

Executive Summary

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Background

This Report on the finances of the Government of Jammu and Kashmir is brought out to assess the financial performance of the State during the year 2015-16 *vis-à-vis* the Budget Estimates and the targets set under the Fiscal Responsibility and Budget Management Act, 2006, and to provide the State Government and State Legislature with timely inputs based audit analysis of financial data. The report analyses the dominant trends and structural profile of Government's receipts and disbursement.

The Report

Based on the audited accounts of the State Government for the year ending 31 March 2016 and additional data such as the Economic Survey brought out by the State government and Census, this report provides an analytical review in three Chapters.

Chapter-1 is based on the Finance Accounts and makes an assessment of Government's fiscal position as on 31 March 2016. It provides an insight into trends and profile of key fiscal aggregates, committed expenditure, borrowing pattern, besides a brief account of central funds transferred directly to State implementing agencies through Off Budget route.

Chapter-2 is based on Appropriation Accounts and gives grant-wise description of appropriations and the manner in which the allocated resources were managed by the service delivery departments. Comments arising out of inspection of treasuries have also been made in the chapter.

Chapter-3 is an inventory of Government's compliance with various reporting requirements and financial rules.

Audit findings and recommendations

The State could not maintain revenue surplus during 2015-16 due to shortfall of State's own non tax revenue and grant-in-aid *vis-a-vis* projected estimates. The cash balance for the year 2015-16 decreased by ₹874 crore from ₹1,401 crore to ₹527 crore.

(Para 1.2)

Trends in key fiscal aggregates: The State's share in Union taxes and duties and grants from the Union Government together constituted 72.77 *per cent* of the total revenue receipts of the State during 2011-12 but it declined to 68.59 *per cent* in 2015-16. The non-debt resources transferred by the Central Government through the State Government accounts financed 63 *per cent* of total expenditure of the State Government during 2011-12, 60 *per cent* in 2012-13, 57 *per cent* in 2013-14, 60 *per cent* 2014-15 and 60 *per cent* in 2015-16, showing decline in the States dependence on transfer of Central resources.

(Para 1.2.1)

The total expenditure, Capital Expenditure and Revenue Expenditure, of the State increased from ₹34,550 crore to ₹43,845 crore, ₹5,221 crore to ₹7,425 crore and ₹29,329 crore to ₹36,420 crore during 2014-15 to 2015-16 respectively.

(Para 1.2.2)

The States own tax revenues has shown a steady increase particularly in Tax on sale of goods and services which increased from ₹3,414 crore in 2011-12 to ₹5,277 crore in 2015-16.

(Para 1.4.1)

Targets for collection of Power Departments tariff were not achieved. The shortfall in collection of revenue was ₹1,503 crore *vis-a-vis* targets and shortfall *vis-a-vis* expenditure on power purchased was ₹4,650 crore.

(Para 1.7.2.1)

The percentage of Developmental Capital Expenditure to Total Expenditure declined from 19.2 *per cent* in 2011-12 to 14.18 *per cent* in 2015-16.

(Para 1.8.2)

There were 938 projects/works with sanctioned cost of ₹3,944.45 crore revised to ₹4,484.68 crore, of ₹1 crore and above each, which had overshoot their scheduled completion dates. An amount of ₹1,733.84 crore had been expended on these incomplete projects by 31st March 2016.

(Para 1.9.1)

The percentage of market loans to total liabilities slightly decreased from 38.5 *per cent* in 2011-12 to 38.02 *per cent* in 2015-16.

(Para 1.11.3)

Fiscal consolidation and regulation of debt/deficit: The fiscal deficit for 2015-16 was 8.77 *per cent* as against the limit of 3 *per cent* recommended by the 14th Finance Commission. The fiscal deficit was higher than the limits fixed during 2011-12 to 2014-15.

(Para 1.13.1)

Financial management and budgetary control: During 2015-16, in 13 cases, expenditure aggregating ₹25,110.04 crore exceeded by ₹4,258.62 crore against the total approved provisions of ₹20,851.42 crore. This requires regularization from State Legislature.

(Para 2.3.1)

There were persistent errors in budgeting, savings, excess expenditure and expenditure without provision.

(Para 2.3.2 and 2.3.8)

The excess expenditure requiring regularization of the State Legislature was ₹1,04,767.43 crore as on 31st March 2016.

(Para 2.3.3)

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 the Capital Major Heads of expenditure as against the requirement of their accounting in revenue heads.

(Para 2.5.3)

Financial reporting: There were delays in furnishing utilisation certificates against the loans and grants from various grantee institutions. Abnormal delays were noted in submission of annual accounts by some of the departmental commercial undertakings and Autonomous Bodies.

(Para 3.2 and 3.3)