

PART 'B'

**Social, General and Economic
Sectors (Departments)**

Chapter III
Introduction of
Social, General and Economic Sectors
(Departments)

CHAPTER III

Introduction of Social, General and Economic Sectors (Departments)

The Jammu and Kashmir Reorganisation Bill, 2019 was introduced in the Parliament on 05 August 2019. The Jammu and Kashmir Reorganisation Act, 2019 received the assent of the President of India on 09 August 2019. The Act provides for the reorganisation of the then existing State of Jammu and Kashmir and for matters connected therewith or incidental thereto into two Union Territories (UT) namely UT of Jammu and Kashmir and UT of Ladakh.

In terms of the said Act, the then State of Jammu and Kashmir existed up to 30 October 2019 and was reconstituted as a Union Territory with effect from 31 October 2019. The accounts of erstwhile State have therefore been prepared for the period 01 April 2019 to 30 October 2019 and those of the UT of Jammu and Kashmir for 31 October 2019 to 31 March 2020.

The original budget for the year 2019-20 for the erstwhile State of Jammu and Kashmir was for the complete year i.e 01 April 2019 to 31 March 2020. However, due to the reorganisation which took place w.e.f 31 October 2019, the pre-actuals for seven months (01 April 2019 to 30 October 2019) as reflected in the demand for Grants 2020-21 as passed (March 2020) by the Parliament have been taken as the Budget Estimates for the period 01 April 2019 to 30 October 2019 in this Report.

In pursuance to Gazette of India, Extraordinary, Part (II), Section 3, Sub section (ii), S.O 3938 (E) dated 31 October 2019 and Section 74 of the Jammu & Kashmir Reorganisation Act, 2019 the Hon'ble President of India had authorised the expenditure for the period 31 October 2019 to 31 March 2020 out of the Consolidated Fund of the Union Territory (UT) of the Jammu and Kashmir which was approved by the Parliament in month of March 2020. The Annual Financial Statements (AFS) for the year 2020-21 in respect of U.T of Jammu & Kashmir recorded Budget Estimates/ Revised Estimates in respect of Union Territory of Jammu & Kashmir for five months which have been taken as Budget Estimates for period 31 October 2019 to 31 March 2020 in this chapter of the report.

3.1 Budget Profile

During the period 01 April 2019 to 30 October 2019, the erstwhile Jammu and Kashmir State incurred expenditure of ₹ 58,569 crore against the budget estimate of ₹ 52,158 crore. Further, during the period 31 October 2019 to 31 March 2020, the Union Territory of Jammu and Kashmir incurred expenditure of ₹ 47,064 crore against the budget estimate of ₹ 59,108 crore. The position of budget and expenditure of erstwhile State and the Union Territory of Jammu and Kashmir is shown in Table 3.1.

Table 3.1: Budget and Expenditure of the erstwhile Government of State of Jammu and Kashmir and UT of Jammu and Kashmir during the period 2019- 20.

(₹ in crore)

Particulars	From 01.04.2019 to 30.10.2019 (Jammu and Kashmir State)		From 31.10.2019 to 31.03.2020 (UT of Jammu and Kashmir)	
	Budget Estimates	Actuals	Budget Estimates	Actuals
Revenue expenditure				
General Services	11,920	14,153	11,478	9,384
Social Services	8,953	8,895	11,387	8,615
Economic Services	7,298	7,196	8,542	4,721
Grants-in-aid ¹ and contributions	-	-	-	-
Total (1)	28,171	30,244	31,407	22,719
Capital expenditure				
Capital Outlay	5,889	4,522	13,771	5,422
Loans and advances disbursed	12	16	87	38
Repayment of Public Debt ²	14,176	15,666	10,053	13,149
Contingency Fund	-	-	-	-
Public Accounts disbursements ³	3,909	8,163	3,791	4,253
Closing Cash balance	-	(42)	-	1,482.28 (42.08)
Total (2)	23,987	28,325	27,702	24,345
Grand Total (1+2)	52,158	58,569	59,108	47,064

(Source: Annual Financial Statements and Finance Accounts of the Government of erstwhile State of Jammu and Kashmir and UT of Jammu and Kashmir)

3.2 Application of resources of the erstwhile State/ UT Government

During the period 01 April 2019 to 30 October 2019, the total expenditure⁴ of the erstwhile State of Jammu and Kashmir was ₹ 34,782 crore. During this period, the Capital Outlay constituted 13 per cent of total expenditure. During the period 31 October 2019 to 31 March 2020 the expenditure of Union Territory of Jammu and Kashmir was ₹ 28,179 crore and Capital Outlay constituted 19 per cent of total expenditure.

