

## 2.1 Introduction

The Comptroller and Auditor General of India performs the audit of Appropriations to ascertain whether the expenditure actually incurred under various grants underlying the budget is within authorisations given under the Appropriation Act for the year, that expenditure required to be charged under provisions of the Constitution is so charged, and whether, expenditure is incurred in conformity with the law, relevant rules, regulations and instructions.

## 2.2 Summary of Appropriation Accounts

The Budget Manual of the Government of Bihar stipulates that, all anticipated savings must be surrendered by controlling officers to the Finance Department by 15 February of the current year. In exceptional cases, surrenders must be submitted by 31 March.

The summarised position of actual expenditure during 2016-17 against 51 grants/appropriations is given in **table 2.1**.

*Table 2.1: Summarised position of actual expenditure against provisions*

(₹ in crore)

Nature of expenditure		Total Grant/ Appropriation	Actual Expenditure	Savings (-)/ Excess (+)	Amount surrendered	Amount surrendered on 31 March 2017	Percentage of savings surrendered by 31 March 2017 (Col.5/Col.4*100)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Voted</b>	I-Revenue	1,17,566.78	87,326.86	(-) 30,239.92	20,422.79	15,842.62	67.54
	II-Capital	37,603.30	27,408.94	(-) 10,194.36	8,762.13	2,224.24	85.95
	III-Loans and Advances	655.67	113.87	(-) 541.80	539.27	439.16	99.53
<b>Total Voted</b>		<b>1,55,825.75</b>	<b>1,14,849.67</b>	<b>(-) 40,976.08</b>	<b>29,724.19</b>	<b>18,506.02</b>	<b>72.54</b>
<b>Charged</b>	IV-Revenue	9,258.09	8,934.08	(-) 324.01	46.92	46.65	14.48
	V-Capital	0.00	0.00	0.00	0.00	0.00	0.00
	VI-Public Debt- Repayment	4,267.79	4,214.57	(-) 53.22	0.00	0.00	0.00
<b>Total Charged</b>		<b>13,525.88</b>	<b>13,148.65</b>	<b>(-) 377.23</b>	<b>46.92</b>	<b>46.65</b>	<b>12.44</b>
<b>Grand Total</b>		<b>1,69,351.63</b>	<b>1,27,998.32</b>	<b>(-) 41,353.31</b>	<b>29,771.11</b>	<b>18,552.67</b>	<b>71.99</b>

*Note: The expenditure includes recoveries/refund of revenue expenditure amounting to ₹ 1,495.75 crore and recoveries of capital expenditure amounting to ₹ 200.55 crore adjusted as reduction of expenditure.*

(Source: Appropriation Accounts for the year 2016-17).

Overall savings of ₹ 41,353.31 crore resulted from savings of ₹ 30,563.93 crore in 46 grants and eight appropriations under Revenue section and savings of ₹ 10,789.38 crore in 31 grants under Capital section, including eight grants under Loans and Advances section (Public Debt Repayment).

The total savings was 24.42 per cent of total grants/ appropriation. Out of total savings of ₹ 41,353.31 crore, only 71.99 per cent was surrendered (₹ 29,771.11 crore) during the year

and the Departmental Controlling Officers allowed savings aggregating ₹ 11,582.20 crore (28.01 per cent of total savings) to lapse. Further, ₹ 18,552.67 crore (62.32 per cent of total surrenders during the year) was surrendered on the last working day of March 2017, leaving no scope for utilisation of these funds. This is a serious cause for concern and indicates the failure of the Finance Department to ensure effective budgetary control.

Though the Finance Department had directed (January 2018) all 44 departments in the State to furnish reasons for savings, only five departments<sup>1</sup> responded and attributed the savings to non-approval of schemes by GoI, non-drawal of funds in some districts and preparation of budget estimates on assumptions. Savings under 'Interest Payment' was attributed to lump sum payment of residual balance of amount of loan, fluctuations in exchange rate of foreign currency, non-submission of claims of Zamindari bonds etc.

The replies are not tenable, as many of these aspects should have been taken into consideration while framing the budget estimates or during the monthly reviews of expenditure by the Finance Department.

**Recommendation:** *The Finance Department should monitor the trend of expenditure by Departmental Controlling Officers, so that unnecessary provisions are not made, and funds are not retained unnecessarily and are surrendered at the earliest, without resorting to last minute surrenders and lapsing of allocations.*

## 2.3 Financial Accountability and Budget Management

### 2.3.1 Excess of expenditure of previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get excess expenditure over a grant/ appropriation regularised by the State Legislature. It was, however, observed that the State Government had not regularized excess expenditure amounting to ₹ 807.36 crore<sup>2</sup> pertaining to previous years<sup>3</sup>. Status of excess expenditure pending regularisation is detailed in **Appendix 2.1**.

**Recommendation:** *The Finance Department should take immediate steps to regularise the excess expenditure of ₹ 807.36 crore pertaining to previous years. In future, such un-voted expenditure may be completely stopped, except in case(s) of dire and extreme emergency, the cost of which cannot be met from the Contingency Fund.*

### 2.3.2 Savings

There were 35 cases of savings relating to 28 grants/appropriations, each exceeding ₹ 100 crore and above, amounting to ₹ 33,436.21 crore (36.89 per cent) of total provisions (₹ 90,636.67 crore) as detailed in **Appendix 2.2**.

Significant savings of ₹ 1,000 crore and above and more than 20 per cent of total provisions, occurred in 11 grants aggregating ₹ 26,316.01 crore (38.07 per cent) as indicated in **table 2.2**.

<sup>1</sup> (i) Minority Welfare Department, (ii) General Administration Department, (iii) Rural Works Department, (iv) Labour Resource Department and (v) Finance Department.

<sup>2</sup> Out of this, ₹ 657.98 crore pertaining to Animal Husbandry Department is sub-judice.

<sup>3</sup> 1977-78 (₹ 0.06 crore), 1978-79 (₹ 0.32 crore), 1982-83 (₹ 0.98 crore), 1984-85 (₹ 2.63 crore), 1987-88 (₹ 7.53 crore), 1988-89 (₹ 6.59 crore), 1989-90 (₹ 9.00 crore), 1990-91 (₹ 47.55 crore), 1991-92 (₹ 70.72 crore), 1992-93 (₹ 87.77 crore), 1993-94 (₹ 125.03 crore), 1994-95 (₹ 170.61 crore), 1995-96 (₹ 146.49 crore), 1996-97 (₹ 6.37 crore), 1998-99 (₹ 0.33 crore), 1999-00 (₹ 0.01 crore), 2003-04 (₹ 0.44 crore), 2004-05 (₹ 5.57 crore), 2010-11 (₹ 0.35 crore), and 2015-16 (₹ 119.01 crore).

