

PRESS RELEASE

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

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FINANCES AUDIT REPORT OF J&K AND LADAKH PRESENTED IN PARLIAMENT

The Report of the Comptroller and Auditor General of India on Finances of Government of UT of Jammu and Kashmir and Administration of Union Territory of Ladakh for the period 31 October 2019 to 31 March 2020 was presented in Parliament here today.

This Report comprises of five chapters.

Chapter-I describes the basis and approach to the Report and the underlying data, provides an overview of structure of government accounts, budgetary processes, macro-fiscal analysis of key indices and UT's fiscal position including the deficits/surplus of the Union Territory of Jammu and Kashmir.

Chapter-II provides a broad perspective of the finances of the Union Territory of Jammu and Kashmir, debt profile of the Union Territory and key Public Account transactions, based on the Finance Accounts of the UT of Jammu and Kashmir.

Chapter-III is based on the Appropriation Accounts of the Union Territory of Jammu & Kashmir and reviews the appropriations and allocative priorities of the Government of Union Territory and reports on deviations from Constitutional provisions relating to budgetary management.

Chapter-IV comments on the quality of accounts of UT of Jammu and Kashmir rendered by various authorities of the UT Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the UT Government.

Chapter-V contains perspective of the finances and observations on matters arising from examination of part of Finance and Appropriation accounts pertaining to Union Territory of Ladakh and comments on quality of accounts etc.

Some of the observations are listed below

Chapter-I & II Overview and Finances of the Union Territory of Jammu and Kashmir:

Borrowings during the period 31 October 2019 to 31 March 2020 was 99 *per cent* of the target projected in the budget.

During the period 31 October 2019 to 31 March 2020, Revenue Deficit and Fiscal deficit were understated by ₹281.07 crore and ₹9.76 crore respectively, owing to misclassification of revenue expenditure as capital expenditure and short contribution to Defined Pension Contribution Scheme.

Against the actual loss of `1,070.94 crore due to implementation of GST, the UT Government received compensation to the tune of `1,247.28 crore. It has resulted in excess compensation to the extent of `176.34 crore,

Percentage of Grants-in-Aid to Revenue Receipts was 72.87 *per cent* during 31 October 2019 to 31 March 2020. UT Government's dependence on Grants-in-Aid from GoI was to that extent.

The committed expenditure constituted 67.50 *per cent* of Revenue Expenditure and was 68 *per cent* of Revenue Receipts. Thus, only 32 *per cent* of resources were available for other expenditure during the period 31 October 2019 to 31 March 2020.

During the period 31 October 2019 to 31 March 2020, the Government of UT of Jammu and Kashmir disbursed Loans and Advances to the tune of `38.14 crore and recovered loans and advances amounting to `2.34 crore. Out of total loans of `38.14 crore disbursed during 31 October 2019 to 31 March 2020, loan of `23.00 crore was granted to J&K State Road Transport Corporation Limited, which already had outstanding loans of `383.73 crore ending 30 October 2019.

During the period 31 October 2019 to 31 March 2020 the balance under reserve funds of UT Jammu and Kashmir was `186.95 crore. There was also a cumulative aggregate balance in reserve funds at the end of 30 October 2019 amounting to `2,806 crore, which was not bifurcated between two Union Territories up to ending 31 March 2020.

The Government of UT of Jammu and Kashmir maintained the mandatory minimum daily cash balance of `1.14 crore with Reserve Bank of India on 21 days during the period 31 October 2019 to 31 March 2020 without taking Special Ways and Means Advance/Ways and Means Advances (WMA)/ Overdrafts, and on 81 days minimum balance was maintained by obtaining Normal Ways and Means Advance. Besides on 51 days Overdraft was taken in addition to obtaining Normal Ways and Means Advance.

Chapter-III Budgetary Management:

An amount of `257.71 crore was incurred under 79 schemes/ Sub Heads in 15 Grants without Budgetary Provisions during 31 October 2019 to 31 March 2020 which needs to be regularised.

During 31 October 2019 to 31 March 2020, a sum of `271.31 crore of Revenue expenditure was disbursed under Capital Heads of expenditure, thereby, resulting in overstatement of Capital Expenditure and understatement of Revenue Expenditure and Revenue deficit to the extent of `271.31 crore.

There were huge savings of `100 crore and above by the departments under Capital Section in 16 grants amounting to `7,760.22 crore.

Out of 35 grants, in 34 grants the utilisation ranged between 15 *per cent* and 92 *per cent*. In the remaining one grant there was over utilisation by 13 *per cent* resulting in excess over provisions during the period 31 October 2019 to 31 March 2020.

The excess expenditure amounting to `3,875.61 crore incurred during 31 October 2019 to 31 March 2020 needs to be regularised.

Chapter-IV Quality of Accounts and Financial Reporting Practices:

2,205 Utilisation Certificates in respect of loans and grants involving `10,441.58 crore against various departments were outstanding as on 31 March 2020.

DC bills for an amount of `348.31 crore drawn on 53 AC bills drawn during 31 October 2019 up to 31 January 2020 were not submitted to the Pr. Accountant General (A&E), Jammu & Kashmir. There were 2,287 outstanding DC bills amounting to `7,219.07 crore pertaining to erstwhile State.

During 2019-20 (31 October 2019 to 31 March 2020), `1,962.50 crore (8.70 *per cent* of the total Revenue Receipts) was classified under the Minor Head 800-‘Other Receipts’ and expenditure of `2,647.03 crore (9.41 *per cent* of Total Expenditure) was booked under Minor Head 800-‘Other Expenditure’ instead of depicting distinctly under relevant heads in the Finance Accounts which affects transparency in financial reporting.

There was mis-classification and details in respect of Grants-in-aid given in kind was not provided (IGAS2). Detailed information regarding recoveries in arrears and accrued interest thereon was not furnished (IGAS 3)

Chapter-V Observations on Accounts of Union Territory of Ladakh:

Against `5,742.42 crore under the Voted section, expenditure of only `170.38 crore has been incurred, resulting into saving of `5,572.04 crore. Against `11.58 crore under the charged section, expenditure of `6.18 crore has been made resulting into saving of `5.40 crore during the period 31 October 2019 to 31 March 2020.

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