



**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA
ON
STATE FINANCES**

**FOR THE YEAR ENDED 31 MARCH 2011
(REPORT No. 1)**



GOVERNMENT OF JAMMU AND KASHMIR

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PREFACE

- 1.** This Report has been prepared for submission to Governor under Article 151 of the Constitution.
- 2.** Chapters I and II of this Report respectively contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2011.
- 3.** Chapter III on 'Financial Reporting' provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.
- 4.** Audit observations on matter arising from performance reviews and audit of transactions in various departments including the Education, Housing and Urban Development, Agriculture, Public Works, Power Development etc., audit of autonomous bodies, departmentally run commercial undertakings and audit of revenue receipts for the year ended 31 March 2011 are included in separate Reports (Report No 2 and 3).
- 5.** The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

EXECUTIVE SUMMARY

This Report provides an analytical review of the Annual Accounts (Finance and Appropriation Accounts) of the Government of Jammu and Kashmir for the year ending March 2011. The report is structured in three Chapters.

***Chapter I** is based on audit of Finance Accounts and makes an assessment of the State Government's fiscal position as on 31 March 2011. It provides an insight into trends in revenue generated, committed expenditure, borrowing pattern, progress in implementation of Finance Commission award besides a brief account of central funds transferred directly to the State implementing agencies through off budget route.*

***Chapter II** is based on audit of Appropriation Accounts and it gives the grant-by-grant description of appropriations and the manner in which the allocated resources were managed by service delivery departments.*

***Chapter III** is an inventory of the State Government's compliances with various reporting requirements and financial rules.*

The report also has an appendage of additional data collected from several sources in support of the findings. Appendix 1.2 at the end gives a glossary of selected terms related to State economy, as used in this report.

Audit findings and recommendations

The expenditure pattern of the State reveals that the revenue expenditure

(2006-11) continued to share a dominant proportion in the total expenditure of the State and had increased to 75 per cent during 2010-11. Within the revenue expenditure, the non-plan revenue expenditure at ₹ 17,558 crore constituted about 95 per cent of the total expenditure. Though fiscal and primary deficits had come down considerably during 2010-11 their continued prevalence indicates the reliance of the State on borrowed funds. This coupled with non-collection of revenue arrears for the past several years have affected the revenue receipts of the State Government.

The ratio of development expenditure to aggregate expenditure had increased in 2010-11 as compared to 2007-08 indicating that the State has started attaching high fiscal priority towards its development.

Though in absolute terms the growth rate of fiscal liabilities was 8.83 per cent during 2010-11 over the previous year, the ratio of these liabilities to GSDP decreased from 66.46 per cent in 2009-10 to 65.55 per cent in 2010-11.

Similarly, there was considerable improvement in debt sustainability of the State, however, the resource gap had increased during 2010-11.

Review of Government Investment

As of 31 March 2011, Government had invested ₹ 470.78 crore in Statutory

Corporations, Rural Banks, Joint Stock Companies and Co-operatives. The average return on such investments during five years (2006-11) was 9.62 per cent while the Government paid an average interest rate of 8.97 per cent on its borrowings during these years. Out of 20 working companies, only one company (J&K Bank) had finalised its accounts for 2010-11.

Cash management

The State Government has entered into an agreement with RBI for carrying out State transactions w.e.f 01 April 2011. During 2010-11 these activities were carried out by the State through Jammu and Kashmir Bank Limited. Government obtained temporary loan from Jammu and Kashmir Bank for its ways and means requirements. The State Government took temporary loan from the Bank for all the 365 days of the year. The maximum temporary loan obtained was ₹ 2694.25 crore as on 30 June 2010. The total temporary loans raised during the year amounted to ₹1847.42 crore. A balance of ₹ 2965.06 crore was also outstanding as on 1st April 2010. Government repaid ₹ 4812.48 crore during the year leaving a nil balance as of 31 March 2011. During the year 2010-11, ₹ 227.71 crore was paid as interest by the Government.

The cash balances of the State Government increased by ₹32.75 crore during 2010-11 as compared to the previous year.

Funds transferred directly by GOI to the State implementing agencies

The Central Government has been transferring sizeable quantum of funds directly to the State Implementing Agencies for various schemes/programmes in social and economic sectors. An approximate amount of ₹2174 crore was transferred by the GOI directly to the implementing agencies during 2010-11. As these funds are not routed through the State Budget/Treasury System, the Annual Finance Accounts do not capture the flow of these funds and to that extent State's receipts and expenditure as well as other fiscal variables/parameters derived from them are understated.

Consolidated data-base at the apex level was not maintained by the State Government. A system has to be urgently put in place to ensure proper accounting of these funds and the updated information should be validated by the State Government and sent to the Accountant General (Accounts & Entitlement).

Financial management and budgetary control

The net excess expenditure of ₹2368.31 crore over the original/supplementary grants/appropriations was the result of excess of ₹ 6130.76 crore in 11 grants and one appropriation under Revenue Section and five grants and one appropriation under Public Debt-Repayments (Loan Section), offset by saving of ₹ 3762.45 crore in 18 grants and five appropriations under Revenue Section and 24 grants under Capital Section.

There were also instances of persistent savings in some grants, excessive expenditure, expenditure without provision of funds, drawal of funds to avoid lapse of budget grant, unnecessary supplementary provisions, etc.

There was also significant pendency in submission of detailed countersigned (DC) bills against abstract contingent bills. DC bills for an amount of ₹1933.04 crore drawn on AC bills by various DDOs (35 departments) during 1995-2011 have not been submitted (June 2011) to the Accountant General (A&E). Non- rendition of DC bills for such a huge amount over a very long period is fraught with the risk of misappropriation.

Non-reconciliation of expenditure by State Offices with the Accountant General (Accounts & Entitlement) is the area

requiring attention. 38 Controlling Officers did not reconcile the expenditure amounting to ₹ 6923.89 crore as of October 2011 which constituted 28 per cent of the total net revenue and capital expenditure.

Errors in the budgeting process were also noticed.

Financial reporting

State Government's compliance with various rules, procedures and directives was unsatisfactory as is evident from delays in furnishing of utilisation certificates against the loans/grants from various institutions. There was also delay in submission of annual accounts by some autonomous bodies. Accounts of Ladakh Autonomous Hills District Councils', Leh and Kargil have not been prepared since their formation.

CHAPTER – I: FINANCES OF THE STATE GOVERNMENT

Profile of Jammu and Kashmir

The State of Jammu and Kashmir is treated as a Special Category State¹. The State shares its borders with two countries China and Pakistan and two States Himachal Pradesh and Punjab. The growth rate of GSDP in the State during 2010-11 at current price stood at 10.35 *per cent*.

This chapter provides a broad perspective of the finances of the State Government during the current year and analyses critical changes in the major fiscal aggregates relative to the previous year keeping in view the overall trends during the last five years. The Finance Accounts of the State Government are laid out in **19 statements**, the structure and the layout of which are depicted in **Appendix 1.1**. **Appendix 1.2** of this chapter briefly outlines the methodology adopted for the assessment of the fiscal position of the State and **Appendix 1.3** presents the time series data on key fiscal variables/parameters and fiscal ratios relating to the State Government finances for the period 2006-11.

1.1 Summary of Current Year's Fiscal Transactions

Table 1.1 presents the summary of the Jammu and Kashmir Government's fiscal transactions during the current year (2010-11) vis-à-vis the previous year while **Appendix 1.4** provides details of receipts and disbursements as well as overall fiscal position during the current year.

1 The special category states have some distinct characteristics. They have international boundaries, hilly terrains and have distinctly different socio-economic developmental parameters. These states have also geographical disadvantages in their effort for infrastructural development. Public expenditure plays a significant role in the Gross State Domestic Product of the states. In view of the above problems, central government sanctions 90 *per cent* in the form of grants in plan assistance to the states in special category unlike non-special category states which get Central aid in the ratio of 70 *per cent* grant and 30 *per cent* loan.

Table 1.1 Summary of Current Year's Fiscal Operations

(₹ in crore)

Receipts			Disbursements				
2009-10		2010-11	2009-10		2010-11		
Section-A: Revenue							
					Non Plan	Plan	Total
17587.82	Revenue receipts	22233.65	15323.89	Revenue expenditure	17557.92	908.90	18466.82
3027.32	Tax revenue	3482.58	6445.24	General services	7766.82	10.58	7777.40
955.03	Non-tax revenue	1093.11	4257.58	Social services	4394.19	819.74	5213.93
1914.76	Share of Union Taxes/Duties	3066.98	4621.07	Economic services	5396.91	78.58	5475.49
11690.71	Grants from Government of India	14590.98					
Section-B: Capital							
			6233.76	Capital Outlay	333.42	5730.11	6063.53
28.09	Miscellaneous Capital Receipts	-		Grants-in-aid and Contributions			
1.62	Recoveries of Loans and Advances	1.50	49.12	Loans and Advances disbursed			71.63
2852.36	Public Debt receipts*	5206.21	731.15	Repayment of Public Debt*			3931.98
0.11	Contingency Fund	0.26	1.07	Contingency Fund			0.16
45173.56	Public Account receipts	55860.32	43300.47	Public Account disbursements			54735.07
63.10	Opening Cash Balance	67.20	67.20	Closing Cash Balance			99.95
65706.66	Total	83369.14	65706.66	Total			83369.14

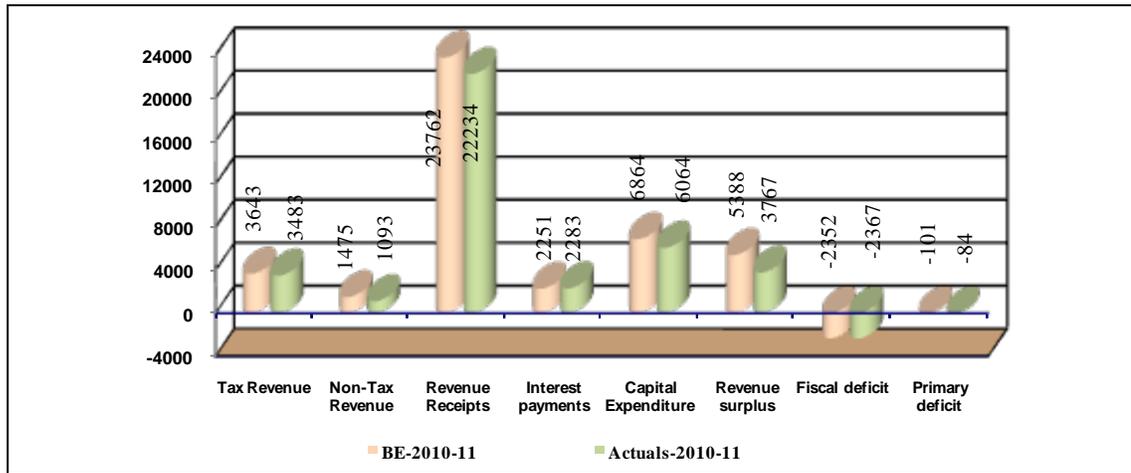
*Excludes net transactions under ways and means advances and overdraft.

- Revenue receipts grew by around 26 per cent (₹ 4646 crore) over the previous year. The growth mainly came from increased grants from Government of India (₹ 2900 crore). Increases in tax revenue (₹ 455 crore), non-tax revenue (₹ 138 crore) and share of union taxes/duties (₹ 1152 crore) also contributed to the growth.
- Revenue expenditure increased by ₹ 3143 crore (21 per cent) over the previous year. Increases in salary, purchase of power and payment of interest on internal debt mainly contributed to the increase in revenue expenditure.
- Capital expenditure witnessed a decline of around three per cent (₹ 170 crore) over the previous year mainly due to decrease in spending on Economic Services Sector (₹ 305 crore).

- Public Accounts receipts and disbursements increased by ₹ 10687 crore and ₹ 11435 crore respectively over the previous year.
- Public Debt receipts increased substantially with corresponding increased repayments.
- Cash balance of the State, as a result of the aforesaid inflow/outflow, increased by ₹ 32.75 crore over the previous year.

The State has continued to maintain the revenue surplus with a surplus of ₹ 3767 crore during 2010-11.

(Chart 1.1 showing actual realisation of revenue vis-a-vis budget provisions)



There were huge variations in the revenue surplus, fiscal and primary deficits vis-à-vis the budget estimates. The revenue surplus was less by ₹ 1621 crore than that estimated. The fiscal deficit was ₹ 2367 crore against the estimate of ₹ 2352 crore and primary deficit ₹ 84 crore, against the estimated ₹ 101 crore (March 2011). Reasons for variations between the budget estimates and actual realization were, however, neither intimated by the Government nor were on record.

The projection made by the State Government in its Macro Economic Framework Statement (MEFS)/Medium Term Fiscal Policy Statement (MTFPS)/Fiscal Policy Strategy Statement (FPSS) had mostly not been achieved as indicated in **table 1.2** below:

(Table 1.2)

Indicators	Assessment	Actual	Excess(+)/ Shortfall(-)
Tax revenue/GSDP (ratio)	13.74	7.30	(-) 6.44
Power Receipts (₹ in crore)	1209	882	(-) 327
Own Tax revenue	3643	3483	(-) 160
Non-tax revenue (₹ in crore)	1475	1093	(-) 382
Pension/Revenue receipts (ratio)	8.55	10.08	(+) 1.53
Transfer from centre to revenue receipts (ratio)	66.21	79.42	(+) 13.21
States own non tax revenue as per cent of TRR (ratio)	6.21	4.92	(-) 1.29
Revenue surplus (₹ in crore)	5388	3767	(-) 1621
Revenue surplus/Total revenue receipts (ratio)	22.67	16.94	(-) 5.73
Revenue surplus/GSDP per cent (ratio)	11.29	7.90	(-) 3.39
Own tax revenue receipts to revenue expenditure (ratio)	19.83	18.86	(-) 0.97
Interest payment/revenue receipts per cent (ratio)	9.47	10.27	(+) 0.80
Salary expenditure/revenue receipts (ratio)	55.44	34.96	(-) 20.48

1.1.1 The Fiscal Responsibility and Budget Management (FRBM) Act

To ensure prudence in fiscal management and fiscal stability by progressive strengthening of revenue surplus, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability and greater transparency in fiscal operations of the Government and conduct a fiscal policy in a medium term frame work and for matters connected therewith or incidental thereto, the Jammu and Kashmir Fiscal responsibility and Budget Management (FRBM) Act was enacted. Though the act had been enacted in August 2006, the rules were framed in January 2008. The State carried out an amendment in the FRBM Act in April 2010 wherein the permissible limit of fiscal deficit was raised from the level of three per cent to four per cent.

1.1.2 Thirteenth Finance Commission

The achievements of the State against targets set forth by the Thirteenth Finance Commission (ThFC) were:

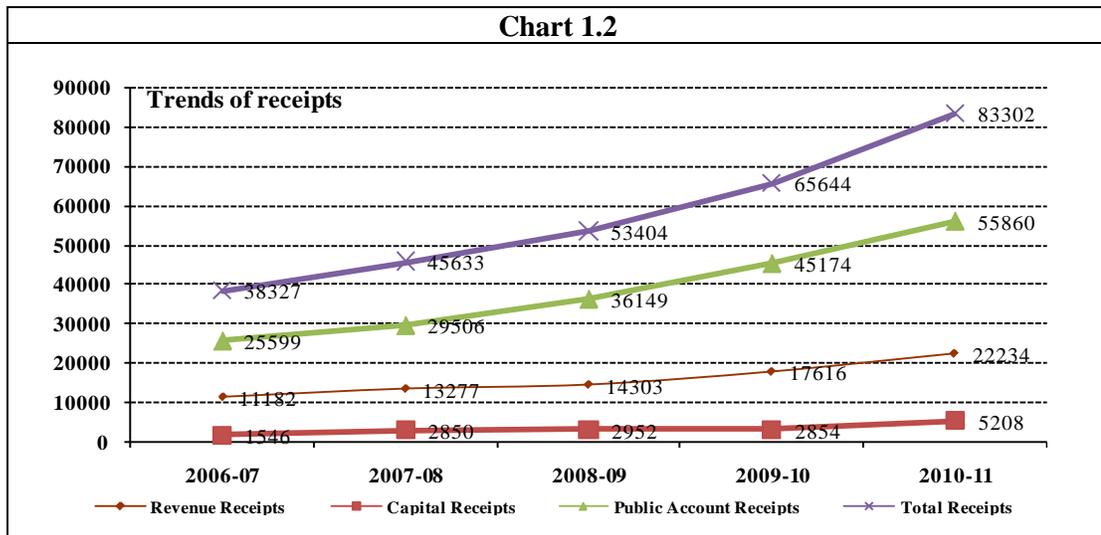
1. An ordinance for amendment of the FRBM Act was passed on 25 August 2011 to pave way for reduction of outstanding debt as percentage of GSDP to 56.1 per cent, 55.1 per cent, 53.6 per cent and 51.6 per cent for the years 2010-11, 2011-12, 2012-13 and 2013-14 respectively to reach the target of 49.3 per cent in the year 2014-15, as required under the ThFC award.
2. The ThFC in its award granted an amount of ₹ 1000 crore and allowed market borrowing of ₹ 1300 crore for liquidation of the Overdraft with the J&K Bank. The State thus switched over its ways and means facility to the RBI w.e.f 01.04.2011 and had liquidated entire overdraft with the J&K Bank as on 31

March 2011. The step would pave way for ways and means facility at comparatively lesser rate of interest.

1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and capital are the two streams² of receipts that constitute the resources of the State Government. Revenue receipts comprises tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Government of India (GOI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account. **Table-1.1** presents the receipts and disbursements of the State during the current year as recorded in its Annual Finance Accounts while **Chart 1.2** depicts the trends in various components of the receipts of the State during 2006-11.



The revenue receipts which formed 28 *per cent* of the total receipts at an average during 2006-10 declined to 27 *per cent* during 2010-11. The capital receipts increased by one *per cent*, on an average of the total receipts during the above period over the average of the last four years, and formed only seven *per cent* of the total receipts during 2010-11. The public account receipts were 67 *per cent* of the total receipts (2010-11) against the average of 68 *per cent* during 2006-10.

² Revenue Receipts: These includes own tax revenue, non-tax revenue, States share of union taxes and duties and grants-in-aid from GOI. Capital Receipts: These comprise proceeds from disinvestments recovery of loans and advances, debt receipt from internal resources market loan, borrowings from financial institutions/commercial banks and loans and advances from GOI as well as accrual from public account.

1.2.2 Funds transferred to State Implementing Agencies outside the State Budget

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies for implementation of various schemes/programs in social and economic sectors recognized as critical. As these funds are not routed through the State Budget/State Treasury System, Annual Finance Accounts do not capture the flow of these funds and to that extent, State's receipts and expenditure as well as other fiscal variables/parameters derived from them are underestimated. To present a holistic picture on available aggregate resources, funds directly transferred to State Implementing Agencies are detailed in **Appendix 1.5**. Funds provided to major programme/schemes out of the total amount of ₹ 2174 crore during 2010-11 are detailed in **Table 1.3**.

Table 1.3 Funds Transferred Directly to State Implementing Agencies

(₹ in crore)

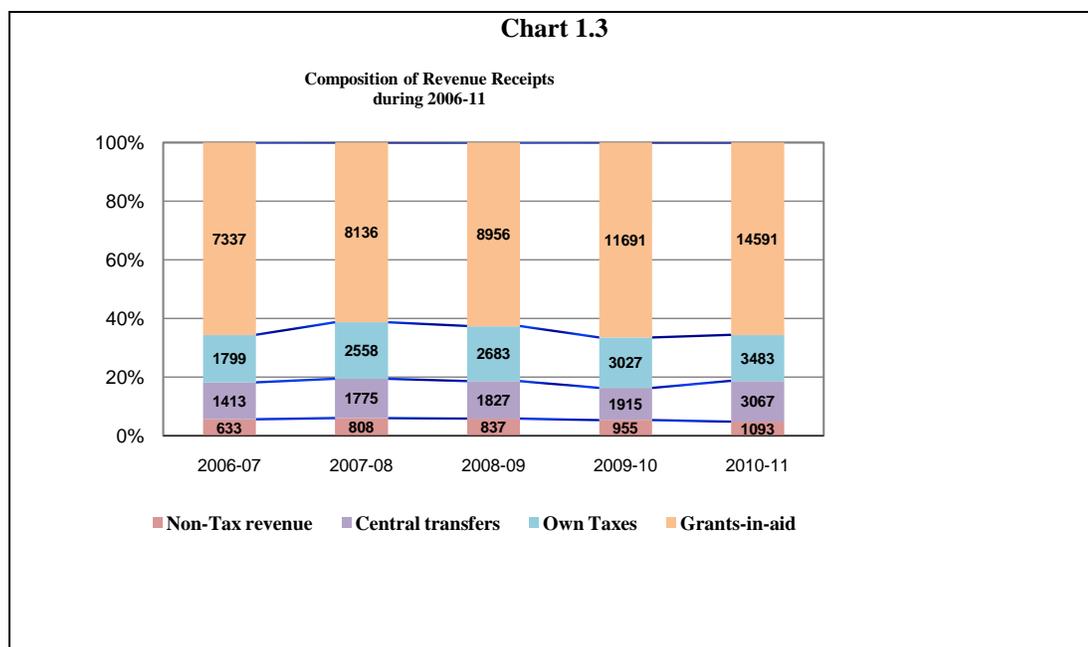
Name of the Programme/scheme	Name of the Implementing Agency in the State	Total Funds released by GOI during	
		2009-10	2010-11
PMGSY	State Rural Roads Agency	144.70	366.09
National Rural Health Mission (NRHM)	State Health Department and other agencies	90.00	132.15
Sarva Shiksha Abhiyan	Ujala Society	373.63	403.49
Package for Special Category State DIPD	Jammu and Kashmir Financial Corporation Limited	12.00	23.14
MGNREGA	Assistant Commissioners Development DRDA	173.24	313.60
National Rural Drinking Water Programme	State Water and Sanitation Mission	-	468.91
Rural Housing (IAY)	Assistant Commissioners DRDA	57.25	66.43
Local Area Development Schemes (MPLADS)	District Development Commissioners	17.00	24.00
Total		867.82	1797.81

(Source: CPMS of CGA's website)

These figures are yet to be verified by the Implementing Agencies. The consolidated data base at apex level was not maintained by the State Government.

