

**Chapter-II**  
**Financial Management And**  
**Budgetary Control**



## CHAPTER – II

### FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

#### 2.1 Introduction

**2.1.1** Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorized by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provisions and are, therefore, complementary to Finance Accounts.

**2.1.2** Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

#### 2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2015-16 against 29 grants/appropriations was as given in **Table 2.1**.

**Table-2.1: Summarized position of Actual Expenditure *vis-à-vis* Original/ Supplementary provisions**

(₹ in crore)

	Nature of expenditure	Original grant/ Appropriation	Supplementary grant/ Appropriation	Total	Actual expenditure <sup>1</sup>	Saving (-)/ Excess (+)	Amount surrendered
Voted	I-Revenue	31,745.00	3,582.76	35,327.76	32,854.31	(-) 2,473.45	Nil
	II-Capital	10,397.63	3,575.76	13,973.39	8,099.78	(-) 5,873.61	Nil
	III-Loans and Advances	137.00	0.00	137.00	93.79	(-) 43.21	Nil
<b>Total voted</b>		<b>42,279.63</b>	<b>7,158.52</b>	<b>49,438.15</b>	<b>41,047.88</b>	<b>(-) 8,390.27</b>	Nil

<sup>1</sup>These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue (₹193.48 crore) and Capital (₹768.85 crore)

Charged	IV-Revenue	3,842.79	0.75	3,843.54	3,759.58	(-) 83.96	Nil
	V-Capital	0.00	0.00	0.00	0.00	0.00	Nil
	VI-Public Debt Repayment	8,589.26	0.00	8,589.26	10,815.08	(+) 2,225.82	Nil
<b>Total charged</b>		<b>12,432.05</b>	<b>0.75</b>	<b>12,432.80</b>	<b>14,574.66</b>	<b>(+) 2,141.86</b>	<b>Nil</b>
Appropriation to Contingency Fund (if any)		0	0	0	0	0	Nil
<b>Grand Total</b>		<b>54,711.68</b>	<b>7,159.27</b>	<b>61,870.95</b>	<b>55,622.54</b>	<b>(-) 6,248.41</b>	<b>Nil</b>

The overall saving of ₹6,248.41 crore was the result of saving of ₹10,521.47 crore in 22 grants and 5 appropriation under Revenue Section and 22 grants under Capital Section which is offset by excess of ₹4,273.05 crore in seven grants under Revenue Section and five grants and one appropriation under Capital Section.

In the voted section, the Supplementary Grant of ₹7,158.52 crore proved injudicious, as the expenditure of ₹41,047.88 crore did not come even up to the level of original provision of ₹42,279.63 crore.

## 2.3 Financial Accountability and Budget Management

### 2.3.1 Expenditure in Excess of legislative approval by certain Departments

There were 13 cases where expenditure exceeding ₹1 crore or more than 20 per cent of the provision was observed. In these cases against approved provision of ₹20,851.42 crore, an expenditure of ₹25,110.04 crore was incurred thereby exceeding provision by ₹4,258.62 crore. Details are given in *Appendix 2.3*. Of these, excess expenditure by more than 20 per cent has been observed consistently for the last five years in respect of one grant as given in **Table 2.2**.

**Table-2.2: List of Grant where Persistent Excess expenditure was incurred during 2011-16**

(₹ in crore)

Grant number and name	Years				
	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Revenue (Voted)</b>					
<b>18-Social Welfare Department</b>	142.64 (46%)	427.26 (134%)	302.36 (95%)	137.31 (25%)	222.37 (36%)

(Figures in brackets indicate percentage of excess expenditure over the provisions)

Reasons for persistent excesses under the head were not explained (September 2016) by the State Government.

**2.3.2 Excess over provisions requiring regularization**

Table 2.3 contains the summary of total excess in 13 cases comprising of 11 grants and an appropriation amounting to ₹4,258.62 crore over authorization from the Consolidated Fund of the State during 2015-16.

