1.3 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of tax and non-tax revenues, central tax transfers and grants-in-aid from GOI. The trends and composition of revenue receipts over the period 2005-10 are presented in **Appendix 1.3** and also depicted in **Chart 1.3**



Transfers from the Central Government in the shape of State's share of Union taxes and duties and grants in aid form the major constituent of the State's revenue receipts and varied between 61 and 77 per cent during 2005-10. The remaining revenue was raised by the State out of its own resources. The trends in revenue receipts relative to GSDP are presented in **Table 1.4** below:

Table 1.4: Trends in Revenue Receipts relative to GSDP

	2005-06	2006-07	2007-08	2008-09	2009-10
Revenue Receipts (RR) (₹ in crore)	10,315	11,182	13,277	14,303	17588
Rate of growth of RR (<i>per cent</i>)	16.34	8.41	18.74	7.73	22.97
R R/GSDP (<i>per cent</i>)	38.87	38.52	41.76	41.09	45.92
Buoyancy Ratios⁶					
Revenue Buoyancy w.r.t GSDP	1.75	0.89	1.97	0.82	2.28
State's Own Tax Buoyancy w.r.t GSDP	2.18	1.13	4.43	0.52	1.27
Revenue Buoyancy with reference to State's own taxes	0.80	0.80	0.44	1.58	1.79

Though the Revenue Receipts showed a progressive increase over the period 2005-10 in absolute terms, the growth rate increased from 16.34 *per cent* in 2005-06 to 22.96 *per cent* in 2009-10 due to collection of more taxes on sales, trade, etc vis-a-vis previous years. The buoyancy ratio of own taxes to GSDP increased from 0.52 *per cent* to 1.27 *per cent* during 2009-10 over the previous year.

1.3.1 State's Own Resources

As the State's share in central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of central tax receipts and central assistance for plan schemes etc., the State's performance in mobilization of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The gross collection in respect of major taxes and duties as well as the components of non-tax receipts vis-à-vis budget estimates during the years from 2005-06 to 2009-10 are presented below:

1.3.2 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Jammu and Kashmir and the corresponding figures for the preceding four years are mentioned below:

Table 1.5: Trends of tax revenue and non-tax revenue

	2005-06	2006-07	2007-08	2008-09	2009-10
Tax revenue	1,626.84	1,798.97	2,558.18	2,682.96	3027.32
Non-tax revenue	535.81	632.53	807.98	837.16	955.03
Total	2,162.65	2,431.50	3,366.16	3,520.12	3982.35

(₹ in crore)

The break-up of tax and non-tax revenue during the period alongwith increase/decrease over 2008-09 (**Tables 1.6 and 1.7**) and reasons for major variations during the current year are mentioned below:

⁶ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 0.6 implies that revenue receipts tend to increase by 0.6 percentage points, if the GSDP increases by one *per cent*.

Table 1.6: Trends of tax revenue

(₹ in crore)

Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage increase (+)/ decrease (-) in 2009-10 over 2008-09
Sales tax	1,014.49	1,159.72	1,804.81	1835.99	2145.72 ⁷	(+) 17
State excise	218.68	212.80	244.15	238.67	293.78	(+) 23
Stamps and registration fee	46.43	56.92	65.62	57.13	69.51	(+) 22
Taxes and duties on electricity	58.02	59.70	93.49	150.76	120.34	(-) 20
Taxes on vehicles	49.17	63.96	72.60	65.47	83.09	(+) 27
Taxes on goods and passengers	236.27	243.16	264.59	271.39	299.43	(+) 10
Taxes on immovable property other than agricultural land	0.09	0.06	-	-	-	--
Land revenue	3.47	2.57	9.58	63.53	15.41	(-)76
Other taxes and duties on commodities and services	0.22	0.07	3.33	0.01	0.02	-
	1,626.84	1,798.96	2558.17	2682.95	3027.30	

1.3.3 Reasons for major variations in tax revenue:

The reasons for variation in receipts for 2009-10 from those of 2008-09 reported by the concerned departments are as under:

Taxes and Duties on Electricity: Decrease under taxes and duties on electricity were due to collection of less receipt on account of taxes on consumption and sale of electricity.

Land Revenue: The decrease was due to non-crediting of sale proceeds of land under 'Roshini Act'.

Taxes on Sales / Trades etc: The increase was due to more receipts under State Sales Tax Act.

Stamps: The increase was due to more sale of stamp (judicial and non-judicial).

Taxes on vehicles: Increase was mainly due to collection of more receipts under State Motor Vehicle Taxation.

State Excise: The increase was mainly due to more sale of country spirits.

1.3.4 Reasons for major variations in non- tax revenue

The details of major non-tax revenue raised during the year 2009-10 along with figures for the preceding four years are mentioned in Table below:

⁷ Include ₹ 50 crore representing waiver booked a incentive under MH 2040 by credit to MH-0040 by the Department

Table 1.7: Trends of non-tax revenue

(₹ in crore)

Head of revenue	2005-06	2006-07	2007-08	2008-09	Budget estimate	2009-10	Percentage increase (+)/ decrease (-) in 2009-10 over 2008-09
Power	384.31	478.94	600.94	629.98	1022.53	723.64	(-) 15
Interest receipts, dividends and profits	25.05	34.02	65.33	56.51	51.24	54.80	(+)3
Forest and wild life	45.51	18.99	32.20	31.61	39.49	37.46	(-) 19
Public works	12.63	16.16	16.44	16.89	16.17	23.87	(+) 41
Medical and public health	8.83	12.62	13.21	9.92	11.96	9.49	(-) 4
Water supply and sanitation	9.58	10.95	13.64	14.65	23.30	13.16	(-)10
Police	8.01	6.59	4.21	10.35	7.81	12.84	(+) 24
Non-ferrous mining and metallurgical industries	8.54	9.98	16.43	14.86	18.15	25.34	(+) 71
Crop husbandry	4.35	4.31	4.52	5.00	5.21	5.23	(+) 5
Animal husbandry	3.98	4.75	4.66	4.70	4.43	5.13	(+) 9
Others	25.02	35.22	36.40	42.69	18.52	44.07	(+) 3
Grand total:	535.81	632.53	807.98	837.16	1218.81	955.03	

The following were the reasons for variations:

Interest receipts: Decrease was mainly due to collection of less revenue on other interests and less credit afforded under irrigation schemes.

Non-ferrous mining and metallurgical industries: Increase is mainly due to more receipts on account of mineral concession fee, rent and royalty.

The State Government, in its MEFS/ MTFPS/ FPSS, estimated for 2009-10 non tax revenue of ₹ 1294 crore which stood at ₹ 955 crore at the end of the year.

1.3.5 Variation between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2009-10 in respect of the principal heads of tax revenue are mentioned below:

Table 1.8: Budget estimates and actuals during 2009-10

Head of Revenue	Budget estimates	Actuals	Variations excess (+) shortfall (-)	Percentage of variation increase (+)/ decrease (-)
Tax Revenue (₹. in crore)				
Sales tax	2065.70	2145.72	(-) 80.02	(+) 4
State excise	260.00	293.78	(+)33.78	(+) 13
Stamps and registration fee	82.61	69.51	(-)13.10	(-) 16
Taxes on goods and passengers	315.64	299.43	(-)16.21	(-) 5
Taxes and duties on electricity	195.38	120.35	(-)75.03	(-) 38
Taxes on vehicles	83.50	83.10		-

There was a considerable variation between budget estimates and actuals in respect of the stamp and registration fee, taxes and duties on electricity and taxes on vehicles as

2009-10 was a year when the entire nation was impacted by the global slowdown. In J&K also, there was a considerable shortfall.

1.3.6 Cost of collection

The figures of gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection from 2007-08 to 2009-10 alongwith the relevant all India average percentages for 2008-09 were as follows:

Table 1.9 : Trends of cost of collection

(₹ in crore)

Head of Revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage during the preceding year
Sales tax.	2007-08	1804.81	14.52	0.80	0.82
	2008-09	1835.99	15.30	0.83	0.95
	2009-10	2145.73	73.56 ⁸	3.43	0.88
State excise	2007-08	244.15	9.88	4.05	3.03
	2008-09	238.67	11.10	4.65	3.34
	2009-10	293.78	12.37	4.21	3.66
Stamp duty and registration fees	2007-08	65.63	13.41	20.43	2.33
	2008-09	57.14	6.04	10.57	3.44
	2009-10	69.51	7.80	11.22	2.77
Taxes on vehicles	2007-08	72.60	3.98	5.48	2.47
	2008-09	65.47	4.73	7.22	2.74
	2009-10	83.10	4.56	5.49	2.93

Percentage of cost of collection of taxes on vehicles, state excise and stamps and registration fee during 2007-10 was higher than All India Average cost of collection for 2008-09.

1.3.7 Revenue Arrears

The arrears of revenue, as on 31 March 2010, in respect of the principal heads of revenue as reported by the departments was ₹ 1211.70 crore of which ₹ 650.52 crore were outstanding for more than five years as mentioned below:-

Table 1.10

Sl. No	Heads of revenue	Amount outstanding (₹ in crore)		Remarks
		As on 31 March 2010	for more than five years	
1.	Taxes on Sales/VAT, Trades etc.	1153.66	616.27	Out of the arrears, recovery of ₹ 82.26 crore was stayed by courts/appellate authorities/proposed for recovery as arrears of land revenue
2.	State excise	4.77	4.77	Out of total arrears, recovery of ₹ 0.94 crore was stayed by court and ₹ 2.09 crore was proposed to be recovered by collectors as arrears of land revenue.

⁸ Include ₹ 50 crore representing waiver booked a incentive under MH 2040 by credit to MH-0040 by the Department

Sl. No	Heads of revenue	Amount outstanding (₹ in crore)		Remarks
		As on 31 March 2010	for more than five years	
3.	Motor spirit tax	0.75	-	The recovery of ₹ 0.75 crore was stayed by courts/ appellate authorities/ proposed for recovery as arrears of land revenue.
4.	Passenger tax	28.06	18.67	Nil.
5.	Entertainment Tax	0.21	0.21	Nil.
6.	Toll Tax	24.25	10.60	Out of total arrears, ₹ 4.61 crore are proposed to be recovered as arrears of land revenue and ₹ 9.02 crore have been stayed by the Courts. ₹ 0.02 crore are due for recovery for which demand notices have been issued.
	Total	1211.70	650.52	

(Source: Figures supplied by the Department)

1.3.8 Loss of Revenue due to Evasion of Taxes, Write off/waivers and Refunds

The details of cases of evasion of tax detected by the departments, cases finalized and demands raised as reported by the department concerned are mentioned below: -

Table 1.11

Department	Number of cases					
	Pending as on 31 March 2009	Detected during 2009-10	Total	in which assessments/ investigation completed and additional demand including penalty etc. raised during 2009-10		Pending as on 31 March 2010
				Cases	(₹ in lakh)	
Commercial Tax Department	277	2357	2634	2424	296.38	210
Passenger Tax	Nil	688	688	688	1.48	Nil
State Excise	1	-	1	-	-	1

The number of pending cases during the current year has declined over the previous year. The progress of recovery of amount demanded after completion of investigation including penalty imposed was not intimated (October 2010).

1.3.9 Refund

The number of refund cases pending at the beginning of the year 2009-10, claims received during the year, refunds allowed during the year and cases pending at the close of the year (March 2010), as reported by the concerned departments, are mentioned below:-

Table 1.12: Refunds of sales tax claims

(Amount: ₹ in crore)

Particulars	2005-06		2006-07		2007-08		2008-09		2009-10	
	No. of cases	Amount	No. of cases	Amount						
Claims outstanding at the beginning of the year	2	0.42	13	0.11	57	3.19	85	3.35	13	13.75
Claims received during the year	14	4.01	55	3.15	47	0.77	19	0.19	NIL	NIL
Refunds made during the year	8	3.03	11	0.07	19	0.61	1	Negligible	3	0.95
Balance outstanding	8	1.40	57	3.19	85	3.35	103	3.54	10	12.80

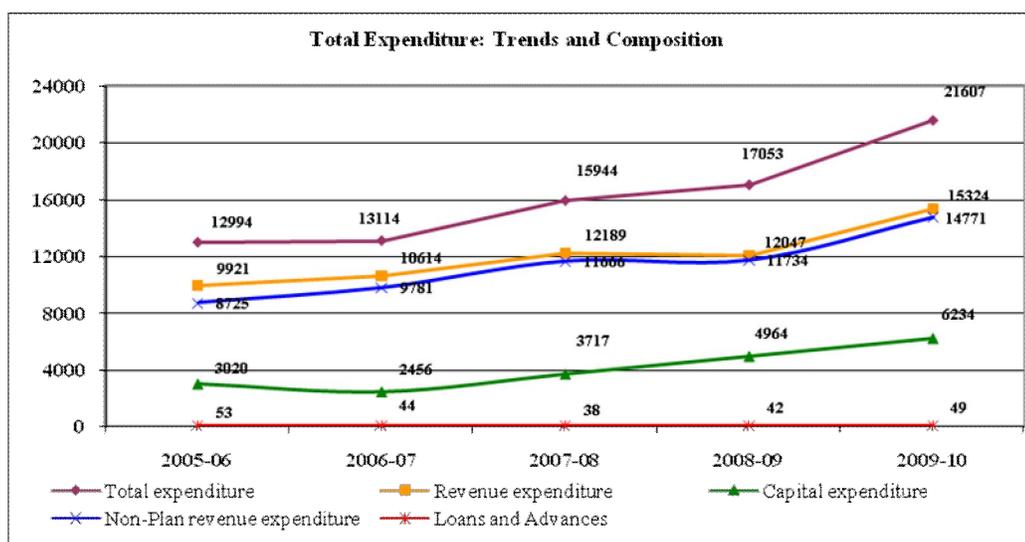
1.4 Application of resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the cost of expenditure, especially expenditure directed towards development and social sectors.

1.4.1 Growth and Composition of Expenditure

Chart 1.4 presents the trends in total expenditure over a period of five years (2005-10). The composition of total expenditure, both in terms of 'economic classification' and 'expenditure by activities' is depicted respectively in **Charts 1.5 and 1.6** respectively.

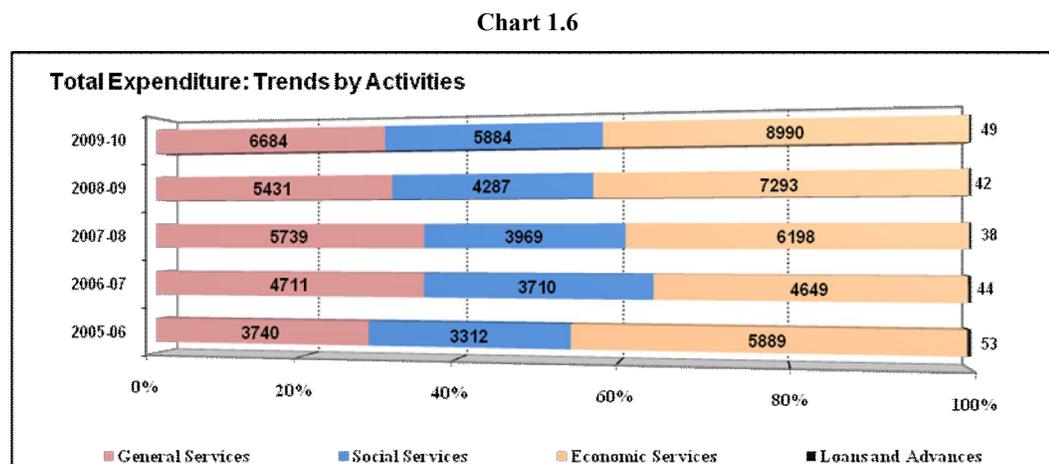
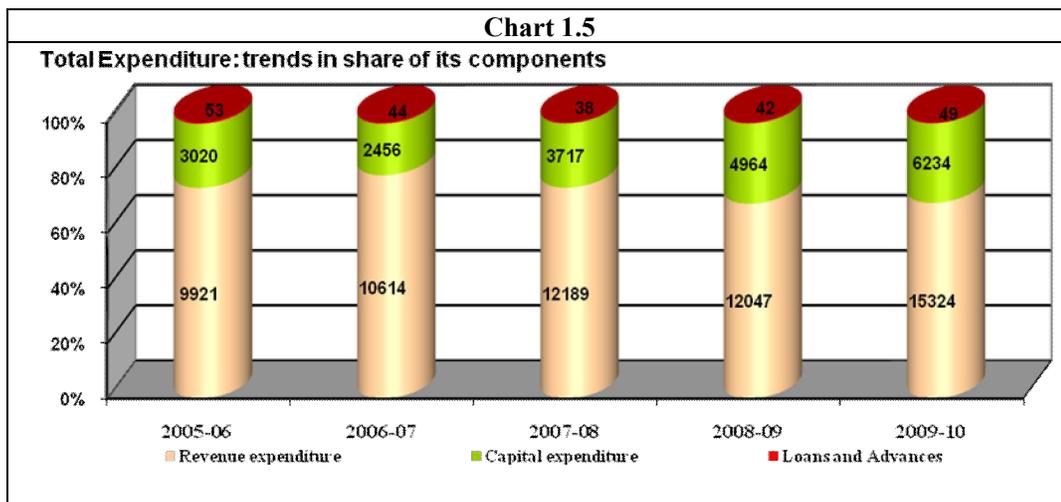
Chart 1.4



As can be seen from the above Chart, the total expenditure of the State increased from ₹ 12,994 crore in 2005-06 to ₹ 21607 crore in 2009-10 (66 per cent). In relative terms, capital and revenue expenditure components have increased by 106 per cent and 54 per cent, respectively during the period 2005-10. In absolute terms increases were of the order of ₹ 3,214 crore in capital expenditure and ₹ 5403 crore in revenue account during the period under report. Increase of ₹ 4554 crore in the total expenditure (27 per cent) during 2009-10 over the previous year has been due to increase of ₹ 1270 crore in capital expenditure, increase of ₹ 3277 crore under revenue head, accompanied by a marginal increase of ₹ 7 crore in disbursement of loans and advances. Increase in capital expenditure was mainly under Social Service (₹ 357.36 crore), Economic Services (₹ 832.79 crore). The capital expenditure in Agriculture sector however, decreased over the previous year by 12 per cent in 2009-10.

