Chapter-IV

Quality of Accounts and Financial Reporting Practices

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QUALITY OF ACCOUNTS AND FINANCIAL REPORTING PRACTICES

A sound internal financial reporting system 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 compliance is, thus, one of the attributes of good governance. Reports on compliance and controls, if effective and operational, assist the Government in meeting its basic stewardship responsibilities, including strategic planning and decision-making.

Issues related to completeness of accounts

4.1 Funds outside Consolidated Fund or Public Account of the State

Section 115 (1) of Constitution of erstwhile State of Jammu & Kashmir subject to the provisions of Section 116 *ibid*, provides that all revenues received by the Government, all loans raised by that Government by the issue of treasury bills, loans or ways and means advances and all moneys received by that Government in repayment of loans shall form one consolidated fund to be entitled "the Consolidated Fund of the State. Section 115 (2) of Constitution of erstwhile State of Jammu & Kashmir provides that all other public moneys received by or on behalf of the Government of a State shall be credited to the public account of the State, as the case may be.

The Water Usage Charges are being levied at 05 paisa to 25 paisa per cu.m.[1] of water on Hydel power generating companies under the provisions of the Jammu and Kashmir Water Resources (Regulation and Management) Act, 2010 amended on 25 October 2012 and 27 October 2014. Under the Act, a Fund was to be constituted as an account number in the Jammu and Kashmir Bank or allotted a proper account head. The amount realised as water usage charges was to be deposited in the account/head so created, and utilised for establishment of Hydroelectric and Multi-purpose Hydro Electric Projects and for buying back Hydroelectric Power Projects already established in the State and purchase of power. As on 30 October 2019 an amount of ₹4.53 crore on account of water usage charges/interest was in the Water Usage Fund Account (Saving Bank Account) which remained out of Consolidated Fund of the State.

The Government of Jammu and Kashmir vide Notification No. SRO 232 dated 17-07-2006 notified J&K Building and Other Construction Workers Rules (RE&CS), 2006. Accordingly, the State Government vide Notification No. 274 dated 31-07-2007 constituted the J&K Building and Other Construction Workers Board which was reconstituted vide SRO No. 439 dated 01-12-2010. Accordingly, Building and Other Construction Workers Cess Act, 1996 and Building and Other Construction Workers Cess Rules 1998 have become operative in whole of Jammu and Kashmir State. Section 3 of the Cess Act, 1996 provides mandatory levy and collection of cess on the cost of construction works and provided that the cess shall be levied at one *per cent* of the cost

[1] Cubic meter

of construction incurred by an employer which shall exclude the cost of land and any compensation paid or payable to a worker or his kin under the Workmen Compensation Act, 1923.

In J&K, the amount so deducted on account of Labour Cess is being kept in the Official Bank Account in the name of Secretary, J&K Building and Other Construction Workers Welfare Board and remains outside the Government Account. The closing balance of Labour Cess as on 30 October 2019 is ₹649.61crore.

4.2 Loans of State Government not being credited to Consolidated Fund

During 2019-20 loan of ₹0.95 crore was released by Rural Electrification Corporation to Power Grid Corporation of India Limited, for implementation of Rajiv Gandhi Grameen Vidyutikaran Yojana/Deen Dayal Upadhyay Gram Jyoti Yojana in State. Out of the above loan, an amount of ₹0.23 crore was received during the period 01 April 2019 to 30 October 2019. This off budget borrowing of ₹0.23 crore has remained out of Consolidated Fund of State for the period 01 April 2019 to 30 October 2019.

4.3 Creation of liability due to less payment on account of Power purchase

The function of electricity supply to consumers is handled departmentally in the State, Hence, the receipts and expenditure on procurement and supply of electricity forms part of the State Government accounts. As on 30 October 2019, the State Government has cumulative unpaid bills on account of power to the tune of ₹6,404 crore which is a clear cut case of deferred liability.

4.4 Non-discharge of liability in respect of interest towards interest bearing deposits

The Government has a liability to provide and pay interest on the balances in the Interest-bearing Deposits (Major Heads of Accounts 8338 to 8342).

Table 4.1: Non-discharge of liability in respect of interest towards interest bearing deposits

(₹in crore)

Name of the Interest bearing deposit	Balance as on 30 October 2019	Amount of Interest not provisioned
State Disaster Response Fund	1,271.48	0.08

There was an un invested balance of ₹892.25 crore under interest bearing Reserve Funds (SDRF) at the beginning of the year 2019-20 (01 April 2019 to 30 October 2019). Against the accrued interest of ₹34.46 crore (₹29.47 crore on opening balance of ₹892.25 crore and ₹4.99 crore on delayed transfer), the State Government transferred an amount of ₹34.38 crore resulting in short transfer of ₹ 0.08 crore accrued interest ending 30 October 2019.