**Table-2.3: Excess over provisions requiring regularization during 2015-16**

(₹ in crore)

Sl. No	Grant Number	Name of Grant/ Appropriation	Total Grant/ Appropriation	Expenditure	Excess (percentage)
<b>Revenue (Voted)</b>					
1	06	Power Development Department	5,619.53	6,856.45	1,236.92 (22)
2	15	Consumer Affairs & Public Distribution Department	9.40	11.81	2.41 (26)
3	16	Public Works Department	974.88	1,035.71	60.83 (06)
4	17	Health & Medical Education	2,150.26	2,369.31	219.05 (10)
5	18	Social Welfare Department	621.74	844.11	222.37 (36)
6	23	Public Health Engineering Department	1,014.23	1,060.02	45.79 (05)
7	28	Rural Development Department	434.27	555.09	120.82 (28)
<b>Total (Revenue Voted)</b>			<b>10,824.31</b>	<b>12,732.50</b>	<b>1,908.19</b>
<b>Capital (Voted)</b>					
8	4	Information Department	2.61	6.05	3.44 (132)
9	7	Education Department	248.88	312.13	63.25 (25)
10	15	Consumer Affairs & Public Distribution Department	1,062.61	1,102.71	40.10 (04)
11	18	Social Welfare Department	117.61	133.45	15.84 (13)
12	26	Fisheries Department	6.14	8.12	1.98 (32)
<b>Total (Capital Voted)</b>			<b>1,437.85</b>	<b>1,562.46</b>	<b>124.61</b>
<b>Capital Charged</b>					
13	08	Finance Department	8,589.26	10,815.08	2,225.82 (26)
<b>Total (Capital Charged)</b>			<b>8,589.26</b>	<b>10,815.08</b>	<b>2,225.82</b>
<b>(Grand Total)</b>			<b>20,851.42</b>	<b>25,110.04</b>	<b>4,258.62</b>

In the Revenue section, there was excess expenditure of ₹1,908.19 crore in seven grants, while in the Capital section, excess expenditure amounted to ₹124.61 crore in five grants and ₹2,225.82 crore in one appropriation. The excess expenditure of ₹4,258.62 crore was mainly due to repayment of Public Debt of ₹2,225.82 crore in excess of budget provisions. Similar excess expenditure over provisions, due to repayment of public debt, was observed during 2014-15. Although repayment of Public Debt and interest payments is an expenditure charged on the Consolidated Fund of the State, the Legislative approval is nevertheless required for any outgo from the Consolidated Fund.

### **2.3.3 Regularization of excess expenditure**

As per Section 82 of the Constitution of Jammu and Kashmir, it is mandatory for the State Government to get the excess over a grant/appropriation regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Section, the regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). As the Appropriation Accounts (1980-81) had not been discussed in PAC, the excess expenditure aggregating to ₹1,00,508.81 crore for the years 1980-2015 is yet to be regularized by the State Legislature as detailed in **Appendix 2.5**. After including further excess expenditure of ₹4,273.05 crore during 2015-16 as brought out in the preceding Sub-Section, the aggregate excess expenditure requiring regularization by the Legislature stands at ₹1,04,767.43 crore as on 31<sup>st</sup> March 2016.

### **2.3.4 Expenditure without Provision**

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹1,961.44 crore was incurred in 59 Major heads of account (detailed in **Appendix-2.4**) without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

### **2.3.5 Rush of expenditure**

According to Jammu and Kashmir Financial Code, rush of expenditure in the closing month of a financial year should be avoided. Contrary to this, in respect of 29 grants listed in **Table 2.4**, expenditure exceeding ₹10 crore for the year was incurred during the last quarter of the financial year 2015-16. The percentage of expenditure in the last quarter ranged between 29 and 97 *per cent* of the total expenditure. An amount of ₹23,234.40 crore was incurred out of the total

expenditure of ₹54,660.20 crore in the last quarter in 29 grants constituting 42.51 *per cent* of total expenditure.