Out of the total expenditure of ₹ 21607 crore during 2009-10, ₹ 6688 crore was spent under plan component and ₹ 14870 crore under non-plan component. The expenditure

under plan component increased by ₹ 2586 crore (63 per cent) from ₹ 4102 crore in 2005-06 to ₹ 6688 crore in 2009-10. In the non-plan component, there was an increase by ₹ 6031 crore (68 per cent) from ₹ 8839 crore to ₹ 14870 crore during the same period. The expenditure under plan component increased by ₹ 1682 crore (34 per cent) from ₹ 5006 crore in 2008-09 to ₹ 6688 crore in 2009-10, while under non-plan component there was a marginal increase of ₹ 2865 crore (24 per cent) from ₹ 12005 crore in 2008-09 to ₹ 14870 crore in 2009-10.



Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. Revenue expenditure had a predominant share in the total expenditure. The overall revenue expenditure of the State increased from ₹ 9921 crore in 2005-06 to ₹ 15324 crore in 2009-10 showing an increase of 54 per cent over the period. The non-plan revenue expenditure during the same period increased from ₹ 8725 crore to ₹ 14771 crore, showing an increase of 69 per cent. The share of NPRE in the total revenue expenditure increased from 88 per cent in 2005-06 to 96 per cent in 2009-10. The NPRE of ₹ 14771 crore during 2009-10 was higher than the budget estimates (₹ 14245 crore) of the State Government (by ₹ 526 crore).

The fiscal indicators as projected by the State Government in its MEFS/ MTFPS/ FPSS are tabulated below:

Table 1.13

(₹ in crore)

Particulars	Projections	Actuals
Non-plan expenditure	15672	14771
Interest payments	2023	2139
Wages and Salaries	11113	6365
Pension payment	1495	1568

1.4.2 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.14** present the trends in the expenditure on these components during 2005-10.

Table-1.14: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2005-06	2006-07	2007-08	2008-09	2009-10
Salaries* & Wages , <i>Of which</i>	3724 (36.10)	3995 (35.73)	4426 ⁹ (33.34)	4820 ¹⁰ (33.70)	6365 ¹¹ (36.18)
<i>Salaries Non-Plan Head</i>	2838	3467	4170	4682	6095
<i>Salaries Plan Head</i>	886	528	256	138	233
Interest Payments	1115 (10.81)	1787 (15.98)	2436 (18.35)	1578 (11.03)	2139 (14)
Pensions	929 (9.01)	1021 (9.13)	1193 (8.99)	1269.40 (8.89)	1568 (8.91)
Subsidy			17.63	28.68	35.60

Expenditure on salary and wages increased by 32 *per cent* over the pervious year, however, increase of revenue receipt was 23 percent only. Likewise, there was 24 *per cent* increase in non-plan expenditure, whereas expenditure under plan heads increased by 34 *per cent*. There was also increase in interest payment as compared to the previous year. The figures of subsidy allowed by State Government during 2004-07 were not made available by the State Government. However this data was maintained by the office of the Principal Accountant General from 2007-08. The subsidy also increased by 24 *per cent* during 2009-10 over the previous year.

As per the recommendations of the TFC, interest payment relative to revenue receipts was to be brought down to 15 per cent. However, it stood at 12 per cent at the end of 31 March 2010. The Commission also recommended for the ratio of salary expenditure to revenue expenditure not to exceed 36 per cent which, however, stood at 41 per cent during 2009-10.

⁹ Salary: ₹ 4400 crore; Wages: ₹ 26 crore.

¹⁰ Salary: ₹ 4772 crore, Wages: ₹ 48 crore

¹¹ Salary: ₹ 6328 crore, Wages: ₹ 37 crore

1.4.3 Financial Assistance by State Government to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the current year relative to the previous years is presented in **Table 1.13**

Table 1.15: Financial Assistance to Local Bodies etc

(₹ in crore)

Name of the Department	2005-06	2006-07	2007-08	2008-09	2009-10
Education and sports	78.24	88.01	116.45	113.93	521.66
Housing and Urban Development	118.30	135.49	146.05	170.82	217.01
Agriculture	51.04	72.90	60.72	80.60	138.63
Art and culture	5.44	7.32	7.93	9.43	-
General Administration	3.50	2.95	4.66	4.20	11.14
Industries	4.00	5.25	7.05	7.04	25.53
Tourism	3.43	5.06	5.24	15.06	71.17
Administration of Justice	1.91	1.63	2.26	3.30	3.32
Health and Family welfare	0.48	0.44	0.64	* ¹²	0.47
Others	7.35	11.83	9.86	146.02	442.27 ¹³
Total	273.69	330.88	360.86	550.40	1431.20
<i>Assistance as a percentage of Revenue expenditure</i>	<i>2.76</i>	<i>3.12</i>	<i>2.96</i>	<i>4.57</i>	<i>9.34</i>

The total assistance of ₹ 1431.20 crore paid in 2009-10 increased by 423 *per cent* over the level of 2005-06, and by 160 *per cent* as compared to the previous year. This was mainly as a result of increased assistance to Ladakh Autonomous Hill Development Councils, Leh and Kargil. Around 61 *per cent* of the financial assistance during 2009-10 was given by the State Government for Education and sports, Housing and Urban Development and Agriculture sectors.

1.5 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, viz., adequacy of the expenditure (i.e. adequate provisions for providing public services), efficiency of expenditure (use), and the effectiveness (assessment of outlay-outcome relationships for select services).

1.5.1 Adequacy of public expenditure

The expenditure responsibilities relating to social sector and economic infrastructure are largely assigned to the State Governments. Enhancing human development levels requires the States to step up their expenditure on key social services like, education and health, etc. The low level of spending on any sector by a particular State may be either due to low fiscal priorities attached by the State Government or on account of the low fiscal capacity of the State Government or due to both working together.

¹² Negligible

¹³ This includes ₹ 387.92 crore disbursed to Ladakh Autonomous Hill Development Council, Leh (₹ 193.31 crore and Ladakh Autonomous Hill Development Council, Kargil (₹ 194.61 crore).

Below mentioned table shows the fiscal priority and fiscal capacity of the State Government with regard to development expenditure, social sector expenditure and capital expenditure during the current year.

Table 1.16: Fiscal Priorities and Fiscal capacity of the State during 2009-10

Fiscal Priority by the State	AE/GSDP	DE/AE	SSE/AE	CE/AE	Education/AE	Health/AE
J&K's Average (Ratio) 2005-06	57.06	71.22	25.49	23.24	9.11	4.42
J&K Average (Ratio) 2009-10	56.42	69.07	27.22	28.85	11.03	5.20

AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Sector Expenditure
CE Capital Expenditure
Population of J&K: 1.08 crore in 2005-06 and 1.16 crore in 2009-10
Development expenditure includes Development Revenue Expenditure, Development Capital expenditure and Loans and Advances disbursed.
Source: (1) For GSDP, the information was collected from States's Directorate of Economics

In **Table 1.15**, we are comparing the fiscal priority given to different categories of expenditure and fiscal capacity of J&K for 2005-06 (the commencement of Twelfth Finance Commission) and 2009-10 (the end of Twelfth Finance Commission). Following points emerge from the table:

- The ratio of aggregate expenditure to GSDP decreased by one *per cent* in 2009-10 over 2005-06. Similarly development expenditure also decreased by two *per cent* which indicated that expenditure on general services has increased during the TFC period.
- It was encouraging to note that expenditure on social sector, overall capital expenditure and expenditure on education and health sectors had increased indicating that attention was paid by the Government for infrastructure building as well as key social sector areas.

1.5.2 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalization measures and lay emphasis on provision of core public and merit goods¹⁴. Apart from improving the allocation towards development expenditure¹⁵, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of

¹⁴ Core public goods are which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc. *Merit goods* are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidized food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

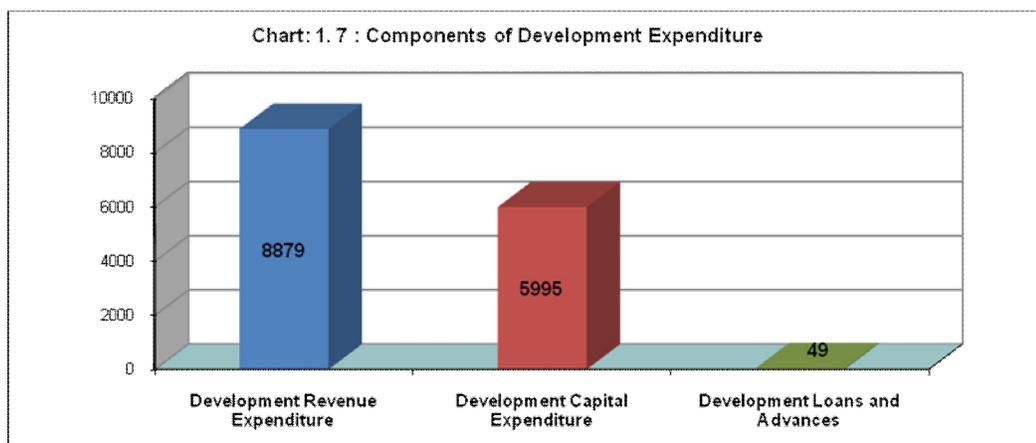
¹⁵ The analysis of expenditure data is disaggregated into development and non development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorized into social services, economic services and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.

expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table 1.17** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year vis-à-vis budgeted and the previous years, **Table 1.17** and **Chart 1.7** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

Table-1.17: Development Expenditure(*₹ in crore*)

Components of Development Expenditure	2005-06	2006-07	2007-08	2008-09	2009-10	
					BE	Actuals
Development Expenditure						
a. Development Revenue Expenditure	6239 (48)	5960 (45)	6565 (41)	6775 (40)	18955	8879 (41)
b. Development Capital Expenditure	2962 (23)	2399 (18)	3602 (23)	4805 (28)	8524	5995 (28)
c. Development Loans and Advances	53 (*)	44 (*)	38 (*)	42 (*)	65 (*)	49 (*)

*Figures in parentheses indicate percentage to aggregate expenditure * negligible*



The aggregate of development expenditure under both Revenue and Capital heads varied between 63 and 73 *per cent* during the above period. In absolute terms, it increased from ₹ 11580 crore in 2008-09 to ₹ 14874 crore in 2009-10 registering an increase of ₹ 3294 crore (28 *per cent*). The reasons for huge variations of Development Revenue Expenditure (DRE) with budget estimates was not intimated by the State Government.

Table 1.18 –Efficiency of Expenditure Use in Selected Social and Economic Services

(In per cent)

Social/Economic Infrastructure	2008-09			2009-10		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S&W	O&M		S&W	O&M
Social Services (SS)						
General Education	13.94	84.74	0.05	12.06	79.55	-
Health and Family Welfare	20.31	77.36	1.17	25.81	81.40	0.24
WS, Sanitation & HUD	50.27	48.60	4.64	50.18	50.50	1.96
Others	39.32	17.06	0.08	32.29	12.70	0.30
Total	29.59	68.04	1.30	27.64	65.85	0.45
Economic Services (ES)						
Agriculture and Allied Activities	33.95	79.51	0.42	27.50	79.00	0.78
Irrigation and Flood Control	56.31	69.74	7.61	61.13	75.52	0.30
Power and Energy	35.53	10.80	1.84	27.31	10.70	0.06
Transport	95.12	2.91	90.24	96.56	2.30	2.32
Others	54.92	44.37	1.28	64.22	51.01	1.68
Total (ES)	48.48	32.90	2.94	48.60	32.95	0.48
Total (SS+ES)	41.49	48.55	2.21	40.31	43.92	0.46
<i>TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operation and Maintenance</i>						

The ratio of capital expenditure to total expenditure in Social and Economic Service Sectors during 2009-10 showed a decrease over the previous year. In the revenue expenditure the salary and wages formed the major component within the Social and Economic Services. From the revenue expenditure incurred on Social and Economic Sectors, the share of salary and wage component during the year 2009-10 registered decrease of 4.63 per cent over the previous year, there was also a decrease of 1.75 per cent in expenditure incurred on operation and maintenance.

1.5.3 Effectiveness of the Expenditure, i.e. Outlay-Outcome Relationship

Besides stepping up the expenditure on key social and economic services, enhancing human development requires the State to improve the delivery mechanism to obtain the desired outcomes. The State Government is expected to relate expenditure to outcomes in terms of quality, reach and the impact of government expenditure. Four reviews under Social and Economic services were taken up and figured in the separate Report of the Comptroller and Auditor General of India ended 31 March 2010:

1.6 Financial Analysis of Government Expenditure and Investments

In the post-Fiscal Resource Budget Management (FRBM) framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements out of the reserves. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on

its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents a broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year vis-a-vis previous years.

1.6.1 Financial Results of Irrigation Works

The total capital outlay on six irrigation projects¹⁶ as on 2009-10 was ₹ 215.54 crore. Financial results of these projects for the year 2009-10 showed that against the revenue realisation of ₹ 53.46 lakh (forming only 0.24 per cent of the total capital outlay), working expenses aggregated ₹ 65.55 lakh resulting in loss of ₹ 12.09 lakh. After taking into account further expenditure of ₹ 55.51 lakh, paid as interest on the capital outlay, the total loss aggregated ₹ 67.60 lakh.

1.6.2 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31st March 2010 is given in **Table 1.19**

Table 1.19: Department-wise Profile of Incomplete Projects

(₹ in lakh)

Department	No. of Incomplete Projects	Initial Budgeted Cost	Revised Total Cost of Projects	Cost Over Runs	Cum. Actual expenditure as on 31.3.2010
Public works	6	1045.97	2062.55	672.35	1718.32
Power Development	8	9806.63	10294.00	1824.55	11631.18
Total	14	10852.60	12356.55	2496.90	13349.50

Thus it is clear from above that 14 projects could not be completed despite cost overrun of ₹ 123.57 crore.

(a) Chapter 5.7 of the Jammu and Kashmir Book of financial powers stipulate that no work should be taken up for execution in anticipation of accord of the Administrative Approval and Technical Sanction by a competent authority.

Records, however, showed that 4215¹⁷ works estimated to cost of ₹ 4298.73 crore had been taken up by the works executing departments in anticipation of accord of Administrative Approval and Technical Sanction by the competent authority as tabulated 1.20 below:

Table 1.20

(₹ in crore)

Department	No. of works	Estimated cost	Expenditure
Power Development	61	120.29	347.63
R&B	3639	1556.68	4081.78
Irrigation	515	2039.13	419.53
PHE	NA	582.61	386.99
Total	4215	4298.71	5235.93

This had resulted in irregular expenditure of ₹ 5235.95 crore incurred thereon from May 2005 to March 2010.

¹⁶ Kathua Feeder, Pratap Canal, Ranbir Canal, Martand Canal, Zaingir Canal and Ahizi Canal.

¹⁷ Power Development Department: 61 works

1.6.3 Investment and returns

As of 31 March 2010, Government had invested ₹ 422.82 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.21**). The average return on this investment was 8.38 *per cent* while the Government paid an average interest rate of 8.89 *per cent* on its borrowings.

Table-1.21: Return on Investment

Investment/Return/Cost of Borrowings	2005-06	2006-07	2007-08	2008-09	2009-10
Investment at the end of the year (₹ in crore)	353.27	355.77	356.97	364.61	422.82
Return (₹ in crore)	20.62	21.22	30.24	40.85	44.16
Return (<i>per cent</i>)	5.84	5.96	8.47	11.20	10.44
Average rate of interest on Government borrowing (<i>per cent</i>)	7.19	10.09	12.19	6.91	8.07
Difference between interest rate and return (<i>per cent</i>)	1.35	4.13	3.72	(-) 4.29	2.37

As on 31 March 2010, the State Government had invested ₹ 422.82 crore in its Statutory Corporations (₹ 181.91 crore), Government Companies (₹ 211.49 crore), Joint Stock Companies (₹ 0.34 crore) and Cooperative Societies (₹ 22.62 crore), others (₹ 6.46 crore). Return on the investment made in these PSUs ranged between ₹ 20.62 crore and ₹ 44.16 crore during 2005-10. The return on investment amounted to ₹ 44.16 crore which accrued to the State Government during 2009-10 was from the Jammu and Kashmir Bank Limited (₹ 43.56 crore), and ₹ 60 lakh from the Jammu and Kashmir Cements Limited. The average return of interest on Government borrowings during 2005-09 was nine *per cent* which was reduced to eight *per cent* in 2009-10.

