

Chapter - I
Introduction

CHAPTER-I

INTRODUCTION

1.1 Budget profile

There are 29 departments and 42 autonomous bodies in the State. The position of budget estimates and actuals there against of the State Government during 2011-16 is given in **Table-1.1** below.

Table-1.1 : Budget and expenditure of the State Government during 2011-16

(₹ in crore)

Particulars	2011-12		2012-13		2013-14		2014-15		2015-16	
	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals	Budget Estimates	Actuals
Revenue expenditure										
General services	11,080	9,725	11,098	10,626	12,228	11,403	12,923	12,039	14,895	13,675
Social services	5,988	6,293	6,921	6,908	7,096	7,896	9,114	8,501	11,416	11,331
Economic services	5,369	6,663	6,572	7,583	8,293	7,759	9,466	8,789	10,886	11,414
Grants-in-aid ¹ and contributions	-	-	-	-	-	-	-	-	-	-
Total (1)	22,437	22,681	24,591	25,117	27,617	27,058	31,503	29,329	37,197	36,420
Capital expenditure										
Capital Outlay	7,286	5,899	8,863	5,224	7,308	4,507	10,221	5,134	12,685	7,331
Loans and advances disbursed	80	66	70	93	133	121	71	87	93	94
Repayment of Public Debt	1,174	1,211	1,317	1,343	1,231	1,297	8,412	1,518	8,812	10,815
Contingency Fund	-	-	-	-	-	-	-	-	-	-
Public Accounts disbursements ²	2,158	17,106	2,789	17,722	3,964	14,169	3,690	17,796	3,939	24,094
Closing Cash balance	-	960	-	91	01	1,063	-	1,401	-	527
Total (2)	10,698	25,242	13,039	24,473	12,637	21,157	22,394	25,936	25,529	42,861
Grand Total (1+2)	33,135	47,923	37,630	49,590	40,254	48,215	53,897	55,265	62,726	79,281

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

1.2 Application of resources of the State Government

The total expenditure³ of the State increased from ₹28,646 crore to ₹43,845 crore during 2011-16 while the revenue expenditure increased by 61 per cent from ₹22,681 crore in 2011-12 to ₹36,420 crore in 2015-16. Non-Plan revenue expenditure increased by 63 per cent from ₹21,432 crore to ₹34,847 crore and capital expenditure increased by 24 per cent from ₹5,899 crore to ₹7,331 crore during the period 2011-16.

The revenue expenditure constituted 79 to 85 per cent of the total expenditure during the years 2011-16 and capital expenditure 15 to 21 per cent. During the period, total expenditure increased at an annual average rate of 12 per cent whereas revenue receipts grew at an annual average growth rate of 10 per cent during 2011-16.

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

1.3 Persistent savings

Persistent savings of more than ₹ 1 crore in each case and also by 10 *per cent* or more of the total grant were noticed in six cases during the last five years as given in **Table-1.2** below.

Table-1.2 : List of grants with persistent savings during 2011-16

(₹ in crore)

Sl. No.	Grant number and name	Amount of Savings				
		2011-12	2012-13	2013-14	2014-15	2015-16
Revenue (Voted)						
1.	03-Planning and Development	20.48 (14)	89.06 (36)	683.73 (75)	816.81 (82)	748.96 (76)
2.	10-Law	77.17 (38)	62.01 (33)	65.28 (32)	97.04 (34)	102.19 (37)
3.	11-Industries and Commerce	36.84 (18)	32.34 (15)	42.17 (18)	89.05 (33)	53.91 (13)
Revenue (Charged)						
4.	10-Law	6.51 (28)	12.54 (39)	3.81 (14)	6.47 (22)	3.98 (13)
Capital (Voted)						
5.	19-Housing and Urban Development	262.38 (43)	235.05 (31)	672.87 (76)	568.44 (77)	220.61 (42)
6.	25-Labour, Stationery and Printing	71.84 (97)	78.16 (98)	102.52 (98)	76.70 (98)	31.79 (29)

Source: Appropriation Accounts

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

Reasons for persistent savings under these heads were not intimated (December 2016) by the State Government.

1.4 Funds transferred directly to the State Implementing Agencies

The Government of India directly transferred ₹298 crore to various State implementing agencies without routing through the State Budget during the year 2015-16. Consequently, 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 (GoI) during the years 2011-12 to 2015-16 have been given in **Table-1.3** below.

Table-1.3 : Grants-in-aid from GoI

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Non-Plan Grants	4,551	4,080	4,009	3,342	11,135
Grants for State Plan Schemes	9,990	10,274	9,834	12,807	5,593
Total	14,541	14,354	13,843	16,149	16,728
Percentage of increase/decrease over the previous year	(-) 0.34	(-) 1	(-) 4	17	4
Percentage of Revenue Receipts	59	55	51	56	47

Total grants-in-aid from GoI increased from ₹14,541 crore to ₹16,728 crore during the period 2011-16.