**Table: 2.2 List of grants/appropriations with savings of ₹ 1,000 crore and above and more than 20 per cent of total provision**

(₹ in crore)

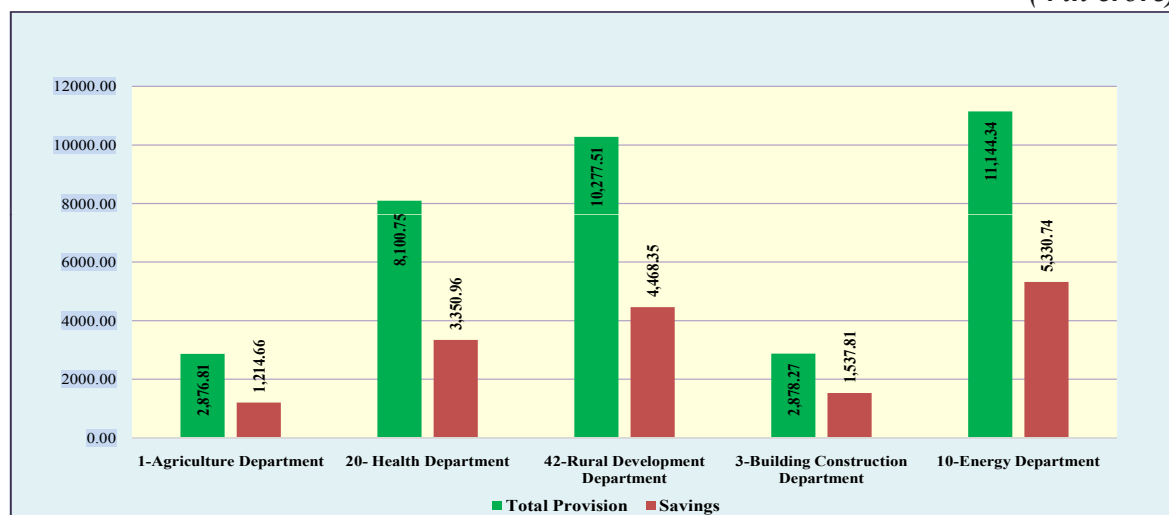
Sl. No.	Number and Name of grant/ Appropriation	Original provision	Supplementary provision	Total	Expenditure	Savings	Percentage of savings
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>(A) REVENUE</b>							
1	1-Agriculture Department	2,698.13	178.68	2,876.81	1,662.15	1,214.66	42.22
2	15- Pension	16,285.30	0.30	16,285.60	12,514.52	3,771.08	23.16
3	18- Food and Consumer Protection Department	2,143.22	19.98	2,163.20	1,065.68	1,097.52	50.74
4	20- Health Department	7,321.68	779.07	8,100.75	4,749.79	3,350.96	41.37
5	35-Planning and Development Department	2,251.59	75.66	2,327.25	1,036.16	1,291.09	55.48
6	39-Disaster Management Department	597.94	1,205.61	1,803.55	593.52	1,210.03	67.09
7	42-Rural Development Department	5,434.94	4,842.57	10,277.51	5,809.16	4,468.35	43.48
8	48- Urban Development and Housing Department	3,409.36	1,213.38	4,622.74	3,377.92	1,244.82	26.93
9	51-Social Welfare Department	4,871.17	1,773.02	6,644.19	4,845.24	1,798.95	27.08
<b>Total Revenue</b>		<b>45,013.33</b>	<b>10,088.27</b>	<b>55,101.60</b>	<b>35,654.14</b>	<b>19,447.46</b>	<b>35.29</b>
<b>(B) CAPITAL</b>							
10	3-Building Construction Department	2,560.46	317.81	2,878.27	1,340.46	1,537.81	53.43
11	10-Energy Department	9,017.69	2,126.65	11,144.34	5,813.60	5,330.74	47.83
<b>Total Capital</b>		<b>11,578.15</b>	<b>2,444.46</b>	<b>14,022.61</b>	<b>7,154.06</b>	<b>6,868.55</b>	<b>48.98</b>
<b>Grand Total (A+B)</b>		<b>56,591.48</b>	<b>12,532.73</b>	<b>69,124.21</b>	<b>42,808.20</b>	<b>26,316.01</b>	<b>38.07</b>

(Source: Appropriation Accounts for the year 2016-17).

Significant cases of savings of more than ₹ 1,000 crore and more than 20 per cent of total provisions are shown in **Chart 2.1**.

**Chart 2.1: Savings of more than ₹ 1,000 crore and more than 20 per cent of total provision during 2016-17**

(₹ in crore)



### 2.3.3 Persistent Savings

In 11 cases involving 10 grants, there were persistent savings of ₹ 70 crore and above (11.39 per cent to 69.33 per cent of total provision) ranging between ₹ 72.52 crore and ₹ 3,350.96 crore during the preceding five years, as detailed in table 2.3.

**Table 2.3: List of Grants indicating persistent savings during 2012-13 to 2016-17**

(₹ in crore)

Sl. No	No. and Name of the Grant	Amount of savings ( percentage to total grant in bracket)				
		2012-13	2013-14	2014-15	2015-16	2016-17
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Revenue-Voted</b>						
		<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
1	2-Animal and Fisheries Resource Department	426.49 (44.31)	607.69 (62.55)	211.60 (32.11)	188.32 (31.37)	133.54 (22.24)
2	12-Finance Department	223.31 (31.97)	106.32 (27.48)	124.99 (45.19)	116.02 (45.17)	100.83 (38.82)
3	20-Health Department	569.78 (22.26)	623.24 (22.30)	914.11 (21.60)	964.06 (21.44)	3,350.96 (41.37)
4	27-Law Department	151.31 (26.11)	141.61 (22.78)	179.09 (26.60)	146.64 (22.14)	289.30 (34.98)
5	40-Revenue and Land Reforms Department	72.52 (14.96)	132.67 (21.20)	224.14 (31.73)	238.37 (32.74)	363.64 (44.40)
6	41-Road Construction Department	109.32 (16.45)	413.22 (32.96)	359.65 (28.57)	117.63 (11.39)	222.55 (17.66)
7	50-Minor Water Resource Department	92.81 (25.99)	668.14 (66.10)	375.42 (57.59)	359.97 (51.86)	102.64 (30.00)
<b>Total</b>		<b>1,645.54</b>	<b>2,692.89</b>	<b>2,389.00</b>	<b>2,131.01</b>	<b>4,563.46</b>
<b>Capital-Voted</b>						
8	3-Building Construction Department	722.07 (69.33)	659.52 (40.88)	1,719.79 (60.50)	1,347.14 (45.12)	1,537.81 (53.43)
9	36-Public Health Engineering Department	265.47 (50.66)	97.55 (13.62)	601.57 (40.46)	432.15 (35.84)	580.58 (33.28)
10	49-Water Resources Department	672.73 (27.47)	1,853.56 (53.61)	1,262.62 (50.27)	251.54 (14.48)	511.32 (23.38)
11	50-Minor Water Resources Department	127.24 (43.26)	108.10 (35.51)	181.00 (50.03)	122.14 (37.85)	161.05 (56.45)
<b>Total</b>		<b>1,787.51</b>	<b>2,718.73</b>	<b>3,764.98</b>	<b>2,152.97</b>	<b>2,790.76</b>
<b>Grand Total</b>		<b>3,433.05</b>	<b>5,411.62</b>	<b>6,153.98</b>	<b>4,283.98</b>	<b>7,354.22</b>

(Source: Appropriation Accounts for the year 2016-17)

**Recommendation:** The Finance Department should ensure that all anticipated savings are surrendered on time so that the funds can be utilised for other development purposes.

