



REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

ON

STATE FINANCES

FOR THE YEAR ENDED 31 MARCH 2009

GOVERNMENT OF JAMMU AND KASHMIR

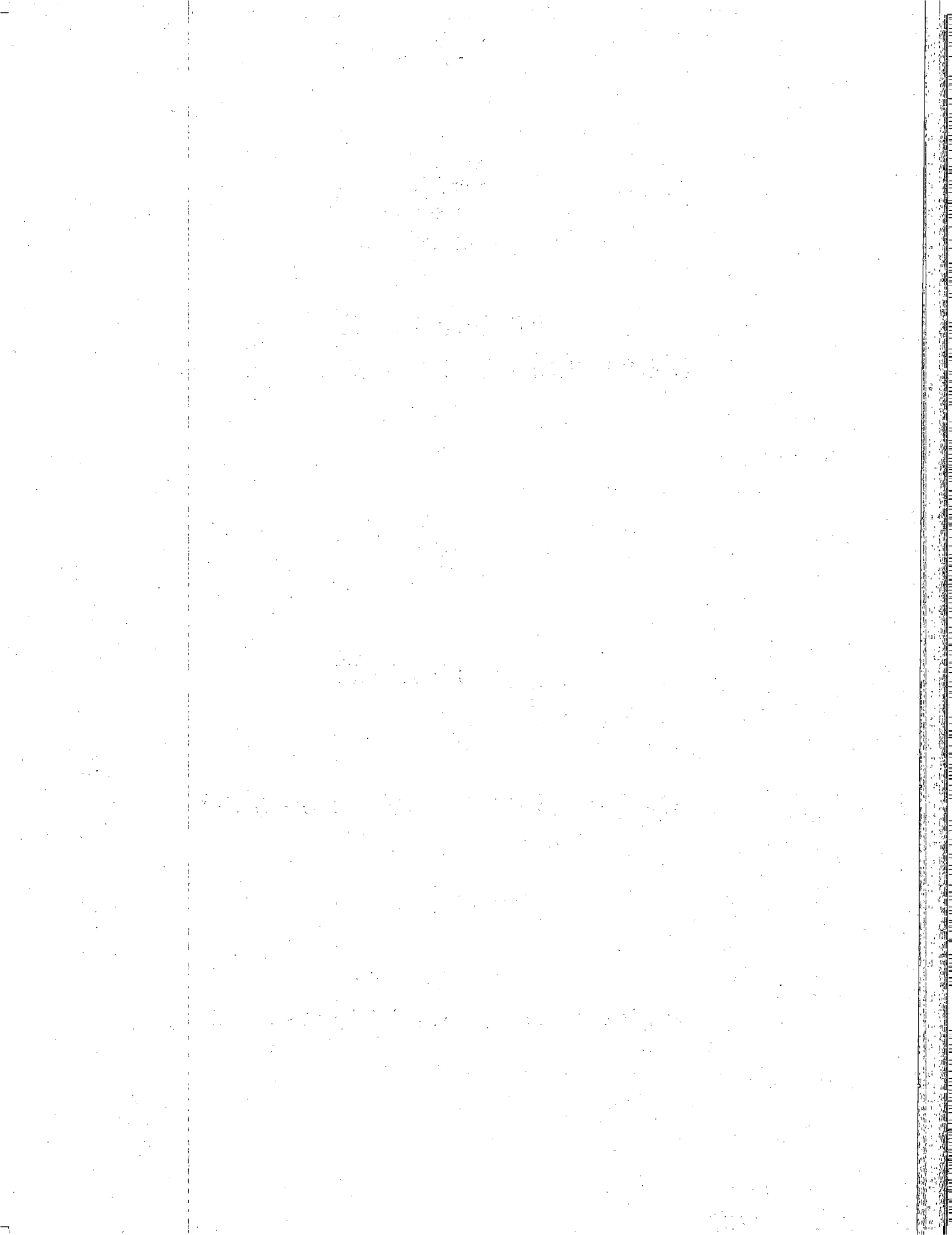


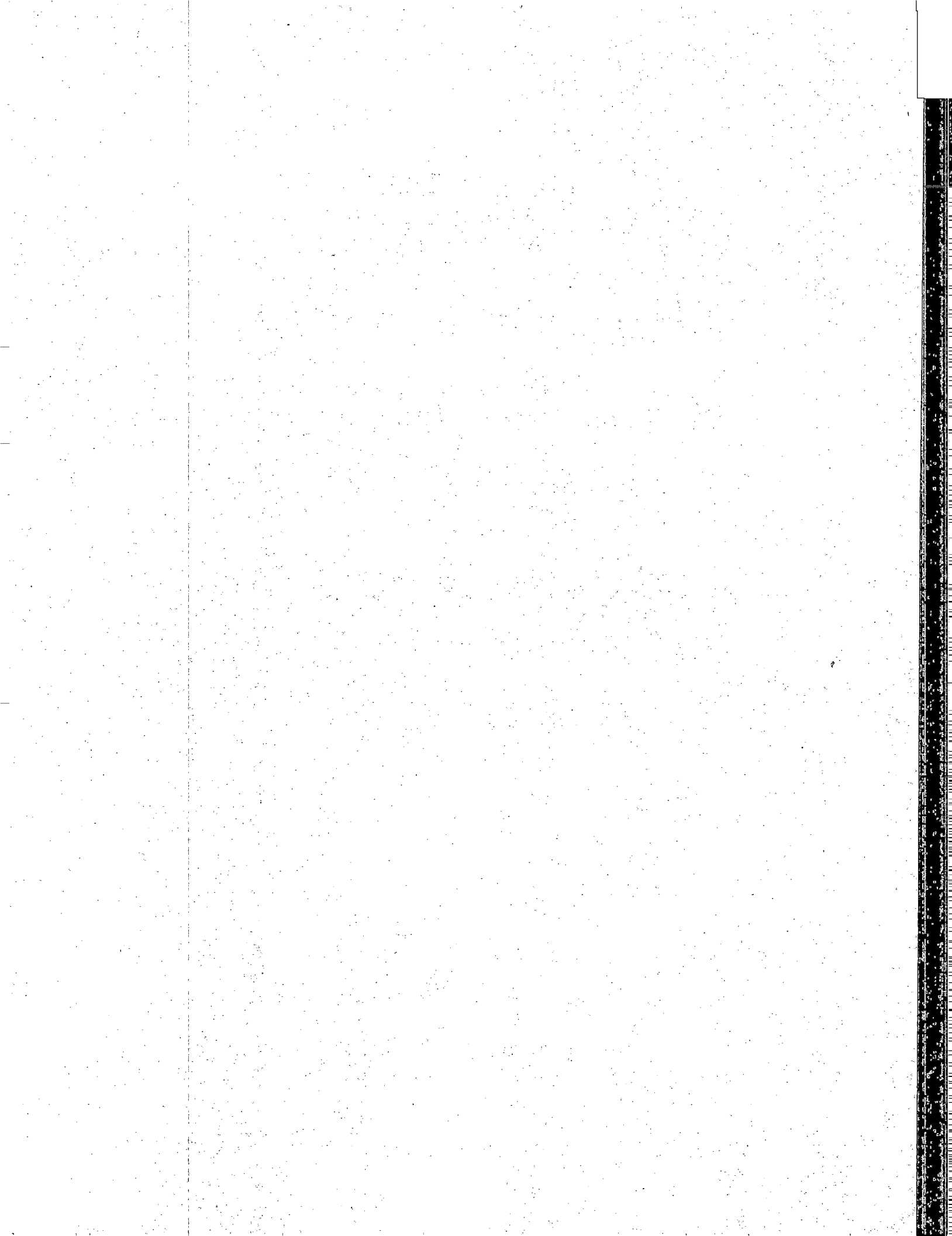
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Preface

- 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 State Government for the year ended 31 March 2009.
- 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 Public Works and Irrigation Departments, audit of stores and stock, audit of autonomous bodies, audit of revenue receipts and departmentally run commercial undertakings for the year ended 31 March 2009 are included in separate Reports.
- 5 The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.



EXECUTIVE SUMMARY

Responding to the recommendations of the Twelfth Finance Commission (TFC), the Jammu and Kashmir Government enacted Fiscal responsibility and Budget Management (FRBM) Act in August 2006. The Act sets out a reform agenda for achieving medium and long term growth stability for the economy of the State through fiscal correction path. To carry out the reforms enshrined in the Act, the State Government took some decisions like introduction of new pension scheme, bringing more items under the ambit of VAT and a host of other institutional and sectoral reform measures as announced in the annual budgets subsequently. The measures undertaken are intended to improving the quality of public expenditure and to promote fiscal stability. The reforms undertaken have shown signs of improvement in the financial health of the State as the State has done well in maintaining the revenue surplus and there has also been increase in capital expenditure which is encouraging.

The State Government has done well in establishing an institutional mechanism on fiscal transparency and accountability as is evident from the year on year presentation of outcome budgets. These outcomes indicators tend to serve the limited purpose of measuring the department-wise performance against the targets. They do not, however, give the macro picture of the status of financial management including debt

position for the benefit of the State Legislature and other stake holders.

The Comptroller and Auditor General's civil audit reports step in to fill this gap. The reports have been commenting upon the Government's finances in its composite reports containing the audit paragraphs, performance reviews as well apart from the chapter on the finances of the State. Since these comments formed part of the civil audit reports, it was felt that the audit findings on State finances remained camouflaged in the large body of the audit findings on compliance and performance audit. The obvious fallout of this reporting was that the financial management portion of these findings did not receive proper attention. In recognition of the need to bring State finances to centre stage once again, a Stand alone Report on State Government finances is considered as an appropriate audit response to this challenge. Accordingly, from the report year 2009 onwards, Comptroller and Auditor General of India has decided to bring out a separate volume titled "Report on State Finances".

The Report

Based on the audited accounts of the Government of Jammu and Kashmir for the year ending March 2009, this report provides an analytical review of the Annual Accounts of the State Government. This report is structured in three Chapters.

Chapter 1 is based on audit of Finance Accounts and makes an assessment of State Government's fiscal position as on 31 March 2009. It provides an insight into trends in committed expenditure, borrowing pattern besides a brief account of central funds transferred directly to the State implementing agencies through off budget route.

Chapter 2 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 3 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 collated 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 rules under the FRBM act are yet to be approved by the Government (March 2009). The State Government did not meet the FRBM targets by the prescribed deadline (31 March 2009) due to which the State was denied a debt relief estimated at Rs. 473 crore recommended under the TFC award. The State also lost Rs. 229 crore as the Government did not hold Panchayat elections. The State Government needs to implement the Panchayat Raj Act and hold the panchayat elections to avail of the benefits.

The expenditure pattern of the State reveals that the revenue expenditure exhibited a declining trend during 2004-09, but continued to share a dominant proportion in the total expenditure of the State and was around 71 per cent during 2008-09. Moreover, within the revenue expenditure, the non-plan revenue expenditure at Rs 11,734 crore constituted about 97 per cent. The continued prevalence of fiscal and primary deficits indicates the increasing reliance of the State on borrowed funds. This is coupled with non collection of revenue arrears for the past several years which are increasing day by day. Suitable measures need to be initiated to compress the non-plan revenue expenditure and to mobilise additional resources both through tax and non tax sources in the ensuing years.

Review of Government Investment

As of 31 March 2009, Government had invested Rs. 364.61 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives. The average return on this investment was 8.60 per cent while the Government paid an average interest at the rate of 9.7 per cent on its borrowings during 2007-09. Out of 17 working companies, only one company (Jammu & Kashmir Bank) had finalised its accounts for 2008-09 (September 2009) and earned profit of Rs. 409.84 crore for the year. Of the fifteen other¹ working companies, which

¹ Excluding one company (viz. Jammu and Kashmir State Cable Car Corporation Limited), which has not prepared the Profit and Loss Account since inception.

finalised their accounts for previous years by September 2009, only three companies earned an aggregate profit of Rs. 2.51 crore. Of the 12 loss-incurring working Government companies, nine had accumulated losses aggregating Rs. 524.01 crore, which exceeded their aggregate paid-up capital of Rs. 67.05 crore. Despite their poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, subsidy, grants, etc. Time has come to revisit the working of loss making public sector undertakings incurring huge losses and work out either a revival strategy or close down the undertakings.

Cash management

Jammu and Kashmir Government have no agreement with RBI for carrying out State transactions. These activities are carried out by the State through Jammu and Kashmir Bank Limited. Government obtains 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 during the year. The maximum temporary loan obtained was Rs. 2480.43 crore as of 29 September 2008. The total temporary loans raised during the year amounted to Rs. 2,983.48 crore. A balance of Rs. 2,055.22 crore was also outstanding as on 1st April 2008. Government repaid Rs. 2,648.45 crore during the year leaving a balance of

Rs. 2,290.25² crore as of 31 March 2009. During the year 2008-09, Rs. 217.65 crore was paid as interest by the Government on such loans. Necessary steps need to be taken to avoid overdrafts from the Bank by creating a fund to meet these temporary needs

Funds transferred directly by GOI to the State implementing agencies

The Central Government has been transferring a sizeable quantum of funds directly to the State Implementing Agencies for various schemes/programmes in social and economic sectors. An approximate amount of Rs. 1,429 crore was transferred by the GOI directly to the implementing agencies during 2008-09. As these funds are not routed through the State Budget/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 understated.

Consolidated data-base at 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

There was an overall excess of Rs. 982.50 crore as a result of excess of Rs. 3,277.38 crore in eight grants under

² The figures under reconciliation (July 2009)

Revenue Section and nine grants and one appropriation under Public Debt-Repayments (Loan Section), offset by saving of Rs. 2,294.88 crore in 21 grants and five appropriations under Revenue Section and 19 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 bills against abstract contingent bills. Against a total amount of Rs. 2725 crore DC bills drawn by various DDOs (26 departments) during March 1996-2009 have not been submitted (June 2009) to the Principal Accountant General, despite lapse of period ranging from two months to eleven years. 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 Principal Accountant General (Accounts & Entitlement) is the main area to be given attention for updated expenditure. 141 Controlling Officers did not reconcile expenditure amounting to Rs. 5791 crore as of October 2009 which constituted 34 per cent of the total net revenue and capital expenditure.

Errors in 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 and grants from various institutions. There was also delay in submission of annual accounts by some autonomous bodies. Accounts of Ladak Autonomous Hills District Councils', Leh and Kargil have not been prepared since their formation.

CHAPTER-I

FINANCES OF THE STATE GOVERNMENT

CHAPTER – I : FINANCES OF THE STATE GOVERNMENT

The annual accounts of the State Government consist of Finance Accounts and Appropriation Accounts. The Finance Accounts of the State Government are laid out in nineteen statements as depicted in **Appendix 1.1**.

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. **Appendix 1.2** of the 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 2004-09.

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 (2008-09) 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.

Table 1.1 Summary of Current Year's Fiscal Operations

(Rupees in crore)

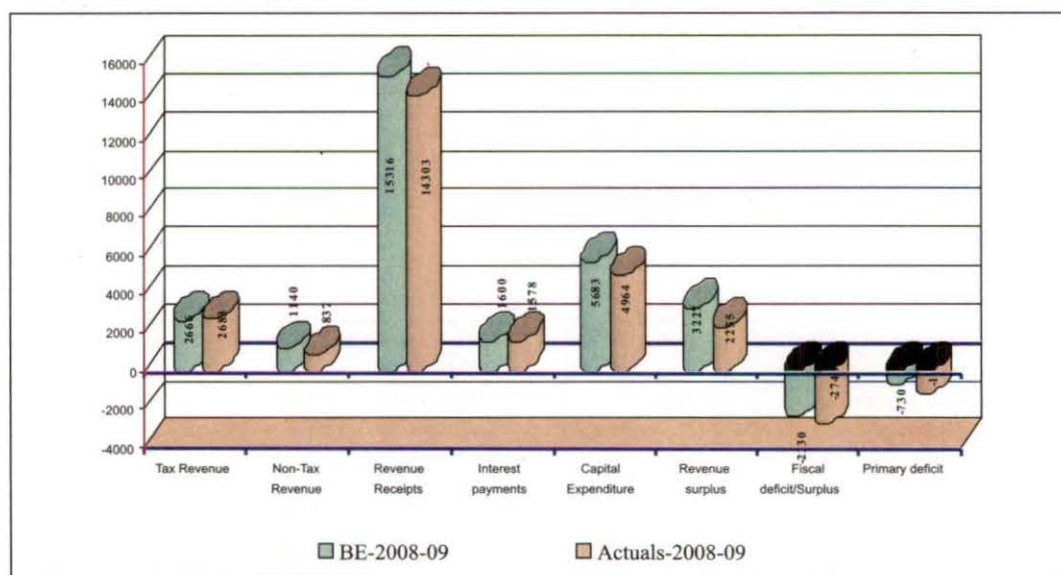
Receipts			Disbursements				
2007-08		2008-09	2007-08		2008-09		
Section-A: Revenue							
					Non Plan	Plan	Total
13277.04	Revenue receipts	14302.51	12189.30	Revenue expenditure	11734.46	313.00	12047.45
2558.18	Tax revenue	2682.96	5623.58	General services	5267.44	4.97	5272.40
807.98	Non-tax revenue	837.16	2847.31	Social services	2814.97	202.72	3017.69
1775.01	Share of Union Taxes/Duties	1826.95	3718.41	Economic services	3652.05	105.31	3757.36
8135.87	Grants from Government of India	8955.44					
Section-B: Capital							
			3717.03	Capital Outlay	271.07	4693.16	4964.23
-	Miscellaneous Capital Receipts		-	Grants-in-aid and Contributions			
1.89	Recoveries of Loans and Advances	3.69	38.27	Loans and Advances disbursed			42.41
2848.30	Public Debt receipts*	2948.36	772.14	Repayment of Public Debt*			703.15
0.01	Contingency Fund	0.16	0.13	Contingency Fund			0.29
29505.85	Public Account receipts	36148.59	28910.69	Public Account disbursements			35696.45
108.24	Opening Cash Balance	113.77	113.77	Closing Cash Balance			63.10
45741.33	Total	53517.08	45741.33	Total			53517.08

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

- Revenue receipts grew by around 8 per cent (Rs 1025.48 crore) over the previous year. The increase was mainly due to increase in by grants from Government of India¹ (Rs 819.58 crore). Increase in tax revenue (Rs 124.78 crore), non-tax revenue (Rs 29.18 crore) and share of union taxes/duties (Rs 51.94 core) were also the factors for increase in revenue receipts.
- Revenue expenditure decreased marginally by Rs. 141.85 crore over the previous year. The decrease was mainly due to less expenditure on General Services.
- Capital expenditure, however, registered a growth of around 34 per cent (Rs. 1247.20 crore) over the level of previous year mainly due to increase in spending on Economic Services (Rs. 1055.92 crore).
- Public Accounts receipts and disbursements increased by Rs. 6642.74 crore and Rs. 6785.76 crore respectively over the previous year.
- While Public Debt receipts marginally increased, repayment of Public Debt decreased marginally over the previous years.
- Cash balance of the State, as a result of the aforesaid inflow/outflow, decreased by Rs. 50.67 crore over the previous year.

As per the TFC, the revenue deficit of the State was to be brought down to zero by the end of March 2009. The State has revenue surplus of Rs. 2255.06 crore during the year on account of decrease in the revenue expenditure vis-à-vis previous year and due to increase in Central transfers of the share of Union taxes/duties.

(Chart 1 showing actual realisation of revenue vis-à-vis budget provisions)



There were huge variations in the revenue surplus, fiscal and primary deficits/surplus vis-à-vis budget estimates. The revenue surplus was less by Rs. 927 crore with reference to the estimates. The fiscal deficit was Rs. 2746 crore against the estimate of

¹ Grants from GOI accounted for 63 per cent of the total Revenue Receipts in 2008-09

Rs. 2330 crore. Also against primary deficit of Rs. 730 crore, the deficit was of the order of Rs. 1168 crore (March 2009). Reason for variations in the budget estimates and actual realization was, however, not intimated by the Government nor were these on record.