4.5 Funds transferred directly to State Implementing Agencies

During 2019-20 (01 April 2019 to 30 October 2019) an amount of ₹15,643 crore was routed through State Budget as grants by the Government of India. In addition, an amount of ₹1,059.50 crore was transferred directly to implementing agencies out of which an amount of ₹349.66 crore (***Appendix 4.1***) was transferred to various Government departments of Jammu & Kashmir Government and ₹709.84 crore to various Autonomous Bodies/other entities of the Government. These funds are outside the Budgetary and Accounting system of the State Government. The schemes where direct funding is more than ₹100 crore during the period 01 April 2019 to 30 October 2019 are given below:

Table 4.2: Funds transferred by Government of India directly to State implementing agencies

(₹in crore)

Sl. No.	Name of the Schemes of Government of India	Name of the Implementing Agencies	Government of India releases during 2019-20 (01/04/2019 to 30/10/2019)
1	Central Assistance for Pakul Dul HEP (Hydro Electric Project) under J&K PMDP Grant to Chenab Valley Power Projects	Chenab Valley Power Projects Pvt. Ltd.	283.00
2	Pradhan Mantri Kisan Samman Nidhi	Department of Agriculture Production	300.47

4.6 Deposits of Local Funds

State Panchayati Raj Act provides that Block Development Council and Halqa Panchayat would maintain Block Development Council Fund and Halqa Panchayat Fund respectively (under Major Head 8448-Deposits of Local Funds-109-Panchayat Bodies Funds) which would include all the money realised or realisable under the Act and all money otherwise received by the PRIs, such as grants received from Government and its own revenue, which includes tax and non-tax receipt of a Panchayat. The Acts also envisages that the Municipal Fund is to be held by the Municipality. All the money realised or realisable under this act and all money otherwise received by the Municipalities are kept in the Municipal Fund under the Major Head 8448- Deposits of Local Funds-102-Municipal Funds. The Panchayat Fund has remained in operative since more than ten years.

Table 4.3: Deposits of Local Funds

(₹in crore)

<table>
<tr><th colspan="3">Year</th><th>2017-18</th><th>2018-19</th><th>2019-20 (01/04/2019 to 30/10/2019)</th></tr>
<tr><td rowspan="4">Panchayat Fund</td><td rowspan="4">(8448-109)</td><td>Opening Balance</td><td>0.27</td><td>0.27</td><td>0.27</td></tr>
<tr><td>Receipt</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Expenditure</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Closing Balance</td><td>0.27</td><td>0.27</td><td>0.27</td></tr>
<tr><td rowspan="4">Municipal Fund</td><td rowspan="4">(8448-102)</td><td>Opening Balance</td><td>234.17</td><td>244.09</td><td>198.05</td></tr>
<tr><td>Receipt</td><td>466.99</td><td>557.15</td><td>207.44</td></tr>
<tr><td>Expenditure</td><td>457.07</td><td>603.19</td><td>272.10</td></tr>
<tr><td>Closing Balance</td><td>244.09</td><td>198.05</td><td>133.39</td></tr>
</table>

Issues related to transparency

4.7 Delay in submission of Utilisation Certificates

In terms of Para 10.19 of the Jammu and Kashmir Financial Code Vol-I, in cases in which conditions are attached to the utilisation of a grant in the form of a specification of a particular object of expenditure or the time within which the money must be spent or otherwise, the departmental officer on whose signature or countersignature the Grants-in-Aid (GIA) Bills are drawn is primarily responsible for certifying to the Accountant General, where necessary, the fulfilment of the conditions attached to the grant, unless there is any special rule or order to the contrary. The certificate shall be furnished within 18 months from the date of sanction of the grant in such form as may be agreed between the Accountant General and the Head of the Department concerned. Grants-in-Aid Bills are required to be drawn on Form F.C 40 of J&K Financial Code Volume-II, but in number of the cases, the State Government is not using the prescribed Form and instead same Bill Form is being used for ACs and GIAs which results in difficulty in distinguishing between AC Bills and GIA Bills.

There are 2,029 number of UCs amounting to ₹9354.49 crore outstanding as on 30 October 2019 for the grants released up to 30 April 2018. The position of outstanding utilisation certificates as on 30 October 2019 for the grants released up to 30 April 2018 is given in **Table 4.4**.