#### 2.3.3.1 Persistent savings in schemes under Social and Economic Services

Analysis of savings (₹ 10 crore and above) during the last three years (2014-15 to 2016-17) in schemes under Plan head, of departments performing social and economic services, revealed that persistent savings had occurred mainly under heads related to schemes implemented by the Education Department as shown in table 2.4.

**Table 2.4 : List of heads with persistent savings during 2014-15 to 2016-17 under Education Department**

₹ in crore)

Sl. No.	Head of Accounts and Description	2014-15		2015-16		2016-17	
		Total Provision	Savings	Total Provision	Savings	Total Provision	Savings
1	2202-01-109-0102-Chief Minister Girls Uniform Scheme	254.00	45.87 (18.06)	308.93	60.37 (19.54)	280.00	117.37 (41.92)
2	2202-01-109-0103-Tour for Students of Middle Schools	58.45	41.16 (70.42)	58.45	11.97 (20.48)	25.00	21.20 (84.80)
3	2202-01-789-0102-Chief Minister Uniform Scheme	72.80	28.76 (39.51)	190.00	76.99 (40.52)	52.00	10.12 (19.46)
4	2202-02-107-0108-Other Schools	311.28	122.90 (39.48)	175.42	31.27 (17.83)	287.22	156.53 (54.50)
5	2202-02-110-0209-Scheme for imparting education to Madrasas, Minorities & Disabled	180.56	180.56 (100.00)	180.56	164.92 (91.34)	33.33	33.33 (100.00)
6	2202-02-196-0001- Consolidated Grant to Zila Parishad Secondary Teachers	311.66	83.50 (26.79)	489.84	143.01 (29.19)	753.86	156.64 (20.78)
7	2202-03-102-0323-National Higher Education Expedition	144.00	140.00 (97.22)	75.00	62.67 (83.56)	40.00	35.60 (89.00)
8	2202-03-107-0104-Chief Minister Girls Uniform Scheme	48.05	10.41 (21.66)	64.62	41.64 (64.44)	35.00	15.00 (42.86)
9	2202-04-200-0203-Support for Educational Development to teachers training along with Adult education	210.62	170.96 (81.17)	106.20	39.87 (37.54)	65.00	41.59 (63.98)
10	2202-80-001-0102- State Education Research and Training Institute Directorate	32.63	28.07 (86.03)	31.25	20.59 (65.89)	18.83	15.51 (82.37)

*Figures in brackets represent percentage of savings out of total provision.*

*(Source- Detailed Appropriation Account 2014-15, 2015-16 and 2016-17)*

Significant savings ranging from ₹ 20.59 crore to ₹ 180.56 crore (66 to 100 per cent) were noticed in ‘Scheme for imparting Education to Madrasas, Minorities and Disabled’, ‘National Higher Education Expedition’ and ‘State Education Research and Training Institute Directorate’ during 2014-15 to 2016-17.

**Recommendation:** *The Finance Department should review the system in the Education Department to ensure that recurring savings against provisions do not continue.*

### 2.3.4 Unnecessary supplementary provision

During 2016-17, in 46 cases (37 grants/appropriations) supplementary provisions amounting to ₹ 11,677.83 crore (₹ ten lakh or more in each case) proved unnecessary as the expenditure was not even up to the level of the original provision as detailed in **Appendix 2.3**.

### 2.3.5 Excessive / Unnecessary re-appropriation of funds

Re-appropriation of ₹ 278.12 crore under 19 grants/ appropriations involving 57 detailed heads, proved unnecessary as the final savings were ₹ 596.80 crore (**Appendix 2.4**). It was also seen that ₹ 691.68 crore provided through re-appropriation in 15 grants/appropriations involving 36 detailed heads, proved excessive in view of savings of ₹ 107.13 crore

(Appendix 2.5). This indicated injudicious re-appropriation without assessing actual requirements.

Further, there was excess expenditure of ₹ 43.88 crore in 10 cases, which can partly be attributed to ₹ 259.75 crore being injudiciously withdrawn through re-appropriations, as detailed in table 2.5.

**Table 2.5: Injudicious withdrawals through re-appropriation of funds**

(₹ in crore)

Sl. No.	Grant No.	Head of Accounts and Description	Total Provision	Re-appropriation (-)	Total Surrender	Expenditure	Excess Expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	02	2403-00-103-0003- Scheme for Range Poultry Farm, Central Poultry Development and Production & Distribution of Poultry Feed	5.20	0.06	1.07	4.13	0.06
2	03	4059-01-051-0101- Building	216.43	1.20	89.57	126.16	0.50
3	08	2205-00-107-0001- Museums	20.73	3.34	6.36	11.07	0.04
4	16	2515-00-001-0003- Establishment of District Panchayats	267.31	0.55	95.65	171.63	0.52
5		2515-00-198-0009- Contribution to Gram Panchayats in the light of recommendation of State Finance Commission	1,654.25	241.43	58.28	1,385.49	30.95
6	23	2851-00-789-0104- Handloom Development Scheme	14.80	3.70	10.34	4.46	3.70
7	26	2230-03-101-0001- State Council Administration of Industrial Training Institute	46.24	0.05	7.26	38.94	0.01
8	44	2225-01-277-0011- Scholarship and Stipends	10.85	1.27	8.78	0.85	0.05
9	51	2235-02-104-0104- Bihar Social Protection Project (World Bank Aided)	95.80	8.00	0.00	95.80	8.00
10		2235-02-106-0001- Remand Home	5.77	0.15	3.22	2.45	0.05
<b>Total</b>			<b>2,337.38</b>	<b>259.75</b>	<b>280.53</b>	<b>1,840.98</b>	<b>43.88</b>

(Source: Grants Audit Register & Detailed Appropriation Accounts for the year 2016-17)

Similarly, insufficient withdrawal of fund through re-appropriations (₹ 484.91 crore) in 68 cases under 27 grants resulted in savings of ₹ 1,260.86 crore as shown in Appendix 2.6.

