

**Chapter-I**  
**Introduction**

## CHAPTER-I

### INTRODUCTION

#### 1.1 Budget profile

There are 29 departments and 37 autonomous bodies in the State. The position of budget estimates and actuals thereagainst by the State Government during 2009-14 is given in Table 1.1.

**Table-1.1**  
**Budget and expenditure of the State Government during 2009-14**

Particulars	2009-10		2010-11		2011-12		2012-13		2013-14	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
<b>(₹ in crore)</b>										
<b>Revenue expenditure</b>										
General services	4306	6445	4463	7777	11080	9725	11098	10626	12228	11403
Social services	4229	4258	5047	5214	5988	6293	6921	6908	7096	7896
Economic services	6191	4621	7943	5476	5369	6663	6572	7583	8293	7759
Grants-in-aid <sup>1</sup> and contributions	-	-	-	-	-	-	-	-	-	-
<b>Total (1)</b>	<b>14726</b>	<b>15324</b>	<b>17453</b>	<b>18467</b>	<b>22437</b>	<b>22681</b>	<b>24591</b>	<b>25117</b>	<b>27617</b>	<b>27058</b>
<b>Capital expenditure</b>										
Capital Outlay	6982	6234	7327	6064	7286	5899	8863	5224	7308	4507
Loans and advances disbursed	65	49	81	72	80	66	70	93	133	121
Repayment of Public Debt	808	731	959	3932	1174	1211	1317	1343	1231	1297
Contingency Fund	--	-	--	--	--	-	--	-	-	-
Public Accounts <sup>2</sup> disbursements	1673	43301	1896	54735	2158	17106	2789	17722	3964	14169
Closing Cash balance	-	67	-	99	-	960	-	91	01	1063
<b>Total (2)</b>	<b>9528</b>	<b>50382</b>	<b>10263</b>	<b>64902</b>	<b>10698</b>	<b>25242</b>	<b>13039</b>	<b>24473</b>	<b>12637</b>	<b>21157</b>
<b>Grand Total (1+2)</b>	<b>24254</b>	<b>65706</b>	<b>27716</b>	<b>83369</b>	<b>33135</b>	<b>47923</b>	<b>37630</b>	<b>49590</b>	<b>40254</b>	<b>48215</b>

*Source: Annual Financial Statements and Finance Accounts of the State Government.*

#### 1.2 Application of resources of the State Government

The total expenditure<sup>3</sup> of the State increased from ₹21607 crore to ₹31686 crore during 2009-14, the revenue expenditure of the State Government increased by 77 per cent from ₹15324 crore in 2009-10 to ₹27058 crore in 2013-14. Non-Plan revenue expenditure increased by 71 per cent from ₹14771 crore to ₹25219 crore and capital expenditure decreased by 28 per cent from ₹6234 crore to ₹4507 crore during the period 2009-14.

The revenue expenditure constituted 71 to 85 per cent of the total expenditure during the years 2009-14 and capital expenditure 14 to 29 per cent. During the period total expenditure increased at an annual average rate of 13 per cent, whereas revenue receipts grew at an annual average growth rate of 14 per cent during 2009-14.

<sup>1</sup> Grant-in-aid paid by the State Government is included in the above sectors

<sup>2</sup> Actuals exclude transactions of investment of cash balance and departmental cash balance

<sup>3</sup> Total expenditure includes revenue expenditure, capital outlay and disbursement of loans and advances

### 1.3 Persistent savings

In nine cases, there were persistent savings of more than ₹one crore in each during the last five years as per the details given in **Table-1.2**.

**Table-1.2**  
List of grants with persistent savings during 2009-14

Sl. No	Grant number and name	Amount of Savings (percentage)				
		2009-10	2010-11	2011-12	2012-13	2013-14
(₹ in crore)						
<b>Revenue (Voted)</b>						
1.	03-Planning and Development	98.31 (72)	38.88 (56)	20.48(14)	89.06(36)	683.73 (75)
2.	10-Law	43.00 (38)	22.31 (17)	77.17(38)	62.01(33)	65.28 (32)
3.	11-Industries & Commerce	19.14(14)	20.06(13)	36.84(18)	32.34(15)	42.17 (18)
<b>Revenue charged</b>						
4.	10-Law	5.32 (29)	2.18 (14)	6.51(28)	12.54(39)	3.81 (14)
<b>Capital (Voted)</b>						
5.	08-Finance	222.22 (27)	387.82 (74)	207.67(92)	248.65(93)	244.38 (96)
6.	14-Revenue	72.05 (53)	45.64 (42)	52.71(51)	41.76(75)	44.30 (80)
7.	19-Housing and Urban Development	96.10 (26)	156.78 (38)	262.38(43)	235.05(31)	672.87 (76)
8.	21-Forest	47.94 (50)	50.69 (52)	39.41(46)	16.36(18)	41.27 (42)
9.	25-Labour, Stationery and Printing	69.80 (97)	140.44 (99)	71.84(97)	78.16(98)	102.52 (98)

