

Chapter - I
Introduction

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INTRODUCTION

1.1 Budget profile

There are 29 departments and 33 autonomous bodies in the State. The position of budget estimates and actuals thereagainst by the State Government during 2010-15 is given in **Table-1.1**.

Table-1.1

Budget and expenditure of the State Government during 2010-15

(₹ in crore)

Particulars	2010-11		2011-12		2012-13		2013-14		2014-15	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
Revenue expenditure										
General services	4463	7777	11080	9725	11098	10626	12228	11403	12923	12039
Social services	5047	5214	5988	6293	6921	6908	7096	7896	9114	8501
Economic services	7943	5476	5369	6663	6572	7583	8293	7759	9466	8789
Grants-in-aid ¹ and contributions	-	-	-	-	-	-	-	-	-	-
Total (1)	17453	18467	22437	22681	24591	25117	27617	27058	31503	29329
Capital expenditure										
Capital Outlay	7327	6064	7286	5899	8863	5224	7308	4507	10221	5134
Loans and advances disbursed	81	72	80	66	70	93	133	121	71	87
Repayment of Public Debt	959	3932	1174	1211	1317	1343	1231	1297	8412	1518
Contingency Fund	-	-	-	-	-	-	-	-	-	-
Public Accounts ² disbursements	1896	54735*	2158	17106	2789	17722	3964	14169	3690	17796
Closing Cash balance	-	99	-	960	-	91	01	1063	-	1401
Total (2)	10263	64902	10698	25242	13039	24473	12637	21157	22394	25936
Grand Total (1+2)	27716	83369	33135	47923	37630	49590	40254	48215	53897	55265

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

*Includes cash remittances between treasury and currency chest to the extent of ₹41,776 crore under Major Head of Account 8782. This practice stands dispensed with after switching over of banking operations of the State Government to RBI with effect from April 2011.

1.2 Application of resources of the State Government

The total expenditure³ of the State increased from ₹24603 crore to ₹34550 crore during 2010-15, the revenue expenditure of the State Government increased by 59 per cent from ₹18467 crore in 2010-11 to ₹29329 crore in 2014-15. Non-Plan revenue expenditure increased by 51 per cent from ₹17558 crore to ₹26457 crore and capital expenditure decreased by 15 per cent from ₹6064 crore to ₹5134 crore during the period 2010-15.

¹ Grant-in-aid paid by the State Government is included in the above sectors

² Actuals exclude transactions of investment of cash balance and departmental cash balance

³ Total expenditure includes revenue expenditure, capital outlay and disbursement of loans and advances

The revenue expenditure constituted 75 to 85 per cent of the total expenditure during the years 2010-15 and capital expenditure 14 to 25 per cent. During the period total expenditure increased at an annual average rate of 10 per cent, whereas revenue receipts grew at an annual average growth rate of 11 per cent during 2010-15.

1.3 Persistent savings

In seven cases, persistent savings by more than ₹one crore and also by ten per cent or more of the total grant were noticed during the last five years as per the details given in **Table-1.2**.

Table-1.2
List of grants with persistent savings during 2010-15

(₹ in crore)

Sl. No.	Grant number and name	Amount of Savings				
		2010-11	2011-12	2012-13	2013-14	2014-15
Revenue (Voted)						
1.	03-Planning and Development	38.88 (56)	20.48 (14)	89.06 (36)	683.73 (75)	816.81 (82)
2.	10-Law	22.31 (17)	77.17 (38)	62.01 (33)	65.28 (32)	97.04 (34)
3.	11-Industries and Commerce	20.06 (13)	36.84 (18)	32.34 (15)	42.17 (18)	89.05 (33)
Revenue charged						
4.	10-Law	2.18 (14)	6.51 (28)	12.54 (39)	3.81 (14)	6.47 (22)
Capital (Voted)						
5.	08-Finance	387.82 (74)	207.67 (92)	248.65 (93)	244.38 (96)	250.02 (98)
6.	19-Housing and Urban Development	156.78 (38)	262.38 (43)	235.05 (31)	672.87 (76)	568.44 (77)
7.	25-Labour, Stationery and Printing	140.44 (99)	71.84 (97)	78.16 (98)	102.52 (98)	76.70 (98)

Source: Appropriation Accounts

Note: Figures in paranthesis indicate percentage of savings to total grant.

Reasons for persistent savings under these heads were not intimated (October 2015) 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 ₹294 crore to various State implementing agencies without routing through the State Budget during the year 2014-15. 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 2010-11 to 2014-15 have been given in **Table-1.3**.

