

Chapter-II
Financial Management And
Budgetary Control

CHAPTER –II

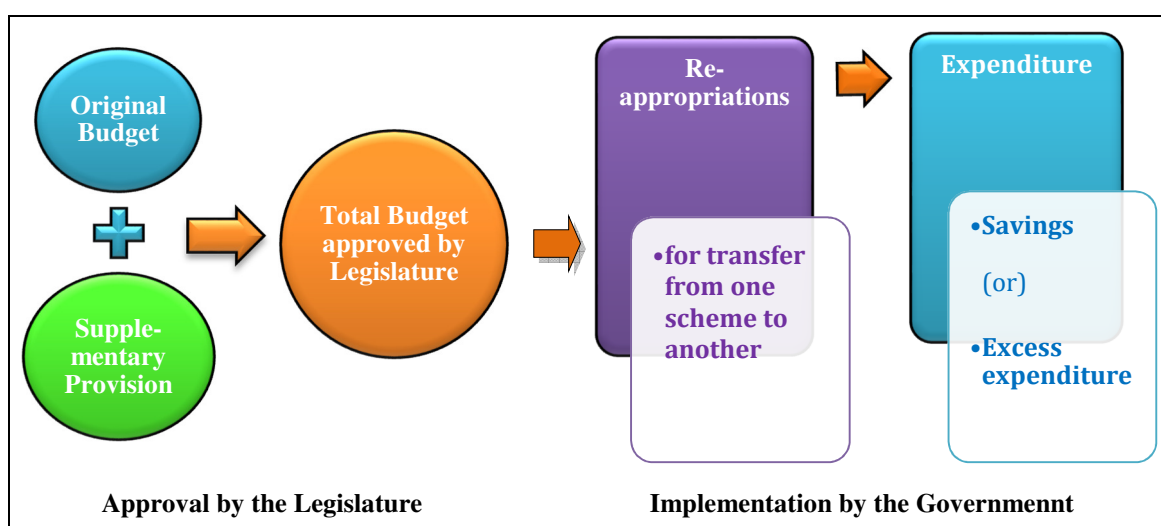
FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

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 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.

Appropriation Accounts captures the data along the entire process of budget formulation and implementation (**Chart 2.1**).

Chart 2.1: Flow chart of budget implementation



Source: Based on the procedure prescribed in Budget Manual and Appropriation 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.

Deficiencies in the management of budget and expenditure and violation of the Budget Manual noticed in audit have been discussed in the subsequent paragraphs.

2.2 Summary of Appropriation Accounts

The total provisions for expenditure in 2018-19 was ₹1,09,479.22 crore. The actual expenditure during the year was ₹85,241.37 crore (77.86 per cent). This resulted in savings of ₹24,237.85 crore in 2018-19. The summarized position of actual expenditure during 2018-19 against 36 grants/appropriations is given below:

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

(₹ in crore)

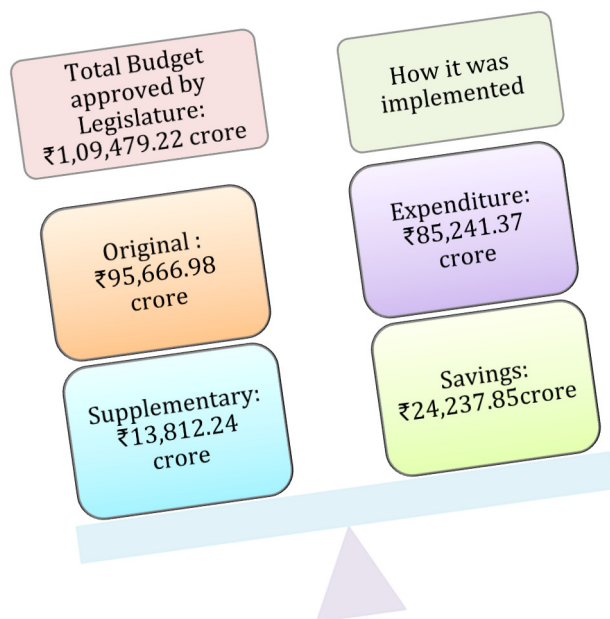
	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual expenditure ¹	Saving(-)/ Excess (+)	Amount surrendered
Voted	I-Revenue	46,463.29	10,648.84	57,112.13	50,812.18	(-)6,299.95	Nil
	II-Capital	25,877.06	2,203.59	28,080.65	8,435.63	(-)19,645.02	Nil
	III-Loans and Advances	568.50	0.00	568.50	69.15	(-)499.35	Nil
Total Voted		72,908.85	12,852.43	85,761.28	59,316.96	26,444.32	Nil
Charged	IV-Revenue	4,781.44	959.81	5,741.25	5,277.80	(-)463.45	Nil
	V-Capital	0.00	0.00	0.00	0.00	0.00	Nil
	VI-Public Debt Repayment	17,976.69	0.00	17,976.69	20,646.61	(+)2,669.92	Nil
Total Charged		22,758.13	959.81	23,717.94	25,924.41	(+)2,206.47	Nil
Appropriation to Contingency Fund (if any)		0.00	0.00	0.00	0.00	0.00	Nil
Grand Total		95,666.98	13,812.24	1,09,479.22	85,241.37	(-)24,237.85	Nil

Source: Appropriation Accounts

¹ These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Capital (₹22.04 crore).

