

EXECUTIVE SUMMARY

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Background

This Report on the finances of the Government of Jammu and Kashmir is brought out to assess objectively the financial performance of the State during the year 2013-14 *vis-à-vis* the Budget Estimates and the targets set under the Fiscal Responsibility and Budget Management Act, 2006. The report analyses the dominant trends and structural profile of Government's receipts and disbursement.

The Report

Based on the audited accounts of the State Government for the year ending 31 March 2014 and additional data such as the Economic Survey brought out by the State government and Census, this report provides an analytical review in three Chapters.

Chapter-1 is based on the Finance Accounts and makes an assessment of Government's fiscal position as on 31 March 2014. It provides an insight into trends and profile of key fiscal aggregates, committed expenditure, borrowing pattern, besides a brief account of central funds transferred directly to State implementing agencies through off budget route.

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

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

Audit findings and recommendations

Trends in key fiscal aggregates: The State's share in Union taxes & duties and grants from the Union Government together constituted on an average *75 per cent* of the total revenue receipts of the State during 2009-13. It declined to *70 per cent* in 2012-13 and *66 per cent* during 2013-14. The non-debt resources transferred by the Central Government through the State Government accounts financed on an average of 63 per cent of total expenditure of the State Government during 2009-12, 60 per cent in 2012-13 and 57 per cent in 2013-14, showing decline in the States dependence on transfer of central resources. The opening cash balance for the year 2013-14 increased by ₹ 972 crore from ₹91 crore to ₹1063 crore

(Para 1.2 and 1.2.1)

States own tax revenues shown a steady increase particularly in Tax on sales of goods and services which increased from ₹2146 crore in 2009-10 to ₹4579 crore during 2013-14.

(Para 1.4.1)

The total expenditure of the State increased from ₹30434 crore in 2012-13 to ₹31686 in 2013-14. While the Capital Expenditure decreased from ₹5317 crore during 2012-13 to ₹4628 crore in 2013-14, the Revenue Expenditure increased from ₹25117 crore during 2012-13 to ₹27058 crore in 2013-14.

(Para 1.2.2)

Non-plan revenue expenditure, viz., salaries and other personnel costs, pensions and other post-retirement benefits, interest payments and Power Department's deficit constituted nearly 63.77 per cent of total expenditure, 80.12 per cent of total non-plan revenue expenditure and 221 per cent of States' own tax revenues during 2013-14. There was continuing diversion of Plan grants for meeting the non-plan revenue gap to the extent of ₹3746 crore in 2012-13 and ₹3823 crore in 2013-14.

(Para 1.4.2.1)

The percentage of Developmental Capital Expenditure to total expenditure declined from 15.1 per cent in 2012-13 to 12.18 per cent in 2013-14.

(Para1.8.1)

There were 267 projects/ works with sanctioned cost of ₹1458.25 crore, costing ₹ one crore or above, which had overshoot their scheduled completion dates. An amount of ₹832.44 crore had been expended on these incomplete projects by 31 March 2014.

(Para 1.9.1)

Fiscal consolidation and regulation of debt/ deficit: The State could not match the targets of fiscal deficit recommended by the 13th Finance Commission. The actual fiscal deficit was 5.9, 5.5 and 5.2 per cent against targeted fiscal deficit of 4.7, 4.2 and 3.6 per cent of GSDP of respective years during 2011-12, 2012-13 and 2013-14.

(Para 1.13.1)

The percentage of market loans to total liabilities increased from 28.5 per cent in 2009-10 to 38.5 per cent in 2013-14.

(Para 1.11.3)

Targets for collection of power departments' tariff were not achieved. The shortfall in collection of revenue was ₹1308 crore vis-a-vis targets and shortfall vis-a-vis expenditure on power purchased was ₹2205 crore.

(Para 1.7.2.1)

Financial management and budgetary control: During 2013-14, there was overall saving of ₹ 2954.87 crore. This was the result of saving of ₹ 7424.66 crore in 21 grants and four appropriation under Revenue Section and 24 grants under Capital Section which is offset by excess of ₹ 4469.79 crore in eight grants under Revenue Section and five grants and one appropriation under Capital Section. In 13 cases, expenditure aggregating ₹ 15,426.99 crore was exceeded by ₹ 4,468.83 crore against the total approved provision of ₹ 10958.16 crore.

(Para 2.2 and 2.3.4)

There were persistent errors in budgeting, savings, excess expenditure and expenditure without provision. Anticipated savings were either not surrendered or surrendered at the end of the year leaving no scope for utilizing these funds for other development purposes.

(Para 2.3.3 to 2.3.6)

Excess expenditure of ₹ 99409.53 crore till 31 March 2014 over the approved provision ending March 2014 required regularisation under Section 82 of the Constitution of Jammu and Kashmir.

(Para 2.3.7)

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

(Para 3.2 and 3.3)