**Table-2.4: Cases of rush of expenditure towards the end of the financial year 2015-16**

(₹ in crore)

Grant No	Name of the Grant	Total expenditure during the year	Expenditure during the last quarter of the year	
			Amount	percentage of total expenditure
1	General Administration	269.41	77.31	29
2	Home Department	4,467.33	1,408.08	32
3	Planning Department	693.14	407.39	59
4	Information Department	50.99	21.77	43
5	Ladakh Affairs Department	763.51	743.05	97
6	Power Development Department	7,133.95	3,678.80	52
7	Education Department	5,748.02	1,864.05	32
8	Finance Department	18,624.18	7,408.12	40
9	Parliamentary Affairs Department	41.24	12.07	29
10	Law Department	201.51	67.67	34
11	Industries and Commerce Department	430.07	222.45	52
12	Agriculture Department	1,185.76	542.18	46
13	Animal Husbandry Department	426.93	126.31	30
14	Revenue Department	1,698.87	1,132.80	67
15	Consumer Affairs & Public Distribution	375.80	156.96	42
16	Public Works Department	2,042.03	994.83	49
17	Health & Medical Education	2,610.03	919.29	35
18	Social Welfare Department	977.56	580.42	59
19	Housing & Urban Development Department	919.59	410.81	45
20	Tourism	272.28	146.74	54
21	Forest Department	636.89	200.80	32
22	Irrigation Department	800.74	360.88	45
23	Public Health Engineering Department	1,450.39	497.45	34
24	Hospitality & Protocol	242.99	126.46	52
25	Stationery & Printing	168.43	121.96	72
26	Fisheries Department	77.02	21.69	28
27	Higher Education	898.82	414.80	46
28	Rural Development	1,366.89	514.38	38
29	Transport Department	85.83	54.88	64
	<b>Total</b>	<b>54,660.20</b>	<b>23,234.40</b>	

### 2.3.6 Savings

The outcome of the appropriation audit shows that in 44 cases, savings exceeded ₹1 crore in each case or by more than 20 *per cent* of the total provision (*Appendix 2.1*). Against the total savings of ₹10,521.47 crore, savings of

₹10,240.76 crore<sup>2</sup> occurred in 24 cases relating to 16 grants as indicated in Table 2.5.

Table-2.5: List of Grants with savings of ₹50 crore and above

(₹ in crore)

Sl. No	Name of Grant/ Appropriation/	Original	Supple-mentary	Total grant	Actual expenditure	Savings/ percentage
<b>I-Revenue Voted</b>						
1	01- General Administration Department	263.91	29.57	293.48	228.55	64.93 (22)
2	02-Home Department	4,034.95	517.55	4,552.50	4,207.82	344.68 (8)
3	03-Planning and Development Department	991.18	0.00	991.18	242.22	748.96 (76)
4	07-Education Department	4,591.08	1,165.20	5,756.28	5,435.89	320.39 (6)
5	08-Finance Department	6,170.79	0.00	6,170.79	4,058.43	2,112.36 (34)
6	10-Law Department	215.14	60.92	276.06	173.87	102.19 (37)
7	11-Industries & Commerce	191.85	99.20	291.05	237.14	53.91 (19)
8	12-Agriculture Department	909.19	24.02	933.21	854.56	78.65 (08)
9	14- Revenue Department	933.34	103.88	1,037.22	787.96	249.26 (24)
10	21-Forest Department	684.06	0.00	684.06	589.05	95.01 (14)
11	22-Irrigation & Flood Control Department	529.24	0.00	529.24	470.00	59.24 (11)
12	27-Higher Education Department	691.89	32.95	724.84	658.68	66.16 (09)
	<b>Total-Revenue (Voted)</b>	<b>20,206.62</b>	<b>2,033.29</b>	<b>22,239.91</b>	<b>17,944.17</b>	<b>4,295.74</b>
	<b>Revenue (Charged)</b>					
13	08-Finance Department	3,796.12	0.00	3,796.12	3,719.34	76.78 (02)
	<b>Total Revenue (Charged)</b>	<b>3,796.12</b>	<b>0.00</b>	<b>3,796.12</b>	<b>3,719.34</b>	<b>76.78</b>
	<b>Total (I)</b>	<b>24,002.74</b>	<b>2,033.29</b>	<b>26,036.03</b>	<b>21,663.51</b>	<b>4,372.52</b>
<b>II-Capital (Voted)</b>						
14	02-Home Department	152.63	183.88	336.51	259.51	77.00 (23)
15	03-Planning and Development Deptt.	2,393.76	0	2,393.76	450.92	1,942.84 (81)
16	06-Power Development Department	385.71	620.50	1,006.21	298.61	707.60 (70)
17	12-Agriculture Department	518.49	22.01	540.50	360.87	179.63 (33)

<sup>2</sup> Exceeding ₹50 crore in each case.