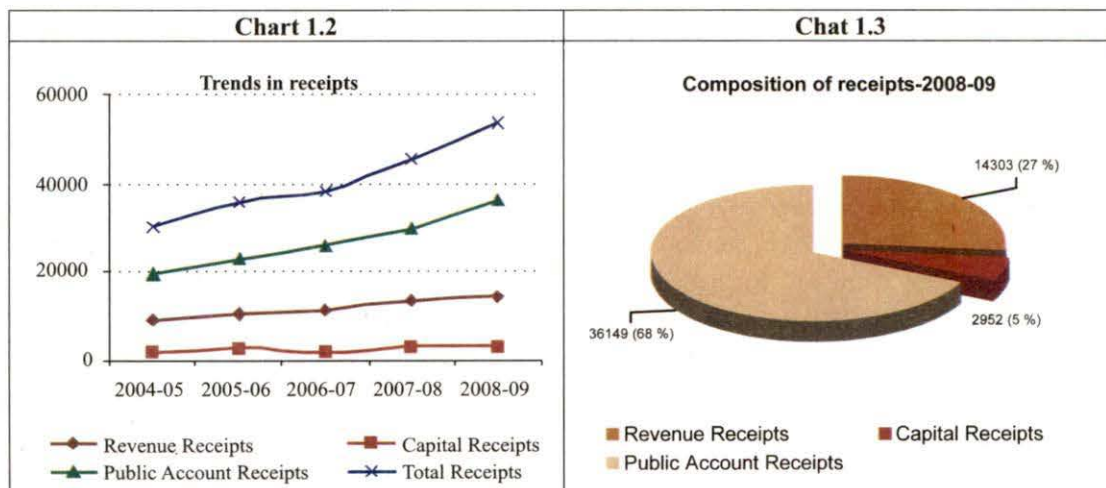
1.1.1 The Fiscal Responsibility and Budget Management (FRBM) Act,

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, 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 on 9 August 2006. **(Appendix 1.2 Part B)**. The rules under the act were yet to be approved by the Government (March 2009). Finance Minister in his budget speech made a mention that as the State Government did not meet the FRBM targets by the prescribed dead line which was 31 March 2009, the State was denied a debt relief estimated at Rs. 473 crore recommended under the TFC award. Further, added that the State also lost Rs. 229 crore as the Government did not hold the Panchayat elections.

1.2 Resources of the State

1.2.1 Resources of the State as per Annual Finance Accounts

Revenue and capital are the two streams of receipts that constitute the resources of the State Government. Revenue receipts consist of 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 2004-09. **Chart 1.3** depicts the composition of resources of the State during the current year.



The revenue receipts which formed 29 *per cent* of the total receipts at an average during 2004-05 and 2007-08 declined to 27 *per cent* during 2008-09. The capital receipts also decreased by six *per cent* on an average of total receipts during the above period over the average of last four years, these formed only five *per cent* of capital receipts during 2008-09. The public account receipts were 68 *per cent* of the total receipts (2008-09) against the average of 65 *per cent* during 2003-08.

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 the 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**. A total Rs. 1429 crore was transferred directly to implementing agencies during 2008-09. Significant amounts given to the major programme/schemes are detailed in Table 1.2.

Table 1.2 Funds Transferred Directly to State Implementing Agencies

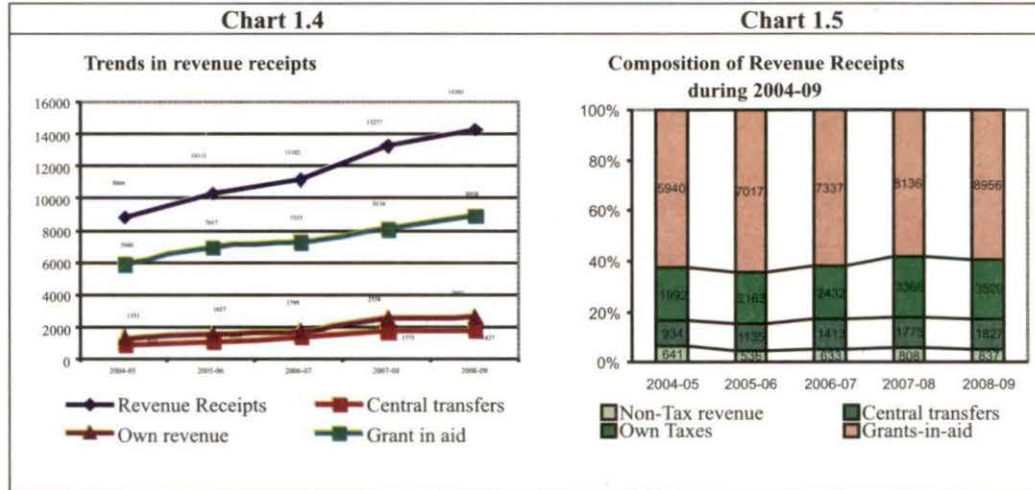
Name of the Programme/scheme	Name of the Implementing Agency in the State	Total fund released by the GOI during 2008-09 (Rs. in Crore)
Accelerated Rural Water Supply Programme	SGO Secretary Finance, PHE Department	403.73
National Rural Health Mission (NRHM)	State Health Department and other agencies	64.69
Sarva Shiksha Abhiyan	Ujala Society, Education Department	205.32
NREGS	Assistant Commissioners DRDA	105.36
Pradhan Mantri Gram Sadak Yojana (PMGSY)	State Rural Roads Agency	191.36
Integrated Child Development Programme	State Social Welfare Department	37.92
Macro Management of Agriculture Schemes	Agriculture Department	18.30
Rural Housing (IAY)	Assistant Commissioners DRDA	71.29
Local Area Development Schemes (MPLADS)	District Development Commissioners	25.00
National e-Governance Action Plan	State Department for e Governance	17.28
Total		1140.25

(Source: CPMS of CGA's website)

Rs. 403.73 crore (28 *per cent*) was given under Accelerated Rural Water Supply Programme, Rs. 64.69 (5 *per cent*) under NRHM, Rs.205.32 (14 *per cent*) under Sarva Shiksha Abhiyan, Rs. 105.36 (7 *per cent*) under NREGS, Rs. 191.36 (13 *per cent*) under PMGSY, Rs. 37.92 crore (3 *per cent*) to ICDS, Rs. 71.29 crore under Rural Housing, Rs. 25 crore (2 *per cent*) under MPLADS. This data is 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 2003-09 are presented in **Appendix 1.3** and also depicted in **Chart 1.4** and **1.5** respectively.



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 2003-08. 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 1.3** below:

Table 1.3: Trends in Revenue Receipts relative to GSDP

	2004-05	2005-06	2006-07	2007-08	2008-09
Revenue Receipts (RR) (Rupees in crore)	8,866	10,315	11,182	13,277	14,303
Rate of growth of RR (<i>per cent</i>)	7.96	16.34	8.41	18.74	7.73
R R/GSDP (<i>per cent</i>)	36.54	38.87	38.52	41.76	41.09
Buoyancy Ratios²					
Revenue Buoyancy w.r.t GSDP	0.85	1.75	0.89	1.97	0.82
State's Own Tax Buoyancy w.r.t GSDP	1.66	2.18	1.13	4.43	0.52
Revenue Buoyancy with reference to State's own taxes	0.51	0.80	0.80	0.44	1.58

Though the Revenue Receipts showed a progressive increase over the period 2004-09 in absolute terms, the growth rate declined from 7.96 per cent in 2004-05 to 7.72 per cent in 2008-09 and peaked during 2007-08 due to collection of more taxes on sales, trade, etc vis-à-vis previous years.

² 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 2004-05 to 2008-09 are presented below:

1.3.2 Trend of revenue receipts

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 1.4: Trends of tax revenue and non-tax revenue

	2004-05	2005-06	2006-07	2007-08	2008-09
Tax revenue	1,351.05	1,626.84	1,798.97	2,558.18	2,682.96
Non-tax revenue	641.42	535.81	632.53	807.98	837.16
Total	1,992.47	2,162.65	2,431.50	3,366.16	3,520.12

(Rs in crore)

The break-up of tax and non-tax revenue during the above period alongwith increase/decrease over 2007-08 (Tables 1.5 and 1.6) and reasons for major variations during the current year are mentioned below:

Table 1.5: Trends of tax revenue

Sl. No.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage increase (+)/ decrease (-) in 2008-09 over 2007-08
1.	Sales tax	804.12	1,014.49	1,159.72	1,804.81	1835.99	(+) 2
2.	State excise	272.37	218.68	212.80	244.15	238.67	(-) 2
3.	Stamps and registration fee	39.25	46.43	56.93	65.63	57.14	(-) 13
4.	Taxes and duties on electricity	49.36	58.02	59.70	93.49	150.76	(+) 61
5.	Taxes on vehicles	41.68	49.17	63.96	72.60	65.47	(-) 10
6.	Taxes on goods and passengers	132.62	236.27	243.16	264.59	271.39	(+) 3
7.	Taxes on immovable property other than agricultural land	0.30	0.09	0.06	-	-	-
8.	Land revenue	11.24	3.47	2.57	9.58	63.53	(+) 563
9.	Other taxes and duties on commodities and services	0.11	0.22	0.07	3.33	0.01	(-) 100
Total		1,351.05	1,626.84	1,798.97	2558.18	2682.96	(+) 5

(Rs in crore)

1.3.3 Reasons for major variations in tax revenue:

Taxes and duties on Electricity

Increase under Taxes and duties on electricity was due to increased revenue on sale of electricity.

Land Revenue

Increase was mainly due to crediting of Sale proceeds of land to the Government Accounts under 'Roshni Act³' .

Taxes on Sales, Trades etc.

Increase was due to widening of Sales Tax base with introduction of VAT on different services like hotels, beauty saloons, cellular telecom agencies, private nursing homes, advertisers, courier agencies, banquet halls, catering services and cable operators, etc.

Taxes on Goods and Passengers

Increase was mainly due to more receipts under Passenger Tax.

Stamps and Registration Fees

Decrease was mainly due to less revenue on account of sale of Judicial Stamps.

Performance review on 'Transition from Sales tax to VAT' and 'Assessment and Collection of Toll Tax' was conducted during 2008-09 which figure in the separate Report of Comptroller and Audit General of India for the year ended 31 March 2009 and highlights of which are given under:

Review on transition from sales tax to VAT

There was increase in revenue growth after the implementation of VAT in the State, however, revenue per assessee decreased from 0.03 crore in 2004-05 to 0.02 crore in post VAT period. The existing shortage of person in position in the pre-VAT period, coupled with the increased workload under VAT, was not addressed by the department which affected proper implementation of the Act which resulted in non-levy of penalty of Rs. 98.10 crore on unregistered dealers collecting tax and irregularly availing input tax credit of Rs. 16.21 crore in five test-checked circles. Non-levy of penalty for delayed submission of returns/audit reports resulted in short realisation of government revenue of Rs. 4.39 crore. Non-verification of the correctness of opening stock declared by the dealer as on 1 April 2005 resulted in revenue loss of Rs. 48.03 lakh including interest and penalty. Prescribed registers/records were either not maintained or were not maintained in the prescribed form, in three out of 11 commercial tax circles test-checked. The Deputy Commissioners (Audit) had failed to check even the minimum prescribed percentage of tax remission cases.

³ The Act enacted on 13th November 2001 provides for providing ownership rights to occupants of State land for the purpose of generating funds to finance power projects in the State.

Assessment and collection of toll tax

Due to non-functioning of weighbridges assessment of additional toll in respect of the 17.12 lakh vehicles that crossed the toll post was made on lump sum basis and not on the actual laden weight leaving every scope for the loss of revenue. Absence of a provision for cross verification of the toll post records of import and export of goods with Commercial Taxes Department resulted in non-levy of toll of Rs. 55.23 lakh. Allowing of the vehicles carrying load in excess of the permissible limit resulted in loss of the revenue of Rs. 15.14 lakh on account of the basic toll. There was delay in transfer of the toll receipts to the Government account by the Jammu & Kashmir Bank Ltd. Timely deposit would have saved the Government from payment of the interest of Rs. 69.35 lakh on the overdrafts. Lack of monitoring resulted in incorrect grant of exemption from payment of additional toll to the extent of Rs. 4.58 crore to various industrial units. The correctness of the exemption allowed on 1,27,952 metric tons of raw material and finished goods involving toll of Rs. 5.11 crore could not be verified due to non-preparation of chief article statement.

1.3.4 Reasons for major variations in non- tax revenue

The details of major non-tax revenue raised during the year 2008-09 along with figures for the preceding four years are mentioned in Table below:

Table 1.6 : Trends of non-tax revenue

(Rs in crore)

Head of revenue	2004-05	2005-06	2006-07	2007-08	Budget estimate	2008-09	Percentage increase (+)/ decrease (-) in 2008-09 over 2007-08
Power	382.87	384.31	478.94	600.94	922.05	629.98	(+) 5
Interest receipts, dividends and profits	144.40	25.05	34.02	65.33	52.19	56.51	(-)14
Forest and wild life	43.46	45.51	18.99	32.20	39.80	31.61	(-) 2
Public works	11.76	12.63	16.16	16.44	15.15	16.89	(+) 3
Medical and public health	8.02	8.83	12.62	13.21	20.79	9.92	(-) 25
Water supply and sanitation	7.36	9.58	10.95	13.64	22.40	14.65	(+) 7
Police	5.30	8.01	6.59	4.21	0.09	10.35	(+) 146
Non-ferrous mining and metallurgical industries	6.01	8.54	9.98	16.43	17.00	14.86	(-) 10
Crop husbandry	4.18	4.35	4.31	4.52	5.16	5.00	(+) 11
Animal husbandry	3.99	3.98	4.75	4.66	4.61	4.70	(+) 1
Others	24.07	25.02	35.22	36.40	41.04	42.69	(+) 17
Grand total:	641.42	535.81	632.53	807.98	1140.28	837.16	(+) 4

The following were the reasons for variations:

Interest Receipts: Decrease was due to less receipt of interest from Public Sector and other Undertakings.

Police: Increase was mainly due to more receipts under fee, fines and forfeitures.

Water Supply and Sanitation: Increase was mainly due to more receipts from Rural Water Supply Schemes and receipts under sewerage and sanitation.

Others: The increase under others were mainly due to more receipts under fee, fines and forfeitures under Other Administrative Services and more receipts as subscriptions and contribution towards pension and on account of recoveries.

1.3.5 Variation between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2008-09 in respect of the principal heads of tax revenue are mentioned below:

Table 1.7 : Budget estimates and actuals during 2008-09

Head of revenue	Budget estimates	Actuals	Variations excess (+) shortfall (-)	Percentage of variation increase (+)/ decrease (-)
Tax Revenue (Rs. in crore)				
Sales tax	1778.00	1835.99	(+) 57.99	(+) 3
State excise	245.00	238.67	(-) 6.33	(-) 3
Stamps and registration fee	79.17	57.14	(-) 22.03	(-) 28
Taxes on goods and passengers	299.50	271.39	(-) 28.11	(-) 9
Taxes and duties on electricity	179.65	150.76	(-) 28.89	(-) 16
Taxes on vehicles	75.86	65.47	(-) 10.39	(-) 14

There was a considerable variation between budget estimates and actuals in respect of the stamp and registration fee, taxes and duties on electricity and taxes on vehicles as 2008-09 was a year when the entire nation was impacted by the global slowdown. In J&K also, there was a considerable shortfall.

1.3.6 Cost of collection

The figures for gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection from 2004-05 to 2008-09 along with the relevant all India average percentage of expenditure on collection to gross collection for 2007-08 were as follows:

Table 1.8 : Trends of cost of collection

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average (percentage)
		(Rs. in crore)			
Sales tax	2004-05	804.12	11.88	1.48	0.95
	2005-06	1,014.49	12.94	1.28	0.91
	2006-07	1,159.72	13.88	1.20	0.82
	2007-08	1,804.81	14.52	0.80	0.95
	2008-09	1835.99	15.30	0.83	
Taxes on vehicles	2004-05	41.68	2.68	6.43	2.74
	2005-06	49.17	2.98	6.06	2.67
	2006-07	63.96	3.12	4.88	2.47
	2007-08	72.60	3.98	5.48	2.74
	2008-09	65.47	4.73	7.22	

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average (percentage)
		(Rs. in crore)			
State excise	2004-05	272.37	8.48	3.11	3.34
	2005-06	218.68	9.98	4.56	3.40
	2006-07	212.80	9.43	4.43	3.30
	2007-08	244.15	9.88	4.05	3.34
	2008-09	238.67	11.10	4.65	
Stamps and registration fee	2004-05	39.25	4.33	11.03	3.44
	2005-06	46.43	4.83	10.40	2.87
	2006-07	56.93	4.55	7.99	2.33
	2007-08	65.63	13.41	20.43	3.44
	2008-09	57.14	6.04	10.57	

Percentage of cost of collection of taxes on vehicles, state excise and stamps and registration fee during 2008-09 was higher than All India Average cost of collection for 2007-08. It was however encouraging to note that cost of collection in respect of sales tax was lower than All India Average.

1.3.7 Revenue Arrears

The arrears of revenue as on 31 March 2009 in respect of some principal heads of revenue for which information was furnished by the department amounted to Rs. 752.79 crore of which Rs. 401.19 crore were outstanding for more than five years as detailed in Table 1.9.

Table 1.9: Arrears of Revenue

(Rs in crore)

Sl. No.	Head of revenue	Amount outstanding		Remarks
		as on 31 March 2009	for more than five years as on 31 March 2009	
1.	Sales tax (including Motor Spirit)	735.07	392.07	Out of total arrears of Rs. 735.07 crore, recovery of Rs. 76.78 crore was stayed by courts/appellate authority.
2.	State excise	4.63	4.63	Out of the total arrears of Rs. 4.63 crore recovery of Rs. 0.96 crore was stayed by courts and arrears of Rs. 3.67 crore was proposed to be recovered as arrears of land revenue.
3.	Taxes on goods and passengers	12.87	4.27	Out of total arrears of Rs. 12.87 crore, recovery of Rs. 5.64 crore was stayed by courts and Rs. 2.31 crore was proposed to be recovered as arrears of land revenue.
4.	Entertainment tax	0.22	0.22	Demand notices for recovery of Rs. 0.22 crore were stated to have been issued.
Total		752.79	401.19	

The arrears outstanding for more than five years constituted 53 per cent of the total arrears.

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

The details of tax evasion cases detected by the Sales Tax and Excise Departments, those finalised and the cases where additional tax demands were raised, as reported by the departments, are mentioned below:

Table 1.10 : Cases of tax evasion of taxes, write off/waiver

Name of tax/duty	Cases pending as on 31 March 2008	Cases detected during 2008-09	Total	No. of cases in which assessment/investigations completed and additional demand including penalty etc. raised		No. of cases pending finalisation as on 31 March 2009
				No. of cases	Amount (Rs in crore)	
Sales tax	585	2592	3177	2910	2.00	267
State excise	1	Nil	1	Nil	Nil	1
Taxes on goods and passengers	36	1593	1629	1629	0.10	-

Number of Sales Tax cases pending finalisation as of March 2009 has declined by more than 50 *per cent* over the previous year. However, the progress of recovery of amount demanded after completion of investigation including penalty imposed was not intimated (October 2009).

1.3.9 Write-off and waiver of revenue

Arrears of Rs. 36.77 crore pertaining to Sales Tax were waived during 2008-09. Further, Rs. 72.38 crore were reduced due to rectification, appeals and remission during the year 2008-09.