Table 4.4: Age-wise arrears in submission of Utilisation Certificates

(₹in crore)

Year*	Opening Balance		Addition		Clearance		Due for submission	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2017-18	867	3,424.11	547	3,261.08	44	712.20	1,370	5,972.99
2018-19	1,370	5,972.99	442	2,585.06	39	366.97	1,773	8,191.08
2019-20 (up to 30/10/2019)	1,773	8,191.08	256	1,163.41	0	0	2,029	9,354.49

(The year mentioned above relates to "Due year" i,e, after 18 months of actual drawal year)*

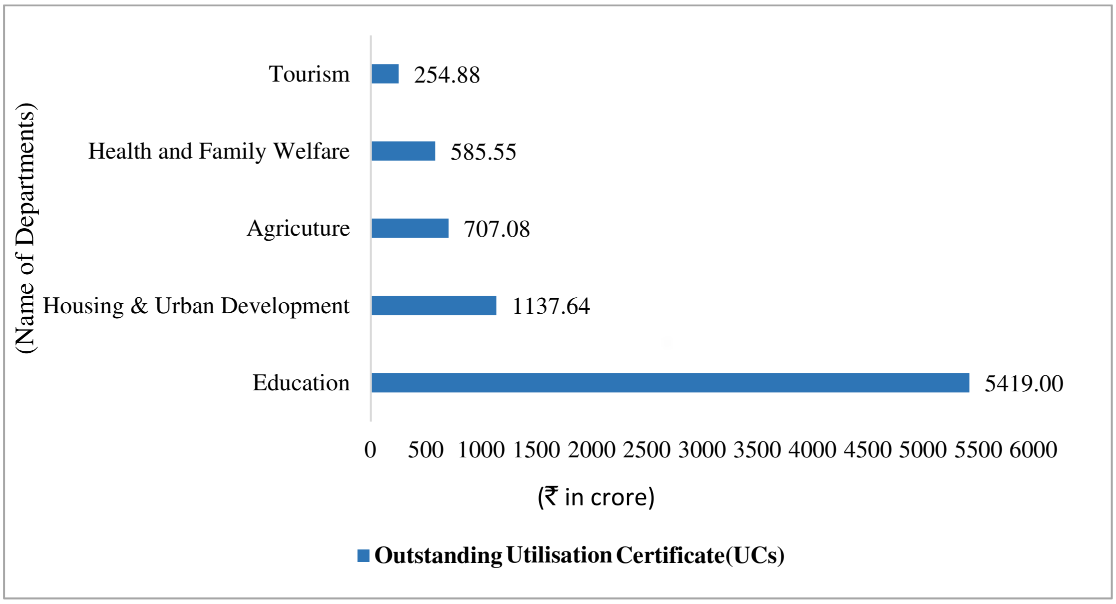
Table 4.5: Year wise break up of outstanding UCs

(₹in crore)

Year	Number of UCs	Amount
2014-15	304	929.90
2015-16	234	723.27
2016-17	329	1,770.94
2017-18	503	2,549.25
2018-19	403	2,219.48
2019-20 (01/04/2019 to 30/10/2019)	256	1,161.65
Total	**2,029**	**9,354.49**

As is evident from the above table, UCs are outstanding for last many years. Out of the 2,029 UCs outstanding as on 30 October 2019, 304 UCs (15 *per cent)* are pending since the year 2014-15.

Chart 4.1: Outstanding UCs in respect of major Departments for the grants paid up to 2018-19



Department wise breakup of outstanding UCs shows that 86.63 *per cent* of total amount of outstanding UCs pertains to above noted five departments. Out of these the majority (57.93 *per cent*) of outstanding UCs pertains to Education Department only.

Non-submission of the UCs means that the authorities have not explained as to how funds were spent over the years. There is also no assurance that the intended objectives of providing these funds have been achieved. This assumes greater importance if such UCs are pending against Grants-in-Aid meant for capital expenditure. Since Non-submission of UCs is fraught with the risk of misappropriation, it is imperative that the State Government should monitor this aspect closely and hold the concerned persons accountable for submission of UCs in a timely manner.

4.8 Abstract Contingent Bills

In terms of Para 7.10 of the Jammu & Kashmir Financial Code Vol-I, the bills which are countersigned after payment, are drawn as advance payments on Abstract Contingent (AC) Bills. The subordinate officers are required to submit the DC bill by the end of the month following that in which AC Bill is drawn to the Controlling Officer and the Controlling Officer is required to submit the same to the Accountant General, duly countersigned, within one month of its receipt.