18	14-Revenue Department	9.37	2,000.00	2,009.37	910.91	1,098.46 (55)
19	16- Public Works Department	1,341.27	344.01	1,685.28	1,178.69	506.59 (30)
20	17-Health & Medical Education	737.68	0.00	737.68	240.73	496.95 (67)
21	19-Housing & Urban Development	528.67	0.00	528.67	308.06	220.61 (42)
22	22-Irrigation & Flood Control Department	383.18	0.00	383.18	330.74	52.44 (14)
23	23-Public Health Engineering Department	478.00	1.80	479.80	390.37	89.43 (19)
24	28- Rural Development Department	1,308.44	0.05	1,308.49	811.80	496.69 (38)
<b>Total-II-Capital (Voted)</b>		<b>8,237.20</b>	<b>3,172.25</b>	<b>11,409.45</b>	<b>5,541.21</b>	<b>5,868.24</b>
<b>Grand Total (I+II)</b>		<b>32,239.94</b>	<b>5,205.54</b>	<b>37,445.48</b>	<b>27,204.72</b>	<b>10,240.76</b>

Reasons for substantial savings (shortfall in utilisation) against each grant were not furnished by the State Government (October 2016).

### 2.3.7 Persistent Savings by certain Departments

In six cases, persistent savings of more than ₹one crore in each case and also by 10 *per cent* or more of the total grant were noticed during the last five years as indicated in Table 2.6.

**Table-2.6: List of Grants indicating 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
<b>Revenue (Voted)</b>						
1.	03-Planning and Development Department	20.48 (14)	89.06 (36)	683.73 (75)	816.81 (82)	748.96 (76)
2.	10-Law Department	77.17 (38)	62.01 (33)	65.28 (32)	97.04 (34)	102.19 (37)
3.	11-Industries & Commerce Department	36.84 (18)	32.34 (15)	42.17 (18)	89.05 (33)	53.91 (19)
<b>Revenue (Charged)</b>						
4.	10-Law Department	6.51 (28)	12.54 (39)	3.81 (14)	6.47 (22)	3.98 (13)
<b>Capital (Voted)</b>						
5.	19-Housing and Urban Development Department	262.38 (43)	235.05 (31)	672.87 (76)	568.44 (77)	220.61 (42)
6.	25-Labour, Stationery and Printing Department	71.84 (97)	78.16 (98)	102.52 (98)	76.70 (98)	31.79 (29)

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

### **2.3.8 Anticipated savings not surrendered**

As per the State Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2015-16, there were 22 grants and 5 appropriation under Revenue Section and 22 grants under Capital Section in which savings occurred. However during the year in anticipation of savings, no surrender was made by the concerned department. The savings in these cases was of the order of ₹10,521.47 crore which includes ₹10,520.33 crore in 46 cases (involving 27 grants and three appropriation) where savings involved were ₹1 crore and above. Relevant details are indicated in **Appendix-2.2**. Non-surrender of funds (savings) deprived the Government to transfer these funds to other needy sectors.

### **2.3.9 Unnecessary/ Excessive/ Inadequate supplementary provisions**

In fifteen cases, involving eleven grants (**Appendix-2.6**), supplementary Grant of ₹1,323.03 crore was obtained in excess of the original provision in anticipation of expenditure. However, the final expenditure of ₹5,783.34 crore was even less than the original grant of ₹6,651.22 crore. The savings of ₹2,190.91 crore thus, exceeded the entire supplementary provision indicating inadequate system of Fund projection leading to unnecessary allotment of additional funds.

In six departments (**Appendix-2.7**), supplementary provision of ₹1,231.61 crore proved insufficient leaving an uncovered aggregate excess expenditure of ₹1,765.82 crore, which forms 41.46 *per cent* of the total excess of ₹4,258.62 crore.