2.2.1 Analysis of Appropriation Accounts 2018-19

Chart 2.2: How the Budget was implemented



The overall saving of ₹24,237.85 crore was the result of saving of ₹28,869.38 crore in 33 grants under Revenue (Voted) and 5 appropriation under Revenue Section and 33 grants under Capital Section which is offset by excess of ₹4,631.53 crore in three grants under Revenue Section and two grants and one appropriation under Capital Section. The excess of ₹4,631.53 crore requires regularization.

Table 2.2: Total excess or savings under different grants

Description	Number of grants/appropriation					Amount (₹ in crore)
	Revenue (Voted)	Revenue (Charged)	Capital (Voted)	Capital (Charged)	Public Debt Repayment	
Savings occurred in	33	05	33	-	-	28,869.38
Excess expenditure occurred in	03	-	03	-	01	4,631.53

Source: Appropriation Accounts

2.3 Financial Accountability and Budget Management

2.3.1 Excess over provisions requiring regularization

As per Section 82 of the Constitution of Jammu and Kashmir, it is mandatory for the 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 Section, the regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). As the Appropriation Accounts of 1980-81 onwards had not been discussed in PAC, the excess expenditure aggregating ₹1,14,061.35 crore for the years 1980-2018 is yet to be regularized by the State Legislature, as detailed in *Appendix 2.1*. After including further excess expenditure of ₹4,631.53 crore *Appendix 2.2* during 2018-19 as brought out in the preceding Sub-section, the aggregate excess expenditure amounting to ₹1,18,692.88 crore as on 31 March 2019 may be got regularized from the Legislature/Parliament, as the Union Territory is under the President's rule, the matter may be taken up with the Parliament as per rules. This irregularity is in violation of Section 81 and 82 of the Constitution of

Jammu and Kashmir. Excess expenditure remaining un-regularized for such extended period needs to be viewed seriously as this vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources. Therefore, all the existing cases of excess expenditure need to be got regularized at the earliest.

The list of seven grants where expenditure exceeded ₹one crore or more than 20 per cent of the provision are shown below:

Table-2.3: Excess over provisions requiring regularization during 2018-19

(₹ in crore)

Sl. No	Grant Number	Name of Grant/Appropriation	Total Grant/Appropriation	Expenditure	Excess (Percentage)
I-Revenue (Voted)					
1	3	Planning, Development and Monitoring Department	77.32	448.29	370.97 (480)
2	15	Food, Civil Supplies and Consumer Affairs Department	228.62	242.04	13.42 (06)
3	16	Public Works Department	953.65	2,488.64	1,534.99 (161)
Total (I-Revenue Voted)			1,259.59	3,178.97	1,919.38
II-Capital (Voted)					
4	5	Ladakh Affairs Department	316.16	317.69	1.53 (0.48)
5	17	Health and Medical Education Department	853.59	874.36	20.77 (02)
6	30	Tribal Affairs Department	8.90	28.83	19.93 (224)
Total (II-Capital Voted)			1,178.65	1,220.88	42.23
III-Capital Charged					
7	08	Finance Department	17,976.69	20,646.61	2,669.92 (15)
Total (III-Capital Charged)			17,976.69	20,646.61	2,669.92
Grand Total (I+II+III)			20,414.93	25,046.46	4,631.53

Source: Appropriation Accounts

In Grant No -08 there was persistent Excess expenditure during 2014-15 to 2018-19 as shown below:

Table-2.4: Grant where Persistent Excess expenditure incurred during 2014-15 to 2018-19

(₹ in crore)

Grant No. and Name	Years				
	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue/Capital					
08-Finance Department	186.32 (2%)	2,225.82 (26%)	225.89 (627%)	4,652.19 (26%)	2,669.92 (15%)

(Figures in brackets indicate percentage of excess expenditure over the provisions)

The Finance Department should ensure that no Departmental Controlling Officers including Finance Department itself resort to excess expenditure over the regular allocations approved by the State Legislature.

2.3.2 Savings

The outcome of the appropriation audit shows that in 70 cases, savings exceeded ₹one crore in each case or by more than 20 per cent of the total provision (Appendix 2.3). Against the total savings of ₹28,869.38 crore, savings of ₹28,509.55 crore² occurred in 38 cases relating to 26 grants, as indicated below:

Table-2.5: List of Grants with Savings of ₹50 crore and above

(₹in crore)

Sl. No.	Name of Grant/ Appropriation	Original	Supplementary	Total grant	Actual expenditure	Savings (Percentage)
I-Revenue Voted						
1	01-General Administration Department	331.33	92.09	423.42	353.17	70.25 (17)
2	02-Home Department	5,082.53	2,471.22	7,553.75	6,776.14	777.61 (10)
3	06- Power Development Department	8,341.05	816.96	9,158.01	7,542.75	1,615.26 (18)
4	07-Education Department	6,586.94	3,317.91	9,904.85	8,551.21	1,353.64 (14)
5	08-Finance Department	10,775.45	0.09	10,775.54	8,149.70	2,625.84 (24)
6	10-Law Department	296.53	291.15	587.68	501.69	85.99 (15)
7	12-Agriculture Department	948.55	624.39	1,572.94	1,131.11	441.83 (28)
8	14- Revenue Department	528.38	75.41	603.79	485.30	118.49 (20)
9	17-Health and Medical Education Department	2,795.13	930.50	3,725.63	3,549.39	176.24 (05)
10	18-Social Welfare Department	1,497.31	291.28	1,788.59	1,384.62	403.97 (23)
11	22-Irrigation & Flood Control Department	633.52	152.34	785.86	655.34	130.52 (17)
12	33-Disaster Management, Relief, Rehabilitation and Reconstruction Department	756.60	0.00	756.60	686.34	70.26 (09)
13	34-Youth Services and Technical Education Department	463.25	92.20	555.45	481.24	74.21 (13)
Total-Revenue (Voted)		39,036.57	9,155.54	48,192.11	40,248.00	7,944.11
Revenue (Charged)						
14	08-Finance Department	4,724.78	940.68	5,665.46	5,208.68	456.78 (08)
Total Revenue (Charged)		4,724.78	940.68	5,665.46	5,208.68	456.78 (08)
Total-I		43,761.35	10,096.22	53,857.57	45,456.68	8,400.89
II-Capital (Voted)						
15	02-Home Department	871.49	50.02	921.51	335.90	585.61 (64)
16	03-Planning, Development and Monitoring Department	2,631.65	0.00	2,631.65	451.67	2,179.98 (83)
17	06-Power Development Department	4,712.02	878.40	5,590.42	206.16	5,384.26 (96)