1.3 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of tax and non-tax revenues, central tax transfers and grants-in-aid from GOI. The trends and composition of revenue receipts over the period 2006-11 are presented in **Appendix 1.3** and also depicted in **Chart 1.3**



Transfers from the Central Government in the shape of State's share of Union taxes and duties and grants in aid form the major constituent of the State's revenue receipts and varied between 75 and 79 *per cent* during 2006-11. The remaining revenue was raised by the State out of its own resources. The trends in revenue receipts relative to GSDP are presented in **Table 1.4** below:

Table 1.4: Trends in Revenue Receipts relative to GSDP

	2006-07	2007-08	2008-09	2009-10	2010-11
Revenue Receipts (RR) (₹ in crore)	11,182	13,277	14,303	17,588	22,234
Rate of growth of RR (<i>per cent</i>)	8.41	18.74	7.73	22.97	26.42
R R/GSDP (<i>per cent</i>)	38.52	41.76	41.09	45.92	46.60
Buoyancy Ratios³					
Revenue Buoyancy w.r.t GSDP*	0.83	1.80	0.76	2.25	2.55
State's Own Tax Buoyancy w.r.t GSDP*	1.04	4.06	0.48	1.26	1.46
Revenue Buoyancy with reference to State's own taxes	0.80	0.44	1.58	1.79	1.77

*Figures for 2006-10 revised due to revision of GSDP by the State Government w.r.t Base Year 2004-05

The Revenue Receipts showed a progressive increase over the period 2006-11 in absolute terms and the growth rate in 2010-11 was 26.42 *per cent* over the previous year. The buoyancy of ratio of own tax to GSDP increased from 1.04 *per cent* in 2006-07 to 1.46 *per cent* in 2010-11.

³ Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance, revenue buoyancy at 0.6 implies that revenue receipts tend to increase by 0.6 percentage points, if the GSDP increases by one *per cent*.

1.3.1 State's Own Resources

As the State's share in central taxes and grants-in-aid are determined on the basis of recommendations of the Finance Commission, collection of central tax receipts and central assistance for plan schemes etc., the State's performance in mobilization of additional resources should be assessed in terms of its own resources comprising revenue from its own tax and non-tax sources. The gross collection in respect of major taxes and duties as well as the components of non-tax receipts vis-à-vis budget estimates during the years from 2006-07 to 2010-11 are presented below:

1.3.2 Trend of tax and non-tax revenue

The tax and non-tax revenue raised by the Government of Jammu and Kashmir and the corresponding figures for the preceding four years are mentioned below:

Table 1.5: Trends of tax revenue and non-tax revenue

	(₹ in crore)				
	2006-07	2007-08	2008-09	2009-10	2010-11
Tax revenue	1,798.97	2,558.18	2,682.96	3027.32	3482.58
Non-tax revenue	632.53	807.98	837.16	955.03	1093.11
Total	2,431.50	3,366.16	3,520.12	3982.35	4575.69

The break-up of tax and non-tax revenue during the period alongwith increase/decrease over 2009-10 (Tables 1.6 and 1.7) and reasons for major variations during the current year are mentioned below:

Table 1.6: Trends of tax revenue

Head of revenue	(₹ in crore)					
	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage increase (+)/ decrease (-) in 2010-11 over 2009-10
Sales tax	1,159.72	1,804.81	1835.99	2145.72 ⁴	2424.52	(+) 13
State excise	212.80	244.15	238.67	293.78	337.24	(+) 15
Stamps and registration fee	56.92	65.62	57.13	69.51	78.58	(+) 13
Taxes and duties on electricity	59.70	93.49	150.76	120.34	147.50	(+) 23
Taxes on vehicles	63.96	72.60	65.47	83.09	115.33	(+) 39
Taxes on goods and passengers	243.16	264.59	271.39	299.43	337.16	(+) 13
Land revenue	2.57	9.58	63.53	15.41	42.03	(+) 173
Other taxes and duties on commodities and services	0.13	3.33	0.01	0.02	0.22	-
Total	1,798.96	2558.17	2682.95	3027.30	3482.58	

⁴ Include ₹ 50 crore representing waiver booked as incentive under MH 2040 by credit to MH-0040 by the Department

1.3.3 Reasons for major variations in tax revenue:

The reasons for variation in receipts for 2010-11 from those of 2009-10 reported by the concerned departments are as under:

Taxes on Sales, Trades etc.	The increase was due to more receipts under VAT.
State Excise	The increase was mainly due to more revenue on account of sale of liquor.
Taxes and duties on Electricity	The increase was corresponding to the increased power tariff under 0801 – Power.
Taxes on vehicles	The increase was mainly due to collection of more receipts under State Motor Vehicles Taxes.
Land Revenue	Increase was mainly due to more collection of Land Revenue.

1.3.4 Reasons for major variations in non-tax revenue

The details of major non-tax revenue raised during the year 2010-11 along with the figures for the preceding four years are mentioned in Table below:

Table 1.7: Trends of non-tax revenue

Head of revenue	2006-07	2007-08	2008-09	2009-10	Budget estimate (BE)	2010-11	Percentage increase (+)/ decrease (-) in 2010-11 over BE
Power	478.94	600.94	629.98	723.64	1208.61	822.09	(-) 32
Interest receipts, dividends and profits	34.02	65.33	56.51	54.80	51.32	67.04	(+) 31
Forest and wild life	18.99	32.20	31.61	37.46	52.63	47.47	(-) 10
Public works	16.16	16.44	16.89	23.87	30.00	23.58	(-) 21
Medical and public health	12.62	13.21	9.92	9.49	14.74	9.40	(-) 36
Water supply and sanitation	10.95	13.64	14.65	13.16	26.70	15.97	(-) 40
Police	6.59	4.21	10.35	12.84	15.05	10.99	(-) 27
Non-ferrous mining and metallurgical industries	9.98	16.43	14.86	25.34	28.15	34.51	(+) 23
Crop husbandry	4.31	4.52	5.00	5.23	5.79	4.53	(-) 22
Animal husbandry	4.75	4.66	4.70	5.13	5.49	5.41	(-) 1
Others	35.22	36.40	42.69	44.07	36.26	52.11	(+) 44
Grand total:	632.53	807.98	837.16	955.03	1474.74	1093.11	(-) 26

The following were the reasons for variations:

Power	The increase in revenue was due to collection of more receipts on account of Power tariff.
Police	The decrease in revenue was mainly due to less collection of revenue under "Other receipts".
Crop Husbandry	The decrease in revenue was mainly due to less receipt of revenue from Horticulture and Vegetable crops.
Medical and Public Health	The decrease was mainly due to less receipt of revenue under Allopathy.
Interest receipts, dividends and profits	The increase was mainly due to receipts of dividends from other investmens as well as under 'other receipts'.
Water supply and sanitation	Increase was mainly due to receipts under Rural water supply as well as fees, fines.
Education, Sports and culture	Increase was due to more receipts on account of University and Higher Education admission fee and tuition/other fess under Technical Education

The State Government, in its MEFS/ MTFPS/ FPSS, estimated for 2010-11 non-tax revenue of ₹ 1475 crore which stood at ₹ 1093 crore at the end of the year, a shortfall of 25.90 per cent.

1.3.5 Variation between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2010-11 in respect of the principal heads of tax revenue are mentioned below:

Table 1.8: Budget estimates and actuals during 2010-11

Head of Revenue	Budget estimates	Actuals	Variations excess (+) shortfall (-)	Percentage of variation increase (+)/ decrease (-)
Tax Revenue (₹ in crore)				
Sales tax	2572.69	2424.52	(-) 148.17	(-) 6
State excise	307.00	337.24	(+) 30.24	(+) 10
Stamps and registration fee	72.73	78.58	(+) 5.85	(+) 8
Taxes on goods and passengers	358.10	337.16	(-) 20.94	(-) 6
Taxes and duties on electricity	214.00	147.50	(-) 66.50	(-) 31
Taxes on vehicles	113.10	115.33	(+) 2.23	(+) 2

There was considerable variation between budget estimates and actuals in respect of taxes and duties on electricity.

1.3.6 Cost of collection

The figures of gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection from 2008-09 to

2010-11 alongwith the relevant all India average percentages for 2009-10 were as follows:

Table 1.9 : Trends of cost of collection

(₹ in crore)

Head of Revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage during the preceding year
Sales tax	2008-09	1835.99	15.30	0.83	0.95
	2009-10	2145.73	73.56 ⁵	3.43	0.88
	2010-11	2424.52	22.17	0.91	0.96
State excise	2008-09	238.67	11.10	4.65	3.34
	2009-10	293.78	12.37	4.21	3.66
	2010-11	337.24	14.38	4.26	3.64
Stamp duty and registration fees	2008-09	57.14	6.04	10.57	3.44
	2009-10	69.51	7.80	11.22	2.77
	2010-11	78.58	12.68	16.14	2.47
Taxes on vehicles	2008-09	65.47	4.73	7.22	2.74
	2009-10	83.10	4.56	5.49	2.93
	2010-11	115.33	5.38	4.66	3.07

Percentage of cost of collection of taxes on vehicles, state excise and stamps and registration fee during 2008-11 was higher than the All India Average cost of collection.

1.3.7 Revenue Arrears

The arrears of revenue, as on 31 March 2011, in respect of the principal heads of revenue as reported by the departments was ₹ 1494 crore of which ₹ 369 crore were outstanding for more than five years as mentioned below:-

Table 1.10

Sl. No	Heads of revenue	Amount outstanding (₹ in crore)		Remarks
		As on 31 March 2011	for more than five years	
1.	Taxes on Sales/VAT, Trades etc.	1426.38	351.59	Out of arrears, recovery of ₹ 42.78 crore stayed by courts/Appellate authorities/proposed for recovery as arrears of land revenue.
2.	State excise	4.76	4.76	
3.	Motor spirit tax	0.77	-	
4.	Passenger tax	33.29	1.65	
5.	Entertainment Tax	0.20	0.20	
6.	Toll Tax	28.93	10.61	Out of the total arrears, recovery of ₹ 24.10 crore was stayed by courts/Appellate authorities.
	Total	1494.33	368.81	

(Source: Figures supplied by the Department)

⁵ Include ₹ 50 crore representing waiver booked as incentive under MH 2040 by credit to MH-0040 by the Department

1.3.8 Loss of Revenue due to Evasion of Taxes, Write off/waivers and Refunds

The details of cases of evasion of tax detected by the departments, cases finalized and demands raised as reported by the department concerned are mentioned below:-

Table 1.11

Department	Number of cases					
	Pending as on 31 March 2010	Detected during 2010-11	Total	in which assessments/ investigation completed and additional demand including penalty etc. raised during 2010-11		Pending as on 31 March 2011
				Cases	(₹ in lakh)	
Commercial Tax Department	210	7918	8128	6425	273.86	1703
Passenger Tax	01	-	01	-	-	01
State Excise	Nil	2005	2005	2005	2.13	Nil

The progress of recovery of amount demanded after completion of investigation including penalty imposed was not intimated (October 2011).

1.3.9 Refund

The number of refund cases pending at the beginning of the year 2010-11, claims received during the year, refunds allowed during the year and cases pending at the close of the year (March 2011), as reported by the concerned departments, are mentioned below:-

Table 1.12: Refunds of sales tax claims

(₹ in crore)

Particulars	2006-07		2007-08		2008-09		2009-10		2010-11	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Claims outstanding at the beginning of the year	13	0.11	57	3.19	85	3.35	13 ⁶	13.75	10	12.80
Claims received during the year	55	3.15	47	0.77	19	0.19	NIL	NIL	-	-
Refunds made during the year	11	0.07	19	0.61	1	-	3	0.95	01	1.60
Balance outstanding	57	3.19	85	3.35	103	3.54	10	12.80	09	11.20

1.4 Application of resources

Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is, therefore, important to ensure that the ongoing fiscal correction and consolidation process at the State level is not at the

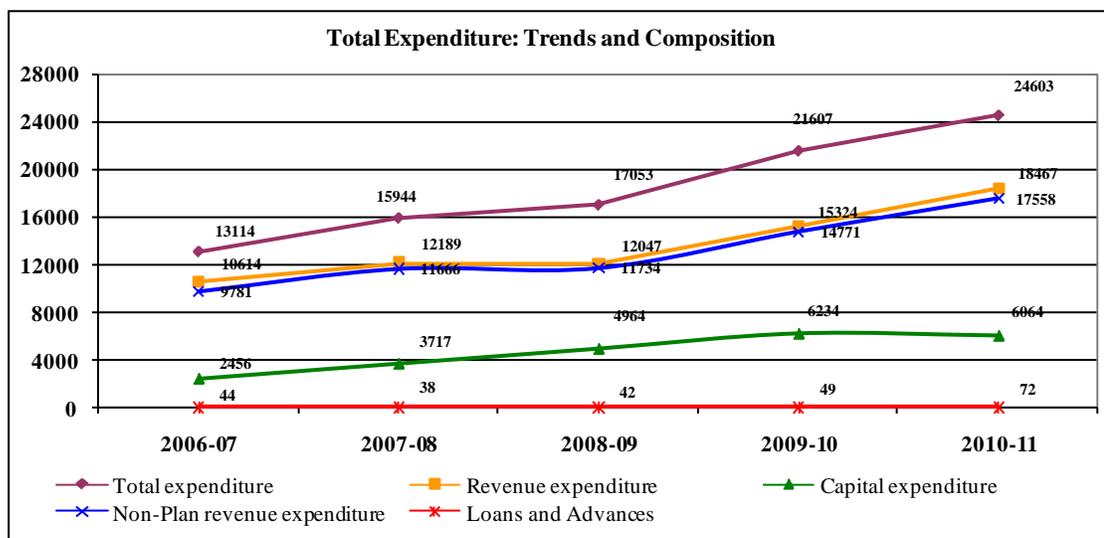
⁶ Difference with previous years closing balance figures not intimated by the Department.

cost of expenditure, especially expenditure directed towards development and social sectors.

1.4.1 Growth and Composition of Expenditure

Chart 1.4 presents the trends in total expenditure over a period of five years (2006-11). The composition of total expenditure, both in terms of 'economic classification' and 'expenditure by activities' is depicted respectively in **Charts 1.5 and 1.6**.

Chart 1.4



As can be seen from the above Chart, the total expenditure of the State increased from ₹ 13,114 crore in 2006-07 to ₹ 24,603 crore in 2010-11 (88 per cent). In relative terms, capital and revenue expenditure components have increased by 147 per cent and 74 per cent, respectively during the period 2006-11.

The total expenditure, its annual growth rate, the ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 1.13**.

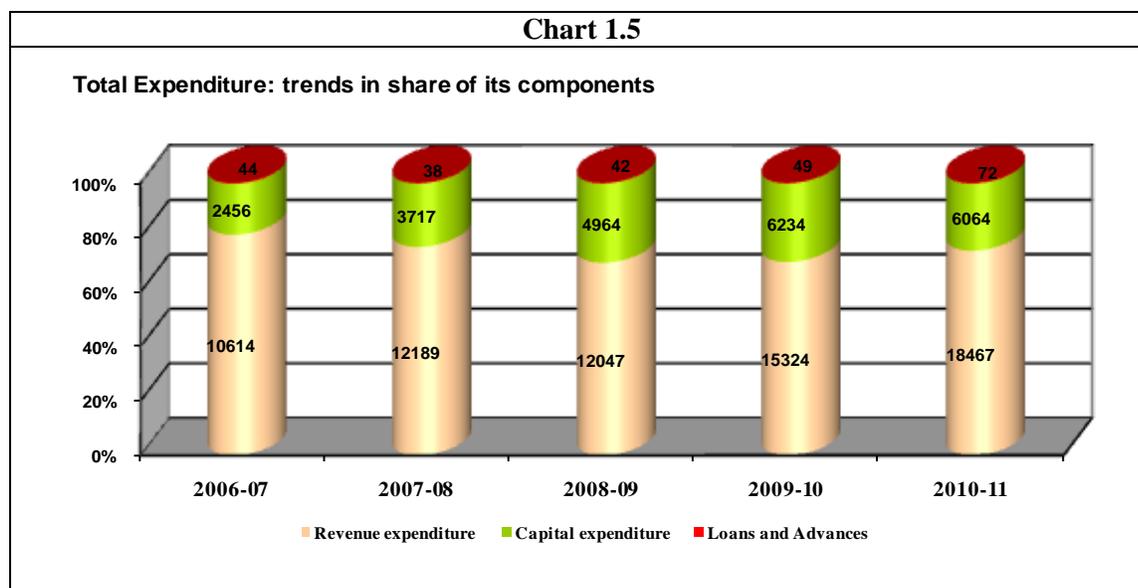


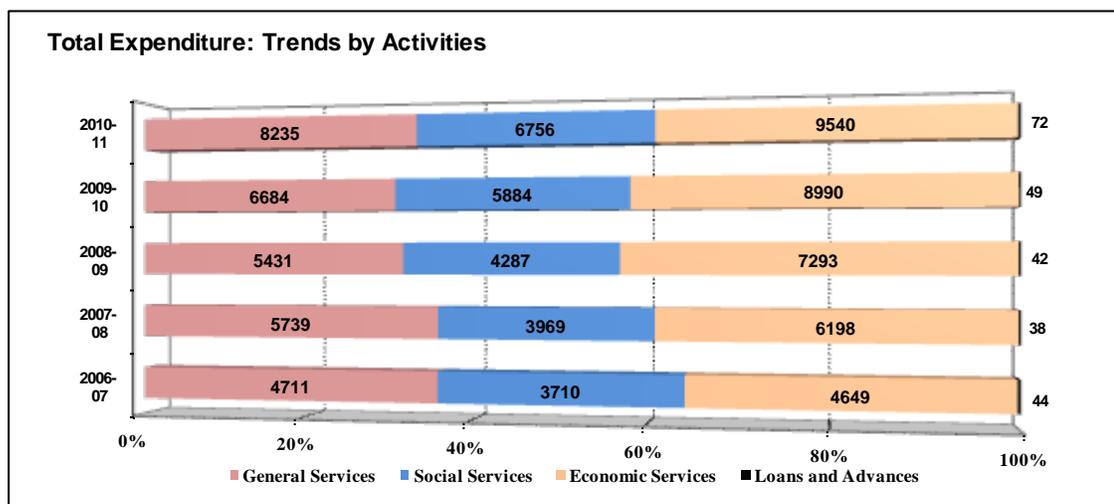
Table 1.13: Total Expenditure – Basic Parameters

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Total Expenditure (TE) (₹ in crore)	13114	15944	17053	21607	24603
Rate of growth (<i>per cent</i>)	0.92	21.58	6.96	26.70	13.87
TE/GSDP ratio (<i>per cent</i>)	40.64	44.76	43.47	49.97	51.57
RR/TE ratio (<i>per cent</i>)	85.27	83.27	83.87	81.40	90.37
Buoyancy of Total Expenditure with reference to:					
GSDP (ratio)	0.09	1.68	0.36	1.94	0.98
RR (ratio)	0.11	1.15	0.9	1.16	0.52

In absolute terms increases were of the order of ₹ 3608 crore in capital expenditure and ₹ 7853 crore in revenue account during the period under report. Increase of ₹ 2996 crore in the total expenditure (14 *per cent*) during 2010-11 over the previous year has been due to increase of ₹ 3143 crore under revenue head, accompanied by a marginal increase of ₹ 23 crore in disbursement of loans and advances off set by decrease of ₹ 170 crore in capital expenditure. Decrease in capital expenditure was mainly under Social Service (₹ 84 crore), Economic Services (₹ 305 crore) with a corresponding increase of ₹ 219 crore under General Services.

Out of the total expenditure of ₹ 24603 crore during 2010-11, ₹ 6639 crore was spent under plan component and ₹ 17892 crore under non-plan component. The expenditure under plan component decreased by ₹ 49 crore (one *per cent*) from ₹ 6688 crore in 2009-10 to ₹ 6639 crore in 2010-11, while under non-plan component there was an increase of ₹ 3022 crore (20 *per cent*) from ₹ 14870 crore in 2009-10 to 17892 crore in 2010-11.

Chart 1.6



Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. Revenue expenditure had a predominant share in the total expenditure.