3.3 Funds transferred directly to Government Departments of the erstwhile State/ UT

During the period 01 April 2019 to 30 October 2019, various Ministries/ Departments of the Central Government released ₹ 349.66 crore directly to various Government departments of the erstwhile State of Jammu & Kashmir. Ministries/ Departments of the Central Government released ₹ 335.54 crore directly to the various Departments of the Union Territory Government of Jammu and Kashmir during the period from 31 October 2019 to 31 March 2020.

Thus, Government of India (GoI) transferred total ₹ 685 crore (*Appendix 3.1.1*) directly to various Government Departments of erstwhile State/ UT without routing

¹ Grants-in-aid paid by the State Government is included in the General, Social and Economic Services.

² Includes transactions under ways and means advances and overdraft.

³ Actuals exclude transactions of investment of cash balance and departmental cash balance.

⁴ Total expenditure includes revenue expenditure, capital outlay and disbursement of loans and advances.

these through the erstwhile State/ UT Budget during the year 2019-20. Consequently, these amounts remained outside the Budgetary and Accounting system of the erstwhile State/ UT Government during the year.

3.4 Grants-in-aid from Government of India

The grants-in-aid received from Government of India during 2019-20 is depicted in Table 3.2.

Table 3.2: Grants-in-aid from GoI

(₹ in crore)

Particulars	From 01.04.2019 to 30.10.2019 (Erstwhile Jammu and Kashmir State)	From 31.10.2019 to 31.03.2020 (UT of Jammu and Kashmir)
Non-Plan Grants	-	-
Grants for Centrally Assisted State Plan Schemes/ Centrally Sponsored Schemes	4,181	3,407
Grants for Central and Centrally Sponsored Plan Schemes	-	-
Finance Commission Grants (Post Devolution Revenue Deficit Grant)	8,249	-
Grant for Rural Local Bodies	1,220	-
Grant for Urban Local Bodies	174	-
Grant-in-aid for State Disaster	405	-
Other transfers/ Grants to States/ Union Territories with Legislature	382	11,784
Compensation for loss of revenue arising out of implementing of GST	1,032	1,247
Total	15,643	16,438
Revenue Receipts	30,052	22,557
Percentage of total grants to Revenue Receipts	52	73

(Source: Finance Accounts of respective years)

During the period 01 April 2019 to 30 October 2019, the Government of erstwhile State of Jammu and Kashmir received ₹ 15,643 crore as Grants-in-Aid from Government of India which accounts for 52 per cent of revenue receipts. During the period 31 October 2019 to 31 March 2020, the Government of Union Territory of Jammu and Kashmir received ₹ 16,438 crore as Grants-in-aid from Government of India which accounts for 73 per cent of Revenue receipts during the period.

3.5 Audit process

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 a request to furnish replies within one month. On receipt of replies, audit findings are either settled or further action for compliance is advised. Important audit observations pointed out in these Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India (C&AG). The audit findings incorporated in the Audit Report are based on test-check only of the transactions of the Government of Jammu and Kashmir.

During 2019-20, out of 5,634 Drawing and Disbursing Officers (DDOs) compliance audit of 847 was planned and audit of 617 DDOs of the State/ UT was conducted. Out of 502 units of 113 autonomous bodies (ABs) in the erstwhile state of J&K, audit of 45 units was planned while audit of 83 units⁵ was conducted by the Office of the Principal Accountant General (Audit), Jammu & Kashmir.

3.6 Response of Government to Audit Report Paragraphs

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 a 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 Principal 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. Six compliance paragraphs to be included in the Report of the Comptroller and Auditor General of India on Social, General and Economic Sectors (Departments) for the year ended 31 March 2020 were sent to the Principal Secretaries/ Secretaries of the respective departments. Out of six compliance paras, the replies of Government to five compliance paras were awaited (October 2021).