Table-1.3
Grants-in-aid from GoI

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Non-Plan Grants	5966	4551	4080	4009	3342
Grants for State Plan Schemes	8625	9990	10274	9834	12807
Total	14591	14541	14354	13843	16149
Percentage of increase/decrease over the previous year	25	(-) 1	(-) 0.34	(-) 4	17
Percentage of Revenue Receipts	66	59	55	51	56

Total grants-in-aid from GoI increased from ₹14591 crore to ₹16149 crore during the period 2010-15. There was percentage increase which ranged between (-) 0.34 and 25 *per cent* during the period 2010-15 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 2014-15, compliance audit of 1070 drawing and disbursing officers of the State and 12 autonomous bodies was conducted by the office of the Accountant General (Audit), Jammu Kashmir. Besides, four 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 specific 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 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. Four Performance Audits and 34 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 2015 were sent to the Principal Secretaries/ Secretaries of the respective departments. Of these replies in respect of one Performance Audit and 23 paragraphs were not received (October 2015).

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 2014-15, those accepted by the Departments and recoveries effected are given in **Table-1.4**.

Table-1.4

(₹ in crore)

Department	Recoveries pointed out in 2014-15			Recoveries Accepted during 2014-15			Recoveries effected during 2014-15		
	Audit Report*	Inspection Reports	Total	Audit Report*	Inspection Reports	Total	Audit Report*	Inspection Reports	Total
Government Departments	1298.06	67.49	1365.55	1298.06	67.49	1365.55	16.74	12.31	29.05
Total	1298.06	67.49	1365.55	1298.06	67.49	1365.55	16.74	12.31	29.05

*The recoveries relate to CAG's Audit Report for the year ended March 2015.

1.9 Response 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 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, 34090 Audit observations contained in

8927 IRs pertaining to the period 1998-2015 and outstanding as on 31 March 2015 are given in **Table-1.5**:

Table-1.5

Name of sector	Opening Balance (01 April 2014)		Additions during the year 2014-15		Settled during the year 2014-15		Closing Balance (31 March 2015)	
	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)	3271	13993	605	3849	289	2257	3587	15585
General Sector (Non-PSUs)	1676	4994	115	603	107	849	1684	4748
Economic Sector (Non-PSUs)	3571	13638	230	1484	145	1365	3656	13757
Total	8518	32625	950	5936	541	4471	8927	34090

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 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 156 audit paragraphs had not been received upto 31 March 2015.

1.10.2 Action taken on recommendations of the PAC

Action Taken Notes, duly vetted by the 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 2012-13, only 152 audit paragraphs have been discussed by the

PAC up to 31 March 2015. Recommendations in respect of 140 audit paragraphs have been made by the PAC, however, ATNs on the recommendations of the Committees are pending from the State Government in respect of 114 paragraphs.

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

A total of 384 annual accounts of 31 Bodies were awaited in Audit as on 31st March 2015. Seven 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 2014-15 (₹ in crore)
Ladakh Autonomous Hill Development Council, Leh	1-20	20	199.40
Ladakh Autonomous Hill Development Council, Kargil	1-11	11	204.82
Sher-i-Kashmir University of Agricultural Science and Technology, Srinagar	1-2	02	100.54
Sher-i-Kashmir University of Agricultural Science and Technology, Jammu	1-2	02	59.48
Jammu and Kashmir Legal Services Authority, Srinagar	1-3	03	Nil
EPF Board, Srinagar	1-12	12	Nil
Jammu and Kashmir State Housing Board	1-5	05	Nil
Total		55	564.24

The audit of Ladakh Autonomous Hill Development Council (LAHDC), Leh and LAHDC, Kargil has been entrusted to the C&AG of India. 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. 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 to get a feedback on their activities and financial performance.

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 2012-14

Year	Performance Audit		Audit Paragraphs		Replies received	
	Number	Money value (₹ in crore)	Number	Money value (₹ in crore)	Performance Audit	Draft paragraphs
2012-13	5	2881.34	14	74.83	-	12
2013-14	5	730.10	23	64.73	4	14

Four Performance Audits and 34 Audit Paragraphs were issued to the State Government. However, reply in respect of three Performance Audits and 11 Audit Paragraphs was received from the Government/ Department.

Four performance audits involving money value of ₹846.15 crore and 25 Audit paragraphs involving ₹409.12 crore have been included in this Report. Replies, wherever received, have been incorporated at appropriate places.