² Exceeding ₹50 crore in each case.

18	07-Education Department	1,148.44	0.00	1,148.44	617.20	531.24 (46)
19	08-Finance Department	2,595.06	0.00	2,595.06	25.23	2,569.83 (99)
20	10-Law Department	91.27	0.00	91.27	38.24	53.03 (58)
21	11-Industries and Commerce Department	243.63	0.00	243.63	152.34	91.29 (37)
22	12-Agriculture Department	891.57	0.00	891.57	152.71	738.86 (83)
23	13-Animal/Sheep Husbandry Department	102.22	0.00	102.22	38.62	63.60 (62)
24	15-Foods, Civil Supplies and Consumer Affairs Department	308.72	34.34	343.06	287.25	55.81 (16)
25	16- Public Works Department	2,098.39	263.11	2,361.50	1,103.13	1,258.37 (53)
26	18-Social Welfare Department	356.16	0.00	356.15	34.19	321.96 (90)
27	19-Housing & Urban Development Department	1,487.39	198.33	1,685.72	477.30	1,208.42 (72)
28	20-Tourism Department	429.39	0.00	429.39	93.49	335.90 (78)
29	21-Forest Department	135.84	0.00	135.84	37.22	98.62 (73)
30	22-Irrigation & Flood Control Department	1,440.43	134.99	1,575.42	277.49	1,297.93 (82)
31	23-PublicHealth Engineering Department	660.34	0.00	660.34	523.24	137.10 (21)
32	25-Labour, Stationery & Printing Department	105.03	0.00	105.03	45.55	59.48 (57)
33	27-Higher education Department	225.00	3.94	228.94	131.89	97.05 (42)
34	28- Rural Development Department	2,686.18	376.70	3,062.88	1,805.21	1,257.67 (41)
35	32-Horticulture Department	386.15	0.00	386.15	124.66	261.49 (68)
36	33- Disaster Management, Relief, Rehabilitation and Reconstruction Department	710.69	0.00	710.69	80.86	629.83 (89)
37	34-Youth Services and Technical Education Department	237.20	0.00	237.20	39.17	198.03 (83)
38	35-Science and Technology Department	726.45	0.00	726.45	33.15	693.30 (95)
Total-II- Capital (Voted)		25,280.71	1,939.83	27,220.53	7,111.87	20,108.66
Grand Total – (I+II)		69,042.06	12,036.05	81,078.10	52,568.55	28,509.55

Source: Appropriation Accounts

Huge savings by the departments under Capital Section indicates that the Government could not utilize the funds earmarked for developmental activities/creations of assets. Savings under Capital Section ranged between 16 *per cent* to 99 *per cent*. Reasons for substantial savings (shortfall in utilization) against each grant were not furnished (November 2019) by the State Government.

2.3.3 Persistent Savings

In six cases, persistent savings of more than ₹one crore in each case and also by ten *per cent* or more of the total grant were noticed in one grant in Revenue (Voted) section and six grants in Capital (Voted) section, during the last five years, as shown below:

Table-2.6: List of Grants indicating Persistent Savings during 2014-15 to 2018-19

(₹ in crore)

Sl. No.	Grant number and Name	Amount of Savings				
		2014-15	2015-16	2016-17	2017-18	2018-19
Revenue (Voted)						
1	10-Law Department	97.04 (34)	102.19 (37)	154.81 (48)	154.33 (42)	85.99 (15)
Capital (Voted)						
2	06-Power Development Department	250.25 (64)	707.60 (70)	2,177.61 (76)	5,591.27 (89)	5,384.26 (96)
3	12-Agriculture Department	222.70 (55)	179.63 (33)	634.82 (67)	333.92 (37)	738.86 (83)
4	19-Housing and Urban Development Department	568.44 (77)	220.61 (42)	394.59 (51)	519.54 (53)	1,208.42 (72)
5	25-Labour, Stationery and Printing Department	76.70 (98)	31.79 (29)	14.54 (13)	100.74 (84)	59.48 (57)
6	28-Rural Development Department	1,104.58 (60)	496.69 (38)	798.19 (42)	541.36 (23)	1,257.67 (41)

Source: Appropriation Accounts

(Figures in the parenthesis is percentage of Total Grants)

Persistent savings in a substantial number of grants over the years was indicative of over assessment of grants over the requirement of funds by the Government without taking into account the previous year's trends and adequately scrutinizing the need and flow of expenditure. Persistent savings by above departments also indicate that either the schemes under departments did not receive priority of the Government or inefficiency in implementation by the department concerned/implementing agencies. This has been pointed out in earlier State Finance Reports but no action has been taken by the Government. Reasons for persistent savings under these heads were not intimated by the State Government (November 2019).