1.3.10 Refund

The number of refund cases pending at the beginning of the year 2008-09, claims received and refunds allowed during the year and the cases pending at the close of year 2008-09, as reported by the Sales tax Department, are mentioned below:

Table 1.11 : Refunds of sales tax claims

Particulars	2004-05		2005-06		2006-07		2007-08		2008-09	
	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	3	2.49	2	0.42	13	0.11	57	3.19	85	3.35
Claims received during the year	4	1.57	14	4.01	55	3.15	47	0.77	19	0.19
Refunds made during the year	4	1.57	8	3.03	11	0.07	19	0.61	1	Negligible
Balance outstanding	5	2.49	8	1.40	57	3.19	85	3.35	103	3.54

1.4 Application of resources

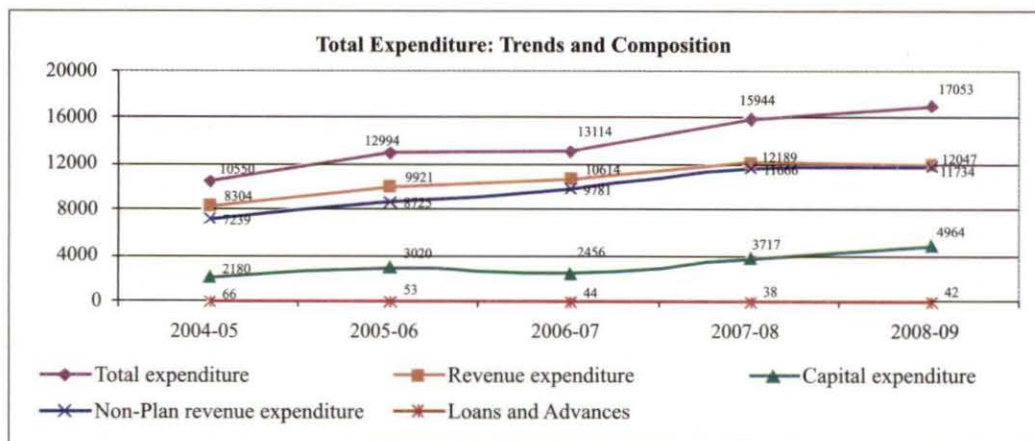
Analysis of the allocation of expenditure at the State Government level assumes significance since major expenditure responsibilities are entrusted with them. Within the framework of fiscal responsibility legislations, there are budgetary constraints in raising public expenditure financed by deficit or borrowings. It is therefore important to ensure that the ongoing fiscal correction and consolidation process at the State level

is not at the cost of expenditure, especially expenditure directed towards development and social sectors.

1.4.1 Growth and Composition of Expenditure

Chart 1.6 presents the trends in total expenditure over a period of five years (2003-08) and its composition, both in terms of 'economic classification' and 'expenditure by activities' is depicted respectively in **Charts 1.7 and 1.8**.

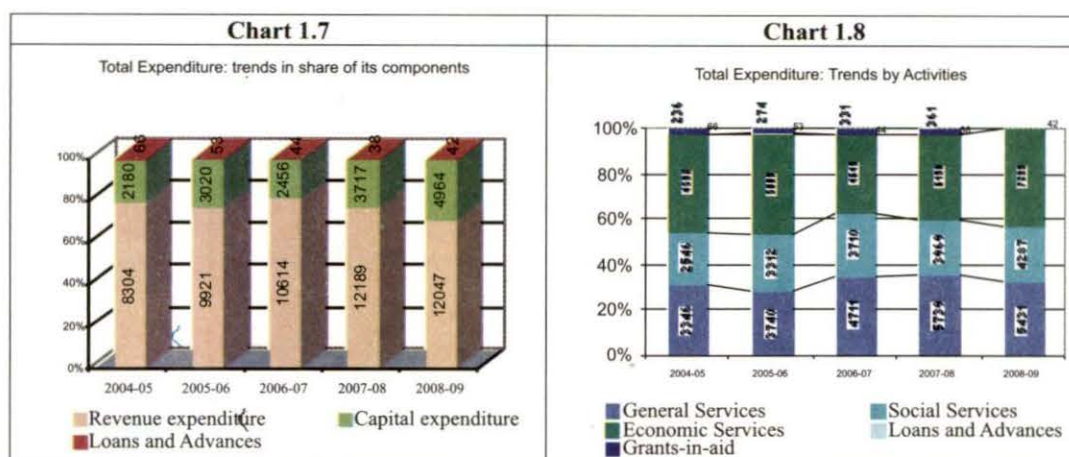
Chart 1.6



As can be seen from the above Chart, the total expenditure of the State increased from Rs. 10,550 crore in 2004-05 to Rs. 17,053 crore in 2008-09 (by 62 per cent). In relative terms, capital and revenue expenditure components have increased by 128 per cent and 45 per cent, respectively during the period 2004-09. In absolute terms increases were of the order of Rs. 2,784 crore in capital expenditure and Rs. 3,743 crore on revenue account during the period under report. These trends indicate that increase in capital and revenue expenditure was in the ratio of 1:1.34 during the last five year period. Increase of Rs. 1,109 crore in total expenditure (7 per cent) during 2008-09 over the previous year has been due to increase of Rs. 1,247 crore in capital expenditure, off-set by decrease of Rs. 142 crore under revenue head, accompanied by a marginal increase of Rs. 4 crore in disbursement of loans and advances. Increase in capital expenditure was mainly under Economic Services (Rs. 1,056 crore) Agriculture and Allied Activities (Rs. 308 crore), Energy (Rs. 512 crore) and General Economic Services (Rs. 167 crore); and under Social Services (Rs. 146.73 crore) on Education, Sports, Art and Culture (Rs. 69 crore) and Social Welfare and Nutrition (Rs. 76 crore).

Out of the total expenditure of Rs. 17,053 crore during 2008-09, Rs. 5,006 crore was incurred under plan component and Rs. 12,005 crore under non-plan component. The expenditure under plan component increased by Rs. 1,853 crore (59 per cent) from Rs. 3,153 crore in 2004-05 to Rs. 5,006 crore in 2008-09. However, in the non-plan component, there was an increase by Rs. 4,959 crore (70 per cent) from Rs. 7,046 crore to Rs. 12,005 crore during the same period. The expenditure under plan component increased by Rs. 842 crore (20 per cent) from Rs. 4,164 crore in 2007-08 to Rs. 5,006 crore in 2008-09, while under non-plan component there was a marginal

increase of Rs. 263 crore (2 per cent) from Rs. 11,742 crore in 2007-08 to 12,005 crore in 2008-09.



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. The overall expenditure of the State increased from Rs. 7,754 crore in 2003-04 to Rs. 12,047 crore in 2008-09 showing an increase of 55 per cent over the period. The non-plan revenue expenditure during the same period increased from Rs. 6,807 crore to Rs. 11,734 crore, showing an increase of 72 per cent. The share of NPRE in total revenue expenditure increased from 88 per cent in 2003-04 to 97 per cent in 2008-09. The NPRE, however, increased at a lower rate by Rs. 68 crore in 2008-09 over the previous year. The NPRE of Rs. 11,666 crore during the current year was lower than the budget estimates (Rs. 11199.79 crore) of the State Government by Rs. 466 crore

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 1.12** present the trends in the expenditure on these components during 2004-09.

Table-1.12: Components of Committed Expenditure

Components of Committed Expenditure	(Rs in crore)				
	2004-05	2005-06	2006-07	2007-08	2008-09
Salaries* & Wages , Of which	3245 (36.59)	3724 (36.10)	3995 (35.73)	4426 ⁴ (33.34)	4820 ⁵ (33.70)
Non-Plan Head	2497	2838	3467	4170	4682
Plan Head**	747	886	528	256	138
Interest Payments	1103 (12.44)	1115 (10.81)	1787 (15.98)	2436 (18.35)	1578 (11.03)
Pensions	731 (8.24)	929 (9.01)	1021 (9.13)	1193 (8.99)	1269.40 (8.89)
Subsidy					2868.44

⁴ Salary: Rs. 4400 crore; Wages: Rs. 26 crore.

⁵ Salary: Rs. 4772 crore; Wages: Rs. 48 crore

Expenditure on salary and wages increased by 9 per cent over the previous year, however, increase as a receipt of revenue receipt was on 26 basis points. Likewise, there was 12 per cent increase in non plan expenditure, whereas expenditure under plan heads decreased by 46 per cent. There was also decrease in interest payment as compared to the previous year. The figures of subsidy during 2004-08 were not made available by the State Government. However this data was maintained by the office of the Principal Account General from 2008-09.

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 local bodies and others during the current year relative to the previous years is presented in **Table 1.13**

Table 1.13: Financial Assistance to Local Bodies etc

(Rs in crore)

Name of the Department	2004-05	2005-06	2006-07	2007-08	2008-09
Education and sports	79.34	78.24	88.01	116.45	113.93
Housing and Urban Development	78.60	118.30	135.49	146.05	170.82
Agriculture	47.81	51.04	72.90	60.72	80.60
Art and culture	14.71	5.44	7.32	7.93	9.43
General Administration	2.69	3.50	2.95	4.66	4.20
Industries	4.00	4.00	5.25	7.05	7.04
Tourism	5.34	3.43	5.06	5.24	15.06
Administration of Justice	1.60	1.91	1.63	2.26	3.30
Family welfare and Medical Department	0.82	0.48	0.44	0.64	* ⁶
Others	0.76	7.35	11.83	9.86	146.02 ⁷
Total	235.67	273.69	330.88	360.86	550.40
Assistance as a percentage of Revenue expenditure	2.84	2.76	3.12	2.96	4.57

The total assistance of Rs. 550.40 crore paid in 2008-09 increased by 134 per cent over the level of 2004-05, and by 53 per cent as compared to the previous year. This was mainly as a result of increased assistance to Ladakh Autonomous Hill Development Councils, Leh and Kargil. Around 78 per cent of the financial assistance during 2008-09 was given by the State Government for Education and sports, Housing and Urban Development and Ladakh Autonomous Hill Development Councils, Leh/Kargils.

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

⁶ Negligible

⁷ This includes Rs. 139.15 crore disbursed to Ladakh Autonomous Hill Development Council, Leh (Rs. 1.27 crore) and Ladakh Autonomous Hill Development Council, Kargil (Rs. 137.88 crore).

provisions for providing public services); efficiency of expenditure use and the effectiveness (assessment of outlay-outcome relationships for select services).

1.5.1 Adequacy of public expenditure

The expenditure responsibilities relating to social sector and economic infrastructure are largely assigned to the State Governments. Enhancing human development levels requires the States to step up their expenditure on key social services like, education and health etc. The low level of spending on any sector by a particular State may be either due to low fiscal priorities attached by the State Government or on account of the low fiscal capacity of the State Government or due to both working together. The low fiscal priority (ratio of expenditure category to aggregate expenditure) is attached to a particular sector if it is below the respective national average while the low fiscal capacity would reflect if the State's per capita expenditure is below the respective national average even after having a fiscal priority that is more than or equal to the national average. Below mentioned table shows the fiscal priority and fiscal capacity of the State Government with regard to development expenditure, social sector expenditure and capital expenditure during the current year.

Table 1.14: Fiscal Priorities and Fiscal capacity of the State during 2008-09

Fiscal Priority by the State	AE/GSDP	DE/AE	SSE/AE	CE/AE
All States/ National Average* (Ratio)2005-06	19.50	61.44	30.41	14.13
J&K's Average (Ratio) 2005-06	57.06	71.22	25.49	23.24
All States/National Average* (Ratio) 2008-09	19.16	67.68	33.90	16.87
J&K Average * (Ratio) 2008-09	49.00	68.15	25.14	29.11
Fiscal capacity of the State	DE#	SSE	CE	
All States Average per Capita Expenditure 2005-06	3,010	1,490	692	
J&K's per Capita Expenditure (Amount in Rs.) in 2005-06	8,569	3,067	2,796	
Adjusted per Capita** Expenditure (Amount in Rs.) in 2005-06	NR	3,659	NR	
All States' Average per Capita Expenditure 2008-09	5,030	2,520	1,254	
J&K's per Capita Expenditure (Amount in Rs.) in 2008-09	10,285	3,794	4,393	
Adjusted per Capita** Expenditure (Amount in Rs.) in 2008-09	NR	5,055	NR	
*As per cent to GSDP				
**Calculated as per the methodology explained in the Appendix 1.2				
AE: Aggregate Expenditure DE: Development Expenditure SSE: Social Sector Expenditure				
CE Capital Expenditure				
Population of J&K: 1.08 crore in 2005-06 and 1.13 crore in 2008-09				
# Development expenditure includes Development Revenue Expenditure, Development Capital expenditure and Loans and Advances disbursed.				
Source: (1) For GSDP, the information was collected from States's Directorate of Economics and Statistics				
(2) Population figures were taken from Projection 2001-2026 of the Registrar General and Census Commissioner, India (Website: http://www.censusindia.gov.in) Population= Average of Projected population for 2005 and 2006.				
NR= No adjustment required since the state is given adequate fiscal priority				

In Table 1.14, we are comparing the fiscal priority given to different categories of expenditure and fiscal capacity of J&K in 2005-06 (the first year of the Award Period of the Twelfth Finance Commission) and the current year 2008-09. In 2005-06, the J&K Government gave adequate fiscal priority to Aggregate Expenditure (AE), Development Expenditure (DE) and Capital Expenditure (CE) since AE/GSDP, DE/AE and CE/AE in the case of J&K was higher than the national average. In 2008-09, also, there was adequate priority for all categories of expenditure compared to the national average except in the case of Social Sector Expenditure, where the SSE/AE ratio was less than the national Average.

In 2005-06 as well in 2008-09, the per capita expenditure of DE, SSE and CE was higher than the national average. It is observed that the even though state gave relatively less priority to SSE compared to the rest of the nation, the per capita expenditure in both the years under consideration was higher than national average. Had the Government given adequate priority to SSE then (as explained in the methodology given in the **Appendix 1.2**), the per capita SSE would have been even higher as given by the adjusted SSE figures in the table.

1.5.2 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 goods⁸. Apart from improving the allocation towards development expenditure⁹, 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 1.15** 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 1.15** and **Chart 1.9** provides the details of capital expenditure and the components of revenue expenditure incurred on the maintenance of the selected social and economic services.

⁸ *Core public goods* are 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.

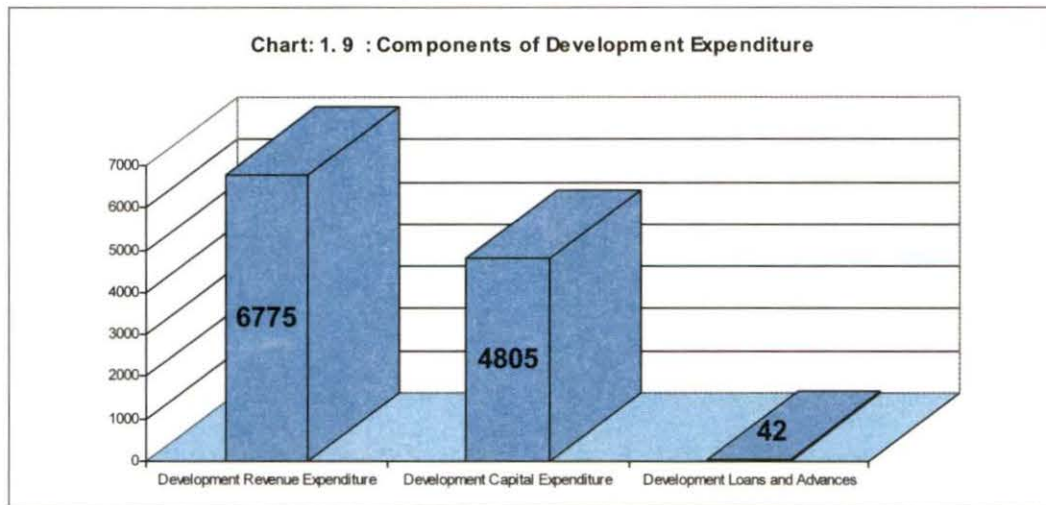
⁹ The analysis of expenditure data is disaggregated into development and non development expenditure. All expenditure relating to Revenue Account, Capital Outlay and Loans and Advances is categorized into social services, economic services and general services. Broadly, the social and economic services constitute development expenditure, while expenditure on general services is treated as non-development expenditure.

Table-1.15: Development Expenditure

(Rs in crore)

Components of Development Expenditure	2004-05	2005-06	2006-07	2007-08	2008-09	
					BE	Actuals
Development Expenditure						
a. Development Revenue Expenditure	5017 (48)	6239 (48)	5960 (45)	6565 (41)	6992	6775 (40)
b. Development Capital Expenditure	2121 (20)	2962 (23)	2399 (18)	3602 (23)	4801	4805 (28)
c. Development Loans and Advances	66 (1)	53 (*)	44 (*)	38 (*)	59	42 (*)

Figures in parentheses indicate percentage to aggregate expenditure * negligible



The aggregate of development expenditure under both Revenue and Capital heads varied between 64 and 71 per cent during the above period. In absolute terms, it increased from Rs. 10167 crore in 2007-08 to Rs. 11580 crore in 2008-09 registering an increase of Rs. 1413 crore (3 per cent). The reasons for huge variations of Development Revenue Expenditure (DRE) with budget estimates was not intimated by the State Government.

Table 1.16 –Efficiency of Expenditure used in Selected Social and Economic Services

(In per cent)

Social/Economic Infrastructure	2007-08			2008-09		
	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	10.89	83.97	0.00	13.94	84.74	0.05
Health and Family Welfare	25.49	76.29	0.95	20.31	77.36	1.17
WS, Sanitation, & HUD	50.48	48.87	5.09	50.27	48.60	4.64
Others	27.11	15.93	0.10	39.32	17.06	0.08
Total (SS)	28.26	66.15	1.31	29.59	68.04	1.30

Negligible

Social/Economic Infrastructure	2007-08			2008-09		
	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
Economic Services (ES)						
Agriculture & Allied Activities	7.31	74.49	0.45	33.95	79.51	0.42
Irrigation & Flood Control	42.54	66.88	7.40	56.31	69.74	7.61
Power & Energy	23.37	10.15	3.75	35.53	10.80	1.84
Transport	95.07	1.61	86.60	95.12	2.91	90.24
Others	51.20	46.10	1.25	54.92	44.37	1.28
Total (ES)	40.01	30.78	4.12	94.12	32.90	2.94
Total (SS+ES)	35.42	46.12	2.90	41.49	48.55	2.21

TE: Total Expenditure; CE: Capital Expenditure; RE: Revenue Expenditure; S&W: Salaries and Wages; O&M: Operations & Maintenance *Subject to availability and need to be specified.

The ratio of capital expenditure to total expenditure in Social and Economic Service Sectors during 2008-09 showed a marginal increase over the previous year. In the revenue expenditure the salary and wages formed the major component within in the Social and Economic Services. The revenue expenditure incurred on Social and Economic Sectors, the share of salary and wage component during the year 2008-09 registered an increase of 2.43 *per cent* over the previous year, there was a decrease of 0.69 *per cent* in expenditure incurred on operation and maintenance.

1.5.3 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. Three reviews under Social and Economic services were taken up and the main highlights of the two performance reviews which figured in the separate Report of Comptroller and Auditor General of India ended 31 March 2009 are as under:

National Rural Health Mission

The National Rural Health Mission was launched in April 2005 by the Government of India throughout the country for providing integrated healthcare services to rural population. During the period 2005-09, out of the allocation of Rs 348.54 crore, Rs 252.63 crore (72.48 per cent) was spent for the implementation of the Programme in the State. The performance audit review showed that the status of health profile of the State has been quite encouraging vis-à-vis the performance indicators available for the country. These can be further improved if there is proper fund management/utilisation and various sectors involved are covered in conformity with the guidelines issued for implementation of the Programme. There are large gaps in planning as well as implementation of the Mission activities in the State even after four years of launching the programme. This is evidenced by the findings that no new health centre was put in place against additional requirement of 1,474 SCs, 114 PHCs, 36 CHCs and eight District hospitals. Essential services and amenities were not available in many centres and there was critical shortage of technical manpower. Maternal and child health programmes have not made much headway. Planning, implementation and monitoring of the programme through participation of NGOs and community based organisations was non-existent.

Social Welfare Department

The Social Welfare Department of the State administers Central and State Government schemes relating to women and child development, social justice and empowerment, social security, tribal development and educational upliftment of SC, ST and OBC students, etc. by providing direct/indirect benefits to the target groups through various programmes. The audit review showed that the flagship programmes of the Department have largely failed to meet expectations with one major scheme viz., 'Contributory Social Security Scheme for marginal workers' failing completely, and only some components succeeding to some extent in the case of other schemes. The unnecessary retention of huge undisbursed money in bank accounts and delays in finalization of rate contract for nutritive items under ICDS persisted. The financial management was also poor. The contributory factors attributable to failure of schemes include lack of proper planning, non-release of funds, non-adherence to eligibility criteria and lack of supervision and monitoring.

1.6 Financial Analysis of Government Expenditure and Investments

In the post-Fiscal Resource 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 the broad financial analysis of investments and other capital expenditure undertaken by the Government during the current year vis-à-vis previous years.

1.6.1 Financial Results of Irrigation Works

The total capital outlay on six irrigation projects¹⁰ as on 2008-09 was Rs. 188.40 crore. Financial results of these projects for the year 2008-09 showed that against the revenue realisation of Rs. 17.43 lakh (forming only 0.09 per cent of the total capital outlay), working expenses aggregated Rs. 41.29 lakh resulting in loss of Rs. 23.86 lakh. After taking into account further expenditure of Rs. 34.15 lakh paid as interest on the capital outlay, the total loss aggregated Rs. 58.01 lakh.

