



CHAPTER-I
INTRODUCTION

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1.1 About this Report

This report relates to matters arising from the performance audit of selected programmes and activities and compliance audit of Departments under General, Social and Economic Sectors of the Government of Bihar (GoB).

Performance audit is an independent assessment/examination of the extent to which an organisation, programme or scheme operates economically, efficiently and effectively. Performance is examined against suitable criteria and the causes of deviations from those criteria are analysed.

Compliance audit refers to the examination of transactions relating to expenditure, receipts, assets and liabilities of the Government to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with.

The primary purpose of this report is to bring to the notice of the Legislature, audit findings of significant materiality in respect of performance and compliance audits conducted during 2018-19. The audit findings are expected to enable the executive to take corrective actions as also to frame policies and directives that will lead to improve financial management of the organisations, thus contributing to better governance and improved public service delivery.

This Report comprises three chapters. This chapter provides a brief analysis on the expenditure of the Departments and responses of Government to the Audit Inspection Reports/Audit Reports and action taken on them. Chapters II and III present detailed findings and observations on the performance and compliance audits conducted during 2018-19.

1.2 Auditee profile

There are 44 Departments in the State, out of which 39 Departments pertain to General, Social and Economic sectors. During 2018-19, against the total budget of ₹ 2,09,489.83 crore, the State incurred total expenditure of ₹ 1,60,317.66 crore. Out of this, total expenditure of ₹1,24,571.05 crore pertained to 39 Departments under General, Social and Economic sectors.

1.3 Response of the Government to Inspection Reports

The Principal Accountant General (Audit), Bihar conducts periodical inspection of Government Departments by test-check of transactions and verifies the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of Audit Inspection Reports (IRs) to the head of the office with request to furnish replies within four weeks. When irregularities, etc., detected during audit inspection are not settled

on the spot, these IRs are issued to the heads of offices inspected with copies to next higher authorities.

Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India, which are submitted to the Governor of Bihar under Article 151 of the Constitution of India.

During 2018-19, Compliance Audits of 95 Drawing and Disbursing Officers (DDOs) of the State and three autonomous bodies were conducted by the office of the Principal Accountant General (Audit), Bihar.

Serious irregularities were also brought to the notice of the heads of the Departments through a half-yearly report of pending IRs.

A detailed review of the IRs issued to 3,183 DDOs up to September 2018 pertaining to 39 Departments revealed that 47,684 paragraphs having financial implication of about ₹ 3,44,985.91 crore covered in 7,118 IRs remained outstanding at the end of 31 March 2019, as shown in **Table 1.1**. The year-wise position of outstanding IRs/paragraphs and types of irregularities is detailed in *Appendix-1.1* and *Appendix-1.2* respectively.

**Table 1.1
Outstanding Inspection Reports/Paragraphs**

Sl. No.	Period	No. of outstanding IRs (per cent)	No. of outstanding paras (per cent)	Amount involved (₹ in crore)
1	Less than one year	91(1)	1,066(2)	5,872.46
2	1 year to 3 years	2,689(38)	21,197(44)	1,87,065.76
3	More than 3 years to 5 years	1,767(25)	11,200(24)	70,679.06
4	More than 5 years	2,571(36)	14,221(30)	81,368.63
	Total	7,118	47,684	3,44,985.91

During 2018-19, 19 Audit Committee meetings were held in which only one paragraph was settled.

The departmental officers failed to take action on observations contained in outstanding IRs within the prescribed time frame resulting in erosion of accountability.

It is recommended that the Government may look into the matter to ensure prompt and proper response to the audit observations.

1.4 Response of the Government to significant audit observations (Performance Audits/Compliance Audit Paragraphs)

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in selected Departments, which have negative impact on the

success of programmes and functioning of the Departments. The focus was on auditing the specific programmes/schemes and to offer suitable recommendations to the executive for taking corrective action and improving service delivery to the citizens.