3.7 Response of Government to Compliance Audit Reports

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 Principal Accountant General (Audit) to ensure remedial/ rectification action in compliance with the prescribed rules and procedures. The heads of auditee offices and their controlling administrative Departments are required to comply with the observations contained in the inspection reports IRs and rectify the defects and report their compliance to the Principal Accountant General (Audit).

⁵ 70 units (including Ladakh) for the period 01.04.2019 to 30.10.2019 and 13 units (excluding Ladakh) for the period 31.10.2019 to 31.03.2020.

Based on the results of test audit, 52,780 audit observations⁶ contained in 11,924 IRs were outstanding for settlement as on 31 March 2020 as given in Table 3.3.

Table 3.3: Details showing the Audit observations outstanding at the end of 31 March 2020

Name of Sector	Opening Balance (01 April 2019)		Additions during the year 2019-20		Settled during the year 2019-20		Closing Balance (31 March 2020)	
	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)	5,584	26,792	455	4,258	99	1,065	5,940	29,985
General Sector (Non-PSUs)	1,717	5,687	76	477	60	459	1,733	5,705
Economic Sector (Non-PSUs)	4,230	17,044	250	1,733	229	1,687	4,251	17,090
Total	11,531	49,523	781	6,468	388	3,211	11,924	52,780

The pendency of large number of paragraphs indicates lack of adequate 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.

Further, no Audit Committee was constituted during 2019-20. The respective Departments may constitute Audit Committees, hold its meetings and monitor the progress of settlement of paragraphs.

3.8 Follow-up on Audit Reports

3.8.1 Non-submission of *suo-motu* Action Taken Notes

To ensure accountability of the Executive to issues dealt with in various Audit Reports, the Government (Finance Department) issued instructions in June 1997 to the administrative departments to furnish *suo-motu* Action Taken Notes (ATNs) to the Public Accounts Committee (PAC)/ Committee on Public Undertakings (COPU) on all the audit paragraphs featuring in the Audit Reports, 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 Principal Accountant General (Audit) within a period of three months from the date of presentation of Audit Reports in the Legislature.

It was, however, noticed that out of 561 audit paragraphs featuring in the Civil Chapters of Audit Reports from 2000-01 to 2018-19, *suo-motu* ATNs in respect of 275 audit paragraphs had not been received up to 31 October 2021.

⁶ The figures include those of the UT of Ladakh.

3.8.2 Action taken on recommendations of the PAC

Action Taken Notes, duly vetted by the Principal 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 561 Audit paragraphs featuring in the Civil Chapters of Audit Reports for the years from 2000-01 to 2018-19, only 245 audit paragraphs have been discussed by the PAC up to 31 March 2021. Recommendations in respect of 223 audit paragraphs have been made by the PAC. However, ATNs on the recommendations of the Committees are pending from the Government in respect of 165 paragraphs.

3.9 Non-submission/ delay in submission of Annual Accounts by Autonomous Bodies

Five Autonomous Bodies, whose Separate Audit Reports are required to be laid before the Legislature by virtue of Acts governing them, are required to be audited by the Comptroller and Auditor General (C&AG) of India under Sections 19 (3) and 20 (1) of the C&AG's DPC Act, 1971, had not furnished their annual accounts as given in Table 3.4.

Table 3.4: Non-submission of accounts by Autonomous Bodies

Sl. No.	Name of Body/ Authority	Delay in number of years	No. of accounts
1.	Compensatory Afforestation Management and Planning Authority	10	10 (2009-10 to 2018-19)
2.	Jammu and Kashmir State Housing Board	07	07 (2012-13 to 2018-19)
3.	Khadi and Village Industries Board	04	04 (2015-16 to 2018-19)
4.	Building and Other Construction Workers Welfare Board	06	06 (2013-14 to 2018-19)
5.	State Legal Service Authority	01	01 (2018-19)
	Total		28

Delay in submission of accounts in respect of these autonomous bodies was between one and ten years. Non-submission/ delay in submission of accounts by these autonomous bodies receiving funding from the State/ UT Budget is persisting for years. The delay in finalisation of accounts also carries the risk of financial irregularities going undetected. The matter of delay/ non submission of accounts by the autonomous bodies was brought to attention of the Chief Secretary, Government of UT of Jammu and Kashmir in the meeting held on 30 July 2021. It was assured that the Government will release further funds to the autonomous bodies only if they will submit their outstanding accounts.