1.6.2 Incomplete projects

The department-wise information pertaining to incomplete projects¹¹ as on 31st March 2009 is given in **Table 1.17**.

Table 1.17: Department-wise Profile of Incomplete Projects

(Rs in Crore)

Department	No. of Incomplete Projects	Initial Budgeted Cost	Revised Total Cost of Projects*	Cost Over Runs	Cum. actual exp as on 31.3.2009
Public Health Engineering	4	7.02	14.90	7.88	7.48
Roads and Bridges	16	32.85	61.05	28.20	22.13
Power Development	6	40.27	56.95	16.68	34.90
Total	26	80.14	132.9	52.76	64.51

¹⁰ Kathua Feeder, Pratap Canal, Ranbir Canal, Martand Canal, Zaingir Canal and Ahizi Canal.

¹¹ Where there have been time overruns

Thus, it is clear that 26 projects due for completion during the year were incomplete as of March 2009 despite expenditure of Rs.64.51 crore with cost overrun of Rs. 52.76 crore. A performance review on irrigation project was conducted during 2008-09 and is included in the separate Report of Comptroller and Audit General of India ended 31 March 2009, which highlights the following aspects.

Irrigation Projects

The Irrigation and Flood Control Department is entrusted with the job of providing assured irrigation facilities to cultivable/cultivated land in the State by construction, renovation, modernisation and maintenance of irrigation canals/channels/khuls, etc. A majority of the schemes executed by the Department were funded by the GOI. During the period 2004-09, against the total availability of funds of Rs 379.52 crore, only Rs. 314.11 crore were spent on implementation of irrigation schemes in the State. The objective of speedy development of irrigation potential and its eventual utilisation for the benefit of the farmer was not achieved to the desired extent in the State due to inherent deficiencies in planning, execution and monitoring. Implementation of the schemes was affected due to delay in release, delays in execution and non-fulfilment of pre-requisites. Scheme funds amounting to Rs. 2.48 crore were diverted/utilized on unapproved activities/items during 2003-09. In the absence of a time bound strategy for systematic harnessing of estimated irrigation potential, there was shortfall in the creation of irrigation potential. Even the irrigation potential created under various schemes was not utilised optimally. Consequently, the ultimate cost benefit ratio achieved in respect of some schemes was less than unity.

1.6.3 Investment and returns

As of 31 March 2009, Government had invested Rs. 364.61 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.18**). The average return on this investment was 8.60 *per cent* while the Government paid an average interest rate of 9.7 *per cent* on its borrowings during 2007-2009.

Table-1.18: Return on Investment

Investment/Return/Cost of Borrowings	2004-05	2005-06	2006-07	2007-08	2008-09
Investment at the end of the year (Rs. in crore)	347.82	353.27	355.77	356.97	364.61
Return (Rs in crore)	26.28	20.62	21.22	30.24	40.85
Return (<i>per cent</i>)	7.56	5.84	5.96	8.47	11.20
Average rate of interest on Government borrowing (<i>per cent</i>)	8.10	7.19	10.09	12.19	6.91
Difference between interest rate and return (<i>per cent</i>)	0.54	1.35	4.13	3.72	(-) 4.29

As on 31 March 2009, the State Government had invested Rs. 364.61 crore in its Statutory Corporations (Rs. 143.32 crore), Government Companies (Rs. 191.98 crore), Joint Stock Companies (Rs. 34.40 lakh) and Cooperative Societies (Rs. 28.96 crore). Return on the investment made in these PSUs ranged between Rs. 20.62 crore and Rs. 40.85 crore during 2004-09. The return on investment amounting to Rs. 40.85 crore which accrued to the State Government during 2008-09 was from Jammu and Kashmir Bank Limited (Rs. 39.95 crore), Rs. 60 lakh from the Jammu and Kashmir Cements Limited and Rs. 30.40 lakh from Jammu and Kashmir Projects Construction Corporation Limited. With an average interest rate of 6.91 *per cent* paid by the

Government on its borrowings, the return on these investments during 2008-09 was 11.20 per cent.

As on 31 March 2009, there were 20 Government companies (17 working and three¹² non-working¹³ companies) and three Statutory corporations (all working) under the control of the State Government. The total investment made by the State Government in the working PSUs at the end of March 2009 was Rs. 332.64 crore. Out of 17 working companies, only one company (J&K bank) had finalised its accounts for 2008-09 (September 2009) and earned profit of Rs. 409.84 crore for the year. Of the fifteen other¹⁴ working companies, which finalised their accounts for previous years by September 2009, only three companies earned an aggregate profit of Rs. 2.51 crore. Of the 12 loss-incurring working Government companies, nine had accumulated losses aggregating Rs. 524.01 crore, which exceeded their aggregate paid-up capital of Rs. 67.05 crore. Despite their poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, subsidy, grants, etc. According to the available information, the total financial support so provided by the State Government during 2008-09 to eight of these nine companies amounted to Rs. 32.10 crore.

None of the three¹⁵ working Statutory corporations had finalised their accounts for 2008-09. Out of two Statutory corporations, which had finalised their accounts for 2004-05 in the previous year, one corporation (Jammu and Kashmir State Financial Corporation) had earned profit of Rs. 4.64 crore. Though the Corporation earned profit, it had accumulated loss of Rs. 192.50 crore which exceeded its paid up capital of Rs. 64.60 crore. The only loss-incurring corporation (viz., Jammu and Kashmir State Road Transportation Corporation), which had finalised its accounts for 2004-05 in the previous year, had incurred a loss of Rs. 54.67 crore. The corporation had accumulated loss of Rs. 598.92 crore, which exceeded its paid up capital of Rs. 109.51 crore. Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to the corporation in the form of further loan and grants. According to the available information, the total financial support so provided by the State Government by way of loan/grant during 2008-09 was Rs. 33.24 crore. A review of State Road Transport Corporation conducted during 2008-09 and included in the separate Report of the Comptroller and Auditor General of India for the year ended 31 March 2009 revealed the following aspects.

¹² 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.

¹³ Non-working company is one which is under the process of liquidation/merger, etc.

¹⁴ Excluding one company (viz. Jammu and Kashmir State Cable Car Corporation Limited), which has not prepared the Profit and Loss Account since inception.

¹⁵ Including one corporation (Jammu and Kashmir State Forest Corporation) which was incorporated in 1978-79 and its audit was entrusted to the CAG with effect from 1996-97. However, no accounts of the corporation were received for the years from 1996-97 and onwards.

Jammu and Kashmir Road Transport Corporation

The Corporation does not maintain separate records for bus and truck operations. It suffered a loss of Rs. 33.00 crore in 2007-08 from the operation of buses and trucks. Its accumulated loss and borrowings stood at Rs. 465.50 crore and 354.32 crore as at 31 March 2008, respectively. The Corporation earned Rs. 19.07 per kilometre and expended Rs. 31.29 per kilometre in 2007-08.

Corporation's buses consisted of own fleet of 677 buses. Of its own fleet, 523 (77 per cent) were overage, i.e., which are more than eight years old.

Corporation's fleet utilisation at 80 per cent in 2008-09 was below All India Average of 92 per cent.

Manpower and fuel constitute 73 per cent of total cost. Interest, depreciation and taxes account for 19 per cent and are not controllable in the short term. Thus, the major cost saving has to come from manpower and fuel. The Corporation does not maintain separate records for manpower utilisation in respect of bus fleet. However, the Corporation succeeded in reducing the manpower per vehicle from 4.3 in 2004-05 to 3.4 in 2008-09.

The Corporation has 2.65 lakh square meters of land for future development. However, the Corporation does not have any policy for tapping non-traffic revenue sources by taking up large scale PPP projects in the vacant land.

The revision of fare is being effected on the basis of fares fixed by the State Transport Authority. However, the revision does not take into consideration the increase in other operational costs of the Corporation. Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical

1.6.4 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 1.19** presents the position of loans and advances advanced/outstanding as on 31 March 2009, interest receipts vis-à-vis interest payments during the last three years.

Table-1.19: Average Interest Received on Loans Advanced by the State Government

(Rs in Crore)

Quantum of Loans/Interest Receipts/ Cost of Borrowings	2006-07	2007-08	2008-09
Opening Balance	901.97	943.82	980.20
Amount advanced during the year	43.89	38.27	42.41
Amount repaid during the year	2.04	1.89	3.69
Closing Balance	943.82	980.20	1018.92
<i>Of which</i> Outstanding balance for which terms and conditions have been settled			
Net addition	41.85	36.38	38.72
Interest Receipts	1.88	1.44	9.92
Interest receipts as per cent to outstanding Loans and advances	0.20	0.15	0.97
Interest payments as per cent to outstanding fiscal liabilities of the State Government.	10.09	12.19	6.91
Difference between interest payments and interest receipts (per cent)	9.89	12.04	5.94

During the current year, the State Government advanced loans and advances of Rs. 42.41 crore under Social Services (Rs. 51 lakh), Economic Services (Rs. 41.61 crore) and to Government servants (Rs. 29 lakh). The recipients under Economic Services were the Jammu and Kashmir Industries Limited-a State Government Company (Rs. 15.37 crore) and the J&K State Road Transport Corporation (Rs. 26.24 crore).

Total loans and advances outstanding as on 31 March 2009 stood at Rs. 1,018.92 crore, which included Rs. 937.41 crore on account of Economic Services, Rs. 61.21 crore on Social Services and Rs. 20.30 crore outstanding against the Government servants etc. Within Economic Services, major part of the loan was outstanding against J&K State Horticultural Produce Marketing and Processing Corporation Limited (Rs.12.67 crore), Bhagliar Power Project (Rs. 85.05 crore), Village Industries (Rs. 25.58 crore), J&K Industries Limited (Rs. 300.96 crore) and J&K State Road Transport Corporation (Rs. 320.48 crore).

Against the recovery of Rs. 1.89 crore during 2007-08, the recoveries effected during 2008-09 were Rs. 3.69 crore which was made mostly out of loans paid to Industries and Minerals (Rs. 2.16 crore) and Government servants (Rs. 1.32 crore).

1.6.5 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 now, such agreements exist between RBI and all the State Governments except with 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 had temporary loan from the Bank for 365 days during the year. The maximum temporary loan obtained was Rs. 2480.43 crore as of 29 September 2008. The total temporary loans raised during the year amounted to Rs. 2983.48 crore. A balance of Rs. 2055.22 crore was also outstanding as on 1st April 2008. Government repaid Rs. 2648.45 crore during the year leaving a balance of Rs. 2290.25¹⁶ crore as of 31 March 2009. During the year 2008-09, Rs. 217.65 crore were paid as interest by the Government.

The cash balances of the State Government decreased by Rs. 50.67 crore during 2008-09 as compared to previous year. Details of Rs. 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 ten years.

¹⁶ The figures under reconciliation (July 2009)

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 2009, compared with the corresponding position on 31 March 2008. 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 10 per cent and 17 per cent respectively. The liabilities of the State Government depicted in the Finance Accounts, however, do not include the future liabilities on account of pension and other retirement benefits payable to retired State employees, guarantees/letters of comforts issued by the State Government.

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 1.10** and **1.11**.

Chart 1.10

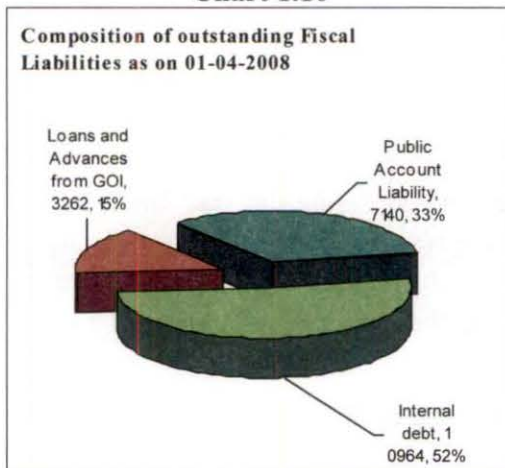
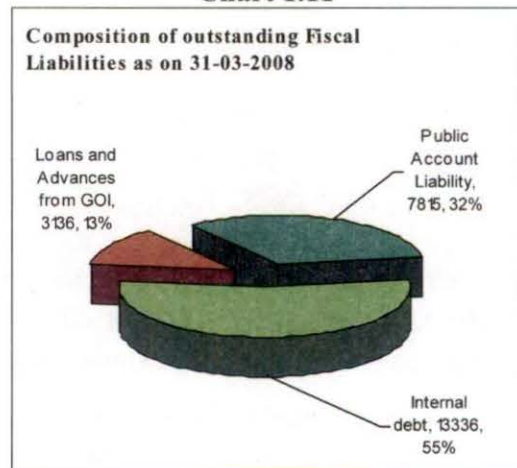


Chart 1.11



Overall fiscal liabilities of the State increased from Rs. 13,038 crore in 2003-04 to Rs. 24,287 crore in 2008-09. The growth rate was 13.67 per cent during 2008-09 over the previous year. The ratio of fiscal liabilities to GSDP also increased from 58.82 per cent in 2003-04 to 69.78 per cent in 2008-09. The buoyancy of these liabilities with

respect to GSDP during the year was 1.44 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 1.44 *per cent*. These liabilities stood at 1.70 times of the State's revenue receipts and 6.90 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 1.20**.

Table-1.20: Guarantees given by the Government of –Jammu and Kashmir State

Guarantees	2006-07	2007-08	2008-09
Max amount guaranteed (Rs. in crore)	3245	3308	3295
Outstanding amount of guarantees (Rs. in crore)	2565	2807	2537
Percentage of maximum amount guaranteed to total revenue receipts	29.02	24.92	23.04

As per the recommendations of the 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 Rupees One crore during 2008-09 to guarantee redemption fund. It was, however, noticed that Government has guaranteed loans raised by various Corporations and others, which at the end of 2008-09 stood at Rs. 2,537 crore, indicating decrease by about 10 *per cent* over the level of previous year. The outstanding amount of guarantees was about 18 *per cent* of revenue receipts of the State.

1.8 Debt Sustainability

Apart from the magnitude of debt of the State Government, it is important to analyze various indicators that determine the debt sustainability¹⁷ of the State. This section assesses the sustainability of debt of the State Government in terms of debt stabilization¹⁸, sufficiency of non-debt receipts¹⁹, net availability of borrowed

¹⁷ The Debt sustainability is defined as 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. It means that rise in fiscal deficit should match with the increase in capacity to service the debt.

¹⁸ 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*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.

¹⁹ 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.

funds²⁰, burden of interest payments (measured by interest payments to revenue receipts ratio) and maturity profile of State Government securities. **Table 1.21** analyzes the debt sustainability of the State according to these indicators for the period of five years beginning from 2004-05.

Table 1.21: Debt Sustainability: Indicators and Trends

Indicators of Debt Sustainability	2004-05	2005-06	2006-07	2007-08	2008-09
Debt Stabilization (Quantum Spread + Primary Deficit)	(-) 402	(-) 1220	(-) 261	(-) 726	(-) 621
Sufficiency of Non-debt Receipts (Resource Gap) Rs. In crore	669	1466	833	2095	1027
Net Availability of Borrowed Funds	58	1487	16	329	1343
Burden of Interest Payments (IP/RR Ratio)	0.124	0.108	0.160	0.183	0.110

As is clear from above, the debt stabilisation of the State was negative due to negative trend of fiscal and primary deficit during 2004-09. The resource gap however deceased from Rs.2095 crore to Rs.1027 crore in 2008-09.

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 and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to fiscal health. This section presents trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits vis-à-vis targets set under FRBM Act/Rules for the financial year 2008-09.

1.9.1 Trends in Deficits

Charts 1.12 and **1.13** present the trends in deficit indicators over the period 2004-09.

²⁰ 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.

Chart 1.12

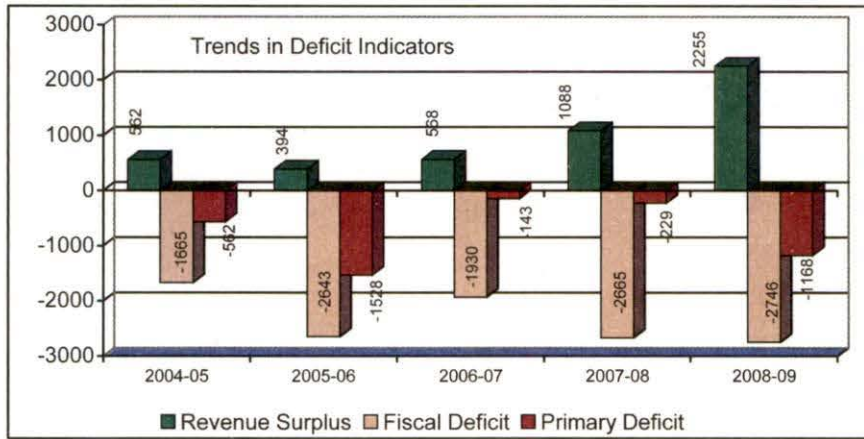
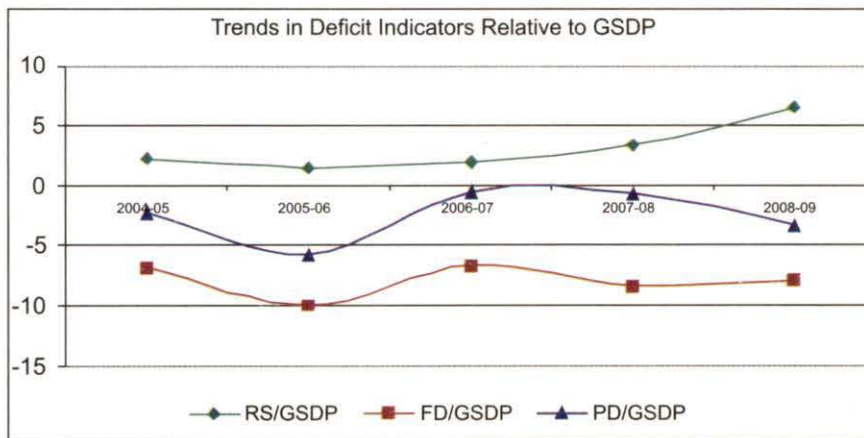


Chart 1.13



The Charts above reveal that the revenue account experienced surplus over the period 2003-09. The revenue surplus of Rs. 2,255 crore during 2008-09 was higher by Rs. 1167 crore as compared to revenue surplus of Rs. 1088 crore realized during 2007-08. An increase of 7.72 per cent (Rs. 1025.48 crore) in revenue receipts during 2008-09 and decrease in revenue expenditure by Rs. 141.84 crore in comparison to 2007-08, resulted in an increase of Rs. 1167 crore in revenue surplus during the current year.

Despite a cushion of Rs. 1167 crore available in the form of increment in revenue surplus, net increase of Rs. 1251 crore in capital expenditure/loans and advances disbursed during 2008-09 over the previous year led to an increase of Rs. 81 crore in fiscal deficit during the current year. The increase in fiscal deficit accompanied by a decrease of Rs. 858 crore in interest payments during 2008-09 over the previous year led to the increase of Rs. 939 crore in primary deficit in 2008-09 from the level of Rs. 229 crore during 2007-08.

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. 22**.