Table: 1.14

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Revenue Expenditure (RE) (₹ in crore)	10614	12189	12047	15324	18467
<i>Of which</i>					
Non-Plan Revenue Expenditure (NPRE)	9781	11666	11734	14771	17558
Plan Revenue Expenditure (PRE)	833	523	313	553	909
Rate of Growth of					
RE (per cent)		14.84	-1.16	27.20	20.51
NPRE (per cent)		19.27	0.58	25.88	18.87
PRE (per cent)		-37.21	-40.15	76.68	64.38
Ratio (per cent)					
RE as percentage of TE	80.94	76.45	70.64	70.92	75.06
NPRE/GSDP (per cent)	30.31	32.75	29.91	34.16	36.80
NPRE as percentage of TE	74.58	73.17	68.81	68.36	71.37
NPRE as percentage of RR	87.47	87.87	82.04	83.98	78.97
Buoyancy Ratio of Revenue Expenditure with					
GSDP	0.69	1.43	-0.11	2.66	1.98
Revenue Receipts	0.83	0.79	-0.15	1.18	0.78

The overall revenue expenditure of the State increased from ₹ 10614 crore in 2006-07 to ₹ 18467 crore in 2010-11 showing an increase of 74 per cent over the period. The non-plan revenue expenditure during the same period increased from ₹ 9781 crore to ₹ 17558 crore, showing an increase of 80 per cent. The share of NPRE in the total revenue expenditure increased from 92 per cent in 2006-07 to 95 per cent in 2010-11. The NPRE

of ₹ 17558 crore during 2010-11 was higher than the budget estimates (₹ 17455 crore) of the State Government by ₹ 103 crore.

The fiscal indicators as projected by the State Government in its MEFS/ MTFPS/ FPSS are tabulated below:

Table 1.15

(₹ in crore)

Particulars	Projections	Actuals
Non-plan expenditure	21047	17892
Interest payments	2251	2283
Wages and Salaries	13173	7772
Pension payment	2031	2242

1.4.2 Committed Expenditure

The committed expenditure of the State Government on revenue account mainly consists of interest payments, expenditure on salaries and wages, pensions and subsidies. **Table 1.16** present the trends in the expenditure on these components during 2006-11.

Table-1.16: Components of Committed Expenditure

(₹ in crore)

Components of Committed Expenditure	2006-07	2007-08	2008-09	2009-10	2010-11
Salaries & Wages , <i>Of which</i>	3995 (35.73)	4426 (33.34)	4820 ⁷ (33.70)	6365 ⁸ (36.18)	7772 ⁹ (34.96)
<i>Salaries Non-Plan Head</i>	3467	4170	4682	6095	7467
<i>Salaries Plan Head</i>	528	256	138	233	305
Interest Payments	1787 (15.98)	2436 (18.35)	1578 (11.03)	2139 (14)	2283 (10.26)
Pensions	1021 (9.13)	1193 (8.99)	1269.40 (8.89)	1568 (8.91)	2242 (10.08)
Subsidy		17.63	28.68	35.60	74.51 (0.34)

(Figures in parenthesis represent percentage of revenue receipts.)

Expenditure on salary and wages increased by 22 per cent over the pervious year, against an increase of revenue receipt of 26 per cent. Likewise, there was 23 per cent increase in non-plan salary expenditure, whereas expenditure under plan heads increased by 31 per cent. There was also increase in interest payment as compared to the previous year. The figures of subsidy allowed by the State Government upto 2006-07 were not made available by the State Government. However, this data was maintained by the office of the Principal Accountant General from 2007-08. The subsidy also increased by 109 per cent during 2010-11 over the previous year.

⁷ Salary: ₹ 4772 crore, Wages: ₹ 48 crore

⁸ Salary: ₹ 6328 crore, Wages: ₹ 37 crore

⁹ Salary: ₹ 7722 crore; Wages: ₹ 50 crore

1.4.3 Financial Assistance by State Government to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to autonomous bodies by various departments of the State Government during the current year relative to the previous years is presented in **Table 1.17**

Table 1.17: Financial Assistance to Local Bodies etc

(₹ in crore)

Name of the Department	2006-07	2007-08	2008-09	2009-10	2010-11
Education and sports	88.01	116.45	113.93	521.66	171.84
Housing and Urban Development	135.49	146.05	170.82	217.01	253.98
Agriculture	72.90	60.72	80.60	138.63	203.47
Art and culture	7.32	7.93	9.43	-	-
General Administration	2.95	4.66	4.20	11.14	6.13
Industries	5.25	7.05	7.04	25.53	11.66
Tourism	5.06	5.24	15.06	71.17	150.40
Administration of Justice	1.63	2.26	3.30	3.32	3.67
Health and Family welfare	0.44	0.64	-	0.47	0.36
Others	11.83	9.86	146.02	442.27	644.76
Total	330.88	360.86	550.40	1431.20	1446.27
Assistance as a percentage of Revenue expenditure	3.12	2.96	4.57	9.34	7.83

The total assistance of ₹ 1446.27 crore paid in 2010-11 increased by 337 *per cent* over the level of 2006-07, and by one *per cent* as compared to the previous year. The assistance categorised as 'others' comprised mainly the assistance to Ladakh Autonomous Hill Development Councils, Leh (₹ 220 crore) and Kargil (₹ 196 crore). Around 44 *per cent* of the financial assistance was provided for Education and sports, Housing and Urban Development and Agriculture sectors during 2010-11.

1.5 Quality of Expenditure

The availability of better social and physical infrastructure in the State generally reflects the quality of its expenditure. The improvement in the quality of expenditure basically involves three aspects, viz., adequacy of the expenditure (i.e. adequate provisions for providing public services), efficiency of expenditure (use), and the effectiveness (assessment of outlay-outcome relationships for select services).

1.5.1 Efficiency of Expenditure Use

In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the State Governments to take appropriate expenditure rationalization measures and lay emphasis on provision of

core public and merit goods¹⁰. Apart from improving the allocation towards development expenditure¹¹, particularly in view of the fiscal space being created on account of decline in debt servicing in recent years, the efficiency of expenditure use is also reflected by the ratio of capital expenditure to total expenditure (and/or GSDP) and proportion of revenue expenditure being spent on operation and maintenance of the existing social and economic services. The higher the ratio of these components to total expenditure (and/or GSDP), the better would be the quality of expenditure. While **Table 1.18** presents the trends in development expenditure relative to the aggregate expenditure of the State during the current year vis-à-vis budgeted and the previous years, **Table 1.19** and **Chart 1.7** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

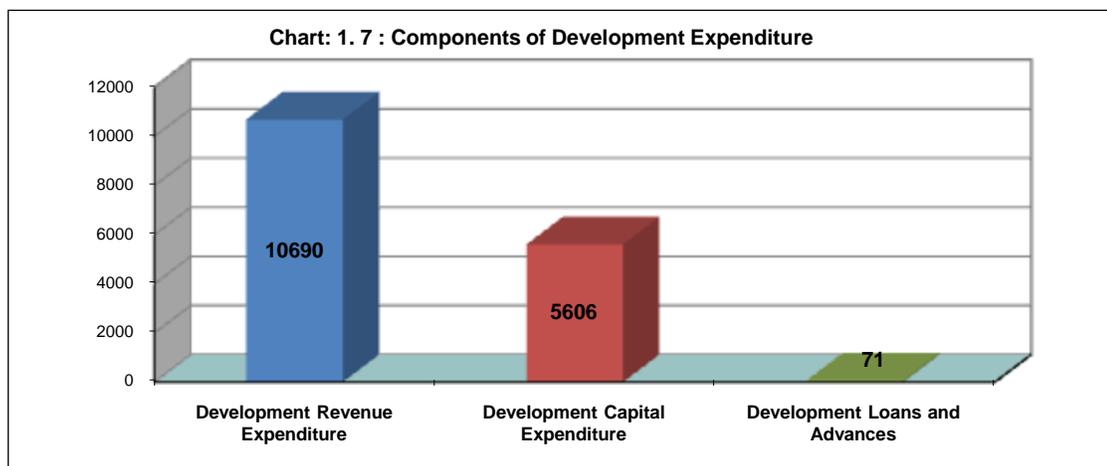
Table-1.18: Development Expenditure

(₹ in crore)

Components of Development Expenditure	2006-07	2007-08	2008-09	2009-10	2010-11	
					BE	Actuals
Development Expenditure						
a. Development Revenue Expenditure	5960 (45)	6565 (41)	6775 (40)	8879 (41)	10240	10690 (43)
b. Development Capital Expenditure	2399 (18)	3602 (23)	4805 (28)	5995 (28)	5772	5606 (23)
c. Development Loans and Advances	44 (*)	38 (*)	42 (*)	49 (*)	90	71
<i>Figures in parentheses indicate percentage to aggregate expenditure (₹24,603 crore) * negligible</i>						

¹⁰ Core public goods are those which all citizens enjoy in common in the sense that each individual's consumption of such a good leads to no subtractions from any other individual's consumption of that good, e.g. enforcement of law and order, security and protection of our rights; pollution free air and other environmental goods and road infrastructure etc. *Merit goods* are commodities that the public sector provides free or at subsidized rates because an individual or society should have them on the basis of some concept of need, rather than ability and willingness to pay the government and therefore wishes to encourage their consumption. Examples of such goods include the provision of free or subsidized food for the poor to support nutrition, delivery of health services to improve quality of life and reduce morbidity, providing basic education to all, drinking water and sanitation etc.

¹¹ The analysis of expenditure data is disaggregated into development and non-development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorized into social services, economic services and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.



The aggregate of development expenditure under both Revenue and Capital heads varied between 63 and 69 *per cent* during the above period. In absolute terms, it increased from ₹ 14874 crore in 2009-10 to ₹ 16296 crore in 2010-11 registering an increase of ₹ 1422 crore (10 *per cent*). The reasons for huge variations of Development Capital Expenditure (DCE) with budget estimates was not intimated by the State Government.

Table 1.19 –Efficiency of Expenditure Use in Selected Social and Economic Services

(In per cent)

Social/Economic Infrastructure	2009-10			2010-11		
	Ratio of CE to TE	In RE, the share of		Ratio of CE to TE	In RE, the share of	
		S&W	O&M		S&W	O&M
Social Services (SS)						
General Education	12.06	79.55	-	15.84	75.71	0.10
Health and Family Welfare	25.81	81.40	0.24	23.31	83.97	0.96
WS, Sanitation & HUD	50.18	50.50	1.96	32.98	51.75	3.68
Others	32.29	12.70	0.30	32.51	15.46	0.28
Total	27.64	65.85	0.45	22.83	66.44	0.91
Economic Services (ES)						
Agriculture and Allied Activities	27.50	79.00	0.78	34.08	78.69	0.16
Irrigation and Flood Control	61.13	75.52	0.30	55.38	76.80	7.96
Power and Energy	27.31	10.70	0.06	29.64	11.31	0.97
Transport	96.56	2.30	2.32	87.82	0.88	31.06
Others	64.22	51.01	1.68	49.74	52.65	0.25
Total (ES)	48.60	32.95	0.48	42.60	33.30	1.86
Total (SS+ES)	40.31	43.92	0.46	34.40	49.46	1.40

TE: Total Expenditure on respective Services; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operation and Maintenance

The ratio of capital expenditure to total expenditure in Social and Economic Service Sectors during 2010-11 showed a decrease over the previous year. In the revenue expenditure the salary and wages formed the major component within the Social and Economic Services. The share of salary and wage in these sectors instead of coming down had increased during 2010-11 as compared to the previous year. However, the share of operation and maintenance expenditure within the sectors had increased over the previous year which was encouraging.

1.5.2 Effectiveness of the Expenditure, i.e. Outlay-Outcome Relationship

Besides stepping up the expenditure on key social and economic services, enhancing human development requires the State to improve the delivery mechanism to obtain the desired outcomes. The State Government is expected to relate expenditure to outcomes in terms of quality, reach and the impact of government expenditure. Five reviews under Social and Economic services were taken up and figured in the separate Report of the Comptroller and Auditor General of India ended 31 March 2011 (Report No. 2).

1.6 Financial Analysis of Government Expenditure and Investments

In the post-Fiscal Responsibility Budget Management (FRBM) framework, the State is expected to keep its fiscal deficit (and borrowing) not only at low levels but also meet its capital expenditure/investment (including loans and advances) requirements out of the reserves. In addition, in a transition to complete dependence on market based resources, the State Government needs to initiate measures to earn adequate return on its investments and recover its cost of borrowed funds rather than bearing the same on its budget in the form of implicit subsidy and take requisite steps to infuse transparency in financial operations. This section presents a broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year vis-a-vis previous years.

1.6.1 Financial Results of Irrigation Works

The total capital outlay on six irrigation projects¹² as on 2010-11 was ₹ 271.67 crore. Financial results of these projects for the year 2010-11 showed that against the revenue realisation of ₹ 56.80 lakh (forming only 0.21 *per cent* of the total capital outlay), working expenses aggregated ₹ 175.72 lakh resulting in loss of ₹ 118.92 lakh. After taking into account further expenditure of ₹ 113.98 lakh, paid as interest on the capital outlay, the total loss aggregated ₹ 232.90 lakh.

1.6.2 Incomplete projects

The department-wise information pertaining to incomplete projects as on 31st March 2011 is given in **Table 1.20**.

¹² Kathua Feeder, Pratap Canal, Ranbir Canal, Martand Canal, Zaingir Canal and Ahizi Canal.

Table 1.20: Department-wise Profile of Incomplete Projects

(₹ in lakh)

Department	No. of Incomplete Projects	Initial Budgeted Cost	Revised Total Cost of Projects	Cost Over Runs	Cum. Actual expenditure as on 31.3.2011
Public works*	60	21640.59	21890.94	-	17428.35
Power Development	01	725.64	-	-	-
Irrigation and Flood Control	01	1061.22	-	-	1049.69
Public Health Engineering	29	11250.11	-	-	8276.30
Sewerage and Drainage	02	281.50	-	-	188.56

*Does not include incomplete projects under R&B Kashmir due to non-receipt of information.

Thus 93 projects which should have been completed by March 2011 were incomplete despite expenditure of ₹ 269.43 crore.

1.6.3 Payments made to labour mates

Paragraph 200 of the State Public Works Account Code (PWAC) prohibits payment of daily labour through a contractor, instead of by muster roll for making payment to labourers engaged on works. The paragraph, however, envisages that in case of emergency it may not be possible to employ labour otherwise than through a contractor, it is expedient to pay the contractor, at suitable rates, on the basis of work actually executed. The contractor is paid on the basis of number of labourers employed each day, his own profit or commission being either included in the rates allowed, or paid separately in lump sum or at a percentage rate. When this course is adopted, a report of the numbers of labourers of each class employed on each day should be made by the subordinate in charge of the work daily to the Sub-divisional officer to enable the latter to keep a check on the expenditure and to deal with the contractors claim when received.

The Executive Engineers of various divisions involved in works are engaging labourers through mates (contractors) for execution of works without resorting to tendering process and huge sums of money are paid to these mates through the medium of Hand Receipts (Form-28) – an instrument which is usually meant for making petty and emergent kind of payment. On reference to the departments through usual audit memos, the executing departments attribute execution through labour contractors to works being of emergent nature.

Usually the payments are drawn from the treasury through self cheques (cheques for the chest) and paid to the subordinate officers as temporary advances for making payments to labour contractors. The subordinate officers after making the payments submit adjustment accounts against such advances.

Test check of records of 78 (R&B: 24; Electric: 21; Irrigation & FC: 19; PHE: 14) Divisions executing works showed that works amounting to ₹ 62.85 crore had been got

executed through labour mates out of the total works expenditure of ₹ 473.52 crore incurred during March 2011 alone. The payment on Hand Receipts varied in the range of one to 90 per cent.

The percentage range is categorized hereunder.

<i>S.No</i>	<i>Percentage Range</i>	<i>Number of Divisions</i>
1.	1-25	62
2.	26-50	11
3.	50-75	2
4..	75-90	3

Use of Hand Receipts was significantly high in five executing Divisions namely Estates Division Jammu: 80 per cent, FC Division, Akhnoor: 90 per cent, PHE City-II, Jammu: 78 per cent, Irrigation Division, Udhampur: 57 per cent and Irrigation Division, Akhnoor: 52 per cent.

Impact of the action of the Divisions

Action of the Executive Engineers of the Divisions taking recourse to employing labour mates for execution of works:

- *tantamount to subversion of the tendering procedure by which competitive rates could be obtained.*
- *Cartelization of labour mates resulting payment of higher rates cannot be ruled out*
- *Deposits otherwise retained from the contractors for works cannot be deducted to safeguard against the quality of work executed by the mates.*
- *Income Tax deductions @ 2.24 per cent are being made in most of the cases. The deductions of 10.5 per cent on account of Service Tax (ST) are, however, not being effected from such bills/payments. Non-deduction of ST in these cases has put the public exchequer to a loss of ₹ 6.60 crore in one month (March 2011) only.*

Response of the Government

On constant persuasion and repeatedly pointing out in the review meetings held with the State functionaries, the State Government issued circular instructions to all the executing divisions under Government Order of August 2011 to dispense with the use of Hand Receipts for the works executed by them. The impact of the circular instructions on the execution of works and the mode of payment was yet to be ascertained.

A Chief Controlling Officer (CCO) based review of the Public Works Department was conducted during 2010-11 and is included in the CAG's Audit Report (Report No 2) for the year ended 31 March 2011, Jammu and Kashmir. The highlights of the review are summarised as under;

The State Roads and Buildings Department is mandated with the construction and maintenance of roads, bridges and buildings in the State in Government sector. Sufficient funds are being poured in the sector through both State and Centrally Sponsored Schemes. Despite huge spending in the sector, the outcome has not been up to the mark primarily due to non-prioritization of schemes, taking up of unapproved schemes for execution and incurring huge sums on execution without ensuring that the land on which the works are being executed are free from all encumbrances. Brief audit findings are as;

- *No comprehensive road planning policy was in place in the State. Planning of works was not upto the mark.*
- *Delay in release of funds was seen at all the levels which impacted the programme implementation.*
- *Diversion of ₹16.30 crore to other schemes impacted the schemes for which the funds were meant. Unauthorised liability of ₹110.82 crore had been created due to execution of unapproved works.*
- *Shortfall in achievement of targets was witnessed in all the programmes. Unrealistic estimation led to cost over-run over the original estimates in 1803 road works. Cost overrun of ₹27.52 crore was witnessed in 98 roads and 45 building works. Also, time over-run of one to nine years was seen in 167 road and 220 building works.*
- *Works taken up on disputed sites resulted in blocking of ₹148.43 crore on 113 road and 56 building works. 59 works had been split at different levels to avoid sanction of the higher authority.*
- *Due to non-procurement of sufficient construction material, eight executing divisions spent ₹ 62.47 crore on procurement of material from the open market and incurred an extra expenditure of ₹1.04 crore.*
- *Internal control mechanism, monitoring and quality control of works were virtually non-existent.*

1.6.4 Investment and returns

As of 31 March 2011, Government had invested ₹ 470.78 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.21**). The average return on such investments during the five years (2006-11) was 9.62 per cent while the Government paid an average interest rate of 8.97 per cent on its borrowings during these years.

Table-1.21: Return on Investment

Investment/Return/Cost of Borrowings	2006-07	2007-08	2008-09	2009-10	2010-11
Investment at the end of the year (₹ in crore)	355.77	356.97	364.61	422.82	470.78
Return (₹ in crore)	21.22	30.24	40.85	44.16	56.71
Return (per cent)	5.96	8.47	11.20	10.44	12.05
Average rate of interest on Government borrowing (per cent)	10.09	12.19	6.91	8.07	7.61
Difference between interest rate and return (per cent)	(-) 4.13	(-) 3.72	4.29	2.37	4.44

As on 31 March 2011, the State Government had invested ₹ 470.78 crore in its Statutory Corporations (₹ 186.91 crore), Government Companies (₹ 254.23 crore), Joint Stock Companies (₹ 0.34 crore) and Cooperative Societies (₹ 22.83 crore), others (₹ 6.47 crore). Return on the investment made in these PSUs ranged between ₹ 21.22 crore and ₹ 56.71 crore during 2006-11. The return on investment amounting to ₹ 56.71 crore which accrued to the State Government during 2010-11 was entirely from the Jammu and Kashmir Bank Limited. The average return of interest on Government borrowings during 2006-10 was 9.32 per cent which was reduced to 7.61 per cent in 2010-11.

As on 31 March 2011, there were 21 Government companies (18 working and three¹³ non-working¹⁴ companies) and three Statutory corporations (all working) under the control of the State Government. The total capital investment made by the State Government in the working PSUs at the end of March 2011 was ₹ 438.92 crore.

The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2011.

Table 1.22

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Number of Working PSUs	20	20	20	20	21
Number of accounts finalised during the year	12	12	15	10	34
Number of accounts in arrears	211	219	224	236*	223
Average arrears per PSU (3/1)	10.55	10.95	11.20	11.70	10.62
Number of Working PSUs with arrears in accounts	19	19	19	19	19
Extent of arrears	2 to 19	3 to 19	4 to 19	4 to 20	4 to 20

*Includes two accounts received from a new Company viz., J&K Bank Financial Services, for the years 2008-09 and 2009-10, not earlier included as accounts in arrears

Of these, only one PSU viz., Jammu and Kashmir Bank Ltd., had finalized the accounts for 2010-11.

During the year one more PSU viz., Jammu and Kashmir Bank Financial Services Limited was established and three accounts pertaining to the years 2008-09, 2009-10 and 2010-11 (including two pre-incorporation accounts) were received and finalized.

Most of the working PSUs had failed to finalise even one account in each year causing accumulation of the arrears. The main reasons for non-finalisation of the accounts by the PSUs noticed during audit were non-constitution of the Boards, non-holding of regular Board meetings, delay in finalization of accounts by the Statutory Auditors and lack of trained staff. In addition to the above, there were also the arrears in finalisation of

¹³ Himalayan Wool Combers Limited, Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalayan Wool Combers Limited) and Tawi Scooters Limited.

