

EXECUTIVE SUMMARY

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Background

This Report on the finances of the Government of Bihar intends to objectively assess the financial performance of the State during 2014-15 and to provide the State Legislature with proper inputs based on audit analysis of financial data. In order to put this analysis in a proper perspective, a broad comparison of targets envisaged by the Bihar Fiscal Responsibility and Budget Management (Amendment) Act, 2010, the Thirteenth Finance Commission (ThFC) Report and the Budget Estimates of 2014-15 have been attempted.

The Report

Based on the audited accounts of the Government of Bihar for the year ended March 2015, this Report provides an analytical review of the Annual Accounts of the Government. The Report is structured in three Chapters.

Chapter-I is based on the audit of the Finance Accounts and makes an assessment of the Bihar Government's fiscal position as on 31 March 2015. It analyses the significant changes in major fiscal aggregates as compared to the previous year. It also provides an insight into trends in expenditure on interest payments, salaries and wages, pensions, subsidies and repayment of debt and borrowing patterns besides giving a brief account of Central funds transferred directly to State implementing agencies through the off-budget route.

Chapter-II is based on the audit of Appropriation Accounts and gives grant wise description of appropriations and the manner in which the allocated resources were managed by the service delivery departments. It also contains detailed review of two grants namely Grant No. 23 'Industries Department' and Grant No. 42 'Rural Development Department'. It seeks to ascertain whether the expenditure actually incurred under the various grants is within the authorisation given under the Appropriation Act.

Chapter-III is an inventory of the Bihar Government's compliance with various reporting requirements and financial rules. The report also compiles the data collected from various Government departments/organisations in support of the findings.

Audit findings

Chapter: I Finances of the State Government

Fiscal situation

- The State had a Revenue Surplus of ₹ 5847.56 crore during 2014-15. During the current year, Fiscal Deficit was increased to ₹ 11178.50 crore. It was 2.78 *per cent* of GSDP, well within the ceiling (three *per cent*) recommended by the ThFC.

(Paragraph 1.1.2 and 1.11.1)

Transfer of funds to State Implementing Agencies

- During 2014-15, Government of India (GoI) directly transferred ₹ 651.74 crore to the State implementing agencies which was less than the previous year by 93.11 *per cent*. The major recipients were District Planning Officer (Local Bodies) (₹ 246.50 crore i.e. 37.82 *per cent*), Indian

Institute of Technology, Patna (Government Autonomous Bodies) (₹ 206.97 crore i.e. 31.76 *per cent*) and All India Institute of Medical Sciences (Government Autonomous Bodies) (₹ 82.00 crore i.e. 12.58 *per cent*).

(Paragraph 1.2.2)

Resource mobilisation

- While the Revenue Receipts (₹ 78417.54 crore) of the State grew at 13.78 *per cent* during 2014-15 over the previous year, these were less than the Budget Estimate by ₹ 23522 crore.

(Paragraph 1.1.1 and 1.1.3)

Quality of expenditure

- Capital Expenditure (CE) increased to ₹ 18150.41 crore in 2014-15 from ₹ 14001 crore in 2013-14, while, the percentage of Capital Expenditure on the selected Economic Services to total expenditure increased from 48.29 *per cent* in 2013-14 to 51.99 *per cent* in 2014-15. However, decrease was observed mainly under Health and Family Welfare in Social Services and Agriculture and Allied services, Irrigation and Flood Control in Economic Services.

(Paragraph 1.1.1 and 1.7.2)

- Share of salaries and wages in revenue expenditure of selected socio-economic services decreased from 27.90 *per cent* in 2013-14 to 24.24 *per cent* in 2014-15, which indicated a positive shift in the State finances.

(Paragraph 1.7.2)

- As of 31 March 2015, the State Government invested ₹ 7068.79 crore in Government Companies, Co-operative Institutions and Local Bodies, Statutory Corporations, Rural Bank and Other Joint Stock Companies and Partnerships against which the return during 2014-15 was only ₹ 2.58 crore.