Table1.22: Components of Fiscal Deficit and its Financing Pattern

(Rs in crore)

Particulars		2004-05	2005-06	2006-07	2007-08	2008-09
Decomposition of Fiscal Deficit						
1	Revenue Surplus	562	394	568	1088	2255
2	Capital Expenditure	2180	3020	2456	3717	4964
3	Loans and Advances	47	17	42	36	39
Financing Pattern of Fiscal Deficit*						
1	Market Borrowings	1267	1428	1264	2198	2372
2	Loans from GOI	(-) 472	(-) 118	(-) 124	(-) 122	(-) 127
3	Special Securities Issued to NSSF	-	-	--	-	-
4	Loans from Financial Institutions	-	-	--	-	--
5	Small Savings, PF etc	245	412	426	341	458
6	Deposits and Advances	17	828	84	216	206
7	Suspense and Miscellaneous	(-) 21	(-) 58	(-) 53	(-) 204	158
8	Remittances	527	101	205	112	(-) 381
9	Reserve funds	101	52	152	130	11
10.	Net amount recouped to contingency fund	0.02	0.01	0.30	-	-
11.	Increase/decrease in cash balance	0.72	(-) 2	(-) 24	(-) 6	51

Figures in brackets indicate the *per cent* to GSDP.
 *All these figures are net of disbursements/outflows during the year

The revenue surplus increased by Rs. 1167 crore in 2008-09 over the previous year. This was also coupled with increased in capital expenditure of Rs. 1247 crore over the 2007-08. 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 (**Table 1.23**) 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 2003-09 reveals (Table-1.22) 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 2008-09. 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 1.23: Primary deficit/Surplus – Bifurcation of factors

(Rs in crore)

Year	Non-debt receipts	Primary revenue expenditure	Capital expenditure	Loans and Advances	Primary Expenditure	Percentage Capital expenditure/primary expenditure	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)
2003-04	8216	6508	1881	68	8457	22	(+) 1708	(-) 241
2004-05	8885	7201	2180	66	9447	23	(+) 1684	(-) 562
2005-06	10351	8806	3020	53	11879	25	(+) 1545	(-) 1528
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

1.9.3 State's Own Revenue and Deficit Correction

It is worthwhile to observe the extent to which the deficit correction is achieved by the State on account of improvement in its own resources which is an indicator of the durability of the correction in deficit indicators. **Table 1.24** presents the change in revenue receipts of the State and the correction of the deficit during the last three years.

Table-1.24 Change in Revenue Receipts and Correction of Deficit

(Per cent of GSDP)

Parameters	2006-07	2007-08	2008-09	
			BE	Actual
Revenue Receipts (a to d)				
a. State's Own Tax Revenue	6.2	8.05	7.65	7.7
b. State's Own Non- tax Revenue	2.2	2.5	3.27	2.4
c. State's Share in Central Taxes and Duties	4.9	5.6	5.70	5.2
d. Grants-in-Aid	25.3	25.6	7.21	25.7
Revenue Expenditure	36.6	38.3	34.70	34.6
Revenue Surplus	1.96	3.42	16.32	6.48
Fiscal Deficit	(-) 6.6	(-) 8.4		(-) 7.89

1.10 Conclusion /Observations

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 2008-09 over the previous year. While the revenue surplus increased and

reached the peak level of Rs. 2,255 crore in the current year, the fiscal and primary deficits have deteriorated over the previous year. The improvement in revenue surplus by Rs. 1,167 crore during 2008-09 was due to marginal increase of 7.72 *per cent* (Rs. 1,025.48 crore) in Revenue receipts and decrease in Revenue expenditure (Rs. 141.84 crore) in comparison to 2007-08. There was marginal increase in non-tax revenue receipts. The State Government did not meet the FRBM targets by the prescribed dead line as a result debt relief could not be availed. Non-conducting of Panchayat elections, the State Government also was denied Rs. 229 crore.

The expenditure pattern of the State reveals that the revenue expenditure exhibited a declining trend during the period 2004-09, but continued to share a dominant proportion in the total expenditure of the State and was around 71 *per cent* during 2008-09. Moreover, within the revenue expenditure, the non-plan revenue expenditure at Rs 11,734 crore constituted about 97 *per cent*. The continued prevalence of fiscal and primary deficits indicates the increasing reliance of the State on borrowed funds. This was 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.

CHAPTER-II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

CHAPTER – II : FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year compared with the amounts of the 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 2008-2009 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

(Rs in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure ¹	Saving (-)/ Excess (+)
Voted	I Revenue	10,647.42	649.35	11,296.77	10,650.25	(-) 646.52
	II Capital	6,426.34	307.43	6,733.77	5,665.10	(-) 1068.67
	III Loans and Advances	59.17	-	59.17	42.42	(-) 16.75
Total Voted		17,132.93	956.78	18,089.71	16357.77	(-) 1731.94
Charged	IV Revenue	1,616.95	2.89	1,619.84	1,593.87	(-) 25.97
	V Capital	-	-	-	-	-
	VI Public Debt-Repayment	611.20	-	611.20	3,351.61	(+) 2740.41
Total Charged		2,228.15	2.89	2,231.04	4,945.48	(+) 2714.44
Appropriation to Contingency Fund (if any)		-	-	-	-	-
Grand Total		19,361.08	959.67	20,320.75	21,303.25	(+) 982.50

¹ These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under revenue (Rs. 196.66 crore) and capital (Rs. 700.86 crore)

The overall excess of Rs. 982.50 crore was the result of excess of Rs. 3,277.38 crore in eight grants under Revenue Section and nine grants and one appropriation under Public Debt-Repayments (Loan Section), offset by saving of Rs. 2,294.88 crore in 21 grants and five appropriations under Revenue Section and 19 grants under Capital Section.

The savings/excesses reflected in the detailed Appropriation Accounts were intimated (September 2008 to September 2009) to the Controlling Officers requesting them to explain the significant variations. Reasons thereof were not explained (October 2009).

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 39 cases, savings exceeded Rupees one crore in each case or by more than 20 per cent of total provision (*Appendix 2.1*). Against the total savings of Rs. 2,294.88 crore, savings of Rs. 1,936.21 crore (84 per cent)² occurred in 13 cases relating to 11 grants as indicated in **Table 2.2**.

Table 2.2: List of Grants with savings of Rs. 50 crore and above

(Rs in crore)

Sl. No	Name of Grant/ Appropriation/	Original	Supple- mentary	Total grant	Actual expenditure	Savings
I-Revenue (voted)						
1.	2-Home	1,431.49	290.19	1,721.68	1,634.23	87.45
2.	6-Power Development	2,267.45	116.63	2,384.08	2,188.71	195.37
3.	7-Education	1,378.65	20.22	1,398.87	1,182.65	216.22
4.	17-Health and Medical Education	721.59	-	721.59	646.93	74.66
	Total-Revenue (voted)	5,799.18	427.04	6,226.22	5,652.52	573.70
II-Capital (voted)						
5.	3-Planning and Development	395.00	-	395.00	247.11	147.89
6.	7-Education	189.11	5.13	194.24	136.65	57.59
7.	8-Finance	447.75	81.35	529.10	96.87	432.23
8.	14-Revenue	155.15	9.13	164.28	19.06	145.22
9.	17-Health and Medical Education	238.00	-	238.00	166.94	71.06
10.	19-Housing and Urban Department	446.00	-	446.00	166.10	279.90
11.	25-Labour, Stationery and Printing	78.04	-	78.04	3.61	74.43
12.	27-Higher Education	113.73	55.75	169.48	89.73	79.75
13.	28-Rural Development	140.03	-	140.03	65.59	74.44
	Total-Capital (voted)	2,202.81	151.36	2,354.17	991.66	1,362.51
	Grand total	8,001.99	578.40	8,580.39	6,644.18	1,936.21

² Exceeding Rs. 50 crore in each case.

Reasons for excessive savings against each grant were not explained by the State Government (October 2009)

2.3.2 Persistent Savings

In eight cases, during the last five years there were persistent savings of more than Rupees one crore in each case and also by 10 per cent or more of the total grant (Table 2.3).

Table 2.3: List of Grants indicating Persistent Savings during 2004-09

(Rs in crore)

S.No	Grant number and name	Amount of Savings				
		2004-05	2005-06	2006-07	2007-08	2008-09
Revenue (Voted)						
1.	4-Information	1.72 (14)	2.05 (14)	2.37 (14)	3.22 (17)	3.78 (18)
2.	10-Law	24.30 (41)	20.28 (33)	25.57 (40)	34.23 (42)	25.34 (19)
Capital(Voted)						
3.	1-General Administration	6.91 (46)	17.19 (69)	13.73 (38)	20.46 (41)	9.59 (27)
4.	3-Planning and Development	240.25 (88)	166.97 (32)	260.64 (76)	300.35 (66)	147.89 (37)
5.	7-Education	14.98 (26)	23.80 (29)	29.42 (27)	28.77 (21)	57.59 (30)
6.	13-Animal Husbandry	4.59 (46)	3.74 (38)	7.03 (52)	5.03 (41)	8.49 (48)
7.	18-Social Welfare	36.65 (80)	70.70 (83)	107.59 (88)	79.97 (51)	39.00 (22)
8.	25-Labour, Stationery and Printing	19.12 (97)	15.33 (92)	15.48 (93)	34.70 (96)	74.44 (95)

Reasons for persistent savings under these heads were not explained by the State Government (October 2009).

2.3.3 Excess Expenditure

In 16 cases, expenditure aggregating Rs. 9,712.64 crore exceeded the approved provisions by Rs. 3,276.84 crore or more in each case or by more than 20 per cent of the total provisions. Details are given in *Appendix 2.2*. Of these, in the following appropriation (Table 2.4), excess expenditure by more than 20 per cent has been observed consistently for the last five years:

Table 2.4: List of Grants indicating Persistent Excess expenditure during 2004-09

(Rs in crore)

S.No	Grant number and name	Amount of Excess Expenditure				
		2004-05	2005-06	2006-07	2007-08	2008-09
Capital (Charged)						
1.	8-Finance	1,585.89 (451)	11,839.58 (3526)	997.35 (233)	1,233.79 (231)	2,740.40 (448)

Reasons for persistent excesses under this head were not explained by the State Government (October 2009)

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 Rs. 31,809.09 ~~lakh~~ was incurred in 41 Major heads of account as 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 Drawal of funds to avoid lapse of budget grant

Rule 2.33 of Jammu and Kashmir Financial Code Volume-I, envisaged that no money shall be drawn from the treasury unless it is required for immediate disbursement. In respect of the cases mentioned below the amounts drawn were neither fully spent for the specific purposes nor remitted to Government Accounts before closure of financial year 2008-09. In disregard to the provisions of the rule, an amount of Rs. 0.42 crore (**Appendix-2.4**) was drawn from treasury by various Public Works Divisions on account of pending contractors bills or procurement of material and had parked the money in deposits without actually disbursing to contractors or effecting the actual purchase, which resulted in gross violation of rules and regulations, besides incurring a loss to the State exchequer. Reasons for drawal of funds without actual requirement had not been intimated (October 2009).

2.3.6 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). However, the excess expenditure amounting to Rs. 71,088.66 crore for the years 1980-2008 was yet to be regularized as detailed in **Appendix 2.5**.

2.3.7 Excess over provisions during 2008-09 requiring regularization

Table 2.5 contains the summary of total excess in 15 grants and one appropriation amounting to Rs. 3,277.38 crore over authorization from the Consolidated Fund of State during 2008-09 and requires regularization under Article 205 of the Constitution.

Table 2.5: Excess over provisions requiring regularization during 2008-09

(Rs in crore)

Sl. No	Grant/Appropriation number and name	Total Grant/Appropriation	Expenditure	Excess
I- Revenue(Voted)				
1	5-Ladakh Affairs	198.23	199.57	1.34
2.	8- Finance	1,284.52	1,343.17	58.65
3.	15- Consumer Affairs and Public Distribution	3.61	4.02	0.41
4.	19-Housing and Urban Development	192.44	199.41	6.97
5.	20- Tourism	62.26	91.38	29.12
6.	23- Public Health Engineering	426.91	434.11	7.20
7.	25- Labour, Stationery and printing	32.07	41.80	9.73
8.	27- Higher Education	202.57	241.61	39.04
Total Revenue (Voted)		2,402.61	2,555.07	152.46
II-Capital (Voted)				
9.	6- Power Development	1,176.23	1,182.22	5.99
10.	11-Industries and Commerce	112.46	128.22	15.76
11.	12-Agriculture	94.52	108.30	13.78
12.	15- Consumer Affairs and Public Distribution	838.31	916.24	77.93
13.	16- Public Works	870.35	1,036.08	165.73
14.	20-Tourism	110.16	142.60	32.44
15.	22-Irrigation and Flood Control	223.57	282.09	58.52
16.	24-Hospitality, Protocol and Toshkhana	-	14.23	14.23
17.	26- Fisheries	9.69	9.82	0.13
Total (Capital Voted)		3,435.29	3,819.80	384.51
III-Capital (Charged)				
18.	8-Finance Department	611.20	3,351.61	2,740.41
Total Capital (Charged)		611.20	3351.61	2,740.41
Total Capital (Section)		4,046.49	7,171.41	3,124.92
Grand Total		6,449.10	9,726.48	3,277.38

In the Revenue section, there was excess expenditure of Rs. 152.46 crore in eight grants while in the Capital section, excess expenditure amounted to Rs. 3,124.92 crore in nine grants and one appropriation as detailed above. The excess expenditure of Rs. 3,277.38 crore was mainly due to part clearance of overdraft of Rs. 2,648.45 crore obtained during the current year by the State Government from the Jammu and Kashmir Bank Limited.

2.3.8 Unnecessary/Excessive/Inadequate supplementary provision

In 11 cases, involving 8 grants and one appropriation (*Appendix-2.6*), supplementary provision of Rs. 310.99 crore was obtained in anticipation of expenditure in excess of the original provision. However, the final expenditure of Rs. 4,272.42 crore was even less than the original grant of Rs. 5,172.62 crore. The savings of Rs. 900.20 crore thus exceeded the entire supplementary provision indicating defective fund projection system leading to unnecessary allotment of additional funds.

In nine other cases relating to six grants and two appropriations, supplementary grants aggregating Rs. 450.21 crore were obtained against the requirement of Rs. 293.18

crore resulting in saving of Rs. 157.03 crore (*Appendix-2.7*).

Apart from these cases, supplementary provision of Rs. 198.08 crore proved insufficient in eight cases relating to eight grants in each leaving an uncovered aggregate excess expenditure of Rs. 320.16 crore (*Appendix-2.8*).

2.3.9 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 2008-09, there were, however, 27 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 Rs. 2,294.88 crore which includes Rs. 2,292.35 crore in 39 cases (involving 26 grants and two appropriation) where savings involved were Rupees one crore and above. Relevant details are indicated in *Appendix-2.9*. Non-surrender of funds deprived the Government of the opportunity to transfer these funds to other needy sectors.

2.3.10 Rush of expenditure

According to Jammu and Kashmir Financial Code, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 11 major heads listed in **Table 2.6**, expenditure exceeding Rs. 10 crore and also more than 50 per cent of the total expenditure for the year was incurred either during the last quarter or during the last month of the financial year 2008-09.

Table 2.6: Cases of rush of Expenditure towards the end of the financial year 2008-09

(Rs 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 2009	
				Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	01-General Administration	4075	1,705.80	1,439.04	84	1,098.26	64
2.	03-Planning	3451	1,795.60	1,465.14	82	1,350.56	75
3.	10-Law	2015	6,582.30	5,161.34	78	4,842.65	74
4.	11-Industries and Commerce	4851	10,438.00	7,463.78	72	6,436.63	62
5.	12-Agriculture	4401	3,697.90	3,038.22	82	2,474.74	67
6.		4415	2,220.00	2,070.00	93	1,320.00	59
7.		4425	2,489.30	2,182.50	87	2,163.50	87
8.	16-Public Works	5054	90,875.00	61,050.14	67	45,593.17	51
9.	18-Social Welfare	2225	3,190.50	2,377.24	75	1,827.17	57
10.	19-Housing and Urban Development	4217	16,281.00	14,454.34	89	11,148.93	68
11.	27-Higher Education	4202	8,972.60	8,378.82	93	6,109.97	68
	Total			1,09,080.56		84,365.58	

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 of the above rules, against a total amount of Rs. 2,725 crore (*Appendix-2.10*), DC bills drawn by various DDOs (26 departments) during March 1996-2009 have not been submitted (June 2009) to the Principal Accountant General, despite lapse of period ranging from two months to eleven years. 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 should be initiated for immediate settlement.

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

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 expenditure of Rs. 2,725 crore doubtful.

2.4.2 Un-reconciled Expenditure

To enable Controlling Officers of Departments to exercise effective control over expenditure to keep it within the budget grants and to ensure accuracy of their accounts, State Financial Rules stipulate that expenditure recorded in their books be reconciled by them every month during the financial year with that recorded in the books of the Accountant General. Though non-reconciliation of Departmental figures is being pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2008-09 also. 141 Controlling Officers did not reconcile expenditure amounting to Rs. 5,791.00 crore as of October 2009 which constituted 34 *per cent* of the total net revenue and capital expenditure.

2.5 Errors in budgeting process

Scrutiny of Demand of Grants for the year 2008-09 showed following inherent flaws in preparation:

- The schematic break-up of lump-sum provisions had not been indicated.
- Provisions, which should have appeared under 'Revenue section', had been given under 'Capital section' and vice-versa in some cases.

- In most of the cases no provision for Centrally Sponsored Schemes had been shown distinctly in the Demand for Grants for the year 2008-09.
- In a few cases, Major Heads of Account had been shown as Sub-Heads.
- Charged expenditure has been shown against 'Voted' in case of High Court.
- Coding pattern as advised by the Principal Accountant General, had not been adopted by the State Finance Department and even Demand for Grants of some departments did not have a code number to identify them.

These deficiencies make the whole budgeting process erroneous, making reconciliation of departmental figures with those adopted by the Principal 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 2009).

CHAPTER-III

FINANCIAL REPORTING

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 (specify) 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 10,546 items amounting to Rs. 2,262 crore were outstanding as of March 2009. No utilisation certificates were received during 2008-09 (Appendix 3.1).

Table3.1: Age-wise arrears of Utilization Certificates

(Rupees in lakh)

Range of delay (in number of years)	Total grants paid		Utilization Certificates Outstanding	
	Number of cases	Amount	Number	Amount
0 - 1	375	36,086.11	364	36,081.85
1 - 3	1,152	41,576.77	959	40,466.47
3 - 5	9,185	1,45,815.37	9,185	1,45,815.37

Evidently, there has been laxity on part of the departments as a result, utilisation certificates for Rs 2,223.64 crore in respect of 10,508 items was pending submission as of March 2009.

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. 208 accounts of 29 bodies were awaited in audit (Appendix-3.2) out of which 10 bodies have received a grant of Rs. 234.76 crore during 2008-09. The amount of grant received by 19 bodies against whom 113 annual accounts were pending was awaited in audit.

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 2008-09 (Rs. In lakh)
Sheri Kashmir University for Science and Technology, Jammu	1-3	2	2,280.00
Sheri Kashmir University for Science and Technology, Srinagar	1-3	3	4,310.00
Jammu & Kashmir Khadi Village Industries Board, Srinagar	3-5	4	704.00
Ladakh Autonomous Hill District Council, Leh	3-5	5	13,787.84
Ladakh Autonomous Hill District Council, Kargil	9 and above	14	17,318.17
Jammu & Kashmir Legal Services Authority, Srinagar	9 and above	11	205.00
Provient Fund Orginasation, Srinagar	9 and above	10	Not received during the year
		49	38,605.01

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 2008-09	1-14
Ladakh Autonomous Hill District Council, Kargil	Standing	-	-	-	2004-05 to 2008-09	1-5
Jammu & Kashmir State Legal Services Authority, Srinagar	Upto 2008-09	-	-	-	1997-98 to 2008-09	1-12
Jammu & Kashmir Khadi Village Industries Board, Srinagar	Upto 2009-10	2004-05	2004-05	NA	2005-08	1-3

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 that 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 Accountant General for audit within a specified time frame. As of September 2009, there were five such undertakings and none of them had prepared accounts up to 2008-09. 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 3.3**. Despite the matter being taken up with the undertaking the accounts were not finalized which were in arrears for a period ranging between 26 to 35 years.

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-preparations of accounts have also left the final accounts of respective bodies unaudited. There was huge pendency in submission of utilisation certificates which was bound to affect flow of funds to these agencies in future.