As on 31 March 2010 there were 20 Government companies (17 working and three¹⁸ non-working¹⁹ companies) and three Statutory corporations (all working) under the control of the State Government. The total capital investment made by the State Government in the working PSUs at the end of March 2010 was ₹ 390.83 crore. Besides, the loan of ₹ 6152.84 crore was also outstanding against the companies/corporations. Out of 17 working companies, only one company (J&K bank) had finalised its accounts for 2009-10. During the year 2009-10 out of 20 working PSUs, four PSUs earned profit of ₹ 514.89 crore and 14 PSUs incurred loss of ₹ 158.86 crore. One working PSU (Jammu and Kashmir Cable Car Corporation Limited) had not prepared the Profit and Loss Account while one PSU (Jammu & Kashmir State Forest Corporation) had not submitted its accounts since 1996-97 when its audit was entrusted to CAG. The major contributors to profit were Jammu and Kashmir Bank Limited. (₹ 512.38 crore) and Jammu and Kashmir cements Ltd. (₹ 1.53 crore). The heavy losses were incurred by Jammu and Kashmir State Road Transport Corporation (₹ 54.67 crore), Jammu and Kashmir Power Development

¹⁸ Himalayan Wool Combers Limited, Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalayan Wool Combers Limited) and Tawi Scooters Limited.

¹⁹ Non-working company is one which is under the process of liquidation/merger, etc.

Corporation Limited (₹ 39.05 crore), and Jammu and Kashmir Industries Limited (₹ 36.23 crore). The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2010.

Table 1.22

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
Number of Working PSUs	20	20	20	20	20
Number of accounts finalised during the year	11	12	12	15	10
Number of accounts in arrears	203	211	219	224	234
Average arrears per PSU (3/1)	10.15	10.55	10.95	11.20	11.70
Number of Working PSUs with arrears in accounts	19	19	19	19	19
Extent of arrears	1 to 18	2 to 19	3 to 19	4 to 19	5 to 20

Evidently, most of the working PSUs had failed to finalise even one account in each year causing accumulation of the arrears. The main reasons for non-finalisation of the accounts by the PSUs noticed during audit were non-constitution of the Boards, non-holding of regular Board meetings, delay in finalization of accounts by the Statutory Auditors and lack of trained staff. In addition to above, there were also the arrears in finalisation of accounts by non-working PSUs. Out of three non-working PSUs (all companies), two PSUs had gone into liquidation process. The remaining one non-working PSU had arrear of accounts for 20 years. The matter was referred to Chief Secretary/Administrative Departments but the position remained the same.

No instructions/corrective measures were directed/issued by the Government to make the non-performing companies profitable (September 2010).

1.6.4 Loans and advances by State Government

In addition to investments in co-operative societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organizations. Table 1.23 presents the position of loans and advances advanced/outstanding as on 31 March 2010, interest receipts vis-a-vis interest payments during the last three years.

Table 1.23 Average Interest Received on Loans Advanced by the State Government

(₹ in crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2007-08	2008-09	2009-10
Opening Balance	943.82	980.20	1018.92
Amount advanced during the year	38.27	42.41	49.12
Amount repaid during the year	1.89	3.69	1.62
Closing Balance	980.20	1018.92	1066.42
<i>Of which</i> Outstanding balance for which terms and conditions have been settled			
Net addition	36.38	38.72	47.50
Interest Receipts	1.44	9.92	5.07
Interest receipts as <i>per cent</i> to outstanding Loans and advances	0.15	0.97	0.47
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government.	12.19	6.91	8.07
Difference between interest payments and interest receipts (<i>per cent</i>)	12.04	5.94	7.60

During the current year, the State Government advanced loans and advances of ₹ 49.12 crore under Social Services (₹ 20.85 crore), Economic Services (₹ 27.03 crore) and to Government servants (₹ 1.24 crore). The recipients under Economic Services were the Jammu and Kashmir Industries Limited-a State Government Company (₹ 13.31 crore) and the J&K State Road Transport Corporation (₹ 13.72 crore).

Total loans and advances outstanding as on 31 March 2010 stood at ₹ 1,066.42 crore, which included ₹ 964.28 crore on account of Economic Services, ₹ 81.83 crore on Social Services and ₹ 20.30 crore outstanding against the Government servants etc. within Economic Services, Major part of the loan was outstanding against J&K State Horticulture Produce Marketing and Processing Corporation Limited (₹ 12.67 crore), Bhagliar Power Project (₹ 85.05 crore), Village Industries (₹ 25.58 crore), J&K Industries Limited (Rs. 300.96 crore) and J&K State Road Transport Corporation (₹ 320.48 crore). Against the recovery of ₹ 3.69 crore during 2009-10, the recoveries effected during 2009-10 were ₹ 1.62 crore which was made mostly out of loans paid to Government servants (₹ 1.23 crore).

1.6.5 Cash Balances and Investment of cash balances

In terms of Section 20 of the RBI Act 1934, RBI has the obligation to undertake the receipts and payments of the Central Government and to carry out the exchange, remittance and other banking operations, including the management of the public debt of the Union. Further, as per Section 21 of the said Act, RBI has the right to transact Government business of the Union in India.

State Government transactions are carried out by RBI in terms of the agreement entered into with the State Governments in terms of section 21 A of the Act. As of now, such agreements exist between RBI and all the State Governments except the Government of Jammu and Kashmir. The Jammu and Kashmir Government obtains temporary loan from Jammu and Kashmir Bank for its ways and means requirements. The State Government raised temporary loan from the Bank for all the 365 days during the year. The maximum temporary loan obtained was ₹ 2974.33 crore as of 31 March 2010. The total temporary loans raised during the year amounted to ₹ 3517.55 crore. A balance of ₹ 2290.25 crore was also outstanding as on 1st April 2009. Government repaid ₹ 2842.74 crore during the year leaving a balance of ₹ 2965.06²⁰ crore as of 31 March 2010. During the year 2009-10, ₹ 234.15 crore was paid as interest by the Government.

The cash balances of the State Government decreased by ₹ 4.10 crore during 2009-10 as compared to the previous year. Details of ₹ 37.39 crore investments held in the cash balance investment Account were not intimated by the State Government as it continued in the books for over eleven years.

²⁰ The figures under reconciliation (July 2009)

1.7 Assets and Liabilities

1.7.1 Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.4** gives an abstract of such liabilities and the assets as on 31 March 2010 compared with the corresponding position on 31 March 2009. While the liabilities as shown in this Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. **Appendix 1.4** shows that the liabilities and assets grew by 15 per cent and 19 per cent respectively. The liabilities of the State Government depicted in the Finance Accounts, however, do not include future liabilities on account of pension and other retirement benefits payable to retired State employees, guarantees/letters of comforts issued by the State Government. The projection made by State Government in its Macro Economic Framework Statement (MEFS)/Medium Term Fiscal Policy Statement (MTFPS)/Fiscal Policy Strategy Statement (FPSS) are tabulated below:

Table 1.24

(₹ in crore)

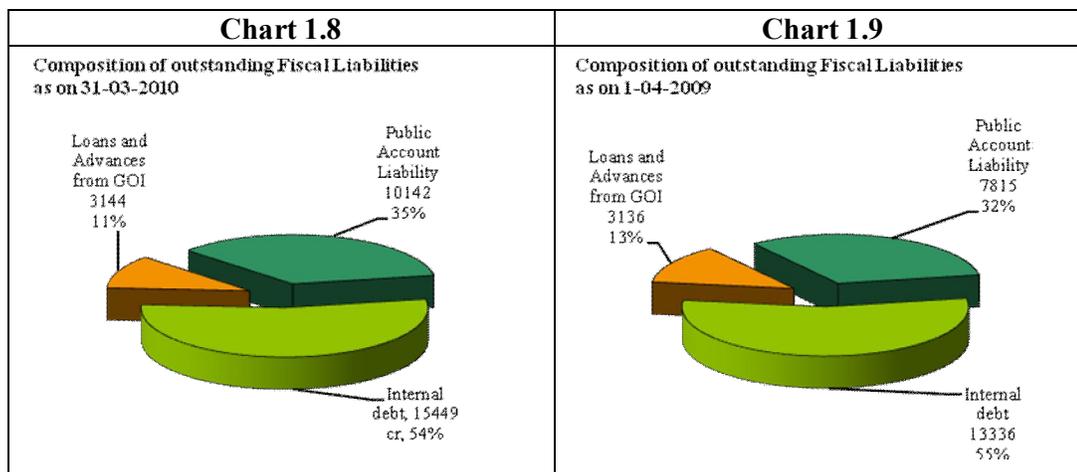
Particulars	Projections	Actual
Total liabilities/GSDP ratio	49.80	75.03
Total liabilities/TRR	103.19	163.37
Total liabilities/State own receipts	22.91	721.62

(TRR: Total Revenue Receipts)

The reasons of variations were not on record.

1.7.2 Fiscal Liabilities

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State. It includes market loans, special securities issued by RBI and loans and advances from the Central Government. Other liabilities, which are a part of Public Account, include deposits under small savings scheme, provident funds and other deposits. The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.3**. The composition of fiscal liabilities during the current year *vis-à-vis* the previous year are presented in **Charts 1.8** and **1.9**.



The overall fiscal liabilities of the State increased from ₹ 24287 crore in 2008-09 to ₹ 28735 crore in 2009-10. The fiscal liability GSDP ratio of the State was however 75 per cent at the end of 31 March 2010.

The growth rate of fiscal liabilities was 18.31 per cent during 2009-10 over the previous year. The ratio of fiscal liabilities to GSDP also increased from 69.78 per cent in 2004-05 to 75.03 per cent in 2009-10. The buoyancy of these liabilities with respect to GSDP during the year was 1.82 indicating that for each one per cent increase in GSDP, fiscal liabilities grew by 18.32 times. These liabilities stood at 1.63 times of the State's revenue receipts and 13.85 times of its own resources.

1.7.3 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. As per Statement 6 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years is given in **Table 1.25**.

Table-1.25: Guarantees given by the Government of –Jammu and Kashmir State

Guarantees	2007-08	2008-09	2009-10
Max amount guaranteed (₹ in crore)	3308	3295	4748
Outstanding amount of guarantees (₹ in crore)	2807	2536	3037
Percentage of maximum amount guaranteed to total revenue receipts	24.92	23.04	26.99

As per the recommendations of the TFC the States were to create guarantee redemption fund for the guarantees provided by it to various financial institution for grant of loans to various bodies in the State. The Government transferred only Rupees one crore during 2009-10 to guarantee redemption fund. It was, however, noticed that Government has guaranteed loans raised by various Corporations and others, which at the end of 2009-10 stood at ₹ 3,037 crore (including interest), indicating decrease by about 10 per cent over the level of previous year. The outstanding amount of guarantees was about 17 per cent of revenue receipts of the State. As per TFC the states were to set up guarantee redemption fund through earmarked guarantee fee. It

was observed that no guarantee fee was received during 2009-10. However, guarantee redemption fund stood at ₹ 420 crore.

1.8 Debt Sustainability

The Debt sustainability is the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt, therefore, also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. Therefore rise in fiscal deficit should match with the increase in capacity to service the debt.

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

The sustainability of debt of the Jammu and Kashmir State Government in terms of debt stabilization, sufficiency of non-debt receipts²¹, net availability of borrowed funds²², burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.26** analyzes the debt sustainability of the State according to these indicators for the period of five years beginning from 2005-06.

Table 1.26: Debt Sustainability: Indicators and Trends

(₹ in crore)

Indicators of Debt Sustainability	2005-06	2006-07	2007-08	2008-09	2009-10
Debt Stabilization (Quantum Spread + Primary Deficit)	(-) 1220	(-) 261	(-) 726	(-) 621	(-) 2413
Sufficiency of Non-debt Receipts (Resource Gap) ₹ in crore	1466	833	2095	1027	3285
Net Availability of Borrowed Funds	1487	16	329	1343	2310
Burden of Interest Payments (IP/RR Ratio)	0.108	0.160	0.183	0.110	0.121

As is clear from above, the debt stabilisation of the State was negative due to negative trend of fiscal and primary deficit during 2005-10. The resource gap also increased

²¹ Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

²² Defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

from ₹ 1027 crore to ₹ 3285 crore in 2009-10. The Debt GSDP ratio during 2009-10 was 75.02 while as it was 69.78 during 2008-09.

1.9 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government.

1.9.1 Trends in Deficits

Charts 1.10 and 1.11 present the trends in deficit indicators over the period 2005-10.

Chart 1.10

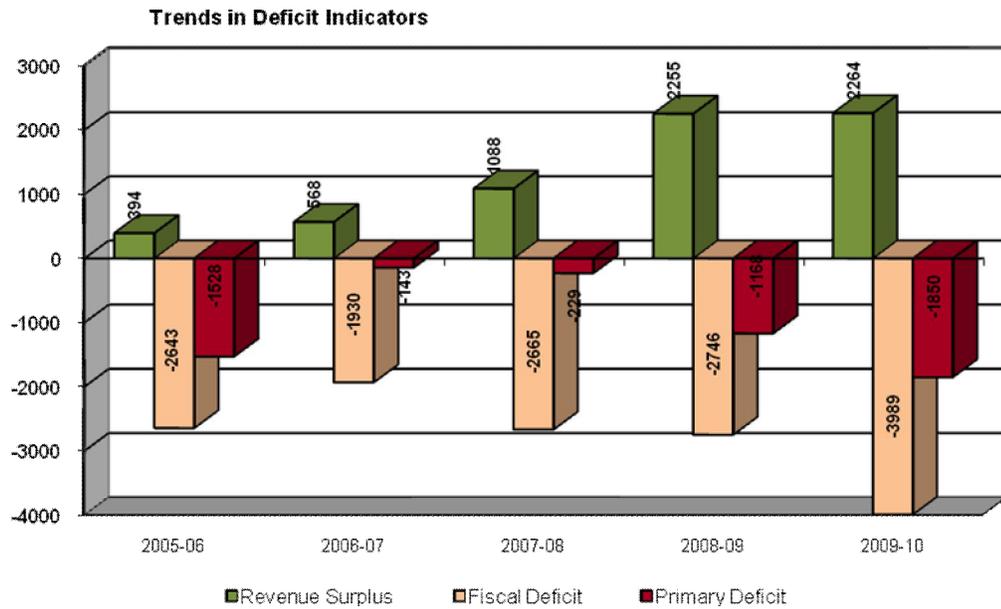
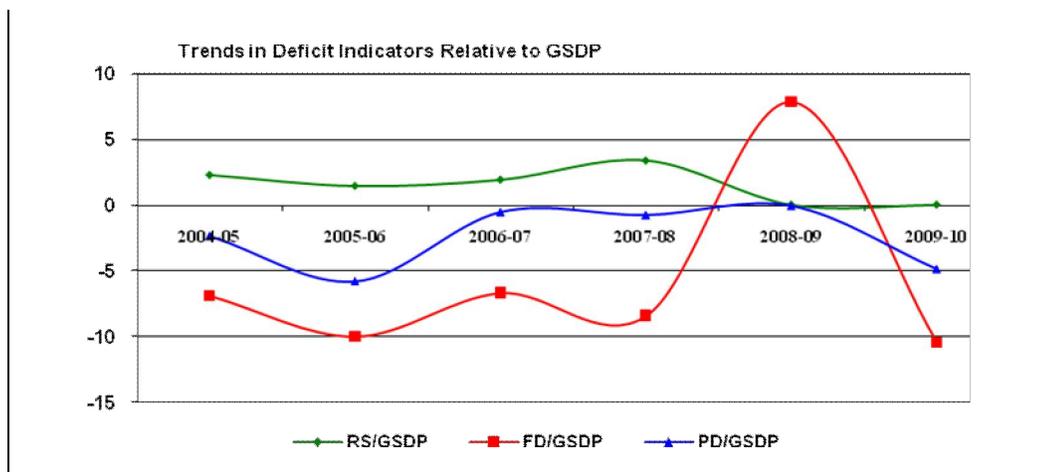


Chart 1.11



The Charts above reveal that the revenue account experienced surplus over the period 2004-10. The revenue surplus of ₹ 2264 crore during 2009-10 was higher by ₹ 9 crore as compared to revenue surplus of ₹ 2255 crore during 2008-09. An increase of 23 per cent (₹ 3285 crore) in revenue receipts during 2009-10 and increase of ₹ 2735 crore (31 per cent) in grant in aid from GOI resulted in an increase in revenue surplus during the current year.

Despite a cushion of ₹ 9 crore available in the form of increment in revenue surplus, net increase of ₹ 1276 crore in capital expenditure/loans and advances during 2009-10 over the previous year led to an increase of ₹ 1243 crore in fiscal deficit during the current year. The increase in fiscal deficit accompanied by a increase of ₹ 561 crore in interest payments during 2009-10 over the previous year led to the increase of ₹ 682 crore in primary deficit in 2009-10 from ₹ 1168 crore during 2009-10.

As per TFC Fiscal deficit to GSDP targets for the Centre and States to be fixed at 3 per cent. The State had a revenue surplus however the ratio of fiscal deficit to GSDP stood at 10.41 per cent at the end of 2009-10.