During 2018-19, in six schemes under the above mentioned grants, the savings were more than ₹100 crore, as given below:

Table 2.7: Details of cases in which savings were more than ₹100 crore

(₹ in crore)

Sr. No.	Grant Name and Scheme Name	Budget Provision	Expenditure	Saving	Percentage savings over budget
1. Grant No. 06-Power Development Department					
(i)	4801- Capital Outlay on Power Projects,01-Hydel Generation,800-OE,0011-General,2021-Generation	994.50	10.10	984.40	98.98
(ii)	4801- Capital Outlay on Power Projects,05-Transmission & Distribution,800-OE,0011-General,0478-Transmission & Distribution	2,179.11	190.41	1,988.70	91.26
2. 19-Housing and Urban Development Department					
(i)	4217-Capital Outlay on Urban Development, 03-Integrated Development of Small and Medium Towns, 051-Construction, 0011-General,1297-Urban Development	1,054.83	202.34	852.49	80.82
3. 28-Rural Development Department					
(i)	4515-Capital Outlay on Other Rural Development Programme,101-Panchayati Raj, 0099-General, 0051 - Community Development &Panchayat, Kashmir	1,151.43	203.73	947.70	82.31

Sr. No.	Grant Name and Scheme Name	Budget Provision	Expenditure	Saving	Percentage savings over budget
(ii)	4515-Capital Outlay on Other Rural Development Programme, 101-Panchayati Raj, 0031-CSS, 0230-Rural Sanitation	398.05	110.40	287.65	72.26
(iii)	4515-Capital Outlay on Other Rural Development Programme, 800-Other, 0011-General, 2468-PMKSY	148.87	34.51	114.36	76.82

Source: Appropriation Accounts

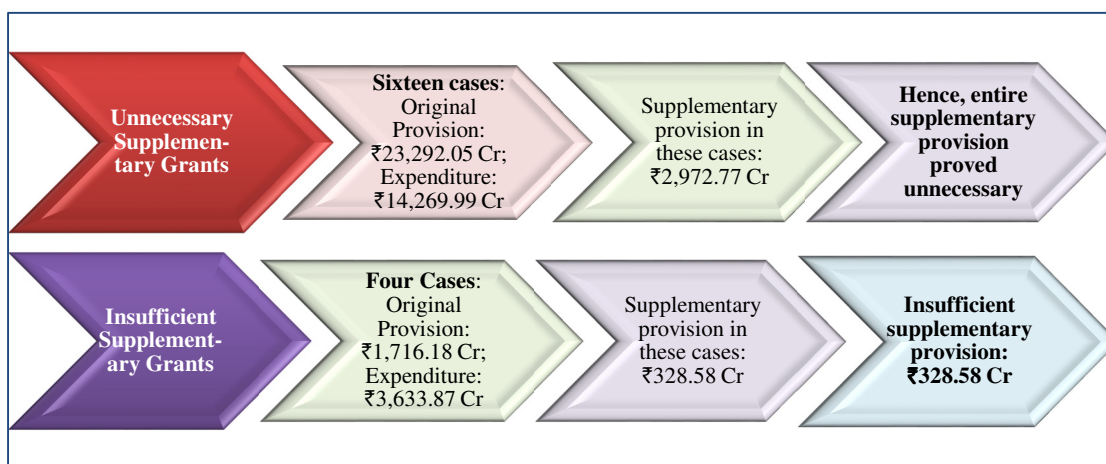
As can be seen from above, the persistent savings ranged between 72.26 per cent to 98.98 per cent.

2.3.4 Unnecessary/Inadequate supplementary provisions

In 16 cases, involving 14 grants (*Appendix-2.4*), supplementary grant of ₹2,972.77 crore was obtained in excess of the original provision, in anticipation of expenditure. However, the final expenditure of ₹14,270.25 crore was even less than the original grant of ₹23,292.05 crore. The savings of ₹9,021.80 crore thus, exceeded the entire supplementary provision, indicating inadequate system of fund projection and leading to unnecessary allotment of additional funds.

In four Grants (*Appendix-2.5*), supplementary provision of ₹328.58 crore proved insufficient, leaving an uncovered aggregate excess expenditure of ₹1,589.11 crore which forms 34.32 per cent of the total excess of ₹4,631.53 crore.

Chart 2.3: Unnecessary/Insufficient Supplementary Provisions



2.3.5 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 2018-19, there were 33 grants and five appropriations under Revenue Section and 33 grants under Capital Section in which savings occurred. However, during the year no surrender in anticipation of savings was made by the concerned departments. The savings in these cases was of the order of ₹28,869.38 crore, which includes ₹28,869.20 crore in 70 cases (involving

36 grants and four appropriation) where savings involved were ₹one crore and above or more than 20 per cent. Relevant details are indicated in **Appendix-2.6**. The savings in grants is indicative of over assessment of grants resulting in savings and also non-surrender of funds (savings) is in contravention of the instructions of the State Budget Manual.