**Recommendation:** The Finance Department should agree to reappropriation proposals from grant controlling officers only if the trend of expenditure warrants these.

### 2.3.6 Substantial surrenders

Out of the total provision of ₹ 18,806.05 crore in 126 cases under 26 grants/ appropriations, ₹ 14,426.57 crore (76.71 per cent) was surrendered (₹ five crore and more than 50 per cent of the total provision in each case) as detailed in Appendix 2.7. Further, there



was cent *per cent* surrender of funds (₹ 3,421.66 crore<sup>4</sup>) in 186 head of accounts under 35 grants/appropriations (*Appendix 2.8*). Such substantial surrenders indicated that either the budgeting was done without due prudence or that there are serious slippages in programme implementation.

The departments attributed surrender of funds to revision in plan outlay, non-receipt of central share and administrative approval, non-sanction of adequate amount, inability to foresee appointments/ transfers and non-receipt of funds from nodal agencies etc.

### 2.3.7 Surrenders in excess of actual savings

Against savings of ₹ 2,212.84 crore, the amount surrendered was ₹ 2,292.84 crore, resulting in excess surrender of ₹ 80 crore in 10 Departments as shown in **table 2.6**. Such surrenders in excess of actual savings indicated that the departments did not exercise adequate budgetary controls by watching flow of expenditure through monthly expenditure statements.

**Table 2.6: Surrender in excess of actual savings during the year 2016-17**

(₹ in crore)

Sl. No.	Number and name of the grant	Total grant	Saving	Amount surrendered	Amount surrendered in excess (5-4=6)
(1)	(2)	(3)	(4)	(5)	(6)
<b>Revenue- Voted</b>					
1	02- Animal and Fisheries Resource Department	600.34	133.54	134.52	0.98
2	16- Panchayati Raj Department	7,386.33	919.67	944.66	24.99
3	30- Minorities Welfare Department	162.86	8.79	9.14	0.35
4	33- General Administration Department	673.41	169.23	170.34	1.11
5	36- Public Health Engineering Department	434.32	87.12	90.31	3.19
6	43- Science and Technology Department	101.06	20.98	21.06	0.08
7	50- Minor Water Resource Department	342.12	102.64	103.22	0.58
<b>Total Revenue</b>		<b>9,700.44</b>	<b>1,441.97</b>	<b>1,473.25</b>	<b>31.28</b>
<b>Capital- Voted</b>					
1	20- Health Department	1,120.29	261.23	266.74	5.51
2	23- Industries Department	127.40	1.87	2.34	0.47
3	41- Road Construction Department	5,784.91	442.80	485.09	42.29
4	43- Science and Technology Department	378.32	64.97	65.42	0.45
<b>Total Capital</b>		<b>7,410.92</b>	<b>770.87</b>	<b>819.59</b>	<b>48.72</b>
<b>Grand Total</b>		<b>17,111.36</b>	<b>2,212.84</b>	<b>2,292.84</b>	<b>80.00</b>

(Source: Appropriation Accounts for the year 2016-17)

### 2.3.8 Anticipated savings not surrendered

As per paragraph 104 of the BBM, spending departments are required to surrender grants/appropriations or portion thereof to the Finance Department as and when savings are anticipated. At the end of 2016-17, though savings of ₹ 8,998.92 crore (₹ one crore or more and above 10 *per cent* of total provisions in each case) occurred in 17 major heads under 12 grant/appropriations, no part of it was surrendered by the spending departments as detailed in *Appendix 2.9*.

<sup>4</sup> more than ₹ five lakhs in each case

Besides, in 70 cases (in excess of ₹ 10 crore and 10 per cent of the total provisions in each case) under 34 grants/appropriations, ₹ 17,354.26 crore (27.54 per cent) out of the total provision (₹ 63,016.77 crore) was surrendered on the last working day of the financial year as detailed in **Appendix 2.10**.

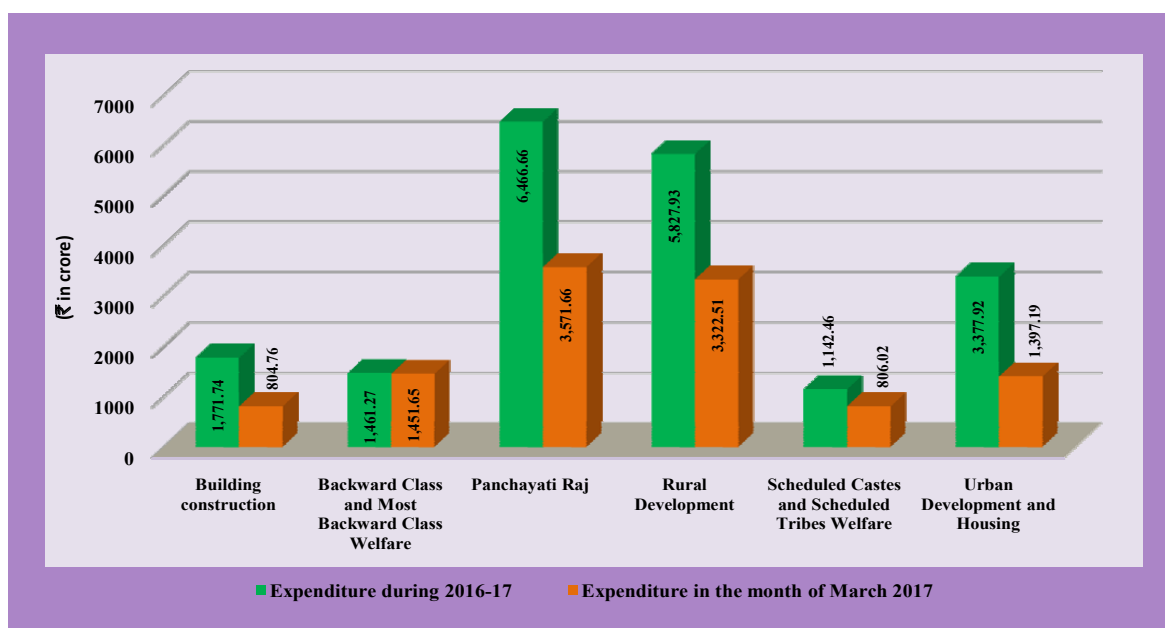
**Recommendation:** The Finance Department should ensure timely surrender of funds and evolve a system of timely budgetary releases to departments to minimise the surrenders.