In contravention there to, against a total amount of ₹7,226.48 crore comprising 2,298 bills drawn on AC bills by various drawing and disbursing officers up to 31 August 2019, corresponding DC bills were not submitted to the Accountant General (A&E), Jammu & Kashmir. Out of 2,298 number of outstanding AC bills, 1,933 bills amounting to ₹2,341.39 crore pertains to the period up to 2017-18, 249 bills amounting to ₹2,651.13 crore pertains to 2018-19 and the balance 116 bills valuing ₹2,233.96 crore pertains to the year 2019-20 (01 April 2019 to 30 October 2019). There is no assurance that the expenditure of ₹2,233.96 crore during 01 April 2019 to 30 October 2019 has actually been incurred for the purpose for which it was authorised by the Legislature.

Table 4.6: Year wise progress in submission of DC bills against the AC bills

(₹in crore)

Year	Opening Balance		Addition		Clearance		Closing Balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 2017-18	1,878	1,213.17	139	1,286.29	84	158.07	1,933	2,341.39
2018-19	1,933	2,341.39	276	2,719.04	27	67.91	2,182	4,992.52
01/04/2019 to 30/10/2019	2,182	4,992.52	120	2,265.81	04	31.85	2,298	7,226.48

Majority of the DC bills were awaited (30 October 2019) from the following departments.

Chart 4.2: Pending DC Bills in respect of major Departments

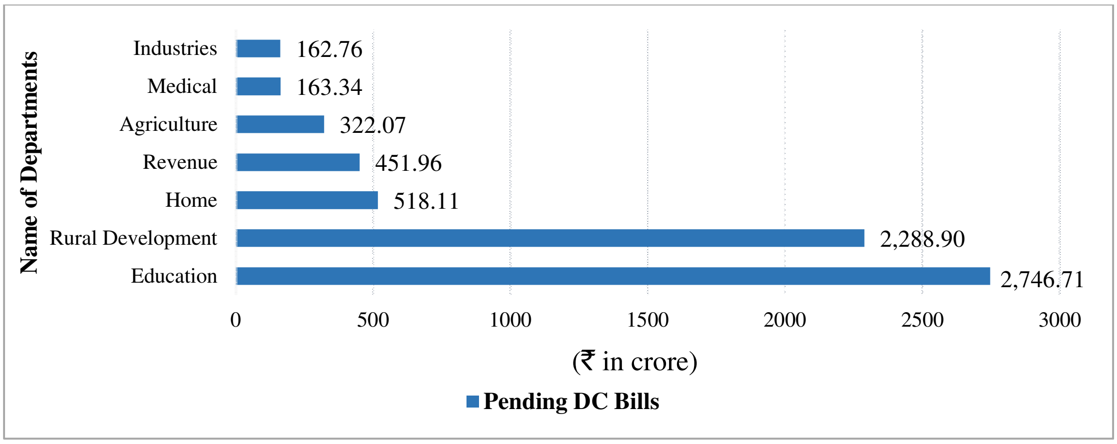


Table 4.7: Awaited DC bills from Departments

Sl. No	Name of the Department	Amount Outstanding (*₹in crore*)	Percentage of total outstanding amount of ₹7,226.48 crore as on 30 Oct. 2019
1.	Education	2,746.71	38.01
2.	Rural Development	2,288.90	31.67
3.	Home	518.11	7.17
4.	Revenue	451.96	6.25
5.	Agriculture	322.07	4.46
6.	Medical	163.34	2.26
7.	Industries	162.76	2.25

Source: Finance Accounts

The department wise breakup of pending DC bills shows that 92.07 *per cent* of total amount of pending DC bills are awaited from above noted seven departments. Education Department and Rural Development Department are major defaulters and have pending DC bills of maximum amount. The matter has continually been brought to the notice of the Government/Finance Department, from time to time. Despite issuance of instructions in this regard by the State Finance Department, the DDOs did not furnish the pending DC bills to the Accountant General (A&E).

Advances drawn and not accounted for increased the possibility of wastage/ misappropriation/malfeasance, etc. The Government may take necessary steps to ensure adjustment of the advances drawn on the contingent bills within the stipulated period as required under the extant rules.

4.9 Indiscriminate use of Minor Head 800

Minor Head 800 relating to Other Receipts and Other Expenditure is intended to be operated only when the appropriate Minor Head has not been provided in the accounts. Routine operation of Minor Head 800 is to be discouraged, since it renders the accounts opaque.