Source: Appropriation Accounts

Reasons for persistent savings under these heads were not intimated (August 2014) by the State Government. However, this indicated inadequate financial control.

### 1.4 Funds transferred directly to the State Implementing Agencies

The Government of India directly transferred ₹3200 crore to various State implementing agencies without routing through the State Budget during the year 2013-14. Consequently, these amounts remained outside the scope of 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 the GoI during the years 2009-10 to 2013-14 have been given in **Table-1.3**.

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

Particulars	Amount (₹ in crore)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Non-Plan Grants	3404	5966	4551	4080	4009
Grants for State Plan Schemes	8287	8625	9990	10274	9834
<b>Total</b>	<b>11691</b>	<b>14591</b>	<b>14541</b>	<b>14354</b>	<b>13843</b>
Percentage of increase/decrease over the previous year	31	25	(-) 0.34	(-) 1	(-) 4
Percentage of Revenue Receipts	66	66	59	55	51

Total grants-in-aid from GoI increased from ₹11691 crore to ₹13843 crore during the period 2009-14. There was percentage increase which ranged between (-) 0.34 and

31 *per cent* during the period 2009-14 over the previous year whereas its percentage to revenue receipts ranged between 51 and 66 *per cent*.

### **1.6 Planning and conduct of audit**

The Audit process starts with the risk assessment of various departments, autonomous bodies, schemes/ projects, etc., 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, Inspection Report containing audit findings is issued to the head of the office with request to furnish replies within one month. Whenever replies are received, audit findings are either settled/ or further action for compliance is advised. The 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, which are submitted to the Governor of Jammu & Kashmir under Article 151 of the Constitution of India.

During 2013-14, compliance audit of 884 drawing and disbursing officers of the State and 37 autonomous bodies was conducted by the office of the Principal Accountant General (Audit), Jammu & Kashmir. Besides, five Performance Audits were also conducted.

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

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 negative impact on the success of programmes and functioning of the departments. The focus was on auditing the sepecific programmes/ schemes and 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)/Accountant General (Audit) to the Principal Secretaries/Secretaries of the Department concerned, drawing their attention to 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. Five Performance Audits and 36 paragraphs proposed to be included in the Report of the Comptroller and Auditor General of India on General/ Social and Economic (Non-PSUs) sectors for the year ended 31 March 2014 were sent to the Principal Secretaries/Secretaries of the respective departments. Of these replies in respect of one performance audit and nine paragraphs was not received (October 2014).

### 1.8 Recoveries at the instance of Audit

The audit findings involving recoveries that came to notice in the course of test audit of accounts of the Departments of the State Government were referred to various departmental Drawing and Disbursing Officers (DDOs) for confirmation and further necessary action under intimation to audit. The details of recoveries pointed out by Audit during the year 2013-14, those accepted by the Departments and recoveries effected are given in **Table-1.4**.

**Table-1.4**

(₹ in crore)

Department	Recoveries pointed out in 2013-14			Recoveries accepted during 2013-14			Recoveries effected during 2013-14		
	Audit Report*	Inspection Reports	Total	Audit Report*	Inspection Reports	Total	Audit Report*	Inspection Reports	Total
Government Departments	49.89	14.38	64.27	49.89	14.38	64.27		0.59	0.59
<b>Total</b>	<b>49.89</b>	<b>14.38</b>	<b>64.27</b>	<b>49.89</b>	<b>14.38</b>	<b>64.27</b>	<b>-</b>	<b>0.59</b>	<b>0.59</b>

\*The recoveries relate to CAG's Audit Report for the year ended March 2013.