### 2.3.9 Rush of Expenditure

The BBM stipulates that late allotments should be avoided unless they are inevitable. Funds placed at the disposal of a Disbursing Officer late in the year are very often an invitation to extravagance or rush of expenditure. Uniform flow of expenditure is essential to ensure that the primary requirement of budgetary control is maintained.

In 17 departments, expenditure (₹ 19,036.99 crore) incurred during the last quarter was 68.63 per cent of total expenditure (₹ 27,738.38 crore) during the year and expenditure incurred (₹ 14,175.07 crore) in the month of March 2017 was 51.10 per cent of total expenditure as detailed in **Appendix 2.11**. Out of this, ₹ 76.66 crore was drawn by the 17 departments through AC bills in March 2017 indicating that this was done to exhaust the budgetary provision and the savings were actually greater than depicted. Further, ₹ 11,353.79 crore (56.49 per cent) of total expenditure (₹ 20,047.98 crore) under 6 departments was spent in March 2017 as depicted in **Chart 2.2**.

**Chart : 2.2 Rush of expenditure during 2016-17**



(Source: Finance Accounts for the year 2016-17)

The Finance Department stated (March 2018) that the maximum amount of grants from GoI is received in the last quarter of the financial year and expenditure thereof along with matching State share for Central schemes is made thereafter. It was further stated that expenditure is made in the last quarter and in March of the financial year due to late approval of new schemes coupled with passing of second supplementary budget in December and third supplementary budget in March.



The reply is not acceptable as the State share for Central schemes could have been released in the interest of work without waiting for the Central share. Further, new schemes could have been approved without waiting for the last quarter of the year.

**Recommendation:** The State Government should frame rules to control rush of expenditure during the fag end of the financial year.

## 2.4 Advances from Contingency Fund

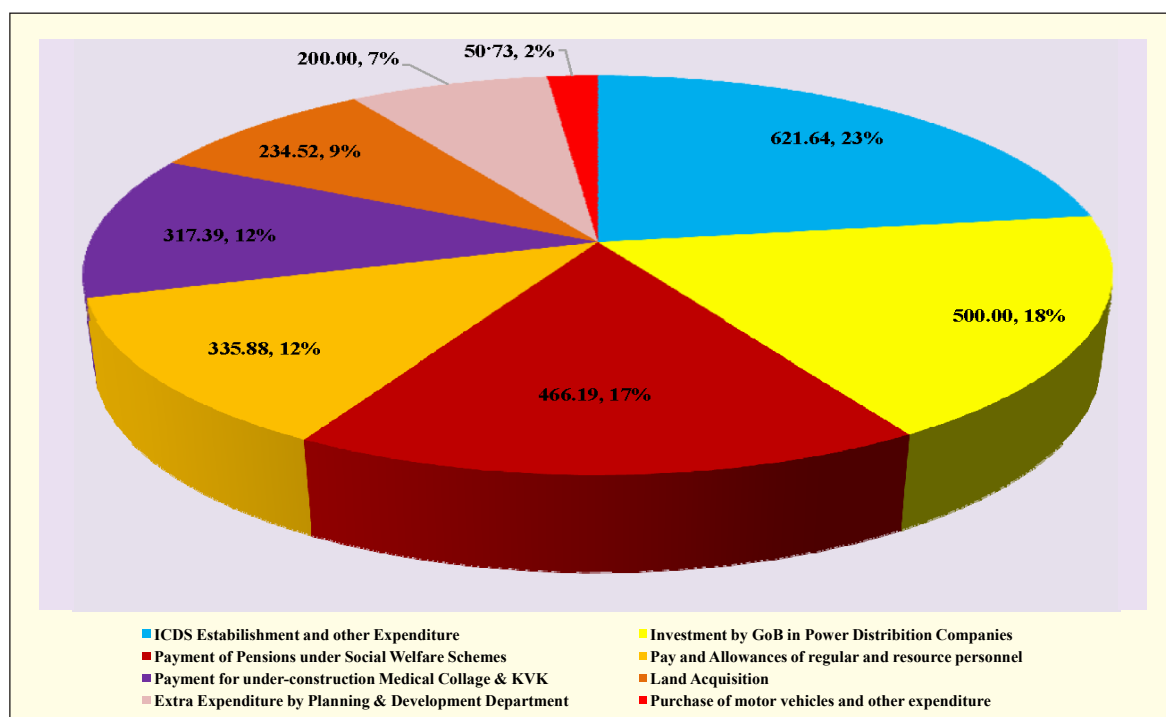
The Contingency Fund of the State was established under the Bihar Contingency Fund Act, 1950 in terms of the provisions of Articles 267 (2) and 283 (2) of the Constitution of India.

Through the Bihar Contingency Fund (Amendment) Act 2015, the State Government increased the corpus of the Contingency Fund from ₹ 350 crore to ₹ 5,787.85 crore, on temporary basis, for the period 1 April 2016 to 30 March 2017 for relief on natural calamities like drought and earthquake and for meeting the State share of GOI sponsored projects for which budget provisions have not been made and expenditure is to be made immediately. Fifty *per cent* of the total amount so enhanced was to be used only for relief and rehabilitation measures due to natural calamities. In comparison, the corpus of the Contingency Fund of GoI has remained at ₹ 500 crore over the past 12 years. The Contingency Funds of the neighbouring states was also far less<sup>5</sup>.

It was observed that the State Government made 136 withdrawals amounting to ₹ 4,416.63 crore from the Contingency Fund, out of which, 61 withdrawals amounting to ₹ 2,726.35 crore (61.73 *per cent*) were for meeting non-contingent expenditure (*Appendix 2.12*) in violation of constitutional provisions as shown in **Chart 2.3**.

**Chart 2.3: Non-contingent expenditure from Contingency Fund**

(₹ in crore)



<sup>5</sup> Uttar Pradesh: ₹ 600 crore, Madhya Pradesh and Jharkhand: ₹ 500 crore.

In reply, the Finance Department stated (December 2017) that the expenditure was made to defray expenditure for which there was no budget provision and the Legislature not being in session; the expenditure had thereafter been regularized by the Legislature.

The reply is not acceptable, since it violates the principles of budgetary and legislative control, as follows:

(i) the Constitutional provision underlying the creation of Contingency Funds for the Union and the States stipulates that such funds are placed at the disposal of the Executive to meet urgent unforeseen expenditure. The expenditure of ₹ 2,726.35 crore depicted in **Chart 2.3** does not comply either with the Constitutional provision or the stipulations of the Bihar Legislature.

(ii) Analysis of expenditure made out of the Contingency Fund during the past four years revealed that the fund has been regularly enhanced<sup>6</sup>, on temporary basis year after year, for relief on natural calamities and for meeting the State share of GOI sponsored projects. However, the expenditure on natural calamities during the last five years ranged from 0.02 to 37.67 per cent of the funds drawn from the Contingency Fund as shown in **table 2.7**.

