

# EXECUTIVE SUMMARY

Based on the audited accounts of the Government of Bihar for the year ended March 2020, this Report provides an analytical review of the finances of the State Government.

## **Audit Findings**

### **Fiscal Position**

The State recorded a Fiscal Deficit of ₹ 14,724 crore during the year which had increased by ₹ 917 crore over the previous year. During 2019-20, the State suffered a revenue deficit of ₹ 1,784 crore for the first time since 2008-09. There were instances of misclassification of revenue transactions under capital section and non-accountal of other liabilities, which would have pushed up the deficits to a further extent, as brought out in the Report.

Although the fiscal deficit as percentage of GSDP was within the targets of the revised BFRBM Act for the last two years, however, outstanding debt to GSDP was not within the target of BFRBM Act.

*(Chapter I)*

### **Finances of the State**

The State witnessed a decrease of ₹ 7,561 crore (5.74 *per cent*) in Revenue Receipts during the year 2019-20 as compared to the previous year, primarily due to decrease in tax transfers from Government of India and Own Non-Tax Revenue .

Revenue Expenditure increased by ₹ 1,120 crore (0.90 *per cent*) mainly due to increase in committed expenditure during the year. Simultaneously, State Government has reduced the expenditure on asset creation by 41.57 *per cent* over the previous year.

Outstanding Public Debt at the end of the year has increased by ₹ 22,035 crore (17.47 *per cent*) over the previous year.

The liabilities of the State have been increasing year-on-year and over 74 *per cent* of the borrowings were utilised to its repayment during the year 2019-20, affecting the asset creation in the State.

*(Chapter II)*

### **Budgetary Management**

Out of total savings of ₹ 78,845.26 crore, only 21.20 *per cent* was surrendered (₹ 16,713.67 crore) during the year resulting in non-surrender of savings aggregating to ₹ 62,131.59 crore (78.80 *per cent* of total savings).

During 2019-20, in 51 cases, supplementary provisions amounting to ₹ 21,084.50 crore (₹ one crore or more in each case) proved unnecessary and remained unutilised as the expenditure (₹ 1,14,219.75 crore) had not even reached up to the level of the original provision (₹ 1,62,210.58 crore).

*(Chapter III)*

### **Quality of Accounts and Financial Reporting practices**

Contributions made to Building and Other Construction Workers Welfare Cess, Bihar District Mineral Foundations and District Society for Computerisation of Registration Offices were

kept in Scheduled Commercial Banks. Similarly, funds collected by Real Estate Regulatory Authority and Bihar Electricity Regulatory Commission were also kept in Scheduled Commercial Banks. This involves breach of Article 266(1) of the Constitution i.e., funds outside Consolidated Fund or Public Account of the State.

There were 158 PD accounts with a closing balance of ₹ 3,312.94 crore as of March 2020. An amount of ₹ 552.13 crore was shown to have been transferred to these accounts during the current year. It is imperative to curtail the usage of Personal Deposit Accounts to maintain the sanctity of budgetary process.

Further, there was a gap in the number of PD Accounts and the amount lying in these as per Comprehensive Financial Management System (CFMS) and Finance Accounts, primarily due to transferring of balances from old structure to the new structure outlined in Government. This requires reconciliation, as significant variations were observed between the balances of CFMS and of Finance Accounts.

As on 31 March 2020, Utilisation Certificates were outstanding for an amount of ₹ 79,690.92 crore which is fraught with the risk of misappropriation of funds and fraud.

It is observed that a total of 20,642 AC Bills amounting to ₹ 9,155.44 crore, had not been adjusted till March 2020. Out of these, 1383 AC Bills amounting to ₹ 644.13 crore (15.22 *per cent* of the total drawn AC Bills) were drawn in March 2020 alone. Non-submission of Detailed Contingent bills against drawal of Abstract Contingent bills has increased the possibility of wastage and misappropriation.

Funds under 102- Suspense Account-civil have remarkably increased (net Dr. 9,857.46 crore) during 2019-20 in comparison to the previous year 2018-19 (net Dr. 3,956.07 crore).

Indiscriminate operation of omnibus Minor Head 800 – Other Expenditure affected transparency in financial reporting and obscured proper analysis of allocative priorities and quality of expenditure. During 2019-20, expenditure of ₹ 640.26 crore was incurred through ‘800’ Minor Head out of total expenditure of ₹ 1,38,320.56 crore. The receipt of ₹ 948.22 crore (0.76 *per cent*) was booked through ‘800’ Minor Head out of total revenue receipt of ₹ 1,24,232.53 crore.

*(Chapter IV)*