1.9.2 Components of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table 1.27**.

Table1.27: Components of Fiscal Deficit and its Financing Pattern

(₹ in crore)

Particulars		2005-06	2006-07	2007-08	2008-09	2009-10
Decomposition of Fiscal Deficit						
1	Revenue Surplus	394	568	1088	2255	2264
2	Capital Expenditure	3020	2456	3717	4964	6234
3	Loans and Advances	55	44	38	42	49
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	1428	1264	2198	2372	2113
2	Loans from GOI	(-) 118	(-) 124	(-) 122	(-) 127	(+)805
3	Special Securities Issued to NSSF	-	--	-	-	
4	Loans from Financial Institutions	-	--	-	--	
5	Small Savings, PF etc	412	426	341	458	693
6	Deposits and Advances	828	84	216	206	1544
7	Suspense and Miscellaneous	(-) 58	(-) 53	(-) 204	158	(-)162
8	Remittances	101	205	112	(-) 381	(-)292
9	Reserve funds	52	152	130	11	90
10.	Net amount recouped to contingency fund	0.01	0.30	-	-	-
11.	Increase/decrease in cash balance	(-) 2	(-) 24	(-) 6	51	4
Figures in brackets indicate the <i>per cent</i> to GSDP. *All these figures are net of disbursements/outflows during the year						

The revenue surplus increased by ₹ nine crore in 2009-10 over the previous year. There was increase in capital expenditure of ₹ 1270 crore over the 2008-09. The fiscal deficit was met from borrowing out of Public Accounts of which market borrowings and small savings, PF formed the major share.

1.9.3 Quality of Deficit/Surplus

The ratio of Revenue Deficit (RD) to Fiscal Deficit (FD) and the bifurcation of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) was not having any asset backup. The bifurcation of the primary deficit would indicate the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

The bifurcation of the factors resulting in primary deficit or surplus of the State during the period 2005-10 reveals (Table-1.28) that the primary deficit during the period was on account of capital expenditure incurred and loans and advances disbursed by the State Government. In other words, non-debt receipts of the State were enough to meet the primary expenditure requirements in the revenue account and in fact left some receipts to meet the expenditure under the capital account. The State had to borrow to meet the requirements under capital account over primary expenditure during 2009-10. This indicates the extent to which the primary deficit has been on account of

enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.28: Primary deficit/Surplus – Bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary revenue Exp	Capital Exp	Loans and Advances	Primary Exp	Percentage Capital Exp/ Primary Exp.	Primary Revenue deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
1	2	3	4	5	6(3+4+5)	7 (4/6)	8 (2-3)	9 (2-6)
2005-06	10351	8806	3020	53	11879	25	(+) 1545	(-)1528
2006-07	11184	8827	2456	44	11327	22	(+) 2357	(-) 143
2007-08	13279	9753	3717	38	13508	28	(+) 3526	(-) 229
2008-09	14307	10469	4964	42	15475	32	(+) 3838	(-) 1168
2009-10	17618	13185	6234	49	19468	32	(+)4433	(-)1850

- The non debt receipts of the State was higher than the PRE which was sufficient to meet this expenditure.
- Total primary expenditure increased by ₹ 7589 crore from ₹ 11879 crore to ₹ 19468 crore during the period 2005-10 which was due to increase of primary revenue expenditure of ₹ 4379 crore from and capital expenditure of ₹ 3214 during the period during the TFC period.
- During the period 2005-10 the State had revenue surplus which increased from ₹ 1545 crore in 2005-06 to ₹ 1850 crore in 2009-10. However, the primary deficit increased from ₹ 1528 crore in 2005-06 to ₹ 1850 crore in 2009-10. The increase was manly due to huge payment of interests which increased from ₹ 1115 crore in 2005-06 to ₹ 1850 crore in 2009-10.

The projection made by State Government in its Macro Economic Framework Statement (MEFS)/Medium Term Fiscal Policy Statement (MTFPS)/Fiscal Policy Strategy Statement (FPSS) which mostly could not be achieved as indicated in the table below:

(Table 1.29)

Particulars	Projections	Actuals
Fiscal deficit	2090	3989
Primary deficit	67	1850
Fiscal deficit/GSDP	5.4 revised to 4	10.42

1.10 Conclusion and Recommendations

The overall fiscal position of the State-as reflected in terms of key parameters–revenue, fiscal and primary deficits-indicates mixed trends in the fiscal situation during 2009-10 over the previous years. While the revenue surplus increased and reached the peak level of ₹ 2264 crore in the current year, the fiscal and primary deficits have deteriorated over the previous year.

Receipts and Expenditure.

The expenditure pattern of the State reveals that the revenue expenditure 2005-10 continued to share a dominant proportion in the total expenditure of the State and was around 71 per cent during 2009-10. Moreover, within the revenue expenditure, the

non-plan revenue expenditure at ₹ 14771 crore constituted about 97 per cent. The continued prevalence of fiscal and primary deficits indicates the increasing reliance of the State on borrowed funds. This coupled with non collection of revenue arrears for the past several years which are compounding day by day. The increasing fiscal liabilities accompanied by a negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead to an unsustainable debt situation in medium to long run unless suitable measures are initiated to compress the non plan revenue expenditure and to mobilise additional resources both through the tax and non tax sources in the ensuing years.

To improve the position of these three parameters the State Government should mobilise additional resources both through tax and non-tax sources by expanding the tax base and rationalising the user charges. It should also make efforts to collect revenue arrears. Efforts should also be made to increase tax compliance, reduce tax collection costs, etc. so that deficits are contained. Ensure that the Government of India releases all grants due to the State by taking timely action on all conditionalities that are pre-requisite to the release. There is urgent need to improve collection of tax revenue so that departure to borrowed funds can be reduced. Though expenditure incurred under capital head had been increasing over the years, yet the State needs to ensure that targets fixed are achieved. The State should initiate action to restrict the components of non-plan revenue expenditure by phasing out implicit subsidies and resort to need based borrowings to cut down interest and principal payments.

Fiscal correction path

The State had attached low fiscal priorities towards development expenditure as the ratio of development expenditure/aggregate expenditure had decreased in 2009-10 as compared to 2005-06.

The decrease in the ratio of development expenditure to aggregate expenditure indicates that State attaches low fiscal priority towards its development. From the point of view of development it is pertinent that Government should take appropriate expenditure measures and lay emphasis on provision of more expending under social and economic sectors.

Fiscal liabilities

The growth rate of fiscal liabilities was 18.31 per cent during 2009-10 over the previous year. The ratio of fiscal liabilities to GSDP also increased from 69.78 per cent in 2004-05 to 75.03 per cent in 2009-10.

Recourse to borrowed funds should be carefully assessed and managed so that the recommendations of the 13th Finance Commission to bring Fiscal Liabilities-GSDP ratio to around 25 percent could be achieved in next five years.

Investment and Returns

The average rate of return on investment was 7.44 per cent while the Government paid an average interest rate of 10.44 per cent on its borrowings.

A performance based system of accountability should be put in place in the Government Companies/statutory corporations so as to derive profitability and improve efficiency in service. The Government should ensure better value for money in investments by identifying the Companies/Corporations which are endowed with low financial but high socio-economic returns and justify the use of high cost borrowed funds for non revenue generating investments through clear and transparent guidelines.

Debt sustainability

The debt sustainability of the State was dismal. The resource gap also increased during 2009-10.

The State should make efforts to reduce primary and fiscal deficit.

CHAPTER – II : FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorized by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provisions and are, therefore, complementary to Finance Accounts.

2.1.2 Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2009-10 against 29 grants/appropriations was as given in **Table 2.1**:

Table 2.1: Summarized Position of Actual Expenditure vis-à-vis Original/Supplementary provisions

(₹ in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure ¹	Saving (-)/ Excess (+)
Voted	I Revenue	13404.53	296.36	13700.89	13426.68	(-) 274.21
	II Capital	7675.15	594.97	8270.12	7004.39	(-) 1265.73
	III Loans and Advances	64.76	-	64.76	49.11	(-) 15.65
Total Voted		21144.44	891.33	22035.77	20480.18	(-) 1555.59
Charged	IV Revenue	1753.84	225.60	1979.44	2160.14	(+) 180.70
	V Capital	-	-	-	-	-
	VI Public Debt-Repayment	808.47	-	808.47	3573.90	(+) 2765.43
Total Charged		2562.31	225.60	2787.91	5734.04	(+) 2946.13
Appropriation to Contingency Fund (if any)		-	-	-	-	-
Grand Total		23706.75	1116.93	24823.68	26214.22	(+) 1390.54

The overall excess of ₹ 1390.54 crore was the result of excess of ₹ 4062.58 crore in five grants and one appropriation under Revenue Section and nine grants and one

¹ These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue (₹ 262.93 crore) and capital (₹ 770.61 crore)

appropriation under Public Debt-Repayments (Loan Section), offset by saving of ₹ 2,672.03 crore in 24 grants and five appropriations under Revenue Section and 19 grants under Capital Section.

The savings/excesses reflected in the detailed Appropriation Accounts were intimated to the Controlling Officers requesting them to explain the significant variations. Reasons thereof were not explained (October 2010).

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit reveals that in 44 cases, savings exceeded ₹ one crore in each case or by more than 20 *per cent* of the total provision (*Appendix 2.1*). Against the total savings of ₹ 2,672.03 crore, savings of ₹ 2,200.12 crore (82 *per cent*)² occurred in 14 cases relating to 12 grants as indicated in **Table 2.2**.

Table 2.2: List of Grants with savings of ₹ 50 crore and above

(₹ in crore)

Sl. No	Name of Grant/ Appropriation/	Original	Supple-mentary	Total grant	Actual expenditure	Savings
I-Revenue (voted)						
1.	2-Home	1875.50	156.71	2032.21	1892.28	139.93
2.	3-Planning and Development	135.70	-	135.70	37.39	98.31
3.	7-Education	1907.31	29.91	1937.22	1685.11	252.11
Total-Revenue (voted)		3918.51	186.62	4105.13	3614.78	490.35
II-Capital (voted)						
4.	3-Planning and Development	354.60	179.25	533.85	152.31	381.54
5.	6-Power Development	1283.00	-	1283.00	1035.05	247.95
6.	7-Education	278.03	2.31	280.34	158.39	121.95
7.	8-Finance	821.00	-	821.00	598.78	222.22
8.	12-Agriculture	182.97	45.94	228.91	169.35	59.56
9.	14-Revenue	135.04	-	135.04	62.99	72.05
10.	15-Consumer Affairs and Public Distribution	1005.96	162.21	1168.17	857.29	310.88
11.	19-Housing and Urban Development	331.80	45.00	376.80	280.70	96.10
12.	22-Irrigation and Flood Control	453.33	-	453.33	389.10	64.23
13.	25-Labour, Stationery and Printing	69.65	2.11	71.76	1.96	69.80
14.	27-Higher Education	191.72	-	191.72	128.23	63.49
Total-Capital (voted)		5107.10	436.82	5543.92	3834.15	1709.77
Grand total		9025.61	623.44	9649.05	7448.93	2200.12

² Exceeding ₹ 50 crore in each case.

Reasons for substantial savings against each grant were not explained (October 2010) by the State Government.

2.3.2 Persistent Savings

In ten cases, during the last five years persistent savings of more than ₹ one crore in each case and also by 10 *per cent* or more of the total grant were noticed **Table 2.3**.

Table 2.3: List of Grants indicating Persistent Savings during 2005-10

(₹ in crore)

S.No	Grant number and name	Amount of Savings				
		2005-06	2006-07	2007-08	2008-09	2009-2010
Revenue (Voted)						
1.	4-Information	2.05 (14)	2.37 (14)	3.22 (17)	3.78 (18)	3.21 (12)
2.	10-Law	20.28 (33)	25.57 (40)	34.23 (42)	25.34 (19)	43.00 (38)
Capital(Voted)						
3.	3-Planning and Development	166.97 (32)	260.64 (76)	300.35 (66)	147.89 (37)	381.54 (71)
4.	7-Education	23.80 (29)	29.42 (27)	28.77 (21)	57.59 (30)	121.95 (43)
5.	8-Finance	22.75 (89)	364.64 (99)	291.26 (90)	432.23 (82)	222.22 (27)
6.	13-Animal Husbandry	3.74 (38)	7.03 (52)	5.03 (41)	8.49 (48)	8.87 (36)
7.	14-Revenue	28.76 (90)	98.67 (97)	105.81 (88)	145.22 (88)	72.05 (53)
8.	19-Housing and Urban Development	27.14 (24)	106.61 (64)	60.41 (15)	279.90 (63)	96.10 (26)
9.	25-Labour, Stationery and Printing	15.33 (92)	15.48 (93)	34.70 (96)	74.44 (95)	69.80 (97)
10.	27-Higher Education	14.21 (19)	21.16 (25)	55.48 (55)	79.75 (47)	63.49 (33)

Reasons for persistent savings under these heads were not explained (October 2010) by the State Government.

2.3.3 Excess Expenditure

In 15 cases, expenditure aggregating ₹ 11,875.82 crore exceeded the approved provisions by ₹ 4,062.03 crore in each case by ₹ one crore or by more than 20 *per cent* of the total provision. Details are given in **Appendix 2.2**. Of these, excess expenditure by more than 20 *per cent* has been observed consistently for the last five years in respect of one grant and one appropriation **Table 2.4**.

Table 2.4: List of Grants indicating Persistent Excess expenditure during 2005-10

(₹ in crore)

S.No	Grant number and name	Amount of Excess Expenditure				
		2005-06	2006-07	2007-08	2008-09	2009-2010
Revenue (Voted)						
1.	25-Labour, Stationery and Printing	11.21 (47)	11.50 (46)	11.59 (42)	9.73 (30)	47.69 (132)
Capital (Charged)						
2.	8-Finance	11839.59 (3526)	997.35 (233)	1233.79 (231)	2740.40 (448)	2765.44 (342)

Reasons for persistent excesses under these heads were not explained (October 2010) by the State Government.

2.3.4 Expenditure without Provision

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹ 423.78 crore was incurred in 49 Major heads of account as detailed in *Appendix-2.3* without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

2.3.5 Excess over provisions relating to previous years requiring regularization

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Article, the regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to ₹ 74,366.04 crore for the years 1980-2009 was yet to be regularized as detailed in *Appendix 2.4*.

2.3.6 Excess over provisions during 2009-10 requiring regularization

Table 2.5 contains the summary of total excess in 13 grants and one appropriation amounting to ₹ 4,062.58 crore over authorization from the Consolidated Fund of the State during 2009-10 and requires regularization under Article 205 of the Constitution.

Table 2.5: Excess over provisions requiring regularization during 2009-10

(₹ in crore)

Sl. No	Grant/Appropriation number and name	Total Grant/ Appropriation	Expenditure	Excess
I- Revenue(Voted)				
1	6-Power Development	2435.66	2795.20	359.54
2.	15-Consumer Affairs and Public Distribution	3.97	5.52	1.55
3.	18-Social Welfare	278.71	281.66	2.95
4.	25-Labour, Stationery and Printing	36.03	83.72	47.69
5.	27-Higher Education	275.96	450.25	174.29
Total Revenue (Voted)		3030.33	3616.35	586.02

Sl. No	Grant/Appropriation number and name	Total Grant/Appropriation	Expenditure	Excess
II-Revenue (Charged)				
6.	8-Finance	1950.44	2138.24	187.80
Total Revenue (Charged)		1950.44	2138.24	187.80
Total Revenue (Section)		4980.77	5754.59	773.82
III-Capital (Voted)				
7.	1-General Administration	29.15	36.91	7.76
8.	11-Industries and Commerce	111.29	114.29	3.00
9.	16-Public Works	1216.92	1465.23	248.31
10.	18-Social Welfare	182.67	199.59	16.92
11.	20-Tourism	113.82	171.77	57.95
12.	23-Public Health Engineering	345.31	505.00	159.69
13.	24-Hospitality, Protocol and Toshakhana	-	0.47	0.47
14.	26-Fisheries	10.05	10.60	0.55
15.	29-Transport	25.40	54.07	28.67
Total (Capital Voted)		2034.61	2557.93	523.32
III-Capital (Charged)				
16.	8-Finance Department	808.46	3573.90	2765.44
Total Capital (Charged)		808.46	3573.90	2765.44
Total Capital (Section)		2843.07	6131.83	3288.76
Grand Total		7823.84	11886.42	4062.58

In the Revenue section, there was excess expenditure of ₹ 773.82 crore in five grants and one appropriation while in the Capital section, excess expenditure amounted to ₹ 3,288.76 crore in nine grants and one appropriation as detailed above. The excess expenditure of ₹ 4,062.58 crore was mainly due to part clearance of overdraft of ₹ 3,517.55 crore obtained during the year by the State Government from the Jammu and Kashmir Bank Limited.

2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

In 13 cases, involving 11 grants and one appropriation (*Appendix-2.5*), supplementary provision of ₹ 508.46 crore was obtained in excess of the original provision in anticipation of expenditure. However, the final expenditure of ₹ 4,797.26 crore was even less than the original grant of ₹ 5,680.45 crore. The savings of ₹ 1391.65 crore thus exceeded the entire supplementary provision indicating defective fund projection system leading to unnecessary allotment of additional funds.