1.6 Planning and conduct of audit

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 request to furnish replies within one month. Whenever replies are received, 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 which are submitted to the Governor of Jammu and Kashmir under Article 151 of the Constitution of India.

During 2015-16, compliance audit of 918 drawing and disbursing officers of the State and 31 autonomous bodies was conducted by the office of the Accountant General (Audit), Jammu and Kashmir. Besides, three performance audits were 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 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 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. Three Performance Audits, one Follow-up Audit and 35 paragraphs proposed to be included 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 2016 were sent to the Principal Secretaries/ Secretaries of the respective departments. Of these, replies in respect of one Performance Audit and 19 paragraphs were not received (December 2016).

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 2015-16, those accepted by the Departments and recoveries effected are given in **Table-1.4** below.

Table-1.4 : Statement showing the recoveries at the instance of Audit

(₹ in crore)

Department	Recoveries pointed out in 2015-16			Recoveries Accepted during 2015-16			Recoveries effected during 2015-16		
	Audit Report	Inspection Reports	Total	Audit Report	Inspection Reports	Total	Audit Report	Inspection Reports	Total
Government Departments	155.20	956.91	1,112.11	155.20	956.91	1,112.11	0.37	16.40	16.77
Total	155.20	956.91	1,112.11	155.20	956.91	1,112.11	0.37	16.40	16.77

1.9 Response of Government to Audit

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 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 Accountant General (Audit).

Based on the results of test audit, 41,953 audit observations contained in 10,357 IRs pertaining to the period 1998-2016 and outstanding as on 31 March 2016 are given in **Table-1.5** below.

Table-1.5 : Details showing the Audit observations outstanding at the end of 31 March 2016

Name of sector	Opening Balance (01 April 2015)		Additions during the year 2015-16		Settled during the year 2015-16		Closing Balance (31 March 2016)	
	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)	3,587	15,585	1,614	8,057	492	3,212	4,709	20,430
General Sector (Non-PSUs)	1,684	4,748	157	916	269	691	1,572	4,973
Economic Sector (Non-PSUs)	3,656	13,757	555	4,396	135	1,603	4,076	16,550
Total	8,927	34,090	2,326	13,369	896	5,506	10,357	41,953

The pendency of large number of paragraphs indicate 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 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) on all the audit paragraphs featuring in the Audit Reports to the Public Accounts Committee (PAC)/ Committee on Public Undertakings (COPU) 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 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 469 audit paragraphs featuring in the Civil Chapters of Audit Reports from 2000-01 to 2014-15⁴, *suo-motu* ATNs in respect of 176 audit paragraphs had not been received upto 30 September 2016.

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 440 audit paragraphs featuring in the Civil chapters of Audit Reports for the years from 2000-01 to 2013-14, only 200 audit paragraphs have been discussed by the PAC up to 30 September 2016. Recommendations in respect of 185 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 113 paragraphs.

⁴ Presented in the Jammu and Kashmir State Legislature on 27.06.2016

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

A total of 586 annual accounts of 28 bodies were awaited in Audit as on 31st March 2016. Nine 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 CAG's DPC Act, 1971, had also not furnished the annual accounts as given in **Table-1.6** below.

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

Name of Body/Authority	Delay in number of years	No. of accounts	Grants during 2015-16 (₹ in crore)
Ladakh Autonomous Hill Development Council, Leh	1-21	21	253.07
Ladakh Autonomous Hill Development Council, Kargil	1-12	12	269.28
Compensatory Afforestation Management and Planning Authority	1-7	07	NA
Sher-e-Kashmir University of Agricultural Sciences and Technology, Srinagar	1-2	02	132.18
Sher-e-Kashmir University of Agricultural Sciences and Technology, Jammu	1-2	02	54.61
EPF Board, Srinagar	09	09	NA
Jammu and Kashmir State Housing Board	03	03	NA
Khadi and Village Industries Board	03	03	17.47
Building and Other Construction Workers Welfare Board	02	02	NA
Total		61	726.61

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 of the opportunity to assess 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** below.

Table-1.7 : Details of Performance reviews and Audit paragraphs appeared in Audit Reports during 2013-15

Year	Performance Audit		Audit Paragraphs		Replies received	
	Number	Money value (₹ in crore)	Number	Money value (₹ in crore)	Performance Audit	Draft paragraphs
2013-14	5	730.10	23	64.73	4	14
2014-15	4	846.15	25	409.12	3	13

Two performance audits, one Follow-up audit and 22 audit paragraphs involving money value of ₹763.02 crore have been included in this Report. Replies, wherever received, have been incorporated at appropriate places.