As per provisions of the Comptroller and Auditor General of India's Regulations on Audit and Accounts 2007 the Departments are required to send their responses to draft Performance Audit Reports/Draft Paragraphs proposed for inclusion in the Comptroller and Auditor General of India's Audit Reports within six weeks. It was brought to the personal attention of the heads of Departments that in view of likely inclusion of such paragraphs in the Reports of the Comptroller and Auditor General of India to be placed before the State Legislature, it would be desirable to include their comments in the matter. They were also advised to meet with the Principal Accountant General to discuss the draft reports of Performance Audits and draft audit paragraphs. These draft Performance Audit Reports and paragraphs proposed for inclusion in the Audit Report were also forwarded to the heads of Departments seeking their replies.

For the Audit Report 2018-19, reply of Rural Development Department in respect of performance audit on Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme was not received. Reply of the Department in respect of long draft paragraph on Utilisation of Compensatory Afforestation Funds Management and Planning Authority Funds (CAMPA) was also not received.

1.5 Response of the Government and auditee units during the conduct of Performance Audit/Compliance Audit

Section 18 (1) (b) of the Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 stipulates that the C&AG has the authority in connection with the performance of his duties under the said Act to requisition any accounts, books and other documents which deal with or form the basis of or are otherwise relevant to the transactions to which his duties in respect of audit extends. This provision has been further amplified by Regulation 181 of the Regulation on Audit and Accounts, 2007, which stipulates that every Department or entity shall establish and implement a mechanism to ensure that data, information and documents that are required by audit are made available to it in time.

Despite such clear provisions, there were several instances of non-production of records to Audit. Though such instances are brought to the notice of the authorities on each occasion, follow up by the concerned authorities has not been uniformly swift and effective.

For the Audit Report 2018-19, two Performance Audits (PAs) and two Long paragraphs are included in this report. However, despite repeated efforts, records requisitioned by the Audit teams were not made available and replies

to audit memos issued during audit were not provided in many cases. 87 units out of 97 did not produce certain records requisitioned by Audit as detailed in **Appendix 1.3**.

Non-production of records severely limits the exercise of CAG's constitutional mandate and may result in lack of accountability by State Government functionaries and concealment of fraud, misappropriation, embezzlement etc. The State Government is requested to take appropriate action including flagging of individual instances of non-production of records from a vigilance angle and initiation of disciplinary action against the concerned officials.

Out of 2,038 audit memos issued in respect of two PAs and two LDPs, replies were not received for 157 audit memos and only partial replies were received in respect of 303 audit memos as detailed in **Appendix- 1.3**.

1.6 Follow-up on Audit Reports

According to the Rules of procedure for the internal working of the Committee on Public Accounts, the Administrative Departments were to initiate, *suo motu* action on all Audit Paragraphs and Performance Audits featuring in the Comptroller and Auditor General's Audit Reports regardless of whether these are taken up for examination by the Public Accounts Committee or not. They were also to furnish detailed notes, duly vetted by the Audit indicating the remedial action taken or proposed to be taken by them within two months of the presentation of the Audit Reports to the State Legislature.

The position regarding receipt of Action Taken Notes (ATNs) on the paragraphs included in the Audit Reports upto the period ended 31 March 2018, as on 30 September 2019 is given in **Table 1.2**.

Table 1.2
Position regarding receipt of ATNs on the paragraphs included in the ARs (GS&ES)

Audit Reports for the year	ATNs pending as of 30 September 2018 (No. of Paragraphs)	Money Value (₹in crore)	Date of presentation in the State Legislature	Due date for receipt of ATNs
2015-16	5	372.06	27/03/17	27/05/17
2016-17	6	364.42	30/11/18	28/02/19
2017-18	Not yet presented in State legislature			

The above table reflects the slow response of the Departments on the Audit Reports.

1.7 Recoveries at the instance of Audit

Audit findings involving recoveries that are noticed in the course of test-check of accounts of the Departments of the State Government are referred to the concerned authorities for confirmation and further necessary action under intimation to Audit.

A total of 16 cases of recoveries involving an amount of ₹19.65 crore was pointed out by Audit during 2018-19 and accepted by the Departments. However, the Departments are still to make recovery in these cases.

1.8 Status of placement of Separate Audit Reports of Autonomous Bodies in the State Legislature

The audit of accounts of five autonomous bodies in the State had been entrusted to the Comptroller and Auditor General of India out of which entrustment of accounts of four autonomous bodies have not been renewed. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature is indicated in *Appendix-1.4*.