Jammu/Srinagar

The

09 FEB 2010



(D.J. Bhadra)

Principal Accountant General (Audit)
Jammu and Kashmir

Countersigned

New Delhi

The

15 FEB 2010

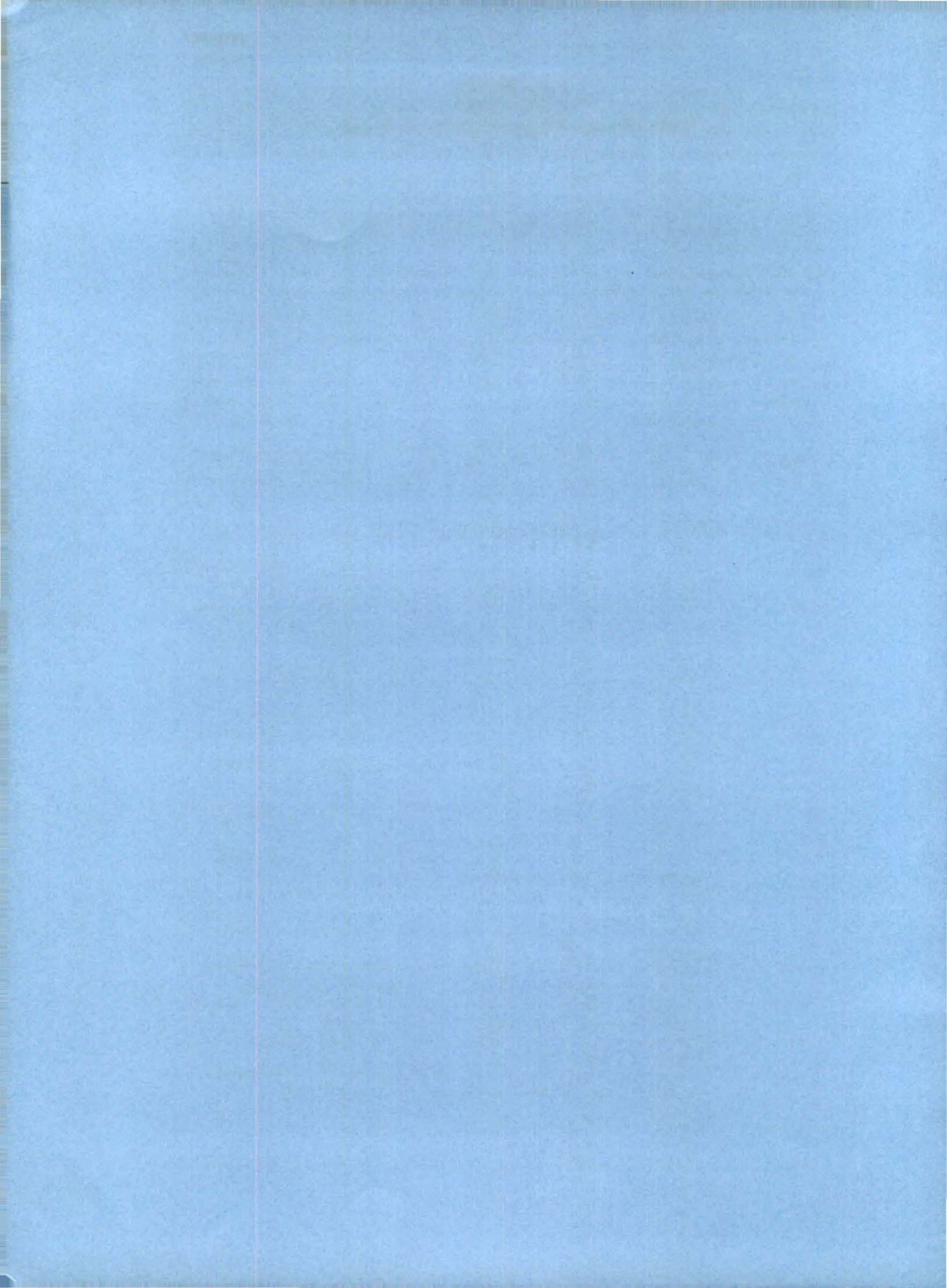


(Vinod Rai)

Comptroller and Auditor General of India



APPENDICES



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	Presents the summary of transactions of the State Government – receipts and expenditure, revenue and capital, public debt receipts and disbursements etc in the Consolidated Fund, Contingency Fund and Public Account of the State.
Statement No.2	Contains the summarized statement of capital outlay showing progressive expenditure to the end of 2008-09
Statement No.3	Gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.
Statement No.4	Indicates the summary of debt position of the State which includes borrowing from intern debt, Government of India, other obligations and servicing of debt.
Statement No. 5	Gives the summary of loans and advances given by the State Government during the year repayments made, recoveries in arrears etc
Statement No.6	Gives the summary of guarantees given by the Government for repayment of loans etc. raised by the statutory corporations, local bodies and other institutions.
Statement No.7	Gives the summary of cash balances and investments made out of such balances.
Statement No.8	Depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2009
Statement No.9	Shows the revenue and expenditure under different heads for the year 2008-09 as a percentage of total revenue/expenditure
Statement No.10	Indicates the distribution between the charged and voted expenditure incurred during the year
Statement No.11	Indicates the detailed account of revenue receipts by minor heads
Statement No.12	Provides accounts of revenue expenditure by minor heads under non-plan and plan separately and capital expenditure by major head wise
Statement No.13	depicts the detailed capital expenditure incurred during and to the end of 2008-09
Statement No.14	Shows the details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies etc up to the end of 2008-09
Statement No.15	Depicts the capital and other expenditure to the end of 2008-09 and the principal sources from which the funds were provided for that expenditure
Statement No.16	Gives the detailed account of receipts disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account
Statement No.17	Presents detailed account of debt and other interest bearing obligations of the Government of Jammu and Kashmir
Statement No.18	Provides the detailed account of loans and advances given by the Government of Jammu and Kashmir, the amount of loan repaid during the year, the balance as on 31 March 2009
Statement No.19	Gives the details of earmarked balances of reserve 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)

	2002-03	2003-04	2004-05	2005-06	2006-07
Gross State Domestic Product (Rs in crore)	24265	26537	29030	31793	34805
Growth rate of GSDP	9.33	9.36	9.39	9.52	9.47
<i>Source:</i>					

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

Appendix - 1.2

(Reference: Page 1)

Fiscal Responsibility and Budgetary Management (FRBM) Act, 2005

Part B

The 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. However, impact of the Act could not be ascertained in audit, as approval of the format of the Fiscal Policy Statements was awaited from the State Legislature.

Appendix 1.3

(Reference: Page 1)

Time series data on the State Government finances

(Rs in crore)

Time series data on State Government Finances					
	2004-05	2005-06	2006-07	2007-08	2008-09
Part-A Receipts					
1. Revenue Receipts	8866	10315	11182	13277	14303
(i) Tax Revenue	1351 (15)	1627 (16)	1799 (16)	2558 (19)	2683 (19)
Taxes on sales, trade, etc.	804 (60)	1014 (62)	1159 (64)	1805 (71)	1836 (68)
State Excise	272 (20)	219 (14)	213 (12)	244 (10)	239 (9)
Taxes on vehicles	42 (3)	49 (3)	64 (4)	73 (3)	65 (3)
Stamps and Registration fees	39 (3)	46 (3)	57 (3)	66 (2)	57 (2)
Land Revenue	11 (1)	4 (*)	3 (*)	9 (*)	64 (2)
Other Taxes	183 (13)	295 (18)	303 (17)	361 (14)	422 (16)
(ii) Non Tax Revenue	641 (7)	536 (5)	633 (6)	808 (6)	837 (6)
(iii) State's share of Union taxes and duties	934 (11)	1135 (11)	1413 (13)	1775 (14)	1827 (13)
(iv) Grants-in-aid from GOI	5940 (67)	7017 (68)	7337 (65)	8136 (61)	8956 (62)
2. Miscellaneous capital receipts	-	-	-	-	-
3. Total revenue and non-debt capital receipts (1+2)	8866	10315	11182	13277	14303
4. Recoveries of Loans and Advances	19	36	2	2	4
5. Public Debt receipts	1799	2536	1544	2848	2948
Internal Debt (excluding Ways and Means Advances and Overdraft)	1295	2205	1453	2831	2694
Net transactions under Ways and Means Advances and Overdraft	180	320	82	-	235
Loans and advances from GOI ^{&}	324	11	9	17	19
6. Total receipts in the Consolidated Fund (3+4+5)	10684	12887	12728	16127	17255
7. Contingency Fund receipts	0.49	0.61	0.39	0.01	0.16
8. Public Account receipts	19120	22632	25599	29506	36149
9. Total receipts of the State (6+7+8)	29804	35520	38327	45633	53404

▪ Includes Ways and Means Advances

Time series data on State Government Finances					
	2004-05	2005-06	2006-07	2007-08	2008-09
Part-B Expenditure/disbursement					
10. Revenue Expenditure	8304 (79)	9921 (76)	10614 (81)	12189 (77)	12047 (71)
Plan	1065 (13)	1196 (12)	833 (8)	523 (4)	313 (3)
Non-Plan	7239 (87)	8725 (88)	9781 (92)	11666 (96)	11734 (97)
<i>General Services (including interest payments)</i>	3287 (40)	3682 (37)	4654 (44)	5624 (46)	5272 (44)
<i>Social Services</i>	1996 (24)	2656 (27)	2881 (27)	2847 (23)	3018 (25)
<i>Economic Services</i>	3021 (36)	3583 (36)	3079 (29)	3718 (31)	3757 (31)
<i>Grants-in-aid and contributions</i>	-	-	-	-	-
11. Capital Expenditure	2180 (20)	3020 (23)	2456 (19)	3717 (23)	4964 (29)
Plan	2088 (96)	2906 (96)	2346 (96)	3641 (98)	4693 (95)
Non-Plan	92 (4)	114 (4)	110 (4)	76 (2)	271 (5)
<i>General Services</i>	59 (3)	58 (2)	57 (2)	115 (3)	159 (3)
<i>Social Services</i>	550 (25)	656 (22)	829 (34)	1122 (30)	1269 (26)
<i>Economic Services</i>	1571 (72)	2306 (76)	1570 (64)	2480 (67)	3536 (71)
12. Disbursement of loans and advances	66 (1)	53 (1)	44 (1)	38 (1)	42 (1)
13. Total (10+11+12)	10550	12994	13114	15944	17053
14. Repayment of Public Debt	1004	1226	404	772	703
Internal Debt (excluding Ways and Means Advances and Overdraft)	208	1098	271	558	557
Net transactions under Ways and Means Advances and Overdraft	-	-	-	75	-
Loans and Advances from Government of India ^o	796	128	133	139	146
15. Appropriation to Contingency Fund	Nil	1	Nil	Nil	Nil
16. Total disbursement out of Consolidated Fund (13+14+15)	11554	14221	13518	16716	17756
17. Contingency Fund disbursements	0.47	0.04	0.14	0.13	0.29
18. Public Account disbursements	18251	21297	24785	28911	35696
19. Total disbursements by the State (16+17+18)	29805	35518	38303	45627	53452

↓ Negligible

^o Includes Ways and Means Advances

Time series data on State Government Finances					
	2004-05	2005-06	2006-07	2007-08	2008-09
Part C. Deficits					
20. Revenue Surplus (+)/Deficit (-) (I-10)	(+) 562	(+) 394	(+) 568	(+) 1088	(+) 2255
21. Fiscal Deficit (3+4-13)	(-) 1665	(-) 2643	(-) 1930	(-) 2665	(-) 2746
22. Primary Deficit (21-23)	(-) 562	(-) 1528	(-) 143	(-) 229	(-) 1168
Part D. Other data					
23. Interest Payments (included in revenue expenditure)	1103 (13)	1115 (11)	1787 (17)	2436 (19)	1578 (13)
24. Arrears ^ψ of Revenue (percentage of Tax and non-Tax Revenue Receipts)	850 (43)	920 (43)	992 (41)	1011 (30)	752 (50)
25. Financial Assistance to local bodies, etc.	236	274	331	361	401
26. Ways and Means Advances/overdraft availed (days)	365	365	365	366	365
27. Interest on WMA/Overdraft	132	138	184	221	218
28. Gross State Domestic Product (GSDP [≠])	24265	26537	29030	31793	34805
29. Outstanding debt* (year end)	9699	11010	12150	14226	16471
30. Outstanding ^φ guarantees (year end)	1914	1959	2565	2807	2536
31. Maximum amount guaranteed (year end)	2878	4720	3245	3308	3295
32. Number of incomplete projects	219	348	186	88	26
33. Capital blocked in incomplete projects	1036	1717	882	365	64.51
II Expenditure Management					
Total Expenditure/GSDP	43.48	48.97	45.17	50.15	48.99
Revenue Receipts/total expenditure	84	79	85	83	84
Revenue Expenditure/Total Expenditure	79	76	81	76	71
Expenditure on Social Services/Total Expenditure	24.13	25.49	28.29	24.89	25.14
Expenditure on Economic Services/Total Expenditure	43.53	45.32	35.45	38.87	42.76
Capital Expenditure/Total Expenditure	20.79	23.44	18.79	23.37	29.10
Capital Expenditure on Social and Economic Services/Total Expenditure.	20.10	22.80	18.29	22.59	28.17
III Management of Fiscal Imbalances					
Revenue deficit (surplus)/GSDP	2.32	1.49	1.96	3.42	6.48
Fiscal deficit/GSDP	(-) 6.86	(-) 9.96	(-) 6.65	(-) 8.38	(-) 7.89
Primary Deficit (surplus) /GSDP	(-) 2.32	(-) 5.76	(-) 0.49	(-) 0.72	(-) 3.36
Revenue Deficit/Fiscal Deficit	NA	NA	NA	NA	NA
Primary Revenue Balance/GSDP					

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					
	2004-05	2005-06	2006-07	2007-08	2008-09
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	(-) 58.52	(-) 63.31	(-) 64.08	(-) 67.20	(-) 69.78
Fiscal Liabilities/RR	160.15	162.88	166.36	160.92	169.80
Primary deficit vis-à-vis quantum spread	(-)402	(-)1220	(-)261	(-)726	(-)547
Debt Redemption (Principal +Interest)/ Total Debt Receipts					
V Other Fiscal Health Indicators					
Return on Investment	26.28	20.62	21.22	30.24	40.85
Balance from Current Revenue (Rs in crore)	(-)1865	(-)1943	(-)2920	(-)3484	(-)2927
Financial Assets/Liabilities	1.08	1.09	1.11	1.14	1.21

Figures in brackets represent percentages (rounded) to total of each sub-heading @ GSDP figures communicated by the Government adopted.

Appendix 1.4

(Reference: Paragraph 1.1 and 1.7.1, Page 1 & 24)

Abstract of Receipts and Disbursements for the year 2008-09

(Rupees in crore)

Receipts			Disbursements						
2007-08		2008-09	2007-08		2008-09				
					Non-Plan	Plan	Total		
Section-A: Revenue									
13277.04	I. Revenue Receipts		14302.51	12189.30	I. Revenue Expenditure	11734.45	313.00	12047.45	12047.45
2558.18	Tax revenue	2682.96		5623.58	General Services	5267.43	4.97	5272.40	
				2847.31	Social Services	2814.97	202.72	3017.69	
807.98	Non-tax revenue	837.16		1270.47	Education, Sports, Art and Culture	1305.83	80.99	1386.82	
				601.49	Health and Family Welfare	618.85	28.08	646.93	
1775.01	State's share of Union taxes	1826.95		614.36	Water Supply, Sanitation, Housing & Urban Development	652.82	11.75	664.57	
				16.05	Information and Broadcasting	15.84	1.32	17.16	
3039.49	Non-Plan grants	3460.20		30.38	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	18.12	13.78	31.90	
				23.23	Labour and Labour Welfare	21.14	4.52	25.66	
4630.16	Grants for State Plan Schemes	4734.05		281.65	Social Welfare and Nutrition	170.98	62.23	233.21	
				9.68	Others	11.39	0.05	11.44	
466.22	Grants for Central and Centrally Sponsored Plan Schemes	761.19							
-	Grants for Special Plan Schemes	-		3718.41	Economic Services	3652.05	105.31	3757.36	
				661.33	Agriculture and Allied Activities	675.37	25.74	701.11	
				164.15	Rural Development	98.54	52.96	151.50	
				179.81	Special Areas Programmes	197.79	-	197.79	
				235.54	Irrigation and Flood Control	230.11	1.09	231.20	
				2181.33	Energy	2135.02	-	2135.02	
				122.87	Industries and Minerals	134.51	0.11	134.62	
				50.25	Transport	47.01	0.02	47.03	
				16.96	Science, Technology and Environment	10.47	0.33	10.80	
				106.17	General Economic Services	123.24	25.05	148.29	
-	II. Revenue deficit carried over to Section -B			1087.74	II. Revenue Surplus carried over to Section-B				2255.06
13277.04	Total Section-A		14302.51	13277.04	Total Section-A				14302.51

Receipts			Disbursements					
2007-08		2008-09	2007-08		2008-09			
					Non-Plan	Plan	Total	
Section-B								
108.24	III. Opening Cash balance including Permanent Advances and Cash Balance Investment		113.77					
-	IV. Misc. Capital receipts	-	3717.03	III. Capital Outlay	271.07	4693.16	4964.23	4964.23
			114.55	General Services	0.98	158.12	159.10	-
			1121.86	Social Services	60.25	1208.34	1268.59	
			155.29	Education, Sports, Art and Culture	7.26	217.40	224.66	
			205.81	Health and Family Welfare	-	164.94	164.94	
			626.48	Housing & Urban Development	1.02	670.99	672.01	
			0.99	Information and Broadcasting	-	1.19	1.19	
			2.78	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	-	5.06	5.06	
			76.81	Social Welfare and Nutrition	20.55	132.34	152.89	
			53.70	Other Social Services	31.42	16.42	47.84	
			2480.62	Economic Services	209.84	3326.70	3536.54	
			52.16	Agriculture and Allied Activities	209.75	150.58	360.33	
			78.12	Rural Development	-	65.24	65.24	
			139.01	Special Areas Programmes	0.04	124.39	124.43	
			174.45	Irrigation and Flood Control	-	298.03	298.03	
			665.33	Energy	-	1176.84	1176.84	
			93.78	Industries and Minerals	0.04	115.57	115.61	
			969.48	Transport	-	917.96	917.96	
			2.77	Science, Technology and Environment	0.01	5.66	5.67	
			305.52	General Economic Services	-	472.43	472.43	
1.89	V. Recoveries of Loans and Advances	3.69	38.27	IV. Loans and Advances disbursement				42.41
0.01	Industries and Minerals	2.16	18.16	Industries and Minerals			15.37	
-	Agriculture and allied activities	0.02	16.93	Transport			26.24	
1.43	Government servants	1.32	0.64	Government servants			0.29	
0.45	Others	0.19	2.54	Others			0.51	
	VI. Revenue surplus	2255.06		V. Revenue deficit				-

Receipts			Disbursements						
2007-08			2008-09	2007-08		2008-09			
						Non-Plan	Plan	Total	
2848.30	VII. Public debt receipts		2948.36	772.14	VI. Repayment of Public Debt				703.15
2831.15	Internal debt other than Ways and Means Advances and Overdraft	2694.07		558.23	Internal debt other than Ways and Means Advances and Overdraft			557.18	
17.15	Loans and Advances from GOI	19.25		139.23	Repayment of loans and advances from GOI.			145.97	
-	Net transactions under Overdrafts from J&K Bank	235.04		74.68	Net transactions under Ways and Means Advances including Overdrafts			-	
	VIII. Appropriation to Contingency Fund				VII. Appropriation to Contingency Fund				
	IX. Amount recouped to contingency fund		0.16		VIII-Expenditure from Contingency Fund				0.29
29505.85	X. Public Account receipts		36148.59	28910.69	IX-Public Account disbursements				35696.45
1003.80	Small Savings and Provident Funds	1128.70		662.22	Small Savings and Provident Funds			670.42	
183.13	Reserve Funds	95.04		53.36	Reserve Funds			84.29	
1852.74	Deposits and Advances	2052.39		1636.75	Deposits and Advances			1846.12	
198.47	Suspense and Miscellaneous	560.19		402.27	Suspense and Miscellaneous			402.53	
26267.71	Remittances	32312.27		26156.09	Remittances			32693.09	
				113.77	X. Cash balance at the end				63.10
				37.96	Cash in treasuries and local remittances			11.20	
				27.36	Deposits with Banks			1.74	
				0.20	Departmental cash balance including permanent advances			1.91	
				37.39	Cash balance investment			37.39	
				10.86	Reserve fund investment			10.86	
33552.03	Total Section-B		41469.63	33552.03	Total Section-B				41469.63

Explanatory Notes

- The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.
- 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.
- Suspense and Miscellaneous balances include cheques issued but not paid and payments made on behalf of the State and others pending settlement, etc.

