

# **Part I**

## **Social, General and Economic (Non-PSUs) Sectors**



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### **Introduction**



## CHAPTER I

### INTRODUCTION

#### 1.1 Budget profile

There are 36 Departments in the State of Jammu and Kashmir (J&K). For the year 2018-2019 for the State of Jammu and Kashmir the overall position of the Budget Estimates was ₹ 1,11,850 crore, and the expenditure was ₹ 95,386 crore. The position of Budget Estimates and Actuals thereagainst during the period from 2014 to 2019 is given in Table 1.1.

**Table 1.1:**  
**Budget and Expenditure of the State Government during the period from 2014 to 2019**

(₹ in crore)

Particulars	2014-15		2015-16		2016-17		2017-18		2018-19	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
<b>Revenue expenditure</b>										
General Services	12,923	12,039	14,895	13,675	16,445	15,110	17,314	16,888	23,051	22,850
Social Services	9,114	8,501	11,416	11,331	13,028	11,564	13,909	13,117	20,355	17,931
Economic Services	9,466	8,789	10,886	11,414	13,095	13,138	12,659	10,911	15,636	15,309
Grants-in-aid <sup>1</sup> and contributions	-	-	-	-	-	-	-	-	-	-
<b>Total (1)</b>	<b>31,503</b>	<b>29,329</b>	<b>37,197</b>	<b>36,420</b>	<b>42,568</b>	<b>39,812</b>	<b>43,882</b>	<b>40,916</b>	<b>59,042</b>	<b>56,090</b>
<b>Capital expenditure</b>										
Capital Outlay	10,221	5,134	12,685	7,331	16,904	8,286	22,126	10,353	27,124	8,413
Loans and advances disbursed	71	87	93	94	91	76	569	25	575	69
Repayment of Public Debt <sup>2</sup>	8,412	8,549	8,812	10,815	15,367	17,023	18,401	22,490	17,977	20,647
Contingency Fund	-	-	-	-	-	-	-	-	-	-
Public Accounts disbursements <sup>3</sup>	3,690	17,796	3,939	24,094	5,535	19,458	4,961	15,286	7,132	9,656
Closing Cash balance	-	1,401	-	527	-	429	-	554	-	511
<b>Total (2)</b>	<b>22,394</b>	<b>32,967</b>	<b>25,529</b>	<b>42,861</b>	<b>37,897</b>	<b>45,272</b>	<b>46,057</b>	<b>48,708</b>	<b>52,808</b>	<b>39,296</b>
<b>Grand Total (1+2)</b>	<b>53,897</b>	<b>62,296</b>	<b>62,726</b>	<b>79,281</b>	<b>80,465</b>	<b>85,084</b>	<b>89,939</b>	<b>89,624</b>	<b>1,11,850</b>	<b>95,386</b>

(Source: Annual Financial Statements and Finance Accounts of the State Government)

<sup>1</sup> Grants-in-aid paid by the State Government is included in the General, Social and Economic Services.

<sup>2</sup> Includes transactions under ways and means advances and overdraft.

<sup>3</sup> Actuals exclude transactions of investment of cash balance and departmental cash balance.

## 1.2 Application of resources of the State Government

The total expenditure<sup>4</sup> of the State increased from ₹ 34,550 crore to ₹ 64,572 crore during the period from 2014 to 2019, while the revenue expenditure increased by 91 per cent from ₹ 29,329 crore in 2014-15 to ₹ 56,090 crore in 2018-19 during the same period. Non-Plan/ Normal revenue expenditure increased by 102 per cent from ₹ 26,457 crore to ₹ 53,578 crore and capital expenditure increased by 64 per cent from ₹ 5,134 crore to ₹ 8,413 crore during the period from 2014 to 2019. The revenue expenditure constituted 80 to 87 per cent of the total expenditure during the years from 2014 to 2019 and capital expenditure 13 to 20 per cent.

## 1.3 Persistent savings

Persistent savings of more than ₹ one crore in each case and also by 10 per cent or more of the total grant were noticed under six grants during the last five years as detailed in Table 1.2.

**Table 1.2: List of grants with persistent savings during the period from 2014 to 2019**

(₹ in crore)

Sl. No.	Grant number and name	Amount of Savings				
		2014-15	2015-16	2016-17	2017-18	2018-19
<b>Revenue (Voted)</b>						
1.	10 Law Department	97.04 (34)	102.19 (37)	154.81 (48)	154.33 (42)	85.99 (15)
<b>Capital (Voted)</b>						
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)

Note: Figures in parentheses indicate percentage of savings to total grant

Reasons for persistent savings under these heads were not intimated (May 2020) by the State Government.