During the period from 01 April 2019 to 30 October 2019, ₹2,159.92 crore, including revenue receipt of ₹1,692.97 crore[2] under 34 Revenue Major Heads of Accounts constituting about 7.19 *per cent* of the total Revenue Receipts of ₹ 30,051.98 crore, was recorded under the Minor Head 800-'Other Receipts'. Similarly, expenditure of ₹1,140.33 crore under 47 Major Heads of Accounts constituting about 3.28 *per cent* of total expenditure of ₹34,766.01 crore was booked under Minor Head 800-'Other Expenditure'. Instances where a substantial proportion (50 *per cent* or more/significant amount) of the receipts and expenditure under a Major Head was classified under the Minor Head 800-Other Receipts/Expenditure are shown in the tables below. Classification of large amounts booked under the Minor Head 800, does not give the fair picture in accounts.

Table 4.8: Significant expenditure booked under Minor Head 800 – Other Expenditure during the period 2019-20 (01 April 2019 to 30 October 2019)

Major Head	**Total Expenditure including Expenditure under Minor Head 800**	**Expenditure under Minor Head 800**	**Percentage of Expenditure under Minor Head 800 to Total Expenditure under the Major Head**
	(₹in crore)		
2075-Misc. General Services	1.36	1.00	73.53
2250-Other Social Services	1.74	0.92	52.87
4070-Capital Outlay on Other Administrative Services	1.84	1.84	100.00
4216-Capital Outlay on Housing	76.54	76.54	100.00
4217-Capital Outlay on Urban Development	388.07	201.06	51.81
4401-Capital Outlay on Crop Husbandry	26.00	16.87	64.88
4405-Capital Outlay on Fisheries	3.51	3.51	100.00
4406- Capital Outlay on Forestry and Wildlife	20.52	14.12	68.81
4801- Capital Outlay on Power Projects	79.16	79.16	100.00
4852-Capital Outlay on Iron and Steel Industries	3.14	3.14	100.00
5452-Capital Outlay on Tourism	22.52	22.52	100.00
5475- Capital Outlay on Other General Economic Services	91.41	91.41	100.00

2 Representing ₹987.99 crore collection from consumers, ₹700.00 crore Subsidy by debit to Major Head 2801-"Power" and contra credit to Major Head 0801-"Power" on account of Sale of Power by Electricity Department and ₹4.98 crore Misc. Power receipts

Table 4.9: Significant receipts booked under Minor Head 800 – Other Receipts during the period 2019-20 (01 April 2019 to 30 October 2019)

Major Head	Total Receipts including Receipts under Minor Head 800	Receipts under Minor Head 800	Percentage of Receipts under Minor Head 800 to Total Receipts under the Major Head
	(₹in crore)		
00029-Land Revenue	86.06	63.87	74.22
00049-Interest Receipt	9.58	7.88	82.25
0055-Police	39.44	19.83	50.28
0059-Public Works	14.31	13.35	93.29
0070-Other Administrative Services	63.38	57.05	90.01
0215-Water Supply and Sanitation	15.54	7.95	51.16
0235-Social Security and Welfare	12.71	12.71	100.00
0408-Food, Storage and Warehousing	10.97	10.97	100.00
0701-Major and Medium Irrigation	215.93	215.78	99.93
0702-Minor Irrigation	4.77	4.77	100.00
0801-Power	1,692.97	1,692.97	100.00

The Government may consider depicting the amounts received and expenditure incurred under various schemes distinctly, instead of clubbing the Receipts and Expenditure of major schemes under the Minor Head 800-Other Expenditure and 800-Other Receipts, for better clarity in Accounts.

Issues related to measurement

4.10: Outstanding balance under Major Suspense and DDR heads

The Finance Accounts reflect the net balances under Suspense and Remittance Heads. The outstanding balances under these heads are worked out by aggregating the outstanding debit and credit balances separately under various heads.

Table 4.10: Balances under Suspense and Remittances

Minor Head	2017-18			2018-19			2019-20 (01/04/2019 to 30/10/2019)		
	Dr	Cr	Net (Dr/Cr)	Dr	Cr	Net (Dr/Cr)	Dr	Cr	Net (Dr/Cr)
8658- Suspense Account-							**(₹ in crore)**		
101-PAO Suspense	328.04	54.72	**273.32 (Dr)**	378.28	67.42	**310.86 (Dr)**	403.73	64.46	**339.27 (Dr)**
102-Suspense Account (Civil)	159.33	69.81	**89.52 (Dr)**	375.41	282.81	**92.60 (Dr)**	368.02	288.91	**79.11 (Dr)**
112-Tax Deducted at Source (TDS Suspense)	-	1.05	**1.05 (Cr)**	-	444.43	**444.43 (Cr)**	-	109.97	**109.97 (Cr)**
8782-Cash Remittance and Adjustments between officers rendering Accounts to the same Accountant General/Accounts Officers-									