**Table 2.7 : Expenditure on natural calamities from the Contingency Fund**

(₹ in crore)

Sl. No.	Year	Total expenditure from Contingency Fund	Expenditure on natural calamities	Percentage of total expenditure
1	2012-13	2,536.92	0.48	0.02
2	2013-14	1,141.58	430.00	37.67
3	2014-15	1,875.84	204.52	10.90
4	2015-16	6,117.60	2,205.00	36.04
5	2016-17	4,416.63	1,524.42	34.52

(iii) Further, a major portion<sup>7</sup> of the funds had been utilised for non-contingent expenditure such as purchase of motor vehicles, payment of salaries/pension etc. It was incumbent on the Finance Department to have made budgetary provisions for the above routine expenditure and secured prior legislative approval as contemplated in the Constitution on the annual budgetary exercise. The Finance Department has failed to comply with these Constitutional provisions and the Contingency Fund is being used as an imprest account.

**Recommendations:** *The Finance Department should review the practice of such large annual increases in the Contingency Fund corpus and should also ensure that advances from the Contingency Fund are utilized only to meet “urgent unforeseen expenditure” as contemplated under the Constitution and the Bihar Contingency Fund Act. The Finance Department should also bring to the notice of the Legislature every deviation from these stipulations at the time of seeking regularization of expenditure from the Contingency Fund.*

<sup>6</sup> Raised to ₹ 2,600 crore in 2012-13, to ₹ 1,800 crore in 2013-14, to ₹ 2,000 crore in 2014-15, to ₹ 4,827.41 in 2015-16 and to ₹ 5,787.85 crore in 2016-17.

<sup>7</sup> ₹ 2,470.56 crore (97 per cent) in 2012-13, ₹ 689.79 crore (60 per cent) in 2013-14, ₹ 1,667.15 crore (89 per cent) in 2014-15 and ₹ 2,927.07 crore (61 per cent) in 2015-16

## 2.5 Drawal of funds to avoid lapse of budgetary provision

The Bihar Treasury Code (BTC), 2011, stipulates that no money shall be drawn from the Treasury in anticipation of demands or to prevent lapse of budget grants and unspent balances should be refunded to the Treasury before the end of the same financial year.

Test check (2016-2017) revealed that, in 25 cases, an amount of ₹ 15.98 crore was drawn on AC bills during the period 2006-07 to 2014-15. Out of this, an amount of ₹ 5.77 crore was remitted after retention for periods ranging from one year and five months to eight years and seven months (*Appendix 2.13*).

Further, in 7 cases, the entire amount of ₹ 7.19 crore drawn on AC bills during the period from 2004-05 to 2014-15 was remitted after retaining the funds for periods ranging from nine months to ten years and ten months (*Appendix 2.14*).

Unspent balances not transferred to the Consolidated Fund before the closure of financial year entails risk of misuse of public funds, fraud and misappropriation.

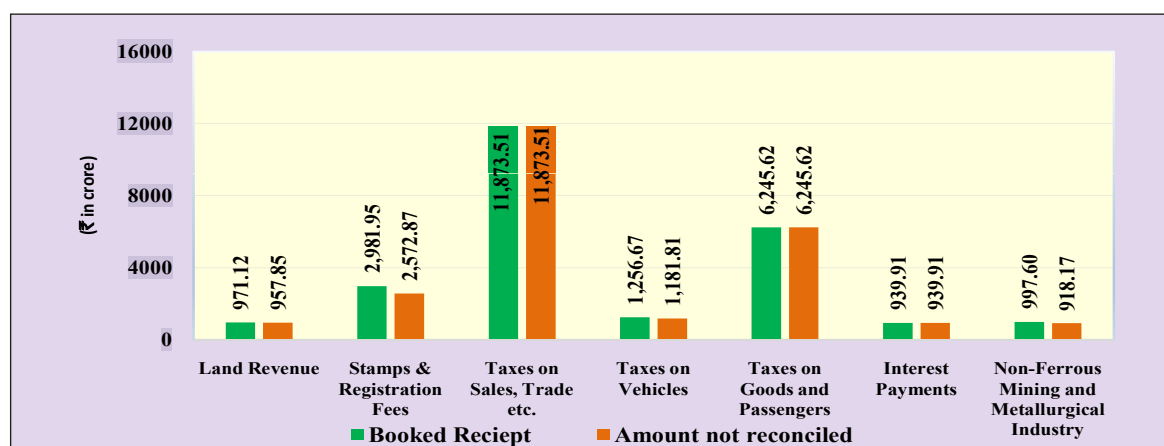
**Recommendations:** *The Finance Department should ensure that funds are not drawn merely to avoid lapse of budget. Disciplinary action should be initiated against officers/officials who draw funds on AC bills to avoid lapse of budget and fail to transfer unspent balances to Consolidated Fund before the closure of the financial year.*

## 2.6 Unreconciled receipts and expenditure

Every year, the Accountant General (Accounts & Entitlements) reiterates to Budget Controlling Officers, the requirements of the Bihar Budget Manual, to reconcile their monthly and quarterly figures of receipts and expenditure with the books of the AG (A&E).

Audit observed, however, that HoDs did not reconcile receipts amounting to ₹ 25,430.49 crore (exceeding ₹ 10 crore in each case) out of total receipts of ₹ 1,05,584.99 crore under 26 Major heads and expenditure amounting to ₹ 1,00,816.53 crore (exceeding ₹ 10 crore in each case) out of total expenditure (₹ 1,21,213.47 crore) under 87 major heads during 2016-17 with the books of the AG (A&E) (*Appendix 2.15*). Significant cases of non-reconciliation related to 7 receipts and 7 expenditure heads<sup>8</sup> respectively as depicted in *Chart 2.4* and *2.5*.