In six other cases relating to five grants, supplementary grants aggregating ₹ 276.47 crore were obtained against the requirement of ₹ 113.90 crore resulting in saving of ₹ 162.57 crore (*Appendix-2.6*).

Apart from these cases, supplementary provision of ₹ 331.01 crore proved insufficient in eight cases relating to six grants and one appropriation in each leaving an uncovered aggregate excess expenditure of ₹ 684.38 crore (*Appendix-2.7*).

2.3.8 Anticipated savings not surrendered

As per the State Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2009-10, there were, however, 28 grants and five appropriations in which savings occurred but no part of which had

been surrendered by the concerned departments. The savings in these cases was of the order of ₹ 2,672.03 crore which includes ₹ 2671.73 crore in 44 cases (involving 28 grants and two appropriations) where savings involved were ₹ one crore and above. Relevant details are indicated in **Appendix-2.8**. Non-surrender of funds deprived the Government of the opportunity to transfer these funds to other needy sectors.

2.3.9 Rush of expenditure

According to Jammu and Kashmir Financial Code, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 15 major heads listed in **Table 2.6**, expenditure exceeding ₹ 10 crore and also more than 50 per cent of the total expenditure for the year was incurred either during the last quarter or during the last month of the financial year 2009-10. The percentage of expenditure in the last quarter ranged between 63 and 99 per cent and during the last month it ranged between 51 and 94 per cent of the total expenditure.

Table 2.6: Cases of rush of Expenditure towards the end of the financial year 2009-10

(₹ in lakh)

Sl. No.	Grant number and name	Major head	Total expenditure during the year	Expenditure during the last quarter of the year		Expenditure during March 2010	
				Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	01-General Administration	4075	2,580.70	2,101.21	81	1,987.27	77
2.	03-Planning and Development	5475	57,842.00	38,320.58	66	30,387.34	53
3.	07-Education	4202	15,839.10	13,119.00	83	13,484.90	85
4.	08-Finance	2040	7,355.90	5,870.78	80	5,552.33	75
5.		5475	14,929.00	14,888.51	99	12,767.00	86
6.	11-Industries and Commerce	4851	9,971.50	7,524.61	75	5,059.00	51
7.	12-Agriculture	4401	6486.70	5272.10	81	4,159.76	64
8.		4415	5405.20	5051.05	93	3,750.18	69
9.	14-Revenue	2245	14466.00	9163.29	63	11810.15	82
10.	16-Public Works	4059	19,768.00	14,511.08	73	10,060.93	51
11.	18-Social Welfare	2225	6,298.90	5,211.07	83	3,604.09	57
12.	19-Housing and Urban Development	4217	27,018.00	19,206.92	71	13,967.41	52
13.	20-Tourism	4406	2514.80	1,720.48	68	1,553.83	62
14.	25-Stationery and Printing	2230	6532.90	4,208.20	64	3,353.58	51
15.	29-Transport	5055	3971.10	3,822.78	96	3,738.60	94
	Total			1,49,991.66		1,25,236.37	

2.4 Non-reconciliation of Departmental figures

2.4.1 Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

As per rules (Chapter-VIII of the Jammu and Kashmir Financial Code Volume-I), every drawing officer has to certify in each abstract contingent bill that detailed bills

for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmission to the Accountant General. In contravention of the above rules, for a total amount of ₹ 1922.93 crore (**Appendix-2.9**) drawn on AC bills by various DDOs (34 departments) during 1996-2010, corresponding DC bills have not been submitted (June 2010) to the Principal Accountant General. Non-remittance of DC bills for such a huge amount over a very long period is fraught with the risk of misappropriation and requires close monitoring. Further, reasons for non-settlement of the outstanding AC bills that are more than two years old should be investigated and action initiated for immediate settlement. Non-observance of codal provisions with regard to furnishing of DC bills and failure to comply with the instructions issued by the Finance Department by the concerned DDOs have rendered expenditure of ₹ 1,922.93 crore doubtful.

The matter has been continually brought to the notice of Government/Finance Department from time to time. Despite issuance of instructions in this regard by the State Finance Department, the DDOs did not furnish the pending DC bills.

2.4.2 Un-reconciled Expenditure

To enable Controlling Officers of the Departments to exercise effective control over expenditure to keep it within the budget grants and to ensure accuracy of their accounts, State Financial Rules stipulate that expenditure during the financial year recorded in their books be reconciled by them every month with that recorded in the books of the Accountant General. Though non-reconciliation of Departmental figures is being pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2009-10 also. 104 (out of 311) Controlling Officers did not reconcile expenditure amounting to ₹ 12,731.08 crore as of October 2010 which constituted 59 *per cent* of the total net revenue and capital expenditure.

2.5 Errors in budgeting process

Scrutiny of Demand of Grants for the year 2009-10 showed following inherent flaws in preparation:

- Lump sum budgetary provisions are being placed with Controlling Officers in various Demands for Grants instead of detailed head-wise/scheme-wise provisions which is in contravention of Financial Rules.
- Detailed head 'subsidy' is not being provided under relevant major/minor head/sub head of accounts in Demand for Grants.
- The Capital heads of accounts are being closed at sub head level in the demand for grants. No detailed breakup below thereto up to object head level is available in the approved demand for grants that includes Grant in Aid and Subsidy.
- Distribution of expenditure between work charged and maintenance expenditure not provided in the demand for grants under relevant major heads of accounts so that estimates of salary and non-salary items could be separately reflected in the accounts at sub head level.

- Details of all CSS, Central Plan schemes and State Plan Schemes to be classified under group head 0031, 0021 and 0011 respectively are not being provided in the demand for grants.

These deficiencies make the whole budgeting process erroneous, making reconciliation of departmental figures with those adopted by the Principal Accountant General, difficult. The above matter had been reported to the State Government from time to time. Further action in the matter is awaited (October 2010).

2.6 Review of Grant

Grant No 7- Review of Grant for Education Department

2.6.1 Introduction

The Department of Education has the overall responsibility for determining the policies and strategies for imparting of Education to students at all levels. Apart from it, the department has the responsibility of the department to provide the basic infrastructural facilities to the students.

2.6.2 Budget allocation and expenditure

The overall position of budget provisions, actual disbursements and unspent provisions under the grant for the last three years is given in the table below:

Table 2.7

(₹ in crore)

Year	Budget provisions		Actual disbursements#		Less expenditure vis-à-vis budget provision
	Revenue	Capital	Revenue	Capital	
2007-08	1291.08	175.22	1270.47	155.29	40.54
2008-09	1542.63	276.24	1386.82	224.66	207.39
2009-10	2136.72	456.25	2090.53	286.63	215.81

(#Figures taken for MHs 2202, 2203, 2204, 2205, 4202 as depicted in the Finance Account)

2.6.3 Supplementary Grants

As per the provisions of budget manual, supplementary estimates should not be presented to the Legislature until its necessity is clearly established. While dealing with the application of supplementary grants it should be ensured by the Administrative department in consultation with the Finance department that no appropriation is possible within grants. It was noticed that despite less spendings against the budget provision in each year (2007-10) as tabulated above, the department sought supplementary grants amounting to ₹ 213.80 crore³. This was indicative of the fact that there was no need of supplementary grants for the sector.

2.6.4 Excess expenditure

The controlling officer of the department administering the grant is responsible for watching the progress of expenditure on public service under its control and for keeping the expenditure within a grant. The Accountant General is required to warn the controlling authority concerned immediately on the first instance of excesses.

³ 2007-08: ₹. 100.48 crore; 2008-09: ₹ 81.10 crore; 2009-10: ₹ 32.22 crore

It was seen that controlling officers continued to incur expenditure in excess of budgetary allotment despite being informed through warning slips and monthly appropriation accounts from time to time to Accountant General as tabulated below:

Table 2.8

(₹ in lakh)

Major head/Minor head	Grant	Expenditure	Excess
2202/02/107/0905- Meritorious students	3.25	169.71	166.46
2202/02/110/0241- Grant to Sainik School Nagrota for maintenance of Building	55.00	6448.62	6393.62
2202/80/278- Research and Publication, Kashmir	177.56	189.00	11.44

Significant excess of expenditure over budgetary provision was also noticed in respect of centrally sponsored scheme 'Mid-Day-Meals', as tabulated below:-

Table 2.9

(₹ in lakh)

Scheme/Major Head	Provision	Expenditure	Excess
2202/01/800/0031/1030- Mid-Day-Meals	100.00	572.40	472.40
4202/01/800/0031/1030- Mid-Day-Meals	4750.00	5953.28	1203.28

2.6.5 Unutilised grants

As per the provisions of the budget manual, the grants should be appropriated only after the estimates are examined by the administrative department of the Secretariat concerned. It was noticed that the appropriated grants remained un-utilized during the year 2009-10 indicating that these were either not required or not examined by the administrative department as tabulated below:

Table 2.10

(₹ in lakh)

Head	Amount
2202/099/107/0241-Grant to Sainik School Nagrota, Jammu	89.12
2202/80/003/0011/0271-State Institute of Education, Kashmir	518.16
2202/02/110/099/0243-Sainik School Manasbal, Kashmir	165.00
2202/01/201/0031/2281-Vocational Training Project	600.00
2202/02/109/0243-Sainik School Manasbal (Maintenance of Building)	2.00
4202/01/0011/1222-Strengthening of DIET	1160.00

It was also seen that ₹ one crore was appropriated under MH 2202/1428-Adult Education which remained unspent as the scheme had been closed way back in the year 2002. Though the matter had been brought to the notice of the State Government, yet funds were allotted for the year 2009-10, indicating inadequate control.

2.6.7 Savings not surrendered

As per the provisions of the budget manual all the anticipated savings should be surrendered to the Government immediately as and when they are foreseen without waiting till the end of the year, unless they are required to meet excesses under some other units which are definitely foreseen at the time.

Significant savings were noticed in some schemes where provision was distinctly/separately placed in approved demand for grants.

Table 2.11

(₹ in lakh)

Major Head	Grant	Total grant/ appropriation	Actual expenditure	Saving
2055-Police (0957-Internal Security)	O-4354.64 S-211.08	4565.72	4454.18	111.54
2202-General Education (0214-Director Education Kashmir, 0271-SIE Kmr; 0277/0099 SIE Jammu; 0277/0011-SIE Jammu)	O-41217.68 S-191.96	41409.64	2366.35	39043.29
2204-Sports and Youth Service (0954-NCC)	O-413.52	413.52	343.10	70.42
2205-Art and Culture (0272-Development of archives; 1890-Director Library; 0221- Government Library and Reading room Jammu)	O-1288.20	1288.20	990.22	297.98
3454-Census, Surveys and Statistics (0468-State Gazetteers)	O-50.18	50.18	26.26	23.92

(O: Original; S; Supplementary)

The significant savings in the above mentioned schemes definitely shall have deprived the beneficiaries/areas for which the amount was appropriated.

CHAPTER – III : FINANCIAL REPORTING

A sound internal financial reporting with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliances is thus one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

3.1 Delay in furnishing Utilization Certificates

Financial Rules (specify) provide that for the grants provided for specific purposes, Utilization Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General within 18 months) from the date of their sanction unless specified otherwise.

The utilisation certificates in respect of 2362 items amounting to ₹ 1815.29 crore were outstanding as of March 2010. No utilisation certificates were received during 2009-10.

Table3.1: Age-wise arrears of Utilization Certificates

Range of delay (in number of years)	Total grants paid		Utilisastion Certificates Outstanding	
	Number	Amount	Number	Amount
0 - 1	504	35452.80	504	35452.80
1 - 3	1129	107176.80	1129	107176.80
3 - 5	729	38899.61	729	38899.61

Evidently, there has been laxity on part of the departments as a result, utilisation certificates for ₹ 1815.29 crore in respect of 2362 items was pending submission as of March 2010.

3.2 Non-submission/delay in submission of accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Heads of the Department are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. 245 accounts of 29 bodies were awaited in audit (*Appendix-3.1*).

Seven Autonomous bodies covered under section 19(3) and 20(1) of the Duties and Powers Act had also not furnished the annual accounts as tabulated below:

Table 3.2

Name of Body/Authority	Delay in number of years	No of accounts	Grants during 2008-09 (₹ In lakh)
Sheri Kashmir University for Science and Technology , Jammu	1-4	4	5442.18
Sheri Kashmir University for Science and Technology, Srinagar	1-4	2	8058.00

Name of Body/Authority	Delay in number of years	No of accounts	Grants during 2008-09 (₹ In lakh)
Jammu & Kashmir Khadi Village Industries Board, Srinagar	1-3	3	932.47
Ladakh Autonomous Hill District Council, Leh	1-15	13	19330.75
Ladakh Autonomous Hill District Council, Kargil	1-5	6	19461.17
Jammu & Kashmir Legal Services Authority, Srinagar	1-13	13	331.63
Provient Fund Orginasation, Srinagar	1-10	11	Not received during the year
		52	53556.20

The bodies have not prepared/submitted there accounts despite receipt of considerable grants. Non submission/delay in submission of accounts by these bodies indicated non-seriousness on part of these bodies as well administrative departments. Reasons for non preparation of Accounts were not intimated by the Departments.

3.3 Delay in submission of Accounts/Separate Audit Reports of Autonomous Bodies

Four Autonomous Bodies in the State are audited by Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of separate Audit Reports and its placement in Legislature are indicated in the table below:

Table 3.3

Name of the body	Period of entrustment	Year up to which accounts rendered	Period up to which SAR issued	Placement of SAR in the Legislature	Delay in submission of accounts	Period of delay in years
Ladakh Autonomous Hill District Council, Leh	Standing	-	-	-	1995-96 to 2009-10	1-15
Ladakh Autonomous Hill District Council, Kargil	Standing	-	-	-	2004-05 to 2009-10	1-6
Jammu & Kashmir State Legal Services Authority, Srinagar	Upto 2008-09	-	-	-	1997-98 to 2009-10	1-13
Jammu & Kashmir Khadi Village Industries Board, Srinagar	Upto 2009-10	2006-07	2004-05	NA	2007-08 to 2009-10	1-3

Ladakh Autonomous Hill District Councils, Leh and Kargil and Jammu and Kashmir Legal Authority, Srinagar have not rendered their accounts since their inception despite the issue being taken up with the competent authorities.

3.4 Departmental Commercial Undertakings

The departmental undertakings of certain Government departments performing activities of commercial nature are required to prepare proforma accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess the working. The finalized accounts of departmentally managed commercial and quasi-commercial undertakings reflect that their overall

financial health and efficiency in conducting their business. In the absence of timely finalization of accounts, the investment of the Government, corrective measures, if any required, for ensuring accountability and improving efficiency can not be taken on time. Besides, the delay is fraught with risk of fraud and leakage of public money.

The Heads of the Government are to ensure that the undertakings prepare such accounts and submit the same to the Accountant General for audit within a specified time frame. As of September 2010, there were five such undertakings and none of them had prepared accounts up to 2009-10. The Comptroller & Auditor General of India has repeatedly commented about the arrears in preparation of accounts but there is no improvement so far in preparation of proforma accounts by these undertakings. The department wise position of arrears in preparation of proforma accounts and investment made by the Government are given in (*Appendix 3.2*). Despite the matter being taken up with the undertaking the accounts were not finalized which were in arrears for a period ranging between 26 to 35 years.

3.5 Conclusion

The Bodies/Authorities/Departments have failed to provide their final annual accounts as a result, true financial health of the Bodies/Authorities/Departments could not be ascertained. Non-preparations of accounts have also left the final accounts of respective bodies un-audited. There was huge pendency in submission of utilisation certificates which was bound to affect flow of funds to these agencies in future. This was also pointed out in the Report of Comptroller and Auditor General of India on State Finances ended 31 March 2009, but no effective steps were taken to address the issues.

