

**OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA**

**NEW DELHI**

**8<sup>th</sup> AUGUST, 2022**

**J&K UNION TERRITORY FINANCES AUDIT REPORT TABLED**

The Report of the Comptroller and Auditor General of India on Finances of Government of UT of Jammu and Kashmir for the year 2020-21 was presented to Parliament here today.

This report comprises of five 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 UT's fiscal position including the deficits/surplus.

**Chapter-II** provides a broad perspective of the finances of the Union Territory, debt profile of the Union Territory and key Public Account transactions, based on the Finance Accounts of the Union Territory.

**Chapter-III** is based on the Appropriation Accounts of the Union Territory of Jammu and Kashmir and reviews the appropriations and allocative priorities of the Government of Union Territory and reports on deviations from Constitutional provisions relating to budgetary management.

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

**Chapter-V** discusses the financial performance of Public Sector Undertakings.

**A summary of the major audit findings is given below:**

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**Chapter-I & II: Overview and Finances of the Union Territory**

There was Revenue Deficit of ₹138.27 crore in the accounts of Union Territory of Jammu and Kashmir during the year which was understated by ₹250.56 crore due to misclassification of Revenue Expenditure as Capital Expenditure, Non Payment of Interest on State Afforestation Fund and Deposit, Short Contribution to Defined Contribution Pension Fund. There was Fiscal Deficit of ₹10,693.36 crore during 2020-21 which was understated by ₹60.75 crore due to Non Payment of Interest on

State Compensatory Afforestation Fund, State Compensatory Afforestation Deposit and Short Contribution to Defined Contribution Pension Fund.

Percentage of Grants-in-Aid to Revenue Receipts was 75.32 *per cent* during the year 2020-21.

The committed expenditure constituted 74.67 *per cent* of Revenue Expenditure and it was 74.87 *per cent* of Revenue Receipts as such about 25 *per cent* of revenue receipts was available for other expenditure during the year 2020-21.

During 2020-21, Government of UT of Jammu and Kashmir invested ₹83.27 crore in two companies and one corporation and had total investment of ₹162.39 crore as on 31 March 2021. Erstwhile State Government had cumulative investment of ₹4,617.16 crore in 38 Companies (₹4,148.83 crore), three Statutory Corporations (₹374.34 crore), eight Co-operative Institutions/ Local Bodies (₹47.83 crore), two Rural Banks (₹45.82 crore) and two Joint Stock Companies (₹0.34 crore) ending 30 October 2019 which had not been divided between Union Territory of Jammu & Kashmir and Union Territory of Ladakh.

During the year ended 31 March 2021, the Government of Union Territory of Jammu and Kashmir disbursed Loans and Advances of ₹61.64 crore and recovered loans and advances amounting to ₹1.93 crore. Out of total loans of ₹61.64 crore disbursed during 2020-21, loan of ₹32.50 crore was granted to J&K State Road Transport Corporation Limited which already had outstanding loans of ₹406.73 crore ending 31 March 2020 (₹383.73 crore received from erstwhile State and ₹23 crore from UT of J&K).

During 2020-21, the balance under Reserve Funds of UT Jammu and Kashmir was ₹771.13 crore. There was also a cumulative aggregate balance in Reserve Funds at the end of 30 October 2019 amounting to ₹2,806 crore which was yet to be bifurcated between the two Union Territories till 31 March 2021.

The Government of Union Territory of Jammu and Kashmir maintained the mandatory minimum daily cash balance of ₹1.14 crore with Reserve Bank of India on 47 days during 2020-21 without taking Special Ways and Means Advance/Ways and Means Advances (WMA)/ Overdrafts, and on 260 days minimum balance was maintained by obtaining Normal Ways and Means Advances besides on 58 days Overdraft was taken in addition to obtaining Normal Ways and Means Advances

### **Chapter-III: Budgetary Management**

During 2020-21, a sum of ₹189.81 crore of Revenue expenditure was disbursed under Capital Major Heads of expenditure, thereby, resulting in overstatement of Capital Expenditure and understatement of Revenue Expenditure and Revenue deficit to the extent of ₹189.81 crore.

Supplementary provisions aggregating ₹12,393.19 crore obtained in 11 cases, involving ₹50 lakh or more in each case during the year proved unnecessary as the expenditure did not come up to the level of the original provisions.

Out of 35 grants, in 34 grants the utilisation ranged between 20 *per cent* and 83 *per cent*. In the remaining one grant there was over utilisation of 11 *per cent* resulting in excess over provisions during 2020-21.

Entire budget provision of ₹18,134.91 crore under 25 Grants involving 139 number of schemes remained unutilised during the year resulting in denial of intended benefits to the general public.

The excess expenditure amounting to ₹7,094.29 crore under Capital charged section in Grant No. 08 (Finance Department) incurred during 2020-21 is to be got regularised.

In four grants, expenditure exceeding 50 *per cent* of total expenditure of the year has been incurred during March 2021 only and the percentage of expenditure ranged between 56 and 64 *per cent* of total expenditure. Similarly, in seven grants expenditure exceeding 50 *per cent* of total expenditure of the year has been incurred during the last quarter of the year and the percentage of expenditure ranged between 57 *per cent* and 76 *per cent*.

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

3,215 Utilisation Certificates in respect of grants involving ₹10,076.58 crore against various departments were outstanding as on 31 March 2021.

An amount of ₹5,280.71 crore drawn on 356 AC bills drawn up to 31 January 2021 were not submitted to the Pr. Accountant General (A&E), Jammu & Kashmir. Detailed Contingent (DC) bills in respect of 2,237 Abstract Contingent (AC) Bills amounting to ₹6,885.63 crore drawn up to 30 October 2019 pertaining to erstwhile State were also awaited.

During 2020-21, ₹3,741.00 crore (7.13 per cent of the total Revenue Receipts) was classified under the Minor Head 800-‘Other Receipts’ and expenditure of ₹4,677.34 crore (7.41 *per cent* of Total Revenue and Capital 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.

During 2020-21, Receipts of ₹48,444.58 crore (92.28 per cent of the total Revenue Receipts of ₹52,495.48 crore of Union Territory of J&K excluding Public Debt) and Expenditure of ₹40,905.14 crore (64.82 per cent of total Revenue and Capital Expenditure of ₹63,104.13 crore) were reconciled with the Office of the Principal Accountant General (A&E).

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).

#### **Chapter-V: Financial Performance of Public Sector Undertakings**

As on 31 March 2021, of the total equity capital of ₹5,073.32 crore in Power Sector PSUs, ₹2,593.54 crore (51.12 per cent) was contributed by the GoJ&K. Further, the total equity investment in 36 PSUs of sectors other than Power Sector was ₹969.10 crore. The government had also advanced loans of ₹1437.72 crore to PSUs functioning in other than power sector.

Budgetary assistance of ₹3,151.70 crore was received by PSUs from the GoJ&K during 2020-21.

The market value of shares of J&K Bank Limited was ₹1,901.35 crore as on 31 March 2021 as compared to ₹881.83 crore as on 31 March 2020.

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BSC/SS/TT/60-22