## **2.4 Non-reconciliation of Departmental figures**

To enable Controlling Officers of the Departments to exercise effective control over spending, to keep it within the budget grants and to ensure accuracy of their accounts, the State Financial Rules stipulate that expenditure during the financial year recorded in their books be reconciled by them every month with that recorded in the books of the Accountant General (A&E), Jammu and Kashmir. Though non-reconciliation of Departmental figures is being pointed out regularly in Audit Reports, lapse on the part of Controlling Officers in this regard continued to persist. During 2015-16, 197 out of the 345 Controlling Officers have reconciled an expenditure of ₹12,771.03 crore {29.13 *per cent* of total expenditure (excluding

public debt) of ₹43,845.12 crore} and receipts of ₹3,138.34 crore {8.77 per cent of the total receipts (excluding public debt) of ₹35,784.69 crore}.

## **2.5 Errors in budgeting process**

Scrutiny of Demand for Grants for the year 2015-16 showed following flaws in preparation:

- Lump sum budgetary provisions of ₹10,116.41 crore which constitute 16.35 per cent of total provision of ₹61,870.95 crore were placed with Controlling Officers in various Demands for Grants instead of detailed head-wise/scheme-wise provisions which are in contravention of the State Financial Rules. The issue was highlighted in previous year's Audit Reports also but remedial action has not been initiated.
- The Capital heads of accounts are being closed at sub-head level in the demand for grants. No detailed breakup below thereto up to object head level is available in the approved demand for grants.

These deficiencies make the budgeting process erroneous thereby, making reconciliation of departmental figures with those compiled by the Accountant General (A&E), Jammu and Kashmir difficult. The above matter had been reported to the State Government from time to time. Further action in the matter is awaited (October 2016).

### **2.5.1 Drawal of Funds to avoid lapse of Budgetary Grants**

According to the provisions of Jammu and Kashmir Financial Code Vol-I [Rule 2.16 (5)] no money should be drawn from the treasury unless it is required for immediate disbursement. Besides, it is not permissible to draw money from treasury for keeping in Banks or under civil deposits to prevent the lapse of Budgetary Grants. The 13<sup>th</sup> Finance Commission also recommended that the Public Accounts should not be treated as an alternative to the Consolidated Fund and Government expenditure should be directly incurred from the Consolidated Fund avoiding transfer from Consolidated Fund to the Public Account.

It was observed in Minor Head 800-Other Deposits subordinate to Major Head 8443-Civil Deposits that despite a balance of ₹540.07 crore after a withdrawal of ₹113.37 crore, an amount of ₹67.10 crore was added to the Minor Head, which was unnecessary. The accumulated balance of ₹493.80 crore at the close of the year should have been written back to the respective Major Heads of account under the Consolidated Fund from which these were originally transferred, as the drawals from the Minor Head of account in the subsequent years would not

require Legislative approval and thus would escape Legislative scrutiny through the Appropriation Account mechanism.

### 2.5.2 Unrealistic forecasting of resources

The Jammu and Kashmir State Budget Manual stipulates that the Budget of the State is based on the departmental estimates submitted by the Controlling Officers. Both the departmental and the district estimate should always receive careful personal attention of the officers who submit them and should be as accurate as possible. It was noticed that the revised estimates for 2015-16 for Tax revenue projection was ₹7,988 crore while actual realization was ₹7,326 crore resulting in downward variation of ₹662 crore corresponding to 8 per cent below the original forecast. Similarly, Non-tax Revenue for the year 2015-16 was projected at ₹3,455 crore while actual realization was ₹3,913 crore resulting in excess realization of ₹458 crore corresponding to 13 per cent increase against the original projection. The projections of tax and non-tax revenue for the last five years *vis-à-vis*, actual collections during the years are appended in Table 2.7.

**Table 2.7: Projections of Tax Revenue and Non-Tax Revenue *vis-à-vis* Actuals**

(₹ in crore)

Year	Description	Revised estimates of revenue	Actual realisation	Difference	Difference as percentage
2011-12	Tax revenue	4,791	4,745	46	0.96
	Non-Tax revenue	1,851	2,002	(-) 151	(-) 8.16
2012-13	Tax revenue	5,975	5,832	143	2.39
	Non-Tax revenue	2,819	2,160	659	23.38
2013-14	Tax revenue	6,820	6,273	547	8.02
	Non-Tax revenue	3,400	2,870	530	15.59
2014-15	Tax revenue	6,438	6,334	104	1.62
	Non-Tax revenue	3,154	1,978	1176	37.29
2015-16	Tax revenue	7,988	7,326	662	8.29
	Non-Tax revenue	3,455	3,913	(-) 458	(-)13.26

The actual realisation of tax revenue was less than the estimates of collection and varied between 0.96 per cent to 8.29 per cent whereas in the case of non-tax revenue the variation ranged between 15.59 per cent to 37.29 per cent during the year 2012-13 to 2014-15. In 2011-12 and 2015-16, however, the actual realization of Non Tax Revenue was more than the estimates and ranged between 8.16 per cent and 13.26 per cent respectively.