2.3.6 Rush of Expenditure

As per J&K Budget Manual the Controlling Officers are required to utilize the outlay under a head proportionately, as far as possible during the year. Rush of expenditure in the last quarter of financial year and more particularly in the last month of the financial year has to be avoided. Contrary to this, in respect of 28 grants, expenditure exceeding ₹10 crore for the year was incurred during the last quarter of the financial year 2018-19 as shown below:

Table-2.8: Cases of Rush of Expenditure towards the end of financial year 2018-19

Sl. No.	Grant No.	Name of the Grant	Total Expenditure during 2018-19	Expenditure incurred during January to March 2019	Expenditure incurred in March 2019	Percentage of Total Expenditure incurred during	
						January to March 2019	March 2019
1	2	Home Department	7,112.05	2,791.62	1,349.89	39.25	18.98
2	3	Planning, Development and Monitoring Department	899.96	558.25	445.13	62.03	49.46
3	4	Information Department	67.36	26.31	11.89	39.05	17.65
4	5	Ladakh Affairs Department	1,191.86	1,166.54	14.07	97.87	11.80
5	7	Education Department	9,168.41	4,454.98	3,011.12	48.59	32.84
6	8	Finance Department	33,995.00	13,767.53	4,460.61	40.49	13.12
7	10	Law Department	586.58	348.93	184.28	59.48	31.41
8	11	Industries and Commerce Department	466.03	177.95	80.99	38.18	17.37
9	12	Agriculture Department	1,261.99	537.54	260.74	42.59	20.66
10	13	Animal/Sheep Husbandry Department	603.82	260.66	123.77	43.16	20.49
11	14	Revenue Department	489.43	180.36	101.45	36.85	20.72
12	15	Food, Civil Supplies and Consumer Affairs Department	529.10	252.03	156.96	46.75	29.66
13	16	Public Works department	3,591.77	1,478.49	555.24	41.16	15.45

14	17	Health and Medical Education Department	4,423.75	1,948.54	1,031.64	44.04	23.22
15	18	Social Welfare Department	1,418.81	674.44	368.71	47.53	25.98
16	20	Tourism Department	228.48	118.98	75.24	52.07	32.92
17	21	Forest Department	859.14	342.44	175.76	39.85	20.45
18	22	Irrigation and Flood Control Department	932.83	439.26	261.92	47.08	28.07
19	24	Hospitality and Protocol Department	339.08	183.08	67.08	53.99	19.78
20	26	Fisheries Department	111.03	48.69	18.58	43.85	16.73
21	27	Higher Education Department	1,152.27	481.26	134.84	41.76	11.70
22	28	Rural Development Department	2,263.28	867.96	534.34	38.34	23.60
23	29	Transport Department	117.88	50.15	21.37	42.54	18.13
24	30	Tribal Affairs Department	78.37	55.60	34.92	70.94	44.55
25	31	Culture Department	64.57	30.53	12.94	42.27	20.03
26	32	Horticulture Department	258.94	138.13	73.78	53.34	28.49
27	34	Youth Service & Technical Education Department	520.41	218.33	116.57	40.03	22.39
28	35	Science & Technology Department	45.39	31.86	1.87	70.20	4.12
Total			72,777.59	31,630.44	13,685.70		

The percentage of expenditure in the last quarter ranged between 37 and 98 *per cent* of the Total Expenditure. An amount of ₹31,630.44 crore exceeding ₹10 crore in each case was incurred out of the Total Expenditure of ₹72,777.59 crore in the last quarter, in 28 grants, constituting 43.46 *per cent* of Total Expenditure and an amount of ₹13,685.70 crore constituting 18.80 *per cent* of the Total Expenditure of ₹72,777.59 crore of the same grants was incurred during the last month i.e March, 2019. Rush of expenditure during the last quarter, especially during the month of March, showed non-adherence to financial rules. The State Government may consider devising suitable mechanism to avoid rush of expenditure in the last quarter/month of the financial year.

2.3.7 Unnecessary Budget Allotment-more than ₹one crore

In 23 number of grants involving 33 Major Heads, wherein an amount of ₹9,382.68 crore (*Appendix-2.7*) was kept as provision for meeting expenditure under different heads/scheme, the entire provision remained unutilized during the year. The

provision should have been re-appropriated to other schemes, where there was an excess expenditure over the provision.

2.4 Non-reconciliation of Departmental figures

To enable Controlling Officers of the Departments to exercise effective control over spending, to keep it within the budget grants and to ensure accuracy of their accounts, the State Financial Rules stipulate that expenditure during the financial year recorded in their books be reconciled every month with that recorded in the books of the Accountant General (A&E), Jammu and Kashmir. Though non-reconciliation of Departmental figures is being pointed out regularly in Audit Reports, lapse on the part of Controlling Officers in this regard continued to persist. During 2018-19, 302 of the 371 Controlling Officers have reconciled receipts of ₹44,611.42 crore (87.08 per cent of the total receipts of ₹51,230.71 crore excluding public debt) and expenditure of ₹36,976.54 crore (57.32 per cent of total expenditure of ₹64,503.55 crore excluding public debt).

Non-reconciliation of accounts has an impact on the assurance of the completeness and correctness of the receipts and expenditure figures depicted in the accounts. Failure to reconcile the expenditure figures by the Department may result in frauds, defalcations and over-drawals etc. remaining undetected. The Government must ensure reconciliation of accounts by the Controlling Officers concerned to obviate possibility of fraud and misuse of funds.