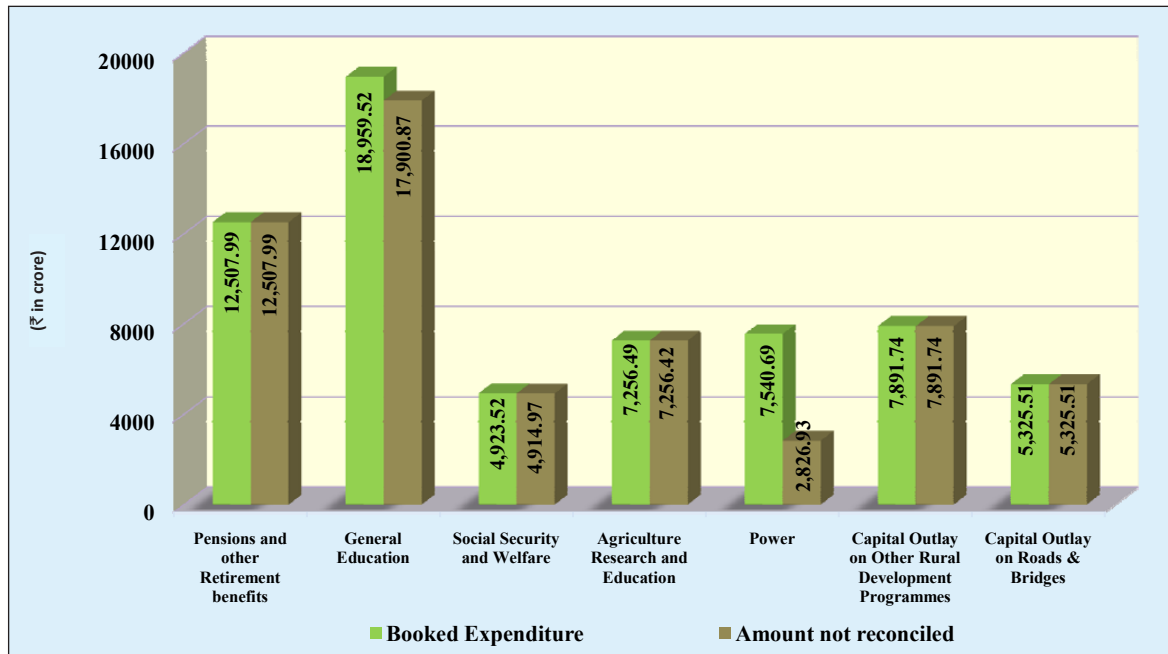
*Chart 2.4: Receipts not reconciled*



(Source: Information compiled by office of the Accountant General (A&E))

<sup>8</sup> 6 departments under Receipt heads and 16 departments under Expenditure heads.

**Chart 2.5: Expenditure not reconciled**



(Source: Information compiled by office of the Accountant General (A&E)).

**Recommendation:** The Finance Department should evolve a mechanism making it mandatory for the Controlling Officers to reconcile every month, their receipts and expenditure with the books of the AG (A&E).

### Review of selected grants

A review of the budgetary procedures and control over expenditure was conducted (August and September 2017) in respect of Grant No. 20- “Health Department” and Grant No. 46 “Tourism Department”. The results of review are detailed below:

#### 2.7 Review of Grant No.20 “Health Department”

Five Major Heads (2210, 2211, 2235, 2251 and 4210) were operated by the Department of Health under Grant No.20 during the financial year 2016-17, as summarised in **Table 2.8**.

**Table 2.8: Summarised Appropriation for 2016-17**

(₹ in crore)						
Budget Estimate	Original provision	Supplementary provision	Total provision	Total Expenditure	Savings	Savings in percentage
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Revenue	7,321.68	779.07	8,100.75	4,749.79	3,350.96	41.37
Capital	913.01	207.28	1,120.29	859.06	261.23	23.32
<b>Total</b>	<b>8,234.69</b>	<b>986.35</b>	<b>9,221.04</b>	<b>5,608.85</b>	<b>3,612.19</b>	<b>39.17</b>

(Source: Appropriation Accounts of the year 2016-17)

### 2.7.1 Substantial savings

Substantial savings in the revenue sector were mainly under sadar and sub-divisional hospitals, TB and Leprosy Eradication Programme, primary health centers, health sub-centers etc. Savings in capital sector were mainly under Indira Gandhi Institute of Cardiology, Medical College and land acquisition for Rural Medical Institutions, etc.

The Health Department accepted (September 2017) the audit findings.

**Recommendation:** *Since substantial savings are a routine feature of the Health Department grant, the Finance and Health Departments should take more effective steps to ensure that such savings do not recur.*

### 2.7.2 Unnecessary and excessive supplementary provision

The supplementary provision of ₹ 103.08 crore, under major head 2210 and 2211, during the year 2016-17 proved unnecessary as the expenditure (₹ 1,163.26 crore) did not come up to the level of original provision (₹ 1,293.65 crore). Further, supplementary provision of ₹ 2.44 crore under major head 2210 proved excessive as the expenditure of ₹ 18.45 crore was only ₹ 5 lakh more than the original provision (₹ 18.40 crore) as detailed in **Appendix 2.16**.

In reply, the Health Department stated (September 2017) that the supplementary provision could not be utilised due to unavoidable reasons.

The reply is ambiguous and not acceptable as specific reasons for non-utilisation of the supplementary provision, a major portion of which was made for primary health centres, should be available with the Department.

### 2.7.3 Unnecessary re-appropriation

In eight cases, though re-appropriation of ₹ 2.47 crore was made, the actual expenditure of ₹ 65.72 crore was well within the original provision as detailed in **table 2.9**.

**Table 2.9: Unnecessary re-appropriation of funds**

(₹ in crore)

Sl. No.	Head of Account	Total Provision (O+S)	Reappropriation	Expenditure
(1)	(2)	(3)	(4)	(5)
1	2210- Medical and Public Health-01-Urban Health Services- Allopathy-001-Direction and Administration-0001-Health Directorate	20.84	0.56	18.45
2	2210- Medical and Public Health-01-Urban Health Services-Allopathy-110-Hospital and Dispensaries-0010-Indira Gandhi Cardiac Institute, Patna	32.92	0.34	24.96
3	2210- Medical and Public Health-01-Urban Health Services-Allopathy-110-Hospital and Dispensaries-0011-Infectious Disease Hospital, Patna	2.62	0.02	2.10
4	2210- Medical and Public Health-01-Urban Health Services-Allopathy-110-Hospital and Dispensaries-0012-Rajendra Nagar Hospital, Patna	4.76	0.06	4.47

Sl. No.	Head of Account	Total Provision (O+S)	Reappropriation	Expenditure
(1)	(2)	(3)	(4)	(5)
5	2210- Medical and Public Health-05-Medical Education, Training and Research-105-Allopathy-0009- Dental College, Patna	5.64	0.94	3.93
6	2210- Medical and Public Health- 06-Public Health-003-Training-0002-Public Health Institution	15.56	0.38	8.29
7	2251- Secretariat-Social Services-00-090-Secretariat-0007-Health Department	4.44	0.02	3.52
8	4210-Capital outlay on Medical and Public Health-02-Rural Health Services-050-Land-0101-Land Acquisition for Rural Medical Institutions	0.00	0.15	0.00
<b>Total</b>		<b>86.78</b>	<b>2.47</b>	<b>65.72</b>

(Source: Detailed Appropriation Accounts and Grant Audit Register for the year 2016-17)

The Health Department accepted (September 2017) the audit observation.