**2.5.3 Mis-classification of Grants-in-Aid and Subsidy**

Grants-in-Aid to any Institution/Body must constitute the Revenue Expenditure of the Government. But during the year 2015-16, a sum of ₹2,817.52 crore of Grant-in-Aid, Subsidy of ₹64.06 crore and ₹0.60 crore Stipend & Scholarship has been disbursed under the following Capital Major Heads of expenditure in violation of Para 9 of Indian Government Accounting Standards (IGAS-2) as tabulated in **Table 2.8**.

**Table 2.8: Disbursement of Grants-in Aid and Subsidy under Capital Heads**

(₹ in crore)

Classification	Grant-in-Aid	Subsidy	Stipend & Scholarship
4055-Capital Outlay on Police	209.85	-	-
4075-Capital Outlay on Misc. General Services	---	0.10	--
4202-CO on Education, Sports Art & Culture	150.88	--	--
4210-CO on Medical & Public Health	57.63	--	--
4217-CO on Urban Development	155.69	--	--
4225-CO on Welfare of SCs, STs & Other Backward Classes	33.97	--	--
4235-CO on Social Security & Welfare	909.36	--	--
4236-Capital Outlay on Nutrition	13.21	--	--
4401-CO on Crop Husbandry	150.13	44.58	--
4402-CO on Soil & Water Conservation	4.78	0.63	0.60
4403-CO on Animal Husbandry	8.99	--	--
4406-CO on Forestry and Wild Life	0.75	--	--
4425-CO on Co-operation	--	1.48	--
4515-CO on Other Rural Development Programmes	633.29	--	--
4851-CO on Village & Small Industries	--	17.15	--
5425-Capital Outlay on other Scientific and Environment Research	--	0.12	--
5452-CO on Tourism	49.32	--	--
5475-CO on General Economic Services	439.67	--	--
<b>Total</b>	<b>2,817.52</b>	<b>64.06</b>	<b>0.60</b>

## **2.6 Outcome of Inspection of Treasuries**

### **2.6.1 Excess payment of pension**

Inspection of treasuries/sub-treasuries for the year ended 31<sup>st</sup> March 2016 by the office of the Accountant General (A&E) brought out excess payment of pension amounting to ₹1.02 crore due to reasons such as wrong calculation (arithmetical inaccuracies) of pension, delayed commencement of reduced pension on account of commuted value of pension, payment of enhanced rate of pension beyond stipulated date, non-adjustment/ non-regularisation of commuted value of pension and other miscellaneous reasons.

The control at the level of Treasury Officer should be stricter in so far as pension related payments are concerned.

### **2.6.2 Non reimbursement of pension etc. by Pay & Accounts Offices Defence**

Transactions which initially arise in the State Treasuries but are adjustable by the PAO/ Defence are placed under suspense for eventual adjustments. An amount of ₹150.24 crore and ₹20.97 crore paid by the State Treasuries on behalf of the Central Pension Accounting Officer, New Delhi and Controller of Defence Accounts respectively ending March 2016 are still adjustable in the accounts of the State Government due to either non-submission of vouchers to the respective quarters by the treasuries or non-response from the Central Pension Accounting Officer and Defence Departments.

