

TABLE OF CONTENTS

| Contents | Paragraph | Page |
|--|-----------|-------|
| Preface | | ix |
| Executive Summary | | xi-xv |
| CHAPTER-I OVERVIEW | | |
| Profile of the Union Territory of Jammu and Kashmir | 1.1 | 1 |
| Gross State Domestic Product of the Union Territory of Jammu and Kashmir | 1.1.1 | 1 |
| Basis and Approach to Union Territory Finances Audit Report | 1.2 | 1-2 |
| Report Structure | 1.3 | 2-3 |
| Overview of Government Account Structure and Budgetary Processes | 1.4 | 3-5 |
| Structure of Government Accounts | 1.4.1 | 5 |
| Budgetary Process | 1.4.2 | 6 |
| Snapshot of Finances | 1.5 | 6-7 |
| Snapshot of Assets and Liabilities of the Government | 1.5.1 | 7-8 |
| Fiscal Balance: Achievement of Deficit and Total Debt Targets | 1.6 | 8 |
| The Fiscal Parameters of the Union Territory of Jammu and Kashmir | 1.6.1 | 8 |
| Deficits after examination in Audit | 1.7 | 8 |
| Post Audit – Deficits | 1.7.1 | 8-9 |
| Post Audit – Total Public Debt | 1.7.2 | 9-10 |
| CHAPTER-II FINANCES OF THE UNION TERRITORY | | |
| Major changes in Key Fiscal Aggregates <i>vis-à-vis</i> 2019-20 | 2.1 | 11 |
| Sources and Application of Funds | 2.2 | 11-12 |
| Resources of the Union Territory (UT) of Jammu and Kashmir | 2.3 | 12 |
| Receipts of the Union Territory | 2.3.1 | 13 |
| Union Territory's Revenue Receipts | 2.3.2 | 13-14 |
| Own Resources of UT of Jammu and Kashmir | 2.3.2.1 | 14-16 |
| Transfers from the Centre | 2.3.2.2 | 16-17 |
| Capital Receipts | 2.3.3 | 17 |
| UT's Performance in Mobilisation of Resources | 2.3.4 | 17-18 |
| Application of Resources | 2.4 | 18 |
| Composition of Expenditure | 2.4.1 | 18-20 |

| Contents | Paragraph | Page |
|--|------------------|-------------|
| Revenue Expenditure | 2.4.2 | 20 |
| Committed Expenditure | 2.4.2.1 | 21 |
| Undischarged liabilities in National Pension System | 2.4.2.2 | 21-22 |
| Subsidies | 2.4.2.3 | 22 |
| Financial Assistance by the UT Government to Local Bodies and other Institutions | 2.4.2.4 | 22-23 |
| Capital Expenditure | 2.4.3 | 23 |
| Quality of Capital Expenditure | 2.4.3.1 | 23 |
| Quality of Investment in the Companies, Corporations and other bodies | 2.4.3.2 | 23-24 |
| Quantum of loans disbursed and recovered during the year 2020-21 | 2.4.3.3 | 24-25 |
| Capital blocked in incomplete works | 2.4.3.4 | 25 |
| Implementation of Ujwal Discom Assurance Yojana (UDAY) | 2.4.3.5 | 25 |
| Expenditure priorities | 2.4.4 | 26 |
| Object head wise Expenditure | 2.4.5 | 26 |
| Public Account | 2.5 | 27 |
| Net Public Account Balances | 2.5.1 | 27-28 |
| Reserve Funds | 2.5.2 | 28-29 |
| Consolidated Sinking Fund | 2.5.2.1 | 29 |
| State Disaster Response Fund | 2.5.2.2 | 29-30 |
| Guarantee Redemption Fund | 2.5.2.3 | 30-31 |
| Central Road Fund (CRF) | 2.5.2.4 | 31 |
| Debt Management | 2.6 | 31 |
| Debt profile: Components | 2.6.1 | 31-33 |
| Debt Analysis | 2.7 | 33-34 |
| Utilisation of borrowed funds | 2.7.1 | 34-35 |
| Status of Guarantees – Contingent Liabilities | 2.7.2 | 35 |
| Management of Cash Balances | 2.7.3 | 35-36 |
| Conclusions | 2.8 | 37 |
| Recommendations | 2.9 | 37 |