#### 2.7.4 Surrender of funds on the last day of the Financial Year

The Department failed to use an amount of ₹ 1,416.65 crore which was surrendered on the last day of the financial year (41.86 per cent of total amount surrendered by the Department during the year), as detailed in **Appendix 2.17**, which could have been avoided had the Health Department utilized the Monthly Expenditure Reports submitted by its Controlling Officers to the Department to monitor the flow of expenditure.

The Health Department accepted (September 2017) the audit observation.

#### 2.7.5 Fifty to hundred per cent surrender of funds

The entire provision of ₹ 574.17 crore in eleven detailed heads under three major heads (2210, 2235 and 4210) pertaining to National AIDS and Sexually Transmitted Disease Prevention Programme and National AYUSH Mission including Medicinal Plants related Mission, social security for unorganized labour, National Health Insurance Scheme, Human Resources in Health and Public Education etc., remained unutilised and was surrendered. Further, in twelve cases under three major heads (2210, 2211 and 4210), ₹ 2,179.25 crore (71.81 per cent of total allocation of ₹ 3,034.55 crore and ranging between 50 per cent to 99 per cent of allocation) under the heads of account pertaining to National Health Mission including National Rural Health Mission, mental hospital, new medical colleges, para medical institutions etc., was surrendered during the year as detailed in **Appendix 2.18**.

The Health Department accepted (September 2017) the audit observations.

**Recommendation:** The Health Department should initiate measures to ensure that subordinate offices submit proposals on time so that fund allocations are utilized.

### 2.8 Review of Grant No. 46- “Tourism Department”

The position under three major heads (3451, 3452 and 5452) operated under the grant pertaining to the Department of Tourism is given in **table 2.10** below.



**Table 2.10: Position of Summarised Appropriation for 2016-17.***(₹ in crore)*

Budget Estimate	Original Provision	Supplementary Provision	Total Provision	Total Expenditure	Savings	Savings (percentage)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Revenue	31.78	69.16	100.94	88.67	12.27	12.16
Capital	640.71	43.00	683.71	63.09	620.62	90.77
<b>Total</b>	<b>672.49</b>	<b>112.16</b>	<b>784.65</b>	<b>151.76</b>	<b>632.89</b>	<b>80.66</b>

*(Source: Detailed Appropriation Accounts 2016-17)***2.8.1 Substantial savings**

Against the total provision of ₹ 100.94 crore under the Revenue section, expenditure of only ₹ 88.67 crore was incurred, resulting in savings of ₹ 12.27 crore (12.16 per cent of the total provision). Savings were mainly under heads meant for schemes related to Tourist Center and Tourism Development. The provision of ₹ 683.71 crore under Capital section included State Plan (₹ 70.51 crore) and Central Plan (₹ 613.20 crore). Against State Plan, only ₹ 63.09 crore was spent resulting in saving of ₹ 7.42 crore under the head meant for 'Development of Tourism Structures'. Out of ₹ 613.20 crore provided under Central Plan, ₹ 576.54 crore and ₹ 36.66 crore were meant for Swadesh Darshan Scheme and Prasad Scheme respectively. However, funds allocated (₹ 613.20 crore) for these schemes were not released by GoI as of March 2017.

The Tourism Department accepted (September 2017) the audit observations.

**2.8.2 Surrender of funds on the last day of the financial year**

Out of the total provision of ₹ 168.11 crore relating to five detailed heads, ₹ 12.67 crore (7.54 per cent of total provision) was surrendered on the last day of the financial year as detailed in **table 2.11**.

**Table 2.11: Surrender of funds on the last day of the financial year***(₹ in crore)*

Sl. No.	Head	Total Provision	Surrendered amount
(1)	(2)	(3)	(4)
1	3451-Secretariat Economic Service-00-090-Secretariat-0015-Tourism Department	2.61	0.36
2	3452-Tourism-01-Tourist infrastructure-101-Tourism centre-0001-Tourism Centre	50.98	2.95
3	3452-Tourism-80-General-001-Direction and Administration-0001-Directorate	16.51	1.31
4	3452-Tourism-80-General-104-Promotion and Publicity-0103-Tourism Development	27.50	6.47
5	5452-Capital Outlay on Tourism-01- Tourism infrastructure-101-Tourist Centre-0104-Development of Tourism Structures	70.51	1.58
<b>Total</b>		<b>168.11</b>	<b>12.67</b>

*(Source: Detailed Appropriation Accounts 2016-17)*

### 2.8.3 Unnecessary supplementary provision

Supplementary provision of ₹ 1.00 crore under Major Head 3452-Tourism-80-General-003-Training-0101-Bihar Kaushal Vikas Mission proved unnecessary as the entire provision was surrendered without incurring any expenditure.

The Tourism Department stated (September 2017) that the amount was not utilised due to unavoidable circumstances.

The reply is ambiguous and not acceptable as specific reasons for non-utilisation of the supplementary provision should be available with the Department.

### 2.8.4 Unadjusted Abstract Contingent bills

Out of ₹ 57.01 crore drawn on 53 AC bills, only 24 DC bills amounting to ₹ 17.53 crore were submitted and partly adjusted up to March 2017. The funds were drawn mainly for construction of Tourist Complex at Gaya, development of Maya Sarover at Bodh Gaya, renovation of Indrashan Hall and Conference Hall at Rajgir, development of Braham Kund at Rajgir and land acquisition etc., during the period from 2006-07 to 2015-16. 52 DC bills amounting to ₹ 39.48 crore were outstanding as of 31 March 2017 as detailed in table 2.12.

Non submission of DC bills within prescribed time, breaches financial discipline and entails risk of misappropriation of public money and unhealthy practices.

**Table 2.12: Position of outstanding DC bills**

(₹ in crore)

Sl. No.	Financial year	AC bills drawn		DC bills submitted		Outstanding DC bills	
		Number	Amount	Number	Amount	Number	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	2006-07	5	3.81	4	2.28	5	1.53
2	2007-08	2	0.62	2	0.43	2	0.19
3	2009-10	3	2.26	3	0.77	3	1.49
4	2010-11	2	1.05	1	0.19	2	0.86
5	2011-12	2	2.33	0	00	2	2.33
6	2012-13	17	26.28	12	13.61	16	12.67
7	2013-14	2	0.51	0	00	2	0.51
8	2014-15	18	17.67	2	0.25	18	17.42
9	2015-16	2	2.48	0	00	2	2.48
<b>Grand Total</b>		<b>53</b>	<b>57.01</b>	<b>24</b>	<b>17.53</b>	<b>52</b>	<b>39.48</b>

(Source: Information furnished by Tourism Department, GoB)

**Recommendation:** The Health and Tourism Departments should monitor trends of expenditure so that savings should be minimised, funds are not retained unnecessarily and are surrendered at the earliest.