2.5 Outcome of Analysis of Budgetary Analysis

2.5.1 Unrealistic Budget Estimates

The original budget of ₹95,563.61 crore was prepared by the State Government for the year 2018-19 which was revised to ₹1,04,718.27 crore. Against this, an actual expenditure of ₹85,241.37 crore was incurred during 2018-19. Details of the Original Budget, Revised Estimate, Actual Expenditure for the period 2014-15 to 2018-19 is given below:

Table 2.9: Original Budget, Revised Estimate and Actual Expenditure during 2014-19

	(₹in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Original Budget	43,542.83	53,590.46	72,669.54	92,921.77	95,563.61
Revised Estimate	50,206.45	58,786.75	74,929.52	84,976.86	1,04,718.27
Actual Expenditure	43,099.00	54,660.00	65,197.00	73,784.27	85,241.37
Saving /excess	7,107.45	4,126.75	9,732.52	11,192.59	19,476.90

Source: Budget Document, Appropriation Accounts and Finance Accounts

Similarly, the Estimated Receipt of ₹95,562.80 crore were revised to ₹94,821.60 crore against which only ₹76,571.16 crore were realized as per details given below for the period 2014-15 to 2018-19:

Table 2.10: Details of the Receipts during 2014-19

(₹ in crore)

	2014-15	2015-16	2016-17	2017-18	2018-19
Original Budget	42,063.79	47,776.69	66,943.85	87,360.04	95,562.80
Revised Estimate	44,454.70	53,661.58	69,247.90	84,166.35	94,821.60
Actual Receipt	39,200.00	50,430.00	62,746.00	74,073.00	76,571.16
short /excess	5,254.70	3,231.58	6,501.90	10,093.35	18,250.45

Source: Budget Document, Appropriation Accounts and Finance Accounts

2.5.2 Errors in Budgeting Process

Scrutiny of Demand for Grants for the year 2018-19 showed following inherent flaws in preparation:

- Lump sum budgetary provisions of ₹4,368.54 crore which constitute 4.86 per cent of total provision of ₹95,563.61 crore were placed with Controlling Officers in one Demand for Grants (Grant No. 08) instead of detailed head-wise/scheme-wise provisions in contravention of the State Financial Rules. The issue was highlighted in previous years Audit Reports also but remedial action has not been initiated.
- The Capital heads of accounts are being closed at sub-head level in the demand for grants. No detailed breakup up to object head level is available in the approved demand for grants.

These deficiencies make the budgeting process erroneous, thereby making reconciliation of departmental figures with those compiled by the Accountant General (A&E), Jammu and Kashmir difficult. The above matter had been reported to the State Government from time to time.

2.5.3 Drawal of Funds to avoid lapse of Budgetary Grants

According to the provisions of Jammu and Kashmir Financial Code Vol-I [Rule 2.16 (5) and Rule 2.33] no money should be drawn from the treasury unless it is required for immediate disbursement. Besides, it is not permissible to draw money from treasury for keeping in banks or under civil deposits to prevent the lapse of Budgetary Grants. The 13th Finance Commission also recommended that the Public Accounts should not be treated as an alternative to the Consolidated Fund and Government expenditure should be directly incurred from the Consolidated Fund, avoiding transfer from Consolidated Fund to the Public Account. It was observed in Minor Head 800-Other Deposits subordinate to Major Head 8443-Civil Deposits that accumulated balance of ₹671.76 crore at the close of the year i.e. March 2019, should have been written back to the respective Major Heads of account under the Consolidated Fund from which these were originally transferred, as the drawals from the Minor Head of account in the subsequent years would not require Legislative approval and thus would escape Legislative scrutiny through the Appropriation Account mechanism.

2.5.4 Unrealistic Forecasting of Resources

The Jammu and Kashmir State Budget Manual stipulates that the Budget of the State is based on the departmental estimates submitted by the Controlling Officers. Both the departmental and the district estimate should receive careful personal attention of the officers who submit them and should be as accurate as possible. It was noticed that the Revised Estimates for 2018-19 for Own Tax Revenue projection was ₹11,538 crore, while actual realization was ₹9,826 crore, resulting in downward variation of ₹1,712 crore, 15.29 *per cent* below the original forecast. Similarly, Non-tax Revenue for the year 2018-19 was projected at ₹5,727 crore, while actual realization was ₹4,349 crore, resulting in less realization of ₹1,378 crore, corresponding to 24.07 *per cent* decrease against the original projection. The projections of Tax and Non-Tax Revenue for the last five years *vis-à-vis*, actual collections during the years are depicted below:

Table 2.11: Projections of State Own Tax Revenue and Own Non-Tax Revenue *vis-à-vis* Actuals

(₹ in crore)					
Year	Description	Revised Estimates of revenue	Actual realization	Difference	Difference as Percentage
2014-15	Own Tax Revenue	6,438	6,334	104	1.62
	Own Non-Tax Revenue	3,154	1,978	1,176	37.29
2015-16	Own Tax Revenue	7,988	7,326	662	8.29
	Own Non-Tax Revenue	3,455	3,913	(-)458	(-)13.26
2016-17	Own Tax Revenue	8,442	7,819	623	7.38
	Own Non-Tax Revenue	5,224	4,072	1,152	22.05
2017-18	Own Tax Revenue	10,136	9,536	600	5.92
	Own Non-Tax Revenue	5,389	4,362	1,027	19.06
2018-19	Own Tax Revenue	11,538	9,826	1,712	15.29
	Own Non-Tax Revenue	5,727	4,349	1,378	24.06

Source: Finance Accounts of respective year.

The actual realization of State Own Tax Revenue was less than the estimates of collection and varied between 1.62 *per cent* to 15.29 *per cent* during the year 2014-15 to 2018-19, whereas in the case of State own Non-Tax Revenue the actual realization fell short by 37.29 *per cent* during the year 2014-15. In 2015-16 the actual realization of State's own Non Tax Revenue was 13.26 *per cent* more than the estimates and during the year 2016-17 to 2018-19, the State's own Non-Tax Revenue realization ranged between 19.06 *per cent* to 24.06 *per cent* less than the estimates. The State fell short of its revised estimates for Non-Tax Revenue mainly due to short realization under power receipts.