Srinagar/Jammu
The

(VENKATESH MOHAN)
Principal Accountant General, (Audit)
Jammu and Kashmir

Countersigned

New Delhi
The

(VINOD RAI)
Comptroller and Auditor General of India

Appendix - 1.1 <i>(Reference: Page: 1)</i>	
Part A: Structure and Form of Government Accounts	
<p>Structure of Government Accounts: The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.</p> <p>Part I: Consolidated Fund : All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.</p> <p>Part II: Contingency Fund : Contingency Fund of the State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by the Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.</p> <p>Part III: Public Account: Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State legislature.</p>	
PART B: Layout of Finance Accounts	
Statement	Layout
Statement No.1	Presents the summary of transactions of the State Government – receipts and expenditure, revenue and capital, public debt receipts and disbursements etc in the Consolidated Fund, Contingency Fund and Public Account of the State.
Statement No.2	Contains the summarized statement of capital outlay showing progressive expenditure to the end of 2006-07
Statement No.3	Gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.
Statement No.4	Indicates the summary of debt position of the State which includes borrowing from intern debt, Government of India, other obligations and servicing of debt.
Statement No. 5	Gives the summary of loans and advances given by the State Government during the year repayments made, recoveries in arrears, etc
Statement No.6	Gives the summary of guarantees given by the Government for repayment of loans etc. raised by the statutory corporations, local bodies and other institutions.
Statement No.7	Gives the summary of cash balances and investments made out of such balances.
Statement No.8	Depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2007
Statement No.9	Shows the revenue and expenditure under different heads for the year 2006-07 as a percentage of total revenue/expenditure
Statement No.10	Indicates the distribution between the charged and voted expenditure incurred during the year
Statement No.11	Indicates the detailed account of revenue receipts by minor heads
Statement No.12	Provides accounts of revenue expenditure by minor heads under non-plan and plan separately and capital expenditure by major head wise
Statement No.13	depicts the detailed capital expenditure incurred during and to the end of 2006-07
Statement No.14	Shows the details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies etc up to the end of 2006-07
Statement No.15	Depicts the capital and other expenditure to the end of 2006-07 and the principal sources from which the funds were provided for that expenditure
Statement No.16	Gives the detailed account of receipts disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account
Statement No.17	Presents detailed account of debt and other interest bearing obligations of the Government of Jammu and Kashmir
Statement No.18	Provides the detailed account of loans and advances given by the Government of Jammu and Kashmir, the amount of loan repaid during the year, the balance as on 31 March 2010
Statement No.19	Gives the details of earmarked balances of reserve funds

Appendix - 1.2
(Reference: Page: 1)

Methodology Adopted for the Assessment of Fiscal Position

Part A

The norms/Ceilings prescribed by the TFC for selected fiscal variable along with its projections for a set of fiscal aggregates and the commitments/projections made by the State Governments in their Fiscal Responsibility Acts and in other Statements required to be laid in the legislature under the Act (**Part B of Appendix 1.2**) are used to make qualitative assessment of the trends and pattern of major fiscal aggregates. Assuming that GSDP is the good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the Gross State Domestic Product (GSDP) at current market prices. The buoyancy coefficients for relevant fiscal variables with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilization of resources, pattern of expenditure etc, are keeping pace with the change in the base or these fiscal aggregates are also affected by factors other than GSDP.

The trends in GSDP for the last five years are indicated below:

Trends in Gross State Domestic Product (GSDP)

	2005-06	2006-07	2007-08	2008-09	2009-10
Gross State Domestic Product (₹ in crore)	26537	29030	31793	34805	38298
Growth rate of GSDP	9.36	9.39	9.52	9.47	10.03
<i>Source:</i>					

Methodology for Estimating the Fiscal Capacity

For working out the fiscal capacity of the State Governments, the following methodology given in Twelfth Finance Commission report has been adopted.

Step 1: Calculate the national average of AE-GSDP and CO/DE/ SSE-AE.

Step 2: Based on the national average of AE-GSDP ratio, derive the aggregate expenditure so that no State is having a ratio AEGSDP less than the national average, *i.e.*, if

$$AE/GSDP = x$$

$$AE = x * GSDP \dots\dots\dots(1)$$

where x is the national average of AE-GSDP ratio.

Wherever the States are having AE-GSDP ratio higher than national average, no adjustments were made. Wherever this ratio was less than average, it was made equal to the national average.

Step 3: Based on the national average of DE-AE, SSE-AE and COAE, derive the respective DE, SSE and CO, so that no State is having these ratios less than national average, *i.e.*, if

$$DE/AE = y$$

$$DE = y * AE \dots\dots\dots(2)$$

Where is the national average of DE-AE ratio

Substituting (1) in (2), we get

$$DE = y * x * GSDP \dots\dots\dots(3)$$

Wherever the States are having DE-AE, SSE-AE and CO-AE ratio higher than national average, no adjustments have been made. Wherever these ratios were less than average, it was made equal to the national average.

Step 4: Based on the derived DE, SSE and CO as per equation (3), respective per capita expenditure was calculated, *i.e.*,

$$PCDE = DE/P \dots\dots\dots(4)$$

where PCDE is the per capita development expenditure and P is the population.

Substituting (3) in (4), we get

$$PDE = (y * x * GSDP)/P \dots\dots\dots(5)$$

Equation (5) provides the adjusted per capita expenditure. If the adjusted per capita expenditure is less than the national average of per capita expenditure, then the States' low level of spending is due to the low fiscal capacity. This gives a picture of actual level of expenditure when all the State Governments are attaching fiscal priority to these sectors equivalent to the national average.

The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given below:

Terms	Basis of calculation
Buoyancy of a parameter	Rate of Growth of the parameter/GSDP Growth
Buoyancy of a parameter (X) With respect to another parameter (Y)	Rate of Growth of parameter (X)/ Rate of Growth of parameter (Y)
Rate of Growth (ROG)	[(Current year Amount /Previous year Amount)-1]* 100
Development Expenditure	Social Services + Economic Services
Average interest paid by the State	Interest payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)2]*100
Interest spread	GSDP growth – Average Interest Rate
Quantum spread	Debt stock *Interest spread
Interest received as <i>per cent</i> to Loans Outstanding	Interest Received [(Opening balance + Closing balance of Loans and Advances)2]*100
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest payments
Balance from Current Revenue (BCR)	Revenue Receipts minus all Plan grants and Non-plan Revenue Expenditure excluding expenditure recorded under the major head 2048 – Appropriation for reduction of Avoidance of debt

Appendix - 1.2 (Reference:; Page: 1)
Fiscal Responsibility and Budgetary Management (FRBM) Act, 2005
Part B

The Fiscal Responsibility and Budget Management (FRBM) Act, 2006

The State Government enacted the Jammu and Kashmir Fiscal Responsibility and Budget Management (FRBM) Act on 9 August 2006 to ensure prudence in fiscal management and fiscal stability by progressive strengthening of revenue surplus, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework and for matters connected therewith or incidental thereto. The Rules under the Act were notified by the Government in January 2008.

Appendix 1.3

(Reference: Page 1)

Time series data on the State Government finances

(₹ in crore)

Time series data on State Government Finances					
	2005-06	2006-07	2007-08	2008-09	2009-10
Part-A Receipts					
1. Revenue Receipts	10315	11182	13277	14303	17588
(i) Tax Revenue	1627 (16)	1799 (16)	2558 (19)	2683 (19)	3027 (17)
Taxes on sales, trade, etc.	1014 (62)	1159 (64)	1805 (71)	1836 (68)	2146 (71)
State Excise	219 (14)	213 (12)	244 (10)	239 (9)	294 (10)
Taxes on vehicles	49 (3)	64 (4)	73 (3)	65 (3)	83 (2)
Stamps and Registration fees	46 (3)	57 (3)	66 (2)	57 (2)	70 (2)
Land Revenue	4 (*)	3 (*)	9 (*)	64 (2)	15 (1)
Other Taxes	295 (18)	303 (17)	361 (14)	422 (16)	419 (14)
(ii) Non Tax Revenue	536 (5)	633 (6)	808 (6)	837 (6)	955 (5)
(iii) State's share of Union taxes and duties	1135 (11)	1413 (13)	1775 (14)	1827 (13)	1915 (11)
(iv) Grants-in-aid from GOI	7017 (68)	7337 (65)	8136 (61)	8956 (62)	11691 (66)
2. Miscellaneous capital receipts	-	-	-	-	28
3. Total revenue and non-debt capital receipts (1+2)	10315	11182	13277	14303	17616
4. Recoveries of Loans and Advances	36	2	2	4	2
5. Public Debt receipts	2536	1544	2848	2948	2852
Internal Debt (excluding Ways and Means Advances and Overdraft)	2205	1453	2831	2694	2146
Net transactions under Ways and Means Advances and Overdraft	320	82	-	235	675
Loans and advances from GOI ^{&}	11	9	17	19	31
6. Total receipts in the Consolidated Fund (3+4+5)	12887	12728	16127	17255	20470
7. Contingency Fund receipts	0.61	0.39	0.01	0.16	0.11
8. Public Account receipts	22632	25599	29506	36149	45174
9. Total receipts of the State (6+7+8)	35520	38327	45633	53404	65644

[&] Includes Ways and Means Advances

Time series data on State Government Finances					
	2005-06	2006-07	2007-08	2008-09	2009-10
Part-B Expenditure/disbursement					
10. Revenue Expenditure	9921 (76)	10614 (81)	12189 (77)	12047 (71)	15324 (71)
Plan	1196 (12)	833 (8)	523 (4)	313 (3)	553 (4)
Non-Plan	8725 (88)	9781 (92)	11666 (96)	11734 (97)	14771 (96)
<i>General Services (including interest payments)</i>	3682 (37)	4654 (44)	5624 (46)	5272 (44)	6445 (42)
<i>Social Services</i>	2656 (27)	2881 (27)	2847 (23)	3018 (25)	4258 (28)
<i>Economic Services</i>	3583 (36)	3079 (29)	3718 (31)	3757 (31)	4621 (30)
<i>Grants-in-aid and contributions</i>	-	-	-	-	-
11. Capital Expenditure	3020 (23)	2456 (19)	3717 (23)	4964 (29)	6234 (29)
Plan	2906 (96)	2346 (96)	3641 (98)	4693 (95)	6135 (98)
Non-Plan	114 (4)	110 (4)	76 (2)	271 (5)	99 (2)
<i>General Services</i>	58 (2)	57 (2)	115 (3)	159 (3)	239 (4)
<i>Social Services</i>	656 (22)	829 (34)	1122 (30)	1269 (26)	1626 (26)
<i>Economic Services</i>	2306 (76)	1570 (64)	2480 (67)	3536 (71)	4369 (70)
12. Disbursement of loans and advances	53 (1)	44 (*)	38 (*)	42 (*)	49
13. Total (10+11+12)	12994	13114	15944	17053	21607
14. Repayment of Public Debt	1226	404	772	703	731
Internal Debt (excluding Ways and Means Advances and Overdraft)	1098	271	558	557	707
Net transactions under Ways and Means Advances and Overdraft	-	-	75	-	-
Loans and Advances from Government of India ^o	128	133	139	146	24
15. Appropriation to Contingency Fund	1	Nil	Nil	Nil	Nil
16. Total disbursement out of Consolidated Fund (13+14+15)	14221	13518	16716	17756	22338
17. Contingency Fund disbursements	0.04	0.14	0.13	0.29	1.07
18. Public Account disbursements	21297	24785	28911	35696	43301
19. Total disbursements by the State (16+17+18)	35518	38303	45627	53452	65640

↓ Negligible

^o Includes Ways and Means Advances

Time series data on State Government Finances					
	2005-06	2006-07	2007-08	2008-09	2009-10
20. Revenue Surplus (+)/Deficit (-) (1-10)	(+) 394	(+) 568	(+) 1088	(+) 2255	(+) 2264
21. Fiscal Deficit (3+4-13)	(-) 2643	(-) 1930	(-) 2665	(-) 2746	(-)3989
22. Primary Deficit (21-23)	(-) 1528	(-) 143	(-) 229	(-) 1168	(-)1850
23. Interest Payments (included in revenue expenditure)	1115 (11)	1787 (17)	2436 (19)	1578 (13)	2139 (14)
24. Arrears^ψ of Revenue (percentage of Tax and non-Tax Revenue Receipts)	920 (43)	992 (41)	1011 (30)	752 (21)	2198 (12)
25. Financial Assistance to local bodies, etc.	274	331	361	401	1431
26. Ways and Means Advances/ overdraft availed (days)	365	365	366	365	365
27. Interest on WMA/Overdraft	138	184	221	218	234
28. Gross State Domestic Product (GSDP[≠])	26537	29030	31793	34805	38298
29. Outstanding debt* (year end)	11010	12150	14226	16471	18593
30. Outstanding^φ guarantees (year end)	1959	2565	2807	2536	3037
31. Maximum amount guaranteed (year end)	4720	3245	3308	3295	4748
32. Number of incomplete projects	348	186	88	26	89
33. Capital blocked in incomplete projects	1717	882	365	64.51	495.31
Total Expenditure/GSDP	48.97	45.17	50.15	48.99	56.42
Revenue Receipts/total expenditure	79	85	83	84	81
Revenue Expenditure/Total Expenditure	76	81	76	71	71
Expenditure on Social Services/Total Expenditure	25.49	28.29	24.89	25.14	27.22
Expenditure on Economic Services/Total Expenditure	45.32	35.45	38.87	42.76	41.60
Capital Expenditure/Total Expenditure	23.44	18.79	23.37	29.10	28.85
Capital Expenditure on Social and Economic Services/Total Expenditure.	22.80	18.29	22.59	28.17	27.74
Revenue deficit (surplus)/GSDP	1.49	1.96	3.42	6.48	5.91
Fiscal deficit/GSDP	(-) 9.96	(-) 6.65	(-) 8.38	(-) 7.89	(-)10.42
Primary Deficit (surplus) /GSDP	(-) 5.76	(-) 0.49	(-) 0.72	(-) 3.36	(-)4.83
Revenue Deficit/Fiscal Deficit	NA	NA	NA	NA	NA

ψ Arrears during 2004-05 to 2007-08 on account of tax revenue only.

≠ Figures of GSDP are based on information supplied by the State Government.

• Includes internal debt and loans and advances from Central Government only.

φ Excludes information in respect of three private firms and four cooperative societies during 2004-05 to 2007-08.

Time series data on State Government Finances					
	2005-06	2006-07	2007-08	2008-09	2009-10
Primary Revenue Balance/GSDP					
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	(-) 63.31	(-) 64.08	(-) 67.20	(-) 69.78	(-)75.02
Fiscal Liabilities/RR	162.88	166.36	160.92	169.80	163.37
Primary deficit vis-à-vis quantum spread	(-)1220	(-)261	(-)726	(-)547	(-)563
Debt Redemption (Principal +Interest)/ Total Debt Receipts					
V Other Fiscal Health Indicators					
Return on Investment	20.62	21.22	30.24	40.85	44.16
Balance from Current Revenue (Rs in crore)	(-)1943	(-)2920	(-)3484	(-)2927	(-)5468
Financial Assets/Liabilities	1.09	1.11	1.14	1.21	1.25

Appendix 1.4

(Reference: Paragraph: 1.1 ; Page: 1)

Abstract of Receipts and Disbursements for the year 2009-10

(₹ in crore)

Receipts			Disbursements						
2008-09		2009-10	2008-09		2009-10				
					Non-Plan	Plan	Total		
Section-A: Revenue									
14302.51	I. Revenue Receipts		17587.82	12047.45	I. Revenue Expenditure	14770.64	553.25	15323.89	15323.89
2682.96	Tax revenue	3027.32		5272.40	General Services	6439.96	5.28	6445.24	
				3017.69	Social Services	3770.72	486.86	4257.58	
837.16	Non-tax revenue	955.03		1386.82	Education, Sports, Art and Culture	1771.89	318.64	2090.53	
				646.93	Health and Family Welfare	784.43	46.33	830.76	
1826.95	State's share of Union taxes	1914.76		664.57	Water Supply, Sanitation, Housing & Urban Development	774.14	4.89	779.03	
				17.16	Information and Broadcasting	21.49	1.16	22.65	
3460.20	Non-Plan grants	3404.07		31.90	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	15.56	47.42	62.98	
				25.66	Labour and Labour Welfare	64.78	0.72	65.50	
4734.05	Grants for State Plan Schemes	7747.96		233.21	Social Welfare and Nutrition	325.32	67.70	393.02	
				11.44	Others	13.11	-	13.11	
761.19	Grants for Central and Centrally Sponsored Plan Schemes	538.68							
-	Grants for Special Plan Schemes	-		3757.36	Economic Services	4559.96	61.11	4621.07	
				701.11	Agriculture and Allied Activities	813.00	21.27	834.27	
				151.50	Rural Development	164.67	18.74	183.41	
				197.79	Special Areas Programmes	239.84	0.28	240.12	
				231.20	Irrigation and Flood Control	264.66	0.16	264.82	
				2135.02	Energy	2754.46	0.06	2754.52	
				134.62	Industries and Minerals	158.62	0.31	158.93	
				47.03	Transport	46.51	-	46.51	
				10.80	Science, Technology and Environment	21.28	6.47	27.75	
				148.29	General Economic Services	96.92	13.82	110.74	
-	II. Revenue deficit carried over to Section -B			2255.06	II. Revenue Surplus carried over to Section-B				2263.93
14302.51	Total Section-A		17587.82	14302.51	Total Section-A				17587.82

Receipts			Disbursements						
2008-09		2009-10	2008-09		2009-10				
					Non-Plan	Plan	Total		
113.77	III. Opening Cash balance including Permanent Advances and Cash Balance Investment	63.10							
-	IV. Misc. Capital receipts	28.09	4964.23	III. Capital Outlay	98.60	6135.16	6233.76	6233.76	
			159.10	General Services	0.90	237.59	238.49	-	
			1268.59	Social Services	5.39	1620.56	1625.95		
			224.66	Education, Sports, Art and Culture	0.27	286.36	286.63		
			164.94	Health and Family Welfare	-	289.00	289.00		
			672.01	Housing & Urban Development	-	784.51	784.51		
			1.19	Information and Broadcasting	-	1.49	1.49		
			5.06	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	-	7.22	7.22		
			152.89	Social Welfare and Nutrition	5.12	251.98	257.10		
			47.84	Other Social Services	-	-	-		
			3536.54	Economic Services	92.32	4277.01	4369.33		
			360.33	Agriculture and Allied Activities	92.57	223.82	316.39		
			65.24	Rural Development	-	161.82	161.82		
			124.43	Special Areas Programmes	(-) 0.25	142.78	142.53		
			298.03	Irrigation and Flood Control	-	416.62	416.62		
			1176.84	Energy	-	1035.05	1035.05		
			115.61	Industries and Minerals		109.15	109.15		
			917.96	Transport	-	1307.26	1307.26		
			5.67	Science, Technology and Environment	-	6.18	6.18		
			472.43	General Economic Services	-	874.33	874.33		
3.69	V. Recoveries of Loans and Advances	1.62	42.41	IV. Loans and Advances disbursement				49.12	
2.16	Industries and Minerals	-	15.37	Industries and Minerals			-		
0.02	Agriculture and allied activities	-	26.24	Transport			-		
1.32	Government servants	1.24	0.29	Government servants			1.24		
0.19	Others	0.38	0.51	Others			47.88		
2255.06	VI. Revenue surplus	2263.93		V. Revenue deficit					-