Minor Head	2017-18			2018-19			2019-20 (01/04/2019 to 30/10/2019)		
	Dr	Cr	Net (Dr/Cr)	Dr	Cr	Net (Dr/Cr)	Dr	Cr	Net (Dr/Cr)
102-Public Works Remittances	1,077.23	1,493.16	**415.93 (Cr)**	1,278.83	1,739.25	**460.42 (Cr)**	1,278.83	1,739.25	**460.42 (Cr)**
103-Forest Remittances	107.26	160.12	**52.86 (Cr)**	107.26	160.12	**52.86 (Cr)**	53.36	0.50	**52.86 (Cr)**
110-Misc. Remittances	-	68.49	**68.49 (Cr)**	-	2,028.24	**2,028.24 (Cr)**	-	2,109.99	**2,109.99 (Cr)**
8793-Inter-State Suspense Account	1.95	0.24	**1.71 (Dr)**	5.04	0.22	**4.82 (Dr)**	4.02	0.22	**3.80 (Dr)**

Transactions which initially arise in the State Treasuries but are adjustable by the PAO/ Defence are placed under suspense for eventual adjustments. An amount of ₹317.68 crore and ₹11.54 crore, paid by the State Treasuries on behalf of the Central Pension Accounting Officer, New Delhi and Controller of Defence Accounts, respectively, ending October 2019 are major amounts adjustable in the accounts of the State Government due to non-submission of vouchers to the respective quarters by the treasuries or non-response from the Central Pay & Accounts Office, New Delhi & Controller Defence Accounts Pension, Allahabad. The matter needs to be actively pursued with the departments concerned as huge amounts are reimbursable to the State.

4.11 Non-reconciliation of Departmental figures

To enable Controlling Officers of the Departments to exercise effective control over spending to keep it within the budget grants and to ensure accuracy of their accounts, the State Financial Rules stipulate that receipts and expenditure during the financial year recorded in their books be reconciled by them every month with that recorded in the books of the Accountant General (A&E). Reconciliation and verification of figures is an important tool of financial management. Failure to exercise/adhere to the codal provisions and executive instructions in this regard not only results in misclassification and incorrect booking of receipts and expenditure in the accounts, but also defeats the very objective of budgetary process.

Table 4.11: Status of Reconciliation of Receipts and Expenditure figures

Year	Total No. of Controlling Officers	Fully Reconciled	Partially Reconciled	Not reconciled at all
Receipts				
2017-18	353	197	Nil	156
2018-19	371	302	Nil	69
2019-20*	404	226	Nil	178
Expenditure				
2017-18	353	197	Nil	156
2018-19	371	302	Nil	69
2019-20*	404	226	Nil	178

**Period of account 01/04/2019 to 30/10/2019*

During 2019-20 (01 April 2019 to 30 October 2019) reconciliation and verification of receipt and expenditure figures in respect of 178 (44 *per cent*) controlling officers was not done. Government needs to improve the reconciliation mechanism to ensure effective control over spending and accuracy of the accounts.

4.12 Reconciliation of Cash Balances

The balance against 'Deposits with Reserve Bank' represents the balance according to Government Accounts, which include Government settlements advised to the Reserve Bank of India up to 10 Nov 2019. There is a net difference of ₹83.32 crore (Credit) between the figures as reflected in the accounts (₹ 4,69.74 crore (Cr)) and that intimated by the Reserve Bank of India (₹5,53.06 crore (Dr)). The difference is under reconciliation with RBI as well as the Government (October 2020).

Issues related to disclosure

4.13 Compliance with Accounting Standards

As per article 150 of the Constitution of India, the President of India may, on the advice of the Comptroller and Auditor General of India, prescribe the form of accounts of the Union and of the States. Further, the Comptroller and Auditor General of India set up a Government Accounting Standards Advisory Board (GASAB) in 2002, for formulating standards for government accounting and financial reporting, to enhance accountability mechanisms. On the advice of the Comptroller and Auditor General of India, the President of India has so far notified three Indian Government Accounting Standards (IGAS). Compliance to these Accounting Standards by the Government of Jammu & Kashmir in 2019-20 (01 April 2019 to 30 October 2019) and deficiencies therein are given in **Table 4.12**.

Table 4.12: Compliance to Accounting Standards

Sl. No.	Accounting Standards	Essence of IGAS	Compliance by State Government	Impact of deficiency
1.	**IGAS-2:** *Accounting and Classification of Grants-in-Aid*	To prescribe the principles for accounting and classification of Grants-in-aid in the Financial Statements of Government both as a grantor as well as a grantee.	Not complied (Statement 10 of Finance Accounts)	(i) Certain Grants-in-Aid to be classified under Revenue Section have been classified under Capital Section (ii) Information has not been furnished in respect of Grants in Aid given in kind by the State Government (October 2019).
2.	**IGAS-3:** *Loans and Advances made by Government*	To ensure adequate disclosure on loans and advances made by the Government consistent with best international practices	Not complied (Statement 7 and 18 of Finance Accounts)	Details of recoveries in arrears and accrued interest thereon not furnished by State Government.