2.5.5 Misclassification of Grants-in-Aid and Subsidy etc;

Grants-in-Aid to any Institution/Body must constitute the Revenue Expenditure of the Government. During the year 2018-19, a sum of ₹1,874.17 crore of Grant-in-Aid, Subsidy of ₹99.18 crore, ₹0.19 crore Stipend and Scholarship, ₹2.24 crore Salary and ₹286.21 Crore Operating Cost of Procurement has been disbursed under the following

Capital Major Heads of expenditure, in violation of Para 9 of Indian Government Accounting Standards (IGAS-2), as tabulated in Table 2.12. The misclassification has resulted in overstatement of Capital Expenditure and understatement of Revenue Expenditure. As such, accounts are not depicting correct classification of expenditure.

Table 2.12: Disbursement of Grants-in Aid and Subsidy under Capital Heads

(₹ in crore)

Classification	Grant-in-Aid	Subsidy	Stipend & Scholarship	Salary	Operating Cost of Procurement
4055-Capital Outlay(CO) on Police	61.48	--	--	--	--
4202-CO on Education, Sports Art & Culture	199.63	--	0.04	0.06	--
4210-CO on Medical & Public Health	250.50	--	--	0.05	--
4217-CO on Urban Development	100.25	--	--	--	--
4225-CO on Welfare of SCs, STs & Other Backward Classes and Minorities	--	--	--	0.01	--
4235-CO on Social Security & Welfare	--	--	--	1.77	36.41
4236-CO on Nutrition	0.09	--	--	--	--
4250-CO on Social Services	--	--	0.15	0.04	--
4401-CO on Crop Husbandry	104.57	82.84	--	0.31	--
4403-CO on Animal Husbandry	6.09	0.01	--	--	--
4405-CO on Fisheries	1.74	--	--	--	--
4408-CO on Food Storage and Warehousing	--	--	--	--	249.80
4425-CO on Co-operation	--	0.02	--	--	--
4515-CO on Other Rural Development Programmes	1,031.91	--	--	--	--
4701-CO on Major and Medium Irrigation	0.28	--	--	--	--
4702-CO on Minor Irrigation	0.39	--	--	--	--
4851-CO on Village & Small Industries	--	16.31	--	--	--
5475-CO on General Economic Services	117.24	--	--	0.01	--
Total	1,874.17	99.18	0.19	2.24	286.21

Source: Finance Accounts

2.6 Deficiencies noticed in working of Treasuries

Deficiencies noticed in the working of treasuries during compilation of accounts and inspection of treasuries by the Accountant General (A&E) Jammu and Kashmir for 2018-19 are given below:

2.6.1 Delay in submission of monthly accounts by treasuries

During the year, accounts from eight³ Treasuries (Ladakh Division) were received late in first list of payment ranging from eight days to 59 days and in respect of second list of payment of the same Treasuries were also received late ranging between nine days to 59 days and the remaining accounts were received in time. The delay in the submission of initial accounts caused consequent delay in compiling Monthly Civil Accounts by the AG (A&E).

2.6.2 Excess Payment of Pension

Inspection of Treasuries/sub-Treasuries for the year ended 31 March 2019 by the office of the Accountant General (A&E) brought out excess payment amounting to ₹61.90 lakh (Kashmir ₹39.27 lakh and Jammu ₹22.63 lakh) due to reasons such as early restoration of Commutation, full payment of Family Pension to both wives of the pensioner, and wrong pay fixation by the Treasury. Out of the excess payment of ₹57.43 lakh pointed during the year 2017-18, an amount of ₹7.84 lakh (Jammu Division) out of the ₹9.39 lakh (Jammu Division) has been recovered by the concerned Treasury Officer.

The control at the level of Treasury Officer should be strengthened in so far as pension related payments are concerned.

2.7 Non reimbursement of Pension etc. by Pay & Accounts Offices/Defence/Railways

Transactions which initially arise in the State Treasuries but are adjustable by the PAO/Defence are placed under suspense for eventual adjustments. An amount of ₹292.34 crore, ₹13.94 crore, ₹5.20 crore and ₹3.57 crore paid by the State Treasuries on behalf of the Central Pension Accounting Officer, New Delhi, Controller of Defence Accounts, Allahabad, Controller of Defence Accounts, Northern Command, Jammu and Financial Advisor and Chief Accounts Officer (FA&CAO) Northern Railways respectively, ending March 2019 are still (July 2019) adjustable in the accounts of the State Government due to non-submission of vouchers to the respective quarters by the treasuries or non-response from the Central Pension Accounting Officer, Defence and Railways Department. The matter needs to be actively pursued with the departments concerned as huge amounts are reimbursable to the State.