¹⁴ Non-working company is one which is under the process of liquidation/merger, etc.

accounts by non-working PSUs. Though the concerned Administrative Departments and Officials of the Government were informed every quarter by Audit regarding arrears in finalization of accounts but no remedial measures were taken. As a result of this, net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up with the State Finance Secretary in April 2011 to expedite the backlog of arrears in accounts in a time bound manner.

1.6.5 Loans and advances by State Government

In addition to investments in co-operative societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organizations. **Table 1.23** presents the position of loans and advances advanced/outstanding as on 31 March 2011, interest receipts vis-a-vis interest payments during the last three years.

Table 1.23: Average Interest Received on Loans Advanced by the State Government

Quantum of Loans/Interest Receipts/ Cost of Borrowings	(₹ in crore)		
	2008-09	2009-10	2010-11
Opening Balance	980.20	1018.92	1066.42
Amount advanced during the year	42.41	49.12	71.63
Amount repaid during the year	3.69	1.62	1.50
Closing Balance	1018.92	1066.42	1136.55
<i>Of which Outstanding balance for which terms and conditions have been settled</i>			
Net addition	38.72	47.50	70.13
Interest Receipts	9.92	5.07	3.00
Interest receipts as <i>per cent</i> to outstanding Loans and advances	0.97	0.47	0.26
Interest payments as <i>per cent</i> to outstanding fiscal liabilities of the State Government.	6.91	8.07	7.61
Difference between interest payments and interest receipts (<i>per cent</i>)	5.94	7.60	7.35

During the current year, the State Government advanced loans and advances of ₹ 71.63 crore under Social Services (₹ 28.16 crore), Economic Services (₹ 42.88 crore) and to Government servants (₹ 0.59 crore). The recipients under Economic Services were the Jammu and Kashmir Industries Limited - a State Government Company (₹ 12.88 crore) and the J&K State Road Transport Corporation (₹ 30 crore).

Total loans and advances outstanding as on 31 March 2011 stood at ₹ 1136.56 crore, which included ₹ 1006.82 crore on account of Economic Services, ₹ 109.85 crore on Social Services and ₹ 19.89 crore outstanding against the Government servants etc. Within Economic Services, Major part of the loan was outstanding against J&K State Horticulture Produce Marketing and Processing Corporation Limited (₹ 12.67 crore), Bhagliar Power Project (₹ 85.05 crore), Industries and Minerals Limited (₹ 459.97 crore) and J&K State Road Transport Corporation (₹ 369.74 crore). The recoveries effected

during 2010-11 were ₹ 1.50 crore which was made mostly out of loans paid to Government servants (₹ 1.01 crore).

1.6.6 Cash Balances and Investment of cash balances

In terms of Section 20 of the RBI Act 1934, RBI has the obligation to undertake the receipts and payments of the Central Government and to carry out the exchange, remittance and other banking operations, including the management of the public debt of the Union. Further, as per Section 21 of the said Act, RBI has the right to transact Government business of the Union in India.

State Government transactions are carried out by RBI in terms of the agreement entered into with the State Governments in terms of section 21 A of the Act. As of March 2011, such agreements exist between RBI and all the State Governments except the Government of Jammu and Kashmir. The Jammu and Kashmir Government obtained temporary loan from Jammu and Kashmir Bank for its ways and means requirements. The State Government raised temporary loan from the Bank for all the 365 days during the year. The maximum temporary loan obtained was ₹ 2694.25 crore as on 30 June 2010. The total temporary loans raised during the year amounted to ₹ 1847.42 crore. A balance of ₹ 2965.06 crore was also outstanding as on 1st April 2010. Government repaid ₹ 4812.48 crore during the year leaving a *nil* balance as of 31 March 2011. During the year 2010-11, ₹ 227.71 crore was paid as interest by the Government.

The State Government has switched over its ways and means transactions with RBI with effect from 01 April 2011 and accordingly liquidated overdraft with Jammu and Kashmir Bank in full on 31 March 2011 and the credit balance of ₹ 21.05 crore as on 31.03.2011 in the Bank has been taken as cash in Bank under cash balances of State Government.

The cash balances of the State Government increased by ₹ 32.75 crore during 2010-11 as compared to the previous year. Details of ₹ 37.39 crore investments held in the cash balance investment Account were not intimated by the State Government as it continued in the books for over 12 years.

1.7 Assets and Liabilities

1.7.1 Growth and composition of Assets and Liabilities

In the existing Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.4** gives an abstract of such liabilities and the assets as on 31 March 2011 compared with the corresponding position on 31 March 2010. While the liabilities as shown in this Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances

given by the State Government and cash balances. **Appendix 1.4** shows that the liabilities and assets grew by seven *per cent* and 15 *per cent* respectively. The liabilities of the State Government depicted in the Finance Accounts, however, do not include future liabilities on account of pension and other retirement benefits payable to retired State employees, guarantees/letters of comforts issued by the State Government. The projection made by State Government in its Macro Economic Framework Statement (MEFS)/Medium Term Fiscal Policy Statement (MTFPS)/Fiscal Policy Strategy Statement (FPSS) are tabulated below:

Table 1.24

(*₹ in crore*)

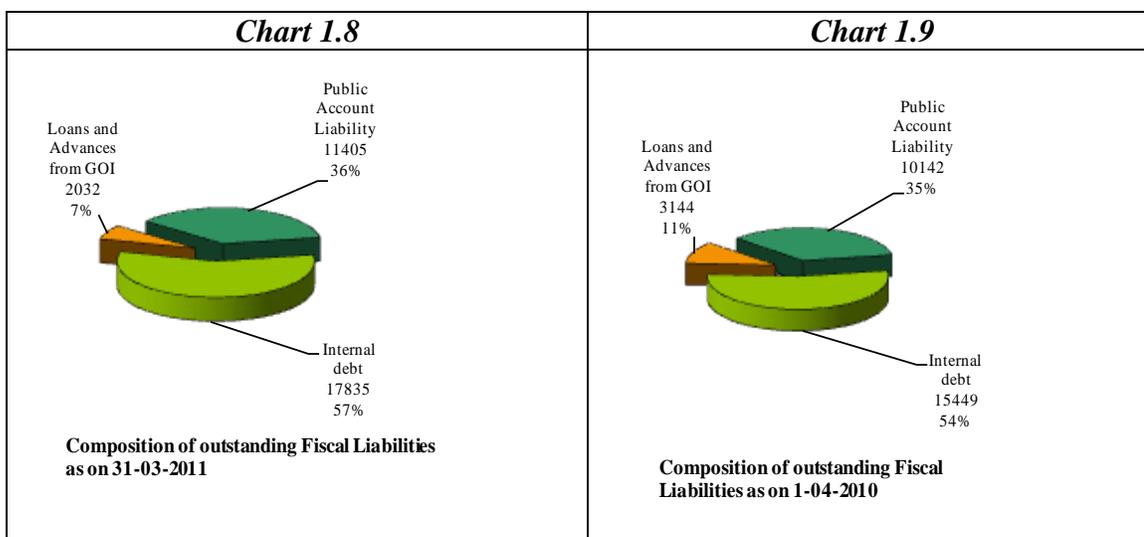
Particulars	Projections	Actual
Total liabilities/GSDP ratio	48.27	65.55
Total liabilities/TRR	116.53	140.65
Total liabilities/State own receipts	18.48	683.39

(TRR: Total Revenue Receipts)

The reasons of variations were not on record.

1.7.2 Fiscal Liabilities

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State. It includes market loans, special securities issued by RBI and loans and advances from the Central Government. Other liabilities, which are a part of Public Account, include deposits under small savings scheme, provident funds and other deposits. The trends in outstanding fiscal liabilities of the State are presented in **Appendix 1.3**. The composition of fiscal liabilities during the current year *vis-à-vis* the previous year are presented in **Charts 1.8** and **1.9**.



The overall fiscal liabilities of the State increased from ₹ 28735 crore in 2009-10 to ₹ 31272 crore in 2010-11. The fiscal liability GSDP ratio of the State was however 66 *per cent* at the end of 31 March 2011.

In absolute terms the growth rate of fiscal liabilities was 8.83 *per cent* during 2010-11 over the previous year. However, the ratio of fiscal liabilities to GSDP decreased from 66.46 *per cent* in 2009-10 to 65.55 *per cent* in 2010-11. The buoyancy of these liabilities with respect to GSDP during the year was 0.85 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew 0.85 times. These liabilities stood at 1.41 times of the State's revenue receipts and 6.83 times of its own resources.

1.7.3 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. As per Statement 6 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees for the last three years is given in **Table 1.25**.

Table-1.25: Guarantees given by the Government of –Jammu and Kashmir State

Guarantees	2008-09	2009-10	2010-11
Max amount guaranteed (₹ in crore)	3295	4748	4750
Outstanding amount of guarantees (₹ in crore)	2536	3037	2708
Percentage of maximum amount guaranteed to total revenue receipts	23.04	26.99	21.36

As per the recommendations of the Twelfth Finance Commission (TFC), the States were to create guarantee redemption fund for the guarantees provided by it to various financial institution for grant of loans to various bodies in the State. The Government transferred only ₹ one crore during 2010-11 to guarantee redemption fund. It was, however, noticed that Government has guaranteed loans raised by various Corporations and others, which at the end of 2010-11 stood at ₹ 2708 crore (including interest), indicating decrease by about 11 *per cent* over the level of previous year. The outstanding amount of guarantees was about 12 *per cent* of revenue receipts of the State. As per TFC the states were to set up guarantee redemption fund through earmarked guarantee fee. An amount of ₹ 10 lakh has been received as guarantee fee during 2010-11.

1.8 Debt Sustainability

The Debt sustainability is the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt, therefore, also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. Therefore, rise in fiscal deficit should match with the increase in capacity to service the debt.

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt x rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

The sustainability of debt of the Jammu and Kashmir State Government in terms of debt stabilization, sufficiency of non-debt receipts¹⁵, net availability of borrowed funds¹⁶, burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.26** analyzes the debt sustainability of the State according to these indicators for the period of five years beginning from 2006-07.

Table 1.26: Debt Sustainability: Indicators and Trends

(₹ in crore)

Indicators of Debt Sustainability	2006-07	2007-08	2008-09	2009-10	2010-11
Debt Stabilization (Quantum Spread + Primary Deficit)	(-) 126	(-) 562	(-) 1027	(-) 1328	703
Sufficiency of Non-debt Receipts (Resource Gap) ₹ in crore	833	2095	1027	3285	4646
Net Availability of Borrowed Funds	16	329	1343	2310	254
Burden of Interest Payments (IP/RR Ratio)	0.160	0.183	0.110	0.121	0.103

As is clear from above, the debt of the State became stable during the year 2010-11 due to considerable reduction in Primary deficit during the year, indicating increasing capacity of the State to sustain the debt.

1.9 Fiscal Imbalances

Three key fiscal parameters - revenue, fiscal and primary deficits - indicate the extent of overall fiscal imbalances in the Finances of the State Government during a specified period. The deficit in the Government accounts represents the gap between its receipts

¹⁵ Adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure.

¹⁶ Defined as the ratio of the debt redemption (Principal + Interest Payments) to total debt receipts and indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds.

and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government.

1.9.1 Trends in Deficits

Charts 1.10 and 1.11 present the trends in deficit indicators over the period 2006-11.

Chart 1.10

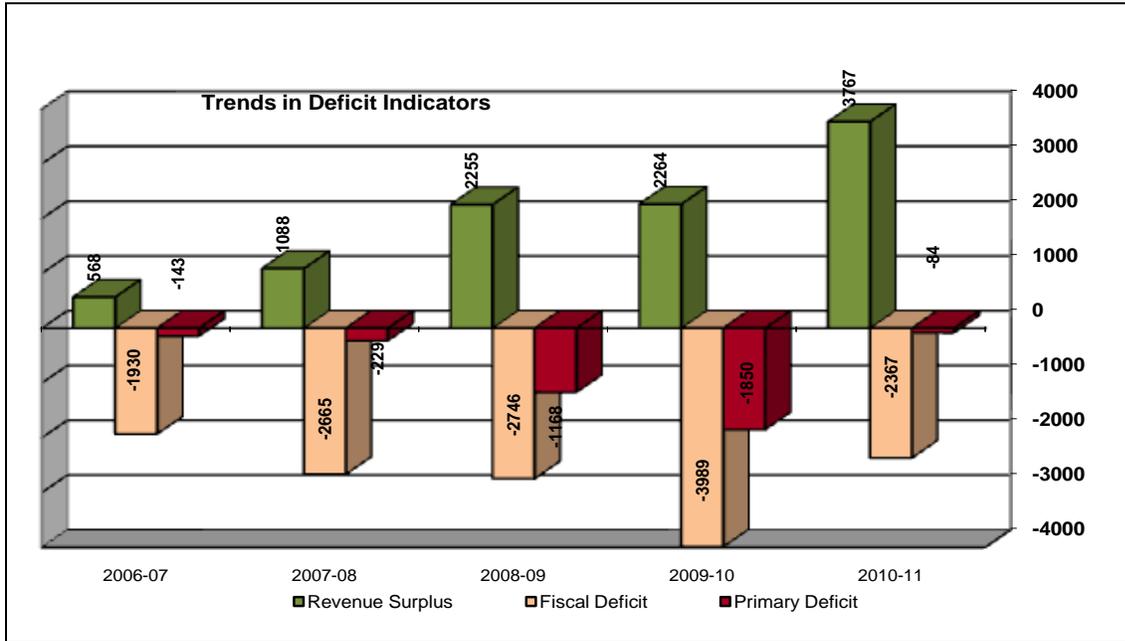
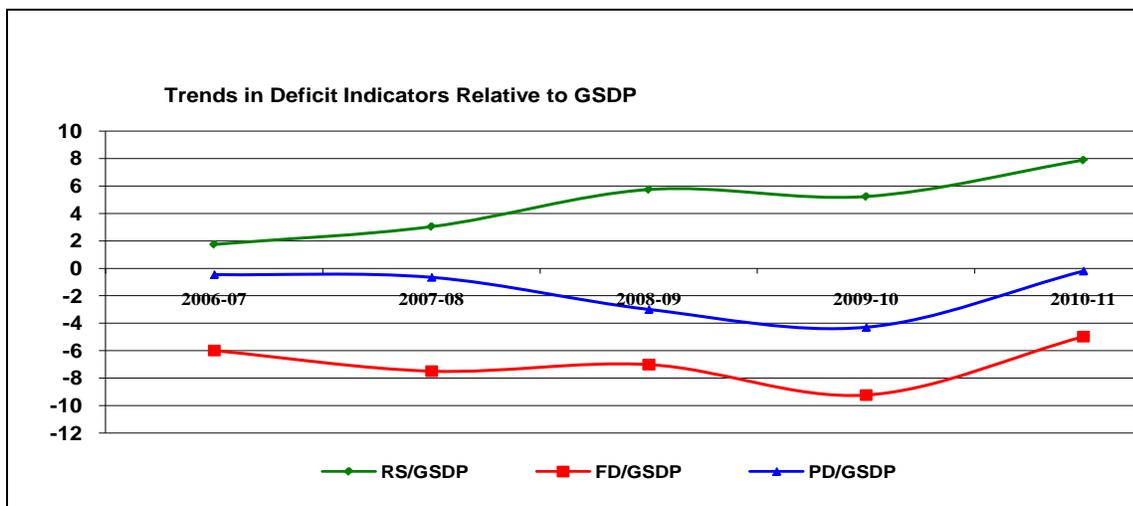


Chart 1.11



The Charts above reveal that the revenue account experienced surplus over the period 2006-11. The revenue surplus of ₹ 3767 crore during 2010-11 was higher by ₹ 1503 crore as compared to revenue surplus of ₹ 2264 crore during 2009-10. An increase of 26.41 per cent (₹ 4646 crore) in revenue receipts during 2010-11 and increase of ₹ 2900 crore (24.81 per cent) in grant in aid from GOI resulted in an increase in revenue surplus during the current year.

Despite a cushion of ₹ 1503 crore available in the form of increment in revenue surplus, net reduction of ₹ 147 crore in capital expenditure/loans and advances during 2010-11 over the previous year resulted in decrease in fiscal deficit by ₹ 1622 crore during the current year. The decrease in fiscal deficit accompanied by a increase of ₹ 144 crore in interest payments during 2010-11 over the previous year resulted in decrease in primary deficit by ₹ 1766 crore in 2010-11.

As per ThFC, the State had to maintain a Fiscal deficit at 5.3 per cent of the GSDP. The State had maintained it at 4.96 per cent which was encouraging.

1.9.2 Components of Fiscal Deficit and its Financing Pattern

The financing pattern of the fiscal deficit has undergone a compositional shift as reflected in the **Table 1.27**.

Table 1.27: Components of Fiscal Deficit and its Financing Pattern

		(₹ in crore)				
Particulars		2006-07	2007-08	2008-09	2009-10	2010-11
Decomposition of Fiscal Deficit						
1.	Revenue Surplus	568	1088	2255	2264	3767
2.	Capital Expenditure	2456	3717	4964	6234	6064
3.	Loans and Advances	44	38	42	49	72
Financing Pattern of Fiscal Deficit*						
1.	Market Borrowings	1264	2198	2372	2113	2386
2.	Loans from GOI	(-) 124	(-) 122	(-) 127	(+)805	(-) 1112
3.	Small Savings, PF etc.	426	341	458	693	1203
4.	Deposits and Advances	84	216	206	1544	59
5.	Suspense and Miscellaneous	(-) 53	(-) 204	158	(-)162	168
6.	Remittances	205	112	(-) 381	(-)292	(-) 307
7.	Reserve funds	152	130	11	90	3
8.	Net amount recouped to contingency fund	0.30	-	-	-	-
9.	Increase/decrease in cash balance	(-) 24	(-) 6	51	4	(-) 33

*All these figures are net of disbursements/outflows during the year

The revenue surplus increased by ₹ 1503 crore in 2010-11 over the previous year. There was decrease in capital expenditure by ₹ 170 crore over the 2009-10. The fiscal deficit was met from borrowing out of Public Accounts of which market borrowings and small savings, PF formed the major share.

1.9.3 Quality of Deficit/Surplus

The ratio of Revenue Deficit (RD) to Fiscal Deficit (FD) and the bifurcation of primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) was not having any asset backup. The bifurcation of the primary deficit would indicate the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

The bifurcation of the factors resulting in primary deficit or surplus of the State during the period 2006-11 reveals (**Table-1.28**) that the primary deficit during the period was on account of capital expenditure incurred and loans and advances disbursed by the State Government. In other words, non-debt receipts of the State were enough to meet the primary expenditure requirements in the revenue account and in fact left some receipts to meet the expenditure under the capital account. The State had to borrow to meet the requirements under capital account over primary expenditure during 2010-11. This indicates the extent to which the primary deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.28: Primary deficit/Surplus – Bifurcation of factors

(₹ in crore)

Year	Non-debt receipts	Primary revenue Exp.	Capital Exp.	Loans and Advances	Primary Exp.	Percentage Capital Exp/ Primary Exp.	Primary Revenue deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
1	2	3	4	5	6(3+4+5)	7 (4/6)	8 (2-3)	9 (2-6)
2006-07	11184	8827	2456	44	11327	22	(+) 2357	(-) 143
2007-08	13279	9753	3717	38	13508	28	(+) 3526	(-) 229
2008-09	14307	10469	4964	42	15475	32	(+) 3838	(-) 1168
2009-10	17618	13185	6234	49	19468	32	(+) 4433	(-)1850
2010-11	22236	16184	6064	72	22320	27	(+) 6052	(-) 84

- The non-debt receipts of the State was higher than the PRE which was sufficient to meet this expenditure.
- Total primary expenditure increased by ₹ 10993 crore from ₹ 11327 crore to ₹ 22320 crore during the period 2006-11 which was due to increase of primary revenue expenditure by ₹ 7357 crore and capital expenditure by ₹ 3608 crore during the period during the period.

- During the period 2006-11 the State had primary revenue surplus which increased from ₹ 2357 crore in 2006-07 to ₹ 6052 crore in 2010-11. The primary deficit also reduced from ₹ 143 crore in 2006-07 to ₹ 84 crore in 2010-11.

The projection made by State Government in its Macro Economic Framework Statement (MEFS)/Medium Term Fiscal Policy Statement (MTFPS)/Fiscal Policy Strategy Statement (FPSS) which mostly could not be achieved as indicated in the table below:

(Table 1.29)

Particulars	Projections	Actuals
Fiscal deficit	2352	2367
Primary deficit	-101	-84
Fiscal deficit/GSDP	4.7	4.96

1.10 Conclusion and Recommendations

The overall fiscal position of the State-as reflected in terms of key parameters—revenue, fiscal and primary deficits—indicates mixed trends in the fiscal situation during 2010-11 over the previous years. While the revenue surplus increased and reached the peak level of ₹ 3767 crore in the current year, the fiscal and primary deficits have also shown considerable improvement.

Receipts and Expenditure

The expenditure pattern of the State reveals that the revenue expenditure 2006-11 continued to share a dominant proportion in the total expenditure of the State and was around 75 per cent during 2010-11. Moreover, within the revenue expenditure, the non-plan revenue expenditure at ₹ 17558 crore constituted about 95 per cent. The continued prevalence of fiscal and primary deficits indicates the increasing reliance of the State on borrowed funds. This coupled with non-collection of revenue arrears for the past several years which are compounding day by day. The increasing fiscal liabilities accompanied by a negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead to an unsustainable debt situation in medium to long run unless suitable measures are initiated to compress the non-plan revenue expenditure and to mobilise additional resources both through the tax and non-tax sources in the ensuing years.