4.14 Submission of Accounts/Separate Audit Reports of Autonomous Bodies

A total 811 number of annual accounts of 56 Autonomous Bodies to be audited under Section 14 of the CAG's (DPC) Act 1971 were awaited from these Autonomous Bodies **(detailed in Appendix 4.2)** as on October 2019. The matter has been taken up with these bodies time and again for submission of annual accounts for audit.

Certification audit of accounts of Autonomous Bodies (AB's) set up by the State Government is conducted under Section 19(3) and 20(1) of Comptroller and Auditor General of India (DPC) Act 1971. The AB's coming under the audit purview as per the above section are required to submit the annual accounts to audit before 30 June every year. In respect of ten Autonomous Bodies which were to render annual accounts to C&AG, 84 number of accounts were not rendered for the period ranging between one to 24 years as tabulated below:

Table 4.13: Non-submission of accounts by Autonomous Bodies

(₹in crore)

Sl. No.	Name of Body/Authority	Accounts pending for the period	No of accounts pending
1	Ladakh Autonomous Hill Development Council, Leh (LAHDC-L)	1995-96 to 2018-19	24
2	Ladakh Autonomous Hill Development Council, Kargil (LAHDC-K)	2003-04 to 2018-19	16
3	Compensatory Afforestation Management and Planning Authority (CAMPA)	2009-10 to 2018-19	10
4	Sher-i-Kashmir University of Agricultural Science and Technology, (SKUAST) Srinagar Kashmir	2010-11 to 2018-19	09
5	Sher-i-Kashmir University of Agricultural Science and Technology, (SKUAST) Jammu	2016-17 to 2018-19	03
6	EPF Board, Srinagar	2015-16 to 2018-19	04
7	Jammu & Kashmir State Housing Board	2012-13 to 2018-19	07
8	Khadi and Village Industries Board (KVIB)	2015-16 to 2018-19	04
9	Building and Other Construction Workers Welfare Board (BOCWWB)	2013-14 to 2018-19	06
10	State Legal Service Authority (SLSA)	2018-19	01
	Total		**84**

The audit of Ladakh Autonomous Hill Development Council (LAHDC), Leh and LAHDC, Kargil has been entrusted to the C&AG of India. LAHDC, Leh has failed to submit accounts for audit since its inception i.e. 1995-96, although substantial sums are being released to the Council and unspent balances at the end of the year remain credited in a Non-lapsable Fund in the Public Account of the State. Same is the position in respect of LAHDC, Kargil which came into existence in the year 2004-05 and the accounts are in arrears since inception. Compensatory Afforestation Management and Planning Authority (CAMPA) has also not submitted the accounts for audit since its inception i.e November-2009. Similarly SKUAST, Kashmir, SKUAST, Jammu, EPF Board, Srinagar, KVIB, BOCWWB and SLSA have also not submitted their accounts for audit for the period ranging between one to nine years.

Non-submission/delay in submission of accounts by these Bodies receiving substantial funding from the State Budget is a serious financial irregularity persisting for years. In view of this non-compliance, the audited accounts of these Statutory Bodies have not so far been presented to the State Legislature, as required under the Statutes under which these Bodies were created. Delay/Arrears in finalisation of accounts carries the risk of financial irregularities going undetected and entails possibility of fraud and mis-appropriation. This has also deprived the State Legislature the opportunity to get a feedback on their activities and financial performance.

The Government may take up the matter with the bodies for timely preparation and submission of accounts.

4.15 Departmental Commercial Undertakings/Corporations/Companies

The departmental undertakings of certain Government departments performing activities of commercial nature are required to prepare *proforma* accounts in the prescribed format annually. The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of accounts, the investment of the Government, corrective measures, if any required, for ensuring accountability and improving efficiency cannot be taken on time. Besides, the delay is fraught with risk of fraud and leakage of public money.

