

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 2019-20 (01 April 2019 to 30 October 2019) *vis-à-vis* the Budget Estimates/Pre-Actuals and the targets set under 14th Finance Commission, to provide the State Government and State Legislature with timely inputs based on audit analysis of financial data.

The Report

Based on the audited accounts of the State Government for the period ending 30 October 2019 and additional data such as Budget of the State, Other data with Departmental Authorities, GSDP data and other State related statistics, this report has been structured in following four 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 State's fiscal position including the deficits/surplus.

Chapter-II provides a broad perspective of the finances of the State, major fiscal aggregates, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State.

Chapter-III based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from provisions relating to budgetary management.

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

Audit findings

Chapter-I & II- Overview and Finances of the State:

Borrowings during the period 01 April 2019 to 30 October 2019 was 74 *per cent* of target projected in the budget.

(Para 1.5.1)

There was Revenue Deficit (RD) of ₹192 crore in 2019-20 (01 April 2019 to 30 October 2019) which was understated by ₹154.91 crore owing to misclassification and short transfer of funds and interest to the Reserve Funds. There was Fiscal deficit of ₹4,728 crore during 2019-20 (01 April 2019 to 30 October 2019) which was understated by ₹50.12 crore owing to short transfer of funds/interest to the Reserve Funds.

(Para 1.6.1)

Against the actual loss of ₹2,078.07 crore due to implementation of GST, the State Government received compensation to the tune of ₹1,032 crore. It has resulted in receipt of less compensation to the extent of ₹1,046.07 crore.

(Para 2.3.2.1.2)

The Central tax transfers during 01 April 2019 to 30 October 2019 constituted 22.63 *per cent* of the total Revenue Receipts for the period.

(Para 2.3.2.2.1)

Percentage of Grants-in-Aid to Revenue Receipts was 52 *per cent* during 01 April 2019 to 30 October 2019, and thus the State Government was dependent on Grants-in-Aid from GoI.

(Para 2.3.2.2.2)

State received ₹3,285.32 crore against ₹6,178.37 crore as recommended by 14th Finance Commission Grants for Local Bodies from Government of India, resulting in less receipt of ₹2,893.05 crore during the period 2015-16 to 2019-20 (01 April 2019 to 30 October 2019).

(Para 2.3.2.2.3)

The committed expenditure constituted 70.57 *per cent* of Revenue Expenditure and 71.03 *per cent* of Revenue Receipts, during the period 01 April 2019 to 30 October 2019.

(Para 2.4.2.1)

An amount of ₹53.67 crore was lying under the Major Head-8342 – “Other Deposits”- 117 “Defined Contribution Pension Scheme” (New Pension Scheme) awaiting transfer to NSDL/Trustee Bank.

(Para 2.4.2.2)

State Government had cumulative investment of ₹3,428.03 crore in 37 Companies (₹2,959.71 crore), three Statutory Corporations (₹374.33 crore), eight Co-operative Institutions/Local Bodies (₹47.83 crore), two Rural Banks (₹45.82 crore) and two Joint Stock Companies (₹0.34 crore). During 2019-20 (01 April 2019 to 30 October 2019) no returns in the form of dividends was received.

(Para 2.4.3.2)

The recovery of loans is very poor resulting in increase in outstanding balance from ₹1,725.77 crore on 01 April 2019 to ₹1,740.44 crore as on 30 October 2019.

(Para 2.4.3.3)

The cumulative aggregate balance in reserve funds at the end of 30 October 2019 was ₹2,806 crore out of which only ₹11 crore has been invested.

(Para 2.5.2)

The State Government maintained the mandatory minimum daily cash balance of ₹1.14 crore with Reserve Bank of India on 48 days during the period 01 April 2019 to 30 October 2019 without taking Special Ways and Means Advance/Ways and Means Advances (WMA)/Overdrafts, and on 148 days minimum balance was maintained by obtaining Normal Ways and Means Advance besides on 17 days Overdraft was taken in addition to obtaining Normal Ways and Means Advance.

(Para 2.7.3)

Chapter-III- Budgetary Management:

An amount of ₹3,254.08 crore was incurred under 92 schemes/Sub Heads in 23 Grants without Budgetary Provisions during 01 April 2019 to 30 October 2019 which needs to be regularised as per the relevant rules, laws and regulations.

(Para 3.3.1)

During 01 April 2019 to 30 October 2019, a sum of ₹104.79 crore of Revenue expenditure was disbursed under Capital Heads of expenditure, thereby, resulting in overstatement of Capital Expenditure and understatement of Revenue Expenditure to the extent of ₹104.79 crore.

(Para 3.3.2)

There were 19 grants in which savings of ₹ ten crore and above had occurred under the Revenue and Capital Sections as on 30 October 2019, which included 11 grants wherein savings of ₹100 crore and above were noticed. The percentage savings ranged between five *per cent* and 65 *per cent* of the total appropriation of the grant during 2019-20 (01 April 2019 to 30 October 2019). However, no surrender in anticipation of savings was made by the concerned departments. The savings in these cases was of the order of ₹2,932.59 crore.

(Para 3.4.1)

Out of 36 grants, in 26 grants the utilisation ranged between 34.73 *per cent* and 99.87 *per cent*. In the remaining 10 grants there was over utilisation resulting in excess over provisions, ranging between 1.54 *per cent* and 130.38 *per cent*, during 2019-20 (01 April 2019 to 30 October 2019).

(Para 3.4.2)

The Appropriation Accounts of 1980-81 onwards had not been discussed in PAC, the excess expenditure aggregating ₹1,18,692.88 crore for the years 1980-2019 is to be regularised.

(Para 3.5.2)

Chapter-IV- Quality of Accounts and Financial Reporting Practices:

2,029 Utilisation Certificates in respect of loans and grants involving ₹9,354.49 crore against various departments were outstanding as on 30 October 2019.

(Para 4.7)

Detailed contingent (DC) bills for an amount of ₹7,226.48 crore drawn on 2,298 AC bills up to 31 August 2019 were not submitted to the Accountant General (A&E), Jammu & Kashmir.

(Para 4.8)

During 2019-20 (01 April 2019 to 30 October 2019), ₹2,159.92 crore (7.19 *per cent* of the total Revenue Receipts) was classified under the Minor Head 800-‘Other Receipts’ and expenditure of ₹1,140.33 crore (3.28 *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.

(Para 4.9)

There was mis-classification and details in respect of Grants-in-aid given in kind was not provided (IGAS 2). Detailed information regarding recoveries in arrears and accrued interest thereon was not furnished (IGAS 3).

(Para 4.13)