

PRESS BRIEF

State Finances Audit Report No. 2

The State Finances Audit Report of the Comptroller and Auditor General of India for the Government of Jammu and Kashmir for the year ended 31 March 2019 contains audit observations on the Finance and Appropriation accounts of the State Government for the year 2018-19 and provides an overview of the status of the State Government's compliance with various financial rules, procedures and directives relating to financial reporting. The Report has been presented to the Parliament on 24.3.2021.

Following are some of the important comments/audit observations contained in the State Finances Audit Report:

Chapter I: Finances of the State Government

The Buoyancy of Revenue Receipts (RR), State Own Tax Revenue (SOTR) with reference to GSDP was lower during 2018-19 in comparison to 2017-18 as the growth rate of RR and SOTR was lower during 2018-19 as compared to the previous year.

The Revenue Receipts increased by ₹2,719 crore (5.60 *per cent*) during 2018-19 over the previous year mainly due to increase in the State's share in the Union Taxes and Duties by ₹2,078 crore (17.44 *per cent*), Grants-in-Aid from Government of India by ₹364 crore and State's Own Tax Revenue by ₹290 crore. Transfers from the Union Government of State's share in Union Taxes and Duties and Grants-in-Aid together constituted 72.33 *per cent* of the State's Revenue Receipts during 2018-19.

As on March 2019, loan amounting to ₹45.93 crore and ₹376.72 crore were outstanding against Agro Industries and J&K State Road Transport Corporation which had an accumulated losses of ₹42.10 crore and ₹1,148.12 crore respectively as per their latest finalized accounts. Despite poor performance of recovery, State Government disbursed new loan to these entities during the current year.

Revenue Expenditure increased by ₹15,174 crore over the previous year. Revenue Expenditure during the year constituted 87 *per cent* of the Total Expenditure. Committed Expenditure on account of salary & wages, pension, interest payment and subsidies constituted 68 *per cent* of Revenue Expenditure during 2018-19.

The share of Development Capital Expenditure in Total Expenditure decreased from 18.62 *per cent* in 2017-18 to 11.76 *per cent* in 2018-19, while the share of Development Revenue Expenditure in Total Expenditure increased from 46.84 *per cent* to 51.48 *per cent* during the same period.

As on 31 March 2019, the State Government had cumulative investment of ₹689.42 crore in Companies/Statutory Corporations/Co-operative Institutions and Local Bodies. The rate of dividend/interest was 23.99 *per cent* during the year

2014-15 and it continuously decreased during the subsequent years and there was no return in 2017-18 and 2018-19, while the investment at the end of each year during the said period increased from ₹537.17 crore to ₹689.42 crore. The return on investment is on historical cost and not on the net present value basis.

The cash balance for the year 2018-19 was not even equal to the earmarked reserve funds amounting to ₹2,486 crore which means that reserve funds were used for other than the intended purpose.

Overall Fiscal Liabilities of the State were ₹79,105 crore as on 31 March 2019. The accumulated fiscal liabilities were 1.54 *times* of the Government's Revenue Receipts and 5.58 *times* of the Government's Own Resources as on 31 March 2019. The buoyancy ratio of these liabilities with respect to GSDP during 2018-19 was 1.39, indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 1.39 *times*.

Revenue Surplus of ₹7,595 crore of 2017-18 turned to Revenue Deficit of ₹4,859 crore during 2018-19 mainly due to implementation of 7th Pay Commission recommendation for J&K Government employees. Fiscal Deficit (FD) increased from ₹2,778 crore in 2017-18 to ₹13,337 crore in 2018-19. The State had a Primary Deficit of ₹8,128 crore in 2018-19 as compared to Primary Surplus of ₹1,885 crore during 2017-18.

Chapter II: Financial Management and Budgetary Control:

During 2018-19, expenditure of ₹85,241.37 crore was incurred against total grants and appropriation of ₹1,09,479.22 crore. Overall savings of ₹24,237.85 crore was the result of saving of ₹28,869.38 crore in various grants and appropriations offset by excess of ₹4,631.53 crore in five grants and an appropriation, which required regularization under Section 82 of the erstwhile Constitution of Jammu and Kashmir in addition to ₹1,14,061.35 crore for the years 1980-2018.

There were persistent savings in six grants during 2014-19, In 16 cases, supplementary provision proved to be unnecessary as the expenditure was less than the original provision, while in four grants supplementary provision proved to be insufficient resulting in excess expenditure.

During 2018-19, a sum of ₹1,874.17 crore of Grants-in-Aid, Subsidy of ₹99.18 crore, ₹0.19 crore of Stipend and Scholarship, ₹2.24 crore as Salary and ₹286.21 crore under operating cost of procurement/Sale of Essential Commodities through PDS were

disbursed under the Capital Major Heads of expenditure, as against the requirement of their accounting in revenue heads.

Chapter III: Financial Reporting:

1,774 Utilization Certificates in respect of loans and grants involving ₹8,219.90 crore against various departments were outstanding as on 31 March 2019. State Government may review whether they should continue to give more grants to departments with high pendency of UC's. Abnormal delays were noticed in submission of annual accounts by some of the departmental commercial undertakings and Autonomous Bodies.

During 2018-19, ₹4,220.87 crore (8.24 *per cent* of the total Revenue Receipts) was classified under the Minor Head 800-‘Other Receipts’ and expenditure of ₹3,662.17 crore (5.68 *per cent* of Total Expenditure) was booked under Minor Head 800-‘Other Expenditure’ instead of depicting distinctly in the Finance Accounts which affects transparency in financial reporting.

BSC/SS/TT