To improve the position of these three parameters the State Government should mobilise additional resources both through tax and non-tax sources by expanding the tax base and rationalising the user charges. It should also make efforts to collect revenue arrears. Efforts should also be made to increase tax compliance, reduce tax collection costs, etc. so that deficits are contained. Ensure that the Government of India releases all grants

due to the State by taking timely action on all conditionalities that are pre-requisite to the release. There is urgent need to improve collection of tax revenue so that departure to borrowed funds can be reduced. Though expenditure incurred under capital head had been increasing over the years, yet the State needs to ensure that targets fixed are achieved. The State should initiate action to restrict the components of non-plan revenue expenditure by phasing out implicit subsidies and resort to need based borrowings to cut down interest and principal payments.

Fiscal correction path

The ratio of development expenditure/aggregate expenditure had increased in 2010-11 as compared to 2007-08.

The increase in the ratio of development expenditure to aggregate expenditure indicates that State has started attaching high fiscal priority towards its development. From the point of view of development it is pertinent that Government should take appropriate expenditure measures and lay emphasis on provision of more expending under social and economic sectors.

Fiscal liabilities

Though in absolute terms the growth rate of fiscal liabilities was 8.83 per cent during 2010-11 over the previous year, the ratio of these liabilities to GSDP decreased from 66.46 per cent in 2009-10 to 65.55 per cent in 2010-11.

Recourse to borrowed funds should be carefully assessed and managed so that the recommendations of the 13th Finance Commission to bring Fiscal Liabilities-GSDP ratio to around 25 per cent could be achieved in next five years.

Investment and Returns

The average return on investments during the five years (2006-11) was 9.62 per cent while the Government paid an average interest rate of 8.97 per cent on its borrowings during these years.

A performance based system of accountability should be put in place in the Government Companies/statutory corporations so as to derive profitability and improve efficiency in service. The Government should ensure better value for money in investments by identifying the Companies/Corporations which are endowed with low financial but high socio-economic returns and justify the use of high cost borrowed funds for non-revenue generating investments through clear and transparent guidelines.

Debt sustainability

There was considerable improvement in debt sustainability of the State, however, the resource gap had increased during 2010-11.

The State should make efforts to reduce primary and fiscal deficit.

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 2010-11 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 ¹	Saving (-)/ Excess (+)
Voted	I-Revenue	15632.47	961.66	16594.13	16411.28	(-) 182.85
	II-Capital	7975.10	1035.70	9010.80	6721.03	(-) 2289.77
	III-Loans and Advances	81.18	-	81.18	71.63	(-) 09.55
Total voted		23688.75	1997.36	25686.11	23203.94	(-) 2482.17
Charged	IV-Revenue	2274.34	0.91	2275.25	2305.24	(+) 29.99
	V-Capital	-	-	-	-	-
	VI-Public Debt Repayment	958.91	-	958.91	5779.40	(+) 4820.49
Total charged		3233.25	0.91	3234.16	8084.64	(+) 4850.48
Appropriation to Contingency Fund (if any)		-	-	-	-	-
Grand Total		26922.00	1998.27	28920.27	31288.58	(+) 2368.31

¹ These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue (₹ 249.72 crore) and capital (₹ 657.47 crore)

The overall excess of ₹ 2368.31 crore was the result of excess of ₹ 6130.76 crore in 11 grants and one appropriation under Revenue Section and five grants and one appropriation under Public Debt-Repayments (Loan Section), offset by saving of ₹ 3762.45 crore in 18 grants and five appropriations under Revenue Section and 24 grants under Capital Section.

The savings/excesses reflected in the detailed Appropriation Accounts were intimated to the Controlling Officers requesting them to explain significant variations. Reasons thereof were not assigned (October 2011).

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit reveals that in 42 cases, savings exceeded ₹ one crore in each case or by more than 20 per cent of the total provision (*Appendix 2.1*). Against the total savings of ₹ 3762.45 crore, savings of ₹ 3243.15 crore (86 per cent)² occurred in 15 cases relating to 12 grants as indicated in **Table 2.2**.

Table 2.2: 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
I-Revenue voted						
1.	02-Home	2081.50	312.32	2393.82	2166.07	227.75
2.	07-Education	2254.87	270.40	2525.27	2280.30	244.97
3.	08-Finance	2728.88	-	2728.88	2361.28	367.60
4.	14-Revenue	351.21	183.91	535.12	428.78	106.34
5.	21-Forest	369.49	30.31	399.80	338.21	61.59
Total-Revenue (Voted)		7785.95	796.94	8582.89	7574.64	1008.25
II-Capital (Voted)						
6.	03-Planning and Development	485.56	370.11	855.67	176.06	679.61
7.	07-Education	365.52	175.27	540.79	222.97	317.82
8.	08-Finance	527.00	-	527.00	139.18	387.82
9.	12-Agriculture	241.72	72.16	313.88	151.44	162.44
10.	15-Consumer Affairs and Public Distribution	1035.00	-	1035.00	968.36	66.64
11.	16-Public Works	1292.56	193.53	1486.09	1385.75	100.34
12.	19-Housing and Urban Development	415.79	-	415.79	259.00	156.79
13.	21-Forest	80.75	17.05	97.80	47.10	50.70
14.	23-Public Health Engineering	357.44	-	357.44	185.14	172.30
15.	25-Labour, Stationery and Printing	141.48	-	141.48	1.04	140.44
Total-Capital (Voted)		4942.82	828.12	5770.94	3536.04	2234.90
Grand Total		12728.77	1625.06	14353.83	11110.68	3243.15

² Exceeding ₹ 50 crore in each case.

Reasons for substantial savings against each grant were not assigned (October 2011) by the State Government.

2.3.2 Persistent Savings

In eleven 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 2.3**.

Table 2.3: List of Grants indicating Persistent Savings during 2006-11

(₹ in crore)

S. No	Grant number and name	Amount of Savings				
		2006-07	2007-08	2008-09	2009-10	2010-11
Revenue (Voted)						
1.	03-Planning and Development	16.40 (25)	17.90 (26)	41.74 (43)	98.31 (72)	38.88 (56)
2.	04-Information	2.37 (14)	3.22 (17)	3.78 (18)	3.21 (12)	6.04 (19)
3.	10-Law	25.57 (40)	34.23 (42)	25.34 (19)	43.00 (38)	22.31 (17)
Revenue charged						
4.	10-Law	1.49 (19)	2.58 (26)	1.97 (19)	5.32 (29)	2.18 (14)
Capital (Voted)						
5.	07-Education	29.42 (27)	28.77 (21)	57.59 (30)	121.95 (43)	317.82 (59)
6.	08-Finance	364.64 (99)	291.26 (90)	432.23 (82)	222.22 (27)	387.82 (74)
7.	13-Animal Husbandry	7.03 (52)	5.03 (41)	8.49 (48)	8.87 (36)	13.54 (35)
8.	14-Revenue	98.67 (97)	105.81 (88)	145.22 (88)	72.05 (53)	45.64 (42)
9.	19-Housing and Urban Development	106.61 (64)	60.40 (15)	279.90 (63)	96.10 (26)	156.78 (38)
10.	21-Forest	43.10 (55)	18.25 (34)	24.00 (35)	47.94 (50)	50.69 (52)
11.	25-Labour, Stationery and Printing	15.48 (93)	34.70 (96)	74.44 (95)	69.80 (97)	140.44 (99)

Reasons for persistent savings under these heads were not intimated (October 2011) by the State Government.

2.3.3 Excess Expenditure

In 17 cases, expenditure aggregating ₹ 16420.86 crore exceeded by ₹ 6130.34 crore the total approved provisions, and in each case by ₹ one crore or by more than 20 per cent of the provision. Details are given in **Appendix 2.2**. Of these, excess expenditure by more than 20 per cent has been observed consistently for the last five years in respect of one appropriation as given in **Table 2.4**.

Table 2.4: List of Grant indicating Persistent Excess expenditure during 2006-11

(₹ in crore)

Grant number and name					
	2006-07	2007-08	2008-09	2009-10	2010-11
Capital (Charged)					
08-Finance	997.35 (233)	1233.79 (231)	2740.40 (448)	2765.44 (342)	4820.49 (503)

Reasons for persistent excesses under the head was not explained (October 2011) by the State Government.

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 ₹ 565.42 crore was incurred in 64 Major heads of account (detailed in *Appendix-2.3*) without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

2.3.5 Excess over provisions relating to previous years requiring regularization

As per Article 205 of the Constitution of India, it is mandatory for a 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 Article, 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 had not been discussed in PAC, the excess expenditure amounting to ₹ 78428.62 crore for the years 1980-2010 was yet to be regularized as detailed in *Appendix 2.4*.

2.3.6 Excess over provisions during 2010-11 requiring regularization

Table 2.5 contains the summary of total excess in grants and one appropriation amounting to ₹ 6130.76 crore over authorization from the Consolidated Fund of the State during 2010-11 and requires regularization under Article 205 of the Constitution.

Table 2.5: Excess over provisions requiring regularization during 2010-11

(₹ in crore)

Sl. No	Grant/Appropriation number and name	Total Grant/ Appropriation	Expenditure	Excess
I- Revenue (Voted)				
1.	05-Ladakh Affairs	288.09	291.39	3.30
2.	06-Power Development	2632.52	3254.76	622.24
3.	09-Parliamentary Affairs	22.06	22.48	0.42
4.	16-Public Works	496.89	642.47	145.58
5.	18-Social Welfare	315.90	323.37	07.47
6.	19-Housing and Urban Development	264.06	294.97	30.91
7.	22-Irrigation and Flood Control	282.88	285.66	2.78
8.	23-Public Health Engineering	558.01	574.27	16.26
9.	25-Labour Stationery and Printing	94.22	109.96	15.74
10.	27-Higher Education	343.63	493.60	149.97
11.	28-Rural Development	144.28	166.08	21.80
Total Revenue (Voted)		5442.54	6459.01	1016.47
II-Revenue (Charged)				
12.	08-Finance	2249.71	2283.05	33.34
Total Revenue (Charged)		2249.71	2283.05	33.34
Total Revenue (Section)		7692.25	8742.06	1049.81
III-Capital (Voted)				
13.	06-Power Development	1124.98	1346.14	221.16
14.	18-Social Welfare	201.98	221.48	19.50
15.	26-Fisheries	15.35	19.13	3.78
16.	27-Higher Education	277.14	289.66	12.52
17.	29-Transport	41.97	45.47	3.50
Total Capital (Voted)		1661.42	1921.88	260.46
IV-Capital (Charged)				
18.	08-Finance	958.91	5779.40	4820.49
Total Capital (Charged)		958.91	5779.40	4820.49
Total Capital (Section)		2620.33	7701.28	5080.95
Grand Total		10312.58	16443.34	6130.76

As can be seen, in the Revenue section, there was excess expenditure of ₹ 1049.81 crore in 11 grants and one appropriation while in the Capital section, excess expenditure amounted to ₹ 5080.95 crore in five grants and one appropriation. The excess expenditure of ₹ 6130.76 crore was mainly due to clearance of overdraft from the Jammu and Kashmir Bank Limited.

2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

In 14 cases, involving 11 grants and one appropriation (*Appendix-2.5*), supplementary provision of ₹ 754.08 crore was obtained in excess of the original provision in

anticipation of expenditure. However, the final expenditure of ₹ 1648.31 crore was even less than the original grant of ₹ 2394.54 crore. The savings of ₹ 746.23 crore thus, exceeded the entire supplementary provision indicating defective fund projection system leading to unnecessary allotment of additional funds.

In seven other cases relating to six grants and one appropriation, supplementary grants aggregating ₹ 975.01 crore were obtained against the requirement of ₹ 288.66 crore resulting in saving of ₹ 686.35 crore (*Appendix-2.6*).

Apart from these cases, supplementary provision of ₹ 213.41 crore proved insufficient in seven cases relating to six grants and one appropriation in each leaving an uncovered aggregate excess expenditure of ₹ 700.48 crore (*Appendix-2.7*).

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 2010-11, there were, however, 26 grants and five appropriations in which savings occurred but no part of which had been surrendered by the concerned departments. The savings in these cases was of the order of ₹ 3762.45 crore which includes ₹ 3760.12 crore in 41 cases (involving 26 grants and one appropriation) where savings involved were ₹ one crore and above. Relevant details are indicated in *Appendix-2.8*. Non-surrender of funds deprived the Government of the opportunity to transfer these funds to other needy sectors.

2.3.9 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 13 major heads listed in **Table 2.6**, expenditure exceeding ₹ 10 crore for the year was incurred either during the last quarter or during the last month of the financial year 2010-11. The percentage of expenditure in the last quarter ranged between 37 and 94 *per cent* and during the last month it ranged between 51 and 77 *per cent* of the total expenditure.

Table 2.6: Cases of rush of Expenditure towards the end of the financial year 2010-11*(₹ in lakh)*

Sl. No.	Grant number and name	Major head	Total expenditure during the year	Expenditure during the last quarter of the year		Expenditure during March 2011	
				Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1	03-Planning and Development	5475	17606.00	13060.07	74	9009.01	51
2	07-Education	4202	22293.00	17627.68	79	12515.27	56
3	10-Law	2015	3213.80	2684.09	84	2468.14	77
4	11-Industries and Commerce	4851	9487.00	7927.10	84	6184.81	65
5	12-Agriculture	4401	8089.20	7309.54	90	4579.98	57
6	13-Animal Husbandry	4403	2508.90	2204.11	88	1797.74	72
7	16-Public Works	5054	98390.00	36534.02	37	49689.43	51
8	17-Health and Medical Education	4210	30615.00	22860.07	75	17578.40	57
9	18-Social Welfare	4235	14828.00	8355.56	56	7631.11	51
10		4236	3782.70	3563.65	94	2461.08	65
11	19-Housing and Urban Development	4217	24855.00	19565.38	79	14655.65	59
12	20-Tourism	4406	2621.80	2022.00	77	1596.39	61
13	27-Higher Education	4202	28966.00	23921.07	83	18271.57	63
Total				1,67,634.34		1,48,438.58	

2.4 Non-reconciliation of Departmental figures

2.4.1 Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

As per rules (Chapter-VIII of the Jammu and Kashmir Financial Code Volume-I), every drawing officer has to certify in each abstract contingent bill that detailed bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmission to the Accountant General. In contravention thereto, against a total amount of ₹ 1933.04 crore (*Appendix-2.9*) drawn on AC bills by various DDOs (35 departments) during 1995-2011 corresponding DC bills have not been submitted (June 2011) to the Accountant General (A&E). Non-remission of DC bills for such a huge amount over a very long period is fraught with the risk of misappropriation and requires close monitoring. Further, reasons for non-settlement of the outstanding AC bills that are more than two years old should be investigated and action initiated for immediate settlement. Non-observance of codal provisions with regard to furnishing of DC bills and failure to comply with the

instructions issued by the Finance Department by the concerned DDOs have rendered the expenditure of ₹ 1933.04 crore doubtful.

The matter has continually been brought to the notice of the Government/Finance Department from time to time. Despite issuance of instructions in this regard by the State Finance Department, the DDOs did not furnish the pending DC bills.

2.4.2 Un-reconciled Expenditure

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. 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 2010-11 also. 38 (out of 346) Controlling Officers did not reconcile expenditure amounting to ₹ 6923.89 crore as of October 2011 which constituted 28 *per cent* of the total net revenue and capital expenditure.

2.5 Errors in budgeting process

Scrutiny of Demand of Grants for the year 2010-11 showed following inherent flaws in preparation:

- Lump sum budgetary provisions are being placed with Controlling Officers in various Demands for Grants instead of detailed head-wise/scheme-wise provisions which is in contravention of the State Financial Rules.
- Detailed head 'subsidy' is not being provided under relevant major/minor head/sub head of accounts in the Demand for Grants.
- 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 whole budgeting process erroneous thereby, making reconciliation of departmental figures with those adopted by the Accountant General, difficult. The above matter had been reported to the State Government from time to time. Further action in the matter is awaited (October 2011).

2.6 Review of Grant

Grant. No 20- Review of Grant for Tourism Department

2.6.1 Introduction

The tourism activities at a particular place are directly related to the arrival of tourists at that place. The more the arrival, the more the economic activities generated in the

business sector and the better the impact on other sectors too. Tourism generates multiple effects on the service sector such as Agriculture, Horticulture, Poultry and Handicrafts. Besides, tourism provides direct and indirect employment to a large number of people. Jammu & Kashmir is an important tourist destination of the country and has been a place of attraction for tourists since centuries. All the three regions of the State viz. Kashmir, Jammu and Ladakh regions attract a large number of tourists. To accommodate the tourists, proper infrastructural facilities have to be in place which is particularly essential in view of the influx of tourists to the State.

With a view to ascertaining the Governmental contribution in the Sector, review of Grant No. 20 enlisting Tourism Sector as the component was taken up for review. A Review of Grant No. 20 has revealed the following observations as under:

Tourism and Forestry and Wild Life Departments fall within the ambit of the Grant under Revenue and Capital Heads of account as per the details given below:

Table 2.7

Major Head	Departments
2406	Forestry and Wild Life
3452	Tourism

2.6.2 Financial Outlay

The financial outlay during the year 2010-11 and expenditure incurred thereagainst are as under:

Table 2.8

(₹ in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure
Voted	I-Revenue	84.46	-	84.46	82.50
	II-Capital	152.85	-	152.85	146.68
Total		237.31	-	237.31	229.18

A comparative position of the allocation/expenditure under the Grant for the last three years is tabulated hereunder:

Table 2.9

(₹ in crore)

Year	Nature of expenditure	Allocation	Expenditure
2008-09	Revenue	62.26	91.38
	Capital	110.16	142.60
	Total	172.42	233.98
2009-10	Revenue	74.43	69.23
	Capital	113.82	171.77
	Total	188.25	241.00
2010-11	Revenue	84.46	82.50
	Capital	152.85	146.68
	Total	237.31	229.18

As can be seen from the above, the allocation has been on the increase over the years. The overall increase in allocation and capital allocation in 2010-11 over the figures of 2008-09 has been in the vicinity of 38 *per cent*. The increase is indicative of the seriousness of the Government in creation of tourism infrastructure in the State.

2.6.3 Excess expenditure

The Controlling Officer of the department administering the grant is responsible for watching the progress of expenditure on public service under its control and for keeping the expenditure within a Grant. The Accountant General is required to warn the Controlling Authority concerned immediately on the first instance of excesses.

Significant excesses were noticed under certain heads of accounts as indicated below:

Table 2.10

(₹ in lakh)

S. No	MH/SM/MI/GH/SH	Grant	Expenditure	Excess
1.	2406/02/001/0099/1136-Director Floriculture Kashmir	379.19	969.17	589.98
2.	2406/02/112/0099/2275-Public Gardens, Director Floriculture Jammu	231.77	243.14	11.37
3.	3452/01/101/02/0011/0099/2277-Tourist Centres, Director Tourism Jammu	121.10	125.94	4.84
4.	3452/01/800/0011/0118-Pahalgam Project Organisation	466.93	503.85	36.92
5.	3452/01/800/0011/2184-Director Tourism Kashmir	1085.66	1097.86	12.20
6.	3452/80/800/0011/2091-Kokernag Development Authority	92.02	413.88	321.86
7.	5452/80/800/0011/0652-Tourism Works Plan	4000.00	4711.00	711.00
8.	5452/80/800/0011/2198-Other Development Authorities	3000.00	4076.53	1076.53

It was observed that the concerned Heads of Departments continued to incur expenditure in excess of budgetary provisions despite being intimated through monthly detailed accounts and warning slips.

2.6.4 Un-utilised Grants

As per the provisions of the budget manual, the grants should be appropriated only after the estimates are examined by the administrative department of the Secretariat concerned. It was noticed that the appropriated grants remained unutilized during 2010-11 indicating that these were either not required or not examined by the administrative department as indicated below.

Table 2.11

(₹ in lakh)

MH/SM/MI/GH/SH	Amount
2406/02/800/0011/1135-Provincial and District Offices Kashmir	9.72

2.6.5 Significant savings not surrendered

As per the provisions of the budget manual all the anticipated savings should be surrendered to the Government immediately as and when they are foreseen without waiting till the end of the year, unless they are required to meet excesses under some other units which are definitely foreseen at that time. However, significant savings were noticed under the following schemes where provisions were distinctly/separately placed in approved demand for grants as detailed below.