## 1.4 Funds transferred directly to the State Implementing Agencies

The Government of India (GoI) transferred ₹ 895 crore (*Appendix 1.1.1*) directly to various State Implementing Agencies (Institutions, Corporations, Societies, etc.) without routing these through the State Budget during the year 2018-19. Consequently,

<sup>4</sup> Total expenditure includes revenue expenditure, capital outlay and disbursement of loans and advances.

these amounts remained outside the scope of the Annual Accounts (Finance Accounts and Appropriation Accounts) of the State Government during the year.

## 1.5 Grants-in-aid from Government of India

The grants-in-aid received from Government of India during the years 2014-15 to 2018-19 is depicted in Table 1.3.

**Table 1.3: Grants-in-aid from GoI**

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Non-Plan Grants	3,343	11,135	12,776	-	-
Grants for Centrally Assisted State Plan Schemes/ Centrally Sponsored Schemes	12,720	4,365	7,766	9,096	7,608
Grants for Central and Centrally Sponsored Plan Schemes	87	1,228	56	-	-
Finance Commission Grants (Post Devolution Revenue Deficit Grant)	-	-	-	11,849	12,952
Grants for Rural Local Bodies	-	-	-	-	204
Grants for Urban Local Bodies	-	-	-	-	126
Grants-in-aid for State Disaster Relief Fund	-	-	-	-	253
Other Transfers/ Grants to States	-	-	-	620	461
Compensation for loss of revenue arising out of implementation of GST	-	-	-	1,137	1,462
<b>Total</b>	<b>16,150</b>	<b>16,728</b>	<b>20,598</b>	<b>22,702</b>	<b>23,066</b>
Percentage of increase/ decrease over the previous year	17	4	23	10	2
Revenue Receipts	28,939	35,781	41,978	48,512	51,231
Percentage of total grants to Revenue Receipts	56	47	49	47	45

(Source: Finance Accounts of respective years)

Total grants-in-aid from GoI, increased from ₹ 16,150 crore (2014-15) to ₹ 23,066 crore (2018-19) for the period 2014 to 2019.

## 1.6 Audit process

The audit process starts with the risk assessment of various Departments, Autonomous Bodies, Schemes/ Projects which takes into account the criticality/ complexity of activities, level of delegated financial powers, internal controls and concerns of stakeholders and previous audit findings. Based on this risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated.

After completion of audit, an Inspection Report containing the audit findings is issued to the Head of the Office with a request to furnish replies within one month. On receipt of replies, audit findings are either settled or further action for compliance is advised. Important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India (C&AG). The audit findings incorporated in the Audit Report are based on test-check only of the transactions of the Government of Jammu and Kashmir. It is, therefore, recommended that State Government may undertake detailed checks on the issues highlighted, in other Government departments also.

During 2018-19, compliance audit of 727 Drawing and Disbursing Officers of the State and 74 units of 25 autonomous bodies was conducted by the Office of the Principal Accountant General (Audit), Jammu & Kashmir.

### **1.7 Response of Government to Audit Report Paragraphs**

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/ activities as well as on the quality of internal controls in selected departments which have a negative impact on the success of programmes and functioning of the departments. The focus was on auditing specific programmes/ schemes in order to offer suitable recommendations to the Executive for taking corrective action and improving service delivery to the citizens.

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Principal Accountant General (Audit) to the Principal Secretaries/ Secretaries of the Department concerned drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Departments/ Government is invariably indicated at the end of such paragraphs included in the Audit Report. In the Report of the Comptroller and Auditor General of India on Social, General and Economic (Non-PSUs) sectors for the year ended 31 March 2019, 23 paragraphs were sent to the Principal Secretaries/ Secretaries of the respective departments. Replies in respect of nine paragraphs included in this report were not received (September 2020).

### **1.8 Response of Government to Audit Inspection Reports**

The Hand Book of Instructions for speedy settlement of Audit observations/ Inspection Reports (IRs) issued by the Government (Finance Department) provides for prompt response by the Executive to IRs issued by the Principal Accountant General (Audit) to ensure remedial/ rectification action in compliance with the prescribed rules and procedures. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and report their compliance to the Principal Accountant General (Audit).

Based on the results of test audit, 49,523 audit observations contained in 11,531 IRs were outstanding as on 31 March 2019 as given in Table 1.4.



**Table 1.4: Details showing the Audit observations outstanding at the end of 31 March 2019**

Name of Sector	Opening Balance (01 April 2018)		Additions during the year 2018-19		Settled during the year 2018-19		Closing Balance (31 March 2019)	
	No. of Inspection Reports	No. of Paragraphs	No. of Inspection Reports	No. of Paragraphs	No. of Inspection Reports	No. of Paragraphs	No. of Inspection Reports	No. of Paragraphs
Social Sector (Non-PSUs)	5,289	23,981	444	4,304	149	1,493	5,584	26,792
General Sector (Non-PSUs)	1,634	5,198	151	921	68	432	1,717	5,687
Economic Sector (Non- PSUs)	4,093	15,991	337	2,943	200	1,890	4,230	17,044
<b>Total</b>	<b>11,016</b>	<b>45,170</b>	<b>932</b>	<b>8,168</b>	<b>417</b>	<b>3,815</b>	<b>11,531</b>	<b>49,523</b>

The pendency of large number of paragraphs indicate lack of adequate response of the Government Departments to Audit. The Government may look into this matter and revamp the system to ensure proper response to the audit observations from the Departments in a time-bound manner. Further, only two Audit Committee meetings were held during 2018-19 in which 28 Audit paragraphs were settled which constitute 0.06 per cent of the pending objections as of March 2019.

The respective departments should constitute Audit Committees, hold its meetings and monitor the progress of settlement of paragraphs.

## 1.9 Follow-up on Audit Reports

### 1.9.1 Non-submission of *suo-motu* Action Taken Notes

To ensure accountability of the Executive to issues dealt with in various Audit Reports, the State Government (Finance Department) issued instructions in June 1997 to the administrative departments to furnish *suo-motu* Action Taken Notes (ATNs) to the Public Accounts Committee (PAC)/ Committee on Public Undertakings (COPU) on all the audit paragraphs featuring in the Audit Reports, irrespective of whether these are taken up for discussion by these Committees or not. These ATNs are to be submitted to these Committees duly vetted by the Principal Accountant General (Audit) within a period of three months from the date of presentation of Audit Reports in the State Legislature.

It was, however, noticed that out of 495<sup>5</sup> audit paragraphs featuring in the Civil Chapters of Audit Reports from 2000-01 to 2015-16, *suo-motu* ATNs in respect of 146 audit paragraphs had not been received up to 30 September 2020.

### 1.9.2 Action taken on recommendations of the PAC

Action Taken Notes, duly vetted by the Principal Accountant General (Audit) on the observations/ recommendations made by the PAC/ COPU in respect of the audit paragraphs discussed by them are to be furnished to these Committees within six months from the date of such observations/ recommendations. Out of 495 Audit

<sup>5</sup> Excludes audit paragraphs featuring in the Reports of C&AG of India for the years 2016-17 and 2017-18 as these have been placed in the Parliament on 23 September 2020.

paragraphs featuring in the Civil Chapters of Audit Reports for the years from 2000-01 to 2015-16, only 245 audit paragraphs have been discussed by the PAC up to 31 March 2020. Recommendations in respect of 223 audit paragraphs have been made by the PAC. However, ATNs on the recommendations of the Committees are pending from the Government of Jammu & Kashmir and Ladakh in respect of 165 paragraphs.

### **1.10 Non-submission/ delay in submission of Annual Accounts by Autonomous Bodies**

Ten Autonomous Bodies required to be audited by the Comptroller and Auditor General (C&AG) of India under Sections 19 (3) and 20 (1) of the C&AG's DPC Act, 1971, had also not furnished the annual accounts as given below:

**Table 1.5: Non-submission of accounts by Autonomous Bodies**

Sl. No.	Name of Body/ Authority	Delay in number of years	No. of accounts	Grants during 2018-19 (₹ in crore)
1.	Ladakh Autonomous Hill Development Council, Leh	24	24	546.24
2.	Ladakh Autonomous Hill Development Council, Kargil	16	16	597.95
3.	Compensatory Afforestation Management and Planning Authority	10	10	Nil
4.	Sher-e-Kashmir University of Agricultural Science and Technology, Kashmir	09	09	228.60
5.	Sher-e-Kashmir University of Agricultural Science and Technology, Jammu	03	03	101.00
6.	Employees Provident Fund Board, Srinagar	04	04	Nil
7.	Jammu and Kashmir State Housing Board	07	07	Nil
8.	Khadi and Village Industries Board	04	04	23.00
9.	Building and Other Construction Workers Welfare Board	06	06	Nil
10.	State Legal Service Authority	01	01	12.48
	<b>Total</b>		<b>84</b>	<b>1,509.27</b>

The audit of the Ladakh Autonomous Hill Development Council (LAHDC), Leh and LAHDC, Kargil has been entrusted to the C&AG of India. The LAHDC, Leh has failed to submit accounts for audit since its inception i.e. 1995-96 although substantial funds are being released to the Council and unspent balances at the end of the year remain credited in a non-lapsable fund in the Public Account of the State. The position in respect of LAHDC, Kargil which came into existence in the year 2004-05 is similar and the accounts are in arrears since its inception.

Non-submission/ delay in submission of accounts by these bodies receiving substantial funding from the State Budget is a serious financial irregularity persisting for years. In

view of this non-compliance, the audited accounts of these statutory bodies have not so far been presented to the State Legislature as required under the Statutes under which these Bodies were created. This has deprived the State Legislature of the opportunity to assess their activities and financial performance.