The Heads of the Government Departments are required to ensure that the undertakings prepare such accounts and submit the same to the Accountant General (Audit), Jammu and Kashmir for audit, within a specified time frame. The Government has two such departmental undertakings: (a) Government Printing Presses at Srinagar and Jammu and (b) Public Distribution System (PDS) under the Consumer Affairs and Public Distribution Department. The *proforma* accounts of the commercial operations of both these undertakings are in arrears. The two Government Presses have not prepared their *proforma* accounts from 1968-69 to 2018-19. The *proforma* accounts have not been prepared by Food Civil Supplies & Consumer Affairs Department, Kashmir from 1975-76 to 2018-19 and by Food Civil Supplies & Consumer Affairs Department, Jammu from 1973-74 to 1997-98 and 1999-2000 to 2018-19. Due to non-compliance with the basic requirements of the preparation of annual *proforma* accounts by the Departmentally Managed Commercial Undertakings, financial reporting may not be accurate and reliable.

The status of audit of Companies/Corporations of State of Jammu & Kashmir is shown in ***Appendix 4.3***. Accounts in respect of only three companies were audited up to 2018-19 and in respect of one company and one corporation accounts were audited up to 2017-18. In respect of 17 Companies/Corporations audit of accounts is in arrear for the period ranging between 5 to 19 years. Audit of J&K State Forest Corporation was entrusted in 1996-97 but Corporation has never submitted its account. J&K Medical Supplies Corporation Ltd. was incorporated in March 2014 and it has also never submitted its accounts. In absence of timely finalisation of accounts, results of the investment of the Government remain outside the purview of State Legislature and escape scrutiny by audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. Risk of fraud and mis-utilisation of public money cannot be ruled out.

The Heads of Departments in the Government are to ensure that the departmental undertakings prepare such accounts and submit the same to the Accountant General (Audit) within a specified time frame.

4.16 Non-submission of details of Grants/Loans given to Bodies and Authorities

In order to identify institutions/organisations which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971(C&AG's DPC Act), the Government/HODs are required to furnish to Audit every year

- detailed information about the financial assistance given to various institutions,
- the purpose for which the assistance is granted, and
- total expenditure of the institutions.

Further, Regulation on Audit and Accounts (Amendments) 2020 provides that Governments and HODs, who sanction grants and/or loans to bodies or authorities, shall furnish to Audit by the end of July every year, a statement of such bodies and authorities to which grants and/or loans aggregating ₹10 lakh or more were paid during the preceding year, indicating (a) the amount of assistance, (b) the purpose for which the assistance was sanctioned and (c) the total expenditure of the body or authority. The information in this regard is not being furnished by the State Government.

4.17 Follow up action on State Finances Audit Report

To ensure accountability of executives to the issues dealt with in various Audit Reports, the State Government (Finance Department) issued instructions in June 1997 to the administrative departments to furnish to Public Accounts Committee (PAC)/Committee on Public Undertaking (COPU), *suo-motu* Action Taken Notes (ATNs) on all the audit paragraphs featuring in the Audit Reports, irrespective of the fact that these are taken up for discussion by these Committees or not. These ATNs are to be submitted to these Committees duly vetted by the Accountant General (Audit), within a period of three months from the date of presentation of Audit Reports in the State Legislature.

Report of the Comptroller and Auditor General of India on State Finances is being prepared since 2008-09 and Reports till the year 2015-16 have been tabled in the State Legislature. The State/UT has been under Governors/President rule since 20 June 2018 as such the State Finances Audit Report for the year 2016-17 to 2018-19 have been tabled in the Parliament along with the other Audit Reports. Action Taken Notes on these Reports were not furnished by the Government.

4.18 Conclusions

- ➢ Non-submission of the UCs means that the authorities have not explained as to how funds were spent over the years. There is also no assurance that the intended objectives of providing these funds have been achieved.
- ➢ Non-submission/delay in submission of accounts by the Bodies receiving substantial funding from the State Budget is a serious financial irregularity. Thus, there was no feedback on activities and financial performance of these bodies.

- Advances drawn through Abstract Contingent Bills and their detailed countersigned bills not submitted increased the possibility of wastage/ misappropriation/malfeasance, etc.
- Significant amount of expenditure and receipts booked under Minor Head 800-Other Expenditure and 800-Other Receipts under various Major Head affects the transparency in the accounts.

4.19 Recommendations

- Timely submission of Utilisation certificates may be ensured by the departments in respect of grants released for specific purpose.
- Necessary steps may be taken to ensure adjustment of the advances drawn on the contingent bills within the stipulated period as required under the extant rules.
- The timely preparation and submission of accounts may be taken up with the respective autonomous bodies.
- The operation of omnibus Minor Head 800 should be discouraged.

Pramod Kumar

Srinagar/Jammu **(Pramod Kumar)**
The 29 December 2022 **Principal Accountant General (Audit)**
Jammu & Kashmir

Countersigned

New Delhi **(Girish Chandra Murmu)**
The 31 January 2022 **Comptroller and Auditor General of India**