## **2.7 Outcome of Review of selected Grants**

### **2.7.1 Grant No. 03-Planning & Development Department, 16-Public Works Department, 25-Labour, Stationary & Printing Department**

A review of Budgetary Procedure and control over Expenditure in three test checked grants i.e. Grant Nos: 03, 16 & 25 showed the following audit observations:

### **2.7.2 Unrealistic Budget Provision**

Audit Scrutiny of Grants No:-03, 16 & 25 revealed that there was huge savings / excess in both Revenue (Voted) as well as Capital (Voted) Section as tabulated below:-

**Table 2.9: Saving / Excesses in Grant Nos. 3, 16 & 25**

(₹ in crore)

Grant No.	Revenue (Voted)			Capital (Voted)			Total Appropriations (Rev.+Cap)	Total Expenditure (Rev.+Cap)
	Total Appropriation	Expenditure	Saving (-)/ Excess (+) & %	Total Appropriation	Expenditure	Saving (-)/ Excess (+)		
03	991.18	242.22	(-)748.96 (76)	2,393.76	450.92	(-)1,942.84 (81)	3,384.94	693.14
16	974.88	1,035.71	(+) 60.83 (6)	1,685.27	1,178.68	(-)506.59 (30)	2,660.15	2,214.39
25	100.05	91.32	(-) 8.73 (9)	108.89	77.10	(-)31.79 (29)	208.94	168.42
<b>Total</b>	<b>2,066.11</b>	<b>1,369.25</b>	<b>(-) 696.86</b>	<b>4,187.92</b>	<b>1,706.70</b>	<b>2,481.22 (59)</b>	<b>6,254.03</b>	<b>3,075.95</b>

In the Grant Nos. 3, 16 and 25, there were savings of ₹748.96 crore and ₹8.73 crore in Grant No. 3 and 25 and excess of ₹60.83 in the Grant No. 16 under Revenue (Voted) Section. In the Capital Voted Section, the savings was ₹1,942.84 crore, ₹506.59 crore and ₹31.79 crore respectively; total ₹2,481.22 (59%), against the budget/appropriation of ₹4,187.92 crore. This showed that the departments either made unrealistic budget provisions or did not disburse the amount during 2015-16 and which was not surrendered during the year. The savings ranged between nine *per cent* to 76 *per cent* under Revenue (Voted) Section and from 29 *per cent* to 81 *per cent* under Capital (Voted) Section and the overall savings was 69 *per cent* under Revenue Voted Section and 59 *per cent* under Capital Voted Section. Besides there was excess of ₹60.83 crore (6 *per cent*) excess in the Grant No 16 which was not regularized.

### 2.7.3 Excess over provision requiring regularization

As per Section 82 of the Constitution of Jammu & Kashmir, it is mandatory for the State Government to get the excess over Grant/Appropriation regularized by the State Legislature. The excess expenditure of ₹60.24 crore (*Appendix 2.10*) in Grant No 3, ₹1,159.20 crore in Grant No.16 (*Appendix 2.10*) and ₹5.77 crore in Grant No-25 (*Appendix 2.10*) during the year 2015-16 require regularization under the above mentioned provision of the J&K State Constitution.

### 2.7.4 Entire Provision remained unutilized

Under Grant No. 3, Grant No.16 and Grant No. 25, the entire budget provision in twelve Minor Heads/Schemes for ₹1,499.96 crore (*Appendix 2.11*), five Minor Heads/Schemes for ₹1,251.87 crore and in eight Minor Heads/Schemes for ₹6.34 crore (*Appendix 2.11*) respectively were unutilised resulting in denial of intended benefits to the general public. The provision should have been re-appropriated to the needy schemes/works where there was excess expenditure over the provision for expenditure / public fund optimisation.

### 2.7.5 Persistent saving in Grant No. 3

In the Grant No.3, persistent saving was noticed in Revenue and Capital Voted Sections during the last five years as detailed below. The savings ranged from ₹20.48 crore (13.82 per cent) to ₹748.96 crore (75.56 per cent) in 2011-12 and 2015-16 and was highest ₹816.81 (81.77 per cent) in 2014-15 under Revenue (Voted) Section and in Capital Voted Section the savings was ₹804 crore (64.06 per cent), ₹1,942.84 (81.16 per cent) and ₹2,638.59 (89.47 per cent) respectively in 2014-15.