Audit Report on State Finances ended 31 March 2010

Receipts			Disbursements						
2008-09		2009-10	2008-09		2009-10				
					Non-Plan	Plan	Total		
2948.36	VII. Public debt receipts		2852.36	703.15	VI. Repayment of Public Debt				731.15
2694.07	Internal debt other than Ways and Means Advances and Overdraft	2145.81		557.18	Internal debt other than Ways and Means Advances and Overdraft			707.45	
19.25	Loans and Advances from GOI	31.75		145.97	Repayment of loans and advances from GOI.			23.70	
235.04	Net transactions under Overdrafts from J&K Bank	674.80			Net transactions under Ways and Means Advances including Overdrafts			-	
	VIII. Appropriation to Contingency Fund				VII. Appropriation to Contingency Fund				
0.16	IX. Amount recouped to contingency fund		0.11	0.29	VIII-Expenditure from Contingency Fund				1.07
36148.59	X. Public Account receipts		45173.56	35696.45	IX-Public Account disbursements				43300.47
1128.70	Small Savings and Provident Funds	1472.51		670.42	Small Savings and Provident Funds			779.07	
95.04	Reserve Funds	200.27		84.29	Reserve Funds			110.41	
2052.39	Deposits and Advances	3929.95		1846.12	Deposits and Advances			2385.78	
560.19	Suspense and Miscellaneous	459.48		402.53	Suspense and Miscellaneous			622.26	
32312.27	Remittances	39111.35		32693.09	Remittances			39402.95	
				63.10	X. Cash balance at the end				67.20
				11.20	Cash in treasuries and local remittances			12.12	
				1.74	Deposits with Banks			5.48	
				1.91	Departmental cash balance including permanent advances			1.35	
				37.39	Cash balance investment			37.39	
				10.86	Reserve fund investment			10.86	
	Total Section-B	50382.77	41469.63		Total Section-B				50382.77

Explanatory Notes

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the deficit on Government account indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation on stock figures etc. do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid and payments made on behalf of the State and others pending settlement, etc.

Appendix 1.4 (Continued)

Summarised financial position of the Government of Jammu and Kashmir as on 31 March 2010

(₹ in crore)

As on 31 March 2009		As on 31 March 2010	
Liabilities			
13335.73		Internal Debt	15448.89
	7200.65	Market Loans bearing interest	8182.60
	866.93	Loans from LIC	1032.49
	2977.90	Loans from other Institutions	3268.74
	2290.25	Overdraft from Jammu and Kashmir Bank	2965.06
3135.56		Loans and Advances from Central Government	3143.61
	14.64	Pre 1984-85 Loans	14.64
	1038.42	Non-Plan Loans	1038.41
	1902.88	Loans for State Plan Schemes	1910.94
	91.52	Loans for Central Plan Schemes	91.52
	78.85	Loans for Centrally Sponsored Plan Schemes	78.85
	9.25	Ways and Means Advances	9.25
0.58		Contingency Fund	1.00
4753.08		Small Savings, Provident Funds, etc.	5446.52
1214.73		Reserve Funds	1304.60
1847.35		Deposits	3391.36
2742.25		Remittance Balances	2450.65
5747.10		Surplus on Government Account	7940.51
	3492.04	Revenue surplus ending 2007-08	5747.10 ¹
	2255.06	Revenue Surplus 2008-09	2263.93
32776.38		Total:	39127.14
Assets			
31229.67		Gross Capital Outlay on Fixed Assets	37435.34
	364.61	Investments in shares of Companies, Corporations, etc.	422.82
	30865.06	Other Capital Outlay	37012.52
1018.92		Loans and Advances	1066.42
	434.12	Industries and Minerals	447.41
	326.02	Transport	339.74
	85.05	Energy	85.05
	43.10	Agriculture and Allied Activities	42.97
	110.33	Other Development Loans	130.95
	20.30	Loans to Government servants and Miscellaneous Loans	20.30
Assets (Continued)			
8.28		Advances	8.13
456.41		Suspense and Miscellaneous Balances	548.67

¹ The difference of ₹ 70.52 lakh is due to amount written off from heads of accounts closing to balances

Audit Report on State Finances ended 31 March 2010

As on 31 March 2009			As on 31 March 2010	
		Appropriation to Contingency Fund		1.38
		Amount written off from Heads of accounts closing to balances		-
63.10		Cash		67.20
	11.20	Cash in Treasuries and Local Remittances	12.12	
	1.74	Deposits with Bank	5.48	
	1.79	Departmental Cash Balance	1.23	
	0.12	Permanent Advances	0.12	
	37.39	Cash Balance Investments	37.39	
	10.86	Reserve Fund Investments	10.86	
	-	Deficit on Government Account:		
32776.38		Total		39127.14

Appendix 1.5

Statement showing the funds transferred to the State Implementing Agencies under Programmes/Schemes outside the State budget during 2009-10

(Reference: Paragraph: 1.2.2; Page: 5)

(₹ in lakh)

Sl. No	Name of the Scheme	Implementing agencies	Government of India releases	
			2009-10	2008-09
1	Hospital and Dispensary under NRHM	Health and Family Welfare, Jammu and Kashmir	5,72.02	-
2	Accelerated Rural Water Supply Programme	SGO Finance Secretary	2,89,90.00	4,03,73.00
3	National Rural Health Mission (NRHM)	State Health Department including other	90,00.08	64,69.00
4	National Institute of Technology NIT DHE	NIT, Srinagar	-	6,37.00
5	Package for special Category State DIPP	Jammu and Kashmir Financial Corporation Ltd.	12,00.00	10,00.00
6	Integrated Watershed Management Programme DPAD, DDP, IWDP, (IWMP)	Assistant Commissioners (Development) DRDA	26,81.43	13,71.00
7	DRDA Administration RD	Assistant Commissioners (Development)	6,85.00	7,05.00
8	National Rural Employment Guarantee Scheme (NREGA)	Assistant Commissioners (Development) District Rural Development Agency	1,73,24.45	1,05,36.00
9	Pradhan Mantri Gram Sadak Yojana	State Rural Roads Agency	1,44,70.00	1,91,17.00
10	Rural Housing IAY	Assistant Commissioner District Rural Development Agencies	57,25.42	71,29.00
11	Swaran Janyati Gram Swarozgar Yojana	Assistant Commissioner District Rural Development Agencies	8,28.47	12,36.00
12	Sarva Shiksha Abhiyan	Ujala Society Jammu and Kashmir	3,73,63.27	2,05,32.00
13	Local Area Development Scheme (MPLADS)	District Deputy Commissioners	17,00.00	25,00.00
14	Buddhist and Tibetan Studies	Galdan Targaisling Cultural Welfare Society, Culture preservation Society, Kukshow, Cultural Preservation and Area Development and Others	8,09.78	5,98.00
15	National Afforestation Programme	Forest Development Agency, Rajouri, Poonch, Kishtwar, Reasi, Baote, Ramban etc.	9,81.21	5,95.00
16	Information Publicity extension	Jammu and Kashmir Energy Development Agency	-	6,77.00
17	Assistance of IHMS, FCI's etc.	Jammu and Kashmir and IHM society Srinagar	-	6,34.00
18	Product Infrastructure Development for destinations and Circuits	State Tourism Department	5,10.89	23,53.00
19	Macro Management of Agriculture Scheme	State Agriculture Department	-	18,30.00
20	ASIDE Assistance to States for Developing Export Infrastructure and Allied Activities	Jammu and Kashmir State Industries Development Corporation Ltd.	-	14,73.00
21	Central Rural Sanitation programme	SWSM Member, Secretary Cum Superintending Engineer Kupwara/Srinagar/Baramulla/Badgam	-	11,27.00
22	Strengthening of existing Polytechnics	Secretary Technical Education	-	8,48.00
23	Electronic Governance	Secretary Education and Food and Supplies Department	-	14,68.00

Audit Report on State Finances ended 31 March 2010

Sl. No	Name of the Scheme	Implementing agencies	Government of India releases	
			2009-10	2008-09
24	Mid-day-Meals National Programme of Nutrition Support to Primary Education	State Education and Food and Supplies Department	-	39,13.00
25	Research and Development Support	University of Jammu, University of Kashmir, Shri Mata Vaishno Devi University, Sheri Kashmir University of Agriculture Science and Technology, Baba Ghulam Shah Badshah University etc.	11,62.98	-
26	Conservation of natural resources and Eco system	J&K Lakes and Water ways Development Authority	27,85.00	-
27	Integrated Development of Wild Life Habitants	Chief Wild Life Warden	-	5,69.00
28	National River Conservation Plans	Waterways Development Authority, Srinagar	-	12,50.00
29	Upgradation of 1396 Government ITT's	Director Technical Education Jammu, IML Society of ITT's	10,00.00	-
30	Integrated Child Development Scheme	State Social Welfare Department	-	37,92.00
31	National E. Governance Action Plan NEGAP	State Social Welfare Department	-	37,92.00
32	Transport Subsidy Scheme	J&K Development Finance Corporation Ltd.	9,55.00	-
33	Scheme for Setting up of 6000 Model Schools at Block level as Benchmark of Excellence	Ujala Sociiety, Srinagar	25,82.00	-
34	Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	Ujala Sociiety, Srinagar	8,82.00	-
35.	National Mental Health Programme	State Health Society	5,28.00	-
36.	Other Schemes	Other Schemes	67,76.95	84,48.00
		Grand total	13,95,13.95	14,29,08.00

The figures are taken from the 'Central Plan Scheme Monitoring System (CPSMS)' portal of the Controller General of Accounts. These are unaudited figures.

The total releases shown in this appendix exclude the amount released to Central Bodies located in the State as well as various other Organizations outside the purview of the Government of Jammu and Kashmir.

Appendix-2.1

(Reference: Paragraph: 2.3.1; Page: 34)

Statement of various grants/appropriations where saving was more than ₹ one crore each or more than 20 per cent of the total provision

(₹ in crore)

Sl. No	Grant Number	Name of Grant/Appropriation	Total Grant/Appropriation	Savings	Percentage
Revenue (Voted)					
1	1	General Administration	131.81	25.97	20
2	2	Home	2032.21	139.93	7
3	3	Planning and Development	135.70	98.31	72
4	4	Information	25.85	3.21	12
5	5	Ladakh Affairs	244.98	2.82	1
6	7	Education	1937.22	252.11	13
7	8	Finance	1744.04	20.69	1
8	9	Parliamentary Affairs	20.51	1.63	8
9	10	Law	114.08	43.00	38
10	11	Industries and Commerce	134.30	19.14	14
11	12	Agriculture	400.25	34.74	9
12	13	Animal Husbandry	220.24	16.65	8
13	14	Revenue	399.34	14.88	4
14	16	Public Works	476.76	7.81	2
15	17	Health and Medical Education	873.17	42.41	5
16	19	Housing and Urban Development	254.20	2.66	1
17	20	Tourism	74.43	5.20	7
18	21	Forest	335.55	46.42	14
19	22	Irrigation and Flood Control	286.56	36.09	13
20	23	Public Health Engineering	521.93	25.32	5
21	24	Hospitality, Protocol and Toshakhana	106.46	5.16	5
22	26	Fisheries	30.09	1.30	4
23	28	Rural Development	149.23	11.77	8
24	29	Transport	21.67	3.03	14
Revenue (Charged)					
25	1	General Administration	9.01	1.50	17
26	10	Law	18.40	5.32	29
Capital (Voted)					
27	2	Home	11.08	8.98	81
28	3	Planning and Development	533.85	381.54	71
29	4	Information	3.48	1.98	57
30	6	Power Development	1283.00	247.95	19
31	7	Education	280.34	121.95	43
32	8	Finance	821.00	222.22	27
33	9	Parliamentary Affairs	3.00	2.95	98
34	12	Agriculture	228.91	59.56	26
35	13	Animal Husbandry	24.63	8.87	36

Sl. No	Grant Number	Name of Grant/Appropriation	Total Grant/Appropriation	Savings	Percentage
36	14	Revenue	135.04	72.05	53
37	15	Consumer Affairs and Public Distribution	1168.17	310.88	27
38	17	Health and Medical Education	300.96	11.96	4
39	19	Housing and Urban Development	376.80	96.10	26
40	21	Forest	96.36	47.95	50
41	22	Irrigation and Flood Control	453.33	64.23	14
42	25	Labour, Stationery and Printing	71.76	69.80	97
43	27	Higher Education	191.72	63.49	33
44	28	Rural Development	174.01	12.20	7

Appendix-2.2

(Reference: Paragraph: 2.3.3; Page:35)

Statement of various grants/appropriations where excess expenditure was more than ₹ one crore each or more than 20 per cent of the total provision

(₹ in crore)

Sl. No	Grant Number	Name of Grant/Appropriation	Total Grant/Appropriation	Expenditure	Excess (Percentage)
Revenue (Voted)					
1	6	Power Development	2435.66	2795.20	359.54 (15)
2	15	Consumer Affairs and Public Distribution	3.97	5.52	1.55 (39)
3	18	Social Welfare	278.71	281.66	2.95 (1)
4	25	Labour, Stationery and Printing	36.03	83.72	47.69 (132)
5	27	Higher Education	275.96	450.26	174.30 (63)
Total (Revenue Voted)			3030.33	3616.36	586.03
Revenue (Charged)					
6	8	Finance	1950.44	2138.24	187.80 (10)
Total Revenue (Charged)			1950.44	2138.24	187.80 (10)
Capital (Voted)					
7	1	General Administration	29.15	36.90	7.75 (27)
8	11	Industries and Commerce	111.29	114.29	3.00 (3)
9	16	Public Works	1216.92	1465.23	248.31 (20)
10	18	Social Welfare	182.67	199.59	16.92 (9)
11	20	Tourism	113.82	171.77	57.95 (51)
12	23	Public Health Engineering	345.31	505.00	159.69 (46)
13	24	Hospitality, Protocol and Toshakhana	-	0.47	0.47 (100)
14	29	Transport	25.40	54.07	28.67 (113)
Total (Capital Voted)			2024.56	2547.32	522.76
Capital (Charged)					
15	8	Finance	808.46	3573.90	2765.44 (342)
Total (Capital Charged)			808.46	3573.90	2765.44
Grand total			7813.79	11875.82	4062.03

Appendix-2.3

(Reference: Paragraph: 2.3.4; Page:36)

Statement showing expenditure incurred without budget provisions during 2009-10

(₹ in lakh)

Sl. No	Grant/Head of Account	Amount of expenditure without provision	Amount
1.	1-General Administration		616.22
	2070-Other Administrative Services	9.17	
	2075-Miscellaneous General Services	1.44	
	2501-Special programmes for Rural Development	135.24	
	3451-Secretariat Economic Services	55.60	
	4075-Capital Outlay on Miscellaneous General Services	2.13	
	5425-Capital Outlay on Other Scientific and Environmental Services	412.64	
2.	2-Home		135.20
	2055-Police	49.28	
	2070-Other Administrative Services	85.92	
3.	3-Planning and Development		153.01
	3451-Secretariat Economic Services	9.46	
	3454-Census, Survey and Statistics	22.13	
	3475-Other General Economic Services	112.61	
	5475-Capital Outlay on Other General Economic Services	8.81	
4.	6-Power Development		15.49
	2801-Power	15.49	
5.	7-Education		65.65
	2202-General Education	20.86	
	4202-Capital Outlay on Education, Sports, Art and Culture	44.79	
6.	11-Industries and Commerce		2268.35
	2851-Village and Small Industries	24.48	
	4851-Capital Outlay on Village and Small Industries	2116.65	
	4853-Capital Outlay on Non-ferrous Mining and Metallurgical Industries	127.22	
7.	12-Agriculture		4935.90
	2236-Nutrition	36.51	
	2401-Crop Husbandry	1167.57	
	2402-Soil and Water Conservation	153.58	
	2403-Animal Husbandry	3.08	
	2435-Other Agricultural Programmes	10.00	
	2705-Command Area Development	16.64	
	2851-Village and Small Industries	43.13	
	4401-Capital Outlay on Crop Husbandry	2653.57	
	4402-Capital Outlay on Soil and Water Conservation	73.06	
	4705-Capital Outlay on Command Area Development	772.61	
	4851-Capital Outlay on Village and Small Industries	6.15	

(₹ in lakh)