2.8 Outcome of Review of Selected Grants

A review of Budgetary Procedure and control over expenditure in test checked two grants (Grant No.:07 Education Department and Grant No.: 22 Irrigation and Flood Control Department) out of 36 grants showed the following audit observations:

2.8.1 Grant No.07 – Education Department

A review of Budgetary Procedure and control over expenditure in test checked grant no 07 – Education Department showed the following audit observations:

³ Zanskar, Drass, Khaltsi, Sankoo, Chitkan, Taisuru, Kargil, Nyoma

Table 2.13: Saving/Excesses during 2018-19

Sl. No.	Revenue (Voted & Charged)		Capital(Voted & Charged)		Total Appropriation (Rev.+Cap.) (5)=(1+3)	Total Expenditure (Rev.+Cap.) (6)=(2+4)	Total Savings (-)/Excess(+) (Rev.+Cap.) (7)=(5-6)
	Total Appropriation (1)	Expenditure (2)	Total Appropriation (3)	Expenditure (4)			
1	9,904.85	8,551.21	1,148.44	617.20	11,053.29	9,168.41	(-)1,884.87
Total	9,904.85	8,551.21	1,148.44	617.20	11,053.29	9,168.41	(-)1,884.87 (17%)

(Percentage of total saving to total appropriation shown in the bracket)

- (i) There was huge saving in both Revenue (Voted) as well as Capital (Voted) Section. Against the budget/appropriation of ₹11,053.29 crore, the actual expenditure was ₹9,168.41 crore resulting in overall savings of ₹1,884.87 crore (17 per cent). This showed that budget estimates were made either unrealistically or department did not disburse the amount during 2018-19 and also the savings were not surrendered.
- (ii) As per State Budget Manual, the spending departments are required to surrender the Grant/Appropriation or portion thereof to the Finance Department as and when savings are anticipated. At the close of the year 2018-19, in 16 cases (**Appendix 2.8**, saving of ₹22.36 crore (28 per cent) was not surrendered by the concerned department. The savings in grants is indicative of over assessment of grants resulting in savings and also non-surrender of funds (savings) is in contravention to the instructions of the State Budget Manual.
- (iii) An amount of ₹0.89 crore was incurred in six cases in (**Appendix 2.9**) without Budgetary Provision, either in Original Estimates or in Supplementary Demands. These services may be new services or new instrument of services not contemplated in the Demand for Grants against which no token Grant was obtained.
- (iv) Entire budget provision in six cases Minor Heads/Schemes for ₹1.23 crore (**Appendix 2.10**) remained unutilized resulting in denial of intended benefits to the general public. The provision could have been re-appropriated to the schemes/works where there was excess expenditure over the provision.

2.8.2 Grant No- 22–Irrigation and Flood Control Department

Review of Budgetary Procedure and control over expenditure of grant showed the following audit observations:

Table 2.14: Saving/Excesses during 2018-19

(₹ in crore)

Sl. No. (1)	Revenue (Voted & Charged)		Capital(Voted & Charged)		Total Appropriation (Rev.+Cap.) (6)=(2+4)	Total Expenditure (Rev.+Cap.) (7)=(3+5)	Total Savings (-)/Excess(+) (Rev.+Cap.) (8)=(6-7)
	Total Appropriation (2)	Expenditure (3)	Total Appropriation (4)	Expenditure (5)			
1	785.86	655.33	1,575.42	277.49	2,361.28	932.82	(-)1,328.46
Total	785.86	655.33	1,575.42	277.49	2,361.28	932.82	(-)1,328.46(56%)

(Percentage of total excess to total appropriation shown in bracket)

- (i) There was savings in Revenue (Voted & Charged) Section and in Capital (Voted & Charged) Section. Against the budget/appropriation of ₹2,361.28 crore, the actual expenditure was ₹932.82 crore resulting in overall savings of ₹1,328.46 crore (56 per cent).
- (ii) As per State Budget Manual, the spending departments are required to surrender the Grant/Appropriation or portion thereof to the Finance Department as and when savings are anticipated. At the close of the year 2018-19, in 23 cases (*Appendix 2.8*) saving of ₹14.67 crore (64 per cent) was not surrendered by the concerned department. The savings in grants is indicative of over assessment of grants resulting in savings and also non-surrender of funds (savings) is in contravention to the instructions of the State Budget Manual.
- (iii) An amount of ₹0.45 crore was incurred in eight cases in (*Appendix 2.9*) without Budgetary Provision, either in Original Estimates or in Supplementary Demands. These services may be new services or new instrument of services not contemplated in the Demand for Grants against which no token Grant was even obtained.
- (iv) Entire budget provision in three cases Minor Heads/Schemes for ₹0.57 crore (*Appendix 2.10*) remained unutilized resulting in denial of intended benefits to the general public. The provision could have been re-appropriated to the schemes/works where there was the excess expenditure over the provision.

2.9 Conclusions

The 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.

Excess expenditure of ₹1,18,692.88 crore till 31 March 2019 over the approved provision requires regularization under Section 82 of the Constitution of Jammu and Kashmir. In six cases, persistent savings of more than ₹one crore and also by ten per cent or more of the total grant were noticed during the last five years. In 70 cases, the anticipated savings were not surrendered, leaving no scope for utilization of these funds for other development purposes There were also instances of inadequate provisions and unnecessary/Supplementary Grants besides 'Rush of

Expenditure' in the last quarter of the financial year, indicating inadequate budgetary control in the departments.

Annual review on the working of treasuries showed excess payment amounting to ₹61.90 lakh of pension/family pension and gratuity.

There is an accumulated balance of ₹671.76 crore under Minor Head-800–Other Deposits subordinate to Major Head-8443-Civil Deposits at the close of the year which has not been written back to the Major Heads of Account under the Consolidated Fund from which these were originally transferred.

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 of Salary and ₹286.21 crore of Operating Cost of Procurement/Sale of Essential Commodities were disbursed under Capital Major Heads of expenditure, thereby resulting in overstatement of Capital Expenditure and understatement of Revenue Expenditure.