### 1.9 Lack of responsiveness of Government to Audit

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

Based on the results of test audit, 32,625 Audit observations contained in 8518 IRs pertaining to the period 1998-2014 and outstanding as on 31 March 2014 are given in **Table 1.5**:

**Table-1.5**

Name of sector	Opening Balance (01 April 2013)		Additions during the year 2013-14		Settled during the year 2013-14		Closing Balance (31 March 2014)	
	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)	2914	11327	517	4126	160	1460	3271	13993
General Sector (Non PSUs)	1779	6228	418	1542	521	2776	1676	4994
Economic Sector (Non PSUs)	3344	12196	281	2391	54	949	3571	13638
<b>Total</b>	<b>8037</b>	<b>29751</b>	<b>1216</b>	<b>8059</b>	<b>735</b>	<b>5185</b>	<b>8518</b>	<b>32625</b>

The pendency of large number of paragraphs of serious financial irregularities and loss to Government even after being pointed out in audit, indicated lack of 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.

## **1.10 Follow-up on Audit Reports**

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

To ensure accountability of the executives to the issues dealt with in various Audit Reports, the State Government (Finance Department) issued instructions in June 1997 to the administrative departments to furnish to Public Accounts Committee (PAC)/ Committee on Public Undertakings (COPU), *suo-motu* Action Taken Notes (ATNs) on all the audit paragraphs featuring in the Audit Reports irrespective of the fact that 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)/ 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 412 audit paragraphs featuring in the Civil Chapters of Audit Reports from 2000-01 to 2012-13, *suo-motu* ATNs in respect of 139 audit paragraphs had not been received upto 31 March 2014.

### **1.10.2 Action taken on recommendations of the PAC**

Action Taken Notes, duly vetted by the Principal Accountant General (Audit)/ 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 393 audit paragraphs featuring in the Civil chapters of Audit Reports for the years from 2000-01 to 2011-12, only 145 audit paragraphs have been discussed by the PAC up to 31 March 2014. Recommendations in respect of 140 audit paragraphs have been made by the PAC, however, ATNs on the recommendations of the Committees is pending from the State Government in respect of 113 paragraphs.

### **1.11 Non-submission/ delay in submission of Annual accounts by Autonomous Bodies**

A total of 365 annual accounts of 32 Bodies were awaited in Audit as on 31st March 2014. Six 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 said Act had also not furnished the annual accounts as given in **Table 1.6**.

**Table-1.6**  
**Non-submission of accounts by Autonomous Bodies**

Name of Body/Authority	Delay in number of years	No of accounts	Grants during 2013-14 (₹ in crore)
Ladakh Autonomous Hill Development Council, Leh	1-19	19	328.37
Ladakh Autonomous Hill Development Council, Kargil	1-10	10	342.98
Sher-i-Kashmir University of Agricultural Science and Technology, Srinagar	1-4	4	80.92
Sher-i-Kashmir University of Agricultural Science and Technology, Jammu	1-4	4	70.15
Jammu & Kashmir Legal Services Authority, Srinagar	1-17	17	8.86
Provident Fund Organization, Srinagar	1-13	13	Nil
		<b>67</b>	<b>831.28</b>

The audit of Ladakh Autonomous Hill Development Council (LAHDC), Leh and LAHDC, Kargil has been entrusted to the C&AG of India upto 2013-14. LAHDC, Leh has failed to submit accounts for audit since its inception i.e. 1995-96 although substantial sums 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. Same is the position in respect of LAHDC, Kargil which came into existence in the year 2004-05 and the accounts are in arrears since 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.

### **1.12 Year-wise details of reviews and paragraphs appeared in Audit Report**

The year-wise details of Performance reviews and Audit paragraphs that appeared in the Audit Report for the last two years alongwith their money value is given in **Table-1.7**.

**Table-1.7**

Details regarding Performance reviews and Audit paragraphs appeared in Audit Reports during 2011-13

Year	Performance Audit		Audit Paragraphs		Replies received	
	Number	Money value (₹ in crore)	Number	Money value (₹ in crore)	Performance Audit	Draft paragraphs
2011-12	4	3675.01	17	41.01	-	04
2012-13	5	2881.34	14	74.83	-	12

Five Performance Audits and 36 Audit Paragraphs were issued to the State Government. However, reply in respect of four Performance Audits and 26 Audit Paragraphs was received from the Government/ Department.

Five performance audits involving money value of ₹730 crore and 23 Audit paragraphs involving ₹65 crore have been included in this Report. Replies, wherever received, have been incorporated at appropriate places.