Table 2.12

(₹ in lakh)

S. No	MH/MI/GH/SH	Total Grant	Expenditure	Savings
1.	2406/02/001/0099/1135-Provisional and District Offices Kashmir	885.49	726.78	158.71
2.	2406/02/112/0099/1130-Public Gardens and Director Floriculture Kashmir	825.55	494.95	330.60
3.	2406/02/112/0099/1887-Cut Flower Project, Director Floriculture Kashmir	200.74	152.59	48.15
4.	2406/02/112/0099/2276/Cut Flower Project Director Floriculture Jammu	15.14	12.23	2.91
5.	2406/02/800/0011/2203-Provincial and District Office Jammu	21.13	16.62	4.51
6.	3452/01/101/0099/1121-Tourist Centres/Director Tourism Kashmir	128.35	104.15	24.20
7.	3452/01/102/0099/0474-Tourist accommodation/ Director Tourism Kashmir	436.85	376.29	60.56

S. No	MH/MI/GH/SH	Total Grant	Expenditure	Savings
8.	3452/01/102/0099/2278-Tourist accommodation/ Director Tourism Jammu	115.80	106.12	9.68
9.	3452/01/800/0099/1120-Convention Complex	526.64	115.82	410.82
10.	3452/01/800/0099/1127-Gulmarg Project Organisation	259.36	232.87	26.49
11.	3452/01/800/0099/1232-Sonamarg Development Authority	65.40	49.05	16.35
12.	3452/01/800/0099/1932-Royal Spring Golf Course	105.15	86.67	18.48
13.	3452/01/800/0099/2299-Mubark Mandi Jammu Heritage Society	50.00	20.00	30.00
14.	3452/80/001/0099/2183-Director Tourism Jammu	212.65	190.05	22.60
15.	3452/80/104/0099/1115-Tourist Information and Publicity/Director Tourism Kashmir	184.52	128.81	55.71
16.	3452/80/104/0099/2279-Tourist Information and Publicity Director, Jammu	326.44	271.64	54.80
17.	3452/80/800/0011/2198-Other Development Authorities	735.00	696.07	38.93
18.	4406/02/112/0011/1136-Director Floriculture Kashmir	1385.00	1311.69	73.31
19.	5452/80/800/0011/0646-SKICC/SKIGI	395.00	55.65	339.35
20.	5452/80/800/0011/0650-Patnitop Development Authority	350.00	186.00	164.00
21.	5452/80/800/0011/0651-Tourism Development Corporation	350.00	125.00	225.00
22.	5452/80/800/0011/1232-Sonamarg Development Authority	330.00	125.00	205.00
23.	5452/80/800/0011/1291-Cable Car Corporation	1500.00	118.41	1381.59
24.	5452/80/800/0011/1891-Pahalgam Development Authority	800.00	560.66	239.34
25.	5452/80/800/0011/1892-Gulmarg Development Authority	905.50	315.74	589.76
26.	5452/80/800/0011/1932-Royal Spring Golf Course	859.93	500.00	359.93
27.	5452/80/800/0011/2091-Kokernag Development Authority	280.00	150.00	130.00

The significant savings in the above mentioned schemes definitely shall have deprived the beneficiaries/areas of the benefits for which the amount was appropriated.

2.6.6 Expenditure without provision

It was noticed that no budgetary provisions were kept in respect of the following Heads of account but expenditure (as per detailed appropriation account) was booked against the said heads of accounts.

Table 2.13

(₹ in lakh)

S. No	MH/SM/MI/GH/SH	Plan/Non-plan	Voted/Charged	Expenditure
1.	3452/01/800/0099/1115-Tourism Information and Publicity, Director Tourism Kashmir	Non-plan	Voted	13.88
2.	3452/80/001/0099/1115-Tourist Information and Publicity	Non-plan	Voted	2.46
3.	3452/80/800/0011/1068/Bhaderwah Development Authority	Plan	Voted	21.50
4.	3452/80/800/0011/1579-Wular-Manasbal Development Authority	Plan	Voted	16.80
5.	3452/80/800/0011/2161-Manasar-Surinsar Development Authority	Plan	Voted	25.00
6.	3452/80/800/0011/2162-Rajouri Development Authority	Plan	Voted	7.32
7.	3452/80/800/0011/2163-Kishtwar Development Authority	Plan	Voted	66.00
8.	3452/80/800/0011/2165 Dodpahtri Development Authority	Plan	Voted	16.70
9.	3452/80/800/0011/2166-Aharabal Development Authority	Plan	Voted	11.40
10.	3452/80/800/0011/2167-Yousmarg Development Authority	Plan	Voted	13.80
11.	3452/80/800/0011/2168 Kargil Development Authority	Plan	Voted	8.70
12.	3452/80/800/011/9859-Sarthal Development Authority, Lakhanpur	Plan	Voted	16.50
13.	3452/80/800/0011/9860-Poonch Development Authority	Plan	Voted	4.60
14.	4406/02/112/0011/1887-Cut Flower Project	Plan	Voted	8.98
15.	4406/02/112/0031/2297-Rashtriya Krishi Vikas Yojana	Plan	Voted	191.34
16.	5452/80/800/0011/1068-Bhaderwah Development Authority	Plan	Voted	375.00
17.	5452/80/800/0011/1115-Tourist Information and Publicity/Director Tourism Kashmir	Plan	Voted	378.61
18.	5452/80/800/0011/9860-Poonch Development Authority	Plan	Voted	50.00

The State Government has placed the lumpsum budget provisions at the disposal of Controlling Officers without providing schematic break-up and drawing and disbursing officers incurred the expenditure under various schemes not contemplated in the Demand for Grants.

2.7 Conclusion

The State Government has been placing lump sum provisions without schematic break-up, at the disposal of controlling officers which has led to poor budgetary and administrative controls over State Finances. The detailed appropriation accounts of the Tourism Department included schemes not contemplated in approved demand for grant which was reflective of poor legislative compliance. Moreover, the drawing and disbursing officers continued to incur expenditure on the schemes without any budget provision.

CHAPTER – III : FINANCIAL REPORTING

A sound internal financial reporting with relevant and reliable information significantly contributes to efficient and effective governance by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliances is thus one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the State Government in meeting its basic stewardship responsibilities, including strategic planning and decision making. This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

3.1 Delay in furnishing Utilization Certificates

Financial Rules provide that for the grants provided for specific purposes, Utilization Certificates (UCs) should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General within 18 months from the date of their sanction unless specified otherwise.

The utilisation certificates in respect of 2584 items amounting to ₹ 1752.44 crore were outstanding as of March 2011.

Table 3.1: Age-wise arrears of Utilization Certificates

Range of delay (in number of years)	Total grants paid		Utilisation Certificates Outstanding	
	Number	Amount	Number	Amount
0 – 1	313	488.73	270	362.38
1 – 3	1490	1114.52	1293	851.87
3 – 5	1096	635.49	1021	538.19
Total	2899	2238.74	2584	1752.44

(₹ in crore)

Evidently, there has been laxity on part of the departments as a result, utilisation certificates for ₹ 1752.44 crore were pending submission as of March 2011.

3.2 Non-submission/delay in submission of accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Heads of the Department are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. 277 accounts of 32 bodies were awaited in audit (*Appendix-3.1*).

Seven Autonomous bodies covered under section 19(3) and 20(1) of the Duties and Powers Act had also not furnished the annual accounts as tabulated below:

Table 3.2

Name of Body/Authority	Delay in number of years	No of accounts	Grants during 2010-11 (₹ In crore)
Sheri Kashmir University of Agricultural Science and Technology , Jammu	1-5	5	35.07
Sheri Kashmir University of Agricultural Science and Technology, Srinagar	1-5	3	74.91
Jammu & Kashmir Khadi Village Industries Board, Srinagar	1-4	4	11.66
Ladakh Autonomous Hill District Council, Leh	1-16	16	234.94
Ladakh Autonomous Hill District Council, Kargil	1-6	07	221.27
Jammu & Kashmir Legal Services Authority, Srinagar	1-14	14	4.10
Provident Fund Organisation, Srinagar	1-11	12	Not received during the year
		61	581.95

The bodies have not prepared/submitted there accounts despite receipt of considerable grants. Non submission/delay in submission of accounts by these bodies indicated non-seriousness on part of these bodies as well as administrative departments. Reasons for non preparation of Accounts were not intimated by the Departments.

3.3 Delay in submission of Accounts/Separate Audit Reports of Autonomous Bodies

Four Autonomous Bodies in the State are audited by Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of separate Audit Reports and its placement in Legislature are indicated in the table below:

Table 3.3

Name of the body	Period of entrustment	Year up to which accounts rendered	Period up to which SAR issued	Placement of SAR in the Legislature	Delay in submission of accounts	Period of delay in years
Ladakh Autonomous Hill District Council, Leh	Standing	-	-	-	1995-96 to 2010-11	1-15
Ladakh Autonomous Hill District Council, Kargil	Standing	-	-	-	2004-05 to 2010-11	1-6
Jammu & Kashmir State Legal Services Authority, Srinagar	Upto 2008-09	-	-	-	1997-98 to 2010-11	14
Jammu & Kashmir Khadi Village Industries Board, Srinagar	Upto 2009-10	2006-07	2004-05	-	2007-08 to 2010-11	04

Ladakh Autonomous Hill District Councils, Leh and Kargil and Jammu and Kashmir Legal Authority, Srinagar have not rendered their accounts since their inception despite the issue being taken up with the competent authorities.

3.4 Departmental Commercial Undertakings

The departmental undertakings of certain Government departments performing activities of commercial nature are required to prepare proforma accounts in the prescribed format annually showing the working results of financial operations so that the Government can assess the working. The finalized accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In

the absence of timely finalization of accounts, the investment of the Government, corrective measures, if any required, for ensuring accountability and improving efficiency can not be taken on time. Besides, the delay is fraught with risk of fraud and leakage of public money.

The Heads of the Government are to ensure that the undertakings prepare such accounts and submit the same to the Principal Accountant General for audit within a specified time frame. As of September 2011, there were two such undertakings and none of them had prepared accounts up to 2010-11. The Comptroller & Auditor General of India has repeatedly commented about the arrears in preparation of accounts but there is no improvement so far in preparation of proforma accounts by these undertakings. The department-wise position of arrears in preparation of proforma accounts and investment made by the Government are given in (*Appendix 3.2*). Despite the matter being taken up with the Government the accounts continued to be in arrears.

3.5 Conclusion

The Bodies/Authorities/Departments have failed to provide their final annual accounts. As a result, true financial health of the Bodies/Authorities/Departments could not be ascertained. Non-preparation of accounts have also left the final accounts of respective bodies un-audited. There was huge pendency in submission of utilisation certificates which was bound to affect flow of funds to these agencies in future. This was also pointed out in the Report of Comptroller and Auditor General of India on State Finances ended 31 March 2010, but no effective steps were taken to address the issues.

**Srinagar/Jammu
The**

**(Venkatesh Mohan)
Principal Accountant General
Jammu and Kashmir**

Countersigned

**New Delhi
The**

**(Vinod Rai)
Comptroller and Auditor General of India**

Appendix - 1.1

(Reference: Page: 1)

Part A: Structure and Form of Government Accounts

Structure of Government Accounts: The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund: All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.

Part II: Contingency Fund: Contingency Fund of the State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by the Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

Part III: Public Account: Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State legislature.

PART B: Layout of Finance Accounts

Statement	Layout
Statement No.1	Statement of Financial Position
Statement No.2	Statement of Receipts and Disbursements
Statement No.3	Statement of Receipts in Consolidated Fund
Statement No.4	Statement of Expenditure in Consolidated Fund
Statement No. 5	Statement of Progressive Capital Expenditure
Statement No.6	Statement of Borrowings and other Liabilities
Statement No.7	Statement of Loans and Advances given by the Government
Statement No.8	Statement of Grants-in-Aid given by the Government
Statement No.9	Statement of Guarantees given by the Government
Statement No.10	Statement of Voted and Charged Expenditure
Statement No.11	Detailed Statement of Revenue and Capital Receipts by Minor Heads
Statement No.12	Detailed Statement of Revenue Expenditure by Minor Heads
Statement No.13	Detailed Statement of Capital Expenditure by Minor Heads
Statement No.14	Detailed Statement of Investments of the Government
Statement No.15	Detailed Statement of Borrowing and other Liabilities
Statement No.16	Detailed Statement on Loans and Advances given by the Government
Statement No.17	Detailed Statement on Sources and Application of Funds for expenditure other than revenue account
Statement No.18	Detailed Statement on Contingency Fund and other Public Account transactions
Statement No.19	Detailed Statement on Investment of Earmarked Funds

Appendix - 1.2
(Reference: Page: 1)
Methodology Adopted for the Assessment of Fiscal Position
Part A

The norms/Ceilings prescribed by the TFC for selected fiscal variable along with its projections for a set of fiscal aggregates and the commitments/projections made by the State Governments in their Fiscal Responsibility Acts and in other Statements required to be laid in the legislature under the Act (**Part B of Appendix 1.2**) are used to make qualitative assessment of the trends and pattern of major fiscal aggregates. Assuming that GSDP is the good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the Gross State Domestic Product (GSDP) at current market prices. The buoyancy coefficients for relevant fiscal variables with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilization of resources, pattern of expenditure etc, are keeping pace with the change in the base or these fiscal aggregates are also affected by factors other than GSDP.

The trends in GSDP for the last five years are indicated below:

Trends in Gross State Domestic Product (GSDP)

	2006-07	2007-08	2008-09	2009-10	2010-11
Gross State Domestic Product (₹ in crore) (Pre-revised/ Base 1999-2000)	29030	31793	34805	38298	-
(Revised/Base 2004-05)	32265	35620	39229	43236	47709
Growth rate of GSDP (Revised)	10.19	10.40	10.13	10.22	10.35

Source: (Figures obtained from the State Government)

Methodology for Estimating the Fiscal Capacity

For working out the fiscal capacity of the State Governments, the following methodology given in Twelfth Finance Commission report has been adopted.

Step 1: Calculate the national average of AE-GSDP and CO/DE/ SSE-AE.

Step 2: Based on the national average of AE-GSDP ratio, derive the aggregate expenditure so that no State is having a ratio AEGSDP less than the national average, i.e., if

$$AE/GSDP = x$$

$$AE = x * GSDP \dots\dots\dots(1)$$

where x is the national average of AE-GSDP ratio.

Wherever the States are having AE-GSDP ratio higher than national average, no adjustments were made. Wherever this ratio was less than average, it was made equal to the national average.

Step 3: Based on the national average of DE-AE, SSE-AE and COAE, derive the respective DE, SSE and CO, so that no State is having these ratios less than national average, i.e., if

$$DE/AE = y$$

$$DE = y * AE \dots\dots\dots(2)$$

Where is the national average of DE-AE ratio

Substituting (1) in (2), we get

$$DE = y * x * GSDP \dots\dots\dots(3)$$

Wherever the States are having DE-AE, SSE-AE and CO-AE ratio higher than national average, no adjustments have been made. Wherever these ratios were less than average, it was made equal to the national average.

Step 4: Based on the derived DE, SSE and CO as per equation (3), respective per capita expenditure was calculated, *i.e.*,

$$PCDE = DE/P \dots\dots\dots(4)$$

where PCDE is the per capita development expenditure and P is the population.

Substituting (3) in (4), we get

$$PDE = (y * x * GSDP)/P \dots\dots\dots(5)$$

Equation (5) provides the adjusted per capita expenditure. If the adjusted per capita expenditure is less than the national average of per capita expenditure, then the States' low level of spending is due to the low fiscal capacity. This gives a picture of actual level of expenditure when all the State Governments are attaching fiscal priority to these sectors equivalent to the national average.

The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given below:

Terms	Basis of calculation
Buoyancy of a parameter	Rate of Growth of the parameter/GSDP Growth
Buoyancy of a parameter (X) With respect to another parameter (Y)	Rate of Growth of parameter (X)/ Rate of Growth of parameter (Y)
Rate of Growth (ROG)	[(Current year Amount /Previous year Amount)-1]* 100
Development Expenditure	Social Services + Economic Services
Average interest paid by the State	Interest payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)2]*100
Interest spread	GSDP growth – Average Interest Rate
Quantum spread	Debt stock *Interest spread
Interest received as <i>per cent</i> to Loans Outstanding	Interest Received [(Opening balance + Closing balance of Loans and Advances)2]*100
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest payments
Balance from Current Revenue (BCR)	Revenue Receipts minus all Plan grants and Non-plan Revenue Expenditure excluding expenditure recorded under the major head 2048 – Appropriation for reduction of Avoidance of debt

Part B
Fiscal Responsibility and Budget Management (FRBM) Act, 2006

The State Government enacted the Jammu and Kashmir Fiscal Responsibility and Budget Management (FRBM) Act on 9 August 2006 to ensure prudence in fiscal management and fiscal stability by progressive strengthening of revenue surplus, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework and for matters connected therewith or incidental thereto. The Rules under the Act were notified by the Government in January 2008. The State carried out an amendment in the FRBM Act in April 2010 wherein the permissible limit of fiscal deficit was raised from the level of three per cent to four per cent.

Appendix 1.3

(Reference: Page 1)

Time series data on the State Government finances

(₹ in crore)

Time series data on State Government Finances					
	2006-07	2007-08	2008-09	2009-10	2010-11
Part-A Receipts					
1. Revenue Receipts	11182	13277	14303	17588	22234
(i) Tax Revenue	1799 (16)	2558 (19)	2683 (19)	3027 (17)	3483 (16)
Taxes on sales, trade, etc.	1159 (64)	1805 (71)	1836 (68)	2146 (71)	2425 (70)
State Excise	213 (12)	244 (10)	239 (9)	294 (10)	337 (10)
Taxes on vehicles	64 (4)	73 (3)	65 (3)	83 (2)	115 (3)
Stamps and Registration fees	57 (3)	66 (2)	57 (2)	70 (2)	79 (2)
Land Revenue	3 (*)	9 (*)	64 (2)	15 (1)	42 (1)
Other Taxes	303 (17)	361 (14)	422 (16)	419 (14)	485 (14)
(ii) Non Tax Revenue	633 (6)	808 (6)	837 (6)	955 (5)	1093 (5)
(iii) State's share of Union taxes and duties	1413 (13)	1775 (14)	1827 (13)	1915 (11)	3067 (14)
(iv) Grants-in-aid from GOI	7337 (65)	8136 (61)	8956 (62)	11691 (66)	14591 (66)
2. Miscellaneous capital receipts	-	-	-	28	-
3. Total revenue and non-debt capital receipts (1+2)	11182	13277	14303	17616	22234
4. Recoveries of Loans and Advances	2	2	4	2	2
5. Public Debt receipts	1544	2848	2948	2852	5206
Internal Debt (excluding Ways and Means Advances and Overdraft)	1453	2831	2694	2146	6222
Net transactions under Ways and Means Advances and Overdraft	82	-	235	675	-
Loans and advances from GOI ^{&}	9	17	19	31	(-) 1016 ¹
6. Total receipts in the Consolidated Fund (3+4+5)	12728	16127	17255	20470	27442
7. Contingency Fund receipts	0.39	0.01	0.16	0.11	0.26
8. Public Account receipts	25599	29506	36149	45174	55860
9. Total receipts of the State (6+7+8)	38327	45633	53404	65644	83302

[&] Includes Ways and Means Advances

¹ Minus figure due to rectification of misclassification of Share of Small Savings collection (₹ 1032.29 crore).
Actual Loans and Advances from GOI during 2010-11; ₹ 16.88 crore.

Time series data on State Government Finances					
	2006-07	2007-08	2008-09	2009-10	2010-11
Part-B Expenditure/disbursement					
10. Revenue Expenditure	10614 (81)	12189 (77)	12047 (71)	15324 (71)	18467 (75)
Plan	833 (8)	523 (4)	313 (3)	553 (4)	909 (5)
Non-Plan	9781 (92)	11666 (96)	11734 (97)	14771 (96)	17558 (95)
<i>General Services (including interest payments)</i>	4654 (44)	5624 (46)	5272 (44)	6445 (42)	7777 (42)
<i>Social Services</i>	2881 (27)	2847 (23)	3018 (25)	4258 (28)	5214 (28)
<i>Economic Services</i>	3079 (29)	3718 (31)	3757 (31)	4621 (30)	5476 (30)
<i>Grants-in-aid and contributions</i>	-	-	-	-	-
11. Capital Expenditure	2456 (19)	3717 (23)	4964 (29)	6234 (29)	6064 (25)
Plan	2346 (96)	3641 (98)	4693 (95)	6135 (98)	5730 (94)
Non-Plan	110 (4)	76 (2)	271 (5)	99 (2)	334 (6)
<i>General Services</i>	57 (2)	115 (3)	159 (3)	239 (4)	458 (8)
<i>Social Services</i>	829 (34)	1122 (30)	1269 (26)	1626 (26)	1542 (25)
<i>Economic Services</i>	1570 (64)	2480 (67)	3536 (71)	4369 (70)	4064 (67)
12. Disbursement of loans and advances	44 ↓	38 ↓	42 ↓	49 ↓	72 ↓
13. Total (10+11+12)	13114	15944	17053	21607	24603
14. Repayment of Public Debt	404	772	703	731	3932
Internal Debt (excluding Ways and Means Advances and Overdraft)	271	558	557	707	871
Net transactions under Ways and Means Advances and Overdraft	-	75	-	-	2965
Loans and Advances from Government of India ^o	133	139	146	24	96
15. Appropriation to Contingency Fund	Nil	Nil	Nil	Nil	Nil
16. Total disbursement out of Consolidated Fund (13+14+15)	13518	16716	17756	22338	28535
17. Contingency Fund disbursements	0.14	0.13	0.29	1.07	0.16
18. Public Account disbursements	24785	28911	35696	43301	54735
19. Total disbursements by the State (16+17+18)	38303	45627	53452	65640	83270

↓

Negligible

^o

Includes Ways and Means Advances

Time series data on State Government Finances					
	2006-07	2007-08	2008-09	2009-10	2010-11
20. Revenue Surplus (+)/Deficit (-) (1-10)	(+) 568	(+) 1088	(+) 2255	(+) 2264	(+) 3767
21. Fiscal Deficit (3+4-13)	(-) 1930	(-) 2665	(-) 2746	(-)3989	(-) 2367
22. Primary Deficit (21-23)	(-) 143	(-) 229	(-) 1168	(-)1850	(-) 84
23. Interest Payments (included in revenue expenditure)	1787 (17)	2436 (19)	1578 (13)	2139 (14)	2283 (13)
24. Arrears^ψ of Revenue (percentage of Tax and non-Tax Revenue Receipts)	992 (41)	1011 (30)	752 (21)	2198 (12)	1494 (33)
25. Financial Assistance to local bodies, etc.	331	361	401	1431	1943
26. Ways and Means Advances/ overdraft availed (days)	365	366	365	365	365
27. Interest on WMA/Overdraft	184	221	218	234	228
28. Gross State Domestic Product (GSDP*) (Pre-revised/ Base 1999-2000) (Revised/Base 2004-05)	29030 32265	31793 35620	34805 39229	38298 43236	- 47709
29. Outstanding debt* (year end)	12150	14226	16471	18593	19867
30. Outstanding^φ guarantees (year end)	2565	2807	2536	3037	2708
31. Maximum amount guaranteed (year end)	3245	3308	3295	4748	4750
32. Number of incomplete projects	186	88	26	89	93
33. Capital blocked in incomplete projects	882	365	64.51	495.31	269.43
Total Expenditure/GSDP	40.64	44.76	43.47	49.97	51.57
Revenue Receipts/total expenditure	85	83	84	81	90
Revenue Expenditure/Total Expenditure	81	76	71	71	75
Expenditure on Social Services/Total Expenditure	28.29	24.89	25.14	27.22	27.46
Expenditure on Economic Services/Total Expenditure	35.45	38.87	42.76	41.60	38.78
Capital Expenditure/Total Expenditure	18.79	23.37	29.10	28.85	24.65
Capital Expenditure on Social and Economic Services/Total Expenditure.	18.29	22.59	28.17	27.74	22.79
Revenue deficit (surplus)/GSDP	1.76	3.05	5.75	5.24	7.90
Fiscal deficit/GSDP	(-) 5.98	(-) 7.48	(-) 7.00	(-) 9.22	(-) 4.96
Primary Deficit (surplus) /GSDP	(-) 0.44	(-) 0.64	(-) 2.98	(-) 4.28	(-) 0.18
Revenue Deficit/Fiscal Deficit	NA	NA	NA	NA	NA
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	(-) 57.65	(-) 59.98	(-) 61.91	(-) 66.46	(-) 65.55
Fiscal Liabilities/RR	166.36	160.92	169.80	163.37	140.65

ψ Arrears during 2004-05 to 2007-08 on account of tax revenue only.