Sl. No	Grant/Head of Account	Amount of expenditure without provision	Amount
8.	13-Animal Husbandry		362.31
	2403-Animal Husbandry	362.31	
9.	14-Revenue		294.51
	2029-Land Revenue	18.48	
	2053-District Administration	151.37	
	2055-Police	53.21	
	2070-Other Administrative Services	53.88	
	2401-Crop Husbandry	1.31	
	2506-Land Reforms	15.00	
	3475-Other General Economic Services	1.26	
10.	15-Consumer Affairs and Public Distribution		1209.60
	2408-Food storage and Ware housing	100.00	
	3475-Other General Economic Services	275.51	
	4408-Capital Outlay on Food storage and Ware housing	834.09	
11.	16-Public Works		17.25
	3054-Roads and Bridges	17.25	
	17-Health and Medical Education		401.22
12.	2210-Medical and Public Health	4.62	
	4210-Capital Outlay on Medical and Public Health	396.60	
	18-Social Welfare		6223.73
13.	2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	93.12	
	2235-Social Security and Welfare	5162.68	
	2236-Nutrition	406.02	
	4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	28.59	
	4235-Capital Outlay on Social Security and Welfare	533.32	
14.	19-Housing and Urban Development		48.32
	2217-Urban Development	48.32	
	20-Tourism		337.44
15.	2406-Forestry and Wild Life	247.93	
	4406-Capital Outlay on Forestry and Wild life	88.15	
	5452-Capital Outlay on Tourism	1.36	
	21-Forest		423.61
16.	2406-Forestry and Wild Life	14.70	
	4406-Capital Outlay on Forestry and Wild Life	408.91	
17.	24-Hospitality, Protocol and Toshakhana		46.91
	4059-Capital Outlay on Public Works	46.91	
18.	25-Labour, Stationery and Printing		139.16
	2230-Labour and Employment	139.16	

(₹ in lakh)

Sl. No	Grant/Head of Account	Amount of expenditure without provision	Amount
	26-Fisheries		191.69
19.	2405-Fisheries	76.55	
	4405-Capital Outlay on Fisheries	115.14	
	27-Higher Education		19315.65
20.	2202-General Education	19313.43	
	2215-Water Supply and Sanitation	2.22	
	28-Rural Development		5112.79
	2236-Nutrition	1.37	
21.	2501-Special Programme for Rural Development	51.28	
	2515-Other Rural Development Programme	1651.10	
	4515-Capital Outlay on Other Rural Development Programmes	3409.04	
	29-Transport		64.24
22.	4070-Capital Outlay on Other Administrative Services	64.24	
	Grand Total		42378.25 (423.78 crore)

Appendix-2.4

(Reference: Paragraph: 2.3.5; Page: 36)

Year-wise details of excess expenditure for the years 1980-81 to 2008-09 pending with Finance Department for regularization

(₹ in crore)

Year	No. of Grants/Appropriations	Grant/Appropriation No.	Excess	Stage of consideration by Public Accounts Committee
1980-81	16	1,5,6,7,8,9,12,13,14,16,18, 19,20,21,22,23	227.90	Not discussed by Public Account Committee
1981-82	13	1,3,5,6,8,13,14,16,18,19, 20,21,23	41.99	
1982-83	10	6,8,9,12,14,18,19,21,22,23	119.74	
1983-84	12	1,5,6,7,8,14,18,19,20,21, 22,23	176.75	
1984-85	10	1,6,8,10,14,16,18,19,21,23	65.42	
1985-86	10	1,4,6,10,17,18,19,22,23,26	19.64	
1986-87	15	1,2,4,6,7,8,10,13,18,19,20,22,23,25,26	104.22	
1987-88	17	1,2,3,5,6,8,10,12,13,18,19,21,22,23,24,26,27	177.32	
1988-89	14	1,2,8,9,10,12,13,15,17,18, 22,23,26,27	438.42	
1989-90	9	1,7,8,11,12,20,21,23,24	205.23	
1990-91	11	1,2,5,8,12,17,19,21,23,25,26	427.72	
1991-92	13	1,2,5,7,8,11,12,14,21,22, 23,26,27	1,152.23	
1992-93	14	1,4,5,8,10,11,12,14,16,20, 21,23,24,26	1,029.71	
1993-94	17	2,3,5,8,10,12,13,14,17,18, 20,21,22,23,24,26,27	1,730.03	
1994-95	14	5,6,8,9,10,12,13,14,20,21, 23,24,26,27	2,057.49	
1995-96	19	2,5,6,8,9,10,11,12,13,16,17,18,20,21,23,24,25,26,27	2,936.89	
1996-97	18	2,4,5,6,8,10,11,12,13,14, 16,18,20,21,23,24,26,27	3,482.20	
1997-98	16	1,2,4,6,8,9,12,13,16,18,21,22,23,24,26,27	4,189.21	
1998-99	6	4,5,6,8,23,27	4,185.25	
1999-2000	12	2,3,6,8,9,12,17,18,20,23,24,26	5,851.08	
2000-01	11	1,6,8,9,12,16,18,23,25, 26, 27	6,310.25	
2001-02	15	3,5,6,8,11,17,18,20,21,23,25,26,27,28,29	6,393.41	
2002-03	15	3,5,6,7,8,12,14,16,17,18,21,23,25,26,28	505.61	
2003-04	18	3,5,7,8,12,13,14,15,16,17,18,20,21,23,24,25,26,28	9,770.53	
2004-05	15	3,6,8,9,12,14,15,16,18,20,25,26,27,28,29	2,108.42	
2005-06	16	3,5,8, 10,12,15, 16,17,18, 20,21,23,25, 26,27,28	12,954.06	
2006-07	14	8,12,14,15,16,17,18,20,21,23,25,26,27,28	2,150.03	
2007-08	14	6,8,11,12,14,15,16,20,24,25,26,27,28,29	2,277.91	
2008-09	15	5,6,8,11,12,15,16,19,20,22,23,24,25,26,27	3,277.38	
		Total:	74,366.04	

Appendix-2.5

(Reference: Paragraph: 2.3.7; Page: 37)

Cases of unnecessary supplementary grant/appropriation

(₹ in crore)

Sl. No	Number and Name of the Grant	Original Provision	Supplementary Provision	Actual Expenditure	Savings out of original provision
I-Revenue (Voted)					
1.	1-General Administration	127.56	4.25	105.84	25.97
2.	4-Information	22.93	2.92	22.64	3.21
3.	7-Education	1907.31	29.91	1685.11	252.11
4.	17-Health and Medical Education	843.13	30.04	830.76	42.41
5.	23-Public Health Engineering	519.41	2.52	496.61	25.32
6.	26-Fisheries	29.42	0.67	28.79	1.30
Total-I		3449.76	70.31	3169.75	350.32
II-Revenue (Charged)					
7.	1-General Administration	7.68	1.33	7.51	1.50
Total-II		7.68	1.33	7.51	1.50
III-Capital (Voted)					
8.	3-Planning and Development	354.60	179.25	152.31	381.54
9.	7-Education	278.03	2.31	158.39	121.95
10.	12-Agriculture	182.97	45.94	169.35	59.56
11.	15-Consumer Affairs and Public Distribution	1005.96	162.21	857.29	310.88
12.	19-Housing and Urban Development	331.80	45.00	280.70	96.10
13.	25-Labour, Stationery and Printing	69.65	2.11	1.96	69.80
Total-III		2223.01	436.82	1620.00	1039.83
Grand Total		5680.45	508.46	4797.26	1391.65

Appendix-2.6

(Reference: Paragraph: 2.3.7; Page: 37)

Cases of excessive Supplementary grant/appropriation

(₹ in crore)

Sl. No	Name of the Grant/ Appropriation	Original	Supple- mentary	Total	Expenditure	Savings
I-Revenue (Voted)						
1.	2-Home	1875.50	156.71	2032.21	1892.28	139.93
2.	5-Ladakh Affairs	240.53	4.45	244.98	242.16	2.82
3.	19-Housing and Urban Development	212.32	41.88	254.20	251.54	2.66
4.	24-Hospitality, Protocol and Toshakahna	100.29	6.17	106.46	101.30	5.16
Total-I		2428.64	209.21	2637.85	2487.28	150.57
II-Capital (Voted)						
5.	5-Ladakh Affairs	138.81	4.01	142.82	142.78	0.04
6.	17-Health and Medical Education	237.71	63.25	300.96	289.00	11.96
Total-II		376.52	67.26	443.78	431.78	12.00
Grand Total		2805.16	276.47	3081.63	2919.06	162.57

Appendix 2.7

(Reference: Paragraph: 2.3.7; Page: 37)

Statement of various grants/appropriation where supplementary provision provided insufficient by more than ₹ one crore each

(₹ in crore)

Sl. No	Grant Number	Name of Grant/ Appropriation	Original Provision	Supplementary Provision	Total	Expenditure	Excess
Revenue (Voted)							
1.	18	Social Welfare	261.86	16.85	278.71	281.66	2.95
Total-Revenue (Voted)			261.86	16.85	278.71	281.66	2.95
Revenue(Charged)							
2.	8	Finance	1727.15	223.29	1950.44	2138.24	187.80
Total-Revenue (Charged)			1727.15	223.29	1950.44	2138.24	187.80
Capital (Voted)							
3.	1	General Administration	23.10	6.05	29.15	36.91	7.76
4.	11	Industries and Commerce	109.69	1.60	111.29	114.29	3.00
5.	16	Public Works	1185.66	31.26	1216.92	1465.23	248.31
6.	18	Social Welfare	157.30	25.37	182.67	199.59	16.92
7.	20	Tourism	98.54	15.28	113.82	171.77	57.95
8.	23	Public Health Engineering	334.00	11.31	345.31	505.00	159.69
Total-Capital (Voted)			1908.29	90.87	1999.16	2492.79	493.63
Grand Total			3897.30	331.01	4228.31	4912.69	684.38

Appendix-2.8

(Reference: Paragraph: 2.3.8; Page: 38)

Details of saving of ₹ one crore and above not surrendered

(₹ in crore)

Sl. No	Number and Name of Grant/ Appropriation	Savings	Surrender	Saving which remained to be surrendered
I-Revenue (Voted)				
1.	1-General Administration	25.97	-	25.97
2.	2-Home	139.93	-	139.93
3.	3-Planning and Development	98.31	-	98.31
4.	4-Information	3.21	-	3.21
5.	5-Ladakh Affairs	2.82	-	2.82
6.	7-Education	252.11	-	252.11
7.	8-Finance	20.69	-	20.69
8.	9-Parliamentary Affairs	1.63	-	1.63
9.	10-Law	43.00	-	43.00
10.	11-Industries and Commerce	19.14	-	19.14
11.	12-Agriculture	34.74	-	34.74
12.	13-Animal Husbandry	16.65	-	16.65
13.	14-Revenue	14.88	-	14.88
14.	16-Public Works	7.81	-	7.81
15.	17-Health and Medical Education	42.41	-	42.41
16.	19-Housing and Urban Development	2.66	-	2.66
17.	20-Tourism	5.20	-	5.20
18.	21-Forest	46.42	-	46.42
19.	22-Irrigation and Flood Control	36.09	-	36.09
20.	23-Public Health Engineering	25.32	-	25.32
21.	24-Hospitality, Protocol and Toshakhana	5.16	-	5.16
22.	26-Fisheries	1.30	-	1.30
23.	28-Rural Development	11.77	-	11.77
24.	29-Transport	3.03	-	3.03
Total-I		860.25	-	860.25
II-Revenue (Charged)				
25.	1-General Administration	1.50	-	1.50
26.	10-Law	5.32	-	5.32
Total-II		6.82	-	6.82
III-Capital (Voted)				
27.	2-Home	8.98	-	8.98
28.	3-Planning and Development	381.54	-	381.54

Sl. No	Number and Name of Grant/ Appropriation	Savings	Surrender	Saving which remained to be surrendered
29.	4-Information	1.98	-	1.98
30.	6-Power Development	247.95	-	247.95
31.	7-Education	121.95	-	121.95
32.	8-Finance	222.22	-	222.22
33.	9-Parliamentary Affairs	2.95	-	2.95
34.	12-Agriculture	59.56	-	59.56
35.	13-Animal Husbandry	8.87	-	8.87
36.	14-Revenue	72.05	-	72.05
37.	15-Consumer Affairs and Public Distribution	310.88	-	310.88
38.	17-Health and Medical Education	11.96	-	11.96
39.	19-Housing and Urban Development	96.10	-	96.10
40.	21-Forest	47.95	-	47.95
41.	22-Irrigation and Flood Control	64.23	-	64.23
42.	25-Labour, Stationery and Printing	69.80	-	69.80
43.	27-Higher Education	63.49	-	63.49
44.	28-Rural Development	12.20	-	12.20
Total-III		1804.66	-	1804.66
Grand Total I+II+III		2671.73	-	2671.73

Appendix-2.9

(Reference: Paragraph: 2.4.1; Page: 39)

Department-wise outstanding DC bills 1996-2010

(*₹ in crore*)

S. No	Department	Amount
1	Power Development	395.73
2	Revenue	626.96
3	Home	7.07
4	Housing and Urban Development	270.76
5	Consumer Affairs and Public Distribution	33.66
6	Health and Medical Education	113.94
7	Industries and Commerce	82.02
8	Planning	69.66
9	Tourism	95.87
10	Agriculture	40.83
11	Education	26.58
12	Transport	2.12
13	Finance	12.40
14	Higher and Technical Education	13.34
15	Social Welfare	9.65
16	General Administration	4.22
17	Rural Development	11.41
18	Science & Technology	4.61
19	Public Health Engineering	3.75
20	Public Works	3.98
21	Information and Technology	2.35
22	Animal Husbandry	2.43
23	Forest	1.14
24	Law	0.14
25	Hospitality and Protocol	0.03
26	Stationery and Printing	0.01
27	Legislative Assembly	0.52
28	Civil Aviation	12.20
29	Election	0.89
30	Fisheries	0.69
31	Gujjar and Bakarwal	0.53
32	Labour and Employment	25.26
33	Public Service Commission	2.24
34	Relief and Rehabilitation	45.94
	Total	1922.93

Appendix-3.1

(Reference: Paragraph: 3.2; Page: 43)

Details of annual account awaited under section 14 of the CAG's (DPC) Act

Sl. No	Name of the Body/Authority	Period for which accounts awaited	Number of awaited accounts
1.	Srinagar Municipality	1988-89 to 2009-10	22
2.	Kashmir University	2001-02 to 2009-10	09
3.	Kashmir Urban Development Agency Srinagar	1999-2000 to 2009-10	11
4.	District Rural Development Agency Srinagar	2002-03 to 2009-10	08
5.	District Rural Development Agency Anantnag	2007-08 to 2009-10	03
6.	District Rural Development Agency Pulwama	2002-03 to 2009-10	08
7.	District Rural Development Agency Leh	2008-09 to 2009-10	02
8.	District Rural Development Agency Kargil	2008-09 to 2009-10	02
9.	Sher-e-Kashmir International Conference Centre, Srinagar (SKICC)	1999-2000 to 2009-10	11
10.	Srinagar Development Authority	1999-2000 to 2009-10	11
11.	Institute of Hotel Management	2001-02 to 2009-10	09
12.	State Social Welfare Advisory Board	2003-04 to 2009-10	07
13.	Islamia College of Sciences and Commerce Srinagar	2001-02 to 2009-10	09
14.	Jammu and Kashmir State Housing Board	2002-03 to 2009-10	08
15.	Lakes and Water Ways Development Authority	2005-06 to 2009-10	13
16.	Jammu University	2002-03 to 2009-10	08
17.	District Rural Development Agency Jammu	2008-09 to 2009-10	02
18.	District Rural Development Agency Kathua	2008-09 to 2009-10	02
19.	District Rural Development Agency Poonch	2008-09 to 2009-10	02
20.	District Rural Development Agency Doda	2003-04 to 2009-10	07
21.	Academy of Art Culture and Languages	2003-04 to 2009-10	07
22.	Jammu Development Authority	1972-73 to 2009-10	38
23.	State Pollution Control Board	1995-96 to 2009-10	15
24.	Jammu and Kashmir Sports Council	2003-04 to 2009-10	07
25.	Jammu and Kashmir Energy Development Authority	2003-04 to 2009-10	07
26.	Jammu University	2002-03 to 2009-10	08
27.	District Rural Development Agency Budgam	2007-08 to 2009-10	03
28.	District Rural Development Agency Baramulla	2007-08 to 2009-10	02
29.	District Rural Development Agency Kupwara	2006-07 to 2009-10	04
			245

Appendix 3.2

(Reference: Paragraph: 3.4: Page: 45)

Statement of Finalisation of Accounts and the Government Investment in Departmentally managed Commercial and Quasi-Commercial Undertakings

Name of the Undertaking	Accounts Finalised up to	Investment as per the last accounts finalized (₹ in Crore)	Remarks / reasons for Delay in Preparation of accounts
Department: Consumer Affairs and Public Distribution			
Consumer Affairs and Public Distribution Department, Srinagar	1974-75	N.A.	Reasons were not intimated by the Department.
Consumer Affairs and Public Distribution Department, Jammu	1972-73 and for the year 1998-99	N.A.	Reasons were not intimated by the Department.
Department: Animal Husbandry			
Milk Supply Undertaking, Srinagar	1979-80	N.A.	The undertaking stands liquidated.
Milk Supply Undertaking, Jammu	1981-82	N.A.	The undertaking stands liquidated.
Department: Forest			
Government Lumbering Undertaking	1977-78	N.A.	The undertaking stands taken over by the J&K State Forest Corporation in July 1979