**Table 2.10: Persistent Saving in Grant No. 3**

Year	Revenue (Voted)			Capital (Voted)		
	Total Grant/ Appropriation (₹ in crore)	Actual Expenditure (₹ in crore)	Savings (-) (₹ in crore) & (%)	Total Grant/ Appropriation (₹ in crore)	Actual Expenditure (₹ in crore)	Savings (-) (₹ in crore) & (%)
2011-12	148.10	127.62	(-) 20.48 (14)	1,254.93	450.93	(-) 804.00 (64)
2012-13	247.54	158.48	(-) 89.06 (36)	2,737.25	256.58	(-) 2,480.67 (91)
2013-14	913.30	229.57	(-) 683.73 (75)	2,688.77	388.11	(-) 2,300.66 (86)
2014-15	998.86	182.05	(-) 816.81 (82)	2,948.97	310.38	(-) 2,638.59 (89)
2015-16	991.18	242.22	748.96 (76)	2,393.76	450.92	(-) 1,942.84 (81)

### 2.7.6 Anticipated savings not surrendered

As per State Budget Manual, the spending departments are required to surrender the Grant/Appropriation or portion thereof to the Finance Department as and when savings are anticipated. At the close of the year 2015-16, in 12 cases in respect of Grant No. 25 (**Appendix 2.9**), saving of ₹51.33 crore (26 per cent) was not surrendered by the concerned department for utilization in the departmental purposes. The significant saving also deprived the beneficiaries/areas of the benefits for which the amount was provided for. It also therefore, indicated the inadequate budgetary control.

### 2.7.7 Expenditure incurred without Budgetary Provision

An amount of ₹71.14 crore was incurred in four cases in Grant No. 03, ₹95.49 crore (11 cases) in Grant No 16 and ₹7.38 crore (9 cases) (**Appendix 2.8**) without Budgetary Provision either in Original Estimates or in Supplementary Demands. These services may be new services or new instrument of services not



contemplated in the Demand for Grants against which no token Grant was even obtained.

### 2.7.8 Less Expenditure (Savings) under the Grants

Against the budgetary provisions of ₹1,851.27 and ₹1,102.08 crore, the expenditure incurred was ₹528.06 crore and ₹653.50 crore under Grant No 3 and 16 respectively. As such, less expenditure of ₹1,323.21 crore (18 cases) and ₹448.58 crore (16 cases) was incurred in Grant No. 3 and Grant No. 16, as detailed in *Appendix 2.12* which showed unrealistic budget provisions by the departments as detailed in **Table 2.11**.

**Table 2.11: Less Expenditure (Savings)**

(₹ in crore)

Grant No	Budget/Appropriation	Expenditure	Savings
03	1,851.27	528.06	1,323.21
16	1,102.08	653.50	448.58

## 2.8 Conclusion

The overall savings of ₹6,248.41 crore was the result of saving of ₹10,521.47 crore in various grants and appropriations offset by excess of ₹4,273.05 crore.

Excess expenditure of ₹1,04,767.43 crore till 31<sup>st</sup> March 2016 over the approved provision ending March 2016 requires regularization under Section 82 of the Constitution of Jammu and Kashmir.

Planning and Development, Law, Industries and Commerce, Housing and Urban Development, Labour, Stationery and Printing Grants posted large savings persistently during the last five years. In many cases, the anticipated savings were not surrendered at the end of the year in the month of March leaving no scope for utilization of these funds for other development purposes. There were also instances of inadequate provisions and unnecessary/excessive Supplementary Grants besides 'Rush of Expenditure' in the last quarter of the financial year indicating inadequate budgetary control in the departments.

No re-appropriation/Surrenders orders were issued for providing the funds out of anticipated savings to the needy areas/works.

Annual review on the working of treasuries showed excess payment of gratuity and Pension.

There is an accumulated balance of ₹493.80 crore under Minor Head-800–Other Deposits subordinate to Major Head-8443-Civil Deposits at the close of the year which has not been written back to the Major Heads of Account under the Consolidated Fund from which these were originally transferred.

During 2015-16, a sum of ₹2,817.52 crore of Grant-in-Aid, Subsidy of ₹64.06 crore and ₹0.60 crore Stipend & Scholarship has been disbursed under Capital Major Heads of expenditure.

## **2.9 Recommendations**

The Government may consider the following:

- The Government should ensure timely submission of explanation for excess expenditure and seek Legislative approval,
- The State Govt. may take up requisite steps for strengthening budgetary control in all the government departments, particularly in those departments where saving/excesses have been observed regularly, and
- The State Govt. may consider to write back balance under Deposit Accounts to the respective Major/Minor Heads at the close of the year to ensure legislative scrutiny.