≠ Figures of GSDP are based on information supplied by the State Government.

• Includes internal debt and loans and advances from Central Government only.

φ Excludes information in respect of three private firms and four cooperative societies during 2004-05 to 2007-08.

Time series data on State Government Finances					
	2006-07	2007-08	2008-09	2009-10	2010-11
Primary deficit vis-à-vis quantum spread	(-) 261	(-)726	(-)547	(-) 563	703
Debt Redemption (Principal+Interest)/Total Debt Receipts for the year	99.73	110.08	84.46	79.02	98.03
V Other Fiscal Health Indicators					
Return on Investment	21.22	30.24	40.85	44.16	56.71
Balance from Current Revenue (₹ in crore)	(-) 2920	(-) 3484	(-) 2927	(-) 5468	(-) 3949
Financial Assets/Liabilities	1.11	1.14	1.21	1.25	1.35

Appendix 1.4

(Reference: Paragraph: 1.1; Page: 1)

Abstract of Receipts and Disbursements for the year 2010-11

(₹ in crore)

Receipts			Disbursements						
2009-10		2010-11	2009-10		2010-11				
					Non-Plan	Plan	Total		
Section-A: Revenue									
17587.82	I. Revenue Receipts		22233.65	15323.89	I. Revenue Expenditure	17557.92	908.90	18466.82	18466.82
3027.32	Tax revenue	3482.58		6445.24	General Services	7766.82	10.58	7777.40	
				4257.58	Social Services	4394.19	819.74	5213.93	
955.03	Non-tax revenue	1093.11		2090.53	Education, Sports, Art and Culture	2135.06	589.03	2724.09	
				830.76	Health and Family Welfare	950.88	56.39	1007.27	
1914.76	State's share of Union taxes	3066.98		779.03	Water Supply, Sanitation/H&UD	900.73	0.42	901.15	
				22.65	Information and Broadcasting	20.61	4.99	25.60	
3404.07	Non-Plan grants	5966.09		62.98	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	10.65	47.76	58.41	
				65.50	Labour and Labour Welfare	69.66	21.17	90.83	
7747.96	Grants for State Plan Schemes	7944.46		393.02	Social Welfare and Nutrition	291.24	99.97	391.21	
				13.11	Others	15.36	0.01	15.37	
538.68	Grants for Central and Centrally Sponsored Plan Schemes	680.43							
	Grants for Special Plan Schemes	-		4621.07	Economic Services	5396.91	78.58	5475.49	
				834.27	Agriculture and Allied Activities	968.52	38.69	1007.21	
				183.41	Rural Development	205.94	7.76	213.70	
				240.12	Special Areas Programmes	286.63	3.61	290.24	
				264.82	Irrigation and Flood Control	302.52	0.05	302.57	
				2754.52	Energy	3196.09	0.08	3196.17	
				158.93	Industries and Minerals	182.42	0.75	183.17	
				46.51	Transport	138.58	-	138.58	
				27.75	Science, Technology and Environment	16.79	11.47	28.26	
				110.74	General Economic Services	99.42	16.17	115.59	
-	II. Revenue deficit carried over to Section -B	-	-	2263.93	II. Revenue Surplus carried over to Section-B	-	-	-	3766.83
17587.82	Total Section-A	-	22233.65	17587.82	Total Section-A	-	-	-	22233.65

Receipts				Disbursements						
2009-10		2010-11	2009-10	2010-11						
				Non-Plan	Plan	Total				
Section B: Capital										
63.10	III. Opening Cash balance including Permanent Advances and Cash Balance Investment		67.20							
28.09	IV. Misc. Capital receipts	-	-	6233.76	III. Capital Outlay	333.42	5730.11	6063.53	6063.53	
				238.49	General Services	1.94	455.58	457.52		-
				1625.95	Social Services	22.62	1519.74	1542.36		
				286.63	Education, Sports, Art and Culture	-	512.59	512.59		
				289.00	Health and Family Welfare	-	306.15	306.15		
				784.51	Water Supply, Sanitation/H&UD	-	443.40	443.40		
				1.49	Information and Broadcasting	-	3.24	3.24		
				7.22	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	-	7.40	7.40		
				257.10	Social Welfare and Nutrition	15.58	244.96	260.54		
				-	Other Social Services	7.04	2.00	9.04		
				4369.33	Economic Services	308.86	3754.79	4063.65		
				316.39	Agriculture and Allied Activities	308.89	211.76	520.65		
				161.82	Rural Development	-	131.69	131.69		
				142.53	Special Areas Programmes	(-) 0.17	146.37	146.20		
				416.62	Irrigation and Flood Control	0.10	375.44	375.54		
				1035.05	Energy	-	1346.14	1346.14		
				109.15	Industries and Minerals	-	121.01	121.01		
				1307.26	Transport	0.02	998.78	998.80		
				6.18	Science, Technology and Environment	-	4.02	4.02		
				874.33	General Economic Services	0.02	419.58	419.60		
1.62	V. Recoveries of Loans and Advances		1.50	49.12	IV. Loans and Advances disbursement					71.63
	Industries and Minerals	0.31			Industries and Minerals			12.88		
	Transport	-			Transport			30.00		
1.24	Government servants	1.01		1.24	Government servants			0.59		
0.38	Others	0.18		47.88	Others			28.16		
2263.93	VI. Revenue surplus		3766.83		V. Revenue deficit	-	-	-		--

Receipts			Disbursements						
2009-10		2010-11	2009-10		2010-11				
					Non-Plan	Plan	Total		
2852.36	VII. Public debt receipts		5206.21	731.15	VI. Repayment of Public Debt			3931.98	3931.98
2145.81	Internal debt other than Ways and Means Advances and Overdraft	6221.63		707.45	Internal debt other than Ways and Means Advances and Overdraft			870.60	
31.75	Loans and Advances from GOI	(-) 1015.42 ²		23.70	Repayment of loans and advances from GOI.			96.33	
674.80	Net transactions under Overdrafts from J&K Bank			-	Net transactions under Ways and Means Advances including Overdrafts			2965.05	
	VIII. Appropriation to Contingency Fund				VII. Appropriation to Contingency Fund				
0.11	IX. Amount recouped to contingency fund		0.26	1.07	VIII-Expenditure from Contingency Fund			0.16	0.16
45173.56	X. Public Account receipts		55860.32	43300.47	IX-Public Account disbursements				54735.07
1472.51	Small Savings and Provident Funds	2019.41		779.07	Small Savings and Provident Funds			816.82	
200.27	Reserve Funds	145.24		110.41	Reserve Funds			141.91	
3929.95	Deposits and Advances	3958.18		2385.78	Deposits and Advances			3899.61	
459.48	Suspense and Miscellaneous	723.20		622.26	Suspense and Miscellaneous			555.22	
39111.35	Remittances	49014.29		39402.95	Remittances			49321.51	
				67.20	X. Cash balance at the end			99.95	99.95
				12.12	Cash in treasuries and local remittances			1061	
				5.48	Deposits with Banks			40.78	
				1.35	Departmental cash balance including permanent advances			0.31	
				37.39	Cash balance investment			37.39	
				10.86	Reserve fund investment			10.86	
50382.77	Total Section-B	64902.32	50382.77		Total Section-B			64902.32	

Explanatory Notes

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the deficit on Government account indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation on stock figures etc. do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid and payments made on behalf of the State and others pending settlement, etc.

² Minus figure due to rectification of misclassification of 'Share of Small Savings collections' (₹1032.29 crore). Actual Loans and Advances from GOI during 2010-11; ₹16.88 crore.

Appendix 1.4 (Continued)				
Summarised financial position of the Government of Jammu and Kashmir as on 31 March 2011				
<i>(₹ in crore)</i>				
As on 31 March 2010				As on 31 March 2011
Liabilities				
15448.89		Internal Debt		17834.86
	8182.60	Market Loans bearing interest	11297.64	
	1032.49	Loans from LIC	1296.55	
	3268.74	Loans from other Institutions	5240.67	
	2965.06	Overdraft from Jammu and Kashmir Bank	-	
3143.61		Loans and Advances from Central Government		2031.87
	14.64	Pre 1984-85 Loans	14.64	
	1038.41	Non-Plan Loans	6.12	
	1910.94	Loans for State Plan Schemes	1831.49	
	91.52	Loans for Central Plan Schemes	91.52	
	78.85	Loans for Centrally Sponsored Plan Schemes	78.85	
	9.25	Ways and Means Advances	9.25	
1.00		Contingency Fund		1.00
5446.52		Small Savings, Provident Funds, etc.		6649.12
1304.60		Reserve Funds		1307.92
3391.36		Deposits		3448.09
2450.65		Remittance Balances		2143.43
7940.51		Surplus on Government Account		11777.86
	5747.10 ³	Revenue surplus ending 2009-10	8011.03	
	2263.93	Revenue Surplus 2010-11	3766.83	
39127.14		Total:		45123.63
Assets				
37435.34		Gross Capital Outlay on Fixed Assets		43498.88
	422.82	Investments in shares of Companies, Corporations, etc.	470.78	
	37012.52	Other Capital Outlay	43028.10	
1066.42		Loans and Advances		1136.54
	447.41	Industries and Minerals	459.96	
	339.74	Transport	369.74	
	85.05	Energy	85.05	
	42.97	Agriculture and Allied Activities	42.94	
	130.95	Other Development Loans	158.96	
	20.30	Loans to Government servants and Miscellaneous Loans	19.89	

³ The difference of ₹ 70.52 lakh is due to amount written off from heads of accounts closing to balances

As on 31 March 2010		As on 31 March 2011	
Assets (Continued)			
8.13		Advances	6.30
548.67		Suspense and Miscellaneous Balances	380.70
1.38		Appropriation to Contingency Fund	1.27
		Amount written off from Heads of accounts closing to balances	-
67.20		Cash	99.95
	12.12	Cash in Treasuries and Local Remittances	10.61
	5.48	Deposits with Bank	40.78
	1.23	Departmental Cash Balance	0.19
	0.12	Permanent Advances	0.12
	37.39	Cash Balance Investments	37.39
	10.86	Reserve Fund Investments	10.86
	-	Deficit on Government Account:	
39127.14		Total	45123.63

Appendix 1.5

(Reference: Paragraph: 1.2.2; Page: 6)

Statement showing the funds transferred to the State Implementing Agencies under Programmes/Schemes outside the State budget during 2010-11

Direct transfer of Central Scheme Funds costing more than ₹ 5 crore to implementing agencies in the State (funds routed outside State Budgets) (unaudited figures)

(₹ in lakh)

Name of the GOI Scheme	Implementing agencies in the State	Government of India releases		
		2010-2011	2009-2010	2008-2009
Hospital and Dispensary under NRHM	Health and Family Welfare, Jammu and Kashmir	-	5,72.02	-
Accelerated Rural Water Supply Programme	SGO Finance Secretary	-	2,89,90.00	4,03,73.00
National Rural Health Mission (NRHM)	State Health Department including others	1,32,15.09	90,00.08	64,69.00
National Institute of Technology NIT DHE	NIT, Srinagar	-	-	6,37.00
Package for special Category State DIPP	Jammu and Kashmir Financial Corporation Ltd.	23,13.57	12,00.00	10,00.00
Integrated Watershed Management Programme DPAD, DDP, IWDP, (IWMP)	Assistant Commissioners (Development) DRDA	32,63.62	26,81.43	13,71.00
DRDA Administration RD	Assistant Commissioners (Development) DRDA	7,83.06	6,85.00	7,05.00
Mahamata Gandhi National Rural Employment Guarantee Scheme (MGNREGA)	Assistant Commissioners (Development) Distt. Rural Development Agencies	3,13,59.89	1,73,24.45	1,05,36.00
Pradhan Mantri Gram Sadak Yojana	State Rural Roads Agency	3,66,09.25	1,44,70.00	1,91,17.00
Rural Housing IAY	Asstt. Commissioner Distt. Rural Development Agencies	66,43.34	57,25.42	71,29.00
Swaran Janyati Gram Swarozgar Yojana	Asstt. Commissioner Distt. Rural Development Agencies	7,59.04	8,28.47	12,36.00
Sarva Shiksha Abhiyan	Ujala Society Jammu and Kashmir	4,03,48.79	3,73,63.27	2,05,32.00
Local Area Development Scheme (MPLADS)	Distt. Deputy Commissioners	24,00.00	17,00.00	25,00.00
Buddhist and Tibetan Studies	Galdan Targaisling Cultural Welfare Society, Culture preservation Society, Kukshow, Cultural Preservation And Area Development and Others	7,43.08	8,09.78	5,98.00

Name of the GOI Scheme	Implementing agencies in the State	Government of India releases		
		2010-2011	2009-2010	2008-2009
National Afforestation Programme	Forest Development Agency, Rajouri, Poonch, Kishtwar, Reasi, Batote, Ramban etc.	-	9,81.21	5,95.00
Information Publicity extension	Jammu and Kashmir Energy Development Agency	*	-	6,77.00
Assistance of IHMS, FCI's etc.	Jammu University and IHM society Srinagar	*	-	6,34.00
Product Infrastructure Development for destinations and Circuits	State Tourism Department	-	5,10.89	23,53.00
Macro Management of Agriculture Scheme	State Agriculture Department	-	-	18,30.00
ASIDE Assistance to States for Developing Export Infrastructure and Allied Activities	Jammu and Kashmir State Industries Development Corporation Ltd.	-	-	14,73.00
Central Rural Sanitation programme	SWSM Member, Secretary Cum Superintending Engineer Kupwara/Srinagar/Baramulla/Badgam	26,55.16	-	11,27.00
Strengthening of existing Polytechnics	Secretary Technical Education	-	-	8,48.00
Electronic Governance	State e-governance Agency	*	-	14,68.00
Mid-day Meals National Programme of Nutritional Support to Primary Education	State Education and Food and Supplies Department	-	-	39,13.00
Research and Development Support	University of Jammu, University of Kashmir, Shri Mata Vaishno Devi University, Sheri Kashmir University of Agriculture Science and Technology, Baba Ghulam Shah Badshah University etc.	6,99.16	11,62.98	-
Conservation of natural resources and Eco system	J&K Lakes and Water ways Development Authority	17,50.69	27,85.00	-
Integrated Development of Wild Life Habitants	Chief Wild Life Warden	-	-	5,69.00
National River Conservation Plans	Waterways Development Authority, Srinagar	-	-	12,50.00
Up gradation of 1396 Government ITI's	Director Technical Education Jammu, IML Society of ITI's	17,50.00	10,00.00	-
Integrated Child Development Scheme	State Social Welfare Department	-	-	37,92.00

Name of the GOI Scheme	Implementing agencies in the State	Government of India releases		
		2010-2011	2009-2010	2008-2009
National E. Governance Action Plan NEGAP	State Department of e-governance	-	-	17,28.00
Transport Subsidy Scheme	J&K Development Finance Corporation Ltd.	-	9,55.00	-
Scheme for Setting up of 6000 Model Schools at Block level as Benchmark of Excellence	Ujala Society, Srinagar	-	25,82.00	-
Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	Ujala Society, Srinagar/Noor Society	26,40.09	8,82.00	-
National Mental Health Programme	State Health Society	10,54.08	5,28.00	-
Crime and Criminal Net work system	J&K Police Housing Corporation Ltd.	35,59.76	-	-
Human Resources for Health	J & K Health and Medical Education Department	40,00.00	-	-
Development and upgradation of Institutions (AYUSH)	J & K Health Society	16,00.00	-	-
National Rural Drinking Water Programme	State Water and Sanitation Mission (SWSM)	4,68,91.18	-	-
Off Grid DRPS	Renewable Energy Development Agency	21,87.14	-	-
Techonology upgradation Fund Scheme (TUFS)	J & K Bank Ltd.	6,23.57	-	-
Renewal Energy for Rural Applications (Remote Villages)	J & K Energy Development Agency	29,23.74	-	-
Other Schemes	Others	65,86.79	67,76.95	84,48.00
	Grand Total	21,73,60.09	13,95,13.95	14,29,08.00

Explanatory notes:

- a. *The figures are taken from the 'Central Plan Scheme Monitoring System (CPSMS)' portal of the Controller General of Accounts. These are unaudited figures.*
- b. *The total releases shown in this appendix exclude the amount released to Central Bodies located in the State as well as various other Organizations outside the purview of the Government of Jammu and Kashmir.*

Appendix-2.1

(Reference: Paragraph: 2.3.1; Page: 36)

Statement of various grants/appropriations where saving was more than ₹ one crore each or more than 20 per cent of the total provision

(₹ in crore)

Sl. No	Grant Number	Name of Grant/Appropriation	Total Grant/Appropriation	Savings	Percentage
Revenue (Voted)					
1	01	General Administration	145.45	30.55	21
2	02	Home	2393.82	227.75	10
3	03	Planning and Development	69.53	38.88	56
4	04	Information	31.64	6.04	19
5	07	Education	2525.27	244.97	10
6	08	Finance	2728.87	367.60	13
7	10	Law	134.68	22.31	17
8	11	Industries and Commerce	152.00	20.06	13
9	12	Agriculture	458.88	4.78	1
10	13	Animal Husbandry	248.52	6.43	3
11	14	Revenue	535.12	106.34	20
12	17	Health and Medical Education	1056.50	49.23	5
13	20	Tourism	84.46	1.96	2
14	21	Forest	399.80	61.59	15
15	24	Hospitality, Protocol and Toshakhana	122.00	5.52	5
16	26	Fisheries	34.90	1.40	4
17	29	Transport	25.65	3.59	14
Revenue (Charged)					
18	02	Home	0.68	0.29	43
19	10	Law	15.61	2.18	14
Capital (Voted)					
20	01	General Administration	48.62	25.94	53
21	02	Home	60.98	48.89	80
22	03	Planning and Development	855.67	679.61	79
23	05	Ladakh Affairs	154.40	7.94	5
24	07	Education	540.79	317.82	59
25	08	Finance	527.00	387.82	74
26	09	Parliamentary Affairs	2.00	2.00	100
27	10.	Law	9.25	9.25	100
28	11	Industries and Commerce	131.51	19.60	15
29	12.	Agriculture	313.88	162.44	52
30	13	Animal Husbandry	38.63	13.54	35
31	14	Revenue	109.56	45.64	42
32	15	Consumer Affairs and Public	1035.00	66.64	6

Sl. No	Grant Number	Name of Grant/Appropriation	Total Grant/Appropriation	Savings	Percentage
		Distribution			
33	16	Public Works	1486.09	100.34	7
34	17	Health and Medical Education	348.05	41.90	12
35	19	Housing and Urban Development	415.79	156.79	38
36	20	Tourism	152.85	6.16	4
37	21	Forest	97.80	50.70	52
38	22	Irrigation and Flood Control	379.47	39.70	10
39	23	Public Health Engineering	357.44	172.30	48
40	24	Hospitality, Protocol and Toshkhana	44.92	19.91	44
41	25	Labour, Stationery and Printing	141.48	140.44	99
42	28	Rural Development	175.26	43.57	25

Appendix-2.2

(Reference: Paragraph: 2.3.3; Page: 37)

Statement of various grants/appropriations where excess expenditure was more than ₹ one crore each or more than 20 per cent of the total provision

(₹ in crore)