(Paragraph 1.8.2)

- Every year, huge amount of loans was given by the Government to different institutions/organisations of the State but its recovery was negligible leading to a huge balance of repayments in arrears of ₹ 20255.01 crore at the end of March 2015.

(Paragraph 1.8.3)

Fiscal Liabilities

- Fiscal liabilities of the State increased from ₹ 62858.01 crore in 2010-11 to ₹ 99055.82 crore in 2014-15. During the year, the revenue surplus decreased by ₹ 595 crore whereas fiscal deficit increased from ₹ 8351 crore in 2013-14 to ₹ 11179 crore in 2014-15. The ratio of fiscal deficit to GSDP (0.028) was, however, well within three *per cent* as laid down in Fiscal Responsibility and Budget Management Act and projections recommended by the ThFC for the year 2014-15. The State Government had not yet established a Guarantee Redemption fund.

(Paragraph 1.9.2 and 1.11.1)

Chapter: II Financial Management and Budgetary Control

Large Savings due to improper Budget estimation

- There were large savings of ₹ 43925.80 crore (31.37 per cent) against total budget provision of ₹ 140022.59 crore during 2014-15 indicating improper budget estimation. Large savings under various schemes/sub-heads may adversely affect the implementation of development programmes in the State. Persistent savings for the last five years were also noticed in 10 departments. Out of the total savings (₹ 43925.80 crore), ₹ 27334.02 crore (62.23 per cent) was only surrendered and amount of ₹ 22740.73 crore (83.20 per cent) was surrendered on 31 March 2015.

(Paragraph 2.2 and 2.3.2)

Excess over provisions during previous years requiring regularisation

- Excess expenditure of ₹ 1062.46 crore was incurred over provisions during previous years, which requires regularisation under Article 205 of the Constitution of India.

(Paragraph 2.3.3)

Non-reconciliation of Departmental figures

- The Controlling Officers did not reconcile ₹ 68657.81 crore (exceeding ₹ 10 crore in each case) under 75 Major Heads, with the books of the Accountant General (A&E), Bihar during 2014-15.

(Paragraph 2.5)

Advances from Contingency Fund

- During 2014-15, 101 withdrawals amounting to ₹ 1875.84 crore was made from Contingency Fund, of which 67 withdrawals amounting to ₹ 1667.15 crore (88.87 per cent) were for routine expenditure.

(Paragraph 2.6)

Deficiencies in Budgetary controls in Industries and Rural Development Departments

- The Industries and Rural Development Departments were not following the provisions of the Budget Manual resulting in lack of budgetary control.

(Paragraph 2.7 and 2.8)

Chapter: III Financial Reporting

Unadjusted Abstract Contingent bills

- Significant amount of ₹ 5381.42 crore drawn on Abstract Contingent (AC) bills remained outstanding as of March 2015 due to non-submission of Detailed Contingent (DC) bills.

(Paragraph 3.1)

Delay in furnishing Utilisation Certificates

- Utilisation certificates (UCs) of ₹ 31510.73 crore against the Grant-in-aid (GIA) bills drawn by different departments were outstanding as of 31 March 2015. Non-receipt of UCs against the GIA bills for huge amounts indicates failure of the departmental officers to comply with the rules and procedures to ensure timely utilisation of the grants for the intended purpose.

(Paragraph 3.2)

Delay in submission of Accounts/Audit Reports of authorities or bodies for certification

- There was delay of one year one month to over three years in submission of Accounts/Audit Reports by all the four authorities or bodies for certification.

(Paragraph 3.4)

Non-adjustment of Temporary advances and Imprest

- Temporary advances and Imprest of ₹ 186.08 crore drawn upto 31 March 2015 by eight Departments/Organisation remained to be adjusted.

(Paragraph 3.6)