| Contents | Paragraph | Page |
|--|------------------|-------------|
| CHAPTER-III BUDGETARY MANAGEMENT | | |
| Budget Process | 3.1 | 39-40 |
| Summary of Total Provisions, Actual Disbursements and Savings during 2020-21 | 3.1.1 | 40 |
| Charged and Voted disbursements | 3.1.2 | 40 |
| Appropriation Accounts | 3.2 | 40 |
| Comments on Integrity of Budgetary and Accounting Process | 3.3 | 41 |
| Expenditure incurred without authority of law | 3.3.1 | 41 |
| Classification of expenditure of Revenue nature as Capital Expenditure or vice-versa | 3.3.2 | 41 |
| Unnecessary or Insufficient Supplementary Grants | 3.3.3 | 41-42 |
| Substantial Savings | 3.4 | 42 |
| Percentage of utilisation of provision under each Grant | 3.4.1 | 42 |
| The Distribution of the number of Grants/ Appropriations grouped by the percentage of Savings | 3.4.2 | 42-43 |
| Grants with Nil expenditure | 3.5 | 43 |
| Excess over provision requiring regularisation | 3.5.1 | 43 |
| Regularisation of excess expenditure of previous financial years pertaining to Erstwhile State of Jammu and Kashmir. | 3.5.2 | 43-44 |
| Grants-in-Aid for creation of Capital Assets | 3.6 | 44 |
| Comments on transparency of Budgetary and Accounting Process | 3.7 | 44 |
| Lump Sum Budgetary Provisions | 3.7.1 | 44-45 |
| Comments on effectiveness of Budgetary and Accounting Process | 3.8 | 45 |
| Budget projection and gap between expectation and actual | 3.8.1 | 45-46 |
| Rush of Expenditure | 3.8.2 | 46 |
| Review of selected Grants | 3.9 | 46 |
| Grant No: 06 Power Development Department | 3.9.1 | 47 |
| Grant No: 08 Finance Department | 3.9.2 | 47-48 |
| Conclusions | 3.10 | 48-49 |
| Recommendations | 3.11 | 49 |

| Contents | Paragraph | Page |
|---|------------------|-------------|
| CHAPTER-IV QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES | | |
| Funds outside Consolidated Fund or Public Account of the Union Territory of Jammu and Kashmir | 4.1 | 51 |
| Building and Other Construction Workers Welfare Cess | 4.1.1 | 51-52 |
| Water Usage Charges | 4.1.2 | 52 |
| Unspent amount lying in bank accounts of Drawing and Disbursing Officers (DDOs) | 4.1.3 | 52 |
| Funds transferred directly to Implementing Agencies | 4.2 | 52-53 |
| Deposit of Local Funds | 4.3 | 53 |
| Delay in Submission of Utilisation Certificates | 4.4 | 54-55 |
| Abstract Contingent Bills | 4.5 | 55-56 |
| Indiscriminate use of Minor Head-800 | 4.6 | 56-57 |
| Outstanding balance under Major Suspense and DDR Heads | 4.7 | 57 |
| Non-Reconciliation of Departmental Figures | 4.8 | 57-58 |
| Reconciliation of Cash Balances | 4.9 | 58 |
| Compliance with Accounting Standards | 4.10 | 58-59 |
| Submission of Accounts/Separate Audit Reports of Autonomous Bodies | 4.11 | 59-60 |
| Departmental Commercial Undertakings/Corporations/Companies | 4.12 | 60-61 |
| Non-submission of details of Grants/Loans given to Bodies and Authorities | 4.13 | 61 |
| Timeliness and Quality of Accounts | 4.14 | 61 |
| Follow up action on State Finances Audit Reports | 4.15 | 62 |
| Conclusions | 4.16 | 62 |
| Recommendations | 4.17 | 62 |
| CHAPTER-V FINANCIAL PERFORMANCE OF PUBLIC SECTOR UNDERTAKINGS | | |
| Definition of Government Company | 5.1 | 63 |
| Mandate of Audit | 5.2 | 63 |
| PSUs and their contribution to the GSDP of J&K | 5.3 | 63-64 |
| Investment in PSUs and Budgetary support | 5.4 | 64 |
| Equity holding and Loans given | 5.4.1 | 64 |
| Subsidy and Grant to PSUs | 5.4.2 | 65 |
| Reconciliation with the Finance Accounts of the Government of Jammu and Kashmir | 5.4.3 | 65-66 |

| Contents | Paragraph | Page |
|--|------------------|-------------|
| Adequacy of assets to meet loan liabilities in PSUs | 5.4.4 | 66 |
| Market Capitalisation of equity investment in Government Companies | 5.4.5 | 66-67 |
| Disinvestment, restructuring and privatisation | 5.4.6 | 67 |
| Returns from PSUs | 5.5 | 67 |
| Dividend payout by PSUs | 5.5.1 | 67 |
| Debt Servicing and legal compliances | 5.6 | 67 |
| Position of Long Term Loan of PSUs | 5.6.1 | 67-68 |
| Interest Coverage in PSUs | 5.6.2 | 68 |
| Age wise analysis of interest outstanding on Government Loans | 5.6.3 | 69 |
| Operating efficiencies of PSUs | 5.7 | 69 |
| Value of production | 5.7.1 | 69 |
| Return on Investment in Listed PSUs | 5.7.2 | 69-70 |
| Return on Capital Employed and Equity in Listed PSUs | 5.7.3 | 70 |
| Return on Capital Employed and Equity of Non-Listed PSUs | 5.7.4 | 71 |
| Rate of real return (RORR) on Government Investment PSUs | 5.7.5 | 71-72 |
| PSUs incurring losses | 5.8 | 72-73 |
| Erosion of Capital in PSUs | 5.8.1 | 73-74 |
| Oversight Role of CAG | 5.9 | 74 |
| Audit of Public Sector Undertakings (PSUs) | 5.9.1 | 74 |
| Appointment of statutory auditors of PSUs by CAG | 5.10 | 74 |
| Submission of accounts by PSUs | 5.11 | 74 |
| Need for timely submission | 5.11.1 | 74 |
| Timeliness in preparation of accounts by Government Companies | 5.11.2 | 75 |
| Timeliness in preparation of accounts by Statutory Corporations | 5.11.3 | 75 |
| CAG's oversight - Audit of accounts and supplementary audit | 5.12 | 75 |
| Financial reporting framework | 5.12.1 | 75-76 |
| Audit of accounts of Government Companies by Statutory Auditors | 5.12.2 | 76 |
| Supplementary Audit of accounts of Government Companies | 5.12.3 | 76 |
| Result of CAG's oversight role | 5.13 | 76 |

| Contents | Paragraph | Page |
|--|------------------|-------------|
| Audit of accounts of Government Companies under Section 143 of the Companies Act, 2013 | 5.13.1 | 76-77 |
| Recommendations | 5.14 | 77 |
| APPENDICES | | |
| Time Series Data on the UT Government Finances | Appendix 1.1 | 79-81 |
| Abstract of Receipts and Disbursements for the year 2020-21 | Appendix 1.2 | 82-84 |
| Summarised financial position of the Government of UT of Jammu and Kashmir as on 31 March 2021 | | 85-86 |
| Expenditure incurred without authority of law | Appendix 3.1 | 87 |
| Cases of unnecessary Supplementary Grant/Appropriation | Appendix 3.2 | 88 |
| Substantial Savings | Appendix 3.3 | 89-93 |
| Percentage of Utilisation of Provision under each Grant | Appendix 3.4 | 94-95 |
| Grants with Nil Expenditure | Appendix 3.5 | 96 |
| Excess over provisions requiring regularisation | Appendix 3.6 | 97 |
| Excess expenditure during the period 1980-81 to 2019-20 (01/04/2019 to 30/10/2019) requiring regularisation | Appendix 3.7 | 98-99 |
| Nil Expenditure against the Budgetary Provision (Grant No-06) | Appendix 3.8 | 100 |
| Less Expenditure (Saving) against the Budgetary Provision not surrendered (Grant No-06) | Appendix 3.9 | 101 |
| Expenditure without Budgetary Provision (Grant No-08) | Appendix 3.10 | 102 |
| Nil Expenditure against the Budgetary Provision (Grant No-08) | Appendix 3.11 | 103 |
| Less Expenditure (Saving) against the Budgetary Provision not surrendered (Grant No-08) | Appendix 3.12 | 104 |
| Excess Expenditure over the Budgetary Provision (Grant No-08) | Appendix 3.13 | 105 |
| Direct transfer of Central Scheme Funds to UT Government departments (funds routed outside UT Budgets) (unaudited figures) | Appendix 4.1 | 106-107 |
| Position of Arrears of Accounts as on 31 March 2021 | Appendix 4.2 | 108 |
| Detail of PSUs in Jammu and Kashmir under the audit jurisdiction of the CAG as on 31 March 2021 | Appendix 5.1 | 109-110 |

| Contents | Paragraph | Page |
|--|------------------|-------------|
| Detail of turnover of PSUs as per their latest finalised accounts as of 30 November 2021 | Appendix 5.2 | 111-112 |
| Statement showing position of equity and outstanding loans relating to PSUs as on 31 March 2021 | Appendix 5.3 | 113-115 |
| Equity and Loans outstanding as per Finance Accounts <i>vis-à-vis</i> records of PSUs upto March 2021 | Appendix 5.4 | 116 |
| Statement of Profit Making PSUs as per the latest finalised accounts as of 30 November 2021 | Appendix 5.5 | 117 |
| Return on Investment-Jammu & Kashmir Bank Limited (Listed PSU) | Appendix 5.6 | 118 |
| Year-wise investment by the Government and present value (PV) of Government investment in non-listed PSUs for the period from 1999-2000 to 2020-21 | Appendix 5.7 | 119 |
| Detail of Loss Making PSUs as per the latest finalised accounts as of 30 November 2021 | Appendix 5.8 | 120 |
| Detail of PSUs having accumulated losses as per their latest finalised accounts as of 30 November 2021 | Appendix 5.9 | 121 |
| Statement showing position of GoJ&K investment in working PSUs accounts of which are in arrears as of 30 November 2021 | Appendix 5.10 | 122-123 |
| Glossary of important Budget related terms | Appendix 6 | 124-126 |