Appendix 1.4 (Continued)

Summarised financial position of the Government of Jammu and Kashmir as on 31 March 2009

(Rupees in crore)

As on 31 March 2008		As on 31 March 2009	
Liabilities			
10963.81		Internal Debt	13335.73
	5483.99	Market Loans bearing interest	7200.65
	690.31	Loans from LIC	866.93
	2734.29	Loans from other Institutions	2977.90
	2055.22	Overdraft from Jammu and Kashmir Bank	2290.25
3262.28		Loans and Advances from Central Government	3135.56
	198.62	Pre 1984-85 Loans	14.64
	1074.35	Non-Plan Loans	1038.42
	1809.69	Loans for State Plan Schemes	1902.88
	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
	0.70	Contingency Fund	0.58
4294.80		Small Savings, Provident Funds, etc.	4753.08
1203.98		Reserve Funds	1214.73
1641.14		Deposits	1847.35
3123.07		Remittance Balances	2742.25
3491.39		Surplus on Government Account	5747.10
	2403.65	Revenue surplus ending 2007-08	3492.04 ¹
	1087.74	Revenue Surplus 2008-09	2255.06
27981.17		Total:	32776.38
Assets			
26265.44		Gross Capital Outlay on Fixed Assets	31229.67
	356.97	Investments in shares of Companies, Corporations, etc.	364.61
	25908.47	Other Capital Outlay	30865.06
980.20		Loans and Advances	1018.92
	420.91	Industries and Minerals	434.12
	299.78	Transport	326.02
	85.05	Energy	85.05
	43.12	Agriculture and Allied Activities	43.10
	110.01	Other Development Loans	110.33
	21.33	Loans to Government servants and Miscellaneous Loans	20.30

Amount Rs. 0.65 crore, written off during 2007-08 from heads of accounts closing to balances adjusted in revenue surplus of 2007-08

As on 31 March 2008		As on 31 March 2009	
Assets (Continued)			
8.34		Advances	8.28
614.07		Suspense and Miscellaneous Balances	456.41
-		Appropriation to Contingency Fund	
(-) 0.65		Amount written off from Heads of accounts closing to balances	-
113.77		Cash	63.10
	37.96	Cash in Treasuries and Local Remittances	11.20
	27.36	Deposits with Bank	1.74
	0.08	Departmental Cash Balance	1.79
	0.12	Permanent Advances	0.12
	37.39	Cash Balance Investments	37.39
	10.86	Reserve Fund Investments	10.86
	-	Deficit on Government Account:	
27981.17		Total	32776.38

Appendix 1.5

Statement showing the funds transferred to the State Implementing Agencies under Programmes/Schemes outside the State budget during 2008-09

(Reference: Paragraph 1.2.2, Page 4)

(Rs. in crore)

Sl. No	Programme/Scheme	Implementing agencies in the State	Central share	State Share	Total
1	Drug Quality Control (AYUSH)	Controller Drug and Food Control	0.14		
		Sowa Righpa Research Centre Leh, Ladakh	0.10		0.24
2	Hospital and Dispensary under NRHM	Health and Family Welfare, Jammu and Kashmir	2.65		2.65
3	Medicine Plants	Secretary, Health and Family Welfare	0.06		
		Director, Health and Medical, Jammu	0.04		
		Mata Vishno Devi University, Katra	0.12		0.25
4	Agriculture Census	State Agriculture Department	0.26		0.26
5	Development and Strengthening of Infrastructure facilities for Production and Distribution	State Agriculture Department	2.42		2.42
6	Improvement of Agricultural Statistics	State Agriculture Department	0.65		0.65
7	Macro Management of Agriculture Scheme	State Agriculture Department	18.30		18.30
8	National Bamboo Mission	Chairman Bamboo Development Srinagar	1.10		1.10
9	Post Harvest Technology and Management	State Agriculture Department	1.26		1.26
10	Rashtriya Krishi Vikas Yojana	State Agriculture Department	1.20		1.20
11	Modernization of Plant Quarantine Facilities in India	State Agriculture Department	0.03		0.03
12	Technology Mission on Horticulture	Central Institute of Temperate Horticulture, Srinagar	2.00		2.00
13	Bio-informatics	University of Jammu	0.12		
		University of Kashmir	0.24		
		Sheri Kashmir University of Agriculture Sciences	0.17		
		Shri Mata Vishno Devi University, Jammu	0.14		0.67
14	Human Resource Development Biotechnology	University of Srinagar	0.07		
		Sheri Kashmir University of Agriculture Sciences and Technology	0.20		
		University of Jammu	0.01		
		College of Veterinary Science	0.19		0.63
15	Research and Development Department of Biotechnology	University of Kashmir	1.41		
		University of Jammu	0.09		
		Baba Ghulam Shah Bad shah University	0.40		
		Indian Institute of Integrative Medicine	0.23		
		Sheri Kashmir University of Agriculture Science	0.17		2.30
16	ASIDE Assistance to States for Developing Export Infrastructure and Allied Activities	Jammu and Kashmir State Industries Development Corporation Ltd	14.73		14.73
17	Market Access Initiative	Kashmir Chamber of Commerce and Industries	1.78		1.78

Sl. No	Programme/Scheme	Implementing agencies in the State	Central share	State Share	Total
18	Accelerated Rural Water Supply Programme	SGO Finance Secretary	403.73		403.73
19	Central Rural Sanitation Programme	DWSM Member, Secretary Cum Superintending Engineer Kupwara/Srinagar/Baramulla/Badgam	11.27		11.27
20	Construction of Godowns by Food Corporation of India	State Food and Supplies Department	1.00		1.00
21	Assistance of State For Capacity Building trauma Care	District Hospital, Anantnag District Hospital Udhampur	1.45		1.45
22	Health including Telemedicine	State Health and Family Welfare Department	0.50		0.50
23	National Aids Control Including STD Control	State AIDS Control Society	0.10		0.10
24	National Rural Health Mission	State Health Department including others	64.69		64.69
25	Strengthening of Institution for Medical Education Training and Research	Principal Government AMT School Jammu	0.03		
		Principal Sheri Kashmir Institute of Medical Sciences, Srinagar	0.03		0.06
26	New Community Polytechnics	NITS Polytechnic Jammu	0.03		
		MITS, Srinagar	0.04		
		S.T Jammu	0.01		0.08
27	National Institute of Technology NIT DHE	NIT, Srinagar	6.37		6.37
28	Polytechnic for disabled DHE	Government Polytechnic Srinagar	0.20		
		Government Polytechnic, Jammu	0.10		0.30
29	Strength of existing Polytechnics	Secretary Technical Education	8.48		8.48
30	Central Interest Subsidy Scheme	Jammu and Kashmir Financial Corporation Ltd.	4.43		4.43
31	Package for Special Category State DIPP	-do-	10.00		10.00
32	Electronic Governance	State e-governance Agency	14.68		
		University of Kashmir	1.15		15.83
33	Manpower Development	NIIT, Srinagar	0.09		0.09
34	Integrated Watershed Management Programme DPAD,DDP,IWDP	Assistant Commissioners (Development) DRDA	13.71		13.71
35	Nation land Record Modernization Programme	State Revenue Department	0.66		0.66
36	Road Safety	Under Secretary Road and Buildings	0.01		0.01
37	DRDA Administration RD	Asstt. Commissioner (Development) DRDA,	7.05		7.05
38	Management Support to RD Programme and Strengthening of Distt. Planning Process	Asstt. Commissioner (DRDAC) Development	0.12		0.12
39	NREGS	Asstt. Commissioner (Development) Distt. Rural Development Agencies	105.36		105.36
40	Pradhan Mantri Gram Sadak Yojana	State Rural Roads Agency	191.17		191.17
41	Rural Housing IAY	Asstt. Commissioner Distt Rural Development Agencies	71.29		71.29
42	Swaran Janyati Gram Swarozgar Yojana	Asstt. Commissioner Distt Rural Development Agencies	12.36		12.36
43	Mid-day Meals National Programme of Nutritional Support to Primary Education	State Education and Food and Supplies Department	39.13		39.13
44	Sarva Shiksha Abhiyan	Ujala Society Jammu and Kashmir	205.32		205.32

Sl. No	Programme/Scheme	Implementing agencies in the State	Central share	State Share	Total
45	Support to NGOs Institution SRCs for Adult Education and Skill Development Merged Scheme	Jan Shikshan Sansthan, Jammu , Srinagar, Tangdar	0.68		0.71
		University of Kashmir, SKIIMS	0.03		
46	Mega faculties for Basic Research	University of Jammu	0.61		0.73
		University of Kashmir	0.12		
47	Research and Development Support	University of Jammu, Kashmir, Shri Mata Vishno Devi, Sheri-Kashmir Agriculture University etc	3.90		3.90
48	Science and Technology Programme for Sicio- Economic Development	Leh Nutrition Project, Institute of integrative medicines and other agencies	1.24		1.24
49	State Science and Technology Programme	Jammu and Kashmir State Council of Science and Technology	0.04		0.04
50	Technology Development Programme	University of Jammu	0.17		0.17
51	Development of Inland Fisheries and Aquaculture	State Fisheries Department	1.00		1.00
52	Live Stock Census	State Animal Husbandry Department	1.00		1.00
53	Live stock Disease Control Programme	State Animal Husbandry Department	0.15		0.15
54	National Project for Live Stock Development	State Animal Husbandry Department	0.06		0.06
55	National Scheme of Welfare Fisherman	State Fisheries Department	0.30		0.30
56	Project for Feed and Fodder	State Animal Husbandry Department	0.57		0.57
57	Law and Justices	State Law Department	3.24		3.24
58	DFID Project for Capacity Building for poverty reductions	Institute of Management and Public Administration	0.16		0.16
59	Training for All Support for Training Activities and Capacity building for projects appraisal	Institute of Management and Public Administration	0.40		0.40
60	Local Area Development Scheme (MPLADS)	Distt. Deputy Commissioners	25.00		25.00
61	Buddhist and Tibetan Studies	Galdan Targaisling Cultural Welfare Society, Culture Preservation Society, Kukshow, Cultural Preservation And Area Development and Others	5.98		5.98
62	Museums	Stakrimo Gonpa, Kanikhar Gonpa Welfare Society	0.05		0.05
63	Promotion and Dissemination of Art and Culture	National Bhand Theatre, Natrang Jammu and Others	0.27		0.27
64	Conservation of Natural Resources and Eco-systems	Environment Forest and Wild Life	1.23		1.23
65	Environment Information Education and Awareness	World Wide fund for Nature India, NGOs, Kashmir University	1.73		1.73
66	Integrated Development of Wild Life Habitants	Chief Wild Life Warden	5.69		5.69
67	National Afforestation Programme	Forest Development Agency, Rajouri, Poonch, Kishtwar, etc	5.95		5.95
68	National River Conservation Plans	Waterways Development Authority, Srinagar	12.50		12.50
69	Pollution Abatement	J and K Pollution Control Board	0.04		0.04
70	Project tiger	Secretary Forests	0.33		0.33
71	Research and Development for conservation and Development	Baba Ghulam Shah Badshah University	0.13		0.13

Sl. No	Programme/Scheme	Implementing agencies in the State	Central share	State Share	Total
72	Scheme for Human Resource Development	Entrepreneurship Development Institute India, Government College Women Srinagar, Islamic University and others	0.37		0.37
73	Scheme for Infrastructure Development	Municipal Corporation of Jammu, Ladakh Enterprises	1.55		1.55
74	Scheme for strengthening of Institutes including NIFTEM	State Nodal Agency J&K	0.03		0.03
75	Scheme for technology Establishment Modernisation of Food Processing	Classic Oil Mills, Soft Industries, Ganpati Food Products	0.22		0.22
76	Urban Statistics For HR and Assessment USHA	USHA	0.02		0.02
77	RR and TD Research and Reference Training Division	Director EMMRC University	0.06		0.06
78	Establishment of new it is	Director Technical Education Jammu	2.64		2.64
79	National Child Labour Project	GIA Jammu	0.16		0.16
80	Up gradation of 1396 Government it is	Director Technical Education	0.06		0.06
81	MDA Programme	MSMEDI Jammu	0.02		0.02
82	Promotional Services Institutions and Programme Revenue	MSMEDI, Jammu	0.43		0.43
83	Rajiv Gandhi Udyami Mitra Yojana	Director Industries Jammu and Kashmir	0.05		0.05
84	Merit cum Means Scholarship for Professional and Technical Courses	State Minority Affairs Department	3.24		3.24
85	Post Matric Scholarships for Minorities	State Social Welfare Department	0.98		0.98
86	Pre-Matric Scholarship for minorities	State Social Welfare Department	1.01		1.01
87	Grid interactive Renewable Power	State Science and Technology Department and Energy Development Agency	0.21		0.21
88	Information Publicity and Extension	JKEDA	6.77		6.77
89	Institutions Centre including MNRC Institutions	Science and Technology Department, BG SB University	1.11		1.11
90	Assistance to Voluntary Organization for providing Social Defence Services	Council for Rehabilitation of Widows JK, Society for promotion Jammu, HNSS, Srinagar	3.14		3.14
91	Deen Dayal Disable Rehabilitation Scheme	Jammu Red Cross Home for Handicapped, Rehabilitation for Handicapped, etc.	0.32		0.32
92	Research Training Information and Miscellaneous	National Foundation Shandara, Rajouri	0.02		0.02
93	Post Matric scholarships for OBCs	Social Welfare Department	0.19		0.19
94	Pre Matric Scholarship for Children of those engaged in Un-cleaned Occupations	Social Welfare Department	0.15		0.15
95	Schemes arising out of the implementation of person with Disabilities	DDRC	0.09		0.09
96	Special Central Assistance to SC Sub Plan	State Government Department deals with SC	0.17		0.17
97	Up gradation of Merit of SC/ST Students	State Government Department dealing with SC/ST	0.03		0.03
98	Handicrafts	Modern paper mashie Kashmir, Assistant Directors National Embroidery Srinagar etc.	4.12		4.12

Sl. No	Programme/Scheme	Implementing agencies in the State	Central share	State Share	Total
99	Handlooms	Director Handlooms J&K and Handloom Development Corporation	0.21		0.21
100	Scheme for Integrated Textiles Park	J&K SSIDL	0.64		0.64
101	Assistance of IHMS, FCI's etc.	Jammu University and IHM Society Srinagar	6.34		6.34
102	Capacity building for service providers	State Tourism Department, Jawahir Institute of Mountaineering Phalgam Kashmir	1.20		1.20
103	Construction of building for 115M at Gulmarg Kashmir	India Tourism Development Corporation and IHM Society Srinagar	2.31		2.31
104	Domestic Promotion and Publicity including Hospitality	State Tourism Department	0.26		0.26
105	Product Infrastructure Development for destinations and Circuits	State Tourism Department	23.53		23.53
106	Grant in AID to NGO's and For Coaching ST students for Competitive Examination	Buddhist Cultural Society Doda, Lamdon Social Welfare Society Leh	0.64		0.64
107	Scheme of institute of Excellence	NIIT	0.02		0.02
108	Tribal Sub Plan	State Tribal Affairs Department	1.93		1.93
109	Development of Water Resource Information System	Director STATMI	0.20		0.20
110	Research and Development	University of Kashmir, NIIT Srinagar	1.00		1.00
111	Integrated Child Development Scheme	State Social Welfare Department	37.92		37.92
112	Stop Support to Training and Employment Programme Women	J&K Service League, Jammu	0.27		0.27
113	Assistance to National Sports Federation	Handball Federation of India, Jawahir Institute of Mountaineering Winter Sports and others	0.12		0.12
114	Panchyat Yuva Kendra and Khel Abhiyan	Youth Services and Sports Department	2.17		2.17
115	Promotion of Adventure	Jawahir Institute of Mountaineering Winter Sports, Himalayan Voice Rajouri	0.20		0.20
116	Police Education and Training	STC Udampur, Sector Headquarter BSF, Jammu	0.19		0.19
117	National E. Governance Action Plan NEGAP	State Department of e-governance	17.28		17.28
118	Strengthening of teacher training Aquaculture	Strengthening of teacher training institutions	3.79		3.79
119	Externally Aided Project for Reforms and Investment in vocation Training Services rendered	Director Technical Education	2.64		2.64
120	Renewable Energy for Rural Application Remote Villages	JKEDA	1.09		1.09
121	Quality of Technical Support institutions and Programme	MSMEDI	0.23		0.23
122	HRD Training Programme Fellowship Exposure visit upgradation of skills, etc	State Regional Research Institute Unani Medicine	0.02		0.02

Sl. No	Programme/Scheme	Implementing agencies in the State	Central share	State Share	Total
123	Information Education and Communicating	Health and Family Welfare Department	0.05		0.05
124	Internal Co-operation	Indo US Symposium	0.04		0.04
125	Achieves and Archival Libraries	Cultural Preservation Environment, Sardar Inder Singh College, etc.	0.02		0.02
126	Clusters Development Programme and MSME Growth Poles	MSMEDI Jammu	0.01		0.01
Grand Total					1429.08

Appendix-2.1

(Reference: Paragraph: 2.3.1, Page 32)

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

(Rs in crore)

Sl. No	Grant Number	Name of Grant/Appropriation	Total Grant/Appropriation	Savings	Percentage
Revenue (Voted)					
1	1	General Administration	105.67	15.08	14
2	2	Home	1721.68	87.45	5
3	3	Planning and Development	96.58	41.75	43
4	4	Information	20.95	3.79	18
5	6	Power Development	2384.08	195.37	8
6	7	Education	1398.87	216.22	15
7	10	Law	136.91	25.34	19
8	11	Industries and Commerce	105.02	9.16	9
9	12	Agriculture Production	316.19	17.20	5
10	13	Animal Husbandry	198.00	5.25	3
11	14	Revenue	304.59	17.22	6
12	16	Public Works Department	423.45	30.52	7
13	17	Health and Medical Education	721.59	74.66	10
14	18	Social Welfare	213.55	8.00	4
15	21	Forest	253.57	26.09	10
16	22	Irrigation and Flood Control	228.14	12.47	5
17	24	Hospitality and Protocol	95.66	6.55	7
18	28	Rural Development	110.34	2.58	2
19	29	Transport	19.33	2.84	15
Revenue (Charged)					
20	8	Finance	1600.30	23.07	1
21	10	Law	10.30	1.97	19
Capital (Voted)					
22	1	General Administration	35.39	9.59	27
23	3	Planning and Development	394.99	147.89	37
24	4	Information	2.87	1.68	59
25	5	Ladakh Affairs	144.39	19.84	14
26	7	Education	194.24	57.59	30
27	8	Finance	529.10	432.23	82
28	9	Parliamentary Affairs	2.00	1.83	91
29	13	Animal Husbandry	17.59	8.49	48
30	14	Revenue	164.27	145.22	88
31	17	Health and Medical Education	238.00	71.06	30
32	18	Social Welfare	176.41	39.00	22
33	19	Housing and Urban Development	445.99	279.90	63
34	21	Forest	68.55	24.01	35
35	23	Public Health Engineering	507.10	1.06	0.2
36	25	Labour, Stationery and Printing	78.04	74.44	95

Sl. No	Grant Number	Name of Grant/Appropriation	Total Grant/Appropriation	Savings	Percentage
37	27	Higher Education	169.48	79.75	47
38	28	Rural Development	140.03	74.45	53
39	29	Transport	37.35	1.75	5

Appendix-2.2

(Reference: Paragraph:2.3.3, Page 33)

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

(Rs in crore)

Sl. No	Grant Number	Name of Grant/Appropriation	Total Grant/Appropriation	Expenditure	Excess (Percentage)
Revenue (Voted)					
1.	5	Ladakh Affairs	198.23	199.57	1.34 (0.7)
2.	8	Finance	1284.52	1343.17	58.65 (5)
3.	19	Housing and Urban Development	192.44	199.41	6.97 (4)
4.	20	Tourism	62.26	91.38	29.12 (47)
5.	23	Public Health Engineering	426.91	434.11	7.20 (2)
6.	25	Labour, Stationery and Printing	32.07	41.80	9.73 (30)
7.	27	Higher Education	202.57	241.61	39.04 (19)
Total (Revenue Voted)			2399.00	2551.05	152.05
Capital (Voted)					
8.	6	Power Development	1176.23	1182.22	5.99 (0.5)
9.	11	Industries and Commerce	112.46	128.22	15.76 (14)
10.	12	Agriculture	94.52	108.30	13.78 (15)
11.	15	Consumers Affairs and Public Distribution	838.31	916.24	77.93 (9)
12.	16	Public Works	870.35	1036.08	165.73 (19)
13.	20	Tourism	110.16	142.60	32.44 (29)
14.	22	Irrigation and Flood Control	223.57	282.09	58.52 (26)
15.	24	Hospitality and Protocol	-	14.23	14.23 (100)
Total (Capital Voted)			3425.60	3809.98	384.38
Capital (Charged)					
16.	8	Finance	611.20	3351.61	2740.41 (448)
Total (Capital Charged)			611.20	3351.61	2740.41
Grand total			6435.80	9712.64	3276.84