Sl. No	Grant Number	Name of Grant/Appropriation	Total Grant/Appropriation	Expenditure	Excess (Percentage)
Revenue (Voted)					
1.	05	Ladakh Affairs	288.09	291.39	3.30 (1)
2.	06	Power Development	2632.52	3254.76	622.24 (24)
3.	16	Public Works	496.89	642.47	145.58 (29)
4.	18	Social Welfare	315.90	323.37	7.47 (2)
5.	19	Housing and Urban Development	264.06	294.97	30.91 (12)
6.	22	Irrigation and Flood Control	282.88	285.66	2.78 (1)
7..	23	Public Health Engineering	558.01	574.27	16.26 (3)
8.	25	Labour, Stationery and Printing	94.22	109.96	15.74 (17)
9.	27	Higher Education	343.63	493.60	149.97 (44)
10.	28	Rural Development	144.28	166.08	21.80 (15)
Total (Revenue Voted)			5420.48	6436.53	1016.05
Revenue (Charged)					
11.	08	Finance	2249.71	2283.05	33.34 (1)
Total (Revenue Charged)			2249.71	2283.05	33.34
Capital (Voted)					
12.	06	Power Development	1124.98	1346.14	221.16 (20)
13.	18	Social welfare	201.98	221.48	19.50 (10)
14.	26	Fisheries	15.35	19.13	3.78 (25)
15.	27	Higher Education	277.14	289.66	12.52 (5)
16.	29	Transport	41.97	45.47	3.50 (8)
Total (Capital Voted)			1661.42	1921.88	260.46
Capital (Charged)					
17.	08	Finance	958.91	5779.40	4820.49 (503)
Total (Capital Charged)			958.91	5779.40	4820.49
(Grand Total)			10290.52	16420.86	6130.34

Appendix-2.3
(Reference: Paragraph: 2.3.4; Page: 38)
**Statement showing expenditure incurred without budget provisions
during 2010-11**

(₹ in lakh)

Sl. No	Grant/Head of Account	Amount of expenditure without provision	Amount
1	01-General Administration		136.59
	2052-Secretariat General Services	5.25	
	2070- Other Administrative Services	26.41	
	2501-Special Programmes for Rural Development	5.02	
	3451-Secretariat Economic Services	25.55	
	4070-Capital Outlay on Other Administrative Services	44.00	
	4075-Capital Outlay on Miscellaneous General Services	15.00	
	5425-Capital Outlay on Other Scientific and Environmental Research	15.36	
2	02-Home		971.60
	2055-Police	764.01	
	2070- Other Administrative Services	3.86	
	4059-Capital Outlay on Public Works	153.73	
	4070- Capital Outlay on Other Administrative Services	50.00	
3	03-Planning and Development		3238.36
	5475-Capital Outlay on Other General Economic Services	3238.36	
4	06-Power Development		3153.64
	2801-Power	3153.64	
5	07-Education		1444.61
	2205-Art and Culture	12.10	
	4202-Capital Outlay on Education, Sports, Art and Culture	1432.51	
6	08-Finance		105.35
	2054-Treasury and Accounts Administration	105.35	
7	10-Law Department		139.16
	2015-Elections	45.19	
	2230-Labour and Employment	93.97	
8	11-Industries and Commerce		2569.13
	2851-Village and Small Industries	42.94	
	4851-Capital Outlay on Village and Small Industries	2371.77	
	4853-Capital Outlay on Non-ferrous Mining and Metallurgical Industries	154.42	
9	12-Agriculture Department		2350.13
	2029-Land Revenue	2.40	
	2236-Nutrition	3.83	
	2401-Crop Husbandry	952.18	

Sl. No	Grant/Head of Account	Amount of expenditure without provision	Amount
	2402-Soil and Water Conservation	29.09	
	2415-Agriculture Research and Education	1045.83	
	2425-Co-operation	44.04	
	2435-Other Agricultural Programmes	1.29	
	2705-Command Area Development	6.02	
	2851-Village and Small Development	5.69	
	4401-Capital Outlay on Crop Husbandry	58.66	
	4402-Capital Outlay on Soil and Water Conservation	77.32	
	4425-Capital Outlay on Co-operation	4.95	
	4705-Capital Outlay on Command Area Development	118.83	
10	13-Animal Husbandry		1383.68
	2403-Animal Husbandry	356.78	
	4403-Capital Outlay on Animal Husbandry	1026.70	
11	14-Revenue		831.92
	2053-District Administration	585.98	
	2055-Police	245.94	
12	15-Consumer Affairs and Public Distribution		137.04
	4235-Capital Outlay on Social Security and Welfare	11.74	
	4408-Capital Outlay on Food Storage and Warehousing	125.30	
13	16-Public Works		14443.47
	2059-Public Works	6.98	
	2216-Housing	28.98	
	3054-Roads and Bridges	62.70	
	4059-Capital Outlay on Public Works	736.94	
	4250-Capital Outlay on other Social Services	199.85	
	5054-Capital Outlay on Roads and Buildings	13408.02	
14	17-Health and Medical Education		7733.89
	2210-Medical and Public Health	198.19	
	2211-Family Welfare	1876.84	
	4210-Capital Outlay on Medical and Public Health	5658.86	
15	18-Social Welfare Department		8770.07
	2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	2495.43	
	2235-Social Security and Welfare	5333.53	
	2236-Nutrition	137.41	
	4225-Capital Outlay on Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	328.98	
	4235-Capital Outlay on Social Security and Welfare	474.72	

Sl. No	Grant/Head of Account	Amount of expenditure without provision	Amount
16	19-Housing and Urban Development		1978.60
	2217-Urban Development	1947.99	
	4217-Capital Outlay on Urban Development	15.61	
	6216-Loans for Housing	15.00	
17	20-Tourism		1323.25
	4406-Capital Outlay on Forestry and Wild Life	200.33	
	5452-Capital Outlay on Tourism	1122.92	
18	21-Forest Department		1363.92
	2406-Forestry and Wild Life	90.99	
	3435-Ecology and Environment	1163.99	
	4402-Capital Outlay on Soil and Water Conservation	20.69	
	4406-Capital Outlay on Forestry and Wild Life	88.25	
19	22-Irrigation and Flood Control Department		2.00
	2701-Medicum Irrigation	2.00	
20	23-Public Health Engineering		70.78
	2215-Water Supply and Sanitation	70.78	
21	24-Hospitality, Protocol and Toshakhana Department		66.65
	2059-Public Works	2.00	
	2216-Housing	64.65	
22	25-Labour, Stationery and Printing		13.54
	2058-Stationery and Printing	10.84	
	2230-Labour and Employment	2.70	
23	26-Fisheries		616.20
	2405-Fisheries	34.87	
	4405-Capital Outlay on Fisheries	581.33	
24	28-Rural Development		2642.90
	2236-Nutrition	372.10	
	2505-Rural Employment	197.07	
	2515-Other Rural Development Programme	117.17	
	4515-Capital Outlay on Other Rural Development Programmes	1956.56	
25	29-Transport		1055.38
	2041-Taxes on Vehicles	10.29	
	4070-Capital Outlay on Other Administrative Services	57.85	
	5055-Capital Outlay on Road Transport	987.24	
	Grand Total		56541.86 (565.42 crore)

Appendix-2.4

(Reference: Paragraph: 2.3.5; Page: 38)

Year-wise details of excess expenditure for the years 1980-81 to 2009-10 pending with Finance Department for regularization

(₹ in crore)

Year	No. of Grants/Appropriations	Grant/Appropriation No.	Excess	Stage of consideration by Public Accounts Committee
1980-81	16	1,5,6,7,8,9,12,13,14,16,18, 19,20,21,22,23	227.90	Not discussed by Public Account Committee
1981-82	13	1,3,5,6,8,13,14,16,18,19, 20,21,23	41.99	
1982-83	10	6,8,9,12,14,18,19,21,22,23	119.74	
1983-84	12	1,5,6,7,8,14,18,19,20,21, 22,23	176.75	
1984-85	10	1,6,8,10,14,16,18,19,21,23	65.42	
1985-86	10	1,4,6,10,17,18,19,22,23,26	19.64	
1986-87	15	1,2,4,6,7,8,10,13,18,19,20,22,23,25,26	104.22	
1987-88	17	1,2,3,5,6,8,10,12,13,18,19,21,22,23,24,26,27	177.32	
1988-89	14	1,2,8,9,10,12,13,15,17,18, 22,23,26,27	438.42	
1989-90	09	1,7,8,11,12,20,21,23,24	205.23	
1990-91	11	1,2,5,8,12,17,19,21,23,25,26	427.72	
1991-92	13	1,2,5,7,8,11,12,14,21,22, 23,26,27	1,152.23	
1992-93	14	1,4,5,8,10,11,12,14,16,20, 21,23,24,26	1,029.71	
1993-94	17	2,3,5,8,10,12,13,14,17,18, 20,21,22,23,24,26,27	1,730.03	
1994-95	14	5,6,8,9,10,12,13,14,20,21, 23,24,26,27	2,057.49	
1995-96	19	2,5,6,8,9,10,11,12,13,16,17,18,20,21,23,24,25,26,27	2,936.89	
1996-97	18	2,4,5,6,8,10,11,12,13,14, 16,18,20,21,23,24,26,27	3,482.20	
1997-98	16	1,2,4,6,8,9,12,13,16,18,21,22,23,24,26,27	4,189.21	
1998-99	06	4,5,6,8,23,27	4,185.25	
1999-2000	12	2,3,6,8,9,12,17,18,20,23,24,26	5,851.08	
2000-01	11	1,6,8,9,12,16,18,23,25, 26, 27	6,310.25	
2001-02	15	3,5,6,8,11,17,18,20,21,23,25,26,27,28,29	6,393.41	
2002-03	15	3,5,6,7,8,12,14,16,17,18,21,23,25,26,28	505.61	
2003-04	18	3,5,7,8,12,13,14,15,16,17,18,20,21,23,24,25,26,28	9,770.53	
2004-05	15	3,6,8,9,12,14,15,16,18,20,25,26,27,28,29	2,108.42	
2005-06	16	3,5,8, 10,12,15, 16,17,18, 20,21,23,25, 26,27,28	12,954.06	
2006-07	14	8,12,14,15,16,17,18,20,21,23,25,26,27,28	2,150.03	
2007-08	14	6,8,11,12,14,15,16,20,24,25,26,27,28,29	2,277.91	
2008-09	15	5,6,8,11,12,15,16,19,20,22,23,24,25,26,27	3,277.38	
2009-10	14	1,6,8,11,15,16,18,20,23,24,25,26,27,29	4062.58	
		Total:	78,428.62	

Appendix-2.5

(Reference: Paragraph: 2.3.7; Page: 39)

Cases of unnecessary supplementary grant/appropriation

(₹ in crore)

Sl. No	Number and Name of the Grant	Original Provision	Supplementary Provision	Actual Expenditure	Savings out of original provision
I-Revenue (Voted)					
1	03-Planning and Development	52.68	16.85	30.65	22.03
2	04-Information	27.21	4.43	25.60	1.61
3	10-Law	134.00	0.68	112.37	21.63
4	11-Industries and Commerce	145.26	6.74	131.94	13.32
5	21-Forest	369.49	30.31	338.21	31.28
6	29-Transport	24.84	0.81	22.06	2.78
Total-I		753.48	59.82	660.83	92.65
II-Revenue (Charged)					
7.	01-General Administration	8.50	0.09	7.76	0.74
Total-II		8.50	0.09	7.76	0.74
III-Capital (Voted)					
8.	02-Home	13.67	47.31	12.09	1.58
9.	03-Planning and Development	485.56	370.11	176.06	309.50
10.	07-Education	365.52	175.27	222.97	142.55
11.	12-Agriculture	241.72	72.16	151.44	90.28
12.	14-Revenue	104.20	5.36	63.92	40.28
13.	17-Health and Medical Education	341.14	6.91	306.14	35.00
14.	21-Forest	80.75	17.05	47.10	33.65
Total-III		1632.56	694.17	979.72	652.84
Grand Total		2394.54	754.08	1648.31	746.23

Appendix-2.6

(Reference: Paragraph: 2.3.7; Page: 39)

Cases of excessive Supplementary grant/appropriation

(₹ in crore)

Sl. No	Name of the Grant/ Appropriation	Original	Supple- mentary	Total	Expenditure	Savings
I-Revenue (Voted)						
1	02-Home	2081.50	312.32	2393.82	2166.08	227.74
2	07-Education	2254.87	270.40	2525.27	2280.30	244.97
3	14-Revenue	351.21	183.91	535.12	428.78	106.34
4	24-Hospitality, Protocol and Toshakhana	109.44	12.56	122.00	116.48	5.52
5	26-Fisheries	32.68	2.22	34.90	33.50	1.40
Total-I		4829.70	781.41	5611.11	5025.14	585.97
II-Revenue (Charged)						
6	09-Parliamentary Affairs	0.55	0.07	0.62	0.58	0.04
Total-II		0.55	0.07	0.62	0.58	0.04
III-Capital (Voted)						
7	16-Public Works	1292.56	193.53	1486.09	1385.75	100.34
Total-III		1292.56	193.53	1486.09	1385.75	100.34
Grand Total		6122.81	975.01	7097.82	6411.47	686.35

Appendix 2.7

(Reference: Paragraph: 2.3.7; Page:39)

Statement of various grants/appropriation where supplementary provision provided was insufficient by more than ₹ one crore each

(₹ in crore)

Sl. No	Grant Number	Name of Grant/ Appropriation	Original Provision	Supple-mentary Provision	Total	Expendi-ture	Excess
Revenue (Voted)							
1	05	Ladakh Affairs	264.13	23.96	288.09	291.39	3.30
2	06	Power Development	2538.82	93.70	2632.52	3254.76	622.24
3	28	Rural Development	142.38	1.90	144.28	166.08	21.80
Total-Revenue (Voted)			2945.33	119.56	3064.89	3712.13	647.34
Revenue (Charged)							
4	08	Finance	2249.65	0.06	2249.71	2283.05	33.34
Total-Revenue (Charged)			2249.65	0.06	2249.71	2283.05	33.34
Capital (Voted)							
5	26	Fisheries	11.64	3.71	15.35	19.13	3.78
6	27	Higher Education	189.91	87.23	277.14	289.66	12.52
7	29	Transport	39.12	2.85	41.97	45.47	3.50
Total-Capital (Voted)			240.67	93.79	334.46	354.26	19.80
Grand Total			5435.65	213.41	5649.06	6349.54	700.48

Appendix-2.8

(Reference: Paragraph: 2.3.8; Page: 40)

Details of saving of ₹ one crore and above not surrendered

(₹ in crore)

Sl. No	Number and Name of Grant/ Appropriation	Savings	Surrender	Saving which remained to be surrendered
I-Revenue (Voted)				
1	01-General Administration	30.55	-	30.55
2	02-Home	227.75	-	227.75
3	03-Planning and Development	38.88	-	38.88
4	04-Information	6.04	-	6.04
5	07-Education	244.97	-	244.97
6	08-Finance	367.60	-	367.60
7	10-Law	22.31	-	22.31
8	11-Industries and Commerce	20.06	-	20.06
9	12-Agriculture	4.78	-	4.78
10	13-Animal Husbandry	6.43	-	6.43
11	14-Revenue	106.34	-	106.34
12	17-Health and Medical Education	49.23	-	49.23
13	20-Tourism	1.96	-	1.96
14	21-Forest	61.59	-	61.59
15	24-Hospitality, Protocol and Toshakhana	5.52	-	5.52
16	26-Fisheries	1.40	-	1.40
17	29-Transport	3.59	-	3.59
	Total-I	1199.00	-	1199.00
II- Revenue (Charged)				
18	10-Law	2.18	-	2.18
	Total-II	2.18	-	2.18
III-Capital (Voted)				
19	01-General Administration	25.94		25.94
20	02-Home	48.89	-	48.89
21	03-Planning and Development	679.61	-	679.61
22	05-Ladakh Affairs	7.94	-	7.94
23	07-Education	317.82	-	317.82
24	08-Finance	387.82	-	387.82
25	09-Parliamentary Affairs	2.00	-	2.00

Sl. No	Number and Name of Grant/ Appropriation	Savings	Surrender	Saving which remained to be surrendered
26	10-Law	9.25	-	9.25
27	11-Industries and Commerce	19.60	-	19.60
28	12-Agriculture	162.44	-	162.44
29	13-Animal Husbandry	13.54	-	13.54
30	14-Revenue	45.64	-	45.64
31	15-Consumer Affairs and Public Distribution	66.64	-	66.64
32	16-Public Works	100.34	-	100.34
33	17-Health and Medical Education	41.90	-	41.90
34	19-Housing and Urban Development	156.79	-	156.79
35	20-Tourism	6.16	-	6.16
36	21-Forest	50.70	-	50.70
37	22-Irrigation and Flood Control	39.70	-	39.70
38	23-Public Health Engineering	172.30	-	172.30
39	24-Hospitality, Protocol and Toshakhana	19.91	-	19.91
40	25-Labour, Stationery and Printing	140.44	-	140.44
41	28-Rural Development	43.57	-	43.57
	Total-III	2558.94	-	2558.94
	Grand Total-I+II+III	3760.12		3760.12

Appendix-2.9

(Reference: Paragraph: 2.4.1; Page: 41)

Department-wise outstanding DC bills 1995-2011

(₹ in crore)

S. No	Department	Amount
1.	Agriculture Production	10.97
2.	Animal Husbandry	3.08
3.	Consumer Affairs and Public Distribution	42.37
4.	Education	180.63
5.	Election	6.93
6.	Finance	8.96
7.	Fisheries	0.86
8.	Forest	1.34
9.	Health and Medical Education	151.69
10.	Home	4.26
11.	Hospitality and Protocol	0.03
12.	Housing and Urban Development	274.80
13.	Industries and Commerce	62.63
14.	Judiciary	0.29
15.	Public Health Engineering	3.75
16.	Planning and Development	19.38
17.	Public Works	4.55
18.	Relief and Rehabilitation	304.61
19.	Revenue	204.68
20.	Rural Development	26.28
21.	Science and Technology	10.10
22.	Social Welfare	12.63
23.	Stationery and Printing	0.01
24.	Technical Education	2.66
25.	Tourism	78.69
26.	Youth Services and Sports	1.12
27.	Economics and Statistics	1.52
28.	General Administration	4.50
29.	Higher Education	141.00
30.	Labour and Employment	25.65
31.	Legislative Assembly	0.19
32.	Transport	2.64
33.	Power Development	338.00
34.	ARI and Trainings	0.08
35.	Public Service Commission	2.16
	Total	1933.04

Appendix-3.1 (Reference: Paragraph: 3.2; Page: 49) Details of annual account awaited under section 14 of the CAG's (DPC) Act			
Sl. No	Name of the Body/Authority	Period for which accounts awaited	Number of awaited accounts
1.	Srinagar Municipality	1988-89 to 2010-11	23
2.	Kashmir University	2001-02 to 2010-11	10
3.	Kashmir Urban Development Agency Srinagar	1999-2000 to 2010-11	12
4.	District Rural Development Agency Srinagar	2002-03 to 2010-11	09
5.	District Rural Development Agency Anantnag	2007-08 to 2010-11	04
6.	District Rural Development Agency Pulwama	2002-03 to 2010-11	09
7.	District Rural Development Agency Leh	2008-09 to 2010-11	03
8.	District Rural Development Agency Kargil	2008-09 to 2010-11	03
9.	Sher-e-Kashmir International Conference Centre, Srinagar (SKICC)	1999-2000 to 2010-11	12
10.	Srinagar Development Authority	1999-2000 to 2010-11	12
11.	Institute of Hotel Management	2001-02 to 2010-11	10
12.	State Social Welfare Advisory Board	2003-04 to 2010-11	08
13.	Islamia College of Sciences and Commerce Srinagar	2001-02 to 2010-11	10
14.	Jammu and Kashmir State Housing Board	2002-03 to 2010-11	09
15.	Lakes and Water Ways Development Authority	2005-06 to 2010-11	14
16.	Jammu University	2002-03 to 2010-11	09
17.	District Rural Development Agency Jammu	2008-09 to 2010-11	03
18.	District Rural Development Agency Kathua	2008-09 to 2010-11	03
19.	District Rural Development Agency Poonch	2008-09 to 2010-11	03
20.	District Rural Development Agency Doda	2003-04 to 2010-11	08
21.	Academy of Art Culture and Languages	2003-04 to 2010-11	08
22.	Jammu Development Authority	1972-73 to 2010-11	39
23.	State Pollution Control Board	1995-96 to 2010-11	16
24.	Jammu and Kashmir Sports Council	2003-04 to 2010-11	08
25.	Jammu and Kashmir Energy Development Agency	2003-04 to 2010-11	08
26.	District Rural Development Agency Budgam	2007-08 to 2010-11	04
27.	District Rural Development Agency Baramulla	2007-08 to 2010-11	03
28.	District Rural Development Agency Kupwara	2006-07 to 2010-11	05
39.	District Rural Development Agency Ganderbal	2008-09 to 2010-11	03
30.	District Rural Development Agency Kulgam	2008-09 to 2010-11	03
31.	District Rural Development Agency Shopian	2008-09 to 2010-11	03
32.	District Rural Development Agency Bandipora	2008-09 to 2010-11	03
	TOTAL		277

Appendix 3.2

(Reference: Paragraph: 3.4: Page: 50)

Statement of Finalisation of Accounts and the Government Investment in
Departmentally managed Commercial and Quasi-Commercial Undertakings

Name of the Undertaking	Accounts Finalised up to	Investment as per the last accounts finalized (₹ in Crore)	Remarks / reasons for Delay in Preparation of accounts
Department: Consumer Affairs and Public Distribution			
Consumer Affairs and Public Distribution Department, Srinagar	1974-75	N.A.	Reasons were not intimated by the Department.
Consumer Affairs and Public Distribution Department, Jammu	1972-73 and for the year 1998-99	N.A.	Reasons were not intimated by the Department.