Appendix-2.3

(Reference: Paragraph: 2.3.4 ; Page 34)

Statement showing expenditure incurred without budget provisions during 2008-09

(Rs in *lacs*)

Sl. No	Grant/Head of Account	Amount of expenditure without provision	Amount
1.	1-General Administration		640.12
	2070-Other Administrative Services	20.63	
	2501-Special programmes for Rural Development	581.03	
	3435-Ecology and Environment	22.85	
	4075- Capital outlay on Miscellaneous General Services	15.61	
2.	2-Home		166.28
	2055-Police	115.28	
	2235- Social Security and Welfare	51.00	
3	3-Planning and Development		4171.87
	3451-Secretariat Economics Services	14.45	
	3454-Census, Survey and Statistics	3.96	
	3475-Other General Economic Services	35.49	
	5475-Capital outlay on other General Economic Services	4117.97	
4.	6-Power Development		4854.14
	2801-Power	4854.14	
5	7-Education		10.82
	2202- General Education	10.82	
6.	11-Industries and Commerce		865.56
	2851-Village and Small Industries	18.55	
	4852-Capital outlay on Iron and Steel Industries	600.00	
	4853-Capital outlay on Non-ferrous Mining and Metallurgical Industries	180.01	
	5465-Investment in General Financial and Trading Institutions	67.00	
7.	12-Agriculture Department		1599.19
	2401-Crop Husbandry	977.83	
	2402-Soil and Water Conservation	142.48	
	2403-Animal Husbandry	3.75	
	2425-Cooperation	8.38	
	2705-Command Area Development	3.84	
	2851-Village and Small Industries	17.29	
	4401-Capital outlay on Crop Husbandry	427.72	
	4402- Capital outlay on Soil and Water Conservation	1.15	
	4851- Capital outlay on village and small Industries	16.75	
8.	13- Animal Husbandry		1260.47
	2403-Animal Husbandry	1260.47	
9	14-Revenue		825.23
	2070- Other Administrative Services	18.33	
	2235- Social Security and Welfare	19.54	
	3475- Other General Economic Services	7.36	
	4250- Capital Outlay on other Social Services	780.00	

Sl. No	Grant/Head of Account	Amount of expenditure without provision	Amount
10.	15-Consumers Affairs and Public Distribution		32.40
	2408- Food, Storage and Warehousing	20.45	
	4408- Capital Outlay and Food Storage and Warehousing	11.95	
11.	17- Health and Medical Education		14437.26
	2210- Medical and Public Health	8306.40	
	4210- Capital outlay on Medical and Public Health	5930.69	
	4250- Capital outlay on other Social Services	200.17	
12.	18- Social Welfare		401.96
	2225- Welfare of Scheduled Castes, Scheduled Tribes, and Other Backward Classes	8.40	
	2235-Social Security and Welfare	225.33	
	4225-Capital outlay on Welfare of Scheduled Castes, Scheduled Tribes, and Other Backward classes	168.23	
13.	19-Housing and Urban Development		13.46
	4217-Capital outlay on Urban Development	13.46	
14.	22-Irrigation and Flood Control		1.40
	2711-Flood Control and Drainage	1.40	
15.	24-Hospital, Protocol and Toshakhana		1423.52
	4059-Capital outlay on Public Works	1423.52	
16.	26-Fisheries		18.43
	2405-Fisheries	16.87	
	4405-Capital outlay on Fisheries	1.56	
17.	27-Higher Education		5.13
	2202- General Education	4.27	
	6202-Loans for Education, Sports, Art and Culture	0.86	
18	28-Rural Development		1064.87
	2236-Nutrition	64.03	
	2501-Special Programme for Rural Development	25.00	
	2515-Other Rural Development Programme	2.23	
	4250- Capital outlay on other Social Services	66.12	
	4515- Capital outlay on other Rural Development Programmes	907.49	
19	29-Transport		16.98
	2070-Other Administrative Services	1.85	
	4059-Capital Outlay and Public Works	1.29	
	4070-Capital Outlay on other Administrative Services	13.84	
	Grand Total		31809.09

Appendix-2.4

(Reference: Paragraph: 2.3.5, Page 34)

Statement showing cases of parking of funds in deposits at the fag end of the year 2008-09

Name of the Division	Voucher No./ Date	Amount of the Voucher (Rupees)	Nature of transactions	Major head of account to which payment debited
Irrigation and Flood Control Division Doda	220 of 03/2009	2,54,000	Contractors final bill	4702
	224 of 03/2009	1,80,266	Contractors CC Ist. bill	4702
Irrigation and Flood Control Division Poonch	287 (a) of 03/2009	97,096	Contractors final bill	4702
	316(a) of 03/2009	1,06,632	Contractors running bill	4702
Public Works Department (R&B) Division Kathua	18 of 03/2009	76,700	Contractors bill	2059
	44 of 03/2009	38,000	Contractors bill	5054
	48 of 03/2009	37,700	Contractors bill	2059
	49 of 03/2009	87,100	Contractors bill	5475
	74 of 03/2009	51,700	Contractors bill	4059
	120 of 03/2009	83,300	Contractors bill	5054
	214 of 03/2009	60,900	Contractors bill	5054
	314 of 03/2009	1,09,700	Contractors bill	5054
	125 of 03/2009	1,74,300	Contractors bill	5075
	211 of 03/2009	1,02,800	Contractors bill	5475
	315 of 03/2009	35,007	Contractors bill	4401
	340 of 03/2009	24,900	Contractors bill	5054
	342 of 03/2009	34,500	Contractors bill	5475
	348 of 03/2009	50,900	Contractors bill	2059
	385 of 03/2009	1,75,000	Contractors bill	5475
	406 of 03/2009	83,300	Contractors bill	4210
	439 of 2009	8,800	Contractors bill	5054
	402 of 03/2009	1,22,200	Contractors bill	2059
	403 of 03/2009	2,69,000	Contractors bill	5054
	410 of 03/2009	51,500	Contractors bill	5054
413 of 03/2009	82,700	Contractors bill	4403	
430 of 03/2009	44,600	Contractors bill	2059	

Name of the Division	Voucher No./ Date	Amount of the Voucher (Rupees)	Nature of transactions	Major head of account to which payment debited
	470 of 03/2009	16,800	Contractors bill	5054
	490 of 03/2009	1,41,000	Contractors bill	5054
	491 of 03/2009	78,300	Contractors bill	2235
	504 of 03/2009	88,300	Contractors bill	5054
	537 of 03/2009	66,200	Contractors bill	5054
	581 of 03/2009	33,300	Contractors bill	5054
	582 of 03/2009	83,360	Contractors bill	5054
	411 of 03/2009	2,15,956	Contractors bill	5054
	424 of 03/2009	1,02,988	Contractors bill	5054
	71 of 03/2009	3,52,267	Contractors bill	4210
Public Works Department (R&B) Special Sub- Division, Doda	448 of 3/2009	6,55,281	Supply bill	3054
Total		42,76,353 (0.42 crore)		

Appendix-2.5

(Reference: Paragraph:2.3.6, Page 34)

Year-wise details of excess expenditure for the years 1980-81 to 2007-08 pending with Finance Department for regularization

(Rs 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	9	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	6	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	
		Total:	71,088.66	

Appendix-2.6

(Reference: Paragraph: 2.3.8, Page 35)

Cases of unnecessary supplementary grant/appropriation

(Rs 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.	6-Power	2267.45	116.63	2188.71	78.74
2.	7-Education	1378.65	20.22	1182.65	196.00
3.	14-Revenue	297.47	7.12	287.37	10.10
Total-I		3943.57	143.97	3658.73	284.84
II-Revenue (Charged)					
4.	9-Parliamentary Affairs	0.49	0.10	0.33	0.16
Total-II		0.49	0.10	0.33	0.16
III-Capital (Voted)					
5.	5-Ladakh Affairs	130.70	13.69	124.55	6.15
6.	7- Education	189.11	5.12	136.65	52.46
7.	8-Finance	447.75	81.35	96.87	350.88
8.	13-Animal Husbandry	17.30	0.29	9.09	8.21
9.	14-Revenue	155.15	9.13	19.06	136.09
10.	18-Social Welfare	174.82	1.59	137.41	37.41
11.	27-Higher Education	113.73	55.75	89.73	24.00
Total-III		1228.56	166.92	613.36	615.20
Grand Total		5172.62	310.99	4272.42	900.20

Appendix-2.7

(Reference: Paragraph: 2.3.8; Page 36)

Cases of excessive Supplementary grant/appropriation

(Rs in crore)

Sl. No	Name of the Grant / Appropriation	Original	Supplementary	Total	Expenditure	Savings
I-Revenue (Voted)						
1.	2-Home	1431.49	290.19	1721.68	1634.23	87.45
2.	10-Law	94.31	42.60	136.91	111.57	25.34
3.	13-Animal Husbandry	170.84	27.17	198.01	192.76	5.25
4.	16-Public Works	361.99	61.46	423.45	392.93	30.52
5.	24-Hospitality and Protocol	86.06	9.60	95.66	89.11	6.55
Total-I		2144.69	431.02	2575.71	2420.60	155.11
II-Revenue (Charged)						
6.	1-General Administration	5.86	1.93	7.79	7.21	0.58
7.	2-Home	-	0.83	0.83	0.74	0.09
Total-II		5.86	2.76	8.62	7.95	0.67
III-Capital (Voted)						
8.	2-Home	1.30	10.53	11.83	11.64	0.19
9.	23-Public Health and Engineering	501.20	5.90	507.10	506.04	1.06
Total-III		502.50	16.43	518.93	517.68	1.25
Grand Total		2653.05	450.21	3103.26	2946.23	157.03

Appendix 2.8

(Reference: Paragraph: 2.3.8; Page 36)

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

(Rs in crore)

Sl. No	Grant Number	Name of Grant/ Appropriation	Original Provision	Supplementary Provision	Total	Expenditure	Excess
Revenue (Voted)							
1.	5	Ladakh Affairs	179.83	18.40	198.23	199.57	1.34
2.	8	Finance	1244.16	40.36	1284.52	1343.17	58.65
3.	19	Housing and Urban Development	178.02	14.42	192.44	199.41	6.97
4.	23	Public Health Engineering	425.75	1.16	426.91	434.11	7.20
Total-Revenue (Voted)			2027.76	74.34	2102.10	2176.26	74.16
Capital (Voted)							
5.	6	Power	1152.18	24.05	1176.23	1182.22	5.99
6.	11	Industries and Commerce	108.72	3.74	112.46	128.22	15.76
7.	16	Public Works	785.93	84.42	870.35	1036.08	165.73
8.	22	Irrigation and Flood Control	212.04	11.53	223.57	282.09	58.52
Total-Capital (Voted)			2258.87	123.74	2382.61	2628.61	246.00
Grand Total			4286.63	198.08	4484.71	4804.87	320.16

Appendix-2.9

(Reference: Paragraph: 2.3.9; Page 36)

Details of saving of Rupees one crore and above not surrendered

Sl. No	Number and Name of Grant/ Appropriation	Savings	Surrender	Saving which remained to be surrendered
I-Revenue (Voted)				
1.	1-General Administration	15.08	-	15.08
2.	2-Home	87.45	-	87.45
3.	3-Planning and Development	41.75	-	41.75
4.	4-Information	3.79	-	3.79
5.	6-Power	195.37	-	195.37
6.	7-Education	216.22	-	216.22
7.	10-Law	25.34	-	25.34
8.	11-Industries and Commerce	9.16	-	9.16
9.	12-Agriculture	17.20	-	17.20
10.	13-Animal Husbandry	5.25	-	5.25
11.	14-Revenue	17.22	-	17.22
12.	16-Public Works	30.52	-	30.52
13.	17-Health and Medical Education	74.66	-	74.66
14.	18-Social Welfare	8.00	-	8.00
15.	21-Forest	26.09	-	26.09
16.	22-Irrigation and Flood Control	12.47	-	12.47
17.	24-Hospitality, Protocol and Toshakhana	6.55	-	6.55
18.	28-Rural Development	2.58	-	2.58
19.	29-Transport	2.84	-	2.84
Total-I		797.54	-	797.54
II-Revenue (Charged)				
20.	8-Finance	23.07	-	23.07
21.	10-Law	1.97	-	1.97
Total-II		25.04		25.04
III-Capital (Voted)				
22.	1-General Administration	9.59		9.59
23.	3-Planning and Development	147.89		147.89
24.	4-Information	1.68		1.68
25.	5-Ladakh Affairs	19.84		19.84
26.	7- Education	57.59		57.59
27.	8-Finance	432.23		432.23
28.	9-Parliamentary Affairs	1.83		1.83
29.	13- Animal Husbandry	8.49		8.49
30.	14- Revenue	145.22		145.22

Sl. No	Number and Name of Grant/ Appropriation	Savings	Surrender	Saving which remained to be surrendered
31.	17-Health and Medical Education	71.06		71.06
32.	18-Social Welfare	39.00		39.00
33.	19-Housing and Urban Development	279.90		279.90
34.	21-Forest	24.00		24.00
35.	23-Public Health Engineering	1.06		1.06
36.	25-Labour, Stationery and Printing	74.44		74.44
37.	27- Higher Education	79.75		79.75
38.	28-Rural	74.45		74.45
39.	29-Transport	1.75		1.75
Total-III		1469.77		1469.77
Grand Total I+II+III		2292.35		2292.35

Appendix-2.10
(Reference: Paragraph: 2.4.1; Page 37)

Department-wise outstanding DC bills 1996-2009

Department	Amount (in Rs)
Power Development	10,608,789,000
Revenue	6,122,976,870
Home	2,431,358,000
Housing & Urban	2,355,218,000
Consumer Affairs and Public Distribution	1,376,736,300
Health & Medical Education	996,374,500
Industries & Commerce	820,260,900
Planning	696,583,000
Tourism	470,647,586
Agriculture	336,959,400
Education	218,829,700
Transport	140,619,000
Finance	123,990,500
Higher and Technical Education	123,395,000
Social Welfare	99,244,800
General Administrative	77,737,200
Rural Development	70,183,800
Science & Technology	40,355,000
Public Health Engineering	37,500,000
Public Works	37,146,000
Information & Technology	23,508,000
Animal Husbandry	21,842,400
Forest	18,329,500
Law	1,380,000
Hospitality & Protocol	300,000
Stationery & Printing	95,000
Total	27,250,359,456

Appendix .3.1

(Reference: Paragraph: 3.1, Page 39)

Statement of wanting utilisation certificates in respect of grants paid upto 2008-09

Name of Department	Year of disbursement	Certificates awaited	
		No.	(Rs. in lakh)
Revenue Expenditure			
General Education	2005-06 to 2008-09	6204	80,839.65
Housing and Urban Development	2005-06 to 2008-09	1698	79,931.31
Health and Medical Education	2005-06 to 2008-09	427	878.04
Law and Justice	2005-06 to 2008-09	261	1,083.99
Social Welfare	2005-06 to 2008-09	468	463.19
General Administration	2005-06 to 2008-09	167	1,211.12
Tourism	2005-06 to 2008-09	107	2,076.64
Art and Culture	2005-06 to 2008-09	124	11,989.78
Public Works	2005-06 to 2008-09	17	2.44
Agriculture Research and Education	2005-06 to 2008-09	78	14,542.35
Information	2005-06	119	2.05
Village and Small Scale Industries	2005-06	103	1,660.95
Animal Husbandry	2005-06	17	207.50
Welfare of SC/ST	2005-06 to 2008-09	12	205.52
Ladakh Affairs	2005-06	30	41.03
Agriculture	2005-06	236	17,069.50
General Economic Services	2006-07	1	12.00
Cooperative	2005-06 to 2006-07	5	1.78
State legislature	2005-06 to 2008-09	25	17.07
Fire services/Other Administrative Services	2005-06 to 2006-07	11	274.29
Area Development	2005-06	3	0.25
Ecology and Environment	2006-07 to 2008-09	16	910.00
Finance	2005-06	10	24.01
Rural Development	2005-06	6	2.61
Family Welfare	2005-06 to 2008-09	7	34.40
Minor Irrigation	2005-06 to 2008-09	4	0.60
Other Social Services	2006-07 to 2008-09	6	55.50
Command Area Development	2005-06	168	443.39
Youth Services and Sports	2005-06 to 2008-09	34	1,731.00
Village and small scale industries	2008-09	8	648.14
Other administrative services	2008-09	19	393.45
Secretariat Services	2008-09	1	150.00
Industries and commerce	2008-09	2	1.70
		10394	216,905.25

Name of Department	Year of disbursement	Certificates awaited	
		No.	(Rs. in lakh)
Capital Expenditure			
General Education etc.	2005-06 to 2006-07	67	2,425.98
Other Administrative Services	2005-06 to 2006-09	6	98.85
Cooperatives	2005-06 to 2006-09	19	511.00
Tourism	2005-06 to 2006-07	11	36.75
Urban Development	2006-07 to 2008-09	6	742.28
Village and Small Scale Industries	2006-07 to 2008-09	5	383.00
Education Sports Art and Culture	2008-09	29	3,542.00
Social Security and Culture	2008-09	1	7.50
Agriculture Research and Education	2008-09	3	750.00
Other Scientific and Environment research	2008-09	2	30.00
Tourism	2008-09	2	27.00
Medical and Public Health	2008-09	1	740.00
Total		152	9,294.36

Appendix-3.2

(Reference: Paragraph: 3.2, Page 39)

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 2008-09	21
2.	Kashmir University	2001-02 to 2008-09	8
3.	Kashmir Urban Development Agency Srinagar	1999-2000 to 2008-09	10
4.	District Rural Development Agency Srinagar	2002-03 to 2008-09	7
5.	District Rural Development Agency Anantnag	2007-08 to 2008-09	2
6.	District Rural Development Agency Pulwama	2002-03 to 2008-09	7
7.	District Rural Development Agency Leh	2008-09	1
8.	District Rural Development Agency Kargil	2008-09	1
9.	Sher-e-Kashmir International Conference Centre, Srinagar (SKICC)	1999-2000 to 2008-09	10
10.	Srinagar Development Authority	1999-2000 to 2008-09	10
11.	Institute of Hotel Management	2001-02 to 208-09	8
12.	State Social Welfare Advisory Board	2003-04 to 2008-09	6
13.	Islamia College of Sciences and Commerce Srinagar	2001-02 to 2008-09	8
14.	Jammu and Kashmir State Housing Board	2002-03 to 2008-09	7
15.	Lakes and Water Ways Development Authority	2005-06 to 2008-09	4
16.	Jammu University	2002-03 to 2008-09	7
17.	District Rural Development Agency Jammu	2008-09	1
18.	District Rural Development Agency Kathua	2008-09	1
19.	District Rural Development Agency Poonch	2008-09	1
20.	District Rural Development Agency Doda	2003-04 to 2008-09	6
21.	Academy of Art Culture and Languages	2003-04 to 2008-09	6
22.	Jammu Development Authority	1972-73 to 2008-09	37
23.	State Pollution Control Board	1995-96 to 2008-09	14
24.	Jammu and Kashmir Sports Council	2003-04 to 2008-09	6
25.	Jammu and Kashmir Energy Development Authority	2003-04 to 2008-09	6
26.	Jammu University	2002-03 to 2008-09	7
27.	District Rural Development Agency Budgam	2007-08 to 2008-09	2
28.	District Rural Development Agency Baramulla	2008-09	1
29.	District Rural Development Agency Kupwara	2006-07 to 2008-09	3
			208

Appendix 3.3

(Reference Paragraph 3.4, Page 41)

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 (Rs. 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.
Department: Animal Husbandry			
Milk Supply Undertaking, Srinagar	1979-80	N.A.	The undertaking stands liquidated.
Milk Supply Undertaking, Jammu	1981-82	N.A.	The undertaking stands liquidated.
Department: Forest			
Government Lumbering Undertaking	1977-78	N.A.	The undertaking stands taken over by the J&K